

### **SPONDA'S OPERATING PROFIT UP 47 % IN 2000**

Sponda Group recorded a net profit for 2000 of FIM 168.8 (175.0) million, which included profits on property sales totalling FIM 18.8 (13.8) million. Total revenue was FIM 650.7 (444.6) million and was derived from rental income. The operating profit was FIM 410,6 (279.6) million, an increase of 46.9 % on the previous year. The consolidated profit before extraordinary items, provisions and taxes increased 18.8 % to FIM 218.9 (184.3) million. The Board of Directors will propose a dividend of FIM 1.50 per share.

The result of leasing operations before profits on property sales was FIM 150,0 million, down 7.0 % up on the result in 1999, which was FIM 161.2 million. The estimated market value of Sponda's property portfolio at the end of 2000 was FIM 8 370 million and the balance sheet total was FIM 7 046.6 million. Net assets per share were FIM 53.30 (EUR 9.0), an increase of 15.0 %. Shareholder's equity per share was FIM 35.48 (35.16) and earnings per share were FIM 2.16 (2.41).

### **Financing**

Sponda's equity ratio at the close of the period was 41.6 % (46.3 %). Interest-bearing debt totalled FIM 3 971.0 (3 054.3) million and net financial expenses were FIM 191.5 million. The average maturity of Sponda's loans was 4.4 (3) years and they carried average interest of 5.6 % (4.6 %). The average maturity of the interest rate derivatives was 2.9 (2.2) years. The interest cover was 2.5 %. Secured loans represented 12 % of the balance sheet total.

### **Business conditions**

**According to ETLA, The Research Institute of the Finnish Economy, the economy has peaked. GDP in Finland is expected to rise 4.5 % during 2001, inflation will slow to 2 % and the real purchasing power of households will increase to 4 %.**

Rent levels in the Helsinki Metropolitan Area continued to rise. According to Catella Real Estate Consulting Ltd, the vacancy rate stood at 1.4 % in the autumn. Demand and supply in business premises have started to balance out.

### **Property portfolio**

The market value of Sponda's real estate portfolio at the end of 2000 was FIM 8 370 million, which Sponda has valued for the purposes of the property yield index of the Finnish Institute of Real Estate Management.

Sponda's properties are divided into four business areas: Helsinki Metropolitan Area, Helsinki Business District, Itäkeskus and Logistics

Properties, the latter mainly comprising the real estate assets of Castrum Oyj. Sponda Group owns altogether 96 properties, 26 of which are located in the Helsinki Business District. Sponda has 46 properties in the Helsinki Metropolitan Area, one of which, Itäkeskus, is a separate business area. Sponda also owns 23 properties in the rest of Finland. The aggregate leasable area of Sponda's properties is 894 412 m<sup>2</sup> comprising 313 830 m<sup>2</sup> of office space (35.1 % of the total leasable area), 116 750 m<sup>2</sup> of retail premises (13.0 %), 21 243 m<sup>2</sup> of hotels (2.4 %) and 442 589 m<sup>2</sup> of logistics properties (49.5 %).

Sponda owns a further 8 sites, 6 in the Helsinki Metropolitan Area and 2 in Tampere. It has altogether 73 700 m<sup>2</sup> of building rights in the Helsinki Metropolitan Area and 7 300 m<sup>2</sup> in Tampere. Sponda's building rights in Vantaa Airport City total 57 500 m<sup>2</sup> and in Espoo 16 200 m<sup>2</sup>.

### **Tenant improvements**

Sponda's investments in maintenance and upgrading of its real estate totalled FIM 28.8 million during 2000. Capitalized tenant improvements, namely renovations agreed when leasing agreements are signed, amounted to FIM 32.4 million.

### **Leasing operations**

Net operating income from Sponda's properties totalled FIM 493.1 million. The book value of the property portfolio was FIM 6.9 billion. Net operating income was generated as follows: 42.2 % from Helsinki Business District, 22.5 % from the Itäkeskus Shopping Mall, 13.8 % from Helsinki Metropolitan Area, 18.7 % from Logistics Properties (Castrum), and 2.8 % from the rest of Finland.

### **Itäkeskus Shopping Mall**

The Itäkeskus Shopping Mall will rank among the 10 largest shopping complexes in Europe when its 8 500 m<sup>2</sup> extension is completed in the autumn of 2001. The project also includes refurbishing approximately 5 000 m<sup>2</sup> of space in the original mall.

Sales by the retail outlets in the Itäkeskus Shopping Mall during 2000 totalled FIM 1 582 (1 542) million, 2.6 % up on the previous year. Sales growth was hampered by construction of the new wing and a shortage of parking space, part of which was required by the worksite. Sales were also affected by the refurbishment of roughly 5 000 m<sup>2</sup> of retail premises related to the extension.

### **The Castrum acquisition**

Sponda acquired Castrum Oyj in two stages. On 14 March 2000 Sponda reached agreement on raising its holding to 65.9 % of Castrum's share capital. This deal was closed after the approval of Sponda's Annual General Meeting was received on 27 March 2000. Sponda paid for the transaction through a privileged share issue to the sellers, offering 1

Sponda share in exchange for five Castrum shares. The total transaction price was approx. EUR 29 million calculated from the share price on the day preceding the deal's announcement. Castrum was consolidated in Sponda's financial accounts from 1 April 2000 onwards.

Sponda Plc then bought the Castrum shares owned by Henki-Sampo Insurance Company, ST International Insurance Company and Kesko Oyj on 29 November 2000 through an exchange of shares. Following Sponda's extraordinary shareholders' meeting on 14 December 2000, Sponda owned 94.7 % of the Castrum shares and voting rights.

With Sponda's holding in Castrum now exceeding 90 % of the total, Sponda had the legal obligation to make a public offer to redeem the remaining issued Castrum shares and bond warrants. This offer ended on 18 January 2001 and was accepted by shareholders representing altogether 3 761 143 shares, i.e. roughly 4.9 % of Castrum's shares and voting rights, raising Sponda's holding to 99.6 % of Castrum's shares and voting rights.

On 25 January 2001 Sponda will demand the compulsory redemption of the outstanding Castrum shares and voting rights, as permitted by the Companies Act.

Following this action Sponda will apply for delisting of the Castrum shares and bond warrants from the main list of the Helsinki Exchanges.

#### **Other property acquisitions**

Sponda also acquired various properties during 2000 totalling FIM 272 million.

On 29 May 2000 Sponda Plc bought the remaining shares (approx. 2 500 m<sup>2</sup>) in Kaivokatu 8, part of the City Centre ("Makkaratalo") complex, for FIM 74 million, giving Sponda 100 % ownership of the property.

In the Helsinki Business District Sponda bought an office building in Lauttasaari and a 40 % holding in Tunneli Oy on Kaivokatu.

In Helsinki Metropolitan Area Sponda bought office properties at Sinimäentie 14 and in Mäkkylä, Espoo.

In Itäkeskus Sponda bought the outstanding minority holdings in Itäkatu 11 and shares of Puotinharjun Puhos Oy.

Sponda also bought logistics properties on Sähkötie in Vantaa and on Rieskalähteentie in Turku.

#### **Property sales**

Sponda sold real estate for altogether FIM 196.5 million in 2000. The properties sold were either outside Sponda's core business areas or so

small that their administration offered no synergic benefits.

On 29 February 2000 Sponda sold the entire share capital of the Dianakulma residential and office building at Yrjönkatu 16 to the Svenska folkskolans vänner association, for FIM 71 million. The leasable area of this property was approx. 3 400 m<sup>2</sup>.

On 30 June 2000 Sponda sold the share capital of Kiinteistö Oy Koskipaju, a property on the former Tampella industrial site in Tampere city centre, to Tamrock Oy's Pension Foundation for FIM 48.5 million.

On 2 October 2000 the entire share capital of Kiinteistö Oy Ulappatori, owned by Sponda, was transferred to Citycon for a debt-free price of approx. FIM 25 million.

On 19 October 2000 Sponda sold the logistics property at Rieskalähteentie in Turku to Toptronics Oy for FIM 10 million. Castrum sold altogether 11 properties for FIM 43 million. These properties had an aggregate area of 28 485 m<sup>2</sup> and were situated in Hanko, Helsinki, Hyvinkää, Kirkkonummi, Kouvola, Lahti, Oulu, Tampere and Valkeakoski.

On 15 January 2001 Sponda Plc sold an office building with an area of approx. 8 000 m<sup>2</sup> at Hämeenkatu 23 in Tampere to the Pension Fund of Tampereen Puhelin Oyj for FIM 70.5 million.

### **Group structure and changes**

Sponda Group comprises the parent company and its subsidiaries, most of which are wholly owned. With the exception of Tamsoil Oy and Castrum Oyj, these are mutual property companies. The principal subsidiaries are Castrum Oyj, Kauppakeskus Itäkeskus Oy and Tamsoil Oy.

### **Organization and personnel**

The Sponda Group had 49 (32) employees on average between 1 January and 31 December 2000, which included 33 (25) in the parent company Sponda Plc. At the close of the period personnel totalled 52 (37), which included 34 (29) in the parent company.

Wages and salaries paid by the parent company amounted to FIM 8 499 602. Remuneration paid to the Board of Directors and the CEO totalled FIM 1 334 650. The Sponda Group paid FIM 14 322 985 in wages and salaries during the review period. Of this, remuneration to the Board of Directors and the Presidents totalled FIM 3 156 486 and wages and salaries to other employees totalled FIM 11 166 433.

### **Board of Directors**

The Annual General Meeting re-elected the following to the Board of Directors: Anssi Soila (chairman), Jarmo Väisänen (deputy chairman), Heikki Bergholm, Kari Inkinen, Harri Pynnä, and Pertti Voutilainen.

## **Auditors**

The Annual General Meeting appointed KPMG Wideri Oy Ab and Raija-Leena Hankonen APA as the company's auditors and Ora Lyytikäinen APA as the deputy auditor.

## **Corporate Governance**

The Rules of Procedure endorsed by Sponda's Board of Directors endorsed in 1999 are still in force. They are based on the corporate governance guidelines prepared jointly by the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers. The Guidelines for Insiders, prepared by the Helsinki Exchanges, were approved by the Board of Directors for adoption by Sponda Plc with effect from 1 March 2000.

## **Share performance**

The Sponda share performed better during 2000 than the HEX all-share index in general and the closing share price on 30 December 2000 was EUR 3.95, i.e. FIM 23.49. The company's market capitalization at the end of the year was EUR 324 million, i.e. FIM 1.9 billion.

## **Share capital**

Sponda Plc's share capital was reduced by annulling the company's own shares, as decided by the Annual General Meeting on 27 March 2000, and then raised on 3 April 2000 through a privileged rights issue, which reduced the Finnish government's holding in Sponda to 49.1 %. An extraordinary general meeting on 14 December 2000 cancelled the AGM's authorization to the Board of Directors to acquire the company's own shares. Sponda Plc's share capital was reduced by annulling the company's own shares, as decided by the extraordinary general meeting, and then raised on 18 December 2000 through a privileged rights issue.

	Share capital FIM	No. of shares
31 December 1999		
AGM 27 March 2000	363 476 095	72 695 219
Annulment	6 956 325	1 391 265
Rights issue	37 654 040	7 530 808
EGM 14 December 2000	394 173 810	78 834 762
Annulment	6 366 000	1 273 200
Rights issue	22 105 565	4 421 113
31 December 2000	409 913 375	81 982 675

## **Authorizations to purchase own shares**

Sponda Plc's Board of Directors decided on 3 May 2000, as authorized by the AGM on 27 March 2000, to purchase the Company's own shares using the Company's distributable funds. Altogether 1 391 265 shares were purchased.

The company began purchasing its own shares on 11 March 2000 and the final date for purchasing should have been 27 March 2001. Sponda's extraordinary general meeting on 14 December 2000 cancelled the Board of Directors' authorization, granted by the AGM on 27 March 2000, to purchase the company's own shares and authorized the Board to purchase the company's shares using its distributable funds.

Based on this new authorization altogether 3 000 000 shares will be purchased so that the aggregate nominal value of the shares owned by the Company and its subsidiary companies, or the voting rights carried by these shares, after the purchase does not exceed five (5) percent of the company's total share capital or the voting rights carried by all the shares.

The company started to purchase its own shares on 2 January 2001 and this action will end on 14 December 2001.

### **Prospects**

The property leasing market will remain stable. The occupancy rate of Sponda's properties will remain high and the company's leasing operations are expected to generate a better result than last year. Sponda's performance is forecast to improve during 2001.

### **Annual General Meeting and dividend**

Sponda Plc's Board of Directors has decided to convene the Annual General Meeting on 28 March 2001, commencing at 2.30 pm. The Board will propose payment of a dividend of FIM 1.50 per share on the result for 2000.

1 February 2001

Sponda Plc  
Board of Directors

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Tapani Väjälä, CFO, Sponda Plc, tel. +358-400-505 578

Consolidated Income Statement	1 Jan.-31 Dec.2000		1 Jan.-31 Dec.1999	
	MFIM	MEUR	MFIM	MEUR
TOTAL REVENUE	650.7	109.4	444.6	74.8
Operating expenses	<u>-157.6</u>	<u>-26.5</u>	<u>-115.8</u>	<u>-19.5</u>
Net operating income	493.1	82.9	328.8	55.3
Other operating income	19.0	3.2	13.8	2.3
Personnel expenses	17.0	2.9	12.0	2.0
Depreciation and value writedowns	74.3	12.5	49.1	8.3
Other operating expenses	<u>10.1</u>	<u>1.7</u>	<u>2.0</u>	<u>0.3</u>
OPERATING PROFIT	410.6	69.1	279.6	47.0
Share of associated companies' results	-0.1	-0.0	-0.7	-0.1
Financial income and expenses	<u>-191.5</u>	<u>-32.2</u>	<u>-94.6</u>	<u>-15.9</u>
	-191.7	-32.2	-95.3	-16.0
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES	218.9	36.8	184.3	31.0
Income taxes	-49.2	-8.3	-11.0	-1.8
Minority interest	<u>- 0.8</u>	<u>-0.1</u>	<u>1.7</u>	<u>0.3</u>
NET INCOME FOR THE FINANCIAL YEAR	<u>168.8</u>	28.4	<u>175.0</u>	29.4

Consolidated Balance Sheet	31 December 2000		31 December 1999	
	MFIM	MEUR	MFIM	MEUR
ASSETS				
FIXED ASSETS				
Intangible assets				
Tangible assets	10.8	1.8	0.4	0.1
Land and water	1 835.8	308.8	1 513.7	254.6
Buildings	4 891.6	822.7	3 990.8	671.2
Machinery and equipment	32.9	5.5	33.1	5.6
Other tangible assets	<u>19.8</u>	<u>3.3</u>	<u>14.6</u>	<u>2.5</u>
	6 780.1	1 140.3	5 552.2	933.8
Investments				
Holdings in associated companies	81.6	13.7	44.1	7.4
Own shares			22.1	3.7
Other investments	<u>40.9</u>	<u>6.9</u>	<u>140.6</u>	<u>23.6</u>
	122.5	20.6	206.8	34.8

FIXED ASSETS, TOTAL	6 913.5	1 162.8	5 759.4	968.7
CURRENT ASSETS				
Trade receivables	16.3	2.7	39.6	6.7
Short term receivables	72.8	12.2		
Cash and bank deposits	43.9	7.4	4.2	0.7
CURRENT ASSETS, TOTAL	133.0	22.4	43.9	7.4
ASSETS, TOTAL	7 046.6	1 185.1	5 803.3	976.0
Shareholders' Equity and liabilities				
SHAREHOLDERS' EQUITY				
Share capital	409.9	68.9	363.5	61.1
Share premium fund	977.9	164.5	695.0	116.9
Share buyback fund			22.1	3.7
Retained earnings	1 352.4	227.5	1 291.0	217.1
Net income for the year	168.8	28.4	175.0	29.4
SHAREHOLDERS' EQUITY, TOTAL	2 909.1	489.3	2 546.6	428.3
MINORITY INTERES	19.1	3.2	155.1	26.1
LIABILITIES				
Long-term liabilities	3 202.8	538.7	2 204.4	370.8
Short term liabilities	915.6	154.0	897.1	150.9
LIABILITIES, TOTAL	4 118.4	692.7	3 101.6	521.6
SHAREHOLDERS EQUITYS AND LIABILITIES, TOTAL	7 046.6	1 185.1	5 803.3	976.0

The figures are unaudited.