

# *Interim Report* 1.1.–30.6.2012



**SPONDA**

## Sponda Plc's interim report January–June 2012

### Result of operations and financial position 1 January - 30 June 2012 (compared with 1 January – 30 June 2011)

- Total revenue increased by 10% and stood at EUR 132.3 (120.2) million.
- Net operating income increased by 12% from the reference period to EUR 94.6 (84.5) million.
- Operating profit was EUR 92.9 (107.4) million. This includes a fair value change of EUR 8.8 (28.3) million.
- Cash flow from operations per share was EUR 0.18 (0.18).
- The fair value of the investment properties amounted to EUR 3,233.9 (3,098.5) million.
- Net assets per share totalled EUR 4.03 (3.92).
- The economic occupancy rate rose to 88.9% (88.2%).
- The future prospects remains unchanged.
- Net financing costs for the period totalled EUR -29.8 (-32.4) million. Financial income and expenses include EUR 2.5 (-1.0) million in unrealised change in the fair value of derivatives. Excluding the aforementioned change in fair value, financial income and expenses totalled EUR -32.3 (-31.3) million.

### Result of operations and financial position 1 April - 30 June 2012 (compared with 1 April – 30 June 2011)

- Total revenue was EUR 66.2 (61.6) million.
- Net operating income was EUR 48.5 (44.9) million.
- Operating profit was EUR 49.2 (70.0) million. The operating profit includes a fair value change of EUR 6.0 (25.2) million.
- Cash flow from operations per share was EUR 0.10 (0.11).
- Financial income and expenses amounted to EUR -15.7 (-19.8) million. Financial income and expenses include EUR -0.2 million in unrealised change in the fair value of derivatives. Excluding the aforementioned change in fair value, financial income and expenses totalled EUR -15.5 million.

### Key figures

	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011
Total revenue, M€	66.2	61.6	132.3	120.2	248.2
Net operating income, M€	48.5	44.9	94.6	84.5	179.4
Operating profit, M€	49.2	70.0	92.9	107.4	209.6
Earnings per share, €	0.08	0.13	0.15	0.19	0.39
Cash flow from operations per share, €	0.10	0.11	0.18	0.18	0.37
Net assets per share, €			4.03	3.92	4.06
Equity ratio, %			37	38	38
Interest cover ratio			2.6	2.9	2.7

## Key figures according to EPRA Best Practices Recommendations

	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011
EPRA Earnings, M€	20.6	20.0	39.5	37.2	75.4
EPRA Earnings per share, €	0.07	0.07	0.14	0.13	0.27
EPRA NAV/share, €			4.82	4.66	4.84
EPRA Net Initial Yield (NIY), %			6.49	6.32	6.39
EPRA "topped-up" NIY, %			6.50	6.32	6.40

### President and CEO Kari Inkinen

Sponda's rental operations continue to develop strongly. The company's net operating income increased by approximately 12% compared to the corresponding period in 2011. This increase was due not only to the purchases of properties but also to a rise in rent levels and successful rental operations. I am especially pleased with the positive development of the economic occupancy rate of Sponda's investment properties. Development has been good for office premises in particular, considering the market conditions. At the end of June, Sponda's economic occupancy rate was 88.9%.

The general economic conditions are also reflected on the property market, and I estimate that the decrease in the vacancy rates in the Helsinki metropolitan area has now evened out. Nevertheless, demand for office and retail premises in downtown Helsinki continues to be good and rents also keep their level. The location of properties is increasingly emphasised, and I believe that the good location of Sponda's properties provides us with a competitive edge in tightening market conditions.

The active property development projects, Citycenter and the office property in Ruoholahti, are progressing on schedule. The final phase of the Citycenter project is currently being carried out, with the retail premises being constructed on the Keskuskatu side.

As for the Ratina shopping centre, we still expect a satisfactory advance occupancy rate level before the investment decision is made.

### Prospects

Sponda expects the vacancy rates of its investment properties at year's end 2012 to be largely unchanged from the end of 2011. The estimate is based on the changes in rental agreements and leases already signed.

The comparable net operating income (excluding any sales of properties) of 2012 is expected to increase moderately compared to 2011. This expected increase is based on the purchases of properties and the completed property development projects in 2011.

### Business conditions – Finland

Development in the eurozone economy continues to be unstable as the need for support among banks increases. This uncertainty is also reflected in the Finnish national economy, which is forecast to decline temporarily at the end of this year. For subsequent years, slow growth is predicted. On the European scale, the outlook for the Finnish economy is stable, as indicated by the second AAA credit rating granted to Finland by Fitch at the end of June.

Cautiousness on property markets has prolonged sales processes. There are good properties on the market, but concluding sales transactions takes a long time. Property transactions during the first half of the year totalled approximately EUR 0.95 billion. In the

two previous years, volumes in the first half of the year were of the same order, so the volume of transactions seems to be remaining low in this year, too.

Vacancy rates and yield requirements for office premises at the prime locations of Helsinki have been declining for well over a year. At the same time, rent levels have developed positively. Nevertheless, due to new properties being completed as well as the economic outlook, the vacancy rate is predicted to take an upward turn in most areas. Concurrently, the rise in rents and the decline of yield requirements will even out.

Demand for rental premises has remained even during the first half of the year and is expected to stay at the same level for the rest of the year. Due to modest economic development, no growth in demand is to be expected for this year. According to KTI's estimate, rent levels for central locations will rise approximately 4% during the year. In the coming years, the rental market of Helsinki's central business district will be impacted by the new office cluster in the Töölönlahti area. Due to tenant rotation caused by these new office premises, new tenants will be needed for approximately 40,000 m<sup>2</sup>.

### **Business conditions - Russia**

According to the Bank of Finland, Russian GDP grew by 4.3% in 2011. The forecasts for 2012 and 2013 remain unchanged at 3.7%. Private consumption is a key factor for growth in the coming years.

Property markets have remained lively, even though not at the record-setting pace of 2011. During the first half of the year, the volume of transactions was approximately USD 2.4 billion, while during the corresponding period last year it was approximately USD 3.6 billion (JLL).

The downward trend in the vacancy rate of office premises in Moscow is expected to continue for the rest of the year as the construction of new properties will be slower than the growing economy and demand. During the first half of the year, the vacancy rate has been decreasing in all market segments. At the moment, the vacancy rate for properties located in the centre of Moscow is 9% (CBRE) and the average vacancy rate is approximately 12%. Rent levels are estimated to rise with the decrease of the vacancy rate.

The office properties being built at the moment will be completed in 2012-2013, after which there is no significant construction of new buildings planned in central Moscow. In the future, construction projects will mainly be carried out outside ring road three. Despite the fact that new properties will be built further away from the city centre, the central area will hold its position on the rental market.

In St. Petersburg, market changes have been moderate. Since early this year, the vacancy rate has decreased in Class B premises and remained unchanged in Class A premises. Correspondingly, the rent levels have increased in Class B premises and remained unchanged in Class A premises. Rents are less likely to increase than in Moscow, as demand is lower and there is a relatively large volume of new properties being introduced to the market shortly as properties for which construction began in 2009 and 2010 will be completed.

### **Operations and property assets 1 January – 30 June 2012**

Sponda owns, leases and develops business properties in the Helsinki metropolitan area and the largest cities in Finland, as well as in Russia. Sponda's operations are organised 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, Russia and Real Estate Funds.

Net operating income from all of Sponda's property assets totalled EUR 94.6 (84.5) million during the first half of 2012. Of this total, office and retail premises accounted for 53%, shopping centres for 17%, logistics premises for 16%, Russia for 11% and the Real Estate Funds unit for 3%.

On 30 June 2012, Sponda had a total of 202 properties, with an aggregate leasable area of approximately 1.5 million m<sup>2</sup>. Of this, some 51% is office and retail premises, 11% shopping centres and 35% logistics premises. 3% 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 June 2012, an external consultant assessed the fair value of Sponda's investment properties for both Finland and Russia. The change in fair value of the investment properties in January-June was EUR 4.7 (27.9) million and in April-June alone EUR 3.7 (26.2) million. The positive change in the value in Finland was mainly due to successful renting and changes in market rents. The positive change in the value in Russia was almost entirely due to changes in currency exchange rates. The fair value of investment properties is assessed in Finland by Catella Property Oy and in Russia by CB Richard Ellis. The statements of the property assessments are available on Sponda's website at [www.sponda.fi/Investors/Performance](http://www.sponda.fi/Investors/Performance). 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€

	4-6/12	4-6/11	1-6/12	1-6/11	1-12/11
<i>Changes in yield requirements (Finland)</i>	<b>-1.7</b>	6.7	-1.7	13.6	16.2
<i>Changes in yield requirements (Russia)</i>	<b>0.0</b>	17.5	0.0	17.5	17.5
<i>Development gains on property development projects</i>	<b>0.9</b>	0.7	-0.3	5.6	8.2
<i>Modernisation investments</i>	<b>-4.9</b>	-12.7	-11.7	-24.6	-50.6
<i>Change in market rent and maintenance costs (Finland)</i>	<b>6.5</b>	15.3	14.7	19.4	44.7
<i>Change in market rent and maintenance costs (Russia)</i>	<b>0.4</b>	-1.2	1.1	1.0	2.7
<i>Change in currency exchange rates</i>	<b>2.5</b>	-0.1	2.6	-4.6	0.4
<i>Investment properties, total</i>	<b>3.7</b>	<b>26.2</b>	<b>4.7</b>	<b>27.9</b>	<b>39.0</b>
<i>Real Estate Funds</i>	<b>0.6</b>	-2.6	0.6	-2.6	-4.4
<i>Realised shares of profit from real estate funds</i>	<b>1.6</b>	1.5	3.5	2.9	5.0
<i>Group, total</i>	<b>6.0</b>	<b>25.2</b>	<b>8.8</b>	<b>28.3</b>	<b>39.6</b>

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

<b>Investment properties, total 1 January–30 June 2012 M€</b>	<b>Total</b>	<b>Office and retail</b>	<b>Shopping centres</b>	<b>Logis- tics</b>	<b>Property develop- ment</b>	<b>Russia</b>
<i>Operating income</i>	129.1	71.7	21.1	22.4	0.3	13.6
<i>Maintenance costs</i>	-36.9	-20.3	-5.1	-7.4	-0.9	-3.2
<i>Net operating income</i>	92.2	51.3	16.1	15.0	-0.7	10.4
<i>Investment properties at 1 January 2012</i>	3,165.7	1,644.0	586.1	449.0	262.0	224.6
<i>Capitalised interest 2012</i>	0.3	0.1	0.0	0.0	0.2	0.0
<i>Acquisitions</i>	52.8	15.3	0.0	0.0	0.0	37.5
<i>Investments</i>	24.3	14.1	1.1	0.7	8.2	0.2
<i>Transfers between segments</i>	0.0	-1.5	0.0	0.0	1.5	0.0
<i>Sales</i>	-13.9	-1.1	-0.6	0.0	-12.1	0.0
<i>Change in fair value, %</i>	4.7	10.7	-3.0	-5.3	-1.3	3.5
<b><i>Investment properties at 30 June 2012</i></b>	<b>3,233.9</b>	<b>1,681.6</b>	<b>583.6</b>	<b>444.3</b>	<b>258.7</b>	<b>265.8</b>
<i>Change in fair value, %</i>	0.1	0.7	-0.5	-1.2	-0.5	1.6
<i>Weighted average yield requirement %</i>	6.9	6.4	5.9	8.1		9.8
<i>Weighted average yield requirement %, Finland</i>	6.7					

## Rental operations

Sponda's figures for expired lease agreements and new agreements that came into effect in the second quarter were as follows:

	<b>Number (agreements)</b>	<b>Area (m<sup>2</sup>)</b>	<b>EUR/m<sup>2</sup>/month</b>
<i>Came into effect during the period</i>	85	24,344	12.21
<i>Expired during the period</i>	105	35,100	12.06
<i>Renewed during the period</i>	36	32,626	10.34

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

Sponda calculates the development in rental levels 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 8.0% for office and retail premises, -10.0% for shopping centres, 0.4% for logistics premises and 8.9% for properties in Russia. 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	30 Jun 2012	31 Mar 2012	31 Dec 2011	30 Sep 2011	30 Jun 2011
Office and retail, %	89.2	88.7	88.4	88.6	88.5
Shopping centres, %	93.8	93.9	94.1	93.5	94.3
Logistics, %	78.0	78.1	78.1	78.3	78.3
Russia, %	99.0	98.7	98.7	98.8	98.3
Total property portfolio, %	88.9	88.4	88.2	88.2	88.2

Geographical area	30 Jun 2012	31 Mar 2012	31 Dec 2011	30 Sep 2011	30 Jun 2011
Helsinki Business District, %	87.8	87.9	85.6	86.8	86.7
Helsinki Metropolitan Area, %	86.2	85.6	86.2	86.0	86.0
Turku, Tampere, Oulu, %	94.2	94.3	96.1	95.3	95.7
Russia, %	99.0	98.7	98.7	98.8	98.3
Total property portfolio, %	88.9	88.4	88.2	88.2	88.2

Total cash flow from lease agreements at the end of June 2012 was EUR 1,278.8 (1,266.7) million. Sponda had 2,178 clients and a total of 3,296 lease agreements. The company's largest tenants were the State of Finland (9.9% of rental income), Kesko Group (4.2% of rental income), HOK-Elanto (3.7% of rental income) and Sampo Bank Plc (3.6% of rental income). Sponda's 10 largest tenants generate approximately 30% of the company's total rental income. Sponda's tenants by sector were as follows:

Sector	% of net rental income
Professional, scientific and technical	5.8%
Energy	0.5%
Public sector	11.7%
Wholesale/retail	27.1%
Education	1.1%
Logistics/transport	6.1%
Hotel and catering business	4.9%
Media/publishing	1.5%
Other services	12.3%
Banking/investment	10.9%
Construction	1.8%
Industry/manufacturing	6.9%
Healthcare	3.9%
Telecommunications	5.3%
Other	0.2%

The average length of all lease agreements was 4.8 (5.0) years. The average length of all lease agreements was 5.0 (5.2) years for office and retail properties, 6.6 (6.8) years for shopping centres, 4.2 (4.5) years for logistics properties and 2.7 (2.5) years for properties in Russia. The lease agreements expire as follows:

	% of rental income 30 Jun 2012	% of rental income 30 Jun 2011
<i>within 1 year</i>	14.7	13.4
<i>within 2 years</i>	11.0	11.5
<i>within 3 years</i>	8.2	10.3
<i>within 4 years</i>	6.5	5.3
<i>within 5 years</i>	12.6	6.4
<i>within 6 years</i>	5.5	9.1
<i>after more than 6 years</i>	28.2	30.3
<i>Valid indefinitely</i>	13.3	13.8

### Investments/divestments

In January–June 2012, Sponda sold investment properties for a total of EUR 15.2 million and recorded a profit of EUR 1.3 million on the sales transactions. The balance sheet value of the properties sold was EUR 13.9 million. Properties were bought for EUR 52.8 million.

Investments in property maintenance totalled EUR 11.7 million, with EUR 4.9 million of this in the second quarter. The company invested EUR 12.5 million in property development, EUR 6.9 million of this in April–June. Property development investments 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 premises

	4-6/12	4-6/11	1-6/12	1-6/11	1-12/11
<i>Total revenue, M€</i>	<b>36.5</b>	33.0	71.7	63.4	132.8
<i>Net operating income, M€</i>	<b>27.2</b>	24.3	51.3	44.5	95.6
<i>Operating profit, M</i>	<b>33.6</b>	27.8	58.4	49.5	99.2
<i>EPRA Net Initial Yield (NIY), %</i>			6.1		6.0
<i>Economic occupancy rate, %</i>			89.2	88.5	88.4
<i>Fair value of properties, M€</i>			1,681.6	1,619.4	1,644.0
<i>Change in fair value from beginning of year, M€</i>			10.7	8.6	10.5
<i>Leasable area, m2</i>			785,500	778,000	780,500

In January–June 2012, Sponda sold office and retail properties for a total of EUR 1.5 million and recorded a profit of EUR 0.4 million on the sales transactions. During the second quarter, no office and retail properties were sold. In January–June, properties were bought for EUR 15.3 million. Purchases carried out during the period took place in the second quarter. Investments in property maintenance totalled EUR 9.8 million, with EUR 3.8 million of this in the second quarter.



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

	% of rental income 30 Jun 2012	% of rental income 30 Jun 2011
<i>within 1 year</i>	12.5	9.0
<i>within 2 years</i>	10.1	12.0
<i>within 3 years</i>	10.3	10.7
<i>within 4 years</i>	7.5	7.0
<i>within 5 years</i>	11.3	7.2
<i>within 6 years</i>	6.2	9.1
<i>after more than 6 years</i>	24.8	28.3
<i>Valid indefinitely</i>	17.2	16.8

### Shopping centres

	4-6/12	4-6/11	1-6/12	1-6/11	1-12/11
<i>Total revenue, M€</i>	10.3	9.8	21.1	20.0	40.4
<i>Net operating income, M€</i>	8.0	7.4	16.1	15.3	31.7
<i>Operating profit, M€</i>	4.9	8.8	12.7	12.1	35.4
<i>EPRA Net Initial Yield (NIY), %</i>			6.0		6.7
<i>Economic occupancy rate, %</i>			93.8	94.3	94.1
<i>Fair value of properties, M€</i>			583.6	566.5	586.1
<i>Change in fair value from beginning of year, M€</i>			-3.0	-2.4	5.3
<i>Leasable area, m2</i>			156,500	145,000	157,500

The negative change in the value in the Shopping Centres segment was due to the change in the yield requirement. One major lease agreement was renewed at a lower rent level than before. The rent decrease was due to the termination of an investment compensation previously included in the rent.

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. During the second quarter, Sponda did not sell any shopping centre properties. The balance sheet value of the properties sold totalled EUR 0.6 million. No properties were purchased during the period. Investments in property maintenance totalled EUR 1.1 million, with EUR 0.5 million of this in the second quarter.

The lease agreements for shopping centres expire as follows:

	% of rental income 30 Jun 2012	% of rental income 30 Jun 2011
<i>within 1 year</i>	7.7	11.6
<i>within 2 years</i>	4.5	4.2
<i>within 3 years</i>	4.1	4.7
<i>within 4 years</i>	2.9	1.8
<i>within 5 years</i>	18.1	4.7
<i>within 6 years</i>	2.0	10.6
<i>after more than 6 years</i>	56.6	56.5
<i>Valid indefinitely</i>	4.3	5.8

## Logistics premises

	4-6/12	4-6/11	1-6/12	1-6/11	1-12/11
Total revenue, M€	11.2	10.5	22.4	20.4	42.0
Net operating income, M€	7.6	7.4	15.0	13.3	28.6
Operating profit, M€	2.3	10.1	9.0	20.8	35.6
EPRA Net Initial Yield (NIY), %			6.5		5.9
Economic occupancy rate, %			78.0	78.3	78.1
Fair value of properties, M€			444.3	446.2	449.0
Change in fair value from beginning of year, M€			-5.3	8.1	8.5
Leasable area, m <sup>2</sup>			533,500	536,500	534,500

No logistics properties were purchased or sold in the period under review. In January-June, investments in property maintenance totalled EUR 0.7 million, with EUR 0.5 million of this in April-June.

The lease agreements for logistics properties expire as follows:

	% of rental income 30 Jun 2012	% of rental income 30 Jun 2011
within 1 year	17.3	12.1
within 2 years	14.0	12.5
within 3 years	7.7	13.8
within 4 years	3.1	2.6
within 5 years	6.5	3.7
within 6 years	2.1	5.5
after more than 6 years	30.9	29.7
Valid indefinitely	18.5	20.1

## Property development

The balance sheet value of Sponda's property development portfolio stood at EUR 258.7 million at the end of June 2012. Of this total, EUR 91.8 million was in undeveloped land sites and the remaining EUR 166.9 million was tied up in property development projects in progress. At the end of June 2012, the Property Development unit had invested a total of EUR 8.2 million, EUR 4.9 million of this in the second quarter. 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 between the company's major projects:

	Citycenter	Office property in Ruoholahti
Total investment, M€	134.0*)	23.5
Remaining investment to be made, M€	22.0	11.3
Capitalised interest expenses by 30 June 2012, M€	13.2	0.1
Time of completion	2012	April 2013

\*) Figure does not include capitalised interest expenses.

Construction of the third and final phase of the Citycenter project, comprising the retail premises on the Keskuskatu side and building a cover over the so-called Saarinen courtyard, is proceeding according to plan. The Citycenter refurbishment project is expected to be completed for the most part in 2012. The total investment in the project is EUR 134 million.

Sponda is developing an office property in the Ruoholahti district of Helsinki with total floor space of approximately 6,000 m<sup>2</sup>. 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 m<sup>2</sup> and a total investment of approximately EUR 200 million. The decision to begin work has not yet been made.

## Russia

	4-6/12	4-6/11	1-6/12	1-6/11	1-12/11
Total revenue, M€	6.9	6.2	13.6	12.6	25.1
Net operating income, M€	5.3	4.6	10.4	9.4	18.9
Operating profit, M€	7.3	20.0	12.3	21.7	36.6
EPRA Net Initial Yield (NIY), %			10.2		9.8
Economic occupancy rate, %			99.0	98.3	98.7
Fair value of properties, M€			265.8	218.7	224.6
Change in fair value from beginning of year, M€			3.5	13.7	20.4
Leasable area, m <sup>2</sup>			50,500	46,500	46,500

The change in the fair value of properties in Russia in January–June 2012, totalling EUR 3.5 million, was mainly due to changes in currency exchange rates and changes in market rents during the early part of the year.

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 expire as follows:

	% of rental income 30 Jun 2012	% of rental income 30 Jun 2011
within 1 year	30.4	39.1
within 2 years	18.8	16.9
within 3 years	5.2	10.6
within 4 years	11.8	5.3
within 5 years	20.3	9.1
within 6 years	11.3	12.4
after more than 6 years	2.2	6.6
Valid indefinitely	n/a	n/a

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 is over 9.5%.

The Bakhrushina House is located at Bakhrushina Street 32, at the intersection of Garden Ring and Bakhrushina Street. The office building close to the Paveletskaya metro station and the railway station has excellent connections to the Domodedovo International Airport and the southern neighbourhoods of Moscow. The building completed in 2002 has a total of approximately 4,000 square metres of office and retail premises for rent. Many leaders in their fields of business as well as internationally renowned companies operate in this fully-rented property.

### 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 that was set up in July 2012. Sponda is responsible for managing the funds and their properties and receives management fees. The total revenue, net operating income and operating profit for the Real Estate Funds segment were:

	4-6/12	4-6/11	1-6/12	1-6/11	1-12/11
<i>Total revenue, M€</i>	1.5	1.6	3.0	3.2	6.4
<i>Net operating income, M€</i>	1.2	1.3	2.4	2.6	5.0
<i>Operating profit, M€</i>	2.0	-1.4	3.8	-0.1	-0.2

At the end of the review period, an external consultant assessed the fair value of the Sponda Fund I and Sponda Fund II funds. The assessments were made by Jones Lang LaSalle and Kiinteistötaito Peltola & Co. The change in fair value in January-June was EUR 0.6 (-2.6) million and in April-June alone EUR 0.6 (-2.6) million. The realised shares of profit from real estate funds were EUR 3.5 (2.9) million for January-June and EUR 1.6 (1.5) million in the second quarter.

First Top LuxCo (Sponda's holding 20%) 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 30 June 2012.

Sponda Fund I Ky invests in logistics sites outside the Helsinki metropolitan area. Sponda's holding in the fund is 46%. At the end of June 2012, the value of the fund's property portfolio was EUR 171.5 million.

Sponda Fund II Ky (Sponda's holding 44%) mainly invests in logistics properties in medium-sized cities in Finland. On 30 June 2012, the fair value of its property portfolio was EUR 188.4 million.

In addition to the funds mentioned above, Sponda is also responsible for managing the property portfolio, with a value of about EUR 130 million, sold in March 2007 to Whitehall Street Real Estate Limited and Niam Nordic Investment Fund III.

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

### Cash flow and financing

Sponda's net cash flow from operations in the period under review totalled EUR 50.6 (47.5) million. Net cash flow from investing activities was EUR -69.8 (-172.7) million and the net cash flow from financing activities was EUR 28.4 (118.8) million. Net financing costs for the period totalled EUR -29.8 (-32.4) million. Financial income and expenses include EUR 2.5 (-1.0) million in unrealised change in the fair value of derivatives.

Excluding the aforementioned change in fair value, financial income and expenses totalled EUR -32.3 (-31.3) million. Interest expenses of EUR 0.3 (1.7) million were capitalised.

Sponda's equity ratio on 30 June 2012 was 37% (38%) and gearing was 142% (139%). As of the beginning of 2013, Sponda will change its accounting principles with regard to IAS 12 Income Taxes. The change will have a one-percentage-point positive effect on the Group's equity ratio.

Interest-bearing debt amounted to EUR 1,844.9 (1,740.6) million and the average maturity of Sponda's loans was 2.8 (2.9) years. The average interest rate was 3.6% (3.9%) including interest derivatives. Fixed-rate and interest-hedged loans accounted for 74% (85%) of the loan portfolio. The average fixed interest rate period of the debt portfolio was 2.0 (2.5) years. The interest cover ratio, which describes the company's solvency, was 2.6 (2.9).

Sponda applies hedge accounting to those interest derivatives that meet the criteria for hedge accounting. Changes in the fair value of interest derivatives that fall under hedge accounting are recognised in equity on the balance sheet. Changes in the fair value of other interest derivatives and currency options are recorded on the income statement.

Sponda Group's debt portfolio on 30 June 2012 comprised EUR 675 million in syndicated loans, EUR 324 million in bonds, EUR 234 million in issued commercial papers, and EUR 612 million in loans from financial institutions. Sponda had EUR 510 million in unused credit limits. Sponda Group had mortgaged loans of EUR 139.9 million, or 4.1% of the consolidated balance sheet.

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 bonds were allocated to 39 investors and the bond offering was oversubscribed. The bonds are listed on the NASDAQ OMX Helsinki. The proceeds from the bond offering were used to repay existing debt and for general corporate purposes.

### **Number of employees**

During the review period Sponda Group had, on average, 125 (120) employees, of whom 113 (108) worked for parent company Sponda Plc. On 30 June 2012, Sponda Group had altogether 119 (123) employees, of whom 107 (111) were employed by the parent company Sponda Plc. Sponda has personnel in Finland and in Russia. Sponda's sales and administration costs in January–June were EUR -11.6 (-11.7) million and in April–June alone EUR -5.9 (-6.0) million.

### **Annual remuneration and incentive schemes**

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 three three-year earning periods, 2012–2014, 2013–2015 and 2014–2016. The Board of Directors will decide on the earning criteria and on targets to be established for the earning criteria for each earning period. The earning criteria for the earning period from 1 January 2012 to 31 December 2014 are the Group's average Return on Capital Employed (ROCE) in the financial years 2012–2014 and the Group's cumulative Operational Cash Earnings Per Share (CEPS) for the same period. In addition, the Board of Directors will assess the Group's success in relation to the prevailing market conditions.

The incentive scheme currently covers the members of the Executive Board, seven people altogether. The Board may decide to

include more key employees in the scheme. The incentive scheme is described in more detail in the company's stock exchange release from 20 March 2012.

### 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.

### Sponda's share and shareholders

The weighted average price of Sponda's share in January-June 2012 was EUR 3.07. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 3.50 and the lowest EUR 2.72. Turnover during the period totalled 43.1 million shares, or EUR 132.2 million. The closing price of the share on 29 June 2012 was EUR 2.95 and the market capitalisation of the company's share capital was EUR 835.1 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.

Sponda issued no flagging notices in January–June 2012.

On 30 June 2012 the company had altogether 9,318 shareholders and its ownership structure was as follows:

	Number of shares	Holding, %
<i>Public entities</i>	62,205,723	22.0
<i>Nominee-registered</i>	132,807,857	46.9
<i>Financial and insurance institutions, total</i>	11,142,188	3.9
<i>Households</i>	22,845,740	8.1
<i>Private corporations, total</i>	46,725,561	16.5
<i>Non-profit organisations, total</i>	4,292,044	1.5
<i>Foreign owners, total</i>	3,056,349	1.1
<i>Total number of shares</i>	283,075,462	100.0

### Board of Directors and auditors

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 and Raimo Valo are independent of the company and of its major shareholders and Erkki Virtanen is independent of the company.

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.

## Board Committees

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).

## Management

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.

## 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.

Sponda has set company-level objectives for 2012 related to, amongst other things, reducing energy consumption in properties owned by Sponda, sorting waste, implementing energy efficiency initiatives in cooperation with customers and creating a healthy and satisfying working environment for its clients. Environmental responsibility was also extended to properties owned by Sponda in Russia, with the aim of reducing electricity and water consumption, particularly in Moscow.

In April 2012, the Climate Partners network, a joint initiative of the Confederation of Finnish Industries and the City of Helsinki, held its first meeting at the City Hall. At the meeting, Helsinki Mayor Jussi Pajunen signed a climate covenant with several companies, including Sponda. In the covenant, the companies identify the measures they will take to control climate change in their own operations. Sponda Plc's covenants:

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

## Events after the end of the period

In July 2012, Sponda set up a new real estate fund, Sponda Fund III, which invests primarily in logistics and industrial properties in Finland's growth centres. The target size of the fund 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 32.5 million to the fund. The transaction does not have a direct effect on Sponda's result.

Sponda's holding in the fund is approximately 38%. The other investors in the fund are Varma Mutual Pension Insurance Company and Etera Mutual Pension Insurance Company. The new fund is aimed at domestic institutional investors. Sponda is responsible for the management of the fund as well as the properties it owns.

## Prospects

Sponda expects the vacancy rates of its investment properties at year's end 2012 to be largely unchanged from the end of 2011. The estimate is based on the changes in rental agreements and leases already signed.

The comparable net operating income (excluding any sales of properties) of 2012 is expected to increase moderately compared to 2011. This expected increase is based on the purchases of properties and the completed property development projects in 2011.

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

Sponda believes that the key risks and uncertainty factors in the current financial period arise from the European economic crisis and relate to a decline in economic occupancy rates and a fall in rental income resulting from the insolvency of tenants.

The development of the Finnish economy will be particularly affected by the continuation of the public debt crisis in Europe. The shrinking of growth may affect the operations of Finnish companies and thereby increase vacancy rates of commercial properties.

For Sponda's property development projects, the key risks are related to the degree of success in leasing premises and the potential increase in construction costs. Higher than expected vacancy rates in newly completed business premises would have an impact on the Group's total vacancy rate and, as a result, have a negative effect on the Group's net operating income.

The differences between Russian and Finnish legislation and the way the authorities operate in the two countries 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 that have a negative impact on the company's financial result.

3 August 2012  
Sponda Plc  
Board of Directors

#### Additional 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](http://www.sponda.fi)



## Sponda Plc

### Consolidated income statement M€

	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011
<i>Total revenue</i>					
<i>Rental income and recoverables</i>	<b>64.6</b>	59.8	129.1	116.8	241.5
<i>Interest income from finance leasing agreements</i>	<b>0.1</b>	0.1	0.2	0.2	0.3
<i>Fund management fees</i>	<b>1.6</b>	1.7	3.0	3.2	6.4
	<b>66.2</b>	61.6	132.3	120.2	248.2
<i>Expenses</i>					
<i>Maintenance expenses</i>	<b>-17.4</b>	-16.4	-37.1	-35.0	-67.5
<i>Direct fund expenses</i>	<b>-0.3</b>	-0.3	-0.6	-0.7	-1.3
	<b>-17.7</b>	-16.7	-37.7	-35.7	-68.8
<i>Net operating income</i>	<b>48.5</b>	44.9	94.6	84.5	179.4
<i>Profit/loss on sales of investment properties</i>	<b>0.4</b>	-0.1	1.3	0.1	7.2
<i>Valuation gains/losses on fair value assessment</i>	<b>6.0</b>	25.2	8.8	28.3	39.6
<i>Profit/loss on sales of trading properties</i>	<b>-0.4</b>	0.0	-0.4	0.0	0.7
<i>Change in value of trading property</i>	<b>0.0</b>	-1.8	0.0	-1.8	-1.8
<i>Sales and marketing expenses</i>	<b>-0.4</b>	-0.4	-0.8	-0.8	-1.6
<i>Administrative expenses</i>	<b>-5.5</b>	-5.6	-10.8	-10.9	-21.5
<i>Share of result of associated companies</i>	<b>0.0</b>	0.0	0.0	-0.1	-0.1
<i>Other operating income</i>	<b>0.1</b>	7.9	0.1	8.0	8.2
<i>Other operating expense</i>	<b>0.5</b>	-0.1	0.1	0.1	-0.6
<i>Operating profit</i>	<b>49.2</b>	70.0	92.9	107.4	209.6
<i>Financial income</i>	<b>6.8</b>	5.7	17.2	8.4	14.0
<i>Financial expenses</i>	<b>-22.5</b>	-25.5	-46.9	-40.7	-89.6
<i>Total amount of financial income and expenses</i>	<b>-15.7</b>	-19.8	-29.8	-32.4	-75.6
<i>Profit before income tax</i>	<b>33.5</b>	50.2	63.1	75.1	134.0
<i>Income taxes for current and previous fiscal years</i>	<b>-0.8</b>	-0.8	-1.5	-1.6	-3.1
<i>Deferred taxes</i>	<b>-7.8</b>	-10.0	-14.0	-15.0	-25.1
<i>Change in tax base of deferred taxes</i>	<b>0.0</b>	0.0	0.0	0.0	12.0
<i>Income taxes, total</i>	<b>-8.6</b>	-10.8	-15.5	-16.5	-16.2
<i>Profit/loss for the period</i>	<b>24.9</b>	39.5	47.6	58.6	117.8
<i>Attributable to:</i>					
<i>Equity holders of the parent company</i>	<b>24.9</b>	39.5	47.6	58.6	117.8
<i>Non-controlling interest</i>	<b>0.0</b>	0.0	0.0	0.0	0.0
<i>Earnings per share based on profit attributable to equity holders of the parent company</i>					
<i>Basic and diluted, €</i>	<b>0.08</b>	0.13	0.15	0.19	0.39

## Consolidated statement of comprehensive income

M€

	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011
<i>Profit/loss for the period</i>	<b>24.9</b>	39.5	47.6	58.6	117.8
<i>Other comprehensive income</i>					
<i>Net loss/profit from hedging cash flow</i>	<b>-2.0</b>	-3.8	-2.6	12.1	-11.9
<i>Translation differences</i>	<b>-0.5</b>	0.1	-0.3	0.0	0.0
<i>Taxes on comprehensive income</i>	<b>0.3</b>	1.0	0.7	-3.1	2.4
<i>Other comprehensive income for period after taxes</i>	<b>-2.2</b>	-2.7	-2.2	9.0	-9.5
<i>Comprehensive profit/loss for period</i>	<b>22.7</b>	36.8	45.4	67.6	108.3
<i>Attributable to:</i>					
<i>Equity holders of the parent company</i>	<b>22.7</b>	36.8	45.4	67.6	108.3
<i>Non-controlling interest</i>	<b>0.0</b>	0.0	0.0	0.0	0.0

## Consolidated balance sheet

M€

	30 Jun 2012	30 Jun 2011	31 Dec 2011
<b>ASSETS</b>			
<i>Fixed assets and other non-current assets</i>			
<i>Investment properties</i>	<b>3,233.9</b>	3,098.5	3,165.7
<i>Investments in real estate funds</i>	<b>68.0</b>	65.8	65.5
<i>Property, plant and equipment</i>	<b>12.8</b>	13.4	13.1
<i>Goodwill</i>	<b>14.5</b>	14.5	14.5
<i>Other intangible assets</i>	<b>0.6</b>	0.5	0.6
<i>Finance lease receivables</i>	<b>2.7</b>	2.7	2.7
<i>Investments in associated companies</i>	<b>0.0</b>	0.0	0.0
<i>Long-term receivables</i>	<b>11.0</b>	8.5	5.2
<i>Deferred tax assets</i>	<b>34.4</b>	26.2	43.8
<i>Fixed assets and other non-current assets total</i>	<b>3,377.9</b>	3,230.2	3,311.1
<i>Current assets</i>			
<i>Trading properties</i>	<b>7.9</b>	8.5	7.9
<i>Trade and other receivables</i>	<b>31.3</b>	24.0	41.9
<i>Funds</i>	<b>35.6</b>	20.8	26.4
<i>Current assets total</i>	<b>74.8</b>	53.3	76.1

<i>Total funds</i>	<b>3,452.7</b>	3,283.5	3,387.3
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<i>Equity attributable to equity holders of the parent company</i>			
<i>Share capital</i>	<b>111.0</b>	111.0	111.0
<i>Share issue premium</i>	<b>159.5</b>	159.5	159.5
<i>Translation differences</i>	<b>0.3</b>	0.7	0.5
<i>Fair value reserve</i>	<b>-31.9</b>	-11.6	-30.0
<i>Revaluation reserve</i>	<b>0.6</b>	0.6	0.6
<i>Reserve for invested unrestricted equity</i>	<b>433.8</b>	433.8	433.8
<i>Other equity fund</i>	<b>129.0</b>	129.0	129.0
<i>Retained earnings</i>	<b>468.8</b>	415.6	475.0
	<b>1,271.0</b>	1,238.5	1,279.4
<i>Non-controlling interest</i>	<b>1.7</b>	1.7	1.7
<i>Shareholders' equity total</i>	<b>1,272.7</b>	1,240.2	1,281.1
<i>Liabilities</i>			
<i>Long-term liabilities</i>			
<i>Interest-bearing loans and borrowings</i>	<b>1,398.7</b>	1,173.2	1,380.8
<i>Other liabilities</i>	<b>41.8</b>	19.1	39.7
<i>Deferred tax liabilities</i>	<b>236.8</b>	225.4	235.7
<i>Long-term liabilities total</i>	<b>1,677.3</b>	1,417.8	1,656.2
<i>Current liabilities</i>			
<i>Short-term interest-bearing liabilities</i>	<b>446.2</b>	567.4	374.1
<i>Trade and other payables</i>	<b>56.6</b>	58.2	75.9
<i>Current liabilities total</i>	<b>502.7</b>	625.5	449.9
<i>Total borrowings</i>	<b>2,180.0</b>	2,043.3	2,106.2
<i>Total equity and liabilities</i>	<b>3,452.7</b>	3,283.5	3,387.3

**Consolidated Cash Flow Statement**  
**M€**

	<b>1-6/2012</b>	1-6/2011	1-12/2011
<i>Cash flow from operating activities</i>			
<i>Net profit for the financial year</i>	<b>47.6</b>	58.6	117.8
<i>Adjustments</i>	<b>39.3</b>	17.7	44.5
<i>Change in net working capital</i>	<b>2.6</b>	6.7	6.7
<i>Interest received</i>	<b>0.4</b>	0.4	1.4
<i>Interest paid</i>	<b>-38.2</b>	-34.0	-66.8
<i>Other financial items</i>	<b>1.5</b>	-1.6	-3.0
<i>Dividends received</i>	<b>0.0</b>	0.0	0.0
<i>Dividends received from associated companies</i>	-	1.5	1.5
<i>Taxes received/paid</i>	<b>-2.6</b>	-1.7	-3.0
<i>Net cash provided by operating activities</i>	<b>50.6</b>	47.5	99.2
<i>Cash flow from investing activities</i>			
<i>Acquisition of investment properties</i>	<b>-77.6</b>	-174.4	-226.6
<i>Capital expenditure on real estate funds</i>	<b>-1.9</b>	-8.5	-10.1
<i>Acquisition of tangible and intangible assets</i>	<b>-0.1</b>	-0.2	-0.3
<i>Proceeds from sale of investment properties</i>	<b>9.8</b>	2.2	5.9
<i>Proceeds from sale of associated companies</i>	-	8.2	8.2
<i>Repayments of loan receivables</i>	-	-	0.0
<i>Net cash flow from investing activities</i>	<b>-69.8</b>	-172.7	-222.9
<i>Cash flow from financing activities</i>			
<i>Non-current loans, raised</i>	<b>150.0</b>	287.4	757.4
<i>Non-current loans, repayments</i>	<b>-79.3</b>	-335.2	-782.1
<i>Current loans, raised/repayments</i>	<b>14.4</b>	219.5	201.3
<i>Interest paid on equity bond</i>	<b>-11.4</b>	-11.4	-11.4
<i>Dividends paid</i>	<b>-45.3</b>	-41.6	-41.6
<i>Net cash used in financing activities</i>	<b>28.4</b>	118.8	123.6
<i>Net increase in cash and cash equivalents</i>	<b>9.2</b>	-6.5	-0.1
<i>Cash and cash equivalents, beginning of period</i>	<b>26.4</b>	27.0	27.0
<i>Impact of changes in exchange rates</i>	<b>0.0</b>	0.2	-0.4
<i>Cash and cash equivalents, end of period</i>	<b>35.6</b>	20.8	26.4

**Consolidated statement of changes in equity**  
**M€**

	Share capital	Share issue premium	Translation differences	Fair value reserve	Revaluation reserve	Invested non-restricted equity reserve	Other equity fund	Retained earnings	Total	Non-controlling interest	Shareholders' equity total
<i>Equity at 31 Dec 2010</i>	111.0	159.5	0.6	-20.6	0.6	412.0	129.0	407.0	1,199.1	1.7	1,200.8
<i>Comprehensive income for period</i>			0.0	9.0				58.6	67.6	0.0	67.6
<i>Distribution of dividends</i>								-41.6	-41.6		-41.6
<i>Interest paid on equity bond</i>								-8.4	-8.4		-8.4
<i>Share issue</i>						21.7			21.7		21.7
<i>Amendment</i>								0.1	0.1		0.1
<i>Equity at 30 June 2011</i>	111.0	159.5	0.7	-11.6	0.6	433.8	129.0	415.6	1,238.5	1.7	1,240.2

	Share capital	Share issue premium	Translation differences	Fair value reserve	Revaluation reserve	Invested non-restricted equity reserve	Other equity fund	Retained earnings	Total	Non-controlling interest	Shareholders' equity total
<i>Equity at 31 Dec 2011</i>	111.0	159.5	0.5	-30.0	0.6	433.8	129.0	475.0	1,279.4	1.7	1,281.1
<i>Comprehensive income for period</i>			-0.3	-2.0				47.6	45.4	0.0	45.4
<i>Distribution of dividends</i>								-45.3	-45.3		-45.3
<i>Interest paid on equity bond</i>								-8.6	-8.6		-8.6
<i>Amendment</i>								0.1	0.1		0.1
<i>Equity at 30 June 2012</i>	111.0	159.5	0.3	-31.9	0.6	433.8	129.0	468.8	1,271.0	1.7	1,272.7

## Notes to the interim consolidated financial statements

### Accounting principles

This report has been prepared in accordance with IAS 34 (Interim Financial Reporting). This interim report has been prepared applying the IFRS standards and interpretations valid on 31 December 2011.

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

More detailed information on the accounting principles can be found in Sponda Plc's consolidated financial statements for the year 2011.

The figures in the interim report have not been audited.

### An amendment to the accounting principles

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.

### Income statement by segment

M€

Income statement information 1-6/2012	Office and retail premises	Shopping centres	Logistics	Property development	Russia	Real estate funds	Other	Group, total
<b>Total revenue</b>	<b>71.7</b>	<b>21.1</b>	<b>22.4</b>	<b>0.4</b>	<b>13.6</b>	<b>3.0</b>	<b>0.0</b>	<b>132.3</b>
<i>Maintenance expenses and direct fund expenses</i>	-20.3	-5.1	-7.4	-1.0	-3.2	-0.6	0.0	-37.7
<b>Net operating income</b>	<b>51.3</b>	<b>16.1</b>	<b>15.0</b>	<b>-0.6</b>	<b>10.4</b>	<b>2.4</b>	<b>0.0</b>	<b>94.6</b>
<i>Profit on sales of investment properties</i>	0.4	0.5	0.0	0.4	0.0	0.0	0.0	1.3
<i>Loss on sales of investment properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Profit/loss on trading properties</i>	0.0	0.0	0.0	-0.4	0.0	0.0	0.0	-0.4
<i>Change in value of trading properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Valuation gains/losses</i>	10.7	-3.0	-5.3	-1.2	3.5	4.1	0.0	8.8
<i>Administration and marketing</i>	-4.0	-0.8	-0.7	-1.8	-1.6	-2.7	0.0	-11.7
<i>Other operating income and expenses</i>	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.3

<b>Operating profit</b>	<b>58.4</b>	<b>12.7</b>	<b>9.0</b>	<b>-3.4</b>	<b>12.3</b>	<b>3.8</b>	<b>0.0</b>	<b>92.9</b>
<i>Investments</i>	28.1	1.1	0.7	8.2	37.7	1.9	0.1	77.8
<i>Segment assets</i>	1,684.2	583.6	444.3	273.2	265.8	68.0	133.6	3,452.7
<i>Economic Occupancy Rate</i>	89.2	93.8	78.0		99.0			88.9

<b>Income statement information 1-6/2011</b>	Office and retail premises	Shopping centres	Logistics	Property development	Russia	Real estate funds	Other	Group, total
<b>Total revenue</b>	<b>63.4</b>	<b>20.0</b>	<b>20.4</b>	<b>0.5</b>	<b>12.6</b>	<b>3.2</b>	<b>0.0</b>	<b>120.2</b>
<i>Maintenance expenses and direct fund expenses</i>	-18.9	-4.7	-7.1	-1.1	-3.2	-0.7	0.0	-35.7
<b>Net operating income</b>	<b>44.5</b>	<b>15.3</b>	<b>13.3</b>	<b>-0.6</b>	<b>9.4</b>	<b>2.6</b>	<b>0.0</b>	<b>84.5</b>
<i>Profit on sale of investment properties</i>	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
<i>Loss on sale of investment properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Profit/loss on sale of trading properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Change in value of trading property</i>	0.0	0.0	0.0	-1.8	0.0	0.0	0.0	-1.8
<i>Valuation gains/losses</i>	8.6	-2.4	8.1	-0.1	13.7	0.3	0.0	28.3
<i>Administration and marketing</i>	-3.8	-0.8	-0.8	-2.0	-1.4	-3.0	0.0	-11.7
<i>Other operating income and expenses</i>	0.0	0.0	0.1	0.1	0.0	0.0	7.8	8.0
<b>Operating profit</b>	<b>49.5</b>	<b>12.1</b>	<b>20.8</b>	<b>-4.3</b>	<b>21.7</b>	<b>-0.1</b>	<b>7.8</b>	<b>107.4</b>

<i>Investments</i>	153.9	11.9	15.6	18.6	0.6	8.5	0.0	209.1
<i>Segment assets</i>	1,622.1	566.5	446.2	262.1	218.7	65.8	102.1	3,283.5
<i>Economic Occupancy Rate</i>	88.5	94.3	78.3		98.3			88.2

### Direct and indirect result

The direct result represents the result from the Group's core business operations. 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, capitalised interest, the premiums of cap options, profit/loss on the sale of properties, amortisation of goodwill and other such income and expenses that the company considers non-direct items.

<b>M€</b>	<b>4-6/12</b>	4-6/11	1-6/12	1-6/11	1-12/11
<i>Direct result</i>					
<i>Net operating income</i>	<b>48.5</b>	44.9	94.6	84.5	179.4
<i>Realised shares of profit from real estate funds</i>	<b>1.6</b>	1.5	3.5	2.9	5.0
<i>Marketing and administrative expenses</i>	<b>-5.9</b>	-6.0	-11.7	-11.7	-23.1
<i>Other income and expenses for business operations</i>	<b>0.6</b>	0.1	0.3	0.5	0.0
<i>Financial income and expenses</i>	<b>-17.1</b>	-17.1	-34.6	-30.5	-69.0
<i>Taxes based on direct result</i>	<b>-0.9</b>	-0.8	-1.6	-1.6	-3.0
<i>Deferred taxes based on direct result</i>	<b>-6.2</b>	-2.5	-11.0	-6.8	-14.0
<i>Non-controlling holding share of direct result</i>	<b>0.0</b>	0.0	0.0	0.0	0.0
<i>Total</i>	<b>20.6</b>	20.0	39.5	37.2	75.4
<i>Indirect result</i>					
<i>Profit/loss on sales of investment properties</i>	<b>0.4</b>	-0.1	1.3	0.1	7.2
<i>Valuation gains/losses on fair value assessment</i>	<b>4.3</b>	23.7	5.3	25.4	34.6
<i>Profit/loss on sales of trading properties</i>	<b>-0.4</b>	0.0	-0.4	0.0	0.7
<i>Change in value of trading property</i>	<b>0.0</b>	-1.8	0.0	-1.8	-1.8
<i>Marketing and administrative expenses</i>	<b>0.0</b>	0.0	0.0	0.0	0.0
<i>Other income and expenses for business operations</i>	<b>0.0</b>	7.8	0.0	7.5	7.5
<i>Financial income and expenses</i>	<b>1.4</b>	-2.7	4.8	-1.8	-6.6
<i>Taxes based on indirect result</i>	<b>0.1</b>	0.0	0.1	0.0	-0.2
<i>Deferred taxes based on indirect result</i>	<b>-1.6</b>	-7.5	-3.0	-8.1	-11.1
<i>Change in tax base of deferred taxes</i>	<b>0.0</b>	0.0	0.0	0.0	12.0
<i>Non-controlling holding share of indirect result</i>	<b>0.0</b>	0.0	0.0	0.0	0.0
<i>Total</i>	<b>4.2</b>	19.5	8.1	21.3	42.4

### Quarterly key figures

	<b>Q2/2012</b>	Q1/2012	Q4/2011	Q3/2011	Q2/2011
<i>Total revenue, M€</i>	<b>66.2</b>	66.0	64.9	63.1	61.6
<i>Net operating income, M€</i>	<b>48.5</b>	46.1	47.6	47.3	44.9
<i>Valuation gains/losses on fair value assessment, M€</i>	<b>6.0</b>	2.8	6.8	4.6	25.2
<i>Operating profit, M€</i>	<b>49.2</b>	43.6	55.1	47.1	70.0
<i>Financial income and expenses, M€</i>	<b>-15.7</b>	-14.0	-20.4	-22.9	-19.8
<i>Profit/loss for the period, M€</i>	<b>24.9</b>	22.7	40.7	18.6	39.5



<i>Investment properties, M€</i>	<b>3,233.9</b>	3,177.4	3,165.7	3,128.8	3,098.5
<i>Shareholders' equity, M€</i>	<b>1,272.7</b>	1,258.5	1,281.1	1,243.0	1,240.2
<i>Interest-bearing liabilities, M€</i>	<b>1,844.9</b>	1,787.0	1,754.8	1,740.6	1,740.6
<i>Earnings per share, €</i>	<b>0.08</b>	0.07	0.14	0.06	0.13
<i>Cash flow from operations per share, €</i>	<b>0.10</b>	0.09	0.10	0.09	0.11
<i>EPRA NAV</i>	<b>4.82</b>	4.76	4.84	4.68	4.66
<i>Economic occupancy rate, %</i>	<b>88.9</b>	88.4	88.2	88.2	88.2

### Investment properties

M€

	<b>30 Jun 2012</b>	30 Jun 2011	31 Dec 2011
<i>Fair value of investment properties, start of period</i>	<b>3,165.7</b>	2,870.6	2,870.6
<i>Purchase of investment properties</i>	<b>52.8</b>	142.2	150.4
<i>Other capital expenditure on investment properties</i>	<b>24.3</b>	58.3	109.1
<i>Disposal of investment properties</i>	<b>-13.9</b>	-2.2	-7.0
<i>Transfers from trading properties</i>	<b>0.0</b>	0.0	0.0
<i>Capitalised equity expenses, increase in period</i>	<b>0.3</b>	1.7	3.6
<i>Valuation gains/losses on fair value assessment</i>	<b>4.7</b>	27.9	39.0
<i>Fair value of investment properties, end of period</i>	<b>3,233.9</b>	3,098.5	3,165.7

Net operating income from all of Sponda's property assets totalled EUR 94.6 (84.5) million during the first half of 2012. Of this total, office and retail premises accounted for 53%, shopping centres for 17%, logistics premises for 16%, Russia for 11% and the Real Estate Funds unit for 3%.

On 30 June 2012, Sponda had a total of 202 properties, with an aggregate leasable area of approximately 1.5 million m<sup>2</sup>. Of this, some 51% is office and retail premises, 11% shopping centres and 35% logistics premises. 3% 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 June 2012, an external consultant assessed the fair value of Sponda's investment properties for both Finland and Russia. The change in fair value of the investment properties in January-June was EUR 4.7 (27.9) million and in April-June alone EUR 3.7 (26.2) million. The positive change in the value in Finland was mainly due to successful renting and changes in market rents. The positive change in the value in Russia was almost entirely due to changes in currency exchange rates. The fair value of investment properties is assessed in Finland by Catella Property Oy and in Russia by CB Richard Ellis. The statements of the property assessments are available on Sponda's website at [www.sponda.fi](http://www.sponda.fi)>Investors>Performance. The changes in fair values are itemised in the table "Valuation gains/losses on fair value assessment".

## The Group's most significant investment commitments

Construction of the third and final phase of the Citycenter project, comprising the retail premises on the Keskuskatu side and building a cover over the so-called Saarinen courtyard, is proceeding according to plan. The Citycenter refurbishment project is expected to be completed for the most part in 2012. The total investment in the project is EUR 134 million.

Sponda is developing an office property in the Ruoholahti district of Helsinki with total floor space of approximately 6,000 m<sup>2</sup>. 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 m<sup>2</sup> and a total investment of approximately EUR 200 million. The decision to begin work has not yet been made.

### Property, plant and equipment M€

	30 Jun 2012	30 Jun 2011	31 Dec 2011
<i>Carrying amount, start of period</i>	13.1	13.6	13.6
<i>Increases</i>	0.0	0.1	0.1
<i>Disposals</i>	0.0	0.0	0.0
<i>Depreciation for the period</i>	-0.3	-0.3	-0.7
<i>Carrying amount, end of period</i>	12.8	13.4	13.1
<b>Trading properties on 30 June 2012</b>			
<b>M€</b>	<b>30 Jun 2012</b>	<b>30 Jun 2011</b>	<b>31 Dec 2011</b>
<i>Carrying amount, start of period</i>	7.9	10.3	10.3
<i>Disposals and other changes</i>	0.0	0.0	-0.6
<i>Increases</i>	-	-	-
<i>Reclassifications to investment properties</i>	0.0	0.0	0.0
<i>Valuation changes</i>	-	-1.8	-1.8
<i>Carrying amount, end of period</i>	7.9	8.5	7.9

### Contingent liabilities Collateral and commitments given by the Group M€

	30 Jun 2012	30 Jun 2011	31 Dec 2011
<i>Loans from financial institutions, covered by collateral</i>	139.9	141.0	140.4
<i>Mortgages</i>	269.2	269.2	269.2
<i>Book value of pledged shares</i>	18.5	18.9	19.2

Guarantees	-	-	-
Total collateral	287.6	288.1	288.3
<b>Lease and other liabilities</b>	<b>30 Jun 2012</b>	<b>30 Jun 2011</b>	<b>31 Dec 2011</b>
<b>M€</b>			
Lease liabilities	96.1	99.3	97.7
Mortgages	3.9	3.9	3.9
Guarantees	15.8	15.6	15.7
Investment commitments to real estate funds	26.7	4.4	28.6
<b>Interest derivatives</b>	<b>30 Jun 2012</b>	<b>30 Jun 2011</b>	<b>31 Dec 2011</b>
<b>M€</b>			
Swap contracts, notional value	847.0	1,067.8	972.4
Swap contracts, fair value	-42.5	-15.7	-39.5
Cap options purchased, notional value	405.0	590.0	565.0
Cap options purchased, fair value	0.4	7.4	1.6
Forward rate agreements, notional value	-	-	-
Forward rate agreements, fair value	-	-	-
<b>Currency derivatives</b>	<b>30 Jun 2012</b>	<b>30 Jun 2011</b>	<b>31 Dec 2011</b>
<b>M€</b>			
Currency forwards, notional value	-	-	-
Currency forwards, fair value	-	-	-
Currency options, bought, notional value	7.9	5.6	7.0
Currency options, bought, fair value	0.1	0.2	0.1
Currency options, put, notional value	7.9	4.6	7.0
Currency options, put, fair value	-0.1	-0.1	-0.2
Interest rate and currency swaps			
<b>M€</b>			
Interest rate and currency swaps, notional value*	337.4	222.4	337.4
Interest rate and currency swaps, fair value*	9.1	-6.3	-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 to the nominal values of the loans hedged. Hedge accounting is not applied to hedged loans and interest rate and currency swaps. The unrealised exchange difference of the loans hedged is the inverse of the fair value of the hedging interest rate or currency swap.

## Related party transactions

M€

The following transactions took place with related parties:

### Management employee benefits

	30 Jun 2012	30 Jun 2011	31 Dec 2011
Salaries and other short-term employee benefits	1.1	1.0	1.9
Share-based payments	0.7	0.9	1.4
Total	1.8	1.9	3.3

## Key figures

	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011
Earnings per share, €	0.08	0.13	0.15	0.19	0.39
Equity ratio, %			37	38	38
Gearing ratio, %			142	139	135
Equity per share, €			4.03	3.92	4.06
Cash flow from operations per share, €	0.09	0.11	0.18	0.18	0.37

## Formulas for the key indicators

Earnings per share, €	=	$\frac{\text{Share of earnings for the period attributable to equity holders of the parent company – interest on hybrid loan allocated to the period, adjusted for taxes}}{\text{Weighted average number of shares outstanding during the period}}$
Equity ratio, %	= 100 x	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}}$
Gearing ratio, %	= 100 x	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Shareholders' equity}}$
Equity per share, €	=	$\frac{\text{Equity attributable to parent company equity holders - Other equity reserve}}{\text{Undiluted total number of shares on the date of closing the books}}$
Cash flow from operations per share, €	=	Operating profit -/+ Fair value adjustment + Allocation of goodwill + Depreciation in administration +/- Changes in provisions

			<ul style="list-style-type: none"> <li>+/- Defined benefit pension expenses</li> <li>- Financial income &amp; expenses affecting cash flow</li> <li>- Taxes affecting cash flow</li> <li>+/- Other items</li> </ul> <hr/> Weighted average number of shares outstanding during the period
EPRA NAV per share, €	=		Equity attributable to parent company equity holders <ul style="list-style-type: none"> <li>- Other equity reserve</li> <li>+ Deferred tax liabilities resulting from the assessment of fair value of properties and depreciation difference</li> <li>- Goodwill created from the deferred tax liabilities on properties</li> </ul> <hr/> Undiluted total number of shares on the date of closing the books
EPRA Earnings per share, M€	=		Net operating income <ul style="list-style-type: none"> <li>+ Realised shares of profit from real estate funds</li> <li>- Marketing and administration expenses</li> <li>+/- Other operating income and expenses</li> <li>+/- Operating financial income and expenses</li> <li>+/- Taxes based on operating result</li> <li>+/- Change in deferred taxes based on operating items</li> <li>+/- <u>Operating share of non-controlling shareholders</u></li> </ul> Weighted average number of shares outstanding during the period
EPRA Net Initial Yield (NYI), %	=		$\frac{\text{Annualised net rents}}{\text{Investment properties}}$ <ul style="list-style-type: none"> <li>- Development properties</li> <li>+ Estimated purchaser's costs</li> </ul>
EPRA "topped up" NYI, %	=		$\frac{\text{Annualised net rents} + \text{Step rents, rent-free periods, etc.}}{\text{Investment properties}}$ <ul style="list-style-type: none"> <li>- Development properties</li> <li>+ Estimated purchaser's costs</li> </ul>