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Sponda

Annual Report 2009

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Contents

VISION FOR CORPORATE RESPONSIBILITY

Sponda is the most reliable, profitable and responsible player in the real estate sector, implementing sustainable development.

Information for shareholders

Sponda is a good investment that looks to ***increase*** *owner value and pay a regular, annual dividend.*

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Sponda as an investment

Sponda is a property investment company that specializes in the biggest cities in Finland and Russia. Sponda's shares are quoted on NASDAQ OMX Helsinki Ltd. The share's trading code is SDAIV.

Sponda aims at profitable growth through customer-focused operations, active property development, by purchasing properties and through real estate funds. For its owners, Sponda is a good investment that looks to increase owner value and pay a regular, annual dividend.

The company's strengths are a property portfolio that is largely in the best locations in the Helsinki metropolitan area, a high quality, diverse tenant base, and a balanced lease portfolio. Active property development operations and experienced, committed management and personnel give a further significant competitive edge.

The property portfolio contains a broad selection of office, retail, shopping centre and logistics properties, and the company aims to maximize the cash flow from operations through active management of the existing property portfolio. The diverse tenant base and balanced leasing contract portfolio strengthen the stability of Sponda's rental income. The company has a considerable land bank and numerous potential property development sites, so it is able to begin developing its sites when market conditions pick up.

Subscription rights offering and share ownership

During 2009 Sponda strengthened its capital structure and during May-June carried out a subscription rights issue to existing shareholders. The share issue was oversubscribed and it raised some EUR 200 million. The funds were used in their entirety to pay off some of the company's debt and strengthen the company's equity ratio. As a result of the share issue, the number of Sponda shares rose by 166,545,277 to 277,575,462. The subscription price was EUR 1.25 a share.

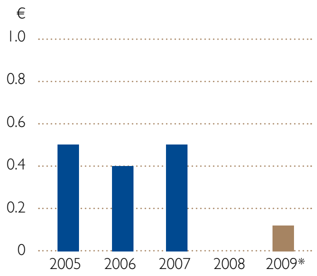
At the end of 2009, Sponda had 9,905 shareholders. Nominee-registered and foreign shareholders accounted for 42.2 per cent of these. The market capitalization of Sponda's share stock at the end of the year stood at EUR 758 million.

Annual General Meeting

The 2010 Annual General Meeting of Sponda Plc will be held in the Helsinki Room at Finlandia Hall (Mannerheimintie 13 e, 00100 Helsinki, door M3 or K3) on Wednesday, 17 March 2010, starting at 2.00 pm. Instructions for registering for the AGM are given on Sponda's website at www.sponda.com.

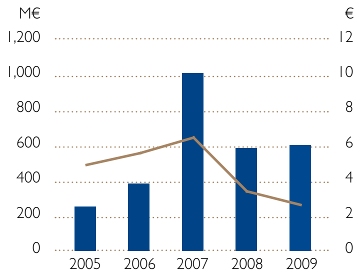
To attend the meeting, shareholders must be entered in the company's shareholder register maintained by Euroclear Finland Ltd no later than 5 March 2010.

Dividend/share



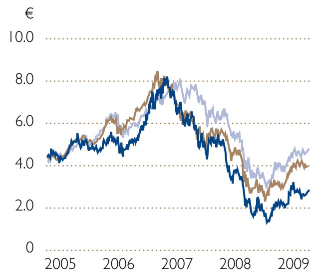
* Board's proposal

Share prices and turnover



■ Turnover, M€
■ Share price, €
(weighted average price, adjusted in accordance with IAS 33)

Sponda share price compared to indices



■ Sponda
■ OMX Helsinki CAP index
■ EPRA Europe index

Source: Sponda's websites and Investis

Dividend payment

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.12 per share be distributed on the financial year 2009. The dividend approved by the AGM will be paid to shareholders registered on 22 March 2010, the settlement date confirmed by the Board, in the company's shareholder register maintained by Euroclear Finland Ltd. The Board proposes to the Annual General Meeting that the dividend be paid at the close of the settlement period on 29 March 2010.

Changes of name and address

Shareholders are kindly requested to notify their bank or Euroclear Finland Ltd, whichever holds the shareholder's book-entry securities account, of any changes of address.

Financial information

Sponda publishes its interim reports in 2010 on the following dates:

Interim report, January–March 2010
Wednesday, 5 May 2010
Interim report, January–June 2010
Thursday, 5 August 2010
Interim report, January–September 2010
Wednesday, 3 November 2010

Sponda publishes all its material for investors in Finnish and English. The material is available on its website www.sponda.com >Investors. Releases can be ordered at www.sponda.com >Investors >Order releases, or contact:

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Sponda's Investor Relations

The main task of Sponda's Investor Relations function is to provide the market with sufficient, accurate information so that investors can assess the company's appeal as an investment today and in the future. Investor Relations ensures that the company's communications are balanced, timely and transparent.

Sponda's Board of Directors is responsible for publication of the company's interim and annual financial statements. The President, the Chief Financial Officer and the Senior Vice President, Corporate Communications and IR are responsible for communications with Sponda's investors. The quiet period begins three weeks before the publication date of the financial results. This means that Sponda does not issue comments during this period and does not meet representatives of the capital markets.

Information on the banks and stockbrokers who have announced that they conduct investment analyses of Sponda's business operations is provided on the company's website at www.sponda.com. The list may be incomplete. Sponda takes no responsibility for the assessments contained in these analyses.

Introducing Sponda

Sponda is a property investment company that specializes in leasing business premises and developing and owning properties. By developing business premises into attractive, tailored business environments, Sponda promotes the customer's success.

Business structure

Business unit	Description of unit's business	2009 key figures
Investment Properties: *Office and Retail Properties*	Office and Retail Properties leases, purchases and sells office and retail premises in Finland.	Net operating income M€ 96.3 Occupancy rate 87.9% Office and retail premises 770,000 m^2
Shopping Centres	Shopping Centres leases retail premises in Finland.	Net operating income M€ 31.4 Occupancy rate 96.4% Retail premises 140,000 m^2
Logistics Properties	Logistics Properties leases, purchases and sells logistics premises in Finland.	Net operating income M€ 27.4 Occupancy rate 74.5% Logistics premises 530,000 m^2
Russia	Russia leases and purchases commercial premises in Russia.	Net operating income M€ 16.4 Occupancy rate 88.2% Premises 46,000 m^2 Land areas 66 hectares
Property Development	Property Development carries out and markets property development projects.	Investments M€ 23.5 Balance sheet value of property development portfolio M€ 220.6
Real Estate Funds	Real Estate Funds owns and manages holdings in retail, office and logistics properties through real estate funds.	Total revenue M€ 12.7 Net operating income M€ 10.9 Sponda's investments in the real estate funds M€ 56.2

Sponda's office, retail, shopping centre and logistics properties are located in the largest cities in Finland and Russia. The properties in Finland are mainly located in the Helsinki metropolitan area and in Oulu, Tampere and Turku. In Russia Sponda owns properties in St Petersburg and Moscow.

Sponda is a financially stable real estate investor with a long-term commitment, and as such we offer our customers reliable, long-lasting partnership. Our extensive property portfolio provides an answer to the space requirements of large and small companies. One option is also new premises, precisely tailored to the customer's needs, in one of our new-build properties.

With its innovative, customer-oriented solutions, Sponda actively creates best practices in the sector and acts with responsibility in developing the environment and the cityscape. Sponda's goal is to operate transparently, observing the principles of sustainable development.

The company's investment properties in Finland and Russia have a combined leasable area of 1.5 million square metres, comprising 128 office and retail properties, 9 shopping centres and 53 logistics properties. The property portfolio including Property Development had a fair value on 31 December 2009 of EUR 2.8 billion.

Sponda's Customer Service Centre, a national centre, supports the company's regional business units in Finland. The company also has offices in St Petersburg and Moscow.

Presenting the business units

Sponda was organized into four business units as of 1 January 2009: Investment Properties, Property Development, Real Estate Funds and Russia.

Sponda is a financially stable
real estate investor
with a long-term customer commitment.

Geographical location of properties by fair value		Share of total portfolio
33% Helsinki, CBD 25% Hki, Ruoholahti 31% elsewhere in Helsinki metropolitan area	7% Tampere 3% Turku 1% Oulu	52%
Approximately 60% of the properties are located in Helsinki CBD and Ruoholahti. Sponda has shopping centres also in Helsinki Itäkeskus, Kempele and Ylöjärvi.		20%
Properties are located mainly in Helsinki metropolitan area.		14%
29% St Petersburg *) 71% Moscow *) *) by area		6%
Undeveloped land areas and potential property development sites are located mainly in the Helsinki metropolitan area.		8%
Properties are located in medium-sized cities in Finland, including Jyväskylä, Lappeenranta and Hämeenlinna.		

Sponda enhanced its operations by introducing a new organization structure at the beginning of 2009. By combining its Office and Retail Properties and the Logistics Properties units into a single business unit, Investment Properties, Sponda improved the management of the company's operations and raised cost efficiency.

In connection with this reorganization and due to the change in Sponda's strategy, the name of the Russia and Baltic Countries unit, was changed to Russia as from the beginning of 2009. The business unit focuses on Sponda's business in Russia.

The ***Investment Properties*** business unit specializes in leasing Sponda's office, retail, shopping centre and logistics properties in Finland and in buying and selling properties. The properties are located in the largest cities in Finland.

The ***Property Development*** business unit focuses on marketing and implementing new property projects based on customer needs. Activities concentrate primarily on Sponda's undeveloped sites and buildings needing renovation.

The ***Real Estate Funds*** business unit owns holdings and manages retail, office and logistics properties of the real estate funds. The real estate funds operate in medium-sized towns in Finland.

The ***Russia*** business unit operates in Russia by leasing, managing and developing business premises for companies and organizations operating in that country. Sponda's properties in Russia are located in Moscow and St Petersburg.

Financial review

Total revenue increased to the record level of EUR 243.0 million.

Key figures (IFRS)		31.12.2009	31.12.2008 3)	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Total revenue, M€		**243.0**	224.3	224.3	210.9	117.4	103.1
Operating profit, M€		**-13.3**	117.3	126.2	256.7	103.9	65.5
Profit before taxes, M€		**-78.3**	42.2	38.7	184.4	65.4	39.2
Cash flow from operations/share, €	5)	**0.45**	0.78	0.78	0.81	0.56	0.57
NAV/share, €	4)	**3.54**	4.93	4.90	5.24	4.65	4.52
EPRA NAV/share, €	4)	**4.18**	6.04	6.01	6.26	5.95	
Earnings/share, €	4)	**-0.35**	0.16	0.15	0.79	0.38	0.23
Return on investment, %		**-0.35**	4.38	4.71	10.05	7.19 2)	5.57
P/E ratio		**-6.79**	14.69	12.89	6.45	19.68	21.21
Equity ratio, %		**37.31**	31.86	31.75	32.30	20.19	44.91
Gearing, %		**140.87**	179.63	180.68	174.93	334.32	107.08
Dividend, €		**0.12** 1)	0.00	0.00	0.50	0.40	0.50
Payout ratio, %		**-33.96** 1)	0.00	0.00	39.49	65.60	133.42
Effective dividend yield, %		**4.40** 1)	0.00	0.00	6.12	3.33	6.29

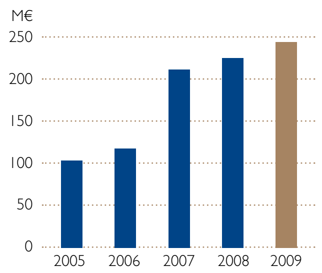
1) Board's proposal
2) The key figure has been calculated using the quarterly weighted average figures in the balance sheet
3) 2008 figures adjusted following adopting of IAS 23
4) Figures for previous years adjusted for effect of share issue in 2009 in accordance with IAS 33
5) 2009 figure and figures for previous years has not been adjusted, in accordance with IAS 33

In 2009 Sponda Plc's total revenue increased to the record level of EUR 243.0 million (31 December 2008: EUR 224.3 million). Net operating income after property maintenance costs and direct costs for funds was EUR 181.6 (166.8) million and the company's operating profit was EUR -13.3 (117.3) million. This includes a change in the fair value of the property portfolio of altogether EUR -175.1 (-44.9) million.

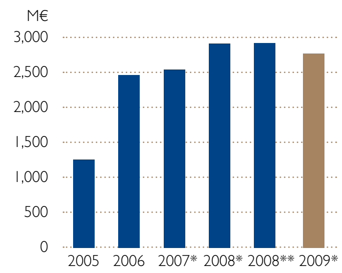
Result of operations and financial position January – December 2009 (compared with figures for January – December 2008)

- Total revenue increased some 8 per cent from the previous year to EUR 243.0 (224.3) million.
- Net operating income rose about 9 per cent to EUR 181.6 (166.8) million.
- Operating profit was EUR -13.3 (117.3) million.
- The result after tax was EUR -81.6 (29.2) million.
- Earnings per share were EUR -0.35 (0.16).
- Cash flow from operations per share was EUR 0.45 (0.78).
- The fair value of the investment properties amounted to EUR 2,767.5 (2,915.5) million.
- Net assets per share totalled EUR 3.54 (4.93).
- EPRA net assets per share were EUR 4.18 (6.04).
- The economic occupancy rate was 86.6 (88.5) per cent.
- The Board of Directors proposes to the AGM that a dividend of EUR 0.12 per share be paid for the 2009 financial year.

Total revenue

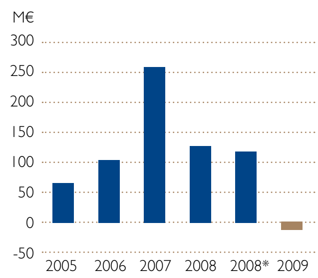


Fair value of investment properties



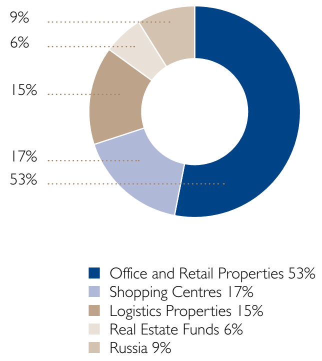
* Does not include trading properties
** 2008 figure adjusted following adoption of IAS 23

Operating profit

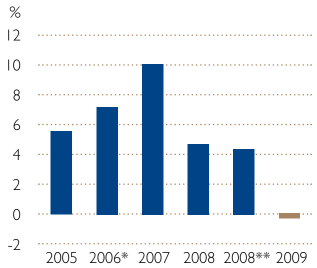


* 2008 figure adjusted following adoption of IAS 23

Net operating income by business unit 2009

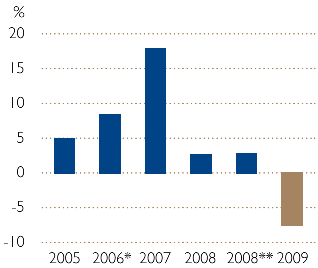


Return on investment



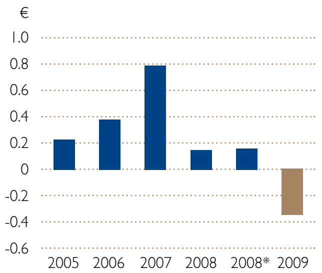
* The key figures for balance sheet items 2006 are calculated using the quarterly weighted average figures
** 2008 figure adjusted following adoption of IAS 23

Return on shareholders' equity (ROE)



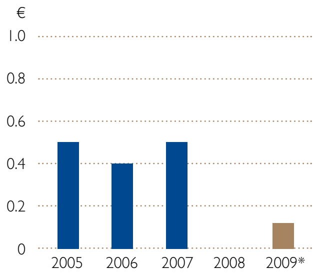
* The key figures for balance sheet items 2006 are calculated using the quarterly weighted average figures
** 2008 figure adjusted following adoption of IAS 23

Earnings/share



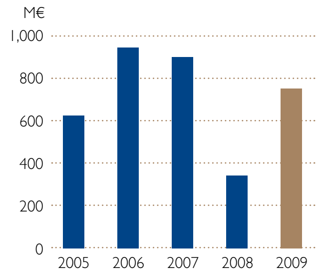
Figures for previous years adjusted for effect of share issue in 2009 in accordance with IAS 33
* 2008 figures adjusted following adopting of IAS 23

Dividend/share



* Board's proposal

Market capitalization



Chief Executive's Review

For Sponda, 2009 turned out to be in many ways a successful year, despite the challenging business environment. During the year we strengthened the company's equity ratio in line with our targets, through a rights offering to our shareholders and by selling properties.

Although the financial market was in a difficult state, we also managed to arrange several finance facilities. A particularly positive feature of the past year was our active leasing operations, which raised our net operating income to a record high level.

In the real estate sector, the challenges in the business environment focused on property values, occupancy rates and rental levels for business premises, and financing for new build projects. We kept a very close eye on changes in the market and reacted swiftly to them by enhancing our operations and revising the company's short-term targets.

Recovery of financial market began in the autumn

The money market crisis made it more difficult for companies to obtain loans, especially in the first half of the year, and reduced the number of property transactions. Foreign investors withdrew almost entirely from the Finnish real estate market, and properties were bought and sold mainly by Finnish investors. After the summer the financial markets have gradually recovered, and financing is again available to reliable operators in the real estate sector.

The leasing market started to go slowly downhill along with the general economic trend, but held its ground better than had been forecast in the property market. Rent levels remained virtually unchanged in popular locations, such as the central business district in Helsinki. The decline in property values, resulting from developments in the leasing market, the lack of property transactions and the rise in yield requirements, was ultimately much smaller than the market had expected.

The impact of the economic crisis in Russia was more dramatic, but the crisis seems to have been much shorter lived there than in Finland. Russia's economy took an upward turn already after the summer, assisted by the rise in the price of oil. Positive signs are also visible in the Russian real estate market, where the growth in vacancy rates for office properties stagnated and the fall in rents began to level out towards the end of the year.

Successful leasing operations in 2009

When the business environment grows tougher, this puts the capabilities of a company's operations to a severe test. Our long experience in the real estate business and our leasing competence create a solid foundation for Sponda's operations and place us in a strong position to respond to the challenges posed by the economic situation. Our market position is also strengthened by our qualified property portfolio, which is mainly located in the central areas of cities. We know the real estate markets in our strategic business areas and actively monitor developments in the market, so we are able to prepare for changes in the market and react quickly.

Our leasing activities in 2009 were successful. Our total revenue and net operating income clearly exceeded our targets and increased our cash flow from operations. On average, the new leasing agreements we signed during the year were for higher rents than the expired leases, and in places there was a cautious rise in our rental levels. Our financial success was further boosted by a record low level of financial expenses and a decline in administrative expenses. I am very happy with the outstanding cash flow from operations per share, which means that Sponda is able to pay its owners a good dividend.

For us, the challenges arising from the economic situation mainly affected property values and occupancy rates for offices and logistics premises in Finland. A record number of new office buildings were completed in Finland around the end of 2008, and this increased the supply of office premises and put pressure on office occupancy rates. Occupancy rates for logistics premises were depressed by the fall in demand resulting from the drying up of export and import flows of goods.

In the Russian market, the general fall in rent levels did not significantly reduce our rental income. In challenging market conditions, the occupancy rate for our property portfolio in Russia remained at almost 90 per cent, which was clearly above the general market level.

Rights offering strengthened equity ratio

In September 2009 we adjusted our short-term and financial targets to prevailing market conditions. In the short term we are aiming for moderate growth and to raise our equity ratio.

The equity ratio rose to 37 per cent thanks to the share issue in the summer. The success of the share issue and the numerous restructurings of our loan facilities during the year showed that the capital and financial markets have confidence in Sponda even in difficult times.

During the year we also reinforced our balance sheet by selling several properties. All the properties were sold at prices above the market value. The successful sale of properties in a challenging situation was an outstanding achievement by our personnel.

The financial crisis sharply cut the number of new investment projects in the real estate sector. Sponda activated its property development business towards the end of 2009, by starting a major construction phase in the City-Center retail complex and signing an agreement to build 22,000 square metres of production premises for a single user in Hakkila in Vantaa. We are financing the property development projects by selling properties, also during this year.

Further development of customer service and environmental expertise in 2010

Finland's economy is expected to start to pick up cautiously during 2010, which will gradually increase optimism at businesses and with this an interest in expanding business premises. Positive developments in the economy are felt in the real estate market after a certain delay. A tentative recovery in the property market and growth in leasing demand are to be expected in the second half of 2010.

Virtually no new commercial property projects were completed in 2009, which will reduce property vacancy rates in the future and stabilize rental levels, especially in prime areas. During 2010 the property market is expected to move in a positive direction, and the financial impact of these encouraging developments will be visible in our 2011 results.

In the present situation we wish to hold on to our excellent customer relationships by focusing our resources on sales and leasing activities and on developing our customer service. This means hard work in a demanding business environment, but our knowledge of the market and leasing expertise create a good basis for success.

Environmental issues will form another strong distinctive feature of Sponda's activities in 2010, and they have been made a strategic priority in our corporate responsibility. Environmental aspects have always been taken into account in our real estate investment decisions, and we have given priority to environmentally benign solutions in our property development operations and in property maintenance. Now we wish to offer our environmental expertise more actively to our stakeholders as well, and develop more environmentally friendly business environments in cooperation with our clients.

Our personnel played an active role in developing our company during the past year, and I would like to thank them warmly for this. I thank our shareholders for their commitment and the confidence they showed by providing capital for our company. I would also like to thank our clients for their loyalty and good cooperation.

Kari Inkinen

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Responsible investing

MINNA JOKINEN AND MAGDALENA LÖNNROTH CONSIDER **THE BASIC REQUIREMENTS FOR RESPONSIBLE INVESTMENT TO BE OPENNESS AND TRANSPARENCY.**

Responsibility forms investment criteria

A key criteria for the investment activities of the Central Fund of the Lutheran Church of Finland is responsibility. The church aims to invest in companies that recognize their responsibility for the individual, the environment and society. In future the goal is to develop the church's role as an active owner.

The Church Council published guidelines for responsible investment in 2007, and in August 2009 it approved the church's owner policy. The goal is to develop the church's role as an active owner, arouse debate, and through this also to focus attention on responsible investing.

"Whenever we make investments we ask about responsibility issues, how they are addressed and how they are reported," says **Magdalena Lönnroth**, project manager, Church Project on Responsible Investing.

The underlying principles for responsible investment are openness and transparency. Simply eliminating unethical investments is not enough; the church's investment activities also involve exerting influence.

"We believe that by asking about issues, we will spread awareness of responsible investing. The more investors ask the same things, the quicker changes will take place," Ms Lönnroth continues.

Pension fund also has real estate portfolio

The church central fund contains several funds established for different purposes, and the largest of these is the church pension fund. The purpose of the pension fund is to ensure that the pensions of church workers are paid now and in the future.

"The church pension fund has direct and indirect investments in real estate. Both provide a stable cash flow and protect against inflation," explains real estate investment manager **Minna Jokinen**.

The church central fund spreads its real estate investments over several different sectors in order to obtain diversification benefits. Funds account for 40 per cent of the real estate portfolio, and one of these is the Sponda Fund II real estate fund.

"We have invested in Sponda Fund II, and the sector it operates in and the fact that it is Finnish are very important elements for us. Some 85 per cent of the real estate investments made by the church central fund are in Finnish property," states Ms Jokinen.

DID YOU KNOW THAT

instead of focusing solely on the yield of a property, a responsible investor also pays attention to the social and environmental impact of their business.

Business environment

The impact of the global financial crisis was also felt in the real estate sector. Quality office and retail premises in the central business areas of cities form some of the most secure investments that are least susceptible to economic trends.

In 2009 growth in the Finnish economy turned negative. This unfavourable development was started by the global crisis in the financial markets that began in the final quarter of 2008 and brought investments to a halt in many sectors throughout the review year. According to the estimate of Ministry of Finance and OECD, in 2009 the volume of Finland's gross national product declined 6–7 per cent. Forecasts indicate that the gross national product will not start to rise until the middle of 2010. According to estimate of Statistics Finland, the inflation in Finland was 0 per cent in 2009.

The increasing difficulties faced by customers in their business started to be felt in property vacancy rates and rents, especially in the second half of the year. The leasing of commercial properties is a late cycle business, in which changes in the client's business operations have a delayed effect on the need for business premises. However, the difficult situation in leasing operations was eased by the low level of interest rates, which reduced financing costs for the real estate sector.

The impact of the global financial crisis was also felt in investment projects by the real estate investment sector. In practice no new investments were made in property development. Sponda, for example, did not start any new commercial investments in Finland or Russia in 2009. If demand for leasing property is falling in a market, it is not worth increasing the supply there.

The number of property transactions also declined, mainly since new loan financing was not available. In 2009 the total volume of property transactions in Finland amounted to EUR 1.6 billion, which was EUR 2.1 billion less than in 2008. Finnish pension and insurance companies were virtually the only buyers of property in Finland.

International investors accounted for 17 per cent of the volume of property transactions in Finland last year. The volume of foreign investment is estimated at EUR 270 million in 2009. Finnish property is considered to be very low risk, because fluctuations in their values and rental yields have been proportionately smaller than in many other countries.

Judging from the economic indicators, 2010 is likely to be a challenging for the real estate investment sector. The financial difficulties of client companies and the resulting cuts in costs reduce demand for office, retail and logistics premises and raise vacancy rates. Rising vacancy rates and low inflation mean that rents will not rise in 2010. Some of the most secure investments that are least susceptible to economic trends are quality office and retail premises in the central business districts of cities. Growing awareness of energy saving and the environment brings new diversity on the market. Companies are demanding not just a reduction in energy consumption for their business premises but also a location along rail service routes or otherwise close to good public transport connections.

Best office premises in central business district least susceptible to economic trends

Occupancy rates declined somewhat in Finland during 2009. The economic recession dampened demand for office premises during 2009, which also had an impact on occupancy rates. Vacancy rates for offices in the Helsinki central business district rose in the review year to 4.6 per cent. For the whole Helsinki metropolitan area, the vacancy rate was 12.3 per cent, in Turku it was 7.8, in Tampere 7.8 and in Oulu 7.5 per cent. Vacancy rates rose especially in the second half of the year.

In practice no new property development projects were started at all in 2009, so only some 40,000 square metres of new office premises will be completed in the Helsinki metropolitan area in 2010. This will reduce the excess supply on the market, and when demand starts to pick up again, the existing volume of vacant premises will decline more quickly. Occupancy rates in the Helsinki central business district are hardly expected to fall at all from their current level.

During 2009, rental levels for the highest quality offices in the Helsinki central business district stood at EUR 324 per square metre a year. In Turku rental levels for prime offices ranged in 2009 between EUR 132–156, in Tampere EUR 156–180 and in Oulu EUR 144–156 per square metre a year.

Retail properties maintained their position

Developments in retail properties were stable in 2009. In the Helsinki metropolitan area, for example, virtually no additional store premises were completed, even though the population and purchasing power increased.

Vacancy rates for retail properties were very low, despite the recession, and rents remained more or less at the same level as in the previous year. The vacancy rate for retail properties in the Helsinki metropolitan area was 3.9 per cent in 2009. The average rental level for retail premises in the Helsinki central business district was EUR 1,560 per square metre a year. In Turku rental levels for prime retail premises ranged in 2009 between EUR 420–780, in Tampere between EUR 600–960 and in Oulu between EUR 480–1,020 per square metre a year.

Logistics properties suffered as flow of goods dried up

The market for logistics properties in Finland was unfavourable in 2009. The logistics sector suffered from the decline in exports and in consumer demand, which meant that the flow of goods in the logistics chain dried up. The difficulties in the sector were reflected in rising vacancy rates for logistics premises and in the financial difficulties experienced by clients.

During 2009 rent levels for logistics properties remained stable. In the Helsinki metropolitan area the average rent for logistics properties was EUR 96 per square metre a year. The vacancy rate for logistics properties in the Helsinki metropolitan area was 4.5 per cent at the end of the year.

Recession in Russia deeper but shorter

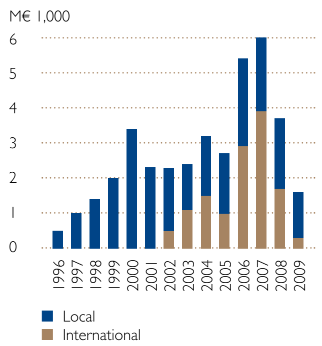
In 2009, the global recession had a bigger impact on the Russian economy than for example in Finland. This was also visible in the Russian real estate market, where property transactions came to a complete standstill during the review year. Development projects were suspended due to problems with financing, transactions involving finished properties slowed down, and rents fell significantly.

Vacancy rates for office properties rose sharply in Moscow and St Petersburg. Vacancy rates for both prime and second grade offices rose to more than 20 per cent. Retail properties have survived the recession in Russia slightly better.

According to expert estimates, Russia's economy has already reached its lowest point, the number of vacant premises will not rise any further, and demand is growing. Economic forecasts for 2010 are very positive. Russia is expected to recover from its current economic disarray more quickly than Western Europe.

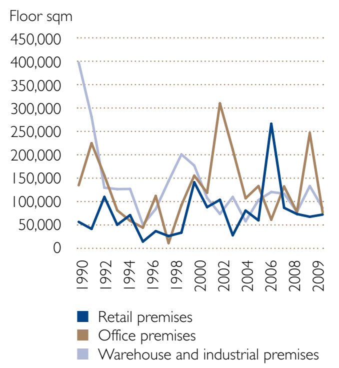
Source: Catella Property Group

Transactions in Finland



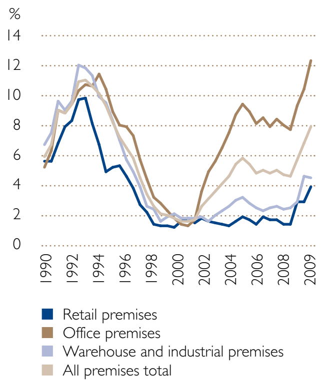
Source: Catella Property Group

Construction activity in Helsinki metropolitan area



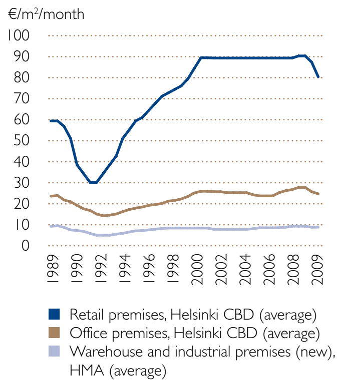
Source: Statistics Finland / KTI and Reed Business Information, Catella Property Group

Vacancy rates in Helsinki metropolitan area



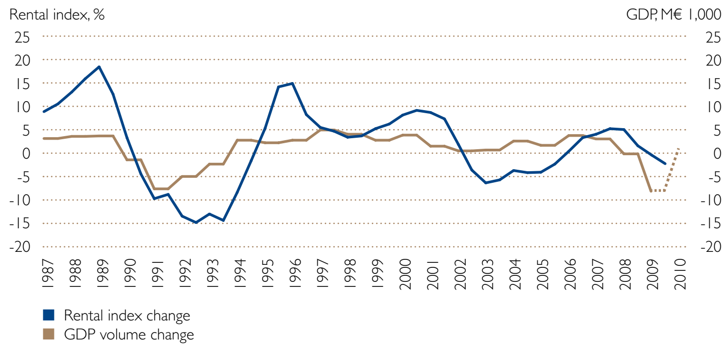
Source: Catella Property Group

Rental levels in Helsinki metropolitan area



Source: Catella Property Group

Rental index and GDP in Finland



Source: KTI and Statistics Finland (GDP forecast Handelsbanken)

Strategy

Business concept and Vision

Business concept
Sponda's business concept is to own, lease and develop office, retail, shopping centre and logistics properties, making them into business environments that promote the success of customers. Sponda operates in the largest cities in Finland and Russia.

Vision
Sponda's vision is to be the first choice of business premise customers.

Strategy

Strategy
Sponda's strategic goal is to seek growth and profitability through customer-focused operations and active property development, by purchasing property, and through operating real estate funds in Finland and Russia.

Sponda's long-term growth target for Russia is to raise the share of its real estate investments in Russia to 10–20 per cent of the company's balance sheet.

Due to economic downturn Sponda adjusted its strategy to prevailing market conditions in autumn 2009, and set the short-term goals of seeking moderate growth and profitability. Growth will be financed by selling some of the existing property portfolio.

Sponda revised its strategy also at the beginning of 2009 and no longer considers the market in the Baltic Countries as a strategic area for real estate investment.

Financial targets

Financial targets
Sponda has set financial targets for its equity ratio and dividend. The Group's long-term goal is to raise the equity ratio to 40 per cent from the previous target level of 33 per cent.

Sponda aims to pay a stable dividend. The dividend is approximately 50 per cent of the cash flow from operations per share for the financial period, taking into account, however, the economic situation and the company's development needs.

Due to economic downturn Sponda adjusted its ***strategy*** *to prevailing market conditions in 2009.*

Sponda's values

Sponda's values
Our values are part of our every day work. How we act towards our customers and each other. Important values for Sponda are innovation, professionalism and reliability.

Innovation Sponda grows and develops through innovations and by questioning the old way of doing things. For us, innovation means seeing the opportunities, understanding the needs of our customers, and thinking up solutions – being actively inventive. We aim to do things better and be trail-blazers – to see more than others and perceive things before everyone else.

Professionalism At Sponda professionalism means continuous learning, so that we are the best at what we do. It is ambition and uncompromising professional pride. It is having insight, experience, ideas and communication. The benefits we bring our customers – the added value we generate – make us valued partners.

Reliability We do what we promise our customers. Always. When we notice that a customer has a problem, we take up the matter straight away, even if the customer has not noticed it yet. We eliminate risks before they become a problem. We observe good business practice in all our activities. We work openly and uprightly, as befits a reliable partner.

Strategy review

Despite the uncertainty in the market, Sponda increased its total revenue in 2009. The favourable development in the total revenue was based on growth in the company's property portfolio and on a rise in average level of rents.

Sponda owns, leases and develops office, retail and logistics premises in the largest cities in Finland and Russia. Its operations are based on long-term ownership and leasing, and focuses in Finland on the Helsinki metropolitan area, Oulu, Tampere and Turku, and in Russia on St Petersburg and Moscow.

The company's investment properties are located in the central areas of cities and along public transport routes. Most of the investment properties (84 per cent) are in the Helsinki metropolitan area. Some 66 per cent of Sponda's business premise portfolio is located in the central business and Ruoholahti districts of Helsinki, which are highly valued business locations.

Sponda offers its clients business premise solutions that take into account the needs of clients, their business methods and the nature of their work. Tailored business premise solutions create an effective setting for the client's business operations. Sponda wishes to be a long-term partner for its clients, looking after the upkeep and maintenance of the premises and also responding to any changes in the client's space requirements. Sponda's success factors – a customer-oriented way of working, skilled personnel and a large property portfolio – lay the foundation for its flexible business premise solutions and high quality service.

Restructuring gives cost-efficiency

The recession and the continuing uncertainty in the finance market also made 2009 a challenging year for the real estate sector. Despite the difficult conditions, during the year Sponda increased its total revenue and net rental income. The growth is due to the increase in the property portfolio with the completion of property development projects during 2008 and to the rise in the average rent level. The reduction in exports and growth in unemployment were reflected in the company's occupancy rates and raised the pressure on office rents towards the end of the year. In a demanding business environment, the company's success factors and indepth knowhow created a solid foundation for the company's operating activities.

The company increased its operating flexibility and boosted its strategic responsiveness at the beginning of 2009 by reorganizing its business structure. Combining the units responsible for properties in Finland – the Office and Retail Properties and the Logistics Properties units – to form the Investment Properties unit gave greater control over operations. The restructuring also improved the company's cost-efficiency and customer service capabilities.

The company's business operations are organized in four business units: Investment Properties, Property Development, Real Estate Funds and Russia. The Investment Properties business unit is divided into three segments: Office and Retail Properties, Shopping Centres and Logistics Properties.

Sponda's largest customer groups operate in the retail sector, the public sector and in banking and investment. The ten largest clients account for 32 per cent of the company's rental income. At the end of 2009, Sponda had 1,996 clients and 3,178 leasing agreements. The company's largest clients are the public sector (10.2% of rental income), Kesko Group (6.2% of rental income), Sampo Bank Plc (3.9% of rental income) and HOK-Elanto (3.8% of rental income).

Strategy adjusted to prevailing market conditions

Sponda's strategic goal is profitable growth through customer-focused operations, active property development, by purchasing properties and through real estate funds in Finland and Russia. In accordance with its strategy focusing on profitable growth chosen at the end of 2005, Sponda has greatly increased its total revenue during the past five years. The most significant growth took place in 2006, when Sponda purchased Kapiteeli Plc. This transaction almost doubled Sponda's property portfolio, total revenue and number of personnel.

Sponda's strategy is evaluated regularly, so that the company's operations can if necessary be adjusted to the prevailing state of the market. During 2009 Sponda revised its strategy on two occasions. In January Sponda ceased to consider the property markets in the Baltic Countries as a strategic area for investment. Before this the strategy stated that Sponda's goal was to expand property development and property investment operations into the Baltic Countries. Having studied the property market in the region and the opportunities it offered, Sponda gave up this goal. According to the current strategy, the company's property investment activities concentrate on Finland and Russia.

In consequence of the general weakening of the economy, Sponda's strategy was adjusted to the market situation in autumn 2009. The short-term goal set for the company was seeking moderate growth and profitability. Growth is financed mainly by the sale of existing properties.

In September 2009 the company's financial targets relating to the company's

Sponda's key strengths

Property portfolio that is focused on the best locations in the Helsinki metropolitan area
Sponda's property portfolio includes some of the highest quality and best known properties in the Helsinki metropolitan area, especially in the central business and Ruoholahti districts of Helsinki.

Diversified property portfolio that offers clients a wide choice of premises
Sponda's property portfolio includes a wide range of office, retail, shopping centre and logistics properties. Thanks to its extensive business premise offering, Sponda is also able to offer its clients alternative premises if their space requirements change.

High quality, diverse tenant base and balanced lease portfolio
Sponda's biggest clients include major retail stores, the finance sector and the public sector. The company has a diverse tenant base, which reduces the risks relating to individual customer segments or tenants. The company's leasing agreements are not usually linked to the tenant's total revenue, which strengthens the stability of Sponda's rental income.

Leading property development operations
Sponda has a considerable land bank and numerous potential property development sites. The company is not committed to major development projects, but is able to flexibly begin developing its sites when market conditions pick up sufficiently.

Experienced, committed management and personnel
The members of Sponda's Executive Board have a wide experience of the company or elsewhere in the real estate business. In addition, Sponda's personnel and organization have solid experience and indepth knowledge of the property markets in which the company operates. This means that Sponda can offer its clients the best expertise and competitive solutions and services.

equity ratio and dividend payment were also revised. In the long term, the company is aiming at an equity ratio of 40 per cent instead of the previous target of 33 per cent. At the end of 2009 the equity ratio stood at 37 per cent.

Sponda raised its equity ratio and strengthened its balance sheet through a rights offering in June which succeeded as planned. All the shares on offer were subscribed, and Sponda obtained EUR 200 million through the issue. The funds were used in their entirety to repay loans.

According to the dividend policy revised in autumn 2009, Sponda pays a dividend of about 50 per cent of the cash flow from operations per share, taking into account, however, the company's financial situation and development needs. Through the dividend policy the company aims at a stable dividend payment. The company's former dividend policy was to pay at least 80 per cent of the earnings per share or cash flow per share, taking into account the company's business development needs.

Responsibility a part of business expertise
In difficult market conditions Sponda focused on enhancing the company's operations and ensuring the company remains competitive and profitable. Efficiency in operations was raised through standard working models and by increasing internal cooperation. All Sponda personnel working at the customer interface took part in 2009 in the company's customer relations management training programme, in which common working methods were developed for customer service activities. Through the working methods developed with personnel Sponda aims to achieve a more systematic and planned approach to customer relations and greater transparency throughout the organization.

Responsibility was one of Sponda's development key priorities in 2009. Responsibility is a natural part of everyday work and business expertise, and strengthens the company's profitability and long-term viability. In 2009 to support the management of responsibility and make it more goal-oriented, Sponda set clear targets for environmental responsibility, appointed a sustainability manager and organized training in environmental responsibility for personnel. Environmental expertise was made a strategic development area for corporate responsibility, with the goal of becoming an even better expert and sharing this expertise with the company's clients and partners.

Ever tougher energy efficiency requirements and stricter environmental legislation require property sector businesses to take even more steps to reduce environmental load. Sponda wishes to carry its share of the responsibility for mitigating climate change by raising the energy efficiency of its properties. The company aims to use environmen-

Sponda **strengthened** *its cash flow from operations in a challenging market.*

tally benign solutions in its property development, upkeep and maintenance. In Sponda's energy efficiency scheme, which began in 2009, Sponda and clients together look for energy savings. The pilot stage of the scheme got underway during the autumn in ten of the company's properties, where Sponda's appeal to develop more energy efficient and environmentally sustainable business premises was well received. The energy efficiency scheme will expand during 2010 so that the properties in the scheme will cover about 60 per cent of the energy consumption of Sponda's properties.

Fair value of the property portfolio fell less than expected

At the end of 2009, Sponda's properties had a fair value of EUR 2.8 billion. Based on the fair value, office and retail properties in Finland accounted for 52 per cent of the property portfolio, shopping centre properties for 20 per cent, logistics properties for 14 per cent and the properties in Russia for 6 per cent. Property Development accounted for 8 per cent of the property portfolio.

An external evaluator assessed the value of Sponda's investment properties in the first, second and fourth quarters of 2009. The Finnish properties were assessed by Catella Property Group and the Russian investment properties by Cushman & Wakefield and CB Richard Ellis. In 2009 the fair value of Sponda's property portfolio fell in Finland and Russia less than the market expected, altogether EUR 175.1 million. Contributing factors were the rise in market yield requirements, the low volume of transactions and developments in the leasing market.

Sponda's total revenue consists mainly of rental income from business premises. In 2009 the company's total revenue increased 8 per cent to EUR 243.0 million and net operating income 9 per cent to EUR 181.6 million. Net operating income increased in all segments apart from Logistics Properties and Real Estate Funds. Growth was strongest in Shopping Centre Properties. The increase in net operating income and total revenue also demonstrates the strength of Sponda's operating activities and its expertise, as these take on greater importance in a challenging market.

The economic occupancy rate of Sponda's properties declined from the previous year, standing at 86.6 per cent at the end of 2009. A record number of office properties were completed on the Finnish property market in 2008. The oversupply of business premises also depressed the occupancy rates of Sponda's office properties in the Helsinki metropolitan area. Occupancy rates in the central business and Ruoholahti districts of Helsinki held their own despite the state of the market.

The occupancy rates of shopping centre properties remained at the same level as in the previous year, standing at 96.4 per cent at the end of 2009. The occupancy rate of the company's properties in Russia rose during the year to 88.2 per cent. The drying up of Finland's export and import goods flows affected the logistics and warehouse business in particular, which pulled the occupancy rates for logistics properties down.

In accordance with its short-term goals, Sponda made no major investments in 2009, and focused on selling instead of buying properties. During the year the company sold properties that did not fit in with the company's strategy and lay outside the core geographical area for EUR 40.3 million. The sale of property was used to strengthen the company's solvency and to finance property development activities. Sponda purchased no properties during the year.

During 2009 Sponda made several financing arrangements despite the difficult finance market conditions. The successful financial arrangements show that Sponda is seen as a reliable player on the market. As the result of these arrangements, Sponda has no long-term loans that mature before 2011.

2010 – an even more challenging year

The recovery of the economy affects the real estate market after a delay, and 2010 is forecast to be a tougher year for the real estate sector than the previous year. The outlook for the real economy and unemployment will cast a shadow over the leasing market and put pressure on occupancy rates and rental levels. Virtually no new construction projects for business property started up in 2009, which is expected to balance out the oversupply on the market and to affect occupancy rates in 2010.

The prevailing economic situation weighs the operating capabilities of real estate companies, and as competition intensifies, the importance of leasing and customer service will increase even more. Sponda's solid expertise, high quality tenant base and balanced lease portfolio will help the company's position in a challenging situation. The investments made in 2009 to develop business operations and customer service will strengthen the company's market position in the future. The new business models create conditions for future growth as the market returns to normal and demand rises.

Investment properties of Sponda 1 Jan–31 Dec 2009, M€	Total	Office and Retail Properties	Shopping Centres	Logistics Properties	Property Develop-ment	Russia
Operating income	225.2	126.6	39.3	37.3	0.2	21.8
Maintenance costs	-56.8	-31.3	-8.0	-10.8	-1.2	-5.5
Net operating income	**168.4**	**95.3**	**31.4**	**26.6**	**-1.0**	**16.4**
Investment properties on 1 Jan 2009, including cum. capitalized interest	2,915.5	1,460.6	541.6	462.8	189.1	261.3
Capitalized interest	3.7	0.0	0.0	0.0	3.0	0.7
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Investments	53.4	14.4	13.2	0.8	23.5	1.4
Other transfers	2.0	1.2	-0.1	-1.2	2.0	0.0
Sales	-40.3	-4.2	0.0	-35.3	-0.8	0.0
Valuation gains/losses	-166.8	-46.2	-11.3	-30.9	3.6	-81.9
Fair value of investment properties at 31 Dec 2009	**2,767.5**	**1,425.8**	**543.6**	**396.1**	**220.6**	**181.4**
Change in fair value %	**-5.7**	**-3.2**	**-2.1**	**-6.7**	**1.9**	**-31.3**
Annual net operating income/fair value at 31 Dec 2009 % *)	**6.9**	**6.7**	**6.6**	**6.7**	**-**	**10.1**

*) excluding property development

Maintenance investments	21.3	15.5	0.7	0.8	3.9	0.4
Property development	32.0	-1.1	12.5	0.0	19.6	1.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Sales	-40.3	-4.2	0.0	-35.3	-0.8	0.0
Investments	**13.0**	**10.2**	**13.2**	**-34.5**	**22.7**	**1.4**

Yield requirements used in valuation of properties 31 Dec 2009, %	Helsinki CBD	Other Helsinki	Espoo/ Vantaa	Other Finland	Russia
Office and Retail Properties	6.1	6.3	8.1	7.3	11.5
Logistics Properties		7.8	8.3	10.6	11.0

The average yield requirement for Shopping Centres was 6.1 per cent.

Sensitivity analysis

Change in investment property fair value, M€ and %	-10% Change, M€	Change, %	-5% Change, M€	Change, %	0% M€	5% Change, M€	Change, %	10% Change, M€	Change, %
Yield requirement	262	10.3	124	4.9	0	-112	-4.4	-214	-8.4
Rental income (contractual rents)	-76	-3.0	-38	-1.5	0	38	1.5	76	3.0
Maintenance expenses	64	2.5	32	1.3	0	-32	-1.3	-64	-2.5
Economic occupancy rate (1st year)	-19	-0.7	-10	-0.4	0	10	0.4	19	0.7

The sensitivity analysis has been carried out as a quantitative analysis of the investment properties in Finland calculating the 15 year cash flow and of the properties in Russia calculating the 10 year cash flow.
The changes in yield requirements and economic occupancy rates have been calculated for average figures. The analysis includes only investment properties generating cash flows.

Implementation of strategy in 2009

January–March

Improving business operations:

Business operations were restructured by combining the Office and Retail Properties unit and the Logistics Properties unit to form the Investment Properties business unit.

Revision of strategy:

Sponda ceased to consider the property market in the Baltic Countries as a strategic investment area.

Raising equity ratio:

Sponda sold three logistics properties for EUR 16.3 million. The properties are located in Kuusankoski, Mikkeli and Oulu.

April–June

Financing arrangements:

Sponda Plc extended the EUR 100 million and EUR 150 million credit limits that function as back-up financing for its commercial papers for a further 12 and 24 months.

Sponda signed an agreement for a secured EUR 82 million 5-year credit facility with Helaba.

Raising equity ratio:

Sponda sold two logistics properties in Vantaa and a retail premises property in Joensuu for a total of EUR 22 million.

All the shares offered in Sponda's rights offering were subscribed. Sponda raised some EUR 200 million in the issue and used it to pay back some of the company's debt.

July–September

Revision of strategy:

In September 2009 Sponda set the short-term goals of seeking moderate growth and profitability. Growth is financed mainly by selling some of the existing property portfolio.

Financial targets:

The company's financial targets were revised in September. The Group's long-term equity ratio target was raised to 40 per cent. Under the new dividend policy the dividend is approximately 50 per cent of the cash flow from operations per share for the financial year, while taking into account the economic situation and the company's development requirements.

Improving business operations:

The training programme on customer relations management for Sponda personnel working at the customer interface ended in September. The programme aimed to bring a more planned approach to customer relations and greater transparency throughout the organization, and to develop common working methods from the customer relations strategy.

October–December

Investments:

Sponda Plc and Metso Automation Oy signed an agreement for 22,000 square metre production premises to be built in Hakkila, Vantaa.

In the City-Center retail complex, construction began of the 4,200 square metre office building in the inner court of the complex. During this construction stage, new retail premises will also be built in the complex and a light shaft down to the station tunnel level.

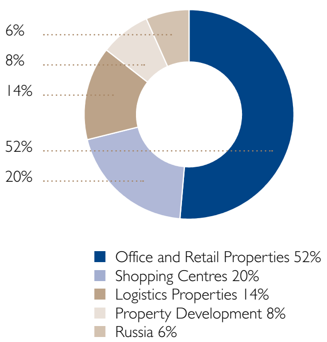
Raising equity ratio:

Sponda agreed on the sale of the Vanhajämerä office property in Helsinki to CapMan Hotels RE Ky for EUR 10 million.

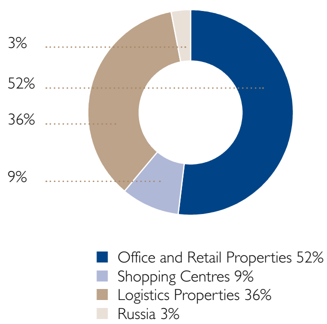
Financing arrangements:

Sponda Plc signed an agreement for an unsecured EUR 150 million 5-year loan with Nordea Bank Finland Plc.

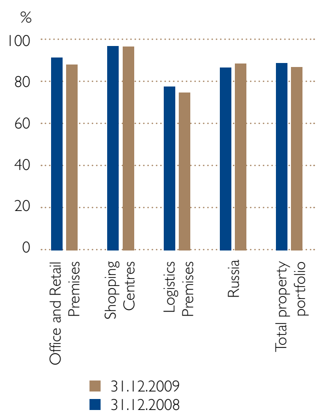
Sponda´s properties by fair value by business unit 31 Dec 2009



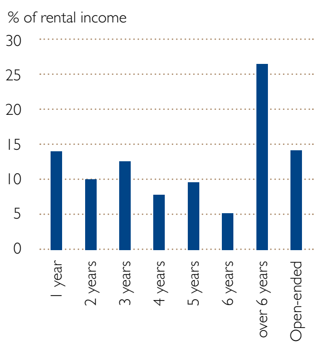
Leasable area by property type



Economic occupancy rate



Expiry of lease agreements, Sponda



Implementing the strategy 2005–2008

2005

In September 2005 Sponda published its new strategy and organization. The definition of the strategy was: profitable growth through customer-focused operations and active property development and by expanding property development and investment activities in Russia and the Baltic Countries.

Sponda's business operations were organized in four business units: Office and Retail Properties, Logistics Properties, Property Development and New Business Areas.

On 31 December 2005 Sponda had property assets with a fair value of EUR 1.3 billion and total revenue of EUR 103.1 million.

2006

In January 2006 Sponda established the first real estate fund, First TopLux Co, in which Sponda has a 20 per cent holding.

In June 2006 Sponda established another real estate fund, Sponda Fund I, in which Sponda has a 46 per cent holding. Sponda sold logistics properties to the fund with a value of EUR 37 million.

In October Sponda signed an agreement with the Port of Helsinki to build the logistics area in Vuosaari Harbour. In November the parties reached agreement on building the gate building, parking facilities and passenger terminal in Vuosaari Harbour.

In October Sponda reached agreement with the Finnish State to purchase the entire share capital of Kapiteeli Plc. The shares had a value of EUR 950 million. The transaction was confirmed in December 2006.

Sponda purchased properties in Finland with a total value of EUR 80 million during the year.

At the end of the year Sponda made its first investment in Russia, where the company purchased a logistics property for EUR 10 million.

At the end of the year the property assets had a fair value of EUR 2.7 billion (including Kapiteeli's property assets) and total revenue was EUR 116.9 million (including Kapiteeli's total revenue for the last two weeks of the year).

2007

At the beginning of 2007 Sponda carried out a EUR 250 million subscription rights issue. Altogether 31.7 million new shares were issued with a subscription price of EUR 7.80 per share. The funds were used to partially repay the short-term loan taken to finance the purchase of the shares of Kapiteeli Plc.

Properties were sold for a total of EUR 480 million during the year. The figure includes the property portfolio sold to Whitehall Street Real Estate Ltd and Niam Nordic Investment Fund III, with a value of approximately EUR 400 million.

Sponda purchased properties in Finland for EUR 79 million, and this includes the Elo shopping centre that was completed in 2009. Investments in Russia totalled more than USD 70 million.

Property development projects began in Helsinki in Sörnäinen, Ruoholahti, Itäkeskus and the central business district (City-Center).

The property assets had a fair value on 31 December 2007 of some EUR 2.5 billion and total revenue stood at EUR 210.9 million.

2008

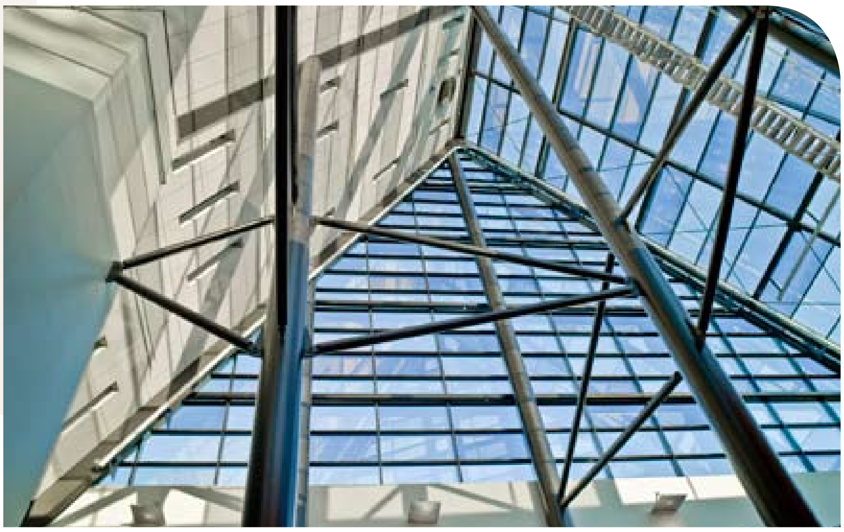
Sponda established a third real estate fund in April 2008, Sponda Fund II, in which Sponda has a 44 per cent holding.

In Finland Sponda sold properties for a total of EUR 110 million. Sponda purchased properties in Russia for altogether USD 290 million.

By the end of 2008 all of Sponda's property development projects were completed, apart from City-Center, on time and to budget. The projects had a total value of more than EUR 200 million. This included the properties completed in Vuosaari Harbour. The harbour was opened on 28 November 2008.

Sponda's property assets had a fair value of EUR 2.9 billion and total revenue was EUR 224.3 million.

Sponda has purposefully ***implemented*** *its strategy of profitable growth and active property development.*



case 02

Energy and cost savings

JANNE OJALEHTO IS HAPPY THAT **THE SEURAHUONE HOTEL WAS CHOSEN FOR THE PILOT PROJECT OF SPONDA'S ENERGY EFFICIENCY SCHEME.**

Old premises, modern methods

The Hotel Seurahuone Helsinki is located in Kaivokatu street, in a distinguished property that was built in 1913. Even in an old building it is possible to reduce energy consumption by making the right choices.

The Hotel Seurahuone Helsinki was established in 1833, and is the oldest hotel in Finland that has operated without interruption. The hotel was originally located in Kauppatori square in the building which is now Helsinki City Hall and moved into the present building in Kaivokatu street, owned by Sponda, in 1913.

"We are very proud of our traditions. In 2006 the hotel underwent an extensive refurbishment, and the rooms and restaurant and conference premises were renovated in the period style," says hotel manager **Janne Ojalehto**.

Energy savings

Seurahuone is one of the properties in Sponda's energy savings programme to raise efficiency in energy consumption in properties, which supports Sponda's customers in implementing their own environmental responsibility. The pilot project was launched in autumn 2009 at ten properties, and the scheme will be expanded later to other Sponda properties as well.

"We are happy that we have been in the scheme right from the start. I'm sure that monitoring energy consumption and the proposals for improvement will bring real cost savings. Our clients are also very environmentally aware, so it is important that we can demonstrate that we are fulfilling our responsibility for the environment," says Mr Ojalehto.

Small choices have big impact

Seurahuone has 118 rooms, so even small choices can give significant reductions in energy consumption. The biggest savings come from the main switch next to the door in the room: the electricity is on only when the key card is in place.

The hotel reduces the amount of laundry by only changing the sheets in occupied rooms every other day and replacing only the towels that have been left on the floor. Flow restrictors installed in the bathrooms reduce water consumption.

Seurahuone belongs to the Restel Group, which has altogether 46 hotels and 260 restaurants. Restel is also participating in the EU's Energy Efficiency Project, which aims to reduce energy consumption throughout the EU by nine percent by 2016.

DID YOU KNOW THAT

even small choices can give significant reductions in energy consumption. In the rooms in the Hotel Seurahuone Helsinki, the electricity is on only when the key card is in place.

Investment Properties

The Investment Properties business unit is responsible for Sponda's property portfolio in Finland and for leasing business properties. The unit was formed at the beginning of 2009 by combining the Office and Retail Properties unit with the Logistics Properties unit.

Sponda's investment properties are ***located*** *in the largest cities in Finland.*

Investment Properties is Sponda's largest business unit. It leases office, retail and logistics properties and purchases and sells properties in accordance with the company's strategy. By combining the Office and Retail Properties and Logistics Properties units Sponda improved the management of the operations, enhanced customer service and unified operation models. Investment Properties is divided into three segments: Office and Retail Properties, Shopping Centres and Logistics Properties.

Sponda's property portfolio comprises 52 per cent office and retail properties, 20 per cent shopping centres and 14 per cent logistics properties located in Finland. The properties are located in the largest cities in Finland: in Helsinki, Espoo, Vantaa, Tampere, Turku and Oulu.

Sponda's investment properties are located in the central areas of cities and along public transport routes, so people working in the premises have the option of supporting environmentally benign forms of transport when travelling to work. These are also key factors when the company takes decisions on property investments.

Options for changing space requirements

Sponda's account managers, who are specialized in office and retail properties, shopping centres and logistics properties, understand the features of different types of properties and are able to offer their clients tailored business premise solutions. These solutions take into account the way customers operate and provide pleasant working conditions for personnel.

Changes in clients' business premise requirements are often related to expanding or downsizing their business, but changes are also often a way to improve working conditions and wellbeing at work. Sponda tries to identify changes in space requirements as early as possible, and meet them either by offering new premises or by developing the customer's existing premises. Sponda's extensive property portfolio and customer-oriented way of working help in responding to the changing needs of customers.

Sponda looks after the business premises of its clients by investing in the maintenance of the properties and in improving their quality. In 2009 Sponda spent EUR 17 million on maintaining and modernizing investment properties.

Energy efficiency is a key topic in customer encounters

The prevailing oversupply of office properties on the market and rising vacancy rates are a challenge for the Investment Properties unit in 2010. The biggest difficulties in 2010 will be to keep up the economic occupancy rate and maintain rent levels. Sponda is responding to these challenges through active leasing activities and developing its customer service, aiming to raise customer satisfaction.

The energy efficiency of properties is a dominant theme in customer encounters in 2010. Sponda's energy efficiency scheme launched in 2009, is expanding in 2010 so that the properties in the scheme will cover 60 per cent of Sponda's energy consumption. In the scheme Sponda finds energy savings together with its clients.

Office and Retail Properties

FLOOR PLAN
KOY HELSINGIN SALMISAARENTALO,
TUOMO SIITONEN ARCHITECTS

Sponda's office and retail properties are located in the central areas of Finland's largest cities. Most of the properties, approximately 90 per cent, are in the Helsinki metropolitan area, and 60 per cent in highly regarded locations in the Central Business District and Ruoholahti district of Helsinki.

In Ruoholahti Sponda owns 170,000 square metres of office and retail premises, which makes Sponda the biggest provider of business property in the area. The excellent location close to the central business district, smooth transport connections, the nearby underground station and the wide range of services available in the area make the district even more attractive.

The total revenue of the Office and Retail Properties segment developed positively in 2009. The growing supply of office premises and declining demand reduced occupancy rates throughout the sector. This trend also had a visible impact on Sponda's office and retail properties, where the economic occupancy rate fell to 87.9 per cent.

At the end of 2009 Sponda owned in Finland 124 office and retail properties, with a combined floor area of 770,000 square metres. The properties had a fair value at the end of the year of EUR 1.4 billion.

In accordance with the company's revised short-term goals, Sponda did not purchase any new office and retail properties in 2009. During the year Sponda sold office and retail properties for EUR 4.2 million. The sale of property strengthened the company's solvency and financed property development projects.

At the end of 2009 office and retail properties had 1,036 clients and 1,877 leasing agreements. The largest clients are Sampo Bank Plc, Ministry of Justice, National Board of Patents and Registration of Finland, Nordea Bank Finland Plc and TrygVesta Forsikring A/S.

Refurbishment projects in the Helsinki metropolitan area

Sponda invested EUR 15.5 million in refurbishing office and retail property, with the biggest projects being in Helsinki and Espoo. In Helsinki new business premises were refurbished for Kolster Oy Ab at a property in Iso Roobertinkatu street, and the retail and service premises of Stockmann Herkku were built in the underground premises in Keskuskatu street. In Matinkylä in Espoo, the Tiistilän Miilu property was refurbished for the City of Espoo.

The largest refurbishment project in 2009 was the Salmisaarentalo building in Helsinki, where some 8,000 square metres of premises are being renovated for the Helsinki Court of Appeal. These premises will be ready in summer 2010. The Helsinki District Court has functioned since 2004 in this former industrial building known as the Helsinki Court House.

The office and retail properties participating in the pilot phase of the Sponda's energy efficiency scheme launched in 2009 are KOy Korkeavuorenkatu 45, KOy Ruoholahden Sulka, KOy Kaivokatu 12, KOy Helsingin Porkkalankatu 20, KOy Arkadiankatu 4–6, KOy Upseerinkatu 1 and KOy Tampereen Näsilinnankatu 39–43. Energy saving measures differ by customers, and they depend on the age and condition of the property. The measures focus on overall savings in electricity and heating energy.

Demand for premises has been good even during the economic downturn.

Sponda owns 7 shopping centres in Finland, with a total floor area of 140,000 square metres. The shopping centres had a fair value at the end of the year of EUR 543.6 million. Sponda's shopping centres are located in Helsinki Central Business District, Ruoholahti and Itäkeskus, and in Kempele and Ylöjärvi.

The economic occupancy rate of Sponda's shopping centres remained high, standing at 96.4 per cent at the end of 2009. The changes in the economic situation have hardly had a visible effect on vacancy rates at the shopping centres, and demand for premises has been good even during the economic downturn.

Eventful year

For shopping centres, 2009 was an eventful year. In March the Prisma store was opened in the Itäkeskus district of Helsinki and in April the Elo shopping centre was opened in Ylöjärvi.

The 21,500 square metre retail property in Itäkeskus, which is leased in its entirety to HOK-Elanto, is located in the heart of a residential area, beside the largest shopping centre in the Nordic Countries. It has good transport connections being next to Puotila underground station. Energy efficiency was a particular priority in the planning and construction of the property, and it has an excellent location in respect of its environmental impact.

The new Elo shopping centre in Ylöjärvi is also located close to a residential area and lies on public transport routes. Main tenant in the 24,500 square metre shopping centre is the K-Citymarket store. The shopping centre primarily serves the needs of the local population, and supplements the service offering in western Tampere and the surrounding municipalities. Numerous local events are held at Elo, and it has become an everyday meeting point for local residents.

At the end of 2009 the shopping centre properties had 187 tenant customers and 293 leasing agreements. The largest clients are Kesko Group, HOK-Elanto Liiketoiminta Oy and Stockmann Plc.

New retail premises in City-Center

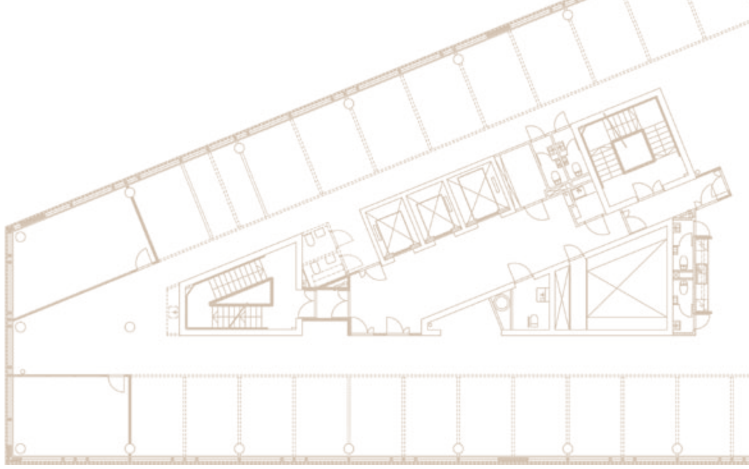
During the year Sponda invested EUR 13.2 million in shopping centre properties, with the main expenditure on the Elo shopping centre. Sponda spent EUR 0.7 million on modernizing shopping centres.

Construction of the City-Center retail complex progressed towards the end of 2009 to the above ground storeys. During this construction phase, which will be completed in autumn 2011, new retail premises are being built on the first and second floor of the complex and in place of the parking deck on the third floor. In addition, a 4,200 square metre office building will be built in the inner court of the complex. The office building has been leased in its entirety to Evli Bank Plc, which will move its head office functions from the same quarter to the new building. During this phase the light shaft will also be built in the complex, which will bring daylight right down to the station tunnel level.

The retail premises in the shopping centre are located on five floors, and two of these are underground. During the project, which is estimated to be completed during 2012, the floor area in City-Center will increase from its current level of 41,000 square metres to 55,000 square metres.

The Ruoholahti shopping centre is participating in the pilot phase of Sponda's energy efficiency scheme that was launched in 2009. The premises have been leased in their entirety to Kesko, which has paid particular attention to the energy efficiency of the K-Citymarket store that operates in the shopping centre.

Logistics Properties



FLOOR PLAN **PORTGATE, VUOSAARI**

Sponda is one of the major owners of logistics properties in Finland and the largest provider of logistics premises in the Helsinki metropolitan area. The company's largest logistics properties are located in Vuosaari and Konala in Helsinki and in Hakkila in Vantaa.

Sponda's extensive property portfolio contains a wide range of different logistics properties, including high warehousing, temporary storage premises and premises suitable for processing goods. Flexible, adaptable premises can be converted into versatile business premise solutions that meet customer requirements, for example by converting warehouse premises into refrigerated or freezer storage.

Sponda's account managers specialized in logistics properties have many years' experience in the logistics and property sectors, and the space solutions they offer address the individual needs of clients and also the special requirements of the logistics sector. The business premise solutions create conditions that promote the business of clients and provide good working conditions for personnel.

The logistics properties in the Sponda's energy efficiency scheme are KOy Ruosilantie 16 in Helsinki and KOy Vanha Porvoontie 231 in Vantaa. In the logistics properties, energy efficiency is being sought by providing the companies participating in the scheme with information and expertise on how to make more efficiency use of energy in the properties.

Decline in goods flows depressed occupancy rates

At the end of 2009 Sponda owned 52 logistics properties in Finland, with a total leasable area of 530,000 square metres. The logistics properties had a fair value at the end of 2009 of EUR 396.1 million.

The recession had a visible impact on export and import goods flows in 2009 and in transit traffic in trade with Russia. The decline in goods flows was reflected in demand for logistics premises and depressed occupancy rates. The occupancy rate of Sponda's logistics property portfolio remained low, standing at 74.5 per cent (2008: 77.4) at the end of the year. Signs of a recovery in demand for premises were visible at the turn of the year.

Logistics properties had 333 customers at the end of 2009 and 429 leasing agreements. The largest customers are Fujitsu Services Oy and Metso Group.

New production premises in Hakkila

In October 2009 Sponda signed an agreement with Metso Automation Oy for production premises to be built in Hakkila in Vantaa. The 22,000 square metre new building will be erected beside the Honkatalo logistics complex owned by Sponda in Vantaa. Sponda will also lease to Metso some 12,000 square metres of office and warehouse premises in the Honkatalo office building next to the new building. According to the plans construction of the production premises will get underway at the beginning of 2010, and the project is expected to be completed by the end of 2010.

Sponda owns some 22,000 square metres of logistics premises in the Hakkila business park, which is located half way between Helsinki-Vantaa airport and Vuosaari Harbour. In addition to the project being carried out in 2010, Sponda still has scope for further building in the area. The business park known as Vantaan Akseli (Vantaa Axis) provides excellent facilities for logistics sector businesses and for companies with production operations. The services available in the area, located close to the outer ring road Kehä III and the Lahdenväylä Lahti motorway, include customs, manpower rental and forwarding.

Wide range of space solutions in PortGate logistics complex

Sponda's largest logistics site, the PortGate logistics complex in Vuosaari Harbour, contains altogether some 70,000 square metres of logistics premises. The premises in the complex are suitable both for longer term storage and for rapid through flow of goods. The buildings are based on roughly 5,500 square metre units, which can be combined or divided and fitted out in different ways to create a variety of different sized space solutions.

The location of the PortGate logistics complex in the harbour at the hub of the sea, road and rail networks benefits in particular export and import companies with a fast turnover of goods. Being in the harbour removes the need for intermediate warehousing at more distant central warehouses, which saves costs and time for companies. The Gate Centre, the nerve centre of the harbour and comprising an office building, parking facilities and a passenger terminal, provides companies with attractive office premises, restaurant facilities and conference rooms, and various support services for the companies' business operations.

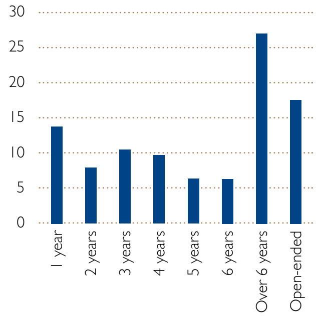
Investment Properties

Office and Retail Properties

Profit from leasing operations, Office and Retail Properties, M€	**2009**	2008	2007*)	2006*)	2005*)
Rental income	**129.0**	125.7	154.4	84.7	73.4
Operating expenses	**-32.7**	-32.8	-40.6	-21.6	-18.9
Net operating income	**96.3**	92.9	113.8	63.1	54.5
Fair value of properties	**1,425.8**	1,460.6	1,883.9	2,073.0	966.4
Yield %	**6.7**	5.5	5.9	5.8	5.6

Includes trading properties.
*) includes segments Office and Retail Properties and Shopping Centres

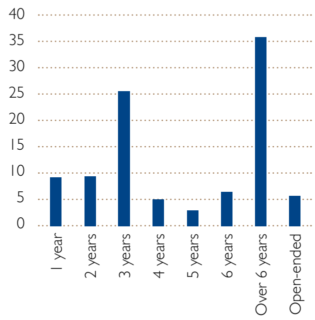
Expiry of lease agreements, Office and Retail Properties



Shopping Centres

Profit from leasing operations, Shopping Centres, M€	**2009**	2008
Rental income	**39.3**	29.3
Operating expenses	**-8.0**	-7.1
Net operating income	**31.4**	22.2
Fair value of properties	**543.6**	541.7
Yield %	**6.6**	6.6

Expiry of lease agreements, Shopping Centres

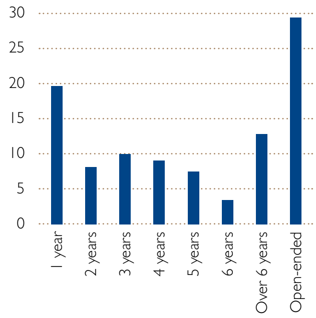


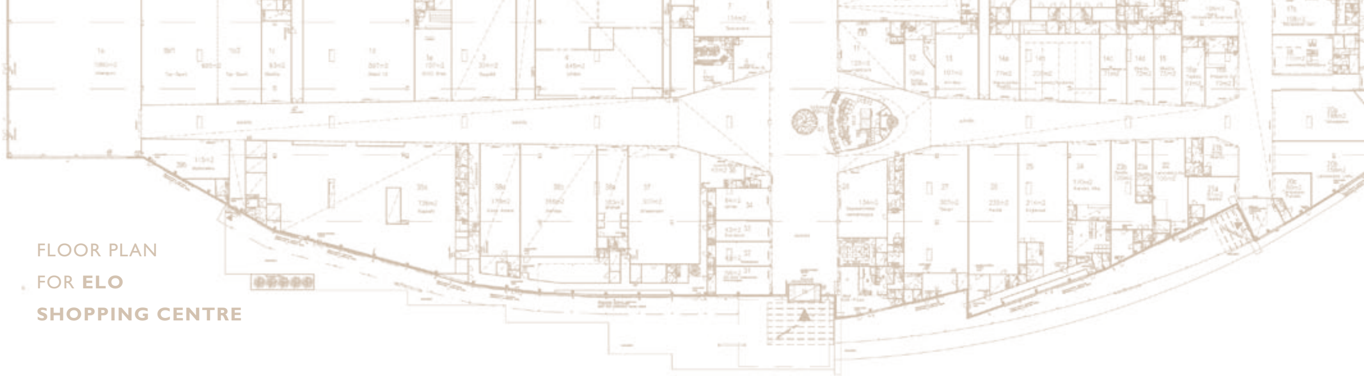
Logistics Properties

Profit from leasing operations, Logistics Properties, M€	**2009**	2008	2007	2006	2005
Rental income	**38.6**	37.9	32.0	28.7	29.6
Operating expenses	**-11.2**	-9.4	-7.8	-6.5	-6.6
Net operating income	**27.4**	28.5	24.2	22.2	23.0
Fair value of properties	**396.1**	462.8	327.6	245.6	252.3
Yield %	**6.7**	8.5	8.4	8.9	9.1

Includes trading properties.

Expiry of lease agreements, Logistics Properties





FLOOR PLAN
FOR **ELO**
SHOPPING CENTRE

10 largest office and retail properties

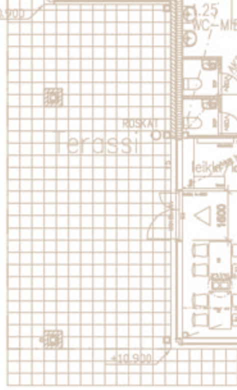
Property	Location		Area m², total
Helsingin Salmisaarentalo Koy	Porkkalankatu 13	Helsinki	48,764
Kaupintie 3 Koy	Kaupintie 3	Helsinki	44,103
Kilon Ritari	Kutojantie 2	Espoo	28,615
Arkadiankatu 4–6 Koy	Arkadiankatu 6	Helsinki	25,369
Unioninkatu 20–22 Koy	Unioninkatu 20–22	Helsinki	24,930
Upseerinkatu 1 Koy	Upseerinkatu 1–3	Espoo	19,808
Kasarmikatu 36 Koy	Kasarmikatu 36	Helsinki	17,008
Kumpulantie 11 Koy	Kumpulantie 11	Helsinki	16,272
Länsi-Keskus Koy	Pihatörmä 1	Espoo	15,834
Ratapihantie 11 Koy	Ratapihantie 11	Helsinki	15,553

Shopping centres

Property	Location		Area m², total
Helsingin Kaivokatu 8 Koy	Kaivokatu 8	Helsinki	33,209
Helsingin Itämerenkatu 21 Koy	Itämerenkatu 21	Helsinki	32,458
Elovainion Kauppakiinteistöt Koy	Elotie 1	Ylöjärvi	24,065
Helsingin Vanhanlinnantie 3 Koy	Vanhanlinnantie 3	Helsinki	20,050
Zeppelini shopping centre	Zeppeliinintie 1	Kempele	15,427
Aleksi-Hermes Koy	Aleksanterinkatu 19	Helsinki	8,443
Kaivokadun Tunneli Oy	Asematunneli	Helsinki	3,160

10 largest logistics properties

Property	Location		Area m², total
Vuosaaren Logistiikkakeskus Koy	Seilorinkatu 1	Helsinki	64,501
Messukylän Castrulli Koy	Etu-Hankkionkatu 1	Tampere	43,167
Ruosilantie 16 Koy	Ruosilantie 16	Helsinki	40,727
Vantaan Vanha Porvoontie 231 Koy	Vanha Porvoontie 231	Vantaa	35,946
Vantaan Honkatalo Koy	Vanha Porvoontie 229	Vantaa	35,165
Kuninkaankaari Koy	Heidehofintie2	Vantaa	17,949
Ruosilantie 14 Koy	Ruosilantie 14	Helsinki	16,795
Vuosaaren Porttikeskus Koy	Komentosilta 1	Helsinki	14,922
Vantaan Omega Koy	Virkatie 12–14	Vantaa	14,914
Espoon Juvanpuisto Koy	Juvan Teollisuuskatu 23	Espoo	14,154



Property Development

Sponda seeks growth and profitability through property development. The goal is to expand the property portfolio with new, attractive business properties and to extend the life of the company's properties.

Sponda's Property Development business unit carries out and markets the company's property development projects. The unit develops business premises to meet the needs of clients, either by renovating some of Sponda's existing property or by building new premises tailored for the client's business operations on undeveloped site owned by Sponda. The unit also searches the market for potential property development sites that fit in with its business concept.

Sponda **develops** *business premises to meet the needs of clients.*

Another objective of property development is to lengthen the life cycle of the company's properties, so that they serve as attractive and effective premises for clients and are profitable investments for Sponda. Extending the life of a property and improving profitability are possible if properties are designed to be adaptable and flexible right from the start.

Sponda's property development portfolio contains several sites that are in excellent locations with good transport connections. The ability to create innovative business premises that meet the needs of the client and address cityscape aspects has also enabled Sponda to win projects put out to competitive tenders.

Property development had a quieter year in 2009 than in the previous year, when a record number of Sponda's property development projects were completed. During 2009 Sponda focused on renovation projects for existing business premises and on continuing its current development projects. Several major commercial projects are being planned, and Sponda took steps in preparation for starting these.

Sponda's property development portfolio had a balance sheet value of EUR 220.6 million at the end of 2009. Land areas accounted for EUR 90.4 million of this and the remaining EUR 130.2 million was tied up in property development projects in progress. The biggest of these was the City-Center project. The company's goal is to achieve development gains of 15 per cent on project investment costs.

Progress in building City-Center

During 2009 the construction of the City-Center retail complex, which is located right in the centre of Helsinki, opposite the central railway station, progressed mainly in the underground service and technical facilities. Construction of a 4,200 square metre office block in the inner court of the complex and of new retail premises got underway towards the end of 2009. This construction phase, due for completion in autumn 2011, will also see the completion of the City-Center underground service facilities linked to the city centre service tunnel and of the light shaft into the complex, which will bring daylight right down to the station tunnel level.

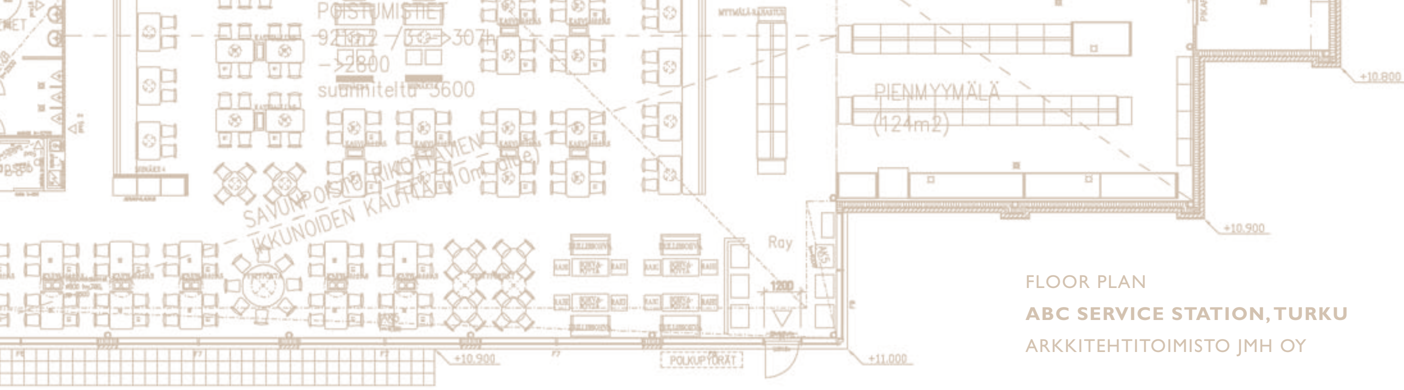
In the next building phases the current service premises will be converted into retail premises and the building facade on Keskuskatu street will be renovated. Most of the retail premises are staying open and pedestrian access through the complex is being maintained throughout the project, which sets particular challenges for the building work.

Particular attention in the project has been paid to energy efficiency and environmentally benign solutions. The leasable area in City-Center will increase from the 41,000 square metres it has today to 55,000 square metres. The whole project is estimated to be completed in 2012, and the overall investment will be approximately EUR 125 million.

Aiming for energy efficiency

Construction of the S-market store and ABC service station for Turku Cooperative Retail Society got underway in spring 2009 in Koulukatu street in Turku. With a total floor area of 3,000 square metres, the building celebrated its topping out in November 2009, and the anticipated completion date for the project is spring 2010. One particular focus during the planning stage was to minimize energy consumption during the operational life of the building. The goal is to reduce energy consumption by 25 per cent compared to other ABC service stations.

At the beginning of 2009 the Vuosaari Harbour Service Center was fully completed, comprising a building with office premises and staff facilities and a service and repair workshop building. Construction of the property began in April 2008,



FLOOR PLAN
ABC SERVICE STATION, TURKU
ARKKITEHTITOIMISTO JMH OY

and the buildings were partially completed already by November 2008, at the same time as the major PortGate logistics centre projects built by Sponda in Vuosaari Harbour.

Unit's resources were tied up both in new development projects and renovating Sponda's existing property. The biggest of the renovation projects was building new premises for the Helsinki Court of Appeal in an old industrial property in Salmisaari, Helsinki. Sponda is refurbishing some 7,800 square metres of office premises for the Helsinki Court of Appeal in the building known as the Court House. The property will be completed in summer 2010. Rooms in the building protected by the National Board of Antiquities are being preserved with their original furnishings.

During the year progress was also made with the plans for many projects that are awaiting implementation. Planning permission was obtained for the Ratina shopping centre in Tampere towards the end of the year, and in Vaasa land use planning for the shopping centre is in its final stages. Construction of both these projects will begin once more than half of their premises have been leased.

Focus in 2010 on shopping centres

In 2010 Sponda's property development activities will focus on shopping centre projects, and the goal is to begin construction of the Ratina shopping centre. Sponda will place a greater emphasis on environmental aspects in the development and design of properties.

Construction of the 22,000 square metre production property for Metso Automation Oy in Hakkila, Vantaa is planned to get underway at the beginning of 2010. The new building is located beside the Honkatalo logistics centre in Vantaa that is owned by Sponda. The project should be completed by the end of 2010 and the total investment is estimated at some EUR 40 million.

Development Properties' ready-to-start projects in the marketing:		Floor m²
Office properties		
Forum Virium Center	Helsinki	14,000
Estradi	Helsinki	9,000
Aviapolis	Vantaa	14,000
Energiakatu	Helsinki	10,000
Retail properties		
Vantaan Alfa	Vantaa	13,000
Shopping centres		
Ratina shopping centre	Tampere	55,000
Logistics properties		
Vuosaaren satama	Helsinki	30,000
Hakkila	Vantaa	6,000

The start of the projects requires at least a pre-let of 50 per cent and an investment decision of the company.

Russia

Sponda has operated in the Russian market for several years now and has established itself as a provider of quality business premises. Sponda's most important success factor in the market is its strong regional expertise.

The occupancy rate of Sponda's property portfolio in Russia was clearly ***above*** *the market level.*

Sponda's Russia unit leases, manages and develops business premises in Russia for companies and organization operating there. Sponda has in Russia two own offices, located in Moscow and St Petersburg. Having its own offices has strengthened the company's presence in the local market, which has made it easier to monitor the local property market.

At the beginning of 2009 Sponda revised its strategy and ceased to consider the Baltic Countries a strategic area for property investment. The company's unit previously called the Russia and Baltic Countries changed its name and became the Russia unit.

Due to the uncertain state of the market, Sponda made no new purchases of property in Russia during 2009. The Russian property portfolio had a fair value at the end of the year of EUR 181.4 million. This represented a fall of EUR 81.9 million from the previous year, which was due mainly to changes in the yield requirements for properties. The fair value of the properties was assessed at the end of the year by CB Richard Ellis. There were virtually no transactions in Russia's property market, which made it difficult to assess property values.

Occupancy rates fell sharply in Russia's property market, and the abundance of business premises supply made leasing activities more difficult. The growth in vacancy rates for office properties came to an end and the fall in rents began to level out towards the end of the year 2009.

The occupancy rate of Sponda's property portfolio in Russia was 88.2 (2008: 86.3) per cent at the end of 2009, which is clearly above the market level. The vacancy rate accrued from the Ancor office building in Moscow, which was completed at the end of 2008.

At the end of 2009 the business unit had 191 clients and 314 leasing agreements.

Regional knowhow and customer service are strong points for Sponda

Sponda owns nine properties in Russia: four office properties, two shopping centres, a logistics property and two land areas. Of these, two of the office properties, the two shopping centres and one land area are located in Moscow, while in St Petersburg Sponda owns two office properties, a logistics property and one land area.

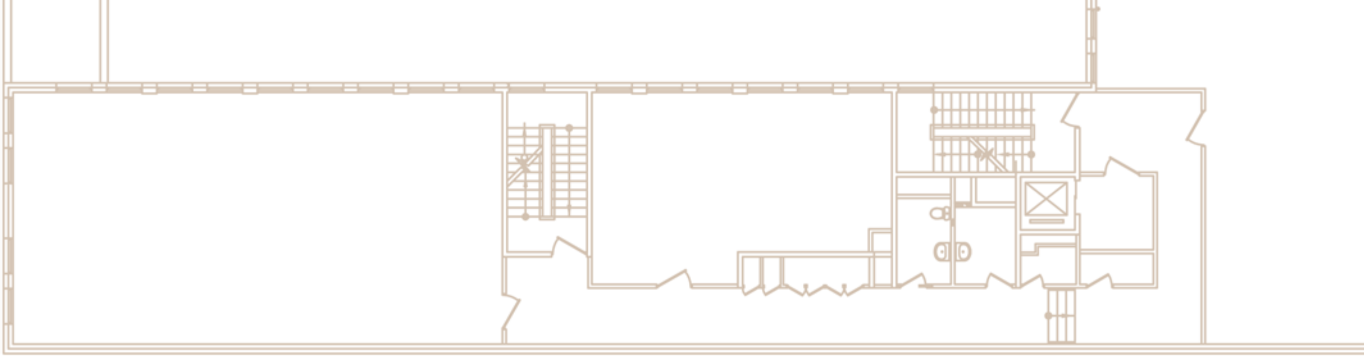
The company's office properties are in central locations in Moscow and St Petersburg, close to the services available in the cities and with excellent transport connections. The office buildings, which correspond with the western quality requirements, provide clients with modern, attractive premises for their business operations.

Sponda's success factor in Russia has above all else been the company's strong regional knowhow. The personnel comprises Finnish and Russian property sector professionals, who have an indepth knowledge of the company's business property offering and are familiar with the Russian culture and the local way of doing things.

Sponda's other strength in Russia, in addition to regional knowhow and the attractive business premise offering, is the high quality of customer service. Sponda monitors the quality of its service with an annual customer satisfaction survey. The survey has been conducted in Russia in 2008 and 2009, and both years the feedback from clients has been excellent. This shows that Sponda has managed to respond to the needs of its clients and to focus on the right matters in its service.

Joint corporate responsibility principles in Finland and Russia

As a responsible property owner, Sponda offers its clients in Russia and Finland lasting partnership by developing its prop-



FLOOR PLAN **ANCOR OFFICE BUILDING, MOSCOW**

erties and looking after their condition. The company observes the same business principles and corporate responsibility principles in Russia as in Finland.

As far as corporate responsibility is concerned, the differences between the business environments present challenges. Waste recycling systems in Russia, for example, are not yet on the same level as in Finland. However, Sponda is making preparations for the sorting of waste, so that it can introduce a recycling system in the company's properties as soon as the infrastructure makes this possible. Sponda has also paid attention to the energy efficiency of the properties. In 2010 Sponda's energy efficiency scheme extends in Russia where the target is that two properties will join the scheme.

In 2009, after several years of intensive growth, Sponda focused in Russia on the management of its properties and on developing its own business model. The common business model enhanced the operations of the unit and supported the daily work of personnel. Management of the properties was improved by centralizing all maintenance services to professional service providers. To support its customer service, Sponda set up a Russian language Internet website for clients, presenting Sponda's activities and offering in Russia. With these measures Sponda aims to reinforce its competitive edge in Russia and to equip itself better for when the economy starts to pick up again.

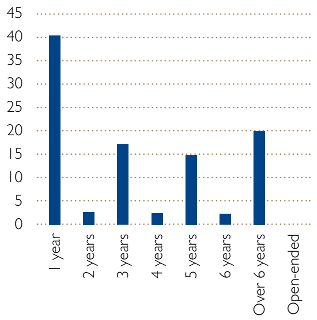
Sponda's land areas in the Leningrad and Moscow regions are still waiting for planning permission. Logistics projects are planned for both sites.

Challenges facing property sector continue in 2010

Market forecasts indicate that the financial crisis should ease slightly in Russia in 2010, and demand for office premises is expected to increase, especially in Moscow. Despite the positive signs, the problems caused by the economic crisis will still be felt in the property sector. Sponda's primary goals in Russia in 2010 are to have profitable operations and to develop its business. Sponda continues to develop its operations model and customer service in Russia. In its property maintenance, Sponda is aiming to obtain synergy and cost benefits by centralizing further maintenance service purchases.

Sponda aims to respond to the challenges by continuing the development of its operations methods and by improving further customer service and professional skills of its personnel. In 2010 Sponda will launch its training scheme for customer account management in Russia, with the goals of developing common ways of working in account management and achieving a more systematic approach to customer relations.

Expiry of lease agreements, Russia



Profit from leasing operations, Russia, M€

	2009	2008	2007	2006
Rental income	**21.8**	16.2	1.9	0.0
Operating expenses	**-5.5**	-4.1	-0.4	0.0
Net operating income	**16.4**	12.0	1.5	0.0
Fair value of properties	**181.4**	261.3	77.2	10.7
Yield %	**10.1**	10.1	10.4	0.0

Properties in Russia

Property	Location		Area m², total
Western Realty	Gasheka Street 7	Moscow	14,491
Sun Paradise 2	Borovskoe highway 6	Moscow	8,955
Adastra OOO	Zanevka village	St Petersburg	7,750
Sun Paradise 1	Vokzalnaja ul. 4b, Ramenskoe	Moscow	6,489
Ancor	Prospekt Mira 6	Moscow	2,967
NRC	Kaluzhskij per. 3	St Petersburg	2,857
Inform-Future	Ul. Tambovskaja 12	St Petersburg	2,720

Real Estate Funds

Through its real estate funds, Sponda invests in office, retail and logistics properties located in medium-sized towns in Finland. Sponda's real estate funds are directed for international and Finnish institutional investors.

The Real Estate Funds business unit acts as an active manager and a part-owner of the property portfolios of the funds managed by Sponda. The company's real estate funds are for international and Finnish institutional investors, to whom Sponda provides access to professionally managed property portfolios and an easy way to invest in real estate. The indirect form of investing simplifies the administrative work of investors, since Sponda is responsible for leasing the business premises owned by the funds and for managing the property portfolios.

Sponda has long experience of managing real estate equity funds and in-depth knowledge of the real estate sector. Sponda understands the local market and the needs of its customers, and is a reliable partner for both its investor and tenant clients. The company's advanced processes and systems support strong knowhow in managing real estate portfolios and in customer service.

Attention is paid to the energy efficiency of the properties managed by the real estate funds. By monitoring energy consumption and providing guidelines for customers operating in office and retail properties, Sponda strives to reduce consumption and achieve energy savings. This increases also the appeal of the properties.

Real estate funds managed by Sponda

Sponda has a minority holding in three real estate funds that it manages: Sponda Fund I, Sponda Fund II and First Top LuxCo: Sponda also manages the property and assets of the WH 2005 / NIAM III East Holding Oy fund.

Sponda Fund I invests in logistics properties outside the Helsinki metropolitan area. At the end of 2009 the properties owned by the fund had a value of EUR 186.4 million. Sponda owns 46 per cent of Sponda Fund I.

Sponda Fund II mainly invests in logistics, warehouse and industrial properties in medium-sized towns in Finland. The fund has a target size of EUR 200 million, and at the end of 2009 the property portfolio had a fair value of EUR 95.8 million. Sponda has a 44 per cent holding in the fund.

First Top LuxCo invests in office and retail properties outside the largest cities in Finland. At the end of 2009 the property portfolio had a fair value of EUR 105.9 million. Sponda has a 20 per cent holding.

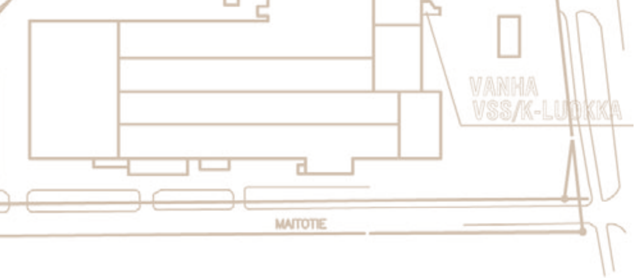
Occupancy rates high in 2009

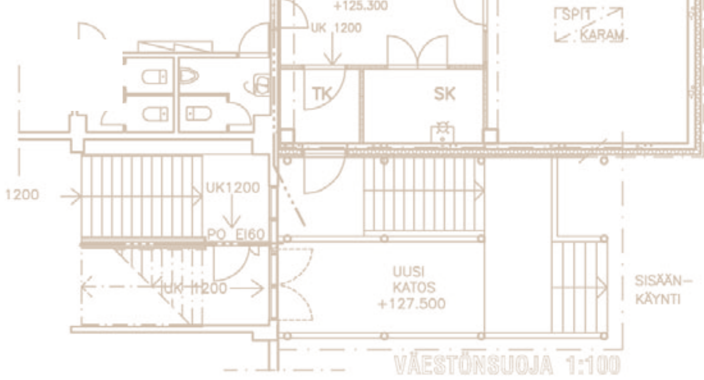
During 2009 Sponda started up the factory enlargement in Nastola for Novart Oy, Finland's largest manufacturer of kitchen and bathroom furniture. Novart Oy concentrated all its production at the modern factory equipped with the latest technology and owned by Sponda Fund I, and the extension was completed in February 2010.

The uncertain state of the market made 2009 exceptionally challenging year, and this showed particularly in a decline in trading volumes. Because of this, no great changes occurred in the portfolios of real estate funds managed by Sponda. Sponda actively examined possible properties to expand Sponda Fund II, but the prevailing uncertainty on the market and the lack of suitable properties slowed down the purchasing.

Despite the high vacancy rates in the property market, the occupancy rates for the real estate funds managed by Sponda remained high, and the properties owned by the funds are almost fully leased. Total revenue and net operating income remained at the same level as in the previous year.

Sponda provides access to ***professionally*** *managed property portfolios and an easy way to invest in real estate.*





SITE PLAN DIAGRAM AND FLOOR PLAN
KOY DENEGIN KOUVOLANTIE 227,
TENANT NOVART OY.

New business models for customer service

Challenge in 2010 is presented by developments in the national economy and in employment. These set challenges to maintaining economic occupancy rates and increase the risk of a weakening in the solvency of tenants. Sponda is preparing for this by enhancing customer service and developing the unit's resources.

Those working at the customer interface in the Real Estate Funds business unit participated in Sponda's training programme in customer relations management in 2009, developing common working methods. With the new business models the unit aims to improve its customer service and raise customer satisfaction in 2010.

Sponda Fund II still has unused investment capacity of approximately EUR 100 million. Developments in the property market affect the fund's growth potential. If the uncertainty continues in the property market, any growth in the fund is expected to be moderate in 2010.

Profit from leasing operations, Real Estate Funds, M€	2009	2008	2007	2006
Total revenue	**12.7**	13.2	14.5	2.7
Operating expenses	**-1.9**	-1.8	-4.5	-1.4
Net operating income	**10.9**	11.3	10.0	1.3

Management fees and share of profit, M€	2009	2008
Management fees	**6.6**	8.5
Share of profit	**5.8**	4.7
	12.4	13.1

case 03

Energy efficiency through technical solutions

"WE TRY TO FIND **ENERGY EFFICIENT SOLUTIONS** FOR THE ABC SERVICE STATION IN TURKU," SAYS ARI AHOKAS.

ABC for energy efficiency

The ABC service station in Koulukatu street, Turku will be completed in spring 2010, with an energy consumption that is as much as 25 per cent lower than a normal service station. To find the most energy efficient technical solutions, a careful examination was made of the various options.

Sponda is building the ABC service station and S-market store for the Turku Cooperative Society (TOK), and has paid particular attention to energy efficiency. Construction work began in spring 2009, and the estimated completion date is spring 2010.

"Both Sponda and TOK have the goal of developing environmentally friendly solutions, so we reached agreement on building an energy efficient property right at the start of the project," says TOK real estate manager **Ari Ahokas**.

Energy consumption during the operational life of the building has been reduced by choosing the most effective technical solutions with minimum environmental load. These include utilizing the waste heat from refrigeration equipment, using solar panels for the hot water supply, and using air source heat pumps to heat the restaurant premises. The property was built to comply with the stricter heat insulation regulations that come into force in 2010.

Cost savings for the customers

During the construction of the service station Sponda is focusing on solutions that give the customer cost savings during the operational life of the building.

"We are the tenant, so we are responsible for maintaining the building and for all the energy costs, so we benefit from the energy-saving solutions. This is the first eco-friendly ABC service station in TOK's area, and our goal is to cut energy consumption by no less than 25 per cent compared to other service stations," Ahokas continues.

The 1,000 square metre service station will house a restaurant, a small ABC supermarket and a fuelling station, and the S-market store in the same building will have about 2,000 square metres.

DID YOU KNOW THAT

solar panels are used to heat the hot water supply in the new ABC service station.

Corporate responsibility – situation and goals

Sponda takes an all-inclusive approach to corporate responsibility, addressing financial, social and environmental aspects. In autumn 2009 the company chose environmental responsibility as the priority in its corporate responsibility, and it has also paid particular attention to developing customer service.

Targets for 2010

The specific targets for 2010 are mainly related to environmental responsibility. The company level targets are as follows:

- Addressing the requirements of environmentally responsible operations in all construction and property maintenance
- Reducing energy consumption in the properties owned by Sponda
- Reducing environmental impacts
- Creating a healthy, attractive work environment for the client
- Environmental targets for Sponda's own business operations

Training for personnel in environmental issues will also continue, and environmental issues will be included in customer satisfaction and personnel surveys. Environmental aspects should become a systematic part of customer relations activities.

*Sponda aims to be the **first** choice of customers, professional personnel and investors.*

Sponda's business operations are planned and assessed from the viewpoints of financial, social and environmental responsibility. Sponda carries out its business transparently, complying with legislation and other regulations. As a major player in its field, Sponda must answer to several different stakeholders – investors, shareholders, customers, the authorities and personnel as well as to subcontractors and the media.

In 2009 Sponda continued with its thorough examination and implementation of corporate responsibility, which began in autumn 2008, systematically and vigorously. The vision for corporate responsibility: Sponda is the most reliable, profitable and responsible player in the real estate sector, implementing sustainable development, steers the development of the company's responsibility in its operations.

The decision by the Finnish government in October 2009 to reduce greenhouse gas emissions by 80 per cent by 2050 sets new and interesting challenges for the property sector, which will play a major role in mitigating climate change and improving energy efficiency. Meeting this target will require major innovative solutions from both owners and users of properties.

Investments in environmental competence

Towards the end of 2009, Sponda highlighted environmental competence and made it a strategic priority in corporate responsibility. The vision for corporate responsibility states that Sponda is the leading environmental expert in the real estate sector, implementing sustainable development. The goal is to build up the company's environmental skills and competence in different areas, integrate the environmental viewpoint into all processes and in this way also support clients in achieving their own environmental targets.

The steps taken during 2009 include appointing a sustainability manager, launching Sponda's energy efficiency scheme to minimize energy usage, increase personnel training, introducing the WWF Green Office concept at Sponda's head office, and active participation in sustainable development forums also in Russia.

Customers becoming partners

Key elements in responsible, successful business operations are providing solutions and service that meet customer needs, and effective management of customer relations. Customer viewpoint is an integrated part of Sponda's vision, val-

*Sponda's **goal** is to operate transparently, observing the principles of sustainable development.*

Areas of responsibility and action in 2009

Areas of responsibility	Brief description	Action in 2009
Financial responsibility	Financial responsibility means responding to the yield expectations of owners, providing and securing jobs, paying taxes and generating economic wellbeing for society. The financial result also has an impact on customers and subcontractors.	During the past year the company has examined its financial reporting, internal audit and risk management processes. This assessment has shown these processes and systems to be of an effective and appropriate standard at Sponda.
Environmental responsibility	Sponda is developing a wide range of solutions and business concepts to increase the energy efficiency and eco-friendliness of properties. Working with its clients it tries to find the most effective and user-friendly means, which also help clients achieve their own environmental goals.	In 2009 the company launched the Sponda energy efficiency scheme, with the goal of working with clients to reduce the energy consumption of properties. The objective is with the users of properties to identify potential areas for saving energy. Ten properties of different ages and types are participating in the pilot project, and one of these is Sponda's head office.
Social responsibility	The human resources strategy is a management and development tool for Sponda. It forms a foundation for good management. Personnel are motivated to maintain and develop their own expertise and also Sponda's business methods. Human resources management is governed by the company's values: innovation, honesty and professionalism. Customer expectations and needs set the direction for developing the skills and knowhow of Sponda personnel. Sponda's core skills are customer relations management, leasing business premises, property development, real estate investment and managing the partner network.	During 2009, the focus in human resources management was on high quality supervisor work to support wellbeing at work and on developing cooperation between the business units.In addition, Sponda actively developed its customer relations strategy, aiming to build customer relationships into deeper level partnerships. Training scheme has been devised to support this goal. The objective of the training scheme relating to this is to create a more systematic, planned approach to customer relations with greater transparency throughout the organization, and to develop common procedures for the work of those who operate at the customer interface.

Campaigns and support for charity

■ *Sponda* participated in the global Earth Hour event arranged by WWF in March 2009. The participating organizations and individuals turned off the lights for one hour in properties around the world. Turning off the lights symbolized a common concern for climate change. Sponda turned off the lights on the facade of the City-Center business complex for the duration of the event.

■ *The money* reserved for traditional Christmas greetings and gifts was donated for the second time to protecting the Baltic Sea. The donation supports the WWF's Operation Mermaid, a major campaign by WWF Finland for saving the Baltic Sea. Sponda has chosen protection of the Baltic Sea for its donation because it is an important area for Sponda's operations. In future, greater attention will be paid to protecting the environment as part of responsible business operations. Within the Baltic Sea region, Sponda is participating in the development of Vuosaari Harbour, and is a property investor in the largest coastal city on the Baltic Sea, St Petersburg.

■ *In addition*, Sponda supported the activities of the Women's Bank by giving premises in the centre of Helsinki for a flea market arranged by the organization. The flea market collected funds to support entrepreneurship by women and their livelihood in developing countries.

■ *The Sun Paradise I* shopping centre in Moscow has worked for several years with a local charity that supports children's rights. Three times a year an exhibition of children's drawings and a drawing competition arranged by the charity organization are held in the shopping centre premises. The shopping centre gives the premises for the exhibition and donates small prizes for those who participate in the competition.

ues and business strategy. Based on this, Sponda created a customer relations strategy and focused on training its customer account managers in 2009.

Sponda's objective is to provide customers with even better, tailored service and business premises which they do not have to worry about. The goal is a long-term, interactive partnership that benefits both the user and the owner of the property.

Personnel training – a long-term investment

Cornerstones of success are developing personnel skills and knowhow and ensuring the well-being of personnel. One particular focus in 2009 was customer service training, to enable Sponda to provide even better service for each client in a way that meets their needs and wishes. The company has also held internal information and training events about environmental issues.

The job satisfaction of Sponda's personnel is assessed regularly. Despite the difficult market conditions, the level of job satisfaction among personnel rose from the previous year. Sponda's particular strong points are the work of supervisors and management as well as the community spirit and work atmosphere. The company aims to keep job satisfaction at a high level in future as well.

Other important areas of social responsibility include relations with other stakeholders and the immediate surroundings and providing customers with suitable, safe premises.

Same corporate responsibility principles in Russia

Sponda has the same business models and goals in Finland and Russia. The company applies in Russia the same corporate governance, internal audit and risk management processes and human resources management principles as it applies in Finland.

Russia's property market has special features that have to be taken into account when planning and implementing business operations. These include on the one hand a low level of regulation and low energy costs, but on the other hand high connection charges, varying quality in building projects and the tendency to plan matters from a short term perspective.

Discussion about environmental issues is on the increase in Russia, and Sponda has actively participated in this, for example by taking part in the first conference on sustainable development in the property sector. Sponda's energy efficiency scheme extends in Russia in 2010.

Stakeholders

Sponda has several different stakeholders, and the company strives to meet their expectations in the best way possible. Guiding principles for its work with stakeholders are an active approach and integrity.

Personnel – Skilled, motivated and committed personnel are a key resource for Sponda. Altogether 134 people worked at Sponda at the end of 2009, and the company invests heavily in maintaining and developing their professional skills and knowhow. Sponda offers its employees a secure livelihood and safe working conditions, and the opportunity for personal development at work.

Customers – Sponda's largest customer groups operate in the retail and wholesale business, in the public sector, and in the banking and investment sectors. Geographically, the customers operate all around Finland. Customers expect Sponda to provide tailored business premise solutions that support sustainable development. The customer relations strategy created in 2009 and the account management models will enable Sponda to provide even better customer service. At the end of 2009 Sponda had 3,178 customers.

Investors and owners – At the end of 2009 Sponda had 9,905 registered shareholders. Public sector entities owned 6.6 per cent of the shares, nominee registered 41.6 per cent, companies 36.6 per cent, private households 9.7 per cent, non-profit-making organizations 1.4 per cent, and financial and insurance institutions 3.5 per cent of the share stock. Altogether 0.6 per cent of the shares were in foreign ownership.

Financiers – Sponda's long-term, confidential relationships with its financiers helped Sponda make several financial arrangements in 2009 in very difficult market conditions. The company's financiers are mainly Nordic banks, and include Nordea, Danske Bank, Skandinaviska Enskilda Bank and Pohjola Bank plc.

Subcontractors – Sponda's most important subcontractor is Ovenia Oy, which is responsible for the upkeep and maintenance of properties. Ovenia plays an important role for customers and Sponda in implementing and monitoring their corporate responsibility. Sponda's other subcontractors include construction companies. Sponda requires all its subcontractors and partners to have transparent, responsible operations that take environmental factors into account.

Media – The media form an important stakeholder group and are a key means of communication about Sponda's activities to other stakeholders. Effective management of media relations requires active, reliable and open communication about the company's operations.

Society and the authorities – Sponda's operations are developed in cooperation with the authorities. By maintaining good relations with the authorities, the company aims to ensure that it complies with statutory and other official requirements, to influence official regulations, and to actively monitor developments in regulations. Good relations with the authorities are also of key importance for business in Russia.

Organizations – Sponda is actively involved in RAKLI (The Finnish Association of Building Owners and Construction Clients), EPRA (European Public Real Estate Association) and INREV (European Association for Investors in Non-listed Real Estate Vehicles). Sponda has been involved in setting up the Finnish Green Building Council (FiGBC), which aims to make sustainable development practices part of the business operations of the real estate and building cluster and indirectly of customers using services in the built environment. In Russia Sponda belongs to the Association for European Businesses real estate forum and the Russian Green Building Council (RuGBC).

Other stakeholders – Other important stakeholders include educational institutions and various research and development organizations. Each year Sponda provides opportunities for university students, for example, to work on a thesis related to the real estate sector.

Guiding principles for work with stakeholders are an ***active*** *approach and integrity.*

Financial responsibility

Responsible, transparent management of finances is of prime importance for Sponda. Efficient, profitable and competitive operations ensure the company generates financial wellbeing for different stakeholders. The new corporate governance reporting model creates a more systematic approach and increases transparency in financial reporting.

Financial responsibility means responding to the yield expectations of owners, providing and securing jobs, paying taxes and generating economic wellbeing for society. The financial result also has an impact on customers and subcontractors.

During the past year the company has examined its financial reporting, internal audit and risk management processes. This assessment has shown these processes and systems to be of an effective and appropriate standard at Sponda. The systems and processes are assessed and developed continuously as part of normal internal business development. Transparent financial reporting fully in accordance with Finland's new corporate governance guidelines for listed companies places stakeholders in a better position to assess the company's financial activities.

More details about the corporate governance guidelines, internal audit and risk management are given on pages 58–63 and 66–69 of the Annual Report.

Financial targets

In September 2009 Sponda's long-term equity ratio target was raised to 40 per cent from the previous level of 33 per cent. The company's dividend policy was also revised so that the dividend is approximately 50 per cent of the cash flow from operations per share for the financial year, while taking into account the economic situation and the company's development requirements. Sponda aims to pay a stable dividend.

Financial impact of business operations

Sponda's operations generate financial wellbeing through the cash flows between the company and its stakeholders. These include rental income from clients, purchases from suppliers, personnel salaries, dividends paid to shareholders, and investments to make the business grow. Sponda's operations also have an indirect impact, for example on the business of clients and suppliers.

Customers Some 95 per cent of Sponda's total revenue comes from rental income, and about 5 per cent from management fees for real estate funds and from Sponda's share of their profits. Sponda aims to provide the best possible business environment for the business operations of customers and the most effective customer relationship on the market.

Personnel Sponda's employee expenses totalled EUR 12.1 million in 2009. Sponda employed at the end of 2009 altogether 134 people, and 14 of these work at the offices in Russia. Personnel belong to a bonus scheme with bonuses that are linked to the company's targets.

Service suppliers Sponda purchases from partners and subcontractors services and functions that are not part of Sponda's core business. These include building management services, construction and maintenance services, and certain administrative functions. Sponda gives employment indirectly to many people through property maintenance and capital expenditure on property.

Sponda requires all its subcontractors and partners to have operations that are transparent and responsible and take environmental issues into account.

Financiers Sponda's net financial costs totalled EUR 65.0 million in 2009. At the end of the year the company had EUR 1,597.8 million in interest-bearing loans and an equity ratio of 37 per cent.

Shareholders At the end of 2009 Sponda had altogether 9,905 shareholders, and 41.6 per cent of these were nominee registered. The company's cash flow from operations per share was EUR 0.45. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.12 per share shall be paid for the 2009 financial year.

Public sector Sponda paid EUR 3.0 million in income taxes in 2009 and EUR 8.8 million in real estate taxes. The company received EUR 22.3 million in income from state-owned enterprises and companies in the form of rent.

Support of non-profit activities Sponda donated the money reserved for traditional Christmas greetings to protecting the Baltic Sea through the WWF's Operation Mermaid. Sponda has not provided financial support for political parties or for individuals standing for election to positions of trust.

Investments Capital expenditure on property maintenance amounted to EUR 21.3 million in 2009. These investments ensure the well-being of tenants and provide the best possible conditions for business operations. Altogether EUR 32.0 million was invested in the Group's property development during the year.

95 per cent of Sponda's total revenue comes from rental income.

Cash flows between stakeholders		2009 M€	IFRS % of revenue	2008 M€	IFRS % of revenue
Customers	+ Revenues	**243.0**	**100.0**	224.3	100.0
Suppliers	- Purchases	**-62.0**	**-25.5**	-62.0	-27.6
Personnel	- Personnel expenses	**-12.1**	**-5.0**	-12.4	-5.5
Shareholders	+ Share issue / - Dividends	**208.2**	**85.7**	-55.5	-24.7
Financiers	- Net financing costs	**-65.0**	**-26.8**	-75.1	-33.5
Public sector	- Taxes	**-9.5**	**-3.9**	-9.5	-4.2

Social responsibility | Customer competence

During 2009 Sponda has created a customer relations strategy that has the goal of building customer relationships into closer, long-term partnerships. The strategy contains models defined among others for customer information management, customer encounters and communications.

*Sponda promises the **best** possible work environment for the customer's business operations and the most effective customer relationship on the market.*

Sponda's customers by sector

Sector	% of net rental	Sector	% of net rental
Professional, scientific and technical activities	7.8	Other services	8.1
Energy	0.5	Banking/Investment	10.4
Public sector	10.2	Construction	2.2
Wholesale/retail	27.2	Industry/manufacturing	6.8
Education	0.9	Healthcare	4.0
Logistics/Transport	6.7	Telecommunications	6.1
Media/Publishing	1.7	Others	3.3
Hotel and catering business	3.9		

The business premises are for many companies their largest, single long-term investment. It is important to find the best possible, cost-effective premises and to build an interactive partnership between Sponda and the client. The customer relations strategy has the objective of building customer relationships into deeper partnerships, which benefit both the satisfied user of the property and the owner.

Service tailored for different types of customers

Sponda had at the end of 2009 a total of 3,178 clients. The major clients in logistics properties have very different needs from smaller clients in office properties, and providing a tailored service for each is a challenge. The customer relations strategy outlines models, processes and channels through which Sponda can serve customers in accordance with their specific needs and wishes.

Sponda wishes to promote the business of its customers, providing each one with premises that give maximum support for the company's operations. Clients should not need to concern themselves about their premises; Sponda takes over these responsibilities.

To improve its customer relations management and customer service, Sponda has launched the Kunkku (King) training scheme for its own personnel. The objective of the scheme is to create a more systematic approach and increase transparency in customer relations activities throughout the organization. It also aims to develop common working methods, based on the customer relations strategy, for Sponda personnel working at the customer interface.

Sponda has broad responsibility towards customers

Sponda's responsibility towards its clients covers all areas of responsibility. Business premises must be safe, support the wellbeing and health of employees, and in every way provide pleasant conditions for working. This in turn supports clients in achieving financial results.

Sponda wishes to address the client's expectations concerning the environment and to play its part in helping to achieve Finland's targets in reducing emissions and in promoting the wellbeing of the environment. Sponda strives towards maximum energy-efficiency in its properties and to enable its clients to have an environmentally friendly work environment. It pays attention to the entire life cycle of buildings and properties.

Human resources

The human resources strategy is a management and development tool for Sponda. It forms a foundation for good management. Personnel are motivated to maintain and develop their own expertise and also Sponda's operations methods. Human resources management is governed by the company's values: innovation, reliability and professionalism.

SPONDA'S PERSONNEL CREATED **THE WORLD'S LARGEST SPONDA LOGOTYPE** ON SPONDAY PERSONNEL DAY IN 2009. DURING THE DAY DISCUSSIONS WERE HELD ABOUT HOW ENVIRONMENTAL ISSUES AFFECT THE REAL ESTATE SECTOR.

During 2009, the focus in human resources management was on high quality supervisor work to support wellbeing at work and on developing cooperation between the business units.

Appraisal discussions help to ensure that the connection between an individual's work and Sponda's strategy and goals is clear throughout the organization. The implementation of Sponda's human resources strategy is assessed through the appraisal discussions, competitor comparisons, investments in personnel development and the annual personnel surveys.

Personnel in 2009

Sponda's personnel are a motivated team of professionals who understand the needs and wishes of customers and also know the business premise solutions to meet these requirements. Professional skills are based on a high level of education in many fields, experience in the real estate business, and indepth local knowledge.

At the end of 2009 Sponda Group employed altogether 134 people (141 at the end of 2008). Of these, 120 (125) were employed at Sponda Plc and 14 at the Group's Russian companies. The average age of Sponda's personnel is 45.6 years. Overall turnover in Sponda Plc was 4 per cent in 2009.

Excellent level of job satisfaction

Personnel satisfaction and the effectiveness of the organization are measured regularly. The annual personnel survey was conducted in October 2009, when respondents assessed their satisfaction with their own work, their business unit, the quality of supervision, and the company as a whole. The response rate was high, 99 per cent.

As in previous years, the overall results of the survey were excellent compared to those in similar surveys conducted in other Finnish organizations.

Some of the most significant strong points are the efficiency and goal-oriented approach in the individual's own business unit, and good management, good team spirit and a positive corporate image. Each unit prepares their own development plan based on the results of the personnel survey, and the executive board selects common areas for all to develop, to make the atmosphere at Sponda and its business operations even better.

The goal in 2009 was to maintain the excellent overall results achieved in personnel satisfaction. This was achieved and the level of personnel satisfaction rose to 3.80 (3.75).

The survey results show that cooperation between business units has clearly improved. Assessments of working conditions and obtaining the information needed in a person's work have also taken positive steps. Confidence in the continuity of employment had weakened somewhat.

As a responsible company, Sponda ***looks after*** *the well-being of its personnel and develops their expertise.*

In connection with the personnel survey, the quality and effectiveness of internal services were also assessed. Personnel at Sponda are overall more satisfied with their company's internal services than personnel at other Finnish companies on average. Compared to the benchmark, the highest marks proportionately were given for the following matters: dealing with issues without hesitation, actively finding out the expectations of partners, and finding assistance in difficult situations.

Customer needs direct the development of skills

Customer expectations and needs set the direction for developing the skills and competence of Sponda personnel. Sponda's core skills are customer relations management, property leasing, property development, real estate investment and managing the partner network. Business operations emphasize innovative and customer-oriented solutions that take environmental values into account.

Sponda supports and encourages personnel to be independent and active in their own work and in personal development. Common training programmes are arranged for personnel based on the needs arising at appraisal discussions and from the human resources strategy, or personnel may be offered the opportunity to participate in training outside the company. In 2009 there were 3.62 training days per person and training costs accounted for 4.9 per cent of salaries.

During 2009 Sponda has actively developed its customer relations strategy. The goal is to build customer relationships into deeper level partnerships. The training scheme has been devised to support this goal. The scheme aims to create a more systematic, planned approach to customer relations with greater transparency throughout the organization, and to develop common procedures for the work of those who operate at the customer interface.

The themes of the annual SponDay for all personnel were environmental responsibility and quality in managing customer accounts. Discussions were held about how environmental issues affect the operations of the real estate sector. During the day, personnel also learnt about Sponda's Green Office scheme and Sponda's energy efficiency scheme, and heard about targets for the real estate sector in mitigating climate change.

Reward for good performance

Sponda operates an incentive bonus scheme covering all personnel which is based on the company's common goals and on personal targets for each employee. Key factors affecting the bonus in 2009 were profitability, success in selling properties, and the development of operations. The company's senior management belong to a long-term, share-based incentive scheme. More details about the scheme are given in the Corporate Governance section of the Annual Report on pages 66–69.

Investing in personnel wellbeing on a wide front

Sponda invests in the wellbeing of its personnel in many ways.

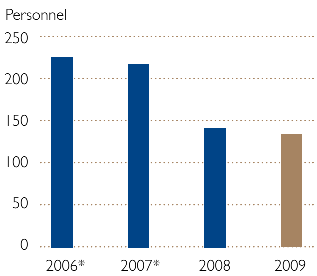
The company provides comprehensive occupational health services. Sponda and the occupational health service together make annual plans for future efforts to help personnel maintain their work fitness, and emphasize proactive occupational health care. Sponda also has a programme for wellbeing and maintaining work fitness, which helps those with more years of working life behind them to maintain work fitness. Sponda invests in the occupational health and wellbeing of its personnel by supporting their physical exercise and culture activities.

Sponda aims in all its activities at continuous improvement and learning. In 2010 a major theme will be increasing environmental expertise.

Key figures for the Group's personnel	2009	2008	2007*
Number of personnel	**134**	141	216
Average age	**45.6**	45.8	45.4
Days lost through sickness, in average	**4.4**	4.4	2.3
Training days per employee, in average	**3.62**	2.9	3.3

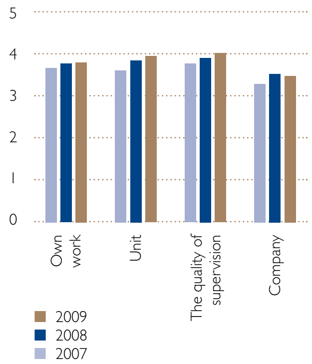
* Includes Ovenia personnel

Personnel at the year-end

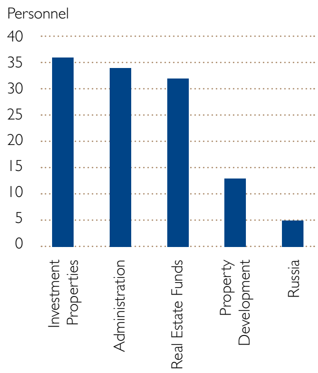


* Includes Ovenia personnel

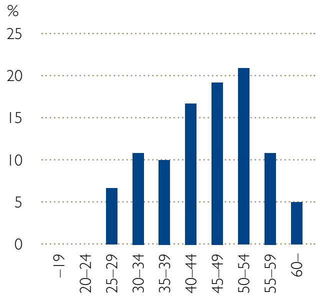
Personnel survey results



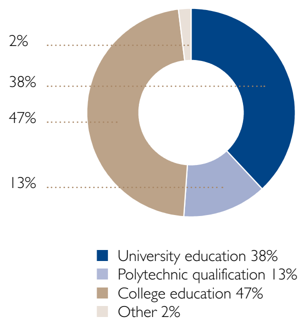
Personnel groups
31 Dec 2009



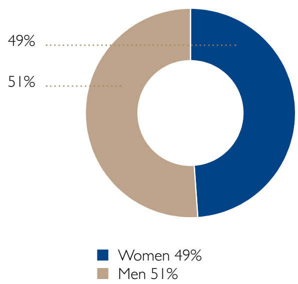
Age ratio
31 Dec 2009



Educational structure
31 Dec 2009



Sex ratio
31 Dec 2009



Environmental responsibility

The real estate sector plays a key role in fighting climate change and ensuring the wellbeing of the environment. Sponda made environmental expertise a strategic priority in its corporate responsibility in autumn 2009.

Vision and goals for environmental responsibility in 2010

Environmental responsibility vision	Goals for environmental responsibility	Corporate environmental action in 2010
Sponda is the leading environmental expert in the real estate sector, implementing sustainable development	• Addressing the requirements of environmentally responsible operations in all construction and property maintenance • Reducing energy consumption in the properties owned by Sponda • Reducing environmental impacts • Creating a healthy, pleasant work environment for the client • Environmental targets for Sponda's own business operations	• Updating the corporate responsibility goals in the design guidelines for property refurbishment • Half of Sponda's properties in Sponda's energy efficiency scheme • Reducing consumption in Sponda's properties - Total electricity consumption - Consumption of district heating energy - Water consumption • Reduction of the carbon footprint of the properties

Sponda is developing a wide range of solutions and business concepts to increase the energy efficiency and environmental friendliness of properties. In co-operation with its clients Sponda tries to find the most effective and user-friendly means, which also help clients achieve their own environmental goals.

The real estate sector generates about one third of Finland's greenhouse gas emissions. Construction, repairs, and the maintenance and use of properties all have an impact on the environment. The decision taken by Finland's government in October 2009 to cut climate emissions by 80 per cent by 2050 sets challenges for the real estate sector, and Sponda aims to respond to this challenge.

As a responsible property owner, Sponda considers it important to take into account the environmental impact of its properties both when purchasing a property and when it is in use. Sponda takes into account customer requirements and environmental aspects when designing and constructing buildings and business premises.

Environmental expertise and solutions form strategic competitive edge

Environmental expertise and issues lie at the heart of developing the strategy for corporate responsibility and practical measures. Sponda aims to build up its environmental expertise and through this to support clients in achieving their own environmental goals. One of the steps was the appointment of a sustainability manager at Sponda. Environmental aspects are being integrated more closely into the design and development phases for properties, and are taken into account especially during the operational life of the property. As far as existing properties are concerned, Sponda's energy efficiency scheme has started a search for specific energy savings measures at ten properties, which participate in the pilot project.

Involvement in construction sector organizations gives opportunities to broaden environmental expertise and to participate in developing the real estate sector. Sponda has been involved in setting up the Finnish Green Building Council (FiGBC). This non-profit organization aims to make sustainable development practices part of the business operations of the real estate and building cluster and indirectly of customers using services in the built environment. FiGBC aims to create cooperation and dialogue in the real estate and construction sectors, to promote the use of environmental classification, and to develop and communi-

Sponda's vision is to be the leading ***environmental expert*** *in the real estate sector, implementing sustainable development.*

- Defining a technical concept for a low energy office building
- Publishing environmental responsibility guidelines for clients
- Green Office certificate for Sponda's own office

cate sustainable development practices relating to the construction, production and use of the built environment.

The members of FiGBC are the largest property owners, users and service providers, the education sector and the construction industry.

Sponda aims at energy efficiency

In 2009 the company launched energy efficiency scheme, with the goal of working together with clients to reduce the energy consumption of properties. The objective is to identify potential areas for saving energy with the users of properties. Ten properties of different ages and types are participating in the pilot project, and one of these is Sponda's head office.

At the beginning of the energy efficiency scheme, an energy review is carried out at the properties, to find out the energy consumption of each property and to examine the different technical systems relating to energy usage. Energy efficiency goals and measures for achieving them are set individually for each property based on the results of the energy review. The impact of the measures and how well targets are being met are monitored in regular meetings with clients. In many properties even small changes in the way things are done can give considerable savings.

The costs saved through the scheme will be re-invested in the property, so the clients also benefit financially from the scheme.

Environmental impact of properties is being monitored more closely

Sponda has intensified and expanded its cooperation in environmental issues with Ovenia Oy, which is responsible for the maintenance and upkeep of Sponda's properties. Ovenia is the operational partner in the properties joined the energy efficiency scheme. During 2010 Sponda is drawing up an energy efficiency action plan to implement, assess and monitor continuous improvement in energy saving and energy efficiency. The carbon footprint is also being calculated for Sponda's property portfolio. The energy efficiency scheme extends in 2010 so that it covers approximately 60 per cent of the energy consumption of Sponda's properties.

Sponda and Lassila & Tikanoja have held information sessions about sorting waste, giving the people working in properties information about different sorts of waste, sorting them, and recycling opportunities. It is the responsibility of the users of a property to sort waste properly, and it is the task of the owner of the property with their subcontractors to arrange for the transport and further processing of waste. Sponda's goal is to reduce the total volume of waste and to increase and enhance the recycling of waste by creating the facilities for a wide range of recycling.

Environmental choices during new building and renovation have considerable impact

Major solutions and choices made during construction or renovation considerably affect the environmental impact of properties and on how usable they are throughout their life cycle. Preparing the ground as required by the local surroundings and the soil, the grounds for space utilization and modifiability, the housing solutions, the materials used, and furnishings all affect the energy efficiency and life of a property.

In building projects, Sponda takes into account not just the building itself but also the close surroundings and that the building as a whole fits in with the urbanscape. It is important for Sponda that a large part of its properties are located in areas that have good public transport connections.

Major decisions are taken in building projects at the start of the feasibility study and planning stage that will affect the energy efficiency of the property, its environmental impact and its effectiveness as a healthy work environment, throughout the life span of the building. The choices made during construction or when carrying out repairs – everything from preparing the ground and the choice of materials to air conditioning and furnishings – have an impact on the life of the property and on the users' possibility of making energy-efficient choices when operating in the property.

Sponda has put together planning guidelines for designing office buildings, which aim to create flexible, adaptable and energy efficient buildings that form good physical surroundings for the customers' work environment. The guidelines portray the desired quality with the aid of technical arguments and system descriptions, and in many areas their values exceed the general level required in building codes and regulations. The guidelines are being upgraded during 2010 so that low energy buildings can also be built based on them.

In spring 2009 Sponda began construction of an S-market store and ABC service station in Koulukatu street in Turku for Turku Cooperative Society. Particular attention was paid in the design of the building to cutting energy consumption during use. The goal is to reduce the building's energy consumption by 25 per cent compared to other ABC service stations.

Environmental issues gaining importance in Russia

Discussion about environmental issues has increased considerably in Russia. In October 2009 Sponda took part in the First Green and Sustainable Real Estate Conference in Moscow. The event examined the special features of the real estate market in Russia and development trends in the real estate sector. Various analyses have shown that addressing environmental issues in properties has direct and indirect positive effects. These include improving overall productivity, increasing sales per square metre in retail premises, increasing productivity per employee in office premises, and reducing overall user costs and raising capacity usage in properties.

Sponda belongs to the Russian Green Building Council (RuGBC). The council, which was established in May 2009, aims in the same way as the corresponding organization in Finland (Finnish Green Building Council) to develop and promote real estate and building operations that conform to the principles of sustainable development. The objective is to speed up the introduction of market-based, eco-friendly practices and standards in Russia.

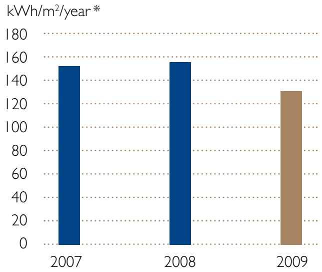
Water, electricity and gas consumption is monitored at the properties owned by Sponda in Russia. The Sponda's energy efficiency scheme extends to Russia in 2010. Goal is that two properties in Russia will join the scheme.

WWF's Green Office introduced at Sponda's head office

Sponda's head office in the centre of Helsinki wishes to set an example with specific measures for reducing the environmental load of an office building. Sponda has introduced WWF Finland's Green Office environmental service for offices, through which work places can reduce their environmental load, obtain savings and mitigate climate change. The Green Office concept has been developed because office premises are in a key position as far as energy consumption and sustainable solutions are concerned. Green Office motivates personnel to everyday environmentally friendly deeds, improves environmental awareness and gives cost savings.

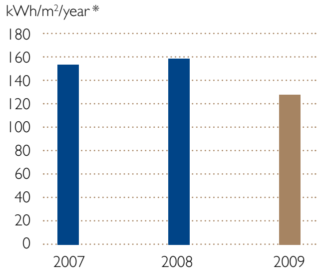
WWF grants offices that fulfil the criteria of the scheme the Green Office label. There are currently 150 organizations in the scheme in Finland, and about 90 of these have been given the right to use the label. Sponda's goal is to obtain the Green Office certificate during 2010.

Heat consumption (weather-corrected)



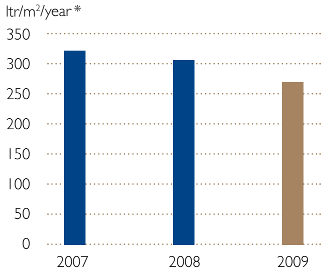
* Average consumption by Sponda's properties/m²/year

Electricity consumption



* Average consumption by Sponda's properties/m²/year

Water consumption



* Average consumption by Sponda's properties/m²/year

Carbon footprint arising from energy consumption of Sponda's properties

	Electricity 2008	Electricity **2009**	Heating 2008	Heating **2009**	Cooling 2008	Cooling **2009**	Total 2008	**Total 2009**
Tons CO^2	16,294	**16,850**	27,927	**29,775**	254	**275**	44,475	**46,900**
$kgCO^2/m^2$							32.4	**34.2**
Change 2008–2009		**3%**		**7%**		**8%**		**5%**

case 04

Global corporate responsibility

JAANA SEPPÄNEN WORKS AS ADMINISTRATIVE DIRECTOR AT DELOITTE, WHICH HAS **GLOBAL GUIDELINES FOR CORPORATE RESPONSIBILITY.**

Deloitte fulfils its social responsibilities

The employees of Deloitte, with operations in more than 140 countries, are united by shared values and ethical principles. The company has global guidelines for corporate social responsibility, but each country decides on the actual measures it takes.

Deloitte is one of the largest professional service organizations in the world: 165,000 employees in more than 140 countries means an enormous spectrum of different cultures and backgrounds. Strength from cultural diversity is in fact one of Deloitte's global values, along with integrity, outstanding value to markets and clients, and commitment to each other.

"We have extensive international cooperation. In addition to its shared values Deloitte also has shared ethical principles, which we observe in our customer relations activities and in our human resources management," says Administrative Director (CFO) **Jaana Seppänen**.

According to Ms Seppänen, the most important asset for a professional service company like Deloitte is its people. The company places high priority on social responsibility, for example by providing high quality training for its personnel. Deloitte has almost 400 employees in Finland. The Finnish organization operates independently and provides audit, tax, risk management, consulting and corporate restructuring services.

Voluntary work for the benefit of society

Encouraging people to adopt environmentally sound ways of working and commitment to the local community and those in need have an important role at Deloitte. The company also applies the principles of corporate responsibility in the advice and service that Deloitte provides its clients.

"We demonstrate our corporate responsibility in action. A good example of this is our annual Impact Day, when Deloitte personnel around the world donate one working day to voluntary work."

Deloitte is Sponda's tenant and is participating in Sponda's energy efficiency scheme, aiming to monitor and reduce energy consumption at Deloitte House, its head office in Ruoholahti.

DID YOU KNOW THAT

Deloitte personnel around the world donate one working day to voluntary work each year. This is known as the annual Impact Day.

Risks and risk management

The key elements in Sponda's risk management are the Group's ability and desire to take risks, identifying the key risks to which the Group is exposed, and the approved risk management policy. Risk management is part of everyday operations and of the management of business operations.

Risk management is integrated into ***Sponda's strategy process****, business control system and business processes.*

Risk management policy

The objective of risk management at Sponda is to identify the key uncertainties relating to achieving targets, to measure and assess previously identified uncertainties, and to decide on the response to these uncertainties. Sponda's key risks are classified as strategic risks, operative risks, damage/asset risks and financing risks.

Risks are considered a normal part of business operations. They are assessed from two viewpoints, that of exploiting the opportunities they contain and of reducing and eliminating the risks.

Risk management organization

Risk management is integrated into Sponda's strategy process, business control system and business processes. Responsibility for risk management is defined in accordance with business responsibility. However, each company employee is responsible for identifying risks that threaten to prevent the company from achieving its targets and for informing the company of them.

Ultimate responsibility for risk management lies with Sponda's Board of Directors, which decides on risk management goals, defines the risk management policy and monitors key risks. The specific task of the Executive Board is to organize risk management. It is the specific task of the business units and corporate functions to arrange for risk management to be monitored and reported as part of the other reporting systems. It is the specific task of the internal audit to check that the risk management system functions effectively.

Sponda's annual planning process includes carrying out a risk survey, which identifies key risks, assesses the probability of risks occurring and their effect if they do occur, and defines procedures for managing risks. Processing the strategy and the annual plan includes assessing the response to key risks and examining the need to change risk management targets and the risk management policy. Approving the annual plan involves deciding on any revisions to risk management targets and the risk management policy. The Group's instructions and guidelines and the operations handbook are updated on the basis of the decisions made affecting risk management.

Group level reports on risks are given to the Board of Directors twice a year. Risk reporting at executive board and business operations levels is part of the business management system.

Key risks and related measures

Risks to Sponda's business in the near future	Risk management measures
Decline in solvency of tenants	Sponda regularly monitors any changes in the solvency of tenants. Most tenants give a rent security deposit equal to 3–6 months rent at the start of the tenancy. The company's tenants are spread evenly in different sectors such as government, retail and banking.
Interest rate risk	The interest rate risk is reduced through fixed-rate loans and interest rate derivatives.
Developments in Russia's real estate market in an unstable financial situation	Sponda receives half of its rental income in Russia in US dollars. About half is in roubles, and much of this is tied to the dollar or the euro. The company's rouble risk is reduced because a major part of the unit's expenses are denominated in roubles. Sponda hedges 6 months cash flow in Russia. The company's investments in Russia are financed in euros through the parent company balance sheet.
Confirmed losses of Sponda Kiinteistöt Oy	The company may have to pay tax in connection with the confirmed losses of Sponda Kiinteistöt Oy during the current fiscal year, and the company would then have to recognize an equivalent tax expense. This would weaken the company's net result and solvency. The effect is presented on page 126 of this Annual Report. At the end of 2009 Sponda had unused finance limits of EUR 450 million.

Means for risk management

Means for managing risks are avoiding or eliminating the risks and reducing the likelihood that they will occur. It is also possible to restrict and reduce the impact of risks. Sponda has drawn up continuity and recovery plans against major risks.

THE MOST SIGNIFICANT RISKS FOR SPONDA

Strategic risks

Risks relating to the business environment

In 2009 growth in the Finnish economy turned negative. This unfavourable development was started by the global crisis in the financial markets that began in the final quarter of 2008 and brought investments to a halt in many sectors throughout the review year. The increasing difficulties faced by customers in their business started to be felt in the occupancy rates and rents of properties, especially in the second half of the year. The leasing of office, retail and logistics properties is a late cycle business, in which changes in the client's business operations have a delayed effect on the need for business premises. On the other hand, the difficult situation in leasing operations was eased by the low level of interest rates, which reduced financing costs for the real estate sector. The impact of the global financial crisis was also felt in real estate investment projects.

The credit and liquidity problems and disruptions that have hit financial systems may still affect financing for property transactions in the market in 2010. There is an oversupply of office premises in particular, and this is expected to cause a rise in vacancy rates on the market in 2010. This may also have a negative impact on Sponda's leasing activities. No new office premises are being completed during the coming year, which in turn will help vacancy rates to fall when the general economic situation picks up.

Change in fair value of properties

Property values usually follow economic trends. Many factors affect the value of properties, such as interest rates, inflation, economic growth, the business environment, the availability of credit, property taxation, demographic factors and the level of construction activity. In addition, changes in supply and demand may have a significant impact on the value of properties, regardless of general trends in the economic factors affecting regional property markets.

In the current state of the market, the value of properties fell in 2009 mainly due to yield requirements. In 2010 the forecast is for yield requirements to stop falling, but for market rents to go down slightly. As a result, the values of Sponda's properties and the company's operational profit may vary, and economic factors and local market conditions may both have a significant impact on these.

Solvency of tenants weakening

Many of Sponda's properties are leased in part or entirely to major business customers. At the end of 2009 Sponda had 3,178 leasing agreements and 1,996 customers. The Group's 10 largest tenants accounted for some 32 per cent of the company's rental income, and the largest customer sectors were retail, banking and the public sector. If Sponda loses one or more tenants, or they become insolvent, this may result in a considerable loss of income. If a property is vacant for a long period, this may harm the value of properties, Sponda's financial position and the profit of its operations.

Confirmed losses of Sponda Kiinteistöt Oy

Sponda announced on 1 November 2007 when it published its interim report that the Uusimaa corporate tax office had decided to deviate from the 2006 tax returns made by Sponda Kiinteistöt Oy (formerly Kapiteeli Oy) and considered that the company's taxable earnings were EUR 192 million. The matter relates to the confirmed losses of Sponda Kiinteistöt Oy, which for the tax years 1996–1999 totalled some EUR 558 million.

The company may have to pay the tax in connection with the confirmed losses of Sponda Kiinteistöt Oy during the current fiscal year, and the company would then have to recognize an equivalent tax expense. This would weaken the company's net result and equity ratio. A more detail explanation of the confirmed losses is given on pages 126–127 of the Annual Report.

Instability in Russian property market

As part of its strategy, Sponda expanded its operations to Moscow and St Petersburg. Some 6 per cent of the company's property assets were located in Russia at the end of 2009. The differences between Russian and Finnish legislation and the way the authorities operate in the two countries may cause extra risks for Sponda. The current unstable economic situation may also weaken the solvency of Sponda's tenants and reduce their space requirements. If these risks occur, they could have a harmful impact on the company's financial position and the profit of its operations.

Risks relating to property development

The main focuses in Sponda's property development operations are on development projects for undeveloped land areas and buildings needing modernization and greenfield development projects. The projects require an extensive planning process, and before a project is ready to start up, the planning stage involves costs for Sponda. Projects and the investment in them may last for several years, and Sponda does not receive the full rental income from a property until the project is finished. Before a property development project can start, it must have at least 50 per cent of the premises leased in advance, but it is possible that the company does not achieve a financially viable occupancy rate when the project is completed. This may push down the fair value of the property.

In 2009 Sponda had undeveloped land areas with a total value of EUR 90.4 million, and it invested some EUR 130.2 million in property development projects, mainly in the City-Center project in the centre of Helsinki and in a land area and planning for the Ratina shopping centre in Tampere.

OPERATIVE RISKS

Main features of internal control relating to financial reporting

Risk management in Sponda's financial reporting process is integrated into the Group's overall risk management and internal control. Sponda has defined the main features of internal control by adapting the international COSO model. The model has been utilized in defining the control environment and the method of risk assessment and in deciding on the control measures to be used. Other factors affecting the solutions adopted for internal control of financial reporting were that the Group operates in the real estate investment sector in Finland and Russia, that the Group is managed as a single entity, and the company form of ownership of properties. Sponda's business operations are divided into four business units and financial reporting is centralized.

Internal control at Sponda is a process in which the company's Board of Directors, operative management, other personnel and internal audit take part. The objective of internal control is to give reasonable assurance about the effectiveness and appropriateness of operations, about the financial information, about the reliability of reporting, and of compliance with legislation and other regulations.

The Corporate Governance statement gives information about internal control relating to financial reporting and this is on the company's Internet website at www.sponda.com> Investors> Corporate Governance.

DAMAGE AND ASSET RISKS

Sponda aims to ensure the safety of its personnel through the occupational health system, the travel safety scheme and insurance, and the company's crisis readiness instructions. Personnel are covered by the required insurance.

Sponda's properties are insured for their full value, and Sponda has also taken all other necessary insurances. The company has guidelines and processes for selling, purchasing and leasing business premises and relating to safety issues.

FINANCING RISKS

Rapid sharp changes in market interest rates and margins may have a negative effect on the company's financial result and may slow down growth in real estate operations. Financing risks and managing them and the interest rate risk sensitivity analysis are presented on pages 62–63 of the Annual Report.

Currency risk

The growth in business in Russia increases Sponda's currency risk. Sponda receives about half of its rental income in Russia in US dollars. About half is in roubles, and much of this is tied to an agreed exchange rate for the dollar or the euro. The company's rouble risk is reduced because a major part of the unit's expenses are denominated in roubles. It is Sponda's policy to hedge 6 months cash flow in Russia. A fall in the value of the rouble could negatively affect the value of Sponda's properties.

Sensitivity analysis

Change in investment property fair value, M€ and %	-10% Change, M€	Change, %	-5% Change, M€	Change, %	0% M€	5% Change, M€	Change, %	10% Change, M€	Change, %
Yield requirement	262	10.3	124	4.9	0	-112	-4.4	-214	-8.4
Rental income (contractual rents)	-76	-3.0	-38	-1.5	0	38	1.5	76	3.0
Maintenance expenses	64	2.5	32	1.3	0	-32	-1.3	-64	-2.5
Economic occupancy rate (1st year)	-19	-0.7	-10	-0.4	0	10	0.4	19	0.7

The sensitivity analysis has been carried out as a quantitative analysis of the investment properties in Finland calculating the 15 year cash flow and of the properties in Russia calculating the 10 year cash flow.
The changes in yield requirements and economic occupancy rates have been calculated for average figures. The analysis includes only investment properties generating cash flows.

Financing and financial risk management

The purpose of Sponda's financing strategy is to support the company's business strategy by acquiring the financing needed to implement the strategy and by managing Sponda Group's financial risks.

Treasury strategy

The main principles of treasury strategy are having a broad base of financiers, a diversified range of financing instruments, a debt portfolio with evenly spread maturity dates, and managed hedging of interest rate risks. Sponda's objective in its financing operations is to arrange credit that is unsecured.

Sponda's long-term financing programmes are syndicated credit facilities totalling EUR 670 million, bonds totalling EUR 250 million, and bilateral loans amounting to EUR 527 million. The company manages its liquidity and short-term financing needs with a EUR 350 million commercial paper programme and unused binding short-term credit limits.

The company's treasury operations are centrally handled by its treasury unit, which is responsible for financing and asset management.

Managing financial risks

The purpose of risk management in Sponda is to minimize any negative impacts of changes in the capital market on the company's profits and cash flow. Sponda's Board of Directors sets the objectives for risk management, defines the risk management policy, and is responsible for monitoring risk management.

The company's treasury unit is responsible for the practical application of risk management within the framework of the risk management policy. The internal audit function is responsible for auditing the effectiveness of the risk management system. Financial operations are reported to the Board of Directors regularly.

Sponda's main financing risks are interest rate risks, risks related to the availability of financing, exchange rate risks and credit risks.

According to Sponda's risk management policy, the hedge level for interest rate risk is at least 60 per cent and at most 100 per cent. At the end of 2009 the hedge level for the debt portfolio was 65 per cent. Fixed-rate loans and interest-rate derivatives are used to balance the effect of changes in market interest rates. Sponda has not entered into derivative agreements for trading purposes. The purpose of its interest-rate swaps and interest options is to hedge the company's future interest flows.

Changes in the exchange rate between the Russian rouble and the euro and between the US dollar and the euro can affect Sponda's financial position and its operations. Sponda's reporting currency is the euro and all balance sheet items for foreign properties as well as all income and expenses generated by them are converted to euros. Investments in Russia are financed in euros. Sponda hedges the cash flow for the business operations in Russia for the coming six months.

The risk relating to the availability of financing for Sponda is reduced using credit agreements of varying durations, a broad base of financiers, credit limits and by maintaining the company's reputation as a trustworthy debtor among its creditors. Sponda's creditors are protected by standard covenants included in financial contracts that apply, among other things, to the equal status of the financiers, certain key indicators, and the use of collateral by the company. The most important covenants in Sponda's loans are:

- Interest cover ratio (EBITDA / Net interest expenses), which must be at least 1.75.
- Equity ratio, which must be at least 28 per cent.

Sponda's financing costs ***decreased*** *in 2009.*

Further information about financing programmes is presented on the Investor Relations pages of Sponda's website: www.sponda.com.

Financing in 2009

Net cash generated by operating activities in 2009 was EUR 96.0 million (2008: EUR 140.7 million). Net cash used in investing activities totalled EUR -40.8 (-389.8) million and net cash generated from financing activities came to EUR -41.7 (238.0) million. Cash flow from operations per share was EUR 0.45 (0.78).

Sponda's equity ratio was 37 (32) per cent. At the end of the financial period Sponda had interest-bearing debt totalling EUR 1,598 (1,828) million, of which EUR 310.6 (285) million was short-term debt. Financial income and expenses amounted to EUR -65.0 (-75.1) million. Cash and cash equivalents totalled EUR 29.1 (16.0) million.

The average maturity of Sponda's loans was 2.4 (3.0) years. They carried average interest of 3.7 (4.6) per cent and the average interest-bearing period was 1.8 (1.7) years. The interest cover was 2.7 (2.1) and the hedge level covering the loan capital was 65 (58) per cent. Secured loans represented 4.7 (1.6) per cent of the balance sheet total.

Gearing at the end of the year was 141 (180) per cent.

Main financial arrangements in 2009

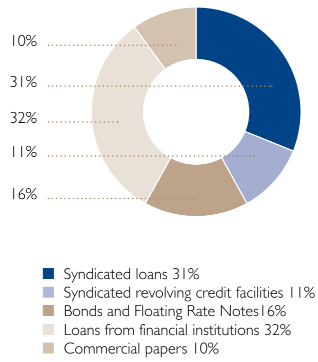
In April 2009 Sponda Plc has extended the credit limits that function as back-up financing for its commercial papers for a further 12 and 24 months.

In April 2009 Sponda signed an agreement for a EUR 82 million 5-year credit facility with Helaba (Landesbank Hessen-Thuringen Girozentralen). The loan is secured.

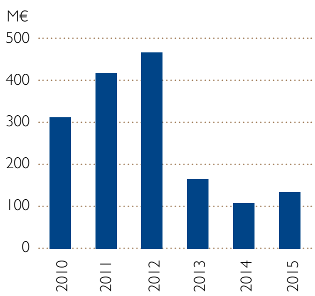
In May 2009 Sponda Plc's Board of Directors decided, under the authorization given by the extraordinary general meeting, on a EUR 208.2 million rights offering. Sponda obtained EUR 208.2 million in the rights offering, before deduction of costs and fees arising from the offering.

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

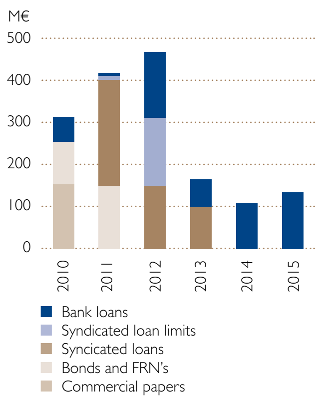
Sponda Group, Loan instruments
31 Dec 2009



Sponda Group, Loan maturities
31 Dec 2009



Sponda Group, Loan maturities
31 Dec 2009



Financing key figures	2009	2008	2007	2006	2005
Interest Cover Ratio (ICR)	**2.7**	2.1	2.0	2.5	2.7
Average loan maturity, years	**2.4**	3.0	2.6	1.7	3.2
Average interest rate, %	**3.7**	4.6	4.6	4.6	4.2
Hedging ratio, %	**65**	58	65	74	50
Equity ratio, %	**37**	32	32	20	45

Sensitivity to interest rate risk	31 Dec. 2009 Income statement	31 Dec. 2009 Fair value Reserve	31 Dec. 2008 Income statement	31 Dec. 2008 Fair value Reserve
The effect of a one percentage point change in short-term market rates on the company's result and the fair value reserve in shareholders' equity.				
One percentage point rise in market rates (M€)	-2	+19	-7	+22
One percentage point fall in market rates (M€)	+3	-20	+9	-23

The calculation does not include the impact of any deferred tax liability or credit.

case 05

Reducing environmental load

KYÖSTI PÖYRY FROM PAPERINKERÄYS OY THINKS THAT **FINNS ARE ACTIVE RECYCLERS.**

Collecting paper saves money and conserves the atmosphere

Finland has an impressive record in recovering used paper, with more than 70 per cent of paper being collected for reuse. Paperinkeräys Oy, a company responsible for collecting and transporting paper, has also reduced the environmental load of its own business operations.

Recycled paper is an important raw material for the paper industry, for half of the raw material used in the production of paper and board is recycled fibre. Collecting paper also has a significant environmental impact: it mitigates climate change, reduces the burden on landfill sites and saves trees.

According to Finland's Waste Act, producer responsibility lies with paper manufacturers and importers, in other words they are responsible for recovering and utilizing recycled paper. They can, however, pass on this responsibility to a producers association, such as Paperinkeräys Oy.

"We supply industry with almost 500,000 tonnes a year of recycled paper as renewable raw material. Finns are very active at recycling, and as much as 70 per cent of paper is recovered," says **Kyösti Pöyry**, managing director of Paperinkeräys Oy.

Production units around Finland

The Paperinkeräys companies have 24 production units in different parts of Finland. The head office is located in Helsinki, in the Poijut office building in Ruoholahti, which is one of the properties in Sponda's energy efficiency scheme.

"We reserved premises of some 1,000 square metres while the building was still under construction, so we had a say in the room layout, for example. We moved in at the end of 2000. Before that our offices were in Fabianinkatu Street in the central business district, but Ruoholahti is a better location for us because of its excellent transport connections and ease of access," states Mr Pöyry.

Logistics plays important role

Paperinkeräys Oy recovers paper from households, stores, printing works and industry. Efficient collection logistics is important for the company, both for the purpose of reducing the environmental load and also to be cost effective.

"During the past few years we have invested heavily in our collection logistics. We have increased the size of our collection bins and our vehicles and have planned the logistics network so that we can collect from increasingly large areas in one trip."

DID YOU KNOW THAT

recycling paper properly mitigates climate change and lowers waste management costs.

Corporate Governance

Sponda Plc is a public limited company registered in Finland and listed on the NASDAQ OMX Helsinki Ltd. In its decision making and administration Sponda applies the Finnish Companies Act and other legal provisions governing public limited companies, and the company's articles of association.

Sponda Plc also complies with the Insider Guidelines of the NASDAQ OMX Helsinki Ltd and the Corporate Governance recommendations issued for listed companies, with the exception that the nomination of the members of the Board of Directors and proposals concerning their remuneration are made by the Nomination Committee of the shareholders, rather than a nomination and compensation committee appointed by the Board of Directors. As required by the Finnish Companies' Act and Sponda's articles of association, control of the company and its administration are divided between the shareholders represented at general meetings, the Board of Directors and the President. The President is assisted by an Executive Board.

General meetings

The company's supreme decision-making body is the General Meeting of shareholders. The Annual General Meeting (AGM) is held once a year on a date determined by the Board of Directors and within six (6) months from the end of the previous financial year. The AGM considers the matters stipulated in the Companies' Act and Sponda's articles of association. These include adopting the financial statements, deciding on the use of the profit shown in the balance sheet, electing the Board of Directors and deciding on their remuneration, and appointing the company's auditors and deciding on their remuneration. Sponda publishes the notice of general meetings in at least one daily national newspaper determined by the Board of Directors and also on the company's website. Shareholders wishing to attend a general meeting are required to be registered in the company's shareholder register and to inform the company of their intention to attend the meeting in the manner stipulated in the notice of meeting. Extraordinary general meetings are convened when considered necessary by the Board of Directors or when required by the law.

Nomination Committee of the shareholders

The Nomination Committee appointed by the Annual General Meeting prepares proposals for candidate members of the Board of Directors and their compensation for the following Annual General Meeting. Representatives of the three (3) principal shareholders has been elected to the Nomination Committee along with the Chairman of the Board and one Board member appointed by the Board as an expert member. The right to appoint the Committee members representing the shareholders belongs to those shareholders whose holding of the voting rights carried by all the company's shares is largest on 2 November preceding the Annual General Meeting. The Nomination Committee is convened by the Chairman of the Board of Directors and the Committee elects a chairman from among its members. The Nomination Committee is required to present its proposal to the company's Board of Directors no later than by 1 February preceding the following Annual General Meeting.

The principal shareholders of the Nomination Committee appointed by Sponda Plc on 25 March 2009 and their representatives were:

- Solidium Oy, 34.3% of the shares and votes, represented by Kari Järvinen
- Ilmarinen Mutual Pension Insurance Company, 4.3% of the shares and votes, represented by Timo Ritakallio
- OP-Delta Sijoitusrahasto 0.8% of the shares and votes, represented by Harri Nummela

The Nomination Committee submitted its proposal to the Board of Directors by the set date, 1 February 2010.

Board of Directors

Under Sponda Plc's articles of association, the company has a Board of Directors with between four and seven (4–7) members. The Annual General Meeting on 25 March 2009 elected seven members to Sponda's Board of Directors. Martin Tallberg resigned from Sponda Plc's Board of Directors on 25 August 2009.

In 2009 the following people belonged to the Board: Klaus Cawén (b. 1957) LL.M., Executive Vice President, KONE Corporation, Tuula Entelä (b. 1955) M.Sc. (Econ.), LL.M., Vice President, Deputy CEO, SATO Corporation, Timo Korvenpää (b. 1952) B.Sc. (Econ.), MBA, Lauri Ratia (b. 1946) M.Sc. (Eng.), Martin Tallberg, (b. 1963) M.Sc. (Econ.), Managing Director, Oy Julius Tallberg Ab, Arja Talma (b. 1962) M.Sc. (Econ.), eMBA, Senior Vice President, CFO, Kesko Corporation and Erkki Virtanen (b. 1950) M.Soc.Sc. (Econ.), Permanent Secretary, Ministry of Employment and the Economy.

Sponda's Board members represent broad experience of real estate, industry and finance. More detailed information about the Board members is given on pages 70–71 of Sponda Plc's Annual Report. The Board assesses that its members Klaus Cawén, Tuula Entelä, Timo Korvenpää, Lauri Ratia and Arja Talma are independent of the company and its major shareholders and Erkki Virtanen is independent of the company.

At its constitutive meeting after the AGM on 25 March 2009, the Board of Directors elected Lauri Ratia as chairman and Timo Korvenpää as deputy chairman.

Sponda Plc shares owned by the Board of Directors at 31 December 2009:	No. of shares	Change
Klaus Cawén	12,500	+ 11,500
Tuula Entelä	-	-
Timo Korvenpää	12,500	+ 12,500
Lauri Ratia	25,000	+ 21,400
Arja Talma	-	-
Erkki Virtanen	-	-

The Board meets to a pre-arranged schedule 7–11 times during the year and it holds extra meetings as necessary. In 2009 the Board met 20 times and the average attendance of Board members was 92,3 per cent. The Board assesses its own performance and working procedures once a year.

The Board has established two permanent committees to assist the Board by preparing matters for which the Board is responsible. These committees are the Audit Committee and the Structure and Remuneration Committee. The Board is responsible for carrying out the duties it assigns to the committees. The committees report regularly to the Board on their work. The Board confirms written rules of procedure for the committees. If required, the Board can appoint other committees and working groups from among its own members to prepare matters for the Board's decision.

The President regularly attends the Board's meetings. The secretary of the Board is the CFO.

Duties of the Board of Directors

Sponda's Board of Directors has prepared rules of procedure to guide the way it works and for its committees. These rules define the tasks and responsibilities of the Board, its chairman and deputy chairman, and of the committees. According to these rules, the Board is responsible for the company's administration and for the appropriate organization of its operations. The Board guides and supervises the company's executive management, approves the company's strategic objectives and the principles underlying its risk management function, and ensures the effective function of its management systems. The Board also approves the annual budget and resolves on significant individual investments.

The Board of Directors appoints the company's President, and chooses the members of the Executive Board based on the President's proposal and decides their terms of employment and incentive schemes. The Board also resolves on personnel incentive schemes.

The Board of Directors forms a quorum when more than half its members are present.

Board committees and working groups

The Board appoints the members and chairmen of the committees from its members.

The term of office is one year and this ends at the end of the following Annual General Meeting after election. Each committee has at least three (3) members. A committee meeting has a quorum when the chairman and at least one other member are present.

The Audit Committee comprises at least three Board members who are independent of the company and its subsidiaries and have sufficient knowledge of accounting and financial statement practice. As from 25 March 2009 the Audit Committee comprises the chairman Arja Talma and the ordinary members Timo Korvenpää and Erkki Virtanen.

The main duties of the Audit Committee are to evaluate financial reporting and risk management and to examine financial reviews. In 2009 the Audit Committee met four times and the average attendance of committee members was 91.7 per cent.

The Structure and Remuneration Committee consists of at least three Board members who are independent of the Company. As from 25 March 2009 the Structure and Remuneration Committee comprises the chairman Lauri Ratia and the ordinary members Klaus Cawén and Tuula Entelä.

Martin Tallberg was also a member of the Structure and Remuneration Committee in the period 25 March – 25 August 2009. The main duties of the Structure and Remuneration Committee are to prepare matters relating to the nomination of senior management and their remuneration and matters relating to strategy and corporate structure. In 2009 the committee met six times and the average attendance of committee members was 100 per cent.

Remuneration paid to the Board of Directors

The Annual General Meeting confirms the fees payable to the Board of Directors annually, in advance. In 2009 the Board's members were paid altogether EUR 306,400 in fees. The Board has no other remuneration schemes.

Fees paid to the Board of Directors in 2009	€/month
To the chairman	5,000
To the deputy chairman	3,000
To each other member	2,600

In 2009 a fee of EUR 600 was paid to each board member for each meeting attended.

The President

Sponda's President is appointed by the company's Board of Directors. He manages the company's day-to-day operations in accordance with the instructions and stipulations of the Board of Directors. The President is responsible for ensuring that the company's accounts comply with legal provisions and that the company has sufficient capital funds for its purposes. The President is assisted by the Group's Executive Board, of which he is the chairman. Sponda's President and CEO from 2005 has been Kari Inkinen (b. 1957).

The employment terms of the President are set out in a written contract of employment approved by the Board. The period of notice of the President is six months. Should the company terminate the President's contract of employment, the President is entitled to compensation equivalent to twelve months salary. The retirement age of the President is 63 and his pension is determined in accordance with the Finnish Employees Pension Act (TEL).

The President is paid a total salary. He also participates in a long-term share-based incentive scheme for top management which became effective on 1 January 2006 and was extended to cover the years 2009–2011 with the same terms and conditions. Bonuses paid under this scheme are based on cash flow from operations per share and return on investment and are paid in the form of Sponda shares. These shares are subject to a restriction prohibiting their disposal within two years of their issue. Bonuses are paid annually. In 2009 the President was paid a salary of EUR 407,748.33 and bonus of EUR 308,077, in total EUR 715,825.33.

The Executive Board

The Group's Executive Board prepares the company's annual business strategy and budget and monitors their implementation. The Executive Board also considers investments and divestments of strategic significance to the whole Group, as well as the company's operational guidelines and reporting. As from 25 March 2009 the Executive Board has seven members: the President and CEO, the Chief Financial Officer, the SVP, Corporate Communications and IR, and the directors of the business areas.

The members of the Executive Board are insured with a contribution-based group pension insurance. Sponda Plc makes an annual insurance payment until the member of the Executive Board reaches the age of 63 years.

The members of the Executive Board are covered by the company's long-term share-based scheme adopted on 1 January 2006. The scheme was extended to cover the years 2009–2011 with the same terms and conditions. Bonuses paid under this scheme are based on cash flow from operations per share and return on investment and are paid in the form of Sponda shares. These shares are subject to a restricting prohibiting their disposal within two years of their issue. Bonuses are paid annually.

The members of the Executive Board held the following amounts of Sponda shares on 31 December 2009:

Shares held by the executive board members on 31 Dec. 2009	No. of shares	Change
Kari Inkinen	189,366	+ 148,155
Pia Arrhenius	-	-
Erik Hjelt	44,015	+ 37,263
Ossi Hynynen	68,829	+ 58,073
Kari Koivu	45,806	+ 38,831
Joni Mikkola	52,094	+ 40,769
Sirpa Sara-aho	52,700	+ 42.418

External and internal audits

Auditors

The company has two auditors: a firm of authorized public accountants and a supervising auditor who is an auditor approved by the Central Chamber of Commerce. The auditors are responsible for examining the financial statements, the accounts and administration of the parent company and the Group, and for submitting a report on their audit to the Annual General Meeting of shareholders.

Sponda Plc's Annual General Meeting on 25 March 2009 appointed as its auditors Raija-Leena Hankonen, APA and the firm of authorized public accountants KPMG Oy Ab under the supervision of principal auditor Kai Salli, APA. The deputy auditor is Riitta Pyykkö, APA. Raija-Leena Hankonen has been Sponda Plc's company auditor in 1998–2000 and since 2005, Kai Salli since 2008 and Riitta Pyykkö since 2006.

The auditing fees paid to the auditors in 2009 amounted to EUR 138,692. A further EUR 390,823 was paid to the auditors for other consulting services. Other services include costs of EUR 261,623 relating to the share issue.

Internal audit

Sponda's operational efficiency, financial performance and risk management are audited internally. The internal audit is performed by an expert appointed from outside the company. The internal audit reports functionally to the audit committee and administratively to the President and CEO.

Insider management

Sponda complies with the Insider Guidelines issued by the NASDAQ OMX Helsinki Ltd. These recommend that insiders wishing to trade in the company's shares do so only at times when the market has the fullest possible information on matters that might materially affect the share price. Accordingly, Sponda's insiders are not permitted to trade in Sponda's securities for a period starting 21 days before the company publishes its interim or annual results.

The company's statutory public insiders are its Board of Directors, the Executive Board and the auditors. Additionally, insider registers are maintained for individual companies and projects listing the names of the individuals who are in possession of insider information by virtue of their duties or positions. The holdings of the company's public insiders are available for inspection in the insider register maintained by Euroclear Finland Ltd. The register of public insiders is also posted on the company's website, www.sponda.com.

Risk management

At Sponda, the objective of risk management is to identify the key uncertainties relating to achieving targets, to measure and assess previously identified uncertainties, and to decide on the response to these uncertainties. Sponda's key risks are classified as strategic risks, operative risks, damage/asset risks and financing risks.

Risks are considered a normal part of business operations. They are assessed from two viewpoints, that of exploiting the opportunities they contain and of reducing and eliminating the risks.

Risk management organization

Risk management is integrated into Sponda's strategy process, business control system and business processes. Responsibility for risk management is defined in accordance with business responsibility. However, each company employee is responsible for identifying risks that threaten to prevent the company from achieving its targets and for informing the company of them.

Ultimate responsibility for risk management lies with Sponda's Board of Directors, which decides on risk management goals, defines the risk management policy and monitors key risks. The specific task of the Executive Board is to organize risk management. It is the specific task of the business units and corporate functions to arrange for risk management to be monitored and reported as part of the other reporting systems. It is the specific task of the internal audit to check that the risk management system functions effectively.

Sponda's annual planning process includes carrying out a risk survey, which identifies key risks and estimates their number. Processing the strategy and the annual plan includes assessing the response to key risks and examining the need to change risk management targets and the risk management policy. Approving the annual plan involves deciding on any revisions to risk management targets and the risk management policy. The Group's instructions and guidelines and the operations handbook are updated on the basis of the decisions made affecting risk management.

Group level reports on risks are given to the Board of Directors annually in connection with the risk survey. Risk reporting at executive board and business operations levels is part of the business management system.

The key risks identified in the risk survey for 2010 are stated on pages 58–61 of the Annual Report.

Fair value of the properties

Sponda's investment properties are entered in the balance sheet at fair market value, and the unrealized change in value is also entered in the income statements of each reporting period. Sponda calculates the fair value of its properties for its interim (quarterly) and annual accounts.

The fair value of the investment property portfolio on 31 December 2009 was EUR 2,767.5 (31 Dec 2008: 2,907.5) million. The parameters and values used to calculate the fair value are the rent yield based on existing leasing contracts, market rent levels in the case of vacant premises, the vacancy rate of the properties, and the yield requirement used by the market. As these parameters change, so does the market value of the properties.

A corporate governance statement is given on the company's Internet website at: www.sponda.com >Investors >Corporate Governance.

Sponda Plc's Board of Directors

LAURI RATIA

ARJA TALMA

ERKKI VIRTANEN

Lauri Ratia
Chairman
MSc (Eng.), born 1946
Chairman and member of Sponda Plc's Board of Directors since 2007
Career history:
Lohja Rudus Group, Managing Director, 1994–2006
Positions of trust:
Edita Plc, Chairman of the Board
Inspecta Holding Oy, Board member
Medisize Corporation, Chairman of the Board
OJSC LSR Group, St. Petersburg, Board member (until 1 Jul 2009)
Olvi Plc, Board member
Samesor Oy, Board member, Chairman of the Board (from 1 Nov 2009)
Tecnomen Corporation, Chairman of the Board (until 19 Mar 2009)
VR-Group Ltd, Chairman of the Board
YIT Corporation, Board member (from 11 Mar 2009)
Owns 25,000 Sponda shares

Timo Korvenpää
Deputy chairman
B.Sc. (Econ.), MBA, born 1952
Member of Sponda Plc's Board of Directors since 2006 and Deputy chairman since 2008
Career history:
Nokia Corporation, Nokia Networks, Senior Vice President and Controller, 2000–2002
Nokia Corporation, Vice President, Corporate Treasurer, 1995–2000
Positions of trust:
Evli Bank Plc, Board member
Metsä Group Financial Services Oy, Board member
Nokian Panimo Oy, Board member
Owns 12,500 Sponda shares

Klaus Cawén
Member
LL.M., born 1957
KONE Corporation, Executive Vice President
Member of Sponda Plc's Board of Directors since 2008
Career history:
KONE Corporation, Member of the Executive Board, 1991–
Positions of trust:
Glaston Oyj Abp, Board member
Oy Karl Fazer Ab, Board member
Toshiba Elevator and Building Systems Company, Board member
Owns 12,500 Sponda shares

KLAUS CAWÉN

TUULA ENTELÄ

TIMO KORVENPÄÄ

Tuula Entelä
Member
MSc (Econ.), LL.M., born 1955
SATO Corporation, Vice President, Housing Business, Helsinki Region and St. Petersburg
SATO Corporation, Deputy CEO
Member of Sponda Plc's Board of Directors since 2005
Career history:
SATO Corporation, Vice President, Housing Business, Helsinki Region and St. Petersburg 2009–
SATO Corporation, Vice President, Investment in Housing, 2004–2009
SATO Corporation, Deputy to President and CEO, 2003–
SATO Group, Director, Investment in Housing, 1997–2003
SATO Group, Business Area Director, Asset Management, 1994–1996
Positions of trust:
Helsingin Osuuskauppa Elanto, Deputy Chairman of the Board
Owns 0 Sponda shares

Arja Talma
Member
MSc (Econ.), eMBA, born 1962
Kesko Corporation, Senior Vice President, CFO
Member of Sponda Plc's Board of Directors since 2007
Career history:
Kesko Corporation, Senior Vice President, CFO, 2005–
Kesko Corporation, Vice President, Corporate Controller, 2004–2005
Oy Radiolinja Ab, Executive Vice President, Finance and Administration, 2001–2003
KPMG Wideri Oy Ab, APA 1992–2001, partner 2000–2001
Positions of trust:
Luottokunta, Board Member
VR-Group Ltd, Board member
Owns 0 Sponda shares

Erkki Virtanen
Member
M.Soc.Sc. (Econ.), born 1950
Ministry of Employment and the Economy, Permanent Secretary
Member of Sponda Plc's Board of Directors since 2008
Career history:
Ministry of Employment and the Economy, Permanent Secretary, 2008–
Ministry of Trade and Industry, Permanent Secretary, 1998–2007
Ministry of Finance, State Budget Chief, Budget Department, 1995–1998
Positions of trust:
Sitra, the Finnish Innovation Fund, Board member and Deputy Chairman
Owns 0 Sponda shares

Sponda Plc's Executive Board, 1 January 2010

KARI INKINEN

KARI KOIVU

ERIK HJELT

SIRPA SARA-AHO

Kari Inkinen
President and CEO
MSc (Eng.), born 1957
Career history:
Sponda Plc, President and CEO 2005–
Kapiteeli Plc, President and CEO 1999–2005
YIT Corporation, Director 1985–1998
YIT Corporation Residental Construction, Director 1995–1998
YIT Corporation, Regional Director 1992–1995
Positions of trust:
Kruunuasunnot Oy, Board member (until 23 Apr 2009)
Rake Oy, Board member
Ovenia Oy, Board member (from 16 Mar 2009) and Chairman of the Board (from 26 Mar 2009)
Owns 189,366 Sponda shares

Pia Arrhenius
Senior Vice President, Communications and IR
BBA, born 1968
Career history:
Sponda Plc, Senior Vice President, Communications and IR 2009–
Sponda Plc, Communications and IR Manager 2004–2008
Sponda Plc, Communications assistant 2003–2004
Owns 0 Sponda shares

Erik Hjelt
Chief Financial Officer
LLLic, eMBA, born 1961
Career history:
Sponda Plc, Chief Financial Officer 2009–
Sponda Plc, Senior Vice President, Legal Affairs and Treasury 2007–2009
Kapiteeli Plc, SVP Finance and Legal Affairs 1999–2006
Arsenal Asset Management Company Ltd, Leading Legal Counsel 1994–1999
Savings Bank of Finland – SBF Ltd, Bank Manager 1993
Positions of trust:
Ovenia Oy, Board member
Owns 44,015 Sponda shares

Ossi Hynynen
Senior Vice President, Investment Properties
MSc (Eng.), born 1955
Career history:
Sponda Plc, Senior Vice President, Investment Properties 2009–
Sponda Plc, Senior Vice President, Office and Retail Properties 2007–2008
Kapiteeli Plc, President and CEO 2005–2006
Kapiteeli Plc, SVP, Office and Retail Property 2003–2006

PIA ARRHENIUS

OSSI HYNYNEN

JONI MIKKOLA

Kapiteeli Plc, SVP, Real Estate Development 1999–2002
ProPaulig Ltd, Director of Marketing 1993–1999
Haka Ltd, Construction Manager 1988–1993
Positions of trust:
Ovenia Oy, Chairman of the Board (until 16 Mar 2009)
RAKLI - The Finnish Association of Building Owners and Construction Clients, Board member (from 27 May 2009)
Owns 68,829 Sponda shares

Kari Koivu
Senior Vice President, Real Estate Funds
MSc (Eng.), MSc (Econ.), born 1966
Career history:
Sponda Plc, Senior Vice President, Real Estate Funds 2007-
Kapiteeli Plc, SVP Sales Property 2003–2006
Solid Information Technology, Marketing Manager 2000–2003
Hewlett-Packard Europe, Business Development Manager 1997–2000
Owns 45,806 Sponda shares

Joni Mikkola
Senior Vice President, Property Development
MSc (Eng.), born 1965
Career history:
Sponda Plc, Senior Vice President, Property Development 2007–
Sponda Plc, Vice President, Property Development 2002–2006
NCC Finland Oy, Marketing Director 2001–2002
SRV Viitoset Oy, Project Manager 1999–2001
NCC Finland Oy, Project Manager 1997–1999
Owns 52,094 Sponda shares

Sirpa Sara-aho
Senior Vice President, Russia
Commercial college graduate, born 1963
Career history:
Sponda Plc, Senior Vice President, Russia 2007–
Sponda Plc, Regional Manager, Russia and the Baltic Countries 2006
Nordea Bank Finland Plc, Vice President 1985–2005
Owns 52,700 Sponda shares

Efficient, profitable and competitive operations ensure the company generates financial ***wellbeing*** *for different stakeholders.*

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Sponda Plc financial statements 2009

Report by the Board of Directors 2009

Sponda Plc's total revenue increased to the record level of EUR 243.0 million (31 December 2008: EUR 224.3 million). Net operating income after property maintenance costs and direct costs for funds was EUR 181.6 (166.8) million. The company's operating profit was EUR -13.3 (117.3) million, and this figure includes a change in the fair value of the property portfolio of altogether EUR -175.1 (-44.9) million. The economic occupancy rate for Sponda's property was 86.6 per cent (88.5%).

Main events during 2009

The company increased its operating flexibility and boosted its strategic responsiveness at the beginning of 2009 by reorganizing its business structure. Combining the units responsible for properties in Finland – the Office and Retail Properties and the Logistics Properties units – to form the Investment Properties unit gave greater control over operations. The company's business operations are organized in four business units: Investment Properties, Property Development, Real Estate Funds and Russia. The Investment Properties business unit is divided into three segments: Office and Retail Properties, Shopping Centres and Logistics Properties.

Sponda raised its equity ratio and strengthened its balance sheet through a subscription rights issue in June. All 166,545,277 shares on offer were subscribed at a price of EUR 1.25 a share. Sponda obtained EUR 200 million through the issue, and the funds were used in their entirety to repay loans.

In April 2009 Sponda extended the credit limits that function as back-up financing for its commercial papers for a further 12 and 24 months. The agreements were extended with the current lenders such that EUR 150 million matures in 12 months time and EUR 100 million in 24 months. In addition, Sponda signed an agreement for a EUR 82 million secured credit facility. The credit facility is for 5 years and it ensures that Sponda can refinance the bonds that mature in 2010. In December 2009 Sponda signed an agreement for a EUR 150 million unsecured 5-year loan. The loan was used in its entirety to repay existing debts and replaces short term credit facilities for the same amount that mature in March 2010.

Sponda's property development activities continued in line with its strategy. At the largest project, the City-Center complex, construction of the office building began in the inner court of the complex, and new retail premises are being built on the first and second floors of the retail complex and in place of the parking deck on the third floor. The costs for this phase, which will be completed in autumn 2011, are some EUR 30 million. The total investment will be some EUR 125 million and the whole project should be completed in 2012.

In October Sponda and Metso Automation Oy signed an agreement for production premises to be built in Hakkila, Vantaa. The new building, with a floor area of about 22,000 square metres, will be erected beside the Honkatalo logistics centre in Vantaa owned by Sponda at Vanha Porvoontie 229. The total investment is estimated at EUR 40 million, which will be financed by selling property. Construction work is expected to start in the beginning of 2010 and should be completed by the end of the year.

During the year Sponda sold properties in Finland for a total of about EUR 40 million – in January three logistics properties in Kuusankoski, Mikkeli and Oulu for EUR 16.3 million, in April properties in Vantaa and Joensuu for altogether EUR 22 million, and an office property in Kamppi, Helsinki for EUR 10 million in December 2009.

On 14 September 2009 the Helsinki Administrative Court in a 2–1 majority ruling accepted the appeal by the state official representing the interests of tax recipients against the decision of the tax assessment adjustment board relating to the confirmed losses of Sponda Kiinteistöt Oy totalling some EUR 558 million for the tax years 1996–1999. The company has appealed to the Supreme Administrative Court against the decision of the Administrative Court. The company may have to pay the tax relating to the confirmed losses during the current financial year, and the company would then have to recognize a corresponding tax expense. More details of the matter are given on pages 126–127 of the Annual Report.

In a legally valid ruling issued on 19 January 2009, the Helsinki Court of Appeal ordered Sponda Plc to pay Sampo Bank Plc interest, penal interest and court costs totalling EUR 7.6 million based on a credit agreement. The amount of Sampo Bank's suit for payment, EUR 7.6 million, plus interest, was recognized as an expense under provisions in the 2006–2008 financial statements, so the ruling has no impact on Sponda's result.

Strategy

Sponda's strategic goal is profitable growth through customer-focused operations, active property development, by purchasing properties and through real estate funds in Finland and Russia.

Sponda's strategy is evaluated regularly, so that the company's operations can if necessary be adjusted to the prevailing state of the market. During 2009 Sponda revised its strategy on two occasions. In January Sponda ceased to consider the property markets in the Baltic Countries as a strategic area for investment. Before this the strategy stated that Sponda's goal was to expand property development and property investment operations into the Baltic Countries. Having studied the property market in the region and the opportunities it offered, Sponda gave up this goal. According to the current strategy, the company's property investment activities concentrate on Finland and Russia.

In consequence of the general weakening of the economy, Sponda's strategy was adjusted to the market situation in autumn 2009. The short-term goal set for the company was seeking moderate growth and profitability. Growth is financed mainly by the sale of existing properties.

In September 2009 the company's financial targets relating to the company's equity ratio and dividend payment were also revised. In the long term, the company is aiming at an equity ratio of 40 per cent instead of the previous target of 33 per cent. At the end of 2009 the equity ratio stood at 37 per cent.

According to the revised dividend policy, Sponda pays a dividend of about 50 per cent of the cash flow from operations per share for the period, taking into account, however, the company's financial situation and development needs. Through the dividend policy the company aims at a stable dividend payment. The company's former dividend policy was to pay at least 80 per cent of the earnings per share or cash flow per share, taking into account the company's business development needs.

Result of operations and financial position (compared with January–December 2008)

Sponda's result for the year was EUR -81.6 (29.2) million and the economic occupancy rate was 86.6 per cent (88.5%). The company's result is formed as follows:

- Total revenue increased some 8 per cent from the period for comparison to EUR 243.0 (224.3) million.
- Net operating income rose some 9 per cent to EUR 181.6 (166.8) million.
- Operating profit was EUR -13.3 (117.3) million.
- Earnings per share were EUR -0.35 (0.16).
- Cash flow from operations per share was EUR 0.45 (0.78).
- The fair value of the investment properties amounted to EUR 2,767.5 (2,915.5) million.
- Net assets per share totalled EUR 3.54 (4.93).
- EPRA net assets per share were EUR 4.18 (6.04).

Financial position

The consolidated balance sheet totalled EUR 2,990.2 million (31 December 2008: EUR 3,174.7 million). Property assets totalled EUR 2,790.3 (2,945.0) million. This comprised investment properties totalling EUR 2,767.5 (2,915.5) million and trading properties classified as held for sale totalling EUR 22.8 (29.5) million. Capital expenditure on real estate funds was EUR 56.2 (60.6) million.

Sponda sold investment properties during 2009 for a total value of EUR 40.3 (82.8) million. EUR 21.3 (26.6) million was invested in property maintenance and property quality improvements, and EUR 32.0 (248.4) million in property development. No properties were purchased during 2009.

Shareholders' equity at the end of 2009 totalled EUR 1,113.6 (1,008.9) million. The EUR 129.0 million in 'Other equity reserve' is the hybrid bond issued in July 2008. Liabilities amounted to EUR 1,876.6 (2,165.8) million, which comprised EUR 1,511.4 (1,795.5) million in non-current liabilities and EUR 365.2 (370.4) million in current liabilities. Interest-bearing liabilities totalled EUR 1,597.8 (1,828.3) million.

Key figures showing Sponda Group's financial performance:

Key figures	1–12/2009	1–12/2008[1)]	1–12/2007
Economic occupancy rate, %	86.6	88.5	91.2
Total revenue, M€	243.0	224.3	210.9
Net operating income, M€	181.6	166.8	152.8
Net operating income/inv. properties, %	6.9 [2)]	6.8 [2)]	6.4 [2)]
Operating profit, M€	-13.3	117.3	256.7
Equity ratio, %	37.3	31.9	32.3
Gearing, %	141	180	175
Return on equity, %	-7.7	3.0	17.9
Earnings per share, € [4)]	-0.35	0.16	0.79
Dividend per share, €	0.12 [3)]	0.00	0.50
Total dividend, M€	33.3	-	55.5
Net assets per share, € [4)]	3.54	4.93	5.24
EPRA net assets per share, € [4)]	4.18	6.04	6.26
Cash flow from operations per share, € [5)]	0.45	0.78	0.81

1) 2008 figures adjusted in accordance with the effects of adopting IAS 23
2) Excluding Property Development
3) Board proposal
4) Figures for previous year adjusted for effect of share issue in 2009 in accordance with IAS 33.
5) 2009 figure and figures for previous years not adjusted in accordance with IAS 33.

Financing

Key changes in the Group's cash flows:

M€	1–12/2009	1–12/2008
Net cash flow from operations	96.0	140.7
Net cash flow from investment activities	-40.8	-389.8
Net cash flow from financing activities	-41.7	238.0
Change in cash and cash equivalents	13.6	-11.1
Cash and cash equivalents, start of period	16.0	27.4
Impact of changes in exchange rates	-0.5	-0.3
Cash and cash equivalents, end of period	29.1	16.0

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

The Group's interest-bearing loans and borrowings at the end of the year totalled EUR 1,597.8 (1,828.3) million. Sponda Group's debt portfolio (nominal values) on 31 December 2009 comprised EUR 670 million in syndicated loans, EUR 250 million in bonds, EUR 153 million in issued commercial papers, and EUR 527 million in loans from financial institutions. The company had EUR 450 in unused credit limits. Sponda Group had mortgaged loans of EUR 141.3 million, or 4.7 per cent of the company's balance sheet. The average maturity of Sponda's loans was 2.4 (3.0) years, and the average interest rate 3.7 (4.6) per cent including interest rate derivatives. Fixed-rate and interest-hedged loans accounted for 65 per cent of the loan portfolio. The average interest-bearing period of the whole debt portfolio was 1.8 (1.7) years. The interest margin, which describes the company's solvency, was 2.7 (2.1). Net financial expenses totalled EUR -65.0 (-75.1) million during the year.

Sponda's equity ratio on 31 December 2009 was 37 per cent (31 December 2008: 32%) and gearing was 141 per cent (180%). Sponda applies hedge accounting, according to which changes in the fair value of interest rate swaps and interest rate options that meet the criteria for hedge accounting are recognized in equity in the balance sheet.

Business conditions – Finland

Office, retail and logistics property market is a late cycle market, so the impact of the global recession was not felt in the Finnish property market until the second half of 2009. Rent levels and occupancy rates declined somewhat, but the changes in the central business and Ruoholahti districts of Helsinki were smaller than elsewhere.

The Institute for Real Estate Economics (KTI) estimated that the total value of property transactions in Finland in 2009 was about EUR 1.6 billion, compared with about EUR 4 billion in 2008. International investors accounted for less than 20 per cent of the volume of the Finnish property market in 2009.

Economic recovery is forecast to begin during 2010. Since virtually no new properties came on the market in 2009, the current volume of vacant properties is expected to go down as demand rises after 2010. Changes in demand for premises and in rent levels are expected to be more moderate in prime locations, such as the central business district of Helsinki and Ruoholahti, than elsewhere in the Helsinki metropolitan area and Finland.

Business conditions – Russia

The global recession had a bigger impact on Russia in 2009 than on Finland. This was also reflected in the Russia property market, where virtually no property transactions took place and rents fell considerably. Vacancy rates rose even to 30 per cent in some areas, and almost no development projects were started because of the difficulties in obtaining financing.

According to expert assessments, the Russian economy has reached its lowest point, however, the volume of vacant premises is no longer increasing and demand is growing. Forecasts for the economy in 2010 are cautiously optimistic, and Russia is expected to recover more quickly than Western Europe thanks to the rising price of crude oil.

Sponda's operations in 2009

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

Net operating income from all of Sponda's property assets totalled EUR 181.6 (166.8) million during the year. Office and retail premises accounted for 53 per cent of this, shopping centres for 17 per cent, logistics premises for 15 per cent, the Real Estate Funds unit for 6 per cent and Russia for 9 per cent. Like-for-like rental growth during the past two years for the property portfolio that Sponda has owned for two years was 1.40 per cent for office and retail properties, 4.66 per cent for shopping centres and -3.83 per cent for logistics properties. Rental growth is calculated in accordance with EPRA recommendations. All of Sponda's leasing agreements are tied to the cost of living index.

Property portfolio

On 31 December 2009 Sponda had a total of 198 properties, with an aggregate leasable area of about 1.5 million square meters. Of this, some 52 per cent is office and retail premises, 9 per cent shopping centres and 36 per cent logistics properties. Some 3 per cent of the leasable area of the properties is located in Russia.

At the end of 2009 an external evaluator assessed the value of Sponda's investment properties. The change in fair value in October–December was EUR -14.4 million (31 December 2008: EUR -17.5 million) and for the whole year EUR -175.1 (-44.9) million. In the final quarter of the year, the main factors affecting the fair value were the fall in market rents for properties and the increase in vacancy rates. The assessments were made by Catella Property Group in Finland and CB Richard Ellis in Russia, and their statements can be seen on the company's Internet site. The fair values of undeveloped land areas were assessed by Newsec. For the real estate funds, Jones Lang LaSalle and Kiinteistötaito Peltola & Co assessed the fair values of the properties owned by Sponda Fund I and Sponda Fund II at the end of 2009.

Valuation gains/losses on assessing Sponda's investment properties at fair value, M€	1–12/2009	1–12/2008
Changes in yield requirements (Finland)	-54.7	-88.8
Changes in yield requirements (Russia)	-49.4	-4.3
Development gains on property development projects	-1.2	34.4
Modernization investments	-21.3	-26.6
Change in market rents and maintenance costs (Finland)	-8.4	34.4
Change in market rents and maintenance costs (Russia)	-26.9(**	-1.7
Change in currency exchange rates	-5.0 (*	
Investment properties, total	**-166.8**	**-52.6**
Real estate funds	-8.3	7.7
Group, total	**-175.1**	**-44.9**

*) Change in value due to changes in exchange rates 6-12/2009
**) Includes changes in value due to changes in exchange rates 1-6/2010

The changes in Sponda's investment property assets in 2009 were as follows:

Sponda's investment properties, M€	Total	Office and Retail Properties	Shopping Centres	Logistics Properties	Property Development	Russia
Operating income	225.2	126.6	39.3	37.3	0.2	21.8
Maintenance costs	-56.8	-31.3	-8.0	-10.8	-1.2	-5.5
Net operating income	**168.4**	**95.3**	**31.4**	**26.6**	**-1.0**	**16.4**
Investment properties on 1 Jan. 2009, includ. cum. capitalized interest	2,915.5	1,460.6	541.6	462.8	189.1	261.3
Capitalized interest 2009	3.7	0.0	0.0	0.0	3.0	0.7
Acquisitions in 2009	0.0	0.0	0.0	0.0	0.0	0.0
Investments	53.4	14.4	13.2	0.8	23.5	1.4
Other transfers	2.0	1.2	-0.1	-1.2	2.0	0.0
Sales in 2009	-40.3	-4.2	0.0	-35.3	-0.8	0.0
Valuation gains/losses	-166.8	-46.2	-11.3	-30.9	3.6	-81.9
Fair value of investment properties at 31 December 2009	**2,767.5**	**1,425.8**	**543.6**	**396.1**	**220.6**	**181.4**
Change in fair value %	-5.7	-3.2	-2.1	-6.7	1.9	-31.3
Annual net operating income / inv. properties at 31 December 2009*)	**6.9%**	**6.7%**	**6.6%**	**6.7%**		**10.1%**
Weighted average yield requirement -% for portfolio	7.19	6.67	6.12	8.11		11.48
Weighted average yield requirement -% for portfolio – Finland	6.87					

*) Excluding property development

Investments and divestments

Sponda sold investment properties during 2009 for a total value of EUR 40.3 million. No properties were purchased during the year.

Investments in property maintenance totalled EUR 21.3 million in 2009. Altogether EUR 32.0 million was invested in property development during the year. This was mainly spent on the renovation of the City-Center complex in the centre of Helsinki and on the purchase of land for the Ratina shopping centre.

Office and Retail Properties

The economic occupancy rate for Office and Retail Properties was 87.9 per cent (31 December 2008: 91.1%). The property portfolio had a fair value on 31 December 2009 of EUR 1,425.8 million, and the change in fair value from the beginning of 2009 was EUR -46.2 million. The leasable area of office and retail properties was some 770,000 square meters, and about 80 per cent of this was office premises and 20 per cent retail premises. The unit's total revenue, net operating income and operating profit in the period were as follows:

M€	1–12/2009	1–12/2008
Total revenue	129.0	125.7
Net operating income	96.3	92.9
Operating profit	46.5	47.7

Includes trading properties.

During 2009 Sponda sold office and retail property for EUR 4.2 million. No properties were bought during the year. Capital expenditure on property maintenance amounted to EUR 15.5 million by the end of the year.

Sponda signed a binding agreement on 23 December 2009 to sell Koy Vanhajämerä to CapMan Hotels RE Ky for EUR 10 million. The 5,185 square metre property, which is currently in use as offices, is located in the Kamppi district of Helsinki, at Albertinkatu street 36 and Lönnrotinkatu street 27. Sponda is recording capital gains of EUR 1.2 million on the sale in the first quarter of 2010.

Shopping Centres

The Shopping Centres unit had an economic occupancy rate of 96.4 per cent (96.7%). The properties had a fair value of EUR 543.6 million, including a change in fair value of EUR -11.3 million in 2009. The shopping centres had a combined leasable area of about 140,000 square meters. The unit's total revenue, net operating income and operating profit in the period were as follows:

M€	1–12/2009	1–12/2008
Total revenue	39.3	29.3
Net operating income	31.4	22.2
Operating profit	18.7	17.3

In 2009 investments by the segment totalled EUR 13.2 million. Apart from expenditure of EUR 0.7 million on maintenance, this was allocated to the Elo shopping centre, which opened on 1 April in Ylöjärvi.

Logistics Properties

The Logistics Properties unit had an economic occupancy rate of 74.5 per cent (77.4%). The properties had a fair value at the end of 2009 of EUR 396.1 million, including a change in fair value of EUR -30.9 million. The logistics properties had a total leasable area of 530,000 square meters. The unit's total revenue, net operating income and operating profit in the period were as follows:

M€	1–12/2009	1–12/2008
Total revenue	38.6	37.9
Net operating income	27.4	28.5
Operating profit	-4.5	2.8
Includes trading properties		

In 2009 Sponda sold logistics property for EUR 35.3 million.

No new properties were purchased in the period. Capital expenditure on property maintenance since the beginning of the year totalled EUR 0.8 million.

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

Property Development

The balance sheet value of Sponda's property development portfolio at the end of 2009 was EUR 220.6 million. Of this, some EUR 90.4 million was in undeveloped land sites and the remaining EUR 130.2 million was tied up in property development projects in progress. Investments in property development and acquisitions during the year totalled EUR 23.5 million, and most of this was for the City-Center project and for the purchase of a land area relating to the Ratina shopping centre.

Sponda aims to obtain development gains of 15 per cent on the investment costs for projects. The property development business will become more active again during 2010. Sponda's property development business comprises new-build projects and refurbishment of existing properties.

The City-Center project is moving on to the above ground floors. The next phase involves the construction of the office building starting in the inner court of the complex, and new retail premises will be built on the first and second floors of the retail complex and in place of the parking deck on the third floor. It is estimated that the City-Center renovation will be completed in 2012 and that the total investment will be some EUR 125 million.

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

Russia

At the end of the review period, the economic occupancy rate for the Russia unit was 88.2 per cent (86.3%). The property portfolio had a fair value at the end of the year of EUR 181.4 million, and the change in the fair value from the beginning of 2009 was EUR -81.9 million. The fair value of the properties in Russia was assessed by CB Richard Ellis on the closing date.

Capital expenditure on property development and maintenance in 2009 totalled EUR 0.4 million.

The unit's total revenue, net operating income and operating profit in the period were as follows:

M€	1–12/2009	1–12/2008
Total revenue	21.8	16.2
Net operating income	16.4	12.0
Operating profit	-70.4	1.3

The typical length of a lease in Russia is 11 months. Sponda's leasing agreements in Russia also conform to this practice, apart from the Western Realty (Ducat II) and OOO Adastra properties in Moscow and St Petersburg where the leases are for longer periods than average. The average length of Sponda's leasing agreements in Russia on 31 December 2009 was 3.0 years, and the leasing agreements expire as follows:

Expiry in	% rental income
1 year	40.3
2 years	2.8
3 years	17.2
4 years	2.5
5 years	14.9
6 years	2.3
More than 6 years	20.0

Sponda receives about half of its rental income in Russia in US dollars. About half is in roubles, and much of this is tied to an agreed exchange rate for the dollar or the euro. The company's rouble risk is reduced because a major part of the unit's expenses are denominated in roubles. It is Sponda's policy to hedge 6 months cash flow in Russia.

Real Estate Funds

Sponda is a minority holder in three real estate funds, First Top LuxCo, Sponda Real Estate Fund I Ky and Sponda Real Estate Fund II Ky. Sponda is responsible for managing the funds and their properties, and receives management fees. The property portfolios of the funds, apart from First Top LuxCo, were valued by Jones Lang LaSalle and Kiinteistötaito Peltola & Co at the end of 2009.

The unit's total revenue (including management fees and share of fund profits), net operating income and operating profit in the period were as follows:

M€	1–12/2009	1–12/2008
Total revenue	12.7	13.2
Net operating income	10.9	11.3
Operating profit	-3.6	14.3

The management fees and share of profits for the funds were as follows:

M€	1–12/2009	1–12/2008
Management fees	6.6	8.5
Share of profit	5.8	4.7
	12.4	**13.1**

First Top LuxCo (Sponda's holding 20%) invests in office and retail properties outside Finland's largest cities. At the end of 2009 the fund's property investments had a fair value of EUR 105.9 million.

Sponda Fund I Ky (Sponda's holding 46%) invests in logistics sites outside the Helsinki metropolitan area. At the end of 2009 the properties it owned had a fair value of EUR 186.4 million.

Sponda Fund II Ky (Sponda's holding 44%) mainly invests in logistics properties in medium sized towns in Finland. The fund has a target size for its real estate investment of about EUR 200 million and the fair value of its property portfolio at the end of 2009 was EUR 95.8 million.

In addition to those mentioned above, Sponda is also responsible for managing the property portfolio, with a value of about EUR 280 million, sold in March 2007 to Whitehall Street Real Estate Limited and Niam Nordic Investment Fund III.

Parent company

The Group's parent company Sponda Plc had total revenue, including funds activities, of EUR 130.8 (130.0) million in 2009 and operating profit of EUR 90.4 (70.1) million. Financial expenses totalled EUR 84.0 (69.4) million and the company's result for the period was a profit of EUR 7.8 (0.2) million.

Corporate structure

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

Risk management

Risk management is based on the Group's capacity and willingness to bear risk, identification of the Group's key risks, and the approved risk management policy. Risk management is part of everyday operations and of the management of business operations.

Group level reports on risks are given to the Board of Directors annually in connection with the risk survey. Risk reporting at executive board and business operations levels is part of the operations management system.

More details about the principles for risk management and how it is organized are given in the Corporate Governance statement, on the company's Internet site and in its Annual Report.

Risks relating to Sponda's business operations
STRATEGIC RISKS

Risks relating to the business environment

In 2009 growth in the Finnish economy turned negative. This unfavourable development was started by the global crisis in the financial markets that began in the final quarter of 2008 and brought investments to a halt in many sectors throughout the review year. The increasing difficulties faced by customers in their businesses started to be felt in the occupancy rates and rents of properties, especially in the second half of the year. The leasing of commercial properties is a late cycle business, in which changes in the client's business operations have a delayed effect on the need for business premises. On the other hand, the difficult situation in leasing operations was eased by the low level of interest rates, which reduced financing costs for the real estate sector. The impact of the global financial crisis was also felt in real estate sector's investment projects.

The credit and liquidity problems and disruptions that have hit financial systems may still affect financing for property transactions in the market in 2010. There is an oversupply of office premises in particular, and this is expected to cause a rise in vacancy rates on the market in 2010. This may also have a negative impact on Sponda's leasing activities. Virtually no new office premises are being completed during the coming year, which in turn will help vacancy rates to fall when the general economic situation picks up.

Change in fair value of properties

Property values usually follow economic trends. Many factors affect the value of properties, such as interest rates, inflation, economic growth, the business environment, the availability of credit, property taxation, demographic factors and the level of construction activity. In addition, changes in supply and demand may have a significant impact on the value of properties, regardless of general trends in the economic factors affecting regional property markets.

In the current state of the market, the value of properties fell in 2009 mainly due to yield requirements. In 2010 the forecast is for yield requirements to stop falling, but for market rents to go down slightly. As a result, the values of Sponda's properties and the company's operational profit may vary, and economic factors and local market conditions may both have a significant impact on these.

Solvency of tenants weakening

Many of Sponda's properties are leased in part or entirely to major business customers. At the end of 2009 Sponda had 3,178 leasing agreements and 1,996 customers. The Group's 10 largest tenants accounted for some 32 per cent of the company's rental income, and the largest customer sectors were retail, banking and the public sector. If Sponda loses one or more tenants, or they become insolvent, this may result in a considerable loss of income. If a property is vacant for a long period, this may harm the value of properties, Sponda's financial position and the profit of its operations.

Confirmed losses of Sponda Kiinteistöt Oy

Sponda announced on 1 November 2007 when it published its interim report that the Uusimaa corporate tax office had decided to deviate from the 2006 tax returns made by Sponda Kiinteistöt Oy (formerly Kapiteeli Oy) and considered that the company's taxable earnings were EUR 192 million. The matter relates to the confirmed losses of Sponda Kiinteistöt Oy, which for the tax years 1996–1999 totalled some EUR 558 million.

The company may have to pay the tax in connection with the confirmed losses of Sponda Kiinteistöt Oy during the current fiscal year, and the company would then have to recognize a tax expense. This would weaken the company's net result and solvency. A more detail explanation of the confirmed losses is given on pages 126 and 127 of the Annual Report.

Instability in Russian property market

As part of its strategy, Sponda expanded its operations in 2008 to Moscow and St Petersburg. Some 6 per cent of the company's property assets were located in Russia at the end of 2009. The differences between Russian and Finnish legislation and the way the authorities operate in the two countries may cause extra risks for Sponda. The current unstable economic situation may also weaken the solvency of Sponda's tenants and reduce their space requirements. If these risks occur, they could have a harmful impact on the company's financial position and the profit of its operations.

Risks relating to property development

The main focuses in Sponda's property development operations are on development projects for undeveloped land areas and buildings needing modernization and greenfield development projects. The projects require an extensive planning process, and before a project is ready to start up, the planning stage involves costs for Sponda. Projects and the investment in them may last for several years, and Sponda does not receive the full rental income from a property until the project is finished. Before a property development project can start, it must have at least 50 per cent of the premises leased in advance, but it is possible that the company does not achieve a financially viable occupancy rate when the project is completed. This may push down the fair value of the property.

In 2009 Sponda had undeveloped land areas with a total value of EUR 90.4 million, and it invested some EUR 130.2 million in property development projects, mainly in the City-Center project in the centre of Helsinki and in a land area and planning for the Ratina shopping centre in Tampere.

OPERATIVE RISKS

Main features of internal control relating to financial reporting

Risk management in Sponda's financial reporting process is integrated into the Group's overall risk management and internal control. Sponda has defined the main features of internal control by adapting the international COSO model. The model has been utilized in defining the control environment and the method of risk assessment and in deciding on the control measures to be used. Other factors affecting the solutions adopted for internal control of financial reporting were that the Group operates in the real estate investment sector in Finland and Russia, that the Group is managed as a single entity, and the company form of ownership of properties. Sponda's business operations are divided into four business units and financial reporting is centralized.

Internal control at Sponda is a process in which the company's Board of Directors, operative management, other personnel and internal audit take part. The objective of internal control is to give reasonable assurance about the effectiveness and appropriateness of operations, about the financial information, about the reliability of reporting, and of compliance with legislation and other regulations.

The Corporate Governance statement gives information about internal control relating to financial reporting and this is on the company's Internet website at www.sponda.com> Investors> Corporate Governance.

DAMAGE AND ASSET RISKS

Sponda aims to ensure the safety of its personnel through the occupational health system, the travel safety scheme and insurance, and the company's crisis management instructions. Personnel are covered by the required insurances.

Sponda's properties are insured for their full value, and Sponda has also taken all other necessary insurances. The company has guidelines and processes for selling, purchasing and leasing business premises and relating to safety issues.

FINANCING RISKS

Rapid sharp changes in market interest rates and margins may have a negative effect on the company's financial result and may slow down growth in real estate operations. Financing risks and managing them and the interest rate risk sensitivity analysis are presented on pages 118–124 of the financial statements.

Currency risk

The growth in business in Russia increases Sponda's currency risk. Sponda receives about half of its rental income in Russia in US dollars. About half is in roubles, and much of this is tied to an agreed exchange rate for the dollar or the euro. The company's rouble risk is reduced because a major part of the unit's expenses are denominated in roubles. It is Sponda's policy to hedge 6 months cash flow in Russia. A fall in the value of the rouble could negatively affect the value of Sponda's properties.

Environmental responsibility

The real estate sector plays a key role in fighting climate change and ensuring the wellbeing of the environment. Sponda made environmental expertise a strategic priority in its corporate responsibility in autumn 2009, with the goal of building up its environmental expertise and, through this, supporting clients in achieving their own environmental goals. One of the measures was the appointment of a sustainability manager at Sponda. Environmental aspects are being integrated more closely into property development, in the design stage and in carrying out the projects, and are taken into account especially in the use of the properties. As far as existing properties are concerned, the Sponda's energy efficiency scheme has started a search for specific energy savings measures at ten properties in the pilot stage of the scheme.

The real estate sector generates about one third of Finland's greenhouse gas emissions. Construction, repairs, and the maintenance and use of properties all have an impact on the environment. The decision taken by Finland's government in October 2009 to cut climate emissions by 80 per cent by 2050 sets challenges for the real estate sector, and Sponda aims to respond to this challenge.

As a responsible property owner, Sponda considers it important to take into account the environmental impact of its properties both during construction and when the property is in use. Sponda factors in customer requirements and environmental aspects when designing and constructing buildings and business premises.

Involvement in construction sector organizations gives opportunities to broaden environmental expertise and to participate in developing the real estate sector. Sponda has been involved in setting up the Finnish Green Building Council (FiGBC). This non-profit organization aims to make sustainable development practices part of the business operations of the real estate and building cluster and indirectly of customers using services in the built environment. FiGBC aims to create cooperation and dialogue in the real estate and construction sectors, to promote the use of environmental classification, and to develop and communicate sustainable development practices relating to the building and use of the built environment.

The members of FiGBC are the largest property owners, users and service providers, the education sector and the construction industry.

In 2009 the company launched the energy efficiency scheme, with the goal of working with clients to reduce the energy consumption of properties. The objective is with the users of properties to identify potential areas for saving energy. Ten properties of different ages and types are participating in the pilot project, and one of these is Sponda's head office.

At the beginning of the energy efficiency scheme, an energy review is carried out at the properties, to find out the energy consumption of each property and to examine the different technical systems relating to energy usage. Energy efficiency goals are then set, with measures for achieving them, for each property. The impact of the measures and how well targets are being met are monitored in regular meetings with clients. In many properties even small changes in the way things are done can give considerable savings. The costs saved through the energy efficiency scheme are re-invested in the property, so the clients also benefit financially from the scheme.

Major solutions and choices made during construction or when carrying out repairs considerably affect the environmental impact of properties and on how practical they are throughout their life cycle. Preparing the ground as required by the local surroundings and the soil, the criteria for utilizing the space in buildings and the flexibility in using it, the technical solutions chosen, the materials used and the furnishings, all affect the energy efficiency and life of a property.

In building projects, Sponda takes into account not just the building itself but also the close surroundings and makes sure that the property fits in with the surrounding city structure. It is important for Sponda that a large part of its properties are located in areas that have good public transport connections.

Major decisions are taken in building projects at the start of the feasibility study and planning stage that affect the energy efficiency of the property, its environmental impact and its effectiveness as a healthy work environment, throughout the life span of the building. The choices made during construction or when carrying out repairs – everything from preparing the ground and the choice of materials to air conditioning and furnishings – also have an impact on the extent to which users can make energy-efficient choices when operating in the properties.

Sponda has put together planning guidelines for designing office buildings, which aim to create flexible, adaptable and energy efficient buildings that form good physical surroundings for the clients' work environment. The guidelines portray the desired quality with the aid of technical arguments and system descriptions, and in many areas their values exceed the general level required in building codes and regulations. The guidelines are being upgraded during 2010 so that low energy buildings can also be built with them.

Sponda belongs to the Russian Green Building Council (RuGBC). The council, which was established in May 2009, aims in the same way as the corresponding organization in Finland (Finnish Green Building Council) to develop and promote real estate and building operations that conform to the principles of sustainable development. The objective is to speed up the introduction of market-based, environmentally friendly practices and standards in Russia.

Water, electricity and gas consumption is monitored at the properties owned by Sponda in Russia. Sponda's energy efficiency scheme is expanding into Russia in 2010, and the goal is to have two properties in the country join the scheme.

The environmental responsibility targets for 2010 are given on page 52 of Sponda's Annual Report.

Corporate Governance

Sponda Plc is a public limited company registered in Finland and listed on NASDAQ OMX Helsinki Ltd. In its decision-making and administration Sponda applies the Finnish Limited Liabilities Companies Act and other legal provisions governing public limited companies, and the company's articles of association. Sponda Plc also complies with the Insider Guidelines of NASDAQ OMX Helsinki Ltd and the Corporate Governance recommendations issued for listed companies, with the exception that the nomination of the members of the Board of Directors and proposals concerning their remuneration are made by the Nomination Committee of the shareholders, rather than a nomination and compensation committee appointed by the Board of Directors. As required by the Finnish Limited Liabilities Companies Act and Sponda's articles of association, control of the company and its administration are divided between the shareholders represented at general meetings, the Board of Directors and the President. The President is assisted by an Executive Board.

Sponda's Board of Directors has six members: Klaus Cawén, Tuula Entelä, Timo Korvenpää, Lauri Ratia, Arja Talma and Erkki Virtanen. At its constitutive meeting after the Annual General Meeting on 25 March 2009 the Board elected Lauri Ratia as its chairman and Timo Korvenpää as vice chairman. The Board of Directors assessed that of its members Klaus Cawén, Tuula Entelä, Timo Korvenpää, Lauri Ratia and Arja Talma are independent of the company and of major shareholders and Erkki Virtanen is independent of the company. Martin Tallberg resigned from the Board of Directors of Sponda Plc as of 25 August 2009.

Sponda's Board of Directors has two permanent committees: the Audit Committee and the Structure and Remuneration Committee. The following were elected members of the Audit Committee after the Annual General Meeting on 25 March 2009: Arja Talma, chairman, Timo Korvenpää, vice chairman, and Erkki Virtanen, ordinary member.

The following were elected to the Structure and Remuneration Committee after the Annual General Meeting on 25 March 2009: Lauri Ratia, chairman, Klaus Cawén, vice chairman, and Tuula Entelä and Martin Tallberg, ordinary members.

Corporate governance statement is given on the company's Internet website at: www.sponda.com >Investors >Corporate Governance.

Annual General Meeting and dividend

The Board of Directors of Sponda Plc is convening the Annual General Meeting on 17 March 2010 and proposes to the Annual General Meeting that a dividend of EUR 0.12 per share be paid.

Auditors

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

Nomination Committee of the Shareholders

Sponda Plc's Shareholders' Nomination Committee decided to propose to the Annual General Meeting on 17 March 2010 that the number of members of the Board of Directors be confirmed as six and that the current members Klaus Cavén, Tuula Entelä, Timo Korvenpää, Lauri Ratia, Arja Talma and Erkki Virtanen be re-elected.

The Nomination Committee proposes to the Annual General Meeting that for the term of office ending at the 2011 Annual General Meeting the members elected to the Board of Directors at the Annual General Meeting be paid an annual fee that is the same amount as the fee paid for the term of office ending at the 2010 Annual General Meeting:

- to the chairman a fee of EUR 60,000
- to the deputy chairman a fee of EUR 36,000
- to the ordinary members a fee of EUR 31,200 each.

In addition, the Nomination Committee proposes that each Board member is paid an attendance fee of EUR 600 per meeting, including the meetings of the Board committees. The Nomination Committee proposes that 40 per cent of the annual fee is paid in Sponda Plc shares to be acquired on the market. The shares will be acquired within two weeks of when the January–March 2010 interim report has been published.

Proposals of Sponda's Board of Directors are included in the notice to Annual General Meeting.

The members of the Nomination Committee were the three largest shareholders on 2 November 2009:

- Solidium Oy, Kari Järvinen
- Ilmarinen Mutual Pension Insurance Company, Timo Ritakallio and
- OP-Delta investment fund, Harri Nummela.

Management and personnel

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

The key figures for Sponda Group's personnel are as follows:

	2009	2008	2007
Average number of employees in year	135	137	217
Number of employees at end of year	134	141	216
Salaries and other remuneration in year, M€	12.1	12.4	12.2

Sponda has personnel in Finland and Russia.

Sponda's employees belong to an incentive bonus scheme, under which bonuses are indexed to the company's targets. The company operates a long-term share-based incentive scheme for its senior executives that was launched on 1 January 2006. Sponda's Board of Directors decided to continue the long-term share-based incentive scheme for its senior executives in 2009–2011. Those in the scheme are members of the company's Executive Board. Any bonuses under this scheme are based on cash flow from operations per share and on return on equity, and Sponda shares are bought with these bonuses. These shares carry a restriction forbidding their disposal within two years of their issue. The bonus is paid annually.

Sponda's aim is to ensure equal rights between its male and female staff, between the different business units, between employees of different ages and with different tasks, and also between full-time and part-time staff. Sponda monitors salaries and wages in different professional groups on an annual basis. In 2009 male and female staff received the same rate of pay for doing the same job.

The Sponda share

The weighted average price of the Sponda share in 2009 was EUR 2.57. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 3.93 and the lowest EUR 1.87. Turnover during the year totalled 233.1 million shares or EUR 599.2 million. The closing price of the share on 31 December 2009 was EUR 2.73, and the market capitalization of the company's share capital was EUR 758 million.

The Annual General Meeting on 25 March 2009 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 2009:

- 11 May 2009: Julius Tallberg-Kiinteistöt Oyj announced that its holding of shares represented 7.32 per cent of the total number of shares and votes in Sponda Plc.
- 25 June 2009: Julius Tallberg-Kiinteistöt Oyj announced that its holding of shares represented 4.82 per cent of the total number of shares and votes in Sponda Plc.

On 31 December 2009 the company had altogether 9,905 shareholders and its ownership structure was as follows:

	Number of shares	Holding, %
Public entities	18,281,780	6.6
Nominee registered	115,571,346	41.6
Financial and insurance institutions, total	9,663,461	3.5
Households	26,998,859	9.7
Private corporations, total	101,550,110	36.6
Non-profit organizations, total	3,934,727	1.4
Foreign owners, total	1,575,179	0.6
Total number of shares	**277,575,462**	**100.0**

Events after the close of the financial year

In January 2010 Sponda Plc signed an extension agreement with Sampo Bank Plc for a 3-year loan of EUR 57.6 million. The agreement extends the short-term project loan that was originally taken for the Elo shopping centre. The margin on the loan corresponds to today's market rates and the terms and conditions of the loan are unchanged.

Prospects

Sponda's long-term strategic goal remains growth and profitability. Following the major changes in the overall state of the market, Sponda adjusted its operations and protected its equity ratio by selling properties and minimizing new investments. The funds released by selling properties in 2010 will be used to finance property development activities.

Sponda's properties still have substantial development potential thanks to the large development resources and the broader supply of undeveloped sites especially in the Helsinki metropolitan area but also elsewhere in Finland. The City-Center project in the central business district of Helsinki has progressed to the building of the new office building and of retail premises. During 2010 Sponda will also build new production premises for Metso Automation Oy in Hakkila, Vantaa.

Sponda Fund II continues to grow and is looking to invest in logistics properties in medium-sized cities in Finland. The fund has a target size of EUR 200 million, and the portfolio had a fair value at the end of 2009 of EUR 95.8 million.

The company estimates that the economic occupancy rate of its business properties will continue to decline early in 2010, but expects it to start to pick up during 2010.

The net operating income in 2010 is estimated to be lower than that in 2009. The reasons for this decline are the sale of properties planned for this year and the fall in the occupancy rates that began in 2009 and is continuing in the first half of 2010.

Shares and Shareholders

Sponda Plc's share capital on 31 December 2009 was EUR 111,030,185 and the number of shares was 277,575,462. The Sponda share is quoted on NASDAQ OMX Helsinki Ltd under the trading code SDAIV. The shares are managed under the book-entry securities system. Sponda has one share series. Each share carries one vote at general meetings. The company did not hold any Sponda shares.

Dividend policy

Sponda Plc distributes a dividend corresponding to about 50 per cent of the cash flow from operations per share for the period while taking into consideration the company's financial situation and business development needs.

Shareholders

On 31 December 2009 there were 9,905 shareholders. Nominee-registered shareholders accounted for 41.6 per cent of the shares and votes. Foreign and nominee-registered shareholders together held 42.2 per cent of the shares and votes. The company issued the following flagging notices in 2009:

• 11 May 2009: Julius Tallberg-Kiinteistöt Oyj announced that its holding of shares represented 7.32 per cent of the total number of shares and votes in Sponda Plc.

• 25 June 2009: Julius Tallberg-Kiinteistöt Oyj announced that its holding of shares represented 4.82 per cent of the total number of shares and votes in Sponda Plc.

Trading and performance

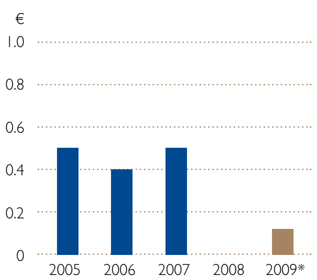
The weighted average price of the Sponda share in 2009 was EUR 2.57. The highest quotation on NASDAQ OMX Helsinki Oy was EUR 3.93 and the lowest EUR 1.87. Turnover during the year totalled 233.1 million shares or EUR 599.2 million. The closing price of the share on 31 December 2009 was EUR 2.73, and the market capitalization of the company's share capital was EUR 758 million.

Current authorizations

The Annual General Meeting on 25 March 2009 authorized the Board of Directors to purchase the company's own shares. The authorization was not exercised during the review period.

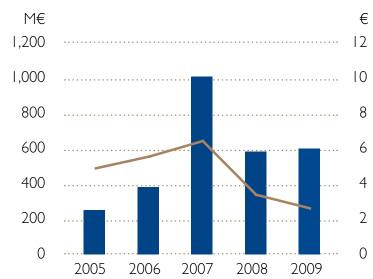
Sponda's ownership structure on 31 December 2009, registered shareholders	Number of shares	Holding, %
Private corporations, total	101,550,110	36.6
Financial and insurance institutions, total	9,663,461	3.5
Public entities	18,281,780	6.6
Households	26,998,859	9.7
Non-profit organizations, total	3,934,727	1.4
Foreign owners, total	1,575,179	0.6
Total	162,004,116	58.4
of which nominee-registered	115,571,346	41.6
Total issued	277,575,462	100.0

Dividend/share



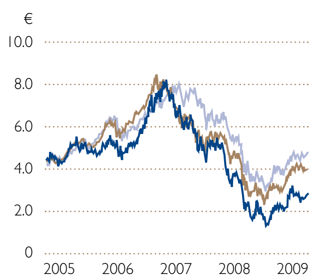
* Board's proposal

Share prices and turnover



■ Turnover, M€
■ Share price, €
(weighted average price, adjusted in accordance with IAS 33)

Sponda share price compared to indices



■ Sponda
■ OMX Helsinki CAP index
■ EPRA Europe index

Source: Sponda's websites and Investis

Distribution of ownership 31 December 2009

Number of shares	Number of shareholders	% of shareholders	Number of securities	% of securities	Number of votes	% of votes
1–100	434	4.382	25,250	0.009	25,250	0.009
101–500	2,302	23.241	736,373	0.265	736,373	0.265
501–1,000	1,781	17.981	1,381,195	0.498	1,381,195	0.498
1,001–5,000	4,076	41.151	9,773,767	3.521	9,773,767	3.521
5,001–10,000	679	6.855	4,909,312	1.769	4,909,312	1.769
10,001–50,000	505	5.098	10,205,116	3.677	10,205,116	3.677
50,001–100,000	56	0.565	3,972,276	1.431	3,972,276	1.431
100,001–500,000	54	0.545	11,940,595	4.302	11,940,595	4.302
500,001–	18	0.182	234,631,578	84.529	234,631,578	84.529
Total	**9,905**	**100**	**277,575,462**	**100**	**277,575,462**	**100**
of which nominee-registered	10		115,571,346	41.636	115,571,346	41.636
Non-transferred, total	0		0	0	0	0
In general account			0	0	0	0
In special accounts, total			0	0	0	0
Total issued			277,575,462	100	277,575,462	100

20 principal shareholders on 31 December 2009

		Number of shares	% of shares
1	Solidium Oy	95,163,745	34.3
2	Ilmarinen Mutual Pension Insurance Company	12,052,730	4.3
3	Op-Delta Investment Fund	2,382,205	0.9
4	Varma Mutual Pension Insurance Company	1,956,617	0.7
5	The State Pension Fund	1,861,111	0.7
6	Alfred Berg Finland Investment Fund	1,017,906	0.4
7	Bnp Paribas Arbitrage	909,268	0.3
8	Yleisradion Eläkesäätiö S.R.	850,000	0.3
9	Fim Fenno Investment Fund	817,577	0.3
10	OP Finland Small Firms Fund	802,481	0.3
11	Alfred Berg Small Cap Finland Investment Fund	626,000	0.2
12	Norvestia Oyj	600,998	0.2
13	Fim Forte Investment Fund	539,484	0.2
14	Nordea Fennia Investment Fund	500,000	0.2
15	Special Mutual Fund Fourton Fokus Finland	495,000	0.2
16	Investment Fund SEB Gyllenberg Small Firm	490,339	0.2
17	Mutual Insurance Company Pension-Fennia	446,311	0.2
18	Special Investment Fund Ubview	400,000	0.1
19	Investment Fund SEB Gyllenberg Finlandia	379,909	0.1
20	I.A.von Julins Stb	350,000	0.1
Total		**122,641,681**	**44.2**
Others		154,933,781	55.8
Total		**277,575,462**	**100**
Nominee-registered		115,571,346	41.6

Total number of shareholders 9,905

Consolidated income statement (IFRS)

M€	Note	1 Jan.–31 Dec. 2009	1 Jan.–31 Dec. 2008
Total revenue	1, 2, 4		
Rental income and service charges		**230.3**	210.8
Interest income from finance leases		**0.3**	0.3
Fund management fees and share of fund profits	5	**12.4**	13.1
		243.0	224.3
Expenses			
Maintenance expenses	6	**-59.5**	-55.5
Direct fund expenses		**-1.9**	-2.0
		-61.4	-57.5
Net operating income		**181.6**	166.8
Profit/loss on sales of investment properties	7	**0.3**	12.1
Valuation gains and losses		**-175.1**	-44.9
Amortization of goodwill	19	**0.0**	-13.0
Profit/loss on sales of trading properties	25	**4.0**	21.5
Sales and marketing expenses		**-1.5**	-2.1
Administrative expenses	10, 11, 12	**-20.5**	-22.1
Share of results of associated companies	22	**0.0**	-0.4
Other operating income	8	**0.8**	0.8
Other operating expenses	9	**-2.9**	-1.3
Operating profit		**-13.3**	117.3
Financial income		**2.1**	1.7
Financial expenses		**-67.2**	-76.7
Provision for interest expenses		**0.0**	-0.1
Net financing costs	13, 34	**-65.0**	-75.1
Profit before taxes		**-78.3**	42.2
Income taxes for current and previous periods		**-3.2**	-1.3
Deferred tases		**-0.1**	-11.8
Income taxes total	14	**-3.3**	-13.1
Profit for the period		**-81.6**	29.2
Attributable to:			
Equity holders of the parent company		**-81.5**	29.3
Minority interest		**-0.1**	-0.1
Profit for the period		**-81.6**	29.2
Earnings per share based on profit attributable to equity holders of the parent company:			
Basic and diluted, €	15	**-0.35**	0.16
Basic and diluted, attributable to equity holders, €	15	**-0.40**	0.13
Basic and diluted, attributable to holders of hybrid loan, €	15	**0.05**	0.03
Average number of shares, basic and diluted, million	15	**230.6**	178.0
Direct result	3	**67.4**	38.9
Indirect result	3	**-148.9**	-9.6
Profit of the year attributable to equity holders of the parent company		**-81.5**	29.3

Statement of comprehensive income (IFRS)

M€	Note	1 Jan.–31 Dec. 2009	1 Jan.–31 Dec. 2008
Profit/loss for period		**-81.6**	29.2
Other comprehensive income			
Net loss/profit from hedging cash flow		**-10.4**	-39.9
Translation difference		**0.7**	-2.0
Other items		**-**	0.1
Taxes on comprehensive income	14	**2.4**	10.4
Other comprehensive income for period after taxes		**-7.3**	-31.5
Comprehensive profit/loss for period		**-88.9**	-2.3
Allocation of comprehensive profit/loss for period:			
Equity holders of parent company		**-88.8**	-2.2
Minority interest		**-0.1**	-0.1

Consolidated balance sheet (IFRS)

M€	Note	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
Assets				
Non-current assets				
Investment properties	16	**2,767.5**	2,915.5	2,539.4
Investments in real estate funds	17	**56.2**	60.6	35.0
Property, plant and equipment	18	**14.3**	14.5	15.7
Goodwill	19	**14.5**	14.5	27.5
Other intangible assets	20	**0.0**	0.0	4.1
Finance lease receivables	21	**2.7**	2.7	2.7
Investments in associated companies	22	**2.8**	3.3	-
Other investments	23	**7.4**	4.7	26.4
Deferred tax assets	24	**41.1**	56.6	56.9
Total non-current assets		**2,906.6**	3,072.5	2,707.7
Current assets				
Trading properties	25	**22.8**	29.5	37.2
Trade and other receivables	26	**31.6**	56.7	130.7
Cash and cash equivalents	27	**29.1**	16.0	27.4
Total current assets		**83.6**	102.3	195.3
Total assets		**2,990.2**	3,174.7	2,903.0
Shareholders' equity and liabilities				
Equity attributable to equity holders of the parent company				
Share capital		**111.0**	111.0	111.0
Share premium reserve		**159.5**	159.5	159.5
Translation difference		**-0.9**	-1.4	0.7
Fair value reserve		**-27.4**	-19.7	9.8
Revaluation reserve		**0.6**	0.6	0.6
Invested non-restricted equity reserve		**412.0**	209.7	209.7
Other equity fund		**129.0**	129.0	-
Retained earnings		**328.0**	418.4	444.6
		1,111.7	1,007.1	935.9
Minority interest		**1.8**	1.8	2.2
Total shareholders' equity	28	**1,113.6**	1,008.9	938.1
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	29, 34	**1,287.2**	1,543.8	1,056.4
Provisions	31	**0.0**	8.7	15.0
Other liabilities		**30.5**	26.3	-
Deferred tax liabilities	24	**193.8**	216.7	213.7
Total non-current liabilities		**1,511.4**	1,795.5	1,285.2
Current liabilities				
Current interest-bearing loans and borrowings	32, 34	**310.6**	284.5	606.3
Trade and other payables	33	**54.5**	85.9	73.4
Total current liabilities		**365.2**	370.4	679.7
Total liabilities		**1,876.6**	2,165.8	1,964.8
Total shareholders' equity and liabilities		**2,990.2**	3,174.7	2,903.0

Consolidated statement of cash flows (IFRS)

M€		1 Jan.–31 Dec. 2009	1 Jan.–31 Dec. 2008
Cash flow from operating activities			
Profit for the period		**-81.6**	29.2
Adjustments	1)	**243.4**	134.6
Change in net working capital	2)	**19.1**	49.8
Interest received		**1.2**	1.3
Interest paid		**-78.4**	-70.3
Other financial items		**-5.1**	-2.2
Dividends received		**0.0**	0.0
Dividends received from associated companies		**0.5**	-
Taxes received/paid		**-3.0**	-1.8
Net cash flow from operating activities		**96.0**	140.7
Cash flow from investing activities			
Acquisition of investment properties	3)	**-77.2**	-466.7
Capital expenditure on real estate funds		**-3.9**	-16.3
Acquisition of property, plant and equipment and intangible assets		**-0.3**	-0.8
Proceeds from sale of investment properties	4)	**40.6**	93.9
Proceeds from sale of intangible and tangible assets		**0.0**	0.0
Repayments of loan receivables		**0.0**	-
Net cash from investment activities		**-40.8**	-389.8
Cash flow from financing activities			
Proceeds from share issue		**200.2**	-
Proceeds from equity bond		-	128.6
Non-current loans, raised		**91.2**	540.7
Non-current loans, repayments		**-248.0**	-140.4
Current loans, raised/repayments		**-73.7**	-235.4
Interest paid on equity bond		**-11.4**	-
Dividends paid		-	-55.5
Net cash from financing activities		**-41.7**	238.0
Change in cash and cash equivalents		**13.6**	-11.1
Cash and cash equivalents, beginning of period		**16.0**	27.4
Impact of changes in exchange rates		**-0.5**	-0.3
Cash and cash equivalents, end of period		**29.1**	16.0

Notes to the statement of cash flows, M€	1 Jan.–31 Dec. 2009	1 Jan.–31 Dec. 2008
1) Adjustments		
Proceeds and losses from sale of investment properties	-0.3	-12.1
Valuation gains and losses	175.1	44.9
Amortization of goodwill	-	13.0
Financial income and expenses	65.0	75.1
Income taxes	3.3	13.1
Share of results of associated companies	0.0	0.4
Other adjustments	0.2	0.2
Adjustments. total	243.4	134.6
2) Specification of change in net working capital		
Change in trading properties	4.7	6.4
Changes in current receivables	7.8	64.5
Changes in non-interest-bearing current liabilities	7.0	-14.7
Changes in provisions	-0.3	-6.4
Change in net working capital	19.1	49.8
3) Acquisition of investment properties		
Acquisition of subsidiaries		
Acquisition cost of companies	-	217.4
Cash and cash equivalents of acquired companies at acquisition date	-	-2.0
Cash flow from acquisitions less cash and cash equivalents of acquired companies	-	215.4
Acquired properties	5.4	11.8
Other acquisitions of investment properties	71.8	239.4
Total acquisition of investment properties	77.2	466.7
Assets and liabilities of acquires subsidiaries		
Net working capital	-	-1.1
Total non-current assets	-	219.4
Interest-bearing liabilities	-	-2.7
Non-interest-bearing liabilities	-	-0.1
Net total of assets and liabilities of acquired subsidiaries	-	215.4
4) Proceeds from sale of investment properties		
Proceeds from sale of subsidiaries		
Proceeds	40.6	94.0
Cash and cash equivalents of sold subsidiaries	-	0.0
Proceeds from sale of subsidiaries	40.6	93.9
Other proceeds from sale of investment properties	-	-
Total proceeds from sale of investment properties	40.6	93.9
Assets and liabilities of sold subsidiaries		
Net working capital	0.0	-0.1
Investment properties	40.3	82.0
Sales gain / loss	0.3	12.1
Net total of assets and liabilities of sold subsidiaries	40.6	93.9

Consolidated statement of changes in equity

M€	Share capital	Share premium reserve	Trans-lation difference	Fair value reserve	Revalu-ation reserve	Invested non-restricted equity reserve	Other equity reserve	Retained earnings	Total	Minority interest	Total equity
Equity at 31 Dec. 2007	111.0	159.5	0.7	9.8	0.6	209.7	-	441.3	932.6	2.2	934.8
Impact of adopting IAS 23								3.3	3.3		3.3
Adjusted equity 1 Jan. 2008	111.0	159.5	0.7	9.8	0.6	209.7	-	444.6	935.9	2.2	938.1
Comprehensive income in period			-2.0	-29.5				29.3	-2.2	-0.1	-2.3
Change							129.0		129.0	-0.3	128.7
Dividend payment								-55.5	-55.5		-55.5
Options implemented and paid as shares								0.0	0.0		0.0
Equity 31 December 2008	**111.0**	**159.5**	**-1.4**	**-19.7**	**0.6**	**209.7**	**129.0**	**418.4**	**1,007.1**	**1.8**	**1,008.9**

M€	Share capital	Share premium reserve	Trans-lation difference	Fair value reserve	Revalu-ation reserve	Invested non-restricted equity reserve	Other equity reserve	Retained earnings	Total	Minority interest	Total equity
Equity 31 Dec. 2008	111.0	159.5	-1.4	-19.7	0.6	209.7	129.0	418.4	1,007.1	1.8	1,008.9
Comprehensive income in period			0.4	-7.7				-81.5	-88.8	-0.1	-88.9
Interest paid on equity bond								-8.4	-8.4		-8.4
Change						202.3		-0.5	201.8	0.2	202.0
Equity 31 December 2009	**111.0**	**159.5**	**-0.9**	**-27.4**	**0.6**	**412.0**	**129.0**	**328.0**	**1,111.7**	**1.8**	**1,113.6**

Key figures (IFRS)

			31.12.2009	31.12.2008[3]	31.12.2008	31.12.2007	31.12.2006	31.12.005
1.	Total revenue, M€		**242.98**	224.31	224.31	210.96	117.43	103.06
2.	Operating profit, M€		**-13.26**	117.33	126.22	256.68	103.90	65.48
	% of total revenue		**-5.46**	52.31	56.27	121.68	88.91	63.54
3.	Profit before taxes, M€		**-78.29**	42.22	38.71	184.40	65.40	39.16
	% of total revenue		**-32.22**	18.82	17.26	87.41	55.96	38.00
4.	Gross expenditure on non-current assets, M€		**61.34**	502.64	502.64	254.00	1,244.58	52.12
	% of total revenue		**25.24**	224.08	224.08	120.40	1,065.01	50.57
5.	Shareholders' equity per share, €	4)	**3.54**	4.93	4.90	5.24	4.65	4.52
6.	Earnings per share (EPS), €	4)	**-0.35**	0.16	0.15	0.79	0.38	0.23
7.	EPS, basic and diluted, attributable to equity holders, €		**-0.40**	0.13	-	-	-	-
8.	EPS, basic and diluted, attributable to holders of hybrid loan, €		**0.05**	0.03	-	-	-	-
9.	EPS, basic and diluted, direct result, €		**0.29**	0.22	-	-	-	-
10.	EPS, basic and diluted, direct result attributable to equity holders, €		**0.24**	0.19	-	-	-	-
11.	EPS, basic and diluted, indirect result, €		**-0.65**	-0.05	-	-	-	-
12.	Return on investment, %		**-0.35**	4.38	4.71	10.05	7.19[2]	5.57
13.	P/E ratio, %		**-6.79**	14.69	12.89	6.45	19.68	21.21
14.	Equity ratio, %		**37.31**	31.86	31.75	32.30	20.19	44.91
15.	Debt equity ratio, %		**143.49**	181.21	182.28	177.86	338.30	107.22
16.	Gearing, %		**140.87**	179.63	180.68	174.93	334.32	107.08
17.	Dividend, €		**0.12**[1]	0.00	0.00	0.50	0.40	0.50
18.	Payout ratio, %		**-33.96**[1]	0.00	0.00	39.49	65.60	133.42
19.	Effective dividend yield, %		**4.40**[1]	0.00	0.00	6.12	3.33	6.29
20.	Market capitalization, M€		**757.78**	344.19	344.19	907.12	951.69	629.67
21.	Lowest and highest share prices, €	4)	**1.87/3.93**	1.45/5.46	1.45/5.46	4.62/8.29	4.64/8.11	4.25/5.83
22.	Average share price, €	4)	**2.57**	3.38	3.38	6.58	5.66	4.95
23.	Closing share price, €	4)	**2.73**	1.93	1.93	5.10	7.49	4.96
24.	Weighted average number of shares milion	4)	**230.6**	178.0	178.0	172.8	127.1	126.6
25.	Weighted average number of shares milion diluted	4)	**230.6**	178.0	178.0	172.8	127.1	128.7
26.	Return on shareholders' equity (ROE), %		**-7.69**	3.00	2.74	17.87	8.46[2]	5.10
27.	Interest-bearing liabilities, M€		**1,597.81**	1,828.26	1,828.26	1,662.68	2,005.60	615.73
28.	Non-interest-bearing liabilities, M€		**278.81**	337.58	335.50	301.00	340.98	88.72
29.	Net assets per share, €	4)	**3.54**	4.93	4.90	5.24	4.65	4.52
30.	EPRA FFO		**67.4**	38.9	-	-	-	-
31.	EPRA NAV, net assets per share, €	4)	**4.18**	6.04	6.01	6.26	5.95	-
32.	EPRA NNNAV, per share		**4.32**	6.33	-	-	-	-
33.	Cash flow from operations per share, €	5)	**0.45**	0.78	0.78	0.81	0.56	0.57
34.	Share turnover, milion shares		**233.08**	108.88	108.88	94.92	41.94	31.77
35.	Share turnover, %		**119.00**	98.06	98.06	88.06	52.89	40.21

1) Proposal of the Board of Directors
2) These key figures in 2006 have been calculated using the quarterly weighted average figures in the balance sheet.
3) 2008 figures adjusted following adopting of IAS 23
4) Figures for previous years adjusted for effect of share issue in 2009 in accordance with IAS 33
5) 2009 figure and figures for previous years not adjusted, in accordance with IAS 33

Calculation of key ratios

Key ratio			Formula
Shareholders' equity per share, € *)	=		Equity attributable to equityholders of the parent company at year end - Other equity reserve Adjusted number of shares at year end
Earnings per share (EPS), €	=		Profit for the period attributable to equity holders of the parent company Average adjusted number of shares during the period
Basic and diluted earnings per share attributable to shareholders, €	=		Profit for period attributable to equity holders of parent company - interest on hybrid loan Average adjusted number of shares during period
Basic and diluted earnings per share attributable to holders of hybrid loan, €	=		Interest on hybrid loan Average adjusted number of shares during period
Direct result per share, €	=		Direct result Average adjusted number of shares during period
Direct result per share attributable to equity holders of parent company, €	=		Direct result - interest on hybrid ioam Average adjusted number of shares during period
Indirect result per share, €	=		Indirect result Average adjusted number of shares during period
Return on investment, % **)	=	100 ×	Profit before taxes + interest and other financial expenses Balance sheet total - non-interest-bearing liabilities (average during the period)
Price/earnings ratio (P/E)	=		Share price at year end Earnings per share
Equity ratio, %	=	100 ×	Shareholders' equity Balance sheet total - advances received
Debt-to-equity ratio, %	=	100 ×	Interest-bearing loans and borrowings Shareholders' equity
Gearing, %	=	100 ×	Interest-bearing liabilities - cash and cash equivalents Shareholders' equity
Payout ratio, %	=	100 ×	Dividend per share Earnings per share
Effective dividend yield, %	=	100 ×	Dividend per share Share price at year end
Market capitalization, M€	=		Number of shares at year end × share price at year end
Average share price, €	=		Value of trading volume Volume traded
Return on shareholders' equity (ROE), % **)	=	100 ×	Profit for the period attributable to equity holders of the parent company Equity attributable to equity holders of the parent company (average during the period)
Net assets per share, € *)	=		Fair value of assets - Other equity reserve - Minority interest - liabilities Number of shares at year end
EPRA FFO ***)	=		Funds from operations
EPRA NAV, equity per share, € *)	=		Equity attributable to equity holders of the parent company at year end - Other equity reserve + Deferred tax relating to the fair valuation of property and to depreciation difference arising from property - Goodwill relating to deferred tax liability on properties Number of shares at year end
EPRA NNNAV, adjusted net assets per share, €			EPRA NAV, net assets per share +/- Difference between fair value and balance sheet value of debt +/- Difference between fair value and balance sheet value of deferred tax Number of shares at year end
Cash flow from operations per share, €	=		Operating profit -/+ Valuation gains and losses + Amortization of goodwill + Administrative depreciation +/- Changes in provisions +/- Defined benefit pension expenses - Financial income and expenses affecting cash flow - Taxes affecting cash flow +/- Other items Average adjusted number of shares during the period

* Other equity reserve consists of the hybrid bond.
** These key figures in 2006 have been calculated using the quarterly weighted average figures in the balance sheet.
***See Note 3

Accounting policies for the consolidated financial statements

Basic information

Sponda is a leading real estate investment company that owns, leases and develops office, retail and logistics properties in the major cities of Finland and Russia.

The parent company of the Group is Sponda Plc, a Finnish public limited company domiciled in Helsinki. Its registered office is Korkeavuorenkatu 45, 00130 Helsinki, Finland.

At its meeting on 5 February 2010, the Board of Directors of Sponda Plc has approved these financial statements for publication. According to the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements at the General Meeting of Shareholders to be held after their publication. The Meeting may also decide to amend the financial statements.

Copies of the Group's financial statements can be obtained from Sponda Plc, Korkeavuorenkatu 45, 00130 Helsinki, Finland and on the Internet at www.sponda.fi.

Basis of preparation

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) applying the IAS and IFRS standards and SIC and IFRIC interpretations endorsed for use in the EU and in force on 31 December 2009. The term 'International Financial Reporting Standards' refers to standards and interpretations of these in Finnish accounting legislation and provisions based on this approved for applying in the EU in accordance with the procedure established in EU regulation (EY) 1606/2002. The notes to the consolidated financial statements also comply with the provisions of Finnish accounting and corporate legislation that supplement the IFRS provisions. Sponda also complies with the recommendations of the European Public Real Estate Association (EPRA).

The consolidated financial statements are presented in millions of euros and prepared on the historical cost basis except for investment properties, investments in real estate funds and certain financial instruments, which are measured at fair value. All figures have been rounded, so the sum of the individual figures may differ from the total amount presented.

The preparation of the financial statements in accordance with IFRS requires management to exercise judgment. Their judgment affects the choice of accounting policies and their application, the amount of assets, liabilities, revenues and expenses to be reported, and the notes. In its judgments, management uses estimates and assumptions that are based on earlier experience and management's best understanding on the balance sheet date, especially concerning future developments in the property market. The most significant area in which Sponda's management has exercised its judgment is in determining the fair value of investment properties. The use of estimates and assumptions is described in more detail in the section 'Accounting policies requiring management's judgment and key sources of estimating uncertainty'.

As from 1 January 2009, the Group has applied the following new and revised standards and interpretations:

• Revised IAS 1 *Presentation of Financial Statements.* The changes mainly affect the presentation of the statement of comprehensive income and of the calculation showing changes in shareholders' equity. The revised standard has also extensively amended terminology that is also used in other standards, and some of the names of items in the financial statements accounts have also changed. The principle for calculating earnings per share remains unchanged.

• Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving disclosures about financial instruments.* The amendments were released in March 2009 due to the global financial crisis. They introduce a three-level hierarchy in the presentation of the fair values of financial instruments. The amended standard also requires additional information to simplify the evaluation of the relative reliability of fair values. Furthermore, the amendments clarify and expand the previous disclosure requirements in connection with liquidity risks.

• Revised IAS 23 *Borrowing costs:* The revised standard requires the borrowing costs arising from purchasing, building or manufacturing a qualifying asset to be immediately included in the acquisition cost of the asset. For Sponda, this mainly affects the construction projects of its property development activities. The company applied the standard, as permitted by the transition regulation, to construction projects that began on or after 1 January 2006. Previously, borrowing costs have been recognized in the financial period in which they were incurred. The change in the accounting principles affects borrowing costs and the change in the fair value of property development projects in the income statement. The figures in the 2008 interim reports and financial statements have been adjusted accordingly. The impact on the retained earnings at 1 January 2008 is EUR 3.3 million, on the net profit for 2008 EUR 2.6 million, and on the 2008 earnings per share EUR 0.01.

• Amendments to IFRS 2 *Share-based payment – Vesting conditions and cancellations.* The amendments to the standard require all non-vesting conditions to be taken into account when estimating the fair value of equity instruments. The amendments also revise the instructions for the accounting treatment of cancellations. The amendments did not affect the consolidated financial statements.

• IFRS 8 *Operating segments.* IFRS 8 states that the segment information presented must be based on internal reporting to management and on the accounting principles observed in this. When it adopted the standard, Sponda added the Shopping Centres segment to its segment reporting and changed its geographical segments, which are Finland and Russia.

• *Annual Improvements to IFRS* – amendments, May 2008). The Annual Improvements procedure collects minor and less urgent amendments to the standards together to be implemented once a year. The amendments included in the projects affect altogether 34 standards. The amendment to IAS 40 *Investment properties* – by which unfinished properties that will be used as investment properties will in future be valued at fair value instead of acquisition cost – affected the consolidated financial statements. The standard is not applied retroactively.

• IFRIC 13 *Customer Loyalty Programmes.* The Group does not have any customer loyalty programmes referred to in the interpretation, so the interpretation has not had an impact on the consolidated financial statements.

• IFRIC 15 *Agreements for the Construction of Real Estate.* The interpretation gives guidance on which standard to apply when recognizing revenue from the construction of real estate, and when revenue from construction should be recognized. The interpretation has not affected the consolidated financial statements.

• Amendments IAS 1 *Presentation of Financial Statements and IAS 32 Financial Instruments Presentation – Puttable instruments and instruments with obligations arising on liquidation.* The amendments to the standards require puttable equity financial instruments that have certain features to be classified as equity, where previously they were treated as a financial liability. Adopting the amended standards has not affected the consolidated financial statements.

• Amendments to IFRIC 9 *Reassessment of embedded derivatives and IAS 39 Financial Instruments: Recognition and Measurement – Embedded derivatives.* These amendments clarify that on reclassification of financial assets out of the 'fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements. The amendments have not affected the consolidated financial statements.

• IFRIC 16 *Hedges of a Net Investment in a Foreign Operation.* The interpretation clarifies the accounting treatment of hedges of a net investment in a foreign operation. The interpretation has not affected the consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the parent company and all companies in which the parent company has control. A controlling interest arises when the Group holds more than half of the voting power or when the Group holds the right to control the company's business and financial principles in order to extract benefit from its operations.

IFRS 3 (Business Combinations) is applied to acquisitions in which a business is acquired. All mutual holdings are eliminated using the purchase method. The identifiable assets, liabilities and contingent liabilities of the acquired company are measured at their fair value. Goodwill represents the excess of the costs of the acquired business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities on the acquisition date.

Acquisitions that do not fall within the definition of a business are recognized as acquired assets. The classification by Sponda of individual acquisitions of investment properties as acquired assets is based on the view that a single property and its lease agreements do not form a business entity; the real estate business also requires marketing and development activities for properties, management of tenancies, and management of property repairs and renovation. All these business processes and the people responsible for them are at Sponda Plc and not in the individual properties or property companies.

The results of subsidiaries sold during the financial period are consolidated until the date that control in them ceases. Subsidiaries acquired during the financial period are consolidated from the date that control commenced.

Mutual real estate companies whose shares carry entitlement to control over specified premises, and in which the Group's holding is less than 100 percent, are consolidated in the Group's financial statements row by row in proportion to the Group's holding in these companies as jointly controlled assets, in accordance with IAS 31 (Interests in Joint Ventures).

Subsidiaries that are not mutual real estate companies are consolidated using the purchase method. The share of profits and equity belonging to external shareholders is shown as minority interest.

Associated companies are companies in which the Group exercises considerable influence, ie. when the Group has more than 20 per cent but less than 50 per cent of the votes or the Group otherwise exercises considerable influence but does not have a controlling interest. They are consolidated using the equity method. The Group's share of the results of associated companies is presented as a separate item in the income statement.

All intragroup transactions, receivables, liabilities and profit distributions are eliminated.

Translation of foreign currency items

The figures concerning the financial performance and position of the Group's business units are measured in the currency in the main business environment of each unit ("business currency"). The consolidated financial statements are presented in euros, which is the business and presentation currency of the Group's parent company.

Transactions denominated in foreign currencies

Transactions carried out in foreign currencies are recorded in the business currency at the exchange rate on the transaction date. Receivables and liabilities denominated in foreign currencies are translated into euros at the exchange rate at the year-end. Non-monetary items denominated in foreign currencies are valued at the exchange rate on the transaction date, except for items valued at fair value, which are translated into euros using the exchange rates on the valuation date.

Gains and losses arising from transactions denominated in foreign currencies and from translating monetary items are recorded under financial income and expenses in the income statement. Exchange rate gains and losses from business operations are included in the relevant items above operating profit.

The revenue and expense items in the comprehensive income statements and separate income statements of foreign Group companies are translated into euros using the average rate for the financial year, and balance sheets using the rate on the balance sheet date, which gives rise to a translation difference that is recorded in the balance sheet in shareholders' equity, and the change in this is recorded in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and from equity items accumulated after acquisition are also recorded in other comprehensive income. Translation differences from selling a subsidiary are recorded in the income statement under capital gains or losses.

Investment properties

Investment properties are properties held by the company for the purpose of earning rental income or for capital appreciation, or both. Sponda measures its investment properties using the fair value method, as stated in IAS 40, *Investment Property,* under which the profit or loss from changes in fair values is recognized through profit and loss in the period in which it is incurred.

Investment properties are valued initially at acquisition cost, including transaction costs. The acquisition cost for an investment property built by the company itself consists of the construction costs, capitalized borrowing costs and other costs accumulated by the completion date. In measurements after the initial recognition, the fair value is used. The fair value is the sum of money for which the property could change hands between parties who know the business, wish to carry out the transaction and are independent of each other. If a reliable market price is not available, the value can be determined using discounted cash flows.

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

Potential gross income is based on current lease contracts and, in the case of vacant premises, on estimated market rent levels. Potential gross income per property is adjusted annually by the estimated long-term vacancy rate taking into account any special aspects related to the property itself and the status of the lease contract. The estimated impact of inflation is calculated on maintenance expenses and on market and contract leases.

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

Sponda's internal property assessment process, calculation methods and reporting are audited by an external valuer and are considered to fulfil the valuation criteria of the IFRSs and IVS (International Valuation Standards) as well as the AKA (Finnish authorized real estate auditors) criteria for good property valuation practice. In addition to auditing, Sponda also commissions at least twice a year an external valuer to examine the material used in calculating the market value of the property portfolio, in order to confirm that the parameters and values used are based on market indications.

An investment property is derecognized from the balance sheet when it is divested or taken permanently out of use. Gains and losses on sales of investment properties are presented as a separate item in the income statement.

Investment properties for development

Development projects in which a new building or extension to a building is being constructed and that are unfinished at the balance sheet date are valued in accordance with IAS 40 *Investment Properties* at fair value. However, properties that are worth less than EUR 5 million and where construction takes a maximum of 6 months are valued during construction at acquisition cost and only when the property is ready at fair value. If the fair value cannot be reliably determined, the property is valued at acquisition cost until the fair value can be reliably determined or the property is completed. A fair value assessment has not been made of the development investment in the City-Center project in the centre of Helsinki.

The risk arising from the incomplete state of the property – which refers to the risk relating to construction costs, the construction schedule, financial costs and the yield requirement of the potential buyer of the unfinished property – is taken into account when determining the fair value of an unfinished property by not recognizing the risk-weighted portion of the margin to be obtained on the property corresponding to the remaining construction time. All other risks relating to the unfinished property, including those relating to the leasing of the property, are taken into account in the same way as when valuing other investment properties.

The amendment to the standard was adopted on 1 January 2009 and has not been applied retroactively.

Investments in real estate funds

Sponda owns and manages through real estate funds holdings in retail, office and logistics properties. The investments in real estate funds contain these holdings. They are measured at fair value by external valuers.

Property, plant a nd equipment

Property, plant and equipment include properties used by the company itself, office equipment and furniture and vehicles. These are measured at cost less depreciation, plus capitalized costs arising from renovations. The properties, office equipment and furniture and vehicles used by the company itself are depreciated over their useful lives. Useful lives of property, plant and equipment:

Office premises used by Sponda	100 years
Office machinery and equipment	20 years
Office machinery and furniture, vehicles	10 years

Goodwill and other intangible assets

Goodwill is the excess of the cost of an acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the time of acquisition. Goodwill is not amortized but tested annually or more often for impairment.

For impairment testing, goodwill is allocated to cash-generating units which are expected to obtain synergy benefits from combining business.

If there is any indication of impairment, the recoverable amount is allocated to the cash generating unit to which the goodwill belongs, i.e. in Sponda to the above mentioned development projects. The recoverable amount is compared to the unit's carrying amount and an impairment loss is recognized if the recoverable amount is smaller than the carrying amount. The impairment loss is recognized in the income statement and it cannot be reversed at a later date. Testing is described in more detail in the section 'Accounting policies requiring management's judgment and key sources of estimating uncertainty'.

Other intangible assets include the customer relationships, trademarks and technology allocated from the Kapiteeli acquisition from Ovenia Oy, which are all amortized on a straight-line basis over 5 years.

Trading properties

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

All Sponda's trading properties were acquired in the Kapiteeli acquisition.

When a trading property becomes an investment property that is measured in the balance sheet at fair value, the difference between the fair value on the transfer date and its previous carrying amount is recognized in the income statement under change in fair value.

Impairment of assets

At each balance sheet date the Group assesses the carrying amounts of its assets to determine whether any indication of impairment exists. If any such indication exists, the recoverable amount is estimated. With respect to goodwill, the recoverable amount is always estimated annually regardless of whether there are indications of impairment or not.

The recoverable amount is the fair value of the asset less cost to sell. Impairment losses are recognized in the income statement when the carrying amount of the asset is higher than its recoverable amount. An impairment loss is reversed if there has been a change in circumstances and the recoverable amount of the asset has increased after the date when the impairment loss was recognized. An impairment loss is not reversed, however, to an extent higher than the carrying amount that would have been determined had no impairment loss been recognized in prior years. Impairment losses recognized for goodwill are never reversed.

Financial assets and liabilities

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement,* Sponda Group's financial assets are classified as follows: financial assets recognized at fair value through profit and loss, loans and receivables, and available-for-sale financial assets. Correspondingly financial liabilities are classified as financial liabilities recognized at fair value through profit and loss and financial liabilities measured at amortized cost. Financial assets and liabilities are classified on the basis of the purpose for which they were acquired and on the original acquisition date. Financial instruments are recognized initially at fair value based on the consideration received or paid. Transaction costs are included in the original carrying amount of financial assets and liabilities for items that are not measured at fair value through profit and loss. All purchases and sales of financial assets and liabilities are recognized on the transaction date.

Financial assets are derecognized from the balance sheet when the Group has lost the contractual right to the cash flows or when it has transferred a significant part of the risks and yield outside the Group.

Financial assets recognized at fair value through profit and loss contain assets held for trading. Held for trading financial assets have been acquired mainly to obtain profit from short-term changes in market prices. Held for trading assets include derivatives to which hedge accounting, as described in IAS 39 *Financial Instruments: Recognition and Measurement,* is not applied. Financial assets held for trading and that mature within 12 months are included in other current assets. The items in this category are measured at fair value and the fair value of all the investments in this category is determined on the basis of publicly quoted prices or generally accepted option pricing models. Realized and unrealized gains and losses resulting from changes in the fair value are recognized in the income statement in the period in which they are incurred.

Payments relating to *loans and receivables* are fixed or determinable, they are not quoted on the active market, and the company does not hold them for trading purposes. This category includes the Group's financial assets that have been obtained by handing over cash, goods or services to a debtor. They are valued at amortized cost and are included in current or non-current financial assets, in non-current assets if they mature in more than 12 months time. The Group recognizes an impairment loss for an individual receivable if there is objective evidence that the receivable will not be recovered in full.

Available-for-sale financial assets are assets that are not part of derivative assets and have been specifically allocated to this category or have not been allocated to any other category. They belong to non-current financial assets if it is planned to keep them for more than 12 months from the balance sheet date, otherwise they are included in current financial assets. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and are presented in the fair value reserve after tax. Changes in fair value are taken from equity to the income statement when the investment is sold or its value has fallen so that an impairment loss has to be recognized. The Group had no available-for-sales financial assets on the balance sheet date.

Financial liabilities recognized at fair value through profit and loss are financial liabilities held for trading. The held for trading category also includes derivative instruments to which hedge accounting, as described in IAS 39, is not applied. Financial liabilities held for trading that mature within 12 months are included in other current liabilities. The items in this category are measured at fair value and the fair value of all the investments in this category is determined on the basis of publicly quoted prices or generally accepted option pricing models. Realized and unrealized gains and losses resulting from changes in the fair value are recognized in the income statement in the period in which they are incurred.

Financial liabilities measured at amortized cost include the Group's financial liabilities that are initially recognized at fair value, taking transaction costs into account. The financial liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities are included in non-current and current liabilities and they can be interest-bearing or non-interest-bearing.

Derivative instruments and hedge accounting

Sponda uses derivative contracts mainly to hedge its interest rate risk exposure. Interest rate swaps are designated as hedging instruments for future interest flows and the Group applies cash flow hedge accounting to certain such contracts when they meet the hedge accounting criteria under IAS 39.

The change in the fair value of interest rate swaps is recognized in equity to the extent that hedging is effective. The ineffective (non-qualifying) portion of the hedging is recognized immediately in financial items in the income statement.

Should an interest rate swap used as a hedging instrument mature, be sold or terminated prematurely, but it is highly probable that the hedged cash flows will be realized, the gains and losses accrued from the derivative contracts remain under equity until they are realized, at which point they are recognized in the income statement. If it is no longer highly probable that the hedged cash flows will be realized, the gains and losses accrued from the derivative contracts are taken immediately from equity to financial income and expenses in the income statement.

Derivatives that do not meet the hedge accounting criteria are recognized through profit and loss. They are measured at fair value and changes in their fair value are recognized in the income statement.

Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. For Sponda, capitalized borrowing costs are costs arising from loans taken for property development construction projects or the costs calculated for construction projects multiplied by a financial costs factor, if a separate loan has not been taken out for a construction project. The financial costs factor is the weighted average interest rate for Sponda Group's interest-bearing loans during the fiscal period, which is determined each quarter.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank deposits that can be raised on demand, and other short-term extremely liquid investments. Items classified as cash and cash equivalents have a maturity of less than three months from the acquisition date.

Treasury shares

Purchases of own shares and the costs related to these transactions are recognized as a reduction of equity in the consolidated balance sheet.

Hybrid loan

A hybrid loan is an equity bond that is subordinated to a company's other debt instruments but is senior to other equity instruments. The interest on a hybrid loan is paid if the Annual General Meeting decides to pay a dividend. If a dividend is not paid, the company decides separately on whether to pay the interest. Unpaid interest accumulates. Hybrid loan holders have no control over the company and no right to vote at shareholders' meetings.

Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Long-term obligations are discounted to their net present value. Provisions are made for compensation relating to land-use agreements; for costs arising from property demolition; and for soil restoration costs for properties where it is known or suspected that the soil is contaminated in the area because of earlier activity. Provisions are also recognized for obligations arising from disputes in progress when the settlement of the obligation is probable.

Non-current assets held for sale and discontinued operations

Non-current assets or a disposal group and assets and liabilities related to discontinued operations are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuous use.

The criteria for classifying assets as held for sale are considered to be met on the balance sheet date when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition on standard terms and when management is committed to the sale and the sale is expected to take place within one year of the asset being classified as held for sale.

Leases, the group as a lessor

Property leases are classified as operating leases when the risks and rewards incidental to ownership remain with Sponda. When the risks and benefits incidental to ownership have been substantially transferred to the lessee, a property lease is classified as a finance lease. In that case the parts of the properties covered by the finance lease are recognized as finance lease receivables in the balance sheet at the commencement of the lease term in an amount that equals the net investment in the lease, i.e. the present value of the minimum lease payment plus the present value of the non-guaranteed residual value.

The leases collected by Sponda are total leases, separate capital and maintenance leases, or leases indexed to the lessee's net sales. Maintenance costs associated with the property are either included in the lease or they remain the responsibility of the tenant, depending on the contract. Leases are linked to the cost-of-living index. Leases are either signed for an indefinite period or are fixed-term.

Total leases, as well as separate capital and maintenance leases, are recognized in the income statement on a straight-line basis over the lease term. Variable rental income indexed to the lessee's net sales are recognized as income on the basis of the actual net sales of the lessee. Fees paid for lease assignments are allocated over the lease term.

Leases, the group as a lessee

Those leases in which the risks and rewards of ownership remain with the lessor are treated as operating leases. Leases paid by Sponda based on operating leases are expensed in the income statement on a straight-line basis over the lease term. The Group has no significant finance leases.

Total revenue

In Sponda, total revenue includes rental income and charges for consumption, interest income on finance leases, service income, the fees for managing the real estate funds, and Sponda's share of the profits from these funds.

Expenses

Expenses include maintenance expenses, service expenses and direct fund expenses. Maintenance expenses are maintenance and annual repair costs arising from the regular and continuous maintenance of the properties and are recognized immediately in the income statement.

Net income

Net income is defined in the Group as the net amount after deducting expenses from total revenue.

Operating profit

In the Group, operating profit is defined as the net amount after adding other operating income to net income, then deducting sales and marketing expenses, administrative expenses and other operating expenses, the Group's share of the results of associated companies and amortization of goodwill, and then adding/deducting gains/losses from the disposal of investment properties, from assessment at fair value, and from the disposal of trading properties.

Employee benefits

The Group has both defined contribution and defined benefit pension plans. Contributions made for defined contribution plans are recognized in the income statement for the year to which they relate. Pension costs incurred from the Group's defined benefit pension plans are computed using the projected unit credit method, i.e. the pension costs are expensed in the income statement by spreading the cost over the service lives of the employees based on calculations prepared by qualified actuaries.

Sponda has an incentive scheme for management. Persons covered by this scheme have the right to a bonus to be determined by the performance criteria set for each year. The size of the bonus is determined annually. A condition for the bonus to be granted is the fulfilment of the performance criteria and the person's continued employment in the company. Bonuses are not paid in cash; instead, the amount of bonus, less taxes and other employer contributions, is used to buy shares for the bonus recipient, who is required to keep the shares for two years from receiving them.

The part of the bonus used to pay tax and other charges is recognized in personnel expenses for the period from which the bonus is determined. The part paid in shares is accounted for as a share-based arrangement settled in equity and is recognized as personnel expenses on straight-line basis over the vesting period. The counter-entry for the part paid in shares is taken directly to retained earnings.

Income tax

Income tax expense in the income statement consists of the current tax and changes in deferred tax assets or liabilities. The tax payable by Group companies for the period is calculated using the taxable profit as determined in accordance with local legislation. The tax is adjusted for any taxes related to prior periods.

Deferred tax liabilities or assets are recognized for all temporary differences between the IFRS carrying values and their values for tax purposes, apart from the initial recognition of an asset as referred to in IAS 12 *Income Taxes* section 15 or the difference between the acquisition cost of this asset and the lower fair value. In Sponda such assets are investment property acquisitions that do not fall within the definition of the company's business operations and are therefore classified as asset acquisitions.

The most significant temporary difference in Sponda is the difference between the fair values of the investment properties and their carrying amounts for tax purposes. The carrying amount for tax purposes is the value of an asset in a property company. Other temporary differences arise, for example, from the measurement of financial instruments at fair value and unused tax losses. Deferred taxes are calculated using the tax rates enacted by the balance sheet date.

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

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss for the period attributable to equity holders of the parent company by the weighted average number of shares outstanding during the financial period.

New or revised IFRS standards and interpretations

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

- Revised IFRS 3 *Business Combinations* (issued 2008) (effective for fiscal periods beginning on or after 1 July 2009). The changes will affect the amount of goodwill recognized for acquisitions and revenue from the sales of businesses. The amendments also affect items recognized in the income statement and the treatment of any extra transaction expenses. The amendment to the accounting principle is not expected to have a significant impact on the Group's future financial statements, since the amendment mainly affects the treatment of acquisitions classified as businesses.
- Amended IAS 27 *Consolidated and Separate Financial Statements* (issued 2008) (effective for fiscal periods beginning on or after 1 July 2009). The amendment gives guidance on the accounting treatment of changes of ownership.
- Amendment IAS 39 *Financial Instruments: Recognition and Measurement – Eligible hedged items* (effective for fiscal periods beginning on or after 1 July 2009). The amendment concerns hedge accounting. It revises the guidance given in IAS 39 on hedging a one-sided risk and hedging the inflation risk for an item in financial assets or liabilities. The Group considers that the amendment will not have a significant impact on the Group's future financial statements.

• IFRIC 17 *Distributions of Non-Cash Assets* (effective for fiscal periods beginning on or after 1 July 2009). The interpretation gives guidance on how an entity should treat in its accounts a dividend distributed to owners as non-cash assets or as a dividend where owners are given the choice of taking cash instead of non-cash assets. The interpretation will not have an impact on the Group's future financial statements.

• IFRIC 18 *Transfers of Assets from Customers* (effective for fiscal periods beginning on or after 1 July 2009). The interpretation clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant or equipment or cash to invest in such an item that the entity must then use to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or for both such purposes. The interpretation will not have an impact on the Group's future financial statements.

• *Improvements to IFRS* amendments, April 2009 (effective as a rule for fiscal periods beginning on or after 1 January 2010). The Annual Improvements procedure collects minor and less urgent amendments to the standards together to be implemented once a year. The amendments included affect altogether 12 standards. The impact of the amendments varies from one standard to another, but the amendments are not significant for future financial statements.*)

• *Amendments to IFRS 2 Share-based Payment – Cash-settled share-based payment transactions in the Group* (effective for fiscal periods beginning on or after 1 January 2010). The purpose of the amendments is to clarify that an entity receiving goods or services from goods suppliers or service providers must apply IFRS 2, even if it is not obliged to settle the share-based payment transaction. The amendment will not have an impact on the Group's future financial statements.*)

• Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (effective for fiscal periods beginning on or after 1 January 2010). The amendment addresses the accounting of an issue of shares, options or subscription rights that are denominated in a currency other than that of the issuer (classification). The amendment will not have an impact on the Group's future financial statements.*)

• IFRS 9 *Financial Instruments* (effective for fiscal periods beginning on or after 1 January 2013). IFRS 9 is part of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement.* The new standard deals with measuring and classifying financial assets. The other parts of IAS 39 guidelines on impairment of financial assets and hedge accounting remain in force.*)

• Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement* (effective for fiscal periods beginning on or after 1 January 2011). Under the amendments, advance payments to a defined benefit scheme can in certain cases be recorded in the balance sheet as an asset instead of an expense, when the scheme includes a minimum funding requirement.*)

• IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for fiscal periods beginning on or after 1 January 2010). The interpretation provides guidance on how to account for the extinguishment of a financial liability in part or entirely by the issue of equity instruments. IFRIC 19 is to be applied retroactively.*)

• Revised IAS 24 *Related Party Disclosures* (effective for fiscal periods beginning on or after 1 January 2011). The amendments simplify the disclosure requirements for government-related entities and clarify the definition of a related party.*)

*) Not yet approved in the EU.

Accounting policies requiring management's judgment and key sources Of estimation uncertainty

Sponda's management exercises judgment when taking decisions about the choice of accounting policies for the financial statements and their application. This concerns in particular situations in which the IFRS standards have alternatives for recognition, measurement or presentation.

The preparation of the financial statements in accordance with IFRSs requires management to some extent to make estimates and assumption that affect the recognition of assets, liabilities, income and expenses. The estimates and assumptions are based on earlier experience and the best understanding on the balance sheet date. Actual results may differ from the estimates.

In Sponda, management's judgement, estimates and assumptions mainly concern the fair value measurement of investment properties, impairment testing for goodwill, recognition of deferred taxes and provisions.

Determining the fair value of investment properties using the discounted cash flows method is a key element in the financial statements, and requires significant management estimates and understanding especially concerning future developments in yield requirements, market rental rates and occupancy rates. The fair value of investment properties reflects, among other things, the rental income based on existing leases as well as reasonable and well-founded estimates of future rental income made by knowledgeable willing parties in the light of current conditions. It also reflects expected future cash payments related to each property in question. The yield requirement is determined for each property taking into account the property-specific risks and the market risk. The discount rate is determined by adding the expected long-term rate of inflation to the required yield.

Impairment testing for goodwill relates to the goodwill allocated to certain development projects planned in the Helsinki Metropolitan Area that came with the Kapiteeli acquisition and are in the property development unit. Impairment testing requires management's judgment concerning the costs during construction and the fair value of an investment property when it is completed and is transferred to the category of completed investment properties. The difference between the fair value of the completed property and the accrued acquisition cost is recognized in the income statement.

Before starting a project, the fair value at completion of the investment property being developed is determined using the 10 year discounted cash flows method with the same variables and parameters as for the fair value of completed investment properties. Rental income is based either on leases made in advance with future tenants or on management estimates of future rents and occupancy rates. Management assesses the accuracy of the calculations by testing for impairment. If there is indication of changes in the estimates and assumptions due to the market or other reasons, the calculations are revised to correspond to the best understanding at the moment of testing. The sensitivity of the yield requirement to change is also assessed.

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

Deferred tax liabilities and assets are recognized for all temporary differences between the carrying values and the values for tax purposes of assets and liabilities, apart from the initial recognition of an individual asset as referred to in IAS 12.15.b or the difference between the acquisition cost of this asset and the lower fair value. Management has exercised judgment such that individual acquisitions of investment properties at Sponda are classified as acquired assets, because in the view of management a single property and its lease agreements do not form a business entity; real estate business also requires marketing and development activities for properties, management of tenancies, and management of property repairs and renovation. All these business processes and the people responsible for them are at Sponda Plc and not in the individual properties or property companies.

The most important temporary difference in Sponda is the difference between the fair values of the investment properties and their carrying amounts for tax purposes. The carrying amount for tax purposes is the value of the asset in the property company. Other temporary differences arise, for example, from tax losses carried forward, provisions and financial instruments. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences or unused tax losses can be utilized. It may become necessary to decrease the carrying amount of deferred tax assets if future taxable income differs from the estimate.

The corporate tax office decided to deviate from the 2006 tax returns made by Sponda Kiinteistöt Oy (formerly Kapiteeli Oy) relating to the deductibility of the company's confirmed losses. The company appealed the decision, and the tax assessment adjustment board of the Uusimaa tax office in a unanimous decision amended the decision of the tax office on 19 December 2007. The tax official appealed against the decision of the tax assessment adjustment board to the Helsinki Administrative Court, which accepted the appeal by the tax official with a 2–1 majority.

The company has appealed against the decision of the Administrative Court to the Supreme Administrative Court, which has imposed a suspension order concerning the tax, penal interest and corporate interest referred to in the decision of the Administrative Court until the appeal against the decision of the Administrative Court decision has been resolved.

Based on the judgment of management, the financial statements have been prepared in accordance with the decision of the tax assessment adjustment board and the available confirmed losses for the tax years 1996–1999, in total some EUR 558 million, have been utilized. Based on the opinions of experts, it is the company's opinion that the Supreme Administrative Court is more likely to judge in favour of the company than that the matter is settled in accordance with the decision of the Administrative Court. In this case this is a conditional liability, which is not recognized as a provision on the reporting date. Other factors affecting the opinion of company management on the treatment of the matter in the financial statements include the unfinished nature of the matter, the lack of uniformity in the decisions of lower instances, and the fact that the company will not have to pay the taxes during the appeal process. The final decision is expected by summer 2010.

With respect to ***provisions***, management estimates and assumptions concern the reliable assessment of the probability of a payment obligation and the amount of the obligation. The estimates may need to be adjusted as a result of changes in the amount of obligation or its maturity date and as a result of changes in the discount rate. These changes may affect future results. Sponda recognizes provisions on properties when the company knows that it will incur costs on these properties arising from soil restoration, compensation related to land use agreements, and property demolition. Provisions also include obligations that have arisen from disputes in progress where the settlement of the obligation is considered probable.

Notes to the consolidated financial statements

1. Segment information, Business areas

As from 1 January 2009 Sponda organized its business operations in four business units: Investment Properties, Property Development, Real Estate Funds and Russia.

Sponda has reported its financial activities as from 1 January 2009 under the following six segments: Office and Retail Properties, Shopping Centres, Logistics Properties, Property Development, Real Estate Funds and Russia.

The Office and Retail Properties segment is reponsible for leasing, purchasing and selling office and retail properties in Finland.

The Shopping Centres segment is reponsible for leasing, purchasing and selling retail premises in shopping centres in Finland.

The Logistics Properties segment is reponsible for leasing, purchasing and selling logistics properties in Finland.

Property Development concentrates on marketing and executing new property projects, based on customer needs. It focuses on undeveloped land sites and building renovation especially in the Helsinki metropolitan area but also in other parts of Finland.

The Real Estate Funds business unit owns and manages holdings in retail, office and logistics properties through real estate funds. In accordance with the company's strategy, Sponda's real estate funds carry out business in medium-sized cities in Finland.The regional organizations manage customer relations and the property portfolios.

The Russia segment leases, purchases, sells and develops office, retail and logistics properties in Russia.

31 December 2009, M€	Office & Retail Properties	Shopping Centres	Logistics Properties	Property Develop-ment	Russia	Real Estate Funds	Other	Group total
Total revenue	129.0	39.3	38.6	1.4	21.8	12.7	0.0	243.0
Maintenance expenses and direct fund expenses	-32.7	-8.0	-11.2	-2.2	-5.5	-1.9	0.0	-61.4
Net operating income	**96.3**	**31.4**	**27.4**	**-0.8**	**16.4**	**10.9**	**0.0**	**181.6**
Profit on sale of investment properties	0.3	0.0	1.4	0.0	0.0	0.0	0.0	1.6
Loss on sale of investment properties	-0.3	0.0	-1.1	0.0	0.0	0.0	0.0	-1.3
Profit/loss on sale of trading properties	3.0	0.0	0.0	1.1	0.0	0.0	0.0	4.0
Valuation gains and losses	-46.2	-11.3	-30.9	3.6	-81.9	-8.3	0.0	-175.1
Amortization of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administration and marketing expenses	-6.6	-1.3	-1.3	-3.3	-3.4	-6.1	0.0	-22.0
Other income and expenses	0.1	-0.1	0.0	-0.6	-1.5	0.0	0.0	-2.1
Operating profit	**46.5**	**18.7**	**-4.5**	**0.0**	**-70.4**	**-3.6**	**0.0**	**-13.3**
Financial income and expenses							-65.0	-65.0
Profit before taxes							**-65.0**	**-78.3**
Income taxes							-3.3	-3.3
Profit of the period							**-68.3**	**-81.6**
Investments	14.4	13.2	0.8	23.5	1.4	3.9	0.4	57.6
Segment assets	1,428.5	543.6	396.1	235.1	181.4	56.2	149.3	2,990.2

31 December 2008, M€	Office & Retail Properties	Shopping Centres	Logistics Properties	Property Develop-ment	Russia	Real Estate Funds	Other	Group totall
Total revenue	125.7	29.3	37.9	2.0	16.2	13.2	0.0	224.3
Maintenance expenses and direct fund expenses	-32.8	-7.1	-9.4	-2.2	-4.1	-1.8	0.0	-57.5
Net operating income	**92.9**	**22.2**	**28.5**	**-0.1**	**12.0**	**11.3**	**0.0**	**166.8**
Profit on sale of investment properties	11.5	0.0	0.0	0.8	0.0	0.0	0.0	12.3
Loss on sale of investment properties	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.2
Profit/loss on sale of trading properties	4.7	0.0	0.0	15.3	0.0	1.6	0.0	21.5
Valuation gains and losses	-53.8	-3.6	-23.6	34.5	-6.0	7.7	0.0	-44.9
Amortization of goodwill	0.0	0.0	0.0	-13.0	0.0	0.0	0.0	-13.0
Administration and marketing expenses	-6.4	-1.3	-2.1	-3.4	-4.7	-6.3	0.0	-24.2
Other income and expenses	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	-0.9
Operating profit	**47.7**	**17.3**	**2.8**	**34.0**	**1.3**	**14.3**	**0.0**	**117.3**
Financial income and expenses							-75.1	-75.1
Profit before taxes							**-75.1**	**42.2**
Income taxes							-13.1	-13.1
Profit of the period							**-88.2**	**29.2**
Investments	29.7	39.7	23.8	205.2	187.1	16.3	0.8	502.6
Segment assets	1,463.3	541.6	462.8	203.7	261.3	60.6	181.4	3,174.7

A segment's assets include the items that can be directly allocated to the segments such as investment and trading properties, investments in real estate funds, goodwill and finance leasing receivables. Unallocated items include tax and financing items and items common to the whole Group, which are presented in the segment information under "Others". Investments are purchases of investment properties, capital expenditure on developing them, property renovation and improvements for tenants, and investments in real estate funds.

2. Geographical areas

The geographical segments are Finland and Russia.

M€	2009	2008
Total revenue		
Finland	221.2	208.1
Russia	21.8	16.2
Group, total	**243.0**	**224.3**
Segment assets		
Finland	2,808.8	2,913.4
Russia	181.4	261.3
Group, total	**2,990.2**	**3,174.7**

3. Reconciliation of direct and indirect result

Sponda's result includes several items that are not part of its operating activities. These items are due mainly to the nature of Sponda's business operations and to IFRS reporting obligations. To make it easier to monitor the result of operating activities, Sponda presents, in addition to the IFRS comprehensive statement of income, the result for the period divided into the direct result and the indirect result.

The direct result portrays the result of the Group's core business. The direct result is calculated by adjusting the consolidated income statement by changes in the fair values of properties and financial instruments, by capital gains and losses, amortization of goodwill and other such revenue and expenses which the company considers to be non-operating items. The earnings per share calculated from the direct result corresponds to the earnings per share as defined in the EPRA recommendations.

M€	2009	2008
Direct result		
Net operating income	181.6	166.8
Marketing and administration expenses	-22.0	-24.2
Other operating income and expenses	-1.1	0.0
Financial income and expenses	-68.7	-87.3
Taxes based on direct result	-3.2	-1.3
Operating deferred taxes	-19.1	-15.2
Operating minority interest	0.0	0.0
Total	**67.4**	**38.9**
EPS, basic and diluted, direct result, €	0.29	0.22
EPS, basic and diluted, direct result attributable to equity holders, €	0.24	0.19

M€	2009	2008
Indirect result		
Profit/loss on sales of investment properties	0.3	12.1
Valuation gains/losses	-175.1	-44.9
Amortization of goodwill	0.0	-13.0
Profit/loss on sales of trading properties	4.0	21.5
Marketing and administration expenses	0.0	0.0
Other operating income and expenses	-1.0	-1.0
Financial income and expenses	3.7	12.2
Taxes based on indirect result	0.0	0.0
Non-operating deferred taxes	19.0	3.4
Non-operating minority interest	0.1	0.1
Total	**-148.9**	**-9.6**
EPS, basic and diluted, indirect result, €	-0.65	-0.05

4. Total revenue from properties

M€	2009	2008
Rental income and recoverables	230.3	210.8
Interest income from finance lease agreements	0.3	0.3
Fund management fees and share of fund profits	12.4	13.1
Profit/loss on sale of investment properties	0.3	12.1
Profit/loss on sale of trading properties	4.0	21.5
Total	**247.3**	**257.9**

Rental income

The expected rental income from existing leases is:

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

Accruals are the current accruals from lease contracts less index increases. Lease contracts signed for an indefinite period are included up to the date of expiry stated in the contract.

5. Service income, fund management fees and share of fund profits

M€	2009	2008
Fund management fees	6.6	8.5
Share of fund profits	5.8	4.7
Total	**12.4**	**13.1**

6. Maintenance expenses

The line 'Maintenance costs' in the income statement includes EUR 1.0 million (2008: EUR 0.9 million) of maintenance expenses for investment properties that have not accrued rental income during the year. Most of these investment properties are undevelop.

7. Profit/loss on sale of investment properties

M€	2009	2008
Profit on sales	1.6	12.3
Loss on sales	-1.3	-0.2
Total	**0.3**	**12.1**

8. Other operating income

M€	2009	2008
Rent liability	0.2	0.0
Share of bankruptcy estate	0.3	0.2
Other income	0.2	0.6
Total	**0.8**	**0.8**

9. Other operating expenses

M€	2009	2008
Credit losses and uncertain receivables	2.4	0.6
Other expenses	0.5	0.7
Total	**2.9**	**1.3**

10. Auditor fees

M€	2009	2008
Authorized Public Accountants KPMG Oy		
Audit	0.1	0.2
Tax consultancy	0.0	0.0
Other services	0.1	0.2
	0.3	**0.4**

In addition to the auditor fees presented, KPMG Oy has also invoiced EUR 0.3 million for expenses relating to the share issue, which in accordance with IFRS is recognized directly in equity as a reduction in the funds obtained in the share issue.

11. Employee benefit expenses and number of employees

M€	2009	2008
Management remuneration		
President and CEO	0.5	0.5
Other Executive Board members	1.0	1.1
Board of Directors	0.3	0.3
Incentive bonuses paid to management	0.4	0.4
Share-based payments to management	0.4	0.3
Other wages and salaries	7.3	7.5
Defined benefit pension plans	0.0	0.0
Defined contribution pension plans	1.7	1.7
Other social security costs	0.5	0.6
Total	**12.1**	**12.4**

The salary and fees paid to Sponda Plc's president and CEO totalled EUR 481.000,00 (2008: 462.000,00). In addition, during the period the president and CEO was paid a bonus of EUR 209,000 (2008: EUR 361,000) under the incentive scheme, based on the company's actual performance in 2008.

The members of Sponda Plc's Board of Directors were paid a monthly fee for their work on the Board, plus a fee for each meeting attended. The chairman of the Board was paid EUR 71,000.00 (2008: 68,000.00) for the year, the deputy chairman EUR 48,000.00 (2008: 46,000.00) and the other members of the Board EUR 187,000.00 in total (2008: 168,000.00).

The President and CEO is paid a full salary and he and the members of the Executive Board also participate in the long-term share-based incentive scheme for top management introduced on 1 January 2006. Any bonuses paid under this scheme are based on the company's cash flow from operations per share and return on investment in the vesting period. The bonuses, less taxes and other employer contributions, are used to purchase company shares for the person. The incentive scheme contains three annual vesting periods, each of which bears the condition of continuing in the company's employment for two years. The shares may not be disposed of within two years of their receipt. The bonus is paid annually.

Main terms of incentive scheme

Grant date	1.1.2009	1.1.2008	1.1.2007
Issue date	1.1.2010	1.1.2009	1.1.2008
Number of instruments granted*)	123,076	114,900	74,613
Share price on issue date*)	2.73	2.84	8.08
Vesting period ends	31.12.2009	31.12.2008	31.12.2007
Shares become free for disposal	31.12.2011	31.12.2010	31.12.2009
Settled as	Shares	Shares	Shares

*) The 2009 figure is based on an estimate by management. Actual values may differ from the estimate.

Changes in share bonus during the period:	2009	2008	2007
Share bonus granted at start of the period	218,280	103,380	28,767
Bonuses granted in the period	123,076	114,900	74,613
Bonuses forfeited during the period	-	-	-
Bonuses that became free for disposal during the period	28,767	-	-
Share bonuses granted at end of the period	312,589	218,280	103,380

Management's pension obligations and termination benefits

The president and CEO of Sponda Plc is entitled to retire on reaching 63 years of age and his pension is determined in accordance with the Employee Pensions Act (TEL).

According to the president's contract of employment the period of notice of termination of employment is six months. Should the company terminate his contract of employment, the president is entitled to receive compensation corresponding to 12 months' sal.

The members of the Executive Board are insured with a contribution-based group pension insurance. Sponda Plc makes an annual insurance payment until the member of the Executive Board reaches the age of 63 years. In addition, the members of Sponda's Executive Board are entitled to participate in a voluntary group pension scheme. Under the terms of this scheme the accrued savings may be withdrawn between the ages of 60 and 65 or as a supplementary pension in addition to the individual's statutory earnings-related pension.

Personnel on average	2009	2008
White collar, number of employees	135	137

12. Depreciation and amortization by asset item

M€	2009	2008
Property, plant and equipment		
Buildings and structures	0.2	0.2
Machinery and equipment	0.1	0.2
Other tangible assets	0.1	0.0
	0.5	**0.5**
Intangible assets		
Customer relationships	0.0	0.0
Trademarks	0.0	0.0
Technology	0.0	0.0
Computer software	0.0	0.1
	0.0	**0.1**
Total	**0.5**	**0.5**

In connection with the acquisition of Kapiteeli Group in 2006, EUR 5 million was allocated to the value of the customer accounts and trademark of and the technology developed by Kapiteeli's subsidiary Ovenia Oy. Sponda Group's holding in Ovenia Oy fell to 45% on 24 January 2008, when the balance sheet values of the customer accounts, trademark and technology were transferred to "Holdings in associated companies". The planned depreciation on these assets is not shown directly in the consolidated income statement but it affects the Group's result through the result of the associated companies.

13. Financial income and expenses

M€	2009	2008
Financial income		
Interest income		
Loans and receivables	1.3	1.6
Other financial income	0.0	0.0
Exchange rate gains, realized	0.5	0.0
Exchange rate gains, recognized at fair value through profit and loss	0.1	0.0
Change in fair value		
Recognized at fair value through profit and loss	0.2	0.1
Total	**2.1**	**1.7**
Financial expenses		
Interest expenses		
Interest expenses on liabilities recognized at amortized cost	-64.0	-81.8
Interest rate derivatives subject to hedge accounting, ineffective portion	-0.1	0.0
Other financial expenses, loan management expenses	-5.2	-6.9
Provision for interest expenses*)	0.0	-0.1
Exchange rate losses, realized	-1.0	0.0
Exchange rate losses, recognized at fair value through profit and loss	-0.3	0.0
Change in fair value		
Recognized at fair value through profit and loss	-0.3	-0.3
Total	**-70.9**	**-89.2**
Capitalized borrowing costs incurred in the acquisition, construction or production of a qualifying asset	3.7	12.4
Total	**-67.2**	**-76.8**
Financial income and expenses, total	**-65.0**	**-75.1**

*) In a legally valid ruling issued on 19 January 2009, the Helsinki Court of Appeal ordered Sponda Plc to pay Sampo Bank Plc interest, penal interest and court costs totalling EUR 7.6 million based on a credit agreement. The amount of Sampo Bank's suit for payment, EUR 7.6 million, plus interest, was recognized as an expense under provisions in the 2006–2008 financial statements, so the ruling has no impact on Sponda's result in 2009.

14. Income taxes

M€	2009	2008
Current tax expense	3.2	1.3
Deferred tax	0.1	11.8
Total	**3.3**	**13.1**

Taxes relating to other comprehensive income items

M€	Before tax	Tax effect	2009 After tax	Before tax	Tax effect	2008 After tax
Cash flow hedges	-10.4	2.7	-7.7	-39.9	10.4	-29.5
Translation difference	0.7	-0.3	0.4	-2.0	0.0	-2.0
Other items	-	-	-	0.1	0.0	0.1
Total	**-9.7**	**2.4**	**-7.3**	**-41.9**	**10.4**	**-31.5**

Reconciliation between the income tax expense recognized in the income statement and the taxes calculated using the parent company's domestic corporate tax rate of 26%:

M€	2009	2008
Profit before taxes	**-78.3**	**42.2**
Income tax using the parent company's domestic corporate tax rate	-20.4	11.0
Difference between tax rate in Finland and in other countries	4.4	0.4
Tax exempt income/non-deductible expenses	-0.3	-0.5
Reversal of impairment losses of sold subsidiaries	0.0	0.0
Group adjustments in conjunction with sale	-1.1	-1.3
Recognition of deferred tax in accordance with IAS 12.15b	20.8	0.0
Amortization of goodwill	0.0	3.4
Utilization of tax losses from prior periods	0.5	-0.1
Shelf life amortization and previously unrecognized confirmed losses	-0.9	0.0
Losses incurred in period	0.2	0.2
Other items	-0.1	0.1
Tax expense in the income statement	**3.3**	**13.1**

15. Earnings per share

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

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

M€	2009	2008
Profit for the period attributable to the equity holders of the parent company	-81.5	29.3
Weighted average number of shares during the period (milj.)	230.6	178.0
Basic earnings per share (€/share)	-0.35	0.16
Interest accrued during period on hybrid loan	11.3	5.9
Basic and diluted earnings per share attributable to shareholders, €	-0.40	0.13
Basic and diluted earnings per share attributable to holders of hybrid loan, €	0.05	0.03

There were no diluting instruments in 2009 and 2008.

16. Investment properties

M€	2009	2008
Fair value of investment properties 1 Jan.	2,915.5	2,534.9
Effect of adopting IAS 23 on opening balance		4.5
Acquisition of investment properties	0.0	210.6
Other capital expenditure on investment properties	53.4	275.0
Disposals of investment properties	-40.3	-82.8
Reclassifications to/from property, plant and equipment	0.0	1.3
Reclassifications from trading properties	2.0	14.7
Other transfers	0.0	-2.5
Capitalized borrowing costs, increase in period	3.7	12.4
Valuation gains and losses	-166.8	-52.6
Fair value of investment properties 31 Dec.	**2,767.5**	**2,915.5**

Investment properties are properties held by the company for the purpose of earning rental income or for capital appreciation. Sponda measures its investment properties using the fair value method, under which changes in fair values are recognized through profit and loss. The value of each investment property is calculated by Sponda itself. Sponda's property portfolio in Finland was assessed in the first, third and final quarters of the year by Catella Property Oy. The properties in Russia were assessed in the first quarter by Cushman & Wakefield -Stiles & Riabokobylko and in the third and final quarters by CB Richard Ellis. The value of each property has been assessed separately.

Weighted average yield requirements based on management estimates used in calculating the fair values of investment properties by type of property 31 December 2009 (%)	Office and retail	Logistics
Centr. Bus.Distr.	6.1	-
Rest of Helsinki	6.3	7.8
Espoo/Vantaa	8.1	8.3
Rest of Finland	7.3	10.6
Russia	11.5	11.0

Weighted average yield requirements based on management estimates used in calculating the fair values of investment properties by type of property 31 December 2008 (%)	Office and retail	Logistics
Centr. Bus.Distr.	5.9	-
Rest of Helsinki	6.2	7.5
Espoo/Vantaa	7.7	8.0
Rest of Finland	7.2	10.3
Russia	9.6	10.3

Economic occupancy rates of investment properties by segment (%)	31.12.2009	31.12.2008
Office and retail	87.9	91.1
Shopping centres	96.4	96.7
Logistics	74.5	77.4
Russia	88.2	86.3

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

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

The City-Center project is moving on to the above ground floors. The next phase involves the construction of the office building starting in the inner court of the complex, and new retail premises will be built on the first and second floors of the retail complex and in place of the parking deck on the third floor. It is estimated that the City-Center renovation will be completed in 2012 and that the total investment will be some EUR 125 million.

Sponda is developing the Ratina shopping centre in Tampere and carrying out development projects in adjacent areas. A 55,000 m^2 shopping centre is planned for the area, for which the total investment cost is estimated at EUR 200 million. Planning of the project is underway, and the final decision about the investment has not been made.

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

17. Investments in real estate funds

%	2009 Holding	2008 Holding
First Top LuxCo I S.a.r.l	20.0	20.0
Sponda Fund I Ky	46.1	46.1
Sponda Fund II Ky	43.7	43.7
YESS Ky	60.0	60.0

First Top LuxCo I S.a.r.l. is a real estate fund registered in Luxembourg that invests primarily in office and retail premises in medium-sized Finnish towns. Sponda Fund I Ky invests mainly in logistics properties outside the Helsinki Metropolitan Area. Sponda Fund II Ky invests mainly in logistics, warehouse and industrial properties in medium-sized cities in Finland. YESS Ky is a fund established by Sponda Plc and Finnish Radio pension fund that is developing the Forum Virium project.

18. Property, plant and equipment

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

2008, M€	Land sites	Buildings	Machinery & equipment	Other tangible assets	Advance payments & acquisitions in progress	Total
Acquisition cost 1 Jan.	3.1	9.1	1.3	1.9	2.7	18.1
Increases	0.1	0.9	0.1		0.5	1.6
Decreases			0.0	-1.2	-1.2	-2.4
Other reclassifications						0.0
Acquisition cost 31 Dec.	**3.2**	**10.0**	**1.3**	**0.7**	**2.0**	**17.3**
Accumulated depreciation 1 Jan.	-	-1.1	-0.8	-0.5	-	-2.4
Accumulated depreciation on decreases				0.1		
Depreciation for the period		-0.2	-0.2	0.0		-0.5
Accumulated depreciation 31 Dec.	**-**	**-1.4**	**-0.9**	**-0.4**	**-**	**-2.9**
Carrying amount 31 Dec.	**3.2**	**8.6**	**0.4**	**0.3**	**2.0**	**14.5**

19. Goodwill

The acquisition of Kapiteeli Oy in 2006 resulted in goodwill of EUR 27.5 million being allocated to certain planned development projects, which were considered to have great potential to rise in value as the projects were completed. Some of these were completed during 2008. The goodwill allocated to the completed projects was written down corresponding to the change in fair value during 2008 and it had an impact on the result of EUR 13.0 million. The write-down is shown in the income statement on its own line "Amoritzation of goodwill".

The remaining EUR 14.5 million of goodwill has been tested by comparing the future cash flows of the asset containing goodwill to the carrying value of the goodwill. The testing shows that the goodwill is not subject to impairment.

20. Other intangible assets

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

2008, M€	Software	Other intangible assets	Customer relationships	Trademark	Technology	Total
Acquisition cost 1 Jan.	0.8	0.1	4.1	0.3	0.6	5.9
Increases	0.0	-0.1				-0.1
Other transfers*)	-	-	-4.1	-0.3	-0.6	-5.0
Acquisition cost 31 Dec.	**0.8**	**0.0**	**-**	**-**	**-**	**0.8**
Accumulated amortization 1 Jan.	-0.7	-	-0.9	-0.1	-0.1	-1.8
Other transfers*)			0.9	0.1	0.1	1.1
Amortization for the period	-0.1					-0.1
Accumulated amortization 31 Dec.	**-0.8**	**-**	**-**	**-**	**-**	**-0.8**
Carrying amount 31 Dec.	**0.0**	**0.0**	**-**	**-**	**-**	**0.0**

*) A EUR 5.0 million adjustment to the fair value of other intangible assets arose in 2006 when Sponda acquired Kapiteeli Group. The adjustment to fair value was allocated to value of the customer accounts and trademark of and the technology developed by Kapiteeli's subsidiary Ovenia Oy. Sponda Group's holding in Ovenia Oy fell to 45% on 24 January 2008, when the balance sheet values of the customer accounts, trademark and technology were transferred to "Holdings in associated companies".

21. Finance lease receivables

M€	2009	2008
Carrying amount of finance lease receivables	**2.7**	**2.7**
Gross rental income	15.0	15.3
Unguaranteed residual value	4.0	4.0
Gross investment in lease contracts	**18.9**	**19.2**
Unearned financial income	**-16.2**	**-16.5**
Net investment in lease contracts	2.7	2.7
Present value of unguaranteed residual value	0.0	0.0
Present value of minimum lease payments receivable	**2.7**	**2.7**

Term structure in 2009	2010	2011–2014	2015–	Total
Gross investment in lease contracts	0.3	1.7	16.9	18.9
Present value of minimum lease payments receivable	0.3	1.2	1.2	2.7

Two long-term lease contracts on two properties are classified as finance leases. Part of the premises in each property are leased.

22. Holdings in associated companies

M€	2009	2008
Acquisition cost 1 Jan.	3.3	-
Transfer from subsidiary company shares	-	3.7
Share of result for period	0.0	-0.4
Increases	-	-
Decreases	-	-
Dividends received	-0.5	-
Total	**2.8**	**3.3**

The carrying value of associated companies on 31 December 2009 includes EUR 1.9 million (2008: 2.9 million) of intangible rights allocated in connection with the acquisition.

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

2009	Domicile	Assets	Liabilities	Total revenue	Result for period	Holding
Ovenia Oy	Helsinki	5.9	2.6	14.2	2.2	44.99

23. Non-current receivables

M€	2009	2008
Non-interest-bearing receivables	2.0	2.1
Transaction price receivables	1.4	1.4
Interest rate derivatives	0.0	1.0
Derivatives not included in hedge accounting	3.8	0.0
Defined benefit pension plan assets*)	0.1	0.1
Total	**7.4**	**4.7**

Long-term non-interest-bearing receivables are the value added tax receivables of the Russian companies.

*) See Note 29

24. Deferred taxes

M€	31.12.2008	Recognized in income statement	Transfers and other changes	Recognized in equity	Purchased businesses/ investment properties sold / bought	31.12.2009
Deferred tax assets						
Provisions	2.2	-2.2				0.0
Tax losses carried forward	25.0	-14.1	14.8	0.0	-0.2	25.5
Tax receivables from result for period	13.8	4.0	-13.8			4.0
Assessments at fair value:						
Funds	0.0	0.2				0.2
Interest rate swaps	7.0	-0.1	0.0	2.7		9.6
Interest rate options	0.4	-0.3	0.0	0.0		0.2
Forward exchanges	0.0	0.0				0.0
Trading properties	7.2	-5.6	0.0			1.6
Other items/transfers	0.9	0.0	-0.7	-0.1		0.0
Total	**56.6**	**-18.1**	**0.3**	**2.5**	**-0.2**	**41.1**
Deferred tax liabilities						
Cumulative depreciation differences	24.3	0.1			-0.8	23.7
Capitalized borrowing costs	2.1	0.5				2.6
Assessments at fair value:						
Investment properties	182.5	-18.9	3.4	0.1	-2.0	165.2
Funds	2.0	-2.0				0.0
Trading properties	0.0	0.0				0.0
Associated company shares	0.6	-0.3				0.4
Interest rate swaps	0.0	0.0	0.0	0.0		0.0
Interest rate options	0.0		0.0			0.0
Equity bond expenses	1.5	2.9		-3.0		1.5
Equity bond expenses	0.0	2.1		-2.1		0.0
Other financial items	0.0	0.0	0.0			0.0
Other items/transfers	3.6	0.1	-3.2	0.0		0.5
Total	**216.7**	**-15.5**	**0.2**	**-4.9**	**-2.7**	**193.8**

M€	31.12.2007	Recognized in income statement	Transfers and other changes	Recognized in equity	Purchased businesses/ investment properties sold/bought	31.12.2008
Deferred tax assets						
Provisions	3.9	-1.7				2.2
Tax losses carried forward	36.6	-22.6	11.1	0.0	-0.1	25.0
Tax receivables from result for period	11.1	13.8	-11.1			13.8
Assessments at fair value:						0.0
Interest rate swaps			-2.6	9.6		7.0
Interest rate options		1.3	-1.7	0.8		0.4
Forward exchanges		0.0				0.0
Trading properties	5.4	-0.2	2.1			7.2
Other items/transfers	-0.1	1.1	1.0	-1.1		0.9
Total	**56.9**	**-8.3**	**-1.2**	**9.3**	**-0.1**	**56.6**
Deferred tax liabilities						
Cumulative depreciation differences	20.7	4.7			-1.0	24.3
Capitalized borrowing costs	1.2	0.9				2.1
Assessments at fair value:						
Investment properties	188.3	-0.4	0.6	-2.2	-3.8	182.5
Funds		2.0				2.0
Trading properties	0.2	-0.2				0.0
Associated company shares	1.0	-0.4				0.6
Interest rate swaps	2.6		-2.6			0.0
Interest rate options	1.7		-1.7			0.0
Equity bond expenses		1.9		-0.4		1.5
Other financial items	0.1	-0.1	0.0			0.0
Other items/transfers	-2.0	-0.2	5.8	0.0		3.6
Total	**213.7**	**8.2**	**2.1**	**-2.5**	**-4.9**	**216.7**

At 31 December 2009 the Group had tax loss carry-forwards totalling EUR 8 million (EUR 9 million in 2008) and impairment losses not deducted in taxation of EUR 105 million (EUR 107 million in 2008), on which the Group has not calculated tax receivables because utilization of these items is uncertain.

25. Trading properties

Trading properties comprise 53 properties that are owned mainly through real estate or housing limited companies.

M€	2009	2008
Trading properties at start of the period	29.5	37.2
Divested trading properties	-6.7	-4.5
Reclassifications as investment properties	0.0	-3.1
Trading properties at end of the period	**22.8**	**29.5**
Sales income from divested trading properties	10.1	29.2
Carrying amount of divested trading properties	-6.0	-7.6
Gains/losses on disposal of trading properties	**4.0**	**21.5**

26. Trade and other receivables

M€	2009	2008
Current non-interest-bearing receivables		
Trade receivables	7.6	10.1
Other receivables	16.5	19.3
Other receivables	0.0	0.0
Tax receivables	0.7	3.0
Other prepaid expenses and accrued income	6.9	24.3
Total	**31.6**	**56.7**
Other prepaid expenses and accrued income		
From interest and financial items	3.4	11.5
Taxes	0.4	0.7
From other items	3.1	12.2
Total	**6.9**	**24.3**

27. Cash and cash equivalents

M€	2009	2008
Bank accounts	29.1	16.0
Liquid investment	-	-
Total	**29.1**	**16.0**

28. Capital and reserves

M€	No. of shares (x 1,000)	Share capital	Share premium reserve	Invested non-restricted equity reserve	Total
31 Dec. 2006	79,307	79.3	159.5	-	238.8
Share issue	31,723	31.7	-	209.7	241.4
31 Dec. 2007	**111,030**	**111.0**	**159.5**	**209.7**	**480.2**
31 Dec. 2008	111,030	111.0	159.5	209.7	480.2
Share issue	166,545	-	-	202.3	202.3
31 Dec. 2008	**277,575**	**111.0**	**159.5**	**412.0**	**682.5**

The shares have a nominal value of 1 euro. All shares issued are fully paid.

Shareholders' equity comprises the following reserves:

Fair value reserve
The fair value reserve contains the changes in fair values of the derivatives used to hedge cash flow.

Revaluation reserve
The revaluation reserve contains the fair value measurement of the property in own use which has been reclassified to investment properties.

Invested non-restricted equity reserve
The invested non-restricted equity reserve contains equity investments and that part of the share subscription price that has not been allocated to share capital by a specific decision.

Other equity reserve
The other equity fund comprises the equity bond less the costs of raising the bond.

Dividends
After the balance sheet date, the Board of Directors has proposed that a dividend of EUR 0.12 per share be distributed for the 2009 financial year.

29. *Non-current interest-bearing liabilities*

M€	2009	2008
Notes and bonds	149.9	249.8
Loans from financial institutions	1,137.3	1,294.0
Loans denominated in foreign currency	0.0	0.0
Total	**1,287.2**	**1,543.8**

See Note 34.

30. *Net pension asset in the balance sheet*

The defined benefit pension asset in the balance sheet is determined as follows:

M€	2009	2008
Present value of funded obligations	0.3	0.4
Fair value of plan assets	-0.4	-0.4
Surplus	-	-
Unrecognized actuarial gains (+) and losses (-)	-0.1	-0.1
Net asset (-) in the balance sheet	**-0.1**	**-0.1**

Items recognized in the income statement:

M€	2009	2008
Current service costs	-	-
Interest costs	-	-
Expected return on plan assets	-	-
Past service cost	-	-
Actuarial gains (-) and losses (+)	-	-
Total	-	-

Actual return on plan assets totalled EUR 29,000 in 2009 (2008: EUR -145,000)

Changes in the present value of the obligation:

M€	2009	2008
Liability for defined benefit obligations at beginning of period	0.4	0.5
Service costs	0.0	0.0
Interest costs	0.0	0.0
Actuarial gains (-) and losses (+)	-0.1	-0.2
Past service costs	-	-
Liability for defined benefit obligations at end of period	**0.3**	**0.4**

Changes in the fair values of the plan assets:

M€	2009	2008
Fair value of plan assets at beginning of period	0.4	0.5
Expected return on plan assets	0.0	0.0
Actuarial gains (+) and losses (-)	-0.2	-0.2
Contributions paid by the employer	0.0	0.0
	0.4	**0.4**

Information is not available on the plan assets.

Actuarial assumptions on the balance sheet date:

%	2009	2008
Discount rate	5.00	6.25
Exptected return on plan assets	5.00	6.25
Expected rate of salary increases	3.50	3.50
Inflation	2.00	2.00

The Group expects to pay EUR 50,000 to the plan in 2010.

31. *Provisions*

M€	Soil restoration	Other provisions	Payment*) claim issued by Sampo Bank	Total 2009	Total 2008
Provisions 1 Jan.	0.0	0.3	8.3	8.7	15.0
Increases in provisions				0.0	0.4
Decreases in provisions				0.0	-6.8
Provisions used		-0.1	-8,3	-8.4	
Reversals of unused provisions		-0.2		-0.2	
Provisions 31 Dec.	**0.0**	**0.0**	**0.0**	**0.0**	**8.7**

*) In a legally valid ruling issued on 19 January 2009, the Helsinki Court of Appeal ordered Sponda Plc to pay Sampo Bank Plc interest, penal interest and court costs totalling EUR 7.6 million based on a credit agreement. The amount of Sampo Bank's suit for payment, EUR 7.6 million, plus interest, was recognized as an expense under provisions in the 2006–2008 financial statements, so the ruling has no impact on Sponda's result in 2009.

32. *Other liabilities*

M€	2009	2008
Note and bonds	100.0	8.6
Loans from financial institutions	57.5	140.3
Foreign currency loans	0.0	0.0
Commercial papers sold	153.1	135.6
Total	**310.6**	**284.5**

See Note 34.

33. *Trade and other payables*

M€	2009	2008
Advances received	5.2	7.8
Trade payables	7.0	2.8
Transaction price liabilities	0.0	0.0
Other current liabilities	30.4	40.6
Accrued expenses and deferred income	12.0	34.8
Total	**54.5**	**85.9**

Accrued expenses and deferred income		
Interest and financial items	3.4	2.0
Personnel expenses	3.7	3.7
Taxes	0.2	0.2
Investments	3.4	25.0
Other items	1.2	3.8
Total	**12.0**	**34.8**

34. *Financial instruments*

Financial risk management

The purpose of risk management in Sponda is to minimize the unfavourable impacts of changes in the financial markets on the company's profits and cash flow. Sponda Plc's Board of Directors decides on the goals for risk management, defines the risk management policy and is responsible for monitoring risk management. The company's treasury unit identifies and assesses risks and is responsible for practical risk management measures within the framework of the risk management policy. The internal audit is responsible for checking the effectiveness of the risk management system. Regular reports are made to the Board about financing. Sponda's main financial risks are the interest rate risk, risks concerning access to financing, the credit risk and the exchange rate risk. The Group's financing activities are centrally handled by its treasury unit, which is responsible for financial risk management.

1. Interest rate risk

The Group mainly uses floating rate loans in financing its operations, and these are the source of the company's interest rate risk. The company may if it wishes also use fixed-rate loans. The Group uses interest rate derivatives to reduce growth in future interest flows caused by a rise in short-term market rates. With interest rate swaps Sponda pays a fixed-rate interest and obtains floating-rate interest. Interest rate options are bought.

According to the risk management policy, the aggregate nominal value (hedging rate) of the Group's fixed-rate loans with a maturity of more than one year and of the interest rate derivatives used to manage interest rate risk must be at least 60% and at most 100% of the Group's interest-bearing liabilities. The Group's hedging rate was 65%. The duration of the interest-bearing debt portfolio must be at least one year. The duration of the Group's portfolio was 1.8 years.

Derivative contracts have been made for the purpose of hedging the loan portfolio and they are valued in the financial statement at fair value. The fair value represents the result if the derivative position had been closed on the balance sheet date. The fair values presented are based on assessments by the counterparty banks. In addition Sponda Plc checks the size of the assessments using assessing methods that are generally available on the market. The fair values and nominal values of interest rate derivatives are presented in Table 34.3.

Interest rate derivatives have been defined as cash flow hedging or as derivatives that do not meet the criteria for hedge accounting. Sponda applies group hedging, in which the behaviour of the loan portfolio is compared with the interest rate derivative portfolio. The interest rate derivative portfolio is divided into interest rate options and interest rate swaps. In addition Sponda may use forward rate agreements and interest rate futures, to which hedge accounting is not applied.

Amounts recognized in the result and shareholders' equity during the financial year are presented in the annual report section 'Changes in the Group's shareholders' equity'. Hedge accounting is applied to interest rate derivatives throughout their period of validity, if they meet the criteria for hedge accounting as stated in IAS 39.

The Group analyzes its interest rate position by simulating changes in market interest rates. The treasury unit calculates a forecast of interest expenses for the coming year and its interest rate sensitivity. The following assumptions have been made when calculating the sensitivity to change in interest rates:

- The short-term market rates at the stated balance sheet date change by one percentage point.
- The calculation includes interest-bearing liabilities (EUR 1,598 million).
- The calculation includes current derivative contracts (EUR 1,540 million).

The calculation aims to measure the impact of short-term market rates on the interest expenses of the company's loans and correspondingly on the interest income to be obtained from interest rate derivatives or on the interest costs to be paid in the following year. The figures are presented net. The financial instruments used in the calculation are accounted for in accordance with the IFRS definitions mentioned n the company's accounting principles for the financial statements. The interest rates used are the official interest rates quoted on the last banking day on the balance sheet date.

In its 2009 financial statements Sponda Plc applied hedge accounting to 65% of interest rate derivatives, compared to about 98% in 2008. In the sensitivity analysis, changes in the fair value of interest rate derivatives to which hedge accounting is not applied are presented in full through profit and loss. The Group's interest-bearing liabilities decreased during 2009 by about EUR 230 million.

Sensitivity to interest rate risk

The effect of a change of one percentage point in short-term market rates on the company's result and fair value reserve.

	31.12.2009 Income statement	31.12.2009 Fair value reserve	31.12.2008 Income statement	31.12.2008 Fair value reserve
One percentage point rise in market rates	-2	+19	-7	+22
One percentage point fall in market rates	+3	-20	+9	-23

The calculation does not include the deferred tax effect.

2. Liquidity and refinancing risk

The Group seeks continuously to assess and monitor the amount of financing required by its business operations to ensure the sufficiency of liquid funds for financing purposes and to repay maturing loans. The risk related to access to finance is reduced by making financial contracts with several financial sources and using a variety of financial instruments. The Group seeks to spread the maturity of its new borrowings so that as loans mature, the amount needing refinancing each year remains stable. Tables 34.4 and 34.5 show the maturity analysis based on the Group's agreements. The average loan period of the Group's loans on 31 December 2009 was 2.4 years (31 December 2008: 3.0 years).

For short-term financing purposes, the company uses a commercial paper programme. The size of the commercial paper programme is EUR 350 million. The Group's loans maturing in 2010 total some EUR 312 million, and EUR 153 million of this is commercial papers. Sponda considers that it will be able to renew the expiring commercial papers, since the commercial paper market is functioning reasonably well. The remaining loans maturing in 2010 total EUR 159 milion, and the company has already renewed EUR 58 million of this and turned it into a long-term loan. The company will finance the remaining loans falling due in 2010 by taking out long-term credit limits.

The Group assures its liquidity with sufficient credit limits and bank account limits. A reserve for the commercial paper programme is provided at the moment by unused short-term credit limits, which at the balance sheet date totalled EUR 440 million. The company has renewed the short-term credit limits maturing in 2010 and turned them into long-term loans. In addition, the Group had unused bank account limits of EUR 10 million. Cash surpluses are invested in short-term money market instruments or bank deposits in accordance with the financial policy confirmed by the Board. On 31 December 2008 the Group's cash and cash equivalents totalled EUR 29 million.

In addition, the risks relating to access to finance are reduced by maintaining the company's reputation as a trustworthy debtor. Sponda's financial contracts contain normal covenants to protect the creditors, which concern for example the equal status of financiers, certain financial indicators, and the use of collateral. The most important covenants used are:

- Interest coverage ratio (EBITDA/Net interest cost) the acceptable minimum ratio of which is 1.75. The ratio on the closing date was 2.7.
- Equity ratio, the determined minimum ratio of which is 28%. On the closing date the equity ratio stood at 37%

3. Credit risk

Credit risk arises from the possibility that the counterparty in a contract fails to fulfil their obligations as given in the contract. The Group's most significant credit risks at the balance sheet date arose from investments in the money markets, from derivative contracts, and from rent receivables and trade receivables. The Group has no major concentrations of receivables or credit risks.

To avoid risks from counterparties, the Group uses only financially solid banks with a good credit rating as counterparties in its money market investments and derivative contracts. The banks' credit rating must be classified as at least A- by S&P (or a similar credit rating company). Sponda Plc may invest in the commercial papers issued by well-known, financially solid companies operating in Finland. Sponda Plc's Board of Directors decides on acceptable counterparties, on counterparty limits and on the permitted financial instruments. In derivative trading, Sponda Plc observes the stipulations given by ISDA (International Swaps and Derivatives Association, Inc.) or the Finnish Bankers Association with counterparties. The maximum amount of the credit risk is the carrying amount of the financial assets and the positive fair value of derivatives, and details of the combined total of these (EUR 60.9 million) are given in Note 34.1.

The risk arising from tenants is managed by analyzing the creditworthiness of tenants before leases are signed, by requiring rent deposits, and by the monthly collection of rent. The business units responsible for leasing properties are responsible for arranging collateral for rents. The maximum amount of the risk is the total carrying amount of the receivables less the amount of the collateral. Collateral for rent is mainly bank deposits or bank guarantees. Ovenia Oy monitors the Group's rent receivables.

The total amount of rent receivables on the balance sheet date was EUR 2.3 million. The total rent unpaid for more than three months was EUR 0.7 million. The Group recorded credit losses of EUR 0.4 million for rent receivables in 2009. The Group recognizes a final credit loss when a tenant is found to be without means in the debt collection process or when the company's share of a bankruptcy is confirmed. The Group uses external well-known external debt-collection firms to collect receivables.

The collateral for a selling price receivable is almost always a real security. The real security for selling price receivables is typically real estate mortgages for the sold property or shares. The Group had no selling price receivables at the balance sheet date. The total amount of trade receivables at the balance sheet date excluding rent and selling price receivables was EUR 5.3 million. The Group considers the risk from trade receivables to be small.

In addition the company has given guarantees as security for the commitments of the property companies it owns. The guarantees are typically guarantees relating to the construction phase of a new company, in which the beneficiary is almost always the city. The amount of the guarantees is small in proportion to the carrying amount of the properties owned. The guarantees given are not expected to cause significant costs to the Group.

4. Currency risk

The Group has international operations in Russia. Changes in the exchange rate between the Russian rouble and the euro and between the US dollar and the euro may affect Sponda Group's financial position and operations. The Group is exposed to currency risk since balance sheet items for foreign subsidiaries and revenue and expenses from properties are translated into the business currency of the parent company, into euros.

Sponda's Russian companies receive their rents monthly in US dollars, in Russian roubles or in euros. The companies pay most of their expenses in Russian roubles. USD-denominated net cash flows from lease agreements are some USD +14 million annually and (EUR 10 million) and RUB-denominated net cash flows some RUB 15 million (EUR 0.4 million). In accordance with the Board's decision, Sponda hedges foreign currency denominated future net cash flows for a period of six months. The company may use currency denominated forwards, options and currency swaps in hedging. One currency derivative will mature and be renewed in each month during the next six months, so that a total corresponding to the net position for six months is always effective.

On the balance sheet date the company had currency options to the value of USD 7 million to hedge the USD net cash flows. Incoming cash flows denominated in Russian roubles and outgoing rouble-denominated expenses are more or less equal, so it has not been considered necessary to hedge this net cash flow. The net euro-denominated positon is not hedged. The company does not apply hedge accounting as defined in IAS 39 to currency derivatives. Changes in the fair values of currency derivatives are recognized in the income statement. In accordance with the Board's decision, Sponda does not hedge the translation risk from Russian companies. If the exchange rate between the euro and the USD changed 10 per cent on the closing date, the change in the fair value of the currency options would be recognized through profit and loss in full. If the euro weakened 10 per cent against the USD, this would reduce the result by some EUR -0.5 million and if the euro strengthened 10 per cent against the USD this would improve the result by some EUR +0.2 million. With the the currency derivative maturing each month the company can sell cash flow of some USD 1.2 million based on rental income, and this would have the opposite effect on the result to that of the currency option.

On the balance sheet date, 31 December 2009, the Group had no loans denominated in foreign currency. The Group has a receivable denominated in Russian roubles, with a par value in euros of EUR 1.6 million. The Group finances its capital expenditure in Russia with internal loans denominated in euros.

5. Managing the equity structure

The objective of managing the Group's equity structure is to optimize the equity structure in relation to prevailing market conditions at any particular time. The goal is an equity structure that best assures conditions for the Group's long-term strategic operations in all circumstances.

Factors affecting the Group's equity structure, in addition to the result, include capital expenditure, asset sales, dividend payments, equity-based facilities and assessment at fair value. In May 2009 Sponda Plc's Board of Directors decided, under the authorization given by the extraordinary general meeting, on a EUR 208.2 million subscription rights offering. In consequence of the share issue the number of Sponda shares rose by 166,545,277 to 277,575,462. Sponda obtained EUR 208.2 million in the rights offering, before deduction of costs and fees arising from the offering. The Group's equity ratio rose from 30 per cent in the quarter before the issue to 37 per cent.

Sponda Plc's Board has decided that the Group's long-term equity ratio should be 40%. On 31 December 2009 the equity ratio was 37%. The Group's equity ratio at the end of 2008 was 32%. Sponda's net interest margin on 31 December 2009 was 2.7. Sponda Group's interest-bearing liabilities decreased during 2009 by EUR 230 million and at the end of 2009 totalled EUR 1,598 million. Sponda Group sold property assets during 2009 for altogether EUR 51 million. With the funds received it paid off some of its loans and financed property development investments. The formula for calculating the equity ratio is shown in the annual report under 'Calculation of financial ratios'.

The Group's capital structure and equity ratio were as follows:

M€	2009	2008
Interest-bearing liabilities	1,598	1,828
Cash, funds in bank and interest-bearing receivables	30	16
Interest-bearing net liabilities	1,568	1,812
Shareholders' equity, total	1,114	1,003
Balance sheet total	2,990	3,167
Equity ratio	37%	32%

34.1 Carrying amounts of financial assets and liabilities by category

2009 Balance sheet item, M€	Financial assets/liabilites recognized at fair value through profit and loss	Loans and receivables	Financial liabilities recognized at amortized cost	Hedging derivatives	Carrying amount of balance sheet items	Fair value
Non-current financial assets						
Non-current receivables		3.4			3.4	3.4
Derivative contracts	3.8			0.0	3.8	3.8
Current financial assets						
Derivative contracts	0.0				0.0	0.0
Trade and other receivables		24.5			24.5	24.5
Cash and cash equivalents		29.1			29.1	29.1
Carrying amount by category	**3.8**	**57.1**	**0.0**	**0.0**	**60.9**	**60.9**
Non-current financial liabilities						
Interest-bearing liabilities			1,287.2		1,287.2	1,248.6
Derivative contracts				30.5	30.5	30.5
Current financial liabilities						
Interest-bearing liabilities			310.6		310.6	312.2
Derivative contracts	0.1			6.7	6.8	6.8
Trade and other payables		11.5	19.0		30.5	30.5
Carrying amount by category	**0.1**	**11.5**	**1,616.8**	**37.2**	**1,665.6**	**1,628.6**

All derivative contracts belong to level 2 in the fair value hierarchy mentioned in IFRS 7.
Derivative contratcs for EUR 37.3 million are included in financial liabilities and for EUR 3.8 million in financial assets.

2008 Balance sheet item, M€						
Non-current financial assets						
Non-current receivables		3.5			3.5	3.5
Derivative contracts	0.0			1.0	1.0	1.0
Current financial assets						
Derivative contracts	0.0				0.0	0.0
Trade and other receivables		29.7			29.7	29.7
Cash and cash equivalents		16.0			16.0	16.0
Carrying amount by category	**0.0**	**49.3**	**0.0**	**1.0**	**50.3**	**50.3**
Non-current financial liabilities						
Interest-bearing liabilities			1,543.8		1,543.8	1,493.9
Derivative contracts				26.3	26.3	26.3
Current financial liabilities						
Interest-bearing liabilities			284.5		284.5	284.2
Derivative contracts	0.0			0.7	0.7	0.7
Trade and other payables		25.9	16.6		42.5	42.5
Carrying amount by category	**0.0**	**25.9**	**1,844.9**	**27.0**	**1,897.8**	**1,847.6**

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

34.2 The Group's interest-bearing liabilities

Long-term liabilities, M€	2009 Carrying amount	2009 Fair value	2008 Carrying amount	2008 Fair value
Bonds	149.9	145.9	249.8	241.1
Loans from financial institutions	1,137.3	1,102.8	1,294.0	1,252.8
Foreign currency loans	0.0	0.0	0.0	0.0
Total	**1,287.2**	**1,248.7**	**1,543.8**	**1,493.9**

Current liabilities, M€	2009 Carrying amount	2009 Fair value	2008 Carrying amount	2008 Fair value
Bonds	100.0	100.1	8.6	8.6
Loans from financial institutions	210.6	212.1	275.9	275.6
Foreign currency loans	0.0	0.0	0.0	0.0
Total	**310.6**	**312.2**	**284.5**	**284.2**

The fair values of bonds are based on market prices.

The fair values of loans from financial institutions and of commercial papers are calculated using margins at which corresponding loans could have been refinanced on the closing date. The estimated margins are based on the estimates of company management.

Due to the exceptional state of the market, the estimate for long-term loans is subject to uncertainty.

34.3 Derivative contracts

M€	2009 Fair values	2009 Nominal values	2008 Fair values	2008 Nominal values
Interest rate derivatives				
Interest rate swaps				
Included in hedge accounting	-37.2	997.8	-27.0	915.0
Not included in hedge accounting	0.2	30.0	0.0	0.0
Interest rate caps, bought	3.6	512.5	1.0	187.5
Forward rate agreements	-	-	-	-
Foreign currency derivatives				
Currency swaps	-	-	0.0	5.1
Currency options	-0.1	4.9	-	-

The company has entered into interest rate derivatives to hedge the loan portfolio and currency derivatives to hedge the currency risk. Hedge accounting is applied at the closing date only to interest rate swaps.

Derivatives are valued in the financial statements at fair value. The fair value represents the result that would have arisen if the derivative position had been closed at the balance sheet date. The fair value is calculated in the manner generally approved in the market. Sponda uses an external valuer for valuations. Currency options include an equal amount of call and put pairs of currency options.

34.4 Maturity of non-current liabilities

Maturity of non-current liabilities 31.12.2009, M€	2010	2011	2012	2013	2014	2015	2016
Bonds	100.0	150.0					
Loans from financial institutions	58.9	266.3	465.1	165.0	107.8	133.8	0.0

Maturity of non-current liabilities 31.12.2008, M€	2009	2010	2011	2012	2013	2014	2015
Bonds	8.6	100.0	150.0				
Loans from financial institutions	5.3	50.8	356.3	505.0	225.0	25.0	133.8

The average interest rate of the total loan portfolio was 3.7% (4.6%) including derivatives, and the average maturity was 2.4 (3.0) years.

Shown here is the maturity of non-current liabilities, showing the nominal value when the loan was taken. Loans maturing in 2010 are presented in the balance sheet under current loans.

Sponda Plc's most significant loans

Bilateral loan

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

Bilateral loan

In April 2009 Sponda signed an agreement for a EUR 82 million 5-year credit facility with Helaba (Landesbank Hessen-Thuringen Girozentralen). The loan is secured.

Credit limits

In April 2009 Sponda Plc extended the credit limits that function as back-up financing for its commercial papers for a further 12 and 24 months.

Syndicated Credit Facility Agreement

In October 2008 Sponda Plc signed an agreement for a 3-year EUR 150 million syndicated credit facility. The facility was used to refinance bonds that matured and long-term loans. The credit facility is unsecured.

Bilateral loans

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

Bilateral loans

Sponda Plc signed an agreement in February 2008 with Swedbank for a 5-year EUR 100 million credit facility and an agreement with OKO Bank for a 7-year EUR 50 million credit facility. The loans were used to finance the company's property development investments. The credit facilities are unsecured.

Bilateral loan

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

Dual-Tranche Syndicated Credit Facility Agreement

In June 2007 Sponda Plc signed an agreement for a five year syndicated credit facility for a total of EUR 350 million. The facility was used to refinance the remainder of the short-term commercial paper raised in December 2006 to finance Sponda's Kapiteeli acquisition. The loan was unsecured.

Multi-Tranche Syndicated Credit Facility

Sponda Plc signed in April 2006 a EUR 300 million multi-tranche syndicated credit facility. The facility comprises a 5-year EUR 100 million credit limit and two EUR 100 million syndicated credit instalments: one for 5 years and the other for 7 years. The maturity dates are 5 April 2011 and 5 April 2013. The credit facility is unsecured.

Bonds

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

Sponda issued two notes in April 2005 totalling EUR 100 million. The annual coupon of the EUR 20 million fixed-rate notes was confirmed as 3.75%. The coupon of the EUR 80 million floating-rate notes was confirmed as six-month Euribor plus 0.60%. The notes mature on 8 April 2010. The facility is unsecured.

Hybrid bond

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

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

M€	2010	2011	2012	2013	2014	2015	2016
Bonds	103	151					
Loans from financial institutions	20	286	479	229	111	134	0
Commercial papers	153						
Interest rate derivatives							
- in hedge accounting, net	28	19	14	9	3	1	0
- not in hedge counting, net	1	1	1	1	1	1	0
Currency forwards not included in hedge accountingt, net	0						
Trade payables	7						
Other liabilities	12						
	324	**457**	**494**	**239**	**115**	**136**	**0**

Cash flows for repayments and financing expenses for financial liabilities based on loan contracts on 31 December 2008 were as follows:

M€	2009	2010	2011	2012	2013	2014	2015
Bonds	20	108	153				
Loans from financial institutions	195	94	392	533	233	29	135
Commercial papers	136						
Interest rate derivatives							
- in hedge accounting, net	0	9	6	4	2	1	1
- not in hedge counting, net	0						
Currency forwards not included in hedge accountingt, net	0						
Trade payables	3						
Other liabilities	14						
	367	**210**	**550**	**537**	**235**	**29**	**135**

35. Collaterals and contingent liabilities

Liabilities for which mortgages over property and shares have been given, M€	Group 12/2009	Group 12/2008
Loans from financial institutions, covered by collateral	141.3	50.3
Mortgages	269.2	109.2
Carrying amount of pledged shares	17.5	17.0
Guarantees	0.0	57.6
Collateral, total	**286.7**	**183.8**

Commitments arising from land lease contracts, M€	Group 12/2009	Group 12/2008	Parent company 12/2009	Parent company 12/2008
Lease liabilities	103.3	44.6	-	-
Mortgages	3.0	3.0	-	-
Guarantees	16.2	7.3	16.2	7.3
Total	**122.5**	**54.9**	**16.2**	**7.3**

Operating leases, M€	Group 12/2009	Group 12/2008	Parent company 12/2009	Parent company 12/2008
Contractual maturities on lease contracts:				
During the following financial year	0.4	0.4	0.4	0.4
Due after the following year	0.3	0.5	0.3	0.5
Total	**0.7**	**0.9**	**0.7**	**0.9**

Operating leases consist of leases for vehicles and office equipment.

The leases have lengths of 3–5 years and they have no redemption obligations.

Other commitments

VAT reductions made on renovation investments

Liabilities in accordance with §33 of the VAT Act have been calculated for all Group companies and they have an aggregate value of EUR 58.6 million (2008: EUR 50.4 million).

Interest on hybrid bond

Interest of EUR 11.4 million was paid on the hybrid loan on 29 June 2009. Of this, EUR 5.9 million accrued from 2008 and EUR 5.5 million from 2009. In addition to the interest paid, EUR 5.8 million of unpaid interest accrued in 2009. The accrued interest is recognized directly as a reduction in equity on the payment date. Altogether EUR 11.3 million in interest accrued in 2009.

Investment commitments to real estate funds

On 31 December 2009, the remaining investment commitments to real estate funds totalled EUR 18.3 million (2008: EUR 21.5 million).

36. Related party transactions

Related party

The related parties of Sponda Group are the parent company, subsidiary and associated companies, and joint ventures. Other related parties are the Board of Directors, members of the Executive Team, the president and CEO, and close member of theirs families, as well as the Finnish State, which owns through Spondium Oy 34.3% of the shares of Sponda Plc.

The Group's parent and subsidiary relationships are presented in Note 38.

The following related party transactions were carried out:

Management employee benefits, M€	2009	2008
Salaries and other short-term employee benefits	2.2	2.3
Share-based payments	0.4	0.3
Total	**2.6**	**2.5**

Salaries and fees, €	2009	2008
President and CEO	481,143	462,270
Board of Directors	306,400	281,500
Total	**787,543**	**743,770**

Management salaries and other short-term employee benefits as well as long-term employee benefits and share-based benefits are described in more detail in Note 11.

Rental income from state institutions and companies totalled EUR 22.3 million in 2009 (2008: EUR 23.9 million).

There were no outstanding loans receivable from key management on 31 Dec. 2009 or on 31 Dec. 2008.

Members of the Board of Directors held 50,000 shares and members of the Executive Board 452,810 at the end of 2009. (2008: 4,600 and 107,981 shares respectively).

37. Confirmed losses of Sponda Kiinteistöt Oy

Sponda announced on 1 November 2007 when it published its interim report that the Uusimaa corporate tax office had decided to deviate from the 2006 tax returns made by Sponda Kiinteistöt Oy (formerly Kapiteeli Oy) and considered that the company's taxable earnings were EUR 192 million. The matter relates to the confirmed losses of Sponda Kiinteistöt Oy, which for the tax years 1996–1999 totalled some EUR 558 million.

According to the law, a company's losses are not deductible if during the year when the losses are incurred or thereafter more than half of the company's shares change owner. The responsible tax office may however on special grounds grant the right to deduct the losses despite the change of owner. Kapiteeli Oy was granted on 29 September 2006 and 13 December 2006 special permission to deduct the losses. Sponda Plc purchased the entire share stock of Kapiteeli Oy in a transaction on 14 December 2006.

When it was processing the 2006 tax returns made by Sponda Kiinteistöt Oy, the tax office considered that the special permissions granted were not valid, because according to the tax office after the company's personnel had transferred to the employment of parent company Sponda Plc, the business operations of Sponda Kiinteistöt Oy could not be considered to have continued in the manner described in the special permission decision. In the view of the company, the position taken by the tax office is wrong, because this is only a question of the Group's parent company taking over the payment of salaries, while the company's business operations continue unchanged.

Sponda Kiinteistöt Oy appealed the decision, and the tax assessment adjustment board of the Uusimaa tax office in an unanimous decision amended the decision of the tax office and approved the deductibility of the confirmed losses. On 14 September 2009 the Helsinki Administrative Court in a 2–1 majority ruling accepted the appeal by the state official representing the interests of tax recipients against the decision of the tax assessment adjustment board. The company has appealed to the Supreme Administrative Court against the decision of the Administrative Court. According to the instructions for appeal issued by the Administrative Court, an appeal to the Supreme Administrative Court requires leave to appeal. According to the experts consulted by the company, leave to appeal is not required and in any case there are grounds for granting leave to appeal. According to informartion obtained by the company, it is possible that the Supreme Administrative Court will give its ruling on the main issue by summer 2010.

The Uusimaa corporate tax office has adjusted the debiting of tax in 2006 for Sponda Kiinteistöt Oy by altogether EUR 53.8 million and the Tax Office for Major Corporations has adjusted the 2007 tax assessment of Sponda Kiinteistöt Oy by altogether EUR 59.7 million and the 2008 tax assessment by altogether EUR 26.4 million. The tax adjustments for 2006–2008 total EUR 131 million and corporate interest is EUR 8.9 million, altogether EUR 139.9 million. Penalty interest is calculated on the adjusted amounts and this is 7% from 1 January 2010. Penalty interest is calculated for the 2006 tax as from 15 December 2009 and for 2007 and 2008 as from 21 January 2010.

However, because of the suspension order imposed by the Supreme Administrative Court and the decision on the ban on enforcing the tax taken by the Tax Office for Major Corporations, the company does not need to pay the taxes before a decision has been taken on the appeal against the ruling of the Administrative Court. Since the company does not need to pay taxes based on the decision of the Administrative Court, Sponda Kiinteistöt Oy is not recognizing a tax expense while the matter is unresolved but is stating the tax issue in the notes to the financial statements.

Should the Supreme Administrative Court not amend the ruling of the Administrative Court, this would give rise to a tax expense for the company of some EUR 49.9 million for 2006, EUR 55.8 million for 2007 and EUR 25.3 million for 2008, in total some EUR 131 million for the years 2006–2008, which the company would have to pay. Sponda Kiinteistöt Oy used confirmed losses of EUR 54.4 million which lapsed in 2009, which would give rise to tax of EUR 14.1 million. In addition the company would have to pay corporate interest of some EUR 8.9 million and penalty interest for the 2006 tax as from 15 December 2009 and for 2007 and 2008 as from 21 January 2010 until the payment date. The company has calculated that the corporate interest would amount to EUR 12.8 million.

Based on the opinions of the experts it has consulted, Sponda Plc considers the decision of the Administrative Court to be wrong and thinks that the Supreme Administrative Court is more likely to accept than reject the appeal by Sponda Kiinteistöt Oy. Should the company have to pay the tax under the ruling of the Administrative Court, Sponda Plc will have to recognize the tax expense and interest in the next interim report or annual financial statements published after the decision on the payment. If the tax expense of EUR 131.0 million and interest of EUR 8.9 million as well as 2009 tax of EUR 14.1 million had been paid in the January–December 2009 financial period, the consolidated result for the period would have been EUR -235.5 million and shareholders' equity EUR 959.6 million. If these expenses had been recognized, the corresponding figures for net assets per share would have been EUR 2.99, earnings per share EUR -1.02, cash flow from operations per share EUR -0.33 and equity ratio 32%.

On 31 December 2009 Sponda had unused credit limits of altogether EUR 450 million.

38. *Events after the balance sheet date*

In January 2010 Sponda Plc signed an extension agreement with Sampo Bank Plc for a 3-year loan of EUR 57.6 million. The agreement extends the short-term project loan that was originally taken for the Elo shopping centre. The margin on the loan corresponds to today's market rates and the terms and conditions of the loan are unchanged.

39. *Shares and holgings owned by the Group and parent company*

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

Group companies		Group company holding %	Parent company holding %	
Helsingin Veneentekijäntie 8	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Värjäämö	Helsinki	100.00		Sponda Kiinteistöt
Henrik Forsiuksentie 39	Helsinki	100.00	100.00	Sponda
Hermian Pulssi	Tampere	100.00		Sponda Kiinteistöt
Hitsaajatalo	Helsinki	100.00	100.00	Sponda
Holkkitie 8 a	Helsinki	100.00	100.00	Sponda
Hyvinkään Varikko	Hyvinkää	100.00	100.00	Sponda
Hämeenkatu 20	Tampere	100.00		Sponda Kiinteistöt
Hämeenportin Yritystalo	Vantaa	100.00	100.00	Sponda
Hämeentie 103	Helsinki	100.00		Sponda Kiinteistöt
Höyläämötie 5	Helsinki	100.00		Sponda Kiinteistöt
Insinöörinkatu	Helsinki	100.00	100.00	Sponda
Iso-Roobertinkatu 21–25	Helsinki	100.00	100.00	Sponda
Isontammentie 4	Vantaa	100.00		Sponda Kiinteistöt
Itälahdenkatu 20	Helsinki	100.00	100.00	Sponda
Itälahdenkatu 22	Helsinki	100.00	100.00	Sponda
Kaivokadun Tunneli	Helsinki	100.00	100.00	Sponda
Kaivokatu 12	Helsinki	100.00	100.00	Sponda
Kalkkipellontie 6	Espoo	100.00	100.00	Sponda
Kappelitie 8	Espoo	100.00	100.00	Sponda
Karapellontie 4C	Espoo	100.00	100.00	Sponda
Kasarmikatu 36	Helsinki	100.00	100.00	Sponda
Kaupintie 3	Helsinki	100.00	100.00	Sponda
Keskuskatu 1 B	Helsinki	100.00	100.00	Sponda
Kilonkallio 1	Espoo	100.00	100.00	Sponda
Korkeavuorenkatu 45	Helsinki	100.00	100.00	Sponda
Kumpulantie 11	Helsinki	100.00	100.00	Sponda
Kuninkaankaari	Vantaa	100.00	100.00	Sponda
Kuninkaankruunu	Vantaa	100.00	100.00	Sponda
Kylvöpolku 1	Helsinki	100.00	100.00	Sponda
Läkkitori	Espoo	100.00	100.00	Sponda
Länsi-Keskus	Espoo	58.64	58.64	Sponda
Lönkka	Helsinki	100.00	100.00	Sponda
Malmin Kankirauta	Helsinki	100.00	100.00	Sponda
Malmin Yritystalo	Helsinki	100.00	100.00	Sponda
Mannerheimintie 6	Helsinki	100.00	100.00	Sponda
Manhattan	Turku	52.85		Sponda Kiinteistöt
Mansku 4	Helsinki	100.00	100.00	Sponda
Martinkyläntie 53	Vantaa	100.00	100.00	Sponda
Melkonkatu 26	Helsinki	100.00	100.00	Sponda
Messukylän Castrulli	Tampere	100.00	100.00	Sponda
Messukylän Kattila	Tampere	100.00	100.00	Sponda
Messukylän Turpiini	Tampere	100.00	100.00	Sponda
Miestentie	Espoo	100.00	100.00	Sponda
Mäkkylän Toimistotalo	Helsinki	100.00	100.00	Sponda
Olarintörmä	Espoo	100.00	100.00	Sponda
Oulun Alasintie 3–7	Oulu	100.00	100.00	Sponda
Oulun Liikevärttö 1	Oulu	100.00		Sponda Kiinteistöt
Oulun Liikevärttö 2	Oulu	100.00		Sponda Kiinteistöt
Oulun Liikevärttö 3	Oulu	100.00		Sponda Kiinteistöt
Pieni Roobertinkatu 7	Helsinki	99.79		Sponda Kiinteistöt
Piispanpiha 5	Helsinki	100.00	100.00	Sponda
Poijupuisto	Espoo	100.00	100.00	Sponda
Porkkalankatu 20	Helsinki	100.00		Sponda Kiinteistöt
Pronssitie 1	Helsinki	100.00		Sponda Kiinteistöt
Ratapihantie 11	Helsinki	100.00	100.00	Sponda
Ratinan Kauppakeskus	Tampere	100.00	40.00	Sponda
Ratinanlinna	Tampere	100.00		Sponda Kiinteistöt
Robert Huberintie 2	Vantaa	100.00	100.00	Sponda
Ruoholahden Sulka	Helsinki	100.00		Sponda Kiinteistöt
Ruoholahdenkatu 4	Helsinki	94.95		Sponda Kiinteistöt
Ruosilantie 14	Helsinki	100.00	100.00	Sponda
Ruosilantie 16	Helsinki	100.00	100.00	Sponda
Ruosilantie 18	Helsinki	100.00	100.00	Sponda
Salmisaaren Liiketalo	Helsinki	100.00	100.00	Sponda
Scifin Beta	Espoo	100.00		Sponda Kiinteistöt
Scifin Gamma	Espoo	100.00		Sponda Kiinteistöt
Sinikalliontie 10	Espoo	100.00	100.00	Sponda
Sinimäentie 14	Espoo	100.00	100.00	Sponda
Sp-kiinteistöt Oy Kilo	Espoo	100.00		Sponda Kiinteistöt
Säästötammela	Tampere	100.00		Sponda Kiinteistöt
Tallbergintalo	Helsinki	100.00		Sponda Kiinteistöt
Tampereen Enqvistinkatu 7	Tampere	100.00		Sponda Kiinteistöt
Tampereen Hallituskatu 8	Tampere	100.00		Sponda Kiinteistöt
Tampereen Naulakatu 3	Tampere	100.00		Sponda Kiinteistöt
Tampereen Näsilinnankatu 39–41	Tampere	100.00		Sponda Kiinteistöt
Tapiolan Kulttuuritori	Espoo	100.00	100.00	Sponda
Tapiolan Liiketalo	Espoo	100.00	100.00	Sponda
Tiistilän Miilu	Espoo	100.00		Sponda Kiinteistöt
Tiistinhovi	Espoo	100.00		Sponda Kiinteistöt
Tonttipaino	Vantaa	100.00	100.00	Sponda
Turun Ilmarisenkulma	Turku	100.00		Sponda Kiinteistöt
Turun Julinia Fastighets Ab	Turku	100.00		Sponda Kiinteistöt
Turun Kauppiaskatu 9 B	Turku	100.00		Sponda Kiinteistöt
Turun Koulukatu 29	Turku	100.00	100.00	Sponda
Turun Kurjenmäki	Turku	100.00		Sponda Kiinteistöt
Turun Rautakatu	Turku	100.00		Sponda Kiinteistöt
Turun Yliopistonkatu 12 a	Turku	100.00		Sponda Kiinteistöt
Turun Yliopistonkatu 14	Turku	100.00		Sponda Kiinteistöt
Turunlinnantie 12	Helsinki	100.00	100.00	Sponda
Tuusulan Teollisuuskuja 4	Tuusula	100.00	100.00	Sponda
Tuusulan Teollisuuskuja 6	Tuusula	100.00	100.00	Sponda
Tuusulan Tärkkelystehdas	Tuusula	100.00	100.00	Sponda
Unioninkatu 18	Helsinki	100.00	100.00	Sponda
Unioninkatu 20–22	Helsinki	100.00	100.00	Sponda
Unioninkatu 24	Helsinki	100.00	100.00	Sponda
Upseerinkatu 1	Espoo	100.00	100.00	Sponda
Valuraudankuja 6	Helsinki	100.00	100.00	Sponda
Vanhajämerä	Helsinki	100.00	100.00	Sponda
Vantaan Alfa	Vantaa	85.00	85.00	Sponda
Vantaan Harkkokuja 2	Vantaa	100.00		Sponda Kiinteistöt
Vantaan Honkatalo	Vantaa	100.00	100.00	Sponda
Vantaan Kuussillantie 27	Vantaa	100.00		Sponda Kiinteistöt
Vantaan Köysikuja 1	Vantaa	100.00	100.00	Sponda
Vantaan Omega	Vantaa	100.00	100.00	Sponda
Vantaan Santaradantie 8	Vantaa	100.00	100.00	Sponda
Vantaan Simonrinne	Vantaa	77.18		Sponda Kiinteistöt
Vantaan Tähtäinkuja 3	Vantaa	100.00		Sponda Kiinteistöt
Vantaan Vanha Porvoontie 231	Vantaa	100.00	100.00	Sponda
Vantaan Väritehtaankatu 8	Vantaa	100.00		Sponda Kiinteistöt
Vepema	Vantaa	100.00	100.00	Sponda
Vitikka 6	Espoo	100.00	100.00	Sponda
Vuosaaren Logistiikkakeskus	Helsinki	100.00	100.00	Sponda
Vuosaaren Porttikeskus	Helsinki	100.00	100.00	Sponda

Group companies		Group company holding %	Parent company holding %	
Vuosaaren Service Center	Helsinki	100.00	100.00	Sponda
Värtönparkki 1	Oulu	100.00		Sponda Kiinteistöt
Ylä-Malmintori 6	Helsinki	100.00	100.00	Sponda
Zeppelinin City-Keskus	Kempele	88.91		Sponda Kiinteistöt
Zeppelinin Kauppakeskus	Kempele	91.47		Sponda Kiinteistöt
Zeppelinin Kauppakulma	Kempele	100.00		Sponda Kiinteistöt
Zeppelinin Kauppapörssi	Kempele	88.64		Sponda Kiinteistöt
Zeppelinin Markkinapaikka	Kempele	58.71		Sponda Kiinteistöt
Zeppelinin Pikkukulma	Kempele	100.00		Sponda Kiinteistöt
Zeppelinin Tavaratori	Kempele	78.87		Sponda Kiinteistöt

Limited liability companies

Drawer Oy	Helsinki	100.00	100.00	Sponda
Hextagon Oy	Helsinki	100.00		Sponda
Inkeroisten Koekeskus Oy	Anjalankoski	100.00	100.00	Sponda
Sponda Kiinteistöt Oy	Helsinki	100.00	100.00	Sponda
Porkkalankadun alitus Oy	Helsinki	62.64		Sponda Kiinteistöt
Ruoholahden Yhteissuoja Oy	Helsinki	100.00		Sponda Kiinteistöt
Russia Europe Oy Ltd	Helsinki	100.00		Sponda
Sponda AM Oy	Helsinki	100.00	100.00	Sponda
Sponda Asset Management Oy	Helsinki	100.00	100.00	Sponda
Sponda Asset Management II Oy	Helsinki	100.00	100.00	Sponda
Sponda Russia Oy Ltd	Helsinki	100.00	100.00	Sponda
Sponda Russia Finance Oy Ltd	Helsinki	100.00		Sponda
SRK-Kiinteistöt Oy	Helsinki	100.00	100.00	Sponda
Tamforest Oy	Tampere	100.00	100.00	Sponda
Tamsilva Oy	Tampere	100.00	100.00	Sponda
Turku High Tech Centre Oy	Turku	100.00		Sponda Kiinteistöt

Associated companies

Asunto Oy Lönnrotinkatu 28	Helsinki	30.81		Sponda
Creax Oy	Helsinki	25.00	25.00	Sponda
Erottajan Pysäköintilaitos Oy	Helsinki	49.29	49.29	Sponda
Puotinharjun Puhos Oy	Helsinki	20.43	20.43	Sponda
Zeppelinin Kulmatori Kiinteistö Oy	Kempele	49.67		Sponda Kiinteistöt

Holdings in associated companies

Ovenia Oy	Helsinki	44.99		Sponda Kiinteistöt

Real estate fund companies

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

Foreign subsidiaries

OOO Adastra	St. Petersburg, Russia	100.00		Sponda
OOO Inform Future	St. Petersburg, Russia	100.00		Sponda
OOO NRC	St. Petersburg, Russia	100.00		Sponda
OOO Veika	St. Petersburg, Russia	100.00		Sponda
OOO Europe Terminal	Moscow, Russia	100.00		Sponda
ZAO Ankor	Moscow, Russia	100.00		Sponda

Group companies		Group company holding %	
OOO Western Realty (Ducat 2)	Moscow, Russia	100.00	Sponda
Korbis K Limited Liability Company	Moscow, Russia	100.00	Sponda
Slavjanka Closed Joint-Stock Company	Moscow, Russia	100.00	Sponda
Rowina Holding Limited	Cyprus	100.00	Sponda
Makentrax Limited	Cyprus	100.00	Sponda

Changes in Group structure in 2009

Companies sold

Kymen Logistiikka

Sibylla Tehdaskiinteistö

Vantaan Sähkötie 1

Vantaan Äyrikuja 3

Dissolved companies

OOO Inno Center

Changes of name

Kiinteistö Oy Helsingin Sörnäistenkatu 2 previous name was Kiinteistö Oy Helsingin Lautatarhankatu 2 C

Kiinteistö Oy Turun Koulukatu 29 previous name was Kiinteistö Oy Niinilahti

Parent company income statement (FAS)

M€	Note	1 Jan.–31 Dec. 2009	1 Jan.–31 Dec. 2008
Total revenue			
Rental income and recoverables	1	**120.0**	118.1
Fund management fees		**5.0**	7.2
Fund dividends and share of fund profits		**5.8**	4.7
		130.8	130.0
Expenses from leasing operations		**-34.0**	-72.1
Direct expenses from funds		**-1.9**	-2.0
		-35.9	-74.1
Net operating income		**94.9**	55.9
Sales and marketing expenses		**-1.1**	-1.2
Administrative expenses	2, 3, 6	**-9.1**	-10.7
Other operating income	4	**0.3**	0.2
Profits on sale of investment properties		**6.1**	25.8
Other operating expenses	5	**-0.7**	-1.1
Operating profit		**90.4**	68.9
Financial income and expenses	7	**-84.0**	-69.4
Profit / loss before one-time items		**6.3**	-0.5
Extraordinary items	8	**1.5**	-0.5
Profit / loss before tax		**7.8**	-1.0
Income taxes	9	**0.0**	0.0
Profit / loss for period		**7.8**	-0.9

Parent company balance sheet (FAS)

M€	Note	31 Dec. 2009	31 Dec. 2008
Assets			
Non-current assets			
Intangible assets	10	26.2	27.7
Property, plant and equipment	11		0.0
Land and water		4.8	4.8
Buildings and structures		1.2	1.3
Machinery and equipment		0.3	0.4
		6.3	6.4
Investments	12		
Holdings in Group companies		1,737.9	1,731.7
Receivables from Group companies		981.8	867.8
Holdings in associated companies		7.5	7.5
Investments in real estate funds		53.7	49.7
Other investments		21.6	15.6
		2,802.4	2,672.3
Total non-current assets		2,834.9	2,706.4
Current assets			
Current receivables	13	33.7	65.2
Financial securities		9.3	-
Cash and bank deposits		0.1	4.7
Total current assets		43.1	70.0
Total assets		2,878.0	2,776.3
Shareholders' equity and liabilities			
Shareholders' equity	14		
Share capital		111.0	111.0
Share premium reserve		159.1	159.1
Invested non-restricted equity reserve		423.9	215.7
Retained earnings		147.9	147.7
Loss for the period		7.8	0.2
Total shareholders' equity		849.8	633.7
Depreciation differences	15	0.2	0.2
Provisions	16	-	8.3
Liabilities			
Non-current liabilities	17	1,670.8	1,807.2
Current liabilities	18	357.2	326.9
Total liabilities		2,028.0	2,134.1
Total shareholders' equity and liabilities		2,878.0	2,776.3

Parent company statement of cash flows (FAS)

M€		1 Jan.–31 Dec. 2009	1 Jan.–31 Dec. 2008
Cash flow from operating activities			
Net profit for the period		**7.8**	0.2
Adjustments	1)	**82.7**	56.4
Change in net working capital	2)	**3.0**	-11.0
Interest received		**2.0**	23.4
Interest paid		**-78.4**	-67.0
Other financial items		**-37.1**	-23.8
Taxes received/paid		**0.0**	0.0
Net cash generated by operating activities		**-20.0**	-21.7
Cash flow from investing activities			
Investments in shares and holdings		**-15.0**	-33.9
Acquisition of property, plant and equipment and intangible assets		**-4.6**	-16.2
Other investments			
Proceeds from disposal of shares and holdings		**21.7**	80.4
Proceeds from disposal of tangible and intangible assets			
Loans granted		**-109.4**	-306.9
Repayments of loan receivables		**5.1**	36.4
Net cash used in investing activities		**-102.2**	-240.3
Cash flow from financing activities			
Proceeds from share issue		**208.2**	-
Non-current loans, raised		**197.4**	812.4
Non-current loans, repayments		**-218.9**	-323.4
Current loans, raised/repayments		**-59.8**	-183.4
Dividends paid		**-**	-55.5
Net cash generated from financing activities		**126.9**	250.1
Change in cash and cash equivalents		**4.6**	-11.8
Cash and cash equivalents at 1 Jan.		**4.7**	16.6
Cash and cash equivalents at 31 Dec.		**9.4**	4.7

Notes to the cash flow statement, M€	1 Jan.–31 Dec. 2009	1 Jan.–31 Dec. 2008
1) **Adjustments**		
The following adjustments change the accrual-based items in the income statement to cash-based items, and they reverse items shown elsewhere in the cash flow statement.		
Other operational expenses	**0.0**	0.8
Other operational income	**-6.1**	-25.8
Depreciation and amortization	**6.2**	11.6
Financial income and expenses	**84.0**	69.4
Merger losses/group contributions	**-1.5**	0.5
Taxes	**0.0**	0.0
Adjustments, total	**82.7**	56.4
2) **Statement of change in net working capital**		
Current receivables increase (-), decrease (+)	**-20.3**	-22.0
Non-interest-bearing current liabilities increase (+), decrease (-)	**23.4**	11.1
Change in net working capital	**3.0**	-11.0

Accounting principles for the parent company accounts

The financial statements of Sponda Plc, the parent company, have been prepared in accordance with the provisions of the Finnish Accounting Act, the Finnish Companies Act and the Finnish Securities Markets Act.

Measurement and timing principles

Contractual improvements

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

Fixed assets and straight-line depreciation

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

Other machinery and equipment	3–10 years
Buildings	50 years
Building materials	25 years
Other long-term expenditure	1–19 years

In addition to capitalized tenant improvements, other long-term expenditure includes computer software and renovation of the business premises occupied by Sponda Plc itself.

Investments

Property investments are shares in subsidiaries and associated companies, loans granted to Group companies and associated companies, investments in real estate funds and other investments. Investments are valued at cost in the parent company's balance sheet. Permanent writedowns are deducted from cost.

Research and development costs

The company has no research activities. Building project costs equivalent to R&D costs are capitalized when the technical implementation of the project is completed and the project can be considered to generate income over a period of several years. Otherwise research and development costs are entered as an expense.

Financial assets, liabilities and derivative contracts

Financial assets and non-interest-bearing debt are recognized at cost. Interest-bearing debt is measured at amortized cost using the effective interest rate method. Interest rate swap contracts made to hedge the risk exposure associated with long-term loans are not entered in the balance sheet but instead are listed in the notes to the financial statements. Interest arising from these contracts is recognized in the income statement as it is incurred.

Extraordinary income and expenses

Extraordinary income and expenses consist of group contributions and gains and losses on mergers.

Income tax

Income tax includes tax in the period and adjustments to taxes for previous periods. The current tax expense is based on taxes calculated on the result for the period and tax rules. No deferred tax liabilities or credit are entered in the parent company balance sheet.

Foreign currency denominated items

Transactions denominated in foreign currency are recognized at the exchange rate on the transaction date. Balance sheet items in foreign currency outstanding on the closing date are valued at the exchange rate on the closing date.

Other principles

The Group has arranged statutory pension insurance for its personnel with a pension insurance company. The pension costs are entered as an expense in proportion to salaries.

Fees arising from leasing assignments are recognized over the duration of the leasing contract.

Interest payable during construction projects in progress are entered as an expense.

The Group has no significant finance leases.

Notes to the parent company financial statements

1) Rental income and recoverables

Rental income and recoverables by type of property, M€	2009	2008
Office & Retail Properties	85.5	83.9
Logistics Propertiest	34.5	33.2
Property Development	0.1	1.0
Total	**120.0**	**118.1**

Rental income and recoverables by geographical area M€	2009	2008
Helsinki Metropolitan Area	113.0	113.1
Rest of Finland	7.0	5.0
Total	**120.0**	**118.1**

2) Personnel expenses and number of employees

M€	2009	2008
Salaries and fees	9.6	9.7
Pension costs	1.8	1.8
Other personnel costs	0.5	0.6
Total	**11.9**	**12.1**
Salaries and fees to management		
President and CEO*	0.5	0.5
Members of the Board of Directors	0.3	0.3
Total	**0.8**	**0.7**

* Does not include bonuses from incentive scheme

The President and CEO is paid a full salary and he and the members of the Executive Board also participate in the long-term share-based incentive scheme for top management introduced on 1 January 2006. The first incentive scheme was for the period 2006–2008, and a new scheme with the same terms and conditions is for the period 2009–2011. Any bonuses paid under this scheme are based on the company's cash flow from operations per share and return on investment in the vesting period. The bonuses, less taxes and other employer contributions, are used to purchase company shares for the person. The incentive scheme contains three annual vesting periods, each of which bears the condition of continuing in the company's employment for two years. The shares may not be disposed of within two years of their receipt. The bonus is paid annually.

M€	2009	2008
Bonus under the incentive scheme based on actual figures for 2008	0.2	0.4

Personnel expenses are included in the income statement under administrative expenses.

Loans and commitments to related parties

There were no loans to related parties. The President and CEO is eligible to retire at the age of 63. The pension obligation is covered by pension insurance policies. The salaries and fees paid to the Board of Directors, and the pension obligations and termination benefits payable to management, are described in Note 11 to the consolidated financial statements "Employee benefit expenses and number of employees".

Personnel on avegare	2009	2008
White collar, number of employees	120	125

3) Depreciation, amortization and impairment losses

M€	2009	2008
Intangible assets		
Other long-term expenditure	6.0	11.4
Property, plant and equipment		
Machinery and equipment	0.2	0.2
Buildings and structures	0.0	0.0
Total	**6.2**	**11.6**

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

4) Other operating income

M€	2009	2008
Share of bankruptcy estate	0.2	0.2
Other operating income	0.1	-
Total	**0.3**	**0.2**

5) Other operating expenses

M€	2009	2008
Losses on disposal of investments	0.0	0.8
Other expenses	0.1	0.0
Credit losses	0.1	0.0
Doubtful receivables	0.5	0.3
Total	**0.7**	**1.1**

6) Auditor fees

M€	2009	2008
Authorized public accountants KPMG Oy		
Audit	0.1	0.1
Tax consultancy	0.0	0.0
Other services	0.4	0.2
	0.5	**0.3**

Other services include expenses of EUR 0.3 million relating to the share issue which in accordance with IFRS are recognized directly in equity as a reduction in the funds obtained in the share issue in the consolidated balance sheet.

7) Financial income and expenses

M€	2009	2008
Interest income from long-term investments in Group companies	39.9	52.0
Other interest income	2.0	1.0
Other financial income	0.1	0.1
Total interest and financial income	**42.0**	**53.1**
Interest expenses paid to Group companies	-11.1	-13.8
Other interest expenses	-75.9	-85.2
Other financial expensest	-12.3	-2.4
Finance charge to subsidiaries	-26.8	-21.1
Total interest expenses and other financial expenses	**-126.1**	**-122.5**
Financial income and expenses, total	**-84.1**	**-69.4**

8) Extraordinary items

M€	2009	2008
Group contributions	1.5	-
Merger loss	-	-0.5
	1.5	**-0.5**

9) Income taxes

M€	2009	2008
Income tax from current year	0.0	-
Income tax from previous years	-	0.0
	0.0	**0.0**

10) Intangible assets

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

2008, M€	Other long-term expenditure	Purchases in progress	Total
Acquisition cost 1 Jan.	38.6	0.8	39.4
Increases	19.9	8.8	28.7
Transfers	-5.7	-6.9	-12.6
Acquisition cost 31 Dec.	**52.8**	**2.7**	**55.5**
Accumulated amortization and impairment losses 1 Jan.	-16.4	-	-16.4
Amortization for the period	-11.4	-	-11.4
Accumulated depreciation 31 Dec.	**-27.8**	-	**-27.8**
Net carrying amount 31 Dec.	**25.0**	**2.7**	**27.7**

11) Property, plant and equipment

2009	Land sites	Buildings and structures	Machinery and equipment	Advance payments	Total
Acquisition cost 1 Jan.	4.8	1.8	1.3	-	7.9
Increases	-	-	0.1	-	0.1
Decreases	-	-	-	-	-
Acquisition cost 31 Dec.	**4.8**	**1.8**	**1.4**	**-**	**7.9**
Accumulated depreciation and impairment losses 1 Jan.	-	-0.5	-1.0	-	-1.5
Accumulated depreciation on decreases and transfers	-	-	0.0	-	0.0
Depreciation for the period	-	0.0	-0.1	-	-0.2
Accumulated depreciation 31 Dec.	**-**	**0.0**	**-1.0**	**-**	**-1.6**
Net carrying amount 31 Dec.	**4.8**	**1.2**	**0.3**	**-**	**-1.6**

2008	Land sites	Buildings and structures	Machinery and equipment	Advance payments	Total
Acquisition cost 1 Jan.	4.8	1.8	1.2	-	7.8
Increases	-	-	0.1	-	0.1
Decreases	-	-	-	-	-
Acquisition cost 31 Dec.	**4.8**	**1.8**	**1.3**	**-**	**7.8**
Accumulated depreciation and impairment losses 1 Jan.	-	-0.5	-0.8	-	-1.3
Accumulated depreciation on decreases and transfers	-	-	0.0	-	0.0
Depreciation for the period	-	0.0	-0.2	-	-0.2
Accumulated depreciation 31 Dec.	**-**	**-0.5**	**-1.0**	**-**	**-1.5**
Net carrying amount 31 Dec.	**4.8**	**1.3**	**0.3**	**-**	**6.4**

12) Investments

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

Other investments, M€*)	Other shares	Receivables from associated companies	Receivable Funds	Receivables from othert companies	Other investments	Total
Acquisition cost 1 Jan.	4.8	7.6	3.1	-	0.1	15.6
Increases	-	8.9	-	-	-	8.9
Decreases	-0.9	-1.9	-	-	-	-1.9
Net carrying amount 31 Dec.	**3.9**	**14.5**	**3.1**	**-**	**0.1**	**21.6**

2008, M€	Shares in Group companies	Receivables from Group companies	Holdings in associated companies	Investments in property funds	Other investments*)	Total
Acquisition cost 1 Jan.	1,552.5	826.0	3.0	33.5	15.8	2,430.8
Increases	234.9	502.0	4.5	16.2	10.6	768.2
Decreases	-55.7	-460.2	-	-	-10.8	-526.7
Net carrying amount 31 Dec.	**1,731.7**	**867.8**	**7.5**	**49.7**	**15.6**	**2,672.3**

Other investments, M€*)	Other shares	Receivables from associated companies	Receivable Funds	Receivables from othert companies	Other investments	Total
Acquisition cost 1 Jan.	5.0	7.6	3.1	-	0.1	15.8
Increases	0.0	10.6	-	-	-	10.6
Decreases	-0.2	-10.6	-	-	-	-10.8
Net carrying amount 31 Dec.	**4.8**	**7.6**	**3.1**	**-**	**0.1**	**15.6**

Shares and holdings are listed in Note 39 to the consolidated financial statements.

13) Current receivables

M€	2009	2008
Trade receivables	3.6	3.4
Other receivables	0.0	4.0
Prepaid expenses and accrued income		
From Group companies	21.7	39.1
From other companies	8.4	18.7
Prepaid expenses and accrued income, total	**30.1**	**57.8**
Current receivables, total	**33.7**	**65.2**
Main items in prepaid expenses and accrued income		
Interest and financial items	4.8	7.5
Other items	25.2	50.3
Total	**30.1**	**57.8**

14) Shareholders' equity

M€	2009	2008
Share capital 1 Jan.	111.0	111.0
Share capital 31 Dec.	**111.0**	**111.0**
Share premium 1 Jan.	159.1	159.1
Share premium reserve 31 Dec.	**159.1**	**159.1**
Invested non-restricted equity reserve 1 Jan.	215.7	215.7
Share issue	208.2	-
Invested non-restricted equity reserve 31 Dec.	**423.9**	**215.7**
Retained earnings 1 Jan.	147.9	203.2
Dividend payment	-	-55.5
Retained earnings 31 Dec.	**147.9**	**147.7**
Profit / loss for period	7.8	0.2
Shareholders' equity, total	**849.8**	**633.7**

Calculation of distributable funds 31 Dec., M€	2009	2008
Retained earnings	147.9	147.7
Invested non-restricted equity reserve	423.9	215.7
Profit / loss for period	7.8	0.2
Total	**579.6**	**363.6**

15) Depreciation differences

M€	2009	2008
Accumulated depreciation differences 1 Jan.	0.2	0.2
Accumulated depreciation differences 31 Dec.	**0.2**	**0.2**

16) Provisions

M€	2009	2008
Other provisions 1.1.	8.3	8.2
Increases	-	0.1
Decreases	-8.3	-
Other provisions 31.12.	**-**	**8.3**

In a legally valid ruling issued on 19 January 2009, the Helsinki Court of Appeal ordered Sponda Plc to pay Sampo Bank Plc interest, penal interest and court costs totalling EUR 7.6 million based on a credit agreement. The amount of Sampo Bank's suit for payment, EUR 7.6 million, plus interest, was recognized as an expense under provisions in the 2006–2008 financial statements, so the ruling has no impact on Sponda's result.

17) Non-current liabilities

M€	2009	2008
Non-current interest-bearing liabilities		
Serial bonds	149.9	249.8
Loans from financial institutions	1,235.9	1,373.2
Other non-current debt payable to Group companies	285.0	184.2
Non-current interest-bearing liabilities, total	1,670.8	1,807.2

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

Debt maturing after five years	2009	200
Loans from financial institutions	133.8	158.8

18) Current liabilities

M€	2009	2008
Current interest-bearing liabilities		
Loans from financial institutions	310.8	270.6
Current interest-free liabilities		
Advances received	0.7	0.3
Trade payables		
To Group companies	3.4	19.8
To other companies	0.4	0.3
Total trade payables	**3.8**	**20.1**
Accrued expenses and prepaid income		
Payable to Group companies	2.0	1.8
Payable to other companies	23.0	30.6
Total accrued expenses and prepaid income	**25.0**	**32.4**
Other current debt receivable from Group companies	14.4	2.6
Other current debt	2.4	0.9
Total current interest-free liabilities	**46.4**	**56.3**
Total current liabilities	**357.2**	**326.9**

Main items in accrued expenses and prepaid income		
Interest and financial items	17.1	25.6
Personnel expenses	3.7	3.7
Other items	4.2	3.1
Total	**25.0**	**32.4**

19) Derivative instruments

M€	2009	2008
Interest derivatives		
Interest rate swaps, nominal value of principal	1,027.8	915.0
Interest rate swaps, fair value	-37.0	-27.0
Interest options, nominal value	512.5	187.5
Interest options, fair value	3.6	1.0
Forward rate agreements, nominal value	-	-
Forward rate agreements, fair value	-	-
Currency derivatives		
Currency forwards, nominal value	-	5.1
Currency forwards, fair value	-	0.0
Currency options, nominal value	4.9	-
Currency options, fair value	-0.1	-

20) Collateral and contingent liabilities

M€	2009	2008
Loans from financial institutions, covered by collateral	57.6	-

Collateral given on behalf of Group companies, M€	2009	2008
Book value of pledged shares	9.3	9.3

Contingent liabilities given on behalf of Group companies, M€	2009	2008
Guarantees given on behalf of Group companies	16.2	64.9

Lease liabilities, M€	2009	2008
Payments based on agreements fall due as follows:		
During the following year	0.4	0.4
After the following year	0.3	0.5
Total	**0.7**	**0.9**

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

Other commitments, M€	2009	2008
VAT deductions made on renovation investments		
Commitments under §33 of the VAT Act	-	-
Investment commitments to real estate funds	18.3	21.5

Distribution of profit

Proposal by the Board of Directors on the disposal of the profit for the year
The parent company's distributanle funds total EUR 579,612,655.78
of which the profit for the period is EUR 7,825,575.16.
The Board of Directors proposes to the AGM that a dividend of EUR 0.12 per share
be paid for the 2009 financial year.

Helsinki, 5 February 2010

Signatures of the Board of Directors and CEO
for the report by the Board of Directors and for the financial statements

SPONDA PLC
Board of Directors

Klaus Cawén	Tuula Entelä	Timo Korvenpää
Lauri Ratia	Arja Talma	Erkki Virtanen

Kari Inkinen
President and CEO

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

Helsinki, 16 February 2010

	KPMG Oy Ab
Raija-Leena Hankonen	Kai Salli
APA	APA

Auditor's report

To the Annual General Meeting of Sponda Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Sponda Plc for the year ended on 31 December 2009. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Opinion on the discharge from liability and disposal of distributable funds

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Limited Liability Companies Act.

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

Helsinki, 16 February 2010

Raija-Leena Hankonen
APA

KPMG Oy Ab
Kai Salli
APA

Editorial production: Sponda Plc and Reputation Management Consultancy Pohjoisranta
Photos: Riku Isohella, Sami Kulju, Pekka Luukkola and Sponda
Design and layout: Minna Haukkovaara
English translation: Andrew Fisher, Impress Ltd
Printing: Erweko 2010

PEFC
PEFC/02-31-120

NORDIC ENVIRONMENTAL LABEL
Printed matter
441 032