



Technopolis Plc  
Half-Year Financial Report 2018  
August 23, 2018

# HEALTHY OPERATIONAL PERFORMANCE

## LIKE-FOR-LIKE SALES AND EBITDA UP BY 3.4% AND 4.4%, RESPECTIVELY

### January–June 2018

#### IFRS

- Net sales down 3.2% y-o-y to EUR 87.2 (90.1) million
- Earnings per share were EUR 0.26 (0.21), up 22.3% y-o-y
- Equity per share was EUR 4.08 (3.82), up 6.9% y-o-y

#### Alternative Performance Measures

- EPRA NAV per share EUR 4.65 (4.32), up 7.6% y-o-y
- Financial occupancy rate rose to 95.9% (94.4%)
- EBITDA was EUR 46.5 (49.1) million, down 5.3% y-o-y
- EPRA earnings EUR 27.4 (30.1) million, down 9.1% y-o-y
- EPRA earnings per share were EUR 0.17 (0.19)
- Fair value of investment properties at the end of the period was EUR 1,570.7 million (1,631.5 and 1,537.9 million on Dec 31, 2017)

### Q2/2018

#### IFRS

- Net sales down 3.2% y-o-y to EUR 44.3 (45.8) million

#### Alternative Performance Measures

- EBITDA was EUR 23.5 (25.5) million, down 8.2% y-o-y
- EPRA earnings EUR 13.0 (16.0) million, down 18.5% y-o-y
- EPRA earnings per share were EUR 0.08 (0.10)

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

## KEY INDICATORS

		Q2/ 2018	Q2/ 2017	Change %	Jan- Jun/ 2018	Jan- Jun/ 2017	Change %	2017
<b>IFRS</b>								
Net sales	EURm	44.3	45.8	-3.2	87.2	90.1	-3.2	179.7
Equity ratio	%	-	-	-	40.6	42.2	-	44.8
<b>Alternative Performance Measures</b>								
EBITDA	EURm	23.5	25.5	-8.2	46.5	49.1	-5.3	97.1
EPRA earnings	EURm	13.0	16.0	-18.5	27.4	30.1	-9.1	60.6
Loan-to-value (LTV)	%	-	-	-	54.2	53.2	-	50.1
EPRA Return on equity (rolling 12 months)	%	-	-	-	9.1	9.5	-	9.1
EPRA earnings / share	EUR	0.08	0.10	-18.5	0.17	0.19	-9.2	0.39
EPRA NAV / share	EUR	-	-	-	4.65	4.32	7.6	4.58
EPRA NNNNAV / share	EUR	-	-	-	4.05	3.80	6.5	4.05
Financial occupancy rate	%	-	-	-	95.9	94.4	-	96.1
EPRA net rental yield	%	-	-	-	7.2	7.0	-	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.

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

## NEAR-TERM OUTLOOK UNCHANGED

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 remain at the same level as in 2017, or slightly below.

The estimates take into account the divestiture of operations in Jyväskylä, Finland in late 2017. 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.

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

## FROM THE CEO

"I am pleased with how our business developed in the first half of the year. Our net sales and EBITDA were slightly lower than the year before, but if you remove the effect of the Jyväskylä divestiture in November 2017, you can see healthy operational growth. Occupancy rates rose year-on-year, which boosted net sales and improved relative profitability.

Group net sales in the first half decreased by 3.2% from the previous year, but our like-for-like sales rose 3.4%. The main drivers behind the positive development were the rising occupancy and service growth. Rental growth also had a positive effect on Group net sales. Our financial occupancy rate at the end of June reached 95.9% (94.4%), with the greatest improvement in Kuopio and Oulu, Finland.

At the end of June, we had five organic growth projects in progress. The value of these projects, together with the already completed ones, amount to EUR 165 million, against our target of EUR 200–250 million for the 2017–2020 strategy period. We are particularly pleased with the pace of organic growth projects because they are strongly accretive, they support internal campus growth, and they bring efficiencies. Strong macroeconomic performance in our markets is enabling this organic expansion, but we are looking at each case rigorously.

Services form an increasingly important share of our business, and they continue to grow steadily. In January–June, service income reached EUR 13.8 million (8.0% y-o-y growth), and represented 15.9% of the Group net sales. In the second quarter, the share was 17.0%. The EBITDA margin for services was 12.3% (12.6 %) in the first half, and it was below 10% in the second quarter. This is due to UMA network ramp-up costs. The UMA related costs in the first half of the year were approximately EUR 1 million. Excluding those, the service EBITDA margin was over 18%.

Group EBITDA in the first six months was 5.3% lower than in the corresponding period a year earlier, at EUR 46.5 (49.1) 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 we ultimately decided to terminate. Like-for-like EBITDA growth was 4.4%.

Yield compression was the primary driver behind positive fair value changes, which brought EUR 19.7 (9.6) million in the first half and were a significant contributor at the operating profit level.

We now have two flagship UMA coworking spaces in operation, one in Helsinki and one in Stockholm. Three more are set to open this year. We will continue to expand our UMA footprint in the other major cities and hubs of the Nordic–Baltic Sea area."

## FINANCIAL PERFORMANCE

		Q2/ 2018	Q2/ 2017	Change %	Jan- Jun/ 2018	Jan- Jun/ 2017	Change %	2017
Net sales, Group	EURm	44.3	45.8	-3.2	87.2	90.1	-3.2	179.7
Property income <sup>*)</sup>	EURm	36.8	39.0	-5.6	73.4	77.3	-5.0	154.3
<i>share of net sales</i>	%	83.0	85.1	-	84.1	85.8	-	85.9
Service income	EURm	7.5	6.8	10.7	13.8	12.8	8.0	25.4
<i>share of net sales</i>	%	17.0	14.9	-	15.9	14.2	-	14.1
EBITDA, Group	EURm	23.5	25.5	-8.2	46.5	49.1	-5.3	97.1
<i>EBITDA margin</i>	%	52.9	55.8	-	53.3	54.5	-	54.0
EBITDA, property	EURm	25.7	26.2	-1.8	50.1	51.0	-1.7	102.7
<i>EBITDA margin</i>	%	69.8	67.1	-	68.3	66.0	-	66.5
EBITDA, services <sup>**)</sup>	EURm	0.7	0.9	-23.6	1.7	1.6	5.6	2.7
<i>EBITDA margin</i>	%	9.2	13.4	-	12.3	12.6	-	10.5
Operating profit, Group	EURm	32.5	28.2	15.5	64.3	56.7	13.4	121.4
<i>Operating profit margin</i>	%	73.4	61.5	-	73.7	62.9	-	67.5
Net result	EURm	20.3	19.7	2.7	44.9	38.5	16.5	85.2
EPS	EUR	0.12	0.11	6.4	0.26	0.21	22.3	0.46

<sup>\*)</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 Q1/2018 interim report, Technopolis 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>\*\*)</sup> Service EBITDA for January-June 2018 included UMA network ramp-up costs of approximately EUR 1 million.

Note: Group EBITDA includes Group-level expenses as indicated in the table on page 32.

### Net Sales and Income

#### January–June 2018

The **Group's net sales** for January–June was EUR 87.2 (90.1) million, down 3.2% 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 1.3 (+1.1) 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 1.7%.

**Property income** amounted to EUR 73.4 (77.3) million, down 5.0% 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 95.9% (94.4%). The largest increases were seen in Kuopio and Oulu, in Finland.

**Service income** continued on a positive trend increasing by 8.0% year-on-year and amounting to EUR 13.8 (12.8) million in January–June. The share of service income in Group net sales, **service penetration**, was 15.9% (14.2%). Both service income and service penetration increased in all but one business unit compared to the previous year. The largest absolute and relative growth were seen in Kuopio business unit, in Finland. Service penetration was highest in Kuopio and the Helsinki Metropolitan Area. In both business units service penetration exceeded 20%.

#### Q2/2018

The **Group's net sales** in the second quarter were EUR 44.3 (45.8) million, down 3.2% year-on-year. On a constant currency basis net sales were down 1.8%. The main reason for the decline was the divestiture of the Jyväskylä operations.

**Property income** in the second quarter was EUR 36.8 (39.0) million, down 5.6% year-on-year. **Service income** grew 10.7% year-on-year, and was EUR 7.5 (6.8) million.

Property income and service income comprised 83.0% (85.1%) and 17.0% (14.9%), respectively, of the Group's second quarter net sales.

## Profitability

### January–June 2018

Premises expenses in January–June declined 3.0% year-on-year and were EUR 19.7 (20.3) million. The Group's administrative costs totaled EUR 7.0 (6.7) million. The increase was mainly due to a EUR 0.4 million non-recurring cost related to an acquisition case that was decided to terminate.

Other operating expenses were EUR 14.4 (13.9) million. The increase is in line with the growing service income. In addition, other operating expenses include a EUR -0.5 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 19.

The Group's EBITDA for January–June totaled EUR 46.5 (49.1) million, down 5.3% year-on-year. The main reason for the decline was the divestiture of the Jyväskylä operations in November 2017, and the adjustment in property taxes. The EBITDA margin was 53.3% (54.5%). Changes in foreign currency exchange rates decreased EBITDA by EUR 0.9 (increased 0.8) million mainly through the weakening of the Russian ruble against the euro. On a constant currency basis, EBITDA declined 3.6% and the EBITDA margin was 53.5%.

Property EBITDA in January–June amounted to EUR 50.1 (51.0) million. The property EBITDA margin improved from the comparison period and was 68.3% (66.0%). The margin improvement was mainly due to the divestment of the Jyväskylä operations. Also the positive development in occupancy compared to the previous year positively affected margin development.

Service EBITDA was up 5.6% and reached EUR 1.7 (1.6) million. The EBITDA margin for services declined slightly year-on-year and was 12.3% (12.6%). The decline was due to expenses related to the UMA coworking network, which amounted to approximately EUR 1 million in January–June. Excluding UMA, the service EBITDA margin was 18.8%.

In addition to property and service EBITDAs, the Group EBITDA includes Group-level expenses as indicated in the table on page 32.

At the end of June 2018, the fair value of Technopolis' investment properties was EUR 1,570.7 (6/17: 1,631.5; 12/17: 1,537.9) million. In January–June, fair value changes totaled EUR 19.7 (9.6) million. The biggest positive impact came from changes in yield requirements.

Fair value changes in January–June 2018:

EURm	Yield requirement	Occupancy assumption	Modernization	Other changes	Projects in progress	Total
Finland	5.1	0.5	-3.1	-0.5	1.5	3.5
Baltic Rim	4.4	-0.1	-0.3	0.2	2.6	6.8
Scandinavia	9.4	0.1	-2.4	2.3	0.0	9.4
<b>TOTAL</b>	<b>18.9</b>	<b>0.5</b>	<b>-5.8</b>	<b>2.0</b>	<b>4.1</b>	<b>19.7</b>

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

Operating profit in the first six months rose to EUR 64.3 (56.7) million, mainly due to positive fair value changes in investment properties. Net financial expenses including unrealized exchange rate profits and losses were down from the previous year at EUR 9.9 (12.0) million. Financial expenses were lower due to a lower average interest rate, as well as unrealized foreign currency exchange rate gains related to internal NOK denominated loan.

Pre-tax profits rose to EUR 54.4 (44.7) million. Taxes increased to EUR 9.5 (6.1) million mainly due to higher current taxes. Current taxes were EUR 2.8 (+0.3) million. Exceptionally, the current taxes in the comparison period in 2017 were positive, due to a EUR 1.8 million adjustment related to divestitures that took place in 2016. The **net result** for the period increased by 16.5% to EUR 44.9 (38.5) million. **EPS** increased to EUR 0.26 (0.21).

**EPRA** (European Public Real Estate Association) **earnings** in the first half declined by 9.1% year-on-year and amounted to EUR 27.4 (30.1) million. The decrease was a result of divestiture of the Jyväskylä assets in November 2017, a EUR -0.5 million adjustment to property taxes in the second quarter, and a EUR 0.4 million non-recurring cost related to an acquisition case that was terminated. **EPRA earnings per share** for January–June amounted to EUR 0.17 (0.19). 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.

## Q2/2018

Premises expenses in the second quarter were EUR 9.5 (10.2) million. The decrease was due to the divestiture of the Jyväskylä operations. Administrative costs were EUR 3.9 (3.1) million. The increase was mainly due to a EUR 0.4 million non-recurring cost related an acquisition case that was decided to terminate. Other operating expenses were EUR 7.7 (6.9) million. The increase was due to higher service sales and costs related to ramping up the UMA coworking network. Other operating expenses also include a EUR -0.5 million adjustment related to property taxes.

**Group EBITDA** in the second quarter was EUR 23.5 (25.5) million, down 8.2% year-on-year. The EBITDA margin was 52.9% (55.8%). On a constant currency basis, the Group EBITDA decreased 6.5% and the EBITDA margin was 53.1%.

**Property EBITDA** in the second quarter was EUR 25.7 (26.2) million, representing a margin of 69.8% (67.1%). **Service EBITDA** was EUR 0.7 (0.9) million, translating into an EBITDA margin of 9.2% (13.4%). Service EBITDA included approximately EUR 0.8 million of expenses related to the ramp-up of the UMA coworking network. Excluding UMA, the service EBITDA margin in the second quarter was 18.2%.

The Group EBITDA comprises Group-level expenses as indicated in the table on page 32.

**Operating profit** in the second quarter rose to EUR 32.5 (28.2) million, primarily due to fair value changes in investment properties.

Pre-tax profits rose to EUR 26.8 (22.3) million. Taxes increased to EUR 6.5 (2.6) million. Deferred taxes were EUR 4.7 (3.4) million and current taxes EUR 1.8 (+0.9) million. The net result for the period rose by 2.7% to EUR 20.3 (19.7) million. **EPS** in the second quarter was EUR 0.12 (0.11).

**EPRA earnings** in April–June amounted to EUR 13.0 (16.0). **EPRA earnings per share** were EUR 0.08 (0.10).

## BALANCE SHEET, FINANCING AND CASH FLOW

### Balance Sheet and Financing

		30 Jun'18	30 Jun'17	Change, %	31 Dec'17	Change, %
Balance sheet total	EURm	1,724.9	1,745.3	-1.2	1,719.8	0.3
Interest-bearing debt	EURm	892.3	887.4	0.5	805.0	10.8
Cash and equivalents	EURm	30.7	31.0	-1.1	71.8	-57.3
Average loan maturity	yrs	4.2	4.8	-	4.5	-
Loan-to-value (LTV)	%	54.2	53.2	-	50.1	-
Equity ratio	%	40.6	42.2	-	44.8	-
Solvency ratio	%	50.0	49.1	-	42.6	-
Secured solvency ratio	%	37.2	37.8	-	35.3	-
Unencumbered asset ratio	%	23.9	10.6	-	13.8	-
Interest coverage	multiple	4.5	4.1	8.5	4.3	4.5

The Group's balance sheet total on June 30, 2018 was EUR 1,724.9 (1,745.3) million, with liabilities accounting for EUR 1,030.5 (1,013.5) million.

The Group's equity attributable to the parent company shareholders was EUR 639.8 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 4.08 (EUR 4.06 on December 31, 2017) and the **equity ratio** was 40.6% (44.8% on December 31, 2017). The **loan-to-value** ratio (LTV) was 54.2% (53.2% and 50.1% on December 31, 2017). At the end of the period, the Group's **interest coverage** ratio was 4.5 (4.1 and 4.3 on December 31, 2017).

On March 5, 2018, 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's 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 June 30, 2018, Technopolis had EUR 240.0 (70.0) million in unused committed long-term credit facilities and a EUR 25.1 (25.1) million short-term credit limit of which EUR 15.6 (EUR 9.2 million) was withdrawn at the end of June. In addition, the company has a EUR 150.0 (150.0) million commercial paper program, of which EUR 55.9 (34.9) million was outstanding at the end of the period. Cash and cash equivalents were EUR 30.7 (31.0) million.

At the end of June, the Group's interest-bearing liabilities amounted to EUR 892.3 (887.4) million. Long-term interest bearing liabilities were EUR 644.4 (779.1) million and short-term interest-bearing liabilities EUR 247.9 (108.4) million. Interest-bearing liabilities were composed of EUR 651.9 (635.3) million in bank loans, EUR 150.0 (150.0) million in unsecured senior bond and EUR 55.9 (34.9) million in commercial papers, EUR 7.1 (32.2) million in financial leases, and EUR 27.3 (35.0) in other liabilities. Of the interest bearing liabilities EUR 640.6 million was secured and EUR 251.7 million was unsecured.

**Unencumbered assets** totaled EUR 414.0 (185.6) million, which translates into an unencumbered asset ratio of 23.9% (10.6%). The **solvency ratio** at the end of June was 50.0% (49.1%) and the **secured solvency** ratio was 37.2% (37.8%).

The **average interest rate** on interest-bearing liabilities was 2.39% (2.47%).

## Financial Expenses

		Q2/ 2018	Q2/ 2017	Change %	Jan-Jun/ 2018	Jan-Jun/ 2017	Change %	2017
Financial expenses	EURm	-6.4	-6.1	5.5	-11.5	-12.4	-7.8	-24.4
Financial income	EURm	0.8	0.2	297.9	1.7	0.4	316.6	2.1
Net financial expenses	EURm	-5.6	-5.9	-5.0	-9.8	-12.0	-18.9	-22.4
Average interest rate*	%	-	-	-	2.39	2.47	-	2.60

\* Excluding hybrid loan.

Net financial expenses in the first half of the year were EUR 2.2 million lower than in the comparison period. Financial expenses were lower due to a lower average interest rate, as well as unrealized foreign currency exchange rate gains related to internal NOK denominated loan.

## Financial Risk Management

On June 30, 2018, the Group's interest-bearing liabilities amounted to EUR 892.3 (887.4) million. The average capital-weighted loan maturity was 4.2 (4.8). A total of 52.0% (64.7%) of the Group's interest-bearing liabilities

were either interest rate hedged or fixed-rate loans. Group's interest fixing period was 4.2 (4.7) years, including forward starting hedges in 2019–2021. A one percentage point increase in market rates would cause a EUR 1.5 (2.2) million increase in interest costs per annum.

The Group is exposed to foreign exchange rate fluctuations in the Norwegian krone, the Russian ruble and the Swedish krona. The direct impact of changes in exchange rates on the Group's operating profit, balance sheet, and equity ratio as of June 30, 2018 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	-6.7	-6.7	40.3%
RUB +10	0.0	8.2	8.2	40.8%
NOK -10	-2.1	-8.4	-10.5	40.2%
NOK +10	2.6	10.2	12.8	41.0%
SEK -10	0.0	-4.6	-4.6	40.4%
SEK +10	0.0	5.6	5.6	40.7%

At the end of the review period, the Russian subsidiary had equity of RUB 5.4 billion, the Norwegian subsidiaries' equity totaled NOK 873.7 million, and the Swedish subsidiaries' equity was SEK 531.2 million.

### Capital Expenditure and Cash Flow

CAPEX, EUR million	Q2/ 2018	Q2/ 2017	Change %	Jan-Jun/ 2018	Jan-Jun/ 2017	Change %	2017
Acquisition of properties	0.0	0.9	n/m	0.0	0.9	n/m	5.8
Organic growth projects	16.4	18.8	-12.8	26.5	22.9	15.9	61.7
Modernizations	2.8	1.2	146.9	4.5	5.9	-24.0	8.5
Other investments	0.8	0.1	439.4	1.9	0.7	166.8	1.5
Total CAPEX incl. acquisitions	20.0	21.0	-4.7	32.9	30.4	8.3	77.5
CAPEX by segment:							
Finland	15.4	4.5	242.6	23.6	10.0	135.9	29.8
Baltic Rim	3.6	16.1	-77.6	7.7	18.8	-59.0	47.8
Scandinavia	1.0	0.4	158.5	1.6	1.5	2.8	-0.1
Total CAPEX incl. acquisitions	20.0	21.0	-4.7	32.9	30.4	8.3	77.5
Divestitures	1.2	0.0	-	1.2	0.0	-	87.7

In the first half of 2018, [cash flow from operations](#) was EUR 19.1 (29.7) million. Cash flow [from investments](#) was EUR -26.3 (-35.1) million, of which investments in investment properties were EUR -26.4 (-33.0) million. [Financing cash flow](#) was EUR -33.2 (-91.0) million. [Cash and cash equivalents](#) on June 30, 2018 were EUR 30.7 (31.0) million. The [net change in cash](#) in January–June was EUR -40.4 (-96.4) million.

### PROPERTY PORTFOLIO, LEASING, OCCUPANCY AND CUSTOMER BASE

#### Property Portfolio

At the end of June 2018, the [fair value](#) of Technopolis' investment properties was EUR 1,570.7 (1,631.5) million. Technopolis had a total [rentable area](#) of 703,200 (758,200) m<sup>2</sup>, of which 8,540 (10,100) 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, 46,700 (38,800) m<sup>2</sup> was under construction at the end of the period. Technopolis holds close to 400,000 m<sup>2</sup> of building rights, of which around 50% are located in Finland, 40% in the Baltic Rim, and 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 June 30, 2018, Technopolis had a total of approximately 1,600 customers. The ten largest customers let approximately 22.8% of rented space and the single largest customer 4.4%. In January–June, the ten largest customers accounted for 20.9% of rental income and the single largest customer 5.3%.

The financial occupancy rate at the end of the period was 95.9% (94.4%) and the technical occupancy rate was 95.0% (93.2%).

At the end of June 2018 Technopolis had a total of nearly 3,100 existing rental agreements. During January–June, the Company agreed on 201 (249) new contracts (including extended or renewed contracts) covering a rentable area of 36,900 (80,700) m<sup>2</sup>. During the same time period, 158 (147) contracts ended, covering a rentable area of 18,300 (26,600) m<sup>2</sup>.

Lease stock, % of space Maturity, years	Jun 30, 2018	March 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017
< 1	15	18	15	16	16
1–3	30	29	28	21	21
3–5	10	13	12	19	19
> 5	18	17	17	16	16
Open-ended leases	27	24	26	29	29
Average lease term in months	34	34	34	34	34
Lease stock, EUR million	358.9	360.7	372.0	389.9	397.6

### BUSINESS SEGMENTS

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

#### Finland

From December 1, 2017, the Finland segment comprised 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	Q2/ 2018	Q2/ 2017	Change %	Jan- Jun/ 2018	Jan- Jun/ 2017	Change %	2017
Net sales, EURm	27.9	30.4	-8.3	54.7	59.1	-7.5	117.7
Property income, EURm	22.1	24.9	-11.1	44.2	48.8	-9.4	97.5
Service income, EURm	5.8	5.5	3.7	10.5	10.3	1.7	20.2
EBITDA, EURm	14.2	16.4	-13.4	27.6	31.2	-11.3	61.5
EBITDA margin, %	51.0	54.0	-	50.5	52.7	-	52.3
Fair value of investment properties*, EURm	-	-	-	885.0	999.1	-11.4	890.9
Number of campuses*	-	-	-	12	16	-	12
Rentable area*, m <sup>2</sup>	-	-	-	413,900	485,700	-14.8	425,000
Average rent*, EUR/m <sup>2</sup> /month	-	-	-	18.1	17.4	3.6	17.7
Financial occupancy rate*, %	-	-	-	94.9	93.2	-	94.5

Market yield requirement, average*, %	-	-	-	7.3	7.5	-	7.3
---------------------------------------	---	---	---	-----	-----	---	-----

\* At the end of the period.

Note: 6/18: 8,000 m<sup>2</sup> under renovation, 6/17: 10,100 m<sup>2</sup> under renovation.

Rentable area, property income, EBITDA and fair value of investment properties all decreased, mainly due to divestitures in Jyväskylä, in fall 2017. Average rent increased 3.6% year-on-year, and was EUR 18.1 (17.4) per m<sup>2</sup> per month. The financial occupancy rate increased, mainly due to improvements in Oulu and Kuopio.

## Baltic Rim

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

Baltic Rim	Q2/ 2018	Q2/ 2017	Change %	Jan- Jun/ 2018	Jan- Jun/ 2017	Change %	2017
Net sales, EURm	10.0	8.9	12.8	19.7	17.8	10.6	36.0
Property income, EURm	8.7	8.0	8.4	17.3	16.1	7.5	32.5
Service income, EURm	1.3	0.9	53.3	2.4	1.8	39.0	3.6
EBITDA, EURm	6.1	5.3	15.3	12.2	10.6	15.2	21.5
EBITDA margin, %	61.1	59.8	-	61.8	59.3	-	59.6
Fair value of investment properties*, EURm	-	-	-	351.7	307.9	14.2	325.2
Number of campuses*	-	-	-	3	3	-	3
Rentable area*, m <sup>2</sup>	-	-	-	188,500	170,400	10.6	176,000
Average rent*, EUR/m <sup>2</sup> /month	-	-	-	15.1	15.5	-2.2	15.7
Financial occupancy rate*, %	-	-	-	98.9	98.3	-	99.7
Market yield requirement, average*, %	-	-	-	7.9	8.3	-	8.1

\* At the end of the period.

Note: 6/18: 0 m<sup>2</sup> under renovation, 6/17: 0 m<sup>2</sup> under renovation.

Rentable area, net sales, EBITDA and fair values of investment properties in January–June increased year-on-year, mainly due to the completion of new buildings in Vilnius, Lithuania. The depreciating Russian ruble had an impact of EUR -0.7 (+1.0) million on net sales and EUR -0.5 (+0.7) million on EBITDA compared to the same time period in the previous year. On constant currency basis, the average rent development was flat. Occupancy remained at very high levels.

## Scandinavia

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

Scandinavia	Q2/ 2018	Q2/ 2017	Change %	Jan- Jun/ 2018	Jan- Jun/ 2017	Change %	2017
Net sales, EURm	6.4	6.5	-1.2	12.8	13.1	-2.4	26.0
Property income, EURm	5.9	6.1	-2.9	11.9	12.4	-4.0	24.4
Service income, EURm	0.5	0.4	27.9	0.9	0.7	23.7	1.6
EBITDA, EURm	3.1	3.8	-18.6	6.7	7.4	-9.3	14.1
EBITDA margin, %	48.5	58.9	-	52.1	56.1	-	54.4
Fair value of investment properties*, EURm	-	-	-	334.0	324.5	2.9	321.9

Number of campuses*	-	-	-	2	2	-	2
Rentable area*, m <sup>2</sup>	-	-	-	100,800	102,100	-1.3	100,900
Average rent*, EUR/m <sup>2</sup> /month	-	-	-	19.0	20.8	-8.9	19.5
Financial occupancy rate*, %	-	-	-	95.2	94.9	-	97.5
Market yield requirement, average*, %	-	-	-	5.2	5.5	-	5.3

\* At the end of the period.

Note: 6/18: 540 m<sup>2</sup> under renovation, 6/17: 0 m<sup>2</sup> under renovation.

In the first six months, property income declined 4.0% year-on-year. The depreciating Norwegian krone and Swedish krona had negative impacts of EUR 0.6 (+0.1) million on net sales and EUR 0.4 (+0.1) million on EBITDA compared to the corresponding period a year earlier. The profitability was burdened by the ramp-up cost related to UMA Kungsbron.

The average rent in euros decreased year-on-year, mainly due to depreciating local currencies against the euro.

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

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

New long-term financial targets and dividend policy are:

- 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.

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

### Organic Expansion

Organic expansion projects in progress, their rentable areas and estimated investment amounts on June 30, 2018 were as follows:

Area	Name	Pre-let rate, %	Rentable area, m <sup>2</sup>	Total investment, EURm	Stabilized yield, % <sup>1)</sup>	Completion
Helsinki	Ruoholahti 3	47.3	10,300	33.2	7.0	7/2018
Tallinn	Lõõtsa 12	81.3	9,700	13.6	9.0	7/2018
Vantaa	Aviapolis Bldg H	4.9	5,100	15.1	8.0	11/2018
Tampere	City Center	41.7	13,200	46.0	7.5	10/2019
Oulu	City Center II	0.0	8,400	25.0	8.4	3/2020
TOTAL in progress			46,700	132.9		

1) Stabilized yield = estimated net operating income / cost

In June, 2018, Technopolis decided on a EUR 25 million investment to expand its CBD campus in Oulu, Finland. Construction work started in July 2018, and the project is due to be completed in March 2020. The second phase will add another 8,400 m<sup>2</sup> to the campus, bringing the total rentable area to over 19,000 m<sup>2</sup>. The project will also bring an additional parking garage and increase the total number of parking places to over 400. The initial yield of the project is estimated at 7.2% and the stabilized yield at 8.4%. The new building is on track to achieve a Gold-level LEED (Leadership in Energy and Environmental Design) certificate.

Of the EUR 200–250 million to be allocated to organic growth projects during the strategy period, projects worth EUR 164.9 million were either in progress or completed at the end of June, 2018.

### Expansion and Profitability of the Service Business

Service business growth and profitability improvement are progressing as planned. In January–June 2018, service income grew 8.0% year-on-year and reached EUR 13.8 (12.8) million. Service penetration was 15.9% (14.2%). In the second quarter, the service penetration reached 17.0%. 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 35% in the international business units, on average. The fastest-growing service areas in the first half of the year were workplace solutions & moving services as well as conference services.

Service EBITDA was up 5.6% year-on-year and reached EUR 1.7 (1.6) million, with a margin of 12.3% (12.6%). However, service EBITDA was burdened by approximately EUR 1 million in costs related to UMA network ramp-up. Excluding UMA, the service EBITDA-margin reached 18.8% in January–June.

### Development of UMA Coworking Network

After the review period in August, Technopolis announced it will open a new UMA coworking space in downtown Oslo in December 2018. The UMA Workspace-branded facility will be built into a leased 3,000 square meter space with 42 private offices, over 100 open area workstations and four shared meeting rooms. The space will be named UMA Oslo City.

In July 2018, 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 square meter space with 38 private offices, around 60 open area workstations and four shared meeting rooms. The space will be named UMA Teurastamo ("The Slaughterhouse"), as the space is located in Helsinki's old meatpacking district.

In March 2018, Technopolis announced its UMA expansion into the Danish market. The company is opening a new coworking space in downtown Copenhagen in September 2018. This UMA Workspace will be built into a leased 1,950 m<sup>2</sup> space with 33 small offices, 60 hot desks and five shared conference rooms. It will be located in the very center of the city next to Strøget, Copenhagen's main shopping street, and the City Hall. The space will be named UMA Vestergade.

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	n/a	n/a	n/a	n/a
City average	13.4	10.1	14.8	n/a
Market yield				
CBD	4.1-5.2	7.5	6.5-7.0	8.0-9.0
City, range	4.1-8.0	7.5-10.0	6.5-9.0	8.0-10.0
<b>TECHNOPOLIS</b>				
Office vacancy rate	7.6	6.9	2.0	1.9

Source: Catella

Note: Market information as of 3/18, Technopolis numbers as of 6/18.

In **Finland**, the year 2017 saw an exceptionally high investment volume, which reached over EUR 10 billion. The transaction volume increased by 41% from the previous record year of 2016. The investment activity has continued to be strong in the first half of 2018: by mid-summer, the volume had reached EUR 3.2 billion. Interest from international investors is continuing strong, and around 60% of investments have been made by international investors. Approximately 50% of the investments have been made in the Helsinki Metropolitan Area (HMA). The demand is driven by the slightly delayed economic upturn of the Finnish economy compared to the rest of Europe as well as the good development in the Finnish economy, in general. However, the share of office properties has been fairly low, but that is more due to low supply rather than low demand.

Even though in **the HMA** the increase in the vacancy rate of office space has stabilized in the latter part of 2017 and the first half of 2018, there is still over 1 million m<sup>2</sup> of vacant office space. The vacancy rate was 13.4% at year-end 2017. In 2017, a total of 71,000 m<sup>2</sup> of new office space was completed, and in June 2018, some 187,000 m<sup>2</sup> was under construction. Yields are still on a modest decline. The rental activity as well as rental levels have been increasing, especially in the Helsinki CBD. Most of the interest is geared towards new, modern offices. The gross rental levels on average, are at EUR 31, EUR 23 and EUR 19 per square meter per month in the CBD, Ruoholahti and Aviapolis areas, respectively.

In **Oulu**, the market situation has basically remained stable. Even though the vacancy rate is relatively high, there is demand. The demand is geared more towards high quality premises. The gross rents, on average, are between EUR 12 and EUR 15 per m<sup>2</sup> per month, but in new modern premises, they are between EUR 19 and EUR 22 m<sup>2</sup> per month. The quality and functionality of office space as well as the availability of parking have more effect on rental rates than location does.

In **Tampere**, the vacancy rate was still record-high at 14.8% at year-end 2017, and it is estimated to remain high for some time. Office demand has increased slightly, but at the same time, space has become vacant. Office yields vary between 6.5% and 9.0%. Rental levels are between EUR 14 and EUR 19 per m<sup>2</sup> per month.

**Kuopio** is one of Finland's growing cities, where the number of residents has been rising moderately for the past 30 years. The market sentiment is that there is sufficient office space to meet the demand, or a slight oversupply situation. The rent level in offices in Kuopio is EUR 15–18 per m<sup>2</sup> per month for modern offices.

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

## Other Markets

%	SWE Gothenburg	NOR Oslo	EST Tallinn	LIT Vilnius	RUS St. Petersburg
<b>MARKET</b>					
Office vacancy rate					
Class A / CBD*	1.9*	n/a	4.5	1.6	5.7
Class B / city average*	6.9 <sup>†</sup>	12.0 <sup>†</sup>	9.0	3.6/2.6*	7.9
Market yield					
Class A / CBD*	3.85*	3.75**	<7.0	n/a	9.25–11.25***
Class B / city average*	4.5 <sup>†</sup>	5.0 <sup>†</sup>	8.0–9.25	6.25**	n/a
<b>TECHNOPOLIS</b>					
Office vacancy rate	4.8	4.7	2.5	0.3	0.0

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

<sup>†</sup> Average vacancy rate /yield of Gårda-area in Gothenburg and Fornebu-area in Oslo.

\*\* Prime office and retail yield.

\*\*\* Prime office and shopping mall yields at 6/18.

Note: Market information as of and 3/18 and 6/18, Technopolis numbers as of 6/18.

Prime office yields have been declining in all the **Nordic countries** since the end of 2013. Stockholm has the lowest market yields in the Nordics, only 3.5% in the CBD, boosted by the relatively strong underlying economy and almost non-existent vacancies. Oslo, Norway has the second-lowest cap rates, at 3.75%. In Stockholm, prime office property rents have risen rapidly in recent years, which clearly distinguishes Sweden from the other Nordic countries. In 2017, the tables turned with regards to international investment volumes: the transaction volume in Sweden (excluding residential) was EUR 10.8 billion (down approximately 25% year-on-year) and the corresponding figure in Finland was just under EUR 9 billion. This is an exceptionally small difference. Investment volumes in Sweden declined especially towards the year-end. Also the Swedish transaction market has been slightly more careful in Q1 2018 than in previous years, totaling EUR 1.9 billion. International investors represented 10% of the volume and offices 27%, in the first quarter. (Source: Catella, CBRE)

In **Gothenburg**, Sweden, the investment volume in 2017 reached just above SEK 10 billion, of which SEK 4.6 billion was office premises. The current office stock is approximately 2.5 million m<sup>2</sup>, of which 1.2 million m<sup>2</sup> is in the CBD. The vacancy in the CBD is estimated at 1.9% and 6.9% in Gårda. High demand in central Gothenburg has pushed up market rents in more external locations such as Gårda and Lindholmen. The annual prime rent in Gårda is currently SEK 2,600–2,700 per m<sup>2</sup>. In Gothenburg, the yield requirements have been declining for a long time and are now at 3.85% in the CBD-area and at around 4.25% in the rest of the inner city area (excluding Gårda). Prime yields in Gårda are around 4.5%. (Source: CBRE)

In **Oslo**, Norway, the transaction volume was the second highest ever and reached nearly NOK 90 billion in 2017. International investors represented over 20% of the total volume. By the end of June, 2018, the transaction volume had reached nearly NOK 27 billion, of which offices account for around 20%. Average rent in signed lease contracts in Oslo in Q1 2018 was NOK 2,130 per m<sup>2</sup>, up around 2% from the previous quarter. Rents for prime offices in CBD are NOK 4,400 per m<sup>2</sup>. For new buildings in Fornebu, rents are typically around NOK 2,050 per m<sup>2</sup>. The rent level has been stable. Vacancy rates decreased significantly in Fornebu during 2017, and are now around 12%. Prime yields are historically low at 3.75% in the Oslo CBD, and yields in the Fornebu-area are around 5%. (Source: Cushman and Wakefield)

The office market in **Tallinn** is growing, and there are several constructions projects in progress. During 2017, around 23,500 m<sup>2</sup> of office premises was made available to the market and in 2018, approximately 70,000 m<sup>2</sup> is expected to be made available, most of it in the second half of the year. Energy efficiency in new buildings is

taken seriously. The average vacancy rate for contemporary buildings is 8.5%. In the Class A segment, the vacancy rate is 4.5%. Class B offices demonstrated a vacancy rate of 9%. Vacancies in the most sought-after areas and new Class A buildings however, are still marginal, but are expected to change due to significant new availability in 2018. Rent levels in the Class A+ segment range between EUR 15 and EUR 18 per m<sup>2</sup> per month and EUR 13.5 and 17.0 in Class A. The price gap between old and new offices is expected to widen. Average yields for prime properties have lowered and are currently slightly below 7%. (Source: Newsec)

At the end of June 2018, the gross leasable area of modern office stock in [Vilnius](#), Lithuania stood at 604,400 m<sup>2</sup>. It is estimated that during 2018–2020, the office stock will grow by another 192,000 m<sup>2</sup> of modern office space, of which 69% is estimated to be Class A offices. Despite the active development, the average vacancy of Class A properties was 1.0% and 3.6% for Class B, at the end of June. Average yields for prime retail and office assets in Vilnius stood at 6.25%. In Q2 2018, the average market rent for existing prime office premises in the Vilnius CBD was between EUR 14 and 16 / m<sup>2</sup> / month. However, new building developers coming to the market, are asking for higher rent rates. (Source: Newsec)

At the end of June 2018, the office stock in [St. Petersburg](#), Russia, stood at 3.14 million m<sup>2</sup>, of which Class A premises represented 29.7%. In January-June, leasing activity was at low level. High demand potential can be seen from IT, transport and manufacturing companies. The average vacancy rate in St. Petersburg at the end of June was 5.7% in Class A offices and 7.9% in Class B offices. Rental rates in rubles in Q2/18, compared to Q1, increased by 0.4% in the Class A segment and 0.2 in Class B offices. The average rental rate was around RUB 1,720 per m<sup>2</sup> per month for Class A offices and RUB 1,202 per m<sup>2</sup> per month for Class B. Prime yields in St. Petersburg vary between 9.25% and 11.25% for offices and shopping malls. (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 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.

Technopolis also received two new building-level environmental certifications. The recently opened Lõõtsa 12 building in Tallinn received LEED Platinum certification using the LEED Core and Shell -certification system. It is the second-ever building in Estonia to achieve Platinum level certification. In addition, the brand new Penta building in Vilnius, Lithuania received a LEED Gold -level certification. It is the second-ever building in Lithuania that has been certified with the LEED Core and Shell -certification system for building construction. In addition,

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, reducing the CO<sub>2</sub>-emissions significantly.

In Q1 2018, Technopolis was recognized as one of the most inspiring workplaces in Finland by the personnel survey provider Corporate Spirit.

Key Sustainability Indicators	Jan-Jun/ 2018	Jan-Jun/ 2016	Change %	Target 2025
CO <sub>2</sub> emissions, CO <sub>2</sub> e kg/m <sup>2</sup>	13.5	15.9	-15%	-30%
Energy consumption, total, kWh/m <sup>2</sup>	106.1	110.2	-4%	-10%
Energy consumption, building energy, (kWh/m <sup>2</sup> )	75.2	79.0	-5%	-10%

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

## RISKS AND UNCERTAINTIES

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

The purpose of financial risk management is to secure efficient and competitive funding for 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–June 2018, the Group employed an average of 224 (237) people. On average, property operations employed 70 (77) people, service operations 100 (106) and Group administration 50 (54). The number of personnel at end of the period was 227 (237).

## 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 elected Chairman of the Board of Directors. Reima Rytsölä is the elected 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

## SHARES, SHARE CAPITAL AND TRADING

At the end of June 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).

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. After the shares were delivered to the recipients, the company holds a total of 1,878,443 (1,903,303) 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%.

## 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 June 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.

## Trading

Share trading		Q2/ 2018	Q2/ 2017	Change %	Jan- Jun/ 2018	Jan- Jun/ 2017	Change %	2017
Lowest price	EUR	3.58	2.99	19.7	3.58	2.96	20.9	2.96
Highest price	EUR	4.05	3.75	8.0	4.29	3.75	14.4	4.20
Closing price (end of period)	EUR	-	-	-	3.86	3.69	4.6	4.18
Volume weighted average price	EUR	3.81	3.31	15.1	3.90	3.21	21.5	3.73
Share turnover	million shares	11.3	16.0	-29.4	26.4	28.7	-8.0	72.0
Share turnover	EURm	43.0	52.9	-18.7	103.0	92.1	11.8	268.2
Market capitalization (end of period)	EURm	-	-	-	612.9	585.9	4.6	663.8

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

Source: Nasdaq Helsinki

According to Fidessa, in January–June 2018, trading on the Nasdaq Helsinki represented 83.0% (73.3%) of the total trading in Technopolis shares. The remaining 17.0% (26.7%) was traded on alternative markets like Cboe and Turquoise.

## 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.

## Disclosures of Changes in Holdings

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

## EVENTS AFTER THE REVIEW PERIOD

No significant events have taken place after the review period.

Helsinki, August 22, 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 *IFRIC 21 Levies* interpretation, 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 *Financial Instruments 9* 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 six months of 2018 was EUR -0.5 million. For the full year 2018, there will be no impact resulting from the change.

The figures are unaudited.

## CONSOLIDATED INCOME STATEMENT

EUR million	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
Property income <sup>1)</sup>	36.8	39.0	73.4	77.3	154.3
Service income	7.5	6.8	13.8	12.8	25.4
Net sales total	44.3	45.8	87.2	90.1	179.7
Other operating income	0.2	0.0	0.4	0.0	0.0
Premises expenses	-9.5	-10.2	-19.7	-20.3	-39.4
Administration costs <sup>2)</sup>	-3.9	-3.1	-7.0	-6.7	-14.7
Other operating expenses	-7.7	-6.9	-14.4	-13.9	-28.5
EBITDA	23.5	25.5	46.5	49.1	97.1
Change in fair value of investment properties	10.0	3.7	19.7	9.6	28.3
Depreciation	-0.9	-1.0	-1.9	-2.1	-4.1
Operating profit/loss	32.5	28.2	64.3	56.7	121.4
Unrealized exchange rate profit/loss	0.3	-0.3	0.7	-0.4	-0.5
Finance income and expenses	-6.0	-5.5	-10.6	-11.7	-21.9
Result before taxes	26.8	22.3	54.4	44.7	99.0
Deferred taxes	-4.7	-3.4	-6.8	-6.4	-9.3
Current taxes	-1.8	0.9	-2.8	0.3	-4.5
Net result for the period	20.3	19.7	44.9	38.5	85.2
Distribution:					
To parent company shareholders	18.5	18.5	41.1	34.9	76.5
To non-controlling shareholders	1.8	1.3	3.8	3.6	8.7
	20.3	19.7	44.9	38.5	85.2
Earnings per share, basic, EUR	0.12	0.11	0.26	0.21	0.46
Earnings per share, diluted, EUR	0.12	0.11	0.26	0.21	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 Q2/2018, 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

<b>EUR million</b>	<b>4-6/ 2018</b>	<b>4-6/ 2017</b>	<b>1-6/ 2018</b>	<b>1-6/ 2017</b>	<b>1-12/ 2017</b>
Net result for the period	20.3	19.7	44.9	38.5	85.2
Other comprehensive income items					
Items that may be reclassified subsequently to profit or loss:					
Translation difference	-2.0	-12.4	-4.9	-7.9	-12.3
Available-for-sale financial assets	0.0	0.0	-0.3	0.0	0.0
Derivatives	-2.1	4.1	-1.7	8.2	8.1
Taxes related to other comprehensive income items	0.4	-0.8	0.4	-1.6	-1.7
Other comprehensive income items after taxes for the period	-3.7	-9.2	-6.5	-1.4	-5.8
Comprehensive income for the period, total	16.6	10.6	38.4	37.2	79.4
Distribution:					
To parent company shareholders	14.8	9.6	34.6	34.0	70.9
To non-controlling shareholders	1.8	0.9	3.8	3.2	8.5
	16.6	10.6	38.4	37.2	79.4

## STATEMENT OF FINANCIAL POSITION

### ASSETS

EUR million	June 30, 2018	June 30, 2017	Dec 31, 2017
Non-current assets			
Intangible assets	6.2	6.0	5.4
Tangible assets	15.6	7.3	16.3
Completed investment properties	1,570.7	1,631.5	1,537.9
Investment properties under construction	66.3	35.9	58.0
Investments	5.8	6.3	6.4
Deferred tax assets	13.3	11.8	13.1
Non-current assets	1,678.0	1,698.8	1,637.1
Current assets	46.9	46.5	82.7
<b>Assets, total</b>	<b>1,724.9</b>	<b>1,745.3</b>	<b>1,719.8</b>

### SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	June 30, 2018	June 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	315.0	329.1	329.1
Translation difference	-28.2	-19.4	-23.3
Retained earnings	237.6	173.4	215.8
Parent company's shareholders' interests	639.8	672.8	711.2
Non-controlling interests	54.6	59.0	53.7
<b>Shareholders' equity, total</b>	<b>694.4</b>	<b>731.9</b>	<b>764.9</b>
<b>Liabilities</b>			
Non-current liabilities			
Interest-bearing liabilities	644.4	779.1	620.5
Non-interest-bearing liabilities	3.5	2.7	3.3
Deferred tax liabilities	83.4	74.3	77.9
Non-current liabilities, total	731.2	856.0	701.7
Current liabilities			
Interest-bearing liabilities	247.9	108.4	184.5
Non-interest-bearing liabilities	51.3	49.1	68.7
Current liabilities, total	299.2	157.5	253.2
<b>Liabilities, total</b>	<b>1,030.5</b>	<b>1,013.5</b>	<b>954.9</b>
<b>Shareholders' equity and liabilities, total</b>	<b>1,724.9</b>	<b>1,745.3</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
Equity January 1, 2018	96.9	18.5	403.3	-23.3	215.8	53.7	764.9
Comprehensive income							
Net profit for the period					41.1	3.8	44.9
Other comprehensive income items							
Translation difference				-4.9			-4.9
Derivatives			-1.3				-1.3
Available-for-sale financial assets			-0.2				-0.2
Comprehensive income for the period			-1.6	-4.9	41.1	3.8	38.4
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					0.2		0.2
Related party transactions	0.0	0.0	-86.8	0.0	-19.2	-2.9	-108.9
Equity June 30, 2018	96.9	18.5	315.0	-28.2	237.6	54.6	694.4
Equity January 1, 2017 <sup>3)</sup>	96.9	18.5	396.8	-11.3	161.0	57.2	719.3
Comprehensive income							
Net profit for the period					34.9	3.6	38.5
Other comprehensive income items							
Translation difference				-8.1	0.6	-0.4	-7.9
Derivatives			6.5				6.5
Available-for-sale financial assets			0.0				0.0
Other changes			0.0				0.0
Comprehensive income for the period			6.5	-8.1	35.6	3.2	37.2
Related party transactions							
Dividend					-18.8	-1.4	-20.2
Interest paid to equity related bond					-4.5		-4.5
Other changes					0.1		0.1
Related party transactions	0.0				-23.2	-1.4	-24.6
Equity June 30, 2017	96.9	18.5	403.3	-19.4	173.4	59.0	731.9

<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	1-6/ 2018	1-6/ 2017	1-12/ 2017
<b>Cash flows from operating activities</b>			
Net result for the period	44.9	38.5	85.2
Adjustments:			
Change in fair value of investment properties	-19.7	-9.6	-28.3
Depreciation	1.9	2.1	4.1
Share of profits of associates	0.1	0.0	0.0
Gains from disposals	-	0.0	0.4
Other adjustments for non-cash transactions	-0.4	0.5	0.9
Financial income and expenses	10.4	11.7	21.9
Taxes	9.5	6.2	13.8
Increase / decrease in working capital	-8.2	-4.1	2.6
Interests received	0.3	0.2	0.8
Dividends received	0.0	0.1	0.1
Interests paid and fees	-8.8	-10.7	-16.8
Other financial items in operating activities	-5.1	-2.9	-7.6
Taxes paid	-5.8	-2.3	-2.6
Net cash provided by operating activities	19.1	29.7	74.4
<b>Cash flows from investing activities</b>			
Investments in investment properties	-26.4	-33.0	-73.7
Investments in tangible and intangible assets	-2.2	-1.3	-1.2
Granted loans	-	-0.1	-
Repayments of loan receivables	-	0.0	0.0
Proceeds from sale of investments	1.1	0.0	0.0
Proceeds from sale of tangible and intangible assets	1.2	0.2	39.1
Acquisition of subsidiaries	-	-0.9	-5.8
Sale of subsidiaries	-	-	56.9
Net cash used in investing activities	-26.3	-35.1	15.4
<b>Cash flows from financing activities</b>			
Redemption of hybrid bond	-75.0	-	-
Increase in long-term loans	153.4	-	16.0
Decrease in long-term loans	-109.0	-44.7	-89.2
Sale of own shares	-	-	1.1
Dividends paid and return of capital	-29.0	-20.3	-20.4
Hybrid bond interest paid	-5.6	-5.6	-5.6
Acquisition of subsidiaries, no change in command	-12.6	-	-
Sale of subsidiaries, no change in command	-	1.1	-
Change in short-term loans	44.6	-21.5	-48.3
Net cash provided by financing activities	-33.2	-91.0	-146.4
<b>Net increase/decrease in cash assets:</b>	<b>-40.4</b>	<b>-96.4</b>	<b>-56.7</b>
Effects of exchange rate fluctuations on cash held	-0.8	-0.6	0.4
Cash and cash equivalents at period-start	71.8	128.0	128.0
Cash and cash equivalents at period-end	30.7	31.0	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. Jyväskylä business unit was divested in November 2017. The operating segments combined into the Baltic Rim reporting segment are the St. Petersburg, Vilnius and Tallinn business units, whereas the Scandinavian reporting segment is comprised of the Oslo and Gothenburg business units. The combined operating segments all have similar financial characteristics and performance. The operating segments have similar space and service businesses. The segmentation is based on the Group's existing internal reporting and the organization of its business operations. The net sales of the segments are comprised of rental and service revenue.

### SEGMENT INFORMATION

EUR million	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
<b>Net sales</b>					
Finland	27.9	30.4	54.7	59.1	117.7
Baltic Rim	10.0	8.9	19.7	17.8	36.0
Scandinavia	6.4	6.5	12.8	13.1	26.0
<b>Total</b>	<b>44.3</b>	<b>45.8</b>	<b>87.2</b>	<b>90.1</b>	<b>179.7</b>
<b>EBITDA</b>					
Finland	14.2	16.4	27.6	31.2	61.5
Baltic Rim	6.1	5.3	12.2	10.6	21.5
Scandinavia	3.1	3.8	6.7	7.4	14.1
<b>Total</b>	<b>23.5</b>	<b>25.5</b>	<b>46.5</b>	<b>49.1</b>	<b>97.1</b>
<b>Assets</b>					
Finland	-	-	1,052.6	1,113.7	1,056.7
Baltic Rim	-	-	392.9	352.4	383.4
Scandinavia	-	-	354.7	340.1	340.7
Eliminations	-	-	-75.3	-60.8	-60.9
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,724.9</b>	<b>1,745.3</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>4-6/ 2018</b>	<b>4-6/ 2017</b>	<b>1-6/ 2018</b>	<b>1-6/ 2017</b>	<b>1-12/ 2017</b>
Net result to parent company shareholders	18.5	18.5	41.1	34.9	76.5
Adjustments to calculate EPRA Earnings, exclude:					
Changes in value of investment properties	-10.0	-3.7	-19.7	-9.6	-28.3
Profits or losses on disposal of investment properties and other non-operative financial income and expenses	-0.7	0.3	-2.0	0.2	0.4
Changes in fair value of financial instruments	0.0	0.0	0.1	0.0	0.5
Deferred tax in respect of EPRA adjustments	4.7	1.2	7.1	4.3	10.0
Non-controlling interests in respect of the above	0.5	-0.3	0.9	0.4	1.6
<b>EPRA Earnings</b>	<b>13.0</b>	<b>16.0</b>	<b>27.4</b>	<b>30.1</b>	<b>60.6</b>
Basic number of shares	-	-	156,899,379	156,855,957	156,873,264
<b>EPRA Earnings per Share (EPS)</b>	<b>0.08</b>	<b>0.10</b>	<b>0.17</b>	<b>0.19</b>	<b>0.39</b>

## KEY INDICATORS

	June 30, 2018	June 30, 2017	Dec 31, 2017
Change in net sales, %	-3.2	6.9	4.4
Operating profit/loss/net sales, %	73.7	62.9	67.5
Change in EBITDA, %	-5.3	8.2	4.3
Service revenue of Net Sales, %	15.9	14.2	14.1
Interest coverage ratio	4.5	4.1	4.3
Equity ratio, %	40.6	42.2	44.8
Loan to value, %	54.2	53.2	50.1
Group company personnel during the period, average	224	237	234
Gross expenditure on assets, MEUR	34.6	27.4	77.5
Net rental yield of investment properties, % <sup>4)</sup>	7.2	7.0	7.2
Financial occupancy rate, %	95.9	94.4	96.1
Earnings/share			
basic, EUR	0.26	0.21	0.46
diluted, EUR	0.26	0.21	0.46
Cash flows from operating activities/share, EUR	0.12	0.19	0.47
Equity/share, EUR	4.08	3.82	4.06
Average issue-adjusted number of shares <sup>5)</sup>			
basic	156,899,379	156,855,957	156,873,264
diluted	156,899,379	156,855,957	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	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
Change in fair value, Finland	2.0	0.7	5.3	3.3	10.7
Change in fair value, Baltic Rim	1.0	0.9	4.5	4.1	6.9
Change in fair value, Scandinavia	6.5	1.5	10.3	1.9	10.1
Change in fair value	9.5	3.1	20.1	9.3	27.7
Changes in acquisition costs of investment properties in financial year	-2.8	-1.2	-4.5	-5.9	-8.5
Changes in fair value of projects in progress	3.3	1.7	4.1	6.2	9.1
Effect on profit of change in value of investment properties	10.0	3.7	19.7	9.6	28.3

## CONTINGENT LIABILITIES

EUR million	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Pledges and guarantees on own debt			
Mortgages of properties	872.8	974.7	931.5
Pledged securities and investment properties	686.9	740.6	717.0
Pledges for land lease payments	3.6	3.6	3.6
Other guarantee liabilities	139.4	144.9	149.6
Leasing liabilities, land+locations	95.7	78.1	86.7
Leasing liabilities, machinery and equipment	0.2	0.2	0.2
Project liabilities	0.0	0.0	0.0
Interest rate and derivatives			
Nominal values	496.6	600.9	574.9
Fair values	-12.4	-10.6	-11.4

## BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES

June 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)	0.4			0.4	0.4
Other non-current receivables		0.4		0.4	0.4
<b>Total</b>	<b>0.4</b>	<b>0.4</b>		<b>0.7</b>	<b>0.7</b>
<b>Current assets</b>					
Trade and other receivables					
Sales receivables		8.6		8.6	8.6
Other current receivables		7.7		7.7	7.7
Cash and cash equivalents		30.7		30.7	30.7
<b>Total</b>		<b>46.9</b>		<b>46.9</b>	<b>46.9</b>
<b>Non-current liabilities</b>					
Financial liabilities recognized at amortized cost					
Non-current finance lease liabilities (level 2)		5.6		5.6	5.6
Non-current interest-bearing liabilities (level 2)		638.7		638.7	643.2
Non-current non-interest-bearing liabilities (level 2)		3.5		3.5	3.5
Other non-current liabilities					
<b>Total</b>		<b>647.9</b>		<b>647.9</b>	<b>652.3</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)			11.8	11.8	11.8
Interest rate swaps, not meeting the criteria for hedge accounting (level 2)			0.6	0.6	0.6
Financial liabilities recognized at amortized cost					
Current finance lease liabilities		1.5		1.5	1.5
Other current interest-bearing liabilities		246.4		246.4	246.4
Trade and other payables		38.9		38.9	38.9
<b>Total</b>		<b>286.8</b>	<b>12.4</b>	<b>299.2</b>	<b>299.2</b>

## ALTERNATIVE PERFORMANCE MEASURES USED IN TECHNOPOLIS 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 by business area

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

### EPRA Net rental yield

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

### EBITDA on a constant currency basis

EBITDA - impact of currency exchange rate changes

### EPRA Direct result

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

### EPRA Net asset value/share

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

	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
<b>EUR million</b>					
Net sales	44.3	45.8	87.2	90.1	179.7
Items affecting comparability (currency impact)	0.6	-0.3	1.3	-1.1	-0.9
Net sales on a constant currency basis	45.0	45.5	88.5	88.9	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.

	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
<b>EUR million</b>					
EBITDA	23.5	25.5	46.5	49.1	97.1
Items affecting comparability (currency impact)	0.4	-0.2	0.9	-0.8	-0.7
EBITDA on a constant currency basis	23.9	25.3	47.4	48.3	96.4

## EBITDA by business area

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

EUR million	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
EBITDA, property	25.7	26.2	50.1	51.0	102.7
EBITDA %, property	69.8	67.1	68.3	66.0	66.5
EBITDA, services	0.7	0.9	1.7	1.6	2.7
EBITDA %, services	9.2	13.4	12.3	12.6	10.5
Items affecting comparability in EBITDA	-2.9	-1.5	-5.3	-3.5	-8.3
<b>EBITDA in total</b>	<b>23.5</b>	<b>25.5</b>	<b>46.5</b>	<b>49.1</b>	<b>97.1</b>

## EPRA Net rental yield

EUR million	June 30, 2018	June 30, 2017	Dec 31, 2017
Property income	73.4	77.3	154.3
Items affecting comparability in rent income	-1.0	-1.7	-15.0
Property income used in net rental yield calculation	72.4	75.5	139.3
Premises expenses	-19.7	-20.3	-39.4
Items affecting comparability in premises expenses	0.2	-1.8	8.6
Premises expenses used in net rental yield calculation	-19.5	-22.2	-30.8
Fair value of completed investment properties	1,570.7	1,631.5	1,537.9
Building rights	-57.2	-67.4	-64.5
Other items affecting comparability	-44.3	-39.1	-55.4
Fair value of investment properties used in net rental yield calculation	1,469.2	1,525.0	1,418.0

## EPRA Net asset value

EUR million	June 30, 2018	June 30, 2017	Dec 31, 2017
Equity to parent company shareholders	639.8	672.8	711.2
Adjustments to EPRA Net asset value:			
Hedging reserve	7.9	6.4	6.5
Deferred taxes from investment properties	82.0	71.8	74.5
Equity related bond	0.0	-74.2	-74.2
EPRA net asset value	729.7	676.9	718.0

## EPRA Triple net asset value

EUR million	June 30, 2018	June 30, 2017	Dec 31, 2017
EPRA net asset value	729.7	676.9	718.0
Adjustments to EPRA Triple net asset value:			
Hedging reserve	-7.9	-6.4	-6.5
Deferred taxes from investment properties	-82.0	-71.8	-74.5
Difference between fair value and balance sheet value of liabilities	-4.4	-2.2	-1.3
EPRA NNNAV	635.4	596.4	635.6

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

<b>EUR million</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Dec 31, 2017</b>
EPRA earnings before taxes	69.1	68.1	71.6
- taxes from EPRA earnings	-4.4	-5.4	-3.8
EPRA earnings, rolling 12 months	64.7	62.7	67.8
Equity + non-controlling interests for year, average	713.2	658.7	742.1
<b>ROE (based on EPRA earnings, rolling 12 months), %</b>	9.1	9.5	9.1

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](#).

Follow us



Contacts:

Keith Silverang, CEO  
tel. +358 40 566 7785

Sami Laine, CFO  
tel. +358 40 502 7083

Minna Karttunen, Head of IR  
tel. +358 40 513 3225