



H2

FULL YEAR RESULT 1.1.–31.12.2018

Sponda owns, leases and develops business properties in the Helsinki metropolitan area and the largest cities in Finland.

Sponda's 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.

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SPONDA PLC'S FULL YEAR RESULT JANUARY–DECEMBER 2018:

YEAR 2018 IN BRIEF (COMPARED WITH YEAR 2017)

- Total revenue decreased to EUR 259.2 (263.7) million.
- Net operating income totalled EUR 182.8 (193.7) million.
- Operating profit was EUR 155.1 (173.5) million. This includes a fair value change of EUR -8.4 (4.9) million.
- Earnings per share were EUR 0.10 (0.21).
- The fair value of the investment properties amounted to EUR 3,755.8 (3,935.3) million.

JULY–DECEMBER IN BRIEF (COMPARED WITH 1 JULY–31 DECEMBER 2017)

- Total revenue decreased to EUR 130.3 (130.7) million
- Net operating income was EUR 100.2 (104.9) million
- Operating profit was EUR 72.2 (109.4) million. This includes a fair value change of EUR -27.4 (25.7) million
- Earnings per share were EUR 0.05 (0.11).

KEY FIGURES

	7-12/2018	7-12/2017	1-12/2018	1-12/2017
Total revenue, M€	130.3	130.7	259.2	263.7
Net operating income, M€	100.2	104.9	182.8	193.7
Operating profit, M€	72.2	109.4	155.1	173.5
Earnings per share, €	0.05	0.11	0.10	0.21
Equity per share, €			3.67	3.97
Equity ratio, %			29.8	28.5

Due to a revised accounting principle, group recognised the full year's property taxes as expenses during the review period. The comparison figures have been adjusted to reflect the change and the effect to the H2 2017 maintenance expenses is EUR +7.6 million. The change doesn't have an effect to the 2017 full year figures.

Sponda also changed its accounting principles concerning deferred taxes during H2 2018 and has restated H1 2018 figures and financial year 2017 figures to make them comparable. The restated figures are presented as comparison figures.

BUSINESS CONDITIONS

Economic growth in Finland has remained strong and is expected to continue in 2019, albeit at a more moderate pace. According to the Ministry of Finance's forecast, the Finnish GDP will grow by 1.5% in 2019. The improvement of the economy also has a positive impact on employment. According to Statistics Finland, the unemployment rate was 7.4% at the end of 2018

GROUP RESULT IN 2018

Sponda Group's result for 2018 was EUR 33.8 (76.6) million, while the result before taxes was EUR 47.1 (98.3) million. Operating profit was EUR 155.1 (173.5) million.

Net operating profit decreased by approximately 5.6% to EUR 182.8 (193.7) million. Items that had a negative effect on the development of net operating income included a small number of properties being vacated due to property development as well as property sales. Marketing and administration expenses and other operating income and expenses totalled EUR 32.4 (32.9) million. Marketing and administration expenses represented EUR 29.5 (25.5) million of this total. This figure was affected by the increase in the number of personnel as well as non-recurring personnel expenses.

Kai Aejmelaeus was appointed as Sponda's new President and Chief Executive Officer on 12 February 2018 and he subsequently took up his post in April. Aejmelaeus succeeds Kari Inkinen, who moved into a new role as Senior Advisor and board member of Sponda.

During the period, the Group recognised profit on sales of EUR 16.4 (12.9) million from sales of investment and trading properties. The change in fair value of the investment properties and real estate funds were EUR -8.4 (4.9) million. The negative change in fair value was primarily attributable to property investments in Russia. The Group's result was weighed down by amortisation of goodwill amounting to EUR 3.3 (5.2) million. The item was related to the Ratina shopping centre project and was written off once the project was completed.

Financial income and expenses for the period totalled EUR -107.9 (-75.2) million. Financial expenses increased due to the termination of old financing agreements in the final quarter of the previous financial year. Deferred tax expense increased approximately to EUR -12.7 million during the period due to a change in the accounting policies concerning deferred taxes related to investment properties. More information is provided in the Accounting policies section in the financial statements.

PROPERTY ASSETS 1 JANUARY–31 DECEMBER 2018

At the end of 2018, Sponda had a total of 165 leasable properties, with an aggregate leasable area of approximately 1.2 million m². Of this total, approximately 57% is office premises, 25% shopping centres and 16% logistics premises. Approximately 1% of the total area is located in Russia.

The fair values of Sponda's investment properties located in Finland 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 2018, an external consultant (Catella Property Oy) audited the values of Sponda's investment properties in Finland. The properties in Russia were assessed by an external consultant (CB Richard Ellis). The fair value of our investment properties was approximately EUR 3.8 billion at the end of 2018.

Valuation gains/losses on fair value assessment

	M€	7-12/2018	7-12/2017	1-12/2018	1-12/2017
Changes in yield requirements (Finland)		7.2	31.0	31.0	46.2
Development gains on property development projects		-	8.5	24.8	13.9
Modernisation investments		-28.1	-19.3	-42.3	-37.8
Change in market rents and maintenance costs (Finland)		2.4	12.4	-2.7	2.8
Change in value (Russia)		-4.4	-5.1	-14.6	-18.4
Investment properties, total		-22.8	27.4	-3.8	6.7
Real estate funds		-4.6	-1.7	-4.6	-1.7
Realised share of fund profits		-	0.0	0.0	0.0
Group, total		-27.4	25.6	-8.4	4.9

Changes in Sponda's investment property assets 1 January–31 December 2018

	M€	Total	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings
Operating income		257.6	155.6	86.6	0.8	14.7
Maintenance expenses		-73.9	-44.7	-20.8	-1.5	-6.8
Net operating income		183.8	110.9	65.8	-0.7	7.8
Investment properties on 1 January 2018		3,935.3	2 229.0	1 221.5	305.8	179.1
Investment properties held for sale on 1 January 2018		-	-	-	-	-
Capitalised interest 2018		1.9	-	-	1.9	-
Acquisitions		12.7	5.6	-	7.1	-
Investments		110.8	26.4	6.3	77.0	1.1
Transfers between segments/asset items		-	40.8	295.0	-335.8	-
Sales		-59.8	-59.5	-	-	-0.3
Change in fair value		-3.8	-15.9	12.6	15.9	-16.4
Reclassifications to non-current assets held for sale		-241.4	-220.4	-21.0	-	-
Investment properties on 31 December 2018		3,755.8	2 006.0	1 514.4	72.0	163.5
Change in fair value, %		-0.1	-0.7	1.0	5.2	-9.2

RENTAL OPERATIONS

At the end of December 2018, Sponda had 1,924 clients and a total of 3,186 lease agreements.

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

The average length of all lease agreements was 3.7 (3.8) years. The average length of lease agreements was 4.0 (4.0) years for office properties and 3.5 (3.9) years for shopping centres.

The lease agreements expire as follows:

% of rental income	31.12.2018		31.12.2017	
Within 1 year	18.1		17.0	
Within 2 years	12.0		12.8	

<i>Within 3 years</i>	13.7	10.3
<i>Within 4 years</i>	12.5	12.6
<i>Within 5 years</i>	7.6	11.3
<i>Within 6 years</i>	5.1	3.4
<i>After more than 6 years</i>	18.5	20.5
<i>Valid indefinitely</i>	12.5	12.1

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. Total revenue in 2018 amounted to EUR 157.0 (170.1) million and net operating income was EUR 111.1 (125.6) million.

	7-12/2018	7-12/2017	1-12/2018	1-12/2017
<i>Total revenue, M€</i>	76.8	84.6	157.0	170.1
<i>Net operating income, M€*</i>	54.8	62.9	111.1	125.6
<i>Operating profit, M€*</i>	53.0	63.3	97.8	109.5
<i>Fair value of properties, M€</i>			2,006.0	2,229.0
<i>- excludes properties classified as held for sale, M€</i>			220.4	-
<i>Change in fair value from beginning of year, M€</i>			-15.9	-6.4
<i>Leasable area, m²</i>			800,000	800,500

*Based on segment reporting and therefore H2 figures include property taxes for six months

Shopping Centres

The Shopping Centres segment is responsible for the leasing, acquisition and sale of shopping centres and retail premises in Finland. Total revenue in 2018 amounted to EUR 86.6 (76.2) million and net operating income was EUR 65.8 (59.6) million.

	7-12/2018	7-12/2017	1-12/2018	1-12/2017
<i>Total revenue, M€</i>	45.8	38.3	86.6	76.2
<i>Net operating income, M€*</i>	34.9	30.2	65.8	59.6
<i>Operating profit, M€*</i>	32.7	45.9	68.5	71.8
<i>Fair value of properties, M€</i>			1,514.4	1,221.5
<i>- excludes properties classified as held for sale, M€</i>			21.0	-
<i>Change in fair value from beginning of year, M€</i>			12.6	19.1
<i>Leasable area, m²</i>			255,500	201,500

*Based on segment reporting and therefore H2 figures include property taxes for six months

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 72 million at the end of 2018. Of this total, EUR 46.8 million was in undeveloped land sites and the remaining EUR 25.1 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 84 million in 2018. The investments were primarily directed to the construction of the Ratina shopping centre and the office and retail complex in Tikkurila, both of which were completed in 2018. Construction also began in 2018 on an office building adjacent to the Ratina shopping centre. The unit's committed investments totalled approximately EUR 41.1 million. About EUR 11.2 million of this total had been invested by 31 December 2018. The property is estimated to be completed in H1/2020.

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 163.5 million at the end of the year. Of this total, logistics properties accounted for EUR 80.2 million and properties in Russia for EUR 83.3 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 16.2 million at the end of 2018.

FINANCING AND BALANCE SHEET KEY FIGURES

Interest-bearing debt amounted to EUR 2,706 (3,186) million at the end of December 2018. The Group's cash funds totalled EUR 107 (729) million and net debt was EUR 2,599 (2,457) million. The debt portfolio comprised EUR 170 million in bonds and EUR 2,534 million in loans from financial institutions. At the end of the period, Sponda had EUR 47 million in credit limits for investment projects. The Group's new financing arrangements moved to secured lending, which resulted in a significant increase in collateralised loans. Total mortgaged loans amounted to EUR 2,551 million, or approximately 61% of the consolidated balance sheet, at the end of 2018.

Sponda's equity ratio on 31 December 2018 stood at 29.8 (28.5) %. Loan to Value (LTV), based on net debt, was 64.4% (61.8%). The weighted average maturity of Sponda's loans was 1.8 (1.8) years. There are certain extension options in loans from financial institutions that Sponda can exercise. The average interest rate was 3.6 (3.4) % including interest derivatives and periodized arrangement fees. Fixed-rate and interest-hedged loans accounted for 56 (56) % of the loan portfolio.

Sponda's net financing costs for the period totalled EUR -108.0 (-75.2) million. Interest expenses of EUR 1.9 (3.3) million were capitalised. Net cash flow from operations in the period under review totalled EUR 67.3 (61.8) million. Net cash flow from investing activities was EUR -51.7 (-132.1) million and the net cash flow from financing activities was EUR -637.2 (787.2) million.

Balance sheet key figures

	31.12.2018	30.6.2018	31.12.2017	30.6.2017
Equity ratio, %	29.8	25.1	28.5	45.7
Loan to Value (LTV)*, %	64.4	69.3	61.8	49.3
Interest-bearing debt, EUR million**	2,706	2,893	3,186	1,939
Cash reserves, EUR million	107	69	729	33
Credit limits for investment projects, EUR million	47	27	47	0

*) Based on net debt

**) December 2018 figure includes EUR 189.7 million of interest-bearing liabilities associated with non-current assets held for sale

SPONDA GROUP

Sponda Plc is part of Polar TopCo S.à r.l. Group, based in Luxembourg.

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.

SPONDA'S MANAGEMENT

Kai Aejmelaeus was appointed as Sponda's new President and Chief Executive Officer on 12 February 2018 and he subsequently took up his post in April. Aejmelaeus succeeds Kari Inkinen, who moved into a new role as Senior Advisor and board member of Sponda.

Sponda made changes to its Executive Board in late 2018. In addition to the President and CEO, the Executive Board consists of Martti Savenius (Chief Operating Officer), Joonas Mäkipeska (Chief Financial Officer), Timo Pantsari (Chief Information Officer) and Ari Käkelä (Chief Legal Officer).

RISKS AND UNCERTAINTY FACTORS IN THE NEAR FUTURE

Sponda estimates that the risks and uncertainty factors for 2019 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 potential sales of Sponda's properties in Russia.

PROSPECTS FOR 2019

Sponda has decided not to give prospects for the financial year 2019.

EVENTS AFTER THE PERIOD

In January and February, Sponda sold properties with a total balance sheet value of EUR 241.4 million.

On 8 February 2019, the company distributed dividends of EUR 77 million on earnings accumulated in 2017. The Annual General Meeting approved the Board of Directors' dividend proposal at a meeting held on 7 February 2019.

THE BOARD'S DIVIDEND PROPOSAL

The Board of Directors proposes to the general meeting that no dividend shall be paid for the financial year 2018.

21 March 2019
Sponda Plc
Board of Directors

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FORMULAS FOR THE KEY INDICATORS AND ITEMISATIONS AND BRIDGE CALCULATIONS REQUIRED FOR ALTERNATIVE KEY FIGURES IN ACCORDANCE WITH ESMA GUIDANCE

IFRS key figures

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

Alternative key figures defined in accordance with ESMA guidance

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

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

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.

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

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.

Specifications required for alternative key figures

M€	1-12/2018	1-12/2017
<i>Advances received</i>	2.5	4.1
<i>Rent deposits received</i>	6.6	5.6
<i>Interest-bearing liabilities related to non-current assets held for sale</i>	189.7	-

SPONDA PLC FULL YEAR FINANCIAL REPORT 1 JANUARY–31 DECEMBER 2018, TABLES
Consolidated income statement

M€	7-12/2018	7-12/2017	1-12/2018	1-12/2017
<i>Total revenue</i>				
<i>Rental income and recoverable</i>	130.2	130.5	258.9	263.3
<i>Interest income from finance leasing agreements</i>	0.2	0.2	0.3	0.3
	130.3	130.7	259.2	263.7
<i>Expenses</i>				
<i>Maintenance expenses *</i>	-30.2	-25.8	-76.5	-70.0
<i>Net operating income</i>	100.2	104.9	182.8	193.7
<i>Profit/loss on sales of investment properties</i>	15.4	1.0	15.9	4.0
<i>Valuation gains/losses on fair value assessment</i>	-27.4	25.7	-8.4	4.9
<i>Amortisation of goodwill</i>	-	-2.9	-3.3	-5.2
<i>Profit/loss on sales of associated companies</i>	-	-	-	-
<i>Profit/loss on sales of trading properties</i>	0.5	1.5	0.5	9.0
<i>Sales and marketing expenses</i>	-2.1	-1.6	-4.0	-2.8
<i>Administrative expenses</i>	-13.0	-11.7	-25.5	-22.7
<i>Other operating income</i>	0.3	0.2	0.6	0.5
<i>Other operating expenses</i>	-1.8	-7.7	-3.5	-7.9
<i>Operating profit</i>	72.2	109.4	155.1	173.5
<i>Financial income</i>	0.7	2.5	1.2	3.1
<i>Financial expenses</i>	-56.1	-53.4	-109.2	-78.3
<i>Total amount of financial income and expenses</i>	-55.5	-50.9	-107.9	-75.2
<i>Profit before taxes</i>	16.7	58.5	47.1	98.3
<i>Income taxes for current and previous fiscal years</i>	0.1	-0.5	-0.6	-1.3
<i>Deferred taxes**</i>	-1.0	-17.0	-12.7	-20.4
<i>Income taxes, total**</i>	-0.8	-17.5	-13.3	-21.7
<i>Profit/loss for the period**</i>	15.9	41.0	33.8	76.6
<i>Attributable to:</i>				
<i>Equity holders of parent company</i>	15.9	41.0	33.8	76.6
<i>Non-controlling interest</i>	0.0	0.0	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>	0.05	0.11	0.10	0.21

* Due to a revised accounting principle, group recognised the full year's property taxes as expenses during the review period. The comparison figures have been adjusted to reflect the change and the effect to the H2 2017 maintenance expenses is EUR +7.6 million. The change doesn't have an effect to 2017 full year figures.

** Sponda changed its accounting principles concerning deferred taxes during the financial year 2018 and has restated the figures for financial year 2017 to make them comparable. Due to the change FY2017 profit for the period decreased EUR 147.9 million.

Consolidated statement of other comprehensive income

M€	7-12/2018	7-12/2017	1-12/2018	1-12/2017
<i>Profit/loss for the period</i>	15.9	41.0	33.8	76.6
<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>	0.1	0.0	0.1	0.0
<i>Taxes on items that will not be reclassified to profit or loss</i>	0.0	0.0	0.0	0.0
<i>Items that will not be reclassified to profit or loss, total</i>	0.1	0.0	0.1	0.0
<i>Items that may be reclassified subsequently to profit or loss</i>				
<i>Net loss/profit from cash flow hedges</i>	-	21.2	-	28.2
<i>Translation differences</i>	-0.2	-0.2	-0.2	-0.5
<i>Taxes on items that may be reclassified subsequently to profit or loss</i>	-	-4.2	-	-5.5
<i>Items that may be reclassified subsequently to profit or loss, total</i>	-0.2	16.8	-0.2	22.2
<i>Other comprehensive income for the period after taxes</i>	-0.2	16.9	-0.2	22.2
<i>Comprehensive profit/loss for the period</i>	15.7	57.8	33.7	98.8
<i>Attributable to:</i>				
<i>Equity holders of parent company</i>	15.7	57.8	33.7	98.8
<i>Non-controlling interest</i>	0.0	0.0	0.0	0.0

Consolidated balance sheet

M€	31.12.2018	31.12.2017
ASSETS		
<i>Non-current assets</i>		
<i>Investment properties</i>	3,755.8	3,935.3
<i>Investments in real estate funds</i>	16.2	20.7
<i>Property, plant and equipment</i>	13.9	13.3
<i>Goodwill</i>	-	3.3
<i>Other intangible assets</i>	1.3	1.4
<i>Finance lease receivables</i>	2.7	2.7
<i>Other investments</i>	0.1	1.9
<i>Deferred tax assets</i>	22.3	13.9
<i>Non-current assets total</i>	3,812.5	3,992.5
<i>Current assets</i>		
<i>Trading properties</i>	6.6	6.6
<i>Trade and other receivables</i>	28.8	26.7
<i>Cash and cash equivalents</i>	106.7	729.1
<i>Current assets total</i>	142.1	762.3
<i>Non-current assets held for sale</i>	241.4	-
<i>Total assets</i>	4,195.9	4,754.9
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>	756.7	572.7
<i>Fair value reserve</i>	-	-
<i>Revaluation reserve</i>	0.7	0.7
<i>Other equity fund</i>	0.0	0.0
<i>Translation differences</i>	0.3	0.5
<i>Retained earnings</i>	217.3	503.9
<i>Equity attributable to equity holders of the parent company</i>	1,245.5	1,348.3
<i>Non-controlling interest</i>	1.9	1.8
<i>Shareholders' equity, total</i>	1,247.4	1,350.1
<i>Liabilities</i>		
<i>Non-current liabilities</i>		
<i>Deferred tax liabilities</i>	167.1	146.1
<i>Provisions</i>	-	0.6
<i>Interest-bearing loans and borrowings</i>	2,516.2	2,717.8
<i>Other liabilities</i>	0.4	0.5
<i>Non-current liabilities total</i>	2,683.8	2,865.0
<i>Current liabilities</i>		
<i>Current interest-bearing liabilities</i>	0.0	468.6
<i>Trade and other payables</i>	73.2	71.1
<i>Tax liabilities based on the taxable income for the period</i>	0.0	-
<i>Current liabilities total</i>	73.3	539.7
<i>Liabilities associated with non-current assets held for sale</i>	191.5	-
<i>Total borrowings</i>	2,948.6	3,404.7
<i>Total equity and liabilities</i>	4,195.9	4,754.9

Sponda changed its accounting principles concerning deferred taxes during the financial year 2018 and has restated the figures for financial year 2017 to make them comparable. Due to the change Shareholders' equity decreased EUR 177.7 million, deferred tax liabilities increased EUR 145.2 million and Total equity and liabilities decreased EUR 32.5 million.

Consolidated statement of cash flows

M€	1-12/2018	1-12/2017
<i>Cash flow from operating activities</i>		
<i>Profit for the period</i>	33.8	76.6
<i>Adjustments</i>	114.8	99.4
<i>Change in net working capital</i>	8.4	-8.7
<i>Interest received</i>	0.4	0.4
<i>Interest paid</i>	-87.7	-47.8
<i>Other financial items</i>	-1.7	-58.1
<i>Dividends received</i>	0.0	0.0
<i>Taxes received/paid</i>	-0.6	0.1
<i>Net cash flow from operating activities</i>	67.3	61.8
<i>Cash flow from investing activities</i>		
<i>Acquisition of investment properties</i>	-126.3	-150.5
<i>Capital expenditure on real estate funds</i>	-0.1	0.0
<i>Acquisition of tangible and intangible assets</i>	-0.6	-0.4
<i>Proceeds from disposal of investment properties</i>	75.2	18.8
<i>Proceeds from disposal of real estate funds</i>	-	-
<i>Proceeds from disposal of shares in associated companies</i>	-	-
<i>Proceeds from disposal of tangible and intangible assets</i>	-	-
<i>Repayments of loan receivables</i>	-	-
<i>Net cash flow from investing activities</i>	-	-
	-51.7	-132.1
<i>Cash flow from financing activities</i>		
<i>Increase in invested unrestricted equity reserve</i>		
<i>Non-current loans, raised</i>	184.0	0.0
<i>Repurchase of hybrid bond</i>	47.0	2,578.8
<i>Non-current loans, repayments</i>	-	-95.0
<i>Current loans, raised/repayments</i>	-228.9	-1,293.0
<i>Interest paid on hybrid bond</i>	-318.8	70.8
<i>Dividends paid</i>	-	-6.4
<i>Net cash flow from financing activities</i>	-320.5	-467.9
	-637.2	787.2
<i>Change in cash and cash equivalents</i>		
	-621.6	716.9
<i>Cash and cash equivalents, beginning of period</i>		
<i>Impact of changes in exchange rates</i>	729.1	12.9
<i>Cash and cash equivalents, end of period</i>	-0.7	-0.8
<i>Cash flow from operating activities</i>	106.7	729.1

Sponda changed its accounting principles concerning deferred taxes during the financial year 2018 and has restated the figures for financial year 2017 to make them comparable. The net cash flows were not affected.

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 2018</i>	111.0	159.4	572.7	0.0	0.7	0.0	0.5	503.9	1,348.3	1.8	1,350.1
<i>Comprehensive income</i>											
<i>Profit for the period</i>								33.8	33.8	0.0	33.8
<i>Other comprehensive income (net of tax)</i>											
<i>Items arising from the remeasurement of defined benefit liabilities (or assets)</i>								0.1	0.1	-	0.1
<i>Translation differences</i>							-0.2		-0.2	-	-0.2
<i>Comprehensive income, total</i>							-0.2	33.9	33.7	0.0	33.7
<i>Transactions with shareholders</i>											
<i>Increase in equity (invested non-restricted equity reserve)</i>			184.0						184.0	-	184.0
<i>Dividend distribution and other capital repayments</i>								-320.5	-320.5	-	-320.5
<i>Transactions with shareholders, total</i>			184.0					-320.5	-136.5	-	-136.5
<i>Repurchase of hybrid bond</i>								-	-	-	-
<i>Interest paid on hybrid bond</i>								-	-	-	-
<i>Change</i>								0.0	0.0	0.0	0.0
<i>Equity 31 December 2018</i>	111.0	159.4	756.7	0.0	0.7	0.0	0.3	217.3	1,245.5	1.9	1,247.4

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
Equity 1 January 2017	111.0	159.4	652.7	-22.6	0.7	94.0	0.9	851.8	1,848.1	1.8	1,849.9
Effect of change in accounting policy concerning deferred taxes								-29.8	-29.8	-	-29.8
Adjusted shareholders' equity 1 January 2017	111.0	159.4	652.7	-22.6	0.7	94.0	0.9	822.0	1,818.3	1.8	1,820.1
Comprehensive income											
Profit for the period								76.6	76.6	0.0	76.6
Other comprehensive income (net of tax)											
Items arising from the remeasurement of defined benefit liabilities (or assets)								0.0	0.0	-	0.0
Cash flow hedges				22.6					22.6	0.0	22.6
Translation differences							-0.4		-0.4	-	-0.4
Comprehensive income, total				22.6			-0.4	76.6	98.8	0.0	98.9
Transactions with shareholders											
Share issue											
Dividend distribution and other capital repayments			-80.0					-387.9	-467.9	-	-467.9
Transactions with shareholders, total			-80.0					-387.9	-467.9	-	-467.9
Repurchase of hybrid bond						-94.0		-1.0	-95.0	-	-95.0
Interest paid on hybrid bond								-5.1	-5.1	-	-5.1
Change								-0.7	-0.7	0.1	-0.7
Equity 31 December 2017	111.0	159.4	572.7	0.0	0.7	0.0	0.5	503.9	1,348.3	1.8	1,350.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting principles

This financial statements bulletin has been prepared in accordance with IAS 34 (Interim Financial Reporting).

The preparation of the financial statements in accordance with IFRS requires management to make estimates and judgments that affect the valuation of reported assets and liabilities as well as the recognition of income and expenses. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may differ from the values used.

All figures are presented in millions of euros and rounded to the nearest EUR 0.1 million, due to which the sum of individual figures may deviate from the total shown.

Sponda has changed its accounting policies regarding deferred tax assets and liabilities related to investment properties in accordance with the IFRS Interpretations Committee's agenda decision (7/2014). According to the new accounting policy, the temporary difference that is the basis of deferred taxes consists of the difference between the fair value of investment properties and the residual tax value of the underlying assets. The previous accounting policy applied by Sponda was based on the most probable method of realising the property, i.e. selling the shares that entitle their holder to ownership of the property and recognising deferred taxes accordingly. Sponda changed its accounting principles concerning deferred taxes during financial year 2018 and has restated H1 2018 figures and financial year 2017 figures to make them comparable according to the IAS 8 standard. The impact of the change in accounting policy, totalling EUR -29.8 million, has been recognised in retained earnings as of 1 January 2017. The change reduced the result for the 2017 financial year by EUR 147.9 million. Due to the restatement, total shareholder's equity as at 31 December 2017 was reduced by EUR 177.7 million, deferred tax liabilities increased by EUR 145.2 million and deferred tax assets decreased by EUR 32.4 million. In Sponda's operations, the principle is to realise shareholdings of property companies by selling the shares held by the Group, not the property that is the basis of deferred taxes.

Sponda has applied the IFRS 15 and IFRS 9 standards from the start of the 2018 financial year. The most significant changes in the new IFRS 9 standard are related to the classification of financial instruments, liabilities and investments, the accounting of credit losses and requirements pertaining to hedge accounting. Due to Sponda Plc's financing structure, the new standard has not had a significant impact on Sponda's consolidated figures. As Sponda applies the IAS 17 Leases standard, the Group's figures have also not been affected by IFRS 15.

Pursuant to IFRIC 21, the Group recognises a liability in the balance sheet when the obligating event occurs. In accordance with the Finnish Financial Supervisory Authority's instructions, Sponda recognised the full year's property taxes as expenses during H1 2018. In previous periods, the Group periodized property taxes in the profit and loss statement based on the passage of time. In the Group's segment information, a six-month share of property taxes was allocated to the Others segment because, in accordance with the businesses' internal monitoring principles, property taxes are recognised monthly. The comparison figures have been adjusted to reflect the change in accounting principles.

IFRS 16 Leases standard has replaced the IAS 17 standard and related interpretations from 1 January 2019 onwards. The application of the standard will not result in any changes to the accounting treatment of leases where Sponda acts as the lessor. 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 from which Sponda will recognise right-of-use asset and lease liability at 1 January 2019. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities reported under financing expenses. The adoption of new standard will also have an impact on the presentation of the consolidated statement of cash flows as realised rent payments are allocated to cash flow from financing activities for the portion corresponding to part payment of debt and to cash flow from operating activities for the portion corresponding to finance costs.

Sponda will apply IFRS 16 using the modified retrospective approach by recognising the cumulative effect in the opening balance sheet as at 1 January 2019 without restatement of comparatives and with exemptions permitted by the standard, hence Sponda will not apply the standard to short-term leases with a duration of less than a year or leases of a low value, such as leases applicable to specific office equipment. Based on the preliminary analysis Sponda expects to recognise right-of-use assets and respective lease liabilities of approximately EUR 40-45 million as of 1 January 2019.

More detailed information on the accounting principles can be found in Sponda Plc's consolidated financial statements dated 31 December 2018.

The figures in the financial statement release have been audited.

Segment information

1-12/2018						
M€	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings	Other	Group total
Total revenue	157.0	86.6	1.0	14.7	0.0	259.2
Maintenance expenses and direct fund expenses	-45.8	-20.8	-2.9	-6.8	0.0	-76.5
Net operating income	111.1	65.8	-2.0	7.8	0.0	182.8
Profit on sales of investment properties	15.4	-	0.0	0.4	-	15.9
Loss on sales of investment properties	-	-	-	-	-	-
Profit/loss on sales of associated companies	-	-	-	-	-	-
Profit/loss on sales of trading properties	-	-	0.5	-	-	0.5
Valuation gains/losses on fair value assessment	-15.9	12.6	15.9	-21.0	-	-8.4
Amortisation of goodwill	-	-	-3.3	-	-	-3.3
Administration and marketing expenses	-12.8	-9.6	-5.0	-1.9	-0.1	-29.5
Other operating income and expenses	0.0	-0.3	-2.6	0.0	0.0	-2.9
Operating profit	97.8	68.5	3.6	-14.7	-0.1	155.1
Financial income and expenses					-107.9	-107.9
Profit before taxes					-108.1	47.1
Income taxes					-13.3	-13.3
Profit for the period					-121.4	33.8
Investments	32.0	6.3	84.1	1.1	0.6	124.2
Segment assets	2,229.1	1,535.4	72.0	179.7	179.8	4,195.9
- of which classified as held for sale	220.4	21.0	-	-	-	241.4
1-12/2017						
M€	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings	Other	Group total
Total revenue	170.1	76.2	1.0	16.3	0.0	263.7
Maintenance expenses and direct fund expenses	-44.5	-16.6	-2.6	-6.3	0.0	-70.0
Net operating income	125.6	59.6	-1.6	10.1	0.0	193.7
Profit on sales of investment properties	1.3	-	-	2.9	-	4.2
Loss on sales of investment properties	-	-	0.3	-0.5	-	-0.3
Profit/loss on sales of associated companies	-	-	-	-	-	-
Profit/loss on sales of trading properties	-	-	9.0	-	-	9.0
Valuation gains and losses	-6.4	19.1	13.9	-21.7	-	4.9
Amortisation of goodwill	-	-	-5.2	-	-	-5.2
Administration and marketing expenses	-10.8	-6.7	-5.2	-2.6	-0.2	-25.5
Other operating income and expenses	-0.2	-0.2	0.0	0.0	-7.0	-7.4
Operating profit	109.5	71.8	11.2	-11.8	-7.2	173.5
Financial income and expenses					-75.2	-75.2
Profit before taxes					-82.4	98.3
Income taxes					-20.4	-20.4
Profit for the period					-102.8	76.6
Investments	43.4	7.0	99.0	0.7	1.1	151.2
Segment assets	2,231.7	1,221.5	309.1	199.8	792.8	4,754.9
- of which classified as held for sale	-	-	-	-	-	-

Sponda changed its accounting principles concerning deferred taxes during the financial year 2018 and has restated the figures for financial year 2017 to make them comparable.

Key figures

	7-12/2018	7-12/2017	1-12/2018	1-12/2017
Earnings per share, €	0.05	0.11	0.10	0.21
Equity ratio, %			29.8	28.5
Equity per share, €			3.67	3.97

Investment Properties

At the end of December 2018, Sponda had a total of 165 leasable properties, with an aggregate leasable area of approximately 1.2 million m². Of this total, approximately 57% is office premises, 25% shopping centres and 16% 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 December 2018, an external consultant audited the values of Sponda's investment properties in Finland (Catella Property Oy) and in Russia (CB Richard Ellis). The fair value of the investment properties totalled approximately EUR 3.8 billion at the end of December.

M€	31.12.2018	31.12.2017
Fair value of investment properties, 1 Jan.	3,935.3	3,755.5
Non-current assets held for sale, 1 Jan.	-	32.8
Acquisition of investment properties	12.7	12.5
Other capital expenditure on investment properties	110.8	137.6
Disposals of investment properties	-59.8	-15.0
Transfers between segments/asset items	0.0	2.0
Capitalised borrowing costs, increase in period	1.9	3.3
Valuation gains/losses on fair value assessment	-3.8	6.7
Investment properties reclassified as held for sale	-241.4	-
Fair value of investment properties, end of period	3,755.8	3,935.3
Investment properties held for sale	241.4	-

The Group's most significant investment commitments

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 72 million at the end of December 2018. Of this total, EUR 46.8 million was in undeveloped land sites and the remaining EUR 25.1 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 84 million during the financial year. The investments were primarily directed to the construction of the Ratina shopping centre and the office and retail complex in Tikkurila. Construction also began in 2018 on an office building adjacent to the Ratina shopping centre.

Trading properties

M€	2018	2017
Trading properties at the start of the period	6.6	7.2
Disposals and other changes	0.0	-0.6
Trading properties at the end of the period	6.6	6.6

Collateral and contingent liabilities

Liabilities for which mortgages over property and shares have been given, M€	31.12.2018	31.12.2017
Loans from financial institutions, covered by collateral	2,551.5	2,578.9
Mortgages	2,248.4	2,248.4

<i>Fair value of properties in such companies where no property mortgages are given (only pledge of shares)</i>	186.7	182.0
<i>Fair values of properties in such companies where, in addition the pledge of shares, property mortgages are given</i>	3,147.9	3,369.2
<i>Cash and cash equivalents on pledged bank accounts</i>	75.1	678.6
<i>Guarantees</i>	-	-
Lease and other liabilities, M€	31.12.2018	31.12.2017
<i>Lease liabilities</i>	50.0	49.5
<i>Mortgages</i>	4.5	11.3
<i>Guarantees and deposit guarantees</i>	3.3	3.4
<i>Investment commitments to real estate funds</i>	3.5	3.5
Interest rate derivatives, M€	31.12.2018	31.12.2017
<i>Cap options purchased, notional value</i>	2,207.6	1,630.6
<i>Cap options purchased, fair value</i>	-	0.1
Currency derivatives, M€	31.12.2018	31.12.2017
<i>Currency options, bought, notional value</i>	-	2.8
<i>Currency options, bought, fair value</i>	-	0.0

Related party transactions

The following related party transactions were carried out:

Management employee benefits, M€	31.12.2018	31.12.2017
<i>Salaries and other short-term employee benefits</i>	5.2	2.0
<i>Share-based payments</i>	-	3.0
<i>Total</i>	5.2	5.0

Business transactions carried out with related parties; receivables from and liabilities to related parties as of 31 December 2018

M€	Income	Expenses
<i>Polar Bidco S.à r.l.</i>	-	8.8
<i>Total</i>	-	8.8

M€	Liabilities	Receivables
<i>Polar Bidco S.à r.l.</i>	5.0	-
<i>Total</i>	5.0	-

Business transactions carried out with related parties; receivables from and liabilities to related parties as of 31 December 2017

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