



Technopolis Plc  
Q3 2018 Interim Report  
October 25, 2018

# NEW ERA FOR TECHNOPOLIS

## January–September 2018

### IFRS

- Net sales down 2.1% to EUR 131.4 (134.2) million
- Earnings per share were EUR 0.33 (0.33)
- Equity per share was EUR 4.16 (3.95), up 5.3% y-o-y

### Alternative Performance Measures

- EPRA NAV per share EUR 4.72 (4.46), up 5.8% y-o-y
- Financial occupancy rate rose to 94.9% (94.4%)
- EBITDA was EUR 71.1 (74.5) million, down 4.5% y-o-y
- EPRA earnings EUR 42.9 (46.4) million, down 7.6% y-o-y
- EPRA earnings per share were EUR 0.27 (0.30)
- Fair value of investment properties at the end of the period was EUR 1,616.5 million (1,635.9 and 1,537.9 million on Dec 31, 2017)

## Q3/2018

### IFRS

- Net sales EUR 44.2 (44.1) million

### Alternative Performance Measures

- EBITDA was EUR 24.6 (25.4) million, down 3.1% y-o-y
- EPRA earnings EUR 15.5 (16.3) million, down 4.9% y-o-y
- EPRA earnings per share were EUR 0.10 (0.10)

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

On August 28, 2018, Kildare Nordic Acquisitions S.à r.l announced a recommended public cash tender offer on all issued and outstanding shares in Technopolis Plc. The offer period ended on October 10, 2018.

After the review period on October 12, 2018 Kildare announced that according to the final result of the offer, the shares tendered, together with the total of 6,535,363 shares acquired by the offeror through market purchases, represented approximately 93.12% of all the shares and votes in Technopolis (excluding treasury shares).

## KEY INDICATORS

		Q3/ 2018	Q3/ 2017	Change %	Jan- Sep/ 2018	Jan- Sep/ 2017	Change %	2017
<b>IFRS</b>								
Net sales	EURm	44.2	44.1	0.2	131.4	134.2	-2.1	179.7
Equity ratio	%	-	-	-	41.1	42.9	-	44.8
<b>Alternative Performance Measures</b>								
EBITDA	EURm	24.6	25.4	-3.1	71.1	74.5	-4.5	97.1
EPRA earnings	EURm	15.5	16.3	-4.9	42.9	46.4	-7.6	60.6
Loan-to-value (LTV)	%	-	-	-	53.6	52.4	-	50.1
EPRA Return on equity (rolling 12m)	%	-	-	-	8.7	9.0	-	9.1
EPRA earnings / share	EUR	0.10	0.10	-4.9	0.27	0.30	-7.7	0.39
EPRA NAV / share	EUR	-	-	-	4.72	4.46	5.8	4.58
EPRA NNAV / share	EUR	-	-	-	4.13	3.80	8.7	4.05
Financial occupancy rate	%	-	-	-	94.9	94.4	-	96.1
EPRA net rental yield	%	-	-	-	7.2	7.2	-	7.2

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.

## NEAR-TERM OUTLOOK UNCHANGED FROM OCTOBER 12, 2018

Technopolis estimates that the Group net sales in 2018 will be at the same level as it was in 2017. The company expects the Group EBITDA to be below the 2017 EBITDA.

The estimates take into account the divestiture of operations in Jyväskylä, Finland in late 2017, as well as the costs related to the voluntary public tender offer by Kildare Nordic Acquisitions S.à r.l. The negative effects of the Jyväskylä divestitures on Group Net sales and EBITDA, on an annual level, are approximately EUR 14.5 million and EUR 7.2 million, respectively. The costs and fees related to the tender offer are estimated to be approximately EUR 5.9 million euros, in total.

## FROM THE CEO

“The single most significant event in the third quarter was the announcement and subsequent completion of the voluntary public cash tender offer on all shares in Technopolis by Kildare Nordic Acquisitions S.à r.l. The offer period started on September 7 and ended on October 10. The final result was announced on October 12, according to which, the shares tendered in the tender offer, together with the shares acquired by Kildare through market purchases, represented approximately 93.12% of all the shares and votes in Technopolis, excluding treasury shares. The change of control took place on October 16. At present, a subsequent offer period is in progress and it will expire at end of the month. Kildare has announced that it will initiate redemption proceedings to redeem the remaining shares in accordance with the Finnish Companies Act and will also initiate, in due course, measures to delist Technopolis’ shares from Nasdaq Helsinki.

Operationally, I am satisfied with our business for the first nine months of the year. Our net sales and EBITDA were slightly lower than last year, but if you remove the effect of the Jyväskylä divestiture in November 2017, we have had healthy growth. Occupancy rates rose year-on-year, which boosted net sales and improved relative profitability.

Group net sales in January-September decreased by 2.1% year-on-year, but our like-for-like sales rose 3.6%. The main drivers behind this development were robust service growth and rising occupancy. Rental growth also had a positive impact on Group net sales. Our financial occupancy rate (FOCR) at the end of September reached 94.9% (94.4%), with the greatest year-on-year improvement in Oslo, Oulu and Kuopio. However, the FOCR declined somewhat from the previous quarter mainly due to the relatively low pre-let rate of the Ruoholahti 3 building in Helsinki. The building was completed on July 1, 2018. Sales initiatives and other measures have been taken to rectify the situation, and the signed agreements today represent occupancy rate of 81.8%.

At the end of June, we had seven organic growth projects in progress. In the third quarter, we initiated three new ones: one in Estonia and two in Finland. The cumulative value of these on-going projects together with already completed ones, amounts to EUR 229 million, against our target of EUR 200–250 million for the 2017–2020 strategy period. Every one of our organic growth projects is strongly accretive, supports internal customer growth, and brings efficiencies.

Services are emerging as an increasingly important and steadily growing part of our business. In January–September, service income reached EUR 20.6 million (11.6% y-o-y growth), and represented 15.7% of the Group net sales. In the third quarter, the share was 15.2%. The lower share compared to the year-to-date number is due to the seasonality of the service business. The third quarter profitability for services was significantly impacted by UMA network ramp-up costs, and third quarter service EBITDA was slightly negative. In January–September, costs related to the UMA-ramp-up amounted to EUR 2.2 million. Excluding those, the service EBITDA margin was 16.9%.

Group EBITDA in the first nine months was 4.5% lower than in the corresponding period a year earlier, at EUR 71.1 (74.5) million, due to the Jyväskylä divestiture, non-recurring items, a change in real estate tax accounting, and UMA network ramp-up costs. The non-recurring items related to an acquisition case that was terminated in the second quarter. Like-for-like EBITDA growth was 4.5%, year-on-year.

Yield compression was the primary driver behind positive fair value changes, which brought EUR 18.3 (16.4) million in the first nine months, and were a significant contributor at the operating profit level.

We now have three flagship UMA coworking spaces in operation, one in Helsinki, one in Stockholm and one in Copenhagen. Two more are set to open this year and three more UMA leases have been signed for 2019–2020. We are particularly excited about the opening in Warsaw, Poland next year, as it also represents a new market for Technopolis. We will continue to expand our UMA footprint in the other major cities and hubs of the Nordic–Baltic Sea area in accordance with the Group strategy.

Looking ahead, we will have an extraordinary general meeting on November 7, 2018, when a new Board of Directors will be appointed. I'd like to thank our current Board for the fruitful collaboration that has taken us to this turning point in the history of Technopolis.

I would also like to thank our amazing staff, who have performed throughout this process with a passion, dedication and professionalism that leaves me feeling both proud and humbled. An exciting adventure is about to begin.

To our customers I would like to say that in the aftermath of this transaction Technopolis will be better positioned than ever to support your efficiency, agility, and ability to attract talent.

A new era has started, and I have confidence that our new owners will bring the kind of energy, resources and know-how to take this company to a new plateau in its development as a world-class workspace service provider."

## FINANCIAL PERFORMANCE

		Q3/ 2018	Q3/ 2017	Change %	Jan- Sep/ 2018	Jan- Sep/ 2017	Change %	2017
Net sales, Group	EURm	44.2	44.1	0.2	131.4	134.2	-2.1	179.7
Property income <sup>*)</sup>	EURm	37.5	38.5	-2.7	110.8	115.8	-4.3	154.3
<i>share of net sales</i>	%	84.8	87.3	-	84.3	86.3	-	85.9
Service income	EURm	6.7	5.6	19.9	20.6	18.4	11.6	25.4
<i>share of net sales</i>	%	15.2	12.7	-	15.7	13.7	-	14.1
EBITDA, Group	EURm	24.6	25.4	-3.1	71.1	74.5	-4.5	97.1
<i>EBITDA margin</i>	%	55.7	57.5	-	54.1	55.5	-	54.0
EBITDA, property	EURm	26.8	26.6	0.8	76.9	77.6	-0.9	102.7
<i>EBITDA margin</i>	%	71.7	69.2	-	69.4	67.1	-	66.5
EBITDA, services	EURm	-0.1	0.5	-117.5	1.6	2.1	-22.7	2.7
<i>EBITDA margin</i>	%	-1.3	8.6	-	7.9	11.4	-	10.5
Operating profit, Group	EURm	22.3	31.1	-28.3	86.6	87.8	-1.4	121.4
<i>Operating profit margin</i>	%	50.5	70.5	-	65.9	65.4	-	67.5
Net result	EURm	14.1	22.8	-38.3	58.9	61.3	-3.9	85.2
EPS	EUR	0.07	0.12	-38.6	0.33	0.33	-0.1	0.46

<sup>\*)</sup> In the audited consolidated financial statements as at and for the year ended December 31, 2017, Technopolis has used the term "rental income." In order to be more precise, however, in the unaudited interim report for Q1/2018, Technopolis Technopolis has changed the term to "property income," as "service income" also includes items that can be classified as rental income. There is no change in the calculation of the figure.

Note: Group EBITDA includes Group-level expenses as indicated in the table on page 35.

## Net Sales and Income

### January–September 2018

The **Group net sales** for January–September was EUR 131.4 (134.2) million, down 2.1% from the corresponding period in the previous year. The main reason for the decline was the divestiture of the Jyväskylä operations in November 2017. Changes in foreign exchange rates decreased net sales by EUR 1.8 (+1.2) million mainly due to weakening of the Russian ruble, but also the Norwegian krone and Swedish Krona. On a constant currency basis net sales were down 0.7%.

**Property income** amounted to EUR 110.8 (115.8) million, down 4.3% compared to the corresponding period in 2017. The reason for the decline was the divestiture of the Jyväskylä operations in November 2017. The **financial occupancy rate** at the end of the period reached 94.9% (94.4%). The largest increases were seen in Oslo, Oulu and Kuopio, in Finland.

**Service income** continued its positive trend, increasing by 11.6% year-on-year and amounting to EUR 20.6 (18.4) million in January–September. The share of service income in Group net sales, **service penetration**, was 15.7% (13.7%). Service income increased in all business units compared to the previous year. The largest absolute and relative growth were seen in the the Kuopio business unit, in Finland. In absolute terms, the Vilnius, Oulu and Tallinn business units showed good growth. Service penetration was highest in Kuopio, Helsinki Metropolitan Area and Tampere business units in Finland.

### Q3/2018

The **Group's net sales** in the third quarter were EUR 44.2 (44.1) million. On a constant currency basis, net sales were up 1.5%.

**Property income** in the third quarter was EUR 37.5 (38.5) million, down 2.7% year-on-year. **Service income** grew 19.9% year-on-year, and was EUR 6.7 (5.6) million.

Property income and service income comprised 84.8% (87.3%) and 15.2% (12.7%), respectively, of the Group's third quarter net sales.

### Profitability

#### January–September 2018

Premises expenses in January–September declined 2.5% year-on-year and were EUR 28.6 (29.3) million. The Group's administrative costs totaled EUR 10.5 (9.9) million. The increase was mainly due to a EUR 0.4 million non-recurring cost in the second quarter related to an acquisition case that was terminated.

Other operating expenses increased 7.1% from the previous year and were EUR 22.0 (20.5) million. The increase is in line with the growing service income and UMA ramp-up related costs. In addition, other operating expenses include a EUR -0.3 million adjustment related to property taxes. In the second quarter, Technopolis amended its accounting policy related to property taxes in accordance with IFRIC 21. The amendment does not have any effect on the full-year real estate taxes. The accounting policy amendment is explained in more detail on page 22.

The **Group's EBITDA** for January–September totaled EUR 71.1 (74.5) million, down 4.5% year-on-year. The main reason for the decline was the divestiture of the Jyväskylä operations in November 2017. The EBITDA margin was 54.1% (55.5%). Changes in foreign currency exchange rates decreased EBITDA by EUR 1.2 (increased 0.9) million mainly through the weakening of the Russian ruble against the euro. On a constant currency basis, EBITDA declined 2.9% and the EBITDA margin was 54.3%.

**Property EBITDA** in January–September amounted to EUR 76.9 (77.6) million. The property EBITDA margin improved from the comparison period and was 69.4% (67.1%). The margin improvement was mainly due to the divestiture of the Jyväskylä operations. Also the positive development in occupancy compared to the previous year positively affected margin development.

**Service EBITDA** was down 22.7% and was EUR 1.6 (2.1) million. The EBITDA margin for services declined year-on-year and was 7.9% (11.4%). The decline was mainly due to ramp-up expenses related to the UMA coworking network, which amounted to approximately EUR 2.2 million in January–September. Excluding UMA, the service EBITDA margin was 16.9%.

In addition to property and service EBITDAs, the Group EBITDA includes Group-level expenses as indicated in the table on page 35.

At the end of September 2018, the fair value of Technopolis' investment properties was EUR 1,616.5 (9/17: 1,635.9; 12/17: 1,537.9) million. In January–September, **fair value changes** totaled EUR 18.3 (16.4) million. The biggest positive impact came from changes in yield requirements.

Fair value changes in January–September 2018:

EURm	Yield requirement	Occupancy assumption	Modernization	Other changes	Projects in progress	Total
Finland	9.8	0.3	-6.7	1.2	2.2	6.8
Baltic Rim	4.4	0.3	-1.9	0.0	3.2	6.0
Scandinavia	6.0	0.1	-2.9	2.3	0.0	5.5
<b>TOTAL</b>	<b>20.2</b>	<b>0.7</b>	<b>-11.5</b>	<b>3.5</b>	<b>5.4</b>	<b>18.3</b>

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

**Operating profit** in the first nine months was EUR 86.6 (87.8) million, down 1.4% year-on-year. Net financial expenses including unrealized exchange rate profits and losses were down from the previous year at EUR 15.4 (17.7) million. Net financial expenses were lower due to a lower average interest rate, as well as unrealized foreign currency exchange rate gains related to an internal NOK-denominated loan.

Pre-tax profits rose to EUR 71.1 (70.1) million. Taxes increased to EUR 12.2 (8.8) million mainly due to higher current taxes. Current taxes were EUR 3.5 (0.7) million. The **net result** for the period declined by 3.9% to EUR 58.9 (61.3) million. **EPS** was EUR 0.33 (0.33).

**EPRA** (European Public Real Estate Association) **earnings** in the first nine months declined by 7.6% year-on-year and amounted to EUR 42.9 (46.4) million. The decrease was a result of the divestiture of the Jyväskylä assets in November 2017, a EUR -0.3 million adjustment to property taxes in the third quarter, and a EUR 0.4 million non-recurring cost in the second quarter, related to an acquisition case that was terminated. **EPRA earnings per share** for January–September amounted to EUR 0.27 (0.30). EPRA 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.

### Q3/2018

Premises expenses in the third quarter were EUR 8.8 (9.0) million. The decrease was due to the divestiture of the Jyväskylä operations. Administrative costs were EUR 3.5 (3.1) million. Other operating expenses were EUR 7.5 (6.6) million. The increase in both administrative costs and other operating expenses were due to increased activity in services business and ramping up the UMA coworking network.

**Group EBITDA** in the third quarter was EUR 24.6 (25.4) million, down 3.1% year-on-year. The EBITDA margin was 55.7% (57.5%). On a constant currency basis, the Group EBITDA decreased 1.5% and the EBITDA margin was 55.8%.

**Property EBITDA** in the third quarter was EUR 26.8 (26.6) million, representing a margin of 71.7% (69.2%). The margin improvement was mainly due to the divestiture of the Jyväskylä operations. **Service EBITDA** was EUR -0.1 (0.5) million, translating into an EBITDA margin of -1.3% (8.6%). Service EBITDA included approximately EUR 1.1 million of expenses related to the ramp-up of the UMA coworking network. Excluding UMA, the service EBITDA margin in the third quarter was 13.4%.

The Group EBITDA comprises Group-level expenses as indicated in the table on page 35.

**Operating profit** in the third quarter declined to EUR 22.3 (31.1) million, down 28.3% for the previous year. The decline was due to lower EBITDA and changes in fair values of investment properties that had an effect of EUR -1.4 (+6.7) million.

Pre-tax profits declined to EUR 16.7 (25.4) million. Taxes were EUR 2.6 (2.6) million. Deferred taxes were EUR 1.9 (1.6) million and current taxes EUR 0.8 (1.0) million. The net result for the period declined by 38.3% to EUR

14.1 (22.8) million. EPS in the third quarter was EUR 0.07 (0.12).

EPRA earnings in July–September amounted to EUR 15.5 (16.3), down 4.9% year-on-year. EPRA earnings per share were EUR 0.10 (0.10).

## BALANCE SHEET, FINANCING AND CASH FLOW

### Balance Sheet and Financing

		30 Sep'18	30 Sep'17	Change, %	31 Dec'17	Change, %
Balance sheet total	EURm	1,736.5	1,770.8	-1.9	1,719.8	1.0
Interest-bearing debt	EURm	890.4	887.7	0.3	805.0	10.6
Cash and equivalents	EURm	29.0	39.3	-26.2	71.8	-59.6
Average loan maturity	yrs	3.9	4.6	-15.2	4.5	-13.9
Loan-to-value (LTV)	%	53.6	52.4	-	50.1	-
Equity ratio	%	41.1	42.9	-	44.8	-
Solvency ratio	%	49.6	47.9	-	42.6	-
Secured solvency ratio	%	36.3	36.7	-	35.3	-
Unencumbered asset ratio	%	23.8	11.3	-	13.6	-
Interest coverage	multiple	4.4	4.2	4.6	4.3	2.7

The Group's balance sheet total on September 30, 2018 was EUR 1,736.5 (1,770.8) million, with liabilities accounting for EUR 1,027.4 (1,015.4) million.

The Group's equity attributable to the parent company shareholders was EUR 652.0 million (EUR 711.2 million on December 31, 2017). Equity decreased mainly due to the redemption of a EUR 75 million hybrid loan in March 2018, as well as a dividend and equity repayment of EUR 26.7 million in April. Equity per share was EUR 4.16 (EUR 4.06 on December 31, 2017) and the equity ratio was 41.1% (44.8% on December 31, 2017). The loan-to-value ratio (LTV) was 53.6% (52.4% and 50.1% on December 31, 2017). At the end of the period, the Group's interest coverage ratio was 4.4 (4.2 and 4.3 on December 31, 2017).

After the review period on October 12, Technopolis announced it had agreed a six-month stand-still period with respect to its existing financing arrangements. Technopolis received consent and waivers from all its commercial banks for the duration of this period, with respect to any rights the relevant lenders may have in a change of control event taking place upon the completion of Kildare Nordic Acquisitions S.à r.l's tender offer. The received consent and waivers impose certain restrictions on, among others, dividend declaration and distribution as well as redemption or repurchase of any of Technopolis share capital, during the stand-still period.

On September 27, Technopolis announced it had signed an extension agreement for its existing NOK 1,065 million (approximately EUR 111.8 million) term loan with the loan's current lenders covering the company's Norwegian operations. The maturity of the loan was extended by six months. The new maturity date of the loan is April 11, 2019.

On March 5, Technopolis signed a five-year EUR 518 million refinancing agreement with three Nordic financial institutions. The agreement has an extension option of up to two years. The package consists of four secured facilities: a EUR 150 million term loan facility for refinancing existing debt, a EUR 100 million committed capex facility, a EUR 100 million committed revolving credit facility and a EUR 168 million guarantee facility. These facilities replaced the majority of the bilateral secured bank loans Technopolis Plc had in place earlier in Finland, with the exception of long-term loans from the European Investment Bank, totaling EUR 166 million at year-end 2017.

The facility agreement includes customary financial covenants that are based on maintaining an equity ratio above 30%, an LTV below 65% and an interest coverage ratio above 2.25.

On September 30, Technopolis had EUR 240.0 (70.0) million in unused committed long-term credit facilities and a EUR 25.0 (25.1) million short-term credit limit of which EUR 3.7 (EUR 21.4 million) was withdrawn at the end of September. In addition, the company has a EUR 150.0 (150.0) million commercial paper program, of which EUR 76.0 (34.9) million was outstanding at the end of the period. Cash and cash equivalents were EUR 29.0 (39.3) million.

At the end of September, the Group's interest-bearing liabilities amounted to EUR 890.4 (887.7) million. Long-term interest bearing-liabilities were EUR 629.0 (785.1) million and short-term interest-bearing liabilities were EUR 261.4 (102.7) million. Interest-bearing liabilities were composed of EUR 630.6 (643.2) million in bank loans, EUR 150.0 (150.0) million in unsecured senior bond and EUR 76.0 (34.9) million in commercial papers, EUR 6.9 (24.5) million in financial leases, and EUR 27.3 (35.1) in other liabilities. Of the interest-bearing liabilities EUR 631.1 million was secured and EUR 259.7 million was unsecured.

Unencumbered assets totaled EUR 412.8 (199.5) million, which translates into an unencumbered asset ratio of 23.8% (11.3%). The solvency ratio at the end of September was 49.6% (47.9%) and the secured solvency ratio was 36.3% (36.7%).

The average interest rate on interest-bearing liabilities was 2.34% (2.44%).

### Financial Expenses

		Q3/ 2018	Q3/ 2017	Change %	Jan- Sep/ 2018	Jan- Sep/ 2017	Change %	2017
Financial expenses	EURm	-5.9	-5.9	-0.3	-17.4	-18.4	-5.4	-24.4
Financial income	EURm	0.3	0.3	9.9	2.0	0.7	194.3	2.1
Net financial expenses	EURm	-5.6	-5.7	-0.8	-15.4	-17.7	-13.1	-22.4
Average interest rate*	%	-	-	-	2.34	2.44	-	2.60

\* Excluding hybrid loan.

Net financial expenses in the first nine months of the year were EUR 2.3 million lower than in the comparison period. Net financial expenses were lower due to a lower average interest rate, as well as unrealized foreign currency exchange rate gains related to an internal NOK-denominated loan.

### Financial Risk Management

On September 30, the Group's interest-bearing liabilities amounted to EUR 890.4 (887.7) million. The average capital-weighted loan maturity was 3.9 (4.6). A total of 51.7% (64.0%) of the Group's interest-bearing liabilities were either interest rate hedged or fixed-rate loans. The Group's interest fixing period was 4.0 (4.5) years, including forward starting hedges in 2019–2021. A one-percentage-point increase in market rates would cause a EUR 1.5 (2.5) million increase in interest costs per annum.

The Group is exposed to foreign exchange rate fluctuations in the Norwegian krone, the Russian ruble, the Swedish krona, and the Danish krone. The direct impact of changes in exchange rates on the Group's operating profit, balance sheet, and equity ratio of the most significant currency exposures as of September 30, 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	-6.0	-6.0	40.9%
RUB +10	0.0	7.3	7.3	41.3%
NOK -10	-2.1	-8.2	-8.2	40.8%
NOK +10	2.6	10.1	10.1	41.4%
SEK -10	0.0	-4.9	-4.9	40.9%
SEK +10	0.0	6.0	6.0	41.3%

At the end of the review period, the Russian subsidiary had equity of RUB 5.0 billion, the Norwegian subsidiaries' equity totaled NOK 857.3 million, and the Swedish subsidiaries' equity was SEK 553.7 million.

## Capital Expenditure and Cash Flow

CAPEX, EUR million	Q3/ 2018	Q3/ 2017	Change %	Jan- Sep/ 2018	Jan- Sep/ 2017	Change %	2017
Acquisition of properties	2.3	4.9	-53.0	2.3	5.8	-60.2	5.8
Organic growth projects	9.0	16.7	-46.1	35.5	39.6	-10.3	61.7
Modernizations	3.9	2.4	60.2	8.4	8.3	0.6	8.5
Other investments	0.8	0.3	161.0	2.7	1.0	165.1	1.5
<b>Total CAPEX incl. acquisitions</b>	<b>16.0</b>	<b>24.4</b>	<b>-34.3</b>	<b>48.9</b>	<b>54.7</b>	<b>-10.7</b>	<b>77.5</b>
CAPEX by segment:							
Finland	14.1	10.5	34.5	37.7	20.5	83.9	29.8
Baltic Rim	1.4	13.9	-90.1	9.1	32.7	-72.2	47.8
Scandinavia	0.5	0.0	-	2.1	1.5	36.1	-0.1
<b>Total CAPEX incl. acquisitions</b>	<b>16.0</b>	<b>24.4</b>	<b>-34.3</b>	<b>48.9</b>	<b>54.7</b>	<b>-10.7</b>	<b>77.5</b>
Divestitures	0.0	2.1	-	1.2	2.1	-43.4	87.7

In January–September, **cash flow from operations** was EUR 37.5 (55.4) million. Cash flow **from investments** was EUR -42.6 (-57.3) million, of which investments in investment properties were EUR -42.4 (-51.9) million. **Financing cash flow** was EUR -36.8 (-86.1) million. **Cash and cash equivalents** on September 30, 2018 were EUR 29.0 (39.3) million. The **net change in cash** in January–September was EUR -41.9 (-88.0) million.

## PROPERTY PORTFOLIO, LEASING, OCCUPANCY AND CUSTOMER BASE

### Property Portfolio

At the end of September 2018, the **fair value** of Technopolis' investment properties was EUR 1,616.5 (1,635.9) million. Technopolis had a total **rentable area** of 723,200 (750,700) m<sup>2</sup>, of which 3,400 (11,400) m<sup>2</sup> was under renovation. The decline in both the fair value and rentable area was mainly due to the divestiture of operations in Jyväskylä, Finland in November 2017. Nearly all properties are office properties. In addition, 61,300 (38,900) m<sup>2</sup> was under construction at the end of the period. Technopolis holds over 364,000 m<sup>2</sup> of building rights, of which over 40% are located in Finland, over 45% in the Baltic Rim, and over 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 September 30, Technopolis had a total of approximately 1,600 customers. The ten largest customers let approximately 22.2% of rented space and the single largest customer has 4.3%. In January–September, the ten largest customers accounted for 20.8% of rental income and the single largest customer 5.3%.

The financial occupancy rate at the end of the period was 94.9% (94.4%) and the technical occupancy rate was 94.2% (93.3%).

At the end of September, Technopolis had a total of nearly 3,100 existing rental agreements. During January–September, the Company agreed on 279 (315) new contracts (including extended or renewed contracts) covering a rentable area of 50,300 (87,500) m<sup>2</sup>. During the same time period, 243 (260) contracts ended, covering a rentable area of 32,500 (37,700) m<sup>2</sup>.

Lease stock, % of space Maturity, years	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017
< 1	17	15	18	15	16
1–3	28	30	29	28	21
3–5	10	10	13	12	19
> 5	15	18	17	17	16
Open-ended leases	31	27	24	26	29
Average lease term in months	31	34	34	34	34
Lease stock, EUR million	352.9	358.9	360.7	372.0	389.9

## BUSINESS SEGMENTS

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

### Finland

The Finland segment comprises the Helsinki Metropolitan Area (HMA), Tampere, Kuopio and Oulu business units, as well as the UMA coworking space in Helsinki. Operations in Jyväskylä were divested at the end of November 2017. Jyväskylä is included in the comparison numbers for January–November 2017.

Finland	Q3/ 2018	Q3/ 2017	Change %	Jan- Sep/ 2018	Jan- Sep/ 2017	Change %	2017
Net sales, EURm	27.8	29.0	-4.4	82.4	88.1	-6.5	117.7
Property income, EURm	22.6	24.6	-8.2	66.8	73.4	-9.0	97.5
Service income, EURm	5.2	4.4	16.9	15.6	14.7	6.3	20.2
EBITDA, EURm	14.8	16.3	-8.9	42.5	47.4	-10.5	61.5
EBITDA margin, %	53.4	56.1	-	51.5	53.8	-	52.3
Fair value of investment properties*, EURm	-	-	-	927.0	994.2	-6.8	890.9
Number of campuses*	-	-	-	12	16	-	12
Rentable area*, m <sup>2</sup>	-	-	-	428,700	478,500	-10.4	425,000
Average rent*, EUR/m <sup>2</sup> /month	-	-	-	17.7	17.6	0.5	17.7
Financial occupancy rate*, %	-	-	-	93.3	93.0	-	94.5
Market yield requirement, average*, %	-	-	-	7.2	7.5	-	7.3

\* At the end of the period.

Note: 9/18: 3,400 m<sup>2</sup> under renovation, 9/17: 10,900 m<sup>2</sup> under renovation.

Rentable area, property income, EBITDA and the fair value of investment properties all decreased, mainly due to divestitures in Jyväskylä, in fall 2017. Average rent increased 0.5% year-on-year, and was EUR 17.7 (17.6) per m<sup>2</sup> per month. The financial occupancy rate (FOCR) increased, mainly due to improvements in Oulu and Kuopio. The decrease in FOCR from the year-end 2017 was mainly due to Ruoholahti 3 relatively low occupancy rate in Helsinki at the end of period. However, sales and other measures have been taken to rectify the situation and the signed agreements at present represent occupancy rate of 81.8%.

### Baltic Rim

The Baltic Rim segment comprises three business units: Tallinn in Estonia, Vilnius in Lithuania and St. Petersburg in Russia.

Baltic Rim	Q3/ 2018	Q3/ 2017	Change %	Jan- Sep/ 2018	Jan- Sep/ 2017	Change %	2017
Net sales, EURm	10.1	8.8	14.5	29.8	26.6	11.8	36.0
Property income, EURm	8.9	7.9	12.1	26.2	24.0	9.0	32.5
Service income, EURm	1.2	0.9	36.2	3.6	2.6	38.1	3.6
EBITDA, EURm	6.4	5.5	17.9	18.6	16.0	16.1	21.5
EBITDA margin, %	63.9	62.0	-	62.5	60.2	-	59.6
Fair value of investment properties*, EURm	-	-	-	356.3	313.2	13.8	325.2
Number of campuses*	-	-	-	3	3	-	3
Rentable area*, m <sup>2</sup>	-	-	-	192,000	170,100	12.9	176,000
Average rent*, EUR/m <sup>2</sup> /month	-	-	-	16.0	15.2	5.3	15.7
Financial occupancy rate*, %	-	-	-	98.4	99.4	-	99.7
Market yield requirement, average*, %	-	-	-	7.9	8.2	-	8.1

\* At the end of the period.

Note: 9/18: 0 m<sup>2</sup> under renovation, 9/17: 500 m<sup>2</sup> under renovation.

Rentable area, net sales, EBITDA and fair values of investment properties in January–September increased year-on-year, mainly due to the completion of new buildings in Vilnius, Lithuania. The depreciating Russian ruble had an impact of EUR -0.9 (+1.1) million on net sales and EUR -0.7 (+0.8) million on EBITDA compared to the same time period in the previous year. Occupancy remained at very high levels.

## Scandinavia

At the end of September 2018, the Scandinavia segment included business units in Oslo in Norway and Gothenburg in Sweden as well as a UMA coworking spaces in Stockholm in Sweden and Copenhagen in Denmark.

Scandinavia	Q3/ 2018	Q3/ 2017	Change %	Jan- Sep/ 2018	Jan- Sep/ 2017	Change %	2017
Net sales, EURm	6.4	6.3	1.2	19.2	19.4	-1.3	26.0
Property income, EURm	6.0	6.0	0.3	17.9	18.4	-2.6	24.4
Service income, EURm	0.4	0.3	16.2	1.3	1.1	21.3	1.6
EBITDA, EURm	3.3	3.7	-8.8	10.0	11.0	-9.1	14.1
EBITDA margin, %	52.6	58.3	-	52.3	56.8	-	54.4
Fair value of investment properties*, EURm	-	-	-	333.1	328.5	1.4	321.9
Number of campuses*	-	-	-	2	2	-	2
Rentable area*, m <sup>2</sup>	-	-	-	102,500	102,100	0.4	100,900
Average rent*, EUR/m <sup>2</sup> /month	-	-	-	19.4	19.5	-0.5	19.5
Financial occupancy rate*, %	-	-	-	95.9	94.1	-	97.5
Market yield requirement, average*, %	-	-	-	5.3	5.4	-	5.3

\* At the end of the period.

Note: 9/18: 0 m<sup>2</sup> under renovation, 9/17: 0 m<sup>2</sup> under renovation.

In the first nine months, property income declined 2.6% year-on-year. The depreciating Norwegian krone and Swedish krona had negative impacts of EUR 0.9 (+0.1) million on net sales and EUR 0.5 (+0.0) million on EBITDA compared to the corresponding period a year earlier. The profitability was burdened by the ramp-up cost related to UMA Kungsbron (Stockholm) and UMA Vestergade (Copenhagen).

The average rent in euros decreased by 0.5% year-on-year to EUR 19.4 (19.5) per m<sup>2</sup>. In constant currencies, the average rent increased 5.9%.

The Gothenburg campus, in practice, is almost a single tenant campus for the time being, which explains the low level of service income in Scandinavia.

## GROUP STRATEGY AND FINANCIAL TARGETS

In summer 2017, Technopolis completed a comprehensive review of the Group's strategy, and its 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:

- Earnings Per Share growth of 8–10% per annum on an EPRA earnings basis
- 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 by the end on 2022. 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.

## Organic Expansion

Organic expansion projects in progress, their rentable areas and estimated investment amounts on September 30, were as follows:

Area	Name	Pre-let rate, %	Rentable area, m <sup>2</sup>	Total investment, EURm	Stabilized yield, % <sup>1)</sup>	Completion
Tallinn	Lõõtsa 12	93.2	9,700	13.6	9.0	7/2018
Vantaa	Aviapolis Bldg H	25.4	5,100	15.1	8.0	1/2019
Tampere	City Center	46.0	13,200	46.0	7.5	10/2019
Oulu	City Center II	0.0	8,400	25.0	8.4	3/2020
Tallinn	Sepapaja 1	0.0	10,800	25.0	8.7	5/2020

Kuopio	Microkatu, phase 8	66.6	6,800	12.1	10.4	8/2019
Tampere	City Center, II	0.0	7,300	27.2	7.8	7/2020
TOTAL in progress			61,300	164.0		

1) Stabilized yield = estimated net operating income / cost

In September, Technopolis and its joint venture partner in Estonia decided on a EUR 25 million investment in the organic expansion of their campus in Tallinn. The Sepapaja 1 building will be built on the Ülemiste Campus. The new building will have a rentable area of 10,800 m<sup>2</sup> upon completion and the estimated stabilized yield is 8.7%. Construction works on the new office building and a parking facility started in October 2018. The building is due for completion in May 2020.

In August, Technopolis decided to invest EUR 39.3 million in organic expansion in Kuopio and Tampere in Finland. In Kuopio, a total of 6,800 m<sup>2</sup> will be added to the Technopolis' Microkatu Campus. The value of the investment is EUR 12.1 million, and the stabilized yield is estimated at 10.4%. Construction has now started and will be completed in August 2019. The pre-let rate is 66.6%.

In Tampere, the second phase of the City Center Campus will be built as an extension to the first, the construction of which started in February 2018. The value of the second phase investment is EUR 27.2 million and the estimated stabilized yield is 7.8%. The second phase will add another 7,300 m<sup>2</sup> in rentable area, bringing the total to 20,500 m<sup>2</sup> upon completion of the campus, which will also have a parking facility with 120 parking spaces. Construction work on the second phase started in September, and the building will be completed in July 2020. The pre-let rate of the first phase at the end of September was 46.0%. The second phase has no signed pre-lets yet, but the prospect pipeline is strong.

In June, Technopolis decided on a EUR 25 million investment to expand its CBD campus in Oulu, Finland. The project is due to be completed in March 2020.

Of the EUR 200–250 million to be allocated to organic growth projects during the strategy period, projects worth EUR 229.2 million were either in progress or completed at the end of September, 2018.

### Expansion and Profitability of the Service Business

Service business growth and profitability improvement are progressing as planned. In January–September, service income grew 11.6% year-on-year and reached EUR 20.6 (18.4) million. Service penetration was 15.7% (13.7%). In the third quarter, service penetration was 15.2%. Some campuses in Finland already had service penetration rates of over 20%. Campuses in the Baltic Rim and Scandinavia are behind the penetration rates in Finland, but there was impressive year-on-year service income growth of around 33% in the international business units, on average. The fastest-growing service areas in January–September were workplace solutions & moving services as well as conference services.

Year-to-date service EBITDA was down 22.7% from the previous year and was EUR 1.6 (2.1) million, with a margin of 7.9% (11.4%). Service EBITDA was significantly impacted by approximately EUR 2.2 million in costs related to the UMA network ramp-up. Excluding UMA, the service EBITDA-margin reached 16.9% in January–September.

### Development of UMA Coworking Network

After the review period in October, Technopolis announced the opening of four new UMA coworking spaces in 2019 and 2020. Technopolis is entering a new market, and opening a UMA Workspace in downtown Warsaw, Poland. Two new UMAs will open in Stockholm, Sweden: one in Södermalm area in downtown Stockholm and another in Solna Strand's vibrant business hub. In addition, another UMA Workspace will open in Keilaniemi's attractive business hub in Espoo, Finland.

In August, Technopolis announced the opening of UMA in downtown Oslo in December 2018. The space will be named UMA Oslo City and it will be built into a leased 3,000 m<sup>2</sup> space with 42 private offices, over 100 open area workstations and four shared meeting rooms.

In July, Technopolis announced it will open a second UMA coworking space in Helsinki in December 2018. It will be located in the trendy Kalasatama district and built into a leased 1,700 m<sup>2</sup> space.

In March 2018, Technopolis announced its UMA expansion into the Danish market. UMA Vestergade was built into a leased 1,950 m<sup>2</sup> space with 33 small offices, 60 hot desks and five shared conference rooms, and opened in September.

UMA Kungsbron opened in Stockholm, Sweden in April 2018. The rentable area is around 2,350 m<sup>2</sup>.

Technopolis continues to actively scout new locations to expand the network in the existing Technopolis countries and in other locations in the Nordic-Baltic Sea region.

## OPERATING ENVIRONMENT

### Macro Environment

%	Finland	Norway	Sweden	Estonia	Lithuania	Russia
<b>GDP growth forecast</b>						
Y-o-y change '17–18	+2.9	+2.5	+2.8	+3.7	+3.3	+1.8
Y-o-y change '18–19	+2.5	+2.1	+2.2	+3.2	+2.9	+1.5
<b>CPI growth forecast</b>						
Y-o-y change '17–18	+1.2	+1.9	+1.6	+2.8	+2.8	+2.9
Y-o-y change '18–19	+2.1	+1.9	+2.2	+2.5	+2.6	+4.0

Source: OECD, May 2018

### Commercial Office Market

#### Finland

%	HMA	Oulu	Tampere	Kuopio
<b>MARKET</b>				
Office vacancy rate				
CBD	8.6	n/a	n/a	n/a
City average	13.0	9.0	12.7	n/a
Market yield				
CBD	3.9-4.8	7.25-7.75	6.5-7.0	8.0-9.0
City, range	4.65-5.75	8.0-10.0	8.0-10.0	8.5-10.0
<b>TECHNOPOLIS</b>				
Office vacancy rate	12.8	9.2	1.6	1.9

Source: Catella, JLL

Note: Market information as of 6/18, Technopolis numbers as of 9/18.

The real estate transaction volume in **Finland** in the first half of 2018 totaled EUR 3.9 billion. In 2017, a record high transaction volume was achieved totaling EUR 10 billion, which was driven by two major deals comprising almost half of the investment volume. In 2018, the market has been even more active than in 2017 when comparing the number of finalized transactions. In addition, Finland continues to interest international investors in 2018 and foreign investors' share of the total transaction volume was 58%.

Vacancy rates in Finland have mostly declined in all asset classes, especially in the Helsinki Metropolitan Area (HMA). When looking at single districts in the HMA, vacancy rates have been declining with a few exceptions. A small increase has been seen in Aviapolis, yet the trend is still downwards. Clear decreases in office vacancies were also visible in Tampere and Oulu.

The prime yield in the **Helsinki** CBD continued to fall and is currently at 3.9%. For new properties with a long lease term the yield requirement is even lower. The decline in yield requirements also continued in other prime

office areas such as Ruoholahti and Keilaniemi. The downward trend has already persisted for more than four years. In growth centers, yield requirements for prime offices have remained unchanged.

Stable demand and declining vacancy rates are expected to push rents upwards by about 2.5% per annum in both the short and long term.

The sources for information on the Finnish office market are Catella and JLL.

## Other Markets

%	SWE Gothenburg	NOR Oslo	EST Tallinn	LIT Vilnius	RUS St. Petersburg
<b>MARKET</b>					
Office vacancy rate					
Class A / CBD*	3.1*	<4.0	4.5	2.7	4.7
Class B / city average*	4.2	10.5 <sup>†</sup>	9.0/8.5*	3.4/3.1*	7.5/6.6*
Market yield					
Class A / CBD*	4.0*	3.75*	<7.0	n/a	9.25-11.25**
Class B / city average*	4.5 <sup>†</sup>	4.25-5.25 <sup>†</sup>	8.0-9.0	6.25**	n/a
<b>TECHNOPOLIS</b>					
Office vacancy rate	3.8	4.3	3.0	0.3	1.6

Sources: JLL: Gothenburg, Oslo and St. Petersburg; Newsec: Tallinn & Vilnius

<sup>†</sup> 'Rest of inner city' in Gothenburg and 'Outer City West' in Oslo.

\*\* Prime office and shopping mall yields in Q3/18.

Note: Market information as of and 6-9/18, Technopolis numbers as of 9/18.

The **Nordic** real estate markets have continued to benefit from a strong business cycle and the low interest rate environment. High demand for facilities is pushing vacancy rates down and fueling rents in virtually every region and segment. The office market has been increasingly affected by the advancement of flexible work places and coworking spaces, while the logistics and retail sectors are undergoing major structural changes as a result of digitalization and the increase in e-commerce. (Source: JLL)

Activity in the **Gothenburg** office rental market during the first half of 2018 has been high, but supply has remained very scarce. The vacancy rate in Gothenburg has continued to drop and is currently at its lowest level for over ten years. But because of the scarcity of new space entering the market, prime rent has reached new record level in several submarkets. (Source: JLL)

After being hit by the collapse in oil prices a few years ago, **Norwegian** growth is set to continue. Both consumption and investments have been increasing and forward looking indicators are showing sustained economic momentum, which means that office demand will continue to rise. After remaining unchanged for three years, **Oslo** office rents have finally started to increase slightly during 2018, as the decline in the vacancy rate has accelerated. This year's rental growth of almost 4% is expected to rise to above 5% next year. (Source: JLL)

All three **Baltic countries** are among the fastest growing in Europe. Currency risk was also removed in all three countries as Lithuania became the last one of them to join the euro zone on January 1, 2015. By the end of Q3'18, the transaction volume of the Baltic States combined more than EUR 560 million, up by 4% compared to the same period a year before. However, it is expected to grow to around EUR 800–1,000 million by the end of the year, as there is a significant number of transactions in progress in all three countries. (Source: JLL)

The office market in **Tallinn** is growing, and there are several constructions projects in progress. According to the current data, delivery of approximately 70,000 m<sup>2</sup> is expected in 2018, most of it in the second half of the year. From the point of view of tenants, the location of the office building is becoming less significant than the working environment (contemporary layout, indoor climate, effective use of space, and optimal general costs). Most in demand are office premises below 100 m<sup>2</sup>. The average vacancy rate for contemporary office buildings in Tallinn is 8.5%: In the A-class segment, the vacancy is 4.5%, and in B-class it is 9%. Vacancy in most in

demand areas, as well as in new A-class buildings, are still marginal. Top rent in A+ grade premises is currently estimated at around EUR 15–18 per m<sup>2</sup> per month. Asking rent level in the new B-class premises is EUR 12–15 per m<sup>2</sup> per month. The price gap between old and new office premises is expected to widen. Average yields for prime office assets have lowered at a steady pace since 2009. Prime property yields are currently slightly below 7%. (Source: Newsec)

It is expected that during 2018–2020 the [Vilnius](#) office market will increase by around 223,100 m<sup>2</sup> of modern office space. Currently, 12 out of 18 planned projects for 2018–2020 in Vilnius are under construction. A-class is expected to cover more than 60% of new developments in terms of leasable area. Despite the active development, in Q3'18, the vacancy rate of A class buildings was 2.7% and that of B class buildings was 3.4%. The average vacancy rate amounts to 3.1%, which is extremely low in terms of the European office market. In Q3'18 the average market rent for existing prime office premises in the Vilnius CBD was EUR 14–16 per m<sup>2</sup> per month (Source: Newsec)

The quality office supply in [St. Petersburg](#) remains well below the level in European cities, although comparable with capitals of Eastern European countries. This fact will not change in the mid-term perspective due to the low future supply. At the local level, the St. Petersburg office market shows the positive trend. Leasing activity in Q1–Q3 2018 was at a low level due to the absence of large office blocks. Relatively high potential demand from IT, mining/exploration and manufacturing companies can be seen. In Q3'18 (compared with Q2), asking ruble rental rates have increased by 1.6% in A-class and by 1.2% in B-class. Average rents in ruble-terms are equal to RUB 1,748 per m<sup>2</sup> per month for A-class and RUB 1,218 per m<sup>2</sup> per month for Class B office buildings. (Source: JLL)

## SUSTAINABILITY AT TECHNOPOLIS

Technopolis is among the sustainability forerunners in the real estate sector. At Technopolis, sustainability is a priority, because of its effects on asset values, tenant wellbeing and productivity, and the overall resilience of business operations. Technopolis focuses its sustainability efforts on the items that are most relevant to its business, via the Technopolis Strategic Sustainability Approach. The focus areas – Shared Workspace, Sustainable Efficiency, and Skills and Integrity – all include a set of targets and actions:

- [The Shared Workspace](#) theme focuses on creating communities that support success, well-being and productivity.
- [The Sustainable Efficiency](#) actions focus on offering customers eco-efficient, healthy, and resilient spaces and services that enhance Technopolis' competitive advantage within the industry.
- [The Skills and Integrity](#) theme focuses on ensuring compliance with responsible business practices and personnel satisfaction and engagement.

The corporate sustainability targets which were renewed in 2017, include reductions in consumption and emissions from the base year 2016 to 2025. Developments are reviewed quarterly.

In 2018, Technopolis participated in the GRESB (Global Real Estate Sustainability Benchmark) survey for the fifth year in a row. The results were published in September. Technopolis received the full five stars and was awarded, once more, the prestigious Green Star status. Compared to the previous year, Technopolis improved both its score and ranking, and was rated the third best company in its European peer group. In addition, Technopolis was ranked best for Resilience and third best for Health and Wellbeing. Technopolis also received the EPRA gold sBPR award for open and transparent data disclosure in its sustainability reporting.

In the second quarter Technopolis became the first Finnish company to receive the Greenbuild Europe Leadership Award. The company was recognized for being one of the most outstanding organizations at the forefront of the green building movement in Europe. The award was given by the U.S. Green Building Council (USGBC) at Greenbuild, the world's largest green building conference platform, in Berlin in April. In its reasoning USGBC emphasized Technopolis' philosophy which embraces sustainability as being a natural extension of its shared workplace strategy. Technopolis was also recognized for being the first company in Finland to participate in LEED volume certification for existing buildings, and only the second worldwide to start using LEED v4 for volume certifications.

During January–September 2018, Technopolis has received three new building-level environmental certifications using the LEED Core and Shell -certification system. The recently opened Lõõtsa 12 building in Tallinn received LEED Platinum certification. It is the second building in Estonia to achieve Platinum level certification. The brand new Penta building in Vilnius, Lithuania received LEED Gold -level certification. It is the second building in Lithuania certified with the LEED Core and Shell -certification system for building construction. In addition, the new Ruoholahti 3 building in Helsinki, Finland also received LEED Gold -level certification.

Furthermore, in collaboration with its partners, Technopolis has been working on increasing the amount of renewable energy produced in its buildings. During the first half of the year, on-site solar energy panels were installed in multiple buildings in Oulu and in one building in Vilnius. The total nominal power of these new solar power systems is 1.4 MW. Technopolis has also increased the share of green electricity procured in the Tallinn campus, significantly reducing the CO<sub>2</sub>-emissions.

In Q1'18, Technopolis was recognized as one of the most inspiring workplaces in Finland by the personnel survey provider Corporate Spirit.

Key Sustainability Indicators	Jan-Sep/ 2018	Jan-Sep/ 2016	Change %	Target 2025
CO <sub>2</sub> emissions, CO <sub>2</sub> e kg/m <sup>2</sup>	16.5	19.6	-16%	-30%
Energy consumption, total, kWh/m <sup>2</sup>	141.6	143.4	-1%	-10%
Energy consumption, building energy, (kWh/m <sup>2</sup> )	94.7	96.8	-2%	-10%

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

## RISKS AND UNCERTAINTIES

In August, 2018, the Board of Directors approved a new Group-level risk management policy. The policy was drafted in order to formalize the Group level risk management process and practices. The key items introduced in the policy and changes to the former practices relate e.g. to making risk identification a more bottom-up process, making some already existing forums formally part of the Group-wide risk management process and making the annual risk review by senior management also include a longer time horizon of three years (previously it was only 12 months). The detailed risk management processes and practices within Technopolis are defined in several specific policies and guidelines.

The main objectives of risk management at Technopolis are to:

- ensure the achievement of the company's business objectives,
- 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.

Other objectives of risk management at Technopolis are to:

- ensure the continuity of business operations,
- optimize the company's risk profile from shareholders' and other stakeholders' point of view,
- prevent avoidable losses, and
- ensure that all employees are aware of possible risks and able to identify and proactively treat risks.

The purpose of financial risk management is to secure efficient and competitive funding for Technopolis' operations, and to reduce the negative impact of financial market fluctuations on its operations. Financial risks and financial risk management are 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 site](#).

In the latest corporate risk review in late fall 2017, the company's management evaluated the most significant risks affecting Technopolis' business to be financial, strategic and external risks. Operational risks were evaluated to be the least significant. The Board of Directors reviewed this evaluation, and in the view of the Board of Directors, there are no changes to this evaluation.

The most significant risks are described in more detail in the report by the Board of Directors in the Financial Statements 2017 and the mitigating actions for key corporate risks are described on the [company's website](#).

## CORPORATE GOVERNANCE

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

### 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, Chief Real Estate Officer; Sami Laine, CFO and Outi Raekivi, Chief Legal Officer.

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 January–September, the Group employed an average of 226 (235) people. On average, property operations employed 69 (76) people, service operations 106 (105) and Group administration 51 (54). The number of personnel at end of the period was 229 (232).

### Annual General Meeting 2018

The Annual General Meeting (AGM) of Technopolis Plc was held on March 20, 2018 in Espoo. The decisions of the AGM were published in a stock exchange release that is available on the [company's website](#).

### Board of Directors

The Board of Directors comprises seven (7) members. Kaj-Gustaf Bergh, Juha Laaksonen, Hannu Leinonen, Helena Liljedahl, Pekka Ojanpää, Christine Rankin and Reima Rytsölä are the elected members of the Board of Directors for a term of office expiring at the end of the next AGM. Juha Laaksonen is the Chairman of the Board of Directors. Reima Rytsölä is the Vice Chairman of the Board of Directors.

### Board Committees

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

- Audit Committee: Christine Rankin (Chairwoman), Hannu Leinonen, Helena Liljedahl and Pekka Ojanpää
- Remuneration and HR Committee: Juha Laaksonen (Chairman), Kaj-Gustaf Bergh and Reima Rytsölä

### 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 for the General Meeting concerning the election and remuneration of the members of the Board of Directors. The Nomination Board was established by the Annual General Meeting in 2013 until further notice.

The three major shareholders of Technopolis based on the company's shareholders' register held by Euroclear Finland Ltd on September 1, 2018, nominated the following representatives to the Nomination Board:

- Risto Murto, President and CEO of Varma Mutual Pension Insurance Company
- Kaj-Gustaf Bergh, Member of the Board of Directors, Mercator Capital Ab and
- Päivi Laajala, Mayor of City of Oulu.

After the review period on October 16, 2018, Varma Mutual Pension Insurance Company and Mercator Capital Ab announced that they have sold all of their shareholding in Technopolis Plc. Also the city of Oulu had sold all of its shareholding in Technopolis Plc. Consequently, the representative of Varma Mutual Pension Insurance Company, Risto Murto, who acted as the Chairman of the Nomination Board, and the representative of Mercator Capital Ab, Kaj-Gustaf Bergh, and representative of the City of Oulu, Päivi Laajala, who acted as members of the Nomination Board, also renounced their membership in the Nomination Board.

According to the Charter of Technopolis Plc's Nomination Board, a member is obliged to resign from the Nomination Board if the relevant shareholder later transfers more than half of the shares it held on the September 1 which entitled it to nominate a member to the nomination board, and as result is no longer among the company's ten largest shareholders.

### Extraordinary General Meeting

After the review period, on October 17, 2018, Kildare Nordic Acquisitions S.à r.l, that holds more than nine-tenths (9/10) of all the shares in Technopolis, requested Technopolis to convene an extraordinary general meeting (EGM). A notice of the EGM was published on the same day. The EGM will be held on Wednesday, November 7, 2018. Further information on the EGM and participation in the EGM is available on the [company's website](#).

### SHARES, SHARE CAPITAL AND TRADING

At the end of September 2018, 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). At the end of the period, the company held a total of 1,878,443 (1,903,373) treasury shares, representing 1.18% (1.20%) of the total number of shares outstanding.

A dividend and equity repayment totaling EUR 0.17 per share for the fiscal year 2017 was paid on April 4, 2018. This corresponded to a payout ratio of 44.4% on EPRA earnings. The effective dividend yield based on EPRA earnings was 3.83%. Effective dividend yield based on the net result for the period was 4.07%.

### Voluntary Public Tender Offer by Kildare Nordic Acquisitions S.à r.l

On August 28, 2018, Kildare Nordic Acquisitions S.à r.l entered into a combination agreement with Technopolis Plc and announced its intention to launch a voluntary public tender offer on all issued and outstanding shares in Technopolis that were not held by Technopolis or its subsidiaries. The offer period started on September 7, 2018. Shareholders of Technopolis were offered a cash consideration of EUR 4.65 for each share validly tendered in the tender offer. The offer valued Technopolis' total equity at approximately EUR 729.7 million, on a fully diluted basis. The Board of Directors of Technopolis unanimously recommended that the shareholders of Technopolis accept the tender offer.

The offer period ended on October 10, 2018. According to the final result of the offer, published on October 12, 2018, the shares tendered in the offer, together with the total of 6,535,363 shares acquired by the offeror through market purchases, represented approximately 93.12% of all the shares and votes in Technopolis (excluding the treasury shares held by Technopolis).

On October 12, 2018, the tender offer was completed and a subsequent offer period was launched. The subsequent offer period will end on October 30, 2018. The offeror intends to acquire all the shares in Technopolis. As the offeror's holdings in Technopolis, on October 16, 2018 exceeded nine-tenths (9/10) of the shares and votes in Technopolis, the offeror has announced that it will initiate redemption proceedings to redeem the remaining shares in accordance with the Finnish Companies Act.

### Authorizations of the Board of Directors

The Annual General Meeting 2018 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 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 its 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, 2019.

By the end of September 2018, the Board had not used this authorization.

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

The amount of shares to be issued shall not exceed 400,000 shares, which corresponds to approximately 0.3% 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).

On April 25, 2018, the Board of Directors of Technopolis Plc decided on a directed share issue without consideration to the key personnel of the Company for the payment of share rewards in accordance with the Performance Share Plan 2013–2017. In the share issue 24,930 treasury shares were issued. The remaining authorization, therefore, is 375,070 shares.

The authorization is effective until the end of the next Annual General Meeting; however, no later than June 30, 2019.

The above authorizations, however, are restricted by consent and waivers Technopolis received after the review period on October 12, 2018. Technopolis agreed on a six-month stand-still period with respect to its existing financing arrangements. The received consent and waivers impose certain restrictions on, among others, dividend declaration and distribution as well as redemption or repurchase of any of Technopolis share capital, during the stand-still period.

## Trading

Share trading		Q3/ 2018	Q3/ 2017	Change %	Jan- Sep/ 2018	Jan- Sep/ 2017	Change %	2017
Lowest price	EUR	3.79	3.63	4.4	3.58	2.96	20.9	2.96
Highest price	EUR	4.68	4.04	15.8	4.68	4.04	15.8	4.20
Closing price (end of period)	EUR	-	-	-	4.67	3.93	18.8	4.18
Volume weighted average price	EUR	4.55	3.79	20.1	4.24	3.34	26.9	3.73
Share turnover	million shares	27.9	8.5	228.2	54.3	37.2	46.0	72.0
Share turnover	EURm	126.9	32.2	294.1	229.9	124.3	85.0	268.2
Market capitalization (end of period)	EURm	-	-	-	741.6	624.1	18.8	663.8

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

Source: Nasdaq Helsinki

According to Fidessa, in January–September 2018, trading on the Nasdaq Helsinki represented 70.6% (71.7%) of the total trading in Technopolis shares. The remaining 29.4% (28.3%) was traded on alternative markets like Cboe and Turquoise.

On August 28, Kildare Nordic Acquisitions S.à r.l announced a voluntary public tender offer on all the issued and outstanding shares in Technopolis. The offer price was EUR 4.65 and it represented a premium of 13.7 per cent compared to the closing price of the last trading day prior to the announcement. The offer positively affected both the share price as well as trading volume of Technopolis between the announcement date and the end of September. The average trading daily trading volume between August 28 and September 30, 2018 was 1,006,054 shares compared to 182,603 shares between January 1 and August 27, 2018.

### Disclosures of Changes in Holdings

The flagging notifications received after the review period are described in the section “Significant Events Taking Place After the Review Period” of this quarterly report.

On September 11, 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 indirect ownership in Technopolis Plc held by Sand Grove Capital Management LLP. increased on September 10, 2018 to 7,966,000 shares thus totaling 5.01% of all shares in Technopolis Plc.

On January 3, 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 of the indirect holding and the total number of financial instruments referred to in chapter 9, section 6a of the Securities Markets Act) decreased on January 2, 2018 below 5.00% of all shares in Technopolis Plc.

### Shareholders

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

### Liquidity Guarantee

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

## SIGNIFICANT EVENTS TAKING PLACE AFTER THE REVIEW PERIOD

On October 17, Kildare Nordic Acquisitions S.à r.l informed Technopolis that it holds more than nine-tenths of the outstanding shares in Technopolis, and that it therefore, has the redemption right and obligation under Chapter 18, Section 1 of the Finnish Companies Act to redeem the shares held by the other Technopolis shareholders at the fair price.

Kildare will initiate the redemption proceedings with respect to the remaining shares in Technopolis held by the minority shareholders of Technopolis by initiating arbitration proceedings pursuant to the Finnish Companies Act, and will also initiate, in due course, measures to delist Technopolis' shares from Nasdaq Helsinki. The Offeror has reserved the right to acquire shares in Technopolis in the public trading on Nasdaq Helsinki or otherwise, at a price not exceeding the offer price of EUR 4.65 per share paid by the offeror in the tender offer.

On October 17, Technopolis Plc received a flagging notification pursuant to Chapter 9 Section 5 of the Finnish Securities Markets Act:

- Kildare Nordic Acquisitions S.à r.l. has completed its voluntary public cash tender offer for all the issued and outstanding shares in Technopolis which were not held by Technopolis or its subsidiaries. In addition, Kildare Nordic Acquisitions S.à r.l. had purchased shares in Technopolis in open market acquisitions (including shares the settlement of which is still pending). According to the notification, the total holdings in Technopolis shares and votes indirectly held by Kildare Holdings, Ltd (directly held

by Kildare Nordic Acquisitions S.à r.l.) had increased to approximately 92.70% out of all shares and votes in Technopolis.

On October 16, Technopolis Plc received two flagging notifications pursuant to Chapter 9 Section 5 of the Finnish Securities Markets Act:

- The total ownership in Technopolis Plc held by Mercator Capital Ab (formerly Olofsgård Invest Ab) had on October 16, 2018, fallen below 5% of all shares in Technopolis Plc, resulting the holding of Mercator Capital Ab in Technopolis Plc declining to 0%. Before the notification, the holding of Mercator Capital ab in Technopolis was 24,574,470 shares, which corresponded to 15.48%.
- The total ownership in Technopolis Plc held by Varma Mutual Pension Insurance Company had, on October 16, 2018 fallen below 5% of all shares in Technopolis Plc, resulting the holding of Varma in Technopolis Plc declining to 0%. Before the notification, the holding of Varma's total ownership in Technopolis was 30,232,288 shares, which corresponded to 19.04%.

On October 16, the tender offer was completed and a subsequent offer period was launched. The subsequent offer period will end on October 30, 2018. The offeror intends to acquire all the shares in Technopolis. As the offeror's holdings in Technopolis, on October 16, 2018 exceeded nine-tenths (9/10) of the shares and votes in Technopolis, it initiated redemption proceedings to redeem the remaining shares in accordance with the Finnish Companies Act.

According to the final result of the voluntary public cash tender offer by Kildare Nordic Acquisitions S.à r.l., published on October 12, the shares tendered in the offer, together with the total of 6,535,363 shares acquired by the offeror through market purchases, represented approximately 93.12% of all the shares and votes in Technopolis (excluding the treasury shares held by Technopolis).

On October 12, following the final results of the public tender offer, Technopolis announced that it will lower its estimate for the full-year 2018 profitability due to costs incurred related to the tender offer. Technopolis will incur costs in relation to the tender offer in the form of, among others, advisory fees. A substantial part of the advisory fees were conditional upon the completion of the tender offer. The costs and fees related to the tender offer are estimated to be approximately EUR 5.9 million euros, in total. Due to these costs, Technopolis lowered its estimate on its full-year 2018 profitability. The earlier guidance on Group net sales remains intact. The costs will be booked in the fourth quarter of 2018.

On October 12, Technopolis announced it had agreed on six-month stand-still period in respect of its existing financing arrangements. Most of Technopolis' and some of its subsidiaries' existing financing agreements included change of control clauses. If triggered, these could result in, among others, a mandatory prepayment obligation or entitle the relevant lenders to accelerate outstanding loans, cancel commitments or terminate the relevant financing arrangements. These clauses would have been triggered upon the completion of the Kildare Nordic Acquisitions S.à r.l.'s public tender offer.

However, Technopolis received consent from all its commercial banks for a six-month stand-still period and waivers for the duration of this period, in respect of any such rights the relevant lenders may have in a change of control event taking place upon the completion of Kildare Nordic Acquisitions S.à r.l.'s tender offer. The received consent and waivers impose certain restrictions on, among others, dividend declaration and distribution as well as redemption or repurchase of any of Technopolis share capital, during the stand-still period.

in Helsinki, October 25, 2018

Technopolis Plc  
Board of Directors

## FINANCIAL STATEMENTS

The accounting policies applied in the interim report are the same as in the latest annual report with the exception of the interpretation of *IFRIC 21 Levies*, which the company adopted in the second quarter of 2018. The formulas for calculating key indicators are available on the [company 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.

IFRS 9 *Financial Instruments* replaced the IAS 39 *Financial Instruments: Recognition and Measurement* standard as of January 1, 2018. It includes revised guidance on the classification and measurement of financial instruments as well as a revised credit loss model for calculating impairment on financial assets, and the requirements for general hedge accounting. The amendment does not have a substantial impact on the consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers* replaced the IAS 18 and IAS 11 standards and related interpretations. The standard was adopted as of January 1, 2018. Based on an analysis, the amendment does not have a substantial impact on the Group's recognition principles and consolidated financial statements.

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

Technopolis amended its accounting policy regarding *real estate taxes* in the second quarter of 2018, and adopted the *IFRIC 21 Levies* interpretation. Previously, Technopolis allocated property taxes evenly every month. In accordance with *IFRIC 21*, Technopolis has booked the full-year property taxes as of January 1, 2018, and invoiced further the corresponding amounts to its customers. The impact of the accounting policy amendment on the Group EBITDA for the first nine months of 2018 was EUR -0.3 million. For the full year 2018, there will be no impact resulting from the change.

The figures are unaudited.

## Technopolis Group:

### CONSOLIDATED INCOME STATEMENT

EUR million	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
Property income <sup>1)</sup>	37.5	38.5	110.8	115.8	154.3
Service income	6.7	5.6	20.6	18.4	25.4
Net sales total	44.2	44.1	131.4	134.2	179.7
Other operating income	0.3	0.0	0.7	0.0	0.0
Premises expenses	-8.8	-9.0	-28.6	-29.3	-39.4
Administration costs <sup>2)</sup>	-3.5	-3.1	-10.5	-9.9	-14.7
Other operating expenses	-7.5	-6.6	-22.0	-20.5	-28.5
EBITDA	24.6	25.4	71.1	74.5	97.1
Change in fair value of investment properties	-1.4	6.7	18.3	16.4	28.3
Depreciation	-0.9	-1.0	-2.8	-3.1	-4.1
Operating profit/loss	22.3	31.1	86.6	87.8	121.4
Unrealized exchange rate profit/loss	0.1	0.1	0.8	-0.2	-0.5
Finance income and expenses	-5.7	-5.8	-16.3	-17.5	-21.9
Result before taxes	16.7	25.4	71.1	70.1	99.0
Deferred taxes	-1.9	-1.6	-8.6	-8.1	-9.3
Current taxes	-0.8	-1.0	-3.5	-0.7	-4.5
Net result for the period	14.1	22.8	58.9	61.3	85.2
Distribution:					
To parent company shareholders	11.7	20.2	52.8	55.2	76.5
To non-controlling shareholders	2.3	2.6	6.2	6.2	8.7
	14.1	22.8	58.9	61.3	85.2
Earnings per share, basic, EUR	0.07	0.12	0.33	0.33	0.46
Earnings per share, diluted, EUR	0.07	0.12	0.33	0.33	0.46

<sup>1)</sup> In the audited consolidated financial statements for the year ended December 31, 2017, Technopolis has used the term "rental income." In order to be more precise, however, in the unaudited interim report for Q1/2018, Technopolis has changed the term to "property income," as "service income" also includes items that can be classified as rental income. There is no change in the calculation of the figure.

<sup>2)</sup> Administration costs includes group expenses from key resources and administration.

## STATEMENT OF COMPREHENSIVE INCOME

EUR million	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
Net result for the period	14.1	22.8	58.9	61.3	85.2
Other comprehensive income items					
Items that may be reclassified subsequently to profit or loss:					
Translation difference	-1.9	0.2	-6.8	-7.7	-12.3
Available-for-sale financial assets	0.0	0.0	-0.3	0.0	0.0
Derivatives	2.7	0.5	1.1	8.6	8.1
Taxes related to other comprehensive income items	-0.6	-0.1	-0.2	-1.7	-1.7
Other comprehensive income items after taxes for the period	0.3	0.6	-6.2	-0.8	-5.8
Comprehensive income for the period, total	14.4	23.4	52.8	60.6	79.4
Distribution:					
To parent company shareholders	12.0	20.7	46.6	54.7	70.9
To non-controlling shareholders	2.3	2.7	6.2	5.9	8.5
	14.4	23.4	52.8	60.6	79.4

## STATEMENT OF FINANCIAL POSITION

### ASSETS

EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Non-current assets			
Intangible assets	6.1	6.4	5.4
Tangible assets	16.4	12.8	16.3
Completed investment properties	1,616.5	1,635.9	1,537.9
Investment properties under construction	34.8	49.7	58.0
Investments	5.8	6.3	6.4
Deferred tax assets	12.4	11.9	13.1
Non-current assets	1,692.1	1,723.0	1,637.1
Current assets	44.3	47.9	82.7
<b>Assets, total</b>	<b>1,736.5</b>	<b>1,770.8</b>	<b>1,719.8</b>

### SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
<b>Shareholders' equity</b>			
Share capital	96.9	96.9	96.9
Premium fund	18.5	18.5	18.5
Equity related bond	0.0	74.2	74.2
Other funds	317.1	329.5	329.1
Translation difference	-30.1	-18.7	-23.3
Retained earnings	249.6	193.1	215.8
Parent company's shareholders' interests	652.0	693.6	711.2
Non-controlling interests	57.0	61.8	53.7
<b>Shareholders' equity, total</b>	<b>709.0</b>	<b>755.4</b>	<b>764.9</b>
<b>Liabilities</b>			
Non-current liabilities			
Interest-bearing liabilities	629.0	785.1	620.5
Non-interest-bearing liabilities	3.5	2.8	3.3
Deferred tax liabilities	84.8	76.2	77.9
Non-current liabilities, total	717.3	864.0	701.7
Current liabilities			
Interest-bearing liabilities	261.4	102.7	184.5
Non-interest-bearing liabilities	48.8	48.8	68.7
Current liabilities, total	310.2	151.4	253.2
<b>Liabilities, total</b>	<b>1,027.4</b>	<b>1,015.4</b>	<b>954.9</b>
<b>Shareholders' equity and liabilities, total</b>	<b>1,736.5</b>	<b>1,770.8</b>	<b>1,719.8</b>

## STATEMENT OF CHANGES IN EQUITY

EUR million	Equity attributable to owners of the parent						
	Share capital	Premium fund	Other reserves	Translation differences	Retained earnings	Share of non-controlling interests	Total shareholders' equity
<b>Equity Jan 1, 2018</b>	96.9	18.5	403.3	-23.3	215.8	53.7	764.9
Comprehensive income							
Net profit for the period					52.8	6.2	58.9
Other comprehensive income items							
Translation difference				-6.8			-6.8
Derivatives			0.8				0.8
Available-for-sale financial assets			-0.2				-0.2
Comprehensive income for the period			0.6	-6.8	52.8	6.2	52.8
Related party transactions							
Dividend					-14.1	-2.9	-17.0
Return of capital			-12.6				-12.6
Interest paid to equity related bond					-4.5		-4.5
Redemption of hybrid bond			-74.2		-0.8		-75.0
Other changes					0.4		0.4
Related party transactions	0.0	0.0	-86.8	0.0	-19.0	-2.9	-108.7
Equity Sep 30, 2018	96.9	18.5	317.1	-30.1	249.6	57.0	709.0
<b>Equity Jan 1, 2017<sup>3)</sup></b>	96.9	18.5	396.8	-11.3	161.0	57.2	719.3
Comprehensive income							
Net profit for the period					55.2	6.2	61.3
Other comprehensive income items							
Translation difference				-7.4		-0.3	-7.7
Derivatives			6.9				6.9
Available-for-sale financial assets			0.0				0.0
Comprehensive income for the period			6.9	-7.4	55.2	5.9	60.6
Related party transactions							
Dividend					-18.8	-1.4	-20.2
Interest paid to equity related bond					-4.5		-4.5
Other changes					0.3		0.3
Related party transactions	0.0				-23.1	-1.4	-24.4
Equity Sep 30, 2017	96.9	18.5	403.7	-18.7	193.1	61.8	755.4

<sup>3)</sup> Technopolis amended its accounting policy regarding deferred taxes in the last quarter of 2017. The change has been applied to comparison figures.

## STATEMENT OF CASH FLOWS

EUR million	1-9/ 2018	1-9/ 2017	1-12/ 2017
<b>Cash flows from operating activities</b>			
Net result for the period	58.9	61.3	85.2
Adjustments:			
Change in fair value of investment properties	-18.3	-16.4	-28.3
Depreciation	2.8	3.1	4.1
Share of profits of associates	0.1	0.0	0.0
Gains from disposals	-	0.3	0.4
Other adjustments for non-cash transactions	-0.4	0.5	0.9
Financial income and expenses	16.2	17.5	21.9
Taxes	12.2	8.8	13.8
Increase / decrease in working capital	-9.3	0.1	2.6
Interests received	0.4	0.4	0.8
Dividends received	0.0	0.1	0.1
Interests paid and fees	-11.0	-12.7	-16.8
Other financial items in operating activities	-7.4	-5.0	-7.6
Taxes paid	-6.7	-2.5	-2.6
Net cash provided by operating activities	37.5	55.4	74.4
<b>Cash flows from investing activities</b>			
Investments in investment properties	-42.4	-51.9	-73.7
Investments in tangible and intangible assets	-2.8	-1.8	-1.2
Investments in other securities	0.0	0.0	-
Granted loans	-	-0.1	-
Repayments of loan receivables	-	0.1	0.0
Proceeds from sale of investments	1.1	-0.2	0.0
Proceeds from sale of tangible and intangible assets	1.2	2.3	39.1
Acquisition of subsidiaries	0.3	-5.8	-5.8
Sale of subsidiaries	-	-	56.9
Net cash used in investing activities	-42.6	-57.3	15.4
<b>Cash flows from financing activities</b>			
Redemption of hybrid bond	-75.0	13.0	-
Increase in long-term loans	158.4	-	16.0
Decrease in long-term loans	-137.0	-51.7	-89.2
Sale of own shares	-	-	1.1
Dividends paid and return of capital	-29.3	-20.3	-20.4
Hybrid bond interest paid	-5.6	-5.6	-5.6
Acquisition of subsidiaries, no change in command	-12.6	1.1	-
Change in short-term loans	64.3	-22.6	-48.3
Net cash provided by financing activities	-36.8	-86.1	-146.4
<b>Net increase/decrease in cash assets:</b>	<b>-41.9</b>	<b>-88.0</b>	<b>-56.7</b>
Effects of exchange rate fluctuations on cash held	-0.9	-0.7	0.4
Cash and cash equivalents at period-start	71.8	128.0	128.0
Cash and cash equivalents at period-end	29.0	39.3	71.8

## 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, as well as UMA Workspaces in Helsinki. 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 as well as UMA Workspaces in Stockholm and Copenhagen. 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 property and service income. Service income include income from UMA Coworking network.

### SEGMENT INFORMATION

EUR million	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
<b>Net sales</b>					
Finland	27.8	29.0	82.4	88.1	117.7
Baltic Rim	10.1	8.8	29.8	26.6	36.0
Scandinavia	6.4	6.3	19.2	19.4	26.0
<b>Total</b>	<b>44.2</b>	<b>44.1</b>	<b>131.4</b>	<b>134.2</b>	<b>179.7</b>
<b>EBITDA</b>					
Finland	14.8	16.3	42.5	47.4	61.5
Baltic Rim	6.4	5.5	18.6	16.0	21.5
Scandinavia	3.3	3.7	10.0	11.0	14.1
<b>Total</b>	<b>24.6</b>	<b>25.4</b>	<b>71.1</b>	<b>74.5</b>	<b>97.1</b>
<b>Assets</b>					
Finland	-	-	1,067.3	1,111.1	1,056.7
Baltic Rim	-	-	388.6	373.9	383.4
Scandinavia	-	-	355.4	347.0	340.7
Eliminations	-	-	-74.9	-61.1	-60.9
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,736.5</b>	<b>1,770.8</b>	<b>1,719.8</b>

## 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 EPRA result, which better reflects its actual result.

The EPRA Earnings 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 on disposals. Additionally, EPRA Earnings presents the related taxes and share of non-controlling interests.

## EPRA EARNINGS

<b>EUR million</b>	<b>7-9/ 2018</b>	<b>7-9/ 2017</b>	<b>1-9/ 2018</b>	<b>1-9/ 2017</b>	<b>1-12/ 2017</b>
Net result to parent company shareholders	11.7	20.2	52.8	55.2	76.5
Adjustments to calculate EPRA Earnings, exclude:					
Changes in value of investment properties	1.4	-6.7	-18.3	-16.4	-28.3
Profits or losses on disposal of investment properties and other non-operative financial income and expenses	-0.3	0.3	-2.2	0.5	0.4
Changes in fair value of financial instruments	0.0	0.0	0.0	0.0	0.5
Deferred tax in respect of EPRA adjustments	1.9	1.5	9.0	5.8	10.0
Non-controlling interests in respect of the above	0.7	1.0	1.6	1.3	1.6
EPRA Earnings	15.5	16.3	42.9	46.4	60.6
Basic number of shares	-	-	156,904,717	156,867,527	156,873,264
EPRA Earnings per Share (EPS)	0.10	0.10	0.27	0.30	0.39

## KEY INDICATORS

	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Change in net sales, %	-2.1	5.4	4.4
Operating profit/loss/net sales, %	65.9	65.4	67.5
Change in EBITDA, %	-4.5	5.7	4.3
Service revenue of Net Sales, %	15.7	13.7	14.1
Interest coverage ratio	4.4	4.2	4.3
Equity ratio, %	41.1	42.9	44.8
Loan to value, %	53.6	52.4	50.1
Group company personnel during the period, average	226	235	234
Gross expenditure on assets, MEUR	53.3	52.3	77.5
Net rental yield of investment properties, % <sup>4)</sup>	7.2	7.2	7.2
Financial occupancy rate, %	94.9	94.4	96.1
Earnings/share			
basic, EUR	0.33	0.33	0.46
diluted, EUR	0.33	0.33	0.46
Cash flows from operating activities/share, EUR	0.24	0.35	0.47
Equity/share, EUR	4.16	3.95	4.06
Average issue-adjusted number of shares <sup>5)</sup>			
basic	156,904,717	156,867,527	156,873,264
diluted	156,904,717	156,867,527	156,873,264
Issue-adjusted number of shares at the end of period	156,915,219	156,890,289	156,890,289

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

<sup>5)</sup> Own shares held by the company (1,878,443 shares) are excluded from the number of shares.

## CHANGE IN VALUE OF INVESTMENT PROPERTIES

EUR million	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
Change in fair value, Finland	5.5	4.0	10.7	7.3	10.7
Change in fair value, Baltic Rim	-0.7	2.8	3.8	6.9	6.9
Change in fair value, Scandinavia	-3.5	0.8	6.8	2.7	10.1
Change in fair value	1.2	7.5	21.3	16.9	27.7
Changes in acquisition costs of investment properties in financial year	-3.9	-2.4	-8.4	-8.3	-8.5
Changes in fair value of projects in progress	1.3	1.6	5.4	7.8	9.1
Effect on profit of change in value of investment properties	-1.4	6.7	18.3	16.4	28.3

## CONTINGENT LIABILITIES

EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Pledges and guarantees on own debt			
Mortgages of properties	895.1	962.6	931.5
Pledged securities and investment properties	697.6	740.6	717.0
Pledges for land lease payments	3.6	3.6	3.6
Other guarantee liabilities	150.7	153.9	149.6
Leasing liabilities, land+locations	105.2	78.1	86.7
Leasing liabilities, machinery and equipment	0.1	0.2	0.2
Project liabilities	0.0	0.0	0.0
Interest rate and derivatives			
Nominal values	493.9	589.9	574.9
Fair values	-9.7	-10.8	-11.4

## BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES

Sep 30, 2018

The following table provides a list of the groups of financial assets and liabilities used for valuation in accordance with IFRS 9.

EUR million	Available-for-sale financial assets	Financial assets and liabilities measured at amortized purchase price	Financial assets/ liabilities measured at fair value	Total	Fair value of financial assets/ liabilities
<b>Non-current financial assets</b>					
Assets measured at fair value					
Available-for-sale investments					
Available for sale non-quoted financial assets (level 3)	0.2			0.2	0.2
Other non-current receivables		0.5		0.5	0.5
<b>Total</b>	<b>0.2</b>	<b>0.5</b>		<b>0.7</b>	<b>0.7</b>
<b>Current assets</b>					
Trade and other receivables					
Sales receivables		7.5		7.5	7.5
Other current receivables		7.9		7.9	7.9
<b>Cash and cash equivalents</b>					
		29.0		29.0	29.0
<b>Total</b>		<b>44.3</b>		<b>44.3</b>	<b>44.3</b>
<b>Non-current liabilities</b>					
Financial liabilities recognized at amortized cost					
Non-current finance lease liabilities (level 2)		5.4		5.4	5.4
Non-current interest-bearing liabilities (level 2)		623.6		623.6	627.1
Non-current non-interest-bearing liabilities (level 2)		3.5		3.5	3.5
Other non-current liabilities					
<b>Total</b>		<b>632.5</b>		<b>632.5</b>	<b>636.0</b>
<b>Current liabilities</b>					
Financial liabilities at fair value through profit or loss					
Derivatives					
Interest rate swaps, meeting the criteria for hedge accounting (level 2)			9.2	9.2	9.2
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		1.5		1.5	1.5
Other current interest-bearing liabilities		259.9		259.9	259.9
Trade and other payables		37.4		37.4	37.4
Purchase price liabilities		1.6		1.6	1.6
<b>Total</b>		<b>300.4</b>	<b>9.7</b>	<b>310.2</b>	<b>310.2</b>

## ALTERNATIVE PERFORMANCE MEASURES USED IN TECHNOLIS FINANCIAL REPORTING

The 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' 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: EPRA earnings and EPRA earnings per share, net rental yield, net asset value per share and triple 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 on a constant currency basis

EBITDA - impact of currency exchange rate changes

### EBITDA by business area

EBITDA, property + EBITDA, services  
- group-level expenses

### EPRA Direct result

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

### EPRA Net rental yield

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

### EPRA Net asset value/share

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

---

- Equity related bond  
Issue-adjusted number of shares, basic, on reporting date

**ROE (based on EPRA earnings, rolling 12 months)**

EPRA earnings before taxes  
 - taxes from EPRA Earnings  
 -----  
 Equity + non-controlling interests for year,  
 average

**EPRA Triple net asset value/share**

EPRA Net asset value  
 + Hedging reserve  
  
 - Deferred taxes from investment properties  
 -/+ Difference between fair value and balance  
 sheet value of liabilities  
 -----  
 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 interim 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.

<b>EUR million</b>	<b>7-9/ 2018</b>	<b>7-9/ 2017</b>	<b>1-9/ 2018</b>	<b>1-9/ 2017</b>	<b>1-12/ 2017</b>
Net sales	44.2	44.1	131.4	134.2	179.7
Items affecting comparability (currency impact)	0.6	-0.4	1.8	-1.2	-0.9
Net sales on a constant currency basis	44.8	43.7	133.2	133.0	178.8

**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.

<b>EUR million</b>	<b>7-9/ 2018</b>	<b>7-9/ 2017</b>	<b>1-9/ 2018</b>	<b>1-9/ 2017</b>	<b>1-12/ 2017</b>
EBITDA	24.6	25.4	71.1	74.5	97.1
Items affecting comparability (currency impact)	0.4	-0.3	1.2	-0.9	-0.7
EBITDA on a constant currency basis	25.0	25.1	72.3	73.6	96.4

## EBITDA by business area

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

EUR million	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
EBITDA, property	26.8	26.6	76.9	77.6	102.7
EBITDA %, property	71.7	69.2	69.4	67.1	66.5
EBITDA, services	-0.1	0.5	1.6	2.1	2.7
EBITDA %, services	-1.3	8.6	7.9	11.4	10.5
Items affecting comparability in EBITDA	-2.2	-1.7	-7.4	-5.2	-8.3
<b>EBITDA in total</b>	<b>24.6</b>	<b>25.4</b>	<b>71.1</b>	<b>74.5</b>	<b>97.1</b>

## EPRA Net rental yield

EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Property income	110.8	115.8	154.3
Items affecting comparability in rent income	-3.7	-2.7	-15.0
Property income used in net rental yield calculation	107.1	113.0	139.3
Premises expenses	-28.6	-29.3	-39.4
Items affecting comparability in premises expenses	0.6	-1.6	8.6
Premises expenses used in net rental yield calculation	-28.0	-30.8	-30.8
Fair value of completed investment properties	1,616.5	1,635.9	1,537.9
Building rights	-57.0	-67.4	-64.5
Other items affecting comparability	-87.3	-42.4	-55.4
Fair value of investment properties used in net rental yield calculation	1,472.2	1,526.1	1,418.0

## EPRA Net asset value

EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Equity to parent company shareholders	652.0	693.6	711.2
Adjustments to EPRA Net asset value:			
Hedging reserve	5.7	6.1	6.5
Deferred taxes from investment properties	83.6	73.9	74.5
Equity related bond	0.0	-74.2	-74.2
EPRA Net asset value	741.3	699.4	718.0

## EPRA Triple net asset value

EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
EPRA Net asset value	741.3	699.4	718.0
Adjustments to EPRA Triple net asset value:			
Hedging reserve	-5.7	-6.1	-6.5
Deferred taxes from investment properties	-83.6	-73.9	-74.5
Difference between fair value and balance sheet value of liabilities	-3.5	-3.6	-1.3
EPRA NNNNAV	648.6	615.8	635.6

**ROE (based on EPRA earnings, rolling 12 months)**

<b>EUR million</b>	<b>Sep 30, 2018</b>	<b>Sep 30, 2017</b>	<b>Dec 31, 2017</b>
EPRA earnings before taxes	68.0	69.7	71.6
- taxes from EPRA earnings	-4.0	-4.0	-3.8
EPRA earnings, rolling 12 months	64.0	65.7	67.8
Equity + non-controlling interests for year, average	7.2	726.3	742.1
<b>ROE (based on EPRA earnings, rolling 12 months), %</b>	<b>8.7</b>	<b>9.0</b>	<b>9.1</b>

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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