

# Technopolis Plc

Q3 Interim Report, 2017:

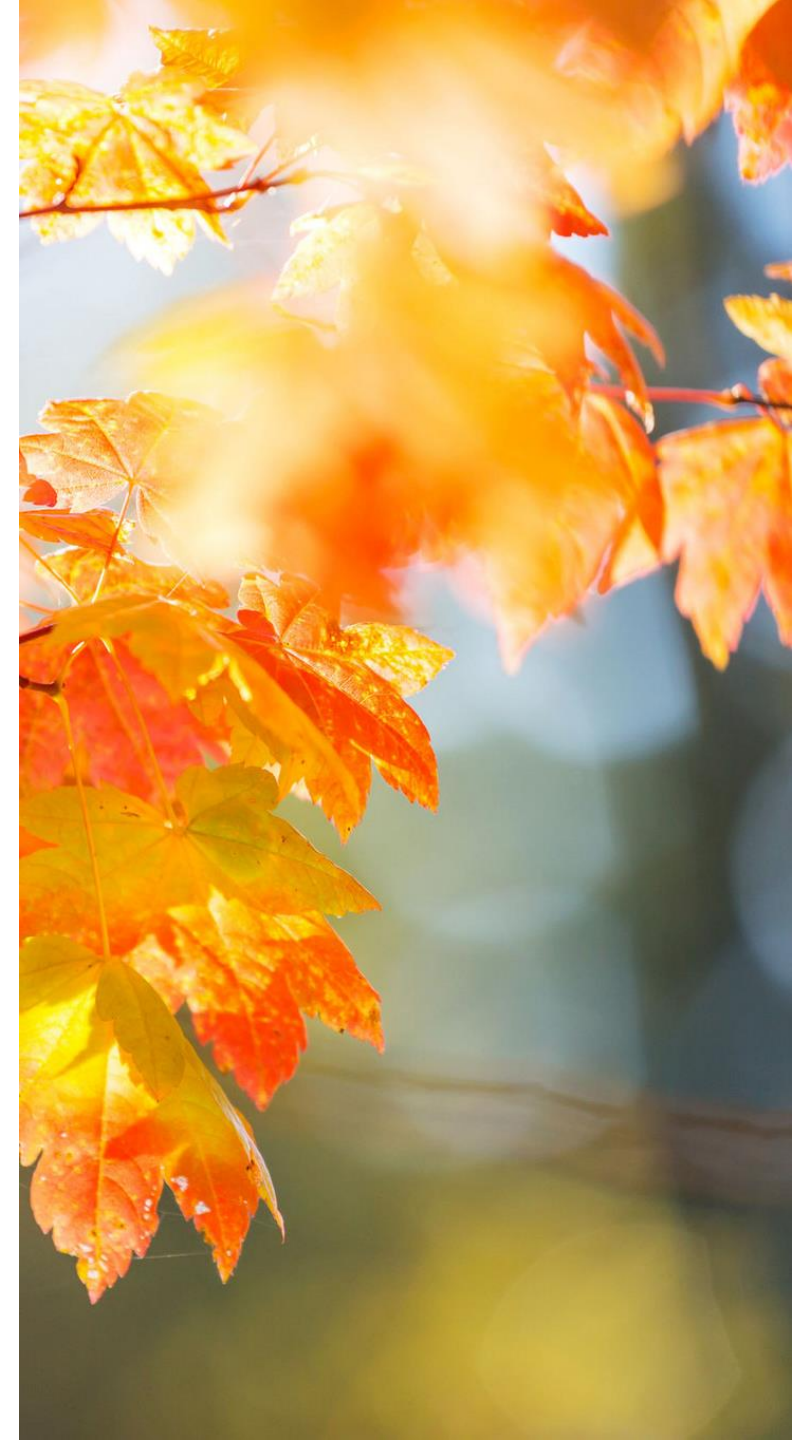
Growth Continues into the Second Half

Keith Silverang, CEO  
October 31, 2017

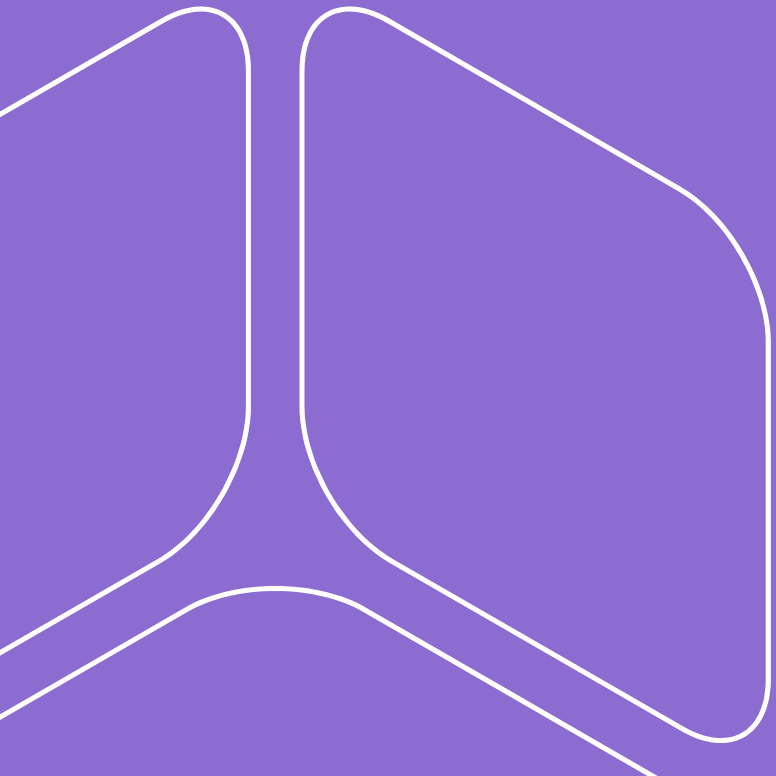
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# Key Messages on Jan-Sep 2017

- Macroeconomic tailwind continues
- Growth continues at a more moderate pace
  - Financial occupancy rate rose by 1.7%-points y-o-y to 94.4%
  - Net sales up 5.4% y-o-y, like-for-like growth 4.8%
  - EBITDA up 5.4% y-o-y, like-for-like growth 4.1%
- Services continue growing
  - Service income growth +15.7% y-o-y to EUR 18.4 (15.9)million
  - EBITDA growth +72.8% y-o-y to EUR 2.1 (1.2) million
  - Q3 service income 17.6% down from Q2 due to summer break
- Implementation of revised strategy continues
  - First agreement on a new stand-alone UMA coworking space in Stockholm, Sweden signed last week, will continue expanding our footprint
- Guidance unchanged

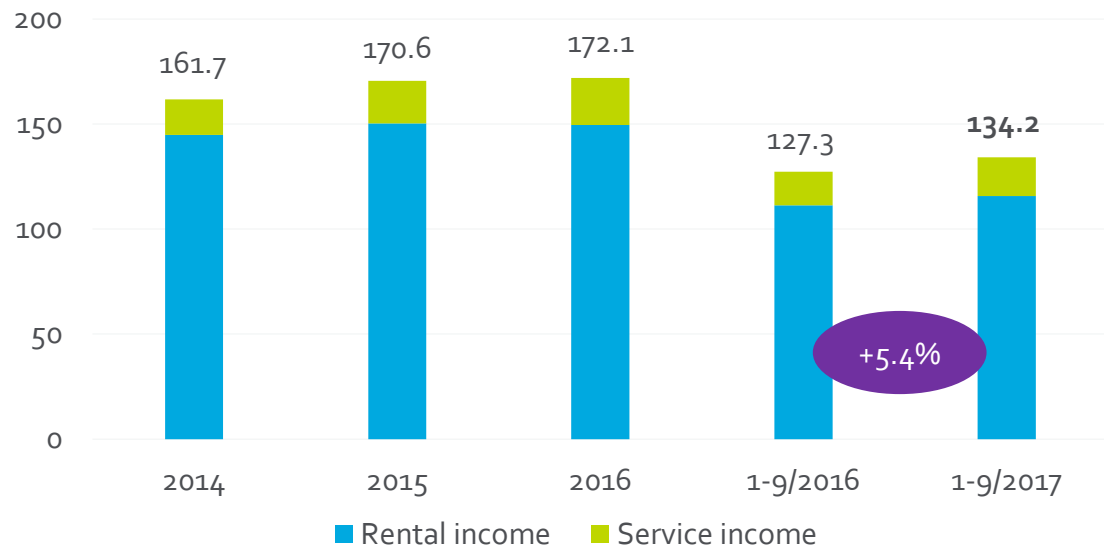


# Key Financials



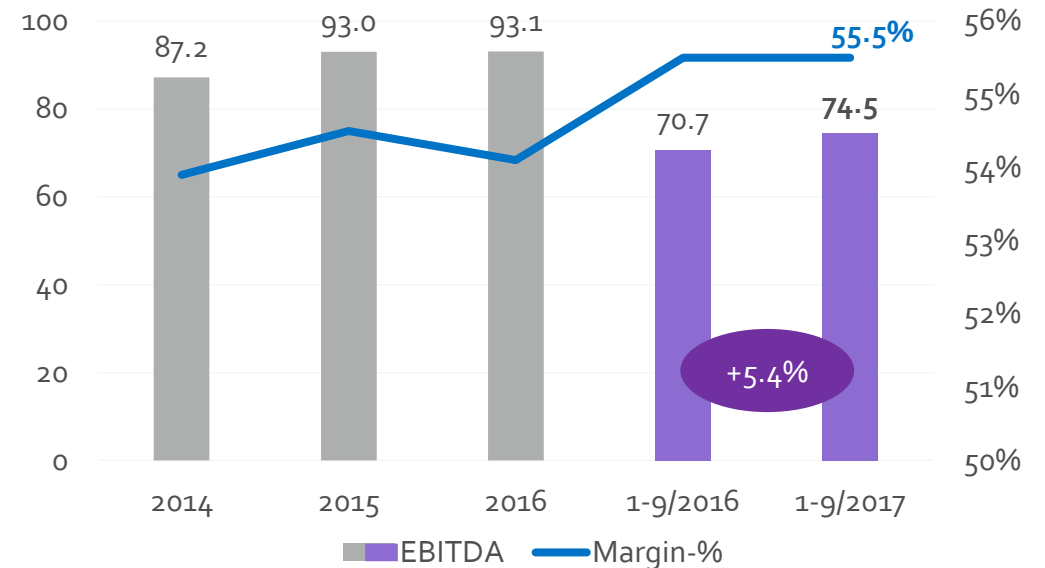
# YTD Net Sales and EBITDA up 5.4%

Group net sales development  
EURm



- FX changes increased net sales by EUR 1.2 (-1.7)
- On a constant currency basis net sales were up 4.4%

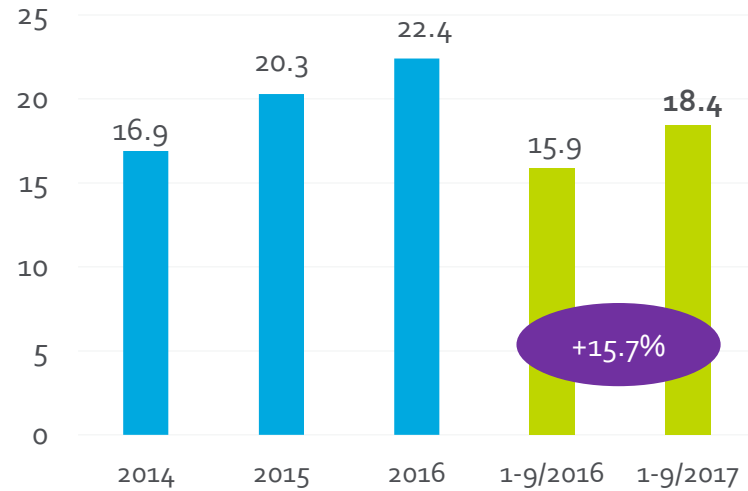
Group EBITDA and EBITDA margin  
EURm, %



- FX changes increased EBITDA by EUR 0.9 (-1.2) million
- On a constant currency basis, EBITDA grew 4.1%, and EBITDA margin was 55.4%.

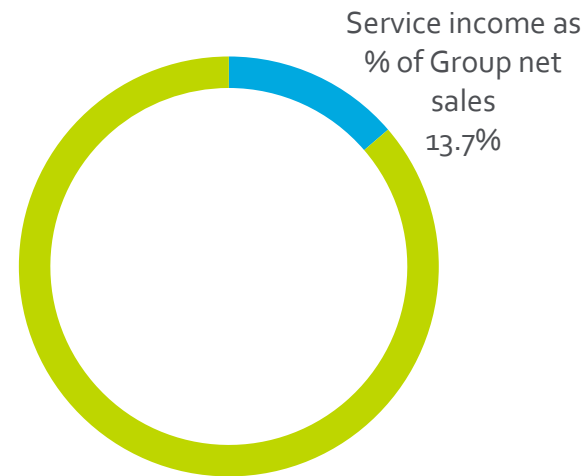
# Services Continue to Rise

Service Income  
EURm



- Service income grew across all campuses

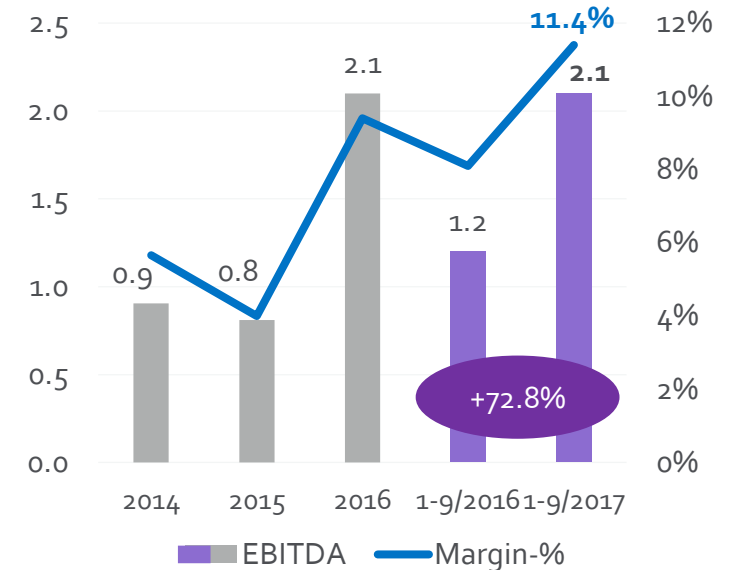
Service Penetration Jan-Sep/17\*  
%



\* Service Income's share in Group net sales.

- Service penetration in Q3 was 12.7%: low due to seasonal fluctuation

Service EBITDA and EBITDA margin  
EURm, %

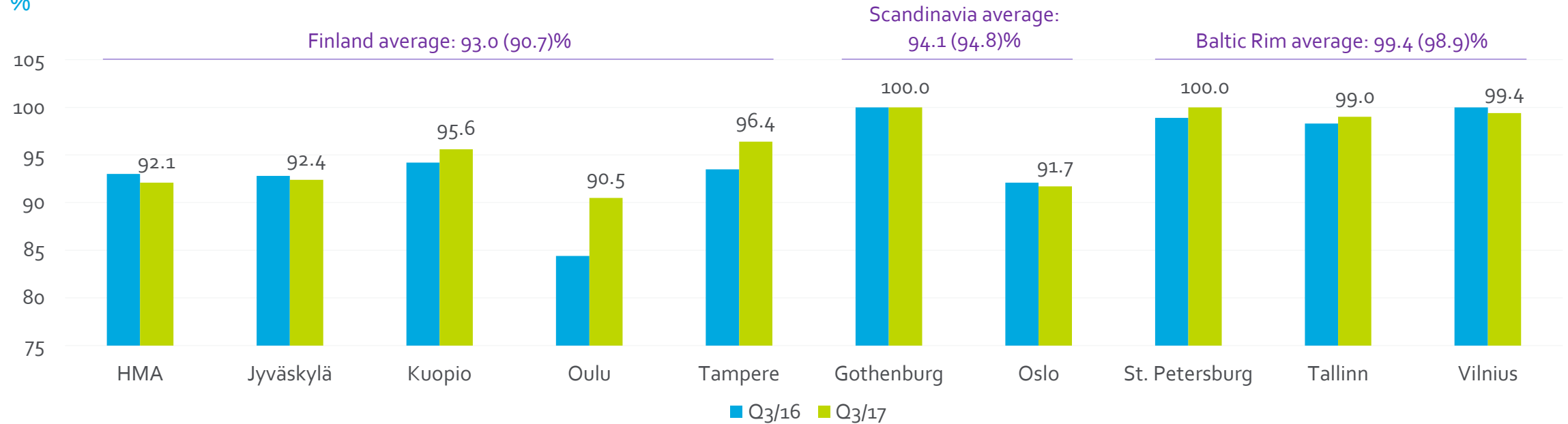


- Margin improvement through scale benefits i.e. higher service income and growth in more profitable services

# Financial Occupancy Rate Hit 94.4%

## FOCR by Business Unit

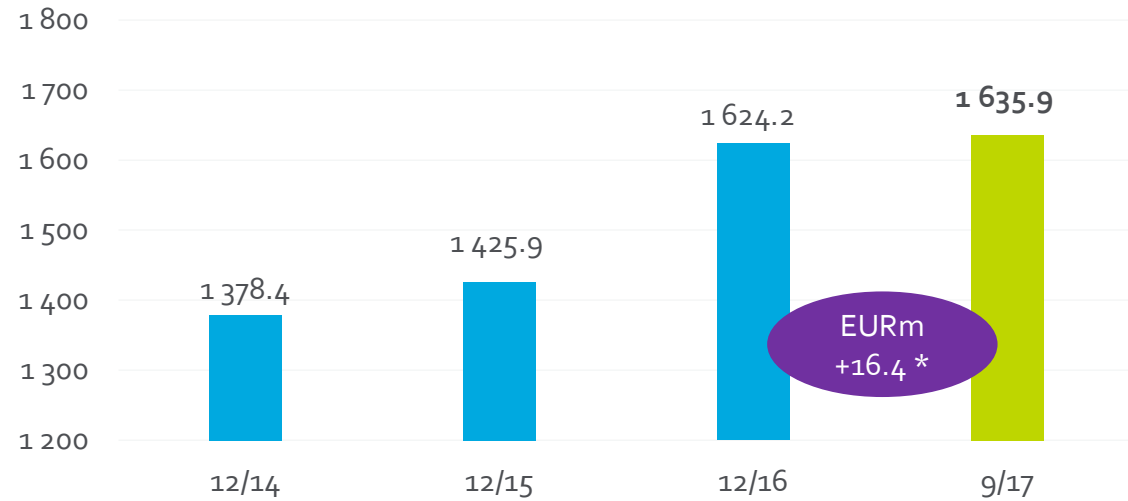
%



- Group average at the end of September 2017 was 94.4 (92.7)%.
- Group 10-year average FOCR is 94.2%

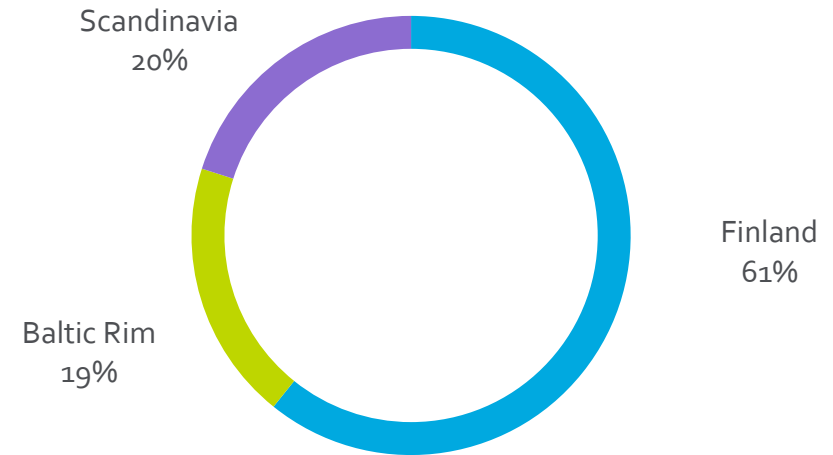
# Yield Compression Increased Fair Values Most

## Fair Value of Investment Properties EURm



\* Change of fair values in the Income Statement

## Division of Fair Value by Segment %







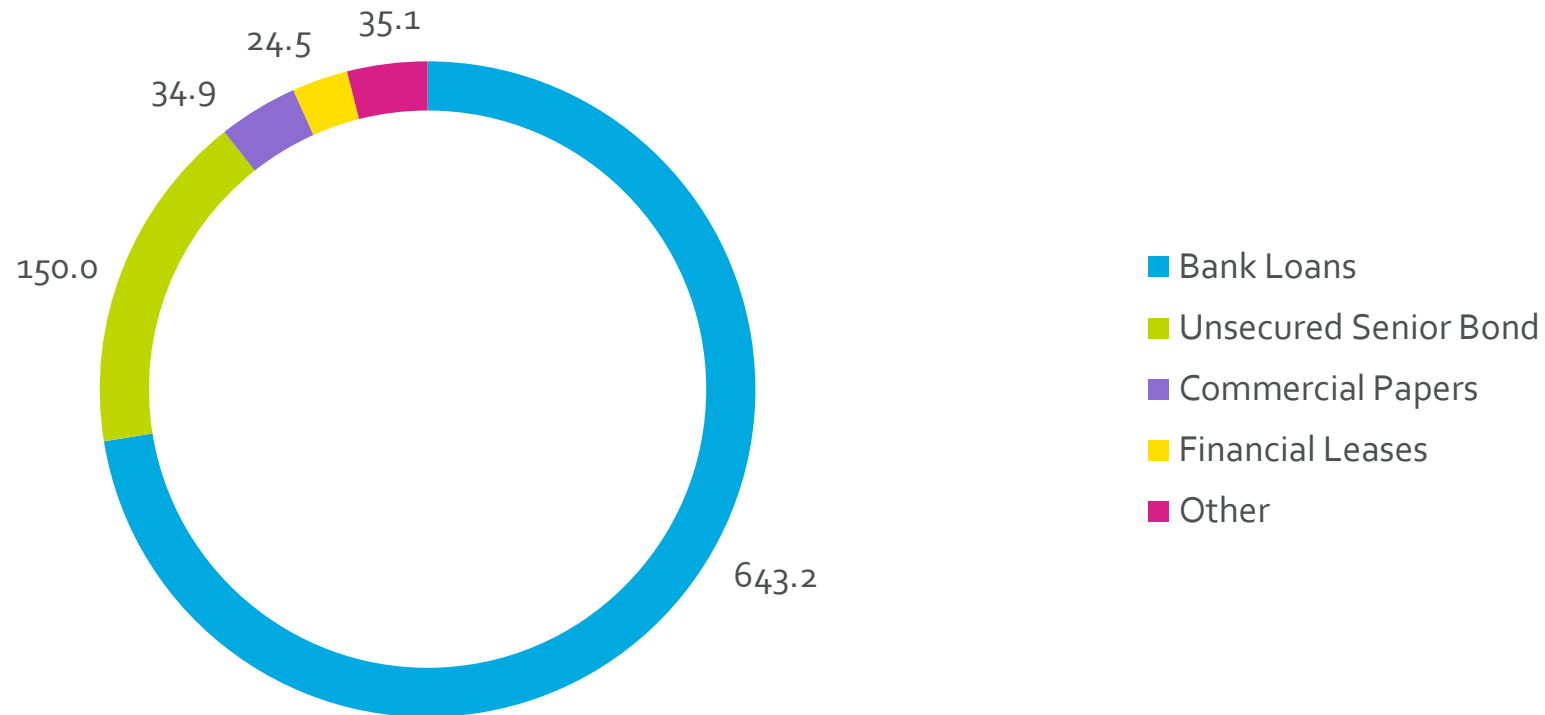
# Strong Balance Sheet Supports Strategy Implementation

M€	30 Sep '17	30 Sep '16	Change, %	31 Dec '16	Change, %
Balance sheet total, EURm	1,771.8	1,841.0	-3.8	1,825.1	-2.9
Interest-bearing debt, EURm	887.7	991.2	-10.4	959.9	-7.5
Cash and equivalents, EURm	39.3	98.7	-60.2	128.0	-69.3
Average loan maturity, yrs	4.6	5.1	-10.0	5.1	-10.0
Loan-to-value (LTV), %	52.4	58.7	-	58.2	-
Equity Ratio, %	44.4	39.5	-	41.5	-
Interest coverage, multiple	5.2	4.7	10.6	4.6	130.9

- The EUR 75.0 million hybrid loan has a redemption option in March 2018

# Loan Portfolio Well Covered for Interest Rate Risk

Interest-Bearing Liabilities, September 30, 2017  
Total EUR 887.7 (991.2) million



In addition, the Group has an outstanding hybrid loan of EUR 75 million, which is not included in the interest-bearing liabilities.

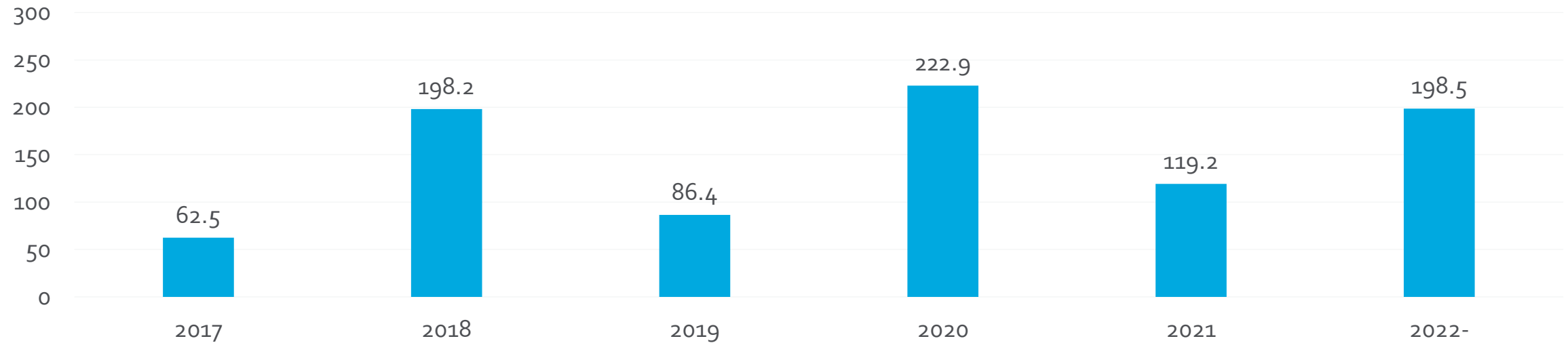
The average interest rate on interest-bearing liabilities (excluding the hybrid loan) was 2.44%.

The average interest interest fixing period was 4.5 (2.1) years.

Hedge ratio 64 (56)%.

# Maturity Profile of Interest Bearing Debt

## Maturity Profile of IB Debt\*, EUR million



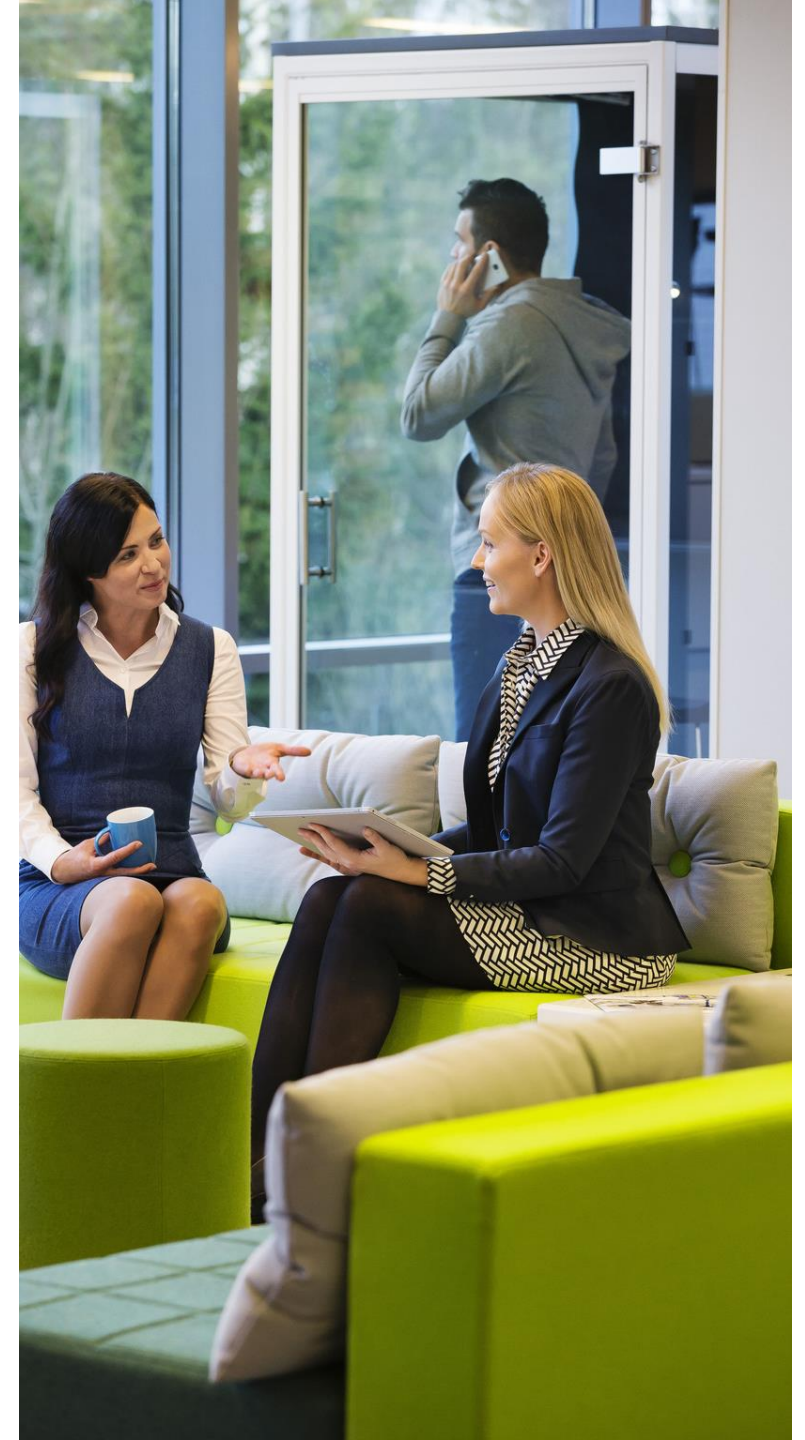
\* Not including EUR 75 million hybrid loan

- The EUR 75.0 million hybrid loan has a redemption option in March 2018.
- EUR 150 million unsecured bond (maturity in 2020), callable in May 2018



# The Primary Focus of the Revised Strategy Is Shareholder Value Creation

- Accelerated **organic expansion** of current campuses
- Exploiting value-creating **acquisition opportunities** in the Nordic-Baltic Sea region
- Expansion & increasing profitability of our **service business**
- Significant expansion of the **UMA coworking** network
- Execution of the strategy and investments **without new equity issues**



# EUR 93.9 Million in Organic Projects in Progress

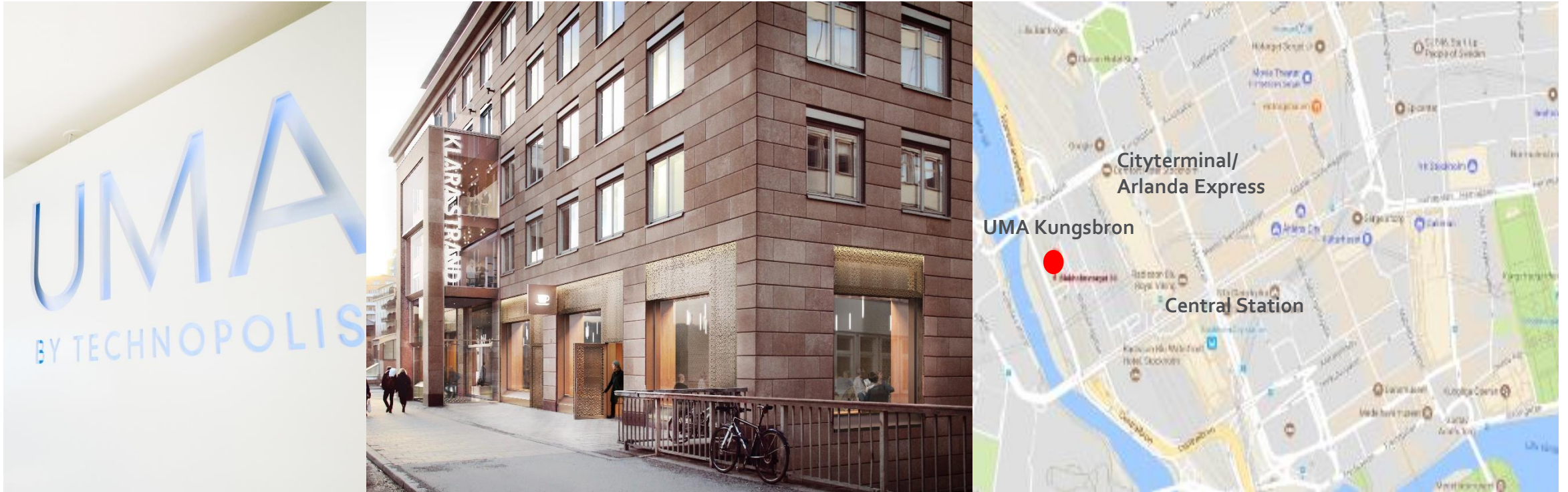
Area	Name	Pre-let rate,%	Rentable area, m <sup>2</sup>	Total investment, EURm	Stabilized yield, % <sup>1)</sup>	Completion
Helsinki	Ruoholahti 3	41.8	10,300	33.2	7.0	7/2018
Tallinn	Lõõtsa 12	39.6	9,700	13.6	9.0	7/2018
Vilnius <sup>2)</sup>	Penta	48.8	13,800	32.0 <sup>2)</sup>	8.4	10/2017
Vantaa	Aviapolis Bldg H	0.0	5,100	15.1	8.0	11/2018
TOTAL			38,900	93.9		

1) Stabilized yield = estimated net operating income / cost

2) Total investment including also the neighboring land plot with an expansion potential of at least 20,000 m<sup>2</sup> for which a purchase agreement has been signed.

- **Penta campus in Vilnius Lithuania was partly completed** after the review period in October
  - 45.1% of the rentable area was handed over to an anchor customer on October 4, 2017

# Agreement on New Stand-Alone UMA in Stockholm Signed



- Next to City Terminal and Arlanda Express station in downtown Stockholm
- Around 2,350 m<sup>2</sup>: 50 private offices, 90 hot desks, 10 meeting rooms
- Targeted opening in April 2018

# Outlook

Guidance unchanged.





# Macro Economic Tailwind Continues

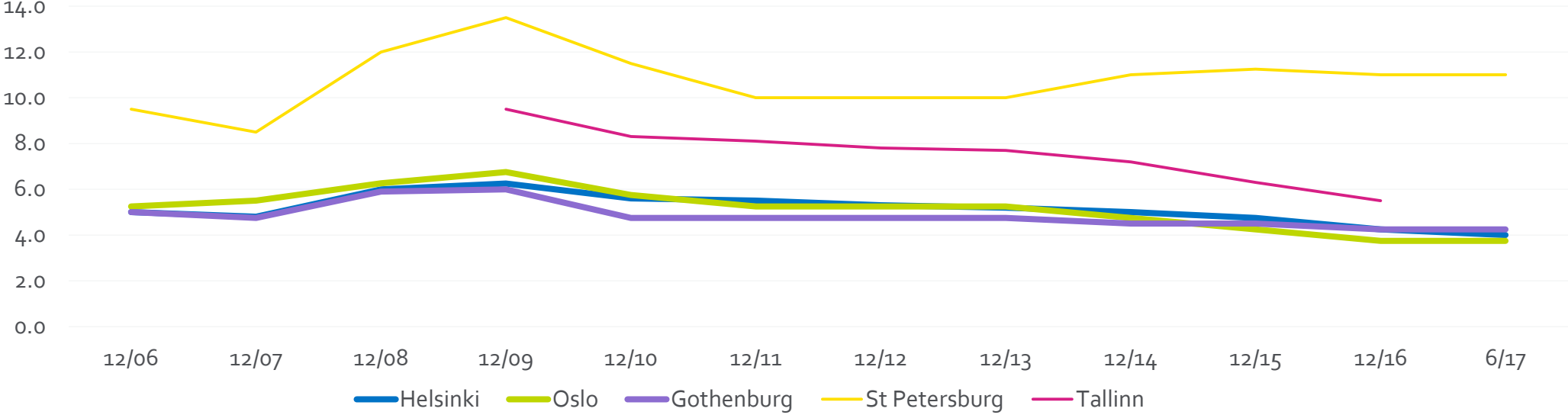
%	Finland	Norway	Sweden	Estonia	Lithuania	Russia
<b>GDP growth forecast</b>						
y-o-y change '16-17	+2.0	+1.3	+2.7	+3.5	+3.1	+1.4
y-o-y change '17-18	+1.5	+1.5	+2.3	+3.3	+2.9	+1.6
<b>CPI growth forecast</b>						
y-o-y change '16-17	+1.2	+1.9	+1.6	+3.2	+3.3	+4.2
y-o-y change '17-18	+1.5	+1.8	+1.8	+2.8	+2.7	+4.0

Source: OECD, June 2017

# Yields Are on The Decline

## Prime Office Yield Development in Technopolis Markets

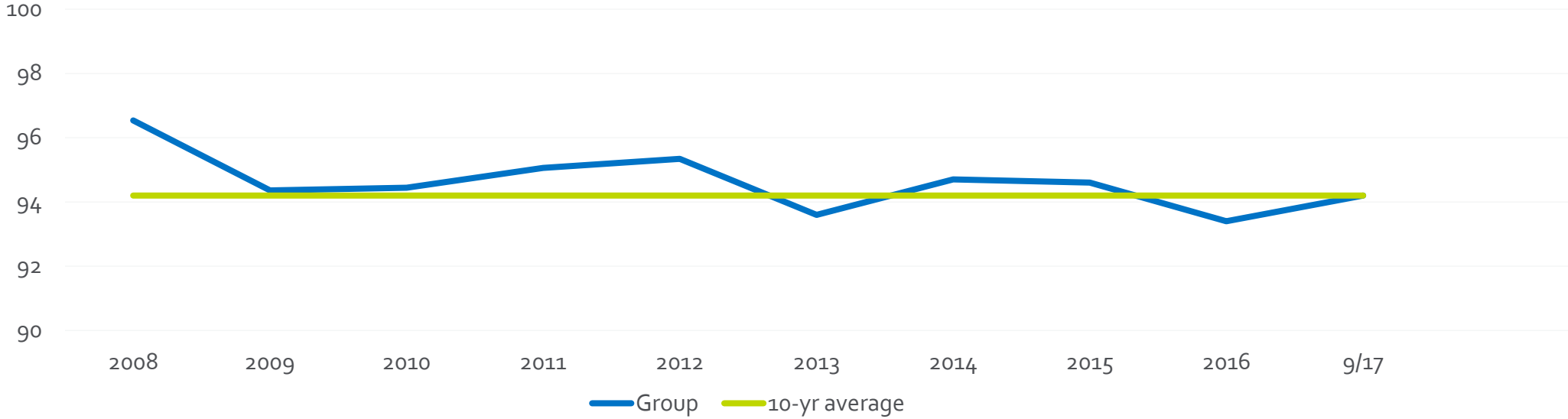
%



Source: JLL (8/17), for Tallinn: Seven Real Estate Advisors (8/17)

# Our Business Is Doing Fine

Financial Occupancy Rate, Group  
%





Guidance unchanged: The company expects its net sales and EBITDA to improve from 2016 based on its current investment property portfolio and foreign exchange rates.

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



# Capital Markets Day on Dec 13, 2017 in Helsinki

Save-the-date invitations are out. More detailed agenda available soon.

If you wish to participate, please send an e-mail with your contact details at [ir@technopolis.fi](mailto:ir@technopolis.fi)



# Thank You!

Time for questions.

[www.tehcnopolis.fi](http://www.tehcnopolis.fi)

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# APPENDICES

Detailed Financial Information



# Segment information: Finland

Finland	Q3/ 2017	Q3/ 2016	Change %	Jan–Sep, 2017	Jan–Sep, 2016	Change %	2016
Net sales, EURm	29.0	29.6	-1.8	88.1	90.6	-2.7	120.5
Rental income, EURm	24.6	25.4	-3.0	73.4	77.3	-5.0	102.0
Service income, EURm	4.4	4.2	6.1	14.7	13.2	11.1	18.6
EBITDA, EURm	16.3	16.8	-2.8	47.4	50.2	-5.5	64.3
<i>EBITDA-%</i>	56.1	56.7	-	53.8	55.4	-	53.4
Fair value of investment properties, EURm*	-	-	-	994.2	1,183.0	-16.0	997.6
Number of campuses*	-	-	-	16	16	0.0	15
Rentable area, m <sup>2</sup> *	-	-	-	478,500	530,000	-9.7	486,500
Average rent, EUR/m <sup>2</sup> /month *	-	-	-	17.6	17.3	1.5	17.0
Financial occupancy rate, %*	-	-	-	93.0	90.7	-	90.7
Market yield requirement, average, %*	-	-	-	7.5	7.7	-	7.6

\* At the end of the period.

Note: 9/17: 10,900 m<sup>2</sup> under renovation, 9/16: 7,200 m<sup>2</sup> under renovation.



# Segment information: Baltic Rim

Baltic Rim	Q3/ 2017	Q3/ 2016	Change %	Jan-Sep, 2017	Jan-Sep, 2016	Change %	2016
Net sales, EURm	8.8	7.2	22.5	26.6	21.6	23.5	29.5
Rental income, EURm	7.9	6.9	14.7	24.0	19.9	20.6	26.9
Service income, EURm	0.9	0.4	99.4	2.6	1.8	44.3	2.6
EBITDA, EURm	5.5	4.5	22.0	16.0	12.0	34.0	16.6
<i>EBITDA-%</i>	62.0	62.3	-	60.2	55.5	-	56.1
Fair value of investment properties, EURm*	-	-	-	313.2	261.8	19.6	292.3
Number of campuses*	-	-	-	3	3	0.0	3
Rentable area, m <sup>2</sup> *	-	-	-	170 100	148 300	14.7	161 200
Average rent, EUR/m <sup>2</sup> /month *	-	-	-	15.2	14.4	5.1	14.9
Financial occupancy rate, %*	-	-	-	99.4	98.9	-	99.7
Market yield requirement, average, %*	-	-	-	8.2	8.7	-	8.7

\* At the end of the period.

Note: 9/17: 500 m<sup>2</sup> under renovation, 9/16: 0 m<sup>2</sup> under renovation.

# Segment information: Scandinavia

Scandinavia	Q3/ 2017	Q3/ 2016	Change %	Jan-Sep, 2017	Jan-Sep, 2016	Change %	2016
Net sales, EURm	6.3	6.3	0.1	19.4	15.2	28.0	22.0
Rental income, EURm	6.0	6.1	-2.6	18.4	14.4	27.4	20.7
Service income, EURm	0.3	0.3	23.6	1.1	0.9	23.4	1.4
EBITDA, EURm	3.7	4.1	-10.7	11.0	8.5	29.3	12.2
<i>EBITDA-%</i>	58.3	65.4		56.8	56.2	-	55.4
Fair value of investment properties, EURm*	-	-	-	328.5	334.0	-1.6	334.3
Number of campuses*	-	-	-	2	2	0.0	2
Rentable area, m <sup>2</sup> *	-	-	-	102,100	99,900	2.2	98,700
Average rent, EUR/m <sup>2</sup> /month *	-	-	-	19.5	19.5	0.0	22.3
Financial occupancy rate, %*	-	-	-	94.1	94.8	-	96.8
Market yield requirement, average, %*	-	-	-	5.4	5.5	-	5.5

\* At the end of the period.

Note: 9/17: 0 m<sup>2</sup> under renovation, 9/16: 2,300 m<sup>2</sup> under renovation.

# Changes in Fair Values

## Changes in Fair Values, January-September 2017

EURm

EURm	Yield requirement	Occupancy assumption	Modernization	Other changes	Projects in progress	Total
Finland	14.3	-6.1	-5.5	0.4	1.3	4.4
Baltic Rim	8.8	0.7	-2.5	-2.7	6.5	10.8
Scandinavia	3.3	0.0	-1.5	-0.6	0.0	1.2
<b>TOTAL</b>	<b>26.4</b>	<b>-5.4</b>	<b>-9.5</b>	<b>-2.9</b>	<b>7.8</b>	<b>16.4</b>

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

# Lease Stock and Customer Base

Lease stock, % of space Maturity, years	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016
< 1	16	16	21	19	18
1 – 3	21	21	20	21	22
3 – 5	19	19	18	17	17
> 5	16	16	15	16	15
Open-ended leases	29	29	25	27	28
Average lease term in months	34	34	34	35	35
Lease stock, EUR million	389.9	397.6	389.1	392.7	430.0

- A total of approximately 1,700 customers and 2,914 lease agreements
- The ten largest customers let approximately 22.0% of rented space and the single largest customer 4.2%
- In January–September, the ten largest customers accounted for 20.8% of rental income and the single largest customer 4.6%

# Share Information: Trading

Share trading	Q3/ 2017	Q3/ 2016	Change %	Jan–Sep, 2017	Jan–Sep, 2016	Change %	2016
Lowest price, EUR	3.63	3.00	21.0	2.96	2.89	2.4	2.89
Highest price, EUR	4.04	3.48	16.1	4.04	3.48	16.1	3.48
Closing price (end of period), EUR	-	-	-	3.93	3.26	20.6	3.13
Volume weighted average price, EUR	3.79	3.26	16.3	3.34	3.20	4.4	3.16
Share turnover, million shares	8.5	15.4	-44.9	37.2	32.3	15.3	49.7
Share turnover, EURm	32.2	50.3	-36.0	124.3	103.5	20.1	157.1
Market capitalization (end of period), EURm	-	-	-	624.1	517.7	20.6	497.0

# Share Information: Largest Shareholders\* on Sep 30, 2017

	# of shares	% of shares
Varma Mutual Pension Insurance Comp.	38,172,288	24.0
Ilmarinen Mutual Pension Insurance Comp.	16,634,470	10.5
City of Oulu	3,917,926	2.5
Laakkonen Mikko	2,139,276	1.4
Technopolis Plc	1,903,373	1.2
The Finnish Cultural Foundation	1,782,063	1.1
Jenny and Antti Wihuri's Foundation	1,107,597	0.7
Jyrki Hallikainen and company	1,000,000	0.6
Etola Erkki	865,500	0.6
National Broadcasting Company's Pension F.	828,744	0.5
<b>10 largest shareholders, total</b>	<b>68,351,237</b>	<b>43.1</b>
<b>Foreign and nominee registered, total</b>	<b>56,527,531</b>	<b>35.6</b>
Others, total	33,914,894	21.3
<b>Total amount of shares</b>	<b>158,793,662</b>	<b>100.0</b>

<sup>30</sup> \* Not including nominee-registered shareholders

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