Technopolis Network
Annual Report 2016

Technopolis provides the best addresses for success in six countries in the Nordic-Baltic region. The company develops, owns and operates a chain of 20 smart business parks that combine services with flexible and modern office space. The company’s core value is to continuously exceed customer expectations by providing outstanding solutions to 1,700 companies and their 50,000 employees in Finland, Sweden, Norway, Estonia, Russia and Lithuania. The Technopolis Plc share (TPS1V) is listed on Nasdaq Helsinki.

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CEO's Review

For Technopolis 2016 was another action-packed year. It saw the opening of our flagship UMA Workspace in Helsinki, the acquisition of our first Swedish campus in Gothenburg, the completion of our Yliopistonrinne CBD campus in Tampere and Delta in Vilnius as well as the launch of new growth projects in Tallinn and Helsinki. Thanks to the rights issue and divestitures, our solvency is very strong. We will now proceed to pay down maturing debt and focus on finding new value-creating investment opportunities.

The year was operationally solid, with modest top line growth of 0.9%, EBITDA growth of 0.1% and healthy occupancy at 93.4%. There was a significant increase in service volumes of 10.6%, now 13.0% of total sales. We expect this trend to continue in 2017.

If we remember 2016 for anything, it will be for unpredictability. However, the low interest rates and excessive liquidity are still driving more capital into the real estate sector.

The devaluation of money combined with excessive volatility have pushed investors toward assets that they think generate stable, long-term cash flow. But the very same forces are pushing customers away from committing to large-scale, long-term leases. This means that the real estate sector is undergoing disruptive change.

Market Forces on the Move

The big shift hasn’t yet revealed itself dramatically. On the contrary, visible signs such as prime yield compression and rising prime transaction volumes appear to support conventional investor thinking. But if you look carefully the signs of change are there in plain sight.

Customers have decided that efficiency, flexibility and employee productivity will drive their workplace-related decision-making, not square meter prices. We have seen an ongoing trend toward less square meters per person as customers pursue higher density. They are ready to pay a premium for flexibility, so leases are getting shorter and are gradually evolving into service agreements. Service revenues are rising not coincidentally as a consequence of the drive for efficiency and willingness to give up dedicated infrastructure in favor of shared services.

The rise of multiple international coworking chains, the emergence of activity-based workplace design, the decline of traditional office hotels and the reality of high vacancy in poor or poorly managed properties demonstrate that market forces are on the move and visible.

Technopolis Embracing Change

Technopolis will continue to develop its concept, services and campus network as the forces behind the shared economy intensify. That means reshaping our campus portfolio through strategic acquisitions and divestitures, reinforcing building resilience and sustainability, increasing the relative share of coworking solutions in our mix and boosting services. We will make sure that each campus provides not only the efficiency and flexibility, but also a vibrant community of companies and people that enjoy working together in an environment that supports productivity and well-being.

We are focused on value creation for our shareholders while at the same time meeting the rapidly evolving demands of our customers. I’m confident that Technopolis is well positioned to emerge from this struggle as one of the winners.

I would like to thank our customers, investors, employees and all other stakeholders for 2016.

Keith Silverang
CEO
Highlights in 2016

Q1
- Recognition as one of the most inspiring workplaces in Finland
- Lõõtsa 5 building completed in Tallinn

Q2
- Grand opening of UMA Esplanadi
- Acquisition of the additional 30% stake in the Oslo campus
- Yliopistonrinne campus extension completed in Tampere

Q3
- Acquisition of the first campus in Sweden, Gårda in Gothenburg
- Technopolis' sustainability recognized with GRESB Green Star and EPRA Silver Award
- Successful EUR 124 million rights offering

Q4
- Divestiture of Lappeenranta business and Finnmedi campus in Tampere
- Delta building completed in Vilnius

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales, EUR million</td>
<td>172.1</td>
<td>170.6</td>
</tr>
<tr>
<td>Net Sales Growth, %</td>
<td>0.9</td>
<td>5.5</td>
</tr>
<tr>
<td>EBITDA, EUR million</td>
<td>93.1</td>
<td>93.0</td>
</tr>
<tr>
<td>EBITDA Growth, %</td>
<td>0.1</td>
<td>6.7</td>
</tr>
<tr>
<td>EPS, EUR (EPRA) (^1)</td>
<td>0.40</td>
<td>0.45</td>
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<tr>
<td>Equity Ratio, %</td>
<td>415</td>
<td>393</td>
</tr>
<tr>
<td>Return on Capital Employed (ROCE), %</td>
<td>5.6</td>
<td>6.1</td>
</tr>
<tr>
<td>Dividend per Share, EUR (^2)</td>
<td>0.12(1)</td>
<td>0.15(1)</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>4.2</td>
<td>4.1</td>
</tr>
</tbody>
</table>

\(^1\) European Public Real Estate Association  
\(^2\) Board of Director's proposal  
\(^3\) Issue-adjusted
Strategy and Financial Targets

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. In addition, the company seeks to utilize the growth potential in service business. Growth will be pursued by expanding the existing office campuses and by seeking new suitable office properties to acquire. The company will also continue to divest selected non-core properties and campuses in the Finnish market.

Strategic Financial Targets 2015–2020

<table>
<thead>
<tr>
<th></th>
<th>Target 2015-2020</th>
<th>2016 actual</th>
<th>2015 actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales growth</td>
<td>Average 10% per annum</td>
<td>0.9%</td>
<td>5.5%</td>
</tr>
<tr>
<td>EBITDA growth</td>
<td>Average 10% per annum</td>
<td>0.1%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Service business share of net sales</td>
<td>15% by year 2020 for like-for-like real estate</td>
<td>13.0%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Return on capital employed (ROCE)</td>
<td>5.5% per annum excluding fair value changes</td>
<td>5.6%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>Above 35% over the cycle</td>
<td>41.5%</td>
<td>39.3%</td>
</tr>
</tbody>
</table>

1) In 2015, termination fees contributed to the figure.
2) (EBIT - fair value changes) / (total assets – non-interest-bearing debt for year, average)

Megatrends Influence Technopolis’ Business

- **Urbanization**
  - Centralization of campuses into growth centers
  - Location with good traffic connections
  - Efficiency of the use of space

- **Changes in work**
  - New business and service concepts
  - Scalable space and services
  - Flexible terms and conditions of agreement

- **Climate change**
  - Energy efficiency
  - Minimizing CO₂ emissions and other environmental impacts
  - Lifecycle thinking

- **Digitalization**
  - Virtual tools and working environments
  - Data-based services
  - Smart buildings
Embracing the Change

When building our modern workspaces, we take into account the needs of different people and projects. All different kinds of customization are possible. In these spaces, employees and companies have the freedom to choose how they want to work at any given time. Shared spaces, halls, coffee shops, and services also enable an efficient means of working outside the office.
This Is Our DNA

Technopolis Concept
- Sustainable space & service offering

Cool, Flexible Workplaces
- Less m²/person
- Shared infra & services
- Eco-efficient, resilient & safe
- Flexible, scalable up & down
- Cool, fun & tribal
- Innovative
- Access to the whole network

Value-Adding Services
- Cut the square meters/person
- Buy services on demand
- From cradle to grave
- 5-star service delivery
- Focus on workspace quality & productivity

International Chain Advantages
- Branding advantages
- Increasing scale-driven efficiencies
- Rapid deployment of best practices
- Increasing Group-wide solution sales
- Transparent & compliant

Direct Customer Management
- In sales and marketing
- In service providing
- In property maintenance & management
- By competent and motivated personnel

Less m²/
Person,
More Flexibility

5-Star
Customer Experience

High
Occupancy

More Cash Flow/m²
& Higher Yields,
Lower Risks

Shared
Service Platform
Our business idea is to provide modern, flexible multi-user business environments and scalable services. We combine high-quality space with various services to provide our customers a standardized Technopolis experience. The services can be scaled according to customer needs, making it possible for customer companies to free up their own resources and to concentrate on their business. The Technopolis slogan, “More than Squares,” describes our identity as a service company and the concept with which we generate added value. It also reflects the sense of community within Technopolis.

The core of our concept is superior management of the customer experience, targeting higher occupancy and yields. Our in-house sales force creates close relationships with our customers so we can adjust our offering to their changing needs. Technopolis has been able to sustain high occupancy in its properties throughout the economic cycle. We think this proves that our concept works. Our ability to prosper over the long term we sustain by adapting to relevant social and environmental demands and the requirements of the community.

Of the rents, almost 90% are tied to country-specific consumer price indices, and rents are primarily increased once a year. In addition to rent, the customers pay a maintenance fee that includes electricity, heating and water expenses. The maintenance fee is also primarily adjusted in correlation with cost changes once a year.

Miika Mäkitalo, M-Files, CEO
Technopolis focuses on multi-user environments and flexible office space. A multi-user environment is a single property or campus used by several customers. Flexibility means that the size and the purpose of the space is easily adaptable. This is a key part of our concept.

Our business idea is to create an active business environment promoting growth and a sense of community. Technopolis campuses are located in growth centers, and our customers include a range of companies, organizations, and public sector actors.

We build our campuses around one or two anchor customers, i.e. large companies or public sector players such as universities. Companies can commercialize research findings of the academic sector and agile SMEs.

From the Customer

“Technopolis is a flexible partner in providing office space solutions. They offer a wide cooperative network which makes it easy to select the services that we need.”

Mikko Hyytinen, Director, Ramboll Finland Oy
The idea of communities has had an important role in our business since the company’s foundation. All of our 20 campuses have been designed to build communities through shared space and services. Opening the new coworking space in downtown Helsinki highlights our 30-year-old concept.

Keith Silverang, CEO of Technopolis

have an important role as engines of growth. Service companies provide campus services such as restaurants. Our customers benefit from being part of this dynamic ecosystem.

Approximately 50,000 people and 1,700 companies and institutions operate in our premises. We have offices that are just as suitable for small companies with a few employees as they are for major corporations with thousands of employees.

We aim to mitigate our environmental impact while improving cost efficiency. LEED certificates are used as the tool for managing the sustainability of our buildings. These certifications are also increasingly in the interests of our stakeholders.

UMA Workspace Embraces the Changing Work Life

Mobility, flexibility, and networks play a vital role in modern work culture. Technopolis has created a platform that allows our customers to make use of these advancements. We want to promote a new way of working so companies can be as comfortable and efficient as possible.

UMA Workspace is designed to support the mobile lifestyle. It is Technopolis’ network of coworking spaces. The network enables all members to choose when and where it is most productive and convenient to work. The newest addition, UMA Esplanadi, opened in downtown Helsinki on the third floor of the Stockmann’s Book Building in May 2016.
### Technopolis Properties

<table>
<thead>
<tr>
<th>Campus</th>
<th>Financial occupancy rate, %</th>
<th>Fair value, EUR million</th>
<th>Area, m²</th>
<th>Year of completion</th>
<th>No. of LEED certificates</th>
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</thead>
<tbody>
<tr>
<td><strong>Helsinki Metropolitan Area</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Technopolis Helsinki-Vantaa</td>
<td>93.9</td>
<td>25,400</td>
<td></td>
<td>2003-2015</td>
<td>3</td>
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<tr>
<td>Technopolis Ruoholahti</td>
<td>93.8</td>
<td>14,400</td>
<td></td>
<td>2008-2012</td>
<td>2</td>
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<tr>
<td>Technopolis Ruoholahti 3 (under construction)</td>
<td>10,300</td>
<td></td>
<td></td>
<td>2018</td>
<td></td>
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<td>Innopoli</td>
<td>90.8</td>
<td>60,400</td>
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<td>1991-2011</td>
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<tr>
<td>Land</td>
<td></td>
<td>36.5</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Helsinki Metropolitan Area, total</strong></td>
<td>92.1</td>
<td>332.7</td>
<td>110,500</td>
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<tr>
<td><strong>Oulu</strong></td>
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<td>Technopolis Kontinkangas</td>
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<td>Technopolis Linnanmaa</td>
<td>83.3</td>
<td>115,600</td>
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<td>1959-2003</td>
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<td>Technopolis Peitola</td>
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<td>2000-2002</td>
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<td>Technopolis Ydinkeskusta</td>
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<td>10,300</td>
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<td>1991, 2006</td>
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<tr>
<td>Land</td>
<td></td>
<td>29</td>
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<tr>
<td><strong>Oulu, total</strong></td>
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<td>84.7</td>
<td>233.5</td>
<td>183,100</td>
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<td><strong>Tampere</strong></td>
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<td>Technopolis Hermia</td>
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<td>2010, 2012, 2016</td>
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<td>Technopolis Mediapolis</td>
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<td>Land</td>
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<td><strong>Tampere, total</strong></td>
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<td>94.5</td>
<td>211.2</td>
<td>102,200</td>
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<td><strong>Jyväskylä</strong></td>
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<td>Technopolis Innova</td>
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<td>2002-2013</td>
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<td>Technopolis Viveca</td>
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<td>6,800</td>
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<td>Other</td>
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<td>13,600</td>
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<td>1997-2009</td>
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<tr>
<td>Land</td>
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<td><strong>Jyväskylä, total</strong></td>
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<td>91.1</td>
<td>116.1</td>
<td>56,000</td>
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<tr>
<td><strong>Kuopio</strong></td>
<td></td>
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<td>Technopolis Micronkatu</td>
<td>94.8</td>
<td>39,200</td>
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<td>2000-2009</td>
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<td>Technopolis Vieristikatu</td>
<td>95.8</td>
<td>25,500</td>
<td></td>
<td>2007-2015</td>
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<tr>
<td>Other</td>
<td></td>
<td>3,000</td>
<td></td>
<td>1994, 1999</td>
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<tr>
<td><strong>Kuopio, total</strong></td>
<td></td>
<td>95.2</td>
<td>114.2</td>
<td>67,700</td>
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</tbody>
</table>
The average age of our properties is 13 years.

<table>
<thead>
<tr>
<th>Campus</th>
<th>Financial occupancy rate</th>
<th>Fair value(^2), EUR million</th>
<th>Area(^3), m(^2)</th>
<th>Year of completion</th>
<th>No. of LEED certificates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tallinn, Estonia</strong></td>
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<tr>
<td>Technopolis Ülemiste</td>
<td>99.3</td>
<td>72,700</td>
<td>1970-2016</td>
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<tr>
<td>Land</td>
<td></td>
<td>135</td>
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<tr>
<td>Tallinn, total</td>
<td>99.3</td>
<td>124.9</td>
<td>72,700</td>
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<td><strong>Oslo, Norway</strong></td>
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<tr>
<td>Technopolis Fornebu</td>
<td>95.1</td>
<td>68,400</td>
<td>1963-2013</td>
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<tr>
<td>Oslo, total</td>
<td>95.1</td>
<td>207.8</td>
<td>68,400</td>
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<td><strong>Vilnius, Lithuania</strong></td>
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<tr>
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<td>41,700</td>
<td>2008-2013</td>
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<td>Technopolis Ozas, Delta (still partially under construction in December 2016)</td>
<td>100.0</td>
<td>21,300</td>
<td>2016</td>
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<td>Vilnius, total</td>
<td>100.0</td>
<td>102.4</td>
<td>63,000</td>
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<td><strong>St. Petersburg, Russia</strong></td>
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<tr>
<td>Technopolis Pulkovo</td>
<td>100.0</td>
<td>36,000</td>
<td>2010, 2013</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td></td>
<td>5.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>St. Petersburg, total</td>
<td>100.0</td>
<td>77.1</td>
<td>36,000</td>
<td></td>
<td></td>
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<tr>
<td><strong>Gothenburg, Sweden</strong></td>
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<tr>
<td>Technopolis Gårda</td>
<td>100.0</td>
<td>34,300</td>
<td>1999, 2004</td>
<td></td>
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<tr>
<td>Gothenburg, total</td>
<td>100.0</td>
<td>126.4</td>
<td>34,300</td>
<td></td>
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<tr>
<td>Total, including area under construction and renovation</td>
<td></td>
<td>1,646.3</td>
<td>793,900</td>
<td></td>
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<tr>
<td>Total completed rentable area</td>
<td></td>
<td>1,624.2</td>
<td>746,400</td>
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</table>

\(^1\) This is not a complete list of fixed assets since it doesn’t include e.g. capitalized design or planning projects and which are not classified as investment properties.

\(^2\) Including also buildings under construction in Helsinki and Vilnius.

\(^3\) Including also rentable area under renovation or construction in Finland, Scandinavia and Baltics as well as premises at company’s own disposal.
Value Adding Services

**Workplace**
- Internet & work support
- Reception
- Parking and connections
- Security
- Cleaning and maintenance

**Work Life**
- Restaurant and coffee shop
- Meetings and catering
- Wellness services
- Personal services

**Community**
- Events
- Promotion
- B2B services
- Fun
In addition to space, we offer our customers a wide range of services. Technopolis service concept combines office space with services that support our customers’ business operations. The goal of the services is to increase customer satisfaction and help customers’ business to grow.

We offer three types of services: workplace, work life, and community services. Workplace services respond to customers’ changing needs related to office space and business environment. With flexible premises, customers only pay for the office space they need. We also provide meeting and conference rooms, as well as coworking space. Workplace services further include workspace design, reception services, internet and office services, parking, cleaning and maintenance services, as well as security services. Thanks to this service palette, customers can free resources for their core business operations.

Work life services aim to improve the well-being at work and work comfort of our customers’ employees. These services comprise high-quality restaurant and cafeteria services in Technopolis’ campuses, meeting and catering services, as well as well-being and personal services. Well-being services offered in our campuses include gyms and medical care. Personal services facilitate the combining of work and personal life.

Technopolis promotes a sense of community on its campuses by arranging various networking events. B2B services aim to encourage customer companies to utilize each other’s services. We also provide our customers visibility within our campuses with promotion services.

**Case:**
**ALSO’s Work Environment Supports the Company’s Culture**

ALSO Finland is the leading marketplace for IT and consumer electronics in Finland. The company considered the design of its work environment and functions important when it moved into Technopolis in summer 2016.

“We believe that the work environment has a major effect on the company’s operations. Technopolis offers us the best environment for implementing our strategy and changing our culture,” says Mervi Airaksinen, CEO of ALSO.

Underlying ALSO’s successful process of changing its work environment were detailed planning and empowering the employees. The project began by charting working practices and a physical working environment that would support the company’s future. In accordance with the set goals and wishes, the new office was designed to promote natural interaction. There is a place for everyone at the office, even though the number of actual desks is based on the measured utilization rate.

“The move was like a new start for our people. We wanted to provide them with even better preconditions for self-expression and reaching the company’s objectives,” Airaksinen adds.

Watch the video to see how you can start planning an office on our website.
We want to offer a standardized, attractive Technopolis experience to everyone working and visiting on our campuses. In order to reach the critical mass to scale up the benefits of our standardized business concept, Technopolis has a strategy of international expansion in targeted growth areas in the Nordic–Baltic region.

We are pursuing growth both organically by expanding our existing office campuses and through acquisitions. Organic development is key to our growth. We currently have expansion projects underway in both Tallinn and Helsinki, as well as several campuses with additional opportunities measured by current building rights.

Regarding acquisitions, we have successfully copy-pasted our concept in Tallinn, Oslo, Vilnius and St. Petersburg. The latest addition to our office chain is Gothenburg in Sweden, where we acquired a campus in July 2016. We are focusing on micro-locations with the optimal strategic fit where we can add the maximum amount of value by effectively deploying the well-defined Technopolis concept.

Technopolis has stringent investment criteria that all acquisitions have to meet to generate profitable growth for the group.

To diversify our geographical footprint, we will also continue to divest selected non-core properties and campuses in the Finnish market. In 2016, we sold our Lappeenranta business and the Finnmedi campus in Tampere.

**Investment Criteria**

- Sufficient scale
- Good quality assets
- Flexibility & adaptability
- Location & connections
- Service infrastructure potential
- Customer mix potential
- Competitive valuation with attractive risk-adjusted return
Organic Growth Projects

<table>
<thead>
<tr>
<th>Area</th>
<th>Name</th>
<th>Pre-let rate, %</th>
<th>m²</th>
<th>EUR million</th>
<th>Stabilized yield, %</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vilnius</td>
<td>Delta</td>
<td>85.8</td>
<td>21,600</td>
<td>35.4</td>
<td>9.8</td>
<td>12/2016**</td>
</tr>
<tr>
<td>Helsinki</td>
<td>Ruoholahti 3</td>
<td>35.7</td>
<td>10,300</td>
<td>33.2</td>
<td>7.0</td>
<td>07/2018</td>
</tr>
<tr>
<td>Tallinn</td>
<td>Lõõtsa 12</td>
<td>18.8</td>
<td>9,700</td>
<td>13.6</td>
<td>9.0</td>
<td>07/2018</td>
</tr>
</tbody>
</table>

*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.

Technopolis Locations and Targeted Growth Areas
Technopolis is passionately committed to providing great service, and that’s what makes us different from our competitors. We are developing the customer experience by carrying out monthly quality rounds and annual campus audits, training our employees, and conducting customer satisfaction surveys.

In order to offer our customers the same five-star customer experience regardless of location, we have implemented minimum standards at all our campuses. This helps us to strengthen brand awareness, improve process efficiency, and ensure scalable services. It also facilitates Technopolis’ growth and the integration of new campuses into our chain. Customer orientation is the foundation of our concept development.

We measure customer satisfaction in all key areas along the customer path. Overall customer satisfaction, on a scale of one to five, has been above four for two years in a row, reaching 4.15 in 2016. Our customers are also very loyal to us according to the Net Promoter Score, which was as high as 36 in 2016. What particularly stood out in the survey this year was that our customers feel that it’s easy to operate with Technopolis.
The extension of the Yliopistonrinne campus at the heart of Tampere was completed in the summer 2016. One of the new clients was the fast-growing software company Gofore. Gofore signed a contract with Technopolis for the new office more than two years ago. Already then it was clear that the company would grow, it was just a question of scale. It was important to Gofore to get a solution that would be as flexible as possible – and that is what they got. Gofore soon took the option to expand from one floor of the building to two floors.

“Our offices are not just for working,” explains Timur Kärki, Managing Director at Gofore. “We wanted to build a top-quality office that meets our employees’ requirements, which empowers them and allows the company culture to develop. People are exceptionally ambitious here. We want the best – and something exceptional.”

“Technopolis shares our view that good is not good enough. We expect to see exceptional attitude towards service and I’m sure we’ll be a demanding customer. We want to focus on our core competencies and not to have to worry about the office. Technopolis has promised that they will deliver this, and we’re confident that this will happen. For us, this is the best possible solution.”

Read more on our website.
Sustainability is incorporated into Technopolis’ strategy and DNA. In a nutshell, our strategy is to create sustainable competitive advantage by selling less space per person but more efficiency, flexibility and services to our customers. In 2016, we updated our strategic sustainability approach, the main tool steering Technopolis’ sustainability efforts.

The renewal aimed to focus our efforts on those items that are most relevant to us and to convey the message in a framework that is easy to grasp for internal and external stakeholders, to better steer and motivate actions.

The strategic approach was updated with an eye for the long-term perspective, the megatrends in our sector and the customer approach that is at the heart of our operations.

We sustain our ability to prosper over the long term by adapting to relevant social and environmental demands and the requirements of the community.

Driven by changes in work and growing demands from stakeholders, we cooperate with our customers and partners to find meaningful measures to support their success, workspace well-being, and productivity.

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

With this approach, we aim to enhance our own and our customers’ competitive advantage.

**Focus Areas**

Technopolis categorizes the impacts and measures of its Corporate Sustainability under three themes. The aim is to constantly develop the issues related to these themes.

**Smart Parks** – Communities that support success, well-being and productivity

Technopolis offers smart business environments focused on offering quality workplaces, versatile services and an inspiring community, that make customers’ business more efficient. This way, Technopolis contributes to the profitable long-term growth of its business and communities.

**Sustainable Efficiency** – Eco-efficient, healthy and resilient spaces

Technopolis offers its customers eco-efficient, healthy, and resilient spaces and services, by which Technopolis increases its competitive advantage within the industry.

**Skills and Integrity** – Motivated and competent people with integrity

An inspiring and positive corporate culture and purposeful work are at the center of Technopolis talent engagement. Values and ethics lay the foundation for the company’s responsible business practices and ensure compliance with the Code of Conduct, good corporate governance, risk management, and responsibility for the well-being and satisfaction of personnel. By operating ethically, Technopolis ensures transparent value creation for stakeholders in the long term.

The focus areas – Smart Parks, Sustainable Efficiency, and Skills and Integrity – all include a set of targets and actions designed to guide the work. There is more information about these available in our Sustainability Report.
Sustainability Highlights and Main Efforts of the Year

With the renewal of our strategy, we aimed to better measure all aspects of our sustainability work. We put greater emphasis on the rising trend linked to closely to our business: health and well-being in the real estate sector. We will closely follow up on the responses and rating we get in our customer satisfaction survey to this statement: “Working at Technopolis improves customers’ employer image and satisfaction rating.” In the future, we will try to find ways to better measure customer well-being and productivity, as well as to find more meaningful measures to improve those.

In connection with renewing our sustainability strategy, we also started a process to update our energy reduction and carbon footprint target setting; the work will continue next year. Influenced by recent updates to regulations, we detected a need to update our ambition level and look at our carbon footprint in a more extensive way.

In 2016, we received great recognition for our employee engagement work. In the most recent personnel survey Technopolis received an overall assessment of AA+, the second-best score in the scale used, and was recognized as one of the most inspiring workplaces in Finland by Corporate Spirit. Related to the result, the leading Finnish business daily Kauppalehti gave Technopolis an award as the most financially successful and inspiring workplace. This was great recognition of the special combination of our values drive, service and integrity that is Technopolis. The survey will be carried out again during 2017 by an external professional party. According to Corporate Spirit, recognition as one of the most inspiring workplaces in Finland is given to companies that have invested in employee engagement and that have been able to create an inspiring workplace for their employees. Please read more about our sustainability performance in our Sustainability Report 2016.
The purpose of risk management is to ensure that Technopolis achieves its business objectives, and to identify, evaluate and measure significant risks and uncertainties, as well as to monitor them as part of the day-to-day management of business operations. The Technopolis Board of Directors has ratified the Group's risk management policy. The policy aims to specify our risk-taking ability and willingness, identify key risks, and prepare for their realization. Compliance with the risk management policy is monitored with a risk management tool that measures the implementation of risk management with regard to all operations. The operational management has prepared the risk management policy under the control of the Audit Committee, utilizing external experts.

Risk management is a dynamic and continuous process with a key role in Technopolis’ strategic and annual planning process. The Technopolis Board of Directors regularly monitors and evaluates risks related to our business operations and business environment, and reports on them in accordance with legislation and other regulations applicable to Technopolis. Risks are considered uncertainties that are a normal part of business operations. The risks are assessed from the point of view of utilizing the inherent opportunities as well as mitigating or eliminating the risks.

As part of the planning process, our risk map and annual action plan are updated to correspond with the objectives of the annual plan. The Group Management Team surveys and assesses the identified risks at least once a year with regard to the impact and probability of each risk. After this, means of effectively taking advantage of business opportunities and mitigating or eliminating threats are analyzed. The resulting updated risk map with action plans is reviewed by the Audit Committee and as part of the Board’s annual risk assessment. The Audit Committee and the Board of Directors assess the attitude to key risks and the need to change the objectives of risk management or the risk management policy. Decisions on any changes related to risk management are updated in the Group’s guidelines and processes.

The most significant risks in terms of probability and financial value, defined in the 2016 risk review, can be found on the page 23.

More detailed information concerning the risks and uncertainties associated with the operations of Technopolis is presented in the report by the Board of Directors for the 2016 fiscal period, available on our website.

The management of the organization also qualitatively reviews risks caused by and related to the environment as part of the annual assessment of risks. Technopolis applies the prudence concept in terms of environmental responsibility. This is reflected in the systematic development of eco-efficiency in accordance with the sustainability strategy, and in environmentally friendly, LEED-certified buildings, services and greener procurement.
## Key Risks and Management Actions

<table>
<thead>
<tr>
<th>Risk Type</th>
<th>Risk Description</th>
<th>Mitigation Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments and acquisitions</td>
<td>Investment-related risks and risk of too high investment cost for acquisitions or construction projects.</td>
<td>Excellent quality investment process and discipline in decision-making. Focus e.g. on realistic valuation, thorough due diligence, successful integration.</td>
</tr>
<tr>
<td>Geopolitical and macroeconomic risks</td>
<td>Unexpected changes in geopolitical and/or macroeconomic situation continues, impacting development of Technopolis’ business, growth and profitability.</td>
<td>Proper geographical diversification and agility in operations adapting to changing market conditions.</td>
</tr>
</tbody>
</table>
| Finance-related risks | • Interest rate risk: interest rates rise, which would increase interest expenses due to exposures of floating-rate debt and too-short average interest rate fixing term.  
• Funding risk: inability to raise new capital for investments and refund maturing debt due to e.g. leveraged capital structure.  
• Currency risk: unfavorable exchange movements outside the euro area lead to deteriorating profitability. | High quality in treasury risk management policy and in its execution: interest rate risk hedging, diversified counterparties, assets and liabilities in same currency, and hedging of foreign exchange transaction risk. |
| Business conditions and market-related risks | Change in customer preference  
Inability to change and deploy according to emerging trends, e.g. digitalization. Demand for office space decreases when work and business models change to favor remote work or clients become more cost-oriented. | High quality strategy process and discipline in decision-making.  
• Measuring customer satisfaction  
• Flexibility in Real Estate offering  
• Adequate coverage and quality of service offering  
• Readiness to reshape the property portfolio  
• Agility to change supply quickly in accordance with market demand  
• Flexibility in operating and capital expenditures |
| Difficult market conditions | Unexpected market conditions due to oversupply of office space or due to continuing current economic downturn that prevents Technopolis from reaching growth targets and maintaining profitability. | |
| Dependence on Finnish market | Technopolis’ business is heavily concentrated in Finland (and in specific regions within Finland, e.g. Oulu) and in the eurozone, making it highly dependent on changes in the Finnish national and regional economies and the euro. | |
| Competition from new entrants | Entrance of new competitors leading to diminishing market share. | |
Corporate Governance

Governance and decision-making at Technopolis Plc comply with the Finnish Limited Liability Companies Act, the guidelines and provisions for listed companies published by Nasdaq Helsinki Ltd and the Finnish Financial Supervisory Authority, the company’s Articles of Association, and the Corporate Governance Code of Finnish Listed Companies that entered into force on January 1, 2016, issued by the Securities Market Association. Technopolis has prepared a Corporate Governance Statement in accordance with the Code, issued separately from the Board of Directors’ report. The statement includes a description of the activities and duties of the Board of Directors and its committees, and information on the duties of the CEO and other company management, as well as the main features of the company’s internal control and risk management systems. The Corporate Governance Statement 2016 was published on February 22, 2017 and is available on the www.technopolis.fi/en.

The company’s administrative structure is based on the bodies pursuant to the Limited Liability Companies Act: the General Meeting of shareholders, the Board of Directors, and the CEO. In its work, the Board of Directors is assisted by the Board Committees, and the Group Management Team assists the CEO in managing the company’s operations. In addition, the company has a Shareholders’ Nomination Board established by the Annual General Meeting for an indefinite period.

Additional Information on the Internet:

In general:
- Finnish Limited Liability Companies Act
- Rules of Nasdaq Helsinki Ltd
- Finnish Corporate Governance Code 2015

Technopolis Plc:
- Corporate Governance Statement 2016
- Remuneration Statement 2016
- Articles of Association
- General Meeting
- Charter of the Shareholders’ Nomination Board
General Meeting of Shareholders

The General Meeting of shareholders is the highest decision-making body in Technopolis. Technopolis’ Annual General Meeting is held every year by the end of May, and Extraordinary General Meetings are convened by the Board of Directors as deemed necessary for decision-making purposes, or if shareholders accounting for a minimum of 10% of shares in the company require it in writing to process a specific matter.

The matters to be dealt with at the Annual General Meeting have been reviewed in the Corporate Governance Statement 2016.

Shareholders’ Nomination Board

The Nomination Board consists of three members appointed by the shareholders. In addition, the Chairman of the Board of Directors of the company participates in the work of the Nomination Board as an expert. The Nomination Board convened four times in 2016. The attendance rate for the meetings was 100%. Technopolis Plc does not pay the members of the Nomination Board for their participation in the Board’s work.

The nomination of the members of the Shareholders’ Nomination Board, the composition of the Nomination Board, and the Nomination Board’s proposals to the Annual General Meeting 2016 can be found in the Corporate Governance Statement 2016. On the company’s website, you can also find the Charter of the Shareholders’ Nomination Board of Technopolis Plc.

Shares held by Board Members on December 31, 2016, remuneration to the Board members and their attendance rate at Board meetings in 2016

<table>
<thead>
<tr>
<th>Board members</th>
<th>Shares *</th>
<th>Annual remuneration, EUR</th>
<th>Meeting fees, EUR **</th>
<th>Total, EUR</th>
<th>Attendance rate***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carl-Johan Granvik</td>
<td>90,018</td>
<td>55,000</td>
<td>24,800</td>
<td>79,800</td>
<td>18/18 100</td>
</tr>
<tr>
<td>Jorma Haapamaki</td>
<td>50,721</td>
<td>31,500</td>
<td>12,600</td>
<td>44,100</td>
<td>18/18 100</td>
</tr>
<tr>
<td>Juha Leaskonen</td>
<td>4,087</td>
<td>26,250</td>
<td>11,600</td>
<td>37,850</td>
<td>14/15  93</td>
</tr>
<tr>
<td>Pekka Ojanpää</td>
<td>13,230</td>
<td>26,250</td>
<td>14,400</td>
<td>40,650</td>
<td>18/18 100</td>
</tr>
<tr>
<td>Reima Rytsölä</td>
<td>9,126</td>
<td>26,250</td>
<td>14,200</td>
<td>40,450</td>
<td>18/18 100</td>
</tr>
<tr>
<td>Annica Ånäs</td>
<td>9,126</td>
<td>26,250</td>
<td>16,200</td>
<td>42,450</td>
<td>17/18  94</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>176,308</td>
<td>191,500</td>
<td>93,800</td>
<td>285,300</td>
<td>98</td>
</tr>
</tbody>
</table>

Former Board members

| Pekka Korhonen        | 2,400    | 3/3                      | 100                  |

* The entities over which the Board members exercise control do not own Technopolis shares.
** Figures include the fees from Board and committee meetings.
*** The attendance rates of the meetings of the Board’s committees are reported in the Corporate Governance Statement 2016.

Board of Directors

According to Technopolis’ Articles of Association, the company’s Board of Directors comprises at least four and at most seven members. Each year, the General Meeting of shareholders elects the company’s Board of Directors, whose duties and term are determined in accordance with legislation, the Articles of Association, and the Board’s Charter. In accordance with the Articles of Association, the shareholders’ meeting also elects the Chairman and the Vice Chairman of the Board. The term of Board members expires at the end of the Annual General Meeting following their election.

Diversity Principles

In its nominations for the Board, Technopolis considers a number of focal diversity attributes, including mutually complementary skills, education and experience from different professional backgrounds (such as management of businesses in different business sectors relevant for the position and businesses in different growth phases), as well as the personal characters of the members. Experience in international business environments and different cultures, in addition to consideration of age and gender, will support the diversity of the Board. It is the objective of Technopolis that both genders are represented on the Board of Directors.

The Diversity Principles and their fulfilment and the Board’s duties are presented as part of Technopolis’ Corporate Governance Statement 2016.

All the Board members are independent of the company, and all the members, except Reima Rytsölä, are independent of the major shareholders of the company. Reima Rytsölä serves Varma Mutual Pension Insurance Company, whose holding in Technopolis Plc exceeds 20%, as the Executive Vice-President responsible for investments.

The Board of Directors annually evaluates its operations and performance. The Board
of Directors’ self-evaluation is comprised of a written survey, the results of which are reviewed by a Board meeting under the supervision of the Chairman. Among other things, the survey evaluates the Board’s strategy work, the composition of the Board of Directors, the preparation of matters to be dealt with by the meetings, openness of discussion, good corporate governance, and cooperation between the Board of Directors and the management.

The table on page 25 shows the annual remuneration and meeting fees paid to members of the Technopolis Board of Directors in 2016 and the Board members’ shareholdings on December 31, 2016, as well as their attendance rate at Board meetings in 2016. Forty percent of the annual remuneration has been paid in Technopolis Plc shares acquired on the market at a price determined in public trading. The shares have been acquired based on an acquisition program prepared by the company. Board members are not allowed to transfer their shares obtained as annual remuneration before their membership of the Board has ended.

Board Committees
In order to make Board work more efficient, the Board has established two committees from among its members – the Audit Committee, and the Remuneration and HR Committee – which prepare matters that fall under the responsibility of the Board. The Board of Directors elects the chairs and members of the committees at its first organizational meeting. The committees have a minimum of three members. The committee members must have the expertise and experience required for the duties of the committee.

The activities, composition, attendance rates and duties of the Board committees are presented in the Corporate Governance Statement 2016.

Chief Executive Officer
The CEO is responsible for the supervision and control of the company’s routine operations in accordance with the provisions of the Finnish Companies Act, and authorizations and guidelines issued by the Board. The Board of Directors appoints the CEO. Information regarding remuneration of the CEO can be found in the table on page 28.

Technopolis Board of Directors, December 31, 2016

Cart-Johan Granvik
- M.Sc. (Econ.), born in 1949
- Board member since 2011 and Chairman since 2012
- Professional board member

Other significant professional experience:
- Country Senior Executive for Nordea Finland and Executive Vice President for Nordea Bank Finland Plc, 2008–2010
- Nordea Group, Head of Group Risk Control, 2000–2010
- Nordea Bank Plc and its predecessors (including Merita Bank and Merita Nordbanken), member of Group Management Team, 1995–2010

Key positions of trust:
- Chairman of the Board: Ab Kelonia Oy
- Member of the Board: Nordea Bank Finland Plc, several foundations

Independent of the company and major shareholders.

Jorma Haapamäki
- M.Sc. (Civil Engineering), born in 1948
- Board member since 2013 and Vice Chairman since 2014
- Professional board member

Other significant professional experience:
- SRV Group Plc, founding partner, director and member of the Board of Directors, 1987–2005
- Perusyhtymä Ltd., Department Head, 1985–1987
- City of Vantaa, Project and Traffic Planning Manager, 1975–1985

Key positions of trust:
- Chairman of the Board: Vistanovo Oy
- Member of the Board: VVT Kiinteistösijoitus Oy, Hotelli Katajanokka Oy, Harjavalta Oy, Hotelli Linnanpuisto Oy

Independent of the company and major shareholders.
Juha Laaksonen

- B.Sc. (Econ.), born in 1952
- Board member since 2016
- Professional board member

Other significant professional experience:
- Fortum Corporation, Executive Vice President and CFO, 2000–2012
- Fortum Oil & Gas, Executive Vice President, Finance & Strategy, 1999–2000
- Neste Corporation, Chief Financial Officer, 1998
- Neste Corporation, various managerial and expert positions, 1979–1997

Key positions of trust:
- Chairman of the Board: Caruna Networks Oy, Association of Finnish Fine Arts Foundations, Alfred Kordelin Foundation
- Member of the Board: Director’s Institute Finland, Taaleri Plc, Kemira Oyj

Pekka Ojanpää

- M.Sc. (Econ.), born in 1966
- Board member since 2014
- Lassila & Tikanoja Plc, President and CEO

Other significant professional experience:
- Kemira Oyj, several positions, most recently President of Municipal & Industrial Business and a member of the Management Board, 2005–2011
- Nokia Corporation, management positions in Finland and Hungary, 1993–2004

Key positions of trust:
- Member of the Supervisory Board, Ilmarinen Mutual Pension Insurance Company
- Member of the Board: Real Estate Employers

Reima Rytösölä

- M.Soc.Sc., CEFA, AMP, born in 1969
- Board member since 2015
- Varma Mutual Pension Insurance Company, Executive Vice-President responsible for Investments

Other significant professional experience:
- Pohjola Bank Plc, Head of Banking and member of the Group Management Team with group-level responsibility for major corporate and institutional customers, 2008–2013

Key positions of trust:
- Member of the Board: several Atrium Ljungberg AB group companies

Annica Ånäs

- LL.M., MBA, born in 1971
- Board member since 2015
- Atrium Ljungberg Ltd, CEO

Other significant professional experience:
- Hemsö Ltd, Chief Financial Officer, 2011
- Atrium Ljungberg Ltd, Senior Controller, 2008–2010
- Producenterna Ltd, CEO, 2005–2008

Key positions of trust:
- Member of the Board: several Atrium Ljungberg AB group companies

Independent of the company and major shareholders.

Independent of the company and major shareholders.
Group Management Team

The company has a Group Management Team that assists the CEO. Members of the Team are appointed by the Board of Directors at the proposal of the CEO. The Team must have a minimum of three members, and the CEO acts as the chairman of Group Management Team meetings. The Group Management Team convenes as summoned by the chairman as necessary. The Team convened 12 times in 2016.

The duties of the CEO and Group Management Team are presented in the Corporate Governance Statement 2016.

The salaries and fees paid to the CEO of Technopolis and the other Group Management Team members in 2016 are presented in the table on this page.

Remuneration of the CEO and the Group Management Team

The Board of Directors decides on the remuneration of the CEO and the other executives. The remuneration paid to the CEO and the other Group Management Team members consists of a fixed monthly salary, fringe benefits, and an annual bonus paid on the basis of the company’s results and personal performance. In addition, the CEO and other Group Management Team members are covered by the share-based incentive schemes. The pension and retirement age for the CEO and the other members of the Team are determined in accordance with the applicable legislation in force regarding pensions.

The company’s Board of Directors confirms the salaries and other benefits of the CEO and the other Group Management Team members, and decides on the company’s incentive schemes from the proposals prepared by the Remuneration and HR Committee of the Board of Directors.

Annual Bonuses

The performance bonus system concerning annual bonuses paid on the basis of the company’s result and personal performance covers all Technopolis’ employees. The maximum annual bonus payable to the CEO is 50% of the CEO’s annual salary, and 40% to other Group Management Team members. The achievement of the results and performance objectives confirmed by the Board of Directors is assessed for each financial period, and the amount of the annual bonus is determined on the basis of the achievement of these objectives. The objectives support the company’s strategy and annual plans. Performance is measured based on, among other things, EBITDA, occupancy rate, customer satisfaction, and the progress of investments.

More information concerning the company’s incentive schemes is available in the Remuneration Statement on the company’s website.
Keith Silverang
- B.A., MBA, born in 1961
- CEO since 2008
- Employed by Technopolis since 2004

Other significant professional experience:
- AAC Global Ltd., COO and Vice President, 2000–2004
- Oy ICS Ltd, CEO, 1989–2004

106,485 Technopolis shares*

Reijo Tauriainen
- M.A., born in 1956
- Chief Financial Officer and Deputy CEO
- Employed by Technopolis since 2004

Other significant professional experience:
- Flextronics ODM Finland Ltd, CFO, 2001–2004

Positions of trust:
- Chairman of the Board: Nordic Option Oy
- Member of the Board: Suomen Hoivatilat Oy, Temotek Oy, Temotek Palvelut Oy

77,539 Technopolis shares*

Juha Juntunen
- Eng., born in 1973
- Chief Operating Officer and Director, Sales and Marketing.
- Employed by Technopolis since 2004

Other significant professional experience:
- Alma Software Ltd, Export Manager and regional sales manager, Nordic countries, 2000–2004

29,658 Technopolis shares*

Kari Kokkonen
- M.Sc. (Eng.), born in 1963
- Director, Real Estate and Services
- Employed by Technopolis since 2008

Other significant professional experience:
- Saraco D & M Oy, partner and consultant, 1997–2007

27,352 Technopolis shares*

Outi Raekivi
- LL.M., Certified Property Manager, born in 1968
- Director of Legal Affairs
- Employed by Technopolis since 2011

Other significant professional experience:
- Citycon Plc, Director, Legal Affairs, 2002–2011
- Nordea Group’s real estate functions, various legal affairs positions 1991–2002

Positions of trust:
- Member: Market Practice Board of the Securities Market Association,
- Legislation Committee of Finland Chamber of Commerce

18,488 Technopolis shares*

* Shares held by Group Management Team members and their related parties on December 31, 2016. The entities over which the Group Management Team members exercise control do not own Technopolis shares.
Why Invest in Technopolis

The Technopolis concept brings both higher yields and lower operational risk

- A proven track record of building and sustaining high occupancy
- Strong financial track record: consistently high rental yield relative to cost of capital
- Competitive advantage by selling less space but more efficiency, flexibility services to customers

Increasing shareholder value and offering a competitive ROCE

- Targeting net sales and EBITDA growth of 10%
- Increasing service business, with a target of 15% of net sales by 2020
- Maintaining the equity ratio above target of 35%
- Targeting a ROCE of 5.5%
- Aiming to distribute an average of one third of operating profit1) annually in dividends

Solid financial performance and standing

Compound Annual Growth Rates (CAGR) during the past five years:
- Net sales 12.5% and EBITDA 13.7%
- EPS 3.3%
- Service business 12.1%
- Equity/share 0.5%

In 2016, equity ratio of 41.5%, loan-to-value ratio of 58.2%

Good opportunities for growth

- Significant demand drivers for growth: urbanization, changes in work, trend of less m² per person, mobile lifestyle
- Scalable concept
- Expansion strategy in the Nordic-Baltic region
- Organic growth pursued by expanding the existing office campuses
- Potential to build service revenue & earnings

Sustainability recognized

- Green Star status in the GRESB (Global Real Estate Sustainability Benchmark) survey for the three years in a row
- EPRA silver sBPR award, an acknowledgment for sustainability data disclosure

1) Operating profit based on EPRA (European Public Real Estate Association)
**Dividend Paid, EUR**

Dividend per Share and Effective Dividend Yield.

- Board of Director’s proposal.
- Dividend per share figures have been issue-adjusted.

**Earnings per Share, EUR (EPRA)**

- 2012: 0.20 EUR
- 2013: 0.25 EUR
- 2014: 0.30 EUR
- 2015: 0.35 EUR
- 2016: 0.40 EUR

**Equity Ratio and ROCE, %**

- Equity Ratio and ROCE figures have been issue-adjusted.

**Net Sales and EBITDA, Growth %**

- Net Sales: 2012: 50%, 2013: 40%, 2014: 30%, 2015: 20%, 2016: 10%

1) Board of Director’s proposal.

Dividend per share figures have been issue-adjusted.