

Financial Results Q3 2011

3 November 2011

Conference call 11.00 am EET

Dial-in number:

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Webcast available at:

<http://investors.sponda.fi/performance/results> and presentations

SPONDA

Agenda

- **Key issues in Q3 and how we see the future – Kari Inkinen**
- Market Update
- Q3 2011 in Numbers – Erik Hjelt
- Business Update – Kari Inkinen

Sponda Q3 2011: Performance highlights

	7-9/11	7-9/10	1-9/11	1-9/10	1-12/10
Total revenue, M€	63.1	57.7	183.3	173.6	232.1
Net Operating Income, M€	47.3	42.8	131.8	126.2	168.7
Operating profit, M€	47.1	40.2	154.6	133.2	216.2
Cash flow from operations/share, €	0.09	0.09	0.27	0.28	0.37
Earnings/share, €	0.06	0.06	0.25	0.22	0.40
NAV/share, €			3.93	3.63	3.86
EPRA NAV/share, €			4.68	4.27	4.59
Economic occupancy rate, %			88.2	87.4	88.0

Key issues in Q3

- **World looks a lot different than in Q2.**
 - GDP growth estimates for Finland for the current year have been scaled down to around 3 % (from the previous 4 %)
 - Consensus for GDP growth for 2012 is 1.8 %.
- **Our portfolio still shows positive development for the most part.**
 - Net operating income up by over 4 % compared to last year.
 - Rents have still increased in the prime areas, mainly in Helsinki CBD.
 - Vacancy has remained stable unlike expected before the summer.
- **Valuation of investment properties done internally in Q3.**
 - Slightly positive result, mainly due to new signed leases and their rental levels.
- **Property development projects are progressing as scheduled.**
 - The office building inside Citycenter was completed.
 - Shopping centre Zeppelin in Oulu was opened in schedule at the beginning of November.
- **Currently no additional committed investments but we are keeping our eyes open.**

Events after the period

- Sponda signed EUR 375 million syndicated loan on 3 November 2011.
- Loan is for 5 years with a 170 bps margin.
- Proceeds will be used to pre-pay back debt maturing in 2012.
- Covenants as before:
 - Equity ratio 28 %
 - ICR 1,75x
- Banks within the syndicate include Nordea Bank, Pohjola Bank, SEB, Danske Bank and Swedbank.

How has Sponda's portfolio performed in the market?

Office and Retail

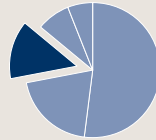


Occupancy rate rose to 88.6 % from 88.5 %.

New leases are mainly signed at higher level than expiries*. Trend is most visible in the central Helsinki.

Property values have risen slightly due to new leases signed.

Logistics



Occupancy rate remained stable at 78.3 %.

Average rents have increased modestly in the signed agreements*.

Values increased slightly from Q2 due to new leases signed.

Shopping Centres

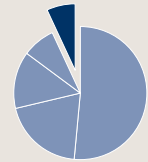


Occupancy rate decreased to 93.5 % from 94.3 %. This was, once again, due to one tenant's move within Sponda's properties.

Rents have stabilised, no major increases*.

Values of shopping centres have remained stable during 2011.

Russia



Occupancy rate was high at 98.8 %; an increase of 0.5 %-points from the previous quarter.

Moscow rents on the rise, St Petersburg seen modest upward changes.

Values remained stable.

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

In this climate, what does Sponda believe in?

- We still think that non-speculative development is attractive and value-adding.
- We believe in location now more than ever. Our Finnish portfolio is mostly located in CBD Helsinki and Ruoholahti areas (67 %).
- Russia has its sceptics but so far it has been a good investment for us. We believe it will continue to be that in the future, as well.
- We believe that Nordic markets are attractive in the European context, not in the least because of the banks' strong balance sheets.
- Values have not moved excessively in Finland. Only modest changes expected in the future, too.

We also need to think short-term

- Currently safety is good. We agree.
- Location, location, location. Properties in prime locations will keep their value (rent and vacancy-wise) and outperform secondary areas.
- We will guard our vacancy.
- We will aim to retain the rental levels. Slight growth could even be introduced in prime areas.
- Financing and refinancing is the centre of attention again. We have refinanced the 2012 maturing debt in 2011.
- We will guard our balance sheet.

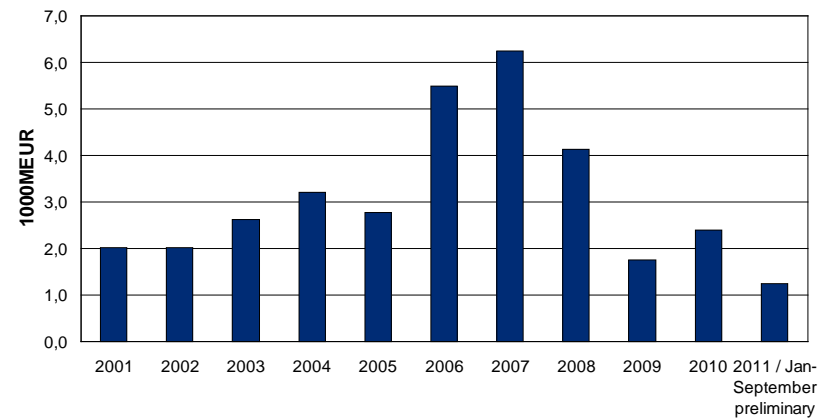
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The Finnish property market

- At the end of Q3 2011, the transaction level was at a modest EUR 1.3 bn.
- Office market vacancy declined until early autumn but is expected to level out.
- Market rents have still increased in prime areas.

Property transaction volume



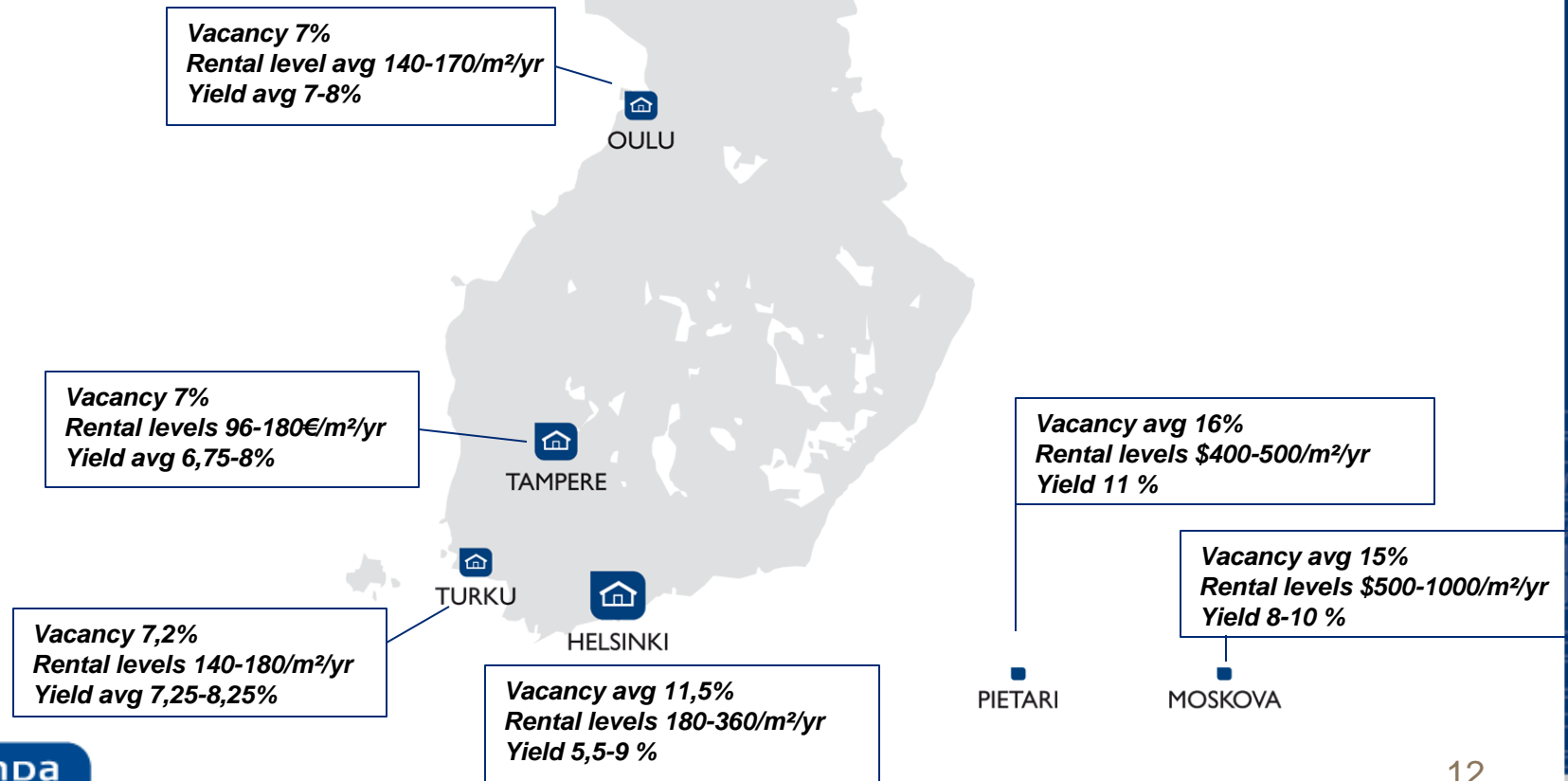
Source: KTI

The Russian property market

- More international investors have come to the transaction market. Few deals have materialised after summer.
- Yields for Class-A office properties in Moscow are 8-10 %.
- In Moscow office market prime rents have climbed to \$1000/m²/yr and over.
- The vacancy in office buildings in Moscow has been declining. Currently new development projects within the city have been put to hold.
- In St. Petersburg, market is stable. Vacancies modestly falling, rents stable.

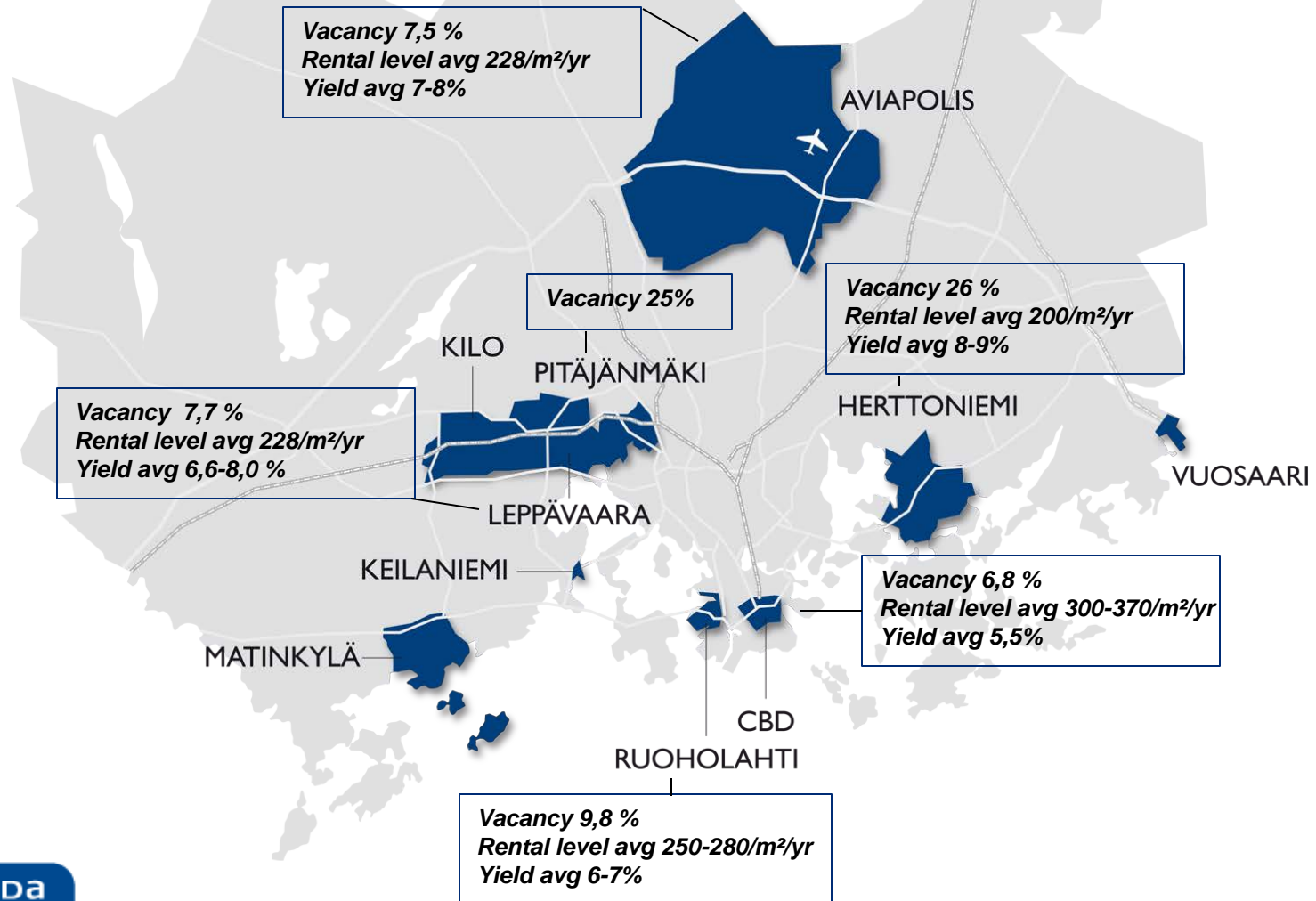
Office market, Finland and Russia

Source: Catella Property, Sponda,



Office market, Helsinki Metropolitan Area

Source: Catella Property, Sponda



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Profit & loss statement

Me	7-9/2011	7-9/2010	1-9/2011	1-9/2010	1-12/2010
Total revenue	63.1	57.7	183.3	173.6	232.1
Expenses	(15.8)	(14.9)	(51.5)	(47.4)	(63.3)
Net operating income	47.3	42.8	131.8	126.2	168.7
Profit on sale of inv. properties	0.0	1.2	0.1	3.3	5.8
Valuation gain / loss	4.6	1.1	32.9	11.1	44.4
Profit on sale of trading properties	0.1	0.0	0.1	8.8	19.4
Valuation gain/loss from trading properties	0.0	0.0	(1.8)	0.0	0.0
SGA expenses	(4.8)	(4.8)	(16.5)	(15.0)	(20.4)
Share of result of associated companies	0.0	0.2	(0.1)	0.1	0.1
Other operating income/expenses	(0.1)	(0.2)	8.0	(1.4)	(1.9)
Operating profit	47.1	40.2	154.6	133.2	216.2
Financial income and expenses	(22.9)	(13.8)	(55.2)	(45.1)	(58.5)
Profit before taxes	24.3	26.4	99.3	88.1	157.7
Taxes from previous and current fin. years	(0.5)	(0.5)	(2.1)	(2.4)	(3.6)
Deferred taxes	(5.2)	(6.5)	(20.1)	(19.6)	(33.7)
Profit for the period	18.6	19.4	77.1	66.2	120.4

Valuation gains/losses

M€	7-9/11	7-9/10	1-9/11	1-9/10	1-12/10
Changes in yield requirements (Finland)	0.0	1.8	13.6	4.0	22.9
Changes in yield requirements (Russia)	0.0	0.0	17.5	0.0	11.5
Profit/loss from property development projects	2.5	1.6	8.1	2.6	2.7
Modernization investments	(12.7)	(6.5)	(37.3)	(18.5)	(29.9)
Change in market rents and maintenance costs (Finland)	12.8	8.9	32.2	12.5	23.1
Change in market rents and maintenance costs (Russia)	(0.1)	0.2	0.9	2.9	5.0
Change in exchange rates	0.8	(6.3)	(3.8)	4.9	5.2
Investment properties, total	3.3	(0.3)	31.3	8.2	40.5
Real estate funds	(0.4)	0.0	(2.9)	(1.4)	(1.7)
Realised gains/losses in re funds	1.6	1.3	4.5	4.2	5.6
Group, total	4.6	1.1	32.9	11.1	44.4

Balance sheet

M€	30.9.2011	30.9.2010	31.12.2010
ASSETS			
Non-current assets	3,259.8	2,916.9	3,008.1
Current assets	58.2	84.7	78.4
Assets, total	3,318.0	3,001.6	3,086.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity total	1,243.0	1,138.5	1,200.8
Non-current liabilities			
Interest-bearing debt	1,135.0	1,252.4	1,399.4
Provisions	0.0	0.0	0.0
Other liabilities	44.0	37.9	25.5
Deferred tax liabilities	228.3	194.3	221.0
Non-current liabilities, total	1,407.2	1,484.5	1,645.9
Current liabilities, total	667.8	378.5	239.7
Liabilities, total	2,075.0	1,863.1	1,885.7
Shareholders' equity and liabilities	3,318.0	3,001.6	3,086.5

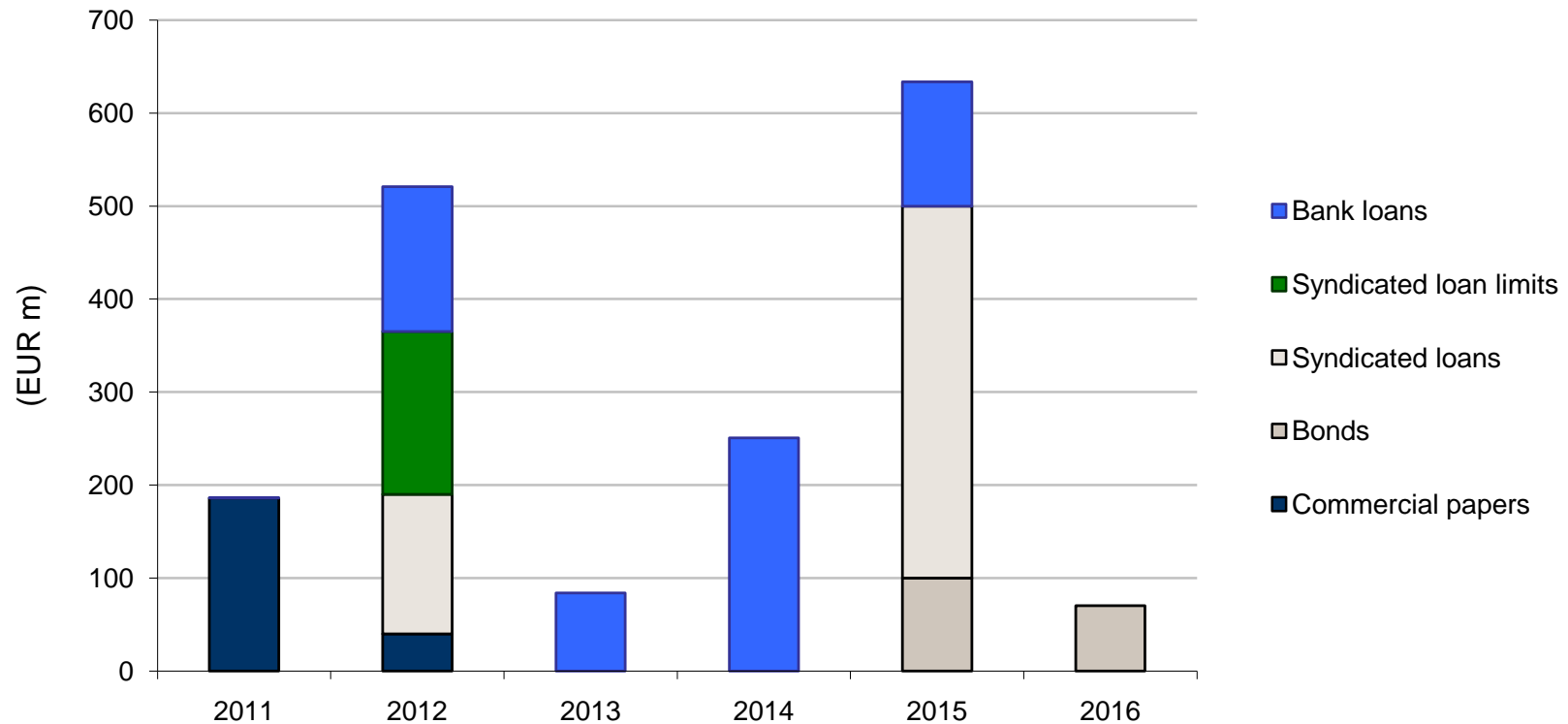
Financing

	Q3/2011	Q2/2011	Q1/2011	Q4/2010	Q3/2010
Equity ratio, %	38	38	38	39	38
Average interest rate, %	4.0	3.9	3.8	3.8	3.9
Hedging, %	80	85	87	84	74
Average loan maturity, yrs	2.7	2.9	2.9	3.2	2.4
Average fixed interest rate period, yrs	2.2	2.5	2.5	2.2	2.2
Interest cover	2.8x	2.9x	3.0x	3.0x	3.0x
Loan to Value, %	54	55	54	53	55

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

Loan maturities 30 September 2011


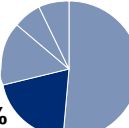
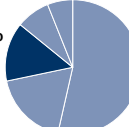
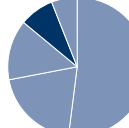
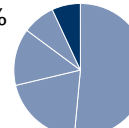
- Interest-bearing debt EUR 1,740.6 million
- Unused financing limits EUR 425 million



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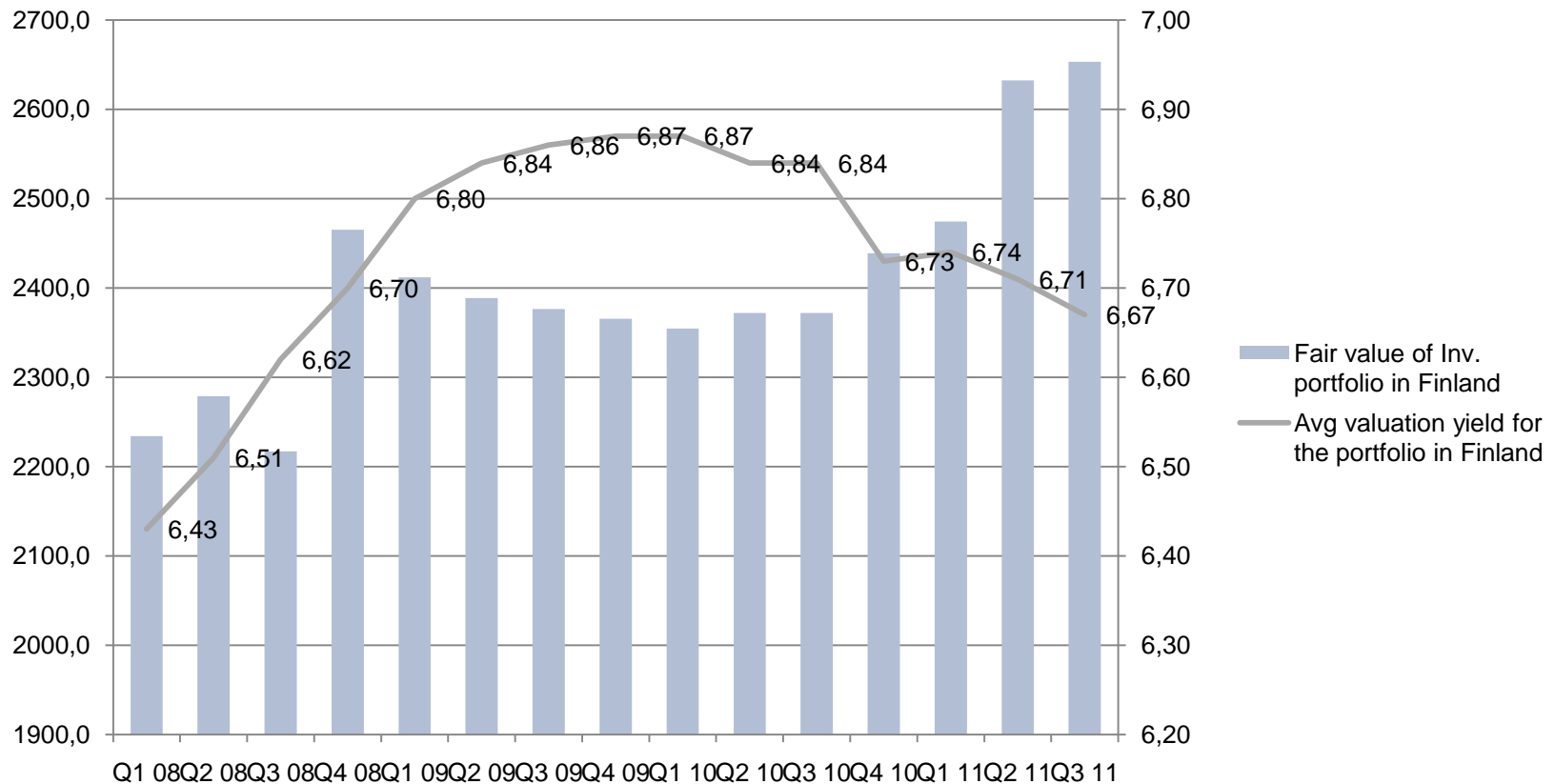
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Overview of reporting segments

	Segment in brief	Fair value ¹	% of portfolio ²	Yield requirement ³
Office & Retail	<ul style="list-style-type: none"> Office and retail properties in the largest cities of Finland Focus on Helsinki CBD and the Ruoholahti area 	EUR 1,631.1m	 53%	6.5%
Shopping Centres	<ul style="list-style-type: none"> Specialises in leasing shopping centres in the largest cities in Finland 	EUR 574.5m	 18%	5.9%
Logistics	<ul style="list-style-type: none"> One of the largest owners and lessors of logistics properties in Finland and largest supplier in the Helsinki Metropolitan Area 	EUR 447.6m	 14%	8.0%
Property Development	<ul style="list-style-type: none"> Sponda's development projects and land assets Currently active projects are the City-Center project and shopping center expansion in Oulu. 	EUR 256.0m	 8%	n/m
Russia	<ul style="list-style-type: none"> Office and logistics properties, shopping centres and land assets in the Moscow and St Petersburg areas 	EUR 219.6m	 7%	9.8%
Real Estate Funds	<ul style="list-style-type: none"> Owns and manages office, retail and logistics properties through real estate funds 	EUR 600 m (assets under management)	n/m	n/m

Valuation yield development

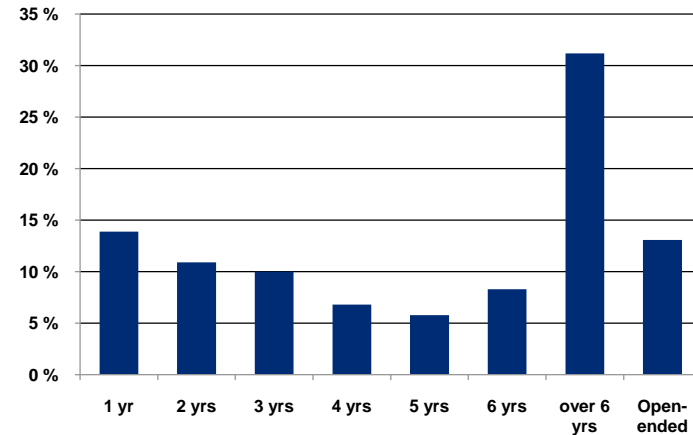
- Average valuation yield for the investment portfolio in Finland
(excl. Property development and Russia)



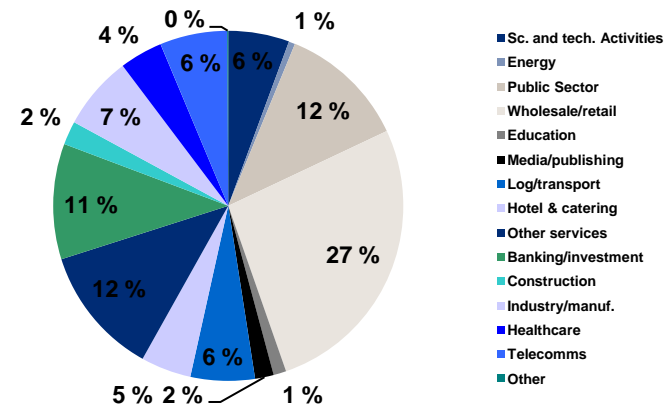
High-quality tenant base and balanced lease agreement base

- Future cash flows
EUR 1,260.0 million
- Average length of contracts
5.0 years:
 - O&R 5.2 yrs
 - Shopping Centres 6.7 yrs
 - Log 4.4 yrs
- Approximately 32 % of total rental income comes from 10 largest tenants
- All agreements in Finland are linked to CPI

Lease maturity profile



Tenant breakdown by sector¹



Note 1: Based on rental income

Lease agreements in Q3 2011

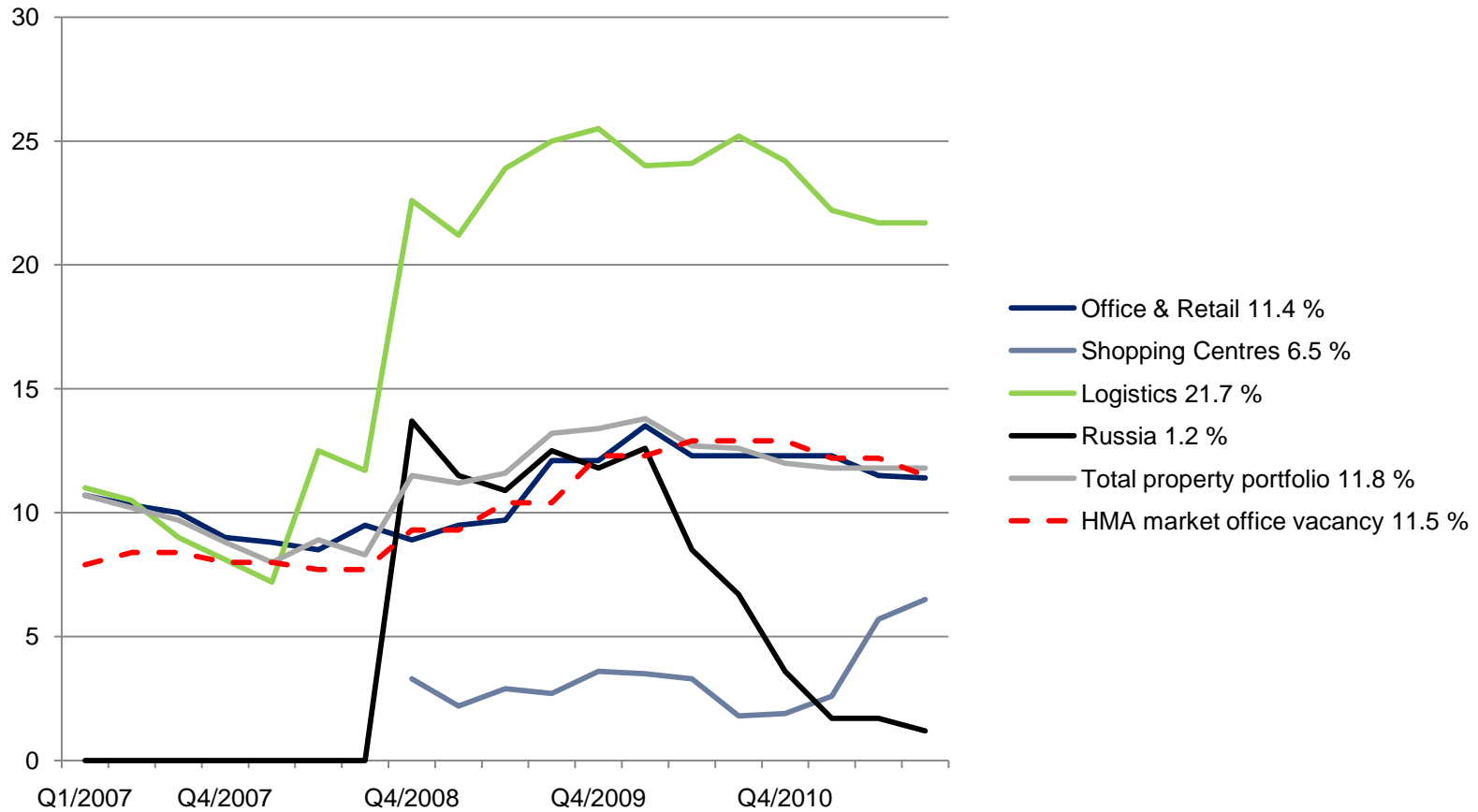
	Pcs	M ²	€/m ² /month (avg)*
Agreements that came into force during the period	91	33 286	14.40
Agreements that ended during the period	105	31 553	11.59
Agreements that were extended during the period	45	30 901	15.68

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

	Office and Retail	Shopping Centres	Logistics	Russia
Like-for-like net rental growth*	2.9%	8.1%	1.5%	9.3%

**) Portfolio that Sponda has held for 2 years excluding acquisitions, disposals and property development*

Economic vacancy rate 2007 – Q3 2011



Investment portfolio development

- We are creating value by property development and active portfolio management
- During January-September the profit from property development added EUR 0.03 per share.

M€	2010	2011	2012	2013
Committed property development investments for the year...	30.5	67.8	26.0	5.0
... of which invested by Q3 2011		54.0		
Acquisitions	0.8	142.3		
Disposals	57.0	2.2		



Property development

- The value of development portfolio was EUR 256.0 million
 - Land sites: EUR 81.6 million
 - Development projects: EUR 159.7 million
 - Development investments include mainly investments to Citycenter project and the expansion of shopping centre Zeppelin in Oulu.

	City-Center	Shopping centre Zeppelin	Ruoholahti office building
Total investment, M€	125.0*)	18.0	23.5
Of which invested by 30 September 2011	107.0*)	9.5	0.4
Capitalized interest costs by 30 September 2011, M€	12.2	0.1	-
Completion time	End of 2012	November 2011	April 2013

Currently ongoing development projects

City-Center

- Last construction phase along Keskuskatu has started. The whole project will be completed for the most part by the end of 2012.

Shopping Centre Zeppelin

- Shopping centre opened on 2 November as scheduled.
- The project will be completed on budget and the 15 % profit target will be exceeded.



Ruoholahden Kuntotalo, Helsinki

- Sponda will build a new environmentally-friendly office building in Ruoholahti.
- Total investment is EUR 23.5 million.
- Construction is ongoing. Building will be completed in April 2013.
- Total leasable area is 6,000 m².
- Building is 70 % pre-let.



Prospects and financial targets

Prospects

- Sponda expects the vacancy rates of its investment properties to continue to remain at current levels until the end of 2011. This adjustment to previous expectations is due to weaker economic conditions in Finland and internationally.
- The net operating income in 2011 is expected to grow over 4 % compared to 2010 due to the expected fall in vacancy rate, the completion of property development projects during the year and property acquisitions.

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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*City-Center during night-time
Photograph: Tomi Parkkonen*

Environmental responsibility in 2011

Targets for 2011

- **Energy efficiency program will continue**
 - The defined action plans will be carried out and results followed up for the first ten properties in the program
 - Action plans will be defined for the other properties included in the program
- **Environmental certificate will be applied for all new development projects**
- **Low-energy concept will be taken into use in all new development projects**
- **Waste**
 - Increased recycling of waste
 - Efficient monitoring for total amount of waste produced by properties
- **Russia**
 - Energy consumption monitoring (water and electricity) introduced to properties in Moscow
 - Environmental certificate for one property

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 2005-2010

2005	2006	2007	2008	2009	2010
<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 investment target. • Strategy adjusted to challenging market conditions: 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.
<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"> • Sponda bought property investment company Kapiteeli Plc for EUR 950 million. 				

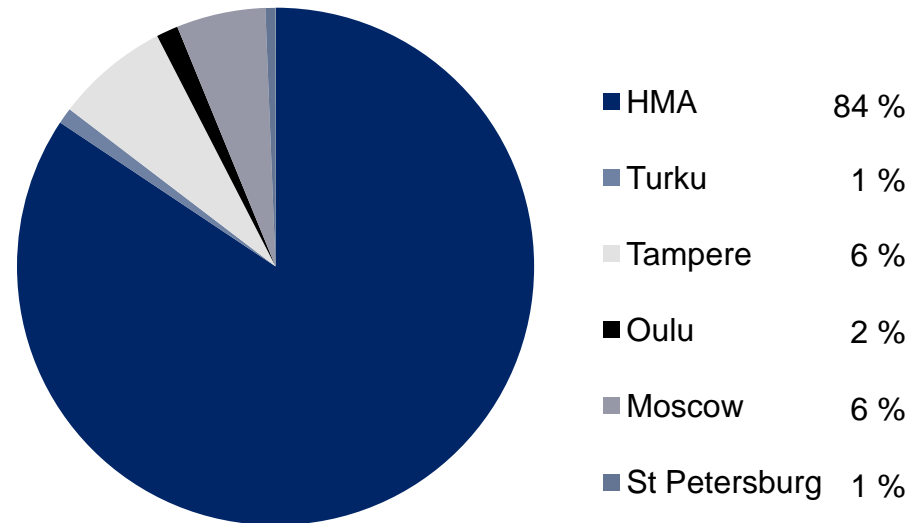
Property portfolio focused on prime locations in the Helsinki Metropolitan Area

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

Helsinki CBD and Ruoholahti areas

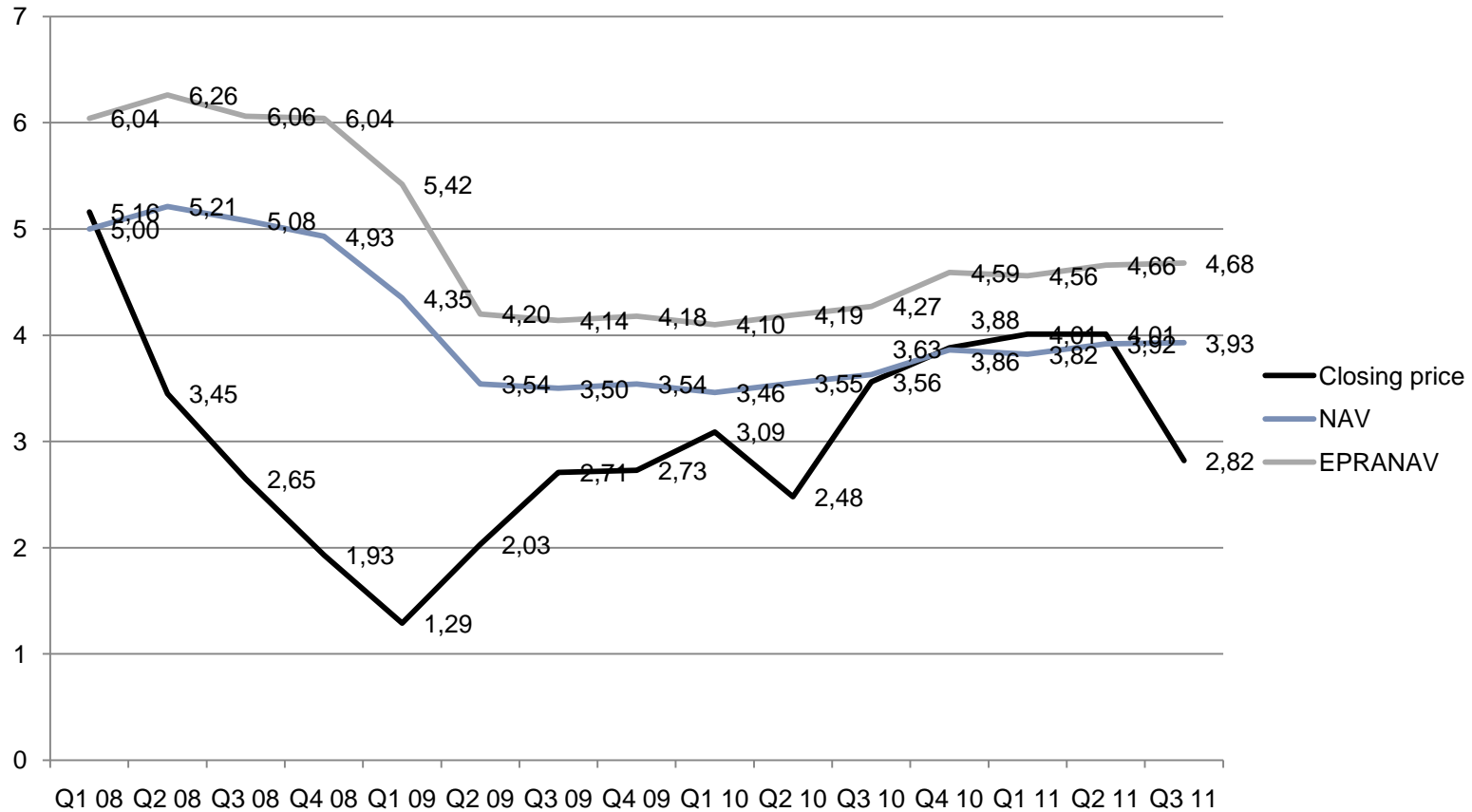


Investment properties by location (excl. Property development & Funds)



EUR 2,872.8 million

NAV/share and EPRA NAV/share

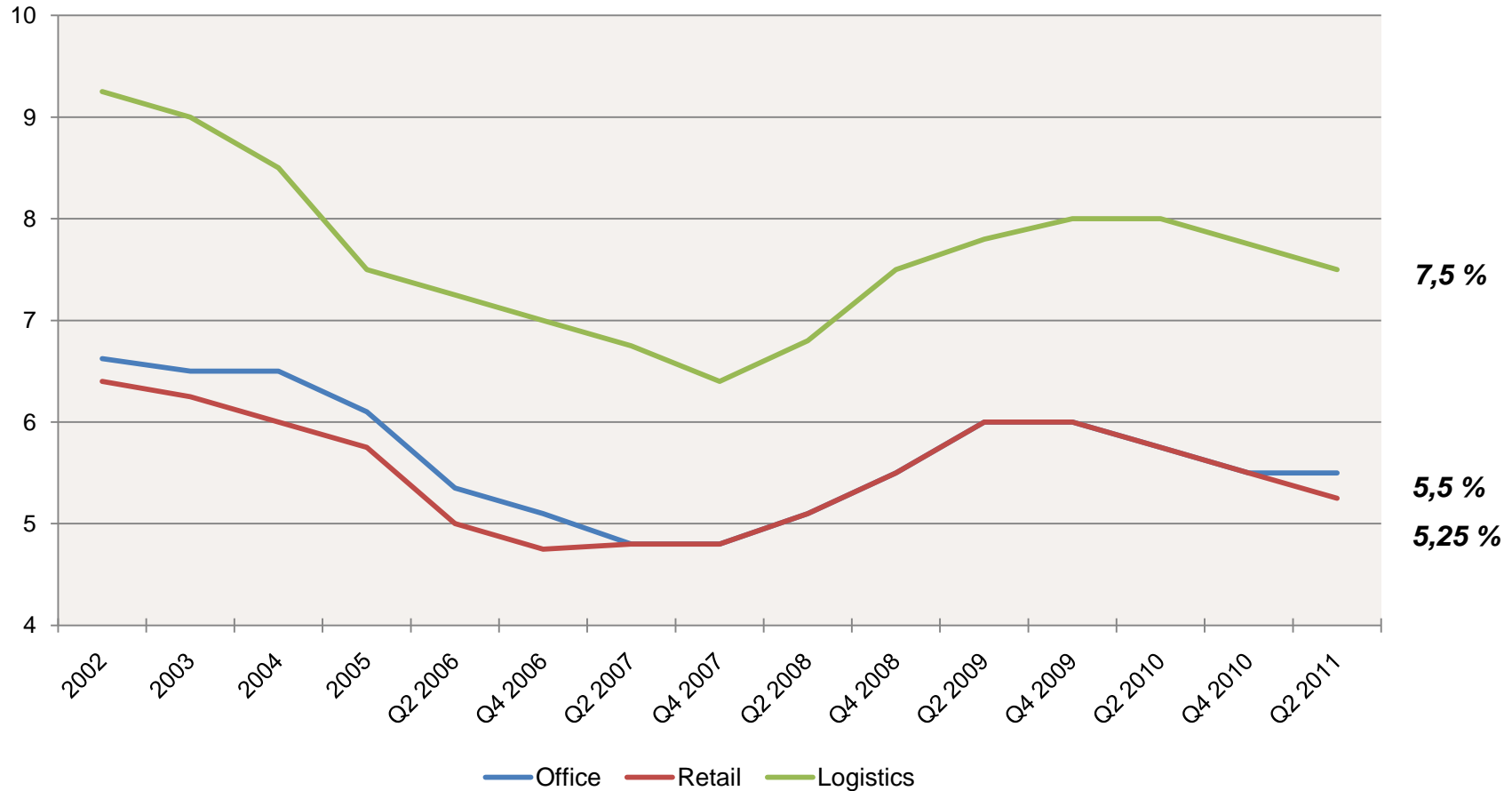


EPRA NAV calculation

	M€
Equity attributable to equity holders of parent company	1 241.3
Other equity reserve	-129.0
Goodwill relating to deferred tax liability on properties	-14.5
Deferred tax*)	226.0
Capitalized borrowing cost	0.9
Total	1 324.7
No of shares at the end of period	283 075 462
EPRA NAV	4.68

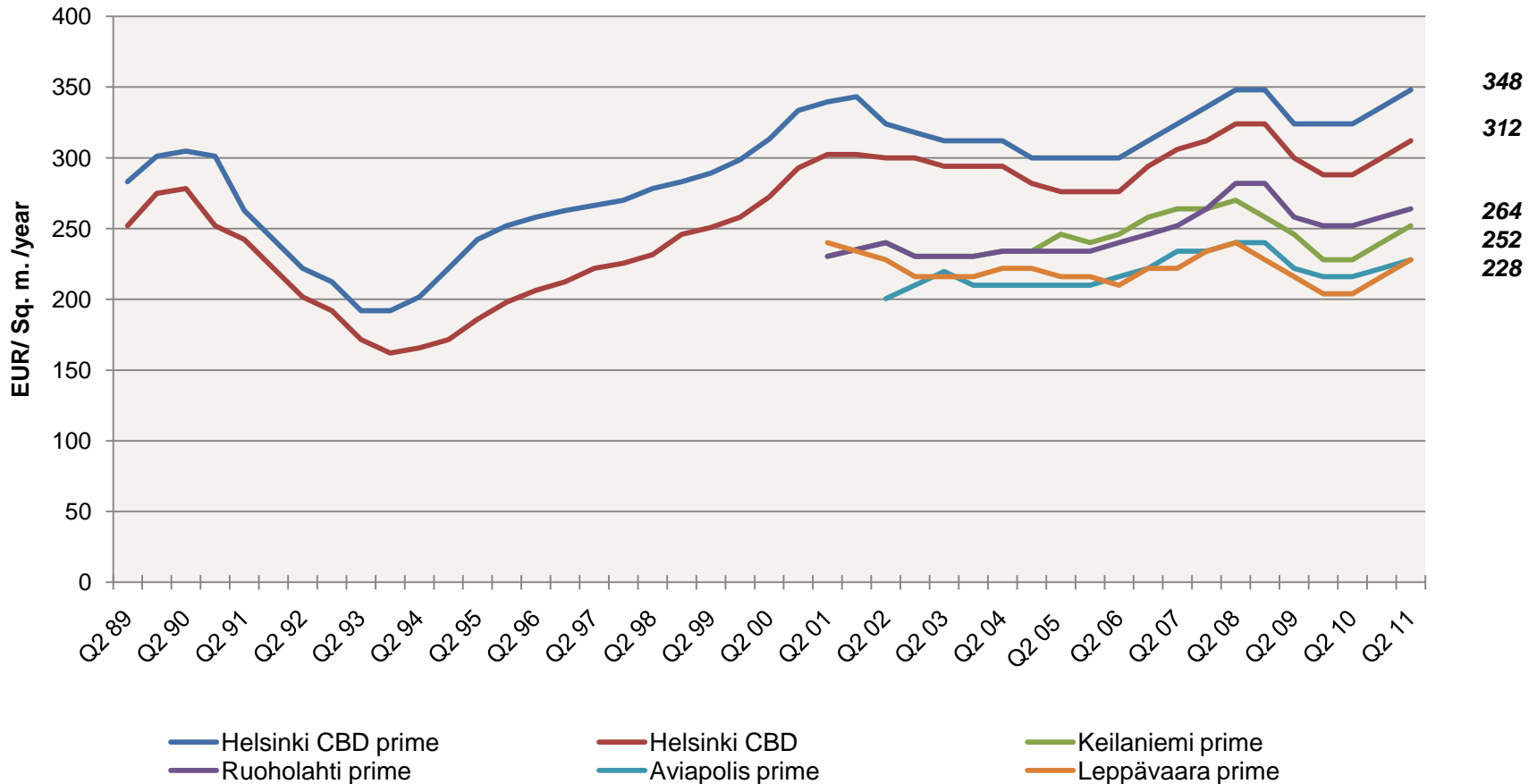
*) *Deferred tax relating to fair valuation of property and interest rate derivatives*

Finland: Prime property yields



Finland:

Rental levels in HMA, office properties



Vacancy rate in the HMA

