

STATEMENT

Evaluation of the fair value of Sponda Plc's
investment properties on 30 June 2016



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 "Catella") audited Sponda's internal property assessment process and calculation methods in autumn 2007 and again in December 2015 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 2016, 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 and occupancy rates and enquired into the net yield requirements and their effect 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 and properties located in Russia, 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 (January 2014) and the International Valuation Standards (IVS 2013). 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 authorised property valuers approved by the Central Chamber of Commerce. We are not aware of any conflicts of interest arising in the execution of this assignment.

A GENERAL ASSESSMENT OF THE ECONOMY

- Sources:**
- Statistics Finland
 - Eurostat
 - European Central Bank
 - Ministry of Finance Economics Department, Economic Survey, Summer 2016
 - Danske Bank, Economic trends and finance market, June 2016

As an overview of the economic climate it can be stated that the growth of the world economy during the end of 2015 and at the beginning of 2016 turned out weaker than expected and the rebound is expected to be slower than previously forecasted. The premises for economic growth are still fragile and the UK's decision to withdraw from the European Union will increase the threats. The emerging Asia has been one of the main instigators for decelerating growth of the world economy and, to a great extent, it is caused by China's ongoing actions aimed at restoring the balance of the economy. Also in the United States, economic growth early in the year has been weaker than expected. The euro zone's economy has managed to hang on rather well early in the year, but because of Brexit, which ultimately came as a surprise, economic growth will decelerate. The growth in the euro zone has strongly rested on private consumption. The stream of refugees towards Europe will continue, which increases the public consumption costs. Based on the revised figures that Statistics Finland gave in March, the Finnish economy finally reached a modest growth of 0.5 percent in 2015 after having diminished three consecutive years before that. According to forecasts, the Finnish economy should grow faintly in 2016 and 2017, but Brexit may cut down part of the growth.

In emerging Asia the mid-term outlook for economic growth is still uncertain. In China the deceleration of economic development is expected to continue, which also harms the development of other emerging economies in Asia. Economic growth in India was faster than in China last year and the growth has also been at a good speed during the first part of 2016. As for Japan, the beginning of the year has been difficult in many ways. The latest inflation figures have again sunk below zero in spite of massive resuscitation. The yen quotation has again strengthened despite the light monetary policy.

In the United States, economic growth was 2.4 percent in 2015. However, starting from last autumn, economic growth has decelerated and in the first quarter of 2016 the growth was the slowest it has been in a year. Based on preliminary information, the annualised growth in Q1 was only 0.8 percent. The strengthened exchange rate of the dollar has hindered exports and the uncertainty related to the Chinese economy weakened the outlook of the industrial sector during the end of last year and the beginning of this year. In addition, the drop in oil price diminished investments in the energy sector. However, private consumption has managed to sustain itself throughout this period. Unemployment has decreased at record speed and in May it was only 4.7 percent. Due to the improved economic climate, the Federal Reserve (FED) increased its target funds rate by 25 basis points, from 0 – 0.25 percent to 0.25 – 0.50 percent last December. This was the first time the interest rate was raised since 2006. More increases in interest rates have been awaited in the market, but weakened economic indicators have further postponed the raising of the interest rates to autumn and the UK's referendum-based decision to withdraw from the EU may also reduce the pressure for such an increase in the US.

In the euro zone, the UK's decision to withdraw from the EU is dominating the latest economic news. As a result of this decision, the uncertainty in the market has increased significantly, but the concrete effects cannot be seen until later. In 2015 the euro zone GDP growth was 1.6 percent, which is the strongest growth since 2011. The long diminished investments increased almost three percent and also other primary tranches of demand increased. Additionally, private consumption and the continuing growth of public consumption also had a positive effect on economic growth. Unlike in the US and in China, the euro zone's economic growth managed to sustain itself rather well during the beginning of the year and same kind of weakening of growth and confidence statistics as was seen in the US and China did not occur in the euro zone. In the first quarter of 2016, the GDP growth was 1.7 percent compared to the same quarter last year and 0.5 percent compared to the previous quarter. Brexit will most probably weaken the euro zone's economic growth outlook significantly due to the increasing uncertainty and decreasing investments. At the end of the day, the UK's withdrawal decision came as somewhat of a surprise and analysts have to reconsider their views on the future economic development of the euro zone. After the Brexit decision, Danske Bank reduced its forecast regarding the euro zone's economic growth as follows:

	After Brexit	Before
2016	1.2 %	1.6 %
2017	0.7 %	1.7 %

The European Central Bank has played an important role in the stabilisation of the economic region after the emergence out of the financial crisis and, in the future, its actions for supporting economic growth will also be essential, especially now, when Brexit will most probably cause further pressure for resuscitation in the euro zone.

Finnish GDP increased 0.5 percent in 2015 based on the revised figures of the Statistic Finland given in March. However, the Finnish GDP was still at approximately 6 percent lower level than before the financial crises in 2008. In Europe, only in Greece, Cyprus and Portugal has the development of total production been weaker than in Finland. In the first quarter of 2016, GDP growth was 0.6 percent compared to the previous quarter and 1.6 percent compared to the same quarter last year.

The strength of private consumption has been a surprise in 2015 and also in the beginning of 2016, but it will not cheer the economy for long, because the increase of the income level is modest, unemployment remains on a high level and inflation is going to be in positive figures again. In addition, the positive effects based on the free periods of house loan instalments have faded. On the other hand, low interest rates will support indebted consumers in the future as well.

In addition to private consumption and construction, the sustainable economic growth would require increase in export and investments in research and development and production. In the best case scenario, Finland could finally get its competitiveness into good condition and poorly developed export could experience an upward trend, because Finland's main export markets, excluding Russia, are growing at moderate speed. This should benefit Finland's export-led industry. In addition, in June the labour market organisations concluded the competitiveness agreement, which should decrease work costs over three percent. Although the agreement did not quite reach the government's original target (5%), it can be seen as historical internal devaluation, which helps to restore Finland's competitiveness in the market. However, the uncertainty caused by

Brexit will change the market climate, because companies in Europe will most probably postpone their investments and this weakens Finland's export outlook.

Finnish consumer confidence improved further in June. In December 2015, the confidence indicator was at a level of +2.4, by March it had increased to +10.4 and in June the figure was +14.9. The confidence has risen higher than the long-term average (+11.6). In May 2016, the unemployment rate was 10.8%, while in May a year ago it was 11.8%. According to Statistics Finland, the number of unemployed people in May 2016 was 298,000, which was 27,000 less than one year ago. In May the amount of unemployed people was higher than in the other months of the year because young people looking for summer jobs and finishing their studies entered the labour market at the same time, which temporarily raises the number of unemployed and the unemployment rate.

The outlook by domestic forecasters regarding the development of the Finnish economy are consistent in the sense that the bottom of the cycle has been reached in 2015 and a fragile economic growth can be expected during 2016 and 2017. Inflation is expected to be below one percent in 2016 and to increase slightly over one percent in 2017, which indicates that the development of index-linked rents will be moderate in the coming few years. In 2015 the development of the cost-of-living index was slightly negative.

Forecasts given in June 2016 are in the following table.

FORECASTER - June 2016	GDP 2016 => 2017	EXPORT 2016 => 2017	INFLATION 2016 => 2017	UNEMPLOYMENT RATE 2016 => 2017
Danske Bank	+ 1.2 % => + 1.3 %	+1.0 % => +4.0 %	+0.4 % => +1.0 %	9.2 % => 8.9 %
LähiTapiola-Group	+ 1.2 % => + 1.1 %	+0.5 % => +2.0 %	+1.1 % => +1.2 %	9.2 % => 9.0 %
Bank of Finland	+ 1.1 % => + 1.1 %	+0.7 % => +2.4 %	+0.2 % => +0.8 %	9.2 % => 9.0 %
Ministry of Finance	+ 1.4 % => + 1.0 %	+0.8 % => +2.9 %	+0.5 % => +1.2 %	9.3 % => 9.1 %

It must be noticed that the forecasts mentioned in the table above are given before Brexit decision. Danske Bank revised their forecasts regarding GDP growth after Brexit so that predicted economic growth in 2016 is 0.8 % and in 2017 only 0.5 %.

According to Danske Bank, Brexit affects the Finnish economy through several pathways, of which the most important are

- weakening import demand in UK due to recession
- diminishing demand in the euro zone
- postponed investments due to general uncertainty
- central banks will keep their monetary policy light longer than before

The general economic climate has affected the Finnish commercial property market in two different ways. The letting market especially has suffered from the weak economic climate, but if a property is fully leased with long lease agreements and its other features fulfil investors' requirements, these kinds of prime-properties have been desirable investment objects in the investment market. At the moment, it cannot be estimated, how Brexit will affect the Finnish property market, but increased uncertainty will most probably complicate the decision-making processes within both the letting market and the investment market.

In the Helsinki Metropolitan Area's office letting market, the effects of a weak economical situation can be seen as high vacancy rates. In 2015, only two new office projects were launched. An upward trend in office construction was seen in the

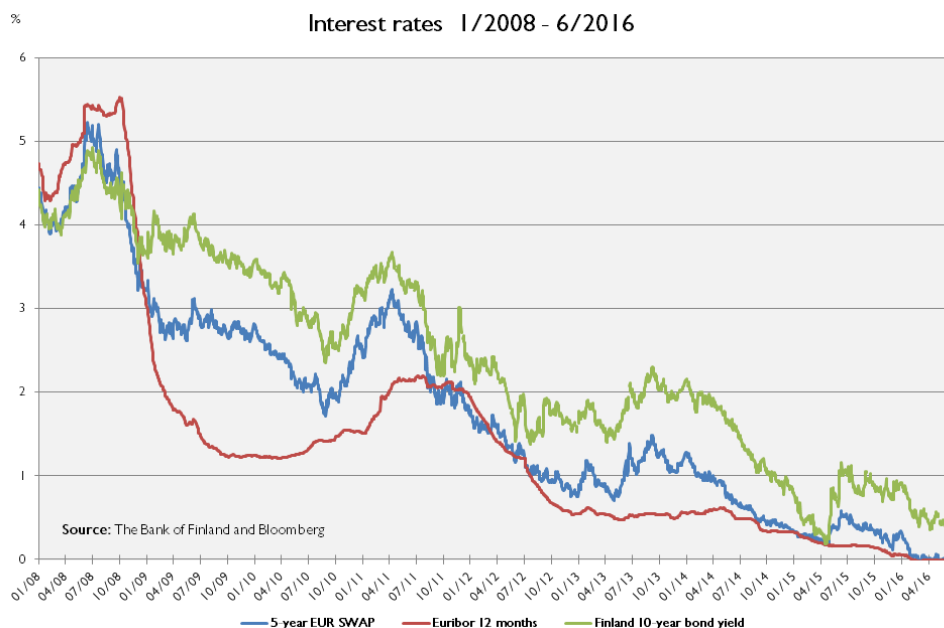
beginning of this year, while already five new projects have been started. In June approx. 60,000 m² new office space is under construction in the HMA. Completion of the ongoing office construction projects together with the weak economical situation will keep the vacancy rate high also in the near future. However, the Finnish commercial property market is very active, if measured by the recent transaction volume, although the fundamental aspects of the economy have remained weak.

INTEREST LEVEL AND FINANCIAL MARKET

The European Central Bank (ECB) continues resuscitating the economy. At its meeting in March, the ECB decreased the steering rate to zero from the previous 0.05 percent, which had been the level since the last decrease decision made in September 2014. Also the deposit rate was decreased to -0.4 percent from the previous -0.3 percent. Nowadays, banks have to pay the central bank if they want to make deposits. When the deposits are subject to a charge, the ECB hopes that it will encourage banks to increase credit granting to firms, which could spur economic growth and inflation. It is expected that interest rates will remain at a low level for a rather long time. In addition to the decrease in interest rates, the ECB started a wide-ranging bond purchase program in March 2015 and this program is supposed to be continued until March 2017. This program will be boosted by increasing bond purchasing from the current €60 billion to €80 billion per month. The ECB will also widen the range of bonds that will be qualified under the program, so that good quality corporate bonds will also be accepted. Due to the Brexit decision, more supportive actions are awaited from the ECB.

The development of market interest rates has followed the decline of the steering rate. At the end of 2011, the 12-month Euribor was still at a level of 1.95 % (and a steering rate of 1.0%). From the first half of 2013, the 12-month Euribor remained above the 0.50% level until June 2014, but as a consequence of the reductions of the steering rate, the 12-month Euribor has now decreased below zero.

The chart below illustrates the development of the (12-month) Euribor 2008 – 6/2016, the Finnish Government Bond (10 years) and the EUR SWAP (5 years).



Loans given for real estate investments are often tied to the 5-year SWAP interest rate, which has followed the 12-month Euribor during the last few months and sunk below zero.

According to the Finnish CREDI-survey made by Catella in December 2015, the development of lightening property financing, which started in autumn 2013, still continued in the second half of 2015, but clearly more faintly than before. However, signs indicating weakening property financing climate was in the air. The respondents of the survey forecasted that property financing will tighten in spring 2016 and it was expected that availability of bank loans would become more difficult and that margins would increase in the six months to follow. Catella will execute a new CREDI-survey during the summer, but the results of that survey are not yet available.

In Sweden Catella conducted a similar CREDI-survey in June 2016 and the results show that the availability and terms concerning property financing have further tightened in the past three months, but it was expected that they will lighten in the near future (the survey was done before Brexit). The main index weakened 0.2 points compared to the March figure and it was now 41.0. In the Swedish survey, the index point 50 means that the situation has remained unchanged and figures over 50 indicate lightened availability of financing. The most noteworthy change compared to March in the Swedish survey was that banks and property investors are in agreement about the financing climate to a much larger extent. The main index point of the banking sector was 27.5 in March and 38.3 in June. The main index point of the property investors was 54.9 in March and 43.8 in June. In other words, banks changed their view to a more positive direction and investors to a more negative direction.

The availability of property financing has tightened during the past few months and, based on the market information, the reason for this is that banks have granted a great deal of loans for property investments in the past years, while credit granting for other types of investments has been exiguous. In the banks' loan portfolios, property loans are overrepresented and it is hoped that their share will not increase any further, or at least, in the case of new loans, banks will be more critical than before. Brexit will most probably tighten the availability of financing in the future.

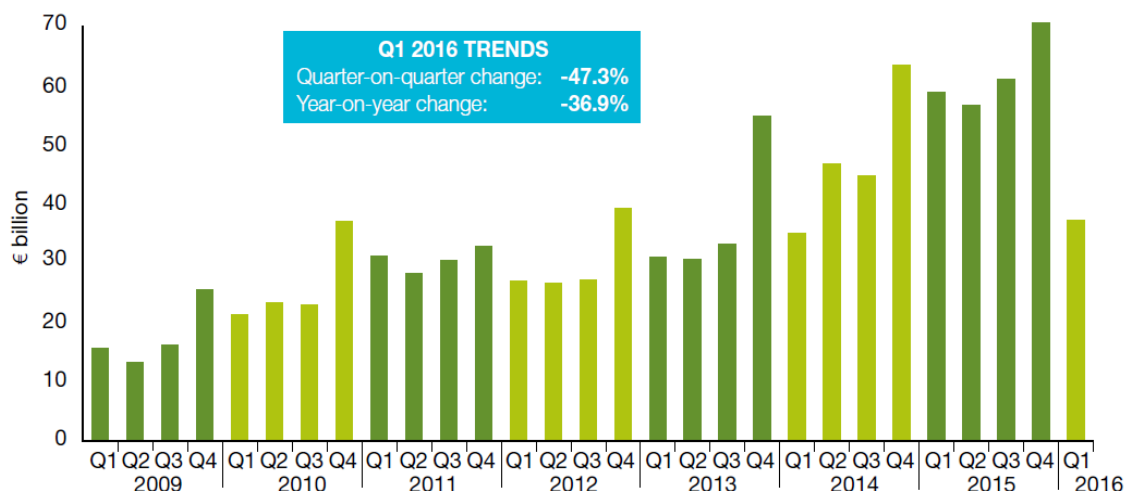
PROPERTY MARKET

European Property Market Climate

Source: Knight Frank

According to Knight Frank, the European commercial property market's investment volume in 2015 was approximately €238.5 billion, showing an increase of 25% compared to the previous year. Based on Knight Frank's information, the volume of the fourth quarter of 2015 was €64.5 billion, which is only 0.5% higher than the same period the previous year, which indicates that the growth of the investment volume slowed down towards the end of the year. Knight Frank's Q1-2016 report showed that the investment volume really decelerated: in the first quarter, transactions totaled €37.4 billion, which shows a 36.9% decrease compared with the same period the previous year and a 47.3% decrease compared to the previous quarter.

European commercial property investment volumes

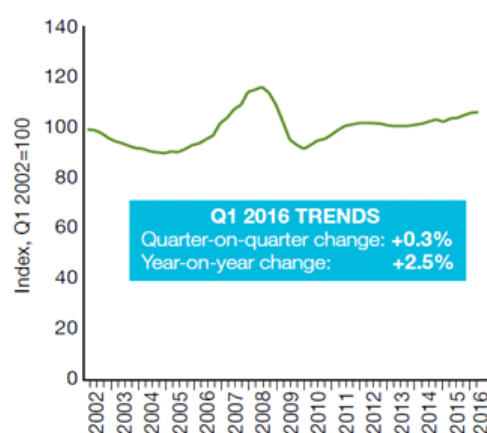


Source: Real Capital Analytics / Knight Frank Research

According to Knight Frank, the fall in investment activity reflects growing concern among investors over a range of global economic and political risks. Europe’s largest market, the UK, has suffered from the Brexit campaign for the whole beginning of the year, which contributed to a 38.4% drop in volumes in Q1. However, with significant decreases in activity recorded in other major markets such as Germany and France, the decline in the UK appears to have been not only Brexit-driven, but part of a wider slowing of European investment. Over the coming quarters, it will become clearer whether the decreased activity in Q1 was a short-term pause for breath, or the start of a longer period of reduced volumes.

In the first quarter (Q1-2016), the prime office rents continued to increase slightly. Knight Frank’s prime office rental index increased 0.3% compared to the previous quarter and 2.5% to the same period a year ago. The rental growth in Q1 is mainly based on the development that took place in Paris, Milan and Stockholm. However, the rental index is still clearly below the last peak (2007).

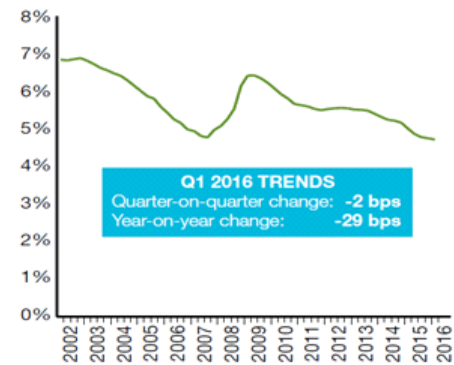
European prime office rental index



Source: Knight Frank Research

The decreased investment activity in Q1 was not accompanied by a similar fall in prices. Prime office yields remained stable in most markets, but decreased, e.g., in Brussels, Munich and Stockholm. As a result, the Knight Frank European Weighted Average Prime Office yield declined by 2 basis points, to a record low of 4.76%.

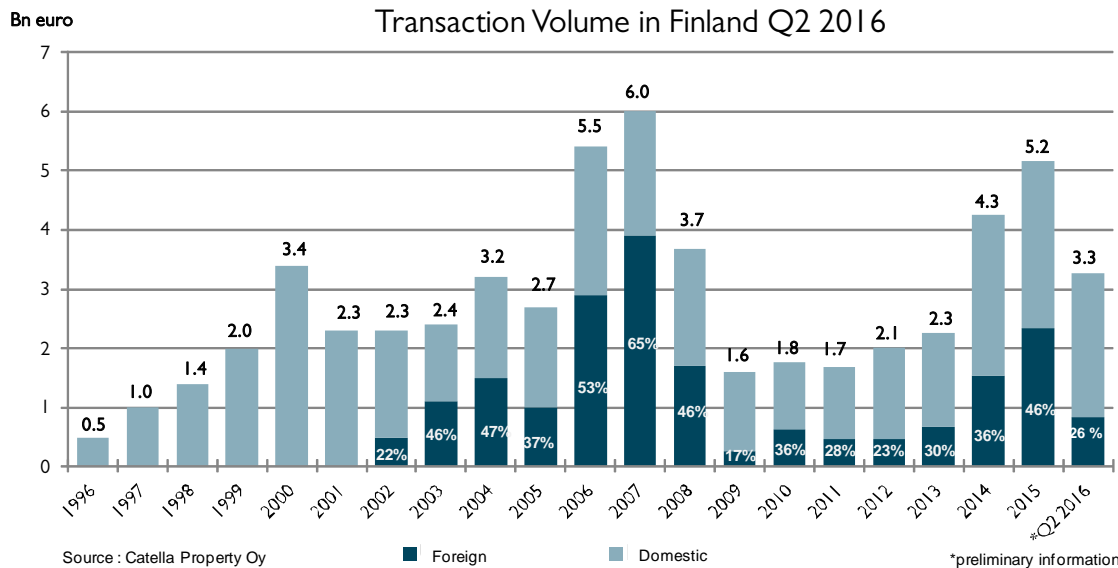
European weighted average prime office yield



Source: Knight Frank Research

The Finnish investment market

After the financial crisis of 2009–2013, the transaction volume of the commercial property market in Finland fluctuated between EUR 1.6 and 2.3 billion. Active trade, which started at the end of 2013, has further picked up and the transaction volume in 2015 reached €5.2 billion, representing an increase of 21 percent compared to the previous year. The year 2016 has started briskly with regard to trading activity: by the end of June, the transaction volume reached approximately €3.3 billion. Information regarding all executed transactions has probably not yet been published, which means that H1-volume will most likely increase somewhat when the eventual transaction data is available.



A decrease in transaction volume, similar to that which occurred in other European markets, did not occur in Finland in the first quarter. The transaction volume in Finland in the first quarter was the second highest after the financial crises (€1.88 billion). Based on preliminary information, the trading activity in the second quarter was somewhat lower, approx. €1.42 billion, which nevertheless is almost as high as the total annual volumes in 2009–2011.

The strong development of the transaction volume indicates that the Finnish commercial property market follows the international trend, although the fundamental aspects of the economy are different than in many other European countries. The Finnish gross domestic product is increasing only faintly, the vacancy rates of commercial properties are at a record-high level and the development of rent levels is weak. Despite all of this, investors' interest in properties is strong and the yield requirements of prime properties have decreased to a low level. The reason for this is that there is a lot of equity on the market searching for investment opportunities and due to the low interest rate level, loan financing is affordable. Properties are considered an attractive asset class, because the bond and fixed income market offers historically low returns and the risks in the stock market have increased. However, the risks related to property investments are scanned very carefully.

Residential portfolios were the largest asset category when viewing the distribution of the transaction volume in H1-2016. The transaction volume of residential portfolios was €1.23 billion, which represents as much as 37% of the total volume. The buyers were mainly domestic property funds and insurance companies. Only one foreign buyer, Germany's largest pension scheme group Bayerische Versorgungskammer (BVK), has invested in apartments in Finland. BVK bought 356 rental apartments located in the HMA from LähiTapiola's fund for €80 million.

Retail properties were the second largest asset category with H1-2016 transaction volume of €1.02 billion. However, this volume is increased by one large portfolio deal, which resulted in so-called 'Forum-block properties' being bought by Sponda. The value of the whole transaction was €576 million and retail premises represented a significant portion of the deal.

Office properties reached a transaction volume of €643 million and the share of the properties located in the Helsinki Metropolitan Area was approximately €492 million.

Typical for the structure on the property trade in the first half of 2016 was that 80% of the total volume consisted of portfolio transactions and only 20% of consisted of single-property transactions. In 2015 portfolio transactions comprised 58% of the total volume. In the first half of 2016, the domestic buyers have been active on the market; the share of foreign investors was clearly smaller (26%) than in 2015 (46%). Even excluding the residential portfolios from the overall volume of transactions, the foreign buyers' share of the transaction volume would be 37% in H1-2016.

In the first half of the year, several residential portfolio deals were executed that were valued at more than €100 million. The major (over €100 million) commercial property transactions in the first half of 2016 were:

- The afore-mentioned transaction of so called 'Forum-block', which was bought by Sponda (€576 million)
- The Partners Group acquired a portfolio of 37 properties from Sveafastigheter. Part of these properties are located in Sweden (the estimated share of Finnish properties was approximately €180 million)
- Niam funds acquired a portfolio of six office properties located in the HMA from pension fund Elo (€160 million)
- The Finnish real estate investment manager Sirius Capital Partners acquired a portfolio of 20 retail assets located in Finland from private investors. The assets are

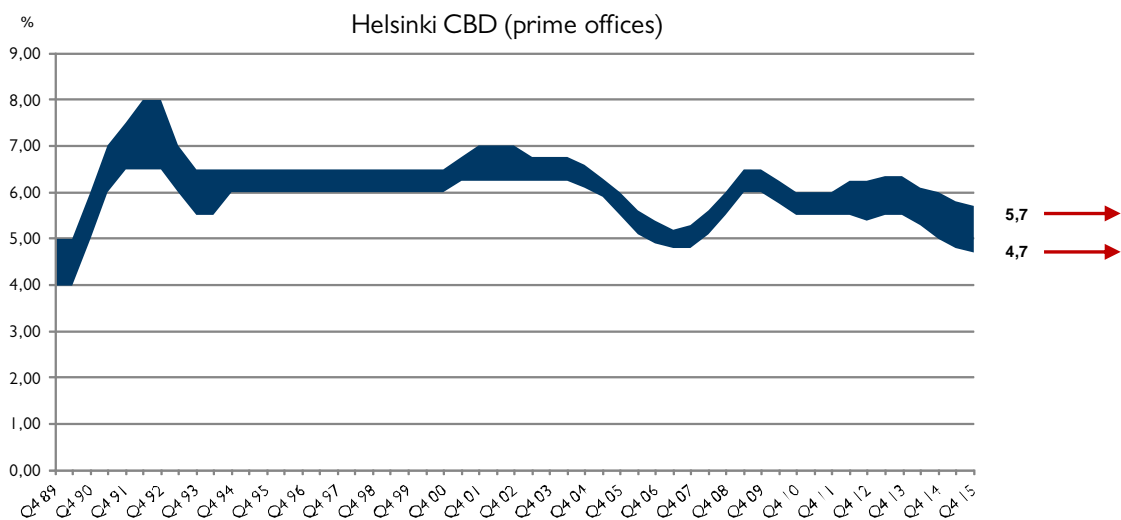
anchored by strong tenants, the largest ones being Tokmanni, S-Group and Kesko. (€15 million)

- eQ Health Care Properties acquired a portfolio of 27 properties from the Healthcare fund managed by Northern Horizon Capital (€55 million)

The trade of residential portfolios has also remained active, the transaction volume of the residential portfolios was approximately €1.2 billion.

Catella’s opinion on the yield requirement regarding the Helsinki CBD prime-office properties in December 2015 was in the range of 4.7–5.7%. In the first half of 2016, we have not obtained such market information based on executed transactions or other sources, which would indicate that the yield requirement in the Helsinki CBD would have changed from last December. Due to the scarcity of prime investment opportunities, there is still pressure for decreasing yield requirements, especially in such properties that are viable from a rental standpoint. Catella’s opinion on the development of yield levels is based on closed deals, observations of quotes and discussions with investors.

The following chart describes the development of the yields of prime-office properties in the Helsinki CBD **until Q4-2015** and the arrows show the development direction in the first half of 2016.



* Long agreements will decline yield levels by 0.2 – 0.5 %-units
 * New construction projects are excluded

Source: Catella Property Oy

Due to the difficulties in retail trade, the yield requirement of Helsinki CBD prime-retail properties is slightly higher than the prime-office yield. Catella’s opinion on the yield requirement regarding the Helsinki CBD prime retail properties in last December was 0.3 percentage units higher than in office premises. In the first half of 2016, the yield gap between Helsinki CBD retail and office premises has narrowed slightly due to the increase of private consumption, a slightly brighter outlook of the general economic climate and the scarcity of prime investment opportunities. However, retail yields are still slightly higher than office yields.

Investors are similarly interested in modern logistic properties like other property types provided that premises are rented with long lease agreements. Because of a strong

demand, the decline in yield requirements concerns logistic properties as well and prime logistic yields have decreased to a level of 6.75 percent and even lower, if the property has a long lease agreement. The yield requirements of older industrial and warehouse properties are clearly at a higher level and the investment interest towards them is rather weak.

Letting Market

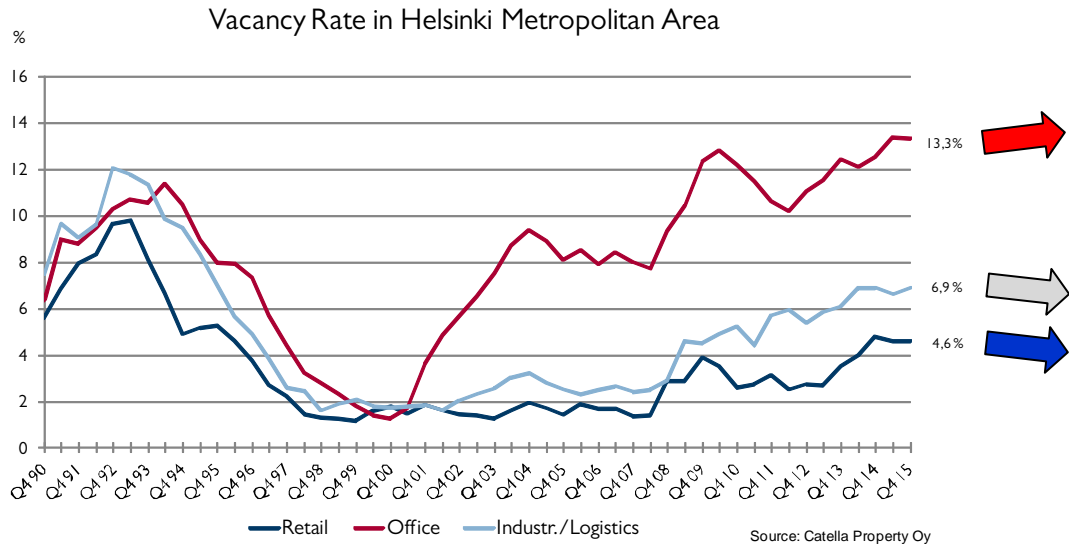
The Finnish property market deviates most from the rest of Europe particularly concerning the letting market. Elsewhere in Europe, the rents are increasing and the vacancy rate is decreasing while in Finland the development is more or less the opposite. In Finland the property investment market is in a totally different phase of the cycle than the rental market: the driver of the investment market is the global capital market, while the rental market is driven by the national economy.

The office letting market in the Helsinki Metropolitan Area is still challenging and in a difficult economic climate, the fight for tenants is hard. Landlords are willing to give several rent-free months or stepped rent increases, which means that the starting rent can be quite low. Additionally, it is typical in this type of market climate that the landlord takes care of the costs of alteration works made at the tenant's request, while in a better economical climate, these costs would be paid for by the tenant. Due to the aforementioned factors, the effective rent is often lower than the nominal rent shown in the rent rolls. In the office districts outside the Helsinki CBD, rents have settled to new lower levels because of the difficult economic climate and excess supply.

The Helsinki CBD office market managed to hang on rather long if occupancy rates and rent levels are used as indicators, but last autumn the office vacancy rate in the CBD increased significantly. The downward pressure of rents has now reached the Helsinki CBD office market as well: KTI's Helsinki CBD rental index has decreased by 1.1% during the last 12 months. On the other hand, the rents of the best premises are still high. Tenants' requirements regarding the quality of premises especially in the CBD area have increased and they are willing to pay fairly high rent for modern, high-quality premises that are in good condition. As there is also plenty of older office space of modest quality in the CBD area, the office market has been polarised toward good and poor premises, which also means that the rent level range is wide.

The cumulative annual change of the retail trade's value during January-May 2016 was +0.4 percent. The amount of retail trade increased 1.7 percent, respectively. The value of grocery store sales increased in the same period 0.7 percent and the amount of sales increased 1.8 percent. The value of sales increased less than the amount of sales due to the decreasing prices. In recent years the retail space-letting market has suffered from diminishing sales, which caused pressure for decreasing rents. The latest news regarding the sales figures turning toward an upward trend will ease downward pressure of the rents with a delay, assuming that the growth of sales continues. The Helsinki CBD retail market is normally quite resilient to recession and the retail vacancy rate in the CBD area is still rather low, but vacant retail premises can be found in good locations. The importance of the micro-location has been further emphasised. The retail premises in the best locations are almost fully rented, but the rentability of the premises, which are located slightly apart from pedestrian streams, is more challenging.

The following chart describes the vacancy rates of different types of premises in the HMA based on Catella's survey at the **end of December 2015**. Catella is just now collecting data in order to update these figures for the vacancy situation through the end of June 2016 and the arrows on the right side of the chart show the predicted direction of the vacancy rate development.



In the Helsinki Metropolitan Area, the office vacancy rate started to increase in the second half of 2012. The increase of vacant office space was approximately 280,000 sqm by the end of December 2015. The amount of vacant retail space has also increased by 74,000 sqm since summer 2012. The vacancy rate of retail premises was 4.6% in December 2015. The vacancy rate of industrial and warehouse premises have increased since summer 2012 by 79,000 sqm, reaching a level of 6.9% in December 2015.

Based on Catella's preliminary information, the vacancy rate of office premises slightly increased, while the vacancy rate of retail and industrial and warehouse premises slightly decreased in the first half of 2016.

THE RESULTS OF THE VALUATION

The date of valuation for Sponda's investment properties is 30 June 2016. Hereafter the key figures of this valuation date have been compared to the key figures of the valuation made on 31 December 2015, because Catella did not give a statement on Sponda's internal calculation of the fair value on 31 March 2016.

The weighted average net yield requirement in the cash flow calculations was 5.88% (31 December 2015: 6.13%) for the entire investment property portfolio. The initial yield for the investment property portfolio inspected by Catella was 5.74% (31 December 2015: 5.94%). The economic occupancy rate of Sponda's entire Finnish property portfolio was approximately 89.5% (3 December 2015: approximately 88.0%). Starting from summer 2010, Sponda has counted the economic occupancy rate according to the instructions of the European Public Real Estate Association (EPRA), which means that, e.g., signed lease agreements starting in the near future are taken into account when calculating the occupancy rate. Vacant properties that are considered to be under development are not taken into account when calculating the occupancy rate.

Changes in the Portfolio Structure in 2014

Since the beginning of 2014, Sponda modified the portfolio structure so that in certain properties located in the city centre of Helsinki and Tampere, the retail premises are now part of the shopping centre portfolio and the office premises are part of the office portfolio while previously the whole property belonged either to the office and retail portfolio or to the shopping centre portfolio. Now, premises located in a single building can belong to two different portfolios. This also means that separate cash flow calculations are made of the building's retail and office premises. However, in the valuation the property is treated as one entity in the sense that in cash flow calculations the office part and the retail part have the same yield requirement and it is assumed that in a potential transaction situation the object of sale would be the whole property. Therefore, the new portfolio structure did not have any effect on the yield requirements.

In total, the changes in the portfolio structure affected ten properties, of which three are located in Tampere and seven in the Helsinki city centre. The Forum-block properties (six assets), which were acquired in the beginning on 2016, are also split into the shopping centre portfolio and the office property portfolio.

Office Property Portfolio

Approximately 92% of the value of Sponda's office property portfolio consists of properties located in the Helsinki Metropolitan Area and the remaining 8% of the properties are located in Tampere, Turku, Oulu, Hämeenlinna and Vaajakoski. The properties located in the Helsinki city centre and in Ruoholahti form approximately 70.5% of the value of the HMA properties and their proportion of the entire Finnish Office and Retail Portfolio is approximately 65%.

As new acquisitions to the office property portfolio in the first half of 2016, six properties have come (a total of 33,132 m²) located in the Forum-block and one newly finished new construction property located in Helsinki's Ilmala district is now included in the inspection (MREC Helsingin Ilmalanrinne, 19,708 m²). One property, MREC Espoon Pyyntitie 1 (4,184 m²), is divested after Catella's previous inspection.

Based on Catella's review, the cash flow yield requirements in the office property portfolio were decreased in 23 cases, primarily by 5-20 basis points. The changes concerned mainly properties located in the Helsinki city centre and in Ruoholahti and were based on both market factors and object-specific features. Also in other locations, the decrease of the cash flow yield requirements was based on object-specific features (e.g., an improved rental situation). The yield requirements were increased in six cases, mostly by 5 - 10 basis points. The changes were based on object-specific features (e.g., a weakened rental situation). In the other properties, the yield requirement remained unchanged. In addition, the occupancy rate assumptions were updated in some cases. The weighted average net yield requirement in the cash flow calculations was 6.04% for the entire portfolio (31 December 2015: 6.17%). The initial yield for the portfolio inspected by Catella was approximately 6.04% (31 December 2015: 6.19%). The economic occupancy rate of office properties was approximately 88.3 % (31 December 2015: approximately 88.2%).

Shopping Centre Property Portfolio

The amount of assets in the shopping centre portfolio increased at the beginning of 2014 due to the structural portfolio changes described above and now it consists of 24 assets (previously 16 assets), but Catella did not inspect one of these properties, because it is an unfinished development property included in the City-Center complex. As new acquisitions to the shopping centre property portfolio in the first half of 2016, six properties have come (a total of 44,080 m²) located in the Forum-block. No actual divestments were carried out from the portfolio in the first half of 2016. The portfolio now has 30 assets.

Based on Catella's review, the cash flow yield requirements in the shopping centre property portfolio were decreased in six cases by 5-15 basis points. These were properties located in the Helsinki city centre and in these same properties there are premises that belong to the office portfolio. In the other properties, the yield requirement remained unchanged. The weighted average net yield requirement in the cash flow calculations for the shopping centre property portfolio inspected by Catella was 5.32% (31 December 2015: 5.66%). The initial yield for the portfolio was 5.11% (31 December 2015: 5.20%). The economic occupancy rate of the portfolio's shopping centres was 94.2% (31 December 2015: 91.3%), which also includes rentable premises in the City-Center properties.

Logistics Property Portfolio

The properties of the logistics portfolio are located in the Helsinki Metropolitan Area, except for one property. The size of the properties varies so that the smallest objects are 2,000-3,000 sqm in size, but after the sale of Vuosaari properties, there are only a few objects left over the size of 10,000 sqm and the largest property is approximately 15,000 sqm in size.

One property, MREC Helsingin Kalatori (3,132 m²) is divested after Catella's previous inspection.

All cash flow net yield requirements in the logistics property portfolio remained unchanged. The occupancy rate assumptions and market rent assumptions also remained largely unchanged. The weighted average net yield requirement in the cash flow calculations was 9.11% (31 December 2015: 9.11%) for the entire logistics property portfolio. The initial yield for the logistics property portfolio inspected by Catella was 6.70% (31 December 2015: 6.61%) while the economic occupancy rate was 73.4% (31 December 2015: 67.4%).

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 rights, but the value of the unused building rights are not taken into account when calculating the aforementioned initial yields. The properties of the shopping centre portfolio do not have any unused building rights.

The economic occupancy rates of Sponda's investment properties correspond to the average figures on the market regarding the office property and shopping centre property portfolio. The economic occupancy rate of the logistics property portfolio is lower than the average rate on the market.

The transaction volume in 2015 was clearly higher than in previous years and the transaction volume in H1-2016 was higher in the same period last year – but the share of residential portfolios in the H1-2016 volume is significant. The scarcity of the prime-properties for sale and the demand for them decreased the yield requirements in the latter half of 2015, especially the Helsinki city centre and in other good office districts. In the first half of 2016, there have not been any transactions, which would indicate changes in yield requirements, but demand for prime properties is still higher than supply. Regarding Sponda's assets, the changes in the cash flow yield requirements were caused by market factors or object-specific changes or characteristics related to factors such as the location, technical condition, current rental situation and 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 realised operating costs from 2015, the budgeted operating costs for 2016 and the forecasted operating costs for 2016. 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 2016 was approximately €1 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, 14 July 2016

A handwritten signature in blue ink, appearing to read "Pertti Raitio".

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