

# *Financial Results Q1 2010*

## *5 May 2010*

***Conference call 11.00 am EET***

***Dial-in number:***

***+44-20-3037 9092***

***Webcast available at:***

***[http://www.sponda.fi/www/ln\\_english/Investors.iw3](http://www.sponda.fi/www/ln_english/Investors.iw3)***

**SPONDA**

# Agenda

- **Performance highlights and current issues – Kari Inkinen**
- Property market – Kari Inkinen
- Financial results – Erik Hjelt
- Business review – Kari Inkinen

# Performance highlights

- Net operating income down by 7 % y-o-y mainly because of harsh winter and lease agreements ended during first quarter.
- Cash flow from operations was EUR 21.0 million (31.3.2009: EUR 20.1 million).
- Financial expenses still remained at low level.

	1-3/10	1-3/09	1-12/09
Total revenue, M€	59.1	60.6	243.0
Net Operating Income, M€	41.9	45.0	181.6
Operating profit	36.3	(77.8)	(13.3)
Cash flow from operations/share, €	0.08	0.18	0.45
NAV/share, €	3.46	4.35	3.54
EPRA NAV/share, €	4.10	5.42*	4.18
Dividend/share, €			0.12

# Implications of the possible tax expense

	<b>1-3/2010, published</b>	<b>1-3/2010 e, if tax plus interest (estimated EUR 156.0 million) paid</b>
Profit/loss for the period, M€	14.5	(141.5)
Shareholders' equity, M€	1 092.0	936.0
Equity ratio, %	37	31
Earnings/share, €	0.05	(0.51)
Cash flow from operations/share, €	0.08	(0.49)
NAV/share, €	3.46	2.90

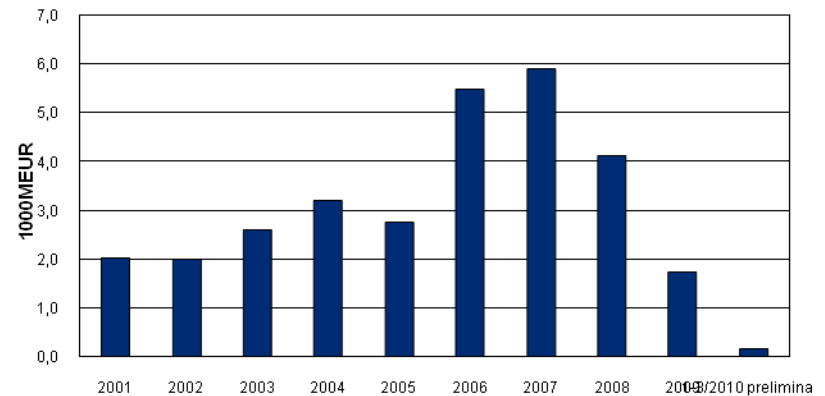
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# The Finnish property market

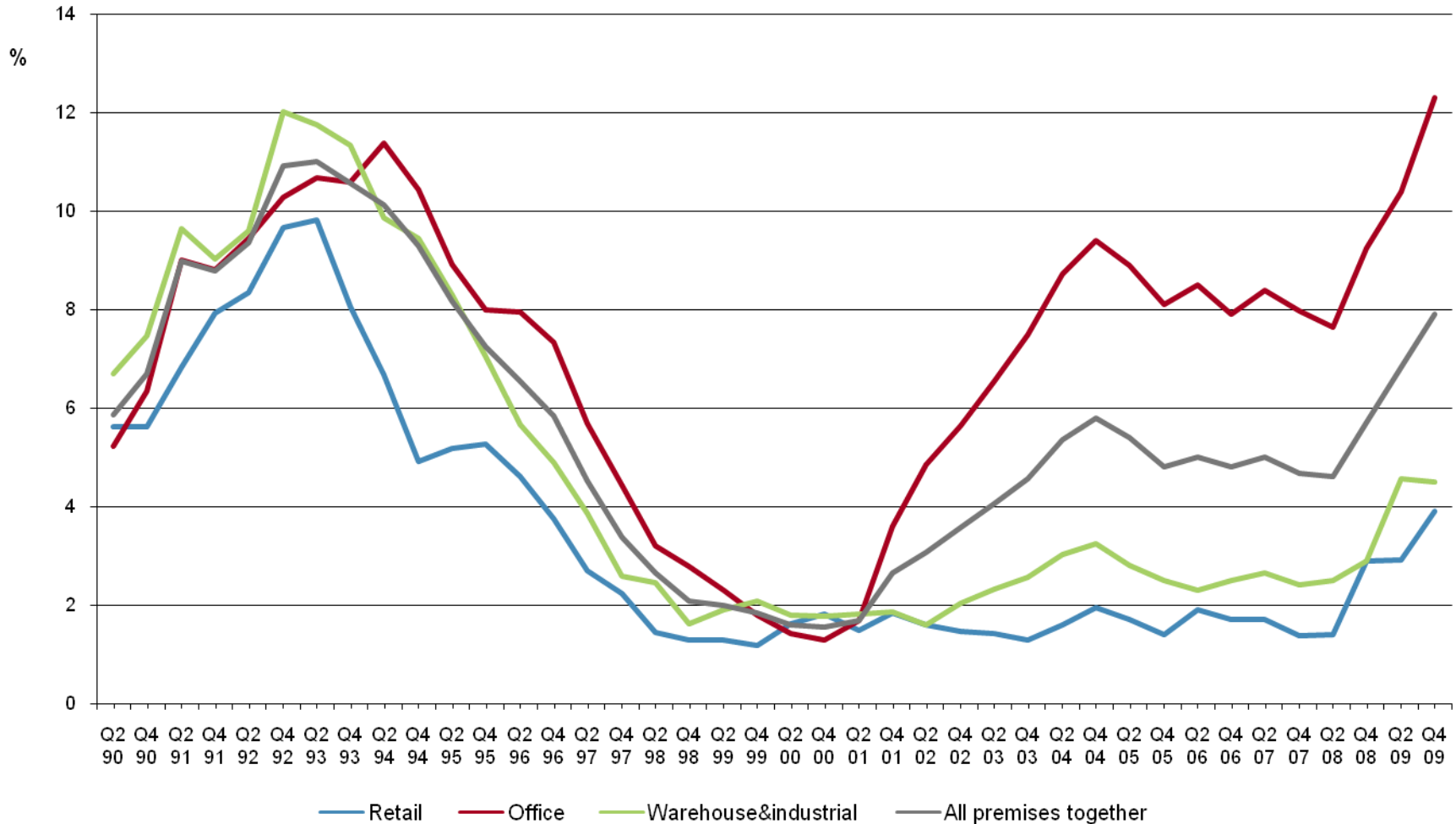
- Transaction volume in Q1 2010 was EUR 0.2 bn.
- Office vacancy rates have increased to over 12 % and may continue to increase during H1 2010 in the HMA.
- Market rents have stabilised in CBD but continued to decline in secondary HMA areas although the pace has slowed down.

Property transaction volume

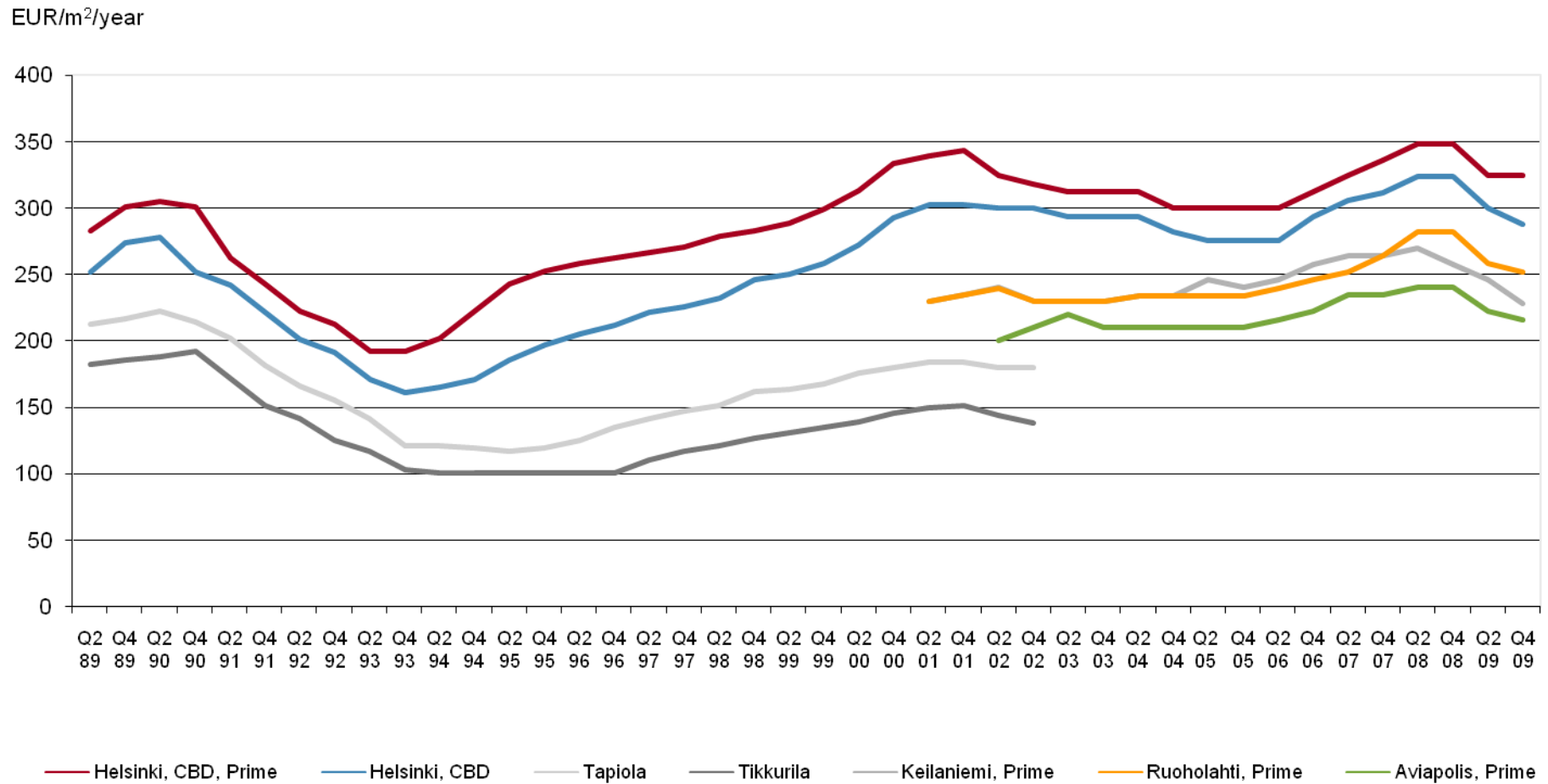


Source: KTI

# Office vacancy in HMA



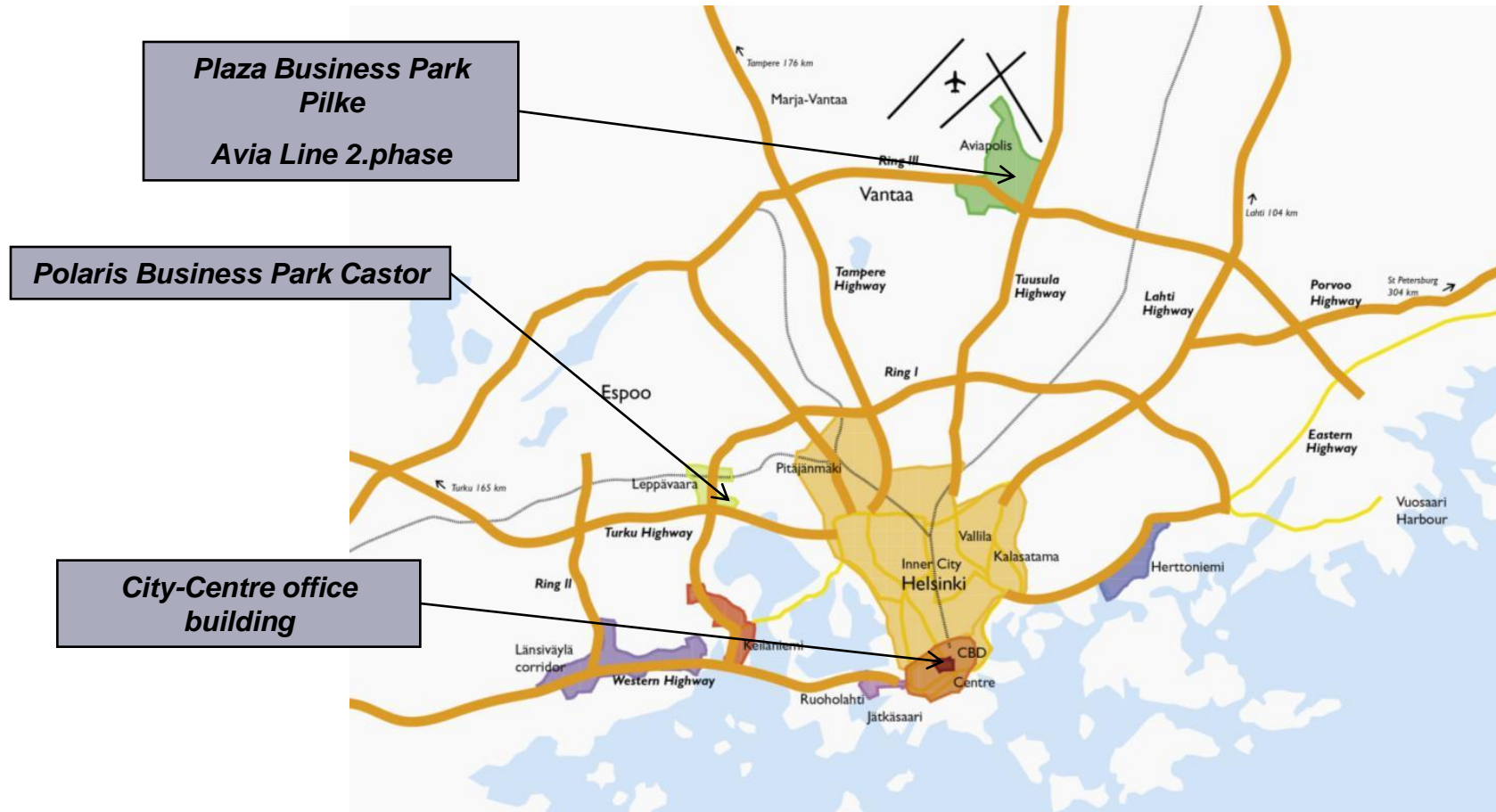
# Market rents in HMA office



— Helsinki, CBD, Prime — Helsinki, CBD — Tapiola — Tikkurila — Keilaniemi, Prime — Ruoholahti, Prime — Aviapolis, Prime



# Office buildings under construction in HMA (67 000 m<sup>2</sup> in total)



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# Profit & loss statement

M€	1-3/2010	1-3/2009	1-12/2009
Total revenue	59.1	60.6	243.0
Expenses	(17.2)	(15.6)	(61.4)
<b>Net operating income</b>	<b>41.9</b>	<b>45.0</b>	<b>181.6</b>
Profit on sale of inv. properties	1.3	0.2	0.3
Valuation gain / loss	(1.6)	(117.3)	(175.1)
Profit on sale of trading properties	0.3	(0.2)	4.0
SGA expenses	(4.9)	(5.4)	(22.0)
Share of result of associated companies	0.0	0.0	0.0
Other operating income/expenses	(0.6)	(0.1)	(2.1)
<b>Operating profit</b>	<b>36.3</b>	<b>(77.8)</b>	<b>(13.3)</b>
Financial income and expenses	(16.6)	(19.0)	(65.0)
<b>Profit before taxes</b>	<b>19.6</b>	<b>(96.7)</b>	<b>(78.3)</b>
Taxes from previous and current fin. years	(1.0)	(0.3)	(3.2)
Deferred taxes	(4.2)	5.2	(0.1)
<b>Profit for the period</b>	<b>14.5</b>	<b>(91.9)</b>	<b>(81.6)</b>

# Valuation gains/losses on assessing Sponda properties at fair value

M€	1-3/10	1-12/09
Changes in yield requirements (Finland)	-	(54.7)
Changes in yield requirements (Russia)	-	(49.4)
Profit/loss from property development projects	0.9	(1.2)
Modernization investments	(5.6)	(21.3)
Change in market rents and maintenance costs (Finland)	(2.8)	(8.4)
Change in market rents and maintenance costs (Russia)	-	(26.9)**
Change in exchange rates	6.3	(5.0)*
<b>Investment properties, total</b>	<b>(1.2)</b>	<b>(166.8)</b>
Real estate funds	(0.4)	(8.3)
<b>Group, total</b>	<b>(1.6)</b>	<b>(175.1)</b>

\* Change in value due to changes in exchange rates 6-12/2009

\*\* Includes changes in value due to changes in exchange rates 1-6/2009

# Balance Sheet

M€	31.3.10	31.3.09	31.12.09
<b>ASSETS</b>			
Non-current assets	2,901.0	2,964.3	2,906.6
Current assets	84.1	84.1	83.6
<b>Assets, total</b>	<b>2,985.1</b>	<b>3,048.4</b>	<b>2,990.2</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity total	1,092.0	905.4	1,113.6
Non-current liabilities			
Interest-bearing debt	1,393.4	1,547.7	1,287.2
Provisions	0.0	0.3	0.0
Other liabilities	37.7	41.5	30.5
Deferred tax liabilities	193.4	207.6	193.8
Non-current liabilities, total	1,624.5	1,797.1	1,511.4
Current liabilities, total	268.5	345.9	365.2
<b>Liabilities, total</b>	<b>1,893.0</b>	<b>2,143.0</b>	<b>1,876.6</b>
<b>Shareholders' equity and liabilities</b>	<b>2,985.1</b>	<b>3,048.4</b>	<b>2,990.2</b>

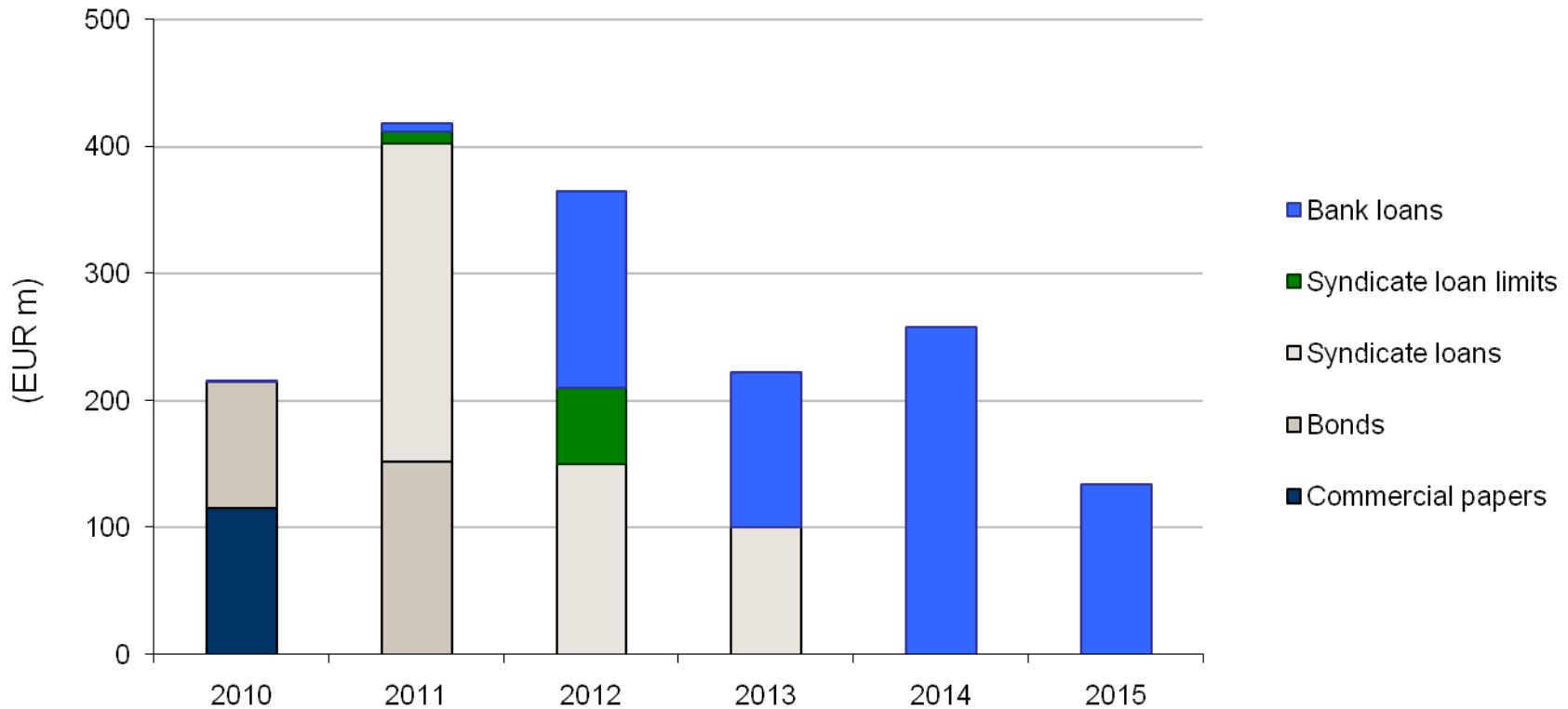
# Financing

	Q1/2010	Q4/2009	Q3/2009	Q2/2009	Q1/2009
Equity ratio, %	<b>37</b>	37	37	37	30
Average interest rate, %	<b>3.8</b>	3.7	3.5	3.8	3.6
Hedging, %	<b>67</b>	65	63	63	61
Average loan maturity, yrs	<b>2.5</b>	2.4	2.6	2.8	2.8
Average fixed interest rate period, yrs	<b>1.8</b>	1.8	1.5	1.7	1.8
Interest cover	<b>2.9x</b>	2.7x	2.6 x	2.4 x	2.2 x
Loan to Value, %	<b>56</b>	56	57	57	63

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

# Loan maturities 31 March 2010

- Interest-bearing debt EUR 1,610.4 million
- Unused financing limits EUR 400 million
- The bond maturing in 2010 has been paid in April 2010.

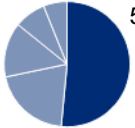
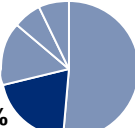





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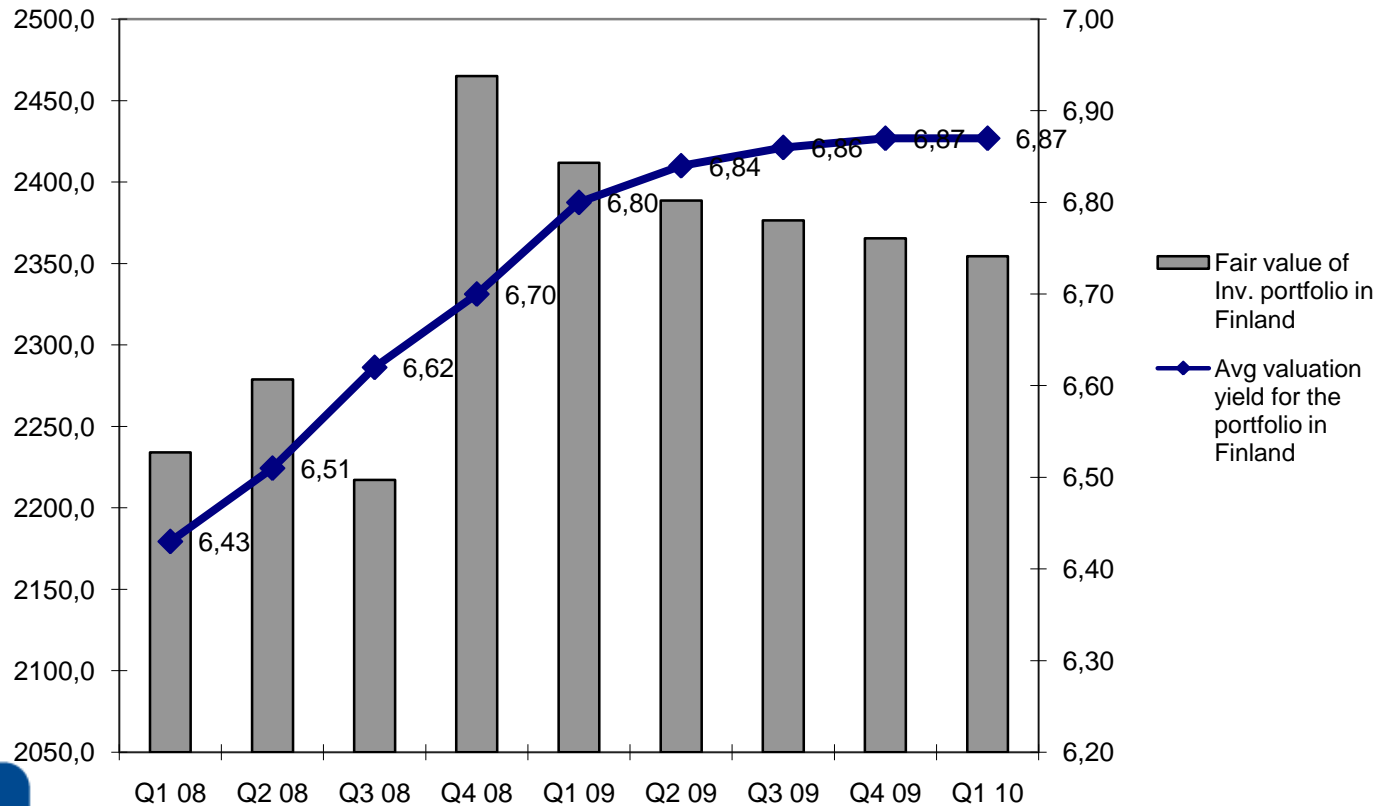


# Overview of reporting segments

	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 1,416.7m	 51%	6.7%
Shopping Centres	<ul style="list-style-type: none"> <li>Specialises in leasing shopping centres in Finland</li> <li>Reported as a separate segment as of Q1/09</li> </ul>	EUR 542.3m	 20%	6.1%
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 395.5m	 14%	8.1%
Property Development	<ul style="list-style-type: none"> <li>Sponda's development projects and land assets</li> <li>City-Center shopping centre is currently the only on-going development project</li> </ul>	EUR 225.7m	 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 188.0m	 7%	11.5%
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 670m (assets under management)	n/m	n/m

# Valuation yield development

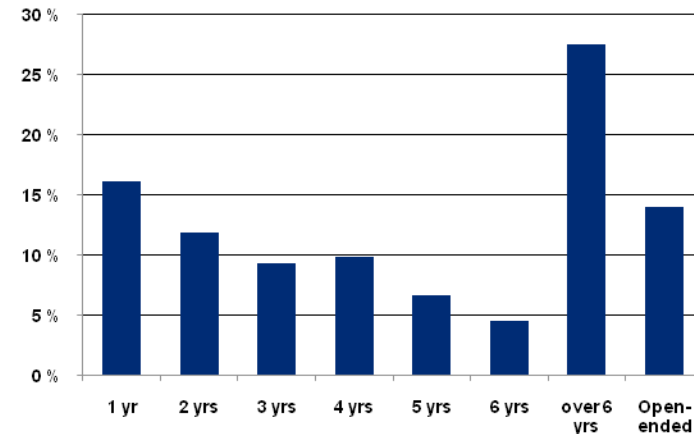
- Average valuation yield for the investment portfolio in Finland (excl. property development and Russia)
- Change from Q1 2008-Q1 2010 approx. 7%



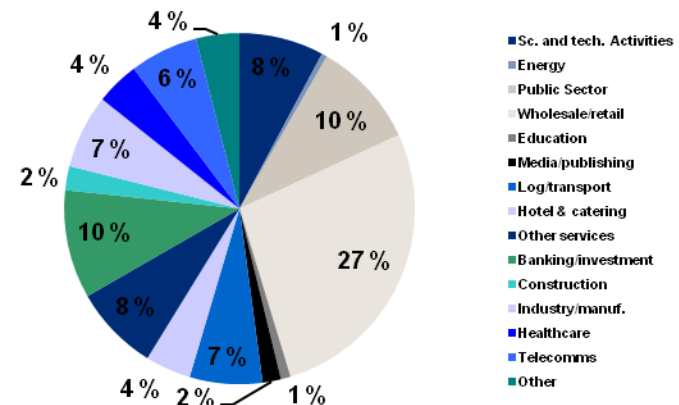
# High-quality tenant base and balanced lease agreement base

- Future cash flows  
EUR 1,066.0 million
- Average length of contracts  
4.5 years:
  - O&R 5.0 yrs
  - Shopping Centres 4.9 yrs
  - Log 3.5 yrs
- Approximately 32 % of total rental income comes from 10 largest tenants

Lease maturity profile



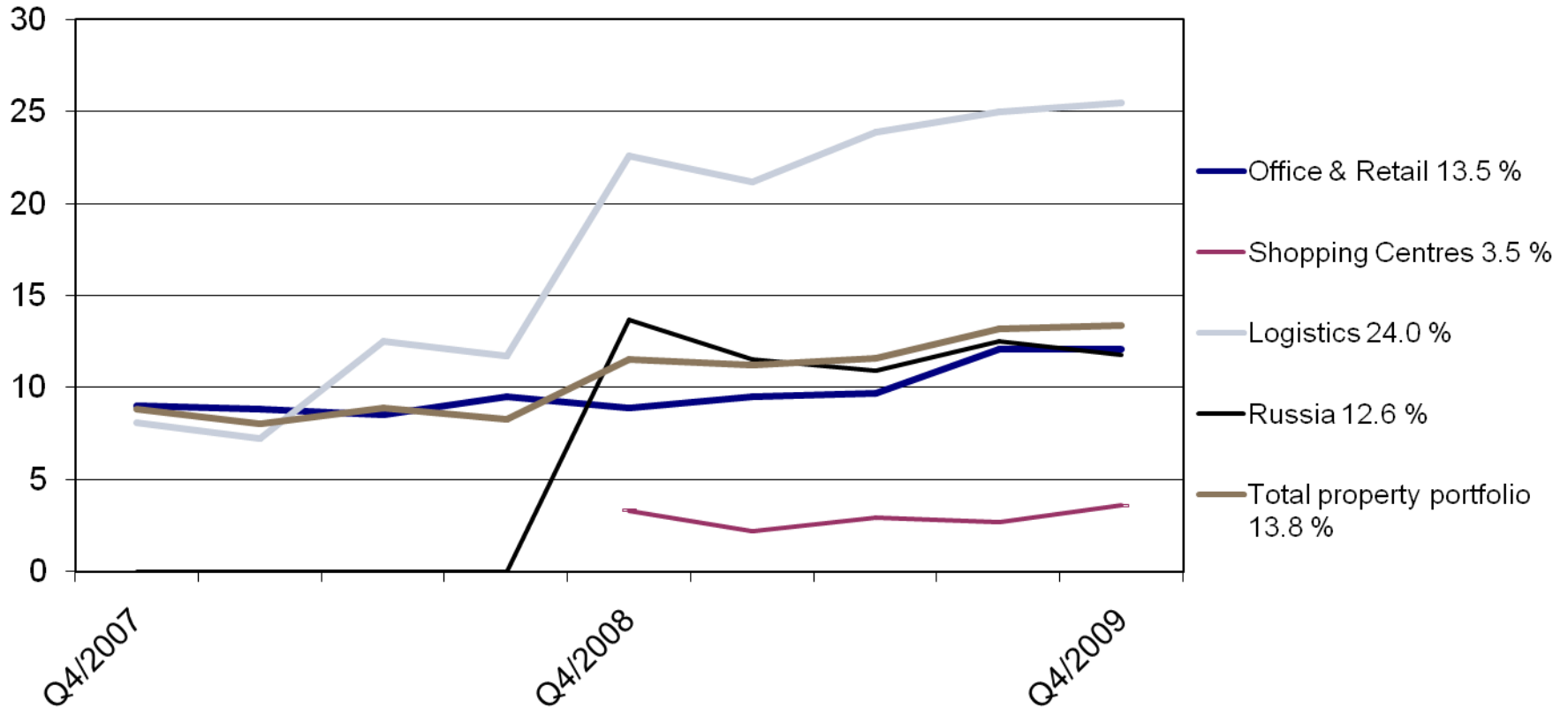
Tenant breakdown by sector<sup>1</sup>



Note 1: Based on rental income

# Economic vacancy rate 2007 - 2010

Office & Retail vacancy restated from 31 Dec 2008



# Investment properties are located in areas easily reached by public transport

- Geographically, Sponda will continue to hold properties in the CBD and Ruoholahti areas and along major railway and other public transportation routes.
- Share of retail will increase when City-Centre and Ratina shopping centres are completed.
- Like-for-like rental growth for investment properties in Finland:
  - Office and Retail properties -2.48 %
  - Shopping Centres 1.82 % and
  - Logistics properties -3.69 %.
- Change in fair values in Investment Properties unit totalled EUR -7.5 million.
  - Change mainly because of increase in maintenance costs.

# Leading operations in property development

- The value of development portfolio was EUR 225.7 million
  - Land sites: EUR 89.7 million
  - Development projects: EUR 136.0 million
  - Development investments include mainly investments to City-Center project, Ratina project and completion of the service station in Turku.
- City-Center project continues with construction of the office building and 3rd floor retail space.
  - Completion in 2012, total investment for the project is EUR 125 million.
- Construction of production plant in Vantaa has started.
- Pre-marketing of Ratina shopping centre is underway.
- In addition, Sponda has 100 000 m<sup>2</sup> of building rights ready to start.



# City-Center is progressing



# City-Center, Helsinki CBD



*Inside City-Center, atrium*



# City-Center, Helsinki CBD



*Inner Courtyard with new office building*



# City-Center, Helsinki CBD



*Before*



*After*



# Hakkila, Vantaa

- New production plant for 22 000 m<sup>2</sup> being built
- In addition, Sponda will lease 12 000 m<sup>2</sup> of office and warehouse space in the adjacent office building.
- Construction has started, completion estimated end 2010-beginning 2011.
- Total investment EUR 40 million.



*Before*



*After*

# Russia

- According to CBRE, market vacancy in Moscow is currently still above 20 % in Class A -offices.
- Sponda's growth target is to invest 10 – 20 per cent of the company's balance sheet in Russia.
- Vacancy was 12.6 % at the end of March.
- Like-for-like rental growth was -2.20 %.
  - Rents have been calculated in roubles and exclude changes in exchange rates.
- The change in fair value in the first quarter was EUR 6.3 million due to change in exchange rates.

# Property Funds

- Assets under management EUR 670 million.
- At the end of Q1 2010 fair values of properties came down slightly. Impact on Sponda's equity invested was EUR -0.4 million.
- Investment capacity of EUR 100 million left in Sponda Fund II.
- High occupancy in properties, all funds have over 90 % occupancy rates.

<b>M€</b>	<b>1-3/2010</b>	<b>1-3/2009</b>	<b>1-12/2009</b>
Management fees	<b>1.6</b>	1.7	<b>6.6</b>
Share of profit	<b>1.4</b>	1.4	<b>5.8</b>
Total	<b>3.1</b>	3.1	<b>12.4</b>

# Prospects and financial targets

## Prospects

- Sponda estimates that the economic occupancy rate of the company's properties will not decline during the second quarter of 2010. The occupancy rate is expected to start to pick up during 2010. This assessment is based on the lease agreements that the company knows are expiring and on the forecast growth in Finland's economy in 2010.
- The net operating income in 2010 is estimated to be lower than that in 2009. The reasons for this decline are the planned sale of property and the fall in occupancy rates that began in 2009 and is continuing in the first half of 2010.

## 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

- *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.
- Due to economic downturn Sponda adjusted its strategy to *moderate* growth and profitability. Growth will be financed by selling some of the existing property portfolio.
- Sponda reviews its strategy regularly so that it can, if necessary, adjust its operations to prevailing market conditions.



# Strategy 2005-2009

2005	2006	2007	2008	2009
<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 investment target.</li> <li>• Strategy adjusted to challenging market conditions: modest growth financed by property disposals.</li> </ul>
<p>Organisation streamlined to four business units: Office and Retail, Logistics, Property Development and New Business areas.</p>	<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>• 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>

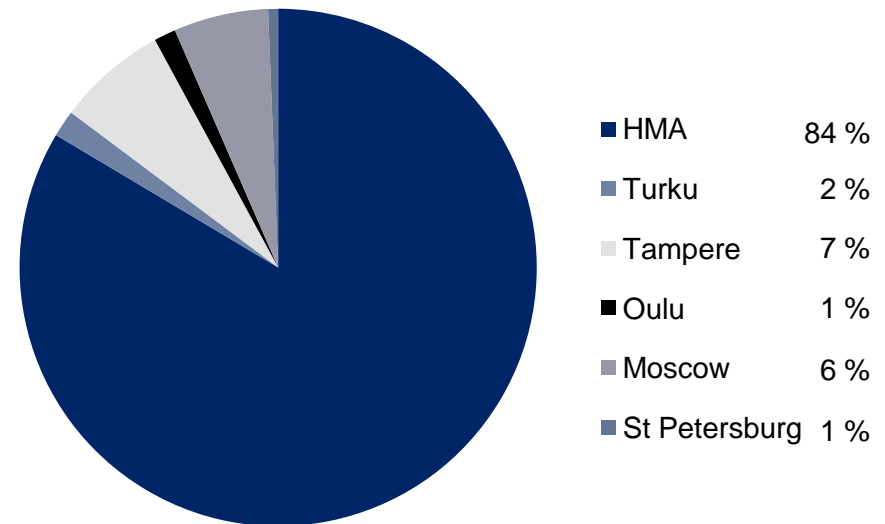
# Property portfolio focused on prime locations in the Helsinki Metropolitan Area

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

## Helsinki CBD and Ruoholahti areas

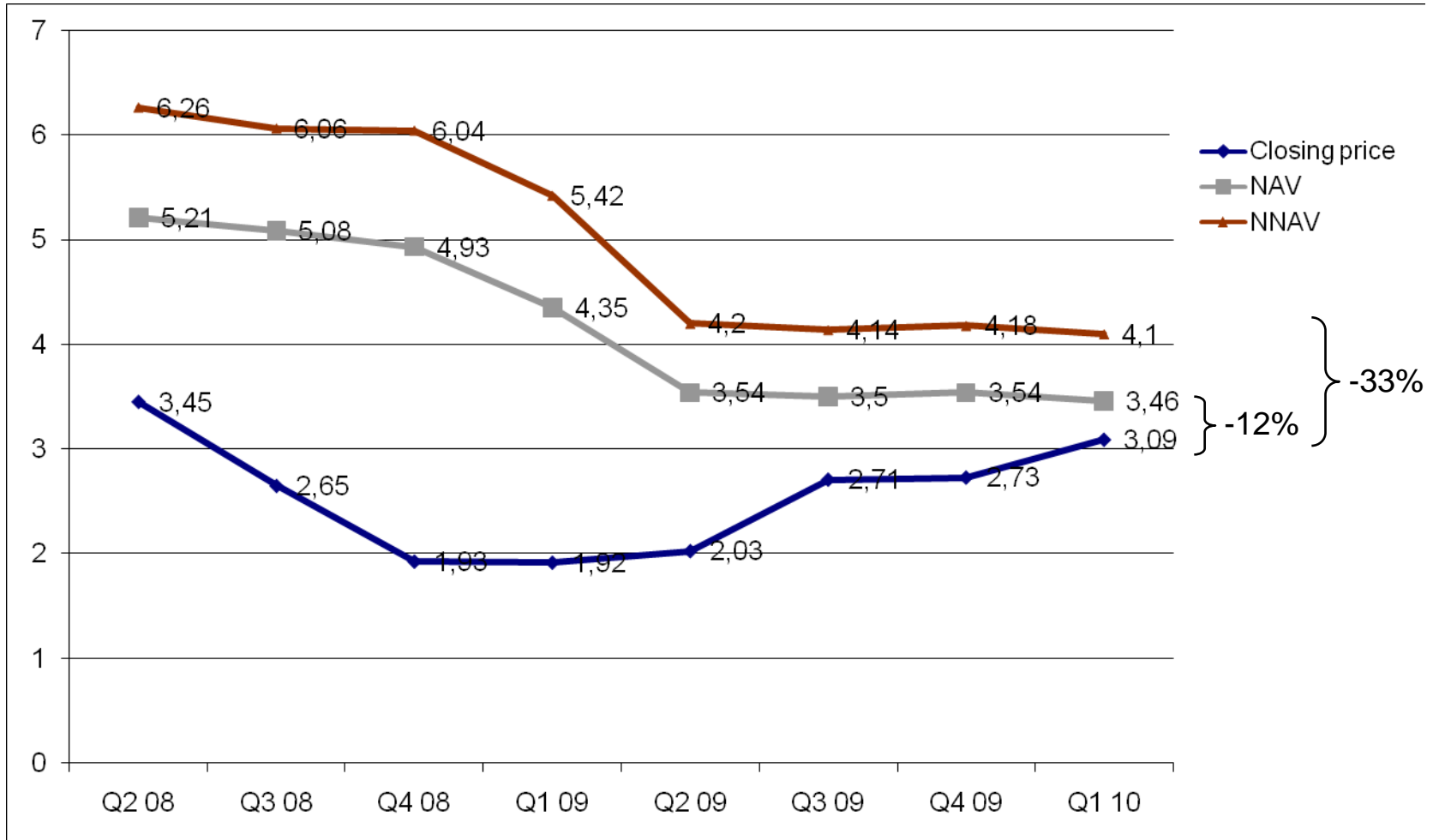


## Investment properties by location (excl. Property development & Funds)



EUR 2,768.1 million

# NAV/share and EPRA NAV/share



# EPRA NAV calculation

	M€
Equity attributable to equity holders of parent company	1 090.2
Other equity reserve	-129.0
Goodwill relating to deferred tax liability on properties	-14.5
Deferred tax relating to fair valuation of property	164.3
Deferred tax relating to depreciation difference	23.5
Deferred tax relating to capitalized borrowing cost	2.8
<b>Total</b>	<b>1 137.3</b>
No of shares at the end of period	277 575 462
EPRA NAV	4.10

# Environmental responsibility

- Sponda made environmental responsibility a strategic focus in 2009.
- In 2009 Sponda launched an energy efficiency scheme in which Sponda and its customers identify areas in a property where energy can be saved.
- For 2010, Sponda has set goals for:
  - Updating the corporate responsibility goals in the design guidelines for property refurbishment
  - Half of Sponda's properties in Sponda's energy efficiency scheme
  - Reducing consumption in Sponda's properties
    - Total electricity consumption
    - Consumption of district heating energy
    - Water consumption
  - Reduction of the average carbon footprint of the properties
  - Defining a technical concept for a low energy office building
  - Publishing environmental responsibility guidelines for clients
  - Green Office certificate for Sponda's own office

