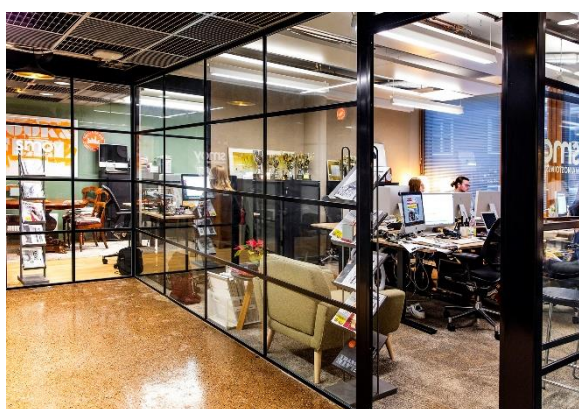

SPONDA PLC

REPORT BY THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS



2017

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Report by the Board of Directors

SPONDA PLC'S FULL YEAR RESULT JANUARY–DECEMBER 2017:

YEAR 2017 IN BRIEF (COMPARED WITH YEAR 2016)

- Total revenue increased to EUR 263.7 (259.0) million.
- Net operating income totalled EUR 193.7 (190.9) million.
- Operating profit was EUR 173.5 (206.7) million. This includes a fair value change of EUR 4.9 (26.7) million.
- Earnings per share was EUR 0.65 (0.41).
- The fair value of the investment properties amounted to EUR 3,935.3 (3,755.5) million.
- The economic occupancy rate was 89.6 (89.6)%.

KEY FIGURES

	1-12/2017	1-12/2016
<i>Total revenue, M€</i>	263.7	259.0
<i>Net operating income, M€</i>	193.7	190.9
<i>Operating profit, M€</i>	173.5	206.7
<i>Earnings per share, €</i>	0.65	0.41
<i>Equity per share, €</i>	4.49	5.16
<i>Equity ratio, %</i>	32.0	47.4

BUSINESS CONDITIONS

Economic growth in Finland has been stronger than estimated and the growth is expected to continue in 2018. According to the Ministry of Finance's forecast, the Finnish GDP will grow by 2.4% in 2018. The rapid improvement of the economy also has a positive impact on employment. According to Statistics Finland, the unemployment rate was 7.1% at the end of November 2017.

GROUP RESULT IN 2017

Sponda Group's result for 2017 was EUR 224.5 (137.5) million, while the result before taxes was EUR 98.3 (155.5) million and operating profit was EUR 173.5 (206.7) million.

Net operating profit increased by 1.5% to EUR 193.7 (190.9) million. The year-on-year increase was due to the Forum property acquisition, the effect of which is included in the comparison figures starting from March 2016. Items that had a negative effect on the development of net operating income included property sales and the negative development of the net operating income of a like-for-like portfolio, totalling EUR -1.9 million. Marketing and administration expenses and other operating income and expenses totalled EUR 32.9 (23.1) million. Marketing and administration expenses totalled EUR 25.5 (22.8) million. The increase is mainly due to the termination of the company's share-based incentive schemes. Other operating income and expenses include approximately EUR 7 million of external consultancy fees relating to the public tender offer for all shares in Sponda.

During the period, the Group recognised profit on sales of EUR 12.9 (15.4) million from the sales of investment and trading properties. The change in fair value of the investment properties was positive, EUR 4.9 (26.7) million, mainly due to the effect of positive yield changes in Finland. The Group's result was weighed down by amortisation of goodwill amounting to EUR 5.2 (3.1) million. The item is related to the Ratina project and will be written off once the project is completed.

Financial income and expenses for the period totalled EUR -75.2 (-51.2) million. The net amount of financial income and expenses was negatively affected by the refinancing agreements made during the last quarter. The financial costs increased due to restructuring of Sponda's financing. Deferred tax liabilities decreased by EUR 127.4 million during the year, mainly due to the said refinancing. The main difference to prior debt structure is the fact that the debt is now on the property level.

In accordance with IFRIC 21, the company recognises a liability in the balance sheet when the obligating event occurs. The company periodises real estate taxes in the profit and loss statement on the basis of the passage of time.

PROPERTY ASSETS 1 JANUARY–31 DECEMBER 2017

At the end of 2017, Sponda had a total of 164 leasable properties, with an aggregate leasable area of approximately 1.2 million m². Of this total, approximately 60% is office premises, 22% shopping centres and 17% logistics premises. Approximately 1% of the leasable area is located in Russia.

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

At the end of 2017, the fair value of Sponda's investment properties was assessed externally both in Finland (Catella Property Oy) and in Russia (CB Richard Ellis). The fair value of the investment properties totalled EUR 3.9 billion at the end of 2017.

Valuation gains/losses on fair value assessment

M€	1-12/2017	1-12/2016
<i>Changes in yield requirements (Finland)</i>	46.2	60.1
<i>Changes in yield requirements (Russia)</i>	0.0	-4.1
<i>Development gains on property development projects</i>	13.9	7.4
<i>Modernisation investments</i>	-37.8	-31.0
<i>Change in market rents and maintenance costs (Finland)</i>	2.8	12.6
<i>Change in market rents and maintenance costs (Russia)</i>	-15.8	-14.1
<i>Change in currency exchange rates</i>	-2.6	-2.1
<i>Investment properties, total</i>	6.7	28.7
<i>Real estate funds</i>	-1.7	-2.0
<i>Realised share of fund profits</i>	0.0	0.0
<i>Group, total</i>	4.9	26.7

Changes in Sponda's investment property assets 1 January–31 December 2017

M€	Total	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings
<i>Operating income</i>	263.1	169.7	76.2	0.8	16.3
<i>Maintenance expenses</i>	-68.5	-43.5	-16.6	-2.1	-6.3
<i>Net operating income</i>	194.7	126.2	59.7	-1.3	10.1
<i>Investment properties on 1 January 2017</i>	3,755.5	2,190.4	1,195.4	184.3	185.3
<i>Investment properties held for sale on 1 January 2017</i>	32.8	10.6	-	3.3	18.9
<i>Capitalised interest 2017</i>	3.3	-	-	3.3	-
<i>Acquisitions</i>	12.5	12.5	-	-	-
<i>Investments</i>	137.6	30.9	7.0	99.0	0.7
<i>Transfers between segments/property classes</i>	2.0	-	-	2.0	-
<i>Sales</i>	-15.0	-9.1	-	-	-5.9
<i>Change in fair value</i>	6.7	-6.4	19.1	13.9	-20.0
<i>Reclassifications to non-current assets held for sale</i>	-	-	-	-	-
<i>Investment properties on 31 December 2017</i>	3,935.3	2,229.0	1,221.5	305.8	179.1
<i>Change in fair value, %</i>	0.2	-0.3	1.6	7.6	-10.8

RENTAL OPERATIONS

At the end of 2017, Sponda had 1,860 clients and a total of 3,006 lease agreements.

All of Sponda's lease agreements in Finland are tied to the cost of living index.

The **average length of all lease agreements** was 3.8 (3.8) years. The average length of lease agreements was 4.0 (3.8) years for office properties and 3.9 (4.4) years for shopping centres.

The lease agreements expire as follows:

% of rental income	31.12.2017	31.12.2016
<i>Within 1 year</i>	17.0	19.9
<i>Within 2 years</i>	12.8	12.7
<i>Within 3 years</i>	10.3	10.9
<i>Within 4 years</i>	12.6	7.6
<i>Within 5 years</i>	11.3	11.9
<i>Within 6 years</i>	3.4	5.5
<i>After more than 6 years</i>	20.5	19.8
<i>Valid indefinitely</i>	12.1	11.8

DIVESTMENTS AND INVESTMENTS

Divestments

M€	1-12/2017	1-12/2016
<i>Disposals of investment properties</i>		
<i>Selling price</i>	19.0	36.7
<i>Profit/loss on sale *)</i>	4.0	0.8
<i>Balance sheet value</i>	15.0	35.9

**) Includes sales costs*

Investments

M€	1-12/2017	1-12/2016
<i>Properties acquired</i>	-12.5	-590.5
<i>Modernisation investments</i>	-37.8	-31.0
<i>Property development investments</i>	-99.7	-60.9
<i>Investment, total</i>	-150.1	-682.4

RESULTS BY SEGMENT

The reporting segments are as follows: Office Properties, Shopping Centres, Property Development, Non-Strategic Holdings and the Other segment. The Non-Strategic Holdings segment includes the remaining logistics properties, properties in Russia and the Property Investment Companies segment. The Other segment includes expenses not allocated to any of the Group's businesses.

Office Properties

The Office Properties segment is responsible for the leasing, purchase and sales of office premises in Finland.

In 2017, turnover was EUR 170.1 (167.2) million and net operating income was EUR 125.6 (124.1) million.

	1-12/2017	1-12/2016
<i>Total revenue, M€</i>	170.1	167.2
<i>Net operating income, M€</i>	125.6	124.1
<i>Operating profit, M€</i>	109.5	138.4
<i>Economic occupancy rate, %</i>	88.8	89.2
<i>Fair value of properties, M€</i>	2,229.0	2,190.4
<i>-excludes properties classified as held for sale, M€</i>	-	10.6
<i>Change in fair value from beginning of year, M€</i>	-6.4	25.2
<i>Leasable area, m²</i>	800,500	808,500

Shopping Centres

The Shopping Centres segment is responsible for the leasing, purchase and sales of shopping centres and retail premises in Finland. In 2017, turnover was EUR 76.2 (70.3) million and net operating income was EUR 59.6 (54.8) million.

	1-12/2017	1-12/2016
<i>Total revenue, M€</i>	76.2	70.3
<i>Net operating income, M€</i>	59.6	54.8
<i>Operating profit, M€</i>	71.8	72.0
<i>Economic occupancy rate, %</i>	95.0	93.5
<i>Fair value of properties, M€</i>	1,221.5	1,195.4
<i>Change in fair value from beginning of year, M€</i>	19.1	21.3
<i>Leasable area, m²</i>	201,500	198,000

Property Development

The Property Development segment is responsible for the marketing and implementation of new property development projects. Property development operations comprise new construction projects and the refurbishment of existing properties.

The balance sheet value of Sponda's property development portfolio stood at EUR 305.8 million at the end of 2017. Of this total, EUR 47.9 million was in undeveloped land sites and the remaining EUR 257.9 million was tied up in property development projects in progress. The value of unused building rights is presented in the assets of the segment concerned for investment properties that have a building, and as part of the Property Development segment for building rights for unbuilt land.

The Property Development unit invested a total of EUR 99.7 million in 2017. The investments were primarily directed to the construction of the Ratina shopping centre and the office and retail complex in Tikkurila. The total committed investments are EUR 271 million. Of this, approximately EUR 209 million was invested by 31 December 2017

The Ratina shopping centre project's total investment, including the land value, is estimated at approximately EUR 240 million with some EUR 189 million invested to date.

Sponda's other new construction project, an office and retail complex at Tikkurila railway station in Vantaa, will be implemented in two phases. The investment size for the first phase is approximately EUR 31 million, of which EUR 20 million has been invested in the project to date. The decision on commencing the second phase will be made later based on the rental market.

Non-Strategic Holdings

The Non-Strategic Holdings segment includes the remaining logistics properties and properties in Russia.

The fair value of the investment properties in the Non-Strategic Holdings segment stood at EUR 179.1 million at the end of 2017. Of this total, logistics properties accounted for EUR 81.1 million and properties in Russia for EUR 97.9 million.

Sponda's holding in Russia Invest, which invests in property development projects in Russia, is 27%. Russia Invest owns a 55% share in the Okhta Mall shopping centre project, which is Phase I of the Septem City project located in St. Petersburg. Sponda's investment amounted to approximately EUR 20.7 million at the end of 2017.

FINANCING AND BALANCE SHEET KEY FIGURES

Sponda Group's interest-bearing debt grew significantly during the last quarter of 2017 due to refinancing activities. Interest-bearing debt amounted to EUR 3.186 (1.863) million at the end of December 2017. The Group's cash funds totalled EUR 729 (13) million, and net debt was EUR 2.457 (1.850) million. The debt portfolio comprised EUR 325 million in bonds, EUR 319 million in issued commercial papers, and EUR 2,542 million in loans from financial institutions. Sponda had EUR 47 million in unused credit limits. The level of loans from financial institutions grew significantly as Sponda had higher amount of mortgaged loans than before. In total, mortgaged loans amounted to EUR 2,579 million, or approximately 54% of the consolidated balance sheet.

The key balance sheet figures for the end year changed due to said refinancing, dividends paid and equity repayment. Sponda's equity ratio on 31 December 2017 stood at 32.0% (47.4%). Loan to Value (LTV), based on net debt, was 61.8% (48.3%). The weighted average maturity of Sponda's loans was 1.8 (2.6) years. The average interest rate was 3.4% (2.7%) including interest derivatives and periodized arrangement fees. Fixed-rate and interest-hedged loans accounted for 56% (67%) of the loan portfolio.

Sponda's net financing costs for the period totalled EUR -75.2 (-51.2) million. Interest expenses of EUR 3.3 (1.2) million were capitalised. Net cash flow from operations in the period under review totalled EUR 61.8 (122.5) million. Net cash flow from investing activities was EUR -132.1 (-650.8) million and the net cash flow from financing activities was EUR 787.2 (318.8) million.

Balance sheet key figures

	31.12.2017	31.12.2016
Equity ratio, %	32.0	47.4
Average interest rate, %	3.4	2.7
Hedging, %	56	67
Average loan maturity, years	1.8	2.6
Loan to Value (LTV)*, %	61.8	48.3
Interest-bearing debt, EUR million	3,186	1,863
Cash reserves, EUR million	729	13
Credit limits for investment projects, EUR million	47	0
Unused credit limits. EUR million	0	438

*) Based on net debt

SPONDA'S SHARE AND SHAREHOLDERS

At the end of 2017, Sponda Plc's share capita amounted to EUR 111,030,185 and the number of shares was 339,690,554.

Polar Bidco S.à r.l. tender offer for all shares in Sponda

On 5 June 2017, Polar Bidco S.à r.l., a corporation owned by funds advised by affiliates of The Blackstone Group L.P., and Sponda Plc signed a combination agreement. In accordance with the agreement, Polar Bidco made a voluntary public tender offer, recommended by Sponda's Board of Directors, to purchase all issued and outstanding shares in Sponda. Following the subsequent tender offer period, Polar Bidco S.à r.l. announced on 8 August 2017 that it has acquired 98.80% of all shares in Sponda. Polar Bidco S.à r.l. commenced redemption proceedings in respect of minority shares in Sponda by initiating arbitration proceedings in accordance with the Finnish Companies Act in order to obtain ownership of all the shares in Sponda. On 5 December 2017, Polar Bidco S.à r.l. announced, that it has obtained ownership of all the shares in Sponda and, simultaneously, Nasdaq Helsinki Ltd decided that Sponda will be delisted from the official list of Nasdaq Helsinki Ltd. The quoting of the shares in Sponda ceased on 5 December 2017.

GROUP STRUCTURE

Sponda Group comprises the parent company Sponda Plc and its wholly- or partly-owned Finnish limited liability companies and property companies. The Group also includes the foreign subsidiaries owned by Sponda Russia Ltd.

BOARD OF DIRECTORS AND AUDITORS

The members of the Board of Directors are Leif Andersson, Jean-Francois Bossy, Outi Henriksson, Andrew Lax, Svein Erik Lilleland, James Seppälä and Michael Swank. At its constitutive meeting, the Board of Directors elected Andrew Lax as its chairman and Michael Swank as its deputy chairman.

The Board of Directors assessed that, of its members, Outi Henriksson is independent of the company and its major shareholders and the other members, Leif Andersson, Jean-Francois Bossy, Andrew Lax, Svein Erik Lilleland, James Seppälä and Michael Swank, are independent of the company.

APA Esa Kailiala and authorised public accountants KPMG Oy Ab, with APA Lasse Holopainen as the responsible auditor and APA Petri Kettunen as the deputy auditor, will serve as the company's auditors for a term ending at the close of the next Annual General Meeting.

BOARD COMMITTEES

The members of the Audit Committee are as follows: Outi Henriksson (chairman), Michael Swank (deputy chairman) and Jean-Francois Bossy (ordinary member).

SPONDA'S MANAGEMENT

Sponda Plc's President and Chief Executive Officer is Kari Inkinen. From 1 January 2017, Sponda's Executive Board comprises the President and CEO, the CFO, and the heads of five business units, in total seven persons.

PERSONNEL

The objectives of Sponda's human resource strategy for 2018 are as follows: developing competence management, investing in good leadership and developing well-being at work.

Key figures for personnel

	31.12.2017	31.12.2016
<i>Average number of employees, Group</i>	106	107
<i>Average number of employees, parent company</i>	101	98

ANNUAL REMUNERATION AND INCENTIVE SCHEMES

Sponda has an annual remuneration scheme that covers all employees and is based on both company objectives and personal targets. The key factors affecting the individual's bonus are profitability and business development.

RISK MANAGEMENT

Sponda manages risks by identifying, measuring and by mitigating significant risks.

Key risks and risk management methods

Sponda's key risks are classified as strategic risks, operational risks, damage and asset risks and financing risks.

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

Annual risk assessment

Risks are assessed in terms of their probability as well as their financial impact. Achieving financial targets is a sign that risk management has been successful.

Risks are assessed in a risk survey carried out annually. Due to the change in the ownership during the calendar year the risks connected to the availability of financing and the interest rate risk are excluded from the assessment. The risk survey identifies the company's key risks, assesses the probability of their occurrence and potential impacts thereof, and defines risk management procedures. Risk management guidelines and the operations handbook are updated based on the risk survey.

Short-term risks related to Sponda's operations	Risk management actions
1. Change in demand	flexible solutions and active portfolio management that in addition to investments and divestments contains property development.
2. Lack of market growth	Sponda's property portfolio must be competitive on the market. This is secured by the right service concepts and by qualitative parameters.
3. Sale of properties located in Russia	Sponda has two remaining properties in Russia and the company aims to divest the properties in line with its strategy. To support the sale of the properties and maintain interest among potential buyers, the properties' occupancy rates are kept high and the properties are maintained in good condition..

ENVIRONMENTAL RESPONSIBILITY

The development of Sponda's responsible operations is guided by Sponda's vision of being the most reliable, profitable and responsible operator in the property sector, implementing sustainable development. Environmental responsibility is a strategic focus area of Sponda's. Sponda's key objectives in the area of environmental responsibility in 2017 related to reducing the energy consumption and carbon dioxide emissions of properties, promoting energy efficiency measures and moving forward with the LEED and BREEAM environmental certification of properties.

Sponda has committed to an energy efficiency agreement set by Ministry of Economic Affairs and Employment, Ministry of the Environment and Energy Authority for 2017-2025. According to the agreement, energy efficiency target is to reduce energy consumption by 7.5% by 2025, calculated from the year 2015 level. In 2017, Sponda made progress as planned to reach this target.

During 2017, Sponda gained two new environmental certifications. BREEAM In-Use, at the level of Very Good, was obtained by the shopping centres Citycenter and Zeppelin. In 2017, Sponda was progressing with new certificates for both greenfield and maintenance improvement properties. Total of 29% of Sponda's properties are certified calculated from the total leasable area.

Sponda continued to be ranked among the best companies in the property sector in the international sustainability assessments. In the highly valued international Global Real Estate Sustainability Benchmark (GRESB) assessment, Sponda's result was the best in Europe within its peer group. Sponda received a full five-star assessment and Green Star –acknowledgement for fifth year running. Sponda also retained an excellent Leadership A- grade in the annual CDP Climate –assessment. This result was the best in Finland and was also in the top ranking in Nordic level in the Real Estate peer group.

Sponda's key environmental indicators are its total energy consumption, carbon footprint, water consumption, waste recovery rate and the waste recycling and reuse rate. The key indicators are reported as specific consumption figures and the denominator used in the calculations is the gross floor area (GFAM²) for each reporting period. The calculation of the key environmental indicators takes into account properties located in Finland in which Sponda's ownership is at least 50%. The reporting does not cover properties leased cold, meaning properties in which the tenant is responsible for property maintenance, energy purchasing or waste management. The key indicators are reported for the preceding 12-month period and the comparison period.

The development of Sponda's key indicators of environmental responsibility for the period under review was affected by changes in the property portfolio between reporting periods.

Key indicators of environmental responsibility

Sponda's properties in Finland	2017	2016	Number of properties
<i>Specific energy consumption, kWh/gross m²</i>	201.4	194.1	111
<i>Specific carbon dioxide emissions, kg CO₂/gross m²</i>	45.3	44.8	111
<i>Specific water consumption, l/gross m²</i>	271.0	249.6	110
<i>Waste recovery rate, %</i>	100	100	
<i>Waste recycling and reuse rate, %</i>	47	46	

RISKS AND UNCERTAINTY FACTORS IN THE NEAR FUTURE

Sponda estimates that the risks and uncertainty factors for 2018 are mainly related to the following areas:

Change in demand for space, caused by reasons such as technological development, may have a negative impact on the development of occupancy rate and net operating income.

In Russia, the risks are mainly related to the development of the Russian economy and its impact **on the sale of Sponda's properties in Russia** in 2018.

PROSPECTS FOR 2018

Sponda estimates that the net operating income will slightly decline in 2018 compared to 2017. The decline is mainly due to large ongoing renovation projects that will temporarily affect rental income. The operating income, before fair valuation changes, is estimated to stay stable and be at the same level as reported in 2017. This estimate is based on two large property development projects being completed during the year. The estimates do not include the impact of possible divestments or acquisitions.

EVENTS AFTER THE PERIOD

Due to restructuring of Sponda's financing each owner of a book value of a corporate bond had the right to present a demand for early repayment according to the terms of the bonds. Repayments of bonds amounting to EUR 4.5 million were made. The repayments concerned the EUR 175.0 million bond maturing in May 2020 and the repayments were made in January 2018 according to the terms.

BOARD PROPOSAL FOR DIVIDEND

The Board of Directors proposes a dividend paid to its only shareholder of EUR 320.5 million. The decision on the dividend will be made at the Annual General Meeting on or about the 2 February 2018.

Corporate governance statement

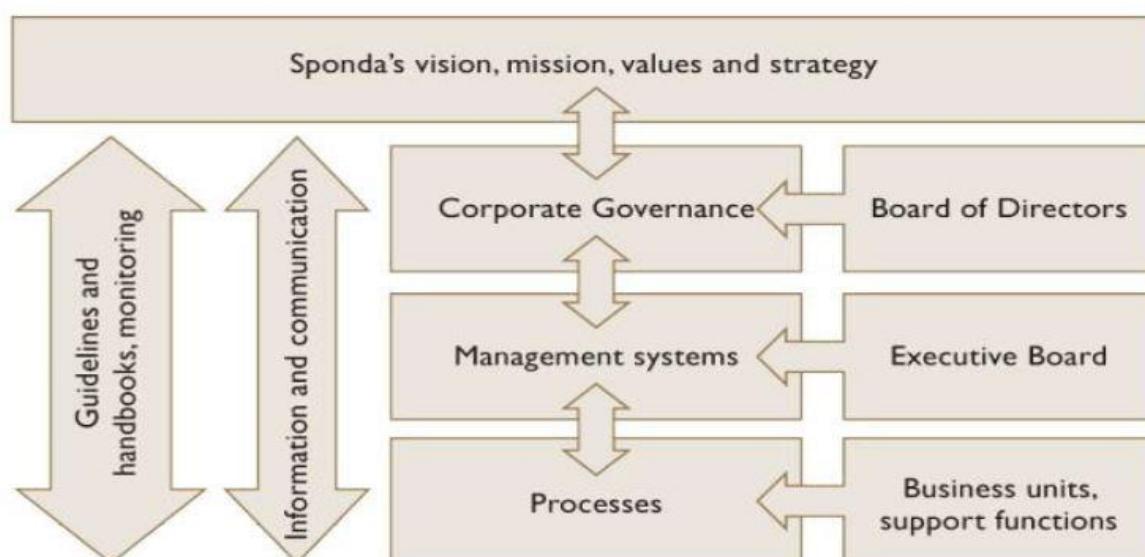
I INTRODUCTION

Sponda Plc is a public limited company registered in Finland. Sponda Plc and its subsidiaries constitute the Sponda Group.

In its decision-making and administration, Sponda complies with the Finnish Companies Act and other laws, regulations and guidelines issued by the authorities regarding limited companies, public interest entities and issuers, and the company's articles of association. In addition, Sponda Plc complies with the Nasdaq Helsinki Ltd ("Helsinki Stock Exchange") regulations governing issuers of listed bonds.

II DESCRIPTIONS OF INTERNAL CONTROL PROCEDURES RELATED TO THE FINANCIAL REPORTING PROCESS

Main principles for the organisation of risk management



Sponda has adopted a systematic approach to risk management and one of the company's key strengths is its ability to integrate risk management into its strategy process, the enterprise resource planning system and business processes.

The responsibility for risk management is determined in accordance with business responsibility. The ultimate responsibility for risk management lies with the Board of Directors, which sets risk management objectives, decides on risk management policy, organises risk management and monitors key risks. Business units and corporate functions are responsible for arranging for risk management to be monitored and reported as part of the company's other reporting activities. The company's internal audit function monitors the effectiveness of the risk management system.

Risk management is assessed in a risk survey carried out once a year. The risk survey identifies the company's key risks, assesses the probability of their occurrence and potential impacts thereof, and defines risk management procedures. The risk survey also includes an assessment of the company's approach to risks.

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

Key risks pertaining to the company's operations are described in the Board of Directors' report.

Main features of internal control related to financial reporting

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

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

The processes of generating financial information have been clearly defined and assessed. The processes are described in guidelines and separate process descriptions. The key processes are related to financial statement information, planning and resource planning. Internal control pays special attention to the production of external and internal financial information and its communication as well as information system controls. The risks and critical points of financial information production processes have been identified and related control measures have been defined. Internal controls include executive or managerial assessments, performance indicators, control accounts, physical controls, the prevention of job combinations, which may pose risks, ICT controls and anomaly reports. Part of the auditing company's assignment is to conduct an annual review of internal processes and controls.

External financial reports are reviewed by the Board of Directors and Audit Committee prior to their publication. The Audit Committee consults with the auditors and the internal auditor in conjunction with each interim report and, at least twice a year, consults with an external expert on property valuation. The Board of Directors also receives the auditors' report and internal audit report for evaluation. The operative management analyses external financial reports prior to their review by the Board of Directors and Audit Committee and consults with the auditors in conjunction with each interim report. The business units evaluate the financial reports as far as their own unit is concerned. The Group Control unit is in charge of verifying the accuracy of financial reporting. Various ICT controls and account reconciliation are also used to verify the accuracy of financial reporting.

Due to the nature of Sponda's business, the most significant asset item consists of investment properties measured at fair value. The fair value of Sponda's investment property portfolio is determined in-house every three months, using the discounted cash flow method (DCF) with at least 10 years' worth of estimates. An external expert has audited Sponda's internal property valuation process as well as the calculation methods and reporting. In addition, Sponda has an external expert review all property valuation material at least twice every year, to ensure that the parameters and values used are based on market observations. The rental income in cash flow calculations is based on data concerning valid lease contracts retrieved from the property management system and, upon their expiration, on the management's estimations concerning market rents, based on market information. Rental income is adjusted according to occupancy rates and actual maintenance costs estimated by the management. Risk factors pertaining to fair value assessments are taken into account when determining yield requirements.

Audit Committee

The Audit Committee is tasked with preparing matters that fall under the Board of Directors' purview. The Audit Committee prepares matters relating to financial reporting, risk management, financial statements and interim reports, auditors, internal audit and compliance with laws and regulations.

The Board has laid out the rules of procedure for the Audit Committee, according to which the Committee is tasked with, among other things:

- monitoring the process of financial reporting
- supervising the financial reporting process
- monitoring the efficiency of the company's internal control, internal audit and risk management systems
- evaluating the independence of the statutory auditor or audit firm, particularly the provision of related services to the company

Starting from 4 September 2017, the Audit Committee consists of Outi Henriksson as chairman, Michael Swank as deputy chairman and Jean-Francois Bossy as an ordinary member. From 20 March 2017 to 4 September 2017, the Audit Committee consisted of Outi Henriksson as chairman, Raimo Valo as deputy chairman and Paul Hartwall as an ordinary member. All members of the Audit Committee are independent of Sponda Plc and at least one member must also be independent of major shareholders.

In 2017, the Audit Committee reviewed the financial statement releases and interim reports before their disclosure and recommended that the Board approve them. The Audit Committee consulted the company's auditors when reviewing financial statement releases and interim reports. The Committee also consulted an external expert that carried out Sponda's internal audit and an external property surveyor during the year.

Group key figures

Key financial figures	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Income statement key figures					
1. Total revenue, M€	263.7	259.0	230.5	246.7	264.3
2. Operating profit, M€	173.5	206.7	178.1	151.7	153.0
3. % of total revenue	65.8	79.8	77.3	61.5	57.9
4. Total amount of financial income and expenses, M€	-75.2	-51.2	-48.9	-55.9	-59.8
5. Profit/loss for the period, M€	224.5	137.5	227.2	73.6	103.1
6. % of total revenue	85.1	53.1	98.6	29.8	39.0
Balance sheet key figures					
7. Shareholders' equity, M€	1,527.8	1,849.9	1,585.0	1,411.5	1,409.3
8. Investment properties, M€	3,935.3	3,755.5	3,101.7	3,142.1	3,253.3
9. Total liabilities, M€	3,259.5	2,066.6	1,856.0	2,037.7	2,062.5
10. Interest-bearing liabilities, M€	3,186.4	1,862.5	1,660.9	1,731.2	1,788.8
11. Interest-bearing net liabilities, M€	2,457.3	1,849.6	1,440.9	1,710.8	1,770.0
Profitability and financing key figures					
12. Return on capital employed, %	4.19	6.0	5.8	5.4	5.5
13. Return on equity, %	13.29	8.0	15.2	5.2	7.2
14. Equity ratio, %	32.0	47.4	46.2	41.0	40.7
Other key figures					
15. Gross expenditure on non-current assets, M€	154.5	686.8	111.4	185.1	54.8
16. % of total revenue	58.6	265.2	48.3	75.1	20.7

Key figures per share	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Basic and diluted earnings per share attributable to parent company equity holders, € (EPS)					
17. Basic and diluted earnings per share attributable to parent company equity holders, € (EPS)	0.65	0.41	0.78	0.24	0.34
18. Equity per share, €	4.49	5.16	5.26	4.65	4.64
19. Dividend/Board's proposal, €	0.94 ¹⁾	0.08 ¹⁾	0.19	0.19	0.18
20. Dividends paid during the financial year	1.14 ²⁾	0.31 ²⁾	0.19	0.18	0.17
21. Capital repayments paid during the financial year	0.24				

¹⁾ Board proposal

²⁾ Includes dividends paid based on authorisation granted by General Meeting

Formulas for the key indicators

Formulas for the key indicators and itemisations and bridge calculations required for alternative key figures in accordance with ESMA guidance

IFRS key figures

$$\text{Earnings per share, €} = \frac{\text{Share of earnings for the period attributable to equity holders of the parent company} - \text{interest and expenses on hybrid loan allocated to the period, adjusted for taxes}}{\text{Weighted average number of shares outstanding during the period}}$$

$$\text{Shareholders' equity per share, €} = \frac{\text{Equity attributable to equity holders of the parent company} - \text{Other equity reserve}}{\text{Undiluted total number of shares on the date of closing the books}}$$

Alternative key figures defined in accordance with ESMA guidance

$$\text{Equity ratio, \%} = 100 \times \frac{\text{Equity}}{\text{Balance sheet total - advances and rent deposits received}}$$

The equity ratio is an indicator of the financial structure that shows the percentage of equity in the capital tied up in operations. Reflects the company's financial structure.

$$\text{LTV, Loan to value} = \frac{\text{Non-current and current interest-bearing liabilities} - \text{Cash and cash equivalents}}{\text{Investment properties, Investments in real estate funds, Investments in associated companies, Property, plant and equipment, Trading properties and Non-current assets held for sale total}}$$

Loan to Value indicates the share of liabilities, less cash and cash equivalents, in funding the asset items included in the denominator. Reflects the company's financial structure.

$$\text{Return on investment, \%} = \frac{\text{Profit/loss before taxes} + \text{Financial expenses}}{\text{Equity, average} + \text{interest-bearing financial liabilities, average}}$$

$$\text{Return on shareholders' equity (ROE), \%} = \frac{\text{Profit/loss}}{\text{Equity, average}}$$

Consolidated income statement

M€	Note	1-12/2017	1-12/2016
<i>Total revenue</i>			
<i>Rental income and recoverables</i>	2.3	263.3	258.6
<i>Interest income from finance leasing agreements</i>	7.2	0.3	0.3
		263.7	259.0
<i>Expenses</i>			
<i>Maintenance expenses</i>		-70.0	-68.0
<i>Net operating income</i>			
		193.7	190.9
<i>Proceeds and losses from sale of investment properties</i>			
	2.1	4.0	0.8
<i>Valuation gains/losses</i>			
	2.2	4.9	26.7
<i>Amortisation of goodwill</i>			
	2.5	-5.2	-3.1
<i>Profit/loss on sales of associated companies</i>			
		-	-0.1
<i>Profit/loss on sales of trading properties</i>			
	7.5	9.0	14.6
<i>Sales and marketing expenses</i>			
		-2.8	-2.1
<i>Administrative expenses</i>			
	6 7.1 7.2.2 7.4	-22.7	-20.6
<i>Other operating income</i>			
		0.5	0.5
<i>Other operating expenses</i>			
		-7.9	-0.8
<i>Operating profit</i>			
		173.5	206.7
<i>Financial income</i>			
	3.1	3.1	3.2
<i>Financial expenses</i>			
	3.1	-78.3	-54.4
<i>Total amount of financial income and expenses</i>			
		-75.2	-51.2
<i>Profit before taxes</i>			
		98.3	155.5
<i>Income taxes for current and previous fiscal years</i>			
		-1.3	-2.4
<i>Deferred taxes</i>			
		127.4	-15.6
<i>Income taxes, total</i>			
	4	126.2	-17.9
<i>Profit/loss for the period</i>			
		224.5	137.5
<i>Attributable to:</i>			
<i>Equity holders of parent company</i>		224.5	137.5
<i>Non-controlling interest</i>		0.0	0.0
<i>Earnings per share based on profit attributable to equity holders of the parent company</i>			
<i>Basic and diluted, €</i>			
	5.3	0.65	0.41

Consolidated statement of other comprehensive income

M€	Note	1-12/2017	1-12/2016
<i>Profit/loss for the period</i>		224.5	137.5
<i>Other comprehensive income</i>			
<i>Items that will not be reclassified to profit or loss</i>			
<i>Items arising from the remeasurement of defined benefit liabilities (or assets)</i>		0.0	0.2
<i>Taxes on items that will not be reclassified to profit or loss</i>	4	0.0	0.0
<i>Items that will not be reclassified to profit or loss, total</i>		0.0	0.1
<i>Items that may be reclassified subsequently to profit or loss</i>			
<i>Net loss/profit from cash flow hedges</i>		28.2	8.3
<i>Translation differences</i>		-0.5	2.3
<i>Taxes on items that may be reclassified subsequently to profit or loss</i>	4	-5.5	-2.8
<i>Items that may be reclassified subsequently to profit or loss, total</i>		22.2	7.8
<i>Other comprehensive income for the period after taxes</i>		22.2	8.0
<i>Comprehensive profit/loss for the period</i>		246.7	145.5
<i>Attributable to:</i>			
<i>Equity holders of parent company</i>		246.7	145.5
<i>Non-controlling interest</i>		0.0	0.0

Consolidated statement of financial position

M€		Note	31.12.2017	31.12.2016
ASSETS				
<i>Non-current assets</i>				
<i>Investment properties</i>		2	3,935.3	3,755.5
<i>Investments in real estate funds</i>		7.3	20.7	22.4
<i>Property, plant and equipment</i>		7.4	13.3	12.9
<i>Goodwill</i>		2.5	3.3	8.5
<i>Other intangible assets</i>		7.4	1.4	1.7
<i>Finance lease receivables</i>		7.2	2.7	2.7
<i>Other investments</i>		3.3.2	1.9	0.2
<i>Deferred tax assets</i>		4	46.3	15.4
<i>Non-current assets total</i>			4,025.0	3,819.4
<i>Current assets</i>				
<i>Trading properties</i>		7.5	6.6	7.2
<i>Trade and other receivables</i>	3.3.2	7.6.1	26.7	44.2
<i>Cash and cash equivalents</i>	3.2	3.3.2	729.1	12.9
<i>Current assets total</i>			762.3	64.2
<i>Non-current assets held for sale</i>		2.1	-	32.8
<i>Total assets</i>			4,787.4	3,916.5
SHAREHOLDERS' EQUITY AND LIABILITIES				
<i>Equity attributable to equity holders of the parent company</i>				
<i>Share capital</i>			111.0	111.0
<i>Share premium reserve</i>			159.4	159.4
<i>Invested non-restricted equity reserve</i>			572.7	652.7
<i>Fair value reserve</i>			-	-22.6
<i>Revaluation reserve</i>			0.7	0.7
<i>Other equity fund</i>			-	94.0
<i>Translation differences</i>			0.5	0.9
<i>Retained earnings</i>			681.6	851.8
			1,526.0	1,848.1
<i>Non-controlling interest</i>			1.8	1.8
<i>Shareholders' equity, total</i>	5.1	5.2	1,527.8	1,849.9
<i>Liabilities</i>				
<i>Non-current liabilities</i>				
<i>Deferred tax liabilities</i>		4	0.9	93.1
<i>Provisions</i>		7.7	0.6	2.4
<i>Interest-bearing loans and borrowings</i>		3.3.2	2,717.8	1,313.9
<i>Other liabilities</i>		3.3.2	0.5	28.2
<i>Non-current liabilities total</i>			2,719.8	1,437.7
<i>Current liabilities</i>				
<i>Current interest-bearing liabilities</i>		3.3.2	468.6	548.6
<i>Trade and other payables</i>	3.3.2	7.6.2	71.1	79.7
<i>Tax liabilities based on the taxable income for the period</i>			-	0.4
<i>Current liabilities total</i>			539.7	628.6
<i>Liabilities associated with non-current assets held for sale</i>			-	0.3
<i>Total borrowings</i>			3,259.5	2,066.6
<i>Total equity and liabilities</i>			4,787.4	3,916.5

Consolidated statement of cash flows

M€	Note	1-12/2017	1-12/2016
<i>Cash flow from operating activities</i>			
<i>Profit for the period</i>		224.5	137.5
<i>Adjustments</i>	1	-48.5	40.5
<i>Change in net working capital</i>	2	-8.7	7.9
<i>Interest received</i>		0.4	0.5
<i>Interest paid</i>		-47.8	-45.1
<i>Other financial items</i>		-58.1	-7.8
<i>Dividends received</i>		0.0	0.0
<i>Taxes received/paid</i>		0.1	-11.0
<i>Net cash flow from operating activities</i>		61.8	122.5
<i>Cash flow from investing activities</i>			
<i>Acquisition of investment properties</i>	3	-150.5	-684.6
<i>Capital expenditure on real estate funds</i>		0.0	-3.0
<i>Acquisition of tangible and intangible assets</i>		-0.4	-0.1
<i>Proceeds from disposal of investment properties</i>	4	18.8	36.4
<i>Proceeds from disposal of real estate funds</i>		-	-
<i>Proceeds from disposal of shares in associated companies</i>		-	0.2
<i>Proceeds from disposal of tangible and intangible assets</i>		-	0.4
<i>Repayments of loan receivables</i>		-	-
<i>Net cash flow from investing activities</i>		-132.1	-650.8
<i>Cash flow from financing activities</i>			
<i>Proceeds from share issue</i>		0.0	218.5
<i>Non-current loans, raised</i>		2,578.8	595.7
<i>Repurchase of hybrid bond</i>		-95.0	-
<i>Non-current loans, repayments</i>		-1,293.0	-444.1
<i>Current loans, raised/repayments</i>		70.8	49.5
<i>Interest paid on hybrid bond</i>		-6.4	-6.4
<i>Dividends and other equity repayments</i>		-467.9	-94.5
<i>Net cash flow from financing activities</i>		787.2	318.7
<i>Change in cash and cash equivalents</i>		716.9	-209.5
<i>Cash and cash equivalents, beginning of period</i>		12.9	220.0
<i>Impact of changes in exchange rates</i>		-0.8	2.4
<i>Cash and cash equivalents, end of period</i>		729.1	12.9

Notes to the statement of cash flows

	1-12/2017	1-12/2016
1. Adjustments		
<i>Proceeds and losses from sale of investment properties</i>	-4.0	-0.8
<i>Valuation gains/losses</i>	-4.9	-26.7
<i>Amortisation of goodwill</i>	5.2	3.1
<i>Proceeds from sale of associated companies</i>	-	0.1
<i>Financial income and expenses</i>	75.2	51.2
<i>Income taxes</i>	-126.2	17.9
<i>Share of result of associated companies</i>	-	-
<i>Other adjustments</i>	6.2	-4.3
<i>Adjustments, total</i>	-48.5	40.5
2. Specification of change in net working capital		
<i>Change in trade and other receivables</i>	2.1	12.9
<i>Change in trading properties</i>	0.0	0.6
<i>Change in non-interest-bearing current liabilities</i>	-9.0	-5.6
<i>Change in provisions</i>	-1.8	-
<i>Change in net working capital</i>	-8.7	7.9
3. Acquisition of investment properties		
<i>Assets and liabilities of acquired subsidiaries</i>		
<i>Net working capital</i>	0.0	-3.1
<i>Total non-current assets</i>	12.5	589.5
<i>Interest-bearing loans and borrowings</i>	-	-
<i>Net total of assets and liabilities of acquired companies</i>	12.5	586.4
<i>Acquisition of subsidiaries</i>		
<i>Acquisition cost of companies</i>	12.5	588.2
<i>Cash and cash equivalents of acquired companies at acquisition date</i>	0.0	-1.8
<i>Cash flow from acquisitions less cash and cash equivalents of acquired companies</i>	12.5	586.4
<i>Acquired properties</i>	-	-
<i>Other capital expenditure on investment properties</i>	138.0	98.2
<i>Total acquisition of investment properties</i>	150.5	684.6
4. Proceeds from sale of investment properties		
<i>Proceeds from sale of subsidiaries</i>		
<i>Proceeds from sale of subsidiaries</i>	16.4	26.8
<i>Cash and cash equivalents of sold subsidiaries</i>	-	-0.4
<i>Proceeds from sale of subsidiaries</i>	16.4	26.4
<i>Other proceeds from sale of investment properties</i>	-	-
<i>Total proceeds from sale of investment properties</i>	16.4	26.4
<i>Assets and liabilities of sold subsidiaries</i>		
<i>Net working capital</i>	-0.1	-0.2
<i>Investment properties</i>	12.8	27.2
<i>Interest-bearing loans and borrowings</i>	-	-
<i>Provisions/Rental guarantee</i>	-	-
<i>Sales gain/loss</i>	3.8	-0.6
<i>Net total of assets and liabilities of sold subsidiaries</i>	16.4	26.4
<i>Other proceeds from disposal of investment properties</i>		
<i>Investment properties</i>	2.2	8.6
<i>Sales gain/loss</i>	0.2	1.4
<i>Total other proceeds from disposal of investment properties</i>	2.4	10.0
<i>Total proceeds from disposal of investment properties</i>	18.8	36.4

Total liabilities from financing operations

	Changes not affecting cash flow							
	Opening balance	Cash flow	Transfers between balance sheet items	Acquisitions Sales	Exchange rate changes	Change in fair value	Other changes not affecting cash flow	Closing balance
2017								
<i>Non-current interest-bearing liabilities</i>	1,313.9	2,578.8	-1,142.3				-32.7	2,717.8
<i>Other non-current liabilities</i>	28.2					-27.7	-0.1	0.5
<i>Non-current liabilities total</i>	1,342.1	2,578.8	-1,142.3			-27.7	-32.7	2,718.3
<i>Current interest-bearing liabilities</i>	548.6	-1,222.2	1) 1,142.3				-0.0	468.6
<i>Other current liabilities</i>	2) 0.6	0				0.0	-0.6	0.0
<i>Current liabilities total</i>	549.2	-1,222.2	1,142.3			0.0	-0.7	468.6
<i>Non-current assets used in the hedging of non-current liabilities</i>	3) -0.2					1.2	-1.2	-0.1
<i>Current assets used in the hedging of non-current liabilities</i>	4) 0.0					0.0	0.0	0.0
	-0.2	0.0	0.0			1.2	-1.2	-0.1
<i>Total liabilities from financing operations</i>	1,891.2	1,356.6	0.0			-26.4	-34.6	3,186.8

	Changes not affecting cash flow							
	Opening balance	Cash flow	Transfers between balance sheet items	Acquisitions Sales	Exchange rate changes	Change in fair value	Other changes not affecting cash flow	Closing balance
2016								
<i>Non-current interest-bearing liabilities</i>	1,080.4	595.7	-362.7				0.4	1,313.9
<i>Other non-current liabilities</i>	37.6					-9.2	-0.2	28.2
<i>Non-current liabilities total</i>	1,118.0	595.7	-362.7			-9.2	0.2	1,342.1
<i>Current interest-bearing liabilities</i>	580.5	-394.6	1) 362.7					548.6
<i>Other current liabilities</i>	2) 1.7					-1.0		0.6
<i>Current liabilities total</i>	582.1	-394.6	362.7			-1.0		549.2
<i>Non-current assets used in the hedging of non-current liabilities</i>	3) -0.8					0.6		-0.2
<i>Current assets used in the hedging of non-current liabilities</i>	4) 0.0					0.0		0.0
	-0.8	0.0	0.0			0.6		-0.2
<i>Total liabilities from financing operations</i>	1,699.3	201.2	0.0			-9.6	0.2	1,891.2

- 1) includes repayments of non-current loans and withdrawals/repayments of current loans
- 2) Included in non-current current liabilities
- 3) Included in non-current current receivables
- 4) Included in trade receivables and other receivables

Consolidated statement of changes in equity

M€	Share capital	Share premium reserve	Invested non-restricted equity reserve	Fair value reserve	Revaluation reserve	Other equity reserve	Translation difference	Retained earnings	Total	Non-controlling interest	Total equity
<i>Equity 1 January 2017</i>	111.0	159.4	652.7	-22.6	0.7	94.0	0.9	851.8	1,848.1	1.8	1,849.9
<i>Comprehensive income</i>											
<i>Profit for the period</i>								224.5	224.5	0.0	224.5
<i>Other comprehensive income (net of tax)</i>											
<i>Items arising from the remeasurement of defined benefit liabilities (or assets)</i>	6.2							0.0	0.0	0.0	0.0
<i>Cash flow hedges</i>	4			22.6					22.6	0.0	22.6
<i>Translation differences</i>	4						-0.4		-0.4	0.0	-0.4
<i>Comprehensive income, total</i>				22.6			-0.4	224.5	246.7	0.0	246.7
<i>Transactions with shareholders</i>											
<i>Share issue</i>	5.1										
<i>Dividend distribution and other capital repayments</i>	5.1		-80.0					-387.9	-467.9	0.0	-467.9
<i>Transactions with shareholders, total</i>			-80.0					-387.9	-467.9	0.0	-467.9
<i>Repurchase of hybrid bond</i>						-94.0		-1.0	-95.0	0.0	-95.0
<i>Interest paid on hybrid bond</i>	3.3							-5.1	-5.1	0.0	-5.1
	5.1										
<i>Change</i>								-0.7	-0.7	0.1	-0.7
<i>Equity 31 December 2017</i>	111.0	159.4	572.7	0.0	0.7	0.0	0.5	681.6	1,526.0	1.8	1,527.8

M€	Share capital	Share premium reserve	Invested non-restricted equity reserve	Fair value reserve	Revaluation reserve	Other equity reserve	Translation difference	Retained earnings	Total	Non-controlling interest	Total equity
<i>Equity 1 January 2016</i>	111.0	159.4	433.8	-29.2	0.7	94.0	-0.2	813.7	1,583.2	1.8	1,585.0
<i>Comprehensive income</i>											
<i>Profit for the period</i>								137.5	137.5	0.0	137.5
<i>Other comprehensive income (net of tax)</i>											
<i>Items arising from the remeasurement of defined benefit liabilities (or assets)</i>	6.2							0.1	0.1		0.1
<i>Cash flow hedges</i>	4			6.7					6.7	0.0	6.7
<i>Translation differences</i>	4						1.1		1.1	0.0	1.1
<i>Comprehensive income, total</i>				6.7			1.1	137.5	145.5	0.0	145.5
<i>Transactions with shareholders</i>											
<i>Share issue</i>	5.1		219.0						219.0		219.0
<i>Dividend payment</i>	5.1										
	5.2							-94.5	-94.5		-94.5
<i>Transactions with shareholders, total</i>			219.0					-94.5	124.4		124.4
<i>Repurchase of hybrid bond</i>											
<i>Interest paid on hybrid bond</i>	3.3							-5.1	-5.1		-5.1
	5.1										
<i>Change</i>								0.1	0.1		-5.1
<i>Equity 31 December 2016</i>	111.0	159.4	652.7	-22.6	0.7	94.0	0.9	851.8	1,848.1	1.8	1,849.9

Notes to the consolidated financial statements

Basic information

Sponda Plc (hereinafter referred to as “the company”), together with the subsidiaries and other units incorporated within the consolidated financial statements specified in Note 8 (hereinafter collectively referred to as “the Group” or “Sponda”), is a leading real estate investment company that owns, leases and develops commercial properties in the Helsinki metropolitan area and major cities in Finland.

Established on 23 October 1991, the company is a public limited company registered in Finland with the Business ID 0866692-3. The company is domiciled in Helsinki and its registered office is at Korkeavuorenkatu 45, 00130 Helsinki, Finland. The company is owned by Polar Bidco S.à r.l., a corporation owned by funds advised by affiliates of the Blackstone Group L.P. and registered in Luxembourg.

Sponda’s share was delisted from Nasdaq Helsinki on 5 December 2017 after Polar Bidco S.à r.l. gained title to all shares in Sponda.

At its meeting on 2 February 2018, the Board of Directors of Sponda Plc 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 Sponda Plc’s financial statements can be obtained from Sponda Plc, Korkeavuorenkatu 45, 00130 Helsinki, Finland and at www.sponda.fi.

Presentation of the financial statements

Accounting principles are presented, where applicable, in connection to the notes to the financial statements that are related to the accounting principle in question. Notes have been grouped by topic with the aim of clearly presenting the information that is most relevant to the Group’s result and financial position.

For Sponda, the most material notes to the income statement and balance sheet are investment properties (more than 90% of the balance sheet total), financing, equity and taxes. Notes pertaining to other income statement and balance sheet items are presented briefly in Note 7. In addition to the notes on balance sheet and income statement items, notes are presented concerning management, personnel, persons closely associated with the Group and contingent liabilities. If the presentation of a note would not provide added value from the reader’s perspective, the note has been filtered out entirely. Materiality has been assessed from both the qualitative and the quantitative perspective.

General accounting policies

The general accounting policies include the standards and recommendations applied by the Group, the principles of consolidation, the translation of foreign currency items and the definitions of operating profit and net operating income. Accounting policies pertaining to individual items in the financial statements are presented in connection with the notes in question.

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 2017.

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.

Management judgment

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment. This 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.

Sponda's management exercises judgment when making 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. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from the estimates.

In Sponda, the most significant estimates and assumptions requiring the management's judgment mainly concern the fair value measurement of investment properties and the recognition of deferred taxes. These are described in more detail in the notes in question.

Going concern

The Group's financial statements for the financial year 2017 have been prepared on a going concern basis, taking into account reasonably possible changes in the Group's operating environment. The Group's forecasts and estimates, which take into account the current liquidity position, indicate that the Group has sufficient financial resources to continue its operations for the foreseeable future.

Changes to accounting policies and notes presented with the financial statements

New and revised standards adopted in the financial year ended

The following revised or amended standards have affected the consolidated financial statements and they have been applied from 1 January 2017 onwards.

- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative (effective for financial years beginning on or after 1 January 2017): The amendments are aimed at enabling the users of financial statements to evaluate changes in liabilities affecting cash flow and liabilities not affecting cash flow arising from financing activities. The amendment has an impact on the notes to Sponda's consolidated financial statements.
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective for financial years beginning on or after 1 January 2017): The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendment has no impact on Sponda's consolidated financial statements.
- Amendments to IFRS 12*, Annual Improvements to IFRSs, 2014–2016 cycle (effective for financial years beginning on or after 1 January 2017): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendment has no impact on Sponda's consolidated financial statements.

* = Not yet endorsed for use by the European Union as of 31 December 2017.

Adoption of new and amended standards and interpretations applicable in future financial years

The following new and amended standards have already been issued by the IASB. They have not yet been applied by Sponda, but they are estimated to potentially have an impact on the financial statements. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year. The standards will enter into effect in or after 2017.

* = Not yet endorsed for use by the European Union as of 31 December 2017.

- *IFRS 15 Revenue from Contracts with Customers, entry into force of IFRS 15 and Clarifications to IFRS 15* (effective for financial years beginning on or after 1 January 2018): The new standard replaces the current IAS 18 and IAS 11 standards and related

interpretations. IFRS 15 provides a five-step model for recognising revenue: at what amount and at what time must revenue be recognised. Sales revenue is recognised based on the transfer of control either over time or at a single time. The standard also increases the amount of notes to be presented. The impacts of IFRS 15 on Sponda's consolidated financial statements have been assessed as follows:

- The key concepts of IFRS 15 have been analysed with respect to different revenue streams. The Group's revenues are almost entirely comprised of rental income based on lease agreements, which are within the scope of application of IAS 17 / IFRS 16 Leases. As a result, the standard is not estimated to have a significant impact on the Group. The potential impacts of the standard are related to the recognition of revenue from property sales.
 - The standard will be adopted on 1 January 2018 and comparison data will not be adjusted.
- IFRS 9 Financial Instruments (and amendments, effective for financial years beginning on or after 1 January 2018): IFRS 9 will replace the current IAS 39 standard. The new standard includes revised guidance on the recognition and valuation of financial instruments. This includes a new impairment model concerning expected credit losses, which will be applied to recognising impairment of financial assets. The standard also sets out new requirements pertaining to general hedge accounting. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The effects of the upcoming IFRS 9 on Sponda's consolidated financial statements are minor. The company does not have financial assets that would involve significant credit risks. The company has never had to recognise credit losses on financial assets or derivative assets. The company estimates that financial assets and derivative contracts will also not cause credit losses to the company in the future. According to the company's estimate, the risk associated with rent receivables can be considered low. Over the past five years, the company has recognised credit losses amounting to an annual average of only about 0.2% of rental income and service charges. Future credit losses will continue to be recognised evenly throughout the financial year. The changes concerning the classification of financial assets have only a minor effect on Sponda's financial statements, as the amount of financial assets other than cash and cash equivalents is low.

On the balance sheet date, the company's financial liabilities were primarily comprised of interest-bearing liabilities and derivative liabilities. The company will continue to account for interest-bearing liabilities and derivative liabilities in the same manner as before and does not expect IFRS 9 to have any effect on the consolidated financial statements.

- IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019). The new standard replaces the current IAS 17 standard and related interpretations. IFRS 16 requires lessees to recognise leases in the balance sheet as lease payment obligations and a related asset item. The recognition in the balance sheet is largely similar to the treatment of financial leasing in accordance with IAS 17. There are two exemptions to the recognition requirement, concerning short-term leases of no more than 12 months and leases where the value of the underlying asset is at most USD 5,000. For lessors, the accounting requirements will largely remain the same as under the existing IAS 17 standard.

The Group has continued to assess the impacts of the standard. According to the assessment, Sponda maintains the view that the impacts on Sponda's consolidated financial statements as a lessor are minor. Based on the assessment, the impacts on Sponda as a lessee will mainly arise from leased plots of land as well as leases for cars and other machinery and equipment.

- Amendments to IAS 40 Transfers of Investment Property* (effective for financial years beginning on or after 1 January 2018). The amendments clarify that a change in the intentions of management does not, in itself, indicate that the use of an investment property has changed. The examples provided in the standard for change in use have also been amended in such a way that they refer to properties under construction as well as completed properties. The amendment has no impact on Sponda's consolidated financial statements.

Other new or amended standards and interpretations will not have an impact on Sponda's consolidated financial statements.

Principles of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Sponda Plc and its subsidiaries as at 31 December each year. The companies incorporated within the consolidated financial statements for the financial year 2017 are specified in Note 8.

Subsidiaries are companies that the Group controls. The criteria for control are fulfilled when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

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 recognised 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. 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 responsible for them.

The results of subsidiaries disposed of during the financial year are consolidated until the date that control in them ceases. Subsidiaries acquired during the financial period are consolidated from the date that control commenced. All intra-group transactions, receivables, liabilities and unrealised margins, as well as distribution of profits within the Group, are eliminated in the preparation of consolidated financial statements. The result for the period and items recognised in other comprehensive income are allocated to the owners of the parent company and non-controlling interests and presented in the statement of income and other comprehensive income. Non-controlling interests are presented separately from the equity allocated to the owners of the parent. Comprehensive income is allocated to the owners of the parent company and to non-controlling interests even in situations where the allocation would result in the non-controlling interests' share being negative, unless non-controlling interests have an exemption not to meet obligations which exceed non-controlling interests' investment in the company.

Associates and joint arrangements

Associates are all entities over which the Group has a significant influence, meaning that the Group has a shareholding of more than 20 per cent but less than 50 per cent, or the Group otherwise has significant influence, but not control. Associates are consolidated using the equity method. The Group's share of the associates' results is separately disclosed in the consolidated statement of income. All mutual real estate companies, including those in which the Group's holding is less than 50 per cent, are recognised as joint operations as described below.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. Joint ventures consolidated using the equity method. Joint operations are consolidated using the line-by-line method.

Mutual real estate companies and other arrangements whose shares carry an entitlement to have 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 in proportion to the Group's holding in these companies as joint operations, in accordance with IFRS 11 "Joint Arrangements". This means that they are consolidated line by line according to the Group's share of the joint arrangement's assets, liabilities, income and expenses.

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Translation of foreign currency items

Functional currency and presentation currency

Items pertaining to the result and financial position of the Group's units are measured using the currency of the primary economic environment in which the unit operates ("the functional currency"). The consolidated financial statements are presented in euro, which is the functional and presentation currency of the Group's parent company.

Transactions and balances

Transactions carried out in foreign currencies are recorded in the functional currency at the exchange rate on the transaction date. Monetary receivables and liabilities denominated in foreign currencies are translated into euros at the exchange rate at 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.

Group companies

The revenue and expense items in the comprehensive income statements and separate income statements of foreign Group companies that use a functional currency other than the presentation currency 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.

Definitions

Net operating income

Net operating income is defined as the net amount after deducting maintenance expenses from total revenue.

In Sponda, total revenue includes rental income and charges for consumption, interest income on finance leases and management fees.

Expenses include maintenance expenses that are maintenance and annual repair costs arising from the regular and continuous maintenance of the properties and are recognised immediately in the income statement.

Operating profit

In the Group, operating profit is defined as the net amount after

- adding other operating income to net income
- deducting sales and marketing expenses, administrative expenses and other operating expenses, the Group's share of the results of associated companies and amortisation of goodwill, and
- adding or deducting gains/losses from the disposal of investment properties, from fair value measurement and from the disposal of trading properties and associated companies.

Other operating income and expenses include income and expenses that deviate from normal operations. The majority of the other operating expenses usually comprises credit losses recognised on rental income and uncertain receivables. In 2017 other operating expenses include approximately EUR 7 million of external consultancy fees relating to the public tender offer for all shares in Sponda.

1. Segment information

Accounting principle

Segment information is presented according to the Group's operational and geographical segments. Operational segments are based on the Group's internal organisational structure and internal financial reporting.

Sponda revised its segment reporting at the beginning of 2017 to better correspond to its current strategic focus areas. With the Russia and Logistics Properties segments having decreased in size as a result of divestments, they are below the reporting boundaries and are no longer reported as separate segments. Effective from 1 January 2017, the segments have been Office Properties, Shopping Centres, Property Development, Non-Strategic Holdings and the Other segment. The Non-Strategic Holdings segment includes the remaining logistics properties, properties in Russia and the former Property Investment Companies segment. The Other segment includes expenses not allocated to any of the Group's businesses.

Results and the fair value changes of properties are reported to Sponda's Management on a segment-specific basis. Sponda's Management assess the profitability of each segment based on net operating income, operating profit and occupancy rate. The Management 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 Properties segment is responsible for the leasing, purchase and sale of office premises in Finland.

The Shopping Centres segment is responsible for the leasing, purchase and sale of shopping centres and retail premises in Finland.

The Property Development segment is responsible for the marketing and implementation of new property development projects based on customer needs. Its property development primarily focuses on unbuilt land areas and buildings to be renovated, particularly in the Helsinki metropolitan area, but also elsewhere in Finland.

The Non-Strategic Holdings segment is responsible for the leasing and sale of the remaining logistics properties in Finland and leasing and sale of properties in Russia. It also owns and manages holdings in other indirect property investments and real estate funds.

The value of unused building rights is presented in the assets of the segment concerned for investment properties that have a building, and as part of the Property Development segment for building rights for unbuilt land.

Sponda's segment information is prepared primarily under the principle that an investment property belongs in the segment that matches its primary use. However, from the beginning of 2014, office and retail premises and shopping centres located in the same property have been divided into their respective segments for part of the investment properties.

Segment information

12/2017 M€	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings	Other	Group total
<i>Total revenue</i>	170.1	76.2	1.0	16.3	0.0	263.7
<i>Maintenance expenses and direct fund expenses</i>	-44.5	-16.6	-2.6	-6.3	0.0	-70.0
<i>Net operating income</i>	125.6	59.6	-1.6	10.1	0.0	193.7
<i>Profit on sales of investment properties</i>	1.3	-	-	2.9	-	4.2
<i>Loss on sales of investment properties</i>	-	-	0.3	-0.5	-	-0.3
<i>Profit/loss on sales of associated companies</i>	-	-	-	-	-	-
<i>Profit/loss on sales of trading properties</i>	-	-	9.0	-	-	9.0
<i>Valuation gains and losses</i>	-6.4	19.1	13.9	-21.7	-	4.9
<i>Amortisation of goodwill</i>	-	-	-5.2	-	-	-5.2
<i>Administration and marketing expenses</i>	-10.8	-6.7	-5.2	-2.6	-0.2	-25.5
<i>Other operating income and expenses</i>	-0.2	-0.2	-0.0	0.0	-7.0	-7.4
<i>Operating profit</i>	109.5	71.8	11.2	-11.8	-7.2	173.5
<i>Financial income and expenses</i>					-75.2	-75.2
<i>Profit before taxes</i>					-82.4	98.3
<i>Income taxes</i>					126.2	126.2
<i>Profit for the period</i>					43.8	224.5
<i>Investments</i>	43.4	7.0	99.0	0.7	1.1	151.2
<i>Segment assets</i>	2,231.7	1,221.5	309.1	199.8	825.3	4,787.4
<i>- of which classified as held for sale</i>	-	-	-	-	-	-
<i>Economic occupancy rate</i>	88.8	95.0	-	75.0	-	89.6
12/2016 M€	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings	Other	Group total
<i>Total revenue</i>	167.2	70.3	1.3	20.0	0.2	259.0
<i>Maintenance expenses and direct fund expenses</i>	-43.1	-15.5	-2.2	-7.3	0.0	-68.0
<i>Net operating income</i>	124.1	54.8	-0.9	12.7	0.1	190.9
<i>Profit on sales of investment properties</i>	0.7	-	-	1.2	-	2.0
<i>Loss on sales of investment properties</i>	-0.1	-	-0.4	-0.7	0.0	-1.1
<i>Profit/loss on sales of associated companies</i>	-	-	-	-0.1	-	-0.1
<i>Profit/loss on sales of trading properties</i>	-	-	14.6	-	0.0	14.6
<i>Valuation gains and losses</i>	25.2	21.3	4.9	-24.8	-	26.7
<i>Amortisation of goodwill</i>	-	-	-3.1	-	0.0	-3.1
<i>Administration and marketing expenses</i>	-11.5	-4.0	-4.2	-2.6	-0.5	-22.8
<i>Other operating income and expenses</i>	-0.1	-0.2	-0.4	0.1	0.2	-0.4
<i>Operating profit</i>	138.4	72.0	10.5	-14.1	-0.1	206.7
<i>Financial income and expenses</i>					-51.2	-51.2
<i>Profit before taxes</i>					-51.3	155.5
<i>Income taxes</i>					-17.9	-17.9
<i>Profit for the period</i>					-69.3	137.5
<i>Investments</i>	187.1	433.3	60.7	4.3	0.3	685.6
<i>Segment assets</i>	2,203.8	1,195.4	196.0	226.7	94.5	3,916.5
<i>- of which investment properties held for sale</i>	10.6	-	3.3	19.0	-	32.8
<i>Economic occupancy rate</i>	89.2	93.5	-	79.9	-	89.6

Geographical segments

<i>M€</i>	2017	2016
<i>Total revenue</i>		
<i>Finland</i>	255.3	247.6
<i>Russia</i>	8.4	11.3
<i>Group, total</i>	263.7	259.0
<i>Assets</i>		
<i>Finland</i>	4,689.4	3,800.2
<i>Russia</i>	97.9	116.3
<i>Group, total</i>	4,787.4	3,916.5

2. Investment properties

Sponda Plc is a property investment company specialising in leasing, developing and owning commercial properties. At the end of 2017, Sponda owned a total of 165 leasable properties with a total leasable area of approximately 1.2 million m².

The Investment properties section describes the accounting policies and fair value measurement principles related to investment properties and provides information on changes in investment properties during the year as well as future commitments.

2.1 Investment properties in the consolidated balance sheet

Accounting principle

An investment property is a property held by the Group for the purpose of earning rental income or for capital appreciation, or for both reasons. 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 recognised through profit and loss in the period in which it is incurred.

An investment property is derecognised 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 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. An investment property's fair value reflects the actual market circumstances on the balance sheet date, best manifested in prices paid on the active market under current market conditions at the measurement date for properties with a corresponding location and condition to those of the property under review and that are subject to corresponding lease or other contracts. Reliable reference transaction prices are rarely available due to the individual characteristics of commercial premises. If reliable market-based prices are not available, the measurement of fair value uses the discounted cash flow method, which is based on existing and expected income and expense levels.

Investment properties for development

The acquisition cost for an investment property built by the company itself consists of the construction costs, capitalised 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 recognising 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.

Borrowing costs

Borrowing costs are recognised 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 capitalised as part of the cost of the asset if it is likely that they will provide future economic benefit and can be measured in a reliable manner. For Sponda, capitalised 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. The capitalisation of borrowing costs is continued until such time as the

assets are substantially ready for their intended use or sale.

Investment properties held for sale

If the sale of an operative investment property is deemed probable, such a property is transferred to "Non-current assets held for sale" in the statement of financial position. Classification as "Non-current assets held for sale" requires that the following criteria are fulfilled: the sale is deemed highly probable, the property is available for immediate sale in its present condition subject to usual and customary terms, the management is committed to a plan to sell the property and the sale is expected to qualify for recognition as a completed sale within one year. Investment properties held for sale are still recognised at fair value in accordance with IAS 40.

Investment properties

M€	31.12.2017	31.12.2016
Fair value of investment properties, 1 Jan.	3,755.5	3,101.7
Non-current assets held for sale, 1 Jan.	32.8	10.2
Acquisition of investment properties	12.5	590.5
Other capital expenditure on investment properties	137.6	91.9
Disposals of investment properties	-15.0	-35.9
Capitalised borrowing costs, increase in period	3.3	1.2
Transfers between segments/asset items	2.0	
Valuation gains and losses	6.7	28.7
Transferred to non-current assets classified as held for sale	-	-32.8
Fair value of investment properties, end of period	3,935.3	3,755.5
Investment properties held for sale	-	32.8

Profit/loss on sales of investment properties

M€	2017	2016
Profit on sales	4.2	2.0
Loss on sales	-0.3	-1.1
Total	3.9	0.8

2.2 Fair value measurement of investment properties

Accounting principle

The fair value of completed business properties is calculated for each property by Sponda itself using the discounted cash flows method (DCF). Cash flows are calculated over a period of at least 10 years. Net cash flows in the period are discounted from the midpoint of each accounting year to the assessment date and the terminal value is discounted from the end of the previous accounting period to the assessment date. The terminal value is calculated by capitalising the net cash flow of the year following the most recent accounting year with the required yield (Gordon growth model). The discount rate is determined by adding the expected long-term rate of inflation to the required yield. The yield is based on Sponda's own assessment of the market situation and on information from published sources, including KTI Property Information Ltd.

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. Sponda's lease agreements are tied to the cost of living index.

The value of non-developed sites and unused but usable building rights is determined using the sales price method.

The results of the assessments are reported directly to the President and CEO, the head of the business unit, the Chief Financial Officer (CFO) and the Board of Directors. The assessment process and the market situation as well as other factors with an impact on the appraisal of the properties are reviewed with the President and CEO, the head of the business unit and the CFO at least once every quarter, in accordance with the Group's reporting schedules.

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 authorised 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. Sponda's property portfolio in Finland was assessed in the second and fourth quarters of the year by Catella Property Oy. The properties in Russia were assessed in the second and fourth quarters by CB Richard Ellis.

Statements on the assessments of value for properties in both Finland and Russia are available on Sponda's website at investors.sponda.fi.

Management judgement

Critical accounting estimates and judgments

The most significant component of the financial statements involving uncertainties related to estimations and judgments is the fair value measurement of investment properties. The measurement of the fair value of investment properties requires significant management estimates and judgment, particularly with respect to the future development of yield requirements, market rents 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.

Significant assumptions used in fair value calculations, on average

	Finland		Russia	
	2017	2016	2017	2016
Yield requirement, %	5.7	5.8	10.1	10.1
Initial yield, %	5.2	5.7	7.1	6.9
Computational economic occupancy rate in first year of calculation, %	81.9	88.5	74.3	70.7
Rental income as per agreements, €/m ² /month	24.1	22.8	48.4	44.1
Market rents, €/m ² /month	19.0	18.4	48.4	55.5
Long term maintenance costs used in calculations, €/m ² /month	3.8	3.4	8.9	8.8

Changes in the significant assumptions used in fair value calculations are based on market changes and the effects of new and maturing lease agreements on the property portfolio.

Sensitivity analysis of investment property fair value

The table below shows the euro-denominated and relative future change in the value of investment properties if the fair value measurement parameter shown on the vertical axis changes according to the percentage shown on the horizontal axis.

Change in investment property fair value, M€ and %, 31 December 2017

	-10%		-5%		0%	5%		10%	
	Change, M€	Change, %	Change, M€	Change, %	M€	Change, M€	Change, %	Change, M€	Change, %
<i>Yield requirement</i>	411.0	10.9	195.0	5.2	0.0	-176.0	-4.7	-336.0	-8.9
<i>Rental income (contractual rents)</i>	-83.0	-2.2	-41.0	-1.1	0.0	42.0	1.1	83.0	2.2
<i>Maintenance expenses</i>	102.0	2.7	51.0	1.4	0.0	-51.0	-1.4	-102.0	-2.7
<i>Economic occupancy rate (1st year)</i>	-24.0	-0.6	-12.0	-0.3	0.0	12.0	0.3	24.0	0.6

Change in investment property fair value, M€ and %, 31 December 2016

	-10%		-5%		0%	5%		10%	
	Change, M€	Change, %	Change, M€	Change, %	M€	Change, M€	Change, %	Change, M€	Change, %
<i>Yield requirement</i>	379.0	10.8	180.0	5.1	0.0	-162.0	-4.6	-309.0	-8.8
<i>Rental income (contractual rents)</i>	-74.0	-2.1	-37.0	-1.1	0.0	38.0	1.1	75.0	2.1
<i>Maintenance expenses</i>	94.0	2.7	47.0	1.3	0.0	-46.0	-1.3	-93.0	-2.6
<i>Economic occupancy rate (1st year)</i>	-24.0	-0.7	-12.0	-0.3	0.0	13.0	0.4	25.0	0.7

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

The changes in yield requirements and economic occupancy rates have been calculated for average figures. The analysis includes only investment properties generating cash flows, excluding building rights and incomplete property development projects, totalling EUR 3,769 million (EUR 3,521 million).

All investment properties belong to level 3 in the fair value hierarchy, meaning they are not based on observable market data (other than observable input data).

Risks associated with business operations in Russia

The fair values of Sponda's investments in Russia are particularly influenced by the yield requirements of properties, market rents, contractual rents and exchange rate fluctuations. Uncertainty related to fair value measurement has continued due to the weak economic climate in Russia and the lack of comparable transactions. The fair values of properties are calculated based on the contractual currencies of lease agreements. A significant proportion of Sponda's lease agreements have been linked to the USD. A growing number of new agreements have been linked to the Russian rouble instead of the US dollar in recent times. This has not, however, had a significant effect on the fair value changes caused by exchange rate fluctuations. That risk nevertheless exists.

2.3 Revenue from investment properties

Accounting principle

Sponda's revenue mainly consists of rental income from its investment properties.

Total leases as well as separate capital and maintenance leases are recognised in the income statement on a straight-line basis over the lease term. Rental income tied to the tenant's net sales are recognised on the basis of the tenant's actual sales.

Maturity dates for lease agreements (%)

	2017	2016
1 year	17.0	19.9
2 years	12.8	12.7
3 years	10.3	10.9
4 years	12.6	7.6
5 years	11.3	11.9
6 years	3.4	5.5
more than 6 years	20.5	19.8
open ended	12.1	11.8

The expected rental income from existing leases is:

M€	2018	2019–2022	2023–	Total
Expected rental income	232.8	521.9	297.6	1,052.2

M€	2017	2018–2021	2022–	Total
Expected rental income (reference data)	235.8	520.1	294.7	1,050.6

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.

Risks associated with business operations in Russia

Sponda's cash flows from Russia are particularly influenced by tenants' ability to pay rent, the contractual currency of leases, and changes in exchange rates. Future cash flows are influenced by new rental levels agreed with tenants and the linking of rents to currencies. Sponda's rents are primarily linked to either USD or RUB. RUB-denominated rents cover the expenses, which for a large part are RUB-denominated. For this reason, the effect of exchange rate fluctuations on Sponda's cash flows has been moderate.

2.4 The Group's most significant investment commitments

Sponda is carrying out development projects for the Ratina shopping centre in Tampere. The project's total investment is approximately EUR 240 million. The construction of the shopping centre began in April 2015, and it is completed in spring 2018.

In 2016, construction began on an office and retail complex at Tikkurila railway station. The investment size of the first phase of the property is approximately EUR 31 million and it is scheduled to be completed in spring 2018.

2.5 Goodwill

Goodwill, M€	2017	2016
<i>Acquisition cost 1 Jan.</i>	27.5	27.5
Acquisition cost 31 Dec.	27.5	27.5
<hr/>		
<i>Accumulated depreciation and write-downs 1 Jan.</i>	-19.1	-16.0
<i>Depreciation and write-downs for the period</i>	-5.2	-3.1
Accumulated depreciation and write-downs 31 Dec.	-24.2	-19.1
Carrying amount 31 Dec.	3.3	8.5

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. Goodwill and related write-downs were entirely allocated to the Property Development segment.

The remaining goodwill is allocated to the Ratina development project. The goodwill will be written down in relation to the degree of completion of the project, and will thus be written down completely simultaneously with the development project.

The value of the development project is calculated monthly. The total investment and the estimated value at completion is, therefore, under continuous control.

Management also checks that the construction costs for the project remain within the prepared cost estimate. If there are any indications of a rise in costs or of other causes as a result of which costs may be exceeded, the values are updated.

3. Financing

Due to the public tender offer Polar Bidco S.à r.l. gained title to all Sponda shares during the financial year 2017. During the last quarter of 2017, the new owner refinanced Sponda's existing interest-bearing debt, i.e. debts preceding the change in ownership, in the international financial markets. Remaining outstanding debt consists of the corporate bonds and commercial papers issued by Sponda Plc as, based on the terms, the company was not able to redeem these before the maturity. The new owner has excellent relationships with international financing providers and an excellent ability to acquire new financing. All new financing has been arranged using real securities.

The Financing section includes notes on financial income and expenses, financial instruments and risks as well as capital management and financial assets and liabilities.

3.1 Financial income and expenses

M€	2017	2016
Financial income		
<i>Interest income</i>		
Loans and receivables	0.8	0.8
Other financial income	0.1	0.1
Interest income from foreign currency derivatives	0.0	0.4
<i>Exchange rate gains</i>		
Exchange rate gains, realised	0.1	0.0
Exchange rate gains, recognised at fair value through profit and loss	0.0	0.2
<i>Change in fair value</i>		
Recognised at fair value through profit and loss	2.1	1.7
Total	3.1	3.2
Financial expenses		
<i>Interest expenses</i>		
Interest expenses on liabilities recognised at amortised cost	-47.0	-46.4
Interest expenses from foreign currency derivatives	-0.0	-0.4
Other financial expenses, loan management expenses	-30.9	-5.6
<i>Exchange rate losses</i>		
Exchange rate losses, realised	-0.0	-0.7
Exchange rate losses, recognised at fair value through profit and loss	-0.0	-0.1
Unrealised exchange rate losses from foreign currency loans	0.0	-1.7
Interest rate derivatives subject to hedge accounting, ineffective portion	0.0	0.0
<i>Change in fair value</i>		
Recognised at fair value through profit and loss	-3.6	-0.6
Total	-81.5	-55.6
Capitalised borrowing costs incurred in the acquisition, construction or production of a qualifying asset*	3.3	1.2
Financial expenses, total	-78.2	-54.4
Net financing costs	-75.2	-51.2
<i>Financial expense multiplier used by the Group</i>	2.82%	2.73%

*See 2. Investment properties: Borrowing costs

The increase in financial expenses is fully attributable to the terminated financing agreements in the fourth quarter and related costs due from periodised and not yet expensed arrangement fees, termination fees for old loan arrangements and termination of interest swaps. The item "Other financial expenses, loan management expenses" includes approximately EUR -22 million (+0.0) in financial expenses arising from the aforementioned termination of agreements.

3.2 Cash and cash equivalents

Accounting principle

Cash and cash equivalents comprise cash in bank accounts. Items classified as cash and cash equivalents have a maturity of less than three months from the acquisition date.

The carrying amount of the Group's cash and cash equivalents is comprised of the following currency denominated amounts:

M€	2017	2016
Euro	725.2	6.8
US dollar	1.0	2.3
Russian rouble	2.9	3.8
Total	729.1	12.9

3.3 Financial instruments

3.3.1 Financial risk management

The objective of risk management is to minimise the unfavourable impacts of changes in the financial markets on the company's profits and cash flow. The company is annually making a risk assessment where risks are identified and actions to administrate the risks are made. The company's treasury unit identifies and assesses risks and is responsible for practical risk management measures together with the sole shareholder of the company. Sponda's main financial risks are interest rate risk, risks concerning access to financing, credit risk and exchange rate risk. The Group's operational financing activities are centrally handled by its treasury unit.

Accounting principle

Derivative instruments and hedge accounting

Sponda uses derivative contracts mainly to hedge its interest rate risk exposure.

The relationship between the hedged item and the hedging instrument is documented at the inception of the contract. The risk management objectives and strategies, based on which various hedging transactions are undertaken, are also documented. The Group documents at the inception of the hedging contract, and on an ongoing basis thereafter, its assessment of whether the derivatives used for hedging are effective in offsetting changes in the fair values or cash flows of hedged items.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently recognised at fair value. Derivatives that do not meet the hedge accounting criteria are recognised through profit and loss. They are measured at fair value and changes in their fair value are recognised in the income statement.

The fair values of derivatives used for hedging purposes are presented in paragraph 3.3.2 in the table "Carrying amounts of financial assets and liabilities by category". The full fair value of a derivative used for hedging is classified as a non-current financial asset or liability if the derivative matures after more than 12 months, and as a current financial asset or liability if it matures within 12 months.

Interest rate risk

The Group almost exclusively uses floating rate loans in financing its operations, and these are the source of the company's interest rate risk. The Group has hedged against interest rate risk by purchasing interest rate options. Interest rate options are used to reduce growth in future interest flows caused by a rise in short-term market rates. Interest rate options are what are referred to as purchased interest rate caps. The Group terminated all of its existing interest rate swaps and cap options in autumn 2017 due to the new financing arrangements and the principle of the new shareholder in the new financing arrangements was to use interest cap options that reflects the terms of the new financing agreements in terms of maturity and amounts. Interest cap options related to the last financing arrangements have not yet been acquired but these will be acquired from the market in the upcoming financial year.

On the balance sheet date, the aggregate nominal value (hedging rate) of fixed-rate loans with a maturity of more than one year and of the interest rate derivatives used to manage interest rate risk was 56 per cent (67%) of the Group's interest-bearing liabilities. The average fixed interest rate period was 0.3 (1.4) years.

Interest derivatives 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 bank. In addition, Sponda Plc checks the valuations using methods that are generally available on the market, employing Bloomberg's derivatives calculator and market quotes. The fair values and nominal values of interest rate derivatives are presented in paragraph 3.3.2 in the table "Derivative instruments".

Used interest rate derivatives have been defined as derivatives that do not meet the criteria for hedge accounting. Sponda does not apply hedge accounting to interest rate options. 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".

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 may rise by one percentage point or fall by 0.1 percentage points (2016: rise by one percentage point or fall by 0.1 percentage points)*
- the calculation includes the nominal value of interest-bearing liabilities EUR 3,224 million (2016: 1,868)
- the calculation includes current derivative contracts, totalling EUR 1,631 million (2016: 1,017)

The calculation aims to measure the impact of changes in 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.

Sponda Plc and the Sponda Group did not apply hedge accounting to interest rate derivatives in the 2017 financial statements. In 2016, the Group applied hedge accounting to 64 per cent of interest rate derivatives. 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 increased by approximately EUR 1,324 million in 2017 (2016: increased by EUR 202 million).

* On 31 December 2017 and 31 December 2016, all short-term market rates relevant to the calculation were negative.

Sensitivity to interest rate risk

M€	31.12.2017		31.12.2016	
	Income statement	Fair value reserve	Income statement	Fair value reserve
<i>One percentage point rise in the market rates</i>	-27.8	0.0	-7.3	+ 11.5
<i>0.1 percentage point fall in market rates</i>	- 0.0	0.0	-0.7	- 3.3

The sensitivity calculation is not inclusive of the deferred tax effect.

Liquidity and refinancing risk

The Group assesses and monitors the amount of financing required by its business operations on a daily basis to ensure the sufficiency of liquid funds for financing purposes and to repay maturing loans. The Group's liquidity position and forecast are drawn up every working day. The Group estimates that the risk of the availability of financing is low due to the new owner having access to very extensive international financing sources. The Group's major creditors are large international banks with very substantial lending resources. Sponda expects to be able to renew the loans that fall due in the future.

A corporate bond of EUR 150 million will mature in autumn 2018. In addition, EUR 319 million in short-term commercial papers will mature in 2018. The Group has already refinanced all other financing agreements entered into before the change in ownership that

was completed in autumn 2017. All of the Group's new loans arranged in autumn 2017 are secured. The only remaining unsecured financing agreements consist of the corporate bonds and commercial papers issued by Sponda Plc.

On the balance sheet date, the Group's cash and cash equivalents totalled EUR 729.1 million (2016: EUR 12.9 million).

The table below and the table "Maturity of non-current liabilities" in section 3.3.2 present a maturity analysis of the Group's agreements. The average loan period of the Group's loans on 31 December 2017 was 1.8 years (31 December 2016: 2.6 years).

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

31.12.2017, M€	2018	2019	2020	2021	2022	2023
<i>Bonds and FRNs</i>	159	4	179	-	-	-
<i>Loans from financial institutions</i>	78	1,980	690	-	-	1
<i>Commercial papers</i>	319	-	-	-	-	-
<i>Interest rate derivatives</i>						
- <i>in hedge accounting, net</i>	-	-	-	-	-	-
- <i>not in hedge accounting, net</i>	-	-	-	-	-	-
<i>Currency derivatives not included in hedge accounting, net *)</i>	0	-	-	-	-	-
<i>Trade and other payables</i>	18	-	-	-	-	-
<i>Interest liabilities</i>	12	-	-	-	-	-
Total	586	1,984	869	-	-	1

31 December 2016, M€	2017	2018	2019	2020	2021	2022
<i>Bonds and FRNs</i>	165	159	4	179	-	-
<i>Loans from financial institutions</i>	168	95	213	125	601	1
<i>Commercial papers</i>	248	-	-	-	-	-
<i>Interest rate derivatives</i>						
- <i>in hedge accounting, net</i>	13	12	6	0	-	-
- <i>not in hedge accounting, net</i>	0	-	-	-	-	-
<i>Currency derivatives not included in hedge accounting, net *)</i>	0	-	-	-	-	-
<i>Trade and other payables</i>	18					
<i>Interest liabilities</i>	11	-	-	-	-	-
Total	624	266	224	304	601	1

*) Net flow of foreign currency derivatives hedging loans denominated in foreign currency (incl. loans from financing institutions for the period). Includes currency options.

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 on the balance sheet date arose 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 derivative contracts. The banks' credit rating in terms of their long-term acquisition of funds must be classified as at least A- by S&P's (or an equivalent credit rating company). Sponda Plc's Board of Directors decides on acceptable counterparties, on counterparty limits and on the permitted financial instruments. In derivative trading with counterparties, Sponda Plc observes the stipulations given by ISDA (International Swaps and Derivatives Association, Inc.) or the regulations issued by corresponding institutions. The maximum amount of credit risks is the carrying amount of the financial assets EUR 735.2 million (2016: EUR 32.1 million). The itemisation is presented in section 3.3.2 in the table "Carrying amounts of financial assets and liabilities by category".

Tenant risk 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 48.6 million (2016: EUR 46.4 million). Collateral for rents is primarily in the form of bank deposits or bank guarantees. Collateral is not, however, required for separately approved counterparties such as the Finnish state or municipalities. Collateral received in fulfillment of lease obligations may be used to cover the company's receivables without hearing the tenant on the matter. Ovenia Oy monitors the Group's rent receivables.

The total amount of rent receivables on the balance sheet date was EUR 2.2 million (2016: EUR 2.7 million). The total rent unpaid for more than three months was EUR 0.8 million. The Group recorded credit losses of EUR 0.5 million for rent receivables in 2017. The Group recognises a final credit loss when a tenant is found to be without means in the debt collection process or when it has received reliable advance information on the bankruptcy estate's share or when the company's share of a bankruptcy is conclusively confirmed. The Group uses well-known external debt-collection firms to collect receivables.

The company's trade receivables on the balance sheet date 2017 were composed almost entirely of rent receivables (rent receivables in 2016: EUR 2.7 million). The company considers the risk associated with trade receivables to be low.

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. There were no selling price receivables in Groups balance sheet on 31. December 2017 (2016: EUR 14.8 million).

In addition, the company has given guarantees as security for the commitments of the property companies it owns. The guarantees are typically guarantees relating to the construction phase of a new company, in which the beneficiary is almost always the city. The amount of the guarantees, EUR 3.4 million (2016: EUR 4.4 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.

Currency risk

Accounting principle

The currency risk related to foreign currency denominated rental income received by the Russian companies owned by Sponda is hedged with bought currency options. Changes in the fair value of currency options are recognised through profit and loss.

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, i.e. into euros.

Sponda's Russian companies receive their rents monthly in US dollars and in Russian roubles. The companies pay all of their expenses in Russian roubles. USD-denominated net cash flows from lease agreements are some USD 6 million (2016: USD 10 million) annually and RUB-denominated net cash flows some RUB 103 million (2016: RUB 70 million). Sponda hedges primarily foreign currency denominated future net cash flows for a period of six months. The company may use currency denominated bought options for 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 a total of USD 3.3 million (2016: USD 5.3 million) in bought EURUSD currency options to hedge the USD net cash flows. The difference between incoming cash flows denominated in Russian roubles and outgoing rouble-denominated expenses is minor when measured in euros, due to which the hedging of this net cash flow has not been deemed necessary. Sponda does not hedge the translation risk from Russian companies. The change in the fair value of the bought EURUSD currency options is recognised through profit and loss in full. If the USD were to appreciate or depreciate against the euro by 10 per cent, the change in the fair value of the bought currency options would be minor. With the currency option maturing each month, the company can sell rental income of some USD 0.5 million based on the USD contract rates used in the leases of Russian companies, which is in the accounts of the Russian companies in cash (in either US dollars or Russian roubles).

The Group finances its capital expenditure in Russia with internal loans denominated in euros.

The company does not apply hedging according to IAS 39 to currency derivatives. Changes in the fair value of other interest derivatives are recorded in the income statement.

Managing the capital structure

The objective of managing the Group's capital structure is to optimise the capital structure in relation to prevailing market conditions at any particular time. The company's new owner has, according to plan, adjusted the Group's capital structure in such a way that the Group's debt to equity ratio has increased. The Group's equity ratio fell to 32 per cent on the balance sheet date (2016: 47%).

Factors affecting the Group's capital structure, in addition to the result, include capital expenditure, asset sales, acquisitions, dividend payments, equity-based facilities and measurement at fair value. The Group's loan agreements do not include any covenants the breach of which would lead directly to liquidation procedures.

Sponda Group's interest-bearing liabilities increased by EUR 1 323 million during 2017, totalling EUR 3,186 million at the end of the year (2016: EUR 1,863 million). Sponda Group sold property assets during 2017 for altogether EUR 19.1 million. The funds received were used to 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€	2017	2016
<i>Interest-bearing liabilities</i>	3,186	1,863
<i>Cash, funds in bank and interest-bearing receivables</i>	729	13
<i>Interest-bearing net liabilities</i>	2,457	1,850
<i>Total equity</i>	1,528	1,850
<i>Balance sheet total</i>	4,787	3,916
<i>Equity ratio</i>	32%	47%

Fair value measurement

Financial assets at fair value through profit or loss in the consolidated financial statements, namely investment properties, investments in real estate funds and derivative instruments, are classified according to the valuation method. The levels used are defined as follows:

- quoted (unadjusted) prices for identical assets or liabilities on active markets (level 1)
- input data other than the quoted prices included in level 1 which are observable for the asset or liability in question either directly (i.e. as a price) or indirectly (i.e. derived from prices) (level 2)
- input data concerning the asset or liability that are not based on observable market data (other than observable input data) (level 3).

The Group's derivative instruments at fair value are presented in Note 3.3.2 along with a more detailed description of how derivative instruments are measured at fair value. Information concerning investment properties at fair value is presented in Note 2, and information on investments in real estate funds at fair value is presented in Note 7.3.

3.3.2 Financial assets and liabilities

Accounting principle

Sponda Group's financial assets are classified as follows: financial assets recognised at fair value through profit and loss, loans and receivables, and available-for-sale financial assets. Correspondingly, financial liabilities are classified as financial liabilities recognised at fair value through profit and loss and financial liabilities measured at amortised cost. Financial assets and liabilities are classified on the basis of the purpose for which they were acquired. The company's management decides on the classification of financial assets and liabilities in conjunction with their initial recognition.

Financial assets and liabilities are recognised 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. Transaction costs related to financial assets and liabilities measured at fair value through profit and loss are recognised immediately on the income statement. All purchases and sales of financial assets and liabilities are recognised on the value date, which is the date on which the cash flow from the purchased or sold financial instrument is realised, and derivatives are recognised on the transaction date.

Financial assets are derecognised 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. A financial liability is removed from the balance sheet only when it is extinguished, i.e. when the obligation specified in the contract expires.

Financial assets recognised at fair value through profit and loss contain assets held for trading. Items belonging to financial assets are recognised in this category if they are acquired primarily to be sold in the near future. The company did not have assets held for trading on the balance sheet date. Derivatives to which hedge accounting is not applied are recognised in this category. Assets in this category as classified as current assets, unless they mature after more than 12 months after the end of the reporting period.

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. Realised and unrealised gains and losses resulting from changes in the fair value are recognised 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. They are classified as current assets, unless they mature after more than 12 months after the end of the reporting period, in which case they are classified as non-current assets. This category includes the Group's financial assets that have been obtained by handing over cash, goods or services to a debtor.

Loans and receivables are measured at amortised cost using the effective interest method. The Group recognises an impairment loss for an individual receivable if there is objective evidence that the receivable will not be recovered in full. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, or the probability of bankruptcy or other financial reorganisation.

The Group assesses at the end of each reporting period whether there is objective evidence that an item or group classified under loans and receivables is impaired. An item or group recognised under loans and receivables is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and that loss event (or events) has a reliably estimable impact on the estimated future cash flows.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Financial liabilities measured at amortised cost include the Group's financial liabilities that are initially recognised at fair value, net of transaction costs incurred. These financial liabilities are subsequently measured at amortised cost using the effective interest method. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over time 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.

Liabilities recognised at fair value through profit and loss include derivative liabilities to which hedge accounting is not applied.

Derivatives to which hedge accounting is applied are also recognised at fair value in financial liabilities. Financial assets and liabilities have not been offset in the financial statements.

Carrying amounts of financial assets and liabilities by category

2017 Balance sheet item, M€	Financial assets/liabilities recognised at fair value through profit and loss	Loans and receivables	Financial liabilities recognised at amortised cost	Hedging derivatives	Carrying amount of balance sheet items	Fair value	Level 1	Level 2	Level 3	Total
Non-current financial assets										
Other investments		1.8			1.8	1.8			1.8	1.8
Derivative contracts	0.1				0.1	0.1		0.1		0.2
Current financial assets										
Derivative contracts	0.0				0.0	0.0		0.0		0.0
Trade receivables and other financial assets		4.2			4.2	4.2				
Cash and cash equivalents		729.1			729.1	729.1				
Carrying amount by category	0.1	735.1			735.2	735.2				
Non-current financial liabilities										
Interest-bearing loans and borrowings			2,717.8		2,717.8	2,721.5		2,721.5		2,721.5
Derivative contracts										
Current financial liabilities										
Interest-bearing loans and borrowings			468.6		468.6	471.9		471.9		471.9
Derivative contracts										
Interest liabilities			11.8		11.8	11.8				
Trade payables and other financial liabilities			17.6		17.6	17.6				
Carrying amount by category			3,215.7		3,215.7	3,222.7				

All derivative instruments are measured at fair value on the balance sheet. Interest-bearing debt is measured at amortised cost using the effective interest rate method. All other items are valued at cost on the parent company's balance sheet. Financial assets include EUR 0.1 million in derivative instruments and financial liabilities include EUR 0.0 million in derivative instruments.

2016 Balance sheet item, M€	Financial assets/liabilities recognised at fair value through profit and loss	Loans and receivables	Financial liabilities recognised at amortised cost	Hedging derivatives	Carrying amount of balance sheet items	Fair value	Level 1	Level 2	Level 3	Total
Non-current financial assets										
Other investments		0.0			0.0	0.0			0.0	0.0
Derivative contracts	0.2				0.2	0.2		0.2		0.2
Current financial assets										
Derivative contracts	0.0				0.0	0.0		0.0		0.0
Trade receivables and other financial assets		19.0			19.0	19.0				
Cash and cash equivalents		12.9			12.9	12.9				
Carrying amount by category	0.2	31.9			32.1	32.1				

Non-current financial liabilities						
<i>Interest-bearing loans and borrowings</i>		1,313.9	1,313.9	1,332.1	1,332.1	1,332.1
<i>Derivative contracts</i>	0.1	27.6	27.7	27.7	27.7	27.7
Current financial liabilities						
<i>Interest-bearing loans and borrowings</i>		548.6	548.6	552.4	552.4	552.4
<i>Derivative contracts</i>		0.6	0.6	0.6	0.6	0.6
<i>Interest liabilities</i>		11.1	11.1	11.1		
<i>Trade payables and other financial liabilities</i>		17.9	17.9	17.9		
Carrying amount by category	0.1	1,891.5	28.2	1,919.8	1,941.8	

All derivative instruments are measured at fair value on the balance sheet. Interest-bearing debt is measured at amortised cost using the effective interest rate method. All other items are valued at cost on the parent company's balance sheet. Financial assets include EUR 0.8 million in derivative instruments and financial liabilities include EUR 36.9 million in derivative instruments.

The company does not have financial instruments offset in the balance sheet. The net value of financial instruments (derivatives) subject to netting agreements in the company is zero. The netting of derivative instruments would be done according to ISDA or an equivalent master agreement. All derivative instruments are measured at fair value.

The Group's interest-bearing liabilities

Long-term liabilities, M€	2017 Carrying amount	2017 Fair value	2016 Carrying amount	2016 Fair value
<i>Bonds and FRNs</i>	174.6	178.3	324.0	336.4
<i>Loans from financial institutions</i>	2,543.2	2,543.2	989.9	995.7
Total	2,717.8	2,721.5	1,313.9	1,332.1
Current liabilities, M€	2017 Carrying amount	2017 Fair value	2016 Carrying amount	2016 Fair value
<i>Loans from financial institutions and commercial papers</i>	318.8	318.8	398.7	400.0
<i>Bonds and FRNs</i>	149.8	153.1	149.9	152.4
Total	468.6	471.9	548.6	552.4

The fair values of bonds are based on the average of a market quote published by at least one external bank and the indicative market quote of Bloomberg's market data system.

The fair values of all liability items reflect the value for which investors in active secondary markets would probably be willing to purchase the items in question. The company has calculated the fair values of loans from financial institutions and commercial papers by comparing the valid contract terms of each individual liability (such as duration and interest margin) to the terms prevalent on the market, the objective being the refinancing of the liability under review. Central to the valuation of a liability is the new liability's interest margin for which a similar liability could have been arranged at the reporting date. Loan-specific refinancing margins are based on the estimates of company management.

Derivative contracts

M€	Fair value 2017	Nominal value 2017	Fair value 2016	Nominal value 2016
Interest derivatives				
<i>Interest rate swaps</i>				
<i>In hedge accounting</i>	-	-	-28.2	655.0
<i>Not in hedge accounting</i>	-	-	-0.1	150.0
<i>Interest rate caps, bought</i>				
<i>Not in hedge accounting</i>	0.1	1,630.6	0.2	362.2
Foreign currency derivatives				
<i>Currency options</i>				
<i>Currency options, call</i>	0.0	2.8	0.0	5.0
<i>Currency options, put</i>	-	-	-	-
<i>Cross currency swaps</i>	-	-	-	-

The interest derivative agreements were made in order to hedge the loan portfolio and currency derivatives in order to hedge against currency risk. On the balance sheet date, hedge accounting was not applied to interest rate caps or currency options.

Derivative instruments are valued in the financial statements at fair value. The fair value represents the result if the derivative position had been closed on the balance sheet date. Sponda utilises external valuations. In addition, Sponda evaluates the accuracy of derivative instruments' fair value internally by using the Bloomberg market data system in making the estimates.

Maturity of non-current liabilities

Maturity of non-current liabilities 31 December 2017, M€	2018*	2019	2020	2021	2022	2023
<i>Bonds and FRNs</i>	150.0	-	175.0	-	-	-
<i>Loans from financial institutions</i>	0.0	1,900.3	678.7	0.0	-	-

Maturity of non-current liabilities 31 December 2016, M€	2017*	2018	2019	2020	2021	2022
<i>Bonds and FRNs</i>	150.0	150.0	-	175.0	-	-
<i>Loans from financial institutions</i>	150.9	81.5	200.0	115.0	597.0	-

This table shows the maturities of non-current liabilities, showing the *nominal value* at the time the loan was taken. * Loans maturing in the year following the balance sheet date are presented in the balance sheet under current loans.

The average interest rate of all the Group's loans, including derivatives, was 3.4% (2016: 2.7%). The average maturity of loans was 1.8 years (2016: 2.6 years).

Loan type	Signed / issued	Amount, M€	Coupon rate	Listed	Secured	Maturity / Loan period	Arranged by
Corporate bond	October 2013	150	3,375 %	NASDAX OMX Helsinki	No	5 years	Danske & SEB
Corporate bond	May 2015	175	2,375 %	NASDAX OMX Helsinki	No	5 years	Pohjola Pankki & Swedbank

Commercial paper programme	During 2017	319	several	-	No	max. 1 year	Several banks
Senior Facilities Agreements	November 2017	2 208		-	Yes	2 years	Several banks
Bank loans	December 2017	371		-	Yes	2 years	Several banks

Sponda Plc's hybrid bond

Sponda redeemed the EUR 95 million hybrid bond (equity bond) in December 2017 in accordance with its terms and conditions.

4. Taxes

Accounting principle

Income taxes in the income statement consist 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 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. 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 and taxable acquisition costs of the property companies owned by Sponda. The recovery of the carrying amount of investment properties valued at fair value in the calculation of deferred taxes will normally happen through sale. The company's principle is to realise its shareholding in property companies by selling the shares it owns. Other temporary differences arise, for example, from the measurement of financial instruments at fair value and unused tax losses. Deferred taxes are calculated using tax rates that are either enacted or actually in force by the balance sheet date.

Changes in deferred taxes are recognised in the income statement apart from when they are related to items recognised as crediting or debiting shareholders' equity or to other comprehensive income items. A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

Management judgement

Management has exercised its judgment so that individual acquisitions of investment properties at Sponda are classified as acquired assets, since a single asset acquisition does not contain business processes or employees responsible for them, related marketing and development activities nor management of tenancies, property repairs and renovation.

Determining whether to recognise deferred tax assets on the balance sheet requires the management's judgment. A deferred tax asset is recognised 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 utilised. It may become necessary to decrease the carrying amount of deferred tax assets if future taxable income differs from the estimate. The deferred tax assets are reassessed on an annual basis in relation to the Group's capacity to produce future taxable profits.

Income taxes

M€	2017	2016
Current tax expense	1.3	2.4
Deferred taxes	-127.4	15.6
Total	-126.2	17.9

Taxes relating to other comprehensive income items

M€	2017			2016		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
<i>Defined benefit plans</i>	0.0	0.0	0.0	0.2	0.0	0.1
<i>Cash flow hedges</i>	28.2	-5.6	22.6	8.3	-1.7	6.7
<i>Translation difference</i>	-0.5	0.1	-0.4	2.3	-1.1	1.1
Total	27.7	-5.5	22.2	10.8	-2.8	8.0

Reconciliation between the income tax expense recognised in the income statement and the taxes calculated using the parent company's domestic corporate tax rate (20%):

	2017	2016
<i>Profit before taxes</i>	98.3	155.5
<i>Income tax using the parent company's domestic corporate tax rate</i>	19.7	31.1
<i>Difference between the tax rate in Finland and in other countries</i>	-	-
<i>Change of tax base</i>	-	-
<i>Tax exempt income/non-deductible expenses</i>	0.0	0.1
<i>Utilisation of tax losses from prior periods</i>	0.1	-
<i>Impact of financing arrangements on net debt in real estate companies</i>	-146.5	-
<i>Tax effect of Goodwill depreciation</i>	1.0	0.6
<i>Shelf life amortisation and previously unrecognised confirmed losses</i>	-0.1	-4.2
<i>Other items</i>	-0.5	-9.7
Tax expense in the income statement	-126.2	17.9

Deferred tax liabilities and assets in the balance sheet

M€	31.12.2016	Recognised in income statement	Transfers and other changes	Recognised in other comprehensive income items	Recognised in equity	Acquisitions/divestments of investment properties/businesses	31.12.2017
Deferred tax assets							
<i>Assessments at fair value:</i>							
<i>Financial instruments</i>	6.2	-0.5		-5.6			
<i>Investment properties</i>	6.3	32.5					38.8
<i>Other items/transfers</i>	2.9	4.6		0.1			7.6
Total	15.4	36.4		-5.5			46.3
Deferred tax liabilities							
<i>Assessments at fair value:</i>							
<i>Financial instruments</i>	0.0	-0.0					
<i>Investment properties</i>	92.3	-92.2					0.1
<i>Other items/transfers</i>	0.8	1.2	0.1		-1.3		0.8
Total	93.1	-91.0	0.1		-1.3		0.9
<hr/>							
M€	31.12.2015	Recognised in income statement	Transfers and other changes	Recognised in other comprehensive income items	Recognised in equity	Acquisitions/divestments of investment properties/businesses	31.12.2016
Deferred tax assets							
<i>Assessments at fair value:</i>							
<i>Financial instruments</i>	7.9			-1.7			6.2
<i>Investment properties</i>	0.0	6.3					6.3
<i>Other items/transfers</i>	1.5	1.7	0.0	-0.3			2.9
Total	9.4	8.0	0.0	-2.0			15.4
Deferred tax liabilities							
<i>Assessments at fair value:</i>							
<i>Financial instruments</i>	0.0						0.0
<i>Investment properties</i>	70.8	21.5					92.3
<i>Other items/transfers</i>	0.7	2.1	-0.3		-1.7		0.8
Total	71.5	23.6	-0.3		-1.7		93.1

On 31 December 2017, the Group had EUR 3.3 million (2016: EUR 2.8 million) of confirmed losses and EUR 55.8 million (2016: EUR 56.0 million) of impairment losses not deducted from taxes for which tax assets had not been calculated, since the utilisation of the items in question is uncertain.

5. Equity and profit for the period

The equity and profit for the period section includes notes on equity including retained earnings.

5.1 Share capital and reserves

Accounting principle

Share capital consists solely of ordinary shares. Ordinary shares as classified as equity.

Transaction costs directly attributable to the issue of new shares or options are presented in equity as a deduction, net of tax, from the proceeds.

Where any Sponda Group company purchases the company's shares (treasury shares), the consideration paid, including any directly attributable costs (net of income taxes), is deducted from equity attributable to the owners of the company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the owners of the company.

Hybrid bond

A hybrid bond is a bond that is subordinated to the company's other debt instruments but is senior to other equity instruments. The interest on a hybrid loan is paid if the Annual General Meeting decides to pay a dividend. If no dividend is distributed, the company decides separately on whether to pay the interest. Unpaid interest accumulates. Hybrid loan holders have no control over the company and no right to vote at shareholders' meetings, nor does the hybrid bond have a diluting effect. Sponda redeemed the EUR 95 million equity bond in December 2017 in accordance with its terms and conditions.

Number of shares

M€	No. of shares (1,000)	Share capital	Share premium reserve	Invested non-restricted equity reserve	Total
31.12.2006	79,307	79.3	159.5	-	238.8
Share issue	31,723	31.7	-	209.7	241.4
31.12.2007	111,030	111.0	159.5	209.7	480.2
31.12.2008	111,030	111.0	159.5	209.7	480.2
Share issue	166,545	-	-	202.3	202.3
31.12.2009	277,575	111.0	159.5	412.0	682.5
31.12.2010	277,575	111.0	159.5	412.0	682.5
Share issue	5,500	-	-	21.7	21.7
31.12.2011	283,075	111.0	159.5	433.8	704.2
31.12.2012	283,075	111.0	159.5	433.8	704.2
31.12.2013	283,075	111.0	159.5	433.8	704.2
31.12.2014	283,075	111.0	159.5	433.8	704.2
31.12.2015	283,075	111.0	159.5	433.8	704.2
Share issue	56,615	-	-	219.0	219.0
31.12.2016	339,691	111.0	159.5	652.7	923.2
Return on equity				-80.0	-80.0
31.12.2017	339,691	111.0	159.5	572.7	843.2

Sponda Plc has a single class of shares. Under the Articles of Association, there is no maximum number of shares and the company does not have a set maximum share capital. The share has no nominal value or accounting par value. All issued shares have been paid in full.

Shareholders' equity comprises the following reserves:

Share premium reserve

Sponda does not have existing instruments that would, under the Limited Companies Act currently in effect, accrue a share premium reserve.

Translation differences

Translation differences comprise translation differences arising from the translation of foreign currency denominated items in the financial statements of foreign subsidiaries.

Fair value reserve

The fair value reserve contains the changes in fair values of the derivatives used to hedge cash flow. Due to the financing arrangements, Sponda did not apply hedge accounting on 31 December 2017.

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 reserve comprises the equity bond less the costs of raising the bond. Sponda redeemed the EUR 95 million equity bond in December 2017 in accordance with its terms and conditions.

Risks associated with business operations in Russia

Sponda recognises translation differences on property assets located in Russia, equity investments in Russia, and internal Group loans granted to subsidiaries in Russia. The Group measures investment properties located in Russia at fair value in accordance with IAS 40. As such, the translation difference on property assets is determined by the difference between the initial fair value measurement and the RUB-denominated balance on the valuation date. Translation differences on equity investments and loans granted in Russia are determined by the exchange rates for euro-denominated balance sheet items in Russia on the valuation date. The translation difference on property assets has the opposite effect to the translation difference of equity investments and loans granted, which balances the impact of the depreciation of the rouble on the Group's profit and financial position due to the decline in value of the Group's rouble-denominated balance sheet items. The amount of translation differences recognised by Sponda has been minor. The translation differences are realised when properties are sold.

5.2. Retained earnings and dividend payment

[Accounting principle](#)

Dividend payment to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's General Meeting of Shareholders.

Retained earnings

M€	2017	2016
At beginning of financial year	851.8	813.7
Profit for the period attributable to equity holders of the parent company	224.5	227.2
Defined benefit pension obligations	0.0	0.1
Dividend payment	-387.9	-94.5
Hybrid bond, repurchase	-1.0	-
Hybrid bond, interest paid	-5.1	-5.1
Share-based payments	0.7	0.1
At end of financial year	681.6	851.8

Dividend

After the balance sheet date, the Board of Directors has proposed a dividend paid to its only shareholder of EUR 320.5 million.

Dividends of EUR 0.08 per share were paid during the financial year 2017. In addition, dividends of EUR 0.12 per share were paid based on the authorisation granted to the Board of Directors at the General Meeting held on 20 March 2017. The distribution of dividend was based on the annual accounts adopted for the financial year 2016. In addition, dividends of EUR 0.94 per share were paid. The total amount of dividends paid was EUR 387.9 million.

A further EUR 0.24 per share was paid as capital repayment, totalling EUR 80 million.

5.3. Earnings per share

Accounting principle

Undiluted earnings per share is calculated by dividing profit for the period attributable to the equity holders of the parent company, adjusted by the tax-adjusted interest expenses of the hybrid loan and the hybrid loan repayment premium, by the weighted average number of shares outstanding.

Earnings per share

M€	2017	2016
Profit for the period attributable to equity holders of the parent company	224.5	137.5
Interest accrued during the period on hybrid bond	-6.0	-6.4
Tax effect	1.2	1.3
Net effect	-4.8	-5.1
Weighted average number of shares during the period (million), pcs	339.7	326.9
Diluted earnings per share attributable to parent company equity holders, €	0.65	0.41

There were no diluting instruments in 2017 and 2016.

6 Personnel and related parties

The personnel and related parties section describes the remuneration and pension schemes of Sponda's personnel and management. At the end of the section, related parties are defined and the notes pertaining to related parties are presented.

6.1 Salaries and fees

In 2017, the Sponda Group had 106 employees on average (2016: 107).

Salaries and fees, M€	2017	2016
<i>Management remuneration</i>		
CEO	0.8	0.5
Other Executive Board members	1.2	1.0
Board of Directors	0.4	0.4
Share-based payments to management	3.0	0.9
Management remuneration, total	5.3	2.9
<i>Other wages and salaries</i>	7.1	7.7
<i>Other share-based payments</i>	0.2	0.1
<i>Defined benefit pension plans</i>	0.0	0.0
<i>Defined contribution pension plans</i>	1.9	2.0
<i>Other social security costs</i>	0.4	0.6
Total	14.9	13.3

The President and CEO of Sponda Plc is paid a full salary. The salary and fees paid to Sponda Plc's President and CEO totalled EUR 780,000 (2016: 547,000). In addition, during the period the President and CEO was paid a bonus of EUR 1,125,000 (2016: 302,000) under the incentive scheme for key personnel based on the company's actual performance in 2016.

Accounting principle

Share-based payments

In the comparison year, Sponda had several long-term incentive schemes for key personnel, and the individuals within these schemes were entitled to a bonus determined on the basis of defined targets. All vesting incentive schemes were terminated during the 2017 financial year following the public tender offer for Sponda. As a result, Sponda did not have any incomplete vesting share-based incentive schemes on the balance sheet date.

When the incentive schemes were in effect, the payment of the bonus was conditional upon the achievement of performance targets set by the company's Board of Directors and the person's continued employment in the company. Taxes and statutory employer's contributions were deducted from the bonus, and the remaining sum was used to acquire Sponda's shares from the market. The shares could not be surrendered during a commitment period following the reference period.

Sponda also had an Employee Share Programme in effect since 2014. The target group of the Share Programme included all employees of the company and its Group companies, excluding persons in an employment or service relationship with the Group who were included in Sponda's incentive scheme for key personnel. Participation in the Share Programme was voluntary. Shares purchased on the basis of the Share Programme were subject to a Commitment Period during which they could not be assigned, pledged or otherwise used. The Employee Share Programme was also terminated in conjunction with the public tender offer.

The incentive schemes have been 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 was taken directly to retained earnings.

Incentive scheme for key personnel

The incentive scheme for key personnel covered the President and CEO and the other members of the Executive Board. The purpose of the incentive scheme was to link the objectives of shareholders and key personnel to increase the company's shareholder value, increase the key personnel's commitment to the company and offer them a competitive remuneration scheme based on share ownership.

The incentive scheme comprised three three-year vesting periods, corresponding to the calendar years 2015–2017, 2016–2018 and 2017–2019. Sponda's Board of Directors decided on the earning criteria and on the targets to be laid down for the earning criteria for each vesting period. The bonuses, less taxes and other employer contributions, were used to purchase shares in the company for the person on the open market. The shares could not be disposed of within a set period of their receipt. The duration of this period was 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 was the recipient's gross annual pay at the beginning of the vesting period. Gross annual pay refers to fixed basic salary excluding annual bonuses and the incentive scheme.

On the balance sheet date, 31 December 2017, Sponda no longer had issued and vesting share-based incentive schemes for key personnel or other employees. In conjunction with the public tender offer made by Polar Bidco S.à r.l., the vesting incentive schemes for key personnel were terminated in August and part of the vesting incentive schemes, EUR 2.3 million, was paid off in cash during the financial year and another part, EUR 1.6 million, will be paid off in cash in the next financial year. The amounts recognised in the financial statements in relation to the incentive scheme were reversed in conjunction with the termination of the scheme. The portion to be paid off in the next financial year has been recognised in full as a reserved amount under accrued expenses and deferred income in the 2017 financial statements. Shares subject to disposal restrictions were released from said restrictions in connection with the public tender offer in accordance with the terms and conditions of the share-based incentive scheme.

Changes in share bonuses during the period (shares, pcs)	2017	2016	2015	2014	2013	2012
<i>Share bonuses granted at the start of the period</i>	368,022	361,365	453,700	296,158	264,153	227,836
<i>Bonuses granted during the period</i>	-	115,687	94,793	157,542	109,030	187,128
<i>Bonuses forfeited during the period</i>	-	-	-	-	-	-
<i>Bonuses that became free for disposal during the period</i>	368,022	109,030	187,128	-	77,025	150,811
<i>Share bonuses granted at the end of the period</i>	0	368,022	361,365	453,700	296,158	264,153
<i>Bonuses granted during the period, in shares (pcs), corresponding</i>						
<i>amount paid in cash, before taxes</i>	738,721					
<i>Bonuses granted during the period, in shares (pcs), corresponding</i>						
<i>amount paid in cash, after taxes</i>	354,586					

Due to the public tender offer, the pending and vesting share-based incentive schemes 2015–2017, 2016–2018 and 2017–2019 were terminated. In conjunction with the termination of the incentive schemes, an amount corresponding to 738,721 shares was paid out in cash based on the targets set for each of the vesting incentive schemes and the actual results. The amount comparable to the actual share-based incentive schemes, less taxes, corresponded to 354,586 shares.

6.2 Pension plans

Accounting principle

Sponda has various post-employment benefit plans, which include both defined contribution and defined benefit pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the

benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

Pension coverage has been arranged via a pension insurance company. Contributions made for defined contribution plans are recognised in the income statement for the year to which they relate. The liability recognised on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds. Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

Management's pension obligations and termination benefits

The retirement age for Sponda Plc's President and CEO is 63, and his pension is determined in accordance with the Finnish Employees' Pension Act (TyEL).

Under the terms of the service contract, the President and CEO's term of notice is six months. In the event of the company terminating the service contract, the President and CEO is entitled to compensation equal to 12 months' pay.

The President and CEO and the other members of the Executive Board are insured with a contribution-based group pension insurance. Sponda Plc pays the annual insurance premium until the member reaches the age of 63. Under the terms of this scheme, the accrued savings may be withdrawn starting from the age of 63 or as a supplementary pension in addition to the individual's statutory earnings-related pension. The insurance premium amounts to 15 per cent of the fixed annual salary of each member of the Executive Board. In 2017, the premiums of the voluntary group pension scheme of the President and CEO and other Executive Board members were EUR 232,000 (2016: EUR 195,000).

Pension plans for personnel

During its history, Sponda Plc has been the recipient of transfers of pension obligations in conjunction with business acquisitions. The pension obligations compensate for earlier retirement ages. Insurance is used to compensate for early retirement. The retirement age associated with the pension obligations ranges from 60 to 63 years.

M€	2017	2016
Defined benefit obligation	2.6	2.9
Fair value of employee benefit plan assets	2.1	2.4
Net defined benefit (asset) liability 31.12.	0.5	0.5

6.3 Information on related parties

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 Board, the President and CEO, and close member of their families. The question of whether corporations under the control of shareholders and key persons in the company's management are considered related parties is assessed on a case-by-case basis, taking the actual circumstances into account.

There were no outstanding loans receivable from key management personnel on 31 December 2017 or on 31 December 2016.

The members of the Board of Directors and the Executive Board did not own any shares in Sponda Plc at the end of 2017 (2016: 178,820 and 1,003,302 shares, respectively). The number of shares held by the Board of Directors and Executive Board includes the shareholdings of their related parties.

Of the members of Sponda Plc's Board of Directors, Outi Henriksson and Svein Erik Lilleland are each paid a fee of EUR 2,750 per month for the term ending at the 2018 Annual General Meeting. The Chairman of the Board was paid EUR 84,600 for the year (2016: EUR 84,800), the Deputy Chairman EUR 53,600 (2016: EUR 53,600) and the other members of the Board, in total, EUR 222,000 (2016: EUR 263,400).

The Group's parent and subsidiary relationships are presented in Note 8.

Salaries and fees paid to the President and CEO and the Board of Directors

M€	2017	2016
<i>Kari Inkinen, President and CEO</i>	0.8	0.5
<i>Board of Directors</i>	-	-
<i>Michael Swank⁵</i>	-	-
<i>James Seppälä⁵</i>	-	-
<i>Svein Erik Lilleland⁵</i>	0.0	-
<i>Andrew Lax⁵</i>	-	-
<i>Jean-Francois Bossy⁵</i>	-	-
<i>Leif Andersson⁵</i>	-	-
<i>Outi Henriksson¹</i>	0.1	0.0
<i>Kaj-Gustaf Berg⁴</i>	0.1	0.1
<i>Christian Elfving⁴</i>	0.0	0.0
<i>Paul Hartwall⁴</i>	0.0	0.0
<i>Juha Laaksonen²</i>	-	0.0
<i>Leena Laitinen⁴</i>	0.1	0.0
<i>Juha Metsälä^{1,4}</i>	0.0	0.0
<i>Arja Talma³</i>	0.1	0.1
<i>Raimo Valo⁴</i>	0.0	0.0
<i>Board of Directors</i>	0.4	0.4
Total	1.1	0.9

1) as of 23 March 2016

2) until 21 March 2016

3) until 20 March 2017

4) until 4 September 2017

5) as of 4 September 2017

Business transactions carried out with related parties; receivables from and liabilities to related parties

M€	Liabilities	Receivables
<i>Polar Bidco S.à r.l.</i>	371.2	-
Total	371.2	-

7. Other notes

Other notes cover subjects that do not, in the Group's view, constitute a broader topic of their own. Other notes include notes to the income statement and notes to the balance sheet as well as notes on other topics, such as commitments.

7.1. Auditor fees

M€	2017	2016
<i>Authorised Public Accountants KPMG Oy</i>		
<i>Audit</i>	0.1	0.2
<i>Tax consultancy</i>	0.0	0.2
<i>Other services</i>	0.0	0.3
Total	0.2	0.7

Auditing includes fees pertaining to the audit of the consolidated financial statements and the audit of Sponda Plc and its subsidiaries, including assurance and other services related to auditing.

7.2 Leases

7.2.1 Leases, the Group as a lessor

Accounting principle

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 recognised as finance lease receivables on 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. Most of the leases are linked to the cost-of-living index. Leases are either signed for an indefinite period or are fixed-term.

Two long-term leases on two different properties are classified as finance leases. Part of the premises in each property are leased. Finance lease income and receivables are presented as their own items in the income statement and balance sheet.

7.2.2 Leases, the Group as a lessee

Accounting principle

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 (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

Lease expenses in the Group primarily arise from land leases and they are included in net operating income. In addition, administrative expenses include lease expenses for cars and office equipment. Commitments arising from lease contracts are presented in note 7.8.

7.3 Investments in real estate funds

Accounting principle

Sponda owns through real estate funds holdings in retail and office properties. The investments in real estate funds contain these holdings. Investments in real estate funds are measured at fair value. The change in fair value is recorded in the income statement under "Valuation gains/losses on fair value assessment".

	2017		2016	
	Investment, M€	Holding	Investment, M€	Holding
<i>First Top LuxCo S.à r.l</i>	0.0	20.0%	0.0	20.0%
<i>YESS Ky</i>	0.0	60.0%	0.0	60.0%
<i>Russia Invest B.V.</i>	20.7	27.2%	22.4	27.2%
Total	20.7		22.4	

First Top LuxCo I S.à r.l. is a real estate fund registered in Luxembourg that invests primarily in office and retail premises in medium-sized Finnish towns. The value of the investment was written down during the financial year 2016 due to liquidation process.

YESS Ky is a fund established by Sponda Plc and Yleisradion eläkesäätiö that develops the Forum Virium project. No capital investments have been made in the fund as of yet.

Russia Invest B.V. owns a 55% stake in the Okhta Mall shopping centre in St. Petersburg, which opened in 2016.

All investment properties belong to level 3 in the fair value hierarchy, meaning they are not based on observable market data (other than observable input data).

7.4 Property, plant and equipment and intangible assets

Accounting principle

Property, plant and equipment comprises properties, 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 capitalised costs related to modernisation work.

The properties, office equipment and furniture and vehicles used by the company itself are depreciated over their useful lives.

Land areas are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their acquisition cost and residual value over their estimated useful lives as follows:

Office premises used by Sponda	100 years
Office machinery and equipment	3–20 years
Other tangible assets	10 years

The residual values, useful lives and depreciation methods of assets are reviewed at the end of each reporting period and adjusted as necessary to reflect changes in expected future economic benefits.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement under "Other operating income or expenses".

Other tangible assets includes, among other things, renovation expenses related to the company's head office and works of art owned by the Group.

Other intangible assets include computer software recorded at acquisition cost and amortised on a straight-line basis over 3–5 years.

Management judgment

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.

The Group's depreciation on property, plant and equipment in 2017 amounted to EUR 0.3 million (2016: EUR 0.2 million).

The Group's depreciation on other intangible assets in 2017 amounted to EUR 0.7 million (2016: EUR 0.8 million).

7.5 Trading properties

Accounting principle

Trading properties are properties that are meant for sale and which do not correspond to the company's strategic goals owing to their size, location or type. Trading properties are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the direct costs resulting from completion of the sale. The net realisable values are mainly determined using the market value method. If the net realisable value is lower than the carrying amount, an impairment loss is recognised.

When a trading property becomes an investment property that is measured on the balance sheet at fair value, the difference between the fair value on the transfer date and its previous carrying amount is recognised in the profit or loss under profit/loss on sales of trading assets.

Trading properties comprise 16 properties that are owned mainly through real estate or housing limited companies. One trading property was transferred to investment properties during 2017, of which profit of 1.5 million was recognized.

Trading properties

M€	2017	2016
Trading properties at the start of the period	7.2	7.7
Disposals and other changes	-0.6	-0.5
Trading properties at the end of the period	6.6	7.2

7.6. Current non-interest-bearing receivables and debt

A substantial proportion of Sponda's current receivables and debt are related to value added tax. The Group covers the VAT deductions of mutual real estate companies at the end of the year using maintenance charges. As a result, the real estate companies recognise substantial VAT payables in December, while the parent company recognises a corresponding VAT receivable.

7.6.1 Trade and other receivables

Accounting principle

Trade receivables are amounts due from customers arising from the leasing of office, retail or logistics premises. If collection is expected within one year, they are classified as current assets. If not, they are presented as non-current assets. Other receivables include items such as VAT receivables, advances paid and other prepaid expenses and accrued income.

Trade receivables are recognised initially at fair value. Subsequently, a provision for impairment of trade receivables is established when the receivable has been overdue for more than three months or there is objective evidence that the Group will not be able to collect the full amount due. Any impairment is recognised in the income statement within other operating expenses. When a trade receivable is uncollectable, it is written off against the provision for impairment of trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

M€	2017	2016
Current non-interest-bearing receivables		
Trade receivables	2.4	2.9
Other receivables	1.7	16.1
VAT receivables	19.9	20.8
Advances paid	0.3	0.2
Other prepaid expenses and accrued income	2.3	4.3
Total	26.7	44.2

The fair value of trade and other receivables corresponds to their carrying amount.

For trade receivables, impairment of EUR 0.8 million has been recognised in the separate provision for impairment.

7.6.2 Trade and other payables

Accounting principle

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The carrying amounts of trade and other payables approximate their fair value.

M€	2017	2016
Current non-interest bearing debt		
Advances received	9.7	11.0
Trade payables	10.8	6.1
Interest liabilities	11.8	11.1
Other current liabilities	6.9	12.5
VAT debt	19.2	23.6
Accrued expenses and deferred income	12.7	15.4
Total	71.1	79.7
Interest and financial items	1.4	0.2
Personnel expenses	4.8	4.7
Taxes	0.3	0.2

<i>Investments</i>	3.4	4.0
<i>Other items</i>	2.9	6.4
Total	12.7	15.4

7.7 Provisions

Accounting principle

Provisions include obligations that arise in connection with property sales.

Provisions may also need to be recognised 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 recognised for obligations arising from disputes in progress when the settlement of the obligation is probable.

7.8 Collateral and contingent liabilities

Liabilities for which mortgages over property and shares have been given, M€	Group 2017	Group 2016
<i>Loans from financial institutions, covered by collateral</i>	2,578.9	178.0
<i>Mortgages</i>	2,248.4	288.1
<i>Fair values of properties in such companies where no property mortgages are given (only pledge of shares)</i>	182.0	46.4
<i>Fair Values of properties in such companies where, in addition to the pledge of shares, property mortgages are given</i>	3,369.2	-
<i>Cash and cash equivalents on pledged bank accounts</i>	678.6	-
<i>Guarantees</i>	-	-

For clarification, it is stated that in 2017 the fair value of properties pledged amounted to EUR 3,551.2 million, containing both property mortgages and share pledges. Including also cash and cash equivalents in 2017 the pledges amounts to EUR 4,229.8 million (2016; EUR 334.5 million).

Commitments arising from land lease contracts, M€	Group 2017	Group 2016	Parent company 2017	Parent company 2016
<i>Lease liabilities</i>	49.5	49.4	-	-
<i>Mortgages</i>	11.3	14.4	-	-
<i>Guarantees</i>	3.4	4.4	3.4	4.4
Total	64.2	68.2	3.4	4.4

Operating leases, M€	Group 2017	Group 2016	Parent company 2017	Parent company 2016
<i>Contractual maturities on lease contracts:</i>				
<i>During the following financial year</i>	0.4	0.3	-	0.3
<i>Due after the following year</i>	0.3	0.2	-	0.2
Total	0.6	0.6	-	0.6

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 deductions made from renovation investments

Liabilities in accordance with section 33 of the Value Added Tax Act have been calculated for all Group companies and their aggregate value in the financial statements was EUR 39.9 million (2016: EUR 52.5 million).

Investment commitments

On 31 December 2017, the remaining investment commitments related to real estate funds totalled EUR 3.5 million (2016: EUR 3.6 million).

7.9 Events after the balance sheet date

Due to restructuring of Sponda's financing each owner of a book value of a corporate bond had the right to present a demand for early repayment according to the terms of the bonds. Repayments of bonds amounting to EUR 4.5 million were made. The repayments concerned the EUR 175.0 million bond maturing in May 2020 and the repayments were made in January 2018 according to the terms.

8. Group structure

Sponda Plc is a property investment company specialising in leasing, developing and owning commercial properties.

The Sponda Group comprises the parent company Sponda Plc and its wholly- or partly-owned Finnish limited liability companies and property companies. The Group also includes the foreign subsidiaries owned by Sponda Russia Ltd.

Non-controlling interests did not have significant holdings in the Group on 31 December 2017 and 31 December 2016.

The following is a list of shares and holdings owned by the Group and the parent company on 31 December 2017.

Real estate companies:		Group company holding %	Parent company holding %
Aleksi-Hermes	Helsinki	100.00	100.00
Arif Holding Oy	Kempele	100.00	100.00
Arkadiankatu 4-6	Helsinki	100.00	100.00
Atomitie1	Helsinki	100.00	100.00
Backaksenpelto	Vantaa	100.00	100.00
Bulevardi1	Helsinki	100.00	100.00
Design House Hattutehdas	Helsinki	100.00	100.00
Dianapuisto	Helsinki	100.00	100.00
Elovainion Kauppakiinteistöt	Ylöjärvi	100.00	100.00
Espoon Esikunnankatu 1	Espoo	100.00	100.00
Espoon Komentajankatu 5	Espoo	100.00	100.00
Espoon Kuusiniementie 2	Espoo	100.00	100.00
Espoon Upseerinkatu 1-3	Espoo	100.00	100.00
Espoonportti	Espoo	100.00	100.00
Estradi	Helsinki	100.00	100.00
Estradi 2	Helsinki	100.00	100.00
Fabianinkatu 23	Helsinki	100.00	100.00
Gohnt-talo	Helsinki	100.00	100.00
Hankasuontie 13	Helsinki	100.00	100.00
Hannuksentie 1	Espoo	100.00	100.00
Haukilahdenkatu 4	Helsinki	100.00	100.00
Heimola	Helsinki	59.57	59.57
Helsingin Forum	Helsinki	100.00	100.00
Helsingin Erottajanmäki	Helsinki	100.00	100.00
Helsingin Harkkorautantie 7	Helsinki	100.00	100.00
Helsingin Hämeentie 105	Helsinki	60.63	
Helsingin Ilmalanrinne 1	Helsinki	100.00	100.00
Helsingin Itäkatu 11	Helsinki	100.00	100.00
Helsingin Itämerenkatu 21	Helsinki	100.00	100.00
Helsingin Itämerentalo	Helsinki	100.00	100.00
Helsingin Kaivokatu 8	Helsinki	100.00	100.00
Helsingin Kalevankatu 30	Helsinki	100.00	100.00
Helsingin Kirvesmiehenkatu 4	Helsinki	100.00	100.00
Helsingin Nuijamiestentie	Helsinki	100.00	100.00
Helsingin Pieni Roobertinkatu 9	Helsinki	100.00	100.00
Helsingin Porkkalankatu 22	Helsinki	100.00	100.00
Helsingin Ruoholahden Parkki	Helsinki	90.78	
Helsingin Salmisaarentalo	Helsinki	100.00	100.00
Helsingin Silkkikutomo	Helsinki	100.00	100.00
Helsingin Sörnäistenkatu 2	Helsinki	100.00	100.00
Helsingin Tulppatie 1	Helsinki	100.00	100.00
Helsingin Valimotie 25 A	Helsinki	100.00	100.00
Helsingin Valimotie 25 B	Helsinki	100.00	100.00
Helsingin Valimotie 25 C	Helsinki	100.00	100.00
Helsingin Valimotie 27 A	Helsinki	100.00	100.00

Helsingin Valimotie 27 B	Helsinki	100.00	100.00
Helsingin Valimotie 27 C	Helsinki	100.00	100.00
Helsingin Valimotie 27 D	Helsinki	100.00	100.00
Helsingin Valuraudankuja 7	Helsinki	100.00	100.00
Helsingin Vanhanlinnantie 3	Helsinki	100.00	100.00
Helsingin Veneentekijäntie 8	Helsinki	100.00	100.00
Helsingin Vuorikatu 14	Helsinki	100.00	100.00
Helsingin Värjäämö	Helsinki	100.00	100.00
Hermian Pulssi	Tampere	100.00	100.00
Hiukkasvaaran Kasarmit	Oulu	100.00	100.00
Hyvinkään Varikko	Hyvinkää	100.00	100.00
Hämeenkatu 20	Tampere	100.00	100.00
Hämeenlinnan Hallituskatu 10	Hämeenlinna	100.00	100.00
Hämeentie 103	Helsinki	100.00	100.00
Höyläämöntie 5	Helsinki	100.00	100.00
Insinöörinkatu	Helsinki	100.00	100.00
Isontammentie 4	Vantaa	100.00	100.00
Iso-Roobertinkatu 21-25	Helsinki	100.00	100.00
Kaisaniemenkatu 2 B	Helsinki	100.00	100.00
Kaivokadun Tunneli	Helsinki	100.00	100.00
Kaivokatu 12	Helsinki	100.00	100.00
Kalkkipellontie 6	Espoo	100.00	100.00
Kappelitie 8	Espoo	100.00	100.00
Karapellontie 4C	Espoo	100.00	100.00
Kasarmikatu 36	Helsinki	100.00	100.00
Kaupintie 3	Helsinki	100.00	100.00
Kauppa-Häme	Tampere	100.00	100.00
Keimolan Radioasema Koy	Vantaa	100.00	100.00
Kenkätie 16 Koy	Pirkkala	100.00	100.00
Keskuskatu 1 B	Helsinki	100.00	100.00
Kilonkallio 1	Espoo	100.00	100.00
Korkeavuorenkatu 45	Helsinki	100.00	100.00
Kumpulantie 11	Helsinki	100.00	100.00
Kylvöpolku 1	Helsinki	100.00	100.00
Liikekeskus Zeppelin Oy	Kempele	85.66	
Läkkitori	Espoo	100.00	100.00
Länsi-Keskus	Espoo	58.64	58.64
Malmin Postitalo Koy	Helsinki	100.00	100.00
Malmin Yritystalo	Helsinki	100.00	100.00
Mannerheimintie 6	Helsinki	100.00	100.00
Mansku 4	Helsinki	100.00	100.00
Martinkyläntie 53	Vantaa	100.00	100.00
Messukylän Castrulli	Tampere	100.00	100.00
Messukylän Kattila	Tampere	100.00	100.00
Messukylän Turpiini	Tampere	100.00	100.00
Miestentie	Espoo	100.00	100.00
Mikonkatu 17	Helsinki	100.00	100.00
Mikonkatu 19	Helsinki	100.00	100.00
Mikonlinna	Helsinki	100.00	100.00
Mäkkylän Toimistotalo	Helsinki	100.00	100.00
Oulun Alasintie 3-7	Oulu	100.00	100.00
Oulun Alasintie 8 Koy	Oulu	100.00	100.00
Oulun Korjaamotie 2	Oulu	100.00	100.00
Oulun Liikevärttö 1	Oulu	100.00	100.00
Oulun Liikevärttö 2	Oulu	100.00	100.00
Oulun Liikevärttö 3	Oulu	100.00	100.00
PaulonTalo	Helsinki	100.00	100.00
Pieni Roobertinkatu 7	Helsinki	99.79	
Piispanpiha 5	Helsinki	100.00	100.00
Poijupuisto	Espoo	100.00	100.00
Porkkalankatu 20	Helsinki	100.00	100.00
Pronssitie 1	Helsinki	100.00	100.00
Ratapihantie 11	Helsinki	100.00	100.00

Ratinan Kauppakeskus	Tampere	100.00	40.00
Ratinanlinna	Tampere	100.00	100.00
Robert Huberintie 2	Vantaa	100.00	100.00
Ruoholahden Ankkuri	Helsinki	100.00	100.00
Ruoholahden Sulka	Helsinki	100.00	100.00
Salmisaaren Liiketalo	Helsinki	100.00	100.00
Scifin Beta	Espoo	100.00	100.00
Scifin Gamma	Espoo	100.00	100.00
Sinikalliontie 10	Espoo	100.00	100.00
Sinimäentie 14	Espoo	100.00	100.00
Sp-kiinteistöt Oy Kilo	Espoo	100.00	100.00
Säästötammela	Tampere	100.00	100.00
Tallbergintalo	Helsinki	100.00	100.00
Tamforest Oy	Tampere	100.00	100.00
Tampereen Enqvistinkatu 7	Tampere	100.00	100.00
Tampereen Hallituskatu 8	Tampere	100.00	100.00
Tampereen Hämeenkatu 13 Koy	Tampere	100.00	100.00
Tampereen Hämeenkatu 18 Koy	Tampere	100.00	100.00
Tampereen Naulakatu 3	Tampere	100.00	100.00
Tampereen Näsilinnankatu 39-41	Tampere	100.00	100.00
Tamsilva Oy	Tampere	100.00	100.00
Tiistilän Miilu	Espoo	100.00	100.00
Tiistinhovi	Espoo	100.00	100.00
Tulli Koy	Tampere	100.00	100.00
Turunlinnanatie 12	Helsinki	100.00	100.00
Tuusulan Teollisuuskuja 6	Tuusula	100.00	100.00
Tuusulan Tärkkelystehtas	Tuusula	100.00	100.00
Unioninkatu 18	Helsinki	100.00	100.00
Unioninkatu 20-22	Helsinki	100.00	100.00
Unioninkatu 24	Helsinki	100.00	100.00
Upseerinkadun Pysäköintitalo	Espoo	100.00	100.00
Vaajakosken Tikutehtaantie 1	Vaajakoski	100.00	100.00
Vantaan Harkkokuja 2	Vantaa	100.00	100.00
Vantaan Jokiniementie Koy	Vantaa	100.00	100.00
Vantaan Köysikuja 1	Vantaa	100.00	100.00
Vantaan Omega	Vantaa	100.00	100.00
Vantaan Simonrinne	Vantaa	77.18	
Vantaan Väritehtaankatu 8	Vantaa	100.00	100.00
Vilhonkatu 5	Helsinki	100.00	100.00
Vuosaaren LC Koy	Helsinki	100.00	100.00
Vuosaaren PC Koy	Helsinki	100.00	100.00
Värtönparkki 1	Oulu	100.00	100.00
Ylä-Malmintori 6	Helsinki	100.00	100.00
Zeppelinin City-Keskus	Kempele	94.83	
Zeppelinin Kauppakeskus	Kempele	91.47	
Zeppelinin Kauppakulma	Kempele	100.00	100.00
Zeppelinin Kauppapörssi	Kempele	91.44	
Zeppelinin Markkinapaikka	Kempele	100.00	100.00
Zeppelinin Pikkukulma	Kempele	100.00	100.00
Zeppelinin Tavaratori	Kempele	78.87	
Drawer Oy	Helsinki	100.00	100.00
Porkkalankadun alitus Koy	Helsinki	62.64	
Ruoholahden Yhteissuoja Koy	Helsinki	100.00	100.00
SRK-Kiinteistöt Oy	Helsinki	100.00	100.00
Quartetton Cello	Espoo	100.00	100.00
Limited liability companies			
MOW Mothership Of Work Oy	Helsinki	100.00	100.00
MOW Stargate Oy	Helsinki	100.00	100.00
Russia Europe Oy Ltd	Helsinki	100.00	
Spoki Oy	Helsinki	100.00	100.00
Sponda AM Oy	Helsinki	100.00	100.00
Sponda Asset Management II Oy	Helsinki	100.00	100.00

Sponda Asset Management Oy	Helsinki	100.00	100.00
Sponda Osaomisteiset Oy	Helsinki	100.00	100.00
Sponda Russia Finance Oy Ltd	Helsinki	100.00	
Sponda Russia Oy Ltd	Helsinki	100.00	100.00

Associates and joint ventures

Erottajan Pysäköintilaitos Oy	Helsinki	49.29	49.29
Kaisaniemen Metrohalli	Helsinki	25.17	18.23
Kluuvin Pysäköinti Koy	Helsinki	25.35	
Zeppelinin Kulmatori Kiinteistö Oy	Kempele	49.67	

Real estate fund companies

First Top LuxCo 1 S.à r.l	Luxembourg	20.00	20.00
Russia Invest B.V.i.o	The Netherlands	27.23	27.23
YESS Ky	Helsinki	60.00	60.00

Foreign subsidiaries

OOO Veika	St. Petersburg, Russia	100.00	
ZAO Ankor	Moscow, Russia	100.00	
OOO Europe Terminal	Moscow, Russia	100.00	
OOO Western Realty (Ducat 2)	Moscow, Russia	100.00	

Changes in Group structure in 2017

Companies established

MOW Stargate Oy		
Sponda Real Estate Oy		100.00
Sponda Investment Properties A		100.00
Sponda PledgCo A		100.00
Sponda Mezza Financing A		100.00
Sponda Mezza Holding A		100.00
Sponda Investment Properties B		100.00
Sponda PledgCo B		100.00
Sponda Mezza Financing B		100.00
Sponda Mezza Holding B		100.00
Sponda Investment Properties C		100.00
Sponda PledgCo C		100.00
Sponda Mezza Financing C		100.00
Sponda Mezza Holding C		100.00

Companies acquired

Quartetton Cello		100.00
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Companies sold

Henrik Forsiuksentie 39		100.00
Itälähdenkatu 20		100.00
Itälähdenkatu 22		100.00
Helsingin Valokaari		100.00
Helsingin Lampputie 12		100.00
Helsingin Lautatarhankatu 2		100.00

Companies dissolved/merged

Makentrax Limited		100.00
Hextagon OY		100.00
Ab Forum Capita Oy		100.00

Parent company income statement (FAS)

M€	Note	1.1.-31.12.2017	1.1.-31.12.2016
<i>Total revenue</i>			
<i>Rental income and recoverables</i>	1	239.0	232.9
<i>Revenue from current assets</i>		-	1.0
<i>Management fees</i>		0.0	0.0
		239.0	233.9
<i>Cost of goods sold</i>			
<i>Expenses from leasing operations</i>		-99.7	-82.4
<i>Change in inventory</i>		0.0	-0.1
		-99.7	-82.5
Net operating income		139.3	151.4
<i>Sales and marketing expenses</i>			
<i>Administrative expenses</i>	2 3 6	-21.8	-19.8
<i>Other operating income</i>	4	0.2	0.1
<i>Profits on sale of investment properties</i>		3.1	1.1
<i>Other operating expenses</i>	5	-7.9	-0.4
Operating profit		110.8	130.9
<i>Financial income and expenses</i>	16	-107.8	-133.5
Profit/loss before appropriations		3.0	-2.6
<i>Appropriations</i>	7	13.0	2.3
Profit/loss before tax		16.0	-0.3
<i>Income taxes</i>	8	-0.6	0.0
Profit/loss for the period		15.5	-0.3

Parent company balance sheet (FAS)

M€	Note	31.12.2017	31.12.2016
Assets			
<i>Non-current assets</i>			
<i>Intangible assets</i>	9	78.7	66.9
<i>Property, plant and equipment</i>	10		
<i>Machinery and equipment</i>		-	0.1
<i>Advance payments</i>		0.3	0.0
		0.3	0.1
<i>Investments</i>	11		
<i>Holdings in Group companies</i>		2,118.5	2,196.0
<i>Receivables from Group companies</i>		1,427.9	1,034.4
<i>Holdings in associated companies</i>		23.0	4.8
<i>Investments in real estate funds</i>		15.1	15.1
<i>Other receivables</i>		-	0.2
<i>Other investments</i>		93.0	61.2
		3,677.5	3,311.6
Total non-current assets		3,756.5	3,378.7
<i>Current assets</i>			
<i>Other current assets</i>		5.5	5.2
<i>Current receivables</i>	12	37.5	28.7
<i>Long term receivables</i>		-	6.2
<i>Cash and bank deposits</i>		40.0	1.5
Total current assets		83.1	41.6
Total assets		3,839.5	3,420.3
Equity and liabilities			
<i>Equity</i>			
<i>Share capital</i>	13	111.0	111.0
<i>Other reserves</i>			
<i>Fair value reserve</i>		-	-22.6
<i>Share premium reserve</i>		159.1	159.1
<i>Invested non-restricted equity reserve</i>		586.7	666.7
<i>Retained earnings</i>		576.1	405.4
<i>Profit/loss for the period</i>		15.5	-0.3
Total equity		1,448.4	1,319.3
<i>Provisions</i>	14	0.6	2.4
<i>Liabilities</i>			
<i>Non-current liabilities</i>		1,660.7	1,279.9
<i>Current liabilities</i>	15	729.9	818.7
Total liabilities		2,390.5	2,098.6
Total equity and liabilities		3,839.5	3,420.3

Parent company statement of cash flows

M€		1.1.-31.12.2017	1.1.-31.12.2016
Cash flow from operating activities			
Net profit for the period		15.5	-0.3
Adjustments	1)	107.4	144.5
Change in net working capital	2)	37.1	36.6
Provisions		-	-
Interest received		21.5	30.2
Interest paid		-56.3	-51.8
Other financial items		27.8	-19.3
Taxes received/paid		-0.6	-5.2
Net cash flow generated by operating activities		96.7	134.6
Cash flow from investing activities			
Investments in shares and holdings		-14.0	-431.9
Acquisition of property, plant and equipment and intangible assets		-27.0	-35.8
Proceeds from disposal of shares and holdings		9.8	9.7
Loans granted		-169.5	-216.7
Repayments of loan receivables		83.6	7.4
Net cash flow used in investing activities		-117.1	-667.4
Cash flow from financing activities			
Proceeds from share issue		-	220.8
Non-current loans, raised		1,683.4	560.0
Non-current loans, repayments		-1,227.2	-408.2
Current loans, raised/repayments		70.8	49.5
Dividend distribution and other capital repayments		-467.9	-94.5
Net cash flow generated from financing activities		59.0	327.5
Change in cash and cash equivalents		38.5	-205.3
Cash and cash equivalents as at 1 Jan.		1.5	206.8
Cash and cash equivalents as at 31 Dec.		40.0	1.5

Notes to the cash flow statement

M€		1.1.-31.12.2017	1.1.-31.12.2016
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		1.9	1.2
Other operational income		-5.0	-2.4
Depreciation and amortisation		15.1	14.4
Dividends		-32.3	-
Financial income and expenses		140.1	131.8
Unrealised exchange rate changes		-	1.7
Group contributions		-13.0	-2.3

<i>Provisions</i>	-	-
<i>Taxes</i>	0.6	0.0
<i>Adjustments, total</i>	107.4	144.5
2) Statement of change in net working capital		
<i>Current receivables</i>		
<i>increase (-), decrease (+)</i>	12.8	3.2
<i>Non-interest-bearing current liabilities</i>		
<i>increase (+), decrease (-)</i>	24.3	33.4
<i>Change in net working capital</i>	37.1	36.6

Notes to the parent company financial statements

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.

Recognition and valuation principles

Tenant improvements

Costs arising from renovation work for individual tenants are entered as an annual expense or capitalised to other long-term expenditure of the landlord, Sponda Plc. Repair costs and tenant improvements are capitalised over the duration of the lease when they generate income in several accounting periods and exceed EUR 20,000. For open-ended leases, costs are capitalised over the period until the date that is defined in the lease agreement as the first possible termination date. The maximum depreciation time for tenant improvements is 10 years.

Fixed assets and depreciation according to plan

Fixed assets are valued at cost less depreciation. The depreciation plan on machinery and equipment and on buildings and building materials is calculated using the declining balance method. Renovation costs related to tenant improvements and capitalised to other long-term expenditure are depreciated over the lease period.

Other machinery and equipment 3–10 years

Other long-term expenditure 1–10 years

In addition to capitalised tenant improvements, other long-term expenditure includes computer software.

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 in shares are valued at fair value in the parent company's balance sheet as of 2017. Previously the shares were valued at cost. The effect of measuring shares at fair value with respect to the opening balances is recognised directly in equity. Permanent write-downs on items excluded from fair value measurement are deducted from cost.

Valuation principles, please see Group's financial statement's note 2.

Trading property

Trading properties are properties or shares in property companies that are meant to be sold or that are developed to be sold. Receivables from such companies are reported as long-term receivables.

Research and development costs

The company has no research activities. Building project costs equivalent to R&D costs are capitalised 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

Sponda Plc's financing was restructured in the final quarter of 2017 due to ownership arrangements. Under the new structure, the debtors are property companies and the financial items in Sponda are reversed.

On 13 December 2016, the Accounting Board issued opinion 1963/2016 regarding the accounting treatment of derivatives. Following the opinion, Sponda Plc has begun to recognise derivatives at fair value in accordance with IAS 39 (IFRS 9). The effects of the changes on the opening balances for the financial year 2016 have been recognised directly in equity. The accounting policies concerning the financing of the parent company correspond to the accounting policies presented in Note 3 to the consolidated financial statements. The notes to the parent company's financial statements include the tables whose figures differ from those of the notes for the consolidated financial statements.

Income taxes

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.

The deferred tax asset or liability for differences between taxation and the financial statements is calculated based on the known tax rate confirmed for the following years on the balance sheet date. The balance sheet includes the deferred tax liability in its entirety and deferred tax assets are recognised based on the probable amount.

Foreign currency denominated items

Transactions denominated in foreign currency are recognised 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 recognised 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.

1. Rental income and recoverables

Rental income and recoverables by type of property, M€	2017	2016
<i>Office and Retail Properties</i>	231.1	224.3
<i>Logistics Properties</i>	7.1	7.8
<i>Property Development</i>	0.8	0.8
Total	239.0	232.9

Rental income and recoverables by geographical area, M€	2017	2016
<i>Helsinki Metropolitan Area</i>	212.1	204.4
<i>Rest of Finland</i>	26.9	28.5
Total	239.0	232.9

2. Personnel expenses and number of employees

M€	2017	2016
<i>Salaries and fees</i>	12.5	10.2

<i>Pension costs</i>	1.9	2.0
<i>Other personnel costs</i>	0.4	0.5
Total	14.8	12.7

<i>Salaries and fees to management</i>		
<i>President and CEO *</i>	0.8	0.5
<i>Members of the Board of Directors</i>	0.4	0.4
Total	1.2	0.9

* Excluding bonuses from incentive scheme

The President and CEO is paid a full salary. The salary and fees paid to Sponda Plc's President and CEO totalled EUR 780,000 (2016: 547,000). In addition, during the period the President and CEO was paid a bonus of EUR 1,125,000 (2016: EUR 302,000) under the incentive scheme based on the company's actual performance in 2016.

M€	2017	2016
<i>Bonus under the incentive scheme</i>	1.1	0.3

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 6 to the consolidated financial statements "Employees and related parties".

Personnel on average	2017	2016
<i>White collar, number of employees</i>	101	98

3. Depreciation, amortisation and impairment losses

M€	2017	2016
<i>Intangible assets</i>		
<i>Other long-term expenditure</i>	15.1	14.3
<i>Property, plant and equipment</i>		
<i>Machinery and equipment</i>	0.0	0.0
Total	15.1	14.4

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

4. Other operating income

M€	2017	2016
<i>Share of bankruptcy estate</i>	0.1	0.0
<i>Other operating income</i>	0.1	0.1
Total	0.2	0.1

5. Other operating expenses

M€	2017	2016
<i>Other expenses</i>	7.4	0.0
<i>Credit losses</i>	0.5	0.2
<i>Doubtful receivables</i>	-0.1	0.2
Total	7.9	0.4

6. Auditor fees

M€	2017	2016
<i>Authorised Public Accountants KPMG Oy</i>		
<i>Audit</i>	0.1	0.2
<i>Tax advice</i>	0.0	0.2
<i>Other services</i>	0.0	0.3
Total	0.2	0.7

7. Appropriations

M€	2017	2016
<i>Group contributions received</i>	13.0	2.3
<i>Group contributions paid</i>	-	-
	13.0	2.3

8. Income taxes

M€	2017	2016
<i>Income taxes for the period</i>	-0.6	-
<i>Income taxes for previous periods</i>	-	0.0
	-0.6	0.0

9. Intangible assets

2017, M€	Other long-term expenditure	Assets under construction	Total
<i>Acquisition cost 1 January</i>	138.1	15.3	153.5
<i>Increases</i>	11.6	28.9	40.5
<i>Transfers</i>	-1.6	-12.1	-13.7
Acquisition cost 31 December	148.2	32.1	180.3
<i>Accumulated amortisation and impairment losses 1 January</i>	-86.5	-	-86.6
<i>Amortisation for the period</i>	-15.0	-	-15.0
Accumulated depreciation 31 December	-101.6	-	-101.6
Net carrying amount 31 December	46.6	32.1	78.7

2016, M€	Other long-term expenditure	Assets under construction	Total
<i>Acquisition cost 1 January</i>	106.3	11.4	117.6
<i>Increases</i>	32.0	18.3	50.3
<i>Transfers</i>	-0.1	-14.4	-14.5
<i>Acquisition cost 31 December</i>	138.1	15.3	153.5
<i>Accumulated amortisation and impairment losses 1 January</i>	-72.2	-	-72.2
<i>Amortisation for the period</i>	-14.3	-	-14.3
<i>Accumulated depreciation 31 December</i>	-86.5	-	-86.5
<i>Net carrying amount 31 December</i>	51.6	15.3	66.9

10. Property, plant and equipment

2017, M€	Machinery and equipment	Advance payments	Total
<i>Acquisition cost 1 January</i>	1.5	0.0	1.6
<i>Increases</i>	0.0	0.5	0.5
<i>Decreases</i>	-0.0	-0.2	-0.2
<i>Acquisition cost 31 December</i>	1.5	0.3	1.8
<i>Accumulated depreciation and impairment losses 1 January</i>	-1.5	-	-1.5
<i>Accumulated depreciation on decreases and transfers</i>	-	-	-
<i>Depreciation for the period</i>	0.0	-	0.0
<i>Accumulated depreciation 31 December</i>	-1.5	-	-1.5
<i>Net carrying amount 31 December</i>	-	0.3	0.3

2016, M€	Machinery and equipment	Advance payments	Total
<i>Acquisition cost 1 January</i>	1.5	0.1	1.6
<i>Increases</i>	0.0	0.1	0.1
<i>Decreases</i>	-	-0.1	-0.1
<i>Acquisition cost 31 December</i>	1.5	0.0	1.6
<i>Accumulated depreciation and impairment losses 1 January</i>	-1.4	-	-1.4
<i>Accumulated depreciation on decreases and transfers</i>	-	-	-
<i>Depreciation for the period</i>	0.0	-	0.0
<i>Accumulated depreciation 31 December</i>	-1.5	-	-1.5
<i>Net carrying amount 31 December</i>	0.1	0.0	0.1

11. Investments

2017, M€	Shares in Group companies	Receivables from Group companies	Holdings in associated companies	Investments in property funds	Other investments *)	Total
<i>Acquisition cost 1 January</i>	2,196.0	1,034.4	4.8	15.1	61.3	3,311.6
<i>Adjustments to opening balance</i>	679.6	-	18.2	-	0.1	698.0
<i>Increases</i>	78.0	1,849.1	-	0.0	72.3	1,999.3
<i>Decreases</i>	-835.0	-1,455.6	-	-0.1	-40.7	-2,331.4
<i>Net carrying amount 31 December</i>	2,118.5	1,427.9	23.0	15.1	93.0	3,677.5

*) Other investments, M€	Other shares	Receivables from associated companies	Receivables from funds	Other investments	Non-current receivables	Total
<i>Acquisition cost 1 January</i>	9.2	42.5	9.3	0.1	0.2	61.3
<i>Adjustments to opening balance</i>	0.1	-	-	-	-	0.1
<i>Increases</i>	-	72.3	-	-	-	72.3
<i>Decreases</i>	-	-38.6	-1.9	-0.1	-0.2	-40.7
<i>Net carrying amount 31 December</i>	9.4	76.2	7.4	-	-	93.0

2016, M€	Shares in Group companies	Receivables from Group companies	Holdings in associated companies	Investments in property funds	Other investments *)	Total
<i>Acquisition cost 1 January</i>	1,828.3	850.5	4.8	15.1	39.4	2,738.1
<i>Increases</i>	431.9	213.1	-	0.0	43.3	688.3
<i>Decreases</i>	-64.2	-29.2	-	-	-21.4	-114.7
<i>Net carrying amount 31 December</i>	2,196.0	1,034.4	4.8	15.1	61.3	3,311.6

*) Other investments, M€	Other shares	Receivables from associated companies	Receivables from funds	Other investments	Non-current receivables	Total
<i>Acquisition cost 1 January</i>	9.6	23.5	6.3	0.1	-	39.4
<i>Increases</i>	-	37.5	3.0	-	2.8	43.3
<i>Decreases</i>	-0.3	-18.5	-	-	-2.6	-21.4
<i>Net carrying amount 31 December</i>	9.2	42.5	9.3	0.1	0.2	61.3

In 2017 Sponda plc has begun to recognize shares of the companies in fair value. The effects of the changes have been recognized directly in equity.

12. Current receivables

M€	2017	2016
<i>Trade receivables</i>	1.9	2.3
<i>Other receivables</i>	15.2	21.3
<i>Loan receivables</i>		
<i>Loan receivables, Group companies</i>	-	0.0
<i>Prepaid expenses and accrued income</i>		
<i>From Group companies</i>	18.8	1.2
<i>From other companies</i>	1.5	3.8
<i>Prepaid expenses and accrued income, total</i>	20.4	5.0
<i>Current receivables, total</i>	37.5	28.7
<i>Main items in prepaid expenses and accrued income</i>		
<i>Interest and financial items</i>	5.8	0.0
<i>Other</i>	14.6	5.0
<i>Total</i>	20.4	5.0

13. Equity

M€	2017	2016
<i>Share capital 1 January</i>	111.0	111.0
<i>Share capital 31 December</i>	111.0	111.0
<i>Fair value reserve 1 January</i>	-22.6	-
<i>Adjustment to opening balance ¹⁾</i>	-	-29.2
<i>Change</i>	22.6	6.7
<i>Fair value reserve 31 December</i>	0.0	-22.6
<i>Share premium reserve 1 January</i>	159.1	159.1
<i>Share premium reserve 31 December</i>	159.1	159.1
<i>Invested non-restricted equity reserve 1 January</i>	666.7	445.9
<i>Change</i>	-80.0	220.8
<i>Invested non-restricted equity reserve 31 December</i>	586.7	666.7
<i>Retained earnings 1 January</i>	405.0	502.2

<i>Adjustment to opening balance ¹⁾</i>	-	-2.3
<i>Dividend payment</i>	-387.9	-94.5
<i>Fair value of shares</i>	559.0	-
<i>Retained earnings 31 December</i>	576.1	405.4
<i>Profit/loss for the period</i>	15.5	-0.3
<i>Equity, total</i>	1,448.4	1,319.3

¹⁾ Adjustments made to the opening balances in accordance with opinion 1963/2016 issued by the Accounting Board (see Note 16).

<i>Calculation of distributable funds 31 December, M€</i>	2017	2016
<i>Retained earnings</i>	576.1	405.4
<i>Invested non-restricted equity reserve</i>	586.7	666.7
<i>Profit/loss for the period</i>	15.5	-0.3
<i>Total</i>	1,178.2	1,071.7

14. Provisions

M€	2017	2016
<i>Provisions 1 January</i>	2.4	2.4
<i>Increases</i>	-	-
<i>Decreases</i>	-1.8	-
<i>Provisions 31 December</i>	0.6	2.4

The provision is related to a rental guarantee in a sold property, Vuosaaren Logistiikkakeskus Koy.

15. Liabilities

M€	2017	2016
Non-current interest-bearing liabilities		
Bonds	174.6	324.0
Bank loans	371.2	922.7
Other non-current liabilities, internal	975.1	5.5
Non-current interest-free liabilities		
Other non-current liabilities	0.0	27.7
Total non-current liabilities	1,520.9	1,279.9
Current interest-bearing liabilities		
<i>Loans from financial institutions</i>	468.6	643.6
Current interest-free liabilities		
<i>Advances received</i>	0.8	1.4
<i>Trade payables</i>		
<i>To Group companies</i>	12.5	48.1
<i>To other companies</i>	1.7	1.7
Total trade payables	14.2	49.8
<i>Accrued expenses and prepaid income</i>		
<i>Payable to Group companies</i>	103.1	10.1
<i>Payable to other companies</i>	7.9	18.8
Total accrued expenses and prepaid income	111.0	28.9
<i>Other current debt receivable from Group companies</i>	130.6	88.8
<i>Other current debt</i>	4.7	6.2
Total current interest-free liabilities	261.3	175.1
Total current liabilities	729.9	818.7

<i>Main items in accrued expenses and prepaid income</i>		
<i>Interest and financial items</i>	5.0	11.3
<i>Personnel expenses *</i>	-	5.4
<i>Other</i>	106.0	12.3
Total	111.0	28.9

*) employees has been transferred to Sponda Real Estate in 31 December.

16. Financing

On 13 December 2016, the Accounting Board issued opinion 1963/2016 regarding the accounting treatment of derivatives. Following the opinion, Sponda Plc has begun to recognise derivatives at fair value in accordance with IAS 39 (IFRS 9). The effects of the changes on the opening balances for the financial year 2016 have been recognised directly in equity and comparison information is not provided in the financial statements for 2016 (see Note 13). The accounting policies concerning the financing of the parent company correspond to the accounting policies presented in Note 3 to the consolidated financial statements. The notes to the parent company's financial statements include the tables whose figures differ from those of the notes for the consolidated financial statements.

Financial income and expenses

M€	2017	2016
Dividends		
<i>Intra-group dividends</i>	32.3	-
Financial income		
<i>Interest income</i>		
<i>Loans and receivables</i>	0.7	0.7
<i>Other financial income</i>	0.1	0.1
<i>Interest income from foreign currency derivatives</i>	0.0	0.4
<i>Exchange rate gains</i>		
<i>Exchange rate gains, realised</i>	0.1	0.0
<i>Exchange rate gains, recognised at fair value through profit and loss</i>	0.0	0.2
<i>Change in fair value</i>		
<i>Recognised at fair value through profit and loss</i>	2.1	1.7
<i>Intra-group financial income</i>	26.9	29.6
Total	29.9	32.7
Financial expenses		
<i>Interest expenses</i>		
<i>Interest expenses on liabilities recognised at amortised cost</i>	-48.5	-51.5
<i>Interest expenses from foreign currency derivatives</i>	0.0	-0.4
<i>Other financial expenses, loan management expenses</i>	-30.1	-7.5
<i>Exchange rate losses</i>		
<i>Exchange rate losses, realised</i>	0.0	0.0
<i>Exchange rate losses, recognised at fair value through profit and loss</i>	0.0	-0.1
<i>Unrealised exchange rate losses from foreign currency loans</i>	0.0	-1.7
<i>Interest rate derivatives subject to hedge accounting, ineffective portion</i>	0.0	0.0
<i>Change in fair value</i>		
<i>Recognised at fair value through profit and loss</i>	0.0	-0.6
<i>Intra-group financial charges</i>	-87.5	-104.1
<i>Intra-group interest expenses</i>	-3.9	-0.2
Total	-170.0	-166.2
<i>Capitalised borrowing costs incurred in the acquisition, construction or production of a qualifying asset*</i>		
Financial expenses, total	-170.0	-166.2
Net financing costs	-107.8	-133.5

Cash and cash equivalents

Cash and cash equivalents are all denominated in euros.

Liquidity and refinancing risk

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

31.12.2017, M€	2018	2019	2020	2021	2022	>5 years
<i>Bonds and FRNs</i>	159	4	179	-	-	-
<i>Loans from financial institutions</i>	25	297	105	-	-	-
<i>Commercial papers</i>	319	-	-	-	-	-
<i>Interest rate derivatives</i>						
- <i>in hedge accounting, net</i>	-	-	-	-	-	-
- <i>not in hedge accounting, net</i>	-	-	-	-	-	-
<i>Currency derivatives not included in hedge accounting, net *)</i>	0	-	-	-	-	-
<i>Trade payables</i>	10					-
<i>Interest payable</i>	5	-	-	-	-	-
<i>Intra-group loans</i>	23	23	23	-	-	-
Total	541	324	308	0	0	0

Capital structure and equity ratio

M€	2017
<i>Interest-bearing liabilities</i>	1,014
<i>Cash, funds in bank and interest-bearing receivables</i>	40
<i>Interest-bearing net liabilities</i>	974
<i>Total equity</i>	1,448
<i>Balance sheet total</i>	3,835
<i>Equity ratio</i>	38%

Financial assets and liabilities

Carrying amounts of financial assets and liabilities by category

2017 Balance sheet item, M€	Financial assets/liabilities recognised at fair value through profit and loss	Loans and receivables	Financial liabilities recognised at amortised cost	Hedging derivatives	Carrying amount of balance sheet items	Fair value	Level 1	Level 2	Level 3	Total
Non-current financial assets										
Long term receivables	0.0				0.0	0.0		0.0		0.0
Derivative contracts										
Current financial assets										
Trade receivables and other financial assets		1.9			1.9	1.9				
Cash and cash equivalents		40.0			40.0	40.0				
Intra-group financial assets	1,428.0				1,428.0	1,428.0				
Carrying amount by category	1,428.0	42.0			1,470.0	1,470.0				
Non-current financial liabilities										
Interest-bearing loans and borrowings			545.8		545.8	549.5		549.5		549.5
Derivative contracts										
Current financial liabilities										
Interest-bearing loans and borrowings			468.6		468.6	471.9		471.9		471.9
Derivative contracts										
Interest payable			5.0		5.0	5.0				
Trade payables and other financial liabilities			1.7		1.7	1.7				
Intra-group financial liabilities			975.1		975.1	975.1				
Carrying amount by category			1,996.2		1,996.2	2,003.2				

All derivative instruments are measured at fair value on the balance sheet. Interest-bearing debt is measured at amortised cost using the effective interest rate method. All other items are valued at cost on the parent company's balance sheet.

Financial assets include EUR 0.0 million in derivative instruments and in financial liabilities there are no derivative instruments.

Interest-bearing liabilities

Long-term liabilities, M€	Carrying amount 2017	Fair value 2017	Carrying amount 2016	Fair value 2016
Bonds and FRNs *)	174.6	178.3	324.0	336.4
Loans from financial institutions	371.2	371.2	1,016.7	1,026.8
Intra-group loans	-	-	-	-
Total	545.8	549.5	1,340.7	1,363.2

Derivative contracts

M€	Fair value 2017	Nominal value 2017	Fair value 2016	Nominal value 2016
Interest derivatives				
<i>Interest rate swaps</i>				
<i>In hedge accounting</i>	-	-	-28.2	655.0
<i>Not in hedge accounting</i>	-	-	-0.1	150.0
<i>Interest rate caps, bought</i>				
<i>In hedge accounting</i>	-	-	-	-
<i>Not in hedge accounting</i>	-	-	0.2	362.2
<i>Forward rate agreements</i>	-	-	-	-
Foreign currency derivatives				
<i>Currency options</i>				
<i>Currency options, call</i>	0.0	2.8	0.0	5.0
<i>Currency options, put</i>	-	-	-	-
<i>Cross currency swaps</i>	-	-	-	-

Maturity of non-current liabilities

Maturity of non-current liabilities 31 December 2017, M€	2018	2019	2020	2021	2022	>5 years
<i>Bonds and FRNs</i>	150.0	-	175.0	-	-	-
<i>Loans from financial institutions</i>	-	269.5	101.7	-	-	-
<i>Intra-group loans</i>		975.1				

This table shows the maturities of non-current liabilities, showing the nominal value at the time the loan was taken. Foreign currency loans are quoted at the rate of the balance sheet date. Loans maturing in 2018 are presented in the balance sheet under current loans.

The average interest rate of all the Group's loans, including derivatives, was 3.7% (2016: 2.7%). The average maturity of loans was 1.8 years (2016: 2.6 years).

17. Collateral and contingent liabilities

M€	2017	2016
<i>Loans from financial institutions, covered by collateral</i>	371.2	112.2

Collateral given on behalf of Group companies, M€	2017	2016
<i>Carrying amount of pledged shares</i>	1,813.6	12.9

*) In 2017 made in second mortgage after Group's so called senior-lenders' claims. Group's senior loans were 2,207.6 million in 31 December 2017.

Contingent liabilities given on behalf of Group companies, M€	2017	2016
<i>Guarantees given on behalf of Group companies</i>	3.4	4.4

Lease liabilities, M€	2017	2016
<i>Payments based on agreements fall due as follows:</i>		
<i>During the following year</i>	-	0.3
<i>After the following year</i>	-	0.2
Total	-	0.6

Other lease agreements consist of leases for vehicles and office equipment. The leases have lengths of 3–5 years and they have no redemption obligations.

Other commitments, M€	2017	2016
<i>Investment commitments to real estate funds</i>	3.5	3.6

List of accounting books and document types and their method of storage

List of accounting books and methods of storage

Balance sheet book	separately bound
Journal and general ledger	electronic archive
Accounts payable and receivable	electronic archive
Itemisations of fixed assets	computer lists
Accounts payable receipts	electronic archive
Accounts receivable receipts	computer lists and electronic archive
Memoranda	paper receipts
Cash receipts	paper receipts and computer lists

Voucher types used

AMC	Internal
IP	Invoices from IP
IW	Invoices from IW
KASSA	Cash receipts
KOM	Fixed assets
KONV	Conversion
LT	Credit losses
M2	Travel invoices
MEMO	Memoranda
PALKAT	Wages and salaries
PKULU	Project, expense
RESK	Internal accounts payable/receivable transactions
TILIOTE	Bank statements
UFW	Financing transactions
VIITTEET	Trade receivables

Proposal of the Board of Directors on the disposal of the profit/loss (-) for the financial year

SPONDA PLC

GROUP

PROPOSAL BY THE BOARD OF DIRECTORS ON THE DISPOSAL OF THE PROFIT FOR THE YEAR

The parent company's distributable funds amount to EUR 1,178,222,671.10, of which the result for the financial year is EUR 15,469,563.20.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 320.5 million to be paid for the 2017 financial year.

There have been no significant 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, 2 February 2018

Signatures of the Board of Directors and CEO and the auditor's statement

SPONDA PLC

Board of Directors

Andrew Lax

Michael Swank

Leif Andersson

Outi Henriksson

Jean-Francois Bossy

Svein Erik Lilleland

James Seppälä

Kari Inkinen

President and CEO

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

Helsinki, 2 February 2018

Esa Kailiala
APA

KPMG Oy Ab

Petri Kettunen
APA

Auditor's Report

To the Annual General Meeting of Sponda Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sponda Plc (business identity code 0866692-3) for the year ended 31 December, 2017. The financial statements comprise the consolidated statement of financial position, income statement, statement of other comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7.1 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Valuation of Investment Properties (Note 2 to the Consolidated Financial Statements and Note 11 to the parent company financial statements)

- Investment properties (€3,935 million) represent 82% of the consolidated total assets as at 31 December 2017. Valuation of investment properties is considered a key audit matter due to management's estimates used in forecasts underlying the valuations, and significance of the carrying amounts involved.
- The fair values of investment properties are determined on property-specific basis using estimated discounted cash flows. Determining the underlying key assumptions requires management to make judgements in respect of yields, market rents, operating costs and vacancy rates, among others.
- Shareholdings in the parent company's balance sheet are carried at fair value of the underlying shares.
- We assessed the assumptions used requiring management judgements, as well as the grounds for substantial changes in fair values. We also tested controls in place in the company over the accuracy of the basic data used in the calculations.
- We involved KPMG valuation specialists, to test the technical appropriateness of the calculations, and to compare the assumptions used to market and industry data, on a sample basis.
- We met with the external property valuer (Authorised Property Valuer, AKA) used by Sponda, to evaluate the appropriateness of the valuation method applied by Sponda.
- We assessed the appropriateness of the disclosures provided on the investment properties.

Revenue Recognition (Note 2.3 to the Consolidated Financial Statements)

- Sponda's revenues consist almost solely of rental income. Varying terms and conditions in lease agreements are common in real estate business.
- We evaluated and tested controls over both the IT environment of the property rental process and the accuracy of invoicing, to assess the completeness and accuracy of total revenues.
- Our substantive procedures included, among others, analyzing monthly rental income reporting, prepared on property-specific basis.

Accounting for Interest-Bearing Liabilities and Derivative Instruments (Note 3 to the Consolidated Financial Statements)

- At the year-end 2017, Sponda's interest-bearing liabilities totaled €3,186 million, representing 67% of the consolidated total assets in the statement of financial position.
- Resulting from the concluded refinancing arrangements, individual property companies are now mainly the borrowers, affecting the deferred tax position.
- The Group utilizes derivative contracts, measured at fair value. The-nominal value of the derivatives totaled €1,633 million as at 31 December 2017. Sponda uses derivative contracts mainly to hedge its interest rate risk exposure.
- Our audit procedures included evaluation of the recognition and measurement policies for financial instruments, and testing of the controls relevant to the accuracy and measurement of financial instruments.
- As part of our substantive procedures, we assessed the appropriateness of the accounting treatment of the refinancing arrangements.
- We tested the accuracy of the measurements and the accruals for financial items on a sample basis.
- We assessed the appropriateness of the disclosures provided on the interest-bearing liabilities and derivative instruments.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 21 April 1998, and our appointment represents a total period of uninterrupted engagement of 20 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 2 February 2018

KPMG OY AB

ESA KAILIALA
Authorised Public Accountant, KHT

PETRI KETTUNEN
Authorised Public Accountant, KHT