sponda



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Year 2013 in brief

Sponda achieved a stable result in 2013. The targets set for the economic occupancy rate of properties and comparable net operating income were met. Sponda outperformed the market with respect to the occupancy rate of office premises. The main goals of the revision of the company's strategy are simplification of the business structure and more focused property ownership.

Sponda's total revenue in 2013 was EUR 264.3 million (2012: 264.6) and net operating income was EUR 190.9 million (192.2). Net operating income was decreased by sales of properties.

The occupancy rate of Sponda's properties remained almost at the level of 2012 despite the challenging market situation. Comparable net operating income grew slightly, taking into account the effect of sold properties of approximately EUR 2.3 million.

In 2013, Sponda sold properties for a total of EUR 33.1 million in line with its strategy. The sales of properties were used to finance investments. The company's equity ratio remained stable.

In June, Sponda redeemed the remaining EUR 92.8 million of a hybrid bond with an original notional value of EUR 130 million, and in October the company issued a EUR 150 million senior unsecured bond. In December 2013, Sponda signed extensions on credit agreements totalling EUR 250 million.

Sponda revised its strategy

Sponda revised its strategy in September 2013. The main goals of the strategy are simplification of the business structure, more focused property ownership and profitable growth.

As a result of the change in strategy, Sponda is planning to exit the Russia and Real Estate Funds businesses and sell its entire logistics property portfolio as well as its properties in Turku. The strategy will be implemented over a period of three to five years in order to obtain the best possible price for the properties sold, taking the market situation into account. The capital to be released will be invested in the acquisition of new properties and in property development in Sponda's main markets in Helsinki and Tampere.

Going forward, Sponda will have a stronger focus on owning, leasing and developing office properties and shopping centres in the Helsinki metropolitan area and Tampere.

Chief Executive's review

Sponda achieved a stable result in 2013. Our comparable net operating income grew, and we outperformed the market with respect to the occupancy rate of office premises. The economic occupancy rate of our properties remained almost at the level of 2012. We owe thanks to our skilled personnel as well as our customers for achieving our objectives.

Offering more diverse alternatives to customers through increased focus

One of the most important milestones during the year was the revision of our strategy in the autumn. The new strategy allows us to respond even better to customer needs and the changes to these needs that have taken place in recent years. We must understand what office work will be like in the future, what types of premises are needed for this work, and how the role of shopping centres will develop. The new strategy will make Sponda even better equipped to maintain a leading role in the industry.

Going forward, we will have a stronger focus on owning, leasing and developing office properties and shopping centres in the Helsinki metropolitan area and Tampere. We are already a significant player in these markets, and by focusing on our strengths we can offer our customers a greater variety of diverse alternatives.



Stable economic occupancy rate maintained

Sponda aims to be a leading property investment company in the prime city centre areas of Helsinki and Tampere. Our most significant achievement in 2013 was maintaining our economic occupancy rate at almost the same level as in the previous year, despite circumstances that saw the market as a whole experiencing negative development. The office premises market for Sponda showed encouraging signs of recovery late in the year. The economic occupancy rate for shopping centres declined slightly, while that of logistics properties remained unchanged.

New property development project in Ilmala

One of the key events during the year was the decision in December 2013 to start a new property development project in spring 2014. Sponda will develop an office complex for use by Sweco Oy in Helsinki's Ilmala district, at a location with excellent public transport links. International LEED environmental certification will be sought for the low-energy office complex. In 2013, Sponda completed the multi-year renovation of the Citycenter shopping centre in Helsinki's central business district, as well as the construction of an office building for use by Talentum Oyj in Ruoholahti. Also in Ruoholahti, we started a project in 2013 to modernise an office building for use by Sanoma Magazines Finland Ltd and Sanoma Pro Ltd.

Quality and environmental issues as competitive advantages

Growing and developing our property portfolio in key strategic areas allows us to respond to the needs of customers who seek business premises, as properties in central locations are in high demand. Our consistent and high-quality services support our customers in their day-to-day operations and allow them to focus on their own business. As a lessor, Sponda has the capacity to assist customers in many ways, such as helping them develop the energy and environmental efficiency of their premises. These are all factors that give us a greater competitive advantage.

Slow positive development expected in 2014

The economic occupancy rate of the Group's properties in 2014 is expected 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 in 2014 is expected to be at the same level as in 2013. This view is based on the early 2014 estimate of the development of rent levels and vacancy rates for Sponda's properties.

I would like to thank our shareholders for their trust in our company and our customers for their valuable partnership. I also wish to thank our skilled and professional personnel, who helped us achieve a stable result despite very difficult market conditions.

Kari Inkinen

President and CEO Sponda Plc



Property assets

Investment properties of Sponda 1 January – 31 December 2013, M€

	Total	Office Properties	Shopping Centres	Logistics Properties	Property Development	Russia
Operating income	256.7	145.0	43.9	38.7	0.4	28.6
Maintenance costs	-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 at 1 Jan 2013	3,261.3	1,705.7	736.7	414.4	135.1	269.4
Capitalized 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 at 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	0.0	9.6
Weighted average yield requirement%, Finland	6.5					
Maintenance investments	22.6	17.9	2.7	1.7	0.0	0.3
Property development	14.0	8.4	0.0	0.0	4.7	0.9
Acquisitions	3.1	3.1	0.0	0.0	0.0	0.0
Sales	-31.9	-19.7	0.0	-2.5	0.0	-9.7
Investments, total	7.8	9.7	2.7	-0.8	4.7	-8.5

Yield requirements used in valuation of investment properties 31 December 2013,%

	Helsinki CBD	Other Helsinki	Espoo/Vantaa	Other Finland	Russia
Office- and retail premises,%	5.6	6.2	8.4	7.1	9.5
Logistics premises,%		8.1	8.0	11.3	11.0

The average yield requirement for Shopping Centres was 5.6 per cent.



Sensitivity analysis

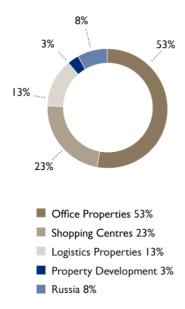
Change in investment property fair value, M€ and%

	-10%	6	-5%	6	0%	5%	,	10%	
	Change, M€	Change, %	Change, M€	Change, %	M€	Change, M€	Change, %	Change, M€	Change, %
Yield requirement	332	10.6	157	5.0	0	-143	-4.6	-272	-8.7
Rental income (contractual rents)	-85	-2.7	-43	-1.4	0	42	1.3	84	2.7
Maintenance expenses	85	2.7	42	1.3	0	-43	-1.4	-86	-2.8
Economic occupancy rate (1st year)	-25	-0.8	-13	-0.4	0	12	0.4	24	0.8

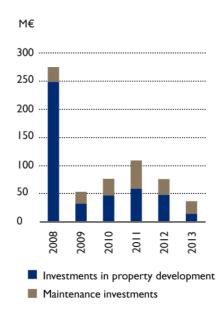
The sensitivity analysis has been carried out as a quantitative analysis of the investment properties in Finland calculating the 15 year cash flow and of the properties in Russia calculating the 10 year cash flow.

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

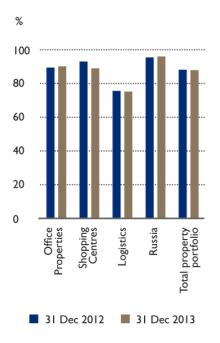
Investment properties by business unit by fair value 31 Dec 2013



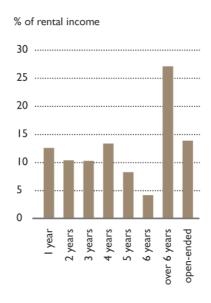
Investments in properties



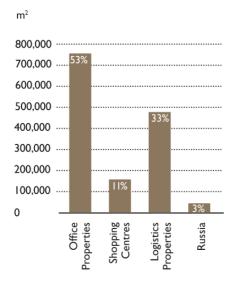
Economic occupancy rate



Expiry of lease agreements



Leasable area by property type, 31 Dec 2013





Key figures

Financing key figures

	2013	2012	2011	2010	2009
Interest Cover Ratio (ICR)	3.1	2.8	2.7	3.0	2.7
Average loan maturity, yrs	2.5	2.7	3.1	3.2	2.4
Average fixed interest rate period, yrs	2.3	1.9	2.2	2.2	1.8
Average interest rate,%	3.2	3.4	4.0	3.8	3.7
Hedging rate of interest risk,%	79	72	77	84	65
Equity ratio,%	41	40	38	39	37

Key figures

	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
Total revenue, M€	264.3	264.6	248.2	232.1	237.2
Operating profit, M€	153.0	210.5 ¹⁾	209.6	216.2	-13.3
Profit before taxes, M€	93.2	151.8 ¹⁾	134.0	157.7	-78.3
Cash flow from operations/share, €	0.40	0.40	0.37	0.37	0.45
NAV/share, €	4.64	4.45 ¹⁾	4.06	3.86	3.54
Earnings/share, €	0.34	0.37 ¹⁾	0.39	0.40	-0.40
Return on investment, %	5.5	7.9 ¹⁾	7.7	7.9	-0.4
P/E ratio	10.16	9.71 ¹⁾	8.02	9.60	-6.79
Equity ratio, %	40.7	41.2 ¹⁾	37.9	39.0	37.3
Gearing, %	125.6	117.9 ¹⁾	134.9	128.7	140.9
Dividend, €	0.18 ³⁾	0.17	0.16	0.15	0.12
Payout ratio, %	53.49 ³⁾	45.86 ¹⁾	41.15	37.12	-29.83
Effective dividend yield, %	5.26 ³⁾	4.72	5.13	3.87	4.40

Key figures according to EPRA Best Practices Recommendations

	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
EPRA Earnings, M€	111.5 ²⁾	111.9 ¹) ²)	75.4	74.0	67.4
EPRA Earnings per share, €	0.39 ²⁾	0.40 ¹) ²)	0.27	0.27	0.29
EPRA NAV/share, €	5.29 ²⁾	5.20 ¹) ²)	4.84	4.59	4.18
EPRA Net Initial Yield (NIY), %	5.84	6.61	6.39	6.37	-
EPRA "topped-up" NIY, %	5.84	6.63	6.40	6.38	-

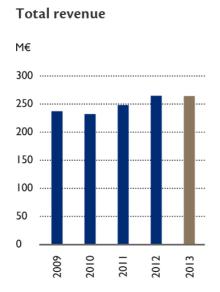
^{1) 2012} figure was adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19.



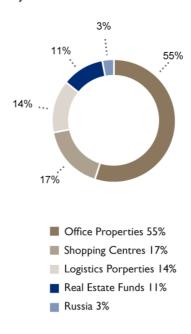
2) In 2013, Sponda have changed the calculation and the presentation of EPRA key figures to match better to the EPRA Best Practices Recommendations. 2012 figures were adjusted accordingly. The notable change relates to deferred taxes on investment properties.

3) Board's proposal

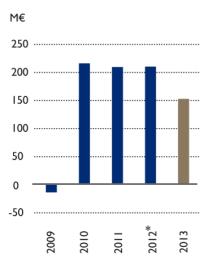
Key figures in graphs



Net operating income by business unit 2013

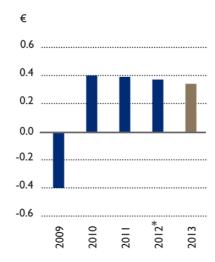


Operating profit



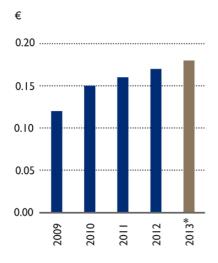
* 2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

Earnings per share



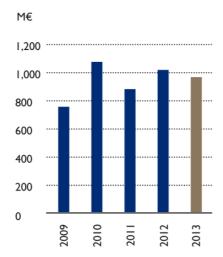
*2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

Dividend per share

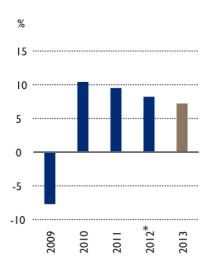


* Board's proposal

Market capitalization

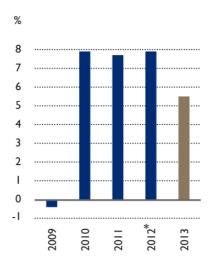


Return on shareholders' equity (ROE)



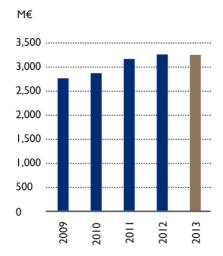
* 2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

Return on investment



* 2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

Fair value of investment properties





Sponda

Sponda Plc is a real estate investment company that specializes in leasing business premises and developing and owning properties. Sponda's properties are located in the largest cities in Finland. By developing business premises into attractive, tailored business environments, Sponda promotes its customers' success.

The company's operations are organized into four business units: Investment Properties, Property Development, Russia and Real Estate Funds.

Strategy

Profitable growth through focused property ownership

Sponda is a property investment company that owns, leases and develops office and shopping centre properties in Helsinki and Tampere.

Sponda's strategic goal is to achieve growth and profitability through customer-focused operations, active property development and property acquisitions in Finland.

Sponda revised its strategy in autumn 2013. The main goals of the strategy are simplification of the business structure, more focused property ownership and profitable growth. Going forward, the company's operations will focus on office properties, shopping centres and property development serving these segments. Sponda's geographical focus will be on prime areas in the Helsinki Metropolitan Area, particularly in the central business district and Ruoholahti, as well as Tampere.

Sponda is planning to exit both the Russian market and the Real Estate Funds business in the next three to five years. The terms of existing real estate funds will not be extended, and no new funds will be established. The company is also planning to sell its entire logistics property portfolio as well as its property ownership in Turku.

With the new strategy, Sponda will improve the efficiency of its operations and increase its expertise in the key areas of its operations in which it already holds a strong position. Focusing property ownership in strategically important areas gives the company a better capacity to develop its market intelligence and achieve profitable growth.

In addition to the new strategic focus, the criteria applied in selecting properties for acquisition and ownership include energy efficiency, flexibility, central location and access to public transport.

Strategic focus

Sponda's strategic focal points are the customer experience and environmental responsibility. 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. Sponda's customer relationships are based on interactive partnership. With the help of a process to support the development of the customer experience, Sponda aims to identify the best ways of working from the customer's perspective.

Environmental responsibility is an integral part of Sponda's operations. The company's long-term goal is to develop its environmental expertise and to share this expertise with customers and partners.



Sponda's vision and strengths

Mission

Sponda is a leading property investment company that owns, leases and develops office and shopping centre properties in the largest cities in Finland. Sponda develops business environments that promote the business success of customers.

Vision

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

Values

The most important values for Sponda are innovation, professionalism and reliability. We live these values every day. They guide our conduct towards our customers and each other.

Sponda's key strengths

Property portfolio focused on the best locations in the Helsinki Metropolitan Area	Sponda's property portfolio includes some of the highest quality and best known properties in the Helsinki Metropolitan Area, particularly in the central business district and Ruoholahti in Helsinki.
Diversified property portfolio that offers customers a wide choice of premises	Sponda's property portfolio includes a wide range of office and shopping centre properties. Thanks to its extensive business premises offering, Sponda is able to offer its clients alternative premises also when their space requirements change.
Diverse, high-quality tenant base and balanced lease portfolio	Sponda's largest clients include major retail stores, the finance industry and the public sector. The company has a diversified tenant base, which reduces the risks related to individual customer segments or tenants.
Leading property development operations	Sponda owns a considerable amount of land and numerous potential property development sites. In 2013 the company signed an agreement of a large development project and commenced a project to modernize an office building. As market conditions improve and demand grows, the company has the flexibility to launch new property development projects.
Experienced, committed management and personnel	The members of Sponda's Executive Board have long-term operational experience with the company and in the real estate business. In addition, Sponda's personnel have strong expertise and extensive experience of the property markets, which enables Sponda to offer its clients competitive solutions and services.
Responsible business operations	Responsibility is an integral part of Sponda's day-to-day operations and business expertise, supporting the company's profitability and long-term viability. The company's operations are planned and assessed from the perspectives of responsibility.



Strategic operations in 2013

Sponda achieved its targets with respect to the economic occupancy rate of its properties as well as net operating income. Comparable net operating income increased, the economic occupancy rate was maintained almost at the previous year's level, and cash flow remained stable. The operational focal points were maintaining a stable economic occupancy rate, selling non-strategic properties and refinancing loans.

Financial objectives

Sponda's long-term goal is to maintain its equity ratio at above 40 per cent. The equity ratio was 41 per cent at the end of 2013 (2012: 40 per cent). Sponda's aim is to pay a dividend of approximately 50 per cent of the cash flow from operations per share for each accounting period. Dividend payment takes into account the financial situation and the company's development needs.

The company's total revenue remained at the same level as in 2012 and the comparable net operating income increased slightly. Sponda's total revenue in 2013 was EUR 264.3 million and the net operating income EUR 190.9 million.

Occupancy rates remained almost unchanged from 2012 despite the challenging market situation.

Implementation of growth strategy

Sponda owns a considerable amount of land and numerous properties in excellent locations with high development potential. The property portfolio was developed in 2013 by selling non-strategic properties. A new property development project that will begin in spring 2014 in the Ilmala district of Helsinki will increase the company's strategic property ownership. The Ilmalanrinne office complex, with approximately 15,000 square metres of net floor space, is estimated to be completed for use by Sweco Finland in December 2015. In 2013, Sponda sold properties for a total of EUR 33.1 million in line with its strategy.

The implementation of the strategy was also supported by organisational changes in 2013. Additional resources were allocated to strengthen the leasing of business premises and property sales.

Sponda will continue to implement its new strategy in 2014 through property development and property acquisitions. Property sales will be used to finance the growth of the property portfolio in strategically important areas.

Strategic actions taken in 2013 and their impacts

Action	Strategic impact
Strategy revision	
Sponda is planning to exit both the Russian market and the Real Estate Funds business in the next three to five years. The company is also planning to sell its entire logistics property portfolio as well as its property ownership in Turku.	The main goals are simplification of the business structure, more focused property ownership and profitable growth.
Sponda implemented organisational changes to support the strategy.	Strengthening leasing and property sales resources supports the implementation of the strategy.
Sold properties	
Sponda sold the Business Center NRC and Inform Future office buildings in St. Petersburg.	The sales of properties that are of secondary importance for the new strategy will be used to finance strategic investments.
Sponda sold an office property located at Lönnrotinkatu 28 in Helsinki.	The sale of the property is part of the implementation of Sponda's new strategy, which was published in September 2013.
Sponda sold an office property located at Linnankatu 18 in Turku.	The sale of the property is part of the implementation of Sponda's new strategy. The sale decreases the company's property ownership in Turku.
Sponda sold a logistics property located at Valuraudankuja 6, Helsinki.	The sale of the property is part of the implementation of Sponda's new strategy. The sale decreases the company's ownership of logistics properties.



Property development	
Sponda develops an office property for Sweco in Helsinki's Ilmala district. Construction on the three-building complex will begin in spring 2014.	The new low-energy buildings will increase Sponda's property ownership in urban developing areas with excellent public transport links.
The renovation of the Citycenter shopping centre and business complex in Helsinki's central business district was completed.	The development of the Citycenter property, which has good transport links, increases the proportion of shopping centres in Sponda's property portfolio and boosts the company's property ownership in a key strategic area.
The construction of new business premises for Talentum Plc in Helsinki's Ruoholahti district, at Itämerenkatu 23, was completed in early 2013.	The new office building, which benefits from the excellent public transport links in Ruoholahti, strengthens Sponda's portfolio of energy-efficient properties in a key strategic area.
Sponda started a project to modernise an office building at Porkkalankatu 20 in Helsinki's Ruoholahti district for use of Sanoma Magazines Finland Ltd and Sanoma Pro Ltd. The project will be completed in spring 2015.	Sponda will customise the premises located in a key strategic area to match the tenant's needs while taking flexibility into consideration.
Refinancing and other financial arrangements	
Sponda redeemed the remaining EUR 92.8 million of a hybrid bond with an original notional value of EUR 130 million. The bond was originally issued in 2008.	After the transaction, the company's only outstanding hybrid loan is the EUR 95 million hybrid bond issued in December 2012.
Sponda signed an agreement on the five-year extension of a mortgaged loan of EUR 85 million with Helaba.	The agreement extended the loan, which was originally set to mature in spring 2014, until spring 2018.
Sponda issued a EUR 150 million senior unsecured bond. The bond carries a fixed annual coupon at the rate of 3.375 per cent. The bond was significantly oversubscribed.	The proceeds from the bond offering were used to repay existing debt and for the Group's general financing needs.
Sponda signed an agreement with Danske Bank A/S, Helsinki branch, for an unsecured five-year credit limit of EUR 100 million.	The arrangement extended the credit limit, which was originally set to mature in June 2014, until December 2018.
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.
Business development: the environment and the customer experience	
Subcontractors' processes were audited and reporting was developed as part of Sponda's quality and purchasing process.	The customer experience is improved through the development of property services.
Sponda and Nordea Bank's branch at Kaivokatu 12 in Helsinki signed a Green Lease agreement in 2013.	The common targets and compensation model stipulated by the Green Lease agreement promote environmentally friendly solutions and the reduction of energy consumption at the property.
Sponda obtained LEED® Gold Environmental Certification for its Ruoholahden Ankkuri office building, which was completed in spring 2013. The building received an especially good score for its efficient use of energy.	Sponda applies for international environmental certification for all new buildings and major renovation projects.
Three environmental certificates for existing buildings were updated during the year.	Environmental certificates for existing buildings are aimed at reducing the energy consumption and environmental load arising from the use of business premises.
At the end of the year, Sponda adopted new research tools to collect information on customer encounters through the various stages of the customer relationship.	The information collected by using the research tools can be used to develop Sponda's own operations in order to improve the customer experience.
A CRM system development project was launched in conjunction with the company's ERP project.	The CRM system development project will improve customer information management, which will support the development of customer service.

Strategic operations in 2014

The Finnish economy is expected to grow at a slow rate in 2014. Based on this forecast and the information on lease agreements available at the beginning of 2014, Sponda expects the economic occupancy rate of the Group's properties to remain at the same level as in 2013.

Sponda's focal areas for growth in 2014 are office properties, shopping centres and property development operations in these segments. Sponda is confident that placing the focus of its property portfolio on prime locations will reduce the property portfolio risk. Sponda's geographical focus will be on the Helsinki metropolitan area, particularly the central business district and Ruoholahti, as well as Tampere.

Each year, Sponda determines its operational focal points, which are emphasised in the company's short-term operations. The focal areas are determined as part of the company's strategy process.

Sponda's operational focal points for 2014:

• Maintaining occupancy rates at the levels of year end 2013.



- · Continuing the sale of individual properties and portfolios. The capital obtained will be invested in prime properties in Helsinki and Tampere.
- · Maintaining a stable dividend payout capacity.
- · Starting more property development projects in 2014.

Read more about Sponda's prospects for the year 2014 under the section Prospects for 2014.

Business units in brief

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

Investment Properties

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

The office properties are primarily located in the Helsinki's central business district (39%), the Helsinki metropolitan area (27%) and Tampere (7%). The shopping centres are located in Helsinki, the Tampere region and the Oulu region. The logistics properties are primarily located in the Helsinki metropolitan area.

As a result of a change in strategy, the company is planning to divest its entire logistics property portfolio as well as property ownership in Turku within three to five years.

2013 key figures

	Office Properties	Shopping Centres	Logistics Properties
Net operating income, M€	105.7	33.2	25.9
Occupancy rate,%	90.1	89.0	75.2
Leasable area, m²	756,000	157,500	477,500
Share of total portfolio by fair value,%	53	23	13

Property Development

The Property Development business unit is responsible for the company's property development projects in Finland. Business premises are developed by renovating properties in the portfolio, or developing new properties on land areas owned by Sponda.

2013 key figures

Investments, M€	4.7
Balance sheet value of property development portfolio, M€	108.2
Share of total portfolio by fair value,%	3

Unused land areas and potential property development sites are primarily located in the Helsinki metropolitan area.

Russia

Sponda's Russia business unit leases, manages and develops business premises for use by companies and organisations. Sponda owns three office properties, two shopping centres, a logistics property and two land areas, all in the Moscow and St. Petersburg regions. As a result of the change in strategy, Sponda now plans to divest its Russian operations within the next three to five years.



2013 key figures	
Net operating income, M€	21.8
Occupancy rate,%	96.0
Leasable area, m²	44,500
Land areas, hectares	66
Share of total portfolio by fair value,%	8

Real Estate Funds

Through its real estate funds, Sponda invests in office, retail and logistics properties located in medium-sized Finnish towns, outside the company's core geographical area. The focus of the company's business operations shifted as a result of a change in strategy in 2013, and Sponda now plans to exit the Real Estate Funds business within the next three to five years.

2013 key figures

Total revenue, M€	6.8
Net operating income, M€	5.2
Sponda's investments in the real estate funds, M€	88.3

Properties are located in Finland's medium-sized cities like Jyväskylä, Lappeenranta and Hämeenlinna.

Investment Properties

Sponda's Investment Properties business unit leases office, retail, shopping centre and logistics premises and purchases and sells properties in Finland. The unit's aim in customer relations is to create long-term interactive partnerships.

The business unit's properties are located in Helsinki, Espoo, Vantaa, Tampere, Turku and the Oulu region. Sponda develops new properties based on customer demand.

Occupancy rate of office properties higher than the market average

The European economic crisis continued to be reflected in the market, making the launch of new construction projects more difficult and reducing customers' need for business premises. Despite this, Sponda was able to maintain a stable occupancy rate for its office premises in the challenging rental market in 2013.

After revising its strategy in the second half of the year, Sponda now plans to divest its entire logistics property portfolio and its property ownership in Turku within the next three to five years. Going forward, the company will focus on office premises and shopping centres.

At the end of 2013, the total fair value of Sponda's property portfolio comprised 59 per cent office properties, 26 per cent shopping centres and 15 per cent logistics properties in Finland.

Investment properties were sold for a total of EUR 23.1 million in 2013. The company invested EUR 22.3 million in property maintenance and improving the quality of properties during the year.



In Brief

- The economic occupancy rate of Sponda's office premises developed better than the market average and stood at 90.1 per cent at the end of 2013.
- As a result of a change in strategy, the company is planning to divest its entire logistics property portfolio as well as property ownership in Turku within three to five years.

Office Properties

Sponda's office properties are primarily located in the Helsinki city centre, the Helsinki metropolitan area and Tampere.

The segment's total revenue in 2013 was EUR 145 million and the economic occupancy rate was 90.1 per cent at year end. At the end of the year, the fair value of office properties stood at EUR 1,729.4 million, with 1,017 tenant customers and 1,815 lease agreements. The total leasable area was 756,000 square metres.

The segment's largest customers in 2013 were Danske Bank, the city of Espoo, the Finnish Ministry of Justice, the National Board of Patents and Registration of Finland, and Nordea Bank Finland Plc. A total of EUR 17.9 million was invested in property maintenance and improving the quality of properties in 2013.

The construction of new business premises for Talentum Plc in Helsinki's Ruoholahti district, at Itämerenkatu 23, was completed in early 2013. The design of the office building, which benefits from the excellent public transport links in Ruoholahti, paid special attention to energy efficiency during the use of the building.

Geographical location of properties by fair value

Location	Share-%
Helsinki, CBD	39.0
Helsinki, Ruoholahti	25.0
Elsewhere in Helsinki Metropolitan Area	27.0
Tampere	7.0
Turku	1.0
Oulu	1.0

10 Largest office properties by area 2013

Property	Location		Leasable area m ²
Helsingin Salmisaarentalo Koy	Porkkalankatu 13	Helsinki	48,991
Kaupintie 3 Koy	Kaupintie 3	Helsinki	44,103
Kilon Ritari	Kutojantie 2	Espoo	28,490
Arkadiankatu 4-6 Koy	Arkadiankatu 6	Helsinki	25,370
Unioninkatu 20-22 Koy	Unioninkatu 20-22	Helsinki	24,711



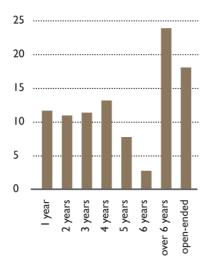
Espoon Upseerinkatu 1-3 Koy	Upseerinkatu 1-3	Espoo	19,895
Kasarmikatu 36 Koy	Kasarmikatu 36	Helsinki	17,021
Länsi-Keskus Koy	Pihatörmä 1	Espoo	15,737
Ratapihantie 11 Koy	Ratapihantie 11	Helsinki	15,500
Kumpulantie 11 Koy	Kumpulantie 11	Helsinki	14,982

Key figures

	2013	2012	2011	2010	2009
Total revenue, M€	145.0	143.9	132.8	122.6	129.0
Operating expenses, M€	-39.3	-39.0	-37.2	-34.0	-32.7
Net operating income, M€	105.7	104.9	95.6	88.6	96.3
Fair value of properties, M€	1,729.4	1,705.7	1,644.0	1,459.1	1,425.8
EPRA, Net Initial yield,%	6.2	6.3	6.0		

Expiry of lease agreements, Office Properties

% of rental income





Shopping Centres

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

The total revenue of the Shopping Centres segment in 2013 was EUR 43.9 million. The economic occupancy rate of Sponda's shopping centres stood at 89 per cent at the end of 2013. At the end of the year, the fair value of shopping centre properties stood at EUR 741.3 million, with 190 tenant customers and 301 lease agreements.

The segment's largest clients in 2013 were Arinan Kiinteistöt Oy, HOK-Elanto, Kesko Group and Zara Finland Oy.

Grand opening of Citycenter celebrated in the spring

The renovation of the Citycenter block in Helsinki's central business district was completed according to plan. The renewed shopping centre offers modern retail and office premises on ten floors. With the completion of the project's final phase, the new main entrance on the Keskuskatu was opened and a spectacular grand opening event was held in May 2013.

Construction of the Ratina shopping centre currently being planned in Tampere will begin when the required pre-leasing rate has been achieved.

Shopping Centres 2013

Property	Location		Leasable area m ²
Citycenter	Helsinki	Helsinki	53,355
Helsingin Kaivokatu 8 Koy	Kaivokatu 8	Helsinki	43,593
Aleksi-Hermes Koy	Aleksanterinkatu 19	Helsinki	8,153
Kaivokadun Tunneli Oy	Asematunneli	Helsinki	1,609
Helsingin Itämerenkatu 21 Koy	Itämerenkatu 21	Helsinki	32,458
Kauppakeskus Zeppelin	Zeppeliinintie 1	Kempele	27,888
Elovainion Kauppakiinteistöt Koy	Elotie 1	Ylöjärvi	23,982
Helsingin Vanhanlinnantie 3 Koy	Vanhanlinnantie 3	Helsinki	20,050

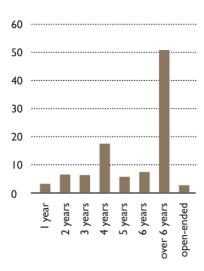
Key figures

	2013	2012	2011	2010	2009
Total revenue, M€	43.9	42.0	40.4	39.7	39.3
Operating expenses, M€	-10.7	-9.7	-8.8	-8.3	-8.0
Net operating income, M€	33.2	32.3	31.7	31.4	31.4
Fair value of properties, M€	741.3	736.7	586.1	557.1	543.6
EPRA, Net Initial yield,%	4.4	6.1	6.7		



Expiry of lease agreements, Shopping Centres





Logistics properties

Sponda is one of the major owners of logistics properties in Finland.

The occupancy rate of Sponda's logistics properties was 75.2 per cent at the end of 2013. The segment's total revenue was EUR 38.7 million and the fair value of the properties was EUR 426.5 million.

At the end of the year, the number of customers stood at 278 and the number of lease agreements was 355. The combined leasable area of logistics properties was 477,500 square metres. The segment's largest customers in 2013 were Geodis Wilson Finland Oy and Metso

The slower growth of the Finnish economy in 2013 was reflected in the development of the occupancy rates for Sponda's logistics properties. Despite this, the occupancy rate for logistics properties remained largely unchanged. According to its new strategy, Sponda is planning to divest its entire logistics property portfolio within the next three to five years.

10 Largest logistics properties by area 2013

Property	Location		Leasable area m ²
Vuosaaren Logistiikkakeskus Koy	Seilorinkatu 1	Helsinki	64,501
Vantaan Honkatalo Koy	Vanha Porvoontie 229	Vantaa	60,165
Ruosilantie 16 Koy	Ruosilantie 16	Helsinki	40,729
Vantaan Vanha Porvoontie 231 Koy	Vanha Porvoontie 231	Vantaa	35,968
Messukylän Castrulli Koy	Etu-Hankkionkatu 1	Tampere	26,609



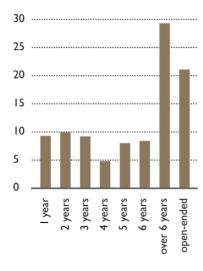
Heidehofintie2	Vantaa	17,949
Ruosilantie 14	Helsinki	16,795
Virkatie 12-14	Vantaa	14,914
Juvan Teollisuuskatu 23	Espoo	14,172
Köysikuja 1	Vantaa	12,223
	Ruosilantie 14 Virkatie 12-14 Juvan Teollisuuskatu 23	Ruosilantie 14 Helsinki Virkatie 12-14 Vantaa Juvan Teollisuuskatu 23 Espoo

Key figures

	2013	2012	2011	2010	2009
Total revenue, M€	38.7	42.3	42.0	36.6	38.6
Operating expenses, M€	-12.9	-13.6	-13.4	-11.8	-11.2
Net operating income, M€	25.9	28.7	28.6	24.8	27.4
Fair value of properties, M€	426.5	414.4	449.0	422.5	396.1
EPRA, Net Initial yield,%	5.5	6.6	5.9		

Expiry of lease agreements, Logistics Properties

% of rental income





Property Development

Sponda's Property Development business unit is responsible for the company's property development projects in Finland. The units operations are guided by responsibility and customer focus, as well as energy efficiency and eco-friendliness.

Sponda seeks growth and profitability through active property development. Business premises are developed by renovating properties in the portfolio, or developing new properties on land areas owned by Sponda. All properties are developed for long-term ownership and leasing.

In 2013, rental operations for newly developed properties became more active due to factors such as an increased allocation of resources.

Significant co-operation projects in zoning development

The operating environment for property development in 2013 was challenging in Finland as well as internationally. This was reflected in caution in property decisions and investments, and projects planned for launch had to be postponed.

Despite these challenges, Sponda moved ahead with a number of property development and renovation projects in 2013. In Helsinki, the Citycenter shopping centre project in the central business district and the Talentum office building project in Ruoholahti were completed in the first half of the year. The design and construction of the office building developed for Talentum Plc's use emphasised energy efficiency and environmentally sound solutions in addition to functionality and efficient use of space. In recognition of this, the property was granted LEED® Gold environmental certification. Sponda has already received positive feedback from users of both properties.

Sponda also began construction on a parking facility Avec-parkki in Espoo's Leppävaara district in summer 2013. With capacity for 540 cars, the parking facility will be completed in May 2014.

Sponda signed an agreement in late 2013 with Sweco Finland on the construction of an office complex. The planned three-building complex, with a total floor area of 15,000 square metres, will be in a prominent location in Helsinki's Ilmala district with excellent transport links. The planning of the project began in October 2013, and construction is set to begin in February–March 2014.

In late 2013, Sponda commenced a project to modernise an office building at Porkkalankatu 20 in Helsinki's Ruoholahti district for use by Sanoma Magazines Finland Ltd and Sanoma Pro Ltd. The premises will be customised to suit the tenant's needs while taking flexibility into consideration. The project will be completed in spring 2015.

Sponda had significant zoning co-operation projects under way in 2013 with the City of Helsinki in the Lassila district, and the City of Espoo in the Leppävaara district. The component master plan project for Lassila is moving ahead, with 30,000 square metres of net floor space for office premises planned. In Leppävaara, the zoning plan for the Vermo area is set to be submitted for approval in 2014.

The value of Sponda's property development portfolio stood at EUR 108.2 million at year end 2013 (2012: EUR 135.1 million). Of this amount, land value represented EUR 59.6 million and property development projects EUR 48.6 million.

Cautious growth expected in 2014

The situation will remain challenging due to the late-cycle nature of the business, but Sponda nevertheless expects 2014 to be better than the previous year. Investment decisions that have already been made will significantly increase property development volume in 2014. The company is also planning some significant renovation projects, and the aim is to start new property development projects as demand recovers.

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

	City	Floor m ²
Office properties		
Forum Virium Center	Helsinki	14,000
Estradi	Helsinki	9,000



Aviapolis	Vantaa	18,000
Energiakatu	Helsinki	10,000
Harkkokuja	Vantaa	18,000
Avec 2	Espoo	12,000
Ilmalanrinne	Helsinki	14,000
Väritehtaankatu	Vantaa	13,000
Naulakatu	Tampere	6,000
Retail properties		
Välivainio	Oulu	13,000
Shopping centres		
Shopping centre Ratina	Tampere	55,000
Logistics properties		
Vuosaari harbour	Helsinki	30,000
Hakkila	Vantaa	6,000

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

In Brief

- Citycenter shopping centre project and an office building project in Ruoholahti were completed in the first half of the year 2013.
- The value of Sponda's property development portfolio stood at EUR 108.2 million at the end of 2013.
- Sponda will start a new office property project in Ilmala in 2014.

Russia

Sponda's Russia business unit leases, manages and develops business premises for use by companies and organisations. The focus of the company's business operations shifted as a result of a change in strategy in 2013, and Sponda now plans to divest its Russian operations within the next three to five years.

Sponda has a very good reputation in Russia, and the company is perceived as a reliable and transparent partner. The company owns three office properties, two shopping centres, a logistics property and two land areas in Moscow and St. Petersburg. New owners are now being sought for these properties based on the market situation.

Change in strategy shifts perspective from buying to selling

The challenging economic situation in the European property market was also reflected in the Russian market. While the vacancy rates of properties increased, the occupancy rate of Sponda's properties clearly exceeded the market average, totalling 96.0 per cent at the end of 2013. The unit's total revenue was EUR 28.6 million (2012: 28.7).



Two office buildings in St. Petersburg, with a combined leasable area of approximately 6,000 square metres, were sold in the summer 2013. The selling price was EUR 9.9 million.

In late 2013, Sponda began to examine the market from a seller's perspective, as the company's change in strategy resulted in a plan to discontinue business operations in Russia. The profitability of the Russian operations has been good, but achieving sufficient growth has been challenging. The Russian operations' share of the Group's total revenue has remained fairly small. No new investments are planned for the Russian market, and the properties currently owned by the company will be divested within the next three to five years. The survey of potential buyer candidates has begun well.

The instability of the world economy will be reflected in Russia in 2014, with economic growth expected to slow down. The weak economic conditions will lead to tenants looking for cheaper and more efficient business premises. Combined with the new properties' entry into the market, competition is set to become more intense.

Further challenges will be posed by the rent increases for land plots of Moscow city as well as the new countrywide real estate tax, which will increase the costs of business premises. The rent increases entered into force in 2013 and the real estate tax will take effect in 2014.

Energy consumption monitoring and community-oriented activities

Sponda continued to focus on environmental responsibility in 2013 also in Russia. As part of the company's Energy Efficiency Programme, the energy consumption of Sponda's properties in Russia was monitored and joint efforts with customers were used to reduce consumption.

Sponda organised events for tenants and their families in Russia. In addition, the company co-operated with local organisations and authorities to organise community events at its shopping centres.

Properties in Russia 2013

Property	Location		Leasable area m ²
Western Realty	Gasheka Street 7	Moscow	14,411
Sun Paradise 1	Borovskoe highway 6	Moscow	9,079
Adastra OOO	Zanevka	St. Petersburg	7,872
Sun Paradise 2	Vokzalnaja ul. 4b, Ramenskoe	Moscow	6,551
Bakhrushina House	Bakhrushina Street 32	Moscow	3,926
Ancor	Prospekt Mira 6	Moscow	2,785

Key figures

	2013	2012	2011	2010	2009
Total revenue, M€	28.6	28.7	25.1	23.6	21.8
Operating expenses, M€	-6.8	-6.5	-6.1	-5.9	-5.5
Net operating income, M€	21.8	22.2	18.9	17.7	16.4
Fair value of properties, M€	247.8	269.4	224.6	204.2	181.4
EPRA, Net Initial yield,%	8.0	9.2	9.8		

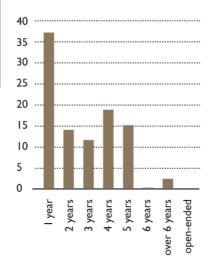


In Brief

- Sponda sold two office buildings in St. Petersburg in summer 2013.
- After the change in strategy, the company's focus at the end of the year shifted to surveying potential buyer candidates.
- The occupancy rate of the properties in 2013 stood at 96.0 per cent.

Expiry of lease agreements, Russia

% of rental income



Real Estate Funds

Sponda's Real Estate Funds business unit serves as the active manager and part-owner of the funds' real estate portfolios. The focus of the company's business operations shifted as a result of a change in strategy in 2013, and Sponda now plans to exit the Real Estate Funds business within the next three to five years.

Through its real estate funds, Sponda invests in office, retail and logistics properties located in medium-sized Finnish towns, outside the company's core geographical area.

Sponda is involved as a minority investor in the four real estate funds: First Top LuxCo, Sponda Fund I, Sponda Fund II and Sponda Fund III. It is responsible for managing the properties owned by Sponda Fund I, Sponda Fund II and Sponda Fund III. Sponda receives management fees for the real estate portfolios it manages.

Sponda Fund III purchased a logistics property, Sponda Fund II sold an industrial property

In December, Sponda Fund II sold a majority stake in an industrial property located at Santasalonkatu 5 in Karkkila to SEW Industrial Gears Oy, the Finnish subsidiary of SEW-Eurodrive Group. The total area of the manufacturing and office premises at the property is approximately 14,000 square metres. The fund primarily invests in logistics, warehouse and industrial properties in medium-sized towns in Finland.

Sponda Fund III purchased a logistics property in Vantaa's Hakkila district in February 2013. The fund invests primarily in logistics properties in medium-sized towns in Finland.

Sponda manages the NIAM III East Holding Oy fund which continued to sell property in 2013 in line with its strategy. Sponda does not have an ownership stake in the fund.



Sponda is also joint owner of the Russian Invest property investment company, which made its first investment decision in 2013. The investment company purchased a 55 per cent share in the Okhta Mall shopping centre project located in St. Petersburg. The shopping centre was granted a building permit in August 2013, and construction began in the autumn. Sponda owns 27 per cent of Russian Invest.

Fund management to continue until the end of the term of each fund

According to Sponda's new strategy, the company is planning to exit the Real Estate Funds business within the next three to five years. Existing funds will be managed as before until the end of the term of each fund, but no new real estate funds will be established. Depending on the fund, the term will end between 2015 and 2019.

Key figures

	2013	2012	2011	2010	2009
Total revenue, M€	6.8	6.5	6.4	7.2	12.7
Operating expenses, M€	-1.6	-1.3	-1.4	-1.5	-1.9
Net operating income, M€	5.2	5.2	5.0	5.7	10.9

Management fees and share of profit	1-12/2013	1–12/2012
Management fees	6.8	6.5
Realised gains by real estate funds	10.7	7.5
Total	17.5	14.0

Real estate funds in which Sponda is an investor

	Portfolio value at the end of 2013, M€	Sponda's share of the fund, %	Managed by Sponda
Sponda Fund I	162.4	46	Х
Sponda Fund II	175.2	44	Х
Sponda Fund III	103.8	36	х
First Top LuxCo	66.1	20	

In Brief

- Sponda Fund III purchased a logistics property in Hakkila in February.
- Sponda Fund II sold an industrial property in Karkkila in December.
- The property investment company Russian Invest made its first investment decision in St. Petersburg.



Business Conditions – Finland

Macroeconomy

According to the Economic Bulletin of the Ministry of Finance, the latest information on economic trends and measurements of business expectations indicate a return to moderate growth in the eurozone. The contraction of GDP stopped in the spring of 2013, but there was no growth during the second half of the year.

According to an estimate published in December by the Finnish Ministry of Finance, Finnish GDP declined by 1.2 per cent in 2013. The economy is expected to bottom out and take a turn to slow growth in 2014. The forecast of 0.8 per cent GDP growth for 2014 is based on increasing foreign trade. The current forecast for GDP growth in 2015 is 1.8 per cent. 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.

Finland's export market seems to have returned to the growth track during the second half of 2013, but export volumes throughout the entire year are estimated to have declined by 0.8 per cent. The growth forecast for exports in 2014 is 3.6 per cent. The growth will be based on the economic growth in Finland's key export countries and the upturn in world trade.

According to estimates, import volumes declined by 1.6 per cent in 2013. They are expected to return to a 2 per cent growth track as exports markets gain strength in 2014. Weak growth in consumption and the reduced number of investments will slow down the development of imports.

Private consumption is estimated to have declined by 0.6 per cent in 2013. The reasons for the decline were the weak development of real income and increased uncertainty. Private consumption is expected to grow by a mere 0.2 per cent in 2014, since the number of employed workforce will continue to decline and since development in real income will remain weak.

The employment situation grew weaker in 2013. According to estimates, the unemployment rate rose to 8.2 per cent during 2013. In 2014, the unemployment rate is forecast to rise to 8.4 per cent due to weakened growth expectations, weak demand in the domestic market and the compatibility problems in the job market.

The transaction market

The transaction market for properties was very sluggish for the first three quarters of 2013 and seemed to remain clearly lower than in the previous year. Transaction volumes in the fourth quarter were fairly brisk, reaching EUR 1.13 billion according to KTI. The transaction volume for the entire year was EUR 2.38 billion, representing an increase of over 11 per cent on the previous year (EUR 2.14 billion).

Transactions conducted in the metropolitan area accounted for 69 per cent of the volume. The popularity of residential unit portfolios and nursing home properties as investment targets grew and accounted for a third of the entire volume. The share of foreign buyers was 30 per cent, which represents a 7 percentage point increase on the year before.

Transactions are expected to increase slightly in 2014, along with the emerging economic growth. Some significant property sales are under way during the first half of the year and the markets are expected to become more active, also in terms of secondary properties.

The market for office premises

The increase in the vacancy rates of office premises in the metropolitan area that began in 2012 continued into 2013. The increase is the result of the economic conditions which continued to be weak and the additional supply brought by completed office premises. According to Catella, 12.4 per cent of the office premises in the metropolitan area were vacant at the end of 2013. The vacancy rate had thus increased by 1.4 percentage point.

This growth in vacancy rates is expected to slow down in 2014, as the number of new premises set for completion this year is lower and since the budding economic growth is likely to increase demand.



The vacancy rate in the central business district of Helsinki rose to 7.9 per cent during the first half of 2013, but this increase stopped during the second half of the year. The vacancy rate at the end of 2013 was 7.3 per cent, which is 0.9 percentage points higher than in 2012. The vacancy rate for the entire central district rose to 5.4 per cent during 2013.

According to Catella, the increase in the market rent levels in the very centre of Helsinki bottomed out in late 2013. The decline in the rent levels in other important office areas bottomed out, and rents remained on par with the levels prevalent in early 2013. The weak economic growth forecast for 2014 is not expected to change the current situation.

At the end of 2013, the rent level for new leases in the Helsinki city centre was, on average, approximately EUR 318/m² per year. The rents for prime premises stood at EUR 369/m² per year. The rent levels for the entire metropolitan area varied from EUR 120 to EUR 369/m² per year.

Some 82,000 square metres of new office space was completed in the metropolitan area in 2013. A further 90,000 square metres is still under construction, with some 50,000 square metres scheduled for completion in 2014.

The weak economic situation was also visible as an increase in vacancy rates in Tampere, Turku and Oulu in 2013. Vacancy rates at the end of 2013 were 9.4 per cent in Tampere, 9.6 per cent in Turku and 8.5 per cent in Oulu. Rent levels increased slightly despite the increase in vacancy rates. Rent levels in Turku varied from EUR 156 to EUR 192/m² per year, from EUR 156 to EUR 204/m² per year in Tampere and from EUR 144 to EUR 180/m² per year in Oulu.

The market for retail premises

The occupancy rate for metropolitan area retail spaces declined slightly in 2013, but supply continued to be scarce. The occupancy rate is expected to remain at a high level in 2014 due to migration flows to the Helsinki Metropolitan Area, the start of economic growth and the limited supply of new retail space. Approximately 26,000 square metres of new space was completed in 2013, with a further 55,000 square metres of retail space currently under construction.

The vacancy rates for retail properties in 2013 were 3.5 per cent in the Helsinki Metropolitan Area, 5.9 per cent in Turku, 2.7 per cent in Tampere and 2.7 per cent in Oulu.

In 2012, the vacancy rate in the metropolitan area was 2.8 per cent, meaning that the rate increased by 0.8 percentage point over the year. The vacancy rate for retail properties is expected to remain stable in 2014.

The increase in the rent levels for retail space in the central business district of Helsinki stopped during 2013. The rent level was the same as during the previous year, or EUR 900–1,920/m² per year. Rent levels in the other major cities also remained nearly unchanged. In Turku, rent levels ranged from EUR 480 to EUR 960/m² per year, in Tampere they were between EUR 600 and EUR 960/m² per year and in Oulu EUR 480–1,020/m² per year.

The market for logistics properties

The market for logistics properties in the Helsinki metropolitan area was relatively stable and inactive in 2013. The rent level at the end of 2013 remained on par with the level the year before, or approximately EUR 106/m² per year, on average.

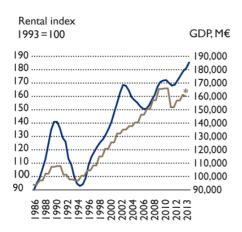
The vacancy rate increased slightly and stood at 6.1 per cent at year end. Approximately 21,000 square metres of new logistics space was completed, with a further 42,000 square metres currently under construction.

The two-year contraction in exports and imports is now visible in the increased vacancy rates. If the growth in exports and imports forecasted for the year 2014 will realize, the key figures of the logistics market may improve at the end of the year.

References:

Finnish Ministry of Finance Catella Property Group KTI Kiinteistötieto Oy

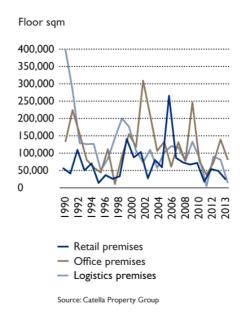
Office rental index and GDP in Finland



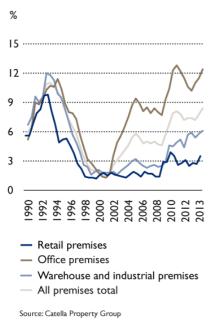
- Rental index (Helsinki, CBD)
- GDP (to year 2000 prices)
 - * GDP for 2013 is not yet available

Source: KTI and Statistics Finland

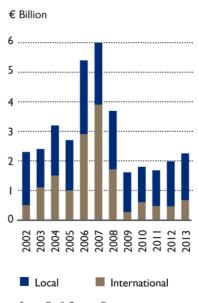
Completed development projects



Vacancy rates in Helsinki metropolitan area



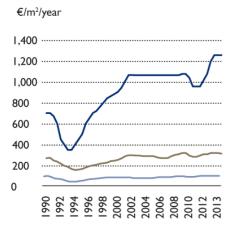
Transactions in Finland



Source: Catella Property Group



Rental levels in Helsinki metropolitan area



- Retail premises, Helsinki CBD (average)
- Office premises, Helsinki CBD (average)
- Warehouse and industrial premises, modern property, HMA (average)

Source: Catella Property Group

Business Conditions – Russia

Macroeconomy

The growth of the Russian economy was clearly slower than what forecasts expected. The weaker development is the result of lower-than-expected domestic consumption, weak development in investments and the slowing growth in consumption.

According to Russia's Ministry of Economic Development, GDP growth slowed down to 1.4 per cent in 2013. The GDP growth forecast for 2014 is 2.5 per cent. Economic growth in the coming years will be based on export growth, higher purchasing power and increased investments.

The transaction market

In line with the previous year, the transaction market in 2013 was brisk. According to CB Richard Ellis, the transaction volume in 2013 was approximately USD 7 billion.

At more than 80 per cent, Moscow's share of this volume remained high. The share of St. Petersburg declined, while transactions in smaller cities increased.

Office and retail premises retained their position as the most popular investment targets. Offices accounted for 36 per cent of the volume and retail premises for 41 per cent of the volume. Industrial and logistics premises increased their share to approximately 19 per cent.

The yield requirements for prime office and shopping centre properties in Moscow remained roughly on par with the 2012 levels. The yield requirement for office properties was approximately 8.5 per cent, while the yield requirement for shopping centres was approximately 9 per cent and for industrial and logistics premises approximately 11 per cent.



The market for office premises

The average vacancy rate for office premises in Moscow increased slightly in 2013. According to CBRE, the average vacancy rate at the end of 2013 was 12 per cent. The vacancy rate for Class A office premises increased to 17 per cent and the vacancy rate for Class B office premises increased to 11 per cent.

By the end of 2013 some 890,000 square metres of new office space was completed in Moscow, which is approximately 60 per cent higher than in 2012. Approximately 25 per cent of the new office space was Class A office space, while approximately 75 per cent of it was Class B office space.

In line with the previous year, rent levels remained stable. At the end of the year 2013, the rents for prime properties stood at approximately USD 1,200/m² per year. The rents for Class A office spaces were approximately USD 750/m² per year, whereas the rents for Class B office spaces were approximately USD 450/m² per year.

In 2013, the average vacancy rate of St. Petersburg office space did not undergo significant changes in comparison to the year before. The vacancy rate for Class A office space was approximately 13 per cent, while the vacancy rate for Class B office space was approximately 7 per cent.

The rents for both Class A and Class B premises increased slightly during the year 2013.

New construction activity for office premises in St. Petersburg in 2013 was fairly high in relation to the size of the market. In 2013, a total of approximately 280,000 square metres of new office space was completed. The total combined volume of Class A and Class B office properties currently stands at approximately 2.5 million square metres.

The market for retail premises

Shopping centre construction in Russia continued to be brisk in 2013. According to estimates, some 1.3 million square metres of new premises were completed in 2013. This is likely to be increased by a further 1.5 million square metres set for completion in 2014.

The average rent level in Moscow's shopping centres remained in 2013 on par with the rent levels of late 2012.

Demand for Moscow's shopping centre premises continued to be high, keeping the vacancy rate low. At the end of 2013, the average vacancy rate in Moscow's shopping centres was approximately 2.6 per cent. The vacancy rate is forecast to increase slightly during the year 2014, due to a great amount of new construction.

According to CB Richard Ellis, some 260,000 square metres of new shopping centre premises were completed in Moscow in 2013. This represents a nearly 50 per cent increase in comparison to 2012. A record of approximately 600,000 square metres of new space is forecast for completion in 2014.

The market for logistics premises

The meagre supply did not impact the rent levels of logistics properties in the Moscow area in 2013. The rent level of prime logistics premises remained at USD 140/m² per year.

The vacancy rate for Class A logistics properties in 2013 was approximately 1.3 per cent. Some 930,000 square metres of new logistics space was completed in 2013, and a further 1,000,000 square metres is expected to be completed in 2014. The vacancy rate may increase as supply increases. Brisk demand and new properties leased prior to their completion are nonetheless likely to keep vacancy rates low and rents at their current levels also in 2014.

The average rent levels for logistics premises in St. Petersburg rose slightly in 2013, for both Class A and B properties. At the end of the year 2013, the rent level for Class B logistics properties stood at USD 90–110/m² per year, while the rent level for Class A premises stood at USD 100–130/m² per year.



Rental demand was high throughout the year and the vacancy rates for logistics properties in St. Petersburg decreased. During the second half of 2013, the vacancy rate for both Class A and Class B properties was less than 1 per cent.

Only 26,000 square metres of new logistics space was completed in St. Petersburg in 2013. This figure is expected to increase considerably in 2014, even to 600,000 square metres.

Sources:

Bank of Finland
World Bank
Ministry of Economic Development of the Russian Federation
CB Richard Ellis
Jones Lang LaSalle

Risks and risk management

Sponda uses effective risk management to protect its business operations, to ensure the continuity of its operations and the achievement of key objectives. Risk management is integrated into the company's planning system and day-to-day operations. The group's risk-bearing capacity is taken into account in Sponda's risk management.

Sponda manages the risks associated with its operations by identifying, measuring and preventing key uncertainties.

Risks are assessed in terms of their probability as well as their financial impact. Achieving financial targets is a sign that risk management has been successful. Sponda's key risks are classified as strategic risks, operational risks, damage and asset risks and financing risks.

Integrated risk management as a key strength

Sponda has adopted a systematic approach to risk management and one of the company's key strengths is its ability to integrate risk management as part of the strategy process, the enterprise resource planning system and business processes.

The responsibility for risk management is determined in accordance with business responsibility. The ultimate responsibility for risk management lies with the Board of Directors, which sets risk management objectives, decides on risk management policy, organises risk management and monitors key risks. Business units and corporate functions are responsible for arranging for risk management to be monitored and reported as part of the company's other reporting activities. The company's internal audit function monitors the effectiveness of the risk management system.

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

Sponda's 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.

Key features of internal controls relating to financial reporting

The risk management in Sponda's financial reporting process is part of the Group's overall risk management and internal control. The company has defined the main features of its internal control using the international COSO model. The model has been used in defining the control



environment, risk assessment method and the applicable control measures. The internal control solutions adopted by the company also take into consideration its industry, the management of the Group as a single entity and the company form of ownership of properties.

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

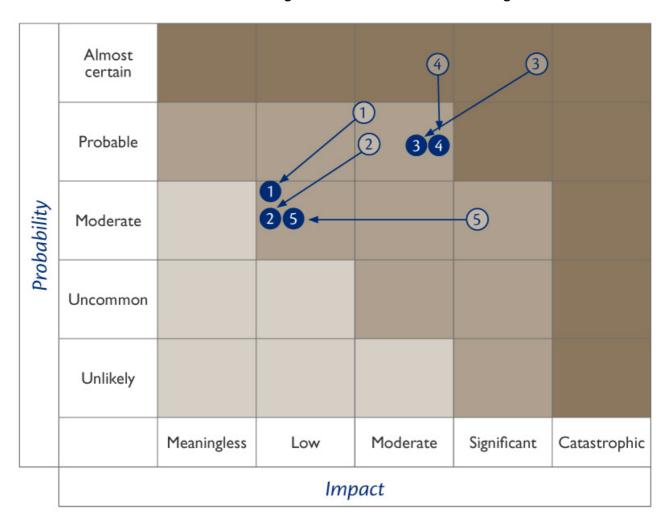
Main risks and risk management actions

Weaker availability of financing, interest rate fluctuations, a decline in economic occupancy rates resulting from a slowdown in economic growth and a loss of rental income due to tenant insolvency remain the most significant risks for Sponda's operations. With regard to Sponda's Russian business operations, the exchange rate risk and differences between Russian and Finnish legislation and the way the authorities operate in the two countries are the main factors causing risks and uncertainty.

Sponda's risk management was in line with its objectives in 2013 and no substantial risks materialised.

By implementing effective risk management measures, Sponda was successful in significantly reducing the probability of key risks materialising and mitigating their estimated effects.

Risk assessment for 2013 without risk management actions and after risk management actions





1. 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 also has a strong focus on customer relationship management and sales.

2. Decline in tenants' solvency

Sponda carries out regular checks to monitor tenants' solvency and changes therein. Most tenants submit a security deposit corresponding to three to six months' rent at the start of their tenancy. The company has a diverse tenant base representing a wide variety of sectors. Due to its broad tenant base, Sponda is not dependent on individual major clients.

3. Interest rate risk

Sponda mitigates its interest rate risk through fixed-interest loans and interest rate derivative contracts.

4. Exchange rate fluctuations

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 foreign currency denominated future net cash flows. The company's investments in Russia are mainly funded in euros from the parent company balance sheet.

5. 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 portfolio in Russia consists of high-quality properties in prime locations. According to Sponda's updated strategy, the company is planning to exit the Russian market within three to five years.

Strategic risks

Risks relating to the business environment

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

At the end of the year 2013 Sponda's economic occupancy rate was 87.9 per cent (2012: 88.1). The development of Sponda's economic occupancy rate of office properties was better than the market average.

Changes in the fair value of properties

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



Loss of rental income

In 2013, Sponda's ten largest clients accounted for approximately 30 (31) per cent of rental income. The loss or insolvency of one or several tenants may lead to a substantial loss in revenue for the company. The sustained vacancy of a property may also have a negative impact on the property value as well as the company's balance sheet and operating profit.

Sponda was successful in managing the risks relating to its tenants' solvency in 2013, despite the solvency of tenants in general becoming weaker during the year according to Sponda's estimate. Receivables from tenants increased slightly, but the amount did not reach a significantly high level, nor was cash flow weakened.

At the end of 2013, Sponda had a total of 3,037 (3,228) lease contracts and 1,984 (2,130) customers. The largest client sectors were retail, banking and the public sector.

Exchange rate risk from Russian operations and differences in property markets

Sponda's Russian properties are located in Moscow and St. Petersburg. At the end of 2013, Russian properties represented 8 (8) per cent of the company's balance sheet total. Differences in legislation and official practices between Russia and Finland may cause risks for Sponda's operations, but these risks did not materialise in 2013.

The exchange rate risk associated with the Russian business operations may have a negative effect on the company's profit, but exchange rate risk did not have a substantial effect on Sponda's cash flow in 2013. The impact of changes in exchange rates on the fair value of properties in 2013 was EUR -5.7 million.

According to Sponda's updated strategy, the company is planning to exit the Russian market within three to five years.

Risks relating to property development

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

Sponda manages the risks relating to property development by primarily requiring a minimum pre-leasing rate of 50 per cent before launching projects.

Due to the uncertainty in the business environment, Sponda assesses carefully the launching of new property development projects. In 2013, the company completed two significant property development projects in Helsinki: the Citycenter project in the central business district and an office building project in Ruoholahti. In addition, late in the year the company signed an agreement with Sweco Finland on an office complex to be constructed in Ilmala, Helsinki.

In 2013, Sponda invested approximately EUR 14.0 million in property development projects, and the company owned unbuilt land areas worth EUR 59.6 million.



Sensitivity analysis

Change in investment property fair value, M€ and %

	-10%	6	-5%	6	0%	5%		10%	1
	Change, M€	Change, %	Change, M€	Change, %	M€	Change, M€	Change, %	Change, M€	Change, %
Yield requirement	332	10.6	157	5.0	0	-143	-4.6	-272	-8.7
Rental income (contractual rents)	-85	-2.7	-43	-1.4	0	42	1.3	84	2.7
Maintenance expenses	85	2.7	42	1.3	0	-43	-1.4	-86	-2.8
Economic occupancy rate (1st year)	-25	-0.8	-13	-0.4	0	12	0.4	24	0.8

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

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

Operative risks

Property purchases and sales

Sponda is an active buyer and seller of properties. The risks related to these transactions are managed by implementing a diligent and exhaustive purchasing and selling process. No significant risks related to purchases and sales materialised in 2013.

Loss of competence and key personnel

Sponda's competitiveness is largely based on the company's skilled personnel and their professional expertise. In order to operate profitably, it is important for Sponda to invest in both its existing personnel – for example by training – as well as the recruitment of new competent personnel.

No significant risks related to competence and key personnel materialised in 2013.

Data security and information systems

Sponda must ensure that its information system solutions are based on business needs, and that data security risks do not materialise. No significant data security and information systems materialised in 2013.

Legal risks

Legal risks refer to Sponda not achieving the desired outcome in legal proceedings. No significant legal risks materialised in 2013.



Damage and asset risks

Environmental risks

Environmental risks refer to risks relating to soil contamination, building materials and property safety.

Sponda prevents environmental risks by determining the need for soil remediation and preparing remediation plans as necessary, taking a planned approach to property maintenance and selecting tenants appropriately. Sponda's own operations do not cause significant environmental risks

No significant environmental risks materialised in 2013.

Property damage

Risks related to property damage refer to the possibility of damage to Sponda's real estate or other property.

Sponda prevents property damage risks through the systematic maintenance of properties. The properties owned by Sponda are insured for their full value, as is customary in the industry. The insurance cover extends to interruptions to rental revenue.

There were no instances of significant property damage in 2013 that were not covered by insurance.

Personnel risks

Personnel risks refer to risks relating to the actions of the company's personnel and the risk of an external party engaging in misconduct against the company, its management or its employees.

Sponda prevents personnel risks through operating guidelines, monitoring, appropriate organisation and internal control. Sponda has insurance cover against personnel risks.

No significant personnel risks materialised in 2013.

Liability risks

Liability risk refers to the possibility that the company is held liable to pay compensation to an external party.

Sponda prevents liability risks through appropriate organisation, operating guidelines, maintaining a high level of expertise, service descriptions and contractual provisions.

No significant liability risks materialised in 2013.



Financing risks

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's main financial risks are interest rate risk, risks concerning access to financing, credit risk and exchange rate risk. The Group's treasury unit is responsible for managing financing risks.

Interest rate risk

Significant changes in market interest rates and margins may have a negative effect on Sponda's financial result and contribute to slower growth in the property business.

Fixed-rate loans and interest rate derivatives are used to reduce the effect of changes in the market interest rates. Sponda's has hedged against increases in interest rates by defining its hedge level as at least 60 per cent and at most 100 per cent. Due to its flexible operating model, Sponda has been able to keep its hedge level relatively high while simultaneously keeping its financial costs low. As a result, the interest rate risk did not materialise in 2013.

The average interest rate for Sponda's liabilities declined to 3.2 per cent during the year 2013 from 3.4 per cent at the beginning of the year.

Risks related to the availability of financing

Sponda actively analyses and monitors the status of the financial markets and takes a proactive approach to restructuring its liabilities to ensure that it maintains adequate liquidity to finance its operations and repay loans as they mature.

Risks related to the availability of financing are mitigated by using credit agreements of varying lengths, a broad financing base, credit limits and by maintaining the company's reputation as a reliable debtor.

Sponda has refinanced its loans in such a way that the next significant need for financing will arise in 2015.

According to Sponda's assessment, the risk related to the availability of financing was reduced in 2013. Sponda was successful in managing the risk, as evidenced by the financial arrangements concluded during the year.

Credit risk

Money market investments, derivative contracts and rent and trade receivables may cause a credit risk for Sponda.

To avoid counterparty risks, Sponda uses only financially solid banks with a good credit rating as counterparties in its money market investments and derivative contracts.

Sponda carries out regular checks to monitor tenants' solvency and changes therein. Most tenants submit a security deposit corresponding to three to six months' rent at the start of their tenancy. The company has a diverse tenant base representing a wide variety of sectors.

Exchange rate risk

Sponda 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 can affect Sponda's financial position. Sponda is exposed to currency risk as balance sheet items for foreign subsidiaries and revenue and expenses from properties are translated into the business currency of the parent company, euros.

Sponda's Russian companies receive their rents monthly in US dollars, in Russian roubles or in euros. The companies pay most of their expenses in Russian roubles. Sponda hedges foreign currency-denominated future net cash flows for a period of six months.



Financing and financial risk management

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

Managing financial risks

Sponda's financial risk management aims to minimise the unfavourable impacts of changes in the financial markets on the company's profits and cash flow. Risk management objectives and policy are set by the company's Board of Directors, which is also responsible for monitoring risk management. The company's main financing risks are interest rate risks, risks related to the availability of financing, currency risks and credit risks. According to Sponda's risk management policy, the hedging level of the debt portfolio's interest rate risk is at least 60 per cent and at most 100 per cent. At the end of 2013, the hedging level of the debt portfolio was 79 per cent.

Sponda's strengths in financial risk management include the active identification of risks and reacting to them, the company's reputation as a trustworthy debtor and the diversity of its financing instruments. The management of risks is also supported by the company's broad base of financiers. As in the previous year, the financier base was further strengthened in 2013 through a bond issue directed at institutional investors. The relative share of the total debt portfolio represented by bonds rose from 19 per cent to 26 per cent during the year.

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

- Interest cover ratio, which must be at least 1.75. At the end of 2013, the interest cover ratio was 3.1.
- Equity ratio, which must be at least 28 per cent. At the end of 2013, the equity ratio was 41 per cent.

The company's Russian business operations are subject to currency risks resulting from fluctuations in the exchange rate between the Russian rouble and the euro and between the US dollar and the euro. Sponda manages currency risks by hedging the foreign currency denominated cash flow from its Russian operations for six months in advance. No substantial exchange rate fluctuations occurred in 2013.

The company has SEK denominated loans, the currency risk of which is fully hedged with cross currency swaps.

Sensitivity to interest rate risk

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

	31 Dec 2013 31 Dec			31 Dec 2012
	Income statement	Fair value Reserve	Income statement	Fair value Reserve
One percentage point rise in market rates (M€)	-1.6	+23.8	-2.8	+16.7
0,1 percentage point fall in market rates (M€)	+0.4	-2.4	+0.2	-3.7

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

Treasury strategy

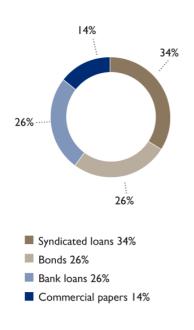
Sponda's treasury strategy is based on a broad base of financiers, a diversified range of financing instruments, a debt portfolio with evenly spread maturity dates, managed hedging of interest rate risks and good liquidity. The company aims to primarily finance its operations by arranging credit that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



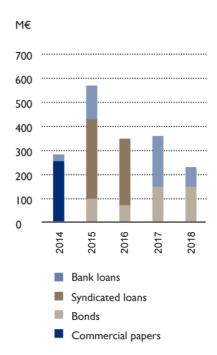
The company's interest-bearing loans consist of syndicated credit facilities totalling EUR 605 (2012: 675) million, bonds totalling EUR 473 (326) million, commercial papers totalling EUR 256 (251) million and loans from financial institutions totalling EUR 454 (485) million. The company maintains its liquidity and ensures the availability of financing with a EUR 350 million commercial paper programme and unused committed short-term credit limits. On the financial statements date for 2013, Sponda had unused credit limits of EUR 510 million.

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





Sponda Group, Loan maturities 31 Dec 2013



Financing in 2013

	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
Operating net cash, M€	106.5	112.8	99.2	102.6
Net cash used in investing, M€	-27.4	-75.3	-222.9	-39.5
Net cash used in financing, M€	-90.1	-34.4	123.6	-65.9
Cash flow from operations per share, €	0.40	0.40	0.37	0.37
Equity ratio,%	41	41	38	39
Interest-bearing debt, M€	1,788.8	1,736.2	1,754.8	1,572.6
Net financial expensies, M€	-59.8	-58.8	-75.6	-58,5
Cash and cash equivalents, M€	18.8	30.1	26.4	27.0
Average loan maturity, yrs	2.5	2.7	3.1	3.2
Average interest rate,%	3.2	3.4	4.0	3.8
Average fixed interest rate period, yrs	2.3	1.9	2.2	2.2



Interest cover ratio	3.1	2.8	2.7	3.0
Hedging,%	79	72	77	84
Mortgaged loans	144.8 M€ ie. 4.2% total balance 141.8 M€ sheet	ie. 4.0% total balance140,4 M€ ie. sheet	4,1% total balance 141,1 M€ ie. 4 sheet	,6%total balance sheet
Gearing,%	126	118	135	129

Main financial arrangements in 2013

Sponda carried out four significant financial arrangements in 2013. The funds received were used to repay existing debts and were also directed to the Group's other general financing needs.

In June 2013, Sponda redeemed the remaining EUR 92.8 million of a hybrid bond issued in June 2008 with an original notional value of EUR 130 million. In December 2012, Sponda issued a new EUR 95 million hybrid bond, which coincided with the repurchase by a public tender offer of a notional amount of EUR 37.2 million of the hybrid bond originally issued in 2008. In conjunction with the repurchase, Sponda announced that it aims to redeem the remaining principal balance of EUR 92.8 million in June 2013. After this transaction, the company's only outstanding hybrid loan is the EUR 95 million hybrid bond issued in December 2012.

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 extended the loan, which was originally set to mature in spring 2014, until spring 2018.

In October 2013, Sponda issued a EUR 150 million senior unsecured bond. The five-year bond matures in October 2018 and carries a fixed annual coupon at the rate of 3.375 per cent. Danske Bank and SEB acted as joint lead managers and bookrunners for the transaction.

Sponda signed two credit agreements in December 2013. The loan agreement signed with Nordea Bank Finland is 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 second agreement, signed with Danske Bank A/S, Helsinki branch, is for an unsecured five-year credit limit of EUR 100 million. The arrangement extended the credit limit, which was originally set to mature in June 2014, until December 2018.

The diverse financing arrangements carried out in 2013 and the unused credit limits of approximately EUR 510 million on the financial statements date are strong evidence of Sponda's good creditworthiness in the market. The key covenants associated with Sponda's financial arrangements are also safely above the minimum requirements stipulated by the credit agreements. On the financial statements date, the interest cover ratio was 3.1 (covenant at 1.75) and the equity ratio was 41 per cent (covenant at 28 per cent).

Prospects 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.



Sponda as an investment

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

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

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

Sponda's property portfolio comprises a broad selection of office, shopping centre and logistics properties. The company aims to maximise cash flow from operations through active management of the existing property portfolio. The company has a considerable land bank and numerous potential sites for property development.

Shares and share ownership

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

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

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.

At the end of 2013, Sponda had a total of 9,373 shareholders. Nominee-registered and foreign shareholders accounted for 50.2 per cent of these.

Annual General Meeting

The 2014 Annual General Meeting of Sponda Plc will be held in the Helsinki hall at Finlandia Hall (Mannerheimintie 13 e, Helsinki, door M4 and K4) on Wednesday, 19 March 2014, starting at 2.00 pm. Instructions for registering for the AGM are given on Sponda's website, Investors pages.

To attend the meeting, shareholders must be entered in the company's shareholder register maintained by Euroclear Finland Ltd no later than 7 March 2014.

Dividend payment

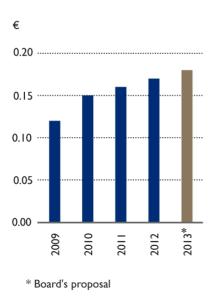
The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.18 per share be distributed for the 2013 financial year. The dividend approved by the AGM will be paid to shareholders registered in the company's shareholder register maintained by Euroclear Finland Ltd on 24 March 2014, the record date confirmed by the Board. The Board proposes to the Annual General meeting that the dividend be paid at the close of the settlement period on 31 March 2014.



Changes of name and address

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

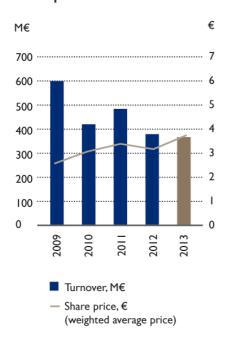
Dividend per share



Sponda share price compared to indices



Share price and turnover





Financial information 2014

Sponda will publish its interim reports in 2014 on the following dates:

Interim report January–March 2014 on Wednesday 30 April 2014

Interim report January–June 2014 on Friday, 1 August 2014

Interim report January–September 2014 on Tuesday, 4 November 2014

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

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Sponda's Investor Relations

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

Sponda's Board of Directors is responsible for the publication of the company's interim and annual financial statements. The President and CEO, the Chief Financial Officer and the Senior Vice President, Corporate Communications and IR are responsible for communications with Sponda's investors. The quiet period begins three weeks before the publication date of the financial results. This means that Sponda does not issue comments during this period and does not meet with representatives of the capital markets.

Information on the banks and stockbrokers who have announced that they conduct investment analyses of Sponda's business operations is provided on the company website. The list may be incomplete and Sponda takes no responsibility for the assessments contained in these analyses.

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Business premises of the future provide experiences

Openness, mobility and different types of spaces for different purposes – these are the ingredients of the business premises of the future. Sponda wants to provide its customers with business premises that can be adapted.

The business premises of the future will be flexible and versatile as the significance of the workplace as a social meeting place increases. As work becomes more mobile and moves outside the office, the workplace will increasingly become a meeting place and a base of operations. Open plan offices and openness are of the essence, with offices designed to be comfortable and experience-oriented environments where people want to come and work. The eco-efficiency of business premises will also be an important recruitment advantage.

These views were highlighted in the Business Premises of the Future 2030 survey conducted by Sponda to assess its customers' thoughts on the future of working life and business premises. The most significant changes identified by the respondents were the increase in open plan offices (42 per cent of respondents considered this change likely) and working outside the office (40 per cent).

Changes in the ways people work are reflected in business premises

Many of the future trends related to business premises are closely interlinked. Changes in how work is performed, the design of business premises that support different ways of working and technological development all feed each other.

For example, 90 per cent of the respondents considered it likely that, in the future, there will be more external people working on the same premises. Networking between different companies and industries requires more room for collaboration (88 per cent), but, at the same time, there will be a growing need for quiet space for work that requires concentration (86 per cent).

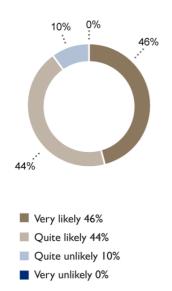
Technological development plays a key role in how people work. Some 54 per cent of respondents emphasised its significance to the increase of remote work, while 42 per cent highlighted its role in increasing the use of videoconferencing.



Also the point of view of the environmental responsibility will increase its importance in the future. For example, 46 per cent of the respondents considered it likely that, the energy efficiency of the buildings will become important criteria in choosing office premises. In addition, eco-efficiency of the business premises is believed to become one of the valuable assets in a recruitment process (60 per cent).

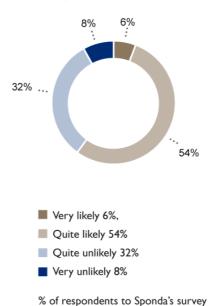
The most significant criteria for the choice of a business premises partner included cost-effectiveness, the availability of a diverse range of premises, flexibility and the continuous development of operations in partnership with the customer. By responding to these wishes, Sponda creates the conditions for its customers' success.

There will be more external people working on the same premises

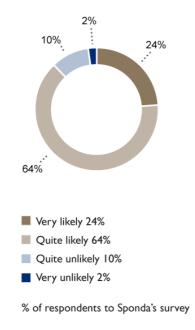


% of respondents to Sponda's survey

The eco-efficiency of business premises will become an increasingly important advantage in recruitment

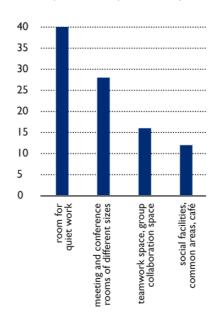


The office of the future will need more room for collaboration



What types of premises do offices need to support future ways of working





Business Premises of the Future 2030 survey

- The survey assessed the views of Sponda's customers on what kinds of business premises people will work in 2030.
- The data was collected by means of telephone interviews in September 2013.
- · A total of 50 respondents took part.





Green walls and solar panels

What do grasshoppers, green roofs and solar panels have to do with offices? WWF Finland's Helka Julkunen believes that the office of the future will be much more ecological than today's.

When arriving at work in the morning, you park your electric car in front of the building and leave the battery to charge during the day. Being the first person on your floor today, you see the energy-efficient LED lighting in the open-plan office turn on automatically as you enter the room. You choose a workstation for the morning hours in a space intended for quiet work.

Before lunch, you step into the washroom to wash your hands. The water is heated by solar panels installed on the roof of the building. They do not, however, take up all the space on the roof. There is plenty of room reserved for a pleasant garden with decorative and edible plants as well as a lunch café. The source of protein for today's lunch is toasted grasshoppers, with a side of vegetable casserole flavoured with herbs grown in the roof garden.

After lunch, you return to the office for an afternoon meeting. The meeting room is quite full, but it stays comfortably cool as the heating is adjusted automatically as the body heat of the people in the room warms up the space.

The people who use the premises need support and instructions for making ecological choices.

All this will be reality for offices at some point in the future, says **Helka Julkunen**, Head of Green Office, WWF Finland.



Advances in housing solutions support ecological choices

The majority of the environmental load of offices today is caused by energy consumption, commuting and purchasing.

"In the Helsinki Metropolitan Area, office properties represent almost 50 per cent of total energy consumption. How this energy is generated matters a great deal. Solar panels and geothermal heat can provide a substantial reduction in the amount of energy consumed for heating water, for example. The need for cooling energy can be reduced by green roofs and walls, which also improve comfort and urban air quality while supporting biodiversity," Julkunen points out.

Advances in housing solutions can lead to significant improvements in energy efficiency and energy conservation. The sensors in smart buildings are used to automate a variety of things, such as turning on lights or adjusting heating.

However, not everything can be automated: the people who use the premises need support and instructions for making ecological choices.



"Not all organisations have environmental experts, which means that companies in the property sector will play an increasingly important consultative role in matters such as their client organisations' purchasing and property use," Julkunen adds.

The eco-office of the future

- Energy consumption is reduced and made more efficient by renewable energy generated on-site, green walls and roofs, and advanced housing solutions.
- Offices are located within close proximity to public transport, and commuters also use electric cars and bicycles. The employer supports opportunities for remote work, or the use of office business centers closer to the employee's home. The use of virtual meetings reduces the need for physical travel.
- Purchasing is guided by responsibility: the reuse of materials is increased, furniture is manufactured from certified wood, and the lunch café promotes vegetarian food.



From the personal workstation to a work community that changes from day to day

Remote work is increasing, the significance of creativity and innovation is growing, and e-commerce is breaking down the structures of traditional retail. How will these trends affect the working environments of the future?

Multispace offices with various spaces for different types of work have been growing in popularity for some time, and they are set to remain a feature of future work environments. According to Sponda's Regional Manager **Joona Reunanen** and Property Development Project Manager **Aleksi Lounamaa**, however, the adaptability of workspace will be taken even further.

"Instead of having a fixed division of the office into areas for different types of work, employees will have the opportunity to adapt their workspace as needed. For example, lightweight movable partitions can be used to create a temporary space in an open office for a team meeting. Flexible solutions combine the multispace office approach with efficient use of premises," Reunanen says.

Flexible solutions combine the multispace office approach with efficient use of premises.

Advances in information technology have liberated work from the constraints of time and place, but this does not mean that offices will become unnecessary in the future. The concept of the office, however, will become expanded.

"Remote work will be mobile. Instead of commuting to the employer's premises every day, employees can choose the option that best suits them, such as a office business center. Office business centers can also become new hubs for entrepreneurs, where new contacts and the mutual exchange of knowledge and information create opportunities for creativity and innovation," Lounamaa explains.



By giving up the idea of the personal workstation, even more traditional offices can support a new kind of productivity: hierarchies are flattened, the exchange of information is increased and room for new ideas is created.



Work and residential space under one roof

Lounamaa and Reunanen both believe that city centres will become increasingly attractive as both working and residential environments. The densification of the urban structure will create pressures to make effective use of space. Could the office of the future serve a dual purpose, perhaps becoming a restaurant or exercise room in the evenings?

"It is unlikely that the flexibility of premises will go quite that far, as different uses place different demands on building services. A more likely direction is the development of complexes with residential units on the upper floors, office space in the middle, and retail space on the lower levels. With different types of premises under one roof, these centres will be active and attractive around the clock. This is something that new shopping

centres are already aiming for," Lounamaa says.

While some are already concerned that the growth in online commerce will hurt traditional retail, Reunanen does not expect shopping centres to go away. Nevertheless, just like offices, their meaning will change.

"Entertainment centres are all about experiences: people come to spend time, meet friends and engage in hobbies. People also have a need for visual and sensory stimuli. The online store may also be combined with physical retail space: shops can turn into showrooms where only a proportion of the products are on display, with customers ordering the desired colour and size by using an online application and scanning a code in the showroom," Reunanen suggests.

What will happen to working environments in the future?

- Multispace offices will change: one office can be adapted according to needs—for example, by using movable partitions—and
 instead of commuting to the employer's premises every day, employees will choose a virtual office that is appropriate for them.
- The online store will be combined with physical retail space: shops will turn into showrooms where consumers will examine products hands-on before deciding to buy them. The product is then ordered online and delivered to the home.
- The working environment is linked to other areas of life: large building complexes in city centres will house residential units, office premises and retail space, which makes them active and lively around the clock.





Creativity in spatial design

Sponda sought new perspectives and wild ideas for redesigning the reception and basement premises of its head office by teaming up with students in Spatial Design from Aalto University. The designs developed in the collaborative project will be used as the basis for the implementation of meeting places that promote creativity as well as space for quiet work at the head office.

The designs from the students represented a broad range of approaches, with their emphases varying from atmosphere and adaptability to efficiency at work. Spatial design students **Angela Lin** and **Madeleine Walcher** described their team's approach as a human perspective that combines comfort with functionality.

"The way we worked on the project reflects the premise of our spatial design. We combined stretches of independent work with team meetings to generate ideas and evaluate the direction of our designs. We wanted to create a dynamic space that supports both of these two different working methods," Lin says.

In the future, the importance of collaboration will be increasingly highlighted and the space will become more personalised

"Our proposal could be compared to a café where you can work independently at your own table while being surrounded by other people," Walcher adds.

The objective was to design a comfortable space with a pleasant atmosphere that combines Sponda's visual identity with Finnish aesthetics.



From uniform business premises towards diversity

The students believe that, in the future, business premises will increasingly reflect organisations' individual needs and ways of working. This will involve a move from uniform offices featuring similar layouts and furniture to more flexible designs.

"The space must support efficiency from the employee's perspective, not just the perspective of the company's operations. Spatial design is moving from a fixed and permanent space towards a dynamic process that responds effectively to changes. The focus is on the opportunities provided by the space and how to best utilise them," Lin says.

"In the future, the importance of collaboration will be increasingly highlighted and the space will become more personalised. Technological development will also have an impact on how work is performed, which will affect spatial design," Walcher continues.



Walcher and Lin agree that the work of spatial designers is also becoming more cross-disciplinary: some projects may require graphic design skills, while another may emphasise the perspective of service design or interior design. This will lead to a greater focus on collaboration in spatial design, with experts in different fields working as a team.

The future of spatial planning

- Diverse: Business premises are becoming increasingly diverse and personalised in order to support different operational models.
- Dynamic: Spatial design will no longer see space as something that is fixed and permanent, but rather as something dynamic where the focus is on the opportunities provided by the space.
- Cross-disciplinary: The spatial designer's expertise will expand in new directions such as graphic design, service design and interior design.



Responsibility as part of Sponda's strategy

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

Responsibility and strategy

Sponda's goals include increasing shareholder value, ensuring the sustainability of operations and continuously developing the company. Responsibility is an integral part of Sponda's strategy and day-to-day operations. Spondability communicates the holistic approach to responsibility.

Sponda's vision, which guides the implementation and development of its responsible operations, is to be the most reliable, profitable and responsible player in the real estate sector, implementing sustainable development. In fact, the company has highlighted the development of the customer experience and environmental responsibility as strategic focal points in its business development.

Increasing environmental requirements

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

Sponda believes that, in the future, client companies will increasingly focus on the life cycle environmental impact of their business premises. Sponda is preparing for these future challenges already today by investing in improving its environmental expertise and developing solutions that promote the well-being of the environment.

Environmental requirements are highlighted in Sponda's property development operations as well as property maintenance. In addition, Sponda supports its customers in more energy-efficient and environmentally sustainable use of premises.

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

Developing the customer experience

Sponda aims to achieve competitive advantage and identify the best ways of working from the customer's perspective through its Customer Experience Management (CEM) process. The company aims to be a trustworthy property partner that offers each customer premises that are precisely tailored to their needs and an effective customer relationship. In customer relationships, the goal is to achieve a long-term interactive partnerships.

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

Managing responsibility

Environmental responsibility and managing the customer experience are strategic priorities for Sponda and the company has set annual targets and defined key actions for them. The Executive Board and the Board of Directors regularly monitor the achievement of targets and implementation of actions. The major challenges in achieving the targets set for environmental responsibility are related to the reduction of environmental impacts during the use of buildings. Co-operation with customers in order to mimimize energy consumption is vital, as the company's properties are used by over 30,000 individuals.



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

Reliable work with stakeholders

Sponda has several stakeholder groups who all have different expectations of Sponda. The company strives to meet these expectations in accordance with its values and procedures. The aim is active and open dialogue, based on reliability and integrity.

The table below summarises Sponda's key stakeholders, their expectations of Sponda and the measures Sponda takes to meet these expectations. For additional information on stakeholders, see the company website.

Stakeholder group	Expectations towards Sponda	Sponda's actions
	Permanent employment and stable income Safe working conditions Being informed of matters concerning the company Opportunities for personal development at work Equal and non-discriminatory treatment Open communication Good reputation	Offering good work opportunities Good opportunities for training Effective internal communications and an atmosphere of open dialogue Ensuring occupational health and safety Appraisal discussions and job satisfaction surveys Equal and non-discriminatory treatment of employees
	 High-quality energy-efficient business premises Facility services Good customer service Taking environmental responsibility into consideration Long-term partnerships 	 Offering practical, adaptable and energy-efficient business premises Developing customer service channels and services Maintaining regular contact with customers Creating the conditions for long-term partnerships Guiding customers towards operations that conserve energy and the environment
	Dividend yield Risk management Responsible and transparent operations Increase in shareholder value Reliable information on the company	 Highly competent rental organisation Competitive dividend policy Reliable and transparent financial reporting Identification of risks and reaction on them
Financiers	Achieving financial targets	Effective management of financial risks Maintaining a reputation as a responsible debtor
Subcontractors	 Equal treatment of subcontractors Adherence to agreements Long-term subcontractor relationships 	 Effective purchasing and quality processes Monitoring and steering the work and quality of subcontractors
Media	Active, open and responsive communications Reliable information on the company	Timely, reliable and open communications Developing and expanding communications channels
Society and the authorities	 Compliance with legislation and other regulations issued by the authorities Responsible and transparent operations Paying taxes 	 Monitoring legislative developments and introducing the company's perspective to the discussion Participation in the development of cities Improving the energy efficiency of business premises Providing jobs
Organisations	 Participation in the activities of industry organisations Dialogue 	 Active involvement in various organisations Developing the industry in partnership with industry organisations
Other stakeholders, such as educational institutions and various research and development organisations	Providing opportunities for internships and thesis writing Participation in the industry's research and development activities	 Providing study opportunities to students in the field of real estate Joint projects with educational institutions in the field of real estate

Sponda's responsibility priorities

Sponda has defined seven responsibility priorities, the implementation and development of which will be particularly focused on in the company's operations. The priorities are based on the company's strategy and, in particular, on its strategic areas of focus related to customer experience and environmental responsibility.

The purpose of the responsibility priorities is to support the development of Sponda's operations from the perspective of sustainable development. Sponda monitors the achievement of its responsibility objectives and the relevance of the priorities annually.

Sponda's responsibility priorities are:

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

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

Responsibility targets and actions

Improving energy efficiency and reducing the carbon footprint

Targets 2013	Results 2013	Targets 2014
The comparable consumption of electricity, heating, cooling and water will decline in properties in Finland.	The energy consumption of properties owned by Sponda in Finland decreased by 2.6 per cent. The measured heating energy consumption of comparable properties decreased by 7.9 per cent. The total electricity consumption of comparable properties decreased by 3.4 per cent, water consumption declined by 4.7 per cent and cooling energy consumption increased by 17.1 per cent compared to 2012.	The comparable consumption of heating and water and the combined effect of the consumption of electricity and cooling will decline in properties in Finland.
Developing a metrics strategy in 2013.	A metrics strategy was developed for Sponda's properties to support the monitoring of consumption.	Implementation of guidelines for the use of metrics.
Renewable energy sources research project and implementation of an application in 2013.	The renewable energy sources research project was carried out.	Starting a renewable energy sources demo project in 2014.
The consumption figures of Sponda's head office (electricity, heating, district cooling and water) will be reduced.	In 2013, Sponda's head office's electricity consumption increased by 0.8 per cent, (standardised) heating consumption declined by 3.2 per cent and district cooling increased by 8.4 per cent. Water consumption at the head office decreased by 19.8 per cent compared to 2011. The 2012 water consumption figure for the property is not comparable.	The consumption figures of Sponda's head office (electricity, heating, district cooling and water) will be reduced.
Energy consumption will decrease in three properties in Russia.	Overall electricity consumption at the Russian office properties decreased by 3.6 per cent and	Energy and water consumption will decrease in three office properties in Russia.



	heating consumption decreased by 9.8 per cent.	
Environmental certification for one newly constructed building.	Sponda obtained LEED® Gold Environmental Certification for its Ruoholahden Ankkuri office building, which was completed in spring 2013.	Environmental certification work will continue and preliminary analyses will be conducted for new projects.
Certification work will continue and preliminary analyses will be conducted for new projects.	Six certification processes were under way at the end of 2013.	

Material efficiency

Targets 2013	Results 2013	Targets 2014
The waste recovery rate at Sponda's properties in Finland will increase to ≥ 86%.	The waste recovery rate at Sponda's properties in Finland increased to over 87% at the end of 2013.	The waste recovery rate at Sponda's properties in Finland will remain at the level of 87 per cent, the same as at the end of year 2013.
More environmental partnerships will be formed and action plans will be actively implemented.	The number of Environmental Partnership agreements increased from 15 to 20.	The number of Environmental Partnership agreements will be increased from 20 to 22.
The volume of office waste at Sponda's head office will be reduced.	The volume of office waste increased slightly compared to 2012 due to paper waste generated by the disposal of archived materials in conjunction with internal relocations.	The volume of office waste at Sponda's head office will be reduced.

Enhancing the customer experience

Targets 2013	Results 2013	Targets 2014
Developing and measuring operations in line with the customer relations strategy.	The customer relations strategy focused on developing the customer experience in all stages of the customer relationship.	
Improving the effectiveness of customer communications at Sponda-owned properties.	Sponda began piloting an information screen system for office properties and expanded its extranet service.	Developing the electronic customer service environment.
Investing in customer data management (CRM system renewal).	A CRM system development project was launched in conjunction with the company's ERP project. Sponda introduced new survey tools, which enable data collection through the different stages of the customer relationship.	Developing customer data management and, in particular, ensuring the successful deployment of the CRM solution. Developing the collection and utilisation of customer feedback as part of customer data management.
Continuing service innovations.	Sponda developed a property presentation application for tablet devices to support sales. Sponda also began piloting an information screen system for office properties.	Assessing and leveraging new service innovations.

Investing in employees

Targets 2013	Results 2013	Targets 2014
Tools are developed to better support the work of the personnel and the attainment of objectives.	To improve the effectiveness of mobile work, Sponda implemented a tablet-based property presentation application that improves customer service capacity, particularly for those working at the customer interface. The development and	The development of tools and systems will continue to support the work of the personnel and the attainment of objectives.



	specification work for the new ERP system continued.	The development of internal operating
		models to improve the effectiveness of sharing best practices, knowledge and expertise.
The working environment is developed together with the personnel so that it will better support their work and assist in reaching the company's goals.	The development of the working environment was commenced through student cooperation with Aalto University.	The development of the working environment will continue together with the personnel so that it will better support their work and assist in reaching the company's goals.

Property locations

Long-term objectives	Results 2013
Increasing the share of shopping centres and office properties in the company's property portfolio.	The Ruoholahden Ankkuri office building was completed in Helsinki's Ruoholahti district and the development project of Citycenter shopping centre was completed in the Helsinki central business district.
Developing the property portfolio by concentrating on prime areas and locations with good public transport links.	According to its strategy revised in autumn 2013, Sponda's geographical focus will be on prime areas in the Helsinki metropolitan area, particularly in the central business district and Ruoholahti, as well as Tampere.

Transparency in operations

Targets 2013	Results 2013	Targets 2014
Capital Markets Day for investors in 2013.	Sponda organised a Capital Markets Day for investors. At the event, the company's financial situation and future prospects were reviewed along with the impacts of economic development on changes in the operating environment.	
Activating customer dialogue in customer meetings and all customer service channels.	Sponda developed its customer communication through measures including the development of processes and service channels as well as new service innovation.	Increasing customer dialogue in customer meetings and all customer service channels.
	Sponda reported for the first time on the most significant taxes and tax-like payments associated with its operations.	

Taking the industry forward

Long term objective

Sponda promotes best practices in the real estate industry by participating in the projects and organisational activities of the Finnish Association of Building Owners and Construction Clients (RAKLI) and EPRA, the umbrella organisation for listed European property investment companies, among others.



Improving energy efficiency and reducing the carbon footprint

Construction and completed buildings are responsible for more than 40 per cent of Finland's total energy consumption. Sponda recognises this and pays particular attention to the energy efficiency of its properties and the carbon footprint caused by energy consumption.

The key aspects of the priority are:

- · The consumption of heat, electricity and water in buildings
- · Property development
- · Increasing environmental awareness among clients and employees

Why is this a priority?

The European Union has made a commitment to reduce its greenhouse gas emissions by 20 per cent from 1990 levels by 2020. The EU has a further target of reducing emissions by 80–95 per cent by 2050. In 2021, all new buildings must meet near zero energy standards.

Improving the energy efficiency of buildings and reducing emissions therefore plays a key role in achieving these aims. Sponda strives to reach the EU targets through its own operations and through co-operation with clients. Energy efficiency is an important consideration in all of the company's property development projects as well as renovation and maintenance operations.

Every day approximately 30,000 people work in premises owned by Sponda. As tenant activity causes up to 60 per cent of the total energy consumption of a building, co-operation between the landlord and tenant is of crucial importance in reducing energy consumption. Sponda encourages its clients to be energy efficient and to take environmental aspects into consideration in the use of properties. The company also provides guidance to its clients on energy efficiency and environmentally friendly building use.

For Sponda's properties located in Finland, environmental monitoring includes the collection of information on energy and water consumption, as well as waste management volumes¹⁾. For office properties in Russia, the consumption of electricity and water are monitored. There is a certain degree of annual variability in Sponda's property holdings due to sales and purchases, which affects the comparability of the annual environment figures.

Environmentally responsible property development

At Sponda, new construction, property renovation and the design of low-energy office buildings are all subject to the company's design guidelines, which in many ways are more extensive than generally applied standards and regulations. The design guidelines are reviewed and updated annually. They help the company develop adaptable and energy efficient properties that offer functional working environments.

Sponda pays particular attention to environmental requirements in its property development operations. Sponda applies for international environmental classification, an environmental certificate, for all new buildings and major renovation projects.

Sponda's Energy Efficiency Programme is aimed at conserving energy

The energy efficient use of properties is supported particularly through Sponda's Energy Efficiency Programme, which is aimed at achieving energy savings in co-operation with clients. The properties included in the programme carry out an energy review to determine the energy consumption of each property and to examine the technical systems relating to energy consumption. Based on these reviews, adjustments and repairs are made at the properties in line with their use requirements.



Energy-saving goals and measures for achieving them are set individually for each property in cooperation with the users. Developments are then monitored in regular meetings with clients. Sponda's partners Ovenia Oy and Corbel Oy are responsible for property maintenance operations and for collecting and monitoring energy consumption data.

The cost savings achieved through the Energy Efficiency Programme are reinvested in the property. The programme initially aims at energy savings of 10 per cent by 2016. The long-term goal is to achieve a 20 per cent saving in energy consumption by 2020. Sponda's progress with respect to the programme and its targets has thus far been on schedule.

Environmental information for employees

The environmental expertise of employees is improved with the help of WWF's Green Office programme. Environmental awareness is increased through an annual Green Day event, internal training events as well as Green Office tips published regularly on the company intranet and Sponda's Facebook page.

Sponda's employees are encouraged to make ecological choices through a company car policy that supports low-emission options. Employees are also provided with company bicycles. As part of Sponda's Green Office environmental programme, employees are also trained in economical driving.

1) Energy consumption monitoring extends to all properties for which Sponda is responsible for energy purchasing. This applies to 85 per cent of all properties. Cooling is monitored separately for those properties that use district cooling. If cooling is performed locally by compressors, it is included in electricity consumption.

Objectives and measures

Objectives for 2013

The environmental load of Sponda's properties in Finland:

- · The comparable consumption of electricity, heating, cooling and water will decline in properties in Finland
- · Developing a metrics strategy in 2013
- Renewable energy sources research project and implementation of an application in 2013
- · The consumption figures of Sponda's head office (electricity, heating, district cooling and water) will be reduced

The energy consumption of Sponda's properties in Russia:

· Energy consumption will decrease in three office properties in Russia

The environmental classification of buildings:

- · Environmental certification for one newly constructed building
- · Certification work will continue and preliminary analyses will be conducted for new projects

Measures taken in 2013

New properties covered by Sponda's Energy Efficiency Programme

At the end of 2013, Sponda's Energy Efficiency Programme covered 109 (2012: 107) properties. Five properties divested during the year were omitted from Sponda's Energy Efficiency Programme. A total of 24 real estate funds' properties managed by Sponda joined in their own Energy Efficiency Programme in 2013, and at the end of the year the programme covered 34 properties in total.



The properties covered by Sponda's Energy Efficiency Programme continued to carry out reviews, implement energy saving measures and monitor consumption in accordance with property-specific action plans.

In 2013, a metrics strategy was developed for Sponda's properties to support the monitoring of consumption. The company aims to apply the metrics specified by the strategy to its new construction projects and significant renovation projects.

In 2013, Sponda carried out the Renewable energy sources research project with the aim of using geothermal heat exclusively for the energy generation at one Sponda property. The plan is to start the demo project in 2014.

Energy consumption of Sponda's properties decreased

The energy consumption of the Finnish properties owned by Sponda decreased in 2013 by 2.6 per cent. The measured heating energy consumption of comparable properties was down by 7.9 per cent from the previous year. However, weather-adjusted heating energy consumption was 2.2 per cent lower than the year before. The total electricity consumption of comparable properties decreased by 3.4 per cent, water consumption declined by 4.7 per cent and cooling energy consumption increased by 17.1 per cent compared to the year 2012.

In 2013, the carbon footprint caused by the total energy consumption of all of Sponda's properties in Finland was 5.5 per cent lower than in the previous year.

Sponda aims to reduce the energy consumption of its properties also in Russia. In 2013, the electricity consumption of Sponda's office properties in Russia decreased by 3.6 per cent and heating consumption decreased by 9.8 per cent. From the year 2014 Sponda monitors electricity and water consumption of its office properties in Russia.

Sponda also aims to actively reduce the energy consumption and other environmental loads of its head office in Helsinki. In 2013, head office's electricity consumption increased by 0.8 per cent, (standardised) heating consumption declined by 3.2 per cent and district cooling increased by 8.4 per cent. The water consumption of the head office decreased by 19.8 per cent compared to the year 2011. The year 2012 water consumption figure of the property is not comparable.

Sponda signed its first Green Lease agreement

Sponda and Nordea Bank's branch at Kaivokatu 12 in Helsinki signed a Green Lease agreement in 2013. Under the new lease model, Sponda agrees with the client on joint objectives and a compensation model to encourage the use of environmentally friendly solutions and the reduction of energy consumption at the premises used by Nordea's branch. A further goal is to reduce the amount of waste generated at the property and to increase the recovery rate of waste to 90 per cent.

Sponda encourages its customers to conserve energy also in its Environmental Partnership Programme, which aims to reduce the environmental load caused by the use of buildings through joint efforts. At the end of 2013, Sponda had 20 Environmental Partnership agreements (15 at the end of 2012). The number of agreements was thus increased in line with the objectives in 2013.

The Extranet service for customers provides guidance on energy efficient operations and waste sorting, and also includes news on the progress of the Energy Efficiency Programme. Customers can also use the service to monitor the energy consumption of their property on a monthly basis.

LEED® certification granted to the Ruoholahden Ankkuri office building

Sponda obtained LEED® Gold Environmental Certification for its Ruoholahden Ankkuri office building, which was completed in spring 2013. The building received an especially good score for its efficient use of energy. Talentum Plc is the main tenant of the office building located at Itämerenkatu 23 in the Ruoholahti district of Helsinki.

In addition, three environmental certificates for existing buildings were updated in 2013:

- BREEAM® In-Use certificate for the Ducat II office building in Moscow
- BREEAM® In-Use certificate for the Ruoholahden Tähti office building in Helsinki
- · BREEAM® In-Use certificate for the PortGate office building in the Port of Vuosaari



Sponda has already obtained a total of eight international environmental certificates, with a further six certification processes under way at the end of 2013.

Objectives for 2014

The environmental load of Sponda's properties in Finland:

- The comparable consumption of heating and electricity and the combined consumption of electricity and cooling in Finnish properties will decline
- The adoption of the measurement guidelines
- The launch of the renewable energy sources demo project
- The consumption figures of Sponda's head office (electricity, heating, district cooling and water) will reduce

The energy consumption of Sponda's properties in Russia:

· The consumption of electricity and water will decrease in three Russian office properties

The environmental classification of buildings:

· The environmental certification work will continue and preliminary analyses will be conducted for new projects

Electricity, heat, water and cooling consumption of Sponda's properties in Finland / Gross floor area, GFA, m²

	2013	2012	2011
Electricity, kWh/GFAm²	117.8	115.7	105.1
Heat, normalised, kWh/GFAm ²	111.1	108.0	118.9
Water, ltr/GFAm ²	236.1	216.9	255.7
Cooling, kWh/GFAm ²	33.4	24.0	29.5

Electricity, heat, water and cooling total consumption of Sponda's properties in Finland

	2013	2012	2011	Change 2012-2013, %
Electricity, all properties, MWh	188,150	198,358	204,622	-5.1
Electricity, comparable properties, MWh	168,141	174,039		-3.4
Heat, normalised, all properties, MWh	180,535	179,070	190,581	0.8
Heat, normalised, comparable properties, MWh	154,010	157,490		-2.2
Water, all properties, m3	379,798	357,062	408,114	6.4
Water, comparable properties, m3	258,560	271,362		-4.7
Cooling, all properties, MWh	9,946	5,052	7,377	96.9
Cooling, comparable properties, MWh	3,688	3,149		17.1



Energy and water consumption of Sponda's properties in Finland by main segments

	Office pro	perties	Shopping	centres	Logistics properties		
	consumption	specific consumption /GFAm²	consumption	specific consumption /GFAm²	consumption	specific consumption /GFAm²	
Electricity, MWh	116,994	117.4	23,007	237.8	47,496	100.3	
Heat, measured, MWh	98,874	102.6	18,441	136.4	42,794	87.8	
Heat, normalised, MWh	109,269	113.4	20,179	149.2	46,855	96.1	
Water, m3	235,710	250.0	68,447	506.2	72,318	146.0	
Cooling, MWh	5,341	22.2	4,605	81.6		-	

Carbon footprint arising from energy consumption of Sponda's properties in Finland

		Electricity	1		Heating			Cooling	3		Total	
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012 ^{(*}	2011 (*
CO2 emissions in total (tonnes)	39,323	41,457	16,984	27,044	28,603	27,642	617	326	513	66,984	70,871	45,807
CO2 emissions (kg/GFAm²)	24.7	24.2	8.8	16.4	17.1	17.4	2.1	1.5	2.3	40.1	42.8	25.9
Property quantity (pcs)	146	155	152	144	152	148	19	12	10	148	158	155

^{*)} The combined carbon footprint for 2011 and 2012 also includes emissions from fuel consumption.

Estimates of the carbon footprint from energy consumption in properties in 2011 are based on the emission factors reported by energy companies for 2011. The footprint calculations of 2012 and 2013 are based on emission factors for 2012.

The carbon footprint for 2011–2012 involves a significant deviation with regard to electricity due to a change in the calculation method implemented by Helsingin Energia.

Carbon footprint of Sponda's properties in Finland by main segments

	Office properties	Shopping centres	Logistics properties
CO2 emissions in total (tonnes)	39,740	7,687	18,469
CO2 emissions (kg/GFAm²)	39.7	54.4	37.5

The energy and water consumption figures for comparable properties include properties for which consumption data is available for a minimum of two years, and purchased and sold properties are eliminated from the calculation.



Green Lease

- The new Green Lease model involves Sponda and the customer agreeing on joint objectives and a compensation model to encourage the use of environmentally friendly solutions and the reduction of energy consumption.
- The objectives can include, for example, reducing the building's energy consumption, water consumption and waste volume, as well as increasing the waste recovery rate.
- Under the Green Lease agreement, savings and excesses in energy costs, for instance, are divided annually between the tenant and the landlord.
- The eco-efficiency requirements written into the lease also provide guidelines for changes and investments in the premises.

Material efficiency

Sponda aims to facilitate convenient sorting of waste at its properties and provide instructions on recycling to the users of properties. Material efficiency is also pursued by reducing the amount of waste generated in construction and renovation work.

The key aspects of the priority are:

- · The sorting and recovery of property waste
- Improving efficiency in material use, also in purchasing
- · Producing services with fewer material inputs and lower environmental effects

Why is this a priority?

The Finnish Waste Act, which was amended in 2012, is aimed at reducing waste generation, improving material efficiency and increasing waste recovery. The national waste plan sets an objective of recycling 50 per cent by weight of municipal waste by 2016. A further target is to reuse or recycle at least 70 per cent of all construction and demolition waste by 2020. Sponda complies with the Waste Act in the waste management of its properties and aims to contribute to the overall effort to reach the goals of the national waste plan through its own operations. In addition Sponda's target is to increase the waste recovery rate at its properties.

Effective waste management and reducing the volume of waste

While the appropriate sorting of waste is the responsibility of the users of properties, Sponda aims to facilitate convenient sorting of waste at its properties through its own operations and by ensuring that the necessary waste sorting facilities are in place. The company is responsible for post-sorting waste management, unless otherwise agreed with tenants. Sponda encourages and guides the users of properties to recycle and sort waste and to reduce the total volume of waste. Sponda facilitates waste handling by ensuring that waste management rooms are set up as effectively as possible.

Reducing the volume of waste generation is an integral aspect of material efficiency. Sponda's construction and renovation projects take this aspect into account by investing in flexible and adaptable spatial solutions in building design. This reduces construction waste-generating alteration work during the use of the building.



In the construction phase of new buildings and major renovation projects, the company has adopted on-site waste management guidelines according to the international LEED® and BREEAM® certification systems. In all construction and renovation projects and the day-to-day maintenance of the company's properties, the aim is to minimise the volume of waste ending up at landfill sites.

Objectives and measures

Objectives for 2013

- The waste recovery rate at Sponda's properties in Finland will increase to ≥ 86%.
- · More environmental partnerships will be formed and action plans will be actively implemented.
- · The volume of office waste at Sponda's head office will be reduced.

Measures taken in 2013

Sponda has continued to improve waste recycling at its properties within the framework of its co-operation agreement with Lassila & Tikanoja. Due to the co-operation, the waste recovery rate at properties owned by Sponda in Finland exceeded 87 per cent at the end of the year 2013 (2012 average: 82 per cent). Sponda's total waste volume in 2013 was 6,796 tonnes (2012: 5,898 tonnes), of which 955 tonnes (2012: 1,059 tonnes) was mixed waste. The volume of mixed waste will be further reduced by improving waste sorting.

Environmental partnership strengthens co-operation

In order to increase environmental awareness among its customers and strengthen its customer co-operation, Sponda has established an Environmental Partnership Programme with 20 customers. The aim of these partnerships is to increase the energy efficiency of premises and the waste recovery rate as well as to pay attention to the environmental effects of customers' operations. The content and objectives of the cooperation are always agreed upon with the customer.

In 2013, Sponda signed five new environmental partnership agreements with its customers. The aim is to increase the number of partners further in 2014.

WWF Finland has been one of Sponda's key partners in promoting environmental responsibility since 2010. The aim of the co-operation is to pursue environmentally friendly practices in Sponda's operations and promote environmental responsibility among the company's customers and the entire real estate industry.

Sponda's head office was granted a three-year extension of its WWF Green Office certification in 2013 in recognition of the high extent to which environmental aspects are taken into consideration in office work. As a WWF partner, Sponda also encourages its customers to join the Green Office network. Sponda supports its customers' Green Office processes by helping their Green Office teams set their consumption goals and reporting consumption data.

In 2013, the amount of office waste generated at Sponda's head office increased to 12.1 tonnes (2012: 11.54). The increase is partly attributable to paper waste generated by the disposal of archived materials in conjunction with internal relocations.

Climate covenant to mitigate climate change

Sponda is a member of the Climate Partners network of businesses and the City of Helsinki. The aim of the network is to develop new practices for reducing climate emissions and strengthening the competitiveness of companies.

All companies in the network have signed a climate covenant, setting themselves goals, such as reducing CO2 emissions, improving energy efficiency and developing new services that reduce greenhouse gas emissions.



As a member of the Climate Partners network, Sponda has committed itself to the following goals for its properties located within the City of

- The comparable total energy consumption of Sponda's properties will decrease by 10 per cent by the end of 2016.
- The recycling rate in Sponda's properties will be increased to over 70 per cent by the end of 2014.

Objectives for 2014

- The waste recovery rate at Sponda's properties in Finland will remain at the year end 2013 level, at 87 per cent.
- More environmental partnerships will be formed.
- The volume of office waste at Sponda's head office will be reduced.

Waste volume report of Sponda's properties in Finland

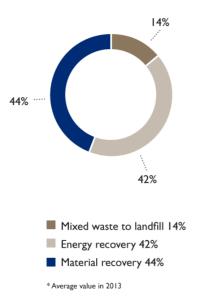
	2013 (tonnes)	2012 (tonnes)	2011 (tonnes)
Mixed waste to landfill	954.9	1,059.4	2,371.0
Energy recovery	2,845.4	2,343.0	751.5
Material Recovery	2,987.6	2,488.3	2,480.6
Biowaste	991.3	748.4	493.2
Paper	686.5	623.4	823.7
Paperboard	1,014.1	825.5	891.7
Cardboard	127.6	121.5	120.5
Glass	81.0	88.1	60.8
Metal	56.5	48.3	34.1
Plastic	4.4	1.9	0.9
Other waste	26.3	31.1	55.7
Hazardous waste	7.7	7.0	7.0
Total	6,795.6	5,897.7	5,610.0
Number of properties	131	119	127

This includes Sponda-owned properties where the property owner is responsible for waste management

Waste volume of Sponda's properties in Finland by main segments

	Total	Office properties	Shopping centres	Logistics properties	Property development
Energy recovery (tn)	2,845.4	1,889.1	481.0	475.3	0.0
Mixed waste to landfill (tn)	1,042.9	610.0	354.2	57.7	21.0
Material recovery (tn)	2,899.6	1,658.6	884.2	349.6	7.2
Hazardous waste (tn)	7.7	4.2	3.2	0.3	0.0

Waste management of Sponda's properties in Finland*



Property locations

Sponda takes environmental considerations into account in deciding on the locations for its property investments. The company's properties are in key areas in major cities and in locations accessible by public transportation, which helps reduce the environmental impacts of the properties during their use.

The key aspects of the priority are:

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

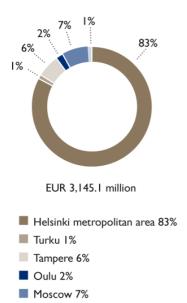
Why is this a priority?

For Sponda, the central location of its properties is a key strategic choice: the company's properties are in key areas in Helsinki Metropolitan Area and Tampere within the existing urban structure, and in locations with good public transport links. This strategy supports Sponda's commitment to environmental responsibility.

Location is also one of the criteria applied in the environmental certification of business properties. The BREEAM® and LEED® certification processes take into account not only the energy consumption of the building, but also factors such as public transport links and bicycle parking facilities.

Sponda's investment strategy is also financially sustainable and responsible. The demand and rental levels for properties located in the central areas of cities are more stable, even in economically uncertain times. Approximately 80 per cent of Sponda's properties are located in these areas. The investment strategy also supports the comprehensive sustainability of Sponda's operations.

Investment properties by location and by fair value*



^{*} Excl. Property Development and Real Estate Funds

St. Petersburg 1%

Objectives and measures

Measures taken in 2013

The Ruoholahden Ankkuri office building developed by Sponda for Talentum Plo's use was completed in 2013, and the building was granted LEED® Gold Environmental Certification. The new four-storey building, with a total floor area of nearly 6,000 square metres, is located in Helsinki's Ruoholahti district and has excellent public transport links.

The final phase of construction on the Citycenter shopping centre in Helsinki's central business district was completed in spring 2013. This added some 7,000 square metres of new or renovated retail space in the complex. The shopping centre's location across from railway station, accessible by all modes of public transport, is excellent for both those who work in the Citycenter building and its customers. The multi-year project carried out over several phases made the traditional retail block significantly more comfortable, improved pedestrian access and boosted the appeal of the surrounding area.

Sponda is prepared to commence the Ratina shopping centre project in Tampere's central business district in 2014 if the required pre-leasing rate is achieved.

Long-term objectives

• Increasing the share of shopping centres and office properties in the company's property portfolio



· Developing the property portfolio by concentrating on prime areas and locations with good public transport links

Enhancing the customer experience

Sponda aims to develop interactive long-term partnerships with its customers. Sponda's expertise allows it to offer customers business premises that are precisely tailored to their needs.

The key aspects of the priority are:

- · Identifying customer needs and responding to them
- · Taking a more proactive approach to customer relationships
- · Creating the conditions for long-term partnerships

Why is this a priority?

In the property sector, customer relationships are typically long term: the process of finding the right business premises takes time, and leases are signed for periods of several years. In customer relationships, Sponda's goal is to achieve a long-term interactive partnership rather than a unilateral lessor-tenant relationship. This allows the customer to receive the maximum benefit from the expertise of Sponda's personnel and its comprehensive portfolio of business premises.

At the end of 2013, Sponda had a total of 1,984 customers and 3,037 lease agreements. The largest client sectors were the public sector, retail and banking.

Enhancing the customer experience in Sponda

The key building blocks of the customer experience are functional and high-quality business premises as well as skilled personnel who understand customers' needs. Customers expect the lessor to have comprehensive and in-depth expertise in both the industry in general and the property being leased. Good customer service provided via multiple channels is also essential.

The customer experience often begins even before the actual customer relationship is established. With this in mind, Sponda's aim is to be easily approachable via a variety of channels. The customer experience does not end when the right business premises are found. Instead, it develops and strengthens throughout the customer relationship. Sponda's process supporting the development of the customer experience is aimed at identifying the best ways of working from the customer's perspective.

During the lessor-tenant relationship, the emphasis is on property services, the continuous development of the customer relationship, and maintaining active contact with the customer. The aim of customer service operations is to allow the customer to focus on their own business while Sponda handles all property-related services in cooperation with its property management partners.

Customers value Sponda's professional competence

Sponda regularly surveys customer satisfaction through the different stages of the customer relationship. In addition to carrying out in-house surveys, Sponda participates in customer satisfaction surveys conducted by KTI Property Information Ltd. The KTI survey is an annual benchmark study involving a large number of industry participants. In 2013, a total of 511 Sponda customers participated in the benchmark study. Their responses identified Sponda's strengths as professional competence, expertise and image as a lessor. Sponda will use the results of the study to further develop its ability to identify customer needs and improve the effectiveness of customer service.

Sponda will engage in further discussions on the issues highlighted in the study in customer meetings and strive to improve its operations based on the survey results.



Sponda's customers by sector 2013

Sector	% rental income
Professional, scientific and technical activities	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
Others	0.2

Top 10 Tenants 2013

enant	
State of Finland	
Cesko Group	
HOK-Elanto	
Danske Bank Plc	
City of Espoo	
Metso Automation	
lordea Bank Finland Plc	
City of Helsinki	
Diacor	
Elisa Corporation	

Objectives and measures

Objectives for 2013

- · Developing and measuring operations in line with the customer relations strategy
- Improving the effectiveness of customer communications at Sponda-owned properties
- Investing in customer data management (CRM system renewal)
- · Continuing service innovations



Measures taken in 2013

The goals of Sponda's strategy, which was updated in autumn 2013, include profitable growth, simplification of the business structure and growing the company's property portfolio in its main markets. For customers, this will mean a broader and more diverse range of business premises to choose from. In addition, the company will be able to respond quickly to customer needs by having clear processes and effective flow of information within the organisation.

Sponda's customer relationships work and development is based on the company's customer experience management strategy. The strategy defines the customer relations management models and processes for making customer relationships deeper and longer.

New online services for customers

In 2013, the customer relations strategy focused on developing the customer experience in all stages of the customer relationship, from signing the customer agreement to renewing it. The methods used to achieve this include developing processes and service channels as well as creating new service innovations.

One example of an innovation that improves the customer experience is the information screen system for office properties that is currently being piloted. The system is used to distribute information on current affairs at the property as well as Sponda's services. In addition, Sponda developed a property presentation application for tablet devices to support sales and expanded the content on the company's mobile website. From early 2014, the property search function will also be available to mobile users.

In late 2013, Sponda adopted new research tools to collect information on customer encounters through the various stages of the customer relationship. These tools will also be used to analyse and make more effective use of the results of feedback surveys in 2014. Sponda also made a further investment in customer data management by launching a CRM system development project in connection with its ERP project. The new system will be deployed in 2014.

The use of Sponda's Live Chat customer service channel increased steadily throughout 2013, and the feedback from users has been very positive. The contents of the Extranet service for customers were also developed during the year.

Objectives for 2014

- · Developing customer data management and, in particular, securing the success of the adoption of the CRM solution
- Developing customer feedback collection and utilisation as part of customer data management
- Developing of electronic customer service environment
- The evaluation and utilisation of new service innovations

Sponda's customer process



- Designing and customising the business premises according to the customer's needs
- Beginning the use of the premises and services
- 6. Communication during the customer relationship

Building the customer experience begins from the very first meeting between the client and Sponda. Sponda's expertise helps customers find business premises that are tailored to their unique needs. As business premises solutions are long-term decisions, the analysis of the client's needs takes into account the client organisation's future prospects and objectives.

Business premises are tailored to these needs in close cooperation with the client. Flexible solutions can be easily adapted as the client's operations develop and change.

The customer experience does not end when the right business premises are found. Instead, it develops and strengthens throughout the customer relationship. Sponda maintains regular contact with its customers and analyses customer satisfaction annually. The aim is to create interactive long-term customer relationships.

Purchasing and quality

Developments in monitoring the quality of property services

Sponda's purchasing and quality process continued to improve property management and maintenance services in 2013. The effective operation of property maintenance services, cleaning, waste management and housing solutions has a direct impact on the level of satisfaction experienced by the users of business premises.



Sponda's properties are looked after by a partner network comprising tens of suppliers, with whom the company works to develop the best operating models for maintenance services in the market. By harmonising property service processes, Sponda achieves more consistent service quality and reliability.

The quality requirements for property services were reviewed on a property-specific basis during the year. Sponda has defined quality criteria for its suppliers, and the achievement of these criteria is monitored continuously. Focus areas in 2013 included improvements in communication by developing reporting and correspondence models, and increasing awareness of the quality targets Sponda sets for its service providers.

In addition to customer feedback and monthly reporting data, the quality of property services is monitored by means of twice-yearly property audits. The audits and their reporting have been systematically developed, which helped the company achieve an improvement in the quality of property maintenance in 2013.

Investing in employees

Sponda's employees are characterised by their professional and motivated approach and good team spirit. Since employee wellbeing and expertise are key success factors for Sponda, the company wants to invest in the high-quality training of personnel and good leadership.

The key aspects of the priority are:

- · Occupational wellbeing and job satisfaction
- · Improving professional expertise
- Internal communications

Why is this a priority?

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

Monitoring job satisfaction

Sponda monitors job satisfaction and organisational effectiveness with the help of an annual employee survey. The objective of the employee survey is to analyse employees' perceptions about their own work, their closest work environment as well as management and leadership. Respondents are also provided with an opportunity to give feedback, talk about their development wishes and participate in the finding of development solutions.

Personnel development

Sponda's goal in all operations is continuous improvement and learning. Employees are encouraged to adopt an independent and active approach to their work and self-development. The personnel's training is developed on the basis of Sponda's strategy, customer and stakeholder feedback as well as appraisal discussions. Sponda organises common training programmes for the personnel and offers the opportunity to participate in training outside the company.

Personnel development is guided by customer-orientation. Everyone's understanding of the connection between their own work and Sponda's strategy and goals is ensured in appraisal discussions. The progress and achievement of each employee's personal goals is assessed with the help of appraisal discussions, customer feedback and employee surveys.



Healthcare and support for physical fitness and exercise

Sponda also wants to look after the health of its employees. Sponda's investment in the wellbeing and job satisfaction of its employees includes the provision of extensive and versatile occupational healthcare services, the objective of which is to prevent illnesses and problems resulting from stress and other work-related psychological factors and to support work fitness. The goals also include the prevention and early detection of lifestyle diseases and support for self-care. In addition, Sponda has a special wellbeing programme to support the work fitness of employees who have been in working life for a long time.

Sponda also looks after occupational health and wellbeing by supporting its employees' physical exercise and cultural activities. Employees are also encouraged to adopt environmentally-friendly and sporty commuting habits by offering them the possibility of company bicycles.

Remuneration

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

Sponda implemented an employee share programme in the beginning of 2014. Employees have the opportunity to use remuneration earned pursuant to the incentive scheme for the purpose of acquiring merit pay shares and, in addition, receive funds from Sponda to acquire additional shares. The programme is applied for the first time in respect of remuneration earned for the year 2013.

Equal opportunities

The realisation of equal opportunities is important at Sponda. Sponda's key objective is to ensure that employees do not experience any unequal treatment on the basis of gender, age, religion, health or other such factors. Fair and non-discriminatory treatment applies to the entire employment relationship, from recruitment to termination.

Objectives and measures

Objectives for 2013

- Tools are developed to better support the work of the personnel and the achievement of goals.
- The working environment is developed together with the personnel in such a way that it will better support the performance of work and the achievement of the company's goals.

Measures taken in 2013

- To increase the efficiency of mobile work, Sponda introduced a property presentation application that works on tablets and facilitates the ability to serve customers, particularly in terms of employees who work at the customer interface.
- A development project focused on the working environment was begun in cooperation with Aalto University students. Sponda organised a
 design competition on its head office's new spatial concepts for students of spatial design. Sponda's employees selected the entries best
 suited to function as the starting point for the final implementation.
- Sponda also continued the development and specification work of its new ERP system in 2013.

Overall results of the personnel survey were good

The annual employee survey in which respondents' assess their level of satisfaction with their own work, their workplace, managerial supervision and leadership and the operation of the organisation was carried out in the autumn 2013. In line with previous years, the summarised results involved the entire Group. Employees also had the chance to evaluate Sponda's internal services in the context of the survey. The survey's response rate declined in comparison to the year before but, at 91 per cent, remained high nevertheless.



Just as in previous years, the overall results with regard to the personnel satisfaction survey and internal customer relationships were extremely positive compared to the comparative standards of the survey. The results of the personnel survey go through an extensive comparison with other comparable surveys, such as the Finnish working life research (*Suomalainen työelämätutkimus*). However, the results this year were slightly lower than in 2012.

According to the survey, Sponda's strengths include its management and operative culture, the communication of strategy and outlooks and well implemented changes. Positive changes had taken place in the reduction of work-related stress and in the perception concerning the quality of the services Sponda produces for its customers. The fairness of remuneration also gained prominence as one of Sponda's strengths.

The operations of units were perceived as efficient. According to the employees, Sponda's work is well organised, operations are flexible and the operative flow of information is smooth. Trust in the company's management is solid and the employees' awareness of the goals is high.

The possibility to take a more active role in the development of the operations of one's own unit was raised as a target for development. The experience of equal opportunity was slightly lower than in the year before.

According to an analysis of the survey's results, each unit determines its own development plan. Active development work within units will allow to continue improving Sponda's good atmosphere and operations.

Customer work was supported with sales training

In 2013, Sponda's personnel had the opportunity to participate in a variety of training sessions which searched for support and development opportunities through means of, for instance, improvisation and a sales simulation.

Sponda organised sales coaching for the employees who work at the customer interface. The goal was to become better at listening to customers and finding solutions for the customer's needs. The practical coaching included exercises in sales simulations corresponding to real-life situations.

Sponda also organised language training and supported the employees' personal development projects in 2013. There were 2.2 training days per person in 2013. Training costs accounted for 2.9 per cent of fixed salaries.

Goals for 2014

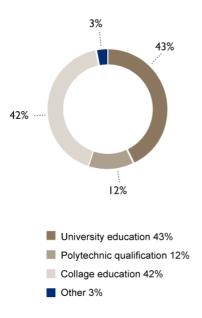
- Develop internal operating models to increase the sharing of best practices and know-how.
- · Continue the development of tools and systems to support employees' work and the achievement of goals.
- Continue to develop the working environment in cooperation with personnel in such a way that it better supports the performance of work and the achievement of the company's goals.

Key figures for the personnel		2013			2012			2011	
	Group	Parent company	Russia	Group	Parent company	Russia	Group	Parent company	Russia
Number of personnel, at the year-end	118	109	9	119	107	12	127	114	13
Number of personnel, in average	121	111	10	122	110	12	123	110	
Men, %	52	53	33	49.6	52.3	25		50.9	
Women, %	48	47	67	50.4	47.7	75		49.1	
Average age, at the year-end	40.5	45.4	35.7	44.5	44.8	41	44.6	45.3	
Days lost in sickness per employee, in average	4.4	4.4	3.2	3.8	3.9	1.9		3.9	
Training days per employee, in average	2.2	2.0	4.1	2.4	2.3	5.1		2.3	
Training hours per employee	16.2	15.2	30.5	17.9	17.3	38.0			

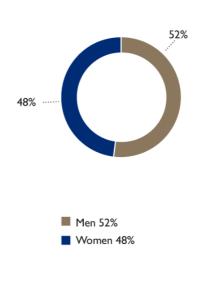


Personnel survey results, Group (scale 1–4)	2013	2012	2011
Commitment	3.21	3.24	3.21
Leadership	3.19	3.21	3.20
Performance	3.05	3.06	3.08
Engagement index	3.42	3.45	3.48

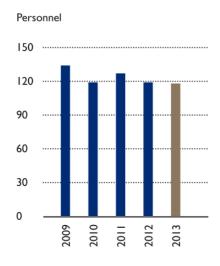
Educational structure 31 Dec 2013, Sponda Plc



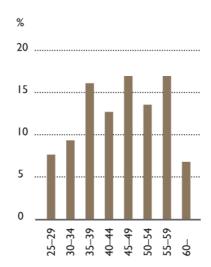
Sex ratio 31 Dec 2013, Sponda Group



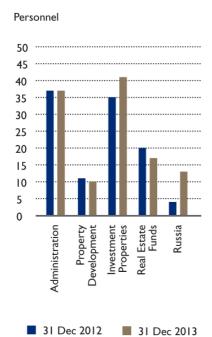
Personnel at the year-end, Sponda Group



Age ratio 31 Dec 2013, Sponda Group



Personnel Groups, Sponda Group





Transparency in operations

The transparency and accuracy of information regarding the company's operations is of utmost importance to Sponda. Openness and transparency are promoted through developing the company's operating models and by engaging in open dialogue with stakeholders.

The key aspects of the priority are:

- Financial reporting
- · Reporting on responsibility
- Communication

Why is this a priority?

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

Promoting transparency at Sponda

Sponda's financial reporting complies with existing legislation and standards. The company also serves investors by providing information on its operating environment and development in line with EPRA (European Public Real Estate Association) recommendations, among others.

Reporting is continuously developed on the basis of interaction with investors and other stakeholders.

More detailed information on Sponda's key stakeholder groups and the company's interaction with them can be found in Sponda's stakeholder groups in this Annual Report and on the company website. The cash flows by stakeholder group chart evaluates the importance of stakeholders based on whether or not they are able to have a significant impact on the company's operations.

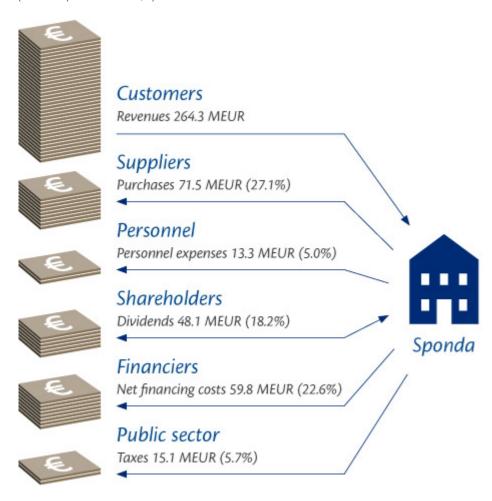
Sponda's customer relationships are based on interactive partnership. This is supported by a commitment to develop the company's operating models and make customer communications increasingly interactive. A key focus in Sponda's internal communications has been the development of dialogue between the management and employees through arranging regular events to improve the dissemination of information and provide opportunities for discussion. The company's intranet service supports interaction between employees and management.

Sponda also promotes responsible ways of working in the property sector in co-operation with its subcontractors. The company requires transparent operations and up-to-date communications from its subcontractors. To prevent the grey economy, Sponda has set strict contractual conditions for its subcontractors and requires that they are officially registered pursuant to the Finnish Act on the Contractor's Obligations and Liability when Work is Contracted Out.

Sponda has defined key priorities with respect to the responsibility of its operations. The objectives and measures related to these priorities are described in Sponda's annual responsibility reporting.

Cash flows between stakeholders

(share of Sponda's turnover,%)



Objectives and measures

Objectives for 2013

- Capital Markets Day for investors in 2013
- · Activating customer dialogue in customer meetings and all customer service channels

Measures taken in 2013

In 2013, Sponda reported for the first time on the most significant taxes and tax-like payments associated with its operations. The aim is to provide more transparency regarding overall taxation and its economic impact on society.

In May 2013, Sponda organised a Capital Markets Day for investors. At the event, the company's financial situation and future prospects were reviewed along with the impacts of economic development on changes in the operating environment.



New Finnish legislation pertaining to monthly reporting on construction contracts and workers will enter into force in July 2014. The new legislation will require clients that contract construction work to report more detailed information on contracts and invoicing to the tax administration. Sponda has already begun to prepare for these changes by means of system development measures taken in 2013.

Sponda developed its customer communication in 2013 through measures including the development of processes and service channels as well as new service innovations. Sponda promoted more active use of its extranet services, and the Live Chat service on the company website was found to be a very useful customer service channel.

Sponda reported for the fist time the EPRA cost ratio key figure and specified the EPRA Earnings calculation method in the financial statements of the year 2013.

Objectives for 2014

· Increasing customer dialogue in customer meetings and all customer service channels

Taxation

Taxes and tax-like payments resulting from Sponda's operations

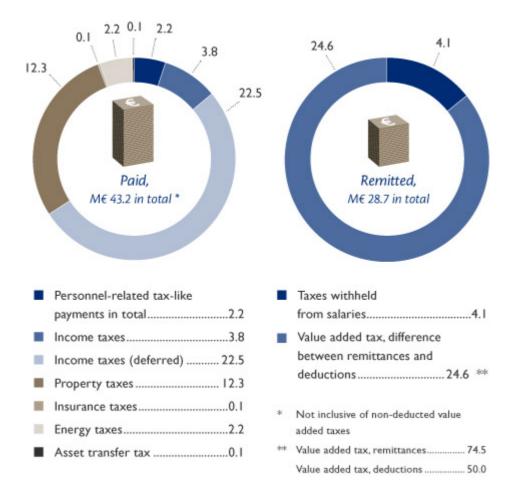
In 2013, Sponda reported for the first time on the economic effect on society created by its operations through taxes and tax-like payments. More transparent reporting of the taxes and tax-like payments resulting from its operations is one element of Sponda's responsibility.

Each year, Sponda's business operations result in the accrual and payment of taxes to the tax authorities in the form of many different taxes and tax-like payments. Sponda's taxes resulting from business operations in Finland include income tax collected on the company's taxable income, property taxes collected on the basis of property ownership, and excise taxes collected as part of electricity prices. In addition, a proportion of the value added taxes paid for goods and services remains as a balance payable by the company. As an employer, Sponda pays contributions related to pension and social security as well as deducts withholding taxes from wages and salaries and pays them to the tax authorities.

In 2013, the taxes arising from Sponda's business operations amounted to EUR 43.2 million. In addition, Sponda paid withholding taxes deducted from wages and salaries at a total amount of EUR 4.1 million. Difference between remitted and deducted value added tax was EUR 24.6 million. The chart below illustrates the most significant taxes arising from Sponda's operations and the withheld taxes. Sponda has not received substantial financial support for its operations from the public sector.

Sponda Group's result calculated in accordance with IFRS deviates from the Group subsidiaries' total combined taxable result. The IFRS does not permit annual depreciation of investment properties, instead requiring that properties are recorded at their current fair value. The annual changes in fair value are then recorded in the company's result.

In taxation, the company applies normal depreciation on the purchase price of properties pursuant to tax law. These factors constitute a significant difference between the result recorded in the consolidated financial statements according to IFRS and the taxable result. The effects of the differences between the requirements of tax law and IFRS are taken into account in Sponda's deferred taxes.



Taking the industry forward

Sponda develops methods and practices in the real estate sector through active participation in collective industry projects and through its activities in different organisations. In addition to work in the organisations, the company aims to take the industry forward through its own development activities.

The key aspects of the priority are:

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

Why is this a priority?

Through organisational activities and its own research and development, Sponda develops its own operations and those of the real estate industry from the perspectives of environmental, social and economic responsibility. The company also aims to share expertise and increase the level of professional competence in the industry.

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



As a responsible property company, Sponda also participates in the development of cities in co-operation with cities, other property owners and various partners. The vitality of the city environment is also an important factor for the appeal and rental demand of Sponda's own properties.

Companies, organisations and authorities in the construction and real estate industry have an important role in protecting against the grey economy and commercial crime. Sponda promotes responsible ways of working in the industry also in co-operation with its partners. The company requires for example its subcontractors to operate in a responsible manner and has set quality requirements for them.

Sponda promotes best practices in the industry

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

Sponda is involved for example with the following organisations:

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

Developing the real estate industry

Sponda participates actively in the Finnish Association of Building Owners and Construction Clients (RAKLI). The association is an opinion leader in the real estate and construction industry, which strives to actively develop the industry, promote networking of experts and communicate information about the economic situation.

RAKLI working groups aim among other things to prevent the grey economy and determine the actual tax base of properties, as the increase in energy tax also results in higher taxes for the real estate industry. RAKLI promotes healthy and safe construction by ensuring that, despite strict energy regulations and energy conservation measures, buildings remain healthy working and living environments.

The company is also an active member of the Finnish Council of Shopping Centres, which develops shopping centre activities and whose practical activities are overseen by RAKLI.

Sponda aims to reduce the environmental load caused by the real estate industry by cooperating with WWF Finland and by participating actively in the activities of Green Building Council Finland (FIGBC). The goal of Green Building Council Finland (FIGBC) is to promote practices for sustainable development in the real estate and construction industry along with environmental classification of properties, to communicate information and expertise and to activate discussion.

Participation in the development of cities

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



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

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

Objectives and measures

Measures taken in 2013

Sponda was an active participant in the operations of Green Building Council Finland (FIGBC) in 2013. This included involvement in the commercial classification working group to promote the certification of properties, increase awareness of environmental classification and promote the LEED® and BREEAM® certification of Finnish buildings.

Sponda was also a participant in the Responsibility in the Property Business project co-ordinated by KTI Property Information. The project's final report was published in spring 2013. The aim was to survey the position of responsibility and management systems in Finnish property companies and create new indicators for their use.

Sponda's own development activities in 2013 were mainly focused on creating electronic service innovations and the all-round development of the customer experience; for example, by reviewing the quality requirements for property services.

Energy-efficient co-operation

Sponda is a partner in the Finnish Ministry of Employment and the Economy's voluntary business premises energy efficiency action plan (TETS), which is part of the real estate sector's energy efficiency agreement. The goal of the framework agreement is to decrease energy consumption in the properties included in the agreement by 6 per cent by 2016, and to prove at the EU level that Finland can achieve the targeted energy savings voluntarily.

In spring 2013, Sponda participated already for the fifth time in the global Earth Hour environmental awareness initiative organised by WWF, involving organisations and private individuals around the world switching off their lights for one hour. Sponda switched off the lights at all of its shopping centres in Finland, as well as the Fennia block, Arkadiankatu 4–6 and Kaivokatu 12 properties. Turning off the lights symbolises a common concern for climate change.

Sponda's Elo Shopping Centre won an honourable mention from the Finnish Council of Shopping Centres at the 2013 Finnish shopping centre awards. The reasons for the award included the establishment of Parempi Elo, a charitable organisation that promotes social wellbeing and operates in connection with the shopping centre, as well as the charitable work carried out by the organisation. Parempi Elo arranged a charity gala in 2013 to raise money to help socially excluded young people in the local community. The charitable organisation strengthens the shopping centre's role in the community and promotes co-operation between the shopping centre and the public sector.

GRI index

Application level C

1. Strategy and analysis

	GRI content	Reported	Link	Comments	Complies with EPRA's best practice recommendations*
	Ora content	rteporteu	Liiik	Comments	recommendations
1.1	Statement from the most senior decision-maker of the organization	Yes	Chief Executive's review		
1.2	Description of key impacts, risks, and opportunities	Yes	Strategy		
			Responsible property investment		
			Energy efficiency and carbon footprint		
			Corporate responsibility priorities		
			Strategic operations in 2013		
			Strategic operations in 2014		

2. Organizational Profile

	GRI content	Reported	Link	Comments	Complies with EPRA's best practice recommendations*
2.1	Name of the organization	Yes	Sponda		
2.2	Primary brands, products, and services	Yes	Business units		
2.3	Operational structure	Yes	Business units		
			Year 2013 in brief		
			Group structure		
2.4	Location of organization's headquarters	Yes	Contact us		
2.5	Number of countries where the organization operates	Yes	Business units		
2.6	Nature of ownership and legal form	Yes	Corporate governance		
			Shares and Shareholders		
2.7	Markets served	Yes	Business units		
			Strategy		
2.8	Scale of the reporting organization	Yes	EPRA key figures -table		
			Key figures		
			Investing in employees		
			Business units in brief		



2.9	Significant changes during the reporting period regarding size, structure, or ownership	Yes	Board of Directors' Report
2.10	Awards received in the reporting period	Yes	No significant awards during the reporting period.

3. Report Parameters

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

4. Governance, Commitments, and Engagement

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



			Remuneration and other financial benefits paid to the Board of Directors	
4.6	Processes in place for the Board to ensure conflicts of interest are avoided	Yes	Board of Directors	
4.7	Process for determining the composition, qualifications, and expertise of the members of the Board	Yes	Nomination Board	
4.8	Mission, values, codes of conduct and principles, and the status of their implementation	Yes	Responsible property investment	The degree to which these internally developed statements relate to internationally agreed standards is not reported.
			Sponda's vision and strengths	
4.9	Procedures of the Board for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks	Yes	Risk management	The Board evaluates the execution of Sponda's strategy. Corporate responsibility is part of Sponda's strategy.
			Risk management organisation	
			Risks and Risk management	
			Responsible property investment	
4.10	Processes for evaluating the Board's own performance, particularly with respect to economic, environmental, and social performance	Yes	Board of Directors	The Board conducts a self-assesment which includes, for example, strategy work. Corporate responsibility is part of Sponda's strategy.
4.11	Explanation of whether and how the precautionary approach or principle is addressed	Yes	Risk management	Sponda's risk management process is described.
			Risk management organisation	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Yes	Material efficiency	
			Taking the industry forward	
4.13	Memberships in associations and advocacy organizations	Yes	Taking the industry forward	
4.14	Stakeholder groups engaged by the organization	Yes	Sponda's stakeholders	
4.15	Basis for identification and selection of stakeholders	Yes	Sponda's stakeholders	
			Transparency in operations	
4.16	Approaches to stakeholder engagement	Yes	Transparency in operations	
			Investing in employees	
			Enhancing the customer experience	
			Sponda's stakeholders	
4.17	Key topics and concerns that have been raised through stakeholder engagement	Yes	Sponda's stakeholders	



Enhancing the customer experience
Transparency in operations
Investing in employees
Information for shareholders

Economic Performance Indicators

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

Environmental Performance Indicators

	GRI content	Reporte	d Link	Comments	Complies with EPRA's best practice recommendations*
EN1	Materials used by weight or volume	Partially	Material efficiency	Sponda aims to use materials in full.	
EN3	Direct energy consumption	Yes	Energy efficiency and carbon footprint		Yes
EN4	Indirect energy consumption	Partially	Energy efficiency and carbon footprint	Energy consumption is not broken down by renewable and non- renewable energy sources.	Partially
CRE1	Building energy intensity	Partially	Energy efficiency and carbon footprint	Energy intensity is not broken down by meaningful segmentation.	Yes
EN5	Energy saved due to conservation and efficiency improvements	Yes	Energy efficiency and carbon footprint	Energy savings reported for Sponda's head office.	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Yes	Russia		



			Responsible property investment		
			Investment Properties		
			Property development		
			Energy efficiency and carbon footprint		
			Taking the industry forward		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Partially	Property locations	Quantitative reductions not reported.	
			Investing in employees		
			Purchasing and quality		
EN8	Total water withdrawal by source	Yes	Energy efficiency and carbon footprint	Sponda uses municipal water supplies.	Partially
CRE2	Building water intensity	Yes	Energy efficiency and carbon footprint		Yes
EN16	Total direct and indirect greenhouse gas emissions	Yes	Energy efficiency and carbon footprint		No
CRE3	Greenhouse gas emissions intensity from buildings	Partially	Energy efficiency and carbon footprint	Emissions not broken down by meaningul segmentation.	Yes
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Yes	Responsible property investment		
			Energy efficiency and carbon footprint		
			Investment Properties		
EN22	Total weight of waste by type and disposal method	Yes	Material efficiency		Yes
EN26	Initiatives to enhance efficiency and mitigate environmental impacts of products and services, and extent of impact mitigation	Yes	Material efficiency		
			Investment Properties		
			Energy efficiency and carbon footprint		
			Taking the industry forward		
			Property locations		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Yes		Sponda was not found to have breached any environmental legislation or regulations pertaining to its operations in the reporting period.	

Social Performance Indicators

	GRI content	Reported	d Link	Comments	Complies with EPRA's best practice recommendations*
LA1	Total workforce by employment type and employment contract	Yes	Investing in employees	The employment relationships of Sponda's employees are valid indefinitely. Temporary employment relationships at Sponda are related to e.g. substitution for family leave.	



LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Partially	Investing in employees	Absenteeism not reported by geographical breakdown. No work-related injuries and fatalities during the reporting period.
LA8	Education and counseling to assist workforce members regarding serious diseases	Yes	Investing in employees	Training is offered to Sponda's employees.
LA10	Average hours of training per employee	Yes	Investing in employees	
LA11	Programs for skills management and lifelong learning	Yes	Investing in employees	If an employment relationship is terminated on the employer's initiative for a reason deriving from the employer, the employee is offered the opportunity to participate in employment search training and career counselling.
LA12	Percentage of employees receiving regular performance and career development reviews	Yes	Investing in employees	All of Sponda's employees receive regular performance reviews.
LA13	Composition of governance bodies and breakdown of employees and employee categories	Yes	Board of Directors	
			The Executive Board	
			Investing in employees	
			Management and personnel	
LA14	Ratio of basic salary and remuneration of women to men by employee category and by locations of operations.	Partially	Management and personnel	Differences in salary or remuneration is not described by employee catergory or by locations of operations.
SO9	Operations with significant potential or actual negative impacts on local communities	Yes		No known negative impacts on local communities.
PR3	Type of product and service information required by procedures	Partially	Energy efficiency and carbon footprint	The majority of the properties have an Extranet service that provides property-specific information on property operations.
CRE8	Type and number of sustainability certification, rating, and labeling schemes for new construction, management, occupation and redevelopement	Yes	Investment Properties	
			Energy efficiency and carbon footprint	
			Property Development	
PR5	Practices related to customer satisfaction	Partially	Enhancing the customer experience	Results of customer satisfaction surveys not disclosed.
			Responsible property investment	
Core indi	cator			
Additional	indicator			

 $^{^{\}star}$ Based on EPRA's Best Practices Recommendations on Sustainability Reporting



The scope of the report

Description of the report

The Annual Report and the Spondability section on corporate responsibility contain general information about Sponda's financial, social and environmental operations between 1 January and 31 December 2013, unless otherwise indicated.

Scope of reporting

Sponda reports on its corporate responsibility according to the guidelines of the Global Reporting Initiative (GRI). The GRI 3.1 reporting framework is used in reporting. Additionally, the real estate and construction industry-oriented Construction and Real Estate Sector Supplement (CRESS) reporting guideline, which was published in autumn of 2011, has been applied in reporting. For the part of the CRESS directive, the CRE indicators related to the real estate sector in particular were reported on where applicable.

In addition to the GRI framework, certain portions of the report also comply with the European Public Real Estate Association's EPRA criteria, which are taken into account separately in connection with the GRI index. Sponda's Consolidated Financial Statements are compiled according to the IFRS (International Financial Reporting Standards). In some respects, the report also complies with the OECD's guidelines for multinational enterprises.

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

Structure of the report

Sponda's report is divided into three sections:

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

Scope of the report and data collection

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

There is a certain degree of annual variability in Sponda's property holdings due to sales and purchases, which affects the comparability of the annual environment figures.

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

Earlier reports

The previous Spondability report was published as a part of Sponda's annual report in February 2013. Sponda reports on its progress in terms of responsibility each year.

In the 2013 report, Sponda has expanded the reporting of waste management and carbon footprint from the previous year.



Corporate Governance

Sponda Plc is a public limited company registered in Finland and listed on NASDAQ OMX Helsinki Ltd. In its decision-making and administration, Sponda complies with the Finnish Companies Act and other legal provisions governing public limited companies, and the company's articles of association. Sponda also adheres to the insider guidelines of NASDAQ OMX Helsinki Ltd and the Finnish Corporate Governance Code issued by the Securities Market Association on 15 June 2010.

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

Board of Directors

Under Sponda Plc's articles of association, the company has a Board of Directors with four to seven (4–7) ordinary members.

Members of the Board until the Annual General Meeting of 18 March 2013 were: Klaus Cawén (b. 1957) LL.M., Executive Vice President, Member of the Executive Board, KONE Corporation; Tuula Entelä (b. 1955) B.Sc. (Econ.), LL.M., Vice President, Housing Business, Helsinki Region and St. Petersburg, Deputy to President and CEO, SATO Corporation; Lauri Ratia (b. 1946), M.Sc. (Eng.), teollisuusneuvos (Finnish honorary title), Arja Talma (b. 1962) M.Sc. (Econ.), eMBA, Senior Vice President, Store Sites and Investments, Kesko Corporation; Raimo Valo (b. 1955), LL.M., CEO, East Office of Finnish Industries Ltd and Erkki Virtanen (b. 1950) M.Soc.Sc. (Econ.), Permanent Secretary, Ministry of Employment and the Economy. The Board has assessed that all of its members are independent of the company and its major shareholders.

The Annual General Meeting on 18 March 2013 confirmed that there would be seven members on the Board of Directors. Re-elected to the Board of Directors were Klaus Cawén, Tuula Entelä, Arja Talma and Raimo Valo, and elected as new members were Kaj-Gustaf Bergh (b. 1955) B.Sc. (Econ.), LL.M., Managing Director, Föreningen Konstsamfundet r.f., Christian Elfving (b. 1947) M.Sc. (Econ.), MBA (Univ. of Chicago), CEO, Sigrid Jusélius Foundation and Juha Laaksonen (b. 1952) B.Sc. (Econ.). The Board of Directors has determined that, of its members, Klaus Cawén, Tuula Entelä, Juha Laaksonen, Arja Talma and Raimo Valo are independent of the company and its major shareholders and that members Kaj-Gustaf Bergh and Christian Elfving are independent of the company. Kaj-Gustaf Bergh and Christian Elfving have been determined not to be independent of one significant shareholder owing to their membership on the board of directors of Oy PALSK Ab, which is a major shareholder of Sponda.

Sponda's Board members represent broad experience of real estate, industry and finance as well as of commerce and trading. More detailed information on the members of the Board is available under Introduction of the Board of Directors.

In its constitutive meeting after the Annual General Meeting of 18 March 2013, the Board of Directors elected Kaj-Gustaf Bergh as Chairman and Klaus Cawén as Deputy Chairman.

Sponda Plc shares owned by members of the Board of Directors as of 31 December 2013:

Member	Number of shares	Change
Bergh Kaj-Gustaf, Chairman	56,194	+ 56,194
Cawén Klaus, Deputy Chairman	29,316	+ 3,716
Elfving Christian	3,221	+ 3,221
Entelä Tuula	15,168	+ 3,221
Laaksonen Juha	3,221	+ 3,221
Talma Arja	15,168	+ 3,221
Valo Raimo	10,708	+ 3,221



The Board meets according to a pre-arranged schedule, 7–11 times per year, and holds additional meetings as necessary. In 2013, the Board met 12 times and the average attendance rate of Board members was 96.34 per cent. Sponda's Board of Directors assesses its own performance and working procedures once a year. The assessment was based on a Board review conducted by a third party in November 2013. The Board addressed the findings of the survey and discussed further action in its meeting of December 2013. The review addressed the composition of the Board, its work and materials submitted to it. The results of the survey will be used to improve the work of the Board of Directors.

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

The President and CEO regularly attends Board meetings. Sponda's Chief Financial Officer acts as the secretary of the Board.

Presentation of the Board of Directors 31 December 2013

Kaj-Gustaf Bergh

Chairman

BSc (Econ.), LL.M., born 1955 Managing Director, Föreningen Konstsamfundet r.f.

Chairman and Member of Sponda Plc's Board of Directors since 2013

Career history:

Managing Director, Föreningen Konstsamfundet r.f. 2006-

SEB Asset Management, Director 1998-2000 Ane Gyllenberg Ab, Chief Executive Officer 1986-1998

Main positions of trust:

Oy PALSK Ab, Chairman of the Board Fiskars Oyj Abp, Chairman of the Board KSF Media Ab, Chairman of the Board Wärtsilä Oyj Abp, Board Member JM AB, Board Member Julius Tallberg Oy Ab, Board Member Ramirent Oyi, Board Member

Owns 56,194 Sponda shares

Christian Elfving

Member

M.Sc. (Econ.), MBA (Univ. of Chicago), born 1947 CEO, Sigrid Jusélius Foundation

Member of Sponda Plc's Board of Directors since

Career history:

Sigrid Jusélius Foundation, CEO, 2007-Iridium Partners Oy Ab, Chairman of the Board, Senior Partner 1996-2007 Ingeris Oy Ab, Chairman of the Board, Senior Partner 1992-1995 Oy Terrasilvana Ab, Managing Director 1986-1991

Main positions of trust:

Oy PALSK Ab, Board Member Oy Kelonia Ab, Chairman of the Board Oy Kelonia Placering Ab, Board Member

Owns 3,221 Sponda shares

Arja Talma

Member

M.Sc. (Econ.), eMBA, born 1962 Senior Vice President, Store Sites and Investmens, Kesko Corporation

Member of Sponda Plc's Board of Directors since 2007

Career history:Kesko Corporation, Senior Vice President, Store

Sites and Investments, 2013

Rautakesko Ltd, President, 2011–2013
Kesko Corporation, Senior Vice President, Chief
Financial Officer, 2005–2011
Kesko Corporation, Vice President, Corporate
Controller, 2004–2005
Oy Radiolinja Ab, Executive Vice President, Finance
and Administration, 2001–2003
KPMG Wideri Oy Ab, APA 1992–2001, Partner,

Main positions of trust:

2000-2001

Aktia Bank Plc, Board Member (from 7 May 2013) Varma Mutual Pension Insurance Company, Supervisory Board Member (from 21 Mar 2013)

Owns 15,168 Sponda shares

Klaus Cawén

Deputy Chairman

LL.M., born 1957 KONE Corporation, Executive Vice President, Member of the Executive Board

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

Raimo Valo

Member

LL.M., born 1955 CEO, East Office of Finnish Industries Ltd

Member of Sponda Plc's Board of Directors since 2011

Tuula Entelä

Member

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

Member of Sponda Plc's Board of Directors since 2005



Career history:

KONE Corporation, Executive Vice President, Member of the Executive Board, 1991-

Main positions of trust:

Oy Karl Fazer Ab, Board Member Toshiba Elevator and Building Systems Company, Board Member

Owns 29,316 Sponda shares

Career history:

East Office of Finnish Industries Ltd, CEO, 2013-Septem Partners Oy, Partner, 2010-2013 OAO Swedbank, Russia, Chairman of the Board and CEO, 2008-2010

Glitnir, Russia, Asset Management, Private Banking, CEO, 2007-2008

Svenska Handelsbanken ZAO, Moscow, Chairman of the Management Board and CEO, 2004-2007 Bank Svenska Handelsbanken (Polska) Sp.A. Chairman of the Management Board and CEO,

Main positions of trust:

Nassim Investments Oy, Chairman of the Board (from 14 Mar 2013) CCS Cold Cargo Solutions, Chairman of the Board M-X Sport Oy, Chairman of the Board Neo Industrial Oyj, Board Member Septem Partners Oy, Board Member

Owns 10,708 Sponda shares

Career history:

SATO Corporation, Vice President, Housing Business, Helsinki Region and St. Petersburg, 2009-SATO Corporation, Vice President, Investment in Housing, 2004-2009

SATO Corporation, Deputy to President and CEO, 2003-

SATO Group, Director, Investment in Housing, 1997-2003

SATO Group, Business Area Director, Asset Management, 1994-1996

Helsingin Osuuskauppa Elanto, Deputy Chairman of the Board

HOK-Elanto Liiketoiminta Oy, Chairman of the Board Helsinki Deaconess Institute, Member of the Board of Management

RAKLI The Finnish Association of Building Owners and Construction Clients, Housing executive group, Member (Chairman from 1 Jan 2014)

Owns 15,168 Sponda shares

Juha Laaksonen

B.SC. (Econ.), born 1952

Member of Sponda Plc's Board of Directors since

Career history:

Fortum Corporation, Executive Vice President and CFO, 2000-2012 Fortum Corporation, Vice President, Mergers & Acquisitions, 2000 Fortum Oil & Gas Oy, Executive Vice President, Finance & Planning , 1999

Neste Oyj, Chief Financial Officer, 1998

Main positions of trust:

SATO Corporation, Chairman of the Board Kemira Oyj, Board Member Taaleritehdas Oyj, Board Member (from 7 Mar 2013) The Associsation of Finnish Fine Arts Foundations, Chairman of the Board

Owns 3,221 Sponda shares

Duties of the Board of Directors

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

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

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



Board committees and working groups

The Board appoints the members and chairmen of the committees from among its number. The committee members' term of office is one year, ending at the conclusion of the Annual General Meeting following their election. Both committees have at least three (3) members. A committee meeting has quorum when the chairman and at least one other member are present.

The Audit Committee comprises at least three Board members who are independent of the company and its subsidiaries and have sufficient knowledge of accounting and financial statement practice. Up until the Annual General Meeting of 18 March 2013, the Audit Committee comprised Arja Talma as chairman, Raimo Valo as deputy chairman and Erkki Virtanen as an ordinary member. 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 main duties of the Audit Committee are to evaluate financial reporting and risk management and to examine financial reviews. In 2013 the Audit Committee convened four (4) timesand the attendance rate was 100.

The Structure and Remuneration Committee comprises at least three Board members who are independent of the company. Until the Annual General Meeting of 18 March 2013, the Structure and Remuneration Committee comprised Lauri Ratia as chairman, Klaus Cawén as deputy chairman and Tuula Entelä as an ordinary member. 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. The main duties of the Structure and Remuneration Committee are to prepare matters relating to the nomination of senior management and their remuneration as well as matters relating to strategy and corporate structure. In 2013, the committee met five (5) times and the average attendance rate was 100 per cent.

Remuneration and other financial benefits paid to the Board of Directors

The Annual General Meeting confirms in advance the remuneration payable to the Board of Directors annually. In the Annual General Meeting held on 18 March 2013, the following were confirmed as the annual remunerations for the members of the Board of Directors:

Chairman	EUR 60,000
Deputy Chairman	EUR 36,000
Member	EUR 31,200

Of the annual remuneration paid to the Board of Directors, 40 per cent is paid in the form of Sponda Plc shares to be acquired by means of public trading. The shares shall be purchased within two weeks of the release of the interim report of the first quarter.

Additionally, the Chairman of the Board will be paid a fee of EUR 1,000 and members EUR 600 per Board meeting attended. Members of the Board will be paid EUR 600 per meeting and the Chairman of the Audit Committee EUR 1,000 per meeting of the Audit Committee.

The Board of Directors has no other remuneration schemes. Members of the Board of Directors are not in an employment relationship with the company.

In 2013, members of Sponda's Board of Directors were paid a total of EUR 327,400 in remuneration (incl. annual remuneration and meeting fees) as follows:

Name	Annual remuneration, €	Meeting fees, €	Number of shares included in annual remuneration	Total remuneration (incl. annual and meeting fees), €
Kaj-Gustaf Bergh (Chairman since 18 March 2013)	60,000	10,600	6,194	70,600
Lauri Ratia (Chairman until 18 March 2013)	-	4,800	-	4,800
Klaus Cawén (Deputy Chairman)	36,000	10,200	3,716	46,200
Christian Elfving (as of 18 March 2013)	31,200	7,200	3,221	38,400
Tuula Entelä	31,200	11,400	3,221	42,600
Juha Laaksonen (as of 18 March 2013)	31,200	7,200	3,221	38,400
Arja Talma	31,200	10,800	3,221	42,000
Raimo Valo	31,200	10,200	3,221	41,400
Erkki Virtanen (until 18 March 2013)	-	3,000	-	3,000
Total	252,000	75,400	26,015	327,400

The General Meeting

The General Meeting of shareholders is Sponda's highest decision-making body. The Annual General Meeting (AGM) is held once a year on a date determined by the Board of Directors and within six (6) months of the end of the previous financial year. The AGM considers the matters stipulated in the Finnish Companies Act and Sponda's articles of association. These include among others confirmation of the financial statements, deciding on the use of the profit shown in the balance sheet, electing the members of the Board of Directors and deciding on their remuneration, and appointing the company's auditors and deciding on their remuneration.

Sponda publishes the notice of the AGM in at least one daily national newspaper determined by the Board of Directors and also on the company website. Shareholders entitled to attend the AGM are required to be registered in the company's shareholder register and to inform the company of their intention to attend the meeting in the manner stipulated in the meeting notification. Extraordinary general meetings are convened when deemed necessary by the Board of Directors or when required by law.

Nomination Board

The shareholders' Nomination Board assists the Annual General Meeting in the nomination of members for Sponda's Board of Directors and with regard to their compensation.

The permanent shareholders' Nomination Board appointed by the Annual General Meeting on 18 March 2013 prepares proposals on candidates for the Board of Directors and their compensation for the next Annual General Meeting.

The Nomination Board consists of three members appointed by the shareholders. In addition, the Chairman of the Board of Directors shall act as an expert member of the Nomination Board. The three shareholders who are entered in the company's shareholders' register maintained by Euroclear Finland Ltd and whose portion of the votes produced by all the shares in the company according to the shareholders' register are the greatest on 30 September of the calendar year preceding the Annual General Meeting have the right to appoint members representing shareholders. If a shareholder does not wish to exercise its right to appoint a member to the Nomination Board, the right shall be transferred to the next largest shareholder according to the shareholders' register who otherwise would not have the right to appoint a member.



The Nomination Board is convened by the Chairman of the Board of Directors. The member appointed by the largest shareholder shall act as the Chairman of the Nomination Board, unless otherwise decided by the Nomination Board. The Nomination Board shall submit its proposal to the Board of Directors by 30 January before the Annual General Meeting.

The three largest shareholders (holdings on 30 September 2013) and their representatives on the Nomination Board were:

- Oy PALSK Ab, 14.89% of the shares and votes, represented by Kaj-Gustaf Bergh, B.Sc. (Econ.), LL.M., (b. 1955) Managing Director, Föreningen Konstsamfundet r.f.;
- Varma Mutual Pension Insurance Company, 10.27% of the shares and votes, represented by Risto Murto, (b. 1963), Ph.D. (Econ.), Chief Investment Officer, Deputy CEO, Varma Mutual Pension Insurance Company;
- HC LPN Holding Oy Ab, 9.89% of the shares and votes, represented by Peter Therman, (b. 1968), M.Sc. (Econ.), President and CEO, Karelia-Upofloor Oy.

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

President and CEO

Sponda's President and CEO is appointed by the company's Board of Directors. The President and CEO manages the company's day-to-day operations in accordance with the instructions and stipulations of the Board of Directors. The President and CEO is responsible for ensuring that the company's accounts comply with legal provisions and that the company has sufficient capital funds for its purposes. The President and CEO is assisted by the Group's Executive Board, of which he is the chairman. Kari Inkinen (b. 1957) has served as Sponda's President and CEO since 2005.

The President and CEO's terms of employment are set out in a written contract of employment approved by the Board. Under the terms of the contract of employment, the term of notice of the President and CEO is six months. Should the company terminate the President and CEO's contract of employment, he is entitled to compensation equivalent to twelve (12) months' salary. The retirement age of the President and CEO is 63, and his pension is determined in accordance with the Finnish Employees Pension Act (TEL). The President and CEO is covered by a contribution-based group pension insurance scheme. Sponda Plc pays the annual premium under the scheme until the President and CEO reaches the age of 63. The insurance premium amounts to 7.5 per cent of the President and CEO's fixed annual salary.

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

The President and CEO also participates in the long-term share-based incentive scheme for the Group's key personnel approved by the Board of Directors. The revised incentive scheme implemented in 2009 comprised two one-year vesting periods (the 2010 and 2011 calendar years) and two three-year vesting periods (2010–2012 and 2011–2013). In 2012, Sponda's Board of Directors decided on the implementation of a new incentive scheme, which is 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 Board of Directors decides separately on the earning criteria and the targets to be established for each vesting period.

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 the 2012–2014 vesting period are the Group's average Return on Capital Employed (ROCE) in the financial periods 2012–2014 and the Group's cumulative Operational Cash Earnings Per Share (CEPS) for the financial periods 2012–2014. In addition, the Board of Directors will assess the Group's success in relation to the prevailing market conditions. The earning criteria for the 2013–2015 vesting period are the Group's average Return on Capital Employed (ROCE) in the financial periods 2013–2015, the Group's cumulative Operational Cash Earnings Per Share (CEPS) for the financial periods 2013–2015, and real estate sales. In addition, the Board of Directors will assess the Group's success in relation to the prevailing market conditions. The Board of Directors monitors the fulfilment of the targets set for the earning criteria regularly.

Any remuneration paid, less taxes, is used to purchase the company's shares on behalf of the persons participating in the incentive scheme. The remuneration amount includes the purchased company shares as well as taxes and tax-like charges incurred from the remuneration to the persons participating in the scheme and settled by the company.



The shares may not be disposed of within a set commitment period following 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 commitment period for the 2012–2014 vesting period ends on 31 December 2017 and the commitment period for the 2013–2015 vesting period on 31 December 2018. After the commitment period ends, a member of the Group's Executive Board must own one half of the shares paid on the basis of the scheme, until the value of the shares he or she owns equals the amount of his or her gross annual salary. This ownership obligation shall be in effect for as long as the employment contract of the member of the Executive Board continues.

In 2013, salaries paid to the President and CEO amounted to EUR 439,880.78 and other remuneration to EUR 629,539.85, in total EUR 1,069,420.63. Remunerations paid to the President and CEO in 2013 consist of the annual remuneration and the remuneration based on the long-term share-based incentive scheme in effect in 2013, based on which 64,678 Sponda Plc shares were purchased for the President and CEO.

Salaries and remuneration paid to President and CEO

	Annual salary, € **)	Fringe benefits, €***)	Annual salary and fringe benefits, total, €	Annual remuneration €	Incentive remuneration, €	Remunerations in total, €	All in total, €
2013	427,290.78	12,590.00	439,880.78	129,892.30	499,647.55	629,539.85	1,069,420.63
2012	416,607.06	13,500.00	430,107.06	107,626.30	172,560.68	280,186.98	710,294.04
2011	418,900.18	13,320.00	432,220.18	115,592.00	383,151.98	498,743.98	930,964.16

^{*)} Amounts in this table are those actually paid in 2013. The variable remunerations (annual remuneration and incentive remuneration) are based on the 2012 results.

Executive Board

The Executive Board prepares the business strategy and budget and monitors the results of operations. The Executive Board also considers investments and divestments of strategic significance to the whole Group, as well as the company's operational guidelines and reporting. 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 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. The insurance premium amounts to 7.5 per cent of each member's fixed annual salary.

The members of the Executive Board participate in the long-term share-based incentive scheme for the Group's key personnel approved by the Board of Directors. The revised incentive scheme implemented in 2009 comprised two one-year vesting periods (the 2010 and 2011 calendar years) and two three-year vesting periods (2010–2012 and 2011–2013). In 2012, Sponda's Board of Directors decided on the implementation of a new incentive scheme, which is 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 Board of Directors decides separately on the earning criteria and the targets to be established for each vesting period.

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^{**)} annual salary excl. fringe benefits

^{***)} car and phone benefit



assess the Group's success in relation to the prevailing market conditions. The Board of Directors monitors the fulfilment of the targets set for the earning criteria regularly.

Any remuneration paid, less taxes, is used to purchase the company's shares on behalf of the persons participating in the incentive scheme. The remuneration amount includes the purchased company shares as well as taxes and tax-like charges incurred from the remuneration to the persons participating in the scheme and settled by the company.

The shares may not be disposed of within a set commitment period following their receipt. The duration of this period is two years for the oneyear vesting periods and three years for the three-year vesting periods. The commitment period for the 2012–2014 vesting period ends on 31 December 2017 and the commitment period for the 2013–2015 vesting period on 31 December 2018. After the commitment period ends, a member of the Group's Executive Board must own one half of the shares paid on the basis of the scheme, until the value of the shares he or she owns equals the amount of his or her annual salary. This ownership obligation shall be in effect for as long as the employment contract of the member of the Executive Board continues.

Sponda Plc shares owned by members of the Executive Board as of 31 December 2013:

Name	No. of shares	Change
Kari Inkinen	378,044	+ 64,678
Pia Arrhenius	48,494	+ 18,309
Erik Hjelt	114,232	+ 24,876
Ossi Hynynen	163,333	+ 32,439
Kari Koivu	78,351	- 13,221
Sirpa Sara-aho	109,687	+ 19,602
Veli-Pekka Tanhuanpää	5,970	+ 5,970

Presentation of the Executive Board 31 December 2013

Kari Inkinen

President and CEO MSc (Eng.), born 1957

Career history:

Sponda Plc, President and CEO, 2005-Kapiteeli Plc, President and CEO, 1999–2005 YIT Corporation, Director, 1985-1998;

YIT Corporation Residential Construction, Director,1995-1998 YIT Corporation, Regional Director, 1992-1995

Main positions of trust: Rake Oy, Board member

Owns 378,044 Sponda shares

Pia Arrhenius

Senior Vice President, Communications and IR EMBA, born 1968

Member of the Executive Board since 2009

Career history:

Sponda Plc, Senior Vice President, Communications and IR, 2009-

Sponda Plc, Communications and IR Manager, 2004-2008

Sponda Plc. Communications assistant, 2003-2004

Owns 48,494 Sponda shares

Kari Koivu

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

Member of the Executive Board since 2007

Career history:

Sponda Plc, Senior Vice President, Real Estate Funds, 2007-

Kapiteeli Plc, Senior Vice President, Sales Property, 2003-2006

Solid Information Technology, Marketing Manager, 2000-2003

Hewlett-Packard Europe, Business Development Manager, 1997-2000

Owns 78,351 Sponda shares



Erik Hjelt

Chief Financial Officer

LL.Lic., eMBA, born 1961

Member of the Executive Board since 2007

Career history:

Sponda Plc, Chief Financial Officer, 2009-Sponda Plc, Senior Vice President, Legal Affairs and Properties, 2009-Treasury, 2007–2009

Kapiteeli Plc, Senior Vice President, Finance and Legal Affairs, 1999-2006

Arsenal Asset Management Company Ltd, Chief Legal Counsel, 1994-1999

Savings Bank of Finland - SBF Ltd, Bank Manager,

Owns 114,232 Sponda shares

Ossi Hynynen

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

Member of the Executive Board since 2007

Career history:

Sponda Plc, Senior Vice President, Investment

Sponda Plc, Senior Vice President, Office and Retail Properties, 2007-2008

Kapiteeli Plc, President and CEO, 2005–2006 Kapiteeli Plc. Senior Vice President. Office and Retail Property, 2003-2006

Kapiteeli Plc. Senior Vice President, Real Estate Development, 1999-2002

ProPaulig Ltd, Director of Marketing, 1993–1999 Haka Ltd, Construction Manager, 1988-1993

Main positions of trust:

RAKLI - The Finnish Association of Building Owners and Construction Clients, Member of the Board

Owns 163.333 Sponda shares

Sirpa Sara-aho

Senior Vice President, Russia

Commercial college graduate, born 1963

Member of the Executive Board since 2007

Career history:

Sponda Plc, Senior Vice President, Russia 2007-Sponda Plc, Regional Manager, Russia and the Baltic Countries, 2006

Nordea Bank Finland Plc, Vice President, 1985-2005

Main positions of trust:

Solteq Oyj, Board Member

Owns 109,687 Sponda shares

Veli-Pekka Tanhuanpää

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

Career history:

Sponda Plc, Senior Vice President, Property

2007-2011

Kapiteeli Plc, Project and Construction Manager, 2003-2007

Owns 5,970 Sponda shares

Member of the Executive Board since 2012

Development, 2012-Sponda Plc, Director, Project Development,

NCC Construction, Project Manager, 1998-2003

External and internal audits

Auditors

The company has two auditors: a firm of authorised public accountants and an auditor approved by the Central Chamber of Commerce. The auditors are responsible for examining the financial statements, the accounts and administration of the parent company and the Group, and for submitting a report on their audit to the Annual General Meeting.

Sponda Plc's auditors from 1 January to 18 March 2013 were Raija-Leena Hankonen, APA and KPMG Oy Ab under the supervision of principal auditor Kai Salli, APA. The deputy auditor was Ari Eskelinen, APA. The Annual General Meeting of 18 March 2013 appointed new auditors: Esa Kailiala, APA and KPMG Oy Ab under the supervision of principal auditor Kai Salli, APA. The deputy auditor is Lasse Holopainen, APA. Esa Kailiala has served as Sponda Plc's auditor from 2013, Kai Salli since 2008 and Lasse Holopainen in 2003–2004 and again from 2013.

The auditing fees paid to the auditors in 2013 amounted to EUR 176,008.67. A further EUR 12,151.37 was paid to the auditors for other consulting services. These fees, totalling EUR 188,160.04, include all the fees paid by Group companies.



Internal audit

Sponda's operational efficiency, financial performance and risk management are audited internally. The internal audit is performed by an expert appointed from outside the company. The internal audit reports functionally to the audit committee and administratively to the President and CEO.

Insiders

Sponda complies with the Insider Guidelines issued by NASDAQ OMX Helsinki Ltd. These recommend that insiders wishing to trade in the company's shares do so at times when the market has the fullest possible information on matters that might materially affect the share price. Accordingly, Sponda's insiders are not permitted to trade in Sponda's securities for a period commencing 21 days before the company publishes its interim or annual reports.

The company's statutory public insiders are its Board of Directors and the Executive Board and the auditors. In addition, the company maintains a company-specific insider register, comprising a permanent company-specific insider register and a project-specific insider register. The permanent insider register lists the names of individuals who have regular access to insider information by virtue of their role or duties. The project-specific insider register lists the names of individuals to whom the company discloses to insider information regarding a particular project. The holdings of the company's public insiders are available for inspection in the insider register maintained by Euroclear Finland Ltd. The register of public insiders is also available on the company website at www.sponda.com.

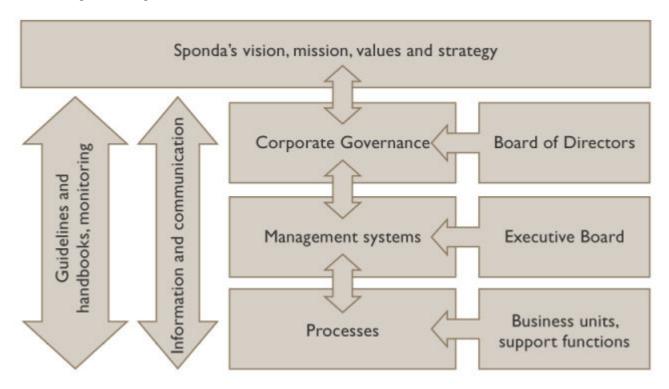
Risk management

Sponda uses effective risk management to secure the company's operations, their continuity and the achievement of key objectives. Risk management is integrated into the company's planning system and day-to-day operations. The Group's risk-bearing capacity is taken into account in its risk management. Sponda manages the risks associated with its operations by identifying, measuring and preventing key uncertainties.

Risks are assessed in terms of their probability as well as their financial impact. Achieving financial targets is a sign that risk management has been successful. Sponda's key risks are classified as strategic risks, operational risks, damage and asset risks and financing risks.



Risk management organisation



Sponda has adopted a systematic approach to risk management and one of the company's key strengths is its ability to integrate risk management as part of the strategy process, the enterprise resource planning system and business processes.

The responsibility for risk management is determined in accordance with business responsibility. The ultimate responsibility for risk management lies with the Board of Directors, which sets risk management objectives, decides on risk management policy, organises risk management and monitors key risks. Business units and corporate functions are responsible for arranging for risk management to be monitored and reported as part of the company's other reporting activities. The company's internal audit function monitors the effectiveness of the risk management system.

Risk management is tied to the company's annual planning process and risks are assessed in a risk survey carried out twice a year. The risk survey identifies the company's key risks, assesses the probability of their occurrence and potential impacts thereof, and defines risk management procedures. The Group's risk management instructions and guidelines and the operations manual are updated according to the decisions concerning risk management 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.

Key risks in terms of the company's operations are listed in the Annual Report's Risks and Risk management section.

The executive management reports Group-level risks to the Board of Directors twice a year. Risk reporting at Executive Board and business unit levels takes place as part of the enterprise resource planning system.

Sponda's Audit Committee has reviewed the principles of internal control and the internal audit guidelines. The Audit Committee approves annually the internal audit plan.

The Corporate Governance statement is available on the company website.

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