# Interim Report

**1.1.–30.6.2010**

SPONDA

# *Sponda Plc's interim report January – June 2010*

Sponda Plc's total revenue in the January – June 2010 period was EUR 115.9 million (January – June 2009: EUR 119.8 million). The decline in revenue was due to properties sold and due to the increase in vacancy rates from the previous year. Net operating income after property maintenance costs and direct costs for funds amounted to EUR 83.4 (87.2) million. Operating profit was EUR 93.0 (-49.9) million.

The company's share of real estate fund profits in the income statement are presented on the change in fair value line instead of under total revenue which has altered the company's total revenue. The share of the profit in January – June was EUR 2.9 million and in April – June EUR 1.4 million. The figures for comparison have been adjusted accordingly.

**Result of operations and financial position January – June 2010 (compared with same period in 2009)**

- Total revenue was EUR 115.9 (119.8) million. The decline in revenue was due to properties sold and due to the increase in vacancy rates from the previous year.
- Net operating income was EUR 83.4 (87.2) million.
- Operating profit totalled EUR 93.0 (-49.9) million, which includes a change in fair value of EUR 10.0 (-126.7) million.
- The result after tax was EUR 46.8 (-81.8) million.
- Earnings per share were EUR 0.15 (-0.48), which includes the impact of the interest on the hybrid bond.
- Cash flow from operations per share was EUR 0.19 (0.37).
- The fair value of the investment properties amounted to EUR 2 798.0 (2 786.2) million.
- Net assets per share were EUR 3.55 (3.54).
- Economic occupancy rate was 87.3 % (88.4 %).

**Result of operations and financial position April – June 2010 (compared with same period in 2009)**

- Total revenue was EUR 58.3 (60.6) million.
- Net operating profit was EUR 43.0 (43.6) million.
- Operating profit totalled EUR 56.7 (27.9) million, which includes a change in fair value of EUR 10.1 (-10.8) million.
- The result after tax was EUR 32.4 (10.1) million.
- Earnings per share were EUR 0.11 (0.04), which includes the impact of the interest on the hybrid bond.
- Cash flow from operations per share was EUR 0.11 (0.19).

**Key figures**

| | **4-6/10** | 4-6/09 | **1-6/10** | 1-6/09 | 1-12/09 |
|---|---|---|---|---|---|
| | | | | | |
| *Economic occupancy rate, %* | | | **87.3** | 88.4 | 86.6 |
| *Total revenue, M€* | **58.3** | 60.6 | **115.9** | 119.8 | 237.2 |
| *Net operating income, M€* | **43.0** | 43.6 | **83.4** | 87.2 | 175.8 |
| *Operating profit, M€* | **56.7** | 27.9 | **93.0** | -49.9 | -13.3 |
| *Earnings per share, €** | **0.11** | 0.04 | **0.15** | -0.48 | -0.40 |
| *Cash flow from operations per share, €* | **0.11** | 0.19 | **0.19** | 0.37 | 0.45 |
| *Net assets per share, €* | | | **3.55** | 3.54 | 3.54 |

| | | | | | |
|---|---|---|---|---|---|
| *EPRA, Net assets per share, €* | | | **4.19** | 4.20 | 4.18 |
| *Equity ratio, %* | | | **37** | 37 | 37 |
| *Interest cover ratio* | | | **2.9** | 2.4 | 2.7 |

*) The figure includes the impact of the interest on the hybrid bond

**CEO Kari Inkinen**

”Sponda’s economic occupancy rate rose from the first quarter of the year by 0.5 percentage points as predicted. Positive developments occurred in almost all business units. Despite this, the company’s total revenue and net operating income declined from the corresponding period in 2009 due to the sale of properties and due to the decline in occupancy rates that took place over a 12 month period and. Despite the challenging state of the market, there was no decline in rent levels in the leases signed for Sponda’s premises during the period.

Sponda completed the building of an energy-efficient S-market store and ABC service station at the beginning of May. The total investment was just under EUR 5 million. The main objective for the design of the building was to reduce energy consumption during the operative life of the building by energy-efficient heating systems, building service systems and increasing the thermal insulation. Construction work on the two active property development sites, City-Center office building and the production plant and office premises in Hakkila in Vantaa, are progressing according to plan and both will be completed during 2011.

The positive ruling for Sponda in the tax issue will provide good possibilities to develop business further.”

**Prospects**

Sponda estimates that the positive development in occupancy rates, which started in Q2 2010, will continue for the second half of 2010. This assessment is based on the lease agreements that the company knows are expiring and on the forecast growth in Finland’s economy in 2010.

The net operating income in 2010 is estimated to be lower than that in 2009. The reasons for this decline are the strategic sales of property and the fall in occupancy rates that began in 2009 and continued in the first quarter of 2010.

**Confirmed losses of Sponda Kiinteistöt Oy**

The Supreme Administrative Court ruled in favour of Sponda on the deductibility of the confirmed losses of Sponda Kiinteistöt Oy in July 2010. There is no right of appeal against the ruling. The ruling will not have an impact on the result for 2010.

Sponda Plc announced in November 2007 that the Uusimaa corporate tax office had decided to deviate from the 2006 tax returns made by Sponda Kiinteistöt Oy (formerly Kapiteeli Oy) and considered that the company’s taxable earnings were EUR 192 million. The matter relates to the confirmed losses of Sponda Kiinteistöt Oy, which for the tax years 1996 - 1999 totalled some EUR 558 million. The confirmed losses were connected with the acquisition of Kapiteeli by Sponda in 2006. A more detailed account of the tax issue is given in the company’s financial statements of 31 December 2009 and in the interim report for January – March 2010, which was published on 5 May 2010. The company also issued a statement on the ruling of the Supreme Administrative Court on 6 July 2010.

## Business conditions – Finland

According to the Institute for Real Estate Economics (KTI), property transactions with a total value of some EUR 0.5 billion took place in Finland in the first half of 2010. In the opinion of Catella Property Group, the shortage of prime sites in the Helsinki central business district and demand for these have slightly reduced the yield requirements for these sites.

According to Catella Property Oy, market vacancy rates will continue to rise for office and logistics premises but will start to fall for retail premises during 2010. There is still very little new construction, and no significant amounts of new business premises are coming on the market.

Rent levels for office properties are expected to level off especially in the Helsinki metropolitan area. Catella reports that rent levels for new, high quality properties seem to have stopped falling, but prices are still flexible in places on the outskirts of the area.

## Business conditions – Russia

The consensus forecast for growth in Russia'a gross national product in 2010 is about 3 %. There was growth in demand for Russia's main exports, oil and other raw materials but domestic demand remains weak, which is slowing down the recovery in the national economy.

During the first quarter of 2010, it is estimated that the volume of new premises that came on the Moscow property market was the same as that which was taken in to use. The new premises that became available were mainly from the completion of projects that had earlier been put on hold. Rental levels remained stable and market vacancy rates rose slightly. According to expert assessments, vacancy rates in Moscow and St Petersburg are still high, at 20-25 %, but the leasing market is expected to recover in the second half of 2010.

## Sponda's operations in January – June 2010

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

Net operating income and management fees from all of Sponda's property assets totalled EUR 83.4 (87.2) million in the six month period. Office and retail premises accounted for 52 % of this, shopping centres for 19 %, logistics premises for 15 %, Russia for 10 % and the Real Estate Funds unit for 4 %. Like-for-like rental growth during the past two years for the property portfolio that Sponda has owned for two years was -4.21 % for office and retail properties, 0.18 % for shopping centres, -4.66 % for logistics properties and -4.67 % for properties in Russia. The like-for-like rents in Russia are calculated from roubles without any changes in exchange rates. All of Sponda's leasing 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* | **30.6.10** | 31.3.10 | 31.12.09 | 30.9.09 | 30.6.09 |
|---|---|---|---|---|---|
| *Office and Retail, %* | **87.7** | 86.5 | 87.9 | 87.9 | 90.3 |
| *Shopping centres* | **96.7** | 96.5 | 96.4 | 97.3 | 97.1 |
| *Logistics, %* | **75.9** | 76.0 | 74.5 | 75.0 | 76.1 |
| *Russia, %* | **91.5** | 87.4 | 88.2 | 87.5 | 89.1 |

| | | | | | |
|---|---|---|---|---|---|
| *Total property portfolio, %* | **87.3** | 86.2 | 86.6 | 86.8 | 88.4 |
| | | | | | |
| | | | | | |
| ***Geographical area*** | **30.6.10** | 31.3.10 | 31.12.09 | 30.9.09 | 30.6.09 |
| *Helsinki Business District, %* | **88.6** | 86.5 | 86.2 | 85.5 | 91.3 |
| *Helsinki Metropolitan Area, %* | **84.2** | 84.0 | 84.8 | 85.6 | 85.7 |
| *Turku, Tampere, Oulu, %* | **96.7** | 95.5 | 95.7 | 95.4 | 96.0 |
| *Russia* | **91.5** | 87.4 | 88.2 | 87.5 | 89.1 |
| *Total property portfolio, %* | **87.3** | 86.2 | 86.6 | 86.8 | 88.4 |

Total cash flow derived from leasing agreements on 30 June 2010 was EUR 1 114 (1 108) million. Sponda had 1 983 clients and altogether 3 109 leasing agreements. The company's biggest tenants were the public sector (11.2 % of rental income), Kesko Group (5.1 % of rental income), Sampo Bank Plc (3.9 % of rental income) andä HOK-Elanto (3.8 % of rental income). Sponda's 10 largest tenants generate about 32 % of the company's total rental income. Sponda's tenants by sector were as follows:

| **Sector** | % net rental |
|---|---|
| Professional, scientific and technical activities | 8.1 % |
| Energy | 0.6 % |
| Public sector | 11.2 % |
| Wholesale/retail | 26.6 % |
| Education | 1.0 % |
| Logistics/Transport | 6.8 % |
| Media /Publishing | 1.7 % |
| Hotel and catering business | 3.7 % |
| Other services | 9.7 % |
| Banking/Investment | 8.4 % |
| Construction | 2.0 % |
| Industry/manufacturing | 6.8 % |
| Healthcare | 3.9 % |
| Telecommunications | 5.7 % |
| Others | 3.8 % |

The average length of all the leasing agreements was 4.7 (4.7) years. The average length of leasing agreements was 5.3 years for office and retail properties, 5.1 years for shopping centres and 3.6 years for logistics premises. A total of 82 new leases (27,600 m²) came into force in April – June 2010, and 132 leases (21,700 m²) expired during this period. The lease agreements for Sponda's property portfolio expire as follows:

| Expiry within | % of rental income 30.6.2010 | % of rental income 30.6.2009 |
|---|---|---|
| | | |
| 1 year | 15.3 | 13.1 |
| 2 years | 10.9 | 11.7 |
| 3 years | 11.1 | 11.5 |

| | | |
|---|---|---|
| 4 years | 9.5 | 6.6 |
| 5 years | 5.9 | 10.3 |
| 6 years | 4.7 | 5.0 |
| More than 6 years | 29.2 | 27.9 |
| Open ended | 13.4 | 13.9 |

**Property portfolio**

On 30 June 2010 Sponda had a total of 196 properties, with an aggregate leasable area of about 1.5 million m². Of this some 52 % is office and retail premises, 9 % shopping centres and 36 % logistics premises. Some 3 % of the leasable area of the properties is located in Russia.

The fair values of Sponda's investment properties are confirmed through the company's own cash flow based yield assessment calculation. The valuation method complies with international valuation standards (IVS). The entire material used in calculating the fair values of properties is examined at least twice a year by an external expert, to ensure that the parameters and values used in the calculation are based on market observations.

At the end of the second quarter of 2010, Catella Property Oy assessed the value of Sponda's investment properties in Finland. The properties in Russia were assessed by CB Richard Ellis and properties in the real estate funds Sponda Fund I and Sponda Fund II were assessed by Jones Lang LaSalle and Kiinteistötaito Peltola & Co Oy. The change in the fair value of the investment properties was EUR 8.5 (-123.7) million in the January – June period and EUR 9.7 (-6.4) million in April - June. The change in value of the properties owned by the real estate funds was EUR -1.4 (-5.6) million in the first half of the year, with the change in the second quarter being EUR -1.0 (-5.6) million. The main factors contributing to the change in the fair value were the changes in market rents for properties and the decline in vacancy rates. The realized gains by real estate funds were EUR 1.4 million during April-June and EUR 2.9 million during January-June 2010.

**Valuation gains/losses on assessing Sponda's investment properties at fair value**

| *M €* | **4-6/10** | **1-6/10** | **1-12/09** |
|---|---|---|---|
| | | | |
| *Changes in yield requirements (Finland)* | 2.2 | 2.2 | -54.7 |
| *Changes in yield requirements (Russia)* | 0 | 0 | -49.4 |
| *Development gains on property development projects* | 0.1 | 1.0 | -1.2 |
| *Modernization investments* | -6.4 | -12.0 | -21.3 |
| *Change in market rents and maintenance costs (Finland)* | 6.4 | 3.6 | -8.4 |
| *Change in market rents and maintenance costs (Russia)* | 2.6 | 2.6 | -26.9(** |
| *Change in currency exchange rates* | 4.9 | 11.2 | -5.0 (* |
| ***Investment properties, total*** | **9.7** | **8.5** | **-166.8** |
| *Real estate funds* | -1.0 | -1.4 | -8.3 |
| *Realized gains/losses by real estate funds* | 1.4 | 2.9 | 5.8 |
| ***Group, total*** | **10.1** | **10.0** | **-169.3** |

**) change in value due to changes in exchange rates 6-12/2009*
***) include changes in value due to changes in exchange rates 1-6/2009*

The changes in Sponda's investment property assets in the January – June 2010 period were as follows:

| *Sponda's investment properties, M€* | Total | Office & Retail | Shop-ping centres | Logistics | Property develop-ment | Russia |
|---|---|---|---|---|---|---|
| *Operating income* | 108.9 | 59.9 | 19.6 | 17.9 | 0.1 | 11.4 |
| *Maintenance costs* | -30.4 | -16.5 | -4.0 | -6.1 | -0.8 | -3.0 |
| *Net operating income* | 78.5 | 43.4 | 15.6 | 11.8 | -0.6 | 8.4 |
| | | | | | | |
| *Investment properties on 1 Jan. 2010, includ. cum. capitalized interest* | 2 767.5 | 1 425.8 | 543.6 | 396.1 | 220.6 | 181.4 |
| *Capitalized interest 2010* | 2.3 | 0.0 | 0.0 | 0.0 | 1.9 | 0.4 |
| *Acquisitions in 2010* | 0.5 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 |
| *Investments* | 30.0 | 11.0 | 0.1 | 3.6 | 14.7 | 0.7 |
| *Other transfers* | 0.0 | 5.8 | 0.0 | 0.0 | -5.8 | 0.0 |
| *Sales in 2010* | -10.7 | -9.0 | 0.0 | -0.3 | -1.4 | 0.0 |
| *Valuation gains/losses* | 8.5 | -0.1 | -4.0 | -1.2 | 0.2 | 13.6 |
| ***Fair value of investment properties at 30 June 2010*** | **2 798.0** | **1 433.5** | **540.2** | **398.2** | **230.2** | **196.0** |
| | | | | | | |
| *Change in fair value %* | 0.3 | 0.0 | -0.7 | -0.3 | 0.1 | 7.5 |
| | | | | | | |
| ***Annual net operating income/ fair value at 30 June 2010 (**** | **6.4 %** | **6.1 %** | **6.5 %** | **5.9 %** | | **9.6 %** |
| | | | | | | |
| ***Weighted average yield requirement -% for entire portfolio*** | **7.2** | **6.6** | **6.1** | **8.1** | | **11.5** |
| ***Weighted average yield requirement -% for portfolio - Finland*** | **6.8** | | | | | |

**) Excluding property development*

### Investments and divestments

Sponda sold investment properties during the January – June 2010 period for a total value of EUR 10.7 million, with April – June accounting for EUR 1.4 million of this. Sponda purchased property in the January – June period for EUR 0.5 million.

Investments in property maintenance totalled EUR 12.0 million in the January – June period, with EUR 6.4 million of this being spent in the second quarter. Altogether EUR 18.0 million had been invested in property development by the end of June, with the second quarter accounting for EUR 13.6 million. The property development investments were mainly allocated to the renovation of the City-Center complex in Helsinki city centre and the production plant being built in Hakkila in Vantaa.

### Office and Retail Properties

The economic occupancy rate for Office and Retail Properties was 87.7 % (30 June 2009: 90.3 %). The property portfolio had a fair value on 30 June 2010 of EUR 1 433.5 million, and the change in fair value compared to the beginning of 2010 was EUR -0.1 million. The leasable area of office and retail properties was some 760,000 m², and an estimated 73 % of this was office premises and 27 % retail premises. The segment's total revenue, net operating income and operating profit in the period were as follows:

| M€ | 4-6/10 | 4-6/09 | 1-6/10 | 1-6/09 | 1-12/09 |
|---|---|---|---|---|---|
| *Total revenue* | **30.7** | 32.4 | **61.0** | 65.2 | 129.0 |
| *Net operating income* | **22.6** | 23.9 | **43.9** | 48.0 | 96.3 |
| *Operating profit* | **26.3** | 19.9 | **41.9** | 11.3 | 46.5 |

In January – June 2010 Sponda sold office and retail properties for EUR 9.0 million. No properties were purchased during the period. Capital expenditure on property maintenance amounted to EUR 10.9 million by the end of June, with EUR 5.5 million of this spent in the April – June period.

**Shopping centres**

The Shopping Centres unit had an economic occupancy rate of 96.7 % (97.1 %). The properties had a fair value of EUR 540.2 million, and the change in fair value from the beginning of 2010 was EUR -4.0 million. The shopping centres had a combined leasable area of about 140,000 m². The segment's total revenue, net operating income and operating profit in the period were as follows:

| M€ | 4-6/10 | 4-6/09 | 1-6/10 | 1-6/09 | 1-12/09 |
|---|---|---|---|---|---|
| *Total revenue* | **9.6** | 10.3 | **19.6** | 18.6 | 39.3 |
| *Net operating income* | **7.9** | 8.2 | **15.6** | 14.5 | 31.4 |
| *Operating profit* | **5.0** | 5.8 | **11.0** | 4.3 | 18.7 |

During January – June 2010 the segment made no major investments in property maintenance or in purchasing new property.

**Logistics Properties**

The Logistics Properties unit had an economic occupancy rate of 75.9 % (76.1 %). The properties had a fair value at the end of June 2010 of EUR 398.2 million, including a change in fair value from the beginning of 2010 of EUR -1.2 million. The logistics properties had a total leasable area of 530,000 m². The segment's total revenue, net operating income and operating profit in the period were as follows:

| M€ | 4-6/10 | 4-6/09 | 1-6/10 | 1-6/09 | 1-12/09 |
|---|---|---|---|---|---|
| *Total revenue* | **9.1** | 10.2 | **18.5** | 20.6 | 38.6 |
| *Net operating income* | **6.4** | 7.3 | **12.1** | 14.5 | 27.4 |
| *Operating profit* | **5.6** | 5.0 | **10.4** | -3.0 | -4.5 |

In the January – June period Sponda sold logistics property for EUR 0.3 million. No new properties were purchased. Capital expenditure on property maintenance since the beginning of the year totalled EUR 0.6 million and on property development EUR 3.0 million. The expenditure on property development was for the production plant being built for Metso Automation in Hakkila in Vantaa.

**Property Development**

The balance sheet value of Sponda's property development portfolio at the end of June 2010 was EUR 230.2 million. Of this some EUR 88.1 million was in undeveloped land sites and the remaining EUR 142.1 million was tied up in property development projects in progress. Investments in property development and acquisitions during January – June 2010 totalled EUR 14.7 million, and most of this was for the City-Center project and for building the production plant in Hakkila, Vantaa.

Sponda aims to obtain development gains of 15 % on the investment costs for projects. Sponda's property development business comprises new build projects and refurbishment of existing properties.

In the City-Center project, progress was made on schedule in the construction of the office building in the inner court of the complex. It is estimated that the new office building and the new retail premises being built in the second phase of the shopping centre will be completed in summer 2011. The entire City-Center renovation project is expected to be completed in 2012 and the total investment will be some EUR 125 million.

Sponda is building some 22,000 m² of production premises in Hakkila, Vantaa, that is being leased in its entirety to Metso Automation. Sponda is also leasing to Metso some 12,000 square metres of office and warehouse premises in the adjacent Honkatalo office building, and these will be completely refurbished. Sponda's total investment is estimated at about EUR 40 million and the premises should be ready at the beginning of 2011.

Sponda is developing the Ratina shopping centre in Tampere and carrying out development projects in adjacent areas. A 55,000 m² shopping centre is planned for the area, for which the total investment cost is estimated at EUR 200 million. The final decision about the investment has not been made.

In June 2010 Sponda sold a two hectare land area in the Hakuninmaa district of Helsinki to Skanska Talonrakennus Oy for some EUR 6.5 million. The piece of land at Hakuninmaantie Road 3 is part of the planned Kuninkaantammi residential area. Sponda recorded capital gains of about EUR 5.4 million on the sale.

Sponda also sold Skanska Talonrakennus Oy a land area that is planned for housing production in the centre of Kauniainen for EUR 3 million. Sponda recorded capital gains of EUR 2.9 million on this transaction.

**Russia**

At the end of June 2010, the economic occupancy rate for the Russia unit was 91.5 % (89.1 %). The property portfolio had a fair value of EUR 196.0 million, and the change in the fair value from the beginning of 2010 was EUR 13.6 million, which was mostly due to changes in exchange rates. The fair value of the properties in Russia was assessed by CB Richard Ellis.

Capital expenditure on property development and maintenance totalled EUR 0.3 million.

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

| ***M€*** | **4-6/10** | 4-6/09 | **1-6/10** | 1-6/09 | 1-12/09 |
|---|---|---|---|---|---|
| *Total revenue* | **5.8** | 5.7 | **11.4** | 11.4 | 21.8 |
| *Net operating income* | **4.3** | 4.2 | **8.4** | 8.6 | 16.4 |
| *Operating profit* | **10.9** | 5.4 | **20.4** | -54.4 | -70.4 |

The typical length of a lease in Russia is 11 months. Sponda's leasing agreements in Russia also conform to this practice, apart from the Western Realty (Ducat II) and OOO Adastra properties in Moscow and St Petersburg where the leases are for longer periods than average. The average length of Sponda's leasing agreements in Russia on 30 June 2010 was 3.2 years, and the leasing agreements expire as follows:

| Expiry in | % of rental income 30.6.2010 | % of rental income 30.6.2009 |
|---|---|---|
| 1 year | 32.6 | 22.8 |
| 2 years | 3.8 | 6.0 |
| 3 years | 19.1 | 9.7 |
| 4 years | 11.3 | 12.1 |
| 5 years | 6.2 | 14.2 |
| 6 years | 8.0 | 13.7 |
| More than 6 years | 19.0 | 21.5 |

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

**Real Estate Funds**

Sponda is a minority holder in three real estate funds, First Top LuxCo, Sponda Real Estate Fund I Ky and Sponda Real Estate Fund II Ky. Sponda is responsible for managing the funds and their properties, and receives management fees. The property portfolios of Sponda Real Estate Fund I Ky and Sponda Real Estate Fund II Ky were valued at the end of June 2010 by Jones Lang LaSalle and Kiinteistötaito Peltola & Co Oy.

As from the second quarter of 2010, Sponda's share of fund profits is presented in the consolidated income statement in the change in fair value item, instead of under total revenue. The share of profits in the January – June period was EUR 2.9 (2.6) million and in April – June EUR 1.4 (1.2) million. The figures for comparison have been adjusted accordingly. The Real Estate Fund segment's total revenue, net operating income and operating profit in the period were as follows:

| ***M€*** | **4-6/10** | 4-6/09 | **1-6/10** | 1-6/09 | 1-12/09 |
|---|---|---|---|---|---|
| *Total revenue* | **1.9** | 1.8 | **3.7** | 3.5 | 6.9 |
| *Net operating income* | **1.5** | 1.3 | **3.0** | 2.5 | 5.1 |
| *Operating profit* | **0.6** | -4.8 | **1.8** | -3.7 | -3.6 |

First Top LuxCo (Sponda's holding 20 %) invests in office and retail properties outside Finland's largest cities. On 30 June 2010 the fund's property investments had a fair value of EUR 104.1 million.

Sponda Real Estate Fund I Ky (Sponda's holding 46 %) invests in logistics sites outside the Helsinki metropolitan area. At the end of June 2010 the properties it owned had a fair value of EUR 185.5 million.

Sponda Real Estate Fund II Ky (Sponda's holding 44 %) mainly invests in logistics properties in medium sized towns in Finland. The fund has a target size for its real estate investment of about EUR 200 million and the fair value of its property portfolio on 30 June 2010 was EUR 95.6 million.

In addition to those mentioned above, Sponda is also responsible for managing the property portfolio, with a value of about EUR 270 million, sold in March 2007 to Whitehall Street Real Estate Limited and Niam Nordic Investment Fund III.

## Cash flow and financing

Sponda's net cash flow from operations in January – June 2010 totalled EUR 50.2 million (30 June 2009: EUR 42.4 million). Net cash flow from investing activities was EUR -19.3 (-22.6) million and the net cash flow from financing activities was EUR -43.5 (-6.2) million. Net financing costs in the period totalled EUR -31.3 (-33.2) million. Interest expenses of EUR 2.3 (1.8) million were capitalized.

Sponda's equity ratio on 30 June 2010 was 37 % (30 June 2009: 37 %) and gearing was 142 % (144 %). Interest-bearing debt amounted to EUR 1 597.7 (1 633.1) million and the average maturity of Sponda's loans was 2.6 (2.8) years. The average interest rate was 3.9 % (3.8 %) including interest derivatives. Fixed-rate and interest-hedged loans accounted for 70 % (63 %) of the loan portfolio. The average interest-bearing period of the whole debt portfolio was 1.9 (1.7) years. The interest cover ratio, which describes the company's solvency, was 2.9 (2.4).

Sponda applies hedge accounting, according to which changes in the fair value of interest rate swaps and interest rate options that meet the criteria for hedge accounting are recognized in equity in the balance sheet. Changes in the fair value of other interest rate derivatives and currency options are recognized in the income statement.

Sponda Group's debt portfolio on 30 June 2010 comprised syndicated loans with a nominal value of EUR 635 million, EUR 250 million in bonds, EUR 79 million in issued commercial papers, and EUR 637 million in loans from financial institutions. Sponda had EUR 375 million in unused credit limits. Sponda Group had mortgaged loans of EUR 141.2 million, or 4.7 % of the consolidated balance sheet.

In May 2010 Sponda issued a EUR 100 million domestic bond. The five-year bond carries an annual fixed rate coupon of 4.375 %. Nordea Bank and Sampo Bank were joint lead managers for the bond.

## Personnel

During the review period Sponda Group had on average 125 (135) employees, of whom 112 (120) worked for parent company Sponda Plc. On 30 June 2010 Sponda Group had altogether 121 (133) employees, of whom 109 (120) were employed in parent company Sponda Plc. Sponda has personnel in Finland and in Russia. Sponda's sales and administration costs in the period totalled EUR 10.1 (11.2) million.

## Bonus and incentive schemes

Sponda has a bonus incentive scheme to which all employees belong, and which is based on common targets for the company and on personal targets set for each employee. Key factors affecting the bonus are profitability and how business operations develop.

Sponda also has a long-term incentive scheme which comprises two one-year earnings periods, which are the calendar years 2010 and 2011, and two three-year earnings periods, which are the calendar years 2010—2012 and 2011—2013. The earnings criteria for the scheme are linked to the cash flow per share and the return on investment.

Any bonus is paid partly in company shares and partly in cash. The portion paid in cash is meant to cover the taxes and similar costs incurred by the key employee from the bonus. The employee may not dispose of the shares during the commitment periods following the earnings periods, which for the one year earnings periods is two years and for the three year earnings periods is three years. Even after this the key employee must continue to own shares while continuing in Sponda's employment, and the goal is that the company shares owned by the key employee will grow through this scheme to equal their gross annual salary.

The maximum annual bonus paid in the incentive scheme shall be the gross annual salary of the key employee on the date of payment. The gross annual salary refers to the fixed basic salary excluding any annual performance bonus and income from the long-term bonus scheme.

At present those in the scheme are the members of the company's Executive Board, in total seven people. More details of the incentive scheme are given in the company stock exchange release dated 17 March 2010.

**Group structure**

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

**The Sponda share and shareholders**

The weighted average price of the Sponda share in the January – June 2010 period was EUR 2.82. The highest quotation on NASDAQ OMX Helsinki Oy was EUR 3.19 and the lowest EUR 2.45. Turnover during the period totalled 63.4 million shares or EUR 178.9 million. The closing price of the share on 30 June 2010 was EUR 2.48, and the market capitalization of the company's share capital was EUR 688.4 million.

The Annual General Meeting on 17 March 2010 authorized the Board of Directors to purchase the company's own shares, and the authorization is in force until the next AGM. The authorization was not exercised during the review period.

Sponda issued no flagging announcements in the January – June 2010 period.

On 30 June 2010 the company had altogether 9 659 shareholders, and its ownership structure was as follows:

| | Number of shares | Holding, % |
|---|---:|---:|
| Public entities | 17 658 332 | 6.4 |
| Nominee registered | 121 887 960 | 43.9 |
| Financial and insurance institutions, total | 5 868 463 | 2.1 |
| Households | 25 920 406 | 9.3 |
| Private corporations, total | 101 278 394 | 36.5 |
| Non-profit organizations, total | 3 826 648 | 1.4 |
| Foreign owners, total | 1 135 259 | 0.4 |
| Total number of shares | 277 575 462 | 100.0 |

**Board of Directors and auditors**

Sponda's Board of Directors has six members: Klaus Cawén, Tuula Entelä, Timo Korvenpää, Lauri Ratia, Arja Talma and Erkki Virtanen. Lauri Ratia is its chairman and Timo Korvenpää is vice chairman.

The Board of Directors assessed that of its members Klaus Cawén, Tuula Entelä, Timo Korvenpää, Lauri Ratia and Arja Talma are independent of the company and of major shareholders and Erkki Virtanen is independent of the company.

Sponda Plc's auditors are APA Raija-Leena Hankonen and authorized public accountants KPMG Oy Ab, with APA Kai Salli as principal auditor and APA Riitta Pyykkkö as deputy auditor.

**Committees of the Board of Directors**

The following were members of the Audit Committee: Arja Talma, chairman, Timo Korvenpää, vice chairman and Erkki Virtanen, ordinary member.

The following were members of the Structure and Remuneration Committee: Lauri Ratia, chairman, Klaus Cawén, vice chairman, and Tuuls Entelä, ordinary member.

**Management**

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

**Environmental responsibility**

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

Sponda has set targets for 2010 that at a company level are related to reducing energy consumption in the properties owned by Sponda, taking into account the demands of environmentally responsible operations in all construction and in the maintenance of properties, cutting environmental load, and creating a healthy, attractive work environment for its clients.

**Subsequent events**

In July 2010 the Supreme Administrative Court ruled in favour of Sponda on the deductibility of the confirmed losses of Sponda Kiinteistöt Oy. There is no right of appeal against the ruling. The ruling will not have an impact on the result for 2010.

**Prospects**

Sponda estimates that the positive development in occupancy rates, which started in Q2 2010, will continue for the second half of 2010. This assessment is based on the lease agreements that the company knows are expiring and on the forecast growth in Finland's economy in 2010.

The net operating income in 2010 is estimated to be lower than that in 2009. The reasons for this decline are the strategic sales of property and the fall in occupancy rates that began in 2009 and continued in the first quarter of 2010.

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

Sponda believes that the key risks and uncertainty factors in the current financial period arise from a delay in the expected recovery in the economy, and relate to a decline in economic occupancy rates and a decline in rental income resulting from the insolvency of tenants.

The general economic situation may cause the solvency of Sponda's customers to weaken in Finland and Russia in 2010, which in turn may reduce Sponda's rental income and increase the vacancy rates in the properties owned by the company.

Differences in legislation and official procedures in Russia compared to Finland may cause additional risks for Sponda. The operations in Russia increase Sponda's foreign exchange risk. Changes in exchange rates may cause exchange rate losses which have a negative impact on the company's financial result. The company hedges the currency denominated cash flow from Russia for the coming 6 months.

A rapid, sharp rise in market interest rates in 2010 would increase Sponda's financial expenses, and would have a negative impact on the company's result.

5 August 2010
Sponda Plc
Board of Directors

Further information:
Kari Inkinen, President and CEO, tel. +358 20-431 3311 or +358 400-402 653,
CFO Erik Hjelt, tel. +358 20-431 3318 or +358 400-472 313 and
Pia Arrhenius, SVP, Corporate Communications and IR, tel. +358 20-431 3454 or +358 40-527 4462.

Distribution:
NASDAQ OMX Helsinki
Media
www.sponda.fi

**Sponda Plc**

**Consolidated income statement (IFRS)**
**M€**

| | **4-6/10** | 4-6/09 | **1-6/10** | 1-6/09 | 1-12/09 |
|---|---|---|---|---|---|
| | | | | | |
| *Total revenue* | | | | | |
| *Rental income and recoverables* | **56.3** | 58.9 | **112.2** | 116.4 | 230.3 |
| *Interest income from finance leasing agreements* | **0.1** | 0.1 | **0.2** | 0.2 | 0.3 |
| *Fund management fees* | **1.9** | 1.6 | **3.5** | 3.3 | 6.6 |
| | **58.3** | 60.6 | **115.9** | 119.8 | 237.2 |
| *Expenses* | | | | | |
| *Maintenance expenses* | **-14.9** | -16.5 | **-31.8** | -31.7 | -59.5 |
| *Direct fund expenses* | **-0.4** | -0.5 | **-0.7** | -0.9 | -1.9 |
| | **-15.2** | -17.0 | **-32.4** | -32.6 | -61.4 |
| | | | | | |
| *Net operating income* | **43.0** | 43.6 | **83.4** | 87.2 | 175.8 |
| | | | | | |
| *Profit/loss on sales of investment properties* | **0.9** | 0.3 | **2.1** | 0.5 | 0.3 |
| *Valuation gains/losses* | **10.1** | -10.8 | **10.0** | -126.7 | -169.3 |
| *Amortization of goodwill* | **-** | - | **-** | - | - |
| *Profit/loss on sales of trading properties* | **8.5** | 0.4 | **8.8** | 0.2 | 4.0 |
| | | | | | |
| *Sales and marketing expenses* | **-0.3** | -0.4 | **-0.7** | -0.7 | -1.5 |
| *Administrative expenses* | **-4.8** | -5.4 | **-9.4** | -10.5 | -20.5 |
| *Share of result of associated companies* | **0.0** | 0.0 | **-0.1** | 0.0 | 0.0 |
| *Other operating income* | **0.1** | 0.2 | **0.1** | 0.4 | 0.8 |
| *Other operating expenses* | **-0.7** | 0.0 | **-1.3** | -0.3 | -2.9 |
| | | | | | |
| *Operating profit* | **56.7** | 27.9 | **93.0** | -49.9 | -13.3 |
| | | | | | |
| *Financial income* | **0.3** | 0.9 | **0.6** | 1.3 | 2.1 |
| *Financial expenses* | **-14.9** | -15.1 | **-31.9** | -34.5 | -67.2 |
| | | | | | |
| *Financial income and expenses, net* | **-14.7** | -14.2 | **-31.3** | -33.2 | -65.0 |
| | | | | | |
| *Result before taxes* | **42.1** | 13.7 | **61.7** | -83.0 | -78.3 |
| | | | | | |
| *Income taxes for current and previous fiscal years* | **-0.9** | -0.8 | **-1.9** | -1.2 | -3.2 |
| *Deferred taxes* | **-8.8** | -2.8 | **-13.0** | 2.4 | -0.1 |
| *Income taxes, total* | **-9.7** | -3.6 | **-14.9** | 1.2 | -3.3 |
| | | | | | |
| *Profit/loss for period* | **32.4** | 10.1 | **46.8** | -81.8 | -81.6 |

| | | | | | |
|---|---|---|---|---|---|
| *Attributable to:* | | | | | |
| *Equity holders of the parent company* | **32.5** | 10.1 | **47.0** | -81.8 | -81.5 |
| *Minority interest* | **-0.1** | 0.0 | **-0.2** | -0.1 | -0.1 |
| | | | | | |
| *Earnings per share based on profit attributable to equity holders of the parent company:* | | | | | |
| | | | | | |
| *Basic and diluted,€* | **0.11** | 0.04 | **0.15** | -0.48 | -0.40 |
| | | | | | |
| | | | | | |
| *Average number of shares, million* | | | | | |
| *Basic and diluted, million* | **277.6** | 187.8 | **277.6** | 182.9 | 230.6 |
| | | | | | |
| *Direct result* | **17.8** | 17.4 | **32.4** | 27.2 | 61.6 |
| *Indirect result* | **14.7** | -7.2 | **14.6** | -108.9 | -143.1 |
| | | | | | |
| ***Statement of comprehensive income (IFRS)*** | | | | | |
| | | | | | |
| *Profit/loss for period* | **32.4** | 10.1 | **46.8** | -81.8 | -81.6 |
| | | | | | |
| *Other comprehensive income* | | | | | |
| | | | | | |
| *Net loss/profit from hedging cash flow* | **-1.3** | 3.8 | **-6.8** | -13.8 | -10.4 |
| *Translation difference* | **0.8** | -0.2 | **2.0** | 3.6 | 0.7 |
| *Taxes on comprehensive income* | **0.5** | -0.7 | **2.1** | 2.1 | 2.4 |
| *Other comprehensive income for period after taxes* | **-0.1** | 2.9 | **-2.6** | -8.1 | -7.3 |
| | | | | | |
| *Comprehensive profit/loss for period* | **32.3** | 13.0 | **44.2** | -89.9 | -88.9 |
| | | | | | |
| *Allocation of comprehensive profit/loss for period:* | | | | | |
| *Equity holders of parent company* | **32.4** | 13.0 | **44.3** | -89.8 | -88.8 |
| *Minority interest* | **-0.1** | 0.0 | **-0.2** | -0.1 | -0.1 |

## Consolidated balance sheet (IFRS)
**M€**

| | **30.6.2010** | 30.6.2009 | 31.12.2009 |
|---|---|---|---|
| | | | |
| *ASSETS* | | | |
| | | | |
| *Non-current assets* | | | |
| *Investment properties* | **2 798.0** | 2 786.2 | 2 767.5 |
| *Investments in real estate funds* | **55.3** | 57.8 | 56.2 |

| | | | |
|---|---|---|---|
| *Property, plant and equipment* | **13.9** | 14.6 | 14.3 |
| *Goodwill* | **14.5** | 14.5 | 14.5 |
| *Other intangible assets* | **0.2** | 0.0 | 0.0 |
| *Finance lease receivables* | **2.7** | 2.7 | 2.7 |
| *Investments in associated companies* | **1.9** | 2.8 | 2.8 |
| *Long-term receivables* | **2.5** | 4.2 | 7.4 |
| *Deferred tax assets* | **33.6** | 53.2 | 41.1 |
| *Total non-current assets* | **2 922.7** | 2 936.2 | 2 906.6 |
| | | | |
| *Current assets* | | | |
| *Trading properties* | **21.6** | 27.6 | 22.8 |
| *Trade and other receivables* | **30.7** | 43.6 | 31.6 |
| *Cash and cash equivalents* | **18.2** | 28.9 | 29.1 |
| *Total current assets* | **70.5** | 100.1 | 83.6 |
| | | | |
| *Total assets* | **2 993.2** | 3 036.3 | 2 990.2 |
| | | | |
| *SHAREHOLDERS' EQUITY AND LIABILITIES* | | | |
| | | | |
| *Equity attributable to equity* | | | |
| *holders of parent company* | | | |
| *Share capital* | **111.0** | 111.0 | 111.0 |
| *Share premium fund* | **159.5** | 159.5 | 159.5 |
| *Translation differences* | **1.4** | 0.8 | -0.9 |
| *Fair value fund* | **-32.4** | -29.9 | -27.4 |
| *Revaluation fund* | **0.6** | 0.6 | 0.6 |
| *Reserve for invested unrestricted equity* | **412.0** | 411.9 | 412.0 |
| *Other equity fund* | **129.0** | 129.0 | 129.0 |
| *Retained earnings* | **333.3** | 327.6 | 328.0 |
| | **1 114.4** | 1 110.4 | 1 111.7 |
| *Minority interest* | **1.7** | 1.7 | 1.8 |
| *Total shareholders' equity* | **1 116.1** | 1 112.1 | 1 113.6 |
| | | | |
| *Liabilities* | | | |
| | | | |
| *Non-current liabilities* | | | |
| *Interest-bearing loans and borrowings* | **1 258.5** | 1 326.9 | 1 287.2 |
| *Provisions* | **0.0** | 0.3 | 0.0 |
| *Other liabilities* | **41.1** | 38.3 | 30.5 |
| *Deferred tax liabilities* | **192.7** | 199.9 | 193.8 |
| *Total non-current liabilities* | **1 492.4** | 1 565.4 | 1 511.4 |
| | | | |
| *Current liabilities* | | | |
| *Current interest-bearing loans and borrowings* | **339.2** | 306.2 | 310.6 |

| | | | |
|---|---|---|---|
| *Trade and other payables* | **45.5** | 52.5 | 54.5 |
| *Total current liabilities* | **384.7** | 358.8 | 365.2 |
| | | | |
| *Total liabilities* | **1 877.0** | 1 924.2 | 1 876.6 |
| | | | |
| *Total shareholders' equity and liabilities* | **2 993.2** | 3 036.3 | 2 990.2 |
| | | | |
| *Interest-bearing liabilities* | **1 597.7** | 1 633.1 | 1 597.8 |

**Consolidated statement of cash flows (IFRS)**
**M€**

| | **1-6/2010** | 1-6/2009 | 1-12/2009 |
|---|---|---|---|
| *Cash flow from operating activities* | | | |
| *Net profit/loss for the period* | **46.8** | -81.8 | -81.6 |
| *Adjustments* | **37.2** | 160.9 | 243.4 |
| *Change in net working capital* | **0.7** | 12.5 | 19.1 |
| *Interest received* | **0.4** | 0.7 | 1.2 |
| *Interest paid* | **-29.2** | -46.1 | -78.4 |
| *Other financial items* | **-5.0** | -3.2 | -5.1 |
| *Dividends received* | **0.0** | 0.5 | 0.0 |
| *Dividends received from associated companies* | **0.9** | - | 0.5 |
| *Taxes received/paid* | **-1.6** | -0.9 | -3.0 |
| *Net cash from operating activities* | **50.2** | 42.4 | 96.0 |
| | | | |
| *Cash flow from investing activities* | | | |
| *Investments in investment properties* | **-30.4** | -46.5 | -77.2 |
| *Investments in real estate funds* | **-0.5** | -2.9 | -3.9 |
| *Investments in tangible and intangible assets* | **-0.2** | -0.3 | -0.3 |
| *Proceeds from sale of investment properties* | **11.0** | 27.0 | 40.6 |
| *Proceeds from sale of intangible and tangible assets* | **0.0** | - | - |
| *Repayment of loan receivables* | **0.8** | 0.0 | 0.0 |
| *Net cash from investing activities* | **-19.3** | -22.6 | -40.8 |
| | | | |
| *Cash flow from financing activities* | | | |
| *Proceeds from share issue* | **-** | 200.0 | 200.2 |
| *Non-current loans, raised* | **315.1** | 91.2 | 91.2 |
| *Non-current loans, repayments* | **-240.2** | -207.9 | -248.0 |
| *Current loans, raised / repayments* | **-73.7** | -78.2 | -73.7 |
| *Interest paid on equity bond* | **-11.4** | -11.4 | -11.4 |
| *Dividends paid* | **-33.3** | - | - |

| | | | |
|---|---|---|---|
| *Net cash from financing activities* | **-43.5** | -6.2 | -41.7 |
| | | | |
| *Change in cash and cash equivalents* | **-12.5** | 13.6 | 13.6 |
| | | | |
| *Cash and cash equivalents, start of period* | **29.1** | 16.0 | 16.0 |
| *Impact of changes in exchange rates* | **1.7** | -0.7 | -0.5 |
| *Cash and cash equivalents, end of period* | **18.2** | 28.9 | 29.1 |

**Changes in Group shareholders' equity**

**M€**

| | **Share capital** | **Share premium reserve** | **Translation differences** | **Fair value reserve** | **Revaluation reserve** | **Invested non-restricted equity reserve** |
|---|---|---|---|---|---|---|
| *Equity at 31 Dec. 2008* | 111.0 | 159.5 | -1.4 | -19.7 | 0.6 | 209.7 |
| *Comprehensive income in period* | | | 2.1 | -10.2 | | |
| *Change* | | | | | | 202.2 |
| *Equity at 30 June 2009* | 111.0 | 159.5 | 0.8 | -29.9 | 0.6 | 411.9 |

| | **Other equity reserve** | **Retained earnings** | **Total** | **Minority holding** | **Total shareholders' equity** |
|---|---|---|---|---|---|
| *Equity at 31 Dec. 2009* | 129.0 | 418.4 | 1 007.1 | 1.8 | 1 008.9 |
| *Comprehensive income in period* | | -81.8 | -89.8 | -0.1 | -89.9 |
| *Interest paid on equity bond* | | -8.4 | -8.4 | | -8.4 |
| *Change* | | -0.6 | 201.5 | 0.0 | 201.5 |
| *Equity at 30 June 2010* | 129.0 | 327.6 | 1 110.4 | 1.7 | 1 112.1 |

| | **Share capital** | **Share premium reserve** | **Translation differenc es** | **Fair value reserve** | **Revaluation reserve** | **Invested non-restric-ted equity reserve** |
|---|---|---|---|---|---|---|
| *Equity at 31 Dec. 2009* | 111.0 | 159.5 | -0.9 | -27.4 | 0.6 | 412.0 |
| *Comprehensive income in period* | | | 2.4 | -5.0 | | |
| *Equity at 30 June 2010* | 111.0 | 159.5 | 1.4 | -32.4 | 0.6 | 412.0 |

| | Other equity reserve | Retained earnings | Total | Minority holding | Total share-holders' equity |
|---|---|---|---|---|---|
| *Equity at 31 Dec. 2009* | 129.0 | 328.0 | 1 111.7 | 1.8 | 1 113.6 |
| *Comprehensive income in period* | | 47.0 | 44.3 | -0.2 | 44.2 |
| *Interest paid on equity bond* | | -8.4 | -8.4 | | -8.4 |
| *Dividend payment* | | -33.3 | -33.3 | | -33.3 |
| *Change* | | 0.1 | 0.1 | 0.0 | 0.1 |
| *Equity at 30 June 2010* | 129.0 | 333.3 | 1 114.4 | 1.7 | 1 116.1 |

## Notes to the consolidated financial statements

### Accounting principles

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, applying the same accounting principles as those used for the 2009 financial statements. Current IFRS standards and interpretations have been applied when preparing the interim report.

The amended and revised standards and interpretations that came into effect at the beginning of 2010 do not have a significant impact on the interim report or the accounting principles.

The figures in the interim report are presented in millions of euros and have been rounded to the nearest 0.1 million euro, so the total of the individual figures may differ from the total amounts given.

The figures in the interim report have not been audited.

**Income statement by business areas**
**M€**

| **Income statement 1-6/2010** | **Office & Retail** | **Shop -ping centr es** | **Logis-tics** | **Proper-ty deve-lop-ment** | **Russi a** | **Funds** | **Other** | **Group total** |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| Total revenue | **61.0** | **19.6** | **18.5** | **1.6** | **11.4** | **3.7** | **0.0** | **115.9** |
| Maintenance expenses and direct fund expenses | -17.2 | -4.0 | -6.4 | -1.2 | -3.0 | -0.7 | 0.0 | -32.4 |
| **Net operating income** | **43.9** | **15.6** | **12.1** | **0.5** | **8.4** | **3.0** | **0.0** | **83.4** |
| Profit on sale of investment properties | 1.2 | 0.0 | 0.0 | 0.9 | 0.0 | 0.0 | 0.0 | 2.1 |
| Loss on sale of investment properties | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit/loss on sale of trading properties | 0.0 | 0.0 | 0.0 | 8.7 | 0.0 | 0.0 | 0.0 | 8.8 |
| Valuation gains and losses | -0.1 | -4.0 | -1.2 | 0.2 | 13.6 | 1.5 | 0.0 | 10.0 |
| Administration and marketing | -3.2 | -0.6 | -0.5 | -1.6 | -1.4 | -2.7 | 0.0 | -10.1 |
| Other operating income and expenses | 0.0 | 0.0 | 0.0 | -1.1 | -0.1 | 0.0 | 0.0 | -1.2 |
| **Operating profit** | **41.9** | **11.0** | **10.4** | **7.5** | **20.4** | **1.8** | **0.0** | **93.0** |
| | | | | | | | | |
| Capital expenditure | 11.0 | 0.6 | 3.6 | 14.7 | 0.6 | 0.5 | 0.3 | 31.3 |
| Segment assets | 1 436.2 | 540.2 | 398.2 | 244.7 | 196.0 | 55.3 | 122.6 | 2 993.2 |

| **Income statement 1-6/2009** | **Office & Retail** | **Shop ping centr es** | **Logis-tics** | **Proper-ty develop -ment** | **Russi a** | **Funds** | **Other** | **Group total** |
|---|---|---|---|---|---|---|---|---|

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total revenue | **65.2** | **18.6** | **20.6** | **0.6** | **11.4** | **3.5** | **0.0** | **119.8** |
| Maintenance expenses and direct fund expenses | -17.2 | -4.1 | -6.1 | -1.6 | -2.7 | -0.9 | 0.0 | -32.6 |
| **Net operating income** | **48.0** | **14.5** | **14.5** | **-1.0** | **8.6** | **2.5** | **0.0** | **87.2** |
| Profit on sale of investment properties | 0.2 | 0.0 | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 1.5 |
| Loss on sale of investment properties | 0.0 | 0.0 | -1.1 | 0.0 | 0.0 | 0.0 | 0.0 | -1.1 |
| Profit/loss on sale of trading properties | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 |
| Valuation gains and losses | -33.8 | -9.6 | -17.2 | -1.7 | -61.3 | -3.0 | 0.0 | -126.7 |
| Administration and marketing | -3.4 | -0.6 | -0.7 | -1.7 | -1.7 | -3.1 | 0.0 | -11.2 |
| Other operating income and expenses | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| **Operating profit** | 11.3 | 4.3 | -3.0 | -4.3 | -54.4 | -3.7 | 0.0 | -49.9 |
| | | | | | | | | |
| Capital expenditure | 6.6 | 12.6 | 0.5 | 8.7 | 1.0 | 2.9 | 0.1 | 32.4 |
| Segment assets | 1 437.1 | 544.6 | 409.6 | 211.1 | 201.0 | 57.8 | 175.1 | 3 036.3 |

**Direct and indirect result**

The direct result represents the result from the Group's core business. The direct result is calculated by adjusting the figures in the consolidated income statement for changes in the fair value of properties and financial instruments, profit/loss on the sale of properties, amortization of goodwill and other such income and expenses that the Company considers are indirect items

| **M€** | **4-6/10** | 4-6/09 | **1-6/10** | 1-6/09 | 1-12/09 |
|---|---|---|---|---|---|
| *Direct result* | | | | | |
| *Net operating income* | **43.0** | 43.6 | **83.4** | 87.2 | 175.8 |
| *Marketing and administration* | **-5.2** | -5.8 | **-10.1** | -11.2 | -22.0 |
| *Other income and expenses for business operations* | **-0.4** | 0.5 | **-0.7** | 0.6 | -1.1 |
| *Financial income and expenses* | **-15.1** | -15.1 | **-30.4** | -35.0 | -68.7 |
| *Taxes based on direct result* | **1.4** | -0.7 | **-1.9** | -1.1 | -3.2 |
| *Deferred taxes based on direct result* | **-5.9** | -5.1 | **-7.9** | -13.3 | -19.1 |
| *Minority holding share of direct result* | **0.0** | 0.0 | **0.0** | 0.0 | 0.0 |
| *Total* | **17.8** | 17.4 | **32.4** | 27.2 | 61.6 |
| | | | | | |
| | | | | | |
| *Indirect result* | | | | | |
| *Profit/loss on sale of investment properties* | **0.9** | 0.3 | **2.1** | 0.5 | 0.3 |
| *Valuation gains and losses* | **10.1** | -10.8 | **10.0** | -126.7 | -169.3 |
| *Profit/loss on sale of trading* | **8.5** | 0.4 | **8.8** | 0.2 | 4.0 |

| | | | | | |
|---|---|---|---|---|---|
| properties | | | | | |
| Administration and marketing | **0.0** | 0.0 | **0.0** | 0.0 | 0.0 |
| Other income and expenses for business operations | **-0.3** | -0.3 | **-0.5** | -0.5 | -1.0 |
| Financial income and expenses | **0.4** | 0.9 | **-0.9** | 1.8 | 3.7 |
| Taxes based on indirect result | **-2.2** | -0.1 | **0.0** | -0.1 | 0.0 |
| Deferred taxes based on indirect result | **-2.9** | 2.3 | **-5.1** | 15.7 | 19.0 |
| Minority holding share of indirect result | **0.1** | 0.0 | **0.2** | 0.1 | 0.1 |
| Total | **14.7** | -7.2 | **14.6** | -108.9 | -143.1 |

**Quarterly key figures**

| | **Q2/10** | Q1/10 | Q4/09 | Q3/09 | Q2/09 |
|---|---|---|---|---|---|
| *Total revenue* | **58.3** | 57.6 | 58.3 | 59.1 | 60.6 |
| *Net operating income* | **43.0** | 40.4 | 43.0 | 45.5 | 43.6 |
| *Valuation gains/losses* | **10.1** | -0.1 | -12.9 | -29.7 | -10.8 |
| *Operating profit* | **56.7** | 36.3 | 23.5 | 13.1 | 27.9 |
| *Financial income and expenses* | **-14.7** | -16.6 | -15.4 | -16.4 | -14.2 |
| *Profit/loss for period* | **32.4** | 14.5 | 6.3 | -6.1 | 10.1 |
| | | | | | |
| *Investment properties* | **2 798.0** | 2 768.1 | 2 767.5 | 2 768.8 | 2 786.2 |
| *Shareholders' equity* | **1 116.1** | 1 092.0 | 1 113.6 | 1 102.5 | 1 112.1 |
| *Interest-bearing liabilities* | **1 597.7** | 1 610.4 | 1 597.8 | 1 619.2 | 1 633.1 |
| | | | | | |
| *Earnings per share, €* | **0.11** | 0.04 | 0.01 | -0.03 | 0.04 |
| *Cash flow from operations per share* | **0.11** | 0.08 | 0.07 | 0.10 | 0.19 |
| *EPRA NAV* | **4.19** | 4.10 | 4.18 | 4.14 | 4.20 |
| | | | | | |
| *Economic occupancy rate, %* | **87.3** | 86.2 | 86.6 | 86.8 | 88.4 |

* Figure includes impact of interest on hybrid bond

**Investment properties**
**M€**

| | **30.6.2010** | 31.12.2009 |
|---|---|---|
| *Fair value of investment properties, start of period* | **2 767.5** | 2 915.5 |
| *Purchase of investment properties* | **0.5** | 0.0 |
| *Other capital expenditure on investment properties* | **30.0** | 53.4 |
| *Disposal of investment properties* | **-10.7** | -40.3 |
| *Transfers to/from property, plant and equipment* | **0.0** | 0.0 |
| *Transfers from trading properties* | **0.0** | 2.0 |
| *Other transfers* | **0.0** | 0.0 |
| *Capitalized equity expenses, increase in period* | **2.3** | 3.7 |

| | | |
|---|---|---|
| *Valuation gains/losses* | **8.5** | -166.8 |
| *Fair value of investment properties, end of period* | **2 798.0** | 2 767.5 |

On 30 June 2010 Sponda had a total of 196 properties, with an aggregate leasable area of about 1.5 million m². Of this some 52 % is office and retail premises, 9 % shopping centres and 36 % logistics premises. Some 3 % of the leasable area of the properties is located in Russia.

The fair values of Sponda's investment properties are confirmed through the company's own cash flow based yield assessment calculation. The valuation method complies with international valuation standards (IVS). The entire material used in calculating the fair values of properties is examined at least twice a year by an external expert, to ensure that the parameters and values used in the calculation are based on market observations.

At the end of the second quarter of 2010, Catella Property Oy assessed the value of Sponda's investment properties in Finland. The properties in Russia were assessed by CB Richard Ellis. The change in the fair value of the investment properties was EUR 8.5 (-123.7) million in the January – June period and EUR 9.7 (-6.4) million in April - June. The main factors contributing to the change in the fair value were the changes in market rents for properties and the decline in vacancy rates.

**The Group's most significant investment commitments**

In the City-Center project, progress was made on schedule in the construction of the office building in the inner court of the complex. It is estimated that the office building and the new retail premises being built in the second phase of the shopping centre will be completed in summer 2011. The entire City-Center renovation project is expected to be completed in 2012 and the total investment will be some EUR 125 million.

Sponda is building some 22,000 m² of production premises in Hakkila, Vantaa, that is being leased in its entirety to Metso Automation. Sponda is also leasing to Metso some 12,000 square metres of office and warehouse premises in the adjacent Honkatalo office building, and these will be completely refurbished. Sponda's total investment is estimated at about EUR 40 million and the premises should be ready at the beginning of 2011.

Sponda is developing the Ratina shopping centre in Tampere and carrying out development projects in adjacent areas. A 55,000 m² shopping centre is planned for the area, for which the total investment cost is estimated at EUR 200 million. The final decision about the investment has not been made.

**Property, plant and equipment**
**M€**

| | **30.6.2010** | 30.6.2009 | 31.12.2009 |
|---|---|---|---|
| *Carrying amount, start of period* | **14.3** | 14.5 | 14.5 |
| *Additions* | **0.0** | 0.3 | 0.3 |
| *Disposals* | **0.0** | - | - |
| *Reclassifications to/from investment properties* | **-** | - | - |
| *Other transfers* | **-** | - | - |
| *Depreciation for the period* | **-0.4** | -0.2 | -0.5 |
| | | | |
| *Carrying amount, end of period* | **13.9** | 14.6 | 14.3 |

| *Trading properties* | **30.6.2010** | 30.6.2009 | 31.12.2009 |
|---|---|---|---|
| | | | |
| *Carrying amount, start of period* | **22.8** | 29.5 | 29.5 |
| *Disposals and other changes* | **-1.3** | -1.9 | -4.7 |
| *Increases* | **-** | - | - |
| *Reclassifications to investment properties* | **-** | - | -2.0 |
| *Carrying amount, end of period* | **21.6** | 27.6 | 22.8 |

**Contingent liabilities**
**Collateral and commitments given by the Group**

| ***M€*** | **30.6.2010** | 30.6.2009 | 31.12.2009 |
|---|---|---|---|
| *Loans from financial institutions, covered by collateral* | **141.2** | 141.4 | 141.3 |
| | | | |
| *Mortgages* | **269.2** | 269.2 | 269.2 |
| *Book value of pledged shares* | **17.9** | 17.2 | 17.5 |
| *Guarantees* | **-** | - | 0.0 |
| *Total collateral* | **287.1** | 286.4 | 286.7 |

| ***Lease and other liabilities*** | **30.6.2010** | 30.6.2009 | 31.12.2009 |
|---|---|---|---|
| ***M€*** | | | |
| *Lease liabilities* | **101.7** | 104.9 | 103.3 |
| *Other liabilities* | | - | 3.0 |
| *Mortgages* | **3.9** | 2.9 | 16.2 |
| *Guarantees* | **15.9** | 13.4 | |
| | | | |
| *Investment commitments to real estate funds* | **17.8** | 18.3 | 18.3 |

| ***Interest derivatives*** | **30.6.2010** | 30.6.2009 | 31.12.2009 |
|---|---|---|---|
| ***M€*** | | | |
| *Swap contracts, notional value* | **972.8** | 997.8 | 1027.8 |
| *Swap contracts, fair value* | **-43.8** | -40.6 | -37.0 |
| *Cap options purchased, notional value* | **437.5** | 272.5 | 512.5 |
| *Cap options purchased, fair value* | **1.1** | 6.0 | 3.6 |
| *Forward rate agreements, notional value* | **-** | - | - |
| *Forward rate agreements, fair value* | **-** | - | - |

| ***Currency derivatives*** | **30.6.2010** | 30.6.2009 | 31.12.2009 |
|---|---|---|---|
| ***M€*** | | | |
| *Currency forwards, notional value* | **-** | - | - |
| *Currency forwards, fair value* | **-** | - | - |

| | | | |
|---|---|---|---|
| *Currency options, bought, notional value* | **5.6** | 4.7 | 4.9 |
| *Currency options, put, notional value* | **3.0** | 4.7 | 4.9 |
| *Net fair value of currency options* | **-0.2** | 0.1 | -0.1 |

**Key figures**

| | **4-6/10** | 4-6/09 | **1-6/10** | 1-6/09 | 1-12/09 |
|---|---|---|---|---|---|
| | | | | | |
| *Earnings per share, €* | **0.11** | 0.04 | **0.15** | -0.48 | -0.40 |
| *Equity ratio, %* | | | **37** | 37 | 37 |
| *Gearing, %* | | | **142** | 144 | 141 |
| *Equity per share, €* | | | **3.55** | 3.54 | 3.54 |
| *Cash flow from operations per share, €* | **0.11** | 0.19 | **0.19** | 0.37 | 0.45 |
| *EPRA, NAV, net assets per share, €* | | | **4.19** | 4.20 | 4.18 |

*) The figure includes the impact of the interest on the hybrid bond

**Calculation of financial ratios**

Earnings per share, € =

Share of profit/loss for the period attributable to equity holders of the parent company
- interest for the hybrid loan

Adjusted average number of shares during the period

Equity per share, € =

Equity attributable to equity holders of parent company on 31 December – Other equity reserve

Basic number of shares on 31 December

Cash flow from operations/share € =

Operating profit
-/+ Valuation gains and losses
+ Allocation of goodwill
+ Depreciation in administration
+/- Changes in provisions
+/- Defined benefit pension expenses
- Financial income & expenses affecting cash flow
- Taxes affecting cash flow
+/- Other items

Average adjusted number of shares during the period

Equity ratio, % = 100 X

Shareholders' equity

Balance sheet total – advances received

Gearing, % = 100 X

Interest-bearing liabilities – cash and cash equivalent

Shareholders' equity

EPRA NAV, net assets per share, € = Equity attributable to equity holders of parent

Company
- Other equity reserve
+ Deferred tax relating to the fair valuation of property and to property depreciation allowances
- Goodwill relating to deferred tax liability
Basic number of shares on 31 December

**Related party transactions**

The following transactions took place with related parties:

Rental income from state institutions and companies totalled EUR 11.6 million in January - June 2010 (2009: EUR 11.2 million).

| ***M€*** | | | |
|---|---|---|---|
| *Management employee benefits* | **30.6.2010** | 30.6.2009 | 31.12.2009 |
| *Salaries and other short-term employee benefits* | **1.1** | 1.2 | 2.2 |
| *Share-based payments* | **0.2** | 0.2 | 0.4 |
| *Total* | **1.3** | 1.4 | 2.6 |