sponda

Room for Collaboration

ANNUAL REPORT 2012

Table of Contents

Year 2012 **9**
Year 2012 in brief 9
Chief Executive's review 10
Property assets 12
Key figures 15
Key figures in graphs 16
Sponda **18**
Strategy 18
Sponda's vision and strengths 19
Strategic operations in 2012 19
Strategic operations in 2013 21
Strategic processes 22
Business units 23
Investment Properties 24
Office and Retail Properties 26
Shopping Centres 28
Logistics Properties 29
Property Development 31
Russia 33
Real Estate Funds 35
Business environment 37
Finnish market 37
Russian market 40
Risks and risk management 42
Main risks and risk management actions 43
Strategic risks 44
Operative risks 45
Damage and asset risks 46

Financing risks 47
Financing and financial risk management 48
Treasury strategy 49
Financing in 2012 49
Prospects for 2013 50
Information for shareholders 51
Financial information 52
Contact information 53
Room for collaboration **55**
Workspace creates communality 55
Changing work environments 56
Communality creates wellbeing 58
Case MicroMedia 59
Case Finnmatkat 60
Case SCM Suomi 61
Development of cities 62
Spondability **64**
Responsible property investment 64
Sponda's stakeholders 65
Corporate responsibility priorities 66
Energy efficiency and carbon footprint 67
Targets and actions 68
Material efficiency 72
Targets and actions 73
Property locations 75
Targets and actions 76
Enhancing the customer experience 76
Targets and actions 79
Customer process 79

Investing in employees 80
Targets and actions 82
Transparency in operations 85
Targets and actions 86
Taking the industry forward 87
Targets and actions 89
GRI index 90
The scope of the report 96
Corporate Governance 97
Corporate Governance 97
Board of Directors 97
Presentation of Board of Directors 98
Duties of the Board of Directors 100
Board committees and working groups 100
Remuneration and other Financial Benefits of the Board of Directors 101
The General Meeting 101
Nomination Board 101
The President 102
The Executive Board 103
Presentation of the Executive Board 104
External and internal audits 106
Insider management 106
Risk management and risk management organisation 106
Board of Directors' Report 108
Board of Directors' Report 108
Highlights of the 2012 financial period 108
Strategy 109
Result of operations and financial position 109
Financing 110

Business conditions	111
Sponda's operations and property assets in 2012	112
Valuation gains/losses on fair value assessment	113
Rental operations	114
Investments and divestments	115
Office and Retail properties	115
Shopping Centres	116
Logistics Properties	117
Property Development	118
Russia	118
Real Estate Funds	119
Parent company	120
Group structure	120
Risk management	120
Environmental responsibility	121
Corporate governance	121
Annual General Meeting and Dividend	122
Auditors	122
Shareholders' Nomination Board	122
Management and Personnel	122
Sponda's share	123
Events after the end of the perioid	124
Prospects	124
Shares and shareholders	124
Key financial figures	127
Key figures per share	127
EPRA key figures	128
Formulas used in the calculation of key figures	130
Formulas used in the calculation of EPRA key figures	132

EPRA BPR additional information 133

Financial Statements **135**

Consolidated income statement 135

Consolidated statement of comprehensive income 137

Consolidated balance sheet 138

Consolidated statement of cash flows 140

Consolidated statement of changes in equity 143

Accounting policies for the consolidated financial statements 145

Notes to the consolidated financial statements 156

1 Segment information 156

2 Geographical areas 157

3 Total revenue from properties 158

4 Maintenance expenses 158

5 Profit/loss on sale of investment properties 158

6 Other operating income 159

7 Other operating expenses 159

8 Auditor fees 159

9 Employee benefit expenses and number of employees 159

10 Depreciation and amortization by asset item 163

11 Financial income and expenses 163

12 Income taxes 164

13 Earnings per share 165

14 Investment properties 165

15 Investments in real estate funds 167

16 Property, plant and equipment 168

17 Goodwill 168

18 Other intangible assets 169

19 Finance lease receivables 170

20 Holdings in associated companies 170

21 Non-current receivables 171
22 Deferred taxes 172
23 Trading properties 174
24 Trade and other receivables 174
25 Cash and cash equivalents 175
26 Capital and reserves 175
27 Non-current interest-bearing liabilities 176
28 Net pension asset in the balance sheet 176
29 Other liabilities 178
30 Trade and other payables 178
31 Financial instruments 179
32 Collateral and contingent liabilities 187
33 Related party transactions 188
34 Events after the balance sheet date 188
35 Shares and holdings owned by the Group and parent company 189
Parent company income statement 197
Parent company balance sheet 198
Parent company statement of cash flows 200
Accounting principles for the parent company accounts 202
Notes to the parent company financial statements 204
1 Rental income and recoverables 204
2 Personnel expenses and number of employees 204
3 Depreciation, amortization and impairment losses 205
4 Other operating income 205
5 Other operating expenses 205
6 Auditor fees 205
7 Financial income and expenses 206
8 Extraordinary items 206
9 Income taxes 206

10 Intangible assets 207
11 Property, plant and equipment 207
12 Investments 208
13 Current receivables 208
14 Equity 209
15 Non-current liabilities 210
16 Current liabilities 210
17 Derivative instruments 211
18 Collateral and contingent liabilities 211
Distribution of profit 212
Auditor's report 213

Year 2012

Sponda achieved a strong result in 2012. Total revenue and net operating income were the highest in the company's history, and the economic occupancy rate of Sponda's investment properties remained at the previous year's level despite the challenging operating environment. Occupancy rates in Sponda's Russian properties exceeded market averages and the company added to its property holdings in Russia by purchasing an office property in central Moscow.

Three international BREEAM® environmental certificates were awarded to Sponda properties in 2012. Sponda also succeeded in reducing the energy consumption of its properties compared to the previous year.

Year 2012 in brief

Sponda achieved a strong result in 2012. Total revenue and net operating income were the highest in the company's history, and the occupancy rate of Sponda's investment properties remained stable despite the economic conditions.

Sponda's total revenue in 2012 was EUR 264.6 million (2011: 248.2) and net operating income was EUR 192.2 million (179.4). Both total revenue and net operating income were the highest in the company's history.

Sponda improved the quality of its property portfolio further in 2012 by selling properties for over EUR 60 million. The proceeds from the sales of properties that were not fully in line with strategy were used to finance investments. The company maintained its equity ratio at a stable level despite property development investments.

In November 2012, Sponda issued a EUR 95 million equity bond (hybrid bond) with a maturity of five years. In conjunction with the new hybrid bond issue, Sponda completed a partial repurchase for its hybrid bond issued in 2008.

Demand held strong in strategically important areas

The economic occupancy rate remained largely unchanged from 2011 despite the challenging operating environment. Occupancy rates and rental levels remained at a good level in the prime areas, which are Sponda's strategic focus, which indicates that the company's strategy is sustainable even in economically difficult circumstances.

Occupancy rates in Sponda's Russian properties exceeded the market level in 2012 and the company added its property holdings in the Russian market by purchasing an office property in central Moscow.

In 2012, Sponda established a new real estate fund, Sponda Fund III. The new fund invests primarily in logistics and industrial properties in growth centres. The real estate fund Sponda Fund II was invested to its full capacity during the year.

Property development projects

The Citycenter renovation project in Helsinki's central business district was nearly completed in 2012. The extensive project created modern retail space in the shopping centre while also improving pedestrian access in the area. The project will be fully completed in spring 2013.

An office building being developed by Sponda in Helsinki's Ruoholahti district for Talentum Plc reached rooftop height in 2012. The newly constructed building will be completed according to plan in spring 2013, further strengthening Sponda's property portfolio in the prime areas that are central to the company's strategy.

Tenant negotiations for the Ratina shopping centre in Tampere were carried out during the year and Sponda is ready to begin construction in summer 2013.

Three international environmental certificates

The customer experience and environmental responsibility are the strategic focal points of Sponda's operations. Sponda continued the implementation of its customer relations strategy in 2012. The company improved its customer service channels and developed new service innovations.

Three international BREEAM® environmental certificates were awarded to Sponda properties in 2012. The newly certified properties are located in Helsinki, Vantaa and Moscow. By seeking international environmental certification for all its newly constructed properties and major renovation projects, Sponda aims to offer its customers high-quality and environmentally friendly business premises.

Sponda also implemented its environmental responsibility in 2012 by promoting its Energy efficiency and Environmental partnership programmes and by increasing cooperation in environmental matters with its customers.

Chief Executive's review

The year 2012 was a successful one for Sponda – we achieved the highest total revenue and net operating income in our history. We also maintained a stable occupancy rate, which reflects the confidence our customers have in us. It is important for us to create long-term interactive partnerships with our customers, which is why we place considerable focus on enhancing the customer experience.

Attractive properties in central locations

Sponda's strategy is based on profitable growth in the property market. We focus our property holdings in locations in city centres with good transport links. In 2012, we developed our property portfolio by selling properties that were not fully in line with our strategy. The sales also helped us finance our property development investments.

Increased occupancy rates for retail and office premises

The property transaction market was active primarily in the Helsinki metropolitan area in 2012, with a focus on prime properties. The weak economic conditions and high volume of new construction resulted in higher vacancy rates for offices in the Helsinki metropolitan area late in the year.

As estimated, the occupancy rate of Sponda's properties remained unchanged from the end of 2011. The occupancy rate of our office and retail properties improved slightly from the previous year. The occupancy rate of logistics properties was eroded by weaker exports and sale of fully occupied properties from the portfolio. Nevertheless, we successfully concluded new lease agreements, for example in the Vuosaari Harbour logistics centre.

Russia is an important market for Sponda, and the occupancy rates of our Russian properties exceeded the market averages in 2012. We strengthened our Russian property holdings by purchasing an office property located in central Moscow with good transport links. I am confident that Russia will continue to be a profitable investment market for us also in the future.

Citycenter's transformation nearly complete

The renovation of the Citycenter block in Helsinki's central business district was nearly completed in 2012. The Citycenter project has been Sponda's largest development project over the recent years. The renovation project has seen the retail block undergo a comprehensive transformation. The attractiveness and comfort of the shop corridors has been improved with increased natural light and visitors are served by a diverse range of new shops and restaurants. Citycenter is a good example of a successful property development project, in which the modernisation of old premises reinvigorates the central business district and provides attracting meeting places for local residents and visitors alike.

Our other significant property development project last year was the new office building being constructed for Talentum Plc in Helsinki's Ruoholahti district. The building reached rooftop height in 2012. Located in an attractive prime area with excellent transport links, the newly constructed office building will further improve the quality of our property portfolio. Particular attention has been paid to environmentally friendly solutions in the design of the building.

Three new environmental certificates

As buildings produce a significant share of Finland's total greenhouse gas emissions, the real estate industry plays a key role in improving energy efficiency and mitigating climate change. Sponda aims to minimise the environmental impacts of its properties and its own operations. We want to offer our customers high-quality business premises that are environmentally friendly. We seek environmental certification for all newly constructed properties and major renovation projects. In 2012, the number of certified properties increased further with three international BREEAM® certificates awarded to Sponda properties.

We also support our customers in the energy-efficient use of properties. This cooperation is primarily carried out under the frameworks of our Energy Efficiency Programme and Environmental Partnership Programme. These cooperative programmes played a key role in helping us achieve the energy conservation targets we had set for our properties for 2012.

Business premises developed on the customers' terms

Sponda helps its customers focus on their core business operations by ensuring that their business premises meet their changing needs. For example, the significance of various shared workspaces has increased in recent years as new technologies and wireless connections free information workers from the shackles of their workstations. Sponda's business premises provide natural and effective meeting places for employees, customers and other stakeholders.

We have invested a great deal in enhancing the customer experience and developing our service channels, and were pleased to see our customer satisfaction improve further in 2012.

Property portfolio development to continue in 2013

We anticipate that positive development in the Finnish economy will be slow in 2013. Nevertheless, we expect Sponda's net operating income to increase slightly and the occupancy rate of our properties to remain unchanged from the end of 2012.

We will strive to improve our property portfolio to increase shareholder value. This will involve selling non-strategic properties and investing in new property development projects. For example, tenant negotiations were carried out for the Ratina shopping centre project in Tampere and we expect construction to begin in summer 2013.

I would like to thank our shareholders for their trust in our company and our customers for their valuable partnership and feedback, which has helped us develop our operations further. Our employees also deserve thanks for the strong result we achieved and their active participation in our innovation process.

Kari Inkinen

President and CEO
Sponda Plc

Property assets

Investment properties of Sponda 1 January - 31 December 2012, M€

	Total	Office and Retail Properties	Shopping Centres	Logistics Properties	Property Development	Russia
Operating income	257.3	143.9	42.0	42.3	0.4	28.7
Maintenance costs	-70.7	-39.0	-9.7	-13.6	-1.9	-6.5
Net operating income	**186.6**	**104.9**	**32.3**	**28.7**	**-1.5**	**22.2**
Investment properties on 1 January 2012	3,165.7	1,644.0	586.1	449.0	262.0	224.6
Capitalized interest 2012	0.8	0.2	0.0	0.0	0.6	0.0
Acquisitions	53.1	15.2	0.0	0.0	0.0	37.8
Investments	76.0	30.7	21.3	1.9	21.5	0.6
Transfers between segments	0.0	-1.5	135.3	0.0	-133.7	0.0
Sales	-59.3	-14.4	-0.6	-31.5	-12.7	0.0
Change in fair value	24.9	31.4	-5.3	-4.9	-2.6	6.4
Investment properties on 31 December 2012	**3,261.3**	**1,705.7**	**736.7**	**414.4**	**135.1**	**269.4**
Change in fair value, %	0.8	1.9	-0.9	-1.1	-1.0	2.9
Weighted average yield requirement %	6.8	6.5	5.6	8.1		9.7
Weighted average yield requirement %, Finland	6.5					
Maintenance investments	28.4	20.4	5.8	1.9	0.0	0.4
Property development	47.5	10.3	15.6	-0.1	21.5	0.2
Acquisitions	53.1	15.2	0.0	0.0	0.0	37.8
Sales	-59.3	-14.4	-0.6	-31.5	-12.7	0.0
Investments, total	**69.7**	**31.5**	**20.8**	**-29.7**	**8.8**	**38.4**

Yield requirements used in valuation of investment properties 31 December 2012

	Helsinki CBD	Other Helsinki	Espoo/ Vantaa	Other Finland	Russia
Office and retail premises, %	5.6	6.2	8.2	7.1	9.6
Logistics premises, %		8.0	8.0	11.5	11.0

The average yield requirement for Shopping Centres was 5.6 per cent.

Sensitivity analysis

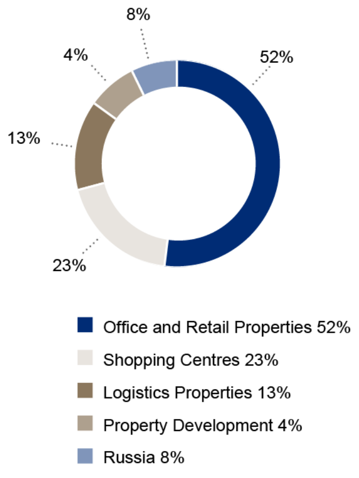
Change in investment property fair value, M€ and %

	-10%		-5%		0%	5%		10%	
	Change, M€	Change, %	Change, M€	Change, %	M€	Change, M€	Change, %	Change, M€	Change, %
Yield requirement	334	10.6	158	5.0	0	-143	-4.5	-273	-8.7
Rental income (contractual rents)	-88	-2.8	-44	-1.4	0	44	1.4	88	2.8
Maintenance expenses	85	2.7	43	1.4	0	-42	-1.3	-85	-2.7
Economic occupancy rate (1st year)	-25	-0.8	-13	-0.4	0	13	0.4	26	0.8

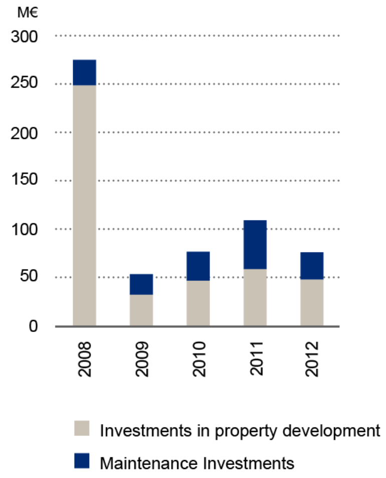
The sensitivity analysis has been carried out as a quantitative analysis of the investment properties in Finland calculating the 15 year cash flow and of the properties in Russia calculating the 10 year cash flow.

The changes in yield requirements and economic occupancy rates have been calculated for average figures. The analysis includes only investment properties generating cash flows.

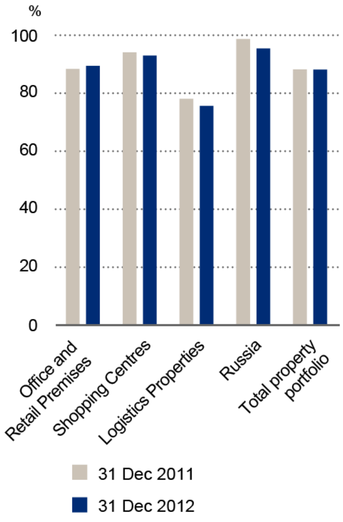
Investment properties by business unit by fair value **31 Dec 2012**



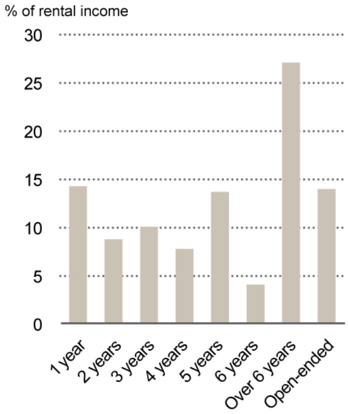
Investments in properties



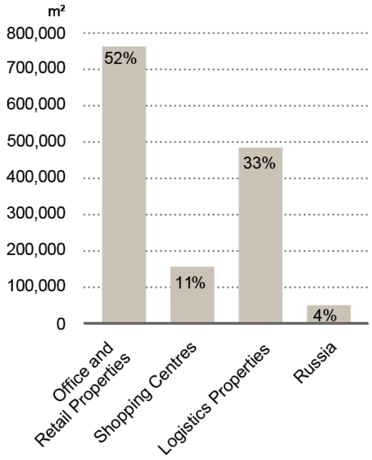
Economic occupancy rate



Expiry of lease agreements



Leasable area by property type, **31 Dec 2012**



Key figures

Group key figures

	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008**)	31 Dec 2008
Total revenue, M€	**264.4**	248.2	232.1	237.2	219.6	219.6
Operating profit, M€	**210.3**	209.6	216.2	-13.3	117.3	126.2
Profit before taxes, M€	**151.6**	134.0	157.7	-78.3	42.2	38.7
Cash flow from operations/share, €	**0.40**	0.37	0.37	0.45	0.78	0.78
NAV/share, €	**4.27**	4.06	3.86	3.54	4.93	4.90
Earnings/share, €	**0.37**	0.39	0.40	-0.40	0.13	0.09
Return on investment, %	**8.0**	7.7	7.9	-0.4	4.4	4.7
P/E ratio	**9.65**	8.02	9.60	-6.79	14.69	12.89
Equity ratio, %	**39.8**	37.9	39.0	37.3	31.9	31.8
Gearing, %	**122.3**	134.9	128.7	140.9	179.6	180.7
Dividend, €	**0.17 *)**	0.16	0.15	0.12	0.00	0.00
Payout ratio, %	**45.58 *)**	41.15	37.12	-29.83	0.00	0.00
Effective dividend yield, %	**4.72 *)**	5.13	3.87	4.40	0.00	0.00

*) Board's proposal

**) 2008 figures adjusted following adapting of IAS23

Key figures according to EPRA Best Practices Recommendations

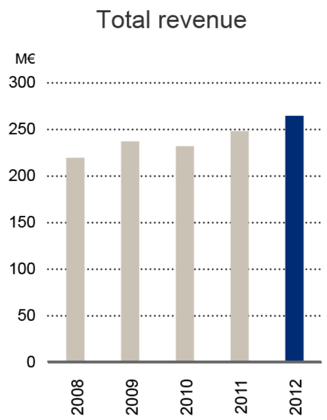
	2012	2011	2010	2009	2008*)	2008
EPRA Earnings, M€	**82.9**	75.4	74.0	67.4	38.9	-
EPRA Earnings per share, €	**0.29**	0.27	0.27	0.29	0.22	-
EPRA NAV/share, €	**5.12**	4.84	4.59	4.18	6.04	6.01
EPRA Net Initial Yield (NIY), %	**6.61**	6.39	6.37	-	-	-
EPRA "topped-up" NIY, %	**6.63**	6.40	6.38	-	-	-

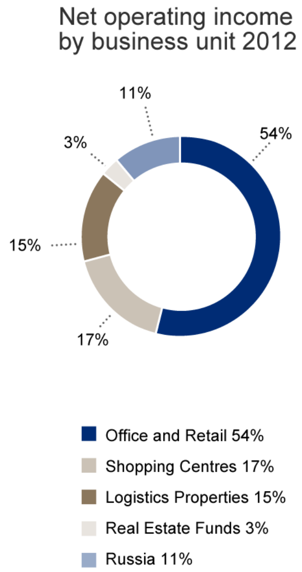
*) 2008 figures adjusted following adapting of IAS23

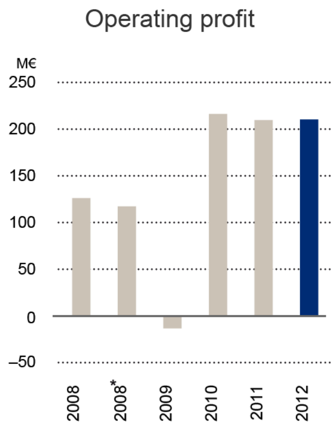
Financing key figures

	2012	2011	2010	2009	2008
Interest Cover Ratio (ICR)	**2.8**	2.7	3.0	2.7	2.1
Average loan maturity, yrs	**2.7**	3.1	3.2	2.4	3.0
Average fixed interest rate period, yrs	**1.9**	2.2	2.2	1.8	1.7
Average interest rate, %	**3.4**	4.0	3.8	3.7	4.6
Hedging rate of interest risk, %	**72**	77	84	65	58
Equity ratio, %	**40**	38	39	37	32

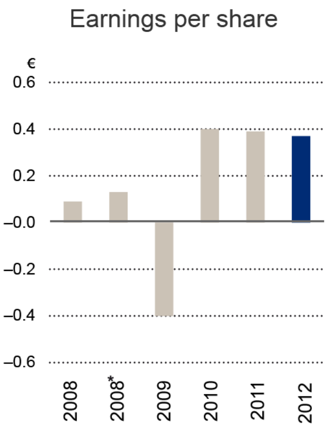
Key figures in graphs





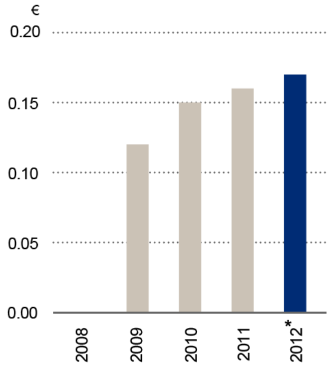


* 2008 figures adjusted following adapting of IAS 23



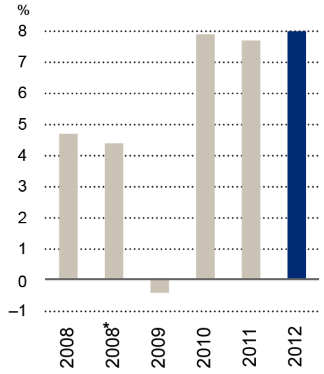
* 2008 figures adjusted following adapting of IAS 23

Dividend/share



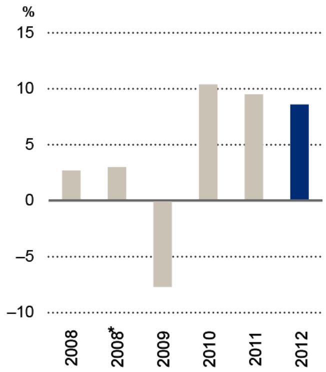
* Board's proposal

Return on investment



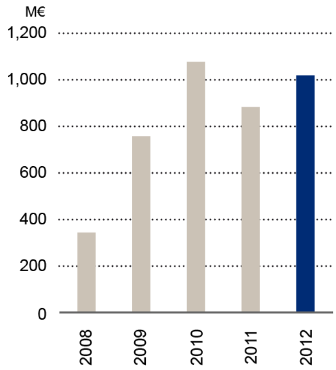
* 2008 figures adjusted following adapting of IAS 23

Return on shareholders' equity (ROE)

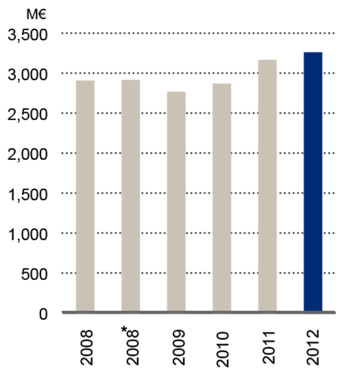


* 2008 figures adjusted following adapting of IAS 23

Market capitalization



Fair value of investment properties



* 2008 figures adjusted following adapting of IAS23

Sponda

Sponda Plc is a real estate investment company that specializes in leasing business premises and developing and owning properties. Sponda's properties are located in the largest cities in Finland and Russia. By developing business premises into attractive, tailored business environments, Sponda promotes its customers' success.

The company's operations are organized into four business units: Investment Properties, Property Development, Real Estate Funds and Russia.

Customer focus at the core of Sponda's strategy

Sponda's strategic goal is to achieve growth and profitability through customer-focused operations, active property development, real estate funds and strategic property acquisitions in Finland and Russia.

The criteria applied by the company in selecting properties for acquisition and ownership include energy efficiency, central location and access to public transport. In accordance with its ownership strategy, Sponda focuses its property ownership in city centres where rental demand generally remains good regardless of cyclical fluctuations.

Another long-term objective in the development of the property portfolio is to increase the proportion of office properties and shopping centres while reducing the share of logistics properties. The company has identified properties that may be sold when market conditions allow.

Strategic focus

Sponda has selected the customer experience and environmental responsibility as strategic focal points. Sponda's customer relationships are based on interactive partnership. With the help of a process to support the development of the customer experience, Sponda aims to identify the best ways of working from the customer's perspective.

Environmental responsibility is an integral part of Sponda's operations. The company's long-term goal is to develop its environmental expertise and to share this expertise with customers and partners.

More information on Sponda's customer experience development and the implementation of environmental responsibility is available in the Spondability section.

Sponda's vision and strengths

Mission

Sponda is a leading property investment company that owns, leases and develops office, retail and logistics premises in the largest cities in Finland and Russia. Sponda develops business environments that promote the success of customers.

Vision

Sponda's vision is to be the first choice for customers looking for business premises. In accordance with this vision, Sponda creates added value for its customers by offering business premises solutions that take into account the customers' individual needs, operating culture and the nature of their work.

Values

The most important values for Sponda are innovation, professionalism and reliability. We live these values every day. They guide our conduct towards our customers and each other.

Sponda's key strengths

Property portfolio focused on the best locations in the Helsinki Metropolitan Area	Sponda's property portfolio includes some of the highest quality and best known properties in the Helsinki Metropolitan Area, particularly in the central business district and Ruoholahti in Helsinki.
Diversified property portfolio that offers customers a wide choice of premises	Sponda's property portfolio includes a wide range of office, retail, shopping centre and logistics properties. Thanks to its extensive business premises offering, Sponda is able to offer its clients alternative premises as their space requirements change.
Diverse, high-quality tenant base and balanced lease portfolio	Sponda's largest clients include major retail stores, the finance industry and the public sector. The company has a diversified tenant base, which reduces the risks related to individual customer segments or tenants.
Leading property development operations	Sponda owns a considerable amount of land and numerous potential property development sites. At the turn of the years 2012-2013, the company was engaged in two significant property development projects. As market conditions improve and demand grows, the company has the flexibility to launch new property development projects.
Experienced, committed management and personnel	The members of Sponda's Executive Board have long-term operational experience with the company and elsewhere in the real estate business. In addition, Sponda's personnel and organisation have extensive experience of the property markets, which enables Sponda to offer its clients the best expertise and competitive solutions and services.
Responsible business operations	Responsibility is an integral part of Sponda's day-to-day operations and business expertise, supporting the company's profitability and long-term viability. The company's operations are planned and assessed from the perspectives of responsibility.

Strategic operations in 2012

Sponda achieved its growth targets despite having a challenging year. Performance targets were also achieved as total revenue and net operating income reached the highest levels in the company's history. During the year, Sponda improved its financial standing and financed investments and development projects by selling properties. The company had a special focus on the customer experience, which was reflected in improved customer satisfaction.

Financial objectives

Sponda's long-term goal is to maintain its equity ratio at 40 per cent. The equity ratio was 40 per cent (2011: 38 per cent) at the end of 2012 and the company will have no further refinancing needs until 2014. Sponda's aim is to pay a dividend of approximately 50 per cent of the cash flow from operations per share for each accounting period. Dividend payment takes into account the economic situation and the company's development needs.

The year 2012 was characterised by uncertain economic conditions, which was reflected in the real estate sector in the tighter availability of financing and a slowing down of the property transaction market. During times of economic uncertainty, Sponda aims to finance its growth primarily by selling off properties that are not in line with its strategy. The company's financial standing and balance sheet improved in 2012 despite the challenging conditions. Sponda sold investment properties for EUR 61.8 million and used the sales revenue to finance investments and development projects.

The company's total revenue and net operating income reached a historical high in 2012. Sponda's total revenue in 2012 was EUR 264.6 million and the net operating income EUR 192.2 million. Occupancy rates remained unchanged from 2011 and like-for-like rental levels increased, with the exception of logistics properties.

Implementation of growth strategy

Sponda owns a considerable amount of land and numerous properties in excellent locations with high development potential. While the company did not launch new property development projects in 2012, its current projects in Helsinki city center and Ruoholahti progressed according to plan. Sponda also has the capacity and flexibility to launch new property development projects as market conditions allow.

In 2012, Sponda purchased properties for a total of EUR 53.1 million in line with its strategy. The purchase of an office property in central Moscow supports growth in Russia in accordance with Sponda's strategy. The company's long-term goal is to have 10–20 per cent of its balance sheet invested in Russia, in properties located in Moscow and St. Petersburg.

Sponda also implemented its growth strategy in 2012 by establishing the Sponda Fund III real estate fund. The new fund invests primarily in logistics and industrial properties in Finland's growth centres.

Customer satisfaction improved

The company's strategic focal points are the customer experience and environmental responsibility. In 2012, Sponda continued to develop its customer experience management, environmental responsibility, purchasing and quality processes. The company's action plans are designed to support business operations and their results will be evident over the long term. Some early indications of the results were already seen in 2012 in the form of Sponda's improved customer satisfaction and brand awareness.

Strategic actions taken in 2012 and their impacts

Action	Strategic impact
Property purchases	
Purchase of an office building in Moscow in June for USD 47 million	Located in central Moscow with good transport links, the property supports growth in Russia in accordance with Sponda's strategy.
Sold properties and businesses	
Sponda sold logistics properties worth EUR 31.5 million to the Sponda Fund III real estate fund and other non-core properties for EUR 30.3 million.	The property sales reduced the share of logistics properties in the company's property portfolio in line with Sponda's strategy. The sales were used to fund the company's investments.
Property development	
The renovation of the Citycenter retail property in Helsinki's central business district was largely completed.	The development of the Citycenter property, which has good transport links, increases the proportion of shopping centres in Sponda's property portfolio and strengthens the company's property ownership in a key strategic area.
Work was completed on renovating an office property on Unioninkatu in Helsinki early in the year.	The 22,500 square metre property in the central business district was developed into a modern and energy-efficient office building.

Action	Strategic impact
Rooftop height was reached at a 6,000 square metre office building in the Ruoholahti district of Helsinki.	The energy-efficient newly constructed building increases Sponda's property ownership in city centres with excellent public transport links.
Development of Real Estate Funds	
Sponda established a new real estate fund, Sponda Fund III, focused on logistics and industrial properties.	Establishing Sponda Fund III is part of the implementation of the company's growth strategy for real estate fund operations.
The Sponda Fund II real estate fund increased its property holdings.	Sponda Fund II was invested to its full target value of EUR 200 million in spring 2012.
Refinancing and other financial arrangements	
Sponda issued a EUR 150 million senior unsecured five-year domestic bond in May 2012.	The bond issue was used to refinance maturing loans.
In July 2012, Sponda signed an agreement for a secured five-year loan of EUR 60 million.	Loan refinancing
In November 2012, Sponda issued a EUR 95 million equity bond (hybrid bond) with a maturity of five years. In conjunction with the hybrid bond issue, Sponda completed a partial repurchase for its hybrid bond issued in 2008.	The price of the hybrid bond was a record low for the market conditions, which is evidence of Sponda's solid financial standing and reliability as an investment. The share of the hybrid bond will reduce in Sponda's balance sheet going forward.
Business development: the environment and the customer experience	
Three Sponda properties were awarded BREEAM® environmental certification.	By seeking certification for its properties, Sponda looks to offer environmentally friendly business premises to its customers.
Pilot testing of a videoconferencing service	Offering new forms of service to customers
Launching the WWF Green Office partnership	Sponda offers guidance and encourages its customers to implement greater environmental responsibility by offering support and benefits related to the WWF Green Office environmental system.
Subcontractors' processes were audited and reporting was developed as part of Sponda's quality and purchasing process.	Property services are an integral part of the customer experience.
Environmental forums were organised in partnership with WWF at four properties.	At the environmental forums, Sponda shares its environmental expertise with its customers.
More properties covered by the Energy Efficiency Programme	In Sponda's Energy Efficiency Programme, energy savings are sought in cooperation with customers.
Sponda expanded its customer service to Facebook and launched a Live Chat channel.	New service channels were implemented.

Strategic operations in 2013

The increased economic uncertainty in 2012 makes it more difficult to assess the market conditions and their development in 2013. Sponda aims to adapt quickly to economic conditions. Uncertain economic conditions call for a critical analysis of growth prospects, particularly when it comes to property development projects.

Sponda's property portfolio focused on cities' key locations, which gives the company a competitive advantage even during an economic slowdown. Under challenging economic conditions, the occupancy rates and rental levels of properties in central locations develop more positively than those located in more peripheral areas. Sponda is confident that placing the focus of its property portfolio on prime locations is a sustainable strategy.

Each year, Sponda determines its operational focal points, which are emphasised in the company's short-term operations. The focal areas are determined as part of the company's strategy process.

Sponda's operational focal points for 2013:

- Maintaining occupancy rates at the levels of year end 2012 despite the difficult market conditions.

- Developing the property portfolio by selling properties that are not in line with the company's strategy, partly to cover the cost of maintenance investments.
- Strengthening the balance sheet by paying out a dividend of approximately 50 per cent of the cash flow from operations per share.
- Increasing shareholder value by starting new property development projects.

Developing operating methods to improve the customer experience

Sponda continuously develops its operations to be the first choice for customers looking for business premises, as stated in the company's vision.

Sponda's key areas of business development in 2012 were increasing environmental responsibility, improving the customer experience and developing the purchasing and quality process. These areas constitute Sponda's three strategic processes that are implemented in all business units. The strategic processes are all aimed at improving the customer experience and the company's service offering.

The customer experience is created through a number of factors. In addition to suitable business premises, it includes lessor-tenant relationship services, effective customer service, knowing and understanding the customer's needs as well as the smooth flow of information.

Sponda strives to develop deeper interaction and cooperation with its customers. The aim is to create mutually beneficial long-term customer relationships. Customers can focus on their own operations while Sponda handles all matters related to their business premises.

Sponda's Customer Experience Management (CEM) process is aimed at developing a consistent and systematic operating model to improve the customer experience. By implementing the process, the company pursues a competitive advantage and aims to identify the best ways of working from the customer's perspective.

Good results from investments in maintenance quality management

Quality is an integral part of all Sponda operations. Quality assurance extends to the business premises solutions offered to customers, managing and improving the quality of property services, providing effective customer service and cooperating with the best service providers in the industry.

In 2012, the focal point of Sponda's purchasing and quality process was improving property management and maintenance services. The effective operation of property maintenance services, cleaning, waste management and building service systems has a significant impact on the level of satisfaction experienced by the users of business premises.

Sponda's property maintenance is managed by a cooperative network of hundreds of suppliers for whose operations Sponda is responsible to its customers. Service providers are managed and monitored according to quality criteria defined by Sponda. Investments in maintenance service purchasing and quality management in 2012 resulted in the network operating with even greater consistency, which is reflected in improved customer satisfaction with the services.

Environmental matters managed through partnerships

Sponda offers its customers adaptable and energy-efficient high-quality business premises. The well-being of the environment is taken into consideration in deciding on property investments. The company's properties are in central areas in major cities and in locations with good public transport links.

In partnership with its customers, Sponda develops a wide range of solutions customised to client wishes and objectives in order to increase the energy efficiency and eco-friendliness of properties. Sponda's Energy efficiency and Environmental partnership programmes help the company identify the best solutions and ways of working to reach its objectives.

Sponda also aims to increase its customers' environmental awareness in various ways, such as by organising environmental events in partnership with WWF at its properties.

Business units in brief

Sponda is organized in four business units: Investment Properties, Property Development, Russia and Real Estate Funds.

Investment Properties

Investment properties business unit is divided in to three segments: Office and Retail Properties, Shopping Centres and Logistics Properties. The Investment Properties unit leases, purchases and sells office, retail, shopping centre and logistics premises in Finland.

2012 key figures

	Office and Retail Properties	Shopping Centres	Logistics Properties
Net operating income, M€	104.9	32.3	28.7
Occupancy rate, %	89.4	93.0	75.6
Leasable area, m^2	763,000	156,500	485,000
Share of Sponda's properties by fair value, %	52	23	13

Office and retail properties are located in Helsinki (62%), elsewhere in the Helsinki metropolitan area (28%), in Tampere (7%), in Turku (2%) and in Oulu (1%).

Shopping centres are located in Helsinki, Ylöjärvi and Kempele.

Logistics properties are located mainly in the Helsinki metropolitan area.

Russia

Russia business unit leases and purchases commercial premises in Russia.

2012 key figures

Net operating income, M€	22.2
Occupancy rate, %	95.4
Leasable area, m^2	50,500
Land areas, hectares	66
Share of Sponda's properties by fair value, %	8

By fair value 93 per cent (2011: 92) of properties are located in Moscow and 7 per cent (2011: 8) of properties are located in St. Petersburg.

Property Development

Property Development business unit carries out and markets property development projects.

2012 key figures	
Investments, M€	21.5
Balance sheet value of property development portfolio, M€	135.1
Share of Sponda's properties by fair value	4

Undeveloped land areas and potential property development sites are located mainly in the Helsinki Metropolitan Area.

Real Estate Funds

Real Estate Funds business unit manages holdings in retail, office and logistics properties through real estate funds.

2012 key figures	
Total revenue, M€	6.5
Net operating income, M€	5.2
Sponda's investments in the real estate funds, M€	83.6

Properties are located in medium-sized cities in Finland, including Jyväskylä, Lappeenranta and Hämeenlinna.

Investment Properties

The Investment Properties business unit leases office, retail, shopping centre and logistics properties and purchases and sells properties in accordance with the company's strategy of profitable growth. The unit is responsible for customer relationships and the commercial development and profitability of investment properties. In customer relationships, the goal is to achieve a long-term interactive partnership.

At the end of 2012, the total fair value of Sponda's property portfolio comprised 52 per cent office and retail properties, 23 per cent shopping centres and 13 per cent logistics properties in Finland. The properties are located in Helsinki, Espoo, Vantaa, Tampere, Turku and the Oulu region.

Sponda aims to increase the share of office properties and shopping centres in its property portfolio and to focus its property holdings in key locations and sites with good public transport links.

Demand for premises in Investment Properties at a good level

The uncertainty on the markets caused by the European economic crisis made launching new projects more difficult and slowed down customers' decision-making. The occupancy rates and demand for Sponda's office and retail premises and shopping centres remained stable despite the uncertain market conditions. The market situation for logistics properties is challenging. Nevertheless, Sponda managed to improve the occupancy rate for its PortGate logistics centre in Vuosaari.

The total revenue of the Investment Properties business unit in 2012 grew by 6 per cent and was EUR 228.2 (2011: 215.2) million.The unit's revenue constitutes the majority of the Group's total revenue.

Properties were sold for a total of EUR 61.8 million during the year. The proceeds from the sales were used to finance investments. The company invested EUR 28.4 million in improving the quality of properties during the year. In June 2012, Sponda purchased a retail and office building with a total floor area of approximately 6,400 square metres located on Vilhonkatu in Helsinki's central business district.

Extensive property portfolio offers customers business premises quickly and flexibly

With an extensive property portfolio and a customer-focused approach, Sponda offers each customer premises that are precisely tailored to their needs and creates an effective customer relationship. Sponda’s Account Managers are familiar with the features of different types of properties and understand the requirements related to the customer’s line of business, making them uniquely qualified to offer clients business premises that support their business in the best possible way.

When a customer’s requirements change, Sponda responds by developing the existing property, offering alternative properties from its portfolio or developing an entirely new property.

The company’s focus on customer relationships is reflected in its improved customer satisfaction. Operations are continuously developed further based on past experiences and successes.

Cooperation with customers to achieve environmental responsibility objectives

The majority of the properties under the Investment Properties unit are included in Sponda's Energy Efficiency Programme, which aims to achieve energy savings together with customers. The programme involves monitoring the energy consumption of properties and taking steps to reduce the consumption of electricity, heating, cooling and water by carrying out energy saving measures and issuing energy saving tips and instructions to tenants. The results have been excellent.

The Energy Efficiency Programme is complemented by an Environmental Partnership Programme aimed at reducing the environmental load resulting from the use of properties by engaging in closer cooperation with customers. In addition to energy consumption, the programme takes into account the broader environmental impact of properties and customers’ operations. The partnerships are based on a focus on customers’ individual needs and cooperation to achieve environmental goals. At the end of 2012, the Environmental Partnership Programme included 16 customers.

Year 2013 is expected to be challenging

Sponda enjoyed a successful year in 2012 in terms of its office and retail premises and shopping centres despite the prevailing economic uncertainty being reflected in customers’ decision-making. The rental market is expected to remain challenging in 2013. In the Helsinki city centre market, where a large proportion of Sponda’s property portfolio is located, rental demand is likely to be more stable. The vacancy rates for Sponda’s investment properties in 2013 are expected to remain largely unchanged from the end of 2012.

In Brief:

- BREEAM® environmental certificate awarded to the office building located at Unioninkatu 20–22 in Helsinki.
- Some 16,000 square metres of retail space renovated in the Ruoholahti shopping centre.
- The logistics properties segment sold logistics premises that were not in line with the company’s strategy to the real estate fund Sponda Fund III.
- Sponda purchased an office and retail building with a total floor area of approximately 6,400 square metres located on Vilhonkatu in Helsinki’s central business district.

Office and Retail properties

Sponda’s office and retail properties are primarily located in the central areas of Finland’s largest cities. The segment’s total revenue in 2012 was EUR 143.9 million and the economic occupancy rate was 89.4 per cent at year end. At the end of the year, the fair value of office and retail properties stood at EUR 1,705.7 million, with 1,103 tenant customers and 1,945 lease agreements. The total leasable area was 762,963 square metres.

The segment’s largest customers are the Finnish Ministry of Justice, Danske Bank Plc, the National Board of Patents and Registration of Finland, and Nordea Bank Finland Plc.

Renovation projects in Tampere and Helsinki

A total of EUR 20.4 million was invested in the renovation of office and retail properties in 2012.

In early 2012, the company completed the renovation of an office building located at Unionkatu 20–22 in Helsinki. The renovation project created modern office space in a former bank building originally built from the 1940s to the 1960s.The office building was awarded BREEAM® Good environmental certification in autumn 2012. The building is the first new building or renovated property in Helsinki to receive BREEAM® certification.

Sponda also completed the renovation of the Kauppa-Häme property in central Tampere in spring 2012. Located at Hämeenkatu 16, the building has a total of approximately 5,500 square metres of retail and office space. The majority of the retail space has been rented to the fashion retailer Veljekset Halonen Ltd.

New premises for Talentum in Ruoholahti

The construction of a new office building for Talentum Plc in Ruoholahti progressed on schedule. The new four-storey building will replace the former recreational facility for Alko employees. Originally completed in 1976, the Kuntotalo building was in poor condition. Only the basement levels were retained and they will house the parking facilities of the office building. Over 70 per cent of the building has been leased to Talentum. Construction will be completed in March 2013.

Energy efficiency and environmentally friendly solutions are emphasised in the design and construction of the office building. Special attention has also been paid to flexibility and divisibility of the premises in the design phase. International LEED® environmental certification will be sought for the building. Upon completion, it will also be part of Sponda's Energy Efficiency Programme.

In autumn 2013, Sponda will commence a project to modernise the Ruoholahden Poijut office building for use by Sanoma Magazines Finland Ltd and Sanoma Pro Ltd. The project will be completed in spring 2015.

Geographical location of properties by fair value

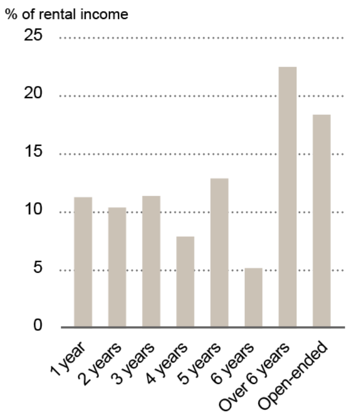
Location	Share %
Helsinki, CBD	38.0
Helsinki, Ruoholahti	24.0
Elsewhere in Helsinki metropolitan area	28.0
Tampere	7.0
Turku	2.0
Oulu	1.0

10 largest Office and Retail properties by area 2012

Property	Location		Leasable area m^2, total
Helsingin Salmisaarentalo Koy	Porkkalankatu 13	Helsinki	48,991
Kaupintie 3 Koy	Kaupintie 3	Helsinki	44,103
Kilon Ritari	Kutojantie 2	Espoo	28,473
Arkadiankatu 4–6 Koy	Arkadiankatu 6	Helsinki	25,370
Unioninkatu 20–22 Koy	Unioninkatu 20–22	Helsinki	25,069
Espoon Upseerinkatu 1–3 Koy	Upseerinkatu 1–3	Espoo	19,893
Kasarmikatu 36 Koy	Kasarmikatu 36	Helsinki	17,021
Länsi-Keskus Koy	Pihatörmä 1	Espoo	15,697
Ratapihantie 11 Koy	Ratapihantie 11	Helsinki	15,500
Kumpulantie 11 Koy	Kumpulantie 11	Helsinki	14,982

Key figures	2012	2011	2010	2009	2008
Total revenue, M€	**143.9**	132.8	122.6	129.0	125.7
Operating expenses, M€	**-39.0**	-37.2	-34.0	-32.7	-32.8
Net operating income, M€	**104.9**	95.6	88.6	96.3	92.9
Fair value of properties, M€	**1,705.7**	1,644.0	1,459.1	1,425.8	1,460.6
EPRA, Net Initial yield, %	**6.3**	6.0			

Expiry of lease agreements,
Office and Retail Properties



Shopping Centres

Sponda owns five shopping centres in Finland with a total leasable area of 156,408 square metres. The largest of these is the Citycenter property in Helsinki's central business district.

The total revenue of the Shopping Centres segment in 2012 was EUR 42.0 million. The economic occupancy rate of Sponda's shopping centres remained high, standing at 93.0 per cent at the end of 2012. At the end of the year, the fair value of shopping centre properties stood at EUR 736.7 million, with 183 tenant customers and 289 lease agreements.

The segment's largest clients are Kesko Group, HOK-Elanto Liiketoiminta Oy, Evli Bank Plc, Stockmann Plc and Arinan Kiinteistöt Oy.

Key modernisation investments in the Helsinki city centre and Ruoholahti

The renovation of the Citycenter block in Helsinki's central business district progressed according to plan, reaching the final phase that involves the development of new retail premises on the Keskuskatu side, on the second basement level of the station tunnel in place of the former maintenance facilities, and along the underground passageway connecting the Compass level of the railway station metro stop to the shopping centre. The shopping centre's new main entrance on the Keskuskatu side will also be opened during the final phase, which continues into 2013.

Some 16,000 square metres of retail premises were modernised in the Ruoholahti shopping centre in 2012. In addition to the renovation of retail premises and public spaces, the project improved the shopping centre's housing solutions. The renovated premises were opened in autumn 2012. The main tenant of the shopping centre is Ruokakesko Oy.

Increased demand for Ratina shopping centre

The interest in the Ratina shopping centre currently being planned in Tampere has increased, but the advance occupancy rate required to begin construction was not yet achieved in 2012. Sponda is prepared to commence development of the property in summer 2013 with completion scheduled for December 2016.

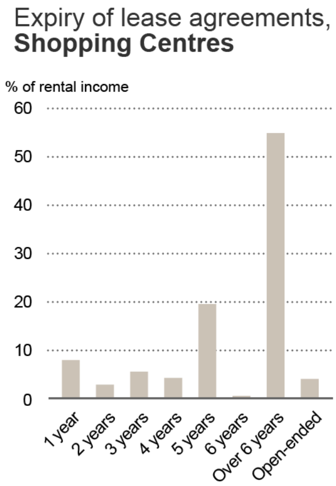
A reservation agreement previously concluded with the City of Vaasa for a shopping centre to be constructed at the site of the bus station expired in 2012.

Shopping Centres 2012

Property	Location		Leasable area m^2, total
Citycenter	Helsinki	Helsinki	51,923
Helsingin Kaivokatu 8 Koy	Kaivokatu 8	Helsinki	43,593
Aleksi-Hermes Koy	Aleksanterinkatu 19	Helsinki	6,692
Kaivokadun Tunneli Oy	Asematunneli	Helsinki	1,638
Helsingin Itämerenkatu 21 Koy	Itämerenkatu 21	Helsinki	32,458
Kauppakeskus Zeppelin	Zeppelinintie 1	Kempele	27,896
Elovainion Kauppakiinteistöt Koy	Elotie 1	Ylöjärvi	24,081
Helsingin Vanhanlinnantie 3 Koy	Vanhanlinnantie 3	Helsinki	20,050

Key figures	2012	2011	2010	2009	2008
Total revenue, M€	**42.0**	40.4	39.7	39.3	29.3
Operating expenses, M€	**-9.7**	-8.8	-8.3	-8.0	-7.1
Net operating income, M€	**32.3**	31.7	31.4	31.4	22.2

Key figures	2012	2011	2010	2009	2008
Fair value of properties, M€	**736.7**	586.1	557.1	543.6	541.7
EPRA, Net Initial yield, %	**6.1**	6.7			



Logistics Properties

Sponda is one of the major owners of logistics properties in Finland and the largest provider of logistics premises in the Helsinki metropolitan area. Faced with challenging market conditions, the occupancy rate of Sponda's logistics properties fell to 75.6 per cent at the end of 2012. Decrease in the occupancy rate resulted from low rental demand and partly from the logistics properties sales to Sponda Fund III. Despite the market situation, the occupancy rate of Sponda's largest logistics property, the PortGate logistics centre in Vuosaari, increased almost to 70 per cent.

At the end of 2012, the combined leasable area of logistics properties was 484,963 square metres. The segment's largest customers are Metso Automation Oy, Fujitsu Finland Oy, SA-TU Logistics Oy and Geodis Wilson Finland Oy.

In 2012, the logistics properties segment sold logistics premises that were not in line with the company's strategy to the real estate fund Sponda Fund III for EUR 31.5 million.

The segment's total revenue in 2012 was EUR 42.3 million and the fair value of the properties was 414.4 million. At the end of the year, the number of customers stood at 296 and the number of lease agreements was 376.

Logistics premises at the hubs of the airport and harbour

Sponda's largest logistics site, the PortGate logistics complex in Vuosaari Harbour, has premises suitable for both long-term storage and more rapidly moving goods. The combined floor area of the buildings is 70,000 square metres. The buildings comprise units of roughly 5,500 square metres, which can be combined or divided and fitted out in different ways to create a variety of different spatial solutions.

The location of the PortGate logistics complex in the harbour at the hub of the sea, road and rail networks is particularly advantageous for export and import companies with a fast turnover of goods. The Gate Centre, the centre of the harbour, comprises an office building, parking facilities and a passenger terminal. It provides tenants with attractive office premises, restaurant facilities, conference rooms and various support services for their business operations.

In addition to Vuosaari, the industrial area known as Vantaan Akseli offers excellent operating conditions for logistics and manufacturing companies. The area is in the immediate vicinity of Ring III and Lahdenväylä highway and offers customs, staffing and freight forwarding services. Sponda has further opportunities to develop new facilities in the Vantaan Akseli business park.

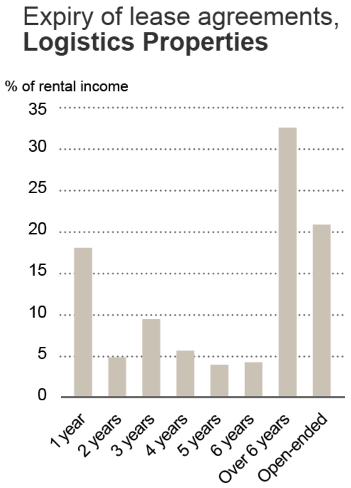
In November 2012 production facility in Vantaa Hakkila was awarded the BREEAM® environmental certificate. The property, which was completed in 2011, is leased to Metso.

10 largest logistics properties by area 2012

Property	Location		Leasable area m^2, total
Vuosaaren Logistiikkakeskus Koy	Seilorinkatu 1	Helsinki	64,501
Vantaan Honkatalo Koy	Vanha Porvoontie 229	Vantaa	60,165
Ruosilantie 16 Koy	Ruosilantie 16	Helsinki	40,729
Vantaan Vanha Porvoontie 231 Koy	Vanha Porvoontie 231	Vantaa	35,968
Messukylän Castrulli Koy	Etu-Hankkionkatu 1	Tampere	26,609
Kuninkaankaari Koy	Heidehofintie 2	Vantaa	17,949
Ruosilantie 14 Koy	Ruosilantie 14	Helsinki	16,795
Vantaan Omega Koy	Virkatie 12–14	Vantaa	14,914
Espoon Juvanpuisto Koy	Juvan Teollisuuskatu 23	Espoo	14,172
Vantaan Köysikuja 1 Koy	Köysikuja 1	Vantaa	12,223

Logistics Properties are located mainly in Helsinki metropolitan area.

Key figures	2012	2011	2010	2009	2008
Total revenue, M€	**42.3**	42.0	36.6	38.6	37.9
Operating expenses, M€	**-13.6**	-13.4	-11.8	-11.2	-9.4
Net operating income, M€	**28.7**	28.6	24.8	27.4	28.5
Fair value of properties, M€	**414.4**	449.0	422.5	396.1	462.8
EPRA, Net Initial yield, %	**6.6**	5.9			



Property Development

Responsibility and customer focus guide Sponda's property development. In 2012, these goals could be seen in property development projects and as environmental certificates awarded to Sponda properties.

The Property Development business unit implements Sponda's property development projects in Finland and Russia. Business premises are developed by modernising existing properties or contracting the construction of new property on land owned by Sponda. The company's strategy is based on long-term ownership and leasing of all properties.

Sponda's extensive land portfolio offers a wide variety of sites located in key urban locations with good public transport links. The company is also active on the markets to identify properties with strong development potential.

The design of property development projects is always based on customer needs and wishes. In addition, the projects place a great deal of emphasis on the energy efficiency of buildings, environmentally sound solutions and the adaptability of the premises. In designing new projects, attention is always also paid to the close surroundings of the building and how it integrates with the surrounding urban structure. All of these measures aim for a maximum life cycle of the properties.

Key property development projects proceeding as planned

In 2012, Sponda continued a number of development and renovation projects. The most significant property development projects were Citycenter, the office property at Unioninkatu 20–22 and an office building constructed for Talentum in Ruoholahti, Helsinki.

The renovation of the Citycenter commercial block in the central business district has proceeded as planned to its final stage in 2012. During the final stage will be constructed new retail space on the Keskuskatu side of the building, for example. The development project will make the traditional retail block and its surrounding areas a great deal more attractive and appealing. The development of Citycenter will continue in 2013.

Another city centre renovation project, the office property at Unioninkatu 20–22, was completed in early 2012. The project involved renovating a former bank property built during the 1940s to 1960s into modern office premises. Topping off was celebrated at the new office building for Talentum Plc in the Ruoholahti district of Helsinki area in October 2012. The project will be completed in spring 2013.

Market uncertainty caused by the European financial crisis postponed the start of certain new projects. For example, the advance occupancy rate required for starting up the construction of the Ratina shopping centre was not reached in 2012, but Sponda is prepared to start up construction work in summer 2013 according to the demand.

With regard to zoning development, Sponda had significant cooperation projects under way in 2012 with the cities in the Lassila district of Helsinki, Perkkaa in Espoo, and also in Tampere and Oulu. Zoning of the plots in Malminkartano in Helsinki and Tikkurila in Vantaa was completed and the properties were sold for residential production.

The balance sheet value of Sponda's property development portfolio stood at EUR 135.1 million at year end 2012. Of this amount, land value represented EUR 91.2 million and the remaining EUR 43.9 million was tied to existing property development projects.

International environmental certification for properties

Sponda will apply for environmental certification for all its newly constructed properties and major renovation projects. During 2012, three Sponda properties were certified according to BREEAM® (Building Research Establishment Environmental Assessment Method).

The Unioninkatu 20–22 office property is the first new building or renovated property in Helsinki to receive BREEAM® certification. Another certified property, the production property completed in Vantaa in 2011 has been leased fully to Metso. The third one of the certified properties is the Ducat II office building in Moscow.

Furthermore, four Sponda properties have been awarded international environmental certificates already before 2012.

Space and energy efficiency are future competitive factors

The future outlook for property development is largely guided by the development of the economic situation. Demand in the premises market is likely to decrease in 2013, as the public sector and companies are under pressure to make their use of space more efficient. At the same time, new premises stock being completed in the Helsinki region will increase the supply of premises.

The better space and energy efficiency of the new buildings will decrease their operating costs, which will increase the appeal of new properties. This will also provide opportunities for Sponda’s property development.

In 2013, the aim is to reduce further the carbon footprint of properties and develop their energy efficiency. In addition, the aim is to launch new certification processes.

Development Properties' ready-to-start projects in the marketing

Office properties		**Floor m^2**
Forum Virium Center	Helsinki	35,000
Estradi	Helsinki	9,000
Ilmalanrinne	Helsinki	33,000
Design House	Helsinki	12,000
Aviapolis	Vantaa	18,000
Avec 2	Espoo	12,000
Energiakatu	Helsinki	10,000
Harkkokuja	Vantaa	18,000
Naulakatu	Tampere	6,000
Retail properties		
Välivainio	Oulu	13,000

Development Properties' ready-to-start projects in the marketing

Office properties		**Floor m^2**
Shopping centres		
Shopping centre Ratina	Tampere	55,000
Logistics properties		
Vuosaari harbour	Helsinki	30,000
Hakkila	Vantaa	19,000

The start of the projects requires at least a pre-let of 50 per cent and an investment decision of the company.

Investments to active property development projects

	Ruoholahti office building
Total investment, M€	23.5
Remaining investment to be made, M€	5.4
Capitalised interest expenses by 31 December 2012, M€	0.3
Time of completion	April 2013

In Brief:

- The design of property development projects is always based on customer needs and wishes, energy efficiency and environmentally friendly solutions.
- The Citycenter renovation project advanced to the final stage during the year.
- Three Sponda properties were awarded the BREEAM® environmental certificate in 2012.

Russia

Sponda leases, manages and develops business premises in Russia. In 2012, Sponda strengthened its position in the Russian property market by purchasing an office building in Moscow. Sponda now also has its first certified property in Russia after Ducat II was granted BREEAM® environmental certification in the spring.

Sponda has a good reputation in the Russian market due to its quality property portfolio, customer-focused working methods and strong regional know-how. The company owns a total of 10 properties in Russia: five office properties, two shopping centres, a logistics property and two land areas. Both the business properties and the land areas are located in Moscow and St. Petersburg.

New office building in Moscow

In 2012, Sponda focused on improving the efficiency of its operations and surveying the market for potential new properties for purchase. The search proved successful in June when Sponda purchased the Bakhrushina House office building in downtown Moscow. Completed in 2002, the fully occupied building has a total of approximately 4,000 square metres of office and retail premises for rent.

Good economic growth in Russia created a positive framework for Sponda’s Russian operations in 2012. The occupancy rate of Sponda’s properties exceeded the market average in 2012 and stood at 95.4 per cent at the end of the year. Russia business unit's total revenue in 2012 was EUR 28.7 million (2011: 25.1).

Sponda granted its first environmental certificate in Russia

As a responsible property owner, Sponda focuses on environmental responsibility also in the Russian market. Sponda is a member of the Russian Green Building Council, which promotes environmental awareness in Russia.

Sponda achieved environmental certification for a property located in Russia for the first time in 2012 with BREEAM Good certification granted to Ducat II in Moscow. This marked only the second time a property in Russia was granted BREEAM® In-Use certification.

In the future, the company will also apply for environmental certification under international standards for all its newly developed properties as well as some of its existing business premises in Russia.

In 2012, Sponda published a tenants’ energy guide specifically tailored for the Russian operating environment. The guide describes solutions for improving the efficiency of energy consumption in properties. Supporting the customers in adopting more environmentally friendly operating methods is part of Sponda's Energy Efficiency Programme, which is also being implemented in Russia.

The programme involves monitoring the energy consumption of properties and taking steps to reduce consumption in cooperation with tenants. The Russian properties have carried out energy consumption surveys, the results of which are used to decide on the implementation of energy saving measures. Some of the properties also carried more comprehensive energy reviews in 2012.

Sponda’s role as a socially responsible company is highlighted in Russia. Sponda encourages a sense of community by, among other things, organising events for tenants and their families. For example, Ducat II hosts an annual Christmas celebration for the children of the people working in the building. There are also other holiday festivities throughout the year for tenants’ employees. Sponda also cooperates with local organisations and authorities to organise community events at its shopping centres.

Growth and profitability remain the key objectives for 2013

The Russia business unit’s objective for 2013 is to seek growth and profitability in the Russian market. Sponda’s long-term target is to invest 10–20 per cent of its balance sheet in Russia, specifically in properties in Moscow and St. Petersburg.

Forecasts suggest that Russian economic growth will slow down slightly in 2013, but the prospects remain more positive than in Finland. The general European economic trends create some uncertainty for the Russia business unit’s operations, as a prolonged economic downturn would also have an effect on Russia.

Properties in Russia

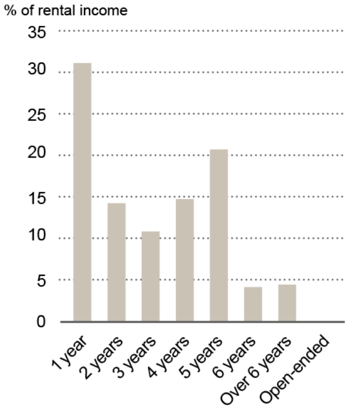
Property	Location		Leasable area m^2, total
Western Realty	Gasheka Street 7	Moscow	14,481
Sun Paradise 1	Borovskoe Highway 6	Moscow	9,047
Adastra OOO	Zanevka	St. Petersburg	7,872
Sun Paradise 2	Vokzalnaja ul. 4b, Ramenskoe	Moscow	6,562
Bakhrushina House	Bakhrushina Street 32	Moscow	3,905
NRC	Kaluzhskij per.3	St. Petersburg	3,228
Ancor	Prospekt Mira 6	Moscow	2,783
Inform-Future	Ul. Tambovskaja 12	St. Petersburg	2,699

Key figures	2012	2011	2010	2009	2008
Total revenue, M€	**28.7**	25.1	23.6	21.8	16.2
Operating expenses, M€	**-6.5**	-6.1	-5.9	-5.5	-4.1
Net operating income, M€	**22.2**	18.9	17.7	16.4	12.0
Fair value of properties, M€	**269.4**	224.6	204.2	181.4	261.3
EPRA, Net Initial yield, %	**9.2**	9.8			

In Brief:

- Sponda added to its Russian property portfolio by purchasing the Bakhrushina House office building in Moscow.
- Ducat II was granted BREEAM® environmental certification.
- Sponda published a tenants' energy guide tailored to the Russian operating environment.

Expiry of lease agreements, **Russia**



Real Estate Funds

The objective of Sponda's Real Estate Funds business unit is to grow by developing new products that appeal to investors. A new fund, Sponda Fund III, was established in 2012, and Sponda Fund II was invested in up to the full investment capacity.

The Real Estate Funds business unit serves as the active manager and part-owner of the funds' real estate portfolios. Sponda invests through the real estate funds in office, retail and logistics properties located in medium-sized Finnish towns, outside the company's core geographical area.

Sponda's real estate funds are directed at international and Finnish institutional real estate investors. Funds are an easy way for investors to make real estate investments, with Sponda handling the management of the real estate portfolios and offering investors the opportunity to benefit from its market intelligence.

Sponda is involved as an investor in the four real estate funds it manages. In addition to management fees, Sponda receives shares of profits from its fund units.

New Sponda Fund III

Sponda Fund III was established in August 2012. The fund invests primarily in logistics and industrial properties in Finland's growth centres. The target size of the fund is approximately EUR 170 million.

The Sponda Fund II real estate fund's target value of almost EUR 200 million was reached in spring 2012. The fund primarily invests in logistics, warehouse and industrial properties in medium-sized towns in Finland.

Sponda Fund I implemented a significant sale of a property in Lahti during 2012. In addition, a major property development project was completed in Tampere in the spring, involving the conversion of Kesko's former central warehouse to retail and warehouse premises of the wholesaler LVI-Dahl. The fund invests in logistics properties outside the Helsinki Metropolitan Area.

The First Top LuxCo real estate fund continued the development measures in centres of medium-sized towns started in 2011. The fund invests in office and retail premises.

Sponda also manages the NIAM III East Holding Oy fund, which continued to sell property in 2012 in line with its strategy.

Sponda is also joint owner of the Russian Invest property investment company, which supports Sponda's growth strategy in Russia. The aim is to identify promising property development projects in Moscow and St. Petersburg through the company. Russian Invest did not yet make investment decisions by the end of 2012. Sponda owns 27 per cent of Russian Invest.

Goals were met in spite of the challenging year

Increasing economic uncertainty during the year was also reflected in the property investment market as tightening availability of financing, for example. In spite of the challenging business environment, Real Estate Funds reached its key objectives in 2012.

The unit's objective is to continue to grow by developing new products and alternatives that appeal to investors. Growth is supported by the unit's organisation structure revised at the beginning of 2013, which is based on Sponda's operating model based on the customer experience process. With the new operating model, the unit can respond to customer needs and changes in the operating environment even better.

Real estate funds managed by Sponda in which Sponda is an investor

	Portfolio value at the end of 2012, M€	Sponda's share of the fund, %
Sponda Fund I	170.9	46
Sponda Fund II	188.1	44
Sponda Fund III	91.7	36
First Top LuxCo	91.4	20

Key figures	**2012**	**2011**	**2010**	**2009**	**2008**
Total revenue, M€	**6.5**	6.4	7.2	12.7	13.2
Operating expenses, M€	**-1.3**	-1.4	-1.5	-1.9	-1.8
Net operating income, M€	**5.2**	5.0	5.7	10.9	11.3

Management fees and share of profit	2012	2011
Management fees, M€	**6.5**	6.4
Realized gains by real estate funds, M€	**7.5**	5.0
Total	**14.0**	11.4

In Brief:

- The new Sponda Fund III invests in logistics and industrial properties in growth centres.
- The Sponda Fund II real estate fund was fully invested.
- Properties that offer a high and stable yield are attractive investments even in uncertain times.

Business environment

The euro zone economic crisis has yet to be resolved, although the situation has stabilised somewhat. Forecasts of when economic growth will resume are cautiously optimistic. The property markets in 2012 continued to be characterised by caution, with transactions almost entirely focused on prime properties.

While the general economic conditions have been weak for some time, the key indicators for the late-cycle property sector only began to reflect the uncertain economic situation in the latter half of 2012.

Business conditions – Finland

Macroeconomy

The growth prospects of the Finnish economy did not improve in 2012 despite the stabilisation of the euro zone crisis. The Finnish Ministry of Finance has lowered its GDP forecasts. GDP growth in 2012 is estimated at -0.1 per cent, with 0.5 per cent growth predicted for 2013. The current GDP growth forecast for 2014 is 1.7 per cent, based on the international economy picking up.

Finnish exports suffered from weak demand in 2012, declining by 1.7 per cent during the year. Forecasts for 2013 indicate that exports will increase by 1 per cent due to increased international demand, with further export growth of nearly 4 per cent expected in 2014. Imports are expected to follow a similar pattern, albeit somewhat more slowly.

Private consumption increased by 1.5 per cent in 2012. Private consumption in 2013 is expected to be negatively affected by the weakening employment situation and tax increases.

The unemployment rate showed positive signs in 2012, with the estimated annual average at approximately 7.7 per cent. This positive development will level off according to the Finnish Ministry of Finance forecast, which predicts the annual average unemployment rate to rise to 8.1 per cent in 2013. Unemployment is anticipated to remain near 8 per cent in 2014 despite the expected recovery in economic growth.

The transaction market

The property transaction market in 2012 was more active than the year before, but similar in nature. Transactions were focused on the Helsinki metropolitan area and primarily involved prime properties with steady cash flow. With supply lower than demand, the transaction prices were at a high level. Transaction volume was restricted by the weak availability of financing and differences between sellers' and buyers' views on market prices.

According to an estimate by KTI Property Information Ltd, the transaction volume for 2012 was EUR 2.1 billion, an increase of over 15 per cent on the previous year (2011: EUR 1.8 billion). International investors represented just over one fifth of the total volume, slightly less than in 2011. No major changes are expected in the transaction market in 2013.

The market for office premises

As expected, vacancy rates for offices in the Helsinki metropolitan area began to increase in late 2012 after two years of decline. The rise in vacancy rates was expedited by the weak economic conditions and the high rate of new construction. Vacancy rates in the Helsinki metropolitan area stood at 11 per cent at the end of 2012, compared to 10.2 per cent six months earlier. Regional differences within the Helsinki metropolitan area are significant. The current trend is expected to continue until the office premises presently under construction are completed and the economy improves.

Vacancy rates also increased in popular office districts in Helsinki's city centre and central business district in the latter half of 2012. The vacancy rate in the central business district rose to 6.4 per cent. The increase in the second half of 2012 was approximately 1.5 percentage points. The vacancy rate in Helsinki city centre is 4.8 per cent.

Rental demand in the city centre was largely unchanged in 2012, with rental levels even reaching record highs at the upper end of the market. Strong rental demand is expected to maintain rents at current levels in 2013. Rental levels in other central office districts have begun to decline slightly. Based on the economic conditions substantial changes in this regard are unlikely in 2013.

The rental level of office premises in Helsinki's city centre for new leases in the end of 2012 was, on average, approximately EUR 317 per square metre per year. Rents for the best office premises exceeded EUR 370 per square metre per year. The rental levels for the Helsinki metropolitan area as a whole varied from EUR 138 to EUR 372 per square metre per year.

The new office premises currently under construction are gradually entering the market. Some 120,000 square metres of new office space was completed in the Helsinki metropolitan area in 2012. A further 145,000 square metres is still under construction, with the majority, approximately 110,000 square metres, scheduled for completion in 2013.

The office property markets in Tampere, Turku and Oulu continued to develop steadily. The effects of cyclical fluctuations on rental levels and vacancy rates in these cities are not as strong as they are in the Helsinki metropolitan area. Vacancy rates at the end of 2012 were 7.4 per cent in Tampere, 7.5 per cent in Turku and 5.5 per cent in Oulu. Rental levels in 2012 remained unchanged from the previous year in Tampere, Turku and Oulu. Rental levels per square metre per year varied from EUR 144 to EUR 180 in Turku, EUR 156 to EUR 192 in Tampere and EUR 144 to EUR 168 in Oulu.

Retail property markets in Finland

The occupancy rate of retail properties in the Helsinki metropolitan area remained high in 2012. The occupancy rate is expected to remain at a high level in 2013 due to migration flows to the Helsinki metropolitan area and the limited supply of new retail space. In 2012, slightly under

50,000 square metres of new retail space was completed in the Helsinki metropolitan area, with approximately a further 40,000 square metres currently under construction.

The vacancy rates for retail properties at the end of 2012 were 2.8 per cent in the Helsinki metropolitan area, 3.5 per cent in Turku, 3.3 per cent in Tampere and 2.1 per cent in Oulu. The average vacancy rate for retail properties in the Helsinki metropolitan area was 2.8 per cent, which is 0.3 percentage points lower than in 2011 but 0.3 percentage points higher than in summer 2012. The vacancy rate of retail properties is expected to remain stable in 2013.

Recent years have seen a strong increase in the rental levels for prime retail premises in the Helsinki metropolitan area, and this trend continued in 2012. However, the rise in rental levels is expected to level off in 2013 due to a predicted slowdown in private consumption. The market position of good retail properties has remained stable even under the weaker economic conditions due to a shortage in supply and limited opportunities for new construction.

The rental levels for retail premises in Helsinki's central business district were EUR 900–1,920 per square metre per year in 2012. Rental levels were unchanged in the other major cities. In Turku, rental levels ranged from EUR 420 to EUR 960 per square metre per year, in Tampere they were between EUR 600 and EUR 960 and in Oulu EUR 480–1,020 per square metre per year.

Logistics property market

The market for logistics properties in the Helsinki metropolitan area was relatively stable and inactive in 2012. The rental levels at the turn of the years 2012 and 2013 were unchanged from 2011, on average approximately EUR 106 per square metre per year. The vacancy rate declined slightly and stood at 5.4 per cent at year end. Approximately 75,000 square metres of new logistics space was completed, with approximately a further 55,000 square metres currently under construction.

The negative growth figures of exports and imports in 2012 are not yet reflected in the figures for the turn of the year, but they are likely to have a minor impact in 2013.

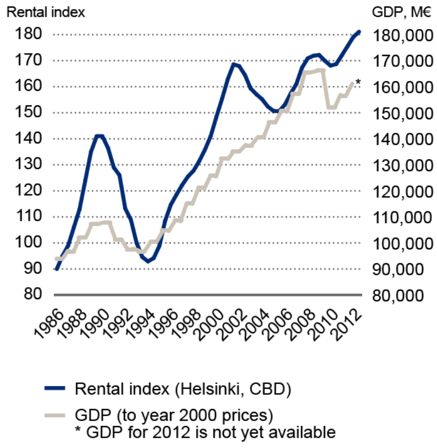
References:

Catella Property Group

KTI Kiinteistötieto Oy

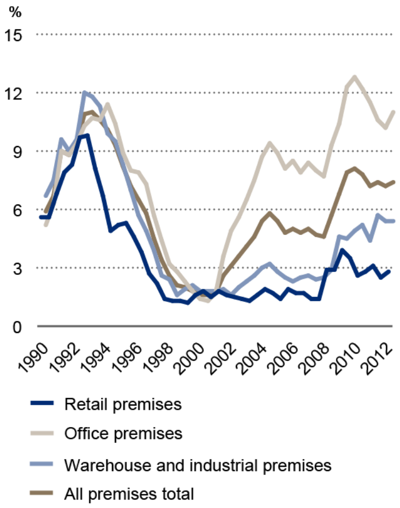
Finnish Ministry of Finance

Office rental index and GDP in Finland



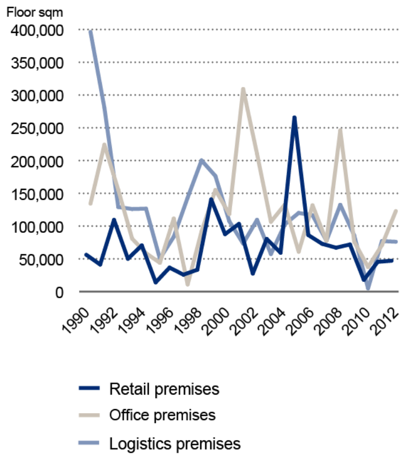
Source: KTI and Statistics Finland

Vacancy rates in Helsinki metropolitan area



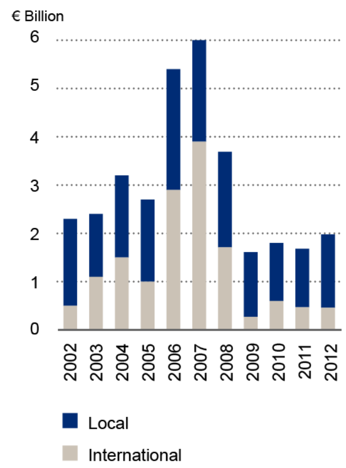
Source: Catella Property Group

Completed development projects



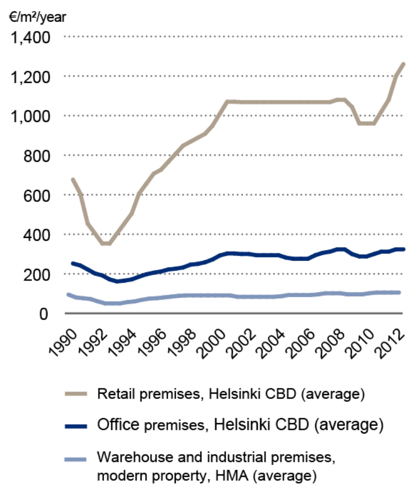
Source: Catella Property Group

Transactions in Finland



Source: Catella Property Group

Rental levels in Helsinki metropolitan area



Source: Catella Property Group

Business conditions – Russia

Macroeconomy

According to the Bank of Finland's autumn forecast, Russian GDP growth slowed to 3.7 per cent in 2012. The GDP growth forecast for 2013 is also 3.7 per cent. Exports grew by approximately 10 per cent in 2012. Private consumption will remain strong in 2013, although growth is expected to slow down.

The transaction market

The transaction volume in the Russian property market in 2012 decreased slightly from the record level seen in 2011, totalling some USD 7 billion. At approximately 80 per cent, Moscow represents a large proportion of the total volume. St. Petersburg's share of approximately 15 per cent was almost entirely constituted by the USD 1.05 billion sale of the Galeria shopping centre in early 2012.

Office and retail properties dominated the Russian property transaction market in 2012. Office property transactions represented some 40 per cent of the total volume, while retail premises accounted for approximately 35 per cent.

The yield requirements for prime office and shopping centre properties in Moscow varied from just under to slightly over 9 per cent in 2012.

The total transaction volume is expected to remain stable in 2013. Two major transactions with a value in excess of USD 1 billion each were already underway at the turn of the year.

Office properties

The average vacancy rate for office properties in Moscow was relatively stable in 2012. At the end of the year, the vacancy rate was slightly lower than the previous year at approximately 11–12 per cent. The vacancy rate is expected to remain stable in 2013.

Some 600,000 square metres of new office space was completed in Moscow in 2012. Of the new office space, approximately 30 per cent was Class A office space and 70 per cent Class B properties. The total amount of new office space completed in 2013 is expected to be largely unchanged from 2012. The new office properties are primarily located outside Ring Road 3.

Rental levels remained stable in 2012. The rent for office premises at the top end of the market was approximately USD 1,200 per square metre per year at the turn of the years 2012 and 2013. Rental levels were approximately USD 800 per square metre per year for Class A office space and USD 450 per square metre per year for Class B office premises. In 2013, the rental levels for office premises are expected to remain unchanged or increase slightly.

The average vacancy rate for office premises in St. Petersburg decreased slightly in 2012. The vacancy rate for Class A properties saw a clear decline, reaching approximately 13 per cent in September. The decrease in the vacancy rate for Class B properties was more moderate and the vacancy rate stood at approximately 8 per cent in September.

The rents for Class A office premises in St. Petersburg remained stable in 2012 despite the declining vacancy rate. The decrease in vacancy rate for Class B office properties supported a slight increase in rental levels.

New construction activity for office premises in St. Petersburg is fairly high in relation to the size of the market. In 2012, a total of approximately 200,000 square metres of new office space was completed. The number of new projects also rose during the year. The total combined volume of Class A and Class B office properties is currently approximately 2.3 million square metres.

The market for retail premises

Construction activity is at a high level for shopping centres in Russia, with some 1.8 million square metres of shopping centre space completed in 2012. There are many shopping centres under development in 2013, with a high level of construction activity throughout the country.

The rents for retail premises in shopping centres in Moscow remained stable for the most part in 2012. This trend is expected to continue in 2013.

Strong demand led to a low vacancy rate for shopping centre premises in Moscow in 2012, with the vacancy rate declining to less than one per cent during the year. However, it should be noted that the number of shopping centres completed in 2012 was exceptionally low. In total, some 150,000 square metres of new shopping centre premises were completed during the year. There are major new projects already under construction and the total amount of new shopping centre premises completed in 2013 is expected to be up to twice as high as in 2012.

The market for logistics properties

The rents for logistics properties in the Moscow area were not affected by the meagre supply. Rental levels were at approximately USD 130–140 per square metre per year. The current high level of rents is expected to remain stable in 2013.

The vacancy rate for Class A logistics properties in 2012 was approximately 1 per cent. Some 700,000 square metres of new logistics space was completed in 2012, with approximately a further 1,300,000 square metres to be completed in 2013. The vacancy rate is expected to increase somewhat as supply increases. However, brisk demand and a low level of speculative construction are likely to maintain the vacancy rate at a low level in 2013.

The average rental levels for logistics premises in St. Petersburg rose by 5–10 per cent for both Class A and B properties. At the end of September 2012, the rental level for Class B logistics properties stood at USD 100 per square metre per year, compared to USD 115 for Class A premises.

Rental demand was high throughout the year 2012 and the vacancy rates for logistics properties in St. Petersburg declined somewhat. In late 2012, some 7 per cent of Class A properties and 5 per cent of Class B properties were vacant.

Slightly over 100,000 square metres of new logistics space was completed in St. Petersburg in 2012, which was not enough to meet the demand. Speculative construction is low due to risk avoidance on the part of developers.

References:
CB Richard Ellis
Cushman & Wakefield
Jones Lang LaSalle
Bank of Finland

Risks and risk management

Sponda uses effective risk management to ensure the continuity of its operations and the achievement of key objectives. Risk management is integrated into the company's planning system and day-to-day operations.

Sponda manages the risks associated with its operations by identifying, measuring and preventing key uncertainties. The company employs effective risk management to protect its business operations and ensure that key objectives are achieved. Risks are assessed in terms of their probability as well as their financial impact. Achieving financial targets is a sign that risk management has been successful. Sponda's key risks are classified as strategic risks, operational risks, damage and asset risks and financing risks.

Integrated risk management as a key strength

Sponda has adopted a systematic approach to risk management and one of the company's key strengths is its ability to integrate risk management as part of the strategy process, the enterprise resource planning system and business processes. The responsibility for risk management is determined in accordance with business responsibility. The ultimate responsibility for risk management lies with the Board of Directors, which sets risk management objectives, decides on risk management policy, organises risk management and monitors key risks. Business units and corporate functions are responsible for arranging for risk management to be monitored and reported as part of the company's other reporting activities. The company's internal audit function monitors the effectiveness of the risk management system.

Risk management is tied to the company's annual planning process and risks are assessed in a risk survey carried out twice a year. The risk survey identifies the company's key risks, assesses the probability of their occurrence and potential impacts thereof, and defines risk management procedures. The risk survey is updated every autumn in conjunction with budgeting. The Group's risk management guidelines and the operations handbook are updated to reflect the decisions made on the basis of the risk survey. The risk survey also includes an assessment of the company's approach to risks.

Sponda's toolbox of risk management includes risk aversion, risk elimination and reducing the probability of their materialisation. Risks can also be restricted and reduced. A business continuity and recovery plan has been prepared for the contingency that substantial risks materialise.

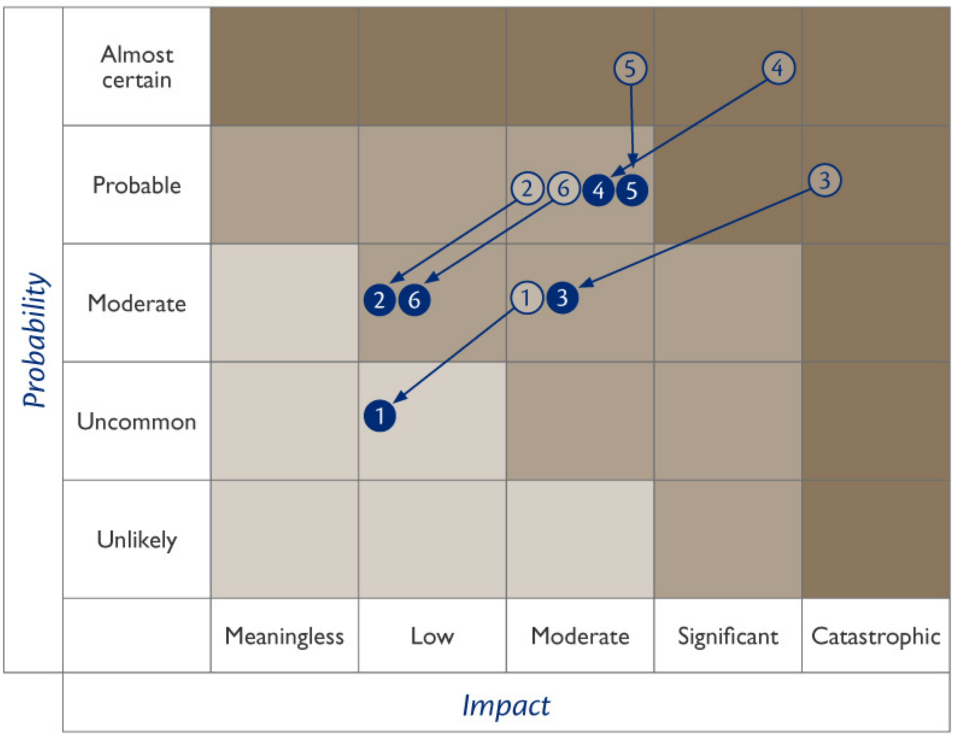
Main risks and risk management actions taken

Sponda's risk management was effective in 2012 and no substantial risks materialised.

A tighter availability of financing, interest rate fluctuations, a decline in economic occupancy rates resulting from a slowdown in economic growth and a loss of rental income due to tenant insolvency remain relevant risks in Sponda's operations. With regard to Sponda's Russian business operations, the exchange rate risk and differences between Russian and Finnish legislation and the way the authorities operate in the two countries are the main factors causing risks and uncertainty.

By implementing effective risk management measures, Sponda was successful in significantly reducing the probability of key risks materialising and mitigating their estimated effects.

Risk assessment for 2012 without risk management actions and after risk management actions



1. **Fall in economic occupancy rate**

   Sponda's property portfolio is mainly located in Helsinki's city centre and the Ruoholahti district. The company spends approximately 1–1.5 per cent of the property portfolio value on modernisation investments each year. Sponda will place more focus on rental operations.

2. **Decline in tenants' solvency**

   Sponda carries out regular checks to monitor tenants' solvency and changes therein. Most tenants submit a security deposit corresponding to 3 to 6 months' rent at the start of their tenancy. The company has a diverse tenant base representing a wide variety of sectors.

3. **Availability of financing**

   Sponda reorganises maturing loans in a timely manner. When the financial market is tightening up, the company refinances loans well before their maturity. Sponda's next major refinancing needs will arise in 2014. At the end of 2012, Sponda had unused credit limits for EUR 510 million.

4. **Interest rate risk**

   Sponda mitigates its interest rate risk through fixed-interest loans and interest rate derivative contracts.

5. **Exchange rate fluctuations**

   Sponda receives half of its Russian rental revenue in US dollars and half in roubles. Most of the rents paid in roubles are tied to the US dollar or euro exchange rate. The exchange rate risk arising from the use of the rouble is reduced by the fact that a significant portion of the company's own expenses in Russia is also paid in roubles. Sponda hedges a six-month cash flow from Russia. The company's investments in Russia are funded in euros from the parent company balance sheet.

6. **Special features of the Russian property market**

   Sponda is a local operator with offices in Moscow and St. Petersburg. Networking and good relationships with the authorities are important for business operations. The company's strategy in Russia is to invest in high-quality properties in prime locations.

Strategic risks

Risks relating to the business environment

Uncertainty in the business environment and an oversupply of new office premises are expected to result in the vacancy rates for business premises in Finland remaining at a high level. The occupancy rate of Sponda's office premises is high, but increasing supply and weaker economic growth may have a negative effect on Sponda's rental operations. The occupancy rate of retail premises has remained high despite the weaker business environment, but the prospects for logistics properties have become dimmer as Finnish exports have begun to decline.

Changes in the fair value of properties

The value of real estate is sensitive to cyclical fluctuations. It is affected by several factors including interest rates, inflation, economic growth, business environment, availability of credit, property taxation, demographic factors and construction activity. Changes in supply and demand can also significantly affect property values regardless of the general economic trends of regional real estate markets.

Loss of rental income

In 2012, Sponda's ten largest clients accounted for approximately 31 (2011: 31) per cent of rental income. The loss or insolvency of one or several tenants may lead to a substantial loss in revenue for the company. The sustained vacancy of a property may also have a negative impact on the property value as well as the company's balance sheet and operating profit. Sponda was successful in managing the risks relating to its tenants' solvency in 2012, as indicated by receivables from tenants remaining at the previous year's levels.

At the end of 2012, Sponda had a total of 3,228 (3,277) lease contracts and 2,130 (2,160) customers. The largest client sectors were retail, banking and the public sector.

Exchange rate risk from Russian operations and differences in property markets

Sponda's Russian properties are located in St. Petersburg and Moscow. At the end of 2012, Russian properties represented 8 (7) per cent of the company's balance sheet total. Differences in legislation and official practices between Russia and Finland may cause risks for Sponda's operations. The exchange rate risk associated with the Russian business operations may also have a negative effect on the company's profit.

Sponda has set an upper limit for its Russian property holdings of 10–20 per cent of the balance sheet total, which helps mitigate the risks associated with the company's Russian operations.

Risks relating to property development

Sponda's property development operations focus on development projects of unbuilt land areas and buildings requiring modernisation that are profitable but require extensive planning and may go on for several years. Due to the long-term nature of the projects, rental income and cash flow can, in some cases, be delayed by several years. Sponda also incurs expenses from the planning phase that takes place before a project is confirmed. The key risks are related to the degree of success in leasing premises and the potential increase in construction costs.

Sponda manages the risks relating to property development by primarily requiring a minimum advance occupancy rate of 50 per cent before launching projects.

Due to the uncertainty in the business environment, Sponda has adopted a careful approach to launching new property development projects. In 2012, the company had two significant ongoing property development projects in Helsinki: The Citycenter project in the central business district and an office building project in Ruoholahti. In 2012, Sponda invested approximately EUR 47.5 million in property development projects. In 2012, Sponda owned unbuilt land areas worth EUR 91.2 million.

Sensitivity analysis

Change in investment property fair value, M€ and %

	-10 %		-5 %		0 %	5 %		10 %	
	Change, M€	Change, %	Change, M€	Change, %	M€	Change, M€	Change, %	Change, M€	Change, %
Yield requirement	334	10.6	158	5.0	0	-143	-4.5	-273	-8.7
Rental income (contractual rents)	-88	-2.8	-44	-1.4	0	44	1.4	88	2.8
Maintenance expenses	85	2.7	43	1.4	0	-42	-1.3	-85	-2.7
Economic occupancy rate (1st year)	-25	-0.8	-13	-0.4	0	13	0.4	26	0.8

The sensitivity analysis has been carried out as a quantitative analysis of the investment properties in Finland calculating the 15 year cash flow and of the properties in Russia calculating the 10 year cash flow.

The changes in yield requirements and economic occupancy rates have been calculated for average figures. The analysis includes only investment properties generating cash flows.

Operative risks

Key features of internal controls relating to financial reporting

The risk management in Sponda's financial reporting process is part of the Group's overall risk management and internal control. The company has defined the main features of its internal control using the international COSO model. The model has been used in defining the control environment, risk assessment method and the applicable control measures. The internal control solutions adopted by the company also take into consideration its industry, the management of the Group as a single entity and the company form of ownership of properties.

The company's internal control is a Group-wide process that involves the Board of Directors, executive directors, other staff members and internal audit. Internal control aims to ensure the effectiveness and appropriateness of the company's operations, the reliability of financial information and reporting as well as compliance with laws and regulations.

Damage and asset risks

Environmental risks

Environmental risks refer to risks relating to soil contamination, building materials and property safety.

Sponda prevents environmental risks by determining the need for soil remediation and preparing remediation plans as necessary, taking a planned approach to property maintenance and selecting tenants appropriately. Sponda's own operations do not cause significant environmental risks.

No significant environmental risks materialised in 2012.

Property damage

Risks related to property damage refer to the possibility of damage to Sponda's real estate or other property.

Sponda prevents property damage risks through the systematic maintenance of properties. The properties owned by Sponda are insured for their full value, as is customary in the industry. The insurance cover extends to interruptions to rental revenue.

There were no instances of significant property damage in 2012 that were not covered by insurance.

Personnel risks

Personnel risks refer to risks relating to the actions of the company's personnel and the risk of an external party engaging in misconduct against the company, its management or its employees.

Sponda prevents personnel risks through operating guidelines, monitoring, appropriate organisation and internal control. Sponda has insurance cover against personnel risks.

No significant personnel risks materialised in 2012.

Liability risks

Liability risk refers to the possibility that the company is held liable to pay compensation to an external party.

Sponda prevents liability risks through appropriate organisation, operating guidelines, maintaining a high level of expertise, service descriptions and contractual provisions.

No significant liability risks materialised in 2012.

Financing risks

The objective of risk management is to minimise the unfavourable impacts of changes in the financial markets on the company's profits and cash flow. Sponda's main financial risks are the interest rate risk, risks concerning access to financing, the credit risk and the exchange rate risk. The Group's treasury unit is responsible for managing financing risks.

Interest rate risk

Significant changes in market interest rates and margins may have a negative effect on Sponda's financial result and contribute to slower growth in the property business.

Fixed-rate loans and interest rate derivatives are used to balance the effect of changes in the market interest rates. Sponda's hedge level for interest rate risk must be at least 60 per cent and at most 100 per cent.

The average interest rate for Sponda's liabilities declined to 3.4 per cent on 31 December 2012 from 4.0 per cent at the beginning of the year.

Risks related to the availability of financing

Sponda actively analyses and monitors the status of the financial markets and takes a proactive approach to restructuring its liabilities to ensure that it maintains adequate liquidity to finance its operations and repay loans as they mature.

Risks related to the availability of financing are mitigated by using credit agreements of varying lengths, a broad financing base, credit limits and by maintaining the company's reputation as a reliable debtor.

Sponda has refinanced its loans in such a way that the next significant need for financing will arise in 2014.

Credit risk

Money market investments, derivative contracts and rent and trade receivables may cause a credit risk for Sponda.

To avoid counterparty risks, Sponda uses only financially solid banks with a good credit rating as counterparties in its money market investments and derivative contracts.

Sponda carries out regular checks to monitor tenants' solvency and changes therein. Most tenants submit a security deposit corresponding to 3 to 6 months' rent at the start of their tenancy. The company has a diverse tenant base representing a wide variety of sectors.

Sponda was successful in managing the risks relating to its tenants' solvency in 2012, as indicated by receivables from tenants remaining at the previous year's levels.

Exchange rate risk

Sponda has international operations in Russia. Changes in the exchange rate between the Russian rouble and the euro and between the US dollar and the euro can affect Sponda's financial position. Sponda is exposed to currency risk as balance sheet items for foreign subsidiaries and revenue and expenses from properties are translated into the business currency of the parent company, euros.

Sponda's Russian companies receive their rents monthly in US dollars, in Russian roubles or in euros. The companies pay most of their expenses in Russian roubles. Sponda hedges foreign currency-denominated future net cash flows for a period of six months.

Financing and financial risk management

Sponda's financing strategy aims to secure the financing needed to carry out the company's business operations and manage Sponda Group's financial risks. Under uncertain market conditions, the company's reputation as a trustworthy debtor has made refinancing arrangements easier.

Managing financial risks

Sponda's financial risk management aims to minimise the unfavourable impacts of changes in the financial markets on the company's profits and cash flow. Risk management objectives and policy are set by the company's Board of Directors, which is also responsible for monitoring risk management. The company's main financing risks are interest rate risks, risks related to the availability of financing, currency risks and credit risks. According to Sponda's risk management policy, the hedge level of the debt portfolio's interest rate risk is at least 60 per cent and at most 100 per cent. At the end of 2012, the hedging level of the debt portfolio was 72 per cent.

Sponda's strengths in financial risk management include the active identification of risks and reacting to them, the company's reputation as a trustworthy debtor and the diversity of its financing instruments. The management of risks is also supported by the company's broad base of financiers. As in the previous year, the financier base was further strengthened in 2012 through a bond issue directed at institutional investors. The relative share of the total debt portfolio represented by bonds rose from 10 per cent to 19 per cent during the year.

Sponda's creditors are protected by covenants included in financial contracts. The most important covenants are:

- Interest cover ratio, which must be at least 1.75. At the end of 2012, the interest cover ratio was 2.8.
- Equity ratio, which must be at least 28 per cent. At the end of 2012, the equity ratio was 40 per cent.

The company's Russian business operations are subject to currency risks resulting from fluctuations in the exchange rate between the Russian rouble and the euro and between the US dollar and the euro. Sponda manages currency risks by hedging the foreign currency denominated cash flow from its Russian operations for six months in advance. No substantial exchange rate fluctuations occurred in 2012.

The company has SEK denominated loans, the currency risk of which is fully hedged with interest and currency exchange swap agreements.

Sensitivity to interest rate risk

The effect of a one percentage point change in short-term market rates on the company's result and the fair value reserve in shareholders' equity.

	31 Dec 2012		**31 Dec 2011**	
	Income statement	**Fair value Reserve**	Income statement	Fair value Reserve
One percentage point rise in market rates, M€	**-3**	**+17**	-4	+23
One percentage point fall in market rates, M€	**-**	**-**	+7	-24
0,1 percentage point fall in market rates, M€	**0**	**-4**	-	-

The calculation does not include the impact of any deferred tax liability or credit.

Read more about the interest risk on note to the consolidated financial statement 31 (Financial instruments).

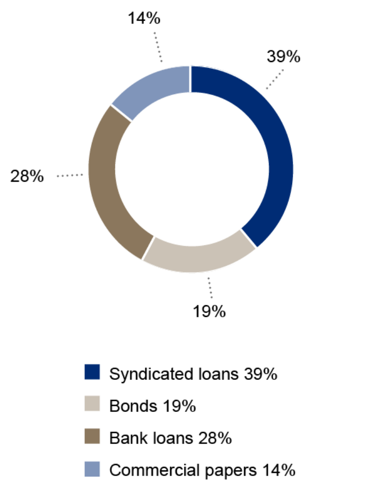
Treasury strategy

Sponda's treasury strategy is based on a broad base of financiers, a diversified range of financing instruments, a debt portfolio with evenly spread maturity dates, managed hedging of interest rate risks and good liquidity. The company aims to primarily finance its operations by arranging credit that is unsecured.

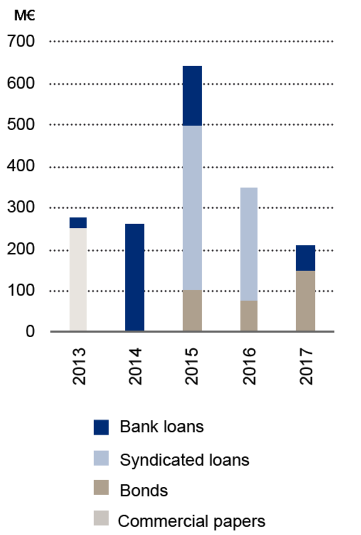
The company's interest-bearing loans consist of syndicated credit facilities totalling EUR 675 (2011: 735) million, bonds totalling EUR 326 (173) million, commercial papers totalling EUR 251 (219) million and loans from financial institutions totalling EUR 485 (628) million. The company maintains its liquidity and ensures the availability of financing with a EUR 350 million commercial paper programme and unused binding short-term credit limits. On the financial statements date for 2012, Sponda had unused credit limits of approximately EUR 510 million.

Sponda's treasury unit is responsible for the Group's financing and funding acquisition.

Sponda Group, Loan instruments
31 Dec 2012



Sponda Group, Loan maturities
31 Dec 2012



Financing in 2012

	31 Dec 2012	31 Dec 2011	31 Dec 2010
Operating net cash, M€	**112.8**	99.2	102.6
Net cash used in investing, M€	**-75.3**	-222.9	-39.5
Net cash used in financing, M€	**-34.4**	123.6	-65.9
Cash flow from operations per share, €	**0.40**	0.37	0.37
Equity ratio, %	**40**	38	39
Interest-bearing debt, M€	**1,736.2**	1,754.8	1,572.6
Net financial expenses, M€	**-58.8**	-75.6	-58.5
Cash and cash equivalents, M€	**30.1**	26.4	27.0
Average loan maturity, yrs	**2.8**	3.1	3.2

	31 Dec 2012	31 Dec 2011	31 Dec 2010
Average interest rate, %	**3.4**	4.0	3.8
Average fixed interest rate period, yrs	**1.9**	2.2	2.2
Interest Cover	**2.8**	2.7	3.0
Hedging, %	**72**	77	84
Mortgaged loans	**141.8 M€ / 4.0% total balance sheet**	140.4 M€ / 4.1% total balance sheet	141.1 M€ / 4.6% total balance sheet
Gearing, %	**122**	135	129

Main financial arrangements in 2012

Sponda carried out four significant financial arrangements in 2012. The funds received were used to repay existing debts and were also directed to the Group's other general financing needs.

Sponda issued a five-year EUR 150 million senior unsecured domestic bond in May. The bond carries fixed annual interest at the rate of 4.125 per cent. The main organisers of the bond issue were Danske Bank and Pohjola Markets.

In July, Sponda signed an agreement with Danske Bank A/S, Helsinki branch, for a secured five-year loan of EUR 60 million. The agreement extends the financing that was originally secured for the Elo shopping centre.

In November, Sponda issued a EUR 95 million hybrid bond. The coupon rate of the bond is 6.75 per cent per annum. The newly issued hybrid bond is intended to replace the hybrid bond issued by the company in 2008 with an original notional value of EUR 130 million. The company's objective is to reduce the combined total value of the hybrid bonds to EUR 95 million by the end of June 2013. In November, Sponda repurchased a notional amount of EUR 37.2 million of the hybrid bond originally issued in 2008. The repurchase was carried out by a public tender offer. Sponda has announced that it aims to redeem the remaining principal balance (EUR 92.8 million) in June 2013. The transaction was organised by Nordea Markets.

In November, Sponda signed an agreement with Swedbank AB, Finnish Branch, for a credit limit of EUR 100 million with a maturity of five years. The arrangement renewed a EUR 100 million credit limit agreement that was originally due to mature in 2013.

The diverse financing arrangements carried out in 2012 and the unused credit limits of approximately EUR 510 million on the financial statements date are strong evidence of Sponda's good creditworthiness in the market. The key covenants associated with Sponda's financial arrangements are also safely above the minimum requirements stipulated by the credit agreements. On the financial statements date, the interest cover ratio was 2.8 (covenant at 1.75) and the equity ratio was 40 per cent (covenant at 28 per cent).

Prospects for 2013

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 the changes in rental agreements and leases already signed.

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.

Sponda as an investment

Sponda is a property investment company that specialises in commercial properties in the largest cities in Finland and Russia.

Sponda aims at profitable growth through customer-focused operations, active property development, by purchasing properties and through real estate funds. For its owners, Sponda is a good investment that aims to increase shareholder value and pay a regular annual dividend. Dividends are distributed at approximately 50 per cent of the operating cash flow per share for the financial year, taking economic circumstances and the company's development needs into consideration.

The company's strengths are a property portfolio largely concentrated in the best locations in the Helsinki metropolitan area, a high quality, diverse tenant base and a balanced lease portfolio. Active property development operations and experienced, committed management and personnel give the company an even more significant competitive edge.

Sponda's property portfolio comprises a broad selection of office, retail, shopping centre and logistics properties. The company aims to maximise cash flow from operations through active management of the existing property portfolio. A diverse tenant base and balanced leasing contract portfolio strengthen the stability of Sponda's rental income. The company has a considerable land bank and numerous potential sites for property development.

Shares and share ownership

Sponda's shares are quoted on NASDAQ OMX Helsinki Ltd. The share's trading code is SDAIV.

In addition to NASDAQ OMX Helsinki, Sponda shares were traded on several alternative market places, for example at Chi-X Europe, BATS and Turquoise.

Sponda's weighted average share price in 2012 was EUR 3.17. The highest price quoted for the share during the year was EUR 3.75 and the lowest was EUR 2.72. The share price increased from the first closing price of 2012, EUR 3.12, to the year's final closing price of EUR 3.60. This represents an increase of approximately 15 per cent.The total turnover of Sponda's shares was 115.2 million shares for a total of EUR 379.4 million during the year. The closing price of the share on 28 December 2012 was EUR 3.60 and the market capitalisation of Sponda's share stock at the end of the year stood at EUR 1,019.1 million.

At the end of 2012, Sponda had a total of 8,984 shareholders. Nominee-registered and foreign shareholders accounted for 50 per cent of these.

Annual General Meeting

The 2013 Annual General Meeting of Sponda Plc will be held in the Helsinki hall at Finlandia Hall (Mannerheimintie 13 e, Helsinki, door M4 and K4) on Monday, 18 March 2013, starting at 2.00 pm. Instructions for registering for the AGM are given on Sponda's website.

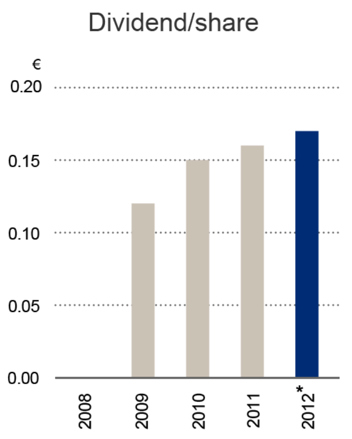
To attend the meeting, shareholders must be entered in the company's shareholder register maintained by Euroclear Finland Ltd no later than 6 March 2013.

Dividend payment

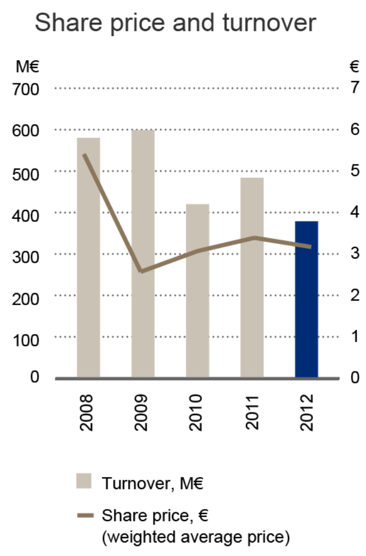
The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.17 per share be distributed for the 2012 financial year. The dividend approved by the AGM will be paid to shareholders registered in the company's shareholder register maintained by Euroclear Finland Ltd on 21 March 2013, the record date confirmed by the Board. The Board proposes to the Annual General meeting that the dividend be paid at the close of the settlement period on 28 March 2013.

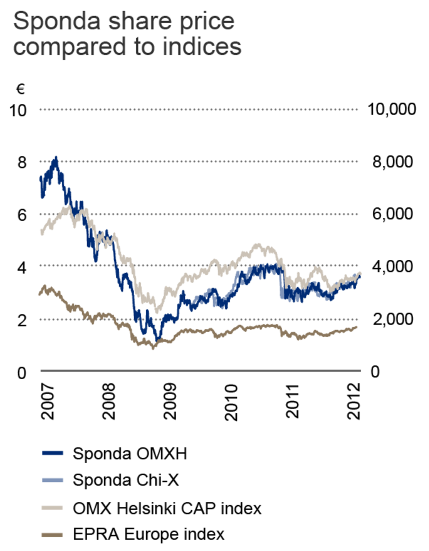
Changes of name and address

Shareholders are kindly requested to notify their bank or Euroclear Finland Ltd, whichever holds the shareholder's book-entry securities account, of any changes of address.



* Board's proposal





Source: Sponda's websites and Investis

Financial information 2013

Sponda will publish its interim reports in 2013 on the following dates:

Interim report
January–March 2013 on Friday, 3 May 2013

Interim report
January–June 2013 on Friday, 2 August 2013

Interim report
January–September 2013 on Friday, 1 November 2013

Sponda publishes all of its material for investors in Finnish and English. The material is available on the company website.

Releases can be ordered at the company website or by contacting:

Sponda Plc, Corporate Communications
P.O. Box 940
FI-00101 Helsinki
Finland

Tel. +358 (0)20 431 31
nina.saajasto(at)sponda.fi

Sponda's Investor Relations

The main task of Sponda's Investor Relations is to provide the market with sufficient and accurate information so that investors can assess the company's appeal as an investment today and in the future. Investor Relations ensures that the company's communications are balanced, timely and transparent.

Sponda's Board of Directors is responsible for the publication of the company's interim and annual financial statements. The President, the Chief Financial Officer and the Senior Vice President, Corporate Communications and IR are responsible for communications with Sponda's investors. The silent period begins three weeks before the publication date of the financial results. This means that Sponda does not issue comments during this period and does not meet with representatives of the capital markets.

Information on the banks and stockbrokers who have announced that they conduct investment analyses of Sponda's business operations is provided on the company website. The list may be incomplete and Sponda takes no responsibility for the assessments contained in these analyses.

Contact details

Sponda Plc
P.O. Box 940
FI-00101 Helsinki

Street address:
Korkeavuorenkatu 45
FI-00130 Helsinki

Telephone +358 (0)20 431 31
Fax +358 (0)20 431 3333
www.sponda.com
firstname.lastname(at)sponda.fi

Investor relations and communications

Pia Arrhenius
Senior Vice President, Corporate
Communications and Investor Relations
Tel. +358 (0)20 431 3454
pia.arrhenius(at)sponda.fi

Anita Riikonen
Communications Manager
Tel. +358 (0)20 431 3470
anita.riikonen(at)sponda.fi

Nina Saajasto
Communications Assistant
Tel. +358 (0)20 431 3390
nina.saajasto(at)sponda.fi

Room for collaboration

Working life is becoming increasingly diverse. The ability to work irrespective of time and place has an impact on working environments and creates new requirements as the significance of various meeting places increases. Business premises solutions support a sense of community and effective collaboration.

Sponda provides space for collaboration. Finnmatkat, SCM Finland and MicroMedia are just three examples of Sponda's clients whose business premises feature spatial solutions designed to support a sense of community. An effective and practical working environment also has an effect on wellbeing at work and the efficiency of work.

Business premises create a sense of community

The ability to work irrespective of time and place creates new requirements for working environments. Working methods are becoming increasingly diverse and the significance of various meeting places is growing. Sponda offers its customers business premises that help create a sense of community.

Working life is becoming increasingly diverse. With the proliferation of wireless technology, the working environment has been extended from the personal workstation to other areas of the office as well as the home and public spaces. This is particularly true for information workers. Collaborative work and idea generation have also become widespread.

These changes in working methods and practices have an impact on the design of business premises. As information, know-how and ideas are best shared through interaction, business premises solutions must provide space for collaboration.

In addition to the more traditional conference rooms and teamwork spaces, a modern office space needs to have informal meeting places such as coffee rooms and recreational corners. They help build a sense of community in the workplace. At the same time, also quiet space is needed for work that requires concentration. Studies indicate that the possibility to choose between different types of workspaces contributes to greater job satisfaction and wellbeing at work.

Sponda offers its customers business premises that help create a sense of community. Business premises are also a setting for encounters with customers and business partners. An effective and comfortable space helps strengthen the relationships between a company and its stakeholders. Business premises are a company's business card, both internally and externally.

The starting point for business premises solutions is always the customer's needs. Sponda's experts help customers find the premises and spatial solutions that are best suited to them. This could mean a modern open plan office in the central business district, or functional logistics space along a major ring road. The most important thing is that the solution supports the tenant's business operations and employee satisfaction to the greatest possible extent.

"A space can support employee interaction and encounters, the sharing of expertise and the transfer of silent information."

User-oriented spaces. A publication of the Tekes programme "Spaces and Places", 12/2011

"A good indoor environment supports employee wellbeing and helps them perform better, particularly at tasks involving use of the working memory."

Finnish Institute of Occupational Health project "User-friendly office premises" (TOTI), 2012

"Collaboration, working towards shared goals and sharing information happen naturally and effectively when employees are provided with spaces that support various work situations."

User-oriented space. A publication of the Tekes programme "Spaces and Places", 12/2011

"Up to 60 per cent of Finnish workers have the opportunity to work flexible hours."

Forum for Wellbeing at Work, Finnish Institute of Occupational Health

"A good working atmosphere and a sense of community are among the most important building blocks of wellbeing at work."

Occupational wellbeing researcher, Professor Marja-Liisa Manka

Working environments adapting to changes in working life

Executive Consultant Kenny Hytönen of the Workspace design agency says an effective working environment provides opportunities for both teamwork and individual focus.

The result of the process is assessed in terms of the functionality and comfort of the space created.

How is the design of working environments responding to changes in working life?

In today's business, the working environment extends beyond the physical space enclosed by ceilings and walls. It includes virtual space as well as the social space in which people operate. An effective working environment takes all of these elements into consideration.

In spite of the increasing opportunities for working remotely, the vast majority of employees still come to the office every day. The main reason behind this is the work community or the social relationships in the workplace and the increased importance of teamwork. At the same time, employees need a workplace that provides peace, privacy and the opportunity to focus. An effective office space must simultaneously support both of these somewhat conflicting objectives.

What are the typical shortcomings of Finnish offices?

The design of office spaces is often focused only on fixed structures and furniture. More attention should be paid to atmosphere and mood. They are elements that can be easily managed through the appropriate use of lighting and acoustics.

People always adapt their behaviour to the environment they are in, which means that office space can be used to direct the way the organisation works.

What should be the first step in designing a new office space?

We always begin by asking our clients what they want to change, and what the vision of their company is. We then try to support those goals through the right spatial solutions. The client’s employees are actively involved in the process, as their commitment to the selected solutions is key to success.

The result of the process is assessed in terms of the effectiveness, functionality and comfort of the space created. Different companies have different needs. What works for one doesn’t necessarily work for another.

How will working environments change in the future?

Companies want office spaces that are unique and have a certain personality. There is a growing demand for spaces that are homely and support communality, with more and more offices now having an open kitchen area or some other informal meeting space. The significance of teamwork is bound to keep on growing.

Workspace

Workspace is an architectural design, interior design and consulting firm that specialises in the development and design of various office spaces, working environments, production facilities and customer service facilities.

Good workplace conduct is key

A positive working atmosphere and a sense of community are two of the most important building blocks of occupational wellbeing. Capable management, an effective organisational structure and opportunities to influence one’s work also promote wellbeing in the workplace and job satisfaction.

Employees who feel well tend to also be creative, efficient and enthusiastic.

"A sense of community and a positive atmosphere are created through small acts on a day-to-day basis: saying hello, helping those in need of assistance, showing an interest in others and appreciating everyone’s contribution. In other words, you simply need to be considerate of other people and conduct yourself appropriately," explains occupational wellbeing researcher, Professor **Marja-Liisa Manka** of the University of Tampere.

Manka says creating a positive working atmosphere pays off on the bottom line, as employees who feel well tend to also be creative, efficient and enthusiastic. Ineffective work communities consistently have higher rates of illness and the risk of depression can be higher by as much as 50 per cent.

A sense of community can also be built by paying more attention to the working environment. "People must be provided natural meeting places such as coffee corners, break rooms or other recreational spaces. Information, feelings and experiences are transmitted most effectively in these types of informal settings."

What is the impact of remote working, which has increased considerably in recent years, on occupational wellbeing?

"The freedom to choose how and where to work is an important aspect of occupational wellbeing. Remote working opportunities increase this freedom of choice. Then again, everyone has the need to feel like they are part of the community, so that experience should also be arranged in some way. New technology offers many good alternatives, but no technical solution can fully replace face-to-face interaction," Manka points out.

The building blocks of occupational wellbeing

1. A sense of community and a positive working atmosphere

2. Capable management and supervision

3. Effective organisational structure

4. Opportunities to influence the way work is done

5. Separating work and free time

Various workspaces to suit different purposes and moods under one roof

MicroMedia's wish for its new office was to have plenty of light and open space. The office also has various workspaces to suit different purposes and moods and to facilitate effective collaboration.

It's important to have space for collaboration.

MicroMedia has been based in the Silkkikutomo building, a former silk weaving mill in Helsinki's Herttoniemi district, since late 2011. The employees of this B2B marketing company already worked in an open plan office at the firm's previous address, but the new business premises were designed to be even more appropriate for its operations and objectives.

"We wanted the people who collaborate with each other to be close together in this office space. For example, planners and those who are responsible for projects now share the same space. This encourages face-to-face discussion instead of sending emails to colleagues seated a few metres away," says Managing Director **Katri Järvi**.

MicroMedia's office is located on two levels. The company has just over 50 employees, about half of whom primarily work on the telephone. They have their own workspace on the sixth floor. MicroMedia has another twenty employees based in its logistics centre in Konala.

Versatile music café

MicroMedia's office has a variety of spaces to suit different moods and purposes. For example, one part of the open-plan office has been separated into a library corner with a sofa group.

"It's ideal for working on something like planning a customer project without disturbing colleagues. There are several separate conference rooms for quiet work and meetings. It's important to have space for collaboration," Järvi explains.

The wish for natural light and open space is fulfilled by the music café, which is a unique combination of a kitchen, break room, conference room and concert hall. The double-height room has floor-to-ceiling windows. A music channel on the television is playing in the background, but with a drum kit, piano and electric guitars scattered around the room, the employees often pick up instruments for an impromptu jam session. On Friday afternoons, the employees get together in the music café to raise a toast to mark the start of the weekend.

Silkkikutomo building

- 8,300 square metres of office space, some of which is on three floors, some on six floors
- Year of construction 1951, renovated 2003–2004

The spatial needs of MicroMedia

- *An open and well-lit office space that is highly adaptable and suitable for collaboration.*

The solution

- *An open-plan office with a library corner and several conference rooms to facilitate teamwork. Glass walls, windows and the floor-to-ceiling windows of the music café bring in natural light and create a sense of openness. In addition to the music café, the office has a second break room reserved for employees only.*

An open-plan office with personality

The open-plan office of the Finnmatkat headquarters in Ruoholahti has been modified for versatile use of space with innovative and clever interior design solutions. The lounge chair corner is a great spot for a quick meeting, while the quieter nooks around the office are suited for work that requires a more serene environment.

The open-plan office provides ample opportunities for teamwork.

The travel organiser Finnmatkat moved to Ruoholahti in November 2011. The company occupies an entire floor, with everyone from telephone customer service agents to administrative employees sharing the same space. The main motivation behind the open-plan office was to improve the flow of information.

Prior to the move, the office space was renovated to improve housing solutions and to meet the tenant’s wishes. One example of the changes was to separate meeting spaces from the shared space to create opportunities for quieter work.

“We have a lot of small meetings with two or three participants, so we wanted to have several small meeting spaces in addition to two large conference rooms. They are also great for short spontaneous meetings,” explains **Tiina Sirén**, General Manager for Finnmatkat Finland.

Lounge chair groups for quick meetings

The open-plan office of Finnmatkat provides ample opportunities for teamwork. The lounge corners with armchairs are well suited for short conferences or quick and informal discussions. The lounge corners can also be separated from the open space by partition curtains. There are a couple of telephone desks for quieter work, with plexiglass on the sides for sound insulation.

“This office space makes it easy to inject variety into the working day: you can start at your desk, spend a few moments in a lounge corner, take a coffee break and then continue working in the quiet environment of a meeting room,” Sirén explains.

The heart of social interaction in the office is the kitchen, where employees can eat their lunches or drop in for a cup of coffee and the latest news from their colleagues.

"The kitchen is also a place for informal get-togethers ranging from morning coffee sessions to a mulled wine reception ahead of Christmas," Sirén says.

Ruoholahden Poijut

- Approximately 15,000 square metres of office space on five full floors and parts of a sixth floor
- Year of construction: 2001

The spatial needs of Finnmatkat

- *A shared open-plan office for all employees, with opportunities for quiet work and meetings in separate spaces.*

The solution

- *An open and adaptable space with two kitchen corners, a larger separate kitchen, meeting rooms and informal lounge chair groups for working in small teams. The soundproofing solutions include carpets, acoustic panels and textiles.*

Social interaction and start-up spirit

An old cinema in the heart of Helsinki found a new purpose when SCM Finland moved into its new office in September 2012. The office space combines the dignity of the old building with the spirit of an informal work community.

This office space naturally triggers conversation.

SCM Finland is the company behind the online marketplace tori.fi. With 14 employees and ambitious growth targets, the company outgrew its old office.

"It is vital for us to maintain the spirit of a start-up, so we wanted an office space that facilitates openness and social interaction," says **Jussi Lystimäki**, CEO of SCM Finland.

This means that the entire company literally sits at the same table, as all employees are seated around one desk created by combining two long tables. In addition to programmers, SCM Finland employs marketing and service design professionals.

"We do a lot of our work in pairs and small teams, so we decided to have twice as many chairs as there are people. This makes it very easy to sit next to any of your colleagues at any time. This of," Lystimäki explains.

Acoustics solutions create a calm and peaceful space

Previously used as storage space for a long time, the premises were comprehensively renovated by Sponda. SCM Finland was actively involved in the spatial planning right from the beginning. Special attention was given to lighting and acoustics. Partition walls were used to create separate teamwork spaces and a videoconferencing room with soundproofed doors. Sofa groups in the shared space are partitioned off by acoustic curtains.

The office space also has a kitchen, where the spirit of teamwork is extended beyond the company's regular business.

“Every Monday morning, we start our week with a shared breakfast, taking turns to prepare the food. We then discuss the week's programme together over breakfast,” Lystimäki says.

Another example of the friendly and informal working atmosphere at SCM Finland is the music playing in the background. Employees take turns in being DJ for the day.

Mikonkatu 19

- 3,300 square metres of office space
- 3,800 square metres of retail space
- Year of construction 1889 and 1921, renovated 2002 and 2004
- Comprised of two buildings, one on Vilhonkatu and the other on Mikonkatu. Both buildings have five storeys above ground and three below ground.

The spatial needs of SCM Finland

- *An open and flexible office space that encourages social interaction.*

The solution

- *One shared room, with meeting and teamwork spaces separated by partitions and windows. Lighting and acoustic solutions make the office space comfortable and conducive to high productivity.*

Properties that stimulate the city

Sponda uses innovative customer-focused solutions and high-quality property maintenance in developing the environment and cityscapes.

Sponda's property portfolio is focused on the largest cities in Finland and Russia. The vitality of cities is very significant to the appeal and occupancy rates of Sponda properties. Therefore, a good location in central locations of cities with good access to public transport is an important factor affecting the company's property holdings and purchase decisions.

Attention is paid to the immediate surroundings and the surrounding urban form in all real estate development projects. Comfort and safety can be improved by, for example, external lighting of properties, heating of streets and covered pathways.

Cooperation in activating cities

Even though the city itself is mainly responsible for urban development, Sponda considers participation in the development work part of the role of a responsible property owner. The company cooperates with other companies operating in the vicinity of its properties, owners of the neighbouring buildings and cities.

The needs of society and businesses in the city form the framework for development. By offering appealing office and retail premises for businesses, Sponda creates a setting for the development of the economic life of cities. Properties complementing the urban framework also create natural meeting places for local residents, thereby creating opportunities for communality.

A good example of this is Sponda's most significant urban development-related project, the renovation of the Citycenter commercial block in the centre of Helsinki. Renewed Citycenter block improves city scape and enlivens central business district of Helsinki. Warm, covered access routes and light spaces make the shopping centre welcoming. In addition, Keskuskatu will be transformed to a pedestrian street after the completion of the project.

Wastelands – workshop on the future of workspaces

Sponda is also actively surveying the future spatial needs of businesses. In 2012, Sponda cooperated with international architecture students to arrange a workshop to explore the future of the work space in a world that is becoming increasingly digital. The workshop was part of the international architecture students' Wastelands festival, which was also one of the events of Helsinki World Design Capital 2012.

Sponda also participates in the development of cities in associations promoting the activities of cities. The company is a member of the Elävä Kaupunkikeskusta ry and Helsinki City Markkinointi ry and a support member in Helsingin Designkortteli ry.

Design of urban structures in zoning projects

Sponda actively takes part in public tenders. For example, Sponda was selected through public tendering to develop the logistics area of the Port of Vuosaari, which is important to Helsinki. In 2012, Sponda proceeded to the next phase in a tender arranged by the City of Helsinki to choose a party to implement a retail and office block in Keski-Pasila.

The company contributes to the design of urban structures in zoning projects involving the land owned by it in cooperation with cities. Significant on-going projects include zoning the plot in Lassila, Helsinki, for office use and zoning the land in Perkkaa, Espoo, for residential use. Zoning projects are also under way in Oulu and Tampere, where office space is being zoned next to the Ratina shopping centre in cooperation with the city. Zoning of the plots in Malminkartano in Helsinki and Tikkurila in Vantaa were completed and the properties were sold for residential production in 2012.

Spondability

Spondability is Sponda's signature of responsibility. Responsibility is an integral part of Sponda's strategy and day-to-day operations. The company has highlighted environmental responsibility and the development of the customer experience as strategic focal points in its business development.

Sponda has defined seven responsibility priorities, the implementation and development of which will be particularly focused on in the company's operations. The priorities are based on the company's strategy.

Responsibility as part of Sponda's strategy

Responsibility is an integral part of Sponda's day-to-day operations and business expertise, supporting the company's profitability and long-term viability.

Responsibility and strategy

Sponda's goals include increasing shareholder value, ensuring the sustainability of operations and continuously developing the company. Responsibility is an integral part of Sponda's strategy and day-to-day operations. Spondability communicates the holistic approach to responsibility.

Sponda's vision, which guides the implementation and development of its responsible operations, is to be the most reliable, profitable and responsible player in the real estate sector, implementing sustainable development. In fact, the company has highlighted the development of the customer experience and environmental responsibility as strategic focal points in its business development.

Increasing environmental requirements

The property sector plays a key role in mitigating climate change and improving energy efficiency. Sponda supports the efforts against climate change in its own operations by improving the energy efficiency of its properties and reducing their environmental impact. The United Nations Environmental Programme estimates that buildings make up as much as 40 per cent of global energy consumption, with the majority of that consumption happening during use. As efforts to reduce emissions are ramped up, Finnish and EU requirements on corporate environmental responsibility will become tighter.

Sponda believes that, in the future, client companies will increasingly focus on the life cycle environmental impact of their business premises. Sponda is preparing for these future challenges today by investing in improving its environmental expertise and developing solutions that promote the well-being of the environment.

Environmental requirements are highlighted in Sponda's property development operations as well as property maintenance. In addition, Sponda supports its customers in more energy-efficient and environmentally sustainable use of premises.

The well-being of the environment is included among the criteria the company applies in deciding on property investments. In accordance with its investment strategy, the focus of Sponda's property portfolio is on central urban locations with good public transport links.

Developing the customer experience

Sponda aims to achieve competitive advantage and identify the best ways of working from the customer's perspective through its Customer Experience Management (CEM) process. The company aims to be a trustworthy property partner that offers each customer premises that are precisely tailored to their needs and an effective customer relationship. In customer relationships, the goal is to achieve a long-term interactive partnerships.

Sponda actively monitors changes in how client companies work and what new requirements they have regarding their business premises in order to develop its own operations in accordance with the changing needs of its customer base.

Managing responsibility

Environmental responsibility and managing the customer experience are strategic priorities for Sponda and the company has set annual targets and defined key actions for them. The Executive Board and the Board of Directors regularly monitor the achievement of targets and implementation of actions. The major challenges in achieving the targets set for environmental responsibility are related to the reduction of environmental impacts during the use of buildings. Co-operation with customers in order to mimimize energy consumption is vital, as the company's properties are used by over 30,000 individuals.

Sponda encourages its employees to work towards the goals related to environmental responsibility and the customer experience by including them as factors in the incentive scheme that covers all personnel.

Reliable work with stakeholders

Sponda has several stakeholder groups who all have different expectations of Sponda. The company strives to meet these expectations in accordance with its values and procedures. The aim is active and open dialogue, based on reliability and integrity.

The table below summarises Sponda's key stakeholders, their expectations of Sponda and the measures Sponda takes to meet these expectations. For additional information on stakeholders, see the company website.

Stakeholder group	Expectations towards Sponda	Sponda's actions
Personnel	• Permanent employment and stable income • Safe working conditions • Being informed of matters concerning the company • Opportunities for personal development at work • Equal and non-discriminatory treatment • Open communication • Good reputation	• Offering good work opportunities • Good opportunities for training • Effective internal communications and an atmosphere of open dialogue • Ensuring occupational health and safety • Performance and appraisal discussions and job satisfaction surveys • Equal and non-discriminatory treatment of employees
Customers	• High-quality energy-efficient business premises • Facility services • Good customer service • Taking environmental responsibility into consideration • Long-term partnerships	• Offering practical, adaptable and energy-efficient business premises • Developing customer service channels and services • Maintaining regular contact with customers • Creating the conditions for long-term partnerships • Guiding customers towards operations that conserve energy and the environment
Investors and owners	• Dividend yield • Risk management • Responsible and transparent operations • Increase in shareholder value • Reliable information on the company	• Highly competent rental organisation • Competitive dividend policy • Reliable and transparent financial reporting • Identification of risks and reaction on them

Stakeholder group	Expectations towards Sponda	Sponda's actions
Financiers	• Achieving financial targets	• Effective management of financial risks • Maintaining a reputation as a responsible debtor
Subcontractors	• Equal treatment of subcontractors • Adherence to agreements • Long-term subcontractor relationships	• Effective purchasing and quality processes • Monitoring and steering the work and quality of subcontractors
Media	• Active, open and responsive communications • Reliable information on the company	• Timely, reliable and open communications • Developing and expanding communications channels
Society and the authorities	• Compliance with legislation and other regulations issued by the authorities • Responsible and transparent operations • Paying taxes	• Monitoring legislative developments and introducing the company's perspective to the discussion • Participation in the development of cities • Improving the energy efficiency of business premises • Providing jobs
Organisations	• Participation in the activities of industry organisations • Dialogue	• Active involvement in various organisations • Developing the industry in partnership with industry organisations
Other stakeholders, such as educational institutions and various research and development organisations	• Providing opportunities for internships and thesis writing • Participation in the industry's research and development activities	• Providing study opportunities to students in the field of real estate • Joint projects with educational institutions in the field of real estate

Responsibility priorities

In 2011, Sponda defined seven responsibility priorities, the implementation and development of which will be particularly focused on in the company's operations.

The priorities are based on the company's strategy and in particular on its strategic areas of focus related to customer experiences and environmental responsibility. The purpose of the responsibility priorities is to support the development of Sponda's operations from the perspective of sustainable development.

Sponda reviewed the responsibility priorities and their relevance to the operations of the company at the end of 2012. At the same time, the goals related to each priority were reviewed and progress in terms of reaching the goals was assessed.

Sponda's responsibility priorities are:

- Improving energy efficiency and reducing the carbon footprint
- Material efficiency
- Property locations
- Enhancing the customer experience
- Investing in employees
- Transparency in operations
- Taking the industry forward

More detailed information on each of the responsibility priorities can be found in sections dedicated to them in this online Annual Report.

Improving energy efficiency and reducing the carbon footprint

The property sector has a key role in mitigating climate change and improving energy efficiency. Sponda recognises this and pays particular attention to the energy efficiency of its properties and the carbon footprint caused by energy consumption.

Why is this a priority?

The EU climate and energy strategy aims for a 20 per cent decrease in the energy consumption of new buildings by 2020. Construction activity and energy consumption of buildings together represent over 40 per cent of final energy consumption.

Improving the energy efficiency of buildings and reducing emissions therefore plays a key role in achieving that aim. In 2021, all new buildings must meet near zero energy standards.

Sponda strives to reach the EU targets through its own operations and through cooperation with clients. Energy efficiency is an important consideration in all of the company's property development projects as well as renovation and maintenance operations. Sponda also encourages its clients to be energy efficient and to take environmental aspects into consideration in the use of properties. The company also provides guidance to its clients on energy efficiency and environmentally friendly building use.

Every day approximately 30,000 people work in premises owned by Sponda. As tenant activity causes up to 60 per cent of the total energy consumption of a building, co-operation between the landlord and tenant is of crucial importance in reducing energy consumption. Even small acts can result in major changes.

The figures for environmental responsibility concerning Sponda's properties located in Finland are collected on energy and water consumption and waste management. There is a certain degree of annual variability in Sponda's property holdings due to sales and purchases, which affects the comparability of the annual environment figures.

For 2012, comprehensive energy consumption related figures could be collected for Sponda properties also in Russia.

Improving energy efficiency and reducing the carbon footprint at Sponda

The key aspects of the priority are:

- The consumption of heat, electricity and water in buildings
- Property development
- Increasing environmental awareness among clients and employees

Certification and Sponda's design guidelines

At Sponda, new construction, property renovation and the design of low-energy office buildings are all subject to the company's design guidelines, which are in many ways more extensive than the generally applied standards and regulations. The guidelines help the company develop adaptable and energy efficient properties that offer good physical working conditions for tenants and users.

Sponda pays particular attention to environmental requirements in its property development operations. In 2011, Sponda decided to apply for international environmental classification, an environmental certificate, for all new buildings and major renovation projects. This allows Sponda to offer the customers increasingly high-quality and environmentally friendly premises.

Energy Efficiency Programme reduces environmental load

The energy efficient use of properties is supported particularly through Sponda's Energy Efficiency Programme. Originally launched in 2009, the scheme is aimed at achieving energy savings in cooperation with clients.

The Energy Efficiency Programme starts with an energy review in Sponda properties to determine the energy consumption of each property and to examine the different technical systems relating to energy consumption.

Energy-saving goals and measures for achieving them are set individually for each property in cooperation with the users. Developments are then monitored in regular meetings with clients. Sponda's partners Ovenia Oy and Corbel Oy are responsible for property maintenance operations and for collecting and monitoring energy consumption data.

The cost savings achieved through the Energy Efficiency Programme are reinvested in the property. The programme initially aims at energy savings of 10 per cent by 2016. The long-term goal is to achieve a 20 per cent saving in energy consumption by 2020.

Sponda increases environmental awareness among its employees

Sponda's head office in Helsinki was granted WWF Green Office certification in 2010 in recognition of the high extent to which environmental aspects are taken into consideration in office work. Sponda uses the Green Office programme to promote the environmental expertise of personnel and guide employees in making environmentally sound choices. Environmental awareness is increased through an annual Green Day event as well as Green Office tips published regularly on the company intranet.

Sponda aims to actively reduce the energy consumption and other environmental load of its head office. In 2012, the energy consumption of Sponda’s head office declined compared to 2011. Electricity consumption declined by 3.9 per cent, (standardised) heating consumption by 4.5 per cent and district cooling by 23.8 per cent. The major decline in the entire property’s water consumption, down 24.4 per cent from the previous year, is not comparable due to drain damage.

Sponda's employees are encouraged to make ecological choices through a company car policy that supports low-emission options. Employees are also provided with company bicycles. As part of Sponda's Green Office environmental programme, employees are also trained in economical driving. The company makes shared public transport tickets available to employees who need to travel in the Helsinki region during the working day.

Objectives and measures

Objectives for 2012

- Beginning of the application of the low energy building guideline
- Increasing environmental partnerships with customers during 2012
- Decreasing the energy consumption of Sponda’s head office by 2 per cent

Environmental load of Sponda properties in Finland

- Comparable total energy consumption of properties will decrease
- Comparable water consumption of properties will decrease

Energy consumption of Sponda's properties in Russia

- Development of consumption monitoring (electricity and water) in all properties
- Energy consumption of the certified property in Moscow will decrease
- Adoption of the energy saving guide in Russia

Environmental classification of buildings

- Applying for certification for newly constructed properties
- Applying for certification for renovation projects
- Applying for certification for existing office building in Russia

Measures taken in 2012

More properties covered by the Energy Efficiency Programme

At the end of 2012, the Energy Efficiency Programme covered 107 (2011: 113) properties. Some of the properties divested during the year were also omitted from the programme. Ten properties owned by the real estate funds managed by Sponda started their own energy efficiency scheme in 2012.

For properties that joined the programme already earlier, energy reviews continued, energy saving measures were taken and consumption was monitored in accordance with property-specific action plans.

Sponda’s Energy Efficiency Programme has been implemented also in Russia since 2010. Measures that save energy in the buildings are determined on the basis of the energy consumption reviews performed in the properties. In 2012, Sponda launched a tenant’s energy guide applicable to Russia, which was distributed at all Sponda's properties.

Monitoring of consumption in the properties and related reporting were developed during 2012 in Russia to cover all Sponda properties. The consumption of electricity, heating and water in the buildings is monitored on a monthly basis. The consumption figures are mainly comparable to the figures for the previous years.

Energy consumption of Sponda's properties decreased

The energy consumption of properties owned by Sponda decreased in 2012. The measured heating energy consumption of comparable properties was up by 1.1 per cent from the previous year. However, weather-adjusted heating energy consumption was 7.7 per cent lower than the year before. The total electricity consumption of comparable properties decreased by 4.8 per cent, water consumption declined by 11.5 per cent and cooling energy consumption fell by 29.5 per cent compared to the year 2011.

In 2012, the carbon footprint caused by the total energy consumption of all of Sponda’s properties in Finland was one per cent higher than the previous year.

In 2011–2012, Sponda took part in preparing the low-energy construction guidelines of RIL - Finnish Association of Civil Engineers. The guideline on low-energy construction of premises was published by RIL at the beginning of 2012. Sponda also completed its own low-energy building concept based on the RIL guideline in 2012.

Sponda joined the City of Helsinki’s and businesses’ joint Climate Partners network in 2012. The network aims to create new operating methods to reduce climate emissions and strengthen the competitiveness of companies.

Customer cooperation for the environment

Sponda encourages its customers to energy savings also in its Environmental Partnership Programme launched in 2011, which aims to reduce the environmental load caused by the use of buildings through joint efforts. The number of environmental partners was increased in 2012.

The content of the Extranet service for customers was expanded in 2012, and the service is in use in an increasing number of properties. The Extranet service gives customers guidance on energy efficient operations and waste sorting and also includes news on the progress of the Energy Efficiency Programme. Clients can also use the extranet to monitor the energy consumption of their property on a monthly basis.

Sponda arranged four environmental events at clients' premises in partnership with WWF Finland during 2012. The events, open for everyone, offered diverse environmental information and encouraged the users of premises to think about environmental issues.

International environmental certification for three properties

A total of three Sponda-owned properties were granted international environmental classification in 2012:

- The Ducat II office building in Moscow was awarded Good-level BREEAM® In-Use certification. It was Sponda's first environmental certificate in Russia.
- The renovated office building on Unioninkatu 20–22, Helsinki, was awarded a Good-level BREEAM® certificate. The building is the first new building or renovated property to receive a BREEAM® certification in Helsinki.
- The production facility built by Sponda in Vantaa was awarded the Pass-level BREEAM® environmental certificate for a new building. The new building is leased to Metso in full.

Sponda has previously received four international environmental certificates

- The office building on Sörnäistenkatu 2 in Helsinki has been awarded an in-use LEED® certificate.
- The office building completed in 2011 as part of the Citycenter block has been granted new building LEED® certification.
- The Ruoholahden Tähti office building has been granted a BREEAM® In-Use certificate.
- The PortGate office building in the Port of Vuosaari has been granted a BREEAM® In-Use certificate.

Objectives for 2013

- More environmental partnerships will be formed and action plans will be actively implemented

The environmental load of Sponda's properties in Finland:

- The comparable consumption of electricity, heating, cooling and water will decline in properties in Finland
- Developing a metrics strategy in 2013
- Renewable energy sources research project and implementation of an application in 2013
- The consumption figures of Sponda's head office (electricity, heating, district cooling and water) will be reduced (water consumption to be compared to 2011)

The energy consumption of Sponda's properties in Russia:

- Energy consumption will decrease in three properties in Russia

The environmental classification of buildings:

- Environmental certification for one newly constructed building
- Certification work will continue and preliminary analyses will be conducted for new projects

Electricity, heat, water and cooling consumption / Gross floor area, GFA, m²

	2012	2011	2010
Electricity, kWh/GFAm²	**115.7**	105.1	117.3
Heat, normalised, kWh/GFAm²	**108.0**	118.9	117.8
Water, ltr/GFAm²	**216.9**	255.7	239.0
Cooling, kWh/GFAm²	**24.0**	29.5	34.5

Electricity, heat, water and cooling total consumption

	2012	2011	2010	Change 2011–2012, %
Electricity, all properties, MWh	**198,358**	204,622	210,319	-3.1
Electricity, comparable properties, MWh	**163,846**	172,151		-4.8
Heat, normalised, all properties, MWh	**179,070**	190,581	184,570	-6.0
Heat, normalised, comparable properties, MWh	**142,116**	154,049		-7.7
Water, all properties, m^3	**357,062**	408,114	391,443	-12.5
Water, comparable properties, m^3	**271,390**	306,750		-11.5
Cooling, all properties, MWh	**5,052**	7,377	7,516	-31.5
Cooling, comparable properties, MWh	**3,574**	5,068		-29.5

Energy and water consumption by main segments 2012

	Office and retail properties	Shopping centres	Logistics properties
Electricity, MWh	126,262	22,719	48,787
Heat, measured, MWh	107,200	17,237	43,703
Heat, normalised, MWh	111,665	17,740	45,423
Water, m^3	235,997	50,649	67,466
Cooling, MWh	4,332	67,466	0

Carbon footprint arising from energy consumption of Sponda's properties in Finland

	Electricity				Heating				Cooling			
	2012	2011	2010	Change, %	2012	2011	2010	Change, %	2012	2011	2010	Change, %
CO_2 emissions in total (tonnes)	16,464	16,984	26,921	-3.1	28,946	27,642	34,586	4.7	354	513	505	-31.1
Property quantity (pcs)	155	152	146		152	148	139		12	10	9	

	Electricity				Heating				Cooling			
	2012	2011	2010	Change, %	2012	2011	2010	Change, %	2012	2011	2010	Change, %
Specific CO_2 emissions (kg/GFAm²)	9.6	8.8	14.4		17.3	17.4	22.7		1.7	2.3	2.4	

	Fuels				Total			
	2012	2011	2010	Change, %	2012	2011	2010	Change, %
CO_2 emissions in total (tonnes)	486	669	761	-27.4	46,249	45,807	62,773	1.0
Property quantity (pcs)	2	2	2		158	155	146	
Specific CO_2 emissions (kg/GFAm²)	N/A	56.5	64.3		26.7	25.9	36.8	

Estimates of the carbon footprint from energy consumption in properties in 2010 are based on the emission factors reported by energy companies for 2010. Footprint calculation for 2011 and 2012 is based on 2011 emission factors.

Fuels have been reported only for the part of the year, when Sponda has owned the properties using fuel. These properties were sold during 2012.

Material efficiency

Sponda's efforts in promoting material efficiency are particularly focused on waste sorting and providing instructions for waste sorting. The aim is also to reduce the amount of waste generated in construction work.

Why is this a priority?

In 2008, the Finnish Government approved a national waste plan aimed at reducing waste generation and achieving a reduction in the total annual volume of municipal waste by 2016. The objective of the plan is to have less than 20 per cent of municipal waste end up in landfill sites, with the remaining 80 per cent recycled or used for energy generation. Sponda aims to contribute to the overall effort to reach the goals of the national waste plan through its own operations.

Material efficiency in Sponda's operations

The key aspects of the priority are:

- The sorting and recovery of property waste
- Improving efficiency in material use, also in purchasing
- Producing services with fewer material inputs and lower environmental effects

While the appropriate sorting of waste is the responsibility of the users of properties, Sponda aims to facilitate convenient sorting of waste at its properties through its own operations and by ensuring that the necessary waste sorting facilities are in place. The company arranges for post-sorting waste management, unless otherwise agreed with tenants. Sponda encourages the users of properties to recycle and sort waste and to reduce the total volume of waste.

Reducing the volume of waste generation is an integral aspect of material efficiency. Sponda's construction and renovation projects take this aspect into account by investing in flexible and adaptable spatial solutions in building design. This reduces construction waste-generating alteration work during the use of the building.

In the construction phase of new buildings and major renovation projects, the company has adopted on-site waste management guidelines according to the international LEED® and BREEAM® certification systems. In all construction and renovation projects and in the daily use of the company's properties, the aim is to minimise the volume of waste ending up at landfill sites.

Sponda will also focus increasingly on reducing the volume of waste as well as producing services with fewer material inputs and lower environmental impact.

Objectives and measures

Objectives for 2012

- Environmental partnerships with customers will be increased during 2012
- The recycling rate in the properties in Finland will be increased to over 70 per cent

Measures taken in 2012

Sponda improved waste recycling at its properties at the beginning of 2012 by signing a cooperation agreement with Lassila & Tikanoja. The agreement facilitated waste sorting for customers operating in premises owned by Sponda and improved the reuse rate of the materials.

Due to the cooperation, the recycling rate of waste in the properties owned by Sponda in Finland increased to 82 per cent and in the metropolitan area even to 86 per cent. Sponda's total waste volume in 2012 was 5,898 tonnes (2011: 5,610 tonnes), of which 1,059 tonnes (2,371 tonnes) mixed waste. The volume of mixed waste will be further reduced by improving waste sorting.

Number of environment partnerships increased

In order to increase environmental awareness among its customers and strengthen its customer cooperation, Sponda launched an Environmental Partnership Programme with 10 customers in 2011. The aim of these partnerships is to increase the energy efficiency of premises and the waste recycling rate as well as to pay attention to the environmental effects of customers' operations. The content and objectives of the cooperation are always agreed upon with the customer.

During 2012, the number of environmental partnerships increased, and 16 Sponda customers were involved in the partnership programme at the end of the year. The aim is to increase the number of partners further in 2013.

WWF Finland has been one of Sponda's key partners in promoting environmental responsibility since 2010. The aim of the cooperation is to pursue environmentally friendly practices in Sponda's operations and promote environmental responsibility among the company's customers and the entire real estate industry.

Sponda expanded its cooperation with WWF in spring 2012 to also cover services related to WWF's Green Office environmental system. Sponda supports its customers' Green Office processes by helping their Green Office teams set their consumption goals and reporting consumption data. Sponda's customers receive a discount from the Green Office membership and annual fees.

Climate covenant to mitigate climate change

Sponda joined the Climate Partners network of businesses and the City of Helsinki in 2012. The aim of Climate Partners is to find new practices for mitigating climate change. All companies in the network have signed a climate covenant, setting themselves goals, such as reducing CO_2 emissions, improving energy efficiency and developing new services that reduce greenhouse gas emissions.

Sponda committed itself to the following goals:

- The comparable total energy consumption of Sponda's properties will decrease by 10 per cent by 2016.
- The recycling rate in Sponda's properties will be increased to over 70 per cent by 2014.

Goals for 2013

- The proportion of recoverable waste at Sponda's properties in Finland will increase to ≥ 86 per cent
- More environmental partnerships will be formed and action plans will be actively implemented
- The volume of office waste at Sponda's head office will be reduced

Waste volume report

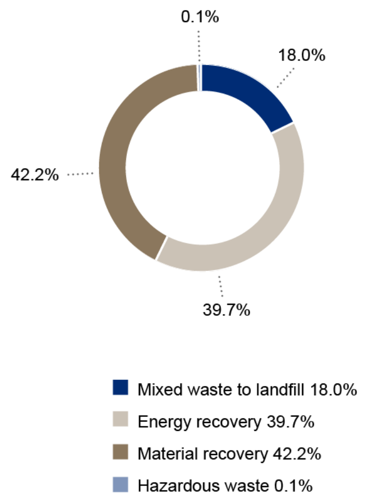
		2012 (tonnes)	2011 (tonnes)	2010 (tonnes)
Mixed waste to landfill		**1,059.4**	2,371.0	2,096.5
Energy recovery		**2,343.0**	751.5	698.0
Material recovery				
	Biowaste	**748.4**	493.2	307.7
	Paper	**623.4**	823.7	782.8
	Paperboard	**825.5**	891.7	558.1
	Cardboard	**121.5**	120.5	97.1
	Glass	**88.1**	60.8	15.7
	Metal	**48.3**	34.1	13.6
	Plastic	**1.9**	0.9	1.0
	Other waste	**31.1**	55.6	40.5
Hazardous waste		**7.0**	7.0	
Total		**5,897.7**	**5,610.0**	**4,611.1**

	2012 (pcs)	2011 (pcs)	2010 (pcs)
Number of sites	**119**	127	126
All sites	**206**	203	200
Partially owned or triple-net leased properties	**83**	72	74

This includes Sponda-owned properties where the property owner is responsible for waste management.

Does not include triple-net leased or partly owned properties.

Waste management



Property locations

Sponda takes environmental considerations into account in deciding on the locations for its property investments. The company's properties are in key areas in major cities and in locations accessible by public transportation, which helps reduce the environmental impacts of the properties.

Why is this a priority?

For Sponda, the central location of its properties is a key strategic choice: the company's properties are in key areas in major cities and in locations with good public transport links. This strategy supports Sponda's commitment to environmental responsibility.

Location is also one of the criteria applied in the environmental certification of business properties. The BREEAM® and LEED® certification processes take into account public transport links, bicycle parking facilities and the building's energy source, which is also influenced by zoning.

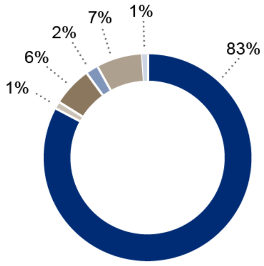
Property locations as Sponda's priority

The key aspects of the priority are:

- Taking environmental aspects into account in making decisions on property investments
- Focusing on properties located in cities, accessible by public transportation
- Concentrating on prime areas

Sponda's investment strategy is also financially sustainable and responsible. The demand and rental levels for properties in low-risk prime areas are more stable, even in economically uncertain times. Approximately 80 per cent of Sponda's properties are located in these areas. The investment strategy also supports the comprehensive sustainability of Sponda's operations.

Investment properties by location and by fair value*



EUR 3,126.2 million

- Helsinki metropolitan area 83%
- Turku 1%
- Tampere 6%
- Oulu 2%
- Moscow 7%
- St. Petersburg 1%

* Excl. Property Development and Real Estate Funds

Objectives and measures

Measures taken in 2012

The office building developed by Sponda for Talentum Plc reached rooftop height in 2012. The new building, with a total floor area of nearly 6,000 square metres, is located in Helsinki's Ruoholahti district and has excellent public transport links. Energy efficiency and environmentally friendly solutions were emphasised in the design and construction of the office building. Sponda will apply for international LEED® environmental certification for the building.

The renovation of the Citycenter block in the centre of Helsinki was largely completed in 2012. Citycenter is Sponda's most significant current property development project. The project has made the traditional retail block significantly more comfortable, improved pedestrian access and boosted the appeal of the surrounding area.

Sponda completed the modernisation of an office and retail property on Hämeenkatu in Tampere in 2012. The property is located in the city centre with good public transport links.

Sponda also increased its level of preparedness to commence the Ratina shopping centre project in Tampere in 2012. If the required advance occupancy rate is achieved, Sponda is prepared to commence construction in summer 2013.

Long-term objectives

- Increasing the share of shopping centres and office properties in the company's property portfolio
- Developing the property portfolio by concentrating on prime areas and locations with good public transport links

Enhancing the customer experience

Sponda aims to develop interactive long-term partnerships with its customers. Positive customer experiences are created by identifying customer needs and responding to them.

Why is this a priority?

Sponda aims to be a trustworthy property partner that offers each customer premises that are precisely tailored to their needs and an effective customer relationship. In customer relationships, the goal is to achieve a long-term interactive partnership rather than a unilateral lessor-tenant relationship.

Enhancing the customer experience is part of Sponda’s commitment to its brand promise of being the most trustworthy and competent company in its field, offering its clients the best possible operating environment and the most effective customer relationship in the market.

At the end of 2012, Sponda had a total of 2,130 customers and 3,228 lease agreements. The largest client sectors were the public sector, retail and banking.

Enhancing the customer experience in Sponda

The key aspects of the priority are:

- Identifying customer needs and responding to them
- Taking a more proactive approach to customer relationships
- Creating the conditions for long-term partnerships

Building the customer experience begins from the very first meeting between the client and Sponda. Sponda’s expertise helps customers find business premises that are tailored to their unique needs. However, the customer experience does not end when the right business premises are found. Instead, it develops and strengthens throughout the customer relationship. Sponda’s process supporting the development of the customer experience is aimed at identifying the best ways of working from the customer's perspective.

Sponda maintains active contact with its customers. Day-to-day matters and potential needs for changes are discussed in customer meetings. Sponda’s customers are also assisted in day-to-day issues related to their business premises by the company’s customer service centre and property-specific Extranet services.

Sponda regularly surveys customer satisfaction. The customer service centre monitors the early stages of customer relationships and the reasons behind the termination of customer relationships by interviewing new customers as well as customers who have ended their tenant relationship with Sponda. The surveys, which are carried out by telephone, also provide customers with the opportunity to give spontaneous feedback. Sponda uses the results of the surveys to improve its operations.

In addition to carrying out in-house surveys, Sponda participates in customer satisfaction surveys conducted by KTI Property Information Ltd. The KTI survey is an annual benchmark study involving a large number of industry participants. In 2012, a total of 515 Sponda customers participated in the benchmark study. Marks of the investments in the strategic processes were already seen in the form of improved customer satisfaction. The issues highlighted in the study are discussed further in Sponda’s customer meetings.

The aim of customer service operations is to allow the customer to focus on their own business while Sponda handles all property-related services in cooperation with its property management partners.

Customers by sector 2012

Sector	Share of Sponda's rental income, %
Professional, scientific and technical activities	6.5
Energy	0.6
Public sector	12.0
Wholesale/retail	26.4
Education	1.3
Logistics/transport	5.3
Hotel and catering business	4.9

Sector	Share of Sponda's rental income, %
Media/publishing	1.7
Other services	12.5
Banking/investment	11.5
Construction	1.7
Industry/manufacturing	5.9
Healthcare	4.0
Telecommunications	5.3
Others	0.2

Top 10 tenants 2012

Tenant
State of Finland
Kesko Group
Danske Bank Plc
HOK-Elanto
Metso Automation Oy
Nordea Bank Finland Plc
City of Espoo
City of Helsinki
Diacor
Elisa Corporation

Objectives and measures

Objectives for 2012

- Activating the customer relations strategy
- Developing the customer experience concerning subcontractors
- Developing customer service centre operations
- Adopting the best service innovations

Measures taken in 2012

Sponda's customer relationships work and development is based on the company's customer experience management strategy. The strategy defines the customer relations management models and processes for making customer relationships deeper and longer.

Sponda continued the implementation of its customer relations strategy in 2012. The company engaged in closer communication with customers by increasing the number of customer meetings and developing its customer service channels.

The customer experience often begins online, with the customer searching for information on new potential business premises. In recognition of this, Sponda's customer communications work in 2012 had a particular focus on developing the company's online services. The Extranet services for customers were expanded and greater activity among the user base was promoted by providing support for service implementation through the customer service centre.

Sponda also increased its activity in social media by opening a Facebook page and a Live Chat service as new customer service channels. The customer service centre's services were expanded with regard to internal services, which is communicated to external customers in the form of faster and more responsive services and an improved customer experience.

Property services are an integral part of the customer experience. During the year, Sponda audited its subcontractors' processes and developed reporting under its subcontractor agreements.

New service innovations to benefit customers

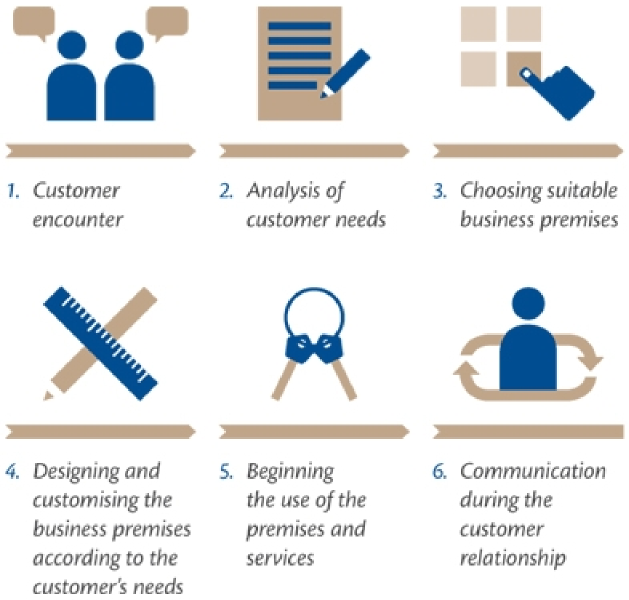
Sponda also aimed to improve the customer experience by developing new service innovations. In addition to the Facebook Live Chat service, examples of new and effectively implemented innovations include the launch of the WWF Green Office partnership and the piloting of videoconferencing. Both of these services assist Sponda's customers also in implementing their environmental responsibility initiatives.

Sponda implemented an interactive process in 2012 to facilitate a more systematic approach to collecting and processing development ideas and suggestions from employees. The ideas and initiatives may be related to the development of Sponda's own processes, improving the customer experience, or environmental responsibility.

Objectives for 2013

- Developing and measuring operations in line with the customer relations strategy
- Improving the effectiveness of customer communications at Sponda-owned properties
- Investing in customer data management (CRM system renewal)
- Continuing service innovations

Sponda's customer process



Building the customer experience begins from the very first meeting between the client and Sponda and it continues and develops throughout the customer relationship. Sponda's expertise helps customers find business premises that are tailored to their unique needs. As business premises solutions are long-term decisions, the analysis of the client's needs takes into account the client organisation's future prospects and objectives.

Business premises are tailored to these needs in close cooperation with the client. Flexible solutions can be easily adapted as the client's operations develop and change.

The customer experience does not end when the right business premises are found. Instead, it develops and strengthens throughout the customer relationship. Sponda maintains regular contact with its customers and analyses customer satisfaction annually. The aim is to create interactive long-term customer relationships.

Investing in employees

Sponda's personnel are a motivated team of professionals who know their customers' needs and are united by good team spirit. Employee wellbeing and expertise are key success factors for an expert organisation. They are developed through training and good management.

Why is this a priority?

Appropriate training and good management enable Sponda to achieve its strategic goals. For an expert organisation like Sponda, ensuring employee qualifications and a high level of professional expertise are particularly important. Occupational wellbeing creates a foundation for excellent work performance and work fitness.

Caring for employees at Sponda

The key aspects of the priority are:

- Occupational wellbeing
- Improving expertise
- Internal communications

Monitoring job satisfaction

Job satisfaction and organisational effectiveness are assessed at Sponda on a regular basis through an annual employee survey. The employee survey aims to analyse employees' perceptions regarding their jobs, organisational effectiveness, management and commitment. The respondents are also given the opportunity to express their expectations regarding the development of their jobs and the work community and to influence the solutions implemented by the company.

Personnel development

Sponda aims for continuous improvement and learning in all its operations. Employees are encouraged to develop themselves and be independent and active in their own work. Common training programmes are arranged for personnel based on the needs arising from Sponda's strategy, customer and stakeholder feedback as well as from performance and appraisal discussions, or personnel may be offered the opportunity to participate in training outside the company.

Sponda's personnel development is guided by the company's customer-focused way of working. Appraisal discussions are conducted to ensure that everyone is aware of the link between one's own job and Sponda's strategy and objectives. In addition to performance and appraisal discussions, personnel development and the achievement of goals are evaluated on the basis of benchmarking, the investments made in personnel development and employee surveys.

Health care and supporting physical fitness and exercise

Sponda invests in the wellbeing of its employees in many ways, including by providing comprehensive health services. The aim of Sponda's occupational health care is to prevent illnesses and problems resulting from stress and other work-related psychological factors and to support work fitness. The goals also include the prevention and early detection of lifestyle diseases and supporting self-care. Sponda has a special wellbeing programme to support the work fitness of employees who have been in working life for a long time.

Sponda also looks after occupational health and wellbeing by supporting its employees' physical exercise and cultural activities. Employees are offered company bicycles to encourage them to choose commuting options that provide significant health benefits while also being environmentally friendly.

Rewarding employees

Sponda uses an incentive scheme that covers all personnel and is based on both the company's common goals and on personal targets set specifically for each employee.

For more information on rewards and incentives, please refer to the Management and Personnel section of this Annual Report.

Equal opportunities

Sponda's objective is that employees do not experience any unequal treatment on the basis of gender, age, religion, health or other such factors. Fair and non-discriminatory treatment applies to the entire employment relationship, from recruitment to termination.

Objectives and measures

Measures taken in 2012

Overall results of the personnel survey were extremely good

The annual employee survey was carried out in autumn 2012 to collect information on the respondents' level of satisfaction with their own work, their workplace, managerial supervision and leadership and the operation of the organisation. The response rate was high at 96 per cent.

The overall results with regard to the personnel satisfaction survey and internal customer relationships were extremely positive compared to the comparative standards of the survey, just as in previous years. The development wishes that emerged in the study had more to do with developing the content and organisation of one’s own work than the operation of one’s unit or the company as a whole, which the respondents were particularly satisfied with.

Sponda's employees have a very positive view of the company and are willing to recommend Sponda as an employer. Based on the results corporate-level decision-making and change implementation ability are appreciated, there are no disturbing rumours, and the company’s strategy has been effectively communicated. Trust in the top management is solid, and the values and goals are well known and considered worth pursuing.

Based on the survey, Sponda’s rewarding system is regarded as fair. Also, investments in personnel wellbeing were given an extremely positive grade. Sponda is seen as treating its employees in a fair and equal manner. This is also the best way to ensure equality between male and female employees.

Based on the results analyses, each unit prepares a development plan and the management board chooses broader themes to focus on to improve further Sponda's working atmosphere and operations.

ERP system harmonises ways of working

Sponda launched an enterprise resource planning (ERP) system project in early 2012, aiming to harmonise ways of working, increasing operational efficiency, support the management of customer accounts and making day-to-day work easier.

The development of the ERP system responds to the wish that emerged in the 2011 personnel survey regarding the development of tools and information systems, and it also supports customer relationship management.

Sponda supports personal development

With regard to the development of personnel, particular attention was paid to process management. This development process clarified the content, key roles and decision-making model of Sponda’s strategic processes – customer experience management (CEM), purchase and quality as well as environmental responsibility.

During the year, Sponda also launched a survey of personnel potential (management assessment). The survey will be carried out at various organisational levels, and it is part of the company’s successor planning, which aims to ensure the success of the company in the future as well.

In 2012, there were 2.38 training days per person and training costs accounted for 3.1 per cent of salaries.

All Sponda employees participated in performance and appraisal discussions in 2012. In the performance and appraisal discussions, concrete training and development measures are determined for each employee on the basis of personal development plans to achieve the objectives set for them.

The Feel Younger programme was extended to support occupational wellbeing

Sponda continued the Feel Younger through Better Physical Fitness programme focused on physical exercise in 2012. Participants' physical age and body composition was measured at the beginning and end of the programme. The programme also offered tailored guidance for those who are physically active.

All programme participants were instructed on preparing a personal exercise programme and a nutrition programme that supports the achievement of the goals. The aims of the programme included the prevention of health problems caused by sedentary work and stress.

An interactive process for handling suggestions and ideas from employees

In accordance with the goals set for 2012, an interactive process was developed and deployed for the processing of employees' development ideas during the year. Employees can submit initiatives electronically to intranet's InnoBox, and the initiatives and ideas received are reviewed monthly in the Inno team, comprised of the management and employees' representatives. All ideas are also relayed to Sponda's Executive Board.

The company's operations are improved with the help of the ideas and initiatives. Ideas for the development of internal processes were the most frequently submitted. Small everyday measures that improve occupational wellbeing were also frequently suggested. In addition, employees' increasing interest in environmental responsibility could be seen in a large number of ideas. Employees can be rewarded for significant ideas that are implemented.

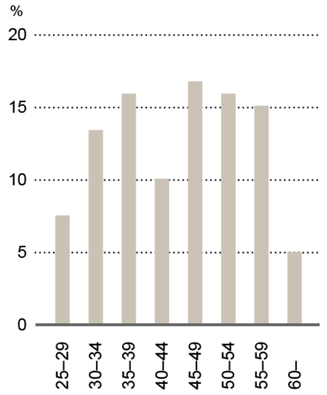
Objectives for 2013

- Tools are developed to better support the work of the personnel and the attainment of objectives
- The working environment is developed together with the personnel so that it will better support their work and assist in reaching the company's goals

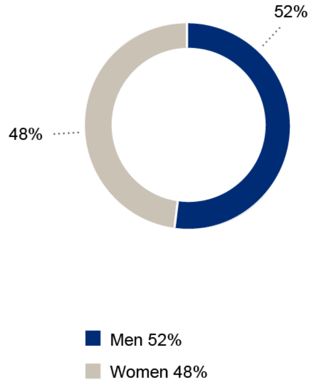
Key figures for the personnel	2012	2012	2012	2011	2010
	Corporate	Parent company	Russia	Parent company	Parent company
Number of personnel, at the year-end	**119**	**107**	**12**	114	107
Number of personnel, in average	**122**	**110**	**12**	110	111
Men, %	**49.6**	**52.3**	**25**	50.9	51
Women, %	**50.4**	**47.7**	**75**	49.1	49
Average age	**44.5**	**44.8**	**41**	45.3	45.5
Days lost through sickness, in average	**3.8**	**3.9**	**1.9**	3.9	4
Training days per employee, in average	**2.5**	**2.3**	**5.1**	2.3	2.9
Training hours per employee	**17.9**	**17.3**	**38.0**		

Personnel survey results, Group (Scale 1-4)	2012	2011
Commitment	**3.24**	3.21
Leadership	**3.21**	3.20
Performance	**3.06**	3.08
Engagement index	**3.45**	3.48

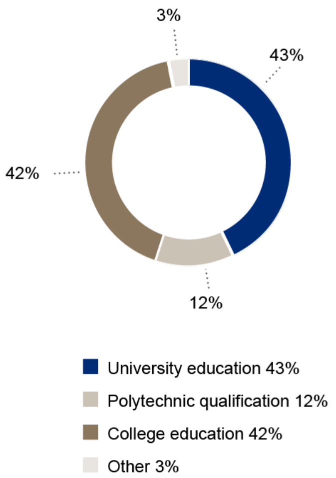
Age ratio,
31 Dec 2012, Sponda Plc



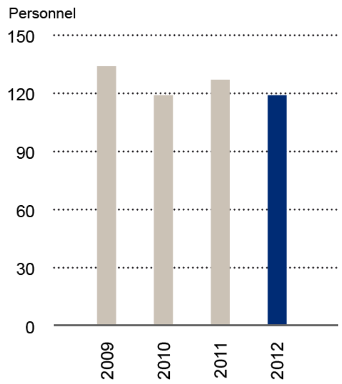
Sex ratio,
31 Dec 2012, Sponda Plc

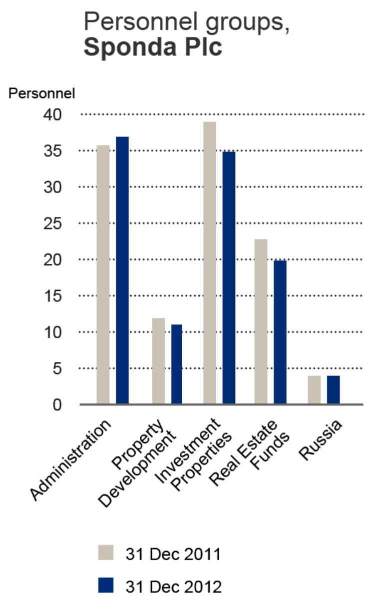


Educational structure,
31 Dec 2012, Sponda Plc



Personnel at the year-end,
Sponda Group





Transparency in operations

The transparency and accuracy of information regarding the company's operations is of utmost importance to Sponda. Openness and transparency are promoted through developing the company's operating models and by engaging in open dialogue with stakeholders.

Why is this a priority?

Sponda believes that transparent communications and operations increase stakeholder trust in the company. For Sponda, transparency means, above all, reliable communications and reporting.

Promoting transparency at Sponda

The key aspects of the priority are:

- Financial reporting
- Reporting on responsibility
- Communication

Sponda’s financial reporting complies with existing legislation and standards. The company also serves investors by providing information on its operating environment and development in line with EPRA (European Public Real Estate Association) recommendations, among others. Reporting is continuously developed on the basis of interaction with investors and other stakeholders.

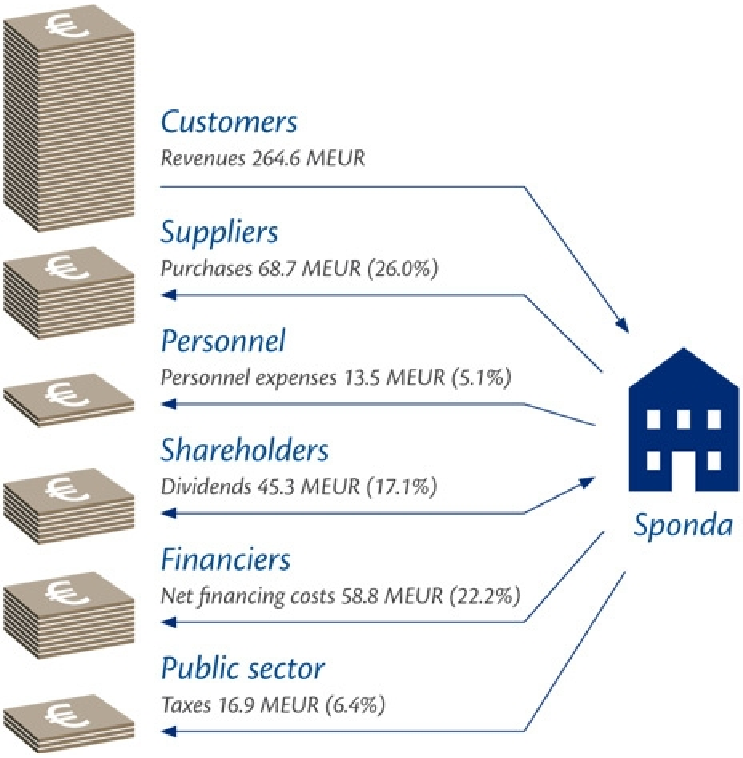
More detailed information on Sponda’s key stakeholder groups and the company’s interaction with them can be found in Sponda’s stakeholder groups in this Annual Report and on the company website. The cash flows by stakeholder group chart evaluates the importance of stakeholders based on whether or not they are able to have a significant impact on the company’s operations.

Sponda's customer relationships are based on interactive partnership. This is supported by a commitment to develop the company's operating models and make customer communications increasingly interactive. A key focus in Sponda's internal communications has been the development of avenues of communication between the management and employees through arranging regular events to improve the dissemination of information and provide opportunities for discussion.

Sponda has systematically developed its responsibility reporting. The company has also defined key priorities in the area of corporate responsibility, which are used in reporting and in developing further reporting activities.

Cash flows between stakeholders, IFRS

(share of Sponda's turnover, %)



Objectives and measures

Objectives for 2012

- An interactive process for handling suggestions and ideas from employees
- Improving the interactivity of the website

Measures taken in 2012

During 2012, Sponda engaged in increasingly close dialogue with the company’s shareholders and investors. The aim is to increase interaction in stakeholder cooperation through open dialogue and proactively responding to any questions that investors might have.

In addition to NASDAQ OMX Helsinki, Sponda's shares are traded on alternative markets. To increase the transparency of Sponda's share price, since the beginning of 2012 the company's website has featured data from alternative markets under the share monitor and price history search tools. The site also contains price data based on data from NASDAQ OMX Helsinki.

Sponda is liable for the operations and quality of work of its subcontractors towards its own customers. In 2012, the purchases and quality process responsible for the company’s quality control audited the operations of subcontractors providing property services and developed the related reporting.

Online services becoming more interactive

Sponda developed its customer communications during 2012 by opening new interactive customer service channels. The Facebook site and Live Chat service facilitate communications between Sponda and its customers. The content of the Extranet service for customers was also developed, and it is used increasingly in the customer base.

An interactive process for handling suggestions and ideas from employees was deployed during 2012. Employees can submit initiatives electronically on intranet. All ideas are also reviewed by the Inno team comprised of representatives of the management and employees, and they are also relayed to Sponda's Executive Board. Sponda's operations are developed using these ideas and initiatives.

Goals for 2013

- Capital Market Day for investors in 2013
- Activating customer dialogue in customer meetings and all customer service channels

Taking the industry forward

Sponda develops methods and practices in the real estate sector through active participation in collective industry projects and through its activities in different organisations. In addition to work in the organisations, the company aims to take the industry forward through its own development activities.

Why is this a priority?

Through organisational activities and its own research and development, Sponda promotes the sharing of information and expertise and develops its own operations and those of the real estate industry from the perspectives of environmental, social and economic responsibility.

In Finland, buildings are responsible for around one third of the country's carbon dioxide emissions. For this reason, Sponda's development work takes the energy efficiency of properties and controlling climate change into particular consideration.

As a responsible property company, Sponda also participates in the development of cities in cooperation with cities, other property owners and various partners. The vitality of the city environment is also an important factor for the appeal and occupancy rates of Sponda's own properties.

Companies, organisations and authorities in the construction and real estate industry also have an important role in protecting against the grey economy and commercial crime. This role is emphasised particularly during periods of recession, when commercial crime often increases. RAKLI ry estimates that the losses due to the grey economy in the construction industry alone amount to around EUR 500 million each year. (RAKLI ry 2011)

Responsible ways of working are also promoted in cooperation with Sponda's subcontractors. The company requires transparent operations on the part of subcontractors, as well as open and up-to-date communications. By cooperating exclusively with reliable partners and monitoring the operations of its subcontractors, Sponda also ensures the viability of its own operations.

Taking the industry forward in Sponda's activities

The key aspects of the priority are:

- Active participation in development work in real estate and construction industry organisations
- Sponda's own research and development work
- Sharing expertise and professional competencies

Involvement with industry organisations

In addition to its own development work, Sponda promotes best practices in the real estate industry by participating in projects and organisational activities with organisations and companies in the industry.

Sponda is involved with the following organisations and projects:

- WWF Finland, main partner in cooperation
- Green Building Council Finland (FIGBC), founding member
- Russian Green Building Council (RuGBC), member
- RAKLI (the Finnish Association of Building Owners and Construction Clients), member
- Elävä Kaupunkikeskusta (Living City Centre) ry, member
- Finnish Business and Society ry (FiBS ry), member
- Finnish Council of Shopping Centres, member
- European Real Estate Association (EPRA), member
- Helsinki City Markkinointi (Helsinki City Marketing) ry, member
- Tapiolan Alueen Kehitys Oy (TAK), shareholder
- Design District Helsinki, supporting member
- Projects of the Association of Finnish Civil Engineers (RIL)
- European Association for Investors in Non-listed Real Estate Vehicles (INREV)

Developing the real estate industry

Sponda participates actively in the Finnish Association of Building Owners and Construction Clients (RAKLI). The association is an opinion leader in the real estate and construction industry, which strives to develop actively the industry, promote networking of experts and communicate information about the economic situation. The Managing Director of Sponda has acted as head of the electoral committee of RAKLI for several years. Sponda has a representative in each of the three committees of RAKLI's organisation.

The company is also an active member of the Finnish Council of Shopping Centres, which develops shopping centre activities and whose practical activities are overseen by RAKLI.

Sponda aims to reduce the environmental load caused by the real estate industry by cooperating with WWF Finland and by participating actively in the activities of Green Building Council Finland (FIGBC) and the Russian Green Building Council (RuGBC).

Sponda is one of the main partners of WWF Finland. The aim of the cooperation is to pursue environmentally friendly practices in Sponda's operations and promote environmental responsibility among the company's customers and the entire real estate industry. The goal of Green Building Council Finland (FIGBC) is to promote practices for sustainable development in the real estate and construction industry along with environmental classification of properties, to communicate information and expertise and to activate discussion.

Sponda promotes responsibility in corporate activities as a member of FiBS ry (Finnish Business and Society). The company develops consistency and transparency in financial reporting for the real estate sector through its activities in EPRA, the umbrella organisation for listed European property investment companies.

Participation in the development of cities

Sponda participates in the development of cities through several different organisations. Sponda is a member of Elävä Kaupunkikeskusta (Living City Centre) ry, whose goal is continuous development of city and municipal centres into more vital, comfortable and competitive environments.

Sponda is also involved in Helsinki City Markkinointi ry, a cooperative association of centrally located property owners, entrepreneurs and city authorities. The goal of the association is to increase the comfort and appeal of the city centre. The company also promotes the activation of the city centre as a supporting member of the Design District Helsinki city district association.

Objectives and measures

Measures taken in 2012

Active participation in RAKLI ry

Sponda participated actively in the projects of RAKLI ry in 2012. Several workshops was arranged to issue statements on regulations concerning construction and energy efficiency, among other activities. In the workshops, RAKLI collected its members' opinions and issued statements on changes in building energy certificates and new amendments to regulations on the energy efficiency of buildings, for example.

RAKLI's Eco-efficient Contractual Practices development project was completed in 2012. The goal was to develop energy and environmental efficiency in properties by developing operational models and tools for contracts between property owners and tenants as well as service providers.

In 2011–2012, Sponda took part in the Alueelliset energiaratkaisut (Local Energy Solutions) workshop clinic organised by RAKLI, developing descriptions of concepts for local energy solutions and related requirements and business models.

Sponda was involved in a development project of KTI Kiinteistötieto Oy (Property Information) entitled Kohti kestävää kiinteistöliiketoimintaa – Johtamisen ja mittaamisen työkalut (Toward Sustainable Business – Management and Measurement Tools). The aim was to survey the position of responsibility and management systems in Finnish real estate companies and create new indicators for their use. The work will continue in 2013.

Cooperation across borders

In the summer of 2012, Sponda participated in the annual European Architecture Students Assembly, EASA, which was held in Finland for the first time. The Wastelands festival was part of the official programme of World Design Capital Helsinki 2012.

In a workshop arranged jointly by Sponda and architecture students was explored future working methods as well as the business premises solutions suited to them. Based on the results, future business premises of companies will be more and more flexible, specialised and playful.

Sponda is involved in building a free wireless network in Helsinki by offering WLAN base station locations in its properties. Sponda is one of the partners of NextMesh, the company building the network. The WLAN connection opened on Helsinki Day, 12 June 2012, made Helsinki the first capital city in the world where city centre communications are based on a fully wireless, free and continuous data network.

Charity event at Elo Shopping Centre

Sponda's Elo Shopping Centre in Ylöjärvi arranged a charity gala evening at the end of 2012, raising money for preventing the social exclusion of local youths in cooperation with the town of Ylöjärvi. The ticket revenues and revenues from the charity auction arranged during the event were directed to measures that help young people find work.

Sponda's own development activity focused strongly on improving the customer experience and making quality control more effective in 2012.

Energy-efficient cooperation

Sponda joined in 2011 a voluntary business premises energy efficiency action plan (TETS), which is part of the real estate sector's energy efficiency agreement. The programme is organised jointly by the Ministry of Employment and the Economy and RAKLI. The goal of the framework agreement is to decrease energy consumption in the properties included in the agreement by 6 per cent by 2016.

Sponda joined the agreement with 124 properties, and it will report on the energy consumption of these buildings and the measures taken. The goal of the energy efficiency agreement is to show that Finland will achieve the energy saving goals set at the EU level through voluntary measures.

GRI index

Application level C

1. Strategy and analysis

	GRI content	Reported	Link	Comments	Complies with EPRA's best practice recommendations*
1.1	Statement from the most senior decision-maker of the organization	Yes	Chief Executive's review		
1.2	Description of key impacts, risks, and opportunities	Yes	Strategy		
			Responsible property investment		
			Energy efficiency and carbon footprint		
			Corporate responsibility priorities		

2. Organizational Profile

	GRI content	Reported	Link	Comments	Complies with EPRA's best practice recommendations*
2.1	Name of the organization	Yes	Sponda		
2.2	Primary brands, products, and services	Yes	Business units		
2.3	Operational structure	Yes	Business units		
			Year 2012 in brief		
			Group structure		
2.4	Location of organization's headquarters	Yes	Contact us		
2.5	Number of countries where the organization operates	Yes	Business units		
			Sponda		
2.6	Nature of ownership and legal form	Yes	Corporate governance		
			Shares and Shareholders		
2.7	Markets served	Yes	Sponda		
			Business units		
			Strategy		
2.8	Scale of the reporting organization	Yes	EPRA key figures -table		
			Key figures		
			Investing in employees		
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Yes	Board of Directors' Report		
2.10	Awards received in the reporting period	Yes		No significant awards during the reporting period.	

3. Report Parameters

	GRI content	Reported	Link	Comments	Complies with EPRA's best practice recommendations*
3.1	Reporting period	Yes	The scope of the report		
3.2	Date of most recent previous report	Yes	The scope of the report		
3.3	Reporting cycle	Yes	The scope of the report		
3.4	Contact point for questions regarding the report or its contents	Yes	Contact us		
3.5	Process for defining report content (materiality and stakeholders that are expected to use the report)	Yes	Corporate responsibility priorities	Sponda has defined seven corporate responsibility priorities of equal importance.	
3.6	Boundary of the report	Yes	The scope of the report		
3.7	Specific limitations on the scope or boundary of the report	Yes	The scope of the report		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities and outsourced operations	Yes	The scope of the report		
3.9	Explanation of the effect of any re-statements of information provided in earlier reports	Yes	The scope of the report		
3.10	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Yes	The scope of the report		
3.11	GRI content index	Yes	GRI index		
3.12	Policy and current practice with regard to seeking external assurance for the report	Yes	The scope of the report		

4. Governance, Commitments, and Engagement

	GRI content	Reported	Link	Comments	Complies with EPRA's best practice recommendations*
4.1	Governance structure of the organization	Yes	Board of Directors		
			The Executive Board		
4.2	The Chairman of the Board's function within the organisation's management	Yes	Board of Directors		
4.3	Independence of Board members	Yes	Board of Directors		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board	Yes	The General Meeting	Sponda's personnel does not have a representative in the Board of Directors.	
4.5	Linkage between compensation for members of the Board, senior managers, and executives and the organization's performance, including social and environmental performance	Yes	Responsible property investment	No direct influence on Board compensation.	
4.6	Processes in place for the Board to ensure conflicts of interest are avoided	Yes	Corporate governance		
4.7	Process for determining the composition, qualifications, and expertise of the members of the Board	Yes	Nomination Board		
4.8	Mission, values, codes of conduct and principles, and the status of their implementation	Yes	Responsible property investment	The degree to which these internally developed statements relate to internationally agreed standards is not reported.	
			Strategic processes		

			Sponda's vision and strengths	
4.9	Procedures of the Board for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks	Yes	Risk management	The Board evaluates the execution of Sponda's strategy. Corporate responsibility is part of Sponda's strategy.
			Risk management (Corporate Governance)	
			Risks and Risk management	
			Responsible property investment	
4.10	Processes for evaluating the Board's own performance, particularly with respect to economic, environmental, and social performance	Yes	Board of Directors	The Board conducts a self-assesment which includes, for example, strategy work. Corporate responsibility is part of Sponda's strategy.
4.11	Explanation of whether and how the precautionary approach or principle is addressed	Yes	Risk management	Sponda's risk management process is described.
			Risk management (Corporate Governance)	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Yes	Material efficiency	
			Taking the industry forward	
			Russia	
4.13	Memberships in associations and advocacy organizations	Yes	Property Development	
			Russia	
			Taking the industry forward	
4.14	Stakeholder groups engaged by the organization	Yes	Sponda's stakeholders	
			Sponda.com (Stakeholders)	
4.15	Basis for identification and selection of stakeholders	Yes	Sponda's stakeholders	
			Transparency in operations	
4.16	Approaches to stakeholder engagement	Yes	Sponda.com (IR principles)	
			Transparency in operations	
			Urban development	
			Enhancing the customer experience	
			Investing in employees	
			Strategic processes	
			Russia	
			Sponda's stakeholders	
4.17	Key topics and concerns that have been raised through stakeholder engagement	Yes	Sponda's stakeholders	
			Enhancing the customer experience	

			Transparency in operations		
			Investing in employees		
			Sponda.com (Stakeholders)		
			Information for shareholders		

Economic Performance Indicators

	GRI content	Reported	Link	Comments	Complies with EPRA's best practice recommendations*
EC1	Direct economic value generated and distributed	Yes	Transparency in operations		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Yes	Responsible property investment	Sponda's Executive Board has not quantitatively estimated the financial impacts.	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	Yes	Property locations	Sponda does not have a program to assess local community needs.	
			Urban development		
			Shopping Centres		
EC9	Significant indirect economic impacts, including the extent of impacts	Partially	Russia	Extent of impacts is not disclosed.	
			Sponda's stakeholders		
			Taking the industry forward		

Environmental Performance Indicators

	GRI content	Reported	Link	Comments	Complies with EPRA's best practice recommendations*
EN1	Materials used by weight or volume	Partially	Material efficiency	Sponda aims to use materials in full.	
EN3	Direct energy consumption	Yes	Energy efficiency and carbon footprint		Yes
EN4	Indirect energy consumption	Partially	Energy efficiency and carbon footprint	Energy consumption is not broken down by renewable and non-renewable energy sources.	Partially
CRE1	Building energy intensity	Partially	Energy efficiency and carbon footprint	Energy intensity is not broken down by meaningful segmentation.	Yes
EN5	Energy saved due to conservation and efficiency improvements	Yes	Energy efficiency and carbon footprint	Energy savings reported for Sponda's head office.	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Yes	Russia		
			Responsible property investment		
			Investment Properties		
			Property development		

			Energy efficiency and carbon footprint		
			Taking the industry forward		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Partially	Property locations	Quantitative reductions not reported.	
			Investment Properties		
EN8	Total water withdrawal by source	Yes	Energy efficiency and carbon footprint	Sponda uses municipal water supplies.	Partially
CRE2	Building water intensity	Yes	Energy efficiency and carbon footprint		Yes
EN16	Total direct and indirect greenhouse gas emissions	Yes	Energy efficiency and carbon footprint		No
CRE3	Greenhouse gas emissions intensity from buildings	Partially	Energy efficiency and carbon footprint	Emissions not broken down by meaningul segmentation.	Yes
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Yes	Responsible property investment		
			Energy efficiency and carbon footprint		
			Russia		
			Investment Properties		
EN22	Total weight of waste by type and disposal method	Yes	Material efficiency		Partially
EN26	Initiatives to enhance efficiency and mitigate environmental impacts of products and services, and extent of impact mitigation	Yes	Material efficiency		
			Investment Properties		
			Urban development		
			Energy efficiency and carbon footprint		
			Taking the industry forward		
			Property locations		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Yes		Sponda was not found to have breached any environmental legislation or regulations pertaining to its operations in the reporting period.	
EN29	Significant environmental impacts of transportation	Partially	Energy efficiency and carbon footprint	Description of employee commuting is disclosed.	

Social Performance Indicators

	GRI content	Reported	Link	Comments	Complies with EPRA's best practice recommendations*
LA1	Total workforce by employment type and employment contract	Yes	Investing in employees	The employment relationships of Sponda's employees are valid indefinitely. Temporary employment relationships at Sponda are related to e.g. substitution for family leave.	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Partially	Investing in employees	Absenteeism not reported by geographical breakdown. No work-	

				related injuries and fatalities during the reporting period.
LA8	Education and counseling to assist workforce members regarding serious diseases	Yes	Investing in employees	Training is offered to Sponda's employees.
LA10	Average hours of training per employee	Yes	Investing in employees	
LA11	Programs for skills management and lifelong learning	Yes	Investing in employees	If an employment relationship is terminated on the employer's initiative for a reason deriving from the employer, the employee is offered the opportunity to participate in employment search training and career counselling.
LA12	Percentage of employees receiving regular performance and career development reviews	Yes	Investing in employees	All of Sponda's employees receive regular performance reviews.
LA13	Composition of governance bodies and breakdown of employees and employee categories	Yes	Board of Directors	
			The Executive Board	
			Investing in employees	
LA14	Ratio of basic salary and remuneration of women to men by employee category and by locations of operations.	Partially	Management and personnel	Differences in salary or remuneration is not described by employee catergory or by locations of operations.
SO9	Operations with significant potential or actual negative impacts on local communities	Yes		No known negative impacts on local communities.
PR3	Type of product and service information required by procedures	Partially	Energy efficiency and carbon footprint	The majority of the properties have an Extranet service that provides property-specific information on property operations.
CRE8	Type and number of sustainability certification, rating, and labeling schemes for new construction, management, occupation and redevelopement	Yes	Investment Properties	
			Energy efficiency and carbon footprint	
			Property Development	
			Russia	
PR5	Practices related to customer satisfaction	Partially	Enhancing the customer experience	Results of customer satisfaction surveys not disclosed.
			Responsible property investment	
			Taking the industry forward	
			Strategic processes	
Core indicator				
Additional indicator				

* Based on EPRA's Best Practices Recommendations on Sustainability Reporting

The scope of the report

Description of the report

The Annual Report and the Spondability section on corporate responsibility contain general information about Sponda's financial, social and environmental operations between 1 January and 31 December 2012, unless otherwise indicated.

Scope of reporting

Sponda reported on its corporate responsibility for the second time according to the guidelines of the Global Reporting Initiative (GRI). The GRI 3.1 reporting framework is used in reporting. Additionally, the real estate and construction industry-oriented Construction and Real Estate Sector Supplement (CRESS) reporting guideline, which was published in autumn of 2011, has been applied in reporting. For the part of the CRESS directive, the CRE indicators related to the real estate sector in particular were reported on where applicable.

In addition to the GRI framework, certain portions of the report also comply with the European Public Real Estate Association's EPRA criteria, which are taken into account separately in connection with the GRI index. Sponda's Consolidated Financial Statements are compiled according to the IFRS (International Financial Reporting Standards). In some respects, the report also complies with the OECD's guidelines for multinational enterprises.

The corporate responsibility report has not been assured by an external assurance provider. Sponda has self-declared its reporting to be Application Level C.

Structure of the report

Sponda's report is divided into three sections:

- The Responsible property investment discusses the strategic significance of responsibility for Sponda.
- Sponda's approach to corporate responsibility and the company's responsibility-related priorities are described in the Sponda's responsibility priorities section.
- A chart showing the correspondence between the GRI guidelines and Sponda's reporting can be found in the GRI index.

Scope of the report and data collection

The figures which appear in the report are based on the figures of Sponda's Finland operations, unless otherwise indicated. Figures for the company's subsidiaries are mentioned separately. Unless otherwise indicated, there have been no changes in the scope or method of calculation of the reporting principles.

The figures for environmental responsibility are based on Sponda's properties located in Finland, from which data is collected regarding energy and water consumption and waste management. There is a certain degree of annual variability in Sponda's property holdings due to sales and purchases, which affects the comparability of the annual environment figures.

Approaches to managing financial, social or environmental responsibility are not discussed separately in the report.

Earlier reports

The previous Spondability report was published as a part of Sponda's annual report in February 2011. Sponda reports on its progress in terms of responsibility each year.

No changes have been made to the information reported in previous years in the 2012 report, unless otherwise indicated.

Corporate Governance

Sponda Plc is a public limited company registered in Finland and listed on NASDAQ OMX Helsinki Ltd. In its decision-making and administration, Sponda complies with the Finnish Companies Act and other legal provisions governing public limited companies, and the company's articles of association.

Sponda Plc also complies with the Insider Guidelines of the NASDAQ OMX Helsinki Ltd and the Corporate Governance recommendations issued for listed companies.

Corporate Governance

Sponda Plc is a public limited company registered in Finland and listed on NASDAQ OMX Helsinki Ltd. In its decision-making and administration, Sponda complies with the Finnish Companies Act and other legal provisions governing public limited companies, and the company's articles of association. Sponda also adheres to the insider guidelines of NASDAQ OMX Helsinki Ltd and the Finnish Corporate Governance Code issued by the Securities Market Association on 15 June 2010.

As required by the Finnish Companies Act and Sponda's articles of association, control and administration of the company is divided between the shareholders represented at general meetings, the Board of Directors and the President. The President is assisted by an Executive Board.

Board of Directors

Under Sponda Plc's articles of association, the company has a Board of Directors with four to seven (4–7) ordinary members. The Annual General Meeting of 20 March 2012 elected six members to Sponda's Board of Directors.

In 2012 the following people were on the Board of Directors: **Klaus Cawén** (b. 1957) LL.M., Executive Vice President, member of the Executive Board, KONE Corporation, **Tuula Entelä** (b. 1955) B.Sc. (Econ.) LL.M., Vice President, Housing Business, Helsinki Region and St. Petersburg, Deputy to President and CEO, SATO Corporation, **Lauri Ratia** (b. 1946), M.Sc. (Eng.), **Arja Talma** (b. 1962), M.Sc. (Econ.), eMBA, President, Rautakesko Ltd, **Raimo Valo** (b. 1955), LL.M., Partner, Septem Partners Oy, and **Erkki Virtanen** (b. 1950) M.Soc.Sc. (Econ.), Permanent Secretary, Ministry of Employment and the Economy.

Sponda's Board members represent broad experience in real estate, industry and finance sectors. More detailed information on the Board members is given on section Board of Directors of the Annual Report. The Board of Directors assesses that all of its members, Klaus Cawén, Tuula Entelä, Lauri Ratia, Arja Talma, Raimo Valo and Erkki Virtanen are independent of the company and its major shareholders.

In its constitutive meeting after the Annual General Meeting of 20 March 2012, the Board of Directors elected Lauri Ratia as Chairman and Klaus Cawén as Deputy Chairman.

Sponda Plc shares owned by members of the Board of Directors as of 31 December 2012:

	No. of shares	Change
Klaus Cawén	25,600	+5,027
Tuula Entelä	11,947	+4,356
Lauri Ratia	47,980	+8,378
Arja Talma	11,947	+4,356

	No. of shares	Change
Raimo Valo	7,487	+4,356
Erkki Virtanen	11,947	+4,356

The Board meets according to a pre-arranged schedule, 7–11 times per year, and holds additional meetings as necessary. In 2012, the Board met a total of 13 times and the average attendance rate of Board members was 96.15 per cent. Sponda's Board of Directors assesses its own performance and working procedures once a year. The Board's self-assessment was based on a survey conducted in November 2012 and the Board discussed the survey results and considered further actions based on the results in a meeting in December 2012. The assessment covered, amongst other things, the composition of the Board, the effectiveness and focal points of its work, the scope and quality of materials provided to the Board as well as the quality and atmosphere of discussions. The results of the survey were used to improve the work of the Board of Directors.

The Board has established two permanent committees to assist the Board by preparing matters for which the Board is responsible. These committees are the Audit Committee and the Structure and Remuneration Committee. The Board is responsible for carrying out the duties it assigns to the committees. The committees report regularly to the Board on their work. The Board confirms written rules of procedure for the committees. If required, the Board can appoint other committees and working groups from among its own members to prepare matters for the Board's consideration and decision-making.

The President regularly attends Board meetings. Sponda's Chief Financial Officer acts as the secretary of the Board.

Board of Directors 31 December 2012

Lauri Ratia, Klaus Cawén, Arja Talma, Tuula Entelä, Erkki Virtanen, Raimo Valo

Lauri Ratia

Chairman

M.Sc. (Eng.), born 1946

Chairman and Member of Sponda Plc's Board of Directors since 2007

Career history:
Lohja Rudus Group,
Managing Director, 1994–2006

Main positions of trust:
Edita Plc, Chairman of the Board
Inspecta Group Oy, Board Member
Paroc Group Oy, Chairman of the Board

Owns 47,980 Sponda shares

Klaus Cawén

Deputy Chairman

LL.M., born 1957
KONE Corporation,
Executive Vice President, Member of the Executive Board

Member of Sponda Plc's Board of Directors since 2008 and Deputy Chairman since 2011

Career history:
KONE Corporation, Executive Vice President, Member of the Executive Board, 1991–

Main positions of trust:
Oy Karl Fazer Ab, Board Member
Toshiba Elevator and Building Systems Company, Board Member

Owns 25,600 Sponda shares

Tuula Entelä

Member

B.Sc. (Econ.), LL.M., born 1955
SATO Corporation, Vice President, Housing Business, Helsinki Region and St. Petersburg
SATO Corporation, Deputy to President and CEO

Member of Sponda Plc's Board of Directors since 2005

Career history:
SATO Corporation, Vice President, Housing Business, Helsinki Region and St. Petersburg, 2009–
SATO Corporation, Vice President, Investment in Housing, 2004–2009
SATO Corporation, Deputy to President and CEO, 2003–
SATO Group, Director, Investment in Housing, 1997–2003
SATO Group, Business Area Director, Asset Management, 1994–1996

Main positions of trust:
Helsingin Osuuskauppa Elanto, Deputy Chairman of the Board
HOK-Elanto Liiketoiminta Oy, Chairman of the Board
Helsinki Deaconess Institute, Member of the Board of Management (from 1 Jan 2012)

Owns 11,947 Sponda shares

Arja Talma

Member

M.Sc. (Econ.), eMBA, born 1962
Rautakesko Ltd, President

Member of Sponda Plc's Board of Directors since 2007

Career history:
Rautakesko Ltd, President, 2011–
Kesko Corporation, Senior Vice President, Chief Financial Officer, 2005–2011
Kesko Corporation, Vice President, Corporate Controller, 2004–2005
Oy Radiolinja Ab, Executive Vice President, Finance and Administration, 2001–2003
KPMG Wideri Oy Ab, APA 1992–2001, Partner, 2000–2001

Raimo Valo

Member

LL.M., born 1955
Partner, Septem Partners Oy

Member of Sponda Plc's Board of Directors since 2011

Career history:
Septem Partners Oy, Partner, 2010–
OAO Swedbank, Russia, Chairman of the Board and CEO, 2008–2010
Glitnir, Russia, Asset Management, Private Banking, CEO, 2007–2008
Svenska Handelsbanken ZAO, Moscow, Chairman of the Management Board and CEO, 2004–2007
Bank Svenska Handelsbanken (Polska) Sp.A.,

Erkki Virtanen

Member

M.Soc.Sc. (Econ.), born 1950
Ministry of Employment and the Economy, Permanent Secretary

Member of Sponda Plc's Board of Directors since 2008

Career history:
Ministry of Employment and the Economy, Permanent Secretary,
2008–
Ministry of Trade and Industry, Permanent Secretary, 1998–2007
Ministry of Finance, State Budget Chief, Budget Department, 1995–1998

Main positions of trust:
Luottokunta, Board Member (until 11 May 2012)
VR-Group Ltd, Board Member (until 28 Mar 2012)

Owns 11,947 Sponda shares

Chairman of the Management Board and CEO, 2000–2005

Main positions of trust:
CCS Cold Cargo Solutions, Chairman of the Board of Directors
M-X Sport Oy, Chairman of the Board (from 24 Jan 2012)
Neo Industrial Oyj, Board Member
Septem Partners Oy, Board Member

Owns 7,487 Sponda shares

Main positions of trust:
Sitra, the Finnish Innovation Fund, Board Member and Deputy Chairman

Owns 11,947 Sponda shares

Duties of the Board of Directors

Sponda's Board of Directors has prepared rules of procedure for itself and its committees as a guideline for operations. The rules of procedure define the tasks and responsibilities of the Board, its Chairman, Deputy Chairman and the committees. According to the rules of procedure, the Board is responsible for the company's administration and for the appropriate organisation of its operations. The Board guides and supervises the company's executive management, approves the company's strategic objectives and the principles underlying its risk management function, and ensures the effective functionality of its management systems. The Board also approves the annual budget and decides on significant individual investments.

The Board of Directors appoints the President of the company, chooses the members of the Executive Board based on the President's proposal, and decides their terms of employment and incentive schemes. The Board also decides on remuneration schemes for employees.

The Board of Directors has a quorum when more than half of its members are present.

Board committees and working groups

The Board appoints the members and chairmen of the committees from among its members. The committee members' term of office is one year, ending at the conclusion of the Annual General Meeting following their election. Both committees have at least three (3) members. A committee meeting has a quorum when the chairman and at least one other member are present.

The Audit Committee comprises at least three Board members who are independent of the company and its subsidiaries and have sufficient knowledge of accounting and financial statement practice. As of 20 March 2012 the Audit Committee comprises **Arja Talma** as chairman, **Raimo Valo** as deputy chairman and **Erkki Virtanen** as an ordinary member. The main duties of the Audit Committee are to evaluate financial reporting and risk management and to examine financial reviews. In 2012, the Audit Committee met five (5) times and the average attendance rate was 100 per cent.

The Structure and Remuneration Committee comprises at least three Board members who are independent of the company. As of 20 March 2012, the Structure and Remuneration Committee comprises **Lauri Ratia** as chairman, **Klaus Cawén** as deputy chairman and **Tuula Entelä** as an ordinary member. The main duties of the Structure and Remuneration Committee are to prepare matters relating to the nomination of top management and their remuneration as well as matters relating to strategy and corporate structure. In 2012, the committee met five (5) times and the average attendance rate of committee members was 100 per cent.

Remuneration and other Financial Benefits of the Board of Directors

The Annual General Meeting confirms annually in advance the remuneration payable to the Board of Directors. In 2012, the Board members were paid a total of EUR 277,800 in remuneration.

Remuneration paid to the Board of Directors 2012	**€/yr**
Chairman	60,000
Deputy Chairman	36,000
Other members	31,200

Of the annual remuneration paid to the Board of Directors, 40 per cent is paid in the form of Sponda Plc shares to be acquired by means of public trading. The shares shall be purchased within two weeks of the release of the interim report of the first quarter. In 2012, a total of 30,829 Sponda Plc shares were acquired for distribution to Board members as follows:

Chairman	8,378 shares
Deputy Chairman	5,027 shares
Members of the Board in total	17,424 shares

In addition, a compensation of EUR 600 is paid to members of the Board of Directors for each meeting attended, including committee meetings. The Board of Directors has no other remuneration schemes. Members of the Board of Directors are not in an employment relationship with the company.

The General Meeting

The General Meeting of shareholders is Sponda's highest decision-making body. The Annual General Meeting (AGM) is held once a year on a date determined by the Board of Directors and within six (6) months of the end of the previous financial year. The AGM considers the matters stipulated in the Finnish Companies Act and Sponda's articles of association. These include confirmation of the financial statements, deciding on the use of the profit shown in the balance sheet, electing the members of the Board of Directors and deciding on their remuneration, and appointing the company's auditors and deciding on their remuneration.

Sponda publishes the notice of the AGM in at least one daily national newspaper determined by the Board of Directors and also on the company website. Shareholders wishing to attend the AGM are required to be registered in the company's shareholder register and to inform the company of their intention to attend the meeting in the manner stipulated in the meeting notification. Extraordinary general meetings are convened when deemed necessary by the Board of Directors or when required by law.

Nomination Board

The Nomination Board appointed annually by the Annual General Meeting prepares proposals for Board candidates and their remuneration for the following Annual General Meeting.

Representatives of the three (3) principal shareholders were elected to the Nomination Board along with the Chairman of the Board as an expert member. The right to appoint members to represent shareholders was given to those shareholders who held the most votes linked to company shares on 1 October of the year preceding the Annual General Meeting. In the event that a shareholder waives the right to appoint a member, the right passes on to the next largest shareholder. The Nomination Board was convened by the Chairman of the Board of Directors and the Nomination Board elected a chairman from among its members. The Nomination Board was required to present its proposal to the company's Board of Directors by 1 February preceding the Annual General Meeting. The shareholders entitled to a representative on the Nomination Board (holdings on 1 October 2012) based on the decision by the Annual General Meeting held on 20 March 2012, and their representatives, were:

- Solidium Oy, 14.89 per cent of the shares and votes, represented by Kaj-Gustaf Bergh, M.Sc. (Economics), LL.M., (b. 1955) Managing Director, Föreningen Konstsamfundet r.f., Oy Palsk Ab
- Varma Mutual Pension Insurance Company, 10.27 per cent of the shares and votes, represented by Risto Murto, (b. 1963), Ph.D. (Economics), Chief Investment Officer, Deputy CEO, Varma Mutual Pension Insurance Company
- Ilmarinen Mutual Pension Insurance Company, 9.56 per cent of the shares and votes, represented by Timo Ritakallio, (b. 1962), LL.M., MBA, Chief Investment Officer, Deputy CEO, Ilmarinen Mutual Pension Insurance Company.

All members of the Nomination Board are independent of the company.

The Nomination Board submitted its proposal to the Board of Directors on 17 January 2013 by the due date.

Sponda's Board of Directors has proposed to the 2013 Annual General Meeting that the Annual General Meeting decide on establishing a permanent Nomination Board comprising of the three largest shareholders or their representatives along with the Chairman of the Board of Directors as an expert member.

The President

Sponda's President is appointed by the company's Board of Directors. The President manages the company's day-to-day operations in accordance with the instructions and stipulations of the Board of Directors. The President is responsible for ensuring that the company's accounts comply with legal provisions and that the company has sufficient capital funds for its purposes. The President is assisted by the Group's Executive Board, of which he is the chairman. Kari Inkinen (b. 1957) has served as Sponda's President and CEO since 2005.

The President's terms of employment are set out in a written contract of employment approved by the Board. Under the terms of the contract of employment, the term of notice of the President is six months. Should the company terminate the President's contract of employment, the President is entitled to compensation equivalent to twelve (12) months' salary. The retirement age of the President is 63 and his pension is determined in accordance with the Finnish Employees Pension Act (TEL). The President is covered by a contribution-based group pension insurance scheme. Sponda Plc pays the annual premium under the scheme until the President reaches the age of 63. The insurance premium amounts to approximately 7.5 per cent of the President's fixed annual salary.

The President is paid a total salary and in addition the President participates in the company's annual remuneration scheme. The maximum remuneration payable under the company's annual remuneration scheme is 40 per cent of the President's annual salary.

The President also participates in the long-term share-based incentive scheme for the Group's key personnel approved by the Board of Directors. The revised incentive scheme implemented in 2009 comprised two one-year earning periods (the 2010 and 2011 calendar years) and two three-year earning periods (2010–2012 and 2011–2013). In 2012, Sponda's Board of Directors decided on the implementation of a new incentive scheme, which is effective from the beginning of 2012. The incentive scheme comprises three three-year earning periods, which correspond to the calendar years 2012–2014, 2013–2015, and 2014–2016. The Board of Directors decides separately on the earning criteria and the targets to be established for each earning period.

The earnings criteria for the earning periods that began prior to 2012 are tied to cash flow from operations per share and return on capital employed. The earning criteria for the earning period 2012–2014 are the Group's average Return on Capital Employed (ROCE) in the financial periods 2012–2014 and the Group's cumulative Operational Cash Earnings Per Share (CEPS) for the financial periods 2012–2014. In addition, the Board of Directors will assess the Group's success in relation to the prevailing market conditions.

Any remuneration paid, less taxes, is used to purchase the company's shares on behalf of the persons participating in the incentive scheme. The remuneration amount includes the purchased company shares as well as taxes and tax-like charges incurred from the remuneration to the persons participating in the scheme and settled by the company. The shares may not be disposed during the commitment period, which are two years for the one-year earning period and three years for the three-year earning period. The commitment period for the 2012–2014 earning period ends on 31 December 2017. After the commitment period ends, a member of the Executive Board must own one half of the shares paid on the basis of the scheme, until the value of the shares he or she owns equals the value of his or her annual salary. This ownership obligation is in effect for as long as the employment contract of the member of the Executive Board continues.

In 2012, the President was paid EUR 430,107.06 in salary and EUR 280,186.98 in remunerations, in total of EUR 710,294.04. The President's total remunerations for 2012 include 25,026 Sponda Plc shares under the share-based incentive scheme in effect in 2012.

The Executive Board

The Group's Executive Board prepares the company's business strategy and budget and monitors the results of operations. The Executive Board also considers investments and divestments of strategic significance to the whole Group, as well as the company's operational guidelines and reporting. As of 25 March 2009 the Executive Board has seven members: the President and CEO, the Chief Financial Officer, the Senior Vice President, Corporate Communications and IR, and the directors of the business areas.

The members of the Executive Board are covered by a contribution-based group pension insurance scheme. Sponda Plc pays the annual insurance premium until the member reaches the age of 63. The insurance premium amounts to approximately 7.5 per cent of each member's fixed annual salary.

The members of the Executive Board participate in the long-term share-based incentive scheme for the Group's key personnel approved by the Board of Directors. The revised incentive scheme implemented in 2009 comprised two one-year earning periods (the 2010 and 2011 calendar years) and two three-year earning periods (2010–2012 and 2011–2013). In 2012, Sponda's Board of Directors decided on the implementation of a new incentive scheme, which is effective from the beginning of 2012. The incentive scheme comprises three three-year earning periods, which correspond to the calendar years 2012–2014, 2013–2015, and 2014–2016. The Board of Directors decides separately on the earning criteria and the targets to be established for each earning period.

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Sponda Plc shares owned by members of the Executive Board as of 31 December 2012:

	No. of shares	Change
Kari Inkinen	313,366	+25,026
Pia Arrhenius	30,185	+7,084
Erik Hjelt	89,356	+9,625
Ossi Hynynen	130,894	+12,551

	No. of shares	Change
Kari Koivu	91,572	+8,224
Sirpa Sara-aho	90,085	+7,585
Veli-Pekka Tanhuanpää	0	-

The Executive Board 31 December 2012

Kari Inkinen, Kari Koivu, Sirpa Sara-aho, Veli-Pekka Tanhuanpää, Erik Hjelt, Pia Arrhenius, Ossi Hynynen

Kari Inkinen

President and CEO
MSc (Eng.), born 1957

Career history:
Sponda Plc, President and CEO, 2005–
Kapiteeli Plc, President and CEO, 1999–2005
YIT Corporation, Director, 1985–1998;
YIT Corporation Residental Construction, Director, 1995–1998
YIT Corporation, Regional Director, 1992–1995

Main positions of trust:
Rake Oy, Board member

Owns 313,366 Sponda shares

Pia Arrhenius

Senior Vice President, Communications and IR
EMBA, born 1968

Member of the Executive Board since 2009

Career history:
Sponda Plc, Senior Vice President, Communications and IR, 2009–
Sponda Plc, Communications and IR Manager, 2004–2008
Sponda Plc, Communications assistant, 2003–2004

Owns 30,185 Sponda shares

Erik Hjelt

Chief Financial Officer
LL.Lic., eMBA, born 1961

Member of the Executive Board since 2007

Career history:
Sponda Plc, Chief Financial Officer, 2009–
Sponda Plc, Senior Vice President, Legal Affairs and Treasury, 2007–2009
Kapiteeli Plc, Senior Vice President, Finance and Legal Affairs, 1999–2006
Arsenal Asset Management Company Ltd, Chief Legal Counsel, 1994–1999
Savings Bank of Finland - SBF Ltd, Bank Manager, 1993

Owns 89,356 Sponda shares

Ossi Hynynen

Senior Vice President, Investment Properties
MSc (Eng.), born 1955

Member of the Executive Board since 2007

Career history:
Sponda Plc, Senior Vice President, Investment Properties, 2009–
Sponda Plc, Senior Vice President, Office and Retail Properties, 2007–2008
Kapiteeli Plc, President and CEO, 2005–2006
Kapiteeli Plc, Senior Vice President, Office and Retail Property, 2003–2006
Kapiteeli Plc, Senior Vice President, Real Estate Development, 1999–2002
ProPaulig Ltd, Director of Marketing, 1993–1999
Haka Ltd, Construction Manager, 1988–1993

Main positions of trust:
RAKLI – The Finnish Association of Buiding Owners and Construction Clients, Deputy Member of the Board

Owns 130,894 Sponda shares

Kari Koivu

Senior Vice President, Real Estate Funds
MSc (Eng.), MSc (Econ.), born 1966

Member of the Executive Board since 2007

Career history:
Sponda Plc, Senior Vice President, Real Estate Funds, 2007–
Kapiteeli Plc, Senior Vice President, Sales Property, 2003–2006
Solid Information Technology, Marketing Manager, 2000–2003
Hewlett-Packard Europe, Business Development Manager, 1997–2000

Owns 91,572 Sponda shares

Sirpa Sara-aho

Senior Vice President, Russia
Commercial college graduate, born 1963

Member of the Executive Board since 2007

Career history:
Sponda Plc, Senior Vice President, Russia 2007–
Sponda Plc, Regional Manager, Russia and the Baltic Countries, 2006
Nordea Bank Finland Plc, Vice President, 1985–2005

Main positions of trust:
Solteq Oyj, Board Member

Owns 90,085 Sponda shares

Veli-Pekka Tanhuanpää

Senior Vice President, Property Development
MSc (Eng.), CREM, born 1967

Member of the Executive Board since 2012

Career history:
Sponda Plc, Senior Vice President, Property Development, 2012–
Sponda Plc, Director, Project Development, 2007–2011
Kapiteeli Plc, Project and Construction Manager, 2003–2007
NCC Construction, Project Manager, 1998–2003

Owns 0 Sponda shares

External and internal audits

Auditors

The company has two auditors: a firm of authorised public accountants and a supervising auditor who is an auditor approved by the Central Chamber of Commerce. The auditors are responsible for examining the financial statements, the accounts and administration of the parent company and the Group, and for submitting a report on their audit to the Annual General Meeting.

Sponda Plc's Annual General Meeting of 20 March 2012 appointed as its auditors **Raija-Leena Hankonen**, APA and KPMG Oy Ab under the supervision of principal auditor **Kai Salli**, APA. The deputy auditor is **Ari Eskelinen**, APA. Raija-Leena Hankonen was Sponda Plc's auditor between 1998–2000 and has again assumed this role since 2005, Kai Salli since 2008 and Ari Eskelinen since 2011.

The auditing fees paid to the auditors in 2012 amounted to EUR 192,711.71. A further EUR 103,923.80 was paid to the auditors for other consulting services. These fees, totalling EUR 296,635.51, include all the fees paid by Group companies.

Internal audit

Sponda's operational efficiency, financial performance and risk management are audited internally. The internal audit is performed by an expert appointed from outside the company. The internal audit reports functionally to the audit committee and administratively to the President and CEO.

Insider management

Sponda complies with the Insider Guidelines issued by NASDAQ OMX Helsinki Ltd. These recommend that insiders wishing to trade in the company's shares do so only at times when the market has the fullest possible information on matters that might materially affect the share price. Accordingly, Sponda's insiders are not permitted to trade in Sponda's securities for a period commencing 21 days before the company publishes its interim or annual results.

The company's statutory public insiders are its Board of Directors and the Executive Board and the auditors. Additionally, insider registers are maintained for individual companies and projects listing the names of the individuals who are in possession of insider information by virtue of their duties or roles. The holdings of the company's public insiders are available for inspection in the insider register maintained by Euroclear Finland Ltd. The register of public insiders is also posted on the company website at www.sponda.fi.

Risk management

Risk management

At Sponda, the objective of risk management is to identify the key uncertainties relating to achieving targets, to measure and assess previously identified uncertainties, and to decide on the appropriate response to these uncertainties. Sponda's key risks are classified as strategic risks, operational risks, damage/asset risks and financing risks.

Risks are considered a normal part of business operations. They are assessed from two viewpoints, that of exploiting the opportunities they contain and that of reducing and eliminating the risks.

Risk management organisation

Sponda engages in systematic risk management. Risk management is integrated into Sponda's strategy process, business control system and business processes. Responsibility for risk management is defined in accordance with business responsibility, with the ultimate responsibility for risk management lying with Sponda's Board of Directors, which decides on risk management goals, defines the risk management policy and monitors key risks. The specific task of the Executive Board is to organise risk management. It is the specific task of the business units and corporate functions to arrange for risk management to be monitored and reported as part of the other reporting systems. The primary task of the internal audit is to verify that the risk management system functions effectively. However, each company employee is responsible for identifying risks that threaten the achievement of targets and for informing his or her superior of said risks.

Risk management is tied to the company's annual planning process and risks are assessed in a risk survey carried out twice a year. The risk survey identifies the company's key risks, assesses the probability of their occurrence and potential impacts thereof, and defines risk management procedures. The Group's risk management instructions and guidelines and the operations manual are updated according to the decisions concerning risk management made on the basis of the risk survey. The risk survey also includes an assessment of the company's approach to risks.

Sponda's risk management methods include risk aversion, risk elimination and reducing the probability of their materialisation. Risks can also be restricted and reduced. A business continuity and recovery plan has been prepared for the contingency that substantial risks materialise. Sponda's risk management procedures are described in more detail in the Risks and Risk management section of the Annual Report.

The executive management reports Group-level risks to the Board of Directors twice a year. Risk reporting at Executive Board and business unit levels takes place as part of the enterprise resource planning system.

Sponda's Audit Committee has reviewed the principles of internal control and the internal audit guidelines. The Audit Committee approves annually the internal audit plan.

The key risks identified in the risk survey for 2013 are described in the Risks and Risk management section of the Annual Report.

A Corporate Governance statement is available on the company website.

Board of Directors' Report

Sponda's strategic goal is to achieve profitable growth through customer-focused operations, active property development, property acquisitions and real estate funds in Finland and Russia.

The focus of Sponda's operations in 2012 was on maintaining the economic occupancy rate, selling non-strategic properties, rearranging the company's hybrid bond and property development.

Board of Directors' Report 2012

Sponda Plc's total revenue in 2012 was EUR 264.6 million (2011: EUR 248.2 million). Net operating income increased by approximately 7 per cent, totaling EUR 192.2 (179.4) million. Sponda's operating profit was EUR 210.3 (209.6) million. The economic occupancy rate was 88.1 per cent (88.2).

Highlights of the 2012 financial period

The focus of Sponda's operations in 2012 was on maintaining the economic occupancy rate, selling non-strategic properties, refinancing the company's hybrid bond and property development.

In June 2012, Sponda purchased the Bakhrushina House office building in downtown Moscow for USD 47 million from UFG Real Estate. Net initial yield for the property was over 9.5 per cent. Completed in 2012, the building has a total of approximately 4,000 square metres of office and retail premises to let. Many leaders in their fields of business as well as internationally renowned companies operate in this fully-let property.

In July 2012, Sponda set up a new real estate fund that invests primarily in logistics and industrial properties in Finland's growth cities. The target size of Sponda Fund III is EUR 170 million. The fund's initial investment portfolio of approximately EUR 90 million consists of properties sold to the fund by its shareholders. Sponda sold logistics properties worth EUR 31.5 million to the fund. Sponda's holding in the fund is approximately 36 per cent. The other investors in the fund are Varma Mutual Pension Insurance Company and Etera Mutual Pension Insurance Company. Sponda is responsible for the management of the fund as well as the properties in the fund.

Sponda issued a EUR 150 million senior unsecured domestic bond in May 2012. The five-year bond matures on 29 May 2017 and carries fixed annual interest at the rate of 4.125 per cent. The bond was allocated to 39 investors and the bond offering was oversubscribed. The bond is listed on NASDAQ OMX Helsinki.

In July 2012, Sponda signed an agreement for a secured five-year loan of EUR 60 million. The agreement extends the financing that was originally secured for the Elo shopping centre.

Sponda issued a EUR 95 million hybrid bond in November 2012. The coupon rate of the bond is 6.75 per cent per annum. The bond has no maturity, but the company may exercise a redemption option after five years. The settlement date of the bond was 5 December 2012.

In conjunction with the hybrid bond issue, Sponda completed a partial repurchase for its hybrid bond issued in 2008. Sponda repurchased a nominal amount of EUR 37.2 million in exchange for cash, which represents 28.6 per cent of the original EUR 130 million notional amount issued in 2008. The repurchase price was 102 per cent of the nominal amount.

Sponda secured BREEAM® certification for two office properties. The first, a BREEAM® In Use certificate with a rating of Good, was issued to the Ducat II property located in Moscow in March. Ducat II is Sponda's first certified property in Russia, and only the second property in the whole country to be granted the BREEAM® In-Use environmental certificate. BREEAM® environmental certification with a rating of Good was also awarded to the office building known as Havis Business Center, which is located in the heart of Helsinki. Renovated by Sponda, the building is the first new building or renovated property in Helsinki to receive a BREEAM® certification.

Strategy

Sponda's strategic goal is to achieve profitable growth through customer-focused operations, active property development, property acquisitions and real estate funds in Finland and Russia.

Sponda's strategy is assessed regularly to ensure that the operations are adjusted to the prevailing market situation as necessary.

In June 2012, Sponda purchased the Bakhrushina House office building in downtown Moscow for USD 47 million. In July 2012, Sponda set up a new real estate fund, Sponda Fund III, which has a target size of EUR 170 million.

Sponda's financial objectives are linked to its equity ratio and distribution of dividend. The long-term equity ratio goal is 40 per cent. At the end of 2012, the equity ratio stood at 40 per cent.

In accordance with its dividend policy, Sponda pays a dividend of about 50 per cent of the cash flow from operations per share for the period, taking into account, however, the economic situation and the company's development needs. The dividend policy aims at a stable dividend payment.

Result of operations and financial position (compared with 1 Jan – 31 Dec 2011)

Sponda's operating profit for the period was EUR 114.9 (117.8) million. The economic occupancy rate was 88.1 per cent (88.2 per cent). The company's result for the period is as follows:

- Total revenue was EUR 264.6 (248.2) million. This represents a 6.6 per cent increase on the reference period.
- Net operating income increased by approximately 7 per cent, totalling EUR 192.2 (179.4) million.
- Operating profit was EUR 210.3 (209.6) million. The operating profit includes a fair value change of EUR 33.0 (39.6) million.
- Cash flow from operations per share was EUR 0.40 (0.37).
- The fair value of the investment properties amounted to EUR 3,261.3 (3,165.7) million.
- Net assets per share totalled EUR 4.27 (4.06).
- The economic occupancy rate was 88.1 per cent (88.2).

Financial position

The consolidated balance sheet total was EUR 3,521.8 (31 December 2011: 3,387.3) million. The total value of property assets was EUR 3,269.1 (3,173.6) million. Of this total, investment properties accounted for EUR 3,261.3 (3,165.7) million and trading properties for EUR 7.8 (7.9) million. Investments in real estate funds totalled EUR 83.6 (65.5) million.

In 2012, Sponda sold properties for EUR 61.8 (14.1) million, recording a sales profit of EUR 2.5 million. Property maintenance and quality improvement investments totalled EUR 28.4 (50.6) million and property development EUR 47.5 (58.5) million. New property acquisitions in 2012 amounted to EUR 53.1 (150.4) million.

The consolidated equity at the end of 2012 stood at EUR 1,395.6 (1,281.1) million. The sum of EUR 186.1 million recorded in the other equity reserve comprises equity bonds issued in July 2008 and December 2012. Debts totalled EUR 2,126.2 (2,106.2) million, of which EUR 1,756.5 (1,656.2) million was long-term debt and EUR 369.7 (449.9) million short-term debt. The total value of interest-bearing debt was EUR 1,736.2 (1,754.8) million.

Key figures showing Sponda Group's financial performance:

Consolidated key figures	**1–12/ 2012**	**1–12/ 2011**	**1–12/ 2010**
Economic occupancy rate, %	**88.1**	88.2	88.0
Total revenue, M€	**264.6**	248.2	232.1
Net operating income, M€	**192.2**	179.4	168.7
Operating profit, M€	**210.3**	209.6	216.2
Equity ratio, %	**39.8**	37.9	39.0
Gearing ratio, %	**122.3**	134.9	128.7
Return on equity, %	**8.6**	9.5	10.4
Earnings per share, €	**0.37**	0.39	0.40
Dividend per share, €	**0.17 *)**	0.16	0.15
Total dividend, M€	**48.1 *)**	45.3	41.6
Net assets per share, €	**4.27**	4.06	3.86
Cash flow from operations per share, €	**0.40**	0.37	0.37

*) Board proposal

Financing

Key items in the Group cash flows:

M€	**1–12/2012**	**1–12/2011**	**1–12/2010**
Net cash flow from operations	**112.8**	99.2	102.6
Net cash flow from investments	**-75.3**	-222.9	-39.5
Net cash flow from financing	**-34.4**	123.6	-65.9
Change in cash and cash equivalents	**3.2**	-0.1	-2.7
Cash and cash equivalents, start of period	**26.4**	27.0	29.1
Impact of changes in exchange rates	**0.5**	-0.4	0.6
Cash and cash equivalents, end of period	**30.1**	26.4	27.0

Full calculations of cash flows are presented in the financial statements.

Interest-bearing debt amounted to EUR 1,736.2 (1,754.8) million and the average maturity of loans was 2.8 (3.1) years. The average interest rate was 3.4 (4.0) per cent including interest derivatives. Fixed-rate and interest-hedged loans accounted for 72 (77) per cent of the loan portfolio. The average interest bearing period of the debt portfolio was 1.9 (2.2) years. The interest cover ratio, which reflects solvency, was 2.8 (2.7). Sponda Group’s debt portfolio on 31 December 2012 comprised EUR 675 million in syndicated loans, EUR 326 million in bonds, EUR 251 million in issued commercial papers, and EUR 485 million in loans from financial institutions. Sponda had EUR 510 million in unused credit limits. Sponda Group had mortgaged loans worth EUR 141.8 million, or 4.0 per cent of the consolidated balance sheet.

Net financial expenses amounted to EUR -58.8 (-75.6) million.

Sponda's equity ratio on 31 December 2012 stood at 40 (38) per cent and the gearing ratio was 122 (135) per cent. As of the beginning of 2013, Sponda will change its accounting principles with regard to IAS 12 Income Taxes. The change will have a positive effect of approximately 1.3–1.5 percentage points on the Group's equity ratio.

Sponda issued a EUR 95 million hybrid bond in November 2012. The coupon rate of the bond is 6.75 per cent per annum. The bond has no maturity, but the company may exercise a redemption option after five years. The settlement date of the bond was 5 December 2012.

A hybrid bond is an instrument that is subordinated to other debt obligations. It is treated as equity in the IFRS financial statements. A hybrid bond does not confer upon its holder the right to vote at shareholder meetings and does not dilute the holdings of the current shareholders.

In conjunction with the hybrid bond issue, Sponda completed a partial repurchase for its hybrid bond issued in 2008. Sponda repurchased a nominal amount of EUR 37.2 million in exchange for cash, which represents 28.6 per cent of the original EUR 130 million notional amount issued in 2008. The repurchase price was 102 per cent of the nominal amount.

After completing the repurchase, Sponda has two hybrid bonds outstanding. The first one, issued in 2008, amounts post-repurchase to EUR 92.8 million and is callable on 27 June 2013. The new hybrid bond, announced on 21 November 2012, amounts to EUR 95 million and the first call date is 5 December 2017.

The EUR 92.8 million hybrid bond callable in June 2013 has an effect on the Group's equity ratio of approximately 2.5 percentage points.

Business conditions

Business conditions – Finland

The growth prospects of the Finnish economy did not improve in late 2012 despite the stabilisation of the eurozone crisis. The Finnish Ministry of Finance adjusted its gross production forecasts to estimate a GDP decline of -0.1 per cent for 2012 and growth of 0.5 per cent for 2013. Finnish exports fell by 1.7 per cent in 2012, but are expected to increase by one per cent this year. Forecasts indicate that the growth rate of imports will be slightly below that of exports in 2013. Private consumption increased by 1.5 per cent in 2012. This year, private consumption is expected to be weakened by the employment situation and tax increases. The unemployment rate in 2012 was approximately 7.7 per cent.

Real estate transactions were largely focused on the Helsinki metropolitan area, with an emphasis on prime properties with steady cash flow. According to an estimate by KTI Property Information, the transaction volume for 2012 was EUR 2.1 billion, an increase of over 15 per cent on the previous year (2011: EUR 1.8 billion). International investors represented slightly over 20 per cent of the total transaction volume, down from the year before.

According to preliminary information from Catella Property Oy, the vacancy rates for office properties in the Helsinki metropolitan area have seen an expected increase in late 2012. The primary reasons for this are the weak economic conditions and the high rate of new construction. Vacancy rates in the Helsinki metropolitan area stood at 11 per cent at the end of 2012, compared to 10.2 per cent six months earlier. Vacancy rates also began to rise in Helsinki's central business district in late 2012. The CBD vacancy rate was 4.8 per cent.

Rental demand in Helsinki's central business district was largely unchanged through the year-end, with rental levels reaching record highs of over EUR 370/m²/year at the upper end of the market. Rental levels in other key districts for office properties began to decline slightly. Rental levels are expected to remain stable in 2013.

Over 120,000 m² of new office space was completed in the Helsinki metropolitan area in 2012. A further 145,000 m² is currently under construction, most of which is scheduled for completion in 2013.

Business conditions – Russia

According to the Bank of Finland’s autumn forecast, Russian GDP growth slowed to 3.7 per cent in 2012. The current forecast for Russian economic growth in 2013 is also 3.7 per cent. Import growth in 2013 is estimated at approximately 10 per cent. Private consumption remains strong, but is expected to slow down.

The total transaction volume in the Russian property market in 2012 stood at approximately USD 7 billion. Cushman & Wakefield estimates that the average vacancy rate for office properties in Moscow was relatively stable throughout 2012 and stood at 11–12 per cent at the end of the year. Vacancy rates are expected to remain stable in 2013. New office construction in 2013 is estimated at some 600,000 square metres.

Rental levels were unchanged. The rents for high-end office properties remained at approximately USD 1,200/m². Rental levels were approximately USD 800/m² for Class A office space and USD 450/m² for Class B office space. Rents are expected to remain stable or increase slightly in 2013.

According to CB Richard Ellis, the market for office properties in St. Petersburg is showing a moderate positive change. The average vacancy rate declined slightly in 2012. The vacancy rates of Class A properties decreased and stood at approximately 13 per cent in September 2012. The vacancy rates of Class B also fell slightly and stood at roughly 8 per cent in September 2012.

Rents for Class A properties remained stable throughout 2012 despite the decline in vacancy rates. In Class B properties, the fall in vacancy rates contributed to a slight increase in rental levels. Some 200,000 m² of new office space was completed in 2012, representing 10 per cent of the market total.

Sponda's operations and property assets 1 January–31 December 2012

Sponda owns, leases and develops business properties in the Helsinki metropolitan area and the largest cities in Finland, and in Russia. Sponda’s operations are organised into four business units: Investment Properties, Property Development, Russia, and Real Estate Funds. The Investment Properties unit is divided into three segments: Office and Retail Properties, Shopping Centres and Logistics Properties. The other segments are Property Development, Russia and Real Estate Funds.

Net operating income from all of Sponda's property assets totalled EUR 192.2 (179.4) million in 2012. Of this total, office and retail premises accounted for 54 per cent, shopping centres for 17 per cent, logistics premises for 15 per cent, Russia for 11 per cent and the Real Estate Funds unit for 3 per cent.

On 31 December 2012, Sponda had a total of 185 properties, with an aggregate leasable area of approximately 1.5 million square metres. Of this, some 53 per cent is office and retail premises, 11 per cent shopping centres and 33 per cent logistics premises. Some 3 per cent of the leasable area of the properties is located in Russia.

The fair values of Sponda's investment properties are confirmed as a result of the company's own cash flow-based yield value calculations. The assessment method complies with International Valuation Standards (IVS). The data used in the calculations of fair value is audited, at a minimum, twice annually by external experts to ensure that the parameters and values used in calculations are based on market observations.

At the end of 2012, an external consultant assessed the values of Sponda’s investment properties in Finland and in Russia. The change in the fair value of the properties in 2012 was EUR 24.9 (39.0) million. The positive change in the value in Finland was mainly due to changes in yield requirements. The fair value of investment properties was assessed in Finland by Catella Property Oy and in Russia by CB Richard Ellis. The changes in fair values are itemised in the table “Valuation gains/losses on fair value assessment”.

Valuation gains/losses on fair value assessment

M€	1–12/2012	1–12/2011
Changes in yield requirements (Finland)	**20.9**	16.2
Changes in yield requirements (Russia)	**6.5**	17.5
Development gains on property development projects	**-0.7**	8.2
Modernisation investments	**-28.5**	-50.6
Change in market rents and maintenance costs (Finland)	**26.4**	44.7
Change in market rents and maintenance costs (Russia)	**-0.1**	2.7
Change in currency exchange rates	**0.4**	0.4
Investment properties, total	**24.9**	**39.0**
Real estate funds	**0.6**	-4.4
Realised share of fund profits	**7.5**	5.0
Group total	**33.0**	**39.6**

The changes in Sponda's investment portfolio assets were as follows:

Investment properties 1.1.–31.12.2012, total M€	Total	Office and retail	Shopping centres	Logistics	Property development	Russia
Operating income	257.3	143.9	42.0	42.3	0.4	28.7
Maintenance costs	-70.7	-39.0	-9.7	-13.6	-1.9	-6.5
Net operating income	**186.6**	**104.9**	**32.3**	**28.7**	**-1.5**	**22.2**
Investment properties on 1 January 2012	3,165.7	1,644.0	586.1	449.0	262.0	224.6
Capitalised interest 2012	0.8	0.2	0.0	0.0	0.6	0.0
Acquisitions	53.1	15.2	0.0	0.0	0.0	37.8
Investments	76.0	30.7	21.3	1.9	21.5	0.6
Transfers between segments	0.0	-1.5	135.3	0.0	-133.7	0.0
Sales	-59.3	-14.4	-0.6	-31.5	-12.7	0.0
Change in fair value	24.9	31.4	-5.3	-4.9	-2.6	6.4
Investment properties on 31 December 2012	**3,261.3**	**1,705.7**	**736.7**	**414.4**	**135.1**	**269.4**
Change in fair value, %	0.8	1.9	-0.9	-1.1	-1.0	2.8
Weighted average yield requirement %	6.8	6.5	5.6	8.1		9.7
Weighted average yield requirement %, Finland	6.5					

Rental operations

The figures for expired lease agreements and new agreements that came into effect in the last quarter 2012 were as follows:

	Number (agreements)	Area (m^2)	EUR/m^2/ month
Came into effect during the period	91	32,528	11.85
Expired during the period	89	38,200	9.58
Renewed during the period	56	36,433	12.96

The expired agreements and agreements that came into effect do not necessarily pertain to the same segments and properties.

Sponda calculates the growth in rental yield for its properties according to EPRA Best Practices Recommendations by using a like-for-like net rental growth formula based on a comparable property portfolio owned by the company for two years. Like-for-like net rental growth was 5.3 per cent for office and retail premises, -10.2 per cent for shopping centres, -3.3 per cent for logistics premises and 3.6 per cent for properties in Russia. The negative growth rate for shopping centres is due to the renewal of a lease agreement with a major tenant at a lower rental rate, which in turn resulted from the previous rental rate having included compensation related to investments made by the developer. All of Sponda's lease agreements in Finland are tied to the cost of living index.

The economic occupancy rates by type of property and geographical area were as follows:

Type of property	31.12.2012	30.9.2012	30.6.2012	31.3.2012	31.12.2011
Office and retail properties, %	**89.4**	89.3	89.2	88.7	88.4
Shopping centres, %	**93.0**	93.1	93.8	93.9	94.1
Logistics properties, %	**75.6**	76.6	78.0	78.1	78.1
Russia, %	**95.4**	93.5	99.0	98.7	98.7
Total property portfolio, %	**88.1**	88.0	88.9	88.4	88.2

Geographical area	31.12.2012	30.9.2012	30.6.2012	31.3.2012	31.12.2011
Helsinki business district, %	**88.3**	87.9	87.8	87.9	85.6
Helsinki Metropolitan Area, %	**85.0**	85.5	86.2	85.6	86.2
Turku, Tampere, Oulu, %	**95.7**	94.8	94.2	94.3	96.1
Russia, %	**95.4**	93.5	99.0	98.7	98.7
Total property portfolio, %	**88.1**	88.0	88.9	88.4	88.2

Total cash flow from lease agreements at the end of 2012 was EUR 1,239.7 (1,240.0) million. Sponda had 2,130 clients and altogether 3,228 lease agreements. The company's largest tenants were the Finnish state (10.0 per cent of rental income), Kesko Group (4.3 per cent of rental income), HOK-Elanto (3.7 per cent of rental income) and Danske Bank Oyj (3.7 per cent of rental income). Sponda's 10 largest tenants generate approximately 31 per cent of the company's total rental income. Sponda's tenants by sector were as follows:

Sector	share of net rental income, %
Professional, scientific and technical	6.5
Energy	0.6
Public sector	12.0
Wholesale/retail	26.4
Education	1.3
Logistics/transport	5.3

Sector	share of net rental income, %
Hotel and catering business	4.9
Media/publishing	1.7
Other services	12.5
Banking/investment	11.5
Construction	1.7
Industry/manufacturing	5.9
Healthcare	4.0
Telecommunications	5.3
Other	0.2

The average length of all lease agreements was 4.7 (4.9) years. The average length of lease agreements was 4.8 (5.1) years for office and retail properties, 6.2 (6.5) years for shopping centres, 4.5 (4.2) years for logistics properties and 2.8 (2.4) years for properties in Russia. The Group’s lease agreements will expire as follows:

	% of rental income 31.12.2012	% of rental income 31.12.2011
Within 1 year	**14.3**	16.9
Within 2 years	**8.8**	10.1
Within 3 years	**10.1**	9.3
Within 4 years	**7.8**	7.1
Within 5 years	**13.7**	6.1
Within 6 years	**4.1**	10.3
More than 6 years	**27.1**	27.6
Valid indefinitely	**14.0**	12.7

Investments and divestments

In 2012, Sponda sold properties for a total of EUR 61.8 million and recorded a profit of EUR 2.5 million on the sales transactions. The balance sheet value of the sold properties was EUR 59.3 million. Sponda purchased properties for EUR 53.1 million during the period.

Investments in property maintenance totalled EUR 28.4 million in 2012. The company invested EUR 47.5 million in property development. Property development investments during the year were primarily directed to the modernisation of the Citycenter property in Helsinki's central business district and the development of an office property in Ruoholahti.

Office and Retail Properties

	1–12/2012	**1–12/2011**
Total revenue, M€	**143.9**	132.8
Net operating income, M€	**104.9**	95.6
Operating profit, M€	**130.0**	99.2

	1–12/2012	1–12/2011
EPRA Net Initial Yield (NIY), %	**6.3**	6.0
Economic occupancy rate, %	**89.4**	88.4
Fair value of properties, M€	**1,705.7**	1,644.0
Change in fair value after 1 January, M€	**31.4**	10.5
Leasable area, m^2	**763,000**	780,500

In 2012, Sponda sold office and retail properties for a total of EUR 16.0 million and recorded a profit of EUR 1.6 million on the sales transactions. The company purchased properties for a total of EUR 15.2 million during the year. Investments in property maintenance totalled EUR 20.4 million.

The lease agreements for Sponda's office and retail premises will expire as follows:

	% of rental income 31.12.2012	% of rental income 31.12.2011
Within 1 year	**11.3**	12.6
Within 2 years	**10.4**	12.1
Within 3 years	**11.4**	9.8
Within 4 years	**7.9**	8.3
Within 5 years	**12.9**	6.0
Within 6 years	**5.2**	10.2
More than 6 years	**22.5**	25.3
Valid indefinitely	**18.4**	15.8

Shopping Centres

	1–12/2012	1–12/2011
Total revenue, M€	**42.0**	40.4
Net operating income, M€	**32.3**	31.7
Operating profit, M€	**25.7**	35.4
EPRA Net Initial Yield (NIY), %	**6.1**	6.7
Economic occupancy rate, %	**93.0**	94.1
Fair value of properties, M€	**736.7**	586.1
Change in fair value after 1 January, M€	**-5.3**	5.3
Leasable area, m^2	**156,500**	157,500

Sponda sold shopping centre properties for a total of EUR 1.1 million during the period and recorded a profit of EUR 0.5 million on the sales transactions. The balance sheet value of the sold properties was EUR 0.6 million. No properties were purchased during the period. Investments in property maintenance totalled EUR 5.8 million.

At the end of 2012, the Citycenter shopping centre was transferred from the Property Development portfolio to the Shopping Centres portfolio and the property was measured at fair value. The measurement at fair value did not have a material impact on the company's result.

The lease agreements for premises in shopping centres will expire as follows:

	% of rental income 31 December 2012	% of rental income 31 December 2011
Within 1 year	**8.0**	7.5
Within 2 years	**2.9**	6.4
Within 3 years	**5.6**	3.3
Within 4 years	**4.3**	5.6
Within 5 years	**19.6**	6.2
Within 6 years	**0.6**	14.2
More than 6 years	**54.9**	51.7
Valid indefinitely	**4.1**	5.2

Logistics Properties

	1–12/2012	1–12/2011
Total revenue, M€	**42.3**	42.0
Net operating income, M€	**28.7**	28.6
Operating profit, M€	**22.4**	35.6
EPRA Net Initial Yield (NIY), %	**6.6**	5.9
Economic occupancy rate, %	**75.6**	78.1
Fair value of properties, M€	**414.4**	449.0
Change in fair value after 1 January, M€	**-4.9**	8.5
Leasable area, m^2	**485,000**	534,500

No logistics properties were purchased in the period under review. During the period, Sponda sold logistics properties worth EUR 31.5 million to Sponda Fund III, a real estate fund that was established at the time of the sales transaction. No logistics properties were sold in the final quarter of the year. Investments in property maintenance in 2012 totalled EUR 1.9 million.

The lease agreements for logistics properties will expire as follows:

	% of rental income 31 December 2012	% of rental income 31 December 2011
Within 1 year	**18.1**	20.7
Within 2 years	**4.9**	11.8
Within 3 years	**9.5**	8.8
Within 4 years	**5.7**	3.4
Within 5 years	**4.0**	5.1
Within 6 years	**4.3**	4.2
More than 6 years	**32.6**	28.6
Valid indefinitely	**20.9**	17.5

Property Development

The balance sheet value of Sponda's property development portfolio stood at EUR 135.1 million at the end of 2012. Of this total, EUR 91.2 million was in undeveloped land sites and the remaining EUR 43.9 million was tied up in property development projects in progress. At the end of 2012, the Property Development unit had invested a total of EUR 21.5 million. Most of these investments were allocated to the renovation of Citycenter and the development of an office property in Ruoholahti.

Sponda's property development operations comprise new construction projects and refurbishment of existing properties. At present, investments are allocated as follows:

	Ruoholahti office building
Total investment, M€	23.5
Remaining investment to be made, M€	5.4
Capitalised interest expenses by 31 December 2011, M€	0.3
Time of completion	April 2013

Construction of the final phase of the Citycenter project, comprising the retail premises on the Keskuskatu side, is nearing completion. The property has been transferred to the Shopping Centres portfolio and measured at its final fair value. The project will increase the leasable area of Citycenter from 41,000 square metres to 56,000 square metres.

Sponda is developing an office property in the Ruoholahti district of Helsinki with total floor space of approximately 6,000 square metres. Over 70 per cent of the building will be leased to the primary tenant, Talentum Plc. Construction of the office building is underway and the project is expected to be completed on schedule in April 2013. The project's total investment is estimated at some EUR 23.5 million.

Sponda is carrying out development projects for the Ratina shopping centre in Tampere and related areas. The current plans are for a shopping centre with a total area of 55,000 square metres and a total investment of approximately EUR 200 million. The decision to invest has not yet been made.

Russia

	1–12/2012	**1–12/2011**
Total revenue, M€	**28.7**	25.1
Net operating income, M€	**22.2**	18.9
Operating profit, M€	**25.7**	36.6
EPRA Net Initial Yield (NIY), %	**9.2**	9.8
Economic occupancy rate, %	**95.4**	98.7
Fair value of properties, M€	**269.4**	224.6
Change in fair value after 1 January, M€	**6.4**	20.4
Leasable area, m^2	**50,500**	46,500

The typical length of a lease in Russia is 11 months. Sponda's lease agreements in Russia conform to this practice, with the exception of the Western Realty (Ducat II) and Bakhrushina House properties in Moscow and the OOO Adastra property in St Petersburg, where the leases are for longer periods than average. The lease agreements will expire as follows:

	% of rental income 31 December 2012	% of rental income 31 December 2011
Within 1 year	**31.1**	47.3
Within 2 years	**14.2**	3.1
Within 3 years	**10.8**	16.5
Within 4 years	**14.7**	8.9
Within 5 years	**20.7**	8.6
Within 6 years	**4.1**	14.6
More than 6 years	**4.4**	0.9
Valid indefinitely	**0.0**	0.0

Real Estate Funds

Sponda is a non-controlling holder in four real estate funds: First Top LuxCo, Sponda Fund I Ky, Sponda Fund II Ky and Sponda Fund III Ky. Sponda is responsible for managing the funds and their properties, and receives management fees. The total revenue, net operating income and operating profit of the Real Estate Funds segment were:

	1–12/2012	1–12/2011
Total revenue, M€	**6.5**	6.4
Net operating income, M€	**5.2**	5.0
Operating profit, M€	**8.0**	-0.2

At the end of the review period, an external consultant assessed the fair value of the Sponda Fund I Ky (Jonas Lang LaSalle), Sponda Fund II Ky (Kiinteistötaito Peltola & Co) and Sponda Fund III Ky (Jones Lang LaSalle). The change in the fair value of Sponda's real estate funds in 2012 was EUR 0.6 (-4.4) million. The realised shares of profit from real estate funds totalled EUR 7.5 (5.0) million.

First Top LuxCo (Sponda's holding 20 per cent) invests in office and retail properties outside Finland's largest cities. The value of the fund's property investments stood at EUR 91.4 million on 31 December 2012.

Sponda Fund I Ky invests in logistics sites outside the Helsinki metropolitan area. Sponda's holding in the fund is 46 per cent. At the end of 2012 the properties in the fund had a fair value of EUR 170.9 million.

Sponda Fund II Ky (Sponda's holding 44 per cent) mainly invests in logistics properties in medium-sized cities in Finland. On 31 December 2012, the fair value of its property portfolio was EUR 188.1 million.

Sponda Fund III Ky (Sponda's holding 36 per cent) mainly invests in logistics properties in medium-sized cities in Finland. The fund has a target size for its real estate investment of approximately EUR 170 million and the fair value of its property portfolio on 31 December 2012 was EUR 91.7 million.

In addition to the funds mentioned above, Sponda is also responsible for managing the property portfolio, with a value of about EUR 126 million, sold in March 2007 to Whitehall Street Real Estate Limited and Niam Nordic Investment Fund III.

By the end of December 2012, no investment decisions had been made with regard to Russian Invest, an investment company established in September 2011.

Parent company

The net revenue of parent company Sponda Plc was EUR 142.9 (132.7) million and operating profit EUR 88.6 (80.3) million in 2012. Financial income and expenses came to EUR 221.5 (-134.2) million and the result for the period was EUR 368.9 (-7.9) million.

Group structure

Sponda Group comprises the parent company, the subsidiary Sponda Kiinteistöt Oy and the Group's mutually owned property companies, which are either wholly or majority owned by Sponda Plc or Sponda Kiinteistöt Oy. Sponda Group also includes Sponda Russia Ltd and Sponda Asset Management Oy, as well as their subsidiaries.

Risk management

Sponda manages the risks associated with its operations by identifying, measuring and preventing key uncertainties. The company employs effective risk management to protect its business operations and ensure that key objectives are achieved. Risks are assessed in terms of their probability as well as their financial impact. Achieving financial targets is a sign that risk management has been successful. Sponda's key risks are classified as strategic risks, operational risks, damage and asset risks and financing risks. These risks are described in more detail in the section Risks and risk management.

Main risks and risk management actions taken

Short-term risks related to Sponda's operations	Risk management actions
Fall in economic occupancy rate	Sponda's property portfolio is mainly located in Helsinki's city centre and the Ruoholahti district. The company spends approximately 1–1.5 per cent of the property portfolio value on modernisation investments each year. Sponda will place more focus on rental operations.
Decline in tenants' solvency	Sponda carries out regular checks to monitor tenants' solvency and changes therein. Most tenants submit a security deposit corresponding to 3 to 6 months' rent at the start of their tenancy. The company has a diverse tenant base representing a wide variety of sectors.
Availability of financing	Sponda reorganises maturing loans in a timely manner. When the financial market is tightening up, the company refinances loans well before their maturity. Sponda's next major refinancing needs will arise in 2014. At the end of 2012, Sponda's available credit limit stood at EUR 510 million.
Interest rate risk	Sponda reduces its interest rate risk through fixed-interest loans and interest rate derivatives.
Exchange rate fluctations	Sponda receives half of its Russian rental revenue in US dollars and half in roubles. Most of the rents paid in roubles are tied to the US dollar or euro exchange rate. The exchange rate risk arising from the use of the rouble is reduced by the fact that a significant portion of the company's own expenses in Russia is also paid in roubles. Sponda hedges a six-month cash flow from Russia. The company's investments in Russia are mainly funded in euros from the parent company balance sheet.
Special features of the Russian property market and exchange rate fluctuations	Sponda is a local operator with offices in Moscow and St. Petersburg. Networking and good relationships with the authorities are important for business operations. The company's strategy in Russia is to invest in high-quality properties in prime locations.

Environmental responsibility

The real estate sector plays a key role in fighting climate change and promoting the wellbeing of the environment. Environmental expertise is one of Sponda's strategic priorities. The sustainability reporting integrated in the company's annual report is implemented according to the GRI C level.

The company has set company level objectives for 2013 related to, amongst other things, reducing energy consumption in Sponda's own office and across the company's entire property portfolio, increasing the proportion of recoverable waste, implementing energy efficiency initiatives agreed upon with customers in conjunction with environmental partnerships and engaging in research and development related to reducing energy consumption. Environmental responsibility was also extended to properties owned by Sponda in Russia, with the aim of reducing electricity and water consumption, particularly in Moscow.

Sponda and other climate partners have signed a climate covenant. As part of the Climate Partners network, a joint initiative of the Confederation of Finnish Industries and the City of Helsinki, the participating companies identify the measures they will take to control climate change in their own operations.

Sponda Plc's covenants are:

- The comparable total energy consumption of Sponda's properties will be reduced by 10 per cent by 2016.
- The recycling rate in Sponda's properties will be increased to over 70 per cent by 2014.

The 2012 objectives related to environmental responsibility are described in the Spondability section under Improving energy efficiency and reducing the carbon footprint.

Corporate Governance

Sponda Plc is a public limited company registered in Finland and listed on NASDAQ OMX Helsinki Ltd. In its decision-making and administration, Sponda complies with the Finnish Companies Act and other legal provisions governing public limited companies, and the company's articles of association.

Sponda Plc also complies with the Insider Guidelines of the NASDAQ OMX Helsinki Ltd and the Corporate Governance recommendations issued for listed companies.

As required by the Finnish Companies Act and Sponda's articles of association, control and administration of the company is divided between the shareholders represented at general meetings, the Board of Directors and the President. The President is assisted by an Executive Board.

Sponda's Board of Directors has six members: Klaus Cawén, Tuula Entelä, Lauri Ratia, Arja Talma, Raimo Valo and Erkki Virtanen. The Chairman of the Board is Lauri Ratia and its Deputy Chairman is Klaus Cawén.

The Board of Directors assesses that, of its members, Klaus Cawén, Tuula Entelä, Lauri Ratia, Arja Talma, Raimo Valo and Erkki Virtanen are independent of the company and its major shareholders.

The Board has established two permanent committees to assist the Board by preparing matters for which the Board is responsible. These committees are the Audit Committee and the Structure and Remuneration Committee. The Board is responsible for carrying out the duties it assigns to the committees. The committees report regularly to the Board on their work. The Board confirms written rules of procedure for the committees. If required, the Board can appoint other committees and working groups from among its own members to prepare matters for the Board's consideration and decision-making.

The members of the **Audit Committee** are as follows: Arja Talma (Chairman), Raimo Valo (Deputy Chairman) and Erkki Virtanen (ordinary member). The members of the **Structure and Remuneration Committee** are as follows: Lauri Ratia (Chairman), Klaus Cawén (Deputy Chairman) and Tuula Entelä (ordinary member).

A Corporate Governance statement is available at the company website.

Annual General Meeting and Dividend

The Board of Directors of Sponda Plc will convene the Annual General Meeting on 18 March 2013 and proposes to the Annual General Meeting that a dividend of EUR 0.17 per share be paid.

Auditors

Sponda Plc's auditors are APA Raija-Leena Hankonen and authorised public accountants KPMG Oy Ab, with APA Kai Salli as the responsible auditor and APA Ari Eskelinen as the deputy auditor.

Shareholders' Nomination Board

Sponda Plc's Shareholders' Nomination Board has decided to propose to the Annual General Meeting on 18 March 2013 that the number of members of the Board of Directors be confirmed as seven and that the current members, Klaus Cawén, Tuula Entelä, Arja Talma and Raimo Valo, be re-elected, with Kaj-Gustaf Bergh, Christian Elfving and Juha Laaksonen elected as new members.

The Nomination Board proposes to the Annual General Meeting that the members of the Board of Directors elected in the Annual General Meeting be paid the following annual remunerations for the term concluding at the 2014 Annual General Meeting: Chairman of the Board, EUR 60,000, Vice Chairman of the Board, EUR 36,000 and each member EUR 31,200. The Nomination Board further proposes that all members of the Board of Directors be paid meeting fees as follows: Chairman of the Board, EUR 1,000 per meeting and members of the Board, EUR 600 per meeting. The Nomination Board proposes that members of the Board be paid EUR 600 per committee meeting and the Chairman of the Audit Committee EUR 1,000 per Audit Committee meeting. The Nomination Board proposes that 40 per cent of the annual remuneration be paid in Sponda Plc shares acquired on the market. The shares will be acquired within two weeks of the date of publication of the interim report for the period 1 January–31 March 2013.

The three largest shareholders on 1 October 2012 were represented in the Nomination Board:

- Solidium Oy, represented by Kaj-Gustaf Bergh, Oy Palsk Ab
- Ilmarinen Mutual Pension Insurance Company, Timo Ritakallio
- Varma Mutual Pension Insurance Company, Risto Murto

Sponda's Board of Directors will include the proposals in the invitation to the AGM to be published at a later date.

Management and personnel

Sponda Plc's President and Chief Executive Officer is Kari Inkinen. The Executive Board comprises the President and CEO, the CFO, the SVP for Corporate Communications and IR, and the heads of the business units, in total seven persons.

The key figures for Sponda Group's personnel are as follows:

	2012	2011	2010	2009	2008
Average number of employees during year	**122**	123	123	135	137
Number of employees at end of year	**119**	128	119	134	141
Salaries and other remuneration, M€	**13.5**	13.0	11.1	12.1	12.4

Sponda has personnel in Finland and in Russia.

Sponda has an annual remuneration scheme that covers all employees and is based on both company objectives and personal targets. The key factors affecting the individual's bonus are profitability and business development.

Sponda also has a long-term share-based incentive scheme with two one-year vesting periods, the 2010 and 2011 calendar years, and two three-year vesting periods, 2010–2012 and 2011–2013. The earnings criteria of the incentive scheme are tied to cash flow from operations per share and return on capital employed.

The incentive scheme currently covers the members of the Executive Board, seven people altogether. The incentive scheme is described in more detail in the company's stock exchange release dated 20 March 2012.

Sponda's aim is to ensure equal rights between its male and female staff, different business units, employees of different ages with different tasks, and between full-time and part-time staff. Sponda monitors salaries in different professional groups on an annual basis. In 2012, male and female staff received the same rate of pay for doing the same job.

Sponda's share

The weighted average price of Sponda's share in 2012 was EUR 3.17. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 3.75 and the lowest EUR 2.72. Turnover during the year totalled 115.2 million shares, or EUR 379.4 million. The closing price of the share on 28 December 2012 was EUR 3.60 and the market capitalisation of the company's share capital at the end of the year stood at EUR 1,019.1 million.

The Annual General Meeting on 20 March 2012 authorised the Board of Directors to purchase the company's own shares. The authorisation is valid until the next Annual General Meeting. The authorisation was not exercised during the review period.

The Annual General Meeting also authorised the Board of Directors to decide on a share issue and on the issuance of special rights entitling to shares in accordance with Chapter 10, section 1 of the Companies Act, according to the Board of Directors proposal. The authorisation is valid until the next Annual General Meeting. The authorisation was not exercised during the review period.

On 31 December 2012 the company had altogether 8,984 shareholders and its ownership structure was as follows:

	Number of shares	Holding, %
Public entities	61,856,159	21.9
Nominee-registered	138,282,669	48.9
Financial and insurance institutions, total	7,769,139	2.7
Households	22,061,842	7.8
Private corporations, total	46,249,280	16.3
Non-profit organisations, total	3,673,479	1.3
Foreign owners, total	3,182,894	1.1
Total number of shares	**283,075,462**	**100.0**

The following flagging notices were issued:

- 19 October 2012: Solidium Oy announced that its holding of shares represented 0.0 per cent of the total number of shares and votes in Sponda Plc.
- 19 October 2012: Oy PALSK Ab announced that its holding of shares represented 14.89 per cent of the total number of shares and votes in Sponda Plc.

Events after the close of the financial year

Sponda Plc's Shareholders' Nomination Board decided on the content of its proposal regarding the composition and remuneration of the Board of Directors for the Annual General Meeting to be held on 18 March 2013. More detailed information on the proposal is available under the heading Shareholders' Nomination Board.

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 the changes in rental agreements and leases already signed.

Comparable net operating income (excluding sales) in 2013 is expected to increase slightly from 2012. The 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.

Shares and Shareholders

Sponda Plc's share capital on 31 December 2012 was EUR 111,030,185 and the number of shares was 283,075,462. The Sponda share is quoted on NASDAQ OMX Helsinki Ltd under the trading code is SDAIV. The shares are managed under the book-entry securities system. Sponda has one share series with equal voting and dividend rights. Each share carries one vote at general meetings. The company did not hold any Sponda shares.

In addition to NASDAQ OMX Helsinki, Sponda shares were traded on several alternative market places, for example at Chi-X Europe, BATS and Turquoise. In 2012, the amount of Sponda's shares traded in alternative market places, were approximately 20 per cent of the total amount of traded shares.

Dividend policy

Sponda Plc distributes a dividend corresponding to about 50 per cent of the cash flow from operations per share for the period while taking into consideration economic situation and the company's business development needs.

Shareholders

At the end of 2012, Sponda had a total of 8,984 shareholders. Nominee-registered shareholders accounted for 48.9 per cent of the shares and votes. Foreign and nominee-registered shareholders together held 50.0 per cent of the shares and votes.

Sponda issued the following flagging notices in 2012:

- 19 October 2012: Solidium Oy announced that its holding of shares represented 0.0 per cent of the total number of shares and votes in Sponda Plc.
- 19 October 2012: Oy PALSK Ab announced that its holding of shares represented 14.89 per cent of the total number of shares and votes in Sponda Plc.

Trading and performance

The weighted average price of Sponda's share in 2012 was EUR 3.17. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 3.75 and the lowest EUR 2.72. Turnover during the year totalled 115.2 million shares or EUR 379.4 million. The closing price of the share on 28 December 2012 was EUR 3.60 and the market capitalisation of the company's share capital at the end of the year stood at EUR 1,019.1 million.

Current authorizations

On 20 March 2012 the Annual General Meeting authorized the Board of Directors to purchase the company's own shares. The authorization is valid until the next Annual General Meeting. The authorization was not exercised during the review period.

The Annual General Meeting also authorised the Board of Directors to decide on a share issue and on the issuance of special rights entitling to shares in accordance with Chapter 10, section 1 of the Companies Act, according to the Board of Directors proposal. The authorisation is valid until the next Annual General Meeting. The authorisation was not exercised during the review period.

Sponda's ownership structure on 31 December 2012, registered shareholders

	Number of shares	% of shares
Public sector	61,856,159	21.9
Nominee registered	138,282,669	48.9
Financial and insurance corporations	7,769,139	2.7
Households	22,061,842	7.8
Non-financial corporations	46,249,280	16.3
Non-profit institutions	3,673,479	1.3
Foreign owners, total	3,182,894	1.1
Total issued	**283,075,462**	**100.0**

20 principal shareholders on 31 December 2012

		Number of shares	% of shares and votes
1	Oy PALSK Ab	42,163,745	14.89
2	Varma Mutual Pension Insurance Company	29,083,070	10.27
3	Ilmarinen Mutual Pension Insurance Company	27,052,730	9.56
4	Suomi Mutual Life Assurance Company	5,500,000	1.94
5	The State Pension Fund	2,500,000	0.88
6	Folketrygdfondet	1,950,000	0.69
7	Etera Mutual Pension Insurance Company	1,692,509	0.60
8	Yleisradion Eläkesäätiö S.r.	850,000	0.30
9	Norvestia plc	652,657	0.23
10	SEB Gyllenberg Funds	607,898	0.21

		Number of shares	% of shares and votes
11	BNP Arbitrage	549,094	0.19
12	Mutual Insurance Company Pension-Fennia	430,000	0.15
13	Sijoitusrahasto Aktia Capital	425,000	0.15
14	I.A. von Julins STB	380,000	0.13
15	Odin Eiendom	359,557	0.13
16	Mutual Fund Tapiola Finland	356,336	0.13
17	FIM Funds	327,077	0.12
18	Inkinen Kari	313,366	0.11
19	The Finnish association of graduates in economics and business administration - SEFE ry	260,000	0.09
20	SSK Suomen Säästäjien Kiinteistöt Oyj	240,500	0.08
	Total	**115,693,539**	**40.87**
	Others	167,381,923	59.13
	Total	**283,075,462**	**100.00**
	Nominee-registered	138,282,669	48.85
	Total number of shareholders	**8,984**	

Distribution of ownership 31 December 2012

	Number of shareholders	% of shareholders	Number of securities	% of securities	Number of votes	% of votes
1–100	585	6.51	35,700	0.01	35,700	0.01
101–500	2,388	26.58	749,726	0.26	749,726	0.26
501–1,000	1,683	18.73	1,304,048	0.46	1,304,048	0.46
1,001–5,000	3,332	37.09	7,946,656	2.81	7,946,656	2.81
5,001–10,000	507	5.64	3,703,135	1.31	3,703,135	1.31
10,001–50,000	388	4.32	7,835,831	2.77	7,835,831	2.77
50,001–100,000	47	0.52	3,468,970	1.23	3,468,970	1.23
100,001–500,000	41	0.46	8,545,751	3.02	8,545,751	3.02
500,001	13	0.14	249,485,645	88.13	249,485,645	88.13
Total	**8,984**	**100.00**	**283,075,462**	**100.00**	**283,075,462**	**100.00**
of which nominee-registered	10		138,282,669	48.85	138,282,669	48.85
Non-transferred, total	0		0	0.00	0	0.00
In general account			0	0.00	0	0.00
In special accounts, total			0	0.00	0	0.00
Total issued			**283,075, 462**	**100.00**	**283,075,462**	**100.00**

Key financial figures

Key financial figures		31 Dec, 2012	31 Dec, 2011	31 Dec, 2010	31 Dec, 2009	31 Dec, 2008[1])	31 Dec, 2008
Income statement key figures							
1.	Total revenue, M€	**264.6**	248.2	232.1	237.2	219.6	219.6
2.	Operating profit, M€	**210.3**	209.6	216.2	-13.3	117.3	126.2
3.	% of total revenue	**79.5**	84.5	93.2	-5.5	53.4	57.5
4.	Financial expenses, M€	**-94.6**	-89.6	-60.3	-67.2	-76.7	-89.1
5.	Profit loss for the period, M€	**114.9**	117.8	120.4	-81.6	29.2	26.6
6.	% of total revenue	**43.4**	47.5	51.9	-34.4	13.3	12.1
7.	Direct result, M€	**82.9**	75.4	74.0	67.4	38.9	
8.	Indirect result, M€	**32.0**	42.4	46.6	-148.9	-9.6	
Balance sheet key figures							
9.	Total shareholders' equity, M€	**1,395.6**	1,281.1	1,200.8	1,113.6	1,008.9	1,003.0
10.	Total liabilities, M€	**2,126.2**	2,106.2	1,885.7	1,876.6	2,165.8	2,163.8
11.	Interest-bearing liabilities, M€	**1,736.2**	1,754.8	1,572.6	1,597.8	1,828.3	1,828.3
12.	Interest-bearing net liabilities, M€	**1,706.1**	1,728.4	1,545.6	1,568.7	1,812.3	1,812.3
Profitability and financing key figures							
13.	Return on investment, %	**8.0**	7.7	7.9	-0.4	4.4	4.7
14.	Return on shareholders' equity (ROE), %	**8.6**	9.5	10.4	-7.7	3.0	2.7
15.	Equity ratio, %	**39.8**	37.9	39.0	37.3	31.9	31.8
16.	Debt equity ratio, %	**124.4**	137.0	131.0	143.5	181.2	182.3
17.	Gearing, %	**122.3**	134.9	128.7	140.9	179.6	180.7
Other key figures							
18.	Gross expenditure on non-current assets, M€	**147.8**	269.9	83.1	61.3	502.6	502.6
19.	% of total revenue	**55.9**	108.7	35.8	25.2	228.8	228.8

[1]) 2008 figures adjusted following adopting of IAS 23

Key figures per share

Key figures per share			31 Dec, 2012	31 Dec, 2011	31 Dec, 2010	31 Dec, 2009	31 Dec, 2008 [2])	31 Dec, 2008
20.	Earnings per share attributable to parent company equity holders, € (EPS)		**0.37**	0.39	0.40	-0.40	0.13	0.09
21.	Shareholders' equity per share, €		**4.27**	4.06	3.86	3.54	4.93	4.90
22.	Dividend, €	[1])	**0.17**	0.16	0.15	0.12	0.00	0.00
23.	Payout ratio, %	[1])	**45.58**	41.15	37.12	-29.83	0.00	0.00

24.	Effective dividend yield, %	[1])	**4.72**	5.13	3.87	4.40	0.00	0.00
25.	P/E ratio, %		**9.65**	8.02	9.60	-6.79	14.69	12.89
26.	Lowest and highest share prices, €		**2.72/ 3.75**	2.64/ 4.17	2.42/ 3.88	1.87/ 3.93	1.45/ 5.46	1.45/ 5.46
27.	Average share price, €		**3.17**	3.39	3.07	2.57	3.38	3.38
28.	Closing share price, €		**3.60**	3.12	3.88	2.73	1.93	1.93
29.	Market capitalization, M€		**1,019.1**	883.2	1,077.0	757.8	344.2	344.2
30.	Share turnover, million shares		**115.2**	141.9	136.8	233.1	108.9	108.9
31.	Share turnover, %		**40.7**	50.4	49.3	119.0	98.1	98.1
32.	Weighted average of basic and diluted total number of shares, million shares		**283.1**	281.3	277.6	230.6	178.0	178.0
33.	Weighted average of basic and diluted total number of shares at the end of the year, million shares		**283.1**	283.1	277.6	277.6	178.0	178.0
34.	Direct result per share, €		**0.29**	0.27	0.27	0.29	0.22	-
35.	Indirect result per share, €		**0.11**	0.15	0.17	-0.65	-0.05	-
36.	Cash flow from operations per share, €		**0.40**	0.37	0.37	0.45	0.78	0.78

[1]) Proposal of the Board of Directors

[2]) 2008 figures adjusted following adopting of IAS 23

EPRA key figures

EPRA key figures		**31 Dec, 2012**	**31 Dec, 2011**	**31 Dec, 2010**	**31 Dec, 2009**	**31 Dec, 2008 [1])**	**31 Dec, 2008**
37.	EPRA Earnings, M€	**82.9**	75.4	74.0	67.4	38.9	-
38.	EPRA Earnings per share ,€	**0.29**	0.27	0.27	0.29	0.22	-
39.	EPRA NAV, M€	**1,450.3**	1,369.5	1,274.5	1,159.9	1,074.6	-
40.	EPRA NAV per share, €	**5.12**	4.84	4.59	4.18	6.04	6.01
41.	EPRA NNNAV, M€	**1,175.6**	1,132.1	1,078.6	1,005.2	907.9	-
42.	EPRA NNNAV per share, €	**4.15**	4.00	3.89	3.62	5.10	-
43.	EPRA Net Initial Yield (NIY), %	**6.61**	6.39	6.37			
44.	EPRA "topped-up" NIY, %	**6.63**	6.40	6.38			
45.	EPRA Vacancy rate, %	**11.9**	11.8	12.0	13.4	11.5	11.5

[1]) 2008 figures adjusted following adopting of IAS 23

EPRA Earnings

Sponda's result includes several non-operating items. These items are primarily the result of the nature of Sponda's business and the IFRS reporting obligations. In order to facilitate the monitoring of the operating result, Sponda presents the Group's operating result and operating result per share in accordance with EPRA recommendations. The operating result illustrates the result from the Group's core business operations. The operating result is calculated by adjusting the Group's result by, inter alia, changes in the fair values of properties and financial instruments, capitalized borrowing costs, gains and losses on sales, impairment on goodwill and other income and expenses considered by the company to be non-operating items.

In addition to the operating result, Sponda presents the non-operating result and the non-operating result per share. The calculation includes the aforementioned income statement items considered by the company to be non-operating items.

EPRA Earnings, M€	31 Dec, 2012	31 Dec, 2011	31 Dec, 2010	31 Dec, 2009	31 Dec, 2008
Net operating income	**192.2**	179.4	168.7	175.8	162.1
Realised gains from real estate funds	**7.5**	5.0	5.6	5.8	4.7
Marketing and administration	**-22.8**	-23.1	-20.4	-22.0	-24.2
Other operating income and expenses	**0.3**	0.0	-1.0	-1.1	0.0
Financial income and expenses	**-67.9**	-69.0	-58.0	-68.7	-87.3
Taxes based on direct result	**-3.9**	-3.0	-1.8	-3.2	-1.3
Deferred taxes on operating result	**-22.4**	-14.0	-19.2	-19.1	-15.2
Operating share of non-controlling shareholders	**0.0**	0.0	0.0	0.0	0.0
Total	**82.9**	75.4	74.0	67.4	38.9
EPRA Earnings per share, €	**0.29**	0.27	0.27	0.29	0.22

Indirect result, M€	31 Dec, 2012	31 Dec, 2011	31 Dec, 2010	31 Dec, 2009	31 Dec, 2008
Profit/loss on sales of investment properties	**2.5**	7.2	5.8	0.3	12.1
Valuation gains/losses	**25.5**	34.6	38.8	-175.1	-44.9
Amortization of goodwill	**0.0**	0.0	0.0	0.0	-13.0
Profit/loss on sales of trading properties	**5.2**	0.7	19.4	4.0	21.5
Change in fair value of trading property	**0.0**	-1.8	0.0	0.0	0.0
Other operating income and expenses	**0.0**	7.5	-0.8	-1.0	-1.0
Financial income and expenses	**9.2**	-6.6	-0.5	3.7	12.2
Taxes based on indirect result	**0.2**	-0.2	-1.8	0.0	0.0
Deferred taxes on non-operating result	**-10.6**	-11.1	-14.5	19.0	3.4
Change in tax base of deferred taxes	**0.0**	12.0	0.0	0.0	0.0
Non-operating share of non-controlling shareholders	**0.0**	0.0	0.0	0.1	0.1
Total	**32.0**	42.4	46.6	-148.9	-9.6
EPS, basic and diluted, indirect result, €	**0.11**	0.15	0.17	-0.65	-0.05

EPRA NIY and "topped-up" NIY

The EPRA Net Initial Yield NIY and "topped-up" NIY represent the annual net yield on investment property on the date of closing the books.

The annual computational net yield is the annualised rental yield for the month of closing the books adjusted by the effect of known rent increases on the following year's yield deducted by the predicted 12-month maintenance costs of comparable properties.

The annual computational adjusted net yield is calculated by making an adjustment to the annual computational net yield in respect of the annualised effect of rent-free periods and graded rents for the coming year.

M€	31 Dec, 2012	31 Dec, 2011	31 Dec, 2010
Investment properties	**3,261.3**	3,165.7	2,870.6
Developments	**-537.9**	-480.7	-534.5
Yield-producing investment properties	**2,723.4**	2,685.0	2,336.1
Estimated buyer's expenses	**43.6**	43.0	37.4

Adjusted value of investment properties	B	**2,767.0**	2,728.0	2,373.5
Annual computational net yield	A	**182.8**	174.4	151.2
Graded rents, rent-free periods etc.		**0.5**	0.2	0.2
Annual computational adjusted net yield	C	**183.3**	174.6	151.4
EPRA NIY	A/B	**6.61 %**	6.39 %	6.37 %
EPRA "topped-up" NIY	C/B	**6.63 %**	6.40 %	6.38 %

Formulas used in the calculation of key figures

Income statement key figures

3.	Operating profit/loss margin	=	$100 \times \frac{\text{Operating profit/loss}}{\text{Total revenue}}$
6.	Profit/loss margin	=	$100 \times \frac{\text{Profit/loss}}{\text{Total revenue}}$
7.	Direct result, M€	=	Net operating income
			+ Realised gains from real estate funds
			- Marketing and administration expenses
			+/- Other operating income and expenses
			+/- Operating financial income and expenses
			+/- Taxes based on operating result
			+/- Change in deferred taxes based on operating items
			+/- Operating share of non-controlling shareholders
8.	Indirect result, M€	=	+/- Gains/losses on sales of investment properties
			+/- Gains/losses on fair value assessment
			- Impairment on goodwill
			+/- Gains/losses on sale of trading properties
			+/- Other non-operating income and expenses
			+/- Non-operating financial income and expenses
			+/-Taxes based on non-operating result
			+/- Deferred taxes based on non-operating result
			+/- Non-operating share of non-controlling shareholders

Balance sheet key figures

12.	Interest-bearing net liabilities, M€	=	Interest-bearing financial liabilities - Financial assets

Profitability and financing key figures

13.	Return on investment, %	=	100 x	Profit before taxes + interest and other financial expenses
				Balance sheet total - non-interest-bearing liabilities (average during the period)
14.	Return on shareholders' equity (ROE), %	=	100 x	Profit for the period attributable to equity holders of the parent company
				Equity attributable to equity holders of the parent company (average during the period)
15.	Equity ratio, %	=	100 x	Shareholders' equity
				Balance sheet total - advances received
16.	Debt equity ratio, %	=	100 x	Interest-bearing loans and borrowings
				Shareholders' equity
17.	Gearing, %	=	100 x	Interest-bearing liabilities - cash and cash equivalents
				Shareholders' equity

Key figures per share

20.	Earnings per share, €	=	Earnings per share attributable to parent company equity holders - interest on hybrid loan
			Weighted average number of shares outstanding during the period
21.	Shareholders' equity per share, €	=	Equity attributable to equityholders of the parent company at year end
			- Other equity reserve
			Adjusted number of shares at year end
23.	Payout ratio, %	=	100 x Dividend per share
			Earnings per share
24.	Effective dividend yield, %	=	100 x Dividend per share
			Share price at year end
25.	P/E ratio, %	=	Share price at year end
			Earnings per share
27.	Average share price, €	=	Value of trading volume
			Volume traded
29.	Market capitalization, M€	=	Number of shares at year end x share price at year end
34.	Direct result per share, €	=	Operating result
			Weighted average number of shares outstanding during the period
35.	Indirect result per share, €	=	Non-operating result
			Weighted average number of shares outstanding during the period

36.	Cash flow from operations per share, €	=	Operating profit
			-/+ Valuation gains and losses
			+ Amortization of goodwill
			+ Administrative depreciation
			+/- Changes in provisions
			+/- Defined benefit pension expenses
			- Financial income and expenses affecting cash flow
			- Taxes affecting cash flow
			+/- Other items
			Average adjusted number of shares during the period

Formulas used in the calculation of EPRA key figures

37.	EPRA Earnings, M€	=	See formula 7, Operating result
38.	EPRA Earnings per share, €	=	See formula 34, Operating result per share
39.	EPRA NAV, €	=	Equity attributable to parent company equity holders
			- Other equity reserve
			+ Deferred tax liabilities resulting from the assessment of fair value
			- Goodwill created from the deferred tax liabilities on properties
40.	EPRA NAV per share, €	=	EPRA NAV
			Undiluted total number of shares on the date of closing the books
41.	EPRA NNNAV, M€	=	EPRA NAV
			- Deferred tax liabilities resulting from the assessment of fair value of properties
			+/- Difference between the fair value and balance sheet value of liabilities
42.	EPRA NNNAV per share, €	=	EPRA NNNAV
			Undiluted total number of shares on the date of closing the books
43.	EPRA Net Initial Yield (NIY), %	=	Annual computational net yield
			Investment properties
			- Development properties
			+ Estimated buyer's expenses
44.	EPRA "topped-up" NIY, %	=	Adjusted annual computational net yield
			Investment properties
			- Development properties
			+ Estimated buyer's expenses

EPRA BPR additional information

EPRA like-for-like net rental growth	2012, M€ Owned 2 yrs	Pur-chase	Sales	Devel-opment and other	Currency rate effect [1])	Total	2011, M€ Owned 2 yrs	Pur-chase	Sales	Devel-opment and other	Currency rate effect [1])	Total
Office and retail premises	88.6	11.1	1.0	4.2	0.0	104.9	88.0	7.0	0.2	0.4	0.0	95.6
Shopping centres	20.8	0.7	0.0	11.0	0.0	32.3	14.0	1.1	0.0	16.6	0.0	31.7
Logistics	19.5	-0.1	2.6	6.8	0.0	28.7	23.1	0.0	1.2	4.3	0.0	28.6
Russia	19.4	1.8	0.0	0.1	1.2	22.2	19.1	0.0	0.0	-0.1	-0.1	18.9
MATCHING						0.0						0.0
Total above						**188.1**						**174.8**
Property development segment						-1.1						-0.5
Real estate funds segment						5.2						5.0
Other difference						0.0						0
In Sponda's consolidated income statement						**192.2**						**179.4**

[1]) Fixed rate, closing rate of the comparison period

Calculations based on per-property level

Purchases	Properties whose shares have been acquired during the reporting period or comparison period
Sales	Properties whose shares have been sold during the reporting period or comparison period
Development and other	Properties where development or modernisation investments have been made to the extent that net yield is not fully comparable with the previous year
	Also includes transfers between segments and other events with possible tax impacts
Exchange rate change	Roubles translated to euros using the exchange rate on the last day of the period.

Like-for-like net yield increase and corresponding investment assets	M€	%	Comparable investment properties, M€
Office and retail premises	4.4	0.1	1,351.6
Shopping centres	-2.4	-0.1	353.3
Logistics	-0.7	0.0	325.2
Russia	0.7	0.0	211.4

VALUATION DATA	Investment properties, M€	Valuation change, M€	EPRA Net Initial yield, %
Office and retail premises	1,705.7	31.4	6.31
Shopping centres	736.7	-5.3	6.15
Logistics	414.4	-4.9	6.64
Property development	135.1	-2.6	N/A

Russia	269.4	6.4	9.23
Total	**3,261.3**	**24.9**	**6.61**

MATCHING	
Total above	3,261.3
Other difference	0.0
Group investment properties total	**3,261.3**

LEASE INFORMATION	Total revenue, M€	Net operating income, M€	Leasable area, m²	Paid rent, M€/year	Market rent, M€/kk	Economic vacancy rate, %	Rental level, €m²
Office and retail premises	143.9	104.9	763,000	144.0	11.2	10.61	18.2
Shopping centres	42.0	32.3	156,500	42.0	3.5	7.04	25.3
Logistics	42.3	28.7	485,000	40.8	4.0	24.42	9.0
Property development	1.2	-1.1	32,000	0.9	N/A	N/A	N/A
Russia	28.7	22.2	50,500	30.0	2.3	4.61	50.3
Total	**258.1**	**187.0**	**1,487,000**	**257.7**	**21.0**	**11.90**	**17.4**

MATCHING		
Total above	258.1	187.0
Real estate funds	6.5	5.2
Other difference	0.0	0.0
Consolidated income statement total	**264.6**	**192.2**

Financial statements

Sponda's financial statements have been prepared in accordance with the provisions of the Finnish Accounting Act, the Finnish Companies Act and the Finnish Securities Market Act.

- Consolidated financial statements
- Parent company financial statements
- Distribution of profit

Consolidated income statement

M€	Note	1 Jan - 31 Dec, 2012	1 Jan - 31 Dec, 2011
Total revenue	1 2 3		
Rental income and service charges		**257.8**	241.5
Interest income from finance leases		**0.3**	0.3
Fund management fees		**6.5**	6.4
		264.6	248.2
Expenses			
Maintenance expenses	4	**-71.1**	-67.5
Direct fund expenses		**-1.3**	-1.3
		-72.4	-68.8
Net operating income		**192.2**	179.4
Profit/loss on sales of investment properties	5	**2.5**	7.2
Valuation gains and losses	14	**33.0**	39.6
Profit/loss on sales of trading properties	23	**5.2**	0.7
Change in fair value of trading property	23	**0.0**	-1.8
Sales and marketing expenses		**-2.0**	-1.6
Administrative expenses	8 9 10	**-20.9**	-21.5
Share of results of associated companies	20	**0.0**	-0.1
Other operating income	6	**0.4**	8.2
Other operating expenses	7	**-0.1**	-0.6
Operating profit		**210.3**	209.6
Financial income	11	**35,9**	14.0
Financial expenses	11	**-94.6**	-89.6
Net financing costs		**-58.8**	-75.6
Profit before taxes		**151.6**	134.0

Income taxes for current and previous periods		**-3.7**	-3.1
Deferred taxes		**-33.0**	-25.1
Change in tax base of deferred taxes		**0.0**	12.0
Income taxes total	12	**-36.7**	-16.2
Profit for the period		**114.9**	117.8
Attributable to:			
Equity holders of the parent company		**114.9**	117.8
Non-controlling interest		**0.0**	0.0
Profit for the period		**114.9**	117.8
Basic and diluted earnings per share attributable to parent company equity holders, €	13	**0.37**	0.39
Average number of shares, basic and diluted, million	13	**283.1**	281.3

Consolidated statement of comprehensive income

M€	Note	1 Jan - 31 Dec, 2012	1 Jan - 31 Dec, 2011
Profit/loss for period		**114.9**	117.8
Other comprehensive income			
Net loss/profit from hedging cash flow		**-3.1**	-11.9
Translation difference		**0.1**	0.0
Taxes on comprehensive income	12	**0.8**	2.4
Other comprehensive income for period after taxes		**-2.1**	-9.5
Comprehensive profit/loss for period		**112.8**	108.3
Allocation of comprehensive profit/loss for period:			
Equity holders of parent company		**112.8**	108.3
Non-controlling interest		**0.0**	0.0

Consolidated balance sheet

M€		Note	31 Dec, 2012	31 Dec, 2011
Assets				
Non-current assets				
Investment properties		14	**3,261.3**	3,165.7
Investments in real estate funds		15	**83.6**	65.5
Property, plant and equipment		16	**12.5**	13.1
Goodwill		17	**14.5**	14.5
Other intangible assets		18	**0.7**	0.6
Finance lease receivables		19	**2.7**	2.7
Investments in associated companies		20	**0.0**	0.0
Other investments	21	31.1	**21.4**	5.2
Deferred tax assets		22	**38.3**	43.8
Total non-current assets			**3,435.0**	3,311.1
Current assets				
Trading properties		23	**7.8**	7.9
Trade and other receivables	24	31.1	**48.9**	41.9
Cash and cash equivalents	25	31.1	**30.1**	26.4
Total current assets			**86.7**	76.1
Total assets			**3,521.8**	3,387.3
Equity and liabilities				
Equity attributable to equity holders of the parent company				
Share capital			**111.0**	111.0
Share premium reserve			**159.5**	159.5
Translation difference			**0.7**	0.5
Fair value reserve			**-32.3**	-30.0
Revaluation reserve			**0.6**	0.6
Invested non-restricted equity reserve			**433.8**	433.8
Other equity fund			**186.1**	129.0
Retained earnings			**534.4**	475.0
			1,393.8	1,279.4
Non-controlling interests			**1.7**	1.7
Total shareholders' equity		26	**1,395.6**	1,281.1
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	27	31	**1,460.3**	1,380.8

Other liabilities		31.1	**37.5**	39.7
Deferred tax liabilities		22	**258.6**	235.7
Total non-current liabilities			**1,756.5**	1,656.2
Current liabilities				
Current interest-bearing loans and borrowings	29	31	**275.9**	374.1
Trade and other payables	30	31.1	**93.9**	75.9
Total current liabilities			**369.7**	449.9
Total liabilities			**2,126.2**	2,106.2
Total equity and liabilities			**3,521.8**	3,387.3

Consolidated statement of cash flows

M€	Note	1 Jan - 31 Dec, 2012	1 Jan - 31 Dec, 2011
Cash flow from operating activities			
Profit for the period		**114.9**	117.8
Adjustments	1	**67.8**	44.5
Change in net working capital	2	**-2.4**	6.7
Interest received		**1.2**	1.4
Interest paid		**-66.6**	-66.8
Other financial items		**2.4**	-3.0
Dividends received		**0.0**	0.0
Dividends received from associated companies		**-**	1.5
Taxes received/paid		**-4.5**	-3.0
Net cash flow from operating activities		**112.8**	99.2
Cash flow from investing activities			
Acquisition of investment properties	3	**-114.9**	-226.6
Capital expenditure on real estate funds		**-18.4**	-10.1
Acquisition of property, plant and equipment and intangible assets		**-0.3**	-0.3
Proceeds from sale of investment properties	4	**57.3**	5.9
Disposal income from affiliated companies		**-**	8.2
Proceeds from sale of intangible and tangible assets		**0.9**	0.0
Repayments of loan receivables		**0.2**	0.0
Net cash flow from investment activities		**-75.3**	-222.9
Cash flow from financing activities			
Payment received from hybrid bond		**93.7**	-
Non-current loans, raised		**235.0**	757.4
Repurchase of hybrid bond	5	**-37.9**	-
Non-current loans, repayments		**-298.9**	-782.1
Current loans, raised/repayments		**31.8**	201.3
Interest paid on hybrid bond		**-12.8**	-11.4
Dividends paid		**-45.3**	-41.6
Net cash flow from financing activities		**-34.4**	123.6
Change in cash and cash equivalents		**3.2**	-0.1
Cash and cash equivalents, beginning of period		**26.4**	27.0
Impact of changes in exchange rates		**0.5**	-0.4

		2012	2011
Cash and cash equivalents, end of period		**30.1**	26.4

Notes to the statement of cash flows		**1 Jan - 31 Dec, 2012**	**1 Jan - 31 Dec, 2011**
1.	**Adjustments**		
	Proceeds and losses from sale of investment properties	**-2.5**	-7.2
	Valuation gains and losses	**-25.5**	-34.6
	Gains on transfers of trading properties under IFRS 40	**0.0**	0.0
	Change in fair value of trading property	**-**	1.8
	Financial income and expenses	**58.8**	75.6
	Income taxes	**36.7**	16.2
	Share of results of associated companies	**-**	0.1
	Other adjustments	**0.4**	-7.4
	Adjustments, total	**67.8**	44.5
2.	**Specification of change in net working capital**		
	Change in trading properties	**0.6**	0.1
	Changes in current receivables	**-6.0**	3.4
	Changes in non-interest-bearing current liabilities	**3.0**	3.3
	Change in net working capital	**-2.4**	6.7
3.	**Acquisition of investment properties**		
	Acquisition of subsidiaries		
	Acquisition cost of companies	**53.7**	119.1
	Cash and cash equivalents of acquired companies at acquisition date	**-0.9**	0.0
	Cash flow from acquisitions less cash and cash equivalents of acquired companies	**52.8**	119.1
	Acquired properties	**-**	-
	Other acquisitions of investment properties	**62.1**	107.5
	Total acquisition of investment properties	**114.9**	226.6
	Assets and liabilities of acquired subsidiaries		
	Net working capital	**-0.9**	0.2
	Total non-current assets	**53.7**	142.3
	Interest-bearing liabilities	**-**	-0.2
	Non-interest-bearing liabilities	**-**	-1.1
	Net total of assets and liabilities of acquired subsidiaries	**52.8**	141.1
	Special issue to the vendor related to the acquisition of the Fennia block	**-**	-22.0
	Cash flow from acquisitions less cash and cash equivalents of acquired companies	**52.8**	119.1
4.	**Proceeds from sale of investment properties**		

	Proceeds from sale of subsidiaries		
	Proceeds	**57.4**	5.9
	Cash and cash equivalents of sold subsidiaries	**-0.2**	0.0
	Proceeds from sale of subsidiaries	**57.3**	5.9
	Other proceeds from sale of investment properties	**-**	-
	Total proceeds from sale of investment properties	**57.3**	5.9
	Assets and liabilities of sold subsidiaries		
	Net working capital	**0.4**	0.0
	Investment properties	**54.4**	5.2
	Sales gain / loss	**2.5**	0.7
	Net total of assets and liabilities of sold subsidiaries	**57.3**	5.9
5.	**The repurchase of the equity bond includes a premium of EUR 0.7 million.**		

Consolidated statement of changes in equity

M€	Note	Share capital	Share premium reserve	Translation difference	Fair value reserve	Revaluation reserve	Invested non-restricted equity reserve	Other equity reserve	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 January, 2011		**111.0**	**159.5**	**0.6**	**-20.6**	**0.6**	**412.0**	**129.0**	**407.0**	**1,199.1**	**1.7**	**1,200.8**
Comprehensive income												
Net income for the period									117.8	117.8	0.0	117.8
Other comprehensive income (net of tax)												
Cash flow hedges	12				-9.4					-9.4		-9.4
Translation differences	12			-0.1						-0.1		-0.1
Comprehensive income, total				**-0.1**	**-9.4**				**117.8**	**108.3**		**108.3**
Transactions with shareholders												
Share issue							21.7			21.7		21.7
Dividend payment	26								-41.6	-41.6		-41.6
Transactions with shareholders, total							**21.7**		**-41.6**	**-19.9**		**-19.9**
Interest paid on hybrid bond	26 32								-8.4	-8.4		-8.4
Change									0.3	0.3		0.3
Equity 31 December, 2011		**111.0**	**159.5**	**0.5**	**-30.0**	**0.6**	**433.8**	**129.0**	**475.0**	**1,279.4**	**1.7**	**1,281.1**

M€	Note	Share capital	Share premium reserve	Translation difference	Fair value reserve	Revaluation reserve	Invested non-restricted equity reserve	Other equity reserve	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 January, 2012		**111.0**	**159.5**	**0.5**	**-30.0**	**0.6**	**433.8**	**129.0**	**475.0**	**1,279.4**	**1.7**	**1,281.1**
Comprehensive income												
Net income for the period									114.9	114.9	0.0	114.9
Other comprehensive income (net of tax)												
Cash flow hedges	12				-2.3					-2.3		-2.3

Translation differences		12			0.2						0.2		0.2
Comprehensive income, total					**0.2**	**-2.3**				**114.9**	**112.8**		**112.8**
Transactions with shareholders													
Dividend payment		26								-45.3	-45.3		-45.3
Transactions with shareholders, total										**-45.3**	**-45.3**		**-45.3**
Issuance of hybrid bond	26	31							94.0		94.0		94.0
Repurchase of hybrid bond	26	31							-36.9	-0.6	-37.5		-37.5
Interest paid on hybrid bond	26	32								-9.7	-9.7		-9.7
Change										0.1	0.1		0.1
Equity 31 December, 2012			**111.0**	**159.5**	**0.7**	**-32.3**	**0.6**	**433.8**	**186.1**	**534.4**	**1,393.8**	**1.7**	**1,395.6**

Accounting policies for the consolidated financial statements

Basic information

Sponda is a leading real estate investment company that owns, leases and develops office, retail and logistics properties in the major cities of Finland and Russia.

The parent company of the Group is Sponda Plc, a Finnish public limited company domiciled in Helsinki. Its registered office is Korkeavuorenkatu 45, 00130 Helsinki, Finland.

At its meeting on the 1st of February 2013, the Board of Directors of Sponda Plc has approved these financial statements for publication. According to the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements at the General Meeting of Shareholders to be held after their publication. The Meeting may also decide to amend the financial statements.

Copies of the Group's financial statements can be obtained from Sponda Plc, Korkeavuorenkatu 45, 00130 Helsinki, Finland and on the Internet at www.sponda.fi.

Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) applying the IAS and IFRS standards and SIC and IFRIC interpretations endorsed for use in the EU and in force on 31 December 2012. The term 'International Financial Reporting Standards' refers to standards and interpretations of these in Finnish accounting legislation and provisions based on this approved for applying in the EU in accordance with the procedure established in EU regulation (EC) 1606/2002. The notes to the consolidated financial statements also comply with the provisions of Finnish accounting and corporate legislation that supplement the IFRS provisions. Sponda also complies with the recommendations of The European Public Real Estate Association (EPRA) (www.epra.com).

The consolidated financial statements have been prepared in euros and are presented in millions of euros rounding to the nearest 0.1 million. The consolidated financial statements are prepared on the historical cost basis except for investment properties, investments in real estate funds and certain financial instruments, which are measured at fair value. All figures have been rounded, so the sum of the individual figures may differ from the total amount presented.

The preparation of the financial statements in accordance with IFRS requires management to exercise judgment. Their judgment affects the choice of accounting policies and their application, the amount of assets, liabilities, revenues and expenses to be reported, and the notes. In its judgments, management uses estimates and assumptions that are based on earlier experience and management's best understanding on the balance sheet date, especially concerning future developments in the property market. The most significant area in which Sponda's management has exercised its judgment is in determining the fair value of investment properties. The use of estimates and assumptions is described in more detail in the section 'Accounting policies requiring management's judgment and key sources of estimating uncertainty'.

New and revised standards and interpretations

The Group has adopted the following revised or amended standards from 1 January 2012 onwards.

- Amendments to IFRS 7 Financial Instruments: Disclosures (effective for financial periods beginning on or after 1 July 2011): The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial instruments and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment has not had a material effect on the consolidated financial statements.
- Amendments to IAS 12 Income Taxes (effective for financial periods beginning on or after 1 January 2012): The amendment relates to the presumption used in the recognition of deferred taxes. According to the amendment, the carrying amount of investment properties measured

at fair value is assumed to be mainly recovered through the sale of the asset in the future instead of through continuing use. The amendment has not had a material effect on the consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the parent company and all companies in which the parent company has control. A controlling interest arises when the Group holds more than half of the voting power or when the Group holds the right to control the company's business and financial principles in order to extract benefit from its operations.

IFRS 3 (Business Combinations) is applied to acquisitions in which a business is acquired. Mutual in-Group holdings have been eliminated by the acquisition method. The consideration transferred and the detailed assets and accepted liabilities of the acquired company are measured at fair value. Goodwill is recorded as the sum of consideration transferred, interest of non-controlling shareholders in the acquiree and previously held interest in the acquiree minus the fair value of the acquired net assets.

Acquisitions that do not fall within the definition of a business are recognized as acquired assets.

The classification by Sponda of individual acquisitions of investment properties as acquired assets is based on the view that a single property and its lease agreements do not form a business entity; the real estate business also requires marketing and development activities for properties, management of tenancies, and management of property repairs and renovation. Acquisitions of investment property classified as assets do not involve the transfer of business processes or employees.

The results of subsidiaries sold during the financial period are consolidated until the date that control in them ceases. Subsidiaries acquired during the financial period are consolidated from the date that control commenced.

Joint ventures and mutual real estate companies whose shares carry entitlement to control over specified premises, and in which the Group's holding is less than 100 per cent, are consolidated in the Group's financial statements row by row in proportion to the Group's holding in these companies as jointly controlled assets, in accordance with IAS 31 (Interests in Joint Ventures).

The consolidated financial statements contain the Group's share of the assets, liabilities, gains and losses of joint ventures.

Subsidiaries that are not mutual real estate companies are consolidated using the purchase method. The share of profits and equity belonging to external shareholders is shown as minority interest.

Associated companies are companies in which the Group exercises considerable influence, i.e. when the Group has more than 20 per cent but less than 50 per cent of the votes or the Group otherwise exercises considerable influence but does not have a controlling interest. They are consolidated using the equity method. The Group's share of the results of associated companies is presented as a separate item in the income statement.

All intragroup transactions, receivables, liabilities and profit distributions are eliminated.

Translation of foreign currency items

The figures concerning the financial performance and position of the Group's business units are measured in the currency in the main business environment of each unit ("business currency"). The consolidated financial statements are presented in euros, which is the business and presentation currency of the Group's parent company.

Transactions denominated in foreign currencies

Transactions carried out in foreign currencies are recorded in the business currency at the exchange rate on the transaction date. Receivables and liabilities denominated in foreign currencies are translated into euros at the exchange rate at the year-end. Non-monetary items denominated in foreign currencies are valued at the exchange rate on the transaction date, except for items valued at fair value, which are translated into euros using the exchange rates on the valuation date.

Gains and losses arising from transactions denominated in foreign currencies and from translating monetary items are recorded under financial income and expenses in the income statement. Exchange rate gains and losses from business operations are included in the relevant items above operating profit.

The revenue and expense items in the comprehensive income statements and separate income statements of foreign Group companies are translated into euros using the average rate for the financial year, and balance sheets using the rate on the balance sheet date, which gives rise to a translation difference that is recorded in the balance sheet in shareholders' equity, and the change in this is recorded in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and from equity items accumulated after acquisition are also recorded in other comprehensive income. Translation differences from selling a subsidiary are recorded in the income statement under capital gains or losses.

Investment properties

Investment properties are properties held by the company for the purpose of earning rental income or for capital appreciation, or both. Sponda measures its investment properties using the fair value method, as stated in IAS 40, Investment Property, under which the profit or loss from changes in fair values is recognized through profit and loss in the period in which it is incurred.

Investment properties are valued initially at acquisition cost, including transaction costs In measurements after the initial recognition, the fair value is used. The fair value is the sum of money for which the property could change hands between parties who know the business, wish to carry out the transaction and are independent of each other. If a reliable market price is not available, the value can be determined using discounted cash flows.

The fair value of completed business properties is calculated by Sponda itself using the discounted cash flows method (DCF). Cash flows are calculated over a period of at least 10 years. Net cash flows in the period are discounted from the midpoint of each accounting year to the assessment date and the terminal value is discounted from the end of the previous accounting period to the assessment date. The terminal value is calculated by capitalizing the net cash flow of the year following the most recent accounting year with the required yield (Gordon growth model). The discount rate is determined by adding the expected long-term rate of inflation to the required yield. The yield is based on Sponda's own assessment of the market situation and on information from published sources including KTI Property Information Ltd.

The company adopted the mid-period convention for discounting cash flow instead of the previously used end-of-year method. This change in estimation accounts for the timing of cash flow better and corresponds with the prevailing market practice. The new discounting convention resulted in changes to the calculations made for properties. The impact of the change was reviewed for all properties and the effect has been balanced by adjusting the yield requirements of properties so that the total change remains within the 1.0% rate of precision set for estimates.

Potential gross income is based on current lease contracts and, in the case of vacant premises, on estimated market rent levels. Potential gross income per property is adjusted annually by the estimated long-term vacancy rate taking into account any special aspects related to the property itself and the status of the lease contract. The estimated impact of inflation is calculated on maintenance expenses and on market and contract leases.

The value of non-developed sites and unused but usable building rights is determined using the sales price method.

Sponda's internal property assessment process, calculation methods and reporting are audited by an external valuer and are considered to fulfil the valuation criteria of the IFRSs and IVS (International Valuation Standards) as well as the AKA (Finnish authorized real estate auditors) criteria for good property valuation practice. In addition to auditing, Sponda also commissions at least twice a year an external valuer to examine the material used in calculating the market value of the property portfolio, in order to confirm that the parameters and values used are based on market indications.

An investment property is derecognized from the balance sheet when it is divested or taken permanently out of use. Gains and losses on sales of investment properties are presented as a separate item in the income statement.

Investment properties for development

The acquisition cost for an investment property built by the company itself consists of the construction costs, capitalized borrowing costs and other costs accumulated by the completion date.

Development projects in which a new building or extension to a building is being constructed and that are unfinished at the balance sheet date are valued in accordance with IAS 40 Investment Properties at fair value.

The risk arising from the incomplete state of the property – which refers to the risk relating to construction costs, the construction schedule, financial costs and the yield requirement of the potential buyer of the unfinished property – is taken into account when determining the fair value of an unfinished property by not recognizing the risk-weighted portion of the margin to be obtained on the property corresponding to the remaining construction time. All other risks relating to the unfinished property, including those relating to the leasing of the property, are taken into account in the same way as when valuing other investment properties.

Investments in real estate funds

Sponda owns and manages through real estate funds holdings in retail, office and logistics properties. The investments in real estate funds contain these holdings. Investments in real estate funds are measured at fair value. The change in fair value is recorded in the income statement under “Valuation gains/losses on fair value assessment”.

An external consultant assesses the fair value of properties held by the real estate funds at least once a year.

Property, plant and equipment

Property, plant and equipment comprises land areas, office premises, equipment and furniture in company use, other tangible assets and advance payments and incomplete acquisitions. These are valued at their original acquisition cost, less accumulated depreciation and possible impairment losses, adding capitalized costs related to modernization work.

The properties, office equipment and furniture and vehicles used by the company itself are depreciated over their useful lives.

Useful lives of property, plant and equipment:

- Office premises used by Sponda 100 years
- Office machinery and equipment 3–20 years
- Office machinery and furniture, vehicles 10 years

Goodwill and other intangible assets

Goodwill is recorded as the sum of consideration transferred, interest of non-controlling shareholders in the acquiree and previously held interest in the acquiree minus the fair value of the acquired net assets. Goodwill is not amortized but tested annually or more often for impairment.

For impairment testing, goodwill is allocated to cash-generating units which are expected to obtain synergy benefits from combining business.

If there is any indication of impairment, the recoverable amount is allocated to the cash generating unit to which the goodwill belongs, i.e. in Sponda to the above mentioned development projects. The recoverable amount is compared to the unit’s carrying amount and an impairment loss is recognized if the recoverable amount is smaller than the carrying amount. The impairment loss is recognized in the income statement and it cannot be reversed at a later date. Testing is described in more detail in the section ‘Accounting policies requiring management’s judgment and key sources of estimating uncertainty’.

Other intangible assets include computer software recorded at acquisition cost and amortized on a straight-line basis over 3 years.

Trading properties

Trading properties are properties that are meant for sale and which do not correspond to the company’s strategic targets owing to their size, location or type. Trading properties are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the direct costs resulting from completion of the sale. The net realizable values are mainly determined using the market value method. If the net realizable value is lower than the carrying amount, an impairment loss is recognized.

All Sponda's trading properties were acquired in the Kapiteeli acquisition.

When a trading property becomes an investment property that is measured in the balance sheet at fair value, the difference between the fair value on the transfer date and its previous carrying amount is recognized in the profit or loss under profit/loss on sales of trading assets.

Impairment of assets

At each balance sheet date the Group assesses the carrying amounts of its assets to determine whether any indication of impairment exists. If any such indication exists, the recoverable amount is estimated. With respect to goodwill, the recoverable amount is always estimated annually regardless of whether there are indications of impairment or not.

The recoverable amount is the fair value of the asset less cost to sell. Impairment losses are recognized in the income statement when the carrying amount of the asset is higher than its recoverable amount. An impairment loss is reversed if there has been a change in circumstances and the recoverable amount of the asset has increased after the date when the impairment loss was recognized. An impairment loss is not reversed, however, to an extent higher than the carrying amount that would have been determined had no impairment loss been recognized in prior years. Impairment losses recognized for goodwill are never reversed.

Financial assets and liabilities

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, Sponda Group's financial assets are classified as follows: financial assets recognized at fair value through profit and loss, loans and receivables, and available-for-sale financial assets. Correspondingly financial liabilities are classified as financial liabilities recognized at fair value through profit and loss and financial liabilities measured at amortized cost. Financial assets and liabilities are classified on the basis of the purpose for which they were acquired and on the original acquisition date. Financial instruments are recognized initially at fair value based on the consideration received or paid. Transaction costs are included in the original carrying amount of financial assets and liabilities for items that are not measured at fair value through profit and loss. All purchases and sales of financial assets and liabilities are recognized on the transaction date.

Financial assets are derecognized from the balance sheet when the Group has lost the contractual right to the cash flows or when it has transferred a significant part of the risks and yield outside the Group.

Financial assets recognized at fair value through profit and loss contain assets held for trading. Held for trading financial assets have been acquired mainly to obtain profit from short-term changes in market prices. Held for trading assets include derivatives to which hedge accounting, as described in IAS 39 Financial Instruments: Recognition and Measurement, is not applied. Financial assets held for trading and that mature within 12 months are included in other current assets. The items in this category are measured at fair value and the fair value of all the investments in this category is determined on the basis of publicly quoted prices or generally accepted option pricing models. Realized and unrealized gains and losses resulting from changes in the fair value are recognized in the income statement in the period in which they are incurred.

Payments relating to loans and receivables are fixed or determinable, they are not quoted on the active market, and the company does not hold them for trading purposes. This category includes the Group's financial assets that have been obtained by handing over cash, goods or services to a debtor. They are valued at amortized cost and are included in current or non-current financial assets, in non-current assets if they mature in more than 12 months time. The Group recognizes an impairment loss for an individual receivable if there is objective evidence that the receivable will not be recovered in full.

Available-for-sale financial assets are assets that are not part of derivative assets and have been specifically allocated to this category or have not been allocated to any other category. They belong to non-current financial assets if it is planned to keep them for more than 12 months from the balance sheet date, otherwise they are included in current financial assets. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and are presented in the fair value reserve after tax. Changes in fair value are taken from equity to the income statement when the investment is sold or its value has fallen so that an impairment loss has to be recognized. The Group had no available-for-sales financial assets on the balance sheet date.

Financial liabilities recognized at fair value through profit and loss are financial liabilities held for trading. The held for trading category also includes derivative instruments to which hedge accounting, as described in IAS 39, is not applied. Financial liabilities held for trading that mature within 12 months are included in other current liabilities. The items in this category are measured at fair value and the fair value of all the investments in this category is determined on the basis of publicly quoted prices or generally accepted option pricing models. Realized and unrealized gains and losses resulting from changes in the fair value are recognized in the income statement in the period in which they are incurred.

Financial liabilities measured at amortized cost include the Group's financial liabilities that are initially recognized at fair value, taking transaction costs into account. The financial liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities are included in non-current and current liabilities and they can be interest-bearing or non-interest-bearing.

Derivative instruments and hedge accounting

Sponda uses derivative contracts mainly to hedge its interest rate risk exposure. Interest rate swaps are designated as hedging instruments for future interest flows and the Group applies cash flow hedge accounting to certain such contracts when they meet the hedge accounting criteria under IAS 39.

The change in the fair value of interest rate swaps is recognized in equity to the extent that hedging is effective. The ineffective (non-qualifying) portion of the hedging is recognized immediately in financial items in the income statement.

Should an interest rate swap used as a hedging instrument mature, be sold or terminated prematurely, but it is highly probable that the hedged cash flows will be realized, the gains and losses accrued from the derivative contracts remain under equity until they are realized, at which point they are recognized in the income statement. If it is no longer highly probable that the hedged cash flows will be realized, the gains and losses accrued from the derivative contracts are taken immediately from equity to financial income and expenses in the income statement.

Derivatives that do not meet the hedge accounting criteria are recognized through profit and loss. They are measured at fair value and changes in their fair value are recognized in the income statement.

Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. For Sponda, capitalized borrowing costs are costs arising from loans taken for property development construction projects or the costs calculated for construction projects multiplied by a financial costs factor, if a separate loan has not been taken out for a construction project. The financial costs factor is the weighted average interest rate for Sponda Group's interest-bearing loans during the fiscal period, which is determined each quarter.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank deposits that can be raised on demand, and other short-term extremely liquid investments. Items classified as cash and cash equivalents have a maturity of less than three months from the acquisition date.

Equity

Equity shares are presented as share capital. Costs relating to the issue or acquisition of Sponda's own shares are presented as a deductible item under equity. If Sponda Plc repurchases own equity instruments, the acquisition cost of such instruments is deducted from equity.

Hybrid bond

A hybrid bond is a bond that is subordinated to the company's other debt instruments but is senior to other equity instruments. The interest on a hybrid loan is paid if the Annual General Meeting decides to pay a dividend. If a dividend is not paid, the company decides separately on whether to pay the interest. Unpaid interest accumulates. Hybrid loan holders have no control over the company and no right to vote at shareholders' meetings.

Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Long-term obligations are discounted to their net present value.

Provisions are made for compensation relating to land-use agreements; for costs arising from property demolition; and for soil restoration costs for properties where it is known or suspected that the soil is contaminated in the area because of earlier activity. Provisions are also recognized for obligations arising from disputes in progress when the settlement of the obligation is probable.

Leases, the group as a lessor

Property leases are classified as operating leases when the risks and rewards incidental to ownership remain with Sponda.

When the risks and benefits incidental to ownership have been substantially transferred to the lessee, a property lease is classified as a finance lease. In that case the parts of the properties covered by the finance lease are recognized as finance lease receivables in the balance sheet at the commencement of the lease term in an amount that equals the net investment in the lease, i.e. the present value of the minimum lease payment plus the present value of the non-guaranteed residual value.

The leases collected by Sponda are total leases, separate capital and maintenance leases, or leases indexed to the lessee’s net sales. Maintenance costs associated with the property are either included in the lease or they remain the responsibility of the tenant, depending on the contract. Leases are linked to the cost-of-living index. Leases are either signed for an indefinite period or are fixed-term.

Leases, the group as a lessee

Those leases in which the risks and rewards of ownership remain with the lessor are treated as operating leases. Leases paid by Sponda based on operating leases are expensed in the income statement on a straight-line basis over the lease term. The Group has no finance leases.

Revenue recognition principles

Sponda’s revenue mainly consists of rental income from its investment properties, fund management fees and interest income.

Total leases as well as separate capital and maintenance leases are recognized in the income statement on a straight-line basis over the lease term. Rental income tied to the tenant’s net sales are recognized on the basis of the tenant’s actual sales. Fees paid for lease assignments are allocated over the lease term.

Fees paid for fund management are allocated to the financial period during which the service has been provided.

Interest income is recognized using the effective interest rate method and dividend yield in the period in which the entitlement has occurred if the dividends are disclosed at this point. If not, they are recognized at payment date.

Total revenue

In Sponda, total revenue includes rental income and charges for consumption, interest income on finance leases and the fees for managing the real estate funds.

Expenses

Expenses include maintenance expenses and direct fund expenses. Maintenance expenses are maintenance and annual repair costs arising from the regular and continuous maintenance of the properties and are recognized immediately in the income statement.

Net income

Net income is defined in the Group as the net amount after deducting expenses from total revenue.

Operating profit

In the Group, operating profit is defined as the net amount after adding other operating income to net income, then deducting sales and marketing expenses, administrative expenses and other operating expenses, the Group's share of the results of associated companies and amortization of goodwill, and then adding/deducting gains/losses from the disposal of investment properties, from assessment at fair value, and from the disposal of trading properties.

Employee benefits

The Group has both defined contribution and defined benefit pension plans. Contributions made for defined contribution plans are recognized in the income statement for the year to which they relate. Pension costs incurred from the Group's defined benefit pension plans are computed using the projected unit credit method, i.e. the pension costs are expensed in the income statement by spreading the cost over the service lives of the employees based on calculations prepared by qualified actuaries.

Actuarial gains and losses are recognized in profit or loss by the Projected Unit Credit Method for the remaining service of individuals to the extent to which they exceed the higher of the following: 10 per cent of the pension liability or 10 per cent of the fair value of assets.

Share-based payments

Sponda has had long-term executive incentive schemes since 2006, and key individuals within these schemes are entitled to a bonus determined on the basis of defined targets. The bonus in 2006–2009 was determined based on one-year reference periods. The scheme in force from the beginning of 2010 had two one-year vesting periods, namely the 2010 and 2011 calendar years, and two three-year vesting periods, 2010–2012 and 2011–2013. The scheme in force from the beginning of 2012 has three three-year vesting periods: 2012–2014, 2013–2015 and 2014–2016.

The payment of the bonus is conditional upon the achievement of set performance targets and the person's continued employment in the company. Taxes and statutory employer's contributions are deducted from the bonus, and the remaining sum is used to acquire Sponda's shares from the market. These shares may not be surrendered during a commitment period following the reference period, which is two years for the 1-year reference period and three years for the 3-year reference period.

The incentive schemes are accounted for as equity-settled share-based business transactions and recorded as personnel expenses on a straight-line basis over the vesting period. The counter-entry for the part paid in shares is taken directly to retained earnings.

Income tax

Income tax expense in the income statement consists of the current tax and changes in deferred tax assets or liabilities. The tax payable by Group companies for the period is calculated using the taxable profit as determined in accordance with local legislation. The tax is adjusted for any taxes related to prior periods.

Deferred tax liabilities and assets are recognized for all temporary differences between the book values and values for tax purposes of assets and liabilities, apart from the initial recognition of acquisitions of individual assets as referred to in IAS 12.15b, for which no deferred tax is recorded. A deferred tax asset is also not recorded where the fair value of an individual asset falls below the acquisition cost and a corresponding deferred tax liability has not been recorded for the original acquisition. In Sponda these acquired assets are typically investment property acquisitions which do not meet the criteria of business entities and are therefore classified as assets.

The most significant temporary difference in Sponda is the difference between the fair values of the investment properties and their carrying amounts for tax purposes. The carrying amount for tax purposes is the value of an asset in a property company. Other temporary differences arise, for example, from the measurement of financial instruments at fair value and unused tax losses. Deferred taxes are calculated using the tax rates enacted by the balance sheet date.

Changes in deferred taxes are recognized in the income statement apart from when they are related to items recognized as crediting or debiting shareholders' equity or to other comprehensive income items. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilized.

Earnings per share

Undiluted earnings per share is calculated by dividing profit for the period attributable to the equity holders of the parent company, adjusted by the tax-adjusted interest expenses of the hybrid bond and the hybrid bond repurchase premium, by the weighted average number of shares outstanding.

Voluntary change in accounting policies as of the beginning of 2013

Sponda will change its accounting principles with regard to IAS 12 Income Taxes on the basis of IAS 8 14 (b). According to the current accounting principle, Sponda evaluates the proportion of the carrying amount of an asset recognised at fair value on the balance sheet that will be recovered through use (e.g. rental revenue) and the proportion to be recovered through sale. Under the amendment, recovery of the carrying amount of investment properties valued at fair value will normally happen through sale and the company's principle will be to realise its shareholding in property companies by selling the shares it owns. The amendment will cause a significant effect on the deferred taxes recognised for investment properties in Sponda Group's consolidated financial statements.

New or amended IFRS standards and interpretations

The IASB has published the following new, revised and amended standards that have not yet been approved for application in the EU. The standards have not yet been adopted by the Group. They will be adopted on the date they become effective, or in the event that their effective date is not the first day of a financial year, at the beginning of the financial year following the effective date. Other published amendments to standards or interpretations are not expected to affect future consolidated financial statements.

IAS 1 Presentation of Financial Statements (amendment, effective for financial periods beginning on or after 1 July 2012): The most significant change concerns the grouping of other comprehensive income items based on whether they are potentially reclassifiable to profit or loss at a later date, subject to certain conditions being met. The amendments only affect the presentation of the consolidated financial statements.

IAS 19 Employee Benefits (amendment, effective for financial periods beginning on or after 1 January 2013): The amendment requires immediate recognition of actuarial gains and losses in other comprehensive income items, discontinuing the use of the corridor method and measuring finance cost based on net interest. Discontinuing the use of the corridor method will have an effect on the calculation of the Group's benefit schemes, but the Group does not expect the effect to be significant.

IFRS 13 Fair Value Measurement (effective for financial periods beginning on or after 1 January 2013): IFRS 13 includes requirements on fair value measurement and the disclosure of related information in financial statements. The standard does not extend the use of fair value, but provides a framework for situations where another standard requires or permits fair value measurements. The new standard is expected to have some effect on the consolidated financial statements, mainly in the form of new notes to financial statements.

Amendment to IFRS 7 Financial Instruments: Disclosures (effective for financial periods beginning on or after 1 January 2013): The amendment provides more specific requirements for the presentation of information regarding financial instruments reported in net amounts, as well as general netting arrangements and similar agreements. The revised standard is not expected to have a material effect on the consolidated financial statements.

Annual Improvements to IFRSs 2009–2011 [*)], May 2012 (effective for financial periods beginning on or after 1 January 2013). Minor and non-urgent amendments to the standards made through the Annual Improvements procedure are compiled and implemented once a year. The amendments under the project concern five standards in total. The impacts of these amendments vary from one standard to another, but they are not expected to have a material effect on the consolidated financial statements.

New and revised standards governing the preparation of consolidated financial statements (effective for financial periods beginning on or after 1 January 2014):

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures

IFRS 10 defines control as the key factor in determining whether an entity should be included in consolidated financial statements and provides additional instructions for defining control in circumstances where its assessment is difficult. IFRS 11 emphasises the importance of the rights and obligations arising from joint arrangements in accounting rather than the legal structure of such arrangements. The standard also requires the equity method to be used in reporting on joint ventures in place of the previously allowed proportionate consolidation method. IFRS 12 covers the disclosure of information regarding interests in other entities, including subsidiaries, joint arrangements, special purpose entities and unconsolidated structured entities. The effects of the new standards on the consolidated financial statements will be assessed in the coming period. The revised IAS 27 and IAS 28 standard is not expected to have a material effect on the consolidated financial statements.

Amendments to IAS 32 Financial Instruments: Presentation *) (effective for financial periods beginning on or after 1 January 2014): The amendments provide clarifications on the application of requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendment is not expected to have a material effect on the consolidated financial statements.

IFRS 9 Financial Instruments *) and amendments (effective for financial periods beginning on or after 1 January 2015): Originally scheduled for implementation in three phases, the project is intended to replace IAS 39 Financial Instruments: Recognition and Measurement. The changes implemented in the first phase (published in November 2009) concern the classification and measurement of financial assets. Financial assets are divided into two categories based on the measurement method: those measured at amortised cost and those measured at fair value. The classification depends on the company's business model and the characteristics of contract-based cash flows. The changes published in October 2010 concern the classification and measurement of financial liabilities, with most of the requirements carried forward unchanged from IAS 39. The remaining phases of IFRS 9 cover the impairment of financial assets and general hedge accounting. IASB will also propose certain further changes to the classification and measurement of financial assets. The provisions on macro hedge accounting have been decoupled from IFRS 9 into a separate project. As the IFRS 9 project is still ongoing, it is too early to assess the standard's impact on the consolidated financial statements. The effects of the new standard on the consolidated financial statements will be assessed in future periods.

*) Standard has not yet been approved for application in the EU.

Accounting policies requiring management's judgement and key sources of estimation uncertainty

Sponda's management exercises judgment when taking decisions about the choice of accounting policies for the financial statements and their application. This concerns in particular situations in which the IFRS standards have alternatives for recognition, measurement or presentation.

The preparation of the financial statements in accordance with IFRSs requires management to some extent to make estimates and assumption that affect the recognition of assets, liabilities, income and expenses. The estimates and assumptions are based on earlier experience and the best understanding on the balance sheet date. Actual results may differ from the estimates.

In Sponda, management's judgment, estimates and assumptions mainly concern the fair value measurement of investment properties, impairment testing for goodwill, recognition of deferred taxes and provisions.

Determining the fair value of investment properties using the discounted cash flows method is a key element in the financial statements, and requires significant management estimates and understanding especially concerning future developments in yield requirements, market rental rates and occupancy rates. The fair value of investment properties reflects, among other things, the rental income based on existing leases as well as reasonable and well-founded estimates of future rental income made by knowledgeable willing parties in the light of current conditions. It also reflects expected future cash payments related to each property in question. The yield requirement is determined for each property taking into account the property-specific risks and the market risk. The discount rate is determined by adding the expected long-term rate of inflation to the required yield.

Impairment testing for goodwill relates to the goodwill allocated to certain development projects planned in the Helsinki Metropolitan Area that came with the Kapiteeli acquisition and are in the property development unit. Impairment testing requires management's judgment concerning the costs during construction and the fair value of an investment property when it is completed and is transferred to the category of completed investment properties.

Before starting a project, the fair value at completion of the investment property being developed is determined using the 10 year discounted cash flows method with the same variables and parameters as for the fair value of completed investment properties. Rental income is based either on leases made in advance with future tenants or on management estimates of future rents and occupancy rates. Management assesses the accuracy of the calculations by testing for impairment. If there is indication of changes in the estimates and assumptions due to the market or other reasons, the calculations are revised to correspond to the best understanding at the moment of testing. The sensitivity of the yield requirement is also assessed.

Management also checks that the construction costs for the project stay within the prepared cost estimate. If there are indications of a rise in costs or of other causes as a result of which costs may be exceeded, the values are updated.

Deferred tax liabilities and assets are recognized for all temporary differences between the book values and the carrying amounts for tax purposes of assets and liabilities, apart from the initial recognition of acquisitions of individual assets as referred to in IAS 12.15b, for which no deferred tax is recorded. A deferred tax asset is also not recorded where the fair value of an individual asset falls below the acquisition cost and a corresponding deferred tax liability has not been recorded at the time of the original acquisition. Management has exercised judgment such that individual acquisitions of investment properties at Sponda are classified as acquired assets, since a single property and its lease agreements do not form a business entity. To constitute a business entity they would require related marketing and development activities as well as management of tenancies, property repairs and renovation. Acquisitions of investment property classified as assets do not involve the transfer of business processes or employees.

The most important temporary difference in Sponda is the difference between the fair values of the investment properties and their carrying amounts for tax purposes. The carrying amount for tax purposes is the value of the asset in the property company. Other temporary differences arise, for example, from tax losses carried forward, provisions and financial instruments. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences or unused tax losses can be utilized. It may become necessary to decrease the carrying amount of deferred tax assets if future taxable income differs from the estimate.

Notes to the consolidated financial statements

1. Segment information

Segment information is presented according to the Group's operational and geographical segments. The primary form of segment reporting is based on operational segments.

Operational segments are based on the Group's internal organisational structure and internal financial reporting. Segments are based on different types of business premises and services as well as geographical areas. Results and the fair value changes of properties are reported to Sponda's Board of Directors and Executive Board according to the following segments: Office and Retail Properties, Shopping Centres, Logistics Properties, Property Development, Real Estate Funds and Russia.

Sponda's Board of Directors and Executive Board assess the profitability of each segment based on net operating income, operating profit and occupancy rate. The Board of Directors and Executive Board also monitor other key figures such as investments by segment.

Each segment's assets comprise items that are directly attributable to segments such as investment and trading properties, investments in real estate funds, goodwill and financial leasing receivables. Items not attributed to any segment comprise tax and financial items and items concerning the Group as a whole. These are presented under "Others" in the segment information. Investments include purchases of investment properties, investments in their development, renovation and tenant improvements and investments in real estate funds.

The Office and Retail Properties segment is reponsible for leasing, purchasing and selling office and retail properties in Finland.

The Shopping Centres segment is reponsible for leasing, purchasing and selling retail premises in shopping centres in Finland.

The Logistics Properties segment is reponsible for leasing, purchasing and selling logistics properties in Finland.

Property Development concentrates on marketing and executing new property projects, based on customer needs. It focuses on undeveloped land sites and building renovation especially in the Helsinki Metropolitan Area but also in other parts of Finland.

The Real Estate Funds segment owns and manages holdings in retail, office and logistics properties through real estate funds. Figures for 2008-2006 adjusted for effect of share issue in 2009 in accordance with IAS. The regional organizations manage customer relations and the property portfolios.

The Russia segment leases, purchases, sells and develops office, retail and logistics properties in Russia.

12/2012, M€	Office & Retail	Shopping centres	Logistics	Property development	Russia	Real Estate Funds	Other	Group total
Total revenue	143.9	42.0	42.3	1.2	28.7	6.5	0.0	264.6
Maintenance expenses and direct fund expenses	-39.0	-9.7	-13.6	-2.3	-6.5	-1.3	0.0	-72.4
Net operating income	**104.9**	**32.3**	**28.7**	**-1.1**	**22.2**	**5.2**	**0.0**	**192.2**
Profit on sales of investment properties	1.7	0.5	0.0	0.4	0.0	0.0	0.0	2.7
Loss on sales of investment properties	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	-0.2
Profit/loss on sales of trading properties	0.0	0.0	0.0	6.0	0.0	0.0	-0.7	5.2
Change in fair value of trading property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation gains and losses	31.4	-5.3	-4.9	-2.6	6.4	8.1	0.0	33.0
Administration and marketing expenses	-8.0	-1.8	-1.4	-3.4	-3.0	-5.3	0.0	-22.8
Other operating income and expenses	0.1	0.0	0.0	0.2	0.0	0.0	0.0	0.3
Operating profit	**130.0**	**25.7**	**22.4**	**-0.6**	**25.7**	**8.0**	**-0.7**	**210.3**
Financial income and expenses							-58.8	-58.8
Profit before taxes							**-59.5**	**151.6**
Income taxes							-36.7	-36.7
Profit for the period							**-96.2**	**114.9**
Investments	45.9	21.4	1.8	21.5	38.4	18.4	0.4	147.8
Segment assets	1,708.4	736.7	414.4	149.6	269.4	83.6	159.7	3,521.8
Economic occupancy rate	89.4	93.0	75.6		95.4			88.1

12/2011, M€	Office & Retail	Shopping centres	Logistics	Property development	Russia	Real Estate Funds	Other	Group total
Total revenue	132.8	40.4	42.0	1.5	25.1	6.4	0.0	248.2
Maintenance expenses and direct fund expenses	-37.2	-8.8	-13.4	-2.0	-6.1	-1.4	0.0	-68.8
Net operating income	**95.6**	**31.7**	**28.6**	**-0.5**	**18.9**	**5.0**	**0.0**	**179.4**
Profit on sales of investment properties	0.3	0.0	0.0	6.9	0.0	0.0	0.0	7.2
Loss on sales of investment properties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss on sales of trading properties	0.4	0.0	0.0	0.3	0.0	0.0	0.0	0.7
Change in fair value of trading property	0.0	0.0	0.0	-1.8	0.0	0.0	0.0	-1.8
Valuation gains and losses	10.5	5.3	8.4	-5.7	20.4	0.6	0.0	39.6
Administration and marketing expenses	-7.6	-1.6	-1.5	-3.8	-2.8	-5.9	0.0	-23.1
Other operating income and expenses	0.0	0.0	0.1	-0.3	0.0	0.0	7.8	7.6
Operating profit	**99.2**	**35.4**	**35.6**	**-4.8**	**36.6**	**-0.2**	**7.8**	**209.6**
Financial income and expenses							-75.6	-75.6
Profit before taxes							**-67.8**	**134.0**
Income taxes							-16.2	-16.2
Profit for the period							**-84.0**	**117.8**
Investments	178.7	23.5	17.9	39.9	0.4	10.2	0.1	269.9
Segment assets	1,646.7	586.1	449.0	276.5	224.6	65.5	138.9	3,387.3
Economic occupancy rate	88.4	94.1	78.1		98.7			88.2

2. Geographical areas

The geographical segments are Finland and Russia.

M€	2012	2011
Total revenue		
Finland	236.0	223.1
Russia	28.7	25.1
Group, total	**264.6**	**248.2**
Assets		
Finland	3,252.4	3,162.7
Russia	269.4	224.6
Group, total	**3,521.8**	**3,387.3**

3. Total revenue from properties

M€	2012	2011
Rental income and recoverables	257.8	241.5
Interest income from finance lease agreements	0.3	0.3
Fund management fees	6.5	6.4
Profit/loss on sale of investment properties	2.5	7.2
Profit/loss on sale of trading properties	5.2	0.7
Total	**272.3**	**256.1**

Rental income

The expected rental income from existing leases is:

M€	2013	2014-2017	2018-	Total
Expected rental income	232.7	565.3	442.1	1,240.1

M€	2012	2013-2016	2017-	Total
Expected rental income	222.2	540.6	477.9	1,240.7

Accruals are the current accruals from lease contracts less index increases.

Lease contracts signed for an indefinite period are included up to the date of expiry stated in the contract.

4. Maintenance expenses

The line 'Maintenance costs' in the income statement includes maintenance expenses of EUR 1.5 million (2011: EUR 1.3 million) for investment properties that have not accrued rental income during the year. Most of these investment properties are undeveloped.

5. Profit/loss on sale of investment properties

M€	2012	2011
Profit on sales	2.7	7.2
Loss on sales	-0.2	0.0
Total	**2.5**	**7.2**

6. Other operating income

M€	2012	2011
Share of bankruptcy estate	0.2	0.2
Other income	0.2	0.2
Income from the sales of fixed assets	0.0	7.8
Total	**0.4**	**8.2**

7. Other operating expenses

M€	2012	2011
Credit losses and uncertain receivables	0.0	0.3
Other expenses	0.1	0.3
Total	**0.1**	**0.6**

8. Auditor fees

M€	2012	2011
Authorised Public Accountants KPMG Oy		
Audit	0.2	0.2
Tax consultancy	0.0	0.0
Other services	0.1	0.2
Total	**0.3**	**0.4**

9. Employee benefit expenses and number of employees

M€	2012	2011
Management remuneration		
President and CEO	0.5	0.5
Other Executive Board members	1.1	1.1
Board of Directors	0.3	0.3
Share-based payments to management	1.6	1.4
Other wages and salaries	7.6	7.7
Defined benefit pension plans	0.1	0.0
Defined contribution pension plans	1.9	1.5
Other social security costs	0.6	0.4
Total	**13.5**	**13.0**

The President and CEO is paid a full salary. The salary and fees paid to Sponda Plc's President and CEO totalled EUR 503,000 (2011: 506,000). In addition, during the period the President and CEO was paid a bonus of EUR 173,000 (2011: 383,000) under the incentive scheme, based on the company's actual performance in 2011.

The members of Sponda Plc's Board of Directors are paid an annual fee and a fee for each meeting attended for the term ending at the 2013 Annual General Meeting. 40% of the annual fee is paid in the form of Sponda Plc shares acquired on the market. The Chairman of the Board was paid EUR 70,000 for the year (2011: 73,000), the Deputy Chairman EUR 45,000 (2011: 49,000) and the other members of the Board, in total, EUR 163,000 (2011: 173,000).

The President and CEO and the members of the Executive Board, seven people in total, participate in the long-term share-based incentive scheme for top management introduced on 1 January 2006. The purpose of the incentive scheme is to link the objectives of shareholders and key personnel to increase the company's shareholder value, increase the commitment of key personnel to the company and offer them a competitive bonus scheme based on share ownership.

The first incentive scheme covered the period from 2006 to 2008. The company also had an incentive scheme with the same terms in effect for the 2009–2011 period, but the Board of Directors of Sponda Plc decided to revise the incentive scheme adopted in 2009 by extending the vesting periods. The extension took effect in stages by 2012, reducing the proportion of one-year vesting periods each year and increasing the proportion of new three-year vesting periods correspondingly. The scheme comprised two one-year vesting periods, namely the 2010 and 2011 calendar years, and two three-year vesting periods, 2010–2012 and 2011–2013.

On 20 March 2012, the Board of Directors of Sponda Plc decided on the implementation of a new incentive scheme, effective from the beginning of 2012. The scheme comprises three three-year vesting periods, namely 2012–2014, 2013–2015 and 2014–2016.

The earning criteria for the vesting periods that began prior to 2012 were tied to cash flow per share and return on investment. The earning criteria for the 2012–2014 vesting period are tied to the Group’s cash flow from operations per share and return on investment. In addition, the Board of Directors will take into consideration the Group’s performance relative to the prevailing market conditions. The Board of Directors determines the targets for each vesting period separately.

The bonuses, less taxes and other employer contributions, are used to purchase company shares for the person on the open market. The shares may not be disposed of within a set period of their receipt. The duration of this period is two years for the one-year vesting periods and three years for the three-year vesting periods. The personnel covered by the scheme also have a continued obligation to hold shares received under the scheme at a minimum amount corresponding to their gross annual salary for the duration of their employment in the company.

The maximum annual fee under the incentive scheme is the recipient's gross annual pay at the time of payment. Gross annual pay refers to fixed basic salary excluding annual performance bonuses and the long-term incentive scheme.

The bonuses payable based on the 2010 and 2010–2012 vesting periods correspond, at a maximum, to the value of 684,471 shares in Sponda Plc (including the cash component of the bonuses). The bonuses payable based on the 2011 and 2011-2013 vesting periods correspond, at a maximum, to the value of 473,377 shares in Sponda Plc (including the cash component of the bonuses). The bonuses payable based on the 2012–2014 vesting period correspond, at a maximum, to the value of 392,082 shares in Sponda Plc (including the cash component of the bonuses).

Share-based incentive schemes					**Incentive scheme 2009-2011**	**Incentive scheme 2006-2008**
	Vesting period 2011-2013	Vesting period 2011	Vesting period 2010-2012	Vesting period 2010	Vesting period 2009	Vesting period 2008
Grant date	01/02/2011	01/02/2011	17/03/2010	17/03/2011	01/01/2009	01/01/2008
Issue date	01/01/2014	01/01/2012	01/01/2013	01/01/2011	01/01/2010	01/01/2009
Vesting period ends	31/12/2013	31/12/2011	31/12/2012	31/12/2010	31/12/2009	31/12/2008
Shares become free for disposal	31/12/2016	31/12/2013	31/12/2015	31/12/2012	31/12/2011	31/12/2010
Settled as	Shares and cash	Shares and cash	Shares and cash	Shares and cash	Shares and cash	Shares and cash

			Incentive scheme 2012-2014
	Vesting period 2014-2016	Vesting period 2013-2015	Vesting period 2012-2014
Grant date	20/03/2012	20/03/2012	20/03/2012
Issue date	01/01/2017	01/01/2016	01/01/2015

Vesting period ends	31/12/2016	31/12/2015	31/12/2014
Shares become free for disposal	31/12/2019	31/12/2018	31/12/2017
Settled as	Shares and cash	Shares and cash	Shares and cash

Share-based incentive schemes					**Incentive scheme 2009-2011**	**Incentive scheme 2006-2008**
Conditions	Vesting period 2011-2013	Vesting period 2011	Vesting period 2010-2012	Vesting period 2010	Vesting period 2009	Vesting period 2008
Non-market based conditions	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period
Other conditions	Shares may not be disposed for a period of three years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt.	Shares may not be disposed for a period of three years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt
Number of instruments granted*	-	77,025	174,956	150,811	146,255	114,900
Share price on date of granting, €	3.75	3.75	3.01	3.01	1.93	5.09
Share price on date of distribution, €*	-	3.32	3.60	3.79	2.71	2.84

Share-based incentive schemes			**Incentive scheme 2012-2014**
Conditions	Vesting period 2014-2016	Vesting period 2013-2015	Vesting period 2012-2014
Non-market based conditions	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period
Other conditions	Shares may not be disposed for a period of three years from date of receipt.	Shares may not be disposed for a period of three years from date of receipt.	Shares may not be disposed for a period of three years from date of receipt.
Number of instruments granted*	-	-	-
Share price on date of granting, €	3.36	3.36	3.36

Share price on date of distribution, €*	-	-	-

Changes in share bonus during the period:	**2012**	**2011**	**2010**	**2009**	**2008**
Share bonus granted at start of the period	342,736	411,966	335,768	218,280	103,380
Bonuses granted in the period	174,956	77,025	150,811	146,255	114,900
Bonuses forfeited during the period	-	-	-	-	-
Bonuses that became free for disposal during the period	150,811	146,255	74,613	28,767	-
Share bonuses granted at end of the period	366,881	342,736	411,966	335,768	218,280

* The 2012 figure is based on the management's estimate. Actual figures may differ from the estimates provided.

Management's pension obligations and termination benefits

The president and CEO of Sponda Plc is entitled to retire on reaching 63 years of age and his pension is determined in accordance with the Employee Pensions Act (TEL).

The Director's Agreement stipulates the period of notice for the President and CEO as six months. In the event of the company terminating the Director's Agreement, the President and CEO is entitled to compensation equal to 12 months' pay.

The members of the Executive Board are insured with a contribution-based group pension insurance. Sponda Plc makes an annual insurance payment until the member of the Executive Board reaches the age of 63 years. In addition, the members of Sponda's Executive Board are entitled to participate in a voluntary group pension scheme. Under the terms of this scheme the accrued savings may be withdrawn between the ages of 60 and 65 or as a supplementary pension in addition to the individual's statutory earnings-related pension. The pension contribution amounts to approximately 7.5% of a person's annual pay.

Personnel on average	**2012**	**2011**
White collar, number of employees	122	123

10. Depreciation and amortization by asset item

M€	2012	2011
Property, plant and equipment		
Buildings and structures	0.2	0.2
Machinery and equipment	0.1	0.1
Other tangible assets	0.3	0.4
	0.6	**0.7**
Intangible assets		
Computer software	0.1	0.0
Total	**0.7**	**0.7**

11. Financial income and expenses

M€	2012	2011
Financial income		
Interest income		
Loans and receivables	1.2	1.2
Other financial income	0.2	0.4
Interest income from foreign currency derivatives	13.0	9.3
Exchange rate gains		
Exchange rate gains, realized	1.6	0.2
Exchange rate gains, recognized at fair value through profit	0.1	0.2
Change in fair value		
Recognized at fair value through profit and loss	19.8	2.6
Total	**35.9**	**14.0**
Financial expenses		
Interest expenses		
Interest expenses on liabilities recognized at amortized cost	-66.8	-65.6
Interest expenses from foreign currency derivatives	-7.2	-6.9
Other financial expenses, loan management expenses	-4.2	-6.6
Exchange rate losses		
Exchange rate losses, realized	-1.9	-0.2
Exchange rate losses, recognized at fair value through profit	-0.2	-0.1
Unrealized exchange rate losses from foreign currency loans	-13.2	-5.4
Interest rate derivatives subject to hedge accounting, ineffective portion	-0.3	0.0
Change in fair value		
Recognized at fair value through profit and loss	-1.6	-8.4
Total	**-95.5**	**-93.2**

Capitalized borrowing costs incurred in the acquisition, construction or production of a qualifying asset	0.8	3.6
Financial income and expenses, total	**-94.6**	**-89.6**
Financial income and expenses, total	**-58.8**	**-75.6**

Financial expense multiplier used by the Group	3.55 %	3.97 %

*See accounting principles: Expenses on liabilities

12. Income taxes

M€	2012	2011
Current tax expense	3.7	3.1
Deferred tax	33.0	25.1
Change in tax base of deferred taxes	0.0	-12.0
Total	**36.7**	**16.2**

Taxes relating to other comprehensive income items

	2012			2011		
M€	**Before tax**	**Tax effect**	**After tax**	**Before tax**	**Tax effect**	**After tax**
Cash flow hedges	-3.1	0.8	-2.3	-11.9	2.5	-9.4
Translation difference	0.1	0.1	0.2	0.0	-0.1	-0.1
Total	**-2.9**	**0.8**	**-2.1**	**-11.9**	**2.4**	**-9.5**

Reconciliation between the income tax expense recognized in the income statement and the taxes calculated using the parent company's domestic corporate tax rate of 24,5 %:

	2012	2011
Profit before taxes	151.6	134.0
Income tax using the parent company's domestic corporate tax rate	37.1	34.8
Difference between tax rate in Finland and in other countries	-0.6	-1.8
Change of tax base	-	-12.0
Tax exempt income/non-deductible expenses	0.0	-2.1
Group adjustments in conjunction with sale	-0.5	0.0
Recognition of deferred tax in accordance with IAS 12.15b	0.5	-2.4
Utilization of tax losses from prior periods	-	-0.2
Confirmed losses previously unrecognised	-0.4	-0.7
Shelf life amortization and previously unrecognized confirmed losses	-0.1	0.0
Other tax-like items	0.1	0.4
Other items	0.6	0.3
Tax expense in the income statement	**36.7**	**16.2**

13. Earnings per share

Undiluted earnings per share is calculated by dividing profit for the period attributable to the equity holders of the parent company, adjusted by the tax-adjusted interest expenses of the hybrid bond and the hybrid bond repurchase premium, by the weighted average number of shares outstanding.

M€	2012	2011
Profit for the period attributable to the equity holders of the parent company	114.9	117.8
Interest accrued during period on hybrid bond	-11.6	-11.4
Premium relating to the repurchase of the equity bond	-0.7	-
Tax effect	3.0	3.0
Net effect	-9.3	-8.4
Weighted average number of shares during the period (million)	283.1	281.3
Basic and diluted earnings per share attributable to shareholders, €	0.37	0.39

There were no diluting instruments in 2012 and 2011.

14. Investment properties

M€	2012	2011
Fair value of investment properties 1 Jan.	3,165.7	2,870.6
Acquisition of investment properties	53.1	150.4
Other capital expenditure on investment properties	76.0	109.1
Disposals of investment properties	-59.3	-7.0
Reclassifications from trading properties	0.0	0.0
Capitalized borrowing costs, increase in period	0.8	3.6
Valuation gains and losses	24,9	39.0
Fair value of investment properties 31 Dec.	**3,261.3**	**3,165.7**

Investment properties are properties held by the company for the purpose of earning rental income or for capital appreciation. Sponda measures its investment properties using the fair value method, under which changes in fair values are recognized through profit and loss. The value of each investment property is calculated by Sponda itself. Sponda's property portfolio in Finland was assessed in the first, third and final quarters of the year by Catella Property Oy. The properties in Russia were assessed in the second quarter and final quarter by CB Richard Ellis. The value of each property has been assessed separately.

Statements on the assessments of value for properties in both Finland and Russia are available on Sponda's website at www.sponda.fi>investors>performance.

Weighted average yield requirements based on management estimates used in calculating the fair values of investment properties by type of property 31 December 2012 (%)

	Area				
	Centr. Bus.Distr.	**Rest of Helsinki**	**Espoo/Vantaa**	**Rest of Finland**	**Russia**
Type of premises					
Office and retail	5.6	6.2	8.2	7.1	9.6
Logistics		8.0	8.0	11.5	11.0

Weighted average yield requirements based on management estimates used in calculating the fair values of investment properties by type of property 31 December 2011 (%)

	Area				
	Centr. Bus.Distr.	**Rest of Helsinki**	**Espoo/Vantaa**	**Rest of Finland**	**Russia**
Type of premises					
Office and retail	5.8	6.1	8.1	7.1	9.7
Logistics		7.9	7.9	10.5	11.0

Significant assumptions used in fair value calculations, on average

	Finland		**Russia**	
	2012	**2011**	**2012**	**2011**
Yield requirement, %	6.8	6.7	9.7	9.8
Initial yield, %	6.4	6.6	9.9	9.3
Computational economic occupancy ratio in first year of calculation, %	88.1	87.6	96.6	97.2
Rental income as per agreements, €/m²/month	16.2	15.3	50.3	45.3
Market rents, €/m²/month	13.4	13.2	44.7	41.9
Long term maintenance costs used in calculations, €/m²/ month	2.8	2.7	10.5	9.8

Changes in the significant assumptions used in fair value calculations are based on market changes and the effects of new and maturing lease agreements on the property portfolio.

Economic occupancy rates of investment properties by segment (%)

	31 Dec, 2012	**31 Dec, 2011**
Office and retail	89.4	88.4
Shopping centres	93.0	94.1
Logistics	75.6	78.1
Russia	95.4	98.7

Maturity dates for lease agreements by segment 31 December, 2012 (%)

M€	**Office and retail**	**Shopping centres**	**Logistics**	**Russia**
1 year	11.3	8.0	18.1	31.1
2 years	10.4	2.9	4.9	14.2
3 years	11.4	5.6	9.5	10.8
4 years	7.9	4.3	5.7	14.7
5 years	12.9	19.6	4.0	20.7
6 years	5.2	0.6	4.3	4.1
more than 6 years	22.5	54.9	32.6	4.4
open ended	18.4	4.1	20.9	0.0

Maturity dates for lease agreements by segment 31 December, 2011 (%)

M€	Office and retail	Shopping centres	Logistics	Russia
1 year	12.6	7.5	20.7	47.3
2 years	12.1	6.4	11.8	3.1
3 years	9.8	3.3	8.8	16.5
4 years	8.3	5.6	3.4	8.9
5 years	6.0	6.2	5.1	8.6
6 years	10.2	14.2	4.2	14.6
more than 6 years	25.3	51.7	28.6	0.9
open ended	15.8	5.2	17.5	0.0

The Group's most significant investment commitments arise from the following properties:

Construction of the final phase of the Citycenter project, comprising the retail premises on the Keskuskatu side, is nearing completion. The property has been transferred to the Shopping Centres portfolio and measured at fair value. The project will increase the leasable area of Citycenter from 41,000 m² to 56,000.

Sponda is developing an office property in the Ruoholahti district of Helsinki with total floor space of approximately 6,000 m². Over 70% of the building will be leased to the primary tenant, Talentum Plc. Construction of the office building is underway and the project is expected to be completed on schedule in April 2013. The project's total investment value is estimated at some EUR 23.5 million.

Sponda is carrying out development projects for the Ratina shopping centre in Tampere and related areas. The current plans are for a shopping centre with a total area of 55,000 m² and a total investment of approximately EUR 200 million. The decision to invest has not yet been made.

15. Investments in real estate funds

	2012		2011	
	Investment, M€	**Holding**	**Investment, M€**	**Holding**
First Top LuxCo I S.a.r.l	5.0	20.0 %	5.0	20.0 %
Sponda Fund I Ky	31.1	46.1 %	31.7	46.1 %
Sponda Fund II Ky	31.0	43.7 %	28.7	43.7 %
Sponda Fund III Ky*	16.3	35.9 %	-	-
YESS Ky	0,0	60.0 %	0.0	60.0 %
Russia Invest B.V.i.o	0.1	27.2 %	0.1	27.2 %
	83.6		**65.5**	

First Top LuxCo I S.a.r.l. is a real estate fund registered in Luxembourg that invests primarily in office and retail premises in medium-sized Finnish towns.

Sponda Fund I Ky invests mainly in logistics properties outside the Helsinki Metropolitan Area.

Sponda Fund II Ky invests mainly in logistics, warehouse and industrial properties in medium-sized cities in Finland.

Sponda Fund III Ky invests primarily in logistics and industrial properties in Finland's growth centres.

YESS Ky is a fund established by Sponda Plc and Finnish Radio pension fund that is developing the Forum Virium project. No capital investments have been made into the fund as of yet.

Russia Invest B.V.i.o will invest in real estate development projects in Moscow and St. Petersburg.

*According to the Fund III shareholder agreement, Sponda's share of ownership will increase to 38.1% in proportion to the remaining investment commitments.

16. Property, plant and equipment

M€	Land sites	Buildings	Machinery & equiment	Other tangible assets	Advance payments & acquisitions in progress	2012 total
Acquisition cost 1 Jan.	3.3	11.2	1.4	1.7	-	17.6
Increases			0.0		0.0	
Decreases				0.0		
Other reclassifications						
Acquisition cost 31 Dec.	**3.3**	**11.2**	**1.4**	**1.7**	**0.0**	**17.6**
Accumulated depreciation 1 Jan.	-	-2.1	-1.2	-1.3	-	-4.5
Accumulated depreciation on decreases						
Depreciation for the period		-0.2	-0.1	-0.3		-0.6
Accumulated depreciation 31 Dec.	**-**	**-2.3**	**-1.3**	**-1.6**	**-**	**-5.1**
Carrying amount 31 Dec.	**3.3**	**8.9**	**0.1**	**0.1**	**0.0**	**12.5**

M€	Land sites	Buildings	Machinery & equiment	Other tangible assets	Advance payments & acquisitions in progress	2011 total
Acquisition cost 1 Jan.	3.2	11.2	1.4	1.7	0.0	17.5
Increases	0.0	0.0	0.0	0.1		0.1
Decreases		0.0		0.0		0.0
Other reclassifications		0.0	-0.1		0.0	-0.1
Acquisition cost 31 Dec.	**3.3**	**11.2**	**1.4**	**1.7**	**0.0**	**17.6**
Accumulated depreciation 1 Jan.	-	-1.9	-1.2	-0.9	-	-3.9
Accumulated depreciation on decreases			0.1			0.1
Depreciation for the period		-0.2	-0.1	-0.4		-0.7
Accumulated depreciation 31 Dec.	**-**	**-2.1**	**-1.2**	**-1.3**	**-**	**-4.5**
Carrying amount 31 Dec.	**3.3**	**9.1**	**0.2**	**0.4**	**0.0**	**13.1**

Other tangible assets includes, among other things, renovation expenses related to the company's head office and works of art owned by the Group.

17. Goodwill

M€	2012	2011
Acquisition cost 1 Jan.	27.5	27.5
Change	-	-
Acquisition cost 31 Dec.	**27.5**	**27.5**
Accumulated depreciation 1 Jan.	-13.0	-13.0

Depreciation for the period	-	-
Accumulated depreciation 31 Dec.	**-13.0**	**-13.0**
Carrying amount 31 Dec.	**14.5**	**14.5**

The acquisition of Kapiteeli Oy in 2006 resulted in goodwill of EUR 27.5 million being allocated to certain planned development projects, which were considered to have great potential for increase in value upon completion. Some of these were completed in 2008. The goodwill allocated to the completed projects was written down corresponding to the change in fair value during 2008 and it had an impact on the result of EUR -13.0 million. Goodwill and related writedowns were entirely allocated to the Property Development segment.

The remaining EUR 14.5 million of goodwill has been tested by comparing the future cash flows of the asset containing goodwill to the carrying value of the goodwill. Cash flows have been discounted using an interest rate of 8.75 % (2011: 8.80 %). Based on the impairment testing, there is no need for further writedowns on goodwill.

Before starting a project, the fair value at completion of the investment property being developed is determined using the 10 year discounted cash flows method with the same variables and parameters as for the fair value of completed investment properties. Rental income is based either on leases made in advance with future tenants or on management estimates of future rents and occupancy rates. Management assesses the accuracy of the calculations by testing for impairment. If there is indication of changes in the estimates and assumptions due to the market or other reasons, the calculations are revised to correspond to the best understanding at the moment of testing. The sensitivity of the yield requirement to change is also assessed.

Management also checks that the construction costs for the project remain within the prepared cost estimate. If there are indications of a rise in costs or of other causes as a result of which costs may be exceeded, the values are updated.

Sensitivity analysis of value testing

%	Value used	Limit
2012		
Discount rate	8.75 %	9.36 %
Yield requirement	6.50 %	6.52 %
Investment costs		0.33 %
%	**Value used**	**Limit**
2011		
Discount rate	8.80 %	9.36 %
Yield requirement	6.50 %	6.52 %
Investment costs		0.31 %

An impairment of goodwill would have been recorded if the discount rate used had exceeded 9.36% (2011: 9.36%), if the yield requirement used in the fair value calculations of projects had exceeded 6.52 % (2011: 6.52%) or if investment costs had been estimated as 0.33% greater (2011: 0.31%).

18.Other intangible assets

M€	Software	Other intangible assets	2012 total
Acquisition cost 1 Jan.	1.3	0.0	1.3
Increases		0.2	0.2
Decreases			
Acquisition cost 31 Dec.	**1.3**	**0.2**	**1.5**
Accumulated amortization 1 Jan.	-0.7	-	-0.7
Accumulated depreciation on decreases			
Amortization for the period	-0.1		-0.1
Accumulated amortization 31 Dec.	**-0.8**	**-**	**-0.8**
Carrying amount 31 Dec.	**0.4**	**0.2**	**0.7**

M€	Software	Other intangible assets	2011 total
Acquisition cost 1 Jan.	0.8	0.4	1.3
Increases	0.6	0.0	0.6
Decreases	0.0	-0.4	-0.5
Acquisition cost 31 Dec.	**1.3**	**0.0**	**1.3**
Accumulated amortization 1 Jan.	-0.8	-	-0.8
Accumulated depreciation on decreases	0.0		0.0
Amortization for the period	0.0	-	0.0
Accumulated amortization 31 Dec.	**-0.7**	**-**	**-0.7**
Carrying amount 31 Dec.	**0.6**	**0.0**	**0.6**

19. Finance lease receivables

M€	2012	2011
Carrying amount of finance lease receivables	**2.7**	**2.7**
Gross rental income	14.0	14.3
Unguaranteed residual value	3.9	4.0
Gross investment in lease contracts	**17.9**	**18.3**
Unearned financial income	-15.2	-15.5
Net investment in lease contracts	2.7	2.7
Present value of unguaranteed residual value	0.0	0.0
Present value of minimum lease payments receivable	**2.7**	**2.7**

Term structure in 2012	2013	2014-2017	2018 -	Total
Gross investment in lease contracts	0.3	1.7	16.0	17.9
Present value of minimum lease payments receivable	0.3	1.2	1.2	2.7

Term structure in 2011	2012	2013-2016	2017 -	Total
Gross investment in lease contracts	0.3	1.7	16.3	18.3
Present value of minimum lease payments receivable	0.3	1.2	1.2	2.7

Two long-term lease contracts on two properties are classified as finance leases. Part of the premises in each property are leased.

20. Holdings in associated companies

M€	2012	2011
Acquisition cost 1 Jan.	-	2.0
Transfer from subsidiary company shares	-	-
Share of result for period	-	-0.1

Increases	-	-
Decreases	-	-0.4
Dividends received	-	-1.5
Total	**-**	**0.0**

Sponda announced on 31 March 2011 having sold its ownership in the Ovenia Oy producing property management services to funds controlled by Vaaka Partners Oy and Ovenia's acting management.

Sponda recorded a sales profit of approximately EUR 7.8 million for this transaction.

21. Non-current receivables

M€	2012	2011
Non-interest-bearing receivables	0.0	0.1
Transaction price receivables	1.1	0.6
Long term financial receivables	**1.1**	**0.7**
Derivatives not included in hedge accounting	20.1	4.2
Defined benefit pension plan assets*	0.1	0.2
Other long term receivables	**20.2**	**4.4**
Total	**21.4**	**5.2**

* See Note 28.

22. Deferred taxes

M€	31.12.2011	Recognized in income statement	Change of tax base	Transfers and other changes	Recognized in other income items	Recognized in equity	Purchased businesses/ investment properties sold/ bought	31.12.2012
Deferred tax assets								
Tax losses carried forward	26.3	-7.6		4.0	0.4			23.1
Tax receivables from result for period	0.0	1.7		0.0				1.7
Tax receivables from result for previous period	4.0			-4.0				0.0
Assessments at fair value:								
Funds	1.7	-0.1						1.5
Interest rate swaps	9.7	0.1			0.8			10.5
Interest rate options	1.3	-0.5						0.8
Forward exchanges	0.0			0.0				0.0
Trading properties	0.3	-0.1						0.2
Translation differences/loans	0.0	0.3			-0.3			0.0
Other items/transfers	0.7	0.1		0.0	-0.3			0.4
Total	**43.8**	**-6.1**	**0.0**	**0.0**	**0.5**	**0.0**	**0.0**	**38.3**
Deferred tax liabilities								
Capitalized borrowing costs	0.6	0.2		-0.2				0.6
Assessments at fair value:								
Investment properties	233.0	27.1		0.2	-0.4		-3.5	256.5
Trading properties	0.0							0.0
Associated company shares	0.0							0.0
Interest rate swaps	0.0							0.0
Interest rate options	0.0							0.0
Equity bond expenses	0.0	0.0		0.0				0.0
Share issue expenses	1.4	3.3				-3.6		1.1
Other financial items	0.0							0.0
Other items/transfers	0.7	-0.3		0.0	0.0			0.4
Total	**235.7**	**30.4**	**0.0**	**0.0**	**-0.4**	**-3.6**	**-3.5**	**258.6**

M€	31.12.2010	Recognized in income statement	Change of tax base	Transfers and other changes	Recognized in other income items	Recognized in equity	Purchased businesses/ invetsment properties sold/ bought	31.12.2011
Deferred tax assets								
Tax losses carried forward	19.5	-0.8	-1.5	9.1	-0.1		-0.1	26.3
Tax receivables from result for period	9.1	0.0		-9.1				0.0
Tax receivables from result for previous period	0.0	4.3	-0.2	0.0				4.0
Assessments at fair value:								
Funds	0.6	1.1	-0.1					1.7
Interest rate swaps	7.2	0.0			2.5			9.7
Interest rate options	0.2	1.2	-0.1					1.3
Forward exchanges	0.0	0.0	0.0					0.0
Trading properties	0.0	0.1	0.0	0.2				0.3
Translation differences/loans	0.0	-0.1			0.1			0.0
Other items/tarnsfers	0.3	0.4		0.0	0.0			0.7
Total	**36.9**	**6.1**	**-1.9**	**0.2**	**2.6**	**0.0**	**-0.1**	**43.8**
Deferred tax liabilities								
Capitalized borrowing costs	0.8	0.7	-0.1	-0.7				0.6
Assessments at fair value:								
Investment properties	217.7	28.0	-13.7	0.7	0.2	0.0	0.0	233.0
Trading properties	0.2	-0.5		0.2				0.0
Associated company shares	0.1	-0.1						0.0
Interest rate swaps	0.0							0.0
Interest rate options	0.0							0.0
Equity bond expenses	1.5	3.0	-0.1		0.0	-3.0		1.4
Share issue expenses	0.0	0.1				-0.1		0.0
Other financial items	0.0							0.0
Other items/transfers	0.6	0.0	0,0	0.0	0,0			0.7
Total	**221.0**	**31.2**	**-14.0**	**0.3**	**0.2**	**-3.0**	**0.0**	**235.7**

At 31 December 2012 the Group had tax loss carry-forwards totalling EUR 2.3 million (2011: EUR 1.7 million) and impairment losses not deducted in taxation of EUR 77.7 million (2011: EUR 71.7 million), on which the Group has not calculated tax receivables because utilization of these items is uncertain.

Expiration years for unrecognised confirmed losses

Year of expiration	2013	2014-2015	2016-2017	2018-2019	2020-2021	2022-2023	Total
Confirmed loss	0.3	0.1	0.6	0.7	0.6	0.0	2.3
Unrecognised deferred tax	0.1	0.0	0.1	0.2	0.1	0.0	0.6

23. Trading properties

Trading properties comprise 21 properties that are owned mainly through real estate or housing limited companies.

M€	2012	2011
Trading properties at start of the period	7.9	10.3
Divested trading properties	-1.7	-0.6
Reclassifications as investment properties	-	0.0
Change in fair value	1.6	-1.8
Trading properties at end of the period	**7.8**	**7.9**
Sales income from divested trading properties	6.9	1.3
Carrying amount of divested trading properties	-1.7	-0.6
Gains/losses on disposal of trading properties	**5.2**	**0.7**

24. Trade and other receivables

M€	2012	2011
Current non-interest-bearing receivables		
Trade receivables	4.3	5.3
Other receivables	32.4	22.6
Tax receivables	0.0	0.0
Advances paid	2.2	2.3
Other prepaid expenses and accrued income	9.9	11.6
Total	**48.9**	**41.9**

Other receivables includes EUR 25.3 million in VAT receivables.

Trade receivables classified according to time elapsed from due date

M€		2012		2011
Not fallen due	2.1	49.1 %	2.6	48.9 %
Under 1 month	0.9	21.9 %	0.8	15.3 %
1-3 months	0.6	13.7 %	0.6	11.1 %
3-6 months	0.2	4.5 %	0.5	8.9 %
6-12 months	0.2	3.6 %	0.3	5.6 %
1-5 years	0.3	7.3 %	0.5	10.3 %
Over 5 years	0.0	0.0 %	0.0	0.0%
Total	**4.3**	**100.0 %**	**5.3**	**100.0 %**

M€	2012	2011
Other prepaid expenses and accrued income		
From interest and financial items	2.5	6.8
Taxes	0.2	0.0
From other items	7.2	4.8
Total	**9.9**	**11.6**

25. Cash and cash equivalents

M€	2012	2011
Bank accounts	30.1	26.4
Liquid investment	-	-
Total	**30.1**	**26.4**

26. Capital and reserves

M€	No. of shares (x1, 000)	Share capital	Share premium reserve	Invested non-restricted equity reserve	Total
31 Dec. 2006	79,307	79.3	159.5	-	238.8
Share issue	31,723	31.7	-	209.7	241.4
31 Dec. 2007	111,030	111.0	159.5	209.7	480.2
31 Dec. 2008	111,030	111.0	159.5	209.7	480.2
Share issue	166,545	-	-	202.3	202.3
31 Dec. 2009	277,575	111.0	159.5	412.0	682.5
31 Dec. 2010	277,575	111.0	159.5	412.0	682.5
Share issue	5,500	-	-	21.7	21.7
31 Dec. 2011	283,075	111.0	159.5	433.8	704.2
31 Dec. 2012	283,075	111.0	159.5	433.8	704.2

Sponda Plc has a single class of shares. Under the Articles of Association, there is no maximum number of shares and the company does not have a set maximum share capital. The share has no nominal value or accounting par value. All issued shares have been paid in full.

Shareholders' equity comprises the following reserves:

Share premium reserve

Sponda does not have existing instruments that would, under the new Limited Companies Act, accrue a share premium reserve.

Translation differences

Translation differences comprise translation differences arising from the translation of foreign subsidiaries.

Fair value reserve

The fair value reserve contains the changes in fair values of the derivatives used to hedge cash flow.

Revaluation reserve

The revaluation reserve comprises the fair value of properties that have previously been used by the Group itself and have subsequently been transferred to investment properties.

Invested non-restricted equity reserve

The invested non-restricted equity reserve contains equity investments and that part of the share subscription price that has not been allocated to share capital by a specific decision.

Other equity reserve

The other equity fund comprises the equity bond less the costs of raising the bond.

Dividends

After the balance sheet date, the Board of Directors has proposed that a dividend of EUR 0.17 per share be distributed for the 2012 financial year.

27. Non-current interest-bearing liabilities

M€	2012	2011
Notes and bonds	324.2	172.4
Loans from financial institutions	1,136.1	1,208.3
Total	**1,460.3**	**1,380.8**

See note 31.

28. Net pension asset in the balance sheet

At the time of Sponda Plc's incorporation, insurance was taken out for certain persons to compensate for earlier retirement age. The insurance covers the pension of women from the age of 60 to 63 and the pension of men from 62 to 63 (62 to 65 prior to revision) years of age. The pension presently covers three persons.

The defined benefit pension asset in the balance sheet is determined as follows:

M€	2012	2011
Present value of funded obligations	0.4	0.4
Fair value of plan assets	0.4	0.3
Surplus	**0.0**	**-0.1**
Unrecognized actuarial gains (+) and losses (-)	0.2	-0.3
Net asset (-) in the balance sheet	**0.2**	**-0.3**

Items recognized in the income statement:

M€	2012	2011
Current service costs	-	-
Interest costs	-	-

Expected return on plan assetsto	-	-
Past service cost	-	-
Actuarial gains (-) and losses (+)	-	-
Total	**-**	**-**

Actual return on plan assets totalled EUR 20,000 in 2012 (2011: EUR -13,000)

Changes in the present value of the obligation:

M€	2012	2011
Liability for defined benefit obligations at beginning of period	0.4	0.3
Service costs	0.0	0.0
Interest costs	0.0	0.0
Actuarial gains (-) and losses (+)	0.0	0.1
Past service costs	-	-
Liability for defined benefit obligations at end of period	**0.4**	**0.4**

Changes in the fair values of the plan assets:

Fair value of plan assets at beginning of period	0.3	0.3
Expected return on plan assets	0.0	0.0
Actuarial gains (+) and losses (-)	0.0	0.0
Contributions paid by the employer	0.0	0.1
	0.4	**0.3**

Information is not available on the plan assets.

Actuarial assumptions on the balance sheet date:

%	2012	2011
Discount rate, (%)	3.00 %	4.50 %
Expected return on plan assets, (%)	3.00 %	4.50 %
Expected rate of salary increases (%)	3.50 %	3.50 %
Inflation (%)	2.00 %	2.00 %

The Group expects to pay EUR 31,000 to the plan in 2013.

	2012	2011	2010	2009	2008
Present value of obligation	0.4	0.4	0.3	0.3	0.4
Fair value of assets under the arrangement	0.4	0.3	0.3	0.4	0.4
Margin deficiency (+) / Margin excess (-)	**0.0**	**-0.1**	**0,0**	**0.0**	**0.0**
Experience-based adjustments on debts under the arrangement, (loss)/gain	0.1	0.1	-0.1	-0.2	-0.1
Experience-based adjustments on assets under the arrangement, loss / (gain)	0.0	0.0	0.1	0.2	0.1

29. Other liabilities

M€	2012	2011
Note and bonds	-	-
Loans from financial institutions	25.8	155.8
Commercial papers sold	250.0	218.3
Total	**275.9**	**374.1**

See Note 31

30. Trade and other payables

M€	2012	2011
Current non-interest bearing debt		
Advances received	11.9	9.6
Trade payables	3.2	6.1
Interest liabilities	15.2	14.6
Other current liabilities	34.3	27.7
Accrued expenses and deferred income	29.2	17.8
Total	**93.9**	**75.9**

Other current liabilities includes EUR 28.1 million in VAT liabilities

Accrued expenses and deferred income

Interest and financial items	0.5	3.6
Personnel expenses	4.4	3.9
Taxes	0.3	0.9
Investments	19.5	5.4
Other items	4.5	4.1
Total	**29.2**	**17.8**

31. Financial instruments

Financial risk management

The purpose of Sponda's risk management is to minimise the unfavourable impacts of changes in the financial markets on the company's profits and cash flow. Sponda Plc's Board of Directors decides on the goals for risk management, defines the risk management policy and is responsible for monitoring risk management. The company's treasury unit identifies and assesses risks and is responsible for practical risk management measures within the framework of the risk management policy. The internal audit is responsible for checking the effectiveness of the risk management system. Regular reports are made to the Board on financing. Sponda's main financial risks are the interest rate risk, risks concerning access to financing, the credit risk and the exchange rate risk. The Group's financing activities are centrally handled by its treasury unit, which is responsible for financial risk management.

1. Interest rate risk

The Group mainly uses floating rate loans in financing its operations, and these are the source of the company's interest rate risk. The company may also use fixed-rate loans. The Group uses interest rate derivatives to reduce growth in future interest flows caused by a rise in short-term market rates. With interest rate swaps Sponda pays a fixed-rate interest and obtains floating-rate interest. Interest rate options are bought.

According to the risk management policy, the aggregate nominal value (hedging rate) of the Group's fixed-rate loans with a maturity of more than one year and of the interest rate derivatives used to manage interest rate risk must be at least 60% and at most 100% of the Group's interest-bearing liabilities. The Group's hedging rate on 31 December 2012 was 72 (2011: 77) %. The duration of the interest-bearing debt portfolio must be at least one year. The duration of the Group's portfolio was 1.9 (2011: 2.2) years.

Derivative contracts have been made for the purpose of hedging the loan portfolio and they are valued in the financial statement at fair value. The fair value represents the result if the derivative position had been closed on the balance sheet date. The fair values presented are based on assessments by the counterparty banks. In addition, Sponda Plc checks the assessments using assessing methods that are generally available on the market. The fair values and nominal values of interest rate derivatives are presented in Note 31.3.

Interest rate derivatives have been defined as cash flow hedging or as derivatives that do not meet the criteria for hedge accounting. Sponda applies group hedging, in which the behaviour of the loan portfolio is compared with the interest rate derivative portfolio. The interest rate derivative portfolio is divided into interest rate options and interest rate swaps. In addition Sponda may use forward rate agreements and interest rate futures, to which hedge accounting is not applied.

At the time of closing the books, Sponda applied hedge accounting to all interest swap agreements. The interest swap agreements mature in 2013-2018, during which time also the interest flows resulting from the interest swap agreements will be realised. The hedging efficiency between the loans hedged in the financial year 2012 and the hedging instruments was very good. The inefficient portion of interest swap agreements included in hedge accounting is recorded in a manner affecting the result. Hedge accounting was not applied to interest rate limit options bought. The change in the current value of interest rate limit options is also recorded in a manner affecting the result.

Net losses/gains for the period recognised in other comprehensive income items are presented under Consolidated statement of comprehensive income. More information on their recognition is available in the section on accounting principles. Hedge accounting is applied to interest derivatives satisfying the IAS 39 criteria for hedge accounting throughout their maturity.

Sponda Plc analyses its interest rate position by simulating changes in market interest rates. The treasury unit calculates a forecast of interest expenses for the coming year and its interest rate sensitivity. The following assumptions have been made when calculating the sensitivity to change in interest rates:
– the short-term market rates at the stated balance sheet date rise by one percentage point or fall by 0.1 percentage points (2011: fall by one percentage point)*
– the calculation includes interest-bearing liabilities EUR 1,742 million (2011: 1,761)
– the calculation includes current derivative contracts EUR 1,172 million (2011: 1,537)

The calculation aims to measure the impact of short-term market rates on the interest expenses of the company's loans and correspondingly on the interest income to be obtained from interest rate derivatives or on the interest costs to be paid in the following year. The figures are presented net. The financial instruments used in the calculation are accounted for in accordance with the IFRS definitions mentioned in the company's accounting principles for the financial statements. The interest rates used are the official interest rates quoted on the last banking day on the balance sheet date.

In its 2012 financial statements Sponda Plc applied hedge accounting to 74% of interest rate derivatives, compared to 63% in 2011. In the sensitivity analysis, changes in the fair value of interest rate derivatives to which hedge accounting is not applied are presented in full through profit and loss. The Group's interest-bearing liabilities decreased during 2012 by about EUR 19 million.

* The short-term market rates at the stated balance sheet date were below one percentage point.

Sensitivity to interest rate risk

The effect of a change of one percentage point in short-term market rates on the company's result and fair value reserve.

	31 Dec, 2012		31 Dec, 2011	
	Income statement	**Fair value reserve**	**Income statement**	**Fair value reserve**
One percentage point rise in market rates	- 3	+ 17	- 4	+ 23
One percentage point fall in market rates	-	-	+ 7	- 24
0.1 percentage point fall in market rates	0	- 4	-	-

The sensitivity calculation is not inclusive of the computational tax effect.

2. Liquidity and refinancing risk

The Group seeks to continuously assess and monitor the amount of financing required by its business operations to ensure the sufficiency of liquid funds for financing purposes and to repay maturing loans. The risk related to access to finance is reduced by making financial contracts with several financial sources and using a variety of financial instruments. The Group seeks to spread the maturity of its new borrowings so that as loans mature, the amount needing refinancing each year remains stable. The Group's single largest creditor represents approximately one quarter of the Group's total interest-bearing liabilities. The Group's largest creditors are Nordic banks with which the company has a long-term customer relationship. Sponda expects to be able to renew the loans that fall due. Notes 31.4 and 31.5 show the maturity analysis based on the Group's agreements. The average loan period of the Group's loans on 31 December, 2012 was 2.7 years (31 December, 2011: 3.1 years).

For short-term financing purposes, the company uses a commercial paper programme. The size of the commercial paper programme is EUR 350 million. The Group's loans maturing in 2013 total some EUR 276 million, of which issued commercial papers represents EUR 251 million. The remainder of the loans maturing in 2013 are loans from financial institutions. If the company so desires, it can pay off the debts maturing in 2013 by, for example, withdrawing long-term credit limits with a total unwithdrawn amount at the time of closing of the books that was EUR 510 million (440). There is still strong interest in the company's commercial papers, which is why the company aims to keep the commercial paper volume issued approximately at the current level.

The Group assures its liquidity with sufficient credit limits and bank account limits. The credit limits also provide a reserve for the commercial paper programme. Unused long term credit limits totalled EUR 510 million on the balance sheet date. In 2012, the company replaced a credit limit of EUR 100 million that was originally due to mature in 2013 with EUR 100 million long-term limit. According to the financing policy confirmed by the Board of Directors, cash surplus is invested in the market in short-term financial instruments or bank savings. On 31 December 2012, the group's cash and cash equivalents totalled EUR 30.1 million (26.4).

In addition, the risks relating to access to finance are reduced by maintaining the company's reputation as a trustworthy debtor. Sponda's financial contracts contain normal covenants to protect the creditors, which concern for example the equal status of financiers, certain financial indicators, and the use of collateral. The most important covenants used are:

- The interest coverage ratio (EBITDA/Net interest cost) for which the minimum acceptable ratio is 1.75. The ratio on the closing date was 2.7 (2011: 2.7).

- The equity ratio, for which the set minimum ratio is 28%. On the closing date the equity ratio stood at 40% (2011: 38%).

- The Group was not in breach of covenants during the financial year.

3. Credit risk

Credit risk arises from the possibility that the counterparty in a contract fails to fulfil their obligations as given in the contract. The Group's most significant credit risks at the balance sheet date arose from investments in the money markets, from derivative contracts, and from rent receivables and trade receivables. The Group has no major concentrations of receivables or credit risks.

To avoid risks from counterparties, the Group uses only financially solid banks with a good credit rating as counterparties in its money market investments and derivative contracts. The banks' credit rating must be classified as at least A- by S&P (or a similar credit rating company). Sponda Plc may invest in the commercial papers issued by well-known, financially solid companies operating in Finland. Sponda Plc's Board of Directors decides on acceptable counterparties, on counterparty limits and on the permitted financial instruments. In derivative trading, Sponda Plc observes the stipulations given by ISDA (International Swaps and Derivatives Association, Inc.) or the Finnish Bankers Association with counterparties. The maximum amount of the credit risk is the carrying amount of the financial assets and the positive fair value of derivatives, and details of the combined total of these (EUR 88.1 million) are given in Note 31.1.

The risk arising from tenants is managed by analysing the creditworthiness of tenants before leases are signed, by requiring rent deposits, and by the monthly collection of rent. The business units responsible for leasing properties are responsible for arranging collateral for rents. The maximum amount of the risk is the total carrying amount of the receivables less the amount of the collateral. Total collateral for rents received amounted to EUR 41 million. Collateral for rent is primarily in the form of bank deposits or bank guarantees. Collateral is not, however, required for separately approved counterparties such as the Finnish state or municipalities. Collateral received in fulfillment of lease obligations may be used to cover the company's receivables without hearing the tenant on the matter. Ovenia Oy monitors the Group's rent receivables.

The total amount of rent receivables on the balance sheet date was EUR 2.6 million. The total rent unpaid for more than three months was EUR 0.7 million. The Group recorded credit losses of EUR 0.3 million for rent receivables in 2012. The Group recognises a final credit loss when a tenant is found to be without means in the debt collection process or when the company's share of a bankruptcy is confirmed. The Group uses well-known external debt-collection firms to collect receivables.

The collateral for a selling price receivable is almost always a real security. The real security for selling price receivables is typically real estate mortgages for the sold property or shares. At the time of closing the books, the group had sales price receivables in the amount of EUR 5.8 million. The total sales receivables at the time of closing the books excluding rent receivables was EUR 1.7 million. The group considers the risk related to sales receivables as low. A maturity analysis of all sales receivables is presented on the table in note 24.

In addition the company has given guarantees as security for the commitments of the property companies it owns. The guarantees are typically guarantees relating to the construction phase of a new company, in which the beneficiary is almost always the city. The amount of the guarantees (EUR 3.6 million) is small in proportion to the carrying amount of the companies owned. The guarantees given are not expected to cause significant costs to the Group.

4. Currency risk

The Group has international operations in Russia. Changes in the exchange rate between the Russian rouble and the euro and between the US dollar and the euro may affect Sponda Group's financial position and operations. The Group is exposed to currency risk since balance sheet items for foreign subsidiaries and revenue and expenses from properties are translated into the business currency of the parent company, into euros.

Sponda's Russian companies receive their rents monthly in US dollars, in Russian roubles or in euros. The companies pay most of their expenses in Russian roubles. USD-denominated net cash flows from lease agreements are some USD 26 million (2011: USD 18 million) annually and RUB-denominated net cash flows some RUB 104 million (2011: RUB -34 million). In accordance with the Board's decision, Sponda hedges foreign currency denominated future net cash flows for a period of six months. The company may use currency denominated forwards, options and currency swaps in hedging. One currency derivative will mature and be renewed in each month during the next six months, so that a total corresponding to the net position for six months is always effective.

On the balance sheet date the company had currency options to the value of USD 13.5 million (2011: USD 9 million) to hedge the USD net cash flows. The difference between incoming cash flows denominated in Russian roubles and outgoing rouble-denominated expenses is minor, so it has not been considered necessary to hedge this net cash flow. In accordance with the Board's decision, Sponda does not hedge the translation risk from Russian companies. If the exchange rate between the euro and the USD changed 10 per cent from the closing date, the change in the fair value of the currency options would be recognized through profit and loss in full. If the euro weakened 10 per cent against the USD, this would reduce the result by some EUR -0.5 million and if the euro strengthened 10 per cent against the USD, this would improve the result by some EUR +0.8 million. With the the currency derivative maturing each month, the company can sell cash flow of some USD 2.2 million based on rental income, and this would have the opposite effect on the result to that of the currency option.

The group uses internal euro loans for the financing of investments in Russia.

In 2011, the company issued a SEK 650 million bond. In addition, the company converted existing euro denominated loans into SEK loans in 2011 for a total of EUR 265 million (SEK 2,405 million). The loans were converted into SEK because of permanent cost savings. All SEK denominated loans are hedged against exchange rate risks by means of interest rate and currency swap agreements. The net amount of the unrealised exchange rate differences of the SEK denominated loans and the current value of unrealised interest rate and currency swap agreements hedging the loans may vary during the duration of each agreement. The changes in profit caused by the unrealised exchange rate differences and unrealised changes in current value decreases over time and reaches zero on the due date. The SEK cash flows received from the interest rate and exchange rate swap agreement cover all future cash flows of the SEK currency loans and capitals due on the due date

The company does not apply hedging according to IAS 39 to currency derivatives. The changes in the current value of currency derivatives are recorded in the income statement.

5. Managing the equity structure

The objective of managing the Group’s equity structure is to optimise the equity structure in relation to prevailing market conditions at any particular time. The goal is an equity structure that best assures conditions for the Group’s long-term strategic operations.

Factors affecting the Group’s equity structure, in addition to the result, include capital expenditure, asset sales, acquisitions, dividend payments, equity-based facilities and assessment at fair value. The Group's key covenant in credit arrangements is the equity ratio. The company's equity ratio must always be greater than 28%. In the event that equity ratio approaches the 28% limit, the company will carry out arrangements to boost equity. The company's equity comprises two hybrid bonds that improves the company's equity ratio. The nominal value of the hybrid bonds is EUR 187.8 million and they are recorded in the balance sheet under 'Other equity reserve'. More information on the hybrid bonds is provided in the accounting principles. The company aims to distribute a dividend of approximately 50% of the period's cash flow from operations per share, taking into consideration the aforementioned equity ratio target and the company's business development. The Group's capital structure is also guided by the value of the interest cover ratio covenant. Interest cover ratio is determined by the ratio between EBITDA and net interest expenses, with gains from sales deducted and losses on sales added. Changes in the value of property assets are also included in the calculation and depreciation and amortisation are deducted. The interest cover ratio must be greater than 1.75.

Sponda Plc's Board of Directors has set the Group's long term equity ratio target at 40%. On 31 December, 2012 the Group's equity ratio was 40%, compared to 38% at the end of 2011. Sponda's interest cover ratio on 31 December, 2012 was 2.8. In 2011 the interest cover ratio was 2.7. Sponda Group’s interest-bearing liabilities decreased during 2012 by EUR 19 million and at the end of the year totalled EUR 1,736 million. Sponda Group sold property assets during 2012 for altogether EUR 64 million. The funds received were used to pay off loans and finance property development investments. The formula for calculating the equity ratio is shown in the annual report under ‘Calculation of financial ratios’.

The Group's capital structure and equity ratio were as follows:

M€	2012	2011
Interest-bearing liabilities	1,736	1,755
Cash, funds in bank and interest-bearing receivables	30	26
Interest-bearing net liabilities	1,706	1,728
Shareholders' equity, total	1,396	1,281
Balance sheet total	3,522	3,387
Equity ratio	40 %	38 %

31.1 Carrying amounts of financial assets and liabilities by category

2012 Balance sheet item, M€	Financial assets/liabilities recognised at fair value through profit and loss	Loans and receivables	Financial liabilities recognised at amortised cost	Hedging derivatives	Carrying amount of balance sheet items	Fair value
Non-current financial assets						
Non-current receivables		1.1			1.1	1.1
Derivative contracts	20.1				20.1	20.1

Current financial assets						
Derivative contracts	0.1				0.1	0.1
Trade and other receivables		36.7			36.7	36.7
Cash and cash equivalents		30.1			30.1	30.1
Carrying amount by category	**20.2**	**67.9**	**0.0**	**0.0**	**88.1**	**88.1**
Non-current financial liabilities						
Interest-bearing liabilities			1,460.3		1,460.3	1,477.5
Derivative contracts				37.5	37.5	37.5
Current financial liabilities						
Interest-bearing liabilities			275.9		275.9	276.3
Derivative contracts	0.1			5.4	5.4	5.4
Interest payable			15.2		15.2	15.2
Trade and other payables			32.2		32.2	32.2
Carrying amount by category	**0.1**		**1,783.6**	**42.9**	**1,826.6**	**1,844.2**

All derivative contracts belong to level 2 in the fair value hierarchy mentioned in IFRS 7.

Derivative contracts for EUR 20.2 million are included in financial assets and for EUR 43.0 million in financial liabilities.

2012 Balance sheet item, M€	**Financial assets/liabilities recognised at fair value through profit and loss**	**Loans and receivables**	**Financial liabilities recognised at amortised cost**	**Hedging derivatives**	**Carrying amount of balance sheet items**	**Fair value**
Non-current financial assets						
Non-current receivables		0.7			0.7	0.7
Derivative contracts	4.2				4.2	4.2
Current financial assets						
Derivative contracts	0.1				0.1	0.1
Trade and other receivables		27.9			27.9	27.9
Cash and cash equivalents		26.4			26.4	26.4

Carrying amount by category	**4.3**	**55.1**	**0.0**	**0.0**	**59.3**	**59.3**
Non-current financial liabilities						
Interest-bearing liabilities			1,380.8		1,380.8	1,384.2
Derivative contracts	2.9			36.9	39.7	39.7
Current financial liabilities						
Interest-bearing liabilities			374.1		374.1	374.4
Derivative contracts	0.2			2.7	2.9	2.9
Interest payable			14.6		14.6	14.6
Trade and other payables			31.0		31.0	31.0
Carrying amount by category	**3.1**	**0.0**	**1,800.4**	**39.5**	**1,843.0**	**1,846.8**

The credit risk for financial receivables is at most the carrying amount of the receivables.

31.2 The Group's interest-bearing liabilities

Long-term liabilities, M€	**2012 Carrying amount**	**2012 Fair value**	**2011 Carrying amount**	**2011 Fair value**
Bonds *)	324.2	336.1	172.4	171.9
Loans from financial institutions	855.8	861.1	938.4	943.7
Foreign currency loans	280.3	280.3	269.9	268.6
Total	**1,460.3**	**1,477.5**	**1,380.8**	**1,384.2**

Current liabilities, M€	**2012 Carrying amount**	**2012 Fair value**	**2011 Carrying amount**	**2011 Fair value**
Bonds	-	-	-	-
Loans from financial institution	275.9	276.3	374.1	374.4
Foreign currency loans	-	-	-	-
Total	**275.9**	**276.3**	**374.1**	**374.4**

The fair values of bonds are based on market prices.

*) This item also includes a SEK 650 million (EUR 75.6 million) bond. All foreign currency loans are in SEK.

The fair values of loans from financial institutions and of commercial papers are calculated using margins at which corresponding loans could have been refinanced on the closing date. The estimated margins are based on the estimates of company management.

Due to the exceptional state of the market, the estimate for long-term loans is subject to uncertainty.

31.3 Derivative contracts

M€	Fair value 2012	Nominal values 2012	Fair value 2011	Nominal values 2011
Interest rate derivatives				
Interest rate swaps				
Included in hedge accounting	-42.9	871.6	-39.5	972.4
Not included in hedge accounting	-	-	-	-
Interest rate caps, bought				
In hedge accounting	-	-	-	-
Not in hedge accounting	0.6	300.0	1.6	565.0
Interest rate futures	-	-	-	-
Foreign currency derivatives				
Currency swaps				
Currency options, bought	0.1	10.2	0.1	7.0
Currency options, put	-0.1	10.2	-0.2	7.0
Interest rate and currency swaps	19.5	337.4	-0.2	337.4

The company has entered into interest rate derivatives to hedge the loan portfolio and currency derivatives to hedge the currency risk. Hedge accounting is applied at the closing date only to interest rate swaps.

Interest rate and currency swaps are used to hedge the exchange rate risk related to loans denominated in Swedish krona. The nominal values of interest rate and currency swaps are identical with the nominal values of the loans hedged.

Derivatives are valued in the financial statements at fair value. The fair value represents the result that would have arisen if the derivative position had been closed at the balance sheet date. The fair value is calculated in the manner generally approved in the market. Sponda uses an external valuer for valuations. Currency options include an equal amount of call and put pairs of currency options.

31.4 Maturity of non-current liabilities

Maturity of non-current liabilities 31 December, 2012, M€	2013	2014	2015	2016	2017	2018
Bonds			100.0	75.7	150.0	-
Loans from financial institutions	25.8	262.5	542.8	275.0	60.0	-

Maturity of non-current liabilities 31 December, 2011, M€	2012	2013	2014	2015	2016	2017
Bonds	-	-	-	100.0	72.8	-
Loans from financial institutions	155.8	84.3	256.2	538.2	335.0	-

The average interest rate of all the Group's loans, inclusive of interest derivatives, was 3.4% (2011: 4.0%). The average maturity of loans was 2.7 years (3.1 years).

Shown here is the maturity of non-current liabilities, showing the nominal value when the loan was taken. Loans maturing in 2013 are presented in the balance sheet under current loans.

Sponda Plc's most significant loans

Credit limit

In November 2012, Sponda Plc signed an agreement with Swedbank AB, Finnish Branch, for a credit limit of EUR 100 million with a maturity of five years. The arrangement renewed a EUR 100 million credit limit agreement that was originally maturing in 2013. The credit arrangement is unsecured.

Hybrid bond 2

In November 2012, Sponda Plc issued a EUR 95 million hybrid bond. The coupon rate of the bond is 6.75 per cent per annum. The bond has no maturity, but the company may exercise a redemption option after five years. The newly issued hybrid bond is intended to replace the hybrid bond issued by the company in 2008 with an original notional value of EUR 130 million (see hybrid bond 1). The company's objective is to reduce the combined total value of the hybrid bonds to EUR 95 million by the end of June 2013.

A hybrid bond is an instrument that is subordinated to other debt obligations. It is treated as equity in the IFRS financial statements. A hybrid bond does not confer upon its holder the right to vote at shareholder meetings and does not dilute the holdings of the current shareholders. The interest on the bond is paid if the Annual General Meeting decides to distribute a dividend. If no dividend is distributed, the company decides separately on whether to pay the interest. Unpaid interest accumulates. The transaction was organised by Nordea Markets.

Bilateral loan

In July 2012, Sponda Plc signed an agreement with Danske Bank A/S, Helsinki branch, for a secured five-year loan of EUR 60 million. The agreement extends the financing that was originally secured for the Elo shopping centre.

Bond issue

Sponda issued a EUR 150 million senior unsecured domestic bond in May 2012. The five-year bond matures on 29 May 2017 and carries fixed annual interest at the rate of 4.125 per cent. The proceeds from the bond issue were used to repay existing debt and for general corporate purposes. The main organisers of the bond issue were Danske Bank and Pohjola Markets.

Syndicated credit arrangement

In November 2011, Sponda Plc signed a syndicated credit agreement for a total of EUR 375 million. The main organisers of the syndicated credit were Nordea Pankki Suomi Oyj, Pohjola Pankki Oyj, Skandinaviska Enskilda Banken AB (PUBL), Danske Bank and Swedbank. The agent of the syndicated credit is Swedbank. The syndicated credit has a 5-year maturity. The syndicated credit agreement comprises of a loan of EUR 275 million and a credit limit of EUR 100 million. The EUR 275-million loan was used in its entirety for the repayment of existing debts. The loan terms correspond to the terms of Sponda's other loans. The loan's key covenants are linked to equity ratio and interest cover ratio. The credit arrangement is unsecured.

Credit limit

In April 2011, Sponda Plc signed an agreement with Svenska Handelsbanken for a EUR 50-million credit limit. The terms of the 5-year credit limit are the same as in the syndicated credit agreement signed by Sponda on 1 November 2010. The credit arrangement is unsecured.

Bond issue

In March 2011, Sponda issued a bond with a total value of 650 million SEK, duration of 5 years and the yield 3 months Stibor + 2.4%. The main organiser of the bond was Nordea bank. Funds received from the bond were used to cover the group's general financing requirements. The bond is unsecured. Sponda has hedged the currency exchange rate risk with an interest and currency exchange swap agreement.

Syndicated credit arrangement

In November 2010, Sponda Plc signed syndicated credit agreements for a total of EUR 550 million. The primary creditors arranging the syndicated credit were Nordea Bank Finland Plc, Pohjola Bank Plc, SEB and Sampo Bank Plc, with Swedbank and DnB NOR also participating. The syndicated credit is coordinated by Nordea. The syndicated credit has a maturity of 5 years. The syndicated credit agreement comprises a loan of EUR 400 million and a credit limit of EUR 150 million. The loan of EUR 400 million was used in its entirety to repay existing loans. The terms of the loan correspond to the terms of Sponda's other loans. The key covenants of the loan are linked to equity ratio and interest cover ratio.

Finance limit

In November 2010, Sponda Plc renewed a EUR 100 million credit limit agreement maturing in summer 2011 for a period of three years. The credit limit agreement was concluded with Sampo Bank Plc. The credit arrangement is unsecured.

Corporate bond

In May 2010, Sponda issued a domestic corporate bond with a value of EUR 100 million, a loan period of five years and a coupon of 4.375%. The primary arrangers of the bond issue were Nordea Bank and Sampo Bank. The proceeds from the corporate bond issue were used to repay loans.

Bilateral loan

In December 2009, Sponda Plc signed an agreement with Nordea Pankki Suomi Oyj for a 5 year loan of EUR 150 million. The entire loan was used for the repayment of existing debts and it replaced the short-term limit agreement with an equal amount maturing in March 2010. The loan is unsecured. In 2011, Sponda changed the above mentioned Nordea Bank loan's denomination into Swedish crowns. Sponda has hedged the currency exchange rate risk with an interest and currency exchange swap agreement.

Bilateral loan

In April 2009 Sponda signed an agreement for a EUR 82 million 5-year credit facility with Helaba (Landesbank Hessen-Thuringen Girozentralen). The loan is secured.

Bilateral loans

In March 2008, Sponda Plc signed an agreement with Danske Bank A/S, Helsinki Branch for a 7 year loan of EUR 150 million and, with Ilmarinen Mutual Pension Insurance Company, an agreement for a 7 year loan of EUR 50 million. The loans were used for the financing of the company's real estate investments as well as investments in Russia. The loan arrangements are unsecured. In 2011, Sponda changed the above mentioned Danske Bank loan's denomination into Swedish crowns. Sponda has hedged the currency exchange rate risk with an interest and currency exchange swap agreement.

Bilateral loan

Sponda Plc signed an agreement in February 2008 with OKO Bank for a 7-year EUR 50 million credit facility. The loans were used to finance the company's property development investments. The credit facilities are unsecured.

Hybrid bond 1

In June 2008, Sponda issued a EUR 130 million hybrid bond to Finnish institutional investors. The bond is publicly listed. The loan has a coupon of 8.75 per cent. In November 2012, Sponda repurchased EUR 37.2 million of the hybrid bond via a public tender offer. The remaining bond principal was EUR 92.8 million on the date of closing the accounts. The bond has no maturity, but the company may exercise a redemption option after five years. Sponda announced in November 2012 that it aims to redeem the remaining principal balance in June 2013.

31.5 Cash flows for repayments and financing expenses for financial liabilities based on loan contracts on 31 December 2012 were as follows:

M€	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Bonds	13	13	113	83	156		
Loans from financial institutions	50	285	558	281	60		
Commercial papers	251						
Interest rate derivatives							
- in hedge accounting, net	21	14	10	4	0		
- not in hedge counting, net	-	-	-	-	-		
Currency forwards not included in hedge accounting, net*)	-5	-5	-2	-1			
Trade payables	3						
Other liabilities	29						
Interest payable	15						
	377	**307**	**679**	**367**	**216**	**0**	**0**

*) Net flow of foreign currency derivatives hedging loans denominated in foreign currency (incl. loans from financing institutions for the period).

Cash flows for repayments and financing expenses for financial liabilities based on loan contracts on 31 December 2011 were as follows:

M€	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Bonds	8	8	8	108	74		
Loans from financial institutions	199	123	294	559	346		
Commercial papers	219						
Interest rate derivatives							
- in hedge accounting, net	15	12	7	5	2		
- not in hedge counting, net	-	-	-	-	-		
Currency forwards not included in hedge accounting, net*)	-3	-3	-3	-1	0		
Trade payables	6						

Other liabilities	25						
Interest payable	15						
	484	**140**	**306**	**671**	**421**	**0**	**0**

32. Collateral and contingent liabilities

Liabilities for which mortgages over property and shares have been given, M€	**Group 12/2012**	**Group 12/2011**
Loans from financial institutions, covered by collateral	141.8	140.4
Mortgages	264.2	269.2
Carrying amount of pledged shares	18.6	19.2
Guarantees	-	-
Collateral, total	**282.2**	**288.3**

Commitments arising from land lease contracts, M€	**Group 12/2012**	**Group 12/2011**	**Parent company 12/2012**	**Parent company 12/2011**
Lease liabilities	96.3	97.7	-	-
Mortgages	3.9	3.9	-	-
Guarantees	3.6	3.6	3.6	3.6
Total	**103.8**	**105.2**	**3.6**	**3.6**

Operating leases	**Group 12/2012**	**Group 12/2011**	**Parent company 12/2012**	**Parent company 12/2011**
Contractual maturities on lease contracts:				
During the following financial year	0.4	0.5	0.4	0.5
Due after the following year	0,3	0.5	0,3	0.5
Total	**0.7**	**1.0**	**0.7**	**1.0**

Operating leases consist of leases for vehicles and office equipment.

The leases have lengths of 3-5 years and they have no redemption obligations.

Other commitments

The leases have lengths of 3-5 years and they have no redemption obligations.

Liabilities in accordance with §33 of the VAT Act have been calculated for all Group companies and they have an aggregate value of M€ 59.3 (2011: 51.6).

Interest on hybrid bond

Interest of EUR 11.4 million was paid on the hybrid loan on 27 June 2012. Of this, EUR 5.8 million was accrued from 2011 and EUR 5.6 million from 2012.

On 5 December 2012, Sponda carried out a partial repurchase of a EUR 130 million hybrid bond issued in 2008 by making an exchange for cash with a total nominal value of EUR 37.2 million. In conjunction with the repurchase, Sponda paid interest accrued on the repurchased bonds on the settlement date, 5 December 2012, amounting to EUR 1.4 million in total. At the time of closing the books, unpaid interest stood at EUR 4.2 million.

On 5 December 2012, Sponda issued a hybrid bond of EUR 95 million. At the time of closing the books, unpaid interest on the bond stood at EUR 0.5 million.

The accrued interest is recognised directly as a reduction in equity on the payment date. In 2012, total interest of EUR 12.8 million was paid on hybrid bonds. Altogether EUR 11.6 million in interest accrued in 2012.

Investment commitments to real estate funds

On 31 December, 2012, the remaining investment commitments to real estate funds totalled EUR 42.3 million (2011:EUR 28.6 million).

33. Related party transactions

Related party

The related parties of Sponda Group are the parent company, subsidiary and associated companies, and joint ventures. Other related parties are the Board of Directors, members of the Executive Team, the president and CEO, and close member of theirs families.

The Group's parent and subsidiary relationships are presented in Note 35.

The following related party transactions were carried out:

Management employee benefits, M€	**2012**	**2011**
Salaries and other short-term employee benefits	1.8	1.9
Share-based payments	1.6	1.4
Total	**3.4**	**3.3**

Salaries and fees, EUR	**2012**	**2011**
President and CEO	503,370	505,698
Board of Directors	277,800	294,000
Total	**781,170**	**799,698**

Management salaries and other short-term employee benefits as well as long-term employee benefits and share-based benefits are described in more detail in Note 9.

There were no outstanding loans receivable from key management on 31 December, 2012 or on 31 December, 2011.

Members of the Board of Directors held 116,908 shares and members of the Executive Board 745,485 at the end of 2012 (2011: 86,079 and 754,876 shares respectively).

34. Events after the balance sheet date

In its meeting, the Shareholders' Nomination Board of Sponda has decided to propose to the Annual General Meeting to be held 18 March 2013 that the Board will consist of seven members. The Nomination Board further propose that Klaus Cawén, Tuula Entelä, Arja Talma and Raimo Valo to be re-elected for the Board of Directors and that Kaj-Gustaf Bergh, Christian Elfving and Juha Laaksonen to be elected as new members of the Board of Directors.

The Nomination Board proposes to the Annual General Meeting that the annual remuneration payable to the members of the Board to be elected at the Annual General Meeting for the term until the close of the Annual General Meeting in 2014: EUR 60,000 for the Chairman, EUR 36,000 for the Vice Chairman, and EUR 31,200 for each member. Additional compensation of EUR 1,000 shall be paid for the Chairman of the Board for the Board meetings attended and EUR 600 shall be paid for the members of the Board for the Board meetings attended. The Nomination Board proposes that EUR 600 shall be paid for member of the Board for committee meetings and EUR 1,000 shall be paid for the Chairman of the Audit Committee for the Audit Committee meetings attended. The Nomination Board proposes that 40 % of the fixed annual remuneration be paid in Sponda shares purchased from the market. The shares will be purchased within two weeks from the release of the interim report January 1 - March 31, 2013 of Sponda Plc.

The Board of Directors will incorporate the proposals into the Annual General meeting notice which will be published later.

The three largest shareholders on 1 October 2012 were represented in the Nomination Board:

Solidium Oy, represented by Kaj-Gustaf Bergh, Oy Palsk Ab

Mutual Pension Fund Ilmarinen, Timo Ritakallio

Mutual Pension Fund Varma, Risto Murto

35. Shares and holdings owned by the Group and parent company

Mutual real estate companies Group companies		Group company holding %	Parent company holding %	
Aleksi-Hermes	Helsinki	100.0	100.0	Sponda
Arkadiankatu 4-6	Helsinki	100.0	100.0	Sponda
Atomitie1	Helsinki	100.0	100.0	Sponda
Backaksenpelto	Vantaa	100.0	100.0	Sponda
Bulevardi1	Helsinki	100.0	100.0	Sponda
Dianapuisto	Helsinki	100.0	100.0	Sponda
Design House Hattutehdas	Helsinki	100.0		Sponda Kiinteistöt
Elovainion Kauppakiinteistöt	Ylöjärvi	100.0	100.0	Sponda
Espoon Esikunnankatu 1	Espoo	100.0	100.0	Sponda
Espoon Juvanpuisto	Espoo	100.0	100.0	Sponda
Espoon Komentajankatu 5	Espoo	100.0	100.0	Sponda
Espoon Kuusiniementie 2	Espoo	100.0		Sponda Kiinteistöt
Espoon Pyyntitie 1	Espoo	100.0		Sponda Kiinteistöt
Espoon Upseerinkatu 1-3	Espoo	100.0	100.0	Sponda
Espoonportti	Espoo	100.0	100.0	Sponda
Estradi	Helsinki	100.0		Sponda Kiinteistöt
Fabianinkatu 23	Helsinki	100.0	100.0	Sponda
Gohnt-talo	Helsinki	100.0	100.0	Sponda
Hankasuontie 13	Helsinki	100.0	100.0	Sponda
Hannuksentie 1	Espoo	100.0	100.0	Sponda
Haukilahdenkatu 4	Helsinki	100.0	100.0	Sponda
Heimola	Helsinki	59.6	59.6	Sponda
Helsingin Energiakatu 4	Helsinki	100.0	100.0	Sponda
Helsingin Erottajanmäki	Helsinki	100.0	100.0	Sponda
Helsingin Harkkoraudantie 7	Helsinki	100.0	100.0	Sponda
Helsingin Hämeentie 105	Helsinki	60.6		Sponda Kiinteistöt
Helsingin Itäkatu 11	Helsinki	100.0	100.0	Sponda
Helsingin Itämerenkatu 21	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Itämerentalo	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Kaivokatu 8	Helsinki	100.0	100.0	Sponda
Helsingin Kalatori	Helsinki	100.0	100.0	Sponda
Helsingin Kalevankatu 30	Helsinki	100.0	100.0	Sponda
Helsingin Kirvesmiehenkatu 4	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Kuntotalo	Helsinki	100.0		Sponda Kiinteistöt

Helsingin Lampputie 12	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Nuijamiestentie	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Pieni Roobertinkatu 9	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Porkkalankatu 22	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Ruoholahden Parkki	Helsinki	90.8		Sponda Kiinteistöt
Helsingin Salmisaarentalo	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Silkkikutomo	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Sörnäistenkatu 2	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Tulppatie 1	Helsinki	100.0	100.0	Sponda
Helsingin Valimotie 25 A	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valimotie 25 B	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valimotie 25 C	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valimotie 27 A	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valimotie 27 B	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valimotie 27 C	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valimotie 27 D	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valokaari	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valuraudankuja 7	Helsinki	100.0	100.0	Sponda
Helsingin Vanhanlinnantie 3	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Veneentekijäntie 8	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Vuorikatu 14	Helsinki	100.0	100.0	Sponda
Helsingin Värjäämö	Helsinki	100.0		Sponda Kiinteistöt
Henrik Forsiuksentie 39	Helsinki	100.0	100.0	Sponda
Hermian Pulssi	Tampere	100.0		Sponda Kiinteistöt
Hyvinkään Varikko	Hyvinkää	100.0	100.0	Sponda
Hämeenkatu 20	Tampere	100.0		Sponda Kiinteistöt
Hämeentie 103	Helsinki	100.0		Sponda Kiinteistöt
Höyläämötie 5	Helsinki	100.0		Sponda Kiinteistöt
Insinöörinkatu	Helsinki	100.0	100.0	Sponda
Iso-Roobertinkatu 21-25	Helsinki	100.0	100.0	Sponda

Isontammentie 4	Vantaa	100.0		Sponda Kiinteistöt
Itälahdenkatu 20	Helsinki	100.0	100.0	Sponda
Itälahdenkatu 22	Helsinki	100.0	100.0	Sponda
Kaisaniemenkatu 2 B	Helsinki	100.0	100.0	Sponda
Kaivokadun Tunneli	Helsinki	100.0	100.0	Sponda
Kaivokatu 12	Helsinki	100.0	100.0	Sponda
Kalkkipellontie 6	Espoo	100.0	100.0	Sponda
Kappelitie 8	Espoo	100.0	100.0	Sponda
Karapellontie 4C	Espoo	100.0	100.0	Sponda
Kasarmikatu 36	Helsinki	100.0	100.0	Sponda
Kaupintie 3	Helsinki	100.0	100.0	Sponda
Kauppa-Häme	Tampere	100.0	100.0	Sponda
Keskuskatu 1 B	Helsinki	100.0	100.0	Sponda
Kilonkallio 1	Espoo	100.0	100.0	Sponda
Korkeavuorenkatu 45	Helsinki	100.0	100.0	Sponda
Kumpulantie 11	Helsinki	100.0	100.0	Sponda
Kuninkaankaari	Vantaa	100.0	100.0	Sponda
Kuninkaankruunu	Vantaa	100.0	100.0	Sponda
Kylvöpolku 1	Helsinki	100.0	100.0	Sponda
Liikekeskus Zeppelin Oy	Oulu	85.7		Sponda Kiinteistöt
Läkkitori	Espoo	100.0	100.0	Sponda
Länsi-Keskus	Espoo	58.6	58.6	Sponda
Lönkka	Helsinki	100.0	100.0	Sponda
Malmin Kankirauta	Helsinki	100.0	100.0	Sponda
Malmin Yritystalo	Helsinki	100.0	100.0	Sponda
Manhattan	Turku	52.9		Sponda Kiinteistöt
Mannerheimintie 6	Helsinki	100.0	100.0	Sponda
Mansku 4	Helsinki	100.0	100.0	Sponda
Martinkyläntie 53	Vantaa	100.0	100.0	Sponda
Melkonkatu 26	Helsinki	100.0	100.0	Sponda
Messukylän Castrulli	Tampere	100.0	100.0	Sponda
Messukylän Kattila	Tampere	100.0	100.0	Sponda
Messukylän Turpiini	Tampere	100.0	100.0	Sponda
Miestentie	Espoo	100.0	100.0	Sponda
Mikonkatu 17	Helsinki	100.0	100.0	Sponda
Mikonkatu 19	Helsinki	100.0	100.0	Sponda
Mikonlinna	Helsinki	100.0	100.0	Sponda
Mäkkylän Toimistotalo	Helsinki	100.0	100.0	Sponda
Nimismiehenniitty	Espoo	67.0		Sponda Kiinteistöt
Olarintörmä	Espoo	100.0	100.0	Sponda

Oulun Alasintie 3-7	Oulu	100.0	100.0	Sponda
Oulun Liikevärttö 1	Oulu	100.0		Sponda Kiinteistöt
Oulun Liikevärttö 2	Oulu	100.0		Sponda Kiinteistöt
Oulun Liikevärttö 3	Oulu	100.0		Sponda Kiinteistöt
Oulun Korjaamotie 2	Oulu	100.0		Sponda Kiinteistöt
PaulonTalo	Helsinki	100.0	100.0	Sponda
Pieni Roobertinkatu 7	Helsinki	99.8		Sponda Kiinteistöt
Piispanpiha 5	Helsinki	100.0	100.0	Sponda
Poijupuisto	Espoo	100.0	100.0	Sponda
Porkkalankatu 20	Helsinki	100.0		Sponda Kiinteistöt
Pronssitie 1	Helsinki	100.0		Sponda Kiinteistöt
Ratapihantie 11	Helsinki	100.0	100.0	Sponda
Ratinan Kauppakeskus	Tampere	100.0	40.0	Sponda
Ratinanlinna	Tampere	100.0		Sponda Kiinteistöt
Robert Huberintie 2	Vantaa	100.0	100.0	Sponda
Ruoholahden Sulka	Helsinki	100.0		Sponda Kiinteistöt
Ruoholahdenkatu 4	Helsinki	95.7		Sponda Kiinteistöt
Ruosilantie 14	Helsinki	100.0	100.0	Sponda
Ruosilantie 16	Helsinki	100.0	100.0	Sponda
Ruosilantie 18	Helsinki	100.0	100.0	Sponda
Salmisaaren Liiketalo	Helsinki	100.0	100.0	Sponda
Scifin Beta	Espoo	100.0		Sponda Kiinteistöt
Scifin Gamma	Espoo	100.0		Sponda Kiinteistöt
Sinikalliontie 10	Espoo	100.0	100.0	Sponda
Sinimäentie 14	Espoo	100.0	100.0	Sponda
Sp-kiinteistöt Oy Kilo	Espoo	100.0		Sponda Kiinteistöt
Säästötammela	Tampere	100.0		Sponda Kiinteistöt
Tallbergintalo	Helsinki	100.0		Sponda Kiinteistöt
Tampereen Enqvistinkatu 7	Tampere	100.0		Sponda Kiinteistöt
Tampereen Hallituskatu 8	Tampere	100.0		Sponda Kiinteistöt
Tampereen Naulakatu 3	Tampere	100.0		Sponda Kiinteistöt
Tampereen Näsilinnankatu 39-41	Tampere	100.0		Sponda Kiinteistöt
Tapiolan Kulttuuritori	Espoo	100.0	100.0	Sponda

Tapiolan Liiketalo	Espoo	100.0	100.0	Sponda
Tiistilän Miilu	Espoo	100.0		Sponda Kiinteistöt
Tiistinhovi	Espoo	100.0		Sponda Kiinteistöt
Tonttipaino	Vantaa	100.0	100.0	Sponda
Turku High Tech Centre Oy	Turku	100.0		Sponda Kiinteistöt
Turun Ilmarisenkulma	Turku	100.0		Sponda Kiinteistöt
Turun Julinia Fastighets Ab	Turku	100.0		Sponda Kiinteistöt
Turun Koulukatu 29	Turku	100.0	100.0	Sponda
Turun Kurjenmäki	Turku	100.0		Sponda Kiinteistöt
Turun Yliopistonkatu 14	Turku	100.0		Sponda Kiinteistöt
Turunlinnantie 12	Helsinki	100.0	100.0	Sponda
Tuusulan Teollisuuskuja 6	Tuusula	100.0	100.0	Sponda
Tuusulan Tärkkelystehdas	Tuusula	100.0	100.0	Sponda
Unioninkatu 18	Helsinki	100.0	100.0	Sponda
Unioninkatu 20-22	Helsinki	100.0	100.0	Sponda
Unioninkatu 24	Helsinki	100.0	100.0	Sponda
Upseerinkadun Pysäköintitalo	Espoo	100.0	100.0	Sponda
Valuraudankuja 6	Helsinki	100.0	100.0	Sponda
Vantaan Harkkokuja 2	Vantaa	100.0		Sponda Kiinteistöt
Vantaan Honkatalo	Vantaa	100.0	100.0	Sponda
Vantaan Koivupuistontie 26	Vantaa	89.1		Sponda Kiinteistöt
Vantaan Kuussillantie 27	Vantaa	100.0		Sponda Kiinteistöt
Vantaan Köysikuja 1	Vantaa	100.0	100.0	Sponda
Vantaan Omega	Vantaa	100.0	100.0	Sponda
Vantaan Simonrinne	Vantaa	77.2		Sponda Kiinteistöt
Vantaan Vanha Porvoontie 231	Vantaa	100.0	100.0	Sponda
Vantaan Väritehtaankatu 8	Vantaa	100.0		Sponda Kiinteistöt
Vilhonkatu 5	Helsinki	100.0	100.0	Sponda
Vuosaaren Logistiikkakeskus	Helsinki	100.0	100.0	Sponda
Vuosaaren Porttikeskus	Helsinki	100.0	100.0	Sponda
Vuosaaren Service Center	Helsinki	100.0	100.0	Sponda
Värtönparkki 1	Oulu	100.0		Sponda Kiinteistöt
Ylä-Malmintori 6	Helsinki	100.0	100.0	Sponda
Zeppelinin City-Keskus	Kempele	94.8		Sponda Kiinteistöt
Zeppelinin Kauppakeskus	Kempele	91.5		Sponda Kiinteistöt

Zeppelinin Kauppakulma	Kempele	100.0		Sponda Kiinteistöt
Zeppelinin Kauppapörssi	Kempele	91.4		Sponda Kiinteistöt
Zeppelinin Markkinapaikka	Kempele	100.0		Sponda Kiinteistöt
Zeppelinin Pikkukulma	Kempele	100.0		Sponda Kiinteistöt
Zeppelinin Tavaratori	Kempele	78.9		Sponda Kiinteistöt
Limited liability companies				
Arif Holding Oy	Kempele	100.0		Sponda Kiinteistöt
Drawer Oy	Helsinki	100.0	100.0	Sponda
Hextagon Oy	Helsinki	100.0		Sponda
Sponda Kiinteistöt Oy	Helsinki	100.0	100.0	Sponda
Porkkalankadun alitus Oy	Helsinki	62.6		Sponda Kiinteistöt
Ruoholahden Yhteissuoja Oy	Helsinki	100.0		Sponda Kiinteistöt
Russia Europe Oy Ltd	Helsinki	100.0		Sponda
Sponda AM Oy	Helsinki	100.0	100.0	Sponda
Sponda Asset Management Oy	Helsinki	100.0	100.0	Sponda
Sponda Asset Management II Oy	Helsinki	100.0	100.0	Sponda
Sponda Asset Management III Oy	Helsinki	100.0	100.0	Sponda
Sponda Russia Oy Ltd	Helsinki	100.0	100.0	Sponda
Sponda Russia Finance Oy Ltd	Helsinki	100.0		Sponda
SRK-Kiinteistöt Oy	Helsinki	100.0	100.0	Sponda
Tamforest Oy	Tampere	100.0	100.0	Sponda
Tamsilva Oy	Tampere	100.0	100.0	Sponda
Associated companies				
Asunto Oy Lönnrotinkatu 28	Helsinki	30.8		Sponda
Erottajan Pysäköintilaitos Oy	Helsinki	49.3	49.3	Sponda
J. Österblad Oy	Turku	20.7		Sponda Kiinteistöt
Kaisaniemen Metrohalli	Helsinki	25.2	18.2	Sponda
Kilpakujan Liikekiinteistö Oy	Helsinki	34.3		Sponda Kiinteistöt
Puotinharjun Puhos Oy	Helsinki	20.4	20.4	Sponda
Simonseutu	Vantaa	47.6		Sponda Kiinteistöt
Zeppelinin Kulmatori Kiinteistö Oy	Kempele	49.7		Sponda Kiinteistöt
Real estate fund companies				
First Top LuxCo 1 S.a.r.l	Luxemburg	20.0	20.0	Sponda

Russia Invest B.V.i.o	The Netherlands	27.2	27.2	Sponda
Sponda Fund I Ky	Helsinki	46.1		Sponda
Sponda Fund II Ky	Helsinki	43.8		Sponda
Sponda Fund III Ky	Helsinki	35.9		Sponda
YESS Ky	Helsinki	60.0	60.0	Sponda

Foreign subsidiaries

OOO Adastra	St Petersburg,Russia	100.0		Sponda
OOO Inform Future	St Petersburg,Russia	100.0		Sponda
OOO NRC	St Petersburg,Russia	100.0		Sponda
OOO Veika	St Petersburg,Russia	100.0		Sponda
ZAO Ankor	Moscow, Russia	100.0		Sponda
OOO Europe Terminal	Moscow, Russia	100.0		Sponda
CCL Greystone	Moscow, Russia	100.0		Sponda
Korbis K Limited Liability Company	Moscow, Russia	100.0		Sponda
Slavjanka Closed Joint-Stock Company	Moscow, Russia	100.0		Sponda
OOO Western Realty (Ducat 2)	Moscow, Russia	100.0		Sponda
Bonford Investments Ltd	Cyprus	100.0		Sponda
Makentrax Limited	Cyprus	100.0		Sponda
Rowina Holding Limited	Cyprus	100.0		Sponda

Changes in Group structure in 2012

Companies sold
Creax Oy (yhteisyritys)
Helsingin Ehrensvärdintie 31-35
Helsingin Neonpolku
Helsingin Ohrahuhdantie 4
Holkkitie 8 a
Hämeenportin Yritystalo
Jaakkolanportti
Leppäsorsa
Turun Rautakatu
Turun Yliopistonkatu 12 a
Tuusulan Teollisuuskuja 4
Vantaan Santaradantie 8
Vantaan Tähtäinkuja 3
Vepema
Vitikka 6

Companies bought
CH Holding Vehicle 5 Ky
CS Holding 5 Oy
Vilhonkatu 5
CCL Greystone
Bonford Investments Ltd

Demergers
Espoon Komentajankatu 3 has been demerged into Espoon Komentajankatu 5
and Upseerinkadun Pysäköintilaitos
Upseerinkatu 1 has been demerged into Espoon Esikunnankatu 1
and Espoon Upseerinkatu 1-3
Name changes
Sponda Asset Management III Oy was previously named CS Holding 5 Oy
Sponda Fund III Ky was previously named CS Holding Vehicle 5 Ky

Parent company income statement

M€	Note	1 Jan.-31 Dec.2012	1 Jan.-31 Dec.2011
Total revenue			
Rental income and recoverables	1	**139.2**	128.7
Fund management fees		**3.7**	4.1
		142.9	132.7
Expenses from leasing operations		**-41.3**	-40.4
Direct expenses from funds		**-1.3**	-1.3
		-42.6	-41.7
Net operating income		**100.3**	91.0
Sales and marketing expenses		**-1.5**	-1.2
Administrative expenses	2 3 6	**-11.2**	-9.6
Other operating income	4	**0.3**	0.3
Profits on sale of investment properties		**4.5**	0.1
Other operating expenses	5	**-3.7**	-0.3
Operating profit		**88.6**	80.3
Financial income and expenses	7	**221.5**	-134.2
Profit / loss before one-time items		**311.5**	-54.0
Extraordinary items	8	**57.4**	46.1
Profit / loss before tax		**368.9**	-7.8
Income taxes	9	**0.0**	0.0
Profit / loss for period		**368.9**	-7.9

Parent company balance sheet

M€	Note	31 Dec. 2012	31 Dec. 2011
Assets			
Non-current assets			
Intangible assets	10	**31.0**	29.1
Property, plant and equipment	11		
Land and water		**0.0**	1.9
Machinery and equipment		**0.1**	0.2
Advance payments		**0.2**	-
		0.4	2.1
Investments	12		
Holdings in Group companies		**1,804.4**	1,812.7
Receivables from Group companies		**1,052.2**	1,061.9
Holdings in associated companies		**7.5**	7.5
Investments in real estate funds		**86.6**	69.2
Other investments		**55.3**	37.0
		3,006.0	2,988.3
Total non-current assets		**3,037.3**	3,019.4
Current assets			
Current receivables	13	**91.6**	77.2
Cash and bank deposits		**12.1**	14.3
Total current assets		**103.6**	91.5
Total assets		**3,141.0**	3,110.9
Equity and liabilities			
Equity	14		
Share capital		**111.0**	111.0
Share premium reserve		**159.1**	159.1
Invested non-restricted equity reserve		**445.9**	445.9
Retained earnings		**31.6**	84.7
Loss for the period		**368.9**	-7.9
Total equity		**1,116.5**	793.0
Liabilities			
Non-current liabilities	15	**1,595.3**	1,883.4
Curret liabilities	16	**429.2**	434.5

Total liabilities	**2,024.4**	2,317.9
Total equity and liabilities	**3,141.0**	3,110.9

Parent company statement of cash flows

M€		1 Jan.–31 Dec. 2012	1 Jan.–31 Dec. 2011
Cash flow from operating activities			
Net profit for the period		**368.9**	-7.9
Adjustments	1)	**-273.9**	93.2
Change in net working capital	2)	**-27.6**	-11.9
Interest received		**43.7**	45.3
Interest paid		**-94.0**	-65.1
Dividends recieved		**370.5**	-
Other financial items		**-6.4**	-16.6
Taxes received/paid		**0.0**	0.0
Net cash flow generated by operating activities		**381.1**	37.0
Cash flow from investing activities			
Investments in shares and holdings		**-19.8**	-69.4
Acquisition of property, plant and equipment and intangible assets		**-5.9**	-8.1
Proceeds from disposal of shares and holdings		**18.7**	-1.7
Loans granted		**-88.9**	-119.1
Repayments of loan receivables		**6.0**	1.3
Net cash flow used in investing activities		**-89.9**	-197.0
Cash flow from financing activities			
Non-current loans, raised		**431.9**	846.0
Non-current loans, repayment		**-711.7**	-828.8
Current loans, raised/repayments		**31.8**	189.8
Dividends paid		**-45.3**	-41.6
Net cash flow generated from financing activities		**-293.4**	165.4
Change in cash and cash equivalents		**-2.2**	5.4
Cash and cash equivalents at 1 Jan.		**14.3**	9.0
Cash and cash equivalents at 31 Dec.		**12.1**	14.3

Notes to the cash flow statement, M€	1 Jan.–31 Dec. 2012	1 Jan.–31 Dec. 2011

1) **Adjustments**

The following adjustments change the accrual-based items in the income statement to cash-based items, and they reverse items shown elsewhere in the cash flow statement.

	Other operational expenses	**3.8**	0.1
	Other operational income	**-4.5**	-0.1
	Depreciation and amortization	**5.6**	5.1
	Financial income and expenses	**-234.6**	128.8
	Unrealized exchange rate loss	**13.2**	5.4
	Merger losses/group contributions	**-57.4**	-46.1
	Changes in depreciation differences	**-**	0.0
	Taxes	**0.0**	0.0
	Adjustments, total	**-273.9**	93.2

2)	**Statement of change in net working**		
	Current receivables		
	increase (-), decrease (+)	**-17.6**	-18.1
	Non-interest-bearing current liabilities		
	increase (+), decrease (-)	**-9.9**	6.2
	Change in net working capital	**-27.6**	-11.9

Accounting principles for the parent company accounts

The financial statements of Sponda Plc have been prepared in accordance with the provisions of the Finnish Accounting Act, the Finnish Companies Act and the Finnish Securities Market Act.

Measurement and timing principles

Contractual improvements

Costs arising from renovation work for individual tenants are entered as an annual expense or capitalized to other long-term expenditure of the landlord, Sponda Plc. Repair costs and tenant improvements are capitalized over the duration of the lease when they generate income in several accounting periods. For open-ended leases, costs are capitalized over the period until the date that is defined in the lease agreement as the first possible termination date.

Fixed assets and straight-line depreciation

Fixed assets are valued at cost less straight-line depreciation. Straight-line depreciation on machinery and equipment and on buildings and building materials is calculated using the declining balance method. Renovation costs related to tenant improvements and capitalized to other long-term expenditure are depreciated over the lease period.

- Other machinery and equipment 3–10 years
- Other long-term expenditure 1–31 years

In addition to capitalized tenant improvements, other long-term expenditure includes computer software and renovation of the business premises occupied by Sponda Plc itself.

Investments

Property investments are shares in subsidiaries and associated companies, loans granted to Group companies and associated companies, investments in real estate funds and other investments. Investments are valued at cost in the parent company's balance sheet. Permanent writedowns are deducted from cost.

Research and development costs

The company has no research activities. Building project costs equivalent to R&D costs are capitalized when the technical implementation of the project is completed and the project can be considered to generate income over a period of several years. Otherwise research and development costs are entered as an expense.

Financial assets, liabilities and derivative contracts

Financial assets and non-interest bearing debt are recognized at cost. Interest-bearing debt is measured at amortized cost using the effective interest rate method. Interest rate swap contracts made to hedge the risk exposure associated with long-term loans are not entered in the balance sheet but instead are listed in the notes to the financial statements. Interest arising from these contracts is recognized in the income statement as it is incurred.

As an exception to the above, the derivatives implemented to hedge against the exchange rate risk and interest rate risk of the SEK denominated loans are valued at fair value according to Section 5, Chapter 2a of the Finnish Accounting Act. The change in fair value is recorded as an income or expense in the income statement. The fair value represents the result if the derivative position had been closed on the balance sheet date. External valuations are used for valuation.

Extraordinary income and expenses

Extraordinary income and expenses consist of group contributions.

Income tax

Income tax includes tax in the period and adjustments to taxes for previous periods. The current tax expense is based on taxes calculated on the result for the period and tax rules. No deferred tax liabilities or credit are entered in the parent company balance sheet.

Foreign currency denominated items

Transactions denominated in foreign currency are recognized at the exchange rate on the transaction date. Balance sheet items in foreign currency outstanding on the closing date are valued at the exchange rate on the closing date.

Other principles

The Group has arranged statutory pension insurance for its personnel with a pension insurance company. The pension costs are entered as an expense in proportion to salaries.

Fees arising from leasing assignments are recognized over the duration of the leasing contract.

Interest payable during construction projects in progress are entered as an expense.

The Group has no significant finance leases.

Notes to the parent company financial statements

1. Rental income and recoverables

Rental income and recoverables by type of property, M€	**2012**	**2011**
Office & Retail Properties	100.9	90.7
Logistics Propertiest	38.2	37.7
Property Development	0.2	0.3
Total	**139.2**	**128.7**

Rental income and recoverables by geographical area, M€	**2012**	**2011**
Helsinki Metropolitan Area	130.2	120.2
Rest of Finland	9.0	8.5
Total	**139.2**	**128.7**

2. Personnel expenses and number of employees

M€	**2012**	**2011**
Salaries and fees	10.4	10.6
Pension costs	1.9	1.6
Other personnel costs	0.6	0.4
Total	**12.8**	**12.6**

Salaries and fees to management		
President and CEO*	0.5	0.5
Members of the Board of Directors	0.3	0.3
Total	**0.8**	**0.8**

* Does not include bonuses from incentive scheme

The President and CEO is paid a full salary. The salary and fees paid to Sponda Plc's President and CEO totalled EUR 503,000 (2011: 506,000). In addition, during the period the President and CEO was paid a bonus of EUR173,000 (2011: 383,000) under the incentive scheme, based on the company's actual performance in 2011.

M€	**2012**	**2011**
Bonus under the incentive scheme based on actual figures for 2011	0.2	0.4

Personnel expenses are included in the income statement under administrative expenses.

Loans and commitments to related parties

There were no loans to related parties. The President and CEO is eligible to retire at the age of 63. The pension obligation is covered by pension insurance policies. The salaries and fees paid to the Board of Directors, and the pension obligations and termination benefits payable to management, are described in Note 9 to the consolidated financial statements “Employee benefit expenses and number of employees”.

Personnel on average	2012	2011
White collar, number of employees	110	110

3. Depreciation, amortization and impairment losses

M€	2012	2011
Intangible assets		
Other long-term expenditure	5.5	5.0
Property, plant and equipment		
Machinery and equipment	0.1	0.1
Yhteensä	**5.6**	**5.1**

Depreciation, amortization and impairment losses are included in the income statement under administrative expenses.

4. Other operating income

M€	2012	2011
Share of bankruptcy estate	0.1	0.1
Other operating income	0.2	0.2
Total	**0.3**	**0.3**

5. Other operating expenses

M€	2012	2011
Losses on disposal of investments	3.8	0.1
Other expenses	0.1	0.2
Credit losses	0.1	0.6
Doubtful receivables	-0.1	-0.6
Total	**3.7**	**0.3**

6. Auditor fees

M€	2012	2011
Authorized public accountants KPMG Oy		
Audit	0.1	0.1
Tax advice	0.0	0.0
Other services	0.1	0.2
Total	**0.2**	**0.3**

7. Financial income and expenses

M€	2012	2011
Realised gains from real estate funds	7.5	5.0
Dividends from group companies	370.5	-
Interest income from long-term investments in Ghroup companies	43.7	42.3
Other interest income	0.5	2.9
Other financial income	32.8	12.2
Total interest and financial income	**454.9**	**62.4**
Interest expenses paid to Group companies	-14.6	-15.5
Other interest expenses	-81.8	-79.2
Other financial expenses	-26.6	-20.4
Finance charge to subsidiaries	-110.4	-81.6
Total interest expenses and other financial expenses	**-233.5**	**-196.6**
Financial income and expenses total	**221.5**	**-134.2**

8. Extraordinary items

M€	2012	2011
Group contributions received	57.4	46.1
	57.4	**46.1**

9. Income taxes

M€	2012	2011
Income taxes for the period	-	-
Income taxes for previous periods	0.0	0.0
	0.0	**0.0**

10. Intangible assets

2012, M€	Other long-term expenditure	Purchases in progress	Total
Acquisition cost 1 January	68.0	5.2	73.2
Increases	10.3	9.2	19.5
Transfers	-3.4	-8.7	-12.1
Acquisition cost 31 December	**74.9**	**5.7**	**80.6**
Accumulated amortization and impairment losses 1 January	-44.2	-	-44.2
Amortization for the period	-5.5	-	-5.5
Accumulated depreciation 31 December	**-49.6**	**-**	**-49.6**
Net carrying amount 31 December	**25.2**	**5.7**	**31.0**

2011, M€	Other long-term expenditure	Purchases in progress	Total
Acquisition cost 1 January	62.2	3.1	65.2
Increases	18.2	7.9	26.1
Transfers	-12.3	-5.8	-18.1
Acquisition cost 31 December	**68.0**	**5.2**	**73.2**
Accumulated amortization and impairment losses 1 January	-39.6	-	-39.6
Amortization for the period	-4.6	-	-4.6
Accumulated depreciation 31 December	**-44.2**	**-**	**-44.2**
Net carrying amount 31 December	**23.8**	**5.2**	**29.0**

11. Property, plant and equipment

2012	Land sites	Machinery and equipment	Advance payments	Total
Acquisition cost 1 January	1.9	1.4	0.0	3.3
Increases		0.0	0.2	0.3
Decreases	-1.9		-	-1.9
Acquisition cost 31 December	**0.0**	**1.5**	**0.2**	**1.7**
Accumulated depreciation and impairment losses 1 January	-	-1.2	-	-1.2
Accumulated depreciation on decreases and transfers				0.0
Depreciation for the period	-	-0.1	-	-0.1
Accumulated depreciation 31 December	**-**	**-1.3**	**-**	**-1.3**
Net carrying amount 31 December	**0.0**	**0.1**	**0.2**	**0.4**

2011	Land sites	Machinery and equipment	Advance payments	Total
Acquisition cost 1 January	1.9	1.4	0.4	3.7
Increases	-	0.0	0.2	0.2

Decreases	-	-	-0.6	-0.6
Acquisition cost 31 December	**1.9**	**1.4**	**0.0**	**3.3**
Accumulated depreciation and impairment losses 1 January	-	-1.1	-	-1.1
Accumulated depreciation on decreases and transfers	-	-	-	-
Depreciation for the period	-	-0.1	-	-0.1
Accumulated depreciation 31 December	**-**	**-1.2**	**-**	**-1.2**
Net carrying amount 31 December	**1.9**	**0.2**	**0.0**	**2.1**

12. Investments

2012, M€	**Shares in Group companies**	**Receivables from Group companies**	**Holdings in associated companies**	**Investments in property funds**	**Other investments *)**	**Total**
Acquisition cost 1 January	1,812.7	1,061.9	7.5	69.2	37.0	2,988.3
Increases	28.7	123.1	-	18.4	35.2	205.3
Decreases	-37.0	-132.8	-	-0.9	-16.9	-187.6
Net carrying amount 31 December	**1,804.4**	**1,052.2**	**7.5**	**86.6**	**55.3**	**3,006.0**

***) Other investments, M€**	**Other shares**	**Receivables from associated companies**	**Receivable funds**	**Other investments**	**Non-current receivables**	**Total**
Acquisition cost 1 January	7.2	24.0	3.1	0.1	2.6	37.0
Increases	0.3	18.0	-	-	16.9	35.2
Decreases	0.0	-16.9	-	-	-	-16.9
Net carrying amount 31 December	**7.5**	**25.1**	**3.1**	**0.1**	**19.5**	**55.3**

2011, M€	**Shares in Group companies**	**Receivables from Group companies**	**Holdings in associated companies**	**Investments in property funds**	**Other investments *)**	**Total**
Acquisition cost 1 January	1,729.1	1,025.5	7.5	59.1	28.4	2,849.6
Increases	84.4	133.3	-	10.1	24.3	252.2
Decreases	-0.9	-97.0	-	-	-15.6	-113.5
Net carrying amount 31 December	**1,812.7**	**1,061.9**	**7.5**	**69.2**	**37.0**	**2,988.3**

***) Other investments, M€**	**Other shares**	**Receivables from associated companies**	**Receivable funds**	**Other investments**	**Non-current receivables**	**Total**
Acquisition cost 1 January	3.7	21.5	3.1	0.1	-	28.4
Increases	4.8	16.9	-	-	2.6	24.3
Decreases	-1.3	-14.3	-	-	-	-15.6
Net carrying amount 31 December	**7.2**	**24.0**	**3.1**	**0.1**	**2.6**	**37.0**

13. Current receivables

M€	2012	2011
Trade receivables	3.2	2.2
Other receivables	16.4	11.1
Prepaid expenses and accrued income		
From Group companies	60.5	50.3
From other companies	11.5	13.6
Prepaid expenses and accrued income, total	**72.0**	**63.9**
Current receivables, total	**91.6**	**77.2**

Main items in prepaid expenses and accrued income		
Interest and financial items	4.8	9.1
Other items	67.2	54.9
Total	**72.0**	**63.9**

14. Equity

M€	2012	2011
Share capital 1 January	111.0	111.0
Share capital 31 December	**111.0**	**111.0**
Share premium 1 January	159.1	159.1
Share premium reserve 31 December	**159.1**	**159.1**
Invested non-restricted equity reserve 1 January	445.9	423.9
Share issue	-	22.0
Invested non-restricted equity reserve 31 December	**445.9**	**445.9**
Retained earnings 1 January	76.9	126.4
Dividend payment	-45.3	-41.6
Retained earnings 31 December	**31.6**	**84.8**
Profit / loss for period	368.9	-7.9
Equity, total	**1,116.5**	**793.0**

Calculation of distributable funds 31 December, M€	2012	2011
Retained earnings	31.6	84.7
Invested non-restricted equity reserve	445.9	445.9
Profit / loss for period	368.9	-7.9
Total	**846.3**	**522.8**

15. Non-current liabilities

M€	**2012**	**2011**
Non-current interest-bearing liabilities		
Serial bonds	324.2	172.4
Loans from financial institutions	1,200.6	1,307.4
Other non-current debt payable to Group companies	70.5	400.7
Non-current interest-bearing liabilities, total	**1,595.3**	**1,880.6**
Non-current interest-free liabilities	**-**	**2.9**
Non-current liabilities, total	**1,595.3**	**1,883.4**

Loans from financial institutions include a EUR 95.0 million hybrid bond, which is treated in the consolidated balance sheet as an equity item.

16. Current liabilities

M€		**2012**	**2011**
Current interest-bearing liabilities			
Loans from financial institutions		368.7	374.1
Current interest-free liabilities			
Advances received		0.4	0.2
Trade payables			
	To Group companies	17.4	14.0
	To other companies	0.5	1.5
Total trade payables		**17.9**	**15.5**
Accrued expenses and prepaid income			
	Payable to Group companies	0.1	2.0
	Payable to other companies	25.8	26.0
Total accrued expenses and prepaid income		**25.9**	**28.0**
Other current debt receivable from Group companies		14.4	14.6
Other current debt		1.9	2.1
Total current interest-free liabilities		**60.5**	**60.4**
Total current liabilities		**429.2**	**434.5**

Main items in accrued expenses and prepaid income		
Interest and financial items	19.0	20.2
Personnel expenses	5.2	4.4
Other items	1.6	3.4
Total	**25.9**	**28.0**

Loans from financial institutions include a EUR 92.8 million hybrid bond, which is treated in the consolidated balance sheet as an equity item.

17. Derivative instruments

M€	2012	2011
Interest derivatives		
Interest rate swaps, nominal value of principal	871.6	972.4
Interest rate swaps, fair value	-42.9	-39.5
Interest options, nominal value	300.0	565.0
Interest options, fair value	0.6	1.6
Currency derivatives		
Purchased options, fair value	10.2	7.0
Purchased options, nominal value	0.1	0.1
Written options, fair value	10.2	7.0
Written options, nominal value	-0.1	-0.2
Financial instruments valued at fair value in a manner affecting the result		
Currency derivatives		
Interest rate and currency swaps, notional value	337.4	337.4
Interest rate and currency swaps, fair value	19.5	-0.2

Interest rate and currency swaps are used to hedge the exchange rate risk related to loans denominated in Swedish krona. The nominal values of interest rate and currency swaps are identical with the nominal values of the loans hedged. The derivatives are valued in the financial statement at fair value. The fair value represents the result if the derivative position had been closed on the balance sheet date. Sponda utilises external valuations.

18. Collateral and contingent liabilities

M€	2012	2011
Loans from financial institutions, covered by collateral	111.6	110.0

Collateral given on behalf of Group companies, M€	2012	2011
Book value of pledged shares	9.3	9.3

Contingent liabilities given on behalf of Group companies, M€	2012	2011
Guarantees given on behalf of Group companies	15.6	3.6

Lease liabilities, M€	2012	2011
Payments based on agreements fall due as follows:		
During the following year	0.4	0.5
After the following year	0.3	0.5
Total	**0.7**	**1.0**

Other lease agreements consist of leases for vehicle and office equipment. The leases have lengths of 3–5 years and they have no redemption obligations.

Other commitments, M€	2012	2011
Investment commitments to real estate funds	42.3	28.6

Distribution of profit

SPONDA Plc

GROUP

PROPOSAL BY THE BOARD OF DIRECTORS ON THE DISPOSAL OF THE PROFIT FOR THE YEAR

The parent company's distributable funds total EUR 846,348,773.80, of which the profit for the period is EUR 368,859,955.97.

The Board of Directors proposes to the AGM that a dividend of EUR 0.17 per share be paid for the 2012 financial year.

There has been no material changes in the company's financial position since the end of the financial year. The company's liquidity is good and the Board of Directors' view is that the proposed disposal of the profit does not undermine the company's liquidity.

Helsinki, 1 February 2013

Signatures of the Board of Directors and CEO for the report by the Board of Directors and for the financial statements

SPONDA PLC

Board of Directors

Klaus Cawén
Tuula Entelä
Lauri Ratia

Arja Talma
Raimo Valo
Erkki Virtanen

Kari Inkinen
CEO

We have today submitted our report on the audit conducted by us.

Helsinki, 18 February 2013

KPMG OY Ab

Raija-Leena Hankonen
APA

Kai Salli
APA

Auditor's Report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Sponda Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Sponda Plc for the year ended 31 December 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki, 18 February 2013

KPMG OY Ab

Raija-Leena Hankonen
KHT

Kai Salli
KHT