STATEMENT

Evaluation of the fair value of Sponda Plc's
investment properties on 31 December 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, 31 December 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 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 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, December 2013
- Ministry of Finance Economics Department, Economic Bulletin, 2 / 2013, 19 December 2013
- Confederation of Finnish Industries EK, Confidence indicators, December 2013

As an overview of the economic situation it can be stated that the world's economic news has been mainly positive since last summer. The promoter of world economic growth has been the United States where the growth has accelerated towards the end of the year. Also in the euro zone positive signs can be observed, but the euro crisis cannot be considered to be over, because the economic growth is still frail and unsteady. In Finland the reduction of the GDP stalled in the second quarter. Several forecasters are of the opinion that the bottom of the recession has finally been reached and a period of slow growth lies ahead.

In emerging Asia the economic growth perked up in the third quarter of 2013 excluding Japan where investments slowed down and exports reduced in spite of a weakening of the yen quotation. In China the economic development has been rather stable for the last two years and the predictive economic indicators for the last quarter of the year are positive. Economic development in India dipped down in summer, but in autumn the upward correction was stronger than expected.

In the United States economic growth was only 1.8 percent in the first quarter of 2013 and 2.5 percent in the second quarter, but in the third quarter growth exceeded expectations and reached 4.1 percent on an annual level. The Federal Reserve (FED) forecasted in December that the US economy will grow 2.8 – 3.2 percent in 2014. Also unemployment has decreased with record speed and in November it was approx. 7 percent, which is the lowest quotation in five years. Positive signs for the development of the US economy are constant increase in household demand and over five percent annual increase in retail trade. There is hope that a more sustainable solution for US public economy issues can be found while the political parties have got closer to each other regarding the consensus in the state budget proposal. If the parties reached a consensus, it would bring a long-awaited stability to the US fiscal policy.

In the euro zone GDP showed a slight growth of 0.3 percent in the second quarter of 2013 after a decline of six consecutive quarters. The faint growth continued in the third quarter, meaning 0.1 percent growth compared to the previous quarter. A common impression regarding 2014 is that the economic situation is recovering in Europe, although the growth will be modest. Unemployment figures have not clearly declined, public debt burdens are continuously growing, credit granting is diminishing and the GDP of 2013 decreases compared to the previous year. It is expected 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. A long-term period of faint economic growth is a clear risk and political decisions have not been able to offer any strong solutions to eliminate this threat. In the euro zone the focus has turned to the European Central Bank, which is expected to secure euro zone banks' capability for lending and maintaining export prospects by keeping the Euro's exchange rate competitive.

Finnish GDP ceased decreasing in the second quarter of 2013 when GDP increased 0.1 percent compared to the previous quarter, but decreased 1.3 percent compared to the same period the previous year. According to the advance information by Statistics Finland, in the third quarter GDP remained at the same level as in the previous quarter, but decreased 1.0 percent compared to the same period the previous year. However, a reduction period of four consecutive quarters ceased in the second quarter and according to forecasts the economic situation will improve step by step in 2014 and 2015.

According to a confidence indicator survey published on 27 December 2013 by the Confederation of Finnish Industries (EK), in all fields of business the confidence is clearly below the long-term average. Consumer confidence has recently roller-coastered being consistently below the long-term average. In November 2013 the unemployment rate was 7.9 %, while it was 7.3 % the previous November. According to Statistics Finland there were approx. 210,000 unemployed people in November which is 17,000 more than the previous November.

In spite of the positive signals obtained over the summer and autumn, the outlook by domestic forecasters regarding the future development of the Finnish economy is more cautious compared to last June. The decrease of the export volume stalled in the third quarter of 2013 and it is expected that in 2014 – 2015 exports will pick up 3 - 5 percent per annum. The inflation forecast is below 2 percent in 2014 – 2015, which indicates that the development of index-linked rents will be moderate in the coming few years.

Forecasts given in December 2013 are in the following table.

FORECASTER - December 2013	**GDP 2014 => 2015**	**EXPORT 2014 => 2015**	**INFLATION 2014 => 2015**	**UNEMPLOYMENT RATE 2014 => 2015**
Danske Bank	+ 1.1 % => + 2.0 %	+3.0 % => +4.0 %	1.2 % => 1.5 %	8.4 % => 8.2 %
Nordea	+ 0.8 % => + 2.0 %	+3.0 % => +5.4 %	1.5 % => 1.6 %	8.4 % => 8.1 %
LähiTapiola	+ 0.8 % => + 1.6 %	+4.0 % => +5.0 %	1.8 % => 2.0 %	8.5 % => 8.0 %
Bank of Finland	+ 0.6 % => + 1.7 %	+1.7 % => +4.7 %	1.6 % => 1.7 %	8.1 % => 7.5 %
Ministry of Finance	+ 0.8 % => + 1.8 %	+3.6 % => +4.1 %	1.5 % => 1.6 %	8.4 % => 8.2 %

The general economic situation is reflected in the property market usually 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.

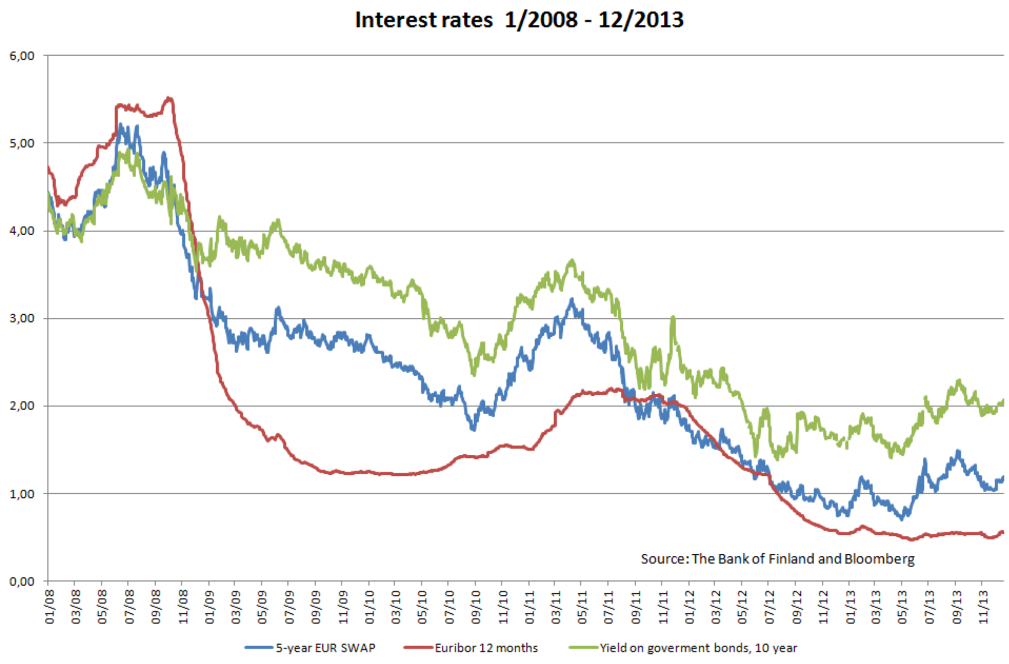
Real estate markets are typically post cyclical; a delayed reaction will be reflected on the real estate market after a change in the general economic situation. The weakening economic situation has led to lay-offs in companies and all investments are considered critically. The affects of this development can be seen also in the Helsinki Metropolitan Area office market: the office occupancy rate started to decrease in autumn 2012 and the bearish development has continued in 2013. The net-demand for office premises will remain at a low level in the near future. However, the improvement in the general economic situation and recovered situation in the financial market will support the Finnish commercial real estate market in the future.

INTEREST LEVEL AND FINANCIAL MARKET

The European Central Bank (ECB) decreased the steering rate again in November to 0.25 percent, thus the steering rate is at its lowest level 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 at least in 2014.

The development of market interest rates has normally followed the decline of the steering rate, but the latest decrease to 0.25 percent did not affect market interest rates. 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 after that the 12-month Euribor has remained over the level of 0.50 %.

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.



Loans given for real estate investments are typically tied to the 5-year SWAP interest rate, which has slightly decreased from last summer. The competition between banks in the loan market has increased in autumn and availability of loans has become somewhat easier. Also loan terms are slightly more affordable than before due to lower margins; LTV-ratios have remained stable.

The quality of the pledged property, the reliability of the customer and the long-term relationship with the bank are emphasized in loan negotiations. 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.

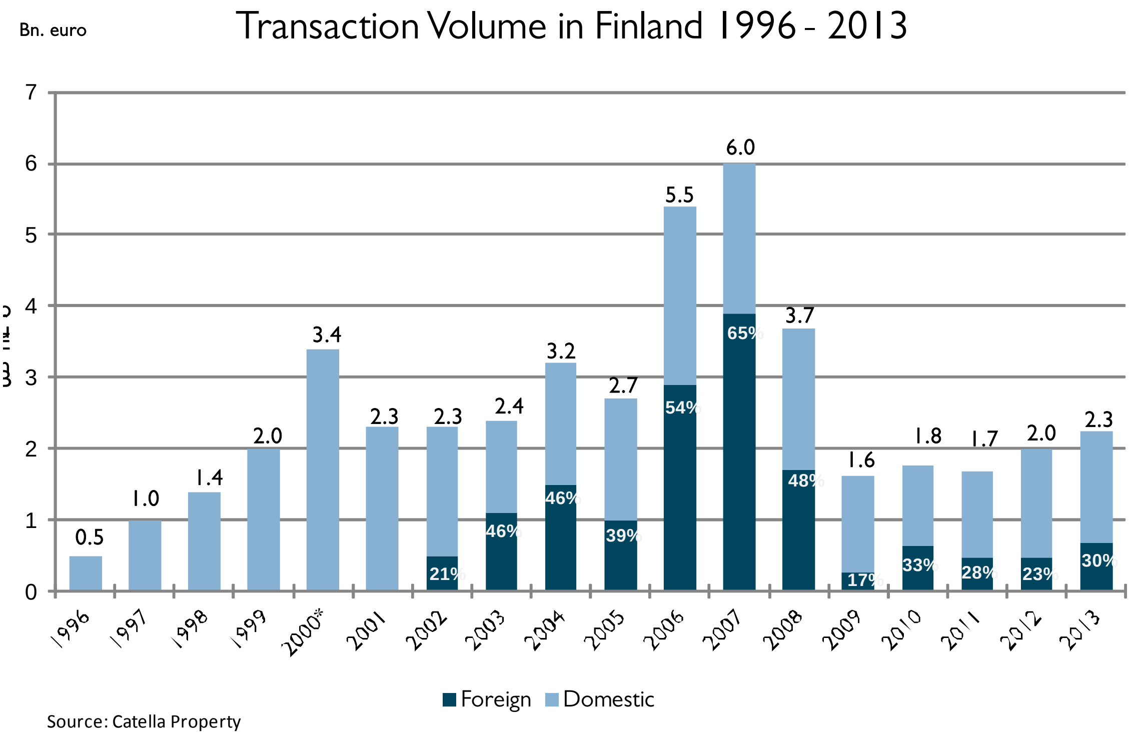
Financial negotiations often take a rather long time. The number of banks offering financing for property investments has recently increased while some foreign banks have reactivated their financing operations in the Finnish commercial property market. The total interest rate level is low and offers the possibility for gearing property investments. When the availability of financing is becoming easier the bottleneck, which has restricted the activity in the property market, is now fading away.

Rearrangements for loans taken during the boom in 2006 – 2007 have finally become concrete actions. In 2013 some transactions have been executed, where the banks have pressed for sale or funds under liquidation have divested their holdings. However, problems are strived to be solved in a well-managed, case-by-case manner and it is not expected that forced sales would play a significant role in the market. Lenders have reached different solutions based on their own situation or that of the financed property. Last year, international banks rearranged their balance sheets also by selling loans secured by Finland-based properties. Lenders have also taken other measures, such as repossessing properties, taking over decision-making from the owners and transferring property management to new parties.

PROPERTY MARKET

Investment Market

After the financial crisis in 2009 – 2012 the transaction volume of the commercial property market in Finland has fluctuated between EUR 1.6 and 2.0 billion. Thanks to active trade in the last quarter, the transaction volume reached the EUR 2.3 billion level in 2013.



The transaction volume in the first three quarters of 2013 was very low, approx. EUR 1 billion. At the end of September it still seemed challenging to reach the same transaction volume as last year, but in the last quarter more transactions were made than in the previous three quarters combined and especially December was a busy trading month. The annual transaction volume has increased slightly since 2011 and in 2013 the same level as at the beginning of the 2000's was reached.

A significant portion of the transaction of 2013 consisted of residential portfolios, which were bought by housing funds and another remarkable type of premises were so called "care properties", which were investment objects for several newly established property funds. The portion of residential and care properties of the transaction volume was roughly 30 % meaning approx. EUR 690 million.

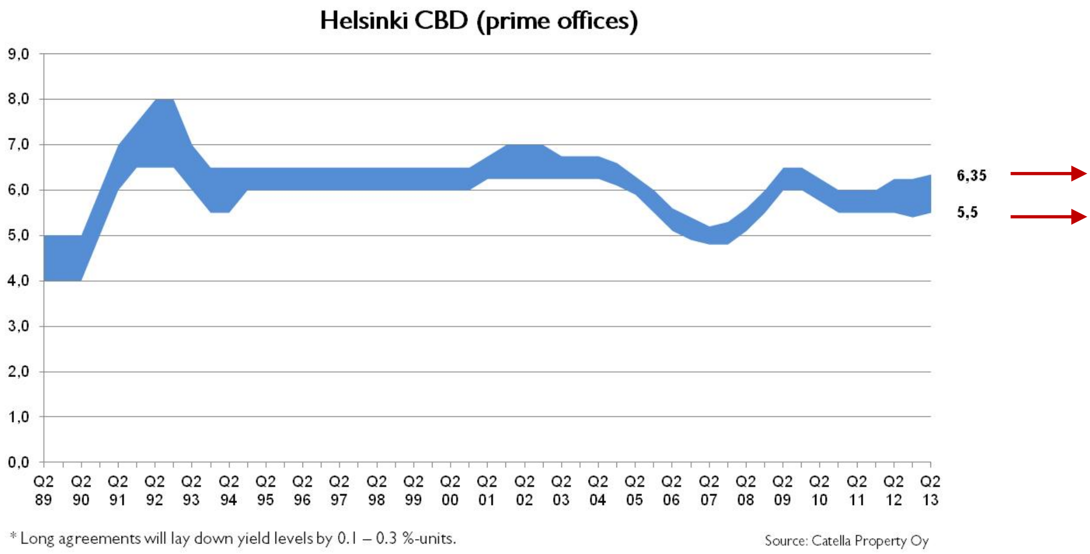
Due to the transactions executed at the end of the year, the portion of foreign investors of the transaction volume increased to approx. 30 %, which were 7 percentage units higher than last year. The largest transactions made by foreign investors in the last quarter of 2013 were the headquarters of UPM in the Töölönlahti area bought by Union Investment Real Estate GmbH and, a 50 percent share of Shopping Centre Kamppi bought by Allianz Real Estate. Earlier in autumn Union Investment bought the headquarters of construction company Skanska located in Helsinki's Ruskeasuo district. Based on the executed transactions, foreign investors are still interested in only a very narrow prime-property sector of the Finnish commercial property market.

The transaction volume in 2013 includes various types of transactions. The trade of industrial and warehouse properties has been very slack and in the few executed transactions the buyer was often Swedish investor Sagax, who has also been willing to buy properties with higher risk premium. New and modern office properties located in the Helsinki Metropolitan Area have still drawn investors' interest in spite of the high vacancy rate of office premises. Deals have been closed with variable price levels depending on owner's sale interest, object's rental situation and other object-specific features. Newish, modern office properties have been sold at fairly low prices when the reason for divestment is e.g. that a fund under liquidation has divested its property holdings. On the other hand, newly constructed office properties, which have a good rental situation, have been sold at high prices. The properties of similar type and age do not necessarily have a consistent price level, but object-specific features have a significant impact on the price. An unambiguous observation of the market prices is difficult, because in most cases the parties agree nowadays that the purchase price or even the purchaser is not announced. However, it is obvious that the Finnish commercial property market is polarized to two categories: 1) prime-properties, which have rather low yield requirements due to the brisk demand and 2) secondary properties, which suffer from the lack of demand and closing a deal requires that the price is considered fairly affordable by the buyer.

The brisk transaction activity at the end of the year gives rise to hope for a market revival and it is supported by the fact that Swedish and European market transaction volumes have increased for a while. Finland has usually followed the European trend with a lag. However, a remarkable growth in the transaction volume would require that the supply of large high-quality properties increases. The new construction production does not solve this problem: at the moment approx. 93,000 floor m^2 of new office space is under construction in the HMA, but only three notable new projects have been launched in 2013. Consequently, interesting investment opportunities should come on the market from the existing property stock and investors and lenders need to widen their interest in riskier objects as well.

Catella's opinion on the yield requirement regarding the Helsinki CBD prime-office properties in December 2013 is in the range of 5.5 – 6.35 % meaning that there have not been any changes compared to last summer.

The following chart describes the development of prime-office properties in the Helsinki CBD **until Q2-2013** and the arrows show the development direction in the second half of 2013.



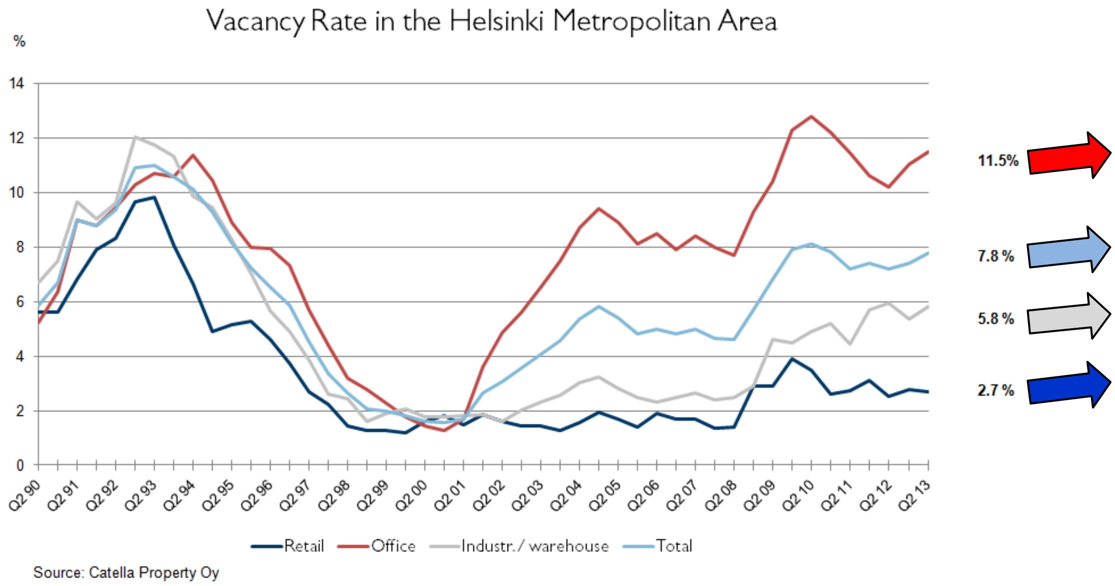
In the current market situation retail properties are considered more attractive investment objects than office properties, thus in Catella's opinion the prime yield of Helsinki CBD retail properties is at the level of 5.30 %, which is slightly lower than the prime-office yield.

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 has stagnated. As there is also plenty of older office space of modest quality in the CBD area, the office market has polarized toward good and poor premises, which also means that the rent level range is wide. In other office districts in the Helsinki Metropolitan Area the rents have adjusted to lower levels already earlier and last autumn any remarkable decrease in rental levels did not occur.

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 for 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 June 2013**. Catella is just now collecting data in order to update these figures for the vacancy situation through the end of December 2013 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 summer 2012. The increase of vacant office space was approx. 121,000 sqm within a year. Also the amount of vacant retail space increased slightly (approx. 7,000 sqm), but the vacancy rate was only 2.7 % in summer 2013. The vacancy rate of industrial and warehouse premises remained more or less unchanged between Q2-2012 and Q2-2013. According to preliminary information the vacancy rate of all types of premises increased in the second half of 2013. The amount of vacant office space in the Helsinki Metropolitan Area is again clearly over one million square meters.

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

The weighted average net yield requirement in the cash flow calculations was 6.51 % (30 June 2013: 6.52 %) for the entire investment property portfolio. The initial yield for the investment property portfolio inspected by Catella was 5.98 % (30 June 2013: 6.03 %). The economic occupancy rate of Sponda’s whole Finnish property portfolio was approx. 87.1 % (30 June 2013: 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), which means that e.g. singed lease agreements starting in the near future are taken into account when calculating the occupancy rate. Such vacant properties which are considered to be under development are not taken into account when calculating the occupancy rate.

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 %.

The following acquisitions were carried out to the office and retail portfolio after Catella’s previous inspection:

- Kiinteistö Oy Hämeenlinnan Hallituskatu 10 (4,256 m^2)
- Kiinteistö Oy Vaajakosken Tikkutehtaantie 1 (6,855 m^2)

The following assets or single premises of the assets were divested from the office and retail property portfolio after Catella’s previous inspection:

- Kiinteistö Oy Lönkka (3,490 m^2)
- Kiinteistö Oy Turun Julinia Fastighets Ab (4,336 m^2)
- Kiinteistö Oy Turun Kurjenmäki (1,665 m^2)
- Kiinteistö Oy Nekalanpuisto (storage premises 156.5 m^2)

Based on Catella’s review, the cash flow yield requirements in the office and retail property portfolio were decreased in 10 cases based mainly on object-specific features (e.g. improved rental situation) or reasons related to location by mainly 5 - 10 basis points. The yield requirements were increased in 11 cases by 10 - 20 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 occupancy rate assumptions were updated in some cases. The weighted average net yield requirement in the cash flow calculations was 6.48 % for the entire portfolio (30 June 2013: 6.49 %). The initial yield for the portfolio inspected by Catella was approx. 6.46 % (30 June 2013: 6.42 %). The economic occupancy rate of office and retail properties was approx. 90.11 % (30 June 2013: approx. 89.6 %).

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 second half of 2013.

Based on Catella's review the cash flow yield requirement in the shopping centre property portfolio was increased in one case by 10 basis points and decreased in one case by 10 basis points due to object-specific features. The weighted average net yield requirement in the cash flow calculations for the shopping centre property portfolio inspected by Catella was 5.63 % (30 June 2013: 5.64 %). The initial yield for the portfolio was 4.75 % (30 June 2013: 4.90 %). The economic occupancy rate of the portfolio's shopping centres was 89.0 % (30 June 2013: 91.0 %), 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 were carried out to the portfolio in the second half of 2013. The following asset was divested from the portfolio:

- Kiinteistö Oy Valuraudankuja 6 (2,613 m^2)

The cash flow net yield requirements in the logistics property portfolio were increased in 8 cases based on object-specific features mainly by 10 basis points. In one case the yield requirements was decreased by 10 basis points. 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 8.15 % (30 June 2013: 8.18 %) for the entire logistics property portfolio. The initial yield for the logistics property portfolio inspected by Catella was 6.19 % (3 June 2013: 6.44 %) while the economic occupancy rate was 75.2 % (30 June 2013: 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. 78.9 % (30 June 2013: 78.3 %) and initial yield 6.95 % (30 June 2013: 7.24 %).

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 similar level as it was last summer. The development project of the City Center and its neighbourhood is reducing the occupancy rate of the shopping centre portfolio.

The brisk transaction activity in the last quarter of 2013 increased the transaction volume for the whole year somewhat higher than last year. Transactions were made of several types of properties and with variable prices. By and large any remarkable changes in investors' yield requirements could not be seen compared to the situation last summer. 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.

Any notable changes for the operating costs of the properties compared to the situation last summer (Q2-2013) were not made in connection with this valuation.

Catella Property Oy

Helsinki, 22 January 2014

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