Board of Directors' Report and Financial Statements 2013

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Report by the Board of Directors 2013

Sponda Plc's total revenue in 2013 was EUR 264.3 million (2012: EUR 264.6 million), and net operating income was EUR 190.9 million (192.2) million. Net operating income was decreased by sales of properties. Sponda's operating profit was EUR 153.0 (210.5) million. The economic occupancy rate was 87.9 (88.1)%.

Main events during 2013

In 2013, Sponda's operative targets were to keep economic occupancy rate stable, sell non-strategic properties and refinance loans.

In September 2013, the Board of Directors of Sponda Plc confirmed the company's new strategy and strategic goals. The strategy is described in the next chapter of this report.

In July 2013, Sponda sold the Business Center NRC and Inform Future office buildings, located in St Petersburg, to Russian asset management for a total of EUR 9.9 million. Nearly all of their leasable area has been leased out.

At the end of 2013 Sponda sold two office properties and one logistics property for a total price of EUR 13.7 million. Sponda recorded a sales profit of approximately EUR 500,000 from these transactions. The selling price of all properties sold was equal to or higher than their fair value on Sponda's balance sheet.

In October 2013, Sponda and Sweco signed a preliminary agreement on a three-building office complex to be constructed in Ilmala, Helsinki for use by Sweco. The construction of the property will start in spring 2014, and the project is estimated to be completed in December 2015. The investment amounts to approximately EUR 57 million. The office complex is 83% pre-let. The office building complex has a floor area of approximately 15,000 square metres and two parking floors will be built under the six-floor office building with parking spaces for some 277 cars for the entire project. Sponda also has an opportunity to expand the office complex with two more office buildings.

In May, Sponda redeemed all of the outstanding capital securities at the principal amount EUR 92.8 million of the original a EUR 130 million hybrid bond . The hybrid bond was issued on 27 June 2008.

In October 2013, Sponda issued a EUR 150 million senior unsecured bond. The five-year bond matures on 9 October 2018 and carries fixed annual coupon at the rate of 3.375 per cent. The bond is listed on NASDAQ OMX Helsinki.

In December 2013, Sponda signed credit agreement extensions totaling EUR 250 million. Sponda signed an agreement with Nordea Bank Finland for a four-year unsecured loan of EUR 150 million. Sponda also signed an agreement with Danske Bank A/S, Helsinki branch, for an unsecured five-year credit limit of EUR 100 million. The key covenants of the credit limit (equity ratio and interest cover ratio) are the same as those of Sponda’s other loans.

Strategy

On 3 September 2013, the Board of Directors of Sponda Plc confirmed the company's new strategy. The main goals of the strategy are simplification of the business structure, more focused property ownership and profitable growth.

Focal points for growth will be office properties and shopping centres and property development serving these segments. As for areas, Sponda will focus on prime areas in the Helsinki Metropolitan Area, particularly in the central business district and Ruoholahti, as well as Tampere.

The most significant changes to Sponda's current strategy are that Sponda is planning to exit both the Russian market and the Real Estate Funds business in the next 3-5 years. In addition, the company is planning to sell its entire logistics property portfolio as well as property ownership in Turku. In order to make the operations clearer, the name of the Office and Retail Properties segment will be changed to Office Properties segment.

Sponda is planning to exit the Russian business operations in 3-5 years' time. This means that no new investments will be made in the region and current properties, most of which are located in Moscow, will be sold when market conditions allow.

In the Real Estate Funds business unit, no new real estate funds will be established. Those existing funds in which Sponda has minority holding will be managed as before until the end of the term of each fund. Depending on the fund, the term will end between 2014 and 2019.

The capital to be released will be invested in Sponda's main markets in Helsinki and Tampere. Investment objects include both property development projects and office and shopping centre properties.

The company's long-term goals for equity ratio and dividends also remained unchanged:

- The Group's goal is to attain a 40 per cent equity ratio.
- The company aims to pay a stable dividend. The dividend is approximately 50 per cent of the operational cash earnings per share for the financial period, taking into account, however, the economic situation and the company's development needs.

Result of operations and financial position (compared with January-December 2012)

- Total revenue was EUR 264.3 (264.6) million.
- Net operating income was EUR 190.9 (192.2) million. Net operating income was decreased by sales of properties.
- Operating profit was EUR 153.0 (210.5) million. This includes a fair value change of EUR -14.2 (33.0) million.
- Cash flow from operations per share was EUR 0.40 (0.40).
- The fair value of the investment properties amounted to EUR 3,253.3 (3,261.3) million.
- Net assets per share totalled EUR 4.64 (4.45).
- The economic occupancy rate was 87.9% (88.1%).
- A decrease in the Finnish corporate tax rate from 24.5% to 20% took effect from the beginning of 2014. The change decreased Sponda's deferred taxes by EUR 36.3 million.

Financial position

The consolidated balance sheet total was EUR 3,471.7 (31.12.2012: 3,521.8) million. The total value of property assets was EUR 3,261.1 (3,269.1) million. Of this total, investment properties accounted for EUR 3,253.3 (3,261.3) million and trading properties for EUR 7.8 (7.8) million. Investments in real estate funds totalled EUR 88.3 (83.6) million.

In 2013, Sponda sold properties for EUR 33.1 (2012: 61.8) million recording a sales profit of EUR 0.8 million. Property maintenance and quality improvement investments totalled EUR 22.6 (28.4) million and property development EUR 14.0 (47.5) million. New property acquisitions in 2013 amounted to EUR 3.1 (53.1) million.

The consolidated equity at the end of 2013 stood at EUR 1 409.3 (1,447.7) million. The sum of EUR 94.0 million recorded in the other equity reserve comprises equity bonds issued in December 2012. Debts totalled EUR 2,062.5 (2,074.1) million, of which EUR 1,714.8 (1,704.4) million was long-term debt and EUR 347.6 (369.7) million short-term debt. The total value of interest-bearing debt was EUR 1,788.8 (1,736.2) million.

Key figures showing Sponda Group's financial performance:

Consolidated key figures	1–12/2013	1–12/2012	1–12/2011
Economic occupancy rate,%	**87.9**	88.1	88.2
Total revenue, M€	**264.3**	264.6	248.2
Net operating income, M€	**190.9**	192.2	179.4
Operating profit, M€	**153.0**	210.5	209.6
Equity ratio,%	**40.7**	41.2	37.9
Gearing ratio,%	**125.6**	117.9	134.9
Return on equity,%	**7.2**	8.2	9.5
Earnings per share, €	**0.34**	0.37	0.39
Dividend per share, €	**0.18**[1)]	0.17	0.16
Total dividend, M€	**51.0**[1)]	48.1	45.3
Net assets per share, €	**4.64**	4.45	4.06
Cash flow from operations per share, €	**0.40**	0.40	0.37

1) Board proposal

Financing

Key items in the Group cash flows:

M€	1-12/2013	1-12/2012	1-12/2011
Net cash flow from operations	**106.5**	112.8	99.2
Net cash flow from investments	**-27.4**	-75.3	-222.9
Net cash flow from financing	**-90.1**	-34.4	123.6
Change in cash and cash equivalents	**-11.0**	3.2	-0.1
Cash and cash equivalents, start of period	**30.1**	26.4	27.0
Impact of changes in exchange rates	**-0.2**	0.5	-0.4
Cash and cash equivalents, end of period	**18.8**	30.1	26.4

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

Interest-bearing debt amounted to EUR 1,788.8 (1,736.2) million and the average maturity of loans was 2,5 (2,8) years. The average interest rate was 3.2 (3.4) per cent including interest derivatives. Fixed-rate and interest-hedged loans accounted for 79 (72) per cent of the loan portfolio. The average interest bearing period of the debt portfolio was 2.3 (1.9) years. The interest cover ratio, which reflects solvency, was 3.1 (2.8). Sponda’s equity ratio stood at 40.7 (41.2) per cent and the gearing ratio was 125.6 (117.9) per cent.

Sponda Group’s debt portfolio on 31 December 2013 comprised EUR 605 million in syndicated loans, EUR 473 million in bonds, EUR 256 million in issued commercial papers, and EUR 454 million in loans from financial institutions. Sponda had EUR 510 million in unused credit limits. Sponda Group had mortgaged loans of EUR 144.8 million, or 4.2% of the consolidated balance sheet. Net financing costs for the period totalled EUR -59.8 (-58.8) million. Financial income and expenses include EUR -0.9 (4.8) million in unrealised change in the fair value of derivatives. Excluding the aforementioned change in fair value, financial income and expenses totalled EUR -58.9 (-63.5) million.

Sponda applies hedge accounting to those interest derivatives that meet the criteria for hedge accounting. Changes in the fair value of interest derivatives that fall under hedge accounting are recognised in equity on the balance sheet. Changes in the fair value of other interest derivatives and currency options are recorded on the income statement

Business Conditions

Business Conditions – Finland

According to an estimate published in December by the Finnish Ministry of Finance, the Finnish GDP declined by 1.2% in 2013. The economy is expected to bottom out and take a turn to slow growth in 2014. The forecast of 0.8% GDP growth for 2014 is based on increasing foreign trade. The current forecast for GDP growth in 2015 is 1.8%. The turn to growth will be supported by the recovery in the eurozone, the strengthening of economic growth in Finland's key export markets as well as an increase in services and manufacturing.

According to KTI Property Information, the fourth quarter of 2013 was very active with a transaction volume of EUR 1.13 billion. This marks the first time the quarterly transaction volume exceeded EUR 1 billion since Q1/2008. The transaction volume for the full year 2013 was EUR 2.38 billion, an increase of approximately 11% compared to 2012.

The vacancy rate for office premises in the Helsinki metropolitan area continued to increase in the second half of the year. According to Catella Property Oy, the vacancy rate for offices stood at 12.4% at the end of 2013, up 0.9 percentage points from the midpoint of the year.

The recent years have seen a high level of activity in new construction in the Helsinki metropolitan area, but this is now slowing down. According to KTI Property Information, the total floor area of new office projects started in 2013 stood at only 32,500m² at the end of September.

Business Conditions – Russia

Russian GDP growth slowed down in 2013. According to the estimate of the Russian Ministry of Finance, GDP growth in 2013 was only approximately 1.4%. The GDP growth forecast for 2014 is 2.5%. Economic growth in the coming years will be based on export growth, higher purchasing power and increased investments.

The property transaction market remained active. According to CB Richard Ellis, the fourth quarter volume in 2013 was approximately USD 2.2 billion, and the transaction volume for the full year amounted to approximately USD 7 billion.

Office and retail properties remain clearly the most popular investments. At the end of September 2013, office and retail properties accounted for 85% of the total transaction volume.

According to CB Richard Ellis, the average vacancy rate for office premises in Moscow stood at approximately 11% in September 2013. In the third quarter, the vacancy rate for Class A office space increased, while the vacancy rate for Class B office space decreased. Rent levels have not changed for the past two years. Some 586,000m² of new office space had been completed by the end of September. The estimate for the full year 2013 is approximately 860,000m².

Operations and Property Assets 1 January – 31 December 2013

Net operating income from all of Sponda's property assets totalled EUR 190.9 (192.2) million in 2013 and EUR 47.4 (47.4) million in October–December. Of this total, office premises accounted for 55%, shopping centres for 17%, logistics premises for 14%, Russia for 11% and the Real Estate Funds unit for 3%.

On 31 December 2013, Sponda had a total of 176 leasable properties, with an aggregate leasable area of approximately 1.4 million m². Of this, some 53% is office premises, 11% shopping centres and 33% logistics premises. Some 3% of the leasable area of the properties is located in Russia.

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

At the end of 2013, an external consultant assessed the values of Sponda's investment properties in Finland (Catella) and in Russia (CB Richard Ellis). The change in the fair value of investment properties in 2013 was EUR -16.1 (24.9) million for the full year. The negative change in fair value in 2013 was attributable to exchange rate fluctuations and maintenance expenses in Russia. The changes in maintenance expenses are itemised in the table Valuation gains/losses on fair value assessment.

Valuation gains/losses on fair value assessment

M€	1–12/13	1–12/12
Changes in yield requirements (Finland)	-5.0	20.9
Changes in yield requirements (Russia)	0.0	6.5
Development gains on property development projects	2.2	-0.7
Modernisation investments	-22.6	-28.5
Change in market rents and maintenance costs (Finland)	22.1	26.4
Change in market rents and maintenance costs (Russia)	-7.1	-0.1
Change in currency exchange rates	-5.7	0.4
Investment properties, total	**-16.1**	**24.9**
Real estate funds	-8.8	0.6
Realised share of fund profits	10.7	7.5
Group total	**-14.2**	**33.0**

Changes in Sponda's investment property assets

M€	Total	Office properties	Shopping centres	Logistics	Property development	Russia
Operating income	256.7	145.0	43.9	38.7	0.4	28.6
Maintenance expenses	-71.4	-39.3	-10.7	-12.9	-1.8	-6.8
Net operating income	**185.3**	**105.8**	**33.2**	**25.9**	**-1.3**	**21.8**
Investment properties on 1 Jan 2013	3,261.3	1,705.7	736.7	414.4	135.1	269.4
Capitalised interest 2013	0.3	0.1	0.0	0.0	0.1	0.0
Acquisitions	3.1	3.1	0.0	0.0	0.0	0.0
Investments	36.6	26.3	2.7	1.7	4.7	1.2
Transfers between segments	0.0	9.6	0.0	20.7	-30.3	0.0
Sales	-31.9	-19.7	0.0	-2.5	0.0	-9.7
Change in fair value	-16.1	4.2	1.9	-7.8	-1.4	-13.1

Investment properties on 31 Dec 2013	**3,253.3**	**1,729.4**	**741.3**	**426.5**	**108.2**	**247.8**
Change in fair value, %	-0.5	0.2	0.3	-1.9	-1.0	-4.9
Weighted average yield requirement %	6.7	6.5	5.6	8.2		9.6
Weighted average yield requirement %, Finland	6.5					

Rental operations

Expired lease agreements and new agreements that came into effect in the last quarter of the year were as follows:

	Number (agreements)	Area (m²)	EUR/m²/month
Came into effect during the period	91	29,099	12.30
Expired during the period	78	52,633	13.40
Renewed during the period	102	39,640	14.00

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

Sponda calculates the growth in net rental yield for its properties according to EPRA Best Practices Recommendations by using a like-for-like net rental growth formula based on a comparable property portfolio owned by the company for two years. Like-for-like net rental growth was 0.5% (5.3%) for office premises, -0.5% (-10.2%) for shopping centres, -6.3% (-3.3%) for logistics premises and 1.1% (3.6%) for properties in Russia. All of Sponda's lease agreements in Finland are tied to the cost of living index.

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

Type of property	31.12.2013	30.9.2013	30.6.2013	31.3.2013	31.12.2012
Office properties,%	**90.1**	89.6	89.6	89.2	89.4
Shopping centres,%	**89.0**	90.8	91.1	94.1	93.0
Logistics,%	**75.2**	75.6	75.7	74.8	75.6
Russia,%	**96.0**	96.1	97.9	96.8	95.4
Total property portfolio,%	**87.9**	88.0	88.3	88.2	88.1

Geographical area	31.12.2013	30.9.2013	30.6.2013	31.3.2013	31.12.2012
Helsinki business district,%	**88.1**	88.5	87.9	89.0	88.3
Helsinki Metropolitan Area,%	**84.9**	84.8	84.9	84.3	85.0
Turku, Tampere, Oulu,%	**94.7**	94.9	95.9	96.3	95.7
Russia,%	**96.0**	96.1	97.9	96.8	95.4
Total property portfolio,%	**87.9**	88.0	88.3	88.2	88.1

Total cash flow from lease agreements at the end of 2013 was EUR 1,199.2 (1,239.7) million. Sponda had 1,984 clients and altogether 3,037 lease agreements. The company's largest tenants were the State of Finland (7.7% of rental income), Kesko Group (4.7% of rental income), HOK-Elanto (3.8% of rental income) and Danske Bank Oyj (3.6% of rental income). Sponda's 10 largest tenants generate approximately 30% of the company's total rental income. Sponda's tenants by sector were as follows:

Sector	% of net rental income
Professional, scientific and technical	6.5
Energy	0.4
Public sector	12.3
Wholesale/retail	26.9
Education	1.3
Logistics/transport	4.7
Hotel and catering business	4.8
Media/publishing	2.3
Other services	13.2
Banking/investment	10.2
Construction	1.5
Industry/manufacturing	5.9
Healthcare	3.9
Telecommunications	5.9
Other	0.2

The average length of all lease agreements was 4.6 (4.7) years. The average length of lease agreements was 4.6 (4.8) years for office properties, 6.2 (6.2) years for shopping centres, 4.4 (4.5) years for logistics properties and 2.4 (2.8) years for properties in Russia. The lease agreements expire as follows:

	% of rental income 31 December 2013	% of rental income 31 December 2012
Within 1 year	**12.6**	14.3
Within 2 years	**10.4**	8.8
Within 3 years	**10.3**	10.1
Within 4 years	**13.4**	7.8
Within 5 years	**8.3**	13.7
Within 6 years	**4.2**	4.1
After more than 6 years	**27.1**	27.1
Valid indefinitely	**13.9**	14.0

Divestments and investments

Divestments M€

	2013	2012
Properties sold		
Selling price	33.1	61.8
Profit/loss on sale*	0.8	2.5
Balance sheet value	31.9	59.3

*) Includes sales costs

Investments M€

	2013	2012
Properties acquired	-3.1	-53.1
Maintenance investments	-22.6	-28.4
Property development investments	-14.0	-47.5

Property development investments were mainly directed to the development of an office property in Ruoholahti, which was completed in April 2013.

Results by segment

Sponda's operations are organised into six segments: The segments under the Investment Properties business unit are Office Properties, Shopping Centres and Logistics Properties. The other segments are Property Development, Russia and Real Estate Funds.

Sponda's segment information is prepared under the principle that an investment property belongs in the segment that matches its primary use. From the beginning of 2014, office and retail premises and shopping centres located in the same investment property will be divided into their respective segments for part of the investment properties. This change is due to reasons related to the management of current and potential customer relationships and customer relationship management in general. It will affect the division between segments of an estimated 10 investment properties.

Office Properties

	1–12/2013	1–12/2012
Total revenue, M€	**145.0**	143.9
Net operating income, M€	**105.7**	104.9
Operating profit, M€	**100.5**	130.0
EPRA Net Initial Yield (NIY),%	**6.2**	6.3
Economic occupancy rate,%	**90.1**	89.4
Fair value of properties, M€	**1,729.4**	1,705.7
Change in fair value from beginning of year, M€	**4.2**	31.4
Leasable area, m²	**756,000**	763,000

Investments and divestments in the Office Properties segment during the period under review:

	2013	2012
Properties sold		
Selling price	20.6	16.0
Profit on sale	0.9	1.6
Balance sheet value	19.7	14.4
Properties acquired	-3.1	-15.2
Maintenance investments	-17.9	-20.4
Property development investments	-8.4	-10.3

The lease agreements for office properties will expire as follows:

	% of rental income 31 December 2013	% of rental income 31 December 2012
Within 1 year	**11.7**	11.3
Within 2 years	**11.0**	10.4
Within 3 years	**11.4**	11.4
Within 4 years	**13.2**	7.9
Within 5 years	**7.8**	12.9
Within 6 years	**2.8**	5.2
After more than 6 years	**23.9**	22.5
Valid indefinitely	**18.1**	18.4

Shopping Centres

	1–12/2013	1–12/2012
Total revenue, M€	**43.9**	42.0
Net operating income, M€	**33.2**	32.3
Operating profit, M€	**32.6**	25.7
EPRA Net Initial Yield (NIY),%	**4.4**	6.1
Economic occupancy rate,%	**89.0**	93.0
Fair value of properties, M€	**741.3**	736.7
Change in fair value from beginning of year, M€	**1.9**	-5.3
Leasable area, m²	**157,500**	156,500

Investments and divestments in the Shopping Centres segment during the period under review:

	2013	2012
Properties sold		
Selling price	**0.0**	1.1
Profit on sale	**0.0**	0.5
Balance sheet value	**0.0**	0.6
Properties acquired	**0.0**	-
Maintenance investments	**-2.7**	-5.8
Property development investments	**0.0**	-15.6

The lease agreements for shopping centres will expire as follows:

	% of rental income 31 December 2013	% of rental income 31 December 2012
Within 1 year	**3.2**	8.0
Within 2 years	**6.5**	2.9
Within 3 years	**6.3**	5.6
Within 4 years	**17.5**	4.3
Within 5 years	**5.7**	19.6
Within 6 years	**7.4**	0.6
After more than 6 years	**50.8**	54.9
Valid indefinitely	**2.7**	4.1

Logistics properties

	1–12/2013	1–12/2012
Total revenue, M€	**38.7**	42.3
Net operating income, M€	**25.9**	28.7
Operating profit, M€	**16.9**	22.4
EPRA Net Initial Yield (NIY),%	**5.5**	6.6
Economic occupancy rate,%	**75.2**	75.6
Fair value of properties, M€	**426.5**	414.4
Change in fair value from beginning of year, M€	**-7.8**	-4.9
Leasable area, m²	**477,500**	485,000

Investments and divestments in the Logistics Properties segment during the period under review:

	2013	2012
Properties sold		
Selling price	**2.5**	31.5
Profit on sale	**0.0**	-
Balance sheet value	**2.5**	31.5
Properties acquired	**0.0**	-
Maintenance investments	**-1.7**	-1.9
Property development investments	**0.0**	-0.1

The lease agreements for logistics properties will expire as follows:

	% of rental income 31 December 2013	% of rental income 31 December 2012
Within 1 year	**9.3**	18.1
Within 2 years	**9.9**	4.9
Within 3 years	**9.2**	9.5
Within 4 years	**4.8**	5.7
Within 5 years	**8.0**	4.0
Within 6 years	**8.4**	4.3
After more than 6 years	**29.3**	32.6
Valid indefinitely	**21.1**	20.9

Property development

The balance sheet value of Sponda's property development portfolio stood at EUR 108.2 million at the end of 2013. Of this total, EUR 59.6 million was in undeveloped land sites and the remaining EUR 48.6 million was tied up in property development projects in progress. The value of unused building rights is presented in the assets of the segment concerned for investment properties that have a building, and as part of the Property Development segment for building rights for unbuilt land. The value of unused building rights was previously presented in its entirety in the Property Development segment. This change in classification was implemented in the fourth quarter of 2013 and its total amount was EUR 32.1 million.

At the end of the review period, the Property Development unit had invested a total of EUR 4.7 million, which was directed to the planning and preparation of future property development projects.

Sponda is carrying out development projects for the Ratina shopping centre in Tampere and related areas. The current plans are for a shopping centre with a total area of 50,000 m² and a total investment of approximately EUR 200 million. The decision to invest has not yet been made, but pre-letting for the project has progressed.

Russia

	1–12/2013	1–12/2012
Total revenue, M€	**28.6**	28.7
Net operating income, M€	**21.8**	22.2
Operating profit, M€	**5.6**	25.7
EPRA Net Initial Yield (NIY),%	**8.0**	9.2
Economic occupancy rate,%	**96.0**	95.4
Fair value of properties, M€	**247.8**	269.4
Change in fair value from beginning of year, M€	**-13.1**	6.4
Leasable area, m²	**44,500**	50,500

Investments in and divestments of properties in the Russia unit during the period under review:

	2013	2012
Properties sold		
Selling price	**9.9**	-
Profit/loss on sale*	**-0.2**	-
Balance sheet value	**9.7**	-
Properties acquired	**0.0**	-37.8
Maintenance investments	**-0.3**	-0.4
Property development investments	**-0.9**	-0.2

*) Includes sales costs

The typical length of a lease in Russia is 11 months. Sponda's lease agreements in Russia conform to this practice, with the exception of the Western Realty (Ducat II) and Bakhrushina House properties in Moscow, where the leases are for longer periods than average. The lease agreements for properties in Russia will expire as follows:

	% of rental income 31 December 2013	% of rental income 31 December 2012
Within 1 year	**37.2**	31.1
Within 2 years	**14.1**	14.2
Within 3 years	**11.7**	10.8
Within 4 years	**18.9**	14.7
Within 5 years	**15.2**	20.7
Within 6 years	**0.4**	4.1
After more than 6 years	**2.5**	4.4
Valid indefinitely	**0.0**	0.0

Real Estate Funds

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

	1–12/2013	1–12/2012
Total revenue, M€	**6.8**	6.5
Net operating income, M€	**5.2**	5.2
Operating profit, M€	**2.0**	8.0

At the end of the review period, an external consultant assessed the fair value of the Sponda Fund I Ky (Jonas Lang LaSalle), Sponda Fund II Ky (Kiinteistötaito Peltola & Co) and Sponda Fund III Ky (Jones Lang LaSalle). The change in the fair value of Sponda's real estate funds in 2013 was EUR -8.8 (0.6) million for the full year and EUR -5.2 (0.0) million in October–December alone. The realised shares of profit from real estate funds totalled EUR 10.7 (7.5) million for the full year and EUR 2.6 (2.5) million for October–December.

First Top LuxCo (Sponda's holding 20%) invests in office and retail properties outside Finland's largest cities. The value of the fund's property investments stood at EUR 66.1 million on 31 December 2013.

Sponda Fund I Ky invests in logistics sites outside the Helsinki metropolitan area. Sponda's holding in the fund is 46%. The value of the fund's property investments stood at EUR 162.4 million on 31 December 2013.

Sponda Fund II Ky (Sponda's holding 44%) mainly invests in logistics properties in medium-sized cities in Finland. The value of the fund's property investments stood at EUR 175.2 million on 31 December 2013.

Sponda Fund III Ky (Sponda's holding 36%) mainly invests in logistics properties in medium-sized cities in Finland. The value of the fund's property investments stood at EUR 103.8 million on 31 December 2013.

In addition to the funds mentioned above, Sponda is also responsible for managing the property portfolio, with a value of about EUR 115.1 million, sold in March 2007 to Whitehall Street Real Estate Limited and Niam Nordic Investment Fund III.

Sponda's holding in Russia Invest, which invests in property development projects in Russia, is 27%. Russia Invest purchased from SRV a 55% share in the Okhta Mall shopping centre project, which is Phase I of the Septem City project located in St. Petersburg. Okhta Mall is Russia Invest's first investment, and the size of its investment in the project will be approximately EUR 50 million. Sponda's share of the investment in the Okhta Mall shopping centre project stood at approximately EUR 11 million at the end of 2013. More information on the project is provided in the company's stock exchange release published on 17 June 2013.

Parent company

The net revenue of parent company Sponda Plc was EUR 145.6 (142.9) million and operating profit EUR 87.2 (88.6) million in 2013. Financial income and expenses came to EUR 67.3 (221.5) million and the result for the period was EUR -1.2 (368.9) million.

Group structure

Sponda Group comprises the parent company, the subsidiary Sponda Kiinteistöt Oy and the Group's mutually-owned property companies, which are either wholly or majority-owned by Sponda Plc or Sponda Kiinteistöt Oy. Sponda Group also includes the management companies for Sponda's real estate funds as well as Sponda Russia Ltd and its subsidiaries.

Risk management

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

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

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

Main risks and risk management actions taken

Short-term risks related to Sponda's operations	Risk management actions
Fall in economic occupancy rate	Sponda's property portfolio is mainly located in Helsinki's city centre and the Ruoholahti district. The company spends approximately 1–1.5 per cent of the property portfolio value on modernisation investments each year. Sponda will place more focus on its rental operations.
Decline in tenants' solvency	Sponda carries out regular checks to monitor tenants' solvency and changes therein. Most tenants submit a security deposit corresponding to 3 to 6 months' rent at the start of their tenancy. The company has a diverse tenant base representing a wide variety of sectors.
Interest rate risk	Sponda reduces its interest rate risk through fixed-interest loans and interest rate derivatives.
Exchange rate fluctations	Sponda receives half of its Russian rental revenue in US dollars and half in roubles. Most of the rents paid in roubles are tied to the US dollar or euro exchange rate. The exchange rate risk arising from the use of the rouble is reduced by the fact that a significant portion of the company's own expenses in Russia is also paid in roubles. Sponda hedges a six-month cash flow from Russia. The company's investments in Russia are mainly funded in euros from the parent company balance sheet.
Special features of the Russian property market	Sponda is a local operator with offices in Moscow and St. Petersburg. Networking and good relationships with the authorities are important for business operations. The company's strategy in Russia is to invest in highquality properties in prime locations.

Environmental responsibility

The real estate sector plays a key role in fighting climate change and promoting the wellbeing of the environment. Environmental expertise is one of Sponda's strategic priorities. The sustainability reporting integrated in the company's annual report is implemented according to the GRI C level.

The company's environmental responsibility objectives for 2014 are related to, amongst other things, reducing energy consumption in Sponda's own office and across the company's entire property portfolio, increasing the proportion of recoverable waste, implementing energy efficiency initiatives agreed upon with customers in conjunction with environmental partnerships and engaging in research and development related to reducing energy consumption.

Sponda and other climate partners have signed a climate covenant. As part of the Climate Partners network, a joint initiative of the Confederation of Finnish Industries and the City of Helsinki, the participating companies sign climate covenants identifying the measures they will take to control climate change in their own operations.

Sponda Plc's covenants are:

- The comparable total energy consumption of Sponda's properties will be reduced by 10% by 2016.
- The recycling rate in Sponda's properties will be increased to over 70% by 2014.

The energy consumption of the properties included in Sponda's Energy efficiency programme has decreased in line with previously set targets. At the same time, a growing percentage of the waste generated at the properties is being recovered. The target of the Energy efficiency programme, which is to decrease the energy consumption of Sponda's properties in Finland by 10% by 2016, has already been achieved. The Energy efficiency programme involves monitoring electricity, heating, water and district cooling consumption.

Sponda's head office has been part of the WWF Green Office network since 2010. The Green Office label was renewed for a new three-year period in an office inspection conducted by WWF in 2013. As a WWF partner, Sponda also encourages its customers to join the Green Office network. Sponda’s customers receive a discount on WWF Green Office membership and annual fees. Sponda also assists its customers with the Green Office application process and annual reporting.

The 2014 objectives related to environmental responsibility are described in the Spondability section under Improving energy efficiency and reducing the carbon footprint.

Corporate Governance

Sponda Plc is a public limited company registered in Finland and listed on the NASDAQ OMX Helsinki Ltd. In its decision making and administration Sponda Group applies the Finnish Companies Act and other legal provisions governing public limited companies, and the company’s articles of association. Sponda also adheres to the insider guidelines of NASDAQ OMX Helsinki Ltd and the Finnish Corporate Governance Code 2010, which entered into force on 1 October 2010. The Corporate Governance Code 2010 was issued by the Securities Market Association and is available online.

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

Sponda's Board of Directors has seven members: Kaj-Gustaf Bergh, Klaus Cawén, Christian Elfving, Tuula Entelä, Juha Laaksonen, Arja Talma ja Raimo Valo. Chairman is Kaj-Gustaf Bergh and Deputy Chairman is Klaus Cawén. The Board of Directors have assessed that the board members Klaus Cawén, Tuula Entelä, Juha Laaksonen, Arja Talma and Raimo Valo are independent of the Company and significant shareholders and the board members Kaj-Gustaf Bergh and Christian Elfving are independent of the Company. Kaj-Gustaf Bergh and Christian Elfving have been assessed to be non-independent of significant shareholder due to board membership at Oy PALSK Ab, which is a significant shareholder of Sponda.

The Board has established two permanent committees to assist the Board by preparing matters for which the Board is responsible. These committees are the Audit Committee and the Structure and Remuneration Committee. The Board is responsible for carrying out the duties it assigns to the committees. If required, the Board can appoint other committees and working groups from among its own members to prepare matters for the Board’s decision.

The Audit Committee comprises at least three (3) Board members who are independent of the company and its subsidiaries and have sufficient knowledge of accounting and financial statement practices. As of 18 March 2013 the Audit Committee comprises Arja Talma as Chairman, Raimo Valo as Deputy Chairman and Christian Elfving and Juha Laaksonen as ordinary members.The Structure and Remuneration Committee comprises at least three (3) Board members who are independent of the company. As of 18 March 2013 the Structure and Remuneration Committee comprises Kaj-Gustaf Bergh as Chairman, Klaus Cawén as Deputy Chairman and Tuula Entelä as an ordinary member. Sponda’s President and CEO attended the meetings of the Structure and Remuneration Committee.

Corporate governance statement is given on the company's Internet website.

Annual general meeting and dividend

The Board of Directors of Sponda Plc is convening the Annual General Meeting on 19 March 2014 and proposes to the Annual General Meeting that a dividend of EUR 0.18 per share be paid.

Auditors

Sponda Plc’s auditors are APA Esa Kailiala and authorised public accountants KPMG Oy Ab, with APA Kai Salli as the responsible auditor and APA Lasse Holopainen as the deputy auditor.

The Shareholders' Nomination Board

The Shareholders' Nomination Board of Sponda has decided to propose to the Annual General Meeting to be held 19 March 2014 that the Board will consist of seven members. The Nomination Board further propose that Kaj-Gustaf Bergh, Christian Elfving, Juha Laaksonen, Arja Talma and Raimo Valo to be re-elected for the Board of Directors and that Paul Hartwall and Leena Laitinen to be elected as new members of the Board of Directors.

The Nomination Board proposes to the Annual General Meeting that the annual remuneration payable to the members of the Board to be elected at the Annual General Meeting for the term until the close of the Annual General Meeting in 2015: EUR 60,000 for the Chairman, EUR 36,000 for the Vice Chairman, and EUR 31,200 for each member. Additional compensation of EUR 1,000 shall be paid for the Chairman of the Board for the Board meetings attended and EUR 600 shall be paid for the members of the Board for the Board meetings attended. The Nomination Board proposes that EUR 600 shall be paid for member of the Board or committee meetings and EUR 1,000 shall be paid for the Chairman of the Audit Committee for the Audit Committee meetings attended. The Nomination Board proposes that 40% of the fixed annual remuneration be paid in Sponda shares purchased from the market. The shares will be purchased within two weeks from the release of the interim report January 1 - March 31, 2014 of Sponda Plc.

The Board of Directors will incorporate the proposals into the Annual General meeting notice which will be published later.

The Shareholders' Nomination Board consisted of three largest shareholders on 30 September 2013:

- Oy PALSK Ab, Kaj-Gustaf Bergh
- Mutual Pension Fund Varma, Risto Murto
- HC LPN Holding Oy Ab, Peter Therman

Management and personnel

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

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

	2013	2012	2011	2010	2009
Average number of employees during year	**121**	122	123	123	135
Number of employees at end of year	**118**	119	128	119	134
Employee benefit expenses, M€	**13.3**	13.5	13.0	11.1	12.1

Sponda has personnel in Finland and in Russia.

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

Sponda has long-term share-based incentive scheme, which have four three-year earning periods (calendar years 2011–2013, 2012–2014, 2013–2015, and 2014–2016). The Board of Directors will make separate decisions on the earning criteria applicable to each earning period and the targets to be established for them.

The earning criteria for the earning period 1.1.2011–31.12.2013 and 1.1.2012–31.12.2014 are the Group's average Return on Capital employed (ROCE) for the financial periods and the Group's cumulative Operational Cash Earnings per Share (CEPS) for the financial periods. In addition, the earning criteria for the earning period 1.1.2013-31.12.2015 include the selling of properties. On 1 November 2013 Sponda's Board of Directors changed the earning criteria of the key employees' share-based incentive scheme due to change in Sponda's strategy, which was published in 3 September 2013. The implementation of strategy is supported by the criterion related to the sale of properties. In addition, the Board of Directors assesses the Group's success in relation to the prevailing market conditions.

The incentive scheme currently covers the members of the Executive Board, seven people altogether. The Board of Directors may decide to include more key employees in the scheme. More information on the terms of the incentive scheme can be found from the Stock Exchange Release dated 20.3. 2012, 1.2.2013 and 1.11.2013.

Sponda's aim is to ensure equal rights between its male and female staff, different business units, employees of different ages with different tasks, and between full-time and part-time staff. Sponda monitors salaries in different professional groups on an annual basis. In 2013, male and female staff received the same rate of pay for doing the same job.

Sponda's share and shareholders

The weighted average price of Sponda's share in 2013 was EUR 3.75. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 4.42 and the lowest EUR 3.32. Turnover during the period totalled 96.8 million shares, or EUR 367.0 million. The closing price of the share on 30 December 2013 was EUR 3.42 and the market capitalisation of the company's share capital was EUR 968.1 million.

The Annual General Meeting on 18 March 2013 authorised the Board of Directors to purchase the company's own shares. The authorisation is valid until the next Annual General Meeting. The authorisation was not exercised during the review period.

The Annual General Meeting also authorised the Board of Directors to decide on a share issue and on the issuance of special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Companies Act in accordance with the proposal of the Board of Directors. The authorisation is valid until the next Annual General Meeting. The authorisation was not exercised during the review period.

On 31 December 2013 the company had altogether 9,373 shareholders and its ownership structure was as follows:

	Number of shares	Holding,%
Public entities	34,591,230	12.2
Nominee-registered	138,404,573	48.9
Financial and insurance institutions, total	32,225,771	11.4
Households	23,050,484	8.1
Private corporations, total	47,338,020	16.7
Non-profit organisations, total	3,819,182	1.3
Foreign owners, total	3,646,202	1.3
Total number of shares	**283,075,462**	**100.0**

The following flagging notices were issued:

- 15 April 2013: Ilmarinen Mutual Pension Insurance Company notified that the total number of shares it holds represents 0.0% of the total number of shares and votes in Sponda Plc.
- 15 April 2013: HC LPN Holding Oy Ab (Hartwall Capital Oy Ab) announced that its holding of shares represented 9.56% of the total number of shares and votes in Sponda Plc.
- 27 September 2013: HC LPN Holding Oy Ab (Hartwall Capital Oy Ab) announced that its holding of shares represented 10.06% of the total number of shares and votes in Sponda Plc.

Events after the balance sheet date

Sponda Plc's Shareholders' Nomination Committee made its proposals on the Board composition and remuneration to the Annual General Meeting to be held on 19 March 2014. Detailed information is found in chapter The Shareholders' Nomination Board.

Prospect for 2014

Sponda expects the economic occupancy rate of the Group's properties in 2014 to remain largely unchanged from 2013. In the first quarter, however, the occupancy rate is expected to decline slightly. This estimate is based on the slow positive development of the Finnish economy as well as current information on expiring leases.

Comparable net operating income (excluding disposals) in 2014 is expected to be at the same level as in 2013. This view is based on the current estimate of the development of rent levels and vacancy rates for Sponda's properties.

Shares and Shareholders

Sponda Plc's share capital on 31 December 2012 was EUR 111,030,185 and the number of shares was 283,075,462. The Sponda share is quoted on NASDAQ OMX Helsinki Ltd under the trading code is SDAIV. The shares are managed under the book-entry securities system. Sponda has one share series with equal voting and dividend rights. Each share carries one vote at general meeting. The company did not hold any Sponda shares.

Chi-X Europe

In addition to NASDAQ OMX Helsinki, Sponda shares were traded on several alternative market places, for example at Chi-X Europe, BATS and Turquoise. In 2013, the amount of Sponda's shares traded in alternative market places, were approximately 27 per cent of the total amount of traded shares.

Dividend policy

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

Shareholders

At the end of 2013, Sponda had a total of 9,373 shareholders. Nominee-registered shareholders accounted for 48.9 per cent of the shares and votes. Foreign and nominee-registered shareholders together held 50.2 per cent of the shares and votes.

Sponda issued the following flagging notices in 2013:

- 15 April 2013: Ilmarinen Mutual Pension Insurance Company notified that the total number of shares it holds represents 0.0% of the total number of shares and votes in Sponda Plc.
- 15 April 2013: HC LPN Holding Oy Ab (Hartwall Capital Oy Ab) announced that its holding of shares represented 9.56% of the total number of shares and votes in Sponda Plc.
- 27 September 2013: HC LPN Holding Oy Ab (Hartwall Capital Oy Ab) announced that its holding of shares represented 10.06% of the total number of shares and votes in Sponda Plc.

Trading and performance

The weighted average price of Sponda's share in 2013 was EUR 3.75. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 4.42 and the lowest EUR 3.32. Turnover during the year totalled 96.8 million shares or EUR 367.0 million. The closing price of the share on 30 December 2013 was EUR 3.42 and the market capitalisation of the company's share capital at the end of the year stood at EUR 968.1 million.

Current authorizations

On 18 March 2013 the Annual General Meeting authorized the Board of Directors to purchase the company's own shares. The authorization is valid until the next Annual General Meeting. The authorization was not exercised during the review period.

Sponda's ownership structure on 31 December 2013, registered shareholders

	Number of Shares	% of Shares
Public sector	34,591,230	12.2
Nominee registered	138,404,573	48.9
Financial and insurance corporations, total	32,225,771	11.4
Households	23,050,484	8.1
Private corporations, total	47,338,020	16.7
Non-profit institutions, total	3,819,182	1.3
Foreign owners, total	3,646,202	1.3
Total issued	**283,075,462**	**100.0**

20 principal shareholders on 31 December 2013

		Number of shares	% of shares and votes
1	Oy PALSK Ab	42,163,745	14.89
2	Varma Mutual Pension Insurance Company	29,083,070	10.27
3	HC LPN Holding Oy Ab	28,484,310	10.06
4	The State Pension Fund	2,800,000	0.99
5	Folketrygdfondet	2,050,733	0.72
6	Suomi Mutual Life Assurance Company	1,300,000	0.46
7	Yleisradion Eläkesäätiö S.r.	850,000	0.30
8	Mutual Insurance Company Pension-Fennia	810,000	0.29
9	Etera Mutual Pension Insurance Company	730,710	0.26
10	Erikoissijoitusrahasto Visio Allocator	699,940	0.25
11	Norvestia Plc	652,657	0.23
12	Odin Eiendom	490,890	0.17
13	Mutual Fund Tapiola Finland	431,336	0.15
14	I.A. von Julins STB	380,000	0.13
15	Inkinen Kari	378,044	0.13
16	Paju Markku Juhani	358,467	0.13
17	ABN Amro Funds	338,516	0.12
18	Bnp Arbitrage	330,091	0.12

19	Nordea Finnish Index Fund	292,601	0.10
20	Siuko Taavi Paavali	270,000	0.10
	Total	**112,895,110**	**39.88**
	Others	170,180,352	60.12
	Total	**283,075,462**	**100.00**
	Nominee-registered	138,404,573	48.89
	Total number of shareholders	**9,373**	

Distribution of ownership 31 December 2013

	Number of shareholders	% of shareholders	Number of securities	% of securities	Number of votes	% of votes
1–100	631	6.73	37,937	0.01	37,937	0.01
101–500	2,457	26.21	774,108	0.27	774,108	0.27
501–1,000	1,797	19.17	1,401,865	0.50	1,401,865	0.50
1 001–5,000	3,445	36.75	8,274,517	2.92	8,274,517	2.92
5 001–10,000	521	5.56	3,779,609	1.34	3,779,609	1.34
10,001–50 000	406	4.33	8,263,646	2.92	8,263,646	2.92
50,001–100,000	53	0.57	3,835,684	1.36	3,835,684	1.36
100,001–500,000	48	0.51	9,401,548	3.32	9,401,548	3.32
500,001	15	0.16	247,306,548	87.36	247,306,548	87.36
Total	**9,373**	**100.0**	**283,075,462**	**100.00**	**283,075,462**	**100.00**
of which nominee-registered	10		138,404,573	48.89	138,404,573	48.89
Non-transferred, total	0		0	0.00	0	0.00
In general account			0	0.00	0	0.00
In special accounts, total			0	0.00	0	0.00
Total issued			**283,075,462**	**100.00**	**283,075,462**	**100.00**

Key financial figures

Key financial figures	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
Income statement key figures					
1. Total revenue, M€	**264.3**	264.6	248.2	232.1	237.2
2. Operating profit, M€	**153.0**	210.5 [1)]	209.6	216.2	-13.3
3. % of total revenue	**57.9**	79.6 [1)]	84.5	93.2	-5.5
4. Financial expenses, M€	**-83.1**	-94.6	-89.6	-60.3	-67.2

5.	Profit/loss for the period, M€	**103.1**	114.3 [1]	117.8	120.4	-81.6
6.	% of total revenue	**39.0**	43.2 [1]	47.5	51.9	-34.4
7.	Direct result, M€	**111.5** [2]	111.9 [1] [2]	75.4	74.0	67.4
	Balance sheet key figures					
8.	Total shareholders' equity, M€	**1,409.3**	1,447.7 [1]	1,281.1	1,200.8	1,113.6
9.	Total liabilities, M€	**2,062.5**	2,074.1 [1]	2,106.2	1,885.7	1,876.6
10.	Interest-bearing liabilities, M€	**1,788.8**	1,736.2	1,754.8	1,572.6	1,597.8
11.	Interest-bearing net liabilities, M€	**1,770.0**	1,706.1	1,728.4	1,545.6	1,568.7
	Profitability and financing key figures					
12.	Return on investment,%	**5.5**	7.9 [1]	7.7	7.9	-0.4
13.	Return on shareholders' equity (ROE),%	**7.2**	8.2 [1]	9.5	10.4	-7.7
14.	Equity ratio,%	**40.7**	41.2 [1]	37.9	39.0	37.3
15.	Debt equity ratio,%	**126.9**	119.9 [1]	137.0	131.0	143.5
16.	Gearing,%	**125.6**	117.9 [1]	134.9	128.7	140.9
	Other key figures					
17.	Gross expenditure on non-current assets, M€	**54.8**	147.8	269.9	83.1	61.3
18.	% of total revenue	**20.7**	55.9	108.7	35.8	25.2

[1]) 2012 figure was adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

[2]) In 2013, Sponda have changed the calculation and the presentation of EPRA key figures to match better to the EPRA Best Practices Recommendations. 2012 figures were adjusted accordingly. The notable change relates to deferred taxes on investment properties.

Key figures per share

	Key figures per share	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
19.	Basic and diluted earnings per share attributable to parent company equity holders, € (EPS)	**0.34**	0.37 [2]	0.39	0.40	-0.40
20.	Shareholders' equity per share, €	**4.64**	4.45 [2]	4.06	3.86	3.54
21.	Dividend, €	**0.18** [1]	0.17	0.16	0.15	0.12

22.	Payout ratio,%	**53.49** [1]	45.86 [2]	41.15	37.12	-29.83
23.	Effective dividend yield,%	**5.26** [1]	4.72	5.13	3.87	4.40
24.	P/E ratio,%	**10.16**	9.71 [2]	8.02	9.60	-6.79
25.	Lowest and highest share prices, €	**3,32/4,42**	2,72/3,75	2,64/4,17	2,42/3,88	1,87/3,93
26.	Average share price, €	**3.75**	3.17	3.39	3.07	2.57
27.	Closing share price, €	**3.42**	3.60	3.12	3.88	2.73
28.	Market capitalization, M€	**968.1**	1,019.1	883.2	1,077.0	757.8
29.	Share turnover, million shares	**96.8**	115.2	141.9	136.8	233.1
30.	Share turnover,%	**34.2**	40.7	50.4	49.3	119.0
31.	Weighted average of basic and diluted total number of shares, million shares	**283.1**	283.1	281.3	277.6	230.6
32.	Weighted average of basic and diluted total number of shares at the end of the year, million shares	**283.1**	283.1	283.1	277.6	277.6
33.	Direct result per share, €	**0.39**	0.40	0.27	0.27	0.29
34.	Cash flow from operations per share, €	**0.40**	0.40	0.37	0.37	0.45

[1]) Board proposal

[2]) 2012 figure was adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

EPRA key figures

	EPRA key figures	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
35.	EPRA Earnings[1, 2], M€	**111.5**	111.9	75.4	74.0	67.4
36.	EPRA Earnings per share[1, 2],€	**0.39**	0.40	0.27	0.27	0.29
37.	EPRA NAV[1, 2], M€	**1,497.8**	1,472.5	1,369.5	1,274.5	1,159.9
38.	EPRA NAV per share[1, 2], €	**5.29**	5.20	4.84	4.59	4.18
39.	EPRA NNNAV[1, 2], M€	**1,278.1**	1,227.7	1,132.1	1,078.6	1,005.2
40.	EPRA NNNAV per share[1, 2], €	**4.52**	4.34	4.00	3.89	3.62
41.	EPRA Net Initial Yield (NIY),%	**5.84**	6.61	6.39	6.37	
42.	EPRA "topped-up" NIY,%	**5.84**	6.63	6.40	6.38	
43.	EPRA Vacancy rate,%	**12.1**	11.9	11.8	12.0	13.4
44.	EPRA Cost Ratio (including direct vacancy costs)	**16.27**				
45.	EPRA Cost Ratio (excluding direct vacancy costs)	**11.37**				

[1]) 2012 figure was adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

[2]) In 2013, Sponda have changed the calculation and the presentation of EPRA key figures to match better to the EPRA Best Practices Recommendations. 2012 figures were adjusted accordingly. The notable change relates to deferred taxes on investment properties.

EPRA Earnings

Sponda's result includes several non-operating items. These items are primarily the result of the nature of Sponda's business and the IFRS reporting obligations. In order to facilitate the monitoring of the operating result, Sponda presents the Group's operating result and operating result per share in accordance with EPRA recommendations. The operating result illustrates the result from the Group's core business operations. The operating result is calculated by adjusting the Group's result by, inter alia, changes in the fair values of properties and financial instruments, gains and losses on sales, impairment on goodwill and other income and expenses considered by the company to be non-operating items.

In 2013, Sponda have changed the calculation and the presentation of EPRA key figures to match better to the EPRA Best Practices Recommendations. Due to this change, EPRA Earnings is presented with two different calculation methods. The notable change relates to deferred taxes on investment properties.

EPRA Earnings, M€, new presentation method	31 December 2013	31 December 2012
Earnings per IFRS income statement	**103.1**	114.2
-/+ (i) Net profits or losses from fair value assessment of investment properties	**24.9**	-25.5
-/+ (ii) Net profits or losses on disposal of investment property	**-0.8**	-2.5
-/+ (iii) Net profits or losses on sales of trading properties	**0.0**	-5.2
+/- (iv) Tax on profits or losses on disposals	**0.0**	-0.2
-/+ (vi) Changes in fair value of financial instruments	**0.9**	-4.8
+/- (viii) Change in deferred taxes arising from the items above	**-16.6**	35.8
EPRA Earnings	**111.5**	111.9
EPRA Earnings per share, €	**0.39**	0.40

EPRA Earnings, M€, old presentation method	31 December 2013	31 December 2012
Net operating income	**190.9**	192.2
+ Realised gains from real estate funds	**10.7**	7.5
- Marketing and administration	**-23.2**	-22.7
+/- Other operating income and expenses	**-1.4**	0.3
Operating profit	**177.1**	177.3
+/- Financial income and expenses	**-58.9**	-63.5
- Taxes based on operational result	**-3.8**	-3.9
- Deferred taxes on operating result	**-2.9**	2.0
EPRA Earnings	**111.5**	111.9
EPRA Earnings per share, €	**0.39**	0.40

EPRA NAV, M€	31 December 2013	31 December 2012
Equity attributable to equity holders of the parent company	**1,407.5**	1,445.9
- Other equity reserve	**-94.0**	-186.1
-/+ (iv) Fair value of financial instruments	**17.2**	22.8
+ (v.a) Deferred tax liabilities resulting from the assessment of fair value of properties	**181.7**	204.5
- (v.b) Goodwill created from the deferred tax liabilities on properties	**-14.5**	-14.5
EPRA NAV, M€	**1,497.8**	1,472.5
EPRA NAV per share, €	**5.29**	5.20

EPRA NNNAV, M€	31 December 2013	31 December 2012
EPRA NAV, M€	**1,497.8**	1,472.5

+/- (i) Fair value of financial instruments	**-17.2**	-22.8
-/+ (ii) Difference between the fair value and balance sheet value of liabilities	**-20.8**	-17.6
+ (iii) Deferred tax liabilities resulting from the assessment of fair value of properties	**-181.7**	-204.5
EPRA NNNAV, M€	**1,278.1**	1,227.7
EPRA NNNAV per share, €	**4.52**	4.34

EPRA NIY ja "topped-up" NIY

The EPRA Net Initial Yield NIY and "topped-up" NIY represent the annual net yield on investment property on the date of closing the books.

The annual computational net yield is the annualised rental yield for the month of closing the books adjusted by the effect of known rent increases on the following year's yield deducted by the predicted 12-month maintenance costs of comparable properties.

The annual computational adjusted net yield is calculated by making an adjustment to the annual computational net yield in respect of the annualised effect of rent-free periods and graded rents for the coming year.

M€		31 December 2013	31 December 2012
Investment properties		**3,253.3**	3,261.3
- Developments		**-148.6**	-537.9
Yield-producing investment properties		**3,104.7**	2,723.4
+ Estimated buyer's expenses		**49.7**	43.6
Adjusted value of investment properties	B	**3,154.4**	2,767.0
Annual computational net yield	A	**184.4**	182.8
Graded rents, rent-free periods etc.		**0.0**	0.5
Annual computational adjusted net yield	C	**184.3**	183.3
EPRA NIY	A/B	**5.84%**	6.61%
EPRA "topped-up" NIY	C/B	**5.84%**	6.63%

EPRA COST RATIOS

M€		31 December 2013
	Include:	
i	Administrative/operating expense line per IFRS income statement	102.0
ii	Net service charge costs/fees	-6.2
iii	Management fees less actual/estimated profit element	-4.1
iv	Other operating income/recharges intended to cover overhead expenses less any related profits	0.0
v	Share of Joint Ventures expenses	0.0
	Exlude (if part of the above):	**0.0**
vi	Investment Property depreciation	0.0
vii	Ground rent costs	-4.2
viii	Service charge cost recovered throught rents but not separately invoiced	-56.1
	EPRA Costs (including direct vacancy costs) (A)	**31.5**
ix	Direct vacancy costs	-9.5

	EPRA Costs (excluding direct vacancy costs) (B)	**22.0**
x	Gross Rental Income less ground rent costs	249.7
xi	Service fees and service charge costs components of Gross Rental Income, but not separately invoiced	-56.1
xii	Share of Joint Ventures	0.0
	Gross Rental Income (C)	**193.6**
	EPRA Cost Ratio (including direct vacancy costs) (A/C)	**16.27%**
	EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**11.37%**

In the cost ratio calculation the part of operating expences that is not charged separately from the tenants (e.g. "warm" rent), has been deducted as a whole from the leased space.
This is because the rent covers maintenance expences of the leased area.
Property maintenance expenses which are charged directly from tenants are shown on a separate line (ii).
No overhead costs are capitalized.
Sponda has a policy of not capitalizing any overhead and operating expenses.

Formulas used in the calculation of key figures

Income statement key figures				
3.	Operating profit/loss margin	=	100 x	Operating profit/loss
				Total revenue
6.	Profit/loss margin	=	100 x	Profit/loss
				Total revenue
7.	Direct result, M€	=	see EPRA Earnings	
Balance sheet key figures				
11.	Interest-bearing net liabilities, M€	=	Interest-bearing financial liabilities - Financial assets	
Profitability and financing key figures				
12.	Return on investment,%	=	100 x	Profit before taxes + interest and other financial expenses
				Balance sheet total - non-interest-bearing liabilities (average during the period)
13.	Return on shareholders' equity (ROE), %	=	100 x	Profit for the period
				Shareholders' equity (average during the period)
14.	Equity ratio,%	=	100 x	Shareholders' equity
				Balance sheet total - advances received
15.	Debt equity ratio,%	=	100 x	Interest-bearing loans and borrowings
				Shareholders' equity
16.	Gearing,%	=	100 x	Interest-bearing liabilities - cash and cash equivalents
				Shareholders' equity
Key figures per share				
19.	Earnings per share, €	=	Earnings per share attributable to parent company equity holders - interest on hybrid loan	

			Weighted average number of shares outstanding during the period
20.	Shareholders' equity per share, €	=	Equity attributable to equityholders of the parent company
			- Other equity reserve
			Adjusted number of shares at year end
22.	Payout ratio,%	=	100 x Dividend per share
			Earnings per share
23.	Effective dividend yield,%	=	100 x Dividend per share
			Share price at year end
24.	P/E ratio,%	=	Share price at year end
			Earnings per share
25.	Average share price, €	=	Value of trading volume
			Volume traded during financial year
28.	Market capitalization, M€	=	Number of shares at year end x share price at year end
33.	Direct result per share, €	=	see EPRA Earnings per share
34.	Cash flow from operations per share, €	=	Operating profit
			-/+ Valuation gains and losses
			+ Amortization of goodwill
			+ Administrative depreciation
			+/- Changes in provisions
			+/- Defined benefit pension expenses
			- Financial income and expenses affecting cash flow
			- Taxes affecting cash flow
			+/- Other items
			Average adjusted number of shares during the period

EPRA BPR additional information

	Financial year ended 31 December 2013, M€						Financial year ended 31 December 2012, M€					
EPRA like-for-like net rental growth	**Owned 2 yrs**	**Pur-chase**	**Sales**	**Devel-opment and other**	**Currency rate effect [1])**	**Total**	**Owned 2 yrs**	**Pur-chase**	**Sales**	**Devel-opment and other**	**Currency rate effect [1])**	**Total**
Office properties	92.5	4.8	0.7	7.6	0.0	105.6	92.0	3.7	2.1	6.9	0.0	104.8
Shopping centres	23.5	0.0	0.0	9.7	0.0	33.2	23.7	0.0	0.0	8.6	0.0	32.3
Logistics	24.0	0.0	1.2	0.7	0.0	25.9	25.6	-0.1	2.7	0.6	0.0	28.9
Russia	19.2	3.3	0.6	-0.2	-1.1	21.8	18.9	1.9	1.1	-0.2	0.5	22.2

MATCHING	0.0	0.0
Total above	186.5	188.1
Property development segment	-0.9	-1.1
Real estate funds segment	5.4	5.2
Other difference	-0.2	0.0
In Sponda's consolidated income statement	190.8	192.2

[1]) Fixed rate, closing rate of the comparison period

Calculations based on per-property level	
Purchases	Properties whose shares have been acquired during the reporting period or comparison period
Sales	Properties whose shares have been sold during the reporting period or comparison period
Development and other	Properties where development or modernisation investments have been made to the extent that net yield is not fully comparable with the previous year
	Also includes transfers between segments and other events with possible impact on comparability
Exchange rate change	Roubles translated to euros using the exchange rate on the last day of the period.

EPRA BPR LIKE-FOR-LIKE

Financial year ended 31 December 2013, M€

Like-for-like net yield increase and corresponding investment assets	M€	%	Comparable investment properties, M€
Office properties	0.5	0.5%	1,442.20
Shopping centres	-0.1	-0.5%	401.40
Logistics	-1.6	-6.3%	409.70
Russia	0.2	1.1%	197.30

VALUATION DATA	**Investment properties, M€**	**Valuation change, M€**	**EPRA Net Initial yield,%**
Office properties	1,729.4	4.2	6.24
Shopping centres	741.3	1.9	4.44
Logistics	426.5	-7.8	5.52
Property development	108.2	-1.4	N/A
Russia	247.8	-13.1	8.01
Total	3,253.2	-16.1	5.85

MATCHING	
Total above	3,253.2
Other difference	0.1
Group investment properties total	**3,253.3**

LEASE INFORMATION	Total revenue, M€	Net operating income, M€	Leasable area, m²	Paid rent, M€/year	Market rent, M€/kk	Economic vacancy rate,%	Rental level, €m²
Office properties	145.0	105.7	755,800	145.2	11.4	9.89	18.4

Shopping centres	43.9	33.2	157,500	43.2	4.1	11.02	26.3
Logistics	38.7	25.9	477,500	36.0	3.8	24.77	9.3
Property development	1.2	-0.9	28,000	0.5	N/A	N/A	N/A
Russia	28.6	21.8	44,500	26.4	2.1	4.05	50.4
Total	**257.4**	**185.7**	**1,463,300**	**251.3**	**21.4**	**12.08**	**17.7**

MATCHING		
Total above	257.4	185.7
Real estate funds	6.8	5.2
Other difference	0.1	0.0
Consolidated income statement total	264.3	190.9

Financial year ended 31 December 2012, M€

Like-for-like net yield increase and corresponding investment assets	M€	%	Comparable investment properties, M€
Office properties	4.4	5.3	1,351.6
Shopping centres	-2.4	-10.2	353.3
Logistics	-0.7	-3.3	325.2
Russia	0.7	3.6	211.4

VALUATION DATA	Investment properties, M€	Valuation change, M€	EPRA Net Initial yield,%
Office properties	1,705.7	31.4	6.31
Shopping centres	736.7	-5.3	6.15
Logistics	414.4	-4.9	6.64
Property development	135.1	-2.6	N/A
Russia	269.4	6.4	9.23
Total	3,261.3	24.9	6.61

MATCHING	
Total above	3,261.3
Other difference	0.0
Group investment properties total	**3,261.3**

LEASE INFORMATION	Total revenue, M€	Net operating income, M€	Leasable area, m²	Paid rent, M€/year	Market rent, M€/kk	Economic vacancy rate,%	Rental level, €m²
Office properties	143.9	104.9	763,000	144.0	11.2	10.61	18.2
Shopping centres	42.0	32.3	156,500	42.0	3.5	7.04	25.3
Logistics	42.3	28.7	485,000	40.8	4.0	24.42	9.0

Property development	1.2	-1.1	32,000	0.9	N/A	N/A	N/A
Russia	28.7	22.2	50,500	30.0	2.3	4.61	50.3
Total	**258.1**	**187.0**	**1,487,000**	**257.7**	**21.0**	**11.90**	**17.4**

MATCHING		
Total above	258.1	187.0
Real estate funds	6.5	5.2
Other difference	0.0	0.0
Consolidated income statement total	264.6	192.2

Consolidated income statement

M€	Note	1 Jan - 31 Dec, 2013	1 Jan - 31 Dec, 2012
			adjusted
Total revenue	1 2 3		
Rental income and service charges		**257.2**	257.8
Interest income from finance leases		**0.3**	0.3
Fund management fees		**6.8**	6.5
		264.3	264.6
Expenses			
Maintenance expenses	4	**-71.8**	-71.1
Direct fund expenses		**-1.6**	-1.3
		-73.4	-72.4
Net operating income		**190.9**	192.2
Profit/loss on sales of investment properties	5	**0.8**	2.5
Valuation gains and losses	14	**-14.2**	33.0
Profit/loss on sales of trading properties	22	**0.0**	5.2
Sales and marketing expenses		**-2.2**	-2.0
Administrative expenses	8 9 10	**-21.0**	-20.7
Other operating income	6	**0.6**	0.4
Other operating expenses	7	**-2.0**	-0.1
Operating profit		**153.0**	210.5
Financial income	11	**23.3**	35.0
Financial expenses	11	**-83.1**	-94.6
Net financing costs		**-59.8**	-58.8
Profit before taxes		**93.2**	151.8
Income taxes for current and previous periods		**-3.8**	-3.7
Deferred taxes		**-22.5**	-33.8
Change in tax base of deferred taxes		**36.3**	0.0
Income taxes total	12	**9.9**	-37.5
Profit for the period		**103.1**	114.2
Attributable to:			
Equity holders of the parent company		**103.1**	114.3
Non-controlling interest		**0.0**	0.0
Profit for the period		**103.1**	114.2
Basic and diluted earnings per share attributable to parent company equity holders, €	13	**0.34**	0.37
Average number of shares, basic and diluted, million, pcs	13	**283.1**	283.1

Consolidated statement of other comprehensive income

M€	Note	1 Jan - 31 Dec, 2013	1 Jan - 31 Dec, 2012
			adjusted
Profit/loss for period		**103.1**	114.2
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains/losses of defined benefit plans		**-0.1**	-0.2
Taxes on items that will not be reclassified to profit or loss	12	**0.0**	0.0
Change in tax rate, revaluation difference		**0.0**	0.0
Items that will not be reclassified to profit or loss, total		**0.0**	-0.1
Items that may be reclassified subsequently to profit or loss			
Net loss/profit from hedging cash flow		**16.0**	-3.1
Translation difference		**-1.0**	0.1
Taxes on items that may be reclassified subsequently to profit or loss	12	**-4.5**	0.4
Items that may be reclassified subsequently to profit or loss, total		**10.5**	-2.5
Other comprehensive income for period after taxes		**10.4**	-2.6
Comprehensive profit/loss for period		**113.5**	**111.6**
Allocation of comprehensive profit/loss for period:			
Equity holders of parent company		**113.5**	111.6
Non-controlling interests		**0.0**	0.0

Consolidated statement of financial position

M€	Note	31 Dec, 2013	31 Dec, 2012	1 Jan, 2012
			adjusted	adjusted
Assets				
Non-current assets				
Investment properties	14	**3,253.3**	3,261.3	3,165.7
Investments in real estate funds	15	**88.3**	83.6	65.5
Property, plant and equipment	16	**12.5**	12.5	13.1
Goodwill	17	**14.5**	14.5	14.5
Other intangible assets	18	**1.5**	0.7	0.6
Finance lease receivables	19	**2.7**	2.7	2.7
Other investments	20 31.1	**11.1**	21.2	5.0
Deferred tax assets	21	**27.4**	38.4	44.0

Total non-current assets			**3,411.4**	3,435.0	3,311.1
Current assets					
Trading properties		22	**7.8**	7.8	7.9
Trade and other receivables	23	31.1	**33.7**	48.9	41.9
Cash and cash equivalents	24	31.1	**18.8**	30.1	26.4
Total current assets			**60.3**	86.7	76.1
Total assets			**3,471.7**	3,521.8	3,387.2
Equity and liabilities					
Equity attributable to equity holders of the parent company					
Share capital			**111.0**	111.0	111.0
Share premium reserve			**159.5**	159.5	159.5
Invested non-restricted equity reserve			**433.8**	433.8	433.8
Fair value reserve			**-21.5**	-32.3	-30.0
Revaluation reserve			**0.7**	0.6	0.6
Other equity fund			**94.0**	186.1	129.0
Translation difference			**1.9**	2.3	2.5
Retained earnings			**628.1**	585.0	526.3
			1,407.5	1,445.9	1,332.6
Non-controlling interests			**1.8**	1.7	1.7
Total shareholders' equity	25	26	**1,409.3**	1,447.7	1,334.4
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	27	31	**1,505.5**	1,460.3	1,380.8
Other liabilities		31.1	**27.2**	38.1	40.3
Deferred tax liabilities		21	**182.1**	205.9	181.8
Total non-current liabilities			**1,714.8**	1,704.4	1,602.9
Current liabilities					
Current interest-bearing loans and borrowings	29	31	**283.3**	275.9	374.1
Trade and other payables	30	31.1	**64.4**	93.9	75.9
Total current liabilities			**347.6**	369.7	449.9
Total liabilities			**2,062.5**	2,074.1	2,052.8
Total equity and liabilities			**3,471.7**	3,521.8	3,387.2

Consolidated statement of cash flows

M€	Note	1 Jan - 31 Dec, 2013	1 Jan - 31 Dec, 2012
			adjusted
Cash flow from operating activities			
Profit for the period		**103.1**	114.2
Adjustments	1	**74.1**	68.7

Change in net working capital	2	**-3.9**	-2.6
Interest paid		**-59.5**	-66.6
Interest received		**0.9**	1.2
Other financial items		**-4.3**	2.4
Dividends received		**0.0**	0.0
Taxes received/paid		**-3.8**	-4.5
Net cash flow from operating activities		**106.5**	112.8
Cash flow from investing activities			
Acquisition of investment properties	3	**-50.9**	-114.9
Capital expenditure on real estate funds		**-13.6**	-18.4
Acquisition of property, plant and equipment and intangible assets		**-1.2**	-0.3
Proceeds from sale of investment properties	4	**38.2**	57.3
Proceeds from sale of intangible and tangible assets		**0.0**	0.0
Capital repayments from real estate funds		**0.0**	0.9
Repayments of loan receivables		**0.0**	0.2
Net cash flow from investment activities		**-27.4**	-75.3
Cash flow from financing activities			
Payment received from hybrid bond		**0.0**	93.7
Non-current loans, raised		**403.9**	235.0
Repurchase of hybrid bond	5	**-92.8**	-37.9
Non-current loans, repayments		**-345.9**	-298.9
Current loans, raised/repayments		**7.4**	31.8
Interest paid on hybrid bond		**-14.5**	-12.8
Dividends paid		**-48.1**	-45.3
Net cash flow from financing activities		**-90.1**	-34.4
Change in cash and cash equivalents		**-11.0**	3.2
Cash and cash equivalents, beginning of period		**30.1**	26.4
Impact of changes in exchange rates		**-0.2**	0.5
Cash and cash equivalents, end of period		**18.8**	30.1

Notes to the statement of cash flows	1 Jan - 31 Dec, 2013	1 Jan - 31 Dec, 2012
1. Adjustments		
Proceeds and losses from sale of investment properties	**-0.8**	-2.5
Valuation gains and losses	**24.9**	-25.5
Financial income and expenses	**59.8**	58.8
Income taxes	**-9.9**	37.5
Other adjustments	**0.1**	0.4
Adjustments, total	**74.1**	68.7

2.	**Specification of change in net working capital**		
	Change in trade and other receivables	**7.9**	-6.2
	Change in trading properties	**0.0**	0.6
	Changes in non-interest-bearing current liabilities	**-11.8**	3.0
	Change in net working capital	**-3.9**	-2.6
3.	**Acquisition of investment properties**		
	Acquisition of subsidiaries		
	Acquisition cost of companies	**0.0**	53.7
	Cash and cash equivalents of acquired companies at acquisition date	**0.0**	-0.9
	Cash flow from acquisitions less cash and cash equivalents of acquired companies	**0.0**	52.8
	Acquired properties	**3.1**	-
	Other acquisitions of investment properties	**47.8**	62.1
	Total acquisition of investment properties	**50.9**	114.9
	Assets and liabilities of acquired subsidiaries		
	Net working capital	**0.0**	-0.9
	Total non-current assets	**0.0**	53.7
	Net total of assets and liabilities of acquired subsidiaries	**0.0**	52.8
	Cash flow from acquisitions less cash and cash equivalents of acquired companies	**0.0**	52.8
4.	**Proceeds from sale of investment properties**		
	Proceeds from sale of subsidiaries		
	Proceeds	**30.7**	57.4
	Cash and cash equivalents of sold subsidiaries	**-0.6**	-0.2
	Proceeds from sale of subsidiaries	**30.1**	57.3
	Other proceeds from sale of investment properties	**8.1**	-
	Total proceeds from sale of investment properties	**38.2**	57.3
	Assets and liabilities of sold subsidiaries		
	Net working capital	**-0.2**	0.4
	Investment properties	**29.9**	54.4
	Sales gain / loss	**0.4**	2.5
	Net total of assets and liabilities of sold subsidiaries	**30.1**	57.3
5.	In 2012, the repurchase of the equity bond includes a premium of EUR 0.8 million.		

Consolidated statement of changes in equity

M€	Note	Share capital	Share premium reserve	Invested non-restricted equity reserve	Fair value reserve	Revaluation reserve	Other equity reserve	Translation difference	Retained earnings	Total	Non-controlling interest	Total equity
Equity 31 December, 2011		**111.0**	**159.5**	**433.8**	**-30.0**	**0.6**	**129.0**	**0.5**	**475.0**	**1,279.4**	**1.7**	**1,281.1**
Impact of changes in accounting principles								2.0	51.3	53.2		53.2
Equity 1 January 2012, adjusted		**111.0**	**159.5**	**433.8**	**-30.0**	**0.6**	**129.0**	**2.5**	**526.3**	**1,332.6**	**1.7**	**1,334.4**
Comprehensive income												
Net income for the period									114.3	114.3	0.0	114.2
Other comprehensive income (net of tax)												
Actuarial gains/losses of defined benefit plans	28								-0.1	-0.1		-0.1
Cash flow hedges	12				-2.3					-2.3		-2.3
Translation differences	12							-0.2		-0.2		-0.2
Comprehensive income, total					-2.3			-0.2	114.1	111.6	0.0	111.6
Transactions with shareholders												
Dividend payment	25 26								-45.3	-45.3		-45.3
Transactions with shareholders, total									-45.3	-45.3		-45.3
Issuance of hybrid bond	25 31						94.0			94.0		94.0
Repurchase of hybrid bond	25 31						-36.9		-0.6	-37.5		-37.5
Interest paid on hybrid bond	25 32								-9.7	-9.7		-9.7
Change									0.1	0.1		0.1
Equity 31 December, 2012, adjusted		**111.0**	**159.5**	**433.8**	**-32.3**	**0.6**	**186.1**	**2.3**	**585.0**	**1,445.9**	**1.7**	**1,447.7**

M€	Note	Share capital	Share premium reserve	Invested non-restricted equity reserve	Fair value reserve	Revaluation reserve	Other equity reserve	Translation difference	Retained earnings	Total	Non-controlling interest	Total equity
Equity 31 December, 2012		**111.0**	**159.5**	**433.8**	**-32.3**	**0.6**	**186.1**	**0.7**	**534.4**	**1,393.8**	**1.7**	**1,395.6**
Impact of changes in accounting principles								1.5	50.6	52.1		52.1

Equity 1 January, 2013, adjusted			**111.0**	**159.5**	**433.8**	**-32.3**	**0.6**	**186.1**	**2.3**	**585.0**	**1,445.9**	**1.7**	**1,447.7**
Comprehensive income													
Net income for the period										103.1	103.1	0.0	103.1
Other comprehensive income (net of tax)													
Actuarial gains/losses of defined benefit plans		28								0.0	0.0		0.0
Cash flow hedges		12				10.8					10.8		10.8
Translation differences		12							-0.4		-0.4		-0.4
Change in tax rate, revaluation difference							0.0				0.0		0.0
Comprehensive income, total						10.8	0.0		-0.4	103.0	113.5	0.0	113.5
Transactions with shareholders													
Dividend payment	25	26								-48.1	-48.1		-48.1
Transactions with shareholders, total										-48.1	-48.1		-48.1
Repurchase of hybrid bond	25	31						-92.1		-0.7	-92.8		-92.8
Interest paid on hybrid bond	25	32								-11.0	-11.0		-11.0
Change										-0.1	-0.1	0.0	-0.1
Equity 31 December, 2013			**111.0**	**159.5**	**433.8**	**-21.5**	**0.7**	**94.0**	**1.9**	**628.1**	**1,407.5**	**1.8**	**1,409.3**

Accounting policies for the consolidated financial statements

Basic information

Sponda Plc (hereinafter referred to as “the company”), together with the subsidiaries and other units incorporated within the consolidated financial statements specified in Note 35 (hereinafter collectively referred to as “the Group” or “Sponda”), is a leading real estate investment company that owns, leases and develops office, retail and logistics properties in the major cities of Finland and Russia.

Established on 23 October 1991, the company is a public limited company registered in Finland with the Business ID 0866692-3. The company is domiciled in Helsinki and its registered office is at Korkeavuorenkatu 45, 00130 Helsinki, Finland. The company’s shares are subject to public trading on the main list of the NASDAQ OMX Helsinki stock exchange.

At its meeting on 5 February 2014, the Board of Directors of Sponda Plc approved these financial statements for publication. According to the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements at the General Meeting of Shareholders to be held after their publication. The meeting may also decide to amend the financial statements.

Copies of Sponda Plc's financial statements can be obtained from Sponda Plc, Korkeavuorenkatu 45, 00130 Helsinki, Finland, and on the Internet at www.sponda.fi.

Basis of preparation

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) applying the IAS and IFRS standards and SIC and IFRIC interpretations endorsed for use in the EU and in force on 31 December 2013. Sponda also complies with the recommendations of The European Public Real Estate Association (EPRA) (www.epra.com).

The consolidated financial statements have been prepared in euros and are presented in millions of euros, rounding to the nearest 0.1 million. The consolidated financial statements are prepared on the historical cost basis except for investment properties, investments in real estate funds and certain financial instruments, which are measured at fair value. All figures have been rounded, so the sum of the individual figures may differ from the total amount presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment. This judgment affects the choice of accounting policies and their application, the amount of assets, liabilities, revenues and expenses to be reported, and the notes. In its judgments, management uses estimates and assumptions that are based on earlier experience and management's best understanding on the balance sheet date, especially concerning future developments in the property market. The use of estimates and assumptions is described in more detail in the section "Critical accounting estimates and judgments".

Going concern

The Group's financial statements for the financial year 2013 have been prepared on a going concern basis, taking into account reasonably possible changes in the Group's operating environment. The Group's forecasts and estimates, which take into account the current liquidity position, indicate that the Group has sufficient financial resources to continue its operations for the foreseeable future.

Changes to accounting policies and notes presented with the financial statements

New and revised standards adopted in the financial year ended

The Group has adopted the following revised or amended standards from 1 January 2013 onwards.

- IFRS 13 *Fair Value Measurement*: IFRS 13 establishes a single source for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. IFRS 13 has expanded some notes to Sponda's consolidated financial statements.
- Amendments to IFRS 7 *Financial Instruments: Disclosures*: The amendments clarify disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amended standard has not had a significant impact on Sponda's consolidated financial statements.
- Annual Improvements to IFRSs 2009-2011, May 2012): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total five standards. Their impact has not been significant.
- Amendments to IAS 1 *Presentation of Financial Statements*: The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met. The amendments have only had an impact on the presentation of Sponda's other comprehensive income and have not had a significant impact on the consolidated financial statements.
- Amendment to IAS 19 *Employee Benefits*: The major changes are as follows: all actuarial gains and losses are immediately recognised in other comprehensive income, i.e. the corridor approach is no longer applied, and finance costs are calculated on a net funding basis. The amended standard has been applied retrospectively as required under the transitional provisions. The unrecognised actuarial gains and losses have been recorded in the opening statement of financial position as of 1 January 2012 of the comparative year. The comparative information for the financial year 2012 has been adjusted in accordance with the amended standard. The amended standard has not had a significant impact on Sponda's consolidated financial statements. The impact of the amendment is presented in the table below.

- Amendments to IAS 12 *Income Taxes - Deferred Tax*: The company has changed its accounting policy with regard to IAS 12 Income Taxes on the basis of IAS 8 14 (b). According to the previous accounting policy, Sponda estimated the proportion of the carrying amount of an asset recognised at fair value on the balance sheet that will be recovered through use (such as rental revenue) and the proportion to be recovered through sale. After the amendment, the carrying amount of investment properties measured at fair value is assumed to be mainly recovered through the sale of the asset in the future instead of through continuing use, and the company's policy will be to realise its shareholding in property companies by selling the shares it owns. The impact of the amendment on the deferred taxes recognised for investment properties in Sponda's consolidated financial statements is presented in the table below.

- The impacts of the voluntary change in accounting policies with regard to IAS 12 Income Taxes and the amendment of IAS 19 Employee Benefits:

M€	
Effect on equity	
Reported shareholders' equity 31 December 2011	1,281.1
Effect of amendments to IAS 12, 1 January 2012	53.9
Effect of amendments to IAS 19, 1 January 2012	-0.6
Adjusted shareholders' equity 1 January 2012	1,334.4
Reported shareholders' equity 31 December 2012	1,395.6
Effect of amendments to IAS 12, 1 January 2012	53.9
Effect of amendments to IAS 19, 1 January 2012	-0.6
Effect of amendments to IAS 12, 31 December 2012	-1.2
Effect of amendments to IAS 19, 31 December 2012	0.0
Adjusted shareholders' equity 31 December 2012	1,447.7

M€	
Effect on deferred tax liabilities	
Reported deferred tax liabilities 31 December 2011	235.7
Effect of amendments to IAS 12, 1 January 2012	-53.9
Effect of amendments to IAS 19, 1 January 2012	0.0
Adjusted deferred tax liabilities 1 January 2012	181.8
Reported deferred tax liabilities 31 December 2012	258.6
Effect of amendments to IAS 12, 1 January 2012	-53.9
Effect of amendments to IAS 19, 1 January 2012	0.0
Effect of amendments to IAS 12, 31 December 2012	1.2
Effect of amendments to IAS 19, 31 December 2012	0.0
Adjusted deferred tax liabilities 31 December 2012	205.9

M€	
Effect on deferred tax assets	

Reported deferred tax assets 31 December 2011	43.8
Effect of amendments to IAS 19, 1 January 2012	0.1
Adjusted deferred tax assets 1 January 2012	44.0
Reported deferred tax assets 31 December 2012	38.3
Effect of amendments to IAS 19, 1 January 2012	0.1
Effect of amendments to IAS 19, 31 December 2012	0.0
Adjusted deferred tax assets 31 December 2012	38.4

M€	
Total effect on consolidated comprehensive income	
Reported total comprehensive income for the period 1 January - 31 December 2012	112.8
Effect of amendments to IAS 12	-1.2
Effect of amendments to IAS 19	0.0
Adjusted total comprehensive income for the period 1 January - 31 December 2012	111.6

%	
Substantially changed key figures	
Reported equity ratio 31 December 2012	39.8
Adjusted equity ratio 31 December 2012	41.2
Reported equity per share 31 December 2012	4.27
Adjusted equity per share 31 December 2012	4.45

Adoption of new and amended standards and interpretations applicable in future financial years

Sponda has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year. The standards will enter into effect in or after 2014.

* = Not yet endorsed for use by the European Union as of 31 December 2013.

- IFRS 9 *Financial Instruments** and subsequent amendments (the effective date has been postponed): IFRS 9 is the first step of the IASB's originally three-phase project to replace the current IAS 39 Financial Instruments: Recognition and Measurement. The amendments resulting from the first phase (published in November 2009) address the classification and measurement of financial assets. Based on measurement, financial assets are classified into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. The amendments published in October 2010 deal with the classification and measurement of financial liabilities and the standard retains most of the related IAS 39 requirements. Amendments dealing with general hedge accounting were issued in November 2013. The unfinished part of IFRS 9, impairment of financial assets, is still a work in progress. Furthermore, the IASB is also considering limited amendments regarding the classification and measurement of financial assets.

The macro hedge accounting phase has been taken apart from the IFRS 9 project as a separate project. As the IFRS 9 project is incomplete, the impacts of the standard on the consolidated financial statements cannot yet be assessed.

- IFRS 10 *Consolidated Financial Statements* and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The management has assessed the impact of these standards and interpretations on the consolidated financial statements. Based on the initial estimate the new standard is not assessed to have a material impact on Sponda's consolidated financial statements.
- IFRS 11 *Joint Arrangements* and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future, jointly controlled entities are to be accounted for using only one method, the equity method, and the other alternative, proportional consolidation is no longer allowed. The management has assessed the impact of these standards and interpretations on the consolidated financial statements. The new standard is not assessed to have a material impact on Sponda's consolidated financial statements.
- IFRS 12 *Disclosures of Interests in Other Entities* and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard will expand the notes the Group provides for its interests in other entities. The management has assessed the impact of these standards and interpretations on the consolidated financial statements. The new standard is not assessed to have a material impact on Sponda's consolidated financial statements. IFRS 12 is assessed to expand some notes to Sponda's consolidated financial statements.
- IAS 27 *Separate Financial Statements* (revised 2011) and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): The revised standard includes the provisions on separate IFRS financial statements that were left after the control provisions were included in the new IFRS 10. The revised standard will not have a material impact on Sponda's consolidated financial statements.
- IAS 28 *Investments in Associates and Joint Ventures* (revised 2011) (in the EU effective for financial years beginning on or after 1 January 2014): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard will not have a material impact on Sponda's consolidated financial statements.
- Amendments to IAS 32 *Financial Instruments: Presentation* (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amendments are not assessed to have a significant impact on Sponda's consolidated financial statements.
- Amendments to IAS 36 *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets** (effective for financial years beginning on or after 1 January 2014): The disclosure requirements added to the standard deal with the recoverable amount based on fair value less costs of disposal. The amended standard is not assessed to have a significant impact on Sponda's consolidated financial statements.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting** (effective for financial years beginning on or after 1 January 2014): The amendments made to IAS 39 provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in the counterparty to a hedging instrument so that clearing for that instrument is achieved. The amendments are not assessed to have an impact on Sponda's consolidated financial statements.
- IFRIC 21 *Levies** (effective for financial years beginning on or after 1 December 2014): The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation is not assessed to have a significant impact on Sponda's consolidated financial statements.
- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans*:* Employee Contributions*(effective for financial years beginning on or after 1 July 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments are not assessed to have an impact on Sponda's consolidated financial statements.
- Annual Improvements to IFRSs (2011-2013 cycle* and 2011-2012 cycle*, December 2013) (effective for financial years beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011-2013 cycle) and seven (2010-2012 cycle) standards. Their impacts vary standard by standard. The management has reviewed the amendments and assessed that they will not have a significant impact on the consolidated financial statements.

Principles of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Sponda Plc and its subsidiaries as at 31 December each year. The companies incorporated within the consolidated financial statements for the financial year 2013 are specified in Note 35.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The group also assesses the existence of control in entities where it does not have more than 50 per cent of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

IFRS 3 (Business Combinations) is applied to acquisitions in which a business is acquired. Mutual in-Group holdings have been eliminated by the acquisition method. The consideration transferred and the detailed assets and accepted liabilities of the acquired company are measured at fair value. Goodwill is recorded as the sum of consideration transferred, interest of non-controlling shareholders in the acquiree and previously held interest in the acquiree minus the fair value of the acquired net assets. Acquisitions that do not fall within the definition of a business are recognized as acquired assets.

The classification by Sponda of individual acquisitions of investment properties as acquired assets is based on the view that a single property and its lease agreements do not form a business entity; the real estate business also requires marketing and development activities for properties, management of tenancies, and management of property repairs and renovation. Acquisitions of investment property classified as assets do not involve the transfer of business processes or employees.

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

All intra-group transactions, receivables, liabilities and unrealised margins, as well as distribution of profits within the Group, are eliminated in the preparation of consolidated financial statements. The result for the period and items recognised in other comprehensive income are allocated to the owners of the parent company and non-controlling interests and presented in the statement of income and other comprehensive income. Non-controlling interests are presented separately from the equity allocated to the owners of the parent. Comprehensive income is allocated to the owners of the parent company and to non-controlling interests even in situations where the allocation would result in the non-controlling interests' share being negative, unless non-controlling interests have an exemption not to meet obligations which exceed non-controlling interests' investment in the company.

Associates and joint ventures

Associates are all entities over which the Group has a significant influence, meaning that the Group has a shareholding of more than 20 per cent but less than 50 per cent, or the Group otherwise has significant influence, but not control through voting rights. They are incorporated within the consolidated financial statements using the equity method. The Group's share of the associates' results is separately disclosed in the consolidated statement of income. Sponda did not, on 31 December 2013 and 31 December 2012, have any associates as referred to in IFRS, as all mutual real estate companies, including those in which the Group's holding is less than 50 per cent, are recognised as jointly controlled assets as described below.

Joint ventures and mutual real estate companies whose shares carry entitlement to control over specified premises, and in which the Group's holding is less than 100 per cent, are consolidated in the Group's financial statements row by row in proportion to the Group's holding in these companies as jointly controlled assets, in accordance with IAS 31 (Interests in Joint Ventures). The consolidated financial statements contain the Group's share of the assets, liabilities, gains and losses of joint ventures.

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Translation of foreign currency items

Functional currency and presentation currency

Items pertaining to the result and financial position of the Group's units are measured using the currency of the primary economic environment in which the unit operates ("the functional currency"). The consolidated financial statements are presented in euro, which is the functional and presentation currency of the Group's parent company.

Transactions and balances

Transactions carried out in foreign currencies are recorded in the functional currency at the exchange rate on the transaction date. Monetary receivables and liabilities denominated in foreign currencies are translated into euros at the exchange rate at year-end. Non-monetary items denominated in foreign currencies are valued at the exchange rate on the transaction date, except for items valued at fair value, which are translated into euros using the exchange rates on the valuation date.

Gains and losses arising from transactions denominated in foreign currencies and from translating monetary items are recorded under financial income and expenses in the income statement. Exchange rate gains and losses from business operations are included in the relevant items above operating profit.

Group companies

The revenue and expense items in the comprehensive income statements and separate income statements of foreign Group companies that use a functional currency other than the presentation currency are translated into euros using the average rate for the financial year, and balance sheets using the rate on the balance sheet date, which gives rise to a translation difference that is recorded in the balance sheet in shareholders' equity, and the change in this is recorded in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and from equity items accumulated after acquisition are also recorded in other comprehensive income. Translation differences from selling a subsidiary are recorded in the income statement under capital gains or losses.

Investment properties

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

Investment properties are valued initially at acquisition cost, including transaction costs. In measurements after the initial recognition, the fair value is used. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. An investment property's fair value reflects the actual market circumstances on the balance sheet date, best manifested in prices paid on the active market under current market conditions at the measurement date for properties with a corresponding location and condition to those of the property under review and that are subject to corresponding lease or other contracts. If a reliable market price is not available, the value can be determined using discounted cash flows.

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

In 2012, the company adopted the mid-period convention for discounting cash flow instead of the previously used end-of-year method. This change in estimation accounts for the timing of cash flow better and corresponds with the prevailing market practice. The new discounting convention resulted in changes to the calculations made for properties. The impact of the change was reviewed for all properties and the effect has been balanced by adjusting the yield requirements of properties so that the total change remains within the 1.0% rate of precision set for estimates.

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

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

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

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

Investment properties for development

The acquisition cost for an investment property built by the company itself consists of the construction costs, capitalised borrowing costs and other costs accumulated by the completion date. Development projects in which a new building or extension to a building is being constructed and that are unfinished at the balance sheet date are valued in accordance with IAS 40 Investment Properties at fair value.

The risk arising from the incomplete state of the property – which refers to the risk relating to construction costs, the construction schedule, financial costs and the yield requirement of the potential buyer of the unfinished property – is taken into account when determining the fair value of an unfinished property by not recognising the risk-weighted portion of the margin to be obtained on the property corresponding to the remaining construction time. All other risks relating to the unfinished property, including those relating to the leasing of the property, are taken into account in the same way as when valuing other investment properties.

Investment properties held for sale

An investment property is derecognised from the statement of financial position on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. As a main rule, investment properties not under construction or development for the purpose of a sale are measured at fair value in accordance with IAS 40 and presented under "Investment properties" in the statement of financial position. However, if the sale of an operative investment property is deemed probable, such a property is transferred to "Investment properties held for sale" in the statement of financial position. Classification as "Investment properties held for sale" requires that the following criteria is fulfilled: the sale is deemed highly probable, the property is available for immediate sale in its present condition subject to usual and customary terms, the management is committed to a plan to sell the property and the sale is expected to qualify for recognition as a completed sale within one year. Investment properties held for sale are still recognized at fair value in accordance with IAS 40. Sponda had no investment properties held for sale on 31 December 2013 and 31 December 2012.

Investments in real estate funds

Sponda owns and manages through real estate funds holdings in retail, office and logistics properties. The investments in real estate funds contain these holdings. Investments in real estate funds are measured at fair value. The change in fair value is recorded in the income statement under "Valuation gains/losses on fair value assessment".

An external consultant assesses the fair value of properties held by the real estate funds at least once a year.

Property, plant and equipment

Property, plant and equipment comprises land areas, office premises, equipment and furniture in company use, other tangible assets and advance payments and incomplete acquisitions. These are valued at their original acquisition cost, less accumulated depreciation and possible impairment losses, adding capitalised costs related to modernisation work.

The properties, office equipment and furniture and vehicles used by the company itself are depreciated over their useful lives.

Land areas are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their acquisition cost and residual value over their estimated useful lives as follows:

Office premises used by Sponda	100 years
Office machinery and equipment	3–20 years
Other tangible assets	10 years

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

If an asset’s carrying amount is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (see “Impairment of assets”).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement under “Other operating income or expenses, net”.

Goodwill and other intangible assets

Goodwill is recorded as the sum of consideration transferred, interest of non-controlling shareholders in the acquiree and previously held interest in the acquiree less the fair value of the acquired net assets. Goodwill is not amortised. Instead, it is tested for impairment annually or more often if there are events or circumstances indicating impairment.

For impairment testing, goodwill obtained through business combinations is allocated to the cash-generating units that are expected to obtain synergy benefits from combining business.

If there is any indication of impairment, the recoverable amount is allocated to the cash generating unit to which the goodwill belongs. The recoverable amount is compared to the unit’s carrying amount and an impairment loss is recognised if the recoverableamount is smaller than the carrying amount. The impairment loss is recognised in the income statement and it cannot be reversed at a later date. Testing is described in more detail in the section “Critical accounting estimates and judgments”.

Other intangible assets include computer software recorded at acquisition cost and amortised on a straight-line basis over three years.

Trading properties

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

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

When a trading property becomes an investment property that is measured on the balance sheet at fair value, the difference between the fair value on the transfer date and its previous carrying amount is recognised in the profit or loss under profit/loss on sales of trading assets.

Impairment of assets

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

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

Financial assets and liabilities

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

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

Financial assets recognised at fair value through profit and loss contain assets held for trading. Items belonging to financial assets are recognised in this category if they are acquired primarily to be sold in the near future. Derivatives are also classified as assets held for trading assets unless hedge accounting, as described in IAS 39 Financial Instruments: Recognition and Measurement, applies to them. Assets in this category as classified as current assets, unless they mature after more than 12 months after the end of the reporting period.

The items in this category are measured at fair value and the fair value of all the investments in this category is determined on the basis of publicly quoted prices or generally accepted option pricing models. Realised and unrealised gains and losses resulting from changes in the fair value are recognised in the income statement in the period in which they are incurred.

Payments relating to loans and receivables are fixed or determinable, they are not quoted on the active market, and the company does not hold them for trading purposes. They are classified as current assets, unless they mature after more than 12 months after the end of the reporting period, in which case they are classified as non-current assets. This category includes the Group's financial assets that have been obtained by handing over cash, goods or services to a debtor.

Loans and receivables are measured at amortised cost using the effective interest method. The Group recognises an impairment loss for an individual receivable if there is objective evidence that the receivable will not be recovered in full. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, or the probability of bankruptcy or other financial reorganisation.

The Group assesses at the end of each reporting period whether there is objective evidence that an item or group classified under loans and receivables is impaired. An item or group recognised under loans and receivables is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and that loss event (or events) has a reliably estimable impact on the estimated future cash flows.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Available-for-sale financial assets are assets that are not part of derivative assets and have been specifically allocated to this category or have not been allocated to any other category. They belong to non-current financial assets unless they mature within 12 months of the end of the reporting period, or the management intends to sell them within 12 months of the end of the reporting date.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and are presented in the fair value reserve after tax. Changes in fair value are taken from equity to the income statement when the investment is sold or its value has fallen so that an impairment loss has to be recognised.

The Group assesses at the end of each reporting period whether there is objective evidence that an item or group classified available-for-sale financial assets is impaired.

If the financial asset in question is a debt security, the Group applies the criteria specified above for loans and receivables. In case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also considered evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If the fair value of an equity instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively considered to be associated with an event after the recognition of the impairment loss in profit or loss, the impairment loss is reverse through the income statement.

The Group had no available-for-sales financial assets on 31 December 2013 or 31 December 2012.

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

Financial liabilities measured at amortised cost include the Group's financial liabilities that are initially recognised at fair value, net of transaction costs incurred. These financial liabilities are subsequently measured at amortised cost using the effective interest method. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over time using the effective interest method. Financial liabilities are included in non-current and current liabilities and they can be interest-bearing or non-interest-bearing.

Derivative instruments and hedge accounting

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

The relationship between the hedged item and the hedging instrument is documented at the inception of the contract. The risk management objectives and strategies, based on which various hedging transactions are undertaken, are also documented. The Group documents at the inception of the hedging contract, and on an ongoing basis thereafter, its assessment of whether the derivatives used for hedging are effective in offsetting changes in the fair values or cash flows of hedged items.

Derivatives are initially measured at cost and subsequently at fair value. The change in the fair value of derivative contracts that are defined as cash flow hedges and satisfy the relevant conditions is recognised in equity to the extent that hedging is effective. The ineffective (non-qualifying) portion of the hedging is recognised immediately in financial items in the income statement. Fair value changes accumulated in equity are reclassified in profit or loss in the period in which the hedged item affects profit or loss.

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

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

The fair values of derivatives used for hedging purposes are presented in Note 31. The full fair value of a derivative used for hedging is classified as a non-current asset or liability if the hedged item matures after more than 12 months, and as a current asset or liability if it matures within 12 months.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. For Sponda, capitalised borrowing costs are costs arising from loans taken for property development construction projects or the costs calculated for construction projects multiplied by a financial costs factor, if a separate loan has not been taken out for a construction project. The financial costs factor is the weighted average interest rate for Sponda Group's interest-bearing loans during the fiscal period, which is determined each quarter. The capitalisation of borrowing costs is continued until such time as the assets are substantially ready for their intended use or sale.

Trade receivables

Trade receivables are amounts due from customers arising from the leasing of office, retail or logistics premises. If collection is expected within one year, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value. Subsequently, a provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect the full amount due. Any impairment is recognised in the income statement within other operating expenses. When a trade receivable is uncollectable, it is written off against the provision for impairment of trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

Cash and cash equivalents

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

Share capital

Share capital consists solely of ordinary shares. Ordinary shares are classified as equity.

Transaction costs directly attributable to the issue of new shares or options are presented in equity as a deduction, net of tax, from the proceeds.

Where any Sponda Group company purchases the company's shares (treasury shares), the consideration paid, including any directly attributable costs (net of income taxes), is deducted from equity attributable to the owners of the company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the owners of the company.

Hybrid bond

A hybrid bond is a bond that is subordinated to the company's other debt instruments but is senior to other equity instruments. The interest on a hybrid loan is paid if the Annual General Meeting decides to pay a dividend. If a dividend is not paid, the company decides separately on whether to pay the interest. Unpaid interest accumulates. Hybrid loan holders have no control over the company and no right to vote at shareholders' meetings, nor does the hybrid bond have a diluting effect.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation has been made.

Provisions are made for compensation relating to land-use agreements; for costs arising from property demolition; and for soil restoration costs for properties where it is known or suspected that the soil is contaminated in the area because of earlier activity. Provisions are also recognised for obligations arising from disputes in progress when the settlement of the obligation is probable. No provisions are recognised for future losses from business operations.

Leases, the Group as a lessor

Property leases are classified as operating leases when the risks and rewards incidental to ownership remain with Sponda.

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

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

Leases, the Group as a lessee

Those leases in which the risks and rewards of ownership remain with the lessor are treated as operating leases. Leases paid by Sponda based on operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

The Group had no finance leases on 31 December 2013 or 31 December 2012.

Revenue recognition

Sponda's revenue mainly consists of rental income from its investment properties, fund management fees and interest income.

Total leases as well as separate capital and maintenance leases are recognised in the income statement on a straight-line basis over the lease term. Rental income tied to the tenant's net sales are recognised on the basis of the tenant's actual sales. Fees paid for lease assignments are allocated over the lease term.

Fees paid for fund management are allocated to the financial period during which the service has been provided.

Interest income is recognised using the effective interest rate method and dividend yield in the period in which the entitlement has occurred if the dividends are disclosed at this point. If not, they are recognised at payment date.

Total revenue

In Sponda, total revenue includes rental income and charges for consumption, interest income on finance leases and the fees for managing the real estate funds.

Expenses

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

Net income

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

Operating profit

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

Employee benefits

Sponda has various post-employment benefit plans, which include both defined contribution and defined benefit pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

Pension coverage has been arranged via a pension insurance company. Contributions made for defined contribution plans are recognised in the income statement for the year to which they relate. The liability recognised on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds. Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

Share-based payments

Sponda has had several long-term executive incentive schemes, and key individuals within these schemes are entitled to a bonus determined on the basis of defined targets.

The payment of the bonus is conditional upon the achievement of performance targets set by the company's Board of Directors and the person's continued employment in the company. Taxes and statutory employer's contributions are deducted from the bonus, and the remaining sum is used to acquire Sponda's shares from the market. The shares may not be surrendered during a commitment period following the reference period.

The incentive schemes are accounted for as equity-settled share-based business transactions and recorded as personnel expenses on a straight-line basis over the vesting period. The counter-entry for the part paid in shares is taken directly to retained earnings.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The carrying amounts of trade and other payables approximate their fair value.

Income tax

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

Deferred tax liabilities and assets are recognised for all temporary differences between the book values and the carrying amounts for tax purposes of assets and liabilities, apart from the initial recognition of acquisitions of individual assets as referred to in IAS 12.15b, for which no deferred tax is recorded. In Sponda, these acquired assets are typicallyinvestment property acquisitions which do not meet the criteria of business entities and are therefore classified as assets.

The most significant temporary difference in Sponda is the difference between the fair values and the purchase costs of the shareholding in property companies owned by Sponda. The recovery of the carrying amount of investment properties valued at fair value in the calculation of deferred taxes will normally happen through sale. The company's principle is to realise its shareholding in property companies by selling the shares it owns. Other temporary differences arise, for example, from the measurement of financial instruments at fair value and unused tax losses. Deferred taxes are calculated using tax rates that are either enacted or actually in force by the balance sheet date.

Changes in deferred taxes are recognised in the income statement apart from when they are related to items recognised as crediting or debiting shareholders' equity or to other comprehensive income items. A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised. The deferred tax assets are reassessed on an annual basis in relation to the Group's capacity to produce future taxable profits.

Earnings per share

Undiluted earnings per share is calculated by dividing profit for the period attributable to the equity holders of the parent company, adjusted by the tax-adjusted interest expenses of the hybrid loan and the hybrid loan repayment premium, by the weighted average number of shares outstanding.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's General Meeting of Shareholders.

Critical accounting estimates and judgments

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

The preparation of the financial statements in accordance with IFRSs requires management to some extent to make estimates and assumption that affect the recognition of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from the estimates.

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

Fair value of investment properties

The most significant component of the financial statements involving uncertainties related to estimations and judgments is the fair value measurement of investment properties. The measurement of the fair value of investment properties requires significant management estimates and judgment, particularly with respect to the future development of yield requirements, market rents and occupancy rates. The fair value of investment properties reflects, among other things, the rental income based on existing leases as well as reasonable and well-founded estimates of future rental income made by knowledgeable willing parties in the light of current conditions. It also reflects expected future cash payments related to each property in question. The yield requirement is determined for each property taking into account the property-specific risks and the market risk. The discount rate is determined by adding the expected long-term rate of inflation to the required yield.

The fair value of the investment properties amounted to EUR 3,253.3 million on 31 December 2013 (2012: EUR 3,261.3 million). A sensitivity analysis of the fair value of investment properties using key variables is presented in Note 14: Investment properties.

Impairment risk of goodwill

Impairment testing for goodwill relates to the goodwill allocated to certain development projects that came with the Kapiteeli acquisition and are in the Property Development unit. Impairment testing requires management's judgment concerning the costs during construction and the fair value of an investment property when it is completed and is transferred to the category of completed investment properties.

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

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

Deferred tax liabilities and assets

Deferred tax liabilities and assets are recognised for all temporary differences between the book values and the carrying amounts for tax purposes of assets and liabilities, apart from the initial recognition of acquisitions of individual assets as referred to in IAS 12.15b, for which no deferred tax is recorded. Management has exercised its judgment so that individual acquisitions of investment properties at Sponda are classified as acquired assets, since a single property and its lease agreements do not form a business entity. To constitute a business entity they would require related marketing and development activities as well as management of tenancies, property repairs and renovation. Acquisitions of investment property classified as assets do not involve the transfer of business processes or employees responsible for them.

The most important temporary difference in Sponda derives from the difference between the fair values and the purchase costs of the shareholding in property companies owned by Sponda. The recovery of the carrying amount of investment properties valued at fair value in the calculation of deferred taxes will normally happen through sale. The company's principle is to realise its shareholding in property companies by selling the shares it owns. Other temporary differences arise, for example, from tax losses carried forward, provisions and financial instruments. Deferred tax liabilities arising from the fair value measurement of investment properties stood at EUR 181.6 million on 31 December 2013 (2012: EUR 203.8 million).

Determining whether to recognise deferred tax assets on the balance sheet requires the management's judgment. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences or unused tax losses can be utilised. It may become necessary to decrease the carrying amount of deferred tax assets if future taxable income differs from the estimate. Deferred tax assets arising from losses confirmed in taxation amounted to EUR 9.4 million on 31 December 2013 (2012: EUR 23.1 million).

Notes to the consolidated financial statements

1. Segment information, operational segments

Segment information is presented according to the Group's operational and geographical segments. The primary form of segment reporting is based on operational segments.

Operational segments are based on the Group's internal organisational structure and internal financial reporting. Segments are based on the different types of business premises and services as well as geographical areas. Results and the fair value changes of properties are reported to Sponda's Board of Directors and Executive Board according to the following segments: Office Properties, Shopping Centres, Logistics Properties, Property Development, Real Estate Funds and Russia.

Sponda's Board of Directors and Executive Board assess the profitability of each segment based on net operating income, operating profit and occupancy rate. The Board of Directors and Executive Board also monitor other key figures such as investments by segment.

Each segment's assets comprise items that are directly attributable to the segments such as investment and trading properties, investments in real estate funds, goodwill and financial leasing receivables. Items not attributed to any segment comprise tax and financial items and items concerning the Group as a whole. These are presented under "Others" in the segment information. Investments include purchases of investment properties, investments in their development, renovation and tenant improvements and investments in real estate funds.

The Office Properties segment is responsible for the leasing, purchase and sales of office and retail properties in Finland.

The Shopping Centres segment is responsible for the leasing, purchase and sales of the retail space in shopping centres in Finland.

The Logistics Properties segment is responsible for the leasing, purchase and sales of logistics properties in Finland.

The Property Development segment is responsible for the marketing and implementation of new property projects on the basis of customer needs. Its operations focus on undeveloped land sites and building renovation especially in the Helsinki metropolitan area, but also in other parts of Finland.

The Real Estate Funds segment owns and manages holdings in retail, office and logistics properties through the real estate funds. Sponda’s real estate funds operate in mid-sized cities in Finland as per the company’s strategy. Regional organisations manage customer relations and the property portfolios.

The Russia segment leases, purchases, sells and develops office, retail and logistics properties in Russia.

The value of unused building rights is presented in the assets of the segment concerned for investment properties that have a building, and as part of the Property Development segment for building rights for unbuilt land. The value of unused building rights was previously presented in its entirety in the Property Development segment. This change in classification was implemented in the fourth quarter of 2013 and its total amount was EUR 31.2 million.

Sponda’s segment information is prepared under the principle that an investment property belongs in the segment that matches its primary use. From the beginning of 2014, office and retail premises and shopping centres located in the same investment property will be divided into their respective segments for part of the investment properties. This change is due to reasons related to the management of current and potential customer relationships and customer relationship management in general. It will affect the division between segments of an estimated 10 investment properties.

Segment information

12/2013, M€	Office properties	Shopping centres	Logistics	Property development	Russia	Real Estate Funds	Other	Group total
Total revenue	145.0	43.9	38.7	1.2	28.6	6.8	0.0	264.3
Maintenance expenses and direct fund expenses	-39.3	-10.7	-12.9	-2.2	-6.8	-1.6	0.0	-73.4
Net operating income	105.7	33.2	25.9	-0.9	21.8	5.2	0.0	190.9
Profit on sales of investment properties	0.9	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Loss on sales of investment properties	0.0	0.0	0.0	0.0	-0.2	0.0	0.0	-0.2
Profit/loss on sales of trading properties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in fair value of trading property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation gains and losses	2.3	1.9	-7.7	0.5	-13.1	1.9	0.0	-14.2
Administration and marketing expenses	-8.7	-2.2	-1.1	-3.1	-2.9	-5.1	0.0	-23.2
Other operating income and expenses	0.2	-0.3	-0.2	-1.0	0.0	0.0	0.0	-1.4
Operating profit	100.5	32.6	16.9	-4.6	5.6	2.0	0.0	153.0
Financial income and expenses							-59.8	-59.8
Profit before taxes							-59.8	93.2
Income taxes							9.9	9.9

Profit for the period							-49.9	103.1
Investments	29.4	2.7	1.7	4.7	1.2	13.6	1.2	54.5
Segment assets	1,732.1	741.3	426.5	122.7	247.8	88.3	113.0	3,471.7
Economic occupancy rate	90.1	89.0	75.2		96.0			87.9

12/2012, M€	Office properties	Shopping centres	Logistics	Property development	Russia	Real Estate Funds	Other	Group total
Total revenue	143.9	42.0	42.3	1.2	28.7	6.5	0.0	264.6
Maintenance expenses and direct fund expenses	-39.0	-9.7	-13.6	-2.3	-6.5	-1.3	0.0	-72.4
Net operating income	104.9	32.3	28.7	-1.1	22.2	5.2	0.0	192.2
Profit on sales of investment properties	1.7	0.5	0.0	0.4	0.0	0.0	0.0	2.7
Loss on sales of investment properties	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	-0.2
Profit/loss on sales of trading properties	0.0	0.0	0.0	6.0	0.0	0.0	-0.7	5.2
Change in fair value of trading property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation gains and losses	31.4	-5.3	-4.9	-2.6	6.4	8.1	0.0	33.0
Administration and marketing expenses	-8.0	-1.8	-1.4	-3.3	-3.0	-5.3	0.0	-22.7
Other operating income and expenses	0.1	0.0	0.0	0.2	0.0	0.0	0.0	0.3
Operating profit	130.0	25.7	22.4	-0.5	25.7	8.0	-0.7	210.5
Financial income and expenses							-58.8	-58.8
Profit before taxes							-59.5	151.8
Income taxes							-37.5	-37.5
Profit for the period							-97.0	114.2
Investments	45.9	21.4	1.8	21.5	38.4	18.4	0.4	147.8
Segment assets	1,708.4	736.7	414.4	149.6	269.4	83.6	159.7	3,521.8
Economic occupancy rate	89.4	93.0	75.6		95.4			88.1

2. Segment information, geographical segments

The geographical segments are Finland and Russia.

M€	2013	2012
Total revenue		
Finland	235.7	235.9
Russia	28.6	28.7
Group, total	**264.3**	**264.6**
Assets		
Finland	3,223.9	3,252.4
Russia	247.8	269.4
Group, total	**3,471.7**	**3,521.8**

3. Total revenue from properties

M€	2013	2012
Rental income and recoverables	257.2	257.8
Interest income from finance lease agreements	0.3	0.3
Fund management fees	6.8	6.5
Profit/loss on sale of investment properties	0.8	2.5
Profit/loss on sale of trading properties	0.0	5.2
Total	**265.1**	**272.3**

Rental income

The expected rental income from existing leases is:

M€	2014	2015-2018	2019-	Total
Expected rental income	210.6	566.8	422.4	1,199.8

M€	2013	2014-2017	2018-	Total
Expected rental income (2012 reference data)	232.7	565.3	442.1	1,240.1

Accruals are the current accruals from lease contracts less index increases.

Lease contracts signed for an indefinite period are included up to the date of expiry stated in the contract.

4. Maintenance expenses

The line “Maintenance costs” in the income statement includes maintenance expenses of EUR 1.3 million (2012: EUR 1.5 million) for investment properties that have not accrued rental income during the year. Most of these investment properties are undeveloped land sites or development sites that have not yet yielded rental income.

5. Profit/loss on sale of investment properties

M€	2013	2012
Profit on sales	1.0	2.7
Loss on sales	-0.2	-0.2
Total	**0.8**	**2.5**

6. Other operating income

M€	2013	2012
Share of bankruptcy estate	0.1	0.2
Indemnity	0.5	0.0
Other income	0.0	0.2
Income from the sales of fixed assets	0.0	0.0
Total	**0.6**	**0.4**

7. Other operating expenses

M€	2013	2012
Credit losses and uncertain receivables	0.7	0.0
Development costs	1.1	0.0
Other expenses	0.2	0.1

Total	**2.0**	**0.1**

8. Auditor fees

M€	2013	2012
Authorised Public Accountants KPMG Oy		
Audit	0.2	0.2
Tax consultancy	0.0	0.0
Other services	0.0	0.1
Total	**0.2**	**0.3**

Auditing includes fees pertaining to the audit of the consolidated financial statements and the audit of Sponda Plc and its subsidiaries, including assurance and other services related to auditing.

9. Employee benefit expenses and number of employees

M€	2013	2012
Management remuneration		
CEO	0.5	0.5
Other Executive Board members	1.1	1.1
Board of Directors	0.3	0.3
Share-based payments to management	1.4	1.6
Management remuneration, total	3.3	3.4
Other wages and salaries	7.6	7.6
Defined benefit pension plans	0.0	0.1
Defined contribution pension plans	1.8	1.9
Other social security costs	0.5	0.6
Total	**13.3**	**13.5**

The President and CEO of Sponda Plc is paid a full salary. The salary and fees paid to the President and CEO totalled EUR 505,000 (2012: EUR 503,000). In addition, the President and CEO was paid a fee of EUR 500,000 (2012: EUR 173,000) under the long-term share-based incentive scheme, based on the company's performance in 2012.

The members of Sponda Plc's Board of Directors are paid an annual fee and a fee for each meeting attended for the term ending at the 2014 Annual General Meeting. Of the annual fee, 40 per cent is paid in the form of Sponda Plc shares to be acquired by means of public trading. The Chairman of the Board was paid EUR 70,000 for the year (2012: EUR 70,000), the Deputy Chairman EUR 46,000 (2012: EUR 45,000) and the other members of the Board, in total, EUR 203,000 (2012: EUR 163,000).

The share-based incentive scheme covers the President and CEO other members of the Executive Board, in total seven people. The purpose of the incentive scheme is to link the objectives of shareholders and key personnel to increase the company’s shareholder value, increase the commitment of key personnel to the company and offer them a competitive remuneration scheme based on share ownership.

On 20 March 2012, Sponda Plc’s Board of Directors decided on the implementation of a new incentive scheme, effective from the beginning of 2012. The incentive scheme comprises three three-year vesting periods, which correspond to the calendar years 2012–2014, 2013–2015, and 2014–2016.

The earning criteria for the vesting periods that began prior to 2012 were tied to cash flow from operations per share and return on capital employed. The earning criteria for vesting period 2012–-2014 are tied to the Group’s cash flow from operations per share and return on investment. The earning criteria for vesting period 2013–2015 are tied to the Group’s cash flow from operations per share and return on investment. In addition, the Board of Directors will assess the Group’s success in relation to the prevailing market conditions. The Board of Directors determines the targets for each vesting period separately.

The bonuses, less taxes and other employer contributions, are used to purchase company shares for the person on the open market. The shares may not be disposed of within a set period of their receipt. The duration of this period is two years for the one-year vesting periods and three years for the three-year vesting periods. The personnel covered by the scheme also have a continued obligation to hold shares received under the scheme at a minimum amount corresponding to their gross annual salary for the duration of their employment in the company.

The maximum annual fee under the incentive scheme is the recipient's gross annual pay at the time of payment. Gross annual pay refers to fixed basic salary excluding annual performance bonuses and the incentive scheme.

The bonuses payable based on the 2011 and 2011–2013 vesting periods correspond, at a maximum, to the value of approximately 473,377 shares in Sponda Plc (including the cash component of the bonuses). The bonuses payable based on the 2012–2014 vesting period correspond, at a maximum, to the value of approximately 392,082 shares in Sponda Plc (including the cash component to be paid). The bonuses payable based on the 2013–2015 vesting period correspond, at a maximum, to the value of approximately 430,000 shares in Sponda Plc (including the cash component to be paid).

Share-based incentive schemes — Incentive scheme 2009-2011

	Vesting period 2011-2013	Vesting period 2011	Vesting period 2010-2012	Vesting period 2010	Vesting period 2009
Grant date	1.2.2011	1.2.2011	17.3.2010	17.3.2011	1.1.2009
Issue date	1.1.2014	1.1.2012	1.1.2013	1.1.2011	1.1.2010
Vesting period ends	31.12.2013	31.12.2011	31.12.2012	31.12.2010	31.12.2009
Shares become free for disposal	31.12.2016	31.12.2013	31.12.2015	31.12.2012	31.12.2011
Settled as	Shares and cash	Shares and cash	Shares and cash	Shares and cash	Shares and cash

Incentive scheme 2012-2014

	Vesting period 2014-2016	Vesting period 2013-2015	Vesting period 2012-2014
Grant date	20.3.2012	20.3.2012	20.3.2012
Issue date	1.1.2017	1.1.2016	1.1.2015
Vesting period ends	31.12.2016	31.12.2015	31.12.2014
Shares become free for disposal	31.12.2019	31.12.2018	31.12.2017
Settled as	Shares and cash	Shares and cash	Shares and cash

Share-based incentive schemes — Incentive scheme 2009-2011

Conditions	Vesting period 2011-2013	Vesting period 2011	Vesting period 2010-2012	Vesting period 2010	Vesting period 2009
Non-market based conditions	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period	Cash flow from operations per share and return on investment in the vesting period
Other conditions	Shares may not be disposed for a period of three years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt.	Shares may not be disposed for a period of three years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt.	The vesting period is followed by a two-year employment condition. Shares may not be disposed for a period of two years from date of receipt.
Number of instruments granted*	118,958	77,025	187,128	150,811	146,255
Share price on date of granting, €	3.75	3.75	3.01	3.01	1.93
Share price on date of distribution, €*	3.42	3.32	3.75	3.79	2.71

Share-based incentive schemes — Incentive scheme 2012-2014

Conditions	Vesting period 2014-2016	Vesting period 2013-2015	Vesting period 2012-2014

Non-market based conditions	Cash flow from operations per share, return on investment and sales of properties in the vesting period	Cash flow from operations per share, return on investment and sales of properties in the vesting period	Cash flow from operations per share, return on investment and sales of properties in the vesting period
Other conditions	Shares may not be disposed for a period of three years from date of receipt.	Shares may not be disposed for a period of three years from date of receipt.	Shares may not be disposed for a period of three years from date of receipt.
Number of instruments granted*	-	-	-
Share price on date of granting, €	3.36	3.36	3.36
Share price on date of distribution, €*	-	-	-

* The 2013 figure is based on the management's estimate. Actual figures may differ from the estimates provided.

Changes in share bonus during the period:	2013	2012	2011	2010	2009
Share bonus granted at start of the period	379,053	342,736	411,966	335,768	218,280
Bonuses granted in the period*	118,958	187,128	77,025	150,811	146,255
Bonuses forfeited during the period	-	-	-	-	-
Bonuses that became free for disposal during the period	77,025	150,811	146,255	74,613	28,767
Share bonuses granted at end of the period	420,986	379,053	342,736	411,966	335,768

* The 2013 figure is based on the management's estimate. Actual figures may differ from the estimates provided.

Management’s pension obligations and termination benefits

The retirement age of Sponda Plc’s President and CEO is 63, and his pension is determined in accordance with the Finnish Employees Pension Act (TEL).

Under the terms of the service contract, the President and CEO’s term of notice is six months. In the event of the company terminating the service contract, the President and CEO is entitled to compensation equal to 12 months' pay.

President and CEO and the other members of the Executive Board are insured with a contribution-based group pension insurance. Sponda Plc pays the annual insurance premium until the member reaches the age of 63. In addition, the members of Sponda’s Executive Board are entitled to participate in a voluntary group pension scheme. Under the terms of this scheme, the accrued savings may be withdrawn between the ages of 60 and 65 or as a supplementary pension in addition to the individual’s statutory earnings-related pension. The insurance premium amounts to 7.5 per cent of each member’s fixed annual salary. In 2013, the premiums of the voluntary group pension scheme of the President and CEO and other Executive Board members were EUR 106,000 (2012: EUR 108,000).

Personnel on average	2013	2012
White collar, number of employees	121	122

10. Depreciation and amortization by asset item

M€	2013	2012
Property, plant and equipment		
Buildings and structures	0.2	0.2
Machinery and equipment	0.0	0.1
Other tangible assets	0.0	0.3
	0.3	**0.6**

Intangible assets		
Computer software	0.1	0.1
Total	**0.4**	**0.7**

11. Financial income and expenses

M€	2013	2012
Financial income		
Interest income		
Loans and receivables	0.4	1.2
Other financial income	0.0	0.2
Interest income from foreign currency derivatives	9.8	13.0
Exchange rate gains		
Exchange rate gains, realized	6.3	1.6
Exchange rate gains, recognized at fair value through profit	6.3	0.1
Change in fair value		
Recognized at fair value through profit and loss	0.3	19.8
Total	**23.3**	**35.9**
Financial expenses		
Interest expenses		
Interest expenses on liabilities recognized at amortized cost	-59.1	-66.8
Interest expenses from foreign currency derivatives	-5.4	-7.2
Other financial expenses, loan management expenses	-4.7	-4.2
Exchange rate losses		
Exchange rate losses, realized	0.0	-1.9
Exchange rate losses, recognized at fair value through profit	0.0	-0.2
Unrealized exchange rate losses from foreign currency loans	0.0	-13.2
Interest rate derivatives subject to hedge accounting, ineffective portion	0.0	-0.3
Change in fair value		
Recognized at fair value through profit and loss	-14.0	-1.6
Total	**-83.3**	**-95.5**
Capitalized borrowing costs incurred in the acquisition, construction or production of a qualifying asset*	0.3	0.8
Financial expenses, total	**-83.1**	**-94.6**
Financial income and expenses, total	**-59.8**	**-58.8**
Financial expense multiplier used by the Group	3.25%	3.55%

*See accounting principles: Expenses on liabilities

12. Income taxes

M€	2013	2012
Current tax expense	3.8	3.7
Deferred tax	22.6	33.8

Change in tax base of deferred taxes	-36.3	0.0
Total	**-9.9**	**37.5**

Taxes relating to other comprehensive income items

			2013			2012
M€	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Defined benefit plans	-0.1	0.0	0.0	-0.2	0.0	-0.1
Cash flow hedges	16.0	-5.1	10.8	-3.1	0.4	-2.7
Translation difference	-1.0	0.6	-0.4	0.1	0.1	0.2
Total	**14.9**	**-4.5**	**10.4**	**-3.1**	**0.5**	**-2.6**

Reconciliation between the income tax expense recognized in the income statement and the taxes calculated using the parent company's domestic corporate tax rate of 24,5%:

	2013	2012
Profit before taxes	93.2	151.8
Income tax using the parent company's domestic corporate tax rate	22.8	37.1
Difference between tax rate in Finland and in other countries	0.2	-0.6
Change of tax base	-36.3	-
Tax exempt income/non-deductible expenses	0.0	0.0
Group adjustments in conjunction with sale	0.0	-0.5
Recognition of deferred tax in accordance with IAS 12.15b	0.0	0.5
Utilization of tax losses from prior periods	1.5	-
Confirmed losses previously unrecognised	0.0	-0.4
Shelf life amortization and previously unrecognized confirmed losses	-0.1	-0.1
Other tax-like items	0.0	0.1
Impact of changes in accounting principles	0.0	0.8
Other items	1.9	0.6
Tax expense in the income statement	**-9.9**	**37.5**

Changes to the Finnish corporate tax rate

On 17 December 2013, the Parliament of Finland decided to lower the corporate tax rate from 24.5 per cent to 20 per cent. The tax rate is applicable to the tax year that begins on 1 January 2014 and the subsequent tax years. Deferred tax assets and liabilities will be determined according to the new 20 per cent tax rate as of the financial period ending on 31 December 2013.

13. Earnings per share

The undiluted result per share is calculated by dividing the result for the period attributable to the parent company's equity holders, adjusted by the tax-adjusted interest expenses of the hybrid loan and the hybrid loan repurchase premium, by the average number of shares outstanding.

M€	2013	2012
Profit for the period attributable to the equity holders of the parent company	103.1	114.2
Interest accrued during period on hybrid bond	-10.4	-11.6
Premium relating to the repurchase of the equity bond	0.0	-0.7
Tax effect	2.5	3.0
Net effect	-7.8	-9.3
Weighted average number of shares during the period (million), pcs	283.1	283.1
Diluted earnings per share attributable to parent company equity holders, €	0.34	0.37

There were no diluting instruments in 2013 and 2012.

14. Investment properties

M€	2013	2012
Fair value of investment properties 1 Jan.	3,261.3	3,165.7
Acquisition of investment properties	3.1	53.1
Other capital expenditure on investment properties	36.6	76.0
Disposals of investment properties	-31.9	-59.3
Reclassifications from trading properties	0.0	0.0
Capitalized borrowing costs, increase in period	0.3	0.8
Valuation gains and losses	-16.1	24,9
Fair value of investment properties 31 Dec.	**3,253.3**	**3,261.3**

Valuation process of investment properties

Investment properties are properties held by the company for the purpose of earning rental income or for capital appreciation. Sponda measures its investment properties using the fair value method, under which changes in fair value are recognized through profit and loss. The value of each investment property is calculated on a property specific basis by Sponda itself, with the discounted cash flow method (DCF). In Sponda Group, the value of investment properties is assessed internally. The results of the assessments are reported directly to the President and CEO, the Chief Financial Officer (CFO) and the Board of Directors. The assessment process and the market situation as well as other factors with an impact on the appraisal of the properties are reviewed with the President and CEO and the CFO at least once every quarter, in accordance with the Group's reporting schedules. The results of the internal assessment and all of the related assumptions and the parameters used are audited by an external, independent, authorised appraisal team twice a year. Sponda's property portfolio in Finland was assessed in the second and fourth quarters of the year by Catella Property Oy. The properties in Russia were assessed in the second and fourth quarters by CB Richard Ellis. The value of each property has been assessed separately.

Statements on the assessments of value for properties in both Finland and Russia are available on Sponda's website at investors.sponda.fi.

Weighted average yield requirements based on management estimates used in calculating the fair values of investment properties by type of property 31 December 2013 (%)

			Area		
	Centr. Bus.Distr.	Rest of Helsinki	Espoo/ Vantaa	Rest of Finland	Russia
Type of premises					
Office and retail	5.6	6.2	8.4	7.1	9.5
Logistics		8.1	8.0	11.3	11.0

Weighted average yield requirements based on management estimates used in calculating the fair values of investment properties by type of property 31 December 2012 (%)

			Area		
	Centr. Bus.Distr.	Rest of Helsinki	Espoo/ Vantaa	Rest of Finland	Russia
Type of premises					
Office and retail	5.6	6.2	8.2	7.1	9.6
Logistics		8.0	8.0	11.5	11.0

Significant assumptions used in fair value calculations, on average

	Finland		**Russia**	
	2013	2012	2013	2012
Yield requirement,%	6.5	6.8	9.6	9.7
Initial yield,%	6.2	6.4	9.1	9.9

Computational economic occupancy ratio in first year of calculation,%	85.8	88.1	95.6	96.6
Rental income as per agreements, €/m²/month	16.6	16.2	50.4	50.3
Market rents, €/m²/month	13.8	13.4	47.2	44.7
Long term maintenance costs used in calculations, €/m²/month	2.8	2.8	9.4	10.5

Changes in the significant assumptions used in fair value calculations are based on market changes and the effects of new and maturing lease agreements on the property portfolio.

Sensitivity analysis of investment property fair value

Change in investment property fair value, M€ and %, 31.12.2013

	-10%		-5%		0%	5%		10%	
	Change, Me	Change,%	Change, Me	Change,%	Me	Change, Me	Change,%	Change, Me	Change,%
Yield requirement	332.0	10.6	157.0	5.0	0.0	-143.0	-4.6	-272.0	-8.7
Rental income (contractual rents)	-85.0	-2.7	-43.0	-1.4	0.0	42.0	1.3	84.0	2.7
Maintenance expenses	85.0	2.7	42.0	1.3	0.0	-43.0	-1.4	-86.0	-2.8
Economic occupancy rate (1st year)	-25.0	-0.8	-13.0	-0.4	0.0	12.0	0.4	24.0	0.8

Change in investment property fair value, Me and %, 31.12.2012

	-10%		-5%		0%	5%		10%	
	Change, Me	Change,%	Change, Me	Change,%	Me	Change, Me	Change,%	Change, Me	Change,%
Yield requirement	334.0	10.6	158.0	5.0	0.0	-143.0	-4.5	-273.0	-8.7
Rental income (contractual rents)	-88.0	-2.8	-44.0	-1.4	0.0	44.0	1.4	88.0	2.8
Maintenance expenses	85.0	2.7	43.0	1.4	0.0	-42.0	-1.3	-85.0	-2.7
Economic occupancy rate (1st year)	-25.0	-0.8	-13.0	-0.4	0.0	13.0	0.4	26.0	0.8

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

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

All investment properties belong to level 3 in the fair value hierarchy. The hierarchy levels are described under the section “Fair value measurement” in Note 31.

Economic occupancy rates of investment properties by segment (%)

	31 Dec, 2013	31 Dec, 2012
Office properties	90.1	89.4
Shopping centres	89.0	93.0
Logistics	75.2	75.6
Russia	96.0	95.4

Maturity dates for lease agreements by segment 31 December, 2013 (%)

M€	Office properties	Shopping centres	Logistics	Russia
1 year	11.7	3.2	9.3	37.2

2 years	11.0	6.5	9.9	14.1
3 years	11.4	6.3	9.2	11.7
4 years	13.2	17.5	4.8	18.9
5 years	7.8	5.7	8.0	15.2
6 years	2.8	7.4	8.4	0.4
more than 6 years	23.9	50.8	29.3	2.5
open ended	18.1	2.7	21.1	0.0

Maturity dates for lease agreements by segment 31 December, 2012 (%)

M€	Office properties	Shopping centres	Logistics	Russia
1 year	11.3	8.0	18.1	31.1
2 years	10.4	2.9	4.9	14.2
3 years	11.4	5.6	9.5	10.8
4 years	7.9	4.3	5.7	14.7
5 years	12.9	19.6	4.0	20.7
6 years	5.2	0.6	4.3	4.1
more than 6 years	22.5	54.9	32.6	4.4
open ended	18.4	4.1	20.9	0.0

The Group's most significant investment commitments

Sponda will develop an office building complex in Ilmala, in Helsinki. The office building complex, with a floor area of approximately 15,000 square metres, will be built in a prominent location along the railway line and next to the excellent traffic connections at Pasila. The construction of the property will start in spring 2014, and the project is estimated for completion in December 2015. The project's investment size is approximately EUR 57 million. Sponda has the opportunity to expand the office complex with two more office buildings.

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

15. Investments in real estate funds

	2013		2012	
	Investment, M€	Holding	Investment, M€	Holding
First Top LuxCo I S.a.r.l	2.0	20.0%	5.0	20.0%
Sponda Fund I Ky	27.2	46.1%	31.1	46.1%
Sponda Fund II Ky	29.1	43.7%	31.0	43.7%
Sponda Fund III Ky*	18.8	36.4%	16.3	35.9%
YESS Ky	0.0	60.0%	0,0	60.0%
Russia Invest B.V.	11.2	27.2%	0.1	27.2%
	88.3		**83.5**	

First Top LuxCo I S.a.r.l. is a real estate fund registered in Luxembourg that invests primarily in office and retail premises in medium-sized Finnish towns.

Sponda Fund I Ky invests primarily in logistics properties outside the Helsinki metropolitan area.

Sponda Fund II invests primarily in logistics, warehouse and industrial properties in medium-sized towns in Finland.

Sponda Fund III Ky invests primarily in logistics and industrial properties in Finland's growth centres.

YESS Ky is a fund established by Sponda plc and Yleisradion eläkesäätiö that develops the Forum Virium project. No capital investments have been made in the fund as of yet.

Russia Invest B.V. will invest in real estate development projects in Moscow and St. Petersburg.

*According to the shareholders' agreement for Fund III, Sponda's holding will increase to 38.1 per cent in proportion to the remaining investment commitments.

All investment properties belong to level 3 in the fair value hierarchy. The hierarchy levels are described under the section "Fair value measurement" in Note 31.

16. Property, plant and equipment

M€	Land sites	Buildings	Machinery & equiment	Other tangible assets	Advance payments & acquisitions in progress	2013 total
Acquisition cost 1 Jan.	3.3	11.2	1.4	1.7	0.0	17.6
Increases		0.2	0.0	0.0		0.2
Decreases						
Other reclassifications		0.1		-1.5	0.0	-1.5
Acquisition cost 31 Dec.	**3.3**	**11.5**	**1.4**	**0.2**	**0.0**	**16.4**
Accumulated depreciation 1 Jan.	-	-2.3	-1.3	-1.6	0.0	-5.2
Accumulated depreciation on decreases		-0.1		1.5		1.5
Depreciation for the period		-0.2	0.0	0.0		-0.3
Accumulated depreciation 31 Dec.	**-**	**-2.5**	**-1.4**	**-0.1**	**-**	**-3.9**
Carrying amount 31 Dec.	**3.3**	**9.0**	**0.1**	**0.1**	**0.0**	**12.5**

M€	Land sites	Buildings	Machinery & equiment	Other tangible assets	Advance payments & acquisitions in progress	2012 total
Acquisition cost 1 Jan.	3.3	11.2	1.4	1.7	-	17.6
Increases			0.0		0.0	
Decreases				0.0		
Other reclassifications						
Acquisition cost 31 Dec.	**3.3**	**11.2**	**1.4**	**1.7**	**0.0**	**17.6**
Accumulated depreciation 1 Jan.	-	-2.1	-1.2	-1.3	-	-4.5
Accumulated depreciation on decreases						
Depreciation for the period		-0.2	-0.1	-0.3		-0.6
Accumulated depreciation 31 Dec.	**-**	**-2.3**	**-1.3**	**-1.6**	-	**-5.1**
Carrying amount 31 Dec.	**3.3**	**8.9**	**0.1**	**0.2**	**0.0**	**12.5**

Other tangible assets includes, among other things, renovation expenses related to the company's head office and works of art owned by the Group.

17. Goodwill

M€	2013	2012
Acquisition cost 1 Jan.	27.5	27.5
Change	-	-
Acquisition cost 31 Dec.	**27.5**	**27.5**
Accumulated depreciation 1 Jan.	-13.0	-13.0

Depreciation for the period	-	-
Accumulated depreciation 31 Dec.	**-13.0**	**-13.0**
Carrying amount 31 Dec.	**14.5**	**14.5**

The acquisition of Kapiteeli Oy in 2006 resulted in goodwill of EUR 27.5 million being allocated to certain planned development projects, which were considered to have great potential for an increase in value upon completion. Some of these were completed in 2008. The goodwill allocated to the completed projects was written down corresponding to the change in fair value during 2008 and it had an impact on the result of EUR -13.0 million. Goodwill and related write-downs were entirely allocated to the Property Development segment.

The remaining EUR 14.5 million of goodwill has been tested by comparing the future cash flows of the assets containing the goodwill to the carrying value of the goodwill. Cash flows have been discounted using a discount rate of 8.50 per cent (2012: 8.75 per cent). Based on the impairment testing, there is no need for further write-downs on goodwill.

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

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

Sensitivity analysis of value testing

%	Value used	Limit
2013		
Discount rate	8.50%	9.36%
Yield requirement	6.50%	6.52%
Investment costs		0.47%

%	Value used	Limit
2012		
Discount rate	8.75%	9.36%
Yield requirement	6.50%	6.52%
Investment costs		0.33%

An impairment of goodwill would have been recorded if the discount rate used had exceeded 9.36 per cent (2012: 9.36 per cent), if the yield requirement used in the fair value calculations of projects had exceeded 6.52 per cent (2012: 6.52 per cent) or if investment costs had been estimated as 0.47 per cent greater (2012: 0.33 per cent).

18. Other intangible assets

M€	Software	Other intangible assets	2013 total
Acquisition cost 1 Jan.	1.3	0.2	1.5
Increases		0.9	0.9
Decreases			
Acquisition cost 31 Dec.	**1.3**	**1.2**	**2.5**
Accumulated amortization 1 Jan.	-0.8	-	-0.8
Accumulated depreciation on decreases			
Amortization for the period	-0.1		-0.1
Accumulated amortization 31 Dec.	**-0.9**	-	**-0.9**
Carrying amount 31 Dec.	**0.3**	**1.2**	**1.5**

M€	Software	Other intangible assets	2012 total

Acquisition cost 1 Jan.	1.3	0.0	1.3
Increases		0.2	0.2
Decreases			
Acquisition cost 31 Dec.	**1.3**	**0.2**	**1.5**
Accumulated amortization 1 Jan.	-0.7	-	-0.7
Accumulated depreciation on decreases			
Amortization for the period	-0.1		-0.1
Accumulated amortization 31 Dec.	**-0.8**	**-**	**-0.8**
Carrying amount 31 Dec.	**0.4**	**0.2**	**0.7**

19. Finance lease receivables

M€	2013	2012
Carrying amount of finance lease receivables	**2.7**	**2.7**
Gross rental income	13.6	14.0
Unguaranteed residual value	4.0	3.9
Gross investment in lease contracts	**17.6**	**17,9**
Unearned financial income	-14.9	-15.2
Net investment in lease contracts	2.7	2,7
Present value of unguaranteed residual value	0.0	0.0
Present value of minimum lease payments receivable	**2.7**	**2,7**

Term structure in 2013	2014	2015-2018	2019 -	Total
Gross investment in lease contracts	0.3	1.3	15.9	17.6
Present value of minimum lease payments receivable	0.3	1.0	1.3	2.7

Term structure in 2012	2013	2014-2017	2018 -	Total
Gross investment in lease contracts	0.3	1.3	16.3	17.9
Present value of minimum lease payments receivable	0.3	1.0	1.2	2.7

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

20. Non-current receivables

M€	2013	2012
Non-interest-bearing receivables	0.2	0.0
Transaction price receivables	1.1	1.1
Long term financial receivables	**1.2**	**1.1**
Derivatives not included in hedge accounting	9.9	20.1
Other long term receivables	**9.9**	**20.1**
Non-current receivables total	**11.1**	**21.2**

21. Deferred taxes

M€	31.12.2012	Recognized in income statement	Change of tax base	Transfers and other changes	Recognized in other comprehensive income items	Recognized in equity	Purchased businesses/ investment properties sold/ bought	31.12.2013
Deferred tax assets								
Tax losses carried forward	23.1	-13.6	-1.8	1.7	0.0		-0.1	9.4
Tax receivables from result for financial year 2013	0.0	10.4	-1.9	0.0				8.5
Tax receivables from result for financial year 2012	1.7			-1.7				0.0
Assessments at fair value:								
Funds	1.5	1.9	-0.6					2.8
Interest rate swaps	10.5	-0.1	0.0		-5.1			5.3
Interest rate options	0.8	-0.2	-0.1					0.5
Eurobasis swaps	0.0	0.1	0.0	0.0				0.1
Trading properties	0.2	0.0	0.0					0.1
Translation differences/loans	0.0	-0.6			0.6			0.0
Defined benefit obligations	0.1	0.0	0.0					0.1
Other items/transfers	0.4	0.2	-0.1	-0.1	0.0			0.4
Total	**38.4**	**-1.9**	**-4.5**	**-0.1**	**-4.5**	**0.0**	**-0.1**	**27.4**
Deferred tax liabilities								
Capitalized borrowing costs	0.6	-0.5	0.0	0.0				0.1
Assessments at fair value:								
Investment properties	203.8	18.6	-40.9	0.0	0.0		0.0	181.6
FX options and forwards	0.0	0.0	0.0	0.0				0.0
Equity bond expenses	1.1	2.5	0.0			-3.6		0.1
Other items/transfers	0.3	0.0	0.0	0.0	0.0			0.3
Total	**205.9**	**20.7**	**-40.9**	**0.0**	**0.0**	**-3.6**	**0.0**	**182.1**

M€	31.12.2011	Recognized in income statement	Change of tax base	Transfers and other changes	Recognized in other comprehensive income items	Recognized in equity	Purchased businesses/ investment properties sold/ bought	31.12.2012
Deferred tax assets								
Tax losses carried forward	26.3	-7.6		4.0	0.4			23.1
Tax receivables from result for financial year 2012	0.0	1.7		0.0				1.7
Tax receivables from result for financial year 2011	4.0			-4.0				0.0
Assessments at fair value:								
Funds	1.7	-0.1						1.5
Interest rate swaps	9.7	0.1			0.8			10.5
Interest rate options	1.3	-0.5						0.8

Forward exchanges	0.0			0.0				0.0
Trading properties	0.3	-0.1						0.2
Translation differences/loans	0.0	0.3			-0.3			0.0
Other items/transfers	0.7	0.1		0.1	-0.3			0.6
Total	**44.0**	**-6.1**	**0.0**	**0.1**	**0.5**	**0.0**	**0.0**	**38.4**
Deferred tax liabilities								
Capitalized borrowing costs	0.6	0.2		-0.2				0.6
Assessments at fair value:								
Investment properties	233.0	27.9		-53.7	0.0		-3.5	203.8
FX options and forwards	0.0	0.0		0.0				0.0
Equity bond expenses	1.4	3.3				-3.6		1.1
Other financial items	0.0							0.0
Other items/transfers	0.7	-0.3		0.0	0.0			0.3
Total	**235.7**	**31.2**	**0.0**	**-53.9**	**0.0**	**-3.6**	**-3.5**	**205.9**

Changes to the Finnish corporate tax rate

On 17 December 2013, the Parliament of Finland decided to lower the corporate tax rate from 24.5 per cent to 20 per cent. The tax rate is applicable to the tax year that begins on 1 January 2014 and subsequent tax years. Deferred tax assets and liabilities will be determined according to the new 20 per cent tax rate as of the financial period ending on 31 December 2013.

On 31 December 2013, the Group had EUR 2.3 million (2012: EUR 2.3 million) of confirmed loses and EUR 64.0 million (2012: EUR 77.7 million) of impairment losses not deducted from taxes for which tax assets had not been calculated, since the utilisation of the items in question is uncertain.

Expiration years for unrecognised confirmed losses

Year of expiration	2014	2015-2016	2017-2018	2019-2020	2021-2022	2023-2024	Total
Confirmed loss	0.0	0.5	0.6	0.6	0.6	0.0	2.3
Unrecognised deferred tax	0.0	0.1	0.1	0.1	0.1	0.0	0.5

22. Trading properties

Trading properties comprise 21 properties that are owned mainly through real estate or housing limited companies.

M€	2013	2012
Trading properties at start of the period	7.8	7.9
Divested trading properties	0.0	-1.7
Reclassifications as investment properties	-	-
Change in fair value	0.0	1.6
Trading properties at end of the period	**7.8**	**7.8**
Sales income from divested trading properties	0.0	6.9
Carrying amount of divested trading properties	0.0	-1.7
Gains/losses on disposal of trading properties	**0.0**	**5.2**

23. Trade and other receivables

M€	2013	2012
Current non-interest-bearing receivables		
Trade receivables	5.7	4.3
Other receivables	14.2	32.4
Tax receivables	0.0	0.0
Advances paid	1.0	2.2
Other prepaid expenses and accrued income	12.8	9.9
Total	**33.7**	**48.9**

Other receivables includes EUR 14.0 million (2012: EUR 25.3 million) of VAT receivables.

The fair value of trade and other receivables corresponds to their carrying amount.

Trade receivables classified according to time elapsed from due date

M€		2013		2012
Not fallen due	3.3	57.6%	2.1	49.1%
Under 1 month	0.9	15.6%	0.9	21.9%
1-3 months	0.5	8.1%	0.6	13.7%
3-6 months	0.2	3.8%	0.2	4.5%
6-12 months	0.6	11.0%	0.2	3.6%
1-5 years	0.2	3.3%	0.3	7.3%
Over 5 years	0.0	0.7%	0.0	0.0%
Total	**5.7**	**100.0%**	**4.3**	**100.0%**

M€	2013	2012
Other prepaid expenses and accrued income		
From interest and financial items	2.4	2.5
Taxes	0.1	0.2
From other items	10.2	7.2
Total	**12.8**	**9.9**

24. Cash and cash equivalents

M€	2013	2012
Bank accounts	18.8	30.1
Liquid investment	-	-
Total	**18.8**	**30.1**

The carrying amount of the Group’s cash and cash equivalents is comprised of the following currency denominated amounts:

M€	2013	2012
Euro	12.5	17.9
US dollar	0.2	0.7
Russian rouble	6.1	11.5

Total	**18.8**	**30.1**

25. Share capital and reserves

M€	No. of shares (1,000)	Share capital	Share premium reserve	Invested non-restricted equity reserve	Total
31.12.2006	79,307	79.3	159.5	-	238.8
Share issue	31,723	31.7	-	209.7	241.4
31.12.2007	111,030	111.0	159.5	209.7	480.2
31.12.2008	111,030	111,0	159.5	209.7	480.2
Share issue	166,545	-	-	202.3	202.3
31.12.2009	277,575	**111.0**	**159.5**	**412.0**	**682.5**
31.12.2010	277,575	111,0	159.5	412.0	682.5
Share issue	5,500	-	-	21.7	21.7
31.12.2011	283,075	**111.0**	**159.5**	**433.8**	**704.2**
31.12.2012	283,075	**111.0**	**159.5**	**433.8**	**704.2**
31.12.2013	283,075	**111.0**	**159.5**	**433.8**	**704.2**

Sponda Plc has a single class of shares. Under the Articles of Association, there is no maximum number of shares and the company does not have a set maximum share capital. The share has no nominal value or accounting par value. All issued shares have been paid in full.

Shareholders' equity comprises the following reserves:

Share premium reserve

Sponda does not have existing instruments that would, under the new Limited Companies Act, accrue a share premium reserve.

Translation differences

Translation differences comprise translation differences arising from the translation of foreign subsidiaries.

Fair value reserve

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

Revaluation reserve

The revaluation reserve comprises the fair value of properties that have previously been used by the Group itself and have subsequently been transferred to investment properties.

Invested non-restricted equity reserve

The invested non-restricted equity reserve contains equity investments and that part of the share subscription price that has not been allocated to share capital by a specific decision.

Other equity reserve

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

Dividends

After the balance sheet date, the Board of Directors has proposed that a dividend of EUR 0.18 per share be distributed for the 2013 financial year.

26. Retained earnings

M€	2013	2012

At beginning of financial year	585.0	526.3
Profit of the period attributable to equity holders of the parent company	103.1	114.3
Defined benefit obligations	0.0	-0.1
Dividend payment	-48.1	-45.3
Hybrid bond, interest paid	-11.7	-10.3
Share-based payments	-0.1	0.1
At end of financial year	628.1	585.0

27. Non-current interest-bearing liabilities

M€	2013	2012
Notes and bonds	471.2	324.2
Loans from financial institutions	1,034.2	1,136.1
Total	**1,505.5**	**1,460.3**

See note 31.

28. Defined benefit pension obligations

At the time of Sponda Plc's incorporation, insurance was taken out for certain persons to compensate for their earlier retirement age. The insurance covers the pension of women from the age of 60 to 63 and the pension of men from 62 to 63 (65 prior to revision) years of age. The pension presently covers two persons.

Sponda's pension plan is a supplementary pension funded in the insurance company that supplements statutory pensions. It primarily concerns pensions already in payment and paid-up free policies.

The pledge given to the insured is presented as an obligation on the balance sheet, and the insurance company's share of this obligation is presented as an asset on the balance sheet. Pensions and paid-up free policies are increased according to a pension index, the cost of which is borne by the company, since the insurance company's pledge to raise pensions is based on its own annually confirmed refund.

As the amount of the assets is calculated with the same discount rate as the obligation in the insurance arrangement, a change in the discount rate does not result in a material risk. Nor does as an increase in life expectancy result in significant risks, since the insurance company bears the majority of any impact that an increase in life expectancy has. The company is nevertheless primarily responsible for an increase in pensions, meaning that a 0.25 per cent increase in the pension index would increase the obligation by 4.5 per cent. Correspondingly, a decrease of 0.25 per cent would reduce the obligation by 4.2 per cent.

Defined benefit pension plan expenses included in profit or loss and in OCI

M€	2013	2012
Defined benefit pension plan expenses included in profit or loss		
Current service cost	0.0	0.0
Net interest cost	0.0	0.0
Total	**0.0**	**0.0**
Remeasurement loss (gain) in OCI	**0.1**	**0.2**

Reconciliation of net defined benefit (asset) liability

M€	2013	2012
Defined benefit obligation	4.4	5.0
Fair value of employee benefit plan assets	3.8	4.4
Net defined benefit (asset) liability 31.12.	**0.7**	**0.6**

M€	2013	2012
Net defined benefit (asset) liability 1.1.	0.6	0.6
Contributions paid by the employer	0.0	-0.2
Expenses included in profit or loss	0.0	0.0
Remeasurement loss (gain) in OCI	0.1	0.2
Net defined benefit (asset) liability 31.12.	**0.7**	**0.6**

Movement in net defined benefit obligation

M€	2013	2012
Balance at 1.1.	**5.0**	**4.7**
Current service cost	0.0	0.0
Interest cost	0.1	0.2
Remeasurements gains (-)/losses (+)		
Gains (-) / losses (+) from demographic assumptions	0.0	0.0
Gains (-) / losses (+) from financial assumptions	0.0	0.6
Gains (-) / losses (+) from experience adjustments	-0.3	0.0
Benefits paid	-0.4	-0.4
Balance at 31.12.	**4.4**	**5.0**

Changes in the fair values of employee benefit plan assets

M€	2013	2012
Fair values 1.1.	**4.4**	**4.1**
Interest income	0.1	0.2
Return on plan assets (excluding interest income or cost)	-0.4	0.4
Contributions paid by the employer	0.0	0.2
Benefits paid	-0.4	-0.4
Fair values 31.12.	**3.8**	**4.4**

The amount the Group expects to pay to defined benefit plans in 2014	0.1	

Information on the plan's assets is not available and cannot be allocated to different groups of assets, since the assets are held by the insurance company.

Significant actuarial assumptions		
Discount rate	3.00%	3.00%
Future salary growth	3.50%	3.50%
Future pension growth	2.10%	2.10%

Duration based on the weighted average of defined benefit plan	9.0	

29. Current interest-bearing liabilities

M€	2013	2012
Loans from financial institutions	27.8	25.8

Commercial papers sold	255.5	250.0
Total	**283.3**	**275.9**

See note 31.

30. Trade and other payables

M€	2013	2012
Current non-interest bearing debt		
Advances received	12.0	11.9
Trade payables	3.3	3.2
Interest liabilities	13.9	15.2
Other current liabilities	18.5	34.3
Accrued expenses and deferred income	16.6	29.2
Total	**64.4**	**93.9**

Other current liabilities include EUR 17.4 million of VAT liabilities (2012: EUR 28.1 million).

Accrued expenses and deferred income		
Interest and financial items	0.5	0.5
Personnel expenses	4.1	4.4
Taxes	0.2	0.3
Investments	8.3	19.5
Other items	3.6	4.5
Total	**16.6**	**29.2**

The fair value of trade and other payables corresponds to their carrying amount.

31. Financial instruments

Financial risk management

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

1. Interest rate risk

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

According to the risk management policy, the aggregate nominal value (hedging rate) of the Group's fixed-rate loans with a maturity of more than one year and of the interest rate derivatives used to manage interest rate risk must be at least 60 per cent and at most 100 per cent of the Group's interest-bearing liabilities. The Group's hedging rate on 31 December 2013 was 79 (2012: 72) per cent. The average fixed interest rate period of the interest-bearing debt portfolio must be at least one year. The average fixed interest rate period of the Group's portfolio was 2.3 (2012: 1.9) years.

Derivative contracts have been made for the purpose of hedging the loan portfolio and they are valued in the financial statement at fair value. The fair value represents the result if the derivative position had been closed on the balance sheet date. The fair values presented are based on valuations by the counterparty banks. In addition, Sponda Plc checks the valuations using methods that are generally available on the market, employing Bloomberg's derivatives calculator and market quotes. The fair values and nominal values of interest rate derivatives are presented in Note 31.4.

Interest rate derivatives have been defined as cash flow hedging or as derivatives that do not meet the criteria for hedge accounting. Sponda applies group hedging, in which the behaviour of the loan portfolio is compared with the interest rate derivative portfolio. The interest rate derivative portfolio is divided into interest rate options and interest rate swaps. In addition Sponda may use forward rate agreements and interest rate futures, to which hedge accounting is not applied. The company also has one EUR 150 million interest rate swap agreement for swapping Euribor reference rates, to which hedge accounting is not applied.

At the time of closing the books, Sponda applied hedge accounting to all interest rate swap agreements in which the company pays a fixed interest and receives a floating rate. The company has entered into one interest rate swap agreement with a bank for swapping Euribor reference rates to which hedge accounting is not applied. All interest rate swaps mature in 2014–2019, during which period the interest flows from interest rate swaps will also be realised. The hedging effectiveness between hedged loans and hedging instruments was very high (99.7 per cent) during the 2013 financial year. The non-effective proportion of interest rate swaps under hedge accounting has been recognised in profit and loss. Change in fair value for an interest rate swap to which hedge accounting is not applied is recognised in profit or loss. Hedge accounting was not applied to the purchased interest rate caps. The change in the fair value of interest rate caps is recognised in profit and loss.

Net losses/gains for the period recognised in other comprehensive income items are presented under “Consolidated statement of comprehensive income”. More information on their recognition is available in the section on the accounting policies for the consolidated financial statements. Hedge accounting is applied to interest derivatives satisfying the IAS 39 criteria for hedge accounting throughout their maturity.

Sponda Plc analyses its interest rate position by simulating changes in market interest rates. The treasury unit calculates a forecast of interest expenses for the coming year and its interest rate sensitivity. The following assumptions have been made when calculating the sensitivity to change in interest rates:
– the short-term market rates at the stated balance sheet date may rise by one percentage point or fall by 0.1 per cent (2012: rise by one percentage point or fall by 0.1 percent)*
– the calculation includes the face amount of interest-bearing liabilities EUR 1,795 million (2012: 1,742 million)
- the calculation includes current derivative contracts hedging interest rate risk, totalling EUR 1,100 million (2012: 1,172 million)

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

In its 2013 financial statements Sponda Plc applied hedge accounting to 63 per cent of interest rate derivatives hedging interest rate risks, compared to 74 per cent in 2012. In the sensitivity analysis, changes in the fair value of interest rate derivatives to which hedge accounting is not applied are presented in full through profit and loss. The Group’s interest-bearing liabilities increased by about EUR 53 million in 2013 (2012: decreased by EUR 19 million).

* On 31 December 2013 all short-term market rates with relevance for the calculation were below 0.4 per cent.

Sensitivity to interest rate risk

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

	31 Dec, 2013		31 Dec, 2012	
M€	Income statement	Fair value reserve	Income statement	Fair value reserve
One percentage point rise in market rates	- 1,6	+ 23,8	- 2,8	+ 16,7
0.1 percentage point fall in market rates	+ 0,4	- 2,4	+ 0,2	- 3,7

The sensitivity calculation is not inclusive of the computational tax effect.

2. Liquidity and refinancing risk

The Group assesses and monitors the amount of financing required by its business operations on a daily basis to ensure the sufficiency of liquid funds for financing purposes and to repay maturing loans. The Group’s liquidity position and forecast are drawn up every working day. The risk related to access to finance is reduced by making financial contracts with several financial sources and using a variety of financial instruments. The Group seeks to spread the maturity of its new borrowings so that as loans mature, the amount needing refinancing each year remains stable. The Group's single largest creditor represents approximately one sixth of the Group's total interest-bearing liabilities. The Group's largest creditors are Nordic banks with which the company has a long-term customer relationship. Sponda expects to be able to renew the loans that fall due. In 2013, the company refinanced a total of EUR 485 million worth of loans maturing normally during 2013–2015 with four different financing arrangements. Only approximately EUR 28 million of long-term financial loans are set to mature during 2014. Further information on commercial papers set to mature in 2014 is presented below. Notes 31.5 and 31.6 show the maturity analysis based on the Group’s agreements. The average duration of the Group’s loans on 31 December 2013 was 2.5 years (31 December 2012: 2.7 years).

For short-term financing purposes, the company uses a commercial paper programme. The size of the commercial paper programme is EUR 350 million. The Group's loans maturing in 2014 total some EUR 283,8 million, of which a issued commercial papers account for EUR 256 million. The remaining loans maturing in 2014 comprise loans from credit institutions. The company may finance the loans falling due in 2014 by taking out long-term credit limits, for example. There is strong interest in the company’s commercial papers, which is why the company aims to keep the commercial paper volume issued approximately at the current level.

The Group ensures its liquidity with long-term credit limits and bank account limits. The credit limits also provide a reserve for the commercial paper programme. The company’s fixed goal is to retain an amount of undrawn credit limits that is always sufficient to cover the amount of commercial papers issued. Undrawn long-term credit limits on the date of the financial statements totalled EUR 510 million (2012: EUR 510 million). In 2013, the company replaced the EUR 100 million credit limit originally maturing in 2014 with a EUR 100 million long-term limit. Cash surpluses are invested in short-term money market instruments or bank deposits in accordance with the financial policy confirmed by the Board. On 31 December 2013 the Group’s cash and cash equivalents totalled EUR 18,8 million (2012: EUR 30.1 million).

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

- Interest coverage ratio (EBITDA/Net interest cost) for which the minimum acceptable ratio is 1.75. The ratio on the closing date was 3.1 (2012: 2.8).

- Equity ratio, for which the set minimum ratio is 28 per cent. On the closing date the equity ratio stood at 41 per cent (2011: 40)

- The Group was not in breach of covenants during the financial year.

3. Credit risk

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

To avoid risks from counterparties, the Group uses only financially solid banks with a good credit rating as counterparties in its derivative contracts. The banks' credit rating in terms of their long-term acquisition of funds must be classified as at least A- by S&P's (or an equivalent credit rating company). Sponda Plc may invest in the commercial papers issued by well-known, financially solid companies operating in Finland. Sponda Plc's Board of Directors decides on acceptable counterparties, on counterparty limits and on the permitted financial instruments. In derivative trading with counterparties, Sponda Plc observes the stipulations given by ISDA (International Swaps and Derivatives Association, Inc.) or the regulations issued by the Finnish Bankers' Association. The maximum amount of credit risks is the carrying amount of the financial assets EUR 49.8 million (2012: EUR 88.1 million). The breakdown is shown in Note 31.1.

Tenant risk is managed by analysing the creditworthiness of tenants before leases are signed, by requiring rent deposits, and by the monthly collection of rent. The business units responsible for leasing properties are responsible for arranging collateral for rents. The maximum amount of the risk is the total carrying amount of the receivables less the amount of the collateral. Total collateral for rents received amounted to EUR 38,3 million (2012: EUR 41.0 million). Collateral for rents is primarily in the form of bank deposits or bank guarantees. Collateral is not, however, required for separately approved counterparties such as the Finnish state or municipalities. Collateral received in fulfillment of lease obligations may be used to cover the company's receivables without hearing the tenant on the matter. Ovenia Oy monitors the Group's rent receivables.

The total amount of rent receivables on the balance sheet date was EUR 2.9 million (2012: EUR 2.6 million). The total rent unpaid for more than three months was EUR 1.1 million. The Group recorded credit losses of EUR 0.7 million for rent receivables in 2013. The Group recognises a final credit loss when a tenant is found to be without means in the debt collection process or when it has received reliable advance information on the bankruptcy estate's share or when the company's share of a bankruptcy is conclusively confirmed. The Group uses well-known external debt-collection firms to collect receivables.

The collateral for a selling price receivable is almost always a real security. The real security for selling price receivables is typically real estate mortgages for the sold property or shares. The Group had no selling price receivables at the balance sheet date of 31 December 2013 (2012: EUR 5.8 million). The total amount of trade receivables at the balance sheet date excluding rent receivables was EUR 2.8 million (2012: EUR 1.7 million). The Group considers the risk from trade receivables to be small. A maturity analysis of all trade receivables is presented in Note 23.

In addition the company has given guarantees as security for the commitments of the property companies it owns. The guarantees are typically guarantees relating to the construction phase of a new company, in which the beneficiary is almost always the city. The amount of guarantees – EUR 4.7 million (2012: EUR 3.6 million) – is small in proportion to the carrying amount of the companies owned. The guarantees given are not expected to cause significant costs to the Group.

4. Currency risk

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

Sponda's Russian companies receive their rents monthly in US dollars and in Russian roubles. The companies pay nearly all of their expenses in Russian roubles. USD-denominated net cash flows from lease agreements are some USD 26 million (2012: USD 26 million) and RUB-denominated net cash flows some RUB 130 million (2012: RUB 104 million). In accordance with the Board's decision, Sponda hedges primarily foreign currency denominated future net cash flows for a period of six months. The company may use currency denominated options, forwards and currency swaps in hedging. One currency derivative will mature and be renewed in each month during the next six months, so that a total corresponding to the net position for six months is always effective.

On the balance sheet date the company had currency options to the value of USD 13.1 million (2012: USD 13.5 million) to hedge the USD net cash flows. The difference between incoming cash flows denominated in Russian roubles and outgoing rouble-denominated expenses is minor when measured in euros, due to which the hedging of this net cash flow has not been deemed necessary. In accordance with the Board's decision Sponda does not hedge the translation risk from Russian companies. If the exchange rate between the euro and the USD changed 10 per cent from the closing date, the change in the fair value of the currency options would be recognised through profit and loss in full. If the euro weakened 10 per cent against the USD, this would reduce the result by some EUR -0.6 million and if the euro strengthened 10 per cent against the USD, this would improve the result by some EUR +0.8 million. With the currency derivative maturing each month, the company can sell cash flow of some USD 2.2 million based on rental income, and this would have the opposite effect on the result to that of the currency option.

The Group finances its capital expenditure in Russia with internal loans denominated in euros.

In 2011, the company issued a SEK 650 million bond. In addition the company converted the existing EUR 115 million loan into a SEK denominated loan (SEK 1,064 million). The loans were converted into SEK because of permanent cost savings. All SEK denominated loans are hedged against exchange rate risks by means of cross currency swap agreements. The net amount of the unrealised exchange rate differences of the SEK denominated loans and the current value of unrealised cross currency swap agreements hedging the loans may vary during the duration of each agreement. The changes in profit caused by the unrealised exchange rate differences and unrealised changes in current value decreases over time and reaches zero on the due date. The SEK cash flows received from the cross currency swap agreement cover all future cash flows of the SEK currency loans and capitals due on the due date.

The company does not apply hedging according to IAS 39 to currency derivatives. Changes in the fair value of other currency derivatives are recorded on the income statement.

5. Managing the equity structure

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

Factors affecting the Group's equity structure, in addition to the result, include capital expenditure, asset sales, acquisitions, dividend payments, equity-based facilities and measurement at fair value. The Group's key covenant in credit arrangements is the equity ratio. The company's equity ratio must always be greater than 28 per cent. In the event that equity ratio approaches the 28 per cent limit, the company will carry out arrangements to boost equity. The company's equity comprises an equity bond (hybrid bond) that improves the company's equity ratio. The nominal value of the hybrid bond is EUR 95.0 million and it is recorded in the balance sheet under "Other equity reserve". More information on the hybrid bond is provided in the accounting policies. The company aims to distribute approximately 50 per cent of the operational cash flow per share for the financial period as dividend, taking into account, however, the economic situation and the company's development needs. The Group's capital structure is also guided by the value of the interest cover ratio covenant. Interest cover ratio is determined by the ratio between EBITDA and net interest expenses, with gains from sales deducted and losses on sales added.

Changes in the value of property assets are dealt with correspondingly, in addition to which depreciation and amortisation are returned to the calculation. The interest cover ratio must be greater than 1.75.

Sponda Plc's Board of Directors has set the Group's long term equity ratio target at 40 per cent. On 31 December 2013 the Group's equity ratio was 41 per cent (2012: 41 per cent at the end of 2012). Sponda's interest cover ratio on 31 December 2013 was 3.1. In 2012 the interest cover ratio was 2.8. Sponda Group's interest-bearing liabilities increased by EUR 53 million during 2013, totalling EUR 1,789 million at the end of the year (2012: EUR 1,736 million). Sponda Group sold property assets during 2013 for altogether EUR 38 million. The funds received were used to pay off the company's loans and finance property development investments. The formula for calculating the equity ratio is shown in the annual report under "Calculation of financial ratios".

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

M€	2013	2012
Interest-bearing liabilities	1,789	1,736
Cash, funds in bank and interest-bearing receivables	19	30
Interest-bearing net liabilities	1,770	1,706
Shareholders' equity, total	1,409	1,448
Balance sheet total	3,472	3,522
Equity ratio	41%	41%

6. Fair value measurement

Financial assets at fair value through profit or loss in the consolidated financial statements, investment properties, investments in real estate funds and derivative instruments are classified according to the valuation method. The levels used are defined as follows:

- quoted (unadjusted) prices for identical assets or liabilities on active markets (level 1)

- input data other than the quoted prices included in level 1 which are observable for the asset or liability in question either directly (i.e. as a price) or indirectly (i.e. derived from prices) (level 2)

- input data concerning the asset or liability that are not based on observable market data (other than observable input data) (level 3).

The Group's derivative instruments at fair value are presented in Note 31.4. Information concerning investment properties at fair value is presented in Note 14, and information on investments in real estate funds at fair value is presented in Note 15.

31.1 Carrying amounts of financial assets and liabilities by category

2013 Balance sheet item, M€	Financial assets/liabilities recognised at fair value through profit and loss	Loans and receivables	Financial liabilities recognised at amortised cost	Hedging derivatives	Carrying amount of balance sheet items	Fair value	Level 1	Level 2	Level 3	Total
Non-current financial assets										
Non-current receivables		1.2			1.2	1.2			1.2	1.2
Derivative contracts	9.9				9.9	9.9		9.9		9.9
Current financial assets										
Derivative contracts	0.1				0.1	0.1		0.1		0.1
Trade and other receivables		19.8			19.8	19.8				
Cash and cash equivalents		18.8			18.8	18.8				
Carrying amount by category	**10.0**	**39.8**	**0.0**	**0.0**	**49.8**	**49.8**				
Non-current financial liabilities										
Interest-bearing liabilities			1,505.5		1,505.5	1,525.8		1,525.8		1,525.8

Derivative contracts	0.5			26.1	26.5	26.5		26.5		26.5
Current financial liabilities										
Interest-bearing liabilities			283.3		283.3	283.8		283.8		283.8
Derivative contracts	0.0			0.6	0.6	0.6		0.6		0.6
Interest payable			13.9		13.9	13.9				
Trade and other payables			21.2		21.2	21.2				
Carrying amount by category	**0.1**		**1,823.9**	**26.7**	**1,851.1**	**1,871.9**				

All derivative instruments are measured at fair value in the balance sheet. Interest-bearing debt is measured at amortized cost using the effective interest rate method. All other items are valued at cost in the parent company's balance sheet.

Financial assets include EUR 10.0 million of derivative instruments and financial liabilities include EUR 27.2 million of derivative instruments.

2012 Balance sheet item, M€	Financial assets/liabilities recognised at fair value through profit and loss	Loans and receivables	Financial liabilities recognised at amortised cost	Hedging derivatives	Carrying amount of balance sheet items	Fair value	Level 1	Level 2	Level 3	Total
Non-current financial assets										
Non-current receivables		1.1			1.1	1.1			1.1	1.1
Derivative contracts	20.1				20.1	20.1		20.1		20.1
Current financial assets										
Derivative contracts	0.1				0.1	0.1		0.1		0.1
Trade and other receivables		36.7			36.7	36.7				
Cash and cash equivalents		30.1			30.1	30.1				
Carrying amount by category	**20.2**	**67.9**	**0.0**	**0.0**	**88.1**	**88.1**				
Non-current financial liabilities										
Interest-bearing liabilities			1,460.3		1,460.3	1,477.5		1,477.5		1,477.5
Derivative contracts				37.5	37.5	37.5		37.5		37.5
Current financial liabilities										
Interest-bearing liabilities			275.9		275.9	276.3		276.3		276.3
Derivative contracts	0.1			5.4	5.4	5.4		5.4		5.4
Interest payable			15.2		15.2	15.2				
Trade and other payables			32.2		32.2	32.2				
Carrying amount by category	**0.1**		**1,783.6**	**42.9**	**1,826.5**	**1,844.2**				

All derivative instruments are measured at fair value in the balance sheet. Interest-bearing debt is measured at amortized cost using the effective interest rate method. All other items are valued at cost in the parent company's balance sheet.

Financial assets include EUR 20.2 million of derivative instruments and financial liabilities include EUR 43.0 million of derivative instruments.

31.2 Financial instruments, which are offsetted in the statement of financial position or are subject to netting agreements

		Derivatives under netting agreements	
31 Dec, 2013, M€	**Net carrying amount**	**Financial instruments**	**Net total**
Assets			
Derivative contracts	10.0	-10.0	0.0
Total	10.0	-10.0	0.0

		Derivatives under netting agreements	
31 Dec, 2012, M€	**Net carrying amount**	**Financial instruments**	**Net total**
Liabilities			
Derivative contracts	27.0	-10.0	17.0
Total	27.0	-10.0	17.0

All sums are measured at fair value. The company does not have financial instruments offset in the balance sheet.

Netting of derivative instruments according to ISDA or an equivalent master agreement.

31.3 The Group's interest-bearing liabilities

Long-term liabilities, M€	2013 Carrying amount	2013 Fair value	2012 Carrying amount	2012 Fair value
Bonds *)	471.2	483.0	324.2	336.1
Loans from financial institutions	914.1	922.6	855.8	861.1
Foreign currency loans	120.1	120.2	280.3	280.3
Total	**1,505.5**	**1,525.8**	**1,460.3**	**1,477.5**

Current liabilities, M€	2013 Carrying amount	2013 Fair value	2012 Carrying amount	2012 Fair value
Loans from financial institution and commercial papers	283.3	283.8	275.9	276.3
Total	**283.3**	**283.8**	**275.9**	**276.3**

The fair values of bonds are based on the averages of market quotes published by at least two banks. In addition, Sponda compares the external valuations received to the indicative market quotes of Bloomberg's market data system, to ensure the adequate reliability of measurements.

*) In 2012 and 2013 Notes and bonds also included a SEK 650 million bond. In 2013, the bond's balance sheet value was EUR 73.3 million and in 2012, it was correspondingly EUR 75.6 million. All foreign currency loans were SEK denominated.

The fair values of all liability items reflect the value for which investors in active secondary markets would probably be willing to purchase the items in question. The fair values of loans from financial institutions and of foreign currency loans are calculated by comparing the valid contract terms of each individual liability (such as duration and interest margin) to the terms prevalent on the market , the objective being the refinancing of the liability under review. Central to the valuation of a liability is the new liability's interest margin for which a similar liability could have been arranged at the reporting date. Loan-specific refinancing margins are based on the estimates of company management. Based on discussions conducted with a number of debt investors during the financial period the company considers itself to clearly belong in what is referred to as Investment Grade category in terms of its credit risk. The management's estimate concerning the company's credit risk from the perspective of debt investors has remained unchanged for the 2012 and 2013 financial periods. The company considers any possible change in a company-specific credit risk in the valuation of liabilities.

31.4 Derivative contracts

M€	Fair value 2013	Nominal values 2013	Fair value 2012	Nominal values 2012
Interest rate derivatives				
Interest rate swaps				
In hedge accounting	-26.7	695.7	-42.9	871.6
Not in hedge accounting	-0.5	150.0	-	-
Interest rate caps, bought				
Not in hedge accounting	3.0	404.1	0.6	300.0
Foreign currency derivatives				
Currency swaps				
Currency options, call	0.1	9.5	0.1	10.2
Currency options, put	0.0	9.5	-0.1	10.2
Cross currency swaps	6.9	187.4	19.5	337.4

The interest derivative agreements were made in order to hedge the loan portfolio and currency derivatives in order to hedge against currency risk. At the time of closing the books, hedging only applies to interest rate swaps. The company has one (EUR 150 million) interest rate swap concerning the Euribor reference rate of a euro denominated loan. Hedge accounting was not applied to this swap.

Cross currency swaps are used to hedge the exchange rate risk related to loans denominated in Swedish krona. The nominal values of cross currency swaps are identical to the nominal values of the loans hedged.

Derivative instruments are valued in the financial statement at fair value. The fair value represents the result if the derivative position had been closed on the balance sheet date. Sponda utilises external valuations. In addition, Sponda evaluates the size of derivative instruments' fair value internally.

31.5 Maturity of non-current liabilities

Maturity of non-current liabilities 31 December, 2013, M€	2014	2015	2016	2017	2018	2019
Bonds	-	100.0	73.4	150.0	150.0	-
Loans from financial institutions	27.8	469.9	275.9	210.9	81.4	-

Maturity of non-current liabilities 31 December, 2012, M€	2013	2014	2015	2016	2017	2018
Bonds			100.0	75.7	150.0	-
Loans from financial institutions	25.8	262.5	542.8	275.0	60.0	-

This table shows the maturities of non-current liabilities, showing the nominal value at the time the loan was taken. Foreign currency loans are quoted at the rate of the balance sheet date. Loans maturing in 2014 are presented in the balance sheet under current loans.

The average interest rate of all the Group's loans, including derivatives, was 3.2 per cent (2012: 3.4 per cent). The average maturity of loans was 2.5 years (2012: 2.7 years).

Sponda Plc's most significant loans

Bilateral loan

In December 2013, Sponda signed an agreement with Nordea Bank Finland for a four-year unsecured loan of EUR 150 million. The agreement extended the loan, which was originally set to mature in 2014, until December 2017. The key covenants of the agreement (equity ratio and interest cover ratio) are the same as those of Sponda's other loans.

Finance limit

Sponda Plc also signed an agreement with Danske Bank A/S, Helsinki branch, for an unsecured five-year credit limit of EUR 100 million in December 2013. The agreement extended the credit limit, which was originally set to mature in June 2014, until December 2018. The key covenants of the agreement (equity ratio and interest cover ratio) are the same as those of Sponda's other loans.

Bond issue

In October 2013, Sponda Plc issued a EUR 150 million unsecured bond. The five-year bond matures on 9 October 2018. The bond carries a fixed annual rate of 3.375 per cent. The bonds were allocated to 64 investors and the bond offering was substantially oversubscribed. The bond is listed on NASDAQ OMX Helsinki. The proceeds from the bond offering were used to repay existing debt and for general corporate purposes. Danske Bank and SEB acted as joint lead managers and book runners for the transaction.

Bilateral loan

In June 2013, Sponda signed an agreement on the five-year extension of a mortgaged loan of EUR 85 million with Helaba (Landesbank Hessen Thüringen Girozentrale). The agreement extends the loan, which was originally set to mature in spring 2014, until spring 2018. The agreement's key covenants (equity ratio and interest cover ratio) are in line with the company's other financial covenants.

Hybrid bond

On 27 June 2013, Sponda redeemed the remaining EUR 92.8 million of a hybrid bond (equity bond) (ISIN code FI0003029181) with an original notional value of EUR 130 million. After the transaction, the company's only outstanding hybrid bond is the EUR 95 million hybrid bond issued on 5 December 2012. The coupon rate of the hybrid bond is 6.75 per cent per annum. The bond has no maturity, but the company may exercise a redemption option after five years.

A hybrid bond is an instrument that is subordinated to other debt obligations. It is treated as equity in the IFRS financial statements. A hybrid bond does not confer upon its holder the right to vote at shareholder meetings and does not dilute the holdings of the current shareholders. The interest on the bond is paid if the Annual General Meeting decides to distribute a dividend. If no dividend is distributed, the company decides separately on whether to pay the interest. Unpaid interest accumulates. The transaction was organised by Nordea Markets.

Finance limit

In November 2012, Sponda Plc signed an agreement with Swedbank AB, Finnish Branch, for a credit limit of EUR 100 million with a maturity of five years. The arrangement renewed a EUR 100 million credit limit agreement that was to originally mature in 2013. The credit arrangement is unsecured.

Bilateral loan

In July 2012, Sponda Plc signed an agreement with Danske Bank A/S, Helsinki branch, for a secured five-year loan of EUR 60 million. The agreement extends the financing that was originally secured for the Elo shopping centre.

Bond issue

Sponda issued a EUR 150 million senior unsecured domestic bond in May 2012. The five-year bond matures on 29 May 2017. The bond carries fixed annual interest at the rate of 4.125 per cent. The bond is listed on NASDAQ OMX Helsinki. The proceeds from the bond issue were used to repay existing debt and for general corporate purposes. The main organisers of the bond issue were Danske Bank and Pohjola Markets.

Syndicated credit arrangement

In November 2011, Sponda Plc signed syndicated loan agreements for a total of EUR 375 million. The syndicated credit has a maturity of five years. The syndicated credit agreement comprises a loan of EUR 275 million and a credit limit of EUR 100 million. The loan of EUR 275 million was used in its entirety to repay existing loans. The terms of the loan correspond to the terms of Sponda's other loans. The key covenants of the loan are linked to the equity ratio and interest cover ratio. The credit arrangement is unsecured. The primary creditors arranging the syndicated credit were Nordea Bank Finland Plc, Pohjola Bank Plc, Skandinaviska Enskilda Banken AB (PUBL), Danske Bank and Swedbank. The agent for the syndicated loan was Swedbank.

Finance limit

In April 2011, Sponda Plc signed an agreement with Svenska Handelsbanken for an 50 EUR million credit limit for five years. In terms of its loan period, the terms of the five-year credit limit are the same as in the syndicated credit agreement that Sponda signed on 1 November 2010. The credit arrangement is unsecured.

Bond issue

In March 2011, Sponda issued a bond with a total value of 650 million SEK, a duration of five years and floating rate yield of a three-month Stibor rate + 2.4 percentage points. The proceeds of the bond were used in the Group's general financing needs. The loan is unsecured. Sponda has hedged the currency risk by means of cross currency swaps. The transaction was arranged by Nordea Bank.

Syndicated credit arrangement

In November 2010, Sponda Plc signed syndicated credit agreements for a total of EUR 550 million. The primary creditors arranging the syndicated credit were Nordea Bank Finland Plc, Pohjola Bank Plc, SEB and Sampo Bank Plc, with Swedbank and DnB NOR also participating. The syndicated credit is coordinated by Nordea. It has a maturity of five years. The syndicated credit agreement comprises a loan of EUR 400 million and a credit limit of EUR 150 million. The loan of EUR 400 million was used in its entirety to repay existing loans. The terms of the loan correspond to the terms of Sponda's other loans. The key covenants of the loan are linked to the equity ratio and interest cover ratio.

A EUR 70 million payment on this arrangement's EUR 400 million loan was made with the proceeds received from the EUR 150 million bond issue arranged in October 2013. The loan's remaining principal at the balance sheet date after the repayment was EUR 330 million.

Bond issue

In May 2010, Sponda Plc issued a domestic corporate bond with a value of EUR 100 million, a duration of five years and a fixed annual interest of 4.375 per cent. The bond is listed on NASDAQ OMX Helsinki. The proceeds from the corporate bond issue were used to repay loans. The primary arrangers of the bond issue were Nordea Bank and Sampo Bank.

Bilateral loans

In March 2008, Sponda Plc signed an agreement with Danske Bank A/S, Helsinki Branch for a seven-year loan of EUR 150 million and, with Ilmarinen Mutual Pension Insurance Company, an agreement for a seven-year loan of EUR 50 million. The loans were used to finance the company's real estate investments and its investments in Russia. The credit facilities are unsecured. In 2011, Sponda changed the above mentioned Danske Bank loan's denomination into Swedish crowns. Sponda has hedged the currency risk by means of cross currency swaps.

Bilateral loan

In February 2008, Sponda Plc signed an agreement with OKO Bank for a seven-year EUR 50 million credit facility. The loans were used to finance the company's property development investments. The credit arrangement is unsecured.

31.6 Cash flows for repayments and financing expenses for financial liabilities based on loan contracts were as follows:

31 December, 2013 M€	2014	2015	2016	2017	2018	2019
Bonds	18	118	86	161	155	-
Loans from financial institutions	47	488	286	216	82	0
Commercial papers	256	-	-	-	-	-
Interest rate derivatives						
- in hedge accounting, net	12	11	9	6	6	3.3
- not in hedge counting, net	0	0	0	0	-	-
Currency derivatives not included in hedge accounting, net*)	-2	-1	0	-	-	-
Trade payables	3	-	-	-	-	-
Other liabilities	18	-	-	-	-	-
Interest payable	14	-	-	-	-	-
Total	**366**	**616**	**382**	**384**	**243**	**3**

*) Net flow of foreign currency derivatives, hedging loans denominated in foreign currency (incl. loans from financing institutions for the period). Includes currency options.

31 December, 2012 M€	2013	2014	2015	2016	2017	2018
Bonds	13	13	113	83	156	-
Loans from financial institutions	50	285	558	281	60	0
Commercial papers	251	-	-	-	-	-
Interest rate derivatives						
- in hedge accounting, net	21	14	10	4	0	-
- not in hedge counting, net	-	-	-	-	-	-
Currency derivatives not included in hedge accounting, net*)	-5	-5	-2	-1	-	-
Trade payables	3	-	-	-	-	-
Other liabilities	29	-	-	-	-	-
Interest payable	15	-	-	-	-	-
Total	**377**	**307**	**679**	**367**	**216**	**0**

*) Net flow of foreign currency derivatives, hedging loans denominated in foreign currency (incl. loans from financing institutions for the period). Includes currency options.

32. Collateral and contingent liabilities

Liabilities for which mortgages over property and shares have been given, M€	Group 12/2013	Group 12/2012
Loans from financial institutions, covered by collateral	144.8	141.8
Mortgages	264.2	264.2
Carrying amount of pledged shares	19.2	18.6
Guarantees	-	-
Collateral, total	**283.4**	**282.8**

Commitments arising from land lease contracts, M€	Group 12/2013	Group 12/2012	Parent company 12/2013	Parent company 12/2012
Lease liabilities	93.7	96.3	-	-
Mortgages	3.9	3.9	-	-
Guarantees	4.7	3.6	4.7	3.6
Total	**102.3**	**103.8**	**4.7**	**3.6**

Operating leases, M€	Group 12/2013	Group 12/2012	Parent company 12/2013	Parent company 12/2012
Contractual maturities on lease contracts:				
During the following financial year	0.4	0.4	0.4	0.4
Due after the following year	0.3	0.3	0.3	0.3
Total	**0.7**	**0.7**	**0.7**	**0.7**

Operating leases consist of leases for vehicles and office equipment.

The leases have lengths of 3-5 years and they have no redemption obligations.

Other commitments

VAT deductions made from renovation investments

Liabilities in accordance with section 33 of the Value Added Tax Act have been calculated for all Group companies and their aggregate value in the financial statements was EUR 61.1 million (2012: EUR 59.3 million).

Interest on hybrid bond

A total interest of EUR 10.4 million was accrued on the hybrid bonds in 2013 (2012: EUR 11.6 million). The accrued interest is recognised directly as a reduction in equity on the payment date. The Group paid a total of EUR 14.5 million of the hybrid bonds' interests in 2013 (2012: EUR 12.8 million).

Hybrid bond of EUR 130 million issued in 2008

In December 2012, Sponda completed a partial repurchase of its EUR 130 million hybrid bond issued in 2008. Sponda repurchased a nominal amount of EUR 37.2 million in exchange for cash. The remaining portion of the hybrid bond, with a nominal value totalling EUR 92.8 million, was redeemed in June 2013.

Hybrid bond of EUR 95 million issued in 2012

In November 2012, Sponda issued a EUR 95 million hybrid bond. The principal of the hybrid bond was EUR 95 million on the balance sheet date (2012: EUR 95 million) and unpaid accrued interest amounted to EUR 0.5 million (2012: EUR 0.5 million).

Investment commitments to real estate funds

On 31 December 2013, the remaining investment commitments related to real estate funds totalled EUR 28.7 million (2012: EUR 42.3 million).

33. Related party transactions

Related party

The related parties of Sponda Group are the parent company, subsidiary and associated companies, and joint ventures. Other related parties are the Board of Directors, members of the Executive Team, the President and CEO, and close member of theirs families.

The Group's parent and subsidiary relationships are presented in Note 35.

The following related party transactions were carried out:

Management employee benefits, M€	2013	2012
Salaries and other short-term employee benefits	1.9	1.8
Share-based payments	1.4	1.6
Total	**3.3**	**3.4**

Salaries and fees, M€	2013	2012
Kari Inkinen, CEO	0.5	0.5
Board of Directors		
Kaj-Gustaf Berg[2]	0.1	0.0
Lauri Ratia[1]	0.0	0.1
Klaus Cavén	0.0	0.0
Christian Elfving[2]	0.0	0.0
Tuula Entelä	0.0	0.0
Juha Laaksonen[2]	0.0	0.0
Arja Talma	0.0	0.0
Raimo Valo	0.0	0.0
Erkki Virtanen[1]	0.0	0.0
Board of Directors	0.3	0.3
Total	**0.8**	**0.8**

1) until 18 March 2013

2) as of 18 March 2013

Management salaries and other short-term employee benefits as well as long-term employee benefits and share-based benefits are described in more detail in Note 9.

There were no outstanding loans receivable from key management personnel on 31 December 2013 or on 31 December 2012.

At the end of 2013, members of the Board of Directors held 133,996 shares and members of the Executive Board held 900,546 (2012: 117,908 and 747,893 shares). The number of shares held by the Board of Directors and Executive Board includes the shareholdings of their related parties.

34. Events after the balance sheet date

Sponda Plc's Shareholders' Nomination Board has decided to propose to the Annual General Meeting on 19 March 2014 that the number of members of the Board of Directors be confirmed as seven and that the current members, Kaj-Gustav Bergh, Christian Elfving, Juha Laaksonen, Arja Talma and Raimo Valo, be re-elected, with Paul Hartwall and Leena Laitinen elected as new members.

The Nomination Board proposes to the Annual General Meeting that the members of the Board of Directors elected in the Annual General Meeting be paid the following annual remunerations for the term concluding at the 2015 Annual General Meeting: Chairman of the Board, EUR 60,000, Vice Chairman of the Board, EUR 36,000 and each member EUR 31,200. The Nomination Board further proposes that all members of the Board of Directors be paid meeting fees as follows: Chairman of the Board, EUR 1,000 per meeting and members of the Board, EUR 600 per meeting. The Nomination Board proposes that members of the Board be paid EUR 600 per committee meeting and the Chairman of the Audit Committee EUR 1,000 per Audit Committee meeting. The Nomination Board proposes that 40 per cent of the annual remuneration be paid in Sponda Plc shares acquired on the market. The shares will be acquired within two weeks of the date of publication of the interim report for 1 January – 31 March 2014.

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

The members of the Nomination Board were the three largest shareholders on 30 September 2013:

Oy Palsk Ab, Kaj-Gustaf Bergh

Varma Mutual Pension Insurance Company, Risto Murto

HC LPN Holding Oy Ab, Peter Therman

35. Shares and holdings owned by the Group and parent company

Mutual real estate companies Group companies		Group company holding%	Parent company holding%	
Aleksi-Hermes	Helsinki	100.00	100.00	Sponda
Arkadiankatu 4-6	Helsinki	100.00	100.00	Sponda
Atomitie1	Helsinki	100.00	100.00	Sponda
Backaksenpelto	Vantaa	100.00	100.00	Sponda
Bulevardi1	Helsinki	100.00	100.00	Sponda
Dianapuisto	Helsinki	100.00	100.00	Sponda
Design House Hattutehdas	Helsinki	100.00		Sponda Kiinteistöt
Elovainion Kauppakiinteistöt	Ylöjärvi	100.00	100.00	Sponda
Espoon Esikunnankatu 1	Espoo	100.00	100.00	Sponda
Espoon Juvanpuisto	Espoo	100.00	100.00	Sponda
Espoon Komentajankatu 5	Espoo	100.00	100.00	Sponda
Espoon Kuusiniementie 2	Espoo	100.00		Sponda Kiinteistöt
Espoon Pyyntitie 1	Espoo	100.00		Sponda Kiinteistöt
Espoon Upseerinkatu 1-3	Espoo	100.00	100.00	Sponda
Espoonportti	Espoo	100.00	100.00	Sponda
Estradi	Helsinki	100.00		Sponda Kiinteistöt
Fabianinkatu 23	Helsinki	100.00	100.00	Sponda
Gohnt-talo	Helsinki	100.00	100.00	Sponda
Hankasuontie 13	Helsinki	100.00	100.00	Sponda
Hannuksentie 1	Espoo	100.00	100.00	Sponda
Haukilahdenkatu 4	Helsinki	100.00	100.00	Sponda
Heimola	Helsinki	59.57	59.57	Sponda
Helsingin Energiakatu 4	Helsinki	100.00	100.00	Sponda
Helsingin Erottajanmäki	Helsinki	100.00	100.00	Sponda
Helsingin Harkkoraudantie 7	Helsinki	100.00	100.00	Sponda
Helsingin Hämeentie 105	Helsinki	60.63		Sponda Kiinteistöt
Helsingin Ilmalanrinne 1	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Itäkatu 11	Helsinki	100.00	100.00	Sponda
Helsingin Itämerenkatu 21	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Itämerentalo	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Kaivokatu 8	Helsinki	100.00	100.00	Sponda
Helsingin Kalatori	Helsinki	100.00	100.00	Sponda
Helsingin Kalevankatu 30	Helsinki	100.00	100.00	Sponda
Helsingin Kirvesmiehenkatu 4	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Lampputie 12	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Nuijamiestentie	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Pieni Roobertinkatu 9	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Porkkalankatu 22	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Ruoholahden Parkki	Helsinki	90.78		Sponda Kiinteistöt
Helsingin Salmisaarentalo	Helsinki	100.00		Sponda Kiinteistöt

Helsingin Silkkikutomo	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Sörnäistenkatu 2	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Tulppatie 1	Helsinki	100.00	100.00	Sponda
Helsingin Valimotie 25 A	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 25 B	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 25 C	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 27 A	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 27 B	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 27 C	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valimotie 27 D	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valokaari	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Valuraudankuja 7	Helsinki	100.00	100.00	Sponda
Helsingin Vanhanlinnantie 3	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Veneentekijäntie 8	Helsinki	100.00		Sponda Kiinteistöt
Helsingin Vuorikatu 14	Helsinki	100.00	100.00	Sponda
Helsingin Värjäämö	Helsinki	100.00		Sponda Kiinteistöt
Henrik Forsiuksentie 39	Helsinki	100.00	100.00	Sponda
Hermian Pulssi	Tampere	100.00		Sponda Kiinteistöt
Hyvinkään Varikko	Hyvinkää	100.00	100.00	Sponda
Hämeenkatu 20	Tampere	100.00		Sponda Kiinteistöt
Hämeenlinnan Hallituskatu 10	Hämeenlilnna	100.00	100.00	Sponda
Hämeentie 103	Helsinki	100.00		Sponda Kiinteistöt
Höyläämötie 5	Helsinki	100.00		Sponda Kiinteistöt
Insinöörinkatu	Helsinki	100.00	100.00	Sponda
Iso-Roobertinkatu 21-25	Helsinki	100.00	100.00	Sponda
Isontammentie 4	Vantaa	100.00		Sponda Kiinteistöt
Itälahdenkatu 20	Helsinki	100.00	100.00	Sponda
Itälahdenkatu 22	Helsinki	100.00	100.00	Sponda
Kaisaniemenkatu 2 B	Helsinki	100.00	100.00	Sponda
Kaivokadun Tunneli	Helsinki	100.00	100.00	Sponda
Kaivokatu 12	Helsinki	100.00	100.00	Sponda
Kalkkipellontie 6	Espoo	100.00	100.00	Sponda
Kappelitie 8	Espoo	100.00	100.00	Sponda
Karapellontie 4C	Espoo	100.00	100.00	Sponda
Kasarmikatu 36	Helsinki	100.00	100.00	Sponda
Kaupintie 3	Helsinki	100.00	100.00	Sponda
Kauppa-Häme	Tampere	100.00	100.00	Sponda
Keskuskatu 1 B	Helsinki	100.00	100.00	Sponda
Kilonkallio 1	Espoo	100.00	100.00	Sponda
Korkeavuorenkatu 45	Helsinki	100.00	100.00	Sponda
Kumpulantie 11	Helsinki	100.00	100.00	Sponda
Kuninkaankaari	Vantaa	100.00	100.00	Sponda

Kuninkaankruunu	Vantaa	100.00	100.00	Sponda
Kylvöpolku 1	Helsinki	100.00	100.00	Sponda
Liikekeskus Zeppelin Oy	Oulu	85.66		Sponda Kiinteistöt
Läkkitori	Espoo	100.00	100.00	Sponda
Länsi-Keskus	Espoo	58.64	58.64	Sponda
Malmin Kankirauta	Helsinki	100.00	100.00	Sponda
Malmin Yritystalo	Helsinki	100.00	100.00	Sponda
Manhattan	Turku	52.85		Sponda Kiinteistöt
Mannerheimintie 6	Helsinki	100.00	100.00	Sponda
Mansku 4	Helsinki	100.00	100.00	Sponda
Martinkyläntie 53	Vantaa	100.00	100.00	Sponda
Melkonkatu 26	Helsinki	100.00	100.00	Sponda
Messukylän Castrulli	Tampere	100.00	100.00	Sponda
Messukylän Kattila	Tampere	100.00	100.00	Sponda
Messukylän Turpiini	Tampere	100.00	100.00	Sponda
Miestentie	Espoo	100.00	100.00	Sponda
Mikonkatu 17	Helsinki	100.00	100.00	Sponda
Mikonkatu 19	Helsinki	100.00	100.00	Sponda
Mikonlinna	Helsinki	100.00	100.00	Sponda
Mäkkylän Toimistotalo	Helsinki	100.00	100.00	Sponda
Nimismiehenniitty	Espoo	67.00		Sponda Kiinteistöt
Olarintörmä	Espoo	100.00	100.00	Sponda
Oulun Alasintie 3-7	Oulu	100.00	100.00	Sponda
Oulun Liikevärttö 1	Oulu	100.00		Sponda Kiinteistöt
Oulun Liikevärttö 2	Oulu	100.00		Sponda Kiinteistöt
Oulun Liikevärttö 3	Oulu	100.00		Sponda Kiinteistöt
Oulun Korjaamotie 2	Oulu	100.00		Sponda Kiinteistöt
PaulonTalo	Helsinki	100.00	100.00	Sponda
Pieni Roobertinkatu 7	Helsinki	99.79		Sponda Kiinteistöt
Piispanpiha 5	Helsinki	100.00	100.00	Sponda
Poijupuisto	Espoo	100.00	100.00	Sponda
Porkkalankatu 20	Helsinki	100.00		Sponda Kiinteistöt
Pronssitie 1	Helsinki	100.00		Sponda Kiinteistöt
Ratapihantie 11	Helsinki	100.00	100.00	Sponda
Ratinan Kauppakeskus	Tampere	100.00	40.00	Sponda
Ratinanlinna	Tampere	100.00		Sponda Kiinteistöt
Robert Huberintie 2	Vantaa	100.00	100.00	Sponda
Ruoholahden Ankkuri	Helsinki	100.00		Sponda Kiinteistöt
Ruoholahden Sulka	Helsinki	100.00		Sponda Kiinteistöt
Ruoholahdenkatu 4	Helsinki	95.70		Sponda Kiinteistöt
Ruosilantie 14	Helsinki	100.00	100.00	Sponda
Ruosilantie 16	Helsinki	100.00	100.00	Sponda

Ruosilantie 18	Helsinki	100.00	100.00	Sponda
Salmisaaren Liiketalo	Helsinki	100.00	100.00	Sponda
Scifin Beta	Espoo	100.00		Sponda Kiinteistöt
Scifin Gamma	Espoo	100.00		Sponda Kiinteistöt
Sinikalliontie 10	Espoo	100.00	100.00	Sponda
Sinimäentie 14	Espoo	100.00	100.00	Sponda
Sp-kiinteistöt Oy Kilo	Espoo	100.00		Sponda Kiinteistöt
Säästötammela	Tampere	100.00		Sponda Kiinteistöt
Tallbergintalo	Helsinki	100.00		Sponda Kiinteistöt
Tampereen Enqvistinkatu 7	Tampere	100.00		Sponda Kiinteistöt
Tampereen Hallituskatu 8	Tampere	100.00		Sponda Kiinteistöt
Tampereen Naulakatu 3	Tampere	100.00		Sponda Kiinteistöt
Tampereen Näsilinnankatu 39-41	Tampere	100.00		Sponda Kiinteistöt
Tiistilän Miilu	Espoo	100.00		Sponda Kiinteistöt
Tiistinhovi	Espoo	100.00		Sponda Kiinteistöt
Tonttipaino	Vantaa	100.00	100.00	Sponda
Turku High Tech Centre Oy	Turku	100.00		Sponda Kiinteistöt
Turun Ilmarisenkulma	Turku	100.00		Sponda Kiinteistöt
Turun Koulukatu 29	Turku	100.00	100.00	Sponda
Turun Yliopistonkatu 14	Turku	100.00		Sponda Kiinteistöt
Turunlinnantie 12	Helsinki	100.00	100.00	Sponda
Tuusulan Teollisuuskuja 6	Tuusula	100.00	100.00	Sponda
Tuusulan Tärkkelystehdas	Tuusula	100.00	100.00	Sponda
Unioninkatu 18	Helsinki	100.00	100.00	Sponda
Unioninkatu 20-22	Helsinki	100.00	100.00	Sponda
Unioninkatu 24	Helsinki	100.00	100.00	Sponda
Upseerinkadun Pysäköintitalo	Espoo	100.00	100.00	Sponda
Vaajakosken Tikkutehtaantie 1	Vaajakoski	100.00	100.00	Sponda
Vantaan Harkkokuja 2	Vantaa	100.00		Sponda Kiinteistöt
Vantaan Honkatalo	Vantaa	100.00	100.00	Sponda
Vantaan Koivupuistontie 26	Vantaa	89.07		Sponda Kiinteistöt
Vantaan Kuussillantie 27	Vantaa	100.00		Sponda Kiinteistöt
Vantaan Köysikuja 1	Vantaa	100.00	100.00	Sponda
Vantaan Omega	Vantaa	100.00	100.00	Sponda
Vantaan Simonrinne	Vantaa	77.18		Sponda Kiinteistöt
Vantaan Vanha Porvoontie 231	Vantaa	100.00	100.00	Sponda
Vantaan Väritehtaankatu 8	Vantaa	100.00		Sponda Kiinteistöt
Vilhonkatu 5	Helsinki	100.00	100.00	Sponda
Vuosaaren Logistiikkakeskus	Helsinki	100.00	100.00	Sponda
Vuosaaren Porttikeskus	Helsinki	100.00	100.00	Sponda
Vuosaaren Service Center	Helsinki	100.00	100.00	Sponda
Värtönparkki 1	Oulu	100.00		Sponda Kiinteistöt

Ylä-Malmintori 6	Helsinki	100.00	100.00	Sponda
Zeppelinin City-Keskus	Kempele	94.83		Sponda Kiinteistöt
Zeppelinin Kauppakeskus	Kempele	91.47		Sponda Kiinteistöt
Zeppelinin Kauppakulma	Kempele	100.00		Sponda Kiinteistöt
Zeppelinin Kauppapörssi	Kempele	91.44		Sponda Kiinteistöt
Zeppelinin Markkinapaikka	Kempele	100.00		Sponda Kiinteistöt
Zeppelinin Pikkukulma	Kempele	100.00		Sponda Kiinteistöt
Zeppelinin Tavaratori	Kempele	78.87		Sponda Kiinteistöt
Limited liability companies				
Arif Holding Oy	Kempele	100.00		Sponda Kiinteistöt
Drawer Oy	Helsinki	100.00	100.00	Sponda
Hextagon Oy	Helsinki	100.00		Sponda
Sponda Kiinteistöt Oy	Helsinki	100.00	100.00	Sponda
Porkkalankadun alitus Oy	Helsinki	62.64		Sponda Kiinteistöt
Ruoholahden Yhteissuoja Oy	Helsinki	100.00		Sponda Kiinteistöt
Russia Europe Oy Ltd	Helsinki	100.00		Sponda
Sponda AM Oy	Helsinki	100.00	100.00	Sponda
Sponda Asset Management Oy	Helsinki	100.00	100.00	Sponda
Sponda Asset Management II Oy	Helsinki	100.00	100.00	Sponda
Sponda Asset Management III Oy	Helsinki	100.00	100.00	Sponda
Sponda Russia Oy Ltd	Helsinki	100.00	100.00	Sponda
Sponda Russia Finance Oy Ltd	Helsinki	100.00		Sponda
SRK-Kiinteistöt Oy	Helsinki	100.00	100.00	Sponda
Tamforest Oy	Tampere	100.00	100.00	Sponda
Tamsilva Oy	Tampere	100.00	100.00	Sponda
Associated companies				
Erottajan Pysäköintilaitos Oy	Helsinki	49.29	49.29	Sponda
J. Österblad Oy	Turku	20.67		Sponda Kiinteistöt
Kaisaniemen Metrohalli	Helsinki	25.17	18.23	Sponda
Kilpakujan Liikekiinteistö Oy	Helsinki	4.03		Sponda Kiinteistöt
Puotinharjun Puhos Oy	Helsinki	20.43	20.43	Sponda
Simonseutu	Vantaa	47.62		Sponda Kiinteistöt
Zeppelinin Kulmatori Kiinteistö Oy	Kempele	49.67		Sponda Kiinteistöt
Real estate fund companies				
First Top LuxCo 1 S.a.r.l	Luxemburg	20.00	20.00	Sponda
Russia Invest B.V.	Hollanti	27.23	27.23	Sponda
Sponda Fund I Ky	Helsinki	46.10		Sponda
Sponda Fund II Ky	Helsinki	43.75		Sponda
Sponda Fund III Ky	Helsinki	36.40		Sponda
YESS Ky	Helsinki	60.00	60.00	Sponda

Foreign subsidiaries			
OOO Adastra	St. Petersburg, Russia	100.00	Sponda
OOO Veika	St. Petersburg, Russia	100.00	Sponda
ZAO Ankor	Moscow, Russia	100.00	Sponda
OOO Europe Terminal	Moscow, Russia	100.00	Sponda
CCL Greystone	Moscow, Russia	100.00	Sponda
OOO Korbis K Limited Liability Company	Moscow, Russia	100.00	Sponda
OOO Slavjanka Closed Joint-Stock Company	Moscow, Russia	100.00	Sponda
OOO Western Realty (Ducat 2)	Moscow, Russia	100.00	Sponda
Bonford Investments Ltd	Cyprus	100.00	Sponda
Makentrax Limited	Cyprus	100.00	Sponda
Rowina Holding Limited	Cyprus	100.00	Sponda

Changes in Group structure in 2013

Companies sold

Lönkka

Asunto Oy Lönnrotinkatu 28

OOO Inform Future

OOO NRC

Tapiolan Kulttuuritori

Tapiolan Liiketalo

Turun Julinia Fastighets Ab

Turun Kurjenmäki

Turun Martinkatu 5

Valuraudankuja 6

Companies established

Hämeenlinnan Hallituskatu 10

Vaajakosken Tikkutehtaantie 1

Helsingin Ilmalanrinne 1

Name changes

Ruoholahden Ankkuri Koy, former name Helsingin Kuntotalo Koy

Parent company income statement (FAS)

M€	Note	1 Jan.-31 Dec.2013	1 Jan.-31 Dec.2012
Total revenue			
Rental income and recoverables	1	**142.1**	139.2
Fund management fees		**3.5**	3.7
		145.6	142.9
Expenses from leasing operations		**-44.4**	-41.3
Direct expenses from funds		**-1.6**	-1.3

		45.9	-42.6
Net operating income		**99.7**	100.3
Sales and marketing expenses		**-1.6**	-1.5
Administrative expenses	2 3 6	**-9.3**	-11.2
Other operating income	4	**0.1**	0.3
Profits on sale of investment properties		**0.1**	0.7
Other operating expenses	5	**-1.7**	0.0
Operating profit		**87.2**	88.6
Financial income and expenses	7	**67.3**	221.5
Profit / loss before extraordinary items		**19.9**	311.5
Extraordinary items	8	**-21.1**	57.4
Profit / loss before tax		**-1.2**	368.9
Income taxes	9	**0.0**	0.0
Profit / loss for period		**-1.2**	368.9

Parent company balance sheet (FAS)

M€	Note	**31 Dec. 2013**	31 Dec. 2012
Assets			
Non-current assets			
Intangible assets	10	**33.8**	31.0
Property, plant and equipment	11		
Machinery and equipment		**0.1**	0.1
Advance payments		**1.2**	0.2
		1.3	0.4
Investments	12		
Holdings in Group companies		**1,916.6**	1,804.4
Receivables from Group companies		**834.8**	1,052.2
Holdings in associated companies		**7.5**	7.5
Investments in real estate funds		**96.3**	86.6
Other investments		**47.4**	55.3
		2,902.7	3,006.0
Total non-current assets		**2,937.8**	3,037.3
Current assets			
Current receivables	13	**36.3**	91.6
Cash and bank deposits		**6.2**	12.1

Total current assets		**42.5**	103.6
Total assets		**2,980.3**	3,141.0
Equity and liabilities			
Equity	14		
Share capital		**111.0**	111.0
Share premium reserve		**159.1**	159.1
Invested non-restricted equity reserve		**445.9**	445.9
Retained earnings		**352.3**	31.6
Loss for the period		**-1.2**	368.9
Total equity		**1,067.2**	1,116.5
Liabilities			
Non-current liabilities	15	**1,585.7**	1,595.3
Curret liabilities	16	**327.4**	429.2
Total liabilities		**1,913.1**	2,024.4
Total equity and liabilities		**2,980.3**	3,141.0

Parent company statement of cash flows (FAS)

M€		1 Jan.–31 Dec. 2013	1 Jan.–31 Dec. 2012
Cash flow from operating activities			
Net profit for the period		**-1.2**	368.9
Adjustments	1)	**94.1**	-273.9
Change in net working capital	2)	**-17.3**	-27.6
Interest received		**38.2**	43.7
Interest paid		**-74.3**	-94.0
Dividends recieved		**-**	370.5
Other financial items		**-11.9**	-6.4
Taxes received/paid		**-**	0.0
Net cash flow generated by operating activities		**27.6**	381.1
Cash flow from investing activities			
Investments in shares and holdings		**-92.6**	-19.8
Acquisition of property, plant and equipment and intangible assets		**-9.6**	-5.9
Proceeds from disposal of shares and holdings		**13.7**	18.7
Loans granted		**-37.9**	-88.9
Repayments of loan receivables		**109.1**	6.0
Net cash flow used in investing activities		**-17.3**	-89.9
Cash flow from financing activities			
Non-current loans, raised		**465.2**	431.9
Non-current loans, repayments		**-438.7**	-711.7

Current loans, raised/repayments	**5.4**	31.8
Dividends paid	**-48.1**	-45.3
Net cash flow generated from financing activities	**-16.2**	-293.4
Change in cash and cash equivalents	**-5.9**	-2.2
Cash and cash equivalents at 1 Jan.	**12.1**	14.3
Cash and cash equivalents at 31 Dec.	**6.2**	12.1

Notes to the cash flow statement, M€	**1 Jan.–31 Dec. 2013**	1 Jan.–31 Dec. 2012
1) **Adjustments**		
The following adjustments change the accrual-based items in the income statement to cash-based items, and they reverse items shown elsewhere in the cash flow statement.		
Other operational expenses	**1.2**	3.8
Other operational income	**-1.3**	-4.5
Depreciation and amortization	**5.8**	5.6
Financial income and expenses	**67.3**	-234.6
Unrealized exchange rate loss	**-**	13.2
Merger losses/group contributions	**21.1**	-57.4
Taxes	**-**	0.0
Adjustments, total	**94.1**	-273.9
2) **Statement of change in net working capital**		
Current receivables		
increase (-), decrease (+)	**1.1**	-17.6
Non-interest-bearing current liabilities		
increase (+), decrease (-)	**-18.4**	-9.9
Change in net working capital	**-17.3**	-27.6

Accounting principles for the parent company accounts

The financial statements of Sponda Plc have been prepared in accordance with the provisions of the Finnish Accounting Act, the Finnish Companies Act and the Finnish Securities Market Act.

Measurement and timing principles

Contractual improvements

Costs arising from renovation work for individual tenants are entered as an annual expense or capitalized to other long-term expenditure of the landlord, Sponda Plc. Repair costs and tenant improvements are capitalized over the duration of the lease when they generate income in several accounting periods. For open-ended leases, costs are capitalized over the period until the date that is defined in the lease agreement as the first possible termination date.

Fixed assets and straight-line depreciation

Fixed assets are valued at cost less straight-line depreciation. Straight-line depreciation on machinery and equipment and on buildings and building materials is calculated using the declining balance method. Renovation costs related to tenant improvements and capitalized to other long-term expenditure are depreciated over the lease period.

Other machinery and equipment	3 – 10 years
Other long-term expenditure	1 – 31 years

In addition to capitalized tenant improvements, other long-term expenditure includes computer software and renovation of the business premises occupied by Sponda Plc itself.

Investments

Property investments are shares in subsidiaries and associated companies, loans granted to Group companies and associated companies, investments in real estate funds and other investments. Investments are valued at cost in the parent company's balance sheet. Permanent writedowns are deducted from cost.

Research and development costs

The company has no research activities. Building project costs equivalent to R&D costs are capitalized when the technical implementation of the project is completed and the project can be considered to generate income over a period of several years. Otherwise research and development costs are entered as an expense.

Financial assets, liabilities and derivative contracts

Financial assets and non-interest bearing debt are recognized at cost. Interest-bearing debt is measured at amortized cost using the effective interest rate method. Interest rate swap contracts made to hedge the risk exposure associated with long-term loans are not entered in the balance sheet but instead are listed in the notes to the financial statements. Interest arising from these contracts is recognized in the income statement as it is incurred.

As an exception to the above, the derivatives implemented to hedge against the exchange rate risk and interest rate risk of the SEK denominated loans are valued at fair value according to Section 5, Chapter 2a of the Finnish Accounting Act. The change in fair value is recorded as an income or expense in the income statement. The fair value represents the result if the derivative position had been closed on the balance sheet date. External valuations are used for valuation.

Extraordinary income and expenses

Extraordinary income and expenses consist of group contributions.

Income tax

Income tax includes tax in the period and adjustments to taxes for previous periods. The current tax expense is based on taxes calculated on the result for the period and tax rules. No deferred tax liabilities or credit are entered in the parent company balance sheet.

Foreign currency denominated items

Transactions denominated in foreign currency are recognized at the exchange rate on the transaction date. Balance sheet items in foreign currency outstanding on the closing date are valued at the exchange rate on the closing date.

Other principles

The Group has arranged statutory pension insurance for its personnel with a pension insurance company. The pension costs are entered as an expense in proportion to salaries.

Fees arising from leasing assignments are recognized over the duration of the leasing contract.

Interest payable during construction projects in progress are entered as an expense.

The Group has no significant finance leases.

Notes to the parent company financial statements

1. Rental income and recoverables

Rental income and recoverables by type of property, M€	2013	2012
Office & Retail Properties	105.9	100.9
Logistics Properties	36.0	38.2
Property Development	0.2	0.2
Total	**142.1**	**139.2**

Rental income and recoverables by geographical area, M€	2013	2012
Helsinki Metropolitan Area	132.5	130.2
Rest of Finland	9.7	9.0
Total	**142.1**	**139.2**

2. Personnel expenses and number of employees

M€	2013	2012
Salaries and fees	10.6	10.4
Pension costs	1.8	1.9
Other personnel costs	0.5	0.6
Total	**12.9**	**12.8**

Salaries and fees to management		
President and CEO*	0.5	0.5
Members of the Board of Directors	0.3	0.3
Total	**0.8**	**0.8**

* Does not include bonuses from incentive scheme

The President and CEO is paid a full salary. The salary and fees paid to Sponda Plc's President and CEO totalled EUR 505,000 (2012: 503,000). In addition, during the period the President and CEO was paid a bonus of EUR 500,000 (2012: 173,000) under the incentive scheme, based on the company's actual performance in 2012.

M€	2013	2012
Bonus under the incentive scheme	0.5	0.2

Personnel expenses are included in the income statement under administrative expenses.

Loans and commitments to related parties

There were no loans to related parties. The President and CEO is eligible to retire at the age of 63. The pension obligation is covered by pension insurance policies. The salaries and fees paid to the Board of Directors, and the pension obligations and termination benefits payable to management, are described in Note 9 to the consolidated financial statements “Employee benefit expenses and number of employees”.

Personnel on average	**2013**	2012
White collar, number of employees	111	110

3. Depreciation, amortization and impairment losses

M€	**2013**	2012
Intangible assets		
Other long-term expenditure	5.8	5.5
Property, plant and equipment		
Machinery and equipment	0.0	0.1
Total	**5.8**	**5.6**

Depreciation, amortization and impairment losses are included in the income statement under administrative expenses.

4. Other operating income

M€	**2013**	2012
Share of bankruptcy estate	0.0	0.1
Other operating income	0.1	0.2
Total	**0.1**	**0.3**

5. Other operating expenses

M€	**2013**	2012
Other expenses	1.1	0.1
Credit losses	0.3	0.1
Doubtful receivables	0.3	-0.1
Total	**1.7**	**0.1**

6. Auditor fees

M€	**2013**	2012
Authorized public accountants KPMG Oy		
Audit	0.1	0.1
Tax advice	0.0	0.0
Other services	-	0.1
Total	**0.1**	**0.2**

7. Financial income and expenses

M€	**2013**	2012
Realised gains from real estate funds	10.7	7.5

Dividends from group companies	-	370.5
Interest income from long-term investments in Group companies	38.8	43.7
Other interest income	-0.2	0.5
Other financial income	22.4	32.8
Total interest and financial income	**71.7**	**454.9**
Interest expenses paid to Group companies	-1.5	-14.6
Other interest expenses	-70.7	-81.8
Other financial expenses	-24.1	-26.6
Finance charge to subsidiaries	-42.6	-110.4
Total interest expenses and other financial expenses	-139.0	-233.5
Financial income and expenses total	**-67.3**	**221.5**

8. Extraordinary items

M€	2013	2012
Group contributions received	30.7	57.4
Group contributions paid	-51.8	-
	-21.1	**57.4**

9. Income taxes

M€	2013	2012
Income taxes for the period	-	-
Income taxes for previous periods	-	0.0
	-	**0.0**

10. Intangible assets

2013, M€	Other long-term expenditure	Purchases in progress	Total
Acquisition cost 1 January	74.9	5.7	80.6
Increases	6.8	11.4	18.2
Transfers	-1.4	-8.2	-9.6
Acquisition cost 31 December	**80.2**	**9.0**	**89.2**
Accumulated amortization and impairment losses 1 January	-49.6	-	-49.6
Amortization for the period	-5.8	-	-5.8
Accumulated depreciation 31 December	**-55.4**	**-**	-55.4
Net carrying amount 31 December	**24.8**	**9.0**	**33.8**

2012, M€	Other long-term expenditure	Purchases in progress	Total
Acquisition cost 1 January	68.0	5.2	73.2
Increases	10.3	9.2	19.5
Transfers	-3.4	-8.7	-12.1
Acquisition cost 31 December	**74.9**	**5.7**	**80.6**

Accumulated amortization and impairment losses 1 January	-44.2	-	-44.2
Amortization for the period	-5.5	-	-5.5
Accumulated depreciation 31 December	**-49.6**	**-**	-49.6
Net carrying amount 31 December	**25.2**	**5.7**	**31.0**

11. Property, plant and equipment

2013, M€	**Land sites**	**Machinery and equipment**	**Advance payments**	**Total**
Acquisition cost 1 January	-	1.5	0.2	1.7
Increases	-	0.0	1.1	1.2
Decreases			-0.2	-0.2
Acquisition cost 31 December	**-**	**1.5**	**1.2**	**2.7**
Accumulated depreciation and impairment losses 1 January	-	**-1.3**	**-**	-1.3
Accumulated depreciation on decreases and transfers	-	-	-	-
Depreciation for the period	-	0.0	-	0.0
Accumulated depreciation 31 December	**-**	**-1.4**	**-**	-1.4
Net carrying amount 31 December	**-**	**0.1**	**1.2**	**1.3**

2012, M€	**Land sites**	**Machinery and equipment**	**Advance payments**	**Total**
Acquisition cost 1 January	1.9	1.4	0.0	3.3
Increases	-	0.0	0.2	0.3
Decreases	-1.9	-	-	-1.9
Acquisition cost 31 December	**0.0**	**1.5**	**0.2**	1.7
Accumulated depreciation and impairment losses 1 January	-	-1.2	-	-1.2
Accumulated depreciation on decreases and transfers	-	-	-	-
Depreciation for the period	-	-0.1	-	-0.1
Accumulated depreciation 31 December	-	**-1.3**	**-**	-1.3
Net carrying amount 31 December	**0.0**	**0.1**	**0.2**	**0.4**

12. Investments

2013, M€	**Shares in Group companies**	**Receivables from Group companies**	**Holdings in associated companies**	**Investments in property funds**	**Other investments *)**	**Total**
Acquisition cost 1 January	1,804.4	1,052.2	7.5	86.6	55.3	3,006.0
Increases	126.0	52.0	-	9.7	216.2	403.9
Decreases	-13.7	-269.4		-	-224.1	-507.2
Net carrying amount 31 December	**1,916.6**	**834.8**	**7.5**	**96.3**	**47.4**	**2,902.7**

*) Other investments, M€	Other shares	Receivables from associated companies	Receivable funds	Other investments	Non-current receivables	Total
Acquisition cost 1 January	7.5	25.1	3.1	0.1	19.5	55.3
Increases	0.0	20.1	3.9	-	192.1	216.2
Decreases	-	-18.1	-1.2	-	-204.8	-224.1
Net carrying amount 31 December	**7.5**	**27.1**	**5.8**	**0.1**	**6.9**	**47.4**

2012, M€	Shares in Group companies	Receivables from Group companies	Holdings in associated companies	Investments in property funds	Other investments *)	Total
Acquisition cost 1 January	1,812.7	1,061.9	7.5	69.2	37.0	2,988.3
Increases	28.7	123.1	-	18.4	35.2	205.3
Decreases	-37.0	-132.8	-	-0.9	-16.9	-187.6
Net carrying amount 31 December	**1,804.4**	**1,052.2**	**7.5**	**86.6**	**55.3**	**3,006.0**

*) Other investments, M€	Other shares	Receivables from associated companies	Receivable funds	Other investments	Non-current receivables	Total
Acquisition cost 1 January	7.2	24.0	3.1	0.1	2.6	37.0
Increases	0.3	18.0	-	-	16.9	35.2
Decreases	0.0	-16.9	-	-	-	-16.9
Net carrying amount 31 December	**7.5**	**25.1**	**3.1**	**0.1**	**19.5**	**55.3**

13. Current receivables

M€	2013	2012
Trade receivables	3.4	3.2
Other receivables	4.9	16.4
Loan receivables	3.4	-
Prepaid expenses and accrued income		
From Group companies	7.5	60.5
From other companies	17.1	11.5
Prepaid expenses and accrued income, total	**24.6**	**72.0**
Current receivables, total	**36.3**	**91.6**
Main items in prepaid expenses and accrued income		
Interest and financial items	6.4	4.8
Other items	18.2	67.2
Total	**24.6**	**72.0**

14. Equity

M€	2013	2012
Share capital 1 January	111.0	111.0

Share capital 31 December	**111.0**	**111.0**
Share premium reserve 1 January	159.1	159.1
Share premium reserve 31 December	**159.1**	**159.1**
Invested non-restricted equity reserve 1 January	445.9	445.9
Invested non-restricted equity reserve 31 December	**445.9**	**445.9**
Retained earnings 1 January	400.5	76.9
Dividend payment	-48.1	-45.3
Retained earnings 31 December	**352.3**	**31.6**
Profit / loss for period	-1.2	368.9
Equity, total	**1,067.2**	**1,116.5**

Calculation of distributable funds 31 December, M€	2013	2012
Retained earnings	352.3	31.6
Invested non-restricted equity reserve	445.9	445.9
Profit / loss for period	-1.2	368.9
Total	**797.0**	**846.3**

15. Non-current liabilities

M€	**2013**	2012
Non-current interest-bearing liabilities		
Serial bonds	471.2	324.2
Loans from financial institutions	1,099.0	1,200.6
Non-current debt payable to Group companies	15.4	70.5
Non-current interest-bearing liabilities, total	**1,585.7**	**1,595.3**
Non-current liabilities, total	**1,585.7**	**1,595.3**

Loans from financial institutions include a EUR 95.0 million hybrid bond, which is treated in the consolidated balance sheet as an equity item.

16. Current liabilities

M€	**2013**	2012
Current interest-bearing liabilities		
Loans from financial institutions	283.3	368.7
Current interest-free liabilities		
Advances received	1.0	0.4
Trade payables		
To Group companies	10.2	17.4
To other companies	0.6	0.5
Total trade payables	**10.8**	**17.9**
Accrued expenses and prepaid income		
Payable to Group companies	0.1	0.1
Payable to other companies	20.2	25.8

Total accrued expenses and prepaid income	**20.3**	**25.9**
Other current debt receivable from Group companies	9.4	14.4
Other current debt	2.6	1.9
Total current interest-free liabilities	**44.2**	**60.5**
Total current liabilities	**327.4**	**429.2**

Main items in accrued expenses and prepaid income		
Interest and financial items	13.8	19.0
Personnel expenses	4.9	5.2
Other items	1.6	1.6
Total	**20.3**	**25.9**

In 2012, loans from financial institutions include a EUR 92.8 million hybrid bond, which is treated in the consolidated balance sheet as an equity item.

17. Derivative instruments

M€	**2013**	2012
Interest derivatives		
Interest rate swaps, nominal value of principal	695.7	871.6
Interest rate swaps, fair value	-26.7	-42.9
Interest options, nominal value	404.1	300.0
Interest options, fair value	3.0	0.6
Eurobasis swaps, nominal value of principal	150.0	-
Eurobasis swaps, fair value	-0.5	-
Currency derivatives		
Purchased options, nominal value	9.5	10.2
Purchased options, fair value	0.1	0.1
Written options, nominal value	9.5	10.2
Written options, fair value	0.0	-0.1
Currency derivatives		
Interest rate and currency swaps, notional value	187.4	337.4
Interest rate and currency swaps, fair value	6.9	19.5

Interest rate and currency swaps are used to hedge the exchange rate risk related to loans denominated in Swedish krona. The nominal values of interest rate and currency swaps are identical with the nominal values of the loans hedged. The derivatives are valued in the financial statement at fair value. The fair value represents the result if the derivative position had been closed on the balance sheet date. Sponda utilises external valuations.

18. Collateral and contingent liabilities

M€	**2013**	2012
Loans from financial institutions, covered by collateral	114.8	111.6

Collateral given on behalf of Group companies, M€	**2013**	2012
Book value of pledged shares	9.3	9.3

Contingent liabilities given on behalf of Group companies, M€	2013	2012
Guarantees given on behalf of Group companies	4.7	3.6

Lease liabilities, M€	2013	2012
Payments based on agreements fall due as follows:		
During the following year	0.5	0.4
After the following year	0.3	0.3
Total	**0.8**	**0.7**

Other lease agreements consist of leases for vehicle and office equipment. The leases have lengths of 3–5 years and they have no redemption obligations.

Other commitments, M€	2013	2012
Investment commitments to real estate funds	28.7	42.3

Distribution of profit

Proposal by the Board of Directors on the covering of the loss for the year

The parent company's distributable funds total EUR 797,041,487.21, of which the loss for the period is EUR -1,184,458.05.

The Board of Directors proposes to the AGM that a dividend of EUR 0.18 per share be paid for the 2013 financial year.

There has been no material changes in the company's financial position since the end of the financial year. The company's liquidity is good and the Board of Directors' view is that the proposed disposal of the profit does not undermine the company's liquidity.

Helsinki, 5 February 2014

Signatures of the Board of Directors and CEO for the report by the Board of Directors and for the financial statements

SPONDA PLC

Board of Directors

Kaj-Gustaf Bergh	Klaus Cawén	Christian Elfving
Tuula Entelä	Juha Laaksonen	Arja Talma
Raimo Valo	Kari Inkinen	
	CEO	

We have today submitted our report on the audit conducted by us.

Helsinki, 18 February 2014

KPMG Oy Ab

Esa Kailiala	Kai Salli
APA	APA

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's report

To the Annual General Meeting of Sponda Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Sponda Plc for the year ended 31 December 2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki, 18 February 2014

	KPMG Oy Ab
[signed]	[signed]
Esa Kailiala	Kai Salli
KHT	*KHT*

Sponda Plc
Korkeavuorenkatu 45
P.O.Box 940, FI-00101 Helsinki
Tel. +358 20 431 31
www.sponda.com