



Technopolis Plc
Full Year Financial Report 2017
February 15, 2018

A STRONG YEAR FOR TECHNOPOLIS

Full Year 2017

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

Q4/2017

- Net sales up 1.7% y-o-y to EUR 45.5 (44.8) million
- EBITDA was EUR 22.7 (22.4) million
- EPRA earnings up 12.0% y-o-y to EUR 14.5 (12.9) million
- EPRA earnings per share were EUR 0.09 (0.10) *

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

On January 23, 2018, Technopolis announced it has amended its accounting policy regarding deferred taxes in the fourth quarter of 2017. The deferred taxes presented in this report related to comparison period 2016, are EUR 5.5 million lower than presented in the Stock Exchange release dated January 23, 2018. The change is due to detailed calculations prepared in connection with the 2017 financial statements.

* Rights issue in the comparison period.

KEY INDICATORS

	Q4/ 2017	Q4/ 2016	Change %	FY, 2017	FY, 2016	Change %
FINANCIAL (IFRS)						
Net sales, EURm	45.5	44.8	1.7	179.7	172.1	4.4
EBITDA, EURm	22.7	22.4	1.5	97.1	93.1	4.3
Equity ratio, %	-	-	-	44.8	39.7	-
Loan-to-value (LTV), %	-	-	-	50.1	58.2	-
FINANCIAL (EPRA)						
EPRA earnings, EURm	14.5	12.9	12.0	60.6	52.6	15.2
EPRA earnings / share, EUR	0.09	0.10	-7.1	0.39	0.40	-4.4
Return on equity, %	-	-	-	9.1	8.8	-
Financial occupancy rate, %	-	-	-	96.1	93.4	-
Net rental yield, %	-	-	-	7.2	7.4	-
EPRA NAV / share, EUR	-	-	-	4.58	4.24	8.0

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

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

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

Key Indicators for the past five years are presented in the Financial Statements for 2017.

BOARD OF DIRECTORS' PROPOSAL FOR DIVIDEND DISTRIBUTION AND EQUITY REPAYMENT

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

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

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

NEAR-TERM OUTLOOK 2018

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

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

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

FROM THE CEO

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

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

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

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

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

One of the highlights of the year was the finalization of our strategy review process in summer 2017. One of the cornerstones of the revised strategy is the expansion of our UMA Coworking Network. A new flagship UMA

coworking space in Stockholm, Sweden is set to open in April 2018. UMAs will provide Technopolis with a less capital intensive way to expand its operations with less risk, especially in low-yielding markets. Our intention is to expand the UMA footprint in the other major cities and hubs in the Nordic-Baltic Sea area.

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

FINANCIAL PERFORMANCE

	Q4/ 2017	Q4/ 2016	Change %	FY, 2017	FY, 2016	Change %
Net sales, Group, EURm	45.5	44.8	1.7	179.7	172.1	4.4
Rental income, EURm	38.6	38.2	0.8	154.3	149.6	3.1
<i>% of Net sales</i>	<i>84.7</i>	<i>85.4</i>	-	<i>85.9</i>	<i>87.0</i>	-
Service income, EURm	7.0	6.5	6.8	25.4	22.4	13.2
<i>% of Net sales</i>	<i>15.3</i>	<i>14.6</i>	-	<i>14.1</i>	<i>13.0</i>	-
EBITDA, Group, EURm	22.7	22.4	1.5	97.1	93.1	4.3
<i>EBITDA %</i>	<i>49.9</i>	<i>50.0</i>	-	<i>54.0</i>	<i>54.1</i>	-
EBITDA, rental, EURm	25.1	24.1	3.8	102.7	98.9	3.8
<i>EBITDA %, rental</i>	<i>65.0</i>	<i>63.1</i>	-	<i>66.5</i>	<i>66.1</i>	-
EBITDA, services, EURm	0.6	0.9	-37.6	2.7	2.1	25.7
<i>EBITDA %, services</i>	<i>8.1</i>	<i>13.8</i>	-	<i>10.5</i>	<i>9.4</i>	-
Operating profit, EURm	33.6	20.8	61.2	121.4	89.3	35.8
<i>Operating profit %</i>	<i>73.7</i>	<i>46.5</i>	-	<i>67.5</i>	<i>51.9</i>	-
Net result, EURm	23.9	12.6	90.0	85.2	50.0	70.5
EPS, EUR	0.13	0.08	53.9	0.46	0.31	49.0

Note: The Group EBITDA includes Group-level expenses and intracompany eliminations as indicated in the table on page 33.

Net Sales and Income

Full Year 2017

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

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

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

Q4/2017

The Group's net sales in the fourth quarter were up 1.7% year-on-year, at EUR 45.5 (44.8) million. Growth was mainly attributable to growth in the Baltic Rim segment. On a constant currency basis net sales were up 1.2%.

Rental income in the fourth quarter was EUR 38.6 (38.2) million. Service income grew 6.8% year-on-year, and was EUR 7.0 (6.5) million. Rental income and service income comprised 84.7 % (85.4%) and 15.3% (14.6%), respectively, of the Group's fourth quarter net sales.

Profitability

Full Year 2017

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

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

EBITDA for rental operations was up by 3.8% year-on-year and amounted to EUR 102.7 (98.9) million. The EBITDA margin for rental operations increased slightly from the previous year and was 66.5% (66.1%). EBITDA for services was up 25.7% and reached EUR 2.7 (2.1) million. Also the EBITDA margin for services improved and was 10.5% (9.4%). The improvement was generated by scale benefits through higher service income and growth in more profitable services. In addition to rental and service EBITDAs, the Group EBITDA includes Group-level expenses and intracompany eliminations as indicated in the table on page 33.

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

Fair value changes in 2017:

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

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

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

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

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

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

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

Q4/2017

Premises expenses in the fourth quarter were EUR 10.1 (10.9) million. Administrative costs were EUR 4.9 (3.8) million. Increase was mainly due to non-recurring costs related to divestiture of the Jyväskylä operations. Other operating expenses were EUR 7.9 (7.2) million.

The **EBITDA** from rental operations in the fourth quarter increased 3.8%, and was EUR 25.1 (24.1) million, representing a margin of 65.0% (63.1%). **EBITDA for services** was EUR 0.6 (0.9) million, translating into an EBITDA margin of 8.1% (13.8%). Most of the year-on-year margin decline resulted from timing differences in the allocation of costs compared to the previous year. Also the divestitures of Jyväskylä (in Q4/2017) and Lappeenranta (in Q4/2016), with their high service penetrations, had a significant impact.

Group EBITDA in the fourth quarter was at EUR 22.7 (22.4) million. The EBITDA margin was 49.9% (50.0%). On a constant currency basis, the Group EBITDA grew 0.8% year-on-year and the EBITDA margin was 49.8%. The Group EBITDA comprises Group-level expenses and intracompany eliminations as indicated in the table on page 33.

Operating profit in the fourth quarter rose to EUR 33.6 (20.8) million, primarily due to fair value changes in investment properties.

Pre-tax profits rose to EUR 28.9 (14.7) million. Taxes increased to EUR 5.0 (2.1) million. Current taxes were EUR 3.8 (2.0) million. The net result in the fourth quarter rose by 90.0% to EUR 23.9 (12.6) million. **EPS** was EUR 0.13 (0.08).

Fourth quarter **EPRA earnings** were up 12.0% and amounted to EUR 14.5 (12.9). **EPRA earnings per share** were EUR 0.09 (0.10). The per share number decreased year-on-year due to the rights issue-adjusted number of shares in 2016.

BALANCE SHEET, FINANCING AND CASH FLOW

Balance Sheet and Financing

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

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

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

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

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

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

Financial Expenses

	Q4/ 2017	Q4/ 2016	Change %	FY, 2017	FY, 2016	Change %
Financial expenses, EURm	-6.1	-6.3	-3.7	-24.4	-28.4	-14.0
Financial income, EURm	1.4	0.2	741.7	2.1	3.3	-37.9
Net financial expenses, EURm	-4.7	-6.1	-23.7	-22.4	-25.1	-10.9
Average interest rate, %*	-	-	-	2.60	2.34	-

* Excluding hybrid bond.

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

Financial Risk Management

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

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

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

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

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

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

Capital Expenditure and Cash Flow

CAPEX, EUR million	Q4/ 2017	Q4/ 2016	Change %	FY, 2017	FY, 2016	Change %
Acquisition of properties	0.0	0.0	n/m	5.8	53.0	-89.1
Organic growth projects	22.1	16.7	32.3	61.7	46.3	33.3
Modernizations and other investments	0.2	7.3	-97.1	8.5	19.0	-55.1
Total CAPEX incl. acquisitions	22.4	24.0	-6.9	76.1	118.3	-35.7
CAPEX by segment:						
Finland	8.8	14.3	-38.2	28.3	37.3	-24.1
Baltic Rim	15.1	7.5	101.7	47.8	23.6	102.8
Scandinavia	-1.6	2.2	n/m	-0.1	57.4	-100.1
Total CAPEX incl. acquisitions	22.4	24.0	-6.9	76.1	118.3	-35.7
Divestitures	85.6	62.6	36.7	87.7	64.0	37.1

In 2017, **cash flow from operations** was EUR 74.4 (60.2) million. Cash flow **from investments** was EUR 15.4 (-75.5) million, of which investments in investment properties were EUR -73.7 (-87.0) million and proceeds from the sale of tangible and intangible assets and investment properties, as well as subsidiaries were EUR 96.0 (67.9) million, in total. **Financing cash flow** was EUR -146.4 (+102.5) million, of which EUR 137.5 (179.3) million was used in paying down long and short term debt and EUR 20.4 (20.0) million was used for dividend payments in April. **Cash and cash equivalents** on December 31, were EUR 71.8 (128.0) million. The **net change in cash** in January–December was EUR -56.7 (+87.3) million.

PROPERTY PORTFOLIO, LEASING, OCCUPANCY AND CUSTOMER BASE

Property Portfolio

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

Leasing, Occupancy and Customer Base

On December 31, 2017, Technopolis had a total of approximately 1,600 customers. The ten largest customers let approximately 22.8% of rented space and the single largest customer 4.4%. In 2017, the ten largest customers accounted for 20.8% of rental income and the single largest customer 4.6%. The financial occupancy rate at the end of the period was 96.1% (93.4%) and the technical occupancy rate was 95.2% (92.3%).

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

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

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

BUSINESS SEGMENTS

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

Finland

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

Finland	Q4/ 2017	Q4/ 2016	Change %	FY, 2017	FY, 2016	Change %
Net sales, EURm	29.6	30.0	-1.4	117.7	120.5	-2.4
Rental income, EURm	24.1	24.7	-2.5	97.5	102.0	-4.4
Service income, EURm	5.5	5.3	2.8	20.2	18.6	8.8
EBITDA, EURm	14.0	14.1	-0.5	61.5	64.3	-4.4
EBITDA %	47.5	47.1	-	52.2	53.4	-
Fair value of investment properties, EURm*	-	-	-	890.9	997.6	-10.7
Number of campuses*	-	-	-	12	15	-
Rentable area, m ² *	-	-	-	425,000	486,500	-12.6
Average rent, EUR/m ² /month*	-	-	-	17.7	17.0	4.3
Financial occupancy rate, %*	-	-	-	94.5	90.7	-
Market yield requirement, average, %*	-	-	-	7.3	7.6	-

* At the end of the period.

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

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

Baltic Rim

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

Baltic Rim	Q4/ 2017	Q4/ 2016	Change %	FY, 2017	FY, 2016	Change %
Net sales, EURm	9.4	7.9	18.8	36.0	29.5	22.2
Rental income, EURm	8.5	7.1	19.0	32.5	26.9	20.7
Service income, EURm	1.0	0.8	25.3	3.6	2.6	38.7
EBITDA, EURm	5.4	4.6	18.8	21.5	16.6	29.7
EBITDA %	57.9	57.9	-	59.6	56.1	-
Fair value of investment properties, EURm*	-	-	-	325.2	292.3	11.3
Number of campuses*	-	-	-	3	3	-
Rentable area, m ² *	-	-	-	176,000	161,200	9.2
Average rent, EUR/m ² /month*	-	-	-	15.7	14.9	5.7
Financial occupancy rate, %*	-	-	-	99.7	99.7	-
Market yield requirement, average, %*	-	-	-	8.1	8.7	-

* At the end of the period.

Note: 12/17: 8,400 m² under renovation, 12/16: 8,600 m² under renovation.

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

Scandinavia

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

Scandinavia	Q4/ 2017	Q4/ 2016	Change %	FY, 2017	FY, 2016	Change %
Net sales, EURm	6.6	6.9	-4.4	26.0	22.0	17.9
Rental income, EURm	6.0	6.4	-6.2	24.4	20.7	17.7
Service income, EURm	0.6	0.5	16.4	1.6	1.4	20.9
EBITDA, EURm	3.1	3.7	-14.2	14.1	12.2	15.9
EBITDA %	47.9	53.4	-	54.4	55.4	-
Fair value of investment properties, EURm*	-	-	-	321.9	334.3	-3.7
Number of campuses*	-	-	-	2	2	-
Rentable area, m ² *	-	-	-	100,900	98,700	2.2
Average rent, EUR/m ² /month*	-	-	-	19.5	22.3	-12.5
Financial occupancy rate, %*	-	-	-	97.5	96.8	-

Market yield requirement, average, %*	-	-	-	5.3	5.5	-
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* At the end of the period.

Note: 12/17: 1,300 m² under renovation, 12/16: 3,300 m² under renovation.

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

GROUP STRATEGY AND FINANCIAL TARGETS

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

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

New long-term financial targets and dividend policy are:

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

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

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

Organic Expansion

Organic expansion projects in progress, their rentable areas and estimated investment amounts on December 31, 2017 were as follows:

Area	Name	Pre-let rate, %	Rentable area, m ²	Total investment, EURm	Stabilized yield, % ¹⁾	Completion
Helsinki	Ruoholahti 3	41.8	10,300	33.2	7.0	7/2018
Tallinn	Lõõtsa 12	72.4	9,700	13.6	9.0	7/2018
Vilnius ²⁾	Penta	91.5	13,800	32.0 ²⁾	8.4	10/2017
Vantaa	Aviapolis Bldg H	0.0	5,100	15.1	8.0	11/2018

TOTAL in progress			38,900	93.9		
Tampere	City Center	39.4	13,200	46.0	7.5	10/2019
TOTAL in progress and approved			52,100	139.9		

1) Stabilized yield = estimated net operating income / cost

2) Total investment including also the neighboring land plot with an expansion potential of at least 20,000 m².

On December 13, 2017, Technopolis decided on a EUR 46 million investment in organic expansion in Tampere, Finland. The new City Center Campus will be built in the CBD Tampere with excellent connections. The construction work is scheduled to start in February. The project is due for completion in December 2019, and first leases are set to start in January 2020.

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

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

Acquisitions and Divestitures

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

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

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

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

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

Expansion and Profitability of the Service Business

Service business growth and profitability improvement are progressing as planned. In 2017, service income grew 13.2% year-on-year and reached EUR 25.4 (22.4) million. Service penetration was 14.1% (13.0%). Some campuses in Finland already had service penetration rate of over 20% for the full year 2017. Campuses in the Baltic Rim and Scandinavia are behind the penetration rates in Finland, but there was an impressive year-on-

year service income growth of over 30% in the international business units, on average. The fastest-growing service areas are work-place solutions and moving services as well as conference services.

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

Development of UMA Coworking Network

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

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

OPERATING ENVIRONMENT

Macro Environment

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

Source: OECD, November 2017

Commercial Office Market

Finnish Market

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

Source: Catella

* Fringe area, not city average.

Note: Market information as of 12/17, Technopolis numbers as of 12/17.

On average, the annual investment volume in 2006–2016 in Finland has been worth EUR 3.75 billion. The year 2017 saw an exceptionally high investment volume that reached over EUR 10 billion. The transaction volume increased by 41% from the previous record year of 2016. The activity was driven by a couple of very large deals and international demand. Approximately 73% of the investments were made by non-Finnish investors, and the international demand was also evident outside of the Helsinki Metropolitan Area (HMA). The share of office properties represented 42% of the total volume in 2017.

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

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

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

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

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

Other Markets

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

Sources: Gothenburg, CBRE; Oslo: Cushman&Wakefield; St. Petersburg: JLL; Tallinn & Vilnius: Newsec

¹ Average vacancy rate /yield of Gårda-area in Gothenburg and Fornebu-area in Oslo.

** Prime office and retail yield.

*** Prime office and shopping mall yields at 9/17.

Note: Market information as of 9/17 and 12/17; Technopolis numbers as of 12/17.

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

In Gothenburg, Sweden, the investment volume in 2017 reached approximately SEK 10.3 billion, of which SEK 4.6 billion was office premises. The current office stock is approximately 3.1 million m², of which 800,000 m² is in CBD. The vacancy in CBD is estimated at 3–4% and around 9–10% in Gårda. High demand in central Gothenburg

has pushed up market rents in more external locations such as Gårda and Lindholmen. The annual prime rent in Gårda is currently at SEK 2,600 per m². In Gothenburg, the yield requirements have been declining for a long time and are now at 4.0% in the CBD-area and at around 4.25 in the rest of the inner city area. Prime yields in Gårda are around 4.75%. (Source: CBRE)

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

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

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

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

EVALUATION OF RISKS AND UNCERTAINTIES

Risk Management Process

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

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

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

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

Most Significant Risks

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

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

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

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

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

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

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

In Technopolis' business, the most relevant [financial risks](#) are the risks related to refinancing and funding as well as to unfavorable exchange rate movements, that may lead to deteriorating profitability. There is also a possibility, that the company will fail refinancing its maturing debt with favorable terms or will not be able to secure adequate funding reserves to fund strategic investments and reach company's growth targets. Financial risks are described in more detail in the Financial Risk Management -section of this report as well as in the notes section (Note 22) of the Financial Statements for 2017.

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

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

The group's leases fall into two categories: fixed-term and open-ended. The company aims to apply both lease types depending on the market situation, the property in question, and the sector in which the customer operates. At the end of 2017, open-ended leases in the lease portfolio and leases that could be terminated and

renegotiated within the next 12 months covered approximately 41% (46%) of the lease stock. At the end of the period, the average lease period was 34 (35) months. Although the flexibility of the lease structure may pose a risk to the Group, it is an essential element of Technopolis' service concept. The company has solid and long-term experience in this business model and, in practice, the customer relationships are long.

SUSTAINABILITY AT TECHNOPOLIS

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

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

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

Key Sustainability Indicators	FY, 2017	FY, 2016	Change %	Target 2025
CO ₂ emissions, CO _{2e} kg/m ²	28	31	-10.6	-30%
Energy consumption, total, kWh/m ²	209	211	-0.9	-10%
Energy consumption, building energy, (kWh/m ²)	143	146	-1.7	-10%

For more information, please see the [Sustainability Report 2017](#).

CORPORATE GOVERNANCE

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

Organization and Personnel

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

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

In 2017, the Group employed an average of 234 (248) people. On average, real estate operations employed 75 (82) people, service operations 105 (112), and Group administration 54 (54). The number of personnel at the period end was 224 (242).

Annual General Meeting 2017

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

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

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

Board of Directors

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

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

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

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

Board Committees

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

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

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

Nomination Board

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

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

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

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

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

Lawsuits and Claims

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

Annual General Meeting 2018

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

SHARES, SHARE CAPITAL AND TRADING

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

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

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

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

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

Authorizations of the Board of Directors

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

The amount of own shares to be repurchased and/or accepted as a pledge shall not exceed 15,850,000 shares, which corresponds to approximately 10% of all the shares in the company. Only the unrestricted equity of the

company can be used to repurchase own shares on the basis of the authorization. The company's own shares can be repurchased at the price prevailing in public trading on the date of the repurchase or otherwise at the price prevailing on the market.

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

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

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

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

On April 25, 2017, the Board used its authorization to issue shares for the rewards of the Performance Share Plan 2013–2017 and Matching Share Plan 2016. In the share issue, 59,390 treasury shares were issued without consideration to the key personnel entitled to share rewards in accordance with the terms and conditions of the Performance Share Plan 2013–2017 and the Matching Share Plan 2016. After this, the Board authorization to issue or give special rights entitling holders to shares referred to in the Limited Liability Companies Act is valid for 15,790,610 shares.

Trading

Share trading	Q4/ 2017	Q4/ 2016	Change %	FY, 2017	FY, 2016	Change %
Lowest price, EUR	3.79	2.96	28.0	2.96	2.89	2.4
Highest price, EUR	4.20	3.28	28.0	4.20	3.48	20.7
Closing price (end of period), EUR	-	-	-	4.18	3.13	33.5
Volume weighted average price, EUR	4.14	3.08	34.4	3.73	3.16	18.0
Share turnover, million shares	34.7	17.4	99.4	72.0	49.7	44.9
Share turnover, EURm	143.8	53.6	168.3	268.2	157.1	70.7
Market capitalization (end of period), EURm	-	-	-	663.8	497.0	33.5

* Market capitalization is based on 158,793,662 shares.

Source: Nasdaq Helsinki

Price/earnings ratio at the end of the period was 8.57 (10.42).

Shareholders

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

At the year-end, there were two shareholders holding more than five per cent of the total number of shares and voting rights in Technopolis Plc: Varma Mutual pension Insurance Company held 30,232,288 shares representing 19.04% of all the shares and votes, and Olofsgård Invest Ab held 24,574,470 shares representing 15.48% of all the shares and votes.

The latest detailed information on Technopolis shareholders and shareholdings can be found on the [company's website](#).

Liquidity Guarantee

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

Disclosures of Changes in Holdings in 2017

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

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

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

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

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

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

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

EVENTS AFTER THE REVIEW PERIOD

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

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

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

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

in Helsinki
February 14, 2018,

Technopolis Plc
Board of Directors

FINANCIAL STATEMENTS

The accounting policies applied in the financial report are the same as in the latest financial statements. The formulas for calculating key indicators are available on the company's website. The financial report has been prepared in accordance with the IFRS recognition and valuation principles; the IAS 34 requirements have also been complied with.

On January 23, 2018, Technopolis announced it has amended its accounting policy regarding deferred taxes in the fourth quarter of 2017. The deferred taxes presented in this report related to comparison period 2016, are EUR 5.5 million lower than presented in the Stock Exchange release dated January 23, 2018. The change is due to detailed calculations prepared in connection with the 2017 financial statements.

The figures are audited.

Technopolis Group:

CONSOLIDATED INCOME STATEMENT

EUR million	10-12/ 2017	10-12/ 2016	FY 2017	FY 2016
Rent income	38.6	38.2	154.3	149.6
Service income	7.0	6.5	25.4	22.4
Net sales total	45.5	44.8	179.7	172.1
Other operating income	0.0	-0.5	0.0	0.4
Premises expenses	-10.1	-10.9	-39.4	-39.5
Administration costs ¹⁾	-4.9	-3.8	-14.7	-13.6
Other operating expenses	-7.9	-7.2	-28.5	-26.3
EBITDA	22.7	22.4	97.1	93.1
Change in fair value of investment properties	12.0	-0.5	28.3	0.2
Depreciation	-1.0	-1.0	-4.1	-4.0
Operating profit/loss	33.6	20.8	121.4	89.3
Unrealized exchange rate profit/loss	-0.3	-0.1	-0.5	0.3
Finance income and expenses	-4.4	-6.1	-21.9	-25.5
Result before taxes	28.9	14.7	99.0	64.2
Deferred taxes	-1.2	-0.1	-9.3	-7.4
Current taxes	-3.8	-2.0	-4.5	-6.8
Net result for the period	23.9	12.6	85.2	50.0
Distribution:				
To parent company shareholders	21.4	12.0	76.5	44.6
To non-controlling shareholders	2.5	0.5	8.7	5.4
	23.9	12.6	85.2	50.0
Earnings per share, basic, EUR ²⁾	0.13	0.08	0.46	0.31
Earnings per share, diluted, EUR ²⁾	0.13	0.08	0.46	0.31

STATEMENT OF COMPREHENSIVE INCOME

EUR million	10-12/ 2017	10-12/ 2016	FY 2017	FY 2016
Net result for the period	23.9	12.6	85.2	50.0
Other comprehensive income items Items that may be reclassified subsequently to profit or loss:				
Translation difference	-4.6	6.6	-12.3	16.6
Available-for-sale financial assets	0.0	0.0	0.0	0.0
Derivatives	-0.5	15.1	8.1	-4.3
Taxes related to other comprehensive income items	0.1	-3.1	-1.7	0.7
Other comprehensive income items after taxes for the period	-5.0	18.6	-5.8	13.1
Comprehensive income for the period, total	18.9	31.2	79.4	63.1
Distribution:				
To parent company shareholders	16.2	30.7	70.9	57.3
To non-controlling shareholders	2.6	0.4	8.5	5.8
	18.9	31.2	79.4	63.1

¹⁾ Administration costs includes group expenses from key resources and administration.

²⁾ Share related indicators have been adjusted for the rights issue in fall 2016.

STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	Dec 31, 2017	Dec 31, 2016
Non-current assets		
Intangible assets	5.4	5.7
Tangible assets	16.3	9.8
Completed investment properties	1,537.9	1,624.2
Investment properties under construction	58.0	22.6
Investments	6.4	6.5
Deferred tax assets	13.1	15.2
Non-current assets	1,637.1	1,683.9
Current assets	82.7	139.8
Assets, total	1,719.8	1,823.7

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	Dec 31, 2017	Dec 31, 2016
Shareholders' equity		
Share capital	96.9	96.9
Premium fund	18.5	18.5
Equity related bond	74.2	74.2
Other funds	329.1	322.6
Translation difference	-23.3	-11.3
Retained earnings	139.2	116.4
Net profit for the period	76.5	44.6
Parent company's shareholders' interests	711.2	662.0
Non-controlling interests	53.7	57.2
Shareholders' equity, total	764.9	719.3
Liabilities		
Non-current liabilities		
Interest-bearing liabilities	620.5	825.8
Non-interest-bearing liabilities	3.3	2.6
Deferred tax liabilities	77.9	70.3
Non-current liabilities, total	701.7	898.7
Current liabilities		
Interest-bearing liabilities	184.5	134.0
Non-interest-bearing liabilities	68.7	71.7
Current liabilities, total	253.2	205.7
Liabilities, total	954.9	1,104.4
Shareholders' equity and liabilities, total	1,719.8	1,823.7

STATEMENT OF CHANGES IN EQUITY

Equity attributable to owners of the parent

EUR million	Share capital	Premium fund	Other reserves	Translation differences	Retained earnings	Share of non-controlling interests	Total shareholders' equity
Equity December 31, 2015	96.9	18.6	276.9	-27.4	166.1	79.7	610.8
IAS 12 amendment impact					-27.2	-6.0	-33.1
Equity January 1, 2016, amended	96.9	18.6	276.9	-27.4	138.9	73.8	577.6
Comprehensive income							
Net profit for the period					44.6	5.4	50.0
Other comprehensive income items							
Translation difference				16.2		0.5	16.6
Derivatives			-3.5			0.0	-3.5
Available-for-sale financial assets			0.0				0.0
Other changes					0.0		0.0
Comprehensive income for the period			-3.5	16.2	44.6	5.8	63.1
Related party transactions							
Dividend					-17.8	-1.2	-18.9
Return of capital						-0.2	-0.2
Share Issue			125.5				125.5
Acquisition of own shares			-1.1		0.0		-1.1
Interest paid to equity related bond					-4.5		-4.5
Investment of non-controlling interests						-24.0	-24.0
Other changes		0.0	-1.0		-0.3	3.1	1.9
Related party transactions		0.0	123.4		-22.5	-22.3	78.6
Equity December 31, 2016	96.9	18.5	396.8	-11.3	161.0	57.2	719.3
Equity January 1, 2017	96.9	18.5	396.8	-11.3	161.0	57.2	719.3
Comprehensive income							
Net profit for the period					76.5	8.7	85.2
Other comprehensive income items							
Translation difference				-12.1		-0.2	-12.3
Derivatives			6.4			0.0	6.4
Available-for-sale financial assets			0.0				0.0
Other changes					0.0		0.0
Comprehensive income for the period			6.4	-12.1	76.5	8.5	79.4
Related party transactions							
Dividend					-18.8	-1.4	-20.2
Interest paid to equity related bond					-4.5		-4.5
Changes in subsidiary shares					1.3	-10.6	-9.4
Other changes		0.0	0.0		0.3	0.0	0.3
Related party transactions		0.0	0.0		-21.8	-12.0	-33.8
Equity December 31, 2017	96.9	18.5	403.3	-23.3	215.8	53.7	764.9

STATEMENT OF CASH FLOWS

EUR million	FY 2017	FY 2016
Cash flows from operating activities		
Net result for the period	85.2	50.0
Adjustments:		
Change in fair value of investment properties	-28.3	-0.2
Depreciation	4.1	4.0
Share of profits of associates	0.0	0.0
Gains from disposals	0.4	-0.4
Other adjustments for non-cash transactions	0.9	-0.5
Financial income and expenses	21.9	25.8
Taxes	13.8	14.2
Increase / decrease in working capital	2.6	-3.0
Interests received	0.8	0.3
Dividends received	0.1	0.1
Interests paid and fees	-16.8	-17.0
Other financial items in operating activities	-7.6	-9.7
Taxes paid	-2.6	-3.4
Net cash provided by operating activities	74.4	60.2
Cash flows from investing activities		
Investments in investment properties	-73.7	-87.0
Investments in tangible and intangible assets	-1.2	-4.1
Investments in other securities	-	-0.5
Granted loans	-	0.0
Repayments of loan receivables	0.0	0.0
Proceeds from sale of investments	0.0	1.2
Proceeds from sale of tangible and intangible assets and investment properties	39.1	3.9
Acquisition of subsidiaries	-5.8	-53.0
Sale of subsidiaries	56.9	64.0
Net cash used in investing activities	15.4	-75.5
Cash flows from financing activities		
Increase in long-term loans	16.0	183.0
Decrease in long-term loans	-89.2	-203.2
Sale of subsidiaries, no change in control	1.1	-
Dividends paid and return of capital	-20.4	-20.0
Paid share issue	-	125.5
Acquisition of own shares	-	-1.1
Hybrid bond interest paid	-5.6	-5.6
Change in short-term loans	-48.3	23.9
Net cash provided by financing activities	-146.4	102.5
Net increase/decrease in cash assets:	-56.7	87.3
Effects of exchange rate fluctuations on cash held	0.4	1.4
Cash and cash equivalents at period-start	128.0	39.4
Cash and cash equivalents at period-end	71.8	128.0

FINANCIAL INFORMATION BY SEGMENTS

On the closing date, Technopolis Group had three reporting segments: Finland, Baltic Rim and Scandinavia. The Group has combined its operating segments into reporting segments based on geographic location. The operating segments combined into the Finland segment are the Helsinki Metropolitan Area, Tampere, Kuopio and Oulu business units. Jyväskylä business unit was divested in November 2017. 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 of rental and service revenue.

SEGMENT INFORMATION

EUR million	10-12/ 2017	10-12/ 2016	FY 2017	FY 2016
Net sales				
Finland	29.6	30.0	117.7	120.5
Baltic Rim	9.4	7.9	36.0	29.5
Scandinavia	6.6	6.9	26.0	22.0
Total	45.5	44.8	179.7	172.1
EBITDA				
Finland	14.0	14.1	61.5	64.3
Baltic Rim	5.4	4.6	21.5	16.6
Scandinavia	3.1	3.7	14.1	12.2
Total	22.7	22.4	97.1	93.1
Assets				
Finland	-	-	1,056.7	1,221.1
Baltic Rim	-	-	383.4	326.3
Scandinavia	-	-	340.7	351.3
Eliminations	-	-	-60.9	-75.0
Total	-	-	1,719.8	1,823.7

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 net result for the period excluding the change in the fair value of investment properties, the change in the fair value of non-hedge financial instruments, unrealized exchange rate gains and losses and other items, such as gains and losses from disposals. Additionally, the direct result presents the related taxes and share of non-controlling interests.

Items excluded from the direct result and their tax effects and share of non-controlling interests are presented in the statement of income showing the indirect result.

DIRECT RESULT

EUR million	10-12/ 2017	10-12/ 2016	FY 2017	FY 2016
Net sales	45.5	44.8	179.7	172.1
Other operating income	0.0	0.0	0.0	0.0
Other operating expenses	-22.5	-22.0	-82.2	-79.5
Depreciation	-1.0	-1.0	-4.1	-4.0
Operating profit/loss	22.0	21.7	93.4	88.6
Financial income and expenses, total	-4.4	-6.2	-21.8	-24.3
Result before taxes	17.6	15.5	71.6	64.3
Taxes for direct result items	-0.8	-1.0	-3.8	-5.9
Non-controlling interests	-2.3	-1.6	-7.2	-5.7
Direct result for the period	14.5	12.9	60.6	52.6

INDIRECT RESULT

Indirect income and expenses	-0.4	-0.4	-0.4	0.5
Change in fair value of investment properties	12.0	-0.5	28.3	0.2
Operating profit/loss	11.6	-0.9	28.0	0.7
Other indirect financial income and expenses	-0.3	0.1	-0.5	-0.8
Result before taxes	11.3	-0.9	27.4	-0.1
Taxes for indirect result items	-4.2	-1.1	-10.0	-8.3
Non-controlling interests	-0.2	1.1	-1.6	0.4
Indirect result for the period	6.9	-0.9	15.9	-8.0
Result for the period to the parent company shareholders, total	21.4	12.0	76.5	44.6
Earnings per share, diluted ³⁾				
From direct result	0.09	0.10	0.39	0.40
From indirect result	0.04	-0.01	0.10	-0.06
From net result for the period	0.14	0.09	0.49	0.34
Effect of the interest expenses from equity related bond	-0.01	-0.01	-0.03	-0.03
From adjusted net result for the period	0.13	0.08	0.46	0.31

³⁾ Share related indicators have been adjusted for the rights issue in fall 2016.

KEY INDICATORS

	Dec 31, 2017	Dec 31, 2016
Change in net sales, %	4.4	0.9
Operating profit/loss/net sales, %	67.5	51.9
Change in EBITDA, %	4.3	0.1
Service revenue of Net Sales, %	14.1	13.0
Interest coverage ratio	4.1	3.7
Equity ratio, %	44.8	39.7
Loan to value, %	50.1	58.2
Group company personnel during the period, average	234	248
Gross expenditure on assets, MEUR	77.5	221.0
Net rental yield of investment properties, % ⁴⁾	7.2	7.4
Financial occupancy rate, %	96.1	93.4
Earnings/share ⁶⁾		
basic, EUR	0.46	0.31
diluted, EUR	0.46	0.31
Cash flows from operating activities/share, EUR ⁶⁾	0.47	0.46
Equity/share, EUR ⁶⁾	4.06	3.75
Average issue-adjusted number of shares ^{5,6)}		
basic	156,873,264	130,247,085
diluted	156,873,264	130,247,085
Issue-adjusted number of shares at the end of period	156,890,289	156,846,091
P/E ratio	8.57	9.13
Dividend/share, EUR ^{6,7)}	0.09	0.12
Equity repayment/share, EUR ⁷⁾	0.08	-
Dividend payout ratio, %	37.0	38.9
Effective dividend yield	4.07	3.83

OTHER KEY INDICATORS

Market value of shares, EUR million, Dec 31	663.8	497.0
Share turnover, shares	71,962,264	49,747,491
Share turnover out of average number of shares, %	45.87	38.19
Share prices, EUR		
Highest price	4.20	3.48
Lowest price	2.96	2.89
Volume weighted average price	3.73	3.16
Price, Dec 31	4.18	3.13

⁴⁾ The figure does not include properties commissioned and acquired during the fiscal year.

⁵⁾ Own shares held by the company (1,903,373 shares) are excluded from the number of shares.

⁶⁾ Share related indicators have been adjusted for the rights issue in fall 2016.

⁷⁾ Board's proposal to the AGM.

CHANGE IN VALUE OF INVESTMENT PROPERTIES

EUR million	10-12/ 2017	10-12/ 2016	FY 2017	FY 2016
Change in fair value, Finland	3.4	2.2	10.7	7.5
Change in fair value, Baltic Rim	0.1	-0.3	6.9	1.3
Change in fair value, Scandinavia	7.4	1.9	10.1	2.1
Change in fair value	10.9	3.8	27.7	10.9
Changes in acquisition costs of investment properties in financial year	-0.2	-7.3	-8.5	-19.0
Changes in fair value of projects in progress	1.3	2.9	9.1	8.3
Effect on profit of change in value of investment properties	12.0	-0.5	28.3	0.2

CONTINGENT LIABILITIES

EUR million	Dec 31, 2017	Dec 31, 2016
Pledges and guarantees on own debt		
Mortgages of properties	931.5	1,009.9
Pledged securities and investment properties	717.0	712.9
Pledges for land lease payments	3.6	3.6
Other guarantee liabilities	149.6	152.5
Leasing liabilities, land + locations	86.7	65.1
Leasing liabilities, machinery and equipment	0.2	0.2
Project liabilities	0.0	0.0
Interest rate and currency swaps		
Nominal values	574.9	639.2
Fair values	-11.4	-19.6

BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES, December 31, 2017

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

EUR million	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortized purchase price	Financial assets/liabilities measured at fair value	Total	Fair value of financial assets/liabilities
Non-current financial assets						
Assets measured at fair value						
Available-for-sale investments						
Available-for-sale quoted financial assets (level 1)		0.7			0.7	0.7
Available for sale non-quoted financial assets (level 3)		0.8			0.8	0.8
Other non-current receivables	-0.3				-0.3	-0.3
Total	-0.3	1.4			1.1	1.1
Current assets						
Trade and other receivables						
Sales receivables	4.4				4.4	4.4
Other current receivables	6.5				6.5	6.5
Cash and cash equivalents	71.8				71.8	71.8
Derivatives						
Interest rate swaps (level 2)					0.0	0.0
Total	82.7				82.7	82.7
Non-current liabilities						
Financial liabilities recognized at amortized cost						
Non-current finance lease liabilities (level 2)			6.1		6.1	6.1
Non-current interest-bearing liabilities (level 2)			614.4		614.4	615.7
Non-current non-interest-bearing liabilities (level 2)			3.3		3.3	3.3
Other non-current liabilities			77.9		77.9	77.9
Total			701.7		701.7	703.1
Current liabilities						
Financial liabilities at fair value through profit or loss						
Derivatives						
Interest rate swaps, meeting the criteria for hedge accounting (level 2)				10.8	10.8	10.8
Interest rate swaps, not meeting the criteria for hedge accounting (level 2)				0.5	0.5	0.5
Financial liabilities recognized at amortized cost						
Current finance lease liabilities		1.7			1.7	1.7
Other current interest-bearing liabilities		182.8			182.8	182.8
Trade and other payables		54.0			54.0	54.0
Purchase price liabilities		3.3			3.3	3.3
Total			241.8	11.4	253.2	253.2

ALTERNATIVE PERFORMANCE MEASURES USED IN TECHNOPOLIS' FINANCIAL REPORTING

The new guidelines of the European Securities and Markets Authority (ESMA) regarding Alternative Performance Measures (APMs) entered into force on July 3, 2016. This had no impact on the performance measures used by Technopolis, but in compliance with the ESMA guidelines. Technopolis publishes a list of the APMs that the company reports, their definitions and reconciliations to IFRS line items.

Technopolis reports APMs to reflect the underlying business performance and to enhance comparability between financial periods. APMs i.e. performance measures not based on financial statements standards provide notable supplemental information to management, investors, securities analysts and other interested parties by excluding items that may not be indicative of Technopolis's operating result or cash flows. APMs may not be considered as a substitute for measures of performance in accordance with the IFRS.

Certain items that are not related to normal business operations but that have a significant impact on the income statement of the reporting period have been classified as items affecting comparability. Items affecting comparability include e.g. fair value changes of investment properties and non-hedge financial instruments, unrealized currency exchange rate gains and losses as well as gains and losses on disposals.

Net sales on a constant currency basis, EBITDA, EBITDA on a constant currency basis, EBITDA margin and EBITDA by business area are presented as alternative performance measures as the Company believes they enhance understanding of its operative performance.

EPRA (European Public Real Estate Association) is an organization of listed real estate 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. Technopolis reports the following APMs based on EPRA recommendation: direct result, direct result per share, net rental yield and net asset value per share. The Company's management monitors these performance measures regularly. They are also of interest to investors and analysts familiar with the real estate industry, and make comparison between real estate companies easier.

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES

Net sales on a constant currency basis

Net sales - impact of currency exchange rate changes

EBITDA by business area

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

EPRA Net rental yield

Rental income from Group-owned properties
$$100 \times \frac{\text{Rental income from Group-owned properties} - \text{Direct expenses from Group-owned properties}}{\text{Fair value of completed investment properties that have been Group-owned for the whole fiscal year on reporting date}}$$

ROE (based on EPRA earnings)

EPRA earnings before taxes
$$\frac{\text{EPRA earnings before taxes} - \text{taxes from operative items}}{\text{Equity + non-controlling interests for year, average}}$$

EBITDA on a constant currency basis EBITDA - impact of currency exchange rate changes

EPRA Direct result

See paragraph "EPRA Earnings" in the Tables section of this report.

EPRA Net asset value/share

Equity to parent company shareholders
- Hedging reserve
+ Deferred taxes from investment properties
$$\frac{\text{Equity to parent company shareholders} - \text{Hedging reserve} + \text{Deferred taxes from investment properties}}{\text{Issue-adjusted number of shares, basic, on reporting date}}$$

RECONCILIATIONS

For the APMs that include items affecting comparability, the reconciliations to the most directly reconcilable line item or sum presented in the IFRS financial statements can be found in the tables below. The reconciliation of direct result is presented elsewhere in the Tables section of this half year report.

Net sales on a constant currency basis

Items affecting comparability (currency impact) consist of the impact of the Norwegian krone, the Russian ruble and Swedish krona exchange rate changes against euro on net sales. The currency impact has been calculated by deducting from net sales the net sales of the reporting period calculated using the NOK, RUB and SEK exchange rates of the comparison period.

EUR million	10-12/ 2017	10-12/ 2016	FY 2017	FY 2016
Net sales	45.5	44.8	179.7	172.1
Items affecting comparability (currency impact)	-0.2	-0.2	-0.9	1.5
Net sales on a constant currency basis	45.3	44.6	178.8	173.6

EBITDA on a constant currency basis

Items affecting comparability (currency impact) consist of the impact of the Norwegian krone, the Russian ruble and Swedish krona exchange rate changes against euro on EBITDA. The currency impact has been calculated by deducting from EBITDA the EBITDA of the reporting period calculated using the NOK, RUB and SEK exchange rates of the comparison period.

EUR million	10-12/ 2017	10-12/ 2016	FY 2017	FY 2016
EBITDA	22.7	22.4	97.1	93.1
Items affecting comparability (currency impact)	-0.2	-0.1	-0.7	1.0
EBITDA on a constant currency basis	22.5	22.2	96.4	94.1

EBITDA by business area

The items affecting comparability in EBITDA by business area include Group-level expenses and eliminations.

EUR million	10-12/ 2017	10-12/ 2016	FY 2017	FY 2016
EBITDA from rental operations	23.4	24.1	101.0	98.9
EBITDA %, Rental operations	60.7	63.1	65.5	66.1
EBITDA from services	0.6	0.9	2.7	2.1
EBITDA %, Services	8.1	13.9	10.5	9.4
Items affecting comparability in EBITDA	-1.3	-2.7	-6.6	-8.0
EBITDA in total	22.7	22.4	97.1	93.1

EPRA Net rental yield

EUR million	Dec 31, 2017	Dec 31, 2016
Rent income	154.3	149.6
Items affecting comparability in rent income	-15.0	-8.6
Rent income used in net rental yield calculation	139.3	141.0
Premises expenses	-39.4	-39.5
Items affecting comparability in premises expenses	8.6	-1.3
Premises expenses used in net rental yield calculation	-30.8	-40.9
Fair value of completed investment properties	1,537.9	1,624.2
Building rights	-64.5	-70.3
Other items affecting comparability	-55.4	-194.9
Fair value of investment properties used in net rental yield calculation	1,418.0	1,358.9

EPRA Net asset value

EUR million	Dec 31, 2017	Dec 31, 2016
Equity to parent company shareholders	711.2	662.1
Items affecting comparability:		
- Hedging reserve	-6.5	-13.0
+ Deferred taxes from investment properties	74.5	64.4
- Equity related bond	74.2	74.2
Net asset value	718.0	665.2

Technopolis is a shared workspace expert. We provide efficient and flexible offices, coworking spaces and everything that goes with them. Our services run from designing the workspace to reception, meeting solutions, restaurants and cleaning. We are obsessed with customer satisfaction and value creation. Our 17 campuses host 1,600 companies with 50,000 employees in six countries within the Nordic and Baltic Sea region. Technopolis Plc (TPS1V) is listed on Nasdaq Helsinki.

For more information, please visit our [website](#).

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