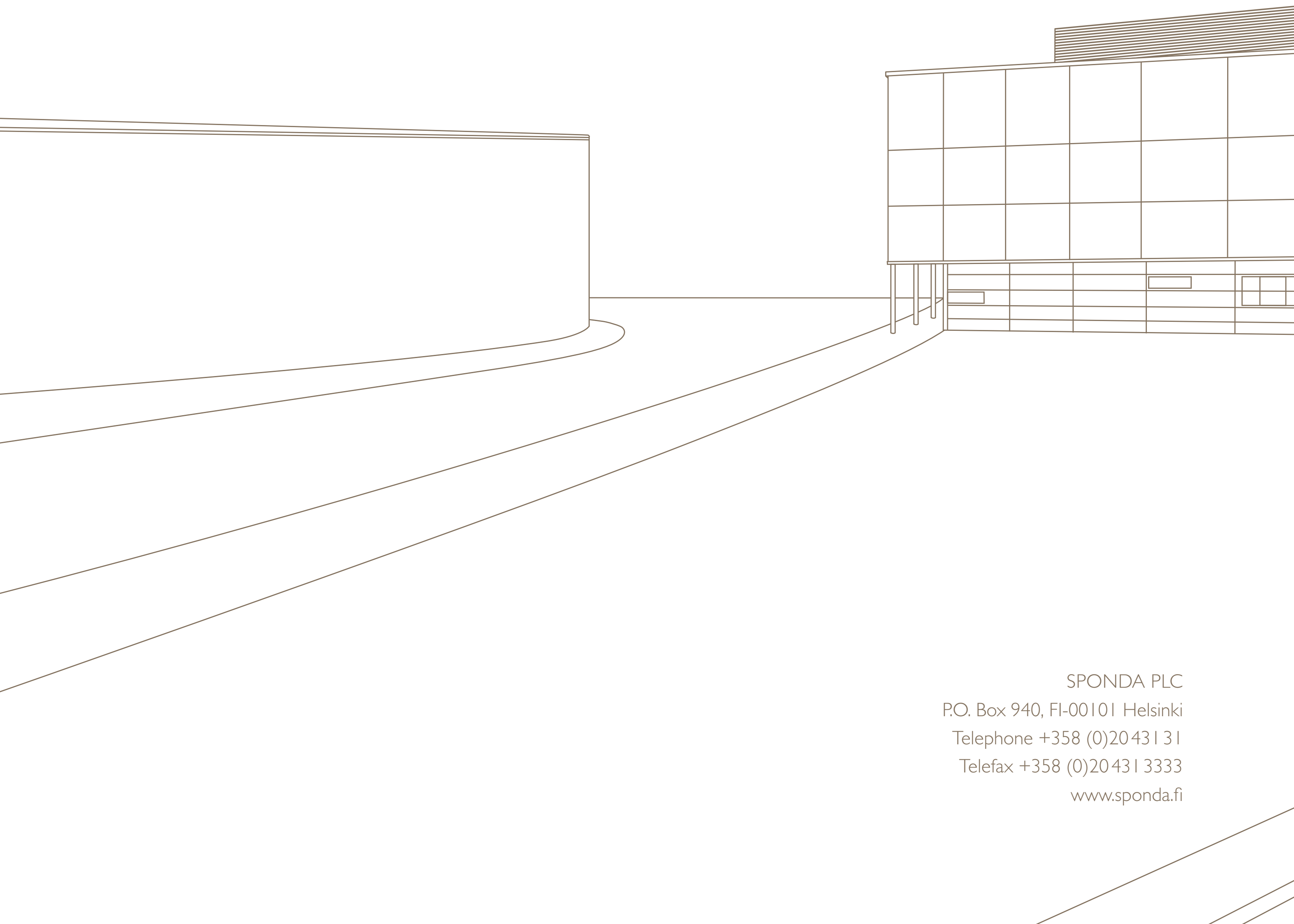

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Annual Report

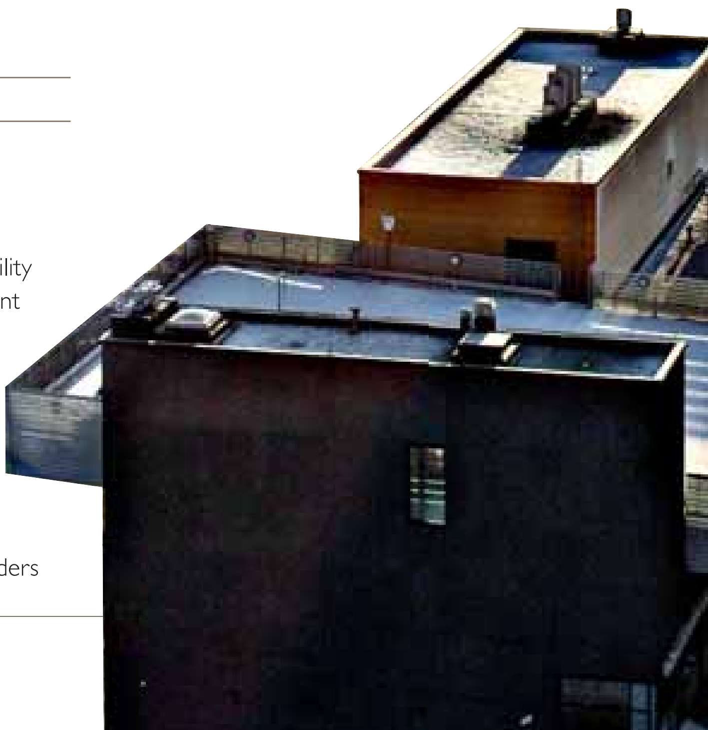
2008

SPONDA

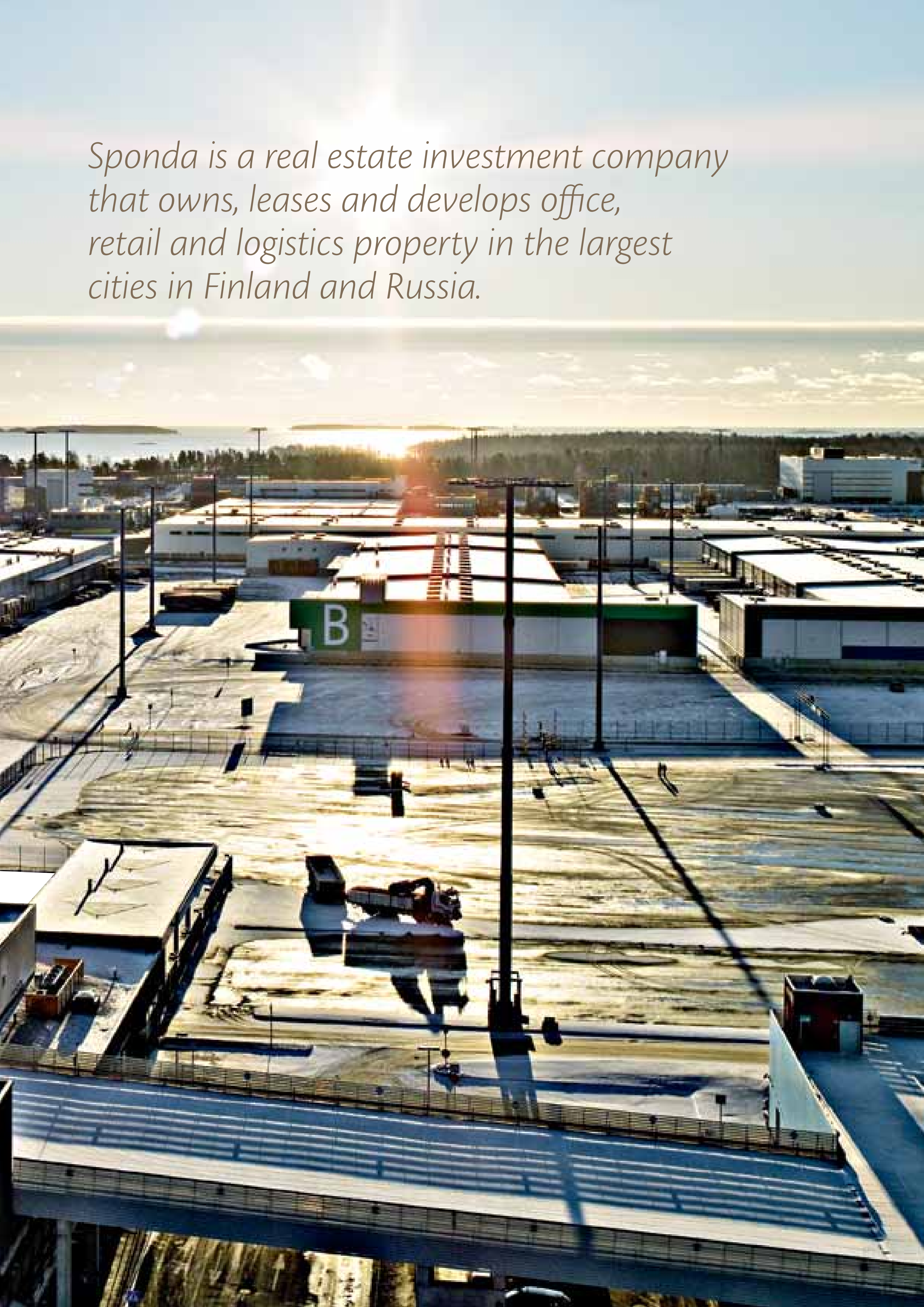
PORTGATE LOGISTICS AREA IN VUOSAARI HARBOUR, HELSINKI

Contents

SPONDA PLC ANNUAL REPORT 2008



Sponda is a real estate investment company that owns, leases and develops office, retail and logistics property in the largest cities in Finland and Russia.



case 01

KENZO, 188 M^2 RETAIL PREMISES, MANNERHEIMINTIE 2, HELSINKI

Kenzo – Fashion sets the terms

French fashion house Kenzo's boutique displays luxury not just in the products but also in the decor. Even the smallest details are carefully designed. The result is spacious premises, where white walls decorated with plaster patterns and a black wooden floor create a modern, Eastern look.

The Kenzo store, which opened in November 2008, is the first to be opened by the chain in Finland, and the first Kenzo lifestyle store in the world. The range of goods includes not just the clothing collections for women and men and accessories but also interior decor products.

"The decision to establish the store was taken in spring 2008 and we found suitable premises easily. Kenzo's stores are all located in prime locations, so the excellent location of the store at Mannerheimintie street was an important criteria in the choice. The size of the store was another important factor," says managing director Taneli Heikkinen.

Kenzo follows a strict concept in the design of all its stores. The interior décor for the Helsinki store was created by Kenzo's Italian interior decor architects in cooperation with the company's artistic director Antonio Marras. The total refurbishment of the premises was completed under Heikkinen's direction in record time. Sponda participated in the facelift of the property facade.

Sponda in brief

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

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

The company's investment properties have a leasable area of 1.5 million square metres, comprising 152 office and retail properties and 57 logistics properties. The investment properties had a fair value on 31 December 2008 of EUR 2.9 billion.

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

With its innovative, customer-oriented solutions, Sponda actively creates best practices in the sector and acts with responsibility in developing the environment and the cityscape.

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

The business units

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

Sponda enhanced its operations by introducing a new organization structure at the beginning of 2009. Sponda combined its office and retail premises unit and the logistics property unit into a single business unit, aiming to improve the management of the company's operations and to raise cost efficiency. Name of the new business unit is Investment Properties.

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

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

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

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

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

KENZO'S BOUTIQUE IN HELSINKI

Financial Review

RESULT OF OPERATIONS AND FINANCIAL POSITION IN 2008 (COMPARED WITH YEAR 2007)

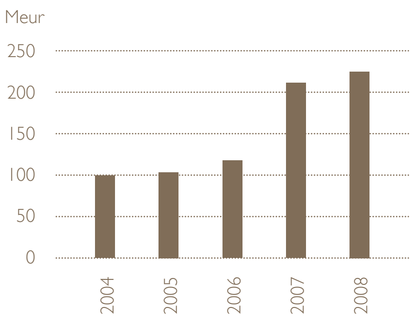
- Total revenue increased to EUR 224.3 (210.9) million.
- Net operating income rose to EUR 166.8 (152.8) million.
- Operating profit was EUR 126.2 (256.7) million. The change in value of properties in 2008 was EUR -36.0 (92.9) million which includes change in yield requirements of EUR -93.1 million and development gains on property development projects of EUR 43.3 million.
- Profit after tax in 2008 was EUR 26.6 (136.6) million.
- Earnings per share (EPS) were EUR 0.24 (1.27).
- Cash flow from operations per share was EUR 0.78 (0.81).
- The fair value of the investment properties amounted to EUR 2,907.5 (2,534.9) million.
- Net assets per share totalled EUR 7.86 (8.40).
- EPRA net assets per share were EUR 9.64 (10.04).
- The economic occupancy rate was 31 January 2008 88.5 (91.2) %.
- The Board of Directors proposes to the AGM that no dividend be paid for the 2008 financial year.

KEY FIGURES (IFRS)

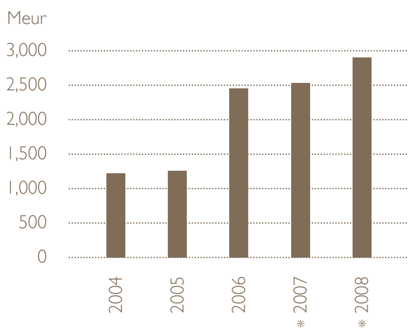
	31 DEC 2008	31 DEC 2007	31 DEC 2006	31 DEC 2005	31 DEC 2004
Total revenue, Meur	224.3	210.9	117.4	103.06	99.21
Operating profit, Meur	126.2	256.7	103.9	65.48	17.07
Profit before taxes, Meur	38.7	184.4	65.4	39.16	-9.53
Cash flow from operations/share, Eur	0.78	0.81	0.56	0.57	0.53
NAV/share, Eur	7.86	8.4	7.45	7.25	7.44
EPRA NAV/share, Eur	9.64	10.04	9.54		
Earnings/share, Eur	0.24	1.27	0.61	0.37	0.04
Return on investment, %	4.71	10.05	7.19 **	5.57	1.5
P/E ratio	12.89	6.45	19.68	21.21	176.89
Equity ratio, %	31.75	32.3	20.19	44.91	47.11
Gearing, %	80.68	174.93	334.32	107.08	98.84
Dividend, Eur	0.00 *	0.5	0.4	0.5	0.5
Payout ratio, %	0.00 *	39.49	65.6	133.42	1,231.8
Effective dividend yield, %	0.00 *	6.12	3.33	6.29	6.96

*Board's proposal
** The key figure has been calculated using the quarterly weighted average figures in the balance sheet.

TOTAL REVENUE

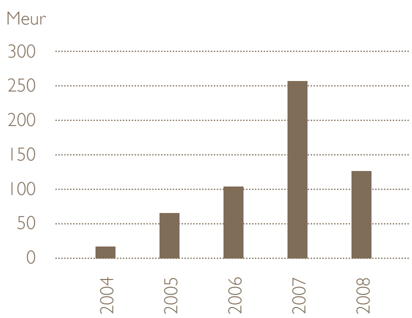


FAIR VALUE OF INVESTMENT PROPERTIES

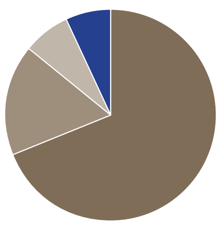


* Does not include trading properties

OPERATING PROFIT

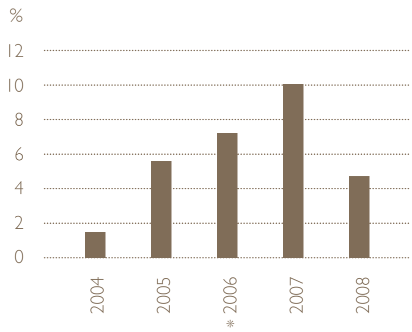


NET OPERATING INCOME
BY BUSINESS UNIT 2008



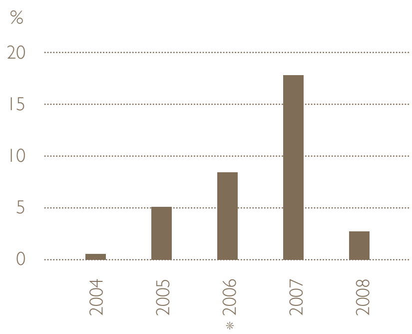
Office and Retail	69%
Logistics	17%
Property Development	0%
Real Estate Funds	7%
Russia and the Baltic Countries	7%

RETURN ON INVESTMENT



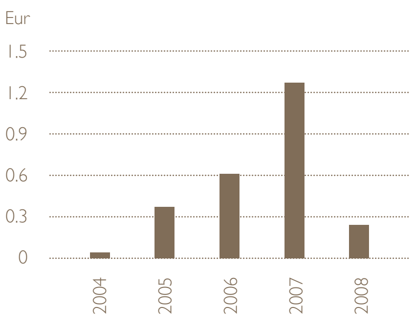
* The key figures for balance sheet items 2006 are calculated using the quarterly weighted average figures

RETURN ON SHAREHOLDERS' EQUITY
(ROE)



* The key figures for balance sheet items 2006 are calculated using the quarterly weighted average figures

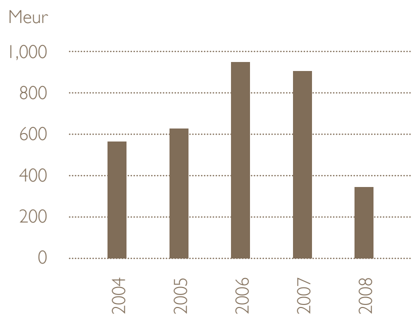
EARNINGS/SHARE



DIVIDEND/SHARE

* Board's proposal

MARKET CAPITALIZATION



Chief Executive's Review

For Sponda, 2008 was a year of strong growth. Property development projects that were completed during the year increased our business premise offering in Finland and our rental income. We also continued to expand in the Russian property market, where we achieved the targets set for investment. We exceeded our financial targets for 2008.

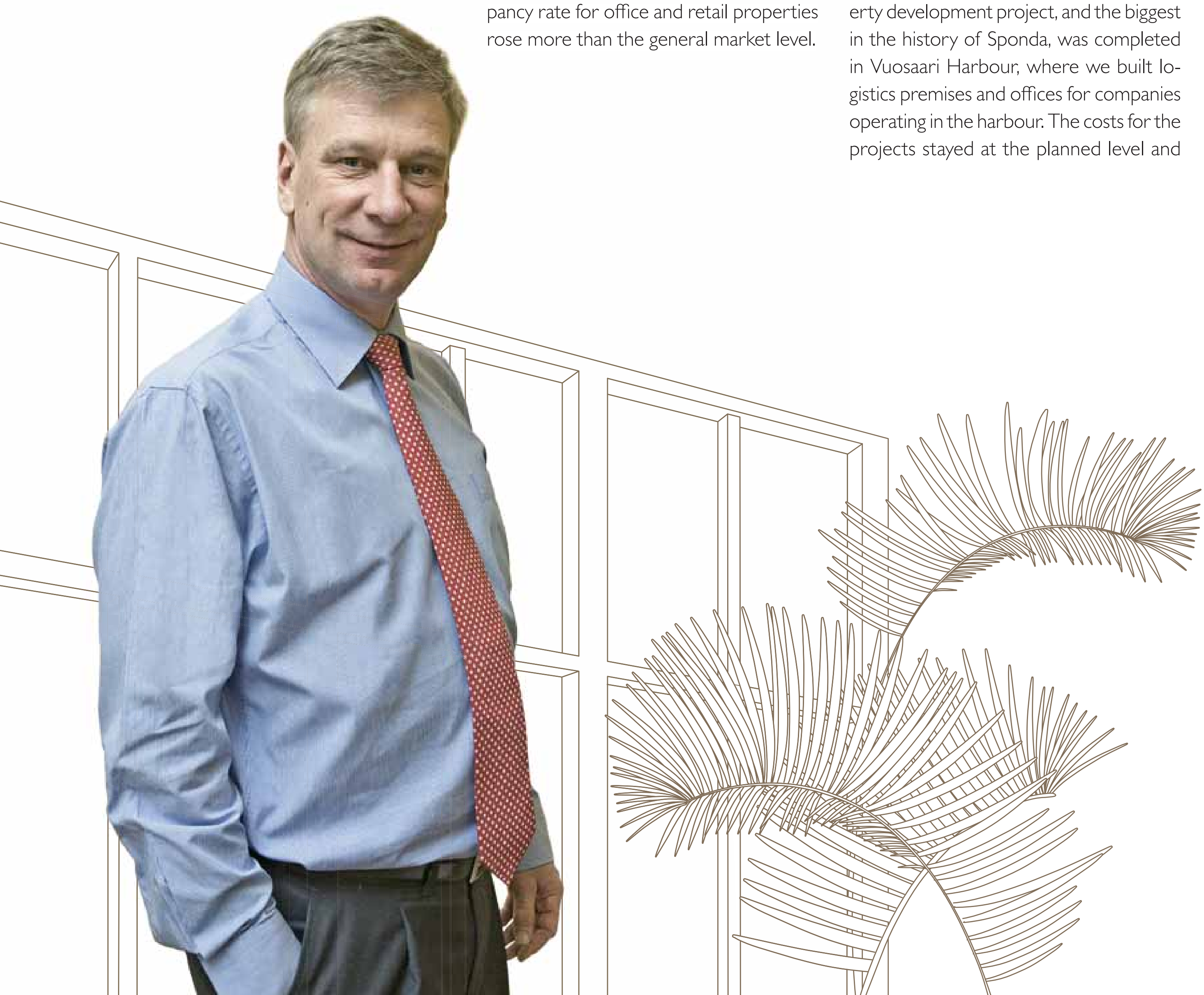
The business environment for the property market changed significantly during 2008. Early in the year property vacancy rates improved and rents developed favourably. Property transactions were also at a high level. The situation changed half way through the year, when the global financial crisis began to hinder financing for the property sector. The volume of property transactions declined, pressure started to reduce property values, and company share prices fell.

Change in market requires ability to adapt rapidly

During 2008 our total revenue increased significantly and we achieved our targets for leasing and cash flow. Our property development investments in 2008 were EUR 204.6 million. The positive trend continued in the occupancy rates for office and retail properties in Finland, which have risen steadily since 2006. In 2008 our occupancy rate for office and retail properties rose more than the general market level.

Sponda reacted quickly to the change in the state of the market half way through the year by adjusting its operations. We started to boost the company's capital adequacy by selling property in Finland. During the last part of the year Sponda sold properties for some EUR 70.1 million. We also succeeded, in an extremely challenging financing market, in refinancing our loans that were maturing.

Our property development projects made progress according to plan. All the new properties planned for 2008 were completed on schedule, which is proof of the high level of our project management expertise. Sponda's most important property development project, and the biggest in the history of Sponda, was completed in Vuosaari Harbour, where we built logistics premises and offices for companies operating in the harbour. The costs for the projects stayed at the planned level and



the actual profits on property development matched the targets.

We continued to expand in Russia. Our property purchases concentrated on Moscow, where we purchased two shopping centres and one office property. We also continued to develop our organization in Russia and established a new office in Moscow. With this stronger organization we are better equipped to respond to the challenges of the market in Russia. I have firm faith in the Russian property market and I expect a good return on our investments in the future.

Sponda's real estate fund operations grew as planned during 2008. During the year we established a new fund to invest in logistics properties and we increased the property assets of our funds. Real estate fund operations have become an extremely profitable business for the company, and they already form a significant part of Sponda's business operations.

Sponda held its first capital markets day in November 2008, and this proved even more popular than we expected. At the event Sponda gave an overview of its business activities, including those of its Real Estate Funds and Russia business units, to investors and analysts.

Customer satisfaction directs how we develop business models

We look after the condition and quality of business premises, because we wish to offer our customers effective surroundings for carrying on their business. We invested EUR 26.6 million in property maintenance during the past year. We seek to improve the satisfaction of customers by continuously developing our business. In 2008 we focused on developing the customer strategy, and the development of business models and training of personnel continue in 2009.

During 2008 we also initiated a corporate responsibility project, which defines our corporate responsibility policy and the current state of the company. These form the basis for creating everyday tools for developing the company's operations towards greater corporate responsibility.

Leasing operations growing in importance

The weakening real economy may bring threats to the property sector and cast a cloud over leasing prospects for 2009. Property occupancy rates are expected to fall, and there are pressures to reduce rents, especially in the outlying areas of cities. There is also pressure to reduce property values. Some 66 per cent of Sponda's properties is located in the Helsinki central business district and Ruoholahti, where rental levels and the value of property are not expected to fall as sharply.

The change in the market means that leasing operations have grown in importance in the real estate business and will continue to grow, which strengthens Sponda's position. As a long-term Finnish player we have a good knowledge of the local property market, and this creates good opportunities for us to succeed in a difficult market. We believe that despite the changes in the environment, the rental income from our properties will remain stable.

The pressure on the finance market means that we will not be making any major investments in the coming year, and any other investments we do make will be financed by selling property in Finland. The main focus for our operations is now on leasing operations and active customer service. This is supported by the change in our organization that came into effect at the start of 2009, where we combined our units specializing in office and retail properties and in logistics properties to form a single business unit. Through this change we aim to improve the management of our operations, the flexibility of the organization and the company's cost efficiency. At the same time we revised our strategy, giving up the Baltic Countries as an object for real estate investment and concentrating our property investment operations, in line with our current strategy, on Finland and Russia.

My warm thanks to all Sponda personnel for their flexibility and uncompromising efforts in 2008. The way our personnel adapted to the change in our operations showed that our organization possesses the ability and will even for rapid changes. I would also like to thank our customers and shareholders for their trust and all our stakeholders for successful partnership.

Kari Inkinen

case 02

REAKTOR INNOVATIONS, 790 M² OFFICE PREMISES, MANNERHEIMINTIE 2, HELSINKI

Creative use of space at Reaktor

For Reaktor Innovations, an expert company in the software sector and chosen as best workplace in Europe in 2008, people always come first. The office, in the center of Helsinki, is designed to be a pleasant, well-functioning work environment. The high quality premises also serve as the company's business card.

"The premises are a vital part of our business operations and must display the same high quality as the rest of our operations. The main criteria in designing the premises were quality, comfort, functionality and adaptability," states Reaktor CEO Vesa Lauronen, who was actively involved in the design of the premises.

Reaktor's offices were renovated in line with the company's wishes. Due to the company's growth, extra premises from an upper floor were added later to the original 370 square metre offices.

The premises can be adapted with movable glass doors. A special feature is the garage door that functions as a space divider in the conference room. The finishing touch is given by the 177 square metre sauna area, which is mainly used for recreation purposes by staff and customers.

"Cooperation with Sponda has been very smooth, for as a landlord they are customer-oriented. It was important for us to be able to renovate the office to make it look like Reaktor and suitable for our work."

Strategy

Sponda's goal is to be the first choice of commercial premises customers. This will be achieved through a customer-oriented business approach, active property development, and by expanding property development and investment activities in Russia.

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

Strategy Sponda's strategic goal is to seek growth and profitability through customer-focused operations and active property development and by expanding property development and investment activities in Russia.

In 2008 Sponda achieved its growth target for Russia, raising the share of its real estate investments in Russia to 10–20 per cent of the company's balance sheet.

Due to the prevailing state of the market, Sponda is not making any major investments in 2009. Any investments will be financed by selling some of the property portfolio in Finland.

Sponda revised its strategy at the beginning of 2009 and no longer considers the market in the Baltic Countries as a strategic area for real estate investment. According to its previous strategy, Sponda's goal was to expand its property development and investment activities into the Baltic Countries. Having examined the property market in the region and the opportunities it offered, Sponda has abandoned this goal.

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

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

DUCAT II -OFFICE COMPLEX IN MOSCOW

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

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

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

"Due to the prevailing state of the market, Sponda is not making any major investments in 2009."

Business operations

The strategy of profitable growth was a strong guiding factor in Sponda's business in 2008. A record number of property development projects were completed, real estate fund activities grew in strength, and growth continued in Russia.

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

Sponda's strengths – a customer-centric approach, skilled personnel, and an extensive property portfolio – enable the company to offer customers premises that exactly meet their needs. Sponda's largest customer segments are in the retail trade, service industry, and banking and investment sector.

Growth in line with strategy in 2008

Sponda's total revenue is derived from rental income. The company's total revenue grew by 6.4 per cent in 2008 to EUR 224.3 million, and net operating income by 9.1 per cent to EUR 166.8 million.

Net rental income and the occupancy rates for office and retail properties continued to develop positively. The occupancy rates for logistics properties were depressed by the slow progress in leasing the premises completed at the end of the year in Vuosaari Harbour. At the end of 2008 Sponda had an occupancy rate of 88.5 per cent (2007: 91.2 per cent). Due to the changes in the state of the market towards the end of the year Sponda reinforced its capital adequacy by selling property in Finland. During the year Sponda sold property in Finland for EUR 122.9 million and purchased property for EUR 210.6 million.

In March 2008 Sponda signed agreements for a 5-year EUR 100 million credit facility and a 7-year EUR 50 million credit facility, for financing the company property development investments. In October 2008 Sponda signed an agreement for a EUR 150 million refinancing package. Some of this syndicated loan was used to pay off the EUR 100 million loan that matured in November 2008.

Sponda's property development projects progressed according to plan in 2008, and during the year most of the company's current projects were completed. Office buildings developed by Sponda were built in Ruoholahti and the Kalasatama district in Helsinki. A new retail property was finished in Itäkeskus, Helsinki. The largest of Sponda's property development projects was completed in Vuosaari Harbour, where Sponda built the PortGate logistics complex. In the first phase of the project a 70,000 square metre logistics

2008 BUSINESS STRUCTURE

Business unit and description of unit's business	Main achievements and events in 2008	2008 key figures	Geographical location of properties by fair value
Office and retail properties leases, purchases and sells office and retail premises in Finland.	Thanks to active leasing operations, the occupancy rate improved more than the general market rate	Net operating income MEUR 115.1 Occupancy rate 92.3% Office and retail premises 890,000 m²	42% Helsinki, CBD 24% Helsinki, Ruoholahti 16% elsewhere in Helsinki metropolitan area 6% Tampere 2% Turku 1% Oulu
Logistics properties leases, purchases and sells logistics premises in Finland.	The completion of the PortGate logistics complex in Vuosaari Harbour towards the end of the year significantly increased Sponda's logistics premises offering.	Net operating income MEUR 28.5 Occupancy rate 77.4% Logistics premises 570,000 m²	Properties located mainly in Helsinki metropolitan area.
Russia and the Baltic Countries leases and purchases commercial premises in Russia.	Sponda increased its property holdings in the Moscow region and established its own office in Moscow.	Net operating income MEUR 12.0 Occupancy rate 86.3% Office, retail and logistics premises 53,000 m² Land areas 66 hectares	14% St Petersburg * 86% Moscow * *) by area

area and the 15,000 square metre Gate Centre were completed. During the year Sponda also signed a contract to build the Vuosaari Service Center, serving the companies operating in the harbour. Development investments in 2008 rose to EUR 204.6 million (94.7).

Sponda also continued to expand in Russia. In 2008 Sponda increased its property holdings by purchasing two shopping centres in the Moscow region and the Ducat II office complex in the centre of Moscow. During the year Sponda purchased property in Russia for a total of EUR 187.1 million, and at the end of the year the property portfolio in Russia stood at EUR 258.3 million. Sponda reinforced its presence in the Russian market by establishing its second office in the country, in Moscow.

Sponda increased the number of its real estate funds and their size. During 2008

"Sponda's property development projects progressed according to plan, and during the year most of the company's current projects were completed."

2008 BUSINESS STRUCTURE

BUSINESS UNIT AND DESCRIPTION OF UNIT'S BUSINESS	MAIN ACHIEVEMENTS AND EVENTS IN 2008	2008 KEY FIGURES	GEOGRAPHICAL LOCATION OF PROPERTIES BY FAIR VALUE
Property development carries out and markets property development projects.	Property development operations grew strongly and during the year most of Sponda's property development projects were completed, including the PortGate logistics complex in Vuosaari Harbour.	Investments MEUR 204.6 Balance sheet value of property development portfolio MEUR 184.2	Undeveloped land areas and potential property development sites are located mainly in the Helsinki metropolitan area.
Real estate funds owns and manages holdings in retail, office and logistics properties through real estate funds.	Sponda increased the size of its real estate funds and established a new fund, Sponda Fund II. Sponda Fund I reached its target size.	Total revenue MEUR 13.2 Net operating income MEUR 11.3	Properties are located in medium-sized cities in Finland, including Jyväskylä, Lappeenranta and Hämeenlinna.

a new fund, Sponda Fund II, was established and Sponda Fund I reached its target size.

Changes in strategy and business structure

In 2008 Sponda's operations were organized in five business units, namely Office and Retail Properties, Logistics Properties, Russia and the Baltic Countries, Property Development and Real Estate Funds. Sponda reorganized the business structure at the beginning of 2009 by combining the units that focused on office and retail properties and on logistics properties into a single business unit. The new unit is called Investment Properties. With this change Sponda seeks to improve control of the company's operations, raise cost-efficiency and enhance customer service.

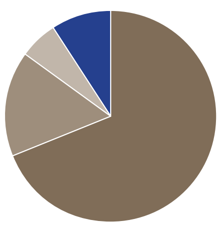
The company's strategy was also revised at the beginning of 2009, when Sponda ceased to consider the Baltic countries as a strategic investment area. According to its current strategy, Sponda's property investment operations concentrate on Finland and Russia. In connection with this change, the name of the company's Russia and Baltic Countries unit was changed and the unit is now called simply Russia.

Sponda's business operations have been divided into four business units as from 1 January 2009. The *Investment Properties* unit is responsible for leasing, purchasing and selling business premises in Finland. The *Russia* unit leases and purchases office, retail and logistics premises in Russia. The *Property Development* unit carries out property development projects and markets them. All management of real estate funds and the ownership of fund holdings take place in the *Real Estate Funds* unit.

Sponda's Customer Service Centre, a national centre that supports the business units, serves customers in all matters relating to the leasing of business premises.

Sponda's 2008 stock exchange and press releases are published on the company's Internet site at www.sponda.fi.

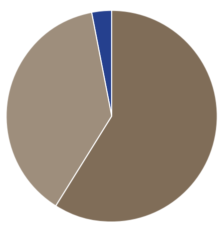
SPONDA'S PROPERTIES BY BUSINESS UNIT 31 DEC 2008



Office and retail properties	69%
Logistics properties	16%
Property Development	6%
Russia and the Baltic Countries	9%

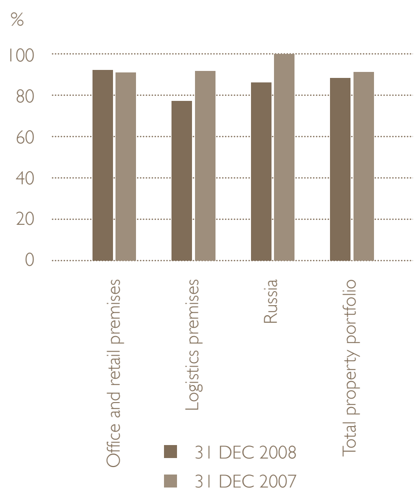
Fair value 2,907.5 Meur

LEASABLE AREA BY PROPERTY TYPE



Office and retail properties	59%
Logistics properties	38%
Russia and the Baltic Countries	3%

ECONOMIC OCCUPANCY RATE



	TOTAL	OFFICE AND RETAIL PROPERTIES	LOGISTICS PROPERTIES	PROPERTY DEVELOPMENT	RUSSIA AND THE BALTIC COUNTRIES
INVESTMENT PROPERTIES OF SPONDA 1.1.–31.12. 2008, MEUR					
Rental income	211.1	155.0	37.9	2.0	16.2
Maintenance expenses	-55.6	-39.9	-9.4	-2.2	-4.1
Net operating income	**155.5**	**115.1**	**28.5**	**-0.1**	**12.0**
Investment properties 1 Jan 2008	2,534.9	1,883.9	327.6	246.2	77.2
Acquisitions 2008	210.6	8.3	18.6	0.0	183.7
Investments, property development	275.0	61.1	5.2	205.2	3.4
Other transfers between segments	13.5	188.6	134.9	-310.0	0.0
Sales 2008	-82.8	-82.2	0.0	-0.6	0.0
Change in fair value	-43.7	-57.4	-23.6	43.4	-6.0
Investment properties 31 Dec 2008	**2,907.5**	**2,002.2**	**462.8**	**184.2**	**258.3**
Change in fair value, %	**-1.7**	**-3.0**	**-7.2**	**17.6**	**0.0**
Annual net operating income/ investment properties 31 Dec 2008*	**6.8**	**6.3**	**8.5**		**10.1**

* Development properties excluded

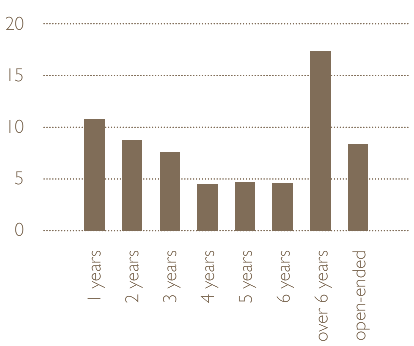
	TOTAL	OFFICE AND RETAIL PROPERTIES	LOGISTICS PROPERTIES	PROPERTY DEVELOPMENT	RUSSIA AND THE BALTIC COUNTRIES
Maintenance and contractual investments	26.6	22.1	4.1	0.1	0.3
Property development	248.4	39.1	1.1	205.1	3.1
Acquisitions	210.6	8.3	18.6	0.0	183.7
Sales	-82.8	-82.2	0.0	-0.6	0.0
Investments	**402.8**	**-12.7**	**23.8**	**204.6**	**187.1**

YIELD REQUIREMENTS USED IN VALUATION OF PROPERTIES 31 DEC 2008, %

	HELSINKI CBD	HELSINKI/ VANTAA	ESPOO	OTHER FINLAND	RUSSIA
Office and retail properties	5.2–7.2	5.5–8.5	6.85–8.25	6.5–10.0	9.5–10.25*
Logistics properties		6.5–8.7	7.9–8.5	8.0–8.8	

Weighted average yield requirement for the total portfolio 6.7%.
*Includes office and retail properties and logistics properties.

EXPIRY OF LEASE AGREEMENTS, SPONDA



SENSITIVITY ANALYSIS

FACTOR	CHANGE	CASH FLOW IMPACT, MEUR
Rental level, %	+/-1%	2.1
Rental level, €/m²/month	+/-1 €/m²/month	15.5
Economic occupancy rate	+/-1%-unit	2.5
Operating expenses	+/-1%	0.6
Property tax	+/-1%	0,1

All the above factors also affect the fair values of the investment properties.
The impact of changes in fair value of properties is not included in the result.
Sensitivity analysis of the interest levels is available on the page 55.

Business environment

The global recession hampered investment projects in the property investment sector in Finland and Russia towards the end of 2008. Demand for commercial and logistics premises remained stable throughout the year.

The pace of economic growth in Finland slowed down considerably in 2008 from 2007. This was largely due to the economic downturn caused by the global crisis in the financial markets. This weakened the outlook for many business sectors especially in the second half of the year. According to Statistics Finland, the volume of Finland's gross national product rose 0.9 per cent in 2008. Average inflation in 2008 was 4.1 per cent.

The owning and leasing of office, retail and logistics properties is a sector that follows behind the business cycle, so the effects of the global recession were not particularly visible during 2008. Rent levels continued to develop favourably. Higher inflation in the review year meant that index-based increases in rents had raised rental income by the end of 2008. Occupancy rates also improved encouragingly.

Towards the end of 2008, however, the impact of the global financial crisis started to be felt in investment projects in the real estate sector. It became more difficult to make new investments, because financing was not available. The number of real estate transactions also declined significantly after summer 2008. The total volume of real estate transactions in Finland was EUR 3.7 billion in 2008, which is EUR 2.3 million less than in 2007. Business slowed down considerably in the second half of the year. The financial crisis is also making the market in Russia more challenging.

International investors accounted for 46 per cent of the volume of Finland's property market in 2008, or 29 per cent less than in 2007. Finland's property market has attracted international investors, since they obtain a fairly high yield by international standards from properties in Finland.

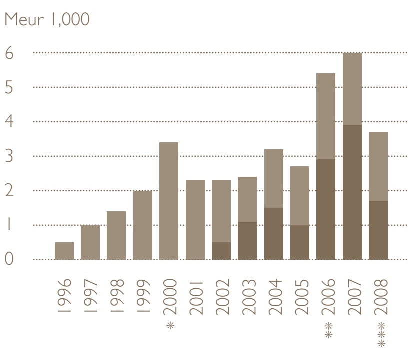
Judging from the economic indicators, 2009 can be expected to be a challenging year for the real estate sector. The cost cutting measures being carried out during 2009 at customer companies will reduce demand for premises in Finland and Russia, which will have a direct impact on vacancy rates. If inflation also remains low, rents will not rise during 2009. The safest investments, and those least susceptible to economic fluctuations, are still quality office and retail premises located in the central business districts of cities.

Demand for office premises grew moderately

Demand for office premises grew slightly during 2008, which was reflected in a moderate improvement in occupancy rates. Vacancy rates for offices in the Helsinki Central Business District (CBD) fell during the review year to 3.7 per cent. The vacancy rate in the whole Helsinki metropolitan area was 9.3 per cent, in Turku 8.4 per cent, Tampere 6.0 per cent and Oulu 4.6 per cent.

Even though office construction continued at an active pace in the Helsinki metropolitan area in 2008, rent levels rose, especially in the Helsinki CBD, where the rent for higher quality offices was EUR 348 per square metre a year. According to Catella Property Group the rental levels of prime office premises in the Helsinki Central Business District in the first half of 2009 will remain at the same level as at the end of 2008. The average rent for the entire Helsinki metropolitan area in 2008 was EUR 204 per square metre a year, and in Turku it was EUR 132, in Tampere EUR 160 and in Oulu EUR 156 per square metre a year.

TRANSACTIONS IN FINLAND

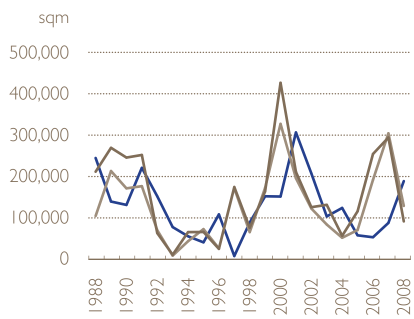


International
Local

* Aleksia sale approx. 1,100 Meur
** Sponda – Kapiteeli deal 1,300 Meur
*** Capman's hotel portfolio deal, 800 Meur

Source: Catella Property Group

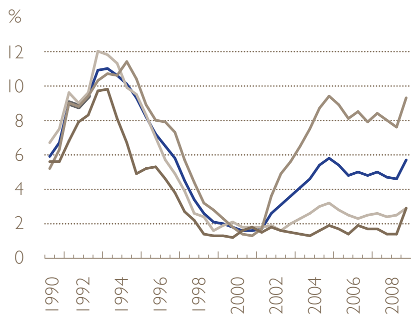
OFFICE CONSTRUCTION ACTIVITY IN HELSINKI METROPOLITAN AREA



Permits
Starts
Completions

Source: KTI and Statistics Finland

VACANCY RATES IN HELSINKI METROPOLITAN AREA



Retail premises
Office premises
Warehouse and industrial premises
All premises together

Source: Catella Property Group

It is estimated that some 75,000 square metres of new office space will be completed in the Helsinki metropolitan area in 2009. As a result the occupancy rate for office premises is expected to decline slightly. However, the occupancy rate in the Helsinki CBD is likely to remain at its present level.

Rental income rising from prime retail premises

The occupancy rate for retail premises has remained extremely high. In the Helsinki metropolitan area, for example, the occupancy rate for retail premises was 2.9 per cent last year. New premises are also expected to find users and customers in 2009.

Strong demand fuelled a consistent rise in rents in 2008, especially for prime retail premises. The rent level for prime retail premises in the Helsinki Central Business District was approximately EUR 1,080 per square metre a year. During the review year rent levels for prime retail premises ranged in Turku between EUR 480 and EUR 840 per square metre a year, while in Tampere the comparable figures were EUR 600–1,000 and in Oulu EUR 540–1,000.

Demand stable for logistics properties

Demand for logistics properties remained very stable in 2008 and rent levels rose slightly. This was due mainly to the commissioning of modern property. The rent level for logistics premises in the Helsinki metropolitan area was on average EUR 90 per square metre a year in the review year.

The occupancy rate for logistics premises has remained high. At the end of 2008 the vacancy rate for logistics properties in the Helsinki metropolitan area was 2.9 per cent. The occupancy rate is expected to decline somewhat during 2009. The modern warehouse and logistics centres completed last year in the Helsinki metropolitan area are expected to attract customers especially from old premises that are in poorer condition.

Financial crisis moulds Russian market

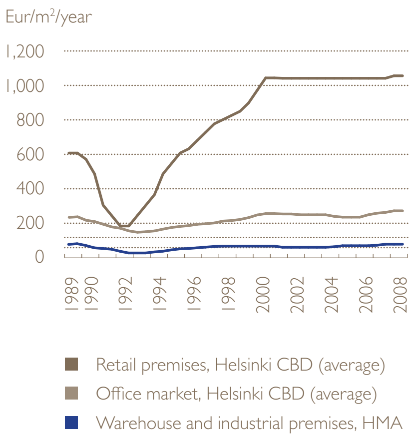
Russia is a young market for the real estate investment sector and has very few assets for investment considering the size of the country and its economy. Several international real estate investment companies operate in the Moscow and St Petersburg markets.

The global financial crisis has altered the Russian property market, however. Development projects have been suspended because of financing difficulties, and sales have also slowed down for completed property. Many properties are up for sale.

In the first half of 2008 demand was greater than supply in the Moscow and St Petersburg leasing markets. After the summer, demand focused on smaller, high quality premises, and leasing market activity is expected to be quieter in 2009 than in the previous year. Vacancy rates for high quality offices were low in the Moscow and St Petersburg regions. Rent levels for prime office premises rose in Russia last year, but it is expected that there will be pressure to bring down the rents for office and retail premises in 2009.

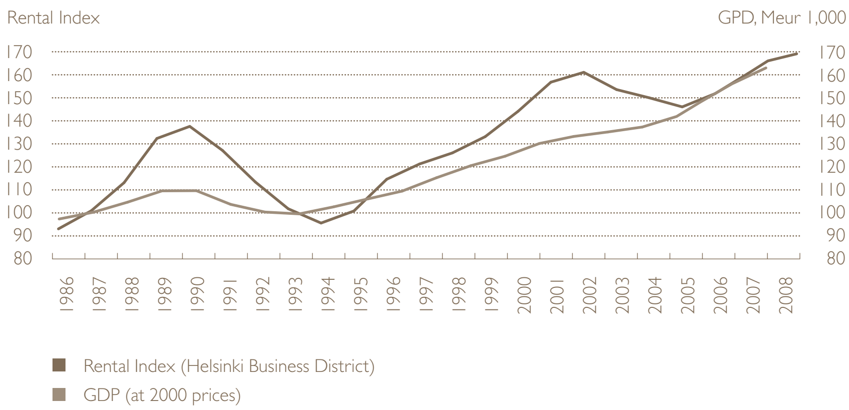
Source: Statistics Finland, Catella Property Group, KTI Finland (Institute for Real Estate Economics): Market Review, January 2009

RENTAL LEVELS IN THE HELSINKI METROPOLITAN AREA



Source: Catella Property Group

RENTAL INDEX AND GDP IN FINLAND



Source: KTI and Statistics Finland

Spacious premises and effective solutions

The most important features of the business premises of forwarding agents are the size of the premises and their location. Expanding logistics company Russian Cargo Service leased a new, larger terminal in the Honkatalo logistics and office complex, located in Hakkila, Vantaa in the summer of 2008.

Honkatalo has excellent transport connections with all parts of Finland, which is important for Russian Cargo Service, a forwarding agent specializing in transport to Russia.

"After our old terminal had become too small, we found new premises quickly and close by. In our new 1900 square metre terminal we have warehousing, five loading bays and a load processing area, where the incoming and outgoing goods inspections are carried out. The spacious yard and ramp ensure that truck traffic flows smoothly," states Russian Cargo Service terminal manager Taavi Kuusk.

Typical features of Russian Cargo Service's operations are a rapid flow of goods and small batches, so the premises have to permit efficient operations in all stages of the work. Kuusk says that the terminal meets the company's needs very well.

case 03

SERVICE, 2,360 M² WAREHOUSE, TERMINAL AND OFFICE PREMISES, ITÄINEN VALKOISENLÄHTEENTIE 18, VANTAA

Office and Retail Properties

Sponda's Office and Retail Properties unit leases office and retail premises and also buys and sells properties, in accordance with the company's strategy. As from the beginning of 2009, Office and Retail Properties and Logistics Properties together form Sponda's largest business unit, called Investment Properties.

Office and retail properties form the main part of Sponda's property portfolio. The properties are located in the largest cities in Finland: in Helsinki Metropolitan Area, Turku, Tampere and Oulu. Sponda is one of the most important providers of office premises in the Helsinki metropolitan area and the Tampere region.

Most of the unit's properties, 42 per cent, are located in the Helsinki's central business district, in the most popular business locations in the Helsinki metropolitan area. In Ruoholahti, which after the central business district is one of the most highly regarded locations, Sponda is the biggest provider of business premises. Sponda owns approximately 170,000 square metres of office and retail premises in Ruoholahti.

The business unit was reorganized at the beginning of 2008, when the leasing operations for shopping centre properties were brought together in the Shopping Centres unit, part of Office and Retail Properties. The purpose of this reorganization was to strengthen the company's market position, and to concentrate the specialist knowhow of the needs of shopping centre tenants in the same unit.

Sponda's primary goal is to offer its customers innovative, individual business premise solutions that promote their business. Professional, experienced personnel have a thorough knowledge of the company's business premise offering and of customer needs.

Business premise solutions take into account the way that companies carry out their work and the tools they use, and Sponda also offers property services that support the customer's business. Effective planning of business premises can raise efficiency in the work environment and increase job satisfaction among the company's personnel.

Sponda seeks to identify changes in the space requirements of customers as early as possible, and to provide the most suitable premises from the company's extensive business property portfolio for the changed needs of the customer. It may al-

"Office and retail properties unit met its targets in 2008 for occupancy rate, total revenue and net operating income."

OFFICES OF MEDIA AGENCY HAPPI IN HELSINKI so be possible to meet the new space requirements by developing the customer's current premises.

Positive developments in occupancy rate

At the end of 2008 Sponda owned 146 office and retail properties, which had an area of 890,000 square metres and a fair value of EUR 2 billion.

The occupancy rate of office and retail properties has developed positively since 2006. The unit met its targets in 2008 for occupancy rate, total revenue and net operating income. The occupancy rate of the properties rose 1.3 percentage units, standing at 92.3 per cent at the end of the year. The unit had 1,001 tenant customers and 2,075 leasing agreements. The biggest customers of Office and Retail Properties were the Finnish State, Sampo Bank Plc, Kesko Group and Nordea Bank Finland Plc.

Three of Sponda's office and retail premise projects were completed in Helsinki in 2008. All three properties are fully leased.

The main tenants in the 13,500 square metre office building completed in Porkkalankatu in Ruoholahti are Altia Corporation and Diacor Terveyspalvelut Oy, which operates a medical centre and hospital on the property. To the new 9,200 square metre office building in Lautatarhankatu in Helsinki's Kalasatama moved Suomen Lähikauppa Oy and TrygVesta Forsikring A/S, which operates in Finland under the name Nordea General Insurance. The largest of the new buildings completed is the 21,500 square metre retail premises located in Itäkeskus, which has been fully leased to HOK-Elanto. The Itäkeskus Prisma store will open in the premises in March.

The premises being vacated by Altia in the Salmisaarentalo building in Helsinki are being renovated for use by the Helsinki Court of Appeal, which will move into its new premises in spring 2010. Modern premises were built for the Helsinki District Court in the Salmisaarentalo's old industrial property already in 2004.

Construction of the office and shopping centre in the City-Center complex progressed according to plan. Several design and clothing stores are located in the new retail premises. The shopping centre will also house a wide range of restaurant services and furnishing stores. The development project is being carried out in phases and the whole project will be completed in 2012.

The next major construction phase in the City-Center project is estimated to get underway towards the end of 2009, with the construction in the inner court of the office building for Evli Bank Plc.

New office property in Turku Science Park

During 2008 Sponda purchased the 4,000 square metre High Tech Centre I office property in the rapidly developing Turku Science Park, which is designed primarily for high tech companies.

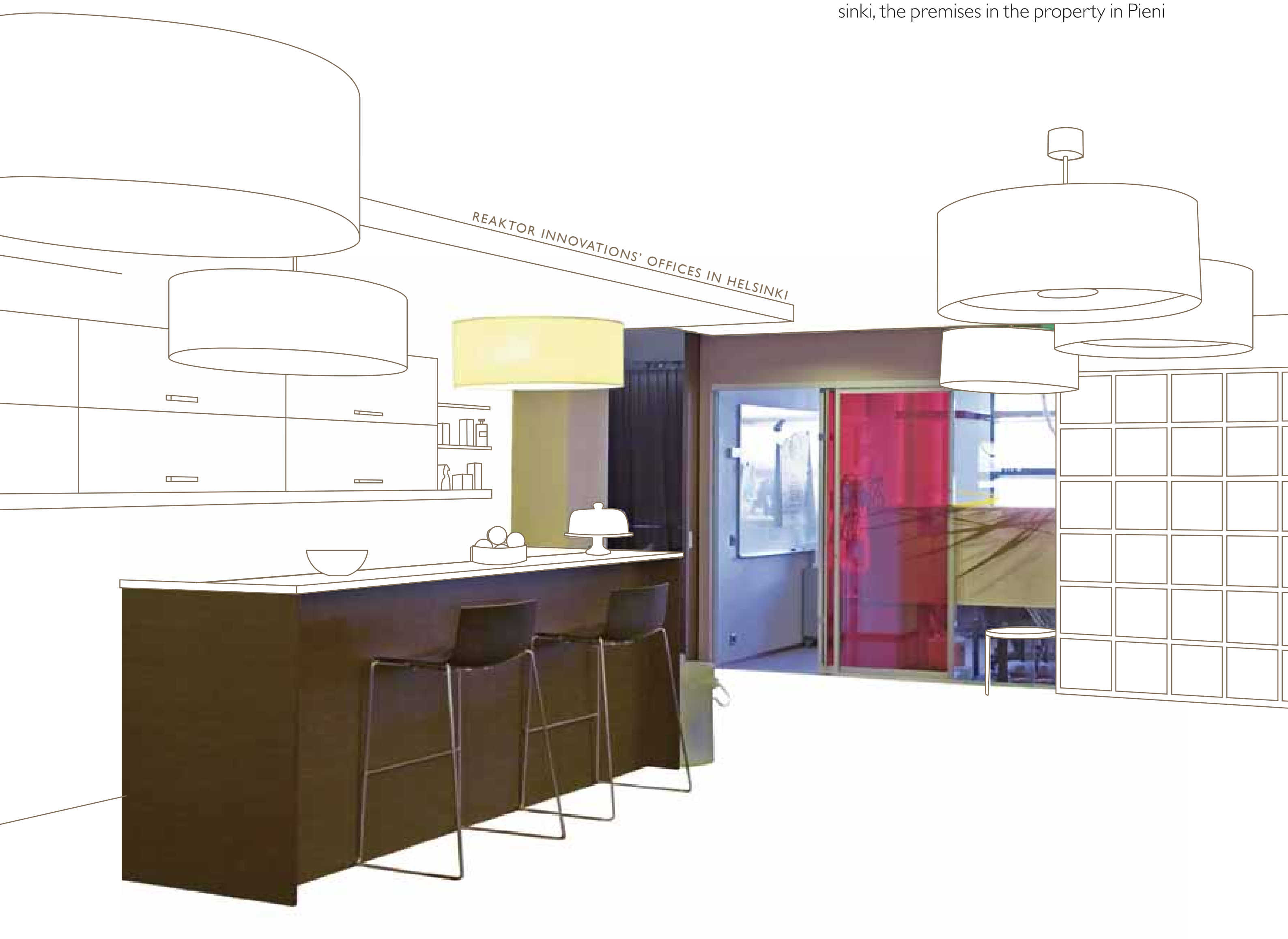
The unit's biggest investment project currently in progress is the Elo shopping centre, which will open in spring 2009 in Ylöjärvi, near Tampere. The shopping centre will contain altogether 24,500 square metres of leasable retail premises. The main tenant will be the K-Citymarket store and there will also be numerous clothing stores and cafeteria and restaurant services.

Sponda sold office and retail properties for a total of EUR 104.8 million during the year.

Major investments in maintenance

A total of EUR 22.1 million was invested in maintaining office and retail properties. Sponda modernizes properties and carries out systematic maintenance of properties so that it can offer its customers high quality, modern business premises.

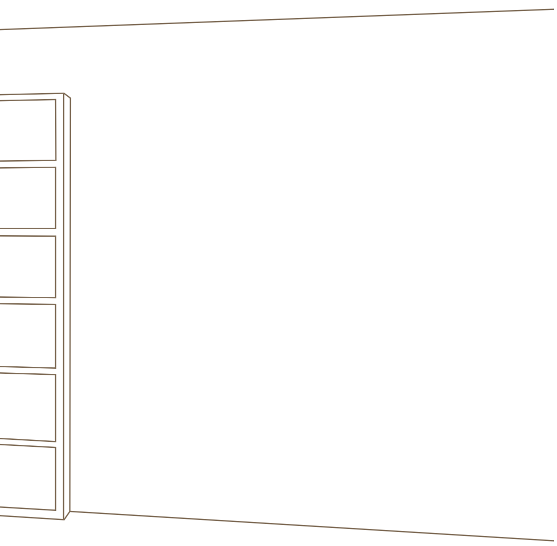
Major property refurbishments were carried out in Tampere and Helsinki. In Tampere, some of the retail premises in the Ratinanlinna office and retail property were converted for office use. In Helsinki, the premises in the property in Pieni



Roobertinkatu street were renovated before the Cancer Society of Finland moved into its new offices in April 2008.

In Helsinki, Sponda renovated the listed facades of two properties built at the start of the 1900s. Repairs to the facades and windows were carried out at the historical property in Korkeavuorenkatu street that serves as Sponda's head office and the property in Ehrensvärdintie road that is used by the Elias school.

The reorganization carried out at the beginning of 2009 will help the introduction of standard business models. Standard, high quality business models will enable Sponda to respond even more effectively to the challenges of customer service and leasing operations.



PROFIT FROM LEASING OPERATIONS, OFFICE AND RETAIL, MEUR

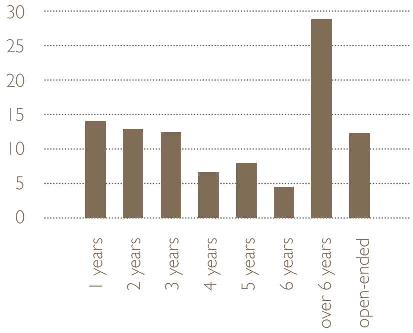
	2008	2007	2006	2005	2004
Rental income	155.0	154.4	84.7	73.4	74.2
Operating expenses	-39.9	-40.6	-21.6	-18.9	-18.9
Net operating income	115.1	113.8	63.1	54.5	55.3
Fair value of properties	2,002.2	1,883.9	2,073.0	966.4	988.5
Yield %	6.3	5.9	5.8	5.6	5.6

20 LARGEST OFFICE AND RETAIL PROPERTIES

PROPERTY		LOCATION	AREA M², TOTAL
Helsingin Salmisaarentalo Koy	Porkkalankatu 13	Helsinki	48,764
Kaupintie 3 Koy	Kaupintie 3	Helsinki	44,103
Helsingin Itämerenkatu 21 Koy	Itämerenkatu 21	Helsinki	32,458
Helsingin Kaivokatu 8 Koy/K127	Kaivokatu 8	Helsinki	30,392
Kilon Ritari	Kutojantie 2	Espoo	27,869
Arkadiankatu 4–6 Koy	Arkadiankatu 6	Helsinki	25,369
Unioninkatu 20–22 Koy	Unioninkatu 20-22	Helsinki	24,931
Helsingin Vanhanlinnantie 3 Koy	Vanhanlinnantie 3	Helsinki	20,050
Upseerinkatu 1 Koy	Upseerinkatu 1-3	Espoo	19,809
Kasarmikatu 36 Koy	Kasarmikatu 36	Helsinki	17,008
Kumpulantie 11 Koy	Kumpulantie 11	Helsinki	16,272
Länsi-Keskus Koy	Pihatörmä 1	Espoo	15,835
Ratapihantie 11 Koy	Ratapihantie 11	Helsinki	15,553
Tampereen Naulakatu 3 Koy	Naulakatu 3	Tampere	14,408
Joensuun Kehityskeskus Koy	Jukolankatu 18	Joensuu	13,933
Helsingin Porkkalankatu 20 Koy	Porkkalankatu 20 A	Helsinki	12,897
Ruoholahden Tähti	Porkkalankatu 22	Helsinki	12,844
Helsingin Valimotie 25 A Koy	Valimotie 25	Helsinki	11,743
Ruoholahden Itämerentalo Koy	Tammasaarenlaituri 3	Helsinki	11,401
Näsilinnankatu 39–43 Koy	Näsilinnankatu 41	Tampere	11,379

EXPIRY OF LEASE AGREEMENTS,
OFFICE AND RETAIL PROPERTIES

% of rental income



Logistics Properties

Sponda's leasing, purchasing and selling of logistics properties takes place in the Logistics Properties unit, which as from the beginning of 2009 is part of Sponda's new Investment Properties business unit.

Sponda is the biggest supplier of logistics premises in the Helsinki metropolitan area. The company's property portfolio contains adaptable business premises with excellent transport connections for the needs of different sized companies. Logistics premises can be tailored to customer needs, for example by building cold storage and freezer warehousing. Sponda's largest logistics properties are located in Vuosaari and Konala in Helsinki and in Hakkila in Vantaa.

The premises provided by Sponda for its customers take into account the special requirements of the logistics sector and the individual needs of customer companies. The business premise solutions promote the business operations of customers. The expertise of Sponda's customer account managers that specialize in logistics properties is based on in-depth local knowledge and extensive experience of the logistics sector and the property business.

The Logistics Properties unit achieved its targets for total revenue and net operating income. During the year the unit acquired two fully leased manufacturing properties in Helsinki, in the Malmi airport area. The manufacturing properties have a combined area of 12,000 square metres.

At the end of 2008 Sponda owned 56 logistics properties, which had a total area of 570,000 square metres and a fair value of EUR 462.8 million. The occupancy rate of the logistics properties stood at 77.4 per cent at the end of the year. The occupancy rate was depressed by the slow progress in leasing the premises completed at the end of the year in Vuosaari harbour. The unit had 327 tenant customers and 428 leasing agreements at the end of 2008. The biggest customers of Logistics Properties were Fujitsu Services Oy, Containersteve Oy and Nordea Bank Finland Plc.

Vuosaari Harbour was most important project

The most significant event in 2008 was the completion of the premises in the PortGate logistics complex in Vuosaari Harbour. The 130,000 square metres of premises in the logistics area are being built in two phases. November 2008 saw the completion on schedule of the 70,000 square metre first phase of the logistics premises and the 15,000 square metre Gate Centre. The Gate Centre comprises a 13-storey office building – a landmark for the harbour – parking facilities and a passenger terminal.

Sponda is committed to the long-term development and leasing of the PortGate logistics complex. Particular attention was paid to flexibility when designing the premises. The buildings in the logistics area are based on 5,500 square metre units, which can be combined or divided and fitted out in different ways to create a variety of different sized premises. The logistics premises in the area are also suitable for small and medium-sized companies, for premises can be leased in units as small as 900 square metres.

Having logistics premises in the harbour gives companies savings in costs and in time, since loads arriving in the harbour no longer need to be transported to more remotely located buffer warehouses. Containers can be transported by harbour vehicles to the terminal straight from the ship, which simplifies and speeds up the processing of goods. Further benefits

PORTGATE LOGISTICS PREMISES IN VUOSAARI HARBOUR, HELSINKI

come from the cooperation between the companies operating in the harbour area and from the wide range of services available in the area.

Another new building was for the Honkatalo logistics centre in the Akseli business park in Vantaa. The 5,000 square metre extension completed in May 2008 is fully leased. At the end of 2008 Sponda owned altogether 67,500 square metres of logistics premises in the business park. Located close to the Helsinki-Vantaa airport, the outer ringroad Kehä III and the Lahti motorway, Honkatalo offers logistics companies excellent facilities, which are further supported by a wide range of services in the business park, such as customs and forwarding services.

The 18,000 square metre property vacated by Alko in Heidehof in Vantaa was converted for use by several companies. Repairs and alterations were also carried out at several of Sponda's logistics properties.

In addition to normal property maintenance, Sponda also aims to modernize and make its properties more practical. When refurbishing properties, Sponda pays particular attention to their energy efficiency.

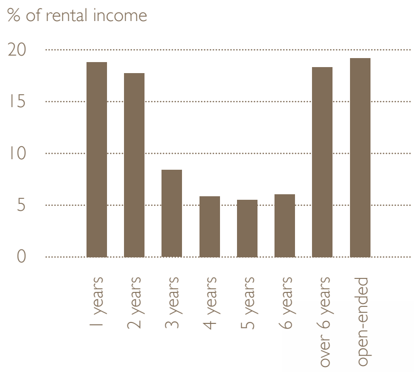
PROFIT FROM LEASING OPERATIONS, LOGISTICS PROPERTIES, MEUR

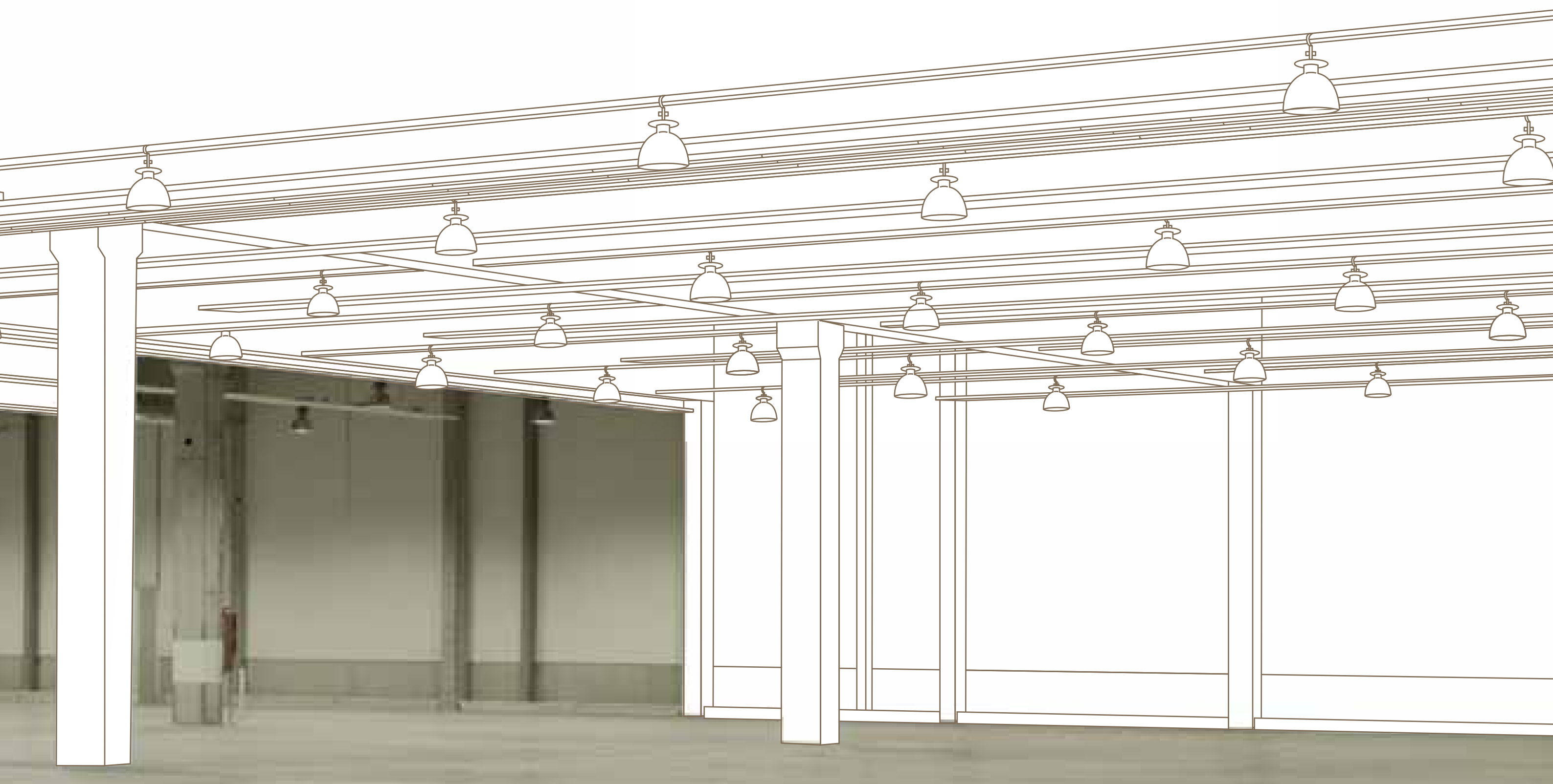
	2008	2007	2006	2005	2004
Rental income	37.9	32.0	28.7	29.6	25.0
Operating expenses	-9.4	-7.8	-6.5	-6.6	-5.8
Net operating income	28.5	24.2	22.2	23.0	19.2
Fair value of properties	462.8	327.6	245.6	252.3	233.0
Yield %	8.5	8.4	8.9	9.1	8.2

5 LARGEST LOGISTICS PROPERTIES

PROPERTY	LOCATION		AREA M², TOTAL
Vuosaaren Logistiikkakeskus Koy	Seilorinkatu 1	Helsinki	64,501
Messukylän Castrulli Koy	Etu-Hankkionkatu 1	Tampere	43,167
Ruosilantie 16 Koy	Ruosilantie 16	Helsinki	40,727
Vantaan Vanha Porvoontie 231 Koy	Vanha Porvoontie 231	Vantaa	35,946
Vantaan Honkatalo Koy	Vanha Porvoontie 229	Vantaa	35,165

EXPIRY OF LEASE AGREEMENTS, LOGISTICS PROPERTIES





Property Development

Sponda seeks growth and profitability through active property development. Projects consist primarily of undeveloped sites and buildings needing renovation owned by Sponda in the Helsinki metropolitan area.

Through its property development activities Sponda aims to expand its business premise portfolio by utilizing the company's undeveloped sites and building rights and by renovating existing properties. Sponda also actively searches the market for potential property development sites.

Property renovation extends the life of buildings, and makes it possible to convert buildings for different usage in line with customer space requirements.

Property flexibility is a key factor when designing business premises. Sponda aims to anticipate the changes in usage requirements for new premises during the planning stage and to build multipurpose properties with a long life. Before starting up property development projects, at least 50 per cent of the premises in a new building must be leased and the authorities must have issued the necessary planning and building permits.

Carrying out property development projects requires a wide range of skills and knowhow. Sponda is an expert property developer and reliable builder and has also been successful in winning projects put out to competitive tender.

Sponda's strengths in its property development operations include the ability to create innovative business premise solutions that take into account the needs of the tendering party and clients and address cityscape aspects. This knowhow is based on long-term experience in the property sector.

To retain its competitive edge in the property development market and to ensure the high quality of all its operations, Sponda is continuously developing its processes.

Sponda's property development operations expanded strongly in 2008, and by the end of the year all the development projects in progress had been completed, apart from the City-Center complex. The value of Sponda's property development portfolio stood at EUR 184.2 million at the end of 2008. Land areas accounted for EUR 81.9 million of this and the remaining EUR 102.3 million was tied up in property development projects in progress. Capital expenditure rose from EUR 94.7 million in 2007 to EUR 204.6 million in 2008.

GATE CENTRE IN VUOSAARI HARBOUR, HELSINKI

Major projects at Vuosaari Harbour completed on schedule

The biggest of Sponda's property development projects completed during 2008 is the PortGate logistics centre in Vuosaari Harbour, the first phase comprising the 15,000 square metre Gate Centre and the logistics area which will have a total area of 70,000 square metres. The projects, which started up in spring 2007, progressed according to plan and were completed on schedule, in time for the opening of the harbour, which took place in November 2008. Construction of the second section of the logistics area depends on demand but it will be built by the end of 2014. PortGate is the largest property development project in Sponda's history.

In spring 2008 Sponda also signed a contract to build the Vuosaari Service Center, which will serve companies operating in the harbour. The Center comprises a building with offices and staff facilities and a service and repair workshop building. Construction began in April 2008, and some of the buildings were completed in November 2008. The Vuosaari Service Center will be completely ready by the end of February 2009.

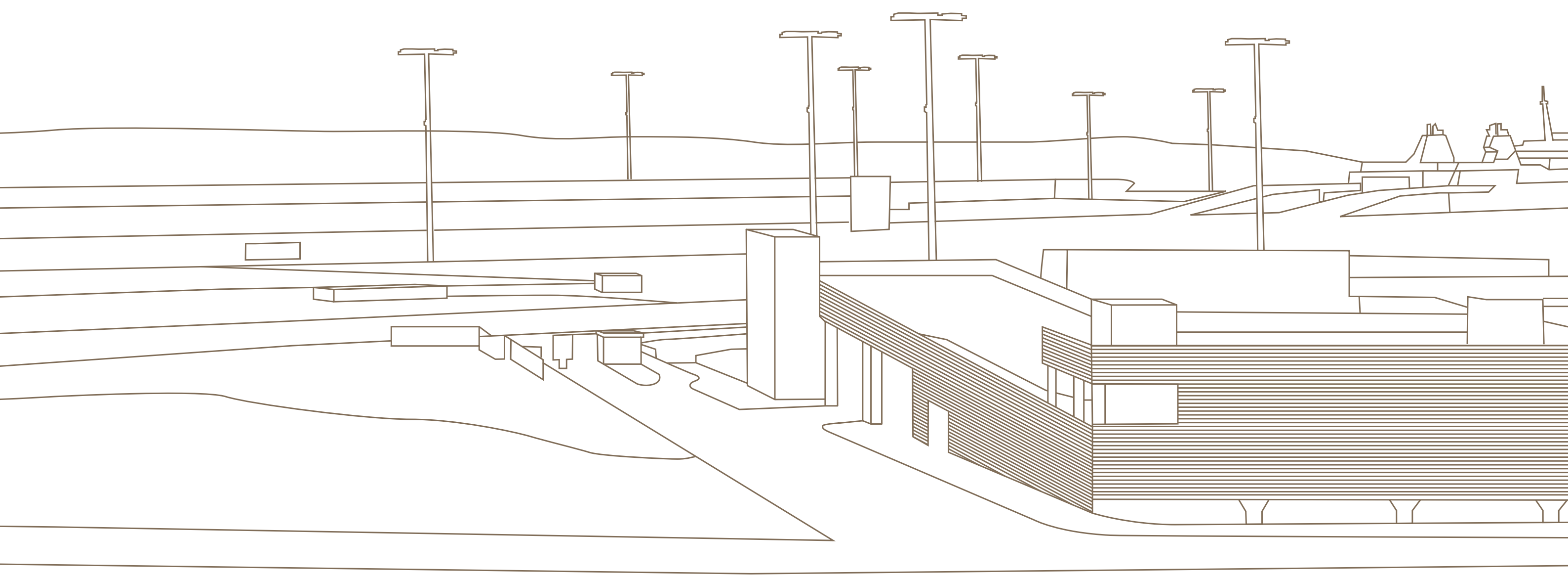
City-Center a major new build project

Another major property development project is the City-Center complex located in the heart of Helsinki, where Sponda is developing a new-style office and shopping centre. Construction of the complex began in 2006 and the project should be completed in 2012. City-Center is functioning throughout the building project, which sets special challenges for construction. Despite the exceptional conditions, progress has been according to plan.

Work on the City-Center section on the corner of Kaivokatu street and Keskuskatu street was completed in spring 2008, with the old offices being replaced by a dozen or so new store units. The next major above-ground construction stage at the City-Center is estimated to get underway towards the end of 2009, with the building of a new office building in the inner court of the complex and converting the parking deck into retail premises.

The next construction phase will also include the creation of the light shaft in the complex, which will allow daylight into the lowest level of the building, down to the tunnel level. Construction of the

"The biggest project completed during 2008 is the PortGate logistics centre in Vuosaari Harbour."



underground service facilities will continue at the same time.

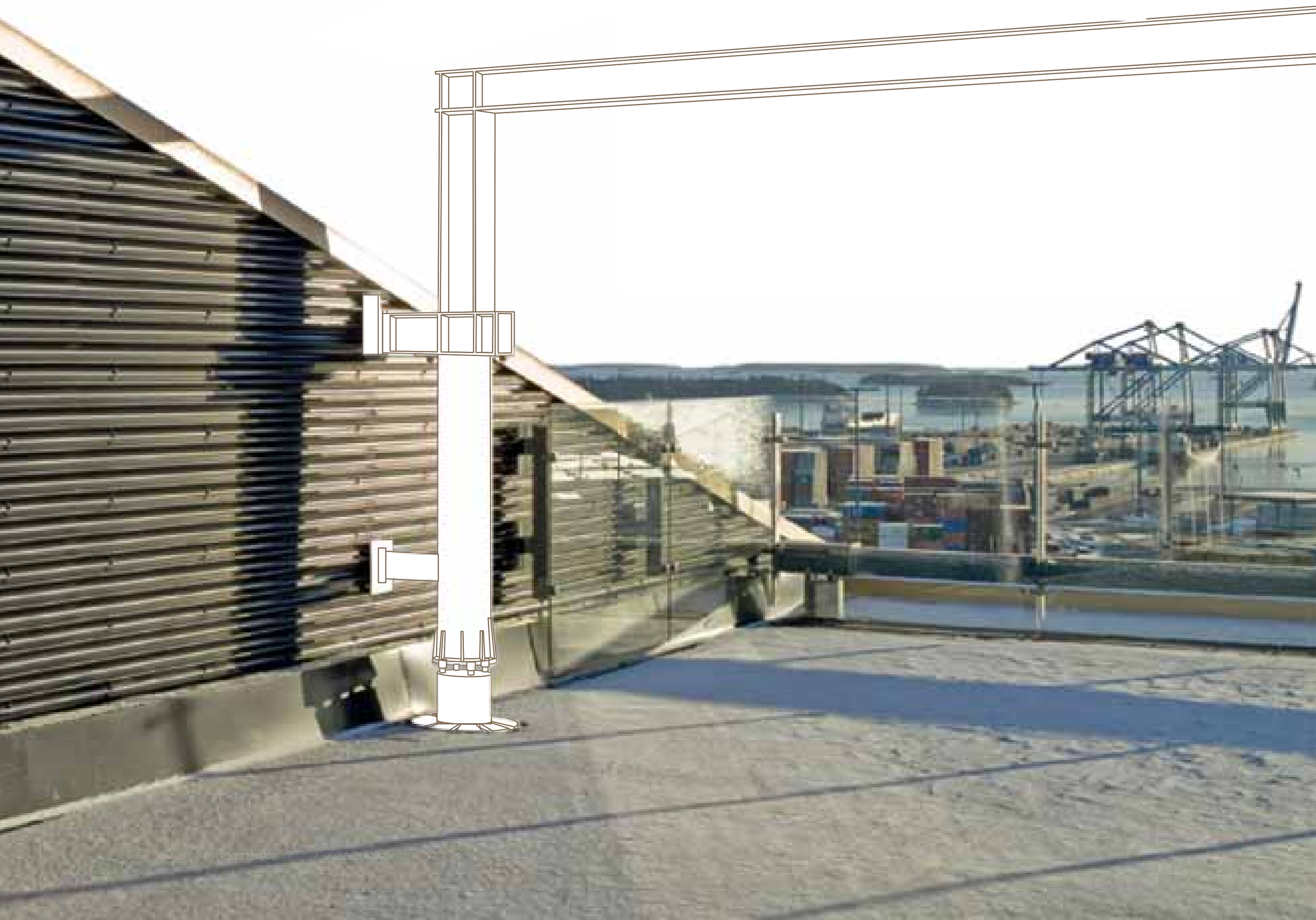
Flexibility and energy savings in new projects

In addition to its major projects, Sponda is also carrying out several other property development projects in the Helsinki metropolitan area.

Sponda built a 13,500 square metre office building in Ruoholahti and a 9,200 square metre office building in Kalasatama (fish harbour), both in Helsinki. The fully leased buildings were completed on schedule by the end of 2008.

The flexible premises in the Ruoholahti office building are being adapted for hospital use, as Diacor Terveyspalvelut Oy opened a medical centre and day hospital in the building. Sponda worked closely with Suomen Lähikauppa Oy in developing the property in Kalasatama. Particular attention was paid to the acoustics in the premises and to noise reduction.

The end of 2008 also saw the completion of the 21,500 square metre Prisma store built by Sponda in Itäkeskus, Helsinki. The property also has heated parking for 665 cars. Construction at Itäkeskus started in May 2007. Building systems have been used to raise the energy efficiency of the property. The high pressure fans used to heat the parking premises give additional energy savings.



The 5,000 square metre new section of the logistics centre in the Honkatalo area in Akseli, Vantaa was completed in May 2008.

Several projects in planning stage

Sponda has plans for several property development projects in the Helsinki metropolitan area and in Tampere, Turku and Vaasa.

A new service station is planned in Turku for Turku Cooperative Retail Society. Construction of the ABC service station and S-market store should begin in spring 2009, and the estimated completion date is in spring 2010.

It is planned to build the Forum Virium Center, a landmark for developing digital services and growth-oriented business, in Länsi-Pasila, Helsinki. The Forum Virium Center will provide a unique meeting place and opportunities for networking for digital sector companies. Leasing negotiations for the property are in progress and one requirement for starting up the project is that 50 per cent of the premises are leased.

Planning of the Ratina shopping centre in Tampere and the Vaasa shopping centre continued in 2008. The start-up agreement relating to planning for the Vaasa project was signed in November 2008 and the application for building permission for the Ratina centre is being processed.

In Vantaa Sponda is planning to build a Business Village in the Aviapolis area, and if this goes ahead it will offer companies office, meeting and congress premises.

Product development enhances operations

According to 2008 economic forecasts, building costs are coming down. This creates opportunities to improve the profitability of property development projects. Product development also offers new ways to enhance business models, which help Sponda to offer its customers highly developed, individual solutions.

Sponda's shopping centre projects that are planned and in progress will be a main feature of Sponda's property development operations in 2009.

"Property flexibility is a key factor for Sponda when designing business premises."

THE BIGGEST PROPERTY DEVELOPMENT PROJECTS COMPLETED IN 2009

PROPERTY DEVELOPMENT PROJECT	OCCUPANCY RATE	LEASABLE AREA
Prisma retail property, Itäkeskus, Helsinki	100%	21,500 m²
Office property, Porkkalankatu, Helsinki	100%	13,500 m²
Office property, Lautatarhankatu, Helsinki	100%	9,200 m²
PortGate logistics centre, 1st phase, Vuosaari Harbour, Helsinki	n. 40%	Logistics premises 70,000 m²
		Office premises 15,000 m²
		Vuosaari Service Center* 4,300 m²

*Vuosaari Service Center will be completely ready by the end of February 2009.

Real Estate Funds

Through its real estate funds, Sponda invests in office, retail and logistics properties located in medium-sized towns in Finland, outside the company's core geographical operating area.

Sponda's Real Estate Funds unit aims to create additional profitability for the company by developing new fund products and expanding its existing funds.

Sponda's real estate funds for international and Finnish institutional investors provide an easy way to invest in real estate. The indirect form of investment releases the resources of investors, for Sponda manages its funds.

Sponda manages four real estate funds

Sponda's strength in real estate fund activities lies primarily in its skilled personnel, who have a good knowledge of local real estate markets and of the needs of tenants. In-depth knowhow in managing property portfolios is supported by Sponda's advanced processes and systems, which make it possible to manage large property portfolios efficiently.

Sponda has a minority holding in three funds: Sponda Fund I, Sponda Fund II and First Top LuxCo.

Sponda Fund I invests in logistics properties outside the Helsinki metropolitan area. At the end of 2008 the properties owned by the fund had a value of EUR 199 million. Sponda owns 46 per cent of Sponda Fund I.

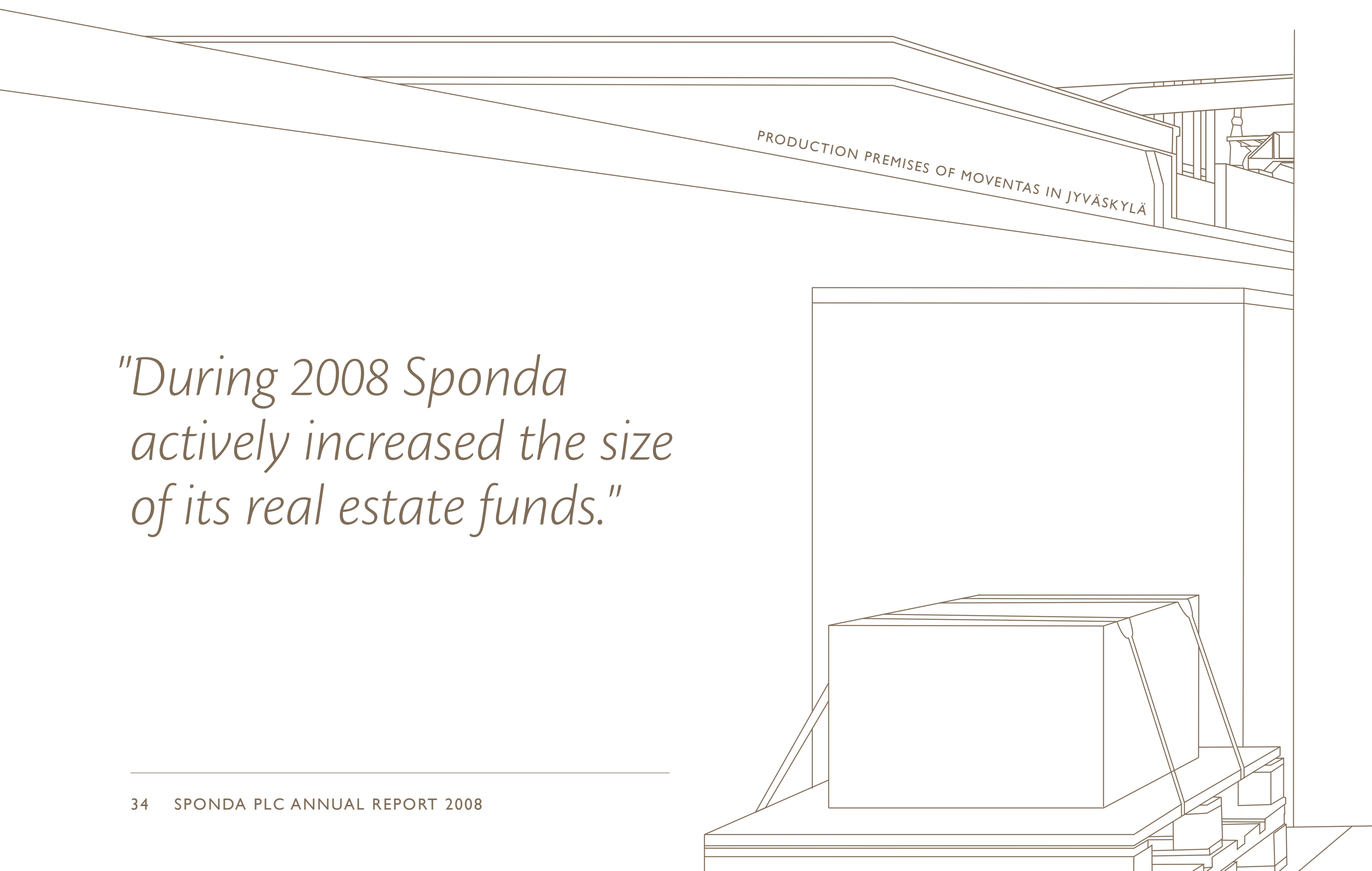
Sponda Fund II mainly invests in logistics, warehouse and industrial properties in medium-sized towns in Finland. The fund has a target size of EUR 200 million, and at the end of 2008 the value of the property investments made by the fund stood at EUR 82 million. Sponda has a 44 per cent holding in the fund.

The size of First Top LuxCo, which specializes in office and retail premises, stood at EUR 107 million at the end of 2008. Sponda owns about 20 per cent of the fund.

Sponda also manages the property and assets of the WH 2005 / NIAM III East Holding Oy fund. The size of the fund at the end of 2008 was just under EUR 300 million.

Growth in funds during 2008

During 2008 Sponda actively increased the size of its real estate funds and their number. Making purchases was hindered by the prevailing strong demand in the property market early in the year, which tailed off half way through the year with the change in the economic situation. De-



PRODUCTION PREMISES OF MOVENTAS IN JYVÄSKYLÄ

"During 2008 Sponda actively increased the size of its real estate funds."

spite the activity in the property market early in the year, Sponda Fund I achieved its target size of EUR 200 million in spring 2008.

A new real estate fund, Sponda Fund II, was set up in February 2008. When it was set up, the property owned by the fund had a value of some EUR 70 million. The property portfolio at that point comprised the Moventas production plants in Karkkila and Jyväskylä. During the year the fund grew by purchasing the old Kivääritehdas (rifle factory) property in Jyväskylä and four of Vaasan & Vaasan bakery properties.

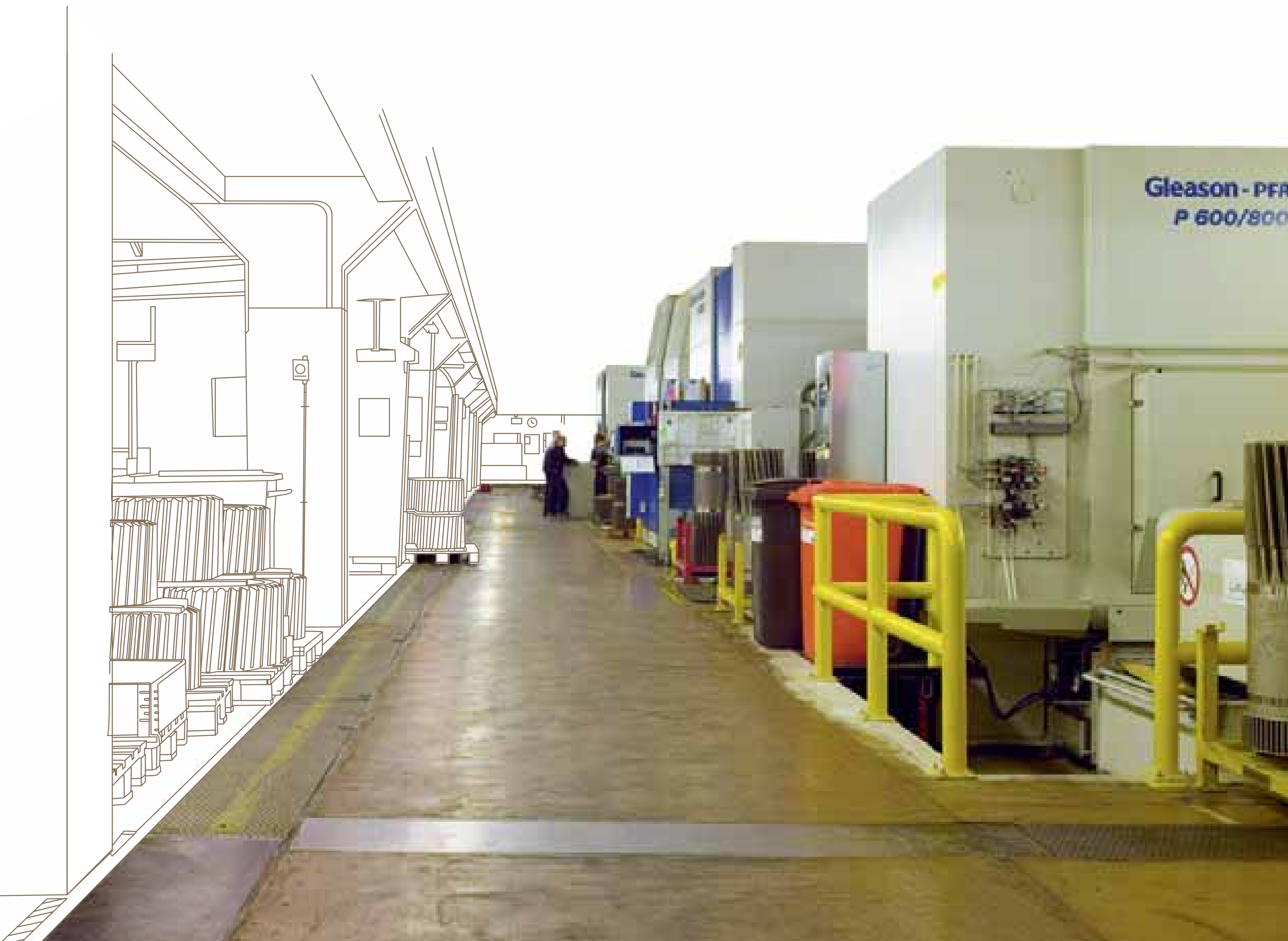
The occupancy rate for the WH 2005 / NIAM III East Holding Oy real estate fund managed by Sponda rose during 2008. The occupancy rate remained at high level even though property with a value of some EUR 100 million was sold from the fund during the year.

Economic downturn brings attractive investment opportunities

The economic situation means that more high quality, low cost properties are coming on the market. Sponda Fund II, which invests in logistics properties, still has growth targets for 2009 and has investment capacity for which financing has been arranged. This means that the fund will also be able to take advantage of attractive investment opportunities in the future.

PROFIT FROM LEASING OPERATIONS, REAL ESTATE FUNDS, MEUR

	2008	2007	2006
Total revenue	13.2	14.5	2.7
Operating expenses	-1.8	-4.5	-1.4
Net operating income	11.3	10.0	1.3



Russia and the Baltic Countries

Sponda's Russia and the Baltic Countries unit leases, manages and develops business premises in Russia. The name of the unit was changed after Sponda ceased to consider the Baltic Countries as a strategic property investment area, and as from 2009 the new name of the unit is Russia.

Sponda has expanded its operations in Russia, aiming at growth and profitability in line with its strategy. The unit achieved its target by raising its property holdings in Russia during 2008 to EUR 258.3 million.

Sponda's strong regional knowhow helps in understanding the Russian market and makes it easier to observe the changes taking place in the market. The unit's personnel consists of experienced Finnish and local experts in business in Russia, who are familiar with the Russian culture and know how things are done in the country.

At the end of 2008 Sponda owned nine properties in Russia. Of these, two office properties, two shopping centres and one land area are located in Moscow. In St Petersburg Sponda owns two office properties, a logistics centre and one land area.

The high quality office premises, in central locations and renovated in accordance with western requirements, provide customers with excellent facilities for their business operations.

Property assets grew in line with strategy

During 2008 Sponda increased its property holdings in Russia by purchasing the Sun Paradise I and Sun Paradise II shopping centres in Moscow for altogether USD 109 million. The shopping centres have a total of 15,500 square metres of leasable retail premises, and both are fully leased.

In July 2008 Sponda purchased the Ducat II office property in the centre of Moscow for some USD 185 million. Ducat II is in a central location a few kilometres from Red Square. The fully leased property has 14,300 square metres of leasable A-grade office space and 1,300 square metres of retail space.

Sponda is planning logistics projects for the land areas it owns in the Leningrad and Moscow districts. Sponda is currently applying for building permits for both sites, and the permits for the first phases of the projects will probably be obtained during 2009. Sponda also carried out property development and refurbishment projects in Russia at the Ancor and Ducat II office buildings in Moscow and at the NRC office building in St Petersburg.

Second office in Russia

Towards the end of the year Sponda reinforced its presence in the Russian market by establishing a second office in Russia. Sponda now serves customers in St Petersburg and in Moscow. With the new office Sponda is further increasing its market knowledge of the Moscow region.

The Russia unit achieved its investment targets for 2008 with new purchases of property. The occupancy rate declined at the end of 2008 to 86.3 per cent after Sponda obtained 100 per cent ownership of the Ancor office property in Moscow in December 2008. Active leasing of the property could only begin after the transfer of ownership rights. At the end of 2008 Sponda had 210 tenant customers in Russia and 262 leasing agreements.

Many new business premises were completed in Moscow and St Petersburg during the year, which temporarily reduced the occupancy rate in the Russian property market. The financial crisis has also affected the property development market in Russia, and a considerable number of property development projects in Russia have been postponed due to problems with financing. This is expected to even out the leasing situation and raise demand for existing business premises.

Sponda observes the same business principles in Russia as in Finland and aims to offer its customers in Russia the same standard of services as in Finland. This holds true also for corporate responsibility. The differences between the business environments present challenges, but they do not prevent companies from observing the same principles and setting the same targets.

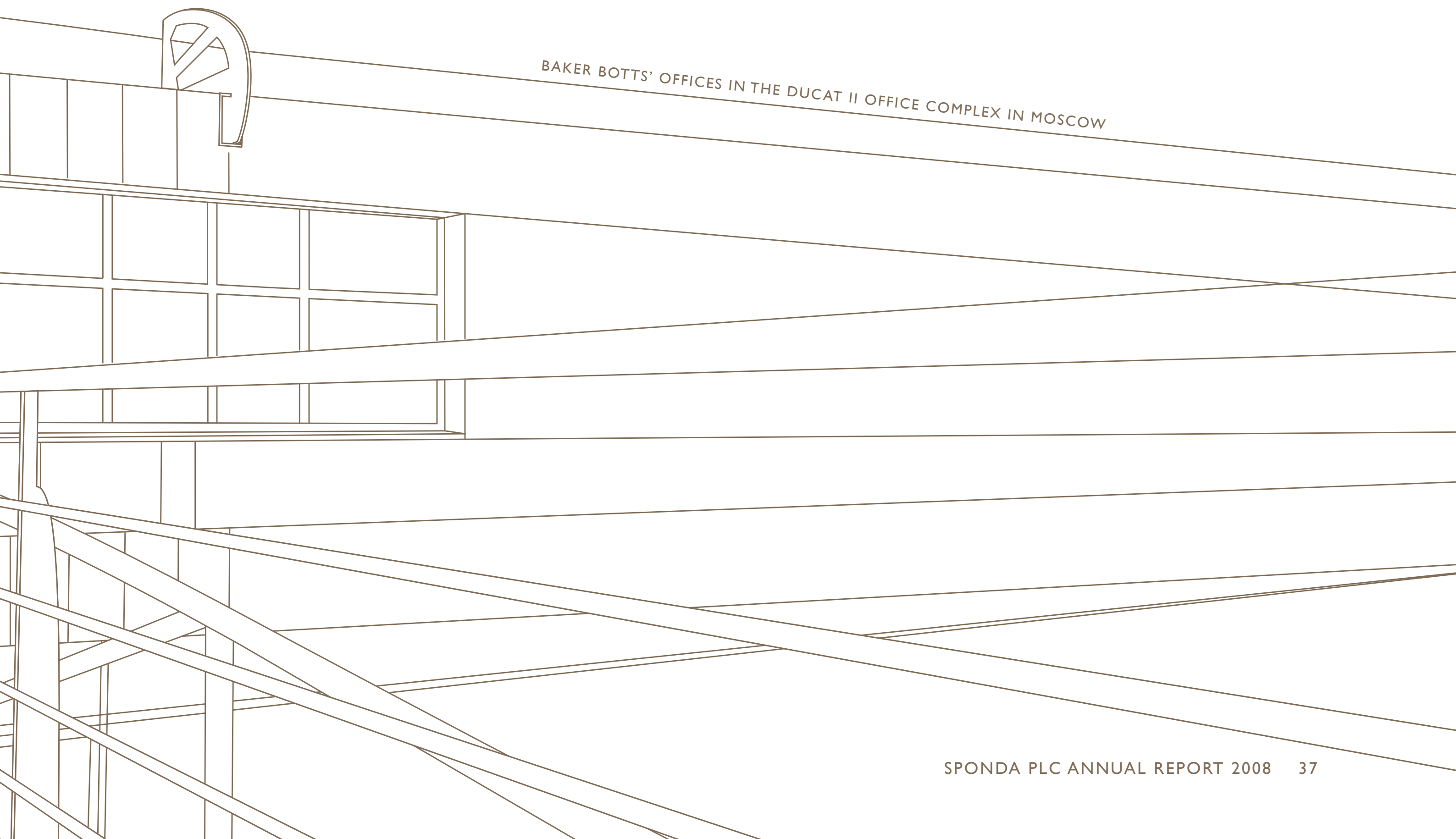
PROFIT FROM LEASING OPERATIONS, RUSSIA AND THE BALTIC COUNTRIES, MEUR

	2008	2007	2006
Rental income	16.2	1.9	0.0
Operating expenses	-4.1	-0.4	0.0
Net operating income	12.0	1.5	0.0
Fair value of properties	258.3	77.2	10.7
Yield %	9.5	10.4	0.0

Profitability a main focus in 2009

Due to the state of the global financial market and of the property market in Russia, Sponda will not be making major investments in Russia in 2009.

Sponda will focus in Russia primarily on boosting profitability, by paying greater attention to operative activities and to securing cash flows and by developing its business operations. Sponda also aims to boost profitability through savings in maintenance and management costs.



BAKER BOTTS' OFFICES IN THE DUCAT II OFFICE COMPLEX IN MOSCOW

case 04

VUOSAARI HARBOUR, 70,000 M² LOGISTICS PREMISES, 15,000 M² OFFICES, 4,300 M² VUOSAARI SERVICE CEN

Vuosaari becomes main port for foreign trade

Developing the PortGate logistics complex in Vuosaari Harbour is the biggest investment in Sponda's history. Particular attention was paid in its design to flexibility and environmental impact. Port operator Finnsteve has leased an import terminal and office premises from Sponda.

TER, KOMENTOSILTA 1, HELSINKI

Vuosaari Harbour was commissioned in November 2008, and Finnsteve had moved all its Helsinki operations to Vuosaari by the end of the year. The company's new head office is located in the 13-storey office building that serves as a landmark for Vuosaari Harbour.

"Management and administration could function outside the harbour, but it was important for us to be close to operations. That helps us stay more in touch with what is going on," says Finnsteve managing director Hans Martin.

Key factors when choosing a port are the efficiency of port operations, location and onward connections. Vuosaari has excellent land connections. Operations are made even smoother by having logistics premises in the harbour, since loads do not need to be transferred elsewhere to buffer storage.

"This cuts out unnecessary driving, reduces the environmental impact of our operations and increases cost efficiency."

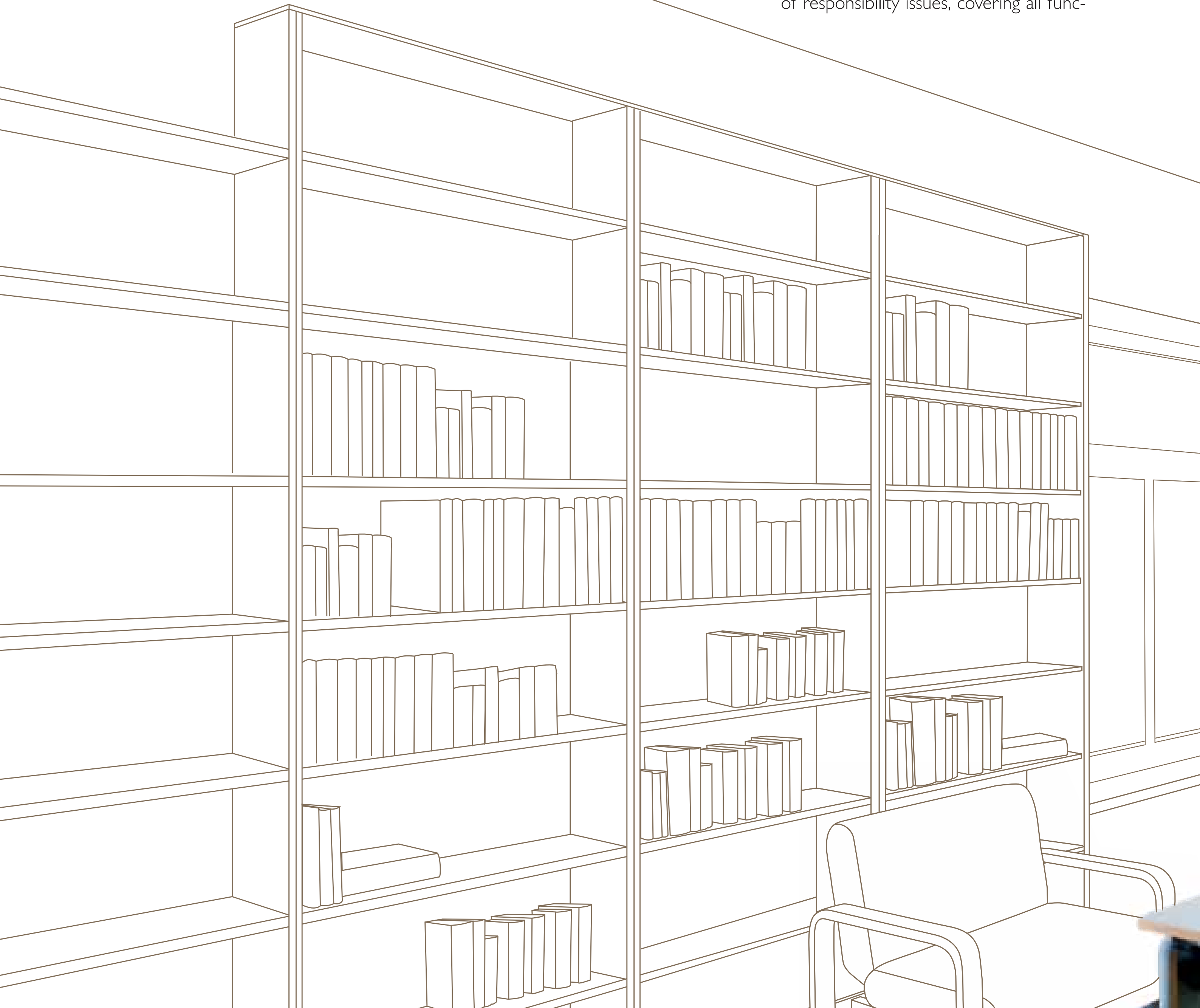
Vision and goals for corporate responsibility

Sponda's goal is to operate transparently, observing the principles of sustainable development. The company aims to be the first choice of customers, skilled personnel and investors.

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

The programme to evaluate operations and steer them towards greater responsibility which began in autumn 2008 is based on a thorough analysis of the business environment and the company's own operations. The definition of the vision for corporate responsibility is that Sponda is the most reliable, profitable and responsible player in the real estate sector, implementing sustainable development.

Sponda is developing various procedures for assessing responsible operations and for the broadest possible examination of responsibility issues, covering all func-



tions. Systematic application of responsibility issues to everyday operations is beginning in 2009. This includes setting corporate responsibility goals, appointing people to be responsible for these issues, and personnel training.

All-inclusive approach to corporate responsibility

Financial responsibility means creating financial wellbeing and meeting the expectations of shareholders and other stakeholders. To achieve these, the company must have profitable, efficient and competitive business operations, and must observe the principles of good corporate governance and apply effective risk management. Financial responsibility is a prerequisite for developing other areas of corporate responsibility.

Social responsibility means effective ways of working with Sponda's stakeholders. Key issues are the wellbeing of personnel and providing for the development of personnel expertise. Other important aspects of social responsibility include relations with other stakeholders and the immediate surroundings and proving customers with suitable, safe premises.

Environmental factors play a major role in the real estate and construction sector. Environmental responsibility means sustainable management of matters relating to the environment. It also includes planning and implementing the efficient use of energy, protecting water systems and the soil, acting to restrict climate change, and responsible use of materials. Environmental responsibility means not only assessing the environmental impact of Sponda's own operations and influencing this but also offering customers information and eco-friendly solutions.

Despite the differences between the cultures of Russia and Finland, Sponda has the same business models and goals in both countries. This is also true for corporate responsibility. Sponda observes the same corporate responsibility guidelines in Russia as in Finland, despite the challenges arising from the differences in the business environments.

PREMISES OF THE NORWEGIAN UNIVERSITY CENTRE IN ST. PETERSBURG

Stakeholder groups

Sponda's diverse business environment and its position in society mean that the company has many stakeholder groups. In its operations Sponda seeks to take into account the expectations of these different stakeholder groups and to respond to them in the best way possible.

Personnel Altogether 141 people worked at Sponda at the end of 2008. Sponda is a responsible employer, offering excellent, safe working conditions, a secure livelihood, and the opportunity for personal development at work. Skilled, motivated and committed personnel are an important resource for Sponda: the company's aim is the ongoing development of employees and ensuring their wellbeing, so that the business can continuously improve.

Customers Sponda's largest customer groups operate in the service, retail, and banking and investment sectors. Customers expect Sponda to provide individual business premise solutions that meet the customer's needs and support sustainable development. The customer base is heterogeneous, in terms of requirements and geographical location. To maintain high quality customer service it is necessary continuously to study the state of affairs and put efforts into customer relations activities.

Investors and owners At the end of 2008 Sponda had 7904 registered shareholders. Public sector entities owned 2.0 per cent of the shares, nominee registered 37.8 per cent, companies 47.2 per cent, private households 10.5 per cent, non-profit-making organizations 1.4 per cent, and financial and insurance institutions 1.0 per cent of the share stock. Altogether 0.2 per cent of the shares were in foreign ownership.

Financiers Sponda has long-term, confidential relationships with its financiers, which are mainly Nordic banks. Financiers include Nordea, Danske Bank, Skandinaviska Enskilda Bank and Pohjola Bank plc.

Subcontractors Sponda's most important subcontractor is Ovenia Oy, which is responsible for the upkeep and maintenance of properties. Ovenia has an important role for customers and Sponda in respect of environmentally benign operations. Sponda requires all its subcontractors and partners to have transparent, responsible operations that take environmental factors into account.

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

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

Organizations Sponda is actively involved in RAKLI (The Finnish Association of Building Owners and Construction Clients), EPRA (European Public Real Estate Association) and INREV (European Association for Investors in Non-listed Real Estate Vehicles). Sponda also joined a real estate forum operating in Russia: the Association for European Businesses.

Other stakeholder groups Sponda works together with other stakeholder groups such as educational institutions and R & D organizations. Each year Sponda provides opportunities for university students, for example, to work on a thesis related to the real estate sector.

"Sponda requires all its subcontractors and partners to have transparent, responsible operations that take environmental factors into account."

Financial responsibility

Financial responsibility means ensuring that business operations are efficient, profitable and competitive and generating financial wellbeing for different stakeholders.

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

Financial responsibility also means observing good corporate governance practice and managing risks (more details on corporate governance and risk management are given on pages 52 and 53 of the annual report).

CASH FLOWS BETWEEN STAKEHOLDERS, IFRS		2008 MEUR	% OF REVENUE	2007 MEUR	% OF REVENUE
Customers	+ Revenues	224.3	100.0	210.9	100.0
Suppliers	- Purchases	-62.0	-27.6	-62.2	-29.5
Personnel	- Personnel expenses	-12.4	-5.5	-12.2	-5.8
Shareholders	- Dividends	-55.5	-24.7	-44.7	-21.2
Financiers	- Net financing costs	-87.5	-39.0	-72.3	-34.3
Public sector	- Taxes	-9.5	-4.2	-7.4	-3.5

Financial impact of business operations

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

Customers

More than 90 per cent of Sponda's total revenue comes from rental income, and about six per cent from management fees for real estate funds and from Sponda's share of their profits. Sponda aims to provide the best possible business environment for the business operations of customers and the most effective customer relationship on the market.

Personnel

Sponda's employee expenses totalled EUR 12.4 million in 2008. Sponda employed at the end of 2008 altogether 141 people, and 16 of these worked at the offices in Russia. In addition the company gives employment indirectly to many people through property maintenance and capital expenditure on property. Personnel belong to a bonus scheme with bonuses that are linked to the company's targets.

Service suppliers

Sponda purchases from partners and subcontractors services and functions that are not part of Sponda's core business. These include building management services, construction and maintenance services, and certain administrative functions. Sponda requires all its subcontractors and partners to have operations that are transparent and responsible and take environmental issues into account.

Financiers

Sponda's net financial costs totalled EUR 87.5 million in 2008. At the end of the year the company had EUR 1,828.3 million in interest-bearing loans and an equity ratio of 32 per cent. In October Sponda refinanced a EUR 150 million loan that was maturing in an extremely difficult financial market, which demonstrates the confidence that banks have in the company.

Shareholders

At the end of 2008 Sponda had altogether 7,904 shareholders, and 37.8 per cent of these were nominee registered. The company's cash flow from operations per share was EUR 0.78. The Board of Directors proposes to the AGM that due to the uncertain state of the financial markets no dividend be paid for the 2008 financial year.

Public sector

Sponda paid EUR 9.5 million in taxes in 2008. The company received EUR 23.9 million in income from state-owned enterprises and companies in the form of rent.

Support of non-profit activities

Sponda donated the money reserved for traditional Christmas greetings to protecting the Baltic Sea. The donation supports the WWF's Operation Mermaid, a major campaign by WWF Finland for saving the Baltic Sea.

Investments

Capital expenditure on property maintenance amounted to EUR 26.6 million during the year. These investments ensure the well-being of tenants and provide the best possible conditions for business operations. Altogether EUR 248.4 million was invested in the Group's property development during the year.

Social responsibility

Social responsibility means effective ways of working with different stakeholder groups. One of the most important stakeholder groups is the company's own personnel, and Sponda aims to look after the continuous development of their skills and wellbeing at work.

At Sponda, social responsibility is primarily responsibility for the company's personnel and for their wellbeing. Everyday work is governed by the company's values and business principles.

Sponda offers its personnel interesting work and also indirectly provides employment for its partner network, for example in developing, designing and maintaining properties.

Sponda actively keeps in touch with its customers and provides safe business premise solutions that promote the business of clients. In its relationships with subcontractors Sponda values honesty, abides by its contracts, and complies with the purchasing criteria guiding the company's purchasing process.

Sponda participates in social discussion for example through RAKLI (The Finnish Association of Building Owners and Construction Clients) and with its own active external communications.

Sponda's social responsibility goals in 2009 are to update and clarify the human resource policy to bring it in line with the company's growth and international expansion, and to define the policy for internal communications in relation to corporate responsibility issues. The company will increase its external communications, to customers, subcontractors, partners and the media.

Sponda also shares in social responsibility by contributing to environmental conservation. In 2008 the money reserved for traditional Christmas greetings was donated to the WWF's Operation Mermaid, a major campaign by WWF Finland for saving the Baltic Sea.

SPONDA PLC'S OFFICES IN HELSINKI

The Baltic Sea is an important area for Sponda's operations. One of Sponda's largest business properties is located on the shore of the Baltic Sea in Vuosaari Harbour, and in addition Sponda is a property investor in the largest coastal city on the Baltic Sea, St Petersburg. That is why Sponda wishes to play its part in supporting the conservation of the Baltic Sea by donating funds to equip oil spill combat teams and for preventing oil damage to the Baltic Sea.

Human resources

Human resources management at Sponda is governed by the human resources strategy, which is based on the company's business strategy, and by the company's values: innovation, reliability and professionalism.

The priorities in human resources management in 2008 were developing skills to support growth and improving the work climate. Customer orientation was another focus, developing a standard customer relations strategy that aims to develop innovative, customer-focused solutions for managing customer relations. Work on developing the customer relations strategy continues in 2009, when a personnel training programme will get underway.

The implementation of Sponda's human resources strategy is assessed through the results and development interviews, competitor comparisons, investments in personnel development and the annual personnel surveys.

Personnel in 2008

At the end of 2008 Sponda Group employed altogether 141 people (216 at the end of 2007). Of these, 125 (124) were employed at Sponda Plc and 16 at the Group's Russian companies.

The average age of Sponda's personnel is 45.8 years. Some 48 per cent of employees are women and 52 per cent are men. Approximately one third of the employees (35 per cent) have academic degrees and 16 per cent a polytechnic degree. Sponda Plc recruited altogether 14 people during 2008. Altogether 13 people terminated their employment.

In 2008 there were 2.9 training days per employee and training costs accounted for 3 per cent of salaries.

KEY FIGURES FOR GROUP'S PERSONNEL	2008	2007
Average number of employees	137	219
Average age	45.8	45.4
Days lost through sickness in average	4.4	2.3
Training days in average	2.9	3.3

Personnel value Sponda as an employer and a work community

An extensive personnel survey was carried out at Sponda in October 2008. In the survey respondents assessed their satisfaction with their own work, their business unit, the quality of supervision, and the company as a whole.

"The priorities in human resources management in 2008 were developing skills to support growth and improving the work climate."

As in the previous year the results of the survey are excellent , and the response rate, 97 per cent, was high. The results of the personnel survey are examined each year at company and unit level. The efforts put into personnel wellbeing, supervisor work, appraisal discussions and communication on the strategy can be seen in terms of better results.

According to the survey, the satisfaction of almost all personnel groups has increased at Sponda and personnel value their work highly. Personnel have confidence in the company's management and the visions for the future held by management. In 2008 Sponda intensified especially communication of the company's strategy to personnel.

The goal in 2009 is to maintain the excellent overall result achieved and to develop cooperation between units.

In connection with the personnel survey, a customer satisfaction survey of internal services was conducted for the first time. According to the survey, personnel at Sponda are overall more satisfied with their company's internal services than personnel at other Finnish companies on average.

The main channels used for communicating with personnel at Sponda are the intranet and the quarterly meetings for personnel giving information on the company's results.

Customer needs direct the development of skills

Customer expectations and needs set the direction for developing the skills and knowhow of Sponda personnel. Sponda's core skills are customer relations management, property development, real estate investment and innovation in developing business environments.

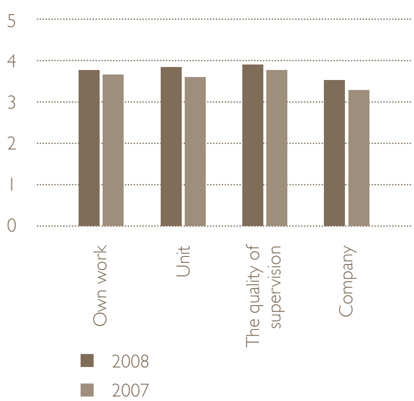
Sponda supports and encourages personnel in personal development and participating in further education. Joint training programmes are arranged for personnel based on the needs arising at appraisal discussions and from the human resources strategy, or personnel may be offered the opportunity to participate in training outside the company.

The training programme in supervisor work and management was completed early in 2008. This focused on developing management principles and business methods. During the training the foundations were laid for renewing the customer relations strategy.

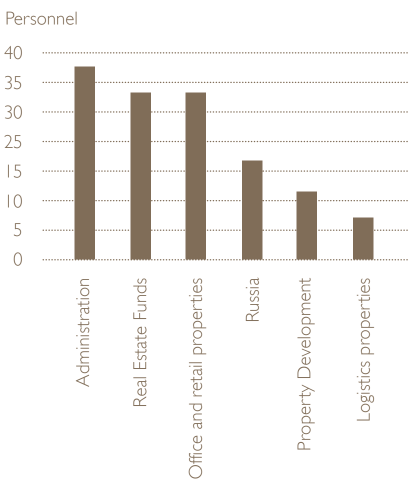
Sponda operates an incentive bonus scheme which is based on the company's common goals and on personal targets for

PERSONNEL AT THE YEAR-END

PERSONNEL SURVEY RESULTS



PERSONNEL GROUPS 31 DEC 2008



each employee. Key factors affecting the bonus in 2008 are profitability, growth in property investments and the development of operations.

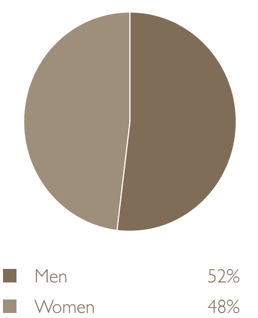
Investing in personnel wellbeing

Wellbeing at work and commitment to work are key elements in Sponda's human resources strategy. Sponda provides comprehensive occupational health services. To ensure sound ergonomics for new and existing employees, the occupational health service makes regular visits to the workplace. Sponda and the occupational health service together make annual plans for future efforts to help personnel maintain their work fitness.

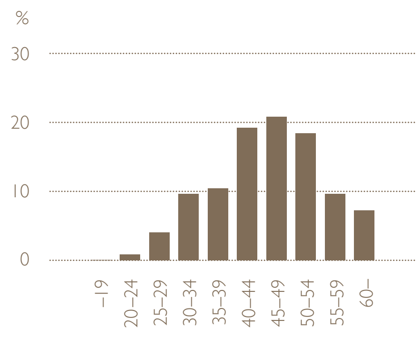
Sponda supports the occupational health and wellbeing of its personnel with physical exercise vouchers, which personnel make active use of. Sponda also has a programme for wellbeing and maintaining work fitness, which helps those with more years of working life behind them to maintain work fitness.

"Customer expectations and needs set the direction for developing the skills and knowhow of Sponda personnel."

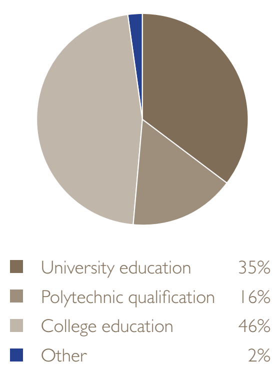
SEX RATIO 31 DEC 2008



AGE RATIO 31 DEC 2008



EDUCATIONAL STRUCTURE 31 DEC 2008



Environmental responsibility

The real estate sector plays a major role in fighting climate change and promoting the wellbeing of the environment. Sponda takes environmental aspects into account in the design and use of properties.

The real estate sector generates about one third of Finland's greenhouse gas emissions. Construction, repairs, and the maintenance and use of properties all have an impact on the environment. What kind of buildings and properties are used for business is a key issue in limiting climate change.

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

Important choices are made in the planning stage

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

Sponda has put together planning guidelines for designing office buildings, which aim to create flexible, adaptable and energy efficient buildings that form good physical surroundings for the users' work environment. The guidelines portray the desired quality with the aid of technical arguments and system descriptions, and in many areas their values exceed the general level required in building codes and regulations.

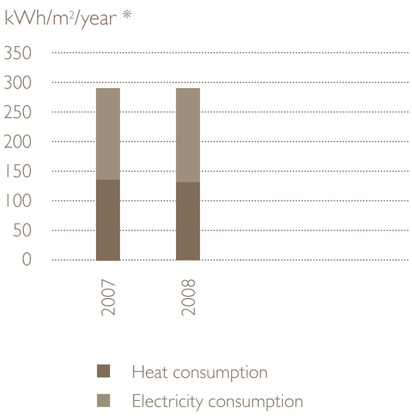
The guidelines have been adapted for retail properties, for which specific applications for individual properties have been developed in cooperation with the future users of the building. Examples of these are utilizing the condensation heat from refrigeration equipment to preheat the air conditioning in parking facilities and the use of renewable energy sources.

Most of the environmental impact occurs during use

Viewed over a 50 year period, some 80% of a property's environmental impact occurs during operation, management and maintenance. The single largest factor is electricity consumption, which causes some 40 per cent of the environmental impact during the life cycle of a building. Sponda works with clients to develop and implement solutions that enable clients to meet their own environmental responsibility. Energy recovery and district cooling systems are some examples of these. Sponda keeps its clients informed, for example about ways to reduce energy consumption.

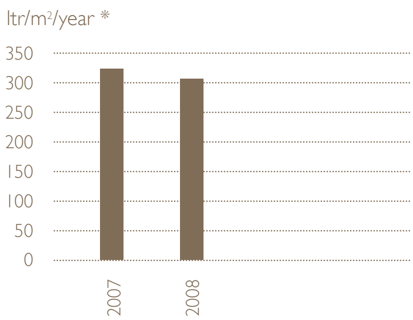
An important role is played by Ovenia Oy, which is responsible for the maintenance and upkeep of Sponda's properties. Cooperation with Ovenia is being

ELECTRICITY AND HEAT CONSUMPTION



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

WATER CONSUMPTION



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

strengthened during 2009 so that customers can be offered more detailed information about environmental issues and solutions that give better opportunities for monitoring environmental impact and reducing this.

Energy monitoring systems at properties are being standardized, so that all the figures are obtained from the same system. This will also make it possible to optimize energy usage. Waste management at properties will also be monitored more closely, in cooperation with waste management companies.

Aiming at energy efficiency

Sponda improves energy efficiency at properties by upgrading and replacing the technical systems and equipment on the properties. Heat recovery equipment, for example, can give significant energy savings.

The Prisma property in Itäkeskus, Helsinki is being completed at the start of 2009. During the design and construction of the property, particular attention has been paid to energy efficiency, and this has been increased through the use of technical building systems. The condensation heat from refrigeration equipment is used to heat the parking facilities, and ventilation in the parking facilities is governed by the level of exhaust fumes in the air. Powerful air curtain heaters in the main entrances give further energy savings.

Greater investment in the environment in 2009

During 2009 Sponda is introducing the "Sponda 10+" scheme. Ten properties have been chosen for the pilot project in the scheme, in which Sponda and the users of the property aim to identify areas where energy can be saved. The costs saved in this way will be re-invested in the property, so the clients will also benefit financially from the scheme. Sponda's head office is one of the properties in the pilot scheme.

One goal for 2009 is to further develop the main guidelines for new projects. This will utilize the feedback received about completed projects and will examine how implementing the guidelines has affected the environmental impact of buildings during their use.

Greater attention is being paid in Russia to environmental issues. Water, electricity and gas consumption are monitored at the properties owned by Sponda in Russia. Sponda works closely with the authorities in environmental issues.

"Sponda works with clients to develop and implement solutions that enable clients to meet their own environmental responsibility."

case 05

DUCAT II, 14,300 M^2 A-GRADE OFFICE PREMISES, 1,300 M^2 RETAIL PREMISES, GASHEKA 7, MOSCOW

Modern office building in Moscow

Many international companies operate in the high quality premises of the Ducat II office complex. Ducat II is part of a cluster of three modern office buildings, where the companies operating in them have space to grow.

Companies consider Ducat II, in an outstanding location some three kilometres from Red Square, to be a highly desirable property. They appreciate not just the location but also the high quality, well maintained offices and the other services available.

The Moscow office of international law firm Baker Botts has been located in Ducat II since 2004. According to Steven Wardlaw, partner in charge for the office, many factors help make it such a good property:

"The location, parking facilities, effective security services and the excellent restaurant on the ground floor make Ducat II the right office premises for us. It is also important for our work as an international law firm that we can use the premises in the evening and at the weekend."

Risks and risk management

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

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

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

Risk management organization

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

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

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

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

Risks relating to Sponda's business operations

The key risks identified in the risk survey for 2009 are:

The fair value of properties may change

The value of properties usually follows economic trends. Many factors affect the value of properties, such as interest rates, inflation, economic growth, business environment, availability of credit, property taxation, demographic factors and the level of construction activity. In addition, changes in supply and demand may have

THE KEY RISKS IDENTIFIED IN THE RISK SURVEY

RISKS RELATING TO SPONDA'S BUSINESS OPERATIONS	RISK MANAGEMENT ACTIONS
The fair value of properties may change	Sponda prepares for possible decline in fair value of properties, which in turn has a negative impact on company's equity ratio, for example by divesting properties and by minimizing and postponing investments.
Tenants ability to pay rent may weaken	Sponda follows regularly possible changes in customers' ability to pay rent. Major part of Sponda's customers has deposited 3–6 months' rent guarantee at the beginning of the lease period. Sponda's tenants are divided evenly in different sectors, for example public sector and retail and banking sectors.
Risks relating to the availability of funds and to interest costs	Sponda reduces the refinancing risk by using credit agreements of varying durations, employing a number of funding sources and maintaining the company's reputation as a trustworthy debtor. The interest rate risk from floating rate financing is reduced with interest rate derivatives.
Developments in the Russian property market in an unstable economic situation	Sponda receives about half of its rental income in Russia in US dollars. About half is in roubles, and a large part of this is tied to the dollar's or euro's exchange rate. The company's rouble risk is reduced because a major part of the unit's expenses are denominated in roubles. It is Sponda's policy to hedge 6 months cash flow in Russia. The investments in Russia are financed in euros through the parent company's balance sheet.

a significant impact on the value of properties, regardless of general trends in the economic factors affecting regional property markets.

In the current state of the market, the value of properties is expected to fall in 2009. As a result, Sponda's operational profit may vary, and economic factors and local market conditions may both have a significant impact on this.

Tenants' ability to pay rent may weaken

Many of Sponda's properties are leased in part or entirely to large business customers. At the end of 2008 Sponda had 3,046 leasing agreements and 1,794 customers. The Group's 10 largest tenants account for 31.3 per cent of the company's rental income, and the largest customer sectors are retail, banking and the public sector. If Sponda loses one or more tenants, or they become insolvent, this may result in a considerable loss of income. If a property is vacant for a long period, this may harm the value of properties, Sponda's financial position and the profit of its operations.

Risks relating to the availability of funds and to interest costs

The current state of the financial market has made it considerably more difficult to obtain financing, and credit terms have tightened. This may affect Sponda's financial position and business operations in 2009. Changes in margins and interest levels may have a major impact on property operations and the valuation of properties. Financial risks and their management are presented on pages 54 and 55 of the annual report. The sensitivity analysis of the interest rate risk is presented on page 55 of the annual report.

Developments in the Russian property market in an unstable economic situation

As part of its strategy, Sponda has expanded its operations to Moscow and St Petersburg. Some 9 per cent of the company's property assets were located in Russia at the end of 2008. The differences between Russian and Finnish legislation and the way the authorities operate in the two countries may cause extra risks for Sponda. The current unstable economic situation may also weaken the solvency of Sponda's tenants and reduce their space requirements. If this occurs, it could have a harmful impact on the company's financial position and the profit of its operations. The expanding business operations in Russia increase Sponda's currency risk. Sponda hedges its foreign currency cash flow for the next six months.

SENSITIVITY ANALYSIS

FACTOR	CHANGE	CASH FLOW IMPACT, MEUR
Rental level, %	+/-1%	2.1
Rental level, €/m²/month	+/-1 €/m²/month	15.5
Economic occupancy rate	+/-1%-unit	2.5
Operating expenses	+/-1%	0.6
Property tax	+/-1%	0,1

All the above factors also affect the fair values of the investment properties.
The impact of changes in fair value of properties is not included in the result.
Sensitivity analysis of the interest levels is available on the page 55.

Financing and financial risk management

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

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

Sponda's long-term financing programme include syndicated credit facilities totalling EUR 800 million, bonds totalling EUR 259 million, and loans from financial institutions amounting to EUR 636 million. The company manages its liquidity and short-term financing needs with a EUR 350 million commercial paper programme and unused binding short-term credit limits.

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

Financial risks and their management

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

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

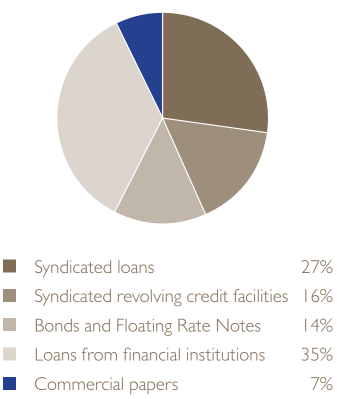
Sponda's main financing risks are interest rate risks, risks related to the availability of financing, exchange rate risks and credit risks.

According to Sponda's risk management policy, the hedge ratio for interest rate risk has to be at least 60 per cent and at most 100 per cent. At the end of 2008 the hedge ratio for the debt portfolio was 58 per cent. Fixed-rate loans and interest-rate derivatives are used to balance the effect of changes in market interest rates. Sponda has not entered into derivative agreements for trading purposes. The purpose of its interest-rate swaps and interest options is to hedge the company's future interest flows.

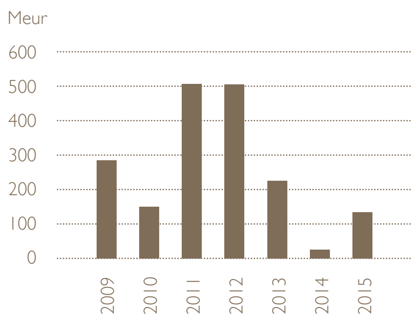
Changes in the exchange rate between the Russian rouble and euro and between the US dollar and the euro can affect Sponda's financial position and its operations. Sponda's reporting currency is the euro and all balance sheet items for foreign properties as well as all income and expenses generated by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

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

SPONDA GROUP LOAN INSTRUMENTS
31 DEC 2008



SPONDA GROUP LOAN MATURITIES
31 DEC 2008



eral by the company. The most important covenants in Sponda's loans are:

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

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

Financing in 2008

Net cash generated by operating activities in 2008 was EUR 140.7 (2007: 211.5) million. Net cash used in investing activities totalled EUR -389.8 (-19.0) million, and net cash generated from financing activities came to EUR 238.0 (-188.7) million. Cash flow from operations per share was EUR 0.78 (0.81).

Sponda's equity ratio was 32 (32) per cnt. At the end of the financial period Sponda had interest-bearing debt totalling EUR 1,828 (1,663) million, of which EUR 285 (606) million was short-term debt. Financial income and expenses amounted to EUR -87.5 (-72.3) million. Cash and cash equivalents totalled EUR 16.0 (27.4) million.

The average maturity of Sponda's loans was 3.0 (2.6) years. They carried average interest of 4.6 (4.6) per cent and the average interest-bearing period was 1.7 (2.6) years. The interest cover was 2.1 (2.0), and the hedge ratio covering the loan capital was 58 (65) per cent. Secured loans represented 1.6 (0.4) per cent of the balance sheet total.

Gearing at the end of the year was 181 (174.9) per cent.

Main financial arrangements in 2008

Sponda signed a five year bilateral loan for EUR 100 million and a seven year bilateral loan for EUR 50 million in February 2008. The loans were for financing property development investments.

In March 2008 Sponda signed bilateral agreements for seven year loans of EUR 150 million and EUR 50 million. The loans were used to finance the company's investments in property development and in Russia.

In summer 2008 Sponda issued a EUR 130 million equity bond (a 'hybrid loan') to Finnish institutional investors. The bond has no maturity. The loan was used to finance the company's investments and to strengthen the company's capital adequacy.

Sponda refinanced long-term loans and bonds maturing in autumn 2008 with a three-year syndicated loan of EUR 150 million in October 2008.

FINANCING KEY FIGURES	2008	2007	2006	2005	2004
Net interest income	2.1	2.0	2.5	2.7	3.1
Interest-bearing net debt / Operating profit	14.4	6.4	19.3	9.4	8.5
Average loan maturity	3.0	2.6	1.7	3.2	3.7
Average interest rate, %	4.6	4.6	4.6	4.2	4.3
Hedging rate of interest risk, %	58	65	74	50	51

SENSITIVITY TO INTEREST RATE RISK	31 DEC. 2008 INCOME STATEMENT	FAIR VALUE RESERVE	31 DEC. 2007 INCOME STATEMENT	FAIR VALUE RESERVE
The effect of a one percentage point change in short-term market rates on the company's result and the fair value reserve in shareholders' equity.				
One percentage point rise in market rates (Meur)	-7	+22	-5	+33
One percentage point fall in market rates (Meur)	9	-23	+11	-31

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

case 06

Investing in a real estate fund

Varma Mutual Insurance Company is the biggest private investor in Finland and a major real estate investor. According to Chief Investment Officer Risto Murto, investing in real estate funds is a useful addition to the company's other investment activities.

Varma has also invested in a real estate fund managed by Sponda.

"We have used real estate funds in international investments, and selectively in Finland, to augment our portfolio. Sponda's fund that focuses on logistics and industrial properties is a good addition to Varma's investment activities."

A real estate fund offers the pension investor an opportunity to utilize debt financing in property market investment.

"Real estate fund investment is often based on debt financing. This exposes it to a higher risk than our direct portfolios, which are debt free. But successful, well-managed use of debt can give higher yields," states Risto Murto.

"Effective real estate fund operations demand expertise in making and managing investments, and in managing the financing structure."

PRODUCTION PREMISES OF MOVENTAS IN JYVÄSKYLÄ

Corporate Governance

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

General meetings

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

Nomination Committee of the shareholders

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

The principal shareholders of the Nomination Committee appointed by Sponda Plc on 19 March 2008 and their representatives were:

- The Finnish State/Ministry of Finance, 34.3% of the shares and votes, represented by Pekka Timonen
- Julius Tallberg-Kiinteistöt Oyj, 3.9% of the shares and votes, represented by Susanna Renlund,
- Ilmarinen Mutual Pension Insurance Company, 0.7% of the shares and votes, represented by Timo Ritakallio.

The Nomination Committee submitted its proposal to the Board of Directors by the set date, 2 February 2009.

Board of Directors

Under Sponda Plc's articles of association, the company has a Board of Directors with between four and seven (4–7) members. In 2008 Sponda's Board of Directors had six members who were all non-executive directors and independent of the company. The members of the Board excluding Erkki Virtanen were also independent of the major shareholders. Sponda's Board members represent broad experience of real estate, industry and finance. They are elected by the AGM based on the proposal of the shareholders' Nomination Committee and for one year at a time until the following AGM. The Board elects a chairman and deputy chairman from among its members. The AGM in 2008 elected the following to the Board of Directors: Klaus Cawén (b. 1957), Tuula Entelä (b. 1955), Timo Korvenpää (b. 1952), Lauri Ratia (b. 1946), Arja Talma (b. 1962) and Erkki Virtanen (b. 1950).

SPONDA PLC SHARES OWNED BY THE BOARD OF DIRECTORS AT 31 DECEMBER 2008:

	NO. OF SHARES	CHANGE
Klaus Cavén	1,000	–
Tuula Entelä	–	–
Timo Korvenpää	–	–
Lauri Ratia	3,600	+ 1,800
Arja Talma	–	–
Erkki Virtanen	–	–

The Board meets to a pre-arranged schedule 7–11 times during the year and it holds extra meetings as necessary. In 2008 the Board met 19 times and the average attendance of Board members was 94 per cent. The Board assesses its own performance and working procedures once a year.

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

The President regularly attends the Board's meetings. The secretary of the Board is the SVP, Legal Affairs and Treasury.

Duties of the Board of Directors

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

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

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

Board committees and working groups

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

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

The Audit Committee comprises at least three Board members who are independent of the company and its subsidiaries and have sufficient knowledge of accounting and financial statement practice. As from 19 March 2008 the Audit Committee comprises the chairman Arja Talma and the ordinary members Timo Korvenpää and Erkki Virtanen.

The main duties of the Audit Committee are to evaluate financing reporting and risk management and to examine financial reviews. In 2008 the Audit Committee met five times and the average attendance of committee members was 93 per cent.

The Structure and Remuneration Committee consists of at least three Board members who are independent of the Company. As from 19 March 2008 the Structure and Remuneration Committee comprises the chairman Lauri Ratia and the ordinary members Klaus Cawén and Tuula Entelä.

The main duties of the Structure and Remuneration Committee are to prepare matters relating to the nomination of senior management and their remuneration and matters relating to strategy and corporate structure. In 2008 the committee met five times and the average attendance of committee members was 100 per cent.

Remuneration paid to the Board of Directors

The Annual General Meeting confirms the fees payable to the Board of Directors annually, in advance. In 2008 the Board's members were paid altogether EUR 281,500 in fees. The Board has no other remuneration schemes.

FEES PAID TO THE BOARD OF DIRECTORS IN 2008	€/MONTH
To the chairman	5,000
To the deputy chairman	3,000
To each other member	2,600

In 2008 a fee of EUR 600 was paid to each board member for each meeting attended.

The President

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

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

The President is paid a total salary. He also participates in a long-term share-based incentive scheme for top management which became effective on 1 January 2006. Bonuses paid under this scheme are based on cash flow from operations per share and return on investment and are paid in the form of Sponda shares. These shares are subject to a restriction prohibiting their disposal within two years of their issue. Bonuses are paid annually. In 2008 the President was paid a salary of EUR 496,741 and bonus of EUR 361,250, in total EUR 857,991.

The Executive Board

The Group's Executive Board prepares the company's annual business strategy and budget and monitors their implementation. The Executive Board also considers investments and divestments of strategic significance to the whole Group, as well as the company's operational guidelines and reporting. As from 1 January 2009 the Executive Board has seven members: the President and CEO, the Chief Financial Officer, the SVP, Legal Affairs and Treasury, and the directors of the business areas.

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

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

The members of the Executive Board held the following amounts of Sponda shares on 31 December 2008:

SHARES HELD BY THE EXECUTIVE BOARD MEMBERS ON 31 DEC. 2008	NO. OF SHARES	CHANGE
Kari Inkinen	41,211	+ 21,003
Erik Hjelt	6,752	+ 6,752
Ossi Hynynen	10,756	+ 10,756
Kari Koivu	6,975	+ 6,975
Joni Mikkola	11,325	+ 7,814
Sirpa Sara-aho	10,282	+ 10,282
Robert Öhman	12,457	+ 7,798

External and internal audits

Auditors

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

Sponda Plc's Annual General Meeting on 19 March 2008 appointed as its auditors Raija-Leena Hankonen, APA and the firm of authorized public accountants KPMG Oy Ab under the supervision of principal auditor Kai Salli, APA. The deputy auditor is Riitta Pyykkö, APA. Raija-Leena Hankonen has been Sponda Plc's company auditor in 1998–2000 and 2005–2007, Kai Salli since 2008 and Riitta Pyykkö since 2006.

The auditing fees paid to the auditors in 2008 amounted to EUR 137,257. A further EUR 191,139 was paid to the auditors for other consulting services.

Internal audit

Sponda's operational efficiency, financial performance and risk management are audited internally. The internal audit is performed by an expert appointed from outside the company and chosen based on the expertise required for each assignment. The internal audit reports to the President.

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

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

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

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

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

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

The key risks identified in the risk survey for 2009 are stated on pages 52–53 of the annual report.

Fair value of the properties
Sponda's investment properties are entered in the balance sheet at fair market value, and the unrealized change in value is also entered in the income statements of each reporting period. Sponda calculates the fair value of its properties for its interim (quarterly) and annual accounts.
The fair value of the investment property portfolio on 31 December 2008 was EUR 2,907.5 (31 Dec 2007: 2,534.9) million. The parameters and values used to calculate the fair value are the rent yield based on existing leasing contracts, market rent levels in the case of vacant premises, the vacancy rate of the properties, and the yield requirement used by the market. As these parameters change, so does the market value of the properties.

Board of Directors

Lauri Ratia
Chairman
MSc (Eng.), born 1946
Chairman and member of Sponda Plc's Board of Directors since 2007
Career history
Lohja Rudus Group, Managing Director, 1994–2006
Positions of trust
Edita Plc, Chairman of the Board
Inspecta Holding Oy, Board member
Medisize Oy, Chairman of the Board
OJSC LSR Group, St. Petersburg, Board member
Olvi Plc, Board member
Samesor Oy, Board member (from 31 Jan 2008)
Tecnomen Corporation, Chairman of the Board
VR-Group Ltd, Chairman of the Board (from 24 Oct 2008)
Owns 3,600 Sponda shares

Timo Korvenpää
Deputy chairman
B.Sc. (Econ.), MBA, born 1952
Member of Sponda Plc's Board of Directors since 2006 and Deputy chairman since 2008
Career history
Nokia Corporation, Nokia Networks, Senior Vice President and Controller, 2000–2002
Nokia Corporation, Vice President, Corporate Treasurer, 1995–2000
Positions of trust
Evli Bank Plc, Board member
Metsä Group Financial Services Oy, Board member
Nokian Panimo Oy, Board member
Owns 0 Sponda shares

Klaus Cawén
LL.M., born 1957
KONE Corporation, Executive Vice President
Member of Sponda Plc's Board of Directors since 2008
Career history
KONE Corporation, Member of the Executive Board, 1991–
Positions of trust
Glaston Oyj Abp, Board member
Oy Karl Fazer Ab, Board member
Toshiba Elevator and Building Systems Company, Board member
Owns 1,000 Sponda shares

Tuula Entelä
MSc (Econ.), LL.M., born 1955
SATO Corporation, Business Area Director, Deputy CEO
Member of Sponda Plc's Board of Directors since 2005
Career history
SATO Corporation, Vice President, Investment in Housing, 2004–
SATO Corporation, Deputy to President and CEO 2003–
SATO Group, Director, Investment in Housing1997–2003
SATO Group, Business Area Director, Asset Management, 1994–1996
Positions of trust
Helsingin Osuuskauppa Elanto, Deputy Chairman of the Board
Owns 0 Sponda shares

Arja Talma
MSc (Econ.), eMBA, born 1962
Kesko Corporation, Senior Vice President, CFO
Member of Sponda Plc's Board of Directors since 2007
Career history
Kesko Corporation, Senior Vice President, CFO, 2005–
Kesko Corporation, Vice President, Corporate Controller, 2004–2005
Oy Radiolinja Ab, Executive Vice President, Finance and Administration, 2001–2003
KPMG Wideri Oy Ab, APA 1992–2001, partner 2000–2001
Positions of trust
Luottokunta, Board Member (from 24 Apr 2008)
VR-Group Ltd, Board member
Owns 0 Sponda shares

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

TIMO KORVENPÄÄ TUULA ENTELÄ LAURI RATIA KLAUS CAWÉN ARJA TALMA ERKKI VIRTANEN

Executive Board, 1 January 2009

Kari Inkinen
President and CEO
MSc (Eng.), born 1957
Career history
Kapiteeli Plc, President and CEO 1999–2005
YIT Corporation, Director 1985–1998
YIT Corporation Residential Construction, Director 1995–1998
YIT Corporation, Regional Director 1992–1995
Positions of trust
Kruunuasunnot Oy, Board member
Rake Oy, Board member
Owns 41,211 Sponda shares

Erik Hjelt
Senior Vice President, Legal Affairs and Treasury
LLLic, eMBA, born 1961
Career history
Kapiteeli Plc, SVP Finance and Legal Affairs 1999–2005
Arsenal Asset Management Company Ltd, Leading Legal Counsel 1994–1999
Savings Bank of Finland–SBF Ltd, Bank Manager 1993
Positions of trust
Ovenia Oy, Board member
Owns 6,752 Sponda shares

Ossi Hynynen
Senior Vice President, Investment Properties
MSc (Eng.), born 1955
Career history
Kapiteeli Plc, President and CEO 2005–2006
Kapiteeli Plc, SVP, Office and Retail Property 2003–2006
Kapiteeli Plc, SVP, Real Estate Development 1999–2002
ProPaulig Ltd, Director of Marketing 1993–1999
Haka Ltd, Construction Manager 1988–1993
Positions of trust
Ovenia Oy, Chairman of the Board
Owns 10,756 Sponda shares

Kari Koivu
Senior Vice President, Real Estate Funds
MSc (Eng.), Msc (Econ.), born 1966
Career history
Kapiteeli Plc, SVP Sales Property 2003–2006
Solid Information Technology, Marketing Manager 2000–2003
Hewlett-Packard Europe, Business Development Manager 1997–2000
Owns 6,975 Sponda shares

Joni Mikkola
Senior Vice President, Property Development
MSc (Eng.), born 1965
Career history
NCC Finland Oy, Marketing Director 2001–2002
SRV Viitoset Oy, Project Manager 1999–2001
NCC Finland Oy, Project Manager 1997–1999
Owns 11,325 Sponda shares

Sirpa Sara-aho
Senior Vice President, Russia
Born 1963
Career history
Sponda Plc, Regional Manager, Russia and the Baltic Countries 2006
Nordea Bank Finland Plc, Director 1985–2005
Owns 10,282 Sponda shares

Robert Öhman
Chief Financial Officer
MSc (Econ.), born 1959
Career history
Vattenfall AB, Financial Controller, Business Group Nordic, 2005–2006
Vattenfall Oy, Finance Director, 1996–2006
Waste Management Finland Oy, Finance Director, 1992–1996
Reuters GmbH, Finance and Administration Manager, 1990–1992
Reuters Suomi Oy Ab, Finance and Administration Manager, 1985–1990
Owns 12,457 Sponda shares

SIRPA SARA-AHO KARI KOIVU OSSI HYNYNEN KARI INKINEN ROBERT ÖHMAN ERIK HJELT JONI MIKKOLA

Shared premises, individual offices

Five media agencies, five different images, one property. Group M Finland, a media agency group, started operations in Finland at the start of 2009. The group's media agencies focus on different sectors, and premises under the same roof were tailored for each of them that match their individual brands.

Group M's media agencies share a common entrance foyer and, in contrast to other companies in the sector, also have a large display window. The premises have been divided between the five media agencies, and the appearance of each reflects their special knowhow.

Group M CEO Veijo Hytti says that he was attracted to the premises in part because of the display window. The excellent parking facilities close to Unioninkatu street were another factor in choosing the place.

"We have many meetings at media agencies, so we wanted to create a good setting for meetings. The interior decor and layout tell customers much about the company's culture and way of working," states Hytti.

Media agency Happi, which belongs to the group, has been located in Unioninkatu street since 2005. After the decision was taken to establish Group M, more premises were leased. Today the group occupies premises on three floors around an inner courtyard.

case 07

GROUP M FINLAND, 1,330 M², OFFICE PREMISES, UNIONINKATU 24, HELSINKI

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Report by the Board of Directors 2008

Sponda Group's total revenue increased to EUR 224.3 million (31 December 2007: EUR 210.9 million) and net operating income after property maintenance costs and direct costs for funds rose to EUR 166.8 (152.8) million. Operating profit was EUR 126.2 (256.7) million. The figure includes a change in value of the property portfolio of EUR -36.0 (92.9) million, which in 2008 comprised mainly a change in the yield requirements for investment properties. The economic occupancy rate of Sponda's properties was 88.5 (91.2)%.

Main events during 2008

Sponda continued to grow profitably in accordance with its strategy in the first half of 2008. In response to the global financial crisis Sponda then adapted its strategy, and took the decision to minimize new capital expenditure and to finance this by selling properties in Finland. Towards the end of the year the company focused on strengthening its equity ratio, and during the year sold property for a total of EUR 122.9 million. More than 50% of these sales took place in the final quarter of the year. Sponda purchased investment properties during the year for altogether EUR 210.6 million.

During 2008 Sponda signed new loan agreements for altogether EUR 350 million. The loans were used to finance property development investments and growth in Russia. On top of this, in October 2008 the company signed an agreement for a three-year, EUR 150 million syndicated credit facility, used to refinance long-term loans that were maturing and the bonds issued in 2003.

In June 2008 Sponda issued a EUR 130 million equity bond (hybrid bond) to Finnish institutional investors and improved its solvency with this. The bond has no maturity date but Sponda is entitled to redeem the bond in five years time. The bond is treated in Sponda's IFRS financial statements in its entirety as equity. The issue does not dilute the holdings of the company's current shareholders. During 2008 Sponda carried out its strategy of growth in Russia. At the beginning of March Sponda purchased two shopping centres in Moscow for a total of USD 109 million. In July Sponda purchased the Ducat II office property in the centre of Moscow for USD 185 million. At the end of the year Sponda's property portfolio in Russia had a value of EUR 258.3 million.

Real estate fund operations expanded at the beginning of 2008 when Sponda set up a new real estate fund, Sponda Real Estate Fund II. The fund has a target size of about EUR 200 million and mainly invests in logistics, warehouse and industrial properties in medium-sized towns in Finland. Sponda is responsible for managing the fund and its properties.

During the year Sponda sold properties in Finland that did not fit in with its strategy. In the summer the company sold a hotel property in the centre of Helsinki for EUR 42 million. In October Sponda sold an office and retail property in Tapiola, Espoo for EUR 28.3 million. In December an office property in the centre of Helsinki was sold for EUR 9.1 million and a land area in Jokiniemi, Vantaa for EUR 15 million. Capital gains of EUR 9 million were recorded on the sale of the office and retail property in Espoo and of EUR 12 million on the sale of the land in Vantaa.

Result of operations and financial position

Sponda Group's profit for the year was EUR 26.6 (31 December 2007: 136.6) million and the economic occupancy rate was 88.5% (91.2). The result is formed as follows:

- Total revenue increased to EUR 224.3 (210.9) million.
- Net operating income rose to EUR 166.8 (152.8) million.
- Operating profit was EUR 126.2 (256.7) million. The change in value of investment properties in 2008 was EUR -36.0 (92.9) million, which includes a change in yield requirements of EUR -93.1 million and development gains of EUR 43.3 million from property development projects.
- Net financial expenses amounted to EUR 87.5 (72.3) million.
- Profit after taxes was EUR 26.6 (136.6) million.
- Earnings per share were EUR 0.24 (1.27).

Financial position

The Group's balance sheet totalled EUR 3,166.8 (2,898.5) million. The property portfolio totalled EUR 2,937.0 (2,572.1) million. This comprised investment properties totalling EUR 2,907.5 (2,534.9) million and trading properties classified as held for sale totalling EUR 29.5 (37.2) million. Capital expenditure on real estate funds was EUR 60.6 (35.0) million.

During 2008 Sponda developed its property assets with the purchase of new investment properties totalling EUR 210.6 (115.1) million. EUR 26.6 (20.7) million was invested in property maintenance and property quality improvements, and EUR

248.4 (118.2) million in property development. The properties sold had a balance sheet value of EUR 82.8 (277.0) million.

Shareholders' equity at the end of 2008 totalled EUR 1,003.0 (934.8) million. The EUR 129.0 million in 'Other equity reserve' is the hybrid bond issued in July. Liabilities amounted to EUR 2163.8 (1,963.7) million, which comprised EUR 1,793.4 (1,284.0) million in non-current liabilities and EUR 370.4 (679.6) million in current liabilities. Interest-bearing liabilities totalled EUR 1,828.3 (1,662.7) million.

Provisions, EUR 8.7 (15.1) million, were to cover Sampo Bank's payment claim related to interest in earlier years in full.

Key figures showing Sponda Group's financial performance:

KEY FIGURES	I–12/08	I–12/07	I–12/06
Economic occupancy rate, %	88.5	91.2	88.8 1)
Total revenue, MEUR	224.3	210.9	117.4
Net operating income, MEUR	166.8	152.8	87.1
Net operating income/fair value, %	6.8 2)	6.4 2)	6.2 3)
Operating profit, MEUR	126.2	256.7	103.9
Equity ratio, %	31.8	32.3	20.2
Gearing, %	181	175	334
Return on equity, %	2.7	17.9	8.5 4)
Earnings per share, EUR	0.24	1.27	0.61
Dividend per share, EUR	0.00 5)	0.50	0.40
Total dividend, MEUR	–	55.5	44.7
Net assets per share, EUR	7.86	8.40	7.45
EPRA net assets per share, EUR	9.64	10.04	9.57
Cash flow from operations per share, EUR	0.78	0.81	0.56

1) Before acquisition of Kapiteeli. 2) Excluding property development. 3) Before acquisition of Kapiteeli and property development. 4) The 2006 key figures for balance sheet items have been calculated using weighted quarterly averages. 5) Board proposal.

Financing

Key changes in the Group's cash flows:

GROUP'S CASH FLOWS, MEUR	I–12/08	I–12/07
Net cash flow from operations	140.7	211.5
Net cash flow investment activities	-389.8	-19.0
Net cash flow from financing activities	238.0	-188.7
Change in cash and cash equivalents	-11.1	3.8
Cash and cash equivalents, start of period	27.4	23.6
Impact of changes in exchange rates	-0.3	
Cash and cash equivalents, end of period	16.0	27.4

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

The Group's interest-bearing loans and borrowings at the end of the year totalled EUR 1,828.3 (1,662.7) million. Sponda Group's debt portfolio (nominal values) on 31 December 2008 comprised EUR 800 million in syndicated loans, EUR 259 million in bonds, EUR 136 million in issued commercial papers, and EUR 636 million in loans from financial institutions. The company had EUR 115 in unused credit limits. The credit limits are a back-up line for the commercial papers. Sponda Group had mortgaged loans of EUR 50.3 million or 1.6% of the company's balance sheet. The average maturity of Sponda's loans was 3.0 (2.6) years, and the average interest rate 4.6% (4.6). Fixed-rate and interest-hedged loans accounted for 58% of the loan portfolio. The average interest-bearing period of the whole debt portfolio was 1.7 (2.6) years. The interest cover ratio, which describes the company's solvency, was 2.1 (2.0).

Net financial expenses totalled EUR -87.5 (-72.3) million during the year. The main factor in the rise in this figure was the increase in the amount of loans. Capitalization of the interest expenses for property development projects is beginning in 2009 in accordance with IFRS 23.

Sponda's equity ratio on 31 December 2008 was 32% (32) and gearing was 181% (175). The change in the fair value of financial derivatives was EUR -40.6 (9.6) million.

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

Business conditions – Finland

The office, retail and logistics premises market is a late cycle sector, so the impact of the global recession was not very visible in Finland's property market in 2008. Rent levels continued to develop favourably, in part because of higher inflation. Occupancy rates also improved encouragingly.

After summer 2008 the transaction market in the property investment sector slowed down, mainly because financing was not available. The Institute for Real Estate Economics (KTI) estimated that the total volume of property transactions in Finland was just under EUR 4 billion in 2008, compared with some EUR 6 billion in 2007. International investors accounted for about 46% of the volume of the Finnish property market last year.

Business cycle forecasts indicate that 2009 will be a challenging year for the real estate investment sector. The cost cutting measures being carried out during 2009 at customer companies will reduce demand for premises, which will have a direct impact on vacancy rates. If inflation also remains low, rents are not expected to rise in 2009. Changes in demand for premises and in rent levels are expected to be more moderate in prime locations, such as the central business district and Ruoholahti in Helsinki, than elsewhere in the Helsinki metropolitan area and in Finland.

Business conditions – Russia

Economic growth in Russia slowed down significantly towards the end of 2008. According to Nordea, the 8% growth early in the year slowed down to 6% in the third quarter. The slowdown in growth was due to the fall in the price of oil and the global financial crisis. The indicators for retail trade and industrial production predict that growth also slowed down in the final quarter. In addition to these reasons, investments by businesses declined, and growth is expected to slow down to about one percent in 2009 despite the programmes of state support. Russia's Central Bank has widened the rouble's currency band, which has resulted in a 30% devaluation in the value of the rouble against the euro in the past six months.

The global financial crisis has altered the Russia property market. Development projects have been suspended due to financing problems in the second half of 2008, and the buying and selling of completed properties has also slowed down.

In the first half of 2008 demand was greater than supply in the Moscow and St Petersburg leasing markets. After the summer, demand focused on smaller, high quality premises, and leasing market activity is expected to be quieter in 2009 than in the previous year. Vacancy rates for high quality offices were low in the Moscow and St Petersburg regions. Rent levels for prime office premises rose in Russia last year, but it is expected that there will be pressure to bring down the rents for office and retail premises in 2009.

Sponda's operations in 2008

Sponda owns, leases and develops business properties in the Helsinki Metropolitan Area and the largest cities in Finland, and in Russia. Sponda's operations were organized in 2008 in five business units: Office and Retail Properties, Logistics Properties, Property Development, Real Estate Funds, and Russia and the Baltic Countries.

Net operating income from Sponda's property assets totalled EUR 166.8 million at the end of the year (31 December 2007: 152.8 million). Office and Retail Properties accounted for 69% of this, Logistics Properties for 17%, Real Estate Funds for 7%, and Russia and the Baltic Countries for 7%. Like-for-like rental growth during the past two years for the property portfolio that Sponda has owned for two years was 6.7% for office and retail property and -0.6% for logistics property. A logistics property in Vantaa was vacated in the summer and this contributed to the fall in rental income. Rental growth is calculated in accordance with EPRA recommendations.

Property portfolio

On 31 December 2008 Sponda had a total of 209 properties, with an aggregate leasable area of about 1.5 million m². Of this, some 62% is office and retail premises and 38% logistics premises.

At the end of 2008 Sponda's property portfolio was assessed by Catella Property Group. Their official statement, including the principles used for calculating the values, can be seen on the company's Internet site.

In 2008 the change in the fair value of Sponda's investment properties was EUR -43.7 (31 December 2007: 92.9) million. At the end of the period the entire property portfolio had a fair value of EUR 2,907.5 (2,534.9) million.

VALUATION GAINS/LOSSES ON ASSESSING SPONDA'S INVESTMENT PROPERTIES AT FAIR VALUE, MEUR

	I–12/08
Changes in yield requirements (Finland)	-88.8
Changes in yield requirements (Russia)	-4.3
Development gains on property development projects	43.3
Modernization investments	-26.6
Change in market rents and maintenance costs (Finland)	34.4
Change in market rents and maintenance costs (Russia)	-1.7
Investment properties, total	**-43.7**
Real estate funds	7.7
Group, total	**-36.0**

The changes in Sponda's investment property assets since the beginning of 2008 by business unit were as follows:

SPONDA'S INVESTMENT PROPERTIES, MEUR	GROUP, TOTAL	OFFICE AND RETAIL PROPERTIES	LOGISTICS PROPERTIES	PROPERTY DEVELOPMENT	RUSSIA AND THE BALTIC COUNTRIES
Operating income	211.1	155.0	37.9	2.0	16.2
Maintenance costs	-55.6	-39.9	-9.4	-2.2	-4.1
Net operating income	**155.5**	**115.1**	**28.5**	**-0.1**	**12.0**
Fair value of investment properties at 1 Jan 2008	2,534.9	1,883.9	327.6	246.2	77.2
Acquisitions in 2008	210.6	8.3	18.6	0.0	183.7
Investments	275.0	61.1	5.2	205.2	3.4
Other transfers	13.5	188.6	134.9	-310.0	0.0
Sales in 2008	-82.8	-82.2	0.0	-0.6	0.0
Valuation gains/losses	-43.7	-57.4	-23.6	43.4	-6.0
Fair value of investment properties at 31 December 2008	**2,907.5**	**2,002.2**	**462.8**	**184.2**	**258.3**
Change in fair value,%	-1.7	-3.0	-7.2	17.6	0.0
Annual net operating income / fair value at 31 December % 2008 *)	6.8	6.3	8.5		10.1
Yield requirement used in calculating fair value -%		5.2 – 10.0	6.5 – 8.7		9.5 – 10.25
Weighted average yield requirement -% for entire portfolio	6.7				

*) Excluding property development

Investments and divestments

Sponda acquired investment properties for altogether EUR 210.6 million in 2008 and sold properties for EUR 122.9 million.

Capital expenditure on property maintenance amounted to EUR 26.6 million during the year and EUR 248.4 million was invested in property development. This was spent on the property development projects completed at the end of 2008, ie. the logistics complex in Vuosaari Harbour, office buildings in Ruoholahti and Sörnäinen in Helsinki, a retail property in Itäkeskus, Helsinki, and the renovation of the City-Center complex in the centre of Helsinki.

Office and Retail Properties

The economic occupancy rate for the Office and Retail Properties unit improved by more than one percentage point from the 2007 figure to 92.3% (31 December 2007: 91.0%). The occupancy rate rose significantly especially in the Helsinki metropolitan area outside the business centre. Contributing factors included the property development projects completed in Ruoholahti, Itäkeskus and Sörnäinen in Helsinki.

The property portfolio had a fair value at the end of the year of EUR 2,002.2 (1,883.9) million, and valuation losses/gains from assessing at fair value amounted to EUR -57.4 (72.7) million. Office and retail property had a total leasable area of about 890,000 m². The unit's total revenue, net operating income and operating profit were as follows:

OFFICE AND RETAIL PROPERTIES, MEUR	1–12/08	1–12/07	1–12/06
Total revenue	155.0	154.4	84.7
Net operating income	115.1	113.8	63.1
Operating profit	65.0	197.4	78.0

During 2008 Sponda purchased office and retail property for EUR 8.3 million and sold property for EUR 104.8 million. Capital expenditure on property maintenance amounted to EUR 22.1 million in 2008.

Logistics Properties

The economic occupancy rate for the Logistics Properties unit was 77.4% (31 December 2007: 91.9%). The decline was due to the completion of the properties in Vuosaari Harbour at the end of November 2008, when the properties were transferred from property development to the property portfolio of the Logistics Properties unit. The occupancy rate for the harbour properties is approximately 40%.

The properties had a fair value of EUR 462.8 (327.6) million at the end of 2008, and valuation losses/gains amounted to EUR -23.6 (23.5) million. The aggregate leasable area of the property portfolio was 570,000 m². The net sales, net operating income and operating profit of the Logistics Property unit were as follows:

LOGISTICS PROPERTIES, MEUR	I–12/08	I–12/07	I–12/06
Total revenue	37.9	32.0	28.6
Net operating income	28.5	24.2	22.2
Operating profit	2.8	47.0	24.9

In 2008 Sponda purchased logistics premises for EUR 18.6 million and capital expenditure on property maintenance totalled EUR 4.1 million.

Property development

The balance sheet value of Sponda's property development portfolio at the end of 2008 was EUR 184.2 million. Undeveloped land sites accounted for EUR 81.9 million of this, and the remainder, EUR 102.3 million, was tied up in property development projects in progress.

Altogether EUR 204.6 million was spent on developing properties and new purchases during 2008. Sponda assesses development projects at fair value after the projects are completed, and the company aims to obtain development gains of 15% on the investment costs of projects. All of Sponda's property development projects, except for the City-Center complex, were completed by the end of 2008. The company achieved the target mentioned above, recognizing total gains of EUR 43.3 million on the properties in the income statement. The increase in fair value is based on the assessments made by Catella Property Group at the end of the year.

On 22 December 2008 Sponda sold two plots of land designated for housing production in Jokiniemi, Vantaa to VVO-yhtymä Oyj for EUR 15 million. The plots, located on Tikkurilantie road, have residential building rights of 40,000 square metres. Sponda recorded a capital gain of some EUR 12 million on the sale.

The development projects in progress throughout the year in Helsinki in Ruoholahti, Sörnäinen, Itäkeskus and Vuosaari Harbour were completed on schedule and on budget by the end of 2008. All the properties, apart from the buildings in Vuosaari Harbour, were fully leased.

The current phase of the City-Center project, construction of the underground service facilities for the city centre service tunnel, progressed on schedule. The next phase involves construction of the office building, the retail premises on the third floor, and the light shaft into the shopping centre. Sponda and the tenant have taken the joint decision to postpone this work so that it will start at the earliest towards the end of 2009. For this reason, it is now estimated that the renovation of the City-Center complex will be completed in 2012 and the total investment will be some EUR 110 million. Sponda is continuing with the underground work in 2009.

Sponda announced on 20 December 2007 that it had purchased the Elovainio shopping centre under construction in Ylöjärvi for EUR 62 million. The property has financing for the construction period, which Sponda has re-organized. Sponda will pay for the property after the building is completed, in April 2009, when the final price for the property will be determined. The shopping centre has retail premises with a leasable area of 24,500 square metres and parking for 850 vehicles. The property will be purchased fully leased and the main tenant will be K-Citymarket.

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. Planning of the project is underway, and the final decision about the investment has not been made.

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 all the funds were valued by external evaluators at the end of the year. The change in fair value for the whole year was EUR 7.7 million.

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

REAL ESTATE FUNDS, MEUR	I–12/08	I–12/07	I–12/06
Total revenue	13.2	14.5	2.7
Net operating income	11.3	10.0	1.3
Operating profit	14.3	6.8	1.1

First Top LuxCo (Sponda's holding 20%) invests in office and retail properties outside Finland's largest cities. At the end of 2008 the fund's property investments had a fair value of EUR 107 million.

Sponda Real Estate Fund I Ky (Sponda's holding 46%) invests in logistics sites outside the Helsinki metropolitan area. At the end of December 2008 the properties it owned had a fair value of EUR 199 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 at the end of 2008 was EUR 82 million. After the end of the year, three logistics properties were purchased for the fund, with a value of some EUR 16 million, from Sponda Plc.

In addition to those mentioned above, Sponda is also responsible for managing the properties in the property portfolio, with a value of some EUR 300 million, sold in March 2007 to Whitehall Street Real Estate Limited and Niam Nordic Investment Fund III.

Russia and the Baltic Countries

At the end of 2008, the economic occupancy rate for the Russia and the Baltic Countries unit was 86.3% (31 December 2007: 100%). The decline in the occupancy rate was because Sponda obtained final ownership rights to the ZAO Ancor office property in Moscow at the end of 2008, and was only able to begin active leasing of the premises then. The first lease agreements for the property have already been signed.

The property portfolio had a fair value at the end of the year of EUR 258.3 million, and the change in fair value was EUR -6.0 million. The main currency used in property transactions in Russia is the US dollar, so the devaluation of the rouble has not had a direct impact on property fair values. The change in value was mainly due to the rise in yield requirements. Because of the major uncertainties in the valuation methods, the investment properties were valued with an internal valuation by Sponda except for ZAO Ancor and Ducat II, which the company has only owned for a short time and which are valued at the acquisition price. These two properties form about half of the value of the Russian portfolio.

Capital expenditure in 2008 on property development and new purchases totalled EUR 187.1 million. The investments in Russia are financed in euros through the parent company's balance sheet.

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

RUSSIA AND THE BALTIC COUNTRIES, MEUR	I–12/08	I–12/07	I–12/06
Total revenue	16.2	1.9	0.0
Net operating income	12.0	1.5	0.0
Operating profit	1.3	-0.4	0.0

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

The name of the Russia and the Baltic Countries unit was changed to the Russia unit as from 1 January 2009. Sponda investigated the property markets in the Baltic Countries and the company's Board of Directors decided that the Baltic markets will not be a strategic investment area for Sponda.

Parent company

The Group's parent company Sponda Plc had total revenue, including funds activities, of EUR 130.0 (117.5) million in 2008 and operating profit of EUR 70.0 (49.6) million. Financial expenses totalled EUR 69.4 (50.3) million and the company's result for the period was a profit of EUR 0.2 (loss of -0.7) million.

Corporate structure

Sponda reduced its holding in Ovenia Oy, a provider of property management services, from 70% to 45%, selling its holdings at the end of 2007 and on 24 January 2008.

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.

Risk management

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

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

More details about the principles for risk management and how it is organized are given in the report, complying with Sponda's Corporate Governance recommendation, on the company's Internet site and in the annual report.

Risks relating to Sponda's business operations

1. The fair value of properties may change

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

In the current state of the market, the value of properties is expected to fall in 2009. As a result, Sponda's operational profit may vary, and economic factors and local market conditions may both have a significant impact on this.

2. Tenants' ability to pay rent may weaken

Many of Sponda's properties are leased in part or entirely to large business customers. At the end of 2008 Sponda had 3,046 leasing agreements and 1,794 customers. The Group's 10 largest tenants account for 31.3% of the company's rental income, and the largest customer sectors are retail, banking and the public sector. If Sponda loses one or more tenants, or they become insolvent, this may result in a considerable loss of income. If a property is vacant for a long period, this may harm the value of properties, Sponda's financial position and the profit of its operations.

3. Risks relating to the availability of funds and to interest costs

The current state of the financial market has made it considerably more difficult to obtain financing, and credit terms have tightened. This may affect Sponda's financial position and business operations in 2009. Changes in margins and interest levels may have a major impact on property operations and the valuation of properties. More details about financial risks and their management are presented in the financial statements section.

4. Developments in the Russian property market in an unstable economic situation

As part of its strategy, Sponda has expanded its operations to Moscow and St Petersburg. Some 9% of the company's property assets were located in Russia at the end of 2008. The differences between Russian and Finnish legislation and the way the authorities operate in the two countries may cause extra risks for Sponda. The current unstable economic situation may also weaken the solvency of Sponda's tenants and reduce their space requirements. If this occurs, it could have a harmful impact on the company's financial position and the profit of its operations. The expanding business operations in Russia increase Sponda's currency risk. Sponda hedges its foreign currency cash flow for the next six months.

Risks and uncertainty factors in the near future

Sponda believes that the key risks and uncertainty factors in the current financial period, due to the recession and financial crisis, relate to refinancing, changes in the fair value of properties, developments in economic occupancy rates, falling market rents, and a decline in rental income resulting from the insolvency of tenants.

Property values follow the business cycle, and in the current state of the market it is possible that the value of Sponda's properties will continue to fall in 2009. This may weaken the company's equity ratio and its profit.

In 2009 the uncertainty in the financial markets may cause the price of capital to rise and weaken its availability. In 2009 Sponda's refinancing risk arises from the credit limits that form a back-up line for the commercial papers and mature in the summer. If the risk is realized, this may have a harmful impact on Sponda's financial results and ability to pay a dividend. Sponda reduces the refinancing risk by using credit agreements of varying durations, employing a number of funding sources and maintaining the company's reputation as a trustworthy debtor. The interest rate risk from floating rate financing is reduced with interest rate derivatives.

The general economic situation in Finland and Russia may cause the solvency of Sponda's customers to weaken in 2009, which in turn may reduce Sponda's rental income and increase the vacancy rates in the properties owned by the company.

Environmental responsibilities

The real estate sector plays a major role in fighting climate change and promoting the wellbeing of the environment. Sponda takes environmental aspects into account in the design and use of properties.

The real estate sector generates about one third of Finland's greenhouse emissions. Construction, repairs, and the maintenance and use of properties all have an impact on the environment. Sponda has a number of national heritage properties in its portfolio that the company maintains with special regard for their history. In its property development projects, Sponda only uses materials that have the minimum M1 emission classification as specified by Finland's Building Information Institute. The aim in repair projects is to reuse old building parts and demolition material.

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

Sponda has put together planning guidelines for designing office buildings, which aim to create flexible, adaptable and energy efficient buildings that form good physical surroundings for the users' work environment. The guidelines portray the desired quality with the aid of technical arguments and system descriptions, and their values exceed in many areas the general level required in building codes and regulations.

The guidelines have been adapted for retail properties, for which specific applications for individual properties have been developed in cooperation with the future users of the building. Examples of these are utilizing the condensation heat from refrigeration equipment to preheat the air conditioning in parking facilities and the use of renewable energy sources.

Viewed over a 50 year period, some 80% of a property's environmental impact occurs during a property's operation, management and maintenance. The single largest factor is electricity consumption, which causes some 40% of the environmental impact during the life cycle of a building. Sponda's maintenance services are provided by Ovenia Oy, which has its own environmental policy and an environmental training programme for its personnel. Ovenia also provides guidance on environmental issues to Sponda's customers, if needed.

Sponda works with clients to develop and implement solutions that enable clients to meet their own environmental responsibility. Energy recovery and district cooling systems are some examples of these. Sponda improves the energy efficiency of buildings by upgrading their technical systems and equipment. Installing heat recovery equipment, for example, can give major energy savings.

Sponda keeps its clients informed, for example about ways to reduce energy consumption. Sponda also offers its customers a programme for monitoring energy and water consumption. In large locations with a single user, environmental responsibility can be enhanced by separating absolute net rent from the maintenance charges. The share of energy and water consumption is then clearly shown in the customer's rent.

During 2009 Sponda is introducing the "Sponda 10+" scheme. Ten properties have been chosen for the pilot project in the scheme, in which Sponda and the users of the property will aim to identify areas where energy can be saved. The costs saved in this way will be re-invested in the property, so the clients will also benefit financially from the scheme. Sponda's head office is one of the properties in the pilot scheme.

One goal for 2009 is to further develop the main guidelines for new projects. This will utilize the feedback received about completed projects and will examine how implementing the guidelines has affected the environmental impact of buildings during their use.

Greater attention will be paid in Russia to environmental issues. Water, electricity and gas consumption are monitored at Sponda's properties in Russia. Sponda works with the authorities in environmental issues.

Sponda's own direct environmental impacts relate to energy and water consumption and waste.

Corporate governance

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

Sponda's Board of Directors has six members: Klaus Cawén, Tuula Entelä, Timo Korvenpää, Lauri Ratia, Arja Talma and Erkki Virtanen. The chairman of the Board is Lauri Ratia and the deputy chairman is Timo Korvenpää. All the Board members come from outside the company and are independent of the company. All the Board members except for Erkki Virtanen are also independent of its major shareholders.

Sponda's Board of Directors established two permanent committees: the Audit Committee and the Structure and Remuneration Committee. The members of the audit committee are: Arja Talma (chairman) and Timo Korvenpää and Erkki Virtanen (ordinary members). The members of the Structure and Remuneration Committee are: Lauri Ratia (chairman) and Tuula Entelä and Klaus Cawén (ordinary members).

Annual general meeting and dividend

The Board of Directors of Sponda Plc proposes that the Annual General Meeting be held on 25 March 2009 and proposes to the Annual General Meeting that no dividend be paid for the 2008 financial year.

The reasons for the proposal are the uncertain state of the financial market and developments in Sponda's equity ratio. The uncertainty in the financial market means that arranging new loans and refinancing may in future become more difficult. The fair values of properties are expected to continue to fall in 2009, which may reduce Sponda's equity ratio. To enable the company to secure its financial position in an uncertain market, the Board proposes that no dividend be paid.

Auditors

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 Pyykkö as deputy auditor.

Nomination committee of the shareholders

The Nomination Committee of the Shareholders of Sponda Plc has prepared a proposal for candidate members of the Board of Directors and their compensation. The members represented the three principal shareholders, who on 1 November 2008 were:

1. The Finnish State, 34.3% of the shares and votes, represented by Pekka Timonen,
2. Julius Tallberg-Kiinteistöt Oy, 3.9% of the shares and votes, represented by Susanna Renlund, and
3. Ilmarinen Mutual Pension Insurance Company, 0.7% of the shares and votes, represented by Timo Ritakallio.

The Nomination Committee will propose to the Annual General Meeting on 25 March 2009 that the number of members of the Board of Directors be confirmed as seven and that of the existing members Klaus Cavén, Tuula Entelä, Timo Korvenpää, Lauri Ratia, Arja Talma and Erkki Virtanen be re-elected and that Martin Tallberg be elected as a new member.

The Annual General Meeting confirms the fees paid to the Board members for one year at a time. The Nomination Committee of Shareholders has decided to propose that the fees paid to the Board members be unchanged and confirmed as follows (figures in brackets are fees paid in 2008):

- to the chairman a monthly fee of EUR 5,000 (5,000)
- to the deputy chairman a monthly fee of EUR 3,000 (3,000)
- to the ordinary members a monthly fee of EUR 2,600 (2,600)
- a separate fee of EUR 600 (600) to each member for attendance at Board meetings.

Management and employees

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

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

KEY FIGURES FOR SPONDA GROUP'S PERSONNEL	1–12/08	1–12/07	1–12/06
Average number of employees in year	137	217	63
Number of employees at end of year	141	216	225
Salaries and other remuneration in year, M€	12.4	12.2	7.0

Sponda has personnel in Finland and Russia.

Sponda's employees belong to an incentive bonus scheme, under which bonuses are indexed to the company's targets. The company operates a long-term share-based incentive scheme for its senior executives that was launched on 1 January 2006. Those in the scheme were the members of the company's Executive Board in the years 2006 – 2008. Bonuses under this scheme are based on cash flow from operations per share and on return on equity, and Sponda shares are bought with these bonuses. These shares carry a restriction forbidding their disposal within two years of their issue. The bonus is paid annually.

Sponda's Board of Directors decided to continue the long-term share-based incentive scheme for its senior executives in 2009 – 2011. The terms of the scheme are unchanged.

Sponda's aim is to ensure equal rights between its male and female staff, between the different business units, between employees of different ages and with different tasks, and also between full-time and part-time staff. Sponda monitors salaries and wages in different professional groups on an annual basis. In 2008 male and female staff received the same rate of pay for doing the same job.

The Sponda share

The weighted average price of the Sponda share in 2008 period was EUR 5.41. The highest quotation on NASDAQ OMX Helsinki Oy was EUR 8.75, and the lowest EUR 2.32. Turnover during the year totalled 108.9 million shares or EUR 580 million. The closing price of the share on 31 December 2008 was EUR 3.10, and the market capitalization of the company's share capital was EUR 344 million.

The Annual General Meeting on 19 March 2008 authorized the Board of Directors to purchase the company's own shares. The authorization was not exercised during the review period.

Sponda issued the following flagging announcements in 2008:

- 10 November 2008: Julius Tallberg-Kiinteistöt Oyj announced that its holding of shares represented 5.143% of the total number of shares and votes in Sponda Plc.
- 12 December 2008: The Finnish State and Solidium Oy announced an arrangement that resulted in the holding of the Finnish State falling below and the holding of Solidium Oy exceeding the thresholds set out in Section 9 of Chapter 2 of the Finnish Securities Markets Act. On 11 December 2008 the Finnish State transferred the state-owned shares of Sponda Plc to fully state-owned Solidium Oy as a capital contribution as set out in the Finnish Company Act. Following the transfer, the Finnish State no long held any Sponda Plc shares. The shares transferred to Solidium Oy, 38,065.498 shares, represent 34.28% of the total shares and votes in Sponda Plc.
- 12 December 2008: Julius Tallberg-Kiinteistöt Oyj announced that its holding of shares represented 10.02% of the total number of shares and votes in Sponda Plc.

Sponda's ownership structure at the end of the financial year on 31 December 2008 was as follows:

SPONDA'S OWNERSHIP STRUCTURE ON 31 DECEMBER 2008	NUMBER OF SHARES	HOLDING, %
Public entities	2,189,090	2.0
Nominee registered	41,914,586	37.8
Households	11,659,311	10.5
Non-profit organizations, total	1,516,405	1.4
Private corporations, total	52,430,088	47.2
Financial and insurance institutions, total	1,128,022	1.0
Foreign owners, total	192,683	0.2
Total number of shares	**111,030,185**	**100.0**

Tax authority decision

Sponda stated in its interim report on 1 November 2007 that the Uusimaa corporate tax office had decided to deviate from the company's 2006 tax returns with respect to the deductible losses allowable against the company's profit. The tax assessment adjustment board amended the Uusimaa corporate tax office's decision regarding the deductibility of Sponda Kiinteistöt Oy's (formerly Kapiteeli Oyj) confirmed losses for previous years in favour of Sponda in December 2007. The company issued a statement about this on 19 December 2007.

The state official representing the interests of tax recipients has appealed the decision of the adjustment board.

Events after the close of the financial year

Sponda's organization and the composition of its Executive Board changed as from 1 January 2009. The Logistics Property unit was merged with the Office and Retail Property unit, and the new unit was given the new name of Investment Properties. Senior Vice President Ossi Hynynen, who was in charge of Office and Retail Properties, heads up the new unit. The name of the Russia and the Baltic Countries unit was changed to the Russia unit. At the same time Sponda streamlined its operations and the company's number of personnel was reduced by 8 persons. This caused a one-time expense of EUR 0.3 million in 2008, but annual savings are estimated at EUR 0.6 million.

Sponda announced on 19 December 2008 that it had signed an agreement to sell three logistics properties for altogether EUR 16.3 million to Sponda Real Estate Fund II. The transaction was closed on 9 January 2009. The properties sold are located in Kuusankoski, Mikkeli and Oulu.

In a ruling issued on 19 January 2009, the Helsinki Court of Appeal has ordered Sponda Plc to pay interest, penal interest and court costs totalling EUR 7.6 million to Sampo Bank Plc based on a credit agreement. The decision is final unless appeal has been made by 20 March 2009.

The amount of Sampo Bank's suit for payment, EUR 7.6 million, was recognized as an expense under provisions in the 2006 financial statements, so the ruling has no impact on Sponda's result. EUR 0.6 million was recognized as an interest expense under provisions in 2007 and EUR 0.1 million in 2008, so the total provision is EUR 8.3 million on 31 December 2008.

Outlook for 2009

Sponda's long-term strategic goal remains growth and profitability. Following the major changes in the overall state of the market, Sponda adjusted its operations by selling properties and minimizing new investments. The selling of properties will continue in 2009.

Sponda's properties still have substantial development potential due to the large development resources and the broader supply of undeveloped sites especially in the Helsinki Metropolitan Area but also elsewhere in Finland. Sponda has no binding property development investments in 2009, but for example planning of the shopping centres in Tampere and Vaasa is continuing.

The positive developments in the real estate funds operations that began in 2007 are expected to continue in 2009. Sponda Real Estate Fund II is looking to invest in logistics properties in medium-sized cities in Finland during 2009.

In Russia Sponda has almost achieved its strategic target of investments of EUR 300 – 400 million by the end of 2009. The size of the Russian property portfolio is just under EUR 260 million. In 2009 Sponda is not planning any further major investments in Russia.

Prospects

Even though both rental levels and occupancy rates are expected to fall in the property market in 2009, Sponda forecasts that the company's net operating income will be higher than in 2008. The reasons for this are that during 2008 rent levels rose and fully leased office and retail properties were completed and added to Sponda's investment property portfolio.

The financial and property markets in 2009 are exposed to major uncertainties affecting Sponda's result for the year, and for this reason Sponda's prospects differ from those for 2008. In the past the company has given a forecast for net operating income, economic occupancy rate, cash flow from operations per share and earnings per share. Due to the state of the market, the company has decided that at the present it can give only the prospects for developments in the company's net operating income.

Shares and Shareholders

Sponda Plc's share capital on 31 December 2008 was EUR 111,030,185 and the number of shares was 111,030,185. The nominal value of a share was one euro. The Sponda share is quoted on NASDAQ OMX Helsinki Oy under the trading code SDAIV. The shares are managed under the book-entry securities system. Sponda has one share series. Each share carries one vote at general meetings. The company did not hold any Sponda shares.

Dividend policy

Sponda Plc distributes a dividend corresponding to at least 80% of earnings per share or cash flow per share while taking into consideration the company's business development needs.

Shareholders

On 31 December 2008 there were 7,904 shareholders. Nominee-registered shareholders accounted for 37.8% of the shares and votes. Foreign and nominee-registered shareholders held together 38.0% of the shares and votes. The company issued the following flagging notices in 2008:

• 10 November 2008: Julius Tallberg-Kiinteistöt Oyj announced that its holding of shares represented 5.143% of the total number of shares and votes in Sponda Plc.

• 12 December 2008: The Finnish State and Solidium Oy announced an arrangement that resulted in the holding of the Finnish State falling below and the holding of Solidium Oy exceeding the thresholds set out in Section 9 of Chapter 2 of the Finnish Securities Markets Act. On 11 December 2008 the Finnish State transferred the state-owned shares of Sponda Plc to fully state-owned Solidium Oy as a capital contribution as set out in the Finnish Company Act. Following the transfer, the Finnish State no long held any Sponda Plc shares. The shares transferred to Solidium Oy, 38,065,498 shares, represent 34.28% of the total shares and votes in Sponda Plc.

• 12 December 2008: Julius Tallberg-Kiinteistöt Oyj announced that its holding of shares represented 10.02% of the total number of shares and votes in Sponda Plc.

Trading and performance

The weighted average price of the Sponda share in 2008 period was EUR 5.41. The highest quotation on NASDAQ OMX Helsinki Oy was EUR 8.75, and the lowest EUR 2.32. Turnover during the year totalled 108.9 million shares or EUR 580 million. The closing price of the share on 31 December 2008 was EUR 3.10, and the market capitalization of the company's share capital was EUR 344 million.

Current authorizations

The Annual General Meeting on 19 March 2008 authorized the Board of Directors to purchase the company's own shares. The authorization was not exercised during the review period.

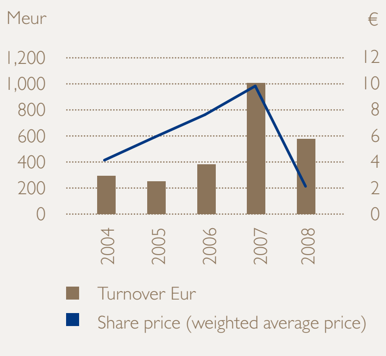
SPONDA'S OWNERSHIP STRUCTURE ON 31 DECEMBER 2008, REGISTERED SHAREHOLDERS

	NUMBER OF SHARES	HOLDING, %
Public entities	2,189,090	2.0
Nominee registered	41,914,586	37.8
Households	11,659,311	10.5
Non-profit organizations, total	1,516,405	1.4
Private corporations, total	52,430,088	47.2
Financial and insurance institutions, total	1,128,022	1.0
Foreign owners, total	192,683	0.2
Total number of shares	**111,030,185**	**100.0**

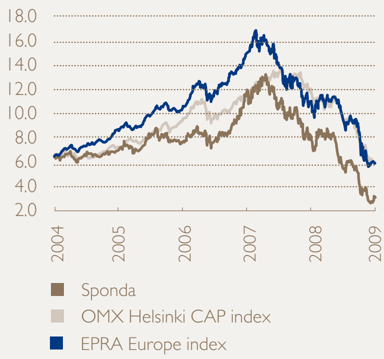
DIVIDEND/SHARE

* Board's proposal

SHARE PRICES AND TURNOVER



SPONDA SHARE PRICE COMPARED TO INDICES



DISTRIBUTION OF OWNERSHIP 31 DECEMBER 2008

NUMBER OF SHARES	NUMBER OF SHARE-HOLDERS	% OF SHARE-HOLDERS	NUMBER OF SECURITIES	% OF SECURI-TIES	NUMBER OF VOTES	% OF VOTES
1 – 100	552	6.984	35,197	0.032	35,197	0.032
101 – 500	2,993	37.867	862,388	0.777	862,388	0.777
501 – 1,000	1,688	21.356	1,301,401	1.172	1,301,401	1.172
1,001 – 5,000	2,202	27.859	4,645,136	4.184	4,645,136	4.184
5,001 – 10,000	251	3.176	1,854,833	1.671	1,854,833	1.671
10,001 – 50,000	163	2.062	3,426,960	3.087	3,426,960	3.087
50,001 – 100,000	30	0.38	2,090,266	1.883	2,090,266	1.883
100,001 – 500,000	16	0.202	3,312,410	2.983	3,312,410	2.983
500,001 –	9	0.114	93,501,594	84.213	93,501,594	84.213
Total	**7,904**	**100**	**111,030,185**	**100**	**111,030,185**	**100**
of which nominee-registered	10		41,914,586	38	41,914,586	38
Non-transferred, total	0		0	0	0	0
In general account			0	0	0	0
In special accounts, total			0	0	0	0
Total issued			111,030,185	100	111,030,185	100

20 PRINCIPAL SHAREHOLDERS ON 31 DECEMBER 2008

		NUMBER OF SHARES	% OF SHARES AND VOTES
1	Solidium Oy*	38,065,498	34.3
2	Julius Tallberg-Kiinteistöt Oyj	11,123,018	10.0
3	Ilmarinen Mutual Pension Insurance Company	821,092	0.7
4	Kuisla Reima	763,802	0.7
5	The State Pension Fund	700,000	0.6
6	Laakkonen Mikko Kalervo	600,000	0.5
7	Laakkosen Arvopaperi Oy	440,000	0.4
8	Yleisradion Eläkesäätiö S.r.	340,000	0.3
9	Support Fund for the Commercial and Technical Sciences	267,800	0.2
10	Investment Fund Danske Suomi kasvuosake	229,225	0.2
11	Finnfoam Oy	225,000	0.2
12	Investment Fund SEB Gyllenberg Small Firm	188,135	0.2
13	Savings Bank Kotimaa Investment Fund	155,780	0.1
14	Investment Fund SEB Gyllenberg Finlandia	151,963	0.1
15	E. Öhman J:Or Oy	150,000	0.1
16	Ahola and Maliniemi Partners Ab Oy	150,000	0.1
17	Medicinska Understödsföreningen Liv och Hälsa r.f.	125,000	0.1
18	Sajetec Oy	120,000	0.1
19	Siuko Taavi Paavali	120,000	0.1
20	I.A. von Julins STB	106,000	0.1
Total		**54,842,313**	**49.4**
Others		56,187,872	50.6
Total		**111,030,185**	**100.0**
Nominee-registered		41,914,586	37.8

Total number of shareholders 7,904

* Solidium Oy is fully owned by the Finnish State

Consolidated income statement (IFRS)

MEUR	NOTE	1 JAN.–31 DEC. 2008	1 JAN.–31 DEC. 2007
Total revenue	1, 2, 3		
Rental income and service charges		210.8	193.4
Interest income from finance leases		0.3	0.3
Service income		0.0	6.1
Fund management fees and share of fund profits	4	13.1	11.1
		224.3	**210.9**
Expenses			
Maintenance expenses	5	-55.5	-55.2
Service		0.0	-1.4
Direct fund expenses		-2.0	-1.5
		-57.5	**-58.1**
Net operating income		**166.8**	**152.8**
Profit/loss on sales of investment properties	6	12.1	1.2
Valuation gains and losses		-36.0	92.9
Amortization of goodwill	18	-13.0	–
Profit/loss on sales of trading properties	24	21.5	35.6
Sales and marketing expenses		-2.1	-2.0
Administrative expenses	9, 10, 11	-22.1	-23.9
Share of results of associated companies	21	-0.4	–
Other operating income	7	0.8	0.5
Other operating expenses	8	-1.3	-0.4
Operating profit		**126.2**	**256.7**
Financial income		1.7	4.4
Financial expenses		-89.1	-76.1
Provision for interest expenses		-0.1	-0.6
Net financing costs	12	**-87.5**	**-72.3**
Profit before taxes		**38.7**	**184.4**
Income taxes for current and previous periods		-1.3	-0.4
Deferred tases		-10.8	-47.4
Income taxes total	13	**-12.1**	**-47.8**
Profit for the period		**26.6**	**136.6**
Attributable to:			
Equity holders of the parent company		26.7	136.5
Minority interest		-0.1	0.1
Profit for the period		**26.6**	**136.6**
Earnings per share based on profit attributable to equity holders of the parent company:			
Basic and diluted earnings per share.EUR	14	0.24	1.27
Basic and diluted number of shares, million		111.0	107.8

Consolidated balance sheet (IFRS)

MEUR	NOTE	31 DEC. 2008	31 DEC. 2007
Assets			
Non-current assets			
Investment properties	15	2,907.5	2,534.9
Investments in real estate funds	16	60.6	35.0
Property, plant and equipment	17	14.5	15.7
Goodwill	18	14.5	27.5
Other intangible assets	19	0.0	4.1
Finance lease receivables	20	2.7	2.7
Holdings in associated companies	21	3.3	–
Other investments	22	4.7	26.4
Deferred tax assets	23	56.6	56.9
Total non-current assets		**3,064.5**	**2,703.2**
Current assets			
Trading properties	24	29.5	37.2
Trade and other receivables	25	56.7	130.7
Cash and cash equivalents	26	16.0	27.4
Total current assets		**102.3**	**195.3**
Total assets		**3,166.8**	**2,898.5**
Shareholders' equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital		111.0	111.0
Share premium reserve		159.5	159.5
Translation difference		-1.4	0.7
Fair value reserve		-19.7	9.8
Revaluation reserve		0.6	0.6
Invested non-restricted equity reserve		209.7	209.7
Other equity reserve		129.0	–
Retained earnings		412.5	441.3
		1,001.2	**932.6**
Minority interest		1.8	2.2
Total shareholders' equity	27	**1,003.0**	**934.8**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	28	1,543.8	1,056.4
Provisions	30	8.7	15.0
Other liabilities		26.3	–
Deferred tax liabilities	23	214.6	212.6
Total non-current liabilities		**1,793.4**	**1,284.0**
Current liabilities			
Current interest-bearing loans and borrowings	31	284.5	606.3
Trade and other payables	32	85.9	73.4
Total current liabilities		370.4	679.7
Total liabilities		**2,163.8**	**1,963.7**
Total shareholders' equity and liabilities		**3,166.8**	**2,898.5**

Consolidated statement of cash flows (IFRS)

MEUR		1 JAN.–31 DEC. 2008	1 JAN.–31 DEC. 2007
Cash flow from operating activities			
Profit for the period		26.6	136.6
Adjustments	1)	137.2	26.9
Change in net working capital	2)	49.8	135.1
Interest received		1.3	4.5
Interest paid		-70.3	-78.4
Other financial items		-2.2	-13.7
Dividends received		0.0	–
Taxes received/paid		-1.8	0.5
Net cash flow from operating activities		**140.7**	**211.5**
Cash flow from investing activities			
Acquisition of investment properties	3)	-466.7	-280.3
Capital expenditure on real estate funds		-16.3	-15.6
Acquisition of property, plant and equipment and intangible assets		-0.8	-1.7
Proceeds from sale of investment properties	4)	93.9	277.9
Proceeds from disposal of fixed assets		0.0	–
Repayments of loan receivables		–	0.7
Net cash from investment activities		**-389.8**	**-19.0**
Cash flow from financing activities			
Proceeds from share issue		–	239.5
Payment received from equity bond		128.6	–
Non-current loans, raised		540.7	810.5
Non-current loans, repayments		-140.4	-371.9
Current loans, raised/repayments		-235.4	-822.1
Dividends paid		-55.5	-44.7
Net cash from financing activities		**238.0**	**-188.7**
Change in cash and cash equivalents		**-11.1**	**3.8**
Cash and cash equivalents, beginning of period		27.4	23.6
Impact of changes in exchange rates		-0.3	–
Cash and cash equivalents, end of period		**16.0**	**27.4**

NOTES TO THE STATEMENT OF CASH FLOWS, MEUR

	1 JAN.–31 DEC. 2008	1 JAN.–31 DEC. 2007
1) Adjustments		
Proceeds and losses from sale of investment properties	-12.1	-1.2
Valuation gains and losses	36.0	-92.9
Amortization of goodwill	13.0	
Financial income and expenses	87.5	72.3
Income taxes	12.1	47.8
Share of results of associated companies	0.4	–
Other adjustments	0.2	0.9
Adjustments total	**137.2**	**26.9**
2) Specification of change in net working capital		
Change in trading properties	6.4	186.3
Changes in current receivables	64.5	-74.5
Changes in non-interest-bearing current liabilities	-14.7	31.3
Changes in provisions	-6.4	-8.0
Change in net working capital	**49.8**	**135.1**
3) Acquisition of investment properties		
Acquisition of subsidiaries		
Acquisition cost of companies	217.4	51.3
Cash and cash equivalents of acquired companies at acquisition date	-2.0	-0.1
Cash flow from acquisitions less cash and cash equivalents of acquired companies	**215.4**	**51.2**
Acquired properties	11.8	13.2
Other acquisitions of investment properties	239.4	215.9
Total acquisition of investment properties	**466.7**	**280.3**
Assets and liabilities of acquires subsidiaries		
Net working capital	-1.1	8.6
Total non-current assets	219.4	60.8
Interest-bearing liabilities	-2.7	-15.3
Non-interest-bearing liabilities	-0.1	-2.9
Net total of assets and liabilities of acquired subsidiaries	**215.4**	**51.2**
4) Proceeds from sale of investment properties		
Proceeds from sale of subsidiaries		
Proceeds	94.0	256.7
Cash and cash equivalents of sold subsidiaries	0.0	–
Proceeds from sale of subsidiaries	**93.9**	**256.7**
Other proceeds from sale of investment properties	–	21.2
Total proceeds from sale of investment properties	**93.9**	**277.9**
Assets and liabilities of sold subsidiaries		
Net working capital	-0.1	–
Investment properties	82.0	255.6
Sales gain / loss	12.1	1.1
Net total of assets and liabilities of sold subsidiaries	**93.9**	**256.7**

Consolidated statement of changes in equity

MEUR	SHARE CAPITAL	SHARE PREMIUM RESERVE	TRANSLATION DIFFERENCE	FAIR VALUE RESERVE	REVALUATION RESERVE	INVESTED NONRESTRICTED EQUITY RESERVE	OTHER EQUITY RESERVE	RETAINED EARNINGS	TOTAL	MINORITY INTEREST	TOTAL EQUITY
Equity at 31 Dec. 2006	79.3	159.5	–	2.3	0.6	–	–	349.3	591.0	1.8	592.8
Cash flow hedges:											
Amount taken to equity				9.6					9.6		9.6
Amount recognized in the income statement				0.1					0.1		0.1
Instruments of reversed hedge accounting				0.4					0.4		0.4
Translation difference			0.7						0.7		0.7
Taxes on items recognized in equity or transferred from equity				-2.6					-2.6		-2.6
Total income and expenses recognized directly in equity			**0.7**	**7.5**					**8.2**		**8.2**
Profit for the period								136.5	136.5	0.1	136.6
Total income and expenses for the period			**0.7**	**7.5**				**136.5**	**144.7**	**0.1**	**144.8**
Increase									–	0.5	0.5
Dividends								-44.7	-44.7	-0.2	-44.9
Increase in share capital	31.7					209.7			241.4		241.4
Options settled and paid in shares								0.2	0.2		0.2
Equity at 31 Dec. 2007	**111.0**	**159.5**	**0.7**	**9.8**	**0.6**	**209.7**	**–**	**441.3**	**932.6**	**2.2**	**934.8**
Equity at 31 Dec. 2007	111.0	159.5	0.7	9.8	0.6	209.7	–	441.3	932.6	2.2	934.8
Cash flow hedges:											
Amount taken to equity				-40.6					-40.6		-40.6
Amount recognized in the income statement				0.7					0.7		0.7
Instruments of reversed hedge accounting									0.0		0.0
Translation difference			-2.0						-2.0		-2.0
Other changes								0.1	0.1		0.1
Taxes on items recognized in equity or transferred from equity				10.4					10.4		10.4
Total income and expenses recognized directly in equity			**-2.0**	**-29.5**				**0.1**	**-31.5**		**-31.5**
Profit for the period								26.7	26.7	-0.1	26.6
Total income and expenses for the period			**-2.0**	**-29.5**				**26.8**	**-4.8**	**-0.1**	**-4.9**
Increase									–	-0.3	-0.3
Dividends								-55.5	-55.5		-55.5
Increase in share capital							129.0		129.0		129.0
Options settled and paid in shares								0.0	0.0		0.0
Equity at 31 Dec. 2008	**111.0**	**159.5**	**-1.4**	**-19.7**	**0.6**	**209.7**	**129.0**	**412.5**	**1,001.2**	**1.8**	**1,003.0**

Key figures (IFRS)

		31.12.2008	31.12.2007	31.12.2006	31.12.2005	31.12.2004
1.	Total revenue, M€	224.31	210.96	117.43	103.06	99.21
2.	Operating profit, M€	126.22	256.68	103.90	65.48	17.07
	% of total revenue	56.27	121.68	88.91	63.54	17.20
3.	Profit before taxes, M€	38.71	184.40	65.40	39.16	-9.53
	% of total revenue	17.26	87.41	55.96	38.00	-9.61
4.	Gross expenditure on non-current assets, M€	502.64	254.00	1,244.58	52.12	59.32
	% of total revenue	224.09	120.40	1,065.01	50.57	59.80
5.	Shareholders' equity per share, €	7.86	8.40	7.45	7.25	7.44
6.	Earnings per share (EPS), €	0.24	1.27	0.61	0.37	0.04
7.	Return on investment, %	4.71	10.05	7.19**)	5.57	1.50
8.	P/E ratio, %	12.89	6.45	19.68	21.21	176.89
9.	Equity ratio, %	31.75	32.30	20.19	44.91	47.11
10.	Debt equity ratio, %	182.28	177.86	338.30	107.22	99.13
11.	Gearing, %	180.68	174.93	334.32	107.08	98.84
12.	Dividend, €	0.00*)	0.50	0.40	0.50	0.50
13.	Payout ratio, %	0.00*)	39.49	65.60	133.42	1,231.80
14.	Effective dividend yield, %	0.00*)	6.12	3.33	6.29	6.96
15.	Market capitalization, M€	344.19	907.12	951.69	629.67	565.99
16.	Lowest and highest share prices, €	2.32/8.75	7.40/13.29	7.44/13.00	6.81/9.34	6.00/7.40
17.	Average share price, €	5.41	10.55	9.08	7.93	6.76
18.	Closing share price, €	3.10	8.17	12.00	7.95	7.18
19.	Weighted average number of shares million	111.0	107.8	79.3	79.0	78.6
20.	Weighted average number of shares million diluted	111.0	107.8	79.3	80.3	80.3
21.	Return on shareholders' equity (ROE), %	2.74	17.87	8.46**)	5.10	0.54
22.	Interest-bearing liabilities, M€	1,828.26	1,662.68	2,005.60	615.73	581.52
23.	Non-interest-bearing liabilities, M€	335.50	301.00	340.98	88.72	77.62
24.	Net assets per share, €	7.86	8.40	7.45	7.25	7.44
25.	EPRA NAV, net assets per share, €	9.64	10.04	9.54	–	–
26.	Cash flow from operations per share, €	0.78	0.81	0.56	0.57	0.53
27.	Share turnover, million shares	108.88	94.92	41.94	31.77	43.56
28.	Share turnover (%)	98.06	88.06	52.89	40.21	55.42

*) Proposal of the Board of Directors
**) These 2006 key figures have been calculated using the quarterly weighted average figures in the balance sheet.

Calculation of key ratios

Shareholders' equity per share, EUR [*)] $= \dfrac{\text{Equity attributable to equityholders of the parent company at year end} - \text{Other equity reserve}}{\text{Adjusted number of shares at year end}}$

Earnings per share (EPS), EUR $= \dfrac{\text{Profit for the period attributable to equity holders of the parent company}}{\text{Average adjusted number of shares during the period}}$

Return on investment,% [**)] $= 100 \times \dfrac{\text{Profit before taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average during the period)}}$

P/E ratio (price/earnings) $= \dfrac{\text{Share price at year end}}{\text{Earnings per share}}$

Equity ratio, % $= 100 \times \dfrac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}}$

Debt-to-equity ratio, % $= 100 \times \dfrac{\text{Interest-bearing loans and borrowings}}{\text{Shareholders' equity}}$

Gearing, % $= 100 \times \dfrac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Shareholders' equity}}$

Payout ratio, % $= 100 \times \dfrac{\text{Dividend per share}}{\text{Earnings per share}}$

Effective dividend yield, % $= 100 \times \dfrac{\text{Dividend per share}}{\text{Share price at year end}}$

Market capitalization, MEUR = Number of shares at year end × share price at year end

Average share price, EUR $= \dfrac{\text{Value of trading volume}}{\text{Volume traded}}$

Return on shareholders' equity (ROE), % [**)] $= 100 \times \dfrac{\text{Profit for the period attributable to equity holders of the parent company}}{\text{Equity attributable to equity holders of the parent company (average during the period)}}$

Net assets per share, EUR [*)] $= \dfrac{\text{Fair value of assets} - \text{Other equity reserve} - \text{Minority interest} - \text{liabilities}}{\text{Number of shares at year end}}$

EPRA NAV, equity per share, EUR [*)] =

Equity attributable to equity holders of the parent company at year end
- Other equity reserve
+ Deferred tax relating to the fair valuation of property and to depreciation difference arising from property
- Goodwill relating to deferred tax liability on properties

divided by: Adjusted number of shares at year end

Cash flow from operations per share, EUR =

Operating profit
+/- Valuation gains and losses
+ Amortization of goodwill
+ Administrative depreciation
+/- Changes in provisions
+/- Defined benefit pension expenses
- Financial income and expenses affecting cash flow
- Taxes affecting cash flow
+/- Other items

divided by: Average adjusted number of shares during the period

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

Accounting Policies for the Consolidated Financial Statements

Basic information

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

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

The Board of Directors has approved the financial statements on 6 February 2009. Copies of the Group's financial statements can be obtained from Sponda Plc, Korkeavuorenkatu 45, 00130 Helsinki, Finland and on the Internet at www.sponda.fi.

Basis of preparation

The consolidated financial statements are prepared in conformity with the International Financial Reporting Standards (IFRS) applying the standards and interpretations endorsed for use in the EU and in force on 31 December 2008. The notes to the consolidated financial statements also comply with the provisions of Finnish accounting and corporate legislation.

The consolidated financial statements are presented in millions of euros and prepared on the historical cost basis except for investment properties, investments in real estate funds and certain financial instruments, which are measured at fair value.

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

Since 1 January 2008 Sponda has applied the following new or amended IASB standards and interpretations:

- FRIC 11 IFRS 2 – *Group and Treasury Share Transactions.* The interpretation applies to share-based transactions (IFRS 2) and requires these transactions to be reassessed in subsidiaries.
- IFRIC 12 *Service Concessions Arrangements.* The interpretation applies to the accounting treatment of concessions arrangements with the public sector. *
- FRIC 14 IAS 19 – *Limit on a Defined Benefit Asset*, Minimum Funding Requirements, and their Interaction. The interpretation applies to defined benefit arrangements after the termination of employment as stated in IAS 19 and other long-term defined employee benefits, when there is a minimum funding requirement. The interpretation also gives guidelines on when to recognize an asset in the balance sheet.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – *Reclassification of Financial Assets* (effective from 1 July 2008). The amendments were issued because of the global financial crisis and they apply to the reclassification of certain financial assets. Reclassification is permitted for a defined period retrospectively and after that in certain exceptional situations. The amendments to the standards have been approved for use in the EU.

* Not approved yet in the EU.

Principles of consolidation

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

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

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

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

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

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

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

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

Foreign currency transactions

The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Monetary items in foreign currency are translated into the functional currency using the rates prevailing at the balance sheet date. Non-monetary items in foreign currency are translated at the rates prevailing at the transaction dates except for items measured at fair value, which are translated into the functional currency using the exchange rate prevailing at the measurement date. Gains and losses resulting from foreign currency transactions and from the translation of monetary items denominated in foreign currencies are recognized in the income statement in financial income and expenses. Foreign currency gains and losses resulting from operating activities are included in the corresponding items above operating profit.

The income statements of foreign group companies are translated into euros using the average exchange rates for the financial period and their balance sheets using the exchange rates prevailing at the balance sheet date, and exchange rate differences arising from this are recognized in the translation difference for shareholders' equity. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and from equity items incurred after acquisition are recognized in shareholders' equity. In connection with the sale of a subsidiary, translation differences are recognized in the income statement as part of sales gains or losses.

Investment properties

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

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

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

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

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

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

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

Investment properties for development

Major development projects, in which a new building or an extension to a building is built, are measured until completion in accordance with IAS 16 *Property, Plant and Equipment*. The acquisition cost of the development property then comprises the costs during construction plus the value of the land site measured at fair value.

After completion the property is transferred from the Development Properties segment to completed properties in the appropriate business segment and is measured at fair value. Gains or losses from the assessment are recognized in the income statement.

When Sponda develops existing completed investment properties, the properties are valued at their fair value before starting the project, plus the accumulated development costs.

Investments in real estate funds

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

Property, plant and equipment

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

Useful lives of property, plant and equipment:

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

Goodwill and other intangible assets

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

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

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

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

Trading properties

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

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

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

Impairment of assets

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

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

Financial assets and liabilities

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

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

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

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

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

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

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

Derivative instruments and hedge a ccounting

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

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

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

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

Cash and cash equivalents

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

Treasury shares

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

Hybrid loan

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

Provisions

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

Non-current assets held for sale and discontinued operations

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

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

Leases, the group as a lessor

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

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

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

Leases, the group a s a lessee

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

Total revenue

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

Expenses

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

Net income

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

Operating profit

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

Employee benefits

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

Sponda has an incentive scheme for management. Persons covered by this scheme have the right to a bonus to be determined by the performance criteria set for each year. The size of the bonus is determined annually. A condition for the bonus to be granted is the fulfilment of the performance criteria and the person's continued employment in the company. Bonuses are not paid in cash; instead, the amount of bonus, less taxes and other employer contributions, is used to buy shares for the bonus recipient, who is required to keep the shares for two years from receiving them.

The part of the bonus used to pay tax and other charges is recognized in personnel expenses for the period from which the bonus is determined. The part paid in shares is accounted for as a share-based arrangement settled in equity and is recognized as personnel expenses on straight-line basis over the vesting period. The counter-entry for the part paid in shares is taken directly to retained earnings.

Income tax

Income tax expense in the income statement consists of the current tax and changes in deferred tax assets or liabilities. The tax payable by Group companies for the period is calculated using the taxable profit as determined in accordance with local legislation. The tax is adjusted for any taxes related to prior periods.

Deferred tax liabilities or assets are recognized on all temporary differences between the tax basis of the assets and liabilities and their carrying amounts for financial reporting purposes under IFRS with the exception of the initial recognition of an asset as referred to in Paragraph 15 of IAS 12 *Income Taxes*. In Sponda such assets are investment property acquisitions that do not fall within the definition of the company's business operations and are therefore classified as asset acquisitions.

The most significant temporary difference in Sponda is the difference between the fair values of the investment properties and their carrying amounts for tax purposes. The carrying amount for tax purposes is the value of an asset in a property company. Other temporary differences arise, for example, from the measurement of financial instruments at fair value and unused tax losses. Deferred taxes are calculated using the tax rates enacted by the balance sheet date.

Changes in deferred taxes are recognized in the income statement except when they relate to items credited or debited directly to equity. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilized.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss for the period attributable to equity holders of the parent company by the weighted average number of shares outstanding during the financial period.

New or amended IFRS standards and interpretations

In 2009 Sponda will adopt the following new standards and interpretations issued by the IASB:

- IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009 or after) which replaces IAS 14 Segmenting Reporting. The new standard will affect the presentation of segment information.
- IAS 23 *Borrowing Costs*, (revised in 2007) (effective for annual periods beginning on or after 1 January 2009). The revised standard requires borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset to be included in the acquisition cost. As was previously permitted, the Group has recognized borrowing costs in the period in which they were incurred. The change in the accounting principle affects the income statement between borrowing costs and change in fair value.
- IFRIC 13 *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008). The interpretation will have no impact on the Group's future financial statements.
- IAS 1 *Presentation of Financial Statements*, (revised in 2007) (effective for annual periods starting on 1 January 2009 or after). The changes mainly affect the presentation of the income statement and of calculation of changes in equity.
- Amendments to IFRS 2 *Share-based payment – Vesting Conditions and Cancellations* (effective for annual periods beginning on or after 1 January 2009). The amendment states that all non-vesting conditions should be included in the grant date fair value of equity instruments. The amendment also revises the instructions for the accounting treatment of cancellations. The interpretation will not have an impact on the Group's future financial statements.
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 32 Financial Instruments: *Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation* (effective for annual periods beginning on or after 1 January 2009). The amendments require puttable financial instru-

ments that meet certain criteria to be classified as equity, whereas until now they have been treated as financial liabilities. Applying the amended standards will not have an impact on the Group's future financial statements.

- *Improvements to IFRSs* (Annual Improvements 2007) (effective mainly for annual periods beginning on or after 1 January 2009). Through the Annual Improvements process, minor, less urgent amendments to standards are collected together in a single document and implemented once a year. The changes involved affect altogether 34 standards. The Group's future financial statements will be affected by the amendment to IAS 40 *Investment Properties*, under which property under construction or development for future use as investment property will in future be valued at fair value instead of acquisition cost. The amendment will not have a significant impact on the Group's future financial statements.
- IFRIC 15 *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 January 2009). The interpretation gives guidelines for identifying the applicable standard for recognizing revenue from the construction of property, and for when the revenues from a construction project can be recognized. The interpretation will not have an impact on the Group's future financial statements. *
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods begnning on or after 1 October 2008). The interpretation clarifies the accounting treatment in the consolidated financial statements of hedges of net investments in a foreign operation. The interpretation will not have an impact on the Group's future financial statements. *

In 2010 Sponda will adopt the following new standards issued by the IASB:

- IFRS 3 *Business Combinations* (revised 2008) and IAS 27 Consolidated and *Separate Financial Statements* (amended 2008), (effective for annual periods beginning on or after 1 July 2009). The changes will affect the amount of goodwill recognized for acquisitions, items recognized in the income statement and the treatment of any extra transaction expenses. The amendment to the standard gives guidelines for the accounting treatment of changes in ownership. The amendment to the accounting principle is not expected to have a significant impact on the Group's future financial statements, since the amendment mainly affects the treatment of acquisitions classified as businesses. *
- Amendment to IAS 39 *Financial instruments: recognition and measurement* (*Eligible Hedged Items*) (effective for annual periods beginning on or after 1 July 2009). The amendments affect hedge accounting. They revise the IAS 39 guidelines on hedging a one-sided risk in a hedged item and on hedging an inflation risk, for a financial asset or liability. The Group considers that the amendment will not have a significant impact on the Group's future financial statements. *

* Not yet approved in the EU.

Accounting policies requiring management's judgment and key sources of estimation uncertainty

Sponda's management exercises judgment when taking decisions about the choice of accounting policies for the financial statements and their application. This concerns in particular situations in which the IFRS standards have alternatives for recognition, measurement or presentation.

The preparation of the financial statements in accordance with IFRSs requires management to some extent to make estimates and assumption that affect the recognition of assets, liabilities, income and expenses. The estimates and assumptions are based on earlier experience and the best understanding on the balance sheet date. Actual results may differ from the estimates.

In Sponda, management's judgment, estimates and assumptions mainly concern the fair value measurement of investment properties, impairment testing for goodwill, recognition of deferred taxes and provisions.

Determining the fair value of investment properties using the discounted cash flows method is a key element in the financial statements, and requires significant management estimates and understanding especially concerning future developments in yield requirements, market rental rates and occupancy rates. The fair value of investment properties reflects, among other things, the rental income based on existing leases as well as reasonable and well-founded estimates of future rental income made by knowledgeable willing parties in the light of current conditions. It also reflects expected future cash payments related to each property in question. The yield requirement is determined for each property taking into account the property-specific risks and the market risk. The discount rate is determined by adding the expected long-term rate of inflation to the required yield.

Impairment testing for goodwill relates to the goodwill allocated to certain development projects planned in the Helsinki Metropolitan Area that came with the Kapiteeli acquisition and are in the property development unit. Impairment testing requires management's judgment concerning the costs during construction and the fair value of an investment property when it is completed and is transferred to the category of completed investment properties. The difference between the fair value of the completed property and the accrued acquisition cost is recognized in the income statement.

Before starting a project, the fair value at completion of the investment property being developed is determined using the 10 year discounted cash flows method with the same variables and parameters as for the fair value of completed investment properties. Rental income is based either on leases made in advance with future tenants or on management estimates of future rents and occupancy rates. Management assesses the accuracy of the calculations by testing for impairment. If there is indication of changes in the estimates and assumptions due to the market or other reasons, the calculations are revised to correspond to the best understanding at the moment of testing. The sensitivity of the yield requirement to change is also assessed.

Management also checks that the construction costs for the project stay within the prepared cost estimate. If there are indications of a rise in costs or of other causes as a result of which costs may be exceeded, the values are updated.

Deferred tax assets and liabilities are recognized on all temporary differences between the tax basis of the assets and liabilities and their carrying amounts for financial reporting purposes with the exception of the initial recognition of an asset as referred to in IAS 12.15.b. Management has exercised judgment such that individual acquisitions of investment properties at Sponda are classified as acquired assets, because in the view of management a single property and its lease agreements do not form a business entity; real estate business also requires marketing and development activities for properties, management of tenancies, and management of property repairs and renovation. All these business processes and the people responsible for them are at Sponda Plc and not in the individual properties or property companies.

The most important temporary difference in Sponda is the difference between the fair values of the investment properties and their carrying amounts for tax purposes. The carrying amount for tax purposes is the value of the asset in the property company. Other temporary differences arise, for example, from tax losses carried forward, provisions and financial instruments. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences or unused tax losses can be utilized. It may become necessary to decrease the carrying amount of deferred tax assets if future taxable income differs from the estimate.

The tax authority decided to deviate from the 2006 tax returns of Sponda Kiinteistöt Oy (formerly Kapiteeli Oyj) regarding the deductibility of confirmed losses. Based on an appeal by Sponda, the tax assessment adjustment board amended the tax authority's decision on 19 December 2007. The state official representing the interests of tax recipients still has the right of appeal. Based on the judgment of company management, the financial statements have been prepared in accordance with the decision of the tax assessment adjustment board and the available confirmed losses for tax years 1996 – 1999 have been set against taxable profit.

With respect to ***provisions***, management estimates and assumptions concern the reliable assessment of the probability of a payment obligation and the amount of the obligation. The estimates may need to be adjusted as a result of changes in the amount of obligation or its maturity date and as a result of changes in the discount rate. These changes may affect future results. Sponda recognizes provisions on properties when the company knows that it will incur costs on these properties arising from soil restoration, compensation related to land use agreements, and property demolition. Provisions also include obligations that have arisen from disputes in progress where the settlement of the obligation is considered probable.

1. Segment information, Business areas

Segment information is presented in respect of the Group's business and geographical segments. Sponda reports its business segments as the primary reporting format and this corresponds with the company's internal organization and management reporting structure.

Business segments

Sponda's operations are organized in five business units: Office and Retail Properties, Logistics Properties, Property Development, Real Estate Funds, and Russia and the Baltic Countries.

Office and Retail Properties and *Logistics Properties* concentrate on leasing Sponda's business premise properties, and on the purchasing and sale of properties. Customer service managers are responsible for managing the leasing of business premises and customer relations.

Property Development concentrates on marketing and executing new property projects, based on customer needs. It focuses on undeveloped land sites and building renovation especially in the Helsinki Metropolitan Area but also in other parts of Finland.

The Real Estate Funds business unit owns and manages holdings in retail, office and logistics properties through real estate funds. In accordance with the company's strategy, Sponda's real estate funds carry out business in medium-sized cities in Finland. The regional organizations manage customer relations and the property portfolios.

The Russia and the Baltic Countries business unit focuses on expanding real estate business into new geographical and business areas. Sponda actively looks for office, retail and logistics properties in the market area.

31 DECEMBER 2008, MEUR

	Office and Retail	Logistics	Property Development	Russia and the Baltic Countries	Real Estate Funds	Other	Group Total
Total revenue	155.0	37.9	2.0	16.2	13.2	0.0	224.3
Maintenance expenses and direct fund expenses	-39.9	-9.4	-2.2	-4.1	-1.8	0.0	-57.5
Net operating income	**115.1**	**28.5**	**-0.1**	**12.0**	**11.3**	**0.0**	**166.8**
Profit/loss on sale of investment properties	11.3	0.0	0.8	0.0	0.0	0.0	12.1
Profit/loss on sale of trading properties	4.7	0.0	15.3	0.0	1.6	0.0	21.5
Valuation gains and losses	-57.4	-23.6	43.4	-6.0	7.7	0.0	-36.0
Amortization of goodwill	0.0	0.0	-13.0	0.0	0.0	0.0	-13.0
Administration and marketing expenses	-7.7	-2.1	-3.4	-4.7	-6.3	0.0	-24.2
Other income and expenses	-0.9	0.0	0.0	0.0	0.0	0.0	-0.9
Operating profit	**65.0**	**2.8**	**42.9**	**1.3**	**14.3**	**0.0**	**126.2**
Financial income and expenses						-87.5	-87.5
Profit before taxes						**-87.5**	**38.7**
Income taxes						-12.1	-12.1
Profit for the period						**-99.6**	**26.6**
Capital expenditure	69.5	23.8	205.2	187.1	16.3	0.7	502.6
Depreciation and amortization						-0.5	-0.5
Segment assets	2,004.9	462.8	198.7	258.3	60.6	181.5	3,166.8
Segment liabilities	18.7	13.5	2.2	7.3	0.6	43.6	85.9

The column 'Other' contained in 2007, the year for comparison, the figures from the income statement of Ovenia Oy, which was a subsidiary then. On 24 January 2008 Sponda Plc's holding in Ovenia Oy fell to 45 %. Since then the figures of Ovenia Oy have been consolidated as a single figure in the consolidated income statement on the line 'Share of result of associated companies'. Ovenia Oy's figures are allocated to the Office and Retail Premises segment.

31 DECEMBER 2007, MEUR

	Office and Retail	Logistics	Property Development	Russia and the Baltic Countries	Real Estate Funds	Other	Group Total
Total revenue	154.4	32.0	2.2	1.9	14.5	5.9	210.9
Maintenance expenses and direct fund expenses	-40.6	-7.8	-2.2	-0.4	-4.5	-2.6	-58.1
Net operating income	**113.8**	**24.2**	**0.0**	**1.5**	**10.0**	**3.3**	**152.8**
Profit/loss on sale of investment properties	-0.5	1.7					1.2
Profit/loss on sale of trading properties	20.7	0.0	15.4	0.0	-0.5	0.0	35.6
Valuation gains and losses	72.5	23.7	-3.3	0.0	0.0	0.0	92.9
Administration and marketing expenses	-9.1	-2.6	-3.2	-1.9	-2.7	-6.4	-25.9
Other income and expenses						0.1	0.1
Operating profit	**197.4**	**47.0**	**8.9**	**-0.4**	**6.8**	**-3.0**	**256.7**
Financial income and expenses						-72.3	-72.3
Profit before taxes						**-75.3**	**184.4**
Income taxes						-47.8	-47.8
Profit for the period						**-123.1**	**136.6**
Capital expenditure	44.8	48.0	94.7	66.5	0.6	0.0	254.6
Depreciation and amortization						-0.7	-0.7
Segment assets	1,910.9	337.1	278.1	77.2	35.1	260.1	2,898.5
Segment liabilities	5.2	1.0	9.0	0.0	2.8	70.5	88.5

2. Geographical areas

The geographical segments are Helsinki Metropolitan Area, Rest of Finland, and Other, the latter comprising Russia and the Baltic countries.

Segment assets and liabilities include those items directly attributable to a segment such as investment properties, trade payables and accrued expenses and deferred income allocated to the acquisition and maintenance of investment properties, provisions and other current liabilities. Unallocated items mainly comprise tax and financial items and items common to the Group as a whole; these are shown under "Other items" in segment information. Capital expenditures are acquisitions of investment properties, their development investments as well as renovations and tenant improvements to investment properties.

MEUR	12/2008	12/2007
Total revenue		
Helsinki Metropolitan Area	170.0	158.3
Rest of Finland	38.1	37.8
Other	16.2	14.8
Group, total	**224.3**	**210.9**
Capital expenditure		
Helsinki Metropolitan Area	234.9	175.7
Rest of Finland	80.6	11.8
Other	187.1	67.1
Group, total	**502.6**	**254.6**
Segment assets		
Helsinki Metropolitan Area	2,343.1	2,301.3
Rest of Finland	321.8	224.8
Other	501.9	372.4
Group, total	**3,166.8**	**2,898.5**

3. Total revenue from properties

MEUR	12/2008	12/2007
Rental income and recoverables	210.8	193.4
Interest income from finance lease agreements	0.3	0.3
Service income	0.0	6.1
Fund management fees and share of fund profits	13.1	11.1
Profit/loss on sale of investment properties	12.1	1.2
Profit/loss on sale of trading properties	21.5	35.6
Total	**257.9**	**247.7**

Rental income

The expected rental income from existing leases is:

MEUR	
2009	200.8
2010–2013	464.4
2014–	394.3
Total	**1,059.5**

Accruals are the current accruals from lease contracts less index increases. Lease contracts signed for an indefinite period are included up to the date of expiry stated in the contract.

4. Service income, fund management fees and share of fund profits

MEUR	2008	2007
Fund management fees	8.5	7.8
Share of fund profits	4.7	3.3
Total	**13.1**	**11.1**

5. Maintenance expenses

The line 'Maintenance costs' in the income statement includes EUR 0.9 million (2007: EUR 0.7 million) of maintenance expenses for investment properties that have not accrued rental income during the year. Most of these investment properties are undeveloped land sites and development projects from which no rental income has been received yet.

6. Profit/loss on sale of investment properties

MEUR	2008	2007
Profit on sales	12.3	1.9
Loss on sales	-0.2	-0.7
Total	**12.1**	**1.2**

7. Other operating income

MEUR	2008	2007
Rent liability	0.0	0.1
Share of bankruptcy estate	0.2	0.3
Other income	0.6	0.1
Total	**0.8**	**0.5**

8.Other operating expenses

MEUR	2008	2007
Credit losses and uncertain receivables	0.6	0.0
Other expenses	0.7	0.4
Total	**1.3**	**0.4**

9. Auditor fees

MEUR	2008	2007
Authorized Public Accountants KPMG Oy		
Audit	0.2	0.2
Tax consultancy	0.0	0.0
Other service	0.2	0.5
	0.4	**0.7**

10. Employee benefit expenses and number of employees

MEUR	2008	2007
Management remuneration		
President and CEO	0.4	0.4
Other Executive Board members	0.9	0.6
Board of Directors	0.3	0.3
Incentive bonuses paid to management	0.7	1.1
Share-based payments to management	0.3	0.2
Other wages and salaries	7.5	7.8
Defined benefit pension plans	0.0	0.0
Defined contribution pension plans	1.8	1.4
Other social security costs	0.6	0.5
Total	**12.4**	**12.2**

The salary and fees paid to Sponda Plc's president and CEO totalled EUR 462,000.00 (2007: 467,000.00).

In addition the President and CEO was paid a bonus under the incentive scheme of EUR 361,000 in 2008 (2007: 308,000.00).

The members of Sponda Plc's Board of Directors were paid a monthly fee for their work on the Board, plus a fee for each meeting attended. The chairman of the Board was paid EUR 68,000.00 (2007: 64,000.00) for the year, the deputy chairman EUR 46,000.00 (2007: 42,000.00) and the other members of the Board EUR 168,000.00 in total (2007: 148,000.00).

The President and CEO is paid a full salary and he and the members of the Executive Board also participate in the long-term share-based incentive scheme for top management introduced on 1 January 2006. Any bonuses paid under this scheme are based on the company's cash flow from operations per share and return on investment in the vesting period. The bonuses, less taxes and other employer contributions, are used to purchase company shares for the person. The incentive scheme contains three annual vesting periods, each of which bears the condition of continuing in the company's employment for two years. The shares may not be disposed of within two years of their receipt. The bonus is paid annually.

MAIN TERMS OF INCENTIVE SCHEME

Grant date:	1.1.2008	1.1.2007	1.1.2006
Issue date	1.1.2009	1.1.2008	1.1.2007
Number of instruments granted*	123,565	74,613	28,767
Share price on issue date*	3.10	8.08	12.62
Vesting period ends	31.12.2008	31.12.2007	31.12.2006
Shares become free for disposal	31.12.2010	31.12.2009	31.12.2008
Settled as	Shares	Shares	Shares

* The 2008 figure is based on an estimate by management. Actual values may differ from the estimate.

CHANGES IN SHARE BONUS DURING THE PERIOD	2008	2007	2006
Share bonus granted at start of the period	103,380	28,767	–
Bonuses granted in the period	123,565	74,613	28,767
Bonuses forfeited during the period	–	–	–
Bonuses that became free for disposal during the period	–	–	–
Share bonuses granted at end of the period	226,945	103,380	28,767

Management's pension obligations and termination benefits

The president and CEO of Sponda Plc is entitled to retire on reaching 63 years of age and his pension is determined in accordance with the Employee Pensions Act (TEL).

According to the president's contract of employment the period of notice of termination of employment is six months. Should the company terminate his contract of employment, the president is entitled to receive compensation corresponding to 12 months' salary.

The members of the Executive Board are insured with a contribution-based group pension insurance. Sponda Plc makes an annual insurance payment until the member of the Executive Board reaches the age of 63 years. In addition, the members of Sponda's Executive Board are entitled to participate in a voluntary group pension scheme. Under the terms of this scheme the accrued savings may be withdrawn between the ages of 60 and 65 or as a supplementary pension in addition to the individual's statutory earnings-related pension.

PERSONNEL ON AVERAGE	2008	2007
White collar, number of employees	137	217

11. Depreciation and amortization by asset item

MEUR	2008	2007
Property, plant and equipment		
Buildings and structures	0.2	0.2
Machinery and equipment	0.2	0.2
Other tangible assets	0.0	0.1
	0.5	**0.5**
Intangible assets		
Customer relationships	0.0	0.8
Trademarks	0.0	0.1
Technology	0.0	0.1
Computer software	0.1	0.1
	0.1	**1.1**
Total	0.5	1.6

In connection with the acquisition of Kapiteeli Group in 2006, EUR 5 million was allocated to the value of the customer accounts and trademark of and the technology developed by Kapiteeli's subsidiary Ovenia Oy. Sponda Group's holding in Ovenia Oy fell to 45% on 24 January 2008, when the balance sheet values of the customer accounts, trademark and technology were transferred to "Holdings in associated companies". The planned depreciation on these assets is not shown directly in the consolidated income statement but it affects the Group's result through the result of the associated companies.

12. Financial income and expenses

MEUR	2008	2007
Financial income		
Interest income		
Loans and receivables	1.6	3.9
Change in fair value		
Recognized at fair value through profit and loss	0.1	0.5
Total	**1.7**	**4.4**
Financial expenses		
Interest expenses		
Interest expenses on liabilities recognized at amortized cost	-81.8	-69.1
Interest rate derivatives subject to hedge accounting, ineffective portion	0.0	-0.1
Other financial expenses, loan management expenses*	-6.9	-4.8
Sampo Bank's suit for payment **	-0.1	-0.6
Foreign exchange losses	0.0	-2.0
Change in fair value		
Recognized at fair value through profit and loss	-0.3	-0.1
Total	**-89.2**	**-76.7**
Financial income and expenses, total	**-87.5**	**-72.3**

* Other financial expenses include a change of EUR -5.8 (0.0) million in the fair value of interest rate options in hedge accounting and non-hedge accounting. ** In a ruling issued on 19 January 2009, the Helsinki Court of Appeal ordered Sponda Plc to pay interest, penal interest and court costs totalling EUR 7.6 million to Sampo Bank Plc based on a credit agreement. The decision is final unless appeal has been made by 20 March 2009.

The amount of Sampo Bank's suit for payment, EUR 7.6 million, was recognized as an expense under provisions in the 2006 financial statements, so the ruling has no impact on Sponda's result. EUR 0.6 million was recognized as an interest expense under provisions in 2007 and EUR 0.1 million in 2008, so the total provision is EUR 8.3 million on 31 December 2008.

13. Income taxes

MEUR	2008	2007
Current tax expense	1,3	0.4
Deferred tax	10.8	47.4
Total	**12.1**	**47.8**

Reconciliation between the income tax expense recognized in the income statement and the taxes calculated using the parent company's domestic corporate tax rate of 26%:

MEUR	2008	2007
Profit before taxes	**38.7**	**184.4**
Income tax using the parent company's domestic corporate tax rate	10.1	47.9
Difference between tax rate in Finland and in other countries	0.4	0.0
Tax exempt income/non-deductible expenses	-0.5	2.4
Reversal of impairment losses of sold subsidiaries	0.0	1.4
Group adjustments in conjunction with sale	-1.3	–
Amortization of goodwill	3.4	–
Utilization of tax losses from prior periods	-0.1	-14.9
Current period losses	0.2	11.0
Other items	0.1	0.0
Tax expense in the income statement	**12.1**	**47.8**

14. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to the equity holders of the parent company by the weighted average number of shares outstanding.

MEUR	2008	2007
Profit for the period attributable to the equity holders of the parent company	26.7	136.5
Weighted average number of shares during the period (milj.)	111.0	107.8
Basic earnings per share (€/share)	0.24	1.27

There were no diluting instruments in 2008 and 2007.

15. Investment properties

MEUR	2008	2007
Fair value of investment properties 1 Jan.	2,534.9	2,455.1
Acquisition of investment properties	210.6	115.1
Other capital expenditure on investment properties	275.0	138.9
Disposals of investment properties	-82.8	-277.0
Reclassifications to/from property, plant and equipment	1.3	4.2
Reclassifications from trading properties	14.7	7.6
Other transfers	-2.5	-1.9
Valuation gains and losses	**-43.7**	**92.9**
Fair value of investment properties 31 Dec.	**2,907.5**	**2,534.9**

Investment properties are properties held by the company for the purpose of earning rental revenue or for capital appreciation. Sponda has chosen the fair value method to measure its investment properties, recognizing changes in their fair values in the income statement. The value of the properties is calculated by the company. Sponda's property portfolio was assessed in the final quarter by Catella Property Oy.

YIELD REQUIREMENTS USED TO CALCULATE THE FAIR VALUES OF THE INVESTMENT PROPERTIES ON 31 DEC. 2008	OFFICE AND RETAIL PROPERTIES	LOGISTICS PROPERTIES
Helsinki Central Business District	5.2 – 7.2	–
Helsinki / Vantaa	5.5 – 8.5	6.5 – 8.7
Espoo	6.85 – 8.25	7.9 – 8.5
Rest of Finland	6.5 – 10.0	8.0 – 8.8
Russia	9.5 – 10.0	10.25

YIELD REQUIREMENTS USED TO CALCULATE THE FAIR VALUES OF THE INVESTMENT PROPERTIES ON 31 DEC. 2007	OFFICE AND RETAIL PROPERTIES	LOGISTICS PROPERTIES
Helsinki Central Business District	5.0 – 6.5	–
Helsinki / Vantaa	5.4 – 7.5	7.0 – 8.0
Espoo	6.5 – 7.75	7.5 – 7.75
Rest of Finland	6.3 – 8.0	–
Russia	–	–

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

The current phase of the City-Center project, construction of the underground service facilities for the city centre service tunnel, progressed on schedule. The next phase involves construction of the office building, the retail premises on the third floor, and the light shaft into the shopping centre. Sponda and the tenant took the joint decision to postpone this work so that it will start at the earliest towards the end of 2009. For this reason, it is now estimated that the renovation of the City-Center complex will be completed in 2012 and the total investment will be some EUR 110 million. Sponda is continuing with the underground work in 2009.

Sponda announced on 20 December 2007 that it had purchased the Elovainio shopping centre under construction in Ylöjärvi for EUR 62 million. The property has financing for the construction period, which Sponda has re-organized. Sponda will pay for the property after the building is completed, in April 2009, when the final price for the property will be determined. The shopping centre will have retail premises with a leasable area of 24,500 square metres and parking for 850 vehicles. The property will be purchased fully leased and the main tenant will be K-Citymarket.

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. Planning of the project is underway, and the final decision about the investment has not been made.

The other major property development projects – the Port-Gate logistics complex in Vuosaari Harbour, the office building in Ruoholahti, the office building in Sörnäinen, and the retail property project in Itäkeskus at the junction of Itäväylä road and the Kehä I inner ringroad – were completed during 2008.

16. Investments in real estate funds

%	2008	2007
First Top LuxCo I S.a.r.l	20.0	20.0
Sponda Fund I Ky	46.1	46.1
Sponda Fund II Ky	43.7	–
YESS Ky	60.0	60.0

First Top LuxCo I S.a.r.l. is a real estate fund registered in Luxembourg that invests primarily in office and retail premises in medium-sized Finnish towns. Sponda Fund I Ky invests mainly in logistics properties outside the Helsinki Metropolitan Area. Sponda Fund II Ky invests mainly in logistics, warehouse and industrial properties in medium-sized cities in Finland.

YESS Ky is a fund established by Sponda Plc and Finnish Radio pension fund that is developing the Forum Virium project.

17. Property, plant and equipment

2008, MEUR	Land sites	Buildings	Machinery & equipment	Other tangible assets	Advance payments & acquisitions in progress	2008 Total
Acquisition cost 1 Jan.	3.1	9.1	1.3	1.9	2.7	18.1
Increases	0.1	0.9	0.1		0.5	1.6
Decreases			0.0	-1.2	-1.2	-2.4
Reclassifications to/from investment properties						0.0
Other reclassifications						0.0
Acquisition cost 31 Dec.	**3.2**	**10.0**	**1.3**	**0.7**	**2.0**	**17.3**
Accumulated depreciation 1 Jan.	–	-1.1	-0.8	-0.5	–	-2.4
Accumulated depreciation on decreases				0.1		
Depreciation for the period		-0.2	-0.2	0.0		-0.5
Accumulated depreciation 31 Dec.	**–**	**-1.4**	**-0.9**	**-0.4**	**–**	**-2.9**
Carrying amount 31 Dec.	**3.2**	**8.6**	**0.4**	**0.3**	**2.0**	**14.5**

2007, MEUR	LAND SITES	BUILDINGS	MACHINERY & EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS & ACQUISITIONS IN PROGRESS	2007 TOTAL
Acquisition cost 1 Jan.	3.1	12.9	1.3	1.1	3.0	21.4
Increases		0.2	0.1	1.0	1.3	2.6
Decreases			-0.1		-1.6	-1.7
Reclassifications to/from investment properties		-4.0		-0.2		-4.2
Acquisition cost 31 Dec.	**3.1**	**9.1**	**1.3**	**1.9**	**2.7**	**18.1**
Accumulated depreciation 1 Jan.	–	-0.9	-0.6	-0.4	–	-1.9
Depreciation for the period		-0.2	-0.2	-0.1		-0.5
Accumulated depreciation 31 Dec.	**–**	**-1.1**	**-0.8**	**-0.5**	**–**	**-2.4**
Carrying amount 31 Dec.	**3.1**	**8.0**	**0.5**	**1.4**	**2.7**	**15.7**

18. Goodwill

The acquisition of Kapiteeli Oy in 2006 resulted in goodwill of EUR 27.5 million being allocated to certain planned development projects, which were considered to have great potential to rise in value as the projects were completed. Some of these were completed during 2008 and so they are included in calculations of fair value. The goodwill allocated to the completed projects has been written down corresponding to the change in fair value during 2008 and it has an impact on the result of EUR 13.0 million. The write-down is shown in the income statement on its own line "Amoritzation of goodwill".
The remaining EUR 14.5 million of goodwill has been tested by comparing the future cash flows of the asset containing goodwill to the carrying value of the goodwill. The testing shows that the goodwill is not subject to impairment.

19. Other intangible assets

2008, MEUR	SOFTWARE	OTHER INTANGIBLE ASSETS	CUSTOMER RELATIONSHIPS	TRADEMARK	TECHNOLOGY	TOTAL
Acquisition cost 1 Jan.	0.8	0.1	4.1	0.3	0.6	5.9
Increases	0.0	-0.1				-0.1
Other transfers*	–	–	-4.1	-0.3	-0.6	-5.0
Acquisition cost 31 Dec.	**0.8**	**0.0**	**–**	**–**	**–**	**0.8**
Accumulated amortization 1 Jan.	-0.7	–	-0.9	-0.1	-0.1	-1.8
Other transfers*			0.9	0.1	0.1	1.1
Amortization for the period	-0.1					-0.1
Accumulated amortization 31 Dec.	**-0.8**	**–**	**–**	**–**	**–**	**-0.8**
Carrying amount 31 Dec.	**0.0**	**0.0**	**–**	**–**	**–**	**0.0**

* A EUR 5.0 million adjustment to the fair value of other intangible assets arose in 2006 when Sponda acquired Kapiteeli Group. The adjustment to fair value was allocated to value of the customer accounts and trademark of and the technology developed by Kapiteeli's subsidiary Ovenia Oy. Sponda Group's holding in Ovenia Oy fell to 45% on 24 January 2008, when the balance sheet values of the customer accounts, trademark and technology were transferred to "Holdings in associated companies".

2007, MEUR	SOFTWARE	OTHER INTANGIBLE ASSETS	CUSTOMER RELATIONSHIPS	TRADEMARK	TECHNOLOGY	TOTAL
Acquisition cost 1 Jan.	0.8	0.1	4.1	0.3	0.6	5.9
Increases	–	–	–	–	–	–
Acquisition cost 31 Dec.	**0.8**	**0.1**	**4.1**	**0.3**	**0.6**	**5.9**
Accumulated amortization 1 Jan.	-0.6	–	-0.1	–	–	-0.7
Amortization for the period	-0.1		-0.8	-0.1	-0.1	-1.1
Accumulated amortization 31 Dec.	**-0.7**	**–**	**-0.9**	**-0.1**	**-0.1**	**-1.8**
Carrying amount 31 Dec.	**0.1**	**0.1**	**3.3**	**0.2**	**0.5**	**4.1**

20. Finance lease receivables

MEUR	2008	2007
Carrying amount of finance lease receivables	**2.7**	**2.7**
Gross rental income	15.3	15.6
Unguaranteed residual value	4.0	3.9
Gross investment in lease contracts	**19.2**	**19.5**
Unearned financial income	**-16.5**	**-16.8**
Net investment in lease contracts	2.7	2.7
Present value of unguaranteed residual value	0.0	–
Present value of minimum lease payments receivable	**2.7**	**2.7**

TERM STRUCTURE IN 2008	2009	2010–2013	2014–	TOTAL
Gross investment in lease contracts	0.3	1.7	17.3	19.2
Present value of minimum lease payments receivable	0.3	1.2	1.2	2.7

Two long-term lease contracts on two properties are classified as finance leases. Part of the premises in each property are leased.

21. Holdings in associated companies

MEUR	2008	2007
Transfer from subsidiary company shares	3.7	
Share of result for period	-0.4	
Increases		
Decreases		
Dividends received		
Total	**3.3**	**–**

The carrying value of associated companies on 31 December 2008 includes EUR 2.9 million of intangible rights allocated in connection with the acquisition.

INFORMATION ABOUT THE GROUP'S ASSOCIATED COMPANY, MEUR	
Ovenia Oy	
Domicile	Helsinki
Assets	3.9
Liabilities	1.8
Total revenue	10.6
Result for period	1.3
Holding	45.10

22. Non-current receivables

MEUR	2008	2007
Non-interest-bearing receivables	2.1	1.6
Transaction price receivables	1.4	0.0
Interest rate derivatives	1.0	24.7
Defined benefit pension plan assets*	0.1	0.1
Total	**4.7**	**26.4**

* See Note 29

Long-term non-interest-bearing receivables are the value added tax receivables of the Russian companies.

23. *Deferred taxes*

MEUR	31 DEC. 2007	RECOGNIZED IN THE INCOME STATEMENT	OTHER CHANGES	RECOGNIZED IN EQUITY	BUSINESS COMBINATIONS/ SOLD AND ACQUIRED INVESTMENT PROPERTIES	31 DEC. 2008
Deferred tax assets						
Provisions	3.9	-1.7				2.2
Tax losses carried forward	36.6	-22.6	11.1	0.0	-0.1	25.0
Tax receivables from result for period	11.1	13.8	-11.1			13.8
Assessments at fair value:						0.0
Interest rate swaps			-2.6	9.6		7.0
Interest rate options		1.3	-1.7	0.8		0.4
Forward exchanges		0.0				0.0
Trading properties	5.4	-0.2	2.1			7.2
Other items/transfers	-0.1	1.1	1.0	-1.1		0.9
Total	**56.9**	**-8.3**	**-1.2**	**9.3**	**-0.1**	**56.6**
Deferred tax liabilities						
Cumulative depreciation differences	20.7	4.7			-1.0	24.3
Assessments at fair value:						
Investment properties	188.3	-0.4	0.6	-2.2	-3.8	182.5
Funds		2.0				2.0
Trading properties	0.2	-0.2				0.0
Associated company shares	1.0	-0.4				0.6
Interest rate swaps	2.6		-2.6			0.0
Interest rate options	1.7		-1.7			0.0
Equity bond expenses		1.9		-0.4		1.5
Other financial items	0.1	-0.1	0.0			0.0
Other items/transfers	-2.0	-0.2	5.8	0.0		3.6
Total	**212.6**	**7.3**	**2.1**	**-2.5**	**-4.9**	**214.6**

MEUR	31 DEC. 2006	RECOGNIZED IN THE INCOME STATEMENT	OTHER CHANGES	RECOGNIZED IN EQUITY	BUSINESS COMBINATIONS/ SOLD AND ACQUIRED INVESTMENT PROPERTIES	31 DEC. 2007
Deferred tax assets						
Provisions	5.9	-2.0				3.9
Tax losses carried forward	102.3	-49.8	-16.1		0.2	36.6
Tax receiuvables from result for period			11.1			11.1
Assessments at fair value:						0.0
Interest rate swaps	2.2	-2.2				0.0
Interest rate options						0.0
Forwards exchanges						0.0
Trading properties			5.4			5.4
Other items/transfers	0.1	-0.1	-0.1			-0.1
Total	**110.5**	**-54.1**	**0.3**	**0.0**	**0.2**	**56.9**
Deferred tax liabilities						
Cumulative depreciation differences	17.5	3.2				20.7
Assessments at fair value:						
Investment properties	178.0	8.6	1.4		0.3	188.3
Funds						0.0
Trading properties	17.1	-17.1	0.2			0.2
Intangible assets	1.3	-0.3				1.0
Interest rate swaps	0.6			2.0		2.6
Interest rate options	4.0	-3.0	0.1	0.6		1.7
Equity bond expenses						0.0
Other financial items			0.1			0.1
Other items/transfers	0.2	1.9	-4.1			-2.0
Total	**218.7**	**-6.7**	**-2.3**	**2.6**	**0.3**	**212.6**

At 31 December 2008 the Group had tax loss carry-forwards totalling EUR 9 million (EUR 21 million in 2007) and impairment losses not deducted in taxation of EUR 107 million (EUR 111 million in 2007), on which the Group has not calculated tax receivables because utilization of these items is uncertain.

24. Trading properties

Trading properties comprise 65 properties that are owned mainly through real estate or housing limited companies.

MEUR	2008	2007
Trading properties at start of the period	37.2	231.1
Divested trading properties	-4.5	-186.3
Increases	–	–
Reclassifications as investment properties	-3.1	-7.6
Trading properties at end of the period	**29.5**	**37.2**
Sales income from divested trading properties	29.2	221.9
Carrying amount of divested trading properties	-7.6	-186.3
Gains/losses on disposal of trading properties	**21.5**	**35.6**

25. Trade and other receivables

MEUR	2008	2007
Current non-interest-bearing receivables		
Trade receivables	10.1	5.3
Other receivables	19.3	25.2
Other receivables	0.0	74.9
Tax receivables	3.0	0.0
Other prepaid expenses and accrued income	24.3	25.3
Total	**56.7**	**130.7**
Other prepaid expenses and accrued income		
From interest and financial items	11.5	6.3
Taxes	0.7	0.0
From other items	12.2	19.0
Total	**24.3**	**25.3**

26. Cash and cash equivalents

MEUR	2008	2007
Bank accounts	16.0	27.4
Liquid investment	–	–
Total	**16.0**	**27.4**

27. Capital and reserves

MEUR	No. of shares (x 1,000)	Share capital	Share premium reserve	Invested non-restricted equity reserve	Total
31 Dec. 2006	79,307	79.3	159.5	–	238.8
Share issue	31,723	31.7	–	209.7	241.4
31 Dec. 2007	**111,030**	**111.0**	**159.5**	**209.7**	**480.2**
Change					
31 Dec. 2008	**111,030**	**111.0**	**159.5**	**209.7**	**480.2**

The shares have a nominal value of 1 euro. All shares issued are fully paid.

Shareholders' equity comprises the following reserves:

Fair value reserve

The fair value reserve contains the changes in fair values of the derivatives used to hedge cash flow.

Revaluation reserve

The revaluation reserve contains the fair value measurement of the property in own use which has been reclassified to investment properties.

Other equity reserve

The other equity fund comprises the equity bond less the costs of raising the bond.

Dividends

After the closing date the Board of Directors has proposed that no dividend be paid for 2008.

28. Non-current interest-bearing liabilities

MEUR	2008	2007
Notes and bonds	249.8	258.3
Loans from financial institutions	1,294.0	796.7
Loans denominated in foreign currency	0.0	1.4
Total	**1,543.8**	**1,056.4**

See Note 33.

29. Net pension asset in the balance sheet

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

MEUR	2008	2007
Present value of funded obligations	0.4	0.5
Fair value of plan assets	-0.4	-0.5
Surplus	**–**	**–**
Unrecognized actuarial gains (+) and losses (-)	-0.1	-0.1
Net asset (-) in the balance sheet	**-0.1**	**-0.1**

Items recognized in the income statement:

MEUR	2008	2007
Current service costs	–	–
Interest costs	–	–
Expected return on plan assets	–	–
Past service cost	–	–
Actuarial gains (-) and losses (+)	–	–
Total	**–**	**–**

Actual return on plan assets totalled EUR -145,000 in 2008 (2007: EUR -40,000).

Changes in the present value of the obligation:

MEUR	2008	2007
Liability for defined benefit obligations at beginning of period	0.5	0.5
Service costs	0.0	0.0
Interest costs	0.0	0.0
Actuarial gains (-) and losses (+)	-0.2	0.0
Past service costs	–	–
Liability for defined benefit obligations at end of period	**0.4**	**0.5**

Changes in the fair values of the plan assets:

MEUR	2008	2007
Fair value of plan assets at beginning of period	0.5	0.5
Expected return on plan assets	0.0	0.0
Actuarial gains (+) and losses (-)	-0.2	0.0
Contributions paid by the employer	0.0	0.0
	0.4	0.5

Information is not available on the plan assets.

Actuarial assumptions on the balance sheet date:

%	2008	2007
Discount rate, (%)	6.25	5.25
Exptected return on plan assets, (%)	6.25	5.25
Expected rate of salary increases (%)	3.50	3.50
Inflation (%)	2.00	2.00

The Group expects to pay EUR 50,000 to the plan in 2009.

30. Provisions

MEUR	Soil restoration	Other provisions	Payment claim issued by Sampo Bank	Total 2008	Total 2007
Provisions 1 Jan.	4.6	2.2	8.2	15.0	22.7
Increases in provisions		0.3	0.1	0.4	0.6
Decreases in provisions	-4.6	-2.2		-6.8	-5.4
Provisions used					-2.8
Reversals of unused provisions					-0.1
Provisions 31 Dec.	**0.0**	**0.3**	**8.3**	**8.7**	**15.0**

The soil restoration provision was mainly for any future soil restoration costs that Sponda would have to bear for land areas it has sold. Sponda's assessment on 31 December 2008 is that it will not incur major costs for soil restoration, so it has cancelled the provision.

Provisions were also entered for the dispute between Sponda Plc and Sampo Bank Plc, on which the court of appeal gave its ruling on 19 January 2009. (see Note 36)

31. Other liabilities

MEUR	2008	2007
Note and bonds	8.6	137.2
Loans from financial institutions	140.3	157.1
Foreign currency loans	0.0	–
Commercial papers sold	135.6	312.0
Total	**284.5**	**606.3**

See Note 33.

32. Trade and other payables

MEUR	2008	2007
Advances received	7.8	4.3
Trade payables	2.8	13.4
Transaction price liabilities	0.0	10.4
Other current liabilities	40.6	11.1
Accrued expenses and deferred income	34.8	34.2
Total	**85.9**	**73.4**
Accrued expenses and deferred income		
Interest and financial items	2.0	24.6
Personnel expenses	3.7	4.3
Taxes	0.2	–
Investments	25.0	–
Other items	3.8	5.3
Total	**34.8**	**34.2**

33. Financial instruments

Financial risk management

The purpose of risk management in Sponda is to minimize the unfavourable impacts of changes in the financial markets on the company's profits and cash flow. Sponda Plc's Board of Directors decides on the goals for risk management, defines the risk management policy and is responsible for monitoring risk management. The company's treasury unit identifies and assesses risks and is responsible for practical risk management measures within the framework of the risk management policy. The internal audit is responsible for checking the effectiveness of the risk management system. Regular reports are made to the Board about financing. Sponda's main financial risks are the interest rate risk, risks concerning access to financing, the credit risk and the exchange rate risk. The Group's financing activities are centrally handled by its treasury unit, which is responsible for financial risk management.

1. Interest rate risk

The Group mainly uses floating rate loans in financing its operations, and these are the source of the company's interest rate risk. The company may if it wishes also use fixed-rate loans. The Group uses interest rate derivatives to reduce growth in future interest flows caused by a rise in short-term market rates. With interest rate swaps Sponda pays a fixed-rate interest and obtains floating-rate interest. Interest rate options are bought.

According to the risk management policy, the aggregate nominal value (hedging rate) of the Group's fixed-rate loans with a maturity of more than one year and of the interest rate derivatives used to manage interest rate risk must be at least 60% and at most 100% of the Group's interest-bearing liabilities. The Group's hedging rate was 58%. The duration of the interest-bearing debt portfolio must be at least one year. The duration of the Group's portfolio was 1.7 years.

Derivative contracts have been made for the purpose of hedging the loan portfolio and they are valued in the financial statement at fair value. The fair value represents the result if the derivative position had been closed on the balance sheet date. The fair values presented are based on assessments by the counterparty banks. In addition Sponda Plc checks the size of the assessments using assessing methods that are generally available on the market. The fair values and nominal values of interest rate derivatives are presented in Table 33.3.

Interest rate derivatives have been defined as cash flow hedging or as derivatives that do not meet the criteria for hedge accounting. Sponda applies group hedging, in which the behaviour of the loan portfolio is compared with the interest rate derivative portfolio. The interest rate derivative portfolio is divided into interest rate options and interest rate swaps. In addition Sponda may use forward rate agreements and interest rate futures, to which hedge accounting is not applied.

Amounts recognized in the result and shareholders' equity during the financial year are presented in the annual report section 'Changes in the Group's shareholders' equity'. Hedge accounting is applied to interest rate derivatives throughout their period of validity, if they meet the criteria for hedge accounting as stated in IAS 39.

The Group analyzes its interest rate position by simulating changes in market interest rates. The treasury unit calculates a forecast of interest expenses for the coming year and its interest rate sensitivity. The following assumptions have been made when calculating the sensitivity to change in interest rates:

- The short-term market rates at the stated balance sheet date change by one percentage point
- The calculation includes interest-bearing liabilities
- The calculation includes current derivative contracts.

The calculation aims to measure the impact of short-term market rates on the interest expenses of the company's loans and correspondingly on the interest income to be obtained from interest rate derivatives or on the interest costs to be paid in the following year. The figures are presented net. The financial instruments used in the calculation are accounted for in accordance with the IFRS definitions mentioned n the company's accounting principles for the financial statements. The interest rates used are the official interest rates quoted on the last banking day on the balance sheet date.

In its 2008 financial statements Sponda Plc applied hedge accounting to 98% of interest rate derivatives, compared to about 94% in 2007. In the sensitivity analysis, changes in the fair value of interest rate derivatives to which hedge accounting is not applied are presented in full through profit and loss. The Group's interest-bearing liabilities increased during 2008 by about EUR 170 million.

Sensitivity to interest rate risk

The effect of a change of one percentage point in short-term market rates on the company's result and fair value reserve.

MEUR	31.12.2008 INCOME STATEMENT	31.12.2008 FAIR VALUE RESERVE	31.12.2007 INCOME STATEMENT	31.12.2007 FAIR VALUE RESERVE
One percentage point rise in market rates	-7	+22	-5	+33
One percentage point fall in market rates	+9	-23	+11	-31

The calculation does not include the impact of deferred taxes.

2. Liquidity and refinancing risk

The Group seeks continuously to assess and monitor the amount of financing required by its business operations to ensure the sufficiency of liquid funds for financing purposes and to repay maturing loans. The risk related to access to finance is reduced by making financial contracts with several financial sources and using a variety of financial instruments. The Group seeks to spread the maturity of its new borrowings so that as loans mature, the amount needing refinancing each year remains stable. Tables 33.4 and 33.5 show the maturity analysis based on the Group's agreements. The average loan period of the Group's loans on 31 December 2008 was 3.0 years (31 December 2007: 2.6 years).

For short-term financing purposes, the company uses a commercial paper programme. The size of the commercial paper programme is EUR 350 million. The Group's loans maturing in 2009 total some EUR 285 million. Commercial papers account for EUR 136 million of this and credit limits taken, forming a reserve for the commercial paper programme, for EUR 135 million. Despite the weaker state of the commercial paper market, Sponda considers that it will be able to renew some of the commercial papers that are maturing.

The Group assures its liquidity with sufficient credit limits and bank account limits. A reserve for the commercial paper programme is provided at the moment by unused short-term credit limits, which at the balance sheet date totalled EUR 115 million. The company considers that it will be able to renew the credit limits that mature in 2009. In addition, the Group had unused bank account limits of EUR 10 million."Cash surpluses are invested in short-term money market instruments or bank deposits in accordance with the financial policy confirmed by the Board. On 31 December 2008 the Group's cash and cash equivalents totalled EUR 16 million.

In addition, the risks relating to access to finance are reduced by maintaining the company's reputation as a trustworthy debtor. Sponda's financial contracts contain normal covenants to protect the creditors, which concern for example the equal status of financiers, certain financial indicators, and the use of collateral. The most important covenants used are

- Interest coverage ratio (EBITDA/Net interest cost) the acceptable minimum ratio of which is 1.75
- Equity ratio, the determined minimum ratio of which is 28%.

3. Credit risk

Credit risk arises from the possibility that the counterparty in a contract fails to fulfil their obligations as given in the contract. The Group's most significant credit risks at the balance sheet date arose from investments in the money markets, from derivative contracts, and from rent receivables, selling price receivables and trade receivables. The Group has no major concentrations of receivables or credit risks.

To avoid risks from counterparties, the Group uses only financially solid banks with a good credit rating as counterparties in its money market investments and derivative contracts. The banks' credit rating must be classified as at least A- by S&P (or a similar credit rating company).

Sponda Plc may invest in the commercial papers issued by well-known, financially solid companies operating in Finland. Sponda Plc's Board of Directors decides on acceptable counterparties, on counterparty limits and on the permitted financial instruments. In derivative trading, Sponda Plc observes the stipulations given by ISDA (International Swaps and Derivatives Association, Inc.) or the Finnish Bankers Association with counterparties. The maximum amount of the credit risk is the carrying amount of the financial assets and the positive fair value of derivatives.

The risk arising from tenants is managed by analyzing the creditworthiness of tenants before leases are signed, by requiring rent deposits, and by the monthly collection of rent. The business units responsible for leasing properties are responsible for arranging collateral for rents. The maximum amount of the risk is the total carrying amount of the receivables less the amount of the collateral. Collateral for rent is mainly bank deposits or bank guarantees. Ovenia Oy monitors the Group's rent receivables.

The total amount of rent receivables on the balance sheet date was EUR 1.4 million. The total rent unpaid for more than three months was EUR 0.1 million. The Group recorded credit losses of EUR 0.4 million for rent receivables in 2008. The Group recognizes a final credit loss when a tenant is found to be without means in the debt collection process or when the company's share of a bankruptcy is confirmed. The Group uses external well-known external debt-collection firms to collect receivables.

The collateral for a selling price receivable is almost always a real security. The real security for selling price receivables is typically real estate mortgages for the sold property or shares. The Group had no selling price receivables at the balance sheet date. The total amount of trade receivables at the balance sheet date excluding rent and selling price receivables was EUR 8.6 million. The Group considers the risk from trade receivables to be small.

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

4. Currency risk

The Group has international operations in Russia. Changes in the exchange rate between the Russian rouble and the euro and between the US dollar and the euro may affect Sponda Group's financial position and operations. The Group is exposed to currency risk since balance sheet items for foreign subsidiaries and revenue and expenses from properties are translated into the business currency of the parent company, into euros.

Sponda's Russian companies receive their rents monthly in US dollars, in Russian roubles or in euros. The companies pay most of their expenses in Russian roubles. USD-denominated net cash flows from lease agreements are some USD +14 million annually and (EUR 10 million) and RUB-denominated net cash flows some RUB 52 million (EUR 1.3 million). In accordance with the Board's decision, Sponda hedges foreign currency denominated future net cash flows for a period of six months. The company may use currency denominated forwards, options and currency swaps in hedging. One currency derivative will mature and be renewed in each month during the next six months, so that a total corresponding to the net position for six months is always effective.

On the balance sheet date the company had currency forwards to the value of USD 7 million to hedge the USD net cash flows. Incoming cash flows denominated in Russian roubles and outgoing rouble-denominated expenses are more or less equal, so it has not been considered necessary to hedge this net cash flow. The net euro-denominated positon is not hedged. The company does not apply hedge accounting as defined in IAS 39 to currency derivatives. Changes in the fair values of currency derivatives are recognized in the income statement. In accordance with the Board's decision, Sponda does not hedge the translation risk from Russian companies. If the euro/USD exchange rate changed 10% from that on the balance sheet date, the change in the fair value of the forwards would be recognized in full through profit and loss, and would be some EUR +/- 0.5 million. In fact the company can, at the same time as the currency derivative matures monthly, sell the net cash flow based on the roughly USD 1.2 million rental income, which would have an impact on the result (some EUR -/+ 0.1 million) opposite to that of the currency forward.

On the balance sheet date, 31 December 2008, the Group had no loans denominated in foreign currency. The Group has a receivable denominated in Russian roubles, with a par value in euros of EUR 2.1 million. The Group finances its capital expenditure in Russia with internal loans denominated in euros.

5. Managing the equity structure

The objective of managing the Group's equity structure is to optimize the equity structure in relation to prevailing market conditions at any particular time. The goal is an equity structure that best assures conditions for the Group's long-term strategic operations in all circumstances.

Factors affecting the Group's equity structure, in addition to the result, include capital expenditure, asset sales, dividend payments, equity-based facilities and assessment at fair value. In June 2008 Sponda issued a EUR 130 million equity bond (hybrid bond) to Finnish institutional investors. The bond is treated in the IFRS financial statements entirely as equity. The bond improves the company's solvency.

"Sponda Plc's Board has decided that the Group's long-term equity ratio should be 33%. On 31 December 2008 the equity ratio was 32%. The Group's equity ratio at the end of 2007 was also 32%. Sponda's net interest margin on 31 December 2008 was 1.9. Sponda Group's interest-bearing liabilities increased during 2008 by EUR 167 million and at the end of 2008 totalled EUR 1,828 million. Sponda Group sold property assets during 2008 for altogether EUR 123 million. With the funds received it paid off some of its loans and financed property development investments. The formula for calculating the equity ratio is shown in the annual report under 'Calculation of financial ratios.'

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

MEUR	2008	2007
Interest-bearing liabilities	1,828	1,663
Cash, funds in bank and interest-bearing receivables	16	102
Interest-bearing net liabilities	1,812	1,561
Shareholders' equity, total	1,003	935
Balance sheet total	3,167	2,899
Equity ratio, %	32	32

33.1 Carrying amounts of financial assets and liabilities by category

2008 BALANCE SHEET ITEM, MEUR	FINANCIAL ASSETS/LIABILITES RECOGNIZED AT FAIR VALUE THROUGH PROFIT AND LOSS	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES RECOGNIZED AT AMORTIZED COST	HEDGING DERIVATIVES	CARRYING AMOUNT OF BALANCE SHEET ITEMS	FAIR VALUE
Non-current financial assets						
Non-current receivables		3.7			3.7	3.7
Derivative contracts	0.0			1.0	1.0	1.0
Current financial assets						
Derivative contracts	0.0				0.0	0.0
Trade and other receivables		29.3			29.3	29.3
Cash and cash equivalents		16.0			16.0	16.0
Carrying amount by category	**0.0**	**49.0**	**0.0**	**1.0**	**50.0**	**50.0**
Non-current financial liabilities						
Interest-bearing liabilities			1,543.8		1,543.8	1,493.9
Derivative contracts				26.3	26.3	26.3
Current financial liabilities						
Interest-bearing liabilities			284.5		284.5	284.2
Derivative contracts	-0.0			0.7	0.7	0.7
Trade and other payables			16.6		16.6	16.6
Carrying amount by category	**-0.0**	**0.0**	**1 844.9**	**27.0**	**1 871.9**	**1 821.7**

2007 BALANCE SHEET ITEM, MEUR	FINANCIAL ASSETS/LIABILITES RECOGNIZED AT FAIR VALUE THROUGH PROFIT AND LOSS	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES RECOGNIZED AT AMORTIZED COST	HEDGING DERIVATIVES	CARRYING AMOUNT OF BALANCE SHEET ITEMS	FAIR VALUE
Non-current financial assets						
Non-current receivables		1.7			1.7	1.7
Derivative contracts	0.1			24.6	24.7	24.7
Current financial assets						
Trade and other receivables		105.3			105.3	105.3
Cash and cash equivalents		27.4			27.4	27.4
Carrying amount by category	**0.1**	**134.4**		**24.6**	**159.1**	**159.1**
Non-current financial liabilities						
Interest-bearing liabilities			1,056.4		1,056.4	1,057.5
Current financial liabilities						
Interest-bearing liabilities			606.3		606.3	606.3
Derivative contracts						
Trade and other payables			34.9		34.9	34.9
Carrying amount by category			**1,697.6**		**1,697.6**	**1,698.7**

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

33.2 The Group's interest-bearing liabilities

LONG-TERM LIABILITIES, MEUR	2008 CARRYING AMOUNT	2008 FAIR VALUE	2007 CARRYING AMOUNT	2007 FAIR VALUE
Bonds	249.8	241.1	258.3	258.1
Loans from financial institutions	1,294.0	1,252.8	796.7	797.7
Foreign currency loans	0.0	0.0	1.4	1.4
Total	**1,543.8**	**1,493.9**	**1,056.4**	**1,057.3**

CURRENT LIABILITIES, MEUR	2008 CARRYING AMOUNT	2008 FAIR VALUE	2007 CARRYING AMOUNT	2007 FAIR VALUE
Bonds	8.6	8.6	137.2	137.4
Loans from financial institutions	275.9	275.6	469.1	469.1
Foreign currency loans	0.0	0.0		
Total	**284.5**	**284.2**	**606.3**	**606.5**

BREAKDOWN OF GROUP'S FOREIGN CURRENCY LOANS, MEUR	2008 CARRYING AMOUNT	2008 CURRENCY VALUE	2007 CARRYING AMOUNT	2007 CURRENCY VALUE
Loans in Russian rouble	0.0	0.0	1.4	RUB 50.9 milj.
Total foreign currency loans	**0.0**	**0.0**	**1.4**	

The fair values of bonds are based on market prices.

The fair values of loans from financial institutions and of commercial papers are calculated using margins at which corresponding loans could have been refinanced on the closing date. The estimated margins are based on the estimates of company management.

Due to the exceptional state of the market, the estimate for long-term loans is subject to uncertainty.

33.3 Derivative contracts

MEUR	2008 CARRYING AMOUNT	2008 CURRENCY VALUE	2007 CARRYING AMOUNT	2007 CURRENCY VALUE
Interest rate derivatives				
Interest rate swaps	-27.0	915.0	10.0	660.0
Interest rate caps, bought	1.0	187.5	14.7	557
Forward rate agreements	–	–	0.0	50.0
Foreign currency derivatives				
Currency swaps	0	5.1	–	–

The company has entered into interest rate derivatives to hedge the loan portfolio and currency derivatives to hedge the currency risk.

Derivatives are valued in the financial statements at fair value. The fair value represents the result that would have arisen if the derivative position had been closed at the balance sheet date. The fair value is calculated in the manner generally approved in the market. Sponda uses an external valuer for valuations.

33.4 Maturity of non-current liabilities

33.4 MATURITY OF NON-CURRENT LIABILITIES 31.12.2008, MEUR	2009	2010	2011	2012	2013	2014	2015
Bonds	8.6	100.0	150.0				
Loans from financial institutions	5.3	50.8	356.3	505.0	225.0	25.0	133.8

MATURITY OF NON-CURRENT LIABILITIES 31.12.2007, MEUR	2008	2009	2010	2011	2012	2013
Bonds	137,0	8.6	100.0	150.0		
Loans from financial institutions	15.0	19.1		200.0	480.0	100.0

The average interest rate of the total loan portfolio was 4.6% (4.6) including derivatives, and the average maturity was 3.0 (2.6) years.

Shown here is the maturity of non-current liabilities, showing the nominal value when the loan was taken.

Sponda Plc's most significant loans

Syndicated Credit Facility Agreement
In October 2008 Sponda Plc signed an agreement for a 3-year EUR 150 million syndicated credit facility. The facility was used to refinance bonds that matured and long-term loans. The credit facility is unsecured.

Bilateral loans
Sponda Plc signed an agreement in March 2008 with Danske Bank A/S, Helsinki Branch for a 7-year EUR 150 million credit facility and an agreement with Ilmarinen Mutual Pension Insurance Company for a 7-year EUR 50 million credit facility. The loans were used to finance the company's property development and Russian investments. The credit facilities are unsecured.

Bilateral loans
Sponda Plc signed an agreement in February 2008 with Swedbank for a 5-year EUR 100 million credit facility and an agreement with OKO Bank for a 7-year EUR 50 million credit facility. The loans were used to finacne the company's property development investments. The credit facilities are unsecured.

Bilateral loan
Sponda Plc signed an agreement in November 2007 with Bank DnB NORD A/S for a 5-year EUR 100 million credit facility. The loan was used to refinance the company's loan portfolio, and it replaced credit facilities raised in 2002 and 2003. The loan was unsecured.

Dual-Tranche Syndicated Credit Facility Agreement
In June 2007 Sponda Plc signed an agreement for a five year syndicated credit facility for a total of EUR 350 million. The facility was used to refinance the remainder of the short-term commercial paper raised in December to finance Sponda's Kapiteeli acquisition. The loan was unsecured.

Multi-Tranche Syndicated Credit Facility
Sponda Plc signed in April 2006 a EUR 300 million multi-tranche syndicated credit facility. The facility comprises a 5-year EUR 100 million credit limit and two EUR 100 million syndicated credit instalments: one for 5 years and the other for 7 years. The maturity dates are 5 April 2011 and 5 April 2013. The credit facility is unsecured.

Bonds
In April 2007 Sponda Plc issued a Private-Placement bond of EUR 150 million to domestic institutional investors. The loan period is 4 years. The loan is floating-rate, and the bond's coupon was confirmed as the three-month Euribor plus 0.40%. No request was made for listing for the bond. The bond was part of the refinancing of the short-term loan raised for the Kapiteeli acquisition. The bond is unsecured.

Sponda issued two notes in April 2005 totalling EUR 100 million. The annual coupon of the EUR 20 million fixed-rate notes was confirmed as 3.75%. The coupon of the EUR 80 million floating-rate notes was confirmed as six-month Euribor plus 0.60%. The notes mature on 8 April 2010. The facility is unsecured.

Hybrid bond
In June 2008 Sponda issued a EUR 130 million equity bond (hybrid bond) to Finnish institutional investors. The bond has no maturity, but Sponda is entitled to redeem the bond in five years time. The bond will be treated in Sponda's IFRS financial statements in its entirety as equity. The hybrid loan improves the company's solvency. The loan is subordinated to the company's other debt instruments. The bond has been publicly listed. The loan has a coupon of 8.75%. The interest on the bond is paid if the shareholders' meeting decides to pay a dividend. If no dividend is paid, the company decides separately on whether to pay the interest. Unpaid interest accumulates.

33.5 Cash flows for repayments and financing expenses for financial liabilities based on loan contracts

Cash flows for repayments and financing expenses for financial liabilities based on loan contracts on 31 December 2008 were as follows:

MEUR	2009	2010	2011	2012	2013	2014	2015
Bonds	20	108	153				
Loans from financial institutions	195	94	392	533	233	29	135
Commercial papers	136						
Interest rate derivatives							
- in hedge accounting, net	0	9	6	4	2	1	1
- not in hedge counting, net	0						
Currency derivatives							
- currency forwards not included in hedge accountingt, net	0						
Trade payables	3						
Other liabilities	14						
	367	**210**	**550**	**537**	**235**	**29**	**135**

Cash flows for repayments and financing expenses for financial liabilities based on loan contracts on 31 December 2007 were as follows:

MEUR	2008	2009	2010	2011	2012	2013
Bonds	157	21	110	154		
Loans from financial institutions	212	56	42	236	504	103
Commercial papers	312					
Interest rate derivatives						
- in hedge accounting, net	10	9	8	5	2	1
- not in hedge counting, net	0					
Trade payables	13					
Other liabilities	21					
	725	**86**	**160**	**395**	**506**	**104**

34. Collaterals and contingent liabilities

LIABILITIES FOR WHICH MORTGAGES OVER PROPERTY AND SHARES HAVE BEEN GIVEN, MEUR	GROUP 12/2008	GROUP 12/2007
Loans from financial institutions, covered by collateral	50.3	12.1
Mortgages	109.2	81.9
Carrying amount of pledged shares	17.0	0.0
Guarantees	57.6	0.0
Collateral, total	**183.8**	**81.9**

COMMITMENTS ARISING FROM LAND LEASE CONTRACTS, MEUR	GROUP 12/2008	GROUP 12/2007	PARENT CONPANY 12/2008	PARENT CONPANY 12/2007
Lease liabilities	44.6	28.1	–	–
Mortgages	3.0	2.2	–	–
Guarantees	7.3	7.5	7.3	7.5
Total	**54.9**	**37.8**	**7.3**	**7.5**

OPERATING LEASES, MEUR	GROUP 12/2008	GROUP 12/2007	PARENT CONPANY 12/2008	PARENT CONPANY 12/2007
Contractual maturities on lease contracts:				
During the following financial year	0.4	0.5	0.4	0.5
Due after the following year	0.5	0.7	0.5	0.7
Total	**0.9**	**1.2**	**0.9**	**1.2**

Operating leases consist of leases for vehicles and office equipment.
The leases have lengths of 3 – 5 years and they have no redemption obligations.

Other commitments

VAT reductions made on renovation investments
Liabilities in accordance with §33 of the VAT Act have been calculated for all Group companies and they have an aggregate value of MEUR 50.4 (88.3).

Interest on hybrid bond
Accumulated on the hybrid bond at the balance sheet date was EUR 5.9 million. (See Note 33.4)

35. Related party transactions

Related party

The related parties of Sponda Group are the parent company, subsidiary and associated companies, and joint ventures.

Other related parties are the Board of Directors, members of the Executive Team, the president and CEO, and close member of theirs families, as well as the Finnish State, which owns through Spondium Oy 34.3% of the shares of Sponda Plc.

The Group's parent and subsidiary relationships are presented in Note 37.

The following related party transactions were carried out:

MANAGEMENT EMPLOYEE BENEFITS, MEUR	2008	2007
Salaries and other short-term employee benefits	2.3	2.3
Share-based payments	0.3	0.2
Total	**2.5**	**2.5**

SALARIES AND FEES, EUR	2008	2007
President and CEO	462,270	467,087
Board of Directors	281,500	253,120
Total	**743,770**	**720,207**

Management salaries and other short-term employee benefits as well as long-term employee benefits and share-based benefits are described in more detail in Note 10.

Rental income from state institutions and companies totalled EUR 23.9 million in 2008 (2007: EUR 24.9 million).

There were no outstanding loans receivable from key management on 31 Dec. 2008 or on 31 Dec. 2007.

Members of the Board of Directors held 4,600 shares and members of the Executive Board 107,981 at the end of 2008. (2007: 3,970 and 31,368 shares respectively).

36. Events after the balance sheet date

Sponda announced on 19 December 2008 that it had signed an agreement to sell three logistics properties for altogether EUR 16.3 million to the Sponda Fund II real estate fund. The transaction was closed on 9 January 2009. The properties sold are located in Kuusankoski, Mikkeli and Oulu.

In a ruling issued on 19 January 2009, the Helsinki Court of Appeal has ordered Sponda Plc to pay interest, penal interest and court costs totalling EUR 7.6 million to Sampo Bank Plc based on a credit agreement. The decision is final unless appeal has been made by 20 March 2009.

The amount of Sampo Bank's suit for payment, EUR 7.6 million, was recognized as an expense under provisions in the 2006 financial statements, so the ruling has no impact on Sponda's result. EUR 0.6 million was recognized as an interest expense under provisions in 2007 and EUR 0.1 million in 2008, so the total provision is EUR 8.3 million on 31 December 2008.

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

Group companies		Group company holding %	Parent company holding %	
MUTUAL REAL ESTATE COMPANIES				
Aleksi-Hermes	Helsinki	100.00	100.00	Sponda
Arkadiankatu 4–6	Helsinki	100.00	100.00	Sponda
Atomitie1	Helsinki	100.00	100.00	Sponda
Backaksenpelto	Vantaa	100.00	100.00	Sponda
Bulevardi1	Helsinki	100.00	100.00	Sponda
Dianapuisto	Helsinki	100.00	100.00	Sponda
Design House Hattutehdas	Helsinki	100.00		Sponda Kiinteistöt
Elovainion Kauppakiinteistöt	Ylöjärvi	100.00	100.00	Sponda
Espoon Juvanpuisto	Espoo	100.00	100.00	Sponda
Espoon Komentajankatu 3	Espoo	100.00	100.00	Sponda
Espoon Kuusiniementie 2	Espoo	100.00		Sponda Kiinteistöt
Espoon Pyyntitie 1	Espoo	100.00		Sponda Kiinteistöt
Espoonportti	Espoo	100.00	100.00	Sponda
Estradi	Helsinki	100.00		Sponda Kiinteistöt
Fabianinkatu 23	Helsinki	100.00	100.00	Sponda
Gohnt-talo	Helsinki	100.00	100.00	Sponda
Hankasuontie 13	Helsinki	100.00	100.00	Sponda
Hannuksentie 1	Espoo	100.00	100.00	Sponda
Haukilahdenkatu 4	Helsinki	100.00	100.00	Sponda
Heimola	Helsinki	59.66	59.66	Sponda
Helsingin Ehrensvärdintie 31–35	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Energiakatu 4	Helsinki	100.00	100.00	Sponda
Helsingin Erottajanmäki	Helsinki	100.00	100.00	Sponda
Helsingin Harkkoraudantie 7	Helsinki	100.00	100.00	Sponda
Helsingin Hämeentie 105	Helsinki	60.63		Sponda Kiinteistöt
Helsingin Itäkatu 11	Helsinki	100.00	100.00	Sponda
Helsingin Itämerenkatu 21	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Itämerentalo	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Kaivokatu 8	Helsinki	100.00	100.00	Sponda
Helsingin Kalatori	Helsinki	100.00	100.00	Sponda
Helsingin Kalevankatu 30	Helsinki	100.00	100.00	Sponda
Helsingin Kirvesmiehenkatu 4	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Kuntotalo	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Lampputie 12	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Lautatarhankatu 2 C	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Neonpolku	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Nuijamiestentie	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Ohrahuhdantie 4	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Pieni Roobertinkatu 9	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Porkkalankatu 22	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Ruoholahden Parkki	Helsinki	90.78		Sponda Kiinteistöt
Helsingin Salmisaarentalo	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Tulppatie 1	Helsinki	100.00	100.00	Sponda
Helsingin Silkkikutomo	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 25 A	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 25 B	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 25 C	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 27 A	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 27 B	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 27 C	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 27 D	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valokaari	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valuraudankuja 7	Helsinki	100.00	100.00	Sponda
Helsingin Vanhanlinnantie 3	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Veneentekijäntie 8	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Värjäämö	Helsinki	100.00		Sponda Kiinteistöt
Henrik Forsiuksentie 39	Helsinki	100.00	100.00	Sponda
Hermian Pulssi	Tampere	100.00		Sponda Kiinteistöt
Hitsaajatalo	Helsinki	100.00	100.00	Sponda
Holkkitie 8 a	Helsinki	100.00	100.00	Sponda
Hyvinkään Varikko	Hyvinkää	100.00	100.00	Sponda
Hämeenkatu 20	Tampere	100.00		Sponda Kiinteistöt
Hämeenportin Yritystalo	Vantaa	100.00	100.00	Sponda
Hämeentie 103	Helsinki	100.00		Sponda Kiinteistöt
Höyläämötie 5	Helsinki	100.00		Sponda Kiinteistöt
Insinöörinkatu	Helsinki	100.00	100.00	Sponda
Iso-Roobertinkatu 21–25	Helsinki	100.00	100.00	Sponda
Isontammentie 4	Vantaa	100.00		Sponda Kiinteistöt
Itälahdenkatu 20	Helsinki	100.00	100.00	Sponda
Itälahdenkatu 22	Helsinki	100.00	100.00	Sponda
Kaivokadun Tunneli	Helsinki	100.00	100.00	Sponda
Kaivokatu 12	Helsinki	100.00	100.00	Sponda
Kalkkipellontie 6	Espoo	100.00	100.00	Sponda
Kappelitie 8	Espoo	100.00	100.00	Sponda
Karapellontie 4 C	Espoo	100.00	100.00	Sponda
Kasarmikatu 36	Helsinki	100.00	100.00	Sponda
Kaupintie 3	Helsinki	100.00	100.00	Sponda
Keskuskatu 1 B	Helsinki	100.00	100.00	Sponda
Kilonkallio 1	Espoo	100.00	100.00	Sponda
Korkeavuorenkatu 45	Helsinki	100.00	100.00	Sponda
Kumpulantie 11	Helsinki	100.00	100.00	Sponda
Kuninkaankaari	Vantaa	100.00	100.00	Sponda
Kuninkaankruunu	Vantaa	100.00	100.00	Sponda
Kylvöpolku 1	Helsinki	100.00	100.00	Sponda
Kymen Logistiikka	Kuusankoski	100.00	100.00	Sponda
Läkkitori	Espoo	100.00	100.00	Sponda
Länsi-Keskus	Espoo	58.64	58,64	Sponda
Lönkka	Helsinki	100.00	100.00	Sponda
Malmin Kankirauta	Helsinki	100.00	100.00	Sponda
Malmin Yritystalo	Helsinki	100.00	100.00	Sponda
Mannerheimintie 6	Helsinki	100.00	100.00	Sponda

GROUP COMPANIES		GROUP COMPANY HOLDING %	PARENT COMPANY HOLDING %	
Manhattan	Turku	52.85		Sponda Kiinteistöt
Mansku 4	Helsinki	100.00	100.00	Sponda
Martinkyläntie 53	Vantaa	100.00	100.00	Sponda
Melkonkatu 26	Helsinki	100.00	100.00	Sponda
Messukylän Castrulli	Tampere	100.00	100.00	Sponda
Messukylän Kattila	Tampere	100.00	100.00	Sponda
Messukylän Turpiini	Tampere	100.00	100.00	Sponda
Miestentie	Espoo	100.00	100.00	Sponda
Mäkkylän Toimistotalo	Helsinki	100.00	100.00	Sponda
Niinilahti	Tampere	100.00	100.00	Sponda
Olarintörmä	Espoo	100.00	100.00	Sponda
Oulun Alasintie 3–7	Oulu	100.00	100.00	Sponda
Oulun Liikevärttö 1	Oulu	100.00		Sponda Kiinteistöt
Oulun Liikevärttö 2	Oulu	100.00		Sponda Kiinteistöt
Oulun Liikevärttö 3	Oulu	100.00		Sponda Kiinteistöt
Pieni Roobertinkatu 7	Helsinki	99.79		Sponda Kiinteistöt
Piispanpiha 5	Helsinki	100.00	100.00	Sponda
Poijupuisto	Espoo	100.00	100.00	Sponda
Porkkalankatu 20	Helsinki	100.00		Sponda Kiinteistöt
Pronssitie 1	Helsinki	100.00		Sponda Kiinteistöt
Ratapihantie 11	Helsinki	100.00	100.00	Sponda
Ratinan Kauppakeskus	Tampere	100.00	40.00	Sponda
Ratinanlinna	Tampere	100.00		Sponda Kiinteistöt
Robert Huberintie 2	Vantaa	100.00	100.00	Sponda
Ruoholahden Sulka	Helsinki	100.00		Sponda Kiinteistöt
Ruoholahdenkatu 4	Helsinki	94.95		Sponda Kiinteistöt
Ruosilantie 14	Helsinki	100.00	100.00	Sponda
Ruosilantie 16	Helsinki	100.00	100.00	Sponda
Ruosilantie 18	Helsinki	100.00	100.00	Sponda
Salmisaaren Liiketalo	Helsinki	100.00	100.00	Sponda
Scifin Beta	Espoo	100.00		Sponda Kiinteistöt
Scifin Gamma	Espoo	100.00		Sponda Kiinteistöt
Sibylla Tehdaskiinteistö	Helsinki	64.39		Sponda Kiinteistöt
Sinikalliontie 10	Espoo	100.00	100.00	Sponda
Sinimäentie 14	Espoo	100.00	100.00	Sponda
Sp-kiinteistöt Oy Kilo	Espoo	100.00		Sponda Kiinteistöt
Säästötammela	Tampere	100.00		Sponda Kiinteistöt
Tallbergintalo	Helsinki	100.00		Sponda Kiinteistöt
Tampereen Enqvistinkatu 7	Tampere	100.00		Sponda Kiinteistöt
Tampereen Hallituskatu 8	Tampere	100.00		Sponda Kiinteistöt
Tampereen Naulakatu 3	Tampere	100.00		Sponda Kiinteistöt
Tampereen Näsilinnankatu 39–41	Tampere	100.00		Sponda Kiinteistöt
Tapiolan Kulttuuritori	Espoo	100.00	100.00	Sponda
Tapiolan Liiketalo	Espoo	100.00	100.00	Sponda
Tiistilän Miilu	Espoo	100.00		Sponda Kiinteistöt
Tiistinhovi	Espoo	100.00		Sponda Kiinteistöt
Tonttipaino	Vantaa	100.00	100.00	Sponda
Turun Ilmarisenkulma	Turku	100.00		Sponda Kiinteistöt

GROUP COMPANIES		GROUP COMPANY HOLDING %	PARENT COMPANY HOLDING %	
Turun Julinia Fastighets Ab	Turku	100.00		Sponda Kiinteistöt
Turun Kauppiaskatu 9 B	Turku	100.00		Sponda Kiinteistöt
Turun Kurjenmäki	Turku	100.00		Sponda Kiinteistöt
Turun Rautakatu	Turku	100.00		Sponda Kiinteistöt
Turun Yliopistonkatu 12 a	Turku	100.00		Sponda Kiinteistöt
Turun Yliopistonkatu 14	Turku	100.00		Sponda Kiinteistöt
Turunlinnantie 12	Helsinki	100.00	100.00	Sponda
Tuusulan Teollisuuskuja 4	Tuusula	100.00	100.00	Sponda
Tuusulan Teollisuuskuja 6	Tuusula	100.00	100.00	Sponda
Tuusulan Tärkkelystehdas	Tuusula	100.00	100.00	Sponda
Unioninkatu 18	Helsinki	100.00	100.00	Sponda
Unioninkatu 20-22	Helsinki	100.00	100.00	Sponda
Unioninkatu 24	Helsinki	100.00	100.00	Sponda
Upseerinkatu 1	Espoo	100.00	100.00	Sponda
Valuraudankuja 6	Helsinki	100.00	100.00	Sponda
Vanhajämerä	Helsinki	100.00	100.00	Sponda
Vantaan Alfa	Vantaa	85.00	85.00	Sponda
Vantaan Harkkokuja 2	Vantaa	100.00		Sponda Kiinteistöt
Vantaan Honkatalo	Vantaa	100.00	100.00	Sponda
Vantaan Kuussillantie 27	Vantaa	100.00		Sponda Kiinteistöt
Vantaan Köysikuja 1	Vantaa	100.00	100.00	Sponda
Vantaan Omega	Vantaa	100.00	100.00	Sponda
Vantaan Santaradantie 8	Vantaa	100.00	100.00	Sponda
Vantaan Simonrinne	Vantaa	77.18		Sponda Kiinteistöt
Vantaan Sähkötie 1	Vantaa	100.00	100.00	Sponda
Vantaan Tähtäinkuja 3	Vantaa	100.00		Sponda Kiinteistöt
Vantaan Vanha Porvoontie 231	Vantaa	100.00	100.00	Sponda
Vantaan Väritehtaankatu 8	Vantaa	100.00		Sponda Kiinteistöt
Vantaan Äyrikuja 3	Vantaa	100.00	100.00	Sponda
Vepema	Vantaa	100.00	100.00	Sponda
Vitikka 6	Espoo	100.00	100.00	Sponda
Vuosaaren Logistiikkakeskus	Helsinki	100.00	100.00	Sponda
Vuosaaren Porttikeskus	Helsinki	100.00	100.00	Sponda
Vuosaaren Service Center	Helsinki	100.00	100.00	Sponda
Värtönparkki 1	Oulu	100.00		Sponda Kiinteistöt
Ylä-Malmintori 6	Helsinki	100.00	100.00	Sponda
Zeppelinin City-Keskus	Kempele	88.91		Sponda Kiinteistöt
Zeppelinin Kauppakeskus	Kempele	91.47		Sponda Kiinteistöt
Zeppelinin Kauppakulma	Kempele	100.00		Sponda Kiinteistöt
Zeppelinin Kauppapörssi	Kempele	88.64		Sponda Kiinteistöt
Zeppelinin Markkinapaikka	Kempele	58.71		Sponda Kiinteistöt
Zeppelinin Pikkukulma	Kempele	100.00		Sponda Kiinteistöt
Zeppelinin Tavaratori	Kempele	78.87		Sponda Kiinteistöt

LIMITED LIABILITY COMPANIES

Drawer Oy	Helsinki	100.00	100.00	Sponda
Hextagon Oy	Helsinki	100.00		Sponda
Inkeroisten Koekeskus Oy	Anjalankoski	100.00	100.00	Sponda

GROUP COMPANIES		GROUP COMPANY HOLDING %	PARENT COMPANY HOLDING %	
Sponda Kiinteistöt Oy	Helsinki	100.00	100.00	Sponda
Porkkalankadun alitus Oy	Helsinki	62.64		Sponda Kiinteistöt
Ruoholahden Yhteissuoja Oy	Helsinki	100.00		Sponda Kiinteistöt
Russia Europe Oy Ltd	Helsinki	100.00		Sponda
Sponda AM Oy	Helsinki	100.00	100.00	Sponda
Sponda Asset Management Oy	Helsinki	100.00	100.00	Sponda
Sponda Asset Management II Oy	Helsinki	100.00	100.00	Sponda
Sponda Russia Oy Ltd	Helsinki	100.00	100.00	Sponda
Sponda Russia Finance Oy Ltd	Helsinki	100.00		Sponda
SRK-Kiinteistöt Oy	Helsinki	100.00	100.00	Sponda
Tamforest Oy	Tampere	100.00	100.00	Sponda
Tamsilva Oy	Tampere	100.00	100.00	Sponda
Turku High Tech Centre Oy	Turku	100.00		Sponda Kiinteistöt

ASSOCIATED COMPANIES

Asunto Oy Lönnrotinkatu 28	Helsinki	30.81		Sponda
Creax Oy	Helsinki	25.00	25.00	Sponda
Erottajan Pysäköintilaitos Oy	Helsinki	49.29	49.29	Sponda
Puotinharjun Puhos Oy	Helsinki	20.43	20.43	Sponda
Zeppelinin Kulmatori Kiinteistö Oy	Kempele	49.67		Sponda Kiinteistöt

HOLDINGS IN ASSOCIATED COMPANIES

Ovenia Oy	Helsinki	45.10		Sponda Kiinteistöt

REAL ESTATE FUND COMPANIES

First Top LuxCo 1 S.a.r.l	Luxemburg	20.00	20.00	Sponda
Sponda Fund I Ky	Helsinki	46.10		Sponda
Sponda Fund II Ky	Helsinki	43.75		Sponda
YESS Ky	Helsinki	60.00	60.00	Sponda

FOREIGN SUBSIDIARIES

Korbis K LLC	Moscow, Russia	100,00		Sponda
Slavjanka CJS	Moscow, Russia	100,00		Sponda
Rowina Holding Limited	Cyprus	100,00		Sponda
Makentrax Limited	Cyprus	100,00		Sponda
OOO Adastra	St. Petersburg, Russia	100.00		Sponda
OOO Europe Terminal	Moscow, Russia	100.00		Sponda
OOO Inform Future	St. Petersburg, Russia	100.00		Sponda
OOO Inno Center	St. Petersburg, Russia	100.00		Sponda
OOO NRC	St. Petersburg, Russia	100.00		Sponda
OOO Veika	St. Petersburg, Russia	100.00		Sponda
ZAO Ankor	Moscow, Russia	100.00		Sponda
OOO Western Realty (Ducat)	Moscow, Russia	100.00		Sponda

Changes in Group structure in 2008

COMPANIES ACQUIRED

OOO Western Realty (Ducat)
Korbis K Limited Liability Company
Slavjanka Closed Joint-Stock Company
Rowina Holding Limited
Makentrax Limited
Helsingin Valuraudankuja 7
Helsingin Harkkoraudantie 7
Kodofin Oy
Iso-Roobertinkatu 21–25, minority interest 8.82%
Turku High Tech Centre Oy

COMPANIES ESTABLISHED

Creax Oy
Tuusulan Teollisuuskuja 4
Helsingin Energiakatu 4
Ratinan Kauppakeskus
Sponda Fund II Ky

COMPANIES SOLD

Espoon Asematori
Kluuvikatu 8
Lönnrotinkatu 13
Museokatu 8
Suutarilan Lampputie 4
Tampereen Länsikeskus
Tapiolan Toimitalo

DISSOLVED COMPANIES

Kouvolantie 227

MERGED COMPANIES

Ruoholahden Poiju A was merged with Porkkalankatu 20
Ruoholahden Poiju B was merged with Porkkalankatu 20
Ruoholahden Poiju C was merged with Porkkalankatu 20

CHANGES OF NAME

Kiinteistö Oy Helsingin Valuraudankuja 7, previous name was Valuraudankuja Oy
Sponda Asset Management II Oy, previous name was Kodofin Oy
Kiinteistö Oy Niinilahti, previous name was Kiinteistö Oy Tampereen Vihiojantalo

Parent company income statement (FAS)

MEUR	NOTE	1 JAN.–31 DEC. 2008	1 JAN.–31 DEC. 2007
Total revenue	1	118.1	107.4
Fund management fees		7.2	6.8
Fund dividends and share of fund profits		4.7	3.3
		130.0	**117.5**
Expenses from leasing operations		-72.1	-57.2
Direct expenses from funds		-2.0	-1.3
		-74.1	**-58.5**
Gross profit		**55.9**	**59.0**
Sales and marketing expenses		-1.2	-1.3
Administrative expenses	2, 3, 6	-9.5	-10.9
Other operating income	4	0.2	0.3
Profits on sale of investment properties		25.8	2.7
Other operating expenses	5	-1.1	-0.2
Operating profit		**70.1**	**49.6**
Financial income and expenses	7	-69.4	-50.3
Profit / loss before one-time items		**0.7**	**-0.7**
Extraordinary items	8	-0.5	–
Profit / loss before tax		**0.2**	**-0.7**
Profit / loss for period		**0.2**	**-0.7**

Parent company balance sheet (FAS)

MEUR	NOTE	31 DEC. 2008	31 DEC. 2007
Assets			
Non-current assets			
Intangible assets	9	27.7	23.0
Property, plant and equipment	10		
Land and water		4.8	4.8
Buildings and structures		1.3	1.3
Machinery and equipment		0.3	0.4
		6.4	**6.5**
Investments	11		
Holdings in Group companies		1,731.7	1,552.5
Receivables from Group companies		867.8	826.0
Holdings in associated companies		7.5	3.0
Investments in real estate funds		49.7	33.5
Other investments		15.6	15.8
		2,672.3	**2,430.8**
Total non-current assets		**2,706.4**	**2,460.3**
Current assets			
Current receivables	12	65.2	48.7
Cash and bank deposits		4.7	16.6
Total current assets		**69.9**	**65.3**
Total assets		**2,776.3**	**2,525.6**
Shareholders' equity and liabilities			
Shareholders' equity	13		
Share capital		111.0	111.0
Share premium reserve		159.1	159.1
Invested non-restricted equity reserve		215.7	215.7
Retained earnings		147.7	203.9
Loss for the period		0.2	-0.7
Total shareholders' equity		**633.7**	**689.0**
Depreciation differences	14	0.2	0.2
Provisions	15	8.3	8.2
Liabilities			
Non-current liabilities	16	1,807.2	1,205.5
Current liabilities	17	326.9	622.7
Total liabilities		**2,134.1**	**1,828.2**
Total shareholders' equity and liabilities		**2,776.3**	**2,525.6**

Parent company statement of cash flows (FAS)

MEUR		1 JAN–31 DEC. 2008	1 JAN–31 DEC. 2007
Cash flow from operating activities			
Net profit for the period		0.2	-0.7
Adjustments	1)	56.4	51.7
Change in net working capital	2)	-11.0	-74.9
Interest received		23.4	24.8
Interest paid		-66.9	-79.6
Other financial items		-23.8	-0.7
Taxes received/paid		–	0.7
Net cash generated by operating activities		**-21.7**	**-78.7**
Cash flow from investing activities			
Investments in shares and holdings		-33.9	-52.3
Acquisition of property, plant and equipment and intangible assets		-16.2	-6.1
Other investments		–	–
Proceeds from disposal of shares and holdings		80.4	4.7
Proceeds from disposal of tangible and intangible assets		–	0.1
Loans granted		-307.0	-292.2
Repayments of loan receivables		36.4	153.4
Net cash used in investing activities		**-240.3**	**-192.4**
Cash flow from financing activities			
Proceeds from share issue		–	247.5
Non-current loans, raised		812.4	1,076.0
Non-current loans, repayments		-323.4	-393.5
Current loans, raised/repayments		-183.4	-599.5
Dividends paid		-55.5	-44.4
Net cash generated from financing activities		**250.1**	**286.1**
Change in cash and cash equivalents		**-11.9**	**15.0**
Cash and cash equivalents at 1 Jan.		16.6	1.6
Cash and cash equivalents transferred in merger		–	–
Cash and cash equivalents at 31 Dec.		**4.7**	**16.6**

NOTES TO THE CASH FLOW STATEMENT, MEUR

	1 JAN.–31 DEC. 2008	1 JAN.–31 DEC. 2007
1) Adjustments		
The following adjustments change the accrual-based items in the income statement to cash-based items, and they reverse items shown elsewhere in the cash flow statement.		
Other operational expenses	0,8	–
Other operational income	-25,8	-2,8
Depreciation and amortization	11,5	4,2
Financial income and expenses	69,4	50,3
Merger loss	0,5	–
Taxes	–	–
Adjustments, total	**56,4**	**51,7**
2) Statement of change in net working capital		
Current receivables increase (-), decrease (+)	-22,1	-17,1
Non-interest-bearing current liabilities increase (+), decrease (-)	11,1	-57,8
Change in net working capital	**-11,0**	**-74,9**

Accounting principles for the parent company accounts

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

Measurement and timing principles

Contractual improvements

Costs arising from renovation work for individual tenants are entered as an annual expense or capitalized to other long-term expenditure of the landlord, Sponda Plc. Repair costs and tenant improvements are capitalized over the duration of the lease when they generate income in several accounting periods. For open-ended leases, costs are capitalized over the period until the date that is defined in the lease agreement as the first possible termination date.

Fixed assets and straight-line depreciation

Fixed assets are valued at cost less straight-line depreciation. Straight-line depreciation on machinery and equipment and on buildings and building materials is calculated using the declining balance method. Renovation costs related to tenant improvements and capitalized to other long-term expenditure are depreciated over the lease period.

Other machinery and equipment	3–10 years
Buildings	50 years
Building materials	25 years
Other long-term expenditure	1–19 years

In addition to capitalized tenant improvements, other long-term expenditure includes computer software and renovation of the business premises occupied by Sponda Plc itself.

Investments

Property investments are shares in subsidiaries and associated companies, loans granted to Group companies and associated companies, investments in real estate funds and other investments. Investments are valued at cost in the parent company's balance sheet. Permanent writedowns are deducted from cost.

Research and development costs

The company has no research activities. Building project costs equivalent to R&D costs are capitalized when the technical implementation of the project is completed and the project can be considered to generate income over a period of several years. Otherwise research and development costs are entered as an expense.

Financial assets, liabilities and derivative contracts

Financial assets and non-interest-bearing debt are recognized at cost. Interest-bearing debt is measured at amortized cost using the effective interest rate method. Interest rate swap contracts made to hedge the risk exposure associated with long-term loans are not entered in the balance sheet but instead are listed in the notes to the financial statements. Interest arising from these contracts is recognized in the income statement as it is incurred.

Extraordinary income and expenses

Extraordinary income and expenses consist of gains and losses on mergers.

Income tax

Income tax includes tax in the period and adjustments to taxes for previous periods. The current tax expense is based on taxes calculated on the result for the period and tax rules. No deferred tax liabilities or credit are entered in the parent company balance sheet.

Foreign currency denominated items

Transactions denominated in foreign currency are recognized at the exchange rate on the transaction date. Balance sheet items in foreign currency outstanding on the closing date are valued at the exchange rate on the closing date.

Other principles

The Group has arranged statutory pension insurance for its personnel with a pension insurance company. The pension costs are entered as an expense in proportion to salaries.

Fees arising from leasing assignments are recognized over the duration of the leasing contract.

Interest payable during construction projects in progress are entered as an expense.

The Group has no significant finance leases.

Notes to the parent company financial statements

1) Total revenue

TOTAL REVENUE BY TYPE OF PROPERTY, MEUR	2008	2007
Office & Retail Properties	83.9	78.2
Logistics Propertiest	33.2	28.7
Property Development	1.0	0.5
Total	**118.1**	**107.4**

TOTAL REVENUE BY GEOGRAPHICAL AREA, MEUR	2008	2007
Helsinki Metropolitan Area	113.1	103.3
Rest of Finland	5.0	4.1
Total	**118.1**	**107.4**

2) Personnel expenses and number of employees

MEUR	2008	2007
Salaries and fees	9.7	10.2
Pension costs	1.8	1.5
Other personnel costs	0.6	0.4
Total	**12.1**	**12.1**
President and CEO*	0.5	0.5
Members of the Board of Directors	0.3	0.3
Total	**0.7**	**0.7**

* Does not include bonus under the incentive scheme

The President and CEO is paid a full salary and in addition he is included within the long-term incentive scheme for top management that was introduced on 1 January 2006. Any bonus paid under this scheme is based on the cash flow from operations per share and the return on investment. The bonuses, less tax, are used to purchase company shares for the person. The shares may not be disposed of within two years of their receipt. The bonus is paid annually. Board members are not paid an incentive bonus.

MEUR	2008	2007
Bonus from incentive scheme	0.4	0.3

Personnel expenses are included in the income statement under administrative expenses.

Loans and commitments to related parties

There were no loans to related parties. The President and CEO is eligible to retire at the age of 63. The pension obligation is covered by pension insurance policies. The salaries and fees paid to the Board of Directors, and the pension obligations and termination benefits payable to management, are described in Note 10 to the consolidated financial statements "Employee benefit expenses and number of employees".

PERSONNEL ON AVERAGE	2008	2007
White collar, number of employees	125	126

3) Depreciation, amortization and impairment losses

MEUR	2008	2007
Intangible assets		
Other long-term expenditure	11.4	3.9
Property, plant and equipment		
Machinery and equipment	0.2	0.2
Total	**11.6**	**4.1**

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

4) Other operating income

MEUR	2008	2007
Share of bankruptcy estate	0.2	0.3
Total	**0.2**	**0.3**

5) Other operating expenses

MEUR	2008	2007
Losses on disposal of investments	0.8	–
Other expenses	–	0.1
Doubtful receivables	0.3	0.1
Total	**1.1**	**0.2**

6) Auditor fees

MEUR	2008	2007
Authorized public accountants KPMG Oy		
Audit	0.1	0.1
Other services	0.2	0.5
	0.3	**0.6**

7) Financial income and expenses

MEUR	2008	2007
Interest income from long-term investments		
in Group companies	52.0	36.1
Other interest income	1.0	1.3
Other financial income	0.1	–
Total interest and financial income	**53.1**	**37.4**
Interest expenses paid to Group companies	-13.8	-11.3
Other interest expenses	-85.2	-63.1
Other financial expensest	-2.4	-13.3
Finance charge to subsidiaries	-21.1	–
Total interest expenses		
and other financial expenses	**-122.5**	**-87.7**
Total financial income and expenses	-69.4	-50.3

8) Extraordinary items

MEUR	2008	2007
Merger loss	-0.5	–
	-0.5	**–**

9) Intangible assets

2008, MEUR	Other long-term expenditure	Purchases in progress	Total
Acquisition cost 1 Jan.	38.6	0.8	39.4
Increases	19.9	8.8	28.7
Transfers	-5.7	-6.9	-12.6
Acquisition cost 31 Dec.	**52.8**	**2.7**	**55.5**
Accumulated amortization			
and impairment losses 1 Jan.	-16.4	–	-16.4
Amortization for the period	-11.4	–	-11.4
Accumulated depreciation 31 Dec.	**-27.8**	**–**	**-27.8**
Net carrying amount 31 Dec.	25.0	2.7	27.7

2007, MEUR	Other long-term expenditure	Purchases in progress	Total
Acquisition cost 1 Jan.	31.8	0.1	31.9
Increases	30.5	1.2	31.7
Transfers	-23.7	-0.5	-24.2
Acquisition cost 31 Dec.	**38.6**	**0.8**	**39.4**
Accumulated amortization			
and impairment losses 1 Jan.	-12.5	–	-12.5
Amortization for the period	-3.9	–	-3.9
Accumulated depreciation 31 Dec.	**-16.4**	**–**	**-16.4**
Net carrying amount 31 Dec.	22.2	0.8	23.0

10) Property, plant and equipment

2008, MEUR	LAND SITES	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	ADVANCE PAYMENTS	TOTAL
Acquisition cost 1 Jan.	4.8	1.8	1.2	–	7.8
Increases	–	–	0.1	–	0.1
Acquisition cost 31 Dec.	**4.8**	**1.8**	**1.3**	**–**	**7.9**
Accumulated depreciation and impairment losses 1 Jan.	–	-0.5	-0.8	–	-1.3
Depreciation for the period	–	–	-0.2	–	-0.2
Accumulated depreciation 31 Dec.	**–**	**-0.5**	**-1.0**	**–**	**-1.5**
Net carrying amount 31 Dec.	**4.8**	**1.3**	**0.3**	**–**	**6.4**

2007, MEUR	LAND SITES	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	ADVANCE PAYMENTS	TOTAL
Acquisition cost 1 Jan.	4.8	1.8	1.1	1.6	9.3
Increases	–	–	0.2	–	0.2
Decreases	–	–	-0.1	-1.6	-1.7
Acquisition cost 31 Dec.	**4.8**	**1.8**	**1.2**	**–**	**7.8**
Accumulated depreciation and impairment losses 1 Jan.	–	-0.4	-0.6	–	-1.0
Depreciation for the period	–	-0.1	-0.2	–	-0.3
Accumulated depreciation 31 Dec.	**–**	**-0.5**	**-0.8**	**–**	**-1.3**
Net carrying amount 31 Dec.	**4.8**	**1.3**	**0.4**	**–**	**6.5**

11) Investments

2008, MEUR	Shares in group companies	Receivables from group companies	Holdings in associated companies	Investments in property funds	Other investments*)	Total
Acquisition cost 1 Jan.	1,552.5	826.0	3.0	33.5	15.8	2,430.8
Increases	234.9	502.0	4.5	16.2	10.6	768.2
Decreases	-55.7	-460.2	–	–	-10.8	-526.7
Net carrying amount 31 Dec.	**1,731.7**	**867.8**	**7.5**	**49.7**	**15.6**	**2,672.3**

OTHER INVESTMENTS, MEUR *)	Other shares	Receivables from associated companies	Receivable funds	Receivables from othert companies	Other investments*)	Total
Acquisition cost 1 Jan.	5.0	7.6	3.1	–	0.1	15.8
Increases	–	10.6	–	–	–	10.6
Decreases	-0.2	-10.6	–	–	–	-10.8
Net carrying amount 31 Dec.	**4.8**	**7.6**	**3.1**	**–**	**0.1**	**15.6**

2007, MEUR	Shares in group companies	Receivables from group companies	Holdings in associated companies	Investments in property funds	Other investments*)	Total
Acquisition cost 1 Jan.	1,495.6	669.9	2.7	16.8	15.2	2,200.2
Increases	58.2	352.1	0.3	16.9	4.9	432.4
Decreases	-1.3	-196.0	–	-0.2	-4.3	-201.8
Net carrying amount 31 Dec.	**1,552.5**	**826.0**	**3.0**	**33.5**	**15.8**	**2,430.8**

OTHER INVESTMENTS, MEUR *)	Other shares	Receivables from associated companies	Receivable funds	Receivables from othert companies	Other investments*)	Total
Acquisition cost 1 Jan.	5.5	9.0	–	0.6	0.1	15.2
Increases	–	1.8	3.1	–	–	4.9
Decreases	-0.5	-3.2	–	-0.6	–	-4.3
Net carrying amount 31 Dec.	**5.0**	**7.6**	**3.1**	**–**	**0.1**	**15.8**

Shares and holdings are listed in Note 37 to the consolidated financial statements.

12) Current receivables

MEUR	2008	2007
Trade receivables	3.4	2.3
Other receivables	4.0	–
Prepaid expenses and accrued income		
From Group companies	39.1	19.5
From other companies	18.7	26.9
Prepaid expenses and accrued income, total	**57.8**	**46.4**
Current receivables, total	**65.2**	**48.7**
Main items in prepaid expenses and accrued income		
Interest and financial items	7.5	15.8
Other items	50.3	30.6
Total	**57.8**	**46.4**

13) Shareholders' equity

MEUR	2008	2007
Share capital 1 Jan.	111.0	79.3
Increase in share capital	–	31.7
Share capital 31 Dec.	**111.0**	**111.0**
Share premium 1 Jan.	159.1	159.1
Share premium reserve 31 Dec.	**159.1**	**159.1**
Invested non-restricted equity reserve 1 Jan.	215.7	–
Increase in share capital and share issue	–	215.7
Invested non-restricted equity reserve 31 Dec.	**215.7**	**215.7**
Retained earnings 1 Jan.	203.2	248.3
Dividend payment	-55.5	-44.4
Retained earnings 31 Dec.	**147.7**	**203.9**
Profit / loss for period	0.2	-0.7
Shareholders' equity, total	**633.7**	**689.0**

CALCULATION OF DISTRIBUTABLE FUNDS, MEUR	2008	2007
Retained earnings	147.7	203.9
Invested non-restricted equity reserve	215.7	215.7
Profit / loss for period	0.2	-0.7
Total	**363.6**	**418.9**

14) Depreciation differences

MEUR	2008	2007
Accumulated depreciation differences 1 Jan.	0.2	0.2
Accumulated depreciation differences 31 Dec.	**0.2**	**0.2**

15) Provisions

MEUR	2008	2007
Other provisions 1.Jan.	8.2	7.6
Increases	0.1	0.6
Other provisions 31. Dec.	**8.3**	**8.2**

In a ruling issued on 19 January 2009, the Helsinki Court of Appeal ordered Sponda Plc to pay interest, penal interest and court costs totalling EUR 7.6 million to Sampo Bank Plc based on a credit agreement. The decision is final unless appeal has been made by 20 March 2009.

The amount of Sampo Bank's suit for payment, EUR 7.6 million, was recognized as an expense under provisions in the 2006 financial statements, so the ruling has no impact on Sponda's result. EUR 0.6 million was recognized as an interest expense under provisions in 2007 and EUR 0.1 million in 2008, so the total provision is EUR 8.3 million on 31 December 2008.

16) Non-current liabilities

NON-CURRENT INTEREST-BEARING LIABILITIES, MEUR	2008	2007
Serial bonds	249.8	249.7
Loans from financial institutions	1,373.2	779.0
Other non-current debt payable to Group companies	184.2	176.8
Non-current interest-bearing liabilities, total	**1,807.2**	**1,205.5**

Loans from financial institutions include a EUR 130 million hybrid bond, which is treated in the consolidated balance sheet as an equity item.

DEBT MATURING AFTER FIVE YEARS, MEUR	2008	2007
Loans from financial institutions	158.8	100.0

17) Current liabilities

MEUR	2008	2007
Current interest-bearing liabilities		
Loans from financial institutions	270.6	554.0
Current interest-free liabilities		
Advances received	0.3	2.3
Trade payables		
To Group companies	19.8	20.4
To other companies	0.3	1.3
Total trade payables	**20.1**	**21.7**
Accrued expenses and prepaid income		
Payable to Group companies	1.8	1.6
Payable to other companies	30.6	19.9
Total accrued expenses and prepaid income	**32.4**	**21.5**
Other current debt receivable from Group companies	2.6	11.3
Other current debt	0.9	11.9
Total current interest-free liabilities	**56.3**	**68.7**
Total current liabilities	**326.9**	**622.7**
Main items in accrued expenses and prepaid income		
Interest and financial items	25.6	15.1
Personnel expenses	3.7	4.3
Other items	3.1	2.0
Total	**32.4**	**21.4**

18) Derivative instruments

MEUR	2008	2007
Interest derivatives		
Interest rate swaps, nominal value of principal	915.0	660.0
Interest rate swaps, fair value	-27.0	10.0
Interest options, nominal value	187.5	557.0
Interest options, fair value	1.0	14.7
Forward rate agreements, nominal value	–	50.0
Forward rate agreements, fair value	–	0.1
Currency derivatives		
Currency forwards, nominal value	5.1	–

19) Collateral and contingent liabilities

COLLATERAL GIVEN ON BEHALF OF GROUP COMPANIES, MEUR	2008	2007
Book value of pledged shares	9.3	–

CONTINGENT LIABILITIES GIVEN ON BEHALF OF GROUP COMPANIES, MEUR	2008	2007
Guarantees given on behalf of Group companies	57.6	–

LEASE LIABILITIES, MEUR		
Payments based on agreements fall due as follows		
During the following year	0.4	0.5
After the following year	0.5	0.7
Total	**0.9**	**1.2**

Other lease agreements consist of leases for vehicle and office equipment. The leases have lengths of 3–5 years and they have no redemption obligations.

OTHER COMMITMENTS, MEUR	2008	2007
VAT deductions made on renovation investments		
Commitments under §33 of the VAT Act	–	32.1

Distribution of profit

Proposal by the Board of Directors on the disposal of the profit for the year

The parent company's distributable funds total EUR 363,605,484.37.
The Board proposes to the Annual General Meeting that no dividend be paid for 2008.

Helsinki, 6 February 2009

Signatures of the Board of Directors and CEO
for the report by the Board of Directors
and for the financial statements

SPONDA PLC
Board of Directors

Klaus Cawén	Tuula Entelä	Timo Korvenpää
Lauri Ratia	Arja Talma	Erkki Virtanen

President and CEO
Kari Inkinen

Auditors' statement

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

Helsinki, Finland, 12 February 2009

	KPMG Oy Ab
Raija-Leena Hankonen APA	Kai Salli APA

Auditors' report

To the annual general meeting of Sponda Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Sponda Plc for the year ended on 31 December 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Opinion on the discharge from liability and disposal of distributable funds

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Limited Liability Companies Act.

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

Helsinki, 12 February 2009

KPMG Oy Ab

Raija-Leena Hankonen APA

Kai Salli APA

Information for shareholders

Annual General Meeting

The 2009 Annual General Meeting of Sponda Plc will be held in the Helsinki Room at Finlandia Hall (Mannerheimintie 13, 00100 Helsinki, door M3 or K3) on Wednesday, 25 March 2009, starting at 2.00 pm. Instructions for registering for the AGM are given on Sponda's website at www.sponda.fi.

To attend the meeting, shareholders must be entered in the company's shareholder register maintained by the Euroclear Finland Ltd no later than 13 March 2009.

Dividend payment

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year 2008. The reasons for the proposal are the uncertain state of the financial markets and developments in Sponda's equity ratio.

Changes of name and address

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

Financial information

Sponda publishes its interim reports in 2009 on the following dates:

Interim report
Jan–Mar / 2009 ....Thursday, 7 May 2009
Interim report
Jan–Jun / 2009 ....Thursday, 6 August 2009
Interim report
Jan–Sep / 2009 ....Thursday, 5 November 2009

Sponda publishes all its material for investors in Finnish and English. The material is available on its website www.sponda.fi. Releases can be ordered at www.sponda.fi › In English › Investors › Order releases, or by contacting:

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Sponda's Investor Relations

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

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

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

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