

# Contents

<b>Information for shareholders</b>	
<b>Sponda Plc</b> .....	2
<b>Chief Executive's Review</b> .....	4
<b>Real Estate Activities</b> .....	6
<b>New Acquisitions</b> .....	7
<b>Central Helsinki</b> .....	8
<b>Greater Helsinki</b> .....	10
<b>Itäkeskus</b> .....	12
<b>Tampere and the Rest of Finland</b> .....	14
<b>Property Maintenance</b> .....	15
<b>Report by the Board of Directors</b> .....	16
<b>Shares and Shareholders</b> .....	19
<b>Accounting Principles</b> .....	21
<b>Consolidated Income Statement</b> .....	23
<b>Consolidated Balance Sheet</b> .....	24
<b>Consolidated Cash Flow Statement</b> .....	26
<b>Sponda Plc Income Statement</b> .....	27
<b>Sponda Plc Balance Sheet</b> .....	28
<b>Sponda Plc Cash Flow Statement</b> .....	30
<b>Notes to the Income Statement and Balance Sheet</b> .....	31
<b>Key Ratios</b> .....	38
<b>Calculation of Key Ratios</b> .....	38
<b>Board of Directors' Proposal</b> .....	39
<b>Auditors' Report</b> .....	39
<b>Corporate Administration and Management</b> .....	40
<b>Personnel</b> .....	41
<b>Summary of Real Estate Portfolio</b> .....	42
<b>Addresses</b> .....	44

Front cover: The "Seurahuone" building at Kaivokatu 12 during the 1920s

# Sponda



## Business mission

Sponda is a real estate investment company focusing on high-quality business and office premises in Greater Helsinki.

The company's high-standard business and office

premises are mainly situated

in prime commercial areas with strong revenues or earnings potential, and which customers consider prestigious. Demand for such premises is generally more stable, making the properties less susceptible to fluctuations in the business cycle.

In Sponda's case, the decision to concentrate geographically in Greater Helsinki is a historical fact, but this strategy offers excellent potential growth since the region is economically buoyant and its population is rising strongly. These trends are expected to continue. One-fifth of Finland's population lives in Greater Helsinki, although the region produces about one-third of the country's GDP.

Real estate investment is local. Sponda aims to offer its tenants high-quality, responsive service by concentrating the authority and responsibility for each property in the local building manager. Economies of scale allow prices for property management and other supply contracts to be below average for the area.

Sponda focuses on office and retail premises. One-third of Sponda's net income is derived from central Helsinki. Sponda applies the know-how accumulated from its experience with shopping malls in leasing these centrally located properties. A sufficient critical mass is needed geographically in real estate investment in order to minimize the costs of the local organization.

## History

Sponda was formed by the Bank of Finland in 1991 for the purpose of acquiring the equity portfolio and real estate of the Skopbank Group. In 1996 Sponda was transferred to the Ministry of Finance. During the following year Sponda developed the focus of its strategy and liquidated most of its equity. In December 1997 Sponda expanded its real estate portfolio by acquiring properties from Arsenal Oy Asset Management Company and Merita Real Estate Ltd for FIM 1.6 billion. Merita Real Estate became a minority shareholder in Sponda with a 17.5 per cent holding under the terms of the transaction. In 1998 the Finnish State and Merita Real Estate decided to securitize Sponda and sell one-third of the shares they held. The Sponda share was listed on the Helsinki Exchanges on 1 June 1998.

## 1998 in brief

- Sponda was listed on the Helsinki Exchanges
- Sponda sold three properties in Tampere
- Sponda sold its office premises in Brussels
- Sponda acquired three properties in Greater Helsinki
- Sponda signed a Letter of Intent to sell industrial properties to Castrum Oyj.

## Key ratios, 31 December 1998

Shareholders' equity per share, FIM	33.52
Earnings per share, FIM	2.90
Return on equity, %	7.7
P/E ratio	10.2
Equity ratio, %	67.7
Gearing, %	44.2
Dividend, FIM *	1.00
Payout ratio, %	34.5
Effective dividend yield, %	3.4
Market capitalization, FIM billion	2.2

\* Board's proposal



Sponda's property at Diana Park, Erottajankatu 7



## Chief Executive's Review

Implementation of the Finnish State's and Merita Kiinteistöt's decision to broaden the ownership base of Sponda and the company's listing on the Helsinki Exchanges made 1998 an important year in Sponda's history. Investors displayed keen interest in Sponda's shares, particularly foreign institutional investors who oversubscribed by a factor of 12. The success of Sponda's launch on the stock market was due to the trust that both domestic and foreign investors have in the company. The entire process was completed within a tight schedule and in May the company's management arranged an impressive road show tour around Europe, North America and Finland. In many ways this was a challenging learning process for all of us in Sponda, and I would like to thank all our personnel and our partners for their commitment and the commendable efforts they made.

1998 was a year of intense real estate securitization. The market value of real estate investment companies was some FIM 500 million at the end of 1997. By the end of 1998 the market value of those companies had soared to just under FIM 4,000 million. The restructuring and securitization of a property portfolio worth approximately FIM 10,400 million announced by MeritaNordbanken in December 1998 reinforces an international trend, and in Finland also this will increase the concentration of property ownership in real estate investment companies.

The objective of securitization was to bring foreign investors and a viable market for real estate investment to Finland. The aim was to



Kari Kolu, President and CEO

offer small-scale investors in Finland new investment instruments and the opportunity to indirectly own Finnish real estate, while also attracting foreign investors to enter the Finnish real estate investment market. These objectives have been achieved. The underlying idea was, and still is, to convert some real estate to a more liquid form. There remains a lot to be done towards this end and the structural arrangements are in their early stages.

Although the Sponda share is currently the most heavily traded

share of any real estate investment company listed on the Helsinki Exchanges, this is still not enough. The company's market value and real estate portfolio need to be increased because only a liquid share is priced correctly in relation to the value of the underlying real estate.

The Sponda share is affected by Finland's economic situation and economic growth prospects as well as the conditions prevailing in the real estate market. Forecasts indicate that conditions in Finland will

remain buoyant although economic growth will level off. Unemployment is expected to drop to the European average and purchasing power is forecast to increase by around 3.5 percent. The 190 stores operating in the Itäkeskus Shopping Mall generate around one-half of Sponda's total revenue, making Finns' purchasing power an important factor for Sponda.

During 1998 Sponda acquired three properties in Greater Helsinki and sold three properties in Tampere. The properties purchased are situated in Helsinki city centre, Itäkeskus and Espoo, all in close proximity to buildings already owned by Sponda. Sponda also sold the office premises in Brussels in March 1998 and in December 1998 signed a Letter of Intent with Castrum Oyj on the sale of Sponda's industrial properties in Tampere. After the arrangements are in place, Sponda will acquire two office buildings and one undeveloped site in Greater Helsinki from Castrum. The aim of the real estate transaction with Castrum is to concentrate ownership of the industrial premises in a single owner while supporting Sponda's strategy of specifically favouring office and retail properties in Greater Helsinki area.

An essential element of Sponda's strategy is a high level of expertise in property management. Sponda's operating procedures set high demands on its personnel's professional skills. The company's property managers handle special features within their responsibility, and also monitor and analyze market trends for individual buildings. Efficient leasing is the cornerstone of profitable business operations and, in the

prevailing market situation, provides the strength to negotiate contracts that are more advantageous. The location and size of Sponda's properties enable flexibility and cost-effectiveness in property management, maintenance, cleaning, security and other services. In the long term the company aims to concentrate its real estate portfolio in selected key areas. The objective is to make the core business activity, leasing properties, more responsive to tenants. One and the same property manager will provide single point-of-contact service to the tenant, from the initial leasing negotiation through to later repairs on the property.

Sponda's financial result for the review period met all expectations, due to favourable development of the rental markets and the high occupancy rate of leased premises.

Sponda's strong balance sheet provides a good springboard for healthy growth in the real estate portfolio, in line with Sponda's strategy. This will be achieved through property acquisitions and new development. The acquisition of real estate from Pension-Fennia at the beginning of the year and development of the Länsikeskus property support the strategy adopted.

The exceptionally high occupancy rate for leased premises in Greater Helsinki combined with fair overall prospects for the economy provide a solid basis for Sponda to improve the financial performance of its leasing operations in 1999.

**Kari Kolu**  
**President and CEO**

# Real Estate Activities



## Economic occupancy rate (%) 31 December 1998

### Property type

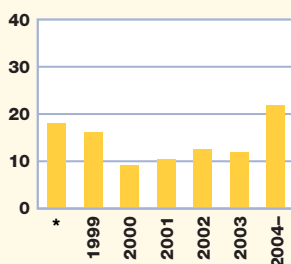
Office	94.8
Retail	98.8
Industrial/warehouse	96.9
Hotel	100.0
Average	97.3

By predominant use of each property.

### Property location

Central Helsinki	94.7
Greater Helsinki	96.3
Itäkeskus	99.8
Tampere	95.5
Other	97.3
Average	97.3

## Expiration of lease agreements, %



\* Indefinitely

## Sponda's total property portfolio

	MFIM
Rental revenue	342.9
Administrative expenses	-87.1
Net operating income	255.8

Book value of properties, 1 Jan. 1998	3 528.2
Investments 1998	168.6
Divestments 1998	-94.8
Depreciation	-38.4
Book value, 31 Dec. 1998	3 563.6

Net operating income/  
book value at 31 Dec. 1998 7.2 %

New acquisitions	132.9
Construction	30.5
Maintenance	0.4
Tenant improvements	4.7
Investments	168.6

Maintenance (capitalized)	0.4
Maintenance (expensed)	9.6
Total	10.0

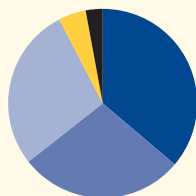
Tenant improvements (capitalized)	4.7
Tenant improvements (expensed)	10.9
Total	15.6

## Impact of taxation of real estate capital on the income statement in 1998:

	Properties sold	Properties bought
Rental revenue	7.6	3.3
Administrative expenses	1.9	2.2
Net operating income	5.7	1.1

## Area for lease 31 December 1998

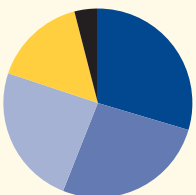
### Property type



Property type	Area (m <sup>2</sup> )	%
Office	133 679	36.2
Retail	104 003	28.2
Industrial/warehouse	103 241	28.0
Hotel	17 240	4.7
Average	10 625	2.9
Total	368 788	100

By actual leasable area.

### Property location



Property location	Area (m <sup>2</sup> )	%
Central Helsinki	109 101	29.6
Greater Helsinki	97 410	26.4
Itäkeskus	88 908	24.1
Tampere	58 665	15.9
Other	14 704	4.0
Total	368 788	100

## *New acquisitions 1998*



Kiinteistö Oy Pohjolan Louhi at Mannerheimintie 6, leasable area 3,800 m<sup>2</sup> bought for FIM 50 million. Sponda's fourth property in the same block on Mannerheimintie in Central Helsinki. Tenants include Fritidsresor, Finnkino Oy, Helsingin Vapaa-ajan Viihdekeskus and Fanfina Oy.



The Turunlinnantie 12 building of Kiinteistö Oy Helsingin Itäkeskus in Tallinn Square stands adjacent to the Itäkeskus Shopping Mall also owned by Sponda. Leasable area of 4,600 m<sup>2</sup>, bought for FIM 26 million. Tenants include the City of Helsinki, Helsinki Telephone Company, Area Travel Agency and Pohjola.



Kiinteistö Oy Piispanpiha 5 in West Centre, Espoo, stands next to another Sponda property. Building area 5,000 m<sup>2</sup>, bought for FIM 26 million. The largest tenant is Efore Oy.



## Central Helsinki

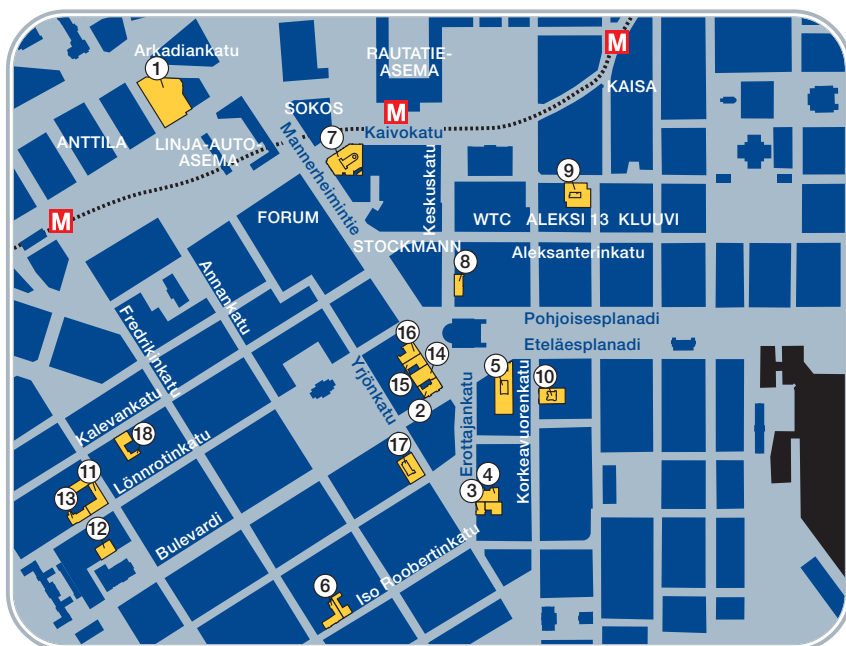


Sponda owns 17 properties in central Helsinki, the company's key market area. Over half of the 109,000 square metre that Sponda owns in central Helsinki comprise office premises while almost one-fifth are retail premises. Sponda's properties are situated in close proximity to each other, allowing costs to be minimized. Three of the properties in central Helsinki are leased to hotel operators.

According to a market survey by Catella in autumn 1998, the supply of vacant premises on the market in central Helsinki is at a record low. The vacancy rate for leased premises dropped to 2.5 % by the end of August and according to Catella the weighted market rate in Helsinki has been 5 %. The availability of retail premises is only 1.2 %, the availability of office premises is 3.1 %, and of industrial and warehouse properties 2.3 %.

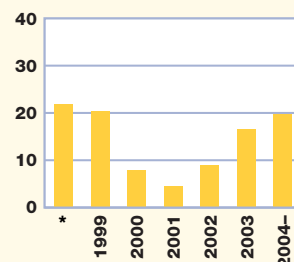
The economic occupancy rate of Sponda's properties in central Helsinki was 94.7 %, and net operating income was FIM 82.4 million. The area of Sponda's properties in central Helsinki accounts for some 30 % of the total area owned by the company. The book value of the real estate was approximately FIM 1.5 billion.

Sponda's properties in Central Helsinki



Central Helsinki	
Rental revenue	MFIM 111.8
Administrative expenses	-29.4
Net operating income	82.4
Book value of properties,	
1 Jan. 1998	1 551.1
Investments 1998	59.6
Divestments 1998	0.0
Depreciation	-14.4
Book value, 31 Dec. 1998	1 596.3
Net operating income / book value at 31 Dec. 1998	5.2 %
New acquisitions	53.4
Construction	5.8
Maintenance	0.4
Tenant improvements	0.0
Investments	59.6
Maintenance (capitalized)	0.4
Maintenance (expensed)	3.6
Total	4.0
Tenant improvements (capitalized)	0.0
Tenant improvements (expensed)	5.2
Total	5.2

Expiration of lease agreements, %



\* Indefinitely

1	Arkadiankatu 4-6	27 294 m <sup>2</sup>
2	Bulevardi 1	2 621 m <sup>2</sup>
3	Erottajankatu 5	3 165 m <sup>2</sup>
4	Erottajankatu 7	3 662 m <sup>2</sup>
5	Eteläesplanadi 22	8 979 m <sup>2</sup>
6	Iso Roobertinkatu 21-25	7 703 m <sup>2</sup>
7	Kaivokatu 12	11 493 m <sup>2</sup>
8	Keskuskatu 1 B	2 955 m <sup>2</sup>
9	Kluuvikatu 8	9 750 m <sup>2</sup>
10	Korkeavuorenkatu 45	3 828 m <sup>2</sup>
11	Lönnrotinkatu 27	4 969 m <sup>2</sup>
12	Lönnrotinkatu 28	3 345 m <sup>2</sup>
13	Lönnrotinkatu 29	3 177 m <sup>2</sup>
14	Mannerheimintie 2	3 691 m <sup>2</sup>
15	Mannerheimintie 4	5 205 m <sup>2</sup>
16	Mannerheimintie 6	3 872 m <sup>2</sup>
17	Yrjönkatu 16	3 397 m <sup>2</sup>
18	Kalevankatu 30 (1.3.1999)	4 269 m <sup>2</sup>





Sponda's Seurahuone property at Kaivokatu 12

## Greater Helsinki



Greater Helsinki is the fastest growing area in Finland in terms of population. Population growth in Greater Helsinki during 1998 was fastest in Espoo and Vantaa.

Sponda owns 15 properties in Greater Helsinki located in prime commercial areas. Of the 97,000 square metre supply of leased premises in Greater Helsinki, office premises account for some 59,000, industrial and warehouse premises for almost 30,000 and retail premises for some 7,000 square metres.

Sponda's properties in Greater Helsinki are situated in Helsinki, Espoo and Vantaa.

According to Catella, the vacancy rate for leased premises in Greater Helsinki was 2.4 %. The lowest availability was in retail premises, with a vacancy rate of 1.4 %, and industrial and warehouse premises, which had a vacancy rate of 1.9 %. The vacancy rate for office premises was 3.3 %.

The economic occupancy rate of Sponda's properties in Greater Helsinki was 96.3 % and net operating income was FIM 40.3 million. The rise in the occupancy rate for leased premises from 89.6 % at the end of August was due to leasing of the 'C' building of Real Estate Company Oy Länsikeskus that was completed on 1 September 1998. Sponda's properties in Greater Helsinki account for some 26 % of the total area owned by the company. The book value of the real estate amounted to some FIM 525 million.

Sponda's properties in Greater Helsinki



Greater Helsinki	
	MFIM
Rental revenue	53.3
Administrative expenses	-13.0
Net operating income	40.3
Book value of properties	
1 Jan. 1998	485.1
Investments 1998	44.5
Divestments 1998	0.0
Depreciation	-4.9
Book value, 31 Dec. 1998	524.7
Net operating income/ book value at 31 Dec. 1998	7.7 %
New acquisitions	26.3
Construction	18.1
Maintenance	0.0
Tenant improvements	0.1
Investments	44.5
Maintenance (capitalized)	0.0
Maintenance (expensed)	0.8
Total	0.8
Tenant improvements (capitalized)	0.1
Tenant improvements (expensed)	1.6
Total	1.7

Expiration of lease agreements, %	
1999	34
2000	6
2001	31
2002	8
2003	6
2004*	0

\* Indefinitely

19	Elannontie 5, Vantaa	7 120 m <sup>2</sup>
20	Kivenlahdenkatu 1, Espoo	3 700 m <sup>2</sup>
21	Komentajankatu 5, Espoo	4 415 m <sup>2</sup>
22	Länsituulentie 6, Espoo	3 938 m <sup>2</sup>
23	Malminkaari 10, Helsinki	4 020 m <sup>2</sup>
24	Miestentie 3, Espoo	5 630 m <sup>2</sup>
25	Pihatörmä 1, Espoo	10 632 m <sup>2</sup>
26	Piispanportti 12, Espoo	5 132 m <sup>2</sup>
27	Robert Huberin tie 2, Vantaa	6 842 m <sup>2</sup>
28	Sinikalliontie 10, Espoo	4 289 m <sup>2</sup>
29	Ulappakatu 1, Espoo	4 813 m <sup>2</sup>
30	Upseerinkatu 1, Espoo	13 011 m <sup>2</sup>
31	Upseerinkatu 3, Espoo	7 867 m <sup>2</sup>
32	Kappelitie 8, Espoo (1.7.1999)	2 293 m <sup>2</sup>
33	Kaupparkeskus Itäkeskus	84 384 m <sup>2</sup>





Sponda's property at Keskuskatu 1 B designed by Eliel Saarinen

## Itäkeskus



Sponda's largest property is the Itäkeskus Shopping Mall, which is situated in a prime location in east Helsinki with a local population of 130,000 people. Itäkeskus Shopping Mall is the largest shopping mall in the Nordic countries. Sponda has launched a plan to extend the east end of the shopping center into the adjoining site. Helsinki City Planning Committee approved the rezoning on 10 December 1998. If the rezoning is ratified next summer, the extension could be commissioned in the fall of 2001. The extension will boost

the floor area of the shopping mall by 11,000 square metres, an increase of 17 %, and add some 500 extra parking slots. The extension will allow resident businesses to expand and provide space for some 20 new retailers. The fully completed shopping mall will consolidate Itäkeskus' established position as a fashion center.

Sponda increased its real estate portfolio in 1998 with the acquisition from Pohjola Group of the 5,090 square metre retail and office premises situated next to Itäkeskus metro station.

Itäkeskus is the most rapidly growing area in Helsinki. According to forecasts by the City of Helsinki, the population of the area will rise to 150,000 by the year 2003. Itäkeskus Shopping Mall will attract customers from the whole of Greater Helsinki as well as from nearby towns. Both Greater Helsinki and the purchasing power concentrated in it have grown, and continue to grow, so briskly that it

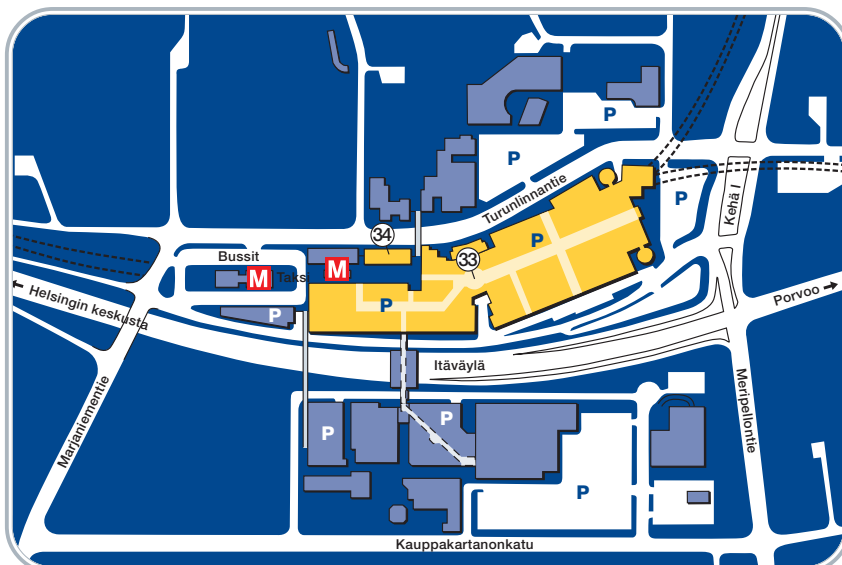
is unlikely that new retailers entering the market will have an adverse influence on Itäkeskus' growth. The number of customers exceeded 20 million in 1998.

Itäkeskus Shopping Mall is continuously upgrading its sales premises, allocating an annual average of FIM 5 million for this purpose. Foreign companies are increasingly attracted by the shopping mall, although it has only been possible to admit a very restricted number of new businesses as resident businesses generally renew their leases.

The Itäkeskus Shopping Mall houses 3 department stores, 39 fashion boutiques, 25 restaurants or cafés, a film theatre with three cinemas, and 122 other speciality stores.

The economic occupancy rate of the Itäkeskus Shopping Mall was 99.8 %, net operating income was FIM 100.8 million. The book value of the real estate was approximately FIM 1.1 billion.

The Itäkeskus Shopping Mall



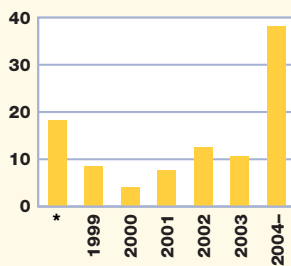
33	Kauppakeskus Itäkeskus	84 384 m <sup>2</sup>
34	Turunlinnantie 12	4 524 m <sup>2</sup>



### Itäkeskus

	MFIM
Rental revenue	136.9
Administrative expenses	-36.1
Net operating income	100.8
Book value of properties	
1.1.1998	1 111.4
Investments 1998	31.1
Divestments 1998	-0.1
Depreciation	-13.8
Book value, 31 Dec. 1998	1 128.6
Net operating income/ book value at 31 Dec. 1998	
	8.9 %
New acquisitions	
Construction	0.0
Maintenance	0.0
Tenant improvements	4.7
Investments	31.1
Maintenance (capitalized)	
Maintenance (expensed)	4.2
Total	4.2
Tenant improvements (capitalized)	
Tenant improvements (expensed)	3.2
Total	7.9

**Expiration of lease agreements, %**



\* Indefinitely



Sponda's Itäkeskus Shopping Mall

# Tampere and the Rest of Finland

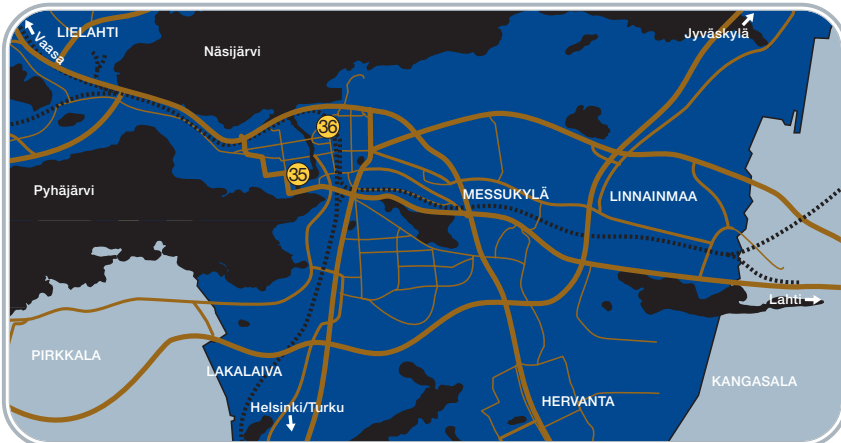


Rental levels remained much the same as during the previous year in Tampere and the rest of Finland and local real estate markets were tight. Major changes are not expected in rental levels for the sites of Sponda's retail and office premises

es in Tampere even though the supply of vacant premises is rather low. Tampere has quite a high unemployment rate, and employment prospects continue to decline. Where real estate investment is concerned, the concentration of head offices in Tampere is somewhat linked to public sector employment. The economic occupancy rate of Sponda's properties in Tampere and the rest of Finland was 96 % and net operating income was FIM 32.3 million. The area of Sponda's properties in Tampere accounts for some 20 % of the total area owned by the company. The book value of the real estate was approximately FIM 314 million.



Sponda's properties in Tampere



Tampere and the rest of Finland	
	MFIM
Rental revenue	40.9
Administrative expenses	-8.6
Net operating income	32.3
Book value of properties	
1 Jan. 1998	380.6
Investments 1998	33.4
Divestments 1998	-94.7
Depreciation	-5.3
Book value, 31 Dec. 1998	314.0
Net operating income/ book value at 31 Dec. 1998	10.3 %
New acquisitions	
Construction	6.6
Maintenance	0.0
Tenant improvements	0.0
Investments	33.4
Maintenance (capitalized)	
Maintenance (expensed)	1.0
Total	1.0
Tenant improvements (capitalized)	
Tenant improvements (expensed)	0.9
Total	0.9

Year	Expiration of lease agreements, %
*	~12
1999	~2
2000	~38
2001	~5
2002	~32
2003	~12
2004-	~1

\* Indefinitely

35 Hämeenkatu 23 7 973 m<sup>2</sup>  
 36 Kelloportinkatu 2 (Koskipaju) 4 437 m<sup>2</sup>



Sponda's property at Mannerheimintie 2 in Central Helsinki

### **Property maintenance**

Sponda is fully committed to the maintenance of its properties. Sponda's core business is leasing of premises, property management, and the supervision of outsourced services to optimize their efficiency.

Sponda's goal is to implement the general practice in Europe whereby tenants pay the maintenance and operating costs of their properties in addition to index- or turnover-based rent. Tenants are given the opportunity to influence the condition, maintenance and cost levels of the properties they lease. These costs include energy, equipment maintenance, cleaning and security. Sponda outsources these services and constantly monitors their quality and cost levels by regularly requesting competitive bids for them. Property maintenance is based on a condition survey of the building which is used to prepare operating, service and maintenance investment plans. Sponda has a long-term commitment to ensuring the low operating and service costs of the properties it owns based on a lifecycle analysis.



# Report by the Board of Directors

## **Business conditions**

Sponda's operations have focused on, central Helsinki and Greater Helsinki, where the occupancy rate for real estate has continued to be high. Leased premises are beginning to be in short supply, especially in central Helsinki. New construction of commercial and office premises in Greater Helsinki showed strong growth but the volume of commercial and office premises currently under construction will cover demand for only roughly one year.

## **Real estate acquisitions**

On 31 August 1998 the Sponda Group bought three office and commercial buildings from Pohjola Group for a total of FIM 102 million. The properties are situated in the company's strategic key areas.

## **Real estate sales**

On 27 March 1998 Sponda sold the Centre International Rogier, called the Martini Tower project, in Belgium to Solidium Oy.

On 6 May 1998 Sponda sold Tamrock Corp.'s head office building at the time, i.e. all the shares of the property company Kiinteistö Oy Koskitammi in Tampere, to Tamrock's pension fund.

On 20 July 1998 Sponda Plc sold an industrial building in Kangasala.

On 15 December 1998 Sponda Plc sold the Tirkkonen building in Tampere to the Local Government Pensions Institution.

The aggregate selling price for these sites was FIM 243 million, and a profit of FIM 76.3 million was recorded under other operating income.

On 31 December 1998 Sponda Plc signed a letter of intent with Castrum Oyj on the sale of Sponda's industrial and warehouse premises and the acquisition of Castrum's office properties located in Sponda's geographical areas of focus. After the transaction is enacted, Sponda would become a shareholder in Castrum.

## **Listing**

The Finnish State and Merita Real Estate Ltd expanded Sponda Plc's shareholder base in May 1998 by selling shares to both institutional investors and private individuals. The owners sold around one-third of their holdings, amounting to a total of 23.5 million shares. Alfred Berg and Morgan Stanley Dean Witter acted as lead managers

for institutional sales and Merita Corporate Finance Ltd acted as lead manager for sales to the public.

A total of 18,400,000 shares were sold to institutional investors, of which slightly over one-third were allocated to Finnish organizations and two-thirds to international institutional investors. About 300 investors subscribed for shares. Foreign ownership of Sponda Plc was approximately 19.8 per cent at the end of the review period.

Sales to private individuals totalled 5,100,000 shares to roughly 8,900 investors.

The share selling price was set at FIM 35. Trading in Sponda shares on the Helsinki Stock Exchange commenced on 1 June 1998.

## **Organization and personnel**

The Sponda Group had altogether 29 (23) employees on 31 December 1998, 22 (16) of whom were employed by the parent company Sponda Plc. Wages and salaries paid by the parent company amounted to FIM 5,708,054. Remuneration paid to the Board of Directors and the President and CEO totalled FIM 1,174,659. The Sponda Group paid FIM 8,165,359 in wages and salaries during the review period. Of this, remuneration to the Board of Directors and the Presidents totalled FIM 2,196,506, and wages and salaries to other employees totalled FIM 5,968,853.

The Chairman of the Board is Mr Raine Vairimaa and the Deputy Chairman Mr Jarmo Väisänen. The ordinary members of the Board are Mr Jorma Heinonen, Mr Heikki Hyppönen, Mr Jarmo Kilpelä, and Mr Heikki Bergholm who was elected to the Board with effect from 1 June 1998. The President and CEO is Mr Kari Kolu. Mr Tapani Väljä, Chief Financial Officer, was appointed Deputy to the President as from 1 March 1998.

The company's auditors are KPMG Wideri Oy Ab, Authorized Public Accountants. The supervising auditor is Mr Eero Suomela, APA, the auditor is Ms Raija-Leena Hankonen, APA, and the deputy auditor is Mr Ora Lyytikäinen, APA.

## **Financing**

Interest-bearing debt at 31 December 1998 totalled FIM 1,101.0 (1,365.0) million. Cash, cash equivalents and other interest-bearing receivables were FIM 18.5 million at 31 December 1998. Sponda's equity ratio was 67.7 % (61.4 %).



## Result

The Sponda Group's net income for 1998 after taxes and minority interest was FIM 210.5 (594.1) million. Total revenue amounted to FIM 342.9 (2,105.1) million, which comprised income from real estate companies. Operating profit was FIM 276.7 (711.0) million. The consolidated operating profit before extraordinary items, provisions and taxes was FIM 217.1 (605.4) million. Financial expenses amounted to FIM 59.6 (105.6) million. Earnings per share were FIM 2.90. Shareholders'

equity per share was FIM 33.52. As the company focused on real estate investment and sold equity not related to its core business during 1997, the result for 1998 is not directly comparable with that for 1997. Total revenue for 1998 fell compared to 1997 owing to the reduced level of trading in shares. Comparable proforma figures for 1997 are given in the table below. In 1999 Sponda will report its interim financial results at quarterly intervals. Hence the table below also gives the comparative quarterly figures for 1998.

### Income statement 1 Jan.-31 Dec.1998

MFIM	1 Jan.-31 Mar.	1 Apr.-30 Jun.	1 Jul.-30 Sep.	1 Oct.-31 Dec.	1 Jan.-31 Dec.	Pro Forma 1997
Total revenue	83.1	81.9	85.2	92.7	342.9	324.40
Other operating income	28.6	35.7	0.0	12.0	76.3	-
Variable and fixed costs						
Operating expense	-21.3	-21.1	-19.9	-24.8	-87.1	-84.4
Administrative expense	-3.3	-5.1	-2.4	-4.6	-15.4	-12.0
Operating profit before depreciation	87.1	91.4	62.9	75.3	316.7	228.0
Depreciation	-9.6	-9.5	-10.3	-10.6	-40.0	-37.70
Operating profit	77.5	81.9	52.7	64.7	276.7	190.3
Financial income and expenses	-15.3	-14.8	-14.7	-14.8	-59.6	62.10
Profit before extraordinary items, provisions and taxes	62.2	67.1	37.9	49.9	217.1	128.2
Extraordinary income and expenses	0.0	0.0	0.0	0.0	0.0	0.0
Profit before provisions and taxes	62.2	67.1	37.9	49.9	217.1	128.2
Direct taxes	-1.7	-1.7	-1.8	-1.8	-7.0	
Minority interest for the period	0.1	0.1	0.1	0.1	0.4	
Net income for the period	60.6	65.5	36.2	48.2	210.5	

For all properties other than Itäkeskus, the Tamsoil Group companies (companies wholly-owned by Sponda that hold industrial properties) and companies acquired pursuant to the restructuring, pro forma rental income has been recognised upon actual payment of rent, rather than on an accrual basis as in the consolidated financial statements. Calculation of net financial expense for 1997 has been based on Sponda's net liabilities and the average interest rates on its outstanding loans as of December 31, 1997. This method assumes that interest and net liabilities have remained unchanged for the entire accounting period. Pro forma accounts for depreciation according to plan have been calculated in accordance with Sponda's policy for recognition of depreciation effective from January 1, 1998.

### Investments in real estate maintenance and upgrading

Sponda's investments in maintenance and upgrading of its real estate, as well as capitalized tenant improvements, totalled FIM 5.2 million during 1998. The FIM 2 million for asbestos removal in Sponda's property at Iso-Roobertinkatu 21-25 was entered as an expense. Maintenance costs and tenant improvements totalling FIM 20.5 million were charged to the income statement.

### Preventive measures for the Year 2000 risk

Sponda has reviewed the potential problems which the

advent of the year 2000 might cause the computers and hardware in its properties (Y2K problems). Outside consultants have been employed to inspect Sponda's data processing systems, and Sponda has insisted on Y2K compatibility for all new systems from suppliers. Some older systems have been replaced and others have been upgraded to meet the requirements for the change of millennium. Testing and upgrading of data processing systems in 1999 will not give rise to exceptional expenses. Sponda's Board of Directors does not consider that Y2K problems pose a significant risk to the company's business operations.

### **Decisions of the Annual General Meeting**

On 22 December 1997 an extraordinary shareholders' meeting authorized the Board of Directors to increase the share capital through a rights issue not exceeding FIM 60,000,000. The Board of Directors has not exercised this authorization.

The Annual General Meeting on 21 April 1998 adopted the company's annual accounts for 1997 and discharged the members of the Board of Directors and the President and CEO from liability for the financial year. The meeting approved the Board's proposed dividend of FIM 0.85 per share, amounting to FIM 61,790,936.15. The remaining profit for the year, FIM 251,085,784.51, was carried forward. Mr Jorma Heinen, Mr Heikki Hyppönen, Mr Jarmo Kilpelä, Mr Raine Vairimaa, and Mr Jarmo Väisänen were elected to the Board of Directors. The Board of Directors re-elected Mr Raine Vairimaa Chairman and Mr Jarmo Väisänen Deputy Chairman.

The meeting appointed KPMG Wideri Oy Ab, Authorized Public Accountants, as the company's auditors. Mr Eero Suomela, APA, was appointed supervising auditor, Ms Raija-Leena Hankonen, APA, was appointed auditor and Mr Ora Lyytikäinen, APA, deputy auditor.

The Board of Directors was also authorized to repurchase the company's shares, at least 1 and at most 3,600,000 shares, and convey these aforementioned shares. The Board has decided that it will not exercise its authorization on conveyance of the company's shares, including its unexercised authorization, in excess of the maximum one-fifth of the registered share capital and aggregate number of votes attaching to the shares at the time of the authorization decision of the Board of Directors to raise the share capital, as stipulated in Chapter 4, Section 2a, §2 of the Companies Act; instead, the Board will, at its discretion, exercise its authorization to buy and convey at least one (1) and at most 2,539,043 of the company's shares. This decision was recorded in the Trade Register on 14 September 1998.

An extraordinary shareholders' meeting on 15 May 1999 approved an amendment to the Articles of Association concerning the convening of, and attendance at, shareholder meetings. Shareholders wishing to attend general meetings must inform the company in advance in the manner stipulated in the invitation and no earlier than five (5) days before the meeting.

Invitations to shareholder meetings must be published in at least one national Finnish daily newspaper to be determined by the Board of Directors no earlier than (2) months before the aforementioned final notification of attendance date and no later than one week before the date referred to in Chapter 3a, Section 11, §1 of the Companies Act.

The extraordinary shareholders' meeting elected Mr Heikki Bergholm to the Board with effect from 1 June 1998.

### **Transactions since the review period**

On 14 January 1999 Sponda bought Pension-Fennia's office building at Upseerinkatu 3 in Leppävaara, Espoo. The debt-free purchase price was FIM 70 million and the property's current net operating income is FIM 5.2 million. The building has a total area of 10,763 square metres and a leasable area of 7,867 square metres. The building is situated adjacent to Upseerinkatu 1, which is already owned by Sponda.

Sponda Plc and construction company YIT Corporation have signed a contract under which Sponda will buy all the shares owned by YIT in Real Estate Company Oy Länsi-keskus. Real Estate Company Oy Länsi-keskus has commissioned YIT Corporation to construct a 5,354 square metre office building in Länsi-keskus, Espoo. The building will have a total price of FIM 45.5 million and is due for completion by the end of 1999. The new building 'B' will be located between buildings 'A' and 'C', which Sponda already owns. After the deal, Sponda will own 60 % of Real Estate Company Oy Länsi-keskus.

### **Prospects**

Favourable development is forecast for the real estate market, which is expected to generate higher leasing income from Sponda's current property portfolio. Interest rates are expected to remain low. These factors will have a favourable impact on Sponda Plc's performance.

### **Sponda Plc Board of Directors**

# Shares and Shareholders

## Share capital and shares

### Share capital

The company's share capital on 31 December 1998 totalled FIM 363,476,095. The company's shares are registered in the book-entry system. There were 8,048 shareholders on 31 December 1998.

### Share trading and prices

After the company's listing 12,790,529 Sponda Plc shares were traded on the Helsinki Exchanges between 1 June and 31 December 1998 for approximately FIM 480 million. The weighted average share prices was FIM 37.50. The highest quoted price during the period was FIM 43.00 and the lowest was FIM 29.50. The share price on 31 December 1998 was FIM 29.70 and on the same date the company's market capitalization totalled FIM 2,159 million.

### Trading volumes 1998

Month	Number	Volume, FIM	Capitalization, FIM	highest/lowest/closing
6/98	7 620 498	297 029 750	2 798 765 932	40/38/38.50
7/98	1 168 914	46 052 896	2 907 808 760	43/38/40
8/98	967 801	37 012 379	2 726 070 713	40/36/37.50
9/98	1 001 905	34 263 611	2 471 637 446	34.50/34.10/34
10/98	869 874	28 455 174	2 435 289 837	34/31/33.50
11/98	301 098	10 192 541	2 471 637 446	34.50/33/34
12/98	860 439	26 794 301	2 159 048 004	34.50/29.50/29.70

### Board authorizations

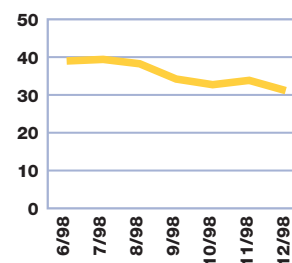
The Board of Directors had no authorizations to issue shares.

## Shareholders

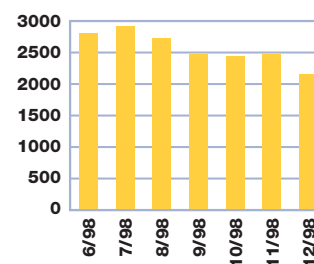
### Ownership structure 31 December 1998

	Number of shares	% of stock and voting rights
Private corporations	9 825 081	13.59
Public corporations	51 470	0.00
Banks and insurance companies	1 410 080	1.94
Public sector entities	41 291 717	56.80
Non-profit organizations	1 191 700	1.64
Households	4 545 902	6.25
Outside Finland and nominee registered	14 378 009	19.78
Not transferred to book-entry accounts	1 260	0.00
	<u>72 695 219</u>	<u>100.00</u>

Share quotations, FIM



Market capitalization



Division of shares



### Distribution of ownership

Number of shares	Shareholders	%	No. of shares	%	No. of votes	%
1–100	1 049	13.03	103 314	0.14	103 314	0.14
101–1 000	5 582	69.36	2 647 792	3.64	2 647 792	3.64
1 001–10 000	1 368	17.00	1 976 345	2.72	1 976 345	2.72
10 001–100 000	33	0.41	1 204 560	1.66	1 204 560	1.66
100 001–1 000 000	13	0.16	4 679 400	6.44	4 679 400	6.44
1 000 001–999 999 999 999	3	0.04	62 082 548	85.40	62 082 548	85.40
	8 048	100.00	72 693 959	100.00	72 693 959	100.00
Not transferred, total			1 260	0.00	1 260	0.00
In general account			0	0.00	0	0.00
Issued			72 695 219	100.00	72 695 219	100.00

### 20 principal shareholders based on holdings on 31 December 1998

	No. of shares	% of shares and votes
1 The Finnish State	39 041 997	53.71
2 Merita Real Estate Ltd	8 853 222	12.18
3 SITRA, The Finnish National Fund for Research and Development	1 000 000	1.38
4 Pension Fund of the Cooperative Banks	649 900	0.89
5 Pension Trust of the Cooperative Banks	649 900	0.89
6 The Local Government Pensions Institution	600 000	0.83
7 Pension Trust of the Finnish Broadcasting Company	300 000	0.41
8 Tapiola Mutual Pension Insurance Company	290 000	0.40
9 Tapiola Mutual Insurance Company	260 000	0.36
10 Merita Optima Trust Fund	200 000	0.28
11 Merita Nordia Trust Fund	197 000	0.27
12 Merita Life Insurance Ltd	181 400	0.25
13 Aurum Life Insurance Ltd	130 000	0.18
14 Diana-Osake Trust Fund	111 200	0.15
15 Confederation of Finnish Industry and Employers	110 000	0.15
16 Enterprise Life Insurance Company Oy Tapiola	100 000	0.14
17 Verdandi	72 000	0.10
18 Diana Korke+osake Trust Fund	61 400	0.08
19 Foundation for Economic Education	60 000	0.08
20 Rautaruukki Employees Pension Fund	52 000	0.07
Total	52 920 019	72.80
Other, total	19 775 200	27.20
Total	72 695 219	100.00

Altogether 8 046 shareholders

The Board of Directors, the President and his deputy owned altogether 18,460 of the company's shares at the end of the year, representing 0.03 % of the stock and voting rights.



# Accounting Principles

The financial statements have been prepared in accordance with the regulations of the Finnish Accounting Act. Figures are presented in Finnish markka. Figures in the consolidated and parent company income statements, balance sheets and cash flow statements are presented in thousands of markka and thousands of euro (FIM 1,000/euro) using a conversion factor of 0.168188. Further information is provided in the formulas contained in the new Finnish Accounting Act.

## **Basis of consolidation**

The consolidated financial statements included all companies in which the parent company owns directly or indirectly over 50 % of the voting rights or other controlling power conferred by the shares.

The results of subsidiaries acquired or sold during the financial period are included in the consolidated income statement from the time of acquisition or until the time of sale.

All mutual shareholdings are eliminated using the purchase method. Hence, the Group's share of subsidiary shareholders' equity at the time of acquisition is deducted from the acquisition cost of the subsidiary's shares. The excess of acquisition cost over shareholders' equity at the time of acquisition is allocated to the land and buildings of the acquired company. The share allocated to buildings is depreciated according to plan.

All intragroup transactions and profit distributions are eliminated. Minority interest that is separated from Group equity and profit is presented as a separate item.

## **Associated companies**

Associated companies are companies over which the Group exercises significant influence and in which the Group owns 20–50 % of the voting rights. Associated companies are consolidated using the equity method of accounting. Hence, the Group's share of profits and losses of associated companies is included in the consolidated income statement. The Group's share of retained profits and losses at the time of acquisition is included under acquisition costs of associated companies in the consolidated balance sheet.

Exceptions to the above are Tapiolan Toimitalo Oy (32.33 % holding) and As. Oy Lönnrotinkatu 28 (30.81 % holding), which are not consolidated. These non-consolidated companies have no significant impact on the Group's result or non-restricted shareholders'

equity, nor do they prevent the company from giving a true and fair view of its operations. The shares of Tapiolan Toimitalo Oy and As. Oy Lönnrotinkatu 28 are not encumbered by debt holdings. Kiinteistö Oy Agenttitalo has been consolidated based on its financial statements at 31 December 1997 since its financial statements at 31 December 1998 were not available. Consolidation of Kiinteistö Oy Agenttitalo does not significantly affect the Group's result or non-restricted shareholders' equity.

## **Changes in Group structure**

Sponda Plc's wholly owned subsidiary Sp-Sijoitus Oy's subsidiary Oy Skofaks Ab was merged with Sp-Sijoitus Oy on 30 June 1998.

## **Expenses**

These items which raise the value of a building, or which must be capitalized by law, are capitalized to leasehold improvements or additional building expenses.

Annual maintenance and repair costs are costs incurred to maintain the building or asset at its existing level.

## **Fixed assets and depreciation**

The Group's method of depreciation was changed on 1 January 1998 with the introduction of the declining balance method of depreciation. Fixed assets are valued at cost less depreciation according to plan and less possible depreciation above plan, plus capitalized costs arising from improvements.

Depreciation according to plan on buildings, machinery and equipment is calculated using the declining balance method of depreciation.

Buildings	1–3 %
Machinery and equipment in buildings	15 %
Other machinery and equipment	30 %
Other long-term assets	10 %

Machinery and equipment that are components of buildings, such as elevators and air conditioning, are included in building costs in the balance sheet.

Other items capitalized to long-term assets include computer software, asphaltting costs and the Kiinteistö Oy Kaivokatu tunnel.

**Research and development expenses**

The Group's research and development involves development of the technical facilities of its existing properties, and the development of new projects. Research and development costs are expensed in the financial year in which they occur. Development projects whose costs on completion would become part of the acquisition cost are capitalized.

**Pension expenses**

The Group has arranged statutory pension insurance for its personnel with a pension insurance company. The costs arising from pension expenses are recorded in the financial period in which they occur.

**Taxes**

Direct taxes include accrued taxes for the financial period.

Group companies have no provisions, depreciation differences or other items that would include a deferred tax liability. Accrued tax receivables in connection with loss carryforwards, non-utilized tax surplus and non-utilized computations of corporation tax have not been valued since utilization involves restrictions and uncertainty. In future years as well, the Company's dividend policy will be of central importance in offsetting losses.

**Interests accrued during construction**

The company has not capitalized any interest during construction of properties or any other interest. All interest has been expensed for the period during which it has occurred.

**Comparability**

A change in the Group's method of depreciation has affected comparability. The comparative figures for the previous year have not been adjusted to conform with the new principles.

**The new Accounting Act**

The Company will begin to apply the regulations of the new Finnish Accounting Act during its next financial period.

# Consolidated Income Statement

(FIM 1,000/Euro)	1 Jan.–31 Dec. 1998		1 Jan.–31 Dec. 1997	
	FIM	Euro	FIM	Euro
TOTAL REVENUE	342 918	57 675	2 105 079	354 049
Other operating income	76 281	12 830	108 034	18 170
Costs				
Materials and services				
Purchase during period			–25 332	–4 261
Change in inventories			–1 258 809	–211 717
Personnel expenses				
Wages and salaries	–7 562	–1 272	–6 939	–1 167
Other personnel expenses				
Pension costs	–1 724	–290	–1 298	–218
Other personnel costs	–459	–77	–346	–58
Depreciation and value writedowns				
Depreciation according to plan	–40 026	–6 732	–121 223	–20 388
Other operating costs	–92 754	–15 600	–88 555	–14 894
<b>OPERATING PROFIT</b>	<b>276 674</b>	<b>46 533</b>	<b>710 611</b>	<b>119 516</b>
Financial income and expenses				
Other interest and financial income	1 025	172	13 748	2 312
Interest expenses and other financial expenses	–60 619	–10 195	–119 350	–20 073
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>	<b>217 080</b>	<b>36 510</b>	<b>605 010</b>	<b>101 755</b>
Extraordinary items				
Extraordinary income			25 167	4 233
Extraordinary expenses			–35 393	–5 953
<b>PROFIT BEFORE PROVISIONS AND TAXES</b>	<b>217 080</b>	<b>36 510</b>	<b>594 783</b>	<b>100 035</b>
Provisions				
Change in depreciation difference			6 380	1 073
Direct taxes	–7 012	–1 179	–7 368	–1 239
Minority interest	421	71	286	48
<b>NET INCOME FOR THE FINANCIAL YEAR</b>	<b>210 490</b>	<b>35 402</b>	<b>594 080</b>	<b>99 917</b>

# Consolidated Balance Sheet

(FIM 1,000/Euro)	31 December 1998		31 December 1997	
	FIM	Euro	FIM	Euro
<b>Assets</b>				
<b>FIXED ASSETS</b>				
Intangible assets				
Other long-term expenditure	701	118	2 774	467
Tangible assets				
Land and Water	897 723	150 986	897 250	150 907
Buildings	2 461 542	414 002	2 505 970	421 474
Machinery and equipment	17 015	2 862	39 191	6 591
Other tangible assets	9 543	1 605	4 794	806
Advance payments and work in progress			3 990	671
	<u>3 385 823</u>	<u>569 455</u>	<u>3 451 194</u>	<u>580 449</u>
Investments				
Holdings in Group companies	89 850	15 112	82 181	13 822
Receivables from Group companies	77 432	13 023	225	38
Other shares and holdings	23 691	3 985	14 248	2 396
	<u>190 973</u>	<u>32 119</u>	<u>96 654</u>	<u>16 256</u>
<b>CURRENT ASSETS</b>				
Receivables				
Trade receivables	10 385	1 747	9 041	1 521
Loan receivables	326	55	61 352	10 319
Other receivables	19 740	3 320	10 410	1 751
Prepaid expenses and accrued income	988	166	5 583	939
	<u>31 440</u>	<u>5 288</u>	<u>86 386</u>	<u>14 529</u>
Securities				
Other securities			99 000	16 651
Cash and bank deposits	18 199	3 061	14 415	2 424
	<u>3 627 136</u>	<u>610 041</u>	<u>3 750 423</u>	<u>630 776</u>



(FIM 1,000/Euro)

	31 December 1998		31 December 1997	
	FIM	Euro	FIM	Euro
<b>Shareholders' equity and liabilities</b>				
SHAREHOLDERS' EQUITY				
Restricted equity				
Share capital	363 476	61 132	300 000	50 456
Share issue			566 207	95 229
Reserve fund	695 040	116 897	192 309	32 344
Non-restricted equity				
Retained earnings	1 175 256	197 664	642 967	108 139
Net income for the year	210 490	35 402	594 080	99 917
Shareholders' equity, total	<u>2 444 262</u>	<u>411 096</u>	<u>2 295 563</u>	<u>386 086</u>
Minority interest	7 167	1 205	7 409	1 246
LIABILITIES				
Long-term liabilities				
Loans from financial institutions	1 051 000	176 766	1 365 000	229 577
Other long-term liabilities	44	7	3 229	543
Short-term liabilities				
Loans from financial institutions	50 000	8 409		
Advances received	5 936	998	1 315	221
Trade payables	8 836	1 486	8 529	1 434
Other liabilities	21 450	3 608	58 596	9 855
Accrued expenses and prepaid income	38 442	6 465	10 782	1 813
Liabilities, total	<u>1 175 707</u>	<u>197 740</u>	<u>1 447 450</u>	<u>243 444</u>
	<u>3 627 136</u>	<u>610 041</u>	<u>3 750 423</u>	<u>630 776</u>

# Consolidated Cash Flow Statement

(FIM 1,000/Euro)	1 Jan.-31 Dec. 1998		1 Jan.-31 Dec. 1997	
	FIM	Euro	FIM	Euro
<b>OPERATING ACTIVITIES</b>				
Income from operations				
Operating profit before depreciation	316 701	53 265	831 835	139 905
Financial income and expenses	-59 594	-10 023	-105 602	-17 761
Extraordinary items			-10 227	-1 720
Direct taxes	-7 012	-1 179	-7 368	-1 239
<b>TOTAL</b>	<b>250 095</b>	<b>42 063</b>	<b>708 638</b>	<b>119 184</b>
<b>CHANGE IN WORKING CAPITAL</b>				
Inventories, increase (-), decrease (+)			1 258 809	211 717
Short-term receivables, increase (-), decrease (+)	-2 454	-413	-6 386	-1 074
Interest-free short-term liabilities, increase (+), decrease (-)	-4 559	-767	13 881	2 335
	-7 013	-1 179	1 266 304	212 977
Cash flow from operations	243 082	40 883	1 974 942	332 162
<b>INVESTING ACTIVITIES</b>				
Fixed asset investments	-169 760	-28 552	-1 661 331	-279 416
Proceeds from sale of fixed assets	180 245	30 315	150 647	25 337
	10 484	1 763	-1 510 685	-254 079
Cash flow before financing activities	253 566	42 647	464 257	78 082
<b>FINANCING ACTIVITIES</b>				
Long-term receivables, increase (-), decrease (+)	-19 807	-3 331	37 376	6 286
Long-term loans, increase (+), decrease (-)	-317 185	-53 347	194 015	32 631
Short-term loans, increase (+), decrease (-)	50 000	8 409	-1 249 255	-210 110
Changes in shareholders' equity			566 251	95 237
Dividend payment	-61 791	-10 392		
	-348 782	-58 661	-451 613	-75 956
<b>CHANGE IN LIQUID FUNDS</b>	<b>-95 216</b>	<b>-16 014</b>	<b>12 644</b>	<b>2 127</b>
Adjustments			286	48
	-95 216	-16 014	12 930	2 175
Liquid funds at 31 Dec. 1998/1997	18 199	3 061	113 415	19 075
Liquid funds at 1 Jan.	113 415	19 075	100 485	16 900
<b>CHANGE IN LIQUID FUNDS IN THE CONSOLIDATED BALANCE SHEET</b>	<b>-95 216</b>	<b>-16 014</b>	<b>12 930</b>	<b>2 175</b>

# Sponda Plc Income Statement

(FIM 1,000/Euro)	1 Jan.–31 Dec. 1998		1 Jan.–31 Dec. 1997	
	FIM	Euro	FIM	Euro
TOTAL REVENUE	194 764	32 757	1 970 144	331 355
Other operating income	76 749	12 908	108 034	18 170
Costs				
Materials and services				
Purchase during period			–25 332	–4 261
Change in inventories			–1 258 809	–211 717
Personnel expenses				
Wages and salaries	–5 561	–935	–4 647	–782
Other personnel expenses				
Pension costs	–1 031	–173	–898	–151
Other personnel costs	–322	–54	–212	–36
Depreciation and value writedowns				
Depreciation according to plan	–1 291	–217	–948	–159
Other operating costs	–68 876	–11 584	–87 313	–14 685
<b>OPERATING PROFIT</b>	<b>194 432</b>	<b>32 701</b>	<b>700 018</b>	<b>117 735</b>
Financial income and expenses				
Income from holdings in Group companies	136 313	22 926	2 541	427
Income from other fixed asset investments of Group companies	34 296	5 768	46 532	7 826
Other interest and financial income	816	137	9 409	1 582
Writedowns of fixed asset investments			–266 653	–44 848
Interest expenses and other financial expenses for Group companies	–22 948	–3 860	–23 929	–4 025
Interest expenses and other financial expenses	–60 344	–10 149	–189 373	–31 850
<b>PROFIT BEFORE PROVISIONS AND TAXES</b>	<b>282 565</b>	<b>47 524</b>	<b>278 545</b>	<b>46 848</b>
Extraordinary items				
Extraordinary income			41 027	6 900
<b>PROFIT BEFORE PROVISIONS AND TAXES</b>	<b>282 565</b>	<b>47 524</b>	<b>319 572</b>	<b>53 748</b>
Direct taxes	–38 168	–6 419	–6 695	–1 126
<b>NET INCOME FOR THE FINANCIAL YEAR</b>	<b>244 397</b>	<b>41 105</b>	<b>312 877</b>	<b>52 622</b>

# Sponda Plc Balance Sheet

(FIM 1,000/Euro)	31 December 1998		31 December 1997	
	FIM	Euro	FIM	Euro
<b>Assets</b>				
<b>FIXED ASSETS</b>				
Tangible assets				
Machinery and equipment	1 647	277	1 074	181
Other tangible assets	1 200	202	1 129	190
	<u>2 847</u>	<u>479</u>	<u>2 203</u>	<u>370</u>
Investments				
Holdings in Group companies	2 283 071	383 985	2 212 115	372 051
Receivables from Group companies	2 082 310	350 220	2 318 163	389 887
Holdings in associated companies	102 307	17 207	102 307	17 207
Receivables from associated companies	74 576	12 543		
Other shares and holdings	7 303	1 228	133	22
	<u>4 549 567</u>	<u>765 183</u>	<u>4 632 718</u>	<u>779 168</u>
<b>CURRENT ASSETS</b>				
Receivables				
Trade receivables	1 933	325	507	85
Loan receivables	326	55	61 015	10 262
Other receivables	393	66	35 031	5 892
Prepaid expenses and accrued income	1 071	180	6 172	1 038
	<u>3 724</u>	<u>626</u>	<u>102 725</u>	<u>17 277</u>
Securities				
Other securities			99 000	16 651
Cash and bank deposits	17 240	2 900	9 585	1 612
	<u>4 573 378</u>	<u>769 187</u>	<u>4 846 231</u>	<u>815 078</u>

(FIM 1,000/Euro)

	31 December 1998		31 December 1997	
	FIM	Euro	FIM	Euro
<b>Shareholders' equity and liabilities</b>				
SHAREHOLDERS' EQUITY				
Restricted equity				
Share capital	363 476	61 132	300 000	50 456
Share issue			566 207	95 229
Reserve fund	695 040	116 897	192 309	32 344
Non-restricted equity				
Retained earnings	1 534 723	258 122	1 283 638	215 892
Net income for the year	244 397	41 105	312 877	52 622
Shareholders' equity, total	<u>2 837 636</u>	<u>477 256</u>	<u>2 655 030</u>	<u>446 544</u>
LIABILITIES				
Long-term liabilities				
Loans from financial institutions	1 051 000	176 766	1 365 000	229 577
Short-term liabilities				
Loans from financial institutions	50 000	8 409		
Advances received	5 585	939	749	126
Trade payables	159	27	646	109
Liabilities from Group companies	597 967	100 571	773 456	130 086
Other liabilities	15 772	2 653	19 018	3 199
Accrued expenses and prepaid income	15 259	2 566	32 332	5 438
Liabilities, total	<u>1 735 742</u>	<u>291 931</u>	<u>2 191 201</u>	<u>368 534</u>
	<u>4 573 378</u>	<u>769 187</u>	<u>4 846 231</u>	<u>815 078</u>



# Sponda Plc Cash Flow Statement

(FIM 1,000/Euro)	1 Jan.-31 Dec. 1998		1 Jan.-31 Dec. 1997	
	FIM	Euro	FIM	Euro
<b>OPERATING ACTIVITIES</b>				
Income from operations				
Operating profit before depreciation	151 088	25 411	700 967	117 894
Financial income and expenses	88 132	14 823	-373 494	-62 817
Extraordinary items			41 027	6 900
Direct taxes	-38 168	-6 419	-6 695	-1 126
<b>TOTAL</b>	<b>201 053</b>	<b>33 815</b>	<b>361 805</b>	<b>60 851</b>
<b>CHANGE IN WORKING CAPITAL</b>				
Inventories, increase (-), decrease (+)			1 258 809	211 717
Short-term receivables, increase (-), decrease (+)	38 312	6 444	301 954	50 785
Interest-free short-term liabilities, increase (+), decrease (-)	-3 248	-546	-24 995	-4 204
	35 064	5 897	1 535 768	258 298
<b>Cash flow from operations</b>	<b>236 117</b>	<b>39 712</b>	<b>1 897 573</b>	<b>319 149</b>
<b>INVESTING ACTIVITIES</b>				
Fixed asset investments	-99 796	-16 785	-990 531	-166 596
Proceeds from sale of fixed assets	64 370	10 826	115 357	19 402
	-35 426	-5 958	-875 175	-147 194
<b>Cash flow before financing activities</b>	<b>200 691</b>	<b>33 754</b>	<b>1 022 398</b>	<b>171 955</b>
<b>FINANCING ACTIVITIES</b>				
Long-term receivables, increase (-), decrease (+)	221 966	37 332	-427 542	-71 907
Long-term loans, increase (+), decrease (-)	-314 000	-52 811	365 000	61 389
Short-term loans, increase (+), decrease (-)	-138 211	-23 245	-1 509 185	-253 827
Share issue			566 207	95 229
Dividend payment	-61 791	-10 392		
	-292 036	-49 117	-1 005 520	-169 116
<b>CHANGE IN LIQUID FUNDS</b>	<b>-91 345</b>	<b>-15 363</b>	<b>16 878</b>	<b>2 839</b>
Liquid funds at 31 Dec. 1998/1997	17 240	2 900	108 585	18 263
Liquid funds at 1 Jan.	108 585	18 263	91 707	15 424
<b>CHANGE IN LIQUID FUNDS IN THE CONSOLIDATED BALANCE SHEET</b>	<b>-91 345</b>	<b>-15 363</b>	<b>16 878</b>	<b>2 839</b>

# Notes to the Income Statement and Balance Sheet

	Group 1998	Group 1997	Sponda plc 1998	Sponda plc 1997
<b>1) Total revenue</b>				
Sales of marketable securities	0	1 806 310	0	1 806 310
Dividend income	0	66 608	0	66 608
Real estate income	342 918	232 161	194 764	97 226
Total	<u>342 918</u>	<u>2 105 079</u>	<u>194 764</u>	<u>1 970 144</u>
<b>2) Other operating income</b>				
Result of sales of real estate shares and restructuring	76 281	108 034	76 749	108 034
<b>3) Balance of securities trading</b>				
Sales of marketable securities	0	1 806 310	0	1 806 310
Costs of marketable securities	0	1 284 141	0	1 284 141
	<u>0</u>	<u>522 169</u>	<u>0</u>	<u>522 169</u>
<b>4) Personnel expenses and fringe benefits</b>				
Salaries and wages	7 562	6 939	5 561	4 647
Fringe benefits	522	389	327	204
Other personnel expenses	3 546	2 381	2 586	1 664
Total	<u>11 630</u>	<u>9 709</u>	<u>8 474</u>	<u>6 515</u>
<b>5) Depreciation according to plan</b>				
Intangible rights	78	555	0	0
Other long-term expenses	983	1 276	657	557
Buildings and structures	34 119	107 517	0	0
Machinery and equipment	4 847	7 285	634	391
Sold real estate companies	0	4 590	0	0
Total	<u>40 026</u>	<u>121 223</u>	<u>1 291</u>	<u>948</u>
Change in depreciation difference				
Buildings and structures	0	6 231	0	0
Machinery and equipment	0	149	0	0
Other long-term expenses	0	0	0	0
	<u>0</u>	<u>6 380</u>	<u>0</u>	<u>0</u>
<b>6) Financial income from Group companies</b>				
Dividend income			136 313	2 541
Interest income from long-term investments			34 296	42 857
Total			<u>170 609</u>	<u>45 398</u>
Interest expenses			22 948	23 929

## 7) Extraordinary income and expenses

Neither the Group nor the parent company had extraordinary income or expenses in 1998. Extraordinary income in 1997, FIM 25.2 million, included the effects of changes in accounting principles concerning the periodization of rents tied to net sales (FIM 3.8 million), profits on the sale of fixed assets (FIM 2.0 million), and compensation of FIM 16.2 million which a court of arbitration required Sampo Insurance Company to pay to Sponda Oy.

Consolidated extraordinary expenses in 1997, FIM 35.4 million, included writedowns of fixed assets and receivables (FIM 30.8 million) and losses from the sale of fixed assets (FIM 4.3 million).

## 8) Shares and holdings owned by the Group and parent company

Group companies	Group share of equity (FIM 1,000)	Parent company holding, %	Shares owned by parent company		
			No.	Nominal value (FIM 1,000)	Book value (FIM 1,000)
Sp-Sijoitus Oy, Helsinki	695 926	100	15183308	303 666	634 654
Koy Mannerheimintie 6, Helsinki	30 306	0	0		
Koy Piispanpiha, Helsinki	22 126	0	0		
Koy Turunlinnantie 12, Helsinki	17 723	0	0		
Koy Kauppakeskus Itäkeskus Oy, Helsinki	180 985	100	180000	180 000	250 800
Koy Itämarket, Helsinki	21 039	0	0		
Koy Vartiokaari, Helsinki	15 858	0	0		
Koy Vartiokulma, Helsinki	2 719	0	0		
Koy Vartiokumpu, Helsinki	58 344	0	0		
Koy Vartiopolku, Helsinki	75 015	0	0		
Koy Vartiopuisto, Helsinki	22 813	0	0		
Tamsoil Oy, Tampere	40 434	100	500000	10 000	93 925
Drawer Oy, Tampere	12				
Tamforest Oy, Anjalankoski	60				
Tamsilva Oy, Anjalankoski	60				
Tamwell Oy, Tampere	60				
Inkeröisten Koekeskus, Anjalankoski	17				
Pihtisulku Oy, Tampere	61				
Messukylän Kattila Oy, Tampere	9				
Messukylän Turpiini Oy, Tampere	14				
Koy Koskikastanja, Tampere	50				
Koy Koskipoppeli, Tampere	50				
Koy Koskivaahtera, Tampere	50				
Koy Koskilehmus, Tampere	50				
Koy Koskipihlaja, Tampere	50				
<b>Real estate companies</b>					
Arkadiankatu 6, Helsinki,	53	100	26744	53	53
Backaksenpelto, Vantaa	8 057	100	15000	90	13 152
Bulevardi 1, Helsinki	46 346	100	5400	5 400	47 100
Dianapuisto, Helsinki	2 031	100	3734	500	57 108
Dianankulma, Helsinki	26 541	100	3100	1 550	28 550
Espoon Juvanpuisto, Espoo	30 626	100	11787	118	44 322
Hauki, Helsinki	17 054	100	9140	29 979	92 702
Helsingin Erottajanmäki, Helsinki	49 993	100	150	15	52 113
Hämeenportin Yritystalo, Vantaa	1 647	100	17840	107	1 606
Hämeenkatu 23, Tampere	54	100	7784	54	54
Iso-Roobertinkatu 21–25, Helsinki	40 867	91	6490	157	44 993
Kaivokatu 12, Helsinki	85 338	100	12315	51 723	88 773
Karjalan Kauppakeskus, L:ranta	5 470	100	150	500	24 935
Keskuskatu 1 B, Helsinki	61 520	100	150	15	63 169

Group companies	Group share of equity (FIM 1,000)	Parent company holding, %	Shares owned by parent company		
			No.	Nominal value (FIM 1,000)	Book value (FIM 1,000)
Kluuvikatu 8, Helsinki	95 272	100	9949	69 643	100 374
Komentajankatu 1, Espoo	5 817	100	15000	90	6 083
Korkeavuorenkatu 45, Helsinki,	54	100	3830	54	54
Koskipaju, Tampere	25 000	100	25000	25 000	25 400
Koskituomi, Tampere	4 160	100	500	500	3 485
Lönkka, Helsinki	1 762	100	1000	500	28 147
Lönnrotinkatu 29, Helsinki	4 095	100	1375	5 053	18 004
Malmin Yritystalo, Helsinki	2 102	100	10000	500	7 480
Mannerheimintie 2, Helsinki	84 825	100	7800	7 800	86 992
Mansku 4, Helsinki	20 396	100	10000	10 000	82 366
Miestentie, Espoo	24 160	100	15000	1 500	60 960
Olarintörmä, Espoo	4 805	100	7 500	105	12 068
Perkkaan Upseerikatu 1, Espoo	17 519	100	12783	10 047	24 780
Poijupuisto, Espoo	6 187	100	4065	8 585	12 804
Robert Huberintie 2, Vantaa	7 036	100	8475	10 170	12 726
Sinikalliontie 10, Espoo	17 331	100	4243	424	34 511
SRK-Kiinteistöt, Helsinki	100	100	100000	100	100
Turunlinnantie 10, Helsinki	67 499	100	15000	15	131 545
Ulappatori, Espoo	31 813	100	4326	11 220	52 933
Kesk.kiint. Vanha Jämerä Oy, Helsinki	15 058	100	6779	847	44 200
Yrjönkatu 16, Helsinki	50	100	500	50	50
<b>Total</b>					<b>2 283 071</b>

#### Other fixed asset shares and holdings of the parent company

	Group share of equity (FIM 1,000)	Parent company holding, %	Shares owned by parent company		
			No.	Nominal value (FIM 1,000)	Book value (FIM 1,000)
Helsingin Puhelin Oy			4		16
Golfsarfvik Oy			1		112
As. Oy Tampereen Pellava		12.07	67 310	67	7 175
<b>Total</b>					<b>7 303</b>

#### Other Group companies

Ulappapaikointus Oy, Espoo	3 135
Perkkaanpuiston Paikoitustalo II, Espoo	3 639

#### Associated companies

Kiinteistö Oy Agenttitalo, Helsinki	5 171	32.017	32017	32	25 000
Kiinteistö Oy Länsi-Keskus, Helsinki	68 496	38.90	116992	10 529	17 307
As. Oy Lönnrotinkatu 28, Helsinki	4 095	30.81			
Tapiolan Toimitalo Oy, Espoo ja	39 458	32.33	9576	23 940	60 000
Tapiolan Pysäköintitalo			22		
<b>Total</b>					<b>102 307</b>

#### Other fixed asset shares and holdings of the Group

	No.	Nominal value (FIM 1,000)	Book value (FIM 1,000)	Holding %
Finlandia Center Inc.	57	USD 57	3 863	7.98
Oy Kamppiparkki Ab	25	500	3 997	3.04
Kiint.Oy Helsingin Uudenmaankatu 16–20	292	23	1 800	0.47
Tampereen Pellavankulma Oy	6249		5 565	11.16
Kiinteistö Oy Massun Parkki	31		630	2.83
Other companies in which less than 5.00 % holding			534	2.83
			<b>16 388</b>	

**9) Tangible and intangible assets****(FIM 1,000)**

	<b>Group 1998</b>	<b>Group 1997</b>	<b>Parent company 1998</b>	<b>Parent company 1997</b>
<b>Intangible rights</b>				
Acquisition cost at 1 Jan.	5 477	11 198	0	0
Increases 1 Jan.–31 Dec.	335	24	0	0
Decreases 1 Jan.–31 Dec.	<u>2 330</u>	<u>5 745</u>	<u>0</u>	<u>0</u>
Acquisition cost at 31 Dec.	3 482	5 477	0	0
Accumulated depreciation according to plan at 31 Dec.	<u>-2 781</u>	<u>-2 703</u>	<u>0</u>	<u>0</u>
Book value at 31 Dec.	<u>701</u>	<u>2 774</u>	<u>0</u>	<u>0</u>
<b>Land and water areas</b>				
Acquisition cost at 1 Jan.	966 320	516 467	0	0
Increases 1 Jan.–31 Dec.	36 707	531 385	0	0
Decreases 1 Jan.–31 Dec.	<u>36 933</u>	<u>81 531</u>	<u>0</u>	<u>0</u>
Acquisition cost at 31 Dec.	966 094	966 320	0	0
Accumulated depreciation above plan at 31 Dec.	<u>-68 371</u>	<u>-69 071</u>	<u>0</u>	<u>0</u>
Book value at 31 Dec.	<u>897 723</u>	<u>897 250</u>	<u>0</u>	<u>0</u>
<b>Revaluations in land and water areas</b>				
Revaluations at 1 Jan.	5 230	5 230	0	0
Decreases 1 Jan.–31 Dec.	<u>-1 000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Revaluations at 31 Dec.	<u>4 230</u>	<u>5 230</u>	<u>0</u>	<u>0</u>
<b>Buildings and structures</b>				
Acquisition cost at 1 Jan.	3 750 381	2 763 705	0	0
Increases 1 Jan.–31 Dec.	107 730	1 089 359	0	0
Decreases 1 Jan.–31 Dec.	<u>266 874</u>	<u>102 682</u>	<u>0</u>	<u>0</u>
Acquisition cost at 31 Dec.	3 591 237	3 750 381	0	0
Accumulated depreciation according to plan at 31 Dec.	<u>-911 412</u>	<u>-877 243</u>	<u>0</u>	<u>0</u>
Accumulated depreciation above plan at 31 Dec.	<u>-218 283</u>	<u>-367 168</u>	<u>0</u>	<u>0</u>
Book value at 31 Dec.	<u>2 461 542</u>	<u>2 505 970</u>	<u>0</u>	<u>0</u>
Difference between maximum and planned depreciation at 1 Jan.	0	6 231	0	0
Decrease in depreciation difference 1 Jan.–31 Dec.	<u>0</u>	<u>-6 231</u>	<u>0</u>	<u>0</u>
Difference between maximum and planned depreciation at 31 Dec.	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Revaluations in acquisition cost of buildings</b>				
Revaluations at 1 Jan.	0	2 000	0	0
Increases 1 Jan.–31 Dec.	8 699	0	0	0
Decreases 1 Jan.–31 Dec.	<u>0</u>	<u>-2 000</u>	<u>0</u>	<u>0</u>
Revaluations at 31 Dec.	<u>8 699</u>	<u>0</u>	<u>0</u>	<u>0</u>



<b>(FIM 1,000)</b>	<b>Group 1998</b>	<b>Group 1997</b>	<b>Parent company 1998</b>	<b>Parent company 1997</b>
<b>Machinery and equipment</b>				
Acquisition cost at 1 Jan.	140 730	119 132	2 573	2 344
Increases 1 Jan.–31 Dec.	1 690	22 959	1 208	234
Decreases 1 Jan.–31 Dec.	18 870	1 361	1	5
Acquisition cost at 31 Dec.	<u>123 550</u>	<u>140 730</u>	<u>3 780</u>	<u>2 573</u>
Accumulated depreciation according to plan at 31 Dec.	<u>-106 535</u>	<u>-101 539</u>	<u>-2 133</u>	<u>-1 500</u>
Book value at 31 Dec.	<u>17 015</u>	<u>39 191</u>	<u>1 647</u>	<u>1 074</u>
Difference between maximum and planned depreciation at 1 Jan.				
	0	149	0	0
Decrease in depreciation difference 1 Jan.–31 Dec.				
	<u>0</u>	<u>-149</u>	<u>0</u>	<u>0</u>
Difference between maximum and planned depreciation at 31 Dec.				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other long-term expenses</b>				
Acquisition cost at 1 Jan.	8 446	6 270	3 077	3 520
Increases 1 Jan.–31 Dec.	6 237	2 706	1 230	87
Decreases 1 Jan.–31 Dec.	507	531	502	531
Acquisition cost at 31 Dec.	<u>14 177</u>	<u>8 446</u>	<u>3 804</u>	<u>3 077</u>
Accumulated depreciation according to plan at 31 Dec.	<u>-4 634</u>	<u>-3 651</u>	<u>-2 605</u>	<u>-1 947</u>
Book value at 31 Dec.	<u>9 543</u>	<u>4 794</u>	<u>1 200</u>	<u>1 129</u>

Other long-term expenses include planning costs of projects in progress totalling FIM 932,306.95 on 31 December 1998.

#### 10) Taxation values of fixed assets

<b>Taxation values (FIM 1,000)</b>	<b>Group 1998</b>	<b>Group 1997</b>	<b>Parent company 1998</b>	<b>Parent company 1997</b>
Land	701 075	838 291	0	0
Buildings	1 153 182	1 242 491	0	0
Shares and holdings	74 153	75 859	2 215 520	1 937 994

In the absence of an available taxation value, the book value is used.

#### 11) Long-term investments and loan receivables/Group and associated companies

<b>(FIM 1,000)</b>	<b>Parent company 1998</b>	<b>Parent company 1997</b>
Group companies		
Shares	<u>2 283 071</u>	<u>2 212 115</u>
Associated companies		
Shares	102 307	102 307
Loan receivables	<u>74 576</u>	<u>57 400</u>
Total	<u>176 883</u>	<u>159 707</u>

#### 12) Current assets

<b>(FIM 1,000)</b>	<b>Group 1998</b>	<b>Group 1997</b>	<b>Parent company 1998</b>	<b>Parent company 1997</b>
Receivables due in one year or later				
Loan receivables	<u>2 806</u>	<u>57 625</u>	<u>2 082 310</u>	<u>2 375 563</u>

**13) Receivables and liabilities/Group and associated companies**

<b>(FIM 1,000)</b>	<b>Parent company 1998</b>	<b>Parent company 1997</b>
Long-term loan receivables/Group companies	2 082 310	2 375 563
Long-term loan receivables/Associated companies	74 576	57 400
Prepaid expenses and accrued income/Group companies	1 066	4 114
Other receivables/Group companies	0	26 020
Cash and bank deposits/Group companies	17 240	9 459
Long-term liabilities/Group companies		
Accrued expenses and prepaid income/Group companies	2 335	30 219
Other short-term liabilities/Group companies	597 967	773 456

**14) Shareholders' equity**

<b>(FIM 1,000)</b>	<b>Group 1998</b>	<b>Group 1997</b>	<b>Parent company 1998</b>	<b>Parent company 1997</b>
Share capital at 1 Jan.	300 000	300 000	300 000	300 000
Rights issue 26 Jan. 1998	63 476	0	63 476	0
	<u>363 476</u>	<u>300 000</u>	<u>363 476</u>	<u>300 000</u>
Share issue				
Rights issue, share of share capital	0	63 476	0	63 476
Share of reserve fund	0	502 731	0	502 731
	<u>0</u>	<u>566 207</u>	<u>0</u>	<u>566 207</u>
Reserve fund at 1 Jan.	192 309	192 309	192 309	192 309
Rights issue 26 Jan. 1998	502 731	0	502 731	0
Reserve fund at 31 Dec.	<u>695 040</u>	<u>192 309</u>	<u>695 040</u>	<u>192 309</u>
Non-restricted equity at 1 Jan.	1 237 047	642 923	1 596 514	1 283 638
Change in translation difference of subsidiaries	0	44	0	0
Dividend payment	-61 791	0	-61 791	0
Net income for the year	210 490	594 080	244 397	312 877
	<u>1 385 746</u>	<u>1 237 047</u>	<u>1 779 120</u>	<u>1 596 514</u>

**15) Debts due in five years or later**

<b>(FIM 1,000)</b>	<b>Group 1998</b>	<b>Group 1997</b>	<b>Parent company 1998</b>	<b>Parent company 1997</b>
Merita Bank Ltd	390 000	390 000	390 000	390 000
Leonia Bank Ltd, promissary note loans	475 000	475 000	475 000	475 000
	<u>865 000</u>	<u>865 000</u>	<u>865 000</u>	<u>865 000</u>

**Debts and credit limits will mature as follows:**

<b>Maturity</b>	<b>MFIM</b>	<b>Average interest, % 31 December 1998</b>
1999	50.00	3.565
2000	50.00	3.565
2001	300.00	3.532
2002	50.00	3.565
2003	25.00	3.565
2004	440.00	5.689
2005	50.00	5.675
2006	350.00	5.675
	<u>1315.00</u>	

### Interest on fixed-interest debt

The average interest rates on all debts on 31 December 1998 was 4.87 % and the average maturity was 5.4 years.

<b>Fixed-interest loans</b>		<b>MFIM</b>	<b>Interest</b>
3 years	fixed	450.00	5.675
6 years	fixed	390.00	5.545
		<u>840.00</u>	

A credit limit of FIM 250.00 million will mature during 2001. On 31 December 1998 FIM 36.0 million of this credit facility was in use.

### 15) Contingent liabilities

Assets pledged and contingent liabilities

<b>(FIM 1,000)</b>	<b>Group 1998</b>	<b>Group 1997</b>	<b>Parent company 1998</b>	<b>Parent company 1997</b>
a) For own debts				
Pledged shares for book value	65 000	65 000	1 372 686	1 024 217
Mortgages on land and buildings	0	35 373	0	0
b) For Group companies' debts				
Pledged shares for book value	981 908	578 550	0	0
Mortgages on land and buildings	1 015 504	803 004	0	0
c) Chattel mortgages	10 000	10 000	10 000	10 000
d) For others				
Mortgages on land and buildings	22 048	59 060	0	0
Excludes liabilities on behalf of shareholders, management and their family members.				
e) Other own liabilities				
Leasing liabilities	271	332	0	0
Renting liability	1 790	1 790	0	0
f) Total				
Pledges	1 047 908	643 549	1 373	1 024 217
Mortgages on land and buildings	1 037 552	897 437	0	0
Chattel mortgages	10 000	10 000	10	10 000
Other liabilities	2 061	2 122	0	0

#### g) Easements

In the Kauppakeskus Itäkeskus group, the site has been built as part of the Kauppakeskus complex and therefore the site has several site and building easements. These easements, including their rights and obligations, are described in an Easements Agreement signed on 25 September 1992. The easements came into force in 1995.

# Key Ratios

Key ratios	31 Dec. 1998 FIM	31 Dec. 1997 FIM	31 Dec. 1998 Euro
Net sales, million	342.92	2 105.07	57.68
Operating profit, million	276.67		46.53
as % of net sales	80.68		
Profit before extraordinary items, provisions and taxes, million	217.08		36.51
as % of net sales	63.3		
Profit before provisions and taxes, million	217.08		36.51
as % of net sales	63.3		
Gross investments in fixed assets, million	169.76	1 661.33	28.55
as % of net sales	49.50	78.9	
Shareholders' equity per share	33.52	31.47	5.64
Earnings per share	2.90	8.23	0.49
Return on investments, %	7.7	19.9	
Return on equity, %	8.9	34.6	
P/E ratio	10.24		1.72
Equity ratio, %	67.7	61.4	
Gearing, %	44.2	54.5	
Dividend *	1.00		
Payout ratio *, %	34.5		
Effective dividend yield *, %	3.4		

\* Proposal of the Board of Directors

The comparative figures in 1997 are only those which have been calculated from the balance sheet at 31 December 1997 since the key ratios for the year are not comparable owing to the concentration of the Company's real estate activities and its listing on the Helsinki Exchanges from 1 June 1998.

## Calculation of Key Ratios

<b>Return on equity, %</b>	= $\frac{\text{Profit before extraordinary items} - \text{taxes}}{\text{Shareholders' equity} + \text{depreciation difference} + \text{appropriations} + \text{minority interest} - \text{deferred tax liability (average during the year)}}$
<b>Return on investment, %</b>	= $\frac{\text{Profit before extraordinary items} + \text{interest expenses and other financial expenses}}{\text{Balance sheet total} - \text{interest-free debt (average during the year)}}$
<b>Equity ratio, %</b>	= $\frac{\text{Shareholders' equity} + \text{minority interest} + \text{appropriations} - \text{deferred tax liability}}{\text{Balance sheet total} - \text{advances received}}$
<b>Earnings per share</b>	= $\frac{\text{Profit before extraordinary items, provisions and taxes} -/+ \text{minority interest} - \text{taxes}}{\text{Average adjusted number of shares during the year}}$
<b>Gearing, %</b>	= $\frac{\text{Interest-bearing liabilities} - \text{cash and bank deposits}}{\text{Shareholders' equity} + \text{minority interest}}$
<b>Market capitalization</b>	= Number of outstanding shares on the balance sheet date times the adjusted, trade volume weighted average share price on the balance sheet date
<b>Average price</b>	= $\frac{\text{Total trading in Finnish markka}}{\text{Average number of shares traded during the year}}$
<b>Payout ratio, %</b>	= $\frac{\text{Dividend per share}}{\text{Earnings per share}}$
<b>Effective dividend yield, %</b>	= $\frac{\text{Dividend per share}}{\text{Adjusted closing price on the balance sheet date}}$
<b>P/E ratio</b>	= $\frac{\text{Adjusted closing price on the balance sheet date}}{\text{Earnings per share}}$

# Board of Directors' Proposal

According to the balance sheet on 31 December 1998 the Group's non-restricted shareholders' equity totalled FIM 1,385,745,974.04.

According to the balance sheet on 31 December 1998 the Parent Company's non-restricted shareholders' equity

totalled FIM 1,779,120,403.40.

The Board of Directors proposes to the Annual General Meeting that a dividend of FIM 1.00 per share be paid, i.e. FIM 72,695,219.00 and that the remainder, FIM 171,701,869.39, be carried forward.

Helsinki, 12 February 1999

SPONDA PLC  
Board of Directors

Raine Vairimaa    Jarmo Väisänen    Heikki Bergholm    Jorma Heinonen    Heikki Hyppönen    Jarmo Kilpelä

Kari Kolu  
President and CEO

The foregoing financial statements have been prepared in accordance with generally accepted accounting standards in Finland. We have today submitted our auditors' report.

Helsinki, 15 February 1999

KPMG Wideri Oy Ab  
Authorized Public Accountants  
Eero Suomela, APA

Raija-Leena Hankonen, APA

## Auditors' Report

### To the shareholders of Sponda Plc

We have audited the accounts, the accounting records and the administration of Sponda Plc for the financial year 1 January–31 December 1998. The accounts prepared by the Board of Directors and the President include a report on operations, an income statement, a balance sheet and notes to the accounts. We provide our opinion on the accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Finland. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluated the overall financial statement presentation. The purpose of our audit of the administration has been to examine that

the Board of Directors and the President have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the non-restricted shareholders' equity is in compliance with the Finnish Companies Act.

We have also reviewed the interim reports published by the Company during the financial year. In our opinion they have been prepared in accordance with the relevant regulations.

Helsinki, 15 February 1999

KPMG Wideri Oy Ab  
Authorized Public Accountants  
Eero Suomela, APA

Raija-Leena Hankonen, APA



# Corporate Administration and Management

## Board of Directors

**Raine Vairimaa**, 50, Lic. LL  
Chairman since 1996  
Budget Counsellor  
Ministry of Finance

**Jarmo Väisänen**, 47, Lic. Pol.Sc.  
Deputy Chairman since 1996  
Financial Counsellor  
Ministry of Finance

**Heikki Bergholm**, 42, M.Sc. (Eng.)  
Member since 1998  
Managing Director  
Lassila & Tikanoja Group

**Jorma Heinonen**, 50, M.Sc. (Eng.)  
Member since 1996  
Director  
State Real Property Authority

**Heikki Hyppönen**, 53, B.Sc. Econ.  
Member since 1997  
Chief Executive Officer  
Merita Real Estate Ltd

**Jarmo Kilpelä**, 42, M.Sc. (Econ.)  
Member since 1996  
Financial Counsellor  
Ministry of Finance

## Corporate Management

**Kari Kolu**, 42  
President and CEO

**Tapani Väljä**, 43  
CFO and Deputy to the President

**Veikko Majava**, 54  
Director, Properties

**Arto Asikainen**, 51  
Itäkeskus Shopping Mall  
President

**Jaakko Holkeri**, 52  
Tamsoil Oy  
President



Sponda Plc's Board of Directors. Front row, from left: Raine Vairimaa and Jarmo Väisänen. Back row, from left: Jarmo Kilpelä, Jorma Heinonen, Heikki Bergholm and Heikki Hyppönen.

## Auditors

KPMG Wideri Oy AB authorized  
public accountants  
**Raija-Leena Hankonen** APA  
Deputy auditor  
**Ora Lyytikäinen** APA

## Personnel



Sponda Group employees. Front row, from left: Gunilla Söderström, Raila Harjala, Liisa Salo, Virpi Mäkelä, Ulla Tiainen, Pirkko Autio, Laila Keto-Lassas and Eila Isotalo. Back row, from left: Mauri Ranta, Sirpa Kakkonen, Jyrki Jaatinen, Arto Asikainen, Anne Simonen, Timo Vihavainen, Raili Wilkman, Terttu Mattila, Riitta Riihimäki, Veikko Majava, Raili Kaasinen, Riitta Lamminmäki, Mika Valtonen, Tiina Ryyppö, Jaakko Holkeri, Kari Kolu, Kirsi Teperi, Tapani Väljä, Eino Karhapää, Jyrki Palos, Teemu Nurminen ja Martti Nevalampi.

On 31 December 1998 the company had 29 employees. The average age of the employees was 44 and the average period of employment since the inception of the company was 6.3 years. Sixteen of the employees were female and 13 were male.

### **Sponda Group structure**

The Sponda Group comprises the parent company, Sponda Plc, together with the Tamsoil and Kauppakeskus Itäkeskus subgroups, 35 wholly owned property companies and six associated companies.

Sponda also owns Sp-Sijoitus Oy, which owns three property companies.

The Kauppakeskus-Itäkeskus subgroup is a wholly owned subsidiary of Sponda Plc which owns and manages the six property companies

in the Itäkeskus Shopping Mall. It has six employees.

The Tamsoil subgroup is a wholly owned subsidiary of Sponda Plc which owns and manages 13 property companies. It has one employee.

# Summary of Real Estate Portfolio

The table below summarizes key statistics relating to Sponda's real estate portfolio as of 31 December 1998.

## Central Helsinki

Property address	How acquired	Area (m <sup>2</sup> )					Total m <sup>2</sup>	Year originally constructed	Economic occupancy rate 1998	
		Office m <sup>2</sup>	Retail m <sup>2</sup>	Industrial/warehouse m <sup>2</sup>	Hotel m <sup>2</sup>	Other m <sup>2</sup>			% m <sup>2</sup>	% FIM
Arkadiankatu 4–6	M	15 733	4 834	4 671	0	2 056	27 294	1977	100.0	100.0
Bulevardi 1	M	1 935	395	35	0	256	2 621	1890	100.0	100.0
Erottajankatu 5	M	2 630	161	189	0	187	3 165	1910	97.9	99.4
Erottajankatu 7	S	1 631	886	448	0	698	3 662	1988	91.2	88.3
Eteläesplanadi 22	S	6 375	1 897	707	0	0	8 979	1940	99.0	99.2
Iso Roobertinkatu 21–25	A	3 585	796	2 559	0	763	7 703	1965/1984	76.2	89.1
Kaivokatu 12	A	3 462	1 785	0	6 246	0	11 493	1911	100.0	100.0
Keskuskatu 1 B	M	1 979	735	241	0	0	2 955	1920	80.0	77.0
Kluuvikatu 8	A	0	0	0	9 750	0	9 750	1930	100.0	100.0
Korkeavuorenkatu 45	A	2 033	472	784	0	540	3 828	1912	100.0	100.0
Lönnrotinkatu 27	M	3 745	758	466	0	0	4 969	1938	69.8	77.9
Lönnrotinkatu 28	S	2 725	402	218	0	0	3 345	1938	82.8	83.5
Lönnrotinkatu 29	S	0	1 558	63	1 244	313	3 177	1903	100.0	100.0
Mannerheimintie 2	M	2 127	751	813	0	0	3 691	1978	100.0	100.0
Mannerheimintie 4	M	2 619	1 604	982	0	0	5 205	1965	82.7	76.4
Mannerheimintie 6	P	1 219	2 156	497	0	0	3 872	1870	79.3	70.1
Yrjönkatu 16	M	1 737	588	271	0	801	3 397	1898	98.2	98.5
<b>Total Central Helsinki</b>		<b>53 533</b>	<b>19 776</b>	<b>12 942</b>	<b>17 240</b>	<b>5 612</b>	<b>109 102</b>		<b>93.8</b>	<b>94.7</b>

## Greater Helsinki

Property address	How acquired	Area (m <sup>2</sup> )					Total m <sup>2</sup>	Year originally constructed	Economic occupancy rate 1998	
		Office m <sup>2</sup>	Retail m <sup>2</sup>	Industrial/warehouse m <sup>2</sup>	Hotel m <sup>2</sup>	Other m <sup>2</sup>			% m <sup>2</sup>	% FIM
Elannonatie 5, Vantaa	S	4 920	1 606	390	0	205	7 120	1991	99.2	98.9
Juvan Teollisuuskatu 23, Espoo	S	3 532	0	8 147	0	111	11 789	1974	100.0	100.0
Kivenlahdenkatu 1, Espoo	S	2 855	811	0	0	34	3 700	1992	58.5	55.8
Komentajankatu 5, Espoo	S	4 232	0	183	0	0	4 415	1991	100.0	100.0
Länsituulentie 6, Espoo	S	2 338	375	1 225	0	0	3 938	1979	100.0	100.0
Malminkaari 10, Helsinki	S	617	109	3 190	0	105	4 020	1989	69.6	48.1
Mestarintie 6, Vantaa	S	898	0	3 632	0	102	4 632	1991	100.0	100.0
Miestentie 3, Espoo	S	5 049	0	0	0	581	5 630	1984	100.0	100.0
Olarinluoma 14, Espoo	S	1 798	210	5 264	0	179	7 450	1989	100.0	100.0
Pihatörmä 1, Espoo	E	10 175	0	181	0	276	10 632	1991	100.0	100.0
Piispanportti 12, Espoo	P	4 701	0	431	0	0	5 132	1991	100.0	87.5
Robert Huberin tie 2, Vantaa	M	2 526	433	3 883	0	0	6 842	1989	100.0	100.0
Sinikalliontie 10, Espoo	S	3 805	211	183	0	91	4 289	1989	100.0	100.0
Ulappakatu 1, Espoo	S	1 083	3 185	302	0	243	4 813	1990	97.2	98.9
Upseerinkatu 1, Espoo	S	10 129	0	2 101	0	782	13 011	1988	100.0	100.0
<b>Total Greater Helsinki</b>		<b>58 657</b>	<b>6 938</b>	<b>29 109</b>	<b>0</b>	<b>2 707</b>	<b>97 410</b>		<b>97.0</b>	<b>96.3</b>

## Itäkeskus

Property address	How acquired	Area (m <sup>2</sup> )					Total m <sup>2</sup>	Year originally constructed	Economic occupancy rate 1998	
		Office m <sup>2</sup>	Retail m <sup>2</sup>	Industrial/warehouse <sup>2</sup>	Hotel m <sup>2</sup>	Other m <sup>2</sup>			% m <sup>2</sup>	% FIM
Itäkeskus	S, M	10 583	62 450	9 541	0	1 810	84 384	1984/1992	99.4	99.8
Turunlinnantie 12	P	2 350	1 886	125	0	163	4 524	1985	100.0	100.0
<b>Total Itäkeskus</b>		<b>12 933</b>	<b>64 336</b>	<b>9 666</b>	<b>0</b>	<b>1 973</b>	<b>88 908</b>		<b>99.4</b>	<b>99.8</b>

## Tampere

Property address	How acquired	Area (m <sup>2</sup> )					Total m <sup>2</sup>	Year originally constructed	Economic occupancy rate 1998	
		Office m <sup>2</sup>	Retail m <sup>2</sup>	Industrial/warehouse <sup>2</sup>	Hotel m <sup>2</sup>	Other m <sup>2</sup>			% m <sup>2</sup>	% FIM
Etu-Hankkionkatu 1–9	S	0	0	39 459	0	0	39 459	1957	100.0	100.0
Hämeenkatu 23	M	1 554	6 045	374	0	0	7 973	1905	98.9	99.8
Kelloportinkatu 2 (Koskipaju)	S	3 613	0	824	0	0	4 437	1963	100.0	100.0
Pihtisulunkatu 9	S	3 390	0	3 072	0	334	6 796	1990	63.1	63.5
<b>Total Tampere</b>		<b>8 557</b>	<b>6 045</b>	<b>43 729</b>	<b>0</b>	<b>334</b>	<b>58 665</b>		<b>95.6</b>	<b>95.5</b>

## Other

Property address	How acquired	Area (m <sup>2</sup> )					Total m <sup>2</sup>	Year originally constructed	Economic occupancy rate 1998	
		Office m <sup>2</sup>	Retail m <sup>2</sup>	Industrial/warehouse <sup>2</sup>	Hotel m <sup>2</sup>	Other m <sup>2</sup>			% m <sup>2</sup>	% FIM
Brahenkatu 3, Lappeenranta	S	0	6 908	1 551	0	0	8 459	1987	93.1	96.5
Inkeröisten Koekeskus, Anjalankoski	S	0	0	6 245	0	0	6 245	1988	100.0	100.0
<b>Total other</b>		<b>0</b>	<b>6 908</b>	<b>7 796</b>	<b>0</b>	<b>0</b>	<b>14 704</b>		<b>96.0</b>	<b>97.3</b>

<b>Total portfolio <sup>(3)</sup></b>		<b>133 679</b>	<b>104 003</b>	<b>103 242</b>	<b>17 240</b>	<b>10 626</b>	<b>368 789</b>		<b>96.4</b>	<b>97.3</b>
---------------------------------------	--	----------------	----------------	----------------	---------------	---------------	----------------	--	-------------	-------------

## New construction/development

Property address	How acquired	Area (m <sup>2</sup> )					Total m <sup>2</sup>	Year originally constructed	Economic occupancy rate 1998	
		Office m <sup>2</sup>	Retail m <sup>2</sup>	Industrial/warehouse <sup>2</sup>	Hotel m <sup>2</sup>	Other m <sup>2</sup>			% m <sup>2</sup>	% FIM
Kelloportinkatu 2	S, E	0	0	0	0	0	10 180	1890		
Kelloportinkatu 2 (Koskituomi)	S, E	0	0	0	0	0	4 240	1920		

(1) Key:

(S) Part of portfolio acquired from Skopbank 1991–1992

(M) Acquired through the Merita acquisition in December 1997

(A) Acquired through the Arsenal acquisition in December 1997

(E) Acquired through the Exofennica acquisition in December 1997

(P) Acquired from The Pohjola Group in August 1998

(2) Consists of residential space and space for other purposes

(3) Excludes new construction/development properties



# Addresses

## **Sponda Plc**

P.O. BOX 22  
00931 Helsinki  
Itäkatu 1 b, Third Floor  
Telephone (09) 680 581  
Telefax (09) 6805 8222

## **Kauppakeskus Itäkeskus Oy**

P.O. BOX 22  
00931 Helsinki  
Itäkatu 1 b, Third Floor  
Telephone (09) 680 581  
Telefax (09) 339 779

## **Tamsoil Oy**

P.O. BOX 554  
33101 Tampere  
Kelloportinkatu 1 B  
Telephone 0205 444 990  
Telefax 0205 444 991

# Information for shareholders

## **Annual General Meeting**

Sponda Plc's Annual General Meeting in 1999 will be held at 5pm on 9 March 1999 in the Diana auditorium at Erottajankatu 5, Helsinki. Attendance at the Annual General Meeting must be notified no later than by 4 pm on 5 March 1999. Shareholders who are entered in the company's register of shareholders kept by the Finnish Central Securities Depository (FCSD) no later than on 4 March 1999 are entitled to attend the Annual General Meeting.

## **Payment of dividend**

The Board of Directors will propose to the Annual General Meeting that a dividend of FIM 1.0 per share be paid on 1998. The dividend decided upon by the Annual General Meeting shall be paid to a shareholder who on 12 March 1999, i.e. the date of record confirmed by the Board of Directors for distribution of dividends, is entered in the public shareholders' register kept by the FCSD. The Board of Directors will propose to the Annual General Meeting that the dividend be paid at the end of the settlement period on 19 March 1999.

## **Changes of name and address**

Shareholders are kindly requested to notify any change of address to the bank or to the FCSD, whichever holds the shareholder's book-entry securities account.

## **Financial bulletins**

Sponda will publish the following Interim Reports during 1999:

Interim Report for January–March 1999  
29 April 1999

Interim Report for January–June 1999  
19 August 1999

Interim Report for January–September 1999  
20 October 1999

Sponda additionally publishes regular press releases on the monthly sales for stores in Itäkeskus Shopping Mall.

To receive these bulletins and press release please contact: Sponda Plc, Corporate Communications, P.O. Box 22, FIN-00931 Helsinki, Finland.

Tel +358-9-680 581, Fax +358-9-343 3399

E-mail: [laila.keto-lassas@sponda.fi](mailto:laila.keto-lassas@sponda.fi)

The annual report, interim reports and financial press releases are published in Finnish and English.

The following banking groups and stockbrokers have announced that they conduct investment analyses of Sponda's business operations. Sponda is not responsible for the assessments in these analyses:

Aktia Securities  
Alfred Berg Finland Oy Ab  
D Carnegie AB Finland  
Credit Lyonnais  
Deutsche Bank  
Enskilda Securities  
Evli Securities Plc  
Handelsbanken Markets  
HSBC  
Leonia Oyj Investment Research  
Mandatum Stockbrokers Ltd  
Merita Securities Plc  
Morgan Stanley Dean Witter  
Opstock Ltd.

The terms 'Sponda', 'the company' and 'the Group' refer to the entire Sponda Group. The name Sponda Plc refers to the parent company of the Sponda Group.