

# Sponda



Interim report 1.1.–30.9.2007

## Sponda Plc's interim report January – September 2007

### Result of operations and financial position January - September 2007 (compared with same period in 2006):

- Total revenue grew to EUR 157.4 (79.8) million.
- Net operating income was EUR 113.7 (60.9) million.
- Operating profit was EUR 215.2 (73.1) million, including a positive change in the value of the investment properties of EUR 92.4 (19.1) million and profit on the disposal of properties of EUR 28.2 (-) million.
- Profit after taxes rose to EUR 118.7 (37.7) million.
- Earnings per share was EUR 1.11 (0.48).
- The cash flow from operations per share rose to EUR 0.59 (0.40).
- The fair value of investment properties was EUR 2 386.2 (1 372.5) million.
- Net assets per share were EUR 8.23 (7.28)
- EPRA net assets per share were EUR 9.80 (8.24)
- Economic occupancy rate rose to 90.3 %

### Result of operations and financial position July – September 2007 (compared with July – September in 2006):

- Total revenue rose to EUR 49.2 (26.5) million.
- Net operating income was EUR 36.2 (20.3) million.
- Operating profit was EUR 68.7 (26.8) million, including a positive change in the value of the investment properties of EUR 36.0 million and profit on the disposal of properties of EUR 0.3 million.
- Profit after taxes was EUR 39.0 (14.1) million.
- Earnings per share was EUR 0.35 (0.18).
- The cash flow from operations per share was EUR 0.15 (0.12).

### Key figures

	7-9/07	7-9/06	1-9/07	1-9/06	1-12/06
Economic occupancy rate, %			90.3	88.2*	88.8*
Total revenue, Me	49.2	26.5	157.4	79.8	117.4
Net operating income, Me	36.2	20.3	113.7	60.9	87.6
Operating profit, Me	68.7	26.8	215.2	73.1	103.9
Earnings per share, e	0.35	0.18	1.11	0.48	0.61
Cash flow from operations per share, e**	0.15	0.12	0.59	0.40	0.56
Net assets per share, e			8.23	7.28	7.45
EPRA net assets per share, e			9.80	8.24	9.57
Equity ratio, %			35	41	20
Gearing, %			155	121	334

\* The figure is based on Sponda's property portfolio before the Kapiteeli acquisition.

\*\* Cash flow from operations per share includes sales profits and losses.

## **President and CEO Kari Inkinen**

”The Board of Directors of Sponda has today revised its strategy emphasizing the company’s stronger growth. During the coming years particular focus will be on increasing investment in property development and on stronger growth in operations in Russia. The target for growth in Russia is to invest 10-20 % of the company’s balance sheet, EUR 300-400 million, by the end of 2009.

Developments in Sponda’s leasing business continued to be positive in the third quarter. The economic occupancy rate of the property portfolio improved further and the occupancy rate passed the 90 % threshold during the quarter. All business units achieved a positive performance, especially in the Helsinki Metropolitan Area.

I am also very pleased with the rapid progress in property development projects. Another two new projects were started during the July – September period: construction of an office building in Sörnäinen, Helsinki, and construction of logistics premises in Hakkila, in Vantaa.”

## **Prospects**

Sponda forecasts that the earnings per share will improve significantly in 2007 from the previous year. The economic occupancy rate of its properties and the cash flow from operations per share, including profit and losses from the sale of properties, are also expected to improve in 2007. These views are based on favourable developments in Finland’s property market, positive change in the value of properties, and profit on the disposal of property so far this year.

## **Business conditions**

Finland’s property market continued to be very active, and the volume of real estate investment in the January – September period is estimated at about EUR 4 billion (according to KTI Kiinteistöalouden instituutti ry). International investors accounted for just over 70 % of this. Total investment in 2007 is forecast to be at the same level as in the previous year, ie. about EUR 5.5 billion. Yield requirements for office, retail and logistics premises continued to fall in the Helsinki Metropolitan Area and in growth centres.

Vacancy rates in the leasing market in the Helsinki Metropolitan Area remained quite stable in all sectors. According to Catella Property Oy, the vacancy rate for office premises rose 0.5 percentage points to 8.4 %. The main reason for the increase was tenants vacating premises that have not been refurbished. The vacancy rate for retail premises remained unchanged at 1.7 %. The vacancy rate for logistics premises was also low, at 2.5 %. Rent levels rose in all sectors, especially for office and logistics properties.

## **Sponda’s operations in January – September 2007**

Sponda owns, leases and develops business properties, mainly in the Helsinki Metropolitan Area and in the largest cities in Finland, and in Russia. Sponda has organized its operations in five business units: Office and Retail Property, Logistics Property, Property Development, Real Estate Funds, and Russia & the Baltic States.

Net operating income from Sponda's property assets totalled EUR 113.7 (60.9) million at the end of September. Office and retail premises accounted for 75 % of this, logistics premises for 15 %, the Real Estate Funds unit 4 %, and the Russia & the Baltic States unit for 1 %. Other net operating income, including income from the subsidiary Ovenia, accounted for 5 %. The economic occupancy rate continued to improve and by type of property and geographical area was as follows (the 2006 figures are for Sponda's property portfolio before the Kapiteeli acquisition):

<b>By type of property</b>	<b>30.9.07</b>	<b>30.6.07</b>	<b>31.3.07</b>	<b>31.12.06</b>
Offices and retail, %	90.0	89.7	89.3	88.8
Logistics, %	91.0	89.5	89.0	88.6
Russia & Baltic States	100.0	100.0	100.0	100.0
Total property portfolio, %	90.3	89.8	89.3	88.8
<b>By geographical area</b>	<b>30.9.07</b>	<b>30.6.07</b>	<b>31.3.07</b>	<b>31.12.06</b>
Helsinki Business District, %	90.2	88.3	86.7	89.7
Helsinki Metropolitan Area, %	88.6	89.3	89.1	87.5
HMA logistics, %	89.5	88.2	87.7	87.1
Other areas, %	96.6	96.7	98.0	93.4
Total property portfolio, %	90.3	89.8	89.3	88.8

Total cash flow derived from leasing agreements on 30 September 2007 was EUR 779 million (30 September 2006: EUR 440 million) and the average length of all the agreements was 4.3 (4.2) years. The average length of leasing agreements for office and retail properties was 4.6 years and for logistics premises it was 3.1 years. Sponda signed a total of 125 new agreements (70 000 m<sup>2</sup>) during July – September 2007 and during this period 86 agreements (24 000 m<sup>2</sup>) expired. Sponda's leasing contracts expire as follows:

Expiry	% of rental income
1 year	10.7
2 years	13.5
3 years	12.2
4 years	17.0
5 years	5.0
6 years	5.2
More than 6 years	22.1
Open ended	14.3

### Property portfolio

On 30 September 2007 Sponda Group had a total of 196 investment properties with an aggregate leasable area of about 1.3 million m<sup>2</sup>. Of this 67 % are office and retail premises and 33 % logistics premises.

During the January – September period the fair value of Sponda's investment properties rose by EUR 92.4 million. Capital expenditure during the period allocated to property maintenance and

improvements in quality levels was EUR 15.6 million. On 30 September 2007 the entire property portfolio had a fair value of EUR 2 386.2 (30 September 2006: EUR 1 372.5 million).

During the July – September period the fair value of Sponda’s investment properties rose by EUR 36.0 million which includes capital expenditure allocated to property maintenance and improvements in quality levels of EUR 3.9 million. Factors contributing to the rise in the fair value of the investment properties were the valuation of the portfolio properties and the increase in rental income. Sponda’s property portfolio was valued during the third quarter by Catella Property Oy.

<b>Sponda’s investment properties</b>	<b>Total</b>	<b>Office and retail</b>	<b>Logistics</b>	<b>Property development</b>	<b>Russia &amp; Baltic</b>
Operating income	142.4	117.0	22.8	1.3	1.3
Maintenance costs	-38.8	-31.5	-5.9	-1.1	-0.3
Net operating income	103.6	85.5	16.9	0.2	1.0
Fair value of investment properties at 1 Jan. 2007	2 455.1	2 023.9	245.6	174.9	10.7
Acquisitions in 2007	23.7	9.7	9.4	0.3	4.3
Investments, property development	94.5	13.0	7.6	58.5	15.5
Other transfers between segments	-2.6	-0.3	13.1	-14.8	-0.6
Sales in 2007	-276.9	-263.6	-1.8	-11.5	0.0
Fair values adjustment	92.4	72.0	23.7	-3.3	0.0
<b>Fair value of investment properties at 30 Sept. 2007</b>	<b>2 386.2</b>	<b>1 854.6</b>	<b>297.5</b>	<b>204.1</b>	<b>29.9</b>
Change in fair value %	3.8 %	3.6 %	9.6 %		
<b>Annual net operating income/ fair value at 30 September 2007 *)</b>	<b>6.2 %</b>	<b>5.9 %</b>	<b>8.3 %</b>		<b>10.9 %</b>
<b>Yield requirement used in calculating fair value</b>		<b>5.0-8.0 %</b>	<b>7.0-7.75 %</b>		
<b>Weighted average yield requirement for the total portfolio</b>	<b>6.4 %</b>				

\* Excluding property development

### Investments and divestments

During the January – September 2007 period Sponda purchased investment properties for altogether EUR 23.7 million, and of this it purchased property for EUR 4.9 million during the third quarter. During January – September Sponda sold investment property for EUR 276.9 million, with the third quarter accounting for EUR 0.2 million of this.

Capital expenditure allocated to property maintenance and improvements in quality levels in the third quarter amounted to EUR 3.9 million. Sponda invested EUR 40.7 million in property development. This was spent on renovating the City-Center complex in the centre of Helsinki,

developing the logistics centre at Vuosaari Harbour, and on the retail property in the Itäkeskus district of Helsinki and the office property in the Ruoholahti district of Helsinki.

### Office and retail properties

The economic occupancy rate for the Office and Retail Property unit continued to improve, to 90.0 % (31 December 2006: 88.8 %). During the third quarter Sponda signed two major leases: with Evli Bank Plc for the new City-Center building (4 200 m<sup>2</sup>) and with the Cancer Society of Finland for the premises at Pieni Roobertinkatu 9 (2 240 m<sup>2</sup>).

The property had a fair value on 30 September 2007 of EUR 1 854.6 million. The change in the fair value since the beginning of 2007 was EUR 72.0 million. The property portfolio had a leasable area of about 860 000 m<sup>2</sup>, with office premises accounting for an estimated 75 % of this and retail premises for 25 %. The unit's total revenue, net operating income and operating profit were as follows:

Office and retail, Me	7-9/2007	7-9/2006	1-9/2007	1-9/2006	1-12/2006
Total revenue	36.1	19.2	117.0	56.8	84.7
Net operating income	26.8	14.8	85.5	42.8	63.1
Operating profit	55.3	13.6	170.9	48.3	78.0

During the third quarter of 2007 Sponda did not purchase any office or retail premises, but sold property for EUR 0.2 million. Capital expenditure on property maintenance totalled EUR 13.0 million by the end of September, with the third quarter accounting for EUR 2.9 million of this.

### Logistics properties

The economic occupancy rate for the Logistics Properties unit improved to 91.0 % on 30 September 2007 (31 December 2006: 88.6 %). The property had a fair value of EUR 297.5 million, and the change in the fair value since the beginning of 2007 was EUR 23.7 million. The property portfolio had a leasable area of about 400 000 m<sup>2</sup>. The unit's total revenue, net operating income and operating profit were as follows:

Logistics, Me	7-9/2007	7-9/2006	1-9/2007	1-9/2006	1-12/2006
Total revenue	7.9	7.0	22.8	22.1	28.6
Net operating income	6.1	5.5	16.9	17.5	22.2
Operating profit	14.5	13.7	40.5	24.9	42.9

During the third quarter Sponda purchased logistics property for EUR 4.9 million. No property was sold during the quarter.

Capital expenditure on property maintenance totalled EUR 2.6 million at the end of September, and of this EUR 1.0 million was spent during the third quarter.



## Property development

The fair value of Sponda's investment property development portfolio was EUR 204.1 million at the end of September 2007. During January – September EUR 58.5 million was spent on developing properties and new purchases, and EUR 40.7 million of this was spent in July - September.

Development work on the City-Center complex is progressing as planned. The second phase of the project, which includes the Kaivokatu street-level premises and station tunnel premises, has begun and should be completed in the spring of 2008. In September 2007 Sponda signed a lease with Evli Bank Plc for a 4 200 m<sup>2</sup> office building to be built in the City-Center complex. Construction work will start at the beginning of 2009. The renovation of the City-Center complex is expected to be completed in 2011 and the total investment is estimated at some EUR 110 million.

Construction of the logistics area and gatehouse building at Vuosaari Harbour began in spring 2007 and the first leases have been signed for both sites. The actual construction of the car park building and passenger terminal will start at the beginning of 2008 and earthworks are currently underway on the site. The project will have a total investment value of roughly EUR 140 million. The harbour will start operations in November 2008. Sponda is responsible for developing, leasing and managing all the buildings.

Construction has started of the retail property in the Itäkeskus district in Helsinki. The total investment value for the building will be about EUR 56 million and it will have a leasable area of 21 500 m<sup>2</sup>. The property has been leased in its entirety to HOK Elanto and will be completed by November 2008.

Construction has begun of the office building at Porkkalankatu 22 in the Ruoholahti district of Helsinki. The investment value of the project will be about EUR 29 million and it will have a leasable area of 13 500 m<sup>2</sup>. At the moment just over 70 % of the building has been leased, and the estimated completion date is autumn 2008. The main tenants will be Altia Corporation and Diacor Terveyspalvelut Oy.

Sponda started construction of an office building at Lautatarhankatu 2 in the Sörnäinen district of Helsinki. Some 51 % of the building has been leased and its main tenant will be Tradeka Oy, which will move its head office into the new premises. The project will have a total investment cost of about EUR 22 million and the property will have a leasable area of 9 200 m. The estimated completion date is towards the end of 2008.

Sponda started construction of a logistics property at Itäinen Valkoisenlähteentie 18 in the Akseli district of Vantaa. The project will have a total investment cost of about EUR 5 million and 50 % of the property has been leased. The total leasable area will be 5 000 m<sup>2</sup> and the property should be completed by the end of 2008.

## Real estate funds

Sponda is a minority holder in two real estate funds, First Top LuxCo and Sponda Real Estate Fund I Ky.

First Top LuxCo (Sponda's holding 20 %) invests in office and retail properties outside Finland's largest cities. At the end of September 2007 the fund's property investments had a fair value of EUR 103.9 million.

Sponda Real Estate Fund I Ky (Sponda's holding 46 %) invests in logistics sites outside the Helsinki Metropolitan Area. At the end of the review period the fund's property investments had a fair value of EUR 138.0 million, while the fund has a target size of EUR 200 million. Sponda is responsible for managing the funds and their properties, and receives management fees.

In addition to those mentioned above, Sponda is also responsible for managing the properties in the property portfolio, with a value of about EUR 400 million, sold in March 2007 to Whitehall Street Real Estate Limited and Niam Nordic Investment Fund III.

### **Russia and Baltic States**

Sponda is actively looking for properties for investment and development in the Russian and Baltic markets. In September 2007 Sponda's property portfolio had a value of EUR 30 million, including office and logistics properties and a 46 hectare piece of land in St Petersburg. Sponda also owns a 20 hectare site in Moscow province.

Sponda purchased an office property that is under construction for USD 47.5 million from the centre of Moscow in October 2007. The premises will have a total of 3,025 m<sup>2</sup> of leasable office space and parking space for 54 cars. Sponda is engaged in initial negotiations with various potential tenants. The building will be completed by the end of 2007.

In October Sponda purchased an office property for USD 11.5 million from St Petersburg at the address Kaluzhskij pereulok 3. The property comprises a total of 2730 m<sup>2</sup> of leasable office premises and parking for 27 cars. The property is fully leased.

### **Cash flow and financing**

Sponda's net cash flow from operations on 30 September 2007 totalled EUR 257.3 million (30 September 2006: EUR 35.2 million). Net cash flow from investing activities was EUR 122.9 (-79.0) million and after financing activities was EUR -398.4 (43.6) million.

Financial income and expenses at the end of the period totalled EUR -55.4 (-22.1) million. The 2007 figure includes a provision of EUR 0.5 million for interest costs in connection with Sampo Bank's suit for payment. Sponda's equity ratio on 30 September 2007 was 35 % (30 September 2006: 41 %) and gearing was 155 % (121 %). Interest-bearing debt amounted to EUR 1 427.7 (698.2) million, the average maturity of Sponda's loans was 2.9 (3.2) years and the average interest rate 4.5 % (4.2 %). Fixed-rate and interest-hedged loans accounted for 78 % of the loan portfolio. The average interest-bearing period of the whole debt portfolio was 3.3 (2.7) years. The interest margin, which describes the company's solvency, was 2.0 (2.6).

At the end of September, Sponda Group's debt portfolio comprised EUR 650 million in syndicated loans, EUR 405.6 million in bonds, EUR 289.5 million in issued commercial papers, and EUR 82.6 million in loans from financial institutions. Sponda has EUR 300 million in unused credit limits. Sponda Group has mortgaged loans worth of EUR 2.5 million.

### **Personnel and administration costs**

During the January-September period Sponda Group had on average 219 employees (56 in the corresponding period of 2006), of whom 135 (56) worked for the parent company Sponda Plc and



84 for the subsidiary Ovenia Oy. On 30 September 2007 Sponda Group had 216 (58) employees, of whom 134 (58) were employed in the parent company and 82 at Ovenia Oy. Sponda has personnel in Finland and Russia.

In January-September Sponda's sales and administration costs totalled EUR 19.3 million (30 September 2006: EUR 7.2 million), of which EUR 15.8 million were for the parent company Sponda and EUR 3.5 million for the subsidiary Ovenia. The increase was due mainly to the growth in the number of personnel after the Kapiteeli acquisition.

All Sponda employees are included in the company's incentive bonus scheme, under which bonuses are indexed to the company's targets. The company also operates a long-term share-based incentive scheme for its senior executives that was launched on 1 January 2006. Bonuses under this scheme are based on cash flow from operations per share and return on equity, and Sponda shares are bought with these bonuses. These shares also carry a restriction forbidding their disposal within two years of their issue. The bonus is paid annually.

### **Group structure**

On 27 August 2007 Sponda increased its holding in Ovenia Oy, which provides property management services, from 51 per cent to 70 per cent. Sponda purchased Ovenia shares from Varma Mutual Pension Insurance Company, Kaleva Mutual Insurance Company and Sampo Life Insurance Company Limited.

Sponda Group comprises the parent company, the subsidiary Sponda Kiinteistöt Oy (formerly Kapiteeli Oy) and Sponda Kiinteistöt Oy's 70 per cent owned subsidiary Ovenia Oy, as well as the Group's mutually owned property companies, which are either wholly or majority owned by Sponda Plc or Sponda Kiinteistöt Oy. Sponda Group also includes Sponda Russia Ltd and Sponda Asset Management Oy.

### **The Sponda share**

In July 2007 Sponda moved from the medium size group to the large company group in the classification of the OMX Nordic Exchange, based on the company's market capitalization.

The weighted average price of the Sponda share in the January-September 2007 period was EUR 11.15. The highest quotation on the Helsinki Stock Exchange was EUR 13.29 and the lowest EUR 9.01. Turnover during January-September totalled 72.7 million shares or EUR 810.5 million. The closing price of the share on 28 September 2007 was EUR 9.75, and the market capitalization of the company's share capital was EUR 1.1 billion.

The Annual General Meeting on 4 April 2007 authorized the Board of Directors to purchase the company's own shares. The authorization was not exercised during the review period.

Sponda issued the following flagging announcements in the July-September 2007 period:

- 13 August 2007: Cohen & Steers, Inc. announced that its holding of shares represented 4.989 % of the total number of shares and votes in Sponda Plc.
- 14 August 2007: Cohen & Steers, Inc. announced that its holding of shares represented 5.001 % of the total number of shares and votes in Sponda Plc.
- 20 August 2007: Stichting Pensioenfonds ABP announced that its holding of shares represented 3.6977 % of the total number of shares and votes in Sponda Plc.

- 22 August 2007: Cohen & Steers, Inc. announced that its holding of shares represented 5.113 % of the total number of shares and votes in Sponda Plc.
- 18 October 2007: Cohen & Steers, Inc. announced that its holding of shares represented 4.959 % of the total number of shares and votes in Sponda Plc.

At the end of the review period on 30 September 2007 Sponda's ownership structure was as follows:

	Number of shares	% of total
The Finnish State	38 065 498	34.3
Other public entities	2 018 190	1.8
Nominee registered	61 451 126	55.3
Households	6 346 932	5.7
Non-profit organizations, total	1 582 229	1.4
Private corporations, total	881 815	0.9
Financial and insurance institutions, total	559 759	0.5
Foreign owners, total	124 636	0.1
Total number of shares	111 030 185	100.0

### Board of Directors and auditors

Sponda's Board of Directors has six members: Tuula Entelä, Timo Korvenpää, Harri Pynnä, Lauri Ratia, Arja Talma and Jarmo Väisänen. Lauri Ratia is chairman of the Board and Jarmo Väisänen is deputy chairman. All Board Members are independent of the company, and five of the six are independent of major shareholders in the company.

Sponda Plc's auditors are Mr Sixten Nyman, CPA auditor, and KPMG Oy Ab, CPA audit firm, with Ms Raija-Leena Hankonen, CPA auditor, as principal auditor. Ms Riitta Pyykkö, CPA auditor, is deputy auditor.

### Committees of the Board of Directors

On 4 April 2007 the Board of Directors established two permanent committees to assist the Board by preparing matters for which the Board is responsible. The permanent committees are the Audit Committee and the Structure and Remuneration Committee.

The Audit Committee comprises chairman Arja Talma and ordinary members Tuula Entelä and Timo Korvenpää. The Structure and Remuneration Committee comprises chairman Lauri Ratia and ordinary members Jarmo Väisänen and Harri Pynnä.

### Management

Sponda Plc's president and Chief Executive Officer is Kari Inkinen. The Executive Board comprises the president and CEO, the CFO, the SVP Legal Affairs and Treasury, and the heads of the business units, in total eight persons.

## Suit for payment

In a ruling issued on 11 January 2007, the Helsinki city court ordered Sponda Plc to pay interest, penal interest and court costs totalling EUR 7.6 million to Sampo Bank Plc based on a credit agreement. Sponda appealed the decision to the Helsinki court of appeal on 9 February 2007. The amount of Sampo Bank's suit for payment, EUR 7.6 million, was recognized as an expense under provisions in the 2006 financial statements. In the January – September period EUR 0.5 million was recognized as an expense under provisions.

## Subsequent events

Sponda Plc and Sponda Kiinteistöt Oy (formerly Kapiteeli Oyj) were chosen in April 2006 as main contractors for the Ratina shopping centre in Tampere and for development projects in adjacent areas. An appeal was made to the Market Court against the decision of the City of Tampere in May 2006. In October 2007 the Market Court decided not to proceed with the appeal. The decision of the Market Court will come into legal force if no appeal is made against it by 12 November 2007. Sponda is planning a 48 000 m<sup>2</sup> shopping centre for the area, for which the total capital expenditure is estimated at some EUR 200 million.

In October the city government of Vaasa chose Sponda Plc from three candidates to be its partner in developing the shopping centre planned to replace the disused bus station. The goal is for Sponda and the City of Vaasa to design and plan the piece of land for the shopping centre together. After the planning process, Sponda and the city will decide on the sale of the piece of land being planned. It is hoped to obtain building rights of 40 000 m<sup>2</sup> for the land as well as parking space for 1 000 cars. The shopping centre will be completed at the earliest in 2010.

Sponda purchased an office property that is under construction for USD 47.5 million from the centre of Moscow in October 2007. The premises will have a total of 3,025 m<sup>2</sup> of leasable office space and parking space for 54 cars. Sponda is engaged in initial negotiations with various potential tenants. The building will be completed by the end of 2007.

On 31 October Sponda signed a contract to purchase a logistics property from the Lutheran Parish Union of Helsinki for approximately EUR 17 million. The transaction is planned to be closed on 23 November 2007. The property, located at Tulppatie 1 in the Roihupelto district of Helsinki, has altogether about 11,100 m<sup>2</sup> of leasable warehouse, production and office premises. The entire property is leased to a single tenant.

In October Sponda purchased an office property for USD 11.5 million from St Petersburg at the address Kaluzhskij pereulok 3. The property comprises a total of 2730 m<sup>2</sup> of leasable office premises and parking for 27 cars. The property is fully leased.

The Uusimaa corporate tax office has decided to deviate from the 2006 tax returns given by Sponda Kiinteistöt Oy (former Kapiteeli Ltd) and considers that the company's taxable profit for the year is EUR 192 million. The reason for this decision is that, since the company's personnel were transferred to Sponda Plc, the company's business cannot be considered to have continued essentially in the same way as described in the special dispensation granted by the Uusimaa tax office.

Sponda Kiinteistöt Oy has decided to appeal against the decision, since the company's business after the change of ownership on 14 December 2006 has, in its opinion, remained essentially the same. The tax loss carry-forward for the years 1996-1999 is approximately EUR 558 million.

## **Prospects**

During 2007 Sponda expects its earnings per share to improve significantly from the previous year. Likewise the economic occupancy rate and the cash flow from operations per share, including profits and losses on property sales, are expected to improve during 2007. These views are based on favourable developments in Finland's property market, positive change in the value of properties, and profit on the disposal of property so far this year.

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

Recognized risks in the property investment sector include the risks associated with the property market and the risks relating to property investments and capital expenditure. If they materialize these could weaken Sponda's financial result. Rising construction costs and delays in project schedules may increase the costs of property development. In Russia there are also risks relating to permit procedures that may have an impact on the schedules of property development projects.

Financing involves refinancing risks and loan agreements have an interest rate risk. Sponda reduces the refinancing risk by using credit agreements of varying durations, employing a number of funding sources and maintaining the company's reputation as a trustworthy debtor. Risks from floating rate financing are reduced with interest hedging agreements. Expanding international operations increase Sponda's foreign exchange risk.

Sponda's operational risks are risks resulting from inadequate or defective internal processes or systems. They also include risks associated with the legal operating environment. Operational risks relate for example to the functionality of the company's information systems and to the permanence of its skilled employees.

## **Schedule for financial information in 2008**

Sponda will publish its financial statements bulletin for 2007 on Tuesday, 5 February 2008. The Annual General meeting will be held on 19 March 2008. Sponda will publish its 2008 interim reports on 6 May 2008, 7 August 2008 and 30 October 2008.

1 November 2007  
Sponda Plc  
Board of Directors

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This interim report is unaudited. It has been prepared applying IAS 34 (Interim Reports). The same accounting and measurement principles have been applied in this interim report as in the previous annual financial statements bulletin.

## Sponda Plc

### Consolidated income statement (IFRS)

Me

	7-9/07	7-9/06	1-9/07	1-9/06	1-12/06
Revenue					
Rental income and recoverables	44.4	26.3	146.1	79.0	115.4
Interest income from finance leasing agreements	-	-	0.2	-	-
Service income, fund management fees and share of fund profit	4.8	0.2	11.1	0.8	2.0
	49.2	26.5	157.4	79.8	117.4
Expenses					
Maintenance expenses	-12.2	-6.1	-41.7	-18.7	-29.4
Service expenses and direct fund expenses	-0.8	-0.1	-2.0	-0.2	-0.4
	-13.0	-6.2	-43.7	-18.9	-29.8
<b>Net operating income</b>	<b>36.2</b>	<b>20.3</b>	<b>113.7</b>	<b>60.9</b>	<b>87.6</b>
Profit/loss on sales of investment properties	0.1	-	1.2	-	-
Valuation gains/losses	36.0	8.9	92.4	19.1	26.2
Proceeds from sale of trading properties	0.2	-	209.4	-	11.6
Carrying amount of trading properties sold	-	-	-182.4	-	-10.0
Profit/loss on sales of trading properties	0.2	-	27.0	-	1.6
Sales and marketing expenses	-0.4	-0.2	-1.3	-0.8	-1.1
Administrative expenses	-3.5	-2.2	-18.0	-6.4	-10.8
Other operating income	0.2	-	0.5	0.3	0.9
Other operating expenses	-0.1	-	-0.3	-	-0.5
<b>Operating profit</b>	<b>68.7</b>	<b>26.8</b>	<b>215.2</b>	<b>73.1</b>	<b>103.9</b>
Financial income	-	-0.2	3.3	0.1	3.7
Financial expenses	-16.2	-7.5	-58.2	-22.2	-34.7
Provision for interest expenses	-0.5	-	-0.5	-	-7.5
Financial income and expenses, net	-16.7	-7.7	-55.4	-22.1	-38.5
<b>Profit before taxes</b>	<b>52.0</b>	<b>19.1</b>	<b>159.8</b>	<b>51.0</b>	<b>65.4</b>
Income taxes for current and previous fiscal years	-0.1	-0.5	-0.1	-0.9	-0.4
Deferred taxes	-12.9	-4.5	-41.0	-12.4	-16.7
Income taxes, total	-13.0	-5.0	-41.1	-13.3	-17.1
<b>Profit for the period</b>	<b>39.0</b>	<b>14.1</b>	<b>118.7</b>	<b>37.7</b>	<b>48.3</b>

Attributable to:					
Equity holders of the parent company	38.9	14.1	118.5	37.7	48.4
Minority interest	0.1	-	0.2	-	-0.1
Profit for period	39.0	14.1	118.7	37.7	48.3
Earnings per share based on profit attributable to equity holders of the parent company:					
Earnings per share, basic, €			1.11	0.48	0.61
Earnings per share, diluted, €			1.11	0.48	0.61
Average number of shares, million					
Basic			106.8	79.3	79.3
Diluted			106.8	79.3	79.3

### Consolidated balance sheet (IFRS)

Me

	30.9.2007	31.12.2006	30.9.2006
<b>ASSETS</b>			
Non-current assets			
Investment properties	2 386.2	2 455.1	1 372.5
Investments in real estate funds	28.6	19.4	2.6
Property, plant and equipment	14.8	19.5	12.4
Goodwill	27.5	27.5	-
Other intangible assets	4.7	5.2	0.4
Finance lease receivables	2.7	2.7	-
Non-current receivables	24.3	5.2	0.1
Deferred tax assts	57.7	110.5	0.4
<b>Total non-current assets</b>	<b>2 546.5</b>	<b>2 645.1</b>	<b>1 388.4</b>
Current assets			
Trading properties	48.4	231.1	-
Trade and other receivables	26.5	39.6	5.7
Cash and cash equivalents	5.4	23.6	0.6
<b>Total current assets</b>	<b>80.3</b>	<b>294.3</b>	<b>6.3</b>
<b>Total assets</b>	<b>2 626.8</b>	<b>2 939.4</b>	<b>1 394.7</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the parent company			
Share capital	111.0	79.3	79.3
Share premium reserve	159.5	159.5	159.4
Translation differences	0.4	-	-
Fair value reserve	9.6	2.3	-0.9



Revaluation reserve	0.6	0.6	0.6
Invested non-restricted equity reserve	209.7	-	-
Retained earnings	423.2	349.3	338.6
	914.0	591.0	577.0
Minority interest	1.6	1.8	-
<b>Total shareholders' equity</b>	<b>915.6</b>	<b>592.8</b>	<b>577.0</b>
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	1 101.2	658.2	499.2
Provisions	14.9	22.7	0.8
Other liabilities	-	-	0.7
Deferred tax liabilities	206.9	218.7	75.2
<b>Total non-current liabilities</b>	<b>1 323.0</b>	<b>899.6</b>	<b>575.9</b>
Current liabilities			
Current interest-bearing loans and borrowings	326.5	1 347.4	199.0
Trade and other payables	61.7	99.6	42.8
<b>Total current liabilities</b>	<b>388.2</b>	<b>1 447.0</b>	<b>241.8</b>
<b>Total liabilities</b>	<b>1 711.2</b>	<b>2 346.6</b>	<b>817.7</b>
<b>Total shareholders' equity and liabilities</b>	<b>2 626.8</b>	<b>2 939.4</b>	<b>1 394.7</b>
Interest-bearing loans and borrowings	1 427.7	2 005.6	698.2

### Consolidated statement of cash flows (IFRS)

Me

		1-9/2007	1-12/2006	1-9/2006
Cash flow from operating activities				
Profit for the period		118.7	48.3	37.7
Adjustments		-3.8	29.6	16.0
Change in net working capital	1)	200.4	8.6	2.9
Interest received		4.0	0.8	0.1
Interest paid		-60.6	-34.3	-19.9
Other financial items		-1.9	-6.7	-0.7
Taxes received/paid		0.5	-0.9	-0.9
<b>Net cash from operating activities</b>		<b>257.3</b>	<b>45.4</b>	<b>35.2</b>
Cash flow from investing activities				
Acquisition of Kapiteeli		-15.1	-929.1	-
Acquisition of investment properties		-130.1	-110.0	-74.4
Capital expenditure on real estate funds		-9.2	-19.4	-2.6
Acquisition of tangible and intangible assets		-1.1	-0.6	-2.2
Proceeds from sale of investment properties		277.8	37.8	0.2
Loans granted		-	-0.9	-
Repayments of loan receivables		0.6	1.3	-

<b>Net cash from investment activities</b>		<b>122.9</b>	<b>-1 020.9</b>	<b>-79.0</b>
Cash flow from financing activities				
Proceeds from the issue of shares		239.5	0.7	0.7
Non-current loans, raised		710.5	300.0	300.0
Non-current loans, repayments		-352.7	-250.0	-250.0
Current loans, raised/repayments		-951.1	987.2	32.5
Dividends paid		-44.6	-39.6	-39.6
<b>Net cash from financing activities</b>		<b>-398.4</b>	<b>998.3</b>	<b>43.6</b>
Change in cash and cash equivalents		-18.2	22.8	-0.2
Cash and cash equivalents, beginning of period		23.6	0.8	0.8
Cash and cash equivalents, end of period		5.4	23.6	0.6
1) Includes deductions for trading properties		182.4	10.0	-

#### Changes in Group shareholders' equity

Me

	Share capital	Share premium reserve	Translation differences	Fair value reserve	Re-valuation reserve
Equity at 31 Dec. 2005	79.2	158.8	-	-4.2	-
Cash flow hedges:					
Amount taken to equity				4.2	
Amount recognized in income statement				0.1	
Instruments of reversed hedge accounting				0.1	
Increase					0.8
Taxes on items recognized in equity or transferred from equity				-1.1	-0.2
Total income and expenses recognized directly in equity				3.3	0.6
Profit for period					
Total income and expenses for the period				3.3	0.6
Dividends					
Share issue	0.1	0.6			
Equity at 30 September 2006	79.3	159.4	-	-0.9	0.6
	Invested non-	Retained earnings	Total	Minority interest	Total share-

	restricted equity reserve				holders' equity
Equity at 31 Dec. 2005	-	340.5	574.3	-	574.3
Cash flow hedges:					
Amount taken to equity			4.2		4,2
Amount recognized in income statement			0.1		0,1
Instruments of reversed hedge accounting			0.1		0,1
Increase			0.8		0.8
Taxes on items recognized in equity or transferred from equity			-1.3		-1.3
Total income and expense recognized directly in equity			3.9		3.9
Profit for period		37.7	37.7		37.7
Total income and expense for the period		37.7	41.6		41.6
Dividends		-39.6	-39.6		-39.6
Share issue			0.7		0.7
Equity at 30 September 2006	-	338.6	577.0	-	577.0
Changes in Group shareholders' equity					
Me					
	Share capital	Share premium reserve	Trans- lation diff- erences	Fair value reserve	Re- valuation reserve
Equity at 31 Dec. 2006	79.3	159.5	-	2.3	0.6
Cash flow hedges:					
Amount taken to equity				9.3	
Amount recognized in income statement				0.3	
Instruments of reversed hedge accounting				0.3	
Translation differences			0.4		
Taxes on items recognized in equity or transferred from equity				-2.6	
Total income and expense recognized directly in equity			0.4	7.3	
Profit for period					
Total income and expense for the period			0.4	7.3	
Decrease					
Dividends					
Share issue	31.7				
Equity 30 September 2007	111.0	159.5	0.4	9.6	0.6

	Invested non- restricted equity reserve	Retained earnings	Total	Minority interest	Total share- holders' equity
Equity 31 Dec. 2006	-	349.3	591.0	1.8	592.8
Cash flow hedges:					
Amount taken to equity			9.3		9,3
Amount recognized in income statement			0.3		0,3
Instruments of reversed hedge accounting			0.3		0,3
Translation differences			0.4		0.4
Taxes on items recognized in equity or transferred from equity			-2.6		-2.6
Total income and expense recognized directly in equity			7.7		7.7
Profit for period		118.5	118.5	0.2	118.7
Total income and expense for the period		118.5	126.2	0.2	126.4
Decrease			-	-0.1	-0.1
Dividends		-44.6	-44.6	-0.3	-44.9
Share issue	209.7		241.4		241.4
Equity 30 September 2007	209.7	423.2	914.0	1.6	915.6

## Notes to the Group's interim report

### Accounting principles

The Group adopted on 1 January 2007 the IFRS 7 standard: 'Financial instruments: disclosures in financial statements' and the amendment to the IAS 1 standard concerning presentation of equity. The adoption of both standards will mainly affect the information to be presented in the notes to the Group's financial statements. In other respects the accounting principles for the financial statements are the same as those used for the financial statements of 31 December 2006.

### Income statement by business area

Me

Income statement 1-9/07	Office & retail	Logis- tics	Property devel- opment	Russia/ Baltic	Funds	Other	Group, total
Total revenue	117.0	22.8	1.3	1.3	7.7	7.3	157.4
Maintenance expenses and direct fund expenses	-31.5	-5.9	-1.1	-0.3	-2.9	-2.0	-43.6
<b>Net operating income</b>	<b>85.5</b>	<b>16.9</b>	<b>0.2</b>	<b>1.0</b>	<b>4.9</b>	<b>5.3</b>	<b>113.8</b>
Profit/loss on sale of investment properties	-0.7	1.8	0.0	0.0	0.0	0.0	1.1
Profit/loss on sale of trading properties	20.7	0.0	6.7	0.0	-0.5	0.0	27.0
Valuation gains and losses	72.0	23.7	-3.3	0.0	0.0	0.0	92.4
Administration and marketing expenses	-6.7	-1.9	-2.4	-1.4	-2.0	-4.8	-19.2
Other income and expenses	0.0	0.0	0.0	0.0	0.0	0.2	0.2
<b>Operating profit</b>	<b>170.9</b>	<b>40.5</b>	<b>1.3</b>	<b>-0.4</b>	<b>2.3</b>	<b>0.8</b>	<b>215.2</b>
Income statement 1-9/06	Office & retail	Logis- tics	Property devel- opment	Russia/ Baltic	Funds	Other	Group, total
Total revenue	56.8	22.1	0.1	0.0	0.8	0.0	79.8
Maintenance expenses	-14.0	-4.6	-0.1	0.0	-0.2	0.0	-18.9
<b>Net operating income</b>	<b>42.8</b>	<b>17.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.6</b>	<b>0.0</b>	<b>60.9</b>
Valuation gains and losses	10.1	9.0	0.0	0.0	0.0	0.0	19.1
Administration and marketing expenses	-4.6	-1.6	-0.8	0.0	-1.0	0.8	-7.2
Other income and expenses	0.0	0.0	0.0	0.0	0.0	0.3	0.3
<b>Operating profit</b>	<b>48.3</b>	<b>24.9</b>	<b>-0.8</b>	<b>0.0</b>	<b>-0.4</b>	<b>1.1</b>	<b>73.1</b>

## Investment properties

	30.9.2007	31.12.2006	30.9.2006
Fair value of investment properties, start of period	2 455.1	1 259.7	1 259.7
Kapiteeli acquisition	-	1 070.0	-
Purchase of investment properties	23.7	94.3	47.7
Other capital expenditure on investment properties	87.1	43.3	47.3
Disposal of investment properties	-276.9	-37.7	-0.2
Transfers to/from property, plant and equipment	4.2	-1.5	-1.9
Transfers from trading properties	0.3	-	-
Fair value adjustment for property in own use	0.3	0.8	0.8
Valuation gains/losses	92.4	26.2	19.1
<b>Fair value of investment properties, end of period</b>	<b>2 386.2</b>	<b>2 455.1</b>	<b>1 372.5</b>

Investment properties are properties held by the company for the purpose of earning rental revenue or for capital appreciation. Sponda has chosen the fair value method to measure its investment properties, recognizing changes in their fair value in the income statement.

The fair value of Sponda's investment properties is confirmed using the company's own calculations in which Sponda applies the yield method based on cash flow analysis. The method is in compliance with the International Valuation Standard (IVS). All the figures used in calculating the fair value of properties are examined at least once a year by an external expert, to ensure that the parameters and values used in the calculations are based on market observations. Sponda's whole property portfolio was revalued during third quarter by Catella Property Oy.

### The Group's most significant investment commitments are in the following projects:

Development work on the City-Center complex is continuing on schedule. The refurbished underground basement facilities were completed in May 2007. The second phase of the project, which includes the Kaivokatu street-level premises and station tunnel premises, has begun and should be completed in the spring of 2008. The project is expected to be completed in 2011 and the total investment is estimated at some EUR 110 million.

Construction of the logistics area and gatehouse building at Vuosaari Harbour began in spring 2007. The project is progressing according to plan and will have a total investment value of roughly EUR 140 million. The harbour will start operations in November 2008.

Construction has started of the retail property in the Itäkeskus district in Helsinki. The total investment value for the building will be about EUR 56 million and it will have a leasable area of 21 500 m<sup>2</sup>. The property has been leased to a single tenant and will be completed by November 2008.

Construction has begun of the office building at Porkkalankatu 22 in the Ruoholahti district of Helsinki. The investment value of the project will be about EUR 29 million and it will have a leasable area of 13 500 m<sup>2</sup>. At present just over 70 % of the building has been leased, and the estimated completion date is autumn 2008.



Sponda started construction of an office building at Lautatarhankatu 2 in the Sörnäinen district of Helsinki. Some 51 % of the building has been leased. The project will have a total investment cost of about EUR 22 million and the property will have a leasable area of 9 200 m. The estimated completion date is towards the end of 2008.

### Property, plant and equipment

	30.9.2007	31.12.2006	30.9.2006
Carrying amount, start of period	19.5	8.8	8.8
Kapiteeli acquisition	-	5.2	-
Additions	1.8	4.5	2.0
Disposals	-1.7	-	-
Reclassifications to/from investment properties	-4.2	1.5	1.9
Depreciation for the period	-0.6	-0.5	-0.3
Carrying amount, end of period	14.8	19.5	12.4

### Trading properties

	30.9.2007	31.12.2006	30.9.2006
Carrying amount, start of period	231.1	-	-
Kapiteeli acquisition	-	241.8	-
Disposals and other changes	-182.7	-10.7	-
Carrying amount, end of period	48.4	231.1	-

### Sampo Bank's suit for payment

In its ruling, the Helsinki city court ordered Sponda Plc to pay interest, penal interest and court costs totalling EUR 7.6 million to Sampo Bank Plc based on a credit agreement. Sponda appealed the decision to the Helsinki court of appeal on 9 February 2007. The amount of Sampo Bank's suit for payment, EUR 7.6 million, was recognized as an expense under provisions in the 2006 financial statements. In the January – September period EUR 0.5 million was recognized as an expense under provisions.

### Contingent liabilities

#### Collateral and commitments given by Group

#### Me

	30.9.2007	30.9.2006	31.12.2006
Loans from financial institutions, covered by collateral	2.5	0.1	15.8
Mortgages	3.0	0.1	0.2
Book value of pledged shares	1.9	-	149.7
Guarantees	24.9	-	17.1
Collateral, total	29.7	0.1	167.0
<b>Lease and other liabilities</b>	<b>30.9.2007</b>	<b>30.9.2006</b>	<b>31.12.2006</b>
<b>Me</b>			
Lease liabilities	20.0	21.1	22.9

Other liabilities	0.1	-	0.1
Mortgages	2.3	2.2	2.3
Guarantees	0.1	-	0.1
<b>Interest derivatives</b>	<b>30.9.2007</b>	<b>30.9.2006</b>	<b>31.12.2006</b>
<b>Me</b>			
Swap contracts, notional value	605.0	306.8	541.8
Swap contracts, fair value	9.7	-0.6	2.3
Cap options purchased, notional value	557.0	-	737.0
Cap options purchased, fair value	14.3	-	10.0
Forward rate agreements, notional value	50.0	-	-
Forward rate agreements, fair value	0.0	-	-

### Key indicators

	7-9/07	7-9/06	1-9/07	1-9/06	1-12/06
Earnings/share, e	0.35	0.18	1.11	0.48	0.61
Equity ratio, %			35	41	20
Gearing, %			155	121	334
Net assets per share, e			8.23	7.28	7.45
Cash flow from operations/share, e	0.15	0.12	0.59	0.40	0.56

### Calculation of financial ratios

Earnings/share, € =	Share of profit for the period attributable to equity holders of the parent company
	<u>Adjusted average number of shares during the period</u>
Equity ratio, % = 100 x	<u>Shareholders' equity</u>
	Balance sheet total – advances received
Gearing, % = 100 x	<u>Interest-bearing liabilities – cash and cash equivalents</u>
	Shareholders' equity
Equity per share, e =	<u>Equity attributable to equity holders of parent company on 30 September</u>
	Adjusted number of shares on 30 September
Cash flow from operations/share, e 1) =	Operating profit
	-/+ Valuation gains and losses
	+/- Changes in provisions
	+/- Defined benefit pension expenses
	- Financial income and expenses affecting cash flow
	- Taxes affecting cash flow
	<u>Average adjusted number of shares during the period</u>

EPRA equity per share, e =

Equity attributable to equity holders of parent company on 30 September  
+ Deferred tax relating to the fair valuation of property and to property depreciation allowances  
- Goodwill relating to deferred tax liability  
Adjusted number of shares on 30 September

1) Profit on the sale of non-current assets has been deducted and losses from their sale have been added to the operating profit for the years 2004-2006.

### Related party transactions

The following transactions took place with related parties:

Rental income from state institutions and companies totalled EUR 17.9 million in the January-September 2007 period (1-12/2006: EUR 13.6 million).

### Management employee benefits

	1-9/2007	1-9/2006	1-12/2006
Salaries and bonuses	1.5	0.8	1.0
Incentive bonuses	0.2	0.3	0.2
Share-based payments	1.1	-	1.1
Total	2.8	1.1	2.3

There were no outstanding loans receivable from key management on 30 September 2007 or 31 December 2006.

Members of the Board of Directors held 2 170 shares and members of the Executive Board 31 368 shares on 30 September 2007 (31 December 2006: 48 009 and 7 682 shares).

The Finnish State held 34.3 % of Sponda's shares on 30 September 2007 (31 Dec. 2006: 34.3 %). Sponda sold three land areas for about EUR 65 million in accordance with a purchase option agreed with the Finnish State in February 2007.

### Major property transaction

In a transaction signed on 30 March 2007, Sponda sold shares in real estate companies, business properties and land sites that were outside its strategic focus to Whitehall Street Real Estate Limited and Niam Nordic Investment Fund III for EUR 401.1 million. The sale comprised in total 564 real estate items, of which 43 were investment properties. Sponda recorded a profit on the sale of some EUR 18 million, which was reduced in a review of the selling price in the second quarter by EUR 1.3 million.

### Events after the close of the period

Sponda Plc and Sponda Kiinteistöt Oy (formerly Kapiteeli Oyj) were chosen in April 2006 as main contractors for the Ratina shopping centre in Tampere and for development projects in adjacent areas. An appeal was made to the Market Court against the decision in May 2006. In October 2007

the Market Court decided not to proceed with the appeal made against the decision of the City of Tampere. There is a right to appeal against the decision of the Market Court. Sponda is planning a 48 000 m<sup>2</sup> shopping centre on the site, for which the total capital expenditure is estimated at some EUR 200 million.

In October the city government of Vaasa chose Sponda Plc from three candidates to be its partner in developing the shopping centre planned to replace the disused bus station. The goal is for Sponda and the City of Vaasa to design and plan the piece of land for the shopping centre together. After the planning process, Sponda and the city will decide on the sale of the piece of land being planned. It is hoped to obtain building rights of 40 000 m<sup>2</sup> for the land as well as parking space for 1 000 cars. The shopping centre will be completed at the earliest in 2010.

Sponda purchased an office property that is under construction for USD 47.5 million from the centre of Moscow in October 2007. The premises will have a total of 3,025 m<sup>2</sup> of leasable office space and parking space for 54 cars. Sponda is engaged in initial negotiations with various potential tenants. The building will be completed by the end of 2007.

In October Sponda purchased an office property for USD 11.5 million from St Petersburg at the address Kaluzhskij pereulok 3. The property comprises a total of 2730 m<sup>2</sup> of leasable office premises and parking for 27 cars. The property is fully leased.

The Uusimaa corporate tax office has decided to deviate from the 2006 tax returns given by Sponda Kiinteistöt Oy (former Kapiteeli Ltd) and considers that the company's taxable profit for the year is EUR 192 million. The reason for this decision is that, since the company's personnel were transferred to Sponda Plc, the company's business cannot be considered to have continued essentially in the same way as described in the special dispensation granted by the Uusimaa tax office.

Sponda Kiinteistöt Oy has decided to appeal against the decision, since the company's business after the change of ownership on 14 December 2006 has, in its opinion, remained essentially the same. The tax loss carry-forward for the years 1996-1999 is approximately EUR 558 million.