STATEMENT

Evaluation of the fair value of Sponda Plc's investment properties on 30 June 2013

EVALUATION OF THE FAIR VALUE OF SPONDA PLC'S INVESTMENT PROPERTIES

Sponda Plc (hereinafter referred to as "Sponda" or "the Company") conducts its own quarterly internal calculation of the fair value of the investment property portfolio of the Company by using a 10-year cash flow model as the valuation method. Catella Property Oy (hereinafter referred to "Catella") has audited Sponda's internal property assessment process and calculation methods in autumn 2007 and verified that these fulfil IFSR requirements, the commonly approved valuation criteria, and are made according to International Valuation Standards (IVS).

Starting from Q4-2012 Sponda adopted the mid-period convention for discounting cash flow instead of the previously used end-of-year method. This change accounts for the timing of cash flow better and corresponds with the prevailing market practice.

On the date of valuation, 30 June 2013, Catella reviewed the property valuations of the investment properties located in Finland carried out internally by Sponda. The valuations have been prepared on the basis of ***Fair Value*** for financial reporting, which is defined in IVS 300, par. G1 based on IFRS 13 as follows: "*Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.*" IVS 300 par. G2 states that ***Fair Value*** under IFRSs is generally consistent with ***Market Value***.

Catella inspected the data regarding assumptions of market rents, operating costs and occupancy rates and enquired into the net yield requirements and their affect on the fair value of the properties. In addition to the cash flow method, Catella has used the sales comparison approach as a verifying method when analysing the fair value of the properties.

Development properties, trading properties, properties located in Russia, and real estate funds are excluded from Catella's inspection, neither has Catella inspected the value of the unused building right related to some of the properties in the portfolio.

In a few properties a cursory inspection was carried out in December 2011, but in most properties Catella has not carried out any inspections during this valuation period nor on any earlier occasions. We have relied upon the data of rentable areas, tenancy schedules and operating expenses as provided to us by Sponda in table format; the actual lease agreements have not been inspected.

Catella has reviewed the internal valuation of Sponda's investment property portfolio in accordance with the requirements of the RICS Valuation Standards (8^{th} Edition) and the International Valuation Standards (IVS 2011). The review of Sponda's internal property valuations and this statement is conducted for a financial statement for Sponda Plc and it may not be used for any other purpose without the prior written consent of Catella Property Oy. We confirm that Catella's valuers have conducted the review of Sponda's internal property valuations as independent, external and authorized property valuers approved by the Central Chamber of Commerce. We are not aware of any conflict of interests arising in carrying out this assignment.

GENERAL ABOUT ECONOMIC SITUATION

Sources:
- Statistics Finland
- Danske Bank, Economic trends and finance market, June 2013
- Ministry of Finance Economics Department, Economic Bulletin, 1 / 2013, 19 June 2013
- Confederation of Finnish Industries EK, Confidence indicators, June 2013

The overview of the economic situation is that the previously given forecasts concerning economic growth kick off have proven overly optimistic and no sudden change for the better can be observed. According to the Ministry of Finance world private consumption has recovered since the financial crisis and is thought to have exceeded its pre-recession level in 2012. Investment, on the other hand, has been slower to recover, and still remains some 10% lower than before the recession and well below the pre-recession trend growth rate. In recent months, however, both consumption and investment growth has slowed again and in the euro area, for instance, has turned down. In several industrial countries not only public finances but also private households and financial institutions are in need of consolidation, which is constraining demand and slowing growth. The main focus of growth remains in emerging economies, but even in this group growth will be slower than earlier.

In emerging Asia the economic growth decelerated in the first quarter of 2013, when the domestic consumer demand could not fully compensate the weakening export and investments. Several central banks in Asia lightened their monetary policy in 2012, but the monetary policy was tightened again in this spring, which threatens the economic growth and has caused downturn in the Asian stock markets.

In the United States economic growth was only 1.8 percent in the first quarter of 2013. The Federal Reserve (FED) forecasted in June that the US economy will grow 2.5 – 2.6 percent in 2013. Strong improvement in consumer confidence in the past few months, increasing household demand and expectations regarding the recovery of the labour market are positive signs for the development of the US economy. On the other hand the economic growth seems to be strongly founded on the FED's resuscitation. When the chairman of the FED signalled in mid June that the FED might tighten the financial policy, interest rates started to increase and US stock markets fell sharply. Adjustment actions of the US public economy are still a big issue: Congress is not able to hammer out decisions and the permanent solution for the public economy problems will be postponed to the future.

In the euro zone the economic forecasts given in the past couple of years have been built on the assumption that the euro area is set to return to a slow recovery track. This assumption has proved overly optimistic: recovery is yet to take hold. The euro zone's GDP reduced further in the first quarter of 2013, but the ECB forecasts that the growth begins at end of the year. The central bank expects that the economic recovery will be supported by the gradually increasing demand outside the euro zone, which will promote export. On the whole, looking from the historical perspective, the recovery is expected to be faint.

Finnish GDP decreased in January-March by 0.1 percent compared to the previous quarter and 2.1 percent compared to the same period the previous year. The GDP has reduced in four consecutive quarters, which means that by official definition Finland is still in recession. According to forecasts the economic situation will improve step by step in 2014.

According to a confidence indicator survey published on 27 June 2013 by the Confederation of Finnish Industries (EK), in all fields of business the confidence is below the long-term average. Also consumer confidence is below the long-term average. In May 2012 the unemployment rate was 10.8 %, which is higher than the annual average, but the seasonal variation has an effect on monthly differences. However, the unemployment rate increased 1.3 percentage units compared to May 2012. According to Statistics Finland there were approx. 300,000 unemployed people in May which is 34,000 more than the previous May.

The outlook of the domestic forecasters regarding the future development of the Finnish economy have dimmed compared to the turn of the year: it is expected that the GDP will reduce this year and a turn for growth will take place next year, but the growth will be slower than forecasted earlier.

Forecasts given in June 2013 are in the following table.

FORECASTER - June 2013	GDP 2013	GDP 2014	EXPORT 2013 => 2014	INFLATION 2013 => 2014	UNEMPLOYMENT RATE 2013 => 2014
Danske Bank	-0,4 %	+1,5 %	-1,0 % => +3,0 %	1,4 % => 1,7 %	8,4 % => 8,3 %
Nordea	-0,5 %	+1,5 %	- 0,3 % => +4,3 %	1,6 % => 2,0 %	8,3 % => 8,3 %
LähiTapiola	- 0,5 %	+ 1,5 %	+1,0 % => +5,0 %	2,4 % => 2,0 %	8,5 % => 9,0 %
Bank of Finland	- 0,8 %	+ 0,7 %	+1,2 % => +3,5 %	1,7 % => 1,9 %	8,5 % => 8,6 %
Ministry of Finance	- 0,4 %	+ 1,2 %	+0 % => +3,7 %	1,7 % => 2,1 %	8,3 % => 8,1 %

The general economic situation is reflected in the property market so that companies' needs for office, industrial and warehouse premises decrease when exports and the general economic situation are declining. As a consequence of increasing unemployment and tax increases the amount of spending money in households is decreasing, which is reflected in the turnover, solvency and need for business premises of companies that are the end users of retail premises.

Real estate markets are typically post cyclical; a delayed reaction will be reflected on the real estate market after a change in the general economic situation. The weakening economic situation has led to lay-offs in companies and all investments are considered critically. The affects of this development can be seen also in the Helsinki Metropolitan Area office market: the office occupancy rate decreased in autumn and the bearish development has continued in the first half of 2013. The net-demand for office premises will remain at a low level in the near future. The Finnish commercial property market will hardly pick up remarkably until the global economy improves and European countries are able to balance out their public economies; only after this will the threats in the financial market fade out.

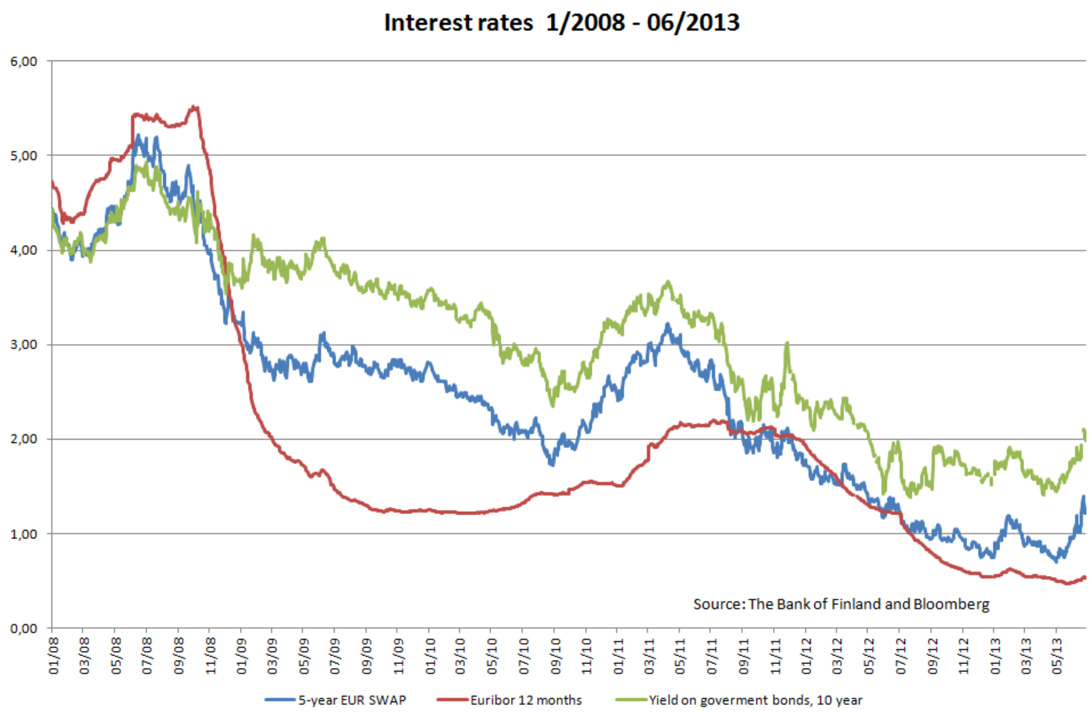
INTEREST LEVEL AND FINANCIAL MARKET

After the change in the European economic situation, which took place in summer 2011, the European Central Bank (ECB) decreased the steering rate four times. The steering rate is at its lowest level (0.50 %) in the history of the euro. It is expected that the interest rates will remain at a low level for a rather long time. A fragile economic situation, bank's tightening credit granting and low inflation expectations allow the central bank to continue the exceptionally light monetary policy in 2013 – 2014.

The development of market interest rates has followed the decline of the steering rate. At the end of 2011 the 12-month Euribor was at a level of 1.95 % (steering rate at 1.0 %). At the end of May 2013 the 12-month Euribor was temporarily below the level of 0.50 % and was thus lower than the ECB's steering rate, but just recently the 12-month Euribor level has increased due to the negative news regarding the economic development in China and indications that the FED might end its resuscitation operations.

Banks' fundraising has eased due to the ECB's financing operations. Banks can get financing from the ECB without limits and this has increased the amount of central bank funding significantly. For companies the availability of financing is generally speaking rather good. For large corporations and middle-size companies the availability of financing is facilitated by obtaining financing directly from the bond market which has become more and more popular recently. The problems related to the availability of financing concern mainly smaller companies.

The chart below describes the development of the Euribor (12-month) 2008 – 2013, Finnish Government bond (10-year) and EUR SWAP (5-year) which is commonly used as the interest rate base for real estate investment loans.



As the chart shows, interest rates decreased rather notably in the second half of 2011 and in 2012, but the margins for loans given for real estate investments have increased and LTV-rates have decreased respectively. The interest rate levels have remained at a low level in the first half of 2013, but recently there has been an upward turn in the interest rate levels.

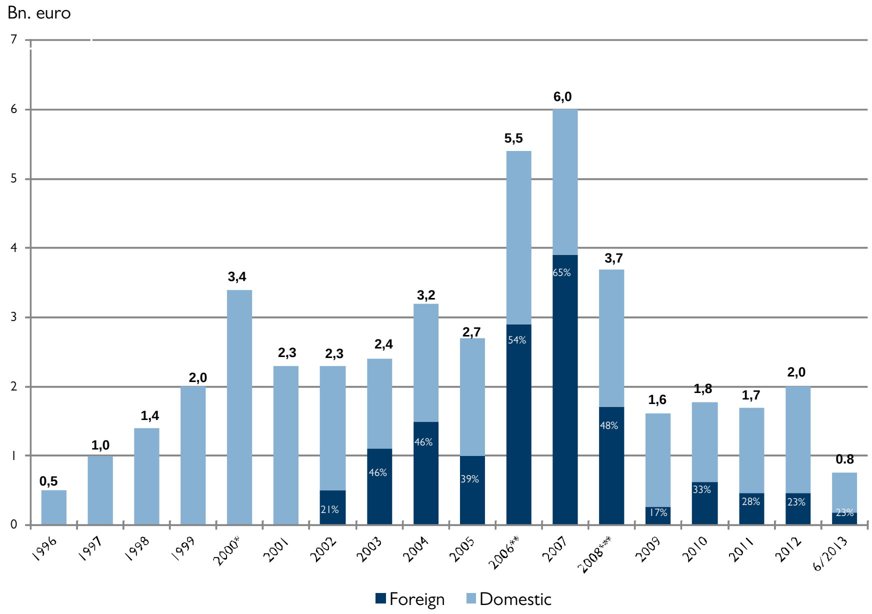
The quality of the pledged property, the reliability of the customer and the long-term relationship with the bank has become more and more emphasized in loan negotiations. Despite increased margins, the total interest rate level is still low and offers the possibility for gearing property investments – the actual problem is the availability of financing. Banks inspect the properties pledged as security for the loan carefully; the sustainability of the rental cash flow is important and they also pay attention to the expertise of the property manager. The number of the banks offering financing for property investments has clearly decreased in the past few years, but recently some foreign banks have reactivated their financing operations in the Finnish commercial property market.

Refinancing negotiations for loans taken during the boom in 2006 – 2007 are still topical. For the time being banks have shown flexibly towards refinancing and they have not let possible problems realize, at least via forced sales, rather they have found solutions by other means. The changed situation in the finance market sets challenges to the refinancing of existing loans and due to the tightened solvency regulations banks take a poor view of financing new real estate investments.

PROPERTY MARKET

Investment Market

After the financial crisis in 2009 – 2011 the transaction volume of the commercial property market in Finland has fluctuated between EUR 1.6 and 1.8 billion. Thanks to a couple of sizeable trades the transaction volume reached the EUR 2 billion level in 2012.



The transaction volume in the first two quarters of 2013 was rather low; by the end of June the value of the closed deals was only approx. EUR 760 million. However, the final figure may be defined later in June, if some transactions are still announced.

A significant portion of the transaction volume made in the first half of 2013 consisted of residential portfolios, which were bought by the housing funds and another remarkable type of premises were so called care properties, which have been investment objects for several newly established property funds. When excluding residential and care properties, the transaction volume of traditional commercial properties was only approx. EUR 460 million.

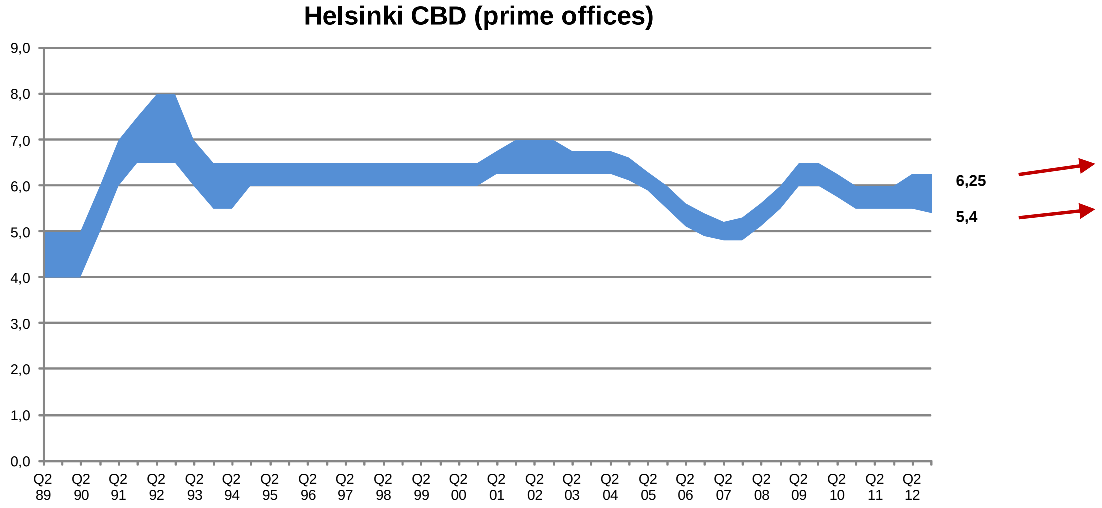
In the first half of 2013 the portion of foreign investors of the transaction volume was low (23 %). Despite the abundant supply, many foreign players actively seeking investment opportunities in Finland failed to find properties of a globally competitive quality or price. The supply of tempting prime properties is scarce and in recent transactions the buyers have in most cases been Finnish investors.

In the mid 2000’s a remarkable amount of foreign investors purchased properties in the Finnish commercial property market and some of them have already withdrawn from Finland, but a great deal of them still own the properties, which they purchased 5 – 10 years ago. Some of the foreign investors would be willing to sell their investment properties, but often the seller and the buyer have significantly different points of view on the price. Deals concerning properties, which were owned by a foreign investor, have been made mainly in such cases where there is a pressure coming from the financing partner or if the owner is a property fund, which is in such state that properties must be sold. In most cases the parties agree nowadays that the purchase price or even the purchaser is not announced. The transparency of the Finnish commercial property market has become weaker in the past few years, which increases the uncertainty in the bargaining.

Recently the criteria for purchasing a property have further tightened and the closing of deals is difficult. Property is an interesting investment opportunity if it is new or newish, rented with long leases and the technical risks are low. Another criteria for interest is a prime-location in the city centre or in another area where rental demand is stable. In this case the maturity of the existing leases on the transaction date does not need to be long, because releasing is not considered a risk. Challenges related to the sale processes are that the seller and buyer often have different points of view on the price and the buyer’s capability to get a loan from the bank. Investors require higher yields than previously, before they are willing to make deals. Increased yield requirements regarding office properties are based on expectations of increasing vacancy rates, stalling of the growth of market rents and a downward trend of market rents in some locations, and increasing operating costs. These circumstances have caused a slight increase also in the yield requirements of prime-office properties.

Catella’s opinion on the yield requirement regarding the Helsinki CBD prime-office properties in June 2013 is in the range of 5.5 – 6.35 %.

The following chart describes the development of prime-office properties in the Helsinki CBD until Q4-2012 and the arrows show the development direction in the first half of 2013.



* Long agreements will lay down yield levels by 0.1 – 0.3 %-units. Source: Catella Property Oy

In the current market situation retail properties are considered more attractive investment objects than office properties, thus in Catella's opinion the prime yield of Helsinki CBD retail properties is at the level of 5.30 %, which is slightly lower than the prime-office yield.

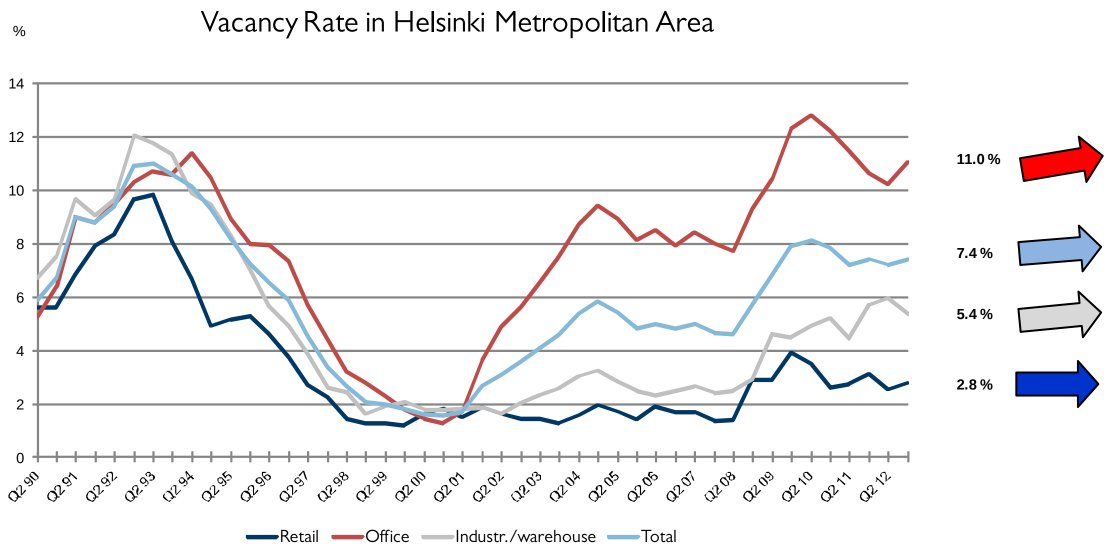
Polarization of the Finnish commercial property market continues: the demand for prime-properties keeps their yield requirement at a rather low level, but the attractiveness of B-class properties is weak, because the availability of financing for these transactions is still difficult. The financial and financing situation is likely to remain difficult also in the second half of 2013, even though in the long-term there are signs of gradual improvement. The challenges and opportunities pertaining to the investment market are believed to remain similar to previous years. Due to the quiet first half of 2013 it seems that the transaction volume in 2013 will remain at a lower level than in the last four years meaning below the EUR 2 billion level. The forecast for the total volume is largely affected by how many new construction projects will be let and the number of large-volume properties of sufficiently high quality and reasonable pricing becoming available during the year.

Letting Market

The impact of the general economic situation is starting to be seen also in the Helsinki CBD office rental market, where the growth of prime-office rents is stagnating. However, the CBD location alone does not guarantee success, but also the condition and quality of the premises itself must be at a prime-level before the users are willing to pay high rent. As there is plenty of older office space of modest quality in the CBD area, the office market has polarized toward good and poor premises, which means that also the rent level range is wide. In other office districts in the Helsinki Metropolitan Area the rents have swung downward due to the difficult economic situation.

Generally speaking it can be said that in a difficult economic situation a fight for tenants is hard and landlords are willing to give rent free months or stepped rent increases, which means that the starting rent can be quite low. In addition it is typical in this type of market situation that the landlord takes care of the costs of alteration work made at the tenant's request, while in a better economical situation these cost would be paid by the tenant. Due to the aforementioned factors the effective rent is often lower than the nominal rent shown in the rent rolls.

The following chart describes the vacancy rates of different premises types in the HMA at the end of December 2012. Catella is just now collecting data in order to update these figures for the vacancy situation through the end of June 2013 and the arrows on the right side of the chart show the predicted direction of the vacancy rate development.



Source: Catella Property

In the Helsinki Metropolitan Area the office vacancy rate moved back upward in the second half of 2012. The increase of the vacant office space was approx. 74,000 sqm. Also the amount of vacant retail space increased slightly (approx. 9,000 sqm), but the vacancy rate was only 2.8 %. The vacancy rate of industrial and warehouse premises decreased slightly to the level of 5.4 %. According to the preliminary information the increase of vacancy rate of office premises continued in the first half of 2013. Also the vacancy rate of industrial and warehouse premises have increased slightly. The vacancy rate of retail premises has remained more or less stable.

In the Helsinki Metropolitan Area 15 new office construction projects were launched in 2011 with 11 new projects in 2012. At the moment approx. 95,000 floor m^2 of new office space is under construction in the HMA, but only three new projects have been launched in 2013. Completion of the new office developments together with the weak economical situation will most likely further increase the office vacancy rate in the near future. In the long run, the reduction of the new construction projects may intercept the increase of the vacancy rate.

THE RESULTS OF THE VALUATION

The date of valuation for Sponda’s investment properties is 30 June 2013. Hereafter the key figures of this valuation date have been compared with the key figures of the valuation made on 31 December 2012 because Catella did not give a statement on Sponda’s internal calculation of the fair value on 31 March 2013.

The weighted average net yield requirement in the cash flow calculations was 6.52 % 6.50 % (31 December 2012: 6.50 %) for the entire investment property portfolio. The initial yield for the investment property portfolio inspected by Catella was approx. 6.03 % (31 December 2012: 6.09 %). The economic occupancy rate of Sponda’s whole Finnish property portfolio was approx. 87.2 % (31 December 2012: approx. 87.2 %). Starting from summer 2010 Sponda has counted the economic occupancy rate according to the instructions of the European Public Real Estate Association (EPRA).

Office and Retail Properties

Approx. 90 % of the value of Sponda’s office and retail property portfolio consists of properties located in the Helsinki Metropolitan Area and the remaining 10 % of the properties are located in Tampere, Turku and Oulu. The properties located in the Helsinki city centre and in Ruoholahti form approx. 69 % of the value of the HMA properties and their proportion of the entire Finnish office and retail portfolio is approx. 62 %.

No acquisitions were carried out to the portfolio, but the following assets or single premises of the assets were divested from the office and retail property portfolio after Catella’s previous inspection:

- Koy Kontulan Asemakeskus, 1 premises (882 m^2)
- Tapiolan kulttuuritori (approx. 1.450 m^2)
- Tapiolan Liiketalo Oy (approx. 1.030 m^2)
- Koy Martinkatu 5, Turku (approx. 1.704 m^2)
- Nekalanpuisto, 1 premises (115 m^2)
- Kilpakujan Liikekiinteistö, three premises (479 m^2)

Based on Catella’s review the cash flow yield requirements in the office and retail property portfolio were decreased in 11 cases based mainly on object-specific features (e.g. improved rental situation) or reasons related to location by mainly 10 - 20 basis points. The yield requirement was raised in 25 cases by 5-10 basis points due to object-specific features or reasons related to location as well. In the other properties the yield requirement remained unchanged. In addition, the market rent levels used in the cash flow calculation were raised slightly and the occupancy rate assumptions updated in some cases. The weighted average net yield requirement in the cash flow calculations was 6.49 % for the entire portfolio (31 December 2012: 6.47 %). The initial yield for the portfolio inspected by Catella was approx. 6.42 % (31 December 2012: 6.60 %). The economic occupancy rate of office and retail properties was approx. 89.6 % (31 December 2012: approx. 89.4 %).

Shopping Centre Properties

The shopping centre portfolio consists of sixteen properties, but Catella did not inspect one of these properties, because it is an unfinished development property included in the City-Center complex. No acquisitions or divestments were carried out from the portfolio in the first half of 2013.

Based on Catella’s review the cash flow yield requirement in the shopping centre property portfolio remained unchanged. The weighted average net yield requirement in the cash flow calculations for the shopping centre property portfolio inspected by Catella was 5.64 % (31 December 2012: 5.64 %). The initial yield for the portfolio was 4.90 % (31 December 2012: 4.82 %). The economic occupancy rate of the portfolio’s shopping centres was 91.0 % (31 December 2013: 93.0 %), which also includes rentable premises in the City-Center properties.

Logistics Properties

The properties of the logistics portfolio are located in the Helsinki Metropolitan Area except for one property. The size of the properties varies significantly; the smallest objects are 2,000 - 3,000 m^2 in size while the largest property is 64,500 m^2 in size.

No acquisitions or divestments were carried out from the portfolio in the first half of 2013.

The cash flow net yield requirements in the logistics property portfolio were increased in 9 cases based on object-specific features by 10 - 20 basis points. The yield requirements were not decreased in any cases. The occupancy rate assumptions in the cash flow calculation were adjusted based on object-specific features to correspond the actual rental situation and market rent assumptions remained mainly unchanged. The weighted average net yield requirement in the cash flow calculations was 8.18 % (31 December 2012: 8.13 %) for the entire logistics property portfolio. The initial yield for the logistics property portfolio inspected by Catella was approx. 6.44 % (31 December 2012: 6.22 %) while the economic occupancy rate was approx. 75.7 % (31 December 2012: approx. 75.6 %).

The occupancy rate of the properties at Vuosaari Harbour is still rather low, which has a lowering effect on the whole portfolio’s occupancy rate and initial yield. Excluding the properties in Vuosaari the portfolio’s economic occupancy rate is approx. 78.3 % (31 December 2012: 77.7 %) and initial yield approx. 7.24 % (31 December 2012: 7.39 %).

Summary

In our opinion, the yield requirements and market rent assumptions used in Sponda’s valuation calculations correspond to the actual market yields and rents on the date of valuation.

Some properties in the office and retail portfolio as well as the logistics portfolio have unused building right, but the values of the unused building right are not taken into account when calculating the aforementioned initial yields. The properties of the shopping centre portfolio do not have any unused building right.

The economic occupancy rates of Sponda's investment properties correspond to the average figures on the market regarding the office and retail property portfolio. The economic occupancy rate of the logistics property portfolio and the shopping centre property portfolio is lower than the average rate on the market. The low occupancy rate of the logistics property portfolio is partly caused by the high vacancy of the properties at Vuosaari Harbour. Even if excluding the properties in Vuosaari, the occupancy rate of the logistics portfolio is lower than the average rate of logistic properties in the Helsinki Metropolitan Area and the occupancy rate of the portfolio is at a same level as it was in turn of the year. The development project of the City Center and its neighbourhood is reducing the occupancy rate of the shopping centre portfolio.

The transaction volume in the first half of 2013 was rather low, which partially reflects the difficult situation in the commercial property market. Based on the few executed transactions it is difficult to find evidence of yield requirements, but in our opinion the weakened general economic situation, increasing vacancy rates and the stop in the growth of market rents have caused a slight increase in the office yield requirements. In Sponda's properties the index increments of the agreement rents have in most cases increased the initial yield, which correspond to the slight increase of the yield requirements on the market; therefore there was no need to increase the cash flow yields compared to the previous inspection. If changes in the cash flow yield requirements of Sponda's properties were made, they were mainly caused by object-specific changes or characteristics related to factors such as the location, technical condition, current rental situation and the future rentability of the premises.

Sponda has revised the operating costs of the properties in connection with this valuation and according to the obtained information Sponda has updated the operating costs of each property based on the realized operating costs from 2012, the budgeted operating costs for 2013 and the forecasted operating costs for 2013. From these three figures the best estimation for the long term operating cost level was used in the valuation; in some properties the operating costs decreased while in some they increased. According to the information obtained from Sponda, the total affect of the revised operating costs on the fair value of the investment property portfolio on 30 June 2013 was approx. EUR – 1.0 million. In connection with this inspection, Catella did not have detailed information available regarding the factors that caused the change in the operating cost level, nor could Catella have any influence on the operating cost levels used in the calculation.

Catella Property Oy

Helsinki, 12 July 2013

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