Financial Statements

2017

TECHNOPOLIS

Financial Statements 2017

Contents

A strong year for Technopolis

Full Year 2017

- Net sales up 4.4% y-o-y to EUR 179.7 (172.1) million
- EBITDA up 4.3% y-o-y to EUR 97.1 (93.1) million
- Financial occupancy rate rose to 96.1% (93.4%)
- EPRA earnings up 15.2% y-o-y to EUR 60.6 (52.6) million
- EPRA earnings per share were EUR 0.39 (0.40) *
- EPRA NAV per share up 8.0% y-o-y to EUR 4.58 (4.24)
- Fair value of investment properties at the end of the period was EUR 1,537.9 (1,624.2) million
- Board's proposal for dividend distribution is EUR 0.09 (0.12) and for equity repayment EUR 0.08 (-) per share, totaling EUR 0.17 (0.12) per share

The numbers in brackets refer to a value in the corresponding period a year earlier unless otherwise stated.

Technopolis amended its accounting policy regarding deferred taxes in the fourth quarter of 2017 and restated its financials for 2016 and the first three quarters of 2017. The restated numbers are presented as comparison figures.

* Rights issue in the comparison period.

Board of Directors' Report

The year 2017 was a strong one for Technopolis. We had robust growth throughout the year. A macroeconomic tail-wind gave the economy and the office market a welcome boost. Finland, in particular, showed a robust economic performance. This was visible in rising occupancy rates supported by higher demand and a decline in market yields. All of this had a positive impact on our financial performance.

Group net sales in 2017 increased by 4.4% from the previous year. Like-for-like growth was 6.4%. This was achieved in an environment where rental growth has been fairly modest, especially in Finland. The main operational drivers behind this were service income growth and rising occupancy. Rental growth also had a positive effect on Group net sales. Our financial occupancy rate at the end of the year reached 96.1% (93.4%), with the greatest improvement in Oulu, Finland.

At the year-end we had five organic growth projects in progress. These investments totaled nearly EUR 140 million. There are also a number of additional projects under design. These forthcoming campus extensions will enable us continue to provide customers with the flexibility they expect from the Technopolis concept.

Services are playing an increasingly important role in our business, and they continue to grow steadily, with service income reaching EUR 25.4 million (+13.2% y-o-y growth) in 2017 and EBITDA of EUR 2.7 million (+25.7% y-o-y growth). Services now represent 14.1% of the Group's net sales, reaching 15.3% in the last quarter. Our best-performing units show service penetration figures above 20%. The EBITDA margin for services was 10.5% (9.4%).

Key Indicators

	FY, 2017	FY, 2016	Change %
FINANCIAL (IFRS)			
Net sales, EURm	179.7	172.1	4.4
EBITDA, EURm	97.1	93.1	4.3
Equity ratio, %	44.8	39.7	-
Loan-to-value (LTV), %	50.1	58.2	-
FINANCIAL (EPRA)			
EPRA earnings, EURm	60.6	52.6	15.2
EPRA earnings / share, EUR	0.39	0.40	-4.4
Return on equity, %	9.1	8.8	-
Financial occupancy rate, %	96.1	93.4	-
Net rental yield, %	7.2	7.4	-
EPRA NAV / share, EUR	4.58	4.24	8.0

Note: Share related indicators have been adjusted for the rights issue in September 2016.

EPRA (European Public Real Estate Association) earnings do not include unrealized exchange rate gains and losses, fair value changes or any non-recurring items, such as gains and losses on disposals.

The guidelines of the European Securities and Markets Authority (ESMA) regarding Alternative Performance Measures (APMs, performance measures not based on financial statements standards) entered into force in July, 2016. Technopolis reports APMs, such as EPRA performance measures, to reflect the underlying business performance and to enhance comparability between financial periods. APMs may not be considered as a substitute for measures of performance in accordance with IFRS.

Group EBITDA in 2017 increased by 4.3% from the previous year and reached EUR 97.1 (93.1) million, a margin of 54.0%. EBITDA grew in line with sales, and the margin was unchanged compared to 2016. Like-for-like EBITDA growth was 4.9% in 2017. Yield compression was the primary driver behind positive fair value changes, which brought EUR 28.3 (0.2) million in 2017 and were a significant contributor on the operating profit level.

One of the highlights of the year was the finalization of our strategy review process in summer 2017. One of the cornerstones of the revised strategy is the expansion of our UMA Coworking Network. A new flagship UMA coworking space in Stockholm, Sweden is set to open in April 2018. UMAs will provide Technopolis with a less capital intensive way to expand its operations with less risk, especially in low-yielding markets. Our intention is to expand the UMA footprint in the other major cities and hubs in the Nordic-Baltic Sea area.

On many fronts 2017 was a turning point for Technopolis. We launched our revised strategy and began executing it immediately and with passion. The entire company feels energized, which lays a strong foundation for the coming year.

Financial Performance

	FY, 2017	FY, 2016	Change %
Net sales, Group, EURm	179.7	172.1	4.4
Rental income, EURm	154.3	149.6	3.1
% of Net sales	85.9	87.0	-
Service income, EURm	25.4	22.4	13.2
% of Net sales	14.1	13.0	-
EBITDA, Group, EURm	97.1	93.1	4.3
EBITDA %	54.0	54.1	-
EBITDA, rental, EURm	102.7	98.9	3.8
EBITDA %, rental	66.5	66.1	-
EBITDA, services, EURm	2.7	2.1	25.7
EBITDA %, services	10.5	9.4	-
Operating profit, EURm	121.4	89.3	35.8
Operating profit %	67.5	51.9	-
Net result, EURm	85.2	50.0	70.5
EPS, EUR	0.46	0.31	49.0

Note: The Group EBITDA includes Group-level expenses and intracompany eliminations.

Fair value changes in 2017

EURm	Yield requirement	Occupancy assumption	Modernization	Other changes	Projects in progress	Total
Finland	22.7	-5.6	-9.6	0.9	2.0	10.4
Baltic Rim	12.6	0.8	-6.6	-2.3	6.7	11.2
Scandinavia	10.0	3.2	-4.0	-2.5	0.0	6.7
TOTAL	45.3	-1.6	-20.2	-3.9	8.7	28.3

* Other changes include changes in projected market rents, operating expenses, exchange rates as well as inflation assumptions.

Financial Performance

Net Sales and Income

The Group's net sales for the year 2017 reached EUR 179.7 (172.1) million, up 4.4% from the previous year. Changes in foreign exchange rates increased net sales by EUR 0.9 million due to strengthening of the Russian ruble. On a constant currency basis net sales were up 3.9%.

Rental income amounted to EUR 154.3 (149.6) million, up 3.1% compared to 2016. The main driver was the increase in the financial occupancy rate, especially in Oulu, Finland. The financial occupancy rate at the end of the year reached 96.1% (93.4%). Rental growth also positively affected rental income together with the changes in the property portfolio. The acquisition of the Gårda campus in Gothenburg, Sweden took place in July 2016 and the completions of the Yliopistonrinne campus in Tampere in the third quarter of 2016 and the Delta campus in Vilnius, Lithuania in the first quarter 2017. Yet, these were, to a large extent, offset by divestitures in Tampere and Lappeenranta in November 2016, as well as divestitures in Jyväskylä in September and November 2017.

Service income continued on a positive trend increasing by 13.2% year-on-year and amounting to EUR 25.4 (22.4) million in 2017. The share of service income in Group net sales, service penetration, was 14.1% (13.0%). Both service income and service penetration grew across all business units from the previous year. The largest absolute growth was seen in Tampere, the Helsinki Metropolitan Area and Oulu in Finland as well as Vilnius, Lithuania. In relative terms, the highest growth came from Vilnius (Lithuania), Tallinn, (Estonia), St. Petersburg (Russia) and Tampere (Finland).

Profitability

Premises expenses in 2017 were flat at EUR 39.4 (39.5) million. The Group's administrative costs totaled EUR 14.7 (13.6) million. Other operating expenses were EUR 28.5 (26.3) million, up 8.5%, mainly due to increased service volume. Property taxes for the financial year were EUR 8.1 (7.4) million.

The Group's EBITDA for 2017 was up 4.3% year-on-year and totaled EUR 97.1 (93.1) million. The EBITDA margin was flat at 54.0% (54.1%). Changes in foreign currency exchange rates increased EBITDA by EUR 0.7 (-1.0) million through the strengthening of the Russian ruble against the euro. On a constant currency basis, EBITDA grew 3.6% and the EBITDA margin was 53.9%.

EBITDA for rental operations was up by 3.8% year-on-year and amounted to EUR 102.7 (98.9) million. The EBITDA margin for rental operations increased slightly from the previous year and was 66.5% (66.1%). EBITDA for services was up 25.7% and reached EUR 2.7 (2.1) million. Also the EBITDA margin for services improved and was 10.5% (9.4%). The improvement was generated by scale benefits through higher service income and growth in more profitable services. In addition to rental and service EBITDAs, the Group EBITDA includes Group-level expenses and intracompany eliminations.

At the end of December 2017, the fair value of Technopolis' investment properties was EUR 1,537.9 (1,624.2) million. The decline was mainly due to the divestment of the Jyväskylä operations in November. In 2017, fair value changes totaled EUR 28.3 (0.2) million. The biggest positive impact came from changes in yield requirements but was, to an extent, off-set by modernizations and occupancy assumptions, particularly in the Finnish business units in the second quarter. Also, the ongoing organic investments in Tallinn, Estonia and Vilnius, Lithuania contributed positively to fair values.

Operating profit in 2017 rose to EUR 121.4 (89.3) million, mainly due to positive fair value changes in investment properties, which was driven primarily by yield compression. Net financial expenses, including unrealized exchange rate gains and losses, were down from the previous year at EUR 22.4 (25.1) million due to a decrease in interest-bearing debt.

Pre-tax profits rose to EUR 99.0 (64.2) million. Taxes were EUR 13.8 (14.2) million. Current taxes were EUR 4.5 (6.8) million, which include a EUR 1.8 million adjustment in the second quarter related to divestitures that took place in 2016.

The net result for the period increased by 70.5% to EUR 85.2 (50.0) million. EPS increased to EUR 0.46 (0.31).

EPRA Earnings in 2017 increased by 15.2% year-on-year and amounted to EUR 60.6 (52.6) million. The increase was a result of growth in net sales and profitability, lower net financial expenses and lower taxes.

EPRA Earnings per share for the full year amounted to EUR 0.39 (0.40). The per share number decreased year-on-year due to the rights issue-adjusted number of shares in 2016. EPRA (European Public Real Estate Association) earnings do not include unrealized exchange rate gains and losses, fair value changes or any non-recurring items, such as gains and losses on disposals.

Balance Sheet and Financing

	31 Dec '17	31 Dec '16	Change, %
Balance sheet total, EURm	1,719.8	1,823.7	-5.7
Interest-bearing debt, EURm	805.0	959.9	-16.1
Cash and equivalents, EURm	71.8	128.0	-44.0
Average loan maturity, yrs	4.5	5.1	-11.2
Loan-to-value (LTV), %	50.1	58.2	-
Equity ratio, %	44.8	39.7	-
Interest coverage, multiple	4.1	3.7	10.8

Financial Expenses

	FY, 2017	FY, 2016	Change %
Financial expenses, EURm	-24.4	-28.4	-14.0
Financial income, EURm	2.1	3.3	-37.9
Net financial expenses, EURm	-22.4	-25.1	-10.9
Average interest rate, %*	2.60	2.34	-

* Excluding hybrid bond.

Balance Sheet, Financing and Cash Flow

Balance Sheet and Financing

The Group's balance sheet total on December 31, 2017 was EUR 1,719.8 (1,823.7) million, with liabilities accounting for EUR 954.9 (1,104.4) million.

The Group's equity attributable to the parent company shareholders was EUR 711.2 (662.0) million. Equity increased mainly due to the net profit for the period but was negatively affected by distribution of dividends and interest payment on the hybrid bond totaling EUR 23.3 million, as well as translation differences of EUR -12.1 million. Equity per share was EUR 4.06 (3.75) and the equity ratio 44.8% (39.7%). The loan-to-value ratio (LTV) was 50.1% (58.2%). LTV decreased mainly due to the paying down of maturing debt. At the end of the period, the Group's interest coverage ratio was 4.1 (3.7).

On December 31, 2017, the Group's interest-bearing liabilities amounted to EUR 805.0 (959.9) million. Long-term interest bearing liabilities were EUR 620.5 (825.8) million and short-term interest-bearing liabilities EUR 184.5 (134.0) million. Interest-bearing liabilities were composed of EUR 602.3 (819.5) million of bank loans, EUR 150.0 (150.0) million of unsecured senior bond and EUR 10.0 (54.4) million of commercial papers, EUR 7.8 (33.4) million of financial leases, and EUR 34.9 (52.6) of other liabilities. In addition, the Group has an outstanding hybrid loan of EUR 75 million, which is not included in the interest-bearing liabilities. On January 26, 2018, however, Technopolis announced it will redeem the hybrid bond issued in 2013 on its earliest possible redemption date, March 26, 2018. The redemption will have approximately a four percentage point negative effect on the company's equity ratio.

The average interest rate on interest-bearing liabilities excluding the hybrid loan was 2.60% (2.34%).

On December 31, 2017, Technopolis had EUR 70.0 (96.6) million in unused committed long-term credit facilities and a EUR 25.1 (25.1) million short-term credit limit of which EUR 0.0 (18.5) million was withdrawn at the end of the year. In addition, the company has a EUR 150.0 (150.0) million commercial paper program, of which EUR 10.0 (54.5) million was outstanding at the end of the period. Cash and cash equivalents were EUR 71.8 (128.0) million.

Financial Expenses

Financial expenses in 2017 were EUR 4.0 million lower than in 2016. This was due to the paying down of interest bearing debt and realized foreign currency exchange rate loss related to the repayment of a euro-denominated loan in the Russian subsidiary in the comparison period.

Financial Risk Management

On December 31, 2017, the Group's interest-bearing liabilities amounted to EUR 805.0 (959.9) million. The average capital-weighted loan maturity was 4.5 (5.1). A total of 69.0% (56.7%) of the Group's interest-bearing liabilities were either interest rate hedged or fixed-rate loans. Group's interest fixing period was 4.6 (4.6) years, including forward starting hedges in 2019–2021. A one percentage point increase in market rates would cause a EUR 2.5 (2.7) million increase in interest costs per annum.

The Group is exposed to foreign exchange rate fluctuations in the Norwegian krone, the Russian ruble and the Swedish krona. The direct impact of changes in exchange rates on the Group's operating profit, balance sheet, and equity ratio as of December 31, 2017 are presented below.

In Russia, Norway and Sweden, the Group only had liabilities in the local currencies and therefore, it is only vulnerable to translation differences in equity. At the end of the year, the Russian subsidiary had equity of RUB 5.29 billion, the Norwegian subsidiaries' equity totaled NOK 790.6 million, and the Swedish subsidiaries' equity was SEK 494.0 million.

The sensitivity of changes in exchange rates in the Group's net sales and EBITDA as of December 31, 2017 are presented below.

Capital Expenditure and Cash Flow

In 2017, cash flow from operations was EUR 74.4 (60.2) million. Cash flow from investments was EUR 15.4 (-75.5) million, of which investments in investment properties were EUR -73.7 (-87.0) million and proceeds from the sale of tangible and intangible assets and investment properties as well as subsidiaries were EUR 96.0 (67.9) million, in total. Financing cash flow was EUR -146.4 (+102.5) million, of which

Foreign currency % change against the Euro	Transaction difference effect	Translation difference effect	Total effect on the Group's equity	Equity ratio
RUB -10	0.0	-6.9	-6.9	44.6%
RUB +10	0.0	8.5	8.5	45.1%
NOK -10	0.0	-7.3	-7.3	44.5%
NOK +10	0.0	8.9	8.9	45.1%
SEK -10	0.0	-4.6	-4.6	44.6%
SEK +10	0.0	5.6	5.6	45.0%

Foreign currency % change against the Euro	Effect on Net sales, EURm	Effect on EBITDA, EURm
RUB -10	-0.9	-0.7
RUB +10	1.1	0.8
NOK -10	-1.7	-1.0
NOK +10	2.0	1.2
SEK -10	-0.7	-0.5
SEK +10	0.8	0.6

CAPEX, EUR million	FY, 2017	FY, 2016	Change %
Acquisition of properties	5.8	53.0	-89.1
Organic growth projects	61.7	46.3	33.3
Modernizations and other investments	8.5	19.0	-55.1
Total CAPEX incl. acquisitions	76.1	118.3	-35.7
CAPEX by segment:			
Finland	28.3	37.3	-24.1
Baltic Rim	47.8	23.6	102.8
Scandinavia	-0.1	57.4	-100.1
Total CAPEX incl. acquisitions	76.1	118.3	-35.7
Divestitures	87.7	64.0	37.1

EUR 137.5 (179.3) million was used in paying down long and short term debt and EUR 20.4 (20.0) million was used for dividend payments in April. Cash and cash equivalents on December 31, were EUR 71.8 (128.0) million. The net change in cash in January–December was EUR -56.7 (+87.3) million.

Property Portfolio, Leasing, Occupancy and Customer Base

Property Portfolio

At the end of the year, the fair value of Technopolis' investment properties was EUR 1,537.9 (1,624.2) million. Technopolis had a total rentable area of 701,900 (746,400) m², of which 14,200 (21,600) m² was under renovation. The decline both in the fair value and rentable area was mainly due to divestiture of operations in Jyväskylä, Finland in November. Nearly all properties are office properties. In addition, 38,900 (41,900) m² were under construction at the year-end and a construction project of 13,200 m² was approved and set to start in February 2018. Technopolis holds some further 400,000 m² of building rights, of which nearly 50% are located in Finland, over 40% in the Baltic Rim and less than 10% in Scandinavia. Acquisition and divestitures as well as organic development projects in progress are described in more detail in the section "Group Strategy and Financial Targets".

Leasing, Occupancy and Customer Base

On December 31, 2017, Technopolis had a total of approximately 1,600 customers. The ten largest customers let approximately 22.8% of rented space and the single largest customer 4.4%. In 2017, the ten largest customers accounted for 20.8% of rental income and the single largest customer 4.6%.

The financial occupancy rate at the end of the period was 96.1% (93.4%) and the technical occupancy rate was 95.2% (92.3%).

At the end of 2017 Technopolis had a total of 3,248 existing rental agreements. During the year, the Company agreed on 427 (491) new contracts (including extended or renewed contracts) covering a rentable area of 114,300 (84,700) m². During the same time period, 309 (379) contracts were ended covering a rentable area of 45,400 (51,600) m².

The current lease structure allows customers to flexibly adjust the size of their premises as their business needs change. It is an essential element of the Technopolis concept. The company has solid, long-term experience and competence in this business model and in practice, the customer relationships have lasted much longer than the current average lease term. Credit losses in Technopolis are negligible. In 2017, the recognized credit losses totaled EUR 0.07 (0.36) million.

Business Segments

Technopolis has three business segments: Finland, the Baltic Rim and Scandinavia.

Finland

From December 1, 2017, the Finland segment comprised of the Helsinki Metropolitan Area (HMA), Tampere, Kuopio and Oulu business units. Operations in Jyväskylä were divested at the end of November 2017. Jyväskylä is included in the numbers for January–November 2017.

Rentable area, rental income and EBITDA decreased due to divestitures in Jyväskylä and Oulu. Average rent was EUR 17.7 (17.0) per m² per month. The financial occupancy rate increased, mainly due to an improvement in Oulu. Fair values decreased mainly due to divestitures of properties in Jyväskylä in November 2017 and in Oulu.

Baltic Rim

The Baltic Rim segment has three campuses, one campus in each of three different countries: Tallinn in Estonia, Vilnius in Lithuania and St. Petersburg in Russia.

Rentable area, net sales and EBITDA increased year-on-year, mainly due to the completion of a new building in Vilnius, Lithuania. Rental growth also had a positive effect. The appreciating Russian ruble had a positive impact of EUR 1.1 (-0.8) million on net sales and EUR 0.8 (-0.6) million on EBITDA compared to the previous year. Occupancy remained at very high levels. Fair values increased, mainly due to the new property in Vilnius and market yield compression.

Scandinavia

The Scandinavia segment includes a campus in Oslo, Norway and from July 1, 2016, also the Gothenburg campus in Sweden.

Lease stock, % of space Maturity, years	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
< 1	15	16	16	21	19
1-3	28	21	21	20	21
3-5	12	19	19	18	17
> 5	17	16	16	15	16
Open-ended leases	26	29	29	25	27
Average lease term in months	34	34	34	34	35
Lease stock, EUR million	372.0	389.9	397.6	389.1	392.7

Segment Information

Finland	FY, 2017	FY, 2016	Change %
Net sales, EURm	117.7	120.5	-2.4
Rental income, EURm	97.5	102.0	-4.4
Service income, EURm	20.2	18.6	8.8
EBITDA, EURm	61.5	64.3	-4.4
EBITDA %	52.2	53.4	-
Fair value of investment properties, EURm*	890.9	997.6	-10.7
Number of campuses*	12	15	-
Rentable area, m²*	425,000	486,500	-12.6
Average rent, EUR/m²/month*	17.7	17.0	4.3
Financial occupancy rate, %*	94.5	90.7	-
Market yield requirement, average, %*	7.3	7.6	-

*At the end of the period.

Note: 12/17: 4,500 m² under renovation, 12/16: 9,700 m² under renovation.

Baltic Rim	FY, 2017	FY, 2016	Change %
Net sales, EURm	36.0	29.5	22.2
Rental income, EURm	32.5	26.9	20.7
Service income, EURm	3.6	2.6	38.7
EBITDA, EURm	21.5	16.6	29.7
EBITDA %	59.6	56.1	-
Fair value of investment properties, EURm*	325.2	292.3	11.3
Number of campuses*	3	3	-
Rentable area, m² *	176,000	161,200	9.2
Average rent, EUR/m²/month *	15.7	14.9	5.7
Financial occupancy rate, %*	99.7	99.7	-
Market yield requirement, average, %*	8.1	8.7	-

* At the end of the period.
Note: 12/17: 8,400 m² under renovation, 12/16: 8,600 m² under renovation.

Scandinavia	FY, 2017	FY, 2016	Change %
Net sales, EURm	26.0	22.0	17.9
Rental income, EURm	24.4	20.7	17.7
Service income, EURm	1.6	1.4	20.9
EBITDA, EURm	14.1	12.2	15.9
EBITDA %	54.4	55.4	-
Fair value of investment properties, EURm*	321.9	334.3	-3.7
Number of campuses*	2	2	-
Rentable area, m² *	100,900	98,700	2.2
Average rent, EUR/m²/month *	19.5	22.3	-12.5
Financial occupancy rate, %*	97.5	96.8	-
Market yield requirement, average, %*	5.3	5.5	-

* At the end of the period.
Note: 12/17: 1,300 m² under renovation, 12/16: 3,300 m² under renovation.

Organic expansion projects in progress

Area	Name	Pre-let rate, %	Rentable area, m²	Total investment, EURm	Stabilized yield, % [1]	Completion
Helsinki	Ruoholahti 3	41.8	10,300	33.2	7.0	7/2018
Tallinn	Lõõtsa 12	72.4	9,700	13.6	9.0	7/2018
Vilnius[2]	Penta	91.5	13,800	32.0[2]	8.4	10/2017
Vantaa	Aviapolis Bldg H	0.0	5,100	15.1	8.0	11/2018
TOTAL in progress			38,900	93.9		
Tampere	City Center	39.4	13,200	46.0	7.5	10/2019
TOTAL in progress and approved			52,100	139.9		

[1] Stabilized yield = estimated net operating income / cost
[2] Total investment including also the neighboring land plot with an expansion potential of at least 20,000 m².

In 2017, rentable area, rental income, net sales and EBITDA increased year-on-year mainly due to the acquisition of the Gothenburg campus in Sweden in July 2016. For the same reason however, the average rent decreased. The Gothenburg campus, in practice, is almost a single tenant campus for the time being, which also explains the low level of service income in Scandinavia. A new, three-year lease with the anchor tenant in Gothenburg was signed in the fourth quarter of 2017, and became effective from January 1, 2018. The new lease has a higher rent level than the earlier contract. The depreciating Norwegian krone had a minor negative impact on net sales and EBITDA.

Group Strategy and Financial Targets

In the summer 2017, Technopolis completed a comprehensive review of the Group's strategy, as well as strategic and financial targets and announced them on June 2, 2017. The revised strategy covers the years 2017–2020, and also sets the direction for the coming years. The key elements include:

- Enhancement of the Technopolis concept, which generates high occupancy, premium customer value and rent levels, as well as high customer satisfaction
- Accelerated organic expansion of current campuses
- Significant expansion of the UMA coworking network
- Expansion and increasing profitability of the service business
- Exploiting value-creating acquisition opportunities in the Nordic-Baltic Sea region
- Execution of the strategy and investments without new equity issues

New long-term financial targets and dividend policy are:

- EPRA earnings per share growth of 8–10% per annum
- Return on equity over 8% per annum on an EPRA earnings basis
- EPRA net asset value per share growth of at least 5% per annum
- Equity ratio over 35%
- Aim to pay out an increasing annual dividend of 40–60% of EPRA earnings

In addition to increasing the profitability of the current real estate and service businesses, the company will accelerate organic investments and, in total, expects to spend EUR 200–250 million on development projects over the 2017–2020 timeframe. The Company also plans to allocate approximately EUR 30 million to the development of the UMA coworking network during the next five years. Furthermore, Technopolis currently foresees a EUR 100–200 million spend on acquisitions during 2017–2020, but will only act if a compelling value creation opportunity presents itself.

Technopolis aims to execute this strategy without new equity issues, assuming there is no sudden, unforeseen event that would require a capital injection.

Organic Expansion

Organic expansion projects in progress, their rentable areas and estimated investment amounts on December 31, 2017 is presented in the table above.

On December 13, 2017, Technopolis decided on a EUR 46 million investment in organic expansion in Tampere, Finland. The new City Center Campus will be built in the CBD Tampere with excellent connections. The construction work is scheduled to start in February. The project is due for

completion in December 2019, and first leases are set to start in January 2020.

Of the organic expansion projects under construction, the Penta campus in Vilnius Lithuania was partly completed in October and 45.1% of the rentable area was handed over to an anchor customer on October 4, 2017. By the year-end, the pre-let rate reached 91.5%.

Building H on the Aviapolis campus was launched in the second quarter. The EUR 15.1 million project is due for completion in November 2018. The extension will bring an additional 5,100 m² in rentable space and it will grow the campus to around 30,000 m². After this project, Technopolis can still expand the campus by another 25,000 m².

Acquisitions and Divestitures

On December 22, 2017, Technopolis signed an agreement to acquire Ilmarinen Mutual Pension Insurance Company's indirect 19% shareholding in Technopolis AS. Technopolis AS is the owner of the Technopolis campus in Fornebu area in Oslo, Norway. After the acquisition, Technopolis Plc's ownership in Technopolis AS is 100%. The net purchase price of approximately NOK 121 million (approximately EUR 12.3 million) equals the fair value of acquired shares in the assets. The closing of the transaction took place on December 31, 2017.

On December 22, Technopolis entered into an agreement whereby Technopolis divested 2,754 m² of its Microkatu campus in Kuopio to Savonia University of Applied Sciences. Savonia will also develop a new 3,400 m² building to the campus. After the divestiture and completion of the new building by the year-end 2018, Savonia's ownership of the Microkatu campus will be approximately 18.9%.

On November 21, 2017, Technopolis announced that it had signed an agreement to divest its operations in Jyväskylä, Finland. The sales price was EUR 104.5 million, which was approximately the fair value of the assets. The buyers were companies owned by Kielo AB, a real estate company owned by Brunswick Real Estate and a group of international investors. The divested assets had a total rentable area of approximately 49,000 m². The closing of the transaction took place at the end of November.

On September 6, 2017 Technopolis Plc signed an agreement to divest part of its holdings in Jyväskylä, Finland. The transaction included the Viveca office space and a land plot located in the Hippos sports park area. The buyer was an entity owned by a group of local private investors. The divested assets had a total rentable area of 6,800 m². The divestiture was executed at fair value.

On April 6, 2017, Technopolis announced it will acquire an office building under construction bordering its own campus in the Ozas district of Vilnius, Lithuania. In connection with the acquisition, the company signed a sale and purchase agreement to acquire a neighboring land plot with expansion potential of at least 20,000 m². The plot acquisition was closed on September 15, 2017. The land plot deal will enable continued organic growth in the coming years. The total investment, including the office property, amounted to EUR 32 million. The seller of the plot was ICOR Group.

Expansion and Profitability of the Service Business

Service business growth and profitability improvement are progressing as planned. In 2017, service income grew 13.2% year-on-year and reached EUR 25.4 (22.4) million. Service penetration was 14.1% (13.0%). Some campuses in Finland already had service penetration rate of over 20% for the full year 2017. Campuses in the Baltic Rim and Scandinavia are behind the penetration rates in Finland, but there was an impressive year-on-year service income growth of over 30% in the international business units, on average. The fastest-growing service areas are work-place solutions and moving services as well as conference services.

EBITDA in the service business was up 25.7% year-on-year and reached EUR 2.7 (2.1) million, with a margin of 10.5% (9.4%). Service business profitability benefited from scale economies and an increase in the relative share of higher-margin services. All but one business unit improved in service business profitability compared to previous year.

Development of UMA Coworking Network

A new Director was appointed to lead and expand UMA operations, who started in December 2017. Together with the local business unit directors, the team is actively scouting for new locations to expand the network both in the existing Technopolis countries, and in other locations in the Nordic-Baltic Sea region.

In October, the company leased a new stand-alone UMA coworking space in Stockholm, Sweden. The rentable area is around 2,350 m², and the targeted opening is in April 2018.

Operating Environment

On average, the annual investment volume in 2006–2016 in Finland has been worth EUR 3.75 billion. The year 2017 saw an exceptionally high investment volume that reached over EUR 10 billion. The transaction

Macro Environment

%	Finland	Norway	Sweden	Estonia	Lithuania	Russia
GDP growth forecast						
Y-o-y change '16-17	+3.1	+2.1	+3.1	+4.4	+3.6	+1.9
Y-o-y change '17-18	+2.5	+1.9	+2.8	+3.3	+3.0	+1.9
Y-o-y change '18-19	+2.0	+1.8	+2.3	+3.0	+2.8	+1.5
CPI growth forecast						
Y-o-y change '16-17	+1.0	+1.9	+1.9	+3.7	+3.8	+3.7
Y-o-y change '17-18	+1.7	+1.6	+2.1	+3.3	+2.9	+3.8
Y-o-y change '18-19	+2.0	+1.9	+2.3	+2.8	+3.0	+4.0

Source: OECD, November 2017

Commercial Office Market

Finnish Market

	FINLAND			
%	HMA	Oulu	Tampere	Kuopio
MARKET				
Office vacancy rate				
CBD	10.0	n/a	n/a	n/a
City average	13.4	10.1	14.8	n/a
Market yield				
CBD	4.1	7.5	6.75	8.0-9.0
City average	4.1-6.5	7.5-8.5	6.75-8.0	8.5-10.0*
TECHNOPOLIS				
Office vacancy rate	6.3	8.0	2.3	3.5

Source: Catella
* Fringe area, not city average.
Note: Market information as of 12/17, Technopolis numbers as of 12/17.

Other Markets

	SWE	NOR	EST	LIT	RUS
%	Gothenburg	Oslo	Tallinn	Vilnius	St. Petersburg
MARKET					
Office vacancy rate					
Class A / CBD*	3.0-4.0	n/a	4.5	2.0	6.1
Class B / city average*	9.0-10.0[1]	12.7[1]	9.5/9.0*	4.2/3.4*	7.9
Market yield					
Class A / CBD*	4.0	3.75**	<7.0	n/a	9.5-11.5***
Class B / city average*	4.75[1]	4.5-5.25	8.0-9.25	6.5**	n/a
TECHNOPOLIS					
Office vacancy rate	0.0	3.6	0.9	0.0	0.0

Sources: Gothenburg, CBRE; Oslo: Cushman&Wakefield; St. Petersburg: JLL; Tallinn & Vilnius: Newsec
[1] Average vacancy rate /yield of Gårda-area in Gothenburg and Fornebu-area in Oslo.
** Prime office and retail yield.
*** Prime office and shopping mall yields at 9/17.
Note: Market information as of 9/17 and 12/17; Technopolis numbers as of 12/17.

volume increased by 41% from the previous record year of 2016. The activity was driven by a couple of very large deals and international demand. Approximately 73% of the investments were made by non-Finnish investors, and the international demand was also evident outside of the Helsinki Metropolitan Area (HMA). The share of office properties represented 42% of the total volume in 2017.

In HMA, economic growth translated into vacant office space reducing for the first time since fall 2015. Yet, there is still a total of 1.15 million m² of vacant office space and the vacancy rate was 13.4% at the year-end. In addition to new leasing, the conversions of office space into residential and hotels were reducing vacant space. In 2017, approximately 70,000 m² of new office space was completed in the HMA, which was double the amount of that in 2016. Yields are on the decline and this trend seems to have expanded outside the Helsinki city center as well. At the year-end, there were some 148,000 m² of new office space under construction. In December, the upper gross rental levels on average, were at EUR 32.5, EUR 23 and EUR 18.75 per square meter per month in CBD, Ruoholahti and Aviapolis areas, respectively.

In Oulu, the market situation has basically remained stable for the past year. Even though the vacancy is relatively high, there is demand. Demand is supported by the recovery of the IT sector, especially, and the strong increase in the number of jobs in that sector. Due to efficiency in the use of office space as well as new construction, the office supply has not diminished. The demand is geared more towards high quality premises. The rents, on average, are between EUR 12–15 per m² per month.

In Tampere, the vacancy rate was still record high at 14.8% at the year-end, and it is estimated to remain high for some time. Office demand has increased slightly, but at the same time, space become vacant. Office yields vary between 6.75% and 8.0%. Rental levels are between EUR 14–19 per m² per month.

Kuopio is one of Finland's growing cities, where the number of residents has been on a moderate rise for the past 30 years. The market sentiment is that there is sufficiently office space to meet the demand, or a slight oversupply situation. The rent level in offices in Kuopio is EUR 15–18 per m² per month for modern offices.

The source for information on the Finnish office market is Catella.

Other Markets

Prime office yields have been declining in all the Nordic countries since the end of 2013. Stockholm has the lowest market yields in the Nordics, only 3.5% in the CBD. Oslo, Norway has the second-lowest cap rates, at 3.75%. In Stockholm, prime office property rents have risen rapidly in recent years, which clearly distinguishes Sweden from the other Nordic countries. In 2017, the tables turned with regards to international investment volumes: the transaction volume in Sweden (excl. residential) was EUR 10.8 billion (down approximately -25% year-on-year) and the corresponding figure in Finland was just under EUR 9 billion. This is an exceptionally small difference. Investment volumes in Sweden declined especially towards the year-end. Furthermore, the foreign investors represented only 14% of the volume in Sweden (equaling approximately EUR 2 billion) compared to 73% in Finland (equaling approximately EUR 7 billion). (Source: Catella)

In Gothenburg, Sweden, the investment volume in 2017 reached approximately SEK 10.3 billion, of which SEK 4.6 billion was office premises. The current office stock is approximately 3.1 million m², of which 800,000 m² is in CBD. The vacancy in CBD is estimated at 3–4% and around 9–10% in Gårda. High demand in central Gothenburg has pushed up market rents in more external locations such as Gårda and Lindholmen. The annual prime rent in Gårda is currently at SEK 2,600 per m2. In Gothenburg, the yield requirements have been declining for a long time and are now at 4.0% in the CBD-area and at around 4.25 in the rest of the inner city area. Prime yields in Gårda are around 4.75%. (Source: CBRE)

In Oslo, Norway, the transaction volume (as of December 14, 2017) has already reached nearly NOK 83 billion, with international investors representing 19% of the volume. In all areas of the Oslo market, there are reports of increased rental rates on newly concluded contracts. Average rent is at NOK 2,080 per m² and NOK 4,300 per m² for prime offices in CBD. For new buildings in Fornebu, rents are typically around NOK 2,050 per m². Vacancy rates decreased significantly in Fornebu during the year, and were around 12.7%, at the year-end. Prime yields are historically low at 3.75% in Oslo CBD, but there is indication of a further downward pressure. Yields in the Fornebu-area are around 5.25%. The yield gap between CBD and fringe is getting smaller due limited supply of centrally located assets. (Source: Cushman and Wakefield)

The office market in Tallinn can be characterized by slight oversupply. The delivery of new office space in 2017, is expected to be 23,500 m² (59,000 m²), however only some 5% will belong to A class compared to 30% in 2016. This is due to low availability of development land in CBD Tallinn. In the near term, the development volumes are expected to grow. The average vacancy rate for contemporary office space is at 9.0%. In the Class A segment, the vacancy is 4.5%. Vacancies in the most sought-after areas and new Class A buildings however, are still marginal, but expected to change due to significant new delivery in 2018. Rent levels in the Class A+ segment range between EUR 15–18 per m² per month and EUR 13.5–17.0 in A class. Price gap between old and new offices is expected to widen. Average yields for prime properties have lowered and are currently slightly below 7%. (Source: Newsec)

At the end of December 2017, the gross leasable area (GLA) of office stock in Vilnius, Lithuania stood at 595,500 m². It is estimated that during 2018–2019, the office stock will grow by another 128,050 m² of modern office space, of which over 80% is estimated to be A class offices. Despite the active development, the average vacancy of A class properties was 2.0% and 4.2% for B class, in the fourth quarter. Prime yields are facing downward pressure and reached 6.5% for office and retail properties. The most attractive properties being bought upto 50 bps lower. The rental rates for prime offices are increasing slightly for both the A and B class, and are expected to continue growing. In the fourth quarter, the average office rent for A class office space in the CBD Vilnius was EUR 14–16 per m² per month. (Source: Newsec)

At the year-end 2017, the office stock in St. Petersburg, Russia, now stood at 3.12 million m², of which Class A premises represented 29.9% and Class B 70.1%. New supply in 2017 amounted to 114,070 m². The IT sector represented 41% of all rental activity and mining/exploration sector 20%. The average vacancy rate in St. Petersburg at the end of December was 6.1% in Class A offices and 7.9% in Class B offices. Rental rates in rubles in Q4/17 remained stable quarter-on-quarter in A-class offices and increased slightly in B-class offices. The average rental rate was around RUB 1,691 per m² per month for Class A offices and RUB 1,189 per m² per month for Class B. Prime yields remained flat. (Source: JLL)

Evaluation of Risks and Uncertainties

Risk Management Process

The purpose of corporate risk management is to ensure the achievement of the company's business objectives and to identify, evaluate, measure and mitigate significant risks and uncertainties, as well as to monitor them as part of the day-to-day management of business operations. Technopolis' risk management process is described more in detail in the Corporate Governance Statement for 2017.

The purpose of financial risk management is to secure efficient and competitive funding for its operations and to reduce the negative impact of financial market fluctuations on its operations. Financial risks and financial risk management is further described in the notes section (Note 22) of the Financial Statements 2017, as well as in the Financial Risk Management -section of this report and on the Company's web pages.

In the Report of the Board of Directors and the annual report for 2016, the company presented the most significant corporate risks. During 2017, none of the then identified risks materialized in any significant manner.

In the latest corporate risk review in the late fall 2017, the company's management evaluated the most significant risks affecting Technopolis' business to be the financial, strategic and external risks. The operational risks were evaluated to be the least significant. The Board of Directors has reviewed this evaluation. Mitigating actions for key corporate risks are further described on the Company's web pages.

Most Significant Risks

The most relevant external risks were evaluated to relate to market dynamics, like intensifying competition on the traditional office market and/or new business models emerging to compete with Technopolis' model. This may happen e.g. through coworking or other new forms of business. Also any unexpected market conditions due to e.g. an oversupply of office space or due to an economic downturn may prevent Technopolis from reaching its growth targets and maintaining profitability.

Changes in the general economic environment may have an adverse effect on the company's customers and hence, on the Group's business operations. However, changes in market yields do not have any direct impact on the company's net sales, EBITDA, or cash flow. A negative change in the value of investment properties may reduce the company's operating and net results and equity ratio and, as a result of this, covenant terms of the loans may be triggered.

Key Sustainability Indicators	FY, 2017	FY, 2016	Change %	Target 2025
CO_2 emissions, CO_2e kg/m²	28	31	-10.6	-30%
Energy consumption, total, kWh/m²	209	211	-0.9	-10%
Energy consumption, building energy, (kWh/m²)	143	146	-1.7	-10%

The most relevant strategic risks are risks related to investments, reaching the strategic targets and ICT. There is a risk that the company will make unprofitable investments and/or pays too high a price for acquisitions based on incorrect assumptions related to e.g. market and/or business development.

In addition, the company may have unrealistic expectations with regard to developing the service business and it may have incorrectly assessed its ability to develop new services.

There is a possibility that the company may not being able initiate all or some of its planned organic growth projects. This may be either due to lack of demand and/or high or increasing competition. In new construction projects, Technopolis focuses on quality and on the manageability of properties over their entire life cycle. In the design phase, consideration is given to the property's maintenance and repair requirements in order to implement environmentally sustainable solutions for energy consumption, adaptability of premises, and recycling potential. When acquiring any properties, Technopolis carries out standard property and environmental audits before committing to the transaction. All properties are covered by the customary full value and business interruption insurances.

Technopolis might also be too risk averse with regards to investments in new fast developing areas.

There is also a risk that the company may be unable to meet the competition and/or is unable to fully exploit business opportunities (both growth and efficiency) enabled by digitalization.

In Technopolis' business, the most relevant financial risks are the risks related to refinancing and funding as well as to unfavorable exchange rate movements, that may lead to deteriorating profitability. There is also a possibility, that the company will fail refinancing its maturing debt with favorable terms or will not be able to secure adequate funding reserves to fund strategic investments and reach company's growth targets. Financial risks are described in more detail in the Financial Risk Management -section of this report as well as in the notes section (Note 22) of the Financial Statements.

The most meaningful operational risk relates to human resources, and the company's ability to attract and commit the needed key personnel to implement and execute the revised strategy.

In addition, Technopolis' business is relatively concentrated in terms of geography: Finland represents 57.9% of the Group's fair values of investment properties and 65.5% of Group net sales in 2017. There are no significant customer concentrations. As part of client risk management, Technopolis leases include rental security arrangements.

The group's leases fall into two categories: fixed-term and open-ended. The company aims to apply both lease types depending on the market situation, the property in question, and the sector in which the customer operates. At the end of 2017, open-ended leases in the lease portfolio and leases that could be terminated and renegotiated within the next 12 months covered approximately 41% (46%) of the lease stock. At the end of the period, the average lease period was 34 (35) months. Although the flexibility of the lease structure may pose a risk to the Group, it is an essential element of Technopolis' service concept. The company has solid and long-term experience in this business model and, in practice, the customer relationships are long.

Sustainability at Technopolis

At Technopolis sustainability is a day-to-day activity reflected in eco-efficient premises, motivated employees, services that support customer success, and a sense of community.

In September 2017, Technopolis received the full five stars and the prestigious Green Star status in the Global Real Estate Sustainability Benchmark (GRESB). The company received the Green Star status for the fourth year in a row. The survey measures environmental, social and governance related factors. In addition, Technopolis received the EPRA gold sBPR award, an acknowledgment of its

sustainability data disclosure. In 2017, Technopolis also participated in the CDP questionnaire for the first time, and received a rating of B.

At the end of 2017, Technopolis updated its energy and carbon targets. With this update Technopolis no longer follows up the targets set for the like-for-like property portfolio of 2011, as the portfolio covered less than 50% of Technopolis' current property portfolio. At the beginning of 2017, Technopolis announced that the targets will be renewed during the year. The new Corporate Sustainability targets now include reduction in consumption and emissions from the base year 2016 to 2025. The development is reviewed quarterly.

For more information, please see the Sustainability Report 2017.

Corporate Governance

More detailed information on Technopolis' governance related matters can be found on the company's Corporate Governance Statement 2017 on the company's web pages.

Organization and Personnel

The CEO of Technopolis is Keith Silverang. During the review period, the Group Management Team comprised Keith Silverang, CEO; Juha Juntunen, COO; Kari Kokkonen, Director, Real Estate and Services; Sami Laine, CFO (from May 1, 2017); Outi Raekivi, Director, Legal Affairs; and Reijo Tauriainen, CFO (until April 30, 2017) and Advisor (until July 31, 2017).

The Technopolis line organization consists of three geographic units: Finland, the Baltic Rim and Scandinavia. The Group organization also has centralized real estate development, services, marketing and support services. In 2017, the Group employed an average of 234 (248) people. On average, real estate operations employed 75 (82) people, service operations 105 (112), and Group administration 54 (54). The number of personnel at the period end was 224 (242).

Annual General Meeting 2017

The Annual General Meeting (AGM) of Technopolis Plc was held on March 23, 2017 in Espoo. The AGM adopted all the proposals to the General Meeting by the Board of Directors and the Shareholders' Nomination Board, approved the annual accounts for the financial year 2016 and discharged the company's management from liability.

The Annual General Meeting decided, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.12 per share. The dividend was paid to shareholders who were recorded in the shareholders' register of the company held by Euroclear Finland Ltd on the dividend record date of March 27, 2017. The dividend was paid on April 4, 2017.

KPMG Oy Ab, authorized public accountants, was re-elected auditor of the company. KPMG Oy Ab had notified that Lasse Holopainen, APA, acts as the responsible auditor. The auditor's term of office shall expire at the end of the next Annual General Meeting. The remuneration to the auditor is paid against the auditor's reasonable invoice.

Board of Directors

The Annual General Meeting decided that the Board of Directors shall comprise six (6) members. Jorma Haapamäki, Juha Laaksonen, Helena Liljedahl, Pekka Ojanpää, Christine Rankin, and Reima Rytsölä were elected members of the Board of Directors for a term of office expiring at the end of the next Annual General Meeting. Juha Laaksonen was elected as the Chairman of the Board of Directors and Jorma Haapamäki as the Vice Chairman.

The members of the Board of Directors were be paid an annual remuneration as follows: EUR 55,000 to the Chairman of the Board, EUR 31,500 to the Vice Chairman of the Board and the Chairman of the Audit Committee (in case he/she is not simultaneously acting as Chairman or Vice Chairman of the Board) and EUR 26,250 to the other members of the Board of Directors.

For participation in the meetings, each member of the Board was, in addition to the annual remuneration, paid a fee of EUR 600 and the Chairman of the Board of Directors a fee of EUR 1,200 for each Board meeting. For meetings held outside the country of residence of the member and provided that the member is physically present at the meeting venue, each member of the Board of Directors shall, however, be paid a fee of EUR 900 and the Chairman of the Board of Directors a fee of EUR 1,800 for each Board meeting. The travel expenses of the members of the Board of Directors and the members of the committees shall be compensated in accordance with the company's travel policy.

In total, 40% of the annual remuneration is paid in Technopolis Plc shares acquired at a price determined in public trading. The shares will be acquired based on an acquisition program prepared by the company. If the remuneration cannot be paid in shares due to insider regulations, termination of the Board member's term of office, or other reasons relating to the company or the member of the Board, the annual remuneration shall be paid fully in cash. Board members are not allowed to transfer any shares obtained as annual remuneration before their membership of the Board has ended.

Board Committees

Technopolis has two Board committees. The members of the committees are:

- Audit Committee: Christine Rankin, Chairman; Helena Liljedahl, and Pekka Ojanpää,
- Remuneration and HR Committee: Juha Laaksonen, Chairman; Jorma Haapamäki, and Reima Rytsölä

The members of the Board Committees were be paid remuneration as follows: the chairmen of the committees a fee of EUR 800 for each committee meeting and each member of a committee a fee of EUR 600. For meetings held outside the country of residence of the member and provided that the member is physically present at the meeting venue, each member of the Board Committees shall, however, be paid a fee of EUR 900 and the chairs of the committees a fee of EUR 1,200 for each committee meeting.

Nomination Board

Technopolis' Nomination Board consists of three members nominated by three major shareholders of the company. In addition, the Chairman of the Board of Directors of the company participates in the work of the Nomination Board as an expert. The Nomination Board is responsible for preparing proposals to the General Meeting concerning the election and remuneration of the members of the Board of Directors.

The three major shareholders of Technopolis based on the company's shareholders' register held by Euroclear Finland Ltd on September 1, 2017, nominated the following representatives to the Nomination Board on September 4, 2017: Risto Murto, President and CEO of Varma Mutual Pension Insurance Company; Timo Ritakallio, President and CEO of Ilmarinen Mutual Pension Insurance Company, and Päivi Laajala, Mayor of City of Oulu.

On November 24, 2017, Mutual Pension Insurance Company Ilmarinen announced to have sold all of its shareholding in Technopolis Plc. Consequently, President and CEO of Ilmarinen, Timo Ritakallio also renounced his membership in the Nomination Board.

The same day, Olofsgård Invest Ab announced that its total direct shareholding in Technopolis Plc's had risen to 15.48 per cent. Consequently, Olofsgård Invest Ab became the second largest shareholder in Technopolis Plc. Chairman of the Board of Olofsgård Invest Ab, Kaj-Gustaf Bergh, was elected, according to the Charter of the Nomination Board, as a new member in the Nomination Board effective November 29, 2017.

Risto Murto, President and CEO of Varma Mutual Pension Insurance Company and Päivi Laajala, Mayor of City of Oulu continued as members of the Nomination Board. The chairman of Technopolis Plc's Board of Directors, Juha Laaksonen, participates in the work of the Nomination Board as an expert. Risto Murto acts as the Chairman of the Nomination Board.

Lawsuits and Claims

During 2017, there were no legal proceedings taking place in Technopolis Plc or its Group companies that would have a material impact on the Company or its financial position.

Annual General Meeting 2018

The Annual General Meeting of 2018 will be held in Espoo on March 20, 2018.

Shares, Share Capital And Trading

At the end of 2017, Technopolis Plc's share capital amounted to EUR 96,913,626.29 (96,913,626.29) and the total number of shares was 158,793,662 (158,793,662). The number of shares held by the company was 1,903,373 (1,947,571), that represents 1.20% (1.23%) of all the shares and voting rights.

A dividend of EUR 0.12 per share for the fiscal year 2016 was paid on April 4, 2017. This corresponded to a pay-out ratio of 35.8% on EPRA earnings. The effective dividend yield was 3.83%.

In accordance with the terms and conditions of the company's 2013–2017 performance share plan, a total of 4,018 shares of Technopolis Plc were returned to the Company on June 5, 2017.

On April 25, 2017, the Board of Directors decided on a directed share issue to the key personnel of the company for the payment of share rewards in accordance with the Performance Share Plan 2013–2017 and the Matching Share Plan 2016. In the share issue, 59,390 treasury shares were issued without consideration to the key personnel entitled to share rewards. The share issue was based on the authorization granted to the Board of Directors by the company's General Meeting of Shareholders held on March 23, 2017.

In accordance with the terms and conditions of the company's 2013–2017 performance share plan, a total of 11,174 shares of Technopolis Plc were returned to the Company on January 11, 2017.

Authorizations of the Board of Directors

The AGM 2017 authorized the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the company's own shares as follows:

The amount of own shares to be repurchased and/or accepted as a pledge shall not exceed 15,850,000 shares, which corresponds to approximately 10% of all the shares in the company. Only the unrestricted equity of the company can be used to repurchase own shares on the basis of the authorization. The company's own shares can be repurchased at the price prevailing in public trading on the date of the repurchase or otherwise at the price prevailing on the market.

The Board of Directors decides how the company's own shares will be repurchased and/or accepted as pledge. They can be repurchased using, inter alia, derivatives. They can also be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). The authorization is effective until the end of the next Annual General Meeting; however, no later than June 30, 2018.

By the end of 2017, the Board had not used this authorization.

Further, the Annual General Meeting 2017 authorized the Board of Directors to decide on the issuance of shares and the issuance of special rights entitling to shares referred to in chapter 10 section 1 of the Companies Act as follows:

The amount of shares to be issued shall not exceed 15,850,000 shares, which corresponds to approximately 10% of all the shares in the company. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling the holder to shares. The issuance of shares and of special rights entitling the holder to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization is effective until the end of the next Annual General Meeting; however, no later than June 30, 2018. On April 25, 2017, the Board used its authorization to issue shares for the rewards of the Performance Share Plan 2013–2017 and Matching Share Plan 2016. In the share issue, 59,390 treasury shares were issued without consideration to the key personnel entitled to share rewards in accordance with the terms and conditions of the Performance Share Plan 2013–2017 and the Matching Share Plan 2016. After this, the Board authorization to issue or give special rights entitling holders to shares referred to in the Limited Liability Companies Act is valid for 15,790,610 shares.

Shareholders

The ten largest shareholders on December 31, 2017 together with the distribution of shareholdings by sector and by the size of shareholding, can be found in the notes section of the parent company financial statements or on the company's website.

At the year-end, there were two shareholders holding more than five per cent of the total number of shares and voting rights in Technopolis Plc: Varma Mutual pension Insurance Company held 30,232,288 shares representing 19.04% of all the shares and votes, and Olofsgård Invest Ab held 24,574,4790 shares representing 15.48% of all the shares and votes.

The latest detailed information on Technopolis shareholders and shareholdings can be found on the company's website.

Liquidity Guarantee

There is no liquidity guarantee in effect for the shares of Technopolis Plc.

Disclosures of Changes in Holdings in 2017

After the review period, on January 2, 2018, Technopolis Plc received a flagging notification pursuant to Chapter 9 Section 5 of the Finnish Securities Markets Act. According to the flagging notification, the total ownership in Technopolis Plc held by BlackRock, Inc., based on the total sum which consists of the indirect holding and the total number of financial instruments referred to in chapter 9, section 6a of the Securities Markets Act, increased on December 29, 2017 to 7,945,353 shares thus totaling 5.00 per cent of all shares in Technopolis Plc.

On December 1, 2017, the Company received a flagging notification in accordance with chapter 9, section 10 of the Finnish Securities Market Act. According to the flagging notification, the total ownership in Technopolis Plc held by BlackRock, Inc., based on the total sum which consists of the indirect holdings and the total number of financial instruments referred to in chapter 9, section 6a of the Securities Markets Act, decreased on November 30, 2017 to less than 5.00 per cent of all shares in Technopolis Plc.

On November 24, 2017, Technopolis Plc received three flagging notifications pursuant to Chapter 9 Section 5 of the Finnish Securities Markets Act. According to the first notification, the total ownership in Technopolis Plc held by Ilmarinen Mutual Pension Insurance Company decreased to 0.00 per cent of all shares in Technopolis Plc. In the previous flagging notification the share was 10.05 per cent. According to the information provided by Euroclear Finland, the total ownership in Technopolis Plc held by Ilmarinen Mutual Pension Insurance Company on October 30, 2017 was 16,634,470 shares, corresponding to 10.48 per cent of all the shares in Technopolis Plc.

Share trading	FY, 2017	FY, 2016	Change %
Lowest price, EUR	2.96	2.89	2.4
Highest price, EUR	4.20	3.48	20.7
Closing price (end of period), EUR	4.18	3.13	33.5
Volume weighted average price, EUR	3.73	3.16	18.0
Share turnover, million shares	72.0	49.7	44.9
Share turnover, EURm	268.2	157.1	70.7
Market capitalization (end of period), EURm	663.8	497.0	33.5

* Market capitalization is based on 158,793,662 shares.
Source: Nasdaq Helsinki

According to the second notification, the total ownership in Technopolis Plc held by Varma Mutual Pension Insurance Company decreased to 30,232,288 shares thus totaling 19.04 per cent of all shares in Technopolis Plc. In the previous flagging notification the share was 20.25 per cent. According to the information provided by Euroclear Finland, the total ownership in Technopolis Plc held by Varma Mutual Pension insurance Company on October 30, 2017 was 38,172,288 shares, corresponding to 24.04 per cent of all the shares in Technopolis Plc.

According to the third notification of the same day, the total ownership in Technopolis Plc held by Olofsgård Invest Ab increased to 24,574,470 shares thus totaling 15.48 per cent of all shares in Technopolis Plc.

On October 10, 2017, the Company received a flagging notification in accordance with chapter 9, section 10 of the Finnish Securities Market Act. According to the flagging notification, the total ownership in Technopolis Plc held by BlackRock, Inc., based on the total sum which consists of the indirect holdings and the total number of financial instruments referred to in chapter 9, section 6a of the Securities Markets Act, increased on October 9, 2017 to 7,944,316 shares thus, totaling 5.00 per cent of all shares in Technopolis Plc.

There were no disclosures of changes in holdings received during January–September 2017.

Events After the Review Period

After the review period on January 23, 2018, Technopolis announced that it is amending its accounting policy regarding deferred taxes in accordance with the IFRS Interpretations Committee agenda decision of 15–16 July 2014 and is restating its financials for 2016 and the first three quarters of 2017 accordingly.

Under the former accounting policy, Technopolis calculated the deferred tax assets and liabilities of investment properties based on the temporary difference between the fair value of the shares and the acquisition cost of the real estate company. The former policy was in line with the common market practice with respect to the disposal of properties by means of selling shares in the property company.

Whereas, according to the IFRS Interpretations Committee's agenda decision, deferred taxes are to be recognized based on the difference between the fair value of the properties and the residual tax value of the underlying assets. Technopolis has brought its accounting policy in line with the agenda decision. The change is effective from the fourth quarter reporting 2017. The financials for fiscal year 2016 and January–September 2017 were restated for comparison purposes.

In addition, after the review period on January 26, 2018, Technopolis Plc announced that it will redeem the EUR 75 million capital notes (ISIN: FI4000060819) (the "Hybrid Bond") issued on March 26, 2013. The redemption will be made on March 26, 2018 in accordance with the terms and conditions of the Hybrid Bond for the full outstanding amount. The notice of redemption was given in connection with the announcement.

Board of Directors' Proposal for Dividend Distribution and Equity Repayment

At the end of the period, the parent company's distributable funds totaled EUR 38.9 million and the funds in the parent company's invested unrestricted equity fund amounted to EUR 339.6 million.

The Board proposes a dividend payment of EUR 0.09 (0.12) per share to be paid from the distributable funds and an equity repayment of EUR 0.08 (-) per share to be paid from the invested unrestricted equity fund. The dividend payment and equity repayment total EUR 0.17 (0.12) per share, approximately EUR 26.7 (18.8) million euros.

The proposed dividend payment and equity repayment, in total, represent approximately 44.0% (35.8%) of EPRA Earnings.

Near-Term Outlook 2018

Technopolis estimates that the Group Net sales in 2018 will be on the same level as it was in 2017. The company expects the Group EBITDA to remain on the same level as in 2017, or slightly below.

The estimates take into account the divestiture of the operations in Jyväskylä, Finland in late 2017. The negative impact of the Jyväskylä divestitures on Group Net sales and EBITDA, on an annual level, are approximately 14.5 and 7.2 million euros, respectively.

Furthermore, the estimate takes into account the company's view on the planned completion of organic growth projects in progress, as well as its view on economic developments in each Technopolis market, and the development of the company's occupancy and rental rates.

In Helsinki
February 14, 2018,

Technopolis Plc
Board of Directors

Five-Year Review*

	2017	2016	2015	2014	2013
Summary of income statement					
Net sales	179,712	172,076	170,566	161,678	126,335
Other operating income	17	430	51	536	1,996
EBITDA	97,086	93,068	93,011	87,169	64,125
Operating profit	121,359	89,346	88,868	42,865	43,854
Profit before taxes	98,994	64,222	55,127	630	22,649
Net profit for the year attributable to parent company shareholders	76,531	44,639	44,779	-11,737	28,832
Summary of balance sheet					
Total assets	1,719,790	1,823,684	1,562,130	1,502,929	1,560,368
Completed investment properties	1,537,940	1,624,179	1,426,013	1,378,360	1,410,418
Investment properties under construction	58,001	22,585	40,385	26,453	26,390
Cash and bank	71,753	128,027	39,378	28,270	54,095
Shareholders' equity	764,883	719,283	610,779	575,610	624,289
Interest-bearing liabilities	804,955	825,844	864,838	841,909	861,863
Key indicators and financial ratios					
Change in net sales, %	4.44	0.89	5.50	27.98	17.71
Change in EBITDA, %	4.32	0.06	6.70	35.94	15.02
Operating profit/net sales, %	67.53	51.92	52.10	26.51	34.71
Return on equity (ROE), %	11.49	7.52	8.44	-0.50	6.23
Return on investment (ROI), %	7.58	5.71	6.11	3.33	3.56
Return on capital employed (ROCE), %	5.73	5.65	6.05	5.74	4.95
Equity ratio, %	44.79	39.69	39.31	38.50	40.21
Net debt/equity (gearing), %	95.86	115.64	135.15	141.35	129.39
Interest coverage ratio	4.06	3.67	4.29	4.84	5.34
Loan to value, %	50.10	58.18	58.78	59.70	59.47
Cash flow from operations/share, EUR	0.47	0.46	0.52	0.55	0.46
Gross capital expenditure on non-current assets	77,461	221,021	88,965	69,061	466,727
Employees in Group companies, average	234	248	239	214	187

	2017	2016	2015	2014	2013
Share-related indicators [1,2]					
Earnings/share, undiluted, EUR	0.46	0.31	0.33	-0.13	0.26
Earnings/share, adjusted for dilutive effect, EUR	0.46	0.31	0.33	-0.13	0.26
Equity/share, EUR	4.06	3.75	3.79	3.63	4.05
Average issue-adjusted number of shares, basic	156,873,264	130,247,085	121,293,778	121,825,207	98,080,426
Average issue-adjusted number of shares, diluted	156,873,264	130,247,085	121,293,778	121,825,207	98,286,225
Issue-adjusted number of shares, at Dec 31	156,890,289	156,846,091	120,392,306	121,902,486	122,115,450
Market capitalization of shares, EUR	663,757,507	497,024,162	397,288,387	392,507,392	462,267,570
Share turnover	71,962,264	49,747,491	32,859,940	28,389,026	22,095,150
Share turnover/ average number of shares, %	45.87	38.19	31.13	26.78	25.89
Share prices, EUR					
Highest price	4.20	3.48	4.04	4.09	4.24
Lowest price	2.96	2.89	2.97	3.00	2.93
Average price	3.73	3.16	3.36	3.68	3.50
Price at Dec 31	4.18	3.13	3.25	3.22	3.78
Dividend/share, EUR [3]	0.09	0.12	0.15	0.13	0.09
Equity repayment/share, EUR[3]	0.08				
Dividend payout ratio, %[3]	37.02	38.94	44.55	-	33.46
Effective dividend yield, %[3]	4.07	3.83	4.56	4.05	2.30
Price/earnings (P/E) ratio	8.57	9.13	8.79	-24.16	14.55

* Technopolis amended its accounting policy regarding deferred taxes in the fourth quarter of 2017 and restated its financials for 2016 and the first three quarters of 2017. The restated numbers are presented in this table for corresponding periods.

[1] Share-related indicators have been adjusted for the rights issue in fall 2016.

[2] Own shares held by the company (1,903,373 shares) are excluded from the number of shares.

[3] Board's proposal to the AGM.

	2017	2016	2015	2014	2013
EPRA and property key figures					
Rentable area, sqm	701,900	746,400	740,400	742,000	746,800
Direct result (EPRA Earnings)	60,628	52,637	54,955	55,901	40,479
Change in direct result, %	15.18	-4.22	-1.69	38.10	35.57
Direct result per share (EPRA Earnings per share)	0.39	0.40	0.45	0.46	0.41
Financial occupancy rate, %	96.10	93.40	94.60	94.70	93.60
EPRA Vacancy Rate	3.90	6.60	5.40	5.30	6.40
EPRA Like-for-like rental growth	5.40	-0.58	0.42	-1.71	-0.41
Net rental income of property portfolio (EPRA Net Initial Yield), %	7.24	7.35	7.74	7.50	7.60
Net asset value (EPRA Net Asset Value)	717,990	665,160	492,274	479,345	521,056
Net asset value per share (EPRA NAV per share)	4.58	4.24	4.09	3.93	4.27

Consolidated Income Statement

Technopolis amended its accounting policy regarding deferred taxes in the fourth quarter of 2017 and restated its financials for 2016 and the first three quarters of 2017. The restated numbers are presented as comparison figures.

	Note	2017	2016
Rent income	1,2	154,324	149,638
Service income	1,2	25,388	22,438
Net sales total	**1,2**	**179,712**	**172,076**
Other operating income	2	17	430
Premises expenses	3	-39,372	-39,549
Administration costs	4	-14,727	-13,587
Other operating expenses	6	-28,544	-26,302
EBITDA		**97,086**	**93,068**
Change in fair value of investment properties	12	28,332	233
Depreciation	5	-4,059	-3,955
Operating profit		**121,359**	**89,346**
Unrealized exchange rate profit/loss	7	-497	336
Financial income and expenses	7	-21,881	-25,443
Share in associate profits	15	13	-16
Result before taxes		**98,994**	**64,222**
Deferred taxes	8	-9,284	-7,412
Current taxes	17	-4,474	-6,819
Net result for the period		**85,237**	**49,991**
Distribution of earnings for the year			
To parent company shareholders		76,531	44,639
To non-controlling interests	14	8,706	5,352
Total		**85,237**	**49,991**
Earnings per share, basic, EUR		0.46	0.31
Earnings per share, diluted, EUR		0.46	0.31

Consolidated Statement of Comprehensive Income

	Note	2017	2016
Net result for the period		85,237	49,991
Other comprehensive income items			
Items that may be reclassified subsequently to profit or loss:			
Translation differences	8,20,22	-12,283	16,608
Available-for-sale financial assets	7,8,16	4	12
Derivatives	8	8,095	-4,289
Taxes related to other comprehensive income items	8	-1,655	748
Other comprehensive income items after taxes		**-5,839**	**13,079**
Comprehensive income for the period, total		**79,397**	**63,070**
Distribution of comprehensive earnings for the period			
To parent company shareholders		70,896	57,262
To non-controlling interests	14	8,502	5,808
Total		**79,397**	**63,070**

Consolidated Balance Sheet

Technopolis amended its accounting policy regarding deferred taxes in the fourth quarter of 2017 and restated its financials for 2016 and the first three quarters of 2017. The restated numbers are presented as comparison figures and opening balances 1 January 2016. The amendment had no cash flow effect.

	Note	12/31/2017	12/31/2016	1/1/2016
ASSETS				
Non-current assets				
Intangible assets	10	5,438	5,707	5,414
Tangible fixed assets	11	5,662	6,697	7,166
Completed investment properties	12	1,537,940	1,624,179	1,426,013
Investment properties under construction	12	58,001	22,585	40,385
Advance payments and projects in progress	13	10,650	3,083	4,840
Holdings in associates	15	5,210	5,222	5,239
Investments and receivables	16	1,141	1,245	1,561
Deferred tax assets	17	13,092	15,172	14,440
Total non-current assets		**1,637,134**	**1,683,890**	**1,505,058**
Current assets				
Sales receivables	18	4,365	4,321	6,549
Other current receivables	18	6,538	7,447	9,708
Cash and cash equivalents	19	71,753	128,027	39,378
Total current assets		**82,656**	**139,794**	**55,634**
ASSETS, TOTAL		1,719,790	1,823,684	1,560,.692
EQUITY AND LIABILITIES				
Equity	20			
Share capital		96,914	96,914	96,914
Premium fund		18,543	18,542	18,551
Invested unrestricted equity fund		335,362	335,360	211,935
Other reserves		-6,299	-12,744	-9,214
Equity related bond		74,221	74,221	74,221
Translation differences		-23,346	-11,266	-27,418
Retained earnings		139,241	116,371	94,114
Net profit for the year		76,531	44,639	44,779
Parent company's shareholders' share of equity		**711,166**	**662,037**	**503,881**
Share of non-controlling interests in equity	14	53,717	57,246	73,752
Total equity		**764,883**	**719,283**	**577,633**
Liabilities				
Deferred tax liabilities	17	77,941	70,251	65,588
Non-current finance lease liabilities	21,22	6,115	30,019	31,985
Other non-current liabilities	21,22	617,681	798,427	694,587
Non-current liabilities, total		**701,738**	**898,697**	**792,161**
Current finance lease liabilities	21,22	1,694	3,411	3,114
Accounts payable	21,22	3,088	7,652	6,094
Other current financial liabilities	21,22	248,386	194,641	181,691
Current liabilities, total		**253,168**	**205,704**	**190,899**
Total liabilities		**954,906**	**1,104,401**	**983,059**
EQUITY AND LIABILITIES, TOTAL		1,719,790	1,823,684	1,560,692

Consolidated Statement of Cash Flows

	Note	2017	2016
Cash flows from operating activities			
Net result for the period		85,237	49,991
Adjustments:			
Change in value of investment properties	12	-28,332	-233
Depreciation	5	4,059	3,955
Share in associate profits	15	-13	16
Gains from disposals		397	-356
Other adjustments for non-cash transactions		874	-464
Financial income and expenses	7	21,891	25,754
Taxes	8,17	13,757	14,231
Change in working capital		2,650	-2,973
Interest received	7	773	290
Dividends received	7	109	54
Interest paid and fees		-16,799	-16,955
Other financial items in operating activities	7	-7,592	-9,719
Taxes paid	8,17	-2,628	-3,362
Cash flows from operating activities		**74,382**	**60,231**
Cash flows from investing activities			
Investments in investment properties	1	-73,680	-86,951
Acquisition of subsidiaries	24	-5,798	-53,013
Investments in tangible and intangible assets	1	-1,204	-4,107
Investments in other securities			-486
Loans granted			1
Repayments of loan receivables	21,22	7	3
Proceeds from sale of investments		25	1,176
Proceeds from sale of tangible and intangible assets and investment properties		39,122	3,920
Shares in subsidiaries sold		56,886	63,976
Cash flows from investing activities		**15,358**	**-75,479**
Cash flows from financing activities			
Increase in long-term loans	21,22	15,973	183,016
Decrease in long-term loans	21,22	-89,175	-203,177
Sale of subsidiaries, no change in control		1,134	
Dividends paid and return of capital	14	-20,447	-19,951
Paid share issue			125,477
Acquisition of own shares	20		-1,093
Interest paid to equity related bond	22	-5,625	-5,625
Change in short-term loans	21,22	-48,287	23,880
Cash flows from financing activities		**-146,427**	**102,527**
Change in cash and cash equivalents	**19**	**-56,676**	**87,279**
Impact of exchange rate changes		402	1,370
Cash and cash equivalents at period-start		128,027	39,378
Cash and cash equivalents at period-end		**71,753**	**128,027**

Statement of Changes in Equity

	Equity attributable to owners of the parent										
	Share capital	Premium fund	Invested unrestricted equity fund	Hedging instrument reserve	Fair value reserve	Equity related bond	Translation differences	Retained earnings	Equity attributable to owners of the parent	Share of non-controlling interests	Total shareholders' equity
Equity December 31, 2015	**96,914**	**18,551**	**211,935**	**-9,410**	**196**	**74,221**	**-27,418**	**166,061**	**531,050**	**79,718**	**610,768**
IAS 12 amendment impact								-27,169	-27,169	-5,967	-33,135
Equity January 1, 2016, amended [1)]	**96,914**	**18,551**	**211,935**	**-9,410**	**196**	**74,221**	**-27,418**	**138,893**	**503,881**	**73,752**	**577,633**
Comprehensive income											
Net profit for the period								44,639	44,639	5,352	49,991
Other comprehensive income items											
Translation difference							16,152		16,152	456	16,608
Derivatives				-3,541					-3,541		-3,541
Available-for-sale financial assets					12				12		12
Comprehensive income for the period				**-3,541**	**12**		**16,152**	**44,639**	**57,262**	**5,808**	**63,070**
Related party transactions											
Dividend								-17,758	-17,758	-1,177	-18,935
Return of capital										-232	-232
Share issue			125,477						125,477		125,477
Acquisition of own shares			-1,093						-1,093		-1,093
Interest paid to equity related bond								-4,500	-4,500		-4,500
Investment of non-controlling interests										-23,988	-23,988
Other changes		-9	-960					-263	-1,232	3,083	1,851
Related party transactions		**-9**	**123,424**					**-22,521**	**100,894**	**-22,314**	**78,580**
Equity December 31, 2016	**96,914**	**18,542**	**335,360**	**-12,951**	**208**	**74,221**	**-11,266**	**161,010**	**662,037**	**57,246**	**719,283**
Equity January 1, 2017	**96,914**	**18,542**	**335,360**	**-12,951**	**208**	**74,221**	**-11,266**	**161,010**	**662,037**	**57,246**	**719,283**
Comprehensive income											
Net profit for the period								76,531	76,531	8,706	85,237
Other comprehensive income items											
Translation difference							-12,079		-12,079	-204	-12,283
Derivatives				6,440					6,440	0	6,440
Available-for-sale financial assets					4				4		4
Comprehensive income for the period				**6,440**	**4**		**-12,079**	**76,531**	**70,896**	**8,502**	**79,397**
Related party transactions											
Dividend								-18,820	-18,820	-1,385	-20,205
Interest paid to equity related bond								-4,500	-4,500		-4,500
Investment of non-controlling interests								1,252	1,252	-10,646	-9,394
Other changes		1	2					299	301		301
Related party transactions		**1**	**2**					**-21,769**	**-21,766**	**-12,031**	**-33,798**
Equity December 31, 2017	**96,914**	**18,543**	**335,361**	**-6,511**	**212**	**74,221**	**-23,346**	**215,773**	**711,166**	**53,717**	**764,883**

[1)] Technopolis amended its accounting policy regarding deferred taxes in the last quarter of 2017. The change has been applied also to comparison figures.

Accounting Policies Applied in the Preparation of the Consolidated Financial Statements

Company Information

Technopolis is a shared workspace expert. We provide efficient and flexible offices, coworking spaces and everything that goes with them. Our services run from designing the workspace to reception, meeting solutions, restaurants and cleaning. We are obsessed with customer satisfaction and value creation. Our 17 campuses host 1,600 companies with 50,000 employees in six countries within the Nordic and Baltic Sea region. The Group's parent company is Technopolis Plc. The company is domiciled in Oulu, Finland, and its registered address is Elektroniikkatie 8, FI-90590 Oulu.

The Board of Directors of Technopolis Plc has approved the publication of the consolidated financial statements on February 15, 2018. A copy of the consolidated financial statements is available on the website of Technopolis Plc at www.technopolis.fi/investors. Under the Finnish Limited Liability Companies Act, shareholders have the option to accept, amend or reject the financial statements at the Annual General Meeting, which is held after the publication of the financial statements.

Accounting Policies Applied in the Preparation of the Consolidated Financial Statements

The consolidated financial statements of Technopolis Plc have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements comply with the IAS (International Accounting Standards) and IFRS effective as of December 31, 2017, together with the interpretations of the SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) adopted by European Union. All figures in the financial statements are presented in thousands of euros.

In the consolidated financial statements, investment properties, available-for-sale financial assets, derivatives and the cash portion of the share incentive scheme are measured at fair value. In other respects, the consolidated financial statements were produced on the historical cost basis.

As of January 1, 2017, the Group has applied the revised standards IAS 7 *Statement of Cash Flows* and IAS 12 *Income Taxes*, and has taken into account the 2014–2016 Annual Improvements cycle related to IFRS 12 *Disclosure of Interests in Other Entities*. The amendment to IAS 7 affects the notes to the consolidated financial statements; otherwise, the impact of the amendments on the consolidated financial statements is insignificant.

Scope of Consolidated Financial Statements

The consolidated financial statements include the parent company, Technopolis Plc, and those subsidiaries in which the parent company directly or indirectly controls more than 50% of the voting power of the shares or otherwise exercises control. The Group has control over an investment when it has the right and ability to control the significant functions of the investment, and when it has exposure or rights to the investee's variable returns and the ability to affect those returns through power over an investee. Technopolis Plc has control over all consolidated subsidiaries on the basis of voting power. Associated companies are companies in which the Technopolis Group exerts significant influence. Significant influence exists when the Group owns more than 20% of the company's voting power or when it otherwise exerts significant influence but not control.

The purchase method has been used in eliminating the mutual shareholdings of Group companies. Pursuant to an exemption permitted under IFRS 1, the Group has elected not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that predate the transition to IFRS (January 1, 2004). Business combinations subsequent to the transition date implemented prior to January 1, 2010, comply with the IFRS 3 standard in force at the time, and as of January 1, 2010, the Group has applied the revised IFRS 3 standard in accordance with which all acquisition-related expenses are recognized in the statement of income as expenses. A conditional additional purchase price must be recognized at fair value, even if the materialization of the additional purchase price is not assumed to be probable at the time of the acquisition. Any changes in the conditional purchase price liability that have taken place after the time of acquisition are recognized through profit or loss.

IFRS 3 is applied to the acquisition of an investment property if the acquired entity comprises a single business entity that can be managed and administered as an independent entity. When the company determines whether the acquisition is a separate business, the criteria applied include the following factors: are employees transferred with the acquired company, does the acquired entity manage its customer accounts independently, and does the acquired entity make up a clear separate business entity. If the above criteria are met, IFRS 3 is applied to the acquisition of the investment property, otherwise the IAS 40 standard is applied. With regard to acquisitions to which the IFRS 3 standard has been applied, the identifiable assets, liabilities and contingent liabilities are measured at fair value on the acquisition date. If the cost of an acquired company on the acquisition date exceeds the Group's share of the fair value of the acquired company's net assets, the difference is recognized as goodwill. All subsidiaries established or acquired during the fiscal year have been consolidated from the point in time when control over them was established. Changes in ownership of subsidiaries, associated companies or joint ventures are recognized directly in the Group's shareholders' equity. As a result of the standard revision, losses of a subsidiary can be allocated to non-controlling owners even when they exceed the value of their investments.

If the Group has acquired an investment property that is not a business combination referred to in IFRS 3, the investment property has been measured at acquisition cost at the time of acquisition. The acquisition cost of the acquired investment property includes the purchase price and direct expenses of the acquisition, such as related expert fees, asset transfer taxes and other transaction costs.

All intra-group transactions, balances and profit distribution have been eliminated. The distribution of net profit for the period between parent company shareholders and non-controlling interest is presented in the income statement, and the equity attributable to non-controlling interests is presented separately under equity. The distribution of comprehensive income between parent company shareholders and non-controlling interests is presented in the statement of comprehensive income.

Associates have been consolidated using the equity method of accounting. The Group's portion of the net profit/loss for the year of associates, less depreciation, is presented in the income statement under financial

income. If the Group's portion of an associate's loss exceeds the carrying amount, any losses in excess of the carrying amount are not consolidated unless the Group is committed to fulfilling the obligations of the associates.

Mutual real estate companies have been consolidated by proportional consolidation, with the balance sheets, income statements and statements of comprehensive income of the mutual property companies being consolidated proportionally to the Group's holding, line by line, with the corresponding lines in the consolidated financial statements. If the income statements or statements of comprehensive income and the balance sheets of subsidiaries consolidated by proportional consolidation contain items that are exclusively attributable to the Group or to other owners, they have also been taken into account accordingly in the consolidated financial statements. These cases do not constitute a non-controlling interest.

Foreign Currency-Denominated Business Transactions

The figures concerning the result and financial position of the Group's unit are denominated in the currency of each unit's main business environment (the "functional currency"). The consolidated financial statements are disclosed in euros, which is the functional and presentation currency of the Group's parent company. In addition to the euro, the Group has items denominated in U.S. dollars, Russian rubles, Norwegian krones and Swedish kronas.

Foreign currency-denominated business transactions are recognized in the functional currency, using the exchange rate of the transaction date. Foreign currency-denominated monetary balances are converted to euros using the exchange rates of the balance sheet date. Foreign currency-denominated non-monetary items are valued using the exchange rate of the transaction date, except for items at fair value, which are converted to euros using the exchange rates of the valuation date.

Gains and losses arising from foreign currency-denominated business transactions and from the translation of monetary items have been recognized in the income statement under financial income and expenses. Exchange rate gains and losses from business operations are included in the corresponding items before operating profit.

Income and expense items of the Group companies' income statements are converted to euros using the average rate of the financial period and balance sheets using the exchange rate of the balance sheet date, which results in translation differences recognized in shareholders' equity on the balance sheet, with the result recognized in other comprehensive income. Translation differences from the elimination of foreign subsidiaries' acquisition cost and equity items accumulated after acquisition are recognized in other comprehensive income. Translation differences from the sale of a subsidiary or loss of control are recognized in the income statement as part of the capital gain or loss.

The Group has a Russian subsidiary in St. Petersburg that uses the Russian ruble as its functional currency and seven subsidiaries in Oslo that use the Norwegian krone as their functional currency, as well as two subsidiaries in Sweden that use the Swedish krona as their functional currency.

Recognition Principles

The Group's net sales primarily consist of real estate rental revenues and service revenues derived from business operations. Net sales are adjusted for indirect taxes, sales adjusting items and the translation difference of foreign currency-denominated sales. The Group's income is recognized when it is probable that the economic benefits associated with the transaction will flow to the entity. Most of the rental revenues from investment properties have been recognized as income in accordance with IAS 17 through profit or loss on a straight-line basis over the entire lease term. The rents paid by some customers are "contingent rents," with the rent based on the lessee's net sales. Because the final rent based on net sales is confirmed only after the financial period has ended, rents tied to net sales are recognized during the financial period based on contracts and balanced according to the actual rents at the end of the financial period.

The services provided by the company are comprised of workplace, work life and community services. Workplace services include reception services, parking, cleaning and maintenance services, as well as workplace design services. Work life services include meeting, catering and restaurant services, as well as wellness and personal services. Community services are comprised of diverse events. The company is responsible for providing the services to customers, even though subcontractors are used for providing certain services. An exception to this are personal services offered directly to employees, for which the users pay the service provider directly. The company facilitates these services by offering premises for providing the service, for which the company charges rent. Such personal services include gym and hairdresser services. Usage that includes access to coworking spaces is subject to a daily or monthly membership fee. Memberships that include access to coworking spaces are classified as service revenues. Service revenues are recognized according to IAS 18 upon completion of the service performance or over time.

Public Subsidies

Public subsidies are recognized when there is reasonable assurance that the entity complies with the conditions attaching to them and that the subsidies will be received. The subsidies received for various development programs have been recognized in other operating income. The expenses relating to development programs are recognized under other operating expenses and personnel expenses.

Intangible Assets and Tangible Fixed Assets

Intangible assets and items of property, plant and equipment are measured at the original acquisition cost, less accumulated depreciation, and they are depreciated over their useful lives according to pre-established depreciation plans. Intangible rights are depreciated on a 20% straight-line basis, and machinery and equipment on a 25% straight-line basis.

Additional expenses arising later are capitalized if it is likely that they will cause future economic benefit to flow to the company and they can be reliably determined and allocated to an asset. Otherwise, they are recognized as an expense in the income statement.

R&D expenditure is recognized in the income statement as expenses. Development expenses arising from the planning of new and significantly enhanced products are capitalized as intangible assets on the balance sheet when the development phase expenditure can be reliably determined, and the Group can show how the product will probably generate future economic benefit. Development expenses are mainly related to the development of software customized for the Group and the development of new service packages pursuant to the Technopolis concept. Capitalized R&D expenditure includes material, work and testing expenses and any capitalized borrowing costs that are directly due to finishing the product for the intended use. R&D expenditure previously recognized as expenses will not be subsequently capitalized.

The useful lives of intangible assets and tangible fixed assets are reviewed annually and their carrying amounts are assessed for possible depreciation. If there is any indication of depreciation, the recoverable amount of the asset involved is evaluated. The recoverable amount of unfinished intangible assets is additionally estimated annually regardless of whether there are indications of impairment.

The recoverable amount is the higher of the fair value of the asset less sales-related expenses or service value. Service value refers to the estimated future net cash flows from the asset or cash-generating unit discounted to their current value. The discount rate applied is the interest rate before tax, which illustrates the market view of the time value of money and special risks related to the asset.

If the carrying amount of an asset is found to be higher than the cash it will generate in the future, a depreciation loss will be recognized as an expense for the period. If a depreciation loss later proves unwarranted, it can be reversed by recognizing it in profit or loss. However, the reversal of a depreciation loss cannot exceed the depreciation of the asset recognized previously, and in cases where goodwill is recognized, a depreciation loss made in goodwill is irreversible.

On the balance sheet date, the Group has no intangible assets with indefinite useful lives or goodwill that would need to be subjected to annual depreciation testing.

Investment Properties

Investment properties are those that the Group holds in order to obtain rental revenues or an increase in asset value. They include buildings and developed/undeveloped land owned by the Group. They also include properties held under a capital lease. Investment properties are measured at fair value. The Technopolis Group keeps for its own use only small offices in buildings that can otherwise be defined as investment properties, for which reason the premises in Technopolis' own use have not been recognized separately at acquisition cost, but are included in the fair value calculation.

Changes in the value of investment properties are entered into the income statement as a separate item. Aside from the change in the value of properties owned throughout the year, the change in the fair value of investment properties was due to the determination of properties completed during the fiscal year at fair value and the increases in acquisition cost recognized by special purpose entities during the fiscal year. Increases in acquisition costs consist of the capitalization of renovation investments in the properties.

Fair Value Accounting Model and Valuation Process

In calculating the fair value of investment properties, the aim is to determine the prices paid on an active market at the time of the review for properties that are equivalent in terms of type, location, condition or lease structure. If comparable prices cannot be found on active markets, the fair value can be determined by adapting the prices of active markets to correspond to the time of the review and the situation at hand, or by determining the prices from cash flows based on estimated future revenues.

The fair value accounting model applied by the Group is based on the cash flow analysis determined specifically for each property, in which the fair value of an investment property is determined by discounting the net cash flow of future income and expenses to the present day. The net cash flow consists of future rental revenues. All future income is based on existing agreements. Existing agreements are assumed to terminate upon expiry of the notice period following the first possible date for giving notice of termination. After this, the premises are assumed to be leased at market rates. The market rates used by the company are based on actual rents for each of the premises and properties. The stable financial occupancy rate strengthens the rents internally defined by the company as being market rates. Market rents are also defined for premises that are vacant at the valuation date. A vacancy rate is defined specifically for each property annually over the entire accounting period. In addition to income from the rental of premises, site-specific income is considered to include payments for usage, income from car parking and income from conference room rentals. Rents and market rents are raised annually by the expected inflation rate.

The net cash flow consists of future rental revenues adjusted by the vacancy rate, less annual management and maintenance costs. A long-term maintenance plan has been specified for each building and included annually in the calculation of net cash flow. The net cash flows from estimated future income and expenses are discounted to the present day using a discount rate derived from the net yield requirement and the expected inflation rate. The yield requirements are calculated by two independent appraisal agencies for each individual region quarterly. The yields are calculated by taking the average of the upper and lower ranges reported by these organizations. The current value of the residual value at the end of the fiscal year is added to the net present value of the net cash flow.

Undeveloped land areas are primarily measured at acquisition cost. If the acquisition cost is essentially different from the value of building rights, the land area is measured on the basis of the building rights.

The Company analyses the property-specific calculations internally and assesses the parameters used both with the regional manager and the Group administration. The valuation model and the parameters applied therein have been audited by a third-party property assessor (AKA). Additionally, the Group may, at its discretion, request appraisals from its most significant properties and undeveloped land areas from third-party assessors to support its own calculations.

Investment Properties Under Construction

Acquisition costs related to the construction of an investment property accumulated during the construction period, any related plot rents, interest expenses and costs of employee benefits are capitalized on investment properties under construction on the balance sheet. Investment properties under construction are then valued at their fair value according to the degree of completion, provided that the fair value can be reliably determined. The fair value of investment properties under construction is determined using the same fair value accounting model as the fair value of completed investment properties. Changes in the fair value of investment properties under construction are recognized in the income statement. Investment properties under construction are presented separately from completed investment properties and transferred to completed investment properties at their fair value upon commissioning.

Fair Value Measurement

In the consolidated financial statements, investment properties, available-for-sale financial assets, derivative contracts, and the cash portion of the share-based incentive scheme are measured at fair value.

Assets measured at fair value categorized into hierarchy level 1 are based on the quoted (unadjusted) prices in active markets for identical assets at the measurement date, such as share prices on the Nasdaq Helsinki stock exchange. The fair values of level 2 assets or liabilities are measured using other input data than quoted prices on level 1, for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly. The fair value of these instruments is measured on basis of generally accepted valuation techniques that primarily use inputs based on observable market data. The fair values of level 3 assets, on the other hand, are based on inputs concerning the asset which are not based on observable market data (non-observable inputs) but to a significant extent on assumptions made by the management and their use in generally accepted valuation techniques.

Advance Payments and Projects in Progress

Capitalized additions of non-current assets in progress have been recognized under advance payments and projects in progress. These include modernizations of investment properties and any other projects that are to be recognized as being in progress until they are completed.

Leases

Leases are classified as finance leases and operating leases, depending on the extent to which the risks typically related to the ownership of the leased asset are to be carried by the lessee or the lessor. Finance leases are those that substantially transfer all of the risks and rewards incidental to the ownership of the asset to the lessee. If the risks and rewards incidental to the ownership of the asset are not transferred, the lease is classified as an operating lease. Operating leases are recognized through profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the lease's actual nature.

Group as a Lessor
Leases in which the risks and rewards incidental to ownership remain with the lessor are treated as operating leases. All of the Group's leases are operating leases. The majority of rental revenues are entered in the income statement on a straight-line basis during the term of the lease. The rents paid by some customers are based on the lessee's net sales. All rental revenues are recognized in net sales. The Group does not have lease premises under long-term leases that are classified as leases.

Group as a Lessee
Leases in which the risks and rewards incidental to ownership are not transferred to the lessee are treated as operating leases.

Lessees recognize finance leases at their commencement as balance sheet assets and liabilities at their fair value or at the current value of minimum leases, whichever is lower, and they are removed from the balance sheet at the time when the assets are expected to be capitalized. The rents to be paid are divided between financial expenses and a decrease in liabilities.

Group companies are lessees of premises on long-term leases that are classified as finance leases. In these cases, the risks and rewards incidental to ownership of the premises have substantially been transferred to the Group.

Shareholders' Equity
Shares issued before 2010 are presented as share capital. Assets received as consideration for shares issued after this are registered in the company's unrestricted equity reserve. Expenses related to the issue or purchase of equity instruments are presented as a reduction of shareholders' equity. The parent company has repurchased equity instruments, and the acquisition cost of the instruments has been deducted from shareholders' equity.

The equity bond, or hybrid bond, is a liability presented under shareholder's equity in the Group's financial statements. The hybrid bond is subordinate to other debt obligations. The bondholders have no rights belonging to shareholders, and it does not dilute the shareholdings of the existing shareholders. Costs associated with the issuance or acquisition of equity instruments are recognized as a decrease in shareholders' equity less tax effects.

Financial Assets and Liabilities
Technopolis Group's financial assets are classified into the following categories in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification is made according to the purpose of the acquisition of the financial assets and liabilities, and they are classified in connection with the original acquisition. Financial instruments are initially recognized at fair value based on the consideration received or paid. Transaction costs are included in the initial accounting value of financial assets and liabilities for items that are not measured at fair value through profit or loss. All purchases and sales of financial assets and liabilities are recognized on the transaction date.

Financial assets are derecognized from the balance sheet when the Group has lost its contractual right to cash flows or it has substantially transferred the risks and rewards to a non-Group party.

Financial assets and liabilities at fair value through profit or loss include derivatives not eligible for hedge accounting according to IAS 39 *Financial Instruments: Recognition and Measurement.* Available-for-sale financial assets and liabilities maturing within 12 months are included in current assets and liabilities.

The items in this group are recognized at fair value, and the fair values of all of the investments in this category are determined on the basis of quoted prices in active markets or generally approved option pricing models. Both realized and unrealized gains and losses from changes in fair value and related taxes are recognized through profit or loss for the period during which they were incurred.

Fees related to borrowings and other receivables are fixed or can be determined and not quoted in an active market, and the company does not hold them for trading purposes. This group includes the Group's financial assets generated by conveying money, goods, or services to the debtor. They are measured at amortized costs and included in current and non-current financial assets; in the latter if they mature after more than 12 months. The Group recognizes an impairment loss for an individual receivable when there are objective indications that it will not be possible to collect the receivable in full.

Available-for-sale financial assets are non-derivative assets that are specifically classified into this group or not classified into any other group. They are included in non-current financial assets if the aim is to hold them for more than 12 months after the closing date; otherwise, they are included in current financial assets.

Changes in the fair values of available-for-sale financial assets are recognized in other comprehensive income items and in the revaluation fund, taking tax effects into account. Changes in fair value are transferred from shareholders' equity to the income statement when the investment is sold or its value has decreased so that an impairment loss must be recognized.

Interest-bearing liabilities are recognized on the balance sheet at amortized cost by applying the effective interest method. Current interest-bearing liabilities include all interest-bearing liabilities maturing within 12 months, including commercial papers issued by the company.

Impairment of Financial Assets
The Group recognizes an impairment loss for individual receivables when there are objective indications that it will not be possible to collect the receivable in full. The debtor having considerable financial difficulties, probability of bankruptcy, default on payments or delay of payment by more than 90 days are indications of the impairment of a receivable. The amount of impairment loss through profit or loss is determined as the difference between the book value of the receivable and estimated future cash flows. If the amount of the impairment loss decreases during a subsequent period and the decrease can be objectively considered to be related to an event taking place after the recognition of the impairment, the recognized loss is cancelled through profit or loss.

The Group estimates on the closing date of each reporting period whether there are indications of impairment of any individual items or group of financial assets. If there are indications of impairment, the loss accumulated in the revaluation fund is recognized through profit or loss.

Derivative Contracts and Hedge Accounting
The Group uses derivative contracts mainly to hedge interest rate risks. Interest rate derivatives are classified as hedging instruments of future interest flows, and the Group applies hedge accounting of cash flows to the contracts when the criteria for hedge accounting according to IAS 39 are met. A change in the fair value of a derivative contract is recognized in other comprehensive income items to the extent that the hedging is effective. The non-effective proportion of hedging is immediately recognized in the income statement in financial items. If a derivative contract used as a hedging instrument is matured, sold or terminated prematurely but the generation of the interest flows of the hedged loans is still very probable, the gains and losses from interest rate swaps remain in shareholders' equity and are recognized in the income when the hedged interest flows are realized as income. If the generation of the hedged cash flows is no longer very

probable, the gains and losses from interest rate swaps are immediately recognized from shareholders' equity to the income statement under financial income and expenses.

Derivative contracts that do not meet the criteria for hedge accounting are recognized through profit or loss. Such contracts are measured at fair value, and changes in their fair value are recognized in the income statement.

Borrowing Costs
Borrowing costs are recognized as expenses for the financial period during which they were incurred. Borrowing costs arising directly from the acquisition, construction or manufacturing of an item meeting specific criteria are included in the acquisition cost of the item in question. Borrowing costs that are capitalized include expenses due to loans raised for construction costs related to real estate development or expenses of construction projects multiplied by a financial expense factor if there is no separate loan allocated to the construction project in question. The financial expense factor is the weighted average interest rate of the Group's interest-bearing liabilities during the financial period, determined by quarter. No borrowing costs were capitalized during the financial year or the comparison period.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash, demand deposits and other current, extremely liquid investments. Items classified as cash and cash equivalents have a maximum maturity of three months from the acquisition date.

Employee Benefits
Short-Term Employee Benefits
Salaries and bonuses are short-term employee benefits, and they are recognized as expenses for the financial period during which the work was performed.

Post-Employment Benefits
All of the Group's employees are included in defined contribution plans, and all contributions resulting from pension arrangements are recognized in the income statement for the fiscal year to which the contribution relates.

Share-Based Payments
The company has six current share incentive schemes. The bonuses under the share incentive scheme are paid partly in shares and partly in cash. The portion paid in shares is recognized as expenses for employee benefits incurred during the period the benefits were created, and is also recognized in Group equity. Shares granted are measured at fair value on the date of granting. The portion paid in cash is recognized as expenses for employee benefits incurred during the period the benefits were created, and also as a liability. Liabilities are re-valuated on each closing date.

Provisions and Contingent Liabilities
A provision is recognized when the Group has a legal or actual obligation based on an earlier event, when materialization of the payment obligation is probable and the amount of the obligation can be reliably determined. The provisions are measured at the present value of the expenses required to cover them. If there is a possibility of obtaining compensation from a third party for part of the obligation, the compensation is recognized as a separate asset when its receipt is virtually certain. The amount of provisions is assessed on each balance sheet date and adjusted to correspond to the best estimate available at the time of assessment. The Group does not have such provisions.

A contingent liability is a potential liability resulting from earlier events, the existence of which only becomes certain when an uncertain event outside the control of the Group materializes. An existing obligation that probably does not require a payment obligation to be fulfilled or whose amount cannot be reliably determined is also classified as a contingent liability. Contingent liabilities are presented in the notes to the financial statements.

Taxes
Current taxes include the tax based on taxable income for the period, adjustments for previous years and changes in deferred taxes. Technopolis has amended its accounting policies with regard to deferred tax assets and liabilities related to investment properties in accordance with the IFRS Interpretations Committee agenda decision of July 15–16, 2014. According to the new accounting policy, deferred taxes are to be recognized based on the difference between the fair value of the property and its residual value that has not been deducted in taxation. The amendment has been applied since January 1, 2017, and the comparison information for 2016 has also been adjusted. The impact of the adjustment to the accounting policies has been recognized in retained earnings. It is the company's operating principle to realize its shareholdings in real estate companies by selling shares instead of selling the underlying property.

Deferred tax assets arise also when a Group company has losses confirmed in taxation. Deferred tax assets are recognized to the extent it is probable they can be utilized against future taxable income. The amounts of deferred tax assets resulting from losses are estimated annually upon the preparation of the financial statements. The estimates are based on the future yield expectations of the companies in question.

Changes in deferred taxes during the financial period are recognized in comprehensive income. Taxes related to other comprehensive income are presented in other comprehensive income. The corporate tax rate confirmed on the balance sheet date has been used in calculating deferred taxes.

Operating Profit
The Group has defined operating profit as follows: Operating profit is the net sum of the net sales figure, plus operating income, minus property maintenance expenses, administrative expenses, other operating expenses, depreciation and amortization expenses and any depreciation losses, as well as changes in the fair value of investment properties. All income statement items other than those listed above are presented under operating profit. Exchange rate differences are included in operating profit if they arise from business-related items; otherwise they are recognized in financial items.

Earnings per Share
The earnings per share figure is presented as basic earnings per share and adjusted for dilution. In calculating both basic and diluted earnings per share, the accrued interest of the equity bond less tax effects has been deducted from the net result for the period. The basic earnings per share is calculated using the parent company's average number of shares for the fiscal year. When the diluted earnings per share is calculated, the parent company's average number of shares for the year has been adjusted for the dilutive effect of additional shares resulting from the expected exercise of options. The exercise of options is excluded from the earnings per share calculations if the subscription price of an option-based share exceeds the shares' average market value during the year. The Group has no option plans in force. If the company has had a share issue during the current or preceding financial period, the average number of shares during the financial periods has been adjusted for the share issue in calculating earnings per share.

Related Party Transactions
A related party is a person or entity that is a party related to the reporting entity. A related party relationship exists if one of the parties exerts control or joint control or significant influence over the decision-making

of the other party. In the Group, the related parties include the parent company, subsidiaries, associates and joint ventures. Additionally, related parties include board of Directors of the parent company and the members of the Group management team and their next of kin and companies in which such individuals exert control or joint control. The Group management includes the members of the Board of Directors and CEO and the members of the Group's Management Team.

Use of Estimates

When preparing financial statements, the Group management is required to apply the accounting policies at its discretion and make assumptions and estimates that affect the contents of the financial statements. The most important estimates are related to the parameters used in calculating the fair value of properties. The single most important variable that may have an essential impact on the fair value of investment properties is the market yield requirement. The yield requirement applied by the company in the fair value model is the average of the upper and lower ranges reported by two independent appraisal agencies for each individual region. When determining the fair value of investment properties, the management is also required to make assumptions concerning land rents, occupancy rates and facility maintenance costs. When doing so, the management makes use of the best knowledge available at the time when the accounts are closed. Actual future values may differ from current projections. For additional information on changes in fair value, see Note 12.

In preparing the financial statements, the Group management also needs to assess the amount of deferred tax assets resulting from losses on the consolidated balance sheet. The amount of recorded deferred tax assets is based on an assessment of the expected taxable future revenues of the loss-making subsidiaries.

When new investment properties are acquired, the Group's management assesses whether they are business combinations, as referred to in IFRS 3, or acquisitions of individual assets. The basis for the assessment is explained in more detail under "Scope of Consolidated Financial Statements" in the section on accounting policies.

Application of New or Amended International Financial Reporting Standards

The Group has given due consideration to the new standards issued by the IASB, such as IFRS 15 *Revenue from Contracts with Customers*, IFRS 9 *Financial Instruments* and IFRS 16 *Leases*, as well as the revised IAS 40 *Investment Property*, IFRS 9 *Financial Instruments*, IFRS 2 *Share-based Payment*, and IAS 28 *Investments in Associates and Joint Ventures*. However, they have not yet been applied in preparing the financial statements for 2017.

IFRS 15 *Revenue from contracts with Customers* will replace the current IAS 18 and IAS 11 standards and related interpretations. An analysis of the impact of the new standard on the consolidated financial statements has been performed. The key concepts of the standard – performance obligations, transaction price, agent–principal relationship, transfer of control, and dividing rental and service revenue – have been analyzed from the point of view of revenue flows. The revenue recognition principles remain unchanged, as the Group's net sales are primarily comprised of rental revenues, which will be subject to IAS 17 *Leases* and, as of 2019, IFRS 16 *Leases*. The new IFRS 15 only applies to the Group's service revenues, which include revenues from reception, cleaning, maintenance, meeting, ICT and catering services, as well as membership fees for coworking spaces. Revenue from contracts that include both rental and service revenue will be recognized based on their relative transaction prices, which are also largely applied in the current recognition policy. Relative transaction prices are defined for services through the related contracts. The Group has also analyzed service business areas in which the provision of the service involves other parties and has found that its role as the principal is unambiguous; such services include cleaning and ICT services, for example. Service revenue is recognized over time or once the service has been performed. The standard was adopted as of January 1, 2018, and the accumulated impact will be recognized in retained earnings on the date of application. Based on an analysis, the amendment is not expected to have a substantial impact on the Group's recognition principles and consolidated financial statements.

IFRS 16 *Leases* will replace IAS 17 *Leases* and the related interpretations. The new standard is applicable to both lessees and lessors. The new standard requires lessees to recognize lease agreements on the balance sheet as lease liabilities and the related right-of-use assets. The Group has begun a preliminary assessment of the impact of the standard. According to this analysis, the most significant change is related to leases of plots of land, which will be recognized on the balance sheet in accordance with the new standard, whereas previously they have been off-balance sheet liabilities. Right-of-use assets related to leases of land will be recognized on the balance sheet as part of investment properties. The value of a right-of-use asset will change over time, with lease payments decreasing and discount rates changing. Changes in the value of the right-in-use asset will be recognized as changes in fair value on the income statement. Other leases, such as leases on printers and lobby displays, will also be recognized as right-of-use assets and lease payment liabilities on the balance sheet. The accounting model is similar to current finance lease accounting according to IAS 17. Lessor accounting remains mostly similar to current IAS 17 accounting, and will not have a significant effect on the consolidated financial statements. The standard will be adopted as of January 1, 2019.

IFRS *Financial Instruments* 9 will replace the existing IAS 39 *Financial Instruments: Recognition and Measurement* standard. The new standard includes revised guidance on the classification and measurement of financial instruments. The guidance also includes a new expected credit loss model for calculating impairment on financial assets, and the requirements for general hedge accounting have been revised. Based on a preliminary analysis, the amendment is not expected to have a substantial impact on the consolidated financial statements. The standard will be adopted as of January 1, 2018.

The amendments to IFRS 2 clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled payments; share-based payments settled net of tax withholdings; and accounting for a modification of a share-based payment from cash-settled to equity-settled. Based on a preliminary analysis, the amendment is not expected to have a substantial impact on the Group's recognition principles and consolidated financial statements.

Amendments to IAS 40 – *Transfers of Investment Property*. The amendments specify that a change in the management's intentions for the use of a property does not by itself constitute evidence of a change in use. The examples of changes in use in the standard have been amended to refer to properties under construction, as well as completed properties. The amendments to the standard are not expected to have a material impact on the consolidated financial statements. The standard must be applied to financial periods beginning on or after January 1, 2018.

The impact of other new or revised standards on the financial statements is considered to be insignificant.

Notes to the Consolidated Financial Statements

1. Segment Reporting

On the closing date, Technopolis Group had three reporting segments: Finland, Baltic Rim and Scandinavia. The Group has combined its operating segments into reporting segments based on geographic location. The operating segments combined into the Finland segment are the Helsinki Metropolitan Area, Tampere, Kuopio, and Oulu business units; the Jyväskylä business unit was divested during financial year 2017 and the Lappeenranta business unit was divested during year 2016. The operating segments combined into the Baltic Rim reporting segment are the St. Petersburg, Vilnius and Tallinn business units, whereas the Scandinavian reporting segment is comprised of the Oslo and Gothenburg business units. The combined operating segments all have similar financial characteristics and performance. The operating segments have similar space and service businesses. The segmentation is based on the Group's existing internal reporting and the organization of its business operations. The net sales of the segments are comprised mainly of rental and service revenue.

The Group management monitors the net sales and EBITDA levels of the segments. EBITDA presents the company's profit for the period before depreciation, changes in the value of investment properties, financial income and expenses, and income tax. The Group's net sales or EBITDA do not include significant inter-segment items.

Unallocated items are shown in the "Others" column which includes eliminations of inter-segment loans. Segment assets include items that can be directly allocated to the reported segments, such as investment properties and receivables. The investments include increases in tangible and intangible assets and investments related to the investment properties.

2017	Finland	Baltic Rim	Scandinavia	Segments	Others	Group total
Revenues from rental operations	97,494	32,472	24,358	154,324	0	154,324
Revenues from services	20,178	3,572	1,638	25,388	0	25,388
Net sales	**117,672**	**36,045**	**25,996**	**179,712**	**0**	**179,712**
Other operating income	6	10	1	17	0	17
Operating expenses	-56,199	-14,587	-11,857	-82,643	0	-82,643
EBITDA	**61,479**	**21,467**	**14,140**	**97,086**	**0**	**97,086**
Changes in fair value of investment properties	12,035	12,406	3,890	28,332		28,332
Depreciation						-4,059
Operating profit						**121,359**
Finance income and expenses						-22,365
Profit before taxes						**98,994**
Income taxes						-13,757
Net result for the period						**85,237**
Assets	**1,056,654**	**383,358**	**340,680**	**1,780,692**	**-60,903**	**1,719,790**
Investments	**34,759**	**38,682**	**1,443**	**74,884**		**74,884**

2016	Finland	Baltic Rim	Scandinavia	Segments	Others	Group total
Revenues from rental operations	102,030	26,910	20,698	149,638	0	149,638
Revenues from services	18,514	2,576	1,348	22,438	0	22,438
Net sales	**120,544**	**29,486**	**22,046**	**172,076**	**0**	**172,076**
Other operating income	365	66	-0	430	0	430
Operating expenses	-56,594	-13,001	-9,843	-79,438	0	-79,438
EBITDA	**64,315**	**16,550**	**12,203**	**93,068**	**0**	**93,068**
Changes in fair value of investment properties	-5,049	6,205	-923	233		233
Depreciation						-3,955
Operating profit						**89,346**
Finance income and expenses						-25,124
Profit before taxes						**64,222**
Income taxes						-14,231
Net result for the period						**49,991**
Assets	**1,221,063**	**326,303**	**351,298**	**1,898,664**	**-74,979**	**1,823,684**
Investments	**61,913**	**25,400**	**3,745**	**91,057**		**91,057**

2. Net Sales and Other Operating Income

	2017	2016
Revenues from rental operations	154,324	149,638
Revenues from services	25,388	22,438
Total net sales	**179,712**	**172,076**

Revenue from rental operations in financial year 2017 includes EUR 0.2 million (EUR 1.2 million in financial year 2016) of non-recurring income related to the premature termination of leases in Oulu business unit.

Most of the rental revenue from investment properties has been recognized as revenue according to IAS 17 through profit or loss as equal items allocated over the entire lease term. A few customers pay rent based on the lessee's net sales. Such variable rents totaling EUR 3.4 million were recognized in net sales for the year (EUR 3.1 million in 2016).

The Group's total rentable space at the end of the year was 701,900 sqm (746,400 sqm on December 31, 2016). The Group's average financial occupancy rate at the end of the year was 96.1% (93.4%).

At the end of the year, the Group's lease portfolio totaled EUR 372.0 million (EUR 392.7 million). The accumulated rents are calculated on the basis of current lease agreements without any index-linked increases. The agreements valid indefinitely are taken into account until the end of the notice period specified in the agreements.

Lease stock, % of space	**2017/12/31**	**2016/12/31**
Maturity, years		
< 1	15	19
1-3	28	21
3-5	12	17
> 5	17	16
Open-ended leases	26	27
Total	**100**	**100**

Lease stock, % of space	**2017/12/31**	**2016/12/31**
Notice period in months		
0-3	8	9
3-6	14	19
7-9	0	5
10-12	9	7
> 12 months	68	60
Total	**100**	**100**

Average lease term in months	34	35
Lease stock, EUR million	372.0	392.7
Service contract stock, EUR, million	17.4	17.8

Other operating income	**2017**	**2016**
Subsidies received for development programs	0	0
Sales results from divestments	0	356
Other income	17	75
Other operating income, total	**17**	**430**

Other operating income primarily includes subsidies received for certain development programs, penalties received from lease agreements and results from divestments. The expenses related to the development projects are recognized under other operating expenses in service expenses and under administration costs.

3. Premises Expenses

	2017	**2016**
Rents	2,282	2,543
Other real estate expenses	37,090	37,006
Premises expenses total	**39,372**	**39,549**

Rents include plot rents, property rents and space rents. Other fixed space expenses include general expenses related to space, such as water, electricity and heating expenses and real estate taxes.

4. Administration Costs

Salaries and fees	4,606	4,663
Pension costs, defined contribution plans	608	698
Capitalized costs of employee benefits	-19	-109
Share incentive scheme, portion paid out in shares	368	212
Share incentive scheme, portion paid out in cash	21	385
Indirect employee costs	162	419
Administrative services costs	5,629	5,166
Other administration costs	3,351	2,154
Administration costs, total	**14,727**	**13,587**

Costs of employee benefits		
Salaries and fees	11,734	12,129
Pension costs, defined contribution plans	1,647	1,831
Capitalized costs of employee benefits	-210	-330
Share incentive scheme, portion paid out in shares	368	212
Share incentive scheme, portion paid out in cash	21	260
Indirect employee costs	1,220	868
Costs of employee benefits, total	**14,780**	**14,970**

Of the employee benefits, EUR 5.7 million is included in administration costs on the income statement and EUR 9.0 million in other operating expenses.

Average number of employees in the Group	234	248

The employment benefits of the management are presented in Note 25.

5. Depreciation

	2017	2016
Depreciation by asset group		
Intangible assets	1,722	1,519
Machinery and equipment	2,304	2,405
Other tangible assets	33	31
Depreciation, total	**4,059**	**3,955**

6. Other Operating Expenses

Service expenses	13,527	11,518
Costs of employee benefits	9,033	8,703
Other operating expenses	5,984	6,081
Other operating expenses, total	**28,544**	**26,302**

Other operating expenses include fees paid to the auditor as follows:		
Auditing	207	254
Certificates and reports	7	4
Other services	56	313
Auditor's fees, total	**270**	**572**

7. Financial Income and Expenses

Financial income		
Dividend income from available-for-sale financial assets	55	36
Other financial income	1,775	668
Change in fair value of derivatives, portion recognized in the income statement	330	0
Foreign exchange gains	240	2,628
Total	**2,399**	**3,333**

The exchange rate gains are realized gains from intra-group loans.

	2017	2016
Financial expenses		
Interest expenses from commercial papers	267	644
Interest expenses from financial leases	257	338
Other interest expenses from loans and derivatives	21,380	21,788
Change in fair value of derivatives, portion recognized in the income statement	0	1,463
Foreign exchange losses	556	1,556
Other financial expenses	2,327	2,652
Total	**24,787**	**28,441**
Capitalized interest expenses	-10	0
Financial costs, total	**24,777**	**28,441**
Associate's share of profits	13	-16
Financial income and expenses, total	**-22,365**	**-25,125**

Of the derivatives, EUR 0.3 million (EUR -1.5 million in financial year 2016) have been recognized as an income in the income statement as there is no hedged loan associated with the derivative instrument in question. In other respects, the Group's current derivative financial instruments satisfy the criteria for hedge accounting.

Foreign exchange gains and losses have arisen as a result of the conversion of currency-denominated transactions and monetary items into euros. The foreign exchange losses are mainly a result of the conversion of payables and receivables between the parent company and the Norwegian and Swedish companies. More detailed information about foreign exchange rates and related risks is given in Note 22.

Other comprehensive income items related to financial instruments		
Available-for-sale financial assets	4	12
Derivatives, hedging of cash flows	8,095	-4,289
Total	**8,099**	**-4,277**
Tax effect	-1,655	748
Other comprehensive income items related to financial instruments after the tax effect	**6,444**	**-3,529**

Available-for-sale financial assets have been recognized at fair value and no changes in classification is made during the fiscal year.

8. Income Taxes

	2017	2016
Current taxes	-6,293	-6,819
Taxes for prior year	1,819	0
Change in deferred taxes	-9,284	-7,412
Total for income taxes	**-13,757**	**-14,231**

Taxes for prior year includes an adjustment of EUR 1.8 million, which is related to divestment of investment property in 2016.

Reconciliation between income tax and taxes calculated using the parent company's tax rate:		
Profit before taxes	98,994	64,222
Taxes calculated at the parent company's tax rate on the balance sheet date	-19,799	-12,844
Tax rate on the balance sheet date	20%	20%
Non-tax-deductible expenses and tax-exempt income	-1,815	237
Effects of the differing tax rates of foreign subsidiaries *)	2,590	2,140
Effect of tax rate change on deferred taxes in the beginning of the year	-53	-236
Effect of tax rate change on deferred taxes in the income statement	17	109
Utilisation of tax losses from previous years	-1,321	-529
Unrecognized taxes from losses	1,130	1,630
Income tax for previous years	1,819	-432
The effect of recognition principle to the taxes recognized from Investment properties	3,674	-4,307
Total for income taxes	**-13,757**	**-14,231**
Other comprehensive income items before taxes		
Translation differences	-12,283	16,608
Available-for-sale financial assets	4	12
Derivatives	8,095	-4,289
Total	**-4,184**	**12,331**

Of the translation differences, EUR -6.1 million was due to a change in the exchange rate of the Russian ruble (EUR 14.9 million in financial year 2016), EUR -4.7 million due to changes in the exchange rate of the Norwegian krone (EUR 2.9 million in financial year 2016) and EUR -1.5 million due to changes in the exchange rate of the Swedish krona (EUR -1.2 million in financial year 2016).

	2017	2016
Tax effect of other comprehensive income items during the period		
Tax effect of available-for-sale financial assets	-1	-2
Tax effect of derivatives	-1,654	750
Total	**-1,655**	**748**
Other comprehensive income items after taxes		
Translation differences	-12,283	16,608
Available-for-sale financial assets	3	10
Derivatives	6,441	-3,539
Total	**-5,839**	**13,079**
*) Tax rates of foreign subsidiaries		
Tax rate in Russia	20%	20%
Tax rate in Estonia	0%	0%
Tax rate in Lithuania	15%	15%
Tax rate in Norway	24%	25%
Tax rate in Sweden	22%	22%

As of January 1, 2018, the tax rate in Norway is 23%

9. Earnings Per Share

Net profit for the period attributable to parent company shareholders	76,531	44,639
Interest expenses on an equity related bond	-5,625	-5,625
Tax effect	1,125	1,125
Adjusted net profit	**72,031**	**40,139**
Earnings per share, basic	0.46	0.31
Earnings per share, diluted	0.46	0.31
Average issue-adjusted number of shares, basic	156,873,264	130,247,085
Average issue-adjusted number of shares, diluted	156,873,264	130,247,085

In calculating the undiluted earnings per share and earnings per share adjusted for dilution, the average number of the parent company's shares during the financial period has been adjusted by the number of repurchased treasury shares and own shares held by the Group.

10. Intangible Assets

	2017	2016
Intangible assets		
Acquisition cost, Jan 1	15,382	13,584
Increases	1,474	1,802
Decreases	-15	-18
Exchange rate differences	-21	15
Acquisition cost, Dec 31	**16,820**	**15,382**
Accumulated depreciation, Jan 1	-9,661	-8,152
Depreciation for the year	-1,731	-1,519
Exchange rate differences	9	-4
Intangible assets, Dec 31	**5,438**	**5,707**
Carrying amount, Jan 1	5,707	5,414
Carrying amount, Dec 31	5,438	5,707

11. Tangible Fixed Assets

	2017	2016
Machinery and equipment		
Acquisition cost, Jan 1	9,201	8,331
Increases	395	230
Decreases	-174	-84
Exchange rate differences	-727	725
Acquisition cost, Dec 31	**8,696**	**9,201**
Accumulated depreciation	-7,158	-6,029
Adjustment of accumulated depreciation	60	0
Depreciation for the year	-452	-558
Exchange rate differences	709	-571
Machinery and equipment, Dec 31	**1,856**	**2,043**
Carrying amount, Jan 1	2,043	2,302
Carrying amount, Dec 31	1,856	2,043

	2017	2016
Machinery and equipment, finance leases		
Acquisition cost, Jan 1	12,717	11,053
Increases	1,049	1,890
Decreases	-9	-230
Exchange rate differences	-0	4
Acquisition cost, Dec 31	**13,756**	**12,717**
Accumulated depreciation	-8,158	-6,311
Depreciation for the year	-1,852	-1,847
Exchange rate differences	0	0
Machinery and equipment, finance leases, Dec 31	**3,745**	**4,558**
Carrying amount, Jan 1	4,558	4,741
Carrying amount, Dec 31	3,745	4,558
Other tangible assets		
Acquisition cost, Jan 1	95	122
Increases	0	0
Decreases	0	-4
Depreciation for the year	-33	-31
Exchange rate differences	-1	8
Other tangible assets, Dec 31	**61**	**95**
Carrying amount, Jan 1	95	122
Carrying amount, Dec 31	61	95

12. Investment Properties

2017	Finland	Norway	Sweden	Estonia	Lithuania	Russia	Group total
Fair value of the investment properties							
Fair value of the investment properties, Jan 1	997,635	207,846	126,444	124,854	90,275	77,125	1,624,179
Impact of exchange rate changes		-16,243	-3,828			-5,580	-25,651
Acquisition of a individual investment property					12,865		12,865
Other investments to investment properties	4,347	2,034	532	1,104	505		8,522
Sold investment properties during the financial period	-120,868						-120,868
Transfers from investment properties under construction					18,933		18,933
Other transfers between assets				-260			-260
Transfer into investment properties under construction	-2,066						-2,066
Changes in fair value	11,853	1,653	3,448	3,522	3,337	-1,528	22,286
Fair value of the investment properties, Dec 31	**890,901**	**195,290**	**126,596**	**129,220**	**125,915**	**70,017**	**1,537,940**
Investment properties under construction							
Fair value of investment properties under construction, Jan 1	10,433				12,153		22,585
Increases/decreases	18,163			11,400	13,606		43,170
Change in fair value	2,042			637	6,434		9,113
Transfers to investment properties	2,066				-18,933		-16,867
Fair value of investment properties under construction, Dec 31	**32,704**			**12,037**	**13,260**		**58,001**
Effect on profit of change in value of investment properties							
Change in fair value excluding change in net yield requirements	-8,403	-6,130	2,621	282	-2,161	-3,745	-17,536
Change caused by change in net yield requirements	22,743	8,557	1,408	4,344	6,006	2,217	45,276
Change in fair value of completed investment properties	**14,340**	**2,427**	**4,029**	**4,626**	**3,845**	**-1,528**	**27,740**
Change in acquisition costs of completed investment properties	-4,347	-2,034	-532	-1,104	-505		-8,522
Change in fair value of investment properties under construction	2,042			637	6,434		9,113
Effect on profit of change in value of investment properties, total	**12,035**	**393**	**3,497**	**4,159**	**9,775**	**-1,528**	**28,332**

Information on the acquired and divested individual investment properties and business combinations during the financial period and their consolidation is presented in Note 24.

2016	Finland	Norway	Sweden	Estonia	Lithuania	Russia	Group total
Fair value of the investment properties							
Fair value of the investment properties, Jan 1	984,838	194,426		120,579	65,787	60,383	1,426,013
Impact of exchange rate changes		11,109	-1,138			15,559	25,530
Acquisition of a individual investment property	26,105		128,976				155,081
Other investments to investment properties	14,781	1,786	55	1,106	259	-435	17,551
Sold investment properties during the financial period	-64,670						-64,670
Transfers from investment properties under construction	43,463			4,989	23,617		72,069
Changes in fair value	-6,883	526	-1,448	-1,820	612	1,619	-7,394
Fair value of the investment properties, Dec 31	**997,635**	**207,846**	**126,444**	**124,854**	**90,275**	**77,125**	**1,624,179**
Investment properties under construction							
Fair value of investment properties under construction, Jan 1	27,645			1,717	11,024		40,385
Increases/decreases	23,738			1,194	21,030		45,963
Change in fair value	2,513			2,078	3,716		8,306
Transfers from investment properties	-43,463			-4,989	-23,617		-72,069
Fair value of investment properties under construction, Dec 31	**10,433**			**0**	**12,153**		**22,585**
Effect on profit of change in value of investment properties							
Change in fair value excluding change in net yield requirements	-9,418	-3,212	-1,393	-3,380	-179	525	-17,058
Change caused by change in net yield requirements	18,072	5,524	0	2,666	1,050	659	27,972
Change in fair value of completed investment properties	**8,655**	**2,312**	**-1,393**	**-714**	**871**	**1,184**	**10,914**
Change in acquisition costs of completed investment properties	-16,216	-1,786	-55	-1,106	-259	435	-18,987
Change in fair value of investment properties under construction	2,513			2,078	3,716		8,306
Effect on profit of change in value of investment properties, total	**-5,049**	**526**	**-1,448**	**258**	**4,328**	**1,619**	**233**

The Group determines the fair values of investment properties itself. The fair value accounting model applied by the Group is based on the cash flow analysis determined specifically for each property, and are thus categorized as being level 3. Investment properties completed and under construction are measured using the same cash flow analysis model in all countries. Additional information on the accounting policy is provided in accounting policies applied in the preparation of the consolidated financial statements.

The valuation model and the parameters applied in it have been audited by a third-party property assessor (AKA). The statement of expert opinion by Realia Management Oy regarding the valuation of Technopolis Plc's investment properties December 31, 2017, is appended to the financial statements and is also available on the company's website at www.technopolis.fi/en/about-us/investors/.

The company has applied the following average parameters to the cash flow calculations for investment properties:

2017	Finland	Norway	Sweden	Estonia	Lithuania	Russia	Group total
Completed investment properties							
Inputs not based on observable data:							
Range of net yield requirements, %	5.7-9.1	5.2-5.9	4.7	7.3	7.4	11.0	4.7-11.0
Net yield requirement, weighted, %	7.8	5.8	4.7	7.3	7.4	11.0	7.5
Estimated inflation rate, %	2.0	2.0	1.5	2.0	2.0	7.5	
Floor area-weighted market rent, EUR/sqm/month	13.0	16.6	20.8	12.3	13.0	19.5	13.4
Maintenance expenses, EUR/sqm/month	4.9	4.2	3.5	2.8	2.9	3.2	4.2
Modernizations, EUR/sqm/month	1.1	1.2	2.0	0.9	0.4	0.5	1.0
Other significant data:							
Rentable floor area, sqm	425,000	66,700	34,200	72,000	68,600	35,400	701,900
Average first-year financial occupancy rate, %	93.3	95.0	95.4	97.7	99.1	98.3	94.7
Average 10-year financial occupancy rate, %	93.5	95.2	100.0	97.5	99.6	99.2	94.2
Investment properties under construction							
Inputs not based on observable data:							
Range of net yield requirements, %	5.9-7.1			7.6	7.5		
Net yield requirement, weighted, %	6.3			7.6	7.5		
Estimated inflation rate, %	2.0			2.0	2.0		
Floor area-weighted market rent, EUR/sqm/month	19.9			10.5	13.0-13.5		
Maintenance expenses, EUR/sqm/month	4.5			2.2	3.2		
Other significant data:							
Rentable floor area, sqm	15,400			9,700	13,800		
Average first-year financial occupancy rate, %	90.0			80.0	80.0		
Average 10-year financial occupancy rate, %	95.0			95.0	95.0		

2016	Finland	Norway	Sweden	Estonia	Lithuania	Russia	Group total
Completed investment properties							
Inputs not based on observable data:							
Range of net yield requirements, %	6.0-9.3	5.3-6.3	4.8	7.6	7.8	11.4	4.8-11.4
Net yield requirement, weighted, %	8.0	6.1	4.8	7.6	7.8	11.4	7.8
Estimated inflation rate, %	2.0	2.0	1.5	2.0	2.0	10.0	
Floor area-weighted market rent, EUR/sqm/month	12.9	16.5	21.1	12.3	12.6	17.2	13.2
Maintenance expenses, EUR/sqm/month	4.7	4.4	3.7	2.5	3.1	3.3	4.2
Modernizations, EUR/sqm/month	0.9	0.7	2.1	1.1	0.4	0.4	0.9
Other significant data:							
Rentable floor area, sqm	486,500	65,000	33,700	71,500	54,300	35,400	746,400
Average first-year financial occupancy rate, %	93.8	96.1	100.0	98.5	99.0	98.7	94.7
Average 10-year financial occupancy rate, %	93.7	95.7	100.0	98.1	99.8	99.1	94.3
Investment properties under construction							
Inputs not based on observable data:							
Range of net yield requirements, %	5.9				7.9		
Net yield requirement, weighted, %	5.9				7.9		
Estimated inflation rate, %	2.0				2.0		
Floor area-weighted market rent, EUR/sqm/month	20.6				13.0		
Maintenance expenses, EUR/sqm/month	5.0				2.9		
Other significant data:							
Rentable floor area, sqm	9,900				21,600		
Average first-year financial occupancy rate, %	90.0				93.0		
Average 10-year financial occupancy rate, %	95.0				95.0		

The fair values of investment properties are affected by estimated future income, expenses, investments and discount rate. An increase in estimated yields and occupancy rates increases the fair value of investment properties, and a corresponding decrease decreases them. Maintenance expenses and the modernization of properties have an effect on fair value, decreasing it in proportion to the negative cash flow allocated to the property in the future. When market net yield requirements or estimated inflation rates increase, the fair values of investment properties decrease, while their fair values increase as net yield requirements and estimated inflation rates decrease. Additional information on the market yield requirement risk associated with investment properties is presented in Note 22.

A percentage change in yield requirements would affect the fair value of investment properties as follows:

		Change in yield requirement	
	201712/31	+1%	-1%
Fair value of investment properties	1,537,940	1,346,853	1,798,510

A change of 2.5 percentage in occupancy rates would have the following impacts on the value of investment properties:

		Change in occupancy rate	
	2017/12/31	+2.5%	-2.5%
Fair value of investment properties	1,537,940	1,566,914	1,480,749

A change of EUR 2 per square meter in market yields would have the following impact on the value of investment properties:

		Change in market rent	
	2017/12/31	+2 €/m²	-2 €/m²
Fair value of investment properties	1,537,940	1,679,034	1,378,214

13. Advance Payments and Projects in Progress

	2017	2016
Advance payments and projects in progress		
Projects in progress, Jan 1	3,083	4,840
Exchange rate differences	-184	212
Increases/decreases	7,751	-1,969
Advance payments and projects in progress, Dec 31	**10,650**	**3,083**

Capitalized increases in non-current assets in progress have been recognized under advance payments and projects in progress. These include modernization of investment properties and other modification operations carried out on the premises for customers, which are recognized as projects in progress until their completion. After completion, they are recognized through profit or loss in "Changes in acquisition costs of completed investment properties" under the change in the fair value of investment properties.

14. Subsidiaries and Significant Shares Of Minority

Holdings in Group companies	Holding, %
Finland	
Kiinteistö Oy Innopoli II, Espoo	100.00
Kiinteistö Oy Technopolis Innopoli 3, Espoo	100.00
Technopolis Kiinteistöt Espoo Oy, Espoo	100.00
Kiinteistö Oy Falcon Gentti, Espoo	100.00
Kiinteistö Oy Falcon Hali, Espoo	100.00
Kiinteistö Oy Falcon Lago, Espoo	100.00
Kiinteistö Oy Falcon Tinnu, Espoo	100.00
Technopolis Kiinteistöt Pääkaupunkiseutu Oy, Helsinki	100.00
Kiinteistö Oy Helsingin Energiakatu 4, Helsinki	100.00
Kiinteistö Oy Technopolis Tekniikantie 21, Espoo	100.00
Kiinteistö Oy Technopolis Peltola, Oulu	100.00
Technopolis Hitech Oy, Oulu	100.00
Technopolis Kiinteistöt Oulu Oy, Oulu	100.00
Technopolis Kiinteistöt Tampere Oy, Tampere	100.00
Kiinteistö Oy Technopolis Ratapihankatu, Tampere	100.00
Kiinteistö Oy Oulun Ydinkeskusta, Oulu	98.77
Kiinteistö Oy Technopolis Tohloppi Oy, Tampere	94.25
Kiinteistö Oy Yrttiparkki, Oulu	87.45
Oulun Teknoparkki Oy, Oulu	84.14
Kiinteistö Oy Hermia, Tampere	71.96
Oulun Ydinkeskustan Parkki Oy, Oulu	62.24
Technopolis Kuopio Oy, Kuopio	60.00
Kiinteistö Oy Technopolis Viestikatu 7, Kuopio	60.00
Kiinteistö Oy Technopolis Viestikatu 1-3, Kuopio	60.00
Kiinteistö Oy Technopolis Microkatu 1, Kuopio	51.70
Sweden	
Technopolis AB, Gothenburg	100.00
Technopolis Gårda AB, Gothenburg	100.00

Holdings in Group companies	Holding, %
Norway	
Technopolis Holding AS, Oslo	100.00
Technopolis Holding 2 AS, Oslo	100.00
Technopolis AS, Oslo	100.00
Campus H AS, Oslo	100.00
Campus T AS, Oslo	100.00
Campus X AS, Oslo	100.00
Campus P AS, Oslo	100.00
Estonia	
Technopolis Baltic Holding OÜ, Tallinn	100.00
Technopolis Ülemiste AS, Tallinn	51.00
Russia	
Technopolis Neudorf, St Petersburg	100.00
Technopolis St Petersburg LLC, St Petersburg	100.00
Lithuania	
Technopolis Lietuva UAB, Vilna	100.00
UAB Domestas, Vilna	100.00
UAB Urban Housing, Vilna	100.00
UAB Gama Projektai, Vilna	100.00
UAB Delta Biurai, Vilna	100.00
UAB Sorta, Vilna	100.00
UAB Nova Biurai, Vilna	100.00

Significant shares of minority

The Group has non-controlling interests in the companies listed below. The Kuopio companies comprise a sub-group, and required notes are given for the figures of the sub-group.

The Group acquired in financial year 2017 19% minority stake in its Fornebu campus in Oslo from Ilmarinen Mutual Pension Insurance Company. The net purchase price was EUR 12.3 million. After the acquisition, Technopolis Plc's ownership in Fornebu campus is 100%.

The Group divested its business operations in Jyväskylä during the financial year 2017. As part of this arrangement, Technopolis Plc sold the entire share capital of Technopolis Kiinteistöt Jyväskylä Oy and Koy Technopolis Innova 4. It also divested all other assets related to its business operations in Jyväskylä. The total transaction price was EUR 104.5 million. The divested sites had a total rentable floor area of 49,000 m^2.

The Group acquired in financial year 2016 the 30% minority stake in its Fornebu campus in Oslo from its minority shareholder Koksa Eiendom AS for EUR 25.5 million.

		Share of non-controlling interest in control	
Subsidiary	**Country**	**2017**	**2016**
Technopolis Ülemiste AS	Estonia	49.00%	49.00%
Technopolis Holding 2 AS	Norway	0.00%	49.00%
Technopolis AS	Norway	0.00%	18.96%
Campus H AS	Norway	0.00%	18.96%
Campus T AS	Norway	0.00%	18.96%
Campus X AS	Norway	0.00%	18.96%
Campus P AS	Norway	0.00%	18.96%
Technopolis Kuopio Oy	Finland	40.00%	40.00%
Kiinteistö Oy Technopolis Viestikatu 7	Finland	40.00%	40.00%
Kiinteistö Oy Technopolis Viestikatu 1-3	Finland	40.00%	40.00%
Kiinteistö Oy Technopolis Microkatu 1	Finland	48.30%	45.18%

		Share of non-controlling interest in net result for the period		Share of non-controlling interest in equity	
	Country	**2017**	**2016**	**2017**	**2016**
Technopolis Ülemiste AS	Estonia	5,888	3,502	33,517	27,629
Technopolis Holding AS group	Norway	1,252	492	0	11,157
Technopolis Kuopio group	Finland	1,580	1,114	20,208	21,076
*) Other non-significant shares of minority		-15	1	-8	14
Total		**8,706**	**5,109**	**53,717**	**59,876**

*) Includes Oulun Ydinkeskustan Parkki Oy, Oulu

Financial information from significant minority shares

	Technopolis Ülemiste AS		Technopolis Holding AS group		Technopolis Kuopio group	
	2017	2016	2017	2016	2017	2016
Assets	145,433	128,723	0	220,558	130,205	131,254
Liabilities	77,030	72,336	0	145,374	79,686	78,564
Net profit for the period	12,017	7,147	0	657	3,950	2,786
Share of non-controlling interest in net result of the period	5,888	3,502	1,252	492	1,580	1,114
Dividend distribution and return of capital to non-controlling interest	0	868	0	232	1,385	309
Cash flow from operating activities	8,237	6,176	0	3,285	4,241	2,900
Cash flow from investing activities	-13,241	-2,790	0	-3,389	-191	-3,572
Cash flow from financing activities	4,532	-1,860	0	-3,799	-4,193	82

15. Holdings in Associates

	2017	2016
Holdings in associates, Jan 1	5,222	5,239
Decreases	-18	0
The Group's share of profit/loss for the year	5	-16
Holdings in associates, Dec 31	**5,210**	**5,222**

Holdings in associates	Holding, %	Original acquisition cost	The Group's holding from retained earnings	Total
Iin Micropolis Oy, Ii, Finland	25.7	84	-84	0
Kiinteistö Oy Bioteknia, Kuopio, Finland	17.1	3,876	0	3,876
Kuopio Innovation Oy, Kuopio, Finland	14.4	37	0	37
Otaniemen kehitys Oy, Espoo, Finland	35.0	35	-25	10
Rehaparkki Oy, Oulu, Finland	20.0	1,392	-106	1,287
Total		**5,425**	**-215**	**5,210**

Technopolis Plc has recognized losses accumulated from its interest in the results of its associates only up to the acquisition cost of the shares.

Information on associates

2017	Assets	Liabilities	Net sales	Earnings for the financial period
Iin Micropolis Oy	462	438	471	4
Kiinteistö Oy Bioteknia	12,044	120	946	44
Kuopio Innovation Oy	341	266	1,546	0
Otaniemen kehitys Oy	0	0	0	0
Rehaparkki Oy	4,127	3	285	-26
Total	**16,974**	**827**	**3,249**	**22**
2016				
Iin Micropolis Oy	512	445	421	51
Kiinteistö Oy Bioteknia	12,019	114	836	-33
Kuopio Innovation Oy	384	309	699	0
Otaniemen kehitys Oy	54	3	0	-19
Rehaparkki Oy	4,142	2	177	-82
Total	**17,112**	**874**	**2,134**	**-83**

	2017	2016
Associates		
Sales to associates	1	105
Receivables from associates	0	1

16. Available-For-Sale Financial Assets

	2017	2016
Available-for-sale financial assets, Jan 1	1,471	1,510
Increases	0	77
Decreases	-35	-125
Change in fair value of assets recognized at fair value	4	10
Available-for-sale financial assets, Dec 31	**1,439**	**1,471**
Fair value reserve		
Fair value reserve, Jan 1	208	196
Change in fair value of assets recognized at fair value	3	10
Deferred taxes	1	2
Fair value reserve, Dec 31	**212**	**208**

The available-for-sale financial assets include units in interest funds and shares in publicly listed companies as well as other shares. Available-for-sale financial assets are categorized in hierarchy levels 1 and 3 and are presented in Note 22 in the Breakdown of financial assets and liabilities table. The changes in the fair value of available-for-sale financial assets less the tax effect are recognized in the fair value reserve. Changes in the fair value of assets recognized in the fair value reserve are all categorized as level 1 value changes. When such an asset is sold, the accumulated changes in fair value are transferred from shareholders' equity to profit or loss.

17. Deferred Taxes

Deferred tax assets	2017/01/01	Recognized through profit or loss	Recognized as other comprehensive income	Recognized as equity	Translation differences	2017/12/31
Measurement of investment properties at fair value	5,163	235				5,398
Unused losses confirmed in taxation	8,834	-53				8,780
Other items	1,175		-1,667		-595	-1,087
Total	**15,172**	**182**	**-1,667**		**-595**	**13,092**

Deferred tax assets	2016/01/01	Recognized through profit or loss	Recognized as other comprehensive income	Recognized as equity	Translation differences	2016/12/31
Measurement of investment properties at fair value	7,233	-2,069				5,163
Unused losses confirmed in taxation	9,075	-241				8,834
Other items	-1,867	2,056	760		226	1,175
Total	**14,440**	**-255**	**760**		**226**	**15,172**

Deferred tax liabilities	2017/01/01	Recognized through profit or loss	Recognized as other comprehensive income	Recognized as equity	Translation differences	2017/12/31
Measurement of investment properties at fair value	71,506	9,424				80,931
Other items	-1,255	41	-20		-1,755	-2,989
Total	**70,251**	**9,465**	**-20**		**-1,755**	**77,941**

Deferred tax liabilities	2016/01/01	Recognized through profit or loss	Recognized as other comprehensive income	Recognized as equity	Translation differences	2016/12/31
Measurement of investment properties at fair value	64,452	7,055				71,506
Other items	1,136	103	10	-3,149	644	-1,255
Total	**65,588**	**7,158**	**10**	**-3,149**	**644**	**70,251**

Technopolis has amended its accounting policies with regard to deferred tax assets and liabilities related to investment properties in accordance with the IFRS Interpretations Committee agenda decision of July 15-16, 2014. According to the new accounting policy, deferred taxes are to be recognized based on the difference between the fair value of the property and its residual value that has not been deducted in taxation. The amendment has been applied since January 1, 2017, and the comparison information for 2016 has also been adjusted. The impact of the adjustment to the accounting policies has been recognized in retained earnings.

The Group additionally has EUR 7.6 (8.7) million in unrecognized deferred tax assets; of this amount, EUR 4.1 (4.9) million is related to losses made in the Russian subsidiary, EUR 1.5 (2.3) million to losses in the Norwegian companies and EUR 2.0 (1.5) million to losses in the Vilnius companies. The Group does not have sufficient certainty of the timing of future profits, and therefore the deferred tax assets have not been recognized.

18. Current Receivables

	2017	2016
Sales receivables	4,365	4,321
Sales receivables from associates	0	1
Loan receivables	5	259
Accrued income	4,693	3,955
Other receivables	1,851	3,052
Income tax assets	-12	180
Short-term receivables, total	**10,903**	**11,768**
Maturities of sales receivables		
Not matured	2,250	3,790
less than 30 days	1,524	167
30 - 60 days	299	104
2 - 3 months	88	172
3 - 4 months	46	43
over 4 months	159	45
Total	**4,365**	**4,322**
Sales receivables by currency		
Euro	4,022	3,156
Russian ruble	386	297
Norwegian krone	-80	869
Swedish krona	37	0
Total	**4,365**	**4,322**

19. Cash And Cash Equivalents

Cash on hand and at bank	71,753	128,027
Total cash and cash equivalents	**71,753**	**128,027**

20. Shareholders' Equity

Share capital

Technopolis Plc has one class of shares. The company's share capital was EUR 96,913,626 on December 31, 2017. At the closing date, the company had 158,793,662 shares of which 1,903,373 shares are owned by the company. Changes in the number of shares during the financial year are shown in the following section. Each share carries one vote at a General Meeting of Shareholders. The shares have no nominal value. In 2017, EUR 0.12 per share from fiscal year 2016 was paid in dividends, EUR 18,820,190 in total.

Reserves

Premium fund

In cases where the decision on option rights and share issues has been made while the previous Limited Liability Companies Act (29.9.1978/734) was in force, money payments received on the basis of share subscriptions less transaction expenses have been entered in share capital and premium fund in accordance with the terms and conditions of the arrangement.

Invested unrestricted equity fund

The unrestricted equity reserve includes other equity investments and share subscriptions to the extent that there has been no express decision to record them in share capital.

Equity related bond

The equity related bond (hybrid bond) includes the unsecured EUR 75 million equity bond issued in March 2013 less borrowing costs. The annual fixed coupon rate of the loan is 7.5% and is due for payment if the Annual General Meeting decides to pay out dividends. If the company does not pay interest, the unpaid interest is accumulated. It is perpetual, but the company may exercise an early redemption option after five years. If the company does not repay the bond after five years, the coupon rate of the bond increases by 3.0 percentage points.

Other reserves

Other reserves include the fair value reserve and the hedging instrument reserve. The changes in the fair value of available-for-sale financial assets less the tax effect are recognized in the fair value reserve. When such an asset is sold, the accumulated changes in fair value are transferred from shareholders' equity to profit or loss. Changes in the fair value, less tax effects, of derivative instruments that meet the criteria for hedge accounting are recognized in the hedging instrument reserve.

Translation differences

Translation differences include translation differences due to the conversion of the financial statements of foreign subsidiaries. Of the translation differences, EUR 11.2 million is due to changes in the exchange rate of the Russian ruble, EUR 9.4 million due to changes in the exchange rate of the Norwegian krone and EUR 2.7 million due to changes in the exchange rate of the Swedish krona.

Own shares

On December 31, 2017, the company held a total of 1,903,373 (1,947,571) treasury shares. The company has repurchased a total of 2,067,753 treasury shares, of which a total of 164,380 have been issued as share-based payments. In 2017, a total of 15,192 shares returned to the company from the share-based incentive schemes, and a total of 59,390 shares held by the company were issued as share-based payments. In 2016, the company repurchased a total of 309,806 treasury shares (EUR 1,092,964), with the related transaction expenses being EUR 2,674. The treasury shares acquired in 2016 were recognized under shareholders' equity to decrease the Group's invested unrestricted equity fund. The transaction costs were recognized as a decrease in unrestricted equity. In 2016, a total of 104,990 shares held by the company were issued as share-based payments. A total of 1,742,755 treasury shares (EUR 2,744,873) have been acquired in previous periods. These have been recognized under shareholders' equity to decrease the Group's unrestricted equity.

Changes in the number of shares and equity

	Number of shares and votes	Share capital	Premium fund	Invested unrestricted equity fund	Retained earnings	Total
2016/01/01	**104,768,877**	**96,917**	**18,551**	**211,935**	**-2,745**	**324,655**
Acquisition of own shares	-309,806			-1,093		-1,093
Transaction expenses				-960		-960
Key personnel share-based rewards	104,990					0
Share issue	52,282,030			125,477		125,477
2016/12/31	**156,846,091**	**96,914**	**18,551**	**335,360**	**-2,745**	**448,079**
Key personnel share-based rewards	44,198					
2017/12/31	**156,890,289**	**96,914**	**18,551**	**335,360**	**-2,745**	**448,079**

21. Liabilities

	2017	2016
Non-current liabilities		
Deferred taxes	77,941	70,251
Bank loans	434,910	616,317
Bonds	149,544	149,349
Non-current finance lease liabilities	6,115	30,019
Other liabilities	33,227	32,761
Non-current liabilities, total	**701,738**	**898,697**

Technopolis Plc issued in spring 2015 an unsecured EUR 150 million fixed-rate senior bond. The loan period of the bond is five years. Its carries a fixed coupon interest rate of 3.75%.

The decrease of leasing liabilities is mainly caused by divesting leased property in Jyväskylä.

Other non-current liabilities are mainly comprised of debt to non-controlling interests.

	2017	2016
Current liabilities		
Repayments on non-current loans	172,818	76,218
Commercial papers	9,972	54,390
Current finance lease liabilities	1,694	3,411
Advances received	10,230	10,594
Accounts payable	3,088	7,661
Accruals	36,257	26,962
Derivatives	11,364	19,591
Other liabilities	3,771	3,957
Tax liabilities	3,974	2,920
Current liabilities, total	**253,168**	**205,704**
Liabilities		
Fixed rate	555,419	543,858
Floating rate	249,536	416,005
Non-interest bearing liabilities	149,951	144,538
Liabilities, total	**954,906**	**1,104,401**

Fixed rate loans are either interest rate hedged or fixed-rate loans with maturities of 13-60 months.

Finance lease liabilities		
Non-current finance lease liabilities	6,115	30,019
Current finance lease liabilities	1,694	3,411
Finance lease liabilities, total	**7,810**	**33,431**

Investment properties held under a finance lease		
Total value of minimum lease payments		
Within one year	246	1,966
Later than one year and not later than two years	254	2,024
Later than two years and not later than five years	533	6,202
Later than five years	3,396	20,130
Total	**4,429**	**30,322**

	2017	2016
Present value of minimum lease payments		
Within one year	217	1,729
Later than one year and not later than two years	226	1,801
Later than two years and not later than five years	483	5,631
Later than five years	3,396	19,989
Present value of minimum lease payments, total	**4,322**	**29,150**
Future financial expenses, total	107	1,172
Total amount of finance lease liabilities from investment properties	**4,429**	**30,322**
Carrying amount of investment properties leased by Technopolis on a financial lease, Dec 31	**6,397**	**55,029**

The Group has leased investment properties on finance leases. A majority of the leases include an option to buy. The terms and conditions of the leases vary with respect to indexes and lease periods.

The decrease of leasing liabilities is mainly caused by divesting leased property in Jyväskylä.

Other assets held under a finance lease		
Total value of minimum lease payments		
Within one year	1,574	1,803
Later than one year and not later than five years	2,192	2,751
Total	**3,765**	**4,554**
Present value of minimum lease payments		
Within one year	1,511	1,726
Later than one year and not later than five years	2,139	2,684
Present value of minimum lease payments, total	**3,650**	**4,410**
Future financial expenses, total	115	145
Total amount of finance lease liabilities from other leased assets	**3,765**	**4,554**

Other assets held under a finance lease primarily include machinery and equipment leased under finance leases.

22. Financial Risk Management

The goal of financial risk management at Technopolis Group is to secure sufficient funding for its operations at competitive terms, and to mitigate the negative impact of interest rate and foreign exchange rate fluctuations on the Group's earnings, financial position and cash flow. The general guidelines of the financial risk management are set out in the Group's Treasury Policy, approved by the Board of Directors. To mitigate financial risks, Technopolis uses diversified sources of funding, makes use of a variety of financing instruments and maturities, and maintains sufficient committed credit facilities. In addition, Technopolis uses derivative instruments to hedge against the negative impact of interest rate and foreign exchange rate fluctuations. Selected key indicators of the financial risk management are regularly reported to Technopolis' Audit Committee and the Board of Directors.

Interest rate risk

The main financial risk that Technopolis is exposed to is interest rate risk. The majority of Technopolis' long-term, interest-bearing liabilities are floating-rate loans from financial institutions. The objective of interest rate risk management is to mitigate the negative impact of market rate fluctuations on the Group's earnings, financial position and cash flow. Technopolis uses derivative instruments, mainly interest rate swaps, to hedge the interest rate risk. The Group has set a euro-denominated maximum limit for increases in interest costs in the next 12-36 months, should market interest rates increase by one percentage point. In addition, the Group has a target of including all interest rate derivatives in IFRS hedge accounting.

	2017	2016
Weighted averages of the effective interest rates of liabilities, %		
Bank loans	1.49	1.93
Bank loans including interest rate and currency swaps	2.35	2.48
Finance lease liabilities	0.68	0.68
Commercial papers	0.90	1.13

Weighted average interest rates do not include the unsecured senior bond.

On December 31, 2017, the Group's interest-bearing liabilities amounted to EUR 805.0 (959.9) million. The average capital-weighted loan maturity was 4.5 (5.1) years at the end of the period. A total of 75.5% (56.7%) of the Group's interest-bearing liabilities were either interest rate-hedged or fixed-rate loans. The Group's average interest fixing period was 4.6 (4.6) years, including total of EUR 150 million in forward starting hedges starting in 2019-2021.
A one-percentage-point increase in market rates would result in a EUR 2.0 (2.0) million increase in interest costs per annum and would have a EUR 20.9 (22.3) million effect on shareholders' equity through derivatives included in hedge accounting. A 0.5-percentage-point decrease in market rates would result in a EUR 1.0 (1.8) million decrease in interest costs per annum, and would have a EUR -11.9 (-12.8) effect on shareholders equity.

Foreign Currency Exchange Rate Risks

The objective of the foreign currency exchange risk management is to mitigate the negative effect of exchange rate fluctuations on the Group's earnings, financial position and cash flow.

The most significant foreign currencies for Technopolis are the Russian ruble, Norwegian krone and Swedish krona. The majority of the income and expenses in Technopolis' foreign subsidiaries are denominated in local currencies. Therefore, Technopolis' exposure to transaction risks is limited. No hedges against transaction risks were outstanding on December 31, 2017. Translation risk arises from translation of the subsidiaries' foreign currency-denominated balance sheet items to euros, and may have an effect on the Group's financial position.

In accordance with the Group's Treasury Policy, translation risk is currently not hedged. The sensitivity to exchange rate fluctuations is presented in the tables below.

Foreign currency % change against the Euro	Transaction difference effect	Translation difference effect	Total effect on the Group's equity	Equity ratio
RUB -10	0	-6,928	-6,928	44.6%
RUB +10	0	8,468	8,468	45.1%
NOK -10	0	-7,304	-7,304	44.5%
NOK +10	0	8,927	8,927	45.1%
SEK -10	0	-4,562	-4,562	44.6%
SEK +10	0	5,576	5,576	45.0%

Foreign currency % change against the Euro	Impact on net sales	Impact on EBITDA
RUB -10	-904	-650
RUB +10	1,105	794
NOK -10	-1,653	-984
NOK +10	2,020	1,203
SEK -10	-685	-511
SEK +10	837	624

Capital Structure, Funding and Liquidity Risk

The Group's capital structure is measured by means of an equity ratio and loan-to-value ratio. To ensure the continuity of operations, execution of strategic growth, and availability of funding at competitive terms, the long-term equity ratio target is set to at least 35% over the cycle. Technopolis aims to execute its current strategy for the years 2017-2020 and beyond without equity issues, assuming there are no sudden, unforeseen events that would require a capital injection.

The objective of the funding and liquidity risk management is to ensure that the Group's loan portfolio and unused credit facilities are sufficiently diversified by sources of funding, variety of financing instruments and loan maturities. In addition, the Group aims to maintain adequate liquidity reserves to finance its operations and repay maturing debt.

Long-term financing for the Group is provided by several financial institutions and market-based funding. Part of the Group's assets are pledged as collateral for the majority of the long-term loans. To mitigate the counterparty risk, the Group has set a maximum percentage limit for how much of the Group's total funding can come from any one financial institution. The maturities of long-term funding are diversified over time. More detailed information on the loan maturities can be found in a table below.

The Group's target is to maintain a sufficient liquidity reserve. The liquidity reserve should cover the Group's estimated net cash flow for a 12-month period. The liquidity reserve includes cash and cash equivalents, and committed credit facilities.

On December 31, 2017, the Group had EUR 70.0 (96.6) million in unused committed credit facilities and a EUR 25.1 (25.1) million short-term, uncommitted credit line, of which EUR 0.0 (18.5) million was withdrawn. In addition, the company has a EUR 150 (150) million commercial paper program, of which EUR 10.0 (54.5) million was outstanding at the end of the period. Cash and cash equivalents were EUR 71.8 (128.0) million. On December 31, 2017, the Group's equity ratio was 44.8% (39.7%). The loan-to-value ratio for the corresponding period was 50.1% (58.2%).

Loan covenants

The Group's loan arrangements include financial covenants that are based on having a Group equity ratio above 33%. In addition, in subsidiaries' local loan agreements, there are covenants related to interest coverage, debt service coverage and loan-to-value. The terms and conditions of some loan agreements include pricing terms related to the Group's equity ratio. The majority of the loans have Group assets pledged as collateral. More detailed information on the pledges and mortgages can be found in Note 23.

The Group has interest-bearing liabilities amounting to EUR 805.0 (959.9) million, of which the loan capital of EUR 548.8 (752.2) million includes covenants The company's EUR 150 million senior unsecured bond has an equity ratio covenant of 28% and covenants related to debt service ratio and loan-to-value.

Credit risk

The main objective of credit risk management is to mitigate the risk related to receivables from Technopolis' customers. The general guidelines of the credit risk management are set in the Group's Credit Policy. Customers' credit standing is evaluated before lease agreements are signed, and leases usually include rental security. The Group does not have significant credit risk concentrations. The biggest customer represents 4.6% of the Groups' net sales. Credit losses recognized for the financial year amounted to EUR 0.07 (0.36) million.

Repayments of liabilities and finance costs including accrued interest

2017			Contractual cash flow			Carrying amount
	Less than one year	1-2 years	3-5 years	over 5 years	Total	
Bank loans	189,354	200,286	166,264	120,134	676,038	607,728
Bonds	5,625	155,625	0	0	161,250	149,544
Commercial papers	10,000	0	0	0	10,000	9,972
Finance lease liabilities	1,820	1,805	919	3,396	7,940	7,810
Derivatives	2,907	3,164	4,570	822	11,463	11,364
Accounts payable	3,087	0	0	0	3,087	3,087
Other liabilities	3,771	0	0	31,607	35,378	35,292
Total	**216,564**	**360,881**	**171,753**	**155,959**	**905,157**	**824,798**

2016			Contractual cash flow			Carrying amount
	Less than one year	1-2 years	3-5 years	over 5 years	Total	
Bank loans	152,548	294,348	260,743	160,767	868,406	692,535
Bonds	5,625	5,625	152,281	0	163,531	149,349
Commercial papers	54,500	-	-	-	54,500	54,390
Finance lease liabilities	3,769	3,326	7,651	20,130	34,876	33,431
Derivatives	4,678	4,327	4,235	6,350	19,591	19,591
Accounts payable	7,661				7,661	7,661
Other liabilities	3,957			31,778	35,735	35,735
Total	**232,737**	**307,626**	**424,911**	**219,025**	**1,184,300**	**992,691**

Changes in liabilities in financing activities				No cash flow effect		
	2017/01/01	Cash flows	Acquisition time	Exchange rate changes	Changes in fair value	2017/12/31
Non-current liabilities	795,824	-73,202	0	-641	1,348	723,329
Current liabilities	130,608	-48,287	0	-8,504	0	73,817
Leasing liabilities	33,431	-25,511	-110	0	0	7,810
Total liabilities in financing activities	959,863	-147,000	-110	-9,146	1,348	804,955

		2017/12/31			2016/12/31	
Interest rate swaps	Weighted maturity	Nominal value	Fair value	Weighted maturity	Nominal value	Fair value
Interest rate swaps (liabilities)	6.7	574,921	-11,364	5.0	639,168	-19,591
-Effective part of hedging		546,595	-10,815		607,563	-18,712
-Ineffective part of hedging		28,326	-549		31,605	-879
Interest rate swaps, total		574,921	-11,364		639,168	-19,591

The Group does not have any interest rate swaps that could net each other.

Breakdown of financial assets and liabilities

The following table provides a list of groups of financial assets and liabilities in accordance with IAS 39, based on which they are valued..

2017	Note	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortized purchase price	Financial assets/ liabilities measured at fair value	Total	Fair value of financial assets/ liabilities
Non-current financial assets							
Assets measured at fair value							
Available-for-sale investments	16						
Available-for-sale quoted financial assets (level 1)			651			651	651
Available for sale non-quoted financial assets (level 3)			788			788	788
Other non-current receivables		-298				-298	-595
Total		**-298**	**1,439**			**1,141**	**844**
Current assets							
Trade and other receivables							
Sales receivables	18	4,365				4,365	4,365
Other current receivables		6,538				6,538	6,538
Cash and cash equivalents	19	71,753				71,753	71,753
Total		**82,656**				**82,656**	**82,656**
Non-current liabilities	**21**						
Financial liabilities recognized at amortized cost							
Non-current finance lease liabilities (level 2)				6,115		6,115	6,115
Non-current interest-bearing liabilities (level 2)				614,355		614,355	615,703
Non-current non-interest-bearing liabilities (level 2)				3,326		3,326	3,326
Other non-current liabilities				77,941		77,941	77,941
Total				**701,738**		**701,738**	**703,086**
Current liabilities	**21**						
Financial liabilities at fair value through profit or loss							
Derivatives							
Interest rate swaps, meeting the criteria for hedge accounting (level 2)	21				10,815	10,815	10,815
Interest rate swaps, not meeting the criteria for hedge accounting (level 2)					549	549	549
Financial liabilities recognized at amortized cost							
Current finance lease liabilities				1,694		1,694	1,694
Other current interest-bearing liabilities				182,790		182,790	182,790
Trade and other payables				53,988		53,988	53,988
Purchase price liabilities				3,332		3,332	3,332
Total				**241,804**	**11,364**	**253,168**	**253,168**

2016	Note	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortized purchase price	Financial assets/ liabilities measured at fair value	Total	Fair value of financial assets/liabilities
Non-current financial assets							
Assets measured at fair value							
Available-for-sale investments	16						
Available-for-sale quoted financial assets (level 1)			683			683	683
Available for sale non-quoted financial assets (level 3)			788			788	788
Other non-current receivables		-226				-226	-226
Total		**-226**	**1,471**			**1,245**	**1,245**
Current assets							
Trade and other receivables							
Sales receivables	18	4,322				4,322	4,322
Other current receivables		7,446				7,446	7,446
Cash and cash equivalents	19	128,027				128,027	128,027
Total		**139,794**				**139,794**	**139,794**
Non-current liabilities	**21**						
Financial liabilities recognized at amortized cost							
Non-current finance lease liabilities (level 2)				30,019		30,019	30,121
Non-current interest-bearing liabilities (level 2)				795,824		795,824	812,367
Non-current non-interest-bearing liabilities (level 2)				2,603		2,603	2,603
Other non-current liabilities				70,251		70,251	70,251
Total				**898,697**		**898,697**	**898,697**
Current liabilities	**21**						
Financial liabilities at fair value through profit or loss							
Derivatives							
Interest rate swaps, meeting the criteria for hedge accounting (level 2)	21				18,712	18,712	18,712
Interest rate swaps, not meeting the criteria for hedge accounting (level 2)					879	879	879
Financial liabilities recognized at amortized cost							
Current finance lease liabilities				3,411		3,411	3,411
Other current interest-bearing liabilities				130,608		130,608	130,608
Trade and other payables				45,117		45,117	45,117
Purchase price liabilities				6,977		6,977	6,977
Total				**186,113**	**19,591**	**205,704**	**205,704**

There have been no transfers or changes between levels 1 and 2 during the financial period. The fair value of level 2 instruments has been measured on the basis of generally accepted valuation techniques which primarily uses inputs based on observable market data.

Changes during the financial period in the values of other items presented on level 3 and measured at acquisition cost are as follows:

	2017	2016
Available-for sale financial assets measured at acquisition cost, opening balance	1,471	1,510
Increases	4	86
Decreases	-35	-125
Transfers between assets	0	0
At the year end	**1,439**	**1,471**

Yield requirement risks associated with investment properties

Changes in market yield requirements have a direct impact on the company's earnings and financial position through changes in the fair values of investment properties. The market yield requirement is used together with relevant inflation assumptions as a discount factor in the fair value calculations. Other things being equal, a decrease in market yield will result in an increase in the fair value of the investment property, and vice versa. More detailed information on the fair values of the investment properties can be found in Note 12.

23. Assets Pledged, Contingent Liabilities and Other Liabilities

	2017	2016
Mortgages of properties		
Loans from financial institutions	607,728	669,471
Mortgages given	931,501	1,009,916
Other mortgage liabilities		
Mortgages given	3,600	3,626
Mortgages, total	**935,101**	**1,013,542**
Pledged real estate shares		
Pledged investment properties	717,023	712,876
Land lease + location liabilities	**86,731**	**65,458**
Other guarantee liabilities	**149,558**	**152,546**

OTHER LIABILITIES

Maturity distribution, rental agreements

2017	less than one year	1-5 years	over 5 years	Total
Land leasing liabilities	1,965	7,777	68,511	78,253
UMA Esplanadi (initial agreement)	165	552		717
UMA Esplanadi (extension)	71	241		312
UMA Kungsbron	1,423	5,692	334	7,449
Total	**3,624**	**14,262**	**68,845**	**86,731**

2016	less than one year	1-5 years	over 5 years	Total
Land leasing liabilities	1,630	6,461	56,172	64,264
UMA Esplanadi (initial agreement)	165	662	55	883
UMA Esplanadi (extension)	47	241	24	312
Total	**1,843**	**7,364**	**56,252**	**65,458**

Value added tax (VAT) adjustment liability on property investments

Liability to adjust VAT on Dec 31, 2017	**32,041**
Liability to adjust VAT on Dec 31, 2016	43,527
Change	-11,486

	2017	2016
Liabilities associated with the equity bond		
Accrued unpaid interest	4,330	4,330
Total	**4,330**	**4,330**

Interest payment of the equity related bond in 2017 was EUR 5.6 (5.6) million. Additional information concerning the equity loan and its terms and conditions is disclosed in Note 20.

24. Business Combinations, Acquisitions of Individual Assets and Divestments

Acquisition of individual assets

The Group acquired an office building under construction in the Ozas region in Vilnius, with a rentable floor area of around 13,800 m². In addition, the company signed a purchase agreement for a plot with an expansion potential of at least 20,000 m². The investment totaled approximately EUR 32 million.

The Group acquired in financial year 2017 Ilmarinen Mutual Pension Insurance Company's indirect 19% shareholding in Technopolis AS for EUR 12.3 million. After the acquisition, Technopolis Plc's ownership in Technopolis AS is 100%.

The Group acquired in financial year 2016 a multicustomer campus in Gårda area, in the inner city of Gothenburg. The debt-free purchase price is EUR 126.6 million. The investment property was measured at cost at the time of acquisition, including the purchase price and direct costs related to the acquisition. The total leasable area of the campus 34,300 m².

During the financial year 2016, the Group acquired plots classified as investment properties in the Helsinki Metropolitan Area and Tampere. The Helsinki Metropolitan Area plot is located on Tekniikantie in Espoo, and its purchase price was EUR 14.4 million. The Tampere plot is located on Ratapihankatu, and its purchase price was EUR 10.7 million.

The Group acquired in the financial year 2016 the 30% minority stake in its Fornebu campus in Oslo from one of its minority shareholder, Koksa Eiendom AS for EUR 25.5 million.

No business combinations were carried out in the financial years 2017 and 2016.

Divestments of individual assets

The Group divested its business operations in Jyväskylä during the financial year 2017. As part of this arrangement, the company sold the entire share capital of Technopolis Kiinteistöt Jyväskylä Oy and Koy Technopolis Innova 4. It also divested all other assets related to its business operations in Jyväskylä. The total transaction price was EUR 104.5 million. The divested sites had a total rentable floor area of 49,000 m².

All shares in Koy Technopolis Lappeenranta and Koy Finnmedi 6-7 were divested in financial year 2016. The debt-free selling price was EUR 60.6 million. The divested properties have a leasable area of 38,300 m² in total.

25. Related Party Transactions

Related parties refer to persons or entities that are in a related party relationship with the disclosing entity. A related party relationship exists if one of the parties exerts control, joint control or significant influence over the decision-making of the other party. The company's related parties include associated companies and key members of the management and their next of kin, as well as companies in which such individuals exert control, joint control or significant influence. Key members of the management include the members of the Board of Directors and the members of the Group's Management Team.

Salaries and service benefits of the parent company's management

The key employees who comprise the management include the company's Board of Directors, President and CEO, and members of the Management Team.

	2017	2016
Salaries and service benefits to key employees included in the management		
Salaries and other current employee benefits	1,094	1,088
Share-based benefits	297	484
Total	**1,391**	**1,572**
Salaries and other current employee benefits paid to the CEO and Deputy CEO		
Silverang Keith, CEO	298	296
Tauriainen Reijo, Deputy CEO	108	164
Total	**406**	**460**

Reijo Tauriainen acted as Deputy CEO till July 31, 2017. After that the Group has not had a Deputy CEO.

Employee benefits paid to members of the Management Team other than the CEO and Deputy CEO	491	417

Also, as described below, in 2017, key employees were paid bonuses EUR 108 thousand that they earned during the period from January 1, 2016, to December 31, 2016 and in 2016 were paid EUR 245 thousand from period January 1, 2015, to December 2015. Bonuses were recognized as expenses during the period in which they were earned.

Silverang Keith, CEO	29	95
Tauriainen Reijo, Deputy CEO	8	26
Other members of the Management Team	71	124
Total	**108**	**245**

The retirement age and pension of the CEO will be determined by the general pension provisions. The period of notice for the CEO is six months and the severance pay equivalent to 12 months' salary in addition to the regular pay for the notice period.

On the basis of CEO salaries and benefits EUR 56.4 thousand has been recognized in the income statement as a pension costs in the financial year 2017 due to Employees Pension Act requirements (EUR 66.1 thousand in the year 2016) and on the basis of the CFO salaries and benefits EUR 19.9 thousand in the financial year 2017 (EUR 32.2 thousand in year 2016). Employees' Pension Act is part of the Finnish social security and it is a collective arrangement, where the employer does not have a straight responsibility from the pension, thus the responsibility is on the whole pension system. According to Employees Pension Act the financing of the pension is based on two points: part from the pensions paid in the future is hedged beforehand and part is financed through a distribution system only when the pensions are paid.

The 2017 General Meeting of Shareholders resolved that members of the Board will be paid annual compensation as follows: EUR 55,000 to the Chairman of the Board, EUR 31,500 to the Vice Chairman of the Board and the Chairman of the Audit Committee EUR 26,250 to each of the other members of the Board. In addition to the annual compensation, the members of the Board will be paid compensation for attending the meetings as follows: EUR 600 to the members and EUR 1,200 to the Chairman for each Board meeting, and EUR 800 is paid to the chairmen of the committees and EUR 600 to the members of committees for each committee meeting. For meetings held outside the country of residence of the member, each member of the Board of Directors shall, however, be paid a fee of EUR 900 and the Chairman of the Board of Directors a fee of EUR 1,800 for each committee meeting, and each member of a committee a fee of EUR 900 and the chairmen of the committees a fee of EUR 1,200 for each committee meeting, provided that the member of the Board of Directors is physically present at the meeting venue.

	2017	2016
Members of the Board of Directors		
Laaksonen Juha, Chairman of the Board of Directors	71	38
Haapamäki Jorma, Deputy Chairman	42	44
Liljedahl Helena	36	0
Ojanpää Pekka	36	41
Rankin Christine	43	0
Rytsölä Reima	37	40
Total	**266**	**163**
Former members of the Board		
Granvik Carl-Johan	6	80
Korhonen Pekka	0	2
Ånäs Annica	4	42
Total	**10**	**125**

The annual remuneration is paid on the condition that the Board member commits to using 40% of his or her annual remuneration to acquire Technopolis Plc shares on the market at the price determined in public trading. A Board member may not dispose of the shares received in annual compensation before the expiry of his or her term.

Annual compensation paid in shares and in cash to members of the Board:	Compensation paid in shares	Compensation paid in cash	Meeting fees	Total annual compensation
Laaksonen Juha, Chairman of the Board of Directors	22	33	16	71
Haapamäki Jorma, Deputy Chairman	13	19	10	42
Liljedahl Helena	11	16	10	36
Ojanpää Pekka	11	16	10	36
Rankin Christine	13	19	11	43
Rytsölä Reima	11	16	11	37
Grand total for annual compensation	**79**	**118**	**69**	**266**

26. Share-Based Payments

Share-based incentive scheme 2013-2017

The Board of Directors of Technopolis Plc decided on a new long-term share-based incentive scheme for the Group's key personnel for the years 2013-2015 and 2014-2016 on February 12, 2013 and on extending the incentive scheme for 2015-2017 on December 17, 2014. The aim of the incentive scheme is to support the implementation of the company's strategy, align the goals of the shareholders and key personnel to increase the value of the company, and commit the key personnel by way of a reward scheme based on shareholding.
The incentive scheme has three earning periods of three years each, which constitute of the calendar years 2013-2015, 2014-2016 and 2015-2017. The company's Board of Directors has separately decided on the key personnel of the Group to be covered by the scheme for each earning period and the maximum reward for each key employee. The Board of Directors has also decided on the earning criteria of the scheme and related objectives separately for each earning period. The amount of the reward paid to a key employee depends on achieving the goals set in the earning criteria. The maximum reward of a key employee comprises company shares and cash. All in all, a total of 331.301 more shares can be issued under the scheme (the original maximum amount for the earning period 2015-2017 was a total of 260,000 shares and for the entire share-based incentive scheme a maximum of 780,000 shares). The maximum amount is based on the review of the maximum rewards under the company's share-based incentive schemes approved by the Board, taking into account and eliminating the dilution of the share-based incentive scheme caused by the share rights issues organized by Technopolis in 2013 and 2016. The cash amount at maximum corresponds to the value of all shares conveyed at the time of registration. The cash part aims to cover the taxes and tax-related charges incurred to the key employees due to the reward. The reward for the earning period 2015-2017 will be paid by the end of April 2018. The scheme includes a restriction to assign the shares during the restriction period, which commences at the payment of the reward and ends on April 30, 2018 for the shares earned during the earning period 2014-2016 and on April 30, 2019 for the shares earned throughout the earning period 2015-2017. The restriction period for the shares earned during the earning period 2013-2015 ended on April 30, 2017.

Share-based incentive scheme 2016-2020

At its meeting on December 8, 2015, the Board of Directors of Technopolis Plc decided on adopting a long-term share-based incentive plan for the Group's key personnel. The aim of the incentive scheme is to support the implementation of the company's strategy, align the goals of the shareholders and key personnel to increase the value of the company, and commit the key personnel by way of a reward scheme based on shareholding.

The incentive scheme has three earning periods of three years each, which constitute of the calendar years 2016-2018, 2017-2019 and 2018-2020. The company's Board of Directors separately decides on the key personnel of the Group to be covered by the scheme for each earning period and the maximum reward for each key employee. The Board of Directors also decides on the earning criteria of the scheme and related objectives separately for each earning period. The amount of the reward paid to a key employee depends on achieving the goals set in the earning criteria. The maximum reward of a key employee comprises company shares and cash. A maximum of 896,316 shares can be issued under the scheme (the original maximum amount was 780,000 shares). The maximum amount is based on the review of the maximum rewards under the company's share-based incentive schemes approved by the Board, taking into account and eliminating the dilution of the share-based incentive scheme caused by the share rights issue organized by Technopolis in 2016. The cash amount at maximum corresponds to the value of all shares conveyed at the time of registration. The cash part aims to cover the taxes and tax-related charges incurred to the key employees due to the reward. The reward from the scheme will be paid to key personnel after the end of each earning period, by the end of May in the years 2019, 2020 and 2021. The scheme includes a restriction to assign the shares during the restriction period, which commences at the payment of the reward and ends on May 31, 2020 for the shares earned in the period 2016-2018, on May 31, 2021 for the shares earned in the period 2017-2019, and on May 31, 2022 for the shares earned in the period 2018-2020.

Share-based incentive plan 2016

The company had a matching share plan in force in 2016. The total number of shares paid as a reward was tied to the performance of the company in terms of total shareholder return. To receive a reward, the participants were required to acquire shares in the company up to the number determined by the Board of Directors. Furthermore, to be paid a reward, the participants were required to be in an employment or service relationship with the company at the time of payment.

A total of 40,215 shares were transferred in 2017 as rewards within the matching share plan, in addition to a cash portion intended to cover taxes and tax-related costs incurred by the participant, in accordance with the terms and conditions of the program. The matching share plan has ended, and no further rewards will be paid within the program.

The transfer restriction related to the matching share plan will remain valid throughout the commitment period, which begins at the payment of the reward and ends on June 30, 2018.

Parameters used for recognizing the share incentive scheme	2017-2019	Share-based incentive plan 2016	2016-2018	2015-2017	2014-2016	2013-2015
Date of granting the shares	2017/02/02	2015/12/08	2015/12/08	2014/12/17	2014/02/13	2013/02/13
Number of shares granted	298,772	97,675	298,772	331,305	331,305	331,305
Value of the shares, EUR	3.09	3.62	3.62	3.71	4.52	3.98
Qualifying period	2017/01/01-2019/12/31	2016/01/01-2016/12/31	2016/01/01-2018/12/31	2015/01/01-2017/12/31	2014/01/01-2016/12/31	2013/01/01-2015/12/31
Expected success rate, %	60.00	50.00	40.00	25.00	10.00	38.00

	2017	2016
Liabilities related to the share incentive schemes on the closing date	526	621

The expenses recognized through profit or loss are disclosed in Note 4.

Parent Company Income Statement and Balance Sheet

	Note	2017	2016
Net sales	1	**95,613**	**99,199**
Other operating income	2	910	1
Personnel expenses	3	-11,337	-12,027
Depreciation and impairment	4	-3,672	-3,460
Other operating expenses	5	-63,407	-63,953
Operating profit		**18,107**	**19,761**
Income from holdings in Group companies	6	6,734	15,103
Finance income, total	6	18,309	10,784
Finance expenses, total	6	-20,974	-11,081
Profit before appropriations and taxes		**22,175**	**34,567**
Profit before taxes		**22,175**	**34,567**
Change in depreciation difference	7	797	-74
Income taxes	8	-1,574	-4,840
Net profit for the year		**21,398**	**29,653**

ASSETS	Note	2017/12/31	2016/12/31
Non-current assets			
Intangible assets	9	12,904	17,214
Tangible assets	10	238	10,888
Holdings in group companies	11	756,512	807,213
Holdings in associates	11	1,417	1,442
Investments	11	62,031	39,141
Total non-current assets		**833,101**	**875,898**
Current assets			
Non-current receivables	12	49,408	59,778
Current receivables	13	181,104	172,431
Cash and bank		41,313	104,855
Total current assets		**271,825**	**337,064**
ASSETS, TOTAL		**1,104,925**	**1,212,962**
EQUITY AND LIABILITIES			
Equity	**14**		
Share capital		96,914	96,914
Premium fund		18,943	18,943
Invested unrestricted equity fund		339,574	339,574
Retained earnigs		17,519	6,687
Net profit for the year		21,398	29,653
Equity, total		**494,348**	**491,770**
Accumulated appropriations	15	0	797
Liabilities			
Non-current liabilities	16	464,088	541,888
Current liabilities	17	146,489	178,506
Total liabilities		**610,577**	**720,394**
EQUITY AND LIABILITIES, TOTAL		**1,104,925**	**1,212,962**

Parent Company Cash Flow Statement

	2017	2016
Cash flows from operating activities		
Net profit for the year	21,398	29,653
Adjustments:		
Depreciation	3,672	3,460
Other adjustments for non-cash transactions	-1,702	-11,177
Financial income and expenses	-4,566	-3,555
Taxes	1,574	4,840
Increase/decrease in working capital	-1,439	7,467
Interest received	4,885	5,038
Dividends received	2,534	23,649
Interest paid and fees	-14,323	-15,393
Other financial items in operating activities	-5,142	1,802
Taxes paid	-1,501	-2,262
Cash flows from operating activities	**5,391**	**43,522**
Cash flows from investing activities		
Investments in tangible and intangible assets	-3,131	-4,087
Proceeds from sale of tangible and intangible assets	37,284	0
Loans granted	-18,339	-95,087
Repayments of loan receivables	411	58,338
Increase/decrease in cash equivalents	-3,669	-46,911
Investments in other securities	0	-77
Gains from disposals of other investments	25	1,175
Acquisition of subsidiaries	0	-44,619
Disposal of subsidiaries	51,334	60,601
Cash flows from investing activities	**63,915**	**-70,667**
Cash flows from financing activities		
Increase in long-term loans	0	43,481
Decrease in long-term loans	-79,624	-50,928
Dividends paid	-18,831	-17,755
Paid share issue	0	125,477
Acquisition of own shares	0	-1,093
Change in short-term loans	-34,392	20,082
Cash flows from financing activities	**-132,848**	**119,264**
Change in cash and cash equivalents	**-63,541**	**92,119**
Cash and cash equivalents, January 1	104,855	12,735
Cash and cash equivalents, December 31	**41,313**	**104,855**

Accounting Policies Applied in the Preparation of Parent Company Financial Statements

Technopolis Plc's financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

Net sales and other operating income

Net sales consist primarily of the rental revenues from premises and service revenues. Revenues are recognized on an accrual basis.

The operating grants received for various development projects are recognized in other operating income. Similarly, the expenses related to the development projects are recognized in other operating expenses and personnel expenses.

Measurement of non-current assets

Intangible and tangible assets are measured at original cost and are depreciated over their estimated useful life according to pre-determined depreciation plans. Depreciation according to plan is presented in the income statement. The depreciation based on estimated useful life is as follows:

Intangible rights	20%, straight-line depreciation
Other long-term expenditure	10%, straight-line depreciation
Buildings and structures (stone and similar)	2.0–2.5%, straight-line depreciation
Buildings and structures (wood and similar)	3%, straight-line depreciation
Machinery and equipment	25%, depreciation from book value

Additional expenses arising later will be capitalized if it is likely that they will inure additional economic benefit to the company and if they can be reliably determined and allocated to an asset. Otherwise, they will be recognized as an expense in the income statement. Existing and unfinished buildings also include interest expenses capitalized during the financial year. Projects in progress also include capitalized personnel expenses and land lease rents for the construction period.

Other long-term expenditures mainly include alteration work on leased premises, depreciated over the duration of the alteration work rent or the term of the lease. With regard to long-term leases, alteration work is, however, depreciated using a maximum annual depreciation rate of 10%.

In the parent company financial statements, the depreciation difference is presented in the income statement as appropriations, while the accumulated depreciation difference is presented in the balance sheet as accumulated appropriations.

Translation of foreign currency items

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of each transaction. At the end of the financial year, unsettled foreign currency transaction balances are valued at the average rates of the balance sheet date.

Derivatives

Derivative contracts are mainly used for hedging against interest rate risk. Derivative contracts made to hedge against the interest rate risk of long-term loans are not entered in the balance sheet, but reported in the notes to the financial statements. Interest expenses related to derivative contracts are recognized on accrual basis to adjust the interest on the hedged item.

Income taxes

The direct income taxes for the financial year are accrued and recognized in the income statement. Deferred tax liabilities and assets are not entered in the parent company balance sheet.

Share-based payments

The cash portion of share-based reward s amounts to the taxes and tax-related charges incurred due to the plan. It is recognized as a liability at the granting date and at each closing date based on the benefits paid as shares. Share-based payments are allocated on an accrual basis. Changes in the estimates are recognized in the income statement.

Notes to the Parent Company Financial Statements

1. Net Sales

	2017	2016
Revenue from rental operations	78,311	83,048
Revenue from services	17,302	16,151
Net sales, total	**95,613**	**99,199**

2. Other Operating Income

Other income from operations	910	1
Other operating income, total	**910**	**1**

Other operating income includes the gain on the sale of leasing property in Jyväskylä.

3. Personnel Expenses

Salaries and fees	9,280	10,121
Pension costs	1,542	1,779
Indirect employee costs	718	410
Capitalized personnel expenses	-203	-283
Personnel expenses, total	**11,337**	**12,027**
Average number of employees	169	186
Salaries of CEO and Board members		
President and CEO	402	391
Members of the Board of Directors	276	211
Salaries of CEO and Board members, total	**678**	**602**

The salary of President and CEO includes the salaries and bonuses paid during the fiscal period.

The salaries of the members of the Board of Directors include the salaries and meeting fees paid during the fiscal period.

4. Depreciation According to Plan And Impairment

Depreciation on intangible assets	3,491	3,249
Depreciation on tangible assets	181	211
Depreciation according to plan and impairment, total	**3,672**	**3,460**

5. Other Operating Expenses

	2017	2016
Premises expenses	42,431	45,175
Service expenses	8,725	7,853
Other operating expenses	12,251	10,925
Other operating expenses, total	**63,407**	**63,953**
Auditor's fees and services		
Other operating expenses includes fees paid to auditors as follows:		
Audit	92	159
Certificates and reports	7	4
Other services	56	250
Auditor's fees, total	**155**	**413**

6. Finance Income and Expenses

Dividend income from Group companies	2,465	10,309
Dividend income from others	55	36
Other interest income from Group companies	4,269	4,794
Other interest- and financial income from others	18,254	10,747
Interest expenses and other finance expenses to Group companies	-139	-101
Interest expenses and other finance expenses to others	-20,525	-21,854
Items related to derivatives	-311	10,874
Finance income and expenses, total	**4,068**	**14,806**

Interest and finance income from others includes the gain on the sale of the Jyväskylä business operations during the review period.

The comparison data includes the gain on the sale of the Lappeenranta and the Tampere Finnmedi campuses.

The change in the fair value of derivatives on comparison data includes the recognition of derivative liabilities due to a change in the recognition principle of derivatives.

7. Appropriations

Difference between planned depreciation and depreciation for tax purposes	797	-74

8. Income Taxes

	2017	2016
Income tax from actual operations	3,393	4,840
Taxes for prior years	-1,819	0
Income taxes, total	**1,574**	**4,840**

9. Intangible Assets

Intangible rights		
Acquisition cost, Jan 1	12,425	10,652
Increases	1,474	1,773
Acquisition cost, Dec 31	13,900	12,425
Accumulated depreciation, Jan 1	-6,951	-5,506
Depreciation for the year	-1,667	-1,445
Intangible rights, Dec 31	**5,282**	**5,474**
Other long-term expenditure		
Acquisition cost, Jan 1	21,444	19,886
Increases	109	287
Decreases	-6,345	-271
Changes between assets items	1,881	1,542
Acquisition cost, Dec 31	17,088	21,444
Accumulated depreciation, Jan 1	-9,704	-7,900
Accumulated amortisation on disposals	2,063	0
Depreciation for the year	-1,824	-1,804
Other long-term expenditure, Dec 31	**7,622**	**11,739**
Intangible assets, total, Dec 31	**12,904**	**17,214**

10. Tangible Assets

	2017	2016
Land areas		
Acquisition cost, Jan 1	3,927	3,927
Decreases	-3,927	0
Land areas, Dec 31	**0**	**3,927**
Buildings and structures		
Acquisition cost, Jan 1	8,447	8,407
Increases	0	40
Decreases	-7,799	0
Acquisition cost, total, Dec 31	648	8,447
Accumulated depreciation, Jan 1	-2,057	-1,898
Accumulated amortisation on disposals	1,555	0
Depreciation for the year	-146	-159
Buildings and structures, Dec 31	**0**	**6,390**
Machinery and equipment		
Original acquisition cost	2,861	2,866
Accumulated depreciation	-2,707	-2,656
Net expenditures, Jan 1	154	210
Increases	0	0
Decreases	-28	-4
Accumulated amortisation on disposals	5	0
Depreciation for the year	-35	-52
Machinery and equipment, Dec 31	**96**	**154**
Other tangible assets		
Acquisition cost, Jan 1	29	32
Decreases	0	-4
Other tangible assets, Dec 31	**29**	**29**
Advance payments and projects in progress		
Projects in progress, Jan 1	388	538
Increases/decreases	1,651	1,428
Changes between assets items	-1,927	-1,578
Advance payments and projects in progress, Dec 31	**113**	**388**
Tangible assets, total, Dec 31	**238**	**10,888**

The decrease in tangible assets is due to the divestment of the business operations and assets in Jyväskylä. Additional information is presented in Note 14 of the consolidated financial statements.

11. Investments

	2017	2016
Holdings in Group companies		
Acquisition cost, Jan 1	807,213	764,206
Increases	1,120	100,382
Decreases	-51,822	-57,374
Holdings in Group companies, Dec 31	**756,512**	**807,213**
Holdings in associates		
Acquisition cost, Jan 1	1,442	1,442
Increases/decreases	-25	0
Holdings in associates, Dec 31	**1,417**	**1,442**

Information on the associates' shareholders' equity and results for the period is presented in Note 15 to the consolidated financial statements.

Other shareholdings		
Acquisition cost, Jan 1	1,150	3,251
Increases/decreases	-25	-2,101
Other shareholdings, Dec 31	**1,125**	**1,150**
Receivables from Group companies		
Loan receivables, Jan 1	37,986	44,530
Increases	23,342	51,783
Decreases	-422	-58,326
Receivables from Group companies, Dec 31	**60,906**	**37,986**

Holdings in Group companies, December 31, 2017

	Holding, %	Book value
Kiinteistö Oy Helsingin Energiakatu 4, Helsinki, Finland	100.00	128
Kiinteistö Oy Hermia, Tampere, Finland	71.96	10,664
Kiinteistö Oy Innopoli II, Espoo, Finland	100.00	55,216
Kiinteistö Oy Oulun Ydinkeskusta, Oulu, Finland	98.77	24,548
Kiinteistö Oy Technopolis Innopoli 3, Espoo, Finland	100.00	10,495
Kiinteistö Oy Technopolis Peltola, Oulu, Finland	100.00	29,925
Kiinteistö Oy Technopolis Ratapihankatu, Tampere, Finland	100.00	3
Kiinteistö Oy Technopolis Tekniikantie 21, Espoo, Finland	100.00	3
Kiinteistö Oy Technopolis Tohloppi, Tampere, Finland	94.25	23,293
Kiinteistö Oy Yrttiparkki, Oulu, Finland	87.45	3
Oulun Teknoparkki Oy, Oulu, Finland	84.14	50
Oulun Ydinkeskustan Parkki Oy, Oulu, Finland	62.24	12
Technopolis AB, Gothenburg, Sweden	100.00	44,514
Technopolis Baltic Holding Oü, Tallinn, Estonia	100.00	13,357
Technopolis Hitech Oy, Oulu, Finland	100.00	63
Technopolis Holding AS, Oslo, Norway	100.00	64,734
Technopolis Kiinteistöt Espoo Oy, Espoo, Finland	100.00	3
Technopolis Kiinteistöt Oulu Oy, Oulu, Finland	100.00	120,295
Technopolis Kiinteistöt Pääkaupunkiseutu Oy, Helsinki, Finland	100.00	129,295
Technopolis Kiinteistöt Tampere Oy, Tampere, Finland	100.00	89,667
Technopolis Kuopio Oy, Kuopio, Finland	60.00	30,491
Technopolis Lietuva UAB, Vilnius, Lithuania	100.00	16,683
Technopolis Neudorf LLC, St Petersbug, Russia	100.00	17
Technopolis St Petersburg LLC, St Petersburg, Russia	100.00	93,056
Total		**756,512**

Holdings in associates	**Holding, %**	**Book value**
Iin Micropolis Oy, Ii	25.64	24
Rehaparkki Oy, Oulu	20.00	1,392
Total		**1,417**

Other holdings		
Other shares	359	384
Sampo mutual fund units	766	766
Total	**1,125**	**1,150**

	2017	2016
Other receivables		
Other receivables, Jan 1	5	5
Decreases	-5	0
Other receivables, Dec 31	0	5

12. Non-Current Receivables

Other long-term receivables from group companies	49,270	59,581
Other long-term receivables	138	197
Other long-term receivables, total	**49,408**	**59,778**

13. Current Receivables

Sales receivables from Group companies	1,266	1,268
Loan receivables from Group companies	81,149	81,141
Adjusting entries for assets from Group companies	86	426
Other Group receivables	95,102	86,523
Sales receivables	1,607	1,825
Adjusting entries for assets	1,881	1,233
Other receivables	12	14
Short-term receivables, total	**181,104**	**172,431**
Essential items included in adjusting entries for assets		
Advance payments of indirect personnel expenses	550	75
Others	1,331	1,158
Total	**1,881**	**1,233**

Other adjusting entries for assets include project receivables, interest receivables, and other amortized receivables.

14. Changes in Shareholders' Equity

	2017	2016
Share capital, Jan 1	96,914	96,914
Share capital, Dec 31	**96,914**	**96,914**
Premium fund, Jan 1	18,943	18,943
Premium fund, Dec 31	**18,943**	**18,943**
Restricted equity, Dec 31	**115,857**	**115,857**
Invested unrestricted equity fund, Jan 1	339,574	215,190
Share issue	0	125,477
Acquired own shares	0	-1,093
Invested unrestricted equity fund, Dec 31	**339,574**	**339,574**
Retained earnings, Jan 1	36,340	24,445
Dividends distributed	-18,820	-17,758
Net profit for the year	21,398	29,653
Retained earnings, Dec 31	**38,918**	**36,340**
Unrestricted equity, Dec 31	**378,491**	**375,913**
Shareholders' equity, Dec 31	**494,348**	**491,770**
Distributable unrestricted equity, Dec 31	**378,491**	**375,913**

15. Accumulated Appropriations

Depreciation difference, Jan 1	797	723
Increase/decrease during the year	-797	74
Depreciation difference, Dec 31	**0**	**797**

16. Non-Current Liabilities

	2017	2016
Bonds		
Hybrid bond *)	75,000	75,000
Bond	150,000	150,000
Loans from financial institutions	235,767	313,272
Loans from group companies	3,321	3,616
Non-current liabilities, total	**464,088**	**541,888**

*) On January 26, 2018 Technopolis Plc decided to redeem the EUR 75 million capital notes issued on March 26, 2013. The redemption will be made on March 26, 2018 in accordance with the terms and conditions of the Hybrid Bond for the full outstanding amount.

Liabilities with a maturity of five years or longer		
Bank loans	87,929	118,413
Financial leasing	0	20,130

17. Current Liabilities

Loans from financial institutions	59,024	61,143
Advances received	5,403	5,936
Accounts payable	561	1,553
Accounts payable to Group companies	0	-276
Loans to Group companies	48,244	38,219
Adjusting entries for liabilities to Group companies	3,897	571
Other current liabilities	12,373	55,540
Adjusting entries for liabilities	16,987	15,819
Current liabilities, total	**146,489**	**178,506**

The decrease in other current liabilities is mainly due to the repayment of debt commitments related to the commercial paper program.

Essential items included in adjusting entries for assets		
Interest	8,147	8,156
Items related to derivatives	944	633
Tax liabilities	2,587	2,514
Other	5,310	4,516
Total	**16,987**	**15,819**

Other adjusting entries for liabilities include personnel expense liabilities and other amortizations of costs.

18. Assets Pledged, Contingent Liabilities And Other Liabilities

	2017	2016
Loans from financial institutions	**294,791**	**355,934**
Pledged real estate shares		
Pledged real estate shares, carrying amount	525,008	560,660

	2017/12/31		2016/12/31	
Interest rate and currency swaps	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Interest rate swaps, Nordea	184,942	-4,948	193,564	-8,349
Interest rate swaps, Danske	35,000	-1,420	39,750	-1,803
Interest rate swaps, Pohjola	184,026	-3,671	189,871	-6,443
Interest rate swaps, Handelsbanken	15,325	-323	38,746	-918
Interest rate and currency swaps, total	**419,293**	**-10,362**	**461,931**	**-17,513**

	Contractual cash flow			
	Less than one year	**1-2 years**	**3-5 years**	**over 5 years**
Repayments of derivatives	**2,798**	**3,164**	**4,570**	**822**

The 15-year agreements maturing in 2019 and 2021 can be voluntarily terminated early.

	2017	2016
Collateral given on behalf of Group companies		
Guarantees	146,069	152,546

	2017	2016
OTHER LIABILITIES		
Land lease liabilities	**1**	**0**
Lease liabilities for premises		
To be paid in the current financial year	1,659	212
To be paid later	6,819	982
Lease liabilities for premises, total	**8,478**	**1,195**
Leasing liabilities for fixtures and fittings		
To be paid in the current financial year	99	1,629
To be paid later	90	2,569
Leasing liabilities for fixtures and fittings, total	**189**	**4,199**
Lease liabilities from investment properties, total value of minimum lease payments		
Not later than one year	246	1,966
Later than one year and not later than two years	254	2,024
Later than two year and not later than five years	533	6,202
Later than five years	3,396	20,130
Total	**4,429**	**30,322**
Present value of minimum lease payments of investment properties		
Not later than one year	217	1,729
Later than one year and not later than two years	226	1,801
Later than two year and not later than five years	483	5,631
Later than five years	3,396	19,989
Present value of minimum lease payments, total	**4,322**	**29,150**
Future financial expenses, total	107	1,172
Total amount of finance lease liabilities	**4,429**	**30,322**

19. Related Party Transactions

Related party transactions are presented in Note 25 to the consolidated financial statements.

20. Shares And Shareholders

The company's business name is Technopolis Oyj in Finnish and Technopolis Plc in English, and its registered office is in Oulu, Finland. It was entered into the Trade Register on September 16, 1982 under the name Oulun Teknologiakylä Oy (reg. no. 309.397). It became a public limited company on November 5, 1997, changing its name to Technopolis Oulu Oyj on April 15, 1988, and again to Technopolis Oyj on April 7, 2000. Its business code is 0487422-3. Technopolis shares are quoted on the mid cap list of Nasdaq Helsinki. The ISIN code is FI0009006886, and the trading code is TPS1V.

Annual General Meeting March 23,2017

The Annual General Meeting (AGM) 2017 adopted on March 23, 2017 the Group and parent company's financial statements for the fiscal year 2016 and discharged the company's management from liability. The AGM decided, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.12 per share. The dividend payment date was April 4, 2017. The AGM authorized the Board of Directors to decide on the repurchased and/or on the acceptance as pledges of the company's own shares as follows: The amount of own shares to be repurchased and/or accepted as a pledge shall not exceed 15,850,000 shares, which corresponds to approximately 10 per cent of all the shares in the company. Under the authorization, the company's own shares may only be purchased using unrestricted equity. The company's own shares may be purchased at a price set in public trading on the date of the repurchase or otherwise at the price prevailing on the market. The Board of Directors decides how the company´s own shares will be repurchased and/or accepted as a pledge. Treasury shares can be repurchased using, inter alia, derivatives. The company's own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). The authorization will be valid until the end of the next Annual General Meeting; however, no later than June 30, 2018.

The Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act as follows: The amount of shares to be issued shall not exceed 15,850,000 shares which corresponds to approximately 10% of all the shares in the company. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling the holder to shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization is effective until the end of the next Annual General Meeting; however, no later than June 30, 2018.

Shares and share capital

The company's registered, fully paid-up share capital on December 31, 2017, was EUR 96,913,626.29 (EUR 96,913,626.29), divided into 158,793,662 shares. Changes in shares during the financial year are shown in the following section. The company's shares have been in the book-entry securities system since March 7, 1998. The company has one class of shares. Each share carries one vote at a General Meeting of Shareholders.

Own Shares

On December 31, 2017, the company held a total of 1,903,373 (1,947,571) treasury shares. The company has repurchased a total of 2,067,753 treasury shares, of which a total of 164,380 have been issued as share-based payments. In 2017, a total of 15,192 shares returned to the company from the share-based incentive schemes, and a total of 59,390 shares held by the company were issued as share-based payments. In 2016, the company repurchased a total of 309,806 treasury shares (EUR 1,092,964), with the related transaction expenses being EUR 2,674. The treasury shares acquired in 2016 were recognized under shareholders' equity to decrease the Group's invested unrestricted equity fund. The transaction costs were recognized as a decrease in unrestricted equity. In 2016, a total of 104,990 shares held by the company were issued as share-based payments. A total of 1,742,755 treasury shares (EUR 2,744,873) have been acquired in previous periods. These have been recognized under shareholders' equity to decrease the Group's unrestricted equity.

Stock-related Events

	Share capital, EUR	Change, shares, number	Outstanding number of shares	Entered in the register
Shares, December 1, 2017	**96,913,626.29**		**156,846,091**	
Return of own shares		- 11,174	156,834,917	1/11/2017
Share incentives for key personnel		59,390	156,894,307	4/25/2017
Return of own shares		- 4,018	156,890,289	6/5/2017
Shares, December 31, 2017	**96,913,626.29**	**44,198**	**156,890,289**	

The company's Board of Directors decided on a directed share issue without consideration on April 25, 2017. In the share issue, 59,390 treasury shares were issued without consideration to the key personnel entitled to share rewards according to the terms and conditions of the Performance Share Plan 2013-2017 and Matching Share Plan 2016. The decision on the share issue was based on the authorization granted to the Board of Directors by the Company's General Meeting of Shareholders held on March 23, 2017.

Company´s own shares have been returned to Technopolis Plc in accordance with the terms and conditions of the company´s performance share plan 2013-2017 due to the termination of employment of a key persons on January 11, 2017 and June 5, 2017.

Largest shareholders, December 31, 2017

	Shares, number	Holding of shares and votes, %
Varma Mutual Pension Insurance Company	30,232,288	19.04
Olofsgård Invest Ab	24,574,470	15.48
City of Oulu	3,917,926	2.47
Laakkonen Mikko Kalervo	2,139,276	1.35
Technopolis Plc	1,903,373	1.20
The Finnish Cultural Foundation	1,782,063	1.12
Jenny and Antti Wihuri Foundation	1,107,597	0.70
Hallikainen Jyrki	1,000,000	0.63
Etola Erkki	865,500	0.55
Yleisradion Eläkesäätiö S.r.	828,744	0.52
Total for ten largest	68,351,237	43.06
Nominee-registered	56,629,068	35.66
Other	33,813,357	21.28
Grand total	**158,793,662**	**100.00**

Shareholding breakdown on December 31, 2017

	Number of shareholders	%	Number of shares and votes	%
1 - 100	1,132	12.37	56,542	0.04
101 - 500	2,538	27.74	736,910	0.46
501 - 1 000	1,602	17.51	1,232,747	0.78
1 001 - 5 000	2,790	30.50	6,430,354	4.05
5 001 - 10 000	600	6.56	4,308,394	2.71
10 001 - 50 000	378	4.13	7,529,144	4.74
50 001 - 100 000	45	0.49	3,287,967	2.07
100 001 - 500 000	44	0.48	8,167,376	5.14
500 001 -	19	0.21	127,033,908	80.00
Joint account	0	0.00	10,320	0.01
Total	**9,148**	**100.00**	**158,793,662**	**100.00**

Shareholdings by sector, December 31, 2017

	Number of shares and votes	%
Public sector organizations	35,752,268	22.5
Foreign and nominee-registered	57,412,681	36.2
Corporations	31,213,734	19.7
Private households	26,120,982	16.4
Non-profit organizations	5,398,119	3.4
Financial and insurance institutions	2,885,558	1.8
Joint account	10,320	0.0
Total	158,793,662	100.0
Number of outstanding shares	158,793,662	100.0

On the December 31, 2017 the company held in total of 1,903,373 own shares.

	2017	2016
Share data		
Number of shares *)		
On Dec 31	156,890,289	156,846,091
Average during the year	156,873,264	130,247,085
Dilution-adjusted average during year	156,873,264	130,247,085

*) The total number of shares is 158,793,662. The company has a total of 1,903,373 own shares.

Share-related Indicators		
Earnings/share, basic, EUR	0.46	0.27
Earnings/share, diluted, EUR	0.46	0.27
Equity/share, EUR	4.06	3.75
Dividend/share, EUR, proposal	0.15	0.12
Dividend Payout Ratio, %	32.67	36.54
P/E ratio	8.57	10.42
Effective dividend yield, %	3.59	3.83
Share prices, EUR		
Highest price	4.20	3.46
Lowest price	2.96	2.92
Trade-weighted average price	3.53	3.18
Price Dec 31	4.18	3.13
Market capitalization, Dec 31	663,757,507	497,024,162
Share turnover, euro	268,185,100	157,119,355
Share turnover, shares	71,962,264	49,747,491

Share related indicators have been adjusted for the rights issue in fall 2016.

Definitions of Key Indicators and Financial Ratios

Equity/Share

$$\frac{\text{Equity - Equity related bond}}{\text{Issue-adjusted number of shares on reporting date}}$$

Return on Equity (ROE), %

$$100 \times \frac{\text{Result before taxes - Taxes}}{\text{Equity + Non-controlling interests for year, average}}$$

Earnings/Share, Basic

$$\frac{\text{Profit to parent company shareholders - Interest expenses on equity related bond}}{\text{Average issue-adjusted number of shares during year}}$$

Dividend/Share

$$\frac{\text{Dividend}}{\text{Issue-adjusted number of shares outstanding on reporting date}}$$

Effective Dividend Yield, %

$$100 \times \frac{\text{Issue-adjusted dividend/share}}{\text{Issue-adjusted share price on reporting date}}$$

Loan to Value, %

$$100 \times \frac{\text{Interest-bearing liabilities}}{\text{Fair value of investment properties (completed + under construction) on reporting date}}$$

Cash Flow from Operations/Share

$$\frac{\text{Cash flow from operations}}{\text{Average number of shares adjusted for dilutive effect during year}}$$

EBITDA

Operating profit + Depreciation
+/- Change in fair values of investment properties

Net Rental Revenue of Property Portfolio, % (EPRA Net Initial Yield)

$$100 \times \frac{\text{Rental income from Group-owned properties - Direct expenses from Group-owned properties}}{\text{Fair value of completed investment properties on reporting date}}$$

EPRA Net Asset value (NAV)

Equity to parent company shareholders
- Hedging reserve
+ Deferred taxes from investment properties
- Equity related bond

Financial Occupancy Ratio, %

$$100 \times \frac{\text{Rental income of leased space}}{\text{Estimated market rent of vacant space + Rental income of leased space}}$$

EPRA Earnings/Share

$$\frac{\text{Operative result to parent company shareholders}}{\text{Average issue-adjusted number of shares during year}}$$

Net Sales on a Constant Currency Basis

Net sales - Impact of currency exchange rate changes

Equity Ratio, %

$$100 \times \frac{\text{Equity + Non-controlling interests}}{\text{Total assets - Advances received}}$$

Return on Investment (ROI), %

$$100 \times \frac{\text{Result before taxes + Interest expenses and other financial expenses}}{\text{Total assets - Non-interest-bearing liabilities}}$$

Earnings/Share, Diluted

$$\frac{\text{Profit to parent company shareholders - Interest expenses on equity related bond}}{\text{Average number of shares adjusted for dilutive effect during year}}$$

Dividend Payout Ratio, %

$$100 \times \frac{\text{Dividend/share}}{\text{Earnings/share}}$$

Price/Earnings (P/E) Ratio

$$\frac{\text{Issue-adjusted share price on reporting date}}{\text{Earnings/share}}$$

Interest Coverage Ratio

$$\frac{\text{EBITDA}}{\text{Accrual-based interest expenses}}$$

Net Debt/Equity (Gearing), %

$$100 \times \frac{\text{Interest-bearing debt - Cash, bank and financial securities}}{\text{Equity + Non-controlling interests}}$$

EBITDA %

$$100 \times \frac{\text{EBITDA}}{\text{Net sales}}$$

EPRA Like-for-Like Rental Growth, %

$$100 \times \frac{\text{Rental revenue from comparable properties}}{\text{Rental revenue from comparable properties in previous period}}$$

EPRA Net Asset Value/Share

$$\frac{\text{EPRA Net Asset Value}}{\text{Issue-adjusted number of shares outstanding on reporting date}}$$

EPRA Vacancy Rate

100% - Financial occupancy rate, %

EBITDA by Business Area

EBITDA from rental operations + EBITDA from services
- Group-level expenses and eliminations

EBITDA on a Constant Currency Basis

EBITDA - Impact of currency exchange rate changes

Return on Capital Employed (ROCE), %

$$100 \times \frac{\text{EBIT - Fair value changes}}{\text{Total assets - Non-interest-bearing liabilities for year, average}}$$

Board of Directors' Proposal for Dividend Distribution and Equity Repayment

The distributable funds of the parent company Technopolis Plc amounted to EUR 38,917,667.26, and the funds in the parent company's invested unrestricted equity fund amounted to EUR 339,573,795.41 on December 31, 2017.

The Board proposes a dividend payment of EUR 0.09 (0.12) per share to be paid from the distributable funds and an equity repayment of EUR 0.08 (-) per share to be paid from the invested unrestricted equity fund. The dividend payment and equity repayment total EUR 0.17 (0.12) per share, approximately EUR 26.7 (18.8) million euros.

The Board further proposes that the remainder of distributable funds be left in the retained earnings account.

Signatures of the Board of Directors and CEO for the Report by the Board of Directors and for the Financial Statements

in Helsinki, February 14, 2018

Juha Laaksonen
Chairman of the Board

Jorma Haapamäki
Deputy Chairman of the Board

Helena Liljedahl
Member of the Board

Pekka Ojanpää
Member of the Board

Christine Rankin
Member of the Board

Reima Rytsölä
Member of the Board

Keith Silverang
President and CEO

The Auditor's Note

Our auditor's report has been issued today.

Helsinki, February 14, 2018

KPMG Oy Ab

Lasse Holopainen
Authorised Public Accountant

Auditor's Report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Technopolis Plc
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Technopolis Plc (business identity code 0487422-3) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 6 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred

The Key Audit Matter	How the Matter Was Addressed in the Audit
Valuation of investment properties (Refer to note 12 to the consolidated financial statements) • Investment properties measured at fair value (EUR 1,595.9 million) represent 92.8 percent of the consolidated balance sheet total as at 31 December 2017. Changes in the fair values of the investment properties have a significant impact on the consolidated net result for the period and equity. • The fair values of investment properties is determined specifically for each property by discounting the estimated net cash flows to the present day. • The forecasts used by Technopolis in fair value measurement involve management judgement regarding projected occupancy rate and market rents, among others. The net yield requirement used in the fair value calculations is based on assessments provided by two external real estate valuators. • Acquisitions and divestments of investment properties are individually significant transactions.	Our audit procedures included, among others: • We evaluated the assumptions requiring management judgement used in the fair value calculations. • In respect of property-specific fair value calculations, we assessed that the yield requirements are based on information provided by external real estate valuators. • We tested the analysis of changes in fair value and the underlying factors prepared by the Group. • We involved KPMG valuation specialists in testing of the technical validity of the property-specific calculations and in comparison of the assumptions used to market and industry data. • As part of our audit procedures performed on the acquisitions and divestments of investment properties we examined significant contracts and documentation on the accounting treatment applied to these transactions. • Furthermore, we assessed the appropriateness of the disclosures provided on the fair values of investment properties.

The Key Audit Matter	How the Matter Was Addressed in the Audit
Recognition of rental and service income (Refer to note 2 to the consolidated financial statements) • The Group's net sales primarily consist of real estate rental revenues recognized on a straight-line basis over the lease term and service revenues recognized upon completion of the service performance. • The number of invoicing transactions linked to rental revenues is considerable. • Accurate and timely recognition of rental and service revenue is material for rendering a true and fair view of the financial statements.	Our audit procedures included, among others: • We evaluated internal controls over both the IT environment related to the property rental process and the accuracy of rental invoicing process. • We tested the accuracy of basic data in the Group's ERP software by comparing to rental agreements and other contracts. • Furthermore, we tested the accuracy of the recognition process by performing substantive procedures.

The Key Audit Matter	How the Matter Was Addressed in the Audit
Financing arrangements **(Refer to note 7 and notes 20–22 to the consolidated financial statements)** • The total balance of the Group's interest-bearing liabilities is significant, EUR 805.0 million as at 31 December 2017. • The Group employs derivative instruments that are recognized at fair value. Technopolis uses derivative contracts mainly to hedge interest rate risks and applies hedge accounting to qualifying interest derivative instruments. The nominal value of the derivatives as at 31 December 2017 amounts to EUR 574.9 million.	Our audit procedures included, among others: • We evaluated the appropriateness of the recognition and measurement policies applied to financial instruments and tested the controls relevant to the accuracy and measurement of financial instruments. • We assessed the hedge accounting documentation prepared by Technopolis and the principles applied therein. • We tested the interest accruals of financial liabilities by comparing to external confirmations provided by lenders. • Furthermore, we assessed the appropriateness of the disclosures provided on financial instruments.

to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit

of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 24 March 2006 and our appointment represents a total period of uninterrupted engagement of 12 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.
In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 14 February 2018

KPMG OY AB
Lasse Holopainen
Authorised Public Accountant, KHT

EPRA Indicators

EPRA (European Public Real Estate Association) is an organization of listed real estate investment companies that publishes recommendations for the industry on the presentation of financial information, for instance, aiming to create uniform calculation models for real estate investment companies.

This section of the financial statements presents the EPRA-compliant figures monitored regularly by the company. For additional information on EPRA and EPRA recommendations, visit www.epra.com.

EPRA Earnings

Technopolis presents its official financial statements by applying the IFRS standards. The statement of comprehensive income includes a number of items unrelated to the company's actual business operations. Therefore, the company presents its direct result, which better reflects its real result.

The direct result presents the company's financial result for the period excluding the change in the fair value of investment properties, the change in the fair value of financial instruments, unrealized exchange rate gains and losses, and any non-recurring items, such as gains and losses on disposals. Additionally, the statement of comprehensive income showing the direct result presents the related taxes and deferred tax assets and liabilities and the share attributable to non-controlling interests.

Items excluded from the direct result and their tax effects and share attributable to non-controlling interests are presented in the statement of income showing the indirect result. As the company has interest swaps that do not satisfy the IFRS criteria for hedge accounting, the changes in the fair value of these financial instruments are recognized in the statement of income showing the indirect result.

Earnings per share have been calculated both from the direct and indirect results in accordance with the instructions issued by EPRA. The direct and indirect result and the earnings per share calculated from them are consistent with the company's financial result and earnings per share for the period.

	2017	2016
Technopolis Group		
DIRECT RESULT		
Net sales	179,712	172,076
Other operating income	0	0
Other operating expenses	-82,246	-79,522
Depreciation	-4,059	-3,955
Operating profit/loss	**93,407**	**88,598**
Financial income and expenses, total	-21,849	-24,307
Profit before taxes	**71,559**	**64,291**
Taxes for direct result items	-3,776	-5,920
Share of non-controlling interests	-7,155	-5,736
Direct result for the period	**60,628**	**52,635**
INDIRECT RESULT		
Indirect income and expenses	-380	515
Change in fair value of investment properties	28,332	233
Operating profit/loss	**27,952**	**748**
Other indirect financial income and expenses	-516	-817
Result before taxes	**27,435**	**-68**
Taxes for indirect result items	-9,982	-8,312
Share of non-controlling interests	-1,550	382
Indirect result for the period	**15,903**	**-7,998**
Result for the period, total	**76,531**	**44,639**
Earnings per share, diluted (EPRA Earning per share)		
From direct result	0.39	0.40
From indirect result	0.10	-0.06
From net result for the period	**0.49**	**0.34**
Effect of the interest expenses from equity related bond	-0.03	-0.03
From adjusted net result for the period	**0.46**	**0.31**

	2017	2016

NET RENTAL INCOME OF INVESTMENT PROPERTIES (EPRA NET INITIAL YIELD)

The company monitors the net rental income from its properties and the net rental income percentage calculated from it as follows:

Rental income from properties owned by the Group	139,304	140,991
Direct expenses for properties owned by Group	-30,804	-40,887
Net rental income	**108,500**	**100,105**
Net rental income percentage	**7.24**	**7.37**

The net rental income figures do not include investments properties commissioned, acquired or divested during the financial period.

NET ASSET VALUE (EPRA Net Asset Value, NAV)

In calculating the EPRA net asset value, shareholders' equity is adjusted for the fair value entries of financial instruments, equity related bond and deferred taxes due to investment properties.

Net asset value/share is calculated by dividing net assets by the number of shares at the closing date.

Shareholders' equity attributable to shareholders	711,166	662,062
- Hedging instrument reserve	6,511	12,951
- Equity related bond	-74,221	-74,221
+ Deferred taxes from investment properties	74,534	64,367
Net asset value, EPRA	717,990	665,160
Net asset value/share	**4.58**	**4.24**

	2017	2016

FINANCIAL OCCUPANCY RATE (EPRA Vacancy Rate)

The financial occupancy rate depicts rental revenues from the properties as a percentage of the aggregate of the rents for occupied premises and the estimated market rent for vacant space.

Group's financial occupancy rate	**96.1%**	**93.4%**
Finland	94.5%	90.7%
Baltic Rim	99.7%	99.7%
Scandinavia	97.5%	96.8%

The vacancy rate depicts the loss of rental revenues as a percentage of the aggregate of the rents for occupied premises and the estimated market rent for vacant space.

EPRA Vacancy Rate	**3.9%**	**6.6%**
Finland	5.5%	9.3%
Baltic Rim	0.3%	0.3%
Scandinavia	2.5%	3.2%

CHANGE IN LIKE-FOR-LIKE RENTAL INCOME, % (Like-for-like rental growth)

The change in like-for-like rental income depicts rental income from comparable properties during the financial period compared to rental income from corresponding properties during the previous financial period.

Group	**5.4%**	**-0.6%**

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www.technopolis.fi