



Sponda Q2 2013 results

2 August 2013

SPONDA



Performance Highlights and Our Priorities

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SPONDA

Sponda's Q2 in brief

- Operationally stable first half of the year.
- Operating environment has still not recovered.
 - Statistics Finland has adjusted 2012 GDP growth figures down from -0.2% to -0.8%.
 - Growth estimates for 2013 are negative, -0.4%.
- Positive development in Sponda's economic occupancy rate.



Sponda Q2 2013: Performance highlights

	4-6/13	Change %	4-6/12	1-6/13	Change %	1-6/12	1-12/12
Total revenue, M€	67.2	1.5	66.2	133.2	0.7	132.3	264.6
Net Operating Income, M€	48.6	0.2	48.5	94.0	(0.6)	94.6	192.2
Operating profit, M€	34.6	(29.8)	49.3	79.4	(14.6)	93.0	210.5
Cash flow from operations/share, €	0.10	-	0.10	0.19	5.6	0.18	0.40
Earnings/share, €	0.04	(50)	0.08	0.11	(26.7)	0.15	0.37
NAV/share, €				4.43	5.0	4.22	4.45
EPRA NAV/share, €				5.12	5.6	4.85	5.12
Economic occupancy rate, %				88.3	(0.7)	88.9	88.1

Key issues in Q2 2013

- Sponda's strategic areas, Helsinki CBD and Ruoholahti are performing well in the current climate.
- Cash flows and occupancy rates slightly up.
 - Cash flow from operations was up by 5%: 0.19 (0.18) €.
 - Occupancy rate 88.3% (Q1/2013: 88.2%, Q2/2012: 88.9%).
 - NAV per share 4.43 (4.22) €.
 - Like-for-like rental development was positive in Office and Retail (0.8%).
 - Like-for-like was negative in Shopping Centres, Logistics Properties and in Russia (-0.5%, -9.5% and -1.4% respectively).

Key issues in Q2 2013

- Loan extension for EUR 85 million loan from Helaba.
 - Extended for 5 years.
- Hybrid bond issued in 2008 was bought back.
 - Outstanding capital of EUR 92.8 million was redeemed at the end of June.
 - Sponda now has EUR 95 million of hybrid bond in the Balance Sheet issued in December 2012.
- Equity ratio was 39% ex-dividend and hybrid bond pay-back.

Key issues after Q2 2013

- Two office properties (Business Center NRC and Inform Future) were sold in July in St Petersburg.
 - Properties were sold for EUR 9.9 million in total.
 - Sponda made a small profit compared to Q1 2013 valuation.
 - Both properties were almost fully let.



Segment performance



Office & Retail

Occupancy rate increased to 89.6 % (Q2 2012 : 89.2%).

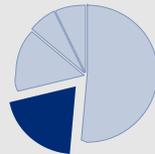
Like-for-like rents were up by 0.8%.



Shopping Centres

Occupancy rate was 91.1% (Q2 2012: 93.8%).

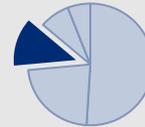
Like-for-like rents were down, -0.5%.



Logistics

Occupancy rate decreased to 75.7% (Q2 2012: 78.0%) but increased from Q1 2013 (74.8%).

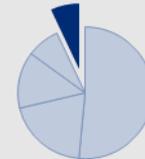
Like-for-like rents were down, -9.5%.



Russia

Occupancy was 97.9% (Q2 2012: 99.0%).

Like-for-like rents were down by 1.4% due to letting in Ducat II which is slightly lower than in Q2 2012.



Our priorities

Occupancy rate development

Our target is to keep occupancy rate at the end-of-2012 level despite the challenging market conditions. At the end of Q2 2013, occupancy was 88.3% (year-end 88.1%).

We will further develop our portfolio

In first half of 2013, properties were sold for just under EUR 20 million and investments in property development and maintenance were EUR 17.5 million.

We will strengthen our balance sheet

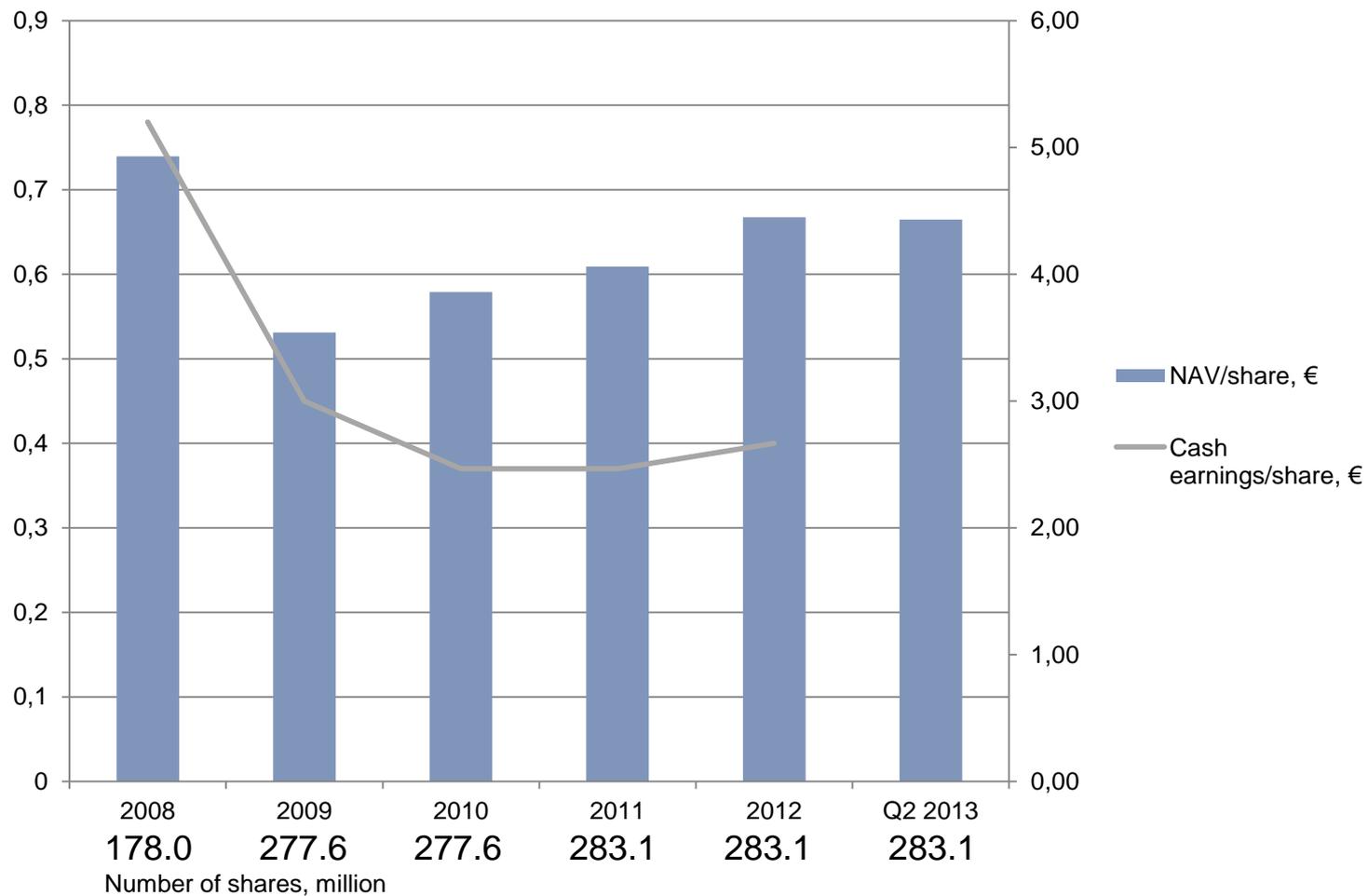
Equity ratio 39% ex-div. and redeemed hybrid bond.

Activating property development

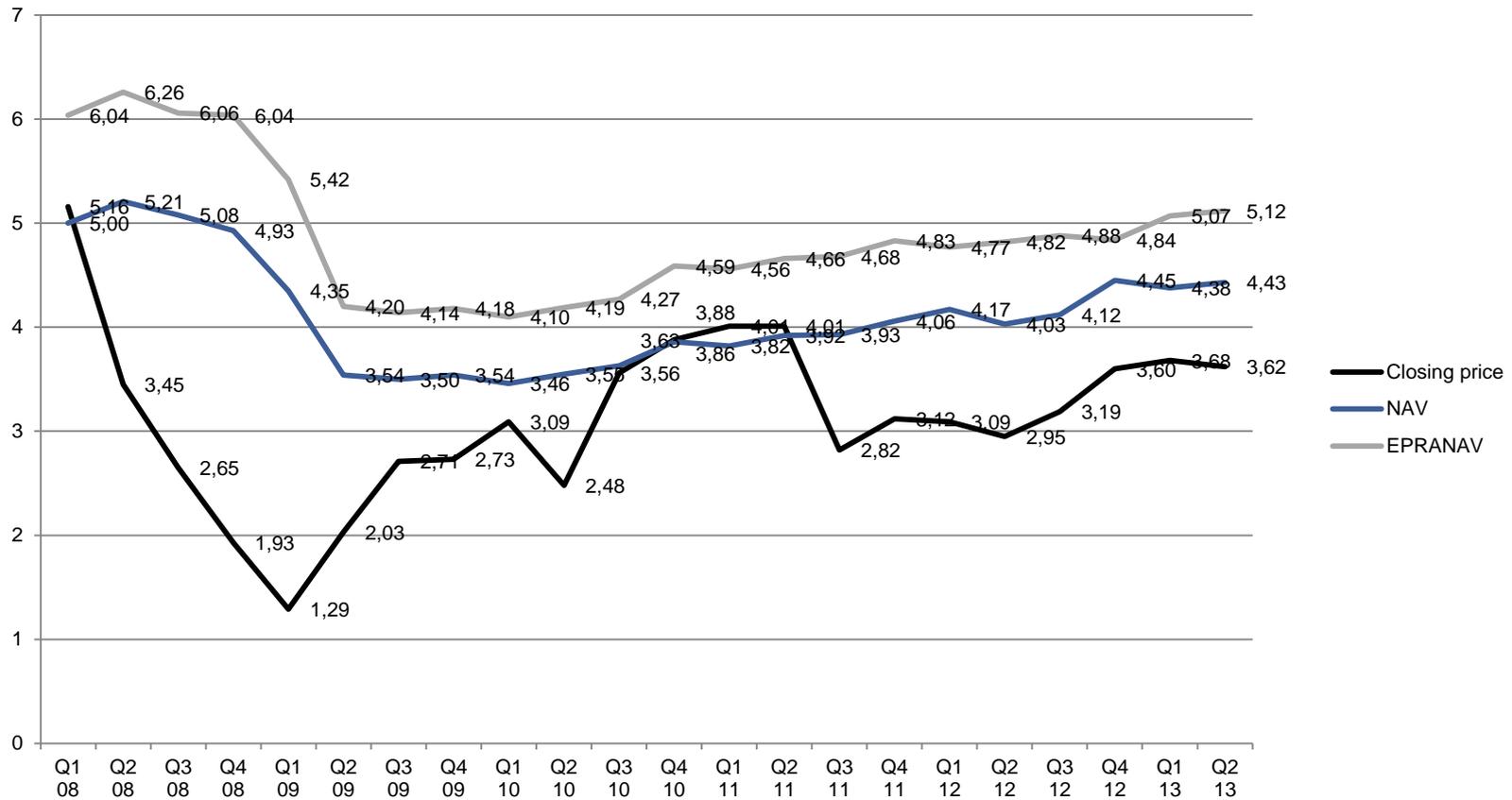
Our target is to add value by starting new property development projects.

Creating value

NAV/share has been restated for 2012



NAV/share and EPRA NAV/share





Market Update

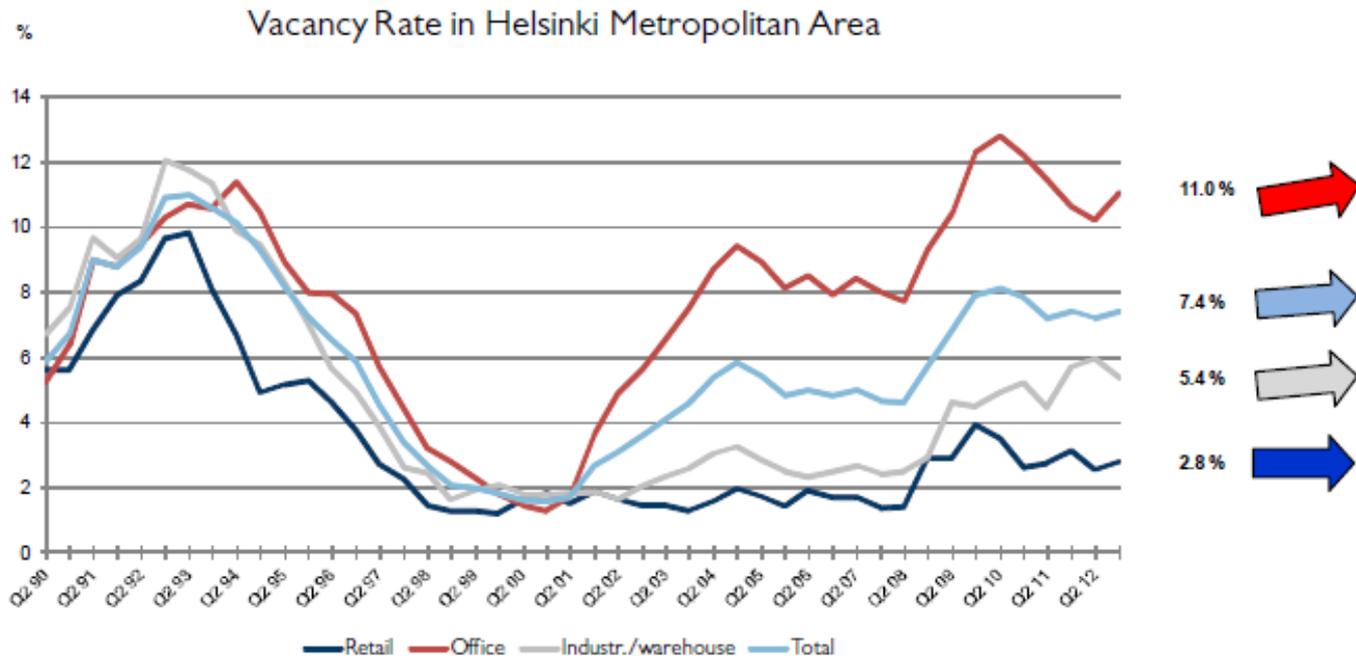
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Finnish property market

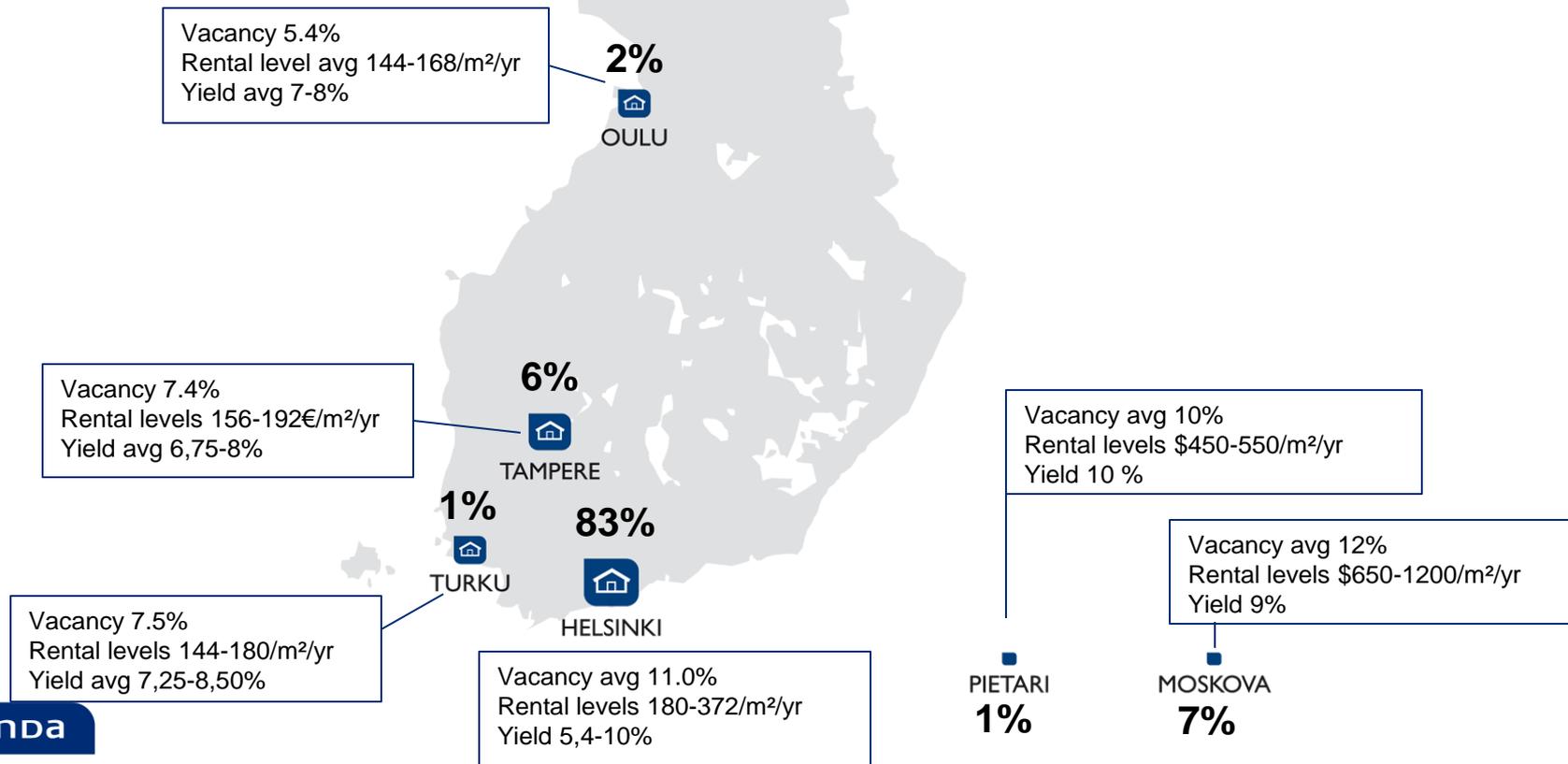
- The GDP growth estimate for 2013 has been adjusted to be -0.4%.
- Transaction market is slow. First half of 2013 volume was EUR 0.8 billion.
- Rent levels are stable in the Helsinki CBD and Ruoholahti areas. There is a downward pressure in secondary areas.
- Apart from Helsinki, city of Tampere is performing strongly with stable rents and high occupancy rates.

Vacancy rates in HMA, forecast



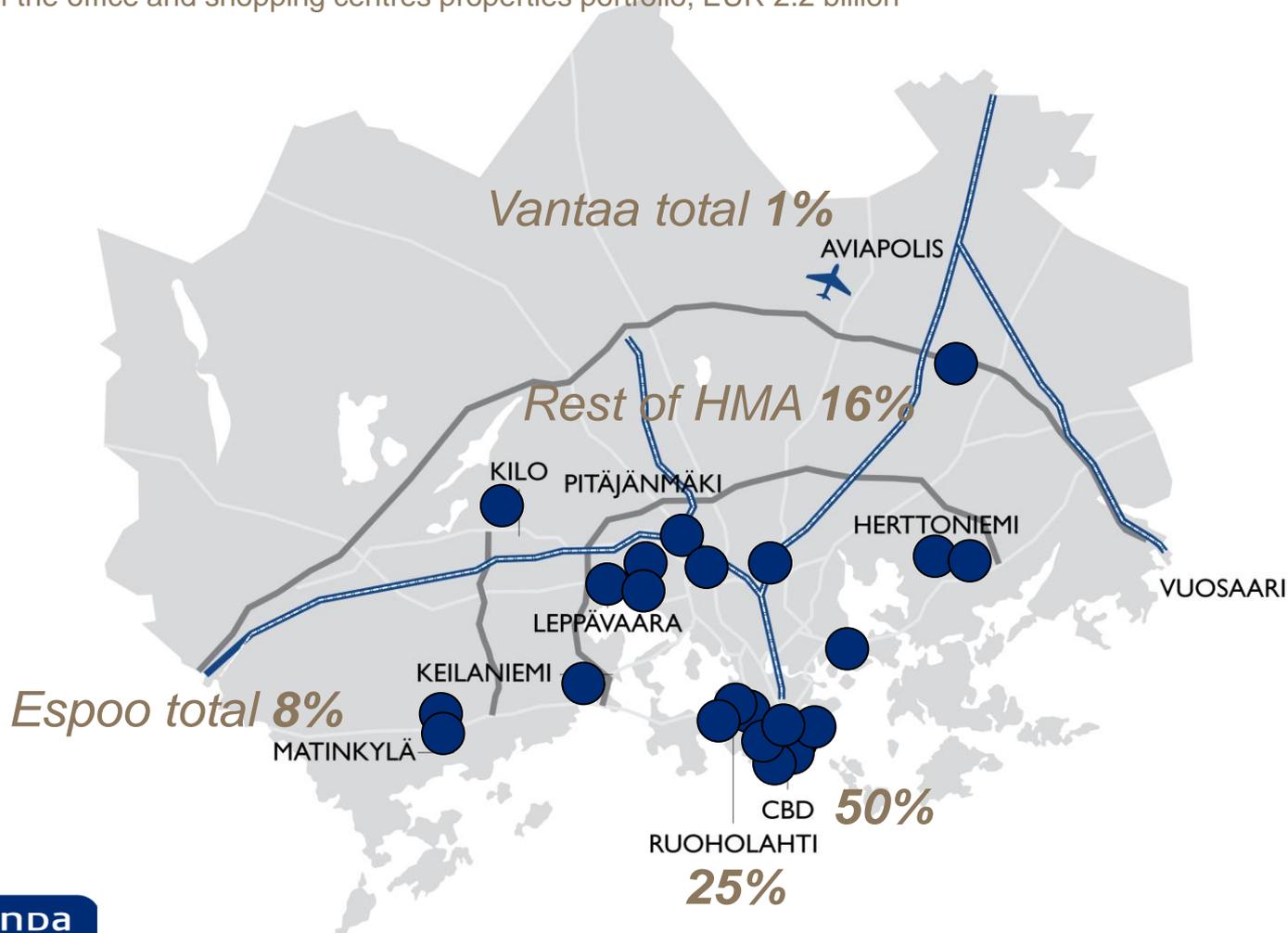
Office market statistics and Sponda's holdings

Source: Catella Property, Sponda,



Sponda's office and shopping centre properties, HMA

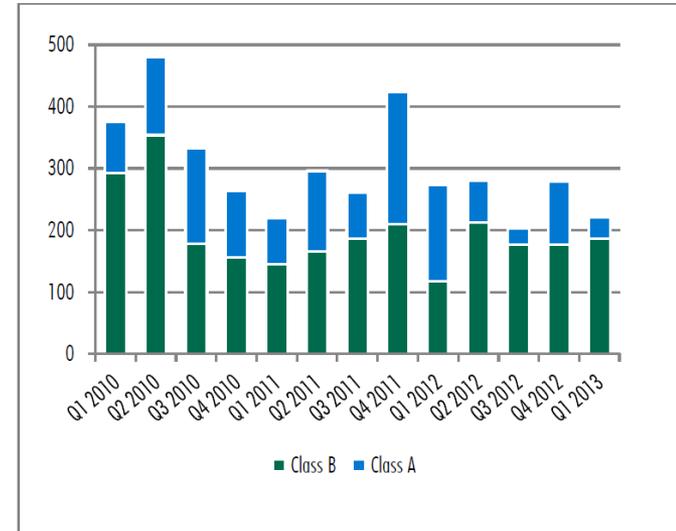
Total of the office and shopping centres properties portfolio, EUR 2.2 billion



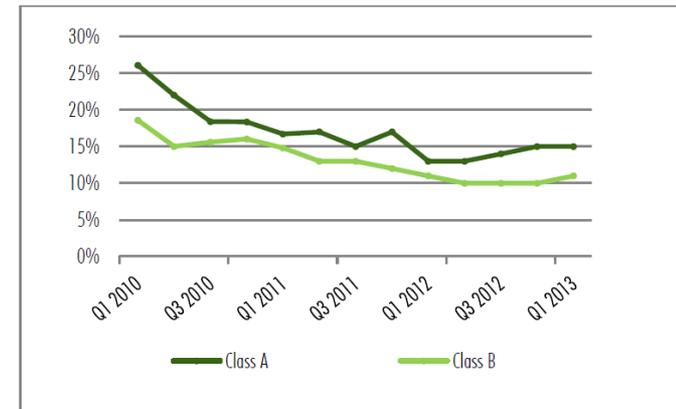
Russian property market

- The GDP growth estimate for 2013 has been adjusted to be under 3%.
- Transaction market is active. First quarter volume was over EUR 2 billion.
- Vacancy rate in Moscow was stable at around 12%.
- The top rents for A-class offices in Moscow are still over 1000 USD/m²/year.

Take-up by Class, thousand sq m
Q1 2010 – Q1 2013



Vacancy Rate by Class, %
Q1 2010 – Q1 2013





Financials

Erik Hjelt

SPONDA

Profit & loss statement

M€	4-6/2013	4-6/2012	1-6/2013	1-6/2012	1-12/2012
Total revenue	67.2	66.2	133.2	132.3	264.6
Expenses	(18.6)	(17.7)	(39.2)	(37.7)	(72.4)
Net operating income	48.6	48.5	94.0	94.6	192.2
Profit on sale of inv. properties	0.4	0.4	0.4	1.3	2.5
Valuation gain / loss	(7.7)	6.0	(2.2)	8.8	33.0
Profit on sale of trading properties	0.0	(0.4)	0.0	(0.4)	5.2
Valuation gain/loss from trading properties	0.0	0.0	0.0	0.0	0.0
SGA expenses	(6.4)	(5.8)	(12.3)	(11.5)	(22.7)
Other operating income/expenses	(0.3)	0.6	(0.6)	0.2	0.3
Operating profit	34.6	49.3	79.4	93.0	210.5
Financial income and expenses	(15.3)	(15.7)	(28.8)	(29.8)	(58.8)
Profit before taxes	19.4	33.5	50.7	63.2	151.8
Taxes from previous and current fin. years	(0.8)	(0.8)	(1.9)	(1.5)	(3.7)
Deferred taxes	(4.8)	(8.0)	(11.2)	(13.7)	(33.8)
Profit for the period	13.8	24.8	37.5	48.0	114.2

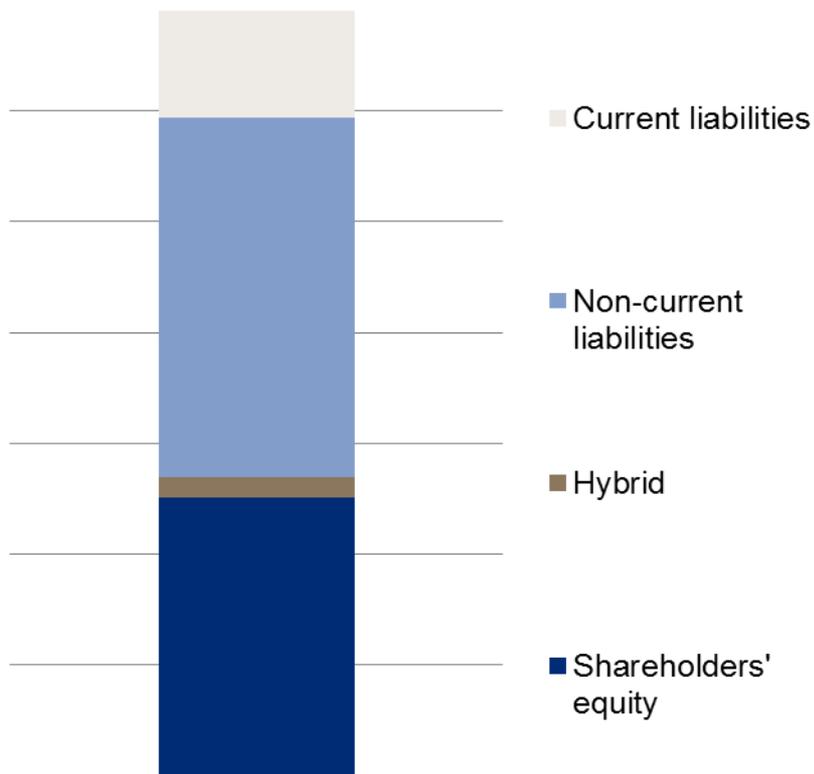
Valuation gains/losses

M€	4-6/2013	4-6/2012	1-6/2013	1-6/2012	1-12/2012
Changes in yield requirements (Finland)	(5.7)	(1.7)	(5.7)	(1.7)	20.9
Changes in yield requirements (Russia)	0.0	0.0	0.0	0.0	6.5
Profit/loss from property development projects	1.9	0.9	2.2	(0.3)	(0.7)
Modernization investments	(5.0)	(4.9)	(9.5)	(11.7)	(28.5)
Change in market rents and maintenance costs (Finland)	5.3	6.5	10.0	14.7	26.4
Change in market rents and maintenance costs (Russia)	(3.3)	0.4	(2.0)	1.1	(0.1)
Change in exchange rates	(2.5)	2.5	0.8	2.6	0.4
Investment properties, total	(9.3)	3.7	(4.2)	4.7	24.9
Real estate funds	(0.6)	0.6	(2.5)	0.6	0.6
Realised gains/losses in re funds	2.2	1.6	4.5	3.5	7.5
Group, total	(7.7)	6.0	(2.2)	8.8	33.0

Sponda's capital structure

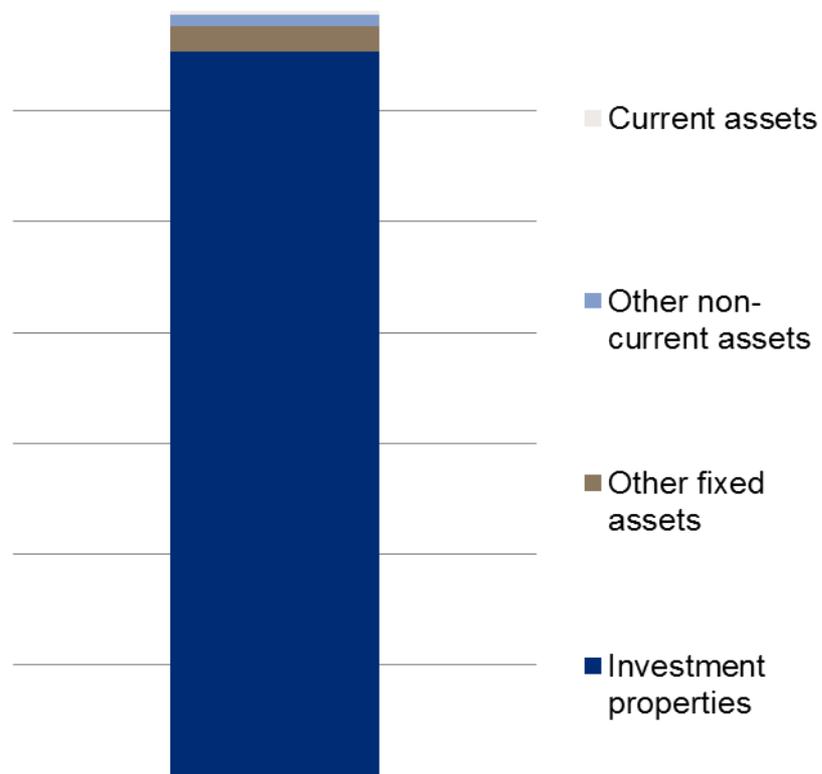
Shareholders' equity and liabilities

Total EUR 3,478.6 million



Assets

Total EUR 3,478.6 million



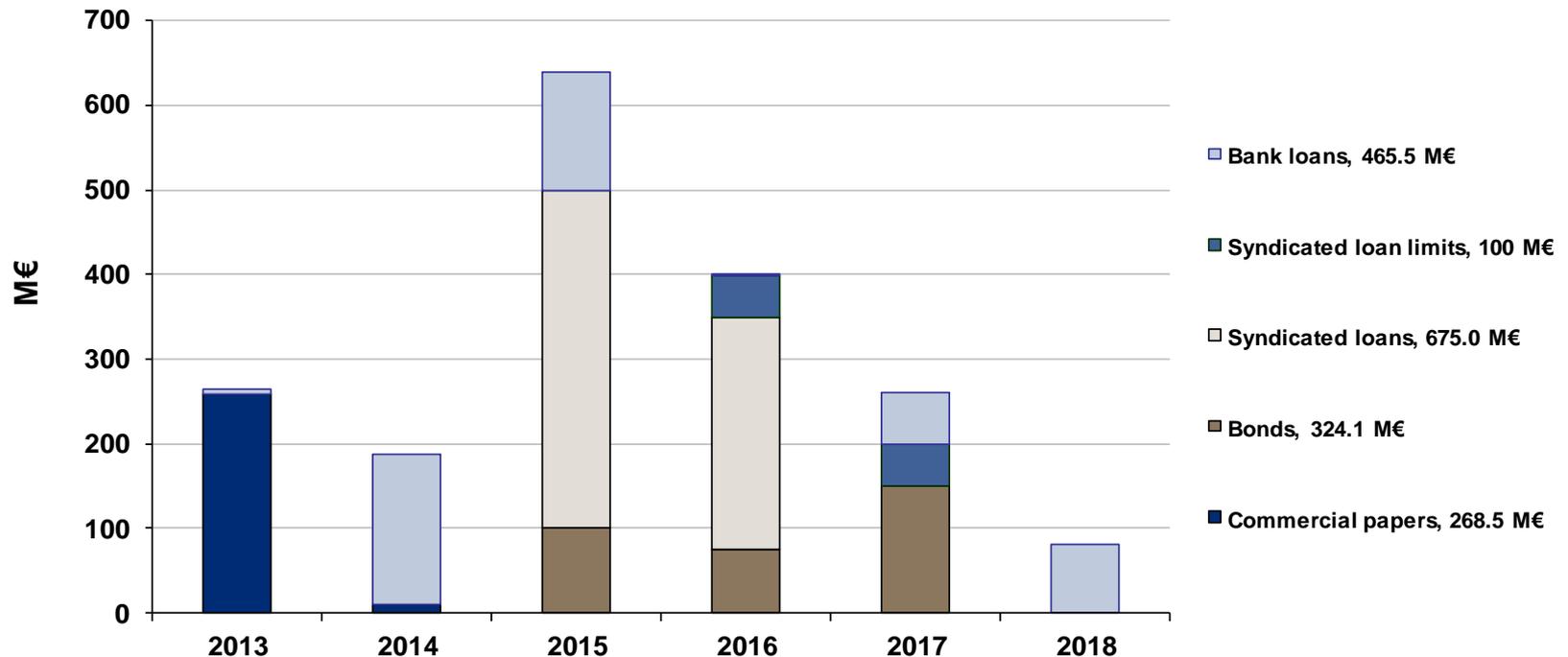
Financing

	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Equity ratio, %	39	41	40	38	37	37
Average interest rate, %	3.3	3.4	3.4	3.5	3.6	3.7
Hedging, %	68	70	72	76	74	75
Average loan maturity, yrs	2.1	2.4	2.7	2.8	2.8	2.8
Average fixed interest rate period, yrs	1.5	1.7	1.9	2.0	2.0	1.9
Interest cover ratio	2.9x	2.9x	2.8x	2.7x	2.6 x	2.6 x
Loan to Value, %	54	52	52	54	56	55

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

Loan maturities 30 June 2013

- Interest-bearing debt EUR 1,827.6 million
- Unused financing limits EUR 410 million





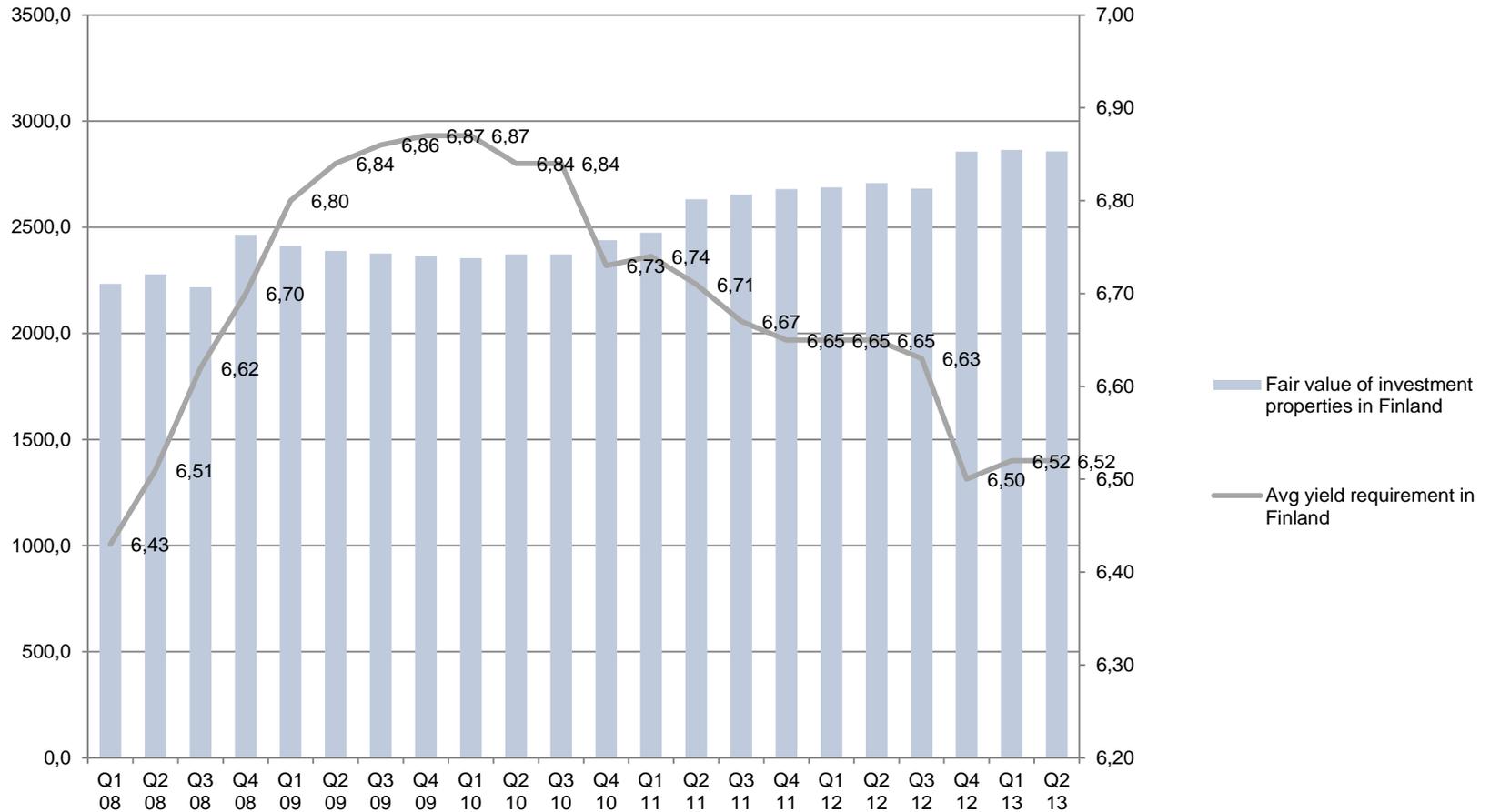
Business Update

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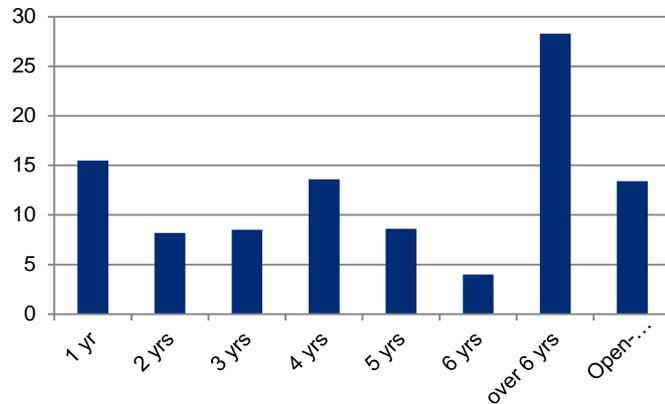
Valuation yield development

(Includes only investment properties in Finland)

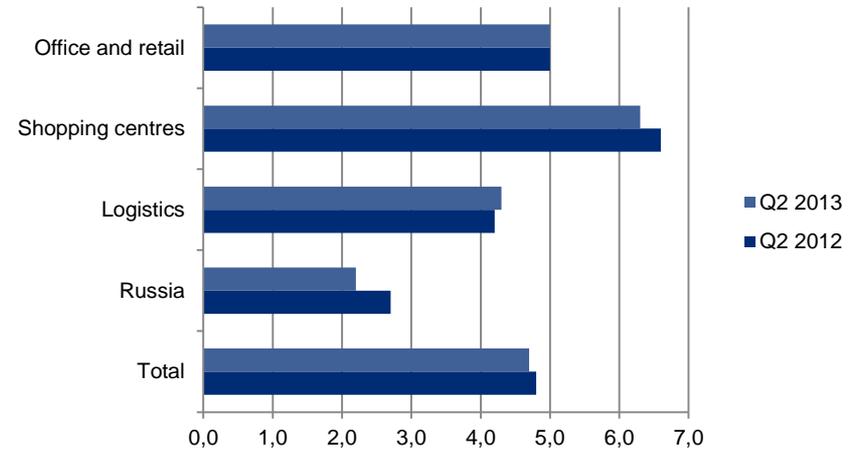


Lease agreement composition Q2 2013

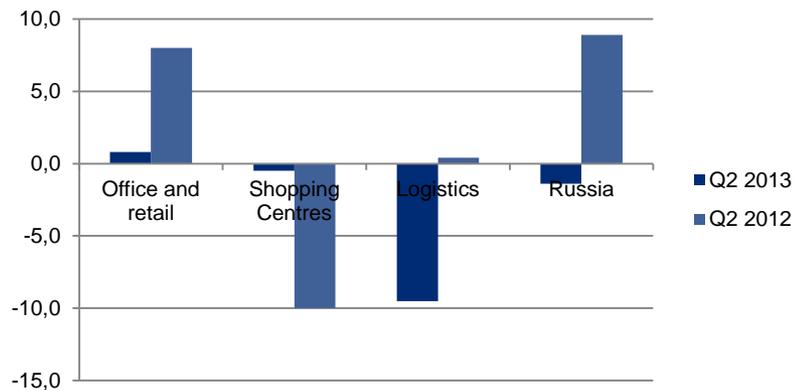
Lease maturity profile,
% of rental income



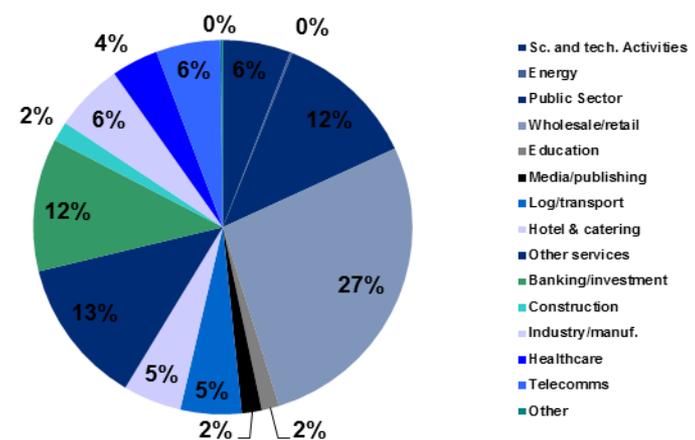
Average lease maturity



Like-for-like net rental growth

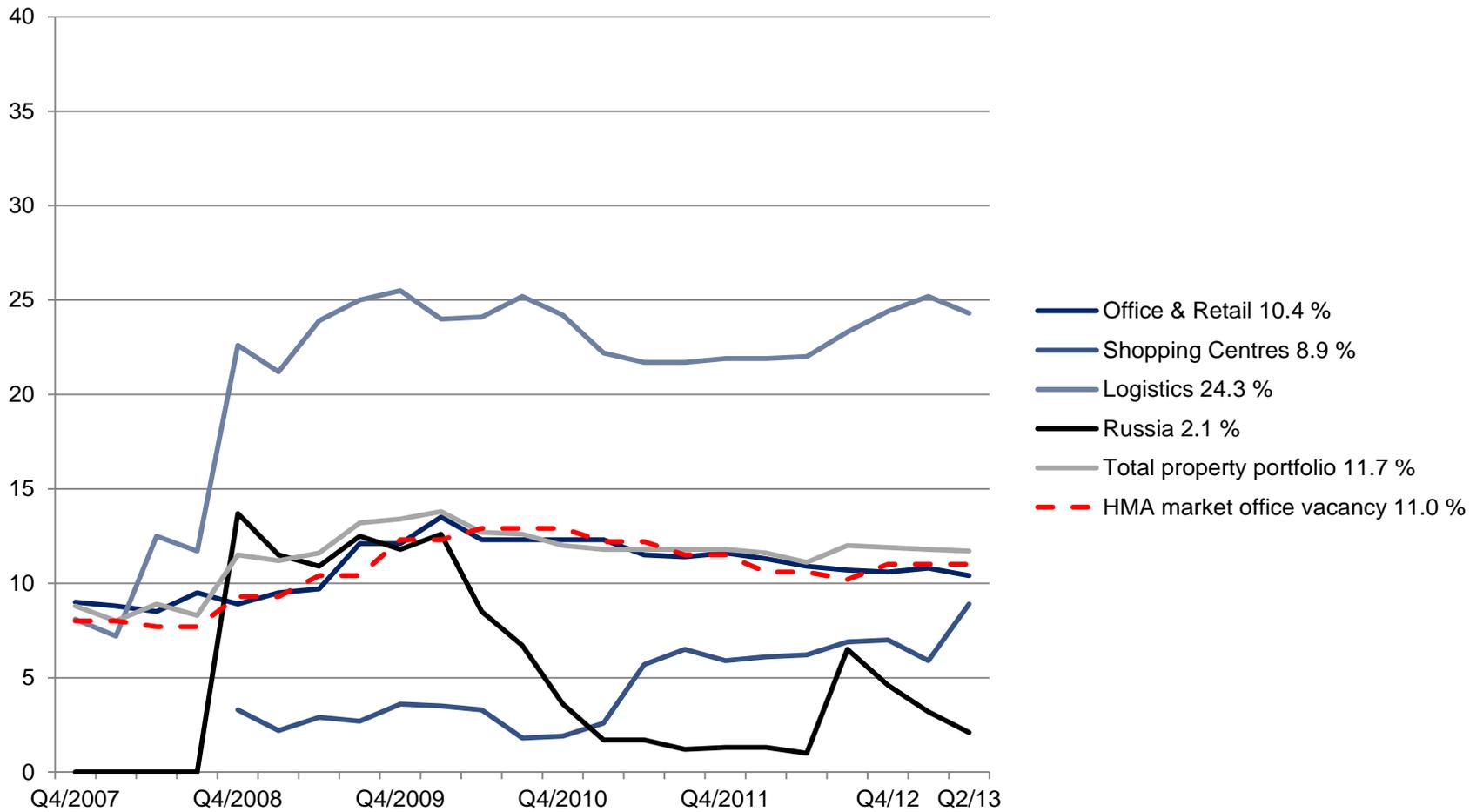


Tenant breakdown by sector¹



Note 1: Based on rental income

Economic vacancy rate 2007 – Q2 2013



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	2012	H1 2013
Property development investments	30.5	58.5	47.5	8.0
Maintenance investments	29.9	50.5	28.4	9.5
Acquisitions	0.8	150.4	53.1	-
Disposals	57.0	14.1	61.8	8.7

Ratina Shopping Centre



Prospects and financial targets

Prospects

- Sponda expects the vacancy rates of its investment properties at year's end 2013 to be largely unchanged from the end of 2012. The estimate is based on leases already signed and forecast changes in rental agreements.
- Comparable net operating income (excluding disposals) in 2013 is expected to increase slightly from 2012. Reasons for this expected increase are rising rent levels in Helsinki's central business district and the completion of the company's property development projects.

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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Citycenter opening May 2013

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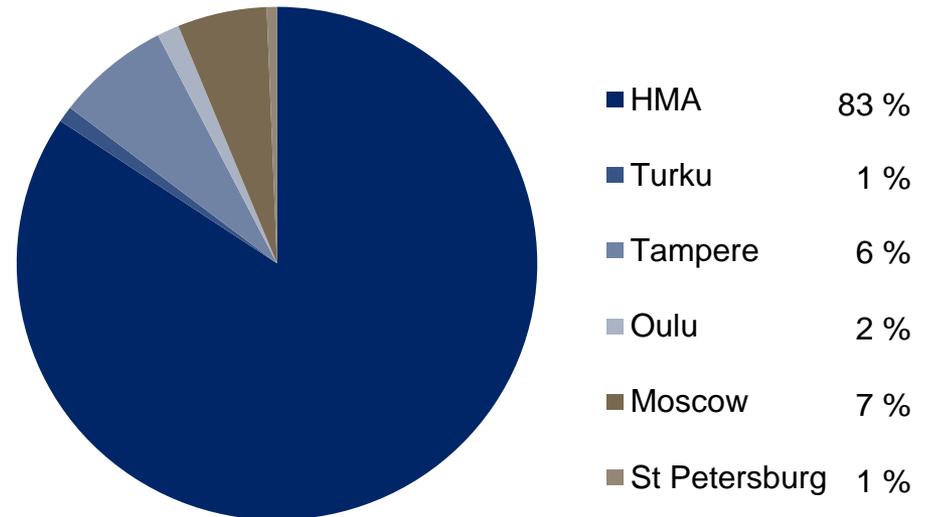
Property portfolio focused on prime locations in the Helsinki Metropolitan Area

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

Helsinki CBD and Ruoholahti areas

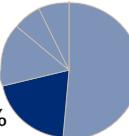
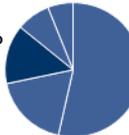
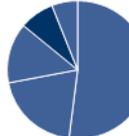
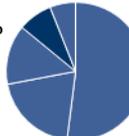


Investment properties by location
(excl. Property development & Funds)



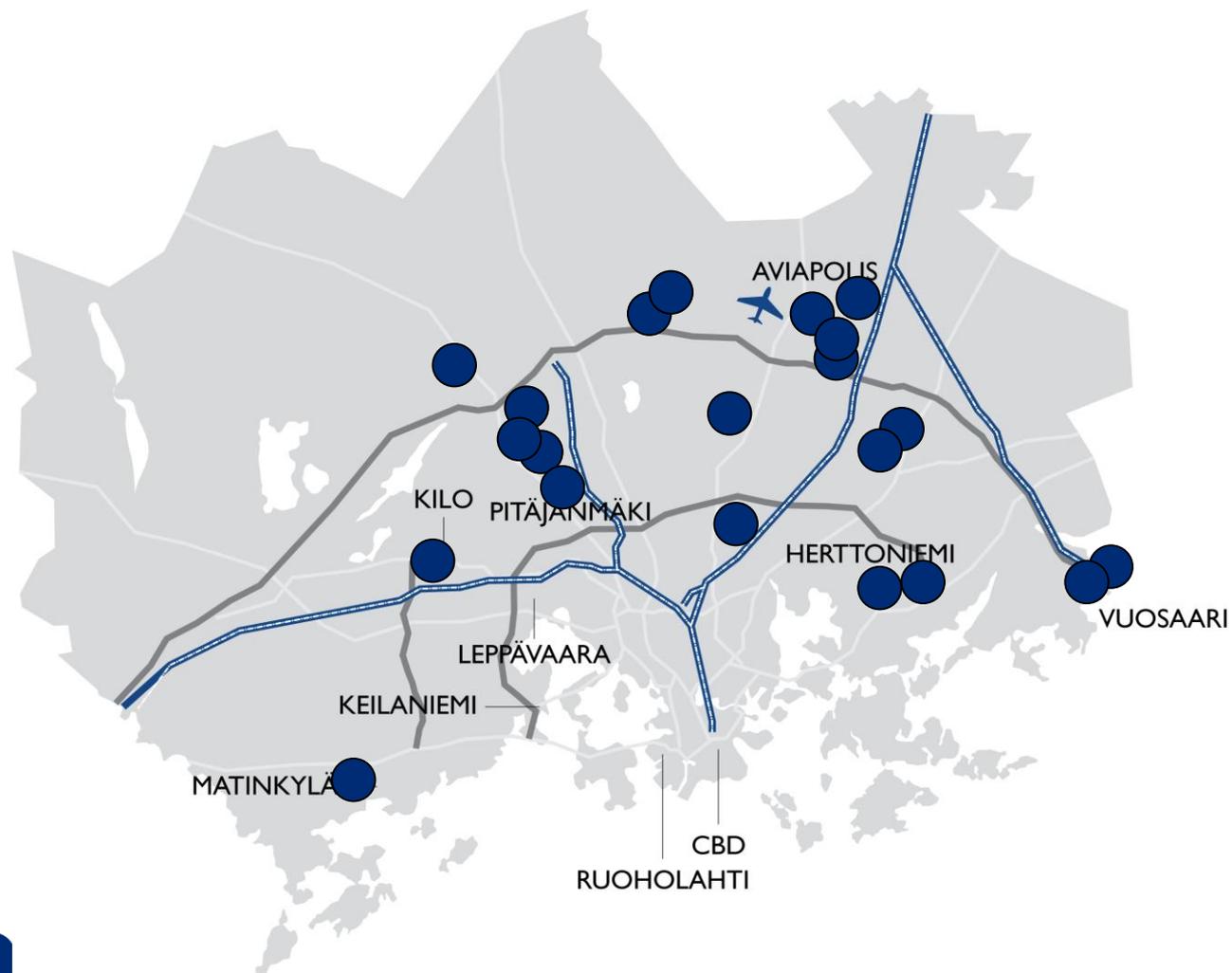
EUR 3,125.90 million

Overview of reporting segments

		Fair value ¹	% of portfolio ²	Yield requirement
Office & Retail	<ul style="list-style-type: none"> • Prime office and retail properties in the largest cities of Finland. • Focus on Helsinki CBD and Ruoholahti area. 	1 709.1 M€	 52%	6.5 %
Shopping Centres	<ul style="list-style-type: none"> • Specialises in leasing shopping centres in the largest cities in Finland. 	739.0 M€	 23%	5.6 %
Logistics	<ul style="list-style-type: none"> • One of the largest logistics property owners in the Helsinki Metropolitan Area and in Finland. 	409.5 M€	 13%	8.2 %
Property Development	<ul style="list-style-type: none"> • Property development projects and land assets. • Currently no active projects apart from annual maintenance investments. 	140.6 M€	 4%	n/m
Russia	<ul style="list-style-type: none"> • Office properties and shopping centres in Moscow. One logistics centre in St Petersburg. 	268.3 M€	 8%	9.7 %
Real Estate Funds	<ul style="list-style-type: none"> • Owns and manages office, retail and logistics properties through real estate funds. 	720 M€ (AUM)	n/m	n/m

Sponda's logistics properties

Total of 13% of the Investment Properties portfolio



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 2005-2012

2005	2006	2007	2008	2009	2010	2011	2012
<ul style="list-style-type: none"> • Strategy revised: Profitable growth strategy and expansion plans to Russia and the Baltic Countries 	<ul style="list-style-type: none"> • First property fund established: First TopLux Co. • First investment to Russia made, a logistics property in St Petersburg. 	<ul style="list-style-type: none"> • Rights offering for EUR 250 million completed to partly finance Kapiteeli acquisition. • Sale of asset portfolio, in total EUR 400 million 	<ul style="list-style-type: none"> • Along with the economic downturn, Sponda started to sell properties in order to strengthen its balance sheet. 	<ul style="list-style-type: none"> • Strategy revised: Baltic Countries no longer as a strategic inv. target. • Strategy adjusted : modest growth financed by property disposals. 	<ul style="list-style-type: none"> • Sponda sold its properties for EUR 57 million in total. • In total, EUR 800 million was refinanced during the year. 	<ul style="list-style-type: none"> • Sponda bought Fennia Quarter for EUR 122 million. • Re-financing was completed until 2014. 	<ul style="list-style-type: none"> • Sponda bought an office building in the centre of Moscow for USD 47 million.
<p>Organisation streamlined to four business units: Office and Retail, Logistics, Property Development and New Business areas.</p>	<ul style="list-style-type: none"> • Sponda signed agreement with Helsinki Harbour to build logistics centre in the new Vuosaari Harbour. 	<ul style="list-style-type: none"> • A number of property development projects were started in Helsinki Metropolitan Area. 	<ul style="list-style-type: none"> • At the end of the year, all property development projects were completed on schedule, apart from the City-Center project. 	<ul style="list-style-type: none"> • Rights offering for EUR 200 million completed to strengthen balance sheet.. 	<ul style="list-style-type: none"> • Property development was accelerated after a couple of slower years. 	<ul style="list-style-type: none"> • Building of new headquarters for publishing house Talentum started. • 2nd phase of Citycenter completed. 	<ul style="list-style-type: none"> • Sponda issued a new hybrid bond for EUR 95 million to replace the old, EUR 130 million hybrid.
	<ul style="list-style-type: none"> • Sponda bought property investment company Kapiteeli Plc for EUR 950 million. 			<ul style="list-style-type: none"> • Property development activities increased at the end of the year. 			

Balance sheet

M€	30.6.2013	30.6.2012	31.12.2012	1.1.2012
ASSETS				
Non-current assets	3,422.2	3,386.6	3,435.0	3,311.1
Current assets	46.7	74.8	86.7	76.1
Assets, total	3,478.6	3,461.4	3,521.8	3,387.2
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity total	1,348.9	1,326.3	1,447.7	1,334.4
Non-current liabilities				
Interest-bearing debt	1,383.7	1,398.7	1,460.3	1,380.8
Other liabilities	24.0	42.3	38.1	40.3
Deferred tax liabilities	213.0	191.5	205.9	181.8
Non-current liabilities, total	1,620.7	1,632.5	1,704.4	1,602.9
Current liabilities, total	509.0	502.7	369.7	449.9
Liabilities, total	2,129.7	2,135.2	2,074.1	2,052.8
Shareholders' equity and liabilities	3,478.6	3,461.4	3,521.8	3,387.2

Lease agreements in Q2 2013

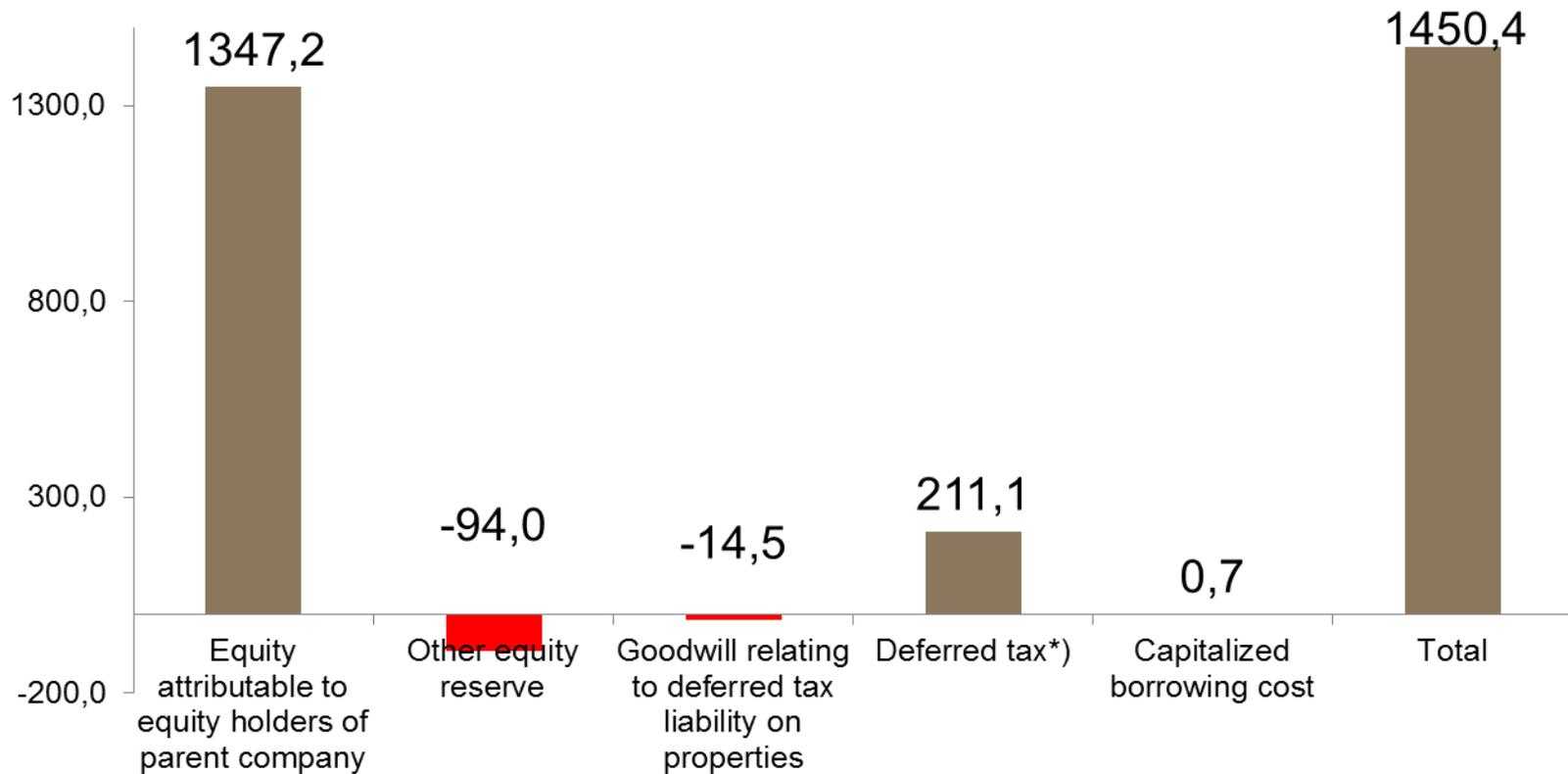
	Pcs	M ²	€/m ² /month (avg)*
Agreements that came into force during the period	110	32 079	21.18
Agreements that ended during the period	44	38 795	16.50
Agreements that were extended during the period	105	31 695	17.50

*) 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 29 % 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.

EPRA NAV calculation

5.12 €/share



Environmental responsibility 2013

Target	Result
Energy consumption declines in properties located in Finland (electricity, heating, cooling, water)	
Recycling of waste more than 86% of all waste	
Energy consumption declines in three properties in Russia	
Environmental partnership program expanded from last year (16 partners)	
Environmental certificates obtained for possible new properties.	
Energy consumption in Sponda's own office will further decrease from 2012	
Reduction of the amount of waste in Sponda's own office	

