

SPONDA

 *Interim Report*

1.1.–31.3.2014



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

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Sponda Plc's interim report January–March 2014

JANUARY–MARCH 2014 IN BRIEF (compared with 1 January - 31 March 2013)

- Total revenue was EUR 63.5 (66.0) million.
- Net operating income was EUR 44.0 (45.4) million. The decline was due to properties sold in 2013 and a decrease in occupancy rate.
- Operating profit was EUR 31.7 (44.8) million. This includes a fair value change of EUR -6.7 (5.5) million.
- Cash flow from operations per share was EUR 0.09 (0.09).
- The fair value of the investment properties amounted to EUR 3,253.4 (3,274.3) million.
- Net assets per share totalled EUR 4.49 (4.38).
- The economic occupancy rate was 86.2% (88.2%).
- The prospects for 2014 have been adjusted with respect to the transaction published after the reporting period on 30 April 2014.

KEY FIGURES

	1-3/2014	1-3/2013	1-12/2013
Total revenue, M€	63.5	66.0	264.3
Net operating income, M€	44.0	45.4	190.9
Operating profit, M€	31.7	44.8	153.0
Earnings per share, €	0.04	0.07	0.34
Cash flow from operations per share, €	0.09	0.09	0.40
Equity per share, €	4.49	4.38	4.64
Equity ratio, %	39.7	40.8	40.7
Interest cover ratio	3.1	2.9	3.1

KEY FIGURES ACCORDING TO EPRA BEST PRACTICES RECOMMENDATIONS

	1-3/2014	1-3/2013	1-12/2013
EPRA Earnings, M€	25.3	26.3	111.5
EPRA Earnings per share, €	0.09	0.09	0.39
EPRA NAV/share, €	5.18	5.09	5.29
EPRA NNAV/share, €	4.37		4.52
EPRA Net Initial Yield (NIY), %	5.64	6.64	5.84
EPRA, "topped-up" NIY, %	5.65	6.65	5.84
EPRA Cost Ratio (including direct vacancy costs), %			16.27
EPRA Cost Ratio (excluding direct vacancy costs), %			11.37

PRESIDENT AND CEO KARI INKINEN

After the reporting period we published our intention to sell 12 logistics properties and property funds, or properties owned by the funds. This is a big step towards executing Sponda's strategy which was published in autumn last year. It is good for the Finnish property market that we can, at the same time, create a new operator for the market: a logistics and industrial property investment company called Certeum Oy. Sponda will be a minority shareholder in Certeum with a share of 38% at most.

Our revenue and net operating income declined compared to the corresponding period last year. This decline was primarily due to property sales and a decrease in occupancy rate. The forecasts of positive development for the Finnish economy in 2014 have been adjusted slightly downward, and this is also reflected in the rental operations for Sponda's properties. Office properties are doing well, particularly in central Helsinki. The low consumer demand and the structural change in retail sector have increased the amount of vacant retail premises on the market. Rental levels have remained stable in both sectors.

The largest negative change was in the Russia Business Unit. The weakened economic situation in Russia has affected Sponda's net operating income faster than expected. Decline was due to the increase in Moscow's property tax and increase in Ducat II's vacant space.

Our property development operations are proceeding according to plan. The construction of a 15,000 m² office building for Sweco in Helsinki's Ilmala district started on schedule. In addition, we are preparing to start construction on a new office building with a floor area of approximately 4,600 m² in Helsinki's Lassila district. The building's main tenant will be Kone Elevators Finland, with construction set to begin in summer 2014.

PROSPECTS FOR 2014

As a result of the arrangement, Sponda is adjusting its prospects for 2014 with respect to the development of net operating income. The economic occupancy rate forecast remains unchanged.

Economic occupancy rate

Sponda expects the economic occupancy rate of the Group's properties at year-end 2014 to be at the same level as at the end of 2013. This estimate is based on the slow positive development of the Finnish economy as well as current information on expiring leases.

Net operating income

According to the previously stated outlook, net operating income (excluding disposals) in 2014 was expected to be at the same level as in 2013. Upon the conclusion of the arrangement, Sponda expects net operating income for 2014 to amount to EUR 175–183 million (including the net operating income of the properties being sold for the period they are under Sponda's ownership). The adjustment to the prospects is primarily based on the completion of the sale of 12 logistics properties and holdings in real estate funds at the end of September 2014.

BUSINESS CONDITIONS – FINLAND

According to an estimate published in April 2014 by the Finnish Ministry of Finance, Finnish GDP declined by 1.4% in 2013. GDP is expected to bottom out and take a turn to growth of 0.5% in 2014. This growth forecast is based on increasing foreign trade. Private consumption is not expected to increase in 2014 due to the subdued development of purchasing power, the labour market situation and weak future outlook. The unemployment rate is expected to increase and average at approximately 8.4% in 2014.

The transaction market, which picked up in activity in late 2013, remained active in early 2014. According to KTI Property Information, the transaction volume for the first quarter

of 2014 amounted to EUR 0.63 billion. The last time the transaction volume exceeded EUR 0.5 billion during a quarter was in 2008. Foreign buyers accounted for approximately 60% of the transactions in the first quarter. The largest property transactions in the first quarter included Sanoma Group's head office Sanomatalo and printing facility Sanomala.

According to Jones Lang LaSalle, the rental level of prime office properties in Helsinki did not change during the first quarter of the year. The yield requirement for prime office properties, however, decreased by 0.1 percentage points to 5.1% according to JLL.

BUSINESS CONDITIONS – RUSSIA

Russian GDP growth slowed down more than expected in 2013. According to a Bank of Finland estimate, Russian GDP grew only by 1.3% in 2013, with growth in domestic demand slowing down significantly. Growth is expected to slow down further in 2014. The growth forecast is only 0.5% due to reasons including the postponement of investment caused by the events in Crimea.

In the first quarter, the transaction market was substantially slower than in the corresponding period last year. According to CB Richard Ellis, property transactions were made for slightly less than USD 0.6 billion, compared to approximately USD 2.5 billion a year earlier. According to CBRE, yield requirements did not change in the first quarter.

CBRE estimates that the average vacancy rate for office premises in Moscow increased by one percentage point to 13% in the first quarter. The vacancy rate for Class B office space remained unchanged, but the vacancy rate for Class A office space increased due to a high volume of new construction.

For the most part, rental levels remained at the levels seen at the turn of the year. Only the lower end of the rental range for Class A prime office space decreased somewhat.

In the first quarter, some 210,000 m² of new office space was completed. Of this, approximately 130,000 m² is Class A office space and approximately 80,000 m² is Class B office space.

OPERATIONS AND PROPERTY ASSETS 1 JANUARY – 31 MARCH 2014

Net operating income from all of Sponda's property assets totalled EUR 44.0 (45.4) million in January–March 2014. Of this total, office premises accounted for 56%, shopping centres for 20%, logistics premises for 13%, Russia for 8% and the Real Estate Funds unit for 3%.

On 31 March 2014, Sponda had a total of 175 leasable properties, with an aggregate leasable area of approximately 1.4 million m². Of this total, approximately 53% is office premises, 11% shopping centres and 33% logistics premises. Some 3% of the leasable area of the properties is located in Russia.

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

At the end of March 2014, the fair value of Sponda's properties was assessed internally for both Finland and Russia. The change in fair value of the investment properties was EUR -8.5 (5.0) million. The negative change in fair value in the first quarter was mainly attributable to changes in maintenance costs in Russia. The changes in fair values are itemised in the table "Valuation gains/losses on fair value assessment".

Valuation gains/losses on fair value assessment
M€

	1-3/2014	1-3/2013	1-12/2013
<i>Changes in yield requirements (Finland)</i>	0.0	0.0	-5.0
<i>Changes in yield requirements (Russia)</i>	0.0	0.0	0.0
<i>Development gains on property development projects</i>	0.0	0.2	2.2
<i>Modernisation investments</i>	-5.4	-4.6	-22.6
<i>Change in market rents and maintenance costs (Finland)</i>	5.4	4.7	22.1
<i>Change in market rents and maintenance costs (Russia)</i>	-7.2	1.3	-7.1
<i>Change in currency exchange rates</i>	-1.2	3.3	-5.7
<i>Investment properties, total</i>	-8.5	5.0	-16.1
<i>Real estate funds</i>	0.1	-1.9	-8.8
<i>Realised share of fund profits</i>	1.7	2.4	10.7
<i>Group, total</i>	-6.7	5.5	-14.2

Changes in Sponda's investment property assets
M€

	Total	Office properties	Shopping centres	Logistics	Property development	Russia
<i>Operating income</i>	61.8	35.2	11.7	9.1	0.1	5.7
<i>Maintenance expenses</i>	-19.1	-10.6	-2.9	-3.5	-0.5	-1.7
<i>Net operating income</i>	42.7	24.6	8.8	5.6	-0.4	4.1
<i>Investment properties 1.1.2014</i>	3,253.3	1,753.3	717.5	426.5	108.2	247.8
<i>Capitalised interest 2014</i>	0.1	0.0	0.0	0.0	0.0	0.0
<i>Acquisitions</i>	0.0	0.0	0.0	0.0	0.0	0.0
<i>Investments</i>	8.7	5.9	0.0	0.2	2.2	0.4
<i>Transfers between segments</i>	0.0	0.0	0.0	0.0	0.0	0.0
<i>Sales</i>	-0.2	-0.2	0.0	0.0	0.0	0.0
<i>Change in fair value</i>	-8.5	0.5	0.1	-0.1	0.0	-8.9
<i>Investment properties on 31 March 2014</i>	3,253.4	1,759.4	717.6	426.6	110.5	239.4
<i>Change in fair value, %</i>	-0.3	0.0	0.0	0.0	0.0	-3.6
<i>Weighted average yield requirement %</i>	6.7	6.4	5.8	8.2		9.6
<i>Weighted average yield requirement %, Finland</i>	6.5					

RENTAL OPERATIONS

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

	Number (agreements)	Area (m ²)	EUR/m ² /month
<i>Came into effect during the period</i>	97	21,449	15.40
<i>Expired during the period</i>	95	53,048	10.80
<i>Renewed during the period</i>	47	20,832	14.40

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

Sponda calculates the growth in net rental yield for its properties according to EPRA Best Practices Recommendations by using a like-for-like net rental growth formula based on a comparable property portfolio owned by the company for two years. Like-for-like net rental growth was 1.1% (1.5%) for office premises, 2.1% (0.4%) for shopping centres, 2.9% (-16.2%) for logistics premises and -13.2% (-1.3%) for properties in Russia. All of Sponda's lease agreements in Finland are tied to the cost of living index.

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

Type of property	31.3.2014	31.12.2013	30.9.2013	30.6.2013	31.3.2013
<i>Office properties, %</i>	88.2*)	90.1	89.6	89.6	89.2
<i>Shopping centres</i>	92.9*)	89.0	90.8	91.1	94.1
<i>Logistics, %</i>	71.7	75.2	75.6	75.7	74.8
<i>Russia, %</i>	88.4	96.0	96.1	97.9	96.8
<i>Total property portfolio, %</i>	86.2	87.9	88.0	88.3	88.2

Geographical area	31.3.2014	31.12.2013	30.9.2013	30.6.2013	31.3.2013
<i>Helsinki business district, %</i>	89.4	88.1	88.5	87.9	89.0
<i>Helsinki Metropolitan Area, %</i>	82.8	84.9	84.8	84.9	84.3
<i>Turku, Tampere, Oulu, %</i>	92.9	94.7	94.9	95.9	96.3
<i>Russia, %</i>	88.4	96.0	96.1	97.9	96.8
<i>Total property portfolio, %</i>	86.2	87.9	88.0	88.3	88.2

*) From the beginning of 2014, office and retail premises and shopping centres located in the same investment property have been divided into their respective segments for part of the investment properties. The properties were previously classified according to their primary use. The change applied to approximately ten properties, and its effect was -1.2 percentage points for office properties and 3.6 percentage points for retail properties.

Total cash flow from lease agreements at the end of March 2014 was EUR 1,179.1 (1,228.3) million. Sponda had 2,000 clients and altogether 3,053 lease agreements. The company's largest tenants were the State of Finland (7.9% of rental income), Kesko Group (5.0% of rental income), HOK-Elanto (4.0% of rental income) and Danske Bank Oyj (3.7% of rental income). Sponda's 10 largest tenants generate approximately 30% of the company's total rental income. Sponda's tenants by sector were as follows:

Sector	% of net rental income
<i>Professional, scientific and technical</i>	6.1
<i>Energy</i>	0.4
<i>Public sector</i>	12.7
<i>Wholesale/retail</i>	26.9
<i>Education</i>	1.3
<i>Logistics/transport</i>	4.6
<i>Hotel and catering business</i>	4.9
<i>Media/publishing</i>	2.4
<i>Other services</i>	13.4
<i>Banking/investment</i>	9.8
<i>Construction</i>	1.6
<i>Industry/manufacturing</i>	5.7
<i>Healthcare</i>	4.0
<i>Telecommunications</i>	6.0
<i>Other</i>	0.2

The average length of all lease agreements was 4.6 (4.6) years. The average length of lease agreements was 4.5 (4.7) years for office properties, 6.2 (6.2) years for shopping centres, 4.6 (4.5) years for logistics properties and 2.5 (2.4) years for properties in Russia. The lease agreements expire as follows:

	% of rental income 31 March 2014	% of rental income 31 March 2013
<i>Within 1 year</i>	11.9	14.6
<i>Within 2 years</i>	10.0	9.7
<i>Within 3 years</i>	13.4	9.5
<i>Within 4 years</i>	12.3	10.9
<i>Within 5 years</i>	8.0	11.3
<i>Within 6 years</i>	4.2	4.3
<i>After more than 6 years</i>	27.0	26.1
<i>Valid indefinitely</i>	13.2	13.7

DIVESTMENTS AND INVESTMENTS

Divestments M€

	1 January – 31 March 2014	1 January – 31 March 2013	1 January – 31 December 2013
<i>Properties sold</i>			
<i>Selling price</i>	0.3	0.0	33.1
<i>Profit/loss on sale*</i>	0.1	0.0	0.8
<i>Balance sheet value</i>	0.2	0.0	31.9

*) Includes sales costs

Investments M€

	1 January – 31 March 2014	1 January – 31 March 2013	1 January – 31 December 2013
<i>Properties acquired</i>	0.0	0.0	-3.1
<i>Maintenance investments</i>	-5.4	-4.6	-22.6
<i>Property development investments</i>	-3.3	-3.4	-14.0

Property development investments were mainly directed to preparations for the construction of an office building in Ilmala.

RESULTS BY SEGMENT

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

Sponda's segment information is prepared under the principle that an investment property belongs in the segment that matches its primary use. From the beginning of 2014, office and retail premises and shopping centres located in the same investment property have been divided into their respective segments for part of the investment properties. This change was made due to reasons related to the management of current and potential customer relationships and customer relationship management in general, and it concerned a total of ten properties.

Office Properties

	1-3/14	1-3/13	1-12/13
<i>Total revenue, M€</i>	35.2	35.1	143.0
<i>Net operating income, M€</i>	24.6	24.2	104.0
<i>Operating profit, M€</i>	22.9	23.1	104.1
<i>EPRA Net Initial Yield (NIY), %</i>	5.6	6.3	6.2
<i>Economic occupancy rate, %</i>	88.2	89.2	90.1
<i>Fair value of properties, M€</i>	1,759.4	1,711.2	1,753.3
<i>Change in fair value from beginning of year, M€</i>	0.5	1.1	7.6
<i>Leasable area, m²</i>	758,000	763,500	756,000

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

	1 January – 31 March 2014	1 January – 31 March 2013	1 January – 31 December 2013
<i>Properties sold</i>			
<i>Selling price</i>	0.3	0.0	20.6
<i>Profit/loss on sale</i>	0.1	0.0	0.9
<i>Balance sheet value</i>	0.2	0.0	19.7
<i>Properties acquired</i>	0.0	0.0	-3.1
<i>Maintenance investments</i>	-4.8	-3.7	-17.9
<i>Property development investments</i>	-1.1	-2.1	-8.4

The lease agreements for office properties will expire as follows:

	% of rental income 31 March 2014	% of rental income 31 March 2013
<i>Within 1 year</i>	11.7	10.1
<i>Within 2 years</i>	9.3	12.0
<i>Within 3 years</i>	14.6	10.6
<i>Within 4 years</i>	14.0	8.8
<i>Within 5 years</i>	6.7	12.9
<i>Within 6 years</i>	3.3	4.4
<i>After more than 6 years</i>	22.3	22.9
<i>Valid indefinitely</i>	18.0	18.4

Shopping Centres

	1-3/14	1-3/13	1-12/13
<i>Total revenue, M€</i>	11.7	11.6	45.9
<i>Net operating income, M€</i>	8.8	8.7	34.9
<i>Operating profit, M€</i>	8.1	8.1	29.0
<i>EPRA Net Initial Yield (NIY), %</i>	5.4	7.3	4.4
<i>Economic occupancy rate, %</i>	92.9	94.1	89.0
<i>Fair value of properties, M€</i>	717.6	738.5	717.5
<i>Change in fair value from beginning of year, M€</i>	0.1	-0.2	-3.4
<i>Leasable area, m²</i>	151,000	157,500	157,500

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

	1 January – 31 March 2014	1 January – 31 March 2013	1 January – 31 December 2013
<i>Properties sold</i>			
<i>Selling price</i>	0.0	0.0	0.0
<i>Profit/loss on sale</i>	0.0	0.0	0.0
<i>Balance sheet value</i>	0.0	0.0	0.0
<i>Properties acquired</i>	0.0	0.0	0.0
<i>Maintenance investments</i>	0.0	-0.4	-2.7
<i>Property development investments</i>	0.0	0.0	0.0

The lease agreements for shopping centres will expire as follows:

	% of rental income 31 March 2014	% of rental income 31 March 2013
<i>Within 1 year</i>	5.6	5.9
<i>Within 2 years</i>	6.9	3.1
<i>Within 3 years</i>	9.5	4.5
<i>Within 4 years</i>	9.5	14.1
<i>Within 5 years</i>	8.8	10.2
<i>Within 6 years</i>	1.1	6.6
<i>After more than 6 years</i>	55.9	51.3
<i>Valid indefinitely</i>	2.7	4.4

Logistics properties

	1-3/14	1-3/13	1-12/13
<i>Total revenue, M€</i>	9.1	9.5	38.7
<i>Net operating income, M€</i>	5.6	5.7	25.9
<i>Operating profit, M€</i>	5.1	4.8	16.9
<i>EPRA Net Initial Yield (NIY), %</i>	5.6	5.9	5.5
<i>Economic occupancy rate, %</i>	71.7	74.8	75.2
<i>Fair value of properties, M€</i>	426.6	414.3	426.5
<i>Change in fair value from beginning of year, M€</i>	-0.1	-0.5	-7.7
<i>Leasable area, m²</i>	478,500	480,000	477,500

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

	1 January – 31 March 2014	1 January – 31 March 2013	1 January – 31 December 2013
<i>Properties sold</i>			
<i>Selling price</i>	0.0	0.0	2.5
<i>Profit/loss on sale</i>	0.0	0.0	0.0
<i>Balance sheet value</i>	0.0	0.0	2.5
<i>Properties acquired</i>	0.0	0.0	0.0
<i>Maintenance investments</i>	-0.2	-0.5	-1.7
<i>Property development investments</i>	0.0	0.0	0.0

The lease agreements for logistics properties will expire as follows:

	% of rental income 31 March 2014	% of rental income 31 March 2013
<i>Within 1 year</i>	9.6	14.4
<i>Within 2 years</i>	11.6	6.3
<i>Within 3 years</i>	9.7	10.0
<i>Within 4 years</i>	4.5	7.2
<i>Within 5 years</i>	9.5	4.2
<i>Within 6 years</i>	14.2	4.7
<i>After more than 6 years</i>	25.0	33.0
<i>Valid indefinitely</i>	15.9	20.4

Property development

The balance sheet value of Sponda's property development portfolio stood at EUR 110.5 million at the end of March 2014. Of this total, EUR 59.6 million was in undeveloped land sites and the remaining EUR 50.9 million was tied up in property development projects in progress. The value of unused building rights is presented in the assets of the segment concerned for investment properties that have a building, and as part of the Property Development segment for building rights for unbuilt land. The value of unused building rights was previously presented in its entirety in the Property Development segment.

At the end of the review period, the Property Development unit had invested a total of EUR 2.2 million, which was directed to the planning and preparation of future property development projects.

Sponda's property development operations comprise new construction projects and refurbishment of existing properties. In October 2013, Sponda and Sweco signed a preliminary agreement on a three-building office complex to be constructed in Ilmala, Helsinki for use by Sweco. The construction of the property has started and the project is estimated to be completed in December 2015. The project's investment size is approximately EUR 57 million and the advance occupancy rate for the office complex is 83%. The combined area of the office buildings is approximately 15,000 m² and the project also comprises two underground parking levels with capacity for approximately 277 cars. Sponda has the opportunity to expand the office complex with two more office buildings.

A property renovation project for Sanoma Media Finland Oy has begun at the office buildings located on Porkkalankatu in Helsinki's Ruoholahti district. The project will be completed in April 2015 and the investment size is estimated at EUR 6.7 million.

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

Russia

	1-3/14	1-3/13	1-12/13
Total revenue, M€	5.7	7.7	28.6
Net operating income, M€	4.1	5.8	21.8
Operating profit, M€	-5.4	9.7	5.6
EPRA Net Initial Yield (NIY), %	6.7	9.4	8.0
Economic occupancy rate, %	88.4	96.8	96.0
Fair value of properties, M€	239.4	274.0	247.8
Change in fair value from beginning of year, M€	-8.9	4.6	-13.1
Leasable area, m ²	44,500	50,500	44,500

The decline in revenue and net operating income is almost entirely due to an increase in the vacancy rate and maintenance costs of Western Realty (Ducat II).

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

	1 January – 31 March 2014	1 January – 31 March 2013	1 January – 31 December 2013
Properties sold			
Selling price	0.0	0.0	9.9
Profit/loss on sale*	0.0	0.0	-0.2
Balance sheet value	0.0	0.0	9.7
Properties acquired	0.0	0.0	0.0
Maintenance investments	-0.4	0.0	-0.3
Property development investments	0.0	0.0	-0.9

*) Includes sales costs

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

	% of rental income 31 March 2014	% of rental income 31 March 2013
Within 1 year	29.0	40.9
Within 2 years	17.7	12.2
Within 3 years	19.0	10.0
Within 4 years	19.2	19.0
Within 5 years	12.1	13.8
Within 6 years	0.4	0.9
After more than 6 years	2.7	3.2
Valid indefinitely	0.0	0.0

Real Estate Funds

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

	1-3/14	1-3/13	1-12/13
<i>Total revenue, M€</i>	1.5	1.7	6.8
<i>Net operating income, M€</i>	1.2	1.3	5.2
<i>Operating profit, M€</i>	1.9	0.5	2.0

At the end of the review period, the fair value of the property funds was not assessed externally. The change in the fair value of Sponda's real estate funds at the end of March 2014 was EUR 0.1 (-1.9) million. The realised shares of profit from real estate funds totalled EUR 1.7 (2.4) million.

First Top LuxCo (Sponda's holding 20%) invests in office and retail properties outside Finland's largest cities. The value of the fund's property investments stood at EUR 66.1 million on 31 March 2014.

Sponda Fund I Ky invests in logistics sites outside the Helsinki metropolitan area. Sponda's holding in the fund is 46%. The value of the fund's property investments stood at EUR 162.4 million on 31 March 2014.

Sponda Fund II Ky (Sponda's holding 44%) mainly invests in logistics properties in medium-sized cities in Finland. The value of the fund's property investments stood at EUR 175.2 million on 31 March 2014.

Sponda Fund III Ky (Sponda's holding 36%) mainly invests in logistics properties in medium-sized cities in Finland. The value of the fund's property investments stood at EUR 103.3 million on 31 March 2014.

In addition to the funds mentioned above, Sponda is also responsible for managing the property portfolio, with a value of about EUR 109.2 million, sold in March 2007 to Whitehall Street Real Estate Limited and Niam Nordic Investment Fund III.

Sponda's holding in Russia Invest, which invests in property development projects in Russia, is 27%. Russia Invest purchased from SRV a 55% share in the Okhta Mall shopping centre project, which is Phase I of the Septem City project located in St. Petersburg. Okhta Mall is Russian Invest's first investment, and the size of its investment in the project will be approximately EUR 50 million. Sponda's share of the investment in the Okhta Mall shopping centre project stood at approximately EUR 12 million at the end of 2013. More information on the project is provided in the company's stock exchange release dated 17 June 2013.

CASH FLOW AND FINANCING

Sponda's net cash flow from operations in the period under review totalled EUR 37.4 (35.9) million. Net cash flow from investing activities was EUR -9.6 (-15.6) million and the net cash flow from financing activities was EUR -21.5 (-28.9) million. Net financing costs for the period totalled EUR -15.3 (-13.5) million. Financial income and expenses include EUR -1.8 (1.0) million in unrealised change in the fair value of derivatives. Excluding the aforementioned change in fair value, financial income and expenses totalled EUR -13.5 (-14.5) million. Interest expenses of EUR 0.1 (0.1) million were capitalised.

Sponda's equity ratio on 31 March 2014 stood at 39.7% (40.8%) and the gearing ratio was 131.0% (122.1%). Interest-bearing debt amounted to EUR 1,816.8 (1,765.5) million and the average maturity of loans was 2.2 (2.4) years. The average interest rate was 3.1% (3.4%) including interest derivatives. Fixed-rate and interest-hedged loans accounted for 78% (70%) of the loan portfolio. The average interest-bearing period of the entire debt portfolio was 2.4 (2.4) years. The interest cover ratio, which describes the company's solvency, was 3.1 (2.9).

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

Sponda Group's debt portfolio on 31 March 2014 comprised EUR 605 million in syndicated loans, EUR 473 million in bonds, EUR 307 million in issued commercial papers, and EUR 433 million in loans from financial institutions. Sponda had EUR 510 million in unused credit limits. Sponda Group had mortgaged loans of EUR 144.6 million, or 4.2% of the consolidated balance sheet.

PERSONNEL

During the review period Sponda Group had, on average, 119 (122) employees, of whom 109 (111) worked for parent company Sponda Plc. On 31 March 2014, Sponda Group had altogether 120 (121) employees, of whom 110 (111) were employed by the parent company Sponda Plc. Sponda has personnel in Finland and in Russia. Sponda's sales and administration costs in January–March 2014 were EUR -5.5 (-5.9) million.

ANNUAL REMUNERATION AND INCENTIVE SCHEMES

Sponda has an annual remuneration scheme that covers all employees and is based on both company objectives and personal targets. The key factors affecting the individual's bonus are profitability and business development. In February 2014, Sponda's Board of Directors decided to implement an Employee Share Programme. The target group of the Share Programme includes all employees of the company and its Group companies, excluding persons in an employment or service relationship with the Group who are included in Sponda's long-term share-based incentive scheme.

Sponda also has a long-term share-based incentive scheme with three three-year vesting periods, 2012–2014, 2013–2015 and 2014–2016. The Board of Directors will decide on the earning criteria and on targets to be established for the earning criteria for each vesting period. The earning criteria for the vesting period from 1 January 2012 to 31 December 2014 are the Group's average Return on Capital Employed (ROCE) and cumulative Operational Cash Earnings Per Share (CEPS) for the financial years in question. The earning criteria for the vesting period from 1 January 2013 to 31 December 2015 and 1 January 2014 to 31 December 2016 include property sales in addition to the above.

The long-term incentive scheme currently covers the members of the Executive Board, altogether seven people. The Board of Directors can decide on including new key personnel in the system. The incentive scheme is described in more detail in the company's stock exchange releases dated 20 March 2012, 1 February 2013 and 1 November 2013.

GROUP STRUCTURE

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

SPONDA'S SHARE AND SHAREHOLDERS

The weighted average price of Sponda's share in January–March 2014 was EUR 3.62. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 3.94 and the lowest EUR 3.35. Turnover during the period totalled 25.7 million shares, or EUR 92.9 million. The closing price of the share on 31 March 2014 was EUR 3.45 and the market capitalisation of the company's share capital was EUR 976.6 million.

The Annual General Meeting on 19 March 2014 authorised the Board of Directors to purchase the company's own shares. The authorisation is valid until the next Annual General Meeting. The authorisation was not exercised during the review period.

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

On 31 March 2014 the company had altogether 9,500 shareholders and its ownership structure was as follows:

	Number of shares	Holding, %
<i>Public entities</i>	33,811,170	11.9
<i>Nominee-registered</i>	136,895,661	48.4
<i>Financial and insurance institutions, total</i>	34,579,058	12.2
<i>Households</i>	23,276,687	8.2
<i>Private corporations, total</i>	47,263,476	16.7
<i>Non-profit organisations, total</i>	3,445,191	1.2
<i>Foreign owners, total</i>	3,804,219	1.3
<i>Total number of shares</i>	283,075,462	100.0

No flagging notices were issued during the period under review.

ANNUAL GENERAL MEETING

The Annual General Meeting of Sponda Plc was held in Helsinki on 19 March 2014. The meeting adopted the consolidated financial statements and the parent company's financial statements for the financial year 2013 and discharged the members of the Board of Directors and the CEO from liability.

The Annual General Meeting resolved to pay a dividend of EUR 0.18 per share for the financial period 2013 in accordance with the proposal of the Board of Directors. The number of the members of the Board of Directors was confirmed as seven (7). The current members Kaj-Gustaf Bergh, Christian Elfving, Juha Laaksonen, Arja Talma and Raimo Valo were re-elected to the Board of Directors and Paul Hartwall and Leena Laitinen were elected as new members of the Board for the term until the close of the Annual General Meeting in 2015. At its constitutive meeting after the Annual General Meeting, the Board of Directors elected Kaj-Gustaf Bergh as Chairman and Arja Talma as Deputy Chairman.

The Annual General Meeting confirmed the remuneration of the Board of Directors as follows: the Chairman of the Board shall be paid EUR 60,000 per year, the Deputy Chairman EUR 36,000 per year and the other members EUR 31,200 per year. Of this annual remuneration, 40% is paid in Sponda Plc shares purchased on the market. The

shares will be purchased within two weeks of the publication of the interim report for January–March 2014. The Annual General Meeting further confirmed that the Chairman of the Board shall be paid a compensation of EUR 1,000 and the other Board members EUR 600 for Board meetings attended and that the Board members shall be paid EUR 600 for each committee meeting attended, and that the Chairman of the Audit Committee shall be paid EUR 1,000 for each Audit Committee meeting attended.

The stock exchange release on the resolutions of the Annual General Meeting is available on Sponda's website at www.sponda.fi > Investors > Governance > General meetings.

BOARD OF DIRECTORS AND AUDITORS

Sponda's Board of Directors has seven members: Kaj-Gustaf Bergh, Christian Elfving, Paul Hartwall, Juha Laaksonen, Leena Laitinen, Arja Talma and Raimo Valo.

The Board of Directors assesses that, of its members, Juha Laaksonen, Leena Laitinen, Arja Talma and Raimo Valo are independent of the company and its major shareholders and Kaj-Gustaf Bergh, Christian Elfving and Paul Hartwall are independent of the company.

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

BOARD COMMITTEES

The members of the Audit Committee are as follows: Arja Talma (Chairman), Raimo Valo (Deputy Chairman), Juha Laaksonen (ordinary member) and Paul Hartwall (ordinary member).

The members of the Structure and Remuneration Committee are as follows: Kaj-Gustaf Bergh (Chairman), Christian Elfving (Deputy Chairman) and Leena Laitinen (ordinary member).

SPONDA'S MANAGEMENT

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

ENVIRONMENTAL RESPONSIBILITY

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

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

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

Sponda Plc's covenants are:

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

The energy consumption of the properties included in Sponda's Energy Efficiency Programme has decreased in line with previously set targets. The target of the Energy efficiency programme, which is to decrease the energy consumption of Sponda's properties in Finland by 10% by 2016, has already been achieved. The Energy efficiency programme involves monitoring electricity, heating, water and district cooling consumption. The waste recycling rate at Sponda's properties is also above the target, at approximately 87% in 2013.

RISKS AND UNCERTAINTY FACTORS IN THE NEAR FUTURE

Sponda estimates that the risks and uncertainty factors in the current financial year are caused by the weak development of the Finnish and Russian economies. These risks relate to a decline in economic occupancy rates and a fall in rental income in both Finland and Russia, resulting from the insolvency of tenants.

The Finnish economy is predicted to take a turn to conservative growth in 2014. However, positive economic development is reflected in the property rental market with a delay of approximately one year, which means that the economic situation may still have a negative effect on the vacancy rates of Sponda's properties in 2014.

For Sponda's property development projects, the key risks are related to the degree of success in leasing premises and the potential increase in construction costs.

The differences between Russian and Finnish legislation and the way the authorities operate in the two countries may cause additional risks for Sponda. The operations in Russia increase Sponda's foreign exchange risk. Changes in exchange rates may cause exchange rate losses that have a negative impact on the company's financial result.

EVENTS AFTER THE PERIOD

Sponda Plc has signed a letter of intent for the sale of 12 logistics properties to a new logistics and industrial property investment company, Certeum Oy, for EUR 216.7 million. The total debt-free sale price of the properties is equal to their combined fair value calculated in the first quarter of 2014.

The transaction is part of a broader arrangement in which Sponda and Varma Mutual Pension Insurance Company, Sponda Fund I (SF I), Sponda Fund II (SF II) and Sponda Fund III (SF III) have agreed on establishing a new company specialising in investments in logistics and industrial properties, with the newly established company acquiring 12 logistics properties from Sponda, 22 logistics and industrial properties from Varma, as well as SF I, SF II and SF III, or all property companies owned by the three funds. The total value of the properties to be acquired is approximately EUR 920 million. As part of the broader arrangement, Sponda will become a minority shareholder in the new company with an estimated holding of 38% at most.

The fair value of the equity invested by Sponda in the funds stood at EUR 74.8 million at the end of March 2014. Sponda estimates that the sale price will exceed the fair value by approximately EUR 2.6 million.

The transaction is described in more detail in the company's stock exchange release sent today 30 April 2014 at 8.45 am.

PROSPECTS FOR 2014

As a result of the arrangement, Sponda is adjusting its prospects for 2014 with respect to the development of net operating income. The economic occupancy rate forecast remains unchanged.

Economic occupancy rate

Sponda expects the economic occupancy rate of the Group's properties at year-end 2014 to be at the same level as at the end of 2013. This estimate is based on the slow positive development of the Finnish economy as well as current information on expiring leases.

Net operating income

According to the previously stated outlook, net operating income (excluding disposals) in 2014 was expected to be at the same level as in 2013. Upon the conclusion of the arrangement, Sponda expects net operating income for 2014 to amount to EUR 175–183 million (including the net operating income of the properties being sold for the period they are under Sponda's ownership). The adjustment to the prospects is primarily based on the completion of the sale of 12 logistics properties and holdings in real estate funds at the end of September 2014.

30.4.2014
Sponda Plc
Board of Directors

Additional information:

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NASDAQ OMX Helsinki
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SPONDA PLC INTERIM REPORT 1 JANUARY – 31 MARCH 2014, TABLES

**Consolidated income statement
M€**

	1-3/2014	1-3/2013	1-12/2013
<i>Total revenue</i>			
<i>Rental income and recoverables</i>	61.9	64.2	257.2
<i>Interest income from finance leasing agreements</i>	0.1	0.1	0.3
<i>Fund management fees</i>	1.5	1.7	6.8
	63.5	66.0	264.3
<i>Expenses</i>			
<i>Maintenance expenses</i>	-19.3	-20.1	-71.8
<i>Direct fund expenses</i>	-0.3	-0.4	-1.6
	-19.5	-20.6	-73.4
Net operating income	44.0	45.4	190.9
<i>Profit/loss on sales of investment properties</i>	0.1	0.0	0.8
<i>Valuation gains/losses on fair value assessment</i>	-6.7	5.5	-14.2
<i>Profit/loss on sales of trading properties</i>	0.1	0.0	0.0
<i>Sales and marketing expenses</i>	-0.4	-0.5	-2.2
<i>Administrative expenses</i>	-5.1	-5.4	-21.0
<i>Other operating income</i>	0.0	0.1	0.6
<i>Other operating expense</i>	-0.3	-0.4	-2.0
Operating profit	31.7	44.8	153.0
<i>Financial income</i>	3.4	13.7	23.3
<i>Financial expenses</i>	-18.8	-27.2	-83.1
Total amount of financial income and expenses	-15.3	-13.5	-59.8
<i>Profit before taxes</i>	16.4	31.3	93.2
<i>Income taxes for current and previous fiscal years</i>	-0.4	-1.1	-3.8
<i>Deferred taxes</i>	-3.0	-6.4	-22.5
<i>Change in tax base of deferred taxes</i>	0.0	0.0	36.3
Income taxes, total	-3.5	-7.6	9.9
Profit/loss for the period	12.9	23.7	103.1
<i>Attributable to:</i>			
<i>Equity holders of the parent company</i>	12.9	23.7	103.1
<i>Non-controlling interest</i>	0.0	0.0	0.0
<i>Earnings per share based on profit attributable to equity holders of the parent company</i>			
<i>Basic and diluted, €</i>	0.04	0.07	0.34

Consolidated statement of comprehensive income
M€

	1-3/2014	1-3/2013	1-12/2013
<i>Profit/loss for the period</i>	12.9	23.7	103.1
<i>Other comprehensive income</i>			
<i>Items that will not be reclassified to profit or loss</i>			
<i>Actuarial gains/losses of defined benefit pension plans</i>	0.0	0.0	-0.1
<i>Taxes on items that will not be reclassified to profit or loss</i>	0.0	0.0	0.0
<i>Change in tax rate, revaluation reserve</i>	0.0	0.0	0.0
<i>Items that will not be reclassified to profit or loss, total</i>	0.0	0.0	0.0
<i>Items that may be reclassified subsequently to profit or loss</i>			
<i>Net loss/profit from cash flow hedges</i>	-4.1	6.6	16.0
<i>Translation difference</i>	-0.2	0.2	-1.0
<i>Taxes on items that may be reclassified subsequently to profit or loss</i>	1.2	-1.7	-4.5
<i>Items that may be reclassified subsequently to profit or loss, total</i>	-3.1	5.0	10.5
<i>Other comprehensive income for the period after taxes</i>	-3.1	5.0	10.4
<i>Comprehensive profit/loss for the period</i>	9.8	28.8	113.5
<i>Attributable to:</i>			
<i>Equity holders of the parent company</i>	9.8	28.8	113.5
<i>Non-controlling interest</i>	0.0	0.0	0.0

Consolidated balance sheet
M€

	31 Mar 2014	31 Mar 2013	31 Dec 2013
ASSETS			
<i>Non-current assets</i>			
<i>Investment properties</i>	3,253.4	3,274.3	3,253.3
<i>Investments in real estate funds</i>	88.9	84.1	88.3
<i>Property, plant and equipment</i>	12.5	12.7	12.5
<i>Goodwill</i>	14.5	14.5	14.5
<i>Other intangible assets</i>	1.9	0.8	1.5
<i>Finance lease receivables</i>	2.7	2.7	2.7
<i>Other investments</i>	7.6	32.0	11.1
<i>Deferred tax assets</i>	28.0	37.1	27.4
<i>Fixed assets and other non-current assets total</i>	3,409.7	3,458.3	3,411.4

<i>Current assets</i>			
<i>Trading properties</i>	7.8	7.8	7.8
<i>Trade and other receivables</i>	19.8	24.8	33.7
<i>Cash and cash equivalents</i>	24.5	21.7	18.8
Current assets total	52.1	54.2	60.3
Total assets	3,461.8	3,512.5	3,471.7
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Equity attributable to equity</i>			
<i>holders of the parent company</i>			
<i>Share capital</i>	111.0	111.0	111.0
<i>Share issue premium</i>	159.5	159.5	159.5
<i>Reserve for invested non-restricted equity</i>	433.8	433.8	433.8
<i>Fair value reserve</i>	-24.8	-27.3	-21.5
<i>Revaluation reserve</i>	0.7	0.6	0.7
<i>Other equity fund</i>	94.0	186.1	94.0
<i>Translation difference</i>	2.1	2.3	1.9
<i>Retained earnings</i>	589.9	560.2	628.1
	1,366.1	1,426.1	1,407.5
<i>Non-controlling interest</i>	1.8	1.8	1.8
Shareholders' equity, total	1,367.9	1,427.9	1,409.3
<i>Liabilities</i>			
<i>Non-current liabilities</i>			
<i>Interest-bearing loans and borrowings</i>	1,485.1	1,451.3	1,505.5
<i>Other liabilities</i>	32.0	33.0	27.2
<i>Deferred tax liabilities</i>	184.7	212.7	182.1
Non-current liabilities total	1,701.9	1,697.0	1,714.8
<i>Current liabilities</i>			
<i>Current interest-bearing liabilities</i>	331.6	314.2	283.3
<i>Trade and other payables</i>	60.4	73.4	64.4
Current liabilities total	392.0	387.6	347.6
Total borrowings	2,093.9	2,084.6	2,062.5
Total equity and liabilities	3,461.8	3,512.5	3,471.7

Consolidated Cash Flow Statement
M€

	1-3/2014	1-3/2013	1-12/2013
<i>Cash flow from operating activities</i>			
<i>Profit for the period</i>	12.9	23.7	103.1
<i>Adjustments</i>	27.1	18.0	74.1
<i>Change in net working capital</i>	7.6	5.5	-3.9
<i>Interest paid</i>	-10.2	-11.5	-59.5
<i>Interest received</i>	0.2	0.2	0.9
<i>Other financial items</i>	0.2	1.1	-4.3
<i>Dividends received</i>	-	0.0	0.0
<i>Taxes received/paid</i>	-0.5	-1.2	-3.8
<i>Net cash provided by operating activities</i>	37.4	35.9	106.5
<i>Cash flow from investing activities</i>			
<i>Acquisition of investment properties</i>	-8.8	-12.9	-50.9
<i>Capital expenditure on real estate funds</i>	-0.9	-2.4	-13.6
<i>Acquisition of tangible and intangible assets</i>	-0.5	-0.3	-1.2
<i>Proceeds from sale of investment properties</i>	0.2	0.0	38.2
<i>Proceeds from sale of tangible and intangible assets</i>	-	-	0.0
<i>Capital repayments from real estate funds</i>	0.4	-	-
<i>Net cash flow from investment activities</i>	-9.6	-15.6	-27.4
<i>Cash flow from financing activities</i>			
<i>Non-current loans, raised</i>	0.1	-	403.9
<i>Repurchase of equity bond</i>	-	-	-92.8
<i>Non-current loans, repayments</i>	-19.1	-19.1	-345.9
<i>Current loans, raised/repayments</i>	48.4	38.3	7.4
<i>Interest paid on hybrid bond</i>	-	-	-14.5
<i>Dividends paid</i>	-51.0	-48.1	-48.1
<i>Net cash flow from financing activities</i>	-21.5	-28.9	-90.1
<i>Change in cash and cash equivalents</i>	6.3	-8.6	-11.0
<i>Cash and cash equivalents, beginning of period</i>	18.8	30.1	30.1
<i>Impact of changes in exchange rates</i>	-0.6	0.2	-0.2
<i>Cash and cash equivalents, end of period</i>	24.5	21.7	18.8

Consolidated statement of changes in equity
M€

	Share capital	Share issue premium	Invested non-restricted equity reserve	Fair value reserve	Revaluation reserve	Other equity fund	Translation differences	Retained earnings	Total	Non-controlling interest	Shareholders' equity, total
<i>Equity 1 January 2013</i>	111.0	159.5	433.8	-32.3	0.6	186.1	2.3	585.0	1,445.9	1.7	1,447.7
<i>Comprehensive income</i>											
<i>Net income for the period</i>								23.7	23.7	0.0	23.7
<i>Other comprehensive income (net of tax)</i>											
<i>Cash flow hedges</i>				5.0					5.0		5.0
<i>Translation differences</i>							0.1		0.1		0.1
<i>Comprehensive income, total</i>				5.0			0.1	23.7	28.8	0.0	28.8
<i>Transactions with shareholders</i>											
<i>Dividend payment</i>								-48.1	-48.1		-48.1
<i>Transactions with shareholders, total</i>								-48.1	-48.1		-48.1
<i>Change</i>								-0.4	-0.4	0.0	-0.4
<i>Equity at 31 March 2013</i>	111.0	159.5	433.8	-27.3	0.6	186.1	2.3	560.2	1,426.1	1.8	1,427.9

	Share capital	Share issue premium	Invested non-restricted equity reserve	Fair value reserve	Revaluation reserve	Other equity fund	Translation differences	Retained earnings	Total	Non-controlling interest	Shareholders' equity, total
<i>Equity 1 January 2014</i>	111.0	159.5	433.8	-21.5	0.7	94.0	1.9	628.1	1,407.5	1.8	1,409.3
<i>Comprehensive income</i>											
<i>Net income for the period</i>								12.9	12.9	0.0	12.9
<i>Other comprehensive income (net of tax)</i>											
<i>Cash flow hedges</i>				-3.3					-3.3		-3.3
<i>Translation differences</i>							0.2		0.2		0.2
<i>Comprehensive income, total</i>				-3.3			0.2	12.9	9.8	0.0	9.8
<i>Transactions with shareholders</i>											
<i>Dividend payment</i>								-51.0	-51.0		-51.0
<i>Transactions with shareholders, total</i>								-51.0	-51.0		-51.0
<i>Change</i>								-0.2	-0.2	0.0	-0.2
<i>Equity 31 March 2014</i>	111.0	159.5	433.8	-24.8	0.7	94.0	2.1	589.9	1,366.1	1.8	1,367.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting principles

This interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting).

The preparation of the financial statements in accordance with IFRS requires management to make estimates and judgments that affect the valuation of reported assets and liabilities as well as the recognition of income and expenses. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may differ from the values used.

All figures are presented in millions of euros and rounded to the nearest EUR 0.1 million, in which case the sum of individual figures may deviate from the total shown.

Segment information

Sponda's segment information is prepared under the principle that an investment property belongs in the segment that matches its primary use. Sponda's business segments are: Office Properties, Shopping Centres, Logistics Properties, Property Development, Real Estate Funds and Russia. From the beginning of 2014, office and retail premises and shopping centres located in the same investment property have been divided into their respective segments for part of the investment properties. This change was made due to reasons related to the management of current and potential customer relationships and customer relationship management in general. It affected the division between segments of 10 investment properties. The comparison figures have been adjusted accordingly.

More detailed information on the accounting principles can be found in Sponda Plc's consolidated financial statements dated 31 December 2013.

The figures in the interim report have not been audited.

Strategy

Sponda's Board of Directors decided on the company's new strategy in September 2013. According to the strategy, Sponda is planning to sell its Russian properties and logistics properties, and invest the capital freed up in property acquisitions and property development. Sponda is also planning to exit the Real Estate Funds business.

Income statement by segment
M€

<i>Income statement information 1–3/2014</i>	Office properties	Shopping centres	Logistics	Property development	Russia	Real estate funds	Other	Group, total
Total revenue	35.2	11.7	9.1	0.3	5.7	1.5	0.0	63.5
<i>Maintenance expenses and direct fund expenses</i>	-10.6	-2.9	-3.5	-0.6	-1.7	-0.3	0.0	-19.5
Net income	24.6	8.8	5.6	-0.3	4.1	1.2	0.0	44.0
<i>Profit on sales of investment properties</i>	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
<i>Loss on sales of investment properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Profit/loss on trading properties</i>	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
<i>Change in value of trading properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Valuation gains/losses on fair value assessment</i>	0.5	0.1	-0.1	0.0	-8.9	1.8	0.0	-6.7
<i>Administration and marketing</i>	-2.1	-0.6	-0.4	-0.7	-0.6	-1.1	0.0	-5.5
<i>Other operating income and expenses</i>	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	-0.2
Operating profit	22.9	8.1	5.1	-1.0	-5.4	1.9	0.0	31.7
<i>Investments</i>	5.9	0.0	0.2	2.2	0.4	0.9	0.5	10.1
<i>Segment assets</i>	1,762.1	717.6	426.6	125.0	239.4	88.9	102.1	3,461.8
<i>Economic Occupancy Rate</i>	88.2	92.9	71.7		88.4			86.2

Income statement information 1-3/2013	Office properties	Shopping centres	Logistics	Property development	Russia	Real estate funds	Other	Group, total
Total revenue	35.1	11.6	9.5	0.3	7.7	1.7	0.0	66.0
<i>Maintenance expenses and direct fund expenses</i>	-11.0	-2.9	-3.8	-0.6	-1.9	-0.4	0.0	-20.6
Net income	24.2	8.7	5.7	-0.3	5.8	1.3	0.0	45.4
<i>Profit on sales of investment properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Loss on sales of investment properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Profit/loss on trading properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Change in value of trading properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Valuation gains/losses on fair value assessment</i>	1.1	-0.2	-0.5	0.0	4.6	0.5	0.0	5.5
<i>Administration and marketing</i>	-2.3	-0.5	-0.3	-0.7	-0.7	-1.3	0.0	-5.8
<i>Other operating income and expenses</i>	0.1	0.0	-0.1	-0.3	0.0	0.0	0.0	-0.3
Operating profit	23.1	8.1	4.8	-1.3	9.7	0.5	0.0	44.8
<i>Investments</i>	5.8	0.4	0.5	1.2	0.1	2.4	0.3	10.6
<i>Segment assets</i>	1,713.9	738.5	414.3	150.8	274.0	84.1	136.9	3,512.5
<i>Economic Occupancy Rate</i>	89.2	94.1	74.8		96.8			88.2

Key figures

	1-3/2014	1-3/2013	1-12/2013
<i>Earnings per share, €</i>	0.04	0.07	0.34
<i>Equity ratio, %</i>	39.7	40.8	40.7
<i>Gearing ratio, %</i>	131.0	122.1	125.6
<i>Equity per share, €</i>	4.49	4.38	4.64
<i>Cash flow from operations per share, €</i>	0.09	0.09	0.40

Quarterly key figures

	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
<i>Total revenue, M€</i>	63.5	65.3	65.7	67.2	66.0
<i>Net operating income, M€</i>	44.0	47.4	49.5	48.6	45.4
<i>Valuation gains/losses on fair value assessment, M€</i>	-6.7	-12.7	0.7	-7.7	5.5
<i>Operating profit, M€</i>	31.7	29.5	44.1	34.6	44.8
<i>Financial income and expenses, M€</i>	-15.3	-15.9	-15.1	-15.3	-13.5
<i>Profit/loss for the period, M€</i>	12.9	44.0	21.6	13.8	23.7
<i>Investment properties, M€</i>	3,253.4	3,253.3	3,264.7	3,266.5	3,274.3
<i>Shareholders' equity, M€</i>	1,367.9	1,409.3	1,370.0	1,348.9	1,427.9
<i>Interest-bearing liabilities, M€</i>	1,816.8	1,788.8	1,815.6	1,827.6	1,765.5
<i>Earnings per share, €</i>	0.04	0.15	0.07	0.04	0.07
<i>Cash flow from operations per share, €</i>	0.09	0.10	0.11	0.10	0.09
<i>EPRA NAV, €</i>	5.18	5.29	5.25	5.17	5.09
<i>Economic occupancy rate, %</i>	86.2	87.9	88.0	88.3	88.2

EPRA Earnings, M€ M€

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

In 2013, Sponda changed its method of calculation and presentation for EPRA Earnings to better correspond with EPRA recommendations. Due to this change, EPRA Earnings is presented with two different calculation methods below.

EPRA Earnings, M€	1-3/2014	1-3/2013	1-12/2013
<i>Earnings for the period per IFRS income statement</i>	12.9	23.7	103.1
<i>-/+ (i) Net profits or losses from fair value assessment of investment properties</i>	8.3	-3.1	24.9
<i>-/+ (ii) Net profits or losses on disposal of investment properties</i>	-0.1	0.0	-0.8
<i>-/+ (iii) Net profits or losses on sales of trading properties</i>	-0.1	0.0	0.0
<i>+/- (iv) Tax on profits or losses on disposals</i>	0.0	0.0	0.0
<i>-/+ (vi) Changes in fair value of financial instruments</i>	1.8	-1.0	0.9
<i>+/- (viii) Deferred taxes arising from the above items</i>	2.4	6.6	-16.6
EPRA Earnings	25.3	26.3	111.5
EPRA Earnings per share, €	0.09	0.09	0.39

EPRA Earnings can also be calculated from the income statement from top to bottom. The following table presents the EPRA Earnings calculation using this method.

M€	1-3/2014	1-3/2013	1-12/2013
EPRA Earnings			
<i>Net operating income</i>	44.0	45.4	190.9
<i>+ Realised shares of profit from real estate funds</i>	1.7	2.4	10.7
<i>- Operational marketing and administration expenses</i>	-5.5	-5.8	-23.2
<i>+/- Other operational income and expenses from business operations</i>	-0.2	-0.3	-1.4
<i>Operating profit</i>	39.9	41.7	177.1
<i>+/- Operational financial income and expenses</i>	-13.5	-14.5	-58.9
<i>-/+ Taxes based on operating result</i>	-0.4	-1.1	-3.8
<i>- Deferred taxes based on operating result</i>	-0.6	0.2	-2.9
EPRA Earnings	25.3	26.3	111.5
EPRA Earnings per share, €	0.09	0.09	0.39

Investment Properties

M€

	31 Mar 2014	31 Mar 2013	31 Dec 2013
<i>Fair value of investment properties, beginning of period</i>	3,253.3	3,261.3	3,261.3
<i>Acquisition of investment properties</i>	0.0	0.0	3.1
<i>Other capital expenditure on investment properties</i>	8.7	7.9	36.6
<i>Disposals of investment properties</i>	-0.2	0.0	-31.9
<i>Capitalised borrowing costs, increase in period</i>	0.1	0.1	0.3
<i>Valuation gains/losses on fair value assessment</i>	-8.5	5.0	-16.1
<i>Fair value of investment properties, end of period</i>	3,253.4	3,274.3	3,253.3

Net operating income from all of Sponda's property assets totalled EUR 44.0 (45.4) million in January–March 2014. Of this total, office premises accounted for 56%, shopping centres for 20%, logistics premises for 13%, Russia for 8% and the Real Estate Funds unit for 3%.

On 31 March 2014, Sponda had a total of 179 leasable properties, with an aggregate leasable area of approximately 1.4 million m². Of this total, approximately 53% is office premises, 11% shopping centres and 33% logistics premises. Some 3% of the leasable area of the properties is located in Russia.

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

At the end of March 2014, the fair value of Sponda's properties was assessed internally for both Finland and Russia. The change in fair value of the investment properties was EUR -8.5 (5.0) million. The negative change in fair value in the first quarter was attributable to changes in market rents and maintenance costs in Russia. The changes in fair values are itemised in the table "Valuation gains/losses on fair value assessment".

The Group's most significant investment commitments

The balance sheet value of Sponda's property development portfolio stood at EUR 110.5 million at the end of March 2014. Of this total, EUR 59.6 million was in undeveloped land sites and the remaining EUR 50.9 million was tied up in property development projects in progress. At the end of the review period, the Property Development unit had invested a total of EUR 2.2 million, which was directed to the planning and preparation of future property development projects.

Sponda's property development operations comprise new construction projects and refurbishment of existing properties. In October 2013, Sponda and Sweco signed a preliminary agreement on a three-building office complex to be constructed in Ilmala, Helsinki for use by Sweco. The construction of the property has started and the project is estimated to be completed in December 2015. The project's investment size is approximately EUR 57 million and the advance occupancy rate for the office complex is 83%. The combined area of the office buildings is approximately 15,000 m² and the project also comprises two underground parking levels with capacity for approximately 277 cars. Sponda has the opportunity to expand the office complex with two more office buildings.

Property, plant and equipment
M€

	31 Mar 2014	31 Mar 2013	31 Dec 2013
<i>Carrying amount, beginning of period</i>	12.5	12.5	12.5
<i>Increases</i>	0.0	0.2	0.2
<i>Disposals</i>	-	-	-
<i>Depreciation for the period</i>	-0.1	0.0	-0.3
<i>Carrying amount, end of period</i>	12.5	12.7	12.5

Trading properties
M€

	31 Mar 2014	31 Mar 2013	31 Dec 2013
<i>Carrying amount, beginning of period</i>	7.8	7.8	7.8
<i>Disposals and other changes</i>	-	-	-
<i>Increases</i>	-	-	-
<i>Reclassifications to investment properties</i>	-	-	-
<i>Valuation changes</i>	-	-	-
<i>Carrying amount, end of period</i>	7.8	7.8	7.8

Collateral and contingent liabilities

Collateral and commitments given by the Group	31 Mar 2014	31 Mar 2013	31 Dec 2013
M€			
<i>Loans from financial institutions, covered by collateral</i>	144.6	141.4	144.8
<i>Mortgages</i>	262.1	264.2	264.2
<i>Carrying amount of pledged shares</i>	19.1	18.6	19.2
<i>Guarantees</i>	-	-	-
<i>Total collateral</i>	281.2	282.8	283.4
Lease and other liabilities	31 Mar 2014	31 Mar 2013	31 Dec 2013
M€			
<i>Lease liabilities</i>	91.7	96.1	93.7
<i>Mortgages</i>	3.9	3.9	3.9
<i>Guarantees</i>	2.5	4.6	4.7

<i>Investment commitments to real estate funds</i>	27.8	39.9	28.7
Interest derivatives	31 Mar 2014	31 Mar 2013	31 Dec 2013
M€			
<i>Swap contracts, notional value</i>	695.5	871.4	695.7
<i>Swap contracts, fair value</i>	-31.0	-36.2	-26.7
<i>Eurobasis swaps, notional value</i>	150.0	-	150.0
<i>Eurobasis swaps, fair value</i>	-0.4	-	-0.5
<i>Cap options purchased, notional value</i>	404.1	300.0	404.1
<i>Cap options purchased, fair value</i>	1.5	0.7	3.0
Currency derivatives	31 Mar 2014	31 Mar 2013	31 Dec 2013
M€			
<i>Currency options, bought, notional value</i>	9.1	10.3	9.5
<i>Currency options, bought, fair value</i>	0.0	0.0	0.1
<i>Currency options, put, notional value</i>	9.1	10.3	9.5
<i>Currency options, put, fair value</i>	0.0	-0.2	0.0
Interest rate and currency swaps	31 Mar 2014	31 Mar 2013	31 Dec 2013
M€			
<i>Interest rate and currency swaps, notional value*</i>	187.4	337.4	187.4
<i>Interest rate and currency swaps, fair value*</i>	4.9	30.1	6.9

*Interest rate and currency swaps are used to hedge the exchange rate risk related to loans denominated in Swedish krona. The nominal values of interest rate and currency swaps are identical to the nominal values of the loans hedged. Hedge accounting is not applied to hedged loans and interest rate and currency swaps. The unrealised exchange difference of the loans hedged is the inverse of the fair value of the hedging interest rate or currency swap.

All derivative contracts belong to level 2 in the fair value hierarchy mentioned in IFRS 7. Sponda utilises external valuations.

Related party transactions

M€

Management employee benefits	31 Mar 2014	31 Mar 2013	31 Dec 2013
<i>Salaries and other short-term employee benefits</i>	0.5	0.4	1.9
<i>Share-based payments</i>	0.5	0.5	1.4
<i>Total</i>	0.9	1.0	3.3

Formulas for the key indicators

Earnings per share, €	=	$\frac{\text{Share of earnings for the period attributable to equity holders of the parent company} - \text{interest on hybrid loan allocated to the period, adjusted for taxes}}{\text{Weighted average number of shares outstanding during the period}}$
Equity ratio, %	=	$100 \times \frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{advances received}}$
Gearing ratio, %	=	$100 \times \frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents}}{\text{Shareholders' equity}}$
Equity per share, €	=	$\frac{\text{Equity attributable to parent company equity holders} - \text{Other equity reserve}}{\text{Undiluted total number of shares on the date of closing the books}}$
Cash flow from operations per share, €	=	$\frac{\begin{aligned} &\text{Operating profit} \\ &-/+ \text{Fair value adjustment} \\ &+ \text{Allocation of goodwill} \\ &+ \text{Depreciation in administration} \\ &+/- \text{Changes in provisions} \\ &+/- \text{Defined benefit pension expenses} \\ &- \text{Financial income \& expenses affecting cash flow} \\ &- \text{Taxes affecting cash flow} \\ &+/- \text{Other items} \end{aligned}}{\text{Weighted average number of shares outstanding during the period}}$
EPRA NAV per share, €	=	$\frac{\begin{aligned} &\text{Equity attributable to parent company equity holders} \\ &- \text{Other equity reserve} \\ &+ \text{Fair value of financial instruments} \\ &+ \text{Deferred tax liabilities resulting from the assessment of fair value of properties and depreciation difference} \\ &- \text{Goodwill created from the deferred tax liabilities on properties} \end{aligned}}{\text{Undiluted total number of shares on the date of closing the books}}$
EPRA Net Initial Yield (NYI), %	=	$\frac{\text{Annualised net rents Investment properties} - \text{Development properties} + \text{Estimated purchaser's costs}}{\text{Investment properties}}$
EPRA "topped up" NYI, %	=	$\frac{\text{Annualised net rents} + \text{Step rents, rent-free periods, etc. Investment properties} - \text{Development properties} + \text{Estimated purchaser's costs}}{\text{Investment properties}}$