# Interim Report

**1.1.–30.9.2010**

SPONDA

# *Sponda Plc's interim report January – September 2010*

Sponda Plc's total revenue in the January – September 2010 period was EUR 173.6 million (January – September 2009: EUR 178.9 million). Net operating income after property maintenance costs and direct costs for funds declined as forecast, to EUR 126.2 (132.7) million. The decline was due to the sale of properties, higher maintenance costs than had been estimated, and the rise in vacancy rates early in the year. Sponda's operating profit was EUR 133.2 (-36.7) million.

The company's total revenue was affected by the change in presentation in the income statement of the company's share of real estate fund profits. This is now presented on the change in fair value line instead of under total revenue. The share of the profit in January – September was EUR 4.2 million and in July-September EUR 1.3 million. The figures for comparison have been adjusted accordingly.

**Result of operations and financial position January – September 2010 (compared with same period in 2009)**

- Total revenue was EUR 173.6 (178.9) million. The decline was due to the sale of properties, higher maintenance costs than had been estimated, and the rise in vacancy rates early in the year.
- Net operating income was EUR 126.2 (132.7) million.
- Operating profit totalled EUR 133.2 (-36.7) million, which includes a change in the value of property of EUR 11.1 (-156.4) million.
- The result after tax was EUR 66.2 (-88.0) million.
- Earnings per share were EUR 0.22 (-0.45), which includes the impact of the interest on the hybrid bond, EUR 0.02/share.
- Cash flow from operations per share was EUR 0.28 (0.41).
- The fair value of the investment properties amounted to EUR 2,795.9 (2,768.8) million.
- Net assets per share were EUR 3.63 (3.50).
- Economic occupancy rate was 87.4 % (86.8 %).

**Result of operations and financial position July – September 2010 (compared with same period in 2009)**

- Total revenue was EUR 57.7 (59.1) million.
- Net operating income was EUR 42.8 (45.5) million.
- Operating profit totalled EUR 40.2 (13.1) million, which includes a change in the value of property of EUR 1.1 (-29.7) million.
- The result after tax was EUR 19.4 (-6.1) million.
- Earnings per share were EUR 0.06 (-0.03), which includes the impact of the interest on the hybrid bond, EUR 0.01/share.
- Cash flow from operations per share was EUR 0.09 (0.10).

**Key figures**

| | **7-9/10** | 7-9/09 | **1-9/10** | 1-9/09 | 1-12/09 |
|---|---|---|---|---|---|
| *Economic occupancy rate, %* | | | **87.4** | 86.8 | 86.6 |
| *Total revenue, M€* | **57.7** | 59.1 | **173.6** | 178.9 | 237.2 |
| *Net operating income, M€* | **42.8** | 45.5 | **126.2** | 132.7 | 175.8 |
| *Operating profit, M€* | **40.2** | 13.1 | **133.2** | -36.7 | -13.3 |
| *Earnings per share, €** | **0.06** | -0.03 | **0.22** | -0.45 | -0.40 |

| | | | | | |
|---|---|---|---|---|---|
| *Cash flow from operations per share, €* | **0.09** | 0.10 | **0.28** | 0.41 | 0.45 |
| *Net assets per share, €* | | | **3.63** | 3.50 | 3.54 |
| *EPRA, Net assets per share, €* | | | **4.27** | 4.14 | 4.18 |
| *Equity ratio, %* | | | **38** | 37 | 37 |
| *Interest cover ratio* | | | **3.0** | 2.6 | 2.7 |

**CEO Kari Inkinen**

“At present, the post-cyclical nature of the real estate sector can be seen particularly in office premises, for which market vacancy rates rose during the first six months of 2010 despite the recovery in the Finnish economy. Sponda’s vacancy rates have fallen as forecast during 2010, which in my opinion is a demonstration of the good location and quality of the company’s property portfolio. At the end of the third quarter Sponda’s vacancy rates had fallen slightly from the previous quarter to 12.6 %. Despite the slow developments in the property market, we estimate that the value especially of prime properties in the centre will start to rise.

In October we held the topping out ceremony for the office building being built in the City-Center complex. The current construction phase will see the completion of the office building in the inner court of the complex that is leased to Evli Bank Plc and of the light shaft that brings natural light to all floors in the shopping centre, with the retail premises around it. The project is progressing on schedule and the current work will be completed in autumn 2011.

We are continuing our active management of the property portfolio. This means that the company continues to sell properties that do not fit in with its strategy and aims to obtain the optimal rental income from its existing properties. In future we will be focusing increasingly on office and retail properties and shopping centres and will reduce the proportion of logistics properties in our portfolio. We are still working to reduce vacancy rates in our properties.”

**Prospects**

Sponda estimates that occupancy rates, which started to go up in the second quarter, will continue to rise in the final quarter of 2010. This assessment is based on the lease agreements that the company knows are expiring and on the forecast growth in Finland’s economy in 2010.

Sponda estimates that net operating income in 2010 will be lower than in 2009. The reasons for this decline are the sale of property in line with the company’s strategy and the fall in occupancy rates that began in 2009 and continued in the first quarter of 2010.

**Confirmed losses of Sponda Kiinteistöt Oy**

In July 2010 the Supreme Administrative Court ruled in favour of Sponda on the deductibility of the confirmed losses of Sponda Kiinteistöt Oy. There is no right of appeal against the ruling. The ruling will not have an impact on the result for 2010.

**Business conditions – Finland**

The number of property transactions has picked up slightly in Finland after the summer and, according to the Institute for Real Estate Economics (KTI), by the end of September they had a total value in 2010 of about EUR 1.0 billion.

According to Catella Property Oy, vacancy rates for offices in the Helsinki metropolitan area continue to rise until the end of June, to 12.8 % (31 December 2009: 12.3 %). They were rising less steeply than earlier in the year and are expected to level off especially in the central business and Ruoholahti districts of Helsinki.

The decline in rent levels for office premises ended during the spring and summer of 2010. Rents are lower than before the financial crisis, but rents for offices in the centre of Helsinki and in Ruoholahti, for example, and for retail premises in the Helsinki metropolitan area have maintained their levels well.

**Business conditions – Russia**

According to the forecast by the Bank of Finland, economic growth in Russia is expected to be around 5 % in 2011. Economic growth is boosted by rising oil prices, the decline in unemployment and growing consumer confidence.

Vacancy rates are coming down gradually in the Moscow region. According to CBRE, vacancy rates in Moscow are about 16 % but in St Petersburg about 30 %, depending on the location and quality of the property. Rental levels have remained stable.

**Sponda's operations and property portfolio January – September 2010**

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

Net operating income and management fees from all of Sponda's property assets totalled EUR 126.2 (132.7) million in the nine month period. Office and retail premises accounted for 52 % of this, shopping centres for 19 %, logistics premises for 15 %, Russia for 11 % and the Real Estate Funds unit for 3 %.

On 30 September 2010 Sponda had a total of 195 properties, with an aggregate leasable area of about 1.5 million m². Of this some 52 % is office and retail premises, 10 % shopping centres and 35 % logistics premises. Some 3 % of the leasable area of the properties is located in Russia.

The fair values of Sponda's investment properties are confirmed through the company's own cash flow based yield assessment calculation. The valuation method complies with international valuation standards (IVS). The entire material used in calculating the fair values of properties is examined at least twice a year by an external expert, to ensure that the parameters and values used in the calculation are based on market observations.

At the end of the third quarter of 2010 the values of Sponda's investment properties in Finland and Russia were assessed internally within the company. The change in the fair value of the investment properties in January – September was EUR 8.2 (-155.0) million and in July – September EUR -0.3 (-31.4) million. The yield requirements for the investment properties were not altered during the third quarter. In Russia the negative change in fair value, EUR -6.1 million, resulted almost entirely from changes in currency exchange rates. The change in fair value of the properties owned by the real estate funds was EUR -1.4 (-5.6) million in January – September. The value of these properties was not assessed in the July – September period. Realized gains by the real estate funds totalled EUR 4.2 million in January – September and EUR 1.3 million in July - September.

**Valuation gains/losses on assessing Sponda's investment properties at fair value**

| *M€* | **7-9/2010** | **1-9/2010** | **1-12/2009** |
|---|---|---|---|
| *Changes in yield requirements (Finland)* | 1.8 | 4.0 | -54.7 |
| *Changes in yield requirements (Russia)* | 0.0 | 0.0 | -49.4 |
| *Development gains on property development* | 1.6 | 2.6 | -1.2 |

| | | | |
|---|---|---|---|
| *projects* | | | |
| *Modernization investments* | -6.5 | -18.5 | -21.3 |
| *Change in market rents and maintenance costs (Finland)* | 8.9 | 12.5 | -8.4 |
| *Change in market rents and maintenance costs (Russia)* | 0.2 | 2.9 | -26.9(** |
| *Change in currency exchange rates* | -6.3 | 4.9 | -5.0 (* |
| *Investment properties, total* | -0.3 | 8.2 | -166.8 |
| *Real estate funds* | 0.0 | -1.4 | -8.3 |
| *Realized gains/losses by real estate funds* | 1.3 | 4.2 | 5.8 |
| *Group, total* | 1.1 | 11.1 | -169.3 |

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

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

The changes in Sponda's investment property assets in the January – September 2010 period were as follows:

| *M€* | **Total** | **Office & Retail** | **Shopping centres** | **Logistics** | **Property develop-ment** | **Russia** |
|---|---|---|---|---|---|---|
| *Operating income* | 164.0 | 89.5 | 29.7 | 26.8 | 0.2 | 17.8 |
| *Maintenance costs* | -44.5 | -24.3 | -6.1 | -8.6 | -1.1 | -4.4 |
| *Net operating income* | 119.5 | 65.2 | 23.7 | 18.2 | -0.9 | 13.4 |
| | | | | | | |
| *Investment properties on 1 Jan. 2010, including cum. capitalized interest* | 2 767.5 | 1 425.8 | 543.6 | 396.1 | 220.6 | 181.4 |
| *Capitalized interest 2010* | 3.5 | 0.0 | 0.0 | 0.1 | 2.8 | 0.6 |
| *Acquisitions in 2010* | 0.5 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 |
| *Investments* | 49.2 | 16.3 | 0.4 | 11.8 | 20.4 | 0.3 |
| *Other transfers* | 0.0 | 5.8 | 0.0 | 0.0 | -5.8 | 0.0 |
| *Sales in 2010* | -33.0 | -23.2 | 0.0 | -4.7 | -5.2 | 0.0 |
| *Valuation gains/losses* | 8.2 | 0.6 | -3.3 | 2.3 | 0.7 | 8.0 |
| *Fair value of investment properties at 30 September 2010* | **2 795.9** | **1 425.3** | **541.2** | **405.7** | **233.6** | **190.2** |
| | | | | | | |
| *Change in fair value %* | 0.3 | 0.0 | -0.6 | 0.6 | 0.3 | 4.4 |
| *Annual net operating income/ fair value at 30 September 2010 (** | **6.5 %** | **6.1 %** | **6.7 %** | **6.0 %** | | **10.5 %** |
| *Weighted average yield requirement -% for entire portfolio* | **7.2** | **6.6** | **6.1** | **8.1** | | **11.5** |
| *Weighted average yield requirement -% for portfolio – Finland* | **6.8** | | | | | |

**) Excluding property development*

**Leasing operations**

Current developments in rents in Finland are reflected in the difference in square metre rents between leases that have ended and those that have begun during the period. The leases that were terminated or came into force in July – September were as follows:

| | No. of leases | m² | €/m²/mnth (average) |
|---|---|---|---|
| *Leases that came into force in period* | 116 | 34 000 | 12.27 |
| *Leases that terminated in period* | 96 | 37 000 | 10.97 |

The leases that have begun and those that have ended may not be in the same segments or apply to the same premises.

Sponda also calculates developments in the rental yield of its properties using like-for-like rental growth for the property portfolio that Sponda has owned for two years, in accordance with EPRA recommendations. This was -4.53 % for office and retail properties, 3.93 % for shopping centres, -5.21 % for logistics properties and -5.12 % for properties in Russia. Like-for-like rents in Russia are calculated in roubles. All of Sponda's leasing agreements in Finland are linked to the cost of living index.

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

| *Type of property* | **30.9.10** | 30.6.10 | 31.3.10 | 31.12.09 | 30.9.09 |
|---|---|---|---|---|---|
| *Office and Retail, %* | **87.7** | 87.7 | 86.5 | 87.9 | 87.9 |
| *Shopping centres* | **98.2** | 96.7 | 96.5 | 96.4 | 97.3 |
| *Logistics, %* | **74.8** | 75.9 | 76.0 | 74.5 | 75.0 |
| *Russia, %* | **93.3** | 91.5 | 87.4 | 88.2 | 87.5 |
| *Total property portfolio, %* | **87.4** | 87.3 | 86.2 | 86.6 | 86.8 |
| | | | | | |
| *Geographical area* | **30.9.10** | 30.6.10 | 31.3.10 | 31.12.09 | 30.9.09 |
| *Helsinki Business District, %* | **89,4** | 88,6 | 86,5 | 86,2 | 85,5 |
| *Helsinki Metropolitan Area, %* | **84,3** | 84,2 | 84,0 | 84,8 | 85,6 |
| *Turku, Tampere, Oulu, %* | **96,0** | 96,7 | 95,5 | 95,7 | 95,5 |
| *Russia, %* | **93,3** | 91,5 | 87,4 | 88,2 | 87,5 |
| *Total property portfolio, %* | **87,4** | 87,3 | 86,2 | 86,6 | 86,8 |

Total cash flow derived from leasing agreements on 30 September 2010 was EUR 1,098 (1,062) million. Sponda had 2,002 clients and altogether 3,084 leasing agreements. The company's biggest 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 (3.8 % of rental income). Sponda's 10 largest tenants generate about 32 % of the company's total rental income. Sponda's tenants by sector were as follows:

| Sector | % net rental |
|---|---|
| Professional, scientific and technical activities | 8.4 % |
| Energy | 0.6 % |
| Public sector | 11.4 % |

| | |
|---|---|
| Wholesale/retail | 26.4 % |
| Education | 1.2 % |
| Logistics/transport | 7.2 % |
| Media /publishing | 1.8 % |
| Hotel and catering business | 3.8 % |
| Other services | 7.8 % |
| Banking/investment | 10.0 % |
| Construction | 1.8 % |
| Industry/manufacturing | 6.9 % |
| Healthcare | 4.0 % |
| Telecommunications | 5.8 % |
| Others | 2.9 % |

The average length of all the leasing agreements was 4.7 (4.6) years. The average length of leasing agreements was 5.3 years for office and retail properties, 4.8 years for shopping centres and 3.6 years for logistics premises. The lease agreements for Sponda's property portfolio expire as follows:

| Expiry within | % of rental income 30.9.2010 | % of rental income 30.9.2009 |
|---|---|---|
| 1 year | 15.3 | 12.6 |
| 2 years | 12.2 | 11.4 |
| 3 years | 10.1 | 11.8 |
| 4 years | 8.9 | 7.4 |
| 5 years | 6.7 | 8.9 |
| 6 years | 3.6 | 5.8 |
| More than 6 years | 29.8 | 26.8 |
| Open ended | 13.4 | 15.3 |

**Investments and divestments**

Sponda sold investment properties during the January – September 2010 period for a total value of EUR 33.0 million, with July – September accounting for EUR 22.3 million of this. Sponda sold trading properties in the January – September period for EUR 10.1 million, and this figure includes capital gains. No properties were purchased in the July – September period.

Investments in property maintenance totalled EUR 18.4 million in the January – September period, with EUR 6.4 million of this being spent in the third quarter. Altogether EUR 30.8 million had been invested in property development by the end of September, with the third quarter accounting for EUR 12.8 million of this. The property development investments were mainly allocated to the renovation of the City-Center complex in the centre of Helsinki and the production plant being built in Hakkila in Vantaa.

**Office and Retail Properties**

| | | | | | |
|---|---|---|---|---|---|
| *Total revenue, M€* | **30.2** | 31.9 | **91.2** | 97.1 | 129.0 |
| *Net operating income, M€* | **22.2** | 24.7 | **66.1** | 72.7 | 96.3 |
| *Operating profit, M€* | **22.2** | 21.0 | **64.1** | 32.3 | 46.5 |

| | | | | | |
|---|---|---|---|---|---|
| *Economic occupancy rate, %* | | | **87.7** | 87.9 | 87.9 |
| *Fair value of properties, M€* | | | **1 425.3** | 1 432.8 | 1 425.8 |
| *Change in fair value from beginning of year, M€* | | | **0.6** | -38.6 | -46.2 |
| *Leasable area, m²* | | | **752 000** | 774 000 | 770 000 |

In January – September 2010 Sponda sold office and retail properties for EUR 23.2 million, with the third quarter accounting for EUR 14.2 million of this. No properties were purchased during the period.

On 27 September 2010 sold an office building in Turku for some EUR 15 million. The property, which has a leasable area of 7300 m², contains retail premises as well as offices.

### Shopping Centres

| | **7-9/10** | 7-9/09 | **1-9/10** | 1-9/09 | 1-12/09 |
|---|---|---|---|---|---|
| *Total revenue, M€* | **10.1** | 10.4 | **29.7** | 29.0 | 39.3 |
| *Net operating income, M€* | **8.1** | 8.2 | **23.7** | 22.7 | 31.4 |
| *Operating profit, M€* | **8.5** | 6.0 | **19.5** | 10.3 | 18.7 |
| *Economic occupancy rate, %* | | | **98.2** | 97.3 | 96.4 |
| *Fair value of properties, M€* | | | **541.2** | 542.9 | 543.6 |
| *Change in fair value from beginning of year, M€* | | | **-3.3** | -11.3 | -11.3 |
| *Leasable area, m²* | | | **140 000** | 140 000 | 140 000 |

During January – September 2010 the segment purchased properties for EUR 0.5 million but made no major investments in property maintenance.

### Logistics Properties

| | **7-9/10** | 7-9/09 | **1-9/10** | 1-9/09 | 1-12/09 |
|---|---|---|---|---|---|
| *Total revenue, M€* | **9.1** | 9.3 | **27.6** | 29.9 | 38.6 |
| *Net operating income, M€* | **6.5** | 7.3 | **18.6** | 21.8 | 27.4 |
| *Operating profit, M€* | **10.1** | -2.1 | **20.5** | -5.1 | -4.5 |
| *Economic occupancy rate, %* | | | **74.8** | 75.0 | 74.5 |
| *Fair value of properties, M€* | | | **405.7** | 400.7 | 396.1 |
| *Change in fair value from beginning of year, M€* | | | **2.3** | -26.4 | -30.9 |
| *Leasable area, m²* | | | **510 000** | 530 000 | 530 000 |

During January – September 2010 Sponda sold logistics property for EUR 4.7 million, with July – September accounting for EUR 4.4 million of this. No new logistics properties were purchased. Capital expenditure on property maintenance since the beginning of the year totalled EUR 1.7 million, with EUR 1.1 million of this being spent in July - September.

### Property Development

The balance sheet value of Sponda's property development portfolio at the end of September 2010 was EUR 233.6 million. Of this some EUR 84.9 million was in undeveloped land sites and the remaining EUR 148.7 million was tied up in property development projects in progress. Investments in property development and acquisitions during January – September 2010 totalled EUR 30.3 million, and most of this was for the City-Center project and for building the production plant in Hakkila, Vantaa.

Sponda aims to obtain development gains of 15 % on the investment costs for projects. Sponda's property development business comprises new build projects and refurbishment of existing properties.

| | **City-Center** | **Hakkila production plant** |
|---|---|---|
| Total investment, M€ | 125.0 | 40.0 |
| Expenditure by 30 September 2010, M€ | 87.0 | 13.0 |
| Completion date | 2012 | Early 2011 |

In the City-Center project, progress was made on schedule in the construction of the office building in the inner court of the complex. It is estimated that the new office building and the new retail premises being built in the second phase of the shopping centre will be completed in summer 2011. The entire City-Center renovation project is expected to be completed in 2012 and the total investment will be some EUR 125 million.

Sponda is building some 22,000 m² of production premises in Hakkila, Vantaa, that is being leased in its entirety to Metso Automation. Sponda is also leasing to Metso some 12,000 square metres of office and warehouse premises in the adjacent Honkatalo office building, and these will be completely refurbished. Sponda's total investment is estimated at about EUR 40 million and the premises should be ready at the beginning of 2011.

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. The final decision about the investment has not been made.

**Russia**

| | **7-9/10** | 7-9/09 | **1-9/10** | 1-9/09 | 1-12/09 |
|---|---|---|---|---|---|
| *Total revenue, M€* | **6.4** | 5.5 | **17.8** | 16.9 | 21.8 |
| *Net operating income, M€* | **5.0** | 4.3 | **13.4** | 12.9 | 16.4 |
| *Operating profit, M€* | **-1.3** | -17.8 | **19.1** | -72.2 | -70.4 |
| *Economic occupancy rate, %* | | | **93.3** | 87.5 | 88.2 |
| *Fair value of properties, M€* | | | **190.2** | 179.9 | 181.4 |
| *Change in fair value from beginning of year, M€* | | | **8.0** | -82.7 | -81.9 |
| *Leasable area, m²* | | | **46 500** | 46 500 | 46 500 |

The change in the third quarter in the fair value of the properties in Russia, altogether EUR -6.1 million, was due almost entirely to changes in currency exchange rates.

The typical length of a lease in Russia is 11 months. Sponda's leasing agreements in Russia also conform to this practice, apart from the Western Realty (Ducat II) and OOO Adastra properties in Moscow and St Petersburg where the leases are for longer periods than average. The average length of Sponda's leasing agreements in Russia on 30 September 2010 was 3.1 years, and the leasing agreements expire as follows:

| Expiry in | % of rental income 30.9.2010 | % of rental income 30.9.2009 |
|---|---|---|
| 1 year | 32.5 | 26.8 |
| 2 years | 13.5 | 4.9 |
| 3 years | 8.7 | 15.5 |
| 4 years | 14.2 | 7.5 |
| 5 years | 5.2 | 16.6 |
| 6 years | 5.8 | 4.5 |
| More than 6 years | 20.1 | 24.2 |

Sponda receives about half of its rental income in Russia in US dollars. About half is in roubles, and much of this 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 is denominated in roubles. It is Sponda's policy to hedge the foreign currency denominated cash flow for the following six months in Russia.

**Real Estate Funds**

Sponda is a minority holder in three real estate funds: First Top LuxCo, Sponda Real Estate Fund I Ky and Sponda Real Estate Fund II Ky. Sponda is responsible for managing the funds and their properties, and receives management fees. The property portfolios owned by the funds were not assessed at fair value at the end of September 2010.

As from the second quarter of 2010, Sponda's share of fund profits is presented in the consolidated income statement in the change in fair value item, instead of under total revenue. The share of profits in the January – September period was EUR 4.1 (4.3) million and in July – September EUR 1.2 (1.7) million. The figures for comparison have been adjusted accordingly. The Real Estate Fund segment's total revenue, net operating income and operating profit were as follows:

| *M€* | **7-9/10** | 7-9/09 | **1-9/10** | 1-9/09 | 1-12/09 |
|---|---|---|---|---|---|
| *Total revenue* | **1.6** | 1.5 | **5.3** | 5.0 | 6.9 |
| *Net operating income* | **1.2** | 4.6 | **4.2** | 3.7 | 5.1 |
| *Operating profit* | **1.4** | 1.5 | **3.2** | -2.2 | -3.6 |

First Top LuxCo (Sponda's holding 20 %) invests in office and retail properties outside Finland's largest cities. On 30 September 2010 the fund's property investments had a fair value of EUR 104.1 million.

Sponda Real Estate Fund I Ky (Sponda's holding 46 %) invests in logistics sites outside the Helsinki metropolitan area. At the end of September 2010 the properties it owned had a fair value of EUR 185.5 million.

Sponda Real Estate Fund II Ky (Sponda's holding 44 %) mainly invests in logistics properties in medium sized towns in Finland. The fund has a target size for its real estate investment of about EUR 200 million and the fair value of its property portfolio on 30 September 2010 was EUR 104.8 million.

In addition to those mentioned above, Sponda is also responsible for managing the property portfolio, with a value of about EUR 270 million, sold in March 2007 to Whitehall Street Real Estate Limited and Niam Nordic Investment Fund III.

**Cash flow and financing**

Sponda's net cash flow from operations in January – September 2010 totalled EUR 86.3 million (30 September 2009: EUR 70.3 million). Net cash flow from investing activities was EUR -20.0 (-33.8) million and the net cash flow from financing activities was EUR -

60.9 (-20.1) million. Net financing costs in the period totalled EUR -45.1 (-49.6) million. Interest expenses of EUR 3.5 (2.7) million were capitalized.

Sponda's equity ratio on 30 September 2010 was 38 % (30 September 2009: 37 %) and gearing was 136 % (144 %). Interest-bearing debt amounted to EUR 1,580.3 (1,619.2) million and the average maturity of Sponda's loans was 2.4 (2.6) years. The average interest rate was 3.9 % (3.5 %) including interest derivatives. Fixed-rate and interest-hedged loans accounted for 74 % (63 %) of the loan portfolio. The average interest-bearing period of the whole debt portfolio was 2.2 (1.5) years. The interest cover ratio, which describes the company's solvency, was 3.0 (2.6).

Sponda applies hedge accounting, according to which changes in the fair value of interest rate swaps and interest rate options that meet the criteria for hedge accounting are recognized in equity in the balance sheet. Changes in the fair value of other interest rate derivatives and currency options are recognized in the income statement.

Sponda Group's debt portfolio on 30 September 2010 comprised syndicated loans with a nominal value of EUR 635 million, EUR 250 million in bonds, EUR 62 million in issued commercial papers, and EUR 637 million in loans from financial institutions. Sponda had EUR 375 million in unused credit limits. Sponda Group had mortgaged loans of EUR 141.2 million, or 4.7 % of the consolidated balance sheet.

On 1 November 2010 Sponda signed a EUR 550 million syndicated credit agreement and a EUR 100 million credit limit facility.

The syndicated loan is for 5 years and its margin at the time of signing was 1.5 %. The syndicated credit agreement includes a loan of EUR 400 million and a revolving credit facility of EUR 150 million. The loan is being used in its entirety for repaying existing loans. The terms for the loans are similar to those for Sponda's other loans and the main covenants are linked to the equity ratio and the interest coverage margin.

The EUR 100 million credit limit being renewed now, which functions as back-stop facility for the commercial papers, is for 3 years.

**Personnel**

During the review period Sponda Group had on average 124 (135) employees, of whom 112 (120) worked for parent company Sponda Plc. On 30 September 2010 Sponda Group had altogether 120 (135) employees, of whom 108 (121) were employed in parent company Sponda Plc. Sponda has personnel in Finland and in Russia. Sponda's sales and administration costs in the period totalled EUR 15.0 (16.1) million.

**Bonus and incentive schemes**

Sponda has a bonus incentive scheme to which all employees belong, and which is based on common targets for the company and on personal targets set for each employee. Key factors affecting the bonus are profitability and how business operations develop.

Sponda also has a long-term incentive scheme which comprises two one-year earnings periods, which are the calendar years 2010 and 2011, and two three-year earnings periods, which are the calendar years 2010—2012 and 2011—2013. The earnings criteria for the scheme are linked to the cash flow per share and the return on investment.

At present those in the scheme are the members of the company's Executive Board, in total seven people. More details of the incentive scheme are given in the company's stock exchange release dated 17 March 2010.

**Group structure**

Sponda Group comprises the parent company, the subsidiary Sponda Kiinteistöt Oy (formerly Kapiteeli Oy), and the Group's mutually owned property companies, which are either wholly or majority owned by Sponda Plc or Sponda Kiinteistöt Oy. Sponda Group also includes Sponda Russia Ltd and Sponda Asset Management Oy, as well as their subsidiaries.

**The Sponda share and shareholders**

The weighted average price of the Sponda share in the January – September 2010 period was EUR 2.89. The highest quotation on NASDAQ OMX Helsinki Oy was EUR 3.57 and the lowest EUR 2.42. Turnover during the period totalled 98.8 million shares, or EUR 285.4 million. The closing price of the share on 30 September 2010 was EUR 3.56, and the market capitalization of the company's share capital was EUR 988.2 million.

The Annual General Meeting on 17 March 2010 authorized the Board of Directors to purchase the company's own shares, and the authorization is in force until the next AGM. The authorization was not exercised during the review period.

Sponda issued no flagging announcements in the July – September 2010 period.

On 30 September 2010 the company had altogether 9,733 shareholders, and its ownership structure was as follows:

| | Number of shares | Holding, % |
|---|---|---|
| Public entities | 16 937 996 | 6.1 |
| Nominee registered | 124 829 643 | 45.0 |
| Financial and insurance institutions, total | 3 910 971 | 1.4 |
| Households | 25 590 334 | 9.2 |
| Private corporations, total | 101 393 249 | 36.5 |
| Non-profit organizations, total | 3 942 848 | 1.4 |
| Foreign owners, total | 970 421 | 0.3 |
| Total number of shares | 277 575 462 | 100.0 |

**Board of Directors and auditors**

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

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

Sponda Plc's auditors are APA Raija-Leena Hankonen and authorized public accountants KPMG Oy Ab, with APA Kai Salli as principal auditor and APA Riitta Pyykkkö as deputy auditor.

**Committees of the Board of Directors**

The following were members of the Audit Committee: Arja Talma, chairman, Timo Korvenpää, vice chairman and Erkki Virtanen, ordinary member.

The following were members of the Structure and Remuneration Committee: Lauri Ratia, chairman, Klaus Cawén, vice chairman, and Tuula Entelä, ordinary member.

**Management**

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

**Environmental responsibility**

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

Sponda has set targets for 2010 that at a company level are related to reducing energy consumption in the properties owned by Sponda, taking into account the demands of environmentally responsible operations in all construction and in the maintenance of properties, cutting environmental load, and creating a healthy, attractive work environment for its clients.

WWF granted Sponda's head office in Helsinki the right to use the Green Office label. The office met the requirements for granting the label in the office audit carried out by WWF in August 2010.

City-Center is currently Sponda's biggest property development project. In the construction of the office block being erected in the middle of the City-Center complex, particular attention has been paid to energy efficiency and environmentally benign solutions. The lighting of the office premises is with energy-efficient LED lights. The use of LED technology on such a large scale in office buildings is rare in the Nordic countries.

Sponda is aiming to obtain LEED certification for the City-Center office block. LEED is one of the best known international environmental classification systems for buildings, which aims to reduce the environmental impact during the construction and use of a building and develop a healthier work environment.

**Subsequent events**

On 1 November 2010 Sponda signed a EUR 550 million syndicated credit agreement and a EUR 100 million credit limit facility.

The syndicated loan is for 5 years and its margin at the time of signing was 1.5 %. The syndicated credit agreement includes a loan of EUR 400 million and a revolving credit facility of EUR 150 million. The loan is being used in its entirety for repaying existing loans. The terms for the loans are similar to those for Sponda's other loans and the main covenants are linked to the equity ratio and the interest coverage margin.

The EUR 100 million credit limit being renewed now, which functions as back-stop facility for the commercial papers, is for 3 years.

**Prospects**

Sponda estimates that the rise in occupancy rates that began in the second quarter will continue in the final quarter of 2010. This assessment is based on the lease agreements that the company knows are expiring and on the forecast growth in Finland's economy in 2010.

The net operating income in 2010 is estimated to be lower than that in 2009. The reasons for this decline are the sale of property in accordance with the company's strategy and the fall in occupancy rates that began in 2009 and continued in the first quarter of 2010.

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

Sponda believes that the key risks and uncertainty factors in the current financial period arise from slower than expected recovery in the economy, and relate to a decline in economic occupancy rates and a loss of rental income resulting from the insolvency of tenants.

Differences in legislation and official procedures in Russia compared to Finland may cause additional risks for Sponda. The operations in Russia increase Sponda's foreign exchange risk. Changes in exchange rates may cause exchange rate losses which have a negative impact on the company's financial result. The company hedges the currency denominated cash flow from Russia for the coming 6 months.

A rapid, sharp rise in market interest rates at the end of 2010 would increase Sponda's financial expenses, and would have a negative impact on the company's result.

**Schedule for financial reporting in 2011**

Sponda will publish its financial statements bulletin for 2010 on Thursday, 3 February 2011. The scheduled date for the Annual General Meeting is Wednesday, 16 March 2011. Interim reports will be published in 2011 on 6 May 2011, 5 August 2011 and 3 November 2011

3 November 2010
Sponda Plc
Board of Directors

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Distribution:
NASDAQ OMX Helsinki
Media
www.sponda.fi

**Sponda Plc**

**Consolidated income statement (IFRS)**
**M€**

| | **7-9/10** | 7-9/09 | **1-9/10** | 1-9/09 | 1-12/09 |
|---|---|---|---|---|---|
| *Total revenue* | | | | | |
| *Rental income and recoverables* | **56.1** | 57.5 | **168.3** | 173.9 | 230,3 |
| *Interest income from finance leasing agreements* | **0.1** | 0.1 | **0.2** | 0.2 | 0,3 |
| *Fund management fees* | **1.5** | 1.5 | **5.0** | 4.8 | 6,6 |
| | **57.7** | 59.1 | **173.6** | 178.9 | 237,2 |
| *Expenses* | | | | | |
| *Maintenance expenses* | **-14.5** | -13.1 | **-46.3** | -44.8 | -59,5 |
| *Direct fund expenses* | **-0.4** | -0.4 | **-1.1** | -1.4 | -1,9 |
| | **-14.9** | -13.6 | **-47.4** | -46.2 | -61,4 |
| *Net operating income* | **42,8** | 45.5 | **126.2** | 132.7 | 175.8 |
| *Profit/loss on sales of investment properties* | **1.2** | 0.0 | **3.3** | 0.5 | 0.3 |
| *Valuation gains/losses* | **1.1** | -29.7 | **11.1** | -156.4 | -169.3 |
| *Amortization of goodwill* | **-** | - | **-** | - | - |
| *Profit/loss on sales of trading properties* | **0.0** | 2.6 | **8.8** | 2.8 | 4.0 |
| *Sales and marketing expenses* | **-0.3** | -0.3 | **-1.0** | -1.0 | -1.5 |
| *Administrative expenses* | **-4.5** | -4.6 | **-14.0** | -15.1 | -20.5 |
| *Share of result of associated companies* | **0.2** | 0.0 | **0.1** | 0.0 | 0.0 |
| *Other operating income* | **0.1** | 0.3 | **0.2** | 0.6 | 0.8 |
| *Other operating expenses* | **-0.3** | -0.6 | **-1.6** | -0.9 | -2.9 |
| | | | | | |
| *Operating profit* | **40.2** | 13.1 | **133.2** | -36.7 | -13.3 |
| | | | | | |
| *Financial income* | **0.9** | 0.2 | **1.5** | 1.5 | 2.1 |
| *Financial expenses* | **-14.7** | -16.6 | **-46.5** | -51.1 | -67.2 |
| | | | | | |
| *Financial income and expenses, net* | **-13.8** | -16.4 | **-45.1** | -49.6 | -65.0 |
| | | | | | |
| *Result before taxes* | **26.4** | -3.3 | **88.1** | -86.4 | -78.3 |
| | | | | | |
| *Income taxes for current and previous fiscal years* | **-0.5** | -0.8 | **-2.4** | -2.0 | -3.2 |
| *Deferred taxes* | **-6.5** | -2.0 | **-19.6** | 0.4 | -0.1 |
| *Income taxes, total* | **-7.1** | -2.8 | **-22.0** | -1.6 | -3.3 |
| | | | | | |
| *Profit/loss for period* | **19.4** | -6.1 | **66.2** | -88.0 | -81.6 |
| | | | | | |
| *Attributable to:* | | | | | |
| *Equity holders of the parent company* | **19.4** | -6.1 | **66.3** | -87.9 | -81.5 |
| *Minority interest* | **0.0** | 0.0 | **-0.2** | -0.1 | -0.1 |

| | | | | | |
|---|---|---|---|---|---|
| *Earnings per share based on profit attributable to equity holders of the parent company:* | | | | | |
| | | | | | |
| *Basic and diluted,€* | **0.06** | -0.03 | **0.22** | -0.45 | -0.40 |
| | | | | | |
| | | | | | |
| *Average number of shares, million* | | | | | |
| *Basic and diluted, million* | **277.6** | 277.6 | **277.6** | 214.8 | 230.6 |
| | | | | | |
| *Direct result* | **18.0** | 19.0 | **52.5** | 47.0 | 67.4 |
| *Indirect result* | **1.4** | -25.1 | **13.8** | -134.9 | -148.9 |
| | | | | | |
| ***Statement of comprehensive income** (IFRS)* | | | | | |
| | | | | | |
| *Profit/loss for period* | **19.4** | -6.1 | **66.2** | -88.0 | -81.6 |
| | | | | | |
| *Other comprehensive income* | | | | | |
| | | | | | |
| *Net loss/profit from hedging cash flow* | **5.4** | -2.1 | **-1.4** | -15.8 | -10.4 |
| *Translation difference* | **-0.9** | -3.8 | **1.2** | -0.2 | 0.7 |
| *Taxes on comprehensive income* | **-1.6** | 2.1 | **0.5** | 4.2 | 2.4 |
| *Other comprehensive income for period after taxes* | **2.9** | -3.8 | **0.2** | -11.9 | -7.3 |
| | | | | | |
| *Comprehensive profit/loss for period* | **22.2** | -10.0 | **66.4** | -99.9 | -88.9 |
| | | | | | |
| *Allocation of comprehensive profit/loss for period:* | | | | | |
| *Equity holders of parent company* | **22.2** | -10.0 | **66.6** | -99.8 | -88.8 |
| *Minority interest* | **0.0** | 0.0 | **-0.2** | -0.1 | -0.1 |

**Consolidated balance sheet (IFRS)**
**M€**

| | **30.9.2010** | 30.9.2009 | 31.12.2009 |
|---|---|---|---|
| *ASSETS* | | | |
| *Non-current assets* | | | |
| *Investment properties* | **2 795.9** | 2 768.8 | 2 767.5 |
| *Investments in real estate funds* | **56.9** | 57.8 | 56.2 |
| *Property, plant and equipment* | **13.8** | 14.4 | 14.3 |
| *Goodwill* | **14.5** | 14.5 | 14.5 |
| *Other intangible assets* | **0.4** | 0.0 | 0.0 |
| *Finance lease receivables* | **2.7** | 2.7 | 2.7 |
| *Investments in associated companies* | **2.0** | 2.9 | 2.8 |

| | | | |
|---|---|---|---|
| *Long-term receivables* | **3.7** | 4.7 | 7.4 |
| *Deferred tax assets* | **27.0** | 42.0 | 41.1 |
| *Total non-current assets* | **2 916.9** | 2 907.9 | 2 906.6 |
| | | | |
| *Current assets* | | | |
| *Trading properties* | **21.6** | 24.2 | 22.8 |
| *Trade and other receivables* | **28,5** | 44,2 | 31,6 |
| *Cash and cash equivalents* | **34,7** | 31,7 | 29,1 |
| *Total current assets* | **84,7** | 100,0 | 83,6 |
| | | | |
| *Total assets* | **3 001,6** | 3 008,0 | 2 990,2 |
| | | | |
| *SHAREHOLDERS' EQUITY AND LIABILITIES* | | | |
| | | | |
| *Equity attributable to equity holders of parent company* | | | |
| *Share capital* | **111.0** | 111.0 | 111.0 |
| *Share premium fund* | **159.5** | 159.5 | 159.5 |
| *Translation differences* | **0.3** | -1.6 | -0.9 |
| *Fair value fund* | **-28.5** | -31.4 | -27.4 |
| *Revaluation fund* | **0.6** | 0.6 | 0.6 |
| *Reserve for invested unrestricted equity* | **412.0** | 412.0 | 412.0 |
| *Other equity fund* | **129.0** | 129.0 | 129.0 |
| *Retained earnings* | **352.9** | 321.5 | 328.0 |
| | **1 136.9** | 1 100.6 | 1 111.7 |
| *Minority interest* | **1.7** | 1.9 | 1.8 |
| *Shareholders' equity, total* | **1 138.5** | 1 102.5 | 1 113.6 |
| | | | |
| *Liabilities* | | | |
| | | | |
| *Non-current liabilities* | | | |
| *Interest-bearing loans and borrowings* | **1 252.4** | 1 302.0 | 1 287.2 |
| *Provisions* | **0.0** | 0.1 | 0.0 |
| *Other liabilities* | **37.9** | 39.5 | 30.5 |
| *Deferred tax liabilities* | **194.3** | 192.6 | 193.8 |
| *Total non-current liabilities* | **1 484.5** | 1 534.2 | 1 511.4 |
| | | | |
| *Current liabilities* | | | |
| *Current interest-bearing loans and borrowings* | **328.2** | 317.2 | 310.6 |
| *Trade and other payables* | **50.4** | 54.1 | 54.5 |
| *Total current liabilities* | **378.5** | 371.3 | 365.2 |

| | | | |
|---|---|---|---|
| *Total liabilities* | **1 863.1** | 1 905.5 | 1 876.6 |
| *Shareholders' equity and liabilities, total* | **3 001.6** | 3 008.0 | 2 990.2 |
| | | | |
| *Interest-bearing liabilities* | **1 580.5** | 1 619.2 | 1 597.8 |

**Consolidated statement of cash flows (IFRS)**
**M€**

| | **1-9/2010** | 1-9/2009 | 1-12/2009 |
|---|---|---|---|
| *Cash flow from operating activities* | | | |
| *Net profit/loss for the period* | **66.2** | -88.0 | -81.6 |
| *Adjustments* | **57.0** | 211.5 | 243.4 |
| *Change in net working capital* | **11.9** | 10.1 | 19.1 |
| *Interest received* | **0.5** | 0.9 | 1.2 |
| *Interest paid* | **-42.8** | -59.2 | -78.4 |
| *Other financial items* | **-5.1** | -3.7 | -5.1 |
| *Dividends received* | **0.0** | 0.5 | 0.0 |
| *Dividends received from associated companies* | **0.9** | - | 0.5 |
| *Taxes received/paid* | **-2.3** | -1.8 | -3.0 |
| *Net cash from operating activities* | **86.3** | 70.3 | 96.0 |
| | | | |
| *Cash flow from investing activities* | | | |
| *Investments in investment properties* | **-50.2** | -57.7 | -77.2 |
| *Investments in real estate funds* | **-2.1** | -2.9 | -3.9 |
| *Investments in tangible and intangible assets* | **-0.4** | -0.3 | -0.3 |
| *Proceeds from sale of investment properties* | **31.8** | 27.1 | 40.6 |
| *Proceeds from sale of intangible and tangible assets* | **0.0** | - | - |
| *Repayment of loan receivables* | **0.8** | 0.0 | 0.0 |
| *Net cash from investing activities* | **-20.0** | -33.8 | -40.8 |
| | | | |
| *Cash flow from financing activities* | | | |
| *Proceeds from share issue* | **-** | 200.2 | 200.2 |
| *Non-current loans, raised* | **315.1** | 91.2 | 91.2 |
| *Non-current loans, repayments* | **-240.3** | -233.0 | -248.0 |
| *Current loans, raised/repayments* | **-91.0** | -67.2 | -73.7 |
| *Interest paid on equity bond* | **-11.4** | -11.4 | -11.4 |
| *Dividends paid* | **-33.3** | - | - |
| *Net cash from financing activities* | **-60.9** | -20.1 | -41.7 |
| | | | |
| *Change in cash and cash equivalents* | **5.3** | 16.4 | 13.6 |

| | | | |
|---|---|---|---|
| *Cash and cash equivalents, start of period* | **29.1** | 16.0 | 16.0 |
| *Impact of changes in exchange rates* | **0.3** | -0.8 | -0.5 |
| *Cash and cash equivalents, end of period* | **34.7** | 31.7 | 29.1 |

**Changes in Group shareholders' equity**
**M€**

| | **Share capital** | **Share premium reserve** | **Translation differences** | **Fair value reserve** | **Revaluation reserve** | **Invested non-restricted equity reserve** |
|---|---|---|---|---|---|---|
| *Equity at 31 Dec. 2008* | 111.0 | 159.5 | -1.4 | -19.7 | 0.6 | 209.7 |
| *Comprehensive income in period* | | | -0.2 | -11.7 | | |
| *Change* | | | | | | 202.3 |
| *Equity at 30 September 2009* | 111.0 | 159.5 | -1.6 | -31.4 | 0.6 | 412.0 |

| | **Other equity reserve** | **Retained earnings** | **Total** | **Minority holding** | **Total shareholders' equity** |
|---|---|---|---|---|---|
| *Equity at 31 Dec. 2008* | 129.0 | 418.4 | 1 007.1 | 1.8 | 1 008.9 |
| *Comprehensive income in period* | | -87.9 | -99.8 | -0.1 | -99.9 |
| *Interest paid on equity bond* | | -8.4 | -8.4 | | -8.4 |
| *Change* | | -0.6 | 201.7 | 0.2 | 201.9 |
| *Equity at 30 September 2009* | 129.0 | 321.5 | 1 100.6 | 1.9 | 1 102.5 |

| | **Share capital** | **Share premium reserve** | **Translation differences** | **Fair value reserve** | **Revaluation reserve** | **Invested non-restricted equity reserve** |
|---|---|---|---|---|---|---|
| *Equity at 31 Dec. 2009* | 111.0 | 159.5 | -0.9 | -27.4 | 0.6 | 412.0 |
| *Comprehensive income in period* | | | 1.3 | -1.0 | | |
| *Equity at 30 September 2010* | 111.0 | 159.5 | 0.3 | -28.5 | 0.6 | 412.0 |

| | Other equity reserve | Retained earnings | Total | Minority holding | Total share-holders' equity |
|---|---|---|---|---|---|
| | | | | | |
| *Equity at 31 Dec. 2009* | 129.0 | 328.0 | 1 111.7 | 1.8 | 1 113.6 |
| *Comprehensive income in period* | | 66.3 | 66.6 | -0.2 | 66.4 |
| *Interest paid on equity bond* | | -8.4 | -8.4 | | -8.4 |
| *Dividend payment* | | -33.3 | -33.3 | | -33.3 |
| *Change* | | 0.3 | 0.3 | 0.0 | 0.3 |
| *Equity at 30 September 2010* | 129.0 | 352.9 | 1 136.9 | 1.7 | 1 138.5 |

## Notes to the consolidated financial statements

### Accounting principles

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, applying the same accounting principles as those used for the 2009 financial statements. Current IFRS standards and interpretations have been applied when preparing the interim report.

The amended and revised standards and interpretations that came into effect at the beginning of 2010 do not have a significant impact on the interim report or the accounting principles.

The figures in the interim report are presented in millions of euros and have been rounded to the nearest 0.1 million euro, so the total of the individual figures may differ from the total amounts given.

The figures in the interim report have not been audited.

### Income statement by segments
**M€**

| *Income statement 1-9/2010* | Office & Retail | Shop-ping centres | Logis-tics | Proper-ty deve-lop-ment | Russia | Funds | Other | Group total |
|---|---|---|---|---|---|---|---|---|
| *Total revenue* | **91.2** | **29.7** | **27.6** | **1.9** | **17.8** | **5.3** | **0.0** | **173.6** |
| *Maintenance expenses and direct fund expenses* | -25.2 | -6.1 | -9.0 | -1.6 | -4.4 | -1.1 | 0.0 | -47.4 |
| *Net operating income* | **66.1** | **23.7** | **18.6** | **0.3** | **13.4** | **4.2** | **0.0** | **126.2** |
| *Profit on sale of investment properties* | 2.1 | 0.0 | 0.3 | 0.9 | 0.0 | 0.0 | 0.0 | 3.3 |
| *Loss on sale of investment properties* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Profit/loss on sale of trading properties* | 0.0 | 0.0 | 0.0 | 8.8 | 0.0 | 0.0 | 0.0 | 8.8 |
| *Valuation gains and losses* | 0.6 | -3.3 | 2.3 | 0.7 | 8.0 | 2.9 | 0.0 | 11.1 |
| *Administration and marketing* | -4.7 | -0.9 | -0.8 | -2.5 | -2.1 | -3.9 | 0.0 | -14.9 |
| *Other operating income and expenses* | 0.0 | 0.0 | 0.0 | -1.2 | -0.1 | 0.0 | 0.0 | -1.3 |
| *Operating profit* | **64.1** | **19.5** | **20.5** | **6.9** | **19.1** | **3.2** | **0.0** | **133.2** |
| | | | | | | | | |
| *Capital expenditure* | 16.3 | 0.9 | 11.7 | 20.4 | 0.2 | 2.1 | 0.5 | 52.1 |
| *Segment assets* | 1 428.0 | 541.2 | 405.7 | 248.1 | 190.2 | 56.9 | 131.5 | 3 001.6 |

| *Income statement 1-9/2009* | Office & Retail | Shop-ping centres | Logis-tics | Proper-ty deve-lop- | Russia | Funds | Other | Group total |
|---|---|---|---|---|---|---|---|---|

**ment**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *Total revenue* | **97.1** | **29.0** | **29.9** | **0.9** | **16.9** | **5.0** | **0.0** | **178.9** |
| *Maintenance expenses and direct fund expenses* | -24.4 | -6.3 | -8.1 | -2.0 | -4.0 | -1.4 | 0.0 | -46.3 |
| *Net operating income* | **72.7** | **22.7** | **21.8** | **-1.1** | **12.9** | **3.7** | **0.0** | **132.7** |
| *Profit on sale of investment properties* | 0.2 | 0.0 | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 1.6 |
| *Loss on sale of investment properties* | 0.0 | 0.0 | -1.1 | 0.0 | 0.0 | 0.0 | 0.0 | -1.1 |
| *Profit/loss on sale of trading properties* | 2.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.8 |
| *Valuation gains and losses* | -38.6 | -11.3 | -26.4 | 4.0 | -82.7 | -1.3 | 0.0 | -156.4 |
| *Administration and marketing* | -4.8 | -0.9 | -0.9 | -2.5 | -2.4 | -4.6 | 0.0 | -16.2 |
| *Other operating income and expenses* | 0.0 | -0.1 | 0.0 | -0.2 | 0.1 | 0.0 | 0.0 | -0.2 |
| *Operating profit* | **32.3** | **10.3** | **-5.1** | **0.2** | **-72.2** | **-2.2** | **0.0** | **-36.7** |
| | | | | | | | | |
| *Capital expenditure* | 9.8 | 12.6 | 0.7 | 16.2 | 0.9 | 2.9 | 0.4 | 43.5 |
| *Segment assets* | 1 435.5 | 542.9 | 400.7 | 227.0 | 179.9 | 57.8 | 164.2 | 3 008.0 |

**Direct and indirect result**

The direct result represents the result from the Group's core business. The direct result is calculated by adjusting the figures in the consolidated income statement for changes in the fair value of properties and financial instruments, profit/loss on the sale of properties, amortization of goodwill and other such income and expenses that the Company considers are indirect items.

| M€ | **7-9/10** | 7-9/09 | **1-9/10** | 1-9/09 | 1-12/09 |
|---|---|---|---|---|---|
| *Direct result* | | | | | |
| *Net operating income* | **42.8** | 45.5 | **126.2** | 132.7 | 175,8 |
| *Share of gains realized by real estate funds* | **1.3** | 1.7 | **4.2** | 4.3 | 5,8 |
| *Marketing and administration* | **-4.8** | -4.9 | **-14.9** | -16.1 | -22,0 |
| *Other income and expenses for business operations* | **0.2** | -0.1 | **-0.5** | 0.5 | -1,1 |
| *Financial income and expenses* | **-14.9** | -17.3 | **-45.3** | -52.3 | -68,7 |
| *Taxes based on direct result* | **-0.5** | -0.2 | **-2.4** | -1.3 | -3,2 |
| *Deferred taxes based on direct result* | **-6.1** | -5.6 | **-14.8** | -20.8 | -19,1 |
| *Minority holding share of direct result* | **0.0** | 0.0 | **0.0** | 0.0 | 0,0 |
| *Total* | **18.0** | 19.0 | **52.5** | 47.0 | 67.4 |

| | | | | | |
|---|---|---|---|---|---|
| *Indirect result* | | | | | |
| *Profit/loss on sale of investment properties* | **1.2** | 0.0 | **3.3** | 0.5 | 0,3 |
| *Valuation gains and losses* | **-0.3** | -31.4 | **6.8** | -160.7 | -175,1 |
| *Profit/loss on sale of trading properties* | **0.0** | 2.6 | **8.8** | 2.8 | 4,0 |
| *Administration and marketing* | **0.0** | 0.0 | **0.0** | 0.0 | 0,0 |
| *Other income and expenses for business operations* | **-0.3** | -0.3 | **-0.8** | -0.8 | -1,0 |
| *Financial income and expenses* | **1.1** | 0.9 | **0.3** | 2.7 | 3,7 |
| *Taxes based on indirect result* | **0.0** | -0.7 | **0.0** | -0.7 | 0,0 |
| *Deferred taxes based on indirect result* | **-0.5** | 3.6 | **-4.8** | 21.2 | 19,0 |
| *Minority holding share of indirect result* | **0.0** | 0.0 | **0.2** | 0.1 | 0,1 |
| *Total* | **1.4** | -25.1 | **13.8** | -134.9 | -148.9 |

**Quarterly key figures**

| | **Q3/10** | Q2/10 | Q1/10 | Q4/09 | Q3/09 |
|---|---|---|---|---|---|
| *Total revenue, M€* | **57.7** | 58.3 | 57.6 | 58.3 | 59.1 |
| *Net operating income, M€* | **42.8** | 43.0 | 40.4 | 43.0 | 45.5 |
| *Valuation gains/losses, M€* | **1.1** | 10.1 | -0.1 | -12.9 | -29.7 |
| *Operating profit, M€* | **40.2** | 56.7 | 36.3 | 23.5 | 13.1 |
| *Financial income and expenses, M€* | **-13.8** | -14.7 | -16.6 | -15.4 | -16.4 |
| *Profit/loss for period, M€* | **19.4** | 32.4 | 14.5 | 6.3 | -6.1 |
| | | | | | |
| *Investment properties, M€* | **2 795.9** | 2 798.0 | 2 768.1 | 2 767.5 | 2 768.8 |
| *Shareholders' equity, M€* | **1 138.5** | 1 116.1 | 1 092.0 | 1 113.6 | 1 102.5 |
| *Interest-bearing liabilities, M€* | **1 580.5** | 1 597.7 | 1 610.4 | 1 597.8 | 1 619.2 |
| | | | | | |
| *Earnings per share, €* | **0.06** | 0.11 | 0.04 | 0.01 | -0.03 |
| *Cash flow from operations per share, €* | **0.09** | 0.11 | 0.08 | 0.07 | 0.10 |
| *EPRA NAV, €* | **4.27** | 4.19 | 4.10 | 4.18 | 4.14 |
| | | | | | |
| *Economic occupancy rate, %* | **87.4** | 87.3 | 86.2 | 86.6 | 86.8 |

**Investment properties**
**M€**

| | **30.9.2010** | 31.12.2009 |
|---|---|---|
| *Fair value of investment properties, start of period* | **2 767.5** | 2 915.5 |
| *Purchase of investment properties* | **0.5** | 0.0 |
| *Other capital expenditure on investment properties* | **49.2** | 53.4 |
| *Disposal of investment properties* | **-33.0** | -40.3 |

| | | |
|---|---|---|
| *Transfers to/from property, plant and equipment* | **0.0** | 0.0 |
| *Transfers from trading properties* | **0.0** | 2.0 |
| *Other transfers* | **0.0** | 0.0 |
| *Capitalized equity expenses, increase in period* | **3.5** | 3.7 |
| *Valuation gains/losses* | **8.2** | -166.8 |
| *Fair value of investment properties, end of period* | **2 795.9** | 2 767.5 |

On 30 September 2010 Sponda had a total of 195 properties, with an aggregate leasable area of about 1.5 million m². Of this some 52 % is office and retail premises, 10 % shopping centres and 35 % logistics premises. Some 3 % of the leasable area of the properties is located in Russia.

The fair values of Sponda's investment properties are confirmed through the company's own cash flow based yield assessment calculation. The valuation method complies with international valuation standards (IVS). The entire material used in calculating the fair values of properties is examined at least twice a year by an external expert, to ensure that the parameters and values used in the calculation are based on market observations.

At the end of the third quarter of 2010 the values of Sponda's investment properties in Finland and Russia were assessed internally within the company. The change in the fair value of the investment properties in January – September was EUR 8.2 (-155.0) million and in July – September EUR -0.3 (-31.4) million. The yield requirements for the investment properties were not altered during the third quarter. In Russia the negative change in fair value, EUR -6.1 million, resulted almost entirely from changes in currency exchange rates.

**The Group's most significant investment commitments**

In the City-Center project, progress was made on schedule in the construction of the office building in the inner court of the complex. It is estimated that the new office building and the new retail premises being built in the second phase of the shopping centre will be completed in summer 2011. The entire City-Center renovation project is expected to be completed in 2012 and the total investment will be some EUR 125 million.

Sponda is building some 22,000 m² of production premises in Hakkila, Vantaa, that is being leased in its entirety to Metso Automation. Sponda is also leasing to Metso some 12,000 square metres of office and warehouse premises in the adjacent Honkatalo office building, and these will be completely refurbished. Sponda's total investment is estimated at about EUR 40 million and the premises should be ready at the beginning of 2011.

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. The final decision about the investment has not been made.

**Property, plant and equipment**
**M€**

| | **30.9.2010** | 30.9.2009 | 31.12.2009 |
|---|---|---|---|
| *Carrying amount, start of period* | **14.3** | 14.5 | 14.5 |
| *Additions* | **0.0** | 0.3 | 0.3 |
| *Disposals* | **0.0** | - | - |
| *Reclassifications to/from investment properties* | **-** | - | - |
| *Other transfers* | **-** | - | - |

| | | | |
|---|---|---|---|
| *Depreciation for the period* | **-0.5** | -0.4 | -0.5 |
| | | | |
| *Carrying amount, end of period* | **13.8** | 14.4 | 14.3 |

| ***Trading properties*** | **30.9.2010** | 30.9.2009 | 31.12.2009 |
|---|---|---|---|
| ***M€*** | | | |
| *Carrying amount, start of period* | **22.8** | 29.5 | 29.5 |
| *Disposals and other changes* | **-1.3** | -3.3 | -4.7 |
| *Increases* | **-** | - | - |
| *Reclassifications to investment properties* | **-** | -2.0 | -2.0 |
| *Carrying amount, end of period* | **21.6** | 24.2 | 22.8 |

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

| ***M€*** | **30.9.2010** | 30.9.2009 | 31.12.2009 |
|---|---|---|---|
| *Loans from financial institutions, covered by collateral* | **141.1** | 141.3 | 141.3 |
| | | | |
| *Mortgages* | **269.2** | 269.2 | 269.2 |
| *Book value of pledged shares* | **18.0** | 16.9 | 17.5 |
| *Guarantees* | **-** | - | - |
| *Total collateral* | **287.2** | 286.0 | 268.7 |

| ***Lease and other liabilities*** | **30.9.2010** | 30.9.2009 | 31.12.2009 |
|---|---|---|---|
| ***M€*** | | | |
| *Lease liabilities* | **100.9** | 104.1 | 103.3 |
| *Mortgages* | **3.9** | 2.9 | 3.0 |
| *Guarantees* | **15.7** | 13.4 | 16.2 |
| | | | |
| *Investment commitments to real estate funds* | **16.2** | 18.3 | 18.3 |

| ***Interest derivatives*** | **30.9.2010** | 30.9.2009 | 31.12.2009 |
|---|---|---|---|
| ***M€*** | | | |
| *Swap contracts, notional value* | **1 002.8** | 997.8 | 1 027.8 |
| *Swap contracts, fair value* | **-38.2** | -42.7 | -37.0 |
| *Cap options purchased, notional value* | **470.0** | 382.5 | 512.5 |
| *Cap options purchased, fair value* | **2.5** | 1.1 | 3.6 |
| *Forward rate agreements, notional value* | **-** | - | - |
| *Forward rate agreements, fair value* | **-** | - | - |

| ***Currency derivatives*** | **30.9.2010** | 30.9.2009 | 31.12.2009 |
|---|---|---|---|
| ***M€*** | | | |
| *Currency forwards, notional value* | **-** | - | - |
| *Currency forwards, fair value* | **-** | - | - |

| | | | |
|---|---|---|---|
| *Currency options, bought, notional value* | **5.7** | 4.7 | 4.9 |
| *Currency options, put, notional value* | **3.2** | 4.7 | 4.9 |
| *Net fair value of currency options* | **0.2** | 0.0 | -0.1 |
| *Net fair value of currency options* | | 0.0 | -0.1 |

**Key figures**

| | **7-9/10** | 7-9/09 | **1-9/10** | 1-9/09 | 1-12/09 |
|---|---|---|---|---|---|
| *Earnings per share, €* | **0.06** | -0.03 | **0.22** | -0.45 | -0.40 |
| *Equity ratio, %* | | | **38** | 37 | 37 |
| *Gearing, %* | | | **136** | 144 | 141 |
| *Equity per share, €* | | | **3.63** | 3.50 | 3.54 |
| *Cash flow from operations per share, €* | **0.09** | 0.10 | **0.28** | 0.41 | 0.45 |
| *EPRA, NAV, net assets per share, €* | | | **4.27** | 4.14 | 4.18 |

**Calculation of financial ratios**

| Ratio | | | Numerator | Denominator |
|---|---|---|---|---|
| Earnings/share*, € | = | | Share of profit/loss for the period attributable to equity holders of the parent company – interest on hybrid bond adjusted for tax | Adjusted average number of shares during the period |
| Equity ratio, % | = | 100 x | Shareholders' equity | Balance sheet total – advances received |
| Gearing, % | = | 100 x | Interest-bearing liabilities<br>- cash and cash equivalents | Shareholders' equity |
| Equity/share*, € | = | | Equity attributable to equity holders of parent company on 30 September<br>- Other equity reserve | Basic number of shares on 30 September |
| Cash flow from operations/ share, € | = | | Operating profit<br>-/+ Valuation gains and losses<br>+ Allocation of goodwill<br>+ Depreciation in administration<br>+/- Changes in provisions<br>+/- Defined benefit pension expenses<br>- Financial income & expenses affecting cash flow<br>- Taxes affecting cash flow<br>+/- Other items | Average adjusted number of shares during the period |
| EPRA NAV, net assets/share, € | = | | Equity attributable to equity holders of parent company<br>- Other equity reserve<br>+ Deferred tax relating to the fair valuation of property and to property depreciation allowances<br>- Goodwill relating to deferred tax liability | Basic number of shares on 30 September |

**Related party transactions**

The following transactions took place with related parties:

Rental income from state institutions and companies totalled EUR 17.7 million in January – September 2010 (2009: EUR 16.8 million).

**Management employee benefits**

| | **30.9.2010** | 30.9.2009 | 31.12.2009 |
|---|---|---|---|
| *Salaries and other short-term employee benefits* | **1.9** | 1.9 | 2.2 |
| *Share-based payments* | **0.4** | 0.3 | 0.4 |
| *Total* | **2.2** | 2.2 | 2.6 |