SPONDA

Financial Statements 2010

RE/DESIGN

White surfaces and numerous illumination points give Skanno's flagship store a modern look. Skanno seeks to offer visitors a unique experience when they enter the store and display the firm's expertise and philosophy.

Read more about Skanno's flagship store on page 12 of the ReDesign insert.

Financial Statements

Report by the Board of Directors 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 fell, as expected, to EUR 168.7 (175.8) million. Property sales in 2009 and 2010 and higher than average maintenance costs contributed significantly to the decrease. Sponda's operating profit was EUR 216.2 (-13.3) million.

Main events during 2010

Sponda's operations in 2010 focused on reducing of the volume of vacant properties, rearranging financing and increasing property development operations.

In January 2010 Sponda signed an agreement for a 3-year continuation of its EUR 57.6 million loan. In May it also released a EUR 100 million 5-year bond, which was fully subscribed. In November 2010 Sponda signed a credit facility of EUR 650 million, which consisted of a 3-year EUR 100 million credit limit and a 5-year EUR 550 million syndicated credit facility. All the credit arrangements were completed with existing creditors. The loans were used to repay existing debts.

In 2010 Sponda continued divesting properties which were not aligned with its strategy. The property sales amounted to EUR 56.8 million. In June 2010 Sponda sold land areas worth EUR 9.5 million in the Helsinki Metropolitan Area. In Hakuninmaa, Helsinki, a two-hectare land plot was sold for housing construction for EUR 6.5 million, and in the centre of Kauniainen a plot was sold for EUR 3 million to Skanska Talonrakennus Oy. In September, an office building in the centre of Turku was sold for EUR 15 million. Several smaller properties were also sold at a total price of EUR 23 million.

In July 2010 the Supreme Administrative Court ruled in Sponda's favour in a case regarding the deductibility of confirmed losses of Sponda Kiinteistöt Oy. This ruling cannot be appealed. The ruling has no impact on the 2010 result. A more detailed account of the tax case is available in Sponda's financial statements from 31 December 2009 and in the interim report for Q1/2010 published on 5 May 2010.

Sponda's property development operations continued in compliance with strategy. Construction of an office building continues at the largest property development site, in the inner court of the City-Center retail complex. New retail premises are being built on the first and second floor of the complex and in place of the parking deck on the third floor. The second phase office and retail premises will be completed in summer 2011. The total costs of the project amount to EUR 125 million and the main part of the project is expected to be completed at the end of 2012.

Sponda is also developing a production facility in the Hakkila district of Vantaa with a total area of approximately 22,000 m^2. It has been fully leased to Metso Automation. Sponda will also lease approximately 12,000 m^2 of office and storage facilities from the adjacent Honkatalo building to Metso. Renovations are being conducted on the premises. The total investment is estimated to amount to some EUR 40 million. The site will be completed in the first half of 2011.

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 if need arises. In 2010 the company's equity ratio was strengthened by property sales. The sales were also used to finance ongoing property development projects.

Sponda's financial objectives are linked to its equity ratio and distribution of dividend. The long-term objective is to attain a 40 per cent equity ratio. The equity ratio was 39 per cent at the end of 2010.

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, however taking into account the financial situation and development needs. The dividend policy aims at a stable dividend payment.

Result of operations and financial position (compared with January–December 2009)

Sponda's result for the year was EUR 120.4 (-81.6) million and the economic occupancy rate was 88.0 per cent (86.6%). The company's result for the period is as follows:

- Total revenue was EUR 232.1 (237.2) million.
- Net operating income was EUR 168.7 (175.8) million.
- Operating profit was EUR 216.2 (-13.3) million. Changes in value account for EUR 44.4 (-169.3) million of this total.
- Earnings/share were EUR 0.40 (-0.40).
- Cash flow from operations/share was EUR 0.37 (0.45).
- The fair value of the investment properties amounted to EUR 2,870.6 (2,767.5) million.
- Net assets/share were EUR 3.86 (3.54).

Financial position

The consolidated balance sheet total was EUR 3,086.5 (31 December 2009: 2,990.2) million. The total value of property assets was EUR 2,880.9 (2,790.3) million, of which EUR 2,870.6 (2,767.5) million accounted for investment properties and EUR 10.3 (22.8) million for trading properties. Investments in real estate funds totalled EUR 59.8 (56.2) million.

Sponda sold properties worth EUR 56.8 (31 December 2009: 49.3) million, recording a sales profit of EUR 16.4 (4.3) million. The balance sheet value of the sold properties was EUR 40.4 (45.0) million. Property maintenance and quality improvement investments totalled EUR 29.9 (21.3) million and property development EUR 46.5 (32.0) million. New property acquisitions amounted to EUR 0.8 (0.0) million.

The consolidated equity at the end of 2010 stood at EUR 1,200.8 (1,113.6) million. The EUR 129.0 sum in the other equity bond is an equity bond issued in July 2008 (a so-called hybrid loan). The debts totalled EUR 1,885.7 (1,876.6) million, of which EUR 1,645.9 (1,511.4) million was long-term debt and EUR 239.7 (365.2) million short-term debt. The total value of interest-bearing debt was EUR 1,572.6 (1,597.8) million.

Key figures showing Sponda Group's financial performance are:

Consolidated key figures	I–12/10	I–12/09	I–12/08[1)]
Economic occupancy rate, %	88.0	86.6	88.5
Total revenue, M€	232.1	237.2	219.6
Net operating income, M€	168.7	175.8	166.8
Net rental revenue/investment property, %	6.3[2)]	6.9[2)]	6.8[2)]
Operating profit, M€	216.2	-13.3	117.3
Equity ratio, %	39.0	37.3	31.9
Gearing ratio, %	128.7	140.9	179.6
Return on equity, %	10.4	-7.7	3.0
Earnings per share, €	0.40	-0.40	0.13
Dividend per share, €	0.15[3)]	0.12	0.00
Total dividend, M€	41.6[3)]	33.3	-
Net assets per share, €	3.86	3.54	4.93
Cash flow from operations per share, €	0.37	0.45	0.78

1) 2008 figures adjusted in accordance with the effects of adopting IAS 23.
2) Excluding Property Development.
3) Board proposal.

Financing

Key items in the Group cash flows:

M€	I–12/10	I–12/09
Net cash flow from operations	102.6	96.0
Net cash flow from investments	-39.5	-40.8
Net cash flow from financing	-65.9	-41.7
Change in cash and cash equivalents	-2.7	13.6
Cash and cash equivalents, start of period	29.1	16.0
Impact of changes in exchange rates	0.6	-0.5
Cash and cash equivalents, end of period	27.0	29.1

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

The Group's interest-bearing liabilities at the end of the year totalled EUR 1,572.6 (1,597.8) million. Sponda Group's debt portfolio on 31 December 2010 comprised EUR 675 million in syndicated loans, EUR 250 million in bonds, EUR 17 million in issued 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 worth EUR 141.1 million, i.e. 4.6 per cent of the balance sheet total. The average maturity of the loans was 3.2 (2.4) years. The average interest rate was 3.8 (3.7) per cent, including interest-rate derivatives. Fixed-interest and interest-hedged loans accounted for 84 (65) per cent of the loan portfolio. The average interest rate re-fixing period of the debt portfolio was 2.2 (1.8) years. The interest cover ratio, which reflects solvency, was 3.0 (2.7). Net financial expenses amounted to EUR -58,5 (-65.0) million.

Sponda's equity ratio on 31 December 2010 stood at 39 (31 December 2009: 37) per cent and gearing ratio was 129 (141) per cent. Sponda applies hedge accounting to the interest rate derivatives which meet the criteria for hedge accounting. For these derivatives, the change in fair value is recognized in equity in the balance sheet. The changes in fair value of other interest rate derivatives and currency options are reported in the income statement.

Business conditions – Finland

The volume of property deals closed increased towards the end of 2010, and KTI Property Information Ltd reported that the value of property transactions by the end of November was approximately EUR 1.7 billion. The total volume for the year is estimated to rise to EUR 2 billion, which is slightly more than in 2009. The availability of funding for property transactions has improved, but banks still finance only low-risk acquisitions with reasonable loan-to-value ratios.

The increase in vacancy rates in the Helsinki Metropolitan Area offices is believed to have passed its peak at the end of 2010. The vacancy rates are forecasted to turn in early 2011.

The decline in office rent levels ended in the spring and summer of 2010. Rentals are now lower than before the financial crisis, but offices in central Helsinki and Ruoholahti area as well as retail premises all over the Helsinki Metropolitan Area have held up well and rental levels are believed to have begun increasing in late 2010.

Business conditions – Russia

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

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

Sponda's operations in 2010

Sponda owns, leases and develops business properties in the Helsinki Metropolitan Area and the largest cities in Finland, as well as in Russia. Sponda's operations are organised 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 Properties accounted for 53 per cent of this, Shopping Centres 19 per cent, Logistics Properties 15 per cent, Russia for 10 per cent and Real Estate Funds for 3 per cent.

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 for lease agreements that came into effect during the period. The figures for expired lease agreements and new agreements that came into effect in the fourth quarter were as follows:

	Agreements	m^2	€/m^2/month (average)
Came into effect during the period	101	30,966	12.03
Expired during the period	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 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 per cent for office and retail premises, 9.2 per cent for shopping centres, -0.6 per cent for logistics premises and -6.4 per cent 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:

Type of property, %	31.12.10	30.9.10	30.6.10	31.3.10	31.12.09
Office and retail	87.7	87.7	87.7	86.5	87.9
Shopping centres	98.1	98.2	96.7	96.5	96.4
Logistics	75.8	74.8	75.9	76.0	74.5
Russia	96.4	93.3	91.5	87.4	88.2
Total property portfolio	88.0	87.4	87.3	86.2	86.6

Geographical area, %	31.12.10	30.9.10	30.6.10	31.3.10	31.12.09
Helsinki business centre	89.8	89.4	88.6	86.5	86.2
Helsinki Metropolitan Area	84.3	84.3	84.2	84.0	84.8
Turku, Tampere, Oulu	96.8	96.0	96.7	95.5	95.7
Russia	96.4	93.3	91.5	87.4	88.2
Total property portfolio	88.0	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 per cent of the company's total rental income. Sponda's tenants by sector were as follows:

Sector	% of rental income
Professional, scientific and technical activities	8.4
Energy	0.6
Public sector	10.9
Wholesale/retail	26.9
Education	1.2
Logistics/transport	7.0
Hotel and catering business	3.8
Media/publishing	1.7
Other services	7.9
Banking/investment	10.2
Construction	1.8
Industry/manufacturing	6.4
Healthcare	3.9
Telecommunications	6.0
Other	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 premises, 4.7 years for shopping centres and 4.5 years for logistics properties. The lease agreements expire as follows:

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

Property portfolio

On 31 December 2010 Sponda had a total of 192 properties, with an aggregate leasable area of approximately 1.5 million square metres. Some 52 per cent of this was office and retail premises, 10 per cent shopping centres and 35 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 verified on the basis of the company's own cash flow based rental value assessment. The assessment method complies with the International Valuation Standards (IVS). The material used in the assessment of the property portfolio is reviewed at least twice a year by an external evaluator to ensure that the parameters and values used are based on market observations.

At the end of 2010 an assessment of Sponda's investment properties was conducted by Catella Property Group in Finland and by CB Richard Ellis in Russia. The change in fair value of investment properties in 2010 was EUR 40.5 (-166.8) million. Sponda's largest project, City-Center in Helsinki, was measured at fair value at the end of 2010 and did not have a material impact on the company's result.

The change in value in the last quarter in Russia, EUR 13.8 million, was almost solely due to changes in yield requirements of the Moscow properties. The change in fair value of the properties held by the real estate funds was EUR -1.7 (-8.3) million in 2010. The assessment of the fair values of the properties in the real estate funds at the end of 2010 were made by Jones Lang LaSalle (Sponda Fund I) and by Kiinteistötaito Peltola (Sponda Fund II). The share of profits for real estate funds totalled EUR 5.6 million in 2010. The statements of the property assessments conducted in Finland and Russia are available on Sponda's website at www.sponda.com> Investors> Performance.

Valuation gains/losses on fair value assessment of property, M€	1–12/10	1–12/09
Changes in yield requirements (Finland)	22.9	-54.7
Changes in yield requirements (Russia)	11.5	-49.4
Development gains on property development projects	2.7	-1.2
Modernisation investments	-29.9	-21.3
Change in market rents and maintenance costs (Finland)	23.1	-8.4
Change in market rents and maintenance costs (Russia)	5.0	-26.9(**
Change in currency exchange rates	5.2	-5.0(*
Investment properties, total	**40.5**	**-166.8**
Real estate funds	-1.7	-8.3
Realised share of fund profits	5.6	5.8
Group total	**44.4**	**-169.3**

*) Change in value due to exchange rate fluctuations 6–12/2009
**) Includes changes in value due to exchange rate fluctuations 1–6/2009

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

Sponda's investment properties 1 Jan–31 Dec 2010, M€	Total	Office and Retail Properties	Shopping Centres	Logistics Properties	Property Development	Russia
Operating income	222.2	122.0	39.7	36.6	0.3	23.6
Maintenance costs	-61.1	-33.7	-8.3	-11.8	-1.4	-5.9
Net operating income	**161.1**	**88.3**	**31.4**	**24.8**	**-1.1**	**17.7**
Investment properties on 1 Jan. 2010, incl. cumulative capitalized interest	2,767.5	1,425.8	543.6	396.1	220.6	181.4
Capitalized interest 2010	4.5	0.0	0.0	0.2	3.5	0.8
Acquisitions	0.8	0.0	0.8	0.0	0.0	0.0
Investments	76.4	25.1	0.7	19.7	30.5	0.4
Transfers between segments	18.4	16.5	10.9	8.0	-17.1	0.0
Sales	-37.5	-23.2	0.0	-4.7	-9.6	0.0
Change in fair value	40.5	14.9	1.1	3.1	-0.2	21.7
Investment properties on 31 Dec. 2010	**2,870.6**	**1,459.1**	**557.1**	**422.5**	**227.7**	**204.2**
Change in fair value %	1.5	1.0	0.2	0.8	-0.1	12.0
Annual net operating income/inv. properties at 31 December 2010(*	**6.3%**	**6.1%**	**6.1%**	**5.9%**		**9.6%**
Weighted average yield requirement % for portfolio	7.0	6.6	5.9	8.1		10.7
Weighted average yield requirement % for Finland	6.7					

*) Excluding property development

Investments and divestments

Sponda sold properties worth EUR 56.8 million, recording a sales profit of EUR 16.4 million in 2010. The balance sheet value of the sold properties was EUR 40.4 million.

Properties classified at the time of the acquisition as trading assets that had been leased and that had not been sold in time typical for trading assets, 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 the 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. The increase in investments in property maintenance was due to, among other factors, the ongoing renovation of Unioninkatu 20–22 in Helsinki. The company invested EUR 46.5 million in property development. 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 constructed in the Hakkila district of Vantaa.

Office and Retail Properties

M€	1–12/10	1–12/09
Total revenue	122.6	129.0
Net operating income	88.6	96.3
Operating profit	107.1	46.5
Economic occupancy rate, %	87.7	87.9
Fair value of properties, M€	1,459.1	1,425.8
Change in fair value after 1 Jan., M€	14.9	-46.2
Leasable area, m^2	737,000	770,000

Sponda sold office and retail properties for a total of EUR 23.2 million during 2010. No properties were bought. Investments in property maintenance for the segment totalled EUR 25.0 million.

Shopping Centres

M€	1–12/10	1–12/09
Total revenue	39.7	39.3
Net operating income	31.4	31.4
Operating profit	31.3	18.7
Economic occupancy rate, %	98.1	96.4
Fair value of properties, M€	557.1	543.6
Change in fair value after 1 Jan., M€	1.1	-11.3
Leasable area, m^2	141,000	140,000

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

Logistics Properties

M€	1–12/10	1–12/09
Total revenue	36.6	38.6
Net operating income	24.8	27.4
Operating profit	30.0	-4.5
Economic occupancy rate, %	75.8	74.5
Fair value of properties, M€	422.5	396.1
Change in fair value after 1 Jan., M€	3.1	-30.9
Leasable area, m^2	514,000	530,000

Sponda sold logistics properties for a total of EUR 4.7 million. No new logistics properties were bought. The company invested EUR 3.7 million in property maintenance.

Property Development

The balance sheet value of Sponda's property development portfolio stood at EUR 227.7 million at year's end 2010. Land value represented EUR 81.4 million of this and the remaining EUR 146.3 million was tied to existing property development projects. A total of EUR 46.5 was invested in property development and projects at the end of 2010, most of this in the City-Center project and in the construction of the Hakkila production facility in Vantaa.

Sponda aims to obtain development gains of 15 per cent on the investment costs for property development projects. Sponda's property development operations comprise new construction projects as well as refurbishment of existing properties. Sponda's largest project, the City-Center complex in Helsinki, was measured at fair value at the end of 2010 and did not have a material impact on the company's result.

M€	City-Center	Hakkila production facility
Total investment, M€	125.0*)	40.0
Invested by 31 December 2010, M€	84.0*)	20.5
Capitalized interest expenses by 31 December 2010, M€	10.1	0.2
Time of completion	mainly end of 2012	early 2011

*) Figure does not include capitalized interest expenses

The construction of an office building in the inner court of the City-Center complex is proceeding according to plan. The office building and the new retail premises developed in the second phase of the shopping centre 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 capital expenditure of approximately EUR 125 million.

Sponda is also developing a production facility in the Hakkila district of Vantaa with a total area of approximately 22,000 m^2, it has been fully leased to Metso Automation. Sponda will also lease approximately 12,000 m^2 of office and storage facilities from the adjacent Honkatalo building to Metso. Renovations are being conducted on the premises. The total investment is estimated to amount to some EUR 40 million. The site will be completed in the first half of 2011.

Sponda will expand the Zeppelin shopping complex in Oulu in the coming year. The project will add some 4,000 m^2 of new retail space for the Prisma hypermarket and 4,700 m^2 of space for specialty retail. Pre-letting of the new premises is over 50 per cent. The total investment in the expansion is approximately EUR 18 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 EUR 6.5 million to modernise the property. The renovation is scheduled to begin within 2011.

Sponda will carry out development projects for the Ratina shopping complex and related facilities in Tampere. The current plans are for a shopping centre with a total floor area of 55,000 m^2 and a total investment of approximately EUR 200 million. The marketing of the property is still ongoing and no final decision on the investment has been made.

Russia

M€	1–12/10	1–12/09
Total revenue	23.6	21.8
Net operating income	17.7	16.4
Operating profit	36.3	-70.4
Economic occupancy rate, %	96.4	88.2
Fair value of properties, M€	204.2	181.4
Change in fair value after 1 Jan., M€	21.7	-81.9
Leasable area, m^2	46,500	46,500

The change in value of property in the last quarter in Russia, EUR 13.8 million, was almost solely due to changes in the yield requirements of the Moscow properties.

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) property in Moscow and the OOO Adastra property in St Petersburg, where the leases are for longer periods than average. The average length of Sponda's lease agreements in Russia on 31 December 2010 was 2.9 years, and the leases expire as follows:

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

Sponda receives approximately half of its rental income in Russia in US dollars and approximately half in roubles. Most of the rent payments made in roubles are tied to an agreed US dollar or euro exchange rate. The rouble risk is reduced because a major part of the company's own expenses in Russia 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 measured at fair value at the end of 2010. The assessments 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 (2009: -8.3) million.

From the second quarter of 2010 onwards, the company has recognized 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. The comparison figures have been adjusted accordingly. The total revenue, net operating income and operating profit of the Real Estate Funds segment were:

M€	1–12/10	1–12/09
Total revenue	7.2	6.9
Net operating income	5.7	5.0
Operating profit	4.2	-3.6

First Top LuxCo invests in office and retail properties outside Finland's largest cities and Sponda holds 20 per cent of its shares. At the end of 2010 the fund's property investments and a fair value of EUR 94.2 million.

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 2010 the properties in the fund had a fair value of EUR 185.3 million.

Sponda Fund II Ky mainly invests in logistics properties in medium sized cities in Finland and Sponda's holding in it is 44 per cent. The fund has a target size for its real estate portfolio of about EUR 200 million and the fair value of investments at the end of 2010 stood at EUR 125.2 million.

In addition to the above funds, 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.

Parent company

The net revenue of parent company Sponda Plc was EUR 119.9 (125.0) million and operating profit EUR 59.6 (84.5) million in 2010. Financial income and expenses came to EUR -68.4 (-78.2) million and the profit for the period was EUR 4.0 (7.8) million.

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 fully 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

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 determine how to respond to these uncertainties. Sponda's key risks are classified as strategic risks, operational risks, damage/asset risks and financing risks.

Risks related to Sponda's operations

STRATEGIC RISKS

Risks related to the operating environment

The increased business challenges faced by the client base continued to reflect on property occupancy rates and rental levels in the first half of 2010. The leasing of office, retail and logistics properties is a late cycle business, in which changes in the client's business operations have a delayed effect on the need for business premises. On the other hand, the difficult rental situation was somewhat compensated by low interest rates, which reduce the financing expenses of the real estate sector.

The real estate market has been reactivated, but the credit and liquidity problems and disruptions which have troubled the financial systems may still affect the financing of real estate deals in the markets.

The construction of new business premises has increased in the market and may increase the risk in vacancy rates. In particular, the construction of new office premises has picked up and there is now an oversupply of office space. This is likely to severely affect the occupancy rates of office premises. The occupancy rate of Sponda's office premises has been high, but increasing supply may reflect negatively on Sponda's rental operations as well.

As export and import flows revive, the demand for logistical facilities is also picking up. New premises are being constructed particularly in the Helsinki Metropolitan Area.

Changes in the fair value of properties

The value of real estate typically follows cyclical fluctuations. The value is affected by many 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 the property values regardless of the general economic trends of regional real estate markets.

The decline in real estate values levelled out in 2010. The fair value of real estate especially in prime areas is expected to rise moderately in 2011. As a consequence, the value of Sponda's properties and operating profit may vary, and local market conditions may affect them significantly in addition to economic factors.

Decline of tenants' solvency

Many of Sponda's properties are partially or wholly leased to large corporate clients. At the end of 2010, Sponda had a total of 3,111 lease contracts and 2,003 customers. The 10 biggest tenants made up some 32 per cent of the company's rental earnings, and the biggest client sectors were retail, banking and the public sector. The loss or insolvency of one or several tenants may lead to a substantial loss in revenue. A sustained sub-par occupancy rate of a property may also have a negative impact on the property value and Sponda's financial standing and operating profits.

Special features of the Russian property market

Sponda operates in Moscow and St Petersburg in Russia. At the end of 2010 a total of 7 per cent of the company's property portfolio was located in Russia. Differences in Russian legislation and official practices in comparison with Finland may cause additional risks to Sponda. The Russian business operations also increase the exchange rate risk. Sponda receives approximately half of its Russian rental revenue in US dollars and approximately half in roubles. A significant portion of the rouble-denominated leases is tied to an agreed US dollar or euro rate, and Sponda hedges 6 months' foreign currency denominated cash flow in Russia.

Risks relating to property development

Sponda's property development operations focus on development projects of unbuilt land areas and buildings requiring modernisation as well as on greenfield development projects. These projects require extensive planning processes and even before a project start is confirmed, Sponda incurs expenses in the planning phase. Projects and project investments may carry on for years, and Sponda will not receive full rental revenue for a property until the project is completed. The launch of a property development project requires a minimum advance occupancy rate of 50 per cent, but there is the possibility that the company fails to achieve an economically viable occupancy rate once the project is completed. This may also affect the property's fair value.

In 2010 Sponda had unbuilt land areas worth EUR 81.4 million and it had invested some EUR 132.1 million in property development projects, most of this in the City-Center project in central Helsinki, in the Hakkila industrial estate in Vantaa and in the land area and planning of the Ratina shopping complex in Tampere.

OPERATIVE RISKS

Key features of internal controls relating to financial reporting

The risk management of the financial reporting process at Sponda has been integrated into the Group's overall risk management and internal control. Sponda has laid out the structure of its internal controls using the international COSO model. The model has been used when outlining the control environment and risk assessment method and determining the applicable control measures. The internal control solutions of financial reporting at Sponda are also influenced by its operation in the real estate investment sector in Finland and Russia, the management of the Group as a single entity and the incorporated holding of properties. Sponda's business operations are divided into four business units and financial reporting is centrally conducted.

Internal control within Sponda constitute a process which involves the Board of Directors, executive directors, other staff members and internal audit. The purpose of internal control is to provide reasonable assurance, amongst other things, of the effectiveness and appropriateness of operations, reliability of financial information and reporting as well as of compliance with laws and regulations.

Internal control relating to financial reporting is addressed in the Corporate Governance Statement which is available online at www.sponda.com> Investors> Governance.

DANAGE AND ASSET RISKS

The best efforts are taken to ensure the safety of Sponda's employees using occupational health system, travel safety scheme and insurance policies as well as the company's crisis readiness instructions. Personnel are covered by the required insurance policies.

Sponda's properties are insured for their full value. Sponda also has all the other required insurance coverage in place. The company has specific guidelines and processes for property sales, purchases and leasing as well as safety issues.

FINANCING RISKS

A swift and substantial change in market rates and margins may negatively affect the company's profits and slow down the growth in real estate operations. Financing risks and their management as well as the interest rate risk exposure analysis are presented on pages 52–55 of the financial statements.

Currency risk

The increased Russian business increases Sponda's currency risk. Sponda receives approximately half of its rental income in Russia in US dollars and approximately half in roubles. Much of the rent payments made in roubles is tied to an agreed exchange rate for the dollar or the euro. The company's rouble risk is reduced because a major part of the unit's expenses are denominated in roubles. A fall in the value of the rouble may negatively affect the value of Sponda's properties in Russia.

Environmental responsibility

The real estate sector plays a key role in combating climate change and promoting the wellbeing of the environment. Environmental expertise is one of Sponda's strategic priorities.

The energy efficiency scheme launched in 2009 aims at improving the energy efficiency of properties in cooperation with Sponda's clients. The scheme seeks to identify potential energy savings in cooperation with the users of the premises.

At the beginning of the energy efficiency scheme, an energy review is conducted at the premises to determine the energy consumption of each property and to examine the different technical systems relating to energy consumption. The energy efficiency scheme was launched at ten properties of different age and type. In 2010 the scheme expanded and by the end of the year, a total of 84 Sponda properties were at some stage of the scheme. The implementation of the scheme will continue in 2011, with each site proceeding at its own pace with the initial charting, implementation of measures or monitoring of consumption in line with a site-specific plan of action. Sponda's energy efficiency scheme reached Russia in 2010 and started with energy consumption assessments. The findings will be analysed in 2011 and energy efficiency targets and required measures will be determined for each property.

At the end of 2010 a certification process was underway in six of Sponda's properties. Sponda will apply for environmental certification of all its new construction properties as of 2011. Environmental certification is also being sought for one existing property in Russia.

Sponda's own head office in Helsinki has been granted Green Office label 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 energy savings tips and the opportunity to benefit from Sponda's and WWF's extensive expertise and experience in the field of environmental responsibility.

As a result of the Green Office concept, the head office has focused on energy savings and waste recycling as part of daily operations. Besides considering the environmental aspects of office work, Sponda has also invested in ecological commuting. Company bicycles are offered to all employees and their popularity is constantly increasing. Company car drivers have received training in eco-driving, and other personnel members have been able to participate in this training as well.

Sponda has set company level objectives for 2011 related to, among other things, reducing energy consumption in properties owned by Sponda, introducing the low energy concept in new buildings developed by Sponda, reducing the environmental load of 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.

Corporate Governance

Sponda Plc is a public limited company registered in Finland and listed on the 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 complies with the Insider Guidelines of NASDAQ OMX Helsinki Ltd and the Corporate Governance recommendations issued for listed companies in Finland. As required by the Finnish Companies' Act and Sponda's Articles of Association, control of the company and its administration is divided between the shareholders represented at general meetings, the Board of Directors and the President. The President is assisted in his duties by an Executive Board.

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

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

Sponda's Board of Directors has two permanent committees: the Audit Committee and the Structure and Remuneration Committee. The Audit Committee members are Arja Talma (chairman), Timo Korvenpää (deputy chairman) and Erkki Virtanen (member). The Structure and Remuneration Committee members are Lauri Ratia (chairman), Klaus Cawén (deputy chairman) and Tuula Entelä (member).

A Corporate Governance statement is available on the company website at www.sponda.com> Investors> Governance.

Annual General Meeting and dividend

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

Auditors

Sponda Plc's auditors are APA Raija-Leena Hankonen and authorized public accountants KPMG Oy Ab under the supervision of principal auditor APA Kai Salli. APA Riitta Pyykkö is deputy auditor.

Nomination Committee of the shareholders

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

The Nomination Committee proposes to the Annual General Meeting that for the term of office ending at the Annual General Meeting of 2012 the members elected to the Board of Directors be paid an annual compensation as follows: EUR 60,000 to the chairman, EUR 36,000 to the deputy chairman and EUR 31,200 to the ordinary members each. 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 per cent of the annual compensation paid to the Board of Directors be paid in the form of Sponda Plc shares purchased on the open market. The shares will be acquired within two weeks of when the interim report for the first quarter of 2011 has been published.

These proposals were included in the notice to the Annual General Meeting by the Board of Directors.

The Nomination Committee comprised representatives from 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.

Management and personnel

Sponda Plc's President and CEO is Kari Inkinen. The Executive Board comprises the President and CEO, the Chief Financial Officer, the Senior Vice President, 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:

	2010	2009	2008
Average number of employees during year	123	135	137
Number of employees at end of year	119	134	141
Salaries and other remuneration, M€	11.1	12.1	12.4

Sponda has personnel in Finland and Russia.

Sponda uses an incentive scheme that covers all personnel and is based on both the company's common goals and on personal targets set for each employee. Key factors affecting the individual's bonus are profitability and business development.

Sponda also operates a long-term share-based incentive scheme, which contains two one-year earning periods, calendar years 2010 and 2011, and two three-year earning periods, calendar years 2010–2012 and 2011–2013. The realisation criteria of the incentive scheme are tied to the cash flow per share and return on equity.

At present the incentive scheme covers the members of the Executive Board, a total of seven individuals. The incentive scheme is described more detail in the stock exchange release of 17 March 2010.

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 and wages in different professional groups on an annual basis. In 2010, male and female staff received the same rate of pay for doing the same job.

The Sponda share

Sponda's weighted average share price in 2010 was EUR 3.07. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 3.88 and the lowest EUR 2.42. Trading amounted to 136.8 million shares at a price of EUR 420.4 million. The closing price of the share on 31 December 2010 was EUR 3.88 and the market capitalisation of Sponda's share capital at the end of the year stood at EUR 1,077.0 million.

The Annual General Meeting on 17 March 2010 authorized the Board of Directors to purchase the company's own share. The authorization is valid until the next Annual General Meeting. However this authorization was not exercised during the review period.

Sponda issued the following flagging announcements in 2010:

- 2 March 2010: Cohen & Steers, Inc announced that its holding of shares represented 5.007 per cent of the total number of shares and votes in Sponda Plc.
- 16 November 2010: Solidium Oy announced that its holding of shares represented 15.19 per cent of the total number of shares and votes in Sponda Plc.
- 16 November 2010: Varma Mutual Pension Insurance Company announced that its holding of shares represented 8.99 per cent of the total number of shares and votes in Sponda Plc.
- 16 November 2010: Ilmarinen Mutual Pension Insurance Company announced that its holding of shares represented 9.75 per cent of the total number of shares and votes in Sponda Plc.

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

Events after the close of the financial year

The Nomination Committee of Sponda Plc's shareholders decided on the content of its proposal regarding the Board composition and remuneration for the Annual General Meeting to be held on 16 March 2011. A detailed description of the proposal is available under the heading "Nomination Committee of the shareholders".

Prospects

Sponda's long-term strategic goals continue to be growth and profitability. In 2010 the company's equity ratio was strengthened by property sales. The sales were also used to finance ongoing property development projects.

Sponda's properties still have substantial development potential thanks to the large development resources and broad supply of undeveloped land especially in the Helsinki Metropolitan Area but also elsewhere in Finland. The City-Center project in the central business district of Helsinki is progressing with the construction of the new office building and retail premises. The production facilities for Metso Automation Oy being completed in Hakkila, Vantaa, are due to be gradually inaugurated in early 2011. Sponda will expand the Zeppelin shopping complex in Oulu in the coming year. The project will add some 4,000 m^2 of new retail space for the Prisma hypermarket and 4,700 m^2 of space for specialty retail. Pre-letting of the new premises is over 50 per cent. The total investment in the expansion is approximately EUR 18 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 EUR 6.5 million to modernise the property. The renovation is scheduled to begin within 2011.

Sponda Fund II continues to expand and is looking for logistics property investments in medium-sized Finnish cities. The fund's target value is EUR 200 million and the fair value of its portfolio at the end of 2010 amounted to EUR 125.2 million.

Sponda expects the vacancy rates of investment properties to continue falling in 2011. The expectation is based on the predicted growth of the Finnish economy in 2011 and on improved demand for premises in prime areas.

The net operating income in 2011 is expected to be higher than in 2010, following the expected fall in vacancy rates and the property development projects to be completed this year.

Shares and Shareholders

Sponda Plc's share capital on 31 December 2010 was EUR 111,030,185 and the number of shares was 277,575,462. 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.

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 the company's financial situation and business development needs.

Shareholders

At the end of 2010, Sponda had a total of 9,644 shareholders. Nominee-registered shareholders accounted for 50.1 per cent of the shares and votes. Foreign and nominee-registered shareholders together held 50.7 per cent of the shares and votes.
Sponda issued the following flagging notices in 2010:

- 2 March 2010: Cohen & Steers, Inc announced that its holding of shares represented 5.007 per cent of the total number of shares and votes in Sponda Plc.
- 16 November 2010: Solidium Oy announced that its holding of shares represented 15.19 per cent of the total number of shares and votes in Sponda Plc.
- 16 November 2010: Varma Mutual Pension Insurance Company announced that its holding of shares represented 8.99 per cent of the total number of shares and votes in Sponda Plc.
- 16 November 2010: Ilmarinen Mutual Pension Insurance Company announced that its holding of shares represented 9.75 per cent of the total number of shares and votes in Sponda Plc.

Trading and performance

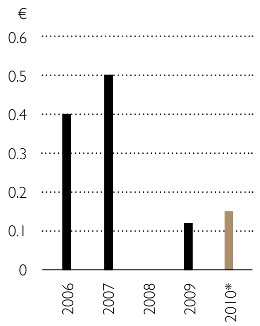
The weighted average price of the Sponda share in 2010 was EUR 3.07. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 3.88 and the lowest EUR 2.42. Turnover during the year totalled 136.8 million shares or EUR 420.4 million. The closing price of the share on 31 December 2010 was EUR 3.88 and the market capitalization of the company's share capital was EUR 1,077.00 million.

Current authorizations

On 17 March 2010 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.

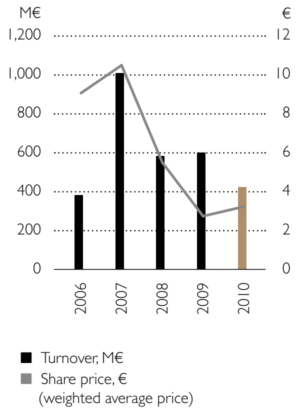
Sponda's ownership structure on 31 December 2010, registered shareholders	Number of shares	Holding, %
Public entities	55,352,642	19.9
Nominee-registered	139,109,736	50.1
Financial and insurance institutions, total	4,503,776	1.6
Households	25,097,367	9.0
Private corporations, total	47,761,649	17.2
Non-profit organizations, total	4,103,776	1.5
Foreign owners, total	1,646,516	0.6
Total issued	277,575,462	100.0

Dividend/share

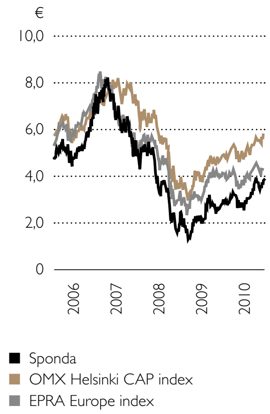


* Board's proposal

Share price and turnover



Sponda share price compared to indices



Source: Sponda's websites and Investis

Distribution of ownership 31 December 2010	Number of shareholders	% of shareholders	Number of securities	% of securities	Number of votes	% of votes
1–100	493	5.112	29,254	0.011	29,254	0.011
101–500	2,390	24.782	762,441	0.275	762,441	0.275
501–1,000	1,786	18.519	1,384,666	0.499	1,384,666	0.499
1,001–5,000	3,810	39.506	9,143,321	3.294	9,143,321	3.294
5,001–10,000	604	6.263	4,390,454	1.582	4,390,454	1.582
10,001–50,000	448	4.645	9,127,733	3.288	9,127,733	3.288
50,001–100,000	56	0.581	3,864,357	1.392	3,864,357	1.392
100,001–500,000	42	0.436	9,198,361	3.314	9,198,361	3.314
500,001–	15	0.156	239,674,875	86.346	239,674,875	86.346
Total	**9,644**	**100**	**277,575,462**	**100**	**277,575,462**	**100**
of which nominee-registered	10		139,109,736	50.116	139,109,736	50.116
Non-transferred, total	0		0	0	0	0
In general account			0	0	0	0
In special accounts, total			0	0	0	0
Total issued			277,575,462	100	277,575,462	100

20 principal shareholders on 31 December 2010		Number of shares	% of shares
1	Solidium Oy	42,163,745	15.19
2	Ilmarinen Mutual Pension Insurance Company	27,052,730	9.75
3	Varma Mutual Pension Insurance Company	24,956,617	8.99
4	The State Pension Fund	1,606,111	0.58
5	FIM Fenno Investment Fund	1,097,577	0.40
6	BNP Paribas Arbitrage	1,005,893	0.36
7	Yleisradion eläkesäätiö S.R.	850,000	0.31
8	Alfred Berg Small Cap Finland Investment Fund	675,000	0.24
9	Norvestia Oyj	597,779	0.22
10	FIM Forte Investment Fund	539,484	0.19
11	Alfred Berg Finland Investment Fund	530,835	0.19
12	Mutual Insurance Company Pension Fennia	500,000	0.18
13	Special Mutual Fund Fourton Fokus Finland	475,000	0.17
14	Investment Fund Säästöpankki Kotimaa	453,450	0.16
15	Investment Fund Gyllenberg Finlandia	445,909	0.16
16	Investment Fund Aktia Capital	425,000	0.15
17	Special Investment Fund OP-Focus	400,000	0.14
18	I.A.von Julins STB	350,000	0.13
19	MED. Understödsföreningen Liv o Häls	312,500	0.11
20	Odin Eiendom	291,000	0.10
	Total	**104,728,630**	**37.72**
	Others	172,846,832	62.28
	Total	**277,575,462**	**100.00**
	Nominee-registered	139,109,736	50.10
	Total number of shareholders	**9,644**	

Key figures

Key financial figures	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008[1]	31 Dec. 2008	31 Dec. 2007	31 Dec. 2006
Income statement key figures						
1. Total revenue, M€[3]	**232.1**	237.2	219.6	219.6	207.7	117.2
2. Operating profit, M€	**216.2**	-13.3	117.3	126.2	256.7	103.9
3. % of total revenue[3]	**93.2**	-5.5	53.4	57.5	123.6	88.6
4. Financial expenses, M€	**60.3**	-67.2	-76.7	-89.1	-76.1	-34.7
5. Profit for the period, M€	**120.4**	-81.6	29.2	26.6	136.6	48.3
6. % of total revenue[3]	**51.9**	-34.4	13.3	12.1	65.8	41.2
7. Direct result, M€	**74.0**	67.4	38.9			
8. Indirect result, M€	**46.6**	-148.9	-9.6			
Balance sheet key figures						
9. Total shareholders' equity, M€	**1,200.8**	1,113.6	1,008.9	1,003.0	934.8	592.8
10. Total liabilities, M€	**1,885.7**	1,876.6	2,165.8	2,163.8	1,963.7	2,346.6
11. Interest-bearing liabilities, M€	**1,572.6**	1,597.8	1,828.3	1,828.3	1,662.7	2,005.6
12. Interest-bearing net liabilities, M€	**1,545.6**	1,568.7	1,812.3	1,812.3	1,635.3	1,982.0
Profitability and financing key figures						
13. Return on investment, %	**7.9**	-0.4	4.4	4.7	10.1	7.2[2]
14. Return on shareholders' equity (ROE), %	**10.4**	-7.7	3.0	2.7	17.9	8.5[2]
15. Equity ratio, %	**39.0**	37.3	31.9	31.8	32.3	20.2
16. Debt equity ratio, %	**131.0**	143.5	181.2	182.3	177.9	338.3
17. Gearing, %	**128.7**	140.9	179.6	180.7	174.9	334.3
Other key figures						
18. Gross expenditure on non-current assets, M€	**83.1**	61.3	502.6	502.6	254.0	1,244.6
19. % of total revenue[3]	**35.8**	25.2	228.8	228.8	122.3	1,061.6

1) 2008 figures adjusted following adopting of IAS 23

2) These key figures in 2006 have been calculated using the quarterly weighted average figures in the balance sheet.

3) Figures from 2006–2009 are adjusted by recording the share of profit for real estate funds under change in fair value instead of total revenue

Key figures per share	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008[2]	31 Dec. 2008	31 Dec. 2007	31 Dec. 2006
20. Earnings per share attributable to parent company equity holders, € (EPS)	**0.40**	-0.40	0.13	0.09	0.79	0.38
21. Shareholders' equity per share, €	**3.86**	3.54	4.93	4.90	5.24	4.65
22. Dividend, €	**0.15** [1]	0.12	0.00	0.00	0.50	0.40
23. Payout ratio, %	**37.12** [1]	-29.83	0.00	0.00	39.49	65.60
24. Effective dividend yield, %	**3.87** [1]	4.40	0.00	0.00	6.12	3.33
25. P/E ratio, %	**9.60**	-6.79	14.69	12.89	6.45	19.68
26. Lowest and highest share prices, €	**2.42/3.88**	1.87/3.93	1.45/5.46	1.45/5.46	4.62/8.29	4.64/8.11
27. Average share price, €	**3.07**	2.57	3.38	3.38	6.58	5.66
28. Closing share price, €	**3.88**	2.73	1.93	1.93	5.10	7.49
29. Market capitalization, M€	**1,077.0**	757.8	344.2	344.2	907.1	951.7
30. Share turnover, milion shares	**136.8**	233.1	108.9	108.9	94.9	41.9
31. Share turnover, %	**49.3**	119.0	98.1	98.1	88.1	52.9
32. Weighted average of basic and diluted total number of shares, million shares	**277.6**	230.6	178.0	178.0	172.8	127.1
33. Weighted average of basic and diluted total number of shares at the end of the year, million shares	**277.6**	277.6	178.0	178.0	178.0	126.9
34. Direct result per share, €	**0.27**	0.29	0.22	-	-	-
35. Indirect result per share, €	**0.17**	-0.65	-0.05	-	-	-
36. Cash flow from operations per share, €	**0.37**	0.45	0.78	0.78	0.81	0.56

1) Proposal of the Board of Directors

2) 2008 figures adjusted following adopting of IAS 23

EPRA key figures	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008[1)]	31 Dec. 2008	31 Dec. 2007	31 Dec. 2006
37. EPRA Earnings, M€	**74.0**	67.4	38.9	-	-	-
38. EPRA Earnings per share, €	**0.27**	0.29	0.22	-	-	-
39. EPRA NAV, M€	**1,274.5**	1,159.9	1,074.6	-	-	-
40. EPRA NAV per share, €	**4.59**	4.18	6.04	6.01	6.26	5.95
41. EPRA NNNAV, M€	**1,296.1**	1,198.6	1,126.4	-	-	-
42. EPRA NNNAV per share, €	**4.67**	4.32	6.33	-	-	-
43. EPRA Net Initial Yield (NIY), %	**6.37**					
44. EPRA "topped-up" NIY, %	**6.38**					
45. EPRA Vacancy rate, %	**12.0**	13.4	11.5	11.5	8.8	11.2[2)]

1) 2008 figures adjusted following adopting of IAS 23

2) Figure from Sponda's property portfolio prior to the acquisition of Kapiteeli

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, 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. 2010	31 Dec. 2009	31 Dec. 2008
Net operating income	**168.7**	175.8	162.1
Realised gains from real estate funds	**5.6**	5.8	4.7
Marketing and administration	**-20.4**	-22.0	-24.2
Other operating income and expenses	**-1.0**	-1.1	0.0
Financial income and expenses	**-58.0**	-68.7	-87.3
Taxes based on direct result	**-1.8**	-3.2	-1.3
Deferred taxes on operating result	**-19.2**	-19.1	-15.2
Operating share of non-controlling interest	**0.0**	0.0	0.0
Total	**74.0**	67.4	38.9
EPRA Earnings per share, €	**0,27**	0,29	0,22

Indirect result, M€	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008
Profit/loss on sales of investment properties	**5.8**	0.3	12.1
Valuation gains/losses	**38.8**	-175.1	-44.9
Impairment on goodwill	**0.0**	0.0	-13.0
Profit/loss on sales of trading properties	**19.4**	4.0	21.5
Other operating income and expenses	**-0.8**	-1.0	-1.0
Financial income and expenses	**-0.5**	3.7	12.2
Taxes based on indirect result	**-1.8**	0.0	0.0
Deferred taxes on non-operating result	**-14.5**	19.0	3.4
Non-operating share of non-controlling interest	**0.0**	0.1	0.1
Total	**46.6**	-148.9	-9.6
EPS, basic and diluted, indirect result, €	**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. 2010
Investment properties		2,870.6
Development properties		-534.5
Yield-producing investment properties		2,336.1
Estimated buyer's expenses		37.4
Adjusted value of investment properties	B	2,373.5
Annual computational net yield	A	151.2
Graded rents, rent-free periods etc.		0.2
Annual computational adjusted net yield	C	151.4
EPRA NIY	A/B	6.37%
EPRA "topped-up" NIY	C/B	6.38%

Calculation of key ratios

Income statement key figures

3	Operating profit/loss margin	=	100 x	Operating profit/loss / Total revenue
6	Profit/loss margin	=	100 x	Profit/loss / Total revenue
7	Direct result, M€	=		Net yield + 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 +/- Deferred taxes based on operating result +/- 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 + Impairment on goodwill + Administrative depreciation +/- Changes in provisions +/- Defined benefit pension expenses - Financial income and expenses affecting cash flow - Taxes affecting cash flow +/- Share of results of associated companies / 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, M€	=	Equity attributable to parent company equity holders - Other equity reserve + Deferred tax liabilities resulting from the assessment of fair value of properties - 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 +/- Difference between the fair value and balance sheet value of liabilities +/- Difference between the fair value and balance sheet value of deferred taxes
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

Like-for-like net rental growth	CURRENT PERIOD, M€ Q4 YTD 2010 Owned 2 yrs	Purchases	Sales	Develop-ment and other	Currency rate effect[1]	Total	PREVIOUS PERIOD, M€ Q4 YTD 2009 Owned 2 yrs	Purchases	Sales	Develop-ment and other	Currency rate effect[1]	Total
Office and retail premises	85.2	2.3	0.9	0.2	0.0	88.6	89.2	2.1	1.3	3.8	0.0	96.3
Shopping centres	4.7	0.6	0.0	26.1	0.0	31.4	4.3	0.6	0.0	26.5	0.0	31.4
Logistics	21.6	0.0	1.2	2.0	0.0	24.8	21.8	-0.1	2.6	3.1	0.0	27.4
Russia	16.2	0.0	0.0	0.0	1.7	17.7	17.3	0.0	0.0	-0.6	-0.4	16.4
MATCHING												
Total above						**162.5**						**171.6**
Property development segment						-0.8						-0.6
Real estate funds segment						5.7						5.0
Other difference						-0.1						-0.5
Consolidated income statement						**167.4**						**175.5**

[1] Fixed rate, closing rate of the comparison period

Net yield change and corresponding investment assets	M€	%	Comparable investment properties. M€
Office and retail premises	-4.0	-4.5%	1,333.7
Shopping centres	0.4	9.2%	88.7
Logistics	-0.1	-0.6%	349.2
Russia	-1.1	-6.4%	165.7

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 impacts on comparability.
Exchange rate change	Roubles translated to euros using the exchange rate on the last day of the period.

VALUATION DATA	Investment properties	Valuation change	EPRA Net Initial Yield
Office and retail premises	1,459.1	14.9	6.04%
Shopping centres	557.1	1.1	6.73%
Logistics	422.5	3.1	6.27%
Property development	227.7	-0.2	N/A
Russia	204.2	21.6	8.39%
Total	**2,870.6**	**40.5**	**6.37%**

MATCHING	
Total above	2,870.6
Other difference	0.0
Group investment properties total	**2,870.6**

LEASE INFORMATION	Total revenue M€	Net operating income M€	Leasable area m^2	Paid rent M€/year	Market rent M€/month	Economic vacancy rate %	Rental level €/m^2
Office and retail premises	122.6	88.6	737,000	122.4	10.0	12.27	16.1
Shopping centres	39.7	31.4	141,000	40.8	3.1	1.91	26.0
Logistics	36.6	24.8	514,000	36.0	3.8	24.25	8.0
Property development	2.3	0.5	32,000	1.2	N/A	N/A	N/A
Russia	23.6	17.7	46,500	24.0	1.9	3.59	42.6
Total	**224.8**	**163.0**	**1,470,500**	**224.4**	**18.8**	**12.03**	**15.4**

MATCHING		
Total above	224.8	163.0
Real estate funds	7.2	5.7
Other difference	0.1	0.0
Consolidated income statement total	**232.1**	**168.7**

Consolidated income statement

M€	Note	1 Jan.–31 Dec. 2010	1 Jan.–31 Dec. 2009
Total revenue	1, 2, 3		
Rental income and service charges		**224.9**	230.3
Interest income from finance leases		**0.3**	0.3
Fund management fees		**6.9**	6.6
		232.1	237.2
Expenses			
Maintenance expenses	4	**-61.9**	-59.5
Direct fund expenses		**-1.5**	-1.9
		-63.3	-61.4
Net operating income		**168.7**	175.8
Profit/loss on sales of investment properties	5	**5.8**	0.3
Valuation gains and losses		**44.4**	-169.3
Profit/loss on sales of trading properties	23	**19.4**	4.0
Sales and marketing expenses		**-1.4**	-1.5
Administrative expenses	8, 9, 10	**-19.0**	-20.5
Share of results of associated companies	20	**0.1**	0.0
Other operating income	6	**0.2**	0.8
Other operating expenses	7	**-2.1**	-2.9
Operating profit		**216.2**	-13.3
Financial income		**1.7**	2.1
Financial expenses		**-60.3**	-67.2
Net financing costs	11, 32	**-58.5**	-65.0
Profit before taxes		**157.7**	-78.3
Income taxes for current and previous periods		**-3.6**	-3.2
Deferred taxes		**-33.7**	-0.1
Income taxes total	12	**-37.3**	-3.3
Profit for the period		**120.4**	-81.6
Attributable to:			
Equity holders of the parent company		**120.6**	-81.5
Non-controlling interest		**-0.2**	-0.1
Profit for the period		**120.4**	-81.6
Basic and diluted earnings per share attributable to parent company equity holders, €	13	**0.40**	-0.40
Average number of shares, basic and diluted, million	13	**277.6**	230.6

Statement of comprehensive income

M€	Note	1 Jan.–31 Dec. 2010	1 Jan.–31 Dec. 2009
Profit/loss for period		**120.4**	-81.6
Other comprehensive income			
Net loss/profit from hedging cash flow		**9.3**	-10.4
Translation difference		**1.4**	0.7
Taxes on comprehensive income	12	**-2.2**	2.4
Other comprehensive income for period after taxes		**8.4**	**-7.3**
Comprehensive profit/loss for period		**128.8**	**-88.9**
Allocation of comprehensive profit/loss for period:			
Equity holders of parent company		**129.0**	-88.8
Non-controlling interest		**-0.2**	-0.1

Consolidated balance sheet

M€	Note	31 Dec. 2010	31 Dec. 2009
Assets			
Non-current assets			
Investment properties	14	**2,870.6**	2,767.5
Investments in real estate funds	15	**59.8**	56.2
Property, plant and equipment	16	**13.6**	14.3
Goodwill	17	**14.5**	14.5
Other intangible assets	18	**0.4**	0.0
Finance lease receivables	19	**2.7**	2.7
Investments in associated companies	20	**2.0**	2.8
Other investments	21	**7.5**	7.4
Deferred tax assets	22	**36.9**	41.1
Total non-current assets		**3,008.1**	2,906.6
Current assets			
Trading properties	23	**10.3**	22.8
Trade and other receivables	24	**41.1**	31.6
Cash and cash equivalents	25	**27.0**	29.1
Total current assets		**78.4**	83.6
Total assets		**3,086.5**	2,990.2
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		**0.6**	-0.9
Fair value reserve		**-20.6**	-27.4
Revaluation reserve		**0.6**	0.6
Invested non-restricted equity reserve		**412.0**	412.0
Other equity fund		**129.0**	129.0
Retained earnings		**407.0**	328.0
		1,199.1	1,111.7
Non-controlling interests		**1.7**	1.8
Total shareholders' equity	26	**1,200.8**	1,113.6
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	27, 32	**1,399.4**	1,287.2
Provisions	29	**0.0**	0.0
Other liabilities		**25.5**	30.5
Deferred tax liabilities	22	**221.0**	193.8
Total non-current liabilities		**1,645.9**	1,511.4
Current liabilities			
Current interest-bearing loans and borrowings	30, 32	**173.2**	310.6
Trade and other payables	31	**66.5**	54.5
Total current liabilities		**239.7**	365.2
Total liabilities		**1,885.7**	1,876.6
Total equity and liabilities		**3,086.5**	2,990.2

Consolidated statement of cash flows

M€		1 Jan.–31 Dec. 2010	1 Jan.–31 Dec. 2009
Cash flow from operating activities			
Profit for the period		**120.4**	-81.6
Adjustments	1	**42.7**	243.4
Change in net working capital	2	**12.1**	19.1
Interest received		**0.7**	1.2
Interest paid		**-61.4**	-78.4
Other financial items		**-10.2**	-5.1
Dividends received		**0.0**	0.0
Dividends received from associated companies		**0.9**	0.5
Taxes received/paid		**-2.7**	-3.0
Net cash flow from operating activities		**102.6**	96.0
Cash flow from investing activities			
Acquisition of investment properties	3	**-75.9**	-77.2
Capital expenditure on real estate funds		**-5.4**	-3.9
Acquisition of property, plant and equipment and intangible assets		**-0.5**	-0.3
Proceeds from sale of investment properties	4	**41.5**	40.6
Proceeds from sale of intangible and tangible assets		**0.0**	0.0
Repayments of loan receivables		**0.8**	0.0
Net cash flow from investment activities		**-39.5**	-40.8
Cash flow from financing activities			
Proceeds from share issue		**-**	200.2
Non-current loans, raised		**715.1**	91.2
Non-current loans, repayments		**-600.3**	-248.0
Current loans, raised/repayments		**-136.0**	-73.7
Interest paid on equity bond		**-11.4**	-11.4
Dividends paid		**-33.3**	-
Net cash flow from financing activities		**-65.9**	-41.7
Change in cash and cash equivalents		**-2.7**	13.6
Cash and cash equivalents, beginning of period		**29.1**	16.0
Impact of changes in exchange rates		**0.6**	-0.5
Cash and cash equivalents, end of period		**27.0**	29.1

Notes to the statement of cash flows, M€	1 Jan.–31 Dec. 2010	1 Jan.–31 Dec. 2009
1) Adjustments		
Proceeds and losses from sale of investment properties	-5.8	-0.3
Valuation gains and losses	-38.8	175.1
Gains on transfers of trading properties under IFRS 40	-8.8	-
Financial income and expenses	58.5	65.0
Income taxes	37.3	3.3
Share of results of associated companies	-0.1	0.0
Other adjustments	0.4	0.2
Adjustments, total	**42.7**	243.4
2) Specification of change in net working capital		
Change in trading properties	3.0	4.7
Changes in current receivables	-6.3	7.8
Changes in non-interest-bearing current liabilities	15.4	7.0
Changes in provisions	-	-0.3
Change in net working capital	**12.1**	19.1
3) Acquisition of investment properties		
Acquisition of subsidiaries		
Acquisition cost of companies	0.8	-
Cash and cash equivalents of acquired companies at acquisition date	0.0	-
Cash flow from acquisitions less cash and cash equivalents of acquired companies	**0.8**	-
Acquired properties	-	5.4
Other acquisitions of investment properties	75.1	71.8
Total acquisition of investment properties	**75.9**	77.2
Assets and liabilities of acquires subsidiaries		
Net working capital	0.0	-
Total non-current assets	0.8	-
Interest-bearing liabilities	-	-
Non-interest-bearing liabilities	-	-
Net total of assets and liabilities of acquired subsidiaries	**0.8**	-
4) Proceeds from sale of investment properties		
Proceeds from sale of subsidiaries		
Proceeds	41.5	40.6
Cash and cash equivalents of sold subsidiaries	0.0	-
Proceeds from sale of subsidiaries	**41.5**	40.6
Other proceeds from sale of investment properties	-	-
Total proceeds from sale of investment properties	**41.5**	40.6
Assets and liabilities of sold subsidiaries		
Net working capital	-0.1	0.0
Investment properties	35.7	40.3
Sales gain/loss	5.8	0.3
Net total of assets and liabilities of sold subsidiaries	**41.5**	40.6

Consolidated statement of changes in equity

M€	Share capital	Share premium reserve	Transla-tion difference	Fair value reserve	Re-valuation reserve	Invested non-restricted equity reserve	Other equity reserve	Retained earnings	Total	Non-control-ling interest	Total equity
Equity at 31 December, 2008	111.0	159.5	-1.4	-19.7	0.6	209.7	129.0	418.4	1,007.1	1.8	1,008.9
Comprehensive income for period			0.4	-7.7				-81.5	-88.8	-0.1	-88.9
Interest paid on equity bond								-8.4	-8.4		-8.4
Change						202.3		-0.5	201.8	0.2	202.0
Equity 31 December, 2009	**111.0**	**159.5**	**-0.9**	**-27.4**	**0.6**	**412.0**	**129.0**	**328.0**	**1,111.7**	**1.8**	**1,113.6**

M€	Share capital	Share premium reserve	Transla-tion difference	Fair value reserve	Re-valuation reserve	Invested non-restricted equity reserve	Other equity reserve	Retained earnings	Total	Non-control-ling interest	Total equity
Equity 31 December, 2009	111.0	159.5	-0.9	-27.4	0.6	412.0	129.0	328.0	1,111.7	1.8	1,113.6
Comprehensive income for period			1.5	6.9				120.6	129.0	-0.2	128.8
Interest paid on equity bond								0.1	0.1		0.1
Dividend payment								-33.3	-33.3		-33.3
Change								-8.4	-8.4		-8.4
Equity 31 December, 2010	**111.0**	**159.5**	**0.6**	**-20.6**	**0.6**	**412.0**	**129.0**	**407.0**	**1,199.1**	**1.7**	**1,200.8**

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 3rd of February 2011, 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.com.

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 2010. 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'.

As of 1 January 2010, the Group has applied the following new and revised standards and interpretations:

• Revised IFRS 3 *Business Combinations* (applicable to financial periods beginning on or after 1 July 2009). Under the revised standard, the acquisition cost method is still applied in business combinations; however some significant amendments have been made compared with the former IFRS 3. For example, payment of consideration to effect an acquisition is recognized at fair value at the acquisition date and some contingent considerations classified as liabilities are later valued at fair value through the statement of comprehensive income. IFRS 3 allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition either at fair value or at the non-controlling interests' proportionate share of the net assets of the acquiree. All acquisition-related costs are recognized as an expense. The standard amendments also affect items recognized through profit or loss in the acquisition period and in periods in which an additional purchase price is paid or additional acquisitions are carried out. In accordance with the relevant transitional provisions, business combinations where the acquisition date precedes the mandatory adoption of the standard are not adjusted. This revision has not affected the consolidated financial statements for 2010.

• Revised IAS 27 *Consolidated and Separate Financial Statements* (applicable to financial periods beginning on or after 1 July 2009). The revised standard requires that effects resulting from changes in ownership interests in subsidiaries are directly recorded in consolidated equity when the parent company maintains its control of the subsidiary. If the parent company loses its control of the subsidiary, any remaining interest is recognized at fair value through profit or loss. A similar accounting approach will also be applied to investments in associates (IAS 28) and interests in jointly-controlled entities (IAS 31) in future. As a consequence of this standard revision, subsidiaries' losses may be allocated to non-controlling holders even when the losses exceed the investment made by the non-controlling holders. The revised IAS 27 does not affect reporting in this financial period.

• Revision to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (applicable to financial periods beginning on or after 1 July 2009). The revisions regard hedge accounting. These specify the IAS 39 provisions on hedging the unidirectional risk of an item and hedging the risk of inflation of items belongs to financial assets or liabilities. This interpretation has not affected the consolidated financial statements.

• IFRIC 17 *Distributions of Non-cash Assets to Owners* (applicable to financial periods beginning on or after 1 July 2009). The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders, or when the shareholders may choose whether they accept their dividend in cash or in assets other than cash. This interpretation has not affected the consolidated financial statements.

• IFRIC 18 *Transfers of Assets from Customers* (applicable to financial periods beginning on or after 1 July 2009). The interpretation clarifies the IFRS standard requirements for contracts under which a customer transfers property, plant or equipment to the company, or cash to invest in such assets, and the company must use the assets to connect the customer to a distribution network or grant the customer continuous access to goods or services, or for both of these purposes. This interpretation has not affected the consolidated financial statements.

• *Improvements to IFRSs* -amendments, April 2009 (mainly applicable to financial periods beginning on or after 1 January 2010). Minor and non-urgent amendments to the standards made through the Annual Improvements procedure will be compiled and enforced once a year. The impacts of these amendments vary from one standard to another, but they have had no material effect on the consolidated financial statements.

• Amendments to IFRS 2 *Share-based Payment – Group equity-settled share-based transactions* (applicable to financial periods beginning on or after 1 January 2010). The purpose of the amendments is to clarify that a company which accepts goods or services from suppliers or service providers must comply with IFRS 2 even if it is not liable to perform required share-based cash payments. This interpretation has not affected 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 non-controlling 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 and the terminal value are discounted from the end of each accounting year 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 Finland (Institute for Real Estate Economics).

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".

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 used by the company itself, office equipment and furniture and vehicles 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. 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 bond 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 bond 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 significant 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 impairment on 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.

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 and the scheme in force from the beginning of 2010 involves two 1-year reference periods, years 2010 and 2011, and two 3-year reference periods, years 2010–2012 and 2011–2013.

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 interest expenses of the hybrid bond, by the weighted average number of shares outstanding.

New or revised IFRS standards and interpretations

IASB has published the following new or revised standards and interpretations which the Group has not applied. The Group will adopt each standard and interpretation from its effective date or, if the effective date is not the first day of the Group's fiscal year, from the beginning of the financial period following the effective date.

• Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Asset (applicable to financial periods beginning on or after 1 January 2012). This amendment adds an exception, under which the recognition of a deferred tax liability or asset relating to an investment property measured at fair value is based on a refutable assumption by which the property's book value will be entirely accrued from the sale of the property. This assumption can only be refuted when the investment property will, to a material extent, be used to accumulate financial gain for the duration of the property's holding time. This amendment is enforceable with retrospective effect and it can be enforced before the mandatory endorsement, in which case enforcement must be disclosed in the notes to the financial statements. The management will assess the impacts of the amendment.*

• Amendment IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (applicable to financial periods beginning on or after 1 February 2010). The amendment applies to the accounting treatment (classification) of issues of share-linked options, subscription rights or other rights expressed in currencies other than the issuer's operating currency. This amendment is not expected to affect the consolidated financial statements for 2010.

• IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (applicable to financial periods beginning on or after 1 July 2010). The interpretation clarifies the accounting treatment in the case that the company renegotiates the terms of a financial loan and, as a consequence, issues equity instruments to the debtor to extinguish the financial liability either partially or in its entirety. This interpretation does not affect the consolidated financial statements for 2010.

• The amendments to the interpretation IFRIC 14 *Prepayments of a Minimum Funding Requirement* (applicable to financial periods beginning on or after 1 January 2011). The amendment rectifies the undesirable effect which resulted from interpretation of IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. After this amendment companies may recognize some voluntary payments in advance based on a minimum funding requirement as assets in the balance sheet. This interpretation does not affect the consolidated financial statements for 2010.

• Revised IAS 24 *Related Party Disclosures* (applicable to financial periods beginning on or after 1 January 2011). The amendments simplify the requirements on information to be disclosed in the financial statements of companies with connections to public officials and clarify the definition of "related party".

• IFRS 9 *Financial Instruments* (applicable to financial periods beginning on or after 1 January 2013). IFRS 9 is the first phase in a project aiming to replace IAS 39 with a new standard. The different valuation methods remain but they have been simplified in part. Financial assets will be divided into two categories: 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 directions of IAS 39 regarding impairment and hedge accounting remain in force. Figures for previous years do not need to be adjusted if the standard is applied before the financial period beginning 1 January 2012.*

• *Improvements to IFRSs* -amendments, May 2010 (mainly applicable to financial periods beginning on or after 1 July 2010). Minor and non-urgent amendments to the standards made through the Annual Improvements procedure will be compiled and enforced once a year. The effects of the amendments vary, but none have material effects on the upcoming consolidated financial statements.*

• *Amendments to IFRS 7 Financial Instruments* (applicable to financial periods beginning on or after 1 July 2011). The amendments require notes to be presented with the financial statements which help users of the financial statements to understand the relationship between transferred financial assets which have not been fully removed from the balance sheet and debts pertaining to these, and to assess the nature of the organisation's continuing interest in these assets and related risks. The amendment is not expected to have any material effect on the notes to the consolidated financial statements.*

* Not yet approved 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. In accordance with the company's strategy, Sponda's real estate funds carry out business in medium-sized cities in Finland. 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.

Segment information

31 December 2010, M€	Office & Retail	Shopping Centres	Logistics	Property Development	Russia	Real Estate Funds	Other	Group total
Total revenue	122.6	39.7	36.6	2.3	23.6	7.2	0.0	232.1
Maintenance expenses and direct fund expenses	-34.0	-8.3	-11.8	-1.8	-5.9	-1.5	0.0	-63.3
Net operating income	**88.6**	**31.4**	**24.8**	**0.5**	**17.7**	**5.7**	**0.0**	**168.7**
Profit/loss on sales of investment properties	2.3	0.0	0.3	3.2	0.0	0.0	0.0	5.9
Profit/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	7.6	0.0	2.9	8.9	0.0	0.0	0.0	19.4
Valuation gains and losses	14.9	1.1	3.1	-0.2	21.7	3.9	0.0	44.4
Administration and marketing expenses	-6.3	-1.2	-1.1	-3.6	-2.7	-5.5	0.0	-20.4
Other operating income and expenses	0.0	0.0	0.0	-1.5	-0.3	0.0	0.0	-1.8
Operating profit	107.1	31.3	30.0	7.3	36.3	4.2	0.0	216.2
Financial income and expenses							-58.5	-58.5
Profit before taxes							**-58.5**	**157.7**
Income taxes							-37.3	-37.3
Profit for the period							**-95.8**	**120.4**
Investments	25.1	1.5	19.7	30.6	0.4	5.4	0.4	83.1
Segment assets	1,461.8	557.1	422.5	242.2	204.2	59.8	138.9	3,086.5
Economic occupancy rate	87.7	98.1	75.8		96.4			88.0

31 December 2009,M€	Office & Retail	Shopping Centres	Logistics	Property Development	Russia	Funds	Other	Group total
Total revenue	129.0	39.3	38.6	1.4	21.8	6.9	0.0	237.2
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	**96.3**	**31.4**	**27.4**	**-0.8**	**16.4**	**5.0**	**0.0**	**175.8**
Profit/loss on sales of investment properties	0.3	0.0	1.4	0.0	0.0	0.0	0.0	1.6
Profit/loss on sales of investment properties	-0.3	0.0	-1.1	0.0	0.0	0.0	0.0	-1.3
Profit/loss on sales of trading properties	3.0	0.0	0.0	1.1	0.0	0.0	0.0	4.0
Valuation gains and losses	-46.2	-11.3	-30.9	3.6	-81.9	-2.5	0.0	-169.3
Administration and marketing expenses	-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
Operating profit	**46.5**	**18.7**	**-4.5**	**0.0**	**-70.4**	**-3.6**	**0.0**	**-13.3**
Financial income and expenses							-65.0	-65.0
Profit before taxes							**-65.0**	**-78.3**
Income taxes							-3.3	-3.3
Profit 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

2. Geographical areas

M€	2010	2009
Total revenue		
Finland	208.5	221.2
Russia	23.6	21.8
Group, total	**232.1**	**243.0**
Segment assets		
Finland	2,882.3	2,808.8
Russia	204.2	181.4
Group, total	**3,086.5**	**2,990.2**

3. Total revenue from properties

M€	2010	2009
Rental income and recoverables	224.9	230.3
Interest income from finance lease agreements	0.3	0.3
Fund management fees	6.9	6.6
Profit/loss on sale of investment properties	5.8	0.3
Profit/loss on sale of trading properties	19.4	4.0
Total	**257.3**	**241.5**

Rental income

The expected rental income from existing leases is:

M€	2011	2012–2015	2016–	Total
Expected rental income	209.4	482.5	446.9	1,138.8

M€	2010	2011–2014	2015–	Total
Expected rental income (comparison data)	205.2	455.9	369.3	1,030.4

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 1.0 million (2009: EUR 1.0 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€	2010	2009
Profit on sales	5.9	1.6
Loss on sales	-0.0	-1.3
Total	**5.8**	**0.3**

6. Other operating income

M€	2010	2009
Rent liability	0.0	0.2
Share of bankruptcy estate	0.1	0.3
Other income	0.1	0.2
Total	**0.2**	**0.8**

7. Other operating expenses

M€	2010	2009
Credit losses and uncertain receivables	1.9	2.4
Other expenses	0.2	0.5
Total	**2.1**	**2.9**

8. Auditor fees

M€	2010	2009
Authorised Public Accountants KPMG Oy		
Audit	0.2	0.1
Tax consultancy	0.0	0.0
Other services	0.1	0.1
Total	**0.3**	**0.3**

In addition to the auditor's fees presented for 2009, KPMG Oy invoiced the company for EUR 0.3 million for expenses related to a share issue, which in accordance with IFRS is recognised directly in equity as a reduction in the funds obtained in the share issue.

9. Employee benefit expenses and number of employees

M€	2010	2009
Management remuneration		
President and CEO	0.5	0.5
Other Executive Board members	1.0	1.0
Board of Directors	0.3	0.3
Share-based payments to management	0.8	0.8
Other wages and salaries	6.7	7.3
Defined benefit pension plans	0.0	0.0
Defined contribution pension plans	1.5	1.7
Other social security costs	0.3	0.5
Total	**11.1**	**12.1**

The salary and fees paid to Sponda Plc's President and CEO totalled EUR 478,000 (2009: 481,000). In addition, during the period the President and CEO was paid a bonus of EUR 285,000 (2009: 209,000) under the incentive scheme, based on the company's actual performance in 2009.

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 2011 Annual General Meeting. 40 per cent 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 74,000 for the year (2009: 71,000), the Deputy Chairman EUR 49,000 (2009: 48,000) and the other members of the Board, in total, EUR 178,000 (2009: 187,000).

The President and CEO is paid a full salary. The President and CEO and the members of the Executive Board also participate in the long-term share-based incentive scheme for top management introduced on 1 January 2006. 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 will take 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 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 new scheme comprises two one-year vesting periods, which are the 2010 and 2011 calendar years, and two three-year vesting periods, 2010–2012 and 2011–2013. The incentive scheme's criteria are tied to cash flow from operations per share and return on investment. 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 share-based incentive scheme presently covers the members of the company's Executive Board, altogether seven persons. The bonuses payable based on the 2010 and 2010–2012 vesting periods correspond, at a maximum, to the value of approximately 750,000 shares in Sponda Plc (including the cash component of the bonuses).

Share-based incentive schemes		Incentive schemes 2010	Incentive scheme 2009	Incentive scheme 2006–2008
	Vesting period 2010–2012	Vesting period 2010	Vesting period 2009	Vesting period 2008
Grant date	17 March 2010	17 March 2010	01 January 2009	01 January 2008
Issue date	01 January 2013	01 January 2011	01 January 2010	01 January 2009
Vesting period ends	31 December 2012	31 December 2010	31 December 2009	31 December 2008
Shares become free for disposal	31 December 2015	31 December 2012	31 December 2011	31 December 2010
Settled as	Shares and cash	Shares and cash	Shares and cash	Shares and cash

Share-based incentive schemes		Incentive schemes 2010	Incentive scheme 2009	Incentive scheme 2006–2008
Conditions	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
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.	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*	-	146,146	146,255	114,900
Share price on date of granting, €	3.01	3.01	1.93	5.09
Share price on date of distribution, €*	-	3.88	2.71	2.84

Changes in share bonus during the period:	2010	2009	2008
Share bonus granted at start of the period	335,768	218,280	103,380
Bonuses granted in the period*	146,146	146,255	114,900
Bonuses forfeited during the period	-	-	-
Bonuses that became free for disposal during the period	74,613	28,767	-
Share bonuses granted at end of the period	407,301	335,768	218,280

* The 2010 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 per cent of a person's annual pay.

Personnel on average	2010	2009
White collar, number of employees	123	135

10. Depreciation and amortization by asset item

M€	2010	2009
Property, plant and equipment		
Buildings and structures	0.2	0.2
Machinery and equipment	0.1	0.1
Other tangible assets	0.4	0.1
	0.7	**0.5**
Intangible assets		
Computer software	0.0	0.0
	0.0	**0.0**
Total	**0.7**	**0.5**

11. Financial income and expenses

M€	2010	2009
Financial income		
Interest income		
Loans and receivables	1.1	1.3
Other financial income	0.2	0.0
Exchange rate gains, realized	0.2	0.5
Exchange rate gains, recognized at fair value through profit and loss	0.0	0.1
Change in fair value		
Recognized at fair value through profit and loss	0.1	0.2
Total	**1.7**	**2.1**
Financial expenses		
Interest expenses		
Interest expenses on liabilities recognized at amortized cost	-57.2	-64.0
Interest rate derivatives subject to hedge accounting, ineffective portion		-0.1
Other financial expenses, loan management expenses	-4.7	-5.2
Exchange rate losses, realized	-0.3	-1.0
Exchange rate losses, recognized at fair value through profit and loss	-0.5	-0.3
Change in fair value		
Recognized at fair value through profit and loss	-2.1	-0.3
Total	**-64.7**	**-70.9**
Capitalized borrowing costs incurred in the acquisition, construction or production of a qualifying asset	4.5	3.7
Total	**-60.3**	**-67.2**
Financial income and expenses, total	**-58.5**	**-65.0**
Financial expense multiplier used by the Group	3.86%	3.65%

*See accounting principles: Borrowing costs

12. Income taxes

M€	2010	2009
Current tax expense	3.6	3.2
Deferred tax	33.7	0.1
Total	**37.3**	**3.3**

Taxes relating to other comprehensive income items

M€	2010 Before tax	2010 Tax effect	2010 After tax	2009 Before tax	2009 Tax effect	2009 After tax
Cash flow hedges	1.4	0.2	1.5	-10.4	2.7	-7.7
Translation difference	9.3	-2.4	6.9	0.7	-0.3	0.4
Total	**10.6**	**-2.2**	**8.4**	**-9.7**	**2.4**	**-7.3**

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 26 per cent:

	2010	2009
Profit before taxes	157.7	-78.3
Income tax using the parent company's domestic corporate tax rate	41.0	-20.4
Difference between tax rate in Finland and in other countries	-1.5	4.4
Tax exempt income/non-deductible expenses	0.6	-0.3
Reversal of impairment losses of sold subsidiaries	0.0	0.0
Group adjustments in conjunction with sale	-1.2	-1.1
Recognition of deferred tax in accordance with IAS 12.15b	-2.9	20.8
Utilization of tax losses from prior periods	-1.3	0.5
Utilisation of previously unrecognised tax-deductible impairment	-1.1	0.0
Shelf life amortization and previously unrecognized confirmed losses	0.2	-0.9
Changes to previous years' taxes	2.8	0.0
Losses incurred in period	0.0	0.2
Share of profit/loss of associated companies	-0.3	0.0
Other items	0.9	-0.1
Tax expense in the income statement	**37.3**	**3.3**

13. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to the equity holders of the parent company, adjusted by the interest expenses of the hybrid bond, by the weighted average number of shares outstanding.

Due to the share issue in 2009, the weighted average number of shares outstanding has been calculated in accordance with IAS 33. The number of shares for the year for comparison has been similarly adjusted.

M€	2010	2009
Profit for the period attributable to the equity holders of the parent company	120.6	-81.5
Interest accrued during period on hybrid bond	-11.4	-11.3
Tax effect	3.0	2.9
Net effect	-8.4	-8.4
Weighted average number of shares during the period (million)	277.6	230.6
Basic and diluted earnings per share attributable to shareholders, €	0.40	-0.40

There were no diluting instruments in 2010 and 2009.

14. Investment properties

M€	2010	2009
Fair value of investment properties 1 Jan.	2,767.5	2,915.5
Acquisition of investment properties	0.8	0.0
Other capital expenditure on investment properties	76.4	53.4
Disposals of investment properties	-37.5	-40.3
Reclassifications from trading properties	18.4	2.0
Other transfers	0.0	0.0
Capitalized borrowing costs, increase in period	4.5	3.7
Valuation gains and losses	40.5	-166.8
Fair value of investment properties 31 Dec.	**2,870.6**	**2,767.5**

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 second and final quarters of the year by Catella Property Oy. The properties in Russia were assessed in the second and final quarters 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.com> 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 2010 (%)	Area				
	Centr. Bus. Distr.	Rest of Helsinki	Espoo/ Vantaa	Rest of Finland	Russia
Type of premises					
Office and retail	5.9	6.2	8.1	7.3	10.7
Logistics		7.7	8.3	10.4	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 2009 (%)	Area				
	Centr. Bus. Distr.	Rest of Helsinki	Espoo/ Vantaa	Rest of Finland	Russia
Type of premises					
Office and retail	6.1	6.3	8.1	7.3	11.5
Logistics		7.8	8.3	10.6	11.0

Significant assumptions used in fair value calculations, on average	Finland		Russia	
	2010	2009	2010	2009
Yield requirement, %	6.7	6.9	10.7	11.5
Initial yield, %	6.5	6.6	9.7	8.3
Computational economic occupancy ratio in first year of calculation, %	87.4	86.2	96.8	90.8
Rental income as per agreements, €/m²/month	14.5	14.0	42.6	39.8
Market rents, €/m²/month	12.6	12.2	41.5	40.3
Long term maintenance costs used in calculations, €/m²/month	2.3	2.4	10.6	10.6

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. 2010	31 Dec. 2009
Office and retail	87.7	87.9
Shopping centres	98.1	96.4
Logistics	75.8	74.5
Russia	96.4	88.2

Maturity dates for lease agreements by segment 31 December, 2010 (%) M€	Office and Retail Properties	Shopping Centres	Logistics	Russia
1 year	12.8	7.0	13.4	36.0
2 years	11.8	28.3	10.5	17.5
3 years	10.9	5.4	11.4	2.5
4 years	6.2	2.3	7.7	14.7
5 years	8.1	3.5	6.0	7.6
6 years	3.2	4.6	4.0	7.3
more than 6 years	31.4	38.7	27.1	14.4
open ended	15.7	10.3	19.9	0.0

Maturity dates for lease agreements by segment 31 December, 2009 (%) M€	Office and Retail Properties	Shopping Centres	Logistics	Russia
1 year	13.9	9.2	19.6	40.3
2 years	8.0	9.4	8.1	2.7
3 years	10.6	25.5	10.0	17.2
4 years	9.8	5.0	9.1	2.5
5 years	6.4	3.0	7.5	14.9
6 years	6.4	6.5	3.4	2.3
more than 6 years	27.2	35.6	12.9	20.0
open ended	17.7	5.7	29.4	0.0

The Group's most significant investment commitments arise from the following properties:

New office building in the City Center shopping complex, light shaft extending through the retail floors and new retail premises on floors 1, 2 and 3, scheduled for completion in 2011. New maintenance facilities linked to the Helsinki underground maintenance tunnel will be completed at the same time. Once maintenance operations are transferred to the new facility, conversion of the current maintenance facility on the second basement level to retail premises will begin. Once the car ramps are removed from the Keskuskatu side of the complex, new retail premises will also be constructed on that side.

Sponda is developing the Ratina shopping centre in Tampere and carrying out development projects in adjacent areas. A 55,000 m² shopping centre is planned for the area, for which the total investment cost is estimated at EUR 200 million. Planning of the project is underway, and the final decision about the investment has not been made.

On 27 October 2009 Sponda Plc and Metso Automation Oy signed an agreement for production premises to be built in Hakkila, Vantaa. The new building, with a floor area of about 22,000 square metres, will be erected beside the Honkatalo logistics centre in Vantaa owned by Sponda at Vanha Porvoontie 229, Vantaa. The new building will be leased in its entirety to the Metso Automation business line with a long-term, 15 year lease. Sponda is also leasing to Metso some 12,000 square metres of office and warehouse premises in the adjacent Honkatalo office building. Almost the entire office building will be occupied by Metso. Sponda's total investment is estimated at about EUR 40 million.

15. Investments in real estate funds

	2010 Investment, M€	2010 Holding	2009 Investment, M€	2009 Holding
First Top LuxCo I S.A.r.l	5.3	20.0%	6.4	20.0%
Sponda Fund I Ky	33.2	46.1%	33.7	46.1%
Sponda Fund II Ky	21.3	43.7%	16.1	43.7%
YESS Ky	0.0	60.0%	0.0	60.0%
	59.8		**56.2**	

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.

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.

16. Property, plant and equipment

M€	Land sites	Buildings	Machinery & equipment	Other tangible assets	Advance payments & acquisitions in progress	2010 Total
Acquisition cost 1 Jan.	3.2	11.1	1.4	1.7	0.1	17.5
Increases		0.0	0.0			0.0
Decreases		-0.0		-0.0		0.0
Other reclassifications		0.1			-0.1	0.0
Acquisition cost 31 Dec.	**3.2**	**11.2**	**1.4**	**1.7**	**0.0**	**17.5**
Accumulated depreciation 1 Jan.	-	-1.6	-1.0	-0.5	-	-3.2
Accumulated depreciation on decreases						
Depreciation for the period		-0.2	-0.1	-0.4		-0.7
Accumulated depreciation 31 Dec.	**-**	**-1.9**	**-1.2**	**-0.9**	**-**	**-3.9**
Carrying amount 31 Dec.	**3.2**	**9.3**	**0.3**	**0.8**	**0.0**	**13.6**

M€	Land sites	Buildings	Machinery & equip-ment	Other tangible assets	Advance payments & acquisi-tions in progress	2009 Total
Acquisition cost 1 Jan.	3.2	10.0	1.3	0.7	2.0	17.2
Increases		0.0	0.1	0.1	0.0	0.3
Decreases						0.0
Other reclassifications	0.0	1.0		0.9	-1.9	0.0
Acquisition cost 31 Dec.	**3.2**	**11.1**	**1.4**	**1.7**	**0.1**	**17.5**
Accumulated depreciation 1 Jan.	-	-1.4	-0.9	-0.4	-	-2.7
Accumulated depreciation on decreases						
Depreciation for the period		-0.2	-0.1	-0.1		-0.5
Accumulated depreciation 31 Dec.	**-**	**-1.6**	**-1.0**	**-0.5**	**-**	**-3.2**
Carrying amount 31 Dec.	**3.2**	**9.4**	**0.3**	**1.2**	**0.1**	**14.3**

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€	2010	2009
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 9.24 per cent (2009: 9.37%). 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
2010		
Discount rate	9.24	16.84
Yield requirement	6.50	6.79
Investment costs		5.28
2009		
Discount rate	9.37	10.19
Yield requirement	7.00	7.03
Investment costs		0.52

An impairment of goodwill would have been recorded if the discount rate used had exceeded 16.84 per cent (2009: 10.19%), if the yield requirement used in the fair value calculations of projects had exceeded 6.79 per cent (2009: 7.03%) or if investment costs had been estimated as 5.28 per cent greater (2009: 0.52%).

18. Other intangible assets

M€	Software	Other intangible assets	2010 Total
Acquisition cost 1 Jan.	0.8	0.0	0.8
Increases	0.0	0.4	0.4
Acquisition cost 31 Dec.	**0.8**	**0.4**	**1.3**
Accumulated amortization 1 Jan.	-0.8	-	-0.8
Amortization for the period	0.0	-	0.0
Accumulated amortization 31 Dec.	**-0.8**	**-**	**-0.8**
Carrying amount 31 Dec.	**0.0**	**0.4**	**0.4**

M€	Software	Other intangible assets	2009 Total
Acquisition cost 1 Jan.	0.8	-	0.8
Increases	0.0		0.0
Acquisition cost 31 Dec.	**0.8**	**-**	**0.8**
Accumulated amortization 1 Jan.	-0.8	-	-0.8
Amortization for the period	0.0	-	0.0
Accumulated amortization 31 Dec.	**-0.8**	**-**	**-0.8**
Carrying amount 31 Dec.	**0.0**	**-**	**0.0**

19. Finance lease receivables

M€	2010	2009
Carrying amount of finance lease receivables	**2.7**	**2.7**
Gross rental income	14.6	15.0
Unguaranteed residual value	4.0	4.0
Gross investment in lease contracts	**18.6**	**18.9**
Unearned financial income	-15.8	-16.2
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 2010	2011	2012–2015	2016–	Total
Gross investment in lease contracts	0.3	1.7	16.6	18.6
Present value of minimum lease payments receivable	0.3	1.2	1.2	2.7

Term structure in 2009	2010	2011–2014	2015–	Total
Gross investment in lease contracts	0.3	1.7	16.9	18.9
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€	2010	2009
Acquisition cost 1 Jan.	2.8	3.3
Transfer from subsidiary company shares	-	-
Share of result for period	0.1	0.0
Increases	-	-
Decreases	-	-
Dividends received	-0.9	-0.5
Total	**2.0**	**2.8**

The carrying value of associated companies on 31 December 2010 includes EUR 0.9 million (2009: 1.9 million) of intangible rights allocated in connection with the acquisition.

Information about the Group's associated company and its assets, liabilities, total revenue and profit/loss, M€

2010	Domicile	Assets	Liabilities	Total revenue	Result for period	Holding
Ovenia Oy	Helsinki	5.8	2.2	15.0	2.3	45.10

2009	Domicile	Assets	Liabilities	Total revenue	Result for period	Holding
Ovenia Oy	Helsinki	5.9	2.6	14.2	2.2	45.10

21. Non-current receivables

M€	2010	2009
Non-interest-bearing receivables	0.6	2.0
Transaction price receivables	0.6	1.4
Long term financial receivables	**1.2**	**3.4**
Interest rate derivatives	0.0	0.0
Derivatives not included in hedge accounting	6.2	3.8
Defined benefit pension plan assets*	0.1	0.1
Other long term receivables	**6.3**	**4.0**
Total	**7.5**	**7.4**

* See Note 28.

22. Deferred taxes

M€	31 Dec 2009	Recognized in income statement	Transfers and other changes	Recognised in other comprehensive income items	Recognized in equity	Purchased businesses/ investment properties sold/bought	31 Dec. 2010
Deferred tax assets							
Provisions	0.0						0.0
Tax losses carried forward	25.5	-9.9	4.0	0.1		-0.2	19.5
Tax receivables from result for period	4.0	9.1	-4.0				9.1
Assessments at fair value:							
Funds	0.2	0.5					0.6
Interest rate swaps	9.6	0.0		-2.4			7.2
Interest rate options	0.2	0.0					0.2
Forward exchanges	0.0	0.0					0.0
Trading properties	1.6	-2.5	0.8				0.0
Translation differences/loans	0.0	0.5		-0.5			0.0
Other items/transfers	0.0	-1.2	1.4	0.1			0.3
Total	**41.1**	**-3.6**	**2.2**	**-2.7**	**0.0**	**-0.2**	**36.9**
Deferred tax liabilities							
Cumulative depreciation differences	23.7		-23.7				0.0
Capitalized borrowing costs	2.6	1.2	-2.9				0.8
Assessments at fair value:							
Investment properties	165.2	29.2	27.2	-0.6		-3.2	217.7
Trading properties	0.0		0.2				0.2
Associated company shares	0.4	-0.3					0.1
Interest rate swaps	0.0						0.0
Interest rate options	0.0						0.0
Equity bond expenses	1.5	3.0			-3.0		1.5
Share issue expenses	0.0						0.0
Other financial items	0.0						0.0
Other items/transfers	0.5	0.0	0.0	0.0			0.6
Total	**193.8**	**33.1**	**0.8**	**-0.6**	**-3.0**	**-3.2**	**221.0**

M€	31 Dec. 2008	Recognized in income statement	Transfers and other changes	Recognised in other comprehensive income items	Recognized in equity	Purchased businesses/ investment properties sold/bought	31 Dec. 2009
Deferred tax assets							
Provisions	2.2	-2.2					0.0
Tax losses carried forward	25.0	-14.1	14.8	0.0		-0.2	25.5
Tax receivables from result for period	13.8	4.0	-13.8				4.0
Assessments at fair value:							
Funds	0.0	0.2					0.2
Interest rate swaps	7.0	-0.1	0.0	2.7			9.6
Interest rate options	0.4	-0.3	0.0	0.0			0.2
Forward exchanges	0.0	0.0					0.0
Trading properties	7.2	-5.6	0.0				1.6
Other items/transfers	0.9	0.0	-0.7	-0.1			0.0
Total	**56.6**	**-18.1**	**0.3**	**2.5**	**0.0**	**-0.2**	**41.1**
Deferred tax liabilities							
Cumulative depreciation differences	24.3	0.1				-0.8	23.7
Capitalized borrowing costs	2.1	0.5					2.6
Assessments at fair value:							
Investment properties	182.5	-18.9	3.4	0.1		-2.0	165.2
Funds	2.0	-2.0					0.0
Trading properties	0.0	0.0					0.0
Associated company shares	0.6	-0.3					0.4
Interest rate swaps	0.0	0.0	0.0	0.0			0.0
Interest rate options	0.0		0.0				0.0
Equity bond expenses	1.5	2.9			-3.0		1.5
Share issue expenses	0.0	2.1			-2.1		0.0
Other financial items	0.0	0.0	0.0				0.0
Other items/transfers	3.6	0.1	-3.2	0.0			0.5
Total	**216.7**	**-15.5**	**0.2**	**0.1**	**-5.1**	**-2.7**	**193.8**

At 31 December 2010 the Group had tax loss carry-forwards totalling EUR 7 million (EUR 8 million in 2009) and impairment losses not deducted in taxation of EUR 72 million (EUR 105 million in 2009), 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	2011–2012	2013–2014	2015–2016	2017–2018	2019–2020	Total
Confirmed loss	1.3	1.8	1.2	1.2	0.9	6.5
Unrecognised deferred tax	0.3	0.5	0.3	0.3	0.2	1.7

23. Trading properties

Trading properties comprise 28 properties that are owned mainly through real estate or housing limited companies.

M€	2010	2009
Trading properties at start of the period	22.8	29.5
Divested trading properties	-2.9	-4.7
Reclassifications as investment properties	-9.6	-2.0
Trading properties at end of the period	**10.3**	**22.8**
Sales income from divested trading properties	31.9	10.7
Carrying amount of divested trading properties	-12.5	-6.7
Gains/losses on disposal of trading properties	**19.4**	**4.0**

24. Trade and other receivables

M€	2010	2009
Current non-interest-bearing receivables		
Trade receivables	7.3	7.6
Other receivables	27.6	16.5
Tax receivables	0.0	0.0
Prepayments	0.7	0.7
Other prepaid expenses and accrued income	5.5	6.9
Total	**41.1**	**31.6**

Other receivables includes EUR 26.5 million in VAT receivables.

Trade receivables classified according to time elapsed from due date

M€		2010		2009
Not fallen due	3.9	53.3%	4.5	59.9%
Under 1 month	0.7	9.4%	1.0	13.2%
1–3 months	0.6	7.8%	0.8	10.6%
3–6 months	0.5	6.7%	0.5	6.9%
6–12 months	1.2	16.4%	0.4	4.8%
1–5 years	0.5	6.5%	0.3	4.5%
Over 5 years	0.0	0.0%	0.0	0.0%
Total	**7.3**	**100.0%**	**7.6**	**100.0%**

Other prepaid expenses and accrued income

M€	2010	2009
From interest and financial items	3.3	3.4
Taxes	0.0	0.4
From other items	2.1	3.1
Total	**5.5**	**6.9**

25. Cash and cash equivalents

M€	2010	2009
Bank accounts	27.0	29.1
Liquid investment	-	-
Total	**27.0**	**29.1**

26. Capital and reserves

M€	No. of shares (x 1,000)	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

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 0.15 per share be distributed for the 2010 financial year.

27. Non-current interest-bearing liabilities

M€	2010	2009
Notes and bonds	99.6	149.9
Loans from financial institutions	1,299.8	1,137.3
Total	**1,399.4**	**1,287.2**

See Note 32.

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€	2010	2009
Present value of funded obligations	0.3	0.3
Fair value of plan assets	-0.3	-0.4
Surplus	**-**	**-**
Unrecognized actuarial gains (+) and losses (-)	-0.1	-0.1
Net asset (-) in the balance sheet	-0.1	-0.1

Items recognized in the income statement:

M€	2010	2009
Current service costs	-	-
Interest costs	-	-
Expected return on plan assets	-	-
Past service cost	-	-
Actuarial gains (-) and losses (+)	-	-
Total	**-**	**-**

Actual return on plan assets totalled EUR -105,000 in 2010 (2009: EUR -139.000)

Changes in the present value of the obligation:

M€	2010	2009
Liability for defined benefit obligations at beginning of period	0.3	0.4
Service costs	0.0	0.0
Interest costs	0.0	0.0
Actuarial gains (-) and losses (+)	-0.1	-0.1
Past service costs	-	-
Liability for defined benefit obligations at end of period	**0.3**	**0.3**

Changes in the fair values of the plan assets:

M€	2010	2009
Fair value of plan assets at beginning of period	0.4	0.4
Expected return on plan assets	0.0	0.0
Actuarial gains (+) and losses (-)	-0.1	-0.2
Contributions paid by the employer	0.0	0.0
	0.3	**0.4**

Information is not available on the plan assets.

Actuarial assumptions on the balance sheet date:

%	2010	2009
Discount rate, (%)	4.25	5.00
Expected return on plan assets, (%)	4.25	5.00
Expected rate of salary increases (%)	3.50	3.50
Inflation (%)	2.00	2.00

The Group expects to pay EUR 20.000 to the plan in 2011.

	2010	2009	2008	2007	2006
Present value of obligation	0.3	0.3	0.4	0.6	0.5
Fair value of assets under the arrangement	0.3	0.4	0.4	0.5	0.6
Margin deficiency (+) / Margin excess (-)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Experience-based adjustments on debts under the arrangement, (loss)/gain	-0.1	-0.2	-0.1	0.0	0.0
Experience-based adjustments on assets under the arrangement, loss/(gain)	0.1	0.2	0.1	0.0	0.0

29. Provisions

M€	Soil restoration	Other provisions	2010 Total	2009 Total
Provisions 1 Jan.	-	-	-	8.7
Increases in provisions				0.0
Decreases in provisions				0.0
Provisions used				-8.4
Reversals of unused provisions				-0.2
Provisions 31 Dec.	**-**	**-**	**-**	**-**

30. Other liabilities

M€	2010	2009
Note and bonds	150.0	100.0
Loans from financial institutions	6.3	57.5
Foreign currency loans	-	0.0
Commercial papers sold	17.0	153.1
Total	**173.2**	**310.6**

See Note 32.

31. Trade and other payables

M€	2010	2009
Current non-interest bearing debt		
Advances received	7.2	5.2
Trade payables	3.9	7.0
Interest liabilities	11.7	11.5
Other current liabilities	30.0	18.9
Accrued expenses and deferred income	13.7	12.0
Total	**66.5**	**54.5**

Other current liabilities includes EUR 24.8 million in VAT liabilities.

Accrued expenses and deferred income		
Interest and financial items	2.4	3.4
Personnel expenses	3.2	3.7
Taxes	0.7	0.2
Investments	4.7	3.4
Other items	2.7	1.2
Total	**13.7**	**12.0**

32. 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 receives 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 per cent and at most 100 per cent of the Group's interest-bearing liabilities. The Group's hedging rate on 31 December 2010 was 84 per cent. The fixed interest rate period of the interest-bearing debt portfolio must be at least one year. The fixed interest rate period of the Group's portfolio was 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 32.3.

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 of the Group's interest rate swaps. The interest rate swaps mature in 2011–2016, during which period the interest flows from interest rate swaps will also be realised. The hedging effectiveness between hedged loans and hedging instruments was very high during the 2010 financial year. The non-effective proportion of interest rate swaps under hedge accounting has been recognised in profit and loss. Hedge accounting was not applied to the purchased interest rate caps. The change in the fair value of interest rate caps is recognised in profit and loss.

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 on page 32. 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 change by one percentage point
- the calculation includes interest-bearing liabilities (EUR 1,573 million)
- the calculation includes current derivative contracts (EUR 1,423 million).

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 income to be obtained from interest rate derivatives or on the 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 2010 financial statements Sponda Plc applied hedge accounting to 58 per cent of interest rate derivatives, compared to 65 per cent in 2009. 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 2010 by about EUR 25 million.

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. 2010		31 Dec. 2009	
	Income statement	Fair value reserve	Income statement	Fair value reserve
One percentage point rise in market rates	-1	+21	-2	+19
One percentage point fall in market rates	+3	-22	+3	-20

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 fifth 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 32.4 and 32.5 show the maturity analysis based on the Group's agreements. The average loan period of the Group's loans on 31 December, 2010 was 3.2 years (31 December, 2009: 2.4 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 2011 total some EUR 173 million, of which a bond maturing in May represents EUR 150 million. The remaining loans maturing in 2011 comprise commercial papers and loans from credit institutions. The company may, if necessary, finance the loans falling due in 2011 by taking out long-term credit limits. The commercial paper market is also functioning well.

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 425 million on the balance sheet date. The company has renewed the short-term credit limits maturing in 2011 and turned them into long-term loans. In addition, the Group had unused bank account limits of EUR 10 million. Cash surpluses are invested in short-term money market instruments or bank deposits in accordance with the financial policy confirmed by the Board. On 31 December, 2010 the Group's cash and cash equivalents totalled EUR 27 million.

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 3.0.
- the equity ratio, for which the set minimum ratio is 28 per cent.

On the closing date the equity ratio stood at 39 per cent. 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 72.1 milion) are given in Note 32.1.

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 32 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 3.4 million. The total rent unpaid for more than three months was EUR 2.1 million. The Group recorded credit losses of EUR 1.7 million for rent receivables in 2010. 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. The Group had no selling price receivables at the balance sheet date. The total amount of trade receivables at the balance sheet date excluding rent receivables was EUR 3.9 million. The Group considers the risk from trade receivables to be small. A maturity analysis of all trade receivables is presented on page 50.

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 15.7 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 16 million (USD 12 million) annually and RUB-denominated net cash flows some RUB -5 million (RUB -0.1 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 8 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. The company does not apply hedge accounting as defined in IAS 39 to currency derivatives. Changes in the fair values of currency derivatives are recognized in the income statement. 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 -0.4 million and if the euro strengthened 10 per cent against the USD, this would improve the result by some EUR +0.4 million. With the the currency derivative maturing each month, the company can sell cash flow of some USD 1.3 million based on rental income, and this would have the opposite effect on the result to that of the currency option.

On the balance sheet date, 31 December, 2010, the Group had no loans denominated in foreign currency. The Group finances its capital expenditure in Russia with internal loans denominated in euros.

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 per cent. In the event that equity ratio approaches the 28 per cent limit, the company will carry out arrangements to boost equity. The company's equity comprises a hybrid bond that improves the company's equity ratio. The nominal value of the hybrid bond is EUR 130 million and it is recorded in the balance sheet under 'Other equity reserve'. More information on the hybrid bond is provided on page 33. The company aims to distribute a dividend of approximately 50 per cent 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 per cent. On 31 December, 2010 the Group's equity ratio was 39 per cent, compared to 37 per cent at the end of 2009. Sponda's interest cover ratio on 31 December, 2010 was 3.0. In 2009 the interest cover ratio was 2.7. Sponda Group's interest-bearing liabilities decreased during 2010 by EUR 25 million and at the end of the year totalled EUR 1,573 million. Sponda Group sold property assets during 2010 for altogether EUR 55 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€	2010	2009
Interest-bearing liabilities	1,573	1,598
Cash, funds in bank and interest-bearing receivables	27	30
Interest-bearing net liabilities	1,546	1,568
Shareholders' equity, total	1,201	1,114
Balance sheet total	3,086	2,990
Equity ratio	39%	37%

32.1 Carrying amounts of financial assets and liabilities by category

2010 Balance sheet item, M€	Financial assets/ liabilites 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		1.2			1.2	1.2
Derivative contracts	6.2			2.7	8.9	8.9
Current financial assets						
Derivative contracts	0.1				0.1	0.1
Trade and other receivables		34.9			34.9	34.9
Cash and cash equivalents		27.0			27.0	27.0
Carrying amount by category	**6.3**	**63.1**	**0.0**	**2.7**	**72.1**	**72.1**
Non-current financial liabilities						
Interest-bearing liabilities			1,399.4		1,399.4	1,377.1
Derivative contracts				28.3	28.3	28.3
Current financial liabilities						
Interest-bearing liabilities			173.2		173.2	172.9
Derivative contracts	0.1			2.0	2.1	2.1
Interest payable			11.7		11.7	11.7
Trade and other payables			31.8		31.8	31.8
Carrying amount by category	**0.1**	**0.0**	**1,616.2**	**30.3**	**1,646.6**	**1,624.0**

All derivative contracts belong to level 2 in the fair value hierarchy mentioned in IFRS 7.
Derivative contracts for EUR 30.4 million are included in financial liabilities and for EUR 8.9 million in financial assets.

2009 Balance sheet item, M€	Financial assets/ liabilites 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		3.4			3.4	3.4
Derivative contracts	3.8			0.0	3.8	3.8
Current financial assets						
Derivative contracts	0.0				0.0	0.0
Trade and other receivables		24.0			24.0	24.0
Cash and cash equivalents		29.1			29.1	29.1
Carrying amount by category	**3.8**	**56.6**	**0.0**	**0.0**	**60.4**	**60.4**
Non-current financial liabilities						
Interest-bearing liabilities			1,287.2		1,287.2	1,248.6
Derivative contracts				30.5	30.5	30.5
Current financial liabilities						
Interest-bearing liabilities			310.6		310.6	312.2
Derivative contracts	0.1			6.7	6.8	6.8
Interest payable			11.5		11.5	11.5
Trade and other payables			19.0		19.0	19.0
Carrying amount by category	**0.1**	**0.0**	**1,628.3**	**37.2**	**1,665.6**	**1,628.6**

The credit risk for financial receivables is at most the carrying amount of the receivables.

32.2 The Group's interest-bearing liabilities

Long-term liabilities, M€	2010 Carrying amount	2010 Fair value	2009 Carrying amount	2009 Fair value
Bonds	99.6	99.0	149.9	145.9
Loans from financial institutions	1,299.8	1,277.6	1,137.3	1,102.8
Foreign currency loans	0.0	0.0	0.0	0.0
Total	**1,399.4**	**1,376.6**	**1,287.2**	**1,248.7**

Current liabilities, M€	2010 Carrying amount	2010 Fair value	2009 Carrying amount	2009 Fair value
Bonds	150.0	149.7	100.0	100.1
Loans from financial institutions	23.2	23.3	210.6	212.1
Foreign currency loans	0.0	0.0	0.0	0.0
Total	**173.2**	**173.0**	**310.6**	**312.2**

The fair values of bonds are based on market prices.

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.

32.3 Derivative contracts

M€	2010 Fair values	2010 Nominal values	2009 Fair values	2009 Nominal values
Interest rate derivatives				
Interest rate swaps				
Included in hedge accounting	-27.6	822.8	-37.2	997.8
Not included in hedge accounting	-	-	0.2	30.0
Interest rate caps, bought				
In hedge accounting	-	-	-	-
Not in hedge accounting	6.2	600.0	3.6	512.5
Interest rate futures	-	-	-	-
Foreign currency derivatives				
Currency swaps	0.1	5.9	0.0	4.9
Currency options	-0.1	4.9	-0.1	4.9

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.

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.

32.4 Maturity of non-current liabilities

Maturity of non-current liabilities 31 December, 2010, M€	2011	2012	2013	2014	2015	2016
Bonds	150.0	-	-	-	100.0	-
Loans from financial institutions	6.3	430.2	83.6	257.8	533.8	-

Maturity of non-current liabilities 31 December, 2009, M€	2010	2011	2012	2013	2014	2015
Bonds	100.0	150.0	-	-	-	-
Loans from financial institutions	58.9	266.3	465.1	165.0	107.8	133.8

The average interest rate of all the Group's loans, inclusive of interest derivatives, was 3.8 per cent (3.7%). The average maturity of loans was 3.2 years (2.4 years).

Shown here is the maturity of non-current liabilities, showing the nominal value when the loan was taken. Loans maturing in 2011 are presented in the balance sheet under current loans.

Sponda Plc's most significant loans

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.

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 per cent. 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

Sponda Plc signed an agreement in March 2010 to extend a 3-year loan of EUR 57.6 million with Sampo Bank Plc. The agreement extends a short-term project loan originally taken out to finance the Elo shopping complex.

Bilateral loan

In December 2009 Sponda Plc signed an agreement for a EUR 150 million 5-year loan with Nordea Bank Finland Plc. The loan is being used in its entirety to repay existing debts and replaces short term credit facilities for the same amount that mature in March 2010. The loan is unsecured.

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

Sponda Plc signed an agreement in March 2008 with Danske Bank A/S, Helsinki Branch for a 7-year EUR 150 million credit facility and an agreement with Ilmarinen Mutual Pension Insurance Company for a 7-year EUR 50 million credit facility. The loans were used to finance the company's property development and Russian investments. The credit facilities are unsecured.

Bilateral loans

Sponda Plc signed an agreement in February 2008 with Swedbank for a 5-year EUR 100 million credit facility and an agreement 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.

Bilateral loan

Sponda Plc signed an agreement in November 2007 with Bank DnB NORD A/S for a 5-year EUR 100 million credit facility. The loan was used to refinance the company's loan portfolio, and it replaced credit facilities raised in 2002 and 2003. The loan was unsecured.

Dual-Tranche Syndicated Credit Facility Agreement
In June 2007 Sponda Plc signed an agreement for a five year syndicated credit facility for a total of EUR 350 million. The facility was used to refinance the remainder of the short-term commercial paper raised in December to finance Sponda's Kapiteeli acquisition. The loan was unsecured.

Bond
In April 2007 Sponda Plc issued a Private-Placement bond of EUR 150 million to domestic institutional investors. The loan period is 4 years. The loan is floating-rate, and the bond's coupon was confirmed as the three-month Euribor plus 0.40 per cent. No request was made for listing for the bond. The bond was part of the refinancing of the short-term loan raised for the Kapiteeli acquisition. The bond is unsecured.

Hybrid bond
In June 2008 Sponda issued a EUR 130 million hybrid bond to Finnish institutional investors. The bond has no maturity, but Sponda is entitled to redeem the bond in five years time. The bond will be treated in Sponda's IFRS financial statements in its entirety as equity. The hybrid bond improves the company's solvency. The bond is subordinated to the company's other debt instruments. The bond has been publicly listed. The bond has a coupon of 8.75 per cent. The interest on the bond is paid if the shareholders' meeting decides to pay a dividend. If no dividend is paid, the company decides separately on whether to pay the interest. Unpaid interest accumulates.

32.5 Cash flows for repayments and financing expenses for financial liabilities based on loan contracts on 31 December 2010 were as follows:

M€	2011	2012	2013	2014	2015	2016	2017
Bonds	155	4	4	4	104		
Loans from financial institutions	29	451	97	269	539		
Commercial papers	17						
Interest rate derivatives							
- in hedge accounting, net	19	15	11	5	3	1	0
- not in hedge counting, net	-	-	-	-	-	-	-
Currency forwards not included in hedge accounting, net	0						
Trade payables	4						
Other liabilities	28						
Interest payable	12						
	264	**470**	**111**	**278**	**647**	**1**	**0**

Cash flows for repayments and financing expenses for financial liabilities based on loan contracts on 31 December 2009 were as follows:

M€	2010	2011	2012	2013	2014	2015	2016
Bonds	103	151					
Loans from financial institutions	20	286	479	229	111	134	0
Commercial papers	153						
Interest rate derivatives							
- in hedge accounting, net	28	19	14	9	3	1	0
- not in hedge counting, net	1	1	1	1	1	1	0
Currency forwards not included in hedge accountingt, net	0						
Trade payables	7						
Other liabilities	12						
Interest payable	12						
	336	**457**	**494**	**239**	**115**	**136**	**0**

33. Collateral and contingent liabilities

Liabilities for which mortgages over property and shares have been given, M€	Group 12/2010	12/2009
Loans from financial institutions, covered by collateral	141.1	141.3
Mortgages	269.2	269.2
Carrying amount of pledged shares	18.6	17.5
Guarantees	0.0	0.0
Collateral, total	**287.7**	**286.7**

Commitments arising from land lease contracts, M€	Group 12/2010	12/2009	Parent company 12/2010	12/2009
Lease liabilities	100.8	103.3	-	-
Mortgages	3.9	3.0	-	-
Guarantees	15.7	16.2	15.7	16.2
Total	**120.5**	**122.5**	**15.7**	**16.2**

Operating leases, M€	Group 12/2010	12/2009	Parent company 12/2010	12/2009
Contractual maturities on lease contracts:				
During the following financial year	0.4	0.4	0.4	0.4
Due after the following year	0.3	0.3	0.3	0.3
Total	**0.6**	**0.7**	**0.6**	**0.7**

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
VAT reductions made on renovation investments

Liabilities in accordance with §33 of the VAT Act have been calculated for all Group companies and they have an aggregate value of EUR 55.2 million (58.6).

Interest on hybrid bond

Interest of EUR 11.4 milion was paid on the hybrid bond on 28 June, 2010. Of this, EUR 5.8 million accrued from 2009 and EUR 5.6 million from 2010. In addition to the interest paid, EUR 5.8 million of unpaid interest accrued in 2010. The accrued interest is recognized directly as a reduction in equity on the payment date. Altogether EUR 11.4 million in interest accrued in 2010.

Investment commitments to real estate funds

On 31 December, 2010, the remaining investment commitments to real estate funds totalled EUR 12.9 million (2009: EUR 18.3 million).

34. 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 37.

The following related party transactions were carried out:

Management employee benefits, M€	2010	2009
Salaries and other short-term employee benefits	1.8	1.8
Share-based payments	0.8	0.8
Total	**2.6**	**2.6**

Salaries and fees, €	2010	2009
President and CEO	478,000	481,143
Board of Directors	300,600	306,400
Total	**778,600**	**787,543**

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, 2010 or on 31 December, 2009.

Members of the Board of Directors held 69,070 shares and members of the Executive Board 604,065 at the end of 2010 (2009: 50,000 and 452,810 shares respectively).

35. Confirmed losses of Sponda Kiinteistöt Oy

The Supreme Administrative Court resolved a dispute pertaining to the deductibility of the confirmed losses of Sponda Kiinteistöt Oy in Sponda's favour in July 2010. The decision is not subject to appeal. The decision has no effect on the company's result for 2010.

36. Events after the balance sheet date

Sponda Plc's Shareholders' Nomination Committee decided on the proposal to the Annual General Meeting on 16 March, 2011 regarding the composition and remuneration of the Board of Directors.

The Nomination Committee 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 fees for the term concluding at the 2012 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 Committee further proposes that all members of the Board of Directors be paid meeting fees of EUR 600 per meeting, inclusive of Board Committee meetings. The Nomination Committee proposes that 40 per cent of the annual fee be paid in Sponda Plc shares acquired on the market. The shares will be acquired within two weeks of the publication of the interim report for 1 January–31 March, 2011.

37. Shares and holdings owned by the Group and parent company

Group companies Mutual real estate companies		Group company holding %	31 Dec. 2010 Parent company holding %	
Aleksi-Hermes	Helsinki	100.00	100.00	Sponda
Arkadiankatu 4–6	Helsinki	100.00	100.00	Sponda
Atomitie1	Helsinki	100.00	100.00	Sponda
Backaksenpelto	Vantaa	100.00	100.00	Sponda
Bulevardi1	Helsinki	100.00	100.00	Sponda
Dianapuisto	Helsinki	100.00	100.00	Sponda
Design House Hattutehdas	Helsinki	100.00		Sponda Kiinteistöt
Elovainion Kauppakiinteistöt	Ylöjärvi	100.00	100.00	Sponda
Espoon Juvanpuisto	Espoo	100.00	100.00	Sponda
Espoon Komentajankatu 3	Espoo	100.00	100.00	Sponda
Espoon Kuusiniementie 2	Espoo	100.00		Sponda Kiinteistöt
Espoon Pyyntitie 1	Espoo	100.00		Sponda Kiinteistöt
Espoonportti	Espoo	100.00	100.00	Sponda
Estradi	Helsinki	100.00		Sponda Kiinteistöt
Fabianinkatu 23	Helsinki	100.00	100.00	Sponda
Gohnt-talo	Helsinki	100.00	100.00	Sponda
Hankasuontie 13	Helsinki	100.00	100.00	Sponda
Hannuksentie 1	Espoo	100.00	100.00	Sponda
Haukilahdenkatu 4	Helsinki	100.00	100.00	Sponda
Heimola	Helsinki	59.57	59.57	Sponda
Helsingin Ehrensvärdintie 31–35	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Energiakatu 4	Helsinki	100.00	100.00	Sponda
Helsingin Erottajanmäki	Helsinki	100.00	100.00	Sponda
Helsingin Harkkoraudantie 7	Helsinki	100.00	100.00	Sponda
Helsingin Hämeentie 105	Helsinki	60.63		Sponda Kiinteistöt
Helsingin Itäkatu 11	Helsinki	100.00	100.00	Sponda
Helsingin Itämerenkatu 21	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Itämerentalo	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Kaivokatu 8	Helsinki	100.00	100.00	Sponda
Helsingin Kalatori	Helsinki	100.00	100.00	Sponda
Helsingin Kalevankatu 30	Helsinki	100.00	100.00	Sponda
Helsingin Kirvesmiehenkatu 4	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Kuntotalo	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Lampputie 12	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Neonpolku	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Nuijamiestentie	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Ohrahuhdantie 4	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Pieni Roobertinkatu 9	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Porkkalankatu 22	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Ruoholahden Parkki	Helsinki	90.78		Sponda Kiinteistöt
Helsingin Salmisaarentalo	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Tulppatie 1	Helsinki	100.00	100.00	Sponda
Helsingin Silkkikutomo	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Sörnäistenkatu 2	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 25 A	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 25 B	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 25 C	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 27 A	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 27 B	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 27 C	Helsinki	100.00		Sponda Kiinteistöt

Group companies Mutual real estate companies		Group company holding %	31 Dec. 2010 Parent company holding %	
Helsingin Valimotie 27 D	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valokaari	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valuraudankuja 7	Helsinki	100.00	100.00	Sponda
Helsingin Vanhanlinnantie 3	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Veneentekijäntie 8	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Värjäämö	Helsinki	100.00		Sponda Kiinteistöt
Henrik Forsiuksentie 39	Helsinki	100.00	100.00	Sponda
Hermian Pulssi	Tampere	100.00		Sponda Kiinteistöt
Hitsaajatalo	Helsinki	100.00	100.00	Sponda
Holkkitie 8 A	Helsinki	100.00	100.00	Sponda
Hyvinkään Varikko	Hyvinkää	100.00	100.00	Sponda
Hämeenkatu 20	Tampere	100.00		Sponda Kiinteistöt
Hämeenportin Yritystalo	Vantaa	100.00	100.00	Sponda
Hämeentie 103	Helsinki	100.00		Sponda Kiinteistöt
Höyläämötie 5	Helsinki	100.00		Sponda Kiinteistöt
Insinöörinkatu	Helsinki	100.00	100.00	Sponda
Iso-Roobertinkatu 21–25	Helsinki	100.00	100.00	Sponda
Isontammentie 4	Vantaa	100.00		Sponda Kiinteistöt
Itälahdenkatu 20	Helsinki	100.00	100.00	Sponda
Itälahdenkatu 22	Helsinki	100.00	100.00	Sponda
Jaakkolanportti	Kerava	100.00		Sponda Kiinteistöt
Kaivokadun Tunneli	Helsinki	100.00	100.00	Sponda
Kaivokatu 12	Helsinki	100.00	100.00	Sponda
Kalkkipellontie 6	Espoo	100.00	100.00	Sponda
Kappelitie 8	Espoo	100.00	100.00	Sponda
Karapellontie 4 C	Espoo	100.00	100.00	Sponda
Kasarmikatu 36	Helsinki	100.00	100.00	Sponda
Kaupintie 3	Helsinki	100.00	100.00	Sponda
Keskuskatu 1 B	Helsinki	100.00	100.00	Sponda
Kilonkallio 1	Espoo	100.00	100.00	Sponda
Korkeavuorenkatu 45	Helsinki	100.00	100.00	Sponda
Kumpulantie 11	Helsinki	100.00	100.00	Sponda
Kuninkaankaari	Vantaa	100.00	100.00	Sponda
Kuninkaankruunu	Vantaa	100.00	100.00	Sponda
Kylvöpolku 1	Helsinki	100.00	100.00	Sponda
Leppäsorsa	Kuopio	100.00		Sponda Kiinteistöt
Läkkitori	Espoo	100.00	100.00	Sponda
Länsi-Keskus	Espoo	58.64	58.64	Sponda
Lönkka	Helsinki	100.00	100.00	Sponda
Malmin Kankirauta	Helsinki	100.00	100.00	Sponda
Malmin Yritystalo	Helsinki	100.00	100.00	Sponda
Mannerheimintie 6	Helsinki	100.00	100.00	Sponda
Manhattan	Turku	52.85		Sponda Kiinteistöt
Mansku 4	Helsinki	100.00	100.00	Sponda
Martinkyläntie 53	Vantaa	100.00	100.00	Sponda
Melkonkatu 26	Helsinki	100.00	100.00	Sponda
Messukylän Castrulli	Tampere	100.00	100.00	Sponda
Messukylän Kattila	Tampere	100.00	100.00	Sponda
Messukylän Turpiini	Tampere	100.00	100.00	Sponda
Miestentie	Espoo	100.00	100.00	Sponda
Mäkkylän Toimistotalo	Helsinki	100.00	100.00	Sponda
Nimismiehenniitty	Espoo	67.00		Sponda Kiinteistöt
Olarintörmä	Espoo	100.00	100.00	Sponda

Group companies Mutual real estate companies		Group company holding %	31 Dec. 2010 Parent company holding %	
Oulun Alasintie 3–7	Oulu	100.00	100.00	Sponda
Oulun Liikevärttö 1	Oulu	100.00		Sponda Kiinteistöt
Oulun Liikevärttö 2	Oulu	100.00		Sponda Kiinteistöt
Oulun Liikevärttö 3	Oulu	100.00		Sponda Kiinteistöt
Pieni Roobertinkatu 7	Helsinki	99.79		Sponda Kiinteistöt
Piispanpiha 5	Helsinki	100.00	100.00	Sponda
Poijupuisto	Espoo	100.00	100.00	Sponda
Porkkalankatu 20	Helsinki	100.00		Sponda Kiinteistöt
Pronssitie 1	Helsinki	100.00		Sponda Kiinteistöt
Ratapihantie 11	Helsinki	100.00	100.00	Sponda
Ratinan Kauppakeskus	Tampere	100.00	40.00	Sponda
Ratinanlinna	Tampere	100.00		Sponda Kiinteistöt
Robert Huberintie 2	Vantaa	100.00	100.00	Sponda
Ruoholahden Sulka	Helsinki	100.00		Sponda Kiinteistöt
Ruoholahdenkatu 4	Helsinki	94.95		Sponda Kiinteistöt
Ruosilantie 14	Helsinki	100.00	100.00	Sponda
Ruosilantie 16	Helsinki	100.00	100.00	Sponda
Ruosilantie 18	Helsinki	100.00	100.00	Sponda
Salmisaaren Liiketalo	Helsinki	100.00	100.00	Sponda
Scifin Beta	Espoo	100.00		Sponda Kiinteistöt
Scifin Gamma	Espoo	100.00		Sponda Kiinteistöt
Sinikalliontie 10	Espoo	100.00	100.00	Sponda
Sinimäentie 14	Espoo	100.00	100.00	Sponda
Sp-kiinteistöt Oy Kilo	Espoo	100.00		Sponda Kiinteistöt
Säästötammela	Tampere	100.00		Sponda Kiinteistöt
Tallbergintalo	Helsinki	100.00		Sponda Kiinteistöt
Tampereen Enqvistinkatu 7	Tampere	100.00		Sponda Kiinteistöt
Tampereen Hallituskatu 8	Tampere	100.00		Sponda Kiinteistöt
Tampereen Naulakatu 3	Tampere	100.00		Sponda Kiinteistöt
Tampereen Näsilinnankatu 39–41	Tampere	100.00		Sponda Kiinteistöt
Tapiolan Kulttuuritori	Espoo	100.00	100.00	Sponda
Tapiolan Liiketalo	Espoo	100.00	100.00	Sponda
Tiistilän Miilu	Espoo	100.00		Sponda Kiinteistöt
Tiistinhovi	Espoo	100.00		Sponda Kiinteistöt
Tonttipaino	Vantaa	100.00	100.00	Sponda
Turku High Tech Centre Oy	Turku	100.00		Sponda Kiinteistöt
Turun Ilmarisenkulma	Turku	100.00		Sponda Kiinteistöt
Turun Julinia Fastighets Ab	Turku	100.00		Sponda Kiinteistöt
Turun Koulukatu 29	Turku	100.00	100.00	Sponda
Turun Kurjenmäki	Turku	100.00		Sponda Kiinteistöt
Turun Rautakatu	Turku	100.00		Sponda Kiinteistöt
Turun Yliopistonkatu 12 A	Turku	100.00		Sponda Kiinteistöt
Turun Yliopistonkatu 14	Turku	100.00		Sponda Kiinteistöt
Turunlinnantie 12	Helsinki	100.00	100.00	Sponda
Tuusulan Teollisuuskuja 4	Tuusula	100.00	100.00	Sponda
Tuusulan Teollisuuskuja 6	Tuusula	100.00	100.00	Sponda
Tuusulan Tärkkelystehdas	Tuusula	100.00	100.00	Sponda
Unioninkatu 18	Helsinki	100.00	100.00	Sponda
Unioninkatu 20–22	Helsinki	100.00	100.00	Sponda
Unioninkatu 24	Helsinki	100.00	100.00	Sponda
Upseerinkatu 1	Espoo	100.00	100.00	Sponda
Valuraudankuja 6	Helsinki	100.00	100.00	Sponda
Vantaan Harkkokuja 2	Vantaa	100.00		Sponda Kiinteistöt

Group companies Mutual real estate companies		Group company holding %	31 Dec. 2010 Parent company holding %	
Vantaan Honkatalo	Vantaa	100.00	100.00	Sponda
Vantaan Koivupuistontie 26	Vantaa	89.07		Sponda Kiinteistöt
Vantaan Kuussillantie 27	Vantaa	100.00		Sponda Kiinteistöt
Vantaan Köysikuja 1	Vantaa	100.00	100.00	Sponda
Vantaan Omega	Vantaa	100.00	100.00	Sponda
Vantaan Santaradantie 8	Vantaa	100.00	100.00	Sponda
Vantaan Simonrinne	Vantaa	77.18		Sponda Kiinteistöt
Vantaan Tähtäinkuja 3	Vantaa	100.00		Sponda Kiinteistöt
Vantaan Vanha Porvoontie 231	Vantaa	100.00	100.00	Sponda
Vantaan Väritehtaankatu 8	Vantaa	100.00		Sponda Kiinteistöt
Vepema	Vantaa	100.00	100.00	Sponda
Vitikka 6	Espoo	100.00	100.00	Sponda
Vuosaaren Logistiikkakeskus	Helsinki	100.00	100.00	Sponda
Vuosaaren Porttikeskus	Helsinki	100.00	100.00	Sponda
Vuosaaren Service Center	Helsinki	100.00	100.00	Sponda
Värtönparkki 1	Oulu	100.00		Sponda Kiinteistöt
Ylä-Malmintori 6	Helsinki	100.00	100.00	Sponda
Zeppelinin City-Keskus	Kempele	94.83		Sponda Kiinteistöt
Zeppelinin Kauppakeskus	Kempele	91.47		Sponda Kiinteistöt
Zeppelinin Kauppakulma	Kempele	100.00		Sponda Kiinteistöt
Zeppelinin Kauppapörssi	Kempele	91.44		Sponda Kiinteistöt
Zeppelinin Markkinapaikka	Kempele	58.71		Sponda Kiinteistöt
Zeppelinin Pikkukulma	Kempele	100.00		Sponda Kiinteistöt
Zeppelinin Tavaratori	Kempele	78.87		Sponda Kiinteistöt

Limited liability companies

Drawer Oy	Helsinki	100.00	100.00	Sponda
Hextagon Oy	Helsinki	100.00		Sponda
Sponda Kiinteistöt Oy	Helsinki	100.00	100.00	Sponda
Porkkalankadun alitus Oy	Helsinki	62.64		Sponda Kiinteistöt
Ruoholahden Yhteissuoja Oy	Helsinki	100.00		Sponda Kiinteistöt
Russia Europe Oy Ltd	Helsinki	100.00		Sponda
Sponda AM Oy	Helsinki	100.00	100.00	Sponda
Sponda Asset Management Oy	Helsinki	100.00	100.00	Sponda
Sponda Asset Management II Oy	Helsinki	100.00	100.00	Sponda
Sponda Russia Oy Ltd	Helsinki	100.00	100.00	Sponda
Sponda Russia Finance Oy Ltd	Helsinki	100.00		Sponda
SRK-Kiinteistöt Oy	Helsinki	100.00	100.00	Sponda
Tamforest Oy	Tampere	100.00	100.00	Sponda
Tamsilva Oy	Tampere	100.00	100.00	Sponda

Associated companies

Asunto Oy Lönnrotinkatu 28	Helsinki	30.81		Sponda
Creax Oy	Helsinki	25.00	25.00	Sponda
Erottajan Pysäköintilaitos Oy	Helsinki	49.29	49.29	Sponda
J. Österblad Oy	Turku	20.67		Sponda Kiinteistöt
Kilpakujan Liikekiinteistö Oy	Helsinki	45.65		Sponda Kiinteistöt
Puotinharjun Puhos Oy	Helsinki	20.43	20.43	Sponda
Simonseutu	Vantaa	47.62		Sponda Kiinteistöt
Zeppelinin Kulmatori Kiinteistö Oy	Kempele	49.67		Sponda Kiinteistöt

Holdings in associated companies		Group company holding %	31 Dec. 2010 Parent company holding %	
Ovenia Oy	Helsinki	45.10		Sponda Kiinteistöt

Real estate fund companies

First Top LuxCo 1 S.A.r.l	Luxemburg	20.00	20.00	Sponda
Sponda Fund I Ky	Helsinki	46.10		Sponda
Sponda Fund II Ky	Helsinki	43.75		Sponda
YESS Ky	Helsinki	60.00	60.00	Sponda

Foreign subsidiaries

OOO Adastra	St Petersburg, Russia	100.00		Sponda
OOO Inform Future	St Petersburg, Russia	100.00		Sponda
OOO NRC	St Petersburg, Russia	100.00		Sponda
OOO Veika	St Petersburg, Russia	100.00		Sponda
OOO Europe Terminal	Moscow, Russia	100.00		Sponda
ZAO Ankor	Moscow, Russia	100.00		Sponda
OOO Western Realty (Ducat 2)	Moscow, Russia	100.00		Sponda
Korbis K Limited Liability Company	Moscow, Russia	100.00		Sponda
Slavjanka Closed Joint-Stock Company	Moscow, Russia	100.00		Sponda
Rowina Holding Limited	Cyprus	100.00		Sponda
Makentrax Limited	Cyprus	100.00		Sponda

Changes in Group structure in 2010

Companies sold
Inkeroisten Koekeskus Oy
Turun Kauppiaskatu 9 B
Vanhajämerä
Vantaan Alfa

Parent company income statement

M€	Note	1 Jan.–31 Dec. 2010	1 Jan.–31 Dec. 2009
Total revenue			
Rental income and recoverables	1	**114.8**	120.0
Fund management fees		**5.1**	5.0
		119.9	125.0
Expenses from leasing operations		**-52.5**	-34.0
Direct expenses from funds		**-1.5**	-1.9
		-54.0	-35.9
Net operating income		**65.9**	89.1
Sales and marketing expenses		**-1.1**	-1.1
Administrative expenses	2, 3, 6	**-7.9**	-9.1
Other operating income	4	**0.2**	0.3
Profits on sale of investment properties		**4.4**	6.1
Other operating expenses	5	**-1.9**	-0.7
Operating profit		**59.6**	84.5
Financial income and expenses	7	**-68.4**	-78.2
Profit/loss before one-time items		**-8.8**	6.3
Extraordinary items	8	**12.6**	1.5
Changes in depreciation differences	9	**0.2**	-
Profit/loss before tax		**4.0**	7.8
Income taxes	10	**0.0**	0.0
Profit/loss for period		**4.0**	7.8

Parent company balance sheet

M€	Note	31 Dec. 2010	31 Dec. 2009
Assets			
Non-current assets			
Intangible assets	11	**25.6**	26.2
Property, plant and equipment	12		
Land and water		**1.9**	4.8
Buildings and structures		**-**	1.2
Machinery and equipment		**0.3**	0.3
Advance payments		**0.4**	-
		2.6	6.3
Investments	13		
Holdings in Group companies		**1,729.1**	1,737.9
Receivables from Group companies		**1,025.5**	981.8
Holdings in associated companies		**7.5**	7.5
Investments in real estate funds		**59.1**	53.7
Other investments		**28.4**	21.6
		2,849.6	2,802.4
Total non-current assets		**2,877.8**	2,834.9
Current assets			
Current receivables	14	**35.3**	33.7
Financial securities		**-**	9.3
Cash and bank deposits		**9.0**	0.1
Total current assets		**44.3**	43.1
Total assets		**2,922.0**	2,878.0
Equity and liabilities			
Equity	15		
Share capital		**111.0**	111.0
Share premium reserve		**159.1**	159.1
Invested non-restricted equity reserve		**423.9**	423.9
Retained earnings		**122.4**	147.9
Loss for the period		**4.0**	7.8
Total equity		**820.4**	849.8
Depreciation differences	16	**-**	0.2
Provisions	17	**-**	-
Liabilities			
Non-current liabilities	18	**1,864.8**	1,670.8
Current liabilities	19	**236.7**	357.2
Total liabilities		**2,101.6**	2,028.0
Total equity and liabilities		**2,922.0**	2,878.0

Parent company statement of cash flows

M€		1 Jan.–31 Dec. 2010	1 Jan.–31 Dec. 2009
Cash flow from operating activities			
Net profit for the period		**4.0**	7.8
Adjustments	1)	**57.9**	76.9
Change in net working capital	2)	**44.3**	3.0
Interest received		**2.4**	2.0
Interest paid		**-68.9**	-78.4
Other financial items		**-22.3**	-31.3
Taxes received/paid		**0.0**	0.0
Net cash flow generated by operating activities		**17.4**	-20.0
Cash flow from investing activities			
Investments in shares and holdings		**-5.4**	-15.0
Acquisition of property, plant and equipment and intangible assets		**-0.1**	-4.6
Other investments			
Proceeds from disposal of shares and holdings		**11.9**	21.7
Proceeds from disposal of tangible and intangible assets			
Loans granted		**-60.1**	-109.4
Repayments of loan receivables		**9.7**	5.1
Net cash flow used in investing activities		**-44.0**	-102.2
Cash flow from financing activities			
Proceeds from share issue		**-**	208.2
Non-current loans, raised		**821.8**	197.4
Non-current loans, repayments		**-626.1**	-218.9
Current loans, raised/repayments		**-136.2**	-59.8
Dividends paid		**-33.3**	-
Net cash flow generated from financing activities		**26.2**	126.9
Change in cash and cash equivalents		**-0.4**	4.6
Cash and cash equivalents at 1 Jan.		**9.4**	4.7
Cash and cash equivalents at 31 Dec.		**9.0**	9.4

Notes to the cash flow statement, M€		1 Jan.–31 Dec. 2010	1 Jan.–31 Dec. 2009
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	**0.9**	0.0
	Other operational income	**-4.4**	-6.1
	Depreciation and amortization	**5.8**	6.2
	Financial income and expenses	**68.4**	78.3
	Group contributions	**-12.6**	-1.5
	Changes in depreciation differences	**-0.2**	-
	Taxes	**0.0**	0.0
	Adjustments, total	**57.9**	76.9
2)	**Statement of change in net working capital**		
	Current receivables increase (-), decrease (+)	**-9.4**	-20.3
	Non-interest-bearing current liabilities increase (+), decrease (-)	**53.7**	23.4
	Change in net working capital	**44.3**	3.0

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
Buildings	50 years
Building materials	25 years
Other long-term expenditure	3–19 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.

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€	2010	2009
Office & Retail Properties	81.9	85.5
Logistics Propertiest	32.8	34.5
Property Development	0.1	0.1
Total	**114.8**	**120.0**

Rental income and recoverables by geographical area, M€	2010	2009
Helsinki Metropolitan Area	107.0	113.0
Rest of Finland	7.8	7.0
Total	**114.8**	**120.0**

2) Personnel expenses and number of employees

M€	2010	2009
Salaries and fees	9.0	9.6
Pension costs	1.5	1.8
Other personnel costs	0.3	0.5
Total	**10.8**	**11.9**
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 President and CEO also participates in the long-term share-based incentive scheme for top management introduced on 1 January, 2006. 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 will be take 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 purpose of the incentive scheme is to link the objectives of shareholders and key personnel in order 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.

M€	2010	2009
Bonus under the incentive scheme based on actual figures for 2009	0.3	0.2

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	2010	2009
White collar, number of employees	107	120

3) Depreciation, amortization and impairment losses

M€	2010	2009
Intangible assets		
Other long-term expenditure	5.7	6.0
Property, plant and equipment		
Machinery and equipment	0.1	0.2
Buildings and structures	0.0	0.0
Total	**5.8**	**6.2**

Depreciation, amortization and impairment losses are included in the income statement under administrative expenses.

4) Other operating income

M€	2010	2009
Share of bankruptcy estate	0.1	0.2
Other operating income	0.1	0.1
Total	**0.2**	**0.3**

5) Other operating expenses

M€	2010	2009
Losses on disposal of investments	0.9	0.0
Other expenses	0.1	0.1
Credit losses	0.5	0.1
Doubtful receivables	0.4	0.5
Total	**1.9**	**0.7**

6) Auditor fees

M€	2010	2009
Authorized public accountants KPMG Oy		
Audit	0.1	0.1
Tax advice	0.0	0.0
Other services	0.1	0.4
Total	**0.2**	**0.5**

The 'Other services' item for 2009 includes EUR 0.3 million in expenses related to a share issue, which in accordance with IFRS is recognised directly in equity as a reduction in the funds obtained in the share issue.

7) Financial income and expenses

M€	2010	2009
Realised gains from real estate funds	5.6	5.8
Interest income from long-term investments in Group companies	35.9	39.9
Other interest income	2.7	2.0
Other financial income	0.0	0.1
Total interest and financial income	**44.2**	**47.8**
Interest expenses paid to Group companies	-12.1	-11.1
Other interest expenses	-70.6	-75.9
Other financial expenses	-4.9	-12.3
Finance charge to subsidiaries	-25.0	-26.8
Total interest expenses and other financial expenses	**-112.6**	**-126.1**
Financial income and expenses total	**-68.4**	**-78.2**

8) Extraordinary items

M€	2010	2009
Group contributions received	12.6	1.5
	12.6	**1.5**

9) Differences in depreciation

M€	2010	2009
Difference between planned depreciation and depreciation reported for taxation	0.2	-

10) Income taxes

M€	2010	2009
Income taxes for the period	-	0.0
Income taxes for previous periods	0.0	-
	0.0	**0.0**

11) Intangible assets

2010, M€	Other long-term expenditure	Purchases in progress	Total
Acquisition cost 1 January	59.9	0.1	60.0
Increases	2.5	5.2	7.7
Transfers	-0.3	-2.2	-2.5
Acquisition cost 31 December	**62.1**	**3.1**	**65.2**
Accumulated amortization and impairment losses 1 January	-33.8	-	-33.8
Amortization for the period	-5.8	-	-5.8
Accumulated depreciation 31 December	**-39.6**	**-**	**-39.6**
Net carrying amount 31 December	**22.5**	**3.1**	**25.6**

2009, M€	Other long-term expenditure	Purchases in progress	Total
Acquisition cost 1 January	52.8	2.7	55.5
Increases	7.7	3.0	10.7
Transfers	-0.6	-5.6	-6.2
Acquisition cost 31 December	**59.9**	**0.1**	**60.0**
Accumulated amortization and impairment losses 1 January	-27.8	-	-27.8
Amortization for the period	-6.0	-	-6.0
Accumulated depreciation 31 December	**-33.8**	**-**	**-33.8**
Net carrying amount 31 December	**26.1**	**0.1**	**26.2**

12) Property, plant and equipment

2010	Land sites	Buildings and structures	Machinery and equipment	Advance payments	Total
Acquisition cost 1 January	4.8	1.8	1.4	-	8.0
Increases	-	-	0.0	0.4	0.4
Decreases	-2.9	-1.8	-	-	-4.7
Acquisition cost 31 December	**1.9**	**-**	**1.4**	**0.4**	**3.7**
Accumulated depreciation and impairment losses 1 January	-	-0.5	-1.0	-	-1.5
Accumulated depreciation on decreases and transfers	-	0.5	-	-	0.5
Depreciation for the period	-	-	-0.1	-	-0.1
Accumulated depreciation 31 December	**-**	**-**	**-1.1**	**-**	**-1.1**
Net carrying amount 31 December	**1.9**	**-**	**0.3**	**0.4**	**2.6**

2009	Land sites	Buildings and structures	Machinery and equipment	Advance payments	Total
Acquisition cost 1 January	4.8	1.8	1.3	-	7.9
Increases	-	-	0.1	-	0.1
Acquisition cost 31 December	**4.8**	**1.8**	**1.4**	**-**	**8.0**
Accumulated depreciation and impairment losses 1 January	-	-0.5	-1.0	-	-1.5
Accumulated depreciation on decreases and transfers	-	-	0.0	-	-
Depreciation for the period	-	0.0	-0.1	-	-0.1
Accumulated depreciation 31 December	**-**	**-0.5**	**-1.0**	**-**	**-1.6**
Net carrying amount 31 December	**4.8**	**1.2**	**0.3**	**-**	**6.3**

13) Investments

2010, M€	Shares in Group companies	Receivables from Group companies	Holdings in associated companies	Investments in property funds	Other investments*)	Total
Acquisition cost 1 January	1,737.9	981.8	7.5	53.7	21.6	2,802.5
Increases	1.0	68.9	-	5.4	16.0	91.3
Decreases	-9.8	-25.3	-	-	-9.2	-44.3
Net carrying amount 31 December	**1,729.1**	**1,025.5**	**7.5**	**59.1**	**28.4**	**2,849.6**

*) Other investments, M€	Other shares	Receivables from associated companies	Receivable funds	Other investments	Total
Acquisition cost 1 January	3.9	14.5	3.1	0.1	21.6
Increases	-	16.0	-	-	16.0
Decreases	-0.2	-9.0	-	-	-9.2
Net carrying amount 31 December	**3.7**	**21.5**	**3.1**	**0.1**	**28.4**

2009, M€	Shares in Group companies	Receivables from Group companies	Holdings in associated companies	Investments in property funds	Other investments*)	Total
Acquisition cost 1 January	1,731.7	867.8	7.5	49.7	15.6	2,672.3
Increases	21.1	147.0	-	3.9	8.9	180.9
Decreases	-14.9	-33.0	-	-	-2.8	-50.7
Net carrying amount 31 December	**1,737.9**	**981.8**	**7.5**	**53.7**	**21.6**	**2,802.4**

*) Other investments, M€	Other shares	Receivables from associated companies	Receivable funds	Other investments	Total
Acquisition cost 1 January	4.8	7.6	3.1	0.1	15.6
Increases	-	8.9	-	-	8.9
Decreases	-0.9	-1.9	0.0	-	-2.8
Net carrying amount 31 December	**3.9**	**14.5**	**3.1**	**0.1**	**21.6**

Shares and holdings are listed in Note 37 to the consolidated financial statements.

14) *Current receivables*

M€	2010	2009
Trade receivables	3.8	3.6
Other receivables	4.8	0.0
Prepaid expenses and accrued income		
From Group companies	17.2	21.7
From other companies	9.5	8.4
Prepaid expenses and accrued income, total	**26.7**	**30.1**
Current receivables, total	**35.3**	**33.7**
Main items in prepaid expenses and accrued income		
Interest and financial items	6.9	4.8
Other items	19.8	25.2
Total	**26.7**	**30.1**

15) *Equity*

M€	2010	2009
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	423.9	215.7
Share issue	-	208.2
Invested non-restricted equity reserve 31 December	**423.9**	**423.9**
Retained earnings 1 January	155.7	147.9
Dividend payment	-33.3	-
Retained earnings 31 December	**122.4**	**147.9**
Profit/loss for period	4.0	7.8
Equity, total	**820.4**	**849.8**

Calculation of distributable funds 31 December	2010	2009
Retained earnings	122.4	147.9
Invested non-restricted equity reserve	423.9	423.9
Profit/loss for period	4.0	7.8
Total	**550.3**	**579.6**

16) *Depreciation differences*

M€	2010	2009
Accumulated depreciation differences 1 January	0.2	0.2
Decreases	-0.2	-
Accumulated depreciation differences 31 December	**-**	**0.2**

17) *Provisions*

M€	2010	2009
Other provisions 1 January	-	8.3
Increases	-	-
Decreases	-	-8.3
Other provisions 31 December	**-**	**-**

18) *Non-current liabilities*

	2010	2009
Non-current interest-bearing liabilities		
Serial bonds	99.6	149.9
Loans from financial institutions	1,398.6	1,235.9
Other non-current debt payable to Group companies	366.6	285.0
Non-current interest-bearing liabilities, total	**1,864.8**	**1,670.8**

Loans from financial institutions include a EUR 130 million hybrid bond, which is treated in the consolidated balance sheet as an equity item.

Debt maturing after five years	2010	2009
Loans from financial institutions	-	133.8

19) Current liabilities

M€	2010	2009
Current interest-bearing liabilities		
Loans from financial institutions	173.2	310.8
Current interest-free liabilities		
Advances received	0.3	0.7
Trade payables		
To Group companies	25.4	3.4
To other companies	0.5	0.4
Total trade payables	**25.9**	**3.8**
Accrued expenses and prepaid income		
Payable to Group companies	2.0	2.0
Payable to other companies	22.8	23.0
Total accrued expenses and prepaid income	**24.8**	**25.0**
Other current debt receivable from Group companies	11.4	14.4
Other current debt	1.2	2.4
Total current interest-free liabilities	**63.6**	**46.4**
Total current liabilities	**236.7**	**357.2**

Main items in accrued expenses and prepaid income		
Interest and financial items	17.3	17.1
Personnel expenses	3.4	3.7
Other items	4.1	4.2
Total	**24.8**	**25.0**

20) Derivative instruments

M€	2010	2009
Interest derivatives		
Interest rate swaps, nominal value of principal	822.8	1,027.8
Interest rate swaps, fair value	-27.6	-37.0
Interest options, nominal value	600.0	512.5
Interest options, fair value	6.2	3.6
Currency derivatives		
Purchased options, fair value	5.9	4.9
Purchased options, nominal value	0.1	0.0
Written options, fair value	4.9	4.9
Written options, nominal value	-0.1	-0.1

21) Collateral and contingent liabilities

M€	2010	2009
Loans from financial institutions, covered by collateral	110.4	57.6

Collateral given on behalf of Group companies, M€	2010	2009
Book value of pledged shares	9.3	9.3

Contingent liabilities given on behalf of Group companies, M€	2010	2009
Guarantees given on behalf of Group companies	15.7	16.2

Lease liabilities, M€	2010	2009
Payments based on agreements fall due as follows:		
During the following year	0.4	0.4
After the following year	0.3	0.3
Total	**0.7**	**0.7**

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€	2010	2009
Investment commitments to real estate funds	12.9	18.3

Distribution of profit

Proposal by the Board of Directors on the disposal of the profit for the year

The parent company's distributable funds total EUR 550,275,281.29,
of which the profit for the period is EUR 3,971,680.95.

The Board of Directors proposes to the AGM that a dividend of EUR 0.15 per share be paid for the 2010 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, 3 February 2011

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	Timo Korvenpää
Lauri Ratia	Arja Talma	Erkki Virtanen

Kari Inkinen
CEO

We have today submitted our report on the audit conducted by us.

Helsinki, 15 February 2011

	KPMG Oy Ab
Raija-Leena Hankonen	Kai Salli
APA	APA

Auditor's report

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 2010. 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.

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Helsinki, 15 February 2011

Raija-Leena Hankonen
KHT

KPMG Oy Ab
Kai Salli
KHT

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