Technopolis Group Interim Report January 1 - March 31, 2017

Strong increase in net sales and earnings

- Net sales EUR 44.3 (41.1) million, up 7.8%
- EBITDA EUR 23.6 (21.9) million, up 7.7%
- Constant currency net sales were up 5.8% and EBITDA was up 5.2%
- Financial occupancy rate 93.5% (92.5%)
- Earnings per share EUR 0.10 (0.09)
- Direct result (EPRA) EUR 14.1 (12.3) million, up 15.0%
- Direct result per share, diluted (EPRA) EUR 0.09 (0.10)
- Net asset value per share (EPRA) EUR 4.25 (4.05)

Technopolis has initiated a comprehensive review of the company´s strategy as well as strategic and financial targets, which it expects to complete in June.

Key Indicators	1–3/ 2017	1–3/ 2016	1–12/ 2016
Net sales, EUR million	44.3	41.1	172.1
EBITDA, EUR million	23.6	21.9	93.1
EBITDA %, Rental operations	64.8	64.8	66.1
EBITDA %, Services	11.7	7.9	9.4
Operating profit, EUR million	28.5	21.4	89.3
Net result for the period, EUR million	18.4	13.8	52.4
Earnings/share, EUR	0.10	0.09	0.33
Cash flow from operations/share, EUR	0.11	0.17	0.46
Equity ratio, %	42.8	38.0	41.5
Equity/share, EUR	3.95	3.67	3.95

EPRA-based Key Indicators	1–3/ 2017	1–3/ 2016	1–12/ 2016
Direct result, EUR million	14.1	12.3	52.6
Direct result/share, diluted, EUR	0.09	0.10	0.40
Net asset value/share, EUR	4.25	4.05	4.24
Net rental yield, %	7.0	7.7	7.4
Financial occupancy rate, %	93.5*	92.5*	93.4*

* 3/2017: 16,000 m² under renovation. 3/2016: 15,250 m² under renovation.

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

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

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

Future Outlook Unchanged

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

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

Keith Silverang, CEO:

"Our first quarter 2017 operational performance was strong. Net sales grew by 5.8% year-on-year, on a constant currency basis, mainly thanks to higher occupancy rates and increased rentable space following the acquisition of our Swedish campus in Gothenburg last year and the successful completion of organic growth projects. Financial occupancy at the end of March was solid at 93.5% (92.5%). We also made progress in most of our business units, including Oulu, where we recently signed new long-term agreements.

We also saw a clear profitability improvement with EBITDA growth of 5.2%, on a constant currency basis. The improvement was mainly due to higher occupancy rates as well as lower operational expenses.

In April, we acquired an office property under construction in Vilnius neighboring our own campus and signed an agreement to acquire a neighboring land plot. This investment will enable us to better serve our customers, providing them with expansion space almost immediately. In addition to this, the Delta building in Vilnius was fully completed in the first quarter with an occupancy rate of over 90% and was granted a Gold-level LEED Certificate. Both investments in Vilnius are a good strategic fit with our Baltic campus network and offer a healthy return on investment. Our other organic expansion projects are progressing on schedule in Helsinki and in Tallinn, and there is organic expansion potential in many other campuses, including the Helsinki Metropolitan Area and CBD Oulu.

Our service business has played an increasingly important role, and it continues to grow steadily. Its share of total net sales has now reached 13.5% (12.6%), and service sales were up 15.9% (14.5%) year-on-year. Service earnings are also showing improvement, with the EBITDA margin for services reaching 11.7% from 7.9% in the corresponding quarter last year. Our best performing units are generating an EBITDA margin of over 22% and penetration of close to 20%, which is the direction we want for the whole Group. For the rental operations, the EBITDA margin remained stable at 64.8% (64.8%).

Organic growth projects and service growth are both driven by demand for more efficiency, flexibility and solutions that support workplace productivity. Coworking is one part of this overall megatrend that is pointing the way for our concept development. Technopolis' coworking spaces have proven successful enough to expand our UMA Workspace in downtown Helsinki in May, only one year after its opening.

Our financial position remains solid. Thanks to strong operational cash flow and liquidity, we paid down maturing debt according to schedule, as indicated in previous reports. The equity ratio rose to 42.8% (38.0%) and loan-to-value dropped to 53.4% (56.7%). Organic growth projects and rising service earnings are boosting cash flow less capital-intensively than through property acquisitions."

Operating Environment

Global economic signals have been positive in recent months. This partly reflects expectations of stimulus measures from the new US administration, but policy shifts in areas such as energy and financial regulation have also contributed to greater commercial optimism. The oil price recovery, for instance, has eased the pressure on over-extended oil-producing countries and provided an injection for global stock markets. Meanwhile prices are still low enough to provide relief to countries that are net importers of oil. It also seems evident that resource utilization has climbed to levels that will gradually trigger higher capital spending and wage pressure. But there are also major risks shadowing the outlook. Political events are clearly momentous, and the uncertainty surrounding the Brexit process and Trump's policies, for example, has increased. The OECD has forecasted that global growth will accelerate from 3.1% to 3.6% in 2017 and 3.7% in 2018.

In Western Europe the sentiment looks fairly optimistic as well. Job growth and a positive housing market trend are benefiting household consumption, while rising capacity utilization and low interest rates are supporting capital spending together with weakly expansionary fiscal policies. We are likely to see more aggressive investments in 2017-2018. Relatively weak currencies are also creating a favorable climate. SEB has forecasted GDP growth of 1.8% in 2017 and 1.9% in 2018 in the euro zone and 2.1% for both years in the Nordic countries, 2.7% and 3.1%, respectively, in the Baltic Countries (SEB: Nordic Outlook, February 2017).

Finland	2016	2017e	2018e
Gross Domestic Product, change y/y, %	1.4	1.1	1.3
Consumer Price Index, change y/y, %	0.4	1.2	1.3
Unemployment rate, %	8.8	8.5	8.4

Source: Bloomberg, April 2017

In 2017–2018, growth in Finland is expected to continue leaning heavily on private consumption while exports lag and investments are cautious, except in the construction sector. Consumption is supported by low inflation and interest rates, a moderately improved employment rate and also, to some extent, increased debt. However, traditional investments aiming at production and capacity growth continue to develop modestly, while construction accounts for more than half of all investments – much more than in Germany, Sweden or Estonia, for instance. Any progress is very much welcome after a long downturn, but structural factors are limiting more broad-based and rapid growth. The Finnish population is ageing, productivity growth is weak, and agility to change has so far been inadequate. The business cycle has improved, but long-term challenges are still to be resolved.

Despite long-term structural oversupply in office space, the Finnish office market offers better yields than other eurozone countries with similar risk profiles. The market is getting increasingly polarized: more efficient use of space is being sought, and various coworking and flexible solutions are gaining ground from the traditional office market. However, the oversupply will be gradually reduced due to the conversion of older, inflexible office buildings to other uses, or their demolition and the redevelopment of the plots for different purposes. At the end of 2016, the office vacancy rate was 13.9% in the Helsinki Metropolitan Area, 11.0% in Oulu, 13.6% in Tampere, and 11.0% in Jyväskylä (Catella Market Indicator, Spring 2017).

Norway	2016	2017e	2018e
Gross Domestic Product, change y/y, %	1.0	1.5	1.9
Consumer Price Index, change y/y, %	3.5	2.2	2.1
Unemployment rate, %	4.7	4.7	4.5

Source: Bloomberg, April 2017

Growth in the Norwegian economy remains meager, but unemployment has nevertheless peaked and the downturn in employment has ended. However, the divergence between oil and non-oil regions remains large. GDP growth is expected to improve to 1.5% in 2017, twice that of 2016, as the drag from declining oil investments finally subsides. Oil prices have risen in recent months, and are expected to rise further in coming years as the sharp drop in global oil investments most likely will result in a significant shortfall in production capacity of conventional oil. Oil-related manufacturing production is expected to stabilize during the first half of 2017. Household demand looks set to strengthen this year as consumer confidence continues to rise and inflation recedes. Consumption of goods has been largely flat during this downturn, but consumption of services never weakened, and demand for housing has strengthened.

The uncertainty among tenants is continuing, as the long-term outlook of the oil-related economy is still blurred. In order to cope with the uncertainty, demand is shifting towards more flexible contracts. The office vacancy rate in Oslo at the end of 2016 dropped to 7.65%. Gradually improving economic conditions, increased conversion of office to residential use and the small amount of new completions mean that the vacancy rate is likely to fall thorough 2017. This will lead to further pressure on rent levels, which rose by 10% in the Oslo area in Q4 2016 after remaining unchanged in previous quarters (Newsec Property Outlook, Spring 2017).

Sweden	2016	2017e	2018e
Gross Domestic Product, change y/y, %	3.1	2.4	2.3
Consumer Price Index, change y/y, %	1.0	1.6	1.9
Unemployment rate, %	6.9	6.7	6.6

Source: Bloomberg, April 2017

Sweden is showing record rates of population growth. At the beginning of 2017, the 10 million mark was crossed. The rapidly growing population will be an important factor for economic development. This could be highly positive for growth in both the short and the long term, while also changing and challenging the drivers of the economy. For instance, the housing market is coming under further pressure and problems of matching vacancies with available labor may worsen. Reforms to achieve better-functioning housing and labor markets are becoming increasingly urgent. However, the prospects for continued strong growth remain. The growth will mainly be driven by domestic demand, but exports are also picking up. The rapid population growth will also drive growth because of the great need for investments mainly in the public sector and housing. Sweden's GDP growth is expected to decrease to 2.4% in 2017 compared with 3.1% in 2016. Inflation showed an upward tendency towards the end of 2016 – a trend that is expected to continue.

The commercial office market in the greater Gothenburg area comprises office stock totaling around 3.4 million sqm. According to Newsec, some 55,000 sqm of new space will be added to the market during 2017. Areas making up the city center total about 900,000 sqm of office space – about the same size as the CBD. The vacancy rate in the city center fell last year. It currently stands at 4.2% and is expected to continue towards 4% during 2017. The market rent in the inner city is increasing and lies currently around SEK 2,250 per sqm per year, with top rents around SEK 2,700 per sqm. The higher rents in the inner city are found in the newly built stock at Ullevi. The Technopolis Gårda campus is located in the same neighborhood (Newsec Property Outlook, Spring 2017).

Estonia	2016	2017e	2018e
Gross Domestic Product, change y/y, %	1.6	2.3	2.8
Consumer Price Index, change y/y, %	0.5	2.3	2.5
Unemployment rate, %	5.6	7.4	7.9

Source: Bloomberg, April 2017

The year 2016 was the second successive year of decelerating economic growth in Estonia, but it still grew at 1.6%. However, there is no reason for concern since the expected recovery of investments and better outlook for foreign demand should push GDP growth to 2.3% in 2017 and 2.8% in 2018. At the same time, inflation is already gathering pace and is expected to pick up sharply this year as wage pressures persist.

Office stock in Tallinn increased by 59,000 sqm during 2016. Vacancy in Class-A properties remains close to zero. However, vacancy in properties completed in 2016 is higher than average, which indicates that, at least for Class-B supply is starting to exceed demand. In 2017, the expected new delivery will be a modest 22,000 sqm. The situation will worsen in 2018 when the majority of the new projects currently under construction are expected to be completed, adding more than 100,000 sqm of new capacity. This will increase vacancy rates and may also put pressure on rents. The market rent in Class A offices is currently ranging EUR 13.5–17 per sqm per month EUR 8–12 per sqm per month in Class B offices, although rents in quality buildings with sufficient parking located close to the City Center are closer to Class A levels. (Newsec Property Outlook, Spring 2017)

Russia	2016	2017e	2018e
Gross Domestic Product, change y/y, %	-0.2	1.2	1.6
Consumer Price Index, change y/y, %	7.1	4.4	4.3
Unemployment rate, %	5.5	5.4	5.3

Source: Bloomberg, April 2017

2016 was the year of macro stabilization, which was driven by the stable oil price of 40-50 dollars per barrel and ensured lower ruble volatility. The forecast implies a GDP decline of 0.2% in real terms in 2016 and growth of 1.2% in 2017. Inflation was down to 7.1% year-on-year and is expected to decrease further. Recent signs of a recovery in investment demand are finally becoming a reality. Notably, construction has shifted from negative territory for the first time since December 2013, foreshadowing a further improvement in investment activity. Industrial production growth improved to 3.2% year-on-year, the highest figure since the end of 2014. However, the Russian economy continues to be fragile and dependent on oil and other raw material prices. If the risk of negative development materializes, it will lead to a weaker recovery in investment activity.

The supply of quality office space in St. Petersburg remains well below the levels of large European cities, although comparable with the capitals of Eastern European countries. The city also considerably lags behind Moscow and developed European markets in terms of office stock per capita. This fact will not change in the mid-term perspective due to the low volumes of the future supply. In general, the office market shows a positive trend. Due to the tenants' activation, the vacancy rate has declined since 2015. The new supply is steadily increasing, but is expected to be absorbed in the market. The office market recovery has resulted in decreasing vacancy in 2016, which continued in Q1 2017. Average vacancy rate figures at the end of Q1 2017 were equal to 5.4% in Class A offices and to 9.7% in Class B offices. In Q1 2017 (compared with Q4 2016) asking rental rates in rubles have increased in Class A by 2.1% and by 2.6% in Class B. Rents in dollar terms have increased by 2.6-3.1%.The yearly growth is expected to be around 6-7% in Class A and 5-6% in Class B in 2017.

(JLL: St. Petersburg Office Market Q1/2017)

Lithuania	2016	2017e	2018e
Gross Domestic Product, change y/y, %	2.6	2.8	2.9
Consumer Price Index, change y/y, %	0.5	2.1	2.3
Unemployment rate, %	7.8	7.4	7.2

Source: Bloomberg, April 2017

After an estimated 2.0% growth last year the Lithuanian economy is expected to accelerate to 2.8% in 2017, and further to 2.9% in 2018. Temporary factors, such as shrinking inventories, contracting public investments and a poor crop harvest, are unlikely to drag down growth this year. However, a jump in inflation, weaker wage growth, shrinking employment and rising emigration will dent consumption. Exports will accelerate somewhat, but cost competitiveness has been eroded and the era of rapid growth is behind the country.

At the end of 2016, the stock of modern office premises in Vilnius totaled some 527,000 sqm. It is expected that a further 140,000 sqm of new space will be commissioned during 2017-2018. The completion of new projects in 2016 increased vacancy rates: the average vacancy for Class-A office properties reached 3.5% and for Class-B properties 5.5%, both of which can still be considered healthy levels. However, the vacancies are expected to increase in the coming years as the market may not absorb all of the new openings. The average market rent for prime office space in Vilnius CBD ranged from EUR 14–16 per sqm per month. In other central areas rents were in the range of EUR 11–14 per sqm. Average rents for both Class-A and -B properties have increased slightly for the past few years (Newsec Property Outlook Spring 2017).

Business Segments

Technopolis has three business segments with a total rentable area of 751,550 m² (742,950 m²).

Finland

Finland	1–3/2017	1–3/2016	Change, %
Number of campuses *	15	16	-6.3
Rentable space, m² *	483,700**	530,650**	-8.8
Average rent, EUR/m² *	17.3	17.2	0.6
Financial occupancy rate, % *	91.3**	90.5**	0.9 ppt
Rental income, EUR million	23.9	25.2	-5.2
Net sales, EUR million	28.7	29.6	-3.1
EBITDA, EUR million	14.7	15.8	-6.5
Market yield requirement, average, % *	7.6	7.8	-0.2 ppt
Fair value of investment properties, EUR million *	997.6	994.1	0.5

* At the end of the period.
** 3/2017: 10,350 m² under renovation. 3/2016: 11,800 m² under renovation.

The decrease in number of campuses, rentable space, net rental income and EBITDA were caused by divestitures in Lappeenranta, Tampere and Oulu. Rent levels remained stable. The occupancy rate increased, mainly due to positive developments in Oulu. Fair values increased due to market yield compression and organic investment projects in Tampere and in Helsinki Metropolitan Area as well as the acquisition of a plot in Helsinki Metropolitan Area.

Baltic Rim

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

Baltic Rim	1-3/2017	1–3/2016	Change, %
Number of campuses *	3	3	0.0

Rentable space, m² *	168,550**	148,100**	13.8
Average rent, EUR/m² *	15.6	14.2	9.1
Financial occupancy rate, % *	99.3**	99.1**	0.2 ppt
Rental income, EUR million	8.0	6.4	23.7
Net sales, EUR million	8.9	7.0	27.8
EBITDA, EUR million	5.3	3.9	33.1
Market yield requirement, average, % *	8.4	8.6	-0.2 ppt
Fair value of investment properties, EUR million *	312.0	254.8	22.5

*At the end of the period.
** 3/2017: 2,900 m² under renovation, 3/2016: 0 m².

Rentable space, net sales and EBITDA increased year-on-year, mainly due to the completion of the new building in Vilnius, but the positive development in rents also contributed on it. The strengthening Russian ruble had a positive impact of EUR 0.6 million on net sales and EUR 0.4 million on EBITDA compared to the previous year. Occupancy rates remained at very high levels. Fair value development has been fairly stable in all three cities, but the absolute figure has increased, mainly due to the new property in Vilnius and foreign exchange rate development in Russia.

Scandinavia

Scandinavia	1–3/2017	1–3/2016	Change, %
Number of campuses *	2	1	100.0
Rentable space, m² *	99,300**	64,200**	48.4
Average rent, EUR/m² *	20.9	20.1	3.7
Financial occupancy rate, % *	95.4**	95.8**	-0.4 ppt
Rental income, EUR million	6.3	4.2	16.5
Net sales, EUR million	6.7	4.5	17.4
EBITDA, EUR million	3.6	2.2	23.9
Market yield requirement, average, % *	5.5	6.1	-0.6 ppt
Fair value of investment properties, EUR million *	333.1	198.3	68.0

* At the end of the period.
** 3/2017: 2,800 m² under renovation, 3/2016: 3,400 m².

In addition to the Oslo campus, from July 1, 2016, the Scandinavia segment also includes the Gothenburg campus, which has contributed positively to rentable space, rental income, average rents, net sales, EBITDA and fair values. The strengthening Norwegian krone had a positive impact on net sales of EUR 0.3 million and EBITDA of EUR 0.1 million compared to the currency rates in the previous year. Financial occupancy decreased slightly since space under renovation returned to leasable area in Oslo. Market yield requirements were down due to lower levels in Gothenburg.

Financial Performance in Q1

The Group's rental income amounted to EUR 38.3 (35.8) million in Q1, up 6.9% compared to the corresponding quarter in 2016. The main reason for the increase is higher rentable space due to the acquisition of the Gothenburg campus in July 2016, which was partly offset by divestitures in Tampere and Lappeenranta in November 2016. Net sales from services continued at positive trend increasing by 15.9% (14.5%) and amounting to EUR 6.0 million. The Group's net sales in total reached 44.3 (41.1) million, up 7.8%. Net sales converted into euros were positively impacted by EUR 0.8 million due to the strengthening RUB, NOK and SEK compared to the previous year. On a constant currency basis net sales were up 5.8%.

Other operating income was EUR 0.0 (0.8) million. Premises expenses slightly decreased to EUR 10.1 (10.4) million due lower operational expenses related to the milder winter. The Group's administrative costs totaled EUR 3.6 (3.4) million. Other operating expenses increased to EUR 7.0 (6.2) million, up 13.7% mainly due to increased service expenses. Property taxes are allocated evenly over the financial year, and EUR 2.0 million was booked in January–March.

The Group's EBITDA totaled EUR 23.6 (21.9) million, up 7.7%. The EBITDA margin was 53.2% (53.3%).The strengthening of the RUB, NOK and SEK against the EUR increased EBITDA by EUR 0.6 million through conversion compared to the previous year. On a constant currency basis, EBITDA grew 5.2% and the EBITDA margin was 53.0%.

EBITDA for the rental operations amounted to EUR 24.8 (23.2) million. EBITDA for services was EUR 0.7 (0.4) million. EBITDA margin for the rental operations remained at the previous year's level and was 64.8% (64.8%), however, the EBITDA margin for services increased to 11.7% (7.9%). In addition to the sum of EBITDA for real estate operations and services, the Group EBITDA comprises Group-level expenses and intracompany eliminations as indicated in the table on page 26.

Fair value changes during the period totaled EUR +6.0 (+0.5) million. The biggest positive impact came from the changes in yield requirements but it was largely off-set by modernizations in general and occupancy assumptions particularly in the Finnish business units. Also the ongoing organic investments in Tallinn and Vilnius contributed positively to fair values. Fair value changes in the reporting period:

EUR million	Yield requirements	Occupancy assumptions	Modernization	Other*	Projects in progress	Total
Finland	4.8	-3.4	-3.2	2.4	0.2	0.8
Baltic Rim	4.7	0.0	-1.2	-1.9	4.3	5.9
Scandinavia	1.0	0.0	-0.9	-0.8	0.0	-0.7
Total	10.5	-3.4	-5.3	-0.3	4.5	6.0

* Other changes include changes in market rents, operative expenses and capital expenditures as well as inflation assumptions.

The Group's operating profit rose to EUR 28.5 (21.4) million due to positive fair value changes of investment properties. Net finance expenses were up EUR 0.9 million due to increase in interest bearing debt and exchange rate changes. Taxes increased to EUR 4.0 (2.5) million due to higher deferred taxes. Current taxes actually decreased to EUR 0.6 million (3.0). Pre-tax profits rose to EUR 22.4 (16.3) million and the net result for the period rose by 33.4% to EUR 18.4 (13.8) million. EPS increased to EUR 0.10 (0.09).

EPRA-based Result

The EPRA-based (European Public Real Estate Association) direct result does not include unrealized exchange rate gains and losses, fair value changes or any non-recurring items, such as gains and losses on disposals. The direct result amounted to EUR 14.1 (12.3) million. The increase was mainly caused by higher rentable area due to the acquisition in Gothenburg and organic investments in Tampere and Vilnius. Diluted earnings per share from direct result amounted to EUR 0.09 (0.10).

Customers and Lease Stock

Technopolis has a total of approximately 1,700 customers. The ten largest customers let approximately 21.9% of rented space as of March 31, 2017.

Lease stock, % of space Maturity, years	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016	June 30, 2016	Mar 31, 2016
< 1	21	19	18	17	21
1 – 3	20	21	22	22	22
3 – 5	18	17	17	15	14
> 5	15	16	15	18	17
Open-ended leases	25	27	28	28	25
Average lease term in months	34	35	35	36	35
Lease stock, EUR million	389.1*	392.7	430.0	424.8	407.7

* Main reason for the decreasing contract value is divestitures.

Investments

Construction projects in progress at the end of the reporting period, their rentable areas and estimated investment amounts on March 31, 2017 are as follows:

Area	Name	Pre-let rate, %	m²	EUR million	Stabilized yield, % [1]	Completion
Vilnius	Delta	90.6	21,900	35.4	9.8	12/2016[2]
Helsinki	Ruoholahti 3	39.0	10,300	33.2	7.0	07/2018
Tallinn	Lõõtsa 12	18.8	9,700	13.6	9.0	07/2018
Vilnius[3]	Penta	44.0	13,800	32.0[4]	8.4	10/2017

1) Stabilized yield = estimated net operating income / cost
2) Delta building was completed in the first quarter. First customers moved in already in November 2016.
3) Post-fiscal.
4) Total investment including also the neighboring land plot with an expansion potential of at least 20,000 m² for which a purchase agreement has been signed.

Financing

The Group's balance sheet total was EUR 1,778.0 (1,581.2) million, with liabilities accounting for EUR 1,021.7 (983.7) million. The Group's equity per share was EUR 3.95 (3.67), its equity ratio was 42.8% (38.0%) and its loan-to-value ratio (LTV) was 53.4% (56.7%). The increase in the equity ratio was due to the rights issue in September, solid operational performance, increases in FX translation differences and in the fair value of hedging derivatives and the divestitures of the Finnmedi campus and the Lappeenranta business unit. LTV decreased due to the paying down of maturing debt and the increased fair values of investment properties. Both indicators are expected to improve further as excess liquidity is used for the pay-down of debt. At the period-end, the Group's net gearing was 109.2% (138.7%) and its interest coverage ratio was 4.7 (4.6).

The Group's interest-bearing liabilities amounted to EUR 889.5 (851.6) million. The average capital-weighted loan maturity was 5.1 (5.8) years at the end of the period. A total of 32.2% (27.3%) of the Group's interest-bearing liabilities were floating-rate loans and 67.8% (72.7%) were either interest rate hedged or fixed-rate loans with maturities of 13–60 months. The average interest rate on interest-bearing liabilities excluding the hybrid loan was 2.54% (2.55%).

A total of 0.5% (3.2%) of all interest-bearing liabilities were pegged to the under-3-month Euribor rate and 31.7% (24.1%) to the Euribor rates from 3 to 12 months. The Group's interest fixing period was 2.1 (2.6) years at the end of the period. At the end of the reporting period, interest rate swaps covered EUR 627.3 (588.4) million of the principal. The hedging ratio for interest-bearing liabilities was 45.2% (57.3%) and the average hedging period was 5.4 (5.4) years. The company has entered into three EUR 50 million bullet-type hedging agreements with forward starts in 2019, 2020 and 2021. The maturities of these agreements are 5–15 years. In addition there is a SEK 716,4 million swap agreement related to a loan for Technopolis Gårda, with forward start in 2019. These four agreements are excluded from the hedging ratio.

At the end of the reporting period, Technopolis had EUR 111.2 (103.1) million in untapped credit facilities. The credit facilities included a EUR 90.0 (92.3) million credit line and a EUR 21.2 (10.8) million revolving credit facility. In addition, the company has a EUR 150.0 (150.0) million commercial paper program, of which EUR 21.0 (26.5) million was outstanding at the end of the reporting period. At the same time, the Group had cash and cash equivalents worth EUR 62.5 (23.1) million.

During the 12-month period following the reporting period, EUR 179.5 (128.2) million in existing interest-bearing loans will mature.

Technopolis had interest-bearing liabilities with covenants amounting to EUR 736.0 (671.3) million. Of this total, EUR 425.8 (448.5) million had equity ratio-linked covenants. Of these loans, EUR 382.8 (393.8) million include a call provision. If the equity ratio falls below 33%, EUR 53.9 (54.7) million of the loan principal could be called in. If the equity ratio falls below 30%, EUR 232.8 (243.8) million of the loan principal could be called in. The principal of EUR 110.1 (116.1) million includes an interest margin revision term. If the equity ratio falls below 33%, the additional impact on the interest expenses of these loans with the interest margin revision term would be EUR 0.6 (0.6) million per annum. The bond of EUR 150 million has a minimum equity ratio covenant of 28%.

Evaluation of Risks and Uncertainties in the Company's Operations

The four most significant near term risks affecting Technopolis' business are related to interest rates, geographical concentrations, currencies and customers.

The Group's interest-bearing liabilities amounted to EUR 889.5 (851.6) million. A one percentage point increase in market rates would cause a EUR 2.3 (1.3) million increase in interest costs per annum.

Finland represents 60.8% of the Group's assets (fair values of investment properties) and 64.7% of net sales. Country-related matters such as slow economic growth could have an impact on the Group's financial performance.

The Group is exposed to changes in the Norwegian krone, the Russian ruble and also the Swedish krona. The direct impact of changes in exchange rates on the Group's operating profit, balance sheet and equity ratio as of March 31, 2017 are presented below. The table does not include the conversion impacts of FX changes on net sales and EBITDA.

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	-8.3	-8,3	42.6%
RUB +10	0.0	10.4	10.4	43.1%
NOK -10	0.0	-8.0	-8.0	42.8%
NOK +10	0.0	9.7	9.7	42.8%
SEK -10	0.0	-4.2	-4.2	42.9%
SEK +10	0.0	5.1	5.1	42.8%

In Russia, Norway and Sweden, the Group had liabilities only in the local currencies, and thus it is only vulnerable to translation differences in equity. At the end of the period, Russian subsidiary had equity of RUB 5.4 billion, Norwegian subsidiaries' equity totaled NOK 804 million, and Swedish subsidiaries' equity was SEK 439 million.

In March, the ten largest customers accounted for 20.6% of rental income. The single largest customer accounted for 4.2% of rented space and 4.6% of rental income.

For a more detailed outline of the risks, please see the company's Annual Report 2016. It is the opinion of the Board of Directors that there have been no material changes to the near term risks outlined in the 2016 Financial Report.

Group Strategy and Financial Targets

In the annual review of the company's strategy in August 2016, the Board noted that the competitive strategy, which is based on the Technopolis concept, is effective. The company has been able to enter the Swedish market and service revenues and earnings are on the rise. Technopolis will continue to expand its campus network in the Nordic-Baltic region, focusing on micro-locations with the optimal strategic fit where the company can add the maximum amount of value by effectively deploying its concept. The core of the Technopolis concept is superior management of the customer experience, targeting to higher occupancy and yields. The company will also continue to divest selected non-core properties and campuses in the Finnish market.

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

GOVERNANCE

Organization and Personnel

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

On March 23, 2017 Sami Laine (b.1971), M.Sc. (Econ.), appointed as the new CFO of Technopolis Plc, replacing CFO Reijo Tauriainen. Sami Laine started as CFO in May, 2017.

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

During the period, the Group employed an average of 238 (247) people. On average, real estate operations employed 79 (82) people, service operations 106 (111) people and Group administration 53 (54) people. The number of personnel at the period end was 236 (246).

Corporate Sustainability

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

In the beginning of the year Technopolis received Gold-level LEED (Leadership in Energy and Environmental Design) certificates for the new Yliopistonrinne buildings in Tampere and Delta buildings in Vilnius. Technopolis has now 27 LEED-certified properties in total, representing over 40% of its assets measured by gross area.

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

Key Indicators	1–3/2017	1–3/2011	Change, %	Target 2020
CO_2 emissions, CO_2e kg/m^2	16	27	-38	-60%
Energy consumption, kWh/m^2	80	83	-3	-12%

For more information, please see the Sustainability Report 2016.

Group Structure

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

Board of Directors

The Technopolis Board of Directors consists of six members: Jorma Haapamäki, Juha Laaksonen, Helena Liljedahl, Pekka Ojanpää, Christine Rankin and Reima Rytsölä. Juha Laaksonen serves as the Chairman of the Board and Jorma Haapamäki as the Vice Chairman.

Annual General Meeting 2017

The Annual General Meeting (AGM) of Technopolis Plc was held on March 23, 2017 in Espoo.

Annual Accounts and Payment of Dividends

The AGM approved the annual accounts for the financial year 2016 and discharged the company's management from liability. The AGM decided, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.12 per share. The dividend was paid to shareholders who were recorded in the shareholders' register of the company held by Euroclear Finland Ltd on the dividend record date of March 27, 2017. The dividend was paid on April 4, 2017.

Election and Remuneration of the Board of Directors

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

The members of the Board of Directors shall be paid annual remuneration as follows: EUR 55,000 to the Chairman of the Board, EUR 31,500 to the Vice Chairman of the Board and the Chairman of the Audit Committee (in case he/she is not simultaneously acting as Chairman or Vice Chairman of the Board) and EUR 26,250 to the other members of the Board of Directors. For participation in the meetings of the Board of Directors each member of the Board of Directors shall, in addition to the annual remuneration, be paid a fee of EUR 600 and the Chairman of the Board of Directors a fee of EUR 1,200 for each Board meeting. Each member of a committee of the Board of Directors shall be paid a fee of EUR 600 and the chairmen of the committees a fee of EUR 800 for each committee meeting. For meetings held outside the country of residence of the member and provided that the member is physically present at the meeting venue, each member of the Board of Directors shall, however, be paid a fee of EUR 900 and the Chairman of the Board of Directors a fee of EUR 1,800 for each Board meeting, and each member of a committee shall be paid a fee of EUR 900 and the chairs of the committees a fee of EUR 1,200 for each committee meeting. The travel expenses of the members of the Board of Directors and the members of the committees shall be compensated in accordance with the company's travel policy.

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

Election and Remuneration of the Auditor

KPMG Oy Ab, authorized public accountants, was re-elected auditor of the company. KPMG Oy Ab has notified that Lasse Holopainen, APA, will act as responsible auditor. The remuneration to the auditor shall be paid against the auditor's reasonable invoice.

Authorizations of the Board of Directors

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

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

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 15,850,000 shares, which corresponds to approximately 10% of all the shares in the company. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling the holder to shares. The issuance of shares and of special rights entitling the holder to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization is effective until the end of the next Annual General Meeting; however, no later than June 30, 2018.

Board Committees

The Board of Directors of Technopolis Plc elected the following Board members to Board committees in the Board meeting after the Annual General Meeting on March 23, 2017:

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

Stock-Related Events and Disclosures of Changes in Holdings

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

Unused Board Authorizations

The Board of Directors was authorized by the Annual General Meeting on March 23, 2017 to decide on the repurchase and/or on the acceptance as pledge of the company's own shares, as well as on the issue of shares and special rights entitling holders to shares referred to in the Limited Liability Companies Act. After the reporting period, the Board used the authorization to issue shares for the rewards of the Performance Share Plan 2013-2017 and Matching Share Plan 2016 (see next paragraph Post-Fiscal Events). After this, the Board authorization to issue or give special rights entitling holders to shares referred to in the Limited Liability Companies Act is valid for 15,790,610 shares.

Post-Fiscal Events

On April 6, 2017, Technopolis announced the acquisition of an office property under construction in Vilnius neighboring its own campus in the Ozas area. In addition, the company signed a sale and purchase agreement to acquire a neighboring land plot with expansion potential of at least 20,000 square meters. The total investment value of the deal is approximately EUR 32 million. The building, with a gross leasable area of approximately 13,800 square meters and a pre-let rate of 44%, is expected to be completed in October 2017. The seller of the properties is ICOR Group.

The building acquisition was signed and closed on April 6, 2017 and the closing of the plot acquisition is expected to take place by the year end 2017. The net sales impact of the deal is estimated to be EUR 0.3 million and the EBITDA impact EUR 0.2 million in 2017. The initial yield at the point of completion is expected to be 6.5%, and the stabilized yield based on an assumed 95% occupancy rate will be at least 8.4%.

On 25 April 2017, the Board of Directors decided on a directed share issue to the key personnel of the company for the payment of share rewards in accordance with the Performance Share Plan 2013–2017 and the Matching Share Plan 2016. In the share issue, 59,390 treasury shares were issued without consideration to the key personnel entitled to share rewards. The share issue is based on the authorization granted to the Board of Directors by the company's General Meeting of Shareholders held on 23 March 2017. After the shares were delivered to the recipients, the Company held a total of 1,899,355 treasury shares.

Webcast on May 4 at 10:00 a.m.

The webcast briefing in English for investors, analysts and media will be held on May 4 at 10:00 a.m. Finnish time. The link to the webcast is www.technopolis.fi/webcast. The other details regarding conference call and webcast can be found on the publication release.

Technopolis' interim report for January-June 2017 will be published on August 29, 2017

Helsinki, May 3, 2017

Technopolis Plc
Board of Directors

Additional information:
Keith Silverang
CEO
tel. +358 40 566 7785

Financial Statements

The accounting policies applied in this interim report are the same as in the latest annual report. The formulas for calculating key indicators are available on the company website.

The interim report has been prepared in accordance with the IFRS recognition and valuation principles; the IAS 34 requirements have also been complied with.

The figures are unaudited.

Technopolis Group:

CONSOLIDATED INCOME STATEMENT

Currency unit: EUR million	1-3/ 2017	1-3/ 2016	1-12/ 2016
Rent income	38.3	35.8	149.6
Service income	6.0	5.2	22.4
Net sales total	44.3	41.1	172.1
Other operating income	0.0	0.8	0.4
Premises expenses	-10.1	-10.4	-39.5
Administration costs [1)]	-3.6	-3.4	-13.6
Other operating expenses	-7.0	-6.2	-26.3
EBITDA	23.6	21.9	93.1
Change in fair value of investment properties	6.0	0.5	0.2
Depreciation	-1.0	-1.0	-4.0
Operating profit/loss	28.5	21.4	89.3
Unrealized exchange rate profit/loss	0.0	0.1	0.3
Finance income and expenses	-6.1	-5.2	-25.5
Result before taxes	22.4	16.3	64.2
Deferred taxes	-3.4	0.5	-5.0
Current taxes	-0.6	-3.0	-6.8
Net result for the period	18.4	13.8	52.4
Distribution:			
To parent company shareholders	16.2	11.7	47.3
To non-controlling shareholders	2.2	2.1	5.1
	18.4	13.8	52.4
Earnings per share, basic, EUR [2)]	0.10	0.09	0.33
Earnings per share, diluted, EUR [2)]	0.10	0.09	0.33

STATEMENT OF COMPREHENSIVE INCOME

Net result for the period	18.4	13.8	52.4
Other comprehensive income items			
Items that may be reclassified subsequently to profit or loss:			
Translation difference	5.0	4.1	17.7
Available-for-sale financial assets	0.0	0.0	0.0
Derivatives	4.0	-10.0	-4.3
Taxes related to other comprehensive income items	-0.8	2.0	0.7
Other comprehensive income items after taxes for the period	8.2	-3.9	14.2
Comprehensive income for the period, total	26.6	9.9	66.6
Distribution:			
To parent company shareholders	24.4	7.2	61.0
To non-controlling shareholders	2.2	2.7	5.6
	26.6	9.9	66.6

1) Administration costs includes group expenses from key resources and administration.
2) Share related indicators have been adjusted for the rights issue in fall 2016.

STATEMENT OF FINANCIAL POSITION, ASSETS

Currency unit: EUR million	March 31, 2017	March 31, 2016	Dec 31, 2016
Non-current assets			
Intangible assets	5.9	5.4	5.7
Tangible assets	7.9	13.7	9.8
Completed investment properties	1,644.0	1,447.2	1,624.2
Investment properties under construction	19.2	48.7	22.6
Investments	6.4	6.8	6.5
Deferred tax assets	15.6	19.7	16.6
Non-current assets	1,699.0	1,541.4	1,685.3
Current assets	79.0	39.8	139.8
Assets, total	1,778.0	1,581.2	1,825.1

STATEMENT OF FINANCIAL POSITION, SHAREHOLDERS' EQUITY AND LIABILITIES

Currency unit: EUR million	March 31, 2017	March 31, 2016	Dec 31, 2016
Shareholders’ equity			
Share capital	96.9	96.9	96.9
Premium fund	18.5	18.6	18.5
Equity related bond	74.2	74.2	74.2
Other funds	325.8	193.6	322.6
Translation difference	-5.1	-23.9	-10.1
Retained earnings	167.6	143.9	143.5
Net profit for the period	16.2	11.7	47.3
Parent company’s shareholders’ interests	694.2	515.1	693.0
Non-controlling interests	62.0	82.4	59.9
Shareholders’ equity, total	756.3	597.5	752.9
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	710.0	723.4	825.8
Non-interest-bearing liabilities	2.7	0.7	2.6
Deferred tax liabilities	41.1	34.9	38.1
Non-current liabilities, total	753.7	759.0	866.6
Current liabilities			
Interest-bearing liabilities	179.5	128.2	134.0
Non-interest-bearing liabilities	88.5	96.5	71.7
Current liabilities, total	268.0	224.7	205.7
Liabilities, total	1,021.7	983.7	1,072.3
Shareholders’ equity and liabilities, total	1,778.0	1,581.2	1,825.1

STATEMENT OF CHANGES IN EQUITY

Currency unit: 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
Equity January 1, 2016	96.9	18.6	276.9	-27.4	166.1	79.7	610.8
Comprehensive income							
Net profit for the period					11.7	2.1	13.8
Other comprehensive income items							
Translation difference				3.6	0.0	0.6	4.1
Derivatives			-8.0			0.0	-8.0
Available-for-sale financial assets			0.0				0.0
Comprehensive income for the period			-8.0	3.6	11.7	2.7	9.9
Related party transactions							
Dividend					-17.8	0.0	-17.8
Acquisition of own shares			-1.1		0.0		-1.1
Interest paid to equity related bond					-4.5		-4.5
Other changes		0.0	0.0		0.1	0.0	0.1
Related party transactions			-1.1		-22.1	0.0	-23.2
Equity March 31, 2016	96.9	18.6	267.9	-23.9	155.6	82.4	597.5
Equity January 1, 2017	96.9	18.5	396.8	-10.1	190.8	59.9	752.9
Comprehensive income							
Net profit for the period					16.2	2.2	18.4
Other comprehensive income items							
Translation difference				5.0		-0.1	5.0
Derivatives			3.2			0.0	3.2
Available-for-sale financial assets			0.0				0.0
Other changes					0.0		0.0
Comprehensive income for the period			3.2	5.0	16.2	2.2	26.6
Related party transactions							
Dividend					-18.8	0.0	-18.8
Acquisition of own shares			0.0		0.0		0.0
Interest paid to equity related bond					-4.5		-4.5
Investment of non-controlling interests						0.0	0.0
Other changes			0.0		0.1	0.0	0.1
Related party transactions			0.0		-23.2	0.0	-23.2
Equity March 31, 2017	96.9	18.5	400.1	-5.1	183.8	62.0	756.3

STATEMENT OF CASH FLOWS

Currency unit: EUR million	1-3/ 2017	1-3/ 2016	1-12/ 2016
Cash flows from operating activities			
Net result for the period	18.4	13.8	52.4
Adjustments:			
Change in fair value of investment properties	-6.0	-0.5	-0.2
Depreciation	1.0	1.0	4.0
Share of profits of associates	0.0	0.0	0.0
Gains from disposals	0.0	-0.8	-0.4
Other adjustments for non-cash transactions	0.1	-0.4	-0.5
Financial income and expenses	6.1	5.6	25.8
Taxes	4.0	2.5	11.8
Increase / decrease in working capital	-1.7	4.0	-3.0
Interests received	0.1	0.1	0.3
Dividends received			0.1
Interests paid and fees	-2.3	-2.4	-17.0
Other financial items in operating activities	-1.8	-1.1	-9.7
Taxes paid	-0.5	-3.5	-3.4
Net cash provided by operating activities	17.4	18.2	60.2
Cash flows from investing activities			
Investments in investment properties	-8.5	-13.4	-87.0
Investments in tangible and intangible assets	-0.9	0.0	-4.1
Investments in other securities			-0.5
Granted loans	-0.1		0.0
Repayments of loan receivables	0.0		0.0
Proceeds from sale of investments	0.0	0.0	1.2
Proceeds from sale of tangible and intangible assets	0.2	0.0	3.9
Acquisition of subsidiaries			-53.0
Sale of subsidiaries			64.0
Net cash used in investing activities	-9.3	-13.4	-75.5
Cash flows from financing activities			
Increase in long-term loans		14.3	183.0
Decrease in long-term loans	-35.1	-30.9	-203.2
Dividends paid and return of capital	0.0		-20.0
Paid share issue			125.5
Acquisition of own shares		-1.1	-1.1
Hybrid bond interest paid	-5.6	-5.6	-5.6
Sale of subsidiaries, no change in control	1.1	1.4	
Change in short-term loans	-34.5	0.9	23.9
Net cash provided by financing activities	-74.1	-21.1	102.5
Net increase/decrease in cash assets	-66.0	-16.3	87.3
Effects of exchange rate fluctuations on cash held	0.5	0.1	1.4
Cash and cash equivalents at period-start	128.0	39.4	39.4
Cash and cash equivalents at period-end	62.5	23.1	128.0

FINANCIAL INFORMATION BY SEGMENTS

On the closing date, Technopolis Group had three reporting segments: Finland, Baltic Rim and Scandinavia. The Group has combined its operating segments into reporting segments based on geographic location. The operating segments combined into the Finland segment are the Helsinki Metropolitan Area, Tampere, Kuopio, Jyväskylä, and Oulu business units. The operating segments combined into the Baltic Rim reporting segment are the St. Petersburg, Vilnius and Tallinn business units, whereas the Scandinavian reporting segment is comprised of the Oslo and Gothenburg business units. The combined operating segments all have similar financial characteristics and performance. The operating segments have similar space and service businesses. The segmentation is based on the Group's existing internal reporting and the organization of its business operations. The net sales of the segments are comprised mainly of rental and service revenue.

SEGMENT INFORMATION

Currency unit: EUR million	1-3/ 2017	1-3/ 2016	1-12/ 2016
Net sales			
Finland	28,7	29,6	120,5
Baltic Rim	8,9	7,0	29,5
Scandinavia	6,7	4,5	22,0
Total	44,3	41,1	172,1
EBITDA			
Finland	14,7	15,8	64,3
Baltic Rim	5,3	3,9	16,6
Scandinavia	3,6	2,2	12,2
Total	23,6	21,9	93,1
Assets			
Finland	1,129.2	1,136.8	1,221.0
Baltic Rim	346,0	285,1	327,6
Scandinavia	351,0	212,8	351,5
Eliminations	-48,2	-53,5	-75,0
Total	1,778.0	1,581.2	1,825.1

EPRA EARNINGS

Technopolis presents its official financial statements by applying the IFRS standards. The statement of comprehensive income includes a number of items unrelated to the company's actual business operations. Therefore, the company presents its direct result, which better reflects its real result.

The direct result presents the company's net result for the period excluding the change in the fair value of investment properties, the change in the fair value of non-hedge financial instruments, unrealized exchange rate gains and losses and other items, such as gains and losses on disposals. Additionally, the direct result presents the related taxes, deferred tax assets and liabilities and share of non-controlling interests.

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

DIRECT RESULT

Currency unit: EUR million	1-3/ 2017	1-3/ 2016	1-12/ 2016
Net sales	44.3	41.1	172.1
Other operating income	0.0	0.0	0.0
Other operating expenses	-20.7	-20.0	-79.5
Depreciation	-1.0	-1.0	-4.0
Operating profit/loss	22.5	20.1	88.6
Financial income and expenses, total	-6.3	-5.3	-24.4
Result before taxes	16.3	14.8	64.2
Taxes for direct result items	-0.5	-0.7	-5.9
Non-controlling interests	-1.6	-1.9	-5.7
Direct result for the period	14.1	12.3	52.6

INDIRECT RESULT

Indirect income and expenses	0.0	0.8	0.5
Change in fair value of investment properties	6.0	0.5	0.2
Operating profit/loss	6.0	1.3	0.7
Other indirect financial income and expenses	0.1	0.2	-0.8
Result before taxes	6.1	1.5	-0.1
Taxes for indirect result items	-3.5	-1.8	-5.9
Non-controlling interests	-0.6	-0.3	0.6
Indirect result for the period	2.0	-0.6	-5.4
Result for the period to the parent company shareholders, total	16.2	11.7	47.2
Earnings per share, diluted [3)]			
From direct result	0.09	0.10	0.40
From indirect result	0.01	-0.01	-0.04
From net result for the period	0.10	0.10	0.36
Effect of the interest expenses from equity related bond	-0.01	-0.01	-0.03
From adjusted net result for the period	0.10	0.09	0.33

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

KEY INDICATORS

	March 31,2017	March 31,2016	Dec 31,2016
Change in net sales, %	7.8	-0.3	0.9
Operating profit/loss/net sales, %	64.4	52.1	51.9
Change in EBITDA, %	7.7	-1.5	0.1
Service revenue of Net Sales, %	13.5	12.6	13.0
Interest coverage ratio	4.7	4.6	4.6
Equity ratio, %	42.8	38.0	41.5
Loan to value, %	53.4	56.7	58.2
Group company personnel during the period, average	238	247	248
Gross expenditure on assets, MEUR	7.7	14.7	221.0
Net rental yield of investment properties, % 4)	7.0	7.1	7.4
Financial occupancy rate, %	93.5	92.5	93.4
Earnings/share 6)			
basic, EUR	0.10	0.09	0.33
diluted, EUR	0.10	0.09	0.33
Cash flows from operating activities/share, EUR 6)	0.11	0.17	0.46
Equity/share, EUR 6)	3.95	3.67	3.95
Average issue-adjusted number of shares 5,6)			
basic	156,836,159	120,050,158	130,247,085
diluted	156,836,159	120,050,158	130,247,085
Issue-adjusted number of shares at the end of period	156,834,917	120,036,301	156,846,091

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

5) Own shares held by the company (1,958,745 shares) are excluded from the number of shares.

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

CHANGE IN VALUE OF INVESTMENT PROPERTIES

Currency unit: EUR million	1-3/ 2017	1-3/ 2016	1-12/ 2016
Change in fair value, Finland	2.6	0.5	7.5
Change in fair value, Baltic Rim	3.2	2.0	1.3
Change in fair value, Scandinavia	0.4	0.0	2.1
Change in fair value	6.2	2.5	10.9
Changes in acquisition costs of investment properties in financial year	-4.7	-3.7	-19.0
Changes in fair value of projects in progress	4.5	1.7	8.3
Effect on profit of change in value of investment properties	6.0	0.5	0.2

CONTINGENT LIABILITIES

Currency unit: EUR million	March 31, 2017	March 31, 2016	Dec 31, 2016
Pledges and guarantees on own debt			
Mortgages of properties	1,004.0	920.4	1,009.9
Pledged securities and investment properties	739.0	709.8	712.9
Pledges for land lease payments	3.6	3.6	3.6
Other guarantee liabilities	152.1	57.5	152.5
Leasing liabilities, land	78.5	63.7	64.3
Project liabilities	0.0	0.2	0.0
Interest rate and currency swaps			
Nominal values	627.3	588.4	639.2
Fair values	-15.8	-25.7	-19.6

BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES March 31, 2017

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

	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortized purchase price	Financial assets/ liabilities measured at fair value	Total	Fair value of financial assets/ liabilities
Non-current financial assets						
Assets measured at fair value						
Available-for-sale investments						
Available-for-sale quoted financial assets (level 1)		0.7			0.7	0.7
Available for sale non-quoted financial assets (level 3)		0.8			0.8	0.8
Other non-current receivables	-0.3				-0.3	-0.3
Total	-0.3	1.4			1.1	1.1
Current assets						
Trade and other receivables						
Sales receivables	2.7				2.7	2.7
Other current receivables	13.8				13.8	13.8
Cash and cash equivalents	62.5				62.5	62.5
Derivatives					0.0	0.0
Interest rate swaps (level 2)					0.0	0.0
Total	79.0				79.0	79.0
Non-current liabilities						
Financial liabilities recognized at amortized cost						
Non-current finance lease liabilities (level 2)			29.1		29.1	29.2
Non-current interest-bearing liabilities (level 2)			680.8		680.8	684.5
Non-current non-interest-bearing liabilities (level 2)			2.7		2.7	2.7
Other non-current liabilities			41.1		41.1	41.1
Total			753.7		753.7	757.5
Current liabilities						
Financial liabilities at fair value through profit or loss						
Derivatives						
Interest rate swaps, meeting the criteria for hedge accounting (level 2)				15.7	15.7	15.7
Financial liabilities recognized at amortized cost						
Current finance lease liabilities			3.5		3.5	3.5
Other current interest-bearing liabilities			176.1		176.1	176.1
Trade and other payables			65.8		65.8	65.8
Purchase price liabilities			7.0		7.0	7.0
Total			252.4	15.7	268.0	268.0

ALTERNATIVE PERFORMANCE MEASURES USED IN TECHNOPOLIS FINANCIAL REPORTING

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

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

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

Net sales on a constant currency basis, EBITDA, EBITDA on a constant currency basis, EBITDA margin and EBITDA by business area are presented as alternative performance measures as the Company believes they enhance understanding of its operative performance. Equity per share and loan to value are presented as alternative performance measures as the Company believes they are useful indicators of the Technopolis's ability to obtain financing and service its debts.

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

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES

Net sales on a constant currency basis
Net sales - impact of currency exchange rate changes

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

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

Direct result (EPRA)
See paragraph "EPRA Earnings" in the Tables section of this report

Net rental yield % (EPRA)

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

Net asset value/share (EPRA)

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

The net rental income figures do not include investments properties commissioned, acquired or divested during the financial year.

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 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.

	1-3/ 2017	1-3/ 2016	1-12/ 2016
Net sales	44.3	41.1	172.1
Items affecting comparability (currency impact)	-0.8	0.7	1.5
Net sales on a constant currency basis	43.4	41.8	173.6

EBITDA on a constant currency basis

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

	1-3/ 2017	1-3/ 2016	1-12/ 2016
EBITDA	23.6	21.9	93.1
Items affecting comparability (currency impact)	-0.6	0.4	1.0
EBITDA on a constant currency basis	23.0	22.3	94.1

EBITDA by business area

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

EBITDA	1-3/ 2017	1-3/ 2016	1-12/ 2016
EBITDA from rental operations	24.8	23.2	98.9
EBITDA, % from rental operations	64.8	64.8	66.1
EBITDA from services	0.7	0.4	2.1
EBITDA, % from services	11.7	7.9	9.4
Items affecting comparability in EBITDA	-2.0	-1.8	-8.0
EBITDA in total	23.6	21.9	93.1

Net rental yield % (EPRA)

	March 31, 2017	March 31, 2016	Dec 31, 2016
Rent income	38.3	35.8	149.6
Items affecting comparability in rent income	-0.8	0.9	-8.6
Rent income used in net rental yield calculation	37.5	36.7	141.0
Premises expenses	-10.1	-10.4	-39.5
Items affecting comparability in premises expenses	-0.5	-1.0	-1.3
Premises expenses used in net rental yield calculation	-10.6	-11.4	-40.9
Fair value of completed investment properties	1,644.0	1,447.2	1,624.2
Building rights	-69.2	-41.7	-70.3
Other items affecting comparability	-36.7	0.0	-194.9
Fair value of investment properties used in net rental yield calculation	1,538.2	1,405.5	1,358.9

Net asset value/share (EPRA)

	March 31, 2017	March 31, 2016	Dec 31, 2016
Equity to parent company shareholders	694.2	515.1	693.0
Items affecting comparability:			
- Hedging reserve	-9.7	-17.4	-13.0
+ Deferred taxes from investment properties	36.6	27.4	32.8
- Equity related bond	74.2	74.2	74.2
Net asset value	666.3	485.7	664.5