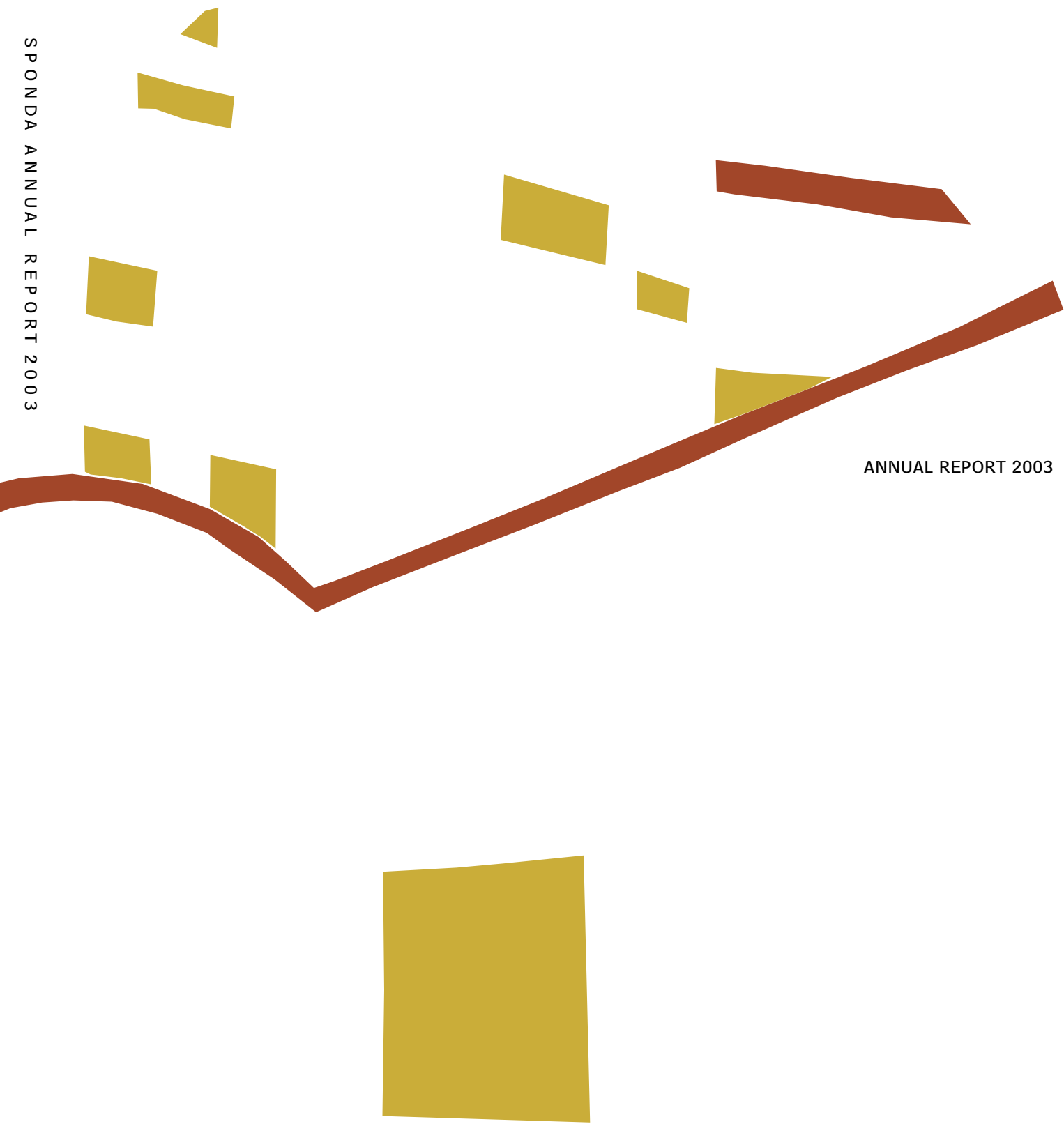


Sponda

ANNUAL REPORT 2003



SPONDA ANNUAL REPORT 2003

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04/2003

Sponda sold its 4,000 m² office building at Kellonportinkatu 2 in Tampere for EUR 8 million.

06/2003

Sponda began marketing its Upseerin Avenue 30,000 m² office complex in Leppävaara, Espoo, after renovation to render it suitable for a variety of tenants.

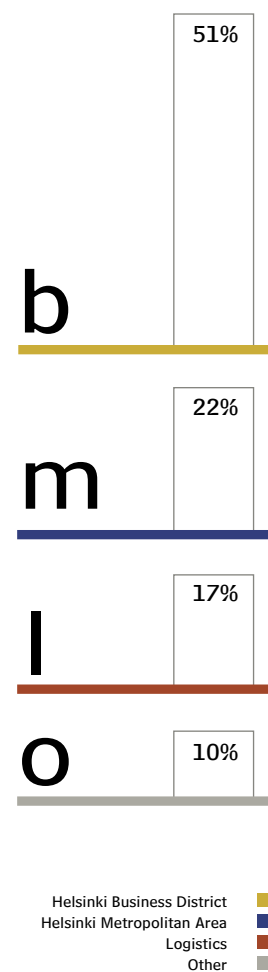
SPONDA IN BRIEF

- ▶ SPONDA PLC IS A PROPERTY INVESTMENT COMPANY SPECIALIZING IN BUSINESS PREMISES IN THE HELSINKI METROPOLITAN AREA • SPONDA'S BUSINESS CONCEPT IS TO CREATE OPERATING ENVIRONMENTS THAT PROMOTE THE SUCCESS OF ITS CLIENTS • SPONDA'S PROPERTY PORTFOLIO HAS A MARKET VALUE OF APPROXIMATELY EUR 1.2 BILLION AND A TOTAL LEASABLE AREA OF ABOUT 800,000 M² • SPONDA HAD 52 EMPLOYEES AT THE END OF 2003 • SPONDA IS THE LARGEST REAL ESTATE INVESTMENT COMPANY LISTED ON THE HELSINKI STOCK EXCHANGE • THE MARKET CAPITALIZATION OF SPONDA'S SHARE CAPITAL ON 31 DECEMBER 2003 WAS EUR 519 MILLION •

KEY FIGURES	2003	2002
Shareholder's equity per share, EUR	6.33	6.81
NAV/share, EUR	8.35	8.73
Earnings per share, EUR	0.39	0.97
Return on equity, %	6.0	12.4
P/E ratio	16.9	5.6
Equity ratio, %	45.4	52.9
Gearing, %	116.8	82.7
Dividend, EUR	0.30 ⁾	0.90
Payout ratio, %	76.9 ⁾	92.8
Effective dividend yield, %	4.5 ⁾	16.5
Market capitalization, EUR million	519	437

⁾ Board's proposal

Net leasing income by business area 2003



10/2003

The first renovated section at the tunnel level of the City-Center complex is completed. This 1,100 m² shopping arcade with 10 retail stores is part of the City-Center's new look.

Sponda sells the property at Kiinteistö Oy Lönnrotinkatu 29 (known locally as Vanha Poli) for EUR 6.4 million.

11/2003

Sponda purchases the 8,400 m² Aleksi-Hermes property for EUR 53 million from the OKO bank group. The property, on the corner of Aleksanterinkatu and Keskuskatu streets, extends Sponda's holdings in the City-Center block to Aleksanterinkatu street itself.

Helsinki Business District ■
Helsinki Metropolitan Area ■
Logistics ■
Other ■

Chief Executive's Review



KARI KOLU

■ ■ 2003 was a good year for real estate investment in Finland despite growth in the volume of vacant premises. The activity of foreign investors in the Finnish real estate market has increased substantially as last year more international operators entered the market than at any time in the past. It was Sponda that took the initiative, selling the Itäkeskus Shopping Mall in January 2002 to Dutch investors Wereldhave. This deal is still the largest single real estate sale in the history of this sector in Finland. Wereldhave expanded further in Finland during 2003 with the purchase of the Stockmann property in Tapiola. Further evi-

dence of international interest is the German IVG Immobilien AG's purchase of 85% of Polar Real Estate. Nordisk Renting was sold to the Royal Bank of Scotland, while Skandrenting, a Swedish property leasing company, increased its portfolio in Finland. Citycon's principal owners sold 75% of Citycon's share capital, mainly to foreign investors. And I could mention several more examples. Has the property business finally gained acceptance as an interesting investment activity in Finland?

PROPERTY FUNDS ENLIVEN THE MARKET

At a recent real estate and building industry seminar, Finland's minister of finance Ms Ulla-Maj Wideroos noted that the ministry is reviewing a possible change to legislation on real estate mutual funds that would make investing in such funds tax-neutral compared with direct property investments. In other words, the idea is to put pro-

“Foreign investors have been active in the Finnish real estate market.”

professionally managed and owned property portfolios into the same position with respect to tax as direct property holdings now have.

The real estate mutual fund law as it stands does not work since no such funds have yet been established. If Finland adopted the tax-neutral model, the property market would gain many new investors.

SPONDA STRENGTHENS HELSINKI CBD

Several large property development projects are in the pipeline in the centre of Helsinki, including Sponda's City-Center. A number of business centres are already in operation or under construction just a stone's throw away from the City-Center. The entire area is like one giant shopping complex and the City-Center can only further strengthen its appeal. I believe all the renovation and development projects in Helsinki Central Business District will boost the attraction of the city centre in relation to the largest regional complexes and shopping malls in the Helsinki metropolitan area.

The pole position of the City-Center complex, Sponda's most important development project, was given a further boost in December when Sponda purchased the Hermes building on the corner of Aleksanterinkatu and Keskuskatu streets. Hermes gives consumers an uninterrupted choice of shopping arcades from City-Center all the way to Aleksanterinkatu. In fact we are in the habit of saying that via City-Center pedestrians can walk with dry feet from the railway station all the way to Aleks. For the City-Center's business tenants, both offices and retail premises, it is 'business as usual' throughout the renovation project as the building is being kept open to consumers. City-Center is also part of the public street network with approximately 400,000 customers walking through its arcades every week.

SPONDA AND ITS CLIENTS

The Sponda property manager is Sponda's single, central link with its clients in all matters related to their property. This includes marketing and leasing

business premises, signing agreements, and managing repairs and services.

Sponda's way of working – a single point of contact – demands a wider than usual spectrum of professional skills from its property managers since they must be adept at both marketing and managing their properties. It takes several years of training in Sponda to reach the position of property manager. Clients gain the greatest benefit from this system since it guarantees reliability and ease of contact. Close relations are further promoted through client meetings held twice a year. These bring together all the parties concerned – clients, service providers, the property managers – providing a forum

“All renovation and development projects increase the appeal of Helsinki city centre.”

for them to meet face to face instead of simply by e-mail. Sponda people make every effort to get to know their clients and their businesses. Sponda's goal is to create operating environments where people are happy to work.

THANKS TO OUR EMPLOYEES AND SHAREHOLDERS

I thank Sponda's staff for their outstanding work during the year. It is to your credit that we reached a good result despite the slightly weaker business conditions. I should also like to thank our loyal shareholders for the confidence you continue to place in us.



Kari Kolu

Business Conditions

■ ■ ECONOMIC GROWTH WILL ACCELERATE IN 2004 AND THE REAL ESTATE SECTOR EXPECTS LOWER VACANCY RATES IN 2005

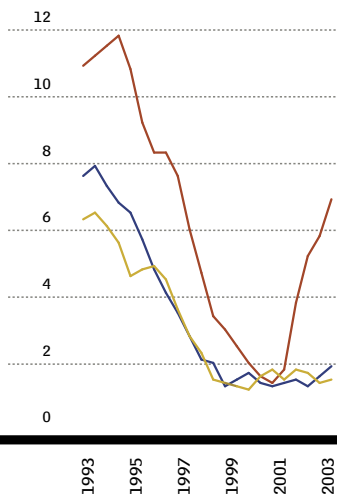
Finland's economic growth has accelerated, but the Research Institute of the Finnish Economy (ETLA) believes the upturn will not become fully visible until 2005. The real estate sector cannot realistically expect any improvement in vacancy rates until then because, although export demand will strengthen in 2004, investment activity will not pick up until 2005. ETLA has made a slight upward revision in its forecast for Finland's GDP growth, which now stands at 2.7% for next year. Inflation is forecast to

be moderate, settling at 1%. In the labour market, Finland's workforce will contract and unemployment is expected to fall to 8.9%.

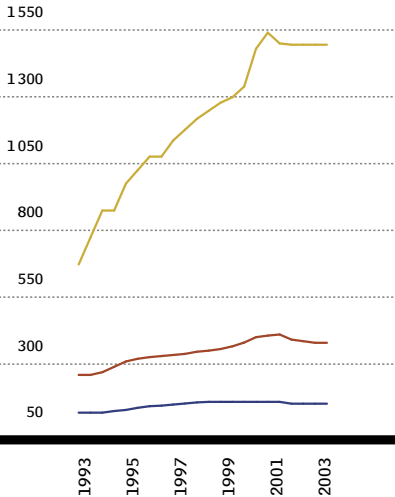
ABUNDANT SUPPLY OF VACANT BUSINESS PREMISES IN THE HMA

The volume of vacant business premises rose steadily throughout 2003, according to an estimate by Catella Property Consultants Ltd. The market survey for spring 2004 indicates that the vacancy rate in the Helsinki Metropolitan Area is some 8%. In the prevailing market conditions, companies have a wide choice when considering new business

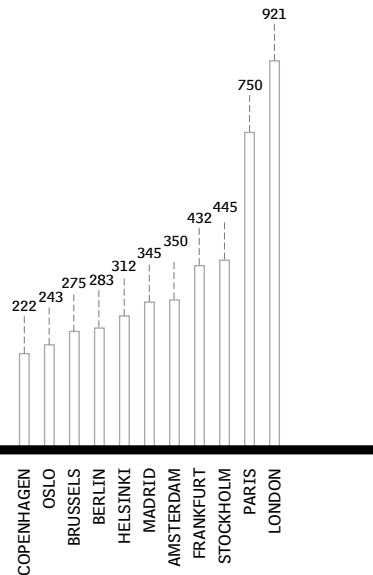
Vacancy rate, %
Helsinki Metropolitan Area



Rental levels, €/m²/year
Helsinki Metropolitan Area



Prime office rents ^{*)}
in Europe, €/m²/year



Source: Catella Property Consultants Ltd, spring 2004

^{*)} Normal rent for quality buildings in CBD area

premises. For retail and logistics premises, however, the occupancy rate is high and the vacancy rate is roughly 2%.

Prime rents in the Helsinki Metropolitan Area remained stable throughout 2003, and no rise is evident.

The amount of new business space under construction in the Helsinki Metropolitan Area represents about 1.4% of the entire stock of real estate, while natural wastage is estimated to be around 2%. Most new construction is for retail premises, for which rents have been buoyant and vacancy rates low.

SPONDA ACTIVE INTERNATIONALLY

Sponda is a member of the European Public Real Estate Association (EPRA) and Sponda's President and CEO is a member of EPRA's Management Board. Most leading European real estate investment companies and institutions belong to EPRA, which was founded in 1991. EPRA updates and develops recommendations for best practices in financial reporting and corporate governance, and addresses IAS requirements in the real estate business. The Association also produces high-calibre investor information and creates an analytical framework that provides a basis for discussion in the real estate business. EPRA publishes a monthly statistics bulletin containing the main real estate indices.

MODERNIZING TECHNOLOGIES AND WORKING PRACTICES

Sponda is contributing financially to the Productive Office 2005 project being conducted by the National Technology Agency and the Institute of Occupational Health. Innotalo, a property owned by Sponda, was the site selected for research into the effect of external factors, such as quality of air, on work productivity.

'Hajate' is a project for distributing a ventilation system throughout a building so that each floor

has its own ventilation equipment. Sponda's work group reviewed the opportunities for implementing the system in properties that are being renovated.

Sponda participated in a study conducted by the Construction Economics and Management labora-

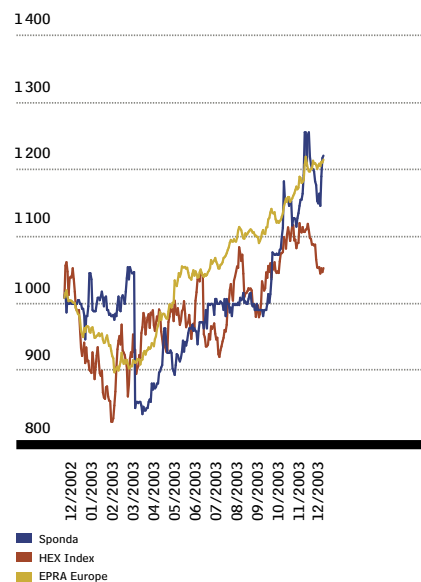
“Rents for prime business premises in the Helsinki Metropolitan Area have remained stable.”

tory of Helsinki University of Technology aimed at developing the organization and quality control of services provided to business premises. Focusing on user services, the study produced specifications and instructions for quality control that are currently being applied in practice in business operations. Companies are increasingly shedding resources not essential to their core businesses and focusing on core operations. Full exploitation of business opportunities and comprehensive quality control will be crucial for business success in the future.

Sponda uses service logs and a maintenance system that sets out the servicing procedures and long-term maintenance plans for each property. Almost all of Sponda's buildings have an electronic service log. This is a tool for daily maintenance and it also records the week's programme and maintenance plans. All maintenance work, job control and follow-up actions relating to the property are documented in it.

Sponda and the energy company E.ON Finland Oyj signed a full-service agreement on electricity procurement in 2003, the first of its kind in Finland. Its advantages are a comprehensive billing and a stable price level. Sponda's customers pay a single invoice for electrical energy and electricity transmission. They also benefit from the economies of scale that Sponda can negotiate through its large electricity portfolio.

EPRA Europe^{*)}, Sponda and HEX portfolio indices



Source: European Public Real Estate Association (EPRA), HEX and Catella, spring 2004

^{*)} The EPRA Europe Index measures the total returns performance of 79 publicly listed European property companies. The Index is based at 1,000 index points as at 31 December 2002.

Sponda Plc

GROSS PROFIT FROM LEASING OPERATIONS

MEUR	2003	2002
Revenue	100.4	100.7
Operating expenses	-24.3	-25.8
Net operating income	76.1	74.9
Depreciation and writedowns	-14.6	-15.8
Gross profit	61.5	59.1

- ■ Sponda Plc focuses on business premises in the Helsinki Metropolitan Area. The market value of Sponda's property portfolio is EUR 1.2 billion and it covers a total leasable area of roughly 800,000 m². Sponda is the largest property investment company on the Helsinki Exchanges. The number of employees totalled 52 employees at the end of 2003.

BUSINESS CONCEPT, VISION AND STRATEGY

Sponda aims to be the most trustworthy and competent company in the real estate sector, offering its clients a business relationship that fully meets their needs. Sponda's business concept is to develop office, retail and logistics premises into business environments that provide tenants with the best possible working conditions for success. Sponda concentrates on large real estate entities. These are City-Center and Havis Business Center in Helsinki Business District, Upseerin Avenu in Espoo, and Honkatalo in Vantaa.

Sponda's success lies in the success of its clients. The company's competitive strength is its ability to offer clients 'one-stop shopping' in property matters. The Sponda property manager is a partner in all aspects related to the client's property, whether this be marketing of the premises, drawing up contracts, organizing repairs and providing basic services. Working in continuous and close co-operation, the property manager's experience of the client's requirements with respect to the property grows all the time. An operating environment that efficiently serves the tenant's needs also makes for greater profitability and a pleasant working atmosphere for employees. The large size of Sponda's property entities enables the company to develop new business environments with the most reputable service providers in the business.

IMPACT OF CHANGES IN REAL ESTATE CAPITAL ON THE GROSS PROFIT 2003

MEUR	Properties sold	Properties bought
Rental revenue	0.6	0.2
Operating expenses	-0.1	0.0
Depreciation	0.0	-0.1
Gross profit	0.5	0.1



	Total	HELSINKI BUSINESS DISTRICT	HELSINKI METROPOLITAN AREA	LOGISTICS	OTHER
Rental revenue	100.4	50.9	21.8	17.7	10.0
Operating expenses	-24.3	-12.0	-5.3	-4.9	-2.1
Net operating income	76.1	38.9	16.5	12.8	7.9
Book value of properties 31 Dec. 2002	1 028.8	601.0	210.8	143.6	73.4
Development projects in progress	-19.7	-10.9	-3.7	-5.1	0.0
Investments 2003	81.4	68.3	7.4	5.3	0.4
Divestments 2003	-10.8	-5.2	0.0	0.0	-5.6
Depreciation	-14.6	-6.9	-3.3	-3.0	-1.4
Book value 31 Dec. 2003	1 065.1	646.3	211.2	140.8	66.8
Annualized net operating income / book value at 31 Dec. 2003	7.4%	6.5%	8.0%	9.1%	11.5%
Market value of properties 31 Dec. 2003	1 241.1	734.3	252.9	170.0	83.9
Annualized net operating income / market value 31 Dec. 2003	6.4%	5.7%	6.6%	7.5%	9.2%
New acquisitions	59.2	55.9	3.3	0.0	0.0
Construction	2.0	2.0	0.0	0.0	0.0
Maintenance	14.2	5.4	3.1	5.3	0.4
Tenant improvements	6.0	5.0	1.0	0.0	0.0
Investments	81.4	68.3	7.4	5.3	0.4
Maintenance (capitalized)	14.2	5.4	3.1	5.3	0.4
Maintenance (expensed)	4.6	2.5	0.8	1.0	0.3
Total	18.8	7.9	3.9	6.3	0.7
Tenant improvements (capitalized)	6.0	5.0	1.0	0.0	0.0
Tenant improvements (expensed)	1.0	0.6	0.2	0.1	0.1
Total	7.0	5.6	1.2	0.1	0.1

Sponda Plc

▶ SCOPE OF OPERATIONS

Sponda has chosen office, retail and logistics premises in the Helsinki Metropolitan Area as its area of focus. The total leasable area of the company's properties is roughly 800,000 m² and some 90% of Sponda's net operating income comes from the Helsinki Metropolitan Area, where Sponda owns 70 properties including 23 in Helsinki Business District. Sponda's properties are all located in thriving commercial locations with excellent transport communications.

SPONDA'S BUSINESS AREAS

Sponda has divided its properties into three business areas, based on their primary function, and three regional areas. The business areas are offices, retail premises and logistics properties. The regional areas are Helsinki Business District (the city centre), Helsinki Metropolitan Area (the outlying areas of Helsinki plus Espoo and Vantaa), and Logistics Properties in Helsinki Metropolitan Area. The regional breakdown also includes the properties Sponda owns outside the Helsinki Metropolitan Area.

“Customers’ impressions of Sponda have developed in a positive direction.”

Sponda's core business is creating an optimal operating environment for its clients. The appeal of its properties is further enhanced by the services provided in each property, its other tenants, good transport connections and the services available close by. Tenants appreciate working in Sponda properties not only because they are well managed but because the area around the property is clean, well lit, safe, and easy to access.

LARGE PROPERTY COMPLEXES

Sponda has chosen four large property complexes for special development. City-Center includes the so-called Makkaratalo and Aleksi-Hermes. The Havis Business Center, close to the market, is a building bordering on Unioninkatu, Eteläinen Makasiininkatu and Fabianinkatu streets. Havis Business Center is currently being refurbished and converted for use by several tenants.

The third large complex, Upseerin Avec close to the Leppävaara railway station in Espoo, is an of-

ECONOMIC OCCUPANCY RATE 31 DECEMBER 2003

Property type	%	Business area	%
Office	87.9	Helsinki Business District	89.3
Retail	93.6	Helsinki Metropolitan Area	86.0
Logistics	89.7	Logistics	86.7
		Other	94.4
Average	88.6	Average	88.6

By predominant use of each property.

office complex with outstanding transport connections. Greater Leppävaara is a large developing area in Espoo that is easily reached by city train and also major trunk roads (Kehätie and Länsiväylä). The fourth large complex, the Honkatalo logistics centre in Hakkila, offers both office premises and large logistics facilities including parking and loading/unloading areas. Hakkila is an ideal location for the future as it lies close to the main routes to and from the new Vuosaari freight harbour now under construction.

INVESTMENT PROPERTIES

Besides these large complexes Sponda owns a number of individual properties that form an important part of its real estate portfolio. They include the Bensow building, Innotalo, the Seurahuone

building and four properties on Mannerheimintie in prime locations in Helsinki Business District. Sponda derives considerable benefit from the close proximity of these and another 20 buildings, for example when purchasing maintenance services. Size is also an advantage for the individual client.

Sponda's office properties in Helsinki Metropolitan Area are located in Espoo, and in the suburbs of Helsinki. Greater Leppävaara is one of the fastest growing districts of Espoo and Sponda's properties there are strategically well situated.

Sponda's largest logistics centre is in Hakkila, Vantaa. The company's logistics properties elsewhere in Finland include large distribution centres with high occupancy rates.

AREA FOR LEASE 31 DECEMBER 2003 BY BUSINESS AREA

	Area, m ²	%
Helsinki Business District	243 016	30.0
Helsinki Metropolitan Area	161 792	20.0
Logistics	235 202	29.0
Other	170 891	21.0
Total	810 901	100.0

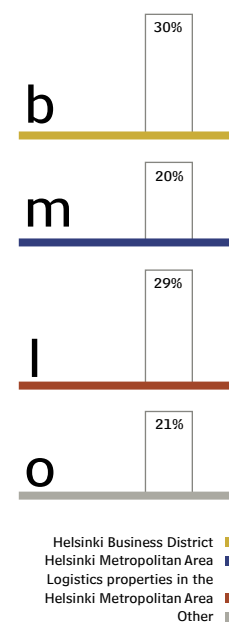
By actual leasable area.

AREA FOR LEASE 31 DECEMBER 2003 BY PROPERTY TYPE

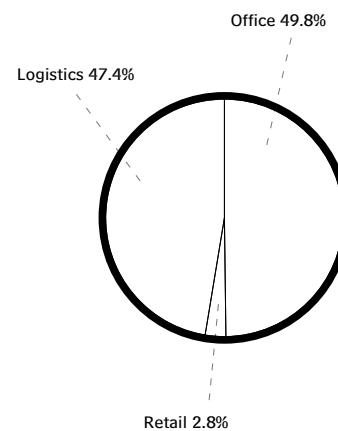
	Area, m ²	%
Office	403 816	49.8
Retail	22 851	2.8
Logistics	384 234	47.4
Total	810 901	100.0

By predominant use of each property.

Area for lease
by business area



Area for lease
by property type





Sponda's Clients

HELSINKI • ESPOO • VANTAA

Sponda's client-centred way of working is based on the competences of its property managers and an in-depth knowledge of the Helsinki metropolitan area.

Sponda's clients operate in all sectors of business. Retail, banking and investment companies generate almost one-half of Sponda's rental income. These are followed by logistics, construction, transport, other services, IT, media and publishing, while the remainder operate in the catering, hotel, industrial, healthcare and public administration sectors.

Sponda owns some 800,000 m² of leasable office, retail and logistics premises in Helsinki Metropolitan Area. At the end of 2003 the company had 626

clients and 1,047 leases, and the total value of the leases amounted to roughly EUR 406 million.

PREMISES OF ALL SIZES

Clients' needs range from a small kiosk to a corporate head office. Sponda can offer leasable business premises of varying sizes in Helsinki, Espoo and Vantaa. The company could communicate this fact more widely because, although Sponda is one of the largest property leasing companies in Helsinki Metropolitan Area, it is not well known as a provider of different types of office premises.

The Seurahuone building at Kaivokatu 12 in Helsinki's central business district. Property manager Mika Valtonen (right) and property accountant Riitta Mäkelä are a working team responsible for taking care of the client and managing the financial side of this property.





MODERN TECHNOLOGY FOR 100-YEAR-OLD GRANITE BUILDING

Property manager Mika Valtonen has been closely involved in the development of the Seurahuone building on Kaivokatu street in Helsinki. The office premises have been fully renovated and improvements are planned for Hotel Seurahuone.

MV > “This monolithic 100-year-old granite structure is the work of architect Armas Lindgren. Half of the premises in the property belong to Hotel Seurahuone – the office wing occupies a quarter of the building and the rest is used for commercial and other purposes. In the renovation, completed in 2001, we modernized all the technical facilities in the office wing. We were under certain constraints in this work because this building is subject to a protection order and we were therefore not allowed to change the façade, for example. But that didn’t stop us updating all the facilities while staying faithful to the original spirit of this old building. By technical facilities I mean cooling, air conditioning and heat recovery,” Mika Valtonen describes. “We worked very closely with Helsinki City Museum and the project was a fascinating journey for me personally into Finland’s architectural history.”

MV > “When the two food retail chains HOK and Elanto were merged, Elanto pulled out of Seurahuone and Sponda signed a 15-year lease with Restel Oy at the beginning of 2004,” Valtonen continues. “Hotel Seurahuone is relatively small, with only 118 rooms. Together with Restel we are improving the hotel and especially its restaurant facilities. Seurahuone is the oldest hotel in Helsinki and its fittings and furnishings are extremely valuable. As a property, too, it is unique – there is no other building like it in the country, especially as a property investment,” Mika Valtonen emphasizes.

MV > “The property’s 600-square-metre ground floor is still unused and we would like to convert it for commercial use. We have submitted our rezoning plans and are waiting now for their approval. The same applies to the sauna rooms on the top floor, which we intend to turn into offices. As to access, the building is in an outstanding location right in the city centre between the bus and railway stations.”

▶ The Upseerin Avec building near Leppävaara railway station in Espoo is a good example of how Sponda has developed a large property previously occupied by one company into a multi-purpose facility for many tenants with differing needs. Upseerin Avec’s development included a new main entrance and additional conference facilities and a restaurant. It now provides leasable office premises and also business services for small- and medium-sized enterprises.

MEETINGS INCREASE CLIENT SATISFACTION

Informal meetings with clients became a part of Sponda’s normal business practice during 2003. Twice a year clients, service providers and Sponda’s representatives meet around the same table to discuss together what can be further improved. The meetings have lowered the threshold for making

contacts, and clients have clearly stated they believe the exchange of information has improved. Clients also meet service providers’ personnel at meetings and can give feedback – positive and negative – directly to the person responsible for the work.

Sponda conducts a client satisfaction survey once a year. The results in autumn last year showed an improvement in all the areas reviewed. Clients were more satisfied with their premises, service providers and Sponda’s property managers than one year earlier. Moreover, their impression of Sponda as a company had changed from neutral to positive. The Finnish Institute for Real Estate Economics (KTI) performed the survey and 17 companies in the real estate business participated in the comparison. Sponda was ranked 2nd in the rating for overall satisfaction with the property owner, compared to 4th place in 2002.

In 2004 Sponda will focus on enhancing client relationship management. The property manager's role is decisive and this was reflected in the client satisfaction survey. In addition to regular client meetings, clients receive Sponda's newsletter twice a year. Sponda also carefully monitors how they settle in, and informs clients of Sponda's activities. Moreover, Sponda's extranet 'Spondanet' enables clients to contact Sponda right away when any problems arise.

The target for 2004 is to form a better overall view of the client base and to ensure that information about clients is quickly available in useful format.

Action in this context will include upgrading of the client database. Keeping data on over 600 clients and hundreds of potential clients and applicants up to date is a challenging project, but both clients and Sponda benefit from knowing future needs for premises and starting to plan in good time.

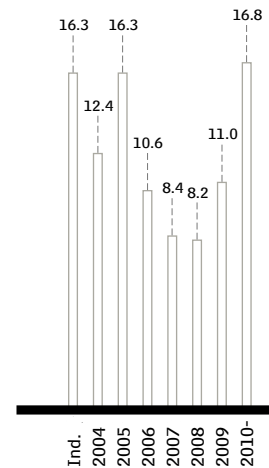
NEW-LEASING TEAM CO-ORDINATES LEASING ACTIVITIES

Established around one year ago, Sponda's new-leasing team (USVA) supports property managers and co-ordinates applications for premises. USVA focuses on providing good service to estate agents and potential clients. USVA offers the client a single point of contact for information about all available premises, and a package of information about them. Feedback on the quality and scope of the presentation material has been purely positive.

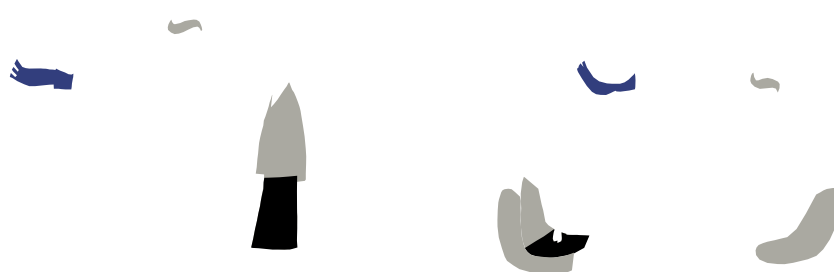
CUSTOMERS BY BUSINESS SECTOR

Sector	% of rental income
Retail	29
Banks/Investment	18
Building/Logistics/Transport	11
Other services	10
Telecoms/Media/Publishing	8
Hotel and catering	7
Industry/Manufacturing	6
Healthcare/Training	5
Public sector	5
Energy	1
Total	100

Expiration of lease agreements, %



Property manager, clients and service providers meet regularly.



b

Gross profit from leasing operations, MEUR	2003	2002
Revenue	50.9	51.3
Operating expenses	-12.0	-12.7
Net rental income	38.9	38.6
Depreciation and writedowns	-6.9	-8.1
Gross profit	32.0	30.5



Helsinki Business District

HELSINKI CENTRAL BUSINESS DISTRICT • HELSINKI BUSINESS DISTRICT

Helsinki Business District keeps its appeal, generating over one-half of Sponda's net operating income.

Altogether 23 properties are located in Sponda's HBD (Helsinki Business District) business area. These properties are situated in the Helsinki Central Business District (H CBD), the Erottaja district, the Havis Business Center in the Kaartinkaupunki district, and along the Lönnrotinkatu and Kalevankatu streets in the Kamppi district.

Property assets in the Helsinki Business District generated 51% of Sponda's net operating income and the aggregate leasable area in HBD accounted

for 30% of Sponda's leasable area. The economic occupancy rate was 89.3%.

OCCUPANCY RATE IN HBD SATISFACTORY

The occupancy rate in Helsinki Business District is good, especially for retail premises. In Sponda's properties at Mannerheimintie 2, 4 and 6 retail space is in demand but office premises are on offer. Some office space is vacant in the HBD properties needing renovation. Sponda always seeks to make the repairs and modifications needed and requested

The Havis Business Center on Unioninkatu, Eteläinen Makasiininkatu and Fabianinkatu streets in Helsinki city centre. Property manager Eino Karhapää (right) and property accountant Raija Tähkä are occupied full-time on development of the Havis Business Center. Originally a bank, the property is being converted into premises suitable for office businesses.





HAVIS BUSINESS CENTER INVIGORATES KAARTINKAUPUNKI DISTRICT

One of Sponda's Helsinki city centre domains is the Havis Business Center, a large complex comprising the properties at Unioninkatu 18, 20, 22 and 24, along with Fabianinkatu 19, 21 and 23. Property manager Eino Karhapää is responsible for this real estate entity.

E K > "Development of this complex, which covers over 40,000 square metres, is a full-time job. Havis Business Center has until now been occupied by only one company. Turning it into premises suitable for a number of users requires extensive technical work," he describes.

E K > "The first stage is a project with the Palace Restaurants covering roughly 3,000 square metres. This plan calls for converting the original bank foyer into a restaurant able to accommodate a banquet for 1,000 guests, as well as corporate shareholder meetings and large seminars, for example. During the day the same restaurant will provide lunches but with the option of an à la carte menu as well. A bistro restaurant will be built at the corner of Unioninkatu and Pohjoinen Makasiininkatu streets that will be open from morning till night. Construction begins in March and the restaurants should be opened to the public in autumn this year," Eino Karhapää says.

E K > "But that's not all," he goes on. "We will also turn the original lunch restaurant on the 7th floor into office space. Sponda had been planning a street-level restaurant all along. Palace got interested in the idea and a letter of intent was signed in December 2003. It has been immensely productive that we've been able to plan the project together with the end user. We want to inject more life into the Havis Business Center area and Palace, who are acknowledged professionals in the restaurant and catering business, could not be a better partner."

► by its clients. Decisions to lease are taking far longer to make and demand for smaller office premises has grown. There were no appreciable changes in rent levels during the year. Office space is vacant at Eteläesplanadi 22 in the Hauki block. Keskuskatu 1 B and Korkeavuorenkatu 45 are fully leased. The fully refurbished retail premises in Korkeavuorenkatu street are leased to two new businesses, Ristorante Gastone and Hobboks, the latter a bookstore that specializes in hobby books.

The office buildings at Erottajankatu 5 and 7 and the retail stores on the ground floor are fully leased. The property at Iso Roobertinkatu 21–25 is also fully leased apart from some basement space. The basement was converted to accommodate 15 soundproofed practice rooms for musicians, which are leased to Bänditalli Oy.

Parking availability in Helsinki Business District is good. When the car park in Kasarmintori square is completed, the district will have parking space for approximately 3,600 cars: 600 in Erottaja, 400 in Kasarmintori, 390 in KaisaPark, 720 in Kluuvi, 1,000 in Forum and 490 in Eliel. Convenient parking enhances the appeal of centrally located properties and increases the volume of shoppers.

HAVIS BUSINESS CENTER WILL STIMULATE THE KAARTINKAUPUNKI DISTRICT

The Havis Business Center is one of Sponda's principal development projects. The property complex is close to Kauppatori's Havis Amanda statue, between Unioninkatu street and Fabianinkatu street. The aim is to offer small- and medium-sized enterprises business space in the central Helsinki Business District as an alternative to the business

parks located on Helsinki's ring roads. The Kaartin-kaupunki district now has jobs for 12,600 people and lunch sales, for instance, generate almost EUR 20 million a year. The goal is to expand the range of services offered by attracting more businesses to the district – such as dry cleaners, barbers and hairdressers, a gym and perhaps a business centre. At present there are not enough of the daily services that people need. The proximity of Kauppatori market square, the Old Market Hall and the Esplanadi park add to the district's appeal. Preliminary design of the Havis Business Center has started and is due to be completed in spring 2004.

The Havis Business Center contains some 42,000 m² of space. The largest tenants are Sampo Bank, Palace Restaurants and Mandatum Bank. The former principal tenant, Sampo Bank, has vacated some space and Palace Restaurants has made a preliminary agreement to lease some of the premises formerly leased by the bank. The former bank hall will be converted to a banquet room with seating for around 1,000 people in autumn 2004, and during the daytime this will function as a lunch restaurant. Some of the premises will be converted to meeting and conference rooms. A bistro-type

restaurant, will open on the corner of Unioninkatu and Pohjoinen Makasiininkatu streets.

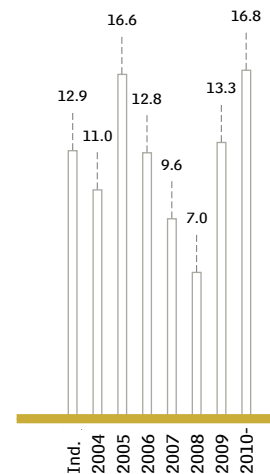
Of the tenants at Unioninkatu 18 (part of the Havis Business Center), Valtion Pukutehdas, Salon Duessa and the Renaissance café will move back to the business premises on the ground floor of the renovated building. The office building at Fabianinkatu 23 accommodates Mandatum's and Sponda's head offices and Sampo Bank's offices for corporate and private customers.

VACANT OFFICE SPACE IN HBD PROPERTIES

Sponda owns investment properties in the Kamppi district that have some unoccupied office space, although the retail premises on the ground floor are almost fully leased.

Sponda owns Innotalo, which is fully leased by the National Board of Patents and Registration of Finland. Lönnrotinkatu 28 is fully leased, while Lönnrotinkatu 27 in the Vanhajämerä district has some vacant office space. The retail premises are fully leased. The occupancy status of Kalevankatu 30 is reasonable and Lönnrotinkatu 13, now renovated, is fully leased.

Expiration of lease agreements, % **b**

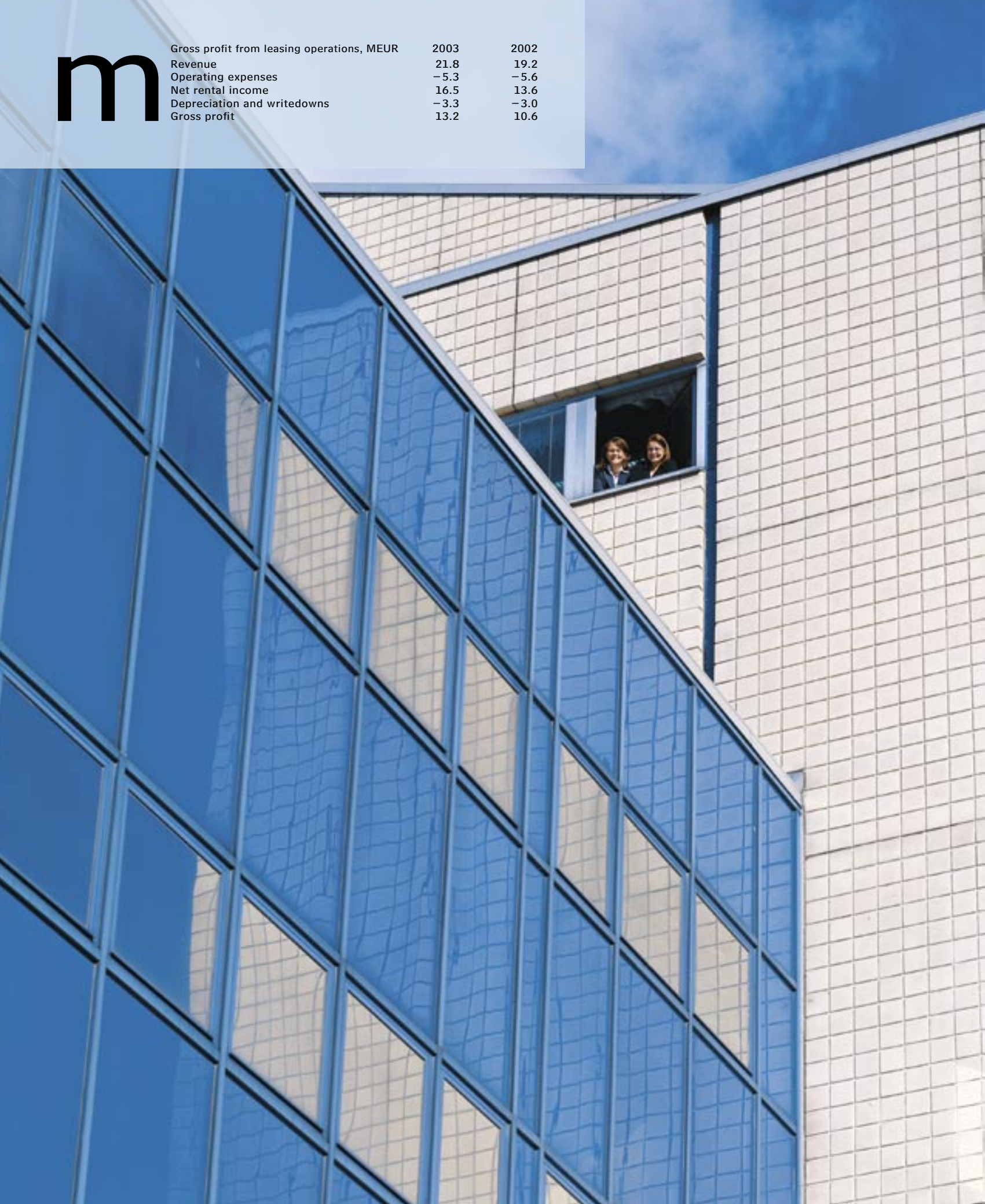


The property manager ensures that Sponda's properties are in excellent condition inside and out.



m

Gross profit from leasing operations, MEUR	2003	2002
Revenue	21.8	19.2
Operating expenses	-5.3	-5.6
Net rental income	16.5	13.6
Depreciation and writedowns	-3.3	-3.0
Gross profit	13.2	10.6



Helsinki Metropolitan Area

ESPOO • VANTAA • HELSINKI'S SUBURBS

Sponda's office properties are located mainly in growth centres and on good transport routes.

Sponda's Helsinki Metropolitan Area business area covers altogether 23 office and retail properties in the future Greater Leppävaara district, in Espoo and in Helsinki's suburbs. The provisional zoning plan for the southern parts of Espoo that form Greater Leppävaara will be published in spring 2004, and the final zoning plan for the area will be submitted to Espoo's city council for approval.

Helsinki Metropolitan Area generated 22% of Sponda's net operating income from property as-

sets and their aggregate leasable area accounted for 20% of Sponda's total leasable area. The economic occupancy rate was 86.0%.

UPSEERIN AVEC IN FAST-GROWING GREATER LEPPÄVAARA

Upseerin AVEC situated at Upseerinkatu 1-3 and the property at Komentajankatu 5, both in Greater Leppävaara, together form an office center with a leasable area of over 24,000 m². The whole of Komentajankatu 5 is leased to Eltel Networks Oy. Sponda's

Upseerin AVEC at Upseerinkatu 1-3 in the city of Espoo. Upseerin AVEC was renovated for multiple use and marketing of the new premises made a promising start. Property manager Marja Latvala (left) and property assistant Minna Karhu are closely involved in shaping the building's operating environment.





A PLEASURE TO VISIT AND WORK IN UPSEERIN AVEC

Upseerin Avec is a large office complex right next to Leppävaara railway station and lying on Ring Road 1 between the Turku motorway and the old Turku main road. Property Manager Marja Latvala has been involved in building the new identity for Upseerin Avec from the beginning.

ML > “Leppävaara is the fastest growing area of Espoo. When the Sello shopping mall is completed in a couple of years the Upseerin Avec property will be even more attractive. Or, as we put it in our slogan, it’s a pleasure to visit and work here. Since the property was vacated by Nokia in 2001 it’s been an interesting challenge to build an entirely new identity for Upseerin Avec, from a property occupied by just one tenant to an office complex suitable for companies of many sizes,” she recalls.

ML > “We refurbished the entrance and foyer and put in conference rooms for everyone’s use. We’ve also provided a host of new services; a receptionist in the front foyer, conference and guest services, a staff canteen and private gym, all of which increase the appeal of the property. My personal wish is that the foyer and staff canteen form the heart of the building and a mutual meeting point. All except one of the tenants have moved in relatively recently. Feedback from tenants has for the most part been highly positive,” says Marja Latvala.

ML > “Upseerin Avec is my favourite child. It almost feels as if I am personally related to our tenants in the building because I’ve been part of the picture from the beginning. My wish is always to build open and direct contact with my clients so we can discuss their needs well in advance and improve the way we work.”

▶ separate parking building is on the same site.

An intensive marketing campaign for Upseerin Avec was launched in the spring and by the year’s end around one-half of the office premises were leased. The property complex has established its own name and identity, and its own website enhanced marketing effectiveness. Excellent connections and a prime location in Espoo’s fastest-growing regional centre add to the property’s appeal.

The future Greater Leppävaara will stretch from Vermo to Pitkäjärvi in Espoo, and from Laajalahti to the border with Vantaa. The population of the district is forecast to rise to 60,000 over the next few decades. Leppävaara has become an important hub for public transport, and Upseerin Avec is easily accessible by bus and train. The Jokeri line, a non-stop, cross-city bus service started last year, stops in

front of the property. Upseerin Avec also has ample parking space for car owners and provides all public transport options. The Sello Shopping Mall, situated next to Leppävaara station, will be completed in autumn 2005 and the City of Espoo provides a full range of public services in Leppävaara.

The office premises in Upseerin Avec range in size from two hundred to several thousand square metres. Business premises in the modernization project completed last autumn were fitted with state-of-the-art IT cabling. Conference and training rooms, a restaurant and a gym were constructed in the building, in addition to front desk facilities.

Upseerin Avec attracted several new customers during the year, for all of whom an important selection criteria were the location and the advantages of a fast-growing regional centre.

SPONDA OWNS NUMEROUS INVESTMENT PROPERTIES IN THE HELSINKI METROPOLITAN AREA

The supply of office properties in the Helsinki Metropolitan Area exceeds demand, but most of the retail premises in the properties are leased.

Sponda's investment properties in the future Greater Leppävaara district are situated in Leppävaara, Mäkkylä and Kilo. Sponda owns two office properties in the Mankkaa district, on Sinikalliontie and Sinimäentie roads. Half of the office space in the Sinikalliontie property is vacant.

The office buildings at Pihatörmä 1 and Piispanportti 12, on the border between Kuitinmäki and Piispankylä, are situated beside Länsiväylä, the main westbound highway from Helsinki, and therefore have excellent transport connections. The office building at Kappelitie 8 in Lintuvaara is leased in full by Weilin & Göös.

GOOD OCCUPANCY RATE IN TAPIOLA CITY CENTRE

Sponda owns the office building at Länsituulentie 7 in Tapiola's central business district, which contains Huhtamäki Corporation's head office. The building has been renovated over a number of years. Sponda's other property in this district is Tapiolan Toimitalo (Tapiola office building), which contains K-Supermarket Aslakki and the Eurokangas

store. Sponda took part in restoring the gardens and squares in Tapiola city centre during the year. Sponda is also co-operating with Tapiola's largest real estate owners in establishing a company called Tapiolan Alueen Kehitys Oy (Tapiola Regional Development Ltd), whose purpose is to promote the district's development.

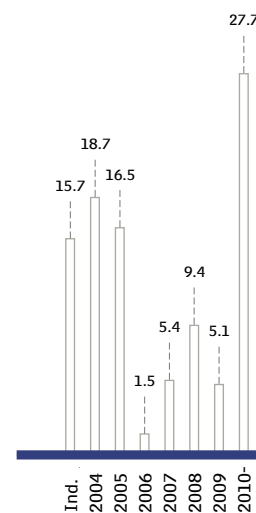
Sponda has submitted a rezoning plan to change its real estate at Pohjantie 14 in Tapiola into a housing site. Sponda will sell this site when the plan is confirmed.

HIGH OCCUPANCY RATE IN ITÄKESKUS AND OTHER HELSINKI SUBURBS

The occupancy rate in the Itäkeskus district of Helsinki is good. Sponda owns two office buildings in Itäkeskus with an occupancy rate of over 90%, both situated close to the Itäkeskus Shopping Mall. The property in Itäkatu street, Helsinki, has some 1,500 m² of retail space on the ground floor and the property in Turunlinnantie road over 1,500 m². Puotinharjun Puhos, situated next to Itäkeskus, has retail space of over 3,000 m² and is fully leased.

The 44,000 m² office property at Kaupintie 3 is fully leased, and the principal tenant is Sampo Bank. The occupancy rate of the office blocks in Elannon- tie road and Ylä-Malmintori square is satisfactory.

Expiration of lease agreements, % **m**



Gross profit from leasing operations, MEUR	2003	2002
Revenue	17.7	19.2
Operating expenses	-4.9	-5.2
Net rental income	12.8	14.0
Depreciation and writedowns	-3.0	-3.1
Gross profit	9.8	10.9



Logistics Properties in the Helsinki Metropolitan Area

ESPOO • VANTAA • HELSINKI

The logistics properties in the Helsinki Metropolitan Area are ideally located for their purpose.

Sponda's Logistics Properties business area has altogether 21 properties in Espoo, Vantaa and Helsinki. The two important districts are Hakkila and Aviapolis. The Vantaan Honkatalo, Santaradantie and Heidehofintie properties are located in Hakkila while in Aviapolis Sponda owns warehousing and office premises as well as land areas with building rights. Companies of all sizes, from central wholesalers to smaller businesses offering retail services, operate in Sponda's logistics properties.

Logistics Properties in the Helsinki Metropolitan

Area generated 17% of Sponda's net operating income from property assets and their aggregate leasable area accounted for 29% of Sponda's leasable area. The economic occupancy rate was 86.7%.

LOGISTICS PROPERTIES NEED SPACE

Sponda's logistics properties are located in strategic business sites in the Helsinki Metropolitan Area. Successful maintenance and leasing of logistics properties depends on knowing the property requirements and operating environments typical of

Köysikuja 1, Vantaa. The Köysikuja premises are designed for goods handling services. Property manager Hanna Nurminen (left) and property accountant Minna Riikonen take care of the property's daily management and their teamwork is important for cost control.





SPONDA OFFERS CREATIVE ALTERNATIVES

Property Manager Hanna Nurminen and logistics services provider LP-Logistiikkapalvelut Oy have worked closely together for a number of years, designing various business premises. LP-Logistiikkapalvelut, a subsidiary of Finland Post, handles warehousing and stock management for several companies in the 8,500 m² logistics centre at Köysikuja.

HN > “What improves our co-operation still further is the fact that LP-Logistiikkapalvelut is part of the Finland Post group, while Sponda is a large corporation in its own right and able to offer several alternatives when clients want to expand,” Hanna Nurminen describes. “The Post’s subsidiaries are clients in a number of Sponda properties. I’ve also had the opportunity to visit the Post’s logistics centre in Voutila and I found it especially useful to get an overall picture of what they do elsewhere,” she says.

HN > “LP-Logistiikkapalvelut stores and handles a variety of goods, both bulk goods and special products. The location of the Köysikuja premises, along the Vihtitie main road in Vantaa, is ideal for their needs. Our client relationship goes back a long way, which allows us to take a long-term approach to planning space for them in the most cost-efficient way possible,” Hanna Nurminen continues.

HN > “It is easy negotiating with LP-Logistiikkapalvelut’s people. They are professionals who know what they want and can define their needs. It’s a pleasure visiting them as we now know each other very well and the atmosphere is positive and friendly. In our meetings with clients we also regularly meet service providers to consider how we can further improve the way we work together and the working environments of the premises we lease.”

► logistics businesses. Important factors in this context are adequate space for traffic, sufficient headroom in warehouse premises, the load-bearing capacity of floors, and loading bays and loading bins. The ratio of office to warehouse space must also be appropriate. Logistics companies are migrating to ever-larger complexes as logistics integrators and logistics service providers increase in number and change the business requirements set for premises.

HAKKILA IS VANTAA’S LOGISTICS DISTRICT

Sponda owns a number of logistics properties in Hakkila and the nearby Kuninkaala district. Alko Oy’s head office and central warehouse, situated at Heidehofintie 4, and the ACL alcohol laboratory and Valio’s sourcing agent production facilities at Heidehofintie 2 next door, are examples of the diversity of Sponda’s properties in the district. The tenant of the Santaradantie property is

Klippan Oy, which manufactures children’s safety seats and seatbelts. Klippan has a test track on the property for testing the effectiveness and safety of its products in accidents, in addition to production, warehouse and office premises. Klippan has leased more warehouse space in the Vantaan Honkatalo property.

The Vantaan Honkatalo logistics centre situated at Vanha Porvoontie 229 and 231 is ideally located next to arterial routes halfway between Helsinki-Vantaa international airport and the new harbour being built at Vuosaari. Good connections to the airport, harbour and main roads will turn Hakkila into a leading district for logistics. The leasable area in Vantaan Honkatalo is currently 64,000 m², and has building rights of 39,500 floor square metres. Renovation of the facade of the 12,000 m² office building will be completed in 2004. Combined with

a wide range of services, the building provides office premises suitable for headquarters. Renovation of the facades and loading bays at Vanha Porvoontie 231 and improvement of the property's outdoor lighting will also be completed in 2004. Companies already located in Vantaan Honkatalo's logistics centre offer services that cover customs clearance, forklift truck repair and personnel leasing as well as a range of office services, children's daycare and laundry services.

SPONDA'S PROPERTIES CENTRALLY LOCATED IN AVIAPOLIS

Sponda owns a considerable number of land areas and buildings in Aviapolis, the airport-city surrounding Helsinki-Vantaa international airport. Sponda owns some 31,000 m² of office and logistics premises, 141,000 m² of land and 93,000 m² of building rights in the area – all situated in the centre of Aviapolis next to Ring Road III and Lentoasemantie road. Sponda is collaborating with other property owners and the City of Vantaa to attract more

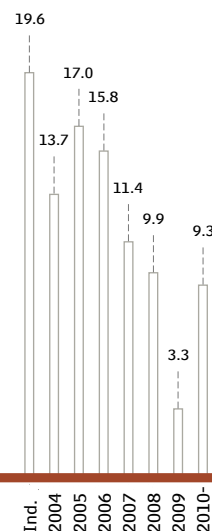
businesses, jobs, housing and services to the area. Sponda's properties provide an opportunity for building more logistics, office and retail premises in prominent positions along the arterial roads.

VUOSAARI HARBOUR KEENLY AWAITED

Construction of Vuosaari's modern new harbour for unitized cargo has started. Goods traffic will be transferred from Helsinki's West Harbour and North Harbour to Vuosaari in 2008. The project includes a large business park containing offices, terminals and industrial facilities for harbour activities as well as the harbour and access infrastructure.

Vuosaari Harbour will transform the logistics focus of the Helsinki Metropolitan Area, release existing harbour areas for new uses, and change the townscape of those areas. Logistics companies are taking longer to decide on investments, or are even postponing decisions, until more detailed and concrete plans for the harbour's business park are known.

Expiration of lease agreements, %



The use of logistics premises has become much more diverse. Sponda provides a wide range of properties for different goods management and warehousing purposes.





City-Center

RETAIL SPACE • OFFICE SPACE

City Center, Sponda's most important development site, is expected to be completed in 2008. A condition of Sponda's plan, however, is that City-Center's renewal is not hindered by any protection orders.

City-Center's current floor area of roughly 33,600 m² will increase to more than 55,600 m² when the refurbishment is finished. The space will be divided equally between offices and retail premises. EUR 100 million has been reserved for the project, which is part of the City of Helsinki's overall plan to regenerate the centre of Helsinki. Turning the centre into a pedestrian-only precinct will increase business potential for everyone in the area.

FINLAND'S BEST SHOPPING ADDRESS

City-Center lies in the very heart of Helsinki opposite the railway station, above the central metro station and close to the bus and coach station. City-Center is part of the public street system and tens of thousands of people walk through its arcades every day.

The renovation plans call for converting Keskuskatu street into a pedestrian precinct by removing the

City-Center, in the heart of Helsinki. Sponda's City-Center team consists of property manager Timo Vihavainen (left), property accountant Virpi Mäkelä, service manager Esko Suutarinen and marketing manager Pirkko Autio.





CITY-CENTER CLEAN, LIGHT AND SAFE

Property Manager Timo Vihavainen is responsible for Sponda's most important development project at the moment, the City-Center complex.

TV > "When Sponda bought City-Center in 1999, its image among local Helsinki people was a good deal more negative than today. On a visit to Toronto we saw several examples of how commercial centres much bigger than any in Finland could be clean, safe and well illuminated," he describes. "We wanted to recreate the same feeling in City-Center, and to give our tenants an environment they enjoy working in. To do this we have installed plenty of surveillance cameras, tripled the complex's security, added lights and cleaning shifts, burnished all the brass components, and removed all the unnecessary street stands and illegal advertising," Timo Vihavainen continues. "The results are for everyone to see, and both our tenants and their customers have voiced their appreciation. The whole job will take time and we are moving forward in small steps, improving the image and standard of the property as we go."

TV > "City-Center is well known throughout Finland so we don't need to go out of our way to raise its profile. But Sponda does want to let everyone know just what the new City-Center has to offer and how pleasant it is now to go shopping or do business there. We wish to develop City-Center as a working environment and to give it the image that its unique location justifies. Our purchase of the Hermes property on the corner of Aleksanterinkatu and Keskuskatu streets will be certain to increase the magnetism of City-Center as it will enable people to walk from Helsinki railway station right through to Aleksanterinkatu under cover."

TV > "City-Center is not a shopping mall as such because the whole of the centre of Helsinki in a way is one giant shopping mall, and City-Center is just part of this. The area offers department stores, special goods stores and a huge choice of restaurants, about 100 in all."

- ▶ drive-in ramps and relocating service traffic access to a service tunnel. City-Center's 3rd floor parking deck will likewise be converted for retail premises.

HERMES ADDED TO CITY-CENTER

In December 2003 Sponda purchased the Hermes property on the corner of Aleksanterinkatu and Keskuskatu streets for EUR 53 million. This prestigious 8,400 m² office building is one of Helsinki's valuable sites and adjacent to the City-Center. Sponda plans to continue the tunnel shopping arcade to Aleksanterinkatu so that City-Center's south entrance will start from the corner on Keskuskatu.

The 1,100 m² tunnel arcade opened on the Asematunneli (Station Tunnel) level at the end of 2003 is part of the City-Center's new look. It is the first

part of the station tunnel level that is heated all year round. There are currently 10 new businesses in the arcade ranging in size from 20 m² to 125 m². Escalators by the Saarinen building take people up to the City-Center's inner courtyard on the Keskuskatu side of the square.

CITY-CENTER'S OFFICE BUILDING IN GOOD CONDITION

The offices in the property will remain untouched. Designed by Heikki Castrén and Viljo Rewell and built in 1967, City-Center is in good condition and the layout of its office space still meets the needs of the 21st century. The property is built on bedrock, unlike many properties ringing Station Square. Any vacant offices will be renovated and equipped with modern technical facilities. The surface materials will be renewed as well.

SERVICE TUNNEL DECISION AWAITING ZONING APPROVAL

The decision to build the service tunnel essential to the whole plan will be made once the rezoning plan for the site is approved and it will take some years before construction work reaches street level. Keskuskatu will be turned into a genuine precinct for pedestrians only because all service traffic will be moved underground and no vehicles will be permitted in the street. The City of Helsinki's regeneration plan for the city centre has worked well around Pohjois-Espanadi, and Keskuskatu, a lively shopping area, is a logical extension of the scheme.

NATURAL LIGHT FOR ILLUMINATION

As it renovates the City-Center, Sponda's principles are light, safety, cleanness and aesthetic appeal. Natural light will be introduced into the building right down to the retail premises on the tunnel level. The arcades at the tunnel level will be widened into single avenue. Construction work starts in spring 2004 and the businesses in the central part of the arcade will be moved to new premises. The renovated City-Center will offer attractive squares from the tunnel level to the street level. The Saarienen building will be given a glass roof, and the building itself will be encircled by space in the form of a square, enabling people within City-Center to move from one square to another.

SMALL AND LARGE COMPANIES WILL DO WELL

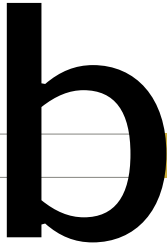
The retail and office part of the City-Center already has roughly 100 businesses of various sizes offering consumers a wide variety of services. City-Center is located at the hub of public transport routes and passenger volumes are rising continuously. City-Center will add greatly to the choice available in the centre of Helsinki along with other retail

“At the hub of Helsinki’s transport terminals City-Center is a central plaza for the capital’s vibrant life.”

stores scheduled for construction in the area. Besides good shopping and connections, the centre of Helsinki also offers a wide range of facilities for leisure activities such as museums, theatres, cinemas and pleasant restaurants with outdoor terraces in the summer. All this will raise the appeal of the city centre compared to the outlying regions of Helsinki and the nearby cities of Espoo and Vantaa. Parking in the city centre has been improved and parking capacity is now sufficient. In the business district alone there is parking space for more than 3,600 vehicles.

Sponda's principles in the development of the City-Center complex are: light, safety, cleanness and aesthetic appeal.

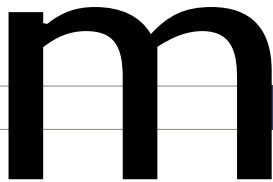




▶ HELSINKI BUSINESS DISTRICT

Summary of Real Estate Portfolio

Property address	Occupancy rate %, m ²	Economic occupancy rate %, EUR	Area m ² , total	Area m ²							Parent Company holding	Year built
				Office	Retail	Logistics	High ware- house	Ware- house	Hotel	Other		
HELSINKI BUSINESS DISTRICT												
1. Arkadiankatu 4–6	99.8%	99.7%	25 309	15 001	4 926	0	0	3 816	0	1 567	100.0%	1977
2. Bulevardi 1	87.5%	92.5%	6 197	3 841	1 086	0	0	643	0	627	100.0%	1890/1978
3. Erottajankatu 5	100.0%	100.0%	3 185	2 630	160	0	0	209	0	186	100.0%	1910
4. Erottajankatu 7	100.0%	100.0%	3 513	1 631	886	0	0	416	0	581	100.0%	1988
5. Eteläesplanadi 22	93.8%	94.9%	8 994	6 375	1 897	0	0	707	0	16	100.0%	1940
6. Iso Roobertinkatu 21–25	86.6%	93.5%	7 110	3 380	796	0	0	1 950	0	984	91.2%	1965/1984
7. Itälahdenkatu 20	70.9%	76.5%	4 579	0	0	4 061	0	0	0	518	100.0%	1964
8. Itälahdenkatu 22	0.0%	0.0%	6 183	4 764	0	0	0	354	0	1 065	100.0%	1975
9. Kaivokatu 12	97.0%	98.1%	10 777	2 664	1 537	0	0	0	5 760	816	100.0%	1911
10. CityCenter												
a. Kaivokatu 8	77.5%	84.8%	35 373	15 898	13 167	0	0	6 269	0	40	100.0%	1904/1964
b. Kaivokadun Tunneli	92.5%	97.4%	2 547	0	1 693	0	0	854	0	0	83.6%	1967
c. Aleksanterinkatu 19	100.0%	100.0%	8 386	5 495	1 978			483		430	100.0%	1898
11. Kalevankatu 30	87.4%	87.7%	3 697	3 151	226	0	0	316	0	5	100.0%	1928
12. Keskuskatu 1 B	100.0%	100.0%	2 997	1 967	735	0	0	296	0	0	100.0%	1920
13. Kluuvikatu 8	100.0%	100.0%	10 680	0	0	0	0	0	10 680	0	100.0%	1930
14. Korkeavuorenkatu 45	100.0%	100.0%	4 043	1 458	2 372	0	0	213	0	0	100.0%	1912/1984
15. Kumpulantie 11	100.0%	100.0%	15 422	11 105	0	0	0	4 317	0	0	100.0%	1991
16. Lönnrotinkatu 13	98.1%	99.2%	2 365	1 803	346	0	0	216	0	0	57.8%	1937/1963
17. Lönnrotinkatu 27	78.4%	78.2%	4 955	3 884	719	0	0	74	0	278	100.0%	1938
18. Lönnrotinkatu 28	100.0%	100.0%	2 728	2 242	0	486	0	0	0	0	100.0%	1938
19. Mannerheimintie 4	58.6%	62.3%	4 768	2 577	1 424	0	0	754	0	13	100.0%	1965
20. Mannerheimintie 6	100.0%	100.0%	3 856	1 219	2 156	0	0	440	0	41	100.0%	1870
21. Melkonkatu 26. Helsinki	0.0%	0.0%	6 327	1 284	0	0	1 106	3 937	0	0	100.0%	1982
22. Ratapihantie 11	99.4%	99.7%	15 373	12 070	1 133	170	0	1 112	0	889	100.0%	1989
23. a. Unioninkatu 18	0.0%	0.0%	0	0	0	0	0	0	0	0	100.0%	1933
b. Unioninkatu 20–22	100.0%	100.0%	29 912	17 363	4 574	0	0	7 862	0	113	100.0%	1954/1969
c. Unioninkatu 24	2.6%	2.3%	3 817	2 688	315	0	0	814	0	0	100.0%	1890
d. Fabianinkatu 23	79.1%	68.4%	5 104	3 829	0	0	0	1 275	0	0	100.0%	1960
HELSINKI BUSINESS DISTRICT												
TOTAL	86.2%	89.3%	238 195	128 316	42 125	4 716	1 106	37 325	16 440	8 167		

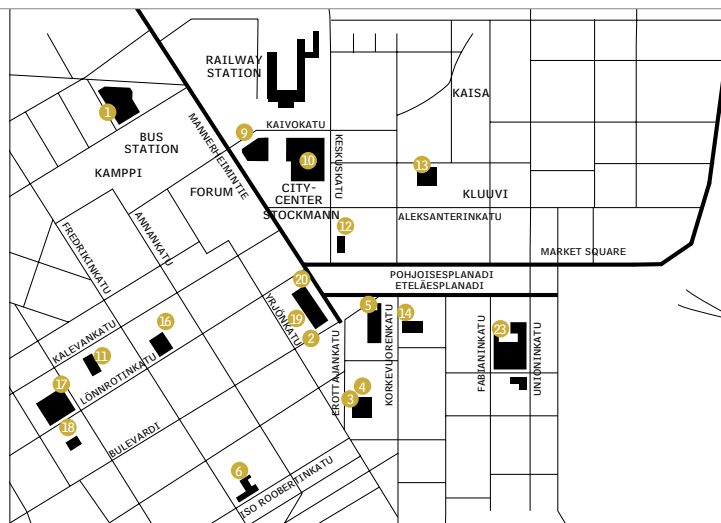


▶ HELSINKI METROPOLITAN AREA

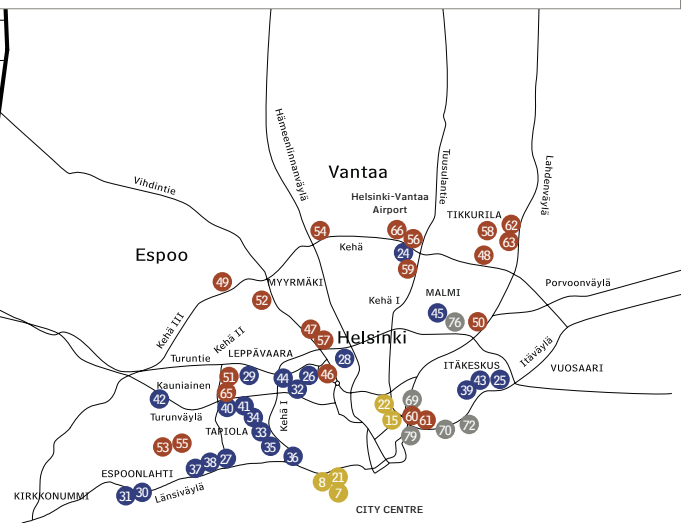
Summary of Real Estate Portfolio

Property address	Occupancy rate %	Economic occupancy rate %	Area m ² , total	Area m ²							Parent Company holding	Year built
				Office	Retail	Logistics	High warehouse	Warehouse	Hotel	Other		
SUBURBAN ESPOO, VANTAA, HELSINKI												
24. Elannonatie 5, Vantaa	100.0%	100.0%	6951	4920	495	0	0	1332	0	205	100.0%	1991
25. Itäkatu 11, Helsinki	96.7%	98.3%	8177	5708	1499	0	0	964	0	6	100.0%	1985
26. Kalkkipellontie 4, Espoo	100.0%	100.0%	3894	3546	0	0	0	20	0	328	100.0%	1973
27. Kappelitie 8, Espoo	100.0%	100.0%	2093	2093	0	0	0	0	0	0	100.0%	1988
28. Kaupintie 3, Helsinki	100.0%	100.0%	44103	35704	0	0	0	904	0	7495	100.0%	1974/84/ 91/92
29. Kilonkartanontie 3, Espoo	50.6%	51.4%	3613	1838	0	1775	0	0	0	0	100.0%	1984
30. Kipparinkatu 2, Espoo	66.5%	68.3%	789	0	525	0	0	264	0	0	19.4%	1986
31. Kivenlahdenkatu 1, Espoo	97.7%	97.9%	3670	2857	813	0	0	0	0	0	100.0%	1992
32. Komentajankatu 5, Espoo	100.0%	100.0%	4415	4232	0	0	0	89	0	94	100.0%	1991
33. Kulttuuritori, Espoo	100.0%	100.0%	1030	445	312	0	0	0	0	273	66.2%	1959
34. Läkkipänpöytä 3, Espoo	86.9%	89.1%	3207	2003	1204	0	0	0	0	0	95.2%	1986
35. Länsituulentie 7, Espoo	91.2%	94.7%	7809	2338	4968	0	0	230	0	273	100.0%	1979
36. Miestentie 3, Espoo	77.0%	78.8%	5675	5675	0	0	0	0	0	0	100.0%	1984
37. Pihatörmä 1, Espoo	73.8%	76.9%	16013	14135	1283	0	0	181	0	414	58.6%	1991/1998
38. Piispanportti 12, Espoo	100.0%	100.0%	5065	4704	0	0	0	361	0	0	100.0%	1991
39. Puotinharjun Puhos, Helsinki	100.0%	100.0%	3092	0	3092	0	0	0	0	0	20.4%	1984/1987/ 1990
40. Sinikalliontie 10, Espoo	51.4%	50.4%	4280	4003	0	0	0	187	0	91	100.0%	1989
41. Sinimäentie 14, Espoo	100.0%	100.0%	5966	4456	199	0	1042	0	0	269	100.0%	1980
42. Tuomarilantie 19, Espoo	60.8%	64.9%	4565	4484	0	0	0	0	0	81	100.0%	1991
43. Turunlinnantie 12, Helsinki	94.7%	95.6%	4564	2635	1757	0	0	0	0	172	100.0%	1985
44. Upseerinkatu 1, Espoo	35.4%	37.6%	20101	15575	0	0	0	2157	0	2369	100.0%	1988
45. Ylä-Malmintori 6, Helsinki	97.4%	99.0%	2724	1109	1047	0	0	469	0	100	100.0%	1989
HELSINKI METROPOLITAN AREA												
TOTAL	83.8%	86.0%	161792	122457	17192	1775	1042	7157	0	12169		

HELSINKI BUSINESS DISTRICT



HELSINKI METROPOLITAN AREA, LOGISTICS PROPERTIES AND OUTSKIRTS OF CBD



▶ LOGISTICS

Summary of Real Estate Portfolio

Property address	Occupancy rate %, m ²	Economic occupancy rate %, EUR	Area m ² , total	Area m ²							Parent Company holding	Year built
				Office	Retail	Logistics	High ware-house	Ware-house	Hotel	Other		
46. Atomitie 1, Helsinki	85.9%	86.3%	5852	1889	90	867	0	2739	0	267	100.0%	1972
47. Hankasuontie 13, Helsinki	97.4%	98.3%	9642	2432	0	0	2971	4239	0	0	100.0%	1961
48. Heidehofintie 2-4, Vantaa	75.0%	81.4%	27490	4234	0	2764	5744	8030	0	6719	100.0%	1981/1998
49. Juvan Teollisuuskatu 23, Espoo	100.0%	100.0%	14126	3115	0	0	9804	448	0	759	100.0%	1974
50. Kankiraudantie 6, Helsinki	100.0%	100.0%	6523	221	0	5230	1018	14	0	40	100.0%	1983
51. Karapellontie 4, Espoo	62.3%	62.9%	8309	3989	0	3988	0	0	0	332	100.0%	1961/1973
52. Köysikuja 1, Vantaa	97.4%	97.1%	12222	1010	0	0	10327	859	0	26	100.0%	1961
53. Matinpurontie 3, Espoo	100.0%	100.0%	2458	557	0	0	1745	0	0	156	100.0%	1974
54. Mestarintie 6, Vantaa	100.0%	100.0%	4632	1536	0	2994	0	0	0	102	100.0%	1991
55. Olarinluoma 14, Espoo	100.0%	100.0%	7776	3529	0	3469	0	248	0	530	100.0%	1987
56. Robert Huberin tie 2, Vantaa	76.5%	74.1%	6792	3054	535	0	3101	102	0	0	100.0%	1989
57. Ruosilantie 14, Helsinki	95.0%	92.7%	16537	4287	0	100	10820	731	0	599	100.0%	1974
58. Santaradantie 8, Vantaa	100.0%	100.0%	2663	296	0	0	2367	0	0	0	100.0%	1974
59. Sähkötie 1, Vantaa	100.0%	100.0%	11625	3000	0	0	8625	0	0	0	100.0%	1973
60. Työpajankatu 2, Helsinki	100.0%	100.0%	2721	512	0	0	1757	452	0	0	100.0%	1988
61. Vanha Talvitie 12, Helsinki	100.0%	100.0%	3648	545	0	0	2728	375	0	0	100.0%	1991
62. Vanha Porvoontie 231, Vantaa	63.2%	67.3%	35504	3023	0	0	21991	10491	0	0	100.0%	1972/1974/ 1999
63. Vanha Porvoontie 229, Vantaa	93.6%	91.2%	28398	13700	0	0	0	12594	0	2105	100.0%	1976
64. Virkatie 12-14, Vantaa	100.0%	100.0%	14797	259	0	0	11410	689	0	2439	100.0%	1972
65. Vitikka 6, Espoo	48.5%	44.3%	3980	251	0	0	3729	0	0	0	100.0%	1976
66. Äyrikuja 3, Vantaa	100.0%	100.0%	8985	499	0	0	0	8456	0	30	100.0%	1984
LOGISTICS PROPERTIES IN THE HELSINKI METROPOLITAN AREA TOTAL	86.9%	86.7%	234678	51938	625	19412	98137	50465	0	14103		

Financing and Risk Management

■ ■ FINANCING STRATEGY

The purpose of Sponda's financing strategy is to support the company's business strategy. Under the financing strategy, loan and interest periods should correspond as closely as possible to Sponda's business cycles. The aim of financial risk management in the Group is to minimize the negative effects of capital market changes. The refinancing risk is reduced through financing agreements of varying lengths and by employing a wide spread of funding sources. Unused credit limits are used to cover the company's commercial papers. The interest rate risk arising from changes to market interest rates is balanced using fixed-interest contracts and off-balance-sheet interest instruments. Sponda has no foreign exchange risk exposure.

DOMESTIC BONDS

In November 2003 Sponda issued EUR 100 million in notes to Finnish institutional investors to finance investments and develop its capital structure. The notes are divided into a fixed-interest bond totalling EUR 40 million and a floating-rate bond totalling EUR 60 million.

NEW INTEREST SWAPS

At the end of the year 35% of Sponda's debt portfolio carried fixed interest. Floating-rate loans were hedged using interest rate swap contracts totalling EUR 220 million. Sponda signed hedging contracts totalling EUR 84 million during the year. 79% of Sponda's loan capital is hedged.

KEY INDICATORS IN 2003

Sponda's equity ratio at the close of the period was 45.4 (52.9) %. Interest-bearing debt totalled EUR 582.8 (456.7) million and net interest expenses amounted to EUR 22.8 (21.9) million. The average maturity of Sponda's loans was 2.6 (3.3) years, they carried average interest of 4.4 (4.8) %, and

the average interest-bearing period was 2.7 (2.0) years. The interest cover (EBITDA / net interest expenses) was 3.4. Secured loans represented 12.9% of the balance sheet total.

RISK MANAGEMENT

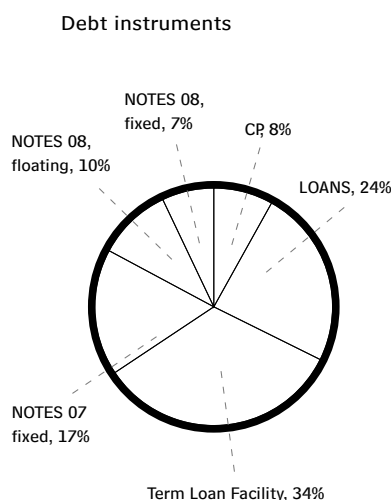
Sponda reduces its business risks using leasing contracts of varying lengths. The average duration of the leasing contracts is 3.7 years and the contract portfolio has a total value of EUR 406 million, i.e. the aggregate cash flow from the individual contracts currently in force.

All leasing contracts are indexed to the cost-of-living index and the surety for each lease is dimensioned in proportion to the contract length. Sponda's clients represent a wide variety of business sectors. In the event of a client becoming bankrupt, the risk associated with improvements in the property is transferred to the landlord. Non-depreciated tenant improvements in the balance sheet totalled EUR 4.3 million. The properties are insured for their full value and are covered by 12-month rental income interruption insurance.

SENSITIVITY ANALYSIS

Sponda has calculated the impact of different factors on its performance to make it easier to forecast its return on share ownership in property companies. The figures in the table below are based on Sponda's cost structure in 2003 and are only indicative.

Factor	Change	Impact, MEUR
Leasing rate	% + / - 1 %	1.0
Leasing rate / m ²	+ / - 4 euros / m ²	3.1
Maintenance costs	+ / - 5 %	1.2
Administration	+ / - 10 %	0.4
Property tax	+ / - 10 %	0.4
Interest levels	+ / - 1 %-unit	1.7



Market Value of Properties

The market value of Sponda's properties is confirmed based on the company's own calculations although an independent external assessor is used in the process. The calculation aims to establish the probable sales price of each property under voluntary trading conditions at the time of assessment. The properties are valued according to their condition and size at the time of assessment.

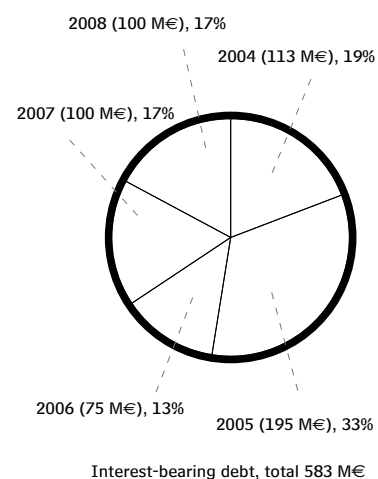
Sponda applies the method of cash flow analysis to value its properties. The property's net cash flow is calculated over a 10-year period. The value of the property is the net present value after discounting future rental income to present values and capitalizing the property's residual value. The value of non-developed land sites is determined by the value of the building rights based on land sales in the area.

When calculating cash flow, rental income is based on the leasing agreements in force and, when these

expire, on market rent levels, less actual property service costs and maintenance investments. Both income and costs are adjusted annually by the estimated rate of inflation.

The discount rate depends on the required rate of return of the property, which is the Finnish government's 10-year bond rate plus a risk factor specific to each property. The risk factor combines the leasing risk, the property's liquidity risk, the social zoning risk, and technical risks related to the condition of the building. The risk factor varies according to the intended use of the building, its location, identity, the building materials used, and its leasing agreements. The capitalization rate used to calculate the residual value is based on the same factors but is reduced by the estimated growth in net income from 10 years onwards.

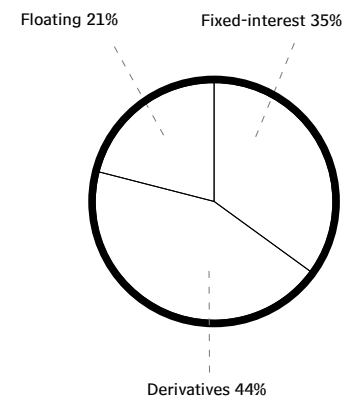
Maturity of loans



MARKET CAPITALIZATION BY TYPE OF PROPERTY 31 DEC. 2003, MEUR

	Total	Office	Retail	Logistics
Net sales	100.4	70.6	4.8	25.0
Operating expenses	-24.3	-16.6	-1.9	-5.8
Net operating income	76.1	54.0	2.9	19.2
Market capitalization 1 Jan. 2003	1182.6	908.2	42.3	232.1
Increases during 2003	76.4	70.6	0.0	5.8
Decreases during 2003	-16.7	-7.7	-8.9	-0.1
Change in market capitalization	-1.2	3.0	1.6	-5.8
Market capitalization 31 Dec. 2003	1241.1	974.1	35.0	232.0
Net operating income as % of market capitalization	6.4	5.9	7.5	8.3

Interest rate risk



Sponda's History

■ ■ **1991** > Following a banking crisis, Sponda is formed by the Bank of Finland on 19 September 1991 for the purpose of acquiring the investment assets, both real estate properties and a portfolio of equity holdings, held by the Skopbank Group. The total value of the properties is EUR 437 million (FIM 2.6 billion), the largest of which is the Itäkeskus Shopping Mall.

1992 > First extension of the Itäkeskus Shopping Mall completed. It includes a glass-roofed boulevard almost half a kilometre long, making Itäkeskus the largest shopping mall in the Nordic countries.

“The Itäkeskus Shopping Mall deal in 2002 is seen as a milestone in the internationalization of Finland’s property market.”

1997 > Sponda refocuses its strategy and liquidates its EUR 1.2 billion (FIM 7 billion) equity holdings portfolio.

1998 > Sponda becomes a company concentrating exclusively on real estate investment and management.

> Sponda Plc is listed on the Helsinki Stock Exchange, share trading begins on 1 June.

1999 > Sponda further concentrates its property holdings on the Helsinki Metropolitan Area. The company purchases properties including the City-Center and Unionkatu complexes for EUR 252 million (FIM 1.5 billion) from Leonia bank (now Sampo plc).

2000 > Sponda acquires Castrum Oyj, a listed company specializing in logistics properties. The deal gives Sponda some 60 logistics properties. The Castrum-Sponda merger is completed at the end of 2002.

2001 > The newly expanded Itäkeskus Shopping Mall is opened to the public in October and covers an area of about 10 hectares.

2002 > Sponda sells the Itäkeskus Shopping Mall to Dutch property investment company Wereldhave for EUR 317 million. The deal is seen as a milestone in the internationalization of Finland’s property market.

> Sponda purchases two office properties in Helsinki from Sampo for EUR 79.5 million: Kaupintie 3, 54,800 m² and Fabianinkatu 23, 5,100 m².

> Sponda submits a rezoning application covering redevelopment of the City-Center complex, Keskuskatu street and its surroundings. City-Center will be turned into a modern office and commercial centre and a central rendezvous in the heart of Helsinki. The project is due for completion in 2008 and has an estimated construction cost of EUR 100 million.

06/2003

Sponda begins marketing of the 30,000 m² office complex in Leppävaara, Espoo, under the new name Upseerin Avec.

10/2003

The first renovated section at the tunnel level of the City-Center complex is completed. This 1,100 m² shopping arcade with 10 retail stores is part of the City-Center’s new look.

11/2003

Sponda purchases the 8,400 m² Aleksi-Hermes property for EUR 53 million from the OKO bank group. The property, on the corner of Aleksanterinkatu and Keskuskatu streets, extends Sponda’s holdings in the City-Center block to Aleksanterinkatu street itself.

Personnel

Sponda Group had 52 employees on 31 December 2003. The average age was 42.7 years and the average length of employment in Sponda was 4.9 years. Roughly one-third of all employees have worked for the company since its establishment almost 12 years ago.

There were 29 (55%) female staff and 23 (45%) male staff. Roughly one in three Sponda people (35%) has a university degree while one in two (54%) has graduated from a technical or commercial college.

HR STRATEGY AND PERSONNEL POLICY

Sponda formulated a human resources strategy for the company in autumn 2003. The strategy was then used to derive a personnel policy and to define the key personnel management processes. These documented processes are recruitment, induction, measures under the company's fitness for work scheme, and development of personnel competences.

A detailed job description was formulated for each Sponda employee in autumn 2003. Sponda's critical competences were defined and these are measured using competence discussions. Sponda's working atmosphere is measured at two-year intervals.

The purpose of Sponda's HR strategy is to ensure that its employees have the right competences for their tasks, that they take an innovative approach

to developing their work, and that personnel management gives sufficient emphasis to evaluating and developing employee competences with a long-term perspective. Another central aim is to raise efficiency and enhance the wellbeing of Sponda's employees.

EQUAL RIGHTS SCHEME

Sponda's equal rights policy addresses the need for equal rights not just between male and female staff, but between the business units, employees of different ages and with different tasks, and also full-time and part-time staff. The know-how and work of every employee is important.

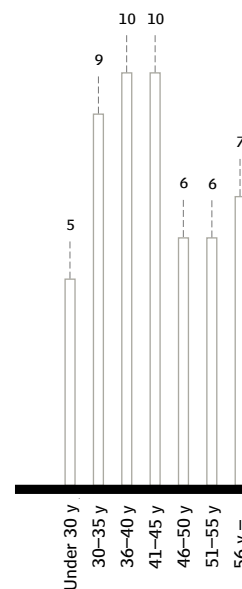
An essential element of the equal rights process is maintaining and developing employee competences. Sponda will adopt a comprehensive competence measurement system that will form the basis for preparing training schemes.

Employee compensation trends are monitored annually for different staff groups. In 2003 male and female Sponda staff doing the same jobs also received the same level of remuneration.

In 2003 Sponda introduced an incentive bonus scheme for all employees linked to the company's net income from leasing operations.

In 2000 Sponda employees were offered convertible bonds as a longer-term incentive.

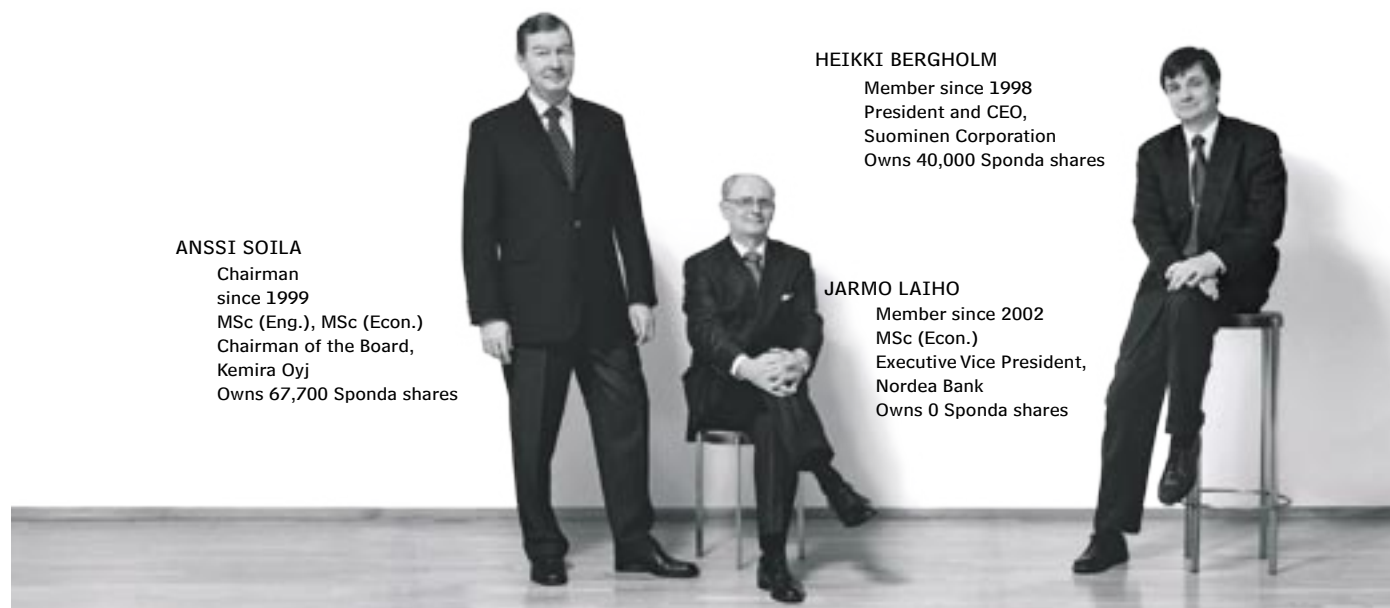
Age distribution of employees, number



SPONDA'S PROPERTY MANAGERS

Sponda has 17 property managers, whose job is to liaise with clients in all matters related to the properties under their control. They choose the partners for each property and are individually responsible for all aspects of the sites under their control.

Corporate Governance



ANSSI SOILA
Chairman
since 1999
MSc (Eng.), MSc (Econ.)
Chairman of the Board,
Kemira Oyj
Owns 67,700 Sponda shares

HEIKKI BERGHOLM
Member since 1998
President and CEO,
Suominen Corporation
Owns 40,000 Sponda shares

JARMO LAIHO
Member since 2002
MSc (Econ.)
Executive Vice President,
Nordea Bank
Owns 0 Sponda shares

SPONDA PLC'S BOARD OF DIRECTORS 2003

■ ■ ANNUAL GENERAL MEETING

The General Meeting of shareholders is the company's supreme decision-making body. The Annual General Meeting is held once a year to consider the matters stipulated in the Finnish Companies' Act and Sponda's articles of association. These include adopting the financial statements, and deciding on the dividend, increases and decreases in the share capital, the purchase of the company's own shares, the number of members on the Board of Directors and their election. The AGM also appoints the company's auditors.

BOARD OF DIRECTORS

Sponda Plc's Board of Directors has six members who are non-executive directors. Sponda's Board members represent broad experience of industry, the service sector and finance. They are elected for one year at a time until the following AGM. The Board meets at least 10 times during the year and it

also holds teleconferences as necessary. In 2003 the Board met 16 times, 15 of which included all the Board members. The Board considers that, given the nature and scope of Sponda's operations, the appointment of separate audit and nomination committees is unnecessary. Instead, the Board appoints teams from among its own members to prepare the groundwork for decisions. The Board regularly assesses its own performance. The Board decides the company's strategy and supervises its operations.

The Board of Directors appoints the company's President and CEO and decides the composition of the Executive Board based on the President's proposal. The Board decides the salaries and bonuses payable to the President and CEO and the members of the Executive Board and their terms of employment. The Board also resolves on personnel incentive schemes.

MAIJA-LIISA FRIMAN

Member since 2001
MSc (Eng.)
President, Vattenfall Oy
Owns 759 Sponda shares

HARRI PYNNÄ

Member since 1999
LLM
Legal Counsel, Fortum Oyj
Owns 0 Sponda shares

JARMO VÄISÄNEN

Deputy Chairman since 1996
LicSc (Soc.)
Senior Management Advice/
Ownership Policy,
Ministry of Finance
Owns 550 Sponda shares

**EXTERNAL AND INTERNAL AUDITS**

The company has two auditors: a firm of authorized public accountants and an auditor approved by the Central Chamber of Commerce. The auditors, as required by the Finnish Auditing Act, are responsible for examining the financial statements, 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. The purpose of the audit is to verify that the company's financial statements give a true and fair view of the company's operations and financial position, as defined in the Finnish Accounting Act. Its purpose is also to ensure that the company's administration, funds and accounting procedures are organized and managed in the manner defined by Finnish law. As a general rule the Board of Directors meets the auditors once a year.

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

EXECUTIVE BOARD

The President and CEO is responsible for managing the company's day-to-day operations in accordance with the guidelines and instructions of the Board of Directors. The retirement age of the President and CEO is 65.

The Executive Board handles matters of major significance to the company such as investments and divestments, procedural rules and reporting.



Corporate Governance



KARI KOLU
born 1956
President and CEO
European Public Real Estate
Association,
member of the Board
Engel Group Ltd,
member of the Board
Owns 40,250 Sponda shares



SARI AITOKALLIO
born 1960
Chief Financial Officer
Owns 0 Sponda shares

LEA JOKINEN
born 1962
Director, Logistics Properties
Owns 0 Sponda shares



VEIKKO MAJAVA
born 1945
Executive Vice President,
Property Development
Owns 2,750 Sponda shares



SPONDA'S MANAGEMENT TEAM 2003

▶ The members of the Executive Board, with the exception of the President and CEO, also form the boards of directors of Sponda's property companies. In 2003 the Executive Board had three members in addition to the President and CEO.

REMUNERATION

The Annual General Meeting confirms the salaries and fees payable to the Board of Directors annually, one year in advance. In 2003 the Board's members were paid the following fees:

- Monthly fee to the Chairman EUR 1,870
- Monthly fee to the Deputy Chairman EUR 1,320
- Monthly fee to Board members EUR 1,100
- Meeting fee, EUR 200/meeting/person

INSIDERS

The company's insiders are the Board of Directors, the Executive Board and the company's employees. Additionally, insider registers are maintained for individual projects listing the names of the individuals with knowledge of these projects.

The Guidelines for Insiders, prepared by the HEX Helsinki Exchanges, were approved by the Board of Directors for adoption with effect from 1 March 2000. The holdings of Sponda's insiders are listed in the insider register maintained by the Finnish Central Securities Depository Ltd.

Report by the Board of Directors

SPONDA'S RESULT OF LEASING OPERATIONS GOOD

Sponda Group recorded net income totalling EUR 30.7 (78.8) million in 2003. Total revenue, which was derived from rental income, amounted to EUR 100.4 (100.7) million. Net operating income was EUR 76.1 (74.9) million. The operating profit was EUR 62.7 (125.3) million. The previous year's operating profit included a profit of EUR 67 million on the sale of the Itäkeskus Shopping Mall. Earnings per share (EPS) were EUR 0.39 (0.97). The Board proposes a dividend of EUR 0.30 (0.90) per share.

The book value of Sponda's property portfolio on the balance sheet date was EUR 1,065.1 (1,028.8) million and the balance sheet totalled EUR 1,094.0 (1,038.9) million. The market value of the property portfolio was EUR 1.24 (1.18) billion. Net assets per share amounted to EUR 8.35 (8.73). Shareholders' equity per share was EUR 6.33 (6.81).

FINANCING

Financial income and expenses came to EUR –23.1 (–17.1) million. Sponda's equity ratio at the close of the period was 45.4 (52.9)%. Interest-bearing debt amounted to EUR 582.8 (456.7) million and net interest expenses were EUR 22.8 (21.9) million. The average maturity of Sponda's loans was 2.6 (3.3) years, the average interest rate was 4.4 (4.8)%, and the average interest-bearing period was 2.7 (2.0) years. Secured loans represented 12.9% of the balance sheet total.

In November 2003 Sponda issued EUR 100 million in notes to Finnish institutional investors to cover future investments and develop the company's capital structure.

The bond was divided into EUR 40 million in fixed-interest notes and EUR 60 million in floating-rate notes.

BUSINESS CONDITIONS

The effects of a forecast recovery of the Finnish

economy will be felt in the real estate sector after a time lag of roughly one year, so the need for new premises will not become evident until 2005. At the end of September 2003 the vacancy rate in the Helsinki Metropolitan Area was most pronounced in office premises, almost 7%.

Rent levels for office premises in Helsinki Business District and for retail and logistics premises in Helsinki Metropolitan Area have remained stable.

Foreigners have taken an increasingly lively interest in Finland and liquidity in real estate market has improved.

LEASING ACTIVITIES

Net operating income from Sponda's properties totalled EUR 76.1 (74.9) million, of which 51% was derived from Helsinki Business District, 22% from Helsinki Metropolitan Area, 17% from Logistics Properties and 10% from the rest of Finland.

The economic occupancy rate of Sponda's entire property portfolio at the end of the year was 88.6 (90.3)%. The economic occupancy rate by area was as follows: 89.3 (91.9)% from Helsinki Business District, 86.0 (83.6)% from Helsinki Metropolitan Area, 86.7 (92.1)% from Metropolitan Logistics Properties, and 94.4 (94.7)% from the rest of Finland.

The economic occupancy rate by property type was 87.9% for Sponda's office premises, 93.6% for the company's retail premises, and 89.7% for its logistics premises. The value of Sponda's portfolio of leasing contracts on 31 December 2003 was EUR 406 (390) million and the average length of the contracts was 3.7 (3.9) years.

PROPERTY PORTFOLIO

The market value of Sponda's property portfolio on 31 December 2003 was EUR 1.24 (1.18) billion. The comparable change in the portfolio value was approximately EUR –1 million, or –0.1%. The increase was the result of investments.

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► Sponda owns altogether 88 properties: 23 of these are located in the Helsinki Business District and 23 in the Helsinki Metropolitan Area, while 21 fall under Logistics Properties. The remaining 21 properties are located elsewhere in Finland. The aggregate leasable area of these properties is 800,000 m², comprising 397,000 m² of office space (50% of total leasable area), 23,000 m² (3%) of retail premises, and 380,000 m² (47%) of logistics properties.

MAINTENANCE AND REPAIRS

Sponda's investments in maintenance and upgrading of its real estate totalled EUR 14.2 (12.8) million in 2003.

The Unioninkatu 18 property in Helsinki Business District is currently being renovated for completion in 2004. The foyer of the Upseerin Avec building in Espoo was renewed and a staff canteen, conference rooms and a fitness centre were added to the building. Renovation of the façade of the Honkatalo office building in Vantaa, and replacement of the building's windows, will be completed in 2004. Renovation of the façade of the Honkatalo logistics properties was started in autumn 2003.

PROPERTY ACQUISITIONS AND SALES

Sponda Plc purchased the Kiinteistö Oy Aleksis-Hermes (Hermes) retail and office property on the corner of Aleksanterinkatu and Keskuskatu streets in Helsinki city centre from OKOBANK Osuuspankkien Keskuspankki Oyj for EUR 53 million. The building has a total leasable area of approximately 8,400 m². Hermes is situated in the same block as the City-Center complex also owned by Sponda.

Sponda also purchased an office building at Sentnerinkuja 3, North Haaga, from OKOBANK's affiliate OP-Kiinteistöt Oy for EUR 3.2 million. This building has a total leasable area of roughly 4,500 m².

Sponda Plc sold the Lönnrotinkatu 29 property (Vanha Poli) for EUR 6.4 million to La Tour Securities Oy, part of the Palace group.

In April Sponda sold a 4,000 m² office property

in Tampere for EUR 8 million.

Sponda also sold part-holdings in other properties during the year totalling EUR 2.4 million. Sponda recorded a profit on these sales of altogether EUR 6.0 million.

PROPERTY IMPROVEMENTS

Sponda focuses on the development of large property complexes. Sponda's most important development projects at the moment are City-Center, Upseerin Avec and Havis Business Center.

The inauguration of 1,500 m² of new retail premises in the tunnel level of the City-Center during 2003 marked the completion of the first phase of this project. On its completion in 2008, the entire complex will offer business premises totalling almost 53,000 m² compared to roughly 34,000 m² before the project was started. The total estimated cost of the project is EUR 100 million.

The renovation of Upseerin Avec in Espoo was completed in the autumn and its tenants represent a wide range of businesses. The size of its premises varies from a few hundred to several thousand square metres.

The Havis Business Center in the Kaartinkaupunki district of central Helsinki will be converted into an office complex suitable for different tenants. Sampo Bank will continue as a tenant in smaller premises of this property, which is also the head office for Mandatum Bank and Sponda itself. A provisional agreement has been signed with Palace Restaurants under which a new 3,000 m² restaurant complex will be opened on Unioninkatu.

GROUP STRUCTURE

Sponda Group comprises the parent company, Sponda Plc, and its wholly owned subsidiaries, all of which are mutual property companies.

ORGANIZATION AND PERSONNEL

The Sponda Group had 52 (50) employees on average between 1 January and 31 December 2003, which included 51 (49) in the parent company. At the close of the period personnel totalled 52 (52),

which included 50 (51) in the parent company.

Wages and salaries paid by the parent company amounted to EUR 2,522,952.09. Remuneration paid to the Board of Directors and the CEO totalled EUR 285,860.16. The Sponda Group paid EUR 2,612,954.28 in wages and salaries during the review period. Of this, remuneration to the Board of Directors and the Presidents totalled EUR 285,860.16 and wages and salaries to other employees amounted to EUR 2,327,094.12.

IAS AND IFRS REPORTING IN 2005

Sponda Plc will adopt the IFRS standards in company's interim and annual reports in 2005. The company began preparations for their adoption during 2003 and the standards will be adopted during 2004 to obtain comparable data for the following year. The necessary changes to the company's accounting systems have been defined and will be made during 2004.

The largest change to Sponda Plc's financial reporting relates to the valuation of property investments under IAS 40. In its IFRS reporting, Sponda Plc will enter its properties in the balance sheet at their market value and enter any changes to this value during the reporting period in the income statement. Other changes to Sponda's current accounting principles arise from the IAS rules on recording deferred tax assets and liabilities, the valuation of financial instruments, and employment benefits.

BOARD OF DIRECTORS

The members of the Board of Directors are Heikki Bergholm, Maija-Liisa Friman, Jarmo Laiho, Harri Pynnä, Anssi Soila and Jarmo Väisänen. The chairman of the Board is Anssi Soila and the deputy chairman is Jarmo Väisänen.

AUDITORS

The Annual General Meeting on 8 April 2003 appointed Sixten Nyman APA and KPMG Wideri Oy Ab as the company's auditors, and Ari Viitala APA as the deputy auditor.

SHARE PERFORMANCE

Sponda's share performed better in 2003 than the HEX all-share index and also Sponda's own industrial index (Investment). The closing price on 31 December 2003 was EUR 6.61 (5.45). The lowest price during the year was EUR 4.20 and the highest price was EUR 6.80. The company's market capitalization at the end of the year was EUR 519 (437) million.

PURCHASE OF OWN SHARES

The Annual General Meeting on 8 April 2003 authorized the Board of Directors for one year from the AGM to purchase the company's own shares using distributable funds. On 31 December 2003 this authorization was still unexercised.

INCREASE IN SHARE CAPITAL

Conversions of Sponda Plc's A series convertible bond 2000 totalled 294,000 new shares. An increase of EUR 294,000 has been recorded in the Trade Register. Following this increase Sponda's share capital amounts to EUR 78,449,275 and the total number of shares is 78,449,275.

PROSPECTS

In 2004 the leasing market, and Sponda's result of leasing operations, are expected to remain at 2003 levels.

ANNUAL GENERAL MEETING AND DIVIDEND

Sponda Plc's Board of Directors has decided that the Annual General Meeting will be held on 7 April 2004, commencing at 2.00 pm. The Board will propose a dividend of EUR 0.30 per share on the financial year 2003. The Board will propose payment of the dividend on 21 April 2004.

4 February 2004
Sponda Plc
Board of Directors

Shares and Shareholders

SHARE CAPITAL AND SHARES

Sponda Plc's share capital on 31 December 2003 was EUR 78,449,275 and the number of shares was 78,449,275. The company owned no own shares.

The shares have a nominal value of EUR 1. The Sponda share is quoted on the Helsinki Stock Exchange in lots of 200 under the trading code SDAIV. The shares are managed under the book-entry securities system.

SHAREHOLDERS

On 31 December 2003 there were 6,635 shareholders. 25.15% of the shares were owned by foreign shareholders.

TRADING AND PERFORMANCE

Altogether 35,537,872 (8,082,132) Sponda Plc shares were traded on the Helsinki Exchanges between 1 January and 31 December 2003. The total trading value was EUR 194 (45) million and the weighted average price was EUR 5.45 (5.54) per share. The highest quotation during the year was EUR 6.80 (6.45) and the lowest was EUR 4.20 (4.48). The share price at 31 December 2003 was EUR 6.61 (5.45). The market capitalization of the company's share capital at the year end totalled EUR 519 (437) million.

INCREASE IN SHARE CAPITAL

Conversions of Sponda Plc's A series convertible bond 2000 totalled 294,000 new shares. An increase of EUR 294,000 has been recorded in the Trade Register. Following this increase Sponda's share capital amounts to EUR 78,449,275 and the total number of shares is 78,449,275.

BUYBACK OF OWN SHARES

Sponda Plc's Annual General Meeting on 8 April 2003 authorized the Board of Directors for one year from the AGM to purchase at most 3,500,000 of the company's own shares using distributable funds provided that after the purchase the aggregate nominal value of the shares owned by the company and its subsidiary companies, or the voting rights carried by these shares, may not exceed five (5) percent of the company's total share capital or the voting rights carried by all the shares.

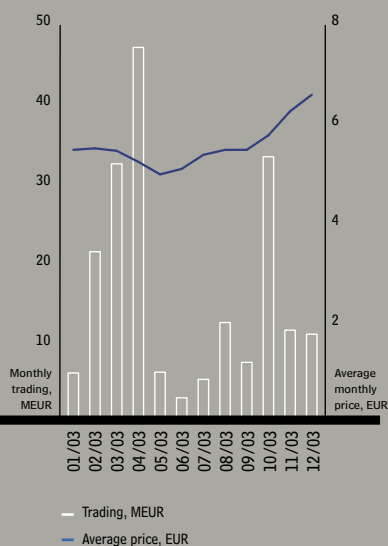
The meeting also decided to authorize the Board of Directors for one year from the AGM to surrender at most 3,500,000 of the acquired company shares.

These authorizations had not been exercised by 31 December 2003.

OWNERSHIP STRUCTURE ON 31 DECEMBER 2003, REGISTERED SHAREHOLDERS

	Number of shares	% of shares and votes
Private corporations	1 098 923	1.4
Banks and insurance companies	27 245 131	34.7
The Finnish State	38 699 642	49.3
Public sector entities	3 330 961	4.2
Non-profit organizations	2 188 639	2.8
Households	5 555 364	7.1
Outside Finland	330 615	0.4
Total	78 449 275	100.0

Trading and average prices



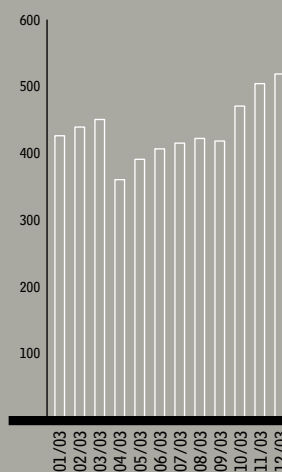
DISTRIBUTION OF OWNERSHIP

No. of shares	Shareholders	% of total shareholders	No. of shares	% of total shares	No. of votes	% of total votes
1 – 100	253	3.81	15 046	0.02	15 046	0.02
101 – 1 000	4 956	74.62	2 267 884	2.89	2 267 884	2.89
1001 – 10 000	1 346	20.26	3 092 153	3.94	3 921 153	3.94
10 001 – 100 000	65	0.98	1 849 626	2.36	1 849 626	2.36
100 001 – 1 000 000	17	0.26	5 730 913	7.31	5 730 913	7.31
1 000 001 – 999 999 999 999	5	0.08	65 493 653	83.49	65 493 653	83.49
Total	6 642	100.00	78 449 275	100.00	78 449 275	100.00
Non-transferred, total			0	0.00	0	0.00
In general account			0	0.00	0	0.00
Total issued			78 449 275	100.00	78 449 275	100.00

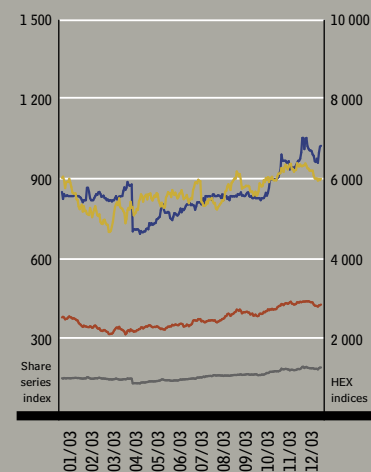
20 PRINCIPAL SHAREHOLDERS AT 31 DECEMBER 2003

	Number of shares	% of shares and votes
1 Ministry of Finance	38 689 642	49.3
2 Nordea Pankki Suomi Oyj	6 240 149	8.0
3 The State Pension Fund	1 460 000	1.9
4 Nokia Corporation Pension Fund	1 044 444	1.3
5 SITRA, The Finnish National Fund for Research and Development	1 000 000	1.3
6 Suomi Insurance Company	451 000	0.6
7 Suomen Ekonomiliitto – Finlands Ekonomförbund	346 000	0.4
8 Pension Trust of the Finnish Broadcasting Company	300 000	0.4
9 Etera Mutual Life Insurance Company	284 870	0.4
10 Support Fund for the Commercial and Technical Sciences	267 800	0.3
11 Suomi Mutual Life Insurance Company	260 000	0.3
12 Livräntestalten Hereditas	210 000	0.3
13 Pension Fennia Mutual Insurance Company	202 600	0.3
14 OKOBANK Osuuspankkien Keskuspankki Oyj	160 200	0.2
15 ODIN Finland	158 800	0.2
16 Nordea Life Insurance Suomi Ltd	147 400	0.2
17 Medicinska Understödsföreningen Liv och Hälsa	125 000	0.2
18 Confederation of Finnish Industry and Employers	110 000	0.1
19 Pohjola Finland Value Investment Fund	101 000	0.1
20 Ehrnrooth Casimir	90 000	0.1
Total	51 648 905	65.8
Other	26 800 370	34.2
Total	78 449 275	100.0
NOMINEE REGISTERED (foreign shareholders)	19 729 961	25.2
Altogether 6 635 shareholders		

Market capitalization, MEUR



Hex indices and share series index



— Share Series Index Sponda Plc
 — Sector Index (investment)
 — HEX Portfolio Index
 — HEX All-share Index

Income Statement

	Note	CONSOLIDATED		SPONDA PLC	
		1 Jan.–31 Dec. 2003 1 000 €	1 Jan.–31 Dec. 2002 1 000 €	1 Jan.–31 Dec. 2003 1 000 €	1 Jan.–31 Dec. 2002 1 000 €
Total revenue	1, 3	100 361	100 747	96 780	74 600
Expenses from leasing operations	2, 3	-38 904	-41 615	-31 873	-26 677
Gross profit		61 457	59 132	64 907	47 923
Sales and marketing expenses		-769	-567	-769	-567
Administrative expenses		-4 392	-4 217	-5 442	-5 275
Other operating expenses		-50	-133	-132	-62
Other operating income	4	6 453	71 071	3 966	56 949
Operating profit	5, 6	62 699	125 286	62 530	98 968
Share of associated companies' results	7	-124	-	-	-
Financial income and expenses	8	-23 075	-17 125	-23 179	-13 372
		-23 199	-17 125	-23 179	-13 372
Profit before extraordinary items and taxes		39 500	108 161	39 351	85 596
Extraordinary items	9	-	-	-	69 306
Profit before taxes		39 500	108 161	39 351	154 902
Income taxes	10	-8 842	-29 382	-8 833	-29 519
Net income for the financial year		30 658	78 779	30 518	125 383

Balance Sheet

	Note	CONSOLIDATED		SPONDA PLC	
		31 Dec. 2003 1 000 €	31 Dec. 2002 1 000 €	31 Dec. 2003 1 000 €	31 Dec. 2002 1 000 €
ASSETS					
Fixed assets					
Intangible assets	11, 12	166	436	166	198
Tangible assets	11, 12				
Land and water		284 606	268 742	1 890	1 890
Buildings		748 818	722 157	–	–
Machinery and equipment		3 248	5 328	610	562
Other tangible assets		7 345	8 012	4 319	5 371
Advance payments and projects in progress		19 711	3 185	186	477
		1 063 728	1 007 424	7 005	8 300
Investments	13				
Holdings in Group companies		–	–	518 954	496 162
Receivables from Group companies		–	–	641 667	607 538
Holdings in associated companies		3 963	6 547	2 704	4 755
Own shares		–	4 926	–	4 926
Other investments		19 056	15 369	15 100	12 199
		23 019	26 842	1 178 425	1 125 580
Fixed assets, total		1 086 913	1 034 702	1 185 596	1 134 078
Current assets					
Short-term receivables	14	4 309	3 300	3 229	1 882
Cash and bank deposits		2 807	852	3 529	3 216
Current assets, total		7 116	4 152	6 758	5 098
Assets, total		1 094 029	1 038 854	1 192 354	1 139 176
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	15				
Share capital		78 449	81 155	78 449	81 155
Share premium fund		156 213	152 253	156 213	152 253
Share buyback fund		–	4 926	–	4 926
Retained earnings		231 262	234 250	320 362	276 746
Net income for the year		30 658	78 779	30 518	125 383
Shareholders' equity, total		496 582	551 363	585 542	640 463
Liabilities	18, 19				
Long-term liabilities	16	470 991	436 649	474 262	440 075
Short-term liabilities	17	126 456	50 842	132 550	58 638
Liabilities, total		597 447	487 491	606 812	498 713
Shareholders' equity and liabilities, total		1 094 029	1 038 854	1 192 354	1 139 176

Cash Flow Statements

CONSOLIDATED CASH FLOW STATEMENT	1 Jan.–31 Dec. 2003 1 000 €	1 Jan.–31 Dec. 2002 1 000 €	SPONDA PLC CASH FLOW STATEMENT	1 Jan.–31 Dec. 2003 1 000 €	1 Jan.–31 Dec. 2002 1 000 €
Cash flow from operating activities			Cash flow from operating activities		
Operating profit	62 699	125 286	Payments received from sales	100 905	77 669
Adjustments to operating profit	8 829	– 54 274	Other operating income/ expenses, net payments	112	299
Change in net working capital	47	– 875	Payments on operating expenses	– 35 669	– 29 098
Interest received and other financial income	203	1 908	Cash flow from operating activities before financial items and taxes	65 348	48 870
Interest paid and other financial expenses	– 21 746	– 24 843	Interest paid and payments on other financial expenses arising from operating activities	– 21 807	– 25 155
Dividends received	63	7 949	Dividend received on operating activities	63	8 225
Income taxes paid	– 28 194	– 10 819	Interest received and other financial income from operating activities	188	5 679
Net cash from operating activities	21 901	44 332	Income taxes paid	– 28 176	– 12 478
Cash flow from investing activities			Net cash from operating activities	15 616	25 141
Group companies acquired	– 56 485	–	Cash flow from investing activities		
Investments in other investments	– 80	– 970	Investments in other investments	– 26 514	– 924
Investments in tangible and intangible assets	– 23 269	– 89 743	Investments in tangible and intangible assets	– 1 026	– 1 612
Group companies sold	13 218	298 396	Proceeds from sale of investments	8 660	123 931
Associated companies sold	2 408	–	Proceeds from sale of tangible and intangible assets	564	801
Proceeds from sale of other investments	321	113	Loans granted	– 51 872	– 85 271
Proceeds from sale of tangible and intangible assets	543	438	Repayments of loans receivable	8 337	189 834
Loans granted	– 2 164	– 3 150	Net cash from investing activities	– 61 851	226 759
Net cash from investing activities	– 65 508	205 084	Cash flow from financing activities		
Cash flow from financing activities			Increase in share capital related to convertible bonds	1 155	–
Increase in share capital related to convertible bonds	1 155	–	Buybacks of own shares	– 11 492	– 4 861
Buybacks of own shares	– 11 492	– 4 861	Long-term loans raised	100 049	–
Long-term loans raised	100 049	–	Long-term loans, repayment of principal	– 10	– 122 018
Long-term loans, repayment of principal	– 10	– 122 018	Short-term loans raised/ repayment of principal	26 200	– 102 240
Short-term loans raised/ repayment of principal	26 200	– 102 240	Dividends paid	– 70 340	– 24 347
Dividends paid	– 70 340	– 24 347	Cash flow from financing activities	45 562	– 253 466
Cash flow from financing activities	45 562	– 253 466	Change in cash and cash equivalents	1 955	– 4 050
Change in cash and cash equivalents	1 955	– 4 050	Cash and cash equivalents on 1 Jan.	852	4 902
Cash and cash equivalents on 1 Jan.	852	4 902	Cash and cash equivalents on 31 Dec.	2 807	852
Cash and cash equivalents on 31 Dec.	2 807	852	Change in cash and cash equivalents	313	– 29 320
			Cash and cash equivalents on 1 Jan.	3 216	30 255
			Cash transfers due to merger	–	2 281
			Cash and cash equivalents on 31 Dec.	3 529	3 216

Key Ratios

	31 Dec. 2003	31 Dec. 2002	31 Dec. 2001	31 Dec. 2000	31 Dec. 1999
Total revenue, MEUR	100.36	100.75	122.20	109.44	74.15
Operating profit, MEUR	62.70	125.29	77.70	69.06	47.32
% of total revenue	62.5	124.4	63.6	63.1	63.8
Profit before extraordinary items, provisions and taxes, MEUR	39.50	108.16	41.86	36.82	31.28
% of total revenue	39.4	107.4	34.3	33.6	42.2
Gross expenditure on fixed assets, MEUR	81.79	94.40	62.10	80.80	367.46
% of total revenue	81.5	93.7	50.8	73.8	495.5
Shareholders' equity per share, EUR	6.33	6.81	6.12	5.97	5.85
Earnings per share, EUR	0.39	0.97	0.39	0.36	0.41
Earnings per share, excl. other operating income, EUR	0.31	0.10	0.35	0.32	0.37
Return on investment, %	6.0	12.4	6.7	6.5	6.0
P/E ratio	16.95	5.62	11.98	10.87	9.60
P/E excl. other operating income	21.32	54.50	13.38	12.25	10.42
Equity ratio, %	45.4	52.9	41.6	41.6	46.4
Gearing, %	116.8	82.7	135.1	133.0	113.8
Dividend, EUR	0.30⁾	0.90	0.30	0.25	0.17
Payout ratio, %	76.9⁾	92.8	76.6	69.4	41.5
Effective dividend yield, %	4.5⁾	16.5	6.4	6.4	4.3
Market capitalization, MEUR	518.55	437.46	379.81	323.83	282.78
Lowest and highest share prices, EUR	4.20/6.80	4.48/6.45	3.70 / 5.25	3.64 / 4.30	3.75/5.70
Average share price, EUR	5.45	5.53	4.63	3.89	4.55
Return on shareholders' equity, %	5.9	15.0	6.4	6.0	6.8
Interest-bearing debt, MEUR	582.80	456.66	680.92	654.76	513.70
Interest-free debt, MEUR	14.65	30.83	17.26	37.91	7.57
Net assets per share, EUR	8.35	8.73	9.06	9.00	–

⁾ Board's proposal

Accounting Principles

The financial statements have been prepared in accordance with the provisions of the Finnish Accounting Act and other relevant regulations.

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. Goodwill (liabilities) arising from the acquisition of the Castrum group in 2000 and allocated to the Castrum group's real estate assets is recognized according to the original plan. The Castrum group was merged with Sponda Plc in 2002.

All intragroup transactions and profit distributions are eliminated.

Mutual property companies whose shares carry entitlement to control of specified premises are consolidated in the Group's financial statements in proportion to the Group's holding in these companies.

ASSOCIATED COMPANIES

Associated companies are consolidated using the equity method. Sponda's share of the results of its associated companies is entered under financial items. Sponda's share of the retained earnings and losses of the associated companies at the time of acquisition are included in the Group's balance sheet under the acquisition cost of the associated company's shares. An exception to this rule is Asunto Oy Lönnrotinkatu 28 (30.81%), which is not consoli-

dated. Non-consolidation has no significant impact on the Group's result or non-restricted shareholders' equity, nor does it prevent the company from giving a true and fair view of its operations.

CHANGES IN GROUP STRUCTURE

During 2003 Sponda Plc acquired Kiinteistö Oy Aleksi-Hermes and Gohnt-talo Oy and sold Kiinteistö Oy Koskituomi and Kiinteistö Oy Lönnrotinkatu 29.

The following mergers of real estate companies (Kiinteistö Oy) took place during 2003: Kiinteistö Oy Helsingin Kaivokatu 6 and Kiinteistö Oy Helsingin Keskuskatu 6 were merged with Kiinteistö Oy Helsingin Kaivokatu 8.

Kiinteistö Oy Kuninkaanlinna was merged with Kiinteistö Oy Kuninkaankaari. Kiinteistö Oy Kuninkaanpuisto and Kiinteistö Oy Kuninkaanvala were merged with Kiinteistö Oy Kuninkaan-kruunu.

Kiinteistö Oy Tuusulan Kartanonmäki, Kiinteistö Oy Tuusulan Nukarinsuora, Kiinteistö Oy Tuusulan Opinkulma and Kiinteistö Oy Tuusulan Puistonreuna were merged with Kiinteistö Oy Tuusulan Tärkkelystehdas.

VALUATION AND TIMING PRINCIPLES

REPAIR AND RENOVATION COSTS

Items which raise the value of a building are capitalized to leasehold improvements or additional building expenses. Annual maintenance and repair costs are costs incurred to maintain the building or movable asset at its existing level.

TENANT IMPROVEMENTS

Costs arising from renovation work are entered as an annual expense or capitalized to other tangible assets of the owner, Sponda Plc. Tenant improvements are capitalized when they generate income in several accounting periods.

FIXED ASSETS AND DEPRECIATION

Fixed assets are valued at cost less depreciation ac-

according to plan and less any depreciation above plan, plus capitalized costs arising from improvements. Goodwill arising from consolidation and allocated to buildings is amortized or recognized on a straight-line basis.

Depreciation according to plan on buildings, machinery and equipment owned by Group companies is calculated using the declining balance method. Renovation costs related to tenant improvements and capitalized to other tangible assets are depreciated over the lease period.

Retail premises and offices	1%
Logistics properties	2–2.5%
Machinery and equipment in buildings	15–25%
Other machinery and equipment	15–25%
Other long-term assets	3–10 years

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

The company has not capitalized interest during construction. Other items capitalized to long-term costs include computer software.

INVESTMENTS

The company's own shares and its other investments in marketable securities are valued at acquisition cost.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative contracts made to hedge the interest risks associated with long-term loans are not entered in the financial statements at their fair value but in the notes to the balance sheet. Interest based on leasing contracts is charged to the income statement as it is paid.

TAXES

Income taxes comprise taxes paid during the financial period and taxes from previous periods based on taxes calculated on the basis of the results of Group companies and tax regulations.

Group companies have no provisions, depreciation differences or other items that would include a deferred tax liability. Accrued tax assets in connection with loss carryforwards have not been valued.

OTHER PRINCIPLES

The Group has arranged statutory pension insurance for its personnel with a pension insurance company. The costs arising from pension expenses are entered as an expense in proportion to salaries. The Group's research and development expenses, i.e. project development expenses, are entered as costs.

Fees arising from leasing assignments are entered as costs. The Group has no items denominated in foreign currencies or finance leasing agreements.

Calculation of Key Ratios

Return on equity, % =	$\frac{\text{Profit before extraordinary items, provisions and taxes} - \text{taxes}}{\text{Shareholders' equity} + \text{minority interest (average during the year)}} \times 100$
Return on investment, % =	$\frac{\text{Profit before extraordinary items} + \text{interest expenses and other financial expenses}}{\text{Balance sheet total} - \text{interest-free debt (average during the year)}} \times 100$
Equity ratio, % =	$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Earnings per share =	$\frac{\text{Profit before extraordinary items, provision and taxes} -/+ \text{minority interest} - \text{taxes}}{\text{Average adjusted number of shares during the year}}$
Gearing, % =	$\frac{\text{Interest-bearing liabilities} - \text{cash and bank deposits}}{\text{Shareholders' equity} + \text{minority interest}} \times 100$
Shareholders' equity per share =	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares on the balance sheet date}}$
Market capitalization =	Number of outstanding shares on the balance sheet date times the adjusted, trade volume weighted average share price on the balance sheet date
Average share price =	$\frac{\text{Total trading in euros}}{\text{Average number of shares traded during the year}}$
Payout ratio, % =	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Effective dividend yield, % =	$\frac{\text{Dividend per share}}{\text{Adjusted closing price on the balance sheet date}} \times 100$
P/E ratio =	$\frac{\text{Adjusted closing price on the balance sheet date}}{\text{Earnings per share}}$
Net assets per share =	$\frac{\text{Market value of assets} - \text{liabilities}}{\text{Number of outstanding shares at end of period}}$

Notes to the Income Statement and Balance Sheet

1 000 €	Group		Parent Company	
	2003	2002	2003	2002
1) Total revenue				
Rental income	96 430	97 233	94 806	73 307
Recoverables	3 931	3 514	1 974	1 293
	100 361	100 747	96 780	74 600
2) Expenses from leasing operations				
Maintenance costs	24 275	25 890	30 324	23 738
Depreciation	14 629	15 725	1 549	2 939
	38 904	41 615	31 873	26 677
3) Net operating income				
Net sales	100 361	100 747	96 780	74 600
Maintenance costs	-24 275	-25 890	-30 324	-23 738
	76 086	74 857	66 456	50 862
4) Other operating income				
Proceeds on sales of property shares	5 987	70 217	3 649	56 639
Other income	466	854	317	310
	6 453	71 071	3 966	56 949
5) Personnel expenses				
Salaries and fees	2 613	2 433	2 523	2 352
Pension expenses	511	477	490	464
Other personnel expenses	221	193	213	186
	3 345	3 103	3 226	3 002
Salaries and fees to management				
President	182	224	182	224
Members of the Board of Directors	104	91	104	91
	286	315	286	315
Average number of employees				
Number of employees	52	50	51	49

11) Intangible and tangible assets

Group 1 000 €	Intangible assets		Tangible assets				Advance payments and projects in progress	Tangible assets, total
	Other long-term expenses	Land	Buildings	Machinery and equipment	Other tangible assets			
Acquisition cost 1 Jan. 2003	1 323	276 210	921 261	26 185	11 767	3 185	1 238 608	
Increases	65	17 308	43 477	433	825	17 516	79 559	
Decreases	-	-2 314	-9 338	-243	-	-529	-12 424	
Transfers	-353	-	3 089	-2 780	399	-461	247	
Acquisition cost 31 Dec. 2003	1 035	291 204	958 489	23 595	12 991	19 711	1 305 990	
Accumulated depreciation and writedowns 1 Jan. 2003	-887	-7 754	-200 567	-20 857	-3 755	-	-232 933	
Accumulated depreciation in decreases and transfers	115	870	1 780	1 185	-95	-	3 740	
Depreciation in period	-97	-	-12 347	-675	-1 796	-	-14 818	
Accumulated depreciation 31 Dec. 2003	-869	-6 884	-211 134	-20 347	-5 646	-	-244 011	
Revaluations	-	286	1 463	-	-	-	1 749	
Net carrying amount 31 Dec. 2003	166	284 606	748 818	3 248	7 345	19 711	1 063 728	

1 000 €	Group		Parent Company	
	2003	2002	2003	2002
6) Depreciation				
Depreciation by fixed asset categories				
Intangible assets				
Other long-term expenditure	97	119	97	74
Tangible assets				
Buildings	12 347	11 551	-	-
Machinery and equipment	675	1 059	154	164
Other tangible assets	1 796	3 235	1 576	2 938
Total	14 915	15 964	1 827	3 176
7) Share of associated companies' results				
Share of associated companies' losses	-124	-	-	-
8) Financial income and expenses				
Dividend income from				
Group companies	-	-	-	411
Dividend income from other companies	89	7 949	89	7 933
Dividend income, total	89	7 949	89	8 344
Interest income from long-term investments in Group companies	-	-	6	3 728
Other interest and financial income	252	2 111	230	2 011
Interest and financial income, total	252	2 111	236	5 739
Interest expenses and other financial expenses paid to Group companies	-	-	-107	-285
Interest expenses and other financial expenses paid to others	-23 416	-27 185	-23 397	-27 170
Interest and other financial expenses, total	-23 416	-27 185	-23 504	-27 455
Financial income and expenses, total	-23 075	-17 125	-23 179	-13 372
9) Extraordinary income				
Merger gain	-	-	-	69 306
10) Income taxes				
Income taxes from financial year	9 613	29 382	9 613	29 519
Income taxes from previous years	-771	-	-780	-
	8 842	29 382	8 833	29 519

Group 1000 €	Intangible assets			Tangible assets		Advance payments and projects in progress	Tangible assets, total
	Other long-term expenses	Land	Buildings	Machinery and equipment	Other tangible assets		
Acquisition cost 1 Jan. 2002	1015	310055	1039639	26790	12797	–	1389281
Increases	207	2899	81423	712	1170	3333	89537
Decreases	–201	–36744	–199801	–1317	–1898	–148	–239908
Transfers	302	–	–	–	–302	–	–302
Acquisition cost 31 Dec. 2002	1323	276210	921261	26185	11767	3185	1238608
Accumulated depreciation and writedowns 1 Jan. 2002	–662	–7944	–195666	–20554	–2271	–	–226435
Accumulated depreciation in decreases and transfers	–106	190	6650	756	1751	–	9347
Depreciation in period	–119	–	–11551	–1059	–3235	–	–15845
Accumulated depreciation 31 Dec. 2002	–887	–7754	–200567	–20857	–3755	–	–232933
Revaluations	–	286	1463	–	–	–	1749
Net carrying amount 31 Dec. 2002	436	268742	722157	5328	8012	3185	1007424

Group goodwill from associated companies in 2003 totalled MEUR 0.1 (no goodwill in 2002).

12) Intangible and tangible assets

Parent Company 1000 €	Intangible assets			Tangible assets		Advance payments and projects in progress	Tangible assets, total
	Other long-term expenses	Land	Machinery and equipment	Other tangible assets			
Acquisition cost 1 Jan. 2003	394	1890	1417	8191	477	11975	
Increases	65	–	262	524	186	972	
Decreases	–	–	–138	–	–477	–615	
Transfers	–	–	–	–11	–	–11	
Acquisition cost 31 Dec. 2003	459	1890	1541	8704	186	12321	
Accumulated depreciation and writedowns 1 Jan. 2003	–196	–	–855	–2820	–	–3675	
Accumulated depreciation in decreases and transfers	–	–	78	11	–	89	
Depreciation in period	–97	–	–154	–1576	–	–1730	
Accumulated depreciation 31 Dec. 2003	–293	–	–931	–4385	–	–5316	
Net carrying amount 31 Dec. 2003	166	1890	610	4319	186	7005	
Acquisition cost 1 Jan. 2002	–	–	1174	8822	–	9996	
Increases	92	1890	312	1619	477	4298	
Decreases	–	–	–69	–1948	–	–2017	
Transfers	302	–	–	–302	–	–302	
Acquisition cost 31 Dec. 2002	394	1890	1417	8191	477	11975	
Accumulated depreciation and writedowns 1 Jan. 2002	–	–	–683	–1240	–	–1923	
Accumulated depreciation in decreases and transfers	–122	–	–8	1358	–	1350	
Depreciation in period	–74	–	–164	–2938	–	–3102	
Accumulated depreciation 31 Dec. 2002	–196	–	–855	–2820	–	–3675	
Net carrying amount 31 Dec. 2002	198	1890	562	5371	477	8300	

Notes to the Income Statement and Balance Sheet

13) Investments

Group 1000 €	Shares in associated companies	Other investments		Receivables from associated companies	Receivables from others	Other investments	Other investments, total
		Own shares	Other shares				
Acquisition cost 1 Jan. 2003	6 547	4 926	9 348	4 860	1 079	82	15 369
Increases	–	11 427	894	2 164	1 000	5	4 063
Decreases	–2 584	–16 353	–286	–	–66	–24	–376
Net carrying amount 31 Dec. 2003	3 963	–	9 956	7 024	2 013	63	19 056

Group 1000 €	Shares in associated companies	Other investments		Receivables from associated companies	Receivables from others	Other investments	Other investments, total
		Own shares	Other shares				
Acquisition cost 1 Jan. 2002	6 052	3 596	6 258	1 710	1 013	81	9 062
Increases	7	4 926	131 675	3 150	66	1	134 892
Decreases	–	–3 596	–132 299	–	–	–	–132 299
Transfers between items	488	–	3 714	–	–	–	3 714
Net carrying amount 31 Dec. 2002	6 547	4 926	9 348	4 860	1 079	82	15 369

Parent Company 1000 €	Shares in Group companies	Receivables from Group companies	Other investments		Receivables from associated companies	Receivables from others	Other investments	Other investments total	
			Shares in associated companies	Own shares					
Acquisition cost 1 Jan. 2003	496 162	607 538	4 755	4 926	7 287	4 860	–	52	12 199
Increases	26 409	49 709	–	11 427	24	2 164	1 000	6	3 194
Decreases	–3 617	–15 580	–2 051	–16 353	–293	–	–	–	–293
Net carrying amount 31 Dec. 2003	518 954	641 667	2 704	–	7 018	7 024	1 000	58	15 100

Parent Company 1000 €	Shares in Group companies	Receivables from Group companies	Other investments		Receivables from associated companies	Receivables from others	Other investments	Other investments total	
			Shares in associated companies	Own shares					
Acquisition cost 1 Jan. 2002	563 792	654 419	4 755	3 596	4 167	1 710	–	48	5 925
Increases	76 094	221 628	–	4 926	133 976	3 150	–	4	137 130
Decreases	–143 724	–268 509	–	–3 596	–130 856	–	–	–	–130 856
Net carrying amount 31 Dec. 2002	496 162	607 538	4 755	4 926	7 287	4 860	–	52	12 199

Shares and holdings owned by the Group and Parent Company

Group companies		Group holding %	Parent Company %	Group companies		Group holding %	Parent Company %
Mutual property companies				Nastolan Varjolanrinne	Nastola	100.00	100.00
Aleksi-Hermes	Helsinki	100.00	100.00	Olarintörmä	Espoo	100.00	100.00
Arkadiankatu 4–6	Helsinki	100.00	100.00	Perkkaanpuiston Paikoitustalo II	Espoo	100.00	–
Atomitie 1	Helsinki	100.00	100.00	Piispanpiha 5	Helsinki	100.00	100.00
Backaksenpelto	Vantaa	100.00	100.00	Poijupuisto	Espoo	100.00	100.00
Bulevardi 1	Helsinki	100.00	100.00	Ratapihantie 11	Helsinki	100.00	100.00
Dianapuisto	Helsinki	100.00	100.00	Robert Huberintie 2	Vantaa	100.00	100.00
Espoon Juvanpuisto	Espoo	100.00	100.00	Ruosilantie 14	Helsinki	100.00	100.00
Espoon Komentajankatu 3	Espoo	100.00	100.00	Rydönnotko 1	Turku	100.00	100.00
Espoon Pohjantie 14	Espoo	100.00	100.00	Sarankulmankatu 22	Tampere	100.00	100.00
Espoonportti	Espoo	100.00	100.00	Sinikalliontie 10	Espoo	100.00	100.00
Fabianinkatu 23	Helsinki	100.00	100.00	Sinimäentie 14	Espoo	100.00	100.00
Gohnt-talo	Helsinki	100.00	100.00	Tampereen Vihiojantalo	Tampere	100.00	100.00
Hankasuontie 13	Helsinki	100.00	100.00	Tapiolan Kulttuuritori	Espoo	66.22	66.22
Hauki	Helsinki	100.00	100.00	Tapiolan Toimitalo	Espoo	100.00	100.00
Haukilahdenkatu 4	Espoo	100.00	100.00	Tonttipaino	Vantaa	100.00	100.00
Helsingin Erottajanmäki	Helsinki	100.00	100.00	Turunlinnantie 12	Helsinki	100.00	100.00
Helsingin Itäkatu 11	Helsinki	100.00	100.00	Tuusulan Tärkkelystehdas	Tuusula	100.00	100.00
Helsingin Kaivokatu 8	Helsinki	100.00	100.00	Unioninkatu 18	Helsinki	100.00	100.00
Helsingin Kalatori	Helsinki	100.00	100.00	Unioninkatu 20–22	Helsinki	100.00	100.00
Helsingin Kalevankatu 30	Helsinki	100.00	100.00	Unioninkatu 24	Helsinki	100.00	100.00
Hitsaajatalo	Helsinki	100.00	100.00	Upseerinkatu 1	Espoo	100.00	100.00
Hollolan Keskikankaantie 9	Hollola	100.00	100.00	Vanhajämärä	Helsinki	100.00	100.00
Hämeenportin Yritystalo	Vantaa	100.00	100.00	Vanha Talvitie 12	Helsinki	100.00	100.00
Insinöörinkatu	Helsinki	100.00	100.00	Vantaan Alfa	Vantaa	85.00	85.00
Iso Roobertinkatu 21–25	Helsinki	91.18	91.18	Vantaan Beta	Vantaa	85.00	85.00
Itälahdenkatu 20	Helsinki	100.00	100.00	Vantaan Epsilon	Vantaa	100.00	100.00
Itälahdenkatu 22	Helsinki	100.00	100.00	Vantaan Gamma	Vantaa	85.00	85.00
Jokipohjantie 28	Tampere	100.00	100.00	Vantaan Honkatalo	Vantaa	100.00	100.00
Kaivokadun Tunneli	Helsinki	83.58	83.58	Vantaan Köysikuja 1	Vantaa	100.00	100.00
Kaivokatu 12	Helsinki	100.00	100.00	Vantaan Lambda	Vantaa	100.00	100.00
Kappelitie 8	Espoo	100.00	100.00	Vantaan Omega	Vantaa	100.00	100.00
Karapellontie 4 C	Espoo	100.00	100.00	Vantaan Omigron	Vantaa	100.00	100.00
Karjalan Kauppakeskus	Lappeenranta	100.00	100.00	Vantaan Santaradantie 8	Vantaa	100.00	100.00
Kaupintie 3	Helsinki	100.00	100.00	Vantaan Sähkötie 1	Vantaa	100.00	100.00
Keskuskatu 1 B	Helsinki	100.00	100.00	Vantaan Vanha Porvoontie 231	Vantaa	100.00	100.00
Kilonkallio 1	Espoo	100.00	100.00	Vantaan Zeeta	Vantaa	100.00	100.00
Kluuvikatu 8	Helsinki	100.00	100.00	Vantaan Äyrikuja 3	Vantaa	100.00	100.00
Korkeavuorenkatu 45	Helsinki	100.00	100.00	Vitikka 6	Espoo	100.00	100.00
Kouvontie 227	Nastola	100.00	100.00	Ylä-Malmintori 6	Helsinki	100.00	100.00
Kumpulantie 11	Helsinki	100.00	100.00				
Kuninkaankaari	Vantaa	100.00	100.00	Limited liability companies			
Kuninkaankruunu	Vantaa	100.00	100.00	Drawer	Tampere	100.00	100.00
Läkkitori	Espoo	95.23	95.23	Puistometso	Helsinki	100.00	100.00
Länsi-Keskus	Espoo	58.64	58.64	SRK-Kiinteistöt	Helsinki	100.00	100.00
Lönkka	Helsinki	100.00	100.00	Tamforest	Tampere	100.00	100.00
Lönnrotinkatu 13	Helsinki	57.81	57.81	Tamsilva	Tampere	100.00	100.00
Malmin Kankirauta	Helsinki	100.00	100.00	Tamsoil	Tampere	100.00	100.00
Malmin Yritystalo	Helsinki	100.00	100.00	Inkeröisten Koekeskus	Anjalankoski	100.00	–
Mannerheimintie 6	Helsinki	100.00	100.00	Tamwell	Tampere	100.00	100.00
Mansku 4	Helsinki	100.00	100.00				
Matinpurontie 3	Espoo	100.00	100.00	Associated companies			
Melkonkatu 26	Helsinki	100.00	100.00	Asunto Oy Lönnrotinkatu 28	Helsinki	30.81	–
Messukylän Castrulli	Tampere	100.00	100.00	Erottajan Pysäköintilaitos	Helsinki	42.86	42.86
Messukylän Kattila	Tampere	100.00	100.00	Puotinharjun Puhos Oy	Helsinki	20.43	20.43
Messukylän Turpiini	Tampere	100.00	100.00				
Miestentie	Espoo	100.00	100.00				
Mäkkylän Toimistotalo	Helsinki	100.00	100.00				

Notes to the Income Statement and Balance Sheet

1 000 €	Group		Parent Company	
	2003	2002	2003	2002
14) Short-term receivables				
Trade receivables from others	700	878	510	528
Other receivables from others	2 957	1 679	8	612
Prepaid expenses and accrued income				
Prepaid expenses and accrued income from Group companies	–	–	2 180	478
Prepaid expenses and accrued income from others	652	743	531	264
Prepaid expenses and accrued income total	652	743	2 711	742
Short-term receivables total	4 309	3 300	3 229	1 882
Prepaid expenses and accrued income				
From interest and financial items	166	69	395	69
Other items	486	674	2 316	673
	652	743	2 711	742

Deferred tax assets and liabilities:

The financial statements do not include deferred tax assets and liabilities or changes to these items.

Sponda Plc has confirmed tax losses totalling EUR 9 million, giving a deferred tax asset of EUR 3 million calculated according to the tax rate of 29% currently in force.

Non-tax-deducted writedowns totalling EUR 80 million, giving a deferred tax asset of EUR 23 million, have been entered in Sponda Group's financial statements.

In addition certain property companies have confirmed tax losses totalling EUR 14 million, most of which cannot be used.

Group goodwill (net) from buildings amounts to EUR 30 million, giving a deferred tax liability of EUR 9 million.

1 000 €	Group		Parent Company	
	2003	2002	2003	2002
15) Shareholders' equity				
Share capital 1 Jan.	81 155	81 983	81 155	81 983
Increase in share capital	294	–	294	–
Cancellation of shares	–3 000	–828	–3 000	–828
Share capital 31 Dec.	78 449	81 155	78 449	81 155
Share premium fund 1 Jan.	152 253	151 425	152 253	151 425
Share issue gain	960	–	960	–
Transfer from share capital	3 000	828	3 000	828
Share premium fund 31 Dec.	156 213	152 253	156 213	152 253
Share buyback fund 1 Jan.	4 926	3 596	4 926	3 596
Share buybacks	11 427	4 926	11 427	4 926
Cancellation of own shares	–16 353	–3 596	–16 353	–3 596
Share buyback fund 31 Dec.	–	4 926	–	4 926
Retained earnings 1 Jan.	313 029	263 522	402 129	306 018
Dividend payment	–70 340	–24 346	–70 340	–24 346
Transfer to share buyback fund	–11 427	–4 926	–11 427	–4 926
Retained earnings 31 Dec.	231 262	234 250	320 362	276 746
Net income for the year	30 658	78 779	30 518	125 383
Shareholders' equity, total	496 582	551 363	585 542	640 463
Calculation of distributable funds 31 Dec.				
Retained earnings	231 262	234 250	320 362	276 746
Net income for the year	30 658	78 779	30 518	125 383
Total	261 920	313 029	350 880	402 129
Own shares				
Own shares owned by the company			–	888 200
Nominal value, 1 000 €			–	888
Purchasing cost, 1 000 €			–	4 926

1 000 €	Group		Parent Company	
	2003	2002	2003	2002
16) Long-term liabilities				
Long-term interest-bearing liabilities				
Serial bonds	200 000	100 000	200 000	100 000
Convertible bonds to Group companies	–	–	282	332
Convertible bonds to others	255	304	255	304
Loans from financial institutions	270 736	336 345	270 685	336 278
Other long-term debt payable to Group companies	–	–	3 040	3 161
Long-term interest-bearing liabilities, total	470 991	436 649	474 262	440 075
Debt maturing after five years				
Loans from financial institutions	46	56	–	–

1 000 €	Group		Parent Company	
	2003	2002	2003	2002
17) Short-term liabilities				
Short-term interest-bearing liabilities				
Loans from financial institutions	111 809	20 010	120 416	27 538
Short-term interest-free liabilities				
Advances received	346	376	84	112
Accounts payable				
To Group companies	–	–	867	3 142
To others	1 780	1 731	120	349
Accounts payable, total	1 780	1 731	987	3 491
Accrued expenses and prepaid income				
Payable to Group companies	–	–	309	282
Payable to others	9 446	26 219	8 007	25 261
Accrued expenses and prepaid income, total	9 446	26 219	8 316	25 543
Other short-term debt	3 075	2 506	2 747	1 954
Short-term interest-free liabilities, total	14 647	30 832	12 134	31 100
Short-term liabilities, total	126 456	50 842	132 550	58 638
Accrued expenses and prepaid income				
From interest and financial expenses	7 248	5 224	7 428	5 233
Personnel expenses	505	365	505	365
Taxes	37	19 405	36	19 405
Other items	1 656	1 225	347	540
	9 446	26 219	8 316	25 543

Notes to the Income Statement and Balance Sheet

Year	M€	Average interest%
18) Maturity of loans at 31 December 2003		
2004	111.8	4.17
2005	195.0	2.91
2006	75.9	2.70
2007	100.0	6.25
2008	100.0	3.55
Total	582.7	

The average interest rate for all loans is 4.4%, the average interest-bearing period is 2.7 years and the average maturity of the loans is 2.6 years.

The figures do not include non-Group loans raised by the subsidiaries.

EUR 100 million notes

On 25 November 2003 Sponda issued notes with a maximum nominal amount of EUR 100 million.

The annual fixed coupon of the EUR 40 million notes was confirmed at 4.45% and the annual coupon of the floating rate notes, EUR 60 million, was confirmed to be six months Eurobor plus 75 bps. The notes fall due on 25 December 2008.

Term Loan Facility

On 28 November 2000 Sponda Plc signed a syndicated term loan facility with nine international banks totalling EUR 195 million. This facility falls due on 28 November 2005. The loan is unsecured and carries interest of 0.75% above the 6-month Eurobor.

EUR 150 million bond

The first tranche in Sponda Plc's EUR 150 million serial bond loan totalled EUR 100 million in the first auction held on 11 April 2000, giving a return of 6.21% and price of 100.222%.

The bond carries an annual coupon of 6.25% and has a maturity of 7 years. The bond is part of Sponda's EUR 250 million domestic bond programme.

Commercial Paper Programme

Sponda has a EUR 100 million commercial paper programme to cover its short-term financing needs. EUR 46.2 million of this programme was in use on 31 December 2003.

Convertible bond loan

The Annual General Meeting on 8 April 2003 approved a EUR 635,750.36 bond loan offered to the company's employees. Sponda Plc's subsidiary Tamsoil Oy subscribed for EUR 339,068.86 of this bond. Tamsoil Oy may offer its bond certificates to Sponda Group employees at a later date.

The bond was subscribed in three lots – A, B and C – and the minimum subscription was EUR 504.56. Bond A may be converted into shares between 28 April 2003 and 28 April 2006, Bond B between 28 April 2004 and 28 April 2006 and Bond C between 28 April 2005 and 28 April 2006. Each EUR 168.19 bond may be exchanged for 500 Sponda Plc shares.

When converting bonds into shares, the bond holder is required to pay EUR 5.38 per share for Bond A, EUR 5.89 per share for Bond B and EUR 6.39 per share for Bond C. The conversion payment is reduced annual by the amount of dividend paid. Sponda Plc's share capital may increase as a result of these conversions by at most 1,890,000 shares, representing 2.31% of the total number of shares.

Conversions of Bond A certificates during the period resulted in altogether 294,000 new shares. These carry dividend rights for the period during which they were exchanged.

Derivative financial instruments

Sponda Group hedges the interest risk exposure arising from its long-term loans using derivative financial instruments.

New interest rate swap contracts were signed during 2003 for a total value of EUR 100 million. A EUR 84 million swap due to mature during the year was extended for a further five years.

1 000 €	12/2003	12/2002
Swap contracts, notional value	218.9	118.9
Swap contracts, fair value	-3.0	-2.6
Cap options, notional value	34.8	34.8
Cap options, fair value	0.1	0.1

The interest rate derivative contracts had a total notional value of EUR 253.7 million and a total fair (market) value of EUR -2.9 million.

The fair value represents the return that would have arisen if the derivative positions had been closed on the balance sheet date.

1 000 €	Group		Parent Company	
	2003	2002	2003	2002
19) Collateral and commitments given by the Group				
Loans from financial institutions covered by collateral	141 278	141 278	141 278	141 278
Mortgages	81 749	82 590	–	–
Book value of pledged shares	52 841	46 260	52 841	46 260
Collateral, total	134 590	128 850	52 841	46 260

Commitments arising from land lease agreements

Lease liability	21 447	21 715
Mortgages	2 164	1 682

The average duration of the land lease agreements at 31 December 2003 was 21 years.

Leasing liabilities

Due during following financial period	23	–	23	–
Due after following financial period	46	–	46	–
	69		69	

Most of the company's car leases are three-year contracts without redemption obligation.

Other commitments

Unpaid pre-lease rent deposits	10	98	10	98
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VAT deductions made on renovation investments

Liabilities in accordance with §33 of the VAT Act have been calculated for all the Group companies and they have an aggregate total of EUR 14.4 million in the annual accounts.

Distribution of Profit and Auditors' Report

BOARD OF DIRECTORS' PROPOSAL

On 31 December 2003 the Group's distributable funds totalled EUR 261,920,102.00.

On 31 December 2003 the parent company's distributable funds totalled EUR 350,880,128.11.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.30 be paid per share, totalling EUR 23,534,782.50 at 31 December 2003.

Helsinki, 4 February 2004

SPONDA PLC
Board of Directors

Heikki Bergholm
Harri Pynnä

Maija-Liisa Friman
Anssi Soila
Kari Kolu
President and CEO

Jarmo Laiho
Jarmo Väisänen

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

Helsinki, 10 February 2004

Sixten Nyman APA

KPMG WIDERI OY AB
Lasse Holopainen APA

AUDITORS' REPORT

To the shareholders of Sponda Plc

We have audited the accounting records, the financial statements and the administration of Sponda Plc for the financial year 1 January – 31 December 2003. The accounts prepared by the Board of Directors and the President and CEO include the report of the Board of Directors as well as an income statement, balance sheet and notes to the accounts for both the Group and the Parent Company. Based on our audit we express an opinion on the financial statements and administration.

We conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order 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 evaluating the overall financial statement presentation. The purpose of our audit of the administration has been to examine that the parent company's Board of Directors and the President and CEO 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 and CEO of the parent company can be discharged from liability for the period audited by us. The proposal of the Board of Directors concerning the disposal of the profit for the year is in compliance with the Finnish Companies Act.

Helsinki, 10 February 2004

Sixten Nyman APA

KPMG WIDERI OY AB
Lasse Holopainen APA

Information for Shareholders

FINANCIAL BULLETINS 2004

Sponda will publish the following Interim Reports

Interim Report for January–March 2004	Thursday 6 May 2004
Interim Report for January–June 2004	Thursday 5 August 2004
Interim Report for January–September 2004	Thursday 28 October 2004

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

ANNUAL GENERAL MEETING

Sponda Plc's Annual General Meeting in 2004 will be held in the Helsinki Room of Finlandia Hall, Mannerheimintie 13 in Helsinki on Wednesday 7 April 2004, starting at 2.00 pm.

The company must be notified of shareholders' attendance at the Annual General Meeting no later than by 4.00 pm on 31 March 2004 either by phone, +358 9 680 581/Ms Pia Arrhenius, or by e-mail: pia.arrhenius@sponda.fi, telefax +358 6805 8258.

Shareholders wishing to attend must be entered in the company's register of shareholders maintained by the Finnish Central Securities Depository (FCSD) Ltd no later than on 26 March 2004.

PAYMENT OF DIVIDEND

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.30 per share be paid on the financial year 2003. The dividend approved by the Annual General Meeting will be paid to shareholders who are entered in the shareholders' register maintained by the FCSD on 14 April 2004, i.e. the date of record confirmed by the Board of Directors for distribution of dividends. Hence, the Board of Directors will propose dividend payment on 21 April 2004.

CHANGES OF NAME AND ADDRESS

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

To receive these bulletins and press releases please contact: Sponda Plc, Corporate Communications, P.O. Box 940, FIN-00101 Helsinki, Finland, tel +358 9 680 581, fax +358 9 6805 8222, e-mail: laila.keto-lassas@sponda.fi.

The following banking groups and stockbrokers have announced that they conduct investment analyses of Sponda's business operations. The list may be incomplete. Sponda takes no responsibility for the assessments contained in these analyses.

	Phone
Domestic	
D. Carnegie AB Finland	+358 9 618 71235
Conventum Securities Ltd	+358 9 2312 3315
Evli Securities	+358 9 4766 9632
HSH Nordbank	+358 9 7277 3912
Mandatum Bank Ltd	+358 10 236 10
Nordea Securities	+358 9 3694 9429
Foreign	
ABG Sundal Collier (Sweden)	+ 46 8 5662 8695
Alfred Berg (Sweden)	+46 8 7235 908
Merrill Lynch (Great Britain)	+44 207 892 468

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The DRAWINGS in this annual report are the work of Nene Tsuboi, a Japanese student at the Helsinki University of Art and Design who graduates as a graphic designer in spring 2004.

The FURNITURE seen in the portrait photos are the work of students of space and furnishing design at the Helsinki University of Art and Design. Sponda's President and CEO Kari Kolu (page 2) is seated on the Platform chair designed by Timo Mikkonen and some of the members of Sponda's Board of Directors (pages 38–39) are sitting on Sihti stools by Salla Eskola.

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