

*Financial Results Q2 2012*  
*3 August 2012*

**SPONDA**

# Agenda

1. Performance highlights and our priorities – Kari Inkinen
2. Market Update – Kari Inkinen
3. Financials – Erik Hjelt
4. Business Update – Kari Inkinen

# 1. Performance Highlights and Our Priorities



# Sponda Q2 2012: Performance highlights

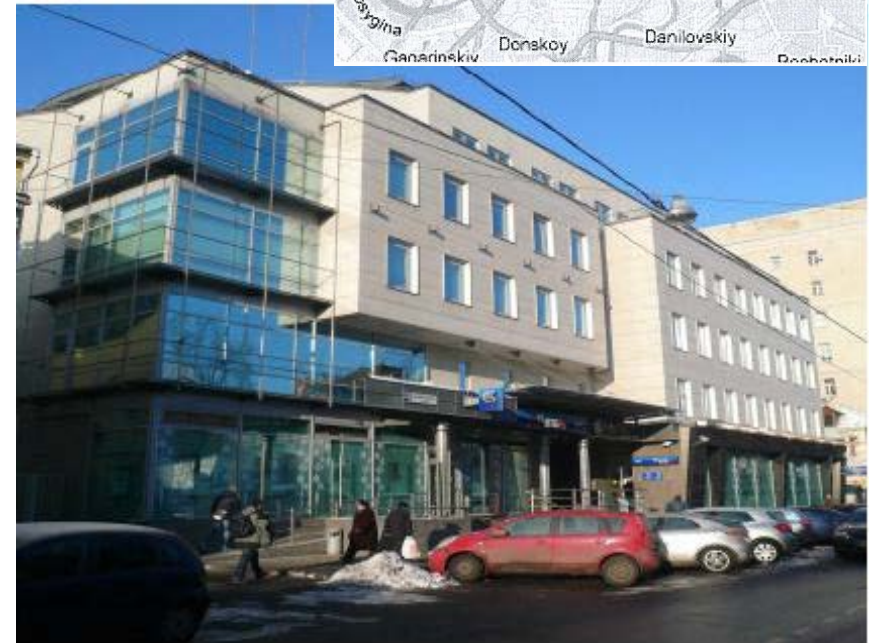
	<b>4-6/12</b>	Change %	4-6/11	<b>1-6/12</b>	Change %	1-6/11	<b>1-12/11</b>
Total revenue, M€	<b>66.2</b>	7.5	61.6	<b>132.3</b>	10.1	120.2	<b>248.2</b>
Net Operating Income, M€	<b>48.5</b>	8.0	44.9	<b>94.6</b>	12.0	84.5	<b>179.4</b>
Operating profit, M€	<b>49.2</b>	(29.7)	70.0	<b>92.9</b>	(13.5)	107.4	<b>209.6</b>
Cash flow from operations/share, €	<b>0.10</b>	(9.1)	0.11	<b>0.18</b>	-	0.18	<b>0.37</b>
Earnings/share, €	<b>0.08</b>	(38.5)	0.13	<b>0.15</b>	(21.1)	0.19	<b>0.39</b>
NAV/share, €				<b>4.03</b>	2.8	3.92	<b>4.06</b>
EPRA NAV/share, €				<b>4.82</b>	3.2	4.66	<b>4.84</b>
Economic occupancy rate, %				<b>88.9</b>	0.8	88.2	<b>88.2</b>

# Key issues in Q2 2012

- Finland has a stable rating outlook – as the only country in the Eurozone.
- Our portfolio's performance is strong.
  - Vacancy continued to decrease during Q2.
  - Net operating income up by 12 % compared to last year.
  - Rental levels are still stable in all property sectors.
  - Stable cash flow with quality assets
- Valuation of investment properties showed no change in yields.
  - Slight increase was mainly due to new signed leases and their rental levels in Finland.
  - In Shopping Centres, negative valuation change was due to one single lease agreement.
  - In Russia, the changes in Q2 were due to currency exchange rates.
- Acquisition of Bakhrushina House in Moscow.
- Setting up a Sponda Fund III.
  - Sponda sold logistics properties into the fund for EUR 32.5 million.
- Guidance for 2012 remained unchanged.

# Bakhrushina House

- Acquisition price USD 47 million.
- Net initial yield over 9.5%.
- Leasable area 4000 m<sup>2</sup>.
  - Fully let with long leases.
- Property is at the intersection of Garden Ring and Bakhrushina Street. Excellent connections to the Domodedovo International Airport and the southern Moscow.



# Segment performance

## Office and Retail

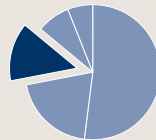


Occupancy rate rose to 89.2% from 88.7% from Q1 2012.

New leases are mainly signed at the same level than expiries\*.

Property values have risen slightly due to new leases signed.

## Logistics



Occupancy rate remained at the level of 78.0%.

Average rents are at the same level than expiries\*.

Values decreased slightly.

## Shopping Centres



Occupancy rate was stable at 93.8 %.

Rents have stabilised\*. For the Q2 2012 one larger lease agreement impacted I-f-I development.

Values of shopping centres decreased slightly.

## Russia



Occupancy rate up at 99.0% from 98.7 %.

Moscow rents are rising due to shortage of class A offices. St Petersburg market is more stable.

Values increased EUR 3.5 million due to increased market rents and changes in exchange rates.

\* The figure refers to average rental levels in new agreements compared to rental levels in expired leases in Sponda's portfolio.



# Our strengths and possibilities

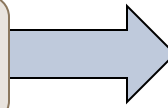
- As recent times have proved, location is everything – both in European context and in our core operating areas.
  - Values tend to move less aggressively in Finland than in continental Europe.
  - Our properties in prime locations have kept their value.
- We concentrate on the quality of the cash flow.
  - Our Finnish portfolio is mostly located in CBD Helsinki and Ruoholahti areas (67 %).
  - In Q2 2012 our occupancy rose from 88.4% to 88.9% against the general market development.
  - Net Operating Income rose 12% from H1 2011.
- We believe in non-speculative development.
- Russia performs strongly with NIY of 10.2% in Q2 2012 and with 1.0% vacancy.
- Our dividend policy remains unchanged.



# Our priorities in 2012

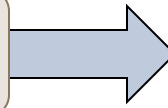
– what we said in the first half of the year

➤ We will further develop our portfolio.



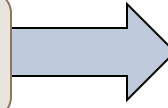
➤ Some non-core assets sold.

➤ We will guard our vacancy.



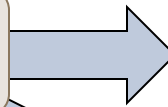
➤ Vacancy has decreased during 2012.

➤ We aim to retain the rental levels.

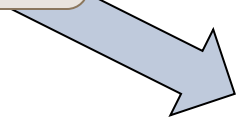


➤ Prime rents have kept their levels.

➤ We will guard our balance sheet.



➤ Equity ratio remained stable.



➤ Refinancing completed until 2014.

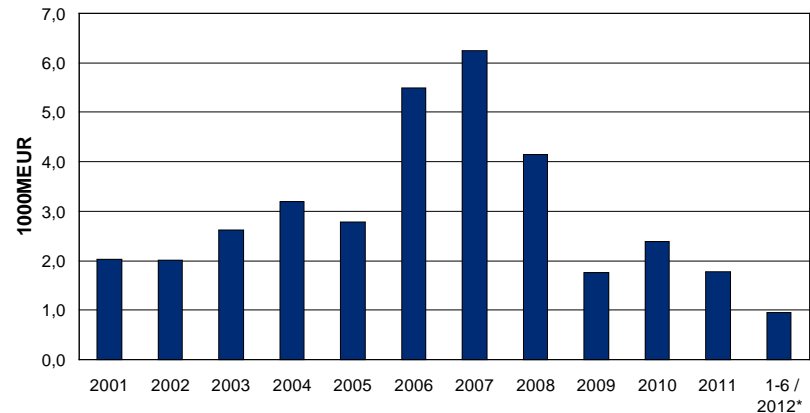
## 2. Market Update



# The Finnish property market

- At the end of June 2012, the transaction level was at EUR 1.0 bn.
- Office market vacancy is stable.
- In 2012, approx. 200 000 m<sup>2</sup> of new office space will be completed in the HMA.
- Market office rents have stabilized.

Property transaction volume

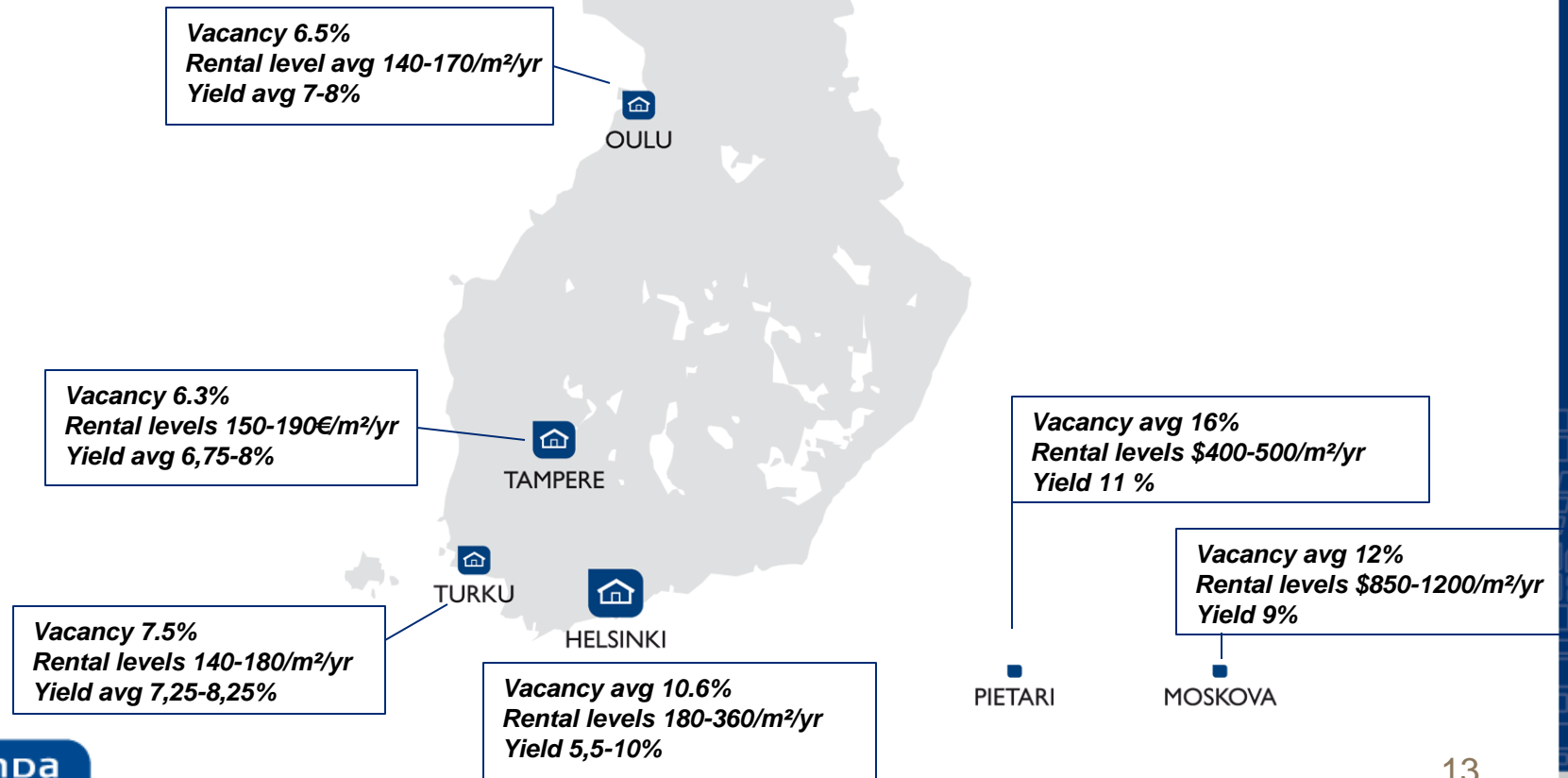


# The Russian property market

- GDP growth for 2012 is expected to be around 3.7 %.
  - Outlook for 2013 GDP growth is also 3.7 %.
- Yields for Class-A office properties in Moscow are around 9 %.
- In Moscow office market prime rents have been USD 1200/m<sup>2</sup>/year due to the lack of grade A office space in the central Moscow.
  - New office stock coming to the market by the end of 2013, approximately 1-1,6 million m<sup>2</sup> (A and B classes combined).
  - Vacancy has fallen to 9 % in Class A office properties in Moscow CBD, and overall vacancy is around 12 %.
- After 2013, most of the new development will be coming outside the 3-ring road.
  - New retail and office projects have been cancelled in the centre of Moscow.
- In St. Petersburg, both vacancy and rents are stable. There is more office stock, ca. 300 000 m<sup>2</sup>, coming to the market in the next few years.

# Office market, Finland and Russia

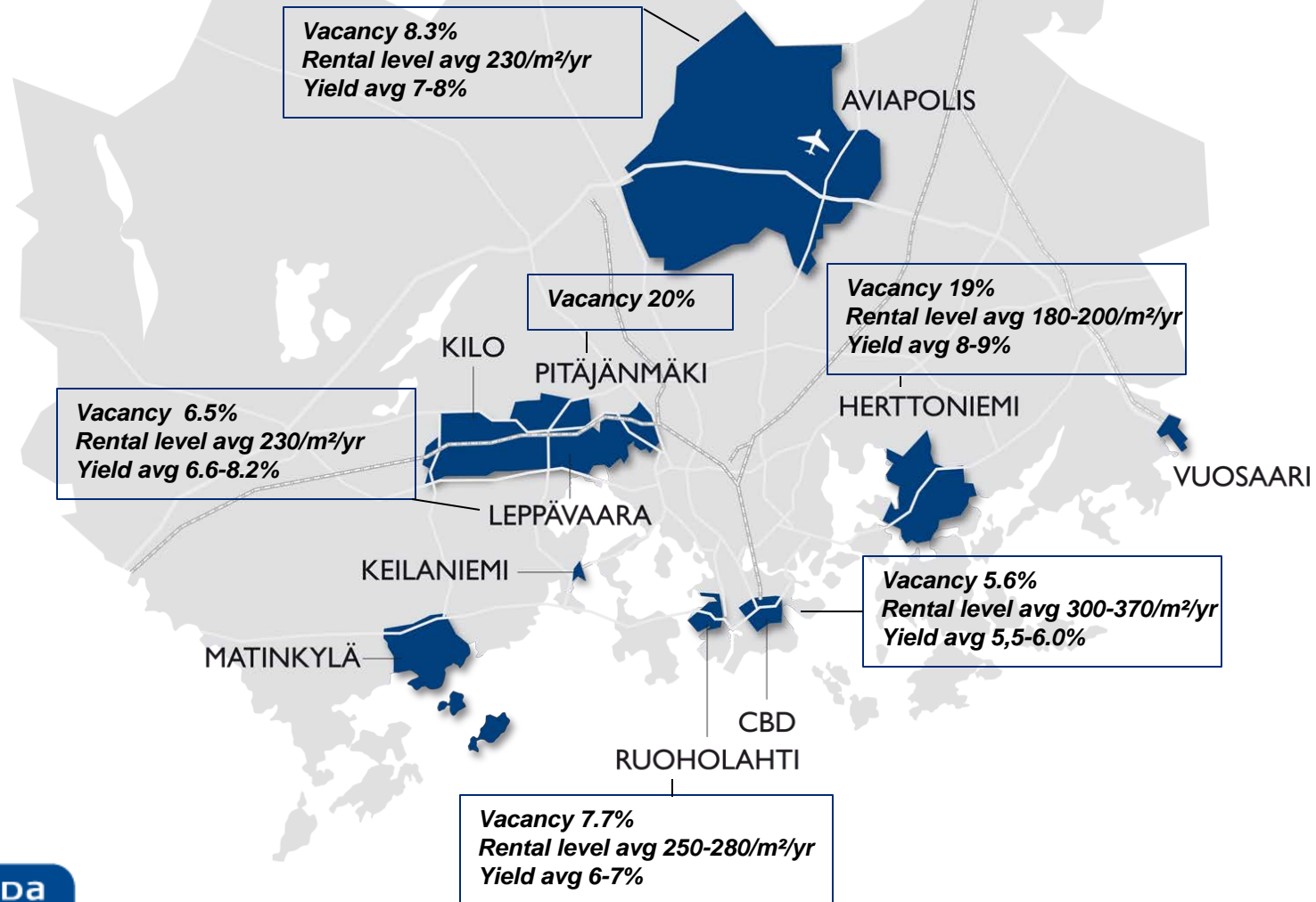
Source: Catella Property, Sponda,





# Office market, Helsinki Metropolitan Area

Source: Catella Property, Sponda



### 3. Financials





# Profit & loss statement

Me	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011
Total revenue	66.2	61.6	132.3	120.2	248.2
Expenses	(17.7)	(16.7)	(37.7)	(35.7)	(68.8)
<b>Net operating income</b>	<b>48.5</b>	<b>44.9</b>	<b>94.6</b>	<b>84.5</b>	<b>179.4</b>
Profit on sale of inv. properties	0.4	(0.1)	1.3	0.1	7.2
Valuation gain / loss	6.0	25.2	8.8	28.3	39.6
Profit on sale of trading properties	(0.4)	0.0	(0.4)	0.0	0.7
Valuation gain/loss from trading properties	0.0	(1.8)	0.0	(1.8)	(1.8)
SGA expenses	(5.9)	(6.0)	(11.6)	(11.7)	(23.1)
Share of result of associated companies	0.0	0.0	0.0	(0.1)	(0.1)
Other operating income/expenses	0.6	7.8	0.2	8.1	7.6
<b>Operating profit</b>	<b>49.2</b>	<b>70.0</b>	<b>92.9</b>	<b>107.4</b>	<b>209.6</b>
Financial income and expenses	(15.7)	(19.8)	(29.7)	(32.3)	(75.6)
<b>Profit before taxes</b>	<b>33.5</b>	<b>50.2</b>	<b>63.1</b>	<b>75.1</b>	<b>134.0</b>
Taxes from previous and current fin. years	(0.8)	(0.8)	(1.5)	(1.6)	(3.1)
Deferred taxes	(7.8)	(10.0)	(14.0)	(15.0)	(25.1)
Change of tax base of deferred taxes	0.0	0.0	0.0	0.0	12.0
<b>Profit for the period</b>	<b>24.9</b>	<b>39.5</b>	<b>47.6</b>	<b>58.6</b>	<b>117.8</b>

# Valuation gains/losses

M€	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011
Changes in yield requirements (Finland)	(1.7)	6.7	(1.7)	13.6	16.2
Changes in yield requirements (Russia)	0.0	17.5	0.0	17.5	17.5
Profit/loss from property development projects	0.9	0.7	(0.3)	5.6	8.2
Modernization investments	(4.9)	(12.7)	(11.7)	(24.6)	(50.6)
Change in market rents and maintenance costs (Finland)	6.5	15.3	14.7	19.4	44.7
Change in market rents and maintenance costs (Russia)	0.4	(1.2)	1.1	1.0	2.7
Change in exchange rates	2.5	(0.1)	2.6	(4.6)	0.4
<b>Investment properties, total</b>	<b>3.7</b>	<b>26.2</b>	<b>4.7</b>	<b>27.9</b>	<b>39.0</b>
Real estate funds	0.6	(2.6)	0.6	(2.6)	(4.4)
Realised gains/losses in re funds	1.6	1.5	3.5	2.9	5.0
<b>Group, total</b>	<b>6.0</b>	<b>25.2</b>	<b>8.8</b>	<b>28.3</b>	<b>39.6</b>

# Balance sheet

M€	30.6.2012	30.6.2011	31.12.2011
<b>ASSETS</b>			
Non-current assets	<b>3,377.9</b>	3,230.2	3,311.1
Current assets	<b>74.8</b>	53.3	76.1
<b>Assets, total</b>	<b>3,452.7</b>	3,283.5	3,387.3
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity total	<b>1,272.7</b>	1,240.2	1,281.1
Non-current liabilities			
Interest-bearing debt	<b>1,398.7</b>	1,173.2	1,380.8
Other liabilities	<b>41.8</b>	19.1	39.7
Deferred tax liabilities	<b>236.8</b>	225.4	235.7
Non-current liabilities, total	<b>1,677.3</b>	1,417.8	1,656.2
Current liabilities, total	<b>502.7</b>	625.5	449.9
<b>Liabilities, total</b>	<b>2,180.0</b>	2,043.3	2,106.2
<b>Shareholders' equity and liabilities</b>	<b>3,452.7</b>	3,283.5	3,387.3

# Financing

	Q2/2012	Q1/2012	Q4/2011	Q3/2011	Q2/2011
Equity ratio, %	<b>37</b>	37	38	38	38
Average interest rate, %	<b>3.6</b>	3.7	4.0	4.0	3.9
Hedging, %	<b>74</b>	75	77	80	85
Average loan maturity, yrs	<b>2.8</b>	2.8	3.1	2.7	2.9
Average fixed interest rate period, yrs	<b>2.0</b>	1.9	2.2	2.2	2.5
Interest cover ratio	<b>2.6x</b>	2.6x	2.7x	2.8x	2.9x
Loan to Value, %	<b>56</b>	55	54	54	55

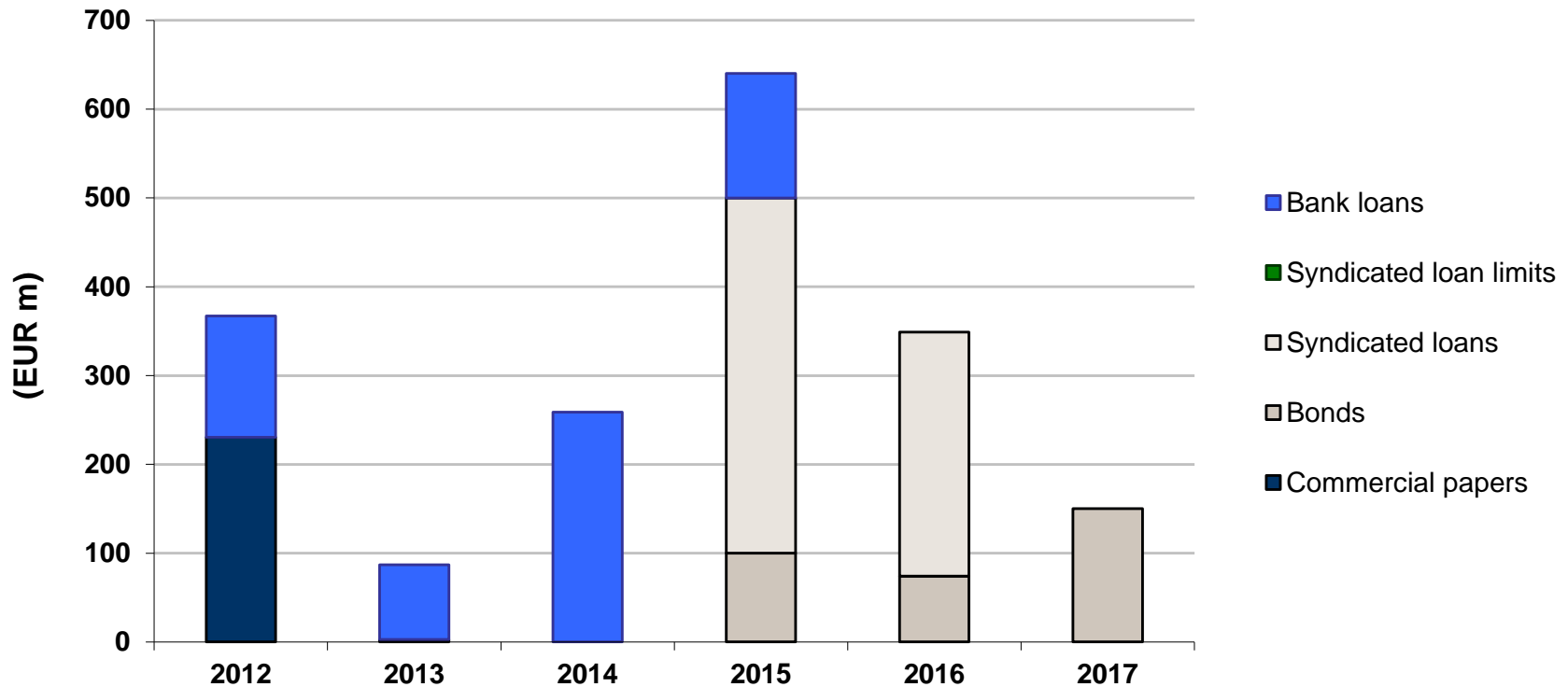
- *Long-term equity ratio target 40 %*
- *Covenants at equity ratio (28 %) and ICR (1.75 x)*

# Bond issue 22 May 2012

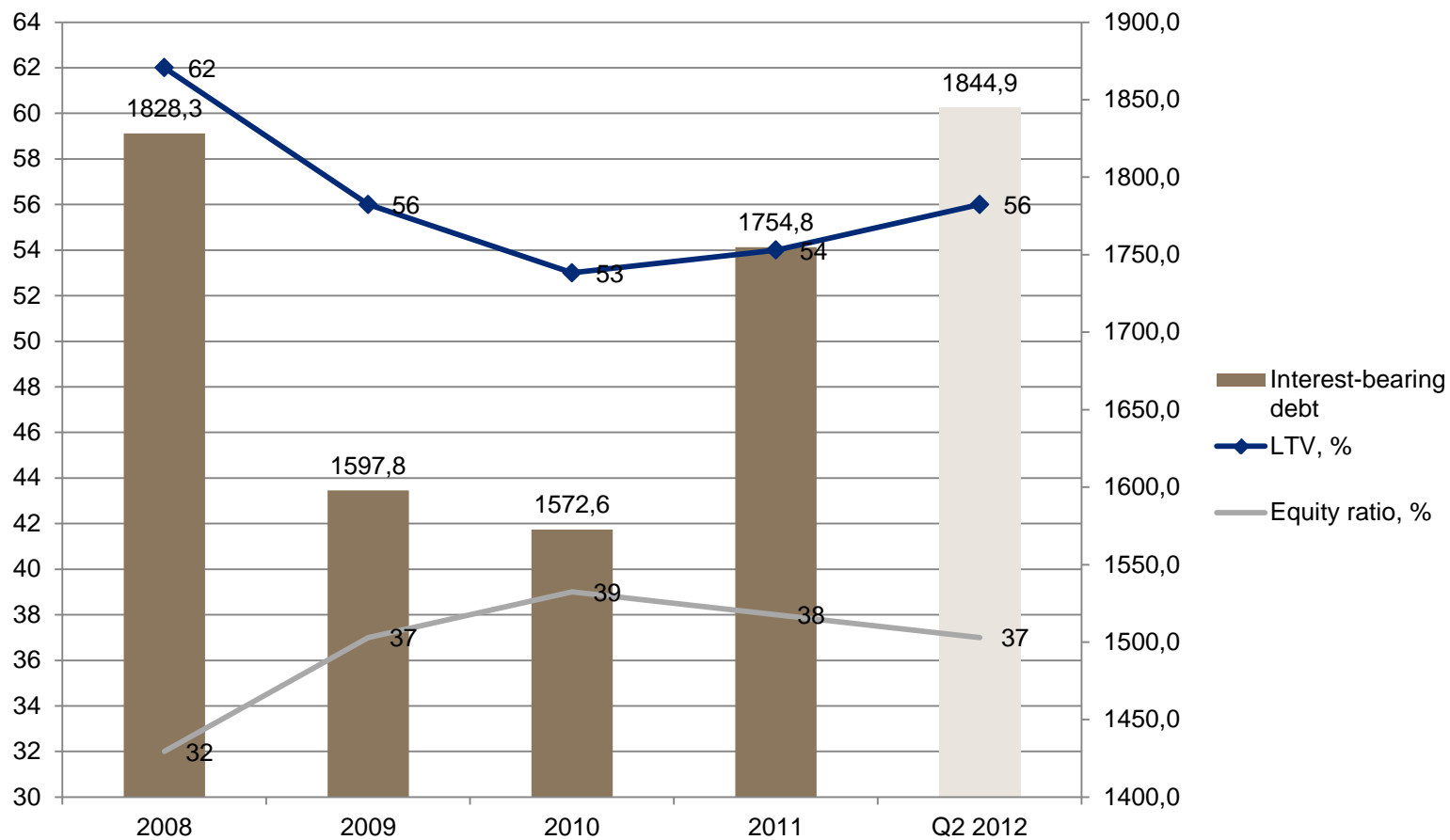
- Sponda issued EUR 150 million unsecured domestic bond in May 2012.
- Offering was oversubscribed.
- Maturity is for five years.
- Bond carries fixed annual interest at the rate of 4.125%.
- Bond has been listed on the NASDAQ OMX Helsinki.
- The proceeds was used to repay existing debt and for general corporate purposes.

# Loan maturities 30 June 2012

- Interest-bearing debt EUR 1,844.9 million.
- Unused financing limits EUR 510 million.
- EUR 60 million loan extended for 5 years.



# Development of financing position



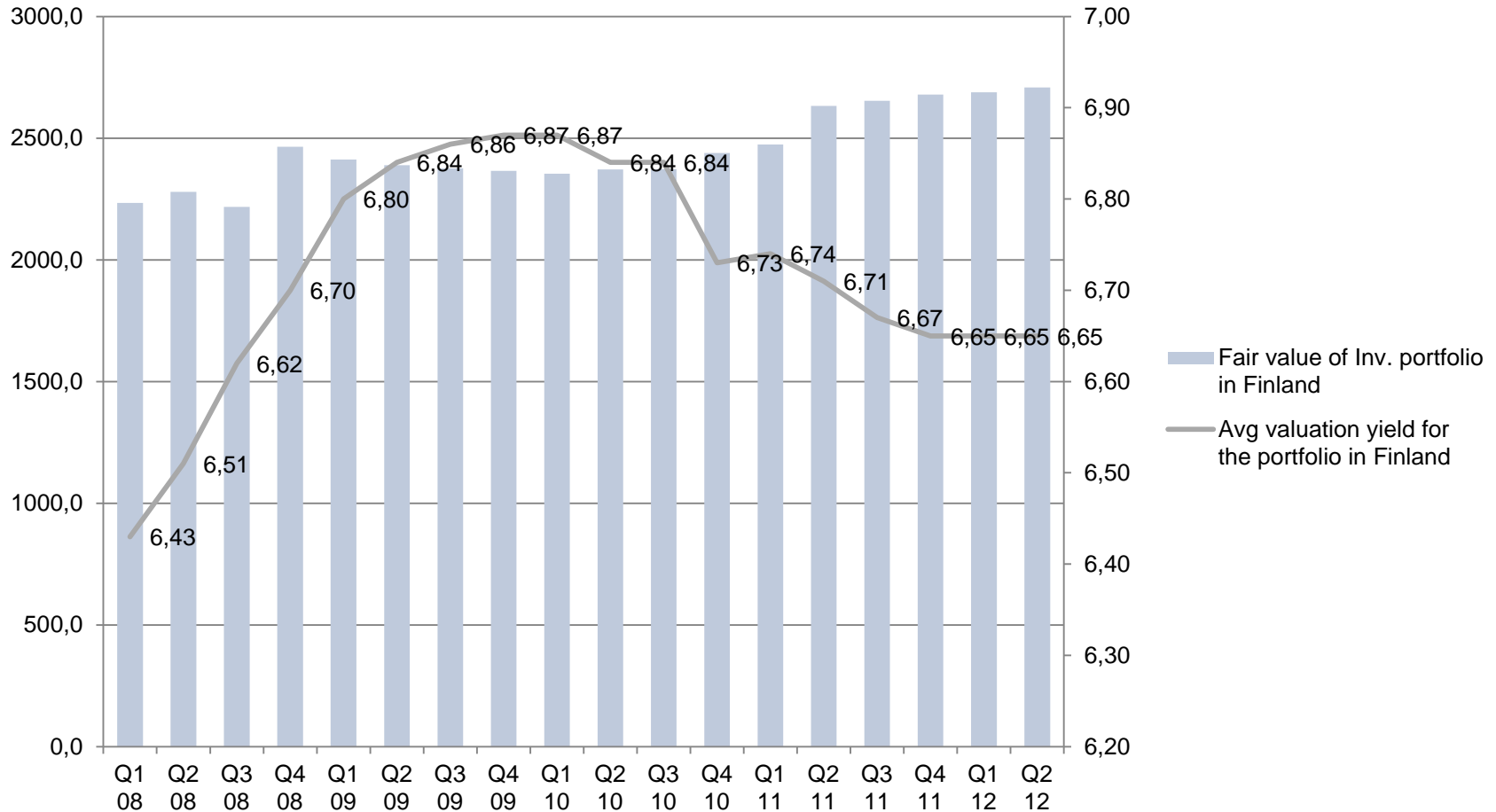


## 4. Business Update



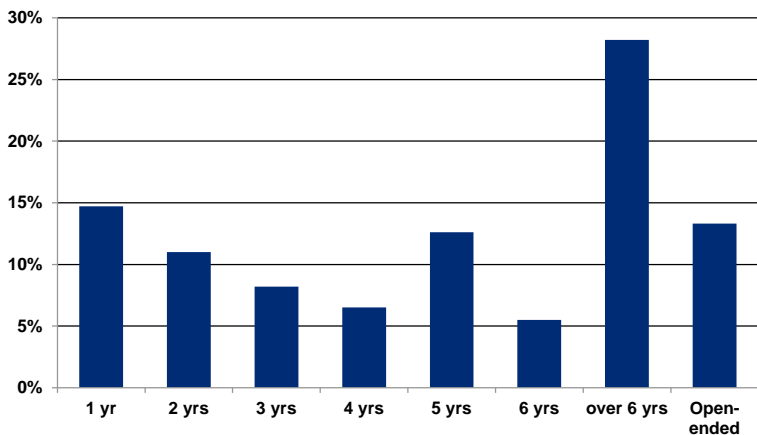
# Valuation yield development

Average valuation yield for the investment portfolio in Finland (excl. Property development and Russia)

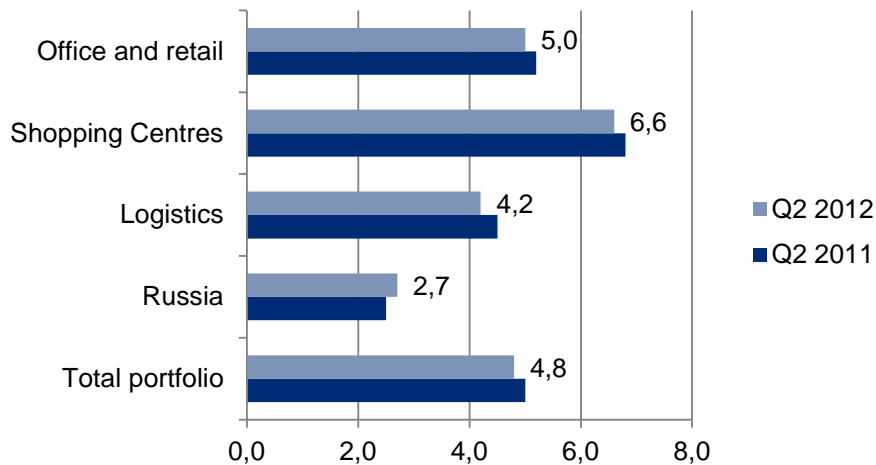


# Lease agreement composition Q2 2012

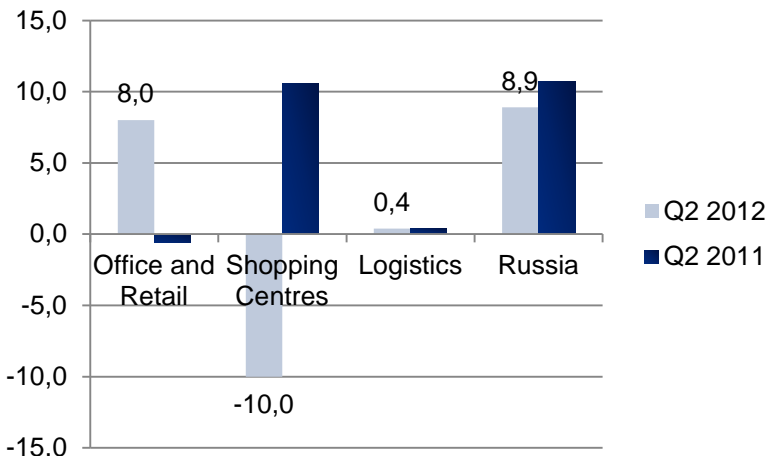
## Lease maturity profile



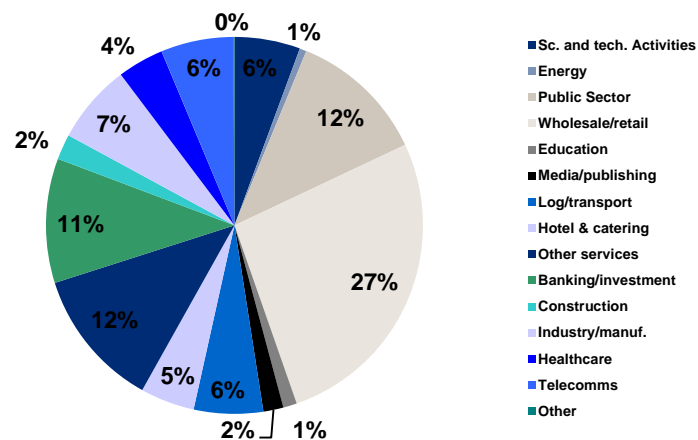
## Average lease maturity



## Like-for-like net rental growth



## Tenant breakdown by sector<sup>1</sup>



Note 1: Based on rental income

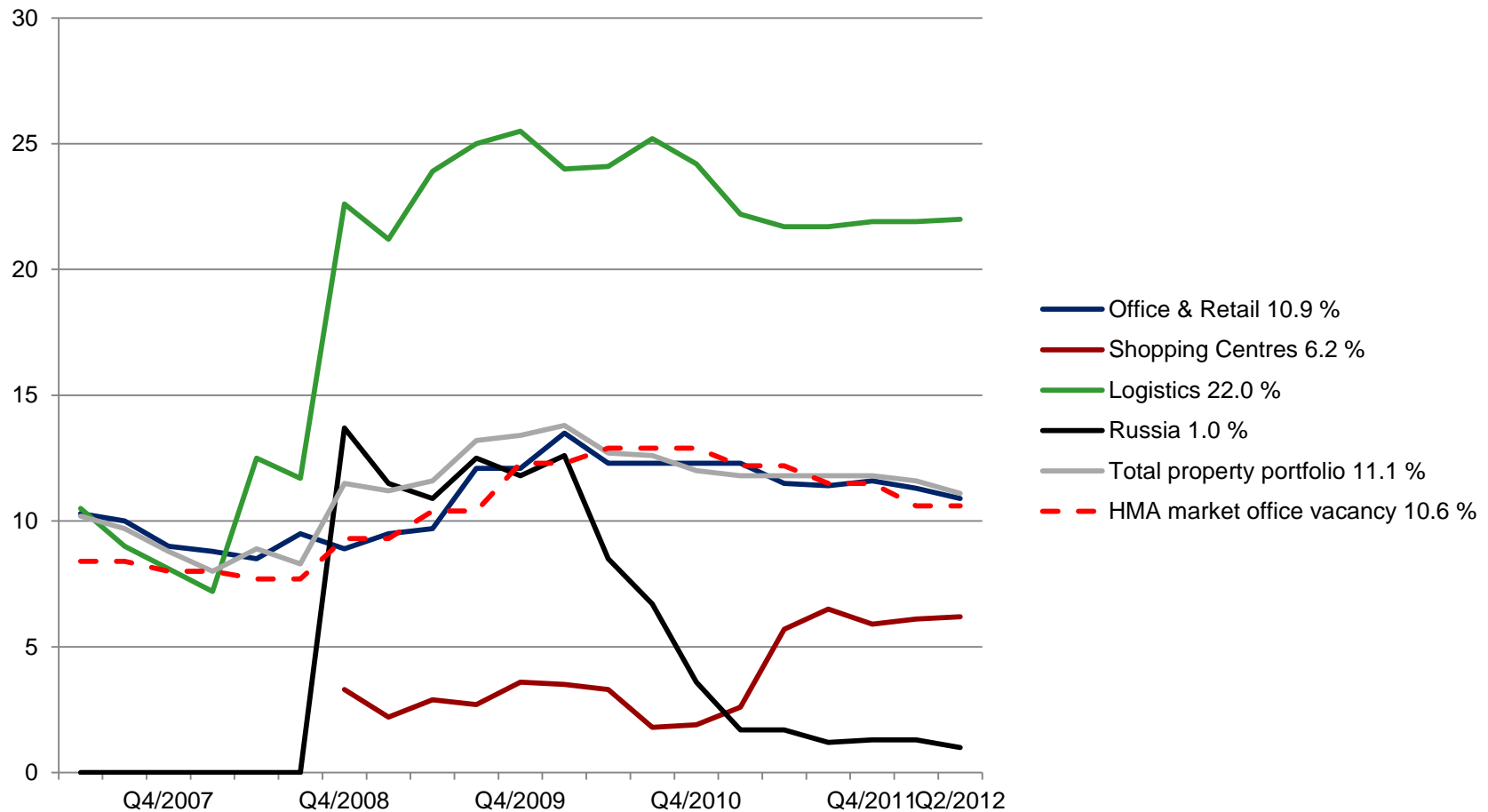
# Lease agreements in Q2 2012

	Pcs	M <sup>2</sup>	€/m <sup>2</sup> /month (avg)*
Agreements that came into force during the period	85	24 344	12.21
Agreements that ended during the period	105	35 100	12.06
Agreements that were extended during the period	36	32 626	10.34

*\*) Agreements that came into force and ended do not necessarily correlate with same sector or space.*

- All lease agreements in Finland are linked to CPI.
- Ten largest tenants account for 30 % of rental income.
- Like-for-like net rental growth has been calculated from a portfolio that Sponda has held for 2 years excluding acquisitions, disposals and property development.

# Economic vacancy rate 2007 – Q2 2012



# Investment portfolio development

- We are creating value by property development and active portfolio management.
- Our aim is to sell non-core assets classified as such either by location or development potential.

M€	2010	2011	Q2/2012	2013
Committed property development investments for the remainder of the year	30.5	58.5	19.3	17.4
Maintenance investments Q2 2012	29.9	50.5	11.7	
Acquisitions	0.8	150.4	52.8	
Disposals	57.0	14.1	13.9	

# Property development

- The value of development portfolio was EUR 258.7 million
  - Land sites: EUR 91.8 million
  - Development projects: EUR 166.9 million
  - Development investments include mainly investments to Citycenter project and the construction of the office building in Ruoholahti.

	Citycenter	Ruoholahti office building
Total investment, M€	134.0*)	23.5
Of which yet to be invested	22.0	11.3
Capitalized interest costs by 30 June 2012, M€	13.2	0.1
Completion time	End of 2012	April 2013



# Currently ongoing development projects

## ***Citycenter***

- Last construction phase along Keskuskatu is progressing as planned. The whole project will be completed for the most part by the end of 2012.

## ***Ruoholahti office building***

- Sponda will build a new environmentally-friendly office building in Ruoholahti.
- Total investment is EUR 23.5 million, leasable area is 6,000 m<sup>2</sup>.
- Construction is ongoing. Building will be completed in April 2013.
- Building is 70 % pre-let.



# Prospects and financial targets

## Prospects

- Sponda expects the vacancy rates of its investment properties at year's end 2012 to be largely unchanged from the end of 2011. The estimate is based on the changes in rental agreements and leases already signed.
- The comparable net operating income (excluding any property disposals) of 2012 is expected to increase moderately compared to 2011. This is based on property acquisitions and the completed property development projects in 2011.

## Financial targets

- Long-term equity ratio target is 40 %.
- Dividend policy is to pay approx. 50 % of the operational cash earnings per share, taking into account of the economic situation and company's development needs.

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Communications and IR*

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## minen

ittämällä kaupunkeja.  
tamme parhaalla mahdollisella  
ja energiatehokkaita  
ntistä parempaa kaupunkikuvaa.

1

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3





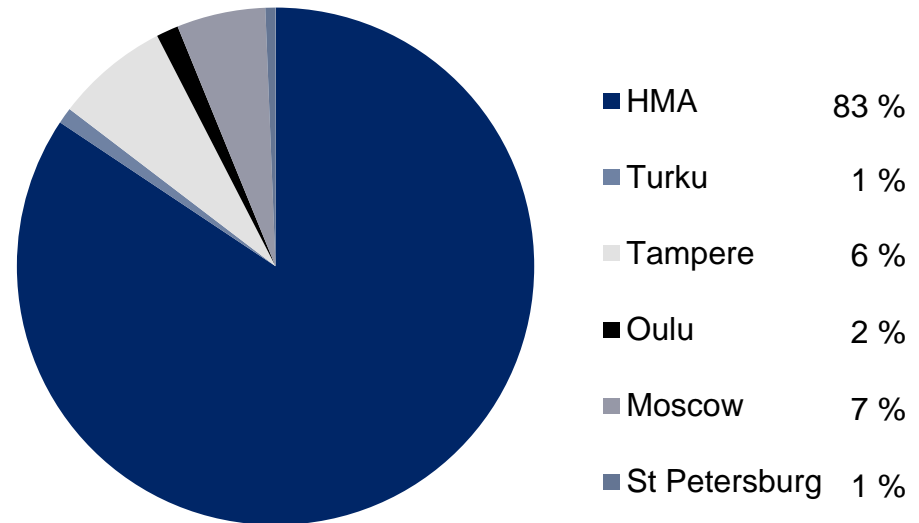
# Property portfolio focused on prime locations in the Helsinki Metropolitan Area

Sponda owns a diversified property portfolio with a wide range of space solutions

## Helsinki CBD and Ruoholahti areas


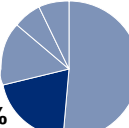
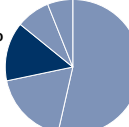
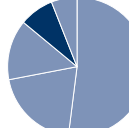
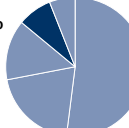


## Investment properties by location (excl. Property development & Funds)



EUR 2,975.2 million

# Overview of reporting segments

	Segment in brief	Fair value <sup>1</sup>	% of portfolio <sup>2</sup>	Yield requirement <sup>3</sup>
Office & Retail	<ul style="list-style-type: none"> <li>Office and retail properties in the largest cities of Finland</li> <li>Focus on Helsinki CBD and the Ruoholahti area</li> </ul>	EUR 1,681.6m	 52%	6.4%
Shopping Centres	<ul style="list-style-type: none"> <li>Specialises in leasing shopping centres in the largest cities in Finland</li> </ul>	EUR 583.6m	 18%	5.9%
Logistics	<ul style="list-style-type: none"> <li>One of the largest owners and lessors of logistics properties in Finland and largest supplier in the Helsinki Metropolitan Area</li> </ul>	EUR 444.3m	 14%	8.1%
Property Development	<ul style="list-style-type: none"> <li>Sponda's development projects and land assets</li> <li>Currently active projects are the Citycenter project and office building in Ruoholahti.</li> </ul>	EUR 258.7m	 8%	n/m
Russia	<ul style="list-style-type: none"> <li>Office and logistics properties, shopping centres and land assets in the Moscow and St Petersburg areas</li> </ul>	EUR 265.8m	 8%	9.8%
Real Estate Funds	<ul style="list-style-type: none"> <li>Owns and manages office, retail and logistics properties through real estate funds</li> </ul>	EUR 580m (assets under management)	n/m	n/m

# Strategy

- *Sponda's strategic goal* is to seek growth and profitability through customer-focused operations and active property development, by purchasing property, and through operating real estate funds in Finland and Russia.
- Sponda will focus on active portfolio management through divesting non-core properties, acquiring properties that the company considers to be in core locations and core segments.
- Sponda reviews its strategy regularly so that it can, if necessary, adjust its operations to prevailing market conditions.

# Strategy 2005-2011

2005	2006	2007	2008	2009	2010	2011
<ul style="list-style-type: none"> <li>• Strategy revised: Profitable growth strategy and expansion plans to Russia and the Baltic Countries</li> </ul>	<ul style="list-style-type: none"> <li>• First property fund established: First TopLux Co.</li> <li>• First investment to Russia made, a logistics property in St Petersburg.</li> </ul>	<ul style="list-style-type: none"> <li>• Rights offering for EUR 250 million completed to partly finance Kapiteeli acquisition.</li> <li>• Sale of asset portfolio, in total EUR 400 million</li> </ul>	<ul style="list-style-type: none"> <li>• Along with the economic downturn, Sponda started to sell properties in order to strengthen its balance sheet.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy revised: Baltic Countries no longer as a strategic inv. target.</li> <li>• Strategy adjusted : modest growth financed by property disposals.</li> </ul>	<ul style="list-style-type: none"> <li>• Sponda sold its properties for EUR 57 million in total.</li> <li>• In total, EUR 800 million was refinanced during the year.</li> </ul>	<ul style="list-style-type: none"> <li>• Sponda bought Fennia Quarter for EUR 122 million.</li> <li>• Re-financing was completed until 2014.</li> </ul>
Organisation streamlined to four business units: Office and Retail, Logistics, Property Development and New Business areas.	<ul style="list-style-type: none"> <li>• Sponda signed agreement with Helsinki Harbour to build logistics centre in the new Vuosaari Harbour.</li> </ul>	<ul style="list-style-type: none"> <li>• A number of property development projects were started in Helsinki Metropolitan Area.</li> </ul>	<ul style="list-style-type: none"> <li>• At the end of the year, all property development projects were completed on schedule, apart from the City-Center project.</li> </ul>	<ul style="list-style-type: none"> <li>• Rights offering for EUR 200 million completed to strengthen balance sheet..</li> </ul>	<ul style="list-style-type: none"> <li>• Property development was accelerated after a couple of slower years.</li> </ul>	<ul style="list-style-type: none"> <li>• Building of new headquarters for publishing house Talentum started.</li> <li>• 2nd phase of Citycenter completed.</li> </ul>
	<ul style="list-style-type: none"> <li>• Sponda bought property investment company Kapiteeli Plc for EUR 950 million.</li> </ul>			<ul style="list-style-type: none"> <li>• Property development activities increased at the end of the year.</li> </ul>	<ul style="list-style-type: none"> <li>• Activities in environmental responsibility increased.</li> </ul>	<ul style="list-style-type: none"> <li>• Russia Invest – company co-founded with four other parties.</li> </ul>

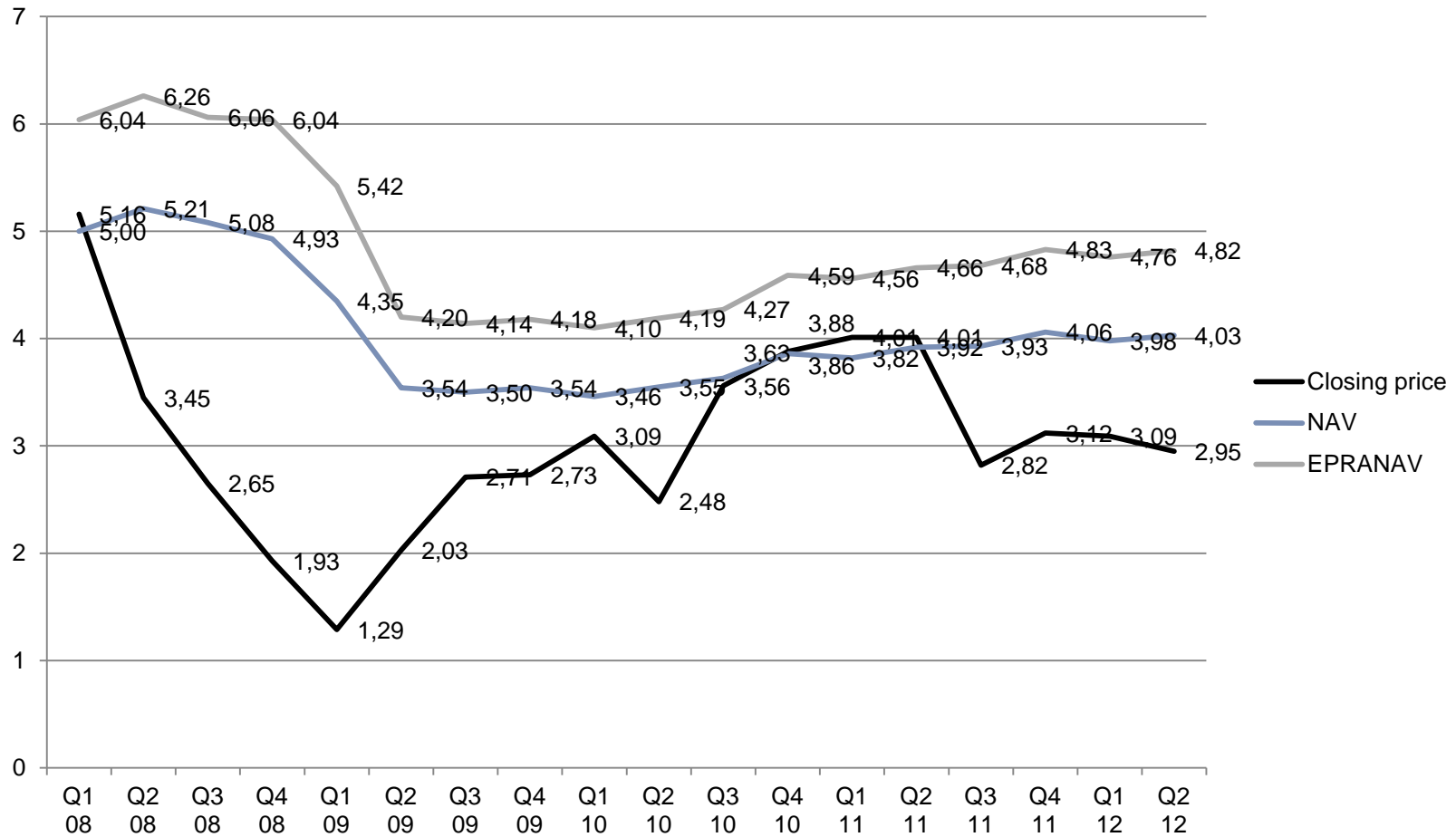
# Environmental responsibility in 2012

## Targets for 2012

- **Low-energy concept will be taken into use**
- **Energy efficiency program expanded from last year**
- **Energy consumption in Sponda's own office will decrease by 2%**
  
- **Properties' environmental strain**
  - Recycling of waste increased to over 70%
  - Comparable energy consumption in properties will decrease
  - Comparable water consumption will decrease
  
- **Energy consumption in Russia**
  - Energy consumption monitoring (water and electricity) developed further in Moscow
  - Environmental certificate for possible new properties and for properties under modernization process.
  
- **Environmental certificates**
  - Obtained for all new development properties and properties under modernization
  - Certification process for an office property in Russia completed



# NAV/share and EPRA NAV/share



# EPRA NAV calculation

4.82 €/share

