



Sponda Financial Results Q3 2014

4 November 2014

SPONDA



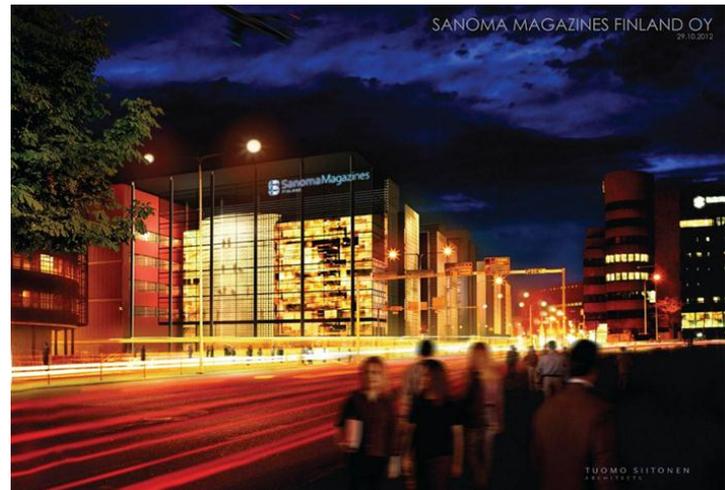
Performance Highlights

Kari Inkinen

SPONDA

Sponda's Q3 2014 in brief

- Occupancy rate improved in the third quarter.
 - Main reasons are the improved office occupancy and the Certeum transaction.
- Certeum-deal closed on schedule 30 September 2014.
 - Most of the cash received from the deal has been used to pay down debt.
- Refinancing deals for EUR 200 million made after the period.
 - Used to pay back the 2015 maturing loans.
 - Cash received from the Certeum transaction was also used to pay back maturing loans.



Strategy

Main goals of Sponda's strategy are to simplify the business as a whole, to have more focused property portfolio, and to grow profitably.

- To achieve the strategic goals, Sponda is:
 - Selling the logistics portfolio;
 - Selling the Russian portfolio;
 - Selling the properties in Turku; and
 - Investing in prime properties in Helsinki and Tampere.
- In September 2014, Sponda sold 12 logistics properties and property funds' business for EUR 216.7 million and EUR 77.2 million respectively.
- Sponda has also sold non-core properties for EUR 14.8 million.

Development and modernization investments

	Leasable area m ²	Estimated completion	Total investment M€	Pre-let %	Estimated market rent Eur/m ² /month
Greenfield developments					
Ilmala office property, Helsinki	18,500*)	End of 2015	57.0	97	22-24
Lassila office property, Helsinki	4,600	June 2015	10.6	50	22-24
Modernization investments					
Porkkalankatu, Helsinki	13,500	April 2015	6.7	87	23-25
Keskuskatu 1b, Helsinki	2,048	September 2015	6.4	25	30-33
Total	38,648		80.7		

*) The amount of m² was increased by 3,500 during Q3 due to increased demand by Sweco.

Sponda Q3 2014: Performance highlights

	7-9/14	Change, %	7-9/13	1-9/14	Change %	1-9/13	1-12/13
Total revenue, M€	63.2	(3.8)	65.7	189.4	(4.8)	198.9	264.3
Net Operating Income, M€	46.2	(6.7)	49.5	135.6	(5.5)	143.5	190.9
Operating profit, M€	42.2	(4.3)	44.1	118.8	(3.8)	123.5	153.0
Cash flow from operations/share, €	0.11	-	0.11	0.28	(6.7)	0.30	0.40
Earnings/share, €	0.07	-	0.07	0.20	5.2	0.19	0.34
NAV/share, €				4.63	2.9	4.50	4.64
EPRA NAV/share, €				5.39	2.7	5.25	5.29
Economic occupancy rate, %				86.5	(1.7)	88.0	87.9

Our priorities 2014

Occupancy rate development

Our target is to keep occupancy rate at the end-of-2013 level. In 2014, however, our occupancy rate will be slightly below due to bankruptcies and tenant debt restructurings.

Implementing our new strategy

We have disposed non-core assets for EUR 232.1 million and our share of the real estate funds for EUR 77.2 million. One larger office property acquired in Tampere.

Stable cash flow from operations per share

We aim to maintain our ability to pay stable dividend.

Increased focus in property development

During 2014, we have started four projects: Ilmala and Lassila offices and Ruoholahti and Keskuskatu renovations.



Market Update

Kari Inkinen

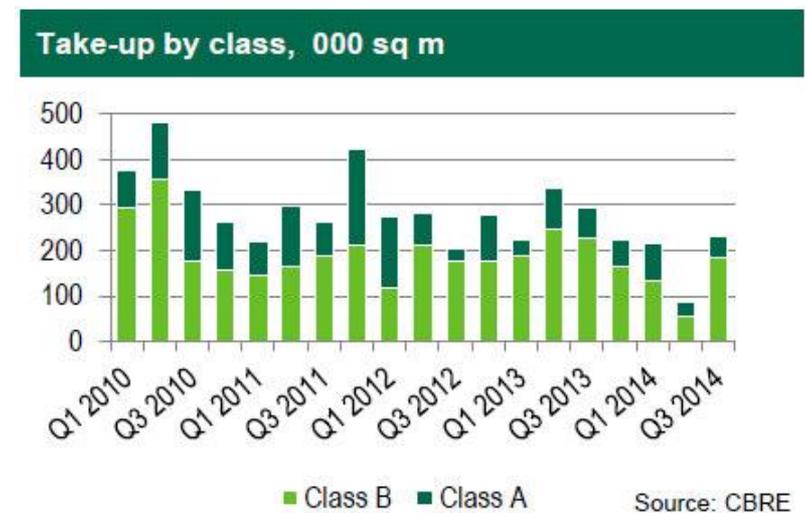
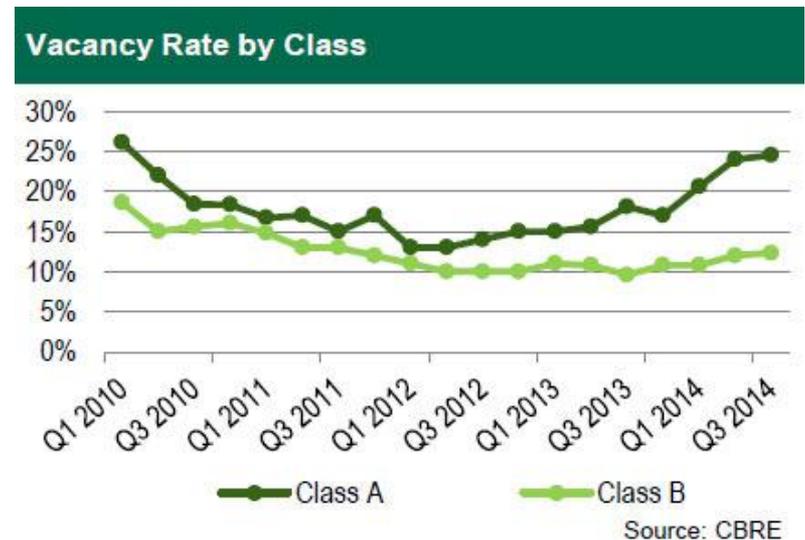
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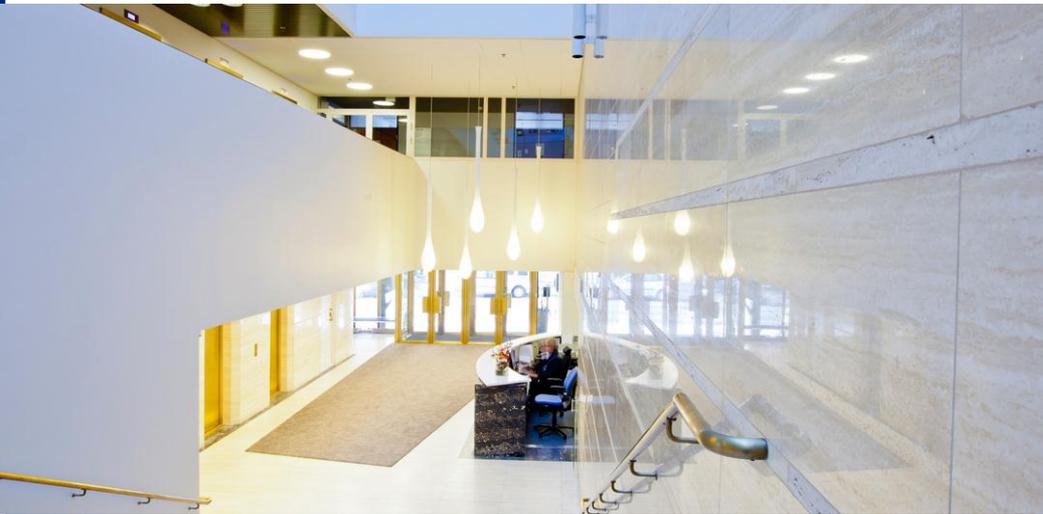
Finnish property market

- According to the Ministry of Finance, the GDP is not expected to grow in 2014.
 - New estimates for 2015 growth are 1.2%.
- Transaction market has picked up considerably. The transaction volume for H1 was EUR 1.5 billion, and the third quarter volume alone was EUR 1.4 billion.
 - The total amount for third quarter includes the Certeum-deal, EUR 0.9 billion.
- HMA office vacancy has decreased slightly despite the economic climate from 12.4% to 12.1%.
- According to CBRE, property yields are stable apart from the Helsinki CBD office properties.
 - CBD office transactions during the last 18 months have been below 5% yields.

Russian property market

- The GDP growth is estimated to stop in 2014.
- Transaction market has slowed down, and the volume was USD 3.2 billion at the end of September (Q3 2013: USD 4.8 billion).
- Vacancy rate in office properties in Moscow increased to 15.1% from 14.5%.
- The top rents for prime offices in Moscow are still at 1000 USD/m²/year.
 - A-class offices 750-650 USD/m²/yr.
 - B-class offices 450-400 USD/m²/yr.





Financials

Erik Hjelt

SPONDA

Profit & loss statement

M€	7-9/2014	7-9/2013	1-9/2014	1-9/2013	1-12/2013
Total revenue	63.2	65.7	189.4	198.9	264.3
Expenses	(17.1)	(16.2)	(53.7)	(55.4)	(73.4)
Net operating income	46.2	49.5	135.6	143.5	190.9
Profit on sale of inv. Properties	0.0	(0.2)	0.6	0.3	0.8
Valuation gain / loss	0.1	0.7	(1.8)	(1.5)	(14.2)
Profit on sale of trading properties	1.8	0.0	1.9	0.0	0.0
SGA expenses	(5.5)	(5.0)	(16.5)	(17.2)	(23.2)
Other operating income/expenses	(0.5)	(1.0)	(1.1)	(1.5)	(1.4)
Operating profit	42.2	44.1	118.8	123.5	153.0
Financial income and expenses	(14.4)	(15.1)	(44.3)	(43.9)	(59.8)
Profit before taxes	27.8	28.9	74.5	79.6	93.2
Taxes from previous and current fin. Years	(0.5)	(0.9)	(1.7)	(2.8)	(3.8)
Deferred taxes	(5.4)	(6.5)	(12.5)	(17.7)	(22.5)
Change of tax base of deferred taxes	0.0	0.0	0.0	0.0	36.3
Profit for the period	21.8	21.6	60.3	59.1	103.1

Valuation gains/losses

M€	7-9/2014	7-9/2013	1-9/2014	1-9/2013	1-12/2013
Changes in yield requirements (Finland)	0.0	0.0	3.3	(5.7)	(5.0)
Changes in yield requirements (Russia)	0.0	0.0	0.0	0.0	0.0
Profit/loss from property development projects	1.9	0.0	1.9	2.2	2.2
Modernization investments	(11.5)	(5.2)	(27.7)	(14.8)	(22.6)
Change in market rents and maintenance costs (Finland)	11.1	6.3	26.5	16.2	22.1
Change in market rents and maintenance costs (Russia)	(8.2)	1.1	(15.1)	(0.9)	(7.1)
Change in exchange rates	4.1	(3.9)	5.7	(3.1)	(5.7)
Investment properties, total	(2.6)	(1.7)	(5.3)	(6.0)	(16.1)
Real estate funds	0.7	(1.2)	(1.9)	(3.7)	(8.8)
Realised gains/losses in re funds	2.0	3.6	5.5	8.1	10.7
Group, total	0.1	0.7	(1.8)	(1.5)	(14.2)

Financing

	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013
Equity ratio, %	40	40	40	41	39
Average interest rate, %	2.8	3.0	3.1	3.2	3.1
Hedging, %	76	79	78	79	74
Average loan maturity, yrs	1.6	2.0	2.2	2.5	2.2
Average fixed interest rate period, yrs	2.2	2.4	2.4	2.3	1.9
Interest cover ratio	3.3x	3.2x	3.1x	3.1x	3.0x
Loan to Value, %	55	53	54	53	54

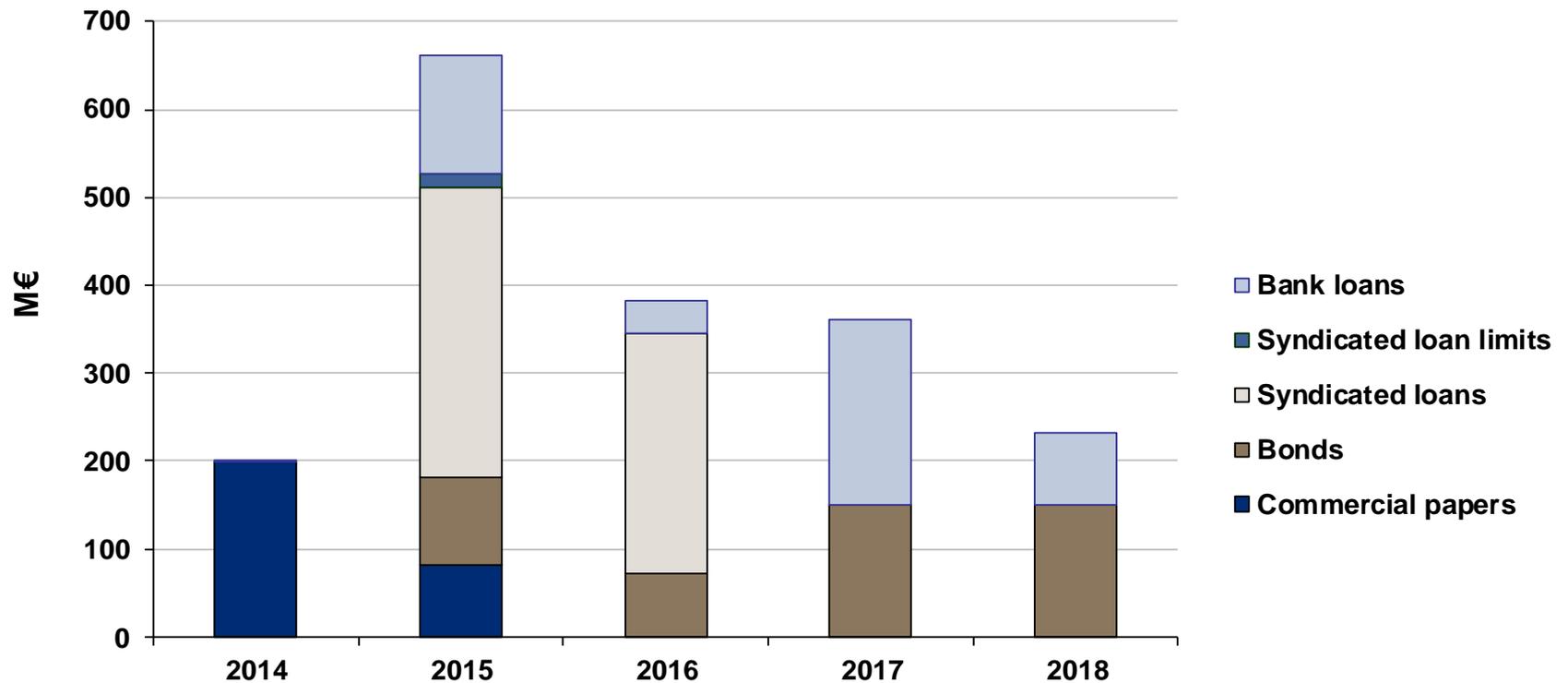
Covenants at:

Equity ratio, 28%
(long-term ER target: 40%)

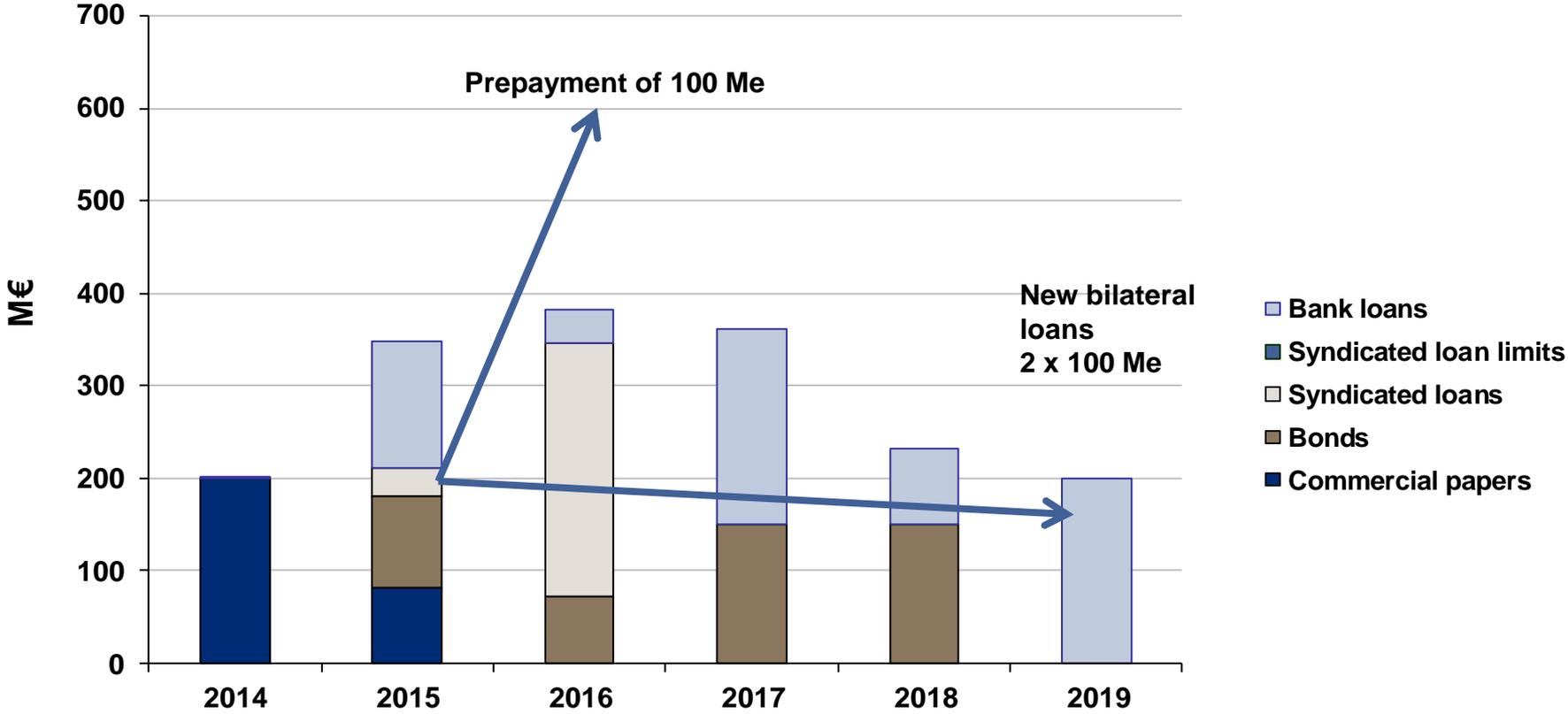
ICR 1.75x

Loan maturities 30 September 2014

- Interest-bearing debt EUR 1,831.6 million
- Unused financing limits EUR 495 million



Loan maturities 4 November 2014, E





Business Update

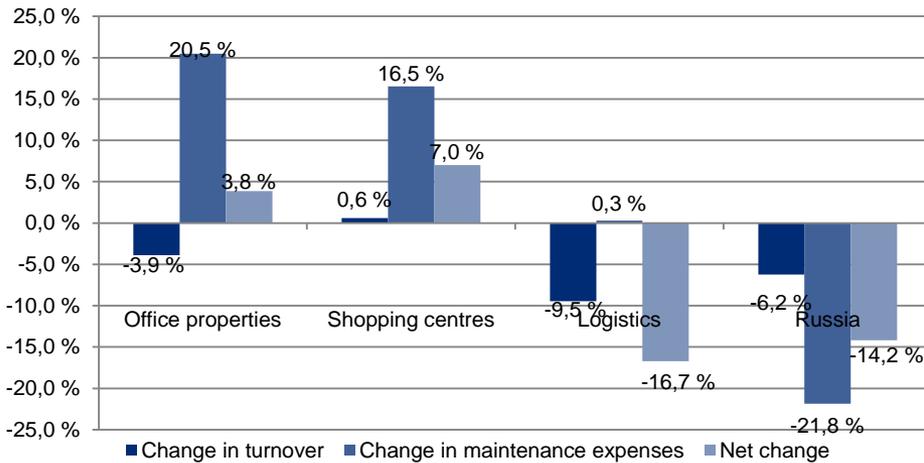
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Like-for-like development in Q3 2014

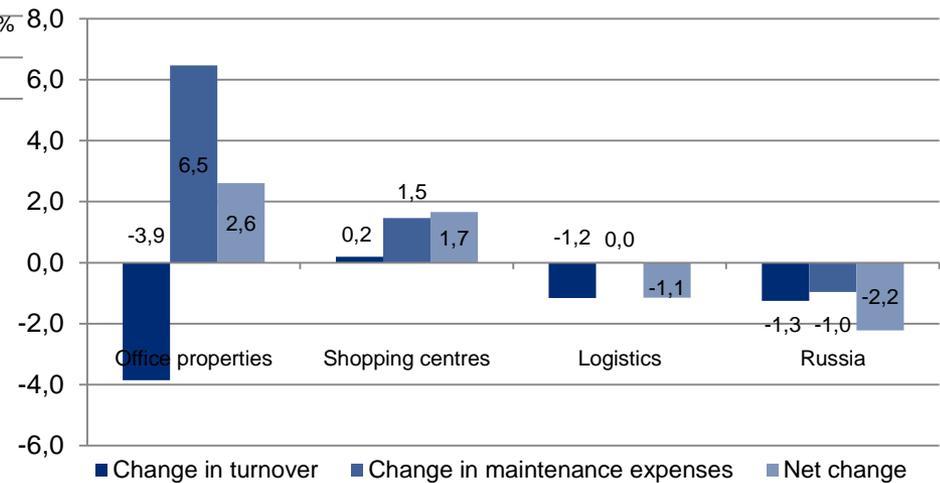
Like-for-like net rental growth has been calculated from a portfolio that Sponda has held for 2 years excluding acquisitions, disposals and property development.

Like-for-like net rental growth, %



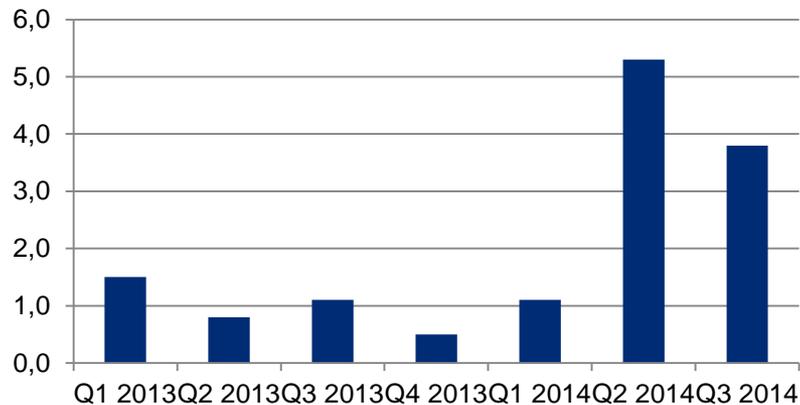
- L-f-l development as a percentage is positive in office and shopping centre segments mainly due to lower maintenance expenses.

Like-for-like net rental growth, M€

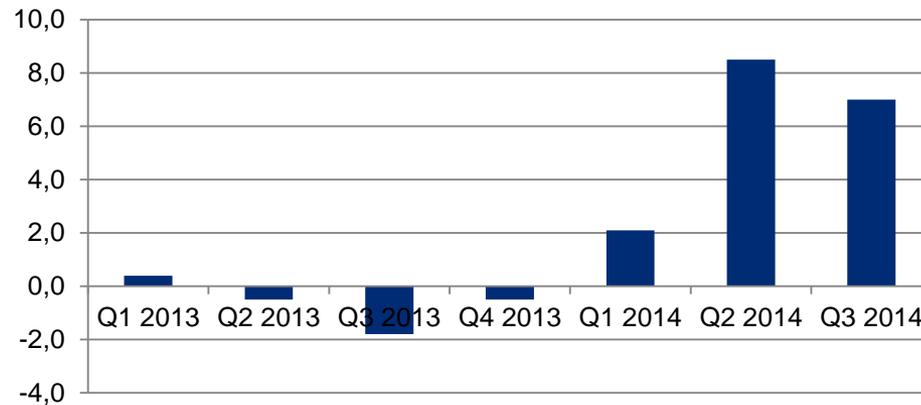


Like-for-like rental growth Q1 2013-Q3 2014, %

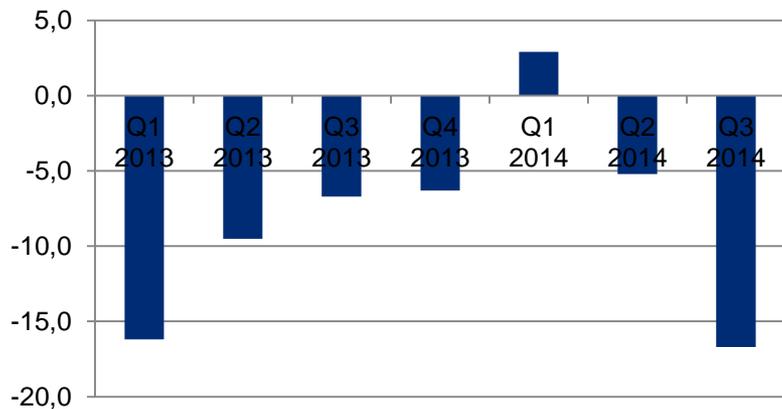
Office



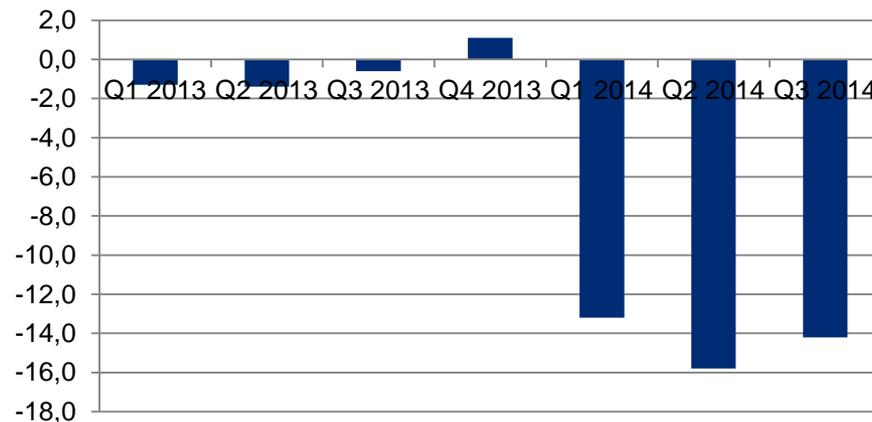
Shopping Centres



Logistics



Russia



Segment performance

Office

Occupancy rate was 88.3%¹⁾ (Q3 2013 : 89.6%).

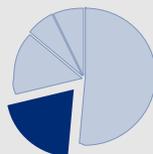
Like-for-like rents were up by 3.8%. The improvement was mainly due to lower maintenance costs during the period.



Shopping Centres

Occupancy rate was 89.3%¹⁾ (Q3 2013: 90.8%).

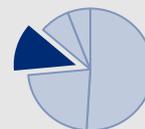
Like-for-like rents were up by 7.0%. The improvement was mainly due to lower maintenance costs during the period.



Logistics

Occupancy rate was 65.6% (Q3 2013: 75.6%)²⁾.

Like-for-like rents were down by 16.7% due to higher vacancy.



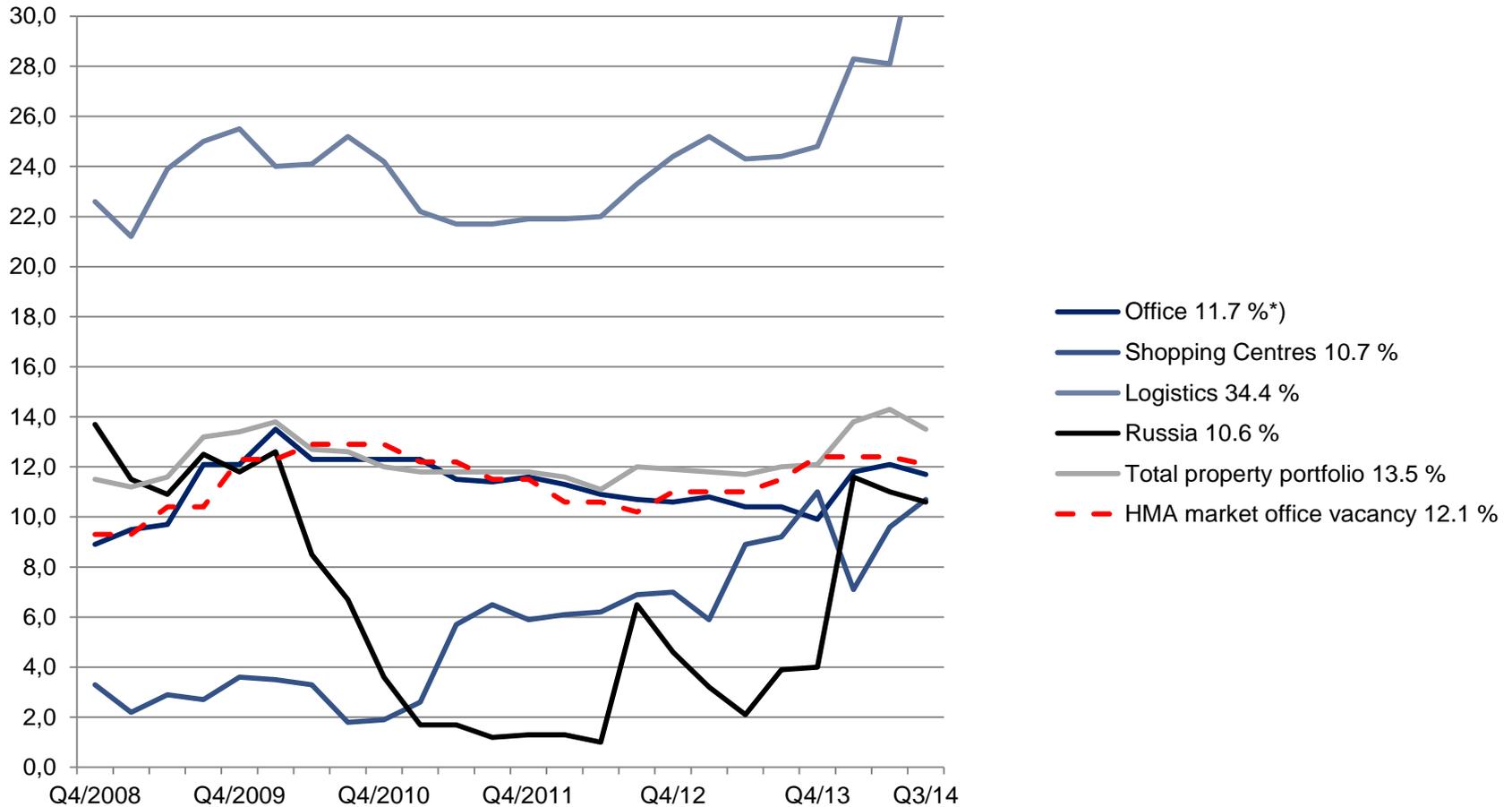
Russia

Occupancy was 89.4% (Q3 2013: 96.1%).

Like-for-like rents were down by -14.2% due to higher vacancy in the Ducat II –property.

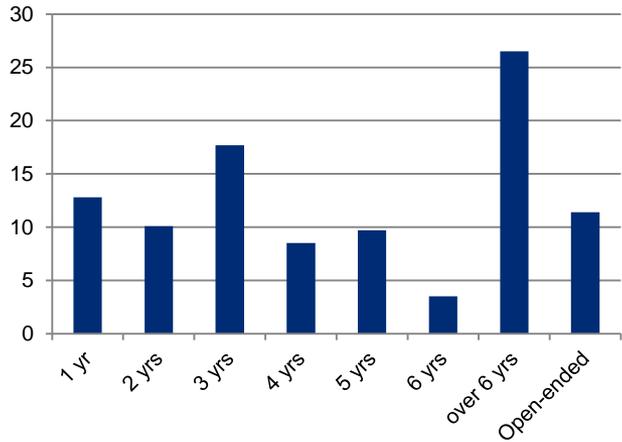


Economic vacancy rate 2008 – Q3 2014

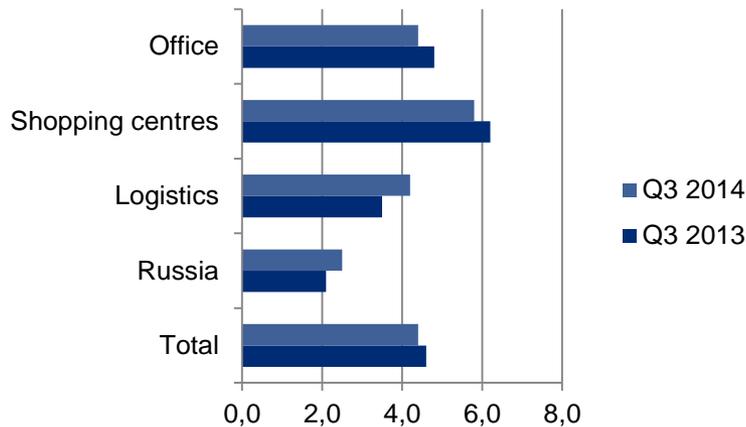


Lease agreement composition Q3 2014

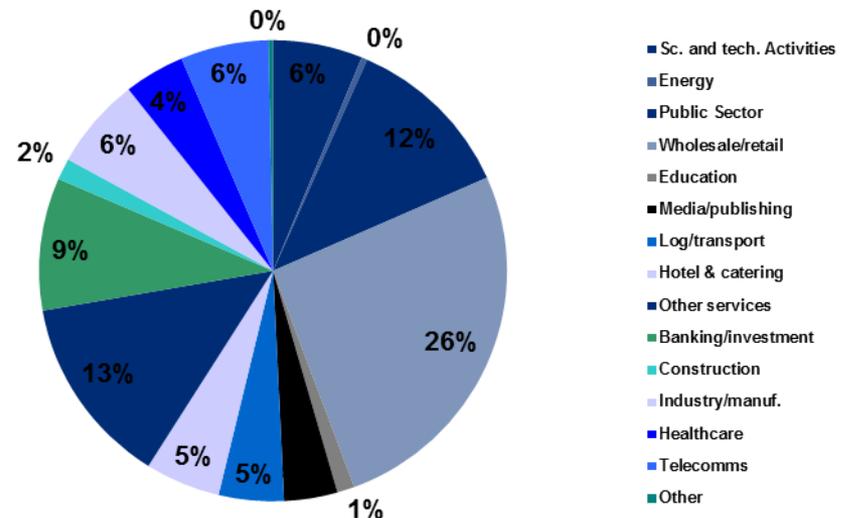
Lease maturity profile,
% of rental income



Average lease maturity



Tenant breakdown by sector¹



Note 1: Based on rental income

Lease agreements in Q3 2014

	Pcs	M²	€/m²/month (avg)*
New agreements that came into force during the period	77	21 668	15.10
Agreements that ended during the period	91	19 797	19.00
Agreements that were extended during the period	41	13 887	20.00

*) 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.

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	2013	1-9/2014
Property development investments	30.5	58.5	47.5	14.0	13.0
Maintenance investments	29.9	50.5	28.4	22.6	27.7
Acquisitions	0.8	150.4	53.1	3.1	65.0
Disposals	57.0	14.1	61.8	33.1	231.5

Prospects and financial targets

Prospects

- Sponda expects the economic occupancy rate of the Group's properties in 2014 to decline slightly from 2013. Earlier Sponda estimated that the economic occupancy rate in 2014 will remain largely unchanged from 2013. The revised estimate is mainly based on bankruptcies and debt restructurings in the tenant base during the third quarter.
- Sponda estimates that the NOI will be EUR 175-180 million (Q2/2014: EUR 175-183 million) at the end of 2014 (including NOI from the properties sold to Certeum for the period they were held). The estimate was revised based on the expected letting activities in the fourth quarter 2014 and on property transactions that could still affect Sponda's net operating income.

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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Strategy

- Time frame for the possible disposals is 2 to 4 years to achieve the best possible result.
- Capital received from the planned disposals will be re-invested in Helsinki and Tampere areas in office and shopping centre properties and property development projects.
- The possible acquisitions will be made if and when suitable properties are found.

Largest Shareholders 30 September 2014

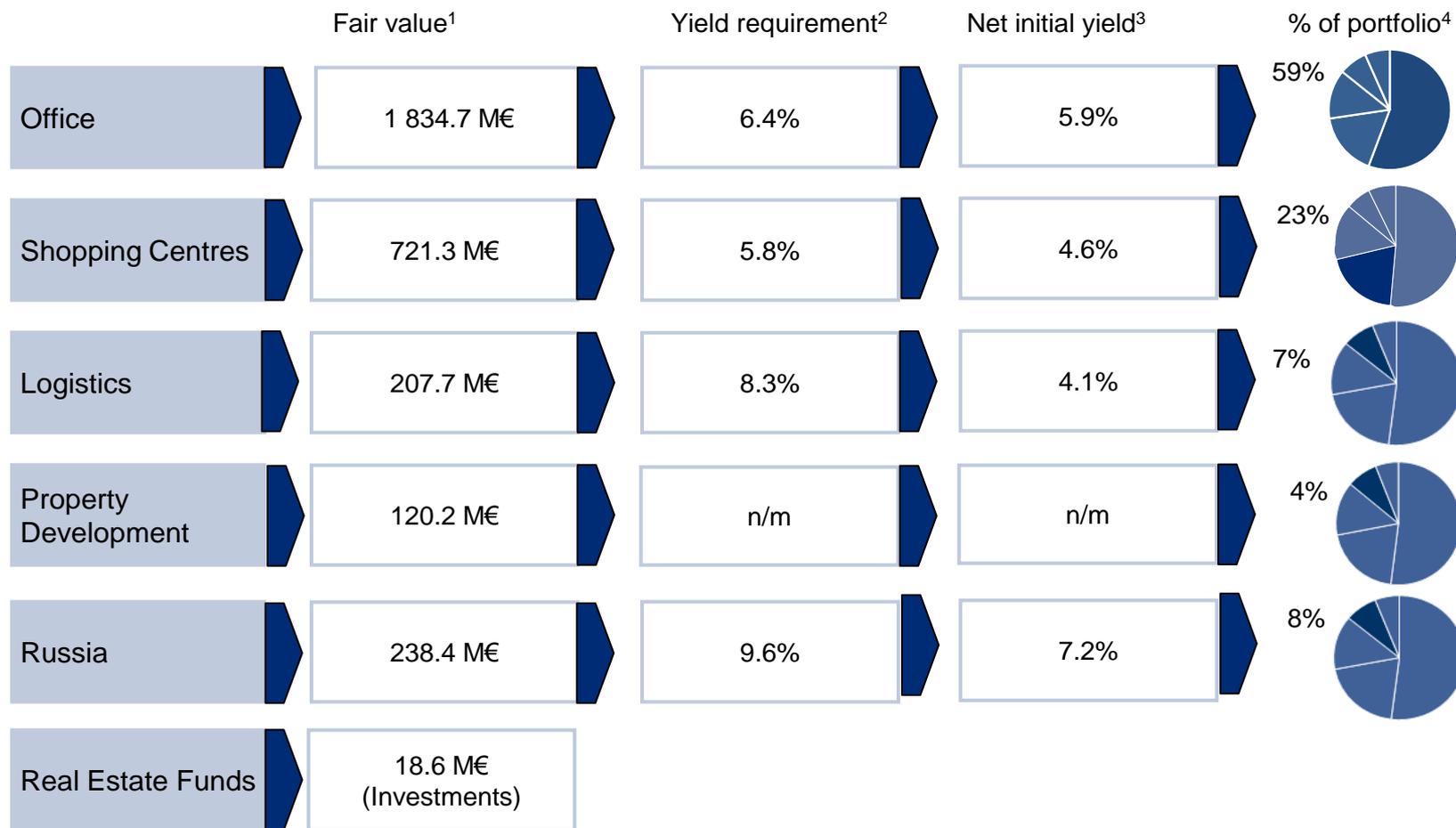
	Major shareholders	No. of shares	Holding %
1.	Oy PALSK Ab	42,163,745	14.89
2.	Varma Mutual Pension Insurance Company	29,083,070	10.27
3.	HC Fastigheter Holding Oy Ab	28,484,310	10.06
4.	The State Pension Fund	2,550,000	0.90
5.	Folketrygdfondet	2,050,733	0.72
6.	Odin Eiendom	1,071,606	0.38
7.	Norvestia plc	728,517	0.26
8.	Erikoissijoitusrahasto Visio Allocator	650,000	0.23
9.	Odin Eiendom I	597,699	0.21
10.	Livränteanstalten Hereditas	540,000	0.19
	Nominee-registered shareholders 50.9% of the total		

Environmental responsibility 2014

Target	Result
Energy consumption declines in properties located in Finland (energy consumption in total).	
Comparable water consumption decreases in properties in Finland.	
Recycling of waste stays at the level of 87% (as was in 2013) of all waste.	
Environmental partnership program expanded from last year to 22 (in 2013, Sponda had 20 partners).	
Environmental certificates obtained for possible new properties and for all major maintenance investments.	

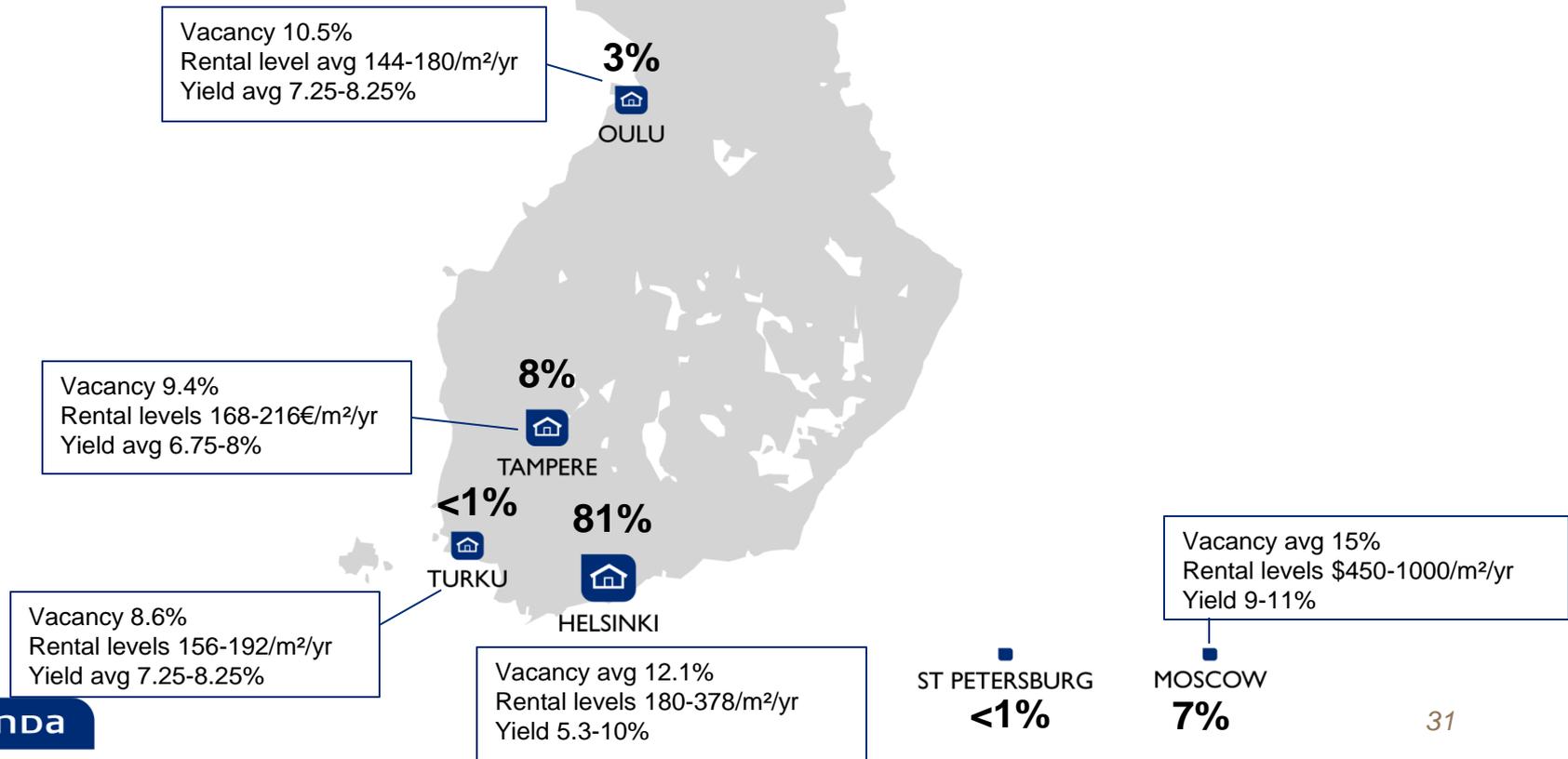


Overview of the current reporting segments



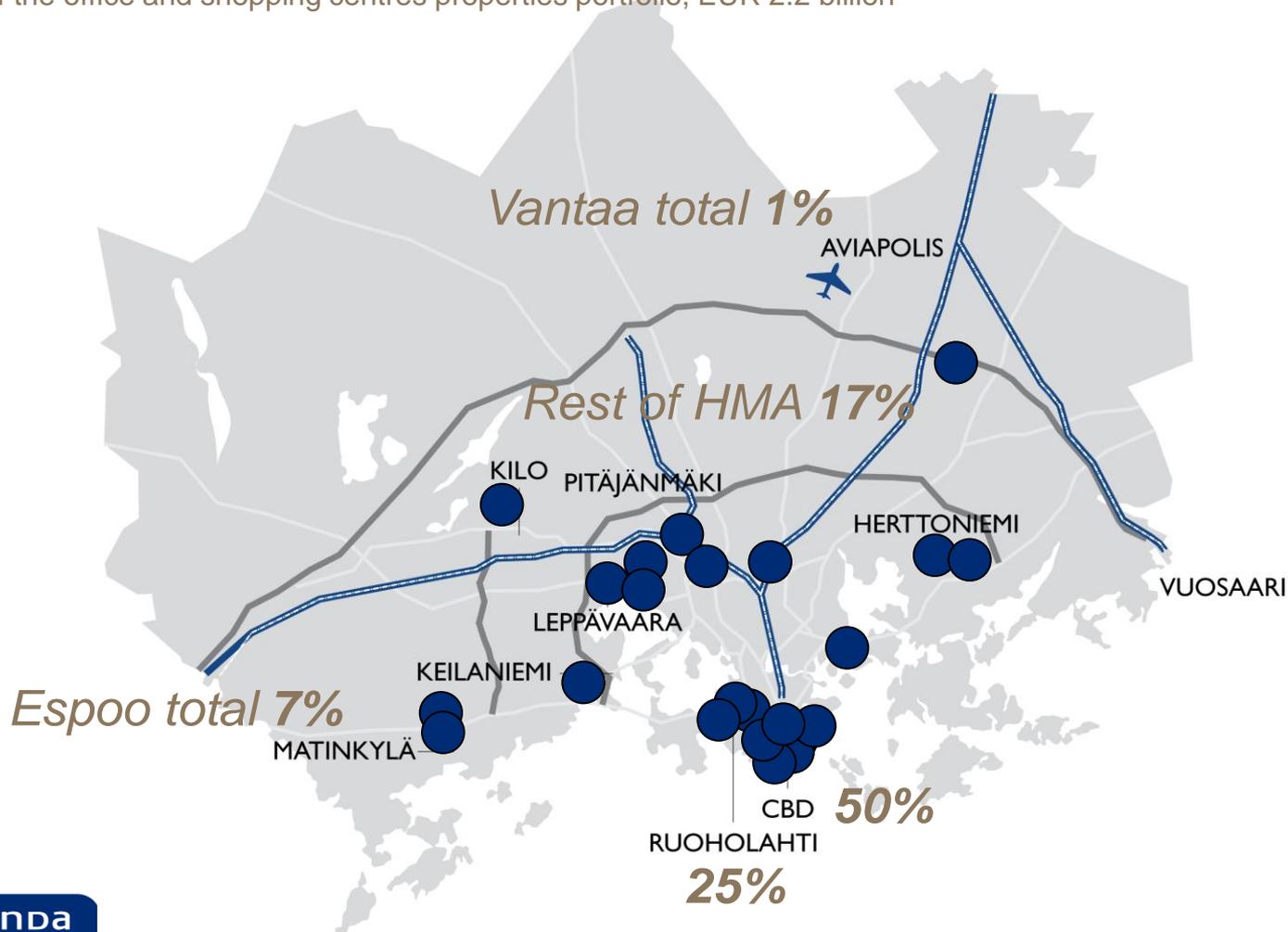
Office market statistics and Sponda's holdings

Source: Catella Property, Sponda



Sponda's office and shopping centre properties, HMA

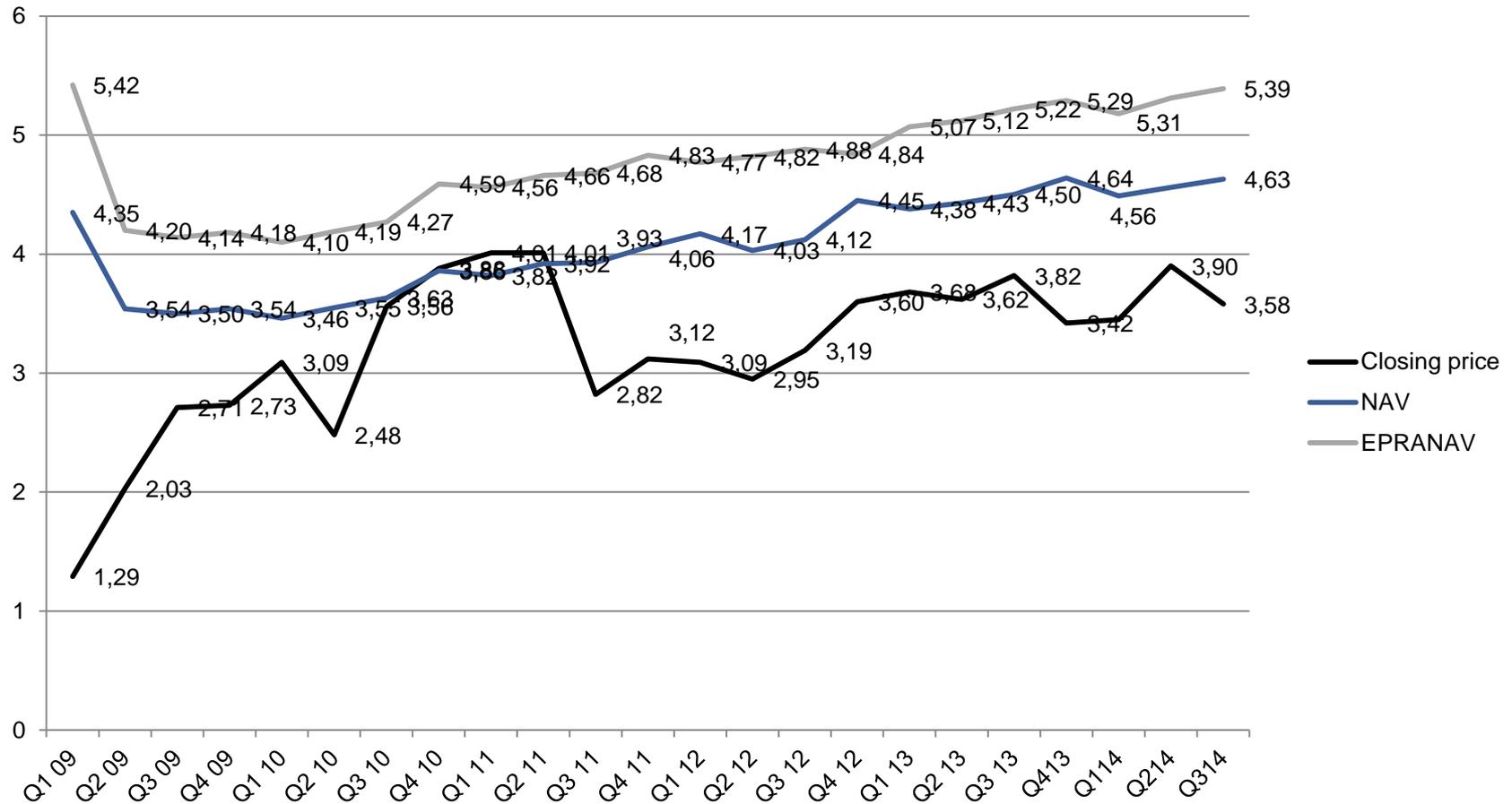
Total of the office and shopping centres properties portfolio, EUR 2.2 billion



Balance sheet

M€	30.9.2014	30.9.2013	31.12.2013
ASSETS			
Investment properties	3,122.3	3,264.7	3,253.3
Other non-current assets	255.9	178.2	158.1
Fixed assets & other non-current assets, total	3,378.2	3,442.9	3,411.4
Current assets, total	146.0	49.0	60.3
Assets, total	3,524.2	3,491.9	3,471.7
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity, total	1,406.2	1,370.0	1,409.3
Non-current liabilities, total	1,536.5	1,763.8	1,714.8
Current liabilities, total	581.4	358.1	347.6
Shareholders' equity and liabilities, total	3,524.2	3,491.9	3,471.7

NAV/share and EPRA NAV/share



EPRA NAV calculation

5.39 €/share

