

# *Full Year Result*

**1.1.–31.12.2010**



**SPONDA**

# *Sponda Plc financial statements bulletin*

## *1 January - 31 December 2010*

Sponda Plc's total revenue in 2010 was EUR 232.1 million (31 December 2009: EUR 237.2 million). Net operating income after property maintenance costs and direct costs for funds decreased, as expected, to EUR 168.7 (175.8) million. Sales of properties executed in 2009 and 2010 and higher maintenance costs were significant factors in the decrease in net operating income. Sponda's operating profit was EUR 216.2 (-13.3) million.

Recording the share of profits from property funds under change in fair value instead of revenue had an effect on the revenue shown on the income statement. The share of profits in 2010 was EUR 5.6 million for the full year and EUR 1.4 million in October-December. The comparison figures have been adjusted accordingly.

### **Result of operations and financial position January - December 2010 (compared with figures for January - December 2009)**

- Total revenue was EUR 232.1 (237.2) million. The decrease from the previous year was caused by sales of properties and a rise in vacancy rates at the beginning of the year.
- Net operating income was EUR 168.7 (175.8) million.
- Operating profit was EUR 216.2 (-13.3) million. The figure includes a change in fair value of EUR 44.4 (-169.3) million.
- The result after tax was EUR 120.4 (-81.6) million.
- Earnings per share were EUR 0.40 (-0.40).
- Cash flow from operations per share was EUR 0.37 (0.45).
- The fair value of investment properties amounted to EUR 2,870.6 (2,767.5) million.
- Net assets per share totalled EUR 3.86 (3.54).
- The economic occupancy rate was 88.0 (86.6) %.
- The Board of Directors proposes to the AGM that a dividend of EUR 0.15 per share be paid for the 2010 financial year.

### **Result of operations and financial position October - December 2010 (compared with the same period in 2009)**

- Total revenue was EUR 58.5 (58.3) million.
- Net operating income was EUR 42.5 (43.0) million.
- Operating profit was EUR 83.0 (23.5) million. This includes a change in fair value of EUR 33.4 (-12.9) million.
- The result after tax was EUR 54.2 (6.3) million.
- Earnings per share were EUR 0.19 (0.01).
- Cash flow from operations per share was EUR 0.09 (0.07).

### **Key figures**

	<b>10-12/10</b>	10-12/09	<b>1-12/10</b>	1-12/09
<i>Total revenue, Me</i>	<b>58.5</b>	58.3	<b>232.1</b>	237.2
<i>Net operating income, Me</i>	<b>42.5</b>	43.0	<b>168.7</b>	175.8
<i>Operating profit, Me</i>	<b>83.0</b>	23.5	<b>216.2</b>	-13.3
<i>Earnings per share, e</i>	<b>0.19</b>	0.01	<b>0.40</b>	-0.40
<i>Cash flow from operations per share, e</i>	<b>0.09</b>	0.07	<b>0.37</b>	0.45
<i>Net assets per share, e</i>			<b>3.86</b>	3.54
<i>Equity ratio, %</i>			<b>39</b>	37
<i>Interest cover ratio</i>			<b>3.0</b>	2.7

## Key figures according to EPRA Best Practices Recommendations

	10-12/10	10-12/09	1-12/10	1-12/09
<i>EPRA Earnings, Me</i>	<b>19.5</b>	17.4	<b>74.0</b>	67.4
<i>EPRA Earnings per share, e</i>	<b>0.07</b>	0.06	<b>0.27</b>	0.29
<i>EPRA, NAV per share e</i>			<b>4.59</b>	4.18
<i>EPRA, Net Initial Yield (NIY), %</i>			<b>6.37</b>	
<i>EPRA, "topped-up" NIY, %</i>			<b>6.38</b>	

## CEO Kari Inkinen

"I am pleased that the vacancy rate for Sponda's properties fell in 2010 despite challenging market conditions. The vacancy rate for the company's office properties in the Helsinki metropolitan area has been below the market average. We have seen particularly positive developments in vacancy rates for our Russian properties, which are nearly fully occupied at present. The vacancy rate for logistics properties also decreased. At the end of the year, the vacancy rate for Sponda's investment properties was 12.0% in total and 3.6% in Russia.

A large number of properties went on sale in the Finnish property market in 2010, particularly in the second half of the year. Potential buyers included both Finnish and foreign operators. This was also reflected in property values, as they began to rise in Helsinki's central business district and other prime locations in the metropolitan area. Property values are also increasing in Russia, but thus far the change has only been evident in the Moscow area.

Sponda is continuing to be active in its property development operations. In addition to the development of two existing projects, the Hakkila production facility and the City-Center shopping complex in central Helsinki, the early part of 2011 will see work begin on expanding the Zeppelin shopping complex in Oulu. Sponda will renovate in 2011 an office property on Hämeenkatu in Tampere, which will be bought from the City of Tampere. We also aim to have construction started on the Ratina shopping complex in Tampere's central business district in the coming summer."

## Prospects

Sponda expects vacancy rates to continue falling in 2011. This assessment is based on the 2011 growth forecasts for the Finnish economy and increased demand for properties in prime locations.

Net operating income in 2011 is expected to be higher than in 2010 due to the expected fall in vacancy rate and the completion of property development projects during the year.

## Business conditions - Finland

The number of completed property transactions increased towards the end of 2010 and, according to the Institute for Real Estate Economics (KTI), the total volume of transactions stood at approximately EUR 1.7 billion at the end of November. The volume for the whole year is expected to reach EUR 2.0 billion, which would be slightly higher than the previous year. The availability of financing for property transactions has improved, but banks continue to offer reasonable loan-to-value ratios only for low risk properties.

The rise in vacancy rates for office properties in the Helsinki metropolitan area is estimated to have stopped at the end of 2010. The vacancy rates are predicted to begin to fall in 2011.

The fall in the rental levels for office properties ended in spring-summer 2010. Rental rates remain below pre-crisis levels, but they have held up well in some segments such as office properties in Helsinki's central business district and Ruoholahti and retail properties in the Helsinki metropolitan area. Rental levels are estimated to have begun increasing in late 2010.

### **Business conditions - Russia**

According to the estimates of the Bank of Finland, the annual growth in the Russian economy in 2010 was approximately 4%. Growth in Russia is driven by the increase in oil prices, falling unemployment and improved consumer confidence.

Property values have begun to slowly increase in Moscow. CB Richard Ellis estimates the vacancy rate in Moscow to be around 16-18%. While the net take-up is positive, the market for office properties in Moscow is set to have increased supply with the completion of new premises that have not been leased as-of-yet. In St Petersburg the vacancy rate for office properties is approximately 20% depending on location and quality. Rental levels have slowly begun to increase in Moscow, while in St Petersburg they have remained stable.

### **Operations and property portfolio 1 January - 31 December 2010**

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 organized in 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 168.7 (175.8) million during the year. Office and retail premises accounted for 53% of this, shopping centres for 19%, logistics premises for 15%, Russia for 10% and the Real Estate Funds unit for 3%.

On 31 December 2010 Sponda had a total of 192 properties, with an aggregate leasable area of about 1.5 million m<sup>2</sup>. Of this, some 52% is office and retail premises, 10% shopping centres and 35% logistics premises. Approximately 3% 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 assessment 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 a year by external experts to ensure that the parameters and values used in calculations are based on market observations.

At the end of 2010, Catella Property Oy assessed the values of Sponda's investment properties in Finland and CB Richard Ellis assessed the values of the company's properties in Russia. The change in the fair value of Sponda's investment properties in 2010 was EUR 40.5 (-166.8) million for the full year and EUR 32.3 (-11.7) million for October-December. Sponda's largest project, the City-Center shopping complex in Helsinki, was assessed at fair value as an incomplete project in the end of 2010 and did not have a material impact on the company's result.

The change in the fair value of the company's Russian properties in the final quarter of the year, EUR 13.8 million, is almost entirely the result of changes in the yield requirements for properties in Moscow. The change in the fair values of properties held by the company's real estate funds was EUR -1.7 (-8.3) million in 2010. The assessments of the fair values of properties owned by the company's real estate funds were made by Jones Lang LaSalle for Sponda Fund I and Kiinteistöaito Peltola for Sponda Fund II. The

realised share of profit from real estate funds was EUR 5.6 million for the full year and EUR 1.4 million for October-December. The valuation statements of both Finnish and Russian properties are available in Sponda's internet-pages at [www.sponda.fi](http://www.sponda.fi)>Investors>Performance.

### Valuation gains/losses on fair value assessment

M€	10-12/10	1-12/10	1-12/09
<i>Changes in yield requirements (Finland)</i>	18.9	22.9	-54.7
<i>Changes in yield requirements (Russia)</i>	11.5	11.5	-49.4
<i>Development gains on property development projects</i>	0.2	2.7	-1.2
<i>Modernisation investments</i>	-11.5	-29.9	-21.3
<i>Change in market rents and maintenance costs (Finland)</i>	10.9	23.1	-8.4
<i>Change in market rents and maintenance costs (Russia)</i>	2.1	5.0	-26.9(**
<i>Change in currency exchange rates</i>	0.2	5.2	-5.0 (*)
<i>Investment properties, total</i>	32.3	40.5	-166.8
<i>Real estate funds</i>	-0.4	-1.7	-8.3
<i>Realised share of profit from funds</i>	1.4	5.6	5.8
<i>Group, total</i>	33.4	44.4	-169.3

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

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

The changes in Sponda's investment property assets in 2010 were as follows:

Me	Total	Office and retail	Shopping centre	Logistics	Property development	Russia
<i>Operating income</i>	222.2	122.0	39.7	36.6	0.3	23.6
<i>Maintenance costs</i>	-61.1	-33.7	-8.3	-11.8	-1.4	-5.9
<i>Net operating income</i>	161.1	88.3	31.4	24.8	-1.1	17.7
<i>Investment properties on 1 Jan 2010, incl. cum. capitalised interest</i>	2,767.5	1,425.8	543.6	396.1	220.6	181.4
<i>Capitalised interest 2010</i>	4.5	0.0	0.0	0.2	3.5	0.8
<i>Acquisitions in 2010</i>	0.8	0.0	0.8	0.0	0.0	0.0
<i>Investments</i>	76.4	25.1	0.7	19.7	30.5	0.4
<i>Other transfers</i>	18.4	16.5	10.9	8.0	-17.1	0.0
<i>Sales in 2010</i>	-37.5	-23.2	0.0	-4.7	-9.6	0.0
<i>Valuation gains/losses</i>	40.5	14.9	1.1	3.1	-0.2	21.7
<b><i>Fair value of investment properties at 31 December 2010</i></b>	<b>2,870.6</b>	<b>1,459.1</b>	<b>557.1</b>	<b>422.5</b>	<b>227.7</b>	<b>204.2</b>
<i>Change in fair value, %</i>	1.5	1.0	0.2	0.8	-0.1	12.0
<b><i>Annual net operating income / investment properties 31 Dec 2010(*)</i></b>	<b>6.3%</b>	<b>6.1%</b>	<b>6.1%</b>	<b>5.9%</b>		<b>9.6%</b>
<b><i>Weighted average yield requirement % for entire portfolio</i></b>	<b>7.0</b>	<b>6.6</b>	<b>5.9</b>	<b>8.1</b>		<b>10.7</b>
<b><i>Weighted average yield requirement % for portfolio, Finland</i></b>	<b>6.7</b>					

\*) excluding property development

## Leasing operations

The current trends in rental levels in Finland are illustrated by the difference in average rent per square metre for lease agreements that expired during the period and lease agreements that came into effect in the period. The figures for expired lease agreements and new agreements that came into effect in October-December were as follows:

	Agreements	m <sup>2</sup>	EUR/m <sup>2</sup> /month (average)
<i>Came into effect during the period</i>	101	30,966	12.03
<i>Expired during the period</i>	125	29,151	14.66

The expired agreements and agreements that came into effect do not necessarily pertain to the same segments and properties. In the last quarter of the year the proportion of logistics properties was higher in agreements that came into effect than in expired agreements, which explains the lower rental level in the new agreements that came into effect.

Sponda also 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 -4.5% for office and retail properties, 9.2% for shopping centres, -0.6% for logistics properties and -6.4% for properties in Russia. 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:

<i>Type of property, %</i>	<b>31.12.10</b>	30.9.10	30.6.10	31.3.10	31.12.09
<i>Office and Retail</i>	<b>87.7</b>	87.7	87.7	86.5	87.9
<i>Shopping centres</i>	<b>98.1</b>	98.2	96.7	96.5	96.4
<i>Logistics</i>	<b>75.8</b>	74.8	75.9	76.0	74.5
<i>Russia</i>	<b>96.4</b>	93.3	91.5	87.4	88.2
<i>Total property portfolio</i>	<b>88.0</b>	87.4	87.3	86.2	86.6
<i>Geographical area, %</i>	<b>31.12.10</b>	30.9.10	30.6.10	31.3.10	31.12.09
<i>Helsinki Business District</i>	<b>89.8</b>	89.4	88.6	86.5	86.2
<i>Helsinki Metropolitan Area</i>	<b>84.3</b>	84.3	84.2	84.0	84.8
<i>Turku, Tampere, Oulu</i>	<b>96.8</b>	96.0	96.7	95.5	95.7
<i>Russia</i>	<b>96.4</b>	93.3	91.5	87.4	88.2
<i>Total property portfolio</i>	<b>88.0</b>	87.4	87.3	86.2	86.6

Total cash flow from lease agreements on 31 December 2010 was EUR 1,139 (1,030) million. Sponda had 2,003 clients and altogether 3,111 lease agreements. The company's largest tenants were the Public Sector (11.2% of rental income), Kesko Group (5.9% of rental income), Sampo Bank Plc (3.9% of rental income) and HOK-Elanto (3.9% of rental income). Sponda's 10 largest tenants generate approximately 32% of the company's total rental income. Sponda's tenants by sector were as follows:

<i>Sector</i>	<i>% of net rental income</i>
<i>Professional, scientific and technical activities</i>	8.4
<i>Energy</i>	0.6
<i>Public sector</i>	10.9
<i>Wholesale/retail</i>	26.9



<i>Education</i>	1.2
<i>Logistics/Transport</i>	7.0
<i>Hotel and catering business</i>	3.8
<i>Media/Publishing</i>	1.7
<i>Other services</i>	7.9
<i>Banking/Investment</i>	10.2
<i>Construction</i>	1.8
<i>Industry/manufacturing</i>	6.4
<i>Healthcare</i>	3.9
<i>Telecommunications</i>	6.0
<i>Others</i>	3.3

The average length of all lease agreements was 4.7 (4.4) years. The average length of lease agreements was 5.2 years for office and retail properties, 4.7 for shopping centres and 4.5 years for logistics properties. The lease agreements for Sponda's property portfolio expire as follows:

<i>Expiry within</i>	<i>% of rental income 31.12.2010</i>	<i>% of rental income 31.12.2009</i>
<i>1 year</i>	14.7	14.0
<i>2 years</i>	14.9	10.0
<i>3 years</i>	9.1	12.6
<i>4 years</i>	6.8	7.9
<i>5 years</i>	6.9	9.7
<i>6 years</i>	4.0	5.2
<i>More than 6 years</i>	29.8	26.5
<i>Valid indefinitely</i>	13.8	14.1

### **Investments and divestments**

Sponda sold properties during 2010 for a total value of EUR 56.8 million, of which Sponda booked capital gains of EUR 16.4 million. The fair value of the sold properties was EUR 40.4 million. The company purchased properties for a total of EUR 0.8 million during the year.

Properties classified at the time of acquisition as trading properties that have been leased to a tenant and have not been sold in time typical for trading properties, have been reclassified as investment properties. The total acquisition cost of the reclassified properties was EUR 9.6 million and their fair value at the time of reclassification was EUR 18.4 million. The difference of EUR 8.8 million has been recorded as profit on the sale of trading assets in compliance with IFRS 40.

Investments in property maintenance totalled EUR 29.9 million, with EUR 11.5 million of this in the fourth quarter. The increase in investments in property maintenance was due to, among other factors, the on-going renovation of Unioninkatu 20-22. The company invested EUR 46.5 million in property development, with EUR 15.7 million of this in the October-December. Property development investments were primarily directed to the modernisation of the City-Center property in Helsinki's central business district and the production facility being developed in the Hakkila district of Vantaa.

## Office and retail properties

<i>Me</i>	<b>10-12/10</b>	10-12/09	<b>1-12/10</b>	1-12/09
<i>Total revenue</i>	<b>31.4</b>	31.9	<b>122.6</b>	129.0
<i>Net operating income</i>	<b>22.5</b>	23.6	<b>88.6</b>	96.3
<i>Operating profit</i>	<b>43.0</b>	14.2	<b>107.1</b>	46.5
<i>Economic occupancy rate</i>			<b>87.7</b>	87.9
<i>Fair value of properties, Me</i>			<b>1,459.1</b>	1,425.8
<i>Change in fair value from the beginning of the year, Me</i>			<b>14.9</b>	-46.2
<i>Leasable area, m<sup>2</sup></i>			<b>737,000</b>	770,000

The company purchased office and retail properties for a total of EUR 23.2 million during 2010. No properties were bought during the period. Investments in property maintenance for the segment totalled EUR 25.0 million, with EUR 8.8 million of this in the fourth quarter.

## Shopping centres

<i>Me</i>	<b>10-12/10</b>	10-12/09	<b>1-12/10</b>	1-12/09
<i>Total revenue</i>	<b>10.0</b>	10.3	<b>39.7</b>	39.3
<i>Net operating income</i>	<b>7.7</b>	8.7	<b>31.4</b>	31.4
<i>Operating profit</i>	<b>11.8</b>	8.4	<b>31.3</b>	18.7
<i>Economic occupancy rate</i>			<b>98.1</b>	96.4
<i>Fair value of properties, Me</i>			<b>557.1</b>	543.6
<i>Change in fair value from the beginning of the year, Me</i>			<b>1.1</b>	-11.3
<i>Leasable area, m<sup>2</sup></i>			<b>141,000</b>	140,000

The company purchased properties for a total of EUR 0.8 million during the year. Investments in property maintenance totalled EUR 0.7 million.

## Logistics properties

<i>Me</i>	<b>10-12/10</b>	10-12/09	<b>1-12/10</b>	1-12/09
<i>Total revenue</i>	<b>9.0</b>	8.7	<b>36.6</b>	38.6
<i>Net operating income</i>	<b>6.2</b>	5.6	<b>24.8</b>	27.4
<i>Operating profit</i>	<b>9.5</b>	0.6	<b>30.0</b>	-4.5
<i>Economic occupancy rate</i>			<b>75.8</b>	74.5
<i>Fair value of properties, Me</i>			<b>422.5</b>	396.1
<i>Change in fair value from the beginning of the year, Me</i>			<b>3.1</b>	-30.9
<i>Leasable area, m<sup>2</sup></i>			<b>514,000</b>	530,000

The company sold logistics properties for a total of EUR 4.7 million in 2010. No new logistics properties were bought. Investments in property maintenance for the segment totalled EUR 3.7 million, with EUR 2.0 million of this in the fourth quarter.

## Property development

The balance sheet value of Sponda's property development portfolio at the end of 2010 was EUR 227.7 million. Of this, some EUR 81.4 million was in undeveloped land sites and the remaining EUR 132.1 million was tied up in property development projects in progress. Sponda aims to obtain development gains of 15% on the investment costs for property development projects. Investments in property development and projects during the year totalled EUR 46.5 million, most of which was allocated to the City-Center project and the development of a production facility Vantaa's Hakkila district.



Sponda's property development operations comprise new construction projects and refurbishment of existing properties. Sponda's largest project, the City-Center shopping complex in Helsinki, was assessed at fair value at the end of 2010 and did not have a material impact on the company's result.

	City-Center	Hakkila production facility
<i>Total investment, Me</i>	125.0*)	40.0
<i>Invested by 31 December 10, Me</i>	84.0*)	20.5
<i>Capitalised interest expenses by 31 December 2010, Me</i>	10.1	0.2
<i>Time of completion</i>	2012	Early 2011

\*) Figure does not include capitalised interest expenses

Construction of the office building being developed in the inner court of the City-Center shopping complex progressed according to plan. The office building and the new retail premises developed in the second phase of the shopping complex are scheduled for completion in summer 2011. The City-Center refurbishment project is expected to be completed for the most part in 2012 with a total investment of approximately EUR 125 million.

The company is developing a production facility in the Hakkila district of Vantaa with a total area of approximately 22,000 m<sup>2</sup>. The facility has been leased in its entirety to Metso Automation. Sponda will also lease to Metso approximately 12,000 m<sup>2</sup> of renovated office and warehouse space in the Honkatalo office building adjacent to the newly developed production facility. The total investment is estimated at approximately EUR 40 million and work is scheduled for completion in early 2011.

Sponda will expand the Zeppelin shopping complex in Oulu in the coming year. The project will add some 4,000 m<sup>2</sup> of new retail space for the Prisma hypermarket and 4,700 m<sup>2</sup> of space for specialty retail. At present, pre-letting is over 50% of the new retail space created. The total investment in the expansion is approximately EUR 17 million and the shopping complex will be completed near the end of 2011.

Sponda is purchasing an office and retail property in Tampere's central business district at Hämeenkatu 16 from the City of Tampere for a price of approximately EUR 10 million. The company is planning to make an additional investment of approximately EUR 6.5 million to modernise the property. The renovation is scheduled to begin in 2011.

Sponda is carrying out development projects for the Ratina shopping complex in Tampere and related areas. The current plans are for a shopping centre with a total area of 55,000 m<sup>2</sup> and a total investment of approximately EUR 200 million. The marketing of the property is still on-going and no final decision on the investment has been made.

## Russia

<i>Me</i>	10-12/10	10-12/09	1-12/10	1-12/09
<i>Total revenue</i>	5.8	4.9	23.6	21.8
<i>Net operating income</i>	4.3	3.5	17.7	16.4
<i>Operating profit</i>	17.2	1.8	36.3	-70.4
<i>Economic occupancy rate</i>			96.4	88.2
<i>Fair value of properties, Me</i>			204.2	181.4
<i>Change in fair value from the beginning of the year, Me</i>			21.7	-81.9
<i>Leasable area, m<sup>2</sup></i>			46,500	46,500

The change in the fair value of the company's Russian properties in the final quarter of the year, EUR 13.8 million, was almost entirely the result of changes in the yield requirements for properties in Moscow.

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) in Moscow and OOO Adastra -property in St Petersburg where the leases are for longer periods than average. The average length of lease agreements in Russia on 31 December 2010 was 3.0 years, and the lease agreements expire as follows:

<i>Expiry within</i>	% of rental income 31.12.2010	% of rental income 31.12.2009
<i>1 year</i>	36.0	40.3
<i>2 years</i>	17.5	2.8
<i>3 years</i>	2.5	17.2
<i>4 years</i>	14.7	2.5
<i>5 years</i>	7.6	14.9
<i>6 years</i>	7.3	2.3
<i>More than 6 years</i>	14.4	20.0

Sponda receives about half of its rental income in Russia in US dollars. The other half is in roubles, much of which is tied to an agreed exchange rate for the dollar or euro. The company's rouble risk is reduced because a major part of the unit's expenses are denominated in roubles. Sponda's policy is to hedge 6 months' foreign currency denominated cash flow in Russia.

### Real Estate Funds

Sponda is a minority holder in three real estate funds: First Top LuxCo, Sponda Fund I Ky and Sponda Fund II Ky. Sponda is responsible for managing the funds and their properties, and receives management fees. The properties in Sponda Fund I and Sponda Fund II were assessed at fair value at the end of 2010. The assessments of the fair values of the properties were made by Jones Lang LaSalle (Sponda Fund I) and Kiinteistötaito Peltola (Sponda Fund II). The change in fair value of the properties was EUR -1.7 (31 December 2009: -8.3) million for the full year and EUR -0.4 million (-2.7) for the fourth quarter.

From the second quarter of the 2010 financial year onwards, the company has recognised the share of profits for real estate funds on the income statement under change in fair value instead of total revenue. The share of profits in 2010 was EUR 5.6 (5.8) million for the full year and EUR 1.4 (1.6) million in October-December. The comparison figures have been adjusted accordingly. The total revenue, net operating income and operating profit for the Real Estate Funds segment were:

<i>Me</i>	<b>10-12/10</b>	10-12/09	<b>1-12/10</b>	1-12/09
<i>Total revenue</i>	<b>1.9</b>	1.9	<b>7.2</b>	6.9
<i>Net operating income</i>	<b>1.5</b>	1.3	<b>5.7</b>	5.0
<i>Operating profit</i>	<b>1.0</b>	-1.4	<b>4.2</b>	-3.6

First Top LuxCo (Sponda's holding 20%) invests in office and retail properties outside Finland's largest cities. At the end of 2010 the fund's property investments had a fair value of EUR 94.2 million.

Sponda Fund I Ky (Sponda's holding 46%) invests in logistics sites outside the Helsinki metropolitan area. At the end of 2010 the properties it owned had a fair value of EUR 185.3 million.

Sponda Fund II Ky (Sponda's holding 44%) mainly invests in logistics properties in medium sized cities in Finland. The fund has a target size for its real estate investment of about EUR 200 million and the fair value of its property portfolio at the end of 2010 was EUR 125.2 million.

In addition to those mentioned above, Sponda is also responsible for managing the property portfolio, with a value of about EUR 230 million, sold in March 2007 to Whitehall Street Real Estate Limited and Niam Nordic Investment Fund III.

### **Cash flow and financing**

Sponda's net cash flow from operations in 2010 totalled EUR 102.6 million (31 December 2009: EUR 96.0 million). Net cash flow from investing activities was EUR -39.5 (-40.8) million and the net cash flow from financing activities was EUR -65.9 (-41.7) million. Net financing costs for the period totalled EUR -58.5 (-65.0) million. Interest expenses of EUR 4.5 (3.7) million were capitalised.

Sponda's equity ratio on 31 December 2010 was 39% (31 December 2009: 37%) and gearing was 129% (141%). Interest-bearing debt amounted to EUR 1,572.6 million (EUR 1,597.8 million) and the average maturity of Sponda's loans was 3.2 (2.4) years. The average interest rate was 3.8% (3.7%) including interest derivatives. Fixed-rate and interest-hedged loans accounted for 84% (65%) of the loan portfolio. The average interest-bearing period of the entire debt portfolio was 2.2 (1.8) years. The interest margin, which describes the company's solvency, was 3.0 (2.7).

Sponda applies hedge accounting to those interest derivatives that meet the criteria for hedge accounting. Changes in the fair value of interest derivatives that fall under hedge accounting are recognised in equity on the balance sheet. Changes in the fair value of other interest derivatives and currency options are recorded on the income statement.

Sponda Group's debt portfolio on 31 December 2010 comprised EUR 675 million syndicated loans, EUR 250 million in bonds, EUR 17 million in issued in commercial papers and EUR 631 million in loans from financial institutions. Sponda had EUR 435 million in unused credit limits. Sponda Group had mortgaged loans of EUR 141.1 million, or 4.6% of the consolidated balance sheet.

On 1 November, Sponda signed a syndicated credit agreement of EUR 550 million and a credit limit agreement of EUR 100 million.

The syndicated credit has a 5-year maturity and its margin was 1.50% on the date of signing the agreement. The syndicated credit agreement comprises a loan of EUR 400 million and a credit limit of EUR 150 million. The loan was used in its entirety to repay existing debts. The loan terms correspond to the terms of Sponda's other loans and its key covenants are linked to equity ratio and interest margin.

The renewed EUR 100 million credit limit has a term of 3 years and acts as a back-up limit for the commercial paper programme.

### **Personnel**

During the review period Sponda Group had, on average, 123 (135) employees, of whom 111 (121) worked for parent company Sponda Plc. On 31 December 2010 Sponda Group had altogether 119 (134) employees, of whom 107 (120) were employed by the parent company Sponda Plc. Sponda has personnel in Finland and in Russia. Sponda's sales and administration costs in the period totalled EUR -20.4 (-22.0) million.

## Incentive and bonus systems

Sponda has a bonus scheme that covers all employees and is based on both company objectives and personal targets. The key factors affecting the bonus are profitability and business development.

Sponda also has a long-term incentive scheme with two one-year earnings periods, the 2010 and 2011 calendar years, and two three-year earnings periods, 2010-2012 and 2011-2013. The earnings criteria are tied to cash flow from operations per share and return on capital employed.

The long-term incentive scheme currently covers the members of the Executive Board, altogether seven people. The incentive scheme is described in more detail in the company's stock exchange release of 17 March 2010.

## Group structure

Sponda Group comprises the parent company, the subsidiary Sponda Kiinteistöt Oy (formerly Kapiteeli 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.

## The Sponda share and shareholders

The weighted average price of Sponda's share in 2010 was EUR 3.07. The highest quotation on NASDAQ OMX Helsinki Oy was EUR 3.88 and the lowest EUR 2.42. Turnover during the year totalled 136.8 million shares or EUR 420.4 million. The closing price of the share on 31 December 2010 was EUR 3.88 and the market capitalisation of the company's share capital was EUR 1,077.0 million.

The Annual General Meeting on 17 March 2010 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.

Sponda issued the following flagging announcements in the October-December 2010 period:

- 16 November 2010: Solidium Oy notified that the total number of shares it holds represents 15.19% of Sponda Plc's shares and voting rights.
- 16 November 2010: Varma Mutual Pension Insurance Company notified that the total number of shares it holds represents 8.99% of Sponda Plc's shares and voting rights.
- 16 November 2010: Ilmarinen Mutual Pension Insurance Company notified that the total number of shares it holds represents 9.75% of Sponda Plc's shares and voting rights.

On 31 December 2010 the company had altogether 9,644 shareholders and its ownership structure was as follows:

	Number of shares	Holding, %
Public entities	55,352,642	19.9
Nominee registered	139,109,736	50.1
Financial and insurance institutions, total	4,503,776	1.6
Households	25,097,367	9.0
Private corporations, total	47,761,649	17.2
Non-profit organisations, total	4,103,776	1.5
Foreign owners, total	1,646,516	0.6
Total number of shares	277,575,462	100.0

## **Board of Directors and auditors**

Sponda's Board of Directors has six members: Klaus Cawén, Tuula Entelä, Timo Korvenpää, Lauri Ratia, Arja Talma and Erkki Virtanen. The chairman of the Board is Lauri Ratia and its vice chairman is Timo Korvenpää.

The Board of Directors assesses that, of its members, Klaus Cawén, Tuula Entelä, Timo Korvenpää, Lauri Ratia and Arja Talma are independent of the company and of its major shareholders and Erkki Virtanen is independent of the company.

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 Riitta Pyykkö as the deputy auditor.

## **Committees of the Board of Directors**

The members of the Audit Committee are as follows: Arja Talma (chairman), Timo Korvenpää (vice chairman) and Erkki Virtanen (ordinary member).

The members of the Structure and Remuneration Committee are as follows: Lauri Ratia (chairman), Klaus Cawén (vice chairman) and Tuula Entelä (ordinary member).

## **Management**

Sponda Plc's President and Chief Executive Officer is Kari Inkinen. The Executive Board comprises the President and CEO, the CFO, the SVP Corporate Communications and IR, and the heads of the business units, in total seven persons.

## **Shareholders' Nomination Committee**

Sponda Plc's Shareholders' Nomination Committee decided to propose to the Annual General Meeting on 16 March 2011 that the number of members of the Board of Directors be confirmed as six and that, of the current members, Klaus Cawén, Tuula Entelä, Lauri Ratia, Arja Talma and Erkki Virtanen be re-elected and Raimo Valo be elected as a new member.

The Nomination Committee proposes to the AGM that, for the term of office ending at the 2012 Annual General Meeting, the members elected to the Board of Directors at the AGM be paid an annual fee as follows: to the chairman a fee of EUR 60,000, to the vice chairman a fee of EUR 36,000 and to the ordinary members a fee of EUR 31,200. In addition, the Nomination Committee proposes that each Board member be paid an attendance fee of EUR 600 per meeting, including the meetings of the Board committees. The Nomination Committee proposes that 40% of the annual fee be paid in Sponda Plc shares to be acquired on the market. The shares will be acquired within two weeks of the date of publication of the January-March 2011 interim report.

Sponda's Board of Directors will include the proposals in the invitation to the AGM to be published at a later date.

The members of the Nomination Committee were the three largest shareholders on 1 November 2010:

Solidium Oy, Kari Järvinen  
Ilmarinen Mutual Pension Insurance Company, Timo Ritakallio and  
Varma Mutual Pension Insurance Company, Risto Murto.

## **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 company has set company level objectives for 2011 related to, among other things, reducing energy consumption in properties owned by Sponda, adopting a low energy concept in new sites developed by the company, reducing the environmental load of its operations and creating a healthy and satisfying working environment for its clients. Environmental responsibility is also extended to properties owned by Sponda in Russia, with the aim of reducing electricity and water consumption, particularly in Moscow.

Sponda's own head office in Helsinki has been granted Green Office certification by the WWF and the company signed an agreement on a broader partnership with WWF in late 2010. As one outcome of the partnership, Sponda's tenants will receive tips on how to save energy and the opportunity to benefit from Sponda's and WWF's extensive expertise and experience in environmental responsibility as a whole.

## **Events after the end of the period**

Sponda Plc's Shareholders' Nomination Committee decided on its proposal to the Annual General Meeting of 16 March 2011 regarding the composition and fees of the Board of Directors. More information on the proposal is provided in the section on the Shareholders' Nomination Committee.

## **Prospects**

Sponda expects the vacancy rates of its investment properties to continue falling in 2011. This assessment is based on the 2011 growth forecasts for the Finnish economy and increased demand for properties in prime locations.

The company expects net operating income in 2011 to exceed that of 2010. This expected increase is based on the predicted fall in vacancy rates and the completion of property development projects during the year.

## **Risks and uncertainty factors in the near future**

Sponda believes that the key risks and uncertainty factors in the current financial period arise from the possible slowing down of economic growth and relate to a decline in economic occupancy rates and a fall in rental income resulting from the insolvency of tenants.

For Sponda's property development projects, the key risks are related to the degree of success in leasing premises and the potential increase in construction costs. Higher than expected vacancy rates in newly completed business premises would have an impact on the Group's total vacancy rate and, as a result, have a negative effect on the Group's net operating income.

The differences between Russian and Finnish legislation and the way the authorities operate in the two countries may cause additional risks for Sponda. The operations in Russia increase Sponda's foreign exchange risk. Changes in exchange rates may cause exchange rate losses that have a negative impact on the company's financial result. Sponda hedges the currency denominated cash flow from Russia for six months in advance.

A rapid and sharp rise in market interest rates in 2011 would increase Sponda's financial expenses, which would have a negative impact on the company's result.

### **Annual General Meeting and dividend**

The Board of Directors of Sponda Plc proposes that the Annual General Meeting be held on 16 March 2011 and proposes to the Annual General Meeting that a dividend of EUR 0.15 per share be paid.

### **New disclosure procedure**

Sponda Plc follows the new disclosure procedure enabled by Standard 5.2b published by the Finnish Financial Supervision Authority and hereby publishes its financial statement bulletin enclosed to this stock exchange release. Sponda Plc's financial statement bulletin is attached to this release in pdf format and is also available on the company's web site at [www.sponda.fi](http://www.sponda.fi).

3 February 2011  
Sponda Plc  
Board of Directors

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**Sponda Plc**
**Consolidated income statement (IFRS)**
**Me**

	10-12/10	10-12/09	1-12/10	1-12/09
<i>Total revenue</i>				
<i>Rental income and recoverables</i>	<b>56.6</b>	56.4	<b>224.9</b>	230.3
<i>Interest income from finance leasing agreements</i>	<b>0.1</b>	0.1	<b>0.3</b>	0.3
<i>Fund management fees</i>	<b>1.8</b>	1.7	<b>6.9</b>	6.6
	<b>58.5</b>	58.3	<b>232.1</b>	237.2
<i>Expenses</i>				
<i>Maintenance expenses</i>	<b>-15.6</b>	-14.7	<b>-61.9</b>	-59.5
<i>Direct fund expenses</i>	<b>-0.4</b>	-0.5	<b>-1.5</b>	-1.9
	<b>-16.0</b>	-15.2	<b>-63.3</b>	-61.4
<i>Net operating income</i>	<b>42.5</b>	43.0	<b>168.7</b>	175.8
<i>Profit/loss on sales of investment properties</i>	<b>2.5</b>	-0.2	<b>5.8</b>	0.3
<i>Valuation gains/losses on fair value assessment</i>	<b>33.4</b>	-12.9	<b>44.4</b>	-169.3
<i>Profit/loss on sales of trading properties</i>	<b>10.6</b>	1.3	<b>19.4</b>	4.0
<i>Sales and marketing expenses</i>	<b>-0.5</b>	-0.5	<b>-1.4</b>	-1.5
<i>Administrative expenses</i>	<b>-5.0</b>	-5.4	<b>-19.0</b>	-20.5
<i>Share of result of associated companies</i>	<b>0.0</b>	-0.1	<b>0.1</b>	0.0
<i>Other operating income</i>	<b>0.0</b>	0.1	<b>0.2</b>	0.8
<i>Other operating expenses</i>	<b>-0.5</b>	-2.0	<b>-2.1</b>	-2.9
<i>Operating profit</i>	<b>83.0</b>	23.5	<b>216.2</b>	-13.3
<i>Financial income</i>	<b>0.2</b>	0.7	<b>1.7</b>	2.1
<i>Financial expenses</i>	<b>-13.7</b>	-16.1	<b>-60.3</b>	-67.2
<i>Financial income and expenses, net</i>	<b>-13.5</b>	-15.4	<b>-58.5</b>	-65.0
<i>Result before taxes</i>	<b>69.5</b>	8.1	<b>157.7</b>	-78.3
<i>Income taxes for current and previous fiscal years</i>	<b>-1.2</b>	-1.3	<b>-3.6</b>	-3.2
<i>Deferred taxes</i>	<b>-14.1</b>	-0.5	<b>-33.7</b>	-0.1
<i>Income taxes, total</i>	<b>-15.3</b>	-1.7	<b>-37.3</b>	-3.3
<i>Profit/loss for the period</i>	<b>54.2</b>	6.3	<b>120.4</b>	-81.6
<i>Attributable to:</i>				
<i>Equity holders of the parent company</i>	<b>54.2</b>	6.4	<b>120.6</b>	-81.5
<i>Non-controlling interest</i>	<b>0.0</b>	0.0	<b>-0.2</b>	-0.1
<i>Basic and diluted earnings per share based on profit attributable to equity holders of the parent company, e</i>	<b>0.19</b>	0.01	<b>0.40</b>	-0.40
<i>Average number of shares, million</i>				
<i>Basic and diluted, million</i>	<b>277.6</b>	277.6	<b>277.6</b>	230.6
<i>Consolidated statement of comprehensive income (IFRS)</i>				

<i>Profit/loss for the period</i>	<b>54.2</b>	6.3	<b>120.4</b>	-81.6
<i>Other comprehensive income</i>				
<i>Net loss/profit from hedging cash flow</i>	<b>10.6</b>	5.4	<b>9.3</b>	-10.4
<i>Translation difference</i>	<b>0.2</b>	1.0	<b>1.4</b>	0.7
<i>Taxes on comprehensive income</i>	<b>-2.7</b>	-1.7	<b>-2.2</b>	2.4
<i>Other comprehensive income for period after taxes</i>	<b>8.2</b>	4.6	<b>8.4</b>	-7.3
<i>Comprehensive profit/loss for the period</i>	<b>62.4</b>	11.0	<b>128.8</b>	-88.9
<i>Allocation of comprehensive profit/loss for the period:</i>				
<i>Equity holders of the parent company</i>	<b>62.4</b>	11.0	<b>129.0</b>	-88.8
<i>Non-controlling interest</i>	<b>0.0</b>	0.0	<b>-0.2</b>	-0.1

### Consolidated balance sheet (IFRS) Me

<i>ASSETS</i>	<b>31.12.2010</b>	31.12.2009
<i>Non-current assets</i>		
<i>Investment properties</i>	<b>2,870.6</b>	2,767.5
<i>Investments in real estate funds</i>	<b>59.8</b>	56.2
<i>Property, plant and equipment</i>	<b>13.6</b>	14.3
<i>Goodwill</i>	<b>14.5</b>	14.5
<i>Other intangible assets</i>	<b>0.4</b>	0.0
<i>Finance lease receivables</i>	<b>2.7</b>	2.7
<i>Investments in associated companies</i>	<b>2.0</b>	2.8
<i>Long-term receivables</i>	<b>7.5</b>	7.4
<i>Deferred tax assets</i>	<b>36.9</b>	41.1
<i>Total non-current assets</i>	<b>3,008.1</b>	2,906.6
<i>Current assets</i>		
<i>Trading properties</i>	<b>10.3</b>	22.8
<i>Trade and other receivables</i>	<b>41.1</b>	31.6
<i>Cash and cash equivalents</i>	<b>27.0</b>	29.1
<i>Total current assets</i>	<b>78.4</b>	83.6
<i>Total assets</i>	<b>3,086.5</b>	2,990.2
<i>EQUITY AND LIABILITIES</i>		
<i>Equity attributable to equity holders of parent company</i>		
<i>Share capital</i>	<b>111.0</b>	111.0
<i>Share premium fund</i>	<b>159.5</b>	159.5
<i>Translation differences</i>	<b>0.6</b>	-0.9
<i>Fair value fund</i>	<b>-20.6</b>	-27.4
<i>Revaluation fund</i>	<b>0.6</b>	0.6
<i>Reserve for invested unrestricted equity</i>	<b>412.0</b>	412.0
<i>Other equity reserve</i>	<b>129.0</b>	129.0

<i>Retained earnings</i>	<b>407.0</b>	328.0
	<b>1,199.1</b>	1,111.7
<i>Non-controlling interest</i>	<b>1.7</b>	1.8
<i>Total equity</i>	<b>1,200.8</b>	1,113.6
<i>Liabilities</i>		
<i>Non-current liabilities</i>		
<i>Interest-bearing loans and borrowings</i>	<b>1,399.4</b>	1,287.2
<i>Provisions</i>	<b>0.0</b>	0.0
<i>Other liabilities</i>	<b>25.5</b>	30.5
<i>Deferred tax liabilities</i>	<b>221.0</b>	193.8
<i>Total non-current liabilities</i>	<b>1,645.9</b>	1,511.4
<i>Current liabilities</i>		
<i>Current interest-bearing loans and borrowings</i>	<b>173.2</b>	310.6
<i>Trade and other payables</i>	<b>66.5</b>	54.5
<i>Total current liabilities</i>	<b>239.7</b>	365.2
<i>Total liabilities</i>	<b>1,885.7</b>	1,876.6
<i>Total equity and liabilities</i>	<b>3,086.5</b>	2,990.2
<i>Interest-bearing liabilities</i>	<b>1,572.6</b>	1,597.8

#### Consolidated statement of cash flows (IFRS) Me

	<b>1-12/2010</b>	<b>1-12/2009</b>
<i>Cash flow from operating activities</i>		
<i>Net profit/loss for the period</i>	<b>120.4</b>	-81.6
<i>Adjustments</i>	<b>42.7</b>	243.4
<i>Change in net working capital</i>	<b>12.1</b>	19.1
<i>Interest received</i>	<b>0.7</b>	1.2
<i>Interest paid</i>	<b>-61.4</b>	-78.4
<i>Other financial items</i>	<b>-10.2</b>	-5.1
<i>Dividends received</i>	<b>0.0</b>	0.0
<i>Dividends received from associated companies</i>	<b>0.9</b>	0.5
<i>Taxes received/paid</i>	<b>-2.7</b>	-3.0
<i>Net cash flow from operating activities</i>	<b>102.6</b>	96.0
<i>Cash flow from investing activities</i>		
<i>Investments in investment properties</i>	<b>-75.9</b>	-77.2
<i>Investments in real estate funds</i>	<b>-5.4</b>	-3.9
<i>Investments in tangible and intangible assets</i>	<b>-0.5</b>	-0.3
<i>Proceeds from sale of investment properties</i>	<b>41.5</b>	40.6
<i>Proceeds from sale of intangible and tangible assets</i>	<b>0.0</b>	-
<i>Repayment of loan receivables</i>	<b>0.8</b>	0.0
<i>Net cash flow from investing activities</i>	<b>-39.5</b>	-40.8
<i>Cash flow from financing activities</i>		
<i>Proceeds from share issue</i>	<b>-</b>	200.2
<i>Non-current loans, raised</i>	<b>715.1</b>	91.2

<i>Non-current loans, repayments</i>	<b>-600.3</b>	-248.0
<i>Current loans, raised / repayments</i>	<b>-136.0</b>	-73.7
<i>Interest paid on equity bond</i>	<b>-11.4</b>	-11.4
<i>Dividends paid</i>	<b>-33.3</b>	-
<i>Net cash flow from financing activities</i>	<b>-65.9</b>	-41.7
<i>Change in cash and cash equivalents</i>	<b>-2.7</b>	13.6
<i>Cash and cash equivalents, start of period</i>	<b>29.1</b>	16.0
<i>Impact of changes in exchange rates</i>	<b>0.6</b>	-0.5
<i>Cash and cash equivalents, end of period</i>	<b>27.0</b>	29.1

### Changes in Group shareholders' equity Me

	Share capital	Share premium reserve	Translation differences	Fair value reserve	Re-valuation reserve	Invested non-restricted equity
<i>Equity at 31 Dec 2008</i>	111.0	159.5	-1.4	-19.7	0.6	209.7
<i>Comprehensive income for period</i>			0.4	-7.7		
<i>Change</i>						202.3
<i>Equity at 31 Dec 2009</i>	111.0	159.5	-0.9	-27.4	0.6	412.0
	Other equity reserve	Retained earnings	Total	Non-controlling interest	Total equity	
<i>Equity at 31 Dec 2008</i>	129.0	418.4	1,007.1	1.8	1,008.9	
<i>Comprehensive income for period</i>		-81.5	-88.8	-0.1	-88.9	
<i>Interest paid on equity bond</i>		-8.4	-8.4		-8.4	
<i>Change</i>		-0.5	201.7	0.2	202.0	
<i>Equity at 31 Dec 2009</i>	129.0	328.0	1,111.7	1.8	1,113.6	
	Share capital	Share premium reserve	Translation differences	Fair value reserve	Re-valuation reserve	Invested non-restricted equity
<i>Equity at 31 Dec 2009</i>	111.0	159.5	-0.9	-27.4	0.6	412.0
<i>Comprehensive income for period</i>			1.5	6.9		
<i>Equity at 31 Dec 31.12.2010</i>	111.0	159.5	0.6	-20.6	0.6	412.0

	Other equity reserve	Retained earnings	Total	Non- controlling interest	Total equity
<i>Equity at 31 Dec 2009</i>	129.0	328.0	1,111.7	1.8	1,113.6
<i>Comprehensive income for period</i>		120.6	129.0	-0.2	128.8
<i>Interest paid on equity bond</i>		-8.4	-8.4		-8.4
<i>Dividend paid</i>		-33.3	-33.3		-33.3
<i>Change</i>		0.1	0.1		0.1
<i>Equity at 31 Dec 2010</i>	129.0	407.0	1,199.1	1.7	1,200.8

## Notes to the consolidated financial statements

### Accounting principles

This financial statements bulletin has been prepared in accordance with IAS 34, Interim Financial Reporting, applying those IFRS standards and interpretations that are valid on 31 December 2010.

The figures in the financial statements bulletin are presented in millions of euros and rounded to the nearest EUR 0.1 million, in which case the sum of individual figures may deviate from the total shown.

More detailed information on the accounting principles can be found in Sponda Plc's consolidated financial statements for the year 2010.

The figures in the financial statements bulletin have not been audited.

### Income statement by segment Me

<i>Income statement 1-12/2010</i>	Office and retail	Shopping centres	Logistics	Property develop ment	Russia	Real estate funds	Other	Group
<i>Total revenue</i>	<b>122.6</b>	<b>39.7</b>	<b>36.6</b>	<b>2.3</b>	<b>23.6</b>	<b>7.2</b>	<b>0.0</b>	<b>232.1</b>
<i>Maintenance expenses and direct fund expenses</i>	-34.0	-8.3	-11.8	-1.8	-5.9	-1.5	0.0	-63.3
<i>Net operating income</i>	<b>88.6</b>	<b>31.4</b>	<b>24.8</b>	<b>0.5</b>	<b>17.7</b>	<b>5.7</b>	<b>0.0</b>	<b>168.7</b>
<i>Profit on sale of investment properties</i>	2.3	0.0	0.3	3.2	0.0	0.0	0.0	5.9
<i>Loss on sale of investment properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Profit/loss on sale of trading properties</i>	7.6	0.0	2.9	8.9	0.0	0.0	0.0	19.4
<i>Valuation gains/losses on fair value assessment</i>	14.9	1.1	3.1	-0.2	21.7	3.9	0.0	44.4
<i>Administration and marketing</i>	-6.3	-1.2	-1.1	-3.6	-2.7	-5.5	0.0	-20.4
<i>Other operating income and expenses</i>	0.0	0.0	0.0	-1.5	-0.3	0.0	0.0	-1.8
<b><i>Operating profit/loss</i></b>	<b>107.1</b>	<b>31.3</b>	<b>30.0</b>	<b>7.3</b>	<b>36.3</b>	<b>4.2</b>	<b>0.0</b>	<b>216.2</b>
<i>Financial income and expenses</i>							-58.5	-58.5
<i>Profit/loss before taxes</i>							-58.5	157.7
<i>Income tax</i>							-37.3	-37.3
<i>Profit/loss for the period</i>							-95.8	120.4
<i>Investments</i>	25.1	1.5	19.7	30.6	0.4	5.4	0.4	83.1
<i>Segment assets</i>	1,461.8	557.1	422.5	242.2	204.2	59.8	138.9	3,086.5
<i>Economic occupancy rate</i>	87.7	98.1	75.8		96.4			88.0

<i>Income statement 1-12/2009</i>	Office and retail	Shopping centres	Logistics	Property develop ment	Russia	Real estate funds	Other	Group
<i>Total revenue</i>	<b>129.0</b>	<b>39.3</b>	<b>38.6</b>	<b>1.4</b>	<b>21.8</b>	<b>6.9</b>	<b>0.0</b>	<b>237.2</b>

Maintenance expenses and direct fund expenses	-32.7	-8.0	-11.2	-2.2	-5.5	-1.9	0.0	-61.4
Net operating income	<b>96.3</b>	<b>31.4</b>	<b>27.4</b>	<b>-0.8</b>	<b>16.4</b>	<b>5.0</b>	<b>0.0</b>	<b>175.8</b>
Profit on sale of investment properties	0.3	0.0	1.4	0.0	0.0	0.0	0.0	1.6
Loss on sale of investment properties	-0.3	0.0	-1.1	0.0	0.0	0.0	0.0	-1.3
Profit/loss on sale of trading properties	3.0	0.0	0.0	1.1	0.0	0.0	0.0	4.0
Valuation gains/losses on fair value assessment	-46.2	-11.3	-30.9	3.6	-81.9	-2.5	0.0	-169.3
Administration and marketing	-6.6	-1.3	-1.3	-3.3	-3.4	-6.1	0.0	-22.0
Other operating income and expenses	0.1	-0.1	0.0	-0.6	-1.5	0.0	0.0	-2.1
<b>Operating profit/loss</b>	<b>46.5</b>	<b>18.7</b>	<b>-4.5</b>	<b>0.0</b>	<b>-70.4</b>	<b>-3.6</b>	<b>0.0</b>	<b>-13.3</b>
Financial income and expenses							-65.0	-65.0
Profit/loss before taxes							-65.0	-78.3
Income tax							-3.3	-3.3
Profit/loss for the period							-68.3	-81.6
Investments	14.4	13.2	0.8	23.5	1.4	3.9	0.4	57.6
Segment assets	1,428.5	543.6	396.1	235.1	181.4	56.2	149.3	2,990.2
Economic occupancy rate	87.9	96.4	74.5		88.2			86.6

## Direct and indirect result

Direct result represents the result from the Group's core business. Direct result is calculated by adjusting the consolidated income statement with, among other things, changes in the fair value of properties and financing instruments, profit/loss on sales of properties, amortisation of goodwill and other income and expenses that the company considers non-direct items.

<b>Me</b>	<b>10-12/10</b>	10-12/09	<b>1-12/10</b>	1-12/09
<i>Direct result</i>				
Net operating income	<b>42.5</b>	43.0	<b>168.7</b>	175.8
Realised share of profit from real estate funds	<b>1.4</b>	1.6	<b>5.6</b>	5.8
Marketing and administration	<b>-5.5</b>	-5.8	<b>-20.4</b>	-22.0
Other income and expenses for business operations	<b>-0.3</b>	-1.7	<b>-1.0</b>	-1.1
Financial income and expenses	<b>-15.6</b>	-16.4	<b>-58.0</b>	-68.7
Taxes based on direct result	<b>-1.6</b>	-0.9	<b>-1.8</b>	-3.2
Deferred taxes based on direct result	<b>-1.5</b>	0.3	<b>-19.2</b>	-19.1
Non-controlling share of direct result	<b>0.0</b>	0.0	<b>0.0</b>	0.0
<b>Total</b>	<b>19.5</b>	20.0	<b>74.0</b>	67.4
<i>Indirect result</i>				
Profit/loss on sales of investment properties	<b>2.5</b>	-0.2	<b>5.8</b>	0.3
Valuation gains/losses on fair value assessment	<b>31.9</b>	-14.4	<b>38.8</b>	-175.1
Profit/loss on sales of trading properties	<b>10.6</b>	1.3	<b>19.4</b>	4.0
Marketing and administration	<b>0.0</b>	0.0	<b>0.0</b>	0.0
Other income and expenses for business	<b>-0.3</b>	-0.3	<b>-0.8</b>	-1.0



<i>operations</i>				
<i>Financial income and expenses</i>	<b>2.1</b>	1.0	<b>-0.5</b>	3.7
<i>Taxes based on indirect result</i>	<b>0.5</b>	-0.3	<b>-1.8</b>	0.0
<i>Deferred taxes based on indirect result</i>	<b>-12.7</b>	-0.7	<b>-14.5</b>	19.0
<i>Non-controlling share of indirect result</i>	<b>0.0</b>	0.0	<b>0.2</b>	0.1
<i>Total</i>	<b>34.7</b>	-13.6	<b>46.6</b>	-148.9

### Key figures by quarter

	<b>Q4/2010</b>	Q3/2010	Q2/2010	Q1/2010	Q4/2009
<i>Total revenue</i>	<b>58.5</b>	57.7	58.3	57.6	58.3
<i>Net operating income</i>	<b>42.5</b>	42.8	43.0	40.4	43.0
<i>Valuation gains/losses on fair value assessment</i>	<b>33.4</b>	1.1	10.1	-0.1	-12.9
<i>Operating profit/loss</i>	<b>83.0</b>	40.2	56.7	36.3	23.5
<i>Financial income and expenses</i>	<b>-13.5</b>	-13.8	-14.7	-16.6	-15.4
<i>Profit/loss for the period</i>	<b>54.2</b>	19.4	32.4	14.5	6.3
<i>Investment properties</i>	<b>2,870.6</b>	2,795.9	2,798.0	2,768.1	2,767.5
<i>Equity</i>	<b>1,200.8</b>	1,138.5	1,116.1	1,092.0	1,113.6
<i>Interest-bearing liabilities</i>	<b>1,572.6</b>	1,580.5	1,597.7	1,610.4	1,597.8
<i>Earnings per share, e</i>	<b>0.19</b>	0.06	0.11	0.04	0.01
<i>Cash flow from operations per share</i>	<b>0.09</b>	0.09	0.11	0.08	0.07
<i>EPRA NAV</i>	<b>4.59</b>	4.27	4.19	4.10	4.18
<i>Economic occupancy rate, %</i>	<b>88.0</b>	87.4	87.3	86.2	86.6

### Investment properties

<i>Me</i>	<b>31.12.2010</b>	31.12.2009
<i>Fair value of investment properties, start of period</i>	<b>2 767,5</b>	2 915,5
<i>Purchase of investment properties</i>	<b>0,8</b>	0,0
<i>Other investments in investment properties</i>	<b>76,4</b>	53,4
<i>Disposal of investment properties</i>	<b>-37,5</b>	-40,3
<i>Transfers to/from property, plant and equipment</i>	<b>0,0</b>	0,0
<i>Transfers from trading properties</i>	<b>18,4</b>	2,0
<i>Other transfers</i>	<b>0,0</b>	0,0
<i>Capitalised equity expenses, increase in period</i>	<b>4,5</b>	3,7
<i>Valuation gains/losses from fair value assessment</i>	<b>40,5</b>	-166,8
<i>Fair value of investment properties, end of period</i>	<b>2 870,6</b>	2 767,5

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 organized in 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 168.7 (175.8) million during the year. Office and retail premises accounted for 53% of this, shopping centres for 19%, logistics premises for 15%, Russia for 10% and the Real Estate Funds unit for 3%.

On 31 December 2010 Sponda had a total of 192 properties, with an aggregate leasable area of about 1.5 million m<sup>2</sup>. Of this, some 52% is office and retail premises, 10% shopping centres and 35% logistics premises. Approximately 3% 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 assessment 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 a year by external experts to ensure that the parameters and values used in calculations are based on market observations.

At the end of 2010, Catella Property Oy assessed the values of Sponda's investment properties in Finland and CB Richard Ellis assessed the values of the company's properties in Russia. The change in the fair value of Sponda's investment properties in 2010 was EUR 40.5 (-166.8) million for the full year and EUR 32.3 (-11.7) million for October-December. Sponda's largest project, the City-Center shopping complex in Helsinki, was assessed at fair value as an incomplete project in the end of 2010 and did not have a material impact on the company's result.

The change in the fair value of the company's Russian properties in the final quarter of the year, EUR 13.8 million, is almost entirely the result of changes in the yield requirements for properties in Moscow. The valuation statements of both Finnish and Russian properties are available in Sponda's internet-pages at [www.sponda.fi/Investors/Performance](http://www.sponda.fi/Investors/Performance).

### The Group's most significant investment commitments

Construction of the office building being developed in the inner court of the City-Center shopping complex progressed according to plan. The office building and the new retail premises developed in the second phase of the shopping complex are scheduled for completion in summer 2011. The City-Center refurbishment project is expected to be completed for the most part in 2012 with a total investment of approximately EUR 125 million.

The company is developing a production facility in the Hakkila district of Vantaa with a total area of approximately 22,000 m<sup>2</sup>. The facility has been leased in its entirety to Metso Automation. Sponda will also lease to Metso approximately 12,000 m<sup>2</sup> of renovated office and warehouse space in the Honkatalo office building adjacent to the newly developed production facility. The total investment is estimated at approximately EUR 40 million and work is scheduled for completion in early 2011.

Sponda is carrying out development projects for the Ratina shopping complex in Tampere and related areas. The current plans are for a shopping centre with a total area of 55,000 m<sup>2</sup> and a total investment of approximately EUR 200 million. The marketing of the property is still on-going and no final decision on the investment has been made.

### Property, plant and equipment Me

	31 Dec 2010	31 Dec 2009
<i>Carrying amount, start of period</i>	<b>14.3</b>	14.5
<i>Additions</i>	<b>0.0</b>	0.3
<i>Disposals</i>	<b>0.0</b>	-
<i>Reclassifications to/from investment properties</i>	-	-
<i>Other transfers</i>	-	-
<i>Depreciation for the period</i>	<b>-0.7</b>	-0.5
<i>Carrying amount, end of period</i>	<b>13.6</b>	14.3

**Trading properties**  
**Me**

	<b>31 Dec 2010</b>	31 Dec 2009
<i>Carrying amount, start of period</i>	<b>22.8</b>	29.5
<i>Disposals and other changes</i>	<b>-2.9</b>	-4.7
<i>Increases</i>	-	-
<i>Reclassifications to investment properties</i>	<b>-9.6</b>	-2.0
<i>Carrying amount, end of period</i>	<b>10.3</b>	22.8

**Contingent liabilities**  
**Collateral and commitments given by the Group**  
**Me**

	<b>31 Dec 2010</b>	31 Dec 2009
<i>Loans from financial institutions, covered by collateral</i>	<b>141.1</b>	141.3
<i>Mortgages</i>	<b>269.2</b>	269.2
<i>Book value of pledged shares</i>	<b>18.6</b>	17.5
<i>Guarantees</i>	-	-
<i>Total collateral</i>	<b>287.7</b>	286.7
<b>Lease and other liabilities</b>	<b>31 Dec 2010</b>	31 Dec 2009
<b>Me</b>		
<i>Lease liabilities</i>	<b>100.8</b>	103.3
<i>Mortgages</i>	<b>3.9</b>	3.0
<i>Guarantees</i>	<b>15.7</b>	16.2
<i>Investment commitments to property funds</i>	<b>12.9</b>	18.3
<b>Interest derivatives</b>	<b>31 Dec 2010</b>	31 Dec 2009
<b>Me</b>		
<i>Swap contracts, notional value</i>	<b>822.8</b>	1,027.8
<i>Swap contracts, fair value</i>	<b>-27.6</b>	-37.0
<i>Cap options purchased, notional value</i>	<b>600.0</b>	512.5
<i>Cap options purchased, fair value</i>	<b>6.2</b>	3.6
<i>Forward rate agreements, notional value</i>	-	-
<i>Forward rate agreements, fair value</i>	-	-
<b>Currency derivatives</b>	<b>31 Dec 2010</b>	31 Dec 2009
<b>Me</b>		
<i>Currency forward, notional value</i>	-	-
<i>Currency forward, fair value</i>	-	-
<i>Currency options, bought, notional value</i>	<b>5.9</b>	4.9
<i>Currency options, bought, fair value</i>	<b>0.1</b>	0.0
<i>Currency options, put, notional value</i>	<b>4.9</b>	4.9
<i>Currency options, put, fair value</i>	<b>-0.1</b>	-0.1

**Key figures**

	10-12/10	10-12/09	1-12/10	1-12/09
<i>Earnings per share, e</i>	<b>0.19</b>	0.01	<b>0.40</b>	-0.40
<i>Equity ratio, %</i>			<b>39</b>	37
<i>Gearing, %</i>			<b>129</b>	141
<i>Equity per share, e</i>			<b>3.86</b>	3.54
<i>Cash flow from operations per share, e</i>	<b>0.09</b>	0.07	<b>0.37</b>	0.45

### Calculation of financial ratios

Earnings per share, e	=	$\frac{\text{Share of earnings for the period attributable to equity holders of the parent company - interest on hybrid loan allocated to the period}}{\text{Adjusted average number of shares during the period}}$
Equity ratio, %	=	$100 \times \frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}}$
Gearing, %	=	$100 \times \frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Shareholders' equity}}$
Equity per share, e	=	$\frac{\text{Equity attributable to equity holders of the parent company} - \text{Other equity reserve}}{\text{Basic number of shares on the last day of the reporting period}}$
Cash flow from operations per share, e	=	$\frac{\begin{aligned} &\text{Operating profit/loss} \\ &-/+ \text{Valuation gains/losses} \\ &+ \text{Allocation of goodwill} \\ &+ \text{Depreciation in administration} \\ &+/- \text{Changes in provisions} \\ &+/- \text{Defined benefit pension expenses} \\ &- \text{Financial income \& expenses affecting cash flow} \\ &- \text{Taxes affecting cash flow} \\ &+/- \text{Other items} \end{aligned}}{\text{Adjusted average number of shares during the period}}$
EPRA NAV, net assets per share, e	=	$\frac{\begin{aligned} &\text{Equity attributable to equity holders of the parent company} \\ &- \text{Other equity reserve} \\ &+ \text{Deferred tax relating to the fair valuation of property and to property depreciation allowances} \\ &- \text{Goodwill relating to deferred tax liability} \end{aligned}}{\text{Basic number of shares on the last day of the reporting period}}$
EPRA Earnings per share, M€	=	$\begin{aligned} &\text{Net operating income} \\ &+ \text{Realised profit from real estate funds} \\ &- \text{Marketing and administration expenses} \\ &+/- \text{Other operating income and expenses} \end{aligned}$

EPRA Net Initial Yield (NIY), %	=	$\frac{\text{Annualised net rents}}{\text{Investment properties}}$ - Property development + Allowance for estimated purchasers' costs
EPRA "topped up" NIY, %	=	$\frac{\text{Annualised net rents} + \text{Known rental increases, rent-free periods etc.}}{\text{Investment properties}}$ - Property development + Allowance for estimated purchasers' costs

<i>Me</i>	<b>31 Dec 10</b>	31 Dec 09
<i>Salaries and other short-term employee benefits</i>	<b>1.8</b>	1.8
<i>Share-based payments</i>	<b>0.8</b>	0.8
<i>Total</i>	<b>2.6</b>	2.6