Financial Statements 2016

TECHNOPOLIS

Financial Statements 2016

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Stable Full-Year Performance

- Net sales EUR 172.1 (170.6) million, up 0.9%
- EBITDA EUR 93.1 (93.0) million, up 0.1%
- On a constant currency basis, net sales were up 1.8% and EBITDA was up 1.2%
- Financial occupancy rate 93.4% (94.6%)
- Earnings per share EUR 0.33 (0.33)
- Direct result (EPRA) EUR 52.6 (55.0) million, down 4.2%
- Direct result per share, diluted (EPRA) EUR 0.40 (0.45)
- Net asset value per share (EPRA) EUR 4.24 (4.09)
- The Board of Directors proposes a dividend of EUR 0.12 per share

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

The new 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 on July 3, 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 the IFRS.

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

Key Indicators	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Net sales, EUR million	44.8	41.7	172.1	170.6
EBITDA, EUR million	22.4	20.1	93.1	93.0
Operating profit, EUR million	20.8	25.7	89.3	88.9
Net result for the period, EUR million	11.9	17.2	52.4	50.0
Earnings/share, EUR	0.08	0.13	0.33	0.33
Cash flow from operations / share, EUR			0.46	0.52
Equity ratio, %			41.5	39.3
Equity/share, EUR			3.95	3.79
Return on capital employed (ROCE), %			5.6	6.1

EPRA-based Key Indicators	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Direct result, EUR million	12.7	16.2	52.6	55.0
Direct result / share, diluted, EUR	0.10	0.13	0.40	0.45
Net asset value / share, EUR			4.2	4.1
Net rental yield, %			7.4	7.7
Financial occupancy rate, %			93.4*	94.6*

* 12/2016: 13,000 m² under renovation. 12/2015: 16,700 m² under renovation.

Operating Environment

Global GDP growth fell further in recent months and was expected at 3.2% in 2016, its lowest since 2009. As growth in emerging markets and the United States is expected to strengthen, however, the global growth rate (excluding the EU) is expected to pick up modestly. The current weakness of global trade outside the EU is weighing on euro area exports despite the resilience of intra-euro area trade. Imports are expected to grow faster than exports in the euro area. Recent signals from international politics have increased the risk of protectionism which may have an adverse impact on international trade and thereby also future growth prospects.

Growth in Europe is expected to continue at a moderate pace, as recent labor market gains and rising private consumption are being counterbalanced by a number of hindrances to growth and the weakening of supportive factors. In its autumn 2016 forecast, the European Commission expects GDP growth in the euro area of 1.7% in 2016 and 1.5% in 2017. Volatility and downside risks remain high in light of the Trump presidency and likely volatile Brexit negotiations. (European Commission Economic Forecast, November 2016)

Finland

In 2016–2018, growth in Finland is expected to improve gradually. However, the pace of the recovery will be sluggish. In 2016, domestic demand contributed to the growth, whereas export performance was feeble. The construction and services sectors are the main drivers of growth on the production side of the economy, while output volumes in manufacturing are recovering very slowly. In 2017–2018, export growth is expected to improve, whereas private consumption is likely to weaken. Unemployment is easing up although at a modest pace.

Despite long-term structural oversupply of office space, the Finnish office market offers better yields than other eurozone countries with similar risk profiles. The market is getting increasingly polarized: more efficient use of space is sought, and various coworking and flexible solutions are gaining ground from the traditional office market. However, the oversupply will be gradually reduced by the conversion of older, inflexible office buildings to other uses, or their demolition and the redevelopment of the plots for different purposes. In the Helsinki Metropolitan Area, the office vacancy rate continues to be a high 13.5%, in Oulu 11.1%, in Tampere 10.8%, and in Jyväskylä 10.3%. (Newsec Property Outlook, Autumn 2016 and Catella Market Indicator, Autumn 2016)

Norway

Growth in the Norwegian economy remains slow, but recent data suggest that the worst is probably behind. The contraction in oil-related industries is not over, but it is easing. Non-oil-related manufacturing still seems unaffected by the weak krone, but net exports have contributed significantly to mainland GDP growth in 2016. Non-oil investments are slowly increasing, total private consumption is rising, and fiscal policy remains expansionary. The local central bank expects mainland GDP growth to pick up from 0.9% in 2016 to 1.8% in 2017, as the drag from declining oil investments subsides. After rising steadily through 2015, unemployment probably peaked in 2016.

The uncertainty among tenants is continuing, as the long-term outlook of the oil-related economy is still blurred. In order to cope with the uncertainty, demand is shifting towards more flexible contracts. Office rents in central areas in Oslo were rising, while the outskirts of the city saw a decrease in rents during 2016. The office vacancy rate in Oslo is now 8.3%. In Fornebu, where Technopolis is located, the vacancy rate is below 5%. (Newsec Property Outlook, Autumn 2016)

Operating Environment

Finland	2015	2016e	2017e
Gross Domestic Product, change y/y, %	0.2	0.9	1.1
Consumer Price Index, change y/y, %	-0.2	0.4	1.2
Unemployment rate, %	9.4	9.1	8.9

Norway	2015	2016e	2017e
Gross Domestic Product, change y/y, %	1.6	0.8	1.2
Consumer Price Index, change y/y, %	2.2	3.2	2.3
Unemployment rate, %	4.4	4.7	4.5

Sweden	2015	2016e	2017e
Gross Domestic Product, change y/y, %	3.8	3.6	2.6
Consumer Price Index, change y/y, %	-0.1	1.1	1.4
Unemployment rate, %	7.4	6.9	6.7

Estonia	2015	2016e	2017e
Gross Domestic Product, change y/y, %	1.4	1.5	2.5
Consumer Price Index, change y/y, %	0.1	0.5	1.4
Unemployment rate, %	6.1	5.6	5.5

Russia	2015	2016e	2017e
Gross Domestic Product, change y/y, %	-3.7	-0.8	1.1
Consumer Price Index, change y/y, %	15.6	7.2	5.0
Unemployment rate, %	5.6	5.8	5.9

Lithuania	2015	2016e	2017e
Gross Domestic Product, change y/y, %	1.6	2.6	3.0
Consumer Price Index, change y/y, %	-0.7	0.5	1.2
Unemployment rate, %	9.1	7.8	7.6

Source: International Monetary Fund, December 2016

Sweden

The outlook for the Swedish economy remains good. Domestic consumption is strong, driven by the healthy labor market, booming construction sector, and continued high level of public spending. This favors primarily the service sector, while industrial production and exports have seen only modest growth. Global demand will continue to remain subdued in the next few years at the same time as the Swedish krona is expected to strengthen. Although inflation in Sweden is picking up, the rise is still somewhat fragile and the situation of households is likely to continue to be strong in the coming years with the increases in disposable income and still relatively low inflation.

The market rent for offices in the central Gothenburg continues to rise and the vacancy rate to fall. This has also initiated investments in new office properties. Despite the capacity, the market is expected to experience increase in rent level, since the demand is still outpacing the supply. (Newsec Property Outlook, Autumn 2016)

Estonia

In Estonia, growth has been restrained by weak exports and low capital spending, but there are now signs of an economic upturn. High employment and rapid wage growth together with low inflation have boosted private consumption. Together with a brightening outlook for exports, these will be the main drivers of Estonia's economic growth in the next two years. The labor market remains tight, and nominal wages continue to grow. After several years of deflation, consumer prices are expected to increase in the coming years, which should slow down private consumption.

In Tallinn, the vacancy rate in the most popular office areas and in new A-class buildings is still marginal. This situation is expected to change in the coming years, however, due to significant new delivery. Rent levels are nevertheless expected to hold at current levels, but the risks in the office market have increased despite the solid economic outlook.

Russia

After two years of recession, the Russian economy will return to growth in 2017, as higher real wages boost private consumption and a lower interest rate supports investment. However, structural bottlenecks continue to hinder further diversification of the economy. The strength of the recovery will also remain dependent on a rebound in oil prices. Tight monetary policy has successfully brought down inflation, and now can be eased further to support the recovery, especially investment.

Office vacancies continued to decrease in St. Petersburg towards year-end: in Q3 the vacancy for A-class offices was 7.3%, the lowest since 2007, while it was 8.5% in Q2. At the same time, the B-class office vacancy rate went down to 11.1%. The driver behind the falling vacancy rate has been strong demand from the construction and IT sectors. Office stock in St. Petersburg has steadily increased over the last several years, but the amount of completions is expected to drop sharply in 2017 due to the drop in investments after the economic downturn. In Q3, average asking rents have stayed flat. (JLL: St. Petersburg Office Market Q3/2016)

Lithuania

Recovering exports and the consumer-favorable situation in the labor market will be major factors behind economic expansion in Lithuania in 2017. The lower rate of unemployment and pronounced shortage of staff will continue to provide a positive boost to wages, which, in turn, will enhance the prospects of households to consume. Prices, which will rise slightly more than in the previous year, however, will probably eat into household purchasing power. In addition to exports and private consumption, investment will also fuel economic growth.

In Vilnius, office vacancies were below 1% for A-class offices and below 2% for B-class at the end of 2016. The office stock is forecast to grow by more than 30% during 2016–2017, but strong demand for modern office space is expected to keep vacancy at a healthy level. However, rents are expected to fall somewhat due to increasing competition. Average yields for prime office properties in Vilnius remain around 7.0%. (Newsec Property Outlook Autumn 2016, Colliers Lithuania)

Business Segments

Finland	1-12/2016	1-12/2015	Change, %
Number of campuses *	15	16	-6.3
Rentable space, m² *	486,500**	526,900**	-7.7
Average rent, EUR/m² *	17.0	17.0	-0.2
Financial occupancy rate, % *	90.7**	92.9**	-2.2 ppt
Rental income, EUR million	102.0	107.4	-5.1
Net sales, EUR million	120.5	125.0	-3.6
EBITDA, EUR million	64.3	69.0	-6.8
Market yield requirement, average, % *	7.6	7.8	-0.2 ppt
Fair value of investment properties, EUR million *	997.6	984.8	1.3

* At the end of the period.
** 12/2016: 9,700 m² under renovation. 12/2015: 16,700 m² under renovation.

Baltic Rim	1-12/2016	1-12/2015	Change, %
Number of campuses *	3	3	0.0
Rentable space, m² *	161,200	147,000	9.7
Average rent, EUR/m² *	14.9	15.2	-2.0
Financial occupancy rate, % *	99.7	99.5	0.2 ppt
Rental income, EUR million	26.7	25.1	6.5
Net sales, EUR million	29.5	26.8	10.1
EBITDA, EUR million	16.6	14.2	16.8
Market yield requirement, average, % *	8.7	8.7	0.0 ppt
Fair value of investment properties, EUR million *	292.3	246.7	18.4

*At the end of the period.
On December 31, 2016 the new property in Vilnius has still 8,600 m² of space, which is not yet completed.

Scandinavia	1-12/2016	1-12/2015	Change, %
Number of campuses *	2	1	100.0
Rentable space, m² *	98,700**	66,500**	48.4
Average rent, EUR/m² *	22.3	21.5	3.6
Financial occupancy rate, % *	96.8**	97.1**	-0.3 ppt
Rental income, EUR million	20.7	17.8	16.5
Net sales, EUR million	22.0	18.8	17.4
EBITDA, EUR million	12.2	9.9	23.9
Market yield requirement, average, % *	5.5	6.1	-0.6 ppt
Fair value of investment properties, EUR million *	334.3	194.4	71.9

* At the end of the period.
** 12/2016: 3,300 m² under renovation, 12/2015: None.

Business Segments

Technopolis has three business segments with a total rentable area of 746,400 m² (740,400 m²).

Finland

The decrease of number of campuses and rentable space are caused by the divestitures in Lappeenranta, Tampere and Oulu. The decrease in net rental income and EBITDA was mainly due to the EUR 5.4 million in contract pre-termination fees in the comparison period, caused by two early termination agreements with customers in Oulu. 2016 figures include termination fees worth of EUR 1.2 million. The decline of the occupancy rate in Oulu is also the main reason for the drop in occupancy. Fair values increased due to market yield compression and the completion of organic investment projects in Tampere and Vantaa.

Baltic Rim

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

Rentable space, net sales and EBITDA increased year-on-year due to the completion of the new building in Tallinn and partial completion in Vilnius. The weakening Russian ruble had a negative impact of 0.8 million in net sales and 0.6 million in EBITDA compared to the previous year. Fair value development has been positive in all three cities, but the biggest impact comes from the new property in Vilnius and foreign exchange rate development in Russia.

In addition to the Oslo campus, from July 1, 2016, the Scandinavia segment also includes the Gothenburg campus, which has contributed positively to rentable space, net sales and EBITDA. The increase in average rent year-on-year was due to a higher price level in Gothenburg. The weakening Norwegian krone burdened net sales by EUR 0.7 million and EBITDA by EUR 0.4 million and the weakening Swedish krone EUR 0.1 million and 0.1 million, respectively, compared to the currency rates in the previous year.

Financial Performance in 2016

The Group's rental income amounted to EUR 149.6 (150.3) million in 2016 down 0.4% compared to 2015. Contract pre-termination fees improved the figure in 2015 by EUR 5.4 million and in 2016 by EUR 1.2 million. Net sales from services increased by 10.6% and amounted to EUR 22.4 (20.3) million. The Group's net sales in total reached 172.1 (170.6) million, up 0.9%. Net sales converted into euros were adversely impacted by EUR 1.5 million due to the weakening RUB, NOK and SEK compared to the previous year. On a constant currency basis net sales were up 1.8%.

Other operating income of EUR 0.4 (0.1) million was mostly generated by a gain on the disposal of shares in subsidiaries in Oulu, Finnmedi campus in Tampere and Lappeenranta operations. Premises expenses totaled EUR 39.5 (38.9) million, up 1.6%. The Group's administrative costs went down by 2.3% to EUR 13.6 (13.9) million. Other operating expenses increased to EUR 26.3 (24.8) million, up 6.2% mainly due to increased service expenses. Property taxes are periodized evenly over the financial year, and EUR 7.4 million was booked in January–December.

The Group's EBITDA totaled EUR 93.1 (93.0) million, up 0.1%. The EBITDA margin declined slightly to 53.6% (54.5%) as the share of service revenue in total revenues increased and due to the absence of the termination fees, which contributed to 2015 figures. The weakening of RUB, NOK and SEK against EUR reduced the EBITDA by EUR 1.0 million through conversion compared to the previous year. On a constant currency basis, EBITDA grew 1.2% and EBITDA margin was 54.2%.

EBITDA for real estate operations amounted to EUR 98.9 (99.6) million. EBITDA for services was EUR 2.1 (0.8) million. Due to allocations of Group-level expenses and eliminations, the sum of EBITDA for real estate operations and services differs from Group EBITDA.

Fair Value Changes

EUR million	Yield requirements	Occupancy assumptions**	Modernization	Other*	Projects in progress	Total
Finland	18.8	-13.9	-5.4	-6.0	2.5	-4.0
Baltic Rim	4.4	-1.8	-2.8	0.5	5.8	6.1
Scandinavia	5.5	-1.9	-3.6	-1.9	0.0	-1.9
Total	**28.7**	**-17.6**	**-11.8**	**-7.4**	**8.3**	**0.2**

* Other changes include contract and budget changes, maintenance expenses as well as changes in revenue allocations. Contract changes EUR 6.9 million. A write-down in Oulu EUR 5.0 million. In Norway, some revenues were allocated to services and were thus removed from fair value calculation, EUR 1.7 million.
** In Oulu and HMA, occupancy assumptions were adjusted to correspond to actualized occupancy and modernization capital expenditures.

Lease Stock, % of Space

Maturity, years	Dec 31, 2016	Sept 30, 2016	June 30, 2016	March 31, 2016	Dec 31, 2015
< 1	19	18	17	21	22
1-3	21	22	22	22	20
3-5	17	17	15	14	15
> 5	16	15	18	17	19
Open-ended leases	27	28	28	25	24
Average lease term in months	35	35	36	35	36
Lease stock, EUR million	392.7*	430.0	424.8	407.7	429.7

* Main reason for the decreasing contract value is divestitures.

Construction Projects on December 31, 2016

Area	Name	Pre-let rate, %	m²	EUR million	Stabilized yield, % *	Completion
Vilnius	Delta	85.8	21,900	35.4	9.8	12/2016**
Helsinki	Ruoholahti 3	35.7	10,300	33.2	7.0	07/2018
Tallinn	Lõõtsa 12	18.8	9,700	13.6	9.0	07/2018

* Stabilized yield = estimated net operating income / cost
** On December 31, 2016, the financial occupancy rate of Delta was 57.9%, the rest of the building was still under construction.

The Group's operating profit rose slightly to EUR 89.3 (88.9) million mainly due to lower depreciations compared to the previous year.

Fair value changes during the period totaled EUR 0.2 (1.3) million. The biggest positive impact came from the changes in yield requirements but it was largely off-set by modernizations in general and occupancy assumptions particularly in the Finnish business units. Fair value changes compared to the year end 2015 are shown in the table on the left.

Net financial expenses decreased substantially to 25.5 (30.5) million although the amount of interest-bearing debt increased by more than EUR 95 million. The comparison figure included the Kuopio joint venture deal's transfer tax of EUR 2.5 million, and the rest of the decrease is mainly attributable to the currency impact as well as lower average interest rates and arrangement costs. Pre-tax profits rose considerably to EUR 64.2 (55.1) million. However, the net result for the period rose just 5% to EUR 52.4 (50.0) million due to higher deferred and current taxes. EPS remained stable at EUR 0.33 (0.33). Return on capital employed declined from the previous year due to the increase in equity and interest-bearing debt.

EPRA-based Result

The EPRA-based (European Public Real Estate Association) direct result does not include unrealized exchange rate gains and losses, fair value changes or any non-recurring items, such as gains and losses on disposals. The direct result amounted to EUR 52.6 (55.0) million. The decrease was mainly caused by higher taxes for direct result items. Diluted earnings per share from direct result amounted to EUR 0.40 (0.45).

Customers and Lease Stock

Technopolis has a total of approximately 1,680 customers. The ten largest customers

let approximately 17.6% of rented space as of December 31, 2016.

Investments

Construction projects in progress at the end of the reporting period, their rentable areas and estimated investment amounts on December 31, 2016 are shown in the table on the previous page.

Financing

The Group's balance sheet total was EUR 1,825.1 (1,562.1) million, with liabilities accounting for EUR 1,072.3 (951.4) million. The Group's equity per share was EUR 3.95 (3.79), its equity ratio was 41.5% (39.3%) and its loan-to-value ratio (LTV) was 58.2% (58.8%). The increase in the equity ratio was due to the rights issue in September, solid operative performance, increases in FX translation difference and in fair value of hedging derivatives and divestitures of Finnmedi campus and Lappeenranta business unit. LTV decreased due to the pay down of maturing debt and the increased fair values of investment properties. Both indicators will keep improving as the excess liquidity is used for the pay-down of debt. At the period-end, the Group's net gearing was 110.5% (135.1%) and its interest coverage ratio was 4.6 (4.3).

The Group's interest-bearing liabilities amounted to EUR 959.9 (864.8) million. The average capital-weighted loan maturity was 5.1 (5.9) years at the end of the period. A total of 43.3% (28.7%) of the Group's interest-bearing liabilities were floating-rate loans and 56.7% (71.3%) were either interest rate hedged or fixed-rate loans with maturities of 13–60 months. The average interest rate on interest-bearing liabilities excluding the hybrid loan was 2.34% (2.60%).

A total of 4.1% (1.6%) of all interest-bearing liabilities were pegged to the under-3-month Euribor rate and 39.2% (27.1%) to the Euribor rates from 3 to 12 months. The Group's interest fixing period was 1.7 (2.7) years at the end of the period. At the end of the reporting period, interest rate swaps covered EUR 639.2 (546.5) million of the principal. The hedging ratio for interest-bearing liabilities was 43.1% (57.4%) and the average hedging period was 4.7 (4.9) years. The company has entered into three EUR 50 million bullet-type hedging agreements with forward starts in 2019, 2020 and 2021. The maturities of these agreements are 5–15 years. In addition there is a SEK 716,4 million swap agreement related to loan of Technopolis Gårda, with forward start in 2019. These four agreements are excluded in the hedging ratio.

At the end of the reporting period, Technopolis had EUR 96.6 (92.4) million in untapped credit facilities. The credit facilities included a EUR 90.0 (67.3) million credit line and a EUR 6.6 (25.1) million revolving credit facility. In addition, the company has a EUR 150.0 (150.0) million commercial paper program, of which EUR 54.5 (21.5) million was outstanding at the end of the reporting period. At the same time, the Group had cash and cash equivalents worth EUR 128.0 (39.4) million.

During the 12-month period following the reporting period, EUR 134.0 (139.0) million in existing interest-bearing loans will mature.

Technopolis had interest-bearing liabilities with covenants amounting to EUR 752.2 (701.5) million. Of this total, EUR 439.5 (460.1) million had equity ratio-linked covenants. Of these loans, EUR 393.2 (402.9) million include a call provision. If the equity ratio falls below 33%, EUR 60.8 (60.3) million of the loan principal could be called in. If the equity ratio falls below 30%, EUR 182.4 (192.6) million of the loan principal could be called in. The principal of EUR 111.3 (117.8) million includes an interest margin revision term. If the equity ratio falls below 33%, the additional impact on the interest expenses of these loans with the interest margin revision term would be EUR 0.6 (0.6) million per annum. The bond of EUR 150 million has a minimum equity ratio covenant of 28%.

Key Sustainability Indicators	1-12/2016	1-12/2011	Change, %	Target 2020
CO^2 emissions, CO_2e kg/^{3}	40	80	-49	-60%
Energy consumption, kWh/m^3	233	246	-5	-12%

Organization and Personnel

The CEO of Technopolis is Keith Silverang and the deputy-CEO is Reijo Tauriainen. The Group Management Team comprises Keith Silverang, Reijo Tauriainen, Juha Juntunen, Kari Kokkonen and Outi Raekivi.

The Technopolis line organization consists of three geographical units: Finland, the Baltic Rim and Scandinavia. The Group organization also has centralized real estate development, services, marketing and support services.

During the period, the Group employed an average of 248 (239) people. On average, real estate operations employed 82 (85) people, service operations 112 (100) people and Group administration 54 (54) people. The number of personnel at the period end was 242 (247).

Group Structure

Technopolis Group comprises the parent company Technopolis Plc, whose subsidiaries have operations in Finland, Norway, Estonia, Russia, Lithuania and, as of July 1, 2016, Sweden. The parent company has several subsidiaries and associates in Finland.

Board of Directors

The Technopolis Board of Directors consists of six members: Carl-Johan Granvik, Jorma Haapamäki, Juha Laaksonen, Pekka Ojanpää, Reima Rytsölä and Annica Ånäs. Carl-Johan Granvik serves as the Chairman of the Board and Jorma Haapamäki as the Vice Chairman.

Corporate Sustainability

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

In September 2016 Technopolis was awarded with the prestigious Green Star status in the GRESB (Global Real Estate Sustainability Benchmark) survey for the third year in a row. The survey measures environmental, social and governance related factors. Technopolis also received the EPRA silver sBPR award, an acknowledgment for its sustainability data disclosure.

The Corporate Sustainability targets that are being followed quarterly include reduction in consumption and emissions of like-for-like real estate from base year 2011 to year 2020. Water intensity (m^3/person) was removed from the quarterly followed figures in the end of 2016 as the calculation method for number of people was updated, and hence 2011 and 2016 are incomparable. A new reduction target will be established in 2017.

For more information, please see the Sustainability Report 2016.

Group Strategy and Financial Targets

In the annual review of the company's strategy in August, the Board noted that the competitive strategy, which is based on the

Technopolis concept, is effective. The company has been able to enter the Swedish market and service revenues and earnings are on the rise. Technopolis will continue to expand its campus network in the Nordic-Baltic region, focusing on micro-locations with the optimal strategic fit where the company can add the maximum amount of value by effectively deploying its concept. The core of the Technopolis concept is superior management of the customer experience, targeting to higher occupancy and yields. The company will also continue to divest selected non-core properties and campuses in the Finnish market.

The company's strategic targets until 2020 remain the same:

- Average net sales and EBITDA growth of 10% per annum
- Service penetration 15% by 2020 for like-for-like real estate
- Return on capital employed 5.5% per annum excluding fair value changes
- Equity ratio above 35% over the cycle

Evaluation of Risks and Uncertainties in the Company's Operations

The most significant risks affecting Technopolis' business have to do with general economic conditions, translating into financing and customer risks.

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. If necessary, the company uses forwards, interest rate swaps, and interest rate options to hedge interest rate risks. The objective of the company's interest rate risk policy is also to diversify the interest rate risk of loan contracts over different loan periods based on the prevailing market situation.

The objective of refinancing risk management is to ensure that the Group's loan portfolio is sufficiently diversified with regard to repayment schedules and financing instruments. In order to manage financing risks, Technopolis draws upon the resources of a wide range of financers, a variety of financing instruments, and maintains a sufficient degree of solvency.

Uncertainty in the financial markets may adversely affect the availability and margins of growth financing and refinancing in the future.

The differences between legislation and administrative procedures in Finland and abroad may create risks.

Changes in exchange rates may affect the company's financial performance and operations. Foreign currency items are recorded at the exchange rate on the transaction date. Any translation differences are entered in the income statement under other operating expenses or financial income and expenses, according to the type of transaction involved.

In accordance with its foreign exchange hedging policy, the company does not hedge the translation risk of balance sheet items. Instead, it can hedge part of the transaction risk affecting cash flows in foreign currencies for the coming 12 month period. The Group's Russian, Norwegian and Swedish subsidiaries generate its foreign currency-related effects. Any translation differences from investments made in Russian rubles (RUB), Norwegian krone (NOK) and Swedish krona (SEK) are recorded in the statement of comprehensive income. In addition, unrealized financial income and expenses arising from the translation of the euro-denominated portion of the Russian subsidiary's borrowings are entered in the income statement. The loan was paid back in February 2016 prior to maturity. To date, no subsidiary has interest-bearing debt that is denominated in anything else than local currency. In the Russian subsidiary, the amount of interest-bearing debt is none.

Direct Effect of Changes in Exchange Rates

Foreign exchange % change against euro	Income statement effect, EUR million	Translation difference effect, EUR million	Total effect on the Group's equity, EUR million	Equity ratio
RUB -10	0.0	-7.6	-7.6	41.3%
RUB +10	0.0	9.3	9.3	41.8%
NOK -10	0.0	-7.9	-7.9	41.6%
NOK +10	0.0	9.7	9.7	41.5%
SEK -10	0.0	-4.1	-4.1	41.6%
SEK +10	0.0	5.0	5.0	41.5%

Foreign exchange % change against euro	Net sales, EUR million	EBITDA, EUR million
RUB -10	0.8	-0.6
RUB +10	0.9	0.7
NOK -10	-1.6	-1.0
NOK +10	2.0	1.2
SEK -10	-0.3	-0.3
SEK +10	0.4	0.3

The exchange rates used in the 2016 financial statements for operations were 9.2927 for the Norwegian krone, 9.4673 for the Swedish krona and 74.2224 for the Russian ruble. The euro exchange rates used in the balance sheet were 9.0863 for the Norwegian krone, 9.5525 for the Swedish krona and 64.3000 for the Russian ruble.

Both the equity and the liabilities in the Norwegian subsidiaries are denominated in the local currency. Therefore, their translation difference does not have substantial impact on the Group's equity ratio.

The direct effect of changes in exchange rates on the Group's operating profit, balance sheet and equity ratio as at December 31, 2016 is shown in table above.

At the end of the period, the Russian subsidiary had equity of RUB 5.4 billion, Norwegian subsidiaries' equity totaled NOK 792 million, and Swedish subsidiaries' equity was SEK 429 million.

The sensitivity of changes in exchange rates in the Group's net sales and EBITDA as at December 31, 2016 can be illustrated as in table above.

The objective of customer risk management is to minimize the negative impact of potential changes in customers' financial positions on the company's business and financial performance. Customer risk management focuses on having a solid understanding of the customer's business and active monitoring of customer information. Customer risks are diversified by acquiring customers from all sectors, including the public sector. As part of customer risk management, the leases signed by Technopolis include rental security arrangements. The single largest customer accounted for 3.9% of rented space and 3.1% of rental income.

Leases fall into two categories: fixed-term and open-ended. Both lease types are used as applicable, depending on the market situation, the property in question, and the sector in which the customer operates.

Declining financial occupancy rates may reduce rental and service revenue and profit, and reduce the fair value of investment properties and, thus, the equity ratio. The current lease structure allows customers to flexibly adjust the size of their premises as their business needs change. 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, long-term experience and competence in this business model in different stages of the economic cycle.

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 full value insurance.

Changes in market yields may have a significant impact on the company's financial performance through the fair values of investment properties. As the yields increase, the fair value of properties decreases, and, conversely, as the yields decrease, the fair value of properties increases. Such changes either decrease or increase the Group's operating profit. Changes in market yields do not have any direct impact on the company's net sales, EBITDA, or cash flow, but a negative change in the value of investment properties may reduce the company's equity ratio and, as a result of this, the covenant terms of the loans may be met. In this case, the change in value may have an impact on the cash flow and earnings for the period.

Annual General Meeting 2016

The Annual General Meeting (AGM) of Technopolis was held in Espoo on March 30, 2016.

Resolutions of the Annual General Meeting

Financial Statements and Dividend
The AGM 2016 adopted the Group and Parent Company's financial statements for the fiscal year 2015 and discharged the company's Board of Directors and CEO from liability. The AGM decided, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.17 per share. The dividend was paid to shareholders who were registered by Euroclear Finland Ltd on the record date of April 1, 2016. The dividend payment date was April 8, 2016.

Board of Directors and Remuneration of the Members of the Board of Directors
The number of members of the Board of Directors was confirmed at six. Carl-Johan Granvik, Jorma Haapamäki, Juha Laaksonen, Pekka Ojanpää, Reima Rytsölä and Annica Ånäs were elected members of the Board of Directors for a term of office expiring at the end of the next Annual General Meeting. Carl-Johan Granvik was elected Chairman of the Board of Directors and Jorma Haapamäki was elected Vice Chairman.

It was resolved to pay the members of the Board of Directors annual remuneration as follows: EUR 55,000 to the Chairman of the Board, EUR 31,500 to the Vice Chairman of the Board and EUR 26,250 to each of the other members of the Board. For participation in the meetings of the Board of Directors each member of the Board of Directors shall, in addition to the annual remuneration, be paid a fee of EUR 600 and the Chairman of the Board of Directors a fee of EUR 1,200 for each Board meeting. Each member of a committee of the Board of Directors shall be paid a fee of EUR 600 and the chairmen of the committees a fee of EUR 800 for each committee meeting. Each member of the Board of Directors whose place of residence is outside of Finland 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, 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. 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.

40% of the annual remuneration resolved to be paid in Technopolis Plc shares acquired on the market 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.

In the first organizational meeting of the Board of Directors following the AGM, the Board appointed an Audit Committee and a Remuneration and HR Committee from among its members. The Audit Committee consists of Juha Laaksonen, Chairman, Pekka Ojanpää and Annica Ånäs. The Remuneration and HR Committee consists of Carl-Johan Granvik, Chairman, Jorma Haapamäki and Reima Rytsölä. It is the view of the Board of Directors that all its members are independent of the company and all members except Reima Rytsölä are independent of significant shareholders.

Auditor
KPMG Oy Ab, authorized public accountants, was re-elected auditor of the company, with Mr. Ari Eskelinen, APA, as the Auditor-in-Charge.

Board Authorizations
The AGM authorized the Board of Directors to decide on the repurchase and/or on the acceptance as pledges of the company's own shares, as detailed below.

The amount of own shares to be repurchased and/or accepted as pledge shall not exceed 10,650,000 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 30 June, 2017.

The Annual General Meeting 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 10,650,000 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, 2017.

Extraordinary General Meeting 2016

Technopolis' Extraordinary General Meeting was held on August 31, 2016 in Espoo.

Decisions of Extraordinary General Meeting

The Extraordinary General Meeting decided that the Board of Directors is authorized to decide on the issuance of new shares in accordance with the shareholders' pre-emptive rights. The authorization entitled the Board of Directors to issue an aggregate maximum of 75,000,000 shares by virtue of one or several decisions. The maximum amount of the authorization corresponds to approximately 70.4 per cent of all the shares in the company. The new shares were offered to the company's shareholders for subscription in proportion to their current shareholding (rights issue).

The Board of Directors was authorized to decide on any other matters related to the share issue.

The authorization is valid until the end of next Annual General Meeting, however, no later than until June 30, 2017. The authorization does not revoke the authorization to decide on the issuance of shares as well as the issuance of special rights entitling to shares given by the Annual General Meeting on March 30, 2016.

Unused Board Authorizations

The Board of Directors was authorized by the Annual General Meeting of 2016 to decide on the repurchase and/or on the acceptance as a pledge of the company's own shares issuance, as well as on the issue of shares and special rights entitling holders to shares referred to in the Limited Liability Companies Act.

The company may, pursuant to the authorization regarding treasury shares, repurchase and/or accept as pledge 10,650,000 shares. Pursuant to this authorization, by December 31 the company had repurchased 309,806 own shares. At the end of the year, the company held in total 1,947,571 own shares.

On April 25, 2016, 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. In the share issue, 104,990 treasury shares were issued without consideration to the key personnel entitled to share rewards. After that there are 105,450,000 shares left in the share issue authorization of the AGM 2016.

On August 31, 2016, the Extraordinary General Meeting authorized the Board of Directors to issue against payment an aggregate maximum of 75,000,000 shares by virtue of one or several decisions. The Board of Directors have used the authorization to decide on the issuance of new shares in accordance with the shareholders' pre-emptive rights (see previous section) on August 31, 2016. After that the authorization entitles the company to issue 22,717,970 shares against payment.

On August 31, 2016, the Board of Directors decided on an approximately EUR 125 million rights offering in accordance with the shareholder's pre-emptive subscription right based on authorization granted by the Extraordinary General Meeting on August 31, 2016. Technopolis offered its shareholders a maximum of 52,282,030 new shares in proportion to their holding of existing shares in the company at a subscription price of EUR 2.40 per each share.

Stock-Related Events and Disclosures of Changes in Holdings

Technopolis shareholder and other share-related information can be found in note 20 to the financial statements on page 56.

On January 18, 2016, 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 BNP Paribas Investment Partners S.A. (BNP) had decreased to 5,318,506 shares thus totaling 4.99 per cent of all shares in Technopolis Plc.

The share buyback program announced by Technopolis Plc on September 1, 2015 was completed on February 3, 2016. During the time period September 2, 2015 to February 3, 2016 the company acquired through public trading in accordance with the rules of Nasdaq Helsinki a total of 1,329,397 of the company's own shares at an average price per share of EUR 3.5821. The total value of the acquired shares was EUR 4,762,050.48. On December 31, 2016, Technopolis Plc holds a total of 1,947,571 own shares corresponding to approximately 1.2% of the company's total number of shares.

On April 25, 2016, 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. In the share issue, 104,990 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 30, 2016.

On May 30, 2016, 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 BNP Paribas Investment Partners S.A. (BNP) had increased to 5,415,714 shares thus totaling 5.08 per cent of all shares in Technopolis Plc.

As of July 3, 2016, the Company have been publishing the transactions of the managerial persons and their closely associated persons as a stock exchange release, thereafter, such information will also be available on the Company's website (Stock Exchange Releases).

On August 31, 2016, the Board of Directors of Technopolis decided on an approximately EUR 125 million rights offering in accordance with the shareholder's pre-emptive subscription right based on authorization granted by the Extraordinary General Meeting on August 31, 2016. Technopolis Plc offered its shareholders a maximum of 52,282,030 new shares in proportion to their holding of existing shares in the company at a subscription price of EUR 2.40 per each share. The company granted each of its shareholders one subscription right for every share they owned on the record date of the offering on September 2, 2016. Every two subscription rights entitled its holder to subscribe for one share. The share subscription period started on September 7, 2016 and ended on September 21, 2016.

On September 28, 2016 Technopolis Plc announced the final results of the rights offering. A total of 87,034,926 shares were subscribed for, representing approximately 166 percent of the 52,282,030 shares offered. Net proceeds raised through the offering totaled approximately EUR 124.3 million. The company will use the proceeds to improve the solvency following the acquisition of the Gårda campus and the minority share of the Oslo campus and to finance future organic growth projects and potential acquisitions. The total number of shares in Technopolis increased to 158,793,662 shares in the rights offering.

On October 5, 2016, Technopolis Plc received two flagging notifications pursuant to Chapter 9 Section 5 of the Finnish Securities Markets Act. According to the first flagging notification, the total ownership in Technopolis Plc held by BNP Paribas Investment Partners Luxemburg S.A. increased on September 29, 2016 to 7,942,283 shares thus totaling 5.002 per cent of all shares in Technopolis Plc. According to the second flagging notification, the total ownership in Technopolis Plc held by BNP Paribas Investment Partners Luxemburg S.A. decreased on October 4, 2016 to 7,935,717 shares thus totaling 4.998 per cent of all shares in Technopolis Plc.

BNP Paribas Investment Partners Luxemburg S.A. is a controlled entity of BNP Paribas Investment Partners S.A. The total ownership of the controlling entity BNP Paribas Investment Partners S.A. in Technopolis Plc did not cross a flagging threshold and remained above 5 per cent.

On October 12, 2016, 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 BNP Paribas Investment Partners Luxemburg S.A. increased on October 4, 2016 to 7,946,087 shares thus totaling 5.004 per cent of all shares in Technopolis Plc.

On October 20, 2016, 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 BNP Paribas Investment Partners Luxemburg S.A. decreased on October 19, 2016 to 7,814,489 shares thus totaling 4.92 per cent of all shares in Technopolis Plc.

On November 30, 2016, 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 BNP Paribas Investment Partners S.A. decreased on November 25, 2016 to 7,754,096 shares thus totaling 4.88 per cent of all shares in Technopolis Plc.

Post-Fiscal Events

On January 11, 2017, a total of 11,174 shares of Technopolis Plc were returned in accordance with the terms and conditions of the company's 2013–2017 performance share plan. After the return, Technopolis Plc held a total of 1,958,745 of its own shares.

Proposals of the Shareholder's Nomination Board to the Annual General Meeting 2017 regarding the election and remuneration of the members of the Board of Directors were published with a stock exchange release on January 17, 2017.

Board of Directors' Proposal for Distribution of Profit

At the end of the period, distributable funds totaled EUR 36,339,683.65. The Board proposes that a dividend of EUR 0.12 (issue-adjusted dividend per share 0.15 in the previous year) per share be paid, totaling approximately to EUR 18.8 million (17.8), depending on the amount of outstanding shares at the time of the dividend record date. The Board further proposes that the remainder be left in the retained earnings account. The proposed dividend represents approximately 35.8% of the EPRA-based direct result per share.

There have been no significant changes to the company's financial status since the end of the financial period. In the opinion of the Board of Directors, the company's liquidity is good and the proposed dividend will not endanger its solvency.

Future Outlook

Technopolis expects its net sales and EBITDA to improve from 2016 based on the company's current investment property portfolio and foreign exchange rates.

The Group's financial performance depends on the development of the overall business environment, customer operations, financial markets, market yields, and exchange rates. Furthermore, any changes in the property portfolio may have an impact on the guidance.

Annual General Meeting 2017

The Annual General Meeting of 2017 will be held in Espoo on March 23, 2017.

Five-Year Review

Currency unit, EUR 1,000

	2016	2015	2014	2013	2012
Summary of income statement					
Net sales	172,076	170,566	161,678	126,335	107,330
Other operating income	430	51	536	1,996	1,609
EBITDA	93,068	93,011	87,169	64,125	55,750
Operating profit	89,346	88,868	42,865	43,854	48,031
Profit before taxes	64,222	55,127	630	22,649	34,476
Net profit for the year attributable to parent company shareholders	47,280	44,779	-11,737	28,832	25,821
Summary of balance sheet					
Total assets	1,825,123	1,562,130	1,502,929	1,560,368	1,082,734
Completed investment properties	1,624,179	1,426,013	1,378,360	1,410,418	956,520
Investment properties under construction	22,585	40,385	26,453	26,390	57,559
Cash and bank	128,027	39,378	28,270	54,095	15,676
Shareholders' equity	752,868	610,779	575,610	624,289	389,527
Interest-bearing liabilities	825,844	864,838	841,909	861,863	608,140
Key indicators and financial ratios					
Change in net sales, %	0.89	5.50	27.98	17.71	15.61
Change in EBITDA, %	0.06	6.70	35.94	15.02	17.27
Operating profit/net sales, %	51.92	52.10	26.51	34.71	44.75
Return on equity (ROE), %	7.68	8.44	-0.50	6.23	7.36
Return on investment (ROI), %	5.65	6.11	3.33	3.56	5.46
Return on capital employed (ROCE), %	5.59	6.05	5.74	4.95	5.69
Equity ratio, %	41.51	39.31	38.50	40.21	36.19
Net debt/equity (gearing), %	110.49	135.15	141.35	129.39	152.10
Interest coverage ratio	4.58	4.29	4.84	5.34	4.49
Loan to value, %	58.18	58.78	59.70	59.47	59.47
Cash flow from operations/share, EUR	0.46	0.52	0.55	0.46	0.44
Gross capital expenditure on non-current assets	221,021	88,965	69,061	466,727	115,766
Employees in Group companies, average	248	239	214	187	178

	2016	2015	2014	2013	2012
Share-related indicators [1,3]					
Earnings/share, undiluted, EUR	0.33	0.33	-0.13	0.26	0.29
Earnings/share, adjusted for dilutive effect, EUR	0.33	0.33	-0.13	0.26	0.29
Equity/share, EUR	3.95	3.79	3.63	4.05	3.88
Issue-adjusted no. of shares, basic, average	130,247,085	121,293,778	121,825,207	98,080,426	89,002,913
Issue-adjusted no. of shares, diluted, average	130,247,085	121,293,778	121,825,207	98,286,225	89,298,865
Outstanding issue-adjusted no. of shares, at Dec 31	156,846,091	120,392,306	121,902,486	122,115,450	96,192,245
Market capitalization of shares, EUR	497,024,162	397,288,387	392,507,392	462,267,570	284,865,826
Share turnover	49,747,491	32,859,940	28,389,026	22,095,150	18,994,144
Share turnover/average number of shares, %	38.19	31.13	26.78	25.89	27.17
Share prices, EUR					
Highest price	3.46	4.04	4.09	4.24	3.14
Lowest price	2.92	2.97	3.00	2.93	2.35
Average price	3.18	3.36	3.68	3.50	2.75
Price at Dec 31	3.13	3.25	3.22	3.78	2.96
Dividend/share, EUR	0.12 [2]	0.15	0.13	0.09	0.16
Dividend payout ratio, %	36.54 [2]	44.55	-	33.46	54.15
Effective dividend yield, %	3.83 [2]	4.56	4.05	2.30	5.31
Price/earnings (P/E) ratio	8.62	8.79	-24.16	14.55	10.21

[1] Share-related indicators have been adjusted for the rights issue in fall 2013 and 2016
[2] Proposal for distribution of dividends
[3] Own shares held by the company (1,947,571 shares) are excluded from the number of shares.

	2016	2015	2014	2013	2012
EPRA and property key figures					
Rentable area, sqm	746,400	740,400	742,000	746,800	644,300
Direct result (EPRA Earnings)	52,635	54,955	55,901	40,479	29,860
Change in direct result, %	-4.22	-1.69	38.10	35.57	17.25
Direct result per share (EPRA Earnings Per Share)	0.40	0.45	0.46	0.41	0.33
Financial occupancy rate, %	93.40	94.60	94.70	93.60	95.34
EPRA Vacancy Rate	6.60	5.40	5.30	6.40	4.66
EPRA Like-for-like rental growth	-0.58	0.42	-1.71	-0.41	2.35
Net rental income of property portfolio (EPRA Net Initial Yield), %	7.35	7.74	7.50	7.60	7.80
Net asset value (EPRA Net Asset Value)	664,496	492,274	479,345	521,056	428,292
Net asset value per share (EPRA NAV Per Share)	4.24	4.09	3.93	4.27	4.45

Consolidated Income Statement

Currency unit, EUR 1,000

	Note	2016	2015
Rent income	1,2	149,638	150,272
Service income	1,2	22,438	20,294
Net sales total	1,2	**172,076**	**170,566**
Other operating income	2	430	51
Premises expenses	3	-39,549	-38,939
Administration costs	4	-13,587	-13,903
Other operating expenses	6	-26,302	-24,764
EBITDA		**93,068**	**93,011**
Change in fair value of investment properties	12	233	1,285
Depreciation	5	-3,955	-5,429
Operating profit		**89,346**	**88,867**
Unrealized exchange rate profit/loss	7	336	-3,236
Financial income and expenses	7	-25,443	-30,476
Share in associate profits	15	-16	-29
Result before taxes		**64,222**	**55,127**
Deferred taxes	8	-5,015	-453
Current taxes	17	-6,819	-4,635
Net result for the period		**52,389**	**50,040**
Distribution of earnings for the year			
To parent company shareholders		47,280	44,779
To non-controlling interests	14	5,109	5,260
Total		**52,389**	**50,040**
Earnings per share, basic, EUR		0.33	0.33
Earnings per share, diluted, EUR		0.33	0.33

Consolidated Statement of Comprehensive Income

	Note	2016	2015
Net result for the period		52,389	50,040
Other comprehensive income items			
Items that may be reclassified susequently to profit or loss:			
Translation differences	8, 20, 22	17,743	-9,085
Available-for-sale financial assets	7, 8, 16	12	7
Derivatives	8	-4,289	2,498
Taxes related to other comprehensive income items	8	748	-555
Other comprehensive income items after taxes		**14,214**	**-7,134**
Comprehensive income for the period, total		**66,603**	**42,905**
Distribution of comprehensive earnings for the period			
To parent company shareholders		61,049	39,566
To non-controlling interests	14	5,554	3,339
Total		**66,603**	**42,905**

Consolidated Balance Sheet

	Note	12/31/2016	12/31/2015
ASSETS			
Non-current assets			
Intangible assets	10	5,707	5,414
Tangible fixed assets	11	6,697	7,166
Completed investment properties	12	1,624,179	1,426,013
Investment properties under construction	12	22,585	40,385
Advance payments and projects in progress	13	3,083	4,840
Holdings in associates	15	5,222	5,239
Investments and receivables	16	1,245	1,561
Deferred tax assets	17	16,610	15,878
Total non-current assets		**1,685,328**	**1,506,496**
Current assets			
Sales receivables	18	4,321	6,549
Other current receivables	18	7,447	9,708
Cash and cash equivalents	19	128,027	39,378
Total current assets		**139,794**	**55,634**
ASSETS, TOTAL		**1,825,123**	**1,562,130**
EQUITY AND LIABILITIES			
Equity	20		
Share capital		96,914	96,914
Premium fund		18,542	18,551
Invested unrestricted equity fund		335,360	211,935
Other reserves		-12,744	-9,214
Equity related bond		74,221	74,221
Translation differences		-10,120	-27,418
Retained earnings		143,540	121,282
Net profit for the year		47,280	44,779
Parent company's shareholders' share of equity		**692,992**	**531,050**
Share of non-controlling interests in equity	14	59,876	79,729
Total equity		**752,868**	**610,779**
Liabilities			
Deferred tax liabilities	17	38,104	33,880
Non-current finance lease liabilities	21, 22	30,019	31,985
Other non-current liabilities	21, 22	798,427	694,587
Non-current liabilities, total		**866,551**	**760,453**
Current finance lease liabilities	21, 22	3,411	3,114
Accounts payable	21, 22	7,652	6,094
Other current financial liabilities	21, 22	194,641	181,691
Current liabilities, total		**205,704**	**190,899**
Total liabilities		**1,072,254**	**951,352**
EQUITY AND LIABILITIES, TOTAL		**1,825,123**	**1,562,130**

Consolidated Statement of Cash Flows

Currency unit, EUR 1,000

	Note	2016	2015
Cash flows from operating activities			
Net result for the period		52,389	50,040
Adjustments:			
Change in value of investment properties	12	-233	-1,285
Depreciation	5	3,955	5,429
Share in associate profits	15	16	29
Gains from disposals		-356	0
Other adjustments for non-cash transactions		-464	3,406
Financial income and expenses	7	25,754	30,526
Taxes	8,17	11,833	5,250
Change in working capital		-2,973	-2,360
Interest received	7	290	309
Dividends received	7	54	13
Interest paid and fees		-16,955	-13,952
Other financial items in operating activities	7	-9,719	-10,463
Taxes paid	8, 17	-3,362	-3,358
Cash flows from operating activities		**60,231**	**63,582**
Cash flows from investing activities			
Investments in investment properties	1	-86,951	-67,727
Investments in tangible and intangible assets	1	-4,107	-2,505
Investments in other securities		-486	
Loans granted		1	
Repayments of loan receivables	21 ,22	3	
Proceeds from sale of investments		1,176	
Proceeds from sale of tangible and intangible assets		3,920	341
Acquisition of subsidiaries	24	-53,013	
Shares in subsidiaries sold		63,976	
Cash flows from investing activities		**-75,479**	**-69,891**
Cash flows from financing activities			
Increase in long-term loans	21, 22	183,016	278,902
Decrease in long-term loans	21, 22	-203,177	-210,562
Dividends paid and return of capital	14	-19,951	-18,703
Paid share issue		125,477	
Acquisition of own shares	20	-1,093	-4,766
Capital investment by the minority	14		20,326
Interest paid to equity related bond	22	-5,625	-5,625
Change in short-term loans	21, 22	23,880	-41,300
Cash flows from financing activities		**102,527**	**18,271**
Change in cash and cash equivalents	**19**	**87,279**	**11,963**
Impact of exchange rate changes		1,370	-856
Cash and cash equivalents at period-start		39,378	28,270
Cash and cash equivalents at period-end		**128,027**	**39,378**

Statement of Changes in Equity

Currency unit, EUR 1,000

	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 share-holders' equity
Equity January 1, 2015	**96,914**	**18,551**	**215,627**	**-11,305**	**188**	**74,221**	**-20,303**	**142,180**	**516,073**	**59,537**	**575,610**
Comprehensive income											
Net profit for the period								44,779	**44,779**	5,260	**50,040**
Other comprehensive income items											
Translation difference							-7,115		**-7,115**	-1,970	**-9,085**
Derivatives				1,895					**1,895**	48	**1,943**
Available-for-sale financial assets					7				**7**		**7**
Comprehensive income for the period				**1,895**	**7**		**-7,115**	**44,779**	**39,566**	**3,339**	**42,905**
Related party transactions											
Dividend								-15,868	**-15,868**	-702	**-16,570**
Return of capital										-2,771	**-2,771**
Acquisition of own shares			-3,669					-1,097	**-4,766**		**-4,766**
Interest paid to equity related bond								-4,500	**-4,500**		**-4,500**
Investment of non-controlling interests										20,326	**20,326**
Other changes			-22					567	**545**	0	**546**
Related party transactions			**-3,691**					**-20,898**	**-24,590**	**16,853**	**-7,736**
Equity December 31, 2015	**96,914**	**18,551**	**211,935**	**-9,410**	**196**	**74,221**	**-27,418**	**166,061**	**531,050**	**79,729**	**610,779**
Equity January 1, 2016	**96,914**	**18,551**	**211,935**	**-9,410**	**196**	**74,221**	**-27,418**	**166,061**	**531,050**	**79,729**	**610,779**
Comprehensive income											
Net profit for the period								47,280	**47,280**	5,109	**52,389**
Other comprehensive income items											
Translation difference							17,298		**17,298**	445	**17,743**
Derivatives				-3,541					**-3,541**	0	**-3,541**
Available-for-sale financial assets					12				**12**		**12**
Comprehensive income for the period				**-3,541**	**12**		**17,298**	**47,280**	**61,049**	**5,554**	**66,603**
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[1]					-264	**-1,232**	-11	**-1,243**
Related party transactions		**-9**	**123,424**				**0**	**-22,522**	**100,894**	**-25,407**	**75,487**
Equity December 31, 2016	**96,914**	**18,542**	**335,360**	**-12,951**	**208**	**74,221**	**-10,120**	**190,819**	**692,992**	**59,876**	**752,868**

[1] Direct costs related to the share issue in fall 2016.

Company Information

Technopolis provides the best addresses for success. The company develops, owns and operates a chain of 20 smart business parks that combine services with flexible and modern office space. Technopolis operates in Finland in the Oulu region, the Helsinki Metropolitan Area, Jyväskylä, Kuopio, and Tampere; in St. Petersburg in Russia, in Tallinn in Estonia, in Vilnius in Lithuania, in Oslo in Norway and in Gothenburg in Sweden. 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 21, 2017. A copy of the consolidated financial statements is available on the website of Technopolis Plc at www.technopolis.fi/investors. Under the Finnish 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, 2015, 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, 2016, the Group has applied revised standards and taken into account the 2012–2014 Annual Improvements Amendment to IAS 1 Presentation of Financial Statements, resulting in minor amendments to the presentation of the financial statements. IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets, IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investments in Associates and Joint Ventures. 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. Service revenues are recognized according to IAS 18 upon completion of the service performance.

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 company 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 five 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. The basis for the determination of deferred taxes is that the company estimates that it will liquidate its properties by selling shares in the mutual real estate companies, not individual properties. The value of the shares is determined by measuring them at fair value and comparing the fair value of the shares with their acquisition cost.

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 7 Statement of Cash Flows, IAS 12 Income Taxes, IFRS 2 Share-based payments, IFRS 10 Consolidated Financial Statements, and IAS 28 Investments in Associates and Joint Ventures. However, they have not yet been applied in preparing the financial statements for 2016.

IFRS 15 will replace the current IAS 18 and IAS 11 standards and related interpretations. A preliminary assessment of the impact of the new standard on the consolidated financial statements has been performed. The revenue recognition principles remain unchanged, as the Group's net sales are primarily comprised of rental revenues, which will be subject to IFRS 16. The new IFRS 15 will only apply to the Group's service revenues, which include revenues from reception, cleaning, maintenance, meeting, ICT, and catering services. Revenue from contracts that include both rental and service revenue will be recognized based on transaction prices, which is also largely applied in the current recognition policy. The key concepts of the standard – performance obligations, transaction price, agent–principal relationship, recognition principles, and dividing rental and service revenue – have been analyzed from the point of view of revenue flows. Transaction prices are defined for services through contracts. The Group has analyzed other service business areas and 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. According to the preliminary schedule, the standard will be adopted as of January 1, 2018, and the accumulated impact will be recognized on the date of application. 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. The standard will come into effect on January 1, 2018.

IFRS 16 will replace IAS 16 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 right-of-use assets and lease liabilities. The Group has begun a preliminary assessment of the impact of the standard. According to this analysis, leases of plots of land will be recognized on the balance sheet in accordance with the new standard, whereas previously they have been off-balance sheet liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. Lessor accounting remains mostly similar to current IAS 17 accounting.

IFRS 9 will replace the existing IAS 39 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 Group's recognition principles and consolidated financial statements.

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 consolidated financial statements.

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

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, Jyväskylä, and Oulu business units; the Lappeenranta business unit was divested during the financial year. 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.

2016	Finland	Baltic Rim	Scandinavia	Segments	Others	Group
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						-25,125
Profit before taxes						64,221
Income taxes						-11,833
Net result for the period						**52,389**
Assets	**1,221,017**	**327,568**	**351,518**	**1,900,102**	**-74,979**	**1,825,123**
Investments	**61,913**	**25,400**	**3,745**	**91,057**		**91,057**

2015	Finland	Baltic Rim	Scandinavia	Segments	Others	Group
Revenues from rental operations	107,420	25,087	17,765	150,272	0	150,272
Revenues from services	17,583	1,698	1,013	20,294	0	20,294
Net sales	**125,003**	**26,785**	**18,778**	**170,566**	**0**	**170,566**
Other operating income	9	38	5	51	0	51
Operating expenses	-56,016	-12,657	-8,932	-77,606	0	-77,606
EBITDA	**68,995**	**14,165**	**9,851**	**93,011**	**0**	**93,011**
Changes in fair value of investment properties	-15,428	14,895	1,818	1,285		1,285
Depreciation						-5,429
Operating profit						**88,868**
Finance income and expenses						-33,740
Profit before taxes						55,127
Income taxes						-5,088
Net result for the period						**50,040**
Assets	**1,111,464**	**286,585**	**208,612**	**1,606,660**	**-44,530**	**1,562,130**
Investments	**46,930**	**20,885**	**2,393**	**70,208**		**70,208**

	2016	2015
2. NET SALES AND OTHER OPERATING INCOME		
Revenues from rental operations	149,638	150,272
Revenues from services	22,438	20,294
Total net sales	**172,076**	**170,566**

Revenue from rental operations includes EUR 1.2 million (EUR 5.4 million in comparative year) of non-recurring income related to the premature termination of Oulu leases. The non-recurring items in 2015 were also associated with premature terminations of leases announced during the second quarter of 2015.

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 3.1 million were recognized in net sales for the year (EUR 2.3 million in 2015).

The Group's total rentable space at the end of the year was 746,400 sqm (740,400 sqm on December 31, 2015). The Group's average financial occupancy ratio at the end of the year was 93.4% (94.6%).

At the end of the year, the Group's lease portfolio totaled EUR 329.7 million (EUR 429.7 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	**2016/12/31**	**2015/12/31**
Maturity, years		
< 1	19	22
1-3	21	20
3-5	17	15
> 5	16	19
Open-ended leases	27	24
Total	**100**	**100**

Lease stock, % of space	**2016/12/31**	**2015/12/31**
Notice period in months		
0-3	9	10
3-6	19	11
7-9	5	18
10-12	7	6
> 12 months	60	55
Total	**100**	**100**

Average lease term in months	35	36
Lease stock, EUR million	392.7	429.7
Service contract stock, EUR, million	17.8	

There is no data on the service contract stock for the comparison period.

	2016	**2015**
Other operating income		
Subsidies received for development programs	0	2
Sales results from divestments	356	0
Other income	75	50
Other operating income, total	**430**	**51**

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 in service for business expenses under other operating expenses and administration costs.

	2016	**2015**
3. PREMISES EXPENSES		
Rents	2,543	3,263
Other real estate expenses	37,006	35,676
Premises expenses total	**39,549**	**38,939**

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	4,663	4,659
Pension costs, defined contribution plans	698	704
Capitalized costs of employee benefits	-109	-179
Share incentive scheme, portion paid out in shares	212	331
Share incentive scheme, portion paid out in cash	385	327
Indirect employee costs	419	410
Administrative services costs	5,166	4,968
Other administration costs	2,154	2,683
Administration costs, total	**13,587**	**13,903**
Costs of employee benefits		
Salaries and fees	12,129	12,310
Pension costs, defined contribution plans	1,831	1,922
Capitalized costs of employee benefits	-330	-425
Share incentive scheme, portion paid out in shares	212	331
Share incentive scheme, portion paid out in cash	260	327
Indirect employee costs	868	961
Costs of employee benefits, total	14,970	15,426

Of the employee benefits, EUR 6.3 million is included in administration costs on the income statement and EUR 8.7 million in other operating expenses.

Average number of employees in the Group	248	239

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

	2016	2015
5. DEPRECIATION		
Depreciation by asset group		
Intangible assets	1,519	2,986
Machinery and equipment	2,405	2,411
Other tangible assets	31	32
Depreciation, total	**3,955**	**5,429**
6. OTHER OPERATING EXPENSES		
Service expenses	11,518	10,401
Costs of employee benefits	8,703	9,174
Other operating expenses	6,081	5,189
Other operating expenses, total	**26,302**	**24,764**
Other operating expenses include fees paid to the auditor as follows:		
Auditing	254	196
Certificates and reports	4	9
Other services	313	351
Auditor's fees, total	**572**	**556**
7. FINANCIAL INCOME AND EXPENSES		
Financial income		
Dividend income from available-for-sale financial assets	36	83
Other financial income	668	255
Foreign exchange gains	2,628	
Total	**3,333**	**337**

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

	2016	2015
Financial expenses		
Interest expenses from commercial papers	644	722
Interest expenses from financial leases	338	370
Other interest expenses	21,788	22,829
Change in fair value of derivatives, portion recognized in the income statement	1,463	1,105
Foreign exchange losses	1,556	4,145
Other financial expenses	2,653	5,080
Total	**28,441**	**34,251**
Capitalized interest expenses	0	-202
Financial costs, total	**28,441**	**34,049**
Associate's share of profits	-16	-29
Financial income and expenses, total	**-25,125**	**-33,740**

Of the derivatives, EUR 1.5 million (EUR 1.1 million in financial year 2015) have been recognized as an expense 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	12	7
Derivatives, hedging of cash flows	-4,289	2,498
Total	**-4,277**	**2,505**
Tax effect	748	-555
Other comprehensive income items related to financial instruments after the tax effect	**-3,529**	**1,951**

Available-for-sale financial assets have been recognized at fair value and there have not been any changes in classification during the fiscal year.

	2016	2015
8. INCOME TAXES		
Current taxes	-6,819	-4,635
Change in deferred taxes	-5,015	-453
Total for income taxes	**-11,833**	**-5,088**
Reconciliation between income tax and taxes calculated using the parent company's tax rate:		
Profit before taxes	64,222	55,127
Taxes calculated at the parent company's tax rate on the balance sheet date	-12,844	-11,025
Tax rate on the balance sheet date	20%	20%
Non-tax-deductible expenses and tax-exempt income	237	205
Effects of the differing tax rates of foreign subsidiaries *)	2,140	1,934
Effect of tax rate change on deferred taxes in the beginning of the year	-236	503
Effect of tax rate change on deferred taxes in the income statement	109	-22
Utilisation of tax losses from previous years	-529	1,821
Unrecognized taxes from losses	1,630	-501
Income tax for previous years	-432	-128
The effect of recognition principle to the taxes recognized from Investment properties	-1,909	2,126
Total for income taxes	**-11,833**	**-5,088**
Other comprehensive income items before taxes		
Translation differences	17,743	-9,085
Available-for-sale financial assets	12	7
Derivatives	-4,289	2,498
Total	**13,466**	**-6,580**

Of the translation differences, EUR 15.8 million was due to a change in the exchange rate of the Russian ruble (EUR 4.7 million in financial year 2015), EUR 3.1 million due to changes in the exchange rate of the Norwegian crown (EUR 4.4 million in financial year 2015) and EUR -1.2 million due to changes in the exchange rate of the Swedish crown.

	2016	2015
Tax effect of other comprehensive income items during the period		
Tax effect of available-for-sale financial assets	-2	-1
Tax effect of derivatives	750	-553
Total	**748**	**-555**
Other comprehensive income items after taxes		
Translation differences	17,743	-9,085
Available-for-sale financial assets	10	6
Derivatives	-3,539	1,945
Total	**14,214**	**-7,134**
*) 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	25%	27%
Tax rate in Sweden	22%	

As of January 1, 2017, the tax rate in Norway is 24%.

9. EARNINGS PER SHARE		
Net profit for the period attributable to parent company shareholders	47,280	44,779
Interest expenses on an equity-related bond	-5,625	-5,625
Tax effect	1,125	1,125
Adjusted net profit	**42,780**	**40,279**
Earnings per share, basic	0.33	0.33
Earnings per share, diluted	0.33	0.33
Average issue-adjusted number of shares		
Basic	130,247,085	121,293,778
Diluted	130,247,085	121,293,778

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.

	2016	2015
10. INTANGIBLE ASSETS		
Intangible assets		
Acquisition cost, Jan 1	13,584	11,967
Increases	1,802	1,630
Decreases	-18	
Exchange rate differences	15	-13
Acquisition cost, Dec 31	**15,382**	**13,584**
Accumulated depreciation, Jan 1	-8,152	-5,158
Depreciation for the year	-1,519	-2,986
Exchange rate differences	-4	-26
Intangible assets, Dec 31	**5,707**	**5,414**
Carrying amount, Jan 1	5,414	6,808
Carrying amount, Dec 31	5,707	5,414
11. TANGIBLE FIXED ASSETS		
Machinery and equipment		
Acquisition cost, Jan 1	8,331	8,995
Business combinations	0	0
Increases	230	328
Decreases	-84	-394
Exchange rate differences	725	-598
Acquisition cost, Dec 31	**9,201**	**8,331**
Accumulated depreciation	-6,029	-5,536
Adjustment of accumulated depreciation	0	-103
Depreciation for the year	-558	-819
Exchange rate differences	-571	428
Machinery and equipment, Dec 31	**2,043**	**2,302**
Carrying amount, Jan 1	2,302	3,459
Carrying amount, Dec 31	2,043	2,302

	2016	2015
Machinery and equipment, finance leases		
Acquisition cost, Jan 1	11,053	9,282
Increases	1,890	3,504
Decreases	-230	-1,733
Exchange rate differences	4	
Acquisition cost, Dec 31	**12,717**	**11,053**
Accumulated depreciation	-6,311	-4,719
Depreciation for the year	-1,847	-1,592
Exchange rate differences	0	1
Machinery and equipment, finance leases, Dec 31	**4,558**	**4,742**
Carrying amount, Jan 1	4,742	4,562
Carrying amount, Dec 31	4,558	4,742
Other tangible assets		
Acquisition cost, Jan 1	122	148
Increases	0	11
Decreases	-4	-0
Depreciation for the year	-31	-32
Exchange rate differences	8	-4
Other tangible assets, Dec 31	**95**	**122**
Carrying amount, Jan 1	122	148
Carrying amount, Dec 31	95	122

12. INVESTMENT PROPERTIES

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 properties	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			0	0		-64,670
Transfers from investment properties under construction	43,463			4,989	23,617		72,069
Onther transfers between assets							
Transfers to investment properties under construction							
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
Tranfers to 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		2,666	1,050	659	27,972
Changes in fair value of completed investment properties	**8,655**	**2,312**	**-1,393**	**-714**	**871**	**1,184**	**10,914**
Changes in acquisition costs of completed investment properties	-16,216	-1,786	-55	-1,106	-259	435	-18,987
Changes 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**

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

2015

	Finland	Norway	Sweden	Estonia	Lithuania	Russia	Group total
Fair value of the investment properties							
Fair value of the investment properties, Jan 1	951,929	201,751		104,587	64,379	55,714	1,378,360
Impact of exchange rate changes		-12,116				-7,699	-19,815
Acquisition of a individual investment properties					3,508		3,508
Other invetments to investment properties	23,954	2,973		1,849	895	148	29,818
Sold investment properties during the financial period	-320						-320
Transfers from investment properties under construction	22,353			17,147		5,281	44,781
Other transfer between assets	3,378						3,378
Transfers to investment properties under construction					-3,508		-3,508
Changes in fair value	-16,456	1,818		-3,004	514	6,939	-10,190
Fair value of the investment properties, Dec 31	**984,838**	**194,426**		**120,579**	**65,787**	**60,383**	**1,426,013**
Investment properties under construction							
Fair value of investment properties under construction, Jan 1	20,293			6,160			26,453
Increases/decreases	28,677			8,691	9,743	128	47,239
Change in fair value	1,028			4,013	1,281	5,153	11,475
Transfers from investment properties	-22,353			-17,147		-5,281	-44,781
Fair value of investment properties under construction, Dec 31	**27,645**			**1,717**	**11,024**	**0**	**40,385**
Effect on profit of change in value of investment properties							
Change in fair value excluding change in net yield requirements	263	-2,410		-5,387	398	10,867	3,731
Change caused by change in net yield requirements	7,235	7,200		4,232	1,011	-3,781	15,897
Changes in fair value of completed investment properties	**7,498**	**4,791**		**-1,155**	**1,409**	**7,086**	**19,629**
Changes in acquisition costs of completed investment properties	-23,954	-2,973		-1,849	-895	-148	-29,818
Changes in fair value of investment properties under construction	1,028			4,013	1,281	5,153	11,475
Effect on profit of change in value of investment properties, total	**-15,428**	**1,818**		**1,009**	**1,795**	**12,091**	**1,285**

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, 2016, 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:

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	5	7.6	7.8	11.4	4.8-11.4
Net yield requirement, weighted, %	8	6.1	4.8	7.6	7.8	11.4	7.8
Estimated inflation rate, %	2	2.0	1.5	2.0	2.0	10.0	
Range of market office rents, EUR/sqm/month	6.5-34.0	6.3-30.0	21.10	7.7-13.0	11.1-13.0	16.8-42.8	6.3-42.8
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		
Range of market office rents, EUR/sqm/month	20.6				13.0		
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		

2015	Finland	Norway	Sweden	Estonia	Lithuania	Russia	Group total
Completed investment properties							
Inputs not based on observable data:							
Range of net yield requirements, %	6.3-9.7	5.5-6.8		7.7	7.9	11.5	5.5-11.5
Net yield requirement, weighted, %	8.2	6.3		7.7	7.9	11.5	8.1
Estimated inflation rate, %	2.0	2.0		3.0	2.0	10.0	
Range of market office rents, EUR/sqm/month	6.5-34.0	6.5-31.2		7.7-13.0	10.9-11.7	18.4-44.1	6.5-44.1
Floor area-weighted market rent, EUR/sqm/month	12.6	17.3		10.8	11.1	19.0	12.7
Maintenance expenses, EUR/sqm/month	4.5	4.4		2.8	3.4	3.5	4.1
Modernizations, EUR/sqm/month	1.2	0.8		1.1	0.3	0.3	1.1
Other significant data:							
Rentable floor area, sqm	526,900	66,500		70,000	41,600	35,400	740,400
Average first-year occupancy rate, %	92.1	93.6		98.3	99.8	98.8	94.3
Average 10-year occupancy rate, %	94.1	96.3		97.9	99.8	98.9	94.6
Investment properties under construction							
Inputs not based on observable data:							
Range of net yield requirements, %	6.9			8.0	7.9		
Net yield requirement, weighted, %	6.9			8.0	7.9		
Estimated inflation rate, %	2.0			3.0	2.0		
Range of market office rents, EUR/sqm/month	18.5			13.0-14.3	13.0		
Floor area-weighted market rent, EUR/sqm/month	18.5			14.0	13.0		
Maintenance expenses, EUR/sqm/month	4.4			2.1	3.7		
Other significant data:							
Rentable floor area, sqm	11,900			9,200	21,600		
Average first-year occupancy rate, %	91.0			90.0	80.0		
Average 10-year occupancy rate, %	97.3			96.3	93.0		

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 II).

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

		Change in yield requirement	
	12/31/2016	+1%	-1%
Fair value of investment properties	1,624,179	1,429,251	1,885,468

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

		Change in occupancy rate	
	12/31/2016	+2.5%	-2.5%
Fair value of investment properties	1,624,179	1,657,925	1,584,470

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	
	12/31/2016	+2 €/m²	-2 €/m²
Fair value of investment properties	1,624,179	1,792,180	1,455,276

	2016	2015
13. ADVANCE PAYMENTS AND PROJECTS IN PROGRESS		
Advance payments and projects in progress		
Projects in progress, Jan 1	4,840	5,416
Exchange rate differences	212	-161
Increases/decreases	-1,969	-415
Advance payments and projects in progress, Dec 31	**3,083**	**4,840**

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
Technopolis Kiinteistöt Jyväskylä Oy, Jyväskylä	100.00
Kiinteistö Oy Technopolis Innova 4, Jyväskylä	100.00
Kiinteistö Oy Technopolis Peltola, Oulu	100.00
Technopolis Hitech Oy, Oulu	100.00
Technopolis Kiinteistöt Oulu Oy, Oulu	100.00
Kiinteistö Oy Technopolis Ratapihankatu, Tampere	100.00
Technopolis Kiinteistöt Tampere Oy, Tampere	100.00
Kiinteistö Oy Oulun Ydinkeskusta, Oulu	98.77
Kiinteistö Oy Technopolis Tohloppi Oy, Tampere	95.54
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	54.82
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	51.00
Technopolis AS, Oslo	81.04
Campus H AS, Oslo	81.04
Campus T AS, Oslo	81.04
Campus X AS, Oslo	81.04
Campus P AS, Oslo	81.04
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

Significant shares of minority

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

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

During the financial period 2015, the Group carried out an arrangement in which it sold 40% of its business in Kuopio to Kuopio-based KPY Sijoitus Oy. The transaction was completed through a new holding company, Technopolis Kuopio Oy, to which Technopolis sold its business in Kuopio for EUR 125 million. Technopolis Plc owns 60% and KPY 40% of the holding company.

		Share of on controlling interest in control	
Subsidiary	**Country**	**2016**	**2015**
Technopolis Ulemiste AS	Estonia	49.00%	49.00%
Technopolis Holding 2 AS	Norway	49.00%	49.00%
Technopolis AS	Norway	18.96%	48.96%
Campus H AS	Norway	18.96%	48.96%
Campus T AS	Norway	18.96%	48.96%
Campus X AS	Norway	18.96%	48.96%
Campus P AS	Norway	18.96%	48.96%
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	45.18%	45.18%

		Share of non- controlling interest in net result for the period		Share of non-controlling interest in equity	
	Country	**2016**	**2015**	**2016**	**2015**
Technopolis Ulemiste AS	Estonia	3,502	3,206	27,629	24,995
Technopolis Holding AS group	Norway	492	2,110	11,157	34,450
Technopolis Kuopio group	Finland	1,114	-57	21,076	20,270
Other non-significant shares of minority *)		1	2	14	14
Total		**5,109**	**5,260**	**59,876**	**79,729**

*) Includes Oulun Ydinkeskustan Parkki Oy, Oulu

Financial information from significant minority shares

	Technopolis Ülemiste AS		Technopolis Holding AS group		Technopolis Kuopio group	
	2016	2015	2016	2015	2016	2015
Assets	128,723	123,809	220,558	208,190	131,254	129,595
Liabilities	72,33	72,798	145,374	133,590	78,564	78,919
Net profit for the period	7,147	6,543	657	4,627	2,786	-142
Share of non-controlling interest in net result of the period	3,502	3,206	492	2,110	1,114	-57
Dividend distribution and return of capital to non controlling interest	868	731	232	2,581	309	0
Cash flow from operating activities	6,176	5,945	3,285	6,954	2,900	
Cash flow from investing activities	-2,790	-10,868	-3,389	-2,372	-3,572	
Cash flow from financing activities	-1,860	5,305	-3,799	-1,077	82	

The sale of the minority holding in Technopolis Kuopio Oy was completed on April 2, 2015, and therefore no net cash flow data is available for the year 2015.

	2016	2015
15. HOLDINGS IN ASSOCIATES		
Holdings in associates, Jan 1	5,239	5,966
Decreases	0	-698
The Group's share of profit/loss for the year	-16	-29
Holdings in associates, Dec 31	**5,222**	**5,239**

Holdings in associates	Holding, %	Original acquisition cost	The Group's holding 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	-7	28
Rehaparkki Oy, Oulu, Finland	20.0	1,392	-111	1,282
Total		**5,425**	**-202**	**5,222**

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

	Assets	Liabilities	Net sales	Earnings for the financial period
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**
2015				
Iin Micropolis Oy	377	361	464	7
Kiinteistö Oy Bioteknia	12,021	83	932	0
Kuopio Innovation Oy	317	242	800	0
Otaniemen kehitys Oy	77	55	33	-21
Rehaparkki Oy	215	8	130	-105
Total	**13,007**	**749**	**2,359**	**-120**

	2016	2015
Associates		
Sales to associates	105	38
Receivables from associates	1	3

Transactions undertaken with associates comprise the sale of services and leasing of premises.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
Available-for-sale financial assets, Jan 1	1,510	4,789
Increases	77	1
Decreases	-125	-360
Transfer from other assets	0	-2,927
Change in fair value of assets recognized at fair value	10	6
Available-for-sale financial assets, Dec 31	**1,471**	**1,510**

Fair value reserve		
Fair value reserve, Jan 1	196	188
Change in fair value of assets recognized at fair value	10	6
Deferred taxes	2	1
Fair value reserve, Dec 31	**208**	**196**

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. Apartment shares, which were previously classified as available-for-sale financial assets, have been reclassified as investment properties in 2015.

17. DEFERRED TAXES

Deferred tax assets	Opening balance 2016/01/01	Recognized through profit or loss	Recognized as other comprehen-sive income	Translation differences	2016/12/31
Measurement of investment properties at fair value	8,671	-2,776	0	0	5,895
Unused losses confirmed in taxation	9,075	-241	0	0	8,834
Other items	-1,867	2,056	760	932	1,881
Total	**15,878**	**-961**	**760**	**932**	**16,610**

Deferred tax assets	Opening balance 2015/01/01	Recognized through profit or loss	Recognized as other comprehen-sive income	Translation differences	2015/12/31
Measurement of investment properties at fair value	8,636	35	0	0	8,671
Unused losses confirmed in taxation	10,168	-1,093	0	0	9,075
Other items	-1,024	13	-168	-688	-1,867
Total	**17,780**	**-1,045**	**-168**	**-688**	**15,878**

Deferred tax liabilities	Opening balance 2016/01/01	Recognized through profit or loss	Recognized as other comprehen-sive income	Translation differences	2016/12/31
Measurement of investment properties at fair value	32,744	3,950	0	0	36,694
Other items	1,136	103	-45	215	1,410
Total	**33,880**	**4,054**	**-45**	**215**	**38,104**

Deferred tax liabilities	Opening balance 2015/01/01	Recognized through profit or loss	Recognized as other comprehen-sive income	Translation differences	2015/12/31
Measurement of investment properties at fair value	32,783	-39	0	0	32,744
Other items	1,928	-554	-1	-236	1,136
Total	**34,711**	**-593**	**-1**	**-236**	**33,880**

The Group additionally has EUR 9.3 (10.1) million in unrecognized deferred tax assets; of this amount, EUR 5.3 (5.3) million is related to losses made in the Russian subsidiary, EUR 2.5 (3.6) million to losses in the Norwegian companies and EUR 1.5 (1.2) 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.

	2016	2015
18. CURRENT RECEIVABLES		
Sales receivables	4,321	6,549
Sales receivables from associates	1	3
Loan receivables	259	18
Accrued income	3,955	5,593
Other receivables	3,052	3,579
Income tax assets	180	516
Short-term receivables, total	**11,768**	**16,257**
Maturities of sales receivables		
Not matured	3,790	5,460
less than 30 days	167	334
30-60 days	104	146
2-3 months	172	165
3-4 months	43	98
over 4 months	45	350
Total	**4,322**	**6,552**
Sales receivables by currency		
Euro	3,156	6,111
Russian ruble	297	320
Norwegian crown	869	122
Swedish crown	0	
Total	**4,322**	**6,552**

19. CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	128,027	39,378
Total for cash and cash equivalents	**128,027**	**39,378**

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, 2016. At the closing date, the company had 158,793,662 shares which 1,947,571 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 2016, EUR 0.17 per share from fiscal year 2015 was paid in dividends, EUR 17,758,042 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 created in the conversion of the financial statements of foreign business units. Of the translation differences, EUR 4.4 million is due to changes in the exchange rate of the Russian ruble, EUR 4.6 million due to changes in the exchange rate of the Norwegian crown and EUR 1.2 million due to changes in the exchange rate of the Swedish crown.

Own shares

During the financial year 2016, Technopolis Plc continued the share buyback program launched in September 2015. The share buyback was based on the authorization granted to the Board of Directors at the Annual General Meeting of Technopolis Plc on March 27, 2015. Pursuant to the authorization, a maximum of 10,650,000 shares may be purchased at a price set in public trading on the date of purchase, or at a price otherwise determined on the market. The authorization was effective until the end of the next Annual General Meeting, however, no longer than June 30, 2016. A total of 1,329,397 shares were acquired in connection with the share buyback program for a total of EUR 4,762,051, of which a total of 309,806 shares were acquired in the 2016 financial year for a total of EUR 1,092,964. The share buyback resulted in transaction costs of a total of EUR 30,415, of which EUR 2,674 in the 2016 financial year. The treasury shares are recognized under shareholders' equity to decrease the Group's invested unrestricted equity fund. The transaction costs have been recognized as a decrease in unrestricted equity. A total of 723,164 shares were acquired in the 2014 financial year. The company has repurchased a total of 2,052,561 treasury shares, of which a total of 104,990 shares have been issued as share-based payments. On December 31, 2016, the company held a total of 1,947,571 treasury shares.

Changes in the number of shares and equity

	Number of shares and votes	Share capital	Premium fund	Invested unrestricted equity fund	Retained earnings	Total
2014/12/31	**106,083,079**	**96,914**	**18,551**	**215,627**	**-1,648**	**329,444**
Acquisition of own shares	-1,314,202			-3,669	-1,097	-4,766
Transaction expenses				-22		-22
2015/12/31	**104,768,877**	**96,914**	**18,551**	**211,935**	**-2,745**	**324,655**
Acquisition of own shares	-309,806			-1,093		-1,093
Transaction expenses				-960		-953
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**

The acquisition of own shares in financial year 2015 includes 880 shares returned from the share-based incentive schemes.

	2016	2015
21. LIABILITIES		
Non-current liabilities		
Deferred taxes	38,104	33,880
Bank loans	616,317	514,616
Bonds	149,349	149,086
Non-current finance lease liabilities	30,019	31,985
Other liabilities	32,761	30,886
Non-current liabilities, total	**866,551**	**760,453**

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%.

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

	2016	2015
Current liabilities		
Repayments on non-current loans	76,218	113,599
Commercial papers	54,390	21,488
Other current interest-bearing liabilities	0	490
Current finance lease liabilities	3,411	3,114
Advances received	10,594	7,721
Accounts payable	7,661	6,094
Adjusting entries for liabilities	26,962	17,128
Derivatives	19,591	15,321
Other liabilities	3,957	5,942
Tax liabilities	2,920	0
Current liabilities, total	**205,704**	**190,899**
Liabilities, total		
Fixed rate	543,858	616,456
Floating rate	416,005	248,381
Non-interest bearing liabilities	112,391	86,514
Liabilities, total	**1,072,254**	**951,352**

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	30,019	31,985
Current finance lease liabilities	3,411	3,114
Finance lease liabilities, total	**33,431**	**35,100**
Investment properties held under a finance lease		
Total value of minimum lease payments		
Within one year	1,966	1,910
Later than one year and not later than two years	2,024	1,966
Later than two years and not later than five years	6,202	6,260
Later than five years	20,130	22,096
Total	**30,322**	**32,231**

	2016	2015
Present value of minimum lease payments		
Within one year	1,729	1,660
Later than one year and not later than two years	1,801	1,729
Later than two years and not later than five years	5,631	5,633
Later than five years	19,989	21,788
Present value of minimum lease payments, total	**29,150**	**30,809**
Future financial expenses, total	1,172	1,422
Total amount of finance lease liabilities from investment properties	**30,322**	**32,231**
Carrying amount of investment properties leased by Technopolis on a financial lease, Dec 31	**55,029**	**53,586**

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.

Other assets held under a finance lease		
Total value of minimum lease payments		
Within one year	1,803	1,689
Later than one year and not later than five years	2,751	2,789
Total	**4,554**	**4,478**
Present value of minimum lease payments		
Within one year	1,726	1,604
Later than one year and not later than five years	2,684	2,711
Present value of minimum lease payments, total	**4,410**	**4,314**
Future financial expenses, total	145	163
Total amount of finance lease liabilities from other leased assets	**4,554**	**4,478**

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

22. RISK MANAGEMENT

I) Financial risk management

By pursuing an active policy to manage financial risks, the Group seeks to secure efficient and competitive funding for its operations and to reduce the negative impact of financial market fluctuations on its operations. In order to manage the financing risk, the Group draws upon the resources of a wide range of financiers, makes use of a variety of financing instruments and maturities, and maintains strong solvency. The objective of refinancing risk management is to ensure that the Group's loan portfolio and unused credit facilities are sufficiently diversified and high with regard to repayment schedules and other financing needs. Technopolis uses derivative instruments exclusively for the purpose of reducing or eliminating financial risks in the balance sheet. Uncertainty in the financial markets may adversely affect the availability of growth financing and refinancing and finance costs in the future. The company has a treasury risk management policy with risk limits and risk management principles approved by the Board of Directors. The Treasury function reports on the development of the selected indicators to the Audit Committee and Board of Directors quarterly. Changes in the value of derivative instruments used for hedging and impact of exchange rate changes are reported monthly to the Management Team and Board of Directors.

Interest rate risk

The main financial risk Technopolis is exposed to is the interest rate risk affecting its loan portfolio. The policy for managing interest rate risk is approved by the Board. 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. If necessary, the company uses forwards, interest rate swaps and interest rate options to hedge interest rate risks. The company has entered into three EUR 50 million bullet-type hedging agreements with forward starts in 2019, 2020 and 2021. The maturities of these agreements are 5–15 years. These interest rate swaps do not hedge a specific current loan or loans; the aim is to hedge the interest rate risk of future loans in general. According to the swap agreements Technopolis pays to the counterparty a fixed rate and receives floating euribor rate. The 15-year agreements maturing in 2019 and 2021 can be voluntarily terminated early. The company aims to match the interest fixing period of its debt financing to the durations of its customers' leases. The company's policy concerning interest rate risks also aims to diversify the interest rate risk of loan contracts over different loan periods based on the prevailing market situation and the interest rate forecast created by the company. More detailed information of the nominal and market values of the Group's interest rate swaps at the closing date can be found hereafter in the table in this same Note 22.

With Technopolis' loan portfolio at the end of 2016, a one percentage point change in money market rates would change interest rate costs by EUR 2.7 (1.7) million per year. Should money market rates decrease by 0.5 points, the change in the fair value of interest rate swaps not included in the scope of hedge accounting would have an effect of EUR -0.4 million on the income statement. A 0.5-point increase in money market rates would have an effect of EUR 0.4 million on the income statement. Should money market rates decrease by 0.5 points, the effect of the change in the fair value of interest rate swaps included in the scope of hedge accounting on shareholders' equity would be EUR -11.5 million. A similar increase in money market rates would have an effect of EUR 11.5 million on shareholders' equity. The objective of refinancing risk management is to ensure that the Group's loan portfolio and unused credit facilities are sufficiently diversified and high with regard to repayment schedules and financing instruments. Because of the interest rate risk associated with loans, a policy of diversifying interest bases is pursued. Some 4.1% of interest-bearing liabilities were pegged to the under 3-month Euribor rate and 39.2% were pegged to the 3–12 month Euribor rate and 56.7% (EUR 543.9 million), were fixed-rate loans with maturities of 13–60 months. Of interest-bearing liabilities, 35.7% (EUR 342.8 million) had fixed interest rates through interest rate swaps and 21.0% (EUR 201.0 million) were fixed-rate loans. The interest fixing period, which describes the average interest rate adjustment period, was 1.7 years. The average capital-weighted outstanding loan period was 5.1 years.

	2016	2015
Weighted averages of the effective interest rates of liabilities, %		
Bank loans	1.93	2.04
Bank loans including interest rate and currency swaps	2.48	2.70
Finance lease liabilities	0.68	0.74
Commercial papers	1.13	1.62

Liquidity risk and counterparty risk

The Group management evaluates and monitors the financing required for running the operations in order to ensure adequate reserves of liquid funding for financing the operations and repaying loans when due. Financial counterparty risk is created when the counterparty to the financial contract cannot necessarily meet its contractual obligations. In order to manage liquidity and counterparty risks, Technopolis draws upon the resources of a wide range of financiers and maintains strong solvency. Long-term financing for the company is provided by several Finnish and foreign financial institutions and the loans have been diversified both in terms of type of contract and maturity. Additionally, the company has domestic commercial paper programs with several Finnish financial institutions. For short-term financing needs, the Group also has a revolving credit facility and sufficient credit facilities estimated to cover loan repayments during the next 12 months. The Group continuously monitors and assesses the reliability of the counterparties as part of its risk management policy.

At the closing date, the Group had EUR 96.6 (92.4) million in untapped credit facilities and cash amounting to EUR 128.0 (39.4) million. The credit facilities contained a EUR 90.0 (67.3) million credit line and a EUR 6.6 (25.1) million revolving credit facility. In addition, the company has a EUR 150.0 million (EUR 150.0 million) commercial paper program, of which EUR 54.5 million (EUR 21.5 million) was issued at the end of the reporting period. The company has a strong cash flow from operations and control over its own investment decisions, allowing the company to react to changes in cash flows from financing activities. In summer 2015, the company issued an unsecured EUR 150 million senior bond with a maturity of five years and a fixed annual coupon rate of 3.75%.

Loan covenants

The company's borrowing arrangements include standard security instruments and covenants. The company employs collaterals in its borrowing, which consist normal pledge restrictions and cross-default clauses. The Group has interest-bearing liabilities amounting to EUR 959.9 (864.4) million, of which the loan capital of EUR 752.2 million includes covenants related to equity ratio, debt service ratio or loan-to-value. Loans amounting to EUR 439.5 (460.1) million include covenants relating to the equity ratio. A decline in the equity ratio may lead to higher interest rate margins or premature repayment of these loans. The margins of some loans and bank guarantees may rise as the equity ratio falls. Potential changes in the margins take effect in accordance with the contractual provisions of each loan. Of these loans, EUR 393.2 million includes a repayment term. In case the equity ratio falls below 33%, EUR 60.8 million of the loans may be called for repayment. Should the equity ratio drop below 30%, further EUR 182.4 million can be called for repayment. The equity ratio decreasing to below 33% would increase interest rate expenses by EUR 0.6 (0.6) million per annum. In addition, the company has covenants linked to interest margins and the share of secured loans, and a breach of them would result in the same kind of effects as described above with regard to equity ratio. The company's bond of EUR 150 million has a minimum equity ratio covenant of 28% and covenants related to debt service ratio and loan-to-value. Technopolis Ülemiste's (Technopolis' holding 51 per cent) loans of EUR 69.2 million and Technopolis Gårda AB's loan of EUR 79.8 million have covenants related to debt service ratio and loan-to-value. Technopolis AS' loan of EUR 121.0 million has covenants related to debt service ratio and loan-to-value.

The Group's equity ratio was 41.5% (39.3%) on December 31, 2016. More detailed information about covenants is given in the Board of Directors' Report under the heading "Financing".

Foreign currency exchange rate risks

As the operations have expanded outside the Eurozone, the company has become exposed to exchange rate risks. The objective of currency risk management is to reduce uncertainties relating to cash flow, earnings and the balance sheet. According to the Group's foreign exchange (FX) hedging policy, the risk relating to the cash flows containing FX risk i.e. transaction risk may be hedged. However, the computational change of balance sheet items denominated foreign currency i.e. translation risk may not be hedged. Changes in the exchange rates between the Russian ruble, Norwegian crown and Swedish crown against euro may have an effect on the company's financial performance and operations. Currency-denominated transactions are recorded at the exchange rate of the transaction date. Any translation differences are entered in the income statement under other operating expenses or financial income and expenses. If the company keeps expanding its operations outside the Eurozone, it will also be exposed to foreign currency exchange rates risk regarding its new countries of operation.

Foreign currency % change against the Euro	Transaction difference effect	Translation difference effect	Total effect on the Group's equity	Equity ratio
RUB -10	0	-7,610	-7,610	41.3%
RUB +10	0	9,301	9,301	41.8%
NOK -10	0	-7,928	-7,928	41.6%
NOK +10	0	9,689	9,689	41.5%
SEK -10	0	-4,075	-4,075	41.6%
SEK +10	0	4,981	4,981	41.5%

Foreign currency % change against the Euro	Impact on net sales	Impact on EBITDA
RUB -10	-763	-555
RUB +10	933	678
NOK -10	-1,628	-993
NOK +10	1,990	1,214
SEK -10	-348	-271
SEK +10	426	331

Credit risk

Credit risk management at Technopolis Group focuses on managing client risks. Clients' credit standing is evaluated before leases are signed and new leases usually include rental security arrangements. Any outstanding receivables are initially targeted by internal collection measures. If these do not yield a favorable result, the collection of the outstanding receivable is transferred to a specialist outsourcing partner.

The Group does not have significant uncertain receivables. The amount of outstanding sales receivables is low and closely monitored. Credit losses recognized in losses for the financial year amounted to EUR 360.2 (541.7) thousand. At the end of the year, the Group's maximum credit risk is equivalent to the carrying amount of financial assets.

Repayments of interest-bearing liabilities and finance costs

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	0	0	0	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	0	0	0	7,661	7,661
Other liabilities	3,957	0	0	31,778	35,735	35,735
Total	232,737	307,626	424,911	219,025	1,184,300	992,691

2015	Contractual cash flow					Carrying amount
	Less than one year	1 - 2 years	3 - 5 years	over 5 years	Total	
Bank loans	136,256	303,298	144,273	132,153	715,981	628,215
Bonds	0	0	150,000	0	150,000	149,086
Commercial papers	21,500				21,500	21,488
Finance lease liabilities	3,138	1,948	10,414	22,103	37,603	35,100
Derivatives	4,805	7,458	2,357	699	15,319	15,321
Accounts payable	6,094				6,094	6,094
Other liabilities	6,432			30,886	37,318	37,318
Total	178,226	312,703	307,044	185,842	983,815	892,622

Interest rate swaps	Weighted maturity	2016/12/31 Nominal value	Fair value	Weighted maturity	2015/12/31 Nominal value	Fair value
Interest rate swaps (liabilities)	5.0	639,168	-19,591	5.0	546,491	-15,319
-Effective part of hedging		607,563	-18,712		489,886	-14,260
-Ineffective part of hedging		31,605	-879		56,605	-1,059
Interest rate swaps, total		639,168	-19,591		546,491	-15,319

The group do not have such interest rate swaps which could net each other.

Breakdown of financial assets and liabilities

The following table provides a list of the groups of financial assets and liabilities used for valuation in accordance with IAS 39.

2016	Note	Loans and other receivables	Available-for-sale financial assets	Financial assets 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	452
Total		**226**	**1,471**			**1,697**	**1,923**
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				38,104		38,104	38,104
Total				**866,551**		**866,551**	**883,195**
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)	21				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**

Currency unit, EUR 1,000

2015	Note	Loans and other receivables	Available-for-sale financial assets	Financial assets measured at amortized purchase price	Financial assets/ liabilities, total	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)			721			721	721
Available for sale non-quoted financial assets (level 3)			788			788	788
Other non-current receivables		52				52	52
Total		**52**	**1,509**			**1,560**	**1,560**
Current assets							
Trade and other receivables							
Sales receivables	18	6,549				6,549	6,549
Other current receivables		9,706				9,706	9,706
Cash and cash equivalents	19	39,378				39,378	39,378
Total		**55,632**				**55,632**	**55,632**
Non-current liabilities	**21**						
Financial liabilities recognized at amortized cost							
Non-current finance lease liabilities (level 2)				31,985		31,985	31,985
Non-current interest-bearing liabilities (level 2)				693,860		693,860	707,078
Non-current non-interest-bearing liabilities (level 2)				728		728	728
Other non-current liabilities				33,880		33,880	33,880
Total				**760,453**		**760,453**	**773,672**
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				15,321	15,321	15,321
Financial liabilities recognized at amortized cost							
Current finance lease liabilities				3,114		3,114	3,114
Other current interest-bearing liabilities				135,578		135,578	135,578
Trade and other payables				36,886		36,886	36,886
Total				**175,577**	**15,321**	**190,899**	**190,899**

Fair value of long term liabilities at the end of the period was EUR 883.2 million (EUR 773.7 million in 2015).

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 use inputs based on observable market data. During the comparison period, level 3 available-for-sale financial assets (apartment shares) were reclassified as investment properties.

	2016	2015

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

Available-for sale financial assets measured at acquisition cost, opening balance	1,510	3,714
Increases	86	7
Decreases	-125	-360
Transfers between assets	0	-1,852
At end of year	**1,471**	**1,510**

II) Yield requirement risks associated with investment properties

In new construction projects, Technopolis focuses on quality and the management of the property's entire lifecycle. 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 purchasing properties, Technopolis carries out standard property and environmental audits before committing to the transaction. All properties are covered by full value insurance.

Changes in market yields may have a significant impact on the company's financial performance through the fair value of investment properties. As yields increase, the fair value of properties decreases. Conversely, as yields decrease, the fair value of properties increases. Such changes either decrease or increase the Group's operating profit and net profit. Changes in market yields do not have any direct impact on the company's net sales, EBITDA, or cash flow, because changes in taxes are imputed. A negative change in the value of investment properties may reduce the company's equity ratio and, as a result of this, covenant terms of the loans may be triggered. In that case, the change in value will have an impact on the cash flow and result for the period via finance income. Because Technopolis does not trade in the properties it owns, the risk arising out of changes in market yield requirements has not been hedged.

III) Risk concentrations

Customer risk management aims to minimize the negative impact of potential changes in the customers' financial position on the company's business and financial performance. Customer risk management focuses on having a profound understanding of the customer's business and active monitoring of customer information. Customer risks are diversified by acquiring customers from all technology sectors, knowledge-intensive operations, and the public sector. 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 the period under review, open-ended leases in the lease portfolio that could be terminated and renegotiated within the next 12 months covered approximately 40% (46%) of the lease stock. At the end of the period, the average lease period was 35 (36) 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 over a wide variety of economic cycles.

Changes in the general economic environment may have an adverse effect on the company's customers and hence on the Group's business operations.

IV) Capital management

The Group management and Board of Directors monitor the company's capital structure on a regular basis in order to ensure cost effective financing, solid financial performance and growth as foreseen in the corporate strategy. For instance, the capital structure can be modified through dividend distribution, share issues or equity related bond issue. The Board of Directors seeks to pursue a predictable and active dividend policy. The Group's objective is to maintain shareholders' equity at a level that allows regular dividend payments to shareholders every year. The aim is also to ensure the position of the debt financier with regard to liquidity and prevent breaches of the covenant terms.

Expanding the property portfolio through construction or acquisitions calls for borrowing or equity financing. Maintaining an optimum capital structure is of great importance because changes in financing costs and the availability of external funding affect the company's operations, profit and financial position.

The Group's capital structure is monitored by means of the equity ratio. On December 31, 2016, the Group's equity ratio was 41.5% (39.3 % on December 31, 2015). The long-term target equity ratio is at least 35% over the cycle. The loan-to-value rate for the corresponding periods was 58.2% (58.8%).

	2016	2015

23. ASSETS PLEDGED, CONTINGENT LIABILITIES AND OTHER LIABILITIES

Mortgages of properties		
Loans from financial institutions	669,471	624,217
Mortgages given	1,009,916	956,071
Other mortgage liabilities		
Mortgages given	3,626	3,616
Mortgages, total	**1,013,542**	**959,688**
Pledged real estate shares		
Pledged investment properties	712,876	712,147
Project liabilities		
Collateral deposits	0	180
Land lease liabilities	**64,263**	**64,134**
Other guarantee liabilities	**152,546**	**97,152**

OTHER LIABILITIES

Value added tax (VAT) adjustment liability on property investments

	10-year adjustment period							
	2008-2010	2011	2012	2013	2014	2015	2016	Total
Property investment expense (net)	165,519	25,405	80,593	44,914	20,883	36,189	45,062	418,566
VAT on property investment	36,462	5,687	18,536	10,647	5,004	8,685	10,808	95,829
Annual share of VAT on investment	3,646	569	1,854	1,065	500	868	1,081	9,583
VAT deducted	34,940	5,670	18,278	10,272	4,898	8,590	10,320	92,968
Annual share of VAT deducted	3,494	567	1,828	1,027	490	859	1,032	9,297
Number of years remaining in the adjustment period	1-3	4	5	6	7	8	9	
Refundable amount of the deduction on Dec 31, 2016	6,368	2,268	9,139	6,163	3,429	6,872	9,288	43,527

Liability to adjust VAT on Dec 31, 2016	**43,527**
Liability to adjust VAT on Dec 31, 2015	46,637
Change	-3,111

	2016	2015
Liabilities associated with the equity bond		
Accrued unpaid interest	4,330	4,330
Total	**4,330**	**4,330**

Interest payment from the equity related bond for year 2016 is EUR 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

ACQUISITIONS OF INDIVIDUAL ASSETS

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 126.1 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 m^2.

During the financial year, 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 has 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 2016 financial year and no business combinations or acquisitions of individual assets during the comparison period.

DIVESTMENTS OF INDIVIDUAL ASSETS

All shares in Koy Technopolis Lappeenranta and Koy Finnmedi 6-7 were divested during the financial year. The debt-free selling price was EUR 60.6 million. The divested properties have a leasable area of 38,300 m^2 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 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, Deputy CEO, and members of the Management Team.

	2016	2015
Salaries and service benefits to key employees included in the management:		
Salaries and other current employee benefits	1,088	1,000
Share-based benefits	484	425
Total	**1,572**	**1,424**
Salaries and other current employee benefits paid to the CEO and Deputy CEO:		
Silverang Keith, CEO	296	271
Tauriainen Reijo, Deputy CEO	164	161
Total	**460**	**433**
Employee benefits paid to members of the Management Team other than the CEO and Deputy CEO	417	389

Also, as described below, in 2016, key employees were paid bonuses EUR 245 thousand that they earned during the period from January 1, 2015, to December 31, 2015 and in 2015 were paid EUR 143 thousand from period January 1, 2014, to December 2014. Bonuses were recognized as expenses during the period in which they were earned.

Silverang Keith, CEO	95	22
Tauriainen Reijo, Deputy CEO	26	18
Other members of the Management Team	124	103
Total	**245**	**143**

The retirement age and pension of the CEO and the Deputy 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 66.1 thousand has been recognized in the income statement as a pension costs in the financial year 2016 due to Employees Pension Act requirements (EUR 49.4 thousand in the year 2015) and on the basis of the CFO salaries and benefits EUR 32.2 thousand in the financial year 2016 (EUR 30.3 thousand in year 2015). 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 2016 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 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. Each member of the Board of Directors whose place of residence is outside of Finland 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.

Members of the Board of Directors	2016	2015
Granvik Carl-Johan, Chairman of the Board of Directors	80	77
Haapamäki Jorma, Deputy Chairman	44	41
Laaksonen Juha	38	
Ojanpää Pekka	41	38
Rytsölä Reima	40	36
Ånäs Annica	42	38
Total	**285**	**229**
Former members of the Board		
Aitokallio Sari		4
Korhonen Pekka	2	38
Ritakallio Timo		3
Total	**2**	**44**

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 Board members:	Number of shares	Compensation paid in shares	Compensation paid in cash	Total annual compensation
Granvik Carl-Johan, Chairman	22	33	25	80
Haapamäki Jorma, Deputy Chairman	13	19	13	44
Laaksonen Juha	11	16	12	38
Ojanpää Pekka	11	16	14	41
Rytsölä Reima	11	16	14	40
Ånäs Annica	11	16	16	42
Grand total for annual compensation	**77**	**115**	**94**	**285**

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 two earning periods of three years each, which constitute of the calendar years 2013-2015 and 2014-2016. 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 662,610 more shares can be issued under the scheme (the original maximum amount for the earning periods 2014-2016 and 2015-2017 was a total of 520,000 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 periods 2014-2016 and 2015-2017 will be paid by the end of April 2017 and 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, 2017 for the shares earned during the earning period 2013-2015, on April 30, 2018 for the shares earned during the earning period 2014-2016, and on April 30, 2019 for the shares earned during the earning period 2015-2017.

Share-based incentive scheme 2016-2020

The Board of Directors of Technopolis Plc decided on adopting a new long-term share-based incentive plan for the group's key personnel on December 8, 2015. The aim of the incentive plan is to support the implementation of the company's strategy, align the goals of shareholders and key personnel to increase the value of the company, and commit key personnel by means of a reward plan based on share ownership. The incentive plan comprises three 3-year earning periods: calendar years 2016-2018, 2017-2019 and 2018-2020. For each earning period, the Board will separately decide on key personnel to be covered by the plan and the maximum reward for each employee. The Board will also set the earning criteria of the plan and related objectives separately for each earning period. The amount of the reward paid to a key employee depends on the achievement of the objectives set for the earning criteria. The maximum reward for a key employee comprises both company shares and a cash portion. Based on the entire plan, a maximum of 896,316 shares can be issued at maximum under the scheme (the original maximum amount was a total 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 issue organized by Technopolis in 2016. The cash amount is intended to cover taxes and tax-related costs incurred by the participant due to the reward. The reward from the plan 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 Board of Directors of Technopolis decided on a new share-based incentive plan for the group's key personnel on December 8, 2015. The aim of the incentive plan is to support implementation of the company's strategy, align the goals of shareholders and key personnel to increase the value of the company, and commit key personnel by means of a reward plan based on share ownership. The new incentive plan includes one performance period: calendar year 2016. The prerequisite for receiving a reward on the basis of this plan is that a person participating in the plan acquires company shares up to the number determined by the Board of Directors. The total number of performance shares granted is tied to the performance of the company measured by Total Shareholder Return (TSR). The rewards from the incentive plan will be paid partly in the company's shares and partly in cash in 2017. No incentive will be payable to a key employee in case his/her employment is terminated before payment of the incentive is due. A total of 97,675 shares can be issued at maximum under the scheme (the original maximum amount was a total of 85,000 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 portion is intended to cover taxes and tax-related costs incurred by the participant due to the reward. The reward will be paid to the key employees after the end of the earning period by the end of May 2017. The scheme includes a restriction to assign the shares during the restriction period, which commences at the payment of the reward and ends on June 30, 2018.

Parameters used for recognizing the share incentive scheme	Share-based incentive plan 2016	2016-2018	2015-2017	2014-2016	2013-2015
Date of granting the shares	2015/12/08	2015/12/08	2014/12/17	2014/02/13	2013/02/13
Number of shares granted	97,675	298,772	331,305	331,305	260,000
Value of the shares, EUR	3.62	3.62	3.71	4.52	3.98
Qualifying period	2016/01/01-12/31	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, %	50.00	29.00	20.00	10.00	38.00
Actual success rate, %					
Liabilities related to the share incentive scheme on the closing date	179	85	136	221	-

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

Parent Company Income Statement and Balance Sheet

Currency unit, EUR 1,000

	Note	2016	2015
Net sales	1	**99,199**	**105,767**
Other operating income	2	1	9
Personnel expenses	3	-12,027	-11,867
Depreciation and impairment	4	-3,460	-3,260
Other operating expenses	5	-63,953	-71,666
Operating profit		**19,761**	**18,982**
Income from holdings in Group companies	6	15,103	15,347
Finance income, total	6	10,784	14,870
Finance expenses, total	6	-11,081	-24,825
Profit before appropriations and taxes		**34,567**	**24,374**
Profit before taxes		**34,567**	**24,374**
Change in depreciation difference	7	-74	-80
Income taxes	8	-4,840	-2,329
Net profit for the year		**29,653**	**21,965**

ASSETS	Note	12/31/2016	12/31/2015
Non-current assets			
Intangible assets	9	17,214	17,131
Tangible assets	10	10,888	11,216
Holdings in group companies	11	807,213	764,206
Holdings in associates	11	1,442	1,442
Investments	11	39,141	47,786
Total non-current assets		**875,898**	**841,781**
Current assets			
Non-current receivables	12	59,778	51,530
Current receivables	13	172,431	167,642
Cash and bank		104,855	12,735
Total current assets		**337,064**	**231,907**
ASSETS, TOTAL		**1,212,962**	**1,073,688**
EQUITY AND LIABILITIES			
Equity	14		
Share capital		96,914	96,914
Premium fund		18,943	18,943
Invested unrestricted equity fund		339,574	215,190
Retained earnings		6,687	2,480
Net profit for the year		29,653	21,965
Equity, total		**491,770**	**355,492**
Accumulated appropriations	15	797	723
Liabilities			
Non-current liabilities	16	541,888	565,164
Current liabilities	17	178,506	152,309
Total liabilities		**720,394**	**717,474**
EQUITY AND LIABILITIES, TOTAL		**1,212,962**	**1,073,688**

Parent Company Cash Flow Statement

	2016	2015
Cash flows from operating activities		
Net profit for the year	29,653	21,965
Adjustments:		
Depreciation	3,460	3,260
Other adjustments for non-cash transactions	-11,177	-2,650
Financial income and expenses	-3,555	-2,617
Taxes	4,840	2,329
Increase/decrease in working capital	7,467	-1,993
Interest received	5,038	3,355
Dividends received	23,649	68
Interest paid and fees	-15,393	-11,778
Other financial items in operating activities	1,802	3,917
Taxes paid	-2,262	-2,296
Cash flows from operating activities	**43,522**	**13,560**
Cash flows from investing activities		
Investments in tangible and intangible assets	-4,087	-3,970
Loans granted	-95,087	-49,934
Repayments of loan receivables	58,338	0
Increase/decrease in cash equivalents	-46,911	-26,536
Investments in other securities	-77	-1
Gains from disposals of other investments	1,175	3
Acquisition of subsidiaries	-44,619	-47,935
Disposal of subsidiaries	60,601	97,111
Shares in associate companies sold	0	4,722
Cash flows from investing activities	**-70,667**	**-26,539**
Cash flows from financing activities		
Increase in long-term loans	43,481	240,000
Decrease in long-term loans	-50,928	-181,695
Dividends paid	-17,755	-15,865
Paid share issue	125,477	0
Acquisition of own shares	-1,093	-4,766
Change in short-term loans	20,082	-16,552
Cash flows from financing activities	**119,264**	**21,121**
Change in cash and cash equivalents	**92,119**	**8,143**
Cash and cash equivalents, January 1	12,735	4,593
Cash and cash equivalents, December 31	**104,855**	**12,735**

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 rerecognized 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.

Currency unit, EUR 1,000

	2016	2015
1. NET SALES		
Revenue from rental operations	83,048	90,167
Revenue from services	16,151	15,600
Net sales, total	**99,199**	**105,767**
2. OTHER OPERATING INCOME		
Development projects	0	2
Other income from operations	1	7
Other operating income, total	**1**	**9**
3. PERSONNEL EXPENSES		
Salaries and fees	10,121	10,039
Pension costs	1,779	1,646
Indirect employee costs	410	511
Capitalized personnel expenses	-283	-328
Personnel expenses, total	**12,027**	**11,867**
Average number of employees	186	178
Salaries of CEO and Board members		
President and CEO	391	293
Members of the Board of Directors	211	179
Salaries of CEO and Board members, total	**602**	**472**

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.

	2016	2015
4. DEPRECIATION ACCORDING TO PLAN AND IMPAIRMENT		
Depreciation on intangible assets	3,249	3,032
Depreciation on tangible assets	211	228
Depreciation according to plan and impairment, total	**3,460**	**3,260**

	2016	2015
5. OTHER OPERATING EXPENSES		
Premises expenses	45,175	52,860
Service expenses	7,853	7,837
Other operating expenses	10,925	10,970
Other operating expenses, total	**63,953**	**71,666**
Auditor's fees and services		
Other operating expenses includes fees paid to auditors as follows:		
Audit	159	114
Certificates and reports	4	9
Other services	250	295
Auditor's fees, total	**413**	**418**
6. FINANCE INCOME AND EXPENSES		
Dividend income from Group companies	10,309	12,600
Dividend income from others	36	83
Other interest income from Group companies	4,794	2,747
Other interest income from others	10,747	14,787
Interest expenses and other finance expenses to Group companies	-101	-610
Interest expenses and other finance expenses to others	-21,854	-25,229
Items related to derivatives	10,874	1,014
Finance income and expenses, total	**14,806**	**5,392**

Interest and finance income from others includes the gain on the sale of the Lappeenranta and the Tampere Finnmedi campuses. The comparison data includes the gain on the sale of the Kuopio-based business.

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

	2016	2015
7. APPROPRIATIONS		
Difference between planned depreciation and depreciation for tax purposes	-74	-80
8. INCOME TAXES		
Income tax from actual operations	4,840	2,329
Income taxes, total	**4,840**	**2,329**
9. INTANGIBLE ASSETS		
Intangible rights		
Acquisition cost, Jan 1	10,652	9,097
Increases	1,773	1,555
Acquisition cost, Dec 31	12,425	10,652
Accumulated depreciation, Jan 1	-5,506	-4,107
Depreciation for the year	-1,445	-1,399
Intangible rights, Dec 31	**5,474**	**5,146**
Other long-term expenditure		
Acquisition cost, Jan 1	19,886	18,031
Increases	287	88
Decreases	-271	0
Changes between assets items	1,542	1,767
Acquisition cost, Dec 31	21,444	19,886
Accumulated depreciation, Jan 1	-7,900	-6,267
Depreciation for the year	-1,804	-1,633
Other long-term expenditure, Dec 31	**11,739**	**11,985**
Intangible assets, total, Dec 31	**17,214**	**17,131**

	2016	2015
10. TANGIBLE ASSETS		
Land areas		
Acquisition cost, Jan 1	3,927	3,927
Land areas, Dec 31	**3,927**	**3,927**
Buildings and structures		
Acquisition cost, Jan 1	8,407	8,340
Increases	40	66
Acquisition cost, total, Dec 31	8,447	8,407
Accumulated depreciation, Jan 1	-1,898	-1,737
Depreciation for the year	-159	-161
Buildings and structures, Dec 31	**6,390**	**6,508**
Machinery and equipment		
Original acquisition cost	2,866	2,839
Accumulated depreciation	-2,656	-2,589
Net expenditures, Jan 1	210	250
Increases	0	27
Decreases	-4	0
Depreciation for the year	-52	-67
Machinery and equipment, Dec 31	**154**	**210**
Other tangible assets		
Acquisition cost, Jan 1	32	33
Decreases	-4	0
Other tangible assets, Dec 31	**29**	**32**
Advance payments and projects in progress		
Projects in progress, Jan 1	538	169
Increases/decreases	1,428	2,202
Changes between assets items	-1,578	-1,833
Advance payments and projects in progress, Dec 31	**388**	**538**
Tangible assets, total Dec 31	**10,888**	**11,216**

	2016	2015
11. INVESTMENTS		
Holdings in Group companies		
Acquisition cost, Jan 1	764,206	796,456
Increases	100,382	74,653
Decreases	-57,374	-106,904
Holdings in Group companies, Dec 31	**807,213**	**764,206**
Holdings in associates		
Acquisition cost, Jan 1	1,442	6,164
Increases/decreases	0	-4,722
Holdings in associates, Dec 31	**1,442**	**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	3,251	3,611
Increases/decreases	-2,101	-359
Other shareholdings, Dec 31	**1,150**	**3,251**
Receivables from Group companies		
Loan receivables, Jan 1	44,530	40,253
Increases	51,783	4,277
Decreases	-58,326	0
Receivables from Group companies, Dec 31	**37,986**	**44,530**

Holdings in Group companies, December 31, 2016

	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 Innova 4, Jyväskylä, Finland	100.00	13,929
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	95.54	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 Jyväskylä Oy, Jyväskylä, Finland	100.00	36,772
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		**807,213**

Holdings in associates	Holding, %	Book value
Iin Micropolis Oy, 500 shares, Ii	25.64	24
Otaniemen Kehitys Oy, 25 shares, Espoo	25.00	25
Rehaparkki Oy, 142 shares, Oulu	20.00	1,392
Total		**1,442**

	2016	2015
Other holdings		
Other shares	384	433
Apartment shares	0	2,052
Sampo mutual fund units	766	766
Total	**1,150**	**3,251**
Other receivables		
Other receivables, Jan 1	5	5
Other receivables, Dec 31	**5**	**5**
12. NON-CURRENT RECEIVABLES		
Other long-term receivables from group companies	59,581	51,273
Other long-term receivables	197	256
Other long-term receivables, total	**59,778**	**51,530**
13. CURRENT RECEIVABLES		
Sales receivables from Group companies	1,268	613
Loan receivables from Group companies	81,141	101,748
Adjusting entries for assets from Group companies	426	1,900
Other Group receivables	86,523	53,332
Sales receivables	1,825	4,191
Adjusting entries for assets	1,233	3,886
Other receivables	14	1,972
Short-term receivables, total	**172,431**	**167,642**
Essential items included in adjusting entries for assets		
Taxes	0	488
Others	1,233	3,398
Total	**1,233**	**3,886**

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

	2016	2015
14. CHANGES IN SHAREHOLDERS' EQUITY		
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	215,190	218,859
Share issue	125,477	0
Acquired own shares	-1,093	-3,669
Invested unrestricted equity fund, Dec 31	**339,574**	**215,190**
Retained earnings, Jan 1	24,445	19,445
Dividends distributed	-17,758	-15,868
Consideration paid for own shares	0	-1,097
Net profit for the year	29,653	21,965
Retained earnings, Dec 31	**36,340**	**24,445**
Unrestricted equity, Dec 31	**375,913**	**239,635**
Shareholders' equity, Dec 31	**491,770**	**355,492**
Distributable unrestricted equity, Dec 31	**375,913**	**239,635**
15. ACCUMULATED APPROPRIATIONS		
Depreciation difference, Jan 1	723	643
Increase during the year	74	80
Depreciation difference, Dec 31	**797**	**723**

	2016	2015
16. NON-CURRENT LIABILITIES		
Bonds		
Hybrid bond	75,000	75,000
Bond	150,000	150,000
Loans from financial institutions	313,272	336,409
Loans from group companies	3,616	3,755
Non-current liabilities, total	**541,888**	**565,164**
Liabilities with a maturity of five years or longer		
Bank loans	118,413	133,919
Financial leasing	20,130	22,180
Current derivatives at fair value	0	699
17. CURRENT LIABILITIES		
Loans from financial institutions	61,143	45,453
Advances received	5,936	5,598
Accounts payable	1,553	1,006
Accounts payable to Group companies	-276	2,022
Loans to Group companies	38,219	51,038
Adjusting entries for liabilities to Group companies	571	398
Other current liabilities	55,540	22,524
Adjusting entries for liabilities	15,819	24,270
Current liabilities, total	**178,506**	**152,309**

The increase in other current liabilities is mainly due to the issue of debt obligations related to the commercial paper program.

Essential items included in adjusting entries for assets		
Interest	8,156	8,258
Items related to derivatives	633	11,507
Tax liabilities	2,514	0
Other	4,516	4,506
Total	**15,819**	**24,270**

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

	2016	2015
18. ASSETS PLEDGED, CONTINGENT LIABILITIES AND OTHER LIABILITIES		
Loans from financial institutions	**355,934**	**381,862**
Pledged real estate shares		
Pledged real estate shares, carrying amount	560,660	619,811

	12/31/2016		12/31/2015	
Interest rate and currency swaps	Nominal value	Fair value	Nominal value	Fair value
Interest rate swaps, Nordea	193,564	-8,349	199,767	-5,294
Interest rate swaps, Danske	39,750	-1,803	39,750	-1,241
Interest rate swaps, Pohjola	189,871	-6,443	147,935	-3,190
Interest rate swaps, Handelsbanken	38,746	-918	59,166	-1,783
Interest rate and currency swaps, total	**461,931**	**-17,513**	**446,618**	**-11,507**

	Contractual cash flow			
	Less than one year	1-2 years	3-5 years	over 5 years
Repayments of derivatives	**3,440**	**3,442**	**4,280**	**6,350**

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

	2016	2015
Collateral given on behalf of Group companies		
Guarantees	152,546	46,274

OTHER LIABILITIES

Liability to adjust value added tax on property investments

	10-year adjustment period						
	2009	2010	2012	2014	2015	2016	Total
Property investment expense (net)	6,579	76	41	118	66	40	6,921
VAT on property investment	1,447	17	9	28	16	10	1,528
Annual share of VAT on investment	145	2	1	3	2	1	153
VAT deducted	1,447	17	9	28	16	10	1,528
Annual share of VAT deducted	145	2	1	3	2	1	153
Number of years remaining of the adjustment period	2	3	5	7	8	9	
Refundable amount of the deduction Dec 31, 2016	289	5	5	20	13	9	341
Liability to adjust VAT Dec 31, 2016							**341**
Liability to adjust VAT Dec 31, 2015							484
Change							-143

	2016	2015
Project liabilities	0	180
Leasing liabilities for fixtures and fittings		
To be paid in the current financial year	1,629	1,659
To be paid later	2,569	2,860
Leasing liabilities for fixtures and fittings, total	**4,199**	**4,519**
Lease liabilities from investment properties, total value of minimum lease payments		
Not later than one year	1,966	1,910
Later than one year and not later than two years	2,024	1,966
Later than two year and not later than five years	6,202	6,260
Later than five years	20,130	22,096
Total	**30,322**	**32,231**
Present value of minimum lease payments of investment properties		
Not later than one year	1,729	1,660
Later than one year and not later than two years	1,801	1,729
Later than two year and not later than five years	5,631	5,633
Later than five years	19,989	21,788
Present value of minimum lease payments, total	**29,150**	**30,809**
Future financial expenses, total	1,172	1,422
Total amount of finance lease liabilities	**30,322**	**32,231**

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 27,2015

The Annual General Meeting (AGM) 2016 adopted on March 30, 2016 the Group and parent company's financial statements for the fiscal year 2015 and discharged the company's management. The AGM decided, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.17 per share. The dividend payment date was April 8, 2016. The AGM authorized the Board of Directors to decide on the repurchase and/or on the acceptance as pledges of the company's own shares as follows: The amount of treasury shares to be repurchased and/or accepted as pledge shall not exceed 10,650,000 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 purchase or at a price otherwise determined on the market. The Board of Directors decides how treasury 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, 2017.

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 Limited Liability Companies Act as follows: The amount of shares to be issued shall not exceed 10,650,000 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, 2017.

Shares and share capital

The company's registered, fully paid-up share capital on December 31, 2016, was EUR 96,913,626.29 (EUR 96,913,626.29), divided into 106,511,632 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

During the financial year 2016, Technopolis Plc continued the share buyback program launched in September 2015. The share buyback was based on the authorization granted to the Board of Directors at the Annual General Meeting of Technopolis Plc on March 27, 2015 Pursuant to the authorization, a maximum of 10,650,000 shares may be purchased at a price set in public trading on the date of purchase, or at a price otherwise determined on the market. The authorization was effective until the end of the next Annual General Meeting, however, no longer than June 30, 2016. A total of 1,329,397 shares were acquired in connection with the share buyback program for a total of EUR 4,762,051, of which a total of 309,806 shares were acquired in the 2016 financial year for a total of EUR 1,092,964. The share buyback resulted in transaction costs of a total of EUR 30,415, of which EUR 2,674 in the 2016 financial year. The treasury shares are recognized under shareholders' equity to decrease the Group's invested unrestricted equity fund. The transaction costs have been recognized as a decrease in unrestricted equity. In the financial year 2014 was acquired a total of 723,164 own shares. The company has repurchased a total of 2,052,561 treasury shares, of which a total of 104,990 shares have been issued as share-based payments. On December 31, 2016, the company held a total of 1,947,571 treasury shares.

Stock-related events

	Share capital, EUR	Change, shares, number	Outstanding number of shares	Entered in the register
Shares, December 1, 2016	**96,913,626.29**		**104,768,877**	
Share incentives for key personnel		104,990	104,873,867	25.4.2016
Rights issue		52,282,030	157,155,897	28.9.2016
Repurchase of treasury shares			309,806	
Shares, December 31, 2016	**96,913,626.29**	**52,387,020**	**156,846,091**	

Own shares held by the company (1,947,571 shares) are excluded from the number of shares. The company's Board of Directors decided on a on a directed share issue without consideration on April 25, 2016. In the share issue, 104,990 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.

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 30, 2016.

The company's Board of Directors decided to issue a maximum of 52,282,030 new shares based on the authorization granted by the Extraordinary General Meeting on August 31, 2016. The shares were entered in the Trade Register on September 28, 2016.

Largest shareholders, December 31, 2016	Shares, number	Holding of shares and votes, %
Varma Mutual Pension Insurance Company	38,172,288	24.04
Ilmarinen Mutual Pension Insurance Company	16,634,470	10.48
City of Oulu	3,917,926	2.47
Technopolis Oyj	1,947,571	1.23
Laakkonen Mikko Kalervo	1,939,276	1.22
The Finnish Cultural Foundation	1,782,063	1.12
OP-Pohjola Group	1,660,235	1.05
Odin Eiendom	1,450,000	0.91
Jenny and Antti Wihuri Foundation	1,107,597	0.70
Jyrki Hallikainen and Kickoff Oy	1,000,000	0.63
Total for ten largest	69,611,426	43.84
Foreign and nominee-registered	56,110,912	35.34
Other	33,071,324	20.83
Grand total	**158,793,662**	**100.00**

Shareholding breakdown on December 31,2016

	Number of shareholders	%	Number of shares and votes	%
1 - 100	704	8.28	35,551	0.0
101 - 500	2,194	25.81	654,729	0.4
501 - 1 000	1,524	17.93	1,160,063	0.7
1 001 - 5 000	2,954	34.75	6,914,581	4.4
5 001 - 10 000	629	7.40	4,492,611	2.8
10 001 - 50 000	388	4.56	7,734,267	4.9
50 001 - 100 000	45	0.53	3,180,394	2.0
100 001 - 500 000	42	0.49	7,900,982	5.0
500 001 -	21	0.25	126,702,164	79.8
Joint account	0	0.00	18,320	0.0
Total	**8,501**	**100.00**	**158,793,662**	**100.0**

Shareholdings by sector, December 31, 2016

	Number of shares and votes	%
Public sector organizations	60,353,405	38.0
Foreign and nominee-registered	56,110,912	35.3
Private households	25,596,372	16.1
Private companies	7,917,893	5.0
Financial and insurance institutions	3,228,423	2.0
Non-profit organizations	5,568,337	3.5
Joint account	18,320	0.0
Total	158,793,662	100.0
Number of shares	158,793,662	100.0

On the December 31, 2016 the company held in total of 1,947,571 own shares.

	2016	2015
Share data		
*Number of shares *)*		
On Dec 31	156,846,091	120,392,306
Average during the year	130,247,085	121,293,778
Dilution-adjusted average during year	130,247,085	121,293,778

*) The total number of shares is 158,793,662. The company has a total of 1,947,571 own shares.

Share-related Indicators		
Earnings/share, basic, EUR	0.33	0.33
Earnings/share, diluted, EUR	0.33	0.33
Equity/share, EUR	3.95	3.79
Dividend/share, EUR, proposal	0.12	0.15
Dividend Payout Ratio, %	36.54	44.55
P/E ratio	8.62	8.79
Effective dividend yield, %	3.83	4.56
Share prices, EUR		
Highest price	3.46	4.04
Lowest price	2.92	2.97
Trade-weighted average price	3.18	3.36
Price Dec 31	3.13	3.25
Market capitalization, Dec 31	497,024,162	397,288,387
Share turnover, euro	157,119,355	127,498,579
Share turnover, shares	49,747,491	32,859,940

The share-related indicators for the comparison period have been adjusted for the share 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), %

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

Board of Directors' Proposal for the Distribution of Profits

The distributable funds of the parent company Technopolis Plc, totaling EUR 36,339,683.65 are available to the Annual General Meeting. The Board of Directors proposes that a dividend of EUR 0.12 per share be paid, totaling EUR 18,821,530.92. The Board 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

Helsinki, February 21, 2017

Carl-Johan Granvik
Chairman of the Board

Jorma Haapamäki
Deputy Chairman of the Board

Juha Laaksonen
Member of the Board

Pekka Ojanpää
Member of the Board

Reima Rytsölä
Member of the Board

Annica Ånäs
Member of the Board

Keith Silverang
President and CEO

The Auditor's Note

Our auditor's report has been issued today.

Helsinki, February 21, 2017

KPMG Oy Ab

Ari Eskelinen
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.

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 2016. 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 performance, financial position 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.

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.

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.

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.

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 1,646.8 million) represent 90.2 per cent of the consolidated balance sheet total as at 31 December 2016. 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 959.9 million as at 31 December 2016. • 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 2016 amounts to EUR 639.2 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.

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 the 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

Other Information
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report.

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 report of the Board of Directors, 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 21 February 2017
KPMG OY AB

Ari Eskelinen
Authorized Public Accountant

EPRA Indicators

Currency unit, EUR 1,000

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.

	2016	2015
Technopolis Group		
DIRECT RESULT		
Net sales	172,076	170,566
Other operating income	0	2
Other operating expenses	-79,522	-77,589
Depreciation	-3,955	-3,923
Operating profit/loss	88,598	89,056
Financial income and expenses, total	-24,307	-24,899
Profit before taxes	**64,291**	**64,156**
Taxes for direct result items	-5,920	-3,496
Share of non-controlling interests	-5,736	-5,706
Direct result for the period	**52,635**	**54,955**
INDIRECT RESULT		
Indirect income and expenses	515	-1,473
Change in fair value of investment properties	233	1,285
Operating profit/loss	748	-188
Other indirect financial income and expenses	-817	-8,841
Result before taxes	-68	-9,029
Taxes for indirect result items	-5,914	-1,592
Share of non-controlling interests	627	445
Indirect result for the period	**-5,356**	**-10,175**
Result for the period, total	**47,280**	**44,779**
Earnings per share, diluted (EPRA Earning per share)		
From direct result	0.40	0.45
From indirect result	-0.04	-0.08
From net result for the period	**0.36**	**0.37**
Effect of the interest expenses from equity related bond	-0.03	-0.04
From adjusted net result for the period	**0.33**	**0.33**

	2016	2015

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	140,991	141,985
Direct expenses for properties owned by Group	-40,887	-40,252
Net rental income	**100,105**	**101,733**
Net rental income percentage	**7.37**	**7.74**

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	692,992	531,050
- Hedging instrument reserve	12,951	9,410
- Equity related bond	-74,221	-74,221
+ Deferred taxes from investment properties	32,773	26,036
Net asset value, EPRA	**664,495**	**492,274**
Net asset value/share	**4.24**	**4.70**

	2016	2015

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	**93.4%**	**94.6%**
Finland	90.7%	92.9%
Baltic Rim	99.7%	99.5%
Scandinavia	96.8%	97.1%

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	**6.6%**	**5.4%**
Finland	9.3%	7.1%
Baltic Rim	0.3%	0.5%
Scandinavia	3.2%	2.9%

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	**-0.6%**	**0.4%**

Information for Shareholders

Annual General Meeting

Time: Thursday, March 23, 2017 at 1 p.m.
Venue: Vaisalantie 2–8 (Innopoli III), Espoo

Each shareholder who is registered on Monday, March 13, 2017 in the shareholders' register of the company held by Euroclear Finland Ltd. has the right to participate in the General Meeting. Shareholders whose shares are registered in their personal Finnish book-entry account are registered in the shareholders' register of the company.

Shareholders who are registered in the shareholders' register of the company and want to participate in the General Meeting shall register for the meeting no later than on Monday, March 20,2017 by 10.00 a.m. by giving a prior notice of participation, which has to be received by the company no later than the above-mentioned time. Such notice can be given:

a) on the company's website at www.technopolis.fi/registration;
b) by e-mail legal@technopolis.fi;
c) by telephone to the number +358 46 712 0000 from Monday to Friday between 9.00 a.m. and 4.00 p.m.;
d) by regular mail to the address Technopolis Plc / AGM, Energiakuja 3, FI-00180 Helsinki, Finland.

In connection with the registration, shareholders shall provide their name, personal identification number or business identity code, address, telephone number and the name of any assistant or proxy representative and the personal identification number of any proxy representative. The personal data given to Technopolis Plc is used only in connection with the General Meeting and with the processing of related registrations.

Shareholders, their authorized representatives or proxy representatives shall, where necessary, be able to prove their identity and/or right of representation at the General Meeting.

Holders of Nominee-Registered Shares

Holders of nominee-registered shares have the right to participate in the General Meeting by virtue of holding shares which would entitle them to be registered on Monday, March 13, 2017 in the shareholders' register of the company held by Euroclear Finland Ltd. The right to participate in the General Meeting requires, in addition, that shareholders on the basis of such shares have been registered on Monday, March 20, 2017 by 10 a.m. at the latest in the temporary shareholders' register held by Euroclear Finland Ltd. As regards nominee-registered shares, this constitutes due registration for the General Meeting.

Holders of nominee-registered shares are advised to request without delay the necessary instructions regarding registration in the temporary shareholder's register, the issuing of proxy documents and registration for the General Meeting from their custodian bank. The account management organization of the custodian bank must register holders of nominee-registered shares who want to participate in the Annual General Meeting in the temporary shareholders' register of the company by the time stated above at the latest.

Further information on the General Meeting and participation in the General Meeting is available on the company's website at www.technopolis.fi/AGM2017.

Proxy Representatives and Power of Attorney

Shareholders may participate in the General Meeting and exercise their rights at the meeting by way of proxy representation. Proxy representatives shall produce a dated proxy document or otherwise in a reliable manner demonstrate their right to represent the shareholder. If a shareholder participates in the General Meeting by means of several proxy representatives representing the shareholder with shares in different securities accounts, the shares by which each proxy representative represents the shareholder shall be identified in connection with the registration for the General Meeting.

The original versions of any proxy documents should be delivered to the address Technopolis Plc / AGM, Energiakuja 3, FI-00180 Helsinki, Finland, before the end of the registration period.

Dividend Payout

Technopolis aims to pay dividend regularly each year. Technopolis aims to distribute on average one-third of its EPRA-based direct result annually in the form of dividends, taking the company's need for capital and other factors into account. The Board of Directors proposes to the General Meeting that a dividend of EUR 0.12 per share be paid from the distributable profits of the parent company. The dividend shall be paid to shareholders who are recorded in the shareholders' register of the company held by Euroclear Finland Ltd. On the dividend record date of March 27, 2017.

The dividend shall be paid on April 4, 2017.

Financial Information in 2016

Technopolis will publish three interim reports in 2016:
- Interim Report for January–March on May 4, 2017
- Interim Report for January–June on August 29, 2017
- Interim Report for January–September on October 31, 2017

The company has a silent period of 30 days prior to the publication of annual financial statements and interim reports. During this period, the company does not engage in discussion of the results or any factors influencing them with representatives of the capital markets.

Basic Share Data

Listing: Nasdaq Helsinki
Trading code: TPS1V
ISIN code: FI0009006886
Segment: Financing
Sector: Real Estate
Number of shares on December 31, 2016: 158,793,662

TECHNOPOLIS

www.technopolis.fi