SPONDA 2011

Creating attractive operating environments by enlivening cities

Profitable growth based on a strong customer focus while taking environmental perspectives into consideration

ANNUAL REPORT

sponda

The theme of Sponda's annual report 2011 is urban development. Sponda's properties are focused in the largest cities in Finland and Russia. As a result, the vitality of cities is an important factor for the appeal and occupancy rate of the company's properties. Sponda participates in the development of cities through its properties in cooperation with the companies operating near its properties, owners of the surrounding properties and city officials responsible for planning.

Sponda publishes its annual report for the first time as an online version. The online annual report includes Financial Statements, Board of Directors' Report and general information about the company and its operations in 2011. The information about Sponda's corporate responsibility, Spondability, is also included in the company's annual report 2011.

Sponda's online annual report 2011 is available at annualreport2011.sponda.fi

Table of Contents

sponda

Year 2011

The year 2011 was successful for Sponda. The company's total revenue, net operating income, occupancy rate and property holdings increased from the previous year. Sponda also made significant financial arrangements and property acquisitions supporting the company's strategy. In addition, the company celebrated its 20 year anniversary in October.

248.2

Sponda's total revenue in 2011 was EUR 248.2 million.

2011 in brief

Sponda's property development projects progressed according to plan and the company strengthened its property portfolio by purchasing the Fennia block in 2011. Certification processes initiated over the past years bore fruit, with environmental certificates awarded to four of the company's properties. Read more >

Chief Executive's review

Property assets

Sponda's office, retail and logistics properties are located in major cities in Finland and Russia. The total leasable area of Sponda's investment properties is about 1.5 million square metres and the fair value of the property portfolio is approximately EUR 3.2 billion.

Read more >

Key figures

20th anniversary

Year 2011 in brief

Sponda celebrated its 20 years of existence in 2011. During the anniversary year, Sponda successfully reorganised its debt financing and developed its processes in order to improve the implementation of its strategic focus areas. The property development projects completed in 2011 as well as properties purchased strengthened the company's property holdings in key locations of cities according to the company's strategy.

Successful financial arrangements a sign of confidence from the capital market

In 2011, Sponda signed a credit limit agreement of EUR 50 million and a syndicated credit agreement of EUR 375 million. In addition, it issued a SEK 650 million bond directed at Scandinavian institutional investors, expanding Sponda's broad base of financiers even further.

Success in significant refinancing in the challenging financial situation is a proof of Sponda's good reputation as a reliable debtor. The funds received through the financial arrangements implemented were used partly for the rearrangement of loans maturing in 2012 and in part for the payment of properties bought during the year.

Property acquisitions supporting the strategy

Sponda strengthened its property holdings in its key strategic locations, in the city centres with good public transport access, by buying the Fennia Block located in Helsinki's central business district. This purchase also supports the company's long-term goal to increase the share of office properties and shopping centres in its property portfolio.

The structure of the property portfolio was strengthened even further by increasing the company's holding in the shopping centre Zeppelin located in Kempele. An extensive expansion of the shopping centre was carried out during the year.

Sponda also increased its holdings by buying in the Kauppa-Häme property located in the central business district of Tampere. Sponda will renovate this property completed in 1965 into functional, modern and comfortable retail and office premises.

In 2011, Sponda joined the Russian Invest property investment company founded in cooperation with SRV, Ilmarinen, Etera and Onvest. The company will invest in property development projects in Moscow and St.Petersburg. Sponda will have the opportunity to acquire new properties that meet international standards from the joint venture.

Property development projects proceeding as planned

Sponda's most important ongoing property development project, the Citycenter located in Helsinki's central business district reached an important milestone in 2011 with the completion of the 4,200 square metres office building and the 10 storey light well bringing daylight into the premises.

Also the renovation project of the Havis Business Center in Helsinki's central business district continued. This project will create modern space in the office property complex of some 22,500 square metres.

In the Logistics Properties segment, the new production facilities of Metso Automation were completed at the beginning of the year in the Vantaan Akseli business park favoured by the logistics industry and various fields of manufacturing.

International Environmental certification for four properties

Also environmental issues were a strong focal point of Sponda's operations in 2011. Certification processes started in previous years yielded results with the environmental certification of four properties as a proof that environmental issues have been taken into account both during the construction and the operation of the properties. BREAAM® certificates were awarded to the Ruoholahden Tähti office building in Helsinki and the Vuosaari harbour PortGate office building. LEED® certification was completed for the office properties located in Sörnäistenkatu 2 and Citycenter, both in Helsinki.

Sponda also took care of its environmental responsibility in 2011 by, among other things, promoting its Energy Efficiency Programme, improving the processing of waste and increasing cooperation in environmental matters with its customers. In addition, seven priorities of responsibility relevant for the company's operations were determined as areas of special implementation and development focus in the company.

In brief

- Property portfolio structure strengthened through strategic property acquisitions
- The company successfully carried out significant financing arrangements
- Four Sponda-owned properties were granted international environmental certificates

Chief Executive's review

In this video Kari Inkinen presents Sponda's year 2011.

"The purchase of Fennia block strenghened our property portfolio in the Helsinki CBD" -Kari Inkinen, President and CEO

Please read the full review below.

Year 2011 was very successful for Sponda. We increased our revenue and our net operating income was the highest in the company's 20 year history. Despite the challenging market conditions in 2011, the occupancy rates of our properties improved.

Implementation of the strategy

Our strategy is to aim for profitable growth in the property market in Finland and Russia. In 2011, we completed many new-build and renovation projects that support our strategy. The sites were located in Helsinki, the Oulu region, Vantaa and Tampere. The completion of the projects increased the proportion of office and shopping centre properties in our property portfolio in line with our investment strategy. Our portfolio, which consists mainly of offices and shopping centres located in central areas, was strengthened significantly by the acquisition of the Fennia block in the spring.

Financing

The tightening of economic conditions in 2011 was reflected in the financial market as decreased availability of financing. We can continue expect this to pose challenges to many companies in 2012. Due to the uncertainty in the market, we decided to refinance most of our loans expiring in 2012. The successful execution of significant financial arrangements in challenging conditions can be considered proof of the financing market's trust in our company. Sponda will have no significant refinancing needs before 2014.

Business environment

The favourable market development of 2010 continued throughout the first half of 2011, after which economic uncertainty once again began to increase. The change in the economy was reflected in the rental market in the latter half of the year. Early in the year, rental levels in the prime areas had risen and vacancy rates had fallen, but these levelled off in the latter half. In the outskirts of cities, rental levels remained unchanged and very high vacancy rates were seen in some areas.

An increased offering of premises and unchanged demand will probably increase vacancy rates in the Helsinki metropolitan area in 2012, with 200,000 square metres of new office premises to be built in the region during the year. In economically uncertain times, tenants and investors traditionally focus their interest on properties in prime areas, which leads to increasing differences in the appreciation and vacancy rate of properties located in different areas.

Our second important market area, Russia, has developed more favourably than the Finnish market. Especially in Moscow, rents have risen and vacancy rates fallen. In St. Petersburg the development has been less pronounced. Russia has been a good investment choice for our business and we believe that the favourable development of the market will continue.

Environmental responsibility

Environmental responsibility has a significant role in Sponda's operations, because properties are the major source of greenhouse gas emissions in Finland. Therefore, companies in the real estate sector play an important role in improving the efficiency of energy use and, consequently, arresting climate change.

Sponda has chosen environmental responsibility as its strategic focus, and the development of environmental responsibility processes is part of the implementation of this strategic goal. The work particularly aims at reducing energy consumption in the properties. We strive for energy efficiency in our property development projects and in property maintenance. In addition to the improvement of our own activities, we encourage our customers to pay attention to energy consumption in properties with the help of our Energy Efficiency and Environmental Partnership programmes.

In order to ensure that our properties are energy efficient and environmentally friendly, we apply for environmental certificates for all new-build sites and the most important renovation sites. In 2011, four of our properties received the LEED® or BREEAM® environmental certificate.

Urban development

As a responsible company in the property sector, we see urban development as an important part of our social responsibility. We take part in urban development by taking into account the environment of properties, the urban structure and the cityscape in our property development projects. We own many protected properties. By investing in their renovation and maintenance we are also investing in the cityscape and the appeal of the area surrounding the property.

The ongoing Citycenter project in the centre of Helsinki is an excellent example of our desire to participate in the development of urban centres. When completed, the project will considerably improve the appeal of the area. The service tunnel built as part of the project enables underground freight deliveries to the quarter, away from the bustling streets of the city centre.

Future outlook

We believe that our high-quality property portfolio with the focus on prime areas will continue to be our strength. In 2012, we will particularly focus on developing our property portfolio, maintaining occupancy rates and rents at a healthy level and looking after our equity ratio.

In order to achieve the goals we have set and to respond to market challenges we must also improve our own operations. Sponda is currently concentrating on customer management, the enhancement of our customer service models and the development of quality and environmental responsibility processes. The work started already in 2010 and will continue in 2012.

I would like to thank our shareholders for their trust in our company and our customers for their loyalty and partnership in the development of our environmental services and other projects. I would also like to thank our personnel for their active participation in the development of our processes and services in 2011.

Kari Inkinen

President and CEO
Sponda Plc

Property assets

Investment properties of Sponda 1 January - 31 December 2011

M€	Group total	Office and Retail Properties	Shopping Centres	Logistics Properties	Property Development	Russia
Operating income	240.7	132.8	40.4	42.0	0.4	25.1
Maintenance costs	-67.1	-37.2	-8.8	-13.4	-1.6	-6.1
Net operating income	**173.6**	**95.6**	**31.7**	**28.6**	**-1.2**	**18.9**
Investment properties on 1 Jan 2011	2,870.6	1,459.1	557.1	422.5	227.7	204.2
Capitalized interest	3.6	0.0	0.2	0.1	2.9	0.4
Acquisitions	150.4	134.5	7.8	0.0	9.4	-1.2
Investments	109.1	44.2	15.7	17.9	30.5	0.8
Other transfers	0.0	0.0	0.0	0.0	0.0	0.0
Sales	-7.0	-4.3	0.0	0.0	-2.7	0.0
Valuation gains/losses	39.0	10.5	5.3	8.5	-5.7	20.4
Fair value of investment properties at 31 Dec 2011	**3,165.7**	**1,644.0**	**586.1**	**449.0**	**262.0**	**224.6**
Change in fair value %	**1.4**	**0.7**	**1.0**	**2.0**	**-2.5**	**10.0**
Weighted average yield requirement, %	6.9	6.5	5.9	8.0		9.8
Weighted average yield requirement, %, Finland	6.7					
Property maintenance investments	50.6	42.6	1.0	6.7	0.0	0.3
Property development	58.5	1.6	14.7	11.2	30.5	0.5
Acquisitions	150.4	134.5	7.8	0.0	9.4	-1.2
Sales	-7.0	-4.3	0.0	0.0	-2.7	0.0
Investments, total	**252.5**	**174.4**	**23.5**	**17.9**	**37.2**	**-0.4**

Yield requirements used in valuation of investment properties 31 Dec 2011, %

	Helsinki CBD	Other Helsinki	Espoo/ Vantaa	Other Finland	Russia
Office- and retail premises	5.8	6.1	8.1	7.1	9.7
Logistics premises	-	7.9	7.9	10.5	11.0

The average yield requirement for Shopping Centres was 5.9 per cent

Sensitivity analysis,
Change in investment property fair value, M€ and %

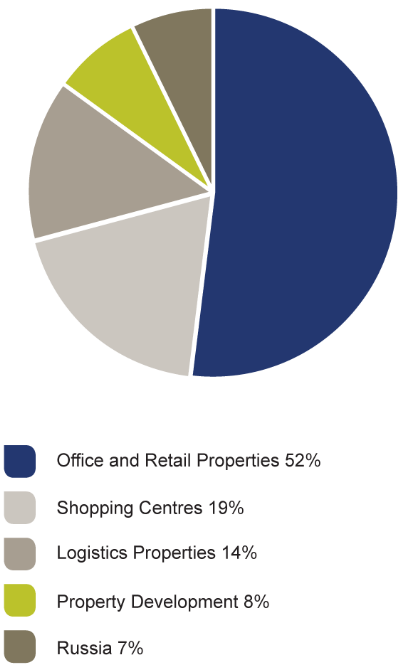
		-10%		-5%	0%		5%		10%
	Change, M€	Change, %	Change, M€	Change, %	M€	Change, M€	Change, %	Change, M€	Change, %
Yield requirement	333	11.0	158	5.2	**0**	-142	-4.7	-272	-9.0
Rental income (contractual rents)	-86	-2.8	-43	-1.4	**0**	43	1.4	86	2.8
Maintenance expenses	81	2.7	41	1.3	**0**	-40	-1.3	-81	-2.7
Economic occupancy rate (1st year)	-23	-0.8	-12	-0.4	**0**	12	0.4	24	0.8

The sensitivity analysis has been carried out as a quantitative analysis of the investment properties in Finland calculating the 15 year cash flow and of the properties in Russia calculating the 10 year cash flow.

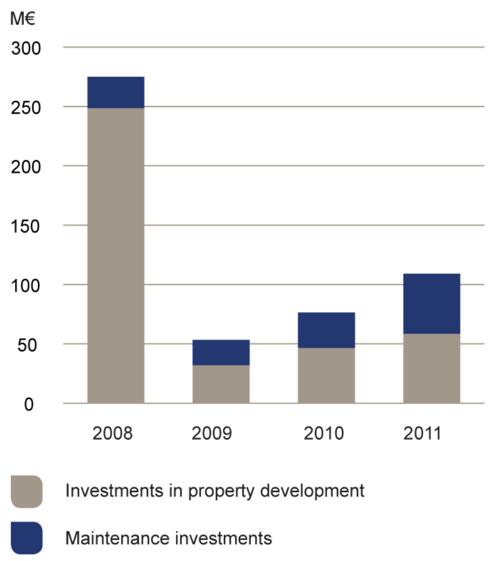
The changes in yield requirements and economic occupancy rates have been calculated for average figures. The analysis includes only investment properties generating cash flows.

Sponda's property portfolio

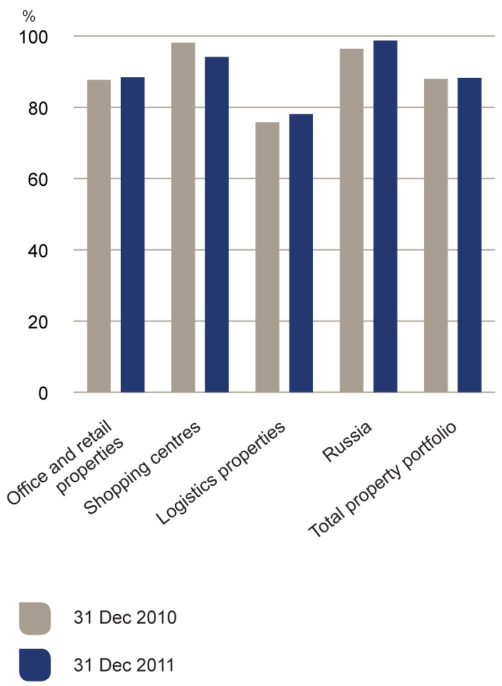
Investment properties by business unit by fair value **31 Dec 2011**



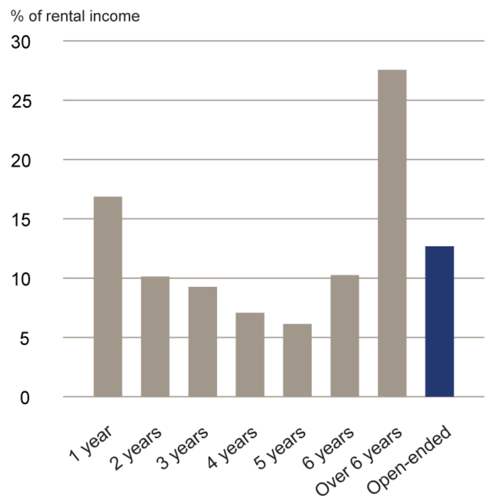
Investments in properties



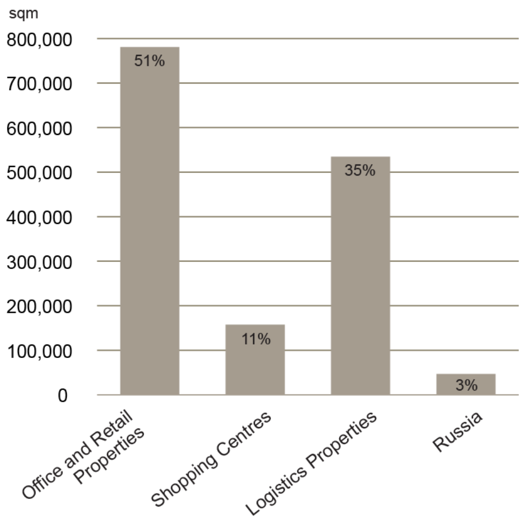
Economic occupancy rate



Expiry of lease agreements



Leasable area by business unit
31 Dec 2011



Key figures

Key figures (IFRS)

	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008 2)	31 Dec 2008	31 Dec 2007
Total revenue, M€	**248.2**	232.1	237.2	219.6	219.6	207.7
Operating profit, M€	**209.6**	216.2	-13.3	117.3	126.2	256.7
Profit before taxes, M€	**134.0**	157.7	-78.3	42.2	38.7	184.4
Cash flow from operations/share, €	**0.37**	0.37	0.45	0.78	0.78	0.81
NAV/share, €	**4.06**	3.86	3.54	4.93	4.90	5.24
Earnings/share €	**0.39**	0.40	-0.40	0.13	0.09	0.79
Return on investment (ROI), %	**7.7**	7.9	-0.4	4.4	4.7	10.1
Return on equity (ROE), %	**9.5**	10.4	-7.7	3.0	2.7	17.9
Market capitalization, M€	**883.2**	1,077.0	757.8	344.2	344.2	907.1
P/E ratio	**8.02**	9.60	-6.79	14.69	12.89	6.45
Equity ratio, %	**37.9**	39.0	37.3	31.9	31.8	32.3
Gearing, %	**134.9**	128.7	140.9	179.6	180.7	174.9
Dividend, €	1) **0.16**	0.15	0.12	0.00	0.00	0.50
Payout ratio, %	1) **41.15**	37.12	-29.83	0.00	0.00	39.50
Effective dividend yield, %	1) **5.13**	3.87	4.40	0.00	0.00	6.12

	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008 2)	31 Dec 2008	31 Dec 2007
Fair value of investment properties, M€	**3,165.7**	2,870.6	2,767.5	2,915.5	2,907.5	2,534.9

1) Board's proposal

2) 2008 figures adjusted following adapting of IAS23

Key figures according to EPRA Best Practices Recommendations

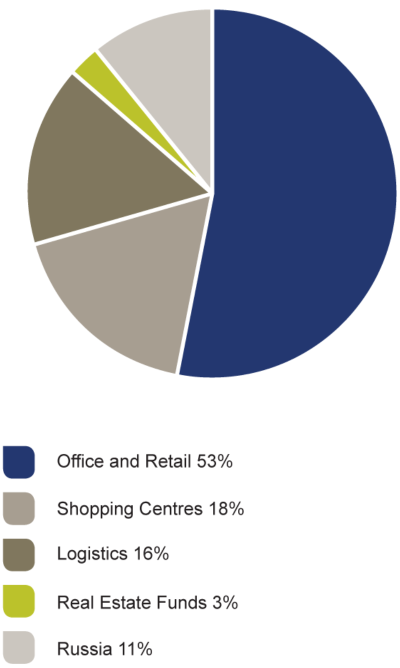
	2011	2010	2009	2008 1)	2008	2007
EPRA Earnings, M€	**75.4**	74.0	67.4	38.9	-	-
EPRA Earnings per share, €	**0.27**	0.27	0.29	0.22	-	-
EPRA NAV/share, €	**4.84**	4.59	4.18	6.04	6.01	6.26
EPRA Net Initial Yield (NIY), %	**6.39**	6.37	-	-	-	-
EPRA "topped-up" NIY, %	**6.40**	6.38	-	-	-	-

1) 2008 figures adjusted following adapting of IAS23

Financing key figures

	2011	2010	2009	2008	2007
Interest Cover Ratio (ICR)	**2.7**	3.0	2.7	2.1	2.0
Average loan maturity, yrs	**3.1**	3.2	2.4	3.0	2.6
Average fixed interest rate period, yrs	**2.2**	2.2	1.8	1.7	2.6
Average interest rate, %	**4.0**	3.8	3.7	4.6	4.6
Hedging rate of interest risk, %	**77**	84	65	58	65
Equity ratio, %	**38**	39	37	32	32

Net operating income
by business unit 2011



Sponda's anniversary

Sponda celebrated its 20 year anniversary in 2011. Over the years, the company founded by the Bank of Finland during the banking crisis at the beginning of 1990s has grown into an important player and promoter in the real estate sector.

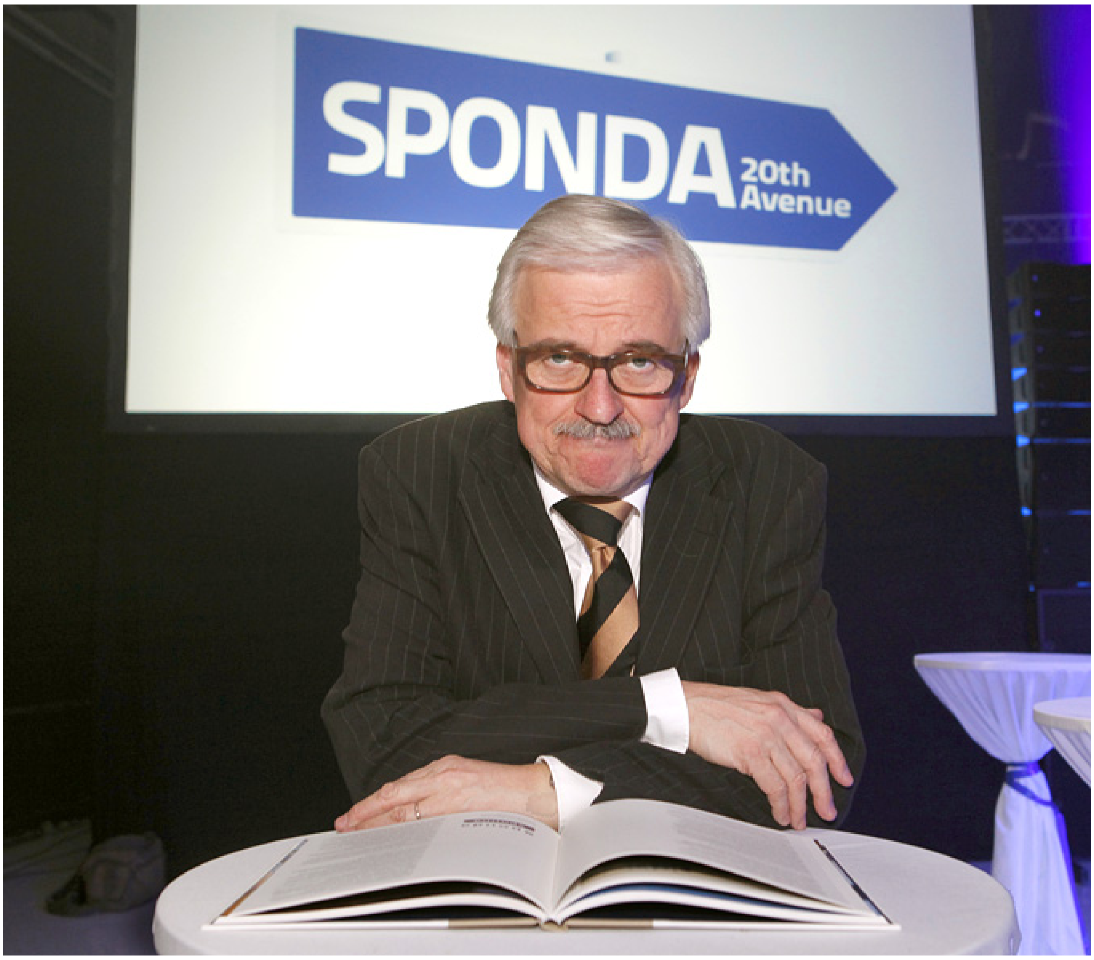
During these years, also international operations have become a part of Sponda's business as the company that originally only operated on the Finnish real estate market started to expand its operations into Russia in the beginning of 2000s. Today, customer focus and environmental aspects are especially emphasised in Sponda's operations.

Sponda looked back over its 20 years of operation with customers and partners at the evening event organised in November 2011 in the Telakka event centre in Helsinki. This important milestone was celebrated with the staff during the annual SponDay. In addition, Sponda's journey through two decades was put together into a review.

Learn more about Sponda's history over the last three decades:

- The 1990s
- The 2000s
- The 2010s

Sponda raffled a green Jopo bike amongst the participants at the end of the party. Motiva Oy's Senior Consultant Tapio Jalo was the lucky winner.



Markku Hurmerinta, author of Sponda's history: “From the desk drawer to a listed company – 20 years of Sponda Plc".

The 1990s

1991

- Sponda's constitutive meeting is held on 14 October
- Veli Korpi is appointed as President and CEO on 1 November

1992

- The Itäkeskus shopping centre owned by Sponda becomes the largest shopping centre in the Nordic countries with the completion of the extension to the building

1993

- Solidium Oy becomes a subsidiary of Sponda

1994

- Oy Fifo Ab (a subsidiary of SKOP) merged into Sponda

1995

- Kari Kolu is appointed as President and CEO of Sponda on 1 March

1996

- Ownership of Sponda is transferred from the Bank of Finland to the Ministry of Finance on 23 May

1997

- Sponda concentrates on property investment operations with retail and office premises in the Helsinki metropolitan area as its key areas

1998

- Sponda's share is listed on the Helsinki Stock Exchange beginning on 1 June

1999

- Sponda joins EPRA as a founding member

The 2000s

2000

- Castrum Oyj is acquired by Sponda
- Makkaratalo (Citycenter) building is purchased by Sponda in its entirety
- According to its strategy, Sponda sells its properties outside of the capital region worth less than 10 million Finnish marks

2001

- Warehouse and industrial properties form the company's new Logistics Properties unit

2002

- Sponda sells the Itäkeskus shopping centre
- Strategic focus of operations shifts more toward the customer and toward operations occurring on the premises

2003

- Sponda purchases the Hermes property located on Aleksanterinkatu in Helsinki
- The first new addition to the Citycenter, with its tunnel level, is completed

2004

- Proportion of Sponda that is state-owned decreases to 34.5 per cent

2005

- Kari Inkinen begins as Sponda's President and CEO on 1 June
- Strategy is renewed, including expansion of operations to Russia and the Baltic states
- Two new business units are founded: Property Development and Russia and the Baltic Countries

2006

- Sponda acquires Kapiteeli Oyj from the State of Finland, becoming one of the largest property investment companies in the Nordic countries
- The first property funds, First TopLux Co and Sponda Fund I, are founded
- The first phase of the renewal of the Citycenter begins
- Sponda purchases its first property in Russia

2007

- Division of business units is reformed
- Sponda opens an own office in St. Petersburg
- Russia operations are broadened with the purchase of three office buildings and two plots of land
- Sponda sells properties not aligned with its strategy for EUR 400 million

2008

- Sponda opens its second Russian office in Moscow
- The Sponda Fund II property fund is founded
- The logistics centre at Vuosaari Harbour is completed, along with a record number of other Sponda property development projects

2009

- Sponda's operations are divided into four business units: Investment Properties, Property Development, Russia and Real Estate Funds.
- The strategy is renewed, including elimination of the property market in the Baltic Countries as a strategic target. Moderate growth is set as a short-term target.

The 2010s

2010

- The Spondability (Sponda's responsibility) brand is launched
- Sponda's Head Office is granted WWF Green Office certification

2011

- Sponda sells its ownership of Ovenia
- Sponda purchases the Fennia block from Suomi Group
- Four of Sponda’s properties are granted the company’s first international environmental certificates

Sponda

Sponda Plc is a property investment company that specialises in commercial properties in the largest cities in Finland and Russia. Sponda's business concept is to own, lease and develop office, retail and logistics properties into environments that promote the business success of its clients.

3.2

The fair value of Sponda's property portfolio was EUR 3.2 billion at the end of 2011.

Sponda is organised into four business units: Investment Properties, Property Development, Russia and Real Estate Funds. In Finland, the company has regional offices and a national customer service centre. Sponda also has offices in St. Petersburg and Moscow.

Business environment

After a positive start to the year, the markets suffered from uncertainty resulting from the public debt crisis in Europe and the United States. On the property markets, the uncertain economic conditions led to caution in property transactions and tenant decisions regarding the need for new business premises. However, this cautious approach is not yet reflected in key figures other than transaction volume of 2011.

Markets characterised by uncertainty

Positive economic growth in the early part of 2011 fizzled after the summer, as uncertainty began to dominate the markets. The main source of uncertainty was the public debt crisis in Europe and the United States. According to estimations Finland's GDP growth in 2011 was 2.6 per cent. One reason for the slowdown in GDP growth was the Finnish export sector, which is sensitive to cyclical fluctuations in the international economy and began to slow down in the first half of the year. Consumer confidence in the economy was also on the decline.

The public debt crisis, which began to deteriorate rapidly in late summer 2011, and the weaker general economic prospects make it difficult to formulate reliable forecasts. The Finnish economy's growth prospects weakened considerably in autumn 2011. GDP growth is expected to decline to 0.4 per cent in 2012 and recover to 1.7 per cent in 2013. There has also been a marked increase in uncertainty in Finland's key export markets.

Property investment is a late-cycle business, which meant that the market for business premises continued to be positive in the late summer despite increasing uncertainty about the economy. This was particularly reflected in the increased net take-up of office properties, growth in new construction and a slight decrease in vacancy rates.

Investors are more risk averse in uncertain times, which leads to a growing gap between low and high risk profile property investments. Central Helsinki's position as the most attractive property market is expected to solidify as uncertainty increases.

Property transactions

The brisk growth in property transactions pointed to by springtime forecasts eventually failed to materialise. Total property transaction volume in 2011 was low at approximately EUR 1.7 billion.

The meagre supply of prime properties contributed to the low transaction volume. The challenging conditions on the financial markets drive investors to focus on low-risk properties with reliable rental cash flows and better financing terms. At the same time, current owners are largely unwilling to sell prime properties. The most demanded properties on the market are highly rated office and retail properties in central Helsinki and modern office properties with excellent transport links in the Helsinki metropolitan area.

According to the RAKLI-KTI business premises barometer, the yield requirement for prime office properties in Helsinki CBD at the end of 2011 stood at 5.75 per cent. Yield requirements are expected to increase slightly in 2012. The yield requirements for prime properties outside Helsinki also decreased somewhat in 2011. The yield requirement for prime office premises in Helsinki's central business district declined throughout the year but levelled off late in 2011 due to the prevailing general uncertainty. However, the yield requirement for prime retail space continued to fall below that of office premises. The yield requirement for prime retail space in Helsinki's central business district now stands at 5.25 per cent.

According to Sponda's estimates, the values of office properties in the Helsinki metropolitan area increased moderately in the first half of 2011, only to slow down later in the year due to the uncertain economic situation.

In 2011, international investors accounted for over one quarter of the total property transaction volume in Finland, their share remaining largely unchanged from 2010. The relatively small proportion of the transaction volume attributable to international investors is primarily the result of the poor availability of debt financing, the meagre supply of prime properties and the tendency of investors to focus on familiar home markets during difficult periods.

References:

Catella Property Group
Jones Lang LaSalle
KTI Kiinteistötieto Oy (Property Information)
Ministry of Finance

The Finnish market

The Finnish market for office premises

Vacancy rates for offices in Helsinki metropolitan area decreased during the year 2011 despite increased uncertainty on the markets. The vacancy rate for offices in the Helsinki metropolitan area stood at 10.6 per cent and in Helsinki business district at 5.6 per cent at the end of 2011. The vacancy rate is expected to rise slightly in 2012. This estimate is based on weaker economic prospects and the fact that nearly 200,000 square metres of new office space is currently being built in the Helsinki metropolitan area. Regional differences are also expected to increase and a larger number of properties are likely to be left permanently off the market.

The next few years will see a significant amount of internal movement in Helsinki's central business district as a new office hub develops in Töölönlahti, freeing up considerable space elsewhere in central Helsinki as companies relocate. However, the effects of this wave of relocations will not yet be seen in 2012.

The net take-up almost quadrupled from the previous year. In 2010 the net take-up was 45,000 square metres and in 2011 175,000 square metres.

In spite of the uncertain economic conditions, central Helsinki remains strong on the rental markets and rental levels have increased for the city's most highly rated office properties. The average rent level for new leases for prime properties in central Helsinki in 2011 was slightly over

EUR 300 per square metre per year. Rents for the city's best office premises exceeded EUR 360 per square metre per year. The prime rental levels for the Helsinki metropolitan area varied from EUR 180 to 354 per square metre per year.

The market for office premises in Tampere, Turku and Oulu has traditionally been very stable. The effects of cyclical fluctuations on rental levels and vacancy rates are not as strong as they are in the Helsinki metropolitan area. At the end of 2011, the vacancy rate in Tampere was 6.3 per cent, in Turku 7.4 per cent and in Oulu 6.6 per cent. Rents increased slightly in Tampere, Turku and Oulu in 2011. In Turku, rental levels were EUR 144–180, in Tampere 156–192 and in Oulu 144–168 per square metre per year.

Retail property markets in Finland

The occupancy rate of retail premises is stable and expected to remain high due to migration flows to the Helsinki metropolitan area and the limited supply of new retail space. New retail space was introduced in Helsinki's central business district in 2011 with the opening of the Citycenter and Kluuvi shopping centres.

At the end of 2011, the vacancy rate of retail premises in Helsinki's city center was 1.4 per cent, in Turku 2.7 per cent, in Tampere 2.9 per cent and in Oulu 3.2 per cent. The average vacancy rate of retail premises in the Helsinki metropolitan area in 2011 was 3.1 per cent. Vacancy rates of retail premises are expected to increase in the Helsinki metropolitan area as well as elsewhere in Finland.

The recent years have seen a strong increase in the rental levels for prime retail premises and rental growth continued to outpace the office property market in 2011. The shortage of good retail properties makes them more recession proof than office properties. Rental levels are expected to fall outside Helsinki metropolitan area. Rental levels for retail premises in Helsinki's central business district were between EUR 840–1,680 per square metre per year in 2011. In Turku, rental levels ranged from EUR 420 to 960 per square metre per year, in Tampere they were between EUR 600 and 960 and in Oulu EUR 480–1,020 per square metre per year.

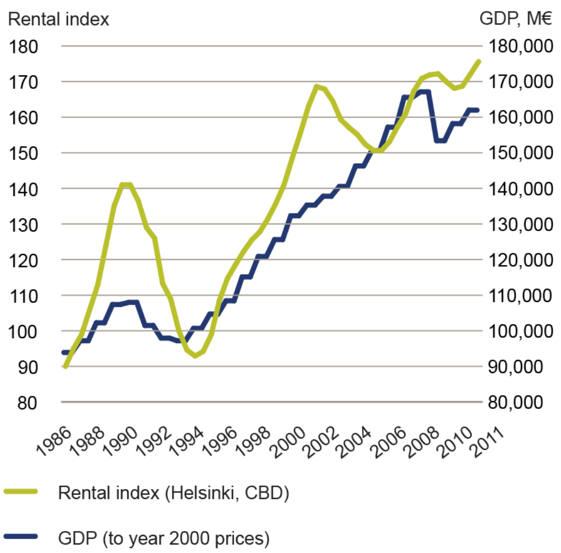
Logistics property market in the Helsinki metropolitan area

The first half of 2011 saw the rental rates for logistics properties in the Helsinki metropolitan area increase slightly as vacancy rates declined. Smaller logistics premises were particularly in demand. At the end of the year, the rental levels in Helsinki metropolitan area were approximately EUR 106 per square metre per year. The slowdown in economic growth and, in particular, declining exports in the latter part of the year posed challenges to the logistics properties segment. The vacancy rate of logistics premises stood at approximately 5.7 per cent at the end of 2011.

References:

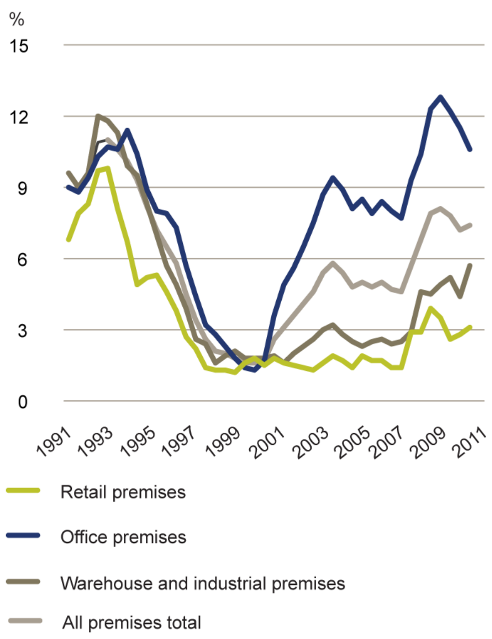
Catella Property Group
Jones Lang LaSalle
KTI Kiinteistötieto Oy (Property Information)
Ministry of Finance

Office rental index and GDP in Finland



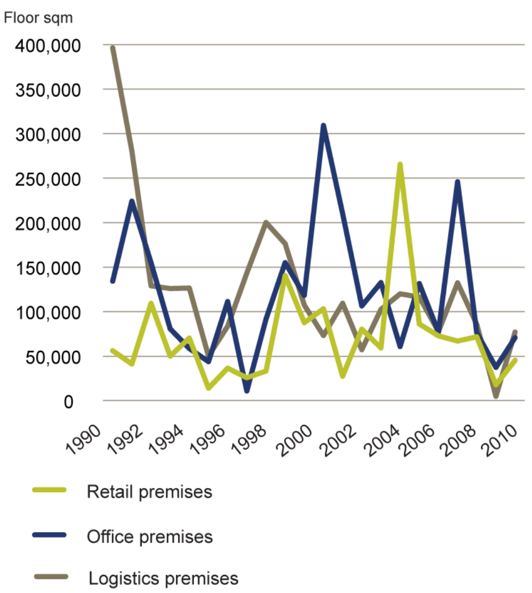
Source: KTI and Statistics Finland

Vacancy rates in Helsinki metropolitan area



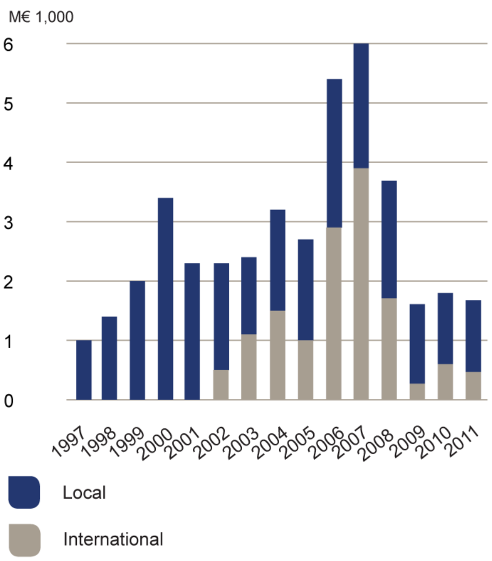
Source: Catella Property Group

Completed development projects

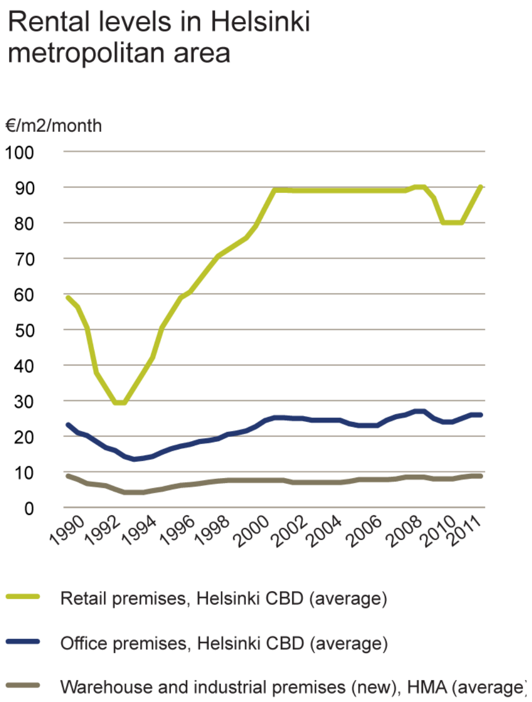


Source: Catella Property Group

Transactions in Finland



Source: Catella Property Group



Source: Catella Property Group

Russian market

Compared to Finland, the Russian economy is affected more by both recessions and boom periods. Russian GDP growth in 2011 was approximately 4 per cent. GDP growth is expected to slow down to 3.5 per cent in 2012 and under 4 per cent in 2013. Russia's growth continues to be based on the export of oil and other raw materials, strong consumption and, in particular, the price of oil. Continued growth in the longer term will require that problems related to investments, infrastructure and the credit market are resolved and that private consumption increases.

Moscow's prime property markets continued to recover in late 2011, with record investment volumes hit for the full year. Investments doubled from the previous year, reaching approximately USD 8 billion. Investments made by international investors also increased during the year.

The market for office properties in Russia

Market rents took a positive turn due to increased demand and the lack of newly built office premises. The increase in rents was the strongest in A Prime and Class A properties. CB Richard Ellis forecasts that rental levels will further increase in 2012 in all business districts.

Property yield requirements have clearly started to decline, especially in Moscow. This has been particularly apparent in high quality office properties. The trend of declining yield requirements is expected to also have an impact on the St. Petersburg property market in the future.

The number of Class A and Class B office premises continues to be low relative to the size of Moscow and St. Petersburg. The total amount of Class A and B office space in Moscow is approximately 13 million square metres. The corresponding figure for St. Petersburg is 2 million square metres. The vacancy rate of office properties in Moscow was 13 per cent and it is expected to still decline in 2012. It is worth noting that significant part of the vacancy is located outside ring road 3.

New construction volume remained low, with only approximately 600,000 square metres of new office space completed in Moscow, decreased by a third from 2010. There was relatively more construction activity in St. Petersburg with approximately 200,000 square metres of new office space added to the market in 2011. New construction is expected to remain on the current level in the next three years with estimates suggesting that some 1.5-2 million square metres of new office space will be completed in Moscow. In Moscow, new construction projects will largely be located outside ring road 3. Compared to 2011 slightly more office space will be completed in St. Petersburg in 2012.

The market for retail premises in Russia

Rent prices in the prime shopping centres in Moscow and St. Petersburg increased moderately in 2011. In some places, rent levels of properties on central shopping streets have seen a brisk increase over the course of 2011. Rent levels in prime areas are expected to rise by 5 to 10 per cent in 2012.

The yield requirements for prime retail premises in Moscow ranged from 9 to 9.5 per cent in late 2011. This represents a decrease of 2 percentage points from the previous year.

The vacancy rates for retail premises in late 2011 were approximately 4 per cent in Moscow and 6 per cent in St. Petersburg. Vacancy rates are expected to continue to decline due to newly constructed properties being in short supply. As with office properties, newly constructed retail premises in Moscow will primarily be located outside ring road 3.

The market for logistics properties in Russia

The rents for prime logistics properties in Moscow increased by 12 per cent in average in 2011. Rental levels are expected to increase in 2012 due to the particularly meagre supply of logistics properties.

The yield requirement for prime logistics properties in 2011 was approximately 10.5 per cent for Moscow and 11 per cent for St. Petersburg. This represents a year-on-year decrease in yield requirements of some 1.5 percentage points.

Due to the shortage of logistics properties on the Moscow market, vacancy rates at the end of 2011 stood at just 1–2 per cent. New construction volume in logistics premises was relatively low in 2011. The new production stock of approximately 500,000 square metres to be completed in 2012 will not significantly increase the vacancy rate, as the majority of the premises has already been pre-let.

References:
CB Richard Ellis
Cushman & Wakefield
Jones Lang LaSalle
The World Bank

Strategy

Customer focus as a foundation for growth and profitability

Sponda's vision is to be the first choice for customers looking for business premises. The company's strategic goal is to achieve profitable growth in Finland and Russia through active and customer-focused operations in the areas of property development, property investment and real estate funds.

Sponda's business concept

Sponda's business concept is to own and lease office, retail, shopping centre and logistics properties and develop them into business environments that promote the success of customers. The company has an extensive and adaptable property portfolio with diverse solutions for the changing needs of its client companies, which has contributed to many client companies maintaining a long-term relationship with Sponda throughout their history and business growth.

Sponda's strategic goal is to achieve growth and profitability through customer-focused operations, active property development, real estate funds and strategic property acquisitions in Finland and Russia. Responsibility is an integral part of the company's strategy and day-to-day operations. The focus on responsibility also strengthens Sponda’s profitability and long-term viability.

Property investment strategy

In Finland, Sponda's property portfolio is focused on the Helsinki Metropolitan Area, Turku, Tampere and Oulu. The criteria applied by the company in selecting properties for acquisition and ownership include for example energy efficiency and central location with public transport access. In 2011, 83 (84) per cent of the company's investment properties in Finland by fair value were located in the Helsinki Metropolitan Area, focusing on prime locations in the Helsinki central business district and Ruoholahti.

Sponda's Russian properties are located in St. Petersburg and Moscow. The company's long-term goal is to increase the proportion of Russian properties in its portfolio from the current level of 7 per cent to 10–20 per cent of the Group balance sheet.

Sponda continuously develops its property portfolio. Another long-term objective is to increase the proportion of office properties and shopping centres while reducing the share of logistics properties in the property portfolio. The company has identified properties that may be sold when market conditions allow.

Strategic focus

Sponda has selected the customer experience and environmental responsibility as strategic focal points.

Sponda's goal in its customer relations is to achieve an interactive partnership rather than a unilateral landlord-tenant relationship. By establishing a new process to support the development of the customer experience, Sponda aims to gain a competitive advantage and identify the best ways of working from the customer's perspective.

The company's long-term goal is to also develop as an expert in environmental matters and to share its expertise with clients and partners. Sponda incorporates environmental responsibility into all operations, from property development to renovation and maintenance. The company aims to reduce the environmental load of its properties during use for example through the Sponda Energy Efficiency Programme, which is an effort to seek energy savings in cooperation with customers. With some of the customers, this cooperation has developed into an Environmental Partnership that focuses especially on the environmental impact of the customers’ operations in addition to the environmental characteristics of the property.

Sponda's vision

Sponda's vision is to be the first choice for customers looking for business premises. In accordance with this vision, Sponda creates added value for its customers by offering business premises solutions that take into account the customers' individual needs, operating culture and the nature of their work.

Sponda's values

The most important values for Sponda are innovation, professionalism and reliability. These values are present in our employees' everyday work, in the way we act towards our customers and each other.

Read more about Sponda's values.

Sponda's key strengths

Property portfolio focused on the best locations in the Helsinki Metropolitan Area	Sponda's property portfolio includes some of the highest quality and best known properties in the Helsinki Metropolitan Area, particularly in the central business district and Ruoholahti in Helsinki.
Diversified property portfolio that offers customers a wide choice of premises	Sponda's property portfolio includes a wide range of office, retail, shopping centre and logistics properties. Thanks to its extensive business premises offering, Sponda is able to offer its clients alternative premises as their space requirements change.
Diverse, high-quality tenant base and balanced lease portfolio	Sponda's largest clients include major retail stores, the finance industry and the public sector. The company has a diversified tenant base, which reduces the risks related to individual customer segments or tenants.
Leading property development operations	Sponda owns a considerable amount of land and numerous potential property development sites. At the turn of the year, the company was engaged in two significant property development projects. As market conditions improve and demand grows, the company has the flexibility to launch new property development projects.
Experienced, committed management and personnel	The members of Sponda's Executive Board have long-term operational experience with the company and elsewhere in the real estate business. In addition, Sponda's personnel and organisation have extensive experience of the property markets, which enables Sponda to offer its clients the best expertise and competitive solutions and services.
Responsible business operations	Responsibility is an integral part of Sponda's day-to-day operations and business expertise, supporting the company's profitability and long-term viability. The company's operations are planned and assessed from the perspectives of responsibility.

Read more on our properties

Read more on our efforts to improve the customer experience

Read more on our environmental responsibility

In brief

- Sponda's vision is to be the first choice for customers looking for business premises
- The company's strategic objective is to seek profitable growth through customer-focused operations in Finland and Russia
- The strategic focus of operations is on customer orientation and environmental responsibility

Strategic operations in 2011

Financial objectives and strategy implementation in 2011

Sponda's long-term goal is to maintain its equity ratio at 40 per cent. The company's equity ratio was 38 (2010: 39) per cent at the end of the year 2011. Sponda's dividend policy is aimed at stable dividend payments. In accordance with its dividend policy, the company aims to pay a dividend of approximately 50 per cent of the cash flow from operations per share for each accounting period, taking into account the financial situation and the company's development needs.

Implementation of growth strategy in 2011

As one of Finland's leading property developers, Sponda owns a considerable amount of land and numerous properties with high development potential. The company is currently engaged in two significant property development projects. As market conditions improve and demand begins to grow, the company has the flexibility required to launch new property development projects.

In 2011, Sponda purchased properties for a total of EUR 150.4 million in line with its strategy. The acquisition of the Fennia block in Helsinki's central business district was the company's most significant strategic property purchase in 2011. The Fennia block has a total of some 25,500 square metres of office space and approximately 14,200 square metres of retail space. The EUR 122 million purchase had a positive impact on Sponda's net assets per share and cash flow per share in 2011. The increase in the rental levels in central Helsinki has had a positive impact on the profitability of the Fennia block.

The implementation of the strategic focal points of the company was supported in 2011 by developing the customer experience management, quality and acquisition, as well as environmental liability processes.

The strategic actions taken in 2011 are presented in the tables below.

Property purchases

Action	Strategic impact
Purchase of the Fennia block in April for EUR 122 million	The acquisition of this property in Helsinki's central business district, with good public transport access, increases Sponda's ownership in this key strategic location.
Total property purchases excluding the Fennia block amounted to EUR 28.4 million.	The acquisitions were in line with Sponda's aim to focus on prime locations and supported the strategic development of the company's property portfolio.

Property Development

Action	Strategic impact
The Zeppelin shopping centre expansion project in Kempele was completed.	The proportion of the shopping centres segment in Sponda's property portfolio increased in accordance with the company's objectives. The 15 per cent development target margin set for the project was exceeded.
The retail premises in the Kauppa-Häme property in Tampere were renovated in 2011. The renovation of the office premises will be completed in spring 2012.	The development of the office and retail property in Tampere's central business district increased the company's property ownership in a strategic growth area. The project achieved the development target margin of 15 per cent.
Work progressed as planned on renovating office properties on Unioninkatu in Helsinki.	The 22,500 square metre office block in Helsinki's central business district is being developed into a modern and energy-efficient office center.
Construction began on a 6,000 square metre office building in the Ruoholahti district of Helsinki. The project is expected to be completed in April 2013.	Sponda is increasing its property ownership in the Ruoholahti district of Helsinki, which has been identified as a strategically important location by the company. The project will involve a particular focus on environmental aspects.
Construction was completed on a production facility for Metso Automation in the Hakkila district of Vantaa and the renovation of an office building at the same site was finished in spring 2011.	Sponda developed modern production facilities at Vantaan Akseli, a popular business park for companies in the logistics, manufacturing and retail industries. The project exceeded the 15 per cent development target margin.
The expansion and renovation of the Citycenter property in Helsinki's central business district continued and work was completed on a new office building at the same site. The project is scheduled to be largely completed in late 2012.	Development of the Citycenter block, which is located in Helsinki's central business district with excellent transport links, increases the proportion of

Property Development

Action	Strategic impact
	shopping centres in Sponda's property portfolio and boosts the company's property ownership in a key strategic area.

Sold properties and businesses

Action	Strategic impact
Sponda sold office and retail properties for a total of EUR 14.1 million.	Sponda continues to develop its property portfolio in line with its strategy.
In March, Sponda sold its share in Ovenia Oy, a property management service provider. A profit of EUR 7.8 million was recorded on the sale. Sponda deemed it appropriate for Ovenia's further development to divest its shares in the company.	In line with its strategy, Sponda's focus has been on property leasing and ownership. Property maintenance is not part of the company's business operations.

Development of Real Estate Funds

Action	Strategic impact
In September, the company signed an agreement on the establishment of Russia Invest, a property investment company in Russia.	The investment company gives Sponda greater opportunities for involvement in property development in Russia and also allows it to grow its Russian property portfolio with properties that meet international standards.
Sponda Fund II increased its property holdings.	The Sponda Fund II real estate fund was invested to nearly its full target value of EUR 200 million.

Refinancing and other financial arrangements

Action	Strategic impact
The company signed a five-year syndicated credit agreement for EUR 375 million on 3 November 2011 and an agreement on an unsecured five-year credit limit of EUR 50 million on 4 April 2011.	Under the prevailing unstable market conditions, the credit agreement is evidence of the market's confidence in Sponda's ability to repay its loans.
On 29 April 2011, the Board decided on a share issue of 5,500,000 new shares directed to Suomi Mutual Life Assurance Company. The share issue was used to pay part of the purchase price of the Fennia block.	The share issue was used to protect the company's equity ratio.
Sponda issued a SEK 650 million bond on 25 March 2011.	In accordance with its objectives, Sponda is expanding and diversifying its sources of financing on the new financial markets. The bond issue extends Sponda's average loan maturity.

Business development: the environment and the customer experience

Action	Strategic impact
Four Sponda properties were awarded LEED® or BREEAM® environmental certification.	By seeking certification for its properties, Sponda looks to offer environmentally friendly business premises to its customers.
Sponda's extranet services were redesigned and customer communications were developed in partnership with WWF Finland.	Sponda wants to provide its customers information on the environmental impacts of the properties. Customers can use the Extranet as a channel for monitoring properties' energy consumption, amongst other things.
The Energy Efficiency Scheme was expanded to 29 new sites and was advanced at all 113 sites covered by the programme.	The Energy Efficiency Scheme is an effort by Sponda to seek energy savings in partnership with its customers.
The Energy Efficiency Scheme was expanded to cover the company's Russian properties. As part of the undertaking, an energy survey was carried out at the Russian properties in 2011. Based on the results, energy efficiency goals and measures for achieving them can be set individually for each property.	Sponda is also seeking to reduce energy consumption during use at its Russian properties.
In February, Sponda established a Customer Experience Management (CEM) process.	The aim is to make Sponda's operations increasingly customer focused and to offer the best customer experience to clients.

Business development: the environment and the customer experience

Action	Strategic impact
The company defined a Customer Experience Management strategy for 2011–2014.	The Customer Experience Management strategy helps the company systematically manage and develop the customer experience.
In February Sponda established a Quality and Acquistion process, which covers the whole Group.	The aim is to develop Group's quality and purchasing processes and the property maintenance services produced by the service network for Sponda's customers.

Read more about our property development

Read more about our properties

Read more on our efforts to improve the customer experience

Read more on our environmental responsibility

In brief

- Sponda concluded strategic property purchases for a total of EUR 150.4 million
- The implementation of the strategic focal points was supported by developing the company's processes for customer experience management, quality and purchasing as well as environmental responsibility
- Four properties were granted environmental certificates

Strategic operations in 2012

2012 is shaping up to be a year of challenges

Sponda aims to adapt quickly to economic conditions. The year 2011 was a positive one for the company, but the market prospects for 2012 are quite uncertain. The demand for business premises has stabiliced and the year 2012 is expected to be challenging for Sponda's operations due to new premises to be constructed on the market. The uncertain economic conditions call for a critical analysis of growth prospects, particularly when it comes to property development projects.

Competitive advantage through property holdings in strategic locations

Sponda's property portfolio is built on high-quality business premises in key locations, which gives the company a relative competitive advantage even during an economic slowdown. Under challenging economic conditions, the occupancy rates and rental levels of properties in prime locations develop more positively than those located in more peripheral areas. In total, 65 per cent of Sponda's property portfolio is located in Helsinki's highly valued central business and Ruoholahti districts. The company is confident that the high proportion of prime properties in its property portfolio will be a profitable strategy even under uncertain market conditions.

A strong balance sheet provides operational stability

Sponda has a strong balance sheet, which provides a stable foundation for the company's operations and gives it added flexibility in uncertain markets. Nevertheless, the company has cut back on planned investments for the next few years in order to ensure that it can maintain a good financial standing. The company currently has only EUR 41 million in existing commitments to property development investments for the next two years. During times of economic uncertainty, the company aims to finance its growth primarily by selling off properties that are not fully in line with its strategy.

The values of Sponda's Finnish properties are expected to remain largely stable in 2012. Sponda expects the vacancy rates of its investment properties to remain at current levels in 2012. This adjustment to the company's previous estimates is due to weaker economic conditions in Finland and internationally.

Business units in brief

Sponda is organized in four business units: Investment Properties, Property Development, Russia and Real Estate Funds.

Investment Properties

Investment properties business unit is divided in to three segments: Office and Retail Properties, Shopping Centres and Logistics Properties. The Investment Properties unit leases, purchases and sells office, retail, shopping centre and logistics premises in Finland.

2011 key figures

	Office and Retail Properties	Shopping Centres	Logistics Properties
Net operating income, M€	95.6	31.7	28.6
Occupancy rate, %	88.4	94.1	78.1
Leasable area, m^2	780,500	157,500	534,500
Share of Sponda´s properties by fair value, %	52.0	19.0	14.0

The properties of the business unit are located in Finland's largest cities.

Russia

Russia business unit leases and purchases commercial premises in Russia.

2011 key figures

Net operating income, M€	18.9
Occupancy rate,%	98.7
Leasable area, m^2	46,500
Land areas, hectares	66
Share of Sponda´s properties by fair value, %	7.0

By fair value 92 per cent (2010: 91) of properties is located in Moscow and 8 per cent (2010: 9) of properties is located in St. Petersburg.

Property Development

Property Development business unit carries out property development projects.

2011 key figures

Investments, M€	30.5
Balance sheet value of property development portfolio, M€	262.0

Undeveloped land areas and potential property development sites are located mainly in the Helsinki Metropolitan Area.

Real Estate Funds

Real Estate Funds business unit manages holdings in retail, office and logistics properties through real estate funds.

2011 key figures

Total revenue, M€	6.4
Net operating income, M€	5.0
Sponda´s investments in the real estate funds, M€	65.5

Properties are located in medium-sized cities in Finland, including Jyväskylä, Lappeenranta and Hämeenlinna.

Sponda's property portfolio

Investment Properties

The Investment Properties business unit leases office, retail, shopping centre and logistics properties and purchases and sells properties in accordance with the company's strategy of profitable growth. The unit is responsible for the commercial development and profitability of investment properties.

Total revenue increased in 2011

The total revenue of the Investment Properties business unit in 2011 was 215.2 million euros. It grew by 8 per cent compared to the previous year. The last quarter of the year was particularly successful. The unit's revenue constitutes the majority of the Group's total revenue.

At the end of 2011, the total fair value of Sponda's property portfolio comprised 52 per cent office and retail properties, 19 per cent shopping centres and 14 per cent logistics properties in Finland. The properties are located in Helsinki, Espoo, Vantaa, Tampere, Turku and the Oulu region.

Sponda aims to increase the share of office properties and shopping centres in its property portfolio and to focus its property holdings in key locations and sites with good public transport links.

A total of EUR 50.3 million was invested in improving the quality and condition of the business unit's properties.

Purchase of Fennia block increases the share of office and retail premises

The purchase of the Fennia block was the most significant property transaction carried out by Sponda in 2011. The acquisition of the property, which is located in Helsinki's central business district, supported Sponda's strategy by increasing the share of office and retail premises in the company's property portfolio. Sponda also increased its ownership in Zeppelin shopping centre in Kempele.

Work was completed in 2011 on the expansion project of the Zeppelin shopping centre as well as a newly constructed production facility and renovated office premises for Metso in Vantaa's Hakkila district. The company carried out further expansion of the retail premises in the Citycenter block in Helsinki's central business district. Construction was also completed on a new office building in the middle of the block.

Environmental impact of properties reduced through flexibility and adaptability

Sponda's customer-focused approach and strategy based on profitable growth are key elements in the day-to-day operations of the Investment Properties unit. The business unit seeks growth and profitability through optimising occupancy rates and yield. This is achieved by maintaining the company's properties in good condition, modernising the property portfolio and offering customers individually tailored solutions that support their business operations and meet their needs.

Sponda improved its management of property maintenance and service quality by developing the company's purchasing and quality processes and the property maintenance services produced by the service network for Sponda's customers. The development in the quality of the service experience is also supported by Sponda's Customer Experience Management and environmental responsibility processes.

The company responds to the changing needs of its customers by developing existing business premises or by offering alternative premises or newly constructed buildings. Flexible properties offer customers versatile business premises solutions that can be adapted as their needs change. Flexibility extends the property life cycle and reduces the environmental load caused by alterations, repairs and renovations.

The majority of the properties under the Investment Properties unit are included in Sponda's Energy Efficiency Programme, which aims to achieve energy savings together with clients. The programme involves monitoring the energy consumption of properties and taking steps to reduce the consumption of electricity, heating, cooling and water by carrying out energy saving measures and issuing energy saving tips and instructions to tenants.

In 2011, the Energy Efficiency Programme was complemented by an Environment Partnership Programme aiming to reduce the environmental load resulting from the use of properties by engaging in closer cooperation with customers. In addition to energy consumption, the programme takes into account the broader environmental impact of properties and clients' operations. The partnerships are based on a focus on clients' individual needs and cooperation to achieve environmental goals. Environmental partnerships were initiated in 2011 among others with Kesko in Ruoholahti shopping centre, Elisa, Nordea Bank Finland Plc, the City of Espoo, Evli Bank Plc, National Board of Patents and Registration in Finland and the Cancer Society of Finland.

For more information on Sponda's Customer Experience Management and environmental responsibility, please refer to the Spondability section.

Challenges ahead in 2012

The year 2011 was positive on the whole despite the fact that economic uncertainty was reflected in customer decisions on leases in the latter part of the year. The uncertain economic conditions also affect the business unit's prospects for 2012. Competition is expected to intensify and leasing operations will face growing challenges. In uncertain times, the company's existing long-term customer relationships are particularly important.

Sponda's property portfolio

In brief

- The purchase of the Fennia block increased the share of office and retail properties in Sponda's portfolio
- The expansion of the Zeppelin shopping centre in Kempele made it the largest shopping centre in Northern Finland
- A total of 22,000 square metres of manufacturing facilities completed in the Hakkila district of Vantaa

Office and Retail Properties

Sponda's office and retail properties are primarily located in the central areas of Finland's largest cities. The segment's total revenue in 2011 was EUR 132.8 million and the economic occupancy rate was 88.4 per cent. At the end of the year, the fair value of office and retail properties stood at EUR 1,644.0 million, with 1,114 tenant customers and 1,945 lease agreements. The total leasable area was 780,500 square metres at the end of the year. The segment's largest clients are the Ministry of Justice, Sampo Bank Plc and the National Board of Patents and Registration of Finland.

In April 2011, Sponda purchased the Fennia block near Helsinki Central Station for a price of EUR 122 million. The purchase solidified the company's standing as a major property owner in Helsinki's central business district. The Fennia block has a total of some 25,500 square metres of office space and approximately 14,200 square metres of retail space. The Fennia block is home to a variety of entertainment and restaurant services. The largest tenants are the Finnish Slot Machine Association, Finnkino and the City of Helsinki.

The company also purchased the Kauppa-Häme property in central Tampere for a price of EUR 10 million and immediately started a comprehensive programme of renovations on the building. Located at Hämeenkatu 16, the building has a total of approximately 5,500 square metres of retail and office space. The largest tenant in the newly acquired property is the fashion retailer Veljekset Halonen Ltd. The renovation of the office premises will be completed in spring 2012.

The largest investments in 2011 were directed at the Kauppa-Häme property in Tampere and the renovation project of the office building at Unioninkatu 20–22 in Helsinki. Construction of the new Talentum head office in Helsinki's Ruoholahti district also started in 2011. The project is scheduled for completion in spring 2013.

Early in 2011, the company renovated a building at Kumpulantie 11 for use by the Finnish Transport Safety Agency, Trafi, which moved its central administration for road, rail, maritime and aviation operations to the new building.

Sponda's property portfolio

Geographical location of properties by fair value

Location	Share %
Helsinki, CBD	38.0
Helsinki, Ruoholahti	24.0
Elsewhere in Helsinki metropolitan area	28.0
Tampere	7.0
Turku	2.0
Oulu	1.0

10 largest office and retail properties

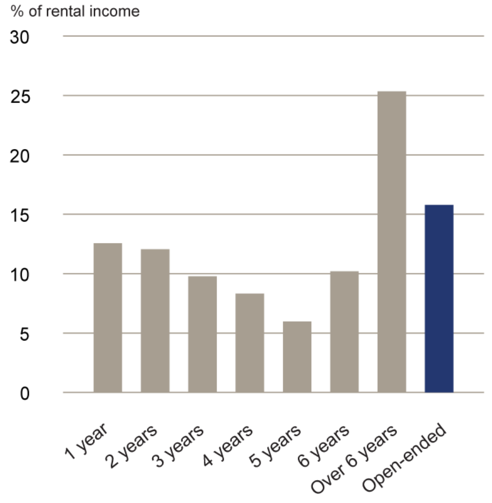
Property	Location		Leasable area m^2, total
Helsingin Salmisaarentalo Koy	Porkkalankatu 13	Helsinki	48,991
Kaupintie 3 Koy	Kaupintie 3	Helsinki	44,103
Kilon Ritari	Kutojantie 2	Espoo	28,774
Arkadiankatu 4–6 Koy	Arkadiankatu 6	Helsinki	25,370
Unioninkatu 20–22 Koy	Unioninkatu 20–22	Helsinki	25,179
Upseerinkatu 1 Koy	Upseerinkatu 1–3	Espoo	19,811
Kasarmikatu 36 Koy	Kasarmikatu 36	Helsinki	17,010
Länsi-Keskus Koy	Pihatörmä 1	Espoo	15,835
Ratapihantie 11 Koy	Ratapihantie 11	Helsinki	15,500
Kumpulantie 11 Koy	Kumpulantie 11	Helsinki	14,908

Key figures	2011	2010	2009	2008	2007*
Rental income, M€	**132.8**	122.6	129.0	125.7	154.4
Operating expenses, M€	**-37.2**	-34.0	-32.7	-32.8	-40.6

Key figures	2011	2010	2009	2008	2007*
Net operating income, M€	**95.6**	88.6	96.3	92.9	113.8
Fair value of properties, M€	**1,644.0**	1,459.1	1,425.8	1,460.6	1,883.9
EPRA, Net Initial yield, %	**6.0**				

* Includes segments Office and Retail Properties and Shopping Centres

Expiry of lease agreements,
Office and Retail Properties



Shopping Centres

Sponda owns five shopping centres in Finland with a total floor area of 157,500 square metres. The largest of these is the Citycenter property in Helsinki's central business district.

The total revenue of the Shopping Centres segment in 2011 was EUR 40.4 million. The economic occupancy rate remained high, standing at 94.1 per cent at the end of the year. At the end of the year, the fair value of shopping centre properties stood at EUR 586.1 million, with 187 tenant customers and 302 lease agreements. The segment's largest clients are Kesko Group, HOK-Elanto Liiketoiminta Oy and Stockmann Plc.

Sponda increased its ownership in the Zeppelin shopping centre in Kempele in April. This was followed by an 8,700 square metre expansion of the shopping centre, which made it the largest in northern Finland. The expanded premises were opened for use in November 2011.

The most significant event in 2011 for the Shopping Centres segment was the completion of the second phase of expansion of the Citycenter property. Construction was completed on a new office building for Evli Bank Plc with 4,200 square metres of floor space and a 10 storey light well that also added some 3,700 square metres of new retail space to the property. The new office building in the middle of the Citycenter block was granted LEED® Gold environmental certification.

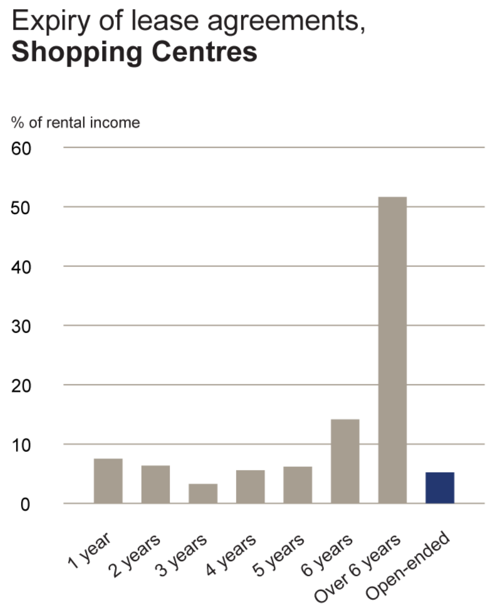
Work was also completed in 2011 on the Citycenter block's underground maintenance facilities, which significantly improve logistics services for retail businesses operating in the shopping centre and reduce maintenance traffic in central Helsinki. The Citycenter project will, for the most part, be completed in late 2012.

Technical design of the Ratina shopping centre also continued in 2011. In Vaasa, the company proceeded with zoning and planning in cooperation with the city for a new shopping centre to be constructed at the site of Vaasa's old bus station. The plans are based on the winning entry in a design competition.

Shopping centres

Property	Location		Leasable area m², total
Helsingin Kaivokatu 8 Koy, Citycenter	Kaivokatu 8	Helsinki	43,593
Helsingin Itämerenkatu 21 Koy, Ruoholahti Shopping Centre	Itämerenkatu 21	Helsinki	32,458
Liikekeskus Zeppelin Oy, Zeppelin Shopping Centre	Zeppeliinintie 1	Kempele	27,737
Elovainion Kauppakiinteistöt Koy, Shopping Centre Elo	Elotie 1	Ylöjärvi	24,020
Helsingin Vanhanlinnantie 3 Koy, Prisma Itäkeskus	Vanhanlinnantie 3	Helsinki	20,050
Aleksi-Hermes Koy, Citycenter	Aleksanterinkatu 19	Helsinki	7,495
Kaivokadun Tunneli Oy, Citycenter	Asematunneli	Helsinki	1,953

Key figures	2011	2010	2009	2008
Rental income, M€	**40.4**	39.7	39.3	29.3
Operating expenses, M€	**-8.8**	-8.3	-8.0	-7.1
Net operating income, M€	**31.7**	31.4	31.4	22.2
Fair value of properties, M€	**586.1**	557.1	543.6	541.7
EPRA, Net Initial yield, %	**6.7**			



Logistics Properties

Sponda is one of the major owners of logistics properties in Finland and the largest provider of logistics premises in the Helsinki metropolitan area. At the end of 2011, the combined leasable area of logistics properties was 534,500 square metres.

No major property sales or purchases were made by the Logistics unit in 2011. The demand for logistics premises grew in the early part of 2011 due to increased export and import activity, only to level off later in the year.

The total revenue of the Logistics Properties segment in 2011 was EUR 42.0 million. At the end of 2011, the segment's economic occupancy rate was 78.1 per cent, the fair value of the properties totalled 449,0 million, the number of customers stood at 328 and the number of lease agreements was 420. The segment's largest clients are Metso Group, Fujitsu Finland Oy, Finnsteve Oy Ab and Nordea Bank Finland Plc.

The most significant event of the year for the Logistics Properties segment was the completion of a project to build a production facility for Metso Automation Oy in Vantaa's Hakkila district. The facility has a total floor space of 22,000 square metres and Metso Automation has signed a 15 year lease for the property. The company also renovated some 12,000 square metres of office space for Metso in the Honkatalo office building adjacent to the newly constructed production facility.

The facilities developed for Metso are located in Vantaan Akseli business park, which provides excellent operating conditions for logistics and manufacturing companies. Sponda has further capacity to develop the area.

Vantaa holds the most promise among Sponda's logistics sites. The Aviapolis area, which is still under development, is expected to attract an increasing number of tenants in the future.

Sponda's property portfolio

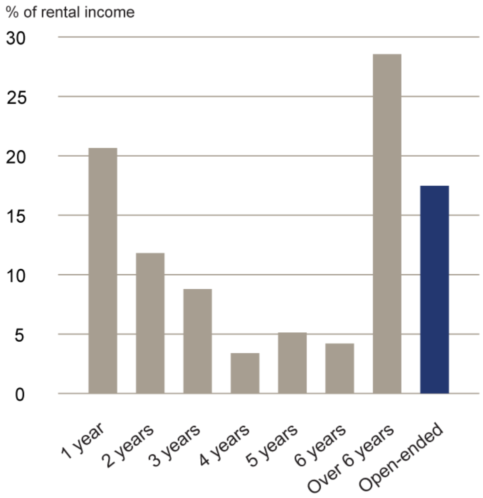
10 largest logistics properties

Property	Location		Leasable area m^2, total
Vuosaaren Logistiikkakeskus Koy	Seilorinkatu 1	Helsinki	64,501
Vantaan Honkatalo Koy	Vanha Porvoontie 229	Vantaa	60,165
Ruosilantie 16 Koy	Ruosilantie 16	Helsinki	40,729
Vantaan Vanha Porvoontie 231 Koy	Vanha Porvoontie 231	Vantaa	35,968
Messukylän Castrulli Koy	Etu-Hankkionkatu 1	Tampere	26,609
Kuninkaankaari Koy	Heidehofintie 2	Vantaa	17,949
Ruosilantie 14 Koy	Ruosilantie 14	Helsinki	16,795
Vantaan Omega Koy	Virkatie 12–14	Vantaa	14,914
Espoon Juvanpuisto Koy	Juvan Teollisuuskatu 23	Espoo	14,172
Vantaan Köysikuja 1 Koy	Köysikuja 1	Vantaa	12,248

Logistics Properties are located mainly in Helsinki metropolitan area.

Key figures	2011	2010	2009	2008	2007
Rental income, M€	**42.0**	36.6	38.6	37.9	32.0
Operating expenses, M€	**-13.4**	-11.8	-11.2	-9.4	-7.8
Net operating income, M€	**28.6**	24.8	27.4	28.5	24.2
Fair value of properties, M€	**449.0**	422.5	396.1	462.8	327.6
EPRA, Net Initial yield, %	**5.9**				

Expiry of lease agreements,
Logistics Properties



Property Development

Sponda seeks growth and profitability through responsible, customer-focused property development. These objectives are pursued in all of the Property Development business unit's projects through the development of environmentally sound business premises that satisfy customer needs.

The Property Development business unit implements property development projects in Finland and Russia. The unit develops business premises according to customer needs by modernising existing properties or contracting the construction of new property, suitable for the customer's operations, on land owned by Sponda. The company's property development strategy is based on long-term ownership and leasing.

Sponda's extensive land portfolio offers a wide variety of sites to choose from, with the majority located in key urban locations with good public transport links. The company is also active within the market to identify properties with strong development potential.

The starting point for planning is always the customer's needs. Sponda places a great deal of emphasis on the energy efficiency of buildings, environmentally sound solutions and the adaptability of business premises. In planning and designing new buildings, attention is paid both to the building itself, as well as its close surroundings and how it integrates with the surrounding urban structure.

Sponda develops properties that have a long lifespan and can be adapted into pleasant and effective business premises that meet the needs of customers operating in various sectors. Adaptable and flexible properties with a long lifespan are profitable investments for Sponda.

Property development projects progressing according to plan

In 2011, Sponda continued a number of projects, including both modernisation and newly constructed properties, in line with previously set targets. The balance sheet value of Sponda's property development portfolio stood at EUR 262.0 million at the end of 2011. Of this amount, land value represented EUR 90.3 million and the remaining EUR 171.7 million was tied to existing property development projects.

The project to renovate the Citycenter commercial property reached an important milestone with the completion of a light shaft that lets in daylight to all floors of the shopping centre and the inauguration of 3,700 square metres of retail premises around the light shaft. The premises of the shopping centre have been renewed on all four storeys, starting from the Asematunneli underground premises. Construction was completed in summer 2011 on a new office building with 4,200 square metres of floor space. The office building, which is leased to Evli Bank Plc, takes the place of a former car deck in the middle of the Citycenter block. Also completed at the same time were the Citycenter service facilities below ground level, which are linked to Helsinki's central maintenance tunnel. Citycenter is a long-term project with development continuing into 2013.

Work was completed in spring 2011 on a newly constructed production facility and renovated office premises for Metso Automation in Vantaa's Hakkila district. A project to expand the Zeppelin shopping centre in Kempele by some 9,000 square metres was completed in November. The project was carried out on a tight schedule and completed in less than a year.

A refurbishment project on old bank buildings dating back to 1940–1960 and located at Unioninkatu 20–22 in Helsinki's central business district progressed according to plan. Work has already been completed on some of the properties being renovated into modern office premises, with some tenants moving into the first units in spring 2011. The renovation of the properties, which covers a total floor area of approximately 22,500 square metres, will be completed in early 2012.

New projects were started in Helsinki and Tampere. Construction began in late 2011 on an office building to be let for Talentum Plc in the Ruoholahti district of Helsinki. Scheduled for completion in spring 2013, the office building will feature a high level of energy efficiency and environmentally friendly solutions. In Tampere, work began in spring 2011 on renovating the Kauppa-Häme office and retail property in the city's central business district. The first completed phase of the newly renovated business premises were occupied in the autumn 2011.

On the zoning development front, Sponda's most significant project was the Ilmalanrinne zoning plan change in Helsinki. The change of the town plan gained legal force in the end of 2011.

First international environmental certificates

Certification processes initiated by Sponda over recent years bore fruit in 2011 with the company being awarded its first four environmental certificates for four office buildings in Helsinki. BREEAM® certification was granted for the Ruoholahden Tähti office building and PortGate office building at Vuosaari harbour. LEED® certification was granted for the office buildings at Sörnäistenkatu 2 and in Citycenter.

Sponda will apply for environmental certification for all its newly constructed properties. The certification process is part of Sponda's strategy of offering customers business premises the design and construction of which is based on environmentally sound materials and solutions.

Continued development of environmental expertise

Sponda is constantly developing its environmental expertise to be able to offer customers energy efficient high-quality business premises and respond to its customers' environmental requirements. In the Property Development unit, this environmental expertise is reflected in the company's design guidelines that define the quality criteria for property development projects. Environmental specifications are part of Sponda's design guidelines and the quality standards applied, which are often higher than those required by building regulations. The guidelines apply to all of Sponda's property development projects.

Sponda also fosters environmental responsibility within its industry by being an active participant in property and construction industry associations and their environmental initiatives. On the property development front, the company strives to promote sustainable development through its membership in the Green Building Council Finland and RAKLI, the Finnish Association of Building Owners and Construction Clients. In 2011, Sponda was involved in a project to plan a low-energy commercial building. The project was coordinated by the Finnish Association of Civil Engineers RIL, which published guidelines for low-energy construction in early 2012. Sponda will also continue developing its own concept for a low-energy office building based on the RIL guidelines.

Aiming to launch the Ratina project

The prospects for property development are largely determined by the general economic climate. At present, Sponda is focused on completing work on its current projects. For instance, the Citycenter project in Helsinki is scheduled to be largely completed by the end of 2012.

Investments in new projects can be increased as the economic conditions improve. Starting the Ratina shopping centre project in Tampere is Sponda's main property development objective for 2012. The value of the project is estimated at approximately EUR 200 million. If the project is started, it will constitute a significant proportion of the company's investments planned for 2012. Construction will not begin until a sufficient advance occupancy rate is reached.

Sponda owns land sites worth a total of EUR 90.3 million. The land sites located in Helsinki, Tampere and Oulu, as well as the airport and Marja-Vantaa regions in Vantaa and the Leppävaara region in Espoo, for example, are sufficient to cover the company's real estate development needs for several years.

Development projects

Development Properties´ ready-to-start projects in the marketing

Office properties		**Floor m^2**
Forum Virium Center	Helsinki	14,000
Estradi	Helsinki	9,000
Aviapolis	Vantaa	14,000
Energiakatu	Helsinki	10,000
Harkkokuja	Vantaa	18,000
Naulakatu	Tampere	6,000
Retail properties		
Välivainio	Oulu	13,000
Shopping centres		
Shopping centre Ratina	Tampere	55,000
Logistics properties		
Vuosaari harbour	Helsinki	30,000
Hakkila	Vantaa	6,000

The start of the projects requires at least a pre-let of 50 per cent and an investment decision of the company.

Investments to active property development projects

	Citycenter	**Ruoholahti office building**
Total investment, M€	***)130.0**	**23.5**
Invested by 31 December 2011, M€	*)110.9	1.6
Capitalised interest expenses by 31 December 2011, M€	13.0	-
Time of completion	mainly in 2012	April 2013

*) Figure does not include capitalised interest expenses

In brief

- Citycenter expanded by 3,700 square metres of retail space and a new 4,200 square metre office building
- Metso Automation manufacturing facility completed in the Hakkila district of Vantaa
- Four Sponda properties were awarded environmental certification

Russia

Sponda's Russia business unit leases, manages and develops business premises in Russia. The company has been operating in Russia since 2006. Sponda's long-term goal is to have 10–20 per cent of its balance sheet invested in Russia, in properties located in Moscow and St. Petersburg.

Sponda has established its position in the Russian market with its quality property portfolio, customer-focused working methods and strong regional know-how. The company owns a total of nine properties in Russia: four office properties, two shopping centres, a logistics property and two land areas. Both the business properties and the land areas are located in Moscow and St. Petersburg regions.

Positive trend in occupancy rates continued

The long-term objective of the Russia business unit is to achieve growth and profitability in the Russian market. In 2011, the focus was particularly on improving profitability by developing operational efficiency and ensuring the stability of cash flow. While the company concluded no actual sales or purchase transactions during the year, it continued to seek growth opportunities by actively surveying the market to identify potential properties for purchase.

There were no changes in the number of Russian properties, their locations or floor areas in 2011. The unit's total revenue in 2011 was EUR 25.1 million, with 286 clients and 345 leasing agreements. The total revenue increased over 6 per cent compared to the previous year.

Sponda's economic occupancy rate in Russia continued to outpace the market in 2011, reaching 98.7 at the end of the year. The high occupancy rate of Sponda's properties proves that the company is successful in offering its corporate clients business premises solutions that suit their business operations and needs.

The fair values of Sponda's Russian properties increased slightly in 2011. The fair value of the property portfolio stood at EUR 224.6 million at the end of the year (2010: 204.2). The increase in value was primarily due to a decrease in the yield requirement for the Moscow region during the first half of the year. The fair values of properties in St. Petersburg remained largely unchanged from 2010.

Systematic renovation of properties

On the Russian property development front, there was progress in the long-term project to develop the Europa Terminal logistics centre in Moscow Province. The building permit was granted in early 2011. Construction work will begin in phases depending on demand.

The systematic condition surveys of Russian properties that began in 2010 were concluded for properties in Moscow in 2011. One property in St. Petersburg has not been surveyed yet, and the renovation work for its part is scheduled for 2012. The condition survey involves inspecting all properties and preparing an improvement plan for each of them. In 2011 a total of EUR 0.3 million was invested in improving the quality and condition of the company's properties in Russia. There are no major renovation needs for any of the Russian properties.

Implementing environmental responsibility is challenging in Russia

Sponda's role as a socially responsible partner is highlighted in Russia. Sponda encourages a sense of community by, among other things, organising events for tenants and their families. Sponda also co-operates with local autorities to enliven the cities by organising common events in its shopping centres.

Maintaining a high standard of environmental responsibility is challenging in Russia due to the lack of recycling infrastructure and the absence of a culture that encourages to energy conservation. Despite the challenges of the operating environment, Sponda promotes environmental responsibility in its properties in partnership with its clients, by taking small steps towards more environmentally sound practices. Using motion detectors for lighting control, adopting energy-saving light bulbs and regulating building temperatures are examples of practical measures implemented by Sponda in Russia to improve energy efficiency.

Sponda is a member of the international Green Building Council, which promotes environmental awareness, also in Russia. In the future, the company will also apply for environmental certification under international standards for all its newly developed properties as well as some of its existing business premises in Russia. Sponda is currently in the process of applying for environmental certification for one of its Russian properties.

Sponda's Energy Efficiency Scheme, which was launched in 2009, was expanded in 2010 to cover the company's Russian properties. In 2011, the results of energy consumption reviews were analysed to set energy efficiency targets for each property and plan measures for achieving them. Going forward, the impacts and results of these measures will be monitored in regular client meetings.

Growth and profitability remain the key objectives for 2012

The negative developments in the general economic situation are also casting a shadow over the prospects of the Russia business unit, despite the fact that the prospects in Russia are significantly brighter than they are in Finland. The Russian economy is continuing to grow, albeit at a more moderate rate than expected. Russia's economic growth continues to be based on the export of oil and other raw materials, the price of oil and strong consumption. Russian trends in property values and rental levels are positive.

The Russia business unit's objectives for 2012 remain the same as before: achieving growth and enhancing profitability through improving the efficiency of operations. The stability in the Moscow market, in particular, highlights the need for further growth. With this in mind, the company is working systematically to identify potential targets for purchase.

The company also looked to improve the consistency of its business management by adapting an operating handbook, originally based on the company's Finnish business structure, to suit the Russian market. Instead of simply translating the document, it was adapted to the Russian operating environment and operations. The operating handbook will be used in 2012 to promote consistent management practices and ways of working.

Premises in Russia

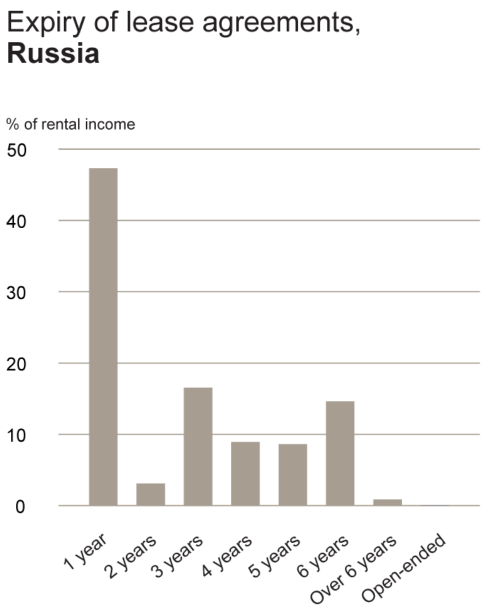
Properties in Russia

Property	Location		Leasable area m², total
Western Realty	Gasheka Street 7	Moscow	14,420
Sun Paradise 1	Borovskoe highway 6	Moscow	9,291
Adastra OOO	Zanevka	St. Petersburg	7,872
Sun Paradise 2	Vokzalnaja ul. 4b, Ramenskoe	Moscow	6,526
NRC	Kaluzhskij per.3	St. Petersburg	2,982
Meliora Place	Prospekt Mira 6	Moscow	2,939
Inform-Future	Ul. Tambovskaja 12	St. Petersburg	2,663

Key figures	2011	2010	2009	2008	2007
Rental income, M€	**25.1**	23.6	21.8	16.2	1.9
Operating expenses, M€	**-6.1**	-5.9	-5.5	-4.1	-0.4
Net operating income, M€	**18.9**	17.7	16.4	12.0	1.5
Fair value of properties, M€	**224.6**	204.2	181.4	261.3	77.2
EPRA, Net Initial yield, %	**9.8**				

In brief

- Condition survey completed for properties in Moscow
- The results of the energy consumption reviews carried out in 2010 were analysed



Real Estate Funds

The objective of Sponda's Real Estate Funds business unit is to grow by developing new products that appeal to investors. In 2011, Sponda Fund II nearly reached its full investment capacity and the company strengthened its role on the Russian market by signing a partnership agreement for a new real estate investment company that will engage in property development.

The Real Estate Funds business unit serves as the active manager and part-owner of the property portfolios held by the funds managed by Sponda. Through the real estate funds, Sponda invests in office, retail and logistics properties located in medium-sized Finnish towns, outside the company's core geographical area.

The real estate funds managed by Sponda are directed at international and Finnish institutional investors, offering them an easy way to invest in real estate. The indirect investment method frees up investors' resources, with Sponda handling the management of the real estate portfolios and offering investors the opportunity to benefit from its market intelligence.

Sponda is involved as an investor in the three real estate funds it manages. In addition to management fees, Sponda receives income from the property investments of the funds in which it has a share of ownership.

Sponda Fund II almost fully invested

Sponda Fund II primarily invests in logistics, warehouse and industrial properties in medium-sized towns in Finland. The size of the fund increased as a result of several property purchases, with the target value of EUR 200 million nearly achieved in 2011. The total value of the fund’s properties at the end of 2011 was EUR 176.6 million. Sponda owns approximately 44 per cent of the fund's assets.

Sponda Fund I invests in logistics properties outside the Helsinki Metropolitan Area. The fund concluded a significant sale of property at the turn of the year, with the value of the transaction nearly 5 per cent of the total portfolio. A property development project carried out by the fund in

Tampere will be completed in spring 2012. The project involves converting Kesko's former central warehouse into a retail and warehouse facility primarily used by LVI-Dahl. The total value of the fund's properties at the end of 2011 stood at EUR 182.0 million. Sponda owns approximately 46 per cent of the fund's assets.

First Top LuxCo fund invests in office and retail premises. The fund launched significant development projects in 2011 in the central business districts of medium-sized Finnish towns, including two shopping centres in Lappeenranta. The development projects are a good example of Sponda's active asset management. The property portfolio had a fair value of EUR 93.1 million at the end of 2011. Sponda's holding is 20 per cent of the fund.

Sponda also manages the NIAM III East Holding Oy fund, which continued to sell property in 2011 in line with its strategy.

Russian Invest supports the company's growth strategy in Russia

Joining the Russian Invest property investment company established in partnership with SRV Group, Ilmarinen, Etera and Onvest was the second significant event in 2011. The investment company's mission supports Sponda's growth strategy in Russia. Sponda owns 27 per cent of Russian Invest.

The company aims to identify promising property development projects in Moscow and St. Petersburg. The investment company's strategy is to invest in property development projects and sell off the completed properties after a few years of ownership. Investment decisions on projects had not been made by the end of 2011.

AIFM Directive to regulate investment funds

The Alternative Investment Fund Managers Directive (AIFM) , which regulates the operations of investment funds, will most likely be applied in Finland from the beginning of the year 2013. Aimed at promoting stability and reliability in the financial markets, the new Directive will govern previously unregulated investment funds. As Sponda complies with the legislation on the operations of listed companies and good corporate governance, satisfying the requirements of the new Directive will not demand major changes from the company.

The principles of ethics and responsibility are emphasised in the operations of Sponda's Real Estate Funds business unit. Ethics and responsibility are important criteria in the investment activities of the funds as well as the management of properties and they strengthen the funds' profitability and long-term viability.

The real estate funds place emphasis on the energy efficiency of properties and strive to reduce the environmental impacts of the properties owned by them. Energy consumption is actively monitored and solutions for reducing consumption are sought in cooperation with customers. More information on managing the customer experience and improving energy efficiency is available in the Spondability section of this annual report.

Growth through new product development

While property markets are slow, businesses are engaged in capital market transactions and restructuring activities which create new opportunities for Sponda as an investor. In uncertain times, property investments are a stable asset class that offers strong yield and long-term diversification advantages. Indirect investment instruments are an excellent alternative for property investment, particularly when the investor does not have operational familiarity and expertise in the sector or geographical region concerned.

Sponda expects fund management profitability to remain at a good level. The unit's objective is to grow by developing new products and alternatives that appeal to investors. The company will actively analyse opportunities to create new funds in 2012.

Key figures	2011	2010	2009	2008	2007
Turnover, M€	**6.4**	7.2	6.9	13.2	14.5
Direct costs, M€	**-1.4**	-1.5	-1.9	-1.8	-4.5
Net operating income, M€	**5.0**	5.7	5.0	11.3	10.0

Management fees and share of profit	2011	2010
Management fees, M€	**6.4**	6.9
Realized gains by real estate funds, M€	**5.0**	5.6
Total	**11.4**	12.5

In brief

- Sponda Fund II almost fully invested
- Sponda joined property investment company Russian Invest
- First Top LuxCo fund started several significant development projects

Risks and Risk management

Sponda uses effective risk management to ensure the continuity of its operations and the achievement of key objectives. Risk management is integrated into the company's planning system and day-to-day operations.

Integrated risk management as a key strength

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

Sponda has adopted a systematic approach to risk management and one of the company's key strengths is its ability to integrate risk management as part of the strategy process, the enterprise resource planning system and business processes. The responsibility for risk management is determined in accordance with business responsibility. The ultimate responsibility for risk management lies with the Board of Directors, which sets risk management objectives, decides on risk management policy, organises risk management and monitors key risks. Business units and corporate functions are responsible for arranging for risk management to be monitored and reported as part of the company's other reporting activities. The company's internal audit function monitors the effectiveness of the risk management system.

Risk management is tied to the company's annual planning process and risks are assessed in a risk survey carried out twice a year. The risk survey identifies the company's key risks, assesses the probability of their occurrence and potential impacts thereof, and defines risk management procedures. The risk survey is updated every autumn in conjunction with budgeting. The Group's risk management guidelines and the operations handbook are updated to reflect the decisions made on the basis of the risk survey. The risk survey also includes an assessment of the company's approach to risks.

Sponda's risk management toolbox includes risk aversion, risk elimination and reducing the probability that risks will materialise. Risks can also be restricted and reduced. A business continuity and recovery plan has been prepared for the contingency that substantial risks materialise.

No major changes in short-term risks

Sponda's risk management was effective in 2011 and no substantial risks materialised. In the risk survey carried out by the company, the availability of financing resulting from a weaker business environment was identified as a new short-term risk. Sponda protects itself against this risk by actively monitoring the status of the financial markets and by taking a proactive approach to restructuring its liabilities. Due to effective risk management and refinancing arrangements, difficulties in the availability of financing are unlikely to pose an immediate risk to Sponda in the next two years. The company's next major refinancing needs will arise in 2014.

With the exception of the weaker availability of financing, key short-term risks remained unchanged. A decline in the economic occupancy rate resulting from a slowdown in economic growth and a loss of rental income due to tenant insolvency remain relevant risks in Sponda's operations. With regard to Sponda's Russian business operations, the exchange rate risk and differences in legislation and official practices between Russia and Finland are the major risks and uncertainty factors.

Key risks and risk management actions

SHORT-TERM RISKS RELATED TO SPONDA'S OPERATIONS	RISK MANAGEMENT ACTIONS
Fall in economic occupancy rate	Sponda's property portfolio is mainly located in Helsinki's city centre and the Ruoholahti district. The company spends approximately 1–1.5 per cent of the property portfolio value on modernisation investments each year. Sponda will place more focus on rental operations.

SHORT-TERM RISKS RELATED TO SPONDA'S OPERATIONS	RISK MANAGEMENT ACTIONS
Decline in tenants' solvency	Sponda carries out regular checks to monitor tenants' solvency and changes therein. Most tenants submit a security deposit corresponding to 3 to 6 months' rent at the start of their tenancy. The company has a diverse tenant base representing a wide variety of sectors.
Availability of financing	Sponda reorganises maturing loans in a timely manner. When the financial market is tightening up, the company refinances loans well before their maturity. Sponda's next major refinancing needs will arise in 2014. At the end of 2011, Sponda had unused credit limits for EUR 440 million.
Interest rate risk	Sponda mitigates its interest rate risk through fixed-interest loans and interest rate derivative contracts.
Special features of the Russian property market and exchange rate fluctuations	Sponda receives half of its Russian rental revenue in US dollars and half in roubles. Most of the rent payments made in roubles are tied to the US dollar or euro exchange rate. The exchange rate risk arising from the use of the rouble is reduced by the fact that a significant portion of the company's own expenses in Russia is also paid in roubles. Sponda hedges a six-month cash flow from Russia. The company's investments in Russia are mainly funded in euros from the parent company balance sheet.

Strategic risks

Risks relating to the business environment

Uncertainty in the business environment and an oversupply of new office premises are expected to result in the vacancy rates for business premises in Finland remaining at a high level. The occupancy rate of Sponda's office premises is high, but increasing supply and weaker economic growth may have a negative effect on Sponda's rental operations. The occupancy rate of retail premises has remained high despite the weaker business environment, but the prospects for logistics properties have become dimmer as Finnish exports are beginning to decline.

The weakening of the financial markets caused by the European public debt crisis resulted in poorer availability of financing in 2011. Sponda has taken steps to prepare for the risks related to the availability of financing by refinancing its loans maturing in 2012. Sponda's next major refinancing needs will arise in 2014.

Changes in the fair value of properties

The value of real estate is sensitive to cyclical fluctuations. It is affected by several factors including interest rates, inflation, economic growth, business environment, availability of credit, property taxation, demographic factors and construction activity. Changes in supply and demand can also significantly affect property values regardless of the general economic trends of regional real estate markets.

Loss of rental income

In 2011, Sponda's ten largest clients accounted for approximately 31 (2010: 32) per cent of rental income. The loss or insolvency of one or several tenants may lead to a substantial loss in revenue for the company. The sustained vacancy rate of a property may also have a negative impact on the property value as well as the company's balance sheet and operating profit. Sponda was successful in managing the risks related to its tenants' solvency in 2011, as indicated by receivables from tenants remaining at the previous year's levels.

At the end of 2011, Sponda had a total of 3,277 (3,111) lease contracts and 2,160 (2,003) customers. The largest client sectors were retail, banking and the public sector.

Exchange rate risk from Russian operations and differences in property markets

Sponda's Russian properties are located in St. Petersburg and Moscow. At the end of 2011, Russian properties represented 7 (7) per cent of the company's balance sheet total. Differences in legislation and official practices between Russia and Finland may cause risks for Sponda's operations. The exchange rate risk associated with Russian business operations may also have a negative effect on the company's profit.

Sponda has set an upper limit for its Russian property holdings of 10–20 per cent of the balance sheet total, which helps mitigate the risks associated with the company's Russian operations.

Risks relating to property development

Sponda's property development operations focus on development projects of unbuilt land areas and buildings requiring modernisation that are profitable but require extensive planning and may go on for several years. Due to the long-term nature of the projects, rental income and cash flow can, in some cases, be delayed by several years. Sponda also incurs expenses from the planning phase that takes place before a project is confirmed. The key risks are related to the degree of success in leasing premises and the potential increase in construction costs. The company manages the risks relating to property development by requiring a minimum advance occupancy rate of 50 per cent before launching projects.

Due to the uncertainty in the business environment, Sponda has adopted a careful approach to launching new property development projects. In 2011 the company had two significant ongoing property development projects in Helsinki: the Citycenter project in the central business district and an office building project in Ruoholahti. In 2011 Sponda invested approximately EUR 58.5 million in property development projects. In 2011 Sponda owned unbuilt land areas worth EUR 90.3 million.

Sensitivity analysis,
Change in investment property fair value, M€ and %

	-10%		**-5%**		**0%**	**5%**		**10%**	
	Change, M€	Change, %	Change, M€	Change, %	**M€**	Change, M€	Change, %	Change, M€	Change, %
Yield requirement	333	11.0	158	5.2	**0**	-142	-4.7	-272	-9.0
Rental income (contractual rents)	-86	-2.8	-43	-1.4	**0**	43	1.4	86	2.8
Maintenance expenses	81	2.7	41	1.3	**0**	-40	-1.3	-81	-2.7
Economic occupancy rate (1st year)	-23	-0.8	-12	-0.4	**0**	12	0.4	24	0.8

The sensitivity analysis has been carried out as a quantitative analysis of the investment properties in Finland calculating the 15 year cash flow and of the properties in Russia calculating the 10 year cash flow.

The changes in yield requirements and economic occupancy rates have been calculated for average figures. The analysis includes only investment properties generating cash flows.

Operative risks

Key features of internal controls relating to financial reporting

The risk management in Sponda's financial reporting process is part of the Group's overall risk management and internal control. The company has defined the main features of its internal control using the international COSO model. The model has been used in defining the control environment, risk assessment method and the applicable control measures. The internal control solutions adopted by the company also take into consideration its industry, the management of the Group as a single entity and the company form of ownership of properties.

The company's internal control is a Group-wide process that involves the Board of Directors, executive directors, other staff members and internal audit. Internal control aims to ensure the effectiveness and appropriateness of the company's operations, the reliability of financial information and reporting as well as compliance with laws and regulations.

For more information on internal control, please refer to Sponda's Corporate Governance Statement.

Damage and asset risks

Sponda has adopted an occupational health system, travel safety programmes and crisis readiness instructions to ensure the safety of its personnel. Sponda has all required insurance coverage in place and the company's properties are insured for their full value. Sponda has prepared guidelines and processes for property sales, purchases and leasing as well as safety issues. No substantial damage or asset risks materialised in 2011.

Financing risks

Interest rate risk

Significant changes in market interest rates and margins may have a negative effect on Sponda's financial result and contribute to slower growth in the property business. Despite the weaker business environment, the average interest rate of the company's debts remained largely unchanged in 2011.

For more information on financing risks and their management, please refer to the section on Financing and financial risks in this annual report.

Exchange rate risk

The cash flow from Sponda's Russian operations is subject to exchange rate risk. Sponda receives half of its revenue from Russia in US dollars and half in roubles. The rouble risk is reduced by a significant proportion of the rouble-denominated revenues being tied to a fixed dollar or euro exchange rate and by the fact that a major part of the Russian business unit's expenses are denominated in roubles. Sponda hedges the cash flow from its Russian operations for six months in advance. Risks arising from exchange rate fluctuations may have a negative effect on Sponda's profit.

Financing and financial risk management

Sponda's financing strategy aims to secure the financing needed to carry out the company's business operations and manage Sponda Group's financial risks. Under uncertain market conditions, the company's reputation as a trustworthy debtor has made refinancing arrangements easier.

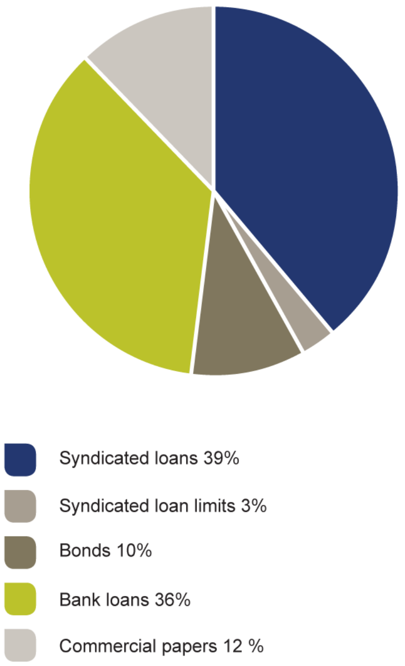
Treasury strategy

Sponda's treasury strategy is based on a broad base of financiers, a diversified range of financing instruments, a debt portfolio with evenly spread maturity dates, managed hedging of interest rate risks and good liquidity. The company aims to primarily finance its operations by arranging credit that is unsecured.

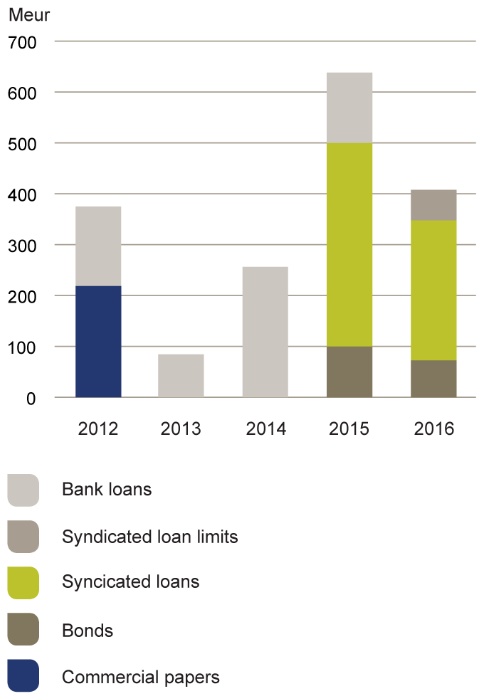
The company's interest-bearing loans consist of syndicated credit facilities totalling EUR 735 (2010: 675) million, bonds totalling EUR 173 (250) million, commercial papers totalling EUR 219 (17) million and bilateral loans totalling EUR 628 (631) million. The company maintains its liquidity and ensures the availability of financing with a EUR 350 million commercial paper programme and unused binding short-term credit limits. At the financial statements date, Sponda had unused credit limits approximately for EUR 440 million.

Sponda's treasury unit is responsible for the Group's financing and funding acquisition.

Sponda Group, Loan instruments
31 Dec 2011



Sponda Group, Loan maturities
31 Dec 2011



Managing financial risks

Sponda's financial risk management aims to minimise the unfavourable impacts of changes in the financial markets on the company's profits and cash flow. Risk management objectives and policy are set by the company's Board of Directors, which is also responsible for monitoring risk management. The company'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 level of the debt portfolio's interest rate risk is at least 60 per cent and at most 100 per cent. At the end of 2011 the hedging level of the debt portfolio was 77 per cent.

Sponda’s strengths in financial risk management include the active identification of risks and reacting to them, the company's reputation as a trustworthy debtor and the diversity of its financing instruments. The management of risks is also supported by the company's broad base of financiers, which was further strengthened in 2011 through a bond issue directed particularly at institutional investors in Scandinavia.

Sponda's creditors are protected by covenants included in financial contracts. The most important covenants are:

- Interest cover ratio, which must be at least 1.75. At the end of 2011, the interest cover ratio was 2.7.
- Equity ratio, which must be at least 28 per cent. At the end of 2011, the equity ratio was 38 per cent.

The company's Russian business operations are subject to exchange rate risks resulting from fluctuations in the exchange rate between the Russian rouble and the euro and between the US dollar and the euro. Sponda manages exchange rate risks by hedging the cash flow from its Russian operations for six months in advance. No substantial exchange rate fluctuations occurred in 2011.

Sensitivity to interest rate risk

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.

	Income statement	31.12.2011 Fair value Reserve	Income statement	31.12.2010 Fair value Reserve
One percentage point rise in market rates (M€)	-4	+23	-1	+21
One percentage point fall in market rates (M€)	+7	-24	+3	-22

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

Financing in 2011

	31 Dec 2011	31 Dec 2010
Net cash flow from operations, M€	**99.2**	102.6
Net cash used in investing, M€	**-222.9**	-39.5
Net cash used in financing, M€	**123.6**	-65.9
Cash flow from operations per share, €	**0.37**	0.35
Equity ratio, %	**38**	39
Interest-bearing debt, M€	**1,754.8**	1,572.6
Net financial expenses, M€	**-75.6**	-58.5
Cash and cash equivalents, M€	**26.4**	27.0
Average loan maturity, yrs	**3.1**	3.2
Average interest rate, %	**4.0**	3.8
Average fixed interest rate period, yrs	**2.2**	2.2
Interest cover	**2.7**	3.0
Hedging, %	**77**	84
Mortgaged loans / balance sheet total, M€	**140.4**	141.1
share of total balance sheet, %	**4.1**	4.6
Gearing, %	**135**	129

Main financial arrangements in 2011

Sponda carried out three significant financial arrangements in 2011. The funds received were used to repay existing debts and were also directed to the Group's other general financing needs.

In April, Sponda signed a credit limit agreement with Svenska Handelsbanken for EUR 50 million. In November, Sponda signed an agreement for a syndicated credit facility of EUR 375 million, consisting of a loan of EUR 275 million and a credit limit of EUR 100 million. The funds received from the syndicated credit facility were also used in their entirety to repay loans maturing in 2012. The margin on the new loan was 1.70 per cent on the date the agreement was signed.

Both of the financing agreements signed in 2011 have a maturity of five years and their covenants are linked to equity ratio and interest cover ratio. The credit agreements concluded under challenging market conditions are evidence of the confidence that financial institutions have in Sponda's ability to repay its loans.

Sponda also issued a SEK 650 million bond in 2011. The bond issue was directed particularly at Scandinavian institutional investors. The new bond issue further diversifies Sponda's base of financiers. The exchange rate risk related to the cash flows of the bond issue has been hedged. The proceeds from the bond issue were used on the Group's general financing needs. The bonds are traded on NASDAQ OMX Helsinki and the transaction was arranged by Nordea Markets.

Prospects for 2012

Sponda expects the vacancy rate of its investment properties to rise slightly in 2012. This view is based on the slowing down of the global economy, the uncertainty of conditions for business operations and expiring agreements known to Sponda.

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

Sponda as an investment

Sponda is a property investment company that specialises in commercial properties in the largest cities in Finland and Russia.

Sponda aims at profitable growth through customer-focused operations, active property development, by purchasing properties and through real estate funds. For its owners, Sponda is a good investment that looks to increase shareholder value and pay a regular annual dividend. Dividends are distributed at approximately 50 per cent of the operating cash flow per share for the financial year, taking financial circumstances and the company's development needs into consideration.

The company's strengths are a property portfolio largely concentrated in the best locations in the Helsinki metropolitan area, a high quality, diverse tenant base and a balanced lease portfolio. Active property development operations and experienced, committed management and personnel give the company an even more significant competitive edge.

Sponda's property portfolio comprises a broad selection of office, retail, shopping centre and logistics properties. The company aims to maximise cash flow from operations through active management of the existing property portfolio. A diverse tenant base and balanced leasing contract portfolio strengthen the stability of Sponda's rental income. The company has a considerable land bank and numerous potential sites for property development.

Shares and share ownership

Sponda's shares are quoted on NASDAQ OMX Helsinki Ltd. The share's trading code is SDAIV.

In addition to NASDAQ OMX Helsinki, Sponda shares were traded on several alternative market places, for example at Chi-X Europe, BATS and Turquoise.

Sponda's weighted average share price in 2011 was EUR 3.39. The highest price quoted for the share during the year was EUR 4.17 and the lowest was EUR 2.64. The share price declined from EUR 4.00 at the beginning of the year to EUR 3.12 at year's end. This corresponds to a price decrease of approximately 22 per cent. The total turnover of Sponda's shares was 141.9 million shares for a total of EUR 483.6 million during the year. The closing price of the share on 30 December 2011 was EUR 3.12 and the market capitalisation of Sponda's share stock at the end of the year stood at EUR 883.2 million.

At the end of 2011, Sponda had a total of 9,102 shareholders. Nominee-registered and foreign shareholders accounted for 48.4 per cent of these.

Annual General Meeting

The 2012 Annual General Meeting of Sponda Plc will be held in the Helsinki hall at Finlandia Hall (Mannerheimintie 13 e, Helsinki, door M4 and K4) on Tuesday, 20 March 2012, starting at 2.00 pm. Instructions for registering for the AGM are given on Sponda's website.

To attend the meeting, shareholders must be entered in the company's shareholder register maintained by Euroclear Finland Ltd no later than 8 March 2012.

Dividend payment

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.16 per share be distributed for the 2011 financial year. The dividend approved by the AGM will be paid to shareholders registered in the company's shareholder register maintained by Euroclear Finland Ltd on 23 March 2012, the record date confirmed by the Board. The Board proposes to the Annual General meeting that the dividend be paid at the close of the settlement period on 30 March 2012.

Changes of name and address

Shareholders are kindly requested to notify their bank or Euroclear Finland Ltd, whichever holds the shareholder's book-entry securities account, of any changes of address.

Financial information 2012

Sponda will publish its interim reports in 2012 on the following dates:

Interim report
January–March 2012 on Friday, 4 May 2012

Interim report
January–June 2012 on Friday, 3 August 2012

Interim report
January–September 2012 on Friday, 2 November 2012

Sponda publishes all of its material for investors in Finnish and English. The material is available on the company website.

Releases can be ordered at the company web site or by contacting:

Sponda Plc,
Corporate Communications
P.O. Box 940, FI-00101 Helsinki,
Finland
tel. +358 (0)20 431 31
e-mail: nina.saajasto(at)sponda.fi

Sponda's Investor Relations

The main task of Sponda's Investor Relations is to provide the market with sufficient and accurate information so that investors can assess the company's appeal as an investment today and in the future. Investor Relations ensures that the company's communications are balanced, timely and transparent.

Sponda's Board of Directors is responsible for the publication of the company's interim and annual financial statements. The President, the Chief Financial Officer and the Senior Vice President, Corporate 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 with 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 website at www.sponda.com. The list may be incomplete and Sponda takes no responsibility for the assessments contained in these analyses.

Contact details

Sponda Plc
P.O. Box 940
FI-00101 Helsinki

Street address:
Korkeavuorenkatu 45
FI-00130 Helsinki

Telephone +358 (0)20 431 31
Fax +358 (0)20 431 3333
www.sponda.com
firstname.lastname(at)sponda.fi

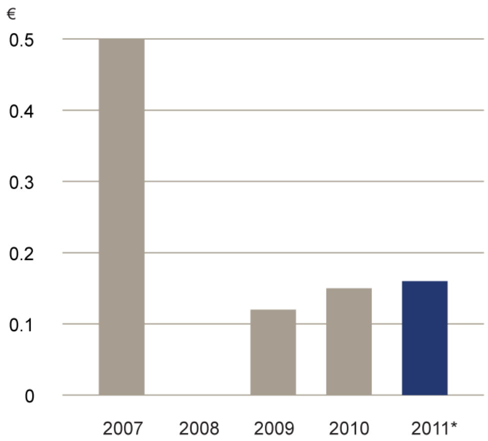
Investor relations and communications

Pia Arrhenius
Senior Vice President, Corporate
Communications and Investor Relations
Telephone +358 (0)20 431 3454
pia.arrhenius(at)sponda.fi

Anita Riikonen
Communications Manager
Telephone +358 (0)20 431 3470
anita.riikonen(at)sponda.fi

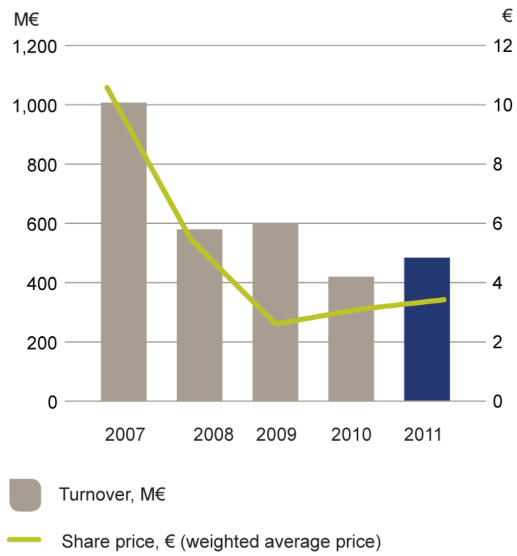
Nina Saajasto
Communications Assistant
Telephone +358 (0)20 431 3390
nina.saajasto(at)sponda.fi

Dividend/share

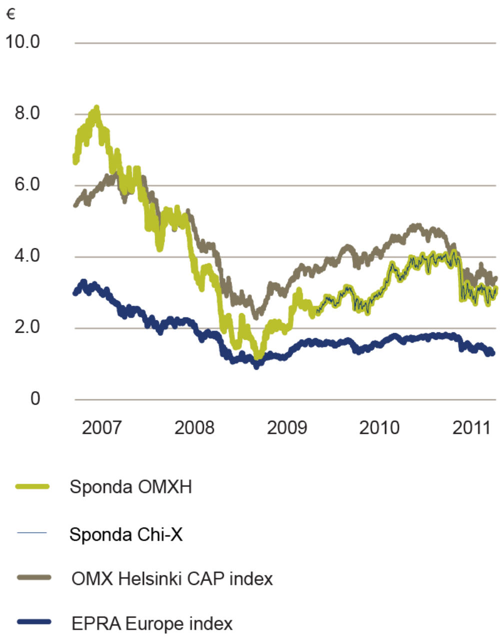


* Board's proposal

Share price and turnover



Sponda share price compared to indices



Source: Sponda's websites and Investis

Urban development

As Sponda's property portfolio is focused on the largest cities in Finland and Russia, the vitality of cities is an important factor for the attractiveness and occupancy rate of the company's properties. While the primary responsibility for the development of cities lies with the cities themselves, Sponda believes that being active and showing initiative is part of being a responsible actor in the property sector.

83%

of Sponda's properties are located in the Helsinki metropolitan area.

Sponda uses innovative customer-focused solutions and high-quality property maintenance to actively create best practices in its industry and act responsibly in developing the environment and cityscapes.

A living city is welcoming and safe

Although the city authorities are primarily responsible for the development of the city, Sponda feels that initiative and an active approach are a part of the role of a responsible operator in the real estate business. The company participates in the development of cities in cooperation with the city authorities and surrounding properties.

Sponda's properties are focused in the largest cities in Finland and Russia. As a result, the vitality of cities is an important factor for the appeal and occupancy rate of the company's properties. Factors affecting the company's property holdings and purchase decisions include, amongst other things, a good location in central locations of cities with good access to public transport.

Cooperation with the city and surrounding properties

Sponda participates in the development of cities in cooperation with the companies operating near its properties, owners of the surrounding properties and city officials responsible for planning. The needs of society and economic life form the framework for development. Sponda enlivens cities by offering appealing office and retail premises for companies, creating a flexible setting for the development of the economic life of cities. Properties complementing the urban framework also create natural meeting places for the local residents.

In all its property development projects, Sponda pays close attention to the immediate surroundings and the surrounding urban framework. External lighting of properties, heating of streets and covered pathways, for example, can significantly improve the comfort and safety of the area surrounding the property.

The company's most important development project related to the development of cities is the renovation of the Citycenter shopping centre in Helsinki's central business district. During the project, the company has worked in cooperation with the city of Helsinki and the Stockmann department store operating in a nearby property developing an underground maintenance tunnel improving traffic safety in the city centre.

Read the interview with Tuomas Rajajärvi, Head of the Helsinki City Planning Department, on the Citycenter project

Sponda also participates in the development of cities by means of active participation in associations promoting the activities of cities. The company is a member of Elävä Kaupunkikeskusta ry (Living city centre), for example, with the aim of continuous development of Finnish municipal and city centres into more lively, welcoming and competitive locations. Sponda is also a support member of Design District Helsinki and a member of Helsinki City Markkinointi ry (Helsinki city marketing).

Actively participating in the development of cities

Land use planning prepared by cities do not generally require input from the owners of properties regarding development actions. The will to develop a district starts from the property owner itself. Sponda's active participation in public tenders is evidence of the company's desire to participate in the development of cities.

Sponda has won several public tenders, including the property development projects of the Vuosaari harbour in Helsinki and the Ratina shopping centre in Tampere. The company is especially strong in the creation of innovative business premises solutions, observing aspects related to cityscape in addition to the needs of cities and customers. Its expertise is largely based on extensive experience in the real estate business and real estate development.

Cities are often also developed inside properties by, for example, planning flexible and appealing premises that attract companies and thereby improve the services of the area.

Read more about Sponda's flexible premises

Read more about increasing comfort through energy efficiency

In brief

- Sponda is involved in urban development through the properties it owns
- Development is pursued in cooperation with cities and neighbouring properties
- Sponda's most significant project related to urban development is the renovation of the Citycenter block in the heart of Helsinki

Projects

Enlivening the centre of Helsinki and development of the cityscape

With the Citycenter project, Sponda is involved in the development of Helsinki's central business district into an even more interesting and vibrant area. The completion of the Citycenter will considerably modify Helsinki's cityscape, and it is expected that the focal area of the business district will move to the renewed business quarter and its surroundings.

The construction of Citycenter's maintenance yards is one of the projects related to Helsinki's central maintenance tunnel, improving the traffic safety of the streets and reducing emissions and noise caused by traffic. The transfer of the quarter's freight deliveries underground allowed the removal of driving ramps from Keskuskatu and the later revision of the street into a pedestrian street.

In addition to the soon-to-be pedestrian street, the covered pedestrian routes reaching Aleksanterinkatu in 2012 improve the comfort of the area and the business quarter. The railway station and Helsinki's busiest metro station connect to Citycenter through the Asematunneli underground premises, allowing train or metro users to reach the shopping centre safely through the tunnel unaffected by the influences of weather.

Read Citycenter press release

Sponda also continued the renovation of the Unioninkatu office premises in the centre of Helsinki. This project involves creating modern business facilities in classic city buildings. Building of new premises of this type is rarely possible in Helsinki's central business district. The comfort and energy efficiency of the property under renovation are improved by, amongst other things, modernising HVAC solutions and lighting and renovating the buildings' ceiling, floor and wall surfaces. The renovation of the Unioninkatu properties will mainly be completed during the second quarter of 2012.

Sponda's influence as a property developer is also visible in the development of the cityscape and services of the Ruoholahti and Salmisaari districts of Helsinki, for example. The company owns some 170,000 square metres of rental premises in the area. The street scene and services of these districts have been improved by, amongst other things, renovating old industrial buildings into modern business and public administration facilities while respecting the history of the buildings and the cityscape of the area.

More customers to Tampere city centre

Sponda is currently renovating the Kauppa-Häme property located in central Tampere into functional, modern and comfortable retail and office premises. At the same time, the goal of the project is to make central Tampere increasingly attractive and appealing by making it possible to provide a broader range of services. The project involves transforming the retail and office building completed in 1965 into a property that meets today's standards. The property will undergo a facelift that also benefits the urban environment around it. This will particularly be reflected in a renovation of the facade of the property's retail space. The renewed Kauppa-Häme will attract passing customers more effectively, while enlivening the centre of Tampere.

Sponda is also planning the Ratina shopping centre in the centre of Tampere with the goal of strengthening the range of services available in the area. The property, which has been designed to fit in with its functionalist surroundings, is located in the high-traffic area between the stadium and the bus station. A good location combined with a varied range of services is expected to bring in customers from the entire Tampere region. Sponda was selected as the developer in the public tender process organised by the city of Tampere. The planning of the shopping centre continued in 2011 and the construction of the property is estimated to begin in 2012. The start of the project requires an adequate pre-let and an investment decision of the company.

More information on our properties

Urban development, Citycenter Case study

"*The city centre is like an icon for the entire city", says Tuomas Rajajärvi, Head of the Helsinki City Planning Department, to illustrate the significance of the city centre to Helsinki as a whole. If the city centre is lacking in vitality, developing other areas will be very challenging.*

City planning promotes making better use of the inner courtyards of city blocks

The city's aim is to maintain the current scale of the Helsinki city centre, which poses challenges to the development of the central areas of the city. As a result, current development plans are largely based on connecting the properties that make up city blocks by making better use of the space between them by constructing arcades and glass roofs, for example. Rajajärvi says the Citycenter project, with its inner courtyard covered by a glass roof, is a model example of this type of development.

One of the main objectives of Helsinki's city planning is eco-efficiency, which is managed through building permits. According to Rajajärvi, creating business opportunities and services in locations with good public transport access is a great example of sustainable planning.

The Citycenter project supports the development of a pedestrian city centre

Rajajärvi considers the renovation of the Citycenter block to be an important development project that promotes Helsinki's positive image as a city. He believes that the new look for the former "Sausage Building" will make the block and its surroundings much more attractive, which will represent a significant upgrade for the station tunnel area that was previously perceived by many as unpleasant. The Citycenter project will also support the development of Keskuskatu into a high-quality pedestrian street.

Helsinki's image as an attractive and modern winter city

The renewal of the Citycenter block also has a positive effect on Helsinki's image as a winter city. According to Rajajärvi, the Citycenter block's new heated walkways covered with glass roofs and solutions such as the planned cover for the Saarinen courtyard will make central Helsinki more pleasant for pedestrians in the wintertime. He adds that street heating and lighting will also make the wintery city centre more attractive.

Rajajärvi says lighting has a great deal of potential in developing the image of the city. Improvements to lighting can make central Helsinki more pleasant and attractive without the need to make changes to major structures. New LED technology also means that lighting solutions can be implemented in more environmentally friendly ways than before.

Cooperation as the foundation of development

Rajajärvi says urban development is a shared process where multiple actors play important roles. He hopes property companies, in particular, show a genuine desire to develop Helsinki in cooperation with the other parties involved. The central business district has tailor-made zoning plans and properties must be compatible with their surroundings.

From the city's perspective, the key aspects of the Citycenter renovation project are the cityscape and accessibility. In practice, accessibility refers to aspects such as walkways that are sufficiently wide to allow large amounts of people to move smoothly in the Citycenter block and the areas surrounding the Central Railway Station. The accessibility of central Helsinki has also been improved by the maintenance tunnel project related to the Citycenter project. The tunnel allows maintenance vehicles to travel underground instead of taking up space on the city streets. The project was implemented by several parties involved in Helsinki's development, including Sponda.

Tuomas Rajajärvi, Head of the Helsinki City Planning Department

Design

In the urban environment, design is always present in the architecture of buildings and city districts. For Sponda, good design means the aesthetics of the properties, but also functionality and flexibility.

Meeting customer requirements while observing the cityscape

The planning of properties at Sponda is always customer-based with a focus on the changing needs of customers. This applies to both new construction and renovation. Good overall solutions are emphasised in order to guarantee the economy, healthiness and safety of premises. Successful design of office premises also creates a positive image for the company and improves working conditions.

In addition to the needs of customers, good design can also respond to the development requirements of cities. Functional and flexible properties designed with environmental aspects in mind attract companies and thereby improve the availability of services in cities. The look of the city or the city district is always taken into account in the design, paying special attention to the local characteristics and the existing building stock.

Properties located in the centres of cities experience substantial wear as large volumes of people pass through them on a daily basis. In properties such as these, design focuses on functionality and accessibility in addition to aesthetics. Special attention is paid to factors allowing the premises to withstand wear and tear, but also the test of time.

Taking environmental aspects into account in the development of cities

Sponda's property portfolio is focused on urban areas, near traffic and customer flows. A central location also decreases the environmental load of properties.

Ecological location

Lots of services have gathered in the centres of cities and near public transport routes. They stimulate the cities and make it easier to respond to the needs of local residents. By concentrating its properties in the centres of cities and near good public transport routes, Sponda offers the companies operating in its premises the possibility to favour environmentally friendly solutions in commuting. A good, central location of properties also brings the company closer to the services offered in the central districts, thereby reducing the need to travel.

Flexible and ecological premises

In addition to location, solutions and choices related to construction and renovation also have a significant impact on the environmental impact and functionality of properties throughout their life cycle. Good planning aims to make all premises, both newly constructed and renovated, into flexible buildings with a long life cycle.

Flexibility extends the life cycle of properties and reduces the environmental load caused by alterations, repair and renovations. Even the use of the building can be changed when required. Sponda's flexible premises also offer a flexible framework for the development of cities' economic life.

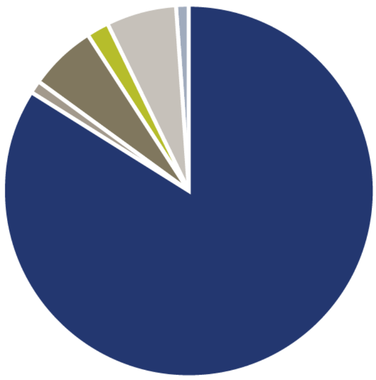
In addition to flexibility, Sponda pays particular attention to energy efficiency and environmentally sound solutions of its properties. Sponda applies either LEED® or BREEAM® certificates for its newly constructed buildings. The company utilises the certification process to better meet the environmental demands of its customers.

Lighting brings comfort in an energy-efficient manner

Utilising new environmentally friendly technologies allows an energy-efficient improvement of comfort and safety in cities. In the renovation of the lighting of Citycenter in 2011, for example, environmentally friendly and energy-efficient LED technology was implemented. In addition, many of the company's properties already utilise street heating making use of the waste heat from properties, improving the usability of the city centre during the winter. The company intends to extend the use of street heating in the future.

Read more from the Spondability section.

Investment properties by location and by fair value*



EUR 2,903.7 million

- Helsinki metropolitan area 84%
- Turku 1%
- Tampere 6%
- Oulu 2%
- Moscow 6%
- St Petersburg 1%

* Excl. Property Development and Real Estate Funds

A glimpse into our portfolio

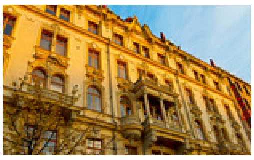
Citycenter, Helsinki

Located in the heart of Helsinki's central business district and benefiting from some of the city's busiest pedestrian flows, the Citycenter retail and office complex is the most significant of Sponda's current property development projects. The extensive renovation of this culturally and historically important property, formerly referred to by Helsinkians as the “Sausage Building”, will make this traditional retail block and its surrounding areas a great deal more attractive and appealing.

Major improvements have been made to the interior of the building to offer companies modern and light-filled retail and office premises in the heart of Helsinki. The appeal of the property is further increased by covered walkways and the adjacent Keskuskatu, which will become a pedestrian street upon completion of the Citycenter project. The Central Railway Station and Helsinki's busiest metro station are accessible from Citycenter through the underground station tunnel, which allows train and metro commuters to enter the shopping centre without being exposed to the weather conditions.

In 2011, a 10 storey light well, a new 4,200 square metre office building and 3,700 square metres of newly renovated retail space were added to the Citycenter property. The office building was awarded LEED Gold environmental certification upon completion. The renovation project will increase the leasable area of the Citycenter block from 41,000 square metres to 55,000 square metres. The project is scheduled to be largely completed in late 2012.

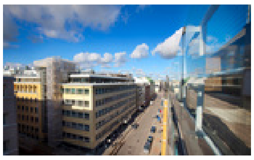
Office space: approximately 24,000 sq.m
Retail space: approximately 24,000 sq.m
Warehouse and service space: approximately 7,000 sq.m



Fennia block, Helsinki

The Fennia block located in Helsinki's central business district was Sponda's most notable property purchase in 2011. The culturally and historically significant property has a total of 25,000 square metres of office space and 14,200 square metres of retail space. With up to 150,000 people passing through every month and a diverse tenant base, the Fennia block is active practically around the clock. Businesses in the Fennia block include the recently renewed Helsinki Grand Casino and a Finnkino cinema.

Office space: 25,000 sq.m
Retail space: 14,200 sq.m

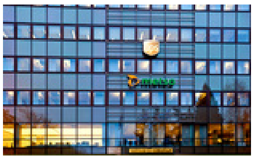


Havis Business Center, Helsinki

Known as Havis Business Center (Unioninkatu 20–22), this office complex in Helsinki's central business district covers one full block between Unioninkatu and Fabianinkatu. The office complex was completed in several separate phases from 1941 to 1969. The properties are currently being renovated and modernised while respecting its traditions.

After completion, the valued properties will offer tenants good-as-new business premises with a particular focus on comfort and energy efficiency. The properties have a total of 16,000 square metres of office space, 3,000 square metres of retail space and 5,000 square metres of warehouse premises. The renovation is scheduled for completion in the first half of 2012.

Office space: 16,000 sq.m
Retail space: 3,000 sq.m
Warehouse premises: 5,000 sq.m

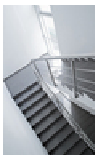


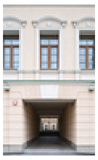
Metso Automation production facility, Vantaa

Some 22,000 square metres of modern logistics space were completed in the Hakkila district of Vantaa in 2011. The new production facility, located in the busy Vantaan Akseli business park, has been leased to Metso Automation in its entirety. The property is in an excellent location for logistics purposes, halfway between Helsinki-Vantaa airport and Vuosaari Harbour, in the immediate vicinity of Ring Road III and Lahdenväylä highway.

Environmental factors and acoustics were key considerations in the design of the production facility. The renovation of the five storey office building adjacent to the new production facility focused on workstation functionality and ergonomics.

Logistics space: 22,000 sq.m
Tenant: Metso Automation





Business Center Meliora Place, Moscow

Completed in 2008, Meliora Place is an office property located in central Moscow with good public transport access. The property contains a total of some 2,440 square metres of premium office space. The leasable area comprises four floors of office space and two street level retail units.

Office space: approximately 2,500 sq.m
Retail space: approximately 300 sq.m

Spondability

Spondability is the seal of Sponda's responsibility. In 2011, the company defined responsibility priorities which will be particularly focused on in the company's operations. From this section you can find information on Sponda's responsibility priorities and how Sponda has implemented its responsibility in 2011.

4

A total of four Sponda-owned properties were granted international environmental classification in 2011.

Energy efficiency and carbon footprint

A significant proportion of the total energy consumption of a building occurs during use. As a consequence of this, Sponda has made close cooperation with customers on reducing energy consumption a high priority. The Energy Efficiency Scheme launched in 2009 is one of the ways the company cooperates with its customers.

Read more >

Material efficiency

Material efficiency is part of Sponda's comprehensive approach to environmental responsibility. In 2011, the company paid particular attention to waste sorting and recycling as well as monitoring the volume of waste.

Read more >

Property locations

Sponda takes environmental considerations into account in deciding on the locations for its property investments. In 2011, Sponda implemented its strategy for example by purchasing the Fennia block located in Helsinki's central business district.

Read more >

Enhancing the customer experience

Sponda's focus in 2011 was particularly on defining the starting level for the customer experience and planning measures for improving it. Sponda established a Customer Experience Management (CEM) process.

Read more >

Investing in employees

Employee wellbeing and a high level of professional expertise are important success factors for Sponda. In 2011, Sponda revised its annual employee survey and the focus of employee training was on personal development and maintaining professional expertise.

Read more >

Transparency in operations

Sponda developed the quality of its financial and sustainability reporting in 2011. The interactivity of communications was improved by redeveloping the company's Internet, intranet and extranet services.

Read more >

Taking the industry forward

In addition to developing its own operations, Sponda promotes good practices in the property sector by participating in projects and activities in partnership with industry organisations and associations. In 2011, Sponda was actively involved in RAKLI (The Finnish Association of Building Owners and Construction Clients).

Read more>

Responsibility as part of Sponda's strategy

Responsibility is an integral part of Sponda's day-to-day operations and business expertise, supporting the company's profitability and long-term viability.

Responsibility and strategy

Sponda's main priorities are increasing shareholder value, ensuring the sustainability of operations and continuously developing the company. The company's principle of responsibility plays an important role in the pursuit of these priorities. Sponda has highlighted the development of the customer experience and environmental responsibility as strategic focal points in its business development.

Increasing environmental requirements

The property sector has a key role in mitigating climate change and improving energy efficiency. Sponda supports the fight against climate change in its own operations by improving the energy efficiency of its properties and reducing their environmental impact. The United Nations Environmental Programme estimates that buildings make up as much as 40 per cent of global energy consumption, with the majority of that consumption occuring during use. As efforts to reduce emissions are ramped up, national and EU requirements on corporate environmental responsibility will become tighter.

Sponda believes that, in the future, client companies will increasingly pay attention to the life cycle environmental impact of their business premises. Sponda is preparing for these future challenges today by investing in improving its environmental expertise and developing solutions that promote the wellbeing of the environment.

Environmental requirements are highlighted in Sponda's property development operations as well as property maintenance. Sponda also works together with its clients to develop more energy-efficient and environmentally sustainable business premises, as the majority of the environmental impact of a building is created during its use.

The wellbeing of the environment is included among the criteria the company applies in deciding on property investments. In accordance with its investment strategy, the focus of Sponda's property portfolio is on central locations with good public transport links.

Developing the customer experience

Sponda aims to achieve a competitive advantage and identify the best ways of working from the customer's perspective, through its new Customer Experience Management process. The company aims to be a trustworthy property partner that offers each customer premises that are precisely tailored to their needs combined with an effective customer relationship. In customer relations, the goal is to achieve a long-term interactive partnership rather than a unilateral landlord-tenant relationship.

Sponda actively monitors changes in how client companies work and what new requirements they have regarding their business premises in order to develop its own operations in accordance with the changing needs of its customer base.

Managing responsibility

Environmental responsibility and managing the customer experience are strategic focal points for Sponda and the company has set annual targets and defined key actions for them. The Executive Board and the Board of Directors regularly monitor the achievement of targets and implementation of actions. The major challenges in achieving the targets set for environmental responsibility are related to the reduction of environmental impacts during the use of buildings, as in the company's properties work over 30,000 individuals who each play an important role in making environmentally conscious choices on a daily basis.

Sponda encourages its employees to work towards the goals related to environmental responsibility and the customer experience by including them as factors in the incentive scheme that covers all personnel.

Responsibility priorities

Sponda's vision, which guides the implementation and development of its responsible operations, is to be the most reliable, profitable and responsible player in the real estate sector, implementing sustainable development. The strategic focus of the company's responsibility is on environmental responsibility and the customer experience.

In 2011, Sponda defined seven responsibility priorities, the implementation and development of which will be particularly focused on in the company's operations.

Some members of Sponda’s Executive Board were involved with defining responsibility priorities. The priorities are based on the company’s strategy and in particular on its strategic areas of focus related to customer experience and environmental responsibility. The purpose of the responsibility priorities is to support developing Sponda’s operations from the perspective of sustainable development.

Sponda's responsibility priorities are:

- Improving energy efficiency and reducing the carbon footprint
- Material efficiency
- Property locations
- Enhancing the customer experience
- Investing in employees
- Transparency in operations
- Taking the industry forward

More detailed information on each of the responsibility priorities can be found in sections dedicated to them in this online Annual Report.

Improving energy efficiency and reducing the carbon footprint

The property sector plays a key role in mitigating climate change and improving energy efficiency. Sponda recognises this and pays particular attention to the energy efficiency of its properties and the carbon footprint caused by energy consumption.

Why is this a priority?

Improving the energy efficiency of buildings is an essential element of the EU climate and energy strategy, which aims for a 20 per cent decrease in the energy consumption of new buildings by 2020. Improving the energy efficiency of buildings and reducing emissions plays a key role in achieving that aim, as construction activity and energy consumption during the use of buildings together represent over 40 per cent of final energy consumption. In 2021, all new buildings must meet near zero energy standards.

As tenant activity causes up to 60 per cent of the total energy consumption of a building, co-operation between the landlord and tenant is of crucial importance in reducing energy consumption. Every day nearly 30,000 people work in premises owned by Sponda, which means that even small acts can result in major changes.

Sponda strives to reach the EU targets through its own operations and through cooperation with clients. Energy efficiency is an important consideration in all of the company's property development projects as well as renovation and maintenance operations. Sponda also provides guidance and encourages its clients to be energy efficient and to take environmental aspects into consideration in the use of properties.

The figures for environmental responsibility are based on Sponda's properties located in Finland, from which data is collected regarding energy and water consumption and waste management. There is a certain degree of annual variability in Sponda's property holdings due to sales and purchases, which affects the comparability of the annual environment figures.

Improving energy efficiency and reducing the carbon footprint at Sponda

The key aspects of the priority are:

- the consumption of heat, electricity and water in buildings
- property development
- increasing environmental awareness among clients and employees

Certification and Sponda's planning guidelines

At Sponda, new construction, property renovation and the design of office buildings are all subject to the company's planning guidelines, which are in many ways more extensive than the generally applied standards and regulations. The guidelines help the company develop adaptable and energy efficient properties that offer good physical working conditions for tenants and users.

Sponda pays particular attention to environmental requirements in its property development operations. By applying for environmental certification for new buildings and major renovation projects, the company can offer its clients high-quality business premises that are environmentally friendly.

Energy Efficiency Scheme

The energy efficient use of properties is supported particularly through Sponda's Energy Efficiency Scheme. Originally launched in 2009, the scheme is aimed at achieving energy savings in cooperation with clients.

The Energy Efficiency Scheme starts with an energy review at the premises to determine the energy consumption of each property and to examine the different technical systems relating to energy consumption. Energy efficiency goals and measures for achieving them are set individually for each property in cooperation with the users. Developments are then monitored in regular meetings with clients. Sponda's partners Ovenia Oy and Corbel Oy are responsible for property maintenance operations and for collecting and monitoring energy consumption data.

The cost savings achieved through the Energy Efficiency Scheme are reinvested in the properties. The goal of the scheme is a 10 per cent reduction in energy consumption by 2016. Sponda will expand its cooperation with clients in the future to reduce the overall environmental load of properties by paying attention to not only energy consumption, but also other environmental factors related to the property and client operations.

Environmental awareness in day-to-day work

Sponda's head office in Helsinki was granted WWF's Green Office certification in 2010 in recognition of the high extent to which environmental aspects are taken into consideration in office work. Sponda uses the Green Office programme to promote the environmental expertise of personnel and guide employees in making environmentally sound choices. Environmental awareness is increased for example through an annual Green Day event as well as Green Office tips published regularly on the company intranet.

Sponda reports to the WWF annually on the energy consumption of its head office. The company takes an active approach to reducing the energy consumption and other environmental load of its head office building. In 2011 energy consumption at Sponda's head office decreased compared to 2010. Electricity consumption declined by 1.4 per cent, heating consumption (weather-adjusted) by 9 per cent and district cooling by 10.9 per cent. The building's water consumption fell by 16 per cent from the previous year.

Sponda's employees are encouraged to make ecological choices through a company car policy that supports low-emission options. Employees are also provided with company bicycles. As part of Sponda's Green Office environmental programme, employees are also trained in economical driving. The company makes shared public transport tickets available to employees who need to travel in Helsinki metropolitan area during the working day.

Read more about the WWF Green Office system.

Objectives for 2011

- Energy Efficiency Scheme will be continued
- International environmental certification application process will be initiated for all new construction projects
- Concept for low-energy commercial buildings will be applied in all new build property development projects
- Environmental impacts (consumptions) will be reduced
- Expanded monitoring of the environmental indicators in Russia

Measures taken in 2011

More properties covered by the Energy Efficiency Scheme

At the end of 2011, there were a total of 113 (2010: 84) properties included in the Energy Efficiency Scheme. An energy review had been conducted at 83 of these properties and action proposals drafted for 49 properties. The Energy Efficiency Scheme has also been initiated at three properties owned by real estate funds managed by Sponda.

For properties that joined the programme in 2010, energy reviews continued, a part of recommended actions were taken and consumption was monitored in accordance with property-specific action plans. Certain measures were implemented in cooperation with property users, while some of the measures will be implemented in conjunction with major renovation projects.

The results of the energy reviews under the company's Russian energy efficiency scheme, launched in 2010, were compiled and analysed in 2011. Energy efficiency goals and measures for achieving them will be set individually for each property based on the results of the energy reviews.

Energy savings were achieved in Sponda-owned properties over the course of 2011 partly thanks to the Energy Efficiency Scheme. However, the exceptional weather conditions in Finland made it difficult to monitor consumption for the part of adjusted or weather-corrected heating energy. The adjusted energy consumption of comparable properties remained nearly the same (+0.2 per cent), while the measured heat consumption decreased by 18.5 per cent in actuality. In comparable properties overall electricity consumption decreased by 2.3 per cent, water consumption decreased by 4.8 per cent and cooling consumption decreased by 10 per cent.

The carbon footpring caused by the total energy consumption of all of Sponda’s properties was 56,080 tonnes/CO_2 (2010: 60,048), which represents a decrease of 6.6 per cent compared to the previous year.

In order to improve the monitoring and reporting of the consumption of its properties, Sponda further expanded real-time consumption monitoring and remote reading of electricity consumed by the building, as well as heating, cooling and water consumption.

In 2011, Sponda joined a voluntary action plan related to property sector’s energy efficiency agreement to promote the energy efficiency of business premises (TETS). The aim of the framework agreement is to reduce the energy consumption of participating properties by 6 per cent by 2016.

Environmental awareness among clients increased

In order to strengthen its cooperation with clients on environmental matters, Sponda proposed an environmental partnership to ten clients in 2011 with the aim of improving the energy efficiency and waste recycling rate of business premises while taking clients' individual needs into consideration. In the partnerships, particular attention is paid to the environmental effects of the client's operations. Sponda and the clients that enter into an environmental partnership agree on a case-specific basis what the objectives of the partnership are and how the cooperation will be implemented. At the turn of the year, new partnerships were launched with Kesko in Ruoholahti shopping centre, Elisa, Nordea, Evli Bank Plc, the City of Espoo, National Board of Patents and Registration in Finland and the Cancer Society of Finland, to name a few.

Sponda's environmental communications aimed at clients were increased significantly in 2011. The company's redesigned extranet services give clients guidance on energy efficient operations and waste sorting and also includes information on the progress of the Energy Efficiency Scheme. Clients can also use the extranet to monitor the energy consumption of their property. Environmental content on the company website was also expanded with the addition of environmental tips courtesy of Sponda's partner WWF Finland.

Customer communications will be further improved in 2012 by organising environmental events at clients' premises in partnership with WWF Finland. The goal is to increase environmental awareness among the users of Sponda's properties and to encourage clients to take environmentally friendly action in their daily operations.

International environmental certification for four properties

By seeking certification for its newly built or renovated properties, Sponda looks to offer its customers high-quality and environmentally friendly business premises. Interest in property-specific international environmental certificates has increased significantly in recent times. Sponda decided in early 2011 to apply for environmental certification for all of its newly constructed properties.

A total of four Sponda-owned properties were granted international environmental classification in 2011:

- An office building completed in 2008 and located in Helsinki at Sörnäistenkatu 2 was granted LEED® Silver Environmental Certification for an Existing Building.
- An office building completed in 2011 as part of the Citycenter block in Helsinki's central business district was granted LEED® Gold Environmental Certification.
- Ruoholahden Tähti, an office building completed in 2008 in Helsinki's Ruoholahti district, was granted BREEAM®-In-Use-Certification.
- Port Gate, an office building completed in 2008 in Helsinki's Vuosaari Harbour was granted BREEAM®-In-Use-Certification.

As of the beginning of 2012, Sponda has certification processes pending at seven properties or property development projects. The currently on-going certification processes will continue in 2012 and the certification application process will be initiated for all new construction projects also in the future.

In 2011, Sponda updated its planning guidelines to take the requirements and instructions of international environmental classification systems into account. The guidelines apply to all of Sponda's new construction and renovation projects.

Commitment to industry agreements and participation in associations

Sponda aims to promote environmental responsibility through active participation in property and construction industry organisations and their environmental initiatives. On the property development front, the company strives to promote sustainable development through its membership in the Green Building Council Finland, Russian Green Building Council and RAKLI, the Finnish Association of Building Owners and Construction Clients.

In 2011, Sponda was involved in a project to compose guidelines for construction of a low-energy commercial building. The project was coordinated by the Finnish Association of Civil Engineers RIL, which published guidelines for low-energy commercial construction in early 2012. Sponda will also continue developing its own concept for a low-energy commercial buildings based on the RIL guidelines.

Read more on property certification
More information on the TETS framework under the section "Taking the industry forward"

Objectives for 2012

- Concept for low-energy commercial buildings will be taken into use
- Environmental partnerships with clients will be increased
- Energy consumption in Sponda's Head Office will be decreased by 2 per cent

Sponda's properties' environmental impacts in Finland

- Comparable energy consumption will decrease
- Comparable water consumption will decrease

Sponda's properties' energy consumption in Russia

- Energy consumption monitoring (electricity and water) developed further
- Energy consumption decreased in a property seeking for certification in Moscow
- Energy efficiency guide distributed in Russia

Environmental certifications

- Certification application process initiated for all new construction projects
- Certification application process initiated for all major renovation projects
- Certification application process initiated for an office property in Russia

Key figures

Heat, Electricity and Water consumption m^2/year

	2011	2010	2009
Electricity, kWh/m^2	**105.1**	117,3	117,6
Water, ltr/m^2	**255.7**	239,0	234,7
Heat (weather-adjusted), kWh/m^2	**118.9**	117,8	140,2
Cooling, kWh/m^2	**29.5**	34.5	32.4

Average consumption by Sponda´s all properties/m^2/year
Areas have been recalculated in 2010

Sponda has four properties where heating energy is produced using oil. Of these, two receive 2508 MWh of heating energy produced using oil purchased by Sponda. For the other two properties, the tenants purchase the oil themselves.

Carbon footprint arising from energy consumption of Sponda´s properties

	Electricity				Heating				Cooling			
	2009	2010	2011	Change, %	2009	2010	2011	Change, %	2009	2010	2011	Change, %
Total	25,651	25,950	**26,192**	**0.9**	36,864	33,460	**28,707**	**-14.2**	475	505	**513**	**1.5**
Number of properties (pcs)	140	142	**154**		141	141	**147**		9	9	**11**	
Specific emissions kg CO_2/m^2	18.24	13.44	**13.52**		23.34	22.10	**18.02**		2.27	2.41	**2.28**	

	Fuels				Total			
	2009	**2010**	**2011**	**Change, %**	**2009**	**2010**	**2011**	**Change, %**
Total	195	133	**669**	**403.1**	63,185	60,048	**56,080**	**-6.6**
Number of properties (pcs)	2	2	**2**		145	146	**154**	
Specific emissions kg CO2/m^2	16.42	11.20	**56.48**		41.58	39.37	**31.03**	

Estimates of the carbon footprint from energy consumption in properties in 2009 and 2010 are based on the specific emission coefficients reported by energy companies for 2009.

Areas have been recalculated in 2010.

In brief

- Sponda's environmental communications aimed at clients were increased and the extranet service was improved
- Four Sponda-owned properties were granted international environmental classification
- Sponda participated in the development of energy efficiency in the property sector, for instance through being involved in the drafting of the low-energy construction planning guide led by the Association of Finnish Civil Engineers (RIL)

Material efficiency

Material efficiency is part of Sponda's comprehensive approach to environmental responsibility. Sponda’s efforts in the area of material efficiency are particularly focused on waste sorting and providing instructions for waste sorting.

Why is this a priority?

In 2008, the Finnish Government approved a national waste plan aimed at reducing waste generation and achieving a reduction in the total annual volume of municipal waste by 2016. The objective of the plan is to have less than 20 per cent of municipal waste end up in landfill sites, with the remaining 80 per cent recycled or used for energy generation. Sponda aims to contribute to the overall effort to reach the goals of the national waste plan through its own operations.

Material efficiency in Sponda

The key aspects of the priority:

- the sorting and recycling of property waste
- improving efficiency in material use, also in purchasing
- producing services with fewer material inputs and lower environmental effects

While the appropriate sorting of waste is the responsibility of the users of properties, Sponda aims to facilitate convenient and effective sorting of waste at its properties through its own operations and by ensuring that the necessary waste sorting facilities are in place. The company arranges for post-sorting waste management at its properties, unless otherwise agreed with tenants. Sponda guides the users of its properties in waste recycling and sorting as well as in the reduction of waste volume.

Reducing the volume of waste generation is an integral aspect of material efficiency. Sponda's construction and renovation projects take this aspect into account by incorporating flexible and adaptable spatial solutions in building design. This reduces the need for subsequent alterations that produce further construction waste.

In the construction phase of new buildings and major renovation projects, the company has adopted on-site waste management guidelines according to the international LEED® and BREEAM® certification systems in order to reduce the volume of waste requiring disposal. In all construction and renovation projects and in the daily use of the company's properties, the aim is to minimise the volume of waste ending up at landfill sites by ensuring the appropriate sorting and recycling of waste

In addition to the waste sorting and providing instructions for sorting Sponda will focus increasingly on reducing the volume of waste as well as producing services with fewer material inputs and lower environmental impact.

More information on property certification

Objectives for 2011

- The total waste volume will decrease and the monitoring will improve

Measures taken in 2011

In 2011, Sponda paid particular attention to waste sorting and recycling as well as monitoring the volume of waste. Sponda aims to ensure that tenants have appropriate waste sorting facilities at their disposal. The company has also made waste sorting instructions available to customers on its extranet services and offers building-specific guidance at certain properties.

Sponda encourages its customers to waste sorting and recycling also with its Environmental Partner Programme, which aims to reduce the environmental load resulting from the use of properties. The partnership was started in 2011 among others with Kesko in Ruoholahti shopping centre, Elisa, Nordea Bank Finland Plc, the city of Espoo, Evli Bank Plc, National Board of Patents and Registration in Finland and the Cancer Society of Finland.

In 2011, Sponda improved its reporting of waste volumes in cooperation with subcontractors. More comprehensive reporting enables the company to better communicate with the users of its properties on the volume and type of waste generated. Sponda's total waste volume in 2011 was 5,610 tonnes, of which 2,371 was mixed waste. The volume of mixed waste will be further reduced by improving waste sorting.

Sponda improved waste recycling at its properties in the beginning of 2012 by signing a cooperation agreement with Lassila & Tikanoja. The new cooperation agreement is expected to reduce total carbon dioxide emissions from properties owned by Sponda by some 300 tonnes per month and increase the recycling ratio to approximately 90 per cent. It is further estimated that the volume of waste ending up at landfill sites will decline to one tenth of current levels.

Objectives for 2012

- Environmental partnerships with clients will be increased
- Sponda's properties in Finland: recycling ratio of waste increased to over 70 per cent

Key figures

Waste volume report

Sponda Plc and Sponda Kiinteistöt Oy in total	2011 (Tons)	2010 (Tons)
Mixed waste	**2,371.0**	2,096.5
Biowaste	**493.2**	307.7
Energy waste	**304.4**	262.3
Waste paper	**736.0**	595.5
Waste office paper	**86.0**	183.5
Retail and industrial packaging	**299.5**	435.7
Paperboard	**891.7**	558.1

Sponda Plc and Sponda Kiinteistöt Oy in total	2011 (Tons)	2010 (Tons)
Cardboard	**120.5**	97.1
Recyclable waste	**147.6**	
Other waste		
Wood	**16.8**	30.5
Glass	**60.8**	15.7
Metal	**34.1**	13.6
Plastic	**0.9**	1.0
Construction waste	**7.7**	9.5
Data security	**1.7**	3.8
Hazardous waste	**7.0**	
Other waste	**31.2**	0.6
Total	**5,610.0**	**4,611.1**
Number of sites	**127**	126
All sites	**203**	200
Partially owned or cold leased properties	**72**	74

Sponda-owned properties where the property owner is responsible for waste management is included in the calculation.

The company responsible for property maintenance has collected the information on a centralised basis from waste management service providers.

Property locations

Sponda takes environmental considerations into account in deciding on the locations for its property investments. Sponda's property ownership is guided by the company's strategic focus on central locations of cities and sites with good public transport links. This helps reduce the environmental impacts of the properties and supports the comprehensive sustainability of Sponda's operations also from a financial standpoint.

Why is this a priority?

For Sponda, the central location of its properties is a key strategic choice. The company's properties are in key areas in major cities and in locations with good public transport links. This strategy supports Sponda's commitment to environmental responsibility.

Location is also one of the criteria applied in the environmental certification of business properties. The BREEAM® and LEED® certification processes take into account public transport links, bicycle parking facilities and the building's energy source, which is also influenced by zoning.

Property locations as Sponda's priority

The key aspects of the priority are:

- Taking environmental aspects into account in making decisions on property investments
- Focusing on properties located in cities, accessible by public transportation
- Concentrating on prime areas

Sponda's investment strategy is sustainable and responsible, not merely from an environmental standpoint, but also financially. The demand and rental levels for properties in low-risk prime areas are more stable, even in economically uncertain times. Most of the company's investment properties are located in these areas. The investment strategy also supports the comprehensive sustainability of Sponda's operations.

Objectives for 2011

- Increasing the share of shopping centres and office properties in the company's property portfolio
- Developing the property portfolio by concentrating on prime areas and locations with good public transport links

Measures taken in 2011

In 2011, Sponda strengthened its property portfolio in a key strategic location by purchasing the Fennia office and retail block in Helsinki's central business district. The purchase increased Sponda's ownership of retail premises in Helsinki's central business district by 14,200 square metres and office space by 25,500 square metres.

Sponda also boosted its property ownership in central Tampere by purchasing the Kauppa-Häme retail and office property in early 2011. With the purchase, Sponda's ownership of retail and office space in Tampere's central business district is increased by 5,500 square metres. Following the conclusion of the purchase, Sponda began a comprehensive renovation of the property.

An important phase in the project to renovate the Citycenter property in Helsinki's central business district was completed in 2011. Construction was completed on a new office building with 4,200 square metres of floor space, located in the middle of the Citycenter block. Inside the shopping centre, a light well was completed, allowing 3,700 square metres of new commercial space to be taken into use. The new office building was granted LEED® Gold environmental certification.

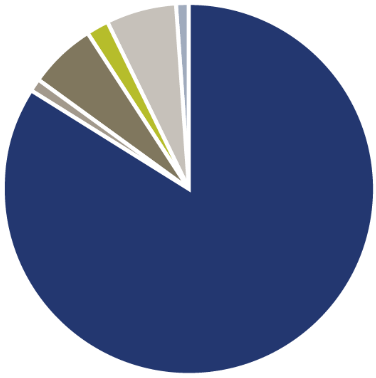
Sponda increased its ownership share in the Zeppelin shopping centre in the Oulu region and the floor space was increased by 8,700 square metres in 2011. The expansion makes the shopping centre the largest in Northern Finland.

Read more about Sponda's property portfolio.

Long-term objectives

- Increasing the share of shopping centres and office properties in the company's property portfolio
- Developing the property portfolio by concentrating on prime areas and locations with good public transport links

Investment properties by location and by fair value*



EUR 2,903.7 million

- Helsinki metropolitan area 84%
- Turku 1%
- Tampere 6%
- Oulu 2%
- Moscow 6%
- St Petersburg 1%

* Excl. Property Development and Real Estate Funds

Enhancing the customer experience

Sponda's vision is to be the first choice for customers looking for business premises. In order to realise this vision and systematically enhance the customer experience, Sponda established a Customer Experience Management (CEM) process in 2011. Highlighting the customer experience as one of Sponda's priorities underlines the company's commitment to maintaining a strong customer focus in its operations.

Why is this a priority?

Sponda aims to be a trustworthy property partner that offers each customer premises that are precisely tailored to their needs and an effective customer relationship. In customer relations, the goal is to achieve an interactive partnership rather than a unilateral lessor-tenant relationship.

Enhancing the customer experience is part of Sponda's commitment to its brand promise of being the most trustworthy and competent company in its field, offering its clients the best possible operating environment and the most effective customer relationship in the market.

At the end of 2011, Sponda had a total of 2,160 customers and 3,277 lease agreements. The largest client sectors were retail, banking and the public sector.

Enhancing customer experience in Sponda

The key aspects of the priority are:

- Identifying customer needs and responding to them
- Taking a more proactive approach to customer relations

- Creating the conditions for long-term partnerships

Building the customer experience begins from the very first meeting between the client and Sponda and it continues and develops throughout the customer relationship. Successful encounters and experiences lead to customer satisfaction and loyalty, which in turn helps create long-term partnerships instead of short-term lessor-tenant relationships.

By establishing a new process to support the development of the customer experience, the company aims to gain a competitive advantage and identify the best ways of working from the customer's perspective.

Sponda monitors customer satisfaction through surveys and as part of its regular interaction with clients. Sponda participates in surveys conducted by the Institute for Real Estate Economics (KTI). Customer satisfaction is also monitored in all meetings with clients to ensure that day-to-day matters are managed effectively and to determine whether there is a need to change anything. Sponda's customer service centre also carries out telephone interviews to gauge customer satisfaction.

Objectives for 2011

- Customer Experience Management strategy 2012-2014
- Defining focal areas for customer experience management
- Action plan for 2012
- Developing service innovations

Measures taken in 2011

Sponda's focus in 2011 was particularly on defining the starting level for the customer experience and planning measures for improving it. At the same time, the company developed the existing practices it applies in customer relations work to enhance the customer experience. Sponda established a Customer Experience Management (CEM) process in 2011 to support the development of the customer experience. CEM creates consistent guidelines and a systematic approach for developing the customer experience.

A Customer Experience Management strategy for 2011-2014 was created in 2011. The customer relations strategy, which was expanded and specified in 2010, is one of the key elements of Sponda's customer experience management. The customer relations strategy defines the customer relations management models and processes for aligning customer service with customer needs. The models defined in the strategy are used to develop customer relationships into long-term partnerships. The customer relations strategy will continue to be the foundation for developing Sponda's customer relations work and making it more effective.

Customers and employees working with customers were interviewed during the development of the strategy. The interviews provided important guidelines for setting objectives. In 2012, the company will focus on more effective implementation and execution of the customer relations strategy.

Sponda's focus in 2011 was on improving the usability of its online services and making them easier to find. Also during the year, Sponda redesigned its extranet services, which make it easier for customers to manage day-to-day affairs and find the information they need.

As communications between Sponda and a customer often begin with the customer contacting the customer service centre, the company invested in improving the customer service centre operating model in 2011.

In addition to developing current functions and operations, the company also aims to improve the customer experience by developing new service innovations. The development of service innovations is based on customer needs and feedback. A research project carried out by Sponda, with funding from the Spaces and Places programme of Tekes, the Finnish Funding Agency for Technology and Innovation, will be concluded in spring 2012. Developing service innovations will remain an integral part of the efforts to develop the customer experience even after the research project is concluded.

Objectives for 2012

- Activating the customer relations strategy
- Developing customer experience concerning subcontractors

- Developing customer service centre operations
- Adopting the best service innovations

Key figures

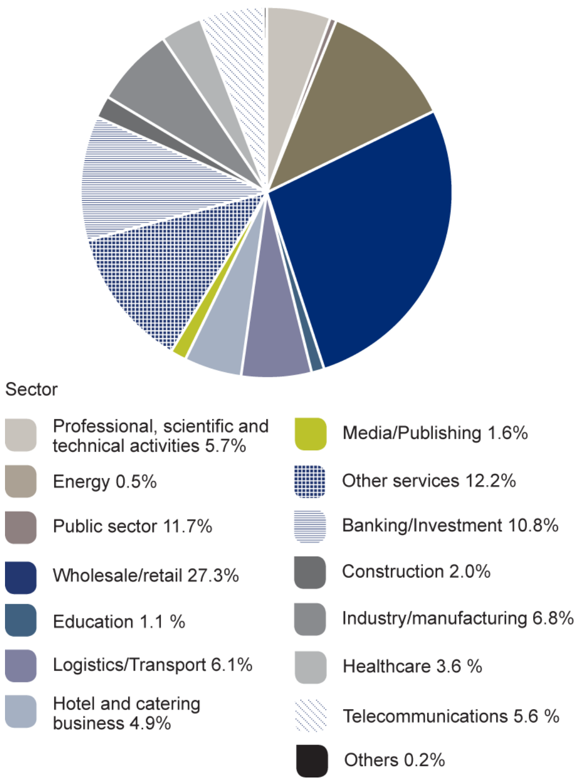
Sponda's customers by sector

Sector	2011, % rental income
Professional, scientific and technical activities	5.7
Energy	0.5
Public sector	11.7
Wholesale/retail	27.3
Education	1.1
Logistics/Transport	6.1
Hotel and catering business	4.9
Media/Publishing	1.6
Other services	12.2
Banking/Investment	10.8
Construction	2.0
Industry/manufacturing	6.8
Healthcare	3.6
Telecommunications	5.6
Others	0.2

Top 10 tenants

State of Finland
Kesko Group
HOK-Elanto
Sampo Bank Plc
Metso Automation Oy
Nordea Bank Finland Plc
City of Espoo
City of Helsinki
Fujitsu Finland Oy
Elisa Corporation

Sponda´s customers by sector,
% of rental income



Investing in employees

Sponda cares for the wellbeing of its personnel

Sponda's personnel are a motivated team of professionals who understand their customers' needs. Employee wellbeing and expertise are key success factors for an expert organisation. They are developed through training and good management.

Why is this a priority?

Appropriate training and good management support Sponda's ability to achieve its strategic goals. For an expert organisation like Sponda, ensuring employee qualifications and a high level of professional expertise are particularly important. Occupational wellbeing creates a foundation for good work performance and coping at work.

Investing in employees at Sponda

The key aspects of the priority are:

- occupational wellbeing
- improving expertise
- internal communication

Monitoring job satisfaction

Job satisfaction and organisational effectiveness are assessed at Sponda on a regular basis with an annual employee survey. The employee survey was revised in 2011 with the aim of analysing employee perceptions regarding their jobs, organisational effectiveness, management and engagement. The survey also aims to give respondents the opportunity to express their expectations regarding the development of their jobs and the work community and to influence the solutions implemented by the company.

Personnel development

Sponda aims for continuous improvement and learning in all its operations. Employees are encouraged to develop themselves and be independent and active in their own work. Common training programmes are arranged for personnel based on the needs arising from Sponda's strategy, customer and stakeholder feedback as well as from performance and appraisal discussions, or personnel may be offered the opportunity to participate in training outside the company.

Sponda's personnel development is guided by the company's customer-focused way of working, as customer expectations and needs determine the direction for developing employee expertise. Appraisal discussions are conducted to ensure that the link between one's own job and Sponda's strategy and objectives is clear to everyone in the organisation. In addition to performance and appraisal discussions, personnel development and the achievement of goals are evaluated on the basis of benchmarking, the investments made in personnel development and employee surveys.

Health care and supporting physical fitness and exercise

Sponda invests in the wellbeing of its employees in many ways, for example by providing comprehensive health services. The aim of Sponda's occupational health care is to prevent illnesses and problems resulting from stress and other work-related psychological factors and to support work fitness. The goals also include the prevention and early detection of lifestyle diseases and supporting self-care. Sponda has a special wellbeing programme to support the work fitness of employees who have been in working life for a long time.

Sponda also looks after occupational wellbeing by supporting its employees' physical exercise and cultural activities. Employees are offered company bicycles to encourage them to choose commuting options that provide significant health benefits while also being environmentally friendly.

Rewarding employees

Sponda uses an incentive scheme that covers all personnel and is based on both the company's common goals and on personal targets set specifically for each employee.

For more information on rewards and incentives, please refer to the section on governance.

Measures taken in 2011

Employee survey revised

The response rate for the job satisfaction survey conducted in autumn 2011 was very high at 94.4 per cent. The revised survey facilitates Group-level reporting of results. Due to the changes, the results of the 2011 survey are not directly comparable with data from previous years. Nevertheless, in relation to comparative data and standards, the 2011 results for both job satisfaction and internal customer relationships were extremely positive, just as in previous years.

Sponda's employer image also remained very good in 2011. Confidence in senior management remained high and employees perceived decision-making to be effective. Sponda's employees have a great deal of appreciation for the company's efforts in the area of occupational health and wellbeing. The survey also shows that organisational effectiveness is improved by the smooth flow of information, which is not disrupted by rumours. Sponda's employees believe in the company's future and are prepared to recommend the company as an employer. They see their own jobs as challenging and interesting and have positive opinions on managerial work at the unit level.

The results of the survey indicate that the company treats its employees fairly, which also ensures equality between men and women. Sponda's objective is that employees do not experience any discrimination or unfair treatment on the basis of gender, age, religion, health or other such factors. Fair and non-discriminatory treatment applies to the full life cycle of the employment relationship, from recruitment to termination.

Discussing the results of the employee survey in an open and interactive manner in each organisational unit is essential for the development of operations. The most recent round of discussions highlighted several concrete ideas on how Sponda can improve its service processes and the quality of its products and services. The discussions also covered the quality of the tools and systems used.

After the unit-level analysis and determination of development measures, the Executive Board chose focal areas based on the analysis of the full survey results for the further development of Sponda's working atmosphere and operations. Occupational tools and systems and improving the quality of the company’s products and services were selected as targets for development. To develop its tools and systems the company started an enterprise research planning development project in the beginning of 2012.

Personal development and maintaining expertise

In 2011, there were 2.3 training days per person and training costs accounted for 4.0 per cent of salaries. Over the past year, Sponda's personnel training has focused particularly on personal development and maintaining expertise. The company selects its training and cooperation partners on the basis of training quality and reliability.

All Sponda employees participated in performance and appraisal discussions in 2011. In the performance and appraisal discussions, concrete training and development measures are determined for each employee on the basis of personal development plans to achieve the objectives set for them.

Feel Younger through Better Physical Fitness programme supports occupational wellbeing

In 2011, Sponda launched a Feel Younger through Better Physical Fitness programme focused on physical exercise. The programme supports, and is a continuation of, the Lifestyle Renovation project started in 2010. The programme involves measuring employees' physical age and offering customised guidance for all participants, including those who already are physically active.

The programme includes lectures, health counselling and personal exercise recommendations for all participants. The aims of the programme include the prevention of health problems caused by sedentary work and stress. The results of the programme will be monitored throughout 2012.

Objectives for 2012

- An interactive process for handling suggestions and ideas from employees

Key figures

Key figures for the personnel

	2011	**2010**	**2009**
Average age, at the year-end	**44.6**	45.5	45.6
Days lost through sickness, in average	**3.9**	4.0	4.4
Training days per employee, in average	**2.3**	2.9	3.62
Number of personnel, in average	**123**	123	135

Personnel survey results 2001 , Group
(Scale 1–4)

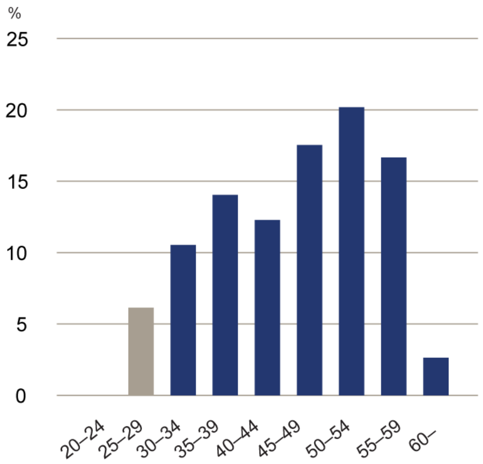
	2011
Commitment	3.21
Leadership	3.20
Performance	3.08
Engagement index	3.48

Due to the changes, the results of the 2011 survey are not directly comparable with data from previous years.

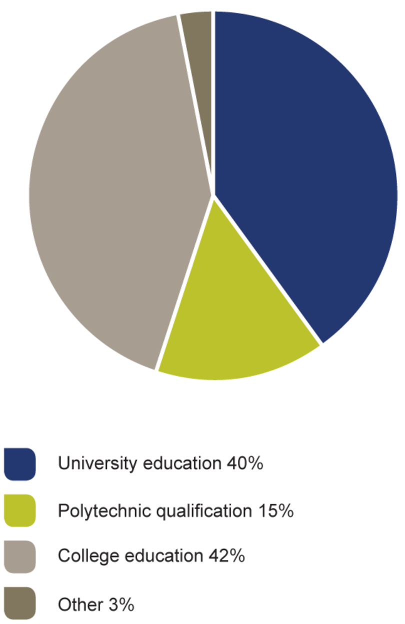
In brief

- Employee survey was revised
- Sponda's employer image remained very good among personnel
- Training in 2011 focused on personal development and maintaining professional expertise

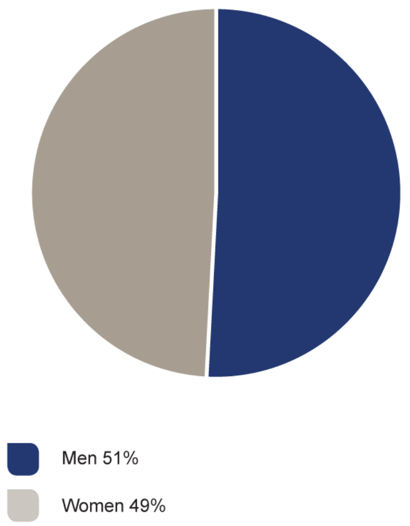
Age ratio
31 Dec 2011, Sponda Plc



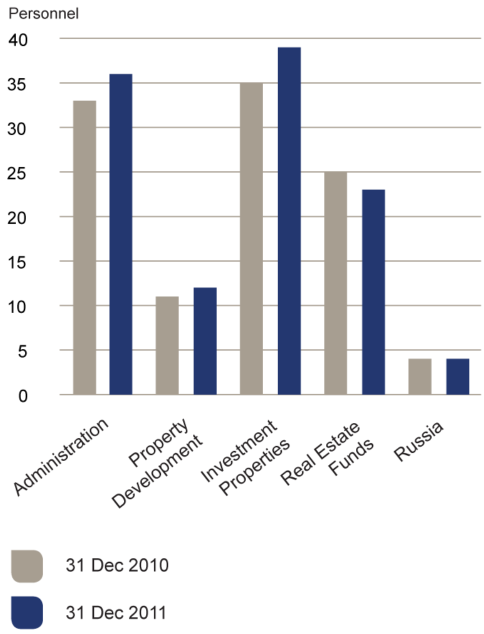
Educational structure
31 Dec 2011, Sponda Plc



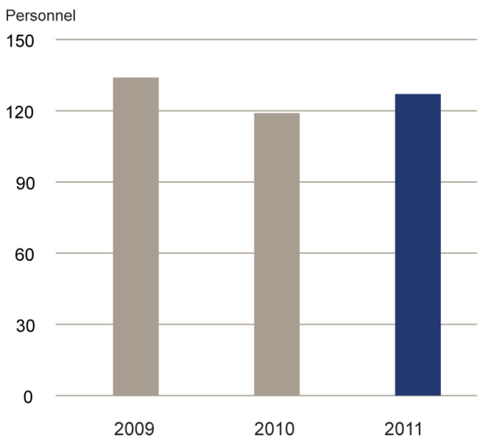
Sex ratio
31 Dec 2011, Sponda Plc



Personnel groups,
Sponda Plc



Personnel at the year-end,
Sponda Group



Transparency in operations

The transparency and accuracy of information regarding the company's operations is of utmost importance to Sponda. Openness and transparency are promoted through developing the company's operating models and appropriate methods for interaction with stakeholders.

Why is this a priority?

Sponda believes that transparent communications and operations increase stakeholder trust in the company. For Sponda, transparency means reliable communications and reporting in the first place.

Transparency in Sponda's operations

The key aspects of the priority are:

- Financial reporting
- Reporting on responsibility
- Communications

The company's financial reporting complies with existing legislation and standards. The company also serves investors by providing information on its operating environment and development in line with EPRA (European Public Real Estate Association) recommendations, amongst others. Reporting is continuously developed on the basis of interaction with investors and other stakeholders.

Sponda's most important stakeholders are described in the "Cash flows between stakeholders" graph and on the company website. The importance of stakeholders is evaluated based on whether or not they are able to have a significant impact on the company's operations. Sponda requires responsible operations on the part of its stakeholders, and strives to comply with its stakeholders' responsibility demands in its own operations. Sponda's most important stakeholders form the foundation for the company's responsible operations.

Sponda's customer relations are based on interactive partnership. This is supported by a commitment to develop the company's operating models and make customer communications increasingly interactive. In addition to external reporting and communications, Sponda also places a great deal of emphasis on internal communications. Effective internal communications provide employees the opportunity for open dialogue. Sponda believes that transparent communications and operations increase trust in the company among key stakeholders.

Objectives for 2011

- Achieving Application Level C under the GRI sustainability reporting framework
- Developing online communications channels

Measures implemented in 2011

Sponda continued to improve the quality of its financial and sustainability reporting in 2011. In recognition of the company's reporting quality, Sponda's 2010 Annual Report won silver in the review of annual reports in the European real estate sector carried out annually by the European Public Real Estate Association (EPRA). Sponda also improved transparency by expanding its reporting on responsibility in 2011 to reach Application Level C under the GRI reporting guidelines. The company defined key priorities in the area of corporate responsibility, which will be used to further develop reporting activities in the future.

In addition to NASDAQ OMX Helsinki, Sponda's shares are traded on alternative markets. To increase the transparency of Sponda's share price, from the beginning of 2012 onwards the company's Internet site features more comprehensive information. In addition to NASDAQ OMX Helsinki share prices, the website includes data from alternative markets under the share monitor and price history search tools.

The results of Sponda's annual employee survey indicate that employees are very satisfied with the company's internal communications. Communications on strategy and future prospects were particularly highly rated in the survey. A key focus in Sponda's internal communications has been the development of avenues of communication between the management and employees through arranging regular events to improve the dissemination of information and provide opportunities for discussion. Over the course of the year, Sponda also organised several events to introduce different business units and their operations to increase internal transparency and improve cooperation between units.

Online services becoming more interactive

Intranet is Sponda's most important channel for internal communication. Internal online services were developed in 2011 by, amongst other things, making this communications channel more interactive and developing intranet tools to facilitate project work and communications.

Increasing interactivity was also a key goal for the company's redesign of its extranet services. Extranet services are an effective channel of communication between Sponda and its clients. It is used for customer enquiries, service orders, problem reports and Sponda's client bulletins.

Transparency was improved by developing the usability of Sponda's Internet website and optimizing the online services for the purpose of search engine exposure. The website's primary target groups are potential clients, current clients and investors. The website redesign project that was concluded in early 2011 resulted in a clearer visual style, structure and improved functionality as well as an enhanced tool for searching for business premises.

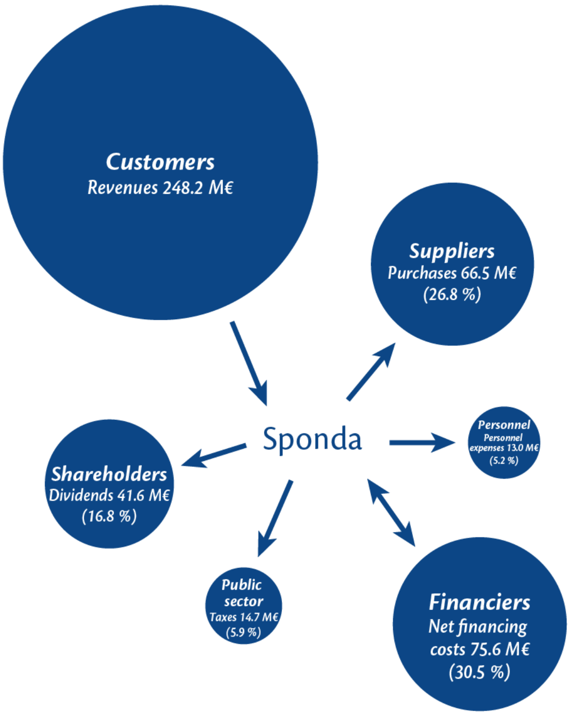
Sponda has set a goal for 2012 to create an interactive process for handling suggestions and ideas from employees. The process will define, amongst other things, how the best ideas and suggestions are selected and implemented.

Objectives for 2012

- An interactive process for handling suggestions and ideas from employees
- Improving the interactivity of the Internet website

Key figures

Cash flows between stakeholders
(Share of Sponda's turnover)



Taking the industry forward

Sponda develops methods and practices in the real estate sector in the areas of services, economic reporting and energy efficiency through active participation in collective industry projects and through its activities in different organisations. In addition to organisational activities, the company takes the industry forward with its own development operations.

Why is this a priority?

Through organisational activities and its own research and development, Sponda promotes sharing of information and expertise and develops its own operations and those of the real estate industry from the perspectives of environmental, social and economic responsibility.

In Finland, buildings are responsible for around one third of the nation's carbon dioxide emissions. For this reason, Sponda's development work takes the energy efficiency of properties and controlling climate change into particular consideration.

As a responsible property company, Sponda also participates in the development of cities in terms of its own areas and properties, in cooperation with cities and other property owners. The vitality of the city environment is also an important factor for the appeal and occupancy rates of Sponda's own properties.

Companies, organisations and authorities in the construction and real estate industry also have an important role in protecting against the grey economy and commercial crime. This role is emphasised particularly during periods of recession, when commercial crime often increases. RAKLI ry (the Finnish Association of Building Owners and Construction Clients) estimates that the damages due to grey economy in the construction industry alone amount to around EUR 500 million each year.

Responsible operation modes are also advanced in cooperation with Sponda's subcontractors. The company requires transparent operations on the part of subcontractors, as well as open and up-to-date communications. By cooperating exclusively with reliable partners, Sponda also ensures the viability of its own operations.

Taking the industry forward at Sponda

The key aspects of the priority are:

- Active participation in development work in real estate and construction industry organisations
- Sponda's own research and development work
- Sharing of expertise and professional competencies

Involvement with industry organisations

In addition to its own development work, Sponda promotes best practices in the real estate industry by participating in projects and organisational activities with organisations and companies in the industry.

Sponda is involved with the following organisations and projects:

- WWF Finland, main partner in cooperation
- Finnish Green Building Council (FiGBC), founding member
- Russian Green Building Council (RuGBC), member
- RAKLI (the Finnish Association of Building Owners and Construction Clients), member
- Elävä Kaupunkikeskusta (Living City Centre) ry, member
- Finnish Business and Society ry (FiBS ry), member
- Finnish Council of Shopping Centres, member
- European Real Estate Association (EPRA), member
- Helsinki City Markkinointi (Helsinki City Marketing) ry, member
- Design District Helsinki, supporting member
- Projects of the Association of Finnish Civil Engineers (RIL)
- European Association for Investors in Non-listed Real Estate Vehicles (INREV)

Developing the real estate industry

Sponda participates actively in the Finnish Association of Building Owners and Construction Clients (RAKLI), where the President and Chief Executive of Sponda has acted as head of the electoral committee for several years. The association is an opinion leader in the real estate and construction industry, which strives to actively develop the industry, promote networking of experts and communicate information about the economic situation.

Sponda is a member of the association's Business Premises executive group as well the Construction Clients and Contracting committee. The company is also an active member of the Finnish Council of Shopping Centres, which develops shopping centre activities and whose practical activities are overseen by RAKLI.

Sponda aims to reduce the environmental load caused by the real estate industry in cooperation with WWF Finland and by participating actively in the activities of Green Building Council Finland (FiGBC) and the Russian Green Building Council (RuGBC).

Sponda promotes responsibility in corporate activities as a member of FiBS (Finnish Business and Society) ry. Consistency and transparency in financial reporting for the real estate sector the company develops through its activities in EPRA, the umbrella organisation for listed European property investment companies.

Participation in the development of cities

Sponda participates in the development of cities through several different organisations. Sponda is a member of Elävä Kaupunkikeskusta (Living City Centre) ry, whose goal is continuous development of city and municipal centres into more vital, comfortable and competitive environments.

Sponda is also involved in Helsinki City Markkinointi ry, a cooperative association of centrally located property owners, entrepreneurs and city authorities, the goal of which is to increase the comfort and appeal of the city centre. The company promotes the enlivening of the city centre as a supporting member of the Design District Helsinki city district association.

Read more about Sponda's cooperation with WWF

Read more about how Sponda participates in the development of cities

Measures taken in 2011

Active participation in RAKLI

In 2011, Sponda participated actively in the projects of RAKLI. The company was involved with the organisation's Green Lease Practices development project, whose goal is to develop operational models and tools for contracts between property owners and tenants as well as service providers, thereby promoting energy and environmental efficiency in properties. A checklist tool for environmental efficiency along with contract templates for project participants are among the activities completed this past autumn.

Another project that got underway during the autumn was the Alueelliset energiaratkaisut (Local Energy Solutions) clinic, also organised by RAKLI, with the goal of developing the requirements for local exploitation of renewable and surplus energy through dialogue between parties in the public and private sectors of the industry. In addition to Sponda participants in the project include the City of Espoo and other cities, other public sector entities, the energy industry and the real estate and construction industries. The project will continue in 2012.

RAKLI's committee for Construction Clients and Contracting, in which Sponda is active, prepared a recommendation for measures to be taken by tenderers when registering contract documents and agreements in order to prevent commercial crime. The committee also promoted the development of energy efficiency guidelines for renovations and solutions for use of renewable energy.

Activities of the Finnish Council of Shopping Centres, which develops shopping centre operations, concentrated in 2011 on land use matters, changes in building legislation, the opening hours of shopping centres and environmental matters.

Energy efficient cooperation

In 2011, Sponda joined a voluntary property sector agreement related to an action plan to promote the energy efficiency of business premises (TETS). The agreement is a framework agreement between the Ministry of the Environment, the Ministry of Employment and the Economy and RAKLI with the goal of making energy use more efficient between 2010 and 2016.

Sponda joined the agreement with 124 properties whose energy consumption it can affect. The company is committed to an energy savings of 6 percent, as outlined in the agreement, by 2016. The ultimate goal is to achieve an energy savings of 20 percent by 2020, according to the energy and climate policies of the European Union. Sponda's Energy Efficiency Programme, which began in 2009 and which includes the majority of the company's properties, supports the achievement of TETS' goals.

The cooperation between Sponda and WWF Finland, which began at the end of 2010, aims to promote the energy efficiency and environmentally friendly use of properties. In 2011, environmental communication directed at Sponda's customers was planned and developed, with the goal of guiding the users of premises to engage in environment-positive activities, such as sorting waste and reducing energy consumption.

The goal of Finnish Green Building Council (FiGBC) is to promote practices for sustainable development in the real estate and construction industry along with environmental classification of properties, to communicate information and expertise and to activate discussion. In 2011, the activities of the organisation concentrated on increasing environmental awareness and on setting activities in motion. Sponda is also a member of the Russian Green Building Council (RuGBC).

Participation in energy efficiency projects

Sponda is involved in a development project of KTI Kiinteistötieto Oy (Property Information) entitled “Kiinteistöjen eko- ja energiatehokkuuden mittarit ja -tunnusluvut” (Indicators and Key Figures for Environmental and Energy Efficiency in Properties). The project, which wrapped up at the end of 2011, involved development of consistent energy efficiency indicators for buildings. The project will continue in 2012 with the Kohti kestävää liiketoimintaa (Toward Sustainable Business) project, which concentrates on management and measuring tools.

In 2011, Sponda was involved in a project to compose guidelines for construction of a low-energy commercial building. The project was coordinated by the Finnish Association of Civil Engineers (RIL), which published guidelines for low-energy commercial construction in early 2012. Sponda will also continue developing its own low-energy concept based on the RIL guidelines.

Developing the customer experience and supporting sustainable city planning

A project which began in 2010 and aims to increase the level of positive customer experiences by developing service innovations for premises, technology and users of premises is currently underway at Sponda. The project is supported by Tekes, the Finnish Funding Agency for Technology and Innovation. The project, which will end in 2012, is part of the Premises programme at Tekes, which strives to promote the premises-related business and international competitiveness of Finnish companies. The planning, development and testing of innovations will continue at Sponda after the project has ended.

In spring 2011, Sponda was the main partner in cooperation for Aalto University’s Master of Arts (MoA) 2011 exhibition. The event, which was organised in the Sponda-owned Salmisaarentalo building, provided new graduates with opportunities to interact with society, prospective employers, the media and other influencers. As MoA’s main partner in cooperation, Sponda wanted to support future space and city planners and encourage them to engage in sustainable planning. At the event, Sponda granted **Minna Piironen** an award for her final project “Making use of roofs in city farming”, which presented possibilities for balancing weather phenomena and increasing the comfort of cities through green roofs and growing on roofs.

In brief

- Sponda was actively involved in the activities of RAKLI (the Finnish Association of Building Owners and Construction Clients), including the Eco-efficient Contractual Practices development project.
- Sponda joined a voluntary property sector agreement related to an action plan to promote the energy efficiency of business premises (TETS)
- The company participated in a project to plan a low-energy commercial building coordinated by the Finnish Association of Civil Engineers, RIL
- Sponda is currently running a Tekes-supported project concerning the development of service innovations related to premises, technology and users

GRI index

Application level C

1. Strategy and analysis					
	GRI content	**Reported**	**Link**	**Comments**	**Complies with EPRA's best practice recommendations***
1.1	Statement from the most senior decision-maker of the organization	Yes	Chief Executive's review		
1.2	Description of key impacts, risks, and opportunities	Yes	Strategy		
			Strategy and Responsibility		
			Energy efficiency and carbon footprint		
			Corporate responsibility priorities		

2. Organizational Profile					
	GRI content	**Reported**	**Link**	**Comments**	**Complies with EPRA's best practice recommendations***
2.1	Name of the organization	Yes	Sponda		
2.2	Primary brands, products, and services	Yes	Business units in brief		
2.3	Operational structure	Yes	Business units in brief		
			Year 2011 in brief		
			Group structure		
2.4	Location of organization's headquarters	Yes	Contact us		
2.5	Number of countries where the organization operates	Yes	Business units in brief		
			Sponda		
2.6	Nature of ownership and legal form	Yes	Corporate governance		
			Shares and Shareholders		
2.7	Markets served	Yes	Sponda		
			Business units in brief		
			Strategy		
2.8	Scale of the reporting organization	Yes	EPRA key figures -table		
			Key figures		

2.9	Significant changes during the reporting period regarding size, structure, or ownership	Yes	Board of Directors' Report	No significant changes during the reporting period.	
2.10	Awards received in the reporting period	Yes	Sponda.com (Sponda's Annual Report 2010 wins EPRA award)		

3. Report Parameters

	GRI content	Reported	Link	Comments	Complies with EPRA's best practice recommendations*
3.1	Reporting period	Yes	The scope of the report		
3.2	Date of most recent previous report	Yes	The scope of the report		
3.3	Reporting cycle	Yes	The scope of the report		
3.4	Contact point for questions regarding the report or its contents	Yes	Contact us		
3.5	Process for defining report content (materiality and stakeholders that are expected to use the report)	Yes	Corporate responsibility priorities	Sponda has defined seven corporate responsibility priorities of equal importance.	
3.6	Boundary of the report	Yes	The scope of the report		
3.7	Specific limitations on the scope or boundary of the report	Yes	The scope of the report		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities and outsourced operations	Yes	The scope of the report		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	Yes	The scope of the report		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Yes	The scope of the report		
3.12	GRI content index	Yes	GRI index		
3.13	Policy and current practice with regard to seeking external assurance for the report	Yes	The scope of the report		

4. Governance, Commitments, and Engagement

	GRI content	Reported	Link	Comments	Complies with EPRA's best practice recommendations*
4.1	Governance structure of the organization	Yes	Board of Directors		
			The Executive Board		
4.2	The Chairman of the Board's function within the organisation's management	Yes	Board of Directors		
4.3	Independence of Board members	Yes	Board of Directors		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board	Yes	The General Meeting	Sponda's personnel does not have a representative in the Board of Directors.	
4.5	Linkage between compensation for members of the Board, senior managers, and executives and the organization's	Yes	Strategy and Responsibilty	No direct influence on Board compensation.	

	performance, including social and environmental performance			
4.6	Processes in place for the Board to ensure conflicts of interest are avoided	Yes	Corporate governance	
4.7	Process for determining the composition, qualifications, and expertise of the members of the Board	Yes	Nomination Board	
4.8	Mission, values, codes of conduct and principles, and the status of their implementation	Yes	Strategy and Responsibilty	The degree to which these internally developed statements relate to internationally agreed standards is not reported.
			Strategy	
			Sponda.com (CR vision)	
4.9	Procedures of the Board for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks	Yes	Risk management	The Board evaluates the execution of Sponda's strategy. Corporate responsibility is part of Sponda's strategy.
			Risk management (Corporate Governance)	
			Risk management organisation	
			Risks and Risk management	
			Strategy and Responsibilty	
4.10	Processes for evaluating the Board's own performance, particularly with respect to economic, environmental, and social performance	Yes	Board of Directors	The Board conducts a self-assesment which includes, for example, strategy work. Corporate responsibility is part of Sponda's strategy.
4.11	Explanation of whether and how the precautionary approach or principle is addressed	Yes	Risk management	Sponda's risk management process is described.
			Risk management (Corporate Governance)	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Yes	Year 2011 in brief	
			Taking the industry forward	
			Energy efficiency and carbon footprint	
			Property Development	
			Russia	
4.13	Memberships in associations and advocacy organizations	Yes	Property Development	
			Russia	
			Taking the industry forward	

4.14	Stakeholder groups engaged by the organization	Yes	Sponda.com (Stakeholders)		
4.15	Basis for identification and selection of stakeholders	Yes	Transparency in operations		
4.16	Approaches to stakeholder engagement	Yes	Sponda.com (IR principles)		
			Transparency in operations		
			Urban development		
			Enhancing the customer experience		
			Investing in employees		
			Energy efficiency and carbon footprint		
			Russia		
4.17	Key topics and concerns that have been raised through stakeholder engagement	Yes	Enhancing the customer experience	Stakeholder engagement is part of Sponda's regular activities,and is not specifically for reporting purposes.	
			Transparency in operations		
			Investing in employees		
			Sponda.com (Stakeholders)		
			Information for shareholders		

Economic Performance Indicators

	GRI content	**Reported**	**Link**	**Comments**	**Complies with EPRA's best practice recommendations***
EC1	Direct economic value generated and distributed	Yes	Transparency in operations		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Yes	Strategy and Responsibilty	Sponda's Executive Board has not quantitatively estimated the financial impacts.	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	Yes	Property locations	Sponda does not have a program to assess local community needs.	
			Urban development		
			Shopping Centres		
EC9	Significant indirect economic impacts, including the extent of impacts	Partially	Russia	Extent of impacts is not disclosed.	
			Design		
			Taking the industry forward		

Environmental Performance Indicators

	GRI content	**Reported**	**Link**	**Comments**	**Complies with EPRA's best practice recommendations***

EN1	Materials used by weight or volume	Partially	Material efficiency	Sponda aims to use materials in full.	
EN3	Direct energy consumption	Yes	Energy efficiency and carbon footprint		Yes
EN4	Indirect energy consumption	Partially	Energy efficiency and carbon footprint	Energy consumption is not broken down by renewable and non-renewable energy sources.	Partially
CRE1	Building energy intensity	Partially	Energy efficiency and carbon footprint	Energy intensity is not broken down by meaningful segmentation.	Yes
EN5	Energy saved due to conservation and efficiency improvements	Yes	Energy efficiency and carbon footprint	Energy savings reported for Sponda's head office.	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Yes	Russia		
			Strategy and Responsibilty		
			Investment Properties		
			Urban development		
			Energy efficiency and carbon footprint		
			Taking the industry forward		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Partially	Property locations	Quantitative reductions not reported.	
			Investment Properties		
EN8	Total water withdrawal by source	Yes	Energy efficiency and carbon footprint	Sponda uses municipal water supplies.	Partially
CRE2	Building water intensity	Partially	Energy efficiency and carbon footprint	Water intensity not broken down by meaningful segmentation.	Yes
EN16	Total direct and indirect greenhouse gas emissions	Yes	Energy efficiency and carbon footprint		No
CRE3	Greenhouse gas emissions intensity from buildings	Partially	Energy efficiency and carbon footprint	Emissions not broken down by meaningul segmentation.	Yes
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Yes	Strategy and Responsibilty		
			Energy efficiency and carbon footprint		
			Russia		
			Investment Properties		

EN22	Total weight of waste by type and disposal method	Yes	Material efficiency		Partially
EN26	Initiatives to enhance efficiency and mitigate environmental impacts of products and services, and extent of impact mitigation	Yes	Material efficiency		
			Investment Properties		
			Urban development		
			Energy efficiency and carbon footprint		
			Taking the industry forward		
			Property locations		
EN29	Significant environmental impacts of transportation	Partially	Energy efficiency and carbon footprint	Description of employee commuting is disclosed.	

Social Performance Indicators

	GRI content	Reported	Link	Comments	Complies with EPRA's best practice recommendations*
LA1	Total workforce by employment type and employment contract	Partially; To be reported fully in 2012	Investing in employees	Total workforce is not broken down by employment contract or gender.	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Partially	Investing in employees	Absenteeism not reported by geographical breakdown. Work-related injuries and fatalities not reported. Absenteeism reported only for the parent company.	
LA8	Education and counseling to assist workforce members regarding serious diseases	Yes	Investing in employees	Training is offered to Sponda's employees.	
LA10	Average hours of training per employee	Partially; To be reported fully in 2012	Investing in employees	Average hours of training not broken down by gender or employee category.	
LA11	Programs for skills management and lifelong learning	Partially; To be reported fully in 2012	Investing in employees	Programs for managing career endings not reported.	
LA12	Percentage of employees receiving regular performance and career development reviews	Yes	Investing in employees	All of Sponda's employees receive regular performance reviews.	
LA13	Composition of governance bodies and breakdown of employees and employee categories	Partially; To be reported fully in 2012	Board of Directors	Employee categories not broken down by gender. Age and gender breakdown of Executive Board and the Board of Directors not reported in percentages.	
			The Executive Board		
			Investing in employees		
LA14	Ratio of basic salary and remuneration of women to men by employee category and by locations of operations.	Partially	Management and personnel	Differences in salary or remuneration is not described by employee catergory or by locations of operations.	

SO9	Operations with significant potential or actual negative impacts on local communities	Partially	Russia	Positive impacts on local communities described.
			Urban development	
			Strategy and Responsibilty	
			Energy efficiency and carbon footprint	
PR3	Type of product and service information required by procedures	Partially	Energy efficiency and carbon footprint	Percentage of certified property not disclosed.
CRE8	Type and number of sustainability certification, rating, and labeling schemes for new construction, management, occupation and redevelopement	Partially	Investment Properties	Number of properties certified or part of rating schemes not disclosed. Percentage of certified properties broken down by portfolio not disclosed. Improvements resulting from certification, rating or labeling schemes not specified.
			Energy efficiency and carbon footprint	
			Property Development	
PR5	Practices related to customer satisfaction	Partially	Enhancing the customer experience	Frequency, methods and results of customer satisfaction surveys not disclosed.
			Strategy and Responsibility	
			Taking the industry forward	

Core indicator

Additional indicator

* Based on EPRA's Best Practices Recommendations on Sustainability Reporting

The scope of the report

Description of the report

The Annual Report and the Spondability section on corporate responsibility contain general information about Sponda's financial, social and environmental operations between 1 January and 31 December 2011, unless otherwise indicated.

Scope of reporting

Sponda reported on its corporate responsibility for the first time according to the guidelines of the Global Reporting Initiative (GRI). The newest GRE 3.1 reporting framework is used in reporting. Additionally, the real estate and construction industry-oriented Construction and Real Estate Sector Supplement (CRESS) reporting guideline, which was published in autumn of 2011, has been applied in reporting. For the part of the CRESS directive, the CRE indicators related to the real estate sector in particular were reported on where applicable. In addition to the GRI framework, certain portions of the report also comply with the European Public Real Estate Association's EPRA criteria, which are taken into account separately in connection with the GRI index. Sponda's Consolidated Financial Statements are compiled according to the IFRS (International Financial Reporting Standards).

The corporate responsibility report has not been assured by an external assurance provider. Sponda has self-declared its reporting to be Application Level C.

Structure of the report

Sponda's report is divided into three sections:

- The Strategy and Responsibility section discusses the strategic significance of responsibility for Sponda.
- Sponda's approach to corporate responsibility and the company's responsibility-related priorities are described in the Sponda's responsibility priorities section.
- A chart showing the correspondence between the GRI guidelines and Sponda's reporting can be found in the GRI index.

Scope of the report and data collection

The figures which appear in the report are based on the figures of Sponda's Finland operations, unless otherwise indicated. Figures for the company's subsidiaries are mentioned separately. Unless otherwise indicated, there have been no changes in the scope or method of calculation of the reporting principles.

The figures for environmental responsibility are based on Sponda's properties located in Finland, from which data is collected regarding energy and water consumption and waste management. There is a certain degree of annual variability in Sponda's property holdings due to sales and purchases, which affects the comparability of the annual environment figures.

Approaches to managing financial, social or environmental responsibility are not discussed separately in the report.

Earlier reports

The previous Spondability report was published as a part of Sponda's annual report in February 2010. Sponda reports on its progress in terms of responsibility each year.

No changes have been made to the information reported in previous years in the 2011 report, unless otherwise indicated.

Corporate Governance

883.2

The market capitalization of Sponda's share capital on 30 December 2011 was EUR 883.2 million

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, as well as the company's articles of association.

Sponda Plc also complies with the Insider Guidelines of the NASDAQ OMX Helsinki Ltd and the Corporate Governance Code 2010 issued by the Securities Market Association.

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, as well as the company's articles of association. Sponda Plc also complies with the Insider Guidelines of the NASDAQ OMX Helsinki Ltd and the Corporate Governance Code 2010 issued by the Securities Market Association on 15 June 2010.

As required by the Finnish Companies' Act and Sponda's articles of association, control and administration of the company are divided between the shareholders represented at general meetings, the Board of Directors and the President. The President is assisted by an Executive Board.

The General Meeting

The General Meeting of shareholders is Sponda's supreme decision making body. The Annual General Meeting (AGM) is held once a year on a date determined by the Board of Directors and within six (6) months of 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 confirmation of the financial statements, deciding on the use of the profit shown in the balance sheet, electing the Board of Directors and deciding on Board members' remuneration, as well as appointing the company's auditors and deciding on their remuneration.

Sponda publishes the notice of a general meeting in at least one daily national newspaper as determined by the Board of Directors and also on the company's Internet 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 the meeting. Extraordinary general meetings are convened whenever considered necessary by the Board of Directors or as required by law.

Nomination Board

The Nomination Board appointed by the Annual General Meeting on a yearly basis prepares proposals on the members of the Board of Directors and their remuneration for the following Annual General Meeting.

Representatives of the three (3) principal shareholders are elected to the Nomination Board along with the Chairman of the Board, who acts as an expert member. The right to appoint Nomination Board members to represent the shareholders belongs to those shareholders whose holding of the voting rights carried by all the company's shares is largest on 1st October preceding the Annual General Meeting. In the event that a shareholder waives their right to appoint a representative to the Nomination Board, the said right is passed on to the next largest shareholder. The Nomination Board is convened by the Chairman of the Board of Directors and the Nomination Board elects a chairman from among its members. The Nomination Board is required to present its proposal to the company's Board of Directors no later than 1 February preceding the Annual General Meeting. The principal shareholders of the Nomination Board (according to holdings on 1 October 2011) appointed by Sponda Plc's Annual General Meeting on 16 March 2011 and their representatives were:

- Solidium Oy, 14.89 per cent of shares and votes, represented by Kari Järvinen, (b. 1962), M.Sc. (Eng.), MBA, Managing Director, Solidium Oy,

- Varma Mutual Pension Insurance Company, 9.56 per cent of the shares and votes, represented by Risto Murto, (b. 1963), Ph.D. (Economics), Chief Investment Officer, Deputy CEO, Varma Mutual Pension Insurance Company

- Ilmarinen Mutual Pension Insurance Company, 9.56 per cent of the shares and votes, represented by Timo Ritakallio, (b. 1962), LL.M., MBA, Chief Investment Officer, Deputy CEO, Ilmarinen Mutual Pension Insurance Company.

All members of the Nomination Board are independent of the company.

The Nomination Board submitted its proposal to the Board of Directors by the due date, on 25 January 2012.

Board of Directors

Under Sponda Plc's articles of association, the company has a Board of Directors with four to seven (4-7) members. The Annual General Meeting on 16 March 2011 elected six members to Sponda's Board of Directors.

In 2011 the following people were on the Board of Directors: **Klaus Cawén** (b. 1957) LL.M., Member of the Executive Board, KONE Corporation, **Tuula Entelä** (b. 1955) B.Sc. (Econ.), LL.M., Vice President, Deputy to President and CEO, SATO Corporation, **Timo Korvenpää** (b. 1952) B.Sc. (Econ.), MBA (Board member until 16 March 2011), **Lauri Ratia** (b. 1946) MSc (Eng.), **Arja Talma** (b. 1962) MSc (Econ.), eMBA, President, Rautakesko Ltd, **Raimo Valo** (b. 1955) LL.M. (Board member from 16 March 2011 onwards) and **Erkki Virtanen** (b. 1950) M.Soc.Sc. (Econ.), Permanent Secretary, Ministry of Employment and the Economy.

Sponda's Board members represent broad experience in real estate, industry and finance. More detailed information on the Board members is provided on the "CV's of the Board members" page. The Board assesses that its members Klaus Cawén, Tuula Entelä, Lauri Ratia, Arja Talma and Raimo Valo are independent of the company and its major shareholders and that Erkki Virtanen is independent of the company.

In its constitutive meeting after the Annual General Meeting of 16 March 2011, the Board of Directors elected **Lauri Ratia** as Chairman and **Klaus Cawén** as Deputy Chairman.

Sponda Plc shares owned by members of the Board of Directors as of 31 December 2011:

	No. of shares	Change
Klaus Cawén	20,573	+3,613
Tuula Entelä	7,591	+3,131
Lauri Ratia	39,602	+6,022
Arja Talma	7,591	+3,131
Raimo Valo	3,131	+3,131
Erkki Virtanen	7,591	+3,131

The Board meets according to a pre-arranged schedule 7–11 times per year and holds additional meetings as necessary. In 2011, the Board met 17 times and the average attendance rate of Board members was 93.14 per cent. The Board assesses its own performance and working procedures once a year. The Board's self-assessment was based on a survey conducted in November 2011 and the Board discussed the survey results and considered further actions based on the results in a meeting in December 2011. The assessment covered, amongst other things, the composition of the Board, the effectiveness and focal points of the Board’s work, the scope and quality of materials provided to the Board as well as the quality and atmosphere of discussions. The results of the survey were used to improve the work of the Board of Directors.

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

The President regularly attends Board meetings. The Chief Financial Officer acts as the secretary of the Board.

Duties of the Board of Directors

Sponda’s Board of Directors has prepared rules of procedure for itself and its committees as a guideline for operations. The rules of procedure define the tasks and responsibilities of the Board, its Chairman and Deputy Chairman and the committees. According to the rules of procedure, the Board is responsible for the company’s administration and for the appropriate organisation 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, and ensures the effective functionality of its management systems. The Board also approves the annual budget and decides on significant individual investments.

The Board of Directors appoints the President of the company, chooses the members of the Executive Board based on the President’s proposal, and decides their terms of employment and their incentive schemes. The Board also decides on remuneration schemes for employees.

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

Board committees and working groups

The Board appoints the members and chairmen of the committees from among its number. The committee members' term of office is one year; ending at the conclusion of the Annual General Meeting following their election. Each committee has at least three (3) members. A committee meeting has 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 of 16 March 2011, the Audit Committee comprises **Arja Talma** as chairman, **Raimo Valo** as deputy chairman and **Erkki Virtanen** as an ordinary member. The main duties of the Audit Committee are to evaluate financial reporting and risk management and to examine financial reviews. In 2011, the Audit Committee met four times and the average attendance rate of committee members was 91.67 per cent.

The **Structure and Remuneration Committee** comprises at least three Board members who are independent of the company. As of 16 March 2011, the Structure and Remuneration Committee comprises **Lauri Ratia** as chairman, **Klaus Cawén** as deputy chairman and **Tuula Entelä** as an ordinary member. The main duties of the Structure and Remuneration Committee are to prepare matters relating to the nomination of senior management and their remuneration as well as matters relating to strategy and corporate structure. In 2011, the committee met four times and the average attendance of committee members was 100 per cent.

Remuneration and other Financial Benefits of the Board of Directors

The Annual General Meeting confirms in advance the remuneration payable to the Board of Directors annually. In 2011, the Board members were paid a total of EUR 294,000 in remuneration.

Remuneration paid to the Board of Directors 2011	**€/yr**
Chairman	60,000
Deputy Chairman	36,000
Other members	31,200

Of the annual remuneration paid to the Board of Directors, 40 per cent is paid in the form of Sponda Plc shares to be acquired by means of public trading. The shares shall be purchased within two weeks of the release of the interim report of the first quarter. In 2011, a total of 22,159 Sponda Plc shares were acquired for distribution to Board members as follows:

Chairman of the Board	6,022 shares
Deputy Chairman of the Board	3,613 shares
Members of the Board in total	12,524 shares

In addition, a compensation of EUR 600 is paid to members of the Board of Directors for each meeting attended, including committee meetings. The Board has no other remuneration schemes. Members of the Board of Directors are not in an employment relationship with the company.

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 Corporation, Chairman of the Board (until 12 Aug 2011)
Paroc Group Oy, Chairman of the Board
Samesor Oy, Board member
(until 14 Nov 2011)
VR-Group Ltd, Chairman of the Board (until 19 Apr 2011)
YIT Corporation, Board member
(until 11 Mar 2011)

Owns 39 602 Sponda shares

Klaus Cawén

Deputy chairman

LL.M., born 1957
KONE Corporation,
Executive Vice President

Member of Sponda Plc's Board of Directors since 2008 and Deputy chairman since 2011

Career history:
KONE Corporation, Member of the Executive Board,1991–

Positions of trust:
Glaston Oyj Abp, Board member
(until 5 Apr 2011)
Oy Karl Fazer Ab, Board member
Toshiba Elevator and Building Systems Company, Board member

Owns 20 573 Sponda shares

Tuula Entelä

Member

B.Sc. (Econ.), LL.M., born 1955
SATO Corporation, Vice President, Housing Business, Helsinki Region and St. Petersburg
SATO Corporation, Deputy to President and CEO

Member of Sponda Plc's Board of Directors since 2005

Career history:
SATO Corporation, Vice President, Housing Business, Helsinki Region and St. Petersburg, 2009–
SATO Corporation, Vice President, Investment in Housing, 2004–2009
SATO Corporation, Deputy to President and CEO, 2003–
SATO Group, Director, Investment in Housing, 1997–2003
SATO Group, Business Area Director, Asset Management, 1994–1996

Positions of trust:
Helsingin Osuuskauppa Elanto, Deputy Chairman of the Board
HOK-Elanto Liiketoiminta Oy, Chairman of the Board

Owns 7 591 Sponda shares

Arja Talma

Member

MSc (Econ.), eMBA, born 1962
Rautakesko Ltd, President

Member of Sponda Plc's Board of Directors since 2007

Career history:
Rautakesko Ltd, President, 2011–
Kesko Corporation, Senior Vice President, CFO, 2005–2011
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
VR-Group Ltd, Board member

Owns 7 591 Sponda shares

Raimo Valo

Member

LL.M., born 1955
Partner, Septem Partners Oy

Member of Sponda Plc's Board of Directors since 2011

Career history:
Septem Partners Oy, Partner, 2010–
OAO Swedbank, Russia, Chairman of the Board and CEO, 2008–2010
Glitnir, Russia, Asset Management, Private Banking, CEO, 2007–2008
Svenska Handelsbanken ZAO, Moscow, Chairman of the management board and CEO, 2004–2007
Bank Svenska Handelsbanken (Polska) Sp.A., Chairman of the management board and CEO, 2000–2005

Positions of trust:
CCS Cold Cargo Solutions, Chairman of the board of directors (from 21 Mar 2011)
Neo Industrial Oyj, Board Member (from 30 Mar 2011)
Septem Partners Oy, Board Member (from 1 Aug 2011)

Owns 3 131 Sponda shares

Erkki Virtanen

Member

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 7 591 Sponda shares

The President

Sponda's President is appointed by the company's Board of Directors. The President 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 assisted by the Group's Executive Board, of which he is the chairman. Kari Inkinen (b. 1957) has served as Sponda's President and CEO since 2005.

The President's terms of employment are set out in a written contract of employment approved by the Board. Under the terms of the contract of employment, the term 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 (12) 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 covered by a contribution-based group pension insurance scheme. Sponda Plc pays the annual premium under the scheme until the President reaches the age of 63 years. The insurance premium amounts to approximately 7.5 per cent of the President's fixed annual salary.

The President is paid a total salary and in addition the President participates in the company's annual remuneration scheme. The maximum remuneration payable under the company's annual remuneration scheme is 40 per cent of the President's annual salary.

The President also participates in a long-term share-based incentive scheme for top management. The remunerations paid under the incentive scheme are based on cash flow from operations per share and return on investment and are paid partly in the form of Sponda shares and partly in cash. The shares are subject to restrictions prohibiting the disposal of shares received as a remuneration for a one year earning period within two years of their issue and the disposal of shares received as a remuneration for a three year earnings period within three years of their issue.

In 2011 the President was paid EUR 415,771.68 in salary and EUR 498,743.98 in remunerations, in total EUR 914,515.66. The President's total remunerations for 2011 include 48,999 Sponda Plc shares under the share-based incentive scheme in effect in 2011.

The Executive Board

The Group's Executive Board prepares the company's business strategy and budget and monitors the results of operations. 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 of 25 March 2009 the Executive Board has seven members: the President and CEO, the Chief Financial Officer, the Senior Vice President, Corporate Communications and IR, and the directors of the business areas.

The members of the Executive Board are covered by a contribution-based group pension insurance scheme. Sponda Plc pays the annual premium under the scheme until the member reaches the age of 63 years. The insurance premium amounts to approximately 7.5 per cent of each member's fixed annual salary.

The members of the Executive Board participate in the company's long-term share-based incentive scheme. Remuneration paid under the incentive scheme is based on cash flow from operations per share and return on investment and are paid partly in the form of Sponda shares and partly in cash. The shares are subject to restrictions prohibiting the disposal of shares received as remuneration for a one year earning period within two years of their issue and the disposal of shares received as remuneration for a three year earnings period within three years of their issue.

Sponda Plc shares owned by members of the Executive Board at 31 December 2011:

	No. of shares	Change
Kari Inkinen	288,340	+48,999
Pia Arrhenius	23,101	+13,871
Erik Hjelt	79,731	+18,846
Ossi Hynynen	118,343	+24,574
Kari Koivu	83,348	+16,102
Joni Mikkola*	79,513	+13,569
Sirpa Sara-aho	82,500	+14,850

*) Executive Board member until 3 January 2012.

Executive Board members, 3 January 2012

Kari Inkinen

President and CEO
MSc (Eng.), born 1957

Career history:
Sponda Plc, President and CEO, 2005–
Kapiteeli Plc, President and CEO, 1999–2005
YIT Corporation, Director, 1985–1998;
YIT Corporation
Residental Construction, Director, 1995–1998
YIT Corporation, Regional Director, 1992–1995

Positions of trust:
Rake Oy, Board member
Ovenia Oy, Chairman of the Board (until 8 Apr 2011)

Owns 288 340 Sponda shares

Pia Arrhenius

Senior Vice President, Communications and IR
EMBA, born 1968

Member of the Executive Board since 2009

Career history:
Sponda Plc, Senior Vice President, Communications and IR, 2009–
Sponda Plc, Communications and IR Manager, 2004–2008
Sponda Plc, Communications assistant, 2003–2004

Owns 23 101 Sponda shares

Erik Hjelt

Chief Financial Officer
LLLic, eMBA, born 1961

Member of the Executive Board since 2007

Career history:
Sponda Plc, Chief Financial Officer, 2009-
Sponda Plc, Senior Vice President, Legal Affairs and Treasury, 2007–2009
Kapiteeli Plc, SVP Finance and Legal Affairs, 1999–2006
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 (until 8 Apr, 2011)

Owns 79 731 Sponda shares

Ossi Hynynen

Senior Vice President, Investment Properties
MSc (Eng.), born 1955

Member of the Executive Board since 2007

Career history:
Sponda Plc, Senior Vice president, Investment Properties, 2009–
Sponda Plc, SVP, Office and Retail Properties, 2007–2008
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:
RAKLI - The Finnish Association of Building Owners and Construction Clients, Deputy chairman (until 8 Jun 2011)
RAKLI – The Finnish Association of Buiding Owners and Construction Clients, Deputy member of the Board (from 6 Apr 2011)

Owns 118 343 Sponda shares

Kari Koivu

Senior Vice President, Real Estate Funds
MSc (Eng.), MSc (Econ.), born 1966

Member of the Executive Board since 2007

Career history:
Sponda Plc, Senior Vice President, Real Estate Funds, 2007–
Kapiteeli Plc, SVP Sales Property, 2003–2006
Solid Information Technology, Marketing Manager, 2000–2003
Hewlett-Packard Europe, Business Development Manager, 1997–2000

Owns 83 348 Sponda shares

Sirpa Sara-aho

Senior Vice President, Russia
Commercial college graduate, born 1963

Member of the Executive Board since 2007

Career history:
Sponda Plc, Senior Vice President, Russia 2007–
Sponda Plc, Regional Manager, Russia and the Baltic Countries, 2006
Nordea Bank Finland Plc, Vice President, 1985–2005

Positions of trust:
Solteq Oyj, Board Member

Owns 82 500 Sponda shares

Veli-Pekka Tanhuanpää

Senior Vice President, Property Development
MSc (Eng.), CREM, born 1967

Member of the Executive Board since 2012

Career history:
Sponda Plc, Senior Vice President, Property Development, 2012–
Sponda Plc, Director, Project Development, 2007–2011
Kapiteeli Plc, Project and Construction Manager, 2003–2007
NCC Construction, project manager, 2001–2003

Owns 0 Sponda shares

External and internal audits

Auditors

The company has two auditors: a firm of authorised 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, 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 16 March 2011 appointed as its auditors Raija-Leena Hankonen, APA and the firm of authorised public accountants KPMG Oy Ab under the supervision of principal auditor Kai Salli, APA. The deputy auditor is Ari Eskelinen, APA. Raija-Leena Hankonen was Sponda Plc's company auditor in 1998-2000 and has been in the position again since 2005. Kai Salli has been Sponda Plc's company auditor since 2008 and Ari Eskelinen since 2011.

The auditing fees paid to the auditors in 2011 amounted to EUR 185,617.24. A further EUR 286,596.00 was paid to the auditors for other consulting services. These fees include all the fees paid by group companies.

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. The internal audit reports functionally to the audit committee and administratively to the President and CEO.

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 beginning 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 Euroclear Finland Ltd. The register of public insiders is also posted on the company's at website at www.sponda.com.

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 appropriate response to these uncertainties. Sponda's key risks are classified as strategic risks, operational 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 that of reducing and eliminating the risks.

Risk management organisation

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 these risks.

The 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 organise 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 specific task of the internal audit is to check 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 quantity. Processing the strategy and 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 to 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 submitted to the Board of Directors annually in conjunction with the risk survey. Risk reporting at the levels of the Executive Board and business operations is part of the business management system.

More information on key risks identified in the risk survey for 2012 is available in the Annual report's section on Risks and risk management.

A corporate governance statement is available on the company website.

Board of Directors' Report

4.06

Sponda's net asset per share on 31 December 2011 was EUR 4.06.

Sponda Plc's total revenue in 2011 was EUR 248.2 million (2010: EUR 232.1 million). Net operating income after property maintenance costs and direct costs for funds increased by more than 6 per cent and totalled EUR 179.4 (168.7) million for the period. Sponda's operating profit was EUR 209.6 (216.2) million and the economic occupancy rate was 88.2 (88.0) per cent .

- EPRA BPR additional information
- Group key figures

Highlights of the 2011 financial period

The focus of Sponda's operations in 2011 was on property development operations, reducing vacancy rates and rearranging financing.

In April 2011, Sponda purchased from Suomi Mutual Life Assurance Company the Fennia block located in the Helsinki central business district and consisting of all the shares in six real estate companies and a portion of the shares in a company managing the Kaisaniemi metro hall. The Fennia block has a total of approximately 25,500 square metres of office space and approximately 14,200 square metres of retail premises. On the date of closing the sale, the vacancy rate of this entity was approximately 9.7 per cent. The net initial yield for the property is approximately 5.7 per cent.

Sponda paid a total of EUR 122,000,000 to Suomi Mutual for the entity as the debt-free purchase price, of which EUR 100,000,000 less the net debt of the target has been paid in cash in connection with the signing of the purchase. In addition to the cash payment, Sponda's Board of Directors decided to pay a part of the purchase price through an issue of 5,500,000 new shares in Sponda directed to Suomi Mutual based on the share issue authorisation given by Sponda's Annual General Meeting of Shareholders on 16 March 2011. Suomi Mutual subscribed for all the shares at a subscription price of EUR 4.00 per share.

Sponda issued a SEK 650 million bond in March. The maturity date of the five-year bond is 4 April 2016. The bond pays a floating coupon of three month STIBOR +2.40 per cent. Proceeds and cash flows of the issue have been swapped to euros, eliminating currency risk. In April, the company signed an agreement with Svenska Handelsbanken for an unsecured EUR 50 million credit limit for five years. The margin and conditions for the credit limit are the same as in the credit facility that Sponda signed on 1 November 2010. In November, Sponda signed a syndicated credit agreement for a total of EUR 375 million. The agreement comprises a loan of EUR 275 million and a credit limit of EUR 100 million. The syndicated credit has a 5 year maturity and its margin was 1.70 per cent on the date of signing the agreement.

The key covenants of all loans are linked to the equity ratio and interest cover ratio. The loans were primarily used to repay existing debts.

Sponda's property development operations continued in accordance with strategy. Work continued at the Citycenter site, with the second phase of construction completed for the company's largest property development project. The third and final phase has begun and the project will, for the most part, be completed in late 2012. The project's adjusted budget was increased by EUR 5 million, which is shown as a negative change in fair value in the income statement. The increased costs are due to realised changes, increases in construction costs and the prolongation of the project according to an earlier decision. The total investment value of the project is estimated at approximately EUR 130 million.

Sponda also developed a production facility in the Hakkila district of Vantaa with a total area of approximately 22,000 square metres. The facility has been fully leased to Metso Automation. Sponda leased also approximately 12,000 square metres of office and storage facilities from the adjacent Honkatalo building to Metso. Renovation investments were made in the facilities. The project was completed in early 2011 and it exceeded the company's target development margin of 15 per cent.

The expansion project of the Zeppelin shopping centre in the Oulu region was completed on schedule at the beginning of November 2011. The project added some 4,000 square metres of new retail space for the Prisma hypermarket and 4,700 square metres of space for specialty retail. The new premises built in the shopping centre are fully occupied and the project exceeded the target development margin of 15 per cent.

Sponda is developing an office property in the Ruoholahti district of Helsinki with total floor space of approximately 6,000 square metres. Over 70 per cent of the building will be leased to the primary tenant, Talentum Plc. Construction of the office building has begun and the project is scheduled for completion in April 2013. The project's total investment value is estimated at some EUR 23.5 million.

In September, Sponda concluded an agreement with SRV, Ilmarinen, Etera and Onvest to set up an investment company called Russian Invest in Russia. This property investment company will invest in real estate development projects in Moscow and St. Petersburg. The partners have committed to investing a total of EUR 95.5 million in the newly established company. Sponda, Ilmarinen and SRV each own 27 per cent of the company, Etera approximately 13 per cent and Onvest some 5 per cent. The capital will be tied up only after the investments have been identified and investment decisions made.

In March, Sponda sold its 45.1 per cent share in Ovenia Oy, a provider of property management services, to funds managed by Vaaka Partners Ltd and to Ovenia's current management. Sponda recorded a sales profit of approximately EUR 7.8 million from the deal.

Strategy

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

Sponda’s strategy is assessed regularly to ensure that the operations are adjusted to the prevailing market situation as necessary. In spring 2011, Sponda purchased the Fennia block in Helsinki's central business district for approximately EUR 122 million. In the second half of the year, the focus was on maintaining the company's equity ratio and refinancing maturing loans in response to the weakening global economy.

Sponda had four active property development projects and spent a total of EUR 30.5 million on them during the year. Development investments were primarily financed through profits from operations and property sales. The company signed refinancing agreements for a total of approximately EUR 500 million and its next financing needs will arise in 2014.

Sponda's financial objectives are linked to its equity ratio and distribution of dividend. The long-term equity ratio goal is 40 per cent. At the end of 2011, the equity ratio stood at 38 per cent.

In accordance with its dividend policy, Sponda pays a dividend of about 50 per cent of the cash flow from operations per share for the period, nevertheless taking into account the financial situation and development needs. The dividend policy aims at a stable dividend payment.

Result of operations and financial position (compared with 1 January–31 December 2010)

Sponda's operating profit for the period was EUR 117.8 (120.4) million. The economic occupancy rate was 88.2 per cent (88.0 per cent). The company’s result for the period is as follows:

- Total revenue increased by approximately 7 per cent from the reference period to EUR 248.2 (232.1) million.
- Net operating income increased more than 6 per cent and totalled EUR 179.4 (168.7) million.
- Operating profit was EUR 209.6 (216.2) million. The operating profit includes a fair value change of EUR 39.6 (44.4) million.
- Cash flow from operations per share was EUR 0.37 (0.37).
- The fair value of the investment properties amounted to EUR 3,165.7 (2,870.6) million.
- Net assets per share totalled EUR 4.06 (3.86).
- The economic occupancy rate was 88.2 per cent (88.0 per cent).

Financial position

The consolidated balance sheet total was EUR 3,387.3 (31 December 2010: 3,086.5) million. The total value of property assets was EUR 3,173.6 (2,880.9) million. Of this total, EUR 3,165.7 (2,870.6) million accounted for investment properties and EUR 7.9 (10.3) million for trading properties. Investments in real estate funds totalled EUR 65.5 (59.8) million.

In 2011, Sponda sold properties for EUR 14.1 million (31 December 2010: EUR 56.8 million) during the period. Property maintenance and quality improvement investments totalled EUR 50.6 (29.9) million and property development EUR 58.5 (46.5) million. New property acquisitions in 2011 amounted to EUR 150.4 (0.8) million.

The consolidated equity at the end of 2011 stood at EUR 1,281.1 (1,200.8) million. The sum of EUR 129.0 million recorded in the other equity fund is an equity bond issued in July 2008 (a so-called hybrid loan). Debts totalled EUR 2,106.2 (1,885.7) million, of which EUR 1,656.2 (1,645.9) million was long-term debt and EUR 449.9 (239.7) million short-term debt. The total value of interest-bearing debt was EUR 1,754.8 (1,572.6) million.

Key figures showing Sponda Group's financial performance:

Consolidated key figures	**1-12/2011**	**1-12/2010**	**1-12/2009**
Economic occupancy rate, %	88.2	88.0	86.6
Total revenue, M€	248.2	232.1	237.2
Net operating income, M€	179.4	168.7	175.8
Operating profit, M€	209.6	216.2	-13.3
Equity ratio, %	37.9	39.0	37.3
Gearing ratio, %	134.9	128.7	140.9
Return on equity, %	9.5	10.4	-7.7
Earnings per share, €	0.39	0.40	-0.40
Dividend per share, €	1) 0.16	0.15	0.12
Total dividend, M€	1) 45.3	41.6	33.3
Net assets per share, €	4.06	3.86	3.54
Cash flow from operations per share, €	0.37	0.37	2) 0.45

1) Board proposal.

2) The figure for 2009 has not been adjusted in accordance with IAS 33.

Financing

Key items in the Group cash flows:

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

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

The Group's interest-bearing liabilities at the end of the year totalled EUR 1,754.8 (1,572.6) million. Sponda Group's debt portfolio on 31 December 2011 comprised EUR 735 million in syndicated loans, EUR 173 million in bonds, EUR 219 million in issued commercial papers, and EUR 628 million in loans from financial institutions. Sponda had EUR 440 million in unused credit limits. Sponda Group had mortgaged loans worth EUR 140.4 million, or 4.1 per cent of the consolidated balance sheet. The average maturity of the loans was 3.1 (3.2) years. The average interest rate was 4.0 (3.8) per cent, including interest-rate derivatives. Fixed-interest and interest-hedged loans accounted for 77 (84) per cent of the loan portfolio. The average interest rate re-fixing period of the debt portfolio was 2.2 (2.2) years. The interest cover ratio, which reflects solvency, was 2.7 (3.0). Net financial expenses amounted to EUR -75.6 (-58.5) million.

Sponda's equity ratio on 31 December 2011 stood at 38 (31 December 2010: 39) per cent and gearing ratio was 135 (129) per cent. Sponda applies hedge accounting to those interest derivatives that meet the criteria for hedge accounting. Changes in the fair value of interest derivatives that fall under hedge accounting are recognised in equity on the balance sheet. Changes in the fair value of other interest derivatives and currency options are recorded on the income statement.

Business conditions

Business conditions – Finland

The uncertainty of the development of the European economy still continues. Its effects are also reflected in the Finnish economy and forecasts concerning it. According to the Finnish Ministry of Finance's forecast, Finnish GDP is estimated to have grown by some 2.6 per cent in 2011 and growth is expected to slow down to 0.4 per cent in 2012. The inflation rate in 2011 was approximately 3.5 per cent. In 2012, inflation is expected to decrease to approximately 2.7 per cent. The fact that the Finnish economy is stable by European standards and its credit rating is the highest possible promotes trust in Finland being a safe investment choice also in the future.

The effects of the uncertainty of the global economy and the diminishing forecasts are also seen in the real estate market. The anticipatory atmosphere of the market has led to caution especially in investment decision-making. According to preliminary data, the transaction volume of 2011 will remain clearly under EUR 2 billion or approximately one quarter lower than the previous year. The positive trend in rents in the office market at the beginning of the year levelled out during the rest of the year. The economy and the new office properties soon to be completed in the Helsinki region create increasing pressures on the vacancy rate. The vacancy rate is likely to increase especially in properties in weaker areas.

The availability of funding for property investments has been becoming increasingly challenging over the last two quarters already, and no change is expected. Good, long-term relations with financiers are the key to securing funding in 2012.

Business conditions – Russia

The Russian GDP is estimated to have grown by 4.4 per cent in 2011 and is expected to continue at the same pace also in 2012. Economic growth is supported particularly by increases in the price of oil and other commodities.

The real estate market has developed positively with the improving economy. The decrease in the vacancy rate of office premises is expected to continue in Moscow in 2012. The vacancy rate of class A office premises is expected to be at the level of 13 per cent. There is a lack of good A class office premises in particular, which has also led to an increase in rents, but the rent level of the peak years of 2007–2008 is still some way off. According to an estimate by Cushman & Wakefield, present lease agreements for prime properties (A+) in Moscow are agreed at even USD 1,200/m²/year. The yield requirements for properties in Moscow are declining, the average present yield requirement for class A office properties being approximately 9 per cent on average. Property transactions were clearly on the rise in 2011 and the volume of transactions doubled from the previous year.

The office properties being built at the moment will be completed in 2012-2013, after which there is no significant construction of new buildings planned in the Moscow central area. In the future, construction projects will mainly be carried out outside ring 3.

In St. Petersburg, market changes have been moderate and no significant rises in prices and rents have been observed yet. Yield requirements have decreased somewhat from the previous year.

Sponda's operations and property assets 1 January - 31 December 2011

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

Net operating income from all of Sponda's property assets totalled EUR 179.4 (168.7) million during 2011. Office and Retail Properties accounted for 52 per cent, Shopping Centres for 18 per cent, Logistics Properties for 16 per cent, Russia for 11 per cent and the Real Estate Funds unit for 3 per cent.

On 31 December 2011, Sponda had a total of 200 properties, with an aggregate leasable area of approximately 1.5 million square metres. Some 51 per cent is office and retail premises, 11 per cent shopping centres and 35 per cent logistics premises. 3 per cent of the leasable area of the properties is located in Russia.

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

At the end of 2011, an external consultant assessed the values of Sponda's investment properties in Finland and in Russia. The change in fair value of the properties in 2011 was EUR 39.0 (40.5) million. The positive change in the value in Finland was mainly due to changes in market rents and yield requirements. The fair value of investment properties is assessed in Finland by Catella Property Oy and in Russia by CB Richard Ellis. The statements of the property assessments conducted in Finland and Russia are available on Sponda’s website. The changes in fair values are itemised in the table “Valuation gains/losses on fair value assessment”.

Valuation gains/losses on fair value assessment

M€	1-12/11	1-12/10
Changes in yield requirements (Finland)	16.2	22.9
Changes in yield requirements (Russia)	17.5	11.5
Development gains on property development projects	8.2	2.7
Modernisation investments	-50.6	-29.9
Change in market rents and maintenance costs (Finland)	44.7	23.1
Change in market rents and maintenance costs (Russia)	2.7	5.0
Change in currency exchange rates	0.4	5.2
Investment properties, total	39.0	40.5
Real estate funds	-4.4	-1.7
Realised share of fund profits	5.0	5.6
Group total	39.6	44.4

The changes in Sponda's investment portfolio assets in 2011 were as follows:

M€	Total	Office and retail	Shopping centres	Logistics	Property development	Russia
Operating income	240.7	132.8	40.4	42.0	0.4	25.1
Maintenance costs	-67.1	-37.2	-8.8	-13.4	-1.6	-6.1
Net operating income	**173.6**	**95.6**	**31.7**	**28.6**	**-1.2**	**18.9**
Investment properties on 1 January 2011	2,870.6	1,459.1	557.1	422.5	227.7	204.2
Capitalised interest 2011	3.6	0.0	0.2	0.1	2.9	0.4
Acquisitions	150.4	134.5	7.8	0.0	9.4	-1.2
Investments	109.1	44.2	15.7	17.9	30.5	0.8
Transfers between segments	0.0	0.0	0.0	0.0	0.0	0.0
Sales	-7.0	-4.3	0.0	0.0	-2.7	0.0
Change in fair value	39.0	10.5	5.3	8.5	-5.7	20.4
Investment properties on 31 December 2011	**3,165.7**	**1,644.0**	**586.1**	**449.0**	**262.0**	**224.6**
Change in fair value, %	1.4	0.7	1.0	2.0	-2.5	10.0
Weighted average yield requirement %	6.9	6.5	5.9	8.0	-	9.8
Weighted average yield requirement %, Finland	6.7	-	-	-	-	-

Rental operations

The current trends in rental levels in Finland are illustrated by the difference in average rent per square metre for lease agreements that expired during the period and for lease agreements that came into effect during the period. The figures for expired lease agreements and new agreements that came into effect in the last quarter 2011 were as follows:

	Number (agreements)	Area (m^2)	EUR/m^2/ month
Came into effect during the period	149	47,670	15.17
Expired during the period	104	42,316	10.57
Renewed during the period	56	35,539	14.16

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

Sponda calculates the growth in rental yield for its properties according to EPRA Best Practices Recommendations by using a like-for-like net rental growth formula based on a comparable property portfolio owned by the company for two years. Like-for-like net rental growth was 3.1 per cent for office and retail premises, 8.4 per cent for shopping centres, 2.1 per cent for logistics premises and 10.5 per cent for properties in Russia. All of Sponda's lease agreements in Finland are tied to the cost of living index.

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

Type of property	31.12.11	30.9.11	30.6.11	31.3.11	31.12.10
Office and retail properties	88.4	88.6	88.5	87.7	87.7
Shopping centres	94.1	93.5	94.3	97.4	98.1
Logistics properties	78.1	78.3	78.3	77.8	75.8
Russia	98.7	98.8	98.3	98,3	96.4
Total property portfolio	88.2	88.2	88.2	88.2	88.0

Geographical area	31.12.11	30.9.11	30.6.11	31.3.11	31.12.10
Helsinki business district	85.6	86.8	86.7	88.0	89.8
Helsinki Metropolitan Area	86.2	86.0	86.0	85.3	84.3
Turku, Tampere, Oulu	96.1	95.3	95.7	95.7	96.8
Russia	98.7	98.8	98.3	98.3	96.4
Total property portfolio	88.2	88.2	88.2	88.2	88.0

Total cash flow from lease agreements on 31 December 2011 was EUR 1,240 (1,139) million. Sponda had 2,160 clients and altogether 3,277 lease agreements. The company's largest tenants were the public sector (11.7 per cent of rental income), Kesko Group (5.3 per cent of rental income), Sampo Bank Plc (3.6 per cent of rental income) and HOK-Elanto (3.6 per cent of rental income). Sponda's 10 largest tenants generate approximately 31 per cent of the company's total rental income. Sponda's tenants by sector were as follows:

Sector	2011 % of net rental income
Professional, scientific and technical	5.7
Energy	0.5
Public sector	11.7

Sector	2011 % of net rental income
Wholesale/retail	27.3
Education	1.1
Logistics/transport	6.1
Hotel and catering business	4.9
Media/publishing	1.6
Other services	12.2
Banking/investment	10.8
Construction	2.0
Industry/manufacturing	6.8
Healthcare	3.6
Telecommunications	5.6
Other	0.2

The average length of all lease agreements was 4.9 (4.7) years. The average length of lease agreements was 5.1 (5.2) years for office and retail properties, 6.5 (4.7) for shopping centres and 4.2 (4.5) years for logistics properties. The lease agreements expire as follows:

	% of rental income 31 December 2011	% of rental income 31 December 2010
Within 1 year	16.9	14.7
Within 2 years	10.1	14.9
Within 3 years	9.3	9.1
Within 4 years	7.1	6.8
Within 5 years	6.1	6.9
Within 6 years	10.3	4.0
More than 6 years	27.6	29.8
Valid indefinitely	12.7	13.8

Investments and divestments

In 2011, Sponda sold properties for a total of EUR 14.1 million and recorded a profit of EUR 7.1 million on the sales transactions. The balance sheet value of the sold properties was EUR 7.0 million. The company purchased properties for EUR 150.4 million during the period. Investments in property maintenance totalled EUR 50.6 million. The largest individual investment was the renovation of Unioninkatu 20-22. The company invested EUR 58.5 million in property development. Property development investments were primarily directed to the modernisation of the Citycenter property in Helsinki's central business district, the expansion of the Zeppelin shopping centre in Oulu region and the production facility built in Vantaa.

Office and Retail Properties

	1-12/2011	1-12/2010
Total revenue, M€	132.8	122.6
Net operating income, M€	95.6	88.6
Operating profit, M€	99.2	107.1
EPRA Net Initial Yield (NIY), %	6.0	
Economic occupancy rate, %	88.4	87.7
Fair value of properties, M€	1,644.0	1,459.1
Change in fair value after 1 January, M€	10.5	14.9
Leasable area, m^2	780,500	737,000

The company sold office and retail properties for a total of EUR 4.3 million in 2011. The company purchased properties for EUR 134.5 million during the period. Investments in property maintenance totalled EUR 42.6 million.

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

	% of rental income 31.12.2011	% of rental income 31.12.2010
Within 1 year	12.6	12.8
Within 2 years	12.1	11.8
Within 3 years	9.8	10.9
Within 4 years	8.3	6.2
Within 5 years	6.0	8.1
Within 6 years	10.2	3.2
More than 6 years	25.3	31.4
Valid indefinitely	15.8	15.7

Shopping Centres

	1-12/2011	1-12/2010
Total revenue, M€	40.4	39.7
Net operating income, M€	31.7	31.4
Operating profit, M€	35.4	31.3
EPRA Net Initial Yield (NIY), %	6.7	-
Economic occupancy rate, %	94.1	98.1
Fair value of properties, M€	586.1	557.1
Change in fair value after 1 January, M€	5.3	1.1
Leasable area, m^2	157,500	141,000

The company purchased properties for a total of EUR 7.8 million during the period. Investments in property maintenance totalled EUR 0.8 million.

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

	% of rental income 31 December 2011	% of rental income 31 December 2010
Within 1 year	7.5	7.0
Within 2 years	6.4	28.3
Within 3 years	3.3	5.4
Within 4 years	5.6	2.3
Within 5 years	6.2	3.5
Within 6 years	14.2	4.6
More than 6 years	51.7	38.7
Valid indefinitely	5.2	10.3

Logistics Properties

	1-12/2011	1-12/2010
Total revenue, M€	42.0	36.6
Net operating income, M€	28.6	24.8
Operating profit, M€	35.6	30.0
EPRA Net Initial Yield (NIY), %	5.9	-
Economic occupancy rate, %	78.1	75.8
Fair value of properties, M€	449.0	422.5
Change in fair value after 1 January, M€	8.5	3.1
Leasable area, m^2	534,500	514,000

No logistics properties were purchased or sold in the period under review. Investments in property maintenance in 2011 totalled EUR 6.7 million.

The lease agreements for logistics properties will expire as follows:

	% of rental income 31 December 2011	% of rental income 31 December 2010
Within 1 year	20.7	13.4
Within 2 years	11.8	10.5
Within 3 years	8.8	11.4
Within 4 years	3.4	7.7
Within 5 years	5.1	6.0
Within 6 years	4.2	4.0
More than 6 years	28.6	27.1
Valid indefinitely	17.5	19.9

Property Development

The balance sheet value of Sponda's property development portfolio stood at EUR 262.0 million at year's end 2011. Of this total, EUR 90.3 million was in undeveloped land sites and EUR 159.6 million was tied up in property development projects in progress. At the end of 2011, the Property Development unit had invested a total of EUR 30.5 million. Most of the investments were allocated to the renovation of Citycenter and the expansion of the Zeppelin shopping centre.

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

	Citycenter	Ruoholahti office building
Total investment, M€	*) 130.0	23.5
Invested by 31 December 2011, M€	*) 110.9	1.6
Capitalised interest expenses by 31 December 2011, M€	13.0	-
Time of completion	mainly in 2012	April 2013

*) Figure does not include capitalised interest expenses

The expansion project of the Zeppelin shopping centre in the Oulu region was completed on schedule at the beginning of November 2011. The project added some 4,000 square metres of new retail space for the Prisma hypermarket and 4,700 square metres of space for specialty retail. The new premises built in the shopping centre are fully occupied. The 15 per cent development margin target for property development projects was exceeded.

In the Citycenter project, the construction of the second phase has been completed. The office building inside the Citycenter block was completed in summer 2011 and granted LEED® Gold environmental certification. Construction of the third and final phase of the project comprising the retail premises on the Keskuskatu is proceeding according to plans. The entire Citycenter refurbishment project is expected to be completed in 2012. The project budget was increased by EUR 5 million, which is shown as a negative change in the fair value in the income statement. The increased costs are due to realised changes, increase in construction costs and the prolongation of the project according to an earlier decision. The total investment value of the project is estimated at approximately EUR 130 million.

Sponda purchased an office and retail property in central Tampere for approximately EUR 10 million. An additional investment of approximately EUR 6.5 million will be made to modernise the property. The retail spaces of the property are already completed and were taken into use in November 2011. The majority of office spaces are also completed and taken into use. The property is almost fully occupied.

Sponda is developing an office property in the Ruoholahti district of Helsinki with total floor space of approximately 6,000 square metres. Over 70 per cent of the building will be leased to the primary tenant, Talentum Plc. Construction of the office building has begun and the project is scheduled for completion in April 2013. The project's total investment value is estimated at some EUR 23.5 million.

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

Russia

	1-12/2011	1-12/2010
Total revenue, M€	25.1	23.6
Net operating income, M€	18.9	17.7
Operating profit, M€	36.6	36.3
EPRA Net Initial Yield (NIY), %	9.8	-
Economic occupancy rate, %	98.7	96.4
Fair value of properties, M€	224.6	204.2
Change in fair value after 1 January, M€	20.4	21.7
Leasable area, m^2	46,500	46,500

The change in value of Russian properties in 2011, totalling EUR 20.2 million, was primarily due to changes in the yield requirements resulting from evaluation carried out in the second quarter and the changes in market rents during the year.

The typical length of a lease in Russia is 11 months. Sponda's lease agreements in Russia conform to this practice, with the exception of the Western Realty (Ducat II) property in Moscow and the OOO Adastra property in St Petersburg, where the leases are for longer periods than average. The average length of Sponda's lease agreements in Russia on 31 December 2011 was 2.4 (2.9) years, with lease agreements expiring as follows:

	% of rental income 31 December 2011	% of rental income 31 December 2010
Within 1 year	47.3	36.0
Within 2 years	3.1	17.5
Within 3 years	16.5	2.5
Within 4 years	8.9	14.7
Within 5 years	8.6	7.6
Within 6 years	14.6	7.3
More than 6 years	0.9	14.4
Valid indefinitely	0.0	0.0

Real Estate Funds

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

	1-12/2011	1-12/2010
Total revenue, M€	6.4	7.2
Net operating income, M€	5.0	5.7
Operating profit, M€	-0.2	4.2

At the end of the review period, an external consultant assessed the fair value of Sponda Fund I and Sponda Fund II. The assessments were made by Jones Lang LaSalle and Kiinteistötaito Peltola & Co. The change in fair value in 2011 was EUR -4.4 (-1.7) million. The realised shares of profit from real estate funds are presented on the income statement under change in fair value instead of total revenue. The share of profits in 2011 was EUR 5.0 (5.6) million.

First Top LuxCo (Sponda's holding 20 per cent) invests in office and retail properties outside Finland's largest cities. The value of the fund's property investments stood at EUR 93.1 million on 31 December 2011.

Sponda Fund I Ky invests in logistics sites outside the Helsinki metropolitan area. Sponda's holding in the fund is 46 per cent. At the end of 2011 the properties in the fund had a fair value of EUR 182.0 million.

Sponda Fund II Ky (Sponda's holding 44 per cent) mainly invests in logistics properties in medium sized cities in Finland. The fund has a target size for its real estate investment of approximately EUR 200 million and the fair value of its property portfolio on 31 December 2011 was EUR 176.6 million.

In addition to the funds mentioned above, Sponda is also responsible for managing the property portfolio, with a value of about EUR 142 million, sold in March 2007 to Whitehall Street Real Estate Limited and Niam Nordic Investment Fund III.

In September 2011 Sponda concluded an agreement with SRV, Ilmarinen, Etera and Onvest to set up an investment company called Russian Invest in Russia. The property investment company will invest in real estate development projects in Moscow and St. Petersburg. Investment decisions on projects had not been made by the end of 2011.

Parent company

The net revenue of parent company Sponda Plc was EUR 132.7 (119.9) million and operating profit EUR 80.3 (59.6) million in 2011. Financial income and expenses came to EUR -134.2 (-68.4) million and the result for the period was EUR -7.9 (4.0) million.

Group structure

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

Risk management

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

Key risks and related actions

SHORT-TERM RISKS RELATED TO SPONDA'S OPERATIONS	RISK MANAGEMENT ACTIONS
Fall in economic occupancy rate	Sponda's property portfolio is mainly located in Helsinki's city centre and the Ruoholahti district. The company spends approximately 1-2.5 per cent of the property portfolio value on modernisation investments each year. Sponda will place more focus on rental operations.
Decline in tenants' solvency	Sponda carries out regular checks to monitor tenants' solvency and changes therein. Most tenants submit a security deposit corresponding to 3 to 6 months' rent at the start of their tenancy. The company has a diverse tenant base representing a wide variety of sectors.
Availability of financing	Sponda reorganises maturing loans in a timely manner. When the financial market is tightening up, the company refinances loans well before their maturity. Sponda's next major refinancing needs will arise in 2014. At the end of 2011, Sponda's available credit limit stood at EUR 440 million.
Interest rate risk	Sponda reduces its interest rate risk through fixed-interest loans and interest rate derivatives.
Special features of the Russian property market and exchange rate fluctuations	Sponda receives half of its Russian rental revenue in US dollars and half in roubles. Most of the rent payments made in roubles are tied to the US dollar or euro exchange rate. The exchange rate risk arising from the use of the rouble is reduced by the fact that a significant portion of the company's own expenses in Russia is also paid in roubles. Sponda hedges a six-month cash flow from Russia. The company's investments in Russia are mainly funded in euros from the parent company balance sheet.

Environmental responsibility

Improving the energy efficiency of buildings is an essential element of the EU climate and energy strategy, which aims for a 20 per cent decrease in the energy consumption of new buildings by 2020. Improving the energy efficiency of buildings and reducing emissions plays a key role in achieving that aim, as construction activity and energy consumption during the use of buildings together represent over 40 per cent of final energy consumption. In 2021, all new buildings must meet near zero energy standards.

As tenant activity causes up to 60 per cent of the total energy consumption of a building, co-operation between the landlord and tenant is of crucial importance in reducing energy consumption. Every day nearly 30,000 people work in premises owned by Sponda, which means that even small acts can result in major changes. Sponda strives to reach the EU targets through its own operations and through cooperation with clients. Energy efficiency is an important consideration in all of the company's property development projects as well as renovation and maintenance operations. Sponda also encourages its clients to be energy efficient and to take environmental aspects into consideration in the use of properties. The company also provides guidance to its clients on energy efficiency and environmentally friendly building use.

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

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 complies with the Finnish Companies Act and other legal provisions governing public limited companies, and the company's Articles of Association.

Sponda Plc also complies with the Insider Guidelines of the NASDAQ OMX Helsinki Ltd and the Corporate Governance recommendations issued for listed companies.

As required by the Finnish Companies Act and Sponda's Articles of Association, control of the company and its administration is divided between the shareholders represented at general meetings, the Board of Directors and the President. The President is assisted in his duties by an Executive Board.

Sponda's Board of Directors has six members: Klaus Cawén, Tuula Entelä, Lauri Ratia, Arja Talma, Raimo Valo and Erkki Virtanen. The Chairman of the Board is Lauri Ratia and its Deputy Chairman is Klaus Cawén.

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

The Board has established two permanent committees to assist the Board by preparing matters for which the Board is responsible. The permanent committees are the Audit Committee and the Structure and Remuneration Committee. The Board is responsible for carrying out the duties it assigns to the committees. The committees report regularly to the Board on their work. The Board confirms written rules of procedure for the committees. If required, the Board can appoint other committees and working groups from among its own members to prepare matters for the Board’s consideration and decision-making. The members of the Audit Committee are as follows: Arja Talma (Chairman), Raimo Valo (Deputy Chairman) and Erkki Virtanen (member). The members of the Structure and Remuneration Committee are as follows: Lauri Ratia (chairman), Klaus Cawén (deputy chairman) and Tuula Entelä (member).

A Corporate Governance statement is available on the company website.

Annual General Meeting and Dividend

The Board of Directors of Sponda Plc is convening the Annual General Meeting on 20 March 2012 and proposes to the Annual General Meeting that a dividend of EUR 0.16 per share be paid.

Auditors

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

Shareholders' Nomination Board

Sponda Plc's Shareholders' Nomination Board has decided to propose to the Annual General Meeting on 20 March 2012 that the number of members of the Board of Directors be confirmed as six and that the current members, Klaus Cawén, Tuula Entelä, Lauri Ratia, Arja Talma and Erkki Virtanen be re-elected.

The Nomination Board proposes to the Annual General Meeting that the members of the Board of Directors elected in the Annual General Meeting be paid the following annual remuneration for the term concluding at the 2013 Annual General Meeting: Chairman of the Board, EUR 60,000, Vice Chairman of the Board, EUR 36,000 and each member EUR 31,200. The Nomination Board further proposes that all members of the Board of Directors be paid meeting fees of EUR 600 per meeting, inclusive of Board Committee meetings. The Nomination Board proposes that 40% of the annual remuneration be paid in Sponda Plc shares acquired on the market. The shares will be acquired within two weeks of the date of publication of the interim report for 1 January – 31 March 2012.

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

The members of the Nomination Board were the three largest shareholders on 1 October 2011:

- Solidium Oy, Kari Järvinen

- Ilmarinen Mutual Pension Insurance Company, Timo Ritakallio and
- Varma Mutual Pension Insurance Company, Risto Murto.

Management and personnel

Sponda Plc's President and Chief Executive Officer is Kari Inkinen. The Executive Board comprises the President and CEO, the CFO, the SVP for Corporate Communications and IR, and the heads of the business units, in total seven persons.

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

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

Sponda has personnel in Finland and in Russia.

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

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

The incentive scheme currently covers the members of the Executive Board, altogether seven people. The incentive scheme is described in more detail in the company's stock exchange release of 17 March 2010.

Sponda's aim is to ensure equal rights between its male and female staff, different business units, employees of different ages with different tasks, and between full-time and part-time staff. Sponda monitors salaries in different professional groups on an annual basis. In 2011, male and female staff received the same rate of pay for doing the same job.

Sponda's share

The weighted average price of Sponda's share in 2011 was EUR 3.39. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 4.17 and the lowest EUR 2.64. Turnover during the year totalled 141.9 million shares or EUR 483.6 million. The closing price of the share on 30 December 2011 was EUR 3.12 and the market capitalisation of the company's share capital at the end of the year stood at EUR 883.2 million.

The Annual General Meeting on 16 March 2011 authorised the Board of Directors to purchase the company's own shares. The authorisation is valid until the next Annual General Meeting. The authorisation was not exercised during the review period.

Sponda's Board of Directors decided to pay part of the purchase price for the Fennia block through an issue of 5,500,000 new shares in Sponda directed to Suomi Mutual based on this share issue authorisation. Suomi Mutual subscribed for all the shares at a subscription price of EUR 4.00 per share. The new shares were incorporated in the book-entry system and became subject to public trading on the official list of NASDAQ OMX Helsinki Ltd on 6 May 2011.

Sponda issued the following flagging notices in 2011:

- 29 April 2011: Solidium Oy announced that its holding of shares represented 14.89 % of the total number of shares and votes in Sponda Plc.
- 14 November 2011: Cohen & Steers, Inc. announced that its holding of shares represented 4.95% of the total number of shares and 3.08% of votes in Sponda Plc.
- 19 December 2011: Varma Mutual Pension Insurance Company notified that the total number of shares it holds represents 10.27 % of Sponda Plc's shares and voting rights.

On 31 December 2011 the company had altogether 9,102 shareholders and its ownership structure was as follows:

	Number of shares	Holding, %
Public entities	60,281,961	21.3
Nominee-registered	134,230,115	47.4
Financial and insurance institutions, total	12,825,097	4.5
Households	22,225,816	7.9
Private corporations, total	46,734,242	16.5
Non-profit organisations, total	3,993,725	1.4
Foreign owners, total	2,784,506	1.0
Total number of shares	**283,075,462**	**100.0**

Events after the close of the financial year

Sponda Plc's Shareholders' Nomination Board decided on the content of its proposal regarding the composition and remuneration of the Board of Directors for the Annual General Meeting to be held on 20 March 2012. More detailed information on the proposal is available under the heading “Shareholders' Nomination Board”.

Prospects

Sponda expects the vacancy rates of its investment properties to rise slightly in 2012. This view is based on the slowing down of the global economy, the uncertainty of conditions for business operations and expiring agreements known to Sponda.

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

Shares and Shareholders

Sponda Plc's share capital on 31 December 2011 was EUR 111,030,185 and the number of shares was 283,075,462. The Sponda share is quoted on NASDAQ OMX Helsinki Ltd under the trading code is SDAIV. The shares are managed under the book-entry securities system. Sponda has one share series with equal voting and dividend rights. Each share carries one vote at general meetings. The company did not hold any Sponda shares.

Chi-X Europe

In addition to NASDAQ OMX Helsinki, Sponda shares were traded on several alternative market places, for example at Chi-X Europe, BATS and Turquoise. In 2011, the amount of Sponda's shares traded in alternative market places, were approximately 20 per cent of the total amount of traded shares.

Dividend policy

Sponda Plc distributes a dividend corresponding to about 50 per cent of the cash flow from operations per share for the period while taking into consideration the company's financial situation and business development needs.

Shareholders

At the end of 2011, Sponda had a total of 9,102 shareholders. Nominee-registered shareholders accounted for 47.4 per cent of the shares and votes. Foreign and nominee-registered shareholders together held 48.4 per cent of the shares and votes.

Sponda issued the following flagging notices in 2011:

- 29 April 2011: Solidium Oy announced that its holding of shares represented 14.89 per cent of the total number of shares and votes in Sponda Plc.
- 14 Novembert 2011: Cohen & Steers, Inc. announced that its holding of shares represented 4.95 per cent of the total number of shares and 3.08 per cent votes in Sponda Plc.
- 19 December 2011: Varma Mutual Pension Insurance Company announced that its holding of shares represented 10.27 per cent of the total number of shares and votes in Sponda Plc.

Trading and performance

The weighted average price of the Sponda share in 2011 was EUR 3.39. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 4.17 and the lowest EUR 2.64. Turnover during the year totalled 141.9 million shares or EUR 483.6 million. The closing price of the share on 30 December 2011 was EUR 3.12 and the market capitalization of the company's share capital was EUR 883.2 million.

Current authorizations

On 16 March 2011 the Annual General Meeting authorized the Board of Directors to purchase the company's own shares. The authorization is valid until the next Annual General Meeting. The authorization was not exercised during the review period.

Sponda's Board of Directors decided to pay part of the purchase price for the Fennia block through an issue of 5,500,000 new shares in Sponda directed to Suomi Mutual based on this share issue authorisation. Suomi Mutual subscribed for all the shares at a subscription price of EUR 4.00 per share. The new shares were incorporated in the book-entry system and became subject to public trading on the official list of NASDAQ OMX Helsinki Ltd on 6 May 2011.

Sponda's ownership structure on 31 December 2011, registered shareholders

	Number of shares	Holding, %
Public sector	60,281,961	21.3
Nominee registered	134,230,115	47.7
Financial and insurance corporations, total	12,825,097	4.5
Households	22,225,816	7.9
Non-financial corporations, total	46,734,242	16.5
Non-profit institutions, total	3,993,725	1.4
Foreign owners, total	2,784,506	1.0
Total issued	**283,075,462**	**100.0**

20 principal shareholders on 31 December 2011

		Number of shares	% of shares
1	Solidium Oy	42,163,745	14.89
2	Varma Mutual Pension Insurance Company	29,083,070	10.27
3	Ilmarinen Mutual Pension Insurance Company	27,052,730	9.56
4	Suomi Mutual Life Assurance company	5,500,000	1.94
5	ABN Amro Funds	2,175,397	0.77
6	The State Pension Fund	2,100,000	0.74
7	Folketrygdfondet	1,950,000	0.69
8	OP-Finland Value Fund	1,075,000	0.38
9	OP-Delta Fund	1,000,000	0.35
10	OP-Eurooppa Osinko -sijoitusrahasto	996,202	0.35
11	FIM Funds	922,077	0.33
12	Yleisradion Eläkesäätiö S.R.	850,000	0.30
13	SEB Gyllenberg Funds	506,248	0.18
14	Mutual Insurance Company Pension-Fennia	488,000	0.17
15	Savings Bank Finland Fund	453,450	0.16
16	Sijoitusrahasto Aktia Capital	425,000	0.15
17	Norvestia Plc	393,945	0.14
18	I.A. von Julins STB	350,000	0.12
19	Odin Eiendom	349,735	0.12
20	Inkinen Kari	288,340	0.10
	Total	118,122,939	41.71
	Others	164,952,523	58.29
	Total	**283,075,462**	**100.00**
	Nominee-registered	134,230,115	47.4
	Total number of shareholders	**9,102**	

Distribution of ownership 31 December 2011

	Number of share holders	% of share-holders	Number of securities	% of securities	Number of votes	% of votes
1-100	570	6.26	33,935	0.01	33,935	0.01
101-500	2,373	26.07	745,896	0.26	745,896	0.26
501-1,000	1,703	18.71	1,321,586	0.47	1,321,586	0.47
1,001-5,000	3,431	37.70	8,159,088	2.88	8,159,088	2.88
5,001-10,000	520	5.71	3,740,283	1.32	3,740,283	1.32
10,001-50,000	393	4.32	7,851,003	2.77	7,851,003	2.77
50,001-100,000	53	0.58	3,825,803	1.35	3,825,803	1.35
100,001-500,000	44	0.48	9,826,438	3.47	9,826,438	3.47
500,001-	15	0.17	247,571,430	87.46	247,571,430	87.46
Total	9,102	100.00	283,075,462	100.00	283,075,462	100,.00
Of which nominee-registered	10		134,230,115	47.42	134,230,115	47.42
Non-transferred, total	0		0	0.00	0	0.00
In general account			0	0.00	0	0.00
In special accounts, total			0	0.00	0	0.00
Total issued			283,075,462	100.00	283,075,462	100.00

Income statement key figures

Key financial figures		31 Dec, 2011	31 Dec, 2010	31 Dec, 2009	31 Dec, 2008[1])	31 Dec, 2008	31 Dec, 2007
Income statement key figures							
1.	Total revenue, M€	**248.2**	232.1	237.2	219.6	219.6	207.7
2.	Operating profit, M€	**209.6**	216.2	-13.3	117.3	126.2	256.7
3.	% of total revenue	**84.5**	93.2	-5.5	53.4	57.5	123.6
4.	Financial expenses, M€	**-89.6**	-60.3	-67.2	-76.7	-89.1	-76.1
5.	Profit loss for the period, M€	**117.8**	120.4	-81.6	29.2	26.6	136.6
6.	% of total revenue	**47.5**	51.9	-34.4	13.3	12.1	65.8
7.	Direct result, M€	**75.4**	74.0	67.4	38.9		
8.	Indirect result, M€	**42.4**	46.6	-148.9	-9.6		
Balance sheet key figures							
9.	Total shareholders' equity, M€	**1,281.1**	1,200.8	1,113.6	1,008.9	1,003.0	934.8
10.	Total liabilities, M€	**2,106.2**	1,885.7	1,876.6	2,165.8	2,163.8	1,963.7
11.	Interest-bearing liabilities, M€	**1,754.8**	1,572.6	1,597.8	1,828.3	1,828.3	1,662.7
12.	Interest-bearing net liabilities, M€	**1,728.4**	1,545.6	1,568.7	1,812.3	1,812.3	1,635.3
Profitability and financing key figures							
13.	Return on investment, %	**7.7**	7.9	-0.4	4.4	4.7	10.1
14.	Return on shareholders' equity (ROE), %	**9.5**	10.4	-7.7	3.0	2.7	17.9
15.	Equity ratio, %	**37.9**	39.0	37.3	31.9	31.8	32.3
16.	Debt equity ratio, %	**137.0**	131.0	143.5	181.2	182.3	177.9
17.	Gearing, %	**134.9**	128.7	140.9	179.6	180.7	174.9
Other key figures							
18.	Gross expenditure on non-current assets, M€	**269.9**	83.1	61.3	502.6	502.6	254.0
19.	% of total revenue	**108.7**	35.8	25.2	228.8	228.8	122.3

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

Key figures per share

	Key figures per share		31 Dec, 2011	31 Dec, 2010	31 Dec, 2009	31 Dec, 2008 [2])	31 Dec, 2008	31 Dec, 2007
20.	Earnings per share attributable to parent company equity holders, € (EPS)		**0.39**	0.40	-0.40	0.13	0.09	0.79
21.	Shareholders' equity per share, €		**4.06**	3.86	3.54	4.93	4.90	5.24
22.	Dividend, €	[1])	**0.16**	0.15	0.12	0.0	0.0	0.50
23.	Payout ratio, %	[1])	**41.15**	37.12	-29.83	0.00	0.00	39.49
24.	Effective dividend yield, %	[1])	**5.13**	3.87	4.40	0.00	0.00	6.12
25.	P/E ratio, %		**8.02**	9.60	-6.79	14.69	12.89	6.45
26.	Lowest and highest share prices, €		**2.64/ 4.17**	2.42/ 3.88	1.87/ 3.93	1.45/5.46	1.45/ 5.46	4.62/ 8.29
27.	Average share price, €		**3.39**	3.07	2.57	3.38	3.38	6.58
28.	Closing share price, €		**3.12**	3.88	2.73	1.93	1.93	5.10
29.	Market capitalization, M€		**883.2**	1,077.0	757.8	344.2	344.2	907.1
30.	Share turnover, million shares		**141.9**	136.8	233.1	108.9	108.9	94.9
31.	Share turnover, %		**50.4**	49.3	119.0	98.1	98.1	88.1
32.	Weighted average of basic and diluted total number of shares, million shares		**281.3**	277.6	230.6	178.0	178.0	172.8
33.	Weighted average of basic and diluted total number of shares at the end of the year, million shares		**283.1**	277.6	277.6	178.0	178.0	178.0
34.	Direct result per share, €		**0.27**	0.27	0.29	0.22	-	-
35.	Indirect result per share, €		**0.15**	0.17	-0.65	-0.05	-	-
36.	Cash flow from operations per share, €		**0.37**	0.37	0.45	0.78	0.78	0.81

[1]) Proposal of the Board of Directors

[2]) 2008 figures adjusted following adopting of IAS 23

EPRA key figures

	EPRA key figures	31 Dec, 2011	31 Dec, 2010	31 Dec, 2009	31 Dec, 2008 [1])	31 Dec, 2008	31 Dec, 2007
37.	EPRA Earnings, M€	**75.4**	74.0	67.4	38.9	-	-
38.	EPRA Earnings per share ,€	**0.27**	0.27	0.29	0.22	-	-
39.	EPRA NAV, M€	**1,369.5**	1,274.5	1,159.9	1,074.6	-	-
40.	EPRA NAV per share, €	**4.84**	4.59	4.18	6.04	6.01	6.26
41.	EPRA NNNAV, M€	**1,132.1**	1,078.6	1,005.2	907.9	-	-
42.	EPRA NNNAV per share, €	**4.00**	3.89	3.62	5.10	-	-
43.	EPRA Net Initial Yield (NIY), %	**6.39**	6.37				
44.	EPRA "topped-up" NIY, %	**6.40**	6.38				
45.	EPRA Vacancy rate, %	**11.8**	12.0	13.4	11.5	11.5	8.8

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

EPRA Earnings

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

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

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

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

EPRA NIY and "topped-up" NIY
The EPRA Net Initial Yield NIY and "topped-up" NIY represent the annual net yield on investment property on the date of closing the books.
The annual computational net yield is the annualised rental yield for the month of closing the books adjusted by the effect of known rent increases on the following year's yield deducted by the predicted 12-month maintenance costs of comparable properties.
The annual computational adjusted net yield is calculated by making an adjustment to the annual computational net yield in respect of the annualised effect of rent-free periods and graded rents for the coming year.

M€		**31 Dec, 2011**	**31 Dec, 2010**
Investment properties		**3,165.7**	2,870.6
Development properties		**-480.7**	-534.5
Yield-producing investment properties		**2,685.0**	2,336.1
Estimated buyer's expenses		**43.0**	37.4
Adjusted value of investment properties	B	**2,728.0**	2,373.5
Annual computational net yield	A	**174.4**	151.2
Graded rents, rent-free periods etc.		**0.2**	0.2
Annual computational adjusted net yield	C	**174.6**	151.4
EPRA NIY	A/B	**6.39 %**	6.37 %
EPRA "topped-up" NIY	C/B	**6.40 %**	6.38 %

Formulas used in the calculation of key figures

Income statement key figures

3.	Operating profit/loss margin	=	100 x	Operating profit/loss
				Total revenue
6.	Profit/loss margin	=	100 x	Profit/loss
				Total revenue
7.	Direct result, M€	=	Net operating income	
			+ Realised gains from real estate funds	
			- Marketing and administration expenses	
			+/- Other operating income and expenses	
			+/- Operating financial income and expenses	
			+/- Taxes based on operating result	
			+/- Change in deferred taxes based on operating items	
			+/- Operating share of non-controlling shareholders	

8.	Indirect result, M€	=	+/- Gains/losses on sales of investment properties	
			+/- Gains/losses on fair value assessment	
			- Impairment on goodwill	
			+/- Gains/losses on sale of trading properties	
			+/- Other non-operating income and expenses	
			+/- Non-operating financial income and expenses	
			+/-Taxes based on non-operating result	
			+/- Deferred taxes based on non-operating result	
			+/- Non-operating share of non-controlling shareholders	
Balance sheet key figures				
12.	Interest-bearing net liabilities, M€	=	Interest-bearing financial liabilities - Financial assets	
Profitability and financing key figures				
13.	Return on investment, %	=	100 x	Profit before taxes + interest and other financial expenses
				Balance sheet total - non-interest-bearing liabilities (average during the period)
14.	Return on shareholders' equity (ROE), %	=	100 x	Profit for the period attributable to equity holders of the parent company
				Equity attributable to equity holders of the parent company (average during the period)
15.	Equity ratio, %	=	100 x	Shareholders' equity
				Balance sheet total - advances received
16.	Debt equity ratio, %	=	100 x	Interest-bearing loans and borrowings
				Shareholders' equity
17.	Gearing, %	=	100 x	Interest-bearing liabilities - cash and cash equivalents
				Shareholders' equity
Key figures per share				
20.	Earnings per share, €	=	Earnings per share attributable to parent company equity holders - interest on hybrid loan	
			Weighted average number of shares outstanding during the period	
21.	Shareholders' equity per share, €	=	Equity attributable to equityholders of the parent company at year end	
			- Other equity reserve	
			Adjusted number of shares at year end	
23.	Payout ratio, %	=	100 x	Dividend per share

			Earnings per share
24.	Effective dividend yield, %	= 100 x	Dividend per share
			Share price at year end
25.	P/E ratio, %	=	Share price at year end
			Earnings per share
27.	Average share price, €	=	Value of trading volume
			Volume traded
29.	Market capitalization, M€	=	Number of shares at year end x share price at year end
34.	Direct result per share, €	=	Operating result
			Weighted average number of shares outstanding during the period
35.	Indirect result per share, €	=	Non-operating result
			Weighted average number of shares outstanding during the period
36.	Cash flow from operations per share, €	=	Operating profit
			-/+ Valuation gains and losses
			+ Amortization of goodwill
			+ Administrative depreciation
			+/- Changes in provisions
			+/- Defined benefit pension expenses
			- Financial income and expenses affecting cash flow
			- Taxes affecting cash flow
			+/- Other items
			Average adjusted number of shares during the period

Formulas used in the calculation of EPRA key figures

37.	EPRA Earnings, M€	=	See formula 7, Operating result
38.	EPRA Earnings per share, €	=	See formula 34, Operating result per share
39.	EPRA NAV, €	=	Equity attributable to parent company equity holders
			- Other equity reserve
			+ Deferred tax liabilities resulting from the assessment of fair value

			- Goodwill created from the deferred tax liabilities on properties
40.	EPRA NAV per share, €	=	EPRA NAV
			Undiluted total number of shares on the date of closing the books
41.	EPRA NNNAV, M€	=	EPRA NAV
			- Deferred tax liabilities resulting from the assessment of fair value of properties
			+/- Difference between the fair value and balance sheet value of liabilities
42.	EPRA NNNAV per share, €	=	EPRA NNNAV
			Undiluted total number of shares on the date of closing the books
43.	EPRA Net Initial Yield (NIY), %	=	Annual computational net yield
			Investment properties
			-D evelopment properties
			+ Estimated buyer's expenses
44.	EPRA "topped-up" NIY, %	=	Adjusted annual computational net yield
			Investment properties
			- Development properties
			+ Estimated buyer's expenses

EPRA BPR additional information

	CURRENT PERIOD, M€ Q4 YTD 2011						CURRENT PERIOD, M€ Q4 YTD 2010					
EPRA like-for-like net rental growth	**Owned 2 yrs**	**Purchase**	**Sales**	**Devel-opment and other**	**Currency rate effect [1])**	**Total**	**Owned 2 yrs**	**Pur-chase**	**Sales**	**Devel-opment and other**	**Currency rate effect [1])**	**Total**
Office and retail premises	88.0	7.0	0.2	0.4	0.0	95.6	85.4	1.6	1.4	0.2	0.0	88.6
Shopping centres	14.0	1.1	0.0	16.6	0.0	31.7	12.9	0.8	0.0	17.7	0.0	31.4
Logistics	23.1	0.0	1.2	4.3	0.0	28.6	22.7	0.0	1.2	0.9	0.0	24.8
Russia	19.1	0.0	0.0	-0.1	-0.1	18.9	17.3	0.0	0.0	-0.1	0.5	17.7

MATCHING	0.0	0.0
Total above	**174.8**	**162.5**
Property development segment	-0.5	0.3
Real estate funds segment	5.0	5.7
Other difference	**0.0**	**0.0**
In Sponda's consolidated income statement	**179.4**	**168.5**

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

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

Like-for-like net yield increase and corresponding investment assets	**M€**	**%**	**Comparable investment properties, M€**
Office and retail premises	2.6	3.1 %	1,365.1
Shopping centres	1.1	8.4 %	225.3
Logistics	0.5	2.1 %	362.4
Russia	1.8	10.5 %	204.2

VALUATION DATA	**Investment properties, M€**	**Valuation change, M€**	**EPRA Net Initial yield, %**
Office and retail premises	1,644.0	10.5	6.00
Shopping centres	586.1	5.3	6.67
Logistics	449.0	8.5	5.93

Property development	262.0	-5.7	N/A
Russia	224.6	20.4	9.78
Total	**3,165.7**	**39.0**	**6.39**

MATCHING	
Total above	3,165.7
Other difference	0.0
Group investment properties total	**3,165.7**

LEASE INFORMATION	**Total revenue, M€**	**Net operating income, M€**	**Leasable area, m²**	**Paid rent, M€/ year**	**Market rent, M€/kk**	**Economic vacancy rate, %**	**Rental level, €m²**
Office and retail premises	132.8	95.6	780,500	136.8	11.1	11.63	17.3
Shopping centres	40.4	31.7	157,300	44.4	3.5	5.88	26.3
Logistics	42.0	28.6	534,600	42.0	4.3	21.91	8.6
Property development	1.5	-0.5	32,000	0.4	N/A	N/A	N/A
Russia	25.1	18.9	46,700	264.0	1.9	1.26	45.3
Total	**241.8**	**174.3**	**1,551,100**	**250.0**	**20.8**	**11.76**	**16.2**

MATCHING		
Total above	241.8	174.3
Real estate funds	6.4	5.0
Other difference	0.0	0.0
Consolidated income statement total	**248.2**	**179.4**

Financial statements

6.39

At the end of 2011 Sponda's EPRA NET Initial Yield (NIY) was 6.39 per cent.

Sponda's consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) applying the IAS and IFRS standards and SIC and IFRIC interpretations endorsed for use in the EU and in force on 31 December 2011.

Consolidated income statement

M€			Note	1 Jan - 31 Dec, 2011	1 Jan - 31 Dec, 2010
Total revenue	1	2	3		
Rental income and service charges				**241.5**	224.9
Interest income from finance leases				**0.3**	0.3
Fund management fees				**6.4**	6.9
				248.2	232.1
Expenses					
Maintenance expenses			4	**-67.5**	-61.9
Direct fund expenses				**-1.3**	-1.5
				-68.8	-63.3
Net operating income				**179.4**	168.7
Profit/loss on sales of investment properties			5	**7.2**	5.8
Valuation gains and losses			14	**39.6**	44.4
Profit/loss on sales of trading properties			23	**0.7**	19.4
Change in fair value of trading property			23	**-1.8**	0.0
Sales and marketing expenses				**-1.6**	-1.4
Administrative expenses	8	9	10	**-21.5**	-19.0
Share of results of associated companies			20	**-0.1**	0.1
Other operating income			6	**8.2**	0.2
Other operating expenses			7	**-0.6**	-2.1
Operating profit				**209.6**	216.2
Financial income			11	**14.0**	1.7
Financial expenses			11	**-89.6**	-60.3
Net financing costs				**-75.6**	-58.5
Profit before taxes				**134.0**	157.7
Income taxes for current and previous periods				**-3.1**	-3.6
Deferred taxes				**-25.1**	-33.7
Change in tax base of deferred taxes				**12.0**	0.0
Income taxes total			12	**-16.2**	-37.3
Profit for the period				**117.8**	120.4

Attributable to:			
Equity holders of the parent company		**117.8**	120.6
Non-controlling interest		**0.0**	-0.2
Profit for the period		**117.8**	120.4

Basic and diluted earnings per share attributable to parent company equity holders, €	13	**0.39**	0.40
Average number of shares, basic and diluted, million	13	**281.3**	277.6

Consolidated statement of comprehensive income

Statement of comprehensive income

M€	Note	1 Jan - 31 Dec, 2011	1 Jan - 31 Dec, 2010
Profit/loss for period		**117.8**	120.4
Other comprehensive income			
Net loss/profit from hedging cash flow		**-11.9**	9.3
Translation difference		**0.0**	1.4
Taxes on comprehensive income	12	**2.4**	-2.2
Other comprehensive income for period after taxes		**-9.5**	8.4
Comprehensive profit/loss for period		**108.3**	128.8
Allocation of comprehensive profit/loss for period:			
Equity holders of parent company		**108.3**	129.0
Non-controlling interest		**0.0**	-0.2

Consolidated balance sheet

M€	Note	31 Dec, 2011	31 Dec, 2010
Assets			
Non-current assets			
Investment properties	14	**3,165.7**	2,870.6
Investments in real estate funds	15	**65.5**	59.8
Property, plant and equipment	16	**13.1**	13.6
Goodwill	17	**14.5**	14.5
Other intangible assets	18	**0.6**	0.4
Finance lease receivables	19	**2.7**	2.7
Investments in associated companies	20	**0.0**	2.0
Other investments	21 31.1	**5.2**	7.5
Deferred tax assets	22	**43.8**	36.9
Total non-current assets		**3,311.1**	3,008.1
Current assets			
Trading properties	23	**7.9**	10.3
Trade and other receivables	24 31.1	**41.9**	41.1
Cash and cash equivalents	25 31.1	**26.4**	27.0
Total current assets		**76.1**	78.4
Total assets		**3,387.3**	3,086.5
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital		**111.0**	111.0
Share premium reserve		**159.5**	159.5
Translation difference		**0.5**	0.6
Fair value reserve		**-30.0**	-20.6
Revaluation reserve		**0.6**	0.6
Invested non-restricted equity reserve		**433.8**	412.0
Other equity fund		**129.0**	129.0
Retained earnings		**475.0**	407.0
		1,279.4	1,199.1
Non-controlling interests		**1.7**	1.7
Total shareholders' equity	26	**1,281.1**	1,200.8
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	27 31	**1,380.8**	1,399.4

Other liabilities		31.1	**39.7**	25.5
Deferred tax liabilities		22	**235.7**	221.0
Total non-current liabilities			**1,656.2**	1,645.9
Current liabilities				
Current interest-bearing loans and borrowings	29	31	**374.1**	173.2
Trade and other payables	30	31.1	**75.9**	66.5
Total current liabilities			**449.9**	239.7
Total liabilities			**2,106.2**	1,885.7
Total equity and liabilities			**3,387.3**	3,086.5

Consolidated statement of cash flows

M€	Note	1 Jan - 31 Dec, 2011	1 Jan - 31 Dec, 2010
Cash flow from operating activities			
Profit for the period		**117.8**	120.4
Adjustments	1	**44.5**	42.7
Change in net working capital	2	**6.7**	12.1
Interest received		**1.4**	0.7
Interest paid		**-66.8**	-61.4
Other financial items		**-3.0**	-10.2
Dividends received		**0.0**	0.0
Dividends received from associated companies		**1.5**	0.9
Taxes received/paid		**-3.0**	-2.7
Net cash flow from operating activities		**99.2**	102.6
Cash flow from investing activities			
Acquisition of investment properties	3	**-226.6**	-75.9
Capital expenditure on real estate funds		**-10.1**	-5.4
Acquisition of property, plant and equipment and intangible assets		**-0.3**	-0.5
Proceeds from sale of investment properties	4	**5.9**	41.5
Disposal income from affiliated companies		**8.2**	**0.0**
Proceeds from sale of intangible and tangible assets		**0.0**	**0.0**
Repayments of loan receivables		**0.0**	0.8
Net cash flow from investment activities		**-222.9**	-39.5
Cash flow from financing activities			
Non-current loans, raised		**757.4**	715.1
Non-current loans, repayments		**-782.1**	-600.3
Current loans, raised/repayments		**201.3**	-136.0
Interest paid on equity bond		**-11.4**	-11.4
Dividends paid		**-41.6**	-33.3
Net cash flow from financing activities		**123.6**	-65.9
Change in cash and cash equivalents		**-0.1**	-2.7
Cash and cash equivalents, beginning of period		**27.0**	29.1
Impact of changes in exchange rates		**-0.4**	0.6
Cash and cash equivalents, end of period		**26.4**	27.0

Notes to the statement of cash flows		1 Jan - 31 Dec, 2011	1 Jan - 31 Dec, 2010
1.	**Adjustments**		
	Proceeds and losses from sale of investment properties	**-7.2**	-5.8
	Valuation gains and losses	**-34.6**	-38.8
	Gains on transfers of trading properties under IFRS 40	**0.0**	-8.8
	Change in fair value of trading property	**1.8**	0.0
	Financial income and expenses	**75.6**	58.5
	Income taxes	**16.2**	37.3
	Share of results of associated companies	**0.1**	-0.1
	Other adjustments	**-7.4**	0.4
	Adjustments, total	**44.5**	42.7
2.	**Specification of change in net working capital**		
	Change in trading properties	**0.1**	3.0
	Changes in current receivables	**3.4**	-6.3
	Changes in non-interest-bearing current liabilities	**3.3**	15.4
	Change in net working capital	**6.7**	12.1
3.	**Acquisition of investment properties**		
	Acquisition of subsidiaries		
	Acquisition cost of companies	**119.1**	0.8
	Cash and cash equivalents of acquired companies at acquisition date	**0.0**	0.0
	Cash flow from acquisitions less cash and cash equivalents of acquired companies	**119.1**	0.8
	Acquired properties	**-**	-
	Other acquisitions of investment properties	**107.5**	75.1
	Total acquisition of investment properties	**226.6**	75.9
	Assets and liabilities of acquires subsidiaries		
	Net working capital	**0.2**	0.0
	Total non-current assets	**142.3**	0.8
	Interest-bearing liabilities	**-0.2**	-
	Non-interest-bearing liabilities	**-1.1**	-
	Net total of assets and liabilities of acquired subsidiaries	**141.1**	0.8
	Special issue to the vendor related to the acquisition of the Fennia block	**-22.0**	0.0
	Cash flow from acquisitions less cash and cash equivalents of acquired companies	**119.1**	0.8
4.	**Proceeds from sale of investment properties**		

Proceeds from sale of subsidiaries		
Proceeds	**5.9**	41.5
Cash and cash equivalents of sold subsidiaries	**0.0**	0.0
Proceeds from sale of subsidiaries	**5.9**	41.5
Other proceeds from sale of investment properties	**-**	-
Total proceeds from sale of investment properties	**5.9**	41.5

Assets and liabilities of sold subsidiaries		
Net working capital	**0.0**	-0.1
Investment properties	**5.2**	35.7
Sales gain / loss	**0.7**	5.8
Net total of assets and liabilities of sold subsidiaries	**5.9**	41.5

Consolidated statement of changes in equity

M€	Share capital	Share premium reserve	Translation difference	Fair value reserve	Revaluation reserve	Invested non-restricted equity reserve	Other equity reserve	Retained earnings	Total	Non-controlling interest	Total equity
Equity 31 December, 2009	111.0	159.5	-0.9	-27.4	0.6	412.0	129.0	328.0	1,111.7	1.8	1,113.6
Comprehensive income for period			1.5	6.9				120.6	129.0	-0.2	128.8
Change								0.1	0.1		0.1
Dividend payment								-33.3	-33.3		-33.3
Interest paid on equity bond								-8.4	-8.4		-8.4
Equity 31 December, 2010	**111.0**	**159.5**	**0.6**	**-20.6**	**0.6**	**412.0**	**129.0**	**407.0**	**1,199.1**	**1.7**	**1,200.8**

M€	Share capital	Share premium reserve	Translation difference	Fair value reserve	Revaluation reserve	Invested non-restricted equity reserve	Other equity reserve	Retained earnings	Total	Non-controlling interest	Total equity
Equity 31 December, 2010	111.0	159.5	0.6	-20.6	0.6	412.0	129.0	407.0	1,199.1	1.7	1,200.8
Comprehensive income for period			-0.1	-9.4				117.8	108.3	0.0	108.3
Change								0.3	0.3		0.3
Share Issue						21.7			21.7		21.7
Dividend payment								-41.6	-41.6		-41.6
Interest paid on equity bond								-8.4	-8.4		-8.4
Equity 31 December, 2011	**111.0**	**159.5**	**0.5**	**-30.0**	**0.6**	**433.8**	**129.0**	**475.0**	**1,279.4**	**1.7**	**1,281.1**

Accounting policies for the consolidated financial statements

Basic information

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

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

At its meeting on the 3rd of February 2012, the Board of Directors of Sponda Plc has approved these financial statements for publication. According to the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements at the General Meeting of Shareholders to be held after their publication. The Meeting may also decide to amend the financial statements.

Copies of the Group's financial statements can be obtained from Sponda Plc, Korkeavuorenkatu 45, 00130 Helsinki, Finland and on the Internet at www.sponda.com.

Basis of preparation

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) applying the IAS and IFRS standards and SIC and IFRIC interpretations endorsed for use in the EU and in force on 31 December 2011. The term 'International Financial Reporting Standards' refers to standards and interpretations of these in Finnish accounting legislation and provisions based on this approved for applying in the EU in accordance with the procedure established in EU regulation (EC) 1606/2002. The notes to the consolidated financial statements also comply with the provisions of Finnish accounting and corporate legislation that supplement the IFRS provisions. Sponda also complies with the recommendations of the European Public Real Estate Association (EPRA) (www.epra.com).

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

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

The Group has adopted the following revised or amended standards from 1 January 2011 onwards. The revised and amended standards had no material effect on the consolidated financial statements.

Revised IAS 24 Related Party Disclosures (applicable to financial periods beginning on or after 1 January). The definition of a related party has been clarified and certain provisions relating to disclosures by state-controlled entities.

Improvements to IFRS, May 2010 (mainly applicable to financial periods beginning on or after 1 July 2010). Minor and non-urgent amendments to the standards made through the Annual Improvements procedure are compiled and enforced once a year.

Revisions and amendments to standards or IFRIC interpretations that took effect in 2011 in addition to the ones specified above did not have any effect on the consolidated financial statements.

Principles of consolidation

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

IFRS 3 (Business Combinations) is applied to acquisitions in which a business is acquired. Mutual in-Group holdings have been eliminated by the acquisition method. The consideration transferred and the detailed assets and accepted liabilities of the acquired company are measured at fair value. Goodwill is recorded as the sum of consideration transferred, interest of non-controlling shareholders in the acquiree and previously held interest in the acquiree minus the fair value of the acquired net assets.

Acquisitions that do not fall within the definition of a business are recognized as acquired assets.

The classification by Sponda of individual acquisitions of investment properties as acquired assets is based on the view that a single property and its lease agreements do not form a business entity; the real estate business also requires marketing and development activities for properties, management of tenancies, and management of property repairs and renovation. Acquisitions of investment property classified as assets do not involve the transfer of business processes or employees.

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

Joint ventures and mutual real estate companies whose shares carry entitlement to control over specified premises, and in which the Group's holding is less than 100 percent, are consolidated in the Group's financial statements row by row in proportion to the Group's holding in these companies as jointly controlled assets, in accordance with IAS 31 (Interests in Joint Ventures). The consolidated financial statements contain the Group's share of the assets, liabilities, gains and losses of joint ventures.

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

Associated companies are companies in which the Group exercises considerable influence, i.e. when the Group has more than 20% 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.

Translation of foreign currency items

The figures concerning the financial performance and position of the Group's business units are measured in the currency in the main business environment of each unit ("business currency"). The consolidated financial statements are presented in euros, which is the business and presentation currency of the Group's parent company.

Transactions denominated in foreign currencies

Transactions carried out in foreign currencies are recorded in the business currency at the exchange rate on the transaction date. Receivables and liabilities denominated in foreign currencies are translated into euros at the exchange rate at the year-end. Non-monetary items denominated in foreign currencies are valued at the exchange rate on the transaction date, except for items valued at fair value, which are translated into euros using the exchange rates on the valuation date.

Gains and losses arising from transactions denominated in foreign currencies and from translating monetary items are recorded under financial income and expenses in the income statement. Exchange rate gains and losses from business operations are included in the relevant items above operating profit.

The revenue and expense items in the comprehensive income statements and separate income statements of foreign Group companies are translated into euros using the average rate for the financial year, and balance sheets using the rate on the balance sheet date, which gives rise to a translation difference that is recorded in the balance sheet in shareholders' equity, and the change in this is recorded in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and from equity items accumulated after acquisition are also recorded in other comprehensive income. Translation differences from selling a subsidiary are recorded in the income statement under capital gains or losses.

Investment properties

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

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

The fair value of completed business properties is calculated by Sponda itself using the discounted cash flows method (DCF). Cash flows are calculated over a period of at least 10 years. Net cash flows in the period 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

The acquisition cost for an investment property built by the company itself consists of the construction costs, capitalized borrowing costs and other costs accumulated by the completion date.

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

The risk arising from the incomplete state of the property - which refers to the risk relating to construction costs, the construction schedule, financial costs and the yield requirement of the potential buyer of the unfinished property – is taken into account when determining the fair value of an unfinished property by not recognizing the risk-weighted portion of the margin to be obtained on the property corresponding to the remaining construction time. All other risks relating to the unfinished property, including those relating to the leasing of the property, are taken into account in the same way as when valuing other investment properties.

Investments in real estate funds

Sponda owns and manages through real estate funds holdings in retail, office and logistics properties. The investments in real estate funds contain these holdings. Investments in real estate funds are measured at fair value. The change in fair value is recorded in the income statement under “Valuation gains/losses on fair value assessment”.

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

Property, plant and equipment

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

The properties, office equipment and furniture and vehicles used by the company itself are depreciated over their useful lives.

Useful lives of property, plant and equipment:

Office premises used by Sponda	100 years
Office machinery and equipment	3–20 years
Office machinery and furniture, vehicles	10 years

Goodwill and other intangible assets

Goodwill is recorded as the sum of consideration transferred, interest of non-controlling shareholders in the acquiree and previously held interest in the acquiree minus the fair value of the acquired net assets. Goodwill is not amortized but tested annually or more often for impairment.

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

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

Other intangible assets include computer software recorded at acquisition cost and amortized on a straight-line basis over 3 years.

Trading properties

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

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

When a trading property becomes an investment property that is measured in the balance sheet at fair value, the difference between the fair value on the transfer date and its previous carrying amount is recognized in the profit or loss under profit/loss on sales of trading assets.

Impairment of assets

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

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

Financial assets and liabilities

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

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

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

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

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

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

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

Derivative instruments and hedge accounting

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

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

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

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

Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. For Sponda, capitalized borrowing costs are costs arising from loans taken for property development construction projects or the costs calculated for construction projects multiplied by a financial costs factor, if a separate loan has not been taken out for a construction project. The financial costs factor is the weighted average interest rate for Sponda Group's interest-bearing loans during the fiscal period, which is determined each quarter.

Cash and cash equivalents

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

Equity

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

Hybrid bond

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

Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Long-term obligations are discounted to their net present value.

Provisions are made for compensation relating to land-use agreements; for costs arising from property demolition; and for soil restoration costs for properties where it is known or suspected that the soil is contaminated in the area because of earlier activity. Provisions are also recognized for obligations arising from disputes in progress when the settlement of the obligation is probable.

Leases, the group as a lessor

Property leases are classified as operating leases when the risks and rewards incidental to ownership remain with Sponda.

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

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

Leases, the group as a lessee

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

Revenue recognition principles

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

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

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

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

Total revenue

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

Expenses

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

Net income

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

Operating profit

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

Employee benefits

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

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

Sponda has had long-term executive incentive schemes since 2006, and key individuals within these schemes are entitled to a bonus determined on the basis of defined targets. The bonus in 2006–2009 was determined based on one-year reference periods and the scheme in force from the beginning of 2010 involves two 1-year reference periods, years 2010 and 2011, and two 3-year reference periods, years 2010–2012 and 2011–2013.

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

The incentive schemes are accounted for as equity-settled share-based business transactions and recorded as personnel expenses on a straight-line basis over the vesting period. The counter-entry for the part paid in shares is taken directly to retained earnings.

Income tax

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

Deferred tax liabilities and assets are recognized for all temporary differences between the book values and values for tax purposes of assets and liabilities, apart from the initial recognition of acquisitions of individual assets as referred to in IAS 12.15b, for which no deferred tax is recorded. A deferred tax asset is also not recorded where the fair value of an individual asset falls below the acquisition cost and a corresponding deferred tax liability has not been recorded for the original acquisition. In Sponda these acquired assets are typically investment property acquisitions which do not meet the criteria of business entities and are therefore classified as assets.

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

Changes in deferred taxes are recognized in the income statement apart from when they are related to items recognized as crediting or debiting shareholders' equity or to other comprehensive income items. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilized.

Earnings per share

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

New or amended IFRS standards and interpretations

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

IAS 12 Income Taxes (amendment, effective for financial periods beginning on or after 1 January 2012). IAS 12 previously required an entity to evaluate what proportion of the carrying amount of an asset recognised at fair value on the balance sheet will be recovered through use (e.g. rental revenue) and what proportion through sale. Under the amendment, recovery of the carrying amount of investment properties valued at fair value will normally happen through sale. In the event that the amendment to the standard is adopted in the EU in its current form, it will have a significant effect on the deferred taxes recorded on investment properties on Sponda's consolidated financial statements.

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

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

New and revised standards governing the preparation of consolidated financial statements (effective for financial periods beginning on or after 1 January 2013):

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities

IFRS 10 defines control as the key factor in determining whether an entity should be included in consolidated financial statements and provides additional instructions for defining control in circumstances where its assessment is difficult. IFRS 11 emphasises the importance of the rights and obligations arising from joint arrangements in accounting rather than the legal structure of such arrangements. The standard also requires the equity method to be used in reporting on joint ventures in place of the previously allowed proportionate consolidation method. IFRS 12 covers the disclosure of information regarding interests in other entities, including subsidiaries, joint arrangements, special purpose entities and unconsolidated structured entities. The effects of the new standards on the consolidated financial statements will be assessed in future periods.

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

IFRS 9 Financial Instruments (and amendments, effective for financial periods beginning on or after 1 January 2015): The new standard, which will be published in three phases, is intended to replace IAS 39. The first phase simplifies the measurement of financial assets: financial assets will be divided into two categories, those measured at amortised cost and those measured at fair value. The majority of the IAS 39 provisions on financial liabilities have been included in the new standard in their existing form. The effects of the new standard on the consolidated financial statements will be assessed in future periods.

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

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

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

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

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

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

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

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

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

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

1. Segment information

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

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

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

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

The Office and Retail Properties segment is reponsible for leasing, purchasing and selling office and retail properties in Finland.

The Shopping Centres segment is reponsible for leasing, purchasing and selling retail premises in shopping centres in Finland.

The Logistics Properties segment is reponsible for leasing, purchasing and selling logistics properties in Finland.

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

The Real Estate Funds segment owns and manages holdings in retail, office and logistics properties through real estate funds. Figures for 2008-2006 adjusted for effect of share issue in 2009 in accordance with IAS. The regional organizations manage customer relations and the property portfolios.

The Russia segment leases, purchases, sells and develops office, retail and logistics properties in Russia.

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

Segment assets	1,646.7	586.1	449.0	276.5	224.6	65.5	138.9	3,387.3
Economic occupancy rate	88.4	94.1	78.1		98.7			88.2

12/2010, M€	**Office & Retail**	**Shopping centres**	**Logistics**	**Property development**	**Russia**	**Real Estate Funds**	**Other**	**Group total**
Total revenue	122.6	39.7	36.6	2.3	23.6	7.2	0.0	232.1
Maintenance expenses and direct fund expenses	-34.0	-8.3	-11.8	-1.8	-5.9	-1.5	0.0	-63.3
Net operating income	**88.6**	**31.4**	**24.8**	**0.5**	**17.7**	**5.7**	**0.0**	**168.7**
Profit on sales of investment properties	2.3	0.0	0.3	3.2	0.0	0.0	0.0	5.9
Loss on sales of investment properties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss on sales of trading properties	7.6	0.0	2.9	8.9	0.0	0.0	0.0	19.4
Valuation gains and losses	14.9	1.1	3.1	-0.2	21.7	3.9	0.0	44.4
Administration and marketing expenses	-6.3	-1.2	-1.1	-3.6	-2.7	-5.5	0.0	-20.4
Other operating income and expenses	0.0	0.0	0.0	-1.5	-0.3	0.0	0.0	-1.8
Operating profit	**107.1**	**31.3**	**30.0**	**7.3**	**36.3**	**4.2**	**0.0**	**216.2**
Financial income and expenses							-58.5	-58.5
Profit before taxes							**-58.5**	**157.7**
Income taxes							-37.3	-37.3
Profit for the period							**-95.8**	**120.4**
Investments	25.1	1.5	19.7	30.6	0.4	5.4	0.4	83.1
Segment assets	1,461.8	557.1	422.5	242.2	204.2	59.8	138.9	3,086.5
Economic occupancy rate	87.7	98.1	75.8		96.4			88.0

2. Geographical areas

The geographical segments are Finland and Russia.

M€	**2011**	**2010**
Total revenue		
Finland	223.1	208.5
Russia	25.1	23.6
Group, total	**248.2**	**232.1**
Segment assets		
Finalnd	3,162.7	2,882.3
Russia	224.6	204.2
Group, total	**3,387.3**	**3,086.5**

3. Total revenue from properties

M€	2011	2010
Rental income and recoverables	241.5	224.9
Interest income from finance lease agreements	0.3	0.3
Fund management fees	6.4	6.9
Profit/loss on sale of investment properties	7.2	5.8
Profit/loss on sale of trading properties	0.7	19.4
Total	**256.1**	**257.3**

Rental income

The expected rental income from existing leases is:

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

M€	2011	2012-2015	2016-	Yhteensä
Expected rental income (comparison data)	209.4	482.5	446.9	1,138.8

Accruals are the current accruals from lease contracts less index increases.

Lease contracts signed for an indefinite period are included up to the date of expiry stated in the contract.

4. Maintenance expenses

The line 'Maintenance costs' in the income statement includes maintenance expenses of EUR 1.3 million (2010: EUR 1.0 million) for investment properties that have not accrued rental income during the year. Most of these investment properties are undeveloped.

5. Profit/loss on sale of investment properties

M€	2011	2010
Profit on sales	7.2	5.9
Loss on sales	0.0	0.0
Total	**7.2**	**5.8**

6. Other operating income

M€	2011	2010
Share of bankruptcy estate	0.2	0.1
Other income	0.2	0.1
Income from the sales of fixed assets	7.8	0.0
Total	**8.2**	**0.2**

7. Other operating expenses

M€	2011	2010
Credit losses and uncertain receivables	0.3	1.9
Other expenses	0.3	0.2
Total	**0.6**	**2.1**

8. Auditor fees

M€	2011	2010
Authorised Public Accountants KPMG Oy		
Audit	0.2	0.2
Tax consultancy	0.0	0.0
Other services	0.2	0.1
Total	**0.4**	**0.3**

In addition to the proposed fees paid to the auditors, KPMG Oy has invoiced EUR 0.1 million in expenses which have been recorded directly into equity according to the IFRS standards.

9. Employee benefit expenses and number of employees

M€	2011	2010
Management remuneration		
President and CEO	0.5	0.5
Other Executive Board members	1.1	1.0
Board of Directors	0.3	0.3
Share-based payments to management	1.4	0.8
Other wages and salaries	7.7	6.7
Defined benefit pension plans	0.0	0.0
Defined contribution pension plans	1.5	1.5
Other social security costs	0.4	0.3
Total	**13.0**	**11.1**

The President and CEO is paid a full salary. The salary and fees paid to Sponda Plc's President and CEO totalled EUR 506,000 (2010: 478,000). In addition, during the period the President and CEO was paid a bonus of EUR 383,000 (2010: 285,000) under the incentive scheme, based on the company's actual performance in 2010.

The members of Sponda Plc's Board of Directors are paid an annual fee and a fee for each meeting attended for the term ending at the 2012 Annual General Meeting. 40% of the annual fee is paid in the form of Sponda Plc shares acquired on the market. The Chairman of the Board was paid EUR 73,000 for the year (2010: 74,000), the Deputy Chairman EUR 49,000 (2010: 49,000) and the other members of the Board, in total, EUR 173,000 (2010: 178,000).

The President and CEO and the members of the company's Executive Board, altogether seven persons, also participate in the long-term share-based incentive scheme for top management introduced on 1 January 2006. The first incentive scheme covered the period from 2006 to 2008. The company also had an incentive scheme with the same terms in effect for the 2009-2011 period, but the Board of Directors of Sponda Plc decided to revise the incentive scheme adopted in 2009 by extending the vesting periods. The extension will take effect in stages by 2012, reducing the proportion of one-year vesting periods each year and increasing the proportion of new three-year vesting periods correspondingly. The purpose of the incentive scheme is to link the objectives of shareholders and key personnel to increase the company's shareholder value, increase the commitment of key personnel to the company and offer them a competitive bonus scheme based on share ownership.

The new scheme comprises two one-year vesting periods, which are the 2010 and 2011 calendar years, and two three-year vesting periods, 2010-2012 and 2011-2013. The incentive scheme's criteria are tied to cash flow from operations per share and return on investment. The Board of Directors determines the targets for each vesting period separately.

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

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

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

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

Share-based incentive schemes		**Incentive scheme 2009-2011**				**Incentive scheme 2006-2008**
Conditions	Vesting period 2011-2013	Vesting period 2011	Vesting period 2010-2012	Vesting period 2010	Vesting period 2009	Vesting period 2008
Non-market based conditions	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period
Other conditions	Shares may not be disposed for a period of three years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt.	Shares may not be disposed for a period of three years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt
Number of instruments granted*	-	78,613	-	150,811	146,255	114,900

Share price on date of granting, €	3.75	3.75	3.01	3.01	1.93	5.09
Share price on date of distribution, €*	-	3.12	-	3.79	2.71	2.84

Changes in share bonus during the period:	**2011**	**2010**	**2009**	**2008**
Share bonus granted at start of the period	411,966	335,768	218,280	103,380
Bonuses granted in the period	78,613	150,811	146,255	114,900
Bonuses forfeited during the period	-	-	-	-
Bonuses that became free for disposal during the period	146,255	74,613	28,767	-
Share bonuses granted at end of the period	344,324	411,966	335,768	218,280

* The 2011 figure is based on the management's estimate. Actual figures may differ from the estimates provided.

Management's pension obligations and termination benefits

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

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

The members of the Executive Board are insured with a contribution-based group pension insurance. Sponda Plc makes an annual insurance payment until the member of the Executive Board reaches the age of 63 years. In addition, the members of Sponda's Executive Board are entitled to participate in a voluntary group pension scheme. Under the terms of this scheme the accrued savings may be withdrawn between the ages of 60 and 65 or as a supplementary pension in addition to the individual's statutory earnings-related pension. The pension contribution amounts to approximately 7.5% of a person's annual pay.

Personnel on average	**2011**	**2010**
White collar, number of employees	123	123

10. Depreciation and amortization by asset item

M€	**2011**	**2010**
Property, plant and equipment		
Buildings and structures	0.2	0.2
Machinery and equipment	0.1	0.1
Other tangible assets	0.4	0.4
	0.7	**0.7**
Intangible assets		
Computer software	0.0	0.0
	0.0	**0.0**
Total	**0.7**	**0.7**

11.Financial income and expenses

M€	2011	2010
Financial income		
Interest income		
Loans and receivables	1.2	1.1
Other financial income	0.4	0.2
Interest income from foreign currency derivatives	9.3	0.0
Exchange rate gains		
Exchange rate gains, realized	0.2	0.2
Exchange rate gains, recognized at fair value through profit	0.2	0.1
Change in fair value		
Recognized at fair value through profit and loss	2.6	0.1
Total	**14.0**	**1.7**
Financial expenses		
Interest expenses		
Interest expenses on liabilities recognized at amortized cost	-65.6	-57.2
Interest rate derivatives subject to hedge accounting, ineffective portion	-6.9	0.0
Other financial expenses, loan management expenses	-6.6	-4.7
Exchange rate losses		
Exchange rate losses, realized	-0.2	-0.3
Exchange rate losses, recognized at fair value through profit	-0.1	-0.5
Unrealized exchange rate losses from foreign currency loans	-5.4	0.0
Change in fair value		
Recognized at fair value through profit and loss	-8.4	-2.1
Total	**-93.2**	**-64.7**
Capitalized borrowing costs incurred in the acquisition, construction or production of a qualifying asset	3.6	4.5
Financial income and expenses, total	**-89.6**	**-60.3**
Financial income and expenses, total	**-75.6**	**-58.5**
Financial expense multiplier used by the Group	3.97 %	3.86 %
*See accounting principles: Expenses on liabilities		

12. Income taxes

M€	2011	2010

Current tax expense	3.1	3.6
Deferred tax	25.1	33.7
Change in tax base of deferred taxes	-12.0	0.0
Total	**16.2**	**37.3**

Taxes relating to other comprehensive income items

		2011			2010	
M€	**Before tax**	**Tax effect**	**After tax**	**Before tax**	**Tax effect**	**After tax**
Cash flow hedges	-11.9	2.5	-9.4	9.3	-2.4	6.9
Translation difference	0.0	-0.1	-0.1	1.4	0.2	1.5
Total	**-11.9**	**2.4**	**-9.5**	**10.6**	**-2.2**	**8.4**

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%:

	2011	**2010**
Profit before taxes	134.0	157.7
Income tax using the parent company's domestic corporate tax rate	34.8	41.0
Difference between tax rate in Finland and in other countries	-1.8	-1.5
Change of tax base	-12.0	0.0
Tax exempt income/non-deductible expenses	0.0	0.6
Reversal of impairment losses of sold subsidiaries	-2.1	0.0
Group adjustments in conjunction with sale	0.0	-1.2
Recognition of deferred tax in accordance with IAS 12.15b	-2.4	-2.9
Utilization of tax losses from prior periods	-0.2	-1.3
Utilisation of previously unrecognised tax-deductible	0.0	-1.1
Confirmed losses previously unrecognised	-0.7	0.0
Shelf life amortization and previously unrecognized confirmed losses	0.0	0.2
Changes to previous years' taxes	0.0	2.8
Share of profit/loss of associated companies	0.0	-0.3
Other tax-like items	0.4	0.4
Other items	0.3	0.6
Tax expense in the income statement	**16.2**	**37.3**

13. 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.

M€	**2011**	**2010**
Profit for the period attributable to the equity holders of the parent company	117.8	120.6
Interest accrued during period on hybrid bond	-11.4	-11.4
Tax effect	3.0	3.0

Net effect	-8.4	-8.4
Weighted average number of shares during the period (million)	281.3	277.6
Basic and diluted earnings per share attributable to shareholders, €	0.39	0.40

There were no diluting instruments in 2011 and 2010.

14. Investment properties

M€	2011	2010
Fair value of investment properties 1 Jan.	2,870.6	2,767.5
Acquisition of investment properties	150.4	0.8
Other capital expenditure on investment properties	109.1	76.4
Disposals of investment properties	-7.0	-37.5
Reclassifications from trading properties	0.0	18.4
Capitalized borrowing costs, increase in period	3.6	4.5
Valuation gains and losses	39.0	40.5
Fair value of investment properties 31 Dec.	**3,165.7**	**2,870.6**

Investment properties are properties held by the company for the purpose of earning rental income or for capital appreciation. Sponda measures its investment properties using the fair value method, under which changes in fair values are recognized through profit and loss. The value of each investment property is calculated by Sponda itself. Sponda's property portfolio in Finland was assessed in the first, third and final quarters of the year by Catella Property Oy. The properties in Russia were assessed in the first quarter by Cushman & Wakefield -Stiles & Riabokobylko and in the third and final quarters by CB Richard Ellis. The value of each property has been assessed separately.

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

					Area
Weighted average yield requirements based on management estimates used in calculating the fair values of investment properties by type of property 31 December 2011 (%)	**Centr. Bus.Distr.**	**Rest of Helsinki**	**Espoo/ Vantaa**	**Rest of Finland**	**Russia**
Type of premises					
Office and retail	5.8	6.1	8.1	7.1	9.7
Logistics		7.9	7.9	10.5	11.0

					Area
Weighted average yield requirements based on management estimates used in calculating the fair values of investment properties by type of property 31 December 2010 (%)	**Centr. Bus.Distr.**	**Rest of Helsinki**	**Espoo/ Vantaa**	**Rest of Finland**	**Russia**
Type of premises					
Office and retail	5.9	6.2	8.1	7.3	10.7
Logistics		7.7	8.3	10.4	11.0

Significant assumptions used in fair value calculations, on average

	Finland		Russia	
	2011	2010	2011	2010
Yield requirement, %	6.7	6.7	9.8	10.7
Initial yield, %	6.6	6.5	9.3	9.7
Computational economic occupancy ratio in first year of calculation, %	87.6	87.4	97.2	96.8
Rental income as per agreements, €/m²/month	15.3	14.5	45.3	42.6
Market rents, €/m²/month	13.2	12.6	41.9	41.5
Long term maintenance costs used in calculations, €/m²/month	2.7	2.3	9.8	10.6

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

Economic occupancy rates of investment properties by segment (%)

	31 Dec, 2011	31 Dec, 2010
Office and retail	88.4	87.7
Shopping centres	94.1	98.1
Logistics	78.1	75.8
Russia	98.7	96.4

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

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

Maturity dates for lease agreements by segment 31 December, 2010 (%)

M€	Office and retail	Shopping centres	Logistics	Russia
1 year	12.8	7.0	13.4	36.0
2 years	11.8	28.3	10.5	17.5
3 years	10.9	5.4	11.4	2.5
4 years	6.2	2.3	7.7	14.7
5 years	8.1	3.5	6.0	7.6
6 years	3.2	4.6	4.0	7.3
More than 6 years	31.4	38.7	27.1	14.4
open ended	15.7	10.3	19.9	0.0

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

In the Citycenter project, the construction of the second phase has been completed. At the same time the LEED® Gold Environmental Certification for its office building was completed in the summer of 2011. Construction of the third and final phase of the project comprising the retail premises on the Keskuskatu is proceeding according to plans. The entire City-Center refurbishment project is expected to be completed in 2012. The revised project budget was increased by EUR 5 million, which is shown as a negative change in the fair value in the income statement. The increased costs are due to realised changes, increases in construction costs and the prolongation of the project according to an earlier decision. The estimated total investment value of the project is some EUR 130 million.

Sponda purchased an office and retail property in central Tampere for approximately EUR 10 million. An additional investment of approximately EUR 6.5 million will be made to modernise the property. The retail spaces of the property are already completed and were taken into use in November 2011. The majority of office spaces are also completed and taken into use. The property is almost fully occupied.

Sponda is developing an office property in the Ruoholahti district of Helsinki with total floor space of approximately 6,000 m². Over 70% of the building will be leased to the primary tenant, Talentum Plc. Construction of the office building began in August 2011 and the project is scheduled for completion in April 2013. The estimated total investment value of the project is some EUR 23.5 million.

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

15. Investments in real estate funds

		2011		2010
	Investment, M€	**Holding**	**Investment, M€**	**Holding**
First Top LuxCo I S.a.r.l	5.0	20.0 %	5.3	20.0 %
Sponda Fund I Ky	31.7	46.1 %	33.2	46.1 %
Sponda Fund II Ky	28.7	43.7 %	21.3	43.7 %
YESS Ky	0.0	60.0 %	0.0	60.0 %
Russia Invest B.V.i.o	0.1	27.2 %	-	-
	65.5		**59.8**	

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. No capital investments have been made into the fund as of yet.

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

16. Property, plant and equipment

M€	Land sites	Buildings	Machinery & equiment	Other tangible assets	Advance payments & acquisitions in progress	2011 total
Acquisition cost 1 Jan.	3.2	11.2	1.4	1.7	0.0	17.5
Increases	0.0	0.0	0.0	0.1		0.1
Decreases		0.0		0.0		0.0
Other reclassifications		0.0	-0.1		0.0	-0.1
Acquisition cost 31 Dec.	**3.3**	**11.2**	**1.4**	**1.7**	**0.0**	**17.6**

Accumulated depreciation 1 Jan.	-	-1.9	-1.2	-0.9	-	-3.9
Accumulated depreciation on decreases			0.1			0.1
Depreciation for the period		-0.2	-0.1	-0.4		-0.7
Accumulated depreciation 31 Dec.	**-**	**-2.1**	**-1.2**	**-1.3**	**-**	**-4.5**
Carrying amount 31 Dec.	**3.3**	**9.1**	**0.2**	**0.4**	**0.0**	**13.1**

M€	Land sites	Buildings	Machinery & equiment	Other tangible assets	Advance payments & acquisitions in progress	2010 total
Acquisition cost 1 Jan.	3.2	11.1	1.4	1.7	0.1	17.5
Increases		0.0	0.0			0.0
Decreases		0.0		0.0		0.0
Other reclassifications		0.1			-0.1	0.0
Acquisition cost 31 Dec.	**3.2**	**11.2**	**1.4**	**1.7**	**0.0**	**17.5**
Accumulated depreciation 1 Jan.	-	-1.6	-1.0	-0.5	-	-3.2
Accumulated depreciation on decreases						
Depreciation for the period		-0.2	-0.1	-0.4		-0.7
Accumulated depreciation 31 Dec.	**-**	**-1.9**	**-1.2**	**-0.9**	**-**	**-3.9**
Carrying amount 31 Dec.	**3.2**	**9.3**	**0.3**	**0.8**	**0.0**	**13.6**

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

17. Goodwill

M€	2011	2010
Acquisition cost 1 Jan.	27.5	27.5
Chnage	-	-
Acquisition cost 31 Dec.	**27.5**	**27.5**
Accumulated depreciation 1 Jan.	-13.0	-13.0
Depreciation for the period	-	-
Accumulated depreciation 31 Dec.	**-13.0**	**-13.0**
Carrying amount 31 Dec.	**14.5**	**14.5**

The acquisition of Kapiteeli Oy in 2006 resulted in goodwill of EUR 27.5 million being allocated to certain planned development projects, which were considered to have great potential for increase in value upon completion. Some of these were completed in 2008. The goodwill allocated to the completed projects was written down corresponding to the change in fair value during 2008 and it had an impact on the result of EUR -13.0 million. Goodwill and related writedowns were entirely allocated to the Property Development segment.

The remaining EUR 14.5 million of goodwill has been tested by comparing the future cash flows of the asset containing goodwill to the carrying value of the goodwill. Cash flows have been discounted using an interest rate of 8.80% (2010: 9.24%). Based on the impairment testing, there is no need for further writedowns on goodwill.

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

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

Sensitivity analysis of value testing

%	Value used	Limit
2011		
Discount rate	8.80 %	9.36 %
Yield requirement	6.50 %	6.52 %
Investment costs		0.31 %
2010		
Discount rate	9.24 %	16.84 %
Yield requirement	6.50 %	6.79 %
Investment costs		5.28 %

An impairment of goodwill would have been recorded if the discount rate used had exceeded 9.36% (2010: 16.84%), if the yield requirement used in the fair value calculations of projects had exceeded 6.52 % (2010: 6.79%) or if investment costs had been estimated as 0.31% greater (2010: 5.28%).

18.Other intangible assets

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

M€	Software	Other intangible assets	2010 total
Acquisition cost 1 Jan.	0.8	0.0	0.8
Increases	0.0	0.4	0.4
Acquisition cost 31 Dec.	**0.8**	**0.4**	**1.3**

Accumulated amortization 1 Jan.	-0.8	-	-0.8
Accumulated depreciation on decreases	0.0	-	0.0
Accumulated amortization 31 Dec.	**-0.8**	**-**	**-0.8**
Carrying amount 31 Dec.	**0.0**	**0.4**	**0.4**

19. Finance lease receivables

M€	2011	2010
Carrying amount of finance lease receivables	**2.7**	**2.7**
Gross rental income	14.3	14.6
Unguaranteed residual value	4.0	4.0
Gross investment in lease contracts	**18.3**	**18.6**
Unearned financial income	-15.5	-15.8
Net investment in lease contracts	**2.7**	**2.7**
Present value of unguaranteed residual value	0.0	0.0
Present value of minimum lease payments receivable	**2.7**	**2.7**

Term structure in 2011	2012	2013-2016	2017 -	Total
Gross investment in lease contracts	0.3	1.7	16.3	18.3
Present value of minimum lease payments receivable	0.3	1.2	1.2	2.7

Term structure in 2010	2011	2012-2015	2016 -	Total
Gross investment in lease contracts	0.3	1.7	16.6	18.6
Present value of minimum lease payments receivable	0.3	1.2	1.2	2.7

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

20. Holdings in associated companies

M€	2011	2010
Acquisition cost 1 Jan.	2.0	2.8
Transfer from subsidiary company shares	-	-
Share of result for period	-0.1	0.1
Increases	-	-
Decreases	-0.4	-
Dividends received	-1.5	-0.9

Total	**0.0**	**2.0**

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

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

Information about the Group's associated company and its assets, liabilities, total revenue and profit/loss, M€

2011	Domicile	Assets	Liabilities	Total revenue	Result for period	Holding
-	-	-	-	-	-	-
2010	**Domicile**	**Assets**	**Liabilities**	**Total revenue**	**Result for period**	**Holding**
Ovenia Oy	Helsinki	5.8	2.2	15.0	2.3	45.1

21. Non-current receivables

M€	2011	2010
Non-interest-bearing receivables	0.1	0.6
Transaction price receivables	0.6	0.6
Long term financial receivables	**0.7**	**1.2**
Derivatives not included in hedge accounting	4.2	6.2
Defined benefit pension plan assets*	0.2	0.1
Other long term receivables	**4.4**	**6.3**
Total	**5.2**	**7.5**

* See Note 28.

22. Deferred taxes

M€	31.12.2010	Recognized in income statement	Change of tax base	Transfers and other changes	Recognized in other income items	Recognized in equity	Purchased businesses/ invetsment properties sold/ bought	31.12.2011
Deferred tax assets								
Tax losses carried forward	19.5	-0.8	-1.5	9.1	-0.1		-0.1	26.3
Tax receivables from result for period	9.1	0.0		-9.1				0.0
Tax receivables from result for previous period	0.0	4.3	-0.2	0.0				4.0
Assessments at fair value:								0.0
Funds	0.6	1.1	-0.1					1.7
Interest rate swaps	7.2	0.0			2.5			9.7

Interest rate options	0.2	1.2	-0.1					1.3
Forward exchanges	0.0	0.0	0.0					0.0
Trading properties	0.0	0.1	0.0	0.2				0.3
Translation differences/loans	0.0	-0.1			0.1			0.0
Other items/tarnsfers	0.3	0.4		0.0	0.0			0.7
Total	**36.9**	**6.1**	**-1.9**	**0.2**	**2.6**	**0.0**	**-0.1**	**43.8**
Deferred tax liabilities								
Capitalized borrowing costs	0.8	0.7	-0.1	-0.7				0.6
Assessments at fair value:								0.0
Investment properties	217.7	28.0	-13.7	0.7	0.2	0.0	0.0	233.0
Trading properties	0.2	-0.5		0.2				0.0
Associated company shares	0.1	-0.1						0.0
Interest rate swaps	0.0							0.0
Interest rate options	0.0							0.0
Equity bond expenses	1.5	3.0	-0.1		0.0	-3.0		1.4
Share issue expenses	0.0	0.1				-0.1		0.0
Other financial items	0.0							0.0
Other items/transfers	0.6	0.0	0.0	0.0	0.0			0.6
Total	**221.0**	**31.1**	**-14.0**	**0.2**	**0.2**	**-3.0**	**0.0**	**235.7**

M€	31.12.2009	Recognized in income statement	Change of tax base	Transfers and other changes	Recognized in other income items	Recognized in equity	Purchased businesses/ invetsment properties sold/ bought	31.12. 2010
Deferred tax assets								
Tax losses carried forward	25.5	-9.9		4.0	0.1		-0.2	19.5
Tax receivables from result for period	4.0	9.1		-4.0				9.1
Assessments at fair value:								
Funds	0.2	0.5						0.6
Interest rate swaps	9.6	0.0			-2.4			7.2
Interest rate options	0.2	0.0						0.2
Forward exchanges	0.0	0.0						0.0
Trading properties	1.6	-2.5		0.8				0.0
Translation differences/loans	0.0	0.5			-0.5			0.0
Other items/transfers	0.0	-1.2		1.4	0.1			0.3

Total	**41.1**	**-3.6**	**0.0**	**2.2**	**-2.7**	**0.0**	**-0.2**	**36.9**
Deferred tax liabilities								
Cumulative depreciation differences	23.7			-23.7				0.0
Capitalized borrowing costs	2.6	1.2		-2.9				0.8
Assessments at fair value:								
Investment properties	165.2	29.2		27.2	-0.6		-3.2	217.7
Trading properties	0.0			0.2				0.2
Associated company shares	0.4	-0.3						0.1
Interest rate swaps	0.0							0.0
Interest rate options	0.0							0.0
Equity bond expenses	1.5	3.0				-3.0		1.5
Share issue expenses	0.0							0.0
Other financial items	0.0							0.0
Other items/transfers	0.5	0.0		0.0	0.0			0.6
Total	**193.8**	**33.1**	**0.0**	**0.8**	**-0.6**	**-3.0**	**-3.2**	**221.0**

At 31 December 2011 the Group had tax loss carry-forwards totalling EUR 1.7 million (EUR 6.5 million in 2010) and impairment losses not deducted in taxation of EUR 71.7 million (EUR 71.7 million in 2010), on which the Group has not calculated tax receivables because utilization of these items is uncertain.

Expiration years for unrecognised confirmed losses

Year of expiration	2012	2013-2014	2015- 2016	2017- 2018	2019- 2020	2021- 2022	Total
Confirmed loss	0.0	0.2	0.5	0.6	0.4	0.0	1.7
Unrecognised deferred tax	0.0	0.1	0.1	0.1	0.1	0.0	0.4

23. Trading properties

Trading properties comprise 27 properties that are owned mainly through real estate or housing limited companies.

M€	**2011**	**2010**
Trading properties at start of the period	10.3	22.8
Divested trading properties	-0.6	-2.9
Reclassifications as investment properties	0.0	-9.6
Change in fair value	-1.8	0.0
Trading properties at end of the period	**7.9**	**10.3**

Sales income from divested trading properties	1.3	31.9
Carrying amount of divested trading properties	-0.6	-12.5
Gains/losses on disposal of trading properties	**0.7**	**19.4**

24. Trade and other receivables

M€	2011	2010
Current non-interest-bearing receivables		
Trade receivables	5.3	7.3
Other receivables	22.6	27.6
Tax receivables	0.0	0.0
Advances paid	2.3	0.7
Other prepaid expenses and accrued income	11.6	5.5
Total	**41.9**	**41.1**

Other receivables includes EUR 21.8 million in VAT receivables.

Trade receivables classified according to time elapsed from due date

M€		2011		2010
Not fallen due	2.6	48.9 %	3.9	53.3 %
Under 1 month	0.8	15.3 %	0.7	9.4 %
1-3 months	0.6	11.1 %	0.6	7.8 %
3-6 months	0.5	8.9 %	0.5	6.7 %
6-12months	0.3	5.6 %	1.2	16.4 %
1-5 years	0.5	10.3 %	0.5	6.5 %
Over 5 years	0.0	0.0%	0.0	0.0 %
Total	**5.3**	**100.0 %**	**7.3**	**100.0 %**

M€	2011	2010
Other prepaid expenses and accrued income		
From interest and financial items	6.8	3.3
Taxes	0.0	0.0
From other items	4.8	2.1
Total	**11.6**	**5.5**

25. Cash and cash equivalents

M€	2011	2010
Bank accounts	26.4	27.0

Liquid investment	-	-
Total	**26.4**	**27.0**

26. Capital and reserves

M€	No. of shares (x1, 000)	Share capital	Share premiun reserve	Invested non-restricted equity reserve	Total
31 Dec. 2006	79,307	79.3	159.5	-	238.8
Share issue	31,723	31.7	-	209.7	241.4
31 Dec. 2007	111,030	111.0	159.5	209.7	480.2
31 Dec. 2008	111,030	111.0	159.5	209.7	480.2
Share issue	166,545	-	-	202.3	202.3
31 Dec. 2009	277,575	111.0	159.5	412.0	682.5
31 Dec. 2010	277,575	111.0	159.5	412.0	682.5
Share issue	5,500	-	-	21.7	21.7
31 Dec. 2011	283,075	111.0	159.5	433.8	704.2

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

Shareholders' equity comprises the following reserves:

Share premium reserve

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

Translation differences

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

Fair value reserve

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

Revaluation reserve

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

Invested non-restricted equity reserve

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

Other equity reserve

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

Dividends

After the balance sheet date, the Board of Directors has proposed that a dividend of EUR 0.16 per share be distributed for the 2011 financial year.

27. Non-current interest-bearing liabilities

M€	2011	2010
Notes and bonds	172.4	99.6
Loans from financial institutions	1,208.3	1,299.8
Total	**1,380.8**	**1,399.4**

See note 31.

28. Net pension asset in the balance sheet

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

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

M€	2011	2010
Present value of funded obligations	0.4	0.3
Fair value of plan assets	0.3	0.3
Surplus	**-0.1**	**0.0**
Unrecognized actuarial gains (+) and losses (-)	-0.3	-0.1
Net asset (-) in the balance sheet	**-0.3**	**-0.1**

Items recognized in the income statement:

M€	2011	2010
Current service costs	-	-
Interest costs	-	-
Expected return on plan assetsto	-	-
Past service cost	-	-
Actuarial gains (-) and losses (+)	-	-
Total	**-**	**-**

Actual return on plan assets totalled EUR -13,000 in 2011 (2010: EUR -105,000)

Changes in the present value of the obligation:

M€	2011	2010
Liability for defined benefit obligations at beginning of period	0.3	0.3

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

Changes in the fair values of the plan assets:

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

Information is not available on the plan assets.

Actuarial assumptions on the balance sheet date:

%	2011	2010
Discount rate, (%)	4.50 %	4.25 %
Expected return on plan assets, (%)	4.50 %	4.25 %
Expected rate of salary increases (%)	3.50 %	3.50 %
Inflation (%)	2.00 %	2.00 %

The Group expects to pay EUR 20,000 to the plan in 2011.

	2011	2010	2009	2008	2007
Present value of obligation	0.4	0.3	0.3	0.4	0.6
Fair value of assets under the arrangement	0.3	0.3	0.3	0.4	0.5
Margin deficiency (+) / Margin excess (-)	**-0.1**	**0.0**	**0.0**	**0.0**	**0.0**
Experience-based adjustments on debts under the arrangement, (loss)/gain	0.1	-0.1	-0.2	-0.1	0.0
Experience-based adjustments on assets under the arrangement, loss / (gain)	0.0	0.1	0.2	0.1	0.0

29. Other liabilities

M€	2011	2010
Note and bonds	-	150.0
Loans from financial institutions	155.8	6.3
Commercial papers sold	218.3	17.0
Total	**374.1**	**173.2**

See Note 31

30. Trade and other payables

M€	2011	2010
Current non-interest bearing debt		
Advances received	9.6	7.2
Trade payables	6.1	3.9
Interest liabilities	14.6	11.7
Other current liabilities	27.7	30.0
Accrued expenses and deferred income	17.8	13.7
Total	**75.9**	**66.5**

Other current liabilities includes EUR 24.2 million in VAT liabilities

Accrued expenses and deferred income		
Interest and financial items	3.6	2.4
Personnel expenses	3.9	3.2
Taxes	0.9	0.7
Investments	5.4	4.7
Other items	4.1	2.7
Total	**17.8**	**13.7**

31. Financial instruments

Financial risk management

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

1. Interest rate risk

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

According to the risk management policy, the aggregate nominal value (hedging rate) of the Group’s fixed-rate loans with a maturity of more than one year and of the interest rate derivatives used to manage interest rate risk must be at least 60% and at most 100% of the Group’s interest-bearing liabilities. The Group’s hedging rate on 31 December 2011 was 77 (84) %. The duration of the interest-bearing debt portfolio must be at least one year. The duration of the Group’s portfolio was 2.2 (2.2) years.

Derivative contracts have been made for the purpose of hedging the loan portfolio and they are valued in the financial statement at fair value. The fair value represents the result if the derivative position had been closed on the balance sheet date. The fair values presented are based on assessments by the counterparty banks. In addition, Sponda Plc checks the assessments using assessing methods that are generally available on the market. The fair values and nominal values of interest rate derivatives are presented in Note 31.3.

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

At the time of closing the books, Sponda applied hedge accounting to all interest swap agreements. The interest swap agreements mature in 2012-2016, during which time also the interest flows resulting from the interest swap agreements will be realised. The hedging efficiency between the loans hedged in the financial year 2011 and the hedging instruments was very good. The inefficient portion of interest swap agreements included in hedge accounting is recorded in a manner affecting the result. Hedge accounting was not applied to interest rate limit options bought. The change in the current value of interest rate limit options is also recorded in a manner affecting the result.

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

Sponda Plc analyses its interest rate position by simulating changes in market interest rates. The treasury unit calculates a forecast of interest expenses for the coming year and its interest rate sensitivity. The following assumptions have been made when calculating the sensitivity to change in interest rates:
– the short-term market rates at the stated balance sheet date change by one percentage point
– the calculation includes interest-bearing liabilities EUR 1,761 million (1,573)
– the calculation includes current derivative contracts EUR 1,537 million (1,423)

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

In its 2011 financial statements Sponda Plc applied hedge accounting to 63% of interest rate derivatives, compared to 58% in 2010. In the sensitivity analysis, changes in the fair value of interest rate derivatives to which hedge accounting is not applied are presented in full through profit and loss. The Group's interest-bearing liabilities decreased during 2011 by about EUR 182 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.

		31 Dec, 2011		31 Dec, 2010
	Income statement	**Fair value reserve**	**Income statement**	**Fair value reserve**
One percentage point rise in market rates	-4	23	-1	21
One percentage point fall in market rates	7	-24	3	-22

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

2. Liquidity and refinancing risk

The Group seeks to continuously assess and monitor the amount of financing required by its business operations to ensure the sufficiency of liquid funds for financing purposes and to repay maturing loans. The risk related to access to finance is reduced by making financial contracts with several financial sources and using a variety of financial instruments. The Group seeks to spread the maturity of its new borrowings so that as loans mature, the amount needing refinancing each year remains stable. The Group's single largest creditor represents approximately one fifth of the Group's total interest-bearing liabilities. The Group's largest creditors are Nordic banks with which the company has a long-term customer relationship. Sponda expects to be able to renew the loans that fall due. Notes 31.4 and 31.5 show the maturity analysis based on the Group's agreements. The average loan period of the Group's loans on 31 December, 2011 was 3.1 years (31 December, 2010: 3.2 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 2012 total some EUR 375 million, of which a bond maturing in May represents EUR 219 million. The remainder of the loans maturing in 2012 are loans from financial institutions. If the company so desires, it can pay off the debts maturing in 2012 by, for example, withdrawing long-term credit limits with a total unwithdrawn amount at the time of closing of the books that was EUR 440 million (425). There is still strong interest in the company's commercial papers, which is why the company aims to keep the commercial paper volume issued approximately at the current level.

The Group assures its liquidity with sufficient credit limits and bank account limits. The credit limits also provide a reserve for the commercial paper programme. Unused long term credit limits totalled EUR 440 million on the balance sheet date. In 2011, the company replaced the credit limit of a EUR 200 million loan that was originally due to mature in 2012 with EUR 100 million and EUR 50 million long-term limits. In addition, the group had unused account-based limits for a total of EUR 10 million. According to the financing policy confirmed by the Board of Directors, cash surplus is invested in the market in short-term financial instruments or bank savings. On 31 December 2011, the group's cash and cash equivalents totalled EUR 26.4 million (27.0).

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

- the interest coverage ratio (EBITDA/Net interest cost) for which the minimum acceptable ratio is 1.75. The ratio on the closing date was 2.7 (3.0).

- the equity ratio, for which the set minimum ratio is 28%. On the closing date the equity ratio stood at 38% (39).

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

3. Credit risk

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

To avoid risks from counterparties, the Group uses only financially solid banks with a good credit rating as counterparties in its money market investments and derivative contracts. The banks’ credit rating must be classified as at least A- by S&P (or a similar credit rating company). Sponda Plc may invest in the commercial papers issued by well-known, financially solid companies operating in Finland. Sponda Plc’s Board of Directors decides on acceptable counterparties, on counterparty limits and on the permitted financial instruments. In derivative trading, Sponda Plc observes the stipulations given by ISDA (International Swaps and Derivatives Association, Inc.) or the Finnish Bankers Association with counterparties. The maximum amount of the credit risk is the carrying amount of the financial assets and the positive fair value of derivatives, and details of the combined total of these (EUR 59.3 milion) are given in Note 31.1.

The risk arising from tenants is managed by analysing the creditworthiness of tenants before leases are signed, by requiring rent deposits, and by the monthly collection of rent. The business units responsible for leasing properties are responsible for arranging collateral for rents. The maximum amount of the risk is the total carrying amount of the receivables less the amount of the collateral. Total collateral for rents received amounted to EUR 37 million. Collateral for rent is primarily in the form of bank deposits or bank guarantees. Collateral is not, however, required for separately approved counterparties such as the Finnish state or municipalities. Collateral received in fulfillment of lease obligations may be used to cover the company's receivables without hearing the tenant on the matter. Ovenia Oy monitors the Group’s rent receivables.

The total amount of rent receivables on the balance sheet date was EUR 3.2 million. The total rent unpaid for more than three months was EUR 1.3 million. The Group recorded credit losses of EUR 1.1 million for rent receivables in 2011. The Group recognises a final credit loss when a tenant is found to be without means in the debt collection process or when the company’s share of a bankruptcy is confirmed. The Group uses well-known external debt-collection firms to collect receivables.

The collateral for a selling price receivable is almost always a real security. The real security for selling price receivables is typically real estate mortgages for the sold property or shares. At the time of closing the books, the group had sales price receivables in the amount of EUR 1.4 million. The total sales receivables at the time of closing the books excluding rent receivables was EUR 2.1 million. The group considers the risk related to sales receivables as low. A maturity analysis of all sales receivables is presented on the table in note 24.

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

4. Currency risk

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

Sponda's Russian companies receive their rents monthly in US dollars, in Russian roubles or in euros. The companies pay most of their expenses in Russian roubles. USD-denominated net cash flows from lease agreements are some USD 18 million (USD 14 million) annually and RUB-denominated net cash flows some RUB -34 million (RUB -5 million). In accordance with the Board's decision, Sponda hedges foreign currency denominated future net cash flows for a period of six months. The company may use currency denominated forwards, options and currency swaps in hedging. One currency derivative will mature and be renewed in each month during the next six months, so that a total corresponding to the net position for six months is always effective.

On the balance sheet date the company had currency options to the value of USD 9 million to hedge the USD net cash flows. The difference between incoming cash flows denominated in Russian roubles and outgoing rouble-denominated expenses is minor, so it has not been considered necessary to hedge this net cash flow. In accordance with the Board's decision, Sponda does not hedge the translation risk from Russian companies. If the exchange rate between the euro and the USD changed 10 per cent from the closing date, the change in the fair value of the currency options would be recognized through profit and loss in full. If the euro weakened 10 per cent against the USD, this would reduce the result by some EUR -0.5 million and if the euro strengthened 10 per cent against the USD, this would improve the result by some EUR +0.4 million. With the the currency derivative maturing each month, the company can sell cash flow of some USD 1.5 million based on rental income, and this would have the opposite effect on the result to that of the currency option.

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

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

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

5. Managing the equity structure

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

Factors affecting the Group’s equity structure, in addition to the result, include capital expenditure, asset sales, acquisitions, dividend payments, equity-based facilities and assessment at fair value. The Group's key covenant in credit arrangements is the equity ratio. The company's equity ratio must always be greater than 28%. In the event that equity ratio approaches the 28% limit, the company will carry out arrangements to boost equity. The company's equity comprises an equity bond (hybrid loan) that improves the company's equity ratio. The nominal value of the hybrid loan is EUR 130 million and it is recorded in the balance sheet under 'Other equity reserve'. More information on the hybrid loan is provided in the accounting principles. The company aims to distribute a dividend of approximately 50% of the period's cash flow from operations per share, taking into consideration the aforementioned equity ratio target and the company's business development. The Group's capital structure is also guided by the value of the interest cover ratio covenant. Interest cover ratio is determined by the ratio between EBITDA and net interest expenses, with gains from sales deducted and losses on sales added. Changes in the value of property assets are also included in the calculation and depreciation and amortisation are deducted. The interest cover ratio must be greater than 1.75.

Sponda Plc's Board of Directors has set the Group's long term equity ratio target at 40%. On 31 December, 2011 the Group's equity ratio was 38%, compared to 39% at the end of 2010. Sponda's interest cover ratio on 31 December, 2011 was 2.7. In 2010 the interest cover ratio was 3.0. Sponda Group's interest-bearing liabilities increased during 2011 by EUR 182 million and at the end of the year totalled EUR 1,755 million. Sponda Group sold property assets during 2011 for altogether EUR 9 million. The funds received were used to pay off loans and finance property development investments. The formula for calculating the equity ratio is shown in the annual report under 'Calculation of financial ratios'.

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

M€	2011	2010
Interest-bearing liabilities	1,755	1,573
Cash, funds in bank and interest-bearing receivables	26	27
Interest-bearing net liabilities	1,728	1,546
Shareholders' equity, total	1,281	1,201
Balance sheet total	3,387	3,086
Equity ratio	38 %	39 %

31.1 Carrying amounts of financial assets and liabilities by category

2011 Balance sheet item, M€	Financial assets/liabilities recognised at fair value through profit and loss	Loans and receivables	Financial liabilities recognised at amortised cost	Hedging derivatives	Carrying amount of balance sheet items	Fair value
Non-current financial assets						
Non-current receivables		0.7			0.7	0.7
Derivative contracts	4.2				4.2	4.2
Current financial assets						
Derivative contracts	0.1				0.1	0.1
Trade and other receivables		27.9			27.9	27.9
Cash and cash equivalents		26.4			26.4	26.4
Carrying amount by category	**4.3**	**55.1**	**0.0**	**0.0**	**59.3**	**59.3**
Non-current financial liabilities						
Interest-bearing liabilities			1,380.8		1,380.8	1,384.2
Derivative contracts	2.9			36.9	39.7	39.7
Current financial liabilities						
Interest-bearing liabilities			374.1		374.1	374.4
Derivative contracts	0.2			2.7	2.9	2.9

Interest payable			14.6		14.6	14.6
Trade and other payables			31.0		31.0	31.0
Carrying amount by category	**3.1**	**0.0**	**1,800.4**	**39.5**	**1,843.0**	**1,846.8**

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

Derivative contracts for EUR 42.6 million are included in financial liabilities and for EUR 4.3 million in financial assets.

2011 Balance sheet item, M€	**Financial assets/liabilities recognised at fair value through profit and loss**	**Loans and receivables**	**Financial liabilities recognised at amortised cost**	**Hedging derivatives**	**Carrying amount of balance sheet items**	**Fair value**
Non-current financial assets						
Non-current receivables		1.2			1.2	1.2
Derivative contracts	6.2			2.7	8.9	8.9
Current financial assets						
Derivative contracts	0.1				0.1	0.1
Trade and other receivables		34.9			34.9	34.9
Cash and cash equivalents		27.0			27.0	27.0
Carrying amount by category	**6.3**	**63.1**	**0.0**	**2.7**	**72.1**	**72.1**
Non-current financial liabilities						
Interest-bearing liabilities			1,399.4		1,399.4	1,377.1
Derivative contracts				28.3	28.3	28.3
Current financial liabilities						
Interest-bearing liabilities			173.2		173.2	172.9
Derivative contracts	0.1			2.0	2.1	2.1
Interest payable			11.7		11.7	11.7
Trade and other payables			31.8		31.8	31.8
Carrying amount by category	**0.1**	**0.0**	**1,616.2**	**30.3**	**1,646.6**	**1,624.0**

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

31.2 The Group's interest-bearing liabilities

Long-term liabilities, M€	2011 Carrying amount	2011 Fair value	2010 Carrying amount	2010 Fair value
Bonds *)	172.4	171.9	99.6	99.0
Loans from financial institutions	938.4	943.7	1,299.8	1,277.6
Foreign currency loans	269.9	268.6	0.0	0.0
Total	**1,380.8**	**1,384.2**	**1,399.4**	**1,376.6**

Current liabilities, M€	2011 Carrying amount	2011 Fair value	2010 Carrying amount	2010 Fair value
Bonds	-	-	150.0	149.7
Loans from financial institution	374.1	374.4	23.2	23.3
Foreign currency loans	-	-	-	-
Total	**374.1**	**374.4**	**173.2**	**173.0**

The fair values of bonds are based on market prices.

*) This item also includes a SEK 650 million (EUR 72.8 million) bond. All foreign currency loans are in SEK.

The fair values of loans from financial institutions and of commercial papers are calculated using margins at which corresponding loans could have been refinanced on the closing date. The estimated margins are based on the estimates of company management.

Due to the exceptional state of the market, the estimate for long-term loans is subject to uncertainty.

31.3 Derivative contracts

M€	Fair value 2011	Nominal values 2011	Fair value 2010	Nominal values 2010
Interest rate derivatives				
Interest rate swaps				
Included in hedge accounting	-39.5	972.4	-27.6	822.8
Not included in hedge accounting	-	-	-	-
Interest rate caps, bought				
In hedge accounting	-	-	-	-
Not in hedge accounting	1.6	565.0	6.2	600.0
Interest rate futures	-	-	-	-
Foreign currency derivatives				
Currency swaps				
Currency options, bought	0.1	7.0	0.1	5.9
Currency options, put	-0.2	7.0	-0.1	4.9
Interest rate and currency swaps	-0.2	337.4	-	-

The company has entered into interest rate derivatives to hedge the loan portfolio and currency derivatives to hedge the currency risk. Hedge accounting is applied at the closing date only to interest rate swaps.

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

Derivatives are valued in the financial statements at fair value. The fair value represents the result that would have arisen if the derivative position had been closed at the balance sheet date. The fair value is calculated in the manner generally approved in the market. Sponda uses an external valuer for valuations. Currency options include an equal amount of call and put pairs of currency options.

31.4 Maturity of non-current liabilities 31 December, 2011

Maturity of non-current liabilities 31 December, 2011, M€	2012	2013	2014	2015	2016	2017

Bonds	-	-	-	100.0	72.80	-
Loans from financial institutions	155.8	84.3	256.2	538.2	335.0	-

Maturity of non-current liabilities 31 December, 2010, M€	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Bonds	150.0	-	-	-	100.0	-
Loans from financial institutions	6.3	430.2	83.6	257.8	533.8	-

The average interest rate of all the Group's loans, inclusive of interest derivatives, was 4.0% (3.8%). The average maturity of loans was 3.1 years (3.2 years).

Shown here is the maturity of non-current liabilities, showing the nominal value when the loan was taken. Loans maturing in 2012 are presented in the balance sheet under current loans.

Sponda Plc’s most significant loans

Syndicated credit arrangement

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

Credit limit

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

Bond issue

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

Syndicated credit arrangement

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

Finance limit

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

Corporate bond

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

Bilateral loan

Sponda Plc signed an agreement in March 2010 to extend a 3-year loan of EUR 57.6 million with Sampo Bank Plc. The agreement extends a short-term project loan originally taken out to finance the Elo shopping complex.

Bilateral loan

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

Bilateral loan

In April 2009 Sponda signed an agreement for a EUR 82 million 5-year credit facility with Helaba (Landesbank Hessen-Thuringen Girozentralen). The loan is secured.

Bilateral loan

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

Bilateral loan

Sponda Plc signed an agreement in February 2008 with 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 finance 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.

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.

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

M€	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Bonds	8	8	8	108	74		
Loans from financial institutions	199	123	294	559	346		
Commercial papers	219						
Interest rate derivatives							
- in hedge accounting, net	15	12	7	5	2		
- not in hedge counting, net	-	-	-	-	-		
Currency forwards not included in hedge accounting, net*)	-3	-3	-3	-1	0		
Trade payables	6						
Other liabilities	25						
Interest payable	15						
	484	**140**	**306**	**671**	**421**	**0**	**0**

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

Cash flows for repayments and financing expenses for financial liabilities based on loan contracts on 31 December 2010 were as follows:

M€	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Bonds	155	4	4	4	104		

Loans from financial institutions	29	451	97	269	539		
Commercial papers	17						
Interest rate derivatives							
- in hedge accounting, net	19	15	11	5	3	1	0
- not in hedge counting, net	-	-	-	-	-	-	-
Ei suojauslaskennassa olevat valuuttajohdannaiset, netto	0.0						
Trade payables	4						
Other liabilities	28						
Interest payable	12						
	264	**470**	**111**	**278**	**647**	**1**	**0**

32. Collateral and contingent liabilities

Liabilities for which mortgages over property and shares have been given, M€	**Group12/2011**	**12/2010**
Loans from financial institutions, covered by collateral	140.4	141.1
Mortgages	269.2	269.2
Carrying amount of pledged shares	19.2	18.6
Guarantees	-	-
Collateral, total	**288.3**	**287.7**

Commitments arising from land lease contracts, M€	**Group12/2011**	**12/2010**	**Parent company 12/2011**	**12/2010**
Lease liabilities	97.7	100.8	-	-
Mortgages	3.9	3.9	-	-
Guarantees	3.6	15.7	3.6	15.7
Total	**105.2**	**120.5**	**3.6**	**15.7**

Operating leases	**Group12/2011**	**12/2010**	**Parent company 12/2011**	**12/2010**
Contractual maturities on lease contracts:				
During the following financial year	0.5	0.4	0.5	0.4
Due after the following year	0.5	0.3	0.5	0.3
Total	**1.0**	**0.6**	**1.0**	**0.6**

Operating leases consist of leases for vehicles and office equipment.

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

Other commitments

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

Liabilities in accordance with §33 of the VAT Act have been calculated for all Group companies and they have an aggregate value of M€ 51.6 (55.2).

Interest on hybrid bond

Interest of EUR 11.4 milion was paid on the hybrid loan on 27 June, 2011. Of this, EUR 5.8 milion accrued from 2010 and EUR 5.5 million from 2011. In addition to the interest paid, EUR 5.8 milion of unpaid interest accrued in 2011. The accrued interest is recognized directly as a reduction in equity on the payment date. Altogether EUR 11.4 million in interest accrued in 2011.

Investment commitments to real estate funds

On 31 December, 2011, the remaining investment commitments to real estate funds totalled EUR 28.6 million (2010:EUR 12.9 million).

33. Related party transactions

Related party

The related parties of Sponda Group are the parent company, subsidiary and associated companies, and joint ventures. Other related parties are the Board of Directors, members of the Executive Team, the president and CEO, and close member of theirs families.

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

The following related party transactions were carried out:

Management employee benefits, M€	**2011**	**2010**
Salaries and other short-term employee benefits	1.9	1.8
Share-based payments	1.4	0.8
Total	**3.3**	**2.6**

Salaries and fees, EUR	**2011**	**2010**
President and CEO	505,698	478,000
Board of Directors	294,000	300,600
Total	**799,698**	**778,600**

Management salaries and other short-term employee benefits as well as long-term employee benefits and share-based benefits are described in more detail in Note 9.

There were no outstanding loans receivable from key management on 31 December, 2011 or on 31 December, 2010.

Members of the Board of Directors held 86,079 shares and members of the Executive Board 754,876 at the end of 2011 (2010: 69,070 and 604,065 shares respectively).

34. Events after the balance sheet date

Sponda Plc's Shareholders' Nomination Board has decided to propose to the Annual General Meeting on 20 March 2012 that the number of members of the Board of Directors be confirmed as six and that the current members, Klaus Cawén, Tuula Entelä, Lauri Ratia, Arja Talma and Erkki Virtanen be re-elected.

The Nomination Board proposes to the Annual General Meeting that the members of the Board of Directors elected in the Annual General Meeting be paid the following annual remunerations for the term concluding at the 2013 Annual General Meeting: Chairman of the Board, EUR 60,000, Vice Chairman of the Board, EUR 36,000 and each member EUR 31,200. The Nomination Board further proposes that all members of the Board of Directors be paid meeting fees of EUR 600 per meeting, inclusive of Board Committee meetings. The Nomination Board proposes that 40% of the annual remuneration be paid in Sponda Plc shares acquired on the market. The shares will be acquired within two weeks of the date of publication of the interim report for 1 January–31 March 2012.

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

The three largest shareholders on 1 October 2011 were represented in the Nomination Board:

Solidium Oy, Kari Järvinen

Ilmarinen Mutual Insurance Company, Timo Ritakallio
Varma Mutual Pension Insurance Company, Risto Murto

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

Mutual real estate companies Group companies		Group company holding%	Parent company holding %	
Aleksi-Hermes	Helsinki	100.00	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	59.57	59.57	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 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 Sörnäistenkatu 2	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 Vuorikatu 14	Helsinki	100.00	100.00	Sponda
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
Jaakkolanportti	Kerava	100.00		Sponda Kiinteistöt
Kaisaniemenkatu 2 B	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 4C	Espoo	100.00	100.00	Sponda
Kasarmikatu 36	Helsinki	100.00	100.00	Sponda
Kaupintie 3	Helsinki	100.00	100.00	Sponda
Kauppa-Häme		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
Leppäsorsa	Kuopio	100.00		Sponda Kiinteistöt
Liikekeskus Zeppelin Oy	Oulu	85.66		Sponda Kiinteistöt
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
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
Mikonkatu 17	Helsinki	100.00	100.00	Sponda
Mikonkatu 19	Helsinki	100.00	100.00	Sponda
Mikonlinna	Helsinki	100.00	100.00	Sponda
Mäkkylän Toimistotalo	Helsinki	100.00	100.00	Sponda
Nimismiehenniitty	Espoo	67.00		Sponda Kiinteistöt
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
Oulun Korjaamotie	Oulu	100.00		Sponda Kiinteistöt
PaulonTalo	Helsinki	100.00	100.00	Sponda
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	95.70		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
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
Turku High Tech Centre Oy	Turku	100.00		Sponda Kiinteistöt
Turun Ilmarisenkulma	Turku	100.00		Sponda Kiinteistöt
Turun Julinia Fastighets Ab	Turku	100.00		Sponda Kiinteistöt
Turun Koulukatu 29	Turku	100.00	100.00	Sponda
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
Vantaan Harkkokuja 2	Vantaa	100.00		Sponda Kiinteistöt
Vantaan Honkatalo	Vantaa	100.00	100.00	Sponda
Vantaan Koivupuistontie 26	Vantaa	89.07		Sponda Kiinteistöt
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 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
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	94.83		Sponda Kiinteistöt
Zeppelinin Kauppakeskus	Kempele	91.47		Sponda Kiinteistöt
Zeppelinin Kauppakulma	Kempele	100.00		Sponda Kiinteistöt
Zeppelinin Kauppapörssi	Kempele	91.44		Sponda Kiinteistöt
Zeppelinin Markkinapaikka	Kempele	100.00		Sponda Kiinteistöt
Zeppelinin Pikkukulma	Kempele	100.00		Sponda Kiinteistöt
Zeppelinin Tavaratori	Kempele	78.87		Sponda Kiinteistöt

Limited liability companies				
Arif Holding Oy	Kempele	100.00		Sponda Kiinteistöt
Drawer Oy	Helsinki	100.00	100.00	Sponda
Hextagon Oy	Helsinki	100.00		Sponda
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
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
J. Österblad Oy	Turku	20.67		Sponda Kiinteistöt
Kaisaniemen Metrohalli	Helsinki	25.17	18.23	Sponda
Kilpakujan Liikekiinteistö Oy	Helsinki	34.29		Sponda Kiinteistöt
Puotinharjun Puhos Oy	Helsinki	20.43	20.43	Sponda
Simonseutu	Vantaa	47.62		Sponda Kiinteistöt
Zeppelinin Kulmatori Kiinteistö Oy	Kempele	49.67		Sponda Kiinteistöt
Real estate fund companies				
First Top LuxCo 1 S.a.r.l	Luxemburg	20.00	20.00	Sponda
Russia Invest B.V.i.o	Hollanti	27.23	27.23	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				
OOO Adastra	Pietari,Venäjä	100.00		Sponda
OOO Inform Future	Pietari,Venäjä	100.00		Sponda
OOO NRC	Pietari,Venäjä	100.00		Sponda
OOO Veika	Pietari,Venäjä	100.00		Sponda
OOO Europe Terminal	Moskova, Venäjä	100.00		Sponda
ZAO Ankor	Moskova, Venäjä	100.00		Sponda
OOO Western Realty (Ducat 2)	Moskova, Venäjä	100.00		Sponda
Korbis K Limited Liability Company	Moskova, Venäjä	100.00		Sponda
Slavjanka Closed Joint-Stock Company	Moskova, Venäjä	100.00		Sponda
Rowina Holding Limited	Kypros	100.00		Sponda
Makentrax Limited	Kypros	100.00		Sponda

Changes in Group structure in 2011

Companies sold
Hitsaajatalo
Ovenia Oy

Companies bought	
Arif Holding Oy	
Helsingin Vuorikatu 14	
Kaisaniemenkatu 2 B	
Kaisaniemen Metrohalli	
Mikonkatu 17	
Mikonkatu 19	
Mikonlinna	
PaulonTalo	
Companies established	
Kauppa-Häme	
Oulun Korjaamotie	
Russia Invest B.V.i.o	

Parent company income statement

M€	Note	1 Jan.-31 Dec.2011	1 Jan.-31 Dec.2010
Total revenue			
Rental income and recoverables	1	**128.7**	114.8
Fund management fees		**4.0**	5.1
		132.7	119.9
Expenses from leasing operations		**-40.4**	-52.5
Direct expenses from funds		**-1.3**	-1.5
		-41.7	-54.0
Net operating income		**91.0**	65.9
Sales and marketing expenses		**-1.2**	-1.1
Administrative expenses	2 3 6	**-9.6**	-7.9
Other operating income	4	**0.3**	0.2
Profits on sale of investment properties		**0.1**	4.4
Other operating expenses	5	**-0.3**	-1.9
Operating profit		**80.3**	59.6
Financial income and expenses	7	**-134.2**	-68.4

Profit / loss before one-time items		**-54.0**	-8.8
Extraordinary items	8	**46.1**	12.6
Extraordinary items	9	**-**	0.2
Profit / loss before tax		**-7.9**	4.0
Income taxes	10	**0.0**	0.0
Profit / loss for period		**-7.9**	4.0

Parent company balance sheet

M€	Note	31 Dec. 2011	31 Dec. 2010
Assets			
Non-current assets			
Intangible assets	11	**29.1**	25.6
Property, plant and equipment	12		
Land and water		**1.9**	1.9
Machinery and equipment		**0.2**	0.3
Advance payments		**-**	0.4
		2.1	2.6
Investments	13		
Holdings in Group companies		**1,812.7**	1,729.1
Receivables from Group companies		**1,061.9**	1,025.5
Holdings in associated companies		**7.5**	7.5
Investments in real estate funds		**69.2**	59.1
Other investments		**37.0**	28.4
		2,988.3	2,849.6
Total non-current assets		**3,019.4**	2,877.8
Current assets			
Current receivables	14	**77.2**	35.3
Cash and bank deposits		**14.3**	9.0
Total current assets		**91.5**	44.3
Total assets		**3,110.9**	2,922.0
Equity and liabilities			
Equity	15		
Share capital		**111.0**	111.0
Share premium reserve		**159.1**	159.1
Invested non-restricted equity reserve		**445.9**	423.9
Retained earnings		**84.8**	122.4
Loss for the period		**-7.9**	4.0
Total equity		**792.9**	820.4
Depreciation differences	16	**-**	0.0

Liabilities			
Non-current liabilities	17	**1,883.4**	1,864.8
Curret liabilities	18	**434.5**	236.7
Total liabilities		**2,317.9**	2,101.6
Total equity and liabilities		**3,110.9**	2,922.0

Parent company statement of cash flows

M€		1 Jan.–31 Dec. 2011	1 Jan.–31 Dec. 2010
Cash flow from operating activities			
Net profit for the period		**-7.9**	4.0
Adjustments	1)	**93.2**	57.9
Change in net working capital	2)	**-11.9**	8.7
Interest received		**45.3**	37.9
Interest paid		**-65.1**	-68.9
Other financial items		**-16.6**	-22.3
Taxes received/paid		**0.0**	0.0
Net cash flow generated by operating activities		**37.0**	17.4
Cash flow from investing activities			
Investments in shares and holdings		**-69.4**	-5.4
Acquisition of property, plant and equipment and intangible assets		**-8.1**	-0.1
Other investments			
Proceeds from disposal of shares and holdings		**-1.7**	-11.9
Proceeds from disposal of tangible and intangible assets			
Loans granted		**-119.1**	-60.1
Repayments of loan receivables		**1.3**	9.7
Net cash flow used in investing activities		**-197.0**	-44.0
Cash flow from financing activities			
Non-current loans, raised		**846.0**	821.8
Non-current loans, repayments		**-828.8**	-626.1
Current loans, raised/repayments		**189.8**	-136.2
Dividends paid		**-41.6**	-33.3
Net cash flow generated from financing activities		**165.4**	26.2
Change in cash and cash equivalents		**5.4**	-0.4
Cash and cash equivalents at 1 Jan.		**9.0**	9.4
Cash and cash equivalents at 31 Dec.		**14.3**	9.0

Notes to the cash flow statement, M€	**1.1.-31.12.2011**	**1.1.-31.12.2010**
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	**0.9**	9.0
	Other operational income	**-0.9**	-4.4
	Depreciation and amortization	**5.1**	5.8
	Financial income and expenses	**134.2**	68.4
	Merger losses/group contributions	**-46.1**	-12.6
	Changes in depreciation differences	**0.0**	-0.2
	Taxes	**0.0**	0.0
	Adjustments, total	**93.2**	57.9
2)	**Statement of change in net working**		
	Current receivables		
	increase (-), decrease (+)	**-18.1**	-9.4
	Non-interest-bearing current liabilities		
	increase (+), decrease (-)	**6.2**	18.1
	Change in net working capital	**-11.9**	8.7

Accounting principles for the parent company accounts

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

Measurement and timing principles

Contractual improvements

Costs arising from renovation work for individual tenants are entered as an annual expense or capitalized to other long-term expenditure of the landlord, Sponda Plc. Repair costs and tenant improvements are capitalized over the duration of the lease when they generate income in several accounting periods. For open-ended leases, costs are capitalized over the period until the date that is defined in the lease agreement as the first possible termination date.

Fixed assets and straight-line depreciation

Fixed assets are valued at cost less straight-line depreciation. Straight-line depreciation on machinery and equipment and on buildings and building materials is calculated using the declining balance method. Renovation costs related to tenant improvements and capitalized to other long-term expenditure are depreciated over the lease period.

Other machinery and equipment 3–10 years

In addition to capitalized tenant improvements, other long-term expenditure includes computer software and renovation of the business premises occupied by Sponda Plc itself.

Investments

Property investments are shares in subsidiaries and associated companies, loans granted to Group companies and associated companies, investments in real estate funds and other investments. Investments are valued at cost in the parent company's balance sheet. Permanent writedowns are deducted from cost.

Research and development costs

The company has no research activities. Building project costs equivalent to R&D costs are capitalized when the technical implementation of the project is completed and the project can be considered to generate income over a period of several years. Otherwise research and development costs are entered as an expense.

Financial assets, liabilities and derivative contracts

Financial assets and non-interest bearing debt are recognized at cost. Interest-bearing debt is measured at amortized cost using the effective interest rate method. Interest rate swap contracts made to hedge the risk exposure associated with long-term loans are not entered in the balance sheet but instead are listed in the notes to the financial statements. Interest arising from these contracts is recognized in the income statement as it is incurred.

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

Extraordinary income and expenses

Extraordinary income and expenses consist of group contributions.

Income tax

Income tax includes tax in the period and adjustments to taxes for previous periods. The current tax expense is based on taxes calculated on the result for the period and tax rules. No deferred tax liabilities or credit are entered in the parent company balance sheet.

Foreign currency denominated items

Transactions denominated in foreign currency are recognized at the exchange rate on the transaction date. Balance sheet items in foreign currency outstanding on the closing date are valued at the exchange rate on the closing date.

Other principles

The Group has arranged statutory pension insurance for its personnel with a pension insurance company. The pension costs are entered as an expense in proportion to salaries.

Fees arising from leasing assignments are recognized over the duration of the leasing contract. Interest payable during construction projects in progress are entered as an expense. The Group has no significant finance leases.

1. Rental income and recoverables

Vuokratuotot ja käyttökorvaukset kiinteistötyypeittäin, M€	**2011**	**2010**
Office & Retail Properties	90.7	81.9
Logistics Propertiest	37.7	32.8
Property Development	0.3	0.1
Total	**128.7**	**114.8**

Rental income and recoverables by geographical area, M€	**2011**	**2010**
Helsinki Metropolitan Area	120.2	107.0
Rest of Finland	8.5	7.8
Total	**128.7**	**114.8**

2. Personnel expenses and number of employees

M€	2011	2010
Salaries and fees	10.6	9.0
Pension costs	1.6	1.5
Other personnel costs	0.4	0.3
Total	**12.6**	**10.8**
Salaries and fees to management		
President and CEO*	0.5	0.5
Members of the Board of Directors	0.3	0.3
Total	**0.8**	**0.8**

* Does not include bonuses from incentive scheme

The President and CEO is paid a full salary. The President and CEO and the members of the company's Executive Board, altogether seven persons, also participates in the long-term share-based incentive scheme for top management introduced on 1 January, 2006. The first incentive scheme covered the period from 2006 to 2008. The company also had an incentive scheme with the same terms in effect for the 2009-2011 period, but the Board of Directors of Sponda Plc decided to revise the incentive scheme adopted in 2009 by extending the vesting periods. The extension will be take effect in stages by 2012, reducing the proportion of one-year vesting periods each year and increasing the proportion of new three-year vesting periods correspondingly. The purpose of the incentive scheme is to link the objectives of shareholders and key personnel in order to increase the company's shareholder value, increase the commitment of key personnel to the company, and offer them a competitive bonus scheme based on share ownership.

M€	2011	2010
Bonus under the incentive scheme based on actual figures for 2010	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 9 to the consolidated financial statements “Employee benefit expenses and number of employees”.

Personnel on average	2011	2010
White collar, number of employees	110	107

3. Depreciation, amortization and impairment losses

M€	2011	2010
Intangible assets		
Other long-term expenditure	5.0	5.7

Property, plant and equipment		
Machinery and equipment	0.1	0.1
Buildings and structures	-	0.0
Yhteensä	**5.1**	**5.8**

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

4. Other operating income

M€	2011	2010
Share of bankruptcy estate	0.1	0.1
Other operating income	0.2	0.1
Total	**0.3**	**0.2**

5. Other operating expenses

M€	2011	2010
Losses on disposal of investments	0.1	0.9
Other expenses	0.2	0.1
Credit losses	0.6	0.5
Doubtful receivables	-0.6	0.4
Total	**0.3**	**1.9**

6. Auditor fees

M€	2011	2010
Authorized public accountants KPMG Oy		
Audit	0.1	0.1
Tax advice	0.0	0.0
Other services	0.2	0.1
Total	**0.3**	**0.2**

In addition to the proposed fees paid to the auditors, KPMG Oy has invoiced EUR 0.1 million in expenses which have been recorded directly into equity according to the IFRS standards.

7. Financial income and expenses

M€	2011	2010
Realised gains from real estate funds	5.0	5.6
Interest income from long-term investments in Ghroup companies	42.3	35.9
Other interest income	2.9	2.7

Other financial income	12.2	0.0
Total interest and financial income	**62.4**	**44.2**
Interest expenses paid to Group companies	-15.5	-12.1
Other interest expenses	-79.2	-70.6
Other financial expenses	-20.4	-4.9
Finance charge to subsidiaries	-81.6	-25.0
Total interest expenses and other financial expenses	**-196.6**	**-112.6**
Financial income and expenses total	**-134.2**	**-68.4**

8. Extraordinary items

M€	**2011**	**2010**
Group contributions received	46.1	12.6
	46.1	**12.6**

9. Differences in depreciation

€	**2011**	**2010**
Difference between planned depreciation and depreciation reported for taxation	-	0.2
	-	0.2

10. Income taxes

M€	**2011**	**2010**
Income taxes for the period	-	-
Income taxes for previous periods	**0.0**	**0.0**

11. Intangible assets

2011, M€	**Other long-term expenditure**	**Purchases in progress**	**Total**
Acquisition cost 1 January	62.1	3.1	65.2
Increases	18.2	7.9	26.1
Transfers	-12.3	-5.8	-18.1
Acquisition cost 31 December	**68.0**	**5.2**	**73.2**

Accumulated amortization and impairment losses 1 January	-39.6	-	-39.6
Amortization for the period	-4.5	-	-4.5
Accumulated depreciation 31 December	**-44.1**	**-**	**-44.1**
Net carrying amount 31 December	**23.9**	**5.2**	**29.1**

2010, M€	Other long-term expenditure	Purchases in progress	Total
Acquisition cost 1 January	59.9	0.1	60.0
Increases	2.5	5.2	7.7
Transfers	-0.3	-2.2	-2.5
Acquisition cost 31 December	**62.1**	**3.1**	**65.2**
Accumulated amortization and impairment losses 1 January	-33.8	-	-33.8
Amortization for the period	-5.8	-	-5.8
Accumulated depreciation 31 December	**-39.6**	**-**	**-39.6**
Net carrying amount 31 December	**22.5**	**3.1**	**25.6**

12. Property, plant and equipment

2011	Land sites	Buildings and structures	Machinery and equipment	Advance payments	Total
Acquisition cost 1 January	1.9	-	1.4	0.4	3.7
Increases	-	-	0.0	0.2	0.2
Decreases	-	-	-	-0.6	-0.6
Acquisition cost 31 December	**1.9**	**-**	**1.4**	**0.0**	**3.3**
Accumulated depreciation and impairment losses 1 January	-	-	-1.1	-	-1.1
Accumulated depreciation on decreases and transfers	-	-	-	-	-
Depreciation for the period	-	-	-0.1	-	-0.1
Accumulated depreciation 31 December	**-**	**-**	**-1.2**	**-**	**-1.2**
Net carrying amount 31 December	**1.9**	**-**	**0.2**	**0.0**	**2.1**

2010	Land sites	Buildings and structures	Machinery and equipment	Advance payments	Total
Acquisition cost 1 January	4.8	1.8	1.4	-	8.0
Increases	-	-	0.0	0.4	0.4
Decreases	-2.9	-1.8	-	-	-4.7
Acquisition cost 31 December	**1.9**	**-**	**1.4**	**0.4**	**3.7**

Accumulated depreciation and impairment losses 1 January	-	-0.5	-1.0	-	-1.5
Accumulated depreciation on decreases and transfers	-	0.5	-	-	0.5
Depreciation for the period	-	-	-0.1	-	-0.1
Accumulated depreciation 31 December	**-**	**-**	**-1.1**	**-**	**-1.1**
Net carrying amount 31 December	**1.9**	**-**	**0.3**	**0.4**	**2.6**

13. Investments

2011, M€	**Shares in Group companies**	**Receivables from Group companies**	**Holdings in associated companies**	**Investments in property funds**	**Other investments *)**	**Total**
Acquisition cost 1 January	1,729.1	1,025.5	7.5	59.1	28.4	2,849.6
Increases	84.5	133.3	-	10.1	24.2	252.1
Decreases	-0.9	-96.9	-	-	-15.6	-113.4
Net carrying amount 31 December	**1,812.7**	**1,061.9**	**7.5**	**69.2**	**37.0**	**2,988.3**

***) Other investments, M€**	**Other shares**	**Receivables from associated companies**	**Receivable funds**	**Other investments**	**Non-current receivables**	**Total**
Acquisition cost 1 January	3.7	21.5	3.1	0.1	-	28.4
Increases	4.8	16.8	-	-	2.6	24.2
Decreases	-1.3	-14.3	-	-	-	-15.6
Net carrying amount 31 December	**7.2**	**24.0**	**3.1**	**0.1**	**2.6**	**37.0**

2010, M€	**Shares in Group companies**	**Receivables from Group companies**	**Holdings in associated companies**	**Investments in property funds**	**Other investments *)**	**Total**
Acquisition cost 1 January	1,737.9	981.8	7.6	53.7	21.6	2,802.5
Increases	1.0	68.9	-	5.4	16.0	91.3
Decreases	-9.8	-25.3	-	-	-9.2	-44.3
Net carrying amount 31 December	**1,729.1**	**1,025.5**	**7.5**	**59.1**	**28.4**	**2,849.6**

***) Other investments, M€**	**Other shares**	**Receivables from associated companies**	**Receivable funds**	**Other investments**	**Non-current receivables**	**Total**

Acquisition cost 1 January	3.9	14.5	3.1	0.1	-	21.6
Increases	-	16.0	-	-	-	16.0
Decreases	-0.2	-9.0	-	-	-	-9.2
Net carrying amount 31 December	**3.7**	**21.5**	**3.1**	**0.1**	**-**	**28.4**

Shares and holdings are listed in Note 35 to the consolidated financial statements.

14. Current receivables

M€	2011	2010
Trade receivables	2.2	3.8
Other receivables	11.1	4.8
Prepaid expenses and accrued income		
From Group companies	50.3	17.2
From other companies	13.6	9.5
Prepaid expenses and accrued income, total	**63.9**	**26.7**
Current receivables, total	**77.2**	**35.3**
Main items in prepaid expenses and accrued income		
Interest and financial items	9.1	6.9
Other items	54.8	19.8
Total	**63.9**	**26.7**

15. Equity

Share capital 1 January	111.0	111.0
Share capital 31 December	**111.0**	**111.0**
Share premium 1 January	159.1	159.1
Share premium reserve 31 December	**159.1**	**159.1**
Invested non-restricted equity reserve 1 January	423.9	423.9
Share issue	22.0	-
Invested non-restricted equity reserve 31 December	**445.9**	**423.9**
Retained earnings 1 January	126.4	155.7
Dividend payment	-41.6	-33.3
Retained earnings 31 December	**84.8**	**122.4**

Profit / loss for period	-7.9	4.0
Equity, total	**792.9**	**820.4**

Calculation of distributable funds 31 December, M€	**2011**	**2010**
Retained earnings	84.7	122.4
Invested non-restricted equity reserve	445.9	423.9
Profit / loss for period	-7.9	4.0
Total	**522.7**	**550.3**

16. Depreciation differences

M€	**2011**	**2010**
Accumulated depreciation differences 1 January	-	0.2
Decreases	-	-0.2
Accumulated depreciation differences 31 December	**-**	**-**

17. Non-current liabilities

Non-current interest-bearing liabilities		
Serial bonds	172.4	99.6
Loans from financial institutions	1,307.4	1,398.6
Other non-current debt payable to Group companies	400.7	366.6
Non-current interest-bearing liabilities, total	**1,880.5**	**1,864.8**
Non-current interest-free liabilities	**2.9**	**-**
Non-current liabilities, total	**1,883.4**	**1,864.8**

Loans from financial institutions include a EUR 130 million hybrid bond, which is treated in the consolidated balance sheet as an equity item.

18. Current liabilities

Current interest-bearing liabilities		
Loans from financial institutions	374.1	173.2
Current interest-free liabilities		
Advances received	0.2	0.3
Trade payables		
To Group companies	14.0	25.4
To other companies	1.5	0.5
Total trade payables	**15.5**	**25.9**
Accrued expenses and prepaid income		
Payable to Group companies	2.0	2.0
Payable to other companies	26.0	22.8

Total accrued expenses and prepaid income	**28.0**	**24.8**
Other current debt receivable from Group companies	14.6	11.4
Other current debt	2.1	1.2
Total current interest-free liabilities	**60.4**	**63.6**
Total current liabilities	**434.5**	**236.7**

Main items in accrued expenses and prepaid income		
Interest and financial items	20.2	17.3
Personnel expenses	4.4	3.4
Other items	3.4	4.1
Total	**28.0**	**24.8**

19. Derivative instruments

M€	**2011**	**2010**
Interest derivatives		
Interest rate swaps, nominal value of principal	972.4	822.8
Interest rate swaps, fair value	-39.5	-27.6
Interest options, nominal value	565.0	600.0
Interest options, fair value	1.6	6.2
Currency derivatives		
Purcahsed options, fair value	0.1	0.1
Puchased options, nominal value	6.9	5.9
Written options, fair value	-0.2	-0.1
Written options, nominal value	6.9	4.9
Financial instruments valued at fair value in a manner affecting the result		
Currency derivatives		
Interest rate and currency swaps, notional value	337.4	-
Interest rate and currency swaps, fair value	-0.2	-

Interest rate and currency swaps are used to hedge the exchange rate risk related to loans denominated in Swedish krona. The nominal values of interest rate and currency swaps are identical with the nominal values of the loans hedged. The derivatives are valued in the financial statement at fair value. The fair value represents the result if the derivative position had been closed on the balance sheet date. Sponda utilises external valuations.

20. Collateral and contingent liabilities

M€	**2011**	**2010**
Loans from financial institutions, covered by collateral	110.0	110.4

Collateral given on behalf of Group companies, M€	**2011**	**2010**
Book value of pledged shares	9.3	9.3

Contingent liabilities given on behalf of Group companies, M€	**2011**	**2010**
Guarantees given on behalf of Group companies	3.6	15.7

Lease liabilities, M€	**2011**	**2010**
Payments based on agreements fall due as follows:		
During the following year	0.5	0.4
After the following year	0.5	0.3
Total	**1.0**	**0.7**

Other lease agreements consist of leases for vehicle and office equipment. The leases have lengths of 3–5 years and they have no redemption obligations.

Other commitments, M€	**2011**	**2010**
Investment commitments to real estate funds	28.6	12.9

Distribution of profit

SPONDA Plc

GROUP

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

The parent company's distributable funds total EUR 522,780,891.01, of which the loss for the period is EUR 7,858,070.24.

The Board of Directors proposes to the AGM that a dividend of EUR 0.16 per share be paid for the 2011 financial year.

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

Helsinki, 3 February 2012

Signatures of the Board of Directors and CEO for the report by the Board of Directors and for the financial statements

SPONDA PLC

Board of Directors

Klaus Cawén   Tuula Entelä   Lauri Ratia

Arja Talma   Raimo Valo   Erkki Virtanen

Kari Inkinen
CEO

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

Helsinki, 21 February 2012

KPMG Oy Ab

Raija-Leena Hankonen   Kai Salli
APA   APA

Auditor's Report

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

To the Annual General Meeting of Sponda Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Sponda Plc for the year ended 31 December 2011. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

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

Helsinki, 21 February 2012

KPMG Oy Ab

Raija-Leena Hankonen	Kai Salli
APA	APA