

# SOLID FINANCIAL BASE

CHIEF FINANCIAL OFFICER EERO SIHVONEN

**1.  
WELL  
FUNCTIONING  
NORDIC  
DIVESTMENT  
MARKETS**

**2.  
WE HAVE A  
STABLE  
BUSINESS  
MODEL**

**3.  
REFINANCING  
UPDATE**

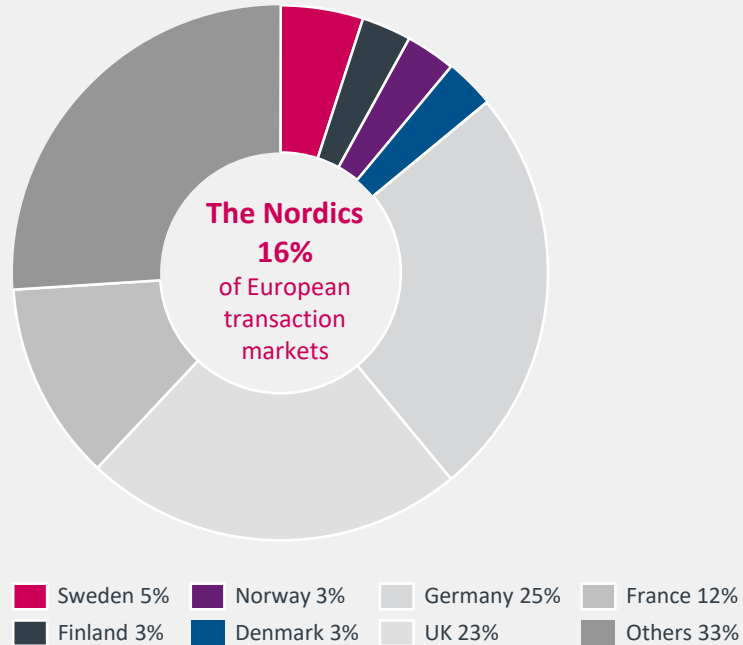
**4.  
FINANCIAL  
TARGETS**

# WELL FUNCTIONING NORDIC DIVESTMENT MARKET

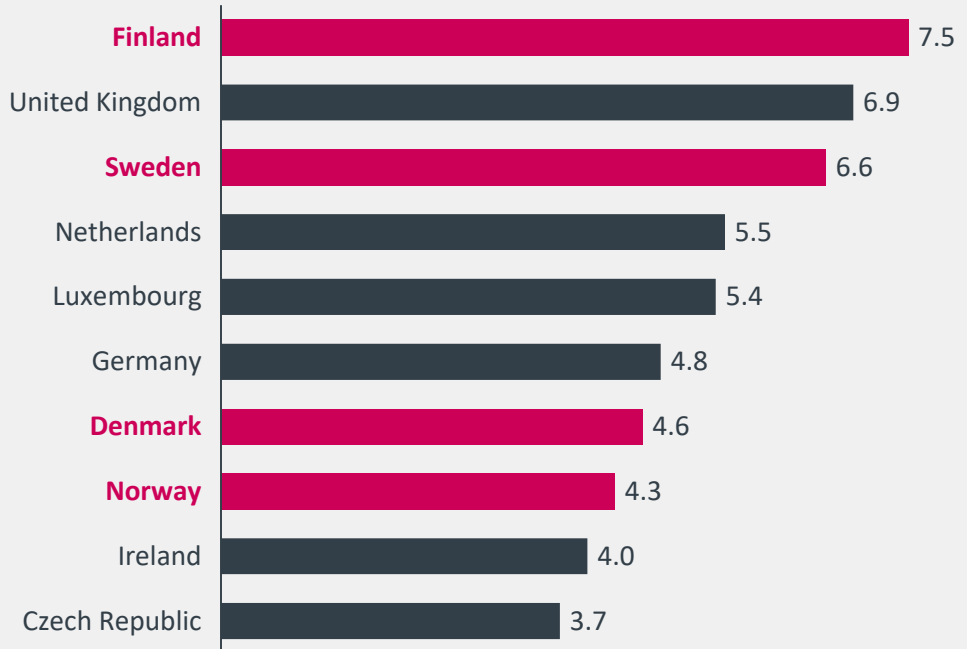


# THE NORDICS - ONE OF EUROPE'S LARGEST AND MOST LIQUID PROPERTY MARKETS

EUROPEAN TRANSACTION VOLUME PER COUNTRY, 2018 (SHARE)



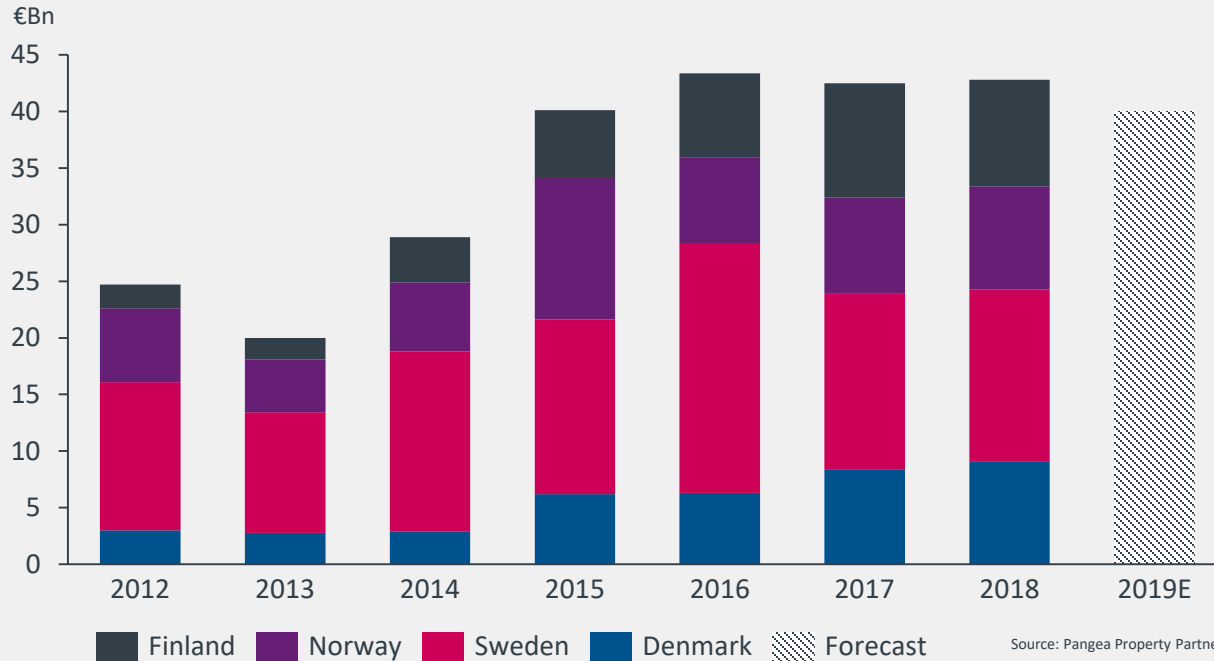
AVERAGE TURNOVER AS A SHARE OF TOTAL REAL ESTATE STOCK, 2015–2018



Source: Pangea Property Partners, Nordanö

# HIGH VOLUME OF REAL ESTATE TRANSACTIONS

## NORDIC INVESTMENT VOLUME

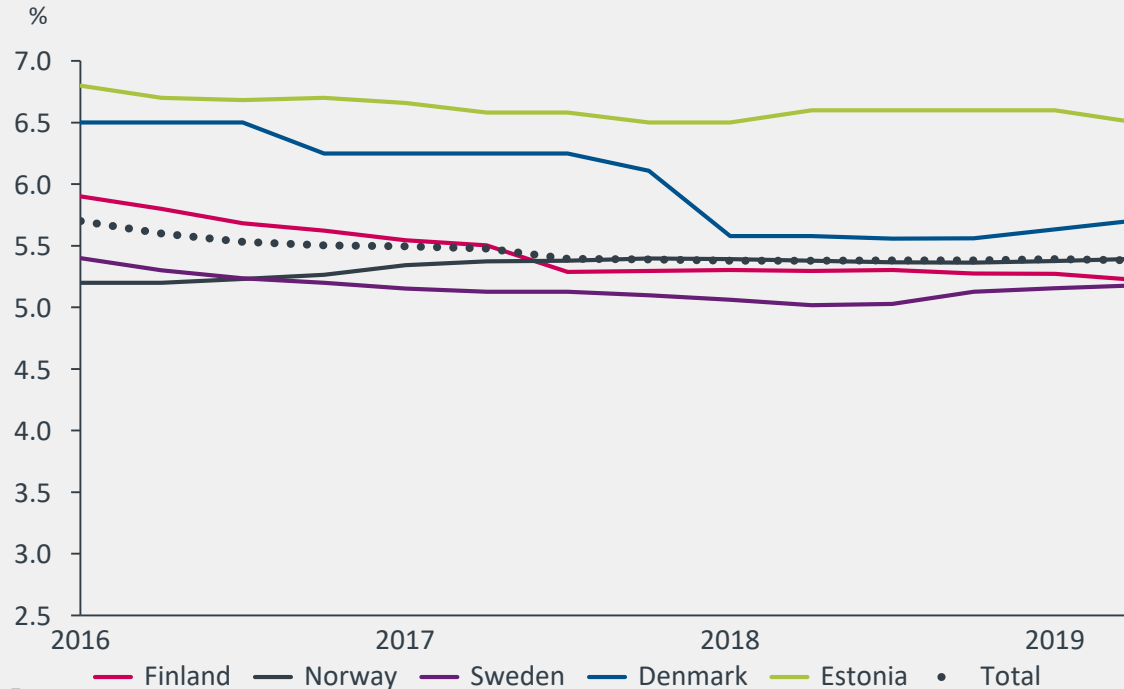


Nordic transaction volume over €40 billion 4 years in a row

RETAIL PROPERTY TRANSACTION VOLUME  
16%  
OF TOTAL TRANSACTION VOLUME  
IN 2018

# STABLE VALUATION YIELDS

## VALUATION YIELD DEVELOPMENT<sup>1)</sup>



- Weighted average yield requirement remained relatively stable during last 2 years at the level of ~5.5%
- The prime shopping centre yields have been stable.
- From 2017 onwards two full external valuations and two internal valuations per year.

<sup>1)</sup> Excluding Kista Galleria

# DURING THE LAST 12 MONTHS WE HAVE CLOSED SEVERAL SUCCESSFUL DIVESTMENTS



**TWO LAND PLOTS**  
Helsinki, Finland



**SAMPOKESKUS**  
Rovaniemi, Finland



**DUO**  
Tampere, Finland



**ARABIA**  
Helsinki, Finland

Total  
value of  
MEUR  
102.4

All sales  
prices in line  
with the  
assets'  
latest IFRS  
fair value

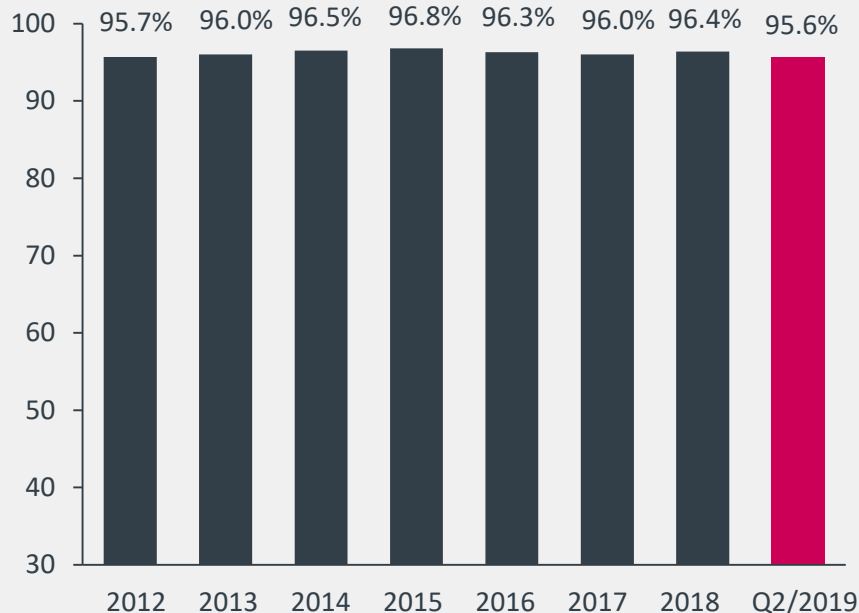
# WE HAVE A STABLE BUSINESS MODEL





# STABLE AND HIGH OCCUPANCY RATES

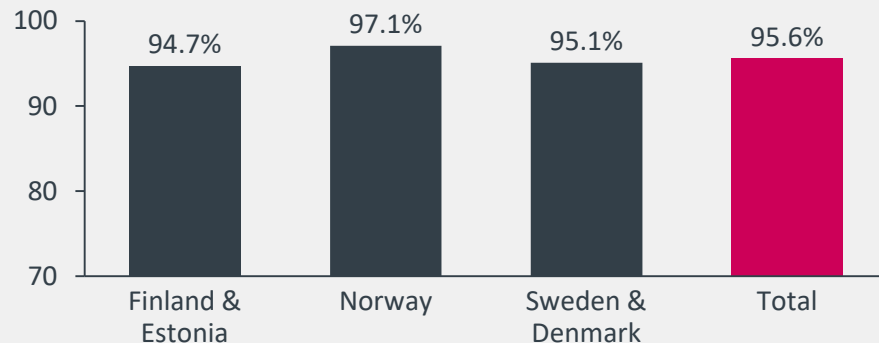
## OCCUPANCY RATE DEVELOPMENT



1) Including Kista Galleria (50%)

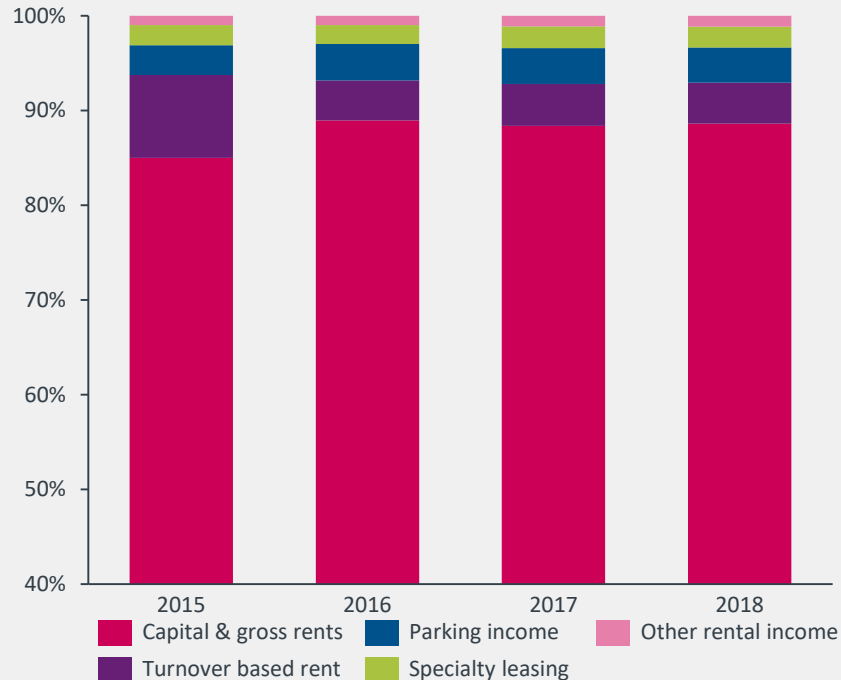
- 4,275 lease agreements with an average length of 3.3 years
- Clear majority of tenants pay fixed market rent. Only a small portion of tenants pay turnover-based rent
- Majority of tenants pay service charge covering the running costs of the property, such as heating, electricity, water and marketing
- Majority of rent agreements are tied to CPI indices

## OCCUPANCY RATE BY COUNTRY

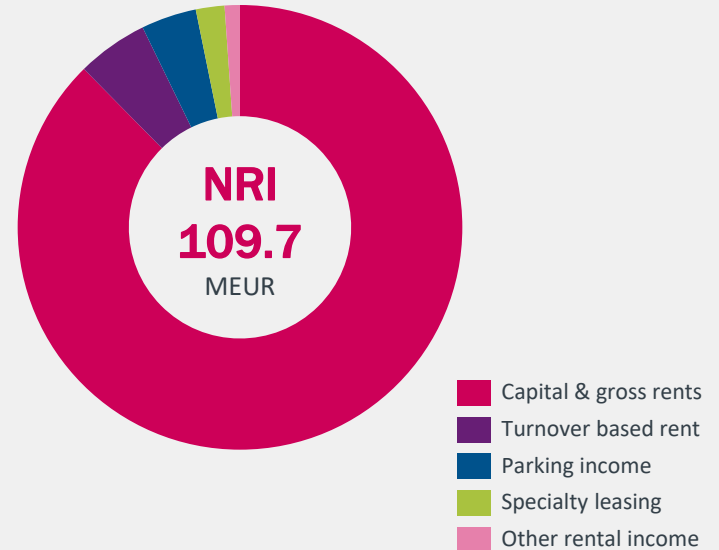


# HIGH SHARE OF CAPITAL RENT – STABILITY AND UPSIDE

NRI COMPOSITION DEVELOPMENT



NRI COMPOSITION H1/2019

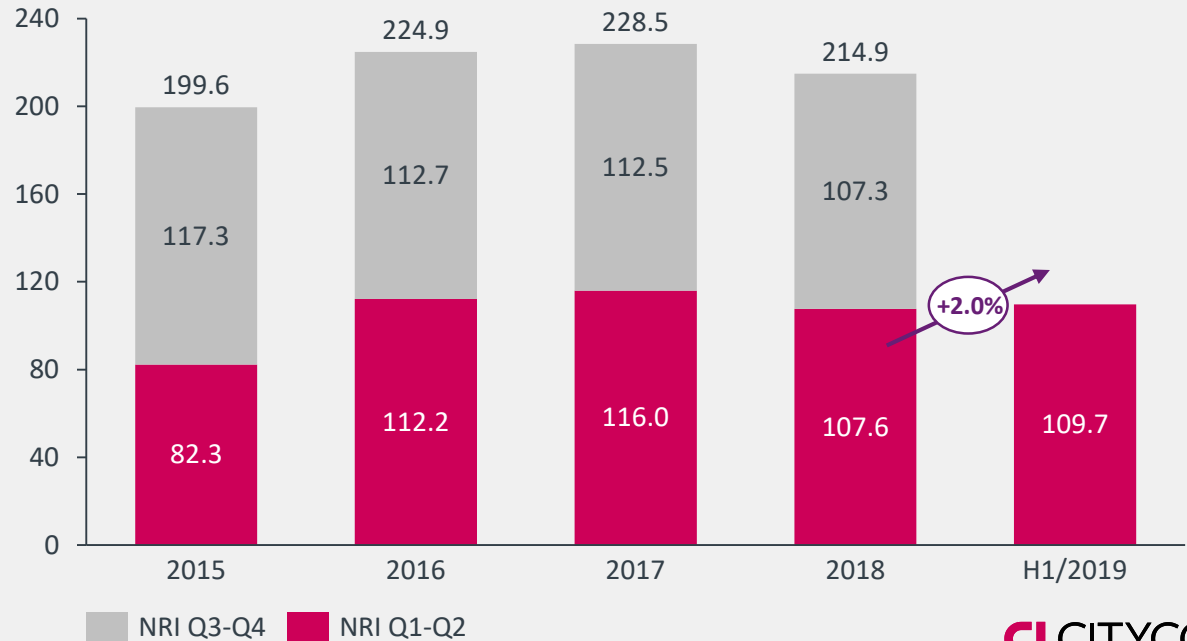




# NET RENTAL INCOME TURNED BACK TO GROWTH IN H1/2019

## NRI DEVELOPMENT

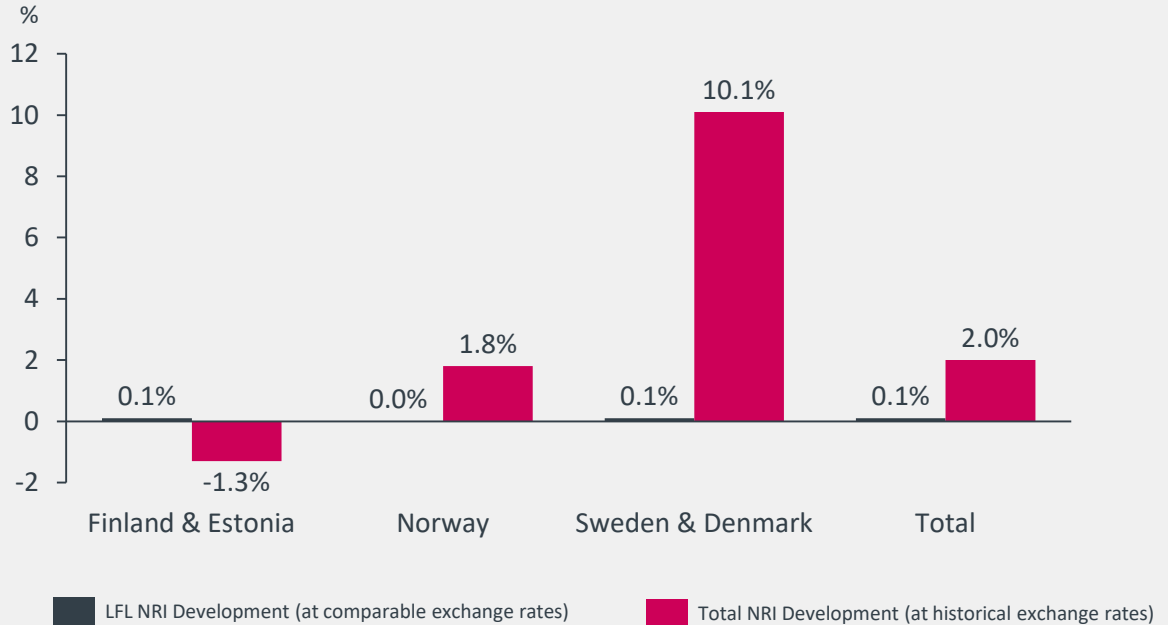
MEUR





# POSITIVE LIKE-FOR-LIKE NRI DEVELOPMENT DURING THE FIRST HALF OF 2019

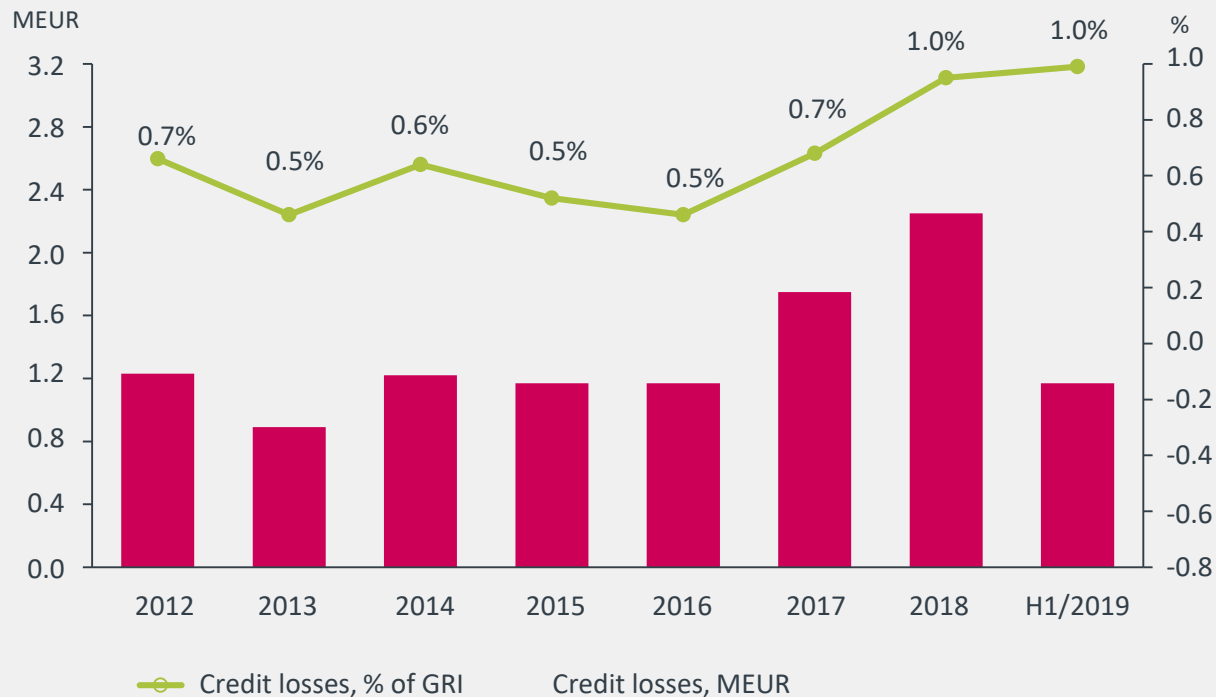
LIKE-FOR-LIKE AND TOTAL NET RENTAL INCOME DEVELOPMENT, Q1-Q2/2019 VS. Q1-Q2/2018





# CREDIT LOSSES HAVE REMAINED AT A LOW LEVEL

## CREDIT LOSS DEVELOPMENT

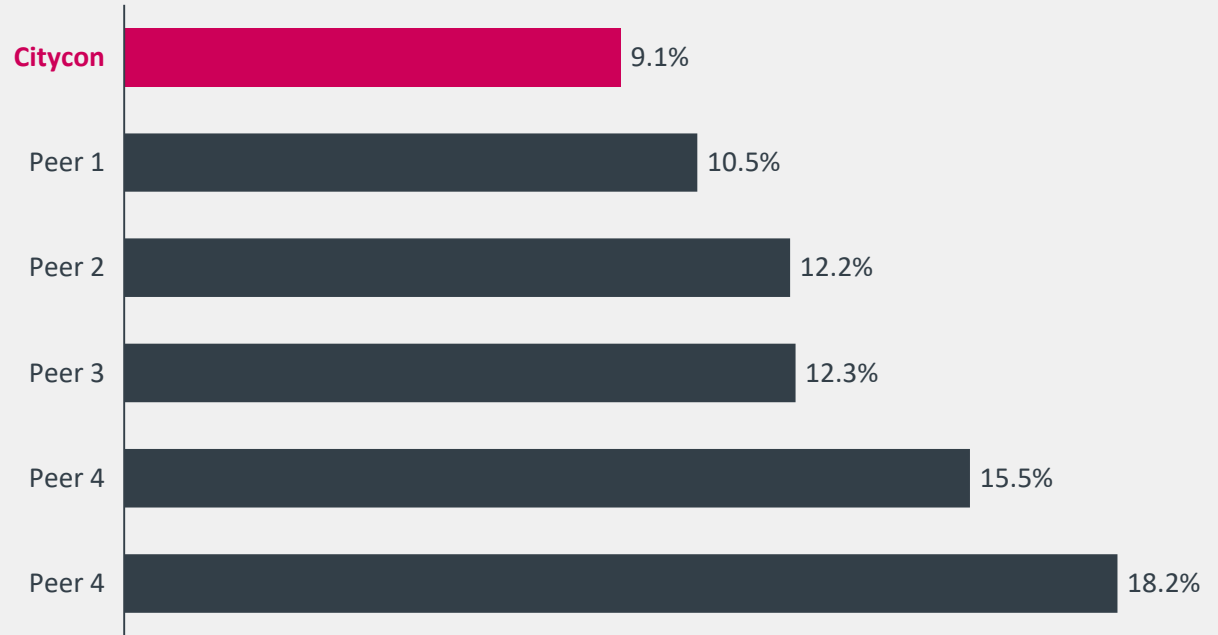


Currency adjusted. Credit loss provisions included.



# OUR OCCUPANCY COST RATIO IS AT GOOD LEVEL

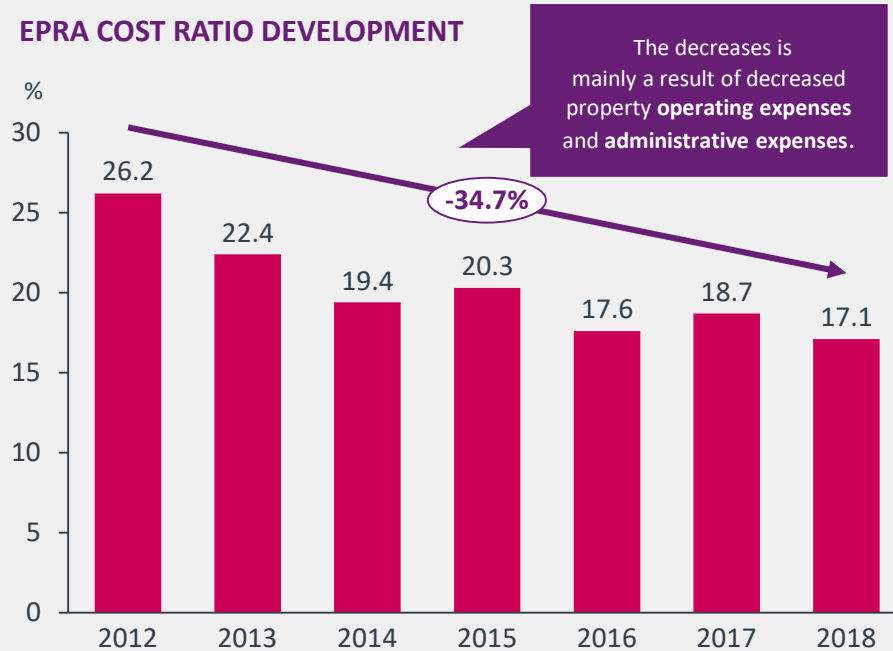
OCCUPANCY COST RATIO VS PEERS (2018)



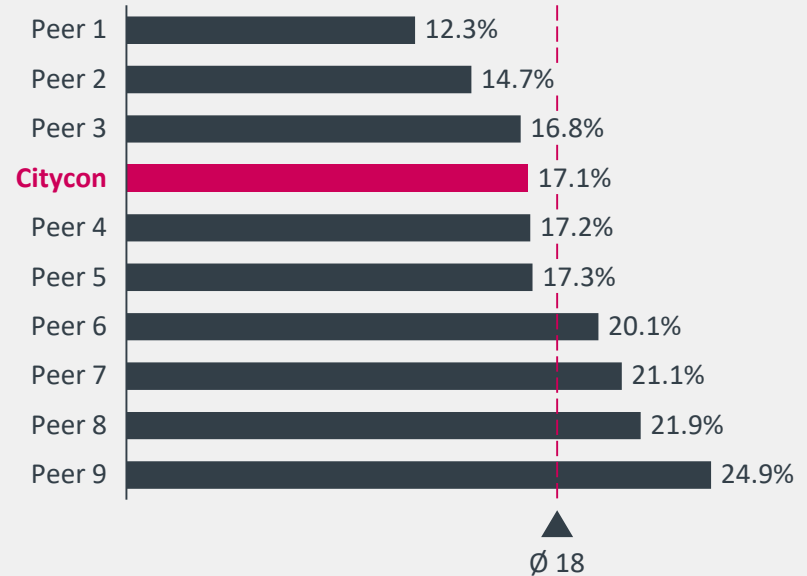
Peer group: Hammerrson, Klepierre, Mercialis, Unibail-Rodamco-Westfield, Wereldhave  
Source: Companies' annual reports

# SIGNIFICANT EPRA COST RATIO IMPROVEMENT DUE TO TIGHT COST CONTROL

## EPRA COST RATIO DEVELOPMENT



## EPRA COST RATIO VS PEERS



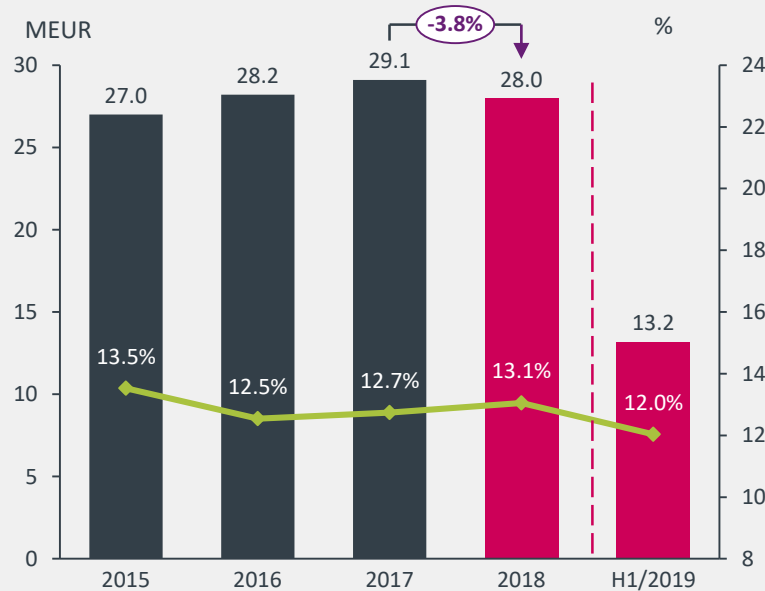
Peer group: Atrium European RE, Deutsche Euroshop, Eurocommercial, Hammerrson, Intu, Klepierre, Mercialis, Unibail-Rodamco-Westfield, Wereldhave

Source: Companies' annual reports

# OUR ADMINISTRATIVE EXPENSES ARE IN LINE WITH OUR PEERS AND TRENDING DOWNWARDS

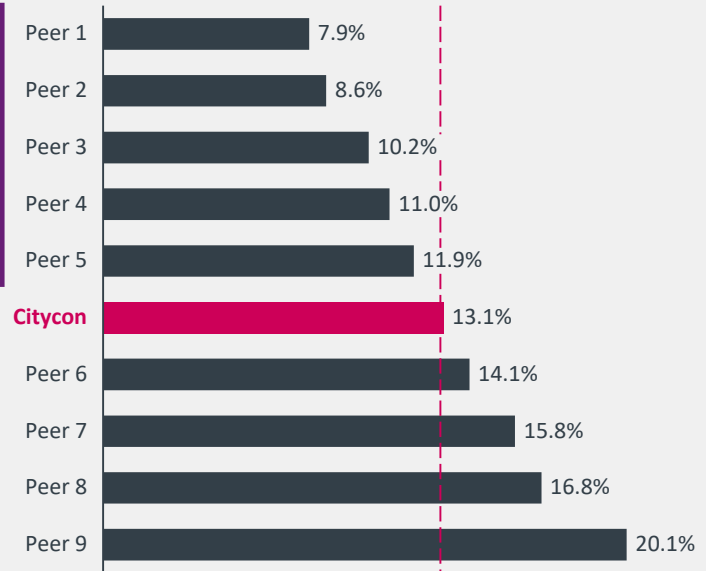
## ADMINISTRATIVE EXPENSES DEVELOPMENT

(INCLUDING ONE-OFF EXPENSES)



Excluding the one-off expenses, administrative expenses decreased 11.8% in 2018 mainly driven by lower personnel, office, IT and marketing expenses.

## ADMINISTRATIVE EXPENSES % OF NRI VS PEERS



Peer group: Atrium European RE, Deutsche Euroshop, Eurocommercial, Hammerrson, Intu, Klepierre, Mercialis, Unibail-Rodamco-Westfield, Wereldhave

Ø 13

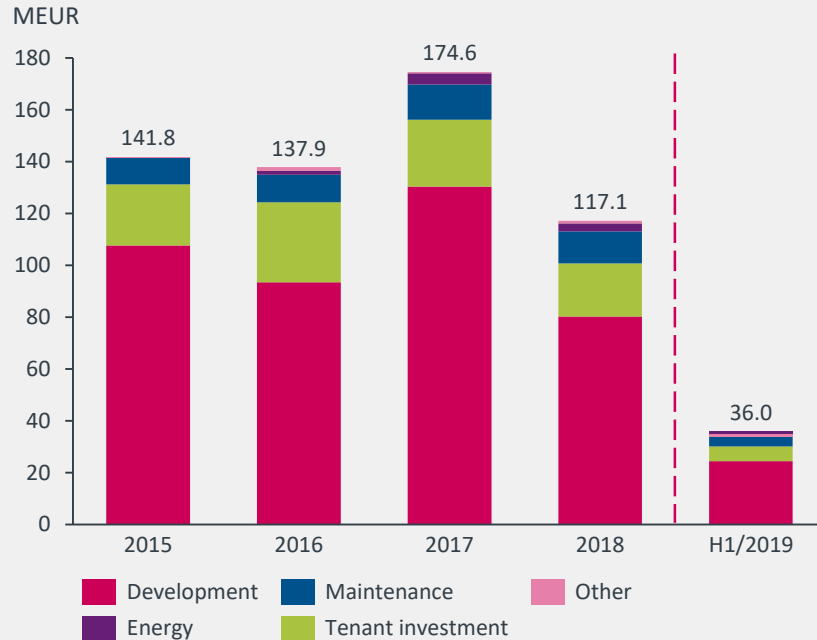
Source: Companies' annual reports





# MORE STRINGENT CAPEX APPROACH WITH NEW MANAGEMENT

## CAPITAL EXPENDITURE DEVELOPMENT 2015-H1/2019



### INCREASED FOCUS ON CAPITAL EXPENDITURE

- Process implemented to review capital expenditure across the portfolio
- Aim to maintain strict capital expenditure control going forward
- Thorough review of spent capital expenditure

# OUR FINANCING SITUATION REMAINS SOLID



# ISO OMENA

METROASEMA  
METROSTATION

LINJA-AUTOASEMA  
BUSSTATION

PALVELUTORI  
SERVICETORGET



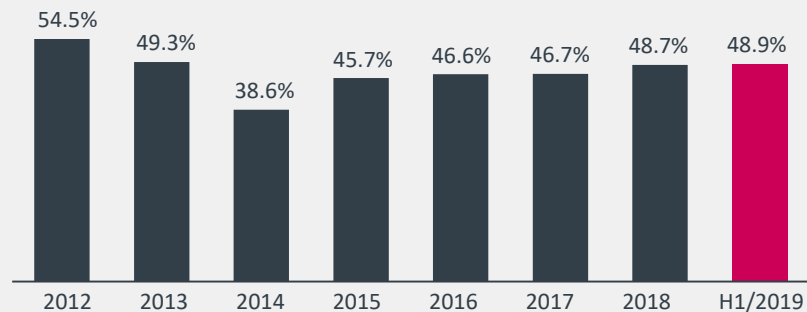
## MAIN FINANCING TARGETS

- Debt portfolio's hedge ratio 70-90% ✓ 83.3%
- Investment-grade credit ratings ✓ BBB-/Baa3
- Financing mainly unsecured ✓ 95.1%
- Substantial liquidity buffer ✓ MEUR 560
- Average maturity of loan portfolio > 5 yrs 4.6
- Loan to Value 40-45% 48.9%

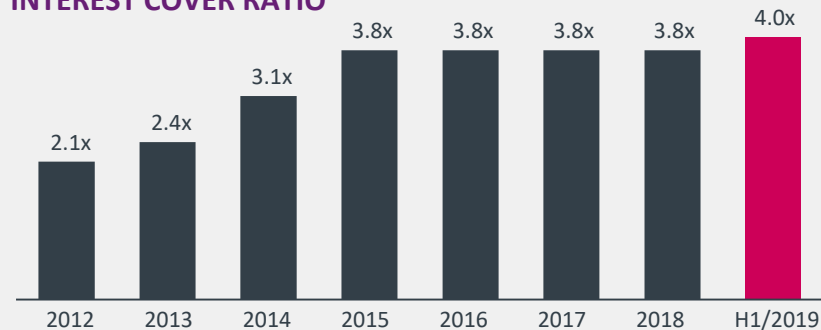
**Stable business model matched  
by conservative financing targets**

# BALANCE SHEET AND FINANCING KPIS

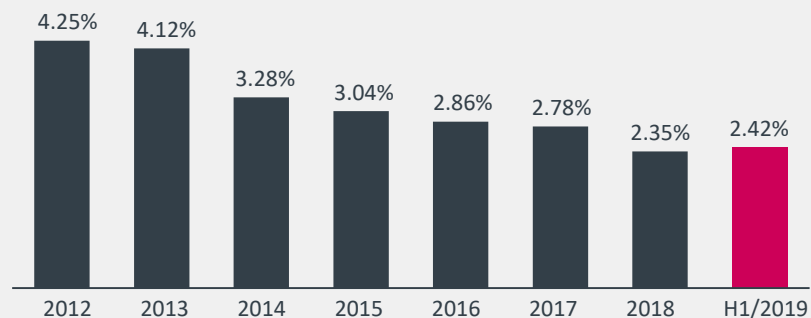
## LOAN TO VALUE (LTV)



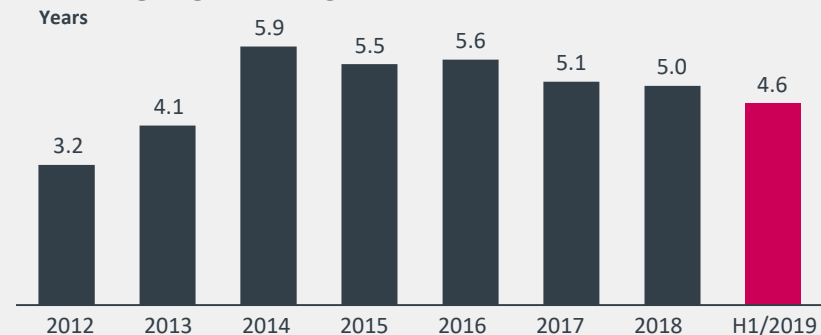
## INTEREST COVER RATIO



## WEIGHTED AVERAGE INTEREST RATE



## AVERAGE LOAN MATURITY





## MULTIPLE SOURCES OF DEBT CAPITAL

### BOND ISSUES

- EUR 2.4BN raised with 9 bonds during 2012-2018
- 

### COMMERCIAL PAPERS

- Cheap flexible funding available in all three main countries
- 

### BANK DEBT

- 530 MEUR liquidity available with 3 days' notice
- 

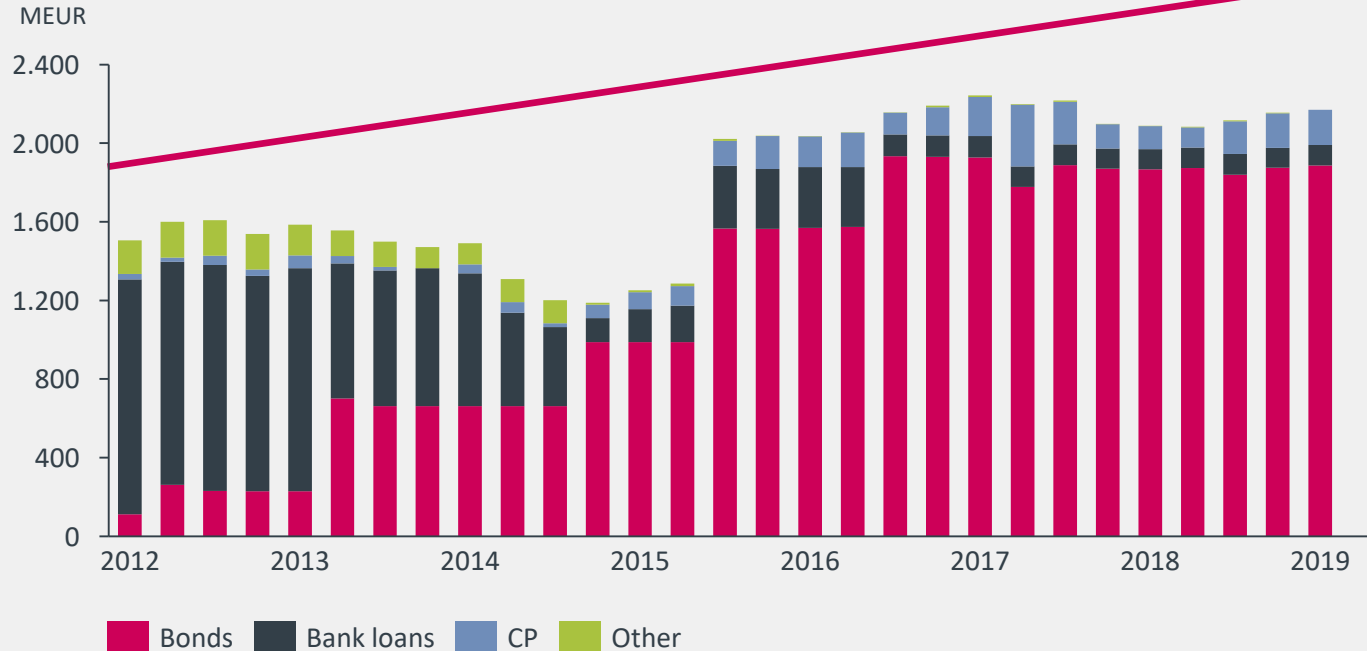
### EMTN PROGRAM

- Enables quicker bond issues and private placements
- 

**STRONG TRACK RECORD OF  
ACCESS TO CAPITAL MARKETS**

# MAJORITY OF FINANCING THROUGH BOND MARKETS

FINANCING BY TYPE



MOODY'S

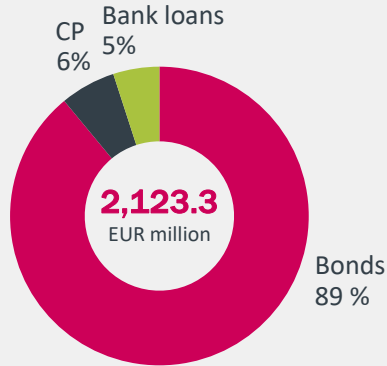


STANDARD & POOR'S

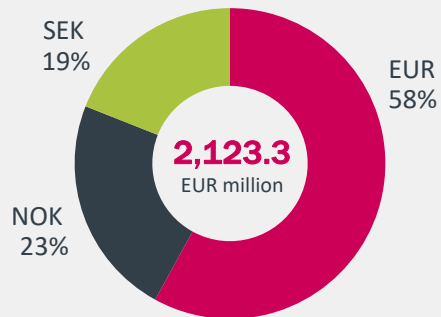


# 95% OF DEBT FIXED RATE WITH BALANCED MATURITY PROFILE

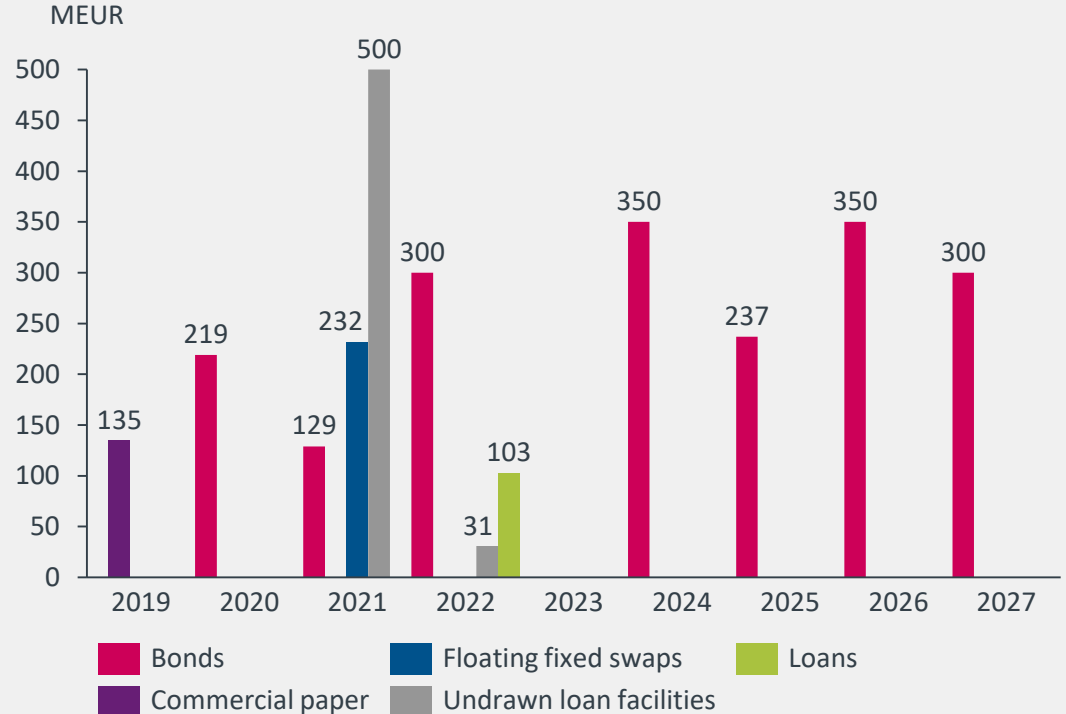
## DEBT BREAKDOWN BY TYPE



## DEBT BREAKDOWN BY CURRENCY



## DEBT MATURITIES



# OUR CURRENT STATUS ON THE BOND MARKETS

- Record-low interest rate environment affects also to the bond markets.
- Bond spreads widened in H2/2018 in line with general bond markets, and due to rating downgrades in H1/2019 our spreads have not tightened much.
- Consequently bond margins are currently elevated.

## OUR MOST RECENT BOND ISSUES

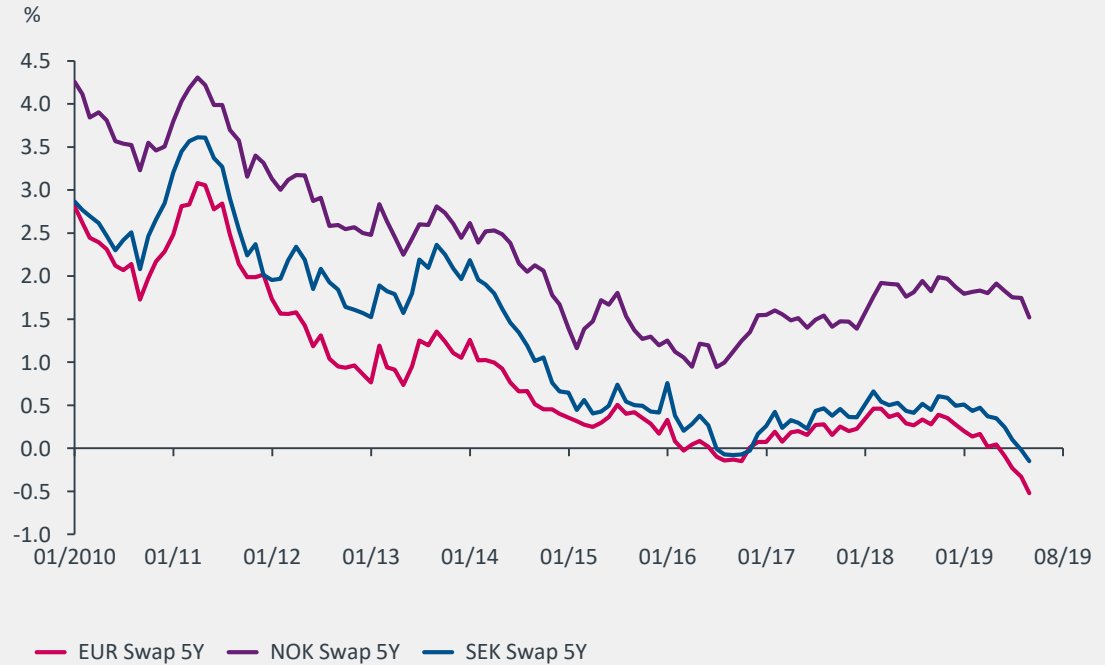
	Issued amount	Interest, p.a.	Tenor	Issue date
Eurobond	300 MEUR	2.375%	8.4	9/2018
NOK bond	1,000 MNOK	2.75%	8	9/2017
Eurobond	350 MEUR	1.25%	10	9/2016
Eurobond	300 MEUR	2.375%	7	9/2015
NOK bond	1,400 MNOK	3.9%	10	9/2015
NOK bond	1,250 MNOK	Nibor + 155 BP	5.5	9/2015
Eurobond	350 MEUR	2.50%	10	10/2014
Eurobond	500 MEUR	3.75%	7	6/2013





# INTEREST RATES ARE AT RECORD-LOW LEVELS

SWAP RATE DEVELOPMENT



# FINANCIAL TARGETS



ISO OMENA

METROASEMA  
METROSTATION

LINJA-AUTOASEMA  
BUSSTATION

PALVELUTORI  
SERVICETORGET

# WE HAVE THREE LONG-TERM FINANCIAL TARGETS

## FINANCIAL TARGET

H1/2019

## STRATEGIC ACTIONS 2019 ONWARDS



**Like-for-like net rental income growth of 100 bps above CPI**

**0.1%**  
(218 BPS BELOW  
CPI)

- Investments in development projects
- Redevelopment of core assets and disposals of non-core assets
- Proactive leasing activity



**Loan to value (LTV) of 40–45%**

**48.9%**

- Continued asset disposals to strengthen balance sheet



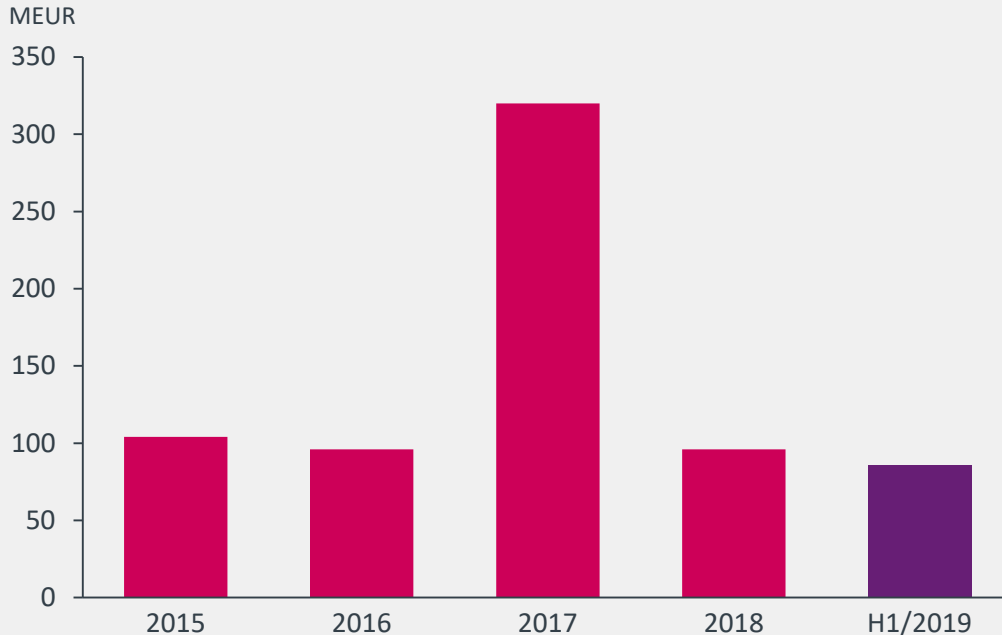
**Dividend/equity return payout ratio\* of > 50% of the result for the period**

**81%<sup>1)</sup>**

- Maintain solid operative performance to ensure sustainable cash flow generation
- Continued focus on cost management

# WE HAVE DISPOSED ASSETS FOR OVER 700 MEUR SINCE 2015

## DISPOSALS SINCE 2015

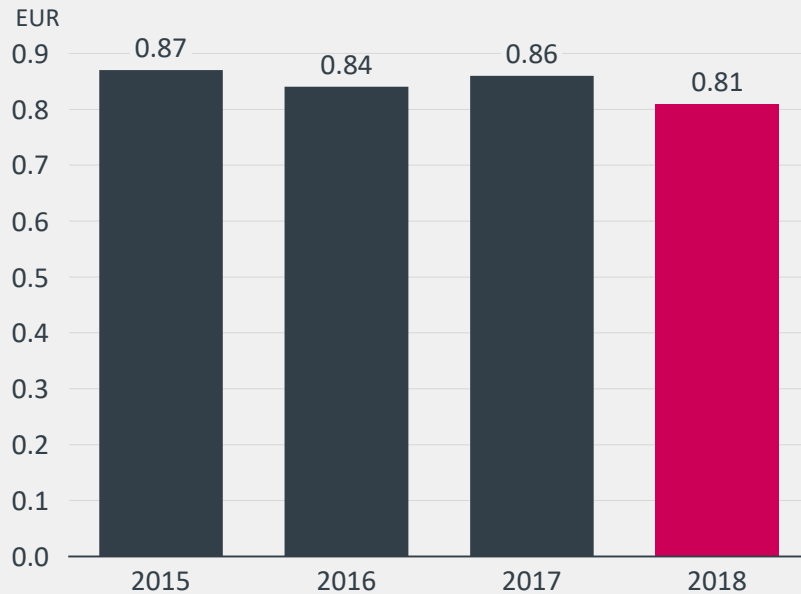


We have done the majority of disposals and improved the quality of our portfolio clearly.

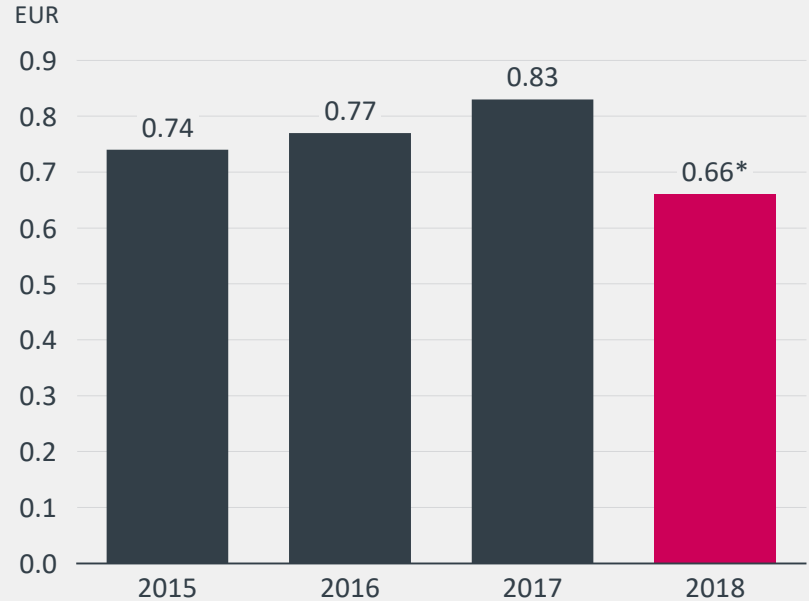
We will continue to strengthen our balance sheet going forward with the aim of being within our LTV range in the mid-term.

# WE HAVE STEADY CASH AND EARNINGS GENERATION

## EPRA EPS

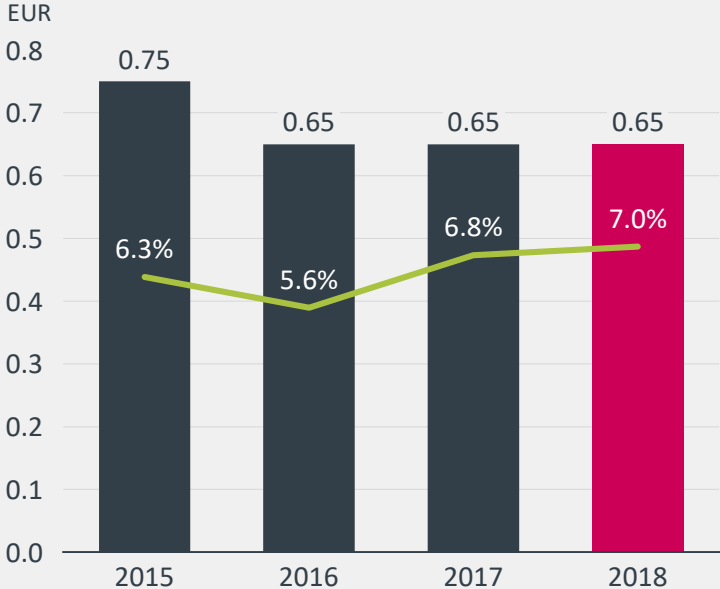


## NET CASH FROM OPERATING ACTIVITIES PER SHARE

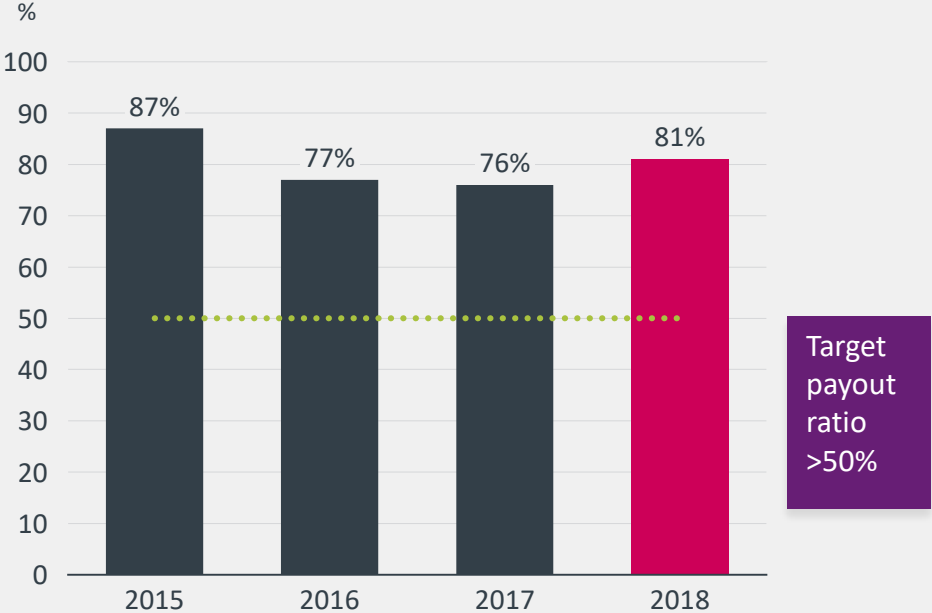


# WE HAVE A STRONG AND SUSTAINABLE DIVIDEND

### DIVIDEND/EQUITY REPAYMENT AND YIELD



### DIVIDEND/EPRA EPS



# SUMMARY





# CONCLUSIONS

## NORDIC DIVESTMENT MARKETS ARE FUNCTIONING

- The Nordic property market is liquid
- Our valuation yields have been stable during the past years

## WE HAVE A STABLE BUSINESS MODEL

- We have a high occupancy rate with stable net rental income
- We are cost efficient and have improved our cost efficiency over the years

## REFINANCING UPDATE

- We have strengthened our balance sheet and remain committed to strengthening our balance sheet
- We have access to multiple sources of capital

## OUR FINANCIAL TARGETS

- We are committed to our financial targets
- Our dividend is covered



**THANK YOU.**