

SPONDA

 *Interim Report*

1.1.–30.6.2014



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

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Sponda Plc's interim report January–June 2014

JANUARY–JUNE 2014 IN BRIEF (compared with 1 January – 30 June 2013)

- Total revenue was EUR 126.1 (133.2) million. The decline was primarily due to the sale of properties and an increase in the vacancy rate.
- Net operating income was EUR 89.4 (94.0) million.
- Operating profit was EUR 76.6 (79.4) million. This includes a fair value change of EUR -1.8 (-2.2) million.
- Cash flow from operations per share was EUR 0.17 (0.19).
- The fair value of the investment properties amounted to EUR 3,269.0 (3,266.5) million. This includes properties classified as held for sale for EUR 216.7 million.
- Net assets per share totalled EUR 4.56 (4.43).
- The economic occupancy rate was 85.7% (88.3%).
- The prospects remain unchanged.

APRIL–JUNE 2014 IN BRIEF (compared with 1 April – 30 June 2013)

- Total revenue was EUR 62.6 (67.2) million.
- Net operating income was EUR 45.5 (48.6) million.
- Operating profit was EUR 44.9 (34.6) million. The operating profit includes a fair value change of EUR 4.8 (-7.7) million.
- Cash flow from operations per share was EUR 0.08 (0.10).

KEY FIGURES

	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Total revenue, M€	62.6	67.2	126.1	133.2	264.3
Net operating income, M€	45.5	48.6	89.4	94.0	190.9
Operating profit, M€	44.9	34.6	76.6	79.4	153.0
Earnings per share, €	0.09	0.04	0.13	0.11	0.34
Cash flow from operations per share, €	0.08	0.10	0.17	0.19	0.40
Equity per share, €			4.56	4.43	4.64
Equity ratio, %			40.2	38.9	40.7
Interest cover ratio			3.2	2.9	3.1

KEY FIGURES ACCORDING TO EPRA BEST PRACTICES RECOMMENDATIONS

	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
EPRA Earnings, M€	26.4	27.5	51.7	53.8	111.5
EPRA Earnings per share, €	0.09	0.10	0.18	0.19	0.39
EPRA NAV/share, €			5.31	5.17	5.29
EPRA NNNAV/share, €			4.44		4.52
EPRA Net Initial Yield (NIY), %			5.58	6.43	5.84
EPRA, "topped-up" NIY, %			5.59	6.44	5.84
EPRA Cost Ratio (including direct vacancy costs), %					16.27
EPRA Cost Ratio (excluding direct vacancy costs), %					11.37

PRESIDENT AND CEO KARI INKINEN

The implementation of Sponda's strategy progressed well in the second quarter. At the end of April, we announced the sale of 12 logistics properties and shares in real estate funds to Certeum, a new logistics and industrial property investment company. The transaction is part of a broader arrangement in which Certeum acquires Sponda's properties and real estate funds as well as 22 logistics and industrial properties from Varma Mutual Pension Insurance Company. The key owners of Certeum will be Varma, Sponda and the State Pension Fund. The aim is to conclude the transaction by the end of September 2014.

In addition to strategic property sales, Sponda purchased an office property located in central Tampere from UBS Real Estate Kapitalanlagegesellschaft mbH for EUR 63.7 million in July. The property was completed approximately five years ago and is almost fully occupied. The acquisition supports Sponda's growth in Tampere and increases cash flow of the company.

The economic situation in Finland remains challenging. The long-awaited turn in the economy has yet to materialise, although there have been tentative signs of recovery in industry. The vacancy rate of Sponda's properties reflects the cautious stance businesses have taken, as well as the continued recession of the Finnish economy. We nevertheless remain confident in our operational activity and will keep our outlook regarding the economic occupancy rate unchanged.

Property development operations will continue to provide a valuable contribution to the company's growth. We are on schedule and on budget in the construction of our ongoing projects. The construction of an office building for Sweco in Helsinki's Ilmala district has started. In addition, we began construction in June on a new office building with a floor area of approximately 4,600 m² in Helsinki's Lassila district. The property will be completed in June 2015.

PROSPECTS FOR 2014

Sponda provides prospects for 2014 with regard to the development of the economic occupancy rate and the company's net operating income.

Economic occupancy rate

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

Net operating income

Upon the conclusion of the transaction to sell logistics properties and real estate funds to Certeum, which is estimated to take place at the end of September 2014, Sponda expects net operating income for 2014 to amount to EUR 175-183 million (including the net operating income of the properties being sold for the period they are under Sponda's ownership). This outlook is based on the changes to Sponda's net operating income caused by the completion of the forthcoming property transactions.

CERTEUM

On 30 April 2014, Sponda signed a letter of intent for the sale of 12 logistics properties to Certeum Oy, a new logistics and industrial property investment company for EUR 216.7 million.

The transaction is part of a broader arrangement in which Sponda and Varma Mutual Pension Insurance Company, Sponda Fund I (SF I), Sponda Fund II (SF II) and Sponda Fund III (SF III) have agreed on establishing a new company specialising in investments in logistics and industrial properties, with the newly established company acquiring 12 logistics properties from Sponda, 22 logistics and industrial properties from Varma, as well as the shares in the real estate funds SF I, SF II and SF III. The total value of the properties to be acquired is approximately EUR 920 million. After the sale is concluded, the key shareholders of Certeum will be Varma Mutual Pension Insurance Company, Sponda Plc and the State Pension Fund. As part of the broader arrangement, Sponda will become a minority shareholder in the new company with an estimated holding of 38% at most. The aim is to conclude the transaction by 30 September 2014.

The transaction is described in more detail in the company's stock exchange release published on 30 April 2014.

BUSINESS CONDITIONS – FINLAND

The Finnish economy remained in recession in the first quarter of 2014. According to preliminary data from Statistics Finland, Finnish GDP volume decreased by 0.4% compared to the previous quarter and by 0.6% year-on-year.

The Finnish Ministry of Finance has reduced its growth forecast for 2014. According to the forecast, Finnish GDP will grow by 0.2% in 2014. The slight growth is believed to be attributable to export growth and a slight recovery in private consumption. According to the forecast, exports will contract by 0.5% this year before taking a positive turn to reach growth of 4.6% next year due to the recovery of international trade and stronger economic growth in Finland's key export markets. The Finnish Ministry of Finance forecasts that the GDP growth rate for 2015 is to be 1.4%.

The property transaction volume in the first quarter of the year was EUR 0.63 billion. Transaction activity continued at a similar level in the second quarter. According to a preliminary estimate by KTI Property Information, the transaction volume for the first half of the year was approximately EUR 1.3 billion. At this rate, the transaction volume for the full year 2014 will exceed the previous year.

New construction activity has slowed down due to the weak economic situation. According to KTI Property Information, only some 52,000 m² of new premises will be added to the Helsinki metropolitan area office property market in 2014.

The weak economic situation and increased efficiency in the use of space resulted in higher vacancy rates for office premises in the Helsinki metropolitan area last winter. The situation deteriorated in Helsinki and Vantaa, and improved slightly in Espoo. However, vacancy rates are the highest in Espoo at approximately 24% in March according to KTI Property Information.

BUSINESS CONDITIONS – RUSSIA

According to the Bank of Finland, Russian GDP grew only by 1.3% in 2013 because growth in domestic demand slowing down significantly. Growth is expected to slow down to 0.5% in 2014 due to decreased investment, the slowing down of consumption growth and slow export growth. The Bank of Finland estimates that, in 2015, growth is expected to recover slightly due to slow growth in investment, imports and exports, as well as consumption remaining at a moderate level. The forecasts are based on the assumption that the effects of the situation in Crimea-Ukraine will remain limited.

In the first half of the year, the transaction market was substantially slower than in the corresponding period last year. According to preliminary information from CB Richard Ellis, property transactions were made for approximately USD 1.6 billion, compared to approximately USD 3.7 billion a year earlier.

The preliminary information from CBRE indicates that the average vacancy rate for office premises in Moscow increased by 1.5 percentage points to 14.5% in the second quarter. Vacancy rates increased for both Class A and Class B office space due to extensive new construction and weak demand.

The deterioration of the economic situation and increased vacancy rates have created downward pressure on rental levels. Estimates indicate that as much as 1.4 million m² of new space will be completed in the office market in Moscow in 2014, of which approximately 530,000 m² was completed in the first half of the year.

OPERATIONS AND PROPERTY ASSETS 1 JANUARY – 30 JUNE 2014

Net operating income from all of Sponda's property assets totalled EUR 89.4 (94.0) million in January–June 2014 and EUR 45.5 (48.6) million in April–June. Of this total, office premises accounted for 56%, shopping centres for 20%, logistics premises for 13%, Russia for 8% and the Real Estate Funds unit for 3%. On 30 June 2014, Sponda had a total of 173 leasable properties, with an aggregate leasable area of approximately 1.4 million m². Of this total, approximately 53% is office premises, 11% shopping centres and 33% logistics premises. Some 3% of the leasable area of the properties is located in Russia.

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

At the end of June 2014, an external valuator assessed the fair value of Sponda's properties for both Finland and Russia. The fair value of investment properties was assessed in Finland by Catella Property Oy and in Russia by CB Richard Ellis. The change in fair value of the investment properties was EUR -2.8 (-4.2) million in January–June and EUR 5.7 (-9.3) million in April–June. The positive change in the fair value of properties located in Finland in April–June was mainly attributable to changes in yield requirements in Helsinki's central business district. The positive change in fair value in Russia was the result of changes in currency exchange rates. The changes in fair values are itemised in the table "Valuation gains/losses on fair value assessment".

Valuation gains/losses on fair value assessment
M€

	4-6/14	4-6/13	1-6/14	1-6/13	1-12/13
<i>Changes in yield requirements (Finland)</i>	3.3	-5.7	3.3	-5.7	-5.0
<i>Changes in yield requirements (Russia)</i>	0.0	0.0	0.0	0.0	0.0
<i>Development gains on property development projects</i>	0.0	1.9	0.0	2.2	2.2
<i>Modernisation investments</i>	-10.7	-5.0	-16.2	-9.5	-22.6
<i>Change in market rents and maintenance costs (Finland)</i>	10.0	5.3	15.4	10.0	22.1
<i>Change in market rents and maintenance costs (Russia)</i>	0.4	-3.3	-6.8	-2.0	-7.1
<i>Change in currency exchange rates</i>	2.7	-2.5	1.5	0.8	-5.7
<i>Investment properties, total</i>	5.7	-9.3	-2.8	-4.2	-16.1
<i>Real estate funds</i>	-2.7	-0.6	-2.6	-2.5	-8.8
<i>Realised share of fund profits</i>	1.9	2.2	3.5	4.5	10.7
<i>Group, total</i>	4.8	-7.7	-1.8	-2.2	-14.2

Changes in Sponda's investment property assets
M€

SPONDA'S INVESTMENT PROPERTIES IN TOTAL 1.1.-30.6.2014	Total	Office properties	Shopping centres	Logistics	Property development	Russia
<i>Operating income</i>	122.5	70.0	22.9	17.8	0.3	11.5
<i>Maintenance expenses</i>	-35.8	-19.5	-5.3	-6.6	-0.9	-3.4
<i>Net operating income</i>	86.7	50.5	17.6	11.2	-0.6	8.1
<i>Investment properties on 1 January 2014</i>	3,253.3	1,753.3	717.5	426.5	108.2	247.8
<i>Capitalised interest 2014</i>	0.1	0.1	0.0	0.0	0.0	0.0
<i>Acquisitions</i>	0.0	0.0	0.0	0.0	0.0	0.0
<i>Investments</i>	24.7	15.2	1.3	1.1	6.6	0.5
<i>Transfers between segments</i>	0.0	0.0	0.0	0.0	0.0	0.0
<i>Sales</i>	-6.4	-6.4	0.0	0.0	0.0	0.0
<i>Change in fair value</i>	-2.8	4.0	1.4	-2.5	0.0	-5.8
<i>Investment properties on 30 June 2014</i>	3,269.0	1,766.3	720.3	425.1	114.8	242.5
<i>-includes properties classified as held for sale</i>	216.7			216.7		
<i>Change in fair value, %</i>	-0.1	0.2	0.2	-0.6	0.0	-2.3
<i>Weighted average yield requirement %</i>	6.6	6.4	5.8	8.3		9.6
<i>Weighted average yield requirement %, Finland</i>	6.4					

RENTAL OPERATIONS

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

	Number (agreements)	Area (m ²)	EUR/m ² /month
<i>New agreements that came into effect during the period</i>	91	20,934	13.20
<i>Expired during the period</i>	109	38,240	13.50
<i>Renewed during the period</i>	40	25,757	17.70

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

Sponda calculates the growth in net rental yield for its properties according to EPRA Best Practices Recommendations by using a like-for-like net rental growth formula based on a comparable property portfolio owned by the company for two years. Like-for-like net rental growth was 5.3% (0.8%) for office premises, 8.5% (-0.5%) for shopping centres, -5.2% (-9.5%) for logistics premises and -15.8% (-1.4%) for properties in Russia. All of Sponda's lease agreements in Finland are tied to the cost of living index.

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

Type of property	30.6.2014	31.3.2014	31.12.2013	30.9.2013	30.6.2013
<i>Office properties, %</i>	87.9*)	88.2*)	90.1	89.6	89.6
<i>Shopping centres</i>	90.4*)	92.9*)	89.0	90.8	91.1
<i>Logistics, %</i>	71.9	71.7	75.2	75.6	75.7
<i>Russia, %</i>	89.0	88.4	96.0	96.1	97.9
<i>Total property portfolio, %</i>	85.7	86.2	87.9	88.0	88.3

Geographical area	30.6.2014	31.3.2014	31.12.2013	30.9.2013	30.6.2013
<i>Helsinki business district, %</i>	89.4	89.4	88.1	88.5	87.9
<i>Helsinki Metropolitan Area, %</i>	82.2	82.8	84.9	84.8	84.9
<i>Turku, Tampere, Oulu, %</i>	90.4	92.9	94.7	94.9	95.9
<i>Russia, %</i>	89.0	88.4	96.0	96.1	97.9
<i>Total property portfolio, %</i>	85.7	86.2	87.9	88.0	88.3

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

Total cash flow from lease agreements at the end of June 2014 was EUR 1,142.2 (1,306.3) million. Sponda had 1,981 clients and altogether 3,024 lease agreements. The company's largest tenants were the State of Finland (8.1% of rental income), Kesko Group (5.0% of rental income), HOK-Elanto (4.1% of rental income) and Danske Bank Oyj (3.8% of rental income). Sponda's 10 largest tenants generate approximately 31% of the company's total rental income. Sponda's tenants by sector were as follows:

Sector	% of net rental income
<i>Professional, scientific and technical</i>	6.4
<i>Energy</i>	0.4
<i>Public sector</i>	13.0
<i>Wholesale/retail</i>	26.5
<i>Education</i>	1.3
<i>Logistics/transport</i>	4.6
<i>Hotel and catering business</i>	5.0
<i>Media/publishing</i>	2.5
<i>Other services</i>	13.3
<i>Banking/investment</i>	9.4
<i>Construction</i>	1.5
<i>Industry/manufacturing</i>	5.8
<i>Healthcare</i>	4.1
<i>Telecommunications</i>	5.9
<i>Other</i>	0.3

The average length of all lease agreements was 4.5 (4.7) years. The average length of lease agreements was 4.5 (5.0) years for office properties, 5.8 (6.3) years for shopping centres, 4.4 (4.3) years for logistics properties and 2.6 (2.2) years for properties in Russia. The lease agreements expire as follows:

	% of rental income 30 June 2014	% of rental income 30 June 2013
<i>Within 1 year</i>	11.7	15.5
<i>Within 2 years</i>	10.0	8.2
<i>Within 3 years</i>	14.7	8.5
<i>Within 4 years</i>	10.7	13.6
<i>Within 5 years</i>	8.5	8.6
<i>Within 6 years</i>	4.1	4.0
<i>After more than 6 years</i>	26.7	28.3
<i>Valid indefinitely</i>	13.5	13.4

DIVESTMENTS AND INVESTMENTS

Divestments M€

	1.4.- 30.6.2014	1.4.- 30.6.2013	1.1.- 30.6.2014	1.1.- 30.6.2013	1.1.- 31.12.2013
<i>Properties sold</i>					
<i>Selling price</i>	6.7	8.7	7.0	8.7	33.1
<i>Profit/loss on sale*</i>	0.5	0.4	0.6	0.4	0.8
<i>Balance sheet value</i>	6.2	8.3	6.4	8.3	31.9

*) Includes sales costs

Investments M€

	1.4.- 30.6.2014	1.4.- 30.6.2013	1.1.- 30.6.2014	1.1.- 30.6.2013	1.1.- 31.12.2013
<i>Properties acquired</i>	0.0	0.0	0.0	0.0	-3.1
<i>Maintenance investments</i>	-10.7	-4.9	-16.2	-9.5	-22.6
<i>Property development investments</i>	-5.2	-4.6	-8.5	-8.0	-14.0

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

RESULTS BY SEGMENT

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

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

Office Properties

	4-6/14	4-6/13	1-6/14	1-6/13	1-12/13
<i>Total revenue, M€</i>	34.8	36.4	70.0	71.5	143.0
<i>Net operating income, M€</i>	25.9	26.7	50.5	50.9	104.0
<i>Operating profit, M€</i>	27.7	25.9	50.6	48.9	104.1
<i>EPRA Net Initial Yield (NIY), %</i>			5.7	6.2	6.2
<i>Economic occupancy rate, %</i>			87.9	89.6	90.1
<i>Fair value of properties, M€</i>			1,766.3	1,709.1	1,753.3
<i>Change in fair value from beginning of year, M€</i>			4.0	2.4	7.6
<i>Leasable area, m²</i>			754,000	764,500	756,000

Investments and divestments in the Office Properties segment during the period were:

M€	1.4.- 30.6.2014	1.4.- 30.6.2013	1.1.- 30.6.2014	1.1.- 30.6.2013	1.1.- 31.12.2013
<i>Properties sold</i>					
<i>Selling price</i>	6.7	8.7	7.0	8.7	20.6
<i>Profit/loss on sale</i>	0.5	0.4	0.6	0.4	0.9
<i>Balance sheet value</i>	6.2	8.3	6.4	8.3	19.7
<i>Properties acquired</i>	0.0	0.0	0.0	0.0	-3.1
<i>Maintenance investments</i>	-8.4	-4.1	-13.2	-7.8	-17.9
<i>Property development investments</i>	-0.9	-2.2	-2.0	-4.3	-8.4

The lease agreements will expire as follows:

	% of rental income 30 June 2014	% of rental income 30 June 2013
<i>Within 1 year</i>	10.3	10.7
<i>Within 2 years</i>	9.2	10.6
<i>Within 3 years</i>	15.1	8.5
<i>Within 4 years</i>	13.7	13.4
<i>Within 5 years</i>	7.1	9.3
<i>Within 6 years</i>	3.2	3.7
<i>After more than 6 years</i>	22.6	26.0
<i>Valid indefinitely</i>	18.9	17.7

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

Shopping Centres

	4-6/14	4-6/13	1-6/14	1-6/13	1-12/13
<i>Total revenue, M€</i>	11.2	11.4	22.9	23.0	45.9
<i>Net operating income, M€</i>	8.8	8.4	17.6	17.1	34.9
<i>Operating profit, M€</i>	9.5	6.7	17.6	14.9	29.0
<i>EPRA Net Initial Yield (NIY), %</i>			4.7	5.9	4.4
<i>Economic occupancy rate, %</i>			90.4	91.1	89.0
<i>Fair value of properties, M€</i>			720.3	739.0	717.5
<i>Change in fair value from beginning of year, M€</i>			1.4	-1.1	-3.4
<i>Leasable area, m²</i>			151,000	157,500	157,500

Investments and divestments in the Shopping Centres segment during the period were:

M€	1.4.- 30.6.2014	1.4.- 30.6.2013	1.1.- 30.6.2014	1.1.- 30.6.2013	1.1.- 31.12.2013
<i>Properties sold</i>					
<i>Selling price</i>	0.0	0.0	0.0	0.0	0.0
<i>Profit/loss on sale</i>	0.0	0.0	0.0	0.0	0.0
<i>Balance sheet value</i>	0.0	0.0	0.0	0.0	0.0
<i>Properties acquired</i>	0.0	0.0	0.0	0.0	0.0
<i>Maintenance investments</i>	-1.3	-0.6	-1.3	-1.0	-2.7
<i>Property development investments</i>	0.0	0.0	0.0	0.0	0.0

The lease agreements will expire as follows:

	% of rental income 30 June 2014	% of rental income 30 June 2013
<i>Within 1 year</i>	7.2	5.4
<i>Within 2 years</i>	6.8	4.1
<i>Within 3 years</i>	12.6	5.2
<i>Within 4 years</i>	7.2	16.1
<i>Within 5 years</i>	6.3	7.2
<i>Within 6 years</i>	1.5	5.9
<i>After more than 6 years</i>	56.0	52.3
<i>Valid indefinitely</i>	2.5	3.9

Logistics properties

	4-6/14	4-6/13	1-6/14	1-6/13	1-12/13
<i>Total revenue, M€</i>	8.7	10.0	17.8	19.5	38.7
<i>Net operating income, M€</i>	5.6	6.9	11.2	12.6	25.9
<i>Operating profit, M€</i>	2.8	2.8	7.9	7.6	16.9
<i>EPRA Net Initial Yield (NIY), %</i>			5.3	6.1	5.5
<i>Economic occupancy rate, %</i>			71.9	75.7	75.2
<i>Fair value of properties, M€</i>			425.1	409.5	426.5
<i>- of which classified as held for sale</i>			216.7		
<i>Change in fair value from beginning of year, M€</i>			-2.5	-4.3	-7.7
<i>Leasable area, m²</i>			479,000	480,000	477,500

Investments and divestments in the Logistics Properties segment during the period were:

M€	1.4.- 30.6.2014	1.4.- 30.6.2013	1.1.- 30.6.2014	1.1.- 30.6.2013	1.1.- 31.12.2013
<i>Properties sold</i>					
<i>Selling price</i>	0.0	0.0	0.0	0.0	2.5
<i>Profit/loss on sale</i>	0.0	0.0	0.0	0.0	0.0
<i>Balance sheet value</i>	0.0	0.0	0.0	0.0	2.5
<i>Properties acquired</i>	0.0	0.0	0.0	0.0	0.0
<i>Maintenance investments</i>	-0.9	-0.2	-1.1	-0.7	-1.7
<i>Property development investments</i>	0.0	0.0	0.0	0.0	0.0

The lease agreements will expire as follows:

	% of rental income 30 June 2014	% of rental income 30 June 2013
<i>Within 1 year</i>	10.0	15.6
<i>Within 2 years</i>	12.6	4.6
<i>Within 3 years</i>	11.7	9.7
<i>Within 4 years</i>	3.2	9.0
<i>Within 5 years</i>	9.3	2.2
<i>Within 6 years</i>	14.0	5.5
<i>After more than 6 years</i>	24.1	31.9
<i>Valid indefinitely</i>	15.1	21.4

Sponda will sell 12 logistics properties for EUR 216.7 million to Certeum Oy at the end of September 2014.

Property development

The balance sheet value of Sponda's property development portfolio stood at EUR 114.8 million at the end of June 2014. Of this total, EUR 59.6 million was in undeveloped land sites and the remaining EUR 55.2 million was tied up in property development projects in progress. The value of unused building rights is presented in the assets of the segment concerned for investment properties that have a building, and as part of the Property Development segment for building rights for unbuilt land. The value of unused building rights was previously presented in its entirety in the Property Development segment.

At the end of the review period, the Property Development unit had invested a total of EUR 6.6 million, of which EUR 4.4 million was invested in the second quarter. The investments were primarily directed to the construction of an office building in Ilmalanrinne.

Sponda's property development operations comprise new construction projects and the refurbishment of existing properties. Sponda is constructing a three-building office complex in Ilmala, Helsinki for use by Sweco. The project is expected to be completed in December 2015. The project's investment size is approximately EUR 57 million and the advance occupancy rate for the office complex is 83%.

In addition, Sponda started construction in June 2014 on a new office building with a floor area of approximately 4,600 m² in Helsinki's Lassila district. The total investment of the project will be EUR 10.6 million. The building's main tenant will be Kone Elevators Finland and the project is set to be completed in June 2015.

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

Russia

	4-6/14	4-6/13	1-6/14	1-6/13	1-12/13
Total revenue, M€	5.8	7.6	11.5	15.3	28.6
Net operating income, M€	4.0	5.7	8.1	11.5	21.8
Operating profit, M€	6.5	0.9	1.1	8.8	5.6
EPRA Net Initial Yield (NIY), %			7.6	9.1	8.0
Economic occupancy rate, %			89.0	97.9	96.0
Fair value of properties, M€			242.5	268.3	247.8
Change in fair value from beginning of year, M€			-5.8	-1.2	-13.1
Leasable area, m ²			44,700	50,500	44,500

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

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

M€	1.4.- 30.6.2014	1.4.- 30.6.2013	1.1.- 30.6.2014	1.1.- 30.6.2013	1.1.- 31.12.2013
Properties sold					
Selling price	0.0	0.0	0.0	0.0	9.9
Profit/loss on sale*)	0.0	0.0	0.0	0.0	-0.2
Balance sheet value	0.0	0.0	0.0	0.0	9.7
Properties acquired	0.0	0.0	0.0	0.0	0.0
Maintenance investments	-0.1	-0.1	-0.5	-0.1	-0.3
Property development investments	0.0	0.0	0.0	0.0	-0.9
*) Includes sales costs					

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

	% of rental income 30 June 2014	% of rental income 30 June 2013
Within 1 year	28.9	47.2
Within 2 years	16.6	7.4
Within 3 years	20.3	11.2
Within 4 years	10.3	16.4
Within 5 years	18.4	13.8
Within 6 years	0.4	1.2
After more than 6 years	5.2	2.8
Valid indefinitely	0.0	0.0

Real Estate Funds

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

	4-6/14	4-6/13	1-6/14	1-6/13	1-12/13
<i>Total revenue, M€</i>	1.6	1.7	3.1	3.4	6.8
<i>Net operating income, M€</i>	1.4	1.3	2.6	2.6	5.2
<i>Operating profit, M€</i>	-0.6	1.4	1.3	1.9	2.0

The change in the fair value of the Real Estate Funds was EUR -2.6 (-2.5) million in January–June and EUR -2.7 (-0.6) million in April–June. The realised shares of profit from Real Estate Funds totalled EUR 3.5 (4.5) million in January–June and EUR 1.9 (2.2) million in the second quarter.

First Top LuxCo (Sponda's holding 20%) invests in office and retail properties outside Finland's largest cities. The value of the fund's property investments stood at EUR 66.1 million on 30 June 2014.

Sponda Fund I Ky invests in logistics sites outside the Helsinki metropolitan area. Sponda's holding in the fund is 46%. The value of the fund's property investments stood at EUR 162.4 million on 30 June 2014.

Sponda Fund II Ky (Sponda's holding 44%) mainly invests in logistics properties in medium-sized cities in Finland. The value of the fund's property investments stood at EUR 175.2 million on 30 June 2014.

Sponda Fund III Ky (Sponda's holding 36%) mainly invests in logistics properties in medium-sized cities in Finland. The value of the fund's property investments stood at EUR 103.3 million on 30 June 2014.

In addition to the funds mentioned above, Sponda was responsible until 30 June 2014 for managing the property portfolio, with a value of about EUR 109.2 million, sold in March 2007 to Whitehall Street Real Estate Limited and Niam Nordic Investment Fund III.

Sponda's holding in Russia Invest, which invests in property development projects in Russia, is 27%. Russia Invest purchased from SRV a 55% share in the Okhta Mall shopping centre project, which is Phase I of the Septem City project located in St. Petersburg. Okhta Mall is Russian Invest's first investment, and the size of its investment in the project will be approximately EUR 50 million. Sponda's share of the investment in the Okhta Mall shopping centre project stood at approximately EUR 14 million at the end of June 2014. More information on the project is provided in the company's stock exchange release dated 17 June 2013.

Sponda will sell shares of Sponda Fund I, Sponda Fund II and Sponda Fund III for EUR 77.4 million to Certum Oy at the end of September 2014.

CASH FLOW AND FINANCING

Sponda's net cash flow from operations in the period under review totalled EUR 58.4 (54.0) million. Net cash flow from investing activities was EUR -22.2 (-18.5) million and the net cash flow from financing activities was EUR -41.0 (-50.5) million. Net financing

costs amounted to EUR -29.9 (-28.8) million in January–June and EUR -14.5 (-15.3) million in April–June. Financial income and expenses include EUR -3.4 (0.5) million in unrealised change in the fair value of derivatives in the first half of the year, EUR -1.5 (-0.5) million in the second quarter. Interest expenses of EUR 0.1 (0.2) million were capitalised.

Sponda's equity ratio on 30 June 2014 stood at 40.2% (38.9%) and the gearing ratio was 128.2% (134.4%). Interest-bearing debt amounted to EUR 1,793.1 (1,827.6) million and the average maturity of loans was 2.0 (2.1) years. The average interest rate was 3.0% (3.3%) including interest derivatives. Fixed-rate and interest-hedged loans accounted for 79% (68%) of the loan portfolio. The average interest rate re-fixing period of the entire debt portfolio was 2.4 (1.5) years. The interest cover ratio, which describes the company's solvency, was 3.2 (2.9).

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

Sponda Group's debt portfolio on at the end of June comprised EUR 605 million in syndicated loans, EUR 470 million in bonds, EUR 287 million in issued commercial papers, and EUR 430 million in loans from financial institutions. Sponda had EUR 510 million in unused credit limits. Sponda Group had mortgaged loans of EUR 144.4 million, or 4.2% of the consolidated balance sheet.

PERSONNEL

During the review period Sponda Group had, on average, 121 (122) employees, of whom 111 (111) worked for parent company Sponda Plc. On 30 June 2014, Sponda Group had altogether 124 (122) employees, of whom 114 (111) were employed by the parent company Sponda Plc. Sponda has personnel in Finland and in Russia. Sponda's sales and administration costs in January–June 2014 were EUR -11.1 (-12.3) million.

ANNUAL REMUNERATION AND INCENTIVE SCHEMES

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

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

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

GROUP STRUCTURE

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

SPONDA'S SHARE AND SHAREHOLDERS

The weighted average price of Sponda's share in January–June 2014 was EUR 3.69. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 4.04 and the lowest EUR 3.35. Turnover during the period totalled 44.7 million shares, or EUR 164.7 million. The closing price of the share on 30 June 2014 was EUR 3.90 and the market capitalisation of the company's share capital was EUR 1,104.0 million.

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

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

On 30 June 2014 the company had altogether 9,065 shareholders and its ownership structure by sector was as follows:

	Number of shares	Holding, %
<i>Public entities</i>	32,640,560	11.5
<i>Nominee-registered</i>	143,974,967	50.9
<i>Financial and insurance institutions, total</i>	31,028,148	11.0
<i>Households</i>	21,934,910	7.7
<i>Private corporations, total</i>	46,594,513	16.5
<i>Non-profit organisations, total</i>	3,075,410	1.1
<i>Foreign owners, total</i>	3,826,954	1.4
<i>Total number of shares</i>	283,075,462	100.0

No flagging notices were issued during the period under review.

BOARD OF DIRECTORS AND AUDITORS

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

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

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

BOARD COMMITTEES

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

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

SPONDA'S MANAGEMENT

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

ENVIRONMENTAL RESPONSIBILITY

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

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

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

Sponda Plc's covenants are:

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

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

RISKS AND UNCERTAINTY FACTORS IN THE NEAR FUTURE

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

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

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

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

EVENTS AFTER THE PERIOD

In July 2014, Sponda announced it was acquiring an office property located in central Tampere, at Åkerlundinkatu 11 A-D, from UBS Real Estate Kapitalanlagegesellschaft mbH for EUR 63.7 million. The net initial yield for the property is approximately 7%. The property transaction strengthens Sponda's strategic property ownership in the Tampere city centre.

The size of the property is approximately 20,000 m² and it consists of four office buildings completed in 2008–2009. The buildings also have indoor parking for 308 cars. The property is almost fully occupied (occupancy rate 97%).

PROSPECTS FOR 2014

Sponda provides prospects for 2014 with regard to the development of the economic occupancy rate and the company's net operating income.

Economic occupancy rate

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

Net operating income

Upon the conclusion of the transaction to sell logistics properties and real estate funds to Certium, which is estimated to take place at the end of September 2014, Sponda expects net operating income for 2014 to amount to EUR 175-183 million (including the net operating income of the properties being sold for the period they are under Sponda's ownership). This outlook is based on the changes to Sponda's net operating income caused by the completion of the forthcoming property transactions.

1.8.2014
Sponda Plc
Board of Directors

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SPONDA PLC INTERIM REPORT 1 JANUARY – 30 JUNE 2014, TABLES
**Consolidated income statement
M€**

	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
<i>Total revenue</i>					
<i>Rental income and recoverables</i>	60.9	65.4	122.8	129.6	257.2
<i>Interest income from finance leasing agreements</i>	0.1	0.1	0.2	0.2	0.3
<i>Fund management fees</i>	1.6	1.7	3.1	3.4	6.8
	62.6	67.2	126.1	133.2	264.3
<i>Expenses</i>					
<i>Maintenance expenses</i>	-16.9	-18.2	-36.1	-38.3	-71.8
<i>Direct fund expenses</i>	-0.3	-0.4	-0.6	-0.8	-1.6
	-17.1	-18.6	-36.7	-39.2	-73.4
Net operating income	45.5	48.6	89.4	94.0	190.9
<i>Profit/loss on sales of investment properties</i>	0.5	0.4	0.5	0.4	0.8
<i>Valuation gains/losses on fair value assessment</i>	4.8	-7.7	-1.8	-2.2	-14.2
<i>Profit/loss on sales of trading properties</i>	0.0	0.0	0.1	0.0	0.0
<i>Sales and marketing expenses</i>	-0.6	-0.7	-1.0	-1.2	-2.2
<i>Administrative expenses</i>	-5.0	-5.7	-10.1	-11.1	-21.0
<i>Other operating income</i>	0.0	0.0	0.1	0.1	0.6
<i>Other operating expense</i>	-0.5	-0.3	-0.7	-0.7	-2.0
Operating profit	44.9	34.6	76.6	79.4	153.0
<i>Financial income</i>	6.3	0.7	9.7	14.4	23.3
<i>Financial expenses</i>	-20.8	-16.0	-39.6	-43.2	-83.1
Total amount of financial income and expenses	-14.5	-15.3	-29.9	-28.8	-59.8
<i>Profit before taxes</i>	30.3	19.4	46.7	50.7	93.2
<i>Income taxes for current and previous fiscal years</i>	-0.7	-0.8	-1.2	-1.9	-3.8
<i>Deferred taxes</i>	-4.1	-4.8	-7.1	-11.2	-22.5
<i>Change in tax base of deferred taxes</i>	0.0	0.0	0.0	0.0	36.3
Income taxes, total	-4.8	-5.6	-8.2	-13.1	9.9
Profit/loss for the period	25.6	13.8	38.5	37.5	103.1
<i>Attributable to:</i>					
<i>Equity holders of the parent company</i>	25.6	13.8	38.5	37.5	103.1
<i>Non-controlling interest</i>	0.0	0.0	0.0	0.0	0.0
<i>Earnings per share based on profit attributable to equity holders of the parent company</i>					
<i>Basic and diluted, €</i>	0.09	0.04	0.13	0.11	0.34

Consolidated statement of comprehensive income

M€

	4-6/14	4-6/13	1-6/14	1-6/13	1-12/13
<i>Profit/loss for the period</i>	25.6	13.8	38.5	37.5	103.1
<i>Other comprehensive income</i>					
<i>Items that will not be reclassified to profit or loss</i>					
<i>Actuarial gains/losses of defined benefit pension plans</i>	0.0	0.0	0.0	0.0	-0.1
<i>Taxes on items that will not be reclassified to profit or loss</i>	0.0	0.0	0.0	0.0	0.0
<i>Change in tax rate, revaluation reserve</i>	0.0	0.0	0.0	0.0	0.0
<i>Items that will not be reclassified to profit or loss, total</i>	0.0	0.0	0.0	0.0	0.0
<i>Items that may be reclassified subsequently to profit or loss</i>					
<i>Net loss/profit from cash flow hedges</i>	-7.6	8.3	-11.7	14.9	16.0
<i>Translation differences</i>	0.3	-0.7	0.1	-0.5	-1.0
<i>Taxes on items that may be reclassified subsequently to profit or loss</i>	1.3	-1.6	2.5	-3.3	-4.5
<i>Items that may be reclassified subsequently to profit or loss, total</i>	-6.1	6.0	-9.2	11.1	10.5
<i>Other comprehensive income for the period after taxes</i>	-6.1	6.0	-9.2	11.1	10.4
<i>Comprehensive profit/loss for the period</i>	19.5	19.8	29.3	48.6	113.5
<i>Attributable to:</i>					
<i>Equity holders of the parent company</i>	19.5	19.8	29.3	48.6	113.5
<i>Non-controlling interest</i>	0.0	0.0	0.0	0.0	0.0

Consolidated balance sheet

M€

	30.6.2014	30.6.2013	31.12.2013
ASSETS			
<i>Non-current assets</i>			
<i>Investment properties</i>	3,052.3	3,256.8	3,253.3
<i>Investments in real estate funds</i>	16.3	87.1	88.3
<i>Property, plant and equipment</i>	12.6	12.6	12.5
<i>Goodwill</i>	14.5	14.5	14.5
<i>Other intangible assets</i>	2.6	0.9	1.5
<i>Finance lease receivables</i>	2.7	2.7	2.7
<i>Other investments</i>	3.5	14.6	11.1
<i>Deferred tax assets</i>	29.1	32.9	27.4
<i>Non-current assets total</i>	3,133.8	3,422.2	3,411.4

<i>Current assets</i>			
<i>Trading properties</i>	7.8	7.8	7.8
<i>Trade and other receivables</i>	15.3	24.7	33.7
<i>Cash and cash equivalents</i>	14.1	14.2	18.8
Current assets total	37.2	46.7	60.3
<i>Non-current assets held for sale</i>	294.1	9.7	0.0
Total assets	3,465.1	3,478.6	3,471.7
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Equity attributable to equity holders of the parent company</i>			
<i>Share capital</i>	111.0	111.0	111.0
<i>Share issue premium</i>	159.5	159.5	159.5
<i>Reserve for invested non-restricted equity</i>	433.8	433.8	433.8
<i>Fair value reserve</i>	-30.9	-21.1	-21.5
<i>Revaluation reserve</i>	0.7	0.6	0.7
<i>Other equity fund</i>	94.0	94.0	94.0
<i>Translation difference</i>	2.1	2.1	1.9
<i>Retained earnings</i>	615.4	567.2	628.1
	1,385.6	1,347.2	1,407.5
<i>Non-controlling interest</i>	1.8	1.8	1.8
Shareholders' equity, total	1,387.4	1,348.9	1,409.3
<i>Liabilities</i>			
<i>Non-current liabilities</i>			
<i>Interest-bearing loans and borrowings</i>	1,380.8	1,383.7	1,505.5
<i>Other liabilities</i>	41.1	24.0	27.2
<i>Deferred tax liabilities</i>	188.5	213.0	182.1
Non-current liabilities total	1,610.4	1,620.7	1,714.8
<i>Current liabilities</i>			
<i>Current interest-bearing liabilities</i>	412.3	443.9	283.3
<i>Trade and other payables</i>	54.4	65.0	64.4
Current liabilities total	466.7	509.0	347.6
<i>Liabilities associated with non-current assets held for sale</i>	0.6	0.0	0.0
Total borrowings	2,077.7	2,129.7	2,062.5
Total equity and liabilities	3,465.1	3,478.6	3,471.7

Consolidated Cash Flow Statement
M€

	1-6/2014	1-6/2013	1-12/2013
<i>Cash flow from operating activities</i>			
<i>Profit for the period</i>	38.5	37.5	103.1
<i>Adjustments</i>	43.0	48.3	74.1
<i>Change in net working capital</i>	7.9	4.5	-3.9
<i>Interest paid</i>	-29.2	-35.3	-59.5
<i>Interest received</i>	0.4	0.6	0.9
<i>Other financial items</i>	-1.6	0.2	-4.3
<i>Dividends received</i>	0.0	0.0	0.0
<i>Taxes received/paid</i>	-0.5	-1.9	-3.8
<i>Net cash provided by operating activities</i>	58.4	54.0	106.5
<i>Cash flow from investing activities</i>			
<i>Acquisition of investment properties</i>	-25.0	-26.4	-50.9
<i>Capital expenditure on real estate funds</i>	-3.1	-6.1	-13.6
<i>Acquisition of tangible and intangible assets</i>	-1.4	-0.5	-1.2
<i>Proceeds from sale of investment properties</i>	6.9	14.4	38.2
<i>Proceeds from sale of tangible and intangible assets</i>	-	-	0.0
<i>Capital repayments from real estate funds</i>	0.4	-	-
<i>Repayments of loan receivables</i>	-	-	-
<i>Net cash flow from investment activities</i>	-22.2	-18.5	-27.4
<i>Cash flow from financing activities</i>			
<i>Payment received from hybrid bond</i>	-	-	-
<i>Non-current loans, raised</i>	0.1	100.0	403.9
<i>Repurchase of hybrid bond</i>	-	-92.8	-92.8
<i>Non-current loans, repayments</i>	-19.3	-19.3	-345.9
<i>Current loans, raised/repayments</i>	29.1	17.8	7.4
<i>Interest paid on hybrid bond</i>	-	-8.1	-14.5
<i>Dividends paid</i>	-51.0	-48.1	-48.1
<i>Net cash flow from financing activities</i>	-41.0	-50.5	-90.1
<i>Change in cash and cash equivalents</i>	-4.7	-15.1	-11.0
<i>Cash and cash equivalents, beginning of period</i>	18.8	30.1	30.1
<i>Impact of changes in exchange rates</i>	0.0	-0.8	-0.2
<i>Cash and cash equivalents, end of period</i>	14.1	14.2	18.8

Consolidated statement of changes in equity
M€

	Share capital	Share issue premium	Invested non-restricted equity reserve	Fair value reserve	Revaluation reserve	Other equity fund	Translation difference	Retained earnings	Total	Non-controlling interest	Shareholders' equity, total
<i>Equity 1 January 2013</i>	111.0	159.5	433.8	-32.3	0.6	186.1	2.3	585.0	1,445.9	1.7	1,447.7
<i>Comprehensive income</i>											
<i>Profit for the period</i>								37.5	37.5	0.0	37.5
<i>Other comprehensive income (net of tax)</i>											
<i>Cash flow hedges</i>				11.2					11.2		11.2
<i>Translation differences</i>							-0.2		-0.2		-0.2
<i>Comprehensive income, total</i>				11.2			-0.2	37.5	48.6	0.0	48.6
<i>Transactions with shareholders</i>											
<i>Dividend payment</i>								-48.1	-48.1		-48.1
<i>Transactions with shareholders, total</i>								-48.1	-48.1		-48.1
<i>Repurchase of hybrid bond</i>						-92.1			-92.1		-92.1
<i>Interest paid on hybrid bond</i>								-6.1	-6.1		-6.1
<i>Change</i>								-1.0	-1.0	0.0	-1.0
<i>Equity 30 June 2013</i>	111.0	159.5	433.8	-21.1	0.6	94.0	2.1	567.2	1,347.2	1.8	1,348.9

	Share capital	Share issue premium	Invested non-restricted equity reserve	Fair value reserve	Revaluation reserve	Other equity fund	Translation differences	Retained earnings	Total	Non-controlling interest	Shareholders' equity, total
<i>Equity 1 January 2014</i>	111.0	159.5	433.8	-21.5	0.7	94.0	1.9	628.1	1,407.5	1.8	1,409.3
<i>Comprehensive income</i>											
<i>Profit for the period</i>								38.5	38.5	0.0	38.5
<i>Other comprehensive income (net of tax)</i>											
<i>Cash flow hedges</i>				-9.4					-9.4		-9.4
<i>Translation differences</i>							0.2		0.2		0.2
<i>Comprehensive income, total</i>				-9.4			0.2	38.5	29.3	0.0	29.3
<i>Transactions with shareholders</i>											
<i>Dividend payment</i>								-51.0	-51.0		-51.0
<i>Transactions with shareholders, total</i>								-51.0	-51.0		-51.0
<i>Change</i>								-0.2	-0.2	0.0	-0.2
<i>Equity 30 June 2014</i>	111.0	159.5	433.8	-30.9	0.7	94.0	2.1	615.4	1,385.6	1.8	1,387.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting principles

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

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

Sponda has not adopted the IFRIC 21 Levies interpretation (effective on 1 January 2014). The EU approved the interpretation in June 2014 for implementation no later than the next financial year beginning after 17 June 2014. Sponda has decided to adopt the interpretation effective from the financial year beginning on 1 January 2015. The interpretation may result in changes to the company's reporting of property tax in interim reports.

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

Segment information

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

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

The figures in the interim report have not been audited.

Strategy

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

Income statement by segment
M€

<i>Income statement information</i> 1–6/2014	Office properties	Shopping centres	Logistics	Property development	Russia	Real estate funds	Other	Group, total
Total revenue	70.0	22.9	17.8	0.7	11.5	3.1	0.0	126.1
<i>Maintenance expenses and direct fund expenses</i>	-19.5	-5.3	-6.6	-1.3	-3.4	-0.6	0.0	-36.7
Net income	50.5	17.6	11.2	-0.5	8.1	2.6	0.0	89.4
<i>Profit on sales of investment properties</i>	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.6
<i>Loss on sales of investment properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Profit/loss on trading properties</i>	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
<i>Change in value of trading properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Valuation gains/losses on fair value assessment</i>	4.0	1.4	-2.5	0.0	-5.8	0.9	0.0	-1.8
<i>Administration and marketing</i>	-4.3	-1.2	-0.7	-1.5	-1.2	-2.1	0.0	-11.1
<i>Other operating income and expenses</i>	-0.2	-0.3	-0.1	0.0	0.0	0.0	0.0	-0.6
Operating profit	50.6	17.6	7.9	-1.9	1.1	1.3	0.0	76.6
<i>Investments</i>	15.2	1.3	1.1	6.6	0.5	3.1	1.4	29.2
<i>Segment assets</i>	1,769.0	720.3	425.1	129.3	242.5	93.7	85.1	3,465.1
<i>- of which classified as held for sale</i>	0.0	0.0	216.7	0.0	0.0	77.4	0.0	294.1
<i>Economic Occupancy Rate</i>	87.9	90.4	71.9		89.0			85.7

<i>Income statement information 1–6/2013</i>	Office properties	Shopping centres	Logistics	Property development	Russia	Real estate funds	Other	Group, total
Total revenue	71.5	23.0	19.5	0.6	15.3	3.4	0.0	133.2
<i>Maintenance expenses and direct fund expenses</i>	-20.7	-5.9	-6.9	-1.1	-3.7	-0.9	0.0	-39.2
Net income	50.9	17.1	12.6	-0.6	11.5	2.6	0.0	94.0
<i>Profit on sales of investment properties</i>	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.4
<i>Loss on sales of investment properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Profit/loss on trading properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Change in value of trading properties</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Valuation gains/losses on fair value assessment</i>	2.4	-1.1	-4.3	0.0	-1.2	2.0	0.0	-2.2
<i>Administration and marketing</i>	-4.7	-1.1	-0.6	-1.6	-1.4	-2.7	0.0	-12.2
<i>Other operating income and expenses</i>	0.1	-0.2	-0.1	-0.3	0.0	0.0	0.0	-0.5
Operating profit	48.9	14.9	7.6	-2.5	8.8	1.9	0.0	79.4
<i>Investments</i>	12.1	1.0	0.7	3.7	0.1	6.1	0.5	24.1
<i>Segment assets</i>	1,711.8	739.0	409.5	155.1	268.3	87.1	107.7	3,478.6
<i>Economic Occupancy Rate</i>	89.6	91.1	75.7		97.9			88.3

Key figures

	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
<i>Earnings per share, €</i>	0.09	0.04	0.13	0.11	0.34
<i>Equity ratio, %</i>			40.2	38.9	40.7
<i>Gearing ratio, %</i>			128.2	134.4	125.6
<i>Equity per share, €</i>			4.56	4.43	4.64
<i>Cash flow from operations per share, €</i>	0.08	0.10	0.17	0.19	0.40

Quarterly key figures

	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013
Total revenue, M€	62.6	63.5	65.3	65.7	67.2
Net operating income, M€	45.5	44.0	47.4	49.5	48.6
Valuation gains/losses on fair value assessment, M€	4.8	-6.7	-12.7	0.7	-7.7
Operating profit, M€	44.9	31.7	29.5	44.1	34.6
Financial income and expenses, M€	-14.5	-15.3	-15.9	-15.1	-15.3
Profit/loss for the period, M€	25.6	12.9	44.0	21.6	13.8
Investment properties*, M€	3,269.0	3,253.4	3,253.3	3,264.7	3,266.5
Shareholders' equity, M€	1,387.4	1,367.9	1,409.3	1,370.0	1,348.9
Interest-bearing liabilities, M€	1,793.1	1,816.8	1,788.8	1,815.6	1,827.6
Earnings per share, €	0.09	0.04	0.15	0.07	0.04
Cash flow from operations per share, €	0.08	0.09	0.10	0.11	0.10
EPRA NAV, €	5.31	5.18	5.29	5.25	5.17
Economic occupancy rate, %	85.7	86.2	87.9	88.0	88.3

*) includes investment properties classified as held for sale

EPRA Earnings, M€

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

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

EPRA Earnings, M€	4-6/14	4-6/13	1-6/14	1-6/13	1-12/13
<i>Earnings for the period per IFRS income statement</i>	25.6	13.8	38.5	37.5	103.1
<i>-/+ (i) Net profits or losses from fair value assessment of investment properties</i>	-3.0	9.8	5.4	6.7	24.9
<i>-/+ (ii) Net profits or losses on disposal of investment properties</i>	-0.5	-0.4	-0.5	-0.4	-0.8
<i>-/+ (iii) Net profits or losses on sales of trading properties</i>	0.0	0.0	-0.1	0.0	0.0
<i>+/- (iv) Taxes arising from above items based on result</i>	0.0	0.0	0.0	0.0	0.0
<i>-/+ (vi) Changes in fair value of financial instruments</i>	1.5	0.5	3.4	-0.5	0.9
<i>+/- (viii) Deferred taxes arising from the above items</i>	2.8	3.8	5.2	10.4	-16.6
EPRA Earnings	26.4	27.5	51.7	53.8	111.5
EPRA Earnings per share, €	0.09	0.10	0.18	0.19	0.39

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

M€	4-6/14	4-6/13	1-6/14	1-6/13	1-12/13
<i>EPRA Earnings</i>					
<i>Net operating income</i>	45.5	48.6	89.4	94.0	190.9
<i>+ Realised shares of profit from real estate funds</i>	1.9	2.2	3.5	4.5	10.7
<i>- Operational marketing and administration expenses</i>	-5.5	-6.4	-11.1	-12.2	-23.2
<i>+/- Other operational income and expenses from business operations</i>	-0.4	-0.3	-0.6	-0.5	-1.4
<i>Operating profit</i>	41.4	44.1	81.3	85.8	177.1
<i>+/- Operational financial income and expenses</i>	-13.0	-14.8	-26.5	-29.3	-58.9
<i>-/+ Taxes based on operating result</i>	-0.7	-0.8	-1.2	-1.9	-3.8
<i>- Deferred taxes based on operating result</i>	-1.2	-1.0	-1.9	-0.8	-2.9
EPRA Earnings	26.4	27.5	51.7	53.8	111.5
EPRA Earnings per share, €	0.09	0.10	0.18	0.19	0.39

Investment Properties

M€

	30.6.2014	30.6.2013	31.12.2013
<i>Fair value of investment properties, beginning of period</i>	3,253.3	3,261.3	3,261.3
<i>Acquisition of investment properties</i>	0.0	0.0	3.1
<i>Other capital expenditure on investment properties</i>	24.7	17.6	36.6
<i>Disposals of investment properties</i>	-6.4	-8.3	-31.9
<i>Capitalised borrowing costs, increase in period</i>	0.1	0.2	0.3
<i>Valuation gains/losses on fair value assessment</i>	-2.8	-4.2	-16.1
<i>Fair value of investment properties, end of period</i>	3,269.0	3,266.5	3,253.3
<i>Investment properties held for sale</i>	216.7	9.7	0.0

Net operating income from all of Sponda's property assets totalled EUR 89.4 (94.0) million in January–June 2014 and EUR 45.5 (48.6) million in April–June. Of this total, office premises accounted for 56%, shopping centres for 20%, logistics premises for 13%, Russia for 8% and the Real Estate Funds unit for 3%. On 30 June 2014, Sponda had a total of 173 leasable properties, with an aggregate leasable area of approximately 1.4 million m². Of this total, approximately 53% is office premises, 11% shopping centres and 33% logistics premises. Some 3% of the leasable area of the properties is located in Russia.

At the end of June 2014, an external valuator assessed the fair value of Sponda's properties for both Finland and Russia. The fair value of investment properties was assessed in Finland by Catella Property Oy and in Russia by CB Richard Ellis. The change in fair value of the investment properties was EUR -2.8 (-4.2) million in January–June and EUR 5.7 (-9.3) million in April–June. The positive change in the fair value of properties located in Finland in April–June was mainly attributable to changes in yield requirements in Helsinki's central business district. The positive change in fair value in Russia was the result of changes in currency exchange rates. The changes in fair values are itemised in the table "Valuation gains/losses on fair value assessment".

Assets and liabilities classified as held for sale

M€

	30 June 2014	30 June 2013	31 December 2013
<i>Investment properties</i>	216.7	9.7	0.0
<i>Investments in real estate funds</i>	77.4	0.0	0.0
<i>Trade and other receivables</i>	0.0	0.0	0.0
<i>Total assets</i>	294.1	9.7	0.0
<i>Trade and other payables</i>	0.6	0.0	0.0
<i>Total borrowings</i>	0.6	0.0	0.0
<i>Net balance sheet value</i>	293.5	9.7	0.0

On 30 April 2014, Sponda announced it will sell 12 logistics properties and its shares in real estate funds to Certeum Oy, a new logistics and industrial property investment company. The management of the company considers it highly likely that the transaction will be concluded by the end of September 2014, once the standard conditions for acquisitions are satisfied. On 30 June 2014, the company classified the aforementioned

logistics properties and its shares in real estate funds as non-current assets held for sale, and their fair value is EUR 294.1 million in total.

The Group's most significant investment commitments

At the end of the review period, the Property Development unit had invested a total of EUR 6.6 million, of which EUR 4.4 million was invested in the second quarter. The investments were primarily directed to the construction of an office building in Ilmalanrinne.

Sponda's property development operations comprise new construction projects and the refurbishment of existing properties. Sponda is constructing a three-building office complex in Ilmala, Helsinki for use by Sweco. The project is expected to be completed in December 2015. The project's investment size is approximately EUR 57 million and the advance occupancy rate for the office complex is 83%.

In addition, Sponda started construction in June 2014 on a new office building with a floor area of approximately 4,600 m² in Helsinki's Lassila district. The total investment of the project will be EUR 10.6 million. The building's main tenant will be Kone Elevators Finland and the project is set to be completed in June 2015.

Property, plant and equipment M€

	30.6.2014	30.6.2013	31.12.2013
<i>Carrying amount, beginning of period</i>	12.5	12.5	12.5
<i>Increases</i>	0.2	0.2	0.2
<i>Disposals</i>	-	-	-
<i>Depreciation for the period</i>	-0.1	-0.1	-0.3
<i>Carrying amount, end of period</i>	12.6	12.6	12.5

Trading properties M€

	30.6.2014	30.6.2013	31.12.2013
<i>Carrying amount, beginning of period</i>	7.8	7.8	7.8
<i>Disposals and other changes</i>	-	-	-
<i>Increases</i>	-	-	-
<i>Reclassifications to investment properties</i>	-	-	-
<i>Valuation changes</i>	-	-	-
<i>Carrying amount, end of period</i>	7.8	7.8	7.8

Collateral and contingent liabilities

Collateral and commitments given by the Group	30.6.2014	30.6.2013	31.12.2013
M€			
<i>Loans from financial institutions, covered by collateral</i>	144.4	141.2	144.8
<i>Mortgages</i>	262.1	264.2	264.2
<i>Carrying amount of pledged shares</i>	19.5	19.1	19.2
<i>Guarantees</i>	-	-	-
<i>Total collateral</i>	281.6	283.2	283.4
Lease and other liabilities	30.6.2014	30.6.2013	31.12.2013
M€			
<i>Lease liabilities</i>	129.8	95.3	93.7
<i>Mortgages</i>	3.9	3.9	3.9
<i>Guarantees</i>	2.1	4.7	4.7
<i>Investment commitments to real estate funds</i>	11.7	36.2	28.7
Interest derivatives	30.6.2014	30.6.2013	31.12.2013
M€			
<i>Swap contracts, notional value</i>	615.0	871.1	695.7
<i>Swap contracts, fair value</i>	-38.7	-27.7	-26.7
<i>Eurobasis swaps, notional value</i>	150.0	-	150.0
<i>Eurobasis swaps, fair value</i>	-0.4	-	-0.5
<i>Cap options purchased, notional value</i>	504.4	304.1	404.1
<i>Cap options purchased, fair value</i>	1.1	2.0	3.0
Currency derivatives	30.6.2014	30.6.2013	31.12.2013
M€			
<i>Currency options, bought, notional value</i>	8.3	10.3	9.5
<i>Currency options, bought, fair value</i>	0.0	0.0	0.1
<i>Currency options, put, notional value</i>	8.3	10.3	9.5
<i>Currency options, put, fair value</i>	0.0	-0.1	0.0
Interest rate and currency swaps	30.6.2014	30.6.2013	31.12.2013
M€			
<i>Interest rate and currency swaps, notional value*</i>	187.4	337.4	187.4
<i>Interest rate and currency swaps, fair value*</i>	-0.1	11.4	6.9

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

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

Related party transactions
M€

<i>Management employee benefits</i>	30.6.2014	30.6.2013	31.12.2013
<i>Salaries and other short-term employee benefits</i>	1.0	1.0	1.9
<i>Share-based payments</i>	0.5	0.9	1.4
Total	1.5	1.8	3.3

Formulas for the key indicators

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