SPONDA

Room for Collaboration

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2012

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Board of Directors' Report

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Board of Directors' Report 2012

Sponda Plc's total revenue in 2012 was EUR 264.6 million (2011: EUR 248.2 million). Net operating income increased by approximately 7 per cent, totaling EUR 192.2 (179.4) million. Sponda's operating profit was EUR 210.3 (209.6) million. The economic occupancy rate was 88.1 per cent (88.2).

Highlights of the 2012 financial period

The focus of Sponda's operations in 2012 was on maintaining the economic occupancy rate, selling non-strategic properties, refinancing the company's hybrid bond and property development.

In June 2012, Sponda purchased the Bakhrushina House office building in downtown Moscow for USD 47 million from UFG Real Estate. Net initial yield for the property was over 9.5 per cent. Completed in 2012, the building has a total of approximately 4,000 square metres of office and retail premises to let. Many leaders in their fields of business as well as internationally renowned companies operate in this fully-let property.

In July 2012, Sponda set up a new real estate fund that invests primarily in logistics and industrial properties in Finland's growth cities. The target size of Sponda Fund III is EUR 170 million. The fund's initial investment portfolio of approximately EUR 90 million consists of properties sold to the fund by its shareholders. Sponda sold logistics properties worth EUR 31.5 million to the fund. Sponda's holding in the fund is approximately 36 per cent. The other investors in the fund are Varma Mutual Pension Insurance Company and Etera Mutual Pension Insurance Company. Sponda is responsible for the management of the fund as well as the properties in the fund.

Sponda issued a EUR 150 million senior unsecured domestic bond in May 2012. The five-year bond matures on 29 May 2017 and carries fixed annual interest at the rate of 4.125 per cent. The bond was allocated to 39 investors and the bond offering was oversubscribed. The bond is listed on NASDAQ OMX Helsinki.

In July 2012, Sponda signed an agreement for a secured five-year loan of EUR 60 million. The agreement extends the financing that was originally secured for the Elo shopping centre.

Sponda issued a EUR 95 million hybrid bond in November 2012. The coupon rate of the bond is 6.75 per cent per annum. The bond has no maturity, but the company may exercise a redemption option after five years. The settlement date of the bond was 5 December 2012.

In conjunction with the hybrid bond issue, Sponda completed a partial repurchase for its hybrid bond issued in 2008. Sponda repurchased a nominal amount of EUR 37.2 million in exchange for cash, which represents 28.6 per cent of the original EUR 130 million notional amount issued in 2008. The repurchase price was 102 per cent of the nominal amount.

Sponda secured BREEAM® certification for two office properties. The first, a BREEAM® In Use certificate with a rating of Good, was issued to the Ducat II property located in Moscow in March. Ducat II is Sponda's first certified property in Russia, and only the second property in the whole country to be granted the BREEAM® In-Use environmental certificate. BREEAM® environmental certification with a rating of Good was also awarded to the office building known as Havis Business Center, which is located in the heart of Helsinki. Renovated by Sponda, the building is the first new building or renovated property in Helsinki to receive a BREEAM® certification.

Strategy

Sponda’s strategic goal is to achieve profitable growth through customer-focused operations, active property development, property acquisitions and real estate funds in Finland and Russia.

Sponda’s strategy is assessed regularly to ensure that the operations are adjusted to the prevailing market situation as necessary.

In June 2012, Sponda purchased the Bakhrushina House office building in downtown Moscow for USD 47 million. In July 2012, Sponda set up a new real estate fund, Sponda Fund III, which has a target size of EUR 170 million.

Sponda’s financial objectives are linked to its equity ratio and distribution of dividend. The long-term equity ratio goal is 40 per cent. At the end of 2012, the equity ratio stood at 40 per cent.

In accordance with its 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 economic situation and the company's development needs. The dividend policy aims at a stable dividend payment.

Result of operations and financial position (compared with 1 Jan – 31 Dec 2011)

Sponda’s operating profit for the period was EUR 114.9 (117.8) million. The economic occupancy rate was 88.1 per cent (88.2 per cent). The company’s result for the period is as follows:

- Total revenue was EUR 264.6 (248.2) million. This represents a 6.6 per cent increase on the reference period.
- Net operating income increased by approximately 7 per cent, totalling EUR 192.2 (179.4) million.
- Operating profit was EUR 210.3 (209.6) million. The operating profit includes a fair value change of EUR 33.0 (39.6) million.
- Cash flow from operations per share was EUR 0.40 (0.37).
- The fair value of the investment properties amounted to EUR 3,261.3 (3,165.7) million.
- Net assets per share totalled EUR 4.27 (4.06).
- The economic occupancy rate was 88.1 per cent (88.2).

Financial position

The consolidated balance sheet total was EUR 3,521.8 (31 December 2011: 3,387.3) million. The total value of property assets was EUR 3,269.1 (3,173.6) million. Of this total, investment properties accounted for EUR 3,261.3 (3,165.7) million and trading properties for EUR 7.8 (7.9) million. Investments in real estate funds totalled EUR 83.6 (65.5) million.

In 2012, Sponda sold properties for EUR 61.8 (14.1) million, recording a sales profit of EUR 2.5 million. Property maintenance and quality improvement investments totalled EUR 28.4 (50.6) million and property development EUR 47.5 (58.5) million. New property acquisitions in 2012 amounted to EUR 53.1 (150.4) million.

The consolidated equity at the end of 2012 stood at EUR 1,395.6 (1,281.1) million. The sum of EUR 186.1 million recorded in the other equity reserve comprises equity bonds issued in July 2008 and December 2012. Debts totalled EUR 2,126.2 (2,106.2) million, of which EUR 1,756.5

(1,656.2) million was long-term debt and EUR 369.7 (449.9) million short-term debt. The total value of interest-bearing debt was EUR 1,736.2 (1,754.8) million.

Key figures showing Sponda Group's financial performance:

Consolidated key figures	1–12/ 2012	1–12/ 2011	1–12/ 2010
Economic occupancy rate, %	**88.1**	88.2	88.0
Total revenue, M€	**264.6**	248.2	232.1
Net operating income, M€	**192.2**	179.4	168.7
Operating profit, M€	**210.3**	209.6	216.2
Equity ratio, %	**39.8**	37.9	39.0
Gearing ratio, %	**122.3**	134.9	128.7
Return on equity, %	**8.6**	9.5	10.4
Earnings per share, €	**0.37**	0.39	0.40
Dividend per share, €	**0.17 *)**	0.16	0.15
Total dividend, M€	**48.1 *)**	45.3	41.6
Net assets per share, €	**4.27**	4.06	3.86
Cash flow from operations per share, €	**0.40**	0.37	0.37

*) Board proposal

Financing

Key items in the Group cash flows:

M€	1–12/2012	1–12/2011	1–12/2010
Net cash flow from operations	**112.8**	99.2	102.6
Net cash flow from investments	**-75.3**	-222.9	-39.5
Net cash flow from financing	**-34.4**	123.6	-65.9
Change in cash and cash equivalents	**3.2**	-0.1	-2.7
Cash and cash equivalents, start of period	**26.4**	27.0	29.1
Impact of changes in exchange rates	**0.5**	-0.4	0.6
Cash and cash equivalents, end of period	**30.1**	26.4	27.0

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

Interest-bearing debt amounted to EUR 1,736.2 (1,754.8) million and the average maturity of loans was 2.8 (3.1) years. The average interest rate was 3.4 (4.0) per cent including interest derivatives. Fixed-rate and interest-hedged loans accounted for 72 (77) per cent of the loan portfolio. The average interest bearing period of the debt portfolio was 1.9 (2.2) years. The interest cover ratio, which reflects solvency, was 2.8 (2.7). Sponda Group’s debt portfolio on 31 December 2012 comprised EUR 675 million in syndicated loans, EUR 326 million in bonds, EUR 251 million in issued commercial papers, and EUR 485 million in loans from financial institutions. Sponda had EUR 510 million in unused credit limits. Sponda Group had mortgaged loans worth EUR 141.8 million, or 4.0 per cent of the consolidated balance sheet.

Net financial expenses amounted to EUR -58.8 (-75.6) million.

Sponda's equity ratio on 31 December 2012 stood at 40 (38) per cent and the gearing ratio was 122 (135) per cent. As of the beginning of 2013, Sponda will change its accounting principles with regard to IAS 12 Income Taxes. The change will have a positive effect of approximately 1.3–1.5 percentage points on the Group's equity ratio.

Sponda issued a EUR 95 million hybrid bond in November 2012. The coupon rate of the bond is 6.75 per cent per annum. The bond has no maturity, but the company may exercise a redemption option after five years. The settlement date of the bond was 5 December 2012.

A hybrid bond is an instrument that is subordinated to other debt obligations. It is treated as equity in the IFRS financial statements. A hybrid bond does not confer upon its holder the right to vote at shareholder meetings and does not dilute the holdings of the current shareholders.

In conjunction with the hybrid bond issue, Sponda completed a partial repurchase for its hybrid bond issued in 2008. Sponda repurchased a nominal amount of EUR 37.2 million in exchange for cash, which represents 28.6 per cent of the original EUR 130 million notional amount issued in 2008. The repurchase price was 102 per cent of the nominal amount.

After completing the repurchase, Sponda has two hybrid bonds outstanding. The first one, issued in 2008, amounts post-repurchase to EUR 92.8 million and is callable on 27 June 2013. The new hybrid bond, announced on 21 November 2012, amounts to EUR 95 million and the first call date is 5 December 2017.

The EUR 92.8 million hybrid bond callable in June 2013 has an effect on the Group's equity ratio of approximately 2.5 percentage points.

Business conditions

Business conditions – Finland

The growth prospects of the Finnish economy did not improve in late 2012 despite the stabilisation of the eurozone crisis. The Finnish Ministry of Finance adjusted its gross production forecasts to estimate a GDP decline of -0.1 per cent for 2012 and growth of 0.5 per cent for 2013. Finnish exports fell by 1.7 per cent in 2012, but are expected to increase by one per cent this year. Forecasts indicate that the growth rate of imports will be slightly below that of exports in 2013. Private consumption increased by 1.5 per cent in 2012. This year, private consumption is expected to be weakened by the employment situation and tax increases. The unemployment rate in 2012 was approximately 7.7 per cent.

Real estate transactions were largely focused on the Helsinki metropolitan area, with an emphasis on prime properties with steady cash flow. According to an estimate by KTI Property Information, the transaction volume for 2012 was EUR 2.1 billion, an increase of over 15 per cent on the previous year (2011: EUR 1.8 billion). International investors represented slightly over 20 per cent of the total transaction volume, down from the year before.

According to preliminary information from Catella Property Oy, the vacancy rates for office properties in the Helsinki metropolitan area have seen an expected increase in late 2012. The primary reasons for this are the weak economic conditions and the high rate of new construction. Vacancy rates in the Helsinki metropolitan area stood at 11 per cent at the end of 2012, compared to 10.2 per cent six months earlier. Vacancy rates also began to rise in Helsinki's central business district in late 2012. The CBD vacancy rate was 4.8 per cent.

Rental demand in Helsinki's central business district was largely unchanged through the year-end, with rental levels reaching record highs of over EUR 370/m²/year at the upper end of the market. Rental levels in other key districts for office properties began to decline slightly. Rental levels are expected to remain stable in 2013.

Over 120,000 m² of new office space was completed in the Helsinki metropolitan area in 2012. A further 145,000 m² is currently under construction, most of which is scheduled for completion in 2013.

Business conditions – Russia

According to the Bank of Finland's autumn forecast, Russian GDP growth slowed to 3.7 per cent in 2012. The current forecast for Russian economic growth in 2013 is also 3.7 per cent. Import growth in 2013 is estimated at approximately 10 per cent. Private consumption remains strong, but is expected to slow down.

The total transaction volume in the Russian property market in 2012 stood at approximately USD 7 billion. Cushman & Wakefield estimates that the average vacancy rate for office properties in Moscow was relatively stable throughout 2012 and stood at 11–12 per cent at the end of the year. Vacancy rates are expected to remain stable in 2013. New office construction in 2013 is estimated at some 600,000 square metres.

Rental levels were unchanged. The rents for high-end office properties remained at approximately USD 1,200/m². Rental levels were approximately USD 800/m² for Class A office space and USD 450/m² for Class B office space. Rents are expected to remain stable or increase slightly in 2013.

According to CB Richard Ellis, the market for office properties in St. Petersburg is showing a moderate positive change. The average vacancy rate declined slightly in 2012. The vacancy rates of Class A properties decreased and stood at approximately 13 per cent in September 2012. The vacancy rates of Class B also fell slightly and stood at roughly 8 per cent in September 2012.

Rents for Class A properties remained stable throughout 2012 despite the decline in vacancy rates. In Class B properties, the fall in vacancy rates contributed to a slight increase in rental levels. Some 200,000 m² of new office space was completed in 2012, representing 10 per cent of the market total.

Sponda's operations and property assets 1 January–31 December 2012

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 organised into four business units: Investment Properties, Property Development, Russia, and Real Estate Funds. The Investment Properties unit is divided into three segments: Office and Retail Properties, Shopping Centres and Logistics Properties. The other segments are Property Development, Russia and Real Estate Funds.

Net operating income from all of Sponda's property assets totalled EUR 192.2 (179.4) million in 2012. Of this total, office and retail premises accounted for 54 per cent, shopping centres for 17 per cent, logistics premises for 15 per cent, Russia for 11 per cent and the Real Estate Funds unit for 3 per cent.

On 31 December 2012, Sponda had a total of 185 properties, with an aggregate leasable area of approximately 1.5 million square metres. Of this, some 53 per cent is office and retail premises, 11 per cent shopping centres and 33 per cent logistics premises. Some 3 per cent of the leasable area of the properties is located in Russia.

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

At the end of 2012, an external consultant assessed the values of Sponda's investment properties in Finland and in Russia. The change in the fair value of the properties in 2012 was EUR 24.9 (39.0) million. The positive change in the value in Finland was mainly due to changes in yield requirements. The fair value of investment properties was assessed in Finland by Catella Property Oy and in Russia by CB Richard Ellis. The changes in fair values are itemised in the table "Valuation gains/losses on fair value assessment".

Valuation gains/losses on fair value assessment

M€	1–12/2012	1–12/2011
Changes in yield requirements (Finland)	**20.9**	16.2
Changes in yield requirements (Russia)	**6.5**	17.5
Development gains on property development projects	**-0.7**	8.2
Modernisation investments	**-28.5**	-50.6
Change in market rents and maintenance costs (Finland)	**26.4**	44.7
Change in market rents and maintenance costs (Russia)	**-0.1**	2.7
Change in currency exchange rates	**0.4**	0.4
Investment properties, total	**24.9**	**39.0**
Real estate funds	**0.6**	-4.4
Realised share of fund profits	**7.5**	5.0
Group total	**33.0**	**39.6**

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

Investment properties 1.1.–31.12.2012, total M€	Total	Office and retail	Shopping centres	Logistics	Property development	Russia
Operating income	257.3	143.9	42.0	42.3	0.4	28.7
Maintenance costs	-70.7	-39.0	-9.7	-13.6	-1.9	-6.5
Net operating income	**186.6**	**104.9**	**32.3**	**28.7**	**-1.5**	**22.2**
Investment properties on 1 January 2012	3,165.7	1,644.0	586.1	449.0	262.0	224.6
Capitalised interest 2012	0.8	0.2	0.0	0.0	0.6	0.0
Acquisitions	53.1	15.2	0.0	0.0	0.0	37.8
Investments	76.0	30.7	21.3	1.9	21.5	0.6
Transfers between segments	0.0	-1.5	135.3	0.0	-133.7	0.0
Sales	-59.3	-14.4	-0.6	-31.5	-12.7	0.0
Change in fair value	24.9	31.4	-5.3	-4.9	-2.6	6.4
Investment properties on 31 December 2012	**3,261.3**	**1,705.7**	**736.7**	**414.4**	**135.1**	**269.4**
Change in fair value, %	0.8	1.9	-0.9	-1.1	-1.0	2.8
Weighted average yield requirement %	6.8	6.5	5.6	8.1		9.7
Weighted average yield requirement %, Finland	6.5					

Rental operations

The figures for expired lease agreements and new agreements that came into effect in the last quarter 2012 were as follows:

	Number (agreements)	Area (m^2)	EUR/m^2/ month
Came into effect during the period	91	32,528	11.85
Expired during the period	89	38,200	9.58
Renewed during the period	56	36,433	12.96

The expired agreements and agreements that came into effect do not necessarily pertain to the same segments and properties.

Sponda calculates the growth in rental yield for its properties according to EPRA Best Practices Recommendations by using a like-for-like net rental growth formula based on a comparable property portfolio owned by the company for two years. Like-for-like net rental growth was 5.3 per cent for office and retail premises, -10.2 per cent for shopping centres, -3.3 per cent for logistics premises and 3.6 per cent for properties in Russia. The negative growth rate for shopping centres is due to the renewal of a lease agreement with a major tenant at a lower rental rate, which in turn resulted from the previous rental rate having included compensation related to investments made by the developer. All of Sponda's lease agreements in Finland are tied to the cost of living index.

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

Type of property	31.12.2012	30.9.2012	30.6.2012	31.3.2012	31.12.2011
Office and retail properties, %	**89.4**	89.3	89.2	88.7	88.4
Shopping centres, %	**93.0**	93.1	93.8	93.9	94.1
Logistics properties, %	**75.6**	76.6	78.0	78.1	78.1
Russia, %	**95.4**	93.5	99.0	98.7	98.7
Total property portfolio, %	**88.1**	88.0	88.9	88.4	88.2

Geographical area	31.12.2012	30.9.2012	30.6.2012	31.3.2012	31.12.2011
Helsinki business district, %	**88.3**	87.9	87.8	87.9	85.6
Helsinki Metropolitan Area, %	**85.0**	85.5	86.2	85.6	86.2
Turku, Tampere, Oulu, %	**95.7**	94.8	94.2	94.3	96.1
Russia, %	**95.4**	93.5	99.0	98.7	98.7
Total property portfolio, %	**88.1**	88.0	88.9	88.4	88.2

Total cash flow from lease agreements at the end of 2012 was EUR 1,239.7 (1,240.0) million. Sponda had 2,130 clients and altogether 3,228 lease agreements. The company's largest tenants were the Finnish state (10.0 per cent of rental income), Kesko Group (4.3 per cent of rental income), HOK-Elanto (3.7 per cent of rental income) and Danske Bank Oyj (3.7 per cent of rental income). Sponda's 10 largest tenants generate approximately 31 per cent of the company's total rental income. Sponda's tenants by sector were as follows:

Sector	share of net rental income, %
Professional, scientific and technical	6.5
Energy	0.6
Public sector	12.0
Wholesale/retail	26.4
Education	1.3
Logistics/transport	5.3

Sector	**share of net rental income, %**
Hotel and catering business	4.9
Media/publishing	1.7
Other services	12.5
Banking/investment	11.5
Construction	1.7
Industry/manufacturing	5.9
Healthcare	4.0
Telecommunications	5.3
Other	0.2

The average length of all lease agreements was 4.7 (4.9) years. The average length of lease agreements was 4.8 (5.1) years for office and retail properties, 6.2 (6.5) years for shopping centres, 4.5 (4.2) years for logistics properties and 2.8 (2.4) years for properties in Russia. The Group's lease agreements will expire as follows:

	% of rental income 31.12.2012	% of rental income 31.12.2011
Within 1 year	**14.3**	16.9
Within 2 years	**8.8**	10.1
Within 3 years	**10.1**	9.3
Within 4 years	**7.8**	7.1
Within 5 years	**13.7**	6.1
Within 6 years	**4.1**	10.3
More than 6 years	**27.1**	27.6
Valid indefinitely	**14.0**	12.7

Investments and divestments

In 2012, Sponda sold properties for a total of EUR 61.8 million and recorded a profit of EUR 2.5 million on the sales transactions. The balance sheet value of the sold properties was EUR 59.3 million. Sponda purchased properties for EUR 53.1 million during the period.

Investments in property maintenance totalled EUR 28.4 million in 2012. The company invested EUR 47.5 million in property development. Property development investments during the year were primarily directed to the modernisation of the Citycenter property in Helsinki's central business district and the development of an office property in Ruoholahti.

Office and Retail Properties

	1–12/2012	**1–12/2011**
Total revenue, M€	**143.9**	132.8
Net operating income, M€	**104.9**	95.6
Operating profit, M€	**130.0**	99.2

	1–12/2012	1–12/2011
EPRA Net Initial Yield (NIY), %	**6.3**	6.0
Economic occupancy rate, %	**89.4**	88.4
Fair value of properties, M€	**1,705.7**	1,644.0
Change in fair value after 1 January, M€	**31.4**	10.5
Leasable area, m^2	**763,000**	780,500

In 2012, Sponda sold office and retail properties for a total of EUR 16.0 million and recorded a profit of EUR 1.6 million on the sales transactions. The company purchased properties for a total of EUR 15.2 million during the year. Investments in property maintenance totalled EUR 20.4 million.

The lease agreements for Sponda's office and retail premises will expire as follows:

	% of rental income 31.12.2012	% of rental income 31.12.2011
Within 1 year	**11.3**	12.6
Within 2 years	**10.4**	12.1
Within 3 years	**11.4**	9.8
Within 4 years	**7.9**	8.3
Within 5 years	**12.9**	6.0
Within 6 years	**5.2**	10.2
More than 6 years	**22.5**	25.3
Valid indefinitely	**18.4**	15.8

Shopping Centres

	1–12/2012	1–12/2011
Total revenue, M€	**42.0**	40.4
Net operating income, M€	**32.3**	31.7
Operating profit, M€	**25.7**	35.4
EPRA Net Initial Yield (NIY), %	**6.1**	6.7
Economic occupancy rate, %	**93.0**	94.1
Fair value of properties, M€	**736.7**	586.1
Change in fair value after 1 January, M€	**-5.3**	5.3
Leasable area, m^2	**156,500**	157,500

Sponda sold shopping centre properties for a total of EUR 1.1 million during the period and recorded a profit of EUR 0.5 million on the sales transactions. The balance sheet value of the sold properties was EUR 0.6 million. No properties were purchased during the period. Investments in property maintenance totalled EUR 5.8 million.

At the end of 2012, the Citycenter shopping centre was transferred from the Property Development portfolio to the Shopping Centres portfolio and the property was measured at fair value. The measurement at fair value did not have a material impact on the company's result.

The lease agreements for premises in shopping centres will expire as follows:

	% of rental income 31 December 2012	% of rental income 31 December 2011
Within 1 year	**8.0**	7.5
Within 2 years	**2.9**	6.4
Within 3 years	**5.6**	3.3
Within 4 years	**4.3**	5.6
Within 5 years	**19.6**	6.2
Within 6 years	**0.6**	14.2
More than 6 years	**54.9**	51.7
Valid indefinitely	**4.1**	5.2

Logistics Properties

	1–12/2012	1–12/2011
Total revenue, M€	**42.3**	42.0
Net operating income, M€	**28.7**	28.6
Operating profit, M€	**22.4**	35.6
EPRA Net Initial Yield (NIY), %	**6.6**	5.9
Economic occupancy rate, %	**75.6**	78.1
Fair value of properties, M€	**414.4**	449.0
Change in fair value after 1 January, M€	**-4.9**	8.5
Leasable area, m^2	**485,000**	534,500

No logistics properties were purchased in the period under review. During the period, Sponda sold logistics properties worth EUR 31.5 million to Sponda Fund III, a real estate fund that was established at the time of the sales transaction. No logistics properties were sold in the final quarter of the year. Investments in property maintenance in 2012 totalled EUR 1.9 million.

The lease agreements for logistics properties will expire as follows:

	% of rental income 31 December 2012	% of rental income 31 December 2011
Within 1 year	**18.1**	20.7
Within 2 years	**4.9**	11.8
Within 3 years	**9.5**	8.8
Within 4 years	**5.7**	3.4
Within 5 years	**4.0**	5.1
Within 6 years	**4.3**	4.2
More than 6 years	**32.6**	28.6
Valid indefinitely	**20.9**	17.5

Property Development

The balance sheet value of Sponda's property development portfolio stood at EUR 135.1 million at the end of 2012. Of this total, EUR 91.2 million was in undeveloped land sites and the remaining EUR 43.9 million was tied up in property development projects in progress. At the end of 2012, the Property Development unit had invested a total of EUR 21.5 million. Most of these investments were allocated to the renovation of Citycenter and the development of an office property in Ruoholahti.

Sponda’s property development operations comprise new construction projects and refurbishment of existing properties. At present, investments are allocated as follows:

	Ruoholahti office building
Total investment, M€	23.5
Remaining investment to be made, M€	5.4
Capitalised interest expenses by 31 December 2011, M€	0.3
Time of completion	April 2013

Construction of the final phase of the Citycenter project, comprising the retail premises on the Keskuskatu side, is nearing completion. The property has been transferred to the Shopping Centres portfolio and measured at its final fair value. The project will increase the leasable area of Citycenter from 41,000 square metres to 56,000 square metres.

Sponda is developing an office property in the Ruoholahti district of Helsinki with total floor space of approximately 6,000 square metres. Over 70 per cent of the building will be leased to the primary tenant, Talentum Plc. Construction of the office building is underway and the project is expected to be completed on schedule in April 2013. The project’s total investment is estimated at some EUR 23.5 million.

Sponda is carrying out development projects for the Ratina shopping centre in Tampere and related areas. The current plans are for a shopping centre with a total area of 55,000 square metres and a total investment of approximately EUR 200 million. The decision to invest has not yet been made.

Russia

	1–12/2012	**1–12/2011**
Total revenue, M€	**28.7**	25.1
Net operating income, M€	**22.2**	18.9
Operating profit, M€	**25.7**	36.6
EPRA Net Initial Yield (NIY), %	**9.2**	9.8
Economic occupancy rate, %	**95.4**	98.7
Fair value of properties, M€	**269.4**	224.6
Change in fair value after 1 January, M€	**6.4**	20.4
Leasable area, m^2	**50,500**	46,500

The typical length of a lease in Russia is 11 months. Sponda's lease agreements in Russia conform to this practice, with the exception of the Western Realty (Ducat II) and Bakhrushina House properties in Moscow and the OOO Adastra property in St Petersburg, where the leases are for longer periods than average. The lease agreements will expire as follows:

	% of rental income 31 December 2012	% of rental income 31 December 2011
Within 1 year	**31.1**	47.3
Within 2 years	**14.2**	3.1
Within 3 years	**10.8**	16.5
Within 4 years	**14.7**	8.9
Within 5 years	**20.7**	8.6
Within 6 years	**4.1**	14.6
More than 6 years	**4.4**	0.9
Valid indefinitely	**0.0**	0.0

Real Estate Funds

Sponda is a non-controlling holder in four real estate funds: First Top LuxCo, Sponda Fund I Ky, Sponda Fund II Ky and Sponda Fund III Ky. Sponda is responsible for managing the funds and their properties, and receives management fees. The total revenue, net operating income and operating profit of the Real Estate Funds segment were:

	1–12/2012	1–12/2011
Total revenue, M€	**6.5**	6.4
Net operating income, M€	**5.2**	5.0
Operating profit, M€	**8.0**	-0.2

At the end of the review period, an external consultant assessed the fair value of the Sponda Fund I Ky (Jonas Lang LaSalle), Sponda Fund II Ky (Kiinteistötaito Peltola & Co) and Sponda Fund III Ky (Jones Lang LaSalle). The change in the fair value of Sponda's real estate funds in 2012 was EUR 0.6 (-4.4) million. The realised shares of profit from real estate funds totalled EUR 7.5 (5.0) million.

First Top LuxCo (Sponda's holding 20 per cent) invests in office and retail properties outside Finland's largest cities. The value of the fund's property investments stood at EUR 91.4 million on 31 December 2012.

Sponda Fund I Ky invests in logistics sites outside the Helsinki metropolitan area. Sponda's holding in the fund is 46 per cent. At the end of 2012 the properties in the fund had a fair value of EUR 170.9 million.

Sponda Fund II Ky (Sponda's holding 44 per cent) mainly invests in logistics properties in medium-sized cities in Finland. On 31 December 2012, the fair value of its property portfolio was EUR 188.1 million.

Sponda Fund III Ky (Sponda's holding 36 per cent) mainly invests in logistics properties in medium-sized cities in Finland. The fund has a target size for its real estate investment of approximately EUR 170 million and the fair value of its property portfolio on 31 December 2012 was EUR 91.7 million.

In addition to the funds mentioned above, Sponda is also responsible for managing the property portfolio, with a value of about EUR 126 million, sold in March 2007 to Whitehall Street Real Estate Limited and Niam Nordic Investment Fund III.

By the end of December 2012, no investment decisions had been made with regard to Russian Invest, an investment company established in September 2011.

Parent company

The net revenue of parent company Sponda Plc was EUR 142.9 (132.7) million and operating profit EUR 88.6 (80.3) million in 2012. Financial income and expenses came to EUR 221.5 (-134.2) million and the result for the period was EUR 368.9 (-7.9) million.

Group structure

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

Risk management

Sponda manages the risks associated with its operations by identifying, measuring and preventing key uncertainties. The company employs effective risk management to protect its business operations and ensure that key objectives are achieved. Risks are assessed in terms of their probability as well as their financial impact. Achieving financial targets is a sign that risk management has been successful. Sponda's key risks are classified as strategic risks, operational risks, damage and asset risks and financing risks. These risks are described in more detail in the section Risks and risk management.

Main risks and risk management actions taken

Short-term risks related to Sponda's operations	Risk management actions
Fall in economic occupancy rate	Sponda's property portfolio is mainly located in Helsinki's city centre and the Ruoholahti district. The company spends approximately 1–1.5 per cent of the property portfolio value on modernisation investments each year. Sponda will place more focus on rental operations.
Decline in tenants' solvency	Sponda carries out regular checks to monitor tenants' solvency and changes therein. Most tenants submit a security deposit corresponding to 3 to 6 months' rent at the start of their tenancy. The company has a diverse tenant base representing a wide variety of sectors.
Availability of financing	Sponda reorganises maturing loans in a timely manner. When the financial market is tightening up, the company refinances loans well before their maturity. Sponda's next major refinancing needs will arise in 2014. At the end of 2012, Sponda's available credit limit stood at EUR 510 million.
Interest rate risk	Sponda reduces its interest rate risk through fixed-interest loans and interest rate derivatives.
Exchange rate fluctations	Sponda receives half of its Russian rental revenue in US dollars and half in roubles. Most of the rents paid in roubles are tied to the US dollar or euro exchange rate. The exchange rate risk arising from the use of the rouble is reduced by the fact that a significant portion of the company's own expenses in Russia is also paid in roubles. Sponda hedges a six-month cash flow from Russia. The company's investments in Russia are mainly funded in euros from the parent company balance sheet.
Special features of the Russian property market and exchange rate fluctuations	Sponda is a local operator with offices in Moscow and St. Petersburg. Networking and good relationships with the authorities are important for business operations. The company's strategy in Russia is to invest in high-quality properties in prime locations.

Environmental responsibility

The real estate sector plays a key role in fighting climate change and promoting the wellbeing of the environment. Environmental expertise is one of Sponda's strategic priorities. The sustainability reporting integrated in the company's annual report is implemented according to the GRI C level.

The company has set company level objectives for 2013 related to, amongst other things, reducing energy consumption in Sponda's own office and across the company's entire property portfolio, increasing the proportion of recoverable waste, implementing energy efficiency initiatives agreed upon with customers in conjunction with environmental partnerships and engaging in research and development related to reducing energy consumption. Environmental responsibility was also extended to properties owned by Sponda in Russia, with the aim of reducing electricity and water consumption, particularly in Moscow.

Sponda and other climate partners have signed a climate covenant. As part of the Climate Partners network, a joint initiative of the Confederation of Finnish Industries and the City of Helsinki, the participating companies identify the measures they will take to control climate change in their own operations.

Sponda Plc's covenants are:

- The comparable total energy consumption of Sponda's properties will be reduced by 10 per cent by 2016.
- The recycling rate in Sponda's properties will be increased to over 70 per cent by 2014.

The 2012 objectives related to environmental responsibility are described in the Spondability section under Improving energy efficiency and reducing the carbon footprint.

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 complies with 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.

As required by the Finnish Companies Act and Sponda's articles of association, control and administration of the company is 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, Lauri Ratia, Arja Talma, Raimo Valo and Erkki Virtanen. The Chairman of the Board is Lauri Ratia and its Deputy Chairman is Klaus Cawén.

The Board of Directors assesses that, of its members, Klaus Cawén, Tuula Entelä, Lauri Ratia, Arja Talma, Raimo Valo and Erkki Virtanen are independent of the company and its major shareholders.

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 consideration and decision-making.

The members of the **Audit Committee** are as follows: Arja Talma (Chairman), Raimo Valo (Deputy Chairman) and Erkki Virtanen (ordinary member). The members of the **Structure and Remuneration Committee** are as follows: Lauri Ratia (Chairman), Klaus Cawén (Deputy Chairman) and Tuula Entelä (ordinary member).

A Corporate Governance statement is available at the company website.

Annual General Meeting and Dividend

The Board of Directors of Sponda Plc will convene the Annual General Meeting on 18 March 2013 and proposes to the Annual General Meeting that a dividend of EUR 0.17 per share be paid.

Auditors

Sponda Plc’s auditors are APA Raija-Leena Hankonen and authorised public accountants KPMG Oy Ab, with APA Kai Salli as the responsible auditor and APA Ari Eskelinen as the deputy auditor.

Shareholders' Nomination Board

Sponda Plc’s Shareholders' Nomination Board has decided to propose to the Annual General Meeting on 18 March 2013 that the number of members of the Board of Directors be confirmed as seven and that the current members, Klaus Cawén, Tuula Entelä, Arja Talma and Raimo Valo, be re-elected, with Kaj-Gustaf Bergh, Christian Elfving and Juha Laaksonen elected as new members.

The Nomination Board proposes to the Annual General Meeting that the members of the Board of Directors elected in the Annual General Meeting be paid the following annual remunerations for the term concluding at the 2014 Annual General Meeting: Chairman of the Board, EUR 60,000, Vice Chairman of the Board, EUR 36,000 and each member EUR 31,200. The Nomination Board further proposes that all members of the Board of Directors be paid meeting fees as follows: Chairman of the Board, EUR 1,000 per meeting and members of the Board, EUR 600 per meeting. The Nomination Board proposes that members of the Board be paid EUR 600 per committee meeting and the Chairman of the Audit Committee EUR 1,000 per Audit Committee meeting. The Nomination Board proposes that 40 per cent of the annual remuneration be paid in Sponda Plc shares acquired on the market. The shares will be acquired within two weeks of the date of publication of the interim report for the period 1 January–31 March 2013.

The three largest shareholders on 1 October 2012 were represented in the Nomination Board:

- Solidium Oy, represented by Kaj-Gustaf Bergh, Oy Palsk Ab
- Ilmarinen Mutual Pension Insurance Company, Timo Ritakallio
- Varma Mutual Pension Insurance Company, Risto Murto

Sponda’s Board of Directors will include the proposals in the invitation to the AGM to be published at a later date.

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 for 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:

	2012	2011	2010	2009	2008
Average number of employees during year	**122**	123	123	135	137
Number of employees at end of year	**119**	128	119	134	141
Salaries and other remuneration, M€	**13.5**	13.0	11.1	12.1	12.4

Sponda has personnel in Finland and in Russia.

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

Sponda also has a long-term share-based incentive scheme with two one-year vesting periods, the 2010 and 2011 calendar years, and two three-year vesting periods, 2010–2012 and 2011–2013. The earnings criteria of the incentive scheme are tied to cash flow from operations per share and return on capital employed.

The incentive scheme currently covers the members of the Executive Board, seven people altogether. The incentive scheme is described in more detail in the company's stock exchange release dated 20 March 2012.

Sponda's aim is to ensure equal rights between its male and female staff, different business units, employees of different ages with different tasks, and between full-time and part-time staff. Sponda monitors salaries in different professional groups on an annual basis. In 2012, male and female staff received the same rate of pay for doing the same job.

Sponda's share

The weighted average price of Sponda's share in 2012 was EUR 3.17. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 3.75 and the lowest EUR 2.72. Turnover during the year totalled 115.2 million shares, or EUR 379.4 million. The closing price of the share on 28 December 2012 was EUR 3.60 and the market capitalisation of the company's share capital at the end of the year stood at EUR 1,019.1 million.

The Annual General Meeting on 20 March 2012 authorised the Board of Directors to purchase the company's own shares. The authorisation is valid until the next Annual General Meeting. The authorisation was not exercised during the review period.

The Annual General Meeting also authorised the Board of Directors to decide on a share issue and on the issuance of special rights entitling to shares in accordance with Chapter 10, section 1 of the Companies Act, according to the Board of Directors proposal. The authorisation is valid until the next Annual General Meeting. The authorisation was not exercised during the review period.

On 31 December 2012 the company had altogether 8,984 shareholders and its ownership structure was as follows:

	Number of shares	Holding, %
Public entities	61,856,159	21.9
Nominee-registered	138,282,669	48.9
Financial and insurance institutions, total	7,769,139	2.7
Households	22,061,842	7.8
Private corporations, total	46,249,280	16.3
Non-profit organisations, total	3,673,479	1.3
Foreign owners, total	3,182,894	1.1
Total number of shares	**283,075,462**	**100.0**

The following flagging notices were issued:

- 19 October 2012: Solidium Oy announced that its holding of shares represented 0.0 per cent of the total number of shares and votes in Sponda Plc.
- 19 October 2012: Oy PALSK Ab announced that its holding of shares represented 14.89 per cent of the total number of shares and votes in Sponda Plc.

Events after the close of the financial year

Sponda Plc's Shareholders' Nomination Board decided on the content of its proposal regarding the composition and remuneration of the Board of Directors for the Annual General Meeting to be held on 18 March 2013. More detailed information on the proposal is available under the heading Shareholders' Nomination Board.

Prospects

Sponda expects the vacancy rates of its investment properties at year's end 2013 to be largely unchanged from the end of 2012. The estimate is based on the changes in rental agreements and leases already signed.

Comparable net operating income (excluding sales) in 2013 is expected to increase slightly from 2012. The reasons for this expected increase are rising rent levels in Helsinki's central business district and the completion of the company's property development projects.

Shares and Shareholders

Sponda Plc's share capital on 31 December 2012 was EUR 111,030,185 and the number of shares was 283,075,462. The Sponda share is quoted on NASDAQ OMX Helsinki Ltd under the trading code is SDAIV. The shares are managed under the book-entry securities system. Sponda has one share series with equal voting and dividend rights. Each share carries one vote at general meetings. The company did not hold any Sponda shares.

In addition to NASDAQ OMX Helsinki, Sponda shares were traded on several alternative market places, for example at Chi-X Europe, BATS and Turquoise. In 2012, the amount of Sponda's shares traded in alternative market places, were approximately 20 per cent of the total amount of traded 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 economic situation and the company's business development needs.

Shareholders

At the end of 2012, Sponda had a total of 8,984 shareholders. Nominee-registered shareholders accounted for 48.9 per cent of the shares and votes. Foreign and nominee-registered shareholders together held 50.0 per cent of the shares and votes.

Sponda issued the following flagging notices in 2012:

- 19 October 2012: Solidium Oy announced that its holding of shares represented 0.0 per cent of the total number of shares and votes in Sponda Plc.
- 19 October 2012: Oy PALSK Ab announced that its holding of shares represented 14.89 per cent of the total number of shares and votes in Sponda Plc.

Trading and performance

The weighted average price of Sponda's share in 2012 was EUR 3.17. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 3.75 and the lowest EUR 2.72. Turnover during the year totalled 115.2 million shares or EUR 379.4 million. The closing price of the share on 28 December 2012 was EUR 3.60 and the market capitalisation of the company's share capital at the end of the year stood at EUR 1,019.1 million.

Current authorizations

On 20 March 2012 the Annual General Meeting authorized the Board of Directors to purchase the company’s own shares. The authorization is valid until the next Annual General Meeting. The authorization was not exercised during the review period.

The Annual General Meeting also authorised the Board of Directors to decide on a share issue and on the issuance of special rights entitling to shares in accordance with Chapter 10, section 1 of the Companies Act, according to the Board of Directors proposal. The authorisation is valid until the next Annual General Meeting. The authorisation was not exercised during the review period.

Sponda's ownership structure on 31 December 2012, registered shareholders

	Number of shares	% of shares
Public sector	61,856,159	21.9
Nominee registered	138,282,669	48.9
Financial and insurance corporations	7,769,139	2.7
Households	22,061,842	7.8
Non-financial corporations	46,249,280	16.3
Non-profit institutions	3,673,479	1.3
Foreign owners, total	3,182,894	1.1
Total issued	**283,075,462**	**100.0**

20 principal shareholders on 31 December 2012

		Number of shares	% of shares and votes
1	Oy PALSK Ab	42,163,745	14.89
2	Varma Mutual Pension Insurance Company	29,083,070	10.27
3	Ilmarinen Mutual Pension Insurance Company	27,052,730	9.56
4	Suomi Mutual Life Assurance Company	5,500,000	1.94
5	The State Pension Fund	2,500,000	0.88
6	Folketrygdfondet	1,950,000	0.69
7	Etera Mutual Pension Insurance Company	1,692,509	0.60
8	Yleisradion Eläkesäätiö S.r.	850,000	0.30
9	Norvestia plc	652,657	0.23
10	SEB Gyllenberg Funds	607,898	0.21

		Number of shares	% of shares and votes
11	BNP Arbitrage	549,094	0.19
12	Mutual Insurance Company Pension-Fennia	430,000	0.15
13	Sijoitusrahasto Aktia Capital	425,000	0.15
14	I.A. von Julins STB	380,000	0.13
15	Odin Eiendom	359,557	0.13
16	Mutual Fund Tapiola Finland	356,336	0.13
17	FIM Funds	327,077	0.12
18	Inkinen Kari	313,366	0.11
19	The Finnish association of graduates in economics and business administration - SEFE ry	260,000	0.09
20	SSK Suomen Säästäjien Kiinteistöt Oyj	240,500	0.08
	Total	**115,693,539**	**40.87**
	Others	167,381,923	59.13
	Total	**283,075,462**	**100.00**
	Nominee-registered	138,282,669	48.85
	Total number of shareholders	**8,984**	

Distribution of ownership 31 December 2012

	Number of shareholders	% of shareholders	Number of securities	% of securities	Number of votes	% of votes
1–100	585	6.51	35,700	0.01	35,700	0.01
101–500	2,388	26.58	749,726	0.26	749,726	0.26
501–1,000	1,683	18.73	1,304,048	0.46	1,304,048	0.46
1,001–5,000	3,332	37.09	7,946,656	2.81	7,946,656	2.81
5,001–10,000	507	5.64	3,703,135	1.31	3,703,135	1.31
10,001–50,000	388	4.32	7,835,831	2.77	7,835,831	2.77
50,001–100,000	47	0.52	3,468,970	1.23	3,468,970	1.23
100,001–500,000	41	0.46	8,545,751	3.02	8,545,751	3.02
500,001	13	0.14	249,485,645	88.13	249,485,645	88.13
Total	**8,984**	**100.00**	**283,075,462**	**100.00**	**283,075,462**	**100.00**
of which nominee-registered	10		138,282,669	48.85	138,282,669	48.85
Non-transferred, total	0		0	0.00	0	0.00
In general account			0	0.00	0	0.00
In special accounts, total			0	0.00	0	0.00
Total issued			**283,075, 462**	**100.00**	**283,075,462**	**100.00**

Key financial figures

Key financial figures		31 Dec, 2012	31 Dec, 2011	31 Dec, 2010	31 Dec, 2009	31 Dec, 2008[1])	31 Dec, 2008
Income statement key figures							
1.	Total revenue, M€	**264.6**	248.2	232.1	237.2	219.6	219.6
2.	Operating profit, M€	**210.3**	209.6	216.2	-13.3	117.3	126.2
3.	% of total revenue	**79.5**	84.5	93.2	-5.5	53.4	57.5
4.	Financial expenses, M€	**-94.6**	-89.6	-60.3	-67.2	-76.7	-89.1
5.	Profit loss for the period, M€	**114.9**	117.8	120.4	-81.6	29.2	26.6
6.	% of total revenue	**43.4**	47.5	51.9	-34.4	13.3	12.1
7.	Direct result, M€	**82.9**	75.4	74.0	67.4	38.9	
8.	Indirect result, M€	**32.0**	42.4	46.6	-148.9	-9.6	
Balance sheet key figures							
9.	Total shareholders' equity, M€	**1,395.6**	1,281.1	1,200.8	1,113.6	1,008.9	1,003.0
10.	Total liabilities, M€	**2,126.2**	2,106.2	1,885.7	1,876.6	2,165.8	2,163.8
11.	Interest-bearing liabilities, M€	**1,736.2**	1,754.8	1,572.6	1,597.8	1,828.3	1,828.3
12.	Interest-bearing net liabilities, M€	**1,706.1**	1,728.4	1,545.6	1,568.7	1,812.3	1,812.3
Profitability and financing key figures							
13.	Return on investment, %	**8.0**	7.7	7.9	-0.4	4.4	4.7
14.	Return on shareholders' equity (ROE), %	**8.6**	9.5	10.4	-7.7	3.0	2.7
15.	Equity ratio, %	**39.8**	37.9	39.0	37.3	31.9	31.8
16.	Debt equity ratio, %	**124.4**	137.0	131.0	143.5	181.2	182.3
17.	Gearing, %	**122.3**	134.9	128.7	140.9	179.6	180.7
Other key figures							
18.	Gross expenditure on non-current assets, M€	**147.8**	269.9	83.1	61.3	502.6	502.6
19.	% of total revenue	**55.9**	108.7	35.8	25.2	228.8	228.8

[1]) 2008 figures adjusted following adopting of IAS 23

Key figures per share

Key figures per share			31 Dec, 2012	31 Dec, 2011	31 Dec, 2010	31 Dec, 2009	31 Dec, 2008 [2])	31 Dec, 2008
20.	Earnings per share attributable to parent company equity holders, € (EPS)		**0.37**	0.39	0.40	-0.40	0.13	0.09
21.	Shareholders' equity per share, €		**4.27**	4.06	3.86	3.54	4.93	4.90
22.	Dividend, €	[1])	**0.17**	0.16	0.15	0.12	0.00	0.00
23.	Payout ratio, %	[1])	**45.58**	41.15	37.12	-29.83	0.00	0.00

24.	Effective dividend yield, %	1)	**4.72**	5.13	3.87	4.40	0.00	0.00
25.	P/E ratio, %		**9.65**	8.02	9.60	-6.79	14.69	12.89
26.	Lowest and highest share prices, €		**2.72/ 3.75**	2.64/ 4.17	2.42/ 3.88	1.87/ 3.93	1.45/ 5.46	1.45/ 5.46
27.	Average share price, €		**3.17**	3.39	3.07	2.57	3.38	3.38
28.	Closing share price, €		**3.60**	3.12	3.88	2.73	1.93	1.93
29.	Market capitalization, M€		**1,019.1**	883.2	1,077.0	757.8	344.2	344.2
30.	Share turnover, million shares		**115.2**	141.9	136.8	233.1	108.9	108.9
31.	Share turnover, %		**40.7**	50.4	49.3	119.0	98.1	98.1
32.	Weighted average of basic and diluted total number of shares, million shares		**283.1**	281.3	277.6	230.6	178.0	178.0
33.	Weighted average of basic and diluted total number of shares at the end of the year, million shares		**283.1**	283.1	277.6	277.6	178.0	178.0
34.	Direct result per share, €		**0.29**	0.27	0.27	0.29	0.22	-
35.	Indirect result per share, €		**0.11**	0.15	0.17	-0.65	-0.05	-
36.	Cash flow from operations per share, €		**0.40**	0.37	0.37	0.45	0.78	0.78

1) Proposal of the Board of Directors

2) 2008 figures adjusted following adopting of IAS 23

EPRA key figures

EPRA key figures		**31 Dec, 2012**	**31 Dec, 2011**	**31 Dec, 2010**	**31 Dec, 2009**	**31 Dec, 2008 1)**	**31 Dec, 2008**
37.	EPRA Earnings, M€	**82.9**	75.4	74.0	67.4	38.9	-
38.	EPRA Earnings per share ,€	**0.29**	0.27	0.27	0.29	0.22	-
39.	EPRA NAV, M€	**1,450.3**	1,369.5	1,274.5	1,159.9	1,074.6	-
40.	EPRA NAV per share, €	**5.12**	4.84	4.59	4.18	6.04	6.01
41.	EPRA NNNAV, M€	**1,175.6**	1,132.1	1,078.6	1,005.2	907.9	-
42.	EPRA NNNAV per share, €	**4.15**	4.00	3.89	3.62	5.10	-
43.	EPRA Net Initial Yield (NIY), %	**6.61**	6.39	6.37			
44.	EPRA "topped-up" NIY, %	**6.63**	6.40	6.38			
45.	EPRA Vacancy rate, %	**11.9**	11.8	12.0	13.4	11.5	11.5

1) 2008 figures adjusted following adopting of IAS 23

EPRA Earnings

Sponda's result includes several non-operating items. These items are primarily the result of the nature of Sponda's business and the IFRS reporting obligations. In order to facilitate the monitoring of the operating result, Sponda presents the Group's operating result and operating result per share in accordance with EPRA recommendations. The operating result illustrates the result from the Group's core business operations. The operating result is calculated by adjusting the Group's result by, inter alia, changes in the fair values of properties and financial instruments, capitalized borrowing costs, gains and losses on sales, impairment on goodwill and other income and expenses considered by the company to be non-operating items.

In addition to the operating result, Sponda presents the non-operating result and the non-operating result per share. The calculation includes the aforementioned income statement items considered by the company to be non-operating items.

EPRA Earnings, M€	31 Dec, 2012	31 Dec, 2011	31 Dec, 2010	31 Dec, 2009	31 Dec, 2008
Net operating income	**192.2**	179.4	168.7	175.8	162.1
Realised gains from real estate funds	**7.5**	5.0	5.6	5.8	4.7
Marketing and administration	**-22.8**	-23.1	-20.4	-22.0	-24.2
Other operating income and expenses	**0.3**	0.0	-1.0	-1.1	0.0
Financial income and expenses	**-67.9**	-69.0	-58.0	-68.7	-87.3
Taxes based on direct result	**-3.9**	-3.0	-1.8	-3.2	-1.3
Deferred taxes on operating result	**-22.4**	-14.0	-19.2	-19.1	-15.2
Operating share of non-controlling shareholders	**0.0**	0.0	0.0	0.0	0.0
Total	**82.9**	75.4	74.0	67.4	38.9
EPRA Earnings per share, €	**0.29**	0.27	0.27	0.29	0.22

Indirect result, M€	31 Dec, 2012	31 Dec, 2011	31 Dec, 2010	31 Dec, 2009	31 Dec, 2008
Profit/loss on sales of investment properties	**2.5**	7.2	5.8	0.3	12.1
Valuation gains/losses	**25.5**	34.6	38.8	-175.1	-44.9
Amortization of goodwill	**0.0**	0.0	0.0	0.0	-13.0
Profit/loss on sales of trading properties	**5.2**	0.7	19.4	4.0	21.5
Change in fair value of trading property	**0.0**	-1.8	0.0	0.0	0.0
Other operating income and expenses	**0.0**	7.5	-0.8	-1.0	-1.0
Financial income and expenses	**9.2**	-6.6	-0.5	3.7	12.2
Taxes based on indirect result	**0.2**	-0.2	-1.8	0.0	0.0
Deferred taxes on non-operating result	**-10.6**	-11.1	-14.5	19.0	3.4
Change in tax base of deferred taxes	**0.0**	12.0	0.0	0.0	0.0
Non-operating share of non-controlling shareholders	**0.0**	0.0	0.0	0.1	0.1
Total	**32.0**	42.4	46.6	-148.9	-9.6
EPS, basic and diluted, indirect result, €	**0.11**	0.15	0.17	-0.65	-0.05

EPRA NIY and "topped-up" NIY

The EPRA Net Initial Yield NIY and "topped-up" NIY represent the annual net yield on investment property on the date of closing the books.

The annual computational net yield is the annualised rental yield for the month of closing the books adjusted by the effect of known rent increases on the following year's yield deducted by the predicted 12-month maintenance costs of comparable properties.

The annual computational adjusted net yield is calculated by making an adjustment to the annual computational net yield in respect of the annualised effect of rent-free periods and graded rents for the coming year.

M€	31 Dec, 2012	31 Dec, 2011	31 Dec, 2010
Investment properties	**3,261.3**	3,165.7	2,870.6
Developments	**-537.9**	-480.7	-534.5
Yield-producing investment properties	**2,723.4**	2,685.0	2,336.1
Estimated buyer's expenses	**43.6**	43.0	37.4

Adjusted value of investment properties	B	**2,767.0**	2,728.0	2,373.5
Annual computational net yield	A	**182.8**	174.4	151.2
Graded rents, rent-free periods etc.		**0.5**	0.2	0.2
Annual computational adjusted net yield	C	**183.3**	174.6	151.4
EPRA NIY	A/B	**6.61 %**	6.39 %	6.37 %
EPRA "topped-up" NIY	C/B	**6.63 %**	6.40 %	6.38 %

Formulas used in the calculation of key figures

Income statement key figures

3.	Operating profit/loss margin	=	100 x	Operating profit/loss
				Total revenue
6.	Profit/loss margin	=	100 x	Profit/loss
				Total revenue
7.	Direct result, M€	=	Net operating income	
			+ Realised gains from real estate funds	
			- Marketing and administration expenses	
			+/- Other operating income and expenses	
			+/- Operating financial income and expenses	
			+/- Taxes based on operating result	
			+/- Change in deferred taxes based on operating items	
			+/- Operating share of non-controlling shareholders	
8.	Indirect result, M€	=	+/- Gains/losses on sales of investment properties	
			+/- Gains/losses on fair value assessment	
			- Impairment on goodwill	
			+/- Gains/losses on sale of trading properties	
			+/- Other non-operating income and expenses	
			+/- Non-operating financial income and expenses	
			+/-Taxes based on non-operating result	
			+/- Deferred taxes based on non-operating result	
			+/- Non-operating share of non-controlling shareholders	

Balance sheet key figures

12.	Interest-bearing net liabilities, M€	=	Interest-bearing financial liabilities - Financial assets

Profitability and financing key figures

13.	Return on investment, %	=	100 x	Profit before taxes + interest and other financial expenses
				Balance sheet total - non-interest-bearing liabilities (average during the period)
14.	Return on shareholders' equity (ROE), %	=	100 x	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)
15.	Equity ratio, %	=	100 x	Shareholders' equity
				Balance sheet total - advances received
16.	Debt equity ratio, %	=	100 x	Interest-bearing loans and borrowings
				Shareholders' equity
17.	Gearing, %	=	100 x	Interest-bearing liabilities - cash and cash equivalents
				Shareholders' equity

Key figures per share

20.	Earnings per share, €	=	Earnings per share attributable to parent company equity holders - interest on hybrid loan
			Weighted average number of shares outstanding during the period
21.	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
23.	Payout ratio, %	=	100 x Dividend per share
			Earnings per share
24.	Effective dividend yield, %	=	100 x Dividend per share
			Share price at year end
25.	P/E ratio, %	=	Share price at year end
			Earnings per share
27.	Average share price, €	=	Value of trading volume
			Volume traded
29.	Market capitalization, M€	=	Number of shares at year end x share price at year end
34.	Direct result per share, €	=	Operating result
			Weighted average number of shares outstanding during the period
35.	Indirect result per share, €	=	Non-operating result
			Weighted average number of shares outstanding during the period

36.	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

Formulas used in the calculation of EPRA key figures

37.	EPRA Earnings, M€	=	See formula 7, Operating result
38.	EPRA Earnings per share, €	=	See formula 34, Operating result per share
39.	EPRA NAV, €	=	Equity attributable to parent company equity holders
			- Other equity reserve
			+ Deferred tax liabilities resulting from the assessment of fair value
			- Goodwill created from the deferred tax liabilities on properties
40.	EPRA NAV per share, €	=	EPRA NAV
			Undiluted total number of shares on the date of closing the books
41.	EPRA NNNAV, M€	=	EPRA NAV
			- Deferred tax liabilities resulting from the assessment of fair value of properties
			+/- Difference between the fair value and balance sheet value of liabilities
42.	EPRA NNNAV per share, €	=	EPRA NNNAV
			Undiluted total number of shares on the date of closing the books
43.	EPRA Net Initial Yield (NIY), %	=	Annual computational net yield
			Investment properties
			- Development properties
			+ Estimated buyer's expenses
44.	EPRA "topped-up" NIY, %	=	Adjusted annual computational net yield
			Investment properties
			- Development properties
			+ Estimated buyer's expenses

EPRA BPR additional information

EPRA like-for-like net rental growth	2012, M€						2011, M€					
	Owned 2 yrs	**Pur-chase**	**Sales**	**Devel-opment and other**	**Currency rate effect [1]**	**Total**	**Owned 2 yrs**	**Pur-chase**	**Sales**	**Devel-opment and other**	**Currency rate effect [1]**	**Total**
Office and retail premises	88.6	11.1	1.0	4.2	0.0	104.9	88.0	7.0	0.2	0.4	0.0	95.6
Shopping centres	20.8	0.7	0.0	11.0	0.0	32.3	14.0	1.1	0.0	16.6	0.0	31.7
Logistics	19.5	-0.1	2.6	6.8	0.0	28.7	23.1	0.0	1.2	4.3	0.0	28.6
Russia	19.4	1.8	0.0	0.1	1.2	22.2	19.1	0.0	0.0	-0.1	-0.1	18.9
MATCHING						0.0						0.0
Total above						**188.1**						**174.8**
Property development segment						-1.1						-0.5
Real estate funds segment						5.2						5.0
Other difference						0.0						0
In Sponda's consolidated income statement						**192.2**						**179.4**

[1]) Fixed rate, closing rate of the comparison period

Calculations based on per-property level

Purchases	Properties whose shares have been acquired during the reporting period or comparison period
Sales	Properties whose shares have been sold during the reporting period or comparison period
Development and other	Properties where development or modernisation investments have been made to the extent that net yield is not fully comparable with the previous year
	Also includes transfers between segments and other events with possible tax impacts
Exchange rate change	Roubles translated to euros using the exchange rate on the last day of the period.

Like-for-like net yield increase and corresponding investment assets	**M€**	**%**	**Comparable investment properties, M€**
Office and retail premises	4.4	0.1	1,351.6
Shopping centres	-2.4	-0.1	353.3
Logistics	-0.7	0.0	325.2
Russia	0.7	0.0	211.4

VALUATION DATA	**Investment properties, M€**	**Valuation change, M€**	**EPRA Net Initial yield, %**
Office and retail premises	1,705.7	31.4	6.31
Shopping centres	736.7	-5.3	6.15
Logistics	414.4	-4.9	6.64
Property development	135.1	-2.6	N/A

Russia	269.4	6.4	9.23
Total	**3,261.3**	**24.9**	**6.61**

MATCHING	
Total above	3,261.3
Other difference	0.0
Group investment properties total	**3,261.3**

LEASE INFORMATION	Total revenue, M€	Net operating income, M€	Leasable area, m²	Paid rent, M€/year	Market rent, M€/kk	Economic vacancy rate, %	Rental level, €m²
Office and retail premises	143.9	104.9	763,000	144.0	11.2	10.61	18.2
Shopping centres	42.0	32.3	156,500	42.0	3.5	7.04	25.3
Logistics	42.3	28.7	485,000	40.8	4.0	24.42	9.0
Property development	1.2	-1.1	32,000	0.9	N/A	N/A	N/A
Russia	28.7	22.2	50,500	30.0	2.3	4.61	50.3
Total	**258.1**	**187.0**	**1,487,000**	**257.7**	**21.0**	**11.90**	**17.4**

MATCHING		
Total above	258.1	187.0
Real estate funds	6.5	5.2
Other difference	0.0	0.0
Consolidated income statement total	**264.6**	**192.2**

Financial statements

Sponda's financial statements have been prepared in accordance with the provisions of the Finnish Accounting Act, the Finnish Companies Act and the Finnish Securities Market Act.

- Consolidated financial statements
- Parent company financial statements
- Distribution of profit

Consolidated income statement

M€	**Note**	**1 Jan - 31 Dec, 2012**	**1 Jan - 31 Dec, 2011**
Total revenue	1 2 3		
Rental income and service charges		**257.8**	241.5
Interest income from finance leases		**0.3**	0.3
Fund management fees		**6.5**	6.4
		264.6	248.2
Expenses			
Maintenance expenses	4	**-71.1**	-67.5
Direct fund expenses		**-1.3**	-1.3
		-72.4	-68.8
Net operating income		**192.2**	179.4
Profit/loss on sales of investment properties	5	**2.5**	7.2
Valuation gains and losses	14	**33.0**	39.6
Profit/loss on sales of trading properties	23	**5.2**	0.7
Change in fair value of trading property	23	**0.0**	-1.8
Sales and marketing expenses		**-2.0**	-1.6
Administrative expenses	8 9 10	**-20.9**	-21.5
Share of results of associated companies	20	**0.0**	-0.1
Other operating income	6	**0.4**	8.2
Other operating expenses	7	**-0.1**	-0.6
Operating profit		**210.3**	209.6
Financial income	11	**35,9**	14.0
Financial expenses	11	**-94.6**	-89.6
Net financing costs		**-58.8**	-75.6
Profit before taxes		**151.6**	134.0

Income taxes for current and previous periods		**-3.7**	-3.1
Deferred taxes		**-33.0**	-25.1
Change in tax base of deferred taxes		**0.0**	12.0
Income taxes total	12	**-36.7**	-16.2
Profit for the period		**114.9**	117.8
Attributable to:			
Equity holders of the parent company		**114.9**	117.8
Non-controlling interest		**0.0**	0.0
Profit for the period		**114.9**	117.8
Basic and diluted earnings per share attributable to parent company equity holders, €	13	**0.37**	0.39
Average number of shares, basic and diluted, million	13	**283.1**	281.3

Consolidated statement of comprehensive income

M€	Note	1 Jan - 31 Dec, 2012	1 Jan - 31 Dec, 2011
Profit/loss for period		**114.9**	117.8
Other comprehensive income			
Net loss/profit from hedging cash flow		**-3.1**	-11.9
Translation difference		**0.1**	0.0
Taxes on comprehensive income	12	**0.8**	2.4
Other comprehensive income for period after taxes		**-2.1**	-9.5
Comprehensive profit/loss for period		**112.8**	108.3
Allocation of comprehensive profit/loss for period:			
Equity holders of parent company		**112.8**	108.3
Non-controlling interest		**0.0**	0.0

Consolidated balance sheet

M€		Note	31 Dec, 2012	31 Dec, 2011
Assets				
Non-current assets				
Investment properties		14	**3,261.3**	3,165.7
Investments in real estate funds		15	**83.6**	65.5
Property, plant and equipment		16	**12.5**	13.1
Goodwill		17	**14.5**	14.5
Other intangible assets		18	**0.7**	0.6
Finance lease receivables		19	**2.7**	2.7
Investments in associated companies		20	**0.0**	0.0
Other investments	21	31.1	**21.4**	5.2
Deferred tax assets		22	**38.3**	43.8
Total non-current assets			**3,435.0**	3,311.1
Current assets				
Trading properties		23	**7.8**	7.9
Trade and other receivables	24	31.1	**48.9**	41.9
Cash and cash equivalents	25	31.1	**30.1**	26.4
Total current assets			**86.7**	76.1
Total assets			**3,521.8**	3,387.3
Equity and liabilities				
Equity attributable to equity holders of the parent company				
Share capital			**111.0**	111.0
Share premium reserve			**159.5**	159.5
Translation difference			**0.7**	0.5
Fair value reserve			**-32.3**	-30.0
Revaluation reserve			**0.6**	0.6
Invested non-restricted equity reserve			**433.8**	433.8
Other equity fund			**186.1**	129.0
Retained earnings			**534.4**	475.0
			1,393.8	1,279.4
Non-controlling interests			**1.7**	1.7
Total shareholders' equity		26	**1,395.6**	1,281.1
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	27	31	**1,460.3**	1,380.8

Other liabilities		31.1	**37.5**	39.7
Deferred tax liabilities		22	**258.6**	235.7
Total non-current liabilities			**1,756.5**	1,656.2
Current liabilities				
Current interest-bearing loans and borrowings	29	31	**275.9**	374.1
Trade and other payables	30	31.1	**93.9**	75.9
Total current liabilities			**369.7**	449.9
Total liabilities			**2,126.2**	2,106.2
Total equity and liabilities			**3,521.8**	3,387.3

Consolidated statement of cash flows

M€	Note	1 Jan - 31 Dec, 2012	1 Jan - 31 Dec, 2011
Cash flow from operating activities			
Profit for the period		**114.9**	117.8
Adjustments	1	**67.8**	44.5
Change in net working capital	2	**-2.4**	6.7
Interest received		**1.2**	1.4
Interest paid		**-66.6**	-66.8
Other financial items		**2.4**	-3.0
Dividends received		**0.0**	0.0
Dividends received from associated companies		**-**	1.5
Taxes received/paid		**-4.5**	-3.0
Net cash flow from operating activities		**112.8**	99.2
Cash flow from investing activities			
Acquisition of investment properties	3	**-114.9**	-226.6
Capital expenditure on real estate funds		**-18.4**	-10.1
Acquisition of property, plant and equipment and intangible assets		**-0.3**	-0.3
Proceeds from sale of investment properties	4	**57.3**	5.9
Disposal income from affiliated companies		**-**	8.2
Proceeds from sale of intangible and tangible assets		**0.9**	0.0
Repayments of loan receivables		**0.2**	0.0
Net cash flow from investment activities		**-75.3**	-222.9
Cash flow from financing activities			
Payment received from hybrid bond		**93.7**	-
Non-current loans, raised		**235.0**	757.4
Repurchase of hybrid bond	5	**-37.9**	-
Non-current loans, repayments		**-298.9**	-782.1
Current loans, raised/repayments		**31.8**	201.3
Interest paid on hybrid bond		**-12.8**	-11.4
Dividends paid		**-45.3**	-41.6
Net cash flow from financing activities		**-34.4**	123.6
Change in cash and cash equivalents		**3.2**	-0.1
Cash and cash equivalents, beginning of period		**26.4**	27.0
Impact of changes in exchange rates		**0.5**	-0.4

Cash and cash equivalents, end of period		**30.1**	26.4

Notes to the statement of cash flows		**1 Jan - 31 Dec, 2012**	**1 Jan - 31 Dec, 2011**
1.	**Adjustments**		
	Proceeds and losses from sale of investment properties	**-2.5**	-7.2
	Valuation gains and losses	**-25.5**	-34.6
	Gains on transfers of trading properties under IFRS 40	**0.0**	0.0
	Change in fair value of trading property	**-**	1.8
	Financial income and expenses	**58.8**	75.6
	Income taxes	**36.7**	16.2
	Share of results of associated companies	**-**	0.1
	Other adjustments	**0.4**	-7.4
	Adjustments, total	**67.8**	44.5
2.	**Specification of change in net working capital**		
	Change in trading properties	**0.6**	0.1
	Changes in current receivables	**-6.0**	3.4
	Changes in non-interest-bearing current liabilities	**3.0**	3.3
	Change in net working capital	**-2.4**	6.7
3.	**Acquisition of investment properties**		
	Acquisition of subsidiaries		
	Acquisition cost of companies	**53.7**	119.1
	Cash and cash equivalents of acquired companies at acquisition date	**-0.9**	0.0
	Cash flow from acquisitions less cash and cash equivalents of acquired companies	**52.8**	119.1
	Acquired properties	**-**	-
	Other acquisitions of investment properties	**62.1**	107.5
	Total acquisition of investment properties	**114.9**	226.6
	Assets and liabilities of acquired subsidiaries		
	Net working capital	**-0.9**	0.2
	Total non-current assets	**53.7**	142.3
	Interest-bearing liabilities	**-**	-0.2
	Non-interest-bearing liabilities	**-**	-1.1
	Net total of assets and liabilities of acquired subsidiaries	**52.8**	141.1
	Special issue to the vendor related to the acquisition of the Fennia block	**-**	-22.0
	Cash flow from acquisitions less cash and cash equivalents of acquired companies	**52.8**	119.1
4.	**Proceeds from sale of investment properties**		

	Proceeds from sale of subsidiaries		
	Proceeds	**57.4**	5.9
	Cash and cash equivalents of sold subsidiaries	**-0.2**	0.0
	Proceeds from sale of subsidiaries	**57.3**	5.9
	Other proceeds from sale of investment properties	**-**	-
	Total proceeds from sale of investment properties	**57.3**	5.9

	Assets and liabilities of sold subsidiaries		
	Net working capital	**0.4**	0.0
	Investment properties	**54.4**	5.2
	Sales gain / loss	**2.5**	0.7
	Net total of assets and liabilities of sold subsidiaries	**57.3**	5.9

5.	**The repurchase of the equity bond includes a premium of EUR 0.7 million.**

Consolidated statement of changes in equity

M€	Note	Share capital	Share premium reserve	Translation difference	Fair value reserve	Revaluation reserve	Invested non-restricted equity reserve	Other equity reserve	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 January, 2011		**111.0**	**159.5**	**0.6**	**-20.6**	**0.6**	**412.0**	**129.0**	**407.0**	**1,199.1**	**1.7**	**1,200.8**
Comprehensive income												
Net income for the period									117.8	117.8	0.0	117.8
Other comprehensive income (net of tax)												
Cash flow hedges	12				-9.4					-9.4		-9.4
Translation differences	12			-0.1						-0.1		-0.1
Comprehensive income, total				**-0.1**	**-9.4**				**117.8**	**108.3**		**108.3**
Transactions with shareholders												
Share issue							21.7			21.7		21.7
Dividend payment	26								-41.6	-41.6		-41.6
Transactions with shareholders, total							**21.7**		**-41.6**	**-19.9**		**-19.9**
Interest paid on hybrid bond	26 32								-8.4	-8.4		-8.4
Change									0.3	0.3		0.3
Equity 31 December, 2011		**111.0**	**159.5**	**0.5**	**-30.0**	**0.6**	**433.8**	**129.0**	**475.0**	**1,279.4**	**1.7**	**1,281.1**

M€	Note	Share capital	Share premium reserve	Translation difference	Fair value reserve	Revaluation reserve	Invested non-restricted equity reserve	Other equity reserve	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 January, 2012		**111.0**	**159.5**	**0.5**	**-30.0**	**0.6**	**433.8**	**129.0**	**475.0**	**1,279.4**	**1.7**	**1,281.1**
Comprehensive income												
Net income for the period									114.9	114.9	0.0	114.9
Other comprehensive income (net of tax)												
Cash flow hedges	12				-2.3					-2.3		-2.3

Translation differences		12			0.2						0.2		0.2
Comprehensive income, total					**0.2**	**-2.3**				**114.9**	**112.8**		**112.8**
Transactions with shareholders													
Dividend payment		26								-45.3	-45.3		-45.3
Transactions with shareholders, total										**-45.3**	**-45.3**		**-45.3**
Issuance of hybrid bond	26	31							94.0		94.0		94.0
Repurchase of hybrid bond	26	31							-36.9	-0.6	-37.5		-37.5
Interest paid on hybrid bond	26	32								-9.7	-9.7		-9.7
Change										0.1	0.1		0.1
Equity 31 December, 2012			**111.0**	**159.5**	**0.7**	**-32.3**	**0.6**	**433.8**	**186.1**	**534.4**	**1,393.8**	**1.7**	**1,395.6**

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 the 1st of February 2013, 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.

Accounting policies

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 2012. 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 (EC) 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) (www.epra.com).

The consolidated financial statements have been prepared in euros and are presented in millions of euros rounding to the nearest 0.1 million. The consolidated financial statements are prepared on the historical cost basis except for investment properties, investments in real estate funds and certain financial instruments, which are measured at fair value. All figures have been rounded, so the sum of the individual figures may differ from the total amount presented.

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'.

New and revised standards and interpretations

The Group has adopted the following revised or amended standards from 1 January 2012 onwards.

- Amendments to IFRS 7 Financial Instruments: Disclosures (effective for financial periods beginning on or after 1 July 2011): The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial instruments and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment has not had a material effect on the consolidated financial statements.
- Amendments to IAS 12 Income Taxes (effective for financial periods beginning on or after 1 January 2012): The amendment relates to the presumption used in the recognition of deferred taxes. According to the amendment, the carrying amount of investment properties measured

at fair value is assumed to be mainly recovered through the sale of the asset in the future instead of through continuing use. The amendment has not had a material effect on 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. Mutual in-Group holdings have been eliminated by the acquisition method. The consideration transferred and the detailed assets and accepted liabilities of the acquired company are measured at fair value. Goodwill is recorded as the sum of consideration transferred, interest of non-controlling shareholders in the acquiree and previously held interest in the acquiree minus the fair value of the acquired net assets.

Acquisitions that do not fall within the definition of a business are 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. Acquisitions of investment property classified as assets do not involve the transfer of business processes or employees.

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.

Joint ventures and mutual real estate companies whose shares carry entitlement to control over specified premises, and in which the Group's holding is less than 100 per cent, are consolidated in the Group's financial statements 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).

The consolidated financial statements contain the Group's share of the assets, liabilities, gains and losses of 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, i.e. 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 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 are discounted from the midpoint of each accounting year to the assessment date and the terminal value is discounted from the end of the previous accounting period to the assessment date. The terminal value is calculated by 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 Property Information Ltd.

The company adopted the mid-period convention for discounting cash flow instead of the previously used end-of-year method. This change in estimation accounts for the timing of cash flow better and corresponds with the prevailing market practice. The new discounting convention resulted in changes to the calculations made for properties. The impact of the change was reviewed for all properties and the effect has been balanced by adjusting the yield requirements of properties so that the total change remains within the 1.0% rate of precision set for estimates.

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

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.

Development projects in which a new building or extension to a building is being constructed and that are unfinished at the balance sheet date are valued in accordance with IAS 40 Investment Properties at fair value.

The risk arising from the incomplete state of the property – which refers to the risk relating to construction costs, the construction schedule, financial costs and the yield requirement of the potential buyer of the unfinished property – is taken into account when determining the fair value of an unfinished property by not 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.

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. Investments in real estate funds are measured at fair value. The change in fair value is recorded in the income statement under “Valuation gains/losses on fair value assessment”.

An external consultant assesses the fair value of properties held by the real estate funds at least once a year.

Property, plant and equipment

Property, plant and equipment comprises land areas, office premises, equipment and furniture in company use, other tangible assets and advance payments and incomplete acquisitions. These are valued at their original acquisition cost, less accumulated depreciation and possible impairment losses, adding capitalized costs related to modernization work.

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 3–20 years
- Office machinery and furniture, vehicles 10 years

Goodwill and other intangible assets

Goodwill is recorded as the sum of consideration transferred, interest of non-controlling shareholders in the acquiree and previously held interest in the acquiree minus the fair value of the acquired net assets. 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 computer software recorded at acquisition cost and amortized on a straight-line basis over 3 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 profit or loss under profit/loss on sales of trading assets.

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.

Equity

Equity shares are presented as share capital. Costs relating to the issue or acquisition of Sponda's own shares are presented as a deductible item under equity. If Sponda Plc repurchases own equity instruments, the acquisition cost of such instruments is deducted from equity.

Hybrid bond

A hybrid bond is a bond that is subordinated to the company's other debt instruments but is senior to other equity instruments. The interest on a hybrid loan is paid if the Annual General Meeting decides to pay a dividend. If 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.

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.

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 finance leases.

Revenue recognition principles

Sponda's revenue mainly consists of rental income from its investment properties, fund management fees and interest income.

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. Rental income tied to the tenant's net sales are recognized on the basis of the tenant's actual sales. Fees paid for lease assignments are allocated over the lease term.

Fees paid for fund management are allocated to the financial period during which the service has been provided.

Interest income is recognized using the effective interest rate method and dividend yield in the period in which the entitlement has occurred if the dividends are disclosed at this point. If not, they are recognized at payment date.

Total revenue

In Sponda, total revenue includes rental income and charges for consumption, interest income on finance leases and the fees for managing the real estate funds.

Expenses

Expenses include maintenance 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.

Actuarial gains and losses are recognized in profit or loss by the Projected Unit Credit Method for the remaining service of individuals to the extent to which they exceed the higher of the following: 10 per cent of the pension liability or 10 per cent of the fair value of assets.

Share-based payments

Sponda has had long-term executive incentive schemes since 2006, and key individuals within these schemes are entitled to a bonus determined on the basis of defined targets. The bonus in 2006–2009 was determined based on one-year reference periods. The scheme in force from the beginning of 2010 had two one-year vesting periods, namely the 2010 and 2011 calendar years, and two three-year vesting periods, 2010–2012 and 2011–2013. The scheme in force from the beginning of 2012 has three three-year vesting periods: 2012–2014, 2013–2015 and 2014–2016.

The payment of the bonus is conditional upon the achievement of set performance targets and the person's continued employment in the company. Taxes and statutory employer's contributions are deducted from the bonus, and the remaining sum is used to acquire Sponda's shares from the market. These shares may not be surrendered during a commitment period following the reference period, which is two years for the 1-year reference period and three years for the 3-year reference period.

The incentive schemes are accounted for as equity-settled share-based business transactions and recorded as personnel expenses on a straight-line basis over the vesting period. The counter-entry for the part paid in shares 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 and assets are recognized for all temporary differences between the book values and values for tax purposes of assets and liabilities, apart from the initial recognition of acquisitions of individual assets as referred to in IAS 12.15b, for which no deferred tax is recorded. A deferred tax asset is also not recorded where the fair value of an individual asset falls below the acquisition cost and a corresponding deferred tax liability has not been recorded for the original acquisition. In Sponda these acquired assets are typically investment property acquisitions which do not meet the criteria of business entities and are therefore classified as assets.

The most significant temporary difference in Sponda is the difference between the fair values 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

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

Voluntary change in accounting policies as of the beginning of 2013

Sponda will change its accounting principles with regard to IAS 12 Income Taxes on the basis of IAS 8 14 (b). According to the current accounting principle, Sponda evaluates the proportion of the carrying amount of an asset recognised at fair value on the balance sheet that will be recovered through use (e.g. rental revenue) and the proportion to be recovered through sale. Under the amendment, recovery of the carrying amount of investment properties valued at fair value will normally happen through sale and the company's principle will be to realise its shareholding in property companies by selling the shares it owns. The amendment will cause a significant effect on the deferred taxes recognised for investment properties in Sponda Group's consolidated financial statements.

New or amended IFRS standards and interpretations

The IASB has published the following new, revised and amended standards that have not yet been approved for application in the EU. The standards have not yet been adopted by the Group. They will be adopted on the date they become effective, or in the event that their effective date is not the first day of a financial year, at the beginning of the financial year following the effective date. Other published amendments to standards or interpretations are not expected to affect future consolidated financial statements.

IAS 1 Presentation of Financial Statements (amendment, effective for financial periods beginning on or after 1 July 2012): The most significant change concerns the grouping of other comprehensive income items based on whether they are potentially reclassifiable to profit or loss at a later date, subject to certain conditions being met. The amendments only affect the presentation of the consolidated financial statements.

IAS 19 Employee Benefits (amendment, effective for financial periods beginning on or after 1 January 2013): The amendment requires immediate recognition of actuarial gains and losses in other comprehensive income items, discontinuing the use of the corridor method and measuring finance cost based on net interest. Discontinuing the use of the corridor method will have an effect on the calculation of the Group's benefit schemes, but the Group does not expect the effect to be significant.

IFRS 13 Fair Value Measurement (effective for financial periods beginning on or after 1 January 2013): IFRS 13 includes requirements on fair value measurement and the disclosure of related information in financial statements. The standard does not extend the use of fair value, but provides a framework for situations where another standard requires or permits fair value measurements. The new standard is expected to have some effect on the consolidated financial statements, mainly in the form of new notes to financial statements.

Amendment to IFRS 7 Financial Instruments: Disclosures (effective for financial periods beginning on or after 1 January 2013): The amendment provides more specific requirements for the presentation of information regarding financial instruments reported in net amounts, as well as general netting arrangements and similar agreements. The revised standard is not expected to have a material effect on the consolidated financial statements.

Annual Improvements to IFRSs 2009–2011 [*)], May 2012 (effective for financial periods beginning on or after 1 January 2013). Minor and non-urgent amendments to the standards made through the Annual Improvements procedure are compiled and implemented once a year. The amendments under the project concern five standards in total. The impacts of these amendments vary from one standard to another, but they are not expected to have a material effect on the consolidated financial statements.

New and revised standards governing the preparation of consolidated financial statements (effective for financial periods beginning on or after 1 January 2014):

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures

IFRS 10 defines control as the key factor in determining whether an entity should be included in consolidated financial statements and provides additional instructions for defining control in circumstances where its assessment is difficult. IFRS 11 emphasises the importance of the rights and obligations arising from joint arrangements in accounting rather than the legal structure of such arrangements. The standard also requires the equity method to be used in reporting on joint ventures in place of the previously allowed proportionate consolidation method. IFRS 12 covers the disclosure of information regarding interests in other entities, including subsidiaries, joint arrangements, special purpose entities and unconsolidated structured entities. The effects of the new standards on the consolidated financial statements will be assessed in the coming period. The revised IAS 27 and IAS 28 standard is not expected to have a material effect on the consolidated financial statements.

Amendments to IAS 32 Financial Instruments: Presentation *) (effective for financial periods beginning on or after 1 January 2014): The amendments provide clarifications on the application of requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendment is not expected to have a material effect on the consolidated financial statements.

IFRS 9 Financial Instruments *) and amendments (effective for financial periods beginning on or after 1 January 2015): Originally scheduled for implementation in three phases, the project is intended to replace IAS 39 Financial Instruments: Recognition and Measurement. The changes implemented in the first phase (published in November 2009) concern the classification and measurement of financial assets. Financial assets are divided into two categories based on the measurement method: those measured at amortised cost and those measured at fair value. The classification depends on the company's business model and the characteristics of contract-based cash flows. The changes published in October 2010 concern the classification and measurement of financial liabilities, with most of the requirements carried forward unchanged from IAS 39. The remaining phases of IFRS 9 cover the impairment of financial assets and general hedge accounting. IASB will also propose certain further changes to the classification and measurement of financial assets. The provisions on macro hedge accounting have been decoupled from IFRS 9 into a separate project. As the IFRS 9 project is still ongoing, it is too early to assess the standard's impact on the consolidated financial statements. The effects of the new standard on the consolidated financial statements will be assessed in future periods.

*) Standard has not yet been approved for application in the EU.

Accounting policies requiring management's judgement 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 judgment, 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.

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 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 book values and the carrying amounts for tax purposes of assets and liabilities, apart from the initial recognition of acquisitions of individual assets as referred to in IAS 12.15b, for which no deferred tax is recorded. A deferred tax asset is also not recorded where the fair value of an individual asset falls below the acquisition cost and a corresponding deferred tax liability has not been recorded at the time of the original acquisition. Management has exercised judgment such that individual acquisitions of investment properties at Sponda are classified as acquired assets, since a single property and its lease agreements do not form a business entity. To constitute a business entity they would require related marketing and development activities as well as management of tenancies, property repairs and renovation. Acquisitions of investment property classified as assets do not involve the transfer of business processes or employees.

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.

Notes to the consolidated financial statements

1. Segment information

Segment information is presented according to the Group's operational and geographical segments. The primary form of segment reporting is based on operational segments.

Operational segments are based on the Group's internal organisational structure and internal financial reporting. Segments are based on different types of business premises and services as well as geographical areas. Results and the fair value changes of properties are reported to Sponda's Board of Directors and Executive Board according to the following segments: Office and Retail Properties, Shopping Centres, Logistics Properties, Property Development, Real Estate Funds and Russia.

Sponda's Board of Directors and Executive Board assess the profitability of each segment based on net operating income, operating profit and occupancy rate. The Board of Directors and Executive Board also monitor other key figures such as investments by segment.

Each segment's assets comprise items that are directly attributable to segments such as investment and trading properties, investments in real estate funds, goodwill and financial leasing receivables. Items not attributed to any segment comprise tax and financial items and items concerning the Group as a whole. These are presented under "Others" in the segment information. Investments include purchases of investment properties, investments in their development, renovation and tenant improvements and investments in real estate funds.

The Office 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 segment owns and manages holdings in retail, office and logistics properties through real estate funds. Figures for 2008-2006 adjusted for effect of share issue in 2009 in accordance with IAS. 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.

12/2012, M€	**Office & Retail**	**Shopping centres**	**Logistics**	**Property development**	**Russia**	**Real Estate Funds**	**Other**	**Group total**
Total revenue	143.9	42.0	42.3	1.2	28.7	6.5	0.0	264.6
Maintenance expenses and direct fund expenses	-39.0	-9.7	-13.6	-2.3	-6.5	-1.3	0.0	-72.4
Net operating income	**104.9**	**32.3**	**28.7**	**-1.1**	**22.2**	**5.2**	**0.0**	**192.2**
Profit on sales of investment properties	1.7	0.5	0.0	0.4	0.0	0.0	0.0	2.7
Loss on sales of investment properties	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	-0.2
Profit/loss on sales of trading properties	0.0	0.0	0.0	6.0	0.0	0.0	-0.7	5.2
Change in fair value of trading property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation gains and losses	31.4	-5.3	-4.9	-2.6	6.4	8.1	0.0	33.0
Administration and marketing expenses	-8.0	-1.8	-1.4	-3.4	-3.0	-5.3	0.0	-22.8
Other operating income and expenses	0.1	0.0	0.0	0.2	0.0	0.0	0.0	0.3
Operating profit	**130.0**	**25.7**	**22.4**	**-0.6**	**25.7**	**8.0**	**-0.7**	**210.3**
Financial income and expenses							-58.8	-58.8
Profit before taxes							**-59.5**	**151.6**
Income taxes							-36.7	-36.7
Profit for the period							**-96.2**	**114.9**
Investments	45.9	21.4	1.8	21.5	38.4	18.4	0.4	147.8
Segment assets	1,708.4	736.7	414.4	149.6	269.4	83.6	159.7	3,521.8
Economic occupancy rate	89.4	93.0	75.6		95.4			88.1

12/2011, M€	Office & Retail	Shopping centres	Logistics	Property development	Russia	Real Estate Funds	Other	Group total
Total revenue	132.8	40.4	42.0	1.5	25.1	6.4	0.0	248.2
Maintenance expenses and direct fund expenses	-37.2	-8.8	-13.4	-2.0	-6.1	-1.4	0.0	-68.8
Net operating income	**95.6**	**31.7**	**28.6**	**-0.5**	**18.9**	**5.0**	**0.0**	**179.4**
Profit on sales of investment properties	0.3	0.0	0.0	6.9	0.0	0.0	0.0	7.2
Loss on sales of investment properties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss on sales of trading properties	0.4	0.0	0.0	0.3	0.0	0.0	0.0	0.7
Change in fair value of trading property	0.0	0.0	0.0	-1.8	0.0	0.0	0.0	-1.8
Valuation gains and losses	10.5	5.3	8.4	-5.7	20.4	0.6	0.0	39.6
Administration and marketing expenses	-7.6	-1.6	-1.5	-3.8	-2.8	-5.9	0.0	-23.1
Other operating income and expenses	0.0	0.0	0.1	-0.3	0.0	0.0	7.8	7.6
Operating profit	**99.2**	**35.4**	**35.6**	**-4.8**	**36.6**	**-0.2**	**7.8**	**209.6**
Financial income and expenses							-75.6	-75.6
Profit before taxes							**-67.8**	**134.0**
Income taxes							-16.2	-16.2
Profit for the period							**-84.0**	**117.8**
Investments	178.7	23.5	17.9	39.9	0.4	10.2	0.1	269.9
Segment assets	1,646.7	586.1	449.0	276.5	224.6	65.5	138.9	3,387.3
Economic occupancy rate	88.4	94.1	78.1		98.7			88.2

2. Geographical areas

The geographical segments are Finland and Russia.

M€	2012	2011
Total revenue		
Finland	236.0	223.1
Russia	28.7	25.1
Group, total	**264.6**	**248.2**
Assets		
Finland	3,252.4	3,162.7
Russia	269.4	224.6
Group, total	**3,521.8**	**3,387.3**

3. Total revenue from properties

M€	2012	2011
Rental income and recoverables	257.8	241.5
Interest income from finance lease agreements	0.3	0.3
Fund management fees	6.5	6.4
Profit/loss on sale of investment properties	2.5	7.2
Profit/loss on sale of trading properties	5.2	0.7
Total	**272.3**	**256.1**

Rental income

The expected rental income from existing leases is:

M€	2013	2014-2017	2018-	Total
Expected rental income	232.7	565.3	442.1	1,240.1

M€	2012	2013-2016	2017-	Total
Expected rental income	222.2	540.6	477.9	1,240.7

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.

4. Maintenance expenses

The line 'Maintenance costs' in the income statement includes maintenance expenses of EUR 1.5 million (2011: EUR 1.3 million) for investment properties that have not accrued rental income during the year. Most of these investment properties are undeveloped.

5. Profit/loss on sale of investment properties

M€	2012	2011
Profit on sales	2.7	7.2
Loss on sales	-0.2	0.0
Total	**2.5**	**7.2**

6. Other operating income

M€	2012	2011
Share of bankruptcy estate	0.2	0.2
Other income	0.2	0.2
Income from the sales of fixed assets	0.0	7.8
Total	**0.4**	**8.2**

7. Other operating expenses

M€	2012	2011
Credit losses and uncertain receivables	0.0	0.3
Other expenses	0.1	0.3
Total	**0.1**	**0.6**

8. Auditor fees

M€	2012	2011
Authorised Public Accountants KPMG Oy		
Audit	0.2	0.2
Tax consultancy	0.0	0.0
Other services	0.1	0.2
Total	**0.3**	**0.4**

9. Employee benefit expenses and number of employees

M€	2012	2011
Management remuneration		
President and CEO	0.5	0.5
Other Executive Board members	1.1	1.1
Board of Directors	0.3	0.3
Share-based payments to management	1.6	1.4
Other wages and salaries	7.6	7.7
Defined benefit pension plans	0.1	0.0
Defined contribution pension plans	1.9	1.5
Other social security costs	0.6	0.4
Total	**13.5**	**13.0**

The President and CEO is paid a full salary. The salary and fees paid to Sponda Plc's President and CEO totalled EUR 503,000 (2011: 506,000). In addition, during the period the President and CEO was paid a bonus of EUR 173,000 (2011: 383,000) under the incentive scheme, based on the company's actual performance in 2011.

The members of Sponda Plc's Board of Directors are paid an annual fee and a fee for each meeting attended for the term ending at the 2013 Annual General Meeting. 40% of the annual fee is paid in the form of Sponda Plc shares acquired on the market. The Chairman of the Board was paid EUR 70,000 for the year (2011: 73,000), the Deputy Chairman EUR 45,000 (2011: 49,000) and the other members of the Board, in total, EUR 163,000 (2011: 173,000).

The President and CEO and the members of the Executive Board, seven people in total, participate in the long-term share-based incentive scheme for top management introduced on 1 January 2006. The purpose of the incentive scheme is to link the objectives of shareholders and key personnel to increase the company's shareholder value, increase the commitment of key personnel to the company and offer them a competitive bonus scheme based on share ownership.

The first incentive scheme covered the period from 2006 to 2008. The company also had an incentive scheme with the same terms in effect for the 2009–2011 period, but the Board of Directors of Sponda Plc decided to revise the incentive scheme adopted in 2009 by extending the vesting periods. The extension took effect in stages by 2012, reducing the proportion of one-year vesting periods each year and increasing the proportion of new three-year vesting periods correspondingly. The scheme comprised two one-year vesting periods, namely the 2010 and 2011 calendar years, and two three-year vesting periods, 2010–2012 and 2011–2013.

On 20 March 2012, the Board of Directors of Sponda Plc decided on the implementation of a new incentive scheme, effective from the beginning of 2012. The scheme comprises three three-year vesting periods, namely 2012–2014, 2013–2015 and 2014–2016.

The earning criteria for the vesting periods that began prior to 2012 were tied to cash flow per share and return on investment. The earning criteria for the 2012–2014 vesting period are tied to the Group’s cash flow from operations per share and return on investment. In addition, the Board of Directors will take into consideration the Group’s performance relative to the prevailing market conditions. The Board of Directors determines the targets for each vesting period separately.

The bonuses, less taxes and other employer contributions, are used to purchase company shares for the person on the open market. The shares may not be disposed of within a set period of their receipt. The duration of this period is two years for the one-year vesting periods and three years for the three-year vesting periods. The personnel covered by the scheme also have a continued obligation to hold shares received under the scheme at a minimum amount corresponding to their gross annual salary for the duration of their employment in the company.

The maximum annual fee under the incentive scheme is the recipient's gross annual pay at the time of payment. Gross annual pay refers to fixed basic salary excluding annual performance bonuses and the long-term incentive scheme.

The bonuses payable based on the 2010 and 2010–2012 vesting periods correspond, at a maximum, to the value of 684,471 shares in Sponda Plc (including the cash component of the bonuses). The bonuses payable based on the 2011 and 2011-2013 vesting periods correspond, at a maximum, to the value of 473,377 shares in Sponda Plc (including the cash component of the bonuses). The bonuses payable based on the 2012–2014 vesting period correspond, at a maximum, to the value of 392,082 shares in Sponda Plc (including the cash component of the bonuses).

Share-based incentive schemes					**Incentive scheme 2009-2011**	**Incentive scheme 2006-2008**
	Vesting period 2011-2013	Vesting period 2011	Vesting period 2010-2012	Vesting period 2010	Vesting period 2009	Vesting period 2008
Grant date	01/02/2011	01/02/2011	17/03/2010	17/03/2011	01/01/2009	01/01/2008
Issue date	01/01/2014	01/01/2012	01/01/2013	01/01/2011	01/01/2010	01/01/2009
Vesting period ends	31/12/2013	31/12/2011	31/12/2012	31/12/2010	31/12/2009	31/12/2008
Shares become free for disposal	31/12/2016	31/12/2013	31/12/2015	31/12/2012	31/12/2011	31/12/2010
Settled as	Shares and cash	Shares and cash	Shares and cash	Shares and cash	Shares and cash	Shares and cash

			Incentive scheme 2012-2014
	Vesting period 2014-2016	Vesting period 2013-2015	Vesting period 2012-2014
Grant date	20/03/2012	20/03/2012	20/03/2012
Issue date	01/01/2017	01/01/2016	01/01/2015

Vesting period ends	31/12/2016	31/12/2015	31/12/2014
Shares become free for disposal	31/12/2019	31/12/2018	31/12/2017
Settled as	Shares and cash	Shares and cash	Shares and cash

Share-based incentive schemes					**Incentive scheme 2009-2011**	**Incentive scheme 2006-2008**
Conditions	Vesting period 2011-2013	Vesting period 2011	Vesting period 2010-2012	Vesting period 2010	Vesting period 2009	Vesting period 2008
Non-market based conditions	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period
Other conditions	Shares may not be disposed for a period of three years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt.	Shares may not be disposed for a period of three years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt
Number of instruments granted*	-	77,025	174,956	150,811	146,255	114,900
Share price on date of granting, €	3.75	3.75	3.01	3.01	1.93	5.09
Share price on date of distribution, €*	-	3.32	3.60	3.79	2.71	2.84

Share-based incentive schemes			**Incentive scheme 2012-2014**
Conditions	Vesting period 2014-2016	Vesting period 2013-2015	Vesting period 2012-2014
Non-market based conditions	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period
Other conditions	Shares may not be disposed for a period of three years from date of receipt.	Shares may not be disposed for a period of three years from date of receipt.	Shares may not be disposed for a period of three years from date of receipt.
Number of instruments granted*	-	-	-
Share price on date of granting, €	3.36	3.36	3.36

Share price on date of distribution, €*			-	-	-

Changes in share bonus during the period:	2012	2011	2010	2009	2008
Share bonus granted at start of the period	342,736	411,966	335,768	218,280	103,380
Bonuses granted in the period	174,956	77,025	150,811	146,255	114,900
Bonuses forfeited during the period	-	-	-	-	-
Bonuses that became free for disposal during the period	150,811	146,255	74,613	28,767	-
Share bonuses granted at end of the period	366,881	342,736	411,966	335,768	218,280

* The 2012 figure is based on the management's estimate. Actual figures may differ from the estimates provided.

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).

The Director's Agreement stipulates the period of notice for the President and CEO as six months. In the event of the company terminating the Director's Agreement, the President and CEO is entitled to compensation equal to 12 months' pay.

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. The pension contribution amounts to approximately 7.5% of a person's annual pay.

Personnel on average	2012	2011
White collar, number of employees	122	123

10. Depreciation and amortization by asset item

M€	2012	2011
Property, plant and equipment		
Buildings and structures	0.2	0.2
Machinery and equipment	0.1	0.1
Other tangible assets	0.3	0.4
	0.6	**0.7**
Intangible assets		
Computer software	0.1	0.0
Total	**0.7**	**0.7**

11. Financial income and expenses

M€	2012	2011
Financial income		
Interest income		
Loans and receivables	1.2	1.2
Other financial income	0.2	0.4
Interest income from foreign currency derivatives	13.0	9.3
Exchange rate gains		
Exchange rate gains, realized	1.6	0.2
Exchange rate gains, recognized at fair value through profit	0.1	0.2
Change in fair value		
Recognized at fair value through profit and loss	19.8	2.6
Total	**35.9**	**14.0**
Financial expenses		
Interest expenses		
Interest expenses on liabilities recognized at amortized cost	-66.8	-65.6
Interest expenses from foreign currency derivatives	-7.2	-6.9
Other financial expenses, loan management expenses	-4.2	-6.6
Exchange rate losses		
Exchange rate losses, realized	-1.9	-0.2
Exchange rate losses, recognized at fair value through profit	-0.2	-0.1
Unrealized exchange rate losses from foreign currency loans	-13.2	-5.4
Interest rate derivatives subject to hedge accounting, ineffective portion	-0.3	0.0
Change in fair value		
Recognized at fair value through profit and loss	-1.6	-8.4
Total	**-95.5**	**-93.2**

Capitalized borrowing costs incurred in the acquisition, construction or production of a qualifying asset	0.8	3.6
Financial income and expenses, total	**-94.6**	**-89.6**
Financial income and expenses, total	**-58.8**	**-75.6**

Financial expense multiplier used by the Group	3.55 %	3.97 %

*See accounting principles: Expenses on liabilities

12. Income taxes

M€	2012	2011
Current tax expense	3.7	3.1
Deferred tax	33.0	25.1
Change in tax base of deferred taxes	0.0	-12.0
Total	**36.7**	**16.2**

Taxes relating to other comprehensive income items

	2012			2011		
M€	**Before tax**	**Tax effect**	**After tax**	**Before tax**	**Tax effect**	**After tax**
Cash flow hedges	-3.1	0.8	-2.3	-11.9	2.5	-9.4
Translation difference	0.1	0.1	0.2	0.0	-0.1	-0.1
Total	**-2.9**	**0.8**	**-2.1**	**-11.9**	**2.4**	**-9.5**

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 24,5 %:

	2012	2011
Profit before taxes	151.6	134.0
Income tax using the parent company’s domestic corporate tax rate	37.1	34.8
Difference between tax rate in Finland and in other countries	-0.6	-1.8
Change of tax base	-	-12.0
Tax exempt income/non-deductible expenses	0.0	-2.1
Group adjustments in conjunction with sale	-0.5	0.0
Recognition of deferred tax in accordance with IAS 12.15b	0.5	-2.4
Utilization of tax losses from prior periods	-	-0.2
Confirmed losses previously unrecognised	-0.4	-0.7
Shelf life amortization and previously unrecognized confirmed losses	-0.1	0.0
Other tax-like items	0.1	0.4
Other items	0.6	0.3
Tax expense in the income statement	**36.7**	**16.2**

13. Earnings per share

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

M€	2012	2011
Profit for the period attributable to the equity holders of the parent company	114.9	117.8
Interest accrued during period on hybrid bond	-11.6	-11.4
Premium relating to the repurchase of the equity bond	-0.7	-
Tax effect	3.0	3.0
Net effect	-9.3	-8.4
Weighted average number of shares during the period (million)	283.1	281.3
Basic and diluted earnings per share attributable to shareholders, €	0.37	0.39

There were no diluting instruments in 2012 and 2011.

14. Investment properties

M€	2012	2011
Fair value of investment properties 1 Jan.	3,165.7	2,870.6
Acquisition of investment properties	53.1	150.4
Other capital expenditure on investment properties	76.0	109.1
Disposals of investment properties	-59.3	-7.0
Reclassifications from trading properties	0.0	0.0
Capitalized borrowing costs, increase in period	0.8	3.6
Valuation gains and losses	24,9	39.0
Fair value of investment properties 31 Dec.	**3,261.3**	**3,165.7**

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 second quarter and final quarter by CB Richard Ellis. The value of each property has been assessed separately.

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

Weighted average yield requirements based on management estimates used in calculating the fair values of investment properties by type of property 31 December 2012 (%)

	Area				
	Centr. Bus.Distr.	Rest of Helsinki	Espoo/Vantaa	Rest of Finland	Russia
Type of premises					
Office and retail	5.6	6.2	8.2	7.1	9.6
Logistics		8.0	8.0	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 2011 (%)

	Area				
	Centr. Bus.Distr.	**Rest of Helsinki**	**Espoo/Vantaa**	**Rest of Finland**	**Russia**
Type of premises					
Office and retail	5.8	6.1	8.1	7.1	9.7
Logistics		7.9	7.9	10.5	11.0

Significant assumptions used in fair value calculations, on average

	Finland		**Russia**	
	2012	**2011**	**2012**	**2011**
Yield requirement, %	6.8	6.7	9.7	9.8
Initial yield, %	6.4	6.6	9.9	9.3
Computational economic occupancy ratio in first year of calculation, %	88.1	87.6	96.6	97.2
Rental income as per agreements, €/m²/month	16.2	15.3	50.3	45.3
Market rents, €/m²/month	13.4	13.2	44.7	41.9
Long term maintenance costs used in calculations, €/m²/ month	2.8	2.7	10.5	9.8

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

Economic occupancy rates of investment properties by segment (%)

	31 Dec, 2012	**31 Dec, 2011**
Office and retail	89.4	88.4
Shopping centres	93.0	94.1
Logistics	75.6	78.1
Russia	95.4	98.7

Maturity dates for lease agreements by segment 31 December, 2012 (%)

M€	**Office and retail**	**Shopping centres**	**Logistics**	**Russia**
1 year	11.3	8.0	18.1	31.1
2 years	10.4	2.9	4.9	14.2
3 years	11.4	5.6	9.5	10.8
4 years	7.9	4.3	5.7	14.7
5 years	12.9	19.6	4.0	20.7
6 years	5.2	0.6	4.3	4.1
more than 6 years	22.5	54.9	32.6	4.4
open ended	18.4	4.1	20.9	0.0

Maturity dates for lease agreements by segment 31 December, 2011 (%)

M€	Office and retail	Shopping centres	Logistics	Russia
1 year	12.6	7.5	20.7	47.3
2 years	12.1	6.4	11.8	3.1
3 years	9.8	3.3	8.8	16.5
4 years	8.3	5.6	3.4	8.9
5 years	6.0	6.2	5.1	8.6
6 years	10.2	14.2	4.2	14.6
more than 6 years	25.3	51.7	28.6	0.9
open ended	15.8	5.2	17.5	0.0

The Group’s most significant investment commitments arise from the following properties:

Construction of the final phase of the Citycenter project, comprising the retail premises on the Keskuskatu side, is nearing completion. The property has been transferred to the Shopping Centres portfolio and measured at fair value. The project will increase the leasable area of Citycenter from 41,000 m² to 56,000.

Sponda is developing an office property in the Ruoholahti district of Helsinki with total floor space of approximately 6,000 m². Over 70% of the building will be leased to the primary tenant, Talentum Plc. Construction of the office building is underway and the project is expected to be completed on schedule in April 2013. The project's total investment value is estimated at some EUR 23.5 million.

Sponda is carrying out development projects for the Ratina shopping centre in Tampere and related areas. The current plans are for a shopping centre with a total area of 55,000 m² and a total investment of approximately EUR 200 million. The decision to invest has not yet been made.

15. Investments in real estate funds

	2012		2011	
	Investment, M€	**Holding**	**Investment, M€**	**Holding**
First Top LuxCo I S.a.r.l	5.0	20.0 %	5.0	20.0 %
Sponda Fund I Ky	31.1	46.1 %	31.7	46.1 %
Sponda Fund II Ky	31.0	43.7 %	28.7	43.7 %
Sponda Fund III Ky*	16.3	35.9 %	-	-
YESS Ky	0,0	60.0 %	0.0	60.0 %
Russia Invest B.V.i.o	0.1	27.2 %	0.1	27.2 %
	83.6		**65.5**	

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.

Sponda Fund III Ky invests primarily in logistics and industrial properties in Finland's growth centres.

YESS Ky is a fund established by Sponda Plc and Finnish Radio pension fund that is developing the Forum Virium project. No capital investments have been made into the fund as of yet.

Russia Invest B.V.i.o will invest in real estate development projects in Moscow and St. Petersburg.

*According to the Fund III shareholder agreement, Sponda’s share of ownership will increase to 38.1% in proportion to the remaining investment commitments.

16. Property, plant and equipment

M€	Land sites	Buildings	Machinery & equiment	Other tangible assets	Advance payments & acquisitions in progress	2012 total
Acquisition cost 1 Jan.	3.3	11.2	1.4	1.7	-	17.6
Increases			0.0		0.0	
Decreases				0.0		
Other reclassifications						
Acquisition cost 31 Dec.	**3.3**	**11.2**	**1.4**	**1.7**	**0.0**	**17.6**
Accumulated depreciation 1 Jan.	-	-2.1	-1.2	-1.3	-	-4.5
Accumulated depreciation on decreases						
Depreciation for the period		-0.2	-0.1	-0.3		-0.6
Accumulated depreciation 31 Dec.	**-**	**-2.3**	**-1.3**	**-1.6**	**-**	**-5.1**
Carrying amount 31 Dec.	**3.3**	**8.9**	**0.1**	**0.1**	**0.0**	**12.5**

M€	Land sites	Buildings	Machinery & equiment	Other tangible assets	Advance payments & acquisitions in progress	2011 total
Acquisition cost 1 Jan.	3.2	11.2	1.4	1.7	0.0	17.5
Increases	0.0	0.0	0.0	0.1		0.1
Decreases		0.0		0.0		0.0
Other reclassifications		0.0	-0.1		0.0	-0.1
Acquisition cost 31 Dec.	**3.3**	**11.2**	**1.4**	**1.7**	**0.0**	**17.6**
Accumulated depreciation 1 Jan.	-	-1.9	-1.2	-0.9	-	-3.9
Accumulated depreciation on decreases			0.1			0.1
Depreciation for the period		-0.2	-0.1	-0.4		-0.7
Accumulated depreciation 31 Dec.	**-**	**-2.1**	**-1.2**	**-1.3**	**-**	**-4.5**
Carrying amount 31 Dec.	**3.3**	**9.1**	**0.2**	**0.4**	**0.0**	**13.1**

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

17. Goodwill

M€	2012	2011
Acquisition cost 1 Jan.	27.5	27.5
Change	-	-
Acquisition cost 31 Dec.	**27.5**	**27.5**
Accumulated depreciation 1 Jan.	-13.0	-13.0

Depreciation for the period	-	-
Accumulated depreciation 31 Dec.	**-13.0**	**-13.0**
Carrying amount 31 Dec.	**14.5**	**14.5**

The acquisition of Kapiteeli Oy in 2006 resulted in goodwill of EUR 27.5 million being allocated to certain planned development projects, which were considered to have great potential for increase in value upon completion. Some of these were completed in 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. Goodwill and related writedowns were entirely allocated to the Property Development segment.

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. Cash flows have been discounted using an interest rate of 8.75 % (2011: 8.80 %). Based on the impairment testing, there is no need for further writedowns on goodwill.

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 remain 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.

Sensitivity analysis of value testing

%	Value used	Limit
2012		
Discount rate	8.75 %	9.36 %
Yield requirement	6.50 %	6.52 %
Investment costs		0.33 %
%	**Value used**	**Limit**
2011		
Discount rate	8.80 %	9.36 %
Yield requirement	6.50 %	6.52 %
Investment costs		0.31 %

An impairment of goodwill would have been recorded if the discount rate used had exceeded 9.36% (2011: 9.36%), if the yield requirement used in the fair value calculations of projects had exceeded 6.52 % (2011: 6.52%) or if investment costs had been estimated as 0.33% greater (2011: 0.31%).

18.Other intangible assets

M€	Software	Other intangible assets	2012 total
Acquisition cost 1 Jan.	1.3	0.0	1.3
Increases		0.2	0.2
Decreases			
Acquisition cost 31 Dec.	**1.3**	**0.2**	**1.5**
Accumulated amortization 1 Jan.	-0.7	-	-0.7
Accumulated depreciation on decreases			
Amortization for the period	-0.1		-0.1
Accumulated amortization 31 Dec.	**-0.8**	**-**	**-0.8**
Carrying amount 31 Dec.	**0.4**	**0.2**	**0.7**

M€	Software	Other intangible assets	2011 total
Acquisition cost 1 Jan.	0.8	0.4	1.3
Increases	0.6	0.0	0.6
Decreases	0.0	-0.4	-0.5
Acquisition cost 31 Dec.	**1.3**	**0.0**	**1.3**
Accumulated amortization 1 Jan.	-0.8	-	-0.8
Accumulated depreciation on decreases	0.0		0.0
Amortization for the period	0.0	-	0.0
Accumulated amortization 31 Dec.	**-0.7**	**-**	**-0.7**
Carrying amount 31 Dec.	**0.6**	**0.0**	**0.6**

19. Finance lease receivables

M€	2012	2011
Carrying amount of finance lease receivables	**2.7**	**2.7**
Gross rental income	14.0	14.3
Unguaranteed residual value	3.9	4.0
Gross investment in lease contracts	**17.9**	**18.3**
Unearned financial income	-15.2	-15.5
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 2012	2013	2014-2017	2018 -	Total
Gross investment in lease contracts	0.3	1.7	16.0	17.9
Present value of minimum lease payments receivable	0.3	1.2	1.2	2.7

Term structure in 2011	2012	2013-2016	2017 -	Total
Gross investment in lease contracts	0.3	1.7	16.3	18.3
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.

20. Holdings in associated companies

M€	2012	2011
Acquisition cost 1 Jan.	-	2.0
Transfer from subsidiary company shares	-	-
Share of result for period	-	-0.1

Increases	-	-
Decreases	-	-0.4
Dividends received	-	-1.5
Total	**-**	**0.0**

Sponda announced on 31 March 2011 having sold its ownership in the Ovenia Oy producing property management services to funds controlled by Vaaka Partners Oy and Ovenia's acting management.

Sponda recorded a sales profit of approximately EUR 7.8 million for this transaction.

21. Non-current receivables

M€	**2012**	**2011**
Non-interest-bearing receivables	0.0	0.1
Transaction price receivables	1.1	0.6
Long term financial receivables	**1.1**	**0.7**
Derivatives not included in hedge accounting	20.1	4.2
Defined benefit pension plan assets*	0.1	0.2
Other long term receivables	**20.2**	**4.4**
Total	**21.4**	**5.2**

* See Note 28.

22. Deferred taxes

M€	31.12.2011	Recognized in income statement	Change of tax base	Transfers and other changes	Recognized in other income items	Recognized in equity	Purchased businesses/ investment properties sold/ bought	31.12.2012
Deferred tax assets								
Tax losses carried forward	26.3	-7.6		4.0	0.4			23.1
Tax receivables from result for period	0.0	1.7		0.0				1.7
Tax receivables from result for previous period	4.0			-4.0				0.0
Assessments at fair value:								
Funds	1.7	-0.1						1.5
Interest rate swaps	9.7	0.1			0.8			10.5
Interest rate options	1.3	-0.5						0.8
Forward exchanges	0.0			0.0				0.0
Trading properties	0.3	-0.1						0.2
Translation differences/loans	0.0	0.3			-0.3			0.0
Other items/transfers	0.7	0.1		0.0	-0.3			0.4
Total	**43.8**	**-6.1**	**0.0**	**0.0**	**0.5**	**0.0**	**0.0**	**38.3**
Deferred tax liabilities								
Capitalized borrowing costs	0.6	0.2		-0.2				0.6
Assessments at fair value:								
Investment properties	233.0	27.1		0.2	-0.4		-3.5	256.5
Trading properties	0.0							0.0
Associated company shares	0.0							0.0
Interest rate swaps	0.0							0.0
Interest rate options	0.0							0.0
Equity bond expenses	0.0	0.0		0.0				0.0
Share issue expenses	1.4	3.3				-3.6		1.1
Other financial items	0.0							0.0
Other items/transfers	0.7	-0.3		0.0	0.0			0.4
Total	**235.7**	**30.4**	**0.0**	**0.0**	**-0.4**	**-3.6**	**-3.5**	**258.6**

M€	31.12.2010	Recognized in income statement	Change of tax base	Transfers and other changes	Recognized in other income items	Recognized in equity	Purchased businesses/ invetsment properties sold/ bought	31.12.2011
Deferred tax assets								
Tax losses carried forward	19.5	-0.8	-1.5	9.1	-0.1		-0.1	26.3
Tax receivables from result for period	9.1	0.0		-9.1				0.0
Tax receivables from result for previous period	0.0	4.3	-0.2	0.0				4.0
Assessments at fair value:								
Funds	0.6	1.1	-0.1					1.7
Interest rate swaps	7.2	0.0			2.5			9.7
Interest rate options	0.2	1.2	-0.1					1.3
Forward exchanges	0.0	0.0	0.0					0.0
Trading properties	0.0	0.1	0.0	0.2				0.3
Translation differences/loans	0.0	-0.1			0.1			0.0
Other items/tarnsfers	0.3	0.4		0.0	0.0			0.7
Total	**36.9**	**6.1**	**-1.9**	**0.2**	**2.6**	**0.0**	**-0.1**	**43.8**
Deferred tax liabilities								
Capitalized borrowing costs	0.8	0.7	-0.1	-0.7				0.6
Assessments at fair value:								
Investment properties	217.7	28.0	-13.7	0.7	0.2	0.0	0.0	233.0
Trading properties	0.2	-0.5		0.2				0.0
Associated company shares	0.1	-0.1						0.0
Interest rate swaps	0.0							0.0
Interest rate options	0.0							0.0
Equity bond expenses	1.5	3.0	-0.1		0.0	-3.0		1.4
Share issue expenses	0.0	0.1				-0.1		0.0
Other financial items	0.0							0.0
Other items/transfers	0.6	0.0	0,0	0.0	0,0			0.7
Total	**221.0**	**31.2**	**-14.0**	**0.3**	**0.2**	**-3.0**	**0.0**	**235.7**

At 31 December 2012 the Group had tax loss carry-forwards totalling EUR 2.3 million (2011: EUR 1.7 million) and impairment losses not deducted in taxation of EUR 77.7 million (2011: EUR 71.7 million), on which the Group has not calculated tax receivables because utilization of these items is uncertain.

Expiration years for unrecognised confirmed losses

Year of expiration	2013	2014-2015	2016-2017	2018-2019	2020-2021	2022-2023	Total
Confirmed loss	0.3	0.1	0.6	0.7	0.6	0.0	2.3
Unrecognised deferred tax	0.1	0.0	0.1	0.2	0.1	0.0	0.6

23. Trading properties

Trading properties comprise 21 properties that are owned mainly through real estate or housing limited companies.

M€	2012	2011
Trading properties at start of the period	7.9	10.3
Divested trading properties	-1.7	-0.6
Reclassifications as investment properties	-	0.0
Change in fair value	1.6	-1.8
Trading properties at end of the period	**7.8**	**7.9**

Sales income from divested trading properties	6.9	1.3
Carrying amount of divested trading properties	-1.7	-0.6
Gains/losses on disposal of trading properties	**5.2**	**0.7**

24. Trade and other receivables

M€	2012	2011
Current non-interest-bearing receivables		
Trade receivables	4.3	5.3
Other receivables	32.4	22.6
Tax receivables	0.0	0.0
Advances paid	2.2	2.3
Other prepaid expenses and accrued income	9.9	11.6
Total	**48.9**	**41.9**

Other receivables includes EUR 25.3 million in VAT receivables.

Trade receivables classified according to time elapsed from due date

M€		2012		2011
Not fallen due	2.1	49.1 %	2.6	48.9 %
Under 1 month	0.9	21.9 %	0.8	15.3 %
1-3 months	0.6	13.7 %	0.6	11.1 %
3-6 months	0.2	4.5 %	0.5	8.9 %
6-12 months	0.2	3.6 %	0.3	5.6 %
1-5 years	0.3	7.3 %	0.5	10.3 %
Over 5 years	0.0	0.0 %	0.0	0.0%
Total	**4.3**	**100.0 %**	**5.3**	**100.0 %**

M€	2012	2011
Other prepaid expenses and accrued income		
From interest and financial items	2.5	6.8
Taxes	0.2	0.0
From other items	7.2	4.8
Total	**9.9**	**11.6**

25. Cash and cash equivalents

M€	2012	2011
Bank accounts	30.1	26.4
Liquid investment	-	-
Total	**30.1**	**26.4**

26. Capital and reserves

M€	No. of shares (x1, 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. 2009	277,575	111.0	159.5	412.0	682.5
31 Dec. 2010	277,575	111.0	159.5	412.0	682.5
Share issue	5,500	-	-	21.7	21.7
31 Dec. 2011	283,075	111.0	159.5	433.8	704.2
31 Dec. 2012	283,075	111.0	159.5	433.8	704.2

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

Shareholders’ equity comprises the following reserves:

Share premium reserve

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

Translation differences

Translation differences comprise translation differences arising from the translation of foreign subsidiaries.

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 comprises the fair value of properties that have previously been used by the Group itself and have subsequently been transferred to investment properties.

Invested non-restricted equity reserve

The invested non-restricted equity reserve contains equity investments and that part of the share subscription price that has not been allocated to share capital by a specific decision.

Other equity reserve

The other equity 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 0.17 per share be distributed for the 2012 financial year.

27. Non-current interest-bearing liabilities

M€	2012	2011
Notes and bonds	324.2	172.4
Loans from financial institutions	1,136.1	1,208.3
Total	**1,460.3**	**1,380.8**

See note 31.

28. Net pension asset in the balance sheet

At the time of Sponda Plc's incorporation, insurance was taken out for certain persons to compensate for earlier retirement age. The insurance covers the pension of women from the age of 60 to 63 and the pension of men from 62 to 63 (62 to 65 prior to revision) years of age. The pension presently covers three persons.

The defined benefit pension asset in the balance sheet is determined as follows:

M€	2012	2011
Present value of funded obligations	0.4	0.4
Fair value of plan assets	0.4	0.3
Surplus	**0.0**	**-0.1**
Unrecognized actuarial gains (+) and losses (-)	0.2	-0.3
Net asset (-) in the balance sheet	**0.2**	**-0.3**

Items recognized in the income statement:

M€	2012	2011
Current service costs	-	-
Interest costs	-	-

Expected return on plan assetsto	-	-
Past service cost	-	-
Actuarial gains (-) and losses (+)	-	-
Total	**-**	**-**

Actual return on plan assets totalled EUR 20,000 in 2012 (2011: EUR -13,000)

Changes in the present value of the obligation:

M€	**2012**	**2011**
Liability for defined benefit obligations at beginning of period	0.4	0.3
Service costs	0.0	0.0
Interest costs	0.0	0.0
Actuarial gains (-) and losses (+)	0.0	0.1
Past service costs	-	-
Liability for defined benefit obligations at end of period	**0.4**	**0.4**

Changes in the fair values of the plan assets:

Fair value of plan assets at beginning of period	0.3	0.3
Expected return on plan assets	0.0	0.0
Actuarial gains (+) and losses (-)	0.0	0.0
Contributions paid by the employer	0.0	0.1
	0.4	**0.3**

Information is not available on the plan assets.

Actuarial assumptions on the balance sheet date:

%	**2012**	**2011**
Discount rate, (%)	3.00 %	4.50 %
Expected return on plan assets, (%)	3.00 %	4.50 %
Expected rate of salary increases (%)	3.50 %	3.50 %
Inflation (%)	2.00 %	2.00 %

The Group expects to pay EUR 31,000 to the plan in 2013.

	2012	**2011**	**2010**	**2009**	**2008**
Present value of obligation	0.4	0.4	0.3	0.3	0.4
Fair value of assets under the arrangement	0.4	0.3	0.3	0.4	0.4
Margin deficiency (+) / Margin excess (-)	**0.0**	**-0.1**	**0,0**	**0.0**	**0.0**
Experience-based adjustments on debts under the arrangement, (loss)/gain	0.1	0.1	-0.1	-0.2	-0.1
Experience-based adjustments on assets under the arrangement, loss / (gain)	0.0	0.0	0.1	0.2	0.1

29. Other liabilities

M€	2012	2011
Note and bonds	-	-
Loans from financial institutions	25.8	155.8
Commercial papers sold	250.0	218.3
Total	**275.9**	**374.1**

See Note 31

30. Trade and other payables

M€	2012	2011
Current non-interest bearing debt		
Advances received	11.9	9.6
Trade payables	3.2	6.1
Interest liabilities	15.2	14.6
Other current liabilities	34.3	27.7
Accrued expenses and deferred income	29.2	17.8
Total	**93.9**	**75.9**

Other current liabilities includes EUR 28.1 million in VAT liabilities

Accrued expenses and deferred income		
Interest and financial items	0.5	3.6
Personnel expenses	4.4	3.9
Taxes	0.3	0.9
Investments	19.5	5.4
Other items	4.5	4.1
Total	**29.2**	**17.8**

31. Financial instruments

Financial risk management

The purpose of Sponda's risk management is to minimise 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 on 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 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 on 31 December 2012 was 72 (2011: 77) %. The duration of the interest-bearing debt portfolio must be at least one year. The duration of the Group’s portfolio was 1.9 (2011: 2.2) 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 assessments using assessing methods that are generally available on the market. The fair values and nominal values of interest rate derivatives are presented in Note 31.3.

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.

At the time of closing the books, Sponda applied hedge accounting to all interest swap agreements. The interest swap agreements mature in 2013-2018, during which time also the interest flows resulting from the interest swap agreements will be realised. The hedging efficiency between the loans hedged in the financial year 2012 and the hedging instruments was very good. The inefficient portion of interest swap agreements included in hedge accounting is recorded in a manner affecting the result. Hedge accounting was not applied to interest rate limit options bought. The change in the current value of interest rate limit options is also recorded in a manner affecting the result.

Net losses/gains for the period recognised in other comprehensive income items are presented under Consolidated statement of comprehensive income. More information on their recognition is available in the section on accounting principles. Hedge accounting is applied to interest derivatives satisfying the IAS 39 criteria for hedge accounting throughout their maturity.

Sponda Plc analyses its interest rate position by simulating changes in market interest rates. The treasury unit calculates a forecast of interest expenses for the coming year and its interest rate sensitivity. The following assumptions have been made when calculating the sensitivity to change in interest rates:
– the short-term market rates at the stated balance sheet date rise by one percentage point or fall by 0.1 percentage points (2011: fall by one percentage point)*
– the calculation includes interest-bearing liabilities EUR 1,742 million (2011: 1,761)
– the calculation includes current derivative contracts EUR 1,172 million (2011: 1,537)

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 in the company’s accounting principles for the financial statements. The interest rates used are the official interest rates quoted on the last banking day on the balance sheet date.

In its 2012 financial statements Sponda Plc applied hedge accounting to 74% of interest rate derivatives, compared to 63% in 2011. 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 2012 by about EUR 19 million.

* The short-term market rates at the stated balance sheet date were below one percentage point.

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 Dec, 2012		31 Dec, 2011	
	Income statement	**Fair value reserve**	**Income statement**	**Fair value reserve**
One percentage point rise in market rates	- 3	+ 17	- 4	+ 23
One percentage point fall in market rates	-	-	+ 7	- 24
0.1 percentage point fall in market rates	0	- 4	-	-

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

2. Liquidity and refinancing risk

The Group seeks to continuously 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. The Group's single largest creditor represents approximately one quarter of the Group's total interest-bearing liabilities. The Group's largest creditors are Nordic banks with which the company has a long-term customer relationship. Sponda expects to be able to renew the loans that fall due. Notes 31.4 and 31.5 show the maturity analysis based on the Group's agreements. The average loan period of the Group's loans on 31 December, 2012 was 2.7 years (31 December, 2011: 3.1 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 2013 total some EUR 276 million, of which issued commercial papers represents EUR 251 million. The remainder of the loans maturing in 2013 are loans from financial institutions. If the company so desires, it can pay off the debts maturing in 2013 by, for example, withdrawing long-term credit limits with a total unwithdrawn amount at the time of closing of the books that was EUR 510 million (440). There is still strong interest in the company's commercial papers, which is why the company aims to keep the commercial paper volume issued approximately at the current level.

The Group assures its liquidity with sufficient credit limits and bank account limits. The credit limits also provide a reserve for the commercial paper programme. Unused long term credit limits totalled EUR 510 million on the balance sheet date. In 2012, the company replaced a credit limit of EUR 100 million that was originally due to mature in 2013 with EUR 100 million long-term limit. According to the financing policy confirmed by the Board of Directors, cash surplus is invested in the market in short-term financial instruments or bank savings. On 31 December 2012, the group's cash and cash equivalents totalled EUR 30.1 million (26.4).

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:

- The interest coverage ratio (EBITDA/Net interest cost) for which the minimum acceptable ratio is 1.75. The ratio on the closing date was 2.7 (2011: 2.7).

- The equity ratio, for which the set minimum ratio is 28%. On the closing date the equity ratio stood at 40% (2011: 38%).

- The Group was not in breach of covenants during the financial year.

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 88.1 million) are given in Note 31.1.

The risk arising from tenants is managed by analysing the creditworthiness of tenants before leases are signed, by requiring rent deposits, and by the monthly collection of rent. The business units responsible for leasing properties are responsible for arranging collateral for rents. The maximum amount of the risk is the total carrying amount of the receivables less the amount of the collateral. Total collateral for rents received amounted to EUR 41 million. Collateral for rent is primarily in the form of bank deposits or bank guarantees. Collateral is not, however, required for separately approved counterparties such as the Finnish state or municipalities. Collateral received in fulfillment of lease obligations may be used to cover the company's receivables without hearing the tenant on the matter. Ovenia Oy monitors the Group's rent receivables.

The total amount of rent receivables on the balance sheet date was EUR 2.6 million. The total rent unpaid for more than three months was EUR 0.7 million. The Group recorded credit losses of EUR 0.3 million for rent receivables in 2012. The Group recognises 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 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. At the time of closing the books, the group had sales price receivables in the amount of EUR 5.8 million. The total sales receivables at the time of closing the books excluding rent receivables was EUR 1.7 million. The group considers the risk related to sales receivables as low. A maturity analysis of all sales receivables is presented on the table in note 24.

In addition the company has given guarantees as security for the commitments of the property companies it owns. The guarantees are typically guarantees relating to the construction phase of a new company, in which the beneficiary is almost always the city. The amount of the guarantees (EUR 3.6 million) is small in proportion to the carrying amount of the companies owned. The guarantees given are not expected to cause significant costs to the Group.

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 26 million (2011: USD 18 million) annually and RUB-denominated net cash flows some RUB 104 million (2011: RUB -34 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 13.5 million (2011: USD 9 million) to hedge the USD net cash flows. The difference between incoming cash flows denominated in Russian roubles and outgoing rouble-denominated expenses is minor, so it has not been considered necessary to hedge this net cash flow. 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 from 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 +0.8 million. With the the currency derivative maturing each month, the company can sell cash flow of some USD 2.2 million based on rental income, and this would have the opposite effect on the result to that of the currency option.

The group uses internal euro loans for the financing of investments in Russia.

In 2011, the company issued a SEK 650 million bond. In addition, the company converted existing euro denominated loans into SEK loans in 2011 for a total of EUR 265 million (SEK 2,405 million). The loans were converted into SEK because of permanent cost savings. All SEK denominated loans are hedged against exchange rate risks by means of interest rate and currency swap agreements. The net amount of the unrealised exchange rate differences of the SEK denominated loans and the current value of unrealised interest rate and currency swap agreements hedging the loans may vary during the duration of each agreement. The changes in profit caused by the unrealised exchange rate differences and unrealised changes in current value decreases over time and reaches zero on the due date. The SEK cash flows received from the interest rate and exchange rate swap agreement cover all future cash flows of the SEK currency loans and capitals due on the due date

The company does not apply hedging according to IAS 39 to currency derivatives. The changes in the current value of currency derivatives are recorded in the income statement.

5. Managing the equity structure

The objective of managing the Group’s equity structure is to optimise 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.

Factors affecting the Group’s equity structure, in addition to the result, include capital expenditure, asset sales, acquisitions, dividend payments, equity-based facilities and assessment at fair value. The Group's key covenant in credit arrangements is the equity ratio. The company's equity ratio must always be greater than 28%. In the event that equity ratio approaches the 28% limit, the company will carry out arrangements to boost equity. The company's equity comprises two hybrid bonds that improves the company's equity ratio. The nominal value of the hybrid bonds is EUR 187.8 million and they are recorded in the balance sheet under 'Other equity reserve'. More information on the hybrid bonds is provided in the accounting principles. The company aims to distribute a dividend of approximately 50% of the period's cash flow from operations per share, taking into consideration the aforementioned equity ratio target and the company's business development. The Group's capital structure is also guided by the value of the interest cover ratio covenant. Interest cover ratio is determined by the ratio between EBITDA and net interest expenses, with gains from sales deducted and losses on sales added. Changes in the value of property assets are also included in the calculation and depreciation and amortisation are deducted. The interest cover ratio must be greater than 1.75.

Sponda Plc's Board of Directors has set the Group's long term equity ratio target at 40%. On 31 December, 2012 the Group's equity ratio was 40%, compared to 38% at the end of 2011. Sponda's interest cover ratio on 31 December, 2012 was 2.8. In 2011 the interest cover ratio was 2.7. Sponda Group’s interest-bearing liabilities decreased during 2012 by EUR 19 million and at the end of the year totalled EUR 1,736 million. Sponda Group sold property assets during 2012 for altogether EUR 64 million. The funds received were used to pay off loans and finance property development investments. The formula for calculating the equity ratio is shown in the annual report under ‘Calculation of financial ratios’.

The Group's capital structure and equity ratio were as follows:

M€	2012	2011
Interest-bearing liabilities	1,736	1,755
Cash, funds in bank and interest-bearing receivables	30	26
Interest-bearing net liabilities	1,706	1,728
Shareholders' equity, total	1,396	1,281
Balance sheet total	3,522	3,387
Equity ratio	40 %	38 %

31.1 Carrying amounts of financial assets and liabilities by category

2012 Balance sheet item, M€	Financial assets/liabilities recognised at fair value through profit and loss	Loans and receivables	Financial liabilities recognised at amortised cost	Hedging derivatives	Carrying amount of balance sheet items	Fair value
Non-current financial assets						
Non-current receivables		1.1			1.1	1.1
Derivative contracts	20.1				20.1	20.1

Current financial assets						
Derivative contracts	0.1				0.1	0.1
Trade and other receivables		36.7			36.7	36.7
Cash and cash equivalents		30.1			30.1	30.1
Carrying amount by category	**20.2**	**67.9**	**0.0**	**0.0**	**88.1**	**88.1**
Non-current financial liabilities						
Interest-bearing liabilities			1,460.3		1,460.3	1,477.5
Derivative contracts				37.5	37.5	37.5
Current financial liabilities						
Interest-bearing liabilities			275.9		275.9	276.3
Derivative contracts	0.1			5.4	5.4	5.4
Interest payable			15.2		15.2	15.2
Trade and other payables			32.2		32.2	32.2
Carrying amount by category	**0.1**		**1,783.6**	**42.9**	**1,826.6**	**1,844.2**

All derivative contracts belong to level 2 in the fair value hierarchy mentioned in IFRS 7.

Derivative contracts for EUR 20.2 million are included in financial assets and for EUR 43.0 million in financial liabilities.

2012 Balance sheet item, M€	Financial assets/liabilities recognised at fair value through profit and loss	Loans and receivables	Financial liabilities recognised at amortised cost	Hedging derivatives	Carrying amount of balance sheet items	Fair value
Non-current financial assets						
Non-current receivables		0.7			0.7	0.7
Derivative contracts	4.2				4.2	4.2
Current financial assets						
Derivative contracts	0.1				0.1	0.1
Trade and other receivables		27.9			27.9	27.9
Cash and cash equivalents		26.4			26.4	26.4

Carrying amount by category	**4.3**	**55.1**	**0.0**	**0.0**	**59.3**	**59.3**
Non-current financial liabilities						
Interest-bearing liabilities			1,380.8		1,380.8	1,384.2
Derivative contracts	2.9			36.9	39.7	39.7
Current financial liabilities						
Interest-bearing liabilities			374.1		374.1	374.4
Derivative contracts	0.2			2.7	2.9	2.9
Interest payable			14.6		14.6	14.6
Trade and other payables			31.0		31.0	31.0
Carrying amount by category	**3.1**	**0.0**	**1,800.4**	**39.5**	**1,843.0**	**1,846.8**

The credit risk for financial receivables is at most the carrying amount of the receivables.

31.2 The Group's interest-bearing liabilities

Long-term liabilities, M€	2012 Carrying amount	2012 Fair value	2011 Carrying amount	2011 Fair value
Bonds *)	324.2	336.1	172.4	171.9
Loans from financial institutions	855.8	861.1	938.4	943.7
Foreign currency loans	280.3	280.3	269.9	268.6
Total	**1,460.3**	**1,477.5**	**1,380.8**	**1,384.2**

Current liabilities, M€	2012 Carrying amount	2012 Fair value	2011 Carrying amount	2011 Fair value
Bonds	-	-	-	-
Loans from financial institution	275.9	276.3	374.1	374.4
Foreign currency loans	-	-	-	-
Total	**275.9**	**276.3**	**374.1**	**374.4**

The fair values of bonds are based on market prices.

*) This item also includes a SEK 650 million (EUR 75.6 million) bond. All foreign currency loans are in SEK.

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.

31.3 Derivative contracts

M€	Fair value 2012	Nominal values 2012	Fair value 2011	Nominal values 2011
Interest rate derivatives				
Interest rate swaps				
Included in hedge accounting	-42.9	871.6	-39.5	972.4
Not included in hedge accounting	-	-	-	-
Interest rate caps, bought				
In hedge accounting	-	-	-	-
Not in hedge accounting	0.6	300.0	1.6	565.0
Interest rate futures	-	-	-	-
Foreign currency derivatives				
Currency swaps				
Currency options, bought	0.1	10.2	0.1	7.0
Currency options, put	-0.1	10.2	-0.2	7.0
Interest rate and currency swaps	19.5	337.4	-0.2	337.4

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.

Interest rate and currency swaps are used to hedge the exchange rate risk related to loans denominated in Swedish krona. The nominal values of interest rate and currency swaps are identical with the nominal values of the loans hedged.

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.

31.4 Maturity of non-current liabilities

Maturity of non-current liabilities 31 December, 2012, M€	2013	2014	2015	2016	2017	2018
Bonds			100.0	75.7	150.0	-
Loans from financial institutions	25.8	262.5	542.8	275.0	60.0	-

Maturity of non-current liabilities 31 December, 2011, M€	2012	2013	2014	2015	2016	2017
Bonds	-	-	-	100.0	72.8	-
Loans from financial institutions	155.8	84.3	256.2	538.2	335.0	-

The average interest rate of all the Group's loans, inclusive of interest derivatives, was 3.4% (2011: 4.0%). The average maturity of loans was 2.7 years (3.1 years).

Shown here is the maturity of non-current liabilities, showing the nominal value when the loan was taken. Loans maturing in 2013 are presented in the balance sheet under current loans.

Sponda Plc's most significant loans

Credit limit

In November 2012, Sponda Plc signed an agreement with Swedbank AB, Finnish Branch, for a credit limit of EUR 100 million with a maturity of five years. The arrangement renewed a EUR 100 million credit limit agreement that was originally maturing in 2013. The credit arrangement is unsecured.

Hybrid bond 2

In November 2012, Sponda Plc issued a EUR 95 million hybrid bond. The coupon rate of the bond is 6.75 per cent per annum. The bond has no maturity, but the company may exercise a redemption option after five years. The newly issued hybrid bond is intended to replace the hybrid bond issued by the company in 2008 with an original notional value of EUR 130 million (see hybrid bond 1). The company's objective is to reduce the combined total value of the hybrid bonds to EUR 95 million by the end of June 2013.

A hybrid bond is an instrument that is subordinated to other debt obligations. It is treated as equity in the IFRS financial statements. A hybrid bond does not confer upon its holder the right to vote at shareholder meetings and does not dilute the holdings of the current shareholders. The interest on the bond is paid if the Annual General Meeting decides to distribute a dividend. If no dividend is distributed, the company decides separately on whether to pay the interest. Unpaid interest accumulates. The transaction was organised by Nordea Markets.

Bilateral loan

In July 2012, Sponda Plc signed an agreement with Danske Bank A/S, Helsinki branch, for a secured five-year loan of EUR 60 million. The agreement extends the financing that was originally secured for the Elo shopping centre.

Bond issue

Sponda issued a EUR 150 million senior unsecured domestic bond in May 2012. The five-year bond matures on 29 May 2017 and carries fixed annual interest at the rate of 4.125 per cent. The proceeds from the bond issue were used to repay existing debt and for general corporate purposes. The main organisers of the bond issue were Danske Bank and Pohjola Markets.

Syndicated credit arrangement

In November 2011, Sponda Plc signed a syndicated credit agreement for a total of EUR 375 million. The main organisers of the syndicated credit were Nordea Pankki Suomi Oyj, Pohjola Pankki Oyj, Skandinaviska Enskilda Banken AB (PUBL), Danske Bank and Swedbank. The agent of the syndicated credit is Swedbank. The syndicated credit has a 5-year maturity. The syndicated credit agreement comprises of a loan of EUR 275 million and a credit limit of EUR 100 million. The EUR 275-million loan was used in its entirety for the repayment of existing debts. The loan terms correspond to the terms of Sponda's other loans. The loan's key covenants are linked to equity ratio and interest cover ratio. The credit arrangement is unsecured.

Credit limit

In April 2011, Sponda Plc signed an agreement with Svenska Handelsbanken for a EUR 50-million credit limit. The terms of the 5-year credit limit are the same as in the syndicated credit agreement signed by Sponda on 1 November 2010. The credit arrangement is unsecured.

Bond issue

In March 2011, Sponda issued a bond with a total value of 650 million SEK, duration of 5 years and the yield 3 months Stibor + 2.4%. The main organiser of the bond was Nordea bank. Funds received from the bond were used to cover the group's general financing requirements. The bond is unsecured. Sponda has hedged the currency exchange rate risk with an interest and currency exchange swap agreement.

Syndicated credit arrangement

In November 2010, Sponda Plc signed syndicated credit agreements for a total of EUR 550 million. The primary creditors arranging the syndicated credit were Nordea Bank Finland Plc, Pohjola Bank Plc, SEB and Sampo Bank Plc, with Swedbank and DnB NOR also participating. The syndicated credit is coordinated by Nordea. The syndicated credit has a maturity of 5 years. The syndicated credit agreement comprises a loan of EUR 400 million and a credit limit of EUR 150 million. The loan of EUR 400 million was used in its entirety to repay existing loans. The terms of the loan correspond to the terms of Sponda's other loans. The key covenants of the loan are linked to equity ratio and interest cover ratio.

Finance limit

In November 2010, Sponda Plc renewed a EUR 100 million credit limit agreement maturing in summer 2011 for a period of three years. The credit limit agreement was concluded with Sampo Bank Plc. The credit arrangement is unsecured.

Corporate bond

In May 2010, Sponda issued a domestic corporate bond with a value of EUR 100 million, a loan period of five years and a coupon of 4.375%. The primary arrangers of the bond issue were Nordea Bank and Sampo Bank. The proceeds from the corporate bond issue were used to repay loans.

Bilateral loan

In December 2009, Sponda Plc signed an agreement with Nordea Pankki Suomi Oyj for a 5 year loan of EUR 150 million. The entire loan was used for the repayment of existing debts and it replaced the short-term limit agreement with an equal amount maturing in March 2010. The loan is unsecured. In 2011, Sponda changed the above mentioned Nordea Bank loan's denomination into Swedish crowns. Sponda has hedged the currency exchange rate risk with an interest and currency exchange swap agreement.

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.

Bilateral loans

In March 2008, Sponda Plc signed an agreement with Danske Bank A/S, Helsinki Branch for a 7 year loan of EUR 150 million and, with Ilmarinen Mutual Pension Insurance Company, an agreement for a 7 year loan of EUR 50 million. The loans were used for the financing of the company's real estate investments as well as investments in Russia. The loan arrangements are unsecured. In 2011, Sponda changed the above mentioned Danske Bank loan's denomination into Swedish crowns. Sponda has hedged the currency exchange rate risk with an interest and currency exchange swap agreement.

Bilateral loan

Sponda Plc signed an agreement in February 2008 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.

Hybrid bond 1

In June 2008, Sponda issued a EUR 130 million hybrid bond to Finnish institutional investors. The bond is publicly listed. The loan has a coupon of 8.75 per cent. In November 2012, Sponda repurchased EUR 37.2 million of the hybrid bond via a public tender offer. The remaining bond principal was EUR 92.8 million on the date of closing the accounts. The bond has no maturity, but the company may exercise a redemption option after five years. Sponda announced in November 2012 that it aims to redeem the remaining principal balance in June 2013.

31.5 Cash flows for repayments and financing expenses for financial liabilities based on loan contracts on 31 December 2012 were as follows:

M€	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Bonds	13	13	113	83	156		
Loans from financial institutions	50	285	558	281	60		
Commercial papers	251						
Interest rate derivatives							
- in hedge accounting, net	21	14	10	4	0		
- not in hedge counting, net	-	-	-	-	-		
Currency forwards not included in hedge accounting, net*)	-5	-5	-2	-1			
Trade payables	3						
Other liabilities	29						
Interest payable	15						
	377	**307**	**679**	**367**	**216**	**0**	**0**

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

Cash flows for repayments and financing expenses for financial liabilities based on loan contracts on 31 December 2011 were as follows:

M€	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Bonds	8	8	8	108	74		
Loans from financial institutions	199	123	294	559	346		
Commercial papers	219						
Interest rate derivatives							
- in hedge accounting, net	15	12	7	5	2		
- not in hedge counting, net	-	-	-	-	-		
Currency forwards not included in hedge accounting, net*)	-3	-3	-3	-1	0		
Trade payables	6						

Other liabilities	25						
Interest payable	15						
	484	**140**	**306**	**671**	**421**	**0**	**0**

32. Collateral and contingent liabilities

Liabilities for which mortgages over property and shares have been given, M€	**Group 12/2012**	**Group 12/2011**
Loans from financial institutions, covered by collateral	141.8	140.4
Mortgages	264.2	269.2
Carrying amount of pledged shares	18.6	19.2
Guarantees	-	-
Collateral, total	**282.2**	**288.3**

Commitments arising from land lease contracts, M€	**Group 12/2012**	**Group 12/2011**	**Parent company 12/2012**	**Parent company 12/2011**
Lease liabilities	96.3	97.7	-	-
Mortgages	3.9	3.9	-	-
Guarantees	3.6	3.6	3.6	3.6
Total	**103.8**	**105.2**	**3.6**	**3.6**

Operating leases	**Group 12/2012**	**Group 12/2011**	**Parent company 12/2012**	**Parent company 12/2011**
Contractual maturities on lease contracts:				
During the following financial year	0.4	0.5	0.4	0.5
Due after the following year	0,3	0.5	0,3	0.5
Total	**0.7**	**1.0**	**0.7**	**1.0**

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

The leases have lengths of 3-5 years and they have no redemption obligations.

Liabilities in accordance with §33 of the VAT Act have been calculated for all Group companies and they have an aggregate value of M€ 59.3 (2011: 51.6).

Interest on hybrid bond

Interest of EUR 11.4 million was paid on the hybrid loan on 27 June 2012. Of this, EUR 5.8 million was accrued from 2011 and EUR 5.6 million from 2012.

On 5 December 2012, Sponda carried out a partial repurchase of a EUR 130 million hybrid bond issued in 2008 by making an exchange for cash with a total nominal value of EUR 37.2 million. In conjunction with the repurchase, Sponda paid interest accrued on the repurchased bonds on the settlement date, 5 December 2012, amounting to EUR 1.4 million in total. At the time of closing the books, unpaid interest stood at EUR 4.2 million.

On 5 December 2012, Sponda issued a hybrid bond of EUR 95 million. At the time of closing the books, unpaid interest on the bond stood at EUR 0.5 million.

The accrued interest is recognised directly as a reduction in equity on the payment date. In 2012, total interest of EUR 12.8 million was paid on hybrid bonds. Altogether EUR 11.6 million in interest accrued in 2012.

Investment commitments to real estate funds

On 31 December, 2012, the remaining investment commitments to real estate funds totalled EUR 42.3 million (2011:EUR 28.6 million).

33. 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.

The Group's parent and subsidiary relationships are presented in Note 35.

The following related party transactions were carried out:

Management employee benefits, M€	**2012**	**2011**
Salaries and other short-term employee benefits	1.8	1.9
Share-based payments	1.6	1.4
Total	**3.4**	**3.3**

Salaries and fees, EUR	**2012**	**2011**
President and CEO	503,370	505,698
Board of Directors	277,800	294,000
Total	**781,170**	**799,698**

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 9.

There were no outstanding loans receivable from key management on 31 December, 2012 or on 31 December, 2011.

Members of the Board of Directors held 116,908 shares and members of the Executive Board 745,485 at the end of 2012 (2011: 86,079 and 754,876 shares respectively).

34. Events after the balance sheet date

In its meeting, the Shareholders' Nomination Board of Sponda has decided to propose to the Annual General Meeting to be held 18 March 2013 that the Board will consist of seven members. The Nomination Board further propose that Klaus Cawén, Tuula Entelä, Arja Talma and Raimo Valo to be re-elected for the Board of Directors and that Kaj-Gustaf Bergh, Christian Elfving and Juha Laaksonen to be elected as new members of the Board of Directors.

The Nomination Board proposes to the Annual General Meeting that the annual remuneration payable to the members of the Board to be elected at the Annual General Meeting for the term until the close of the Annual General Meeting in 2014: EUR 60,000 for the Chairman, EUR 36,000 for the Vice Chairman, and EUR 31,200 for each member. Additional compensation of EUR 1,000 shall be paid for the Chairman of the Board for the Board meetings attended and EUR 600 shall be paid for the members of the Board for the Board meetings attended. The Nomination Board proposes that EUR 600 shall be paid for member of the Board for committee meetings and EUR 1,000 shall be paid for the Chairman of the Audit Committee for the Audit Committee meetings attended. The Nomination Board proposes that 40 % of the fixed annual remuneration be paid in Sponda shares purchased from the market. The shares will be purchased within two weeks from the release of the interim report January 1 - March 31, 2013 of Sponda Plc.

The Board of Directors will incorporate the proposals into the Annual General meeting notice which will be published later.

The three largest shareholders on 1 October 2012 were represented in the Nomination Board:

Solidium Oy, represented by Kaj-Gustaf Bergh, Oy Palsk Ab

Mutual Pension Fund Ilmarinen, Timo Ritakallio

Mutual Pension Fund Varma, Risto Murto

35. Shares and holdings owned by the Group and parent company

Mutual real estate companies Group companies		Group company holding %	Parent company holding %	
Aleksi-Hermes	Helsinki	100.0	100.0	Sponda
Arkadiankatu 4-6	Helsinki	100.0	100.0	Sponda
Atomitie1	Helsinki	100.0	100.0	Sponda
Backaksenpelto	Vantaa	100.0	100.0	Sponda
Bulevardi1	Helsinki	100.0	100.0	Sponda
Dianapuisto	Helsinki	100.0	100.0	Sponda
Design House Hattutehdas	Helsinki	100.0		Sponda Kiinteistöt
Elovainion Kauppakiinteistöt	Ylöjärvi	100.0	100.0	Sponda
Espoon Esikunnankatu 1	Espoo	100.0	100.0	Sponda
Espoon Juvanpuisto	Espoo	100.0	100.0	Sponda
Espoon Komentajankatu 5	Espoo	100.0	100.0	Sponda
Espoon Kuusiniementie 2	Espoo	100.0		Sponda Kiinteistöt
Espoon Pyyntitie 1	Espoo	100.0		Sponda Kiinteistöt
Espoon Upseerinkatu 1-3	Espoo	100.0	100.0	Sponda
Espoonportti	Espoo	100.0	100.0	Sponda
Estradi	Helsinki	100.0		Sponda Kiinteistöt
Fabianinkatu 23	Helsinki	100.0	100.0	Sponda
Gohnt-talo	Helsinki	100.0	100.0	Sponda
Hankasuontie 13	Helsinki	100.0	100.0	Sponda
Hannuksentie 1	Espoo	100.0	100.0	Sponda
Haukilahdenkatu 4	Helsinki	100.0	100.0	Sponda
Heimola	Helsinki	59.6	59.6	Sponda
Helsingin Energiakatu 4	Helsinki	100.0	100.0	Sponda
Helsingin Erottajanmäki	Helsinki	100.0	100.0	Sponda
Helsingin Harkkoraudantie 7	Helsinki	100.0	100.0	Sponda
Helsingin Hämeentie 105	Helsinki	60.6		Sponda Kiinteistöt
Helsingin Itäkatu 11	Helsinki	100.0	100.0	Sponda
Helsingin Itämerenkatu 21	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Itämerentalo	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Kaivokatu 8	Helsinki	100.0	100.0	Sponda
Helsingin Kalatori	Helsinki	100.0	100.0	Sponda
Helsingin Kalevankatu 30	Helsinki	100.0	100.0	Sponda
Helsingin Kirvesmiehenkatu 4	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Kuntotalo	Helsinki	100.0		Sponda Kiinteistöt

Helsingin Lampputie 12	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Nuijamiestentie	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Pieni Roobertinkatu 9	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Porkkalankatu 22	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Ruoholahden Parkki	Helsinki	90.8		Sponda Kiinteistöt
Helsingin Salmisaarentalo	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Silkkikutomo	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Sörnäistenkatu 2	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Tulppatie 1	Helsinki	100.0	100.0	Sponda
Helsingin Valimotie 25 A	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valimotie 25 B	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valimotie 25 C	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valimotie 27 A	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valimotie 27 B	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valimotie 27 C	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valimotie 27 D	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valokaari	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Valuraudankuja 7	Helsinki	100.0	100.0	Sponda
Helsingin Vanhanlinnantie 3	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Veneentekijäntie 8	Helsinki	100.0		Sponda Kiinteistöt
Helsingin Vuorikatu 14	Helsinki	100.0	100.0	Sponda
Helsingin Värjäämö	Helsinki	100.0		Sponda Kiinteistöt
Henrik Forsiuksentie 39	Helsinki	100.0	100.0	Sponda
Hermian Pulssi	Tampere	100.0		Sponda Kiinteistöt
Hyvinkään Varikko	Hyvinkää	100.0	100.0	Sponda
Hämeenkatu 20	Tampere	100.0		Sponda Kiinteistöt
Hämeentie 103	Helsinki	100.0		Sponda Kiinteistöt
Höyläämötie 5	Helsinki	100.0		Sponda Kiinteistöt
Insinöörinkatu	Helsinki	100.0	100.0	Sponda
Iso-Roobertinkatu 21-25	Helsinki	100.0	100.0	Sponda

Isontammentie 4	Vantaa	100.0		Sponda Kiinteistöt
Itälahdenkatu 20	Helsinki	100.0	100.0	Sponda
Itälahdenkatu 22	Helsinki	100.0	100.0	Sponda
Kaisaniemenkatu 2 B	Helsinki	100.0	100.0	Sponda
Kaivokadun Tunneli	Helsinki	100.0	100.0	Sponda
Kaivokatu 12	Helsinki	100.0	100.0	Sponda
Kalkkipellontie 6	Espoo	100.0	100.0	Sponda
Kappelitie 8	Espoo	100.0	100.0	Sponda
Karapellontie 4C	Espoo	100.0	100.0	Sponda
Kasarmikatu 36	Helsinki	100.0	100.0	Sponda
Kaupintie 3	Helsinki	100.0	100.0	Sponda
Kauppa-Häme	Tampere	100.0	100.0	Sponda
Keskuskatu 1 B	Helsinki	100.0	100.0	Sponda
Kilonkallio 1	Espoo	100.0	100.0	Sponda
Korkeavuorenkatu 45	Helsinki	100.0	100.0	Sponda
Kumpulantie 11	Helsinki	100.0	100.0	Sponda
Kuninkaankaari	Vantaa	100.0	100.0	Sponda
Kuninkaankruunu	Vantaa	100.0	100.0	Sponda
Kylvöpolku 1	Helsinki	100.0	100.0	Sponda
Liikekeskus Zeppelin Oy	Oulu	85.7		Sponda Kiinteistöt
Läkkitori	Espoo	100.0	100.0	Sponda
Länsi-Keskus	Espoo	58.6	58.6	Sponda
Lönkka	Helsinki	100.0	100.0	Sponda
Malmin Kankirauta	Helsinki	100.0	100.0	Sponda
Malmin Yritystalo	Helsinki	100.0	100.0	Sponda
Manhattan	Turku	52.9		Sponda Kiinteistöt
Mannerheimintie 6	Helsinki	100.0	100.0	Sponda
Mansku 4	Helsinki	100.0	100.0	Sponda
Martinkyläntie 53	Vantaa	100.0	100.0	Sponda
Melkonkatu 26	Helsinki	100.0	100.0	Sponda
Messukylän Castrulli	Tampere	100.0	100.0	Sponda
Messukylän Kattila	Tampere	100.0	100.0	Sponda
Messukylän Turpiini	Tampere	100.0	100.0	Sponda
Miestentie	Espoo	100.0	100.0	Sponda
Mikonkatu 17	Helsinki	100.0	100.0	Sponda
Mikonkatu 19	Helsinki	100.0	100.0	Sponda
Mikonlinna	Helsinki	100.0	100.0	Sponda
Mäkkylän Toimistotalo	Helsinki	100.0	100.0	Sponda
Nimismiehenniitty	Espoo	67.0		Sponda Kiinteistöt
Olarintörmä	Espoo	100.0	100.0	Sponda

Oulun Alasintie 3-7	Oulu	100.0	100.0	Sponda
Oulun Liikevärttö 1	Oulu	100.0		Sponda Kiinteistöt
Oulun Liikevärttö 2	Oulu	100.0		Sponda Kiinteistöt
Oulun Liikevärttö 3	Oulu	100.0		Sponda Kiinteistöt
Oulun Korjaamotie 2	Oulu	100.0		Sponda Kiinteistöt
PaulonTalo	Helsinki	100.0	100.0	Sponda
Pieni Roobertinkatu 7	Helsinki	99.8		Sponda Kiinteistöt
Piispanpiha 5	Helsinki	100.0	100.0	Sponda
Poijupuisto	Espoo	100.0	100.0	Sponda
Porkkalankatu 20	Helsinki	100.0		Sponda Kiinteistöt
Pronssitie 1	Helsinki	100.0		Sponda Kiinteistöt
Ratapihantie 11	Helsinki	100.0	100.0	Sponda
Ratinan Kauppakeskus	Tampere	100.0	40.0	Sponda
Ratinanlinna	Tampere	100.0		Sponda Kiinteistöt
Robert Huberintie 2	Vantaa	100.0	100.0	Sponda
Ruoholahden Sulka	Helsinki	100.0		Sponda Kiinteistöt
Ruoholahdenkatu 4	Helsinki	95.7		Sponda Kiinteistöt
Ruosilantie 14	Helsinki	100.0	100.0	Sponda
Ruosilantie 16	Helsinki	100.0	100.0	Sponda
Ruosilantie 18	Helsinki	100.0	100.0	Sponda
Salmisaaren Liiketalo	Helsinki	100.0	100.0	Sponda
Scifin Beta	Espoo	100.0		Sponda Kiinteistöt
Scifin Gamma	Espoo	100.0		Sponda Kiinteistöt
Sinikalliontie 10	Espoo	100.0	100.0	Sponda
Sinimäentie 14	Espoo	100.0	100.0	Sponda
Sp-kiinteistöt Oy Kilo	Espoo	100.0		Sponda Kiinteistöt
Säästötammela	Tampere	100.0		Sponda Kiinteistöt
Tallbergintalo	Helsinki	100.0		Sponda Kiinteistöt
Tampereen Enqvistinkatu 7	Tampere	100.0		Sponda Kiinteistöt
Tampereen Hallituskatu 8	Tampere	100.0		Sponda Kiinteistöt
Tampereen Naulakatu 3	Tampere	100.0		Sponda Kiinteistöt
Tampereen Näsilinnankatu 39-41	Tampere	100.0		Sponda Kiinteistöt
Tapiolan Kulttuuritori	Espoo	100.0	100.0	Sponda

Tapiolan Liiketalo	Espoo	100.0	100.0	Sponda
Tiistilän Miilu	Espoo	100.0		Sponda Kiinteistöt
Tiistinhovi	Espoo	100.0		Sponda Kiinteistöt
Tonttipaino	Vantaa	100.0	100.0	Sponda
Turku High Tech Centre Oy	Turku	100.0		Sponda Kiinteistöt
Turun Ilmarisenkulma	Turku	100.0		Sponda Kiinteistöt
Turun Julinia Fastighets Ab	Turku	100.0		Sponda Kiinteistöt
Turun Koulukatu 29	Turku	100.0	100.0	Sponda
Turun Kurjenmäki	Turku	100.0		Sponda Kiinteistöt
Turun Yliopistonkatu 14	Turku	100.0		Sponda Kiinteistöt
Turunlinnantie 12	Helsinki	100.0	100.0	Sponda
Tuusulan Teollisuuskuja 6	Tuusula	100.0	100.0	Sponda
Tuusulan Tärkkelystehdas	Tuusula	100.0	100.0	Sponda
Unioninkatu 18	Helsinki	100.0	100.0	Sponda
Unioninkatu 20-22	Helsinki	100.0	100.0	Sponda
Unioninkatu 24	Helsinki	100.0	100.0	Sponda
Upseerinkadun Pysäköintitalo	Espoo	100.0	100.0	Sponda
Valuraudankuja 6	Helsinki	100.0	100.0	Sponda
Vantaan Harkkokuja 2	Vantaa	100.0		Sponda Kiinteistöt
Vantaan Honkatalo	Vantaa	100.0	100.0	Sponda
Vantaan Koivupuistontie 26	Vantaa	89.1		Sponda Kiinteistöt
Vantaan Kuussillantie 27	Vantaa	100.0		Sponda Kiinteistöt
Vantaan Köysikuja 1	Vantaa	100.0	100.0	Sponda
Vantaan Omega	Vantaa	100.0	100.0	Sponda
Vantaan Simonrinne	Vantaa	77.2		Sponda Kiinteistöt
Vantaan Vanha Porvoontie 231	Vantaa	100.0	100.0	Sponda
Vantaan Väritehtaankatu 8	Vantaa	100.0		Sponda Kiinteistöt
Vilhonkatu 5	Helsinki	100.0	100.0	Sponda
Vuosaaren Logistiikkakeskus	Helsinki	100.0	100.0	Sponda
Vuosaaren Porttikeskus	Helsinki	100.0	100.0	Sponda
Vuosaaren Service Center	Helsinki	100.0	100.0	Sponda
Värtönparkki 1	Oulu	100.0		Sponda Kiinteistöt
Ylä-Malmintori 6	Helsinki	100.0	100.0	Sponda
Zeppelinin City-Keskus	Kempele	94.8		Sponda Kiinteistöt
Zeppelinin Kauppakeskus	Kempele	91.5		Sponda Kiinteistöt

Zeppelinin Kauppakulma	Kempele	100.0		Sponda Kiinteistöt
Zeppelinin Kauppapörssi	Kempele	91.4		Sponda Kiinteistöt
Zeppelinin Markkinapaikka	Kempele	100.0		Sponda Kiinteistöt
Zeppelinin Pikkukulma	Kempele	100.0		Sponda Kiinteistöt
Zeppelinin Tavaratori	Kempele	78.9		Sponda Kiinteistöt

Limited liability companies

Arif Holding Oy	Kempele	100.0		Sponda Kiinteistöt
Drawer Oy	Helsinki	100.0	100.0	Sponda
Hextagon Oy	Helsinki	100.0		Sponda
Sponda Kiinteistöt Oy	Helsinki	100.0	100.0	Sponda
Porkkalankadun alitus Oy	Helsinki	62.6		Sponda Kiinteistöt
Ruoholahden Yhteissuoja Oy	Helsinki	100.0		Sponda Kiinteistöt
Russia Europe Oy Ltd	Helsinki	100.0		Sponda
Sponda AM Oy	Helsinki	100.0	100.0	Sponda
Sponda Asset Management Oy	Helsinki	100.0	100.0	Sponda
Sponda Asset Management II Oy	Helsinki	100.0	100.0	Sponda
Sponda Asset Management III Oy	Helsinki	100.0	100.0	Sponda
Sponda Russia Oy Ltd	Helsinki	100.0	100.0	Sponda
Sponda Russia Finance Oy Ltd	Helsinki	100.0		Sponda
SRK-Kiinteistöt Oy	Helsinki	100.0	100.0	Sponda
Tamforest Oy	Tampere	100.0	100.0	Sponda
Tamsilva Oy	Tampere	100.0	100.0	Sponda

Associated companies

Asunto Oy Lönnrotinkatu 28	Helsinki	30.8		Sponda
Erottajan Pysäköintilaitos Oy	Helsinki	49.3	49.3	Sponda
J. Österblad Oy	Turku	20.7		Sponda Kiinteistöt
Kaisaniemen Metrohalli	Helsinki	25.2	18.2	Sponda
Kilpakujan Liikekiinteistö Oy	Helsinki	34.3		Sponda Kiinteistöt
Puotinharjun Puhos Oy	Helsinki	20.4	20.4	Sponda
Simonseutu	Vantaa	47.6		Sponda Kiinteistöt
Zeppelinin Kulmatori Kiinteistö Oy	Kempele	49.7		Sponda Kiinteistöt

Real estate fund companies

First Top LuxCo 1 S.a.r.l	Luxemburg	20.0	20.0	Sponda

Russia Invest B.V.i.o	The Netherlands	27.2	27.2	Sponda
Sponda Fund I Ky	Helsinki	46.1		Sponda
Sponda Fund II Ky	Helsinki	43.8		Sponda
Sponda Fund III Ky	Helsinki	35.9		Sponda
YESS Ky	Helsinki	60.0	60.0	Sponda

Foreign subsidiaries

OOO Adastra	St Petersburg,Russia	100.0		Sponda
OOO Inform Future	St Petersburg,Russia	100.0		Sponda
OOO NRC	St Petersburg,Russia	100.0		Sponda
OOO Veika	St Petersburg,Russia	100.0		Sponda
ZAO Ankor	Moscow, Russia	100.0		Sponda
OOO Europe Terminal	Moscow, Russia	100.0		Sponda
CCL Greystone	Moscow, Russia	100.0		Sponda
Korbis K Limited Liability Company	Moscow, Russia	100.0		Sponda
Slavjanka Closed Joint-Stock Company	Moscow, Russia	100.0		Sponda
OOO Western Realty (Ducat 2)	Moscow, Russia	100.0		Sponda
Bonford Investments Ltd	Cyprus	100.0		Sponda
Makentrax Limited	Cyprus	100.0		Sponda
Rowina Holding Limited	Cyprus	100.0		Sponda

Changes in Group structure in 2012

Companies sold
Creax Oy (yhteisyritys)
Helsingin Ehrensvärdintie 31-35
Helsingin Neonpolku
Helsingin Ohrahuhdantie 4
Holkkitie 8 a
Hämeenportin Yritystalo
Jaakkolanportti
Leppäsorsa
Turun Rautakatu
Turun Yliopistonkatu 12 a
Tuusulan Teollisuuskuja 4
Vantaan Santaradantie 8
Vantaan Tähtäinkuja 3
Vepema
Vitikka 6

Companies bought
CH Holding Vehicle 5 Ky
CS Holding 5 Oy
Vilhonkatu 5
CCL Greystone
Bonford Investments Ltd

Demergers
Espoon Komentajankatu 3 has been demerged into Espoon Komentajankatu 5
and Upseerinkadun Pysäköintilaitos
Upseerinkatu 1 has been demerged into Espoon Esikunnankatu 1
and Espoon Upseerinkatu 1-3
Name changes
Sponda Asset Management III Oy was previously named CS Holding 5 Oy
Sponda Fund III Ky was previously named CS Holding Vehicle 5 Ky

Parent company income statement

M€	Note	1 Jan.-31 Dec.2012	1 Jan.-31 Dec.2011
Total revenue			
Rental income and recoverables	1	**139.2**	128.7
Fund management fees		**3.7**	4.1
		142.9	132.7
Expenses from leasing operations		**-41.3**	-40.4
Direct expenses from funds		**-1.3**	-1.3
		-42.6	-41.7
Net operating income		**100.3**	91.0
Sales and marketing expenses		**-1.5**	-1.2
Administrative expenses	2 3 6	**-11.2**	-9.6
Other operating income	4	**0.3**	0.3
Profits on sale of investment properties		**4.5**	0.1
Other operating expenses	5	**-3.7**	-0.3
Operating profit		**88.6**	80.3
Financial income and expenses	7	**221.5**	-134.2
Profit / loss before one-time items		**311.5**	-54.0
Extraordinary items	8	**57.4**	46.1
Profit / loss before tax		**368.9**	-7.8
Income taxes	9	**0.0**	0.0
Profit / loss for period		**368.9**	-7.9

Parent company balance sheet

M€	Note	31 Dec. 2012	31 Dec. 2011
Assets			
Non-current assets			
Intangible assets	10	**31.0**	29.1
Property, plant and equipment	11		
Land and water		**0.0**	1.9
Machinery and equipment		**0.1**	0.2
Advance payments		**0.2**	-
		0.4	2.1
Investments	12		
Holdings in Group companies		**1,804.4**	1,812.7
Receivables from Group companies		**1,052.2**	1,061.9
Holdings in associated companies		**7.5**	7.5
Investments in real estate funds		**86.6**	69.2
Other investments		**55.3**	37.0
		3,006.0	2,988.3
Total non-current assets		**3,037.3**	3,019.4
Current assets			
Current receivables	13	**91.6**	77.2
Cash and bank deposits		**12.1**	14.3
Total current assets		**103.6**	91.5
Total assets		**3,141.0**	3,110.9
Equity and liabilities			
Equity	14		
Share capital		**111.0**	111.0
Share premium reserve		**159.1**	159.1
Invested non-restricted equity reserve		**445.9**	445.9
Retained earnings		**31.6**	84.7
Loss for the period		**368.9**	-7.9
Total equity		**1,116.5**	793.0
Liabilities			
Non-current liabilities	15	**1,595.3**	1,883.4
Curret liabilities	16	**429.2**	434.5

Total liabilities	**2,024.4**	2,317.9
Total equity and liabilities	**3,141.0**	3,110.9

Parent company statement of cash flows

M€		1 Jan.–31 Dec. 2012	1 Jan.–31 Dec. 2011
Cash flow from operating activities			
Net profit for the period		**368.9**	-7.9
Adjustments	1)	**-273.9**	93.2
Change in net working capital	2)	**-27.6**	-11.9
Interest received		**43.7**	45.3
Interest paid		**-94.0**	-65.1
Dividends recieved		**370.5**	-
Other financial items		**-6.4**	-16.6
Taxes received/paid		**0.0**	0.0
Net cash flow generated by operating activities		**381.1**	37.0
Cash flow from investing activities			
Investments in shares and holdings		**-19.8**	-69.4
Acquisition of property, plant and equipment and intangible assets		**-5.9**	-8.1
Proceeds from disposal of shares and holdings		**18.7**	-1.7
Loans granted		**-88.9**	-119.1
Repayments of loan receivables		**6.0**	1.3
Net cash flow used in investing activities		**-89.9**	-197.0
Cash flow from financing activities			
Non-current loans, raised		**431.9**	846.0
Non-current loans, repayments		**-711.7**	-828.8
Current loans, raised/repayments		**31.8**	189.8
Dividends paid		**-45.3**	-41.6
Net cash flow generated from financing activities		**-293.4**	165.4
Change in cash and cash equivalents		**-2.2**	5.4
Cash and cash equivalents at 1 Jan.		**14.3**	9.0
Cash and cash equivalents at 31 Dec.		**12.1**	14.3

Notes to the cash flow statement, M€	1 Jan.–31 Dec. 2012	1 Jan.–31 Dec. 2011

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	**3.8**	0.1
	Other operational income	**-4.5**	-0.1
	Depreciation and amortization	**5.6**	5.1
	Financial income and expenses	**-234.6**	128.8
	Unrealized exchange rate loss	**13.2**	5.4
	Merger losses/group contributions	**-57.4**	-46.1
	Changes in depreciation differences	**-**	0.0
	Taxes	**0.0**	0.0
	Adjustments, total	**-273.9**	93.2

2)	**Statement of change in net working**		
	Current receivables		
	increase (-), decrease (+)	**-17.6**	-18.1
	Non-interest-bearing current liabilities		
	increase (+), decrease (-)	**-9.9**	6.2
	Change in net working capital	**-27.6**	-11.9

Accounting principles for the parent company accounts

The financial statements of Sponda Plc have been prepared in accordance with the provisions of the Finnish Accounting Act, the Finnish Companies Act and the Finnish Securities Market Act.

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
- Other long-term expenditure 1–31 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.

As an exception to the above, the derivatives implemented to hedge against the exchange rate risk and interest rate risk of the SEK denominated loans are valued at fair value according to Section 5, Chapter 2a of the Finnish Accounting Act. The change in fair value is recorded as an income or expense in the income statement. The fair value represents the result if the derivative position had been closed on the balance sheet date. External valuations are used for valuation.

Extraordinary income and expenses

Extraordinary income and expenses consist of group contributions.

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€	2012	2011
Office & Retail Properties	100.9	90.7
Logistics Propertiest	38.2	37.7
Property Development	0.2	0.3
Total	**139.2**	**128.7**

Rental income and recoverables by geographical area, M€	2012	2011
Helsinki Metropolitan Area	130.2	120.2
Rest of Finland	9.0	8.5
Total	**139.2**	**128.7**

2. Personnel expenses and number of employees

M€	2012	2011
Salaries and fees	10.4	10.6
Pension costs	1.9	1.6
Other personnel costs	0.6	0.4
Total	**12.8**	**12.6**

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**	**0.8**

* Does not include bonuses from incentive scheme

The President and CEO is paid a full salary. The salary and fees paid to Sponda Plc's President and CEO totalled EUR 503,000 (2011: 506,000). In addition, during the period the President and CEO was paid a bonus of EUR173,000 (2011: 383,000) under the incentive scheme, based on the company's actual performance in 2011.

M€	2012	2011
Bonus under the incentive scheme based on actual figures for 2011	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 9 to the consolidated financial statements “Employee benefit expenses and number of employees”.

Personnel on average	2012	2011
White collar, number of employees	110	110

3. Depreciation, amortization and impairment losses

M€	2012	2011
Intangible assets		
Other long-term expenditure	5.5	5.0
Property, plant and equipment		
Machinery and equipment	0.1	0.1
Yhteensä	**5.6**	**5.1**

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

4. Other operating income

M€	2012	2011
Share of bankruptcy estate	0.1	0.1
Other operating income	0.2	0.2
Total	**0.3**	**0.3**

5. Other operating expenses

M€	2012	2011
Losses on disposal of investments	3.8	0.1
Other expenses	0.1	0.2
Credit losses	0.1	0.6
Doubtful receivables	-0.1	-0.6
Total	**3.7**	**0.3**

6. Auditor fees

M€	2012	2011
Authorized public accountants KPMG Oy		
Audit	0.1	0.1
Tax advice	0.0	0.0
Other services	0.1	0.2
Total	**0.2**	**0.3**

7. Financial income and expenses

M€	2012	2011
Realised gains from real estate funds	7.5	5.0
Dividends from group companies	370.5	-
Interest income from long-term investments in Ghroup companies	43.7	42.3
Other interest income	0.5	2.9
Other financial income	32.8	12.2
Total interest and financial income	**454.9**	**62.4**
Interest expenses paid to Group companies	-14.6	-15.5
Other interest expenses	-81.8	-79.2
Other financial expenses	-26.6	-20.4
Finance charge to subsidiaries	-110.4	-81.6
Total interest expenses and other financial expenses	**-233.5**	**-196.6**
Financial income and expenses total	**221.5**	**-134.2**

8. Extraordinary items

M€	2012	2011
Group contributions received	57.4	46.1
	57.4	**46.1**

9. Income taxes

M€	2012	2011
Income taxes for the period	-	-
Income taxes for previous periods	0.0	0.0
	0.0	**0.0**

10. Intangible assets

2012, M€	Other long-term expenditure	Purchases in progress	Total
Acquisition cost 1 January	68.0	5.2	73.2
Increases	10.3	9.2	19.5
Transfers	-3.4	-8.7	-12.1
Acquisition cost 31 December	**74.9**	**5.7**	**80.6**
Accumulated amortization and impairment losses 1 January	-44.2	-	-44.2
Amortization for the period	-5.5	-	-5.5
Accumulated depreciation 31 December	**-49.6**	**-**	**-49.6**
Net carrying amount 31 December	**25.2**	**5.7**	**31.0**

2011, M€	Other long-term expenditure	Purchases in progress	Total
Acquisition cost 1 January	62.2	3.1	65.2
Increases	18.2	7.9	26.1
Transfers	-12.3	-5.8	-18.1
Acquisition cost 31 December	**68.0**	**5.2**	**73.2**
Accumulated amortization and impairment losses 1 January	-39.6	-	-39.6
Amortization for the period	-4.6	-	-4.6
Accumulated depreciation 31 December	**-44.2**	**-**	**-44.2**
Net carrying amount 31 December	**23.8**	**5.2**	**29.0**

11. Property, plant and equipment

2012	Land sites	Machinery and equipment	Advance payments	Total
Acquisition cost 1 January	1.9	1.4	0.0	3.3
Increases		0.0	0.2	0.3
Decreases	-1.9		-	-1.9
Acquisition cost 31 December	**0.0**	**1.5**	**0.2**	**1.7**
Accumulated depreciation and impairment losses 1 January	-	-1.2	-	-1.2
Accumulated depreciation on decreases and transfers				0.0
Depreciation for the period	-	-0.1	-	-0.1
Accumulated depreciation 31 December	**-**	**-1.3**	**-**	**-1.3**
Net carrying amount 31 December	**0.0**	**0.1**	**0.2**	**0.4**

2011	Land sites	Machinery and equipment	Advance payments	Total
Acquisition cost 1 January	1.9	1.4	0.4	3.7
Increases	-	0.0	0.2	0.2

Decreases	-	-	-0.6	-0.6
Acquisition cost 31 December	**1.9**	**1.4**	**0.0**	**3.3**
Accumulated depreciation and impairment losses 1 January	-	-1.1	-	-1.1
Accumulated depreciation on decreases and transfers	-	-	-	-
Depreciation for the period	-	-0.1	-	-0.1
Accumulated depreciation 31 December	**-**	**-1.2**	**-**	**-1.2**
Net carrying amount 31 December	**1.9**	**0.2**	**0.0**	**2.1**

12. Investments

2012, M€	Shares in Group companies	Receivables from Group companies	Holdings in associated companies	Investments in property funds	Other investments *)	Total
Acquisition cost 1 January	1,812.7	1,061.9	7.5	69.2	37.0	2,988.3
Increases	28.7	123.1	-	18.4	35.2	205.3
Decreases	-37.0	-132.8	-	-0.9	-16.9	-187.6
Net carrying amount 31 December	**1,804.4**	**1,052.2**	**7.5**	**86.6**	**55.3**	**3,006.0**

*) Other investments, M€	Other shares	Receivables from associated companies	Receivable funds	Other investments	Non-current receivables	Total
Acquisition cost 1 January	7.2	24.0	3.1	0.1	2.6	37.0
Increases	0.3	18.0	-	-	16.9	35.2
Decreases	0.0	-16.9	-	-	-	-16.9
Net carrying amount 31 December	**7.5**	**25.1**	**3.1**	**0.1**	**19.5**	**55.3**

2011, M€	Shares in Group companies	Receivables from Group companies	Holdings in associated companies	Investments in property funds	Other investments *)	Total
Acquisition cost 1 January	1,729.1	1,025.5	7.5	59.1	28.4	2,849.6
Increases	84.4	133.3	-	10.1	24.3	252.2
Decreases	-0.9	-97.0	-	-	-15.6	-113.5
Net carrying amount 31 December	**1,812.7**	**1,061.9**	**7.5**	**69.2**	**37.0**	**2,988.3**

*) Other investments, M€	Other shares	Receivables from associated companies	Receivable funds	Other investments	Non-current receivables	Total
Acquisition cost 1 January	3.7	21.5	3.1	0.1	-	28.4
Increases	4.8	16.9	-	-	2.6	24.3
Decreases	-1.3	-14.3	-	-	-	-15.6
Net carrying amount 31 December	**7.2**	**24.0**	**3.1**	**0.1**	**2.6**	**37.0**

13. Current receivables

M€	2012	2011
Trade receivables	3.2	2.2
Other receivables	16.4	11.1
Prepaid expenses and accrued income		
From Group companies	60.5	50.3
From other companies	11.5	13.6
Prepaid expenses and accrued income, total	**72.0**	**63.9**
Current receivables, total	**91.6**	**77.2**

Main items in prepaid expenses and accrued income		
Interest and financial items	4.8	9.1
Other items	67.2	54.9
Total	**72.0**	**63.9**

14. Equity

M€	2012	2011
Share capital 1 January	111.0	111.0
Share capital 31 December	**111.0**	**111.0**
Share premium 1 January	159.1	159.1
Share premium reserve 31 December	**159.1**	**159.1**
Invested non-restricted equity reserve 1 January	445.9	423.9
Share issue	-	22.0
Invested non-restricted equity reserve 31 December	**445.9**	**445.9**
Retained earnings 1 January	76.9	126.4
Dividend payment	-45.3	-41.6
Retained earnings 31 December	**31.6**	**84.8**
Profit / loss for period	368.9	-7.9
Equity, total	**1,116.5**	**793.0**

Calculation of distributable funds 31 December, M€	**2012**	**2011**
Retained earnings	31.6	84.7
Invested non-restricted equity reserve	445.9	445.9
Profit / loss for period	368.9	-7.9
Total	**846.3**	**522.8**

15. Non-current liabilities

M€	2012	2011
Non-current interest-bearing liabilities		
Serial bonds	324.2	172.4
Loans from financial institutions	1,200.6	1,307.4
Other non-current debt payable to Group companies	70.5	400.7
Non-current interest-bearing liabilities, total	**1,595.3**	**1,880.6**
Non-current interest-free liabilities	**-**	**2.9**
Non-current liabilities, total	**1,595.3**	**1,883.4**

Loans from financial institutions include a EUR 95.0 million hybrid bond, which is treated in the consolidated balance sheet as an equity item.

16. Current liabilities

M€		2012	2011
Current interest-bearing liabilities			
Loans from financial institutions		368.7	374.1
Current interest-free liabilities			
Advances received		0.4	0.2
Trade payables			
	To Group companies	17.4	14.0
	To other companies	0.5	1.5
Total trade payables		**17.9**	**15.5**
Accrued expenses and prepaid income			
	Payable to Group companies	0.1	2.0
	Payable to other companies	25.8	26.0
Total accrued expenses and prepaid income		**25.9**	**28.0**
Other current debt receivable from Group companies		14.4	14.6
Other current debt		1.9	2.1
Total current interest-free liabilities		**60.5**	**60.4**
Total current liabilities		**429.2**	**434.5**
Main items in accrued expenses and prepaid income			
Interest and financial items		19.0	20.2
Personnel expenses		5.2	4.4
Other items		1.6	3.4
Total		**25.9**	**28.0**

Loans from financial institutions include a EUR 92.8 million hybrid bond, which is treated in the consolidated balance sheet as an equity item.

17. Derivative instruments

M€	2012	2011
Interest derivatives		
Interest rate swaps, nominal value of principal	871.6	972.4
Interest rate swaps, fair value	-42.9	-39.5
Interest options, nominal value	300.0	565.0
Interest options, fair value	0.6	1.6
Currency derivatives		
Purchased options, fair value	10.2	7.0
Purchased options, nominal value	0.1	0.1
Written options, fair value	10.2	7.0
Written options, nominal value	-0.1	-0.2
Financial instruments valued at fair value in a manner affecting the result		
Currency derivatives		
Interest rate and currency swaps, notional value	337.4	337.4
Interest rate and currency swaps, fair value	19.5	-0.2

Interest rate and currency swaps are used to hedge the exchange rate risk related to loans denominated in Swedish krona. The nominal values of interest rate and currency swaps are identical with the nominal values of the loans hedged. The derivatives 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. Sponda utilises external valuations.

18. Collateral and contingent liabilities

M€	2012	2011
Loans from financial institutions, covered by collateral	111.6	110.0

Collateral given on behalf of Group companies, M€	2012	2011
Book value of pledged shares	9.3	9.3

Contingent liabilities given on behalf of Group companies, M€	2012	2011
Guarantees given on behalf of Group companies	15.6	3.6

Lease liabilities, M€	2012	2011
Payments based on agreements fall due as follows:		
During the following year	0.4	0.5
After the following year	0.3	0.5
Total	**0.7**	**1.0**

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€	2012	2011
Investment commitments to real estate funds	42.3	28.6

Distribution of profit

SPONDA Plc

GROUP

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

The parent company's distributable funds total EUR 846,348,773.80, of which the profit for the period is EUR 368,859,955.97.

The Board of Directors proposes to the AGM that a dividend of EUR 0.17 per share be paid for the 2012 financial year.

There has been no material changes in the company's financial position since the end of the financial year. The company's liquidity is good and the Board of Directors' view is that the proposed disposal of the profit does not undermine the company's liquidity.

Helsinki, 1 February 2013

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
Lauri Ratia

Arja Talma
Raimo Valo
Erkki Virtanen

Kari Inkinen
CEO

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

Helsinki, 18 February 2013

KPMG OY Ab

Raija-Leena Hankonen
APA

Kai Salli
APA

Auditor's Report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

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 31 December 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, 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.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view 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 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 express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about 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 are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

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.

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki, 18 February 2013

KPMG OY Ab

Raija-Leena Hankonen	Kai Salli
KHT	KHT