

Technopolis Group Financial Statements for 2016

Stable Full-Year Performance

- Net sales EUR 172.1 (170.6) million, up 0.9%
- EBITDA EUR 93.1 (93.0) million, up 0.1%
- On a constant currency basis, net sales were up 1.8% and EBITDA was up 1.2%
- Financial occupancy rate 93.4% (94.6%)
- Earnings per share EUR 0.33 (0.33)
- Direct result (EPRA) EUR 52.6 (55.0) million, down 4.4%
- Direct result per share, diluted (EPRA) EUR 0.40 (0.45)
- Net asset value per share (EPRA) EUR 4.24 (4.09)
- The Board of Directors proposes a dividend of EUR 0.12 per share

Key Indicators	10-12/ 2016	10-12/ 2015	1-12/ 2016	1-12/ 2015
Net sales, EUR million	44.8	41.7	172.1	170.6
EBITDA, EUR million	22.4	20.1	93.1	93.0
Operating profit, EUR million	20.8	25.7	89.3	88.9
Net result for the period, EUR million	11.9	17.2	52.4	50.0
Earnings/share, EUR	0.08	0.13	0.33	0.33
Cash flow from operations/share, EUR			0.46	0.52
Equity ratio, %			41.5	39.3
Equity/share, EUR			3.95	3.79
Return on capital employed (ROCE), %			5.6	6.1

EPRA-based Key Indicators	10-12/ 2016	10-12/ 2015	1-12/ 2016	1-12/ 2015
Direct result, EUR million	12.7	16.2	52.6	55.0
Direct result/share, diluted, EUR	0.10	0.13	0.40	0.45
Net asset value/share, EUR			4.2	4.1
Net rental yield, %			7.4	7.7
Financial occupancy rate, %			93.4*	94.6*

* 12/2016: 13,000 m² under renovation. 12/2015: 16,700 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 new 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 on July 3, 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

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:

"If we remember 2016 for anything, it will be for unpredictability. The FED's interest rate hike was one of the few hits the market had actually anticipated. However, low interest rates and excessive liquidity are still driving more capital into the real estate sector.

For Technopolis, it was another action-packed year. We saw the opening of our flagship UMA Workspace in Helsinki, the acquisition of our first Swedish campus in Gothenburg, a successful 124 million euro rights issue, the completion of our Yliopistonrinne CBD campus in Tampere and Delta in Vilnius, as well as the launch of new growth projects in Tallinn and Helsinki, to name a few of this year's highlights.

The year was operationally solid, with modest top line growth of 0.9%, EBITDA growth of 0.1% and healthy occupancy at 93.4%. There was a significant increase in service volumes of 10.6%, with penetration of 13.0%, and EBITDA jumping from EUR 0.8 million in 2015 to 2.1 million in 2016. We expect this trend to continue in 2017.

In the fourth quarter, we proceeded with the integration of the Gårda campus in Gothenburg and divested our Lappeenranta operations and Finnmedi campus in Tampere. The expansion of our Vilnius campus was being completed in December, with pre-occupancy over 85% and final fit-outs underway. In Helsinki and Tallinn, construction of new projects is proceeding as planned.

Thanks to the rights issue and divestitures, our financial liquidity is strong. We will now proceed with the paying down of maturing debt and focus on finding new value-creating investment opportunities. At the same time, we will continue divesting non-core assets in Finland. As a result, we expect our capital structure and related indicators such as equity ratio and loan to value to continue improving in the coming months. The fair values of the investment portfolio remained fairly stable throughout the year.

The shared economy has now clearly found the real estate sector and the winners will be of the players that provide the flexibility and efficiency that customers are demanding. Technopolis has successfully built a scalable service platform. We will continue to develop our concept, services and campus network to meet customer needs as the forces behind the shared economy intensify. That means reshaping our campus portfolio through strategic acquisitions and divestitures, increasing the relative share of coworking solutions in our mix and boosting service sales and earnings."

Operating Environment

Global GDP growth fell further in recent months and was expected at 3.2% in 2016, its lowest since 2009. As growth in emerging markets and the United States is expected to strengthen, however, the global growth rate (excluding the EU) is expected to pick up modestly. The current weakness of global trade outside the EU is weighing on euro area exports despite the resilience of intra-euro area trade. Imports are expected to grow faster than exports in the euro area. Recent signals from international politics have increased the risk of protectionism which may have an adverse impact on international trade and thereby also future growth prospects.

Growth in Europe is expected to continue at a moderate pace, as recent labor market gains and rising private consumption are being counterbalanced by a number of hindrances to growth and the weakening of supportive factors. In its autumn 2016 forecast, the European Commission expects GDP growth in the euro area of 1.7% in 2016 and 1.5% in 2017. Volatility and downside risks remain high in light of the Trump presidency and likely volatile Brexit negotiations. (European Commission Economic Forecast, November 2016)

Finland	2015	2016e	2017e
Gross Domestic Product, change y/y, %	0.2	0.9	1.1
Consumer Price Index, change y/y, %	-0.2	0.4	1.2
Unemployment rate, %	9.4	9.1	8.9

Source: International Monetary Fund, December 2016

In 2016–2018, growth in Finland is expected to improve gradually. However, the pace of the recovery will be sluggish. In 2016, domestic demand contributed to the growth, whereas export performance was feeble. The construction and services sectors are the main drivers of growth on the production side of the economy, while output volumes in manufacturing are recovering very slowly. In 2017–2018, export growth is expected to

improve, whereas private consumption is likely to weaken. Unemployment is easing up although at a modest pace.

Despite long-term structural oversupply of 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 sought, and various coworking and flexible solutions are gaining ground from the traditional office market. However, the oversupply will be gradually reduced by the conversion of older, inflexible office buildings to other uses, or their demolition and the redevelopment of the plots for different purposes. In the Helsinki Metropolitan Area, the office vacancy rate continues to be a high 13.5%, in Oulu 11.1%, in Tampere 10.8%, and in Jyväskylä 10.3%. (Newsec Property Outlook, Autumn 2016 and Catella Market Indicator, Autumn 2016)

Norway	2015	2016e	2017e
Gross Domestic Product, change y/y, %	1.6	0.8	1.2
Consumer Price Index, change y/y, %	2.2	3.2	2.3
Unemployment rate, %	4.4	4.7	4.5

Source: International Monetary Fund, December 2016

Growth in the Norwegian economy remains slow, but recent data suggest that the worst is probably behind. The contraction in oil-related industries is not over, but it is easing. Non-oil-related manufacturing still seems unaffected by the weak krone, but net exports have contributed significantly to mainland GDP growth in 2016. Non-oil investments are slowly increasing, total private consumption is rising, and fiscal policy remains expansionary. The local central bank expects mainland GDP growth to pick up from 0.9% in 2016 to 1.8% in 2017, as the drag from declining oil investments subsides. After rising steadily through 2015, unemployment probably peaked in 2016.

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. Office rents in central areas in Oslo were rising, while the outskirts of the city saw a decrease in rents during 2016. The office vacancy rate in Oslo is now 8.3%. In Fornebu, where Technopolis is located, the vacancy rate is below 5%. (Newsec Property Outlook, Autumn 2016)

Sweden	2015	2016e	2017e
Gross Domestic Product, change y/y, %	3.8	3.6	2.6
Consumer Price Index, change y/y, %	-0.1	1.1	1.4
Unemployment rate, %	7.4	6.9	6.7

Source: International Monetary Fund, December 2016

The outlook for the Swedish economy remains good. Domestic consumption is strong, driven by the healthy labor market, booming construction sector, and continued high level of public spending. This favors primarily the service sector, while industrial production and exports have seen only modest growth. Global demand will continue to remain subdued in the next few years at the same time as the Swedish krona is expected to strengthen. Although inflation in Sweden is picking up, the rise is still somewhat fragile and the situation of households is likely to continue to be strong in the coming years with the increases in disposable income and still relatively low inflation.

The market rent for offices in the central Gothenburg continues to rise and the vacancy rate to fall. This has also initiated investments in new office properties. Despite the capacity, the market is expected to experience increase in rent level, since the demand is still outpacing the supply. (Newsec Property Outlook, Autumn 2016)

Estonia	2015	2016e	2017e
Gross Domestic Product, change y/y, %	1.4	1.5	2.5
Consumer Price Index, change y/y, %	0.1	0.5	1.4
Unemployment rate, %	6.1	5.6	5.5

Source: International Monetary Fund, December 2016

In Estonia, growth has been restrained by weak exports and low capital spending, but there are now signs of an economic upturn. High employment and rapid wage growth together with low inflation have boosted private consumption. Together with a brightening outlook for exports, these will be the main drivers of Estonia's economic growth in the next two years. The labor market remains tight, and nominal wages continue to grow.

After several years of deflation, consumer prices are expected to increase in the coming years, which should slow down private consumption.

In Tallinn, the vacancy rate in the most popular office areas and in new A-class buildings is still marginal. This situation is expected to change in the coming years, however, due to significant new delivery. Rent levels are nevertheless expected to hold at current levels, but the risks in the office market have increased despite the solid economic outlook.

Russia	2015	2016e	2017e
Gross Domestic Product, change y/y, %	-3.7	-0.8	1.1
Consumer Price Index, change y/y, %	15.6	7.2	5.0
Unemployment rate, %	5.6	5.8	5.9

Source: International Monetary Fund, December 2016

After two years of recession, the Russian economy will return to growth in 2017, as higher real wages boost private consumption and a lower interest rate supports investment. However, structural bottlenecks continue to hinder further diversification of the economy. The strength of the recovery will also remain dependent on a rebound in oil prices. Tight monetary policy has successfully brought down inflation, and now can be eased further to support the recovery, especially investment.

Office vacancies continued to decrease in St Petersburg towards year-end: in Q3 the vacancy for A-class offices was 7.3%, the lowest since 2007, while it was 8.5% in Q2. At the same time, the B-class office vacancy rate went down to 11.1%. The driver behind the falling vacancy rate has been strong demand from the construction and IT sectors. Office stock in St. Petersburg has steadily increased over the last several years, but the amount of completions is expected to drop sharply in 2017 due to the drop in investments after the economic downturn. In Q3, average asking rents have stayed flat. (JLL: St. Petersburg Office Market Q3/2016)

Lithuania	2015	2016e	2017e
Gross Domestic Product, change y/y, %	1.6	2.6	3.0
Consumer Price Index, change y/y, %	-0.7	0.5	1.2
Unemployment rate, %	9.1	7.8	7.6

Source: International Monetary Fund, December 2016

Recovering exports and the consumer-favorable situation in the labor market will be major factors behind economic expansion in Lithuania in 2017. The lower rate of unemployment and pronounced shortage of staff will continue to provide a positive boost to wages, which, in turn, will enhance the prospects of households to consume. Prices, which will rise slightly more than in the previous year, however, will probably eat into household purchasing power. In addition to exports and private consumption, investment will also fuel economic growth.

In Vilnius, office vacancies were below 1% for A-class offices and below 2% for B-class at the end of 2016. The office stock is forecast to grow by more than 30% during 2016–2017, but strong demand for modern office space is expected to keep vacancy at a healthy level. However, rents are expected to fall somewhat due to increasing competition. Average yields for prime office properties in Vilnius remain around 7.0%. (Newsec Property Outlook Autumn 2016, Colliers Lithuania)

Business Segments

Technopolis has three business segments with a total rentable area of 746,400 m² (740,400 m²).

Finland

Finland	1-12/2016	1-12/2015	Change, %
Number of campuses *	15	16	-6.3
Rentable space, m ² *	486,500**	526,900**	-7.7
Average rent, EUR/m ² *	17.0	17.0	-0.2
Financial occupancy rate, % *	90.7**	92.9**	-2.2 ppt
Rental income, EUR million	102.0	107.4	-5.1
Net sales, EUR million	120.5	125.0	-3.6
EBITDA, EUR million	64.3	69.0	-6.8
Market yield requirement, average, % *	7.6	7.8	-0.2 ppt
Fair value of investment properties, EUR million *	997.6	984.8	1.3

* At the end of the period.

** 12/2016: 9,700 m² under renovation. 12/2015: 16,700 m² under renovation.

The decrease of number of campus and rentable space are caused by the divestitures in Lappeenranta, Tampere and Oulu. The decrease in net rental income and EBITDA was mainly due to the EUR 5.4 million in contract pre-termination fees in the comparison period, caused by two early termination agreements with customers in Oulu. 2016 figures include termination fees worth of EUR 1.2 million. The decline of the occupancy rate in Oulu is also the main reason for the drop in occupancy. Fair values increased due to market yield compression and the completion of organic investment projects in Tampere and Vantaa.

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	1-12/2016	1-12/2015	Change, %
Number of campuses *	3	3	0.0
Rentable space, m ² *	161,200	147,000	9.7
Average rent, EUR/m ² *	14.9	15.2	-2.0
Financial occupancy rate, % *	99.7	99.5	0.2 ppt
Rental income, EUR million	26.7	25.1	6.5
Net sales, EUR million	29.5	26.8	10.1
EBITDA, EUR million	16.6	14.2	16.8
Market yield requirement, average, % *	8.7	8.7	0.0 ppt
Fair value of investment properties, EUR million *	292.3	246.7	18.4

*At the end of the period.

On December 31, 2016 the new property in Vilnius has still 8,600 m² of space, which is not yet completed.

Rentable space, net sales and EBITDA increased year-on-year due to the completion of the new building in Tallinn and partial completion in Vilnius. The weakening Russian ruble had a negative impact of 0.8 million in net sales and 0.6 million in EBITDA compared to the previous year. Fair value development has been positive in all three cities, but the biggest impact comes from the new property in Vilnius and foreign exchange rate development in Russia.

Scandinavia

Scandinavia	1-12/2016	1-12/2015	Change, %
Number of campuses *	2	1	100.0
Rentable space, m ² *	98,700**	66,500**	48.4
Average rent, EUR/m ² *	22.3	21.5	3.6
Financial occupancy rate, % *	96.8**	97.1**	-0.3 ppt
Rental income, EUR million	20.7	17.8	16.5
Net sales, EUR million	22.0	18.8	17.4
EBITDA, EUR million	12.2	9.9	23.9
Market yield requirement, average, % *	5.5	6.1	-0.6 ppt
Fair value of investment properties, EUR million *	334.3	194.4	71.9

* At the end of the period.

** 12/2016: 3,300 m² under renovation, 12/2015: None.

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, net sales and EBITDA. The increase in average rent year-on-year was due to a higher price level in Gothenburg. The weakening Norwegian krone burdened net sales by EUR 0.7 million and EBITDA by EUR 0.4 million and the weakening Swedish krone EUR 0.1 million and 0.1 million, respectively, compared to the currency rates in the previous year.

Financial Performance in Q4

The Group's rental income totaled EUR 38.2 (35.9) million, up 6.7% compared to corresponding period in 2015. The Group's net sales was EUR 44.8 (41.7) million, up 7.3%, due to increasing capacity. Net sales from services increased by 11.6% and amounted to EUR 6.5 (5.8) million. The Group's EBITDA totaled EUR 22.4 (20.1) million, up 11.3%, and EBITDA margin was 50.0% (48.2%). Operating profit decreased to EUR 20.8 (25.7) million, due to positive changes in fair values during the comparison period. The net result for the period was EUR 11.9 (17.2) million and EPS EUR 0.08 (0.13).

Financial Performance in 2016

The Group's rental income amounted to EUR 149.6 (150.3) million in 2016 down 0.4% compared to 2015. Contract pre-termination fees improved the figure in 2015 by EUR 5.4 million and in 2016 by EUR 1.2 million. Net sales from services increased by 10.6% and amounted to EUR 22.4 (20.3) million. The Group's net sales in total reached 172.1 (170.6) million, up 0.9%. Net sales converted into euros were adversely impacted by EUR 1.5 million due to the weakening RUB, NOK and SEK compared to the previous year. On a constant currency basis net sales were up 1.8%.

Other operating income of EUR 0.4 (0.1) million was mostly generated by a gain on the disposal of shares in subsidiaries in Oulu, Finnmedi campus in Tampere and Lappeenranta operations. Premises expenses totaled EUR 39.5 (38.9) million, up 1.6%. The Group's administrative costs went down by 2.3% to EUR 13.6 (13.9) million. Other operating expenses increased to EUR 26.3 (24.8) million, up 6.2% mainly due to increased service expenses. Property taxes are periodized evenly over the financial year, and EUR 7.4 million was booked in January-December.

The Group's EBITDA totaled EUR 93.1 (93.0) million, up 0.1%. The EBITDA margin declined slightly to 53.6% (54.5%) as the share of service revenue in total revenues increased and due to the absence of the termination fees, which contributed to 2015 figures. The weakening of RUB, NOK and SEK against EUR reduced the EBITDA by EUR 1.0 million through conversion compared to the previous year. On a constant currency basis, EBITDA grew 1.2% and EBITDA margin was 54.2%.

EBITDA for real estate operations amounted to EUR 98.9 (99.6) million. EBITDA for services was EUR 2.1 (0.8) million. Due to allocations of Group-level expenses and eliminations, the sum of EBITDA for real estate operations and services differs from Group EBITDA.

The Group's operating profit rose slightly to EUR 89.3 (88.9) million mainly due to lower depreciations compared to the previous year.

Fair value changes during the period totaled EUR 0.2 (1.3) 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. Fair value changes compared to the year end 2015 break down as follows:

EUR million	Yield requirements	Occupancy assumptions**	Modernization	Other*	Projects in progress	Total
Finland	18.8	-13.9	-5.4	-6.0	2.5	-4.0
Baltic Rim	4.4	-1.8	-2.8	0.5	5.8	6.1
Scandinavia	5.5	-1.9	-3.6	-1.9	0.0	-1.9
Total	28.7	-17.6	-11.8	-7.4	8.3	0.2

* Other changes include contract and budget changes, maintenance expenses as well as changes in revenue allocations. Contract changes EUR 6.9 million. A write-down in Oulu EUR 5.0 million. In Norway, some revenues were allocated to services and were thus removed from fair value calculation, EUR 1.7 million.

** In Oulu and HMA, occupancy assumptions were adjusted to correspond to actualized occupancy and modernization capital expenditures.

Net financial expenses decreased substantially to 25.5 (30.5) million although the amount of interest-bearing debt increased by more than EUR 95 million. The comparison figure included the Kuopio joint venture deal's transfer tax of EUR 2.5 million, and the rest of the decrease is mainly attributable to the currency impact as well as lower average interest rates and arrangement costs. Pre-tax profits rose considerably to EUR 64.2 (55.1) million. However, the net result for the period rose just 5% to EUR 52.4 (50.0) million due to higher deferred and current taxes. EPS remained stable at EUR 0.33 (0.33). Return on capital employed declined from the previous year due to the increase in equity and interest-bearing debt.

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 52.6 (55.0) million. The decrease was mainly caused by higher taxes for direct result items. Diluted earnings per share from direct result amounted to EUR 0.40 (0.45).

Customers and Lease Stock

Technopolis has a total of approximately 1,680 customers. The ten largest customers let approximately 17.6% of rented space as of December 31, 2016.

Lease stock, % of space	Dec 31, 2016	Sept 30, 2016	June 30, 2016	March 31, 2016	Dec 31, 2015
Maturity, years					
< 1	19	18	17	21	22
1 - 3	21	22	22	22	20
3 - 5	17	17	15	14	15
> 5	16	15	18	17	19
Open-ended leases	27	28	28	25	24
Average lease term in months	35	35	36	35	36
Lease stock, EUR million	392.7*	430.0	424.8	407.7	429.7

* 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 December 31, 2016 are as follows:

Area	Name	Pre-let rate, %	m ²	EUR million	Stabilized yield, % *	Completion
Vilnius	Delta	85.8	21,900	35.4	9.8	12/2016**
Helsinki	Ruoholahti 3	35.7	10,300	33.2	7.0	07/2018
Tallinn	Lõdõtsa 12	18.8	9,700	13.6	9.0	07/2018

* Stabilized yield = estimated net operating income / cost

** On December 31, 2016, the financial occupancy rate of Delta was 57.9%, the rest of the building was still under construction.

Financing

The Group's balance sheet total was EUR 1,825.1 (1,562.1) million, with liabilities accounting for EUR 1,072.3 (951.4) million. The Group's equity per share was EUR 3.95 (3.79), its equity ratio was 41.5% (39.3%) and its loan-to-value ratio (LTV) was 58.2% (58.8%). The increase in the equity ratio was due to the rights issue in September, solid operative performance, increases in FX translation difference and in fair value of hedging derivatives and divestitures of Finnmedi campus and Lappeenranta business unit. LTV decreased due to the pay down of maturing debt and the increased fair values of investment properties. Both indicators will keep improving as the excess liquidity is used for the pay-down of debt. At the period-end, the Group's net gearing was 110.5% (135.1%) and its interest coverage ratio was 4.6 (4.3).

The Group's interest-bearing liabilities amounted to EUR 959.9 (864.8) million. The average capital-weighted loan maturity was 5.1 (5.9) years at the end of the period. A total of 43.3% (28.7%) of the Group's interest-bearing liabilities were floating-rate loans and 56.7% (71.3%) 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 2.34% (2.60%).

A total of 4.1% (1.6%) of all interest-bearing liabilities were pegged to the under-3-month Euribor rate and 39.2% (27.1%) to the Euribor rates from 3 to 12 months. The Group's interest fixing period was 1.7 (2.7) years at the end of the period. At the end of the reporting period, interest rate swaps covered EUR 639.2 (546.5) million of the principal. The hedging ratio for interest-bearing liabilities was 43.1% (57.4%) and the average hedging period was 4.7 (4.9) 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 loan of Technopolis Gårda, with forward start in 2019. These four agreements are excluded in the hedging ratio.

At the end of the reporting period, Technopolis had EUR 96.6 (92.4) million in untapped credit facilities. The credit facilities included a EUR 90.0 (67.3) million credit line and a EUR 6.6 (25.1) million revolving credit facility. In addition, the company has a EUR 150.0 (150.0) million commercial paper program, of which EUR 54.5 (21.5) million was outstanding at the end of the reporting period. At the same time, the Group had cash and cash equivalents worth EUR 128.0 (39.4) million.

During the 12-month period following the reporting period, EUR 134.0 (139.0) million in existing interest-bearing loans will mature.

Technopolis had interest-bearing liabilities with covenants amounting to EUR 752.2 (701.5) million. Of this total, EUR 439.5 (460.1) million had equity ratio-linked covenants. Of these loans, EUR 393.2 (402.9) million include a call provision. If the equity ratio falls below 33%, EUR 60.8 (60.3) million of the loan principal could be called in. If the equity ratio falls below 30%, EUR 182.4 (192.6) million of the loan principal could be called in. The principal of EUR 111.3 (117.8) 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 959.9 (864.8) million. A one percentage point increase in market rates would cause a EUR 2.7 (1.7) million increase in interest costs per annum.

Finland represents 61.4% of the Group's assets (fair values of investment properties) and 70.1% 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, from July 1, 2016 onwards, 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 December 31, 2016 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	-7.6	-7.6	41.3%
RUB +10	0.0	9.3	9.3	41.8%
NOK -10	0.0	-7.9	-7.9	41.6%
NOK +10	0.0	9.7	9.7	41.5%
SEK -10	0.0	-4.1	-4.1	41.6%
SEK +10	0.0	5.0	5.0	41.5%

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 792 million, and Swedish subsidiaries' equity was SEK 429 million.

In December, the ten largest customers accounted for 17.7% of rental income. The single largest customer accounted for 3.9% of rented space and 3.1% of rental income.

For a more detailed outline of the risks, please see the company's upcoming [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 2015 Financial Report.

Group Strategy and Financial Targets

In the annual review of the company's strategy in August, 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 strategic targets until 2020 remain the same:

- 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.

The Technopolis line organization consists of three geographical 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 248 (239) people. On average, real estate operations

employed 82 (85) people, service operations 112 (100) people and Group administration 54 (54) people. The number of personnel at the period end was 242 (247).

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 September 2016 Technopolis was awarded with the prestigious Green Star status in the GRESB (Global Real Estate Sustainability Benchmark) survey for the third year in a row. The survey measures environmental, social and governance related factors. Technopolis also received the EPRA silver sBPR award, an acknowledgment for its sustainability data disclosure.

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 (m³/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	1–12/2016	1–12/2011	Change, %	Target 2020
CO2 emissions, CO2e kg/m ²	40	80	-49	-60%
Energy consumption, kWh/m ²	233	246	-5	-12%

For more information, please see the upcoming [Sustainability Data Report 2016](#).

Group Structure

Technopolis Group comprises the parent company Technopolis Plc, whose subsidiaries have operations in Finland, Norway, Estonia, Russia, Lithuania and, as of July 1, 2016, Sweden. The parent company has several subsidiaries and associates in Finland.

Board of Directors

The Technopolis Board of Directors consists of six members: Carl-Johan Granvik, Jorma Haapamäki, Juha Laaksonen, Pekka Ojanpää, Reima Rytölä and Annica Ånäs. Carl-Johan Granvik serves as the Chairman of the Board and Jorma Haapamäki as the Vice Chairman.

Annual General Meeting 2016

The Annual General Meeting (AGM) of Technopolis Plc was held in Espoo on March 30, 2016. The AGM decided, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.17 per share. The dividend was paid on April 8, 2016. The AGM also authorized the Board 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. The resolutions of the AGM can be found on the company's [website](#).

Extraordinary General Meeting 2016

Technopolis Plc's Extraordinary General Meeting (EGM) was held in Espoo on August 31, 2016. The EGM decided, in accordance with the proposal by the Board of Directors, to authorize the Board of Directors to decide on the issuance of new shares against payment. The authorization entitled the Board of Directors to issue an aggregate maximum of 75,000,000 shares by virtue of one or several decisions. The maximum amount of the authorization corresponded to approximately 70.4 per cent of all the shares in the company. The new shares are offered to the company's shareholders for subscription in proportion to their current shareholding (rights issue). The Board of Directors was authorized to decide on any other matters related to the share issue.

The authorization is valid until the end of next Annual General Meeting, however, no later than until June 30, 2017. The authorization does not revoke the authorization to decide on the issuance of shares as well as the issuance of special rights entitling to shares given by the Annual General Meeting on March 30, 2016.

More information relating to the EGM is available on the company's [website](#).

Stock-Related Events and Disclosures of Changes in Holdings

On January 18, 2016, 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 BNP Paribas Investment Partners S.A. (BNP) had decreased to 5,318,506 shares thus totaling 4.99 per cent of all shares in Technopolis Plc.

The share buyback program announced by Technopolis Plc on September 1, 2015 was completed on February 3, 2016. During the time period September 2, 2015 to February 3, 2016 the company acquired through public trading in accordance with the rules of Nasdaq Helsinki a total of 1,329,397 of the company's own shares at an average price per share of EUR 3.5821. The total value of the acquired shares was EUR 4,762,050.48. On October 28, 2016 Technopolis Plc holds a total of 1,947,571 own shares corresponding to approximately 1.2% of the company's total number of shares.

On April 25, 2016, 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. In the share issue, 104,990 treasury shares were issued without consideration to the key personnel entitled to share rewards. The share issue was based on the authorization granted to the Board of Directors by the company's General Meeting of Shareholders held on March 30, 2016.

On May 30, 2016, 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 BNP Paribas Investment Partners S.A. (BNP) had increased to 5,415,714 shares thus totaling 5.08 per cent of all shares in Technopolis Plc.

On August 31, 2016, the Board of Directors of Technopolis decided on an approximately EUR 125 million rights offering in accordance with the shareholder's pre-emptive subscription right based on authorization granted by the Extraordinary General Meeting on August 31, 2016. Technopolis Plc offered its shareholders a maximum of 52,282,030 new shares in proportion to their holding of existing shares in the company at a subscription price of EUR 2.40 per each share. The company granted each of its shareholders one subscription right for every share they owned on the record date of the offering on September 2, 2016. Every two subscription rights entitled its holder to subscribe for one share. The share subscription period started on September 7, 2016 and ended on September 21, 2016.

On September 28, 2016 Technopolis Plc announced the final results of the rights offering. A total of 87,034,926 shares were subscribed for, representing approximately 166 percent of the 52,282,030 shares offered. Net proceeds raised through the offering totaled approximately EUR 124.3 million. The company will use the proceeds to improve the solvency following the acquisition of the Gårda campus and the minority share of the Oslo campus and to finance future organic growth projects and potential acquisitions. The total number of shares in Technopolis increased to 158,793,662 shares in the rights offering.

On October 5, 2016, Technopolis Plc received two flagging notifications pursuant to Chapter 9 Section 5 of the Finnish Securities Markets Act. According to the first flagging notification, the total ownership in Technopolis Plc held by BNP Paribas Investment Partners Luxembourg S.A. increased on September 29, 2016 to 7,942,283 shares thus totaling 5.002 per cent of all shares in Technopolis Plc. According to the second flagging notification, the total ownership in Technopolis Plc held by BNP Paribas Investment Partners Luxembourg S.A. decreased on October 4, 2016 to 7,935,717 shares thus totaling 4.998 per cent of all shares in Technopolis Plc. BNP Paribas Investment Partners Luxembourg S.A. is a controlled entity of BNP Paribas Investment Partners S.A. The total ownership of the controlling entity BNP Paribas Investment Partners S.A. in Technopolis Plc did not cross a flagging threshold and remained above 5 per cent.

On October 12, 2016, 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 BNP Paribas Investment Partners Luxembourg S.A. increased on October 4, 2016 to 7,946,087 shares thus totaling 5.004 per cent of all shares in Technopolis Plc.

On October 20, 2016, 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 BNP Paribas Investment Partners Luxemburg S.A. decreased on October 19, 2016 to 7,814,489 shares thus totaling 4.92 per cent of all shares in Technopolis Plc.

On November 30, 2016, 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 BNP Paribas Investment Partners S.A. decreased on November 25, 2016 to 7,754,096 shares thus totaling 4.88 per cent of all shares in Technopolis Plc.

Unused Board Authorizations

The Board of Directors was authorized by the Annual General Meeting on March 30, 2016 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. The Board used the authorization on April 25, 2016 to issue shares for the rewards of the Performance Share Plan (see previous section). The company may still, pursuant to the authorization regarding the issue of shares and special rights entitling holders to shares, issue a maximum of 10,545,010 shares in total.

The Extraordinary General Meeting on August 31, 2016 authorized the Board of Directors to issue an aggregate maximum of 75,000,000 shares against payment by virtue of one or several decisions. The Board used the authorization on August 31, 2016 to organize a rights issue (see previous section). The company may still, pursuant to the authorization, issue against payment a maximum of 22,717,970 shares in total.

Post-Fiscal Events

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.

Proposals of the Shareholder's Nomination Board to the Annual General Meeting 2017 regarding the election and remuneration of the members of the Board of Directors were published with a stock exchange release on January 17, 2017.

Board of Directors' Proposal for Distribution of Profit

At the end of the period, distributable funds totaled EUR 36.3 million. The Board proposes that a dividend of EUR 0.12 (issue-adjusted dividend per share 0.15 in the previous year) per share be paid, totaling approximately to EUR 18.8 million (17.8), depending on the amount of outstanding shares at the time of the dividend record date. The Board further proposes that the remainder be left in the retained earnings account. The proposed dividend represents approximately 35.8% of the EPRA-based direct result per share.

There have been no significant changes to the company's financial status since the end of the financial period. In the opinion of the Board of Directors, the company's liquidity is good and the proposed dividend will not endanger its solvency.

Annual General Meeting 2017

The Annual General Meeting of 2017 will be held in Espoo on March 23, 2017.

Helsinki, February 2, 2017

Technopolis Plc
Board of Directors

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

Technopolis' Annual Report 2016 including Board of Directors' Report and full financial statements will be published on February 22, 2017.

Tables

The accounting policies applied in this annual 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	10-12/ 2016	10-12/ 2015	1-12/ 2016	1-12/ 2015
Rent income	38.2	35.9	149.6	150.3
Service income	6.5	5.8	22.4	20.3
Net sales total	44.8	41.7	172.1	170.6
Other operating income	-0.5	0.0	0.4	0.1
Premises expenses	-10.9	-10.0	-39.5	-38.9
Administration costs ¹⁾	-3.8	-4.1	-13.6	-13.9
Other operating expenses	-7.2	-7.6	-26.3	-24.8
EBITDA	22.4	20.1	93.1	93.0
Change in fair value of investment properties	-0.5	6.7	0.2	1.3
Depreciation	-1.0	-1.1	-4.0	-5.4
Operating profit/loss	20.8	25.7	89.3	88.9
Unrealized exchange rate profit/loss	-0.1	-2.4	0.3	-3.2
Finance income and expenses	-6.1	-6.2	-25.5	-30.5
Result before taxes	14.7	17.1	64.2	55.1
Deferred taxes	-0.7	-1.1	-5.0	-0.5
Current taxes	-2.0	1.2	-6.8	-4.6
Net result for the period	11.9	17.2	52.4	50.0
Distribution:				
To parent company shareholders	11.4	16.4	47.3	44.8
To non-controlling shareholders	0.5	0.8	5.1	5.3
	11.9	17.2	52.4	50.0
Earnings per share, basic, EUR ²⁾	0.08	0.13	0.33	0.33
Earnings per share, diluted, EUR ²⁾	0.08	0.13	0.33	0.33

STATEMENT OF COMPREHENSIVE INCOME

Net result for the period	11.9	17.2	52.4	50.0
Other comprehensive income items				
Items that may be reclassified subsequently to profit or loss:				
Translation difference	6.8	-4.7	17.7	-9.1
Available-for-sale financial assets	0.0	0.0	0.0	0.0

Derivatives	15.1	0.2	-4.3	2.5
Taxes related to other comprehensive income items	-3.1	-0.1	0.7	-0.6
Other comprehensive income items after taxes for the period	18.8	-4.6	14.2	-7.1
Comprehensive income for the period, total	30.7	12.6	66.6	42.9
Distribution:				
To parent company shareholders	30.3	11.9	61.0	39.6
To non-controlling shareholders	0.4	0.7	5.6	3.3
	30.7	12.6	66.6	42.9

- 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	Dec 31, 2016	Dec 31, 2015
Non-current assets		
Intangible assets	5.7	5.4
Tangible assets	9.8	12.0
Completed investment properties	1,624.2	1,426.0
Investment properties under construction	22.6	40.4
Investments	6.5	6.8
Deferred tax assets	16.6	15.9
Non-current assets	1,685.3	1,506.5
Current assets	139.8	55.6
Assets, total	1,825.1	1,562.1

STATEMENT OF FINANCIAL POSITION, SHAREHOLDERS' EQUITY AND LIABILITIES

Currency unit: EUR million	Dec 31, 2016	Dec 31, 2015
Shareholders' equity		
Share capital	96.9	96.9
Premium fund	18.5	18.6
Equity related bond	74.2	74.2
Other funds	322.6	202.7
Translation difference	-10.1	-27.4
Retained earnings	143.5	121.3
Net profit for the period	47.3	44.8
Parent company's shareholders' interests	693.0	531.0
Non-controlling interests	59.9	79.7
Shareholders' equity, total	752.9	610.8
Liabilities		
Non-current liabilities		
Interest-bearing liabilities	825.8	725.8
Non-interest-bearing liabilities	2.6	0.7
Deferred tax liabilities	38.1	33.9
Non-current liabilities, total	866.6	760.5
Current liabilities		
Interest-bearing liabilities	134.0	139.0
Non-interest-bearing liabilities	71.7	51.9
Current liabilities, total	205.7	190.9
Liabilities, total	1,072.3	951.4
Shareholders' equity and liabilities, total	1,825.1	1,562.1

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, 2015	96.9	18.6	278.7	-20.3	142.2	59.5	575.6
Comprehensive income							
Net profit for the period					44.8	5.3	50.0
Other comprehensive income items							
Translation difference				-7.1		-2.0	-9.1
Derivatives			1.9			0.0	1.9
Available-for-sale financial assets			0.0				0.0
Other changes					0.0		0.0
Comprehensive income for the period			1.9	-7.1	44.8	3.3	42.9
Related party transactions							
Dividend					-15.9	-0.7	-16.6
Return of capital						-2.8	-2.8
Acquisition of own shares			-3.7		-1.1		-4.8
Interest paid to equity related bond					-4.5		-4.5
Investment of non-controlling interests						20.3	20.3
Other changes		0.0	0.0		0.6	0.0	0.5
Related party transactions		0.0	-3.7		-20.9	16.9	-7.7
Equity December 31, 2015	96.9	18.6	276.9	-27.4	166.1	79.7	610.8
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					47.3	5.1	52.4
Other comprehensive income items							
Translation difference				17.3		0.4	17.7
Derivatives			-3.5			0.0	-3.5
Available-for-sale financial assets			0.0				0.0
Other changes					0.0		0.0
Comprehensive income for the period			-3.5	17.3	47.3	5.6	66.6
Related party transactions							
Dividend					-17.8	-1.2	-18.9
Return of capital						-0.2	-0.2
Share issue			125.5				125.5
Acquisition of own shares			-1.1		0.0		-1.1
Interest paid to equity related bond					-4.5		-4.5
Investment of non-controlling interests						0.0	0.0
Changes in subsidiary shares						-24.0	-24.0
Other changes		0.0	-1.0 ³⁾		-0.3	0.0	-1.2
Related party transactions		0.0	123.4		-22.5	-25.4	75.5
Equity December 31, 2016	96.9	18.5	396.8	-10.1	190.8	59.9	752.9

3) Direct cost related to share issue in fall 2016.

STATEMENT OF CASH FLOWS

Currency unit: EUR million	1-12/ 2016	1-12/ 2015
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Cash flows from operating activities

Net result for the period	52.4	50.0
Adjustments:		
Change in fair value of investment properties	-0.2	-1.3
Depreciation	4.0	5.4
Share of profits of associates	0.0	0.0
Gains from disposals	-0.4	0.0
Other adjustments for non-cash transactions	-0.5	3.4
Financial income and expenses	25.8	30.5
Taxes	11.8	5.3
Increase / decrease in working capital	-3.0	-2.4
Interests received	0.3	0.3
Dividends received	0.1	0.0
Interests paid and fees	-17.0	-14.0
Other financial items in operating activities	-9.7	-10.5
Taxes paid	-3.4	-3.4
Net cash provided by operating activities	60.2	63.6
Cash flows from investing activities		
Investments in investment properties	-87.0	-67.7
Investments in tangible and intangible assets	-4.1	-2.5
Investments in other securities	-0.5	0.0
Granted loans	0.0	
Repayments of loan receivables	0.0	
Proceeds from sale of investments	1.2	0.0
Proceeds from sale of tangible and intangible assets	3.9	0.3
Acquisition of subsidiaries	-53.0	
Sale of subsidiaries	64.0	
Net cash used in investing activities	-75.5	-69.9
Cash flows from financing activities		
Increase in long-term loans	183.0	278.9
Decrease in long-term loans	-203.2	-210.6
Dividends paid and return of capital	-20.0	-18.7
Paid share issue	125.5	
Acquisition of own shares	-1.1	-4.8
Capital investment by the minority		20.3
Hybrid bond interest paid	-5.6	-5.6
Change in short-term loans	23.9	-41.3
Net cash provided by financing activities	102.5	18.3
Net increase/decrease in cash assets	87.2	12.0
Effects of exchange rate fluctuations on cash held	1.4	-0.9
Cash and cash equivalents at period-start	39.4	28.3
Cash and cash equivalents at period-end	128.0	39.4

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 Lappeenranta business unit was divested during the financial year. 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

	10-12/ 2016	10-12/ 2015	1-12/ 2016	1-12/ 2015
Currency unit: EUR million				
Net sales				
Finland	30.0	29.9	120.5	125.0
Baltic Rim	7.9	7.1	29.5	26.8
Scandinavia	6.9	4.7	22.0	18.8
Total	44.8	41.7	172.1	170.6
EBITDA				
Finland	14.1	13.2	64.3	69.0
Baltic Rim	4.6	4.2	16.6	14.2
Scandinavia	3.7	2.7	12.2	9.9
Total	22.4	20.1	93.1	93.0
Assets				
Finland			1,221.0	1,111.5
Baltic Rim			327.6	286.6
Scandinavia			351.5	208.6
Eliminations			-75.0	-44.5
Total			1,825.1	1,562.1

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

	10-12/ 2016	10-12/ 2015	1-12/ 2016	1-12/ 2015
Currency unit: EUR million				
Net sales	44.8	41.7	172.1	170.6
Other operating income	0.0	0.0	0.0	0.0
Other operating expenses	-22.0	-21.6	-79.5	-77.6
Depreciation	-1.0	0.4	-4.0	-3.9
Operating profit/loss	21.7	20.5	88.6	89.1
Finance income and expenses, total	-6.2	-2.8	-24.3	-24.9
Result before taxes	15.5	17.8	64.3	64.2
Taxes for direct result items	-1.0	-0.6	-5.9	-3.5
Non-controlling interests	-1.8	-1.0	-5.7	-5.7
Direct result for the period	12.7	16.2	52.6	55.0

INDIRECT RESULT				
Indirect income and expenses	-0.4	-1.5	0.5	-1.5
Change in fair value of investment properties	-0.5	6.7	0.2	1.3
Operating profit/loss	-0.9	5.2	0.7	-0.2
Other indirect financial income and expenses	0.1	-5.9	-0.8	-8.8
Result before taxes	-0.9	-0.6	-0.1	-9.0
Taxes for indirect result items	-1.7	0.7	-5.9	-1.6
Non-controlling interests	1.3	0.1	0.6	0.4
Indirect result for the period	-1.3	0.2	-5.4	-10.2
Result for the period to the parent company shareholders, total	11.4	16.4	47.3	44.8
Earnings per share, diluted ⁴⁾				
From direct result	0.10	0.13	0.40	0.45
From indirect result	-0.01	0.00	-0.04	-0.08
From net result for the period	0.09	0.14	0.36	0.37
Effect of the interest expenses from equity related bond	-0.01	-0.01	-0.03	-0.04
From adjusted net result for the period	0.08	0.13	0.33	0.33

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

KEY INDICATORS	Dec 31,2016	Dec 31,2015
Change in net sales, %	0.9	5.5
Operating profit/loss/net sales, %	51.9	52.1
Change in EBITDA, %	0.1	6.7
Service revenue of Net Sales, %	13.0	11.9
Interest coverage ratio	4.6	4.3
Equity ratio, %	41.5	39.3
Loan to value, %	58.2	58.8
Return on capital employed (ROCE), %	5.6	6.1
Group company personnel during the period, average	248	239
Gross expenditure on assets, MEUR	221.0	89.0
Net rental yield of investment properties, % ⁵⁾	7.4	7.7
Financial occupancy rate, %	93.4	94.6
Earnings/share ⁷⁾		
Basic, EUR	0.33	0.33
Diluted, EUR	0.33	0.33
Cash flows from operating activities/share, EUR ⁷⁾	0.46	0.52
Equity/share, EUR ⁷⁾	3.95	3.79
Average issue-adjusted number of shares ^{6,7)}		
Basic	130,247,085	121,293,778
Diluted	130,247,085	121,293,778
Issue-adjusted number of shares at the end of period	156,846,091	120,392,306
P/E ratio	8.62	8.79
Dividend/share, EUR ^{7,8)}	0.12	0.15
Dividend payout ratio, %	36.54	44.55
Effective dividend yield	3.83	4.56

OTHER KEY INDICATORS ⁷⁾

Market value of shares, EUR million, Dec 31	497.02	397.29
Share turnover, shares	49,747,491	32,859,940
Share turnover out of average number of shares, %	38.19	31.13
Share prices, EUR		
Highest price	3.46	4.04
Lowest price	2.92	2.97
Average price	3.18	3.36
Price, Dec 31	3.13	3.25

- 5) The figure does not include properties commissioned and acquired during the fiscal year.
- 6) Own shares held by the company (1,947,571 shares) are excluded from the number of shares.
- 7) Share related indicators have been adjusted for the rights issue in fall 2016.
- 8) Proposal for distribution of dividends.

CHANGE IN VALUE OF INVESTMENT PROPERTIES

Currency unit: EUR million	10-12/ 2016	10-12/ 2015	1-12/ 2016	1-12/ 2015
Change in fair value, Finland	2.2	10.5	7.5	7.5
Change in fair value, Baltic Rim	-0.3	-1.8	1.3	7.3
Change in fair value, Scandinavia	1.9	2.9	2.1	4.8
Change in fair value	3.8	11.6	10.9	19.6
Changes in acquisition costs of investment properties in financial year	-7.3	-9.9	-19.0	-29.8
Changes in fair value of projects in progress	2.9	5.1	8.3	11.5
Effect on profit of change in value of investment properties	-0.5	6.7	0.2	1.3

CONTINGENT LIABILITIES

Currency unit: EUR million	Dec 31, 2016	Dec 31, 2015
Pledges and guarantees on own debt		
Mortgages of properties	1,009.9	956.1
Pledged securities and investment properties	712.9	712.1
Pledges for land lease payments	3.6	3.6
Other guarantee liabilities	152.5	97.2
Leasing liabilities, land	64.3	64.1
Leasing liabilities, machinery and equipment	5.1	4.6
Project liabilities	0.0	0.2
Interest rate and currency swaps		
Nominal values	639.2	546.5
Fair values	-19.6	-15.3

BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES

December 31, 2016

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
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	-0.2				-0.2	-0.2
Total	-0.2	1.5			1.2	1.2
Current assets						
Trade and other receivables						
Sales receivables	4.8				4.8	4.8
Other current receivables	7.0				7.0	7.0
Cash and cash equivalents	128.0				128.0	128.0
	0					
Derivatives						
Interest rate swaps (level 2)					0.0	0.0
					0.0	0.0
Total	139.8				139.8	139.8
Non-current liabilities						
Financial liabilities recognized at amortized cost						
Non-current finance lease liabilities (level 2)			30.0		30.0	30.1
Non-current interest-bearing liabilities (level 2)			795.8		795.8	778.3
Non-current non-interest-bearing liabilities (level 2)			2.6		2.6	2.6
Other non-current liabilities			38.1		38.1	38.1
Total			866.6		866.6	849.1
Current liabilities						
Financial liabilities at fair value through profit or loss						
Derivatives						
Interest rate swaps, meeting the criteria for hedge accounting (level 2)				19.6	19.6	19.6
Financial liabilities recognized at amortized cost						
Current finance lease liabilities			3.4		3.4	3.4
Other current interest-bearing liabilities			130.6		130.6	130.6
Trade and other payables			45.1		45.1	45.1
Purchase price liabilities			7.0		7.0	7.0
Total			186.1	19.6	205.7	205.7

VALUE ADDED TAX (VAT) ADJUSTMENT LIABILITY ON PROPERTY INVESTMENTS

Year	2008-2010	2011	2012	2013	2014	2015	2016	Total
property investment expense (net)	165.5	25.4	80.6	44.9	20.9	36.2	45.1	418.6
VAT on property investment	36.5	5.7	18.5	10.6	5.0	8.7	10.8	95.8
Annual share of VAT on investment	3.6	0.6	1.9	1.1	0.5	0.9	1.1	9.6
VAT deducted	34.9	5.7	18.3	10.3	4.9	8.6	10.3	93.0
Annual share of the VAT deducted	3.5	0.6	1.8	1.0	0.5	0.9	1.0	9.3
Number of years remaining in the adjustment period	1-3	4	5	6	7	8	9	
Refundable amount of deduction 12/31/2016	6.4	2.3	9.1	6.2	3.4	6.9	9.3	43.5
VAT adjustment liability 12/31/2016								43.5
VAT adjustment liability 12/31/2015								46.6
Change								-3.1

ALTERNATIVE PERFORMANCE MEASURES USED IN TECHNOLIS 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' 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) Rental income from Group-owned properties - Direct expenses from Group-owned properties <hr/> Fair value of completed investment properties that have been Group-owned for the whole fiscal year on reporting date	Net asset value/share (EPRA) Equity to parent company shareholders - Hedging reserve + Deferred taxes from investment properties - Equity related bond <hr/> Issue-adjusted number of shares outstanding on reporting date
100 x	Return on capital employed (ROCE) % EBIT - fair value changes <hr/> Total assets – non-interest-bearing debt for year, average	

RECONCILIATIONS

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

Net sales on a constant currency basis

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

	10-12/ 2016	10-12/ 2015	1-12/ 2016	1-12/ 2015
Net sales	44.8	41.7	172.1	170.6
Items affecting comparability (currency impact)	-0.2	0.8	1.5	4.0
Net sales on a constant currency basis	44.6	42.5	173.6	174.6

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.

	10-12/	10-12/	1-12/	1-12/

	2016	2015	2016	2015
EBITDA	22.4	20.1	93.1	93.0
Items affecting comparability (currency impact)	-0.1	0.6	1.0	2.8
EBITDA on a constant currency basis	22.2	20.7	94.1	95.8

EBITDA by business area

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

	10-12/ 2016	10-12/ 2015	1-12/ 2016	1-12/ 2015
EBITDA				
EBITDA from rental operations	24.1	22.4	98.9	99.6
EBITDA from services	0.9	0.1	2.1	0.8
Items affecting comparability in EBITDA	-2.7	-2.4	-8.0	-7.4
EBITDA, total	22.4	20.1	93.1	93.0

Net rental yield % (EPRA)

	Dec 31, 2016	Dec 31, 2015
Rent income	149.6	150.3
Items affecting comparability in rent income	-8.6	-8.3
Rent income used in net rental yield calculation	141.0	142.0
Premises expenses	-39.5	-38.9
Items affecting comparability in premises expenses	-1.3	-1.4
Premises expenses used in net rental yield calculation	-40.9	-40.3
Fair value of completed investment properties	1,624.2	1,426.0
Building rights	-70.3	-41.4
Other items affecting comparability	-194.9	-69.7
Fair value of investment properties used in net rental yield calculation	1,358.9	1,314.9

Net asset value/share (EPRA)

	Dec 31, 2016	Dec 31, 2015
Equity to parent company shareholders	693.0	531.0
Items affecting comparability:		
- Hedging reserve	-13.0	-9.4
+ Deferred taxes from investment properties	32.8	26.0
- Equity related bond	74.2	74.2
Net asset value	664.5	492.3