Technopolis Plc

Full Year Financial Report 2018

February 27, 2019

TECHNOPOLIS
more than squares

AN EVENTFUL 2018

Full Year 2018

IFRS

- Net sales were EUR 177.4 (179.7) million, down 1.3% y-o-y
- Earnings per share were EUR 0.39 (0.46), down 16.0%
- Equity per share was EUR 4.15 (4.06), up 2.2% y-o-y

Alternative Performance Measures

- EPRA NAV per share EUR 4.74 (4.58), up 3.5% y-o-y
- Financial occupancy rate was 95.8% (96.1%)
- EBITDA was EUR 88.0 (97.1) million, down 9.4% y-o-y
- EPRA earnings EUR 50.8 (60.6) million, down 16.3% y-o-y
- EPRA earnings per share were EUR 0.32 (0.39)
- Fair value of investment properties at the end of the period was EUR 1,606.4 million (1,537.9)

Q4/2018

IFRS

- Net sales EUR 46.0 (45.5) million

Alternative Performance Measures

- EBITDA was EUR 16.9 (22.7) million, down 25.6%, y-o-y
- EPRA earnings EUR 7.9 (14.5) million, down 45.5% y-o-y
- EPRA earnings per share were EUR 0.05 (0.09), down 44.5% y-o-y

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

KEY INDICATORS

		Q4/ 2018	Q4/ 2017	Change %	2018	2017	Change %
IFRS							
Net sales	EURm	46.0	45.5	0.9	177.4	179.7	-1.3
Equity ratio	%	-	-	-	40.8	44.8	-
Alternative Performance Measures							
EBITDA	EURm	16.9	22.7	-25.6	88.0	97.1	-9.4
EPRA earnings	EURm	7.9	14.5	-45.5	50.8	60.6	-16.3
Loan-to-value (LTV)	%	-	-	-	53.3	50.1	-
EPRA Return on equity (rolling 12m)	%	-	-	-	7.7	9.1	-
EPRA earnings / share	EUR	0.05	0.09	-44.5	0.32	0.39	-16.3
EPRA NAV / share	EUR	-	-	-	4.74	4.58	3.5
EPRA NNNAV / share	EUR	-	-	-	4.13	4.05	1.8
Financial occupancy rate	%	-	-	-	95.8	96.1	-
EPRA net rental yield	%	-	-	-	7.2	7.2	-

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

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

On November 5, the offeror announced it had commenced redemption proceedings in respect of the remaining shares in Technopolis. On December 31, 2018, Kildare held 97.38% of all issued and outstanding shares and voting rights.

After the review period on February 6, 2019, Technopolis' Board of Directors resolved to apply for termination of trading and the delisting of the company's shares from the official list of Nasdaq Helsinki.

FROM THE CEO

"The most significant event of 2018 was the announcement and subsequent completion of the acquisition of Technopolis by Kildare Nordic Acquisitions S.à.r.l. It's been a long, intensive process. Both the Kildare and Technopolis teams have worked extremely hard, and as a result we came to a satisfactory conclusion for all parties concerned. The integration process itself has proceeded in accordance with plans thanks in part to the fact that the teams have grown accustomed to working together.

Operationally, I am satisfied with our 2018 performance. 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, we had healthy growth. Group net sales decreased by 1.3% year-on-year, but our like-for-like sales grew 3.1%. The main driver was strong occupancy and robust service growth. Our financial occupancy rate (FOCR) at the end of the year was 95.8% (96.1%). In the Helsinki Metropolitan Area, FOCR declined year-on-year, mainly due to the relatively low occupancy rate of the newly opened Ruoholahti 3 building in Helsinki. However, occupancy improved from the previous quarter. The biggest year-on-year improvements in occupancy were in Oulu and Kuopio in Finland.

At the year-end, we had eight organic growth projects in progress. In the fourth quarter, we initiated two large ones with an aggregate value of EUR 146 million: one in Espoo, Finland and one in Vilnius, Lithuania. The approval of these two projects demonstrates the willingness of our new owner to make robust investments in Technopolis' future growth. The cumulative value of all projects in progress amounts to EUR 294 million. All of our organic growth projects are strongly accretive, support internal customer growth, and yield scale-based campus efficiencies.

Services are emerging as an increasingly important and steadily growing part of our business. In 2018, service income reached EUR 28.7 million (13.1% y-o-y growth), and represented 16.2% of the Group net sales. In the fourth quarter, the share was 17.7%. The profitability of services was significantly impacted by UMA network ramp-up costs, especially in the second half of the year. The EBITDA margin for services in 2018 was 7.2% (10.5%) for the full year. The costs related to UMA-ramp-up amounted to EUR 3.2 million. Excluding those, the service EBITDA margin was 16.7%, in 2018.

Group EBITDA for the year was 9.4% lower than a year earlier, at EUR 88.0 (97.1) million, mainly due to significant costs related to the public tender offer, the Jyväskylä divestiture and UMA network ramp-up costs. Like-for-like EBITDA growth was 3.6%.

Yield compression was the primary driver behind positive fair value changes, which brought EUR 21.4 (28.3) million for the year, and were a significant contributor at the operating profit level.

We now have five stand-alone UMA coworking spaces in operation, two in Helsinki, one in Stockholm, one in Copenhagen and one in Oslo. Five more are set to open in the Nordic and Baltic countries in 2019 and one in Espoo, Finland in early 2020. We are particularly excited about the opening in Warsaw, Poland this year, as it also represents entry into a new market for Technopolis.

Finally it is worth noting that Technopolis has initiated refinancing negotiations to replace its current funding. We believe those will lead to a positive outcome and funding will be secured."

BOARD OF DIRECTORS' PROPOSAL FOR DIVIDEND DISTRIBUTION

At the end of the period, the parent company's distributable funds totaled EUR 32.1 million.

The Board proposes that no dividend be distributed for the financial year 2018. The proposal is due to the ongoing redemption and delisting proceedings.

NEAR-TERM OUTLOOK

OECD estimates GDPs to grow 1.5–3.5% in all Technopolis market areas in 2019. Although economic growth is slowing down in Finland, too, and uncertainty regarding worldwide economic development has grown recently, persistently low interest rates still support the property investment market. According to market estimates, the yield requirements are expected to remain stable in all Technopolis markets, and to further decline in Oslo.

Taking into consideration the Technopolis brand, high customer satisfaction and strong financial position, the company's management does not foresee any major changes in Technopolis' market position or financial development in 2019, but estimates the steady growth and good operational performance to continue.

FINANCIAL PERFORMANCE

		Q4/ 2018	Q4/ 2017	Change %	2018	2017	Change %
Net sales, Group	EURm	46.0	45.5	0.9	177.4	179.7	-1.3
Property income	EURm	37.8	38.6	-2.0	148.6	154.3	-3.7
share of net sales	*%*	*82.3*	*84.7*	-	*83.8*	*85.9*	-
Service income	EURm	8.1	7.0	16.9	28.7	25.4	13.1
share of net sales	*%*	*17.7*	*15.3*	-	*16.2*	*14.1*	-
EBITDA, Group	EURm	16.9	22.7	-25.6	88.0	97.1	-9.4
EBITDA margin	*%*	*36.8*	*49.9*	-	*49.6*	*54.0*	-
EBITDA, property	EURm	24.9	25.1	-0.6	101.9	102.7	-0.8
EBITDA margin	*%*	*65.9*	*65.0*	-	*68.5*	*66.5*	-
EBITDA, services	EURm	0.5	0.6	-18.4	2.1	2.7	-21.8
EBITDA margin	*%*	*5.6*	*8.1*	-	*7.2*	*10.5*	-
Operating profit, Group	EURm	18.9	33.6	-43.8	105.5	121.4	-13.1
Operating profit margin	*%*	*41.0*	*73.7*	-	*59.5*	*67.5*	-
Net result	EURm	11.2	23.9	-53.1	70.2	85.2	-17.7
EPS	EUR	0.06	0.13	-56.7	0.39	0.46	-16.0

Note: Group EBITDA includes Group-level expenses as indicated in the table on page 38.

Net Sales and Income

Full Year 2018

The Group net sales in 2018 was EUR 177.4 (179.7) million, down 1.3% from 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 2.2 (+0.9) million mainly due to weakening of the Russian ruble, as well as the Norwegian krone and Swedish krona. On a constant currency basis net sales were flat, year-on-year.

Property income amounted to EUR 148.6 (154.3) million, down 3.7% compared to full year 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 was 95.8% (96.1%). The largest increases in occupancy were in Oulu and Kuopio, in Finland. The slight decrease in financial occupancy, however, was mainly due to a 5.9 percentage points year-on-year decline in Helsinki Metropolitan Area (HMA) due to completion of Ruoholahti 3 building, in the third quarter.

Service income continued its positive trend, increasing by 13.1% year-on-year and amounting to EUR 28.7 (25.4) million for the year. The share of service income in Group net sales, service penetration, was 16.2% (14.1%). Service income increased in all business units compared to the previous year. The largest absolute and relative growth was seen in the Kuopio business unit, in Finland, in the Vilnius business unit in Lithuania, and in the Tallinn business unit in Estonia. Service penetration was highest in the HMA and Tampere business units in Finland.

Q4/2018

The Group's net sales in the fourth quarter were EUR 46.0 (45.5) million. On a constant currency basis, net sales were up 3.9%.

Property income in the fourth quarter was EUR 37.8 (38.6) million, down 2.0% year-on-year. Service income grew 16.9% year-on-year and was EUR 8.1 (7.0) million.

Property income and service income comprised 82.3% (84.7%) and 17.7% (15.3%), respectively, of the Group's fourth quarter net sales.

Profitability

Full Year 2018

Premises expenses in 2018 declined 1.8% year-on-year and were EUR 38.7 (39.4) million. The Group's administrative costs totaled EUR 21.1 (14.7) million. The increase was largely due to costs related to the public tender offer.

Other operating expenses increased 6.7% from the previous year and were EUR 30.5 (28.5) million. The increase was in line with the growing service income and UMA ramp-up related costs.

The Group's EBITDA for the full year 2018 totaled EUR 88.0 (97.1) million, down 9.4% year-on-year. The reasons for the decline were costs related to the public tender offer, the divestiture of Jyväskylä operations in November 2017 as well as UMA ramp-up costs. The EBITDA margin was 49.6% (54.0%). Changes in foreign currency exchange rates decreased EBITDA by EUR 1.4 (increased 0.7) million mainly through the weakening of the Russian ruble against the euro. On a constant currency basis, EBITDA declined 7.9% and the EBITDA margin was 49.8%.

Property EBITDA in 2018 amounted to EUR 101.9 (102.7) million. The property EBITDA margin improved from the comparison period and was 68.5% (66.5%). The margin improvement was mainly due to the divestiture of the Jyväskylä operations.

Service EBITDA was down 21.8% and was EUR 2.1 (2.7) million. The decline was mainly due to ramp-up costs related to the UMA coworking network, which amounted to approximately EUR 3.2 million in January–December. The EBITDA margin for services declined year-on-year and was 7.2% (10.5%). Excluding UMA, the EBITDA margin was 16.7%.

In addition to property and service EBITDAs, Group EBITDA includes Group-level expenses as indicated in the table on page 38.

At the end of the year, the fair value of Technopolis' investment properties was EUR 1,606.4 (1,537.9) million. The fair value changes totaled EUR 21.4 (28.3) million. The biggest positive impact came from changes in yield requirements.

Fair value changes in 2018:

EURm	Yield requirement	Occupancy assumption	Moderniz-ation	Other changes	Projects in progress	Total
Finland	13.2	1.4	-6.7	-3.7	4.1	**8.3**
Baltic Rim	4.3	-1.1	-4.0	8.7	2.7	**10.5**
Scandinavia	7.5	0.3	-1.9	-3.3	0.0	**2.6**
TOTAL	**25.0**	**0.6**	**-12.7**	**1.7**	**6.7**	**21.4**

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

Operating profit was EUR 105.5 (121.4) million, down 13.1% year-on-year. Net financial expenses including unrealized exchange rate profits and losses were EUR 23.1 (22.4) million.

Pre-tax profit was EUR 82.2 (99.0) million. Taxes decreased to EUR 12.1 (13.8) million mainly due to lower current taxes. Current taxes were EUR 3.1 (4.5) million. The net result for the period declined by 17.7% to EUR 70.2 (85.2) million. EPS was EUR 0.39 (0.46).

EPRA (European Public Real Estate Association) earnings in 2018 declined by 16.3% year-on-year and amounted to EUR 50.8 (60.6) million. The decrease resulted from costs related to the public tender offer, the divestiture of the Jyväskylä operations in November 2017 and UMA ramp-up costs. EPRA earnings per share for the full year 2018 amounted to EUR 0.32 (0.39). 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.

Q4/2018

Premises expenses in the fourth quarter were EUR 10.1 (10.1) million. Administrative costs were EUR 10.6 (4.9) million. The increase was largely due to the costs related to the public tender offer. Other operating expenses were EUR 8.5 (7.9) million, that grew due to increased activity in services business and ramping up the UMA coworking network.

Group EBITDA in the fourth quarter was EUR 16.9 (22.7) million, down 25.6% year-on-year. The EBITDA margin was 36.8% (49.9%). On a constant currency basis, the Group EBITDA decreased 22.9% and the EBITDA margin was 37.1%.

Property EBITDA in the fourth quarter was EUR 24.9 (25.1) million, representing a margin of 65.9% (65.0%). The margin improvement was mainly due to the divestiture of the Jyväskylä operations. Service EBITDA was EUR 0.5 (0.6) million, translating into an EBITDA margin of 5.6% (8.1%). Service EBITDA included approximately EUR 1.0 million of expenses related to the ramp-up of the UMA coworking network. Excluding UMA, the service EBITDA margin was 15.9%, in the fourth quarter.

Group EBITDA comprises Group-level expenses as indicated in the table on page 38.

Operating profit in the fourth quarter declined to EUR 18.9 (33.6) million, down 43.8% for the previous year. The decline was mainly due to lower EBITDA.

Pre-tax profits declined to EUR 11.1 (28.9) million. Taxes were EUR 0.1 (5.0) million. Deferred taxes were EUR 0.3 (1.2) million. Current taxes were at EUR 0.4 positive (-3.8) million because of a lower than estimated net result due to increased administrative costs related to public tender offer. The net result for the period declined by 53.1% to EUR 11.2 (23.9) million. EPS in the fourth quarter was EUR 0.06 (0.13).

EPRA earnings in 2018 amounted to EUR 7.9 (14.5), down 45.5% year-on-year. EPRA earnings per share were EUR 0.05 (0.09).

BALANCE SHEET, FINANCING AND CASH FLOW

Balance Sheet and Financing

		31 Dec'18	31 Dec'17	Change, %
Balance sheet total	EURm	1,752.8	1,719.8	1.9
Interest-bearing debt	EURm	892.8	805.0	10.9
Cash and equivalents	EURm	23.8	71.8	-66.9
Average loan maturity	yrs	0.8	4.5	-82.2
Loan-to-value (LTV)	%	53.3	50.1	-
Equity ratio	%	40.8	44.8	-
Solvency ratio	%	49.6	42.6	-
Secured solvency ratio	%	35.1	35.3	-
Unencumbered asset ratio	%	21.0	6.6	-
Interest coverage	multiple	3.9	4.3	-9.2

The Group's balance sheet total on December 31, 2018 was EUR 1,752.8 (1,719.8) million, with liabilities accounting for EUR 1,042.6 (954.9) million.

The Group's equity attributable to the parent company shareholders was EUR 650.8 (711.2) million. 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 4.15 (4.06) and the equity ratio was 40.8% (44.8%). The loan-to-value ratio (LTV) was 53.3% (50.1%). At the end of the period, the Group's interest coverage ratio was 3.9 (4.3).

On December 7, 2018, Technopolis released a notice in respect of the EUR 150 million senior unsecured fixed rate notes due in 2020. Pursuant to the terms and conditions of the notes a "change of control" event had occurred on October 16. As a result of the event, noteholders were able to require the repurchase of the notes they held. The deadline for noteholders to require the repurchase was November 16. By the deadline, Technopolis received valid notices concerning the repurchase of 11,182 notes representing an aggregate nominal principal amount of EUR 11.182 million, which represents approximately 7.5 % of the aggregate nominal principal amount of all the notes.

On October 12, 2018, Technopolis announced it had agreed on a six-month stand-still period with respect to its existing financing arrangements. Technopolis received consent and waivers from all its financiers for the duration of this period, with respect to any rights the relevant lenders may have in a "change of control" event taking place upon the completion of Kildare Nordic Acquisitions S.à.r.l's tender offer. The received consent and waivers impose certain restrictions on, among others, dividend declarations and distributions as well as redemptions or repurchases of any of Technopolis share capital, during the stand-still period.

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

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

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.

At the year-end 2018, Technopolis had EUR 200.0 (70.0) million in unused committed credit facilities and a EUR 25.0 (25.1) million short-term credit limit of which EUR 8.9 (0.0) million was withdrawn at the end of December.

In addition, the company has a EUR 150.0 (150.0) million commercial paper program, of which EUR 89.5 (10.0) million was outstanding at the end of the period. Cash and cash equivalents were EUR 23.8 (71.8) million.

On 31 December 2018, the Group's interest-bearing liabilities amounted to EUR 892.8 (805.0) million. Long-term interest bearing-liabilities were EUR 245.6 (620.5) million and short-term interest-bearing liabilities were EUR 647.2 (184.5) million. The change from long-term to short term classification of interest-bearing liabilities relates to the "change of control" event in the majority of Technopolis' financing agreements and the consequent agreed stand-still period of six months. Technopolis has initiated refinancing negotiations to replace its current funding. The management believes that the negotiations will lead to a positive outcome and funding will be secured.

Interest-bearing liabilities were composed of EUR 619.1 (602.3) million in bank loans, EUR 150.0 (150.0) million in unsecured senior bond and EUR 89.5 (10.0) million in commercial papers, EUR 7.2 (7.8) million in financial leases, and EUR 27.3 (34.9) in other liabilities. Of the interest-bearing liabilities EUR 614.5 (607.2) million was secured and EUR 278.3 (197.8) million was unsecured.

Unencumbered assets totaled EUR 368.8 (113.5) million, which translates into an unencumbered asset ratio of 21.0% (6.6%). The solvency ratio at the end of December was 49.6% (42.6%) and the secured solvency ratio was 35.1% (35.3%).

The average interest rate on interest-bearing liabilities was 2.19% (2.60%).

Financial Expenses

		Q4/ 2018	Q4/ 2017	Change %	2018	2017	Change %
Financial expenses	EURm	-7.1	-6.1	16.8	-24.5	-24.4	0.1
Financial income	EURm	-0.6	1.4	-144.6	1.4	2.1	-32.5
Net financial expenses	EURm	-7.7	-4.7	64.6	-23.1	-22.4	3.1
Average interest rate*	%	-	-	-	2.19	2.60	-

* Excluding hybrid loan.

Net financial expenses in the fourth quarter were EUR 3.0 million higher than in the corresponding period a year earlier. The majority of the increase was due to costs related to the receipt of consents and waivers with respect to the company's existing financing agreements. For the full year, there was no significant change in net financial expenses.

Financial Risk Management

On December 31, the Group's interest-bearing liabilities amounted to EUR 892.8 (805.0) million. The average capital-weighted loan maturity was 0.8 (4.5). The change in average loan maturity relates to the "change of control" event in the majority of Technopolis' financing agreements and the consequent agreed stand-still period of six months. Technopolis has initiated refinancing negotiations to replace its current funding. The management believes that the negotiations will lead to a positive outcome and funding will be secured.

A total of 41.6% (69.0%) of the Group's interest-bearing liabilities were either interest rate hedged or fixed-rate loans. The Group's interest fixing period was 3.8 (4.6) years, including forward starting hedges in 2019–2021. A one-percentage-point increase in market rates would cause a EUR 2.0 (2.5) million increase in interest costs per annum.

The Group is exposed to foreign exchange rate fluctuations in the Norwegian krone, the Russian ruble, the Swedish krona, and the Danish krone. The direct impact of changes in exchange rates on the Group's operating profit, balance sheet, and equity ratio of the most significant currency exposures as of December 31, 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	-5.9	-5.9	40.6%
RUB +10	0.0	7.2	7.2	41.0%
NOK -10	-2.1	-7.8	-9.9	40.4%
NOK +10	2.6	9.5	12.1	41.2%
SEK -10	0.0	-4.7	-4.7	40.6%
SEK +10	0.0	5.8	5.8	41.0%

At the end of the review period, the Russian subsidiary had equity of RUB 5.2 billion, the Norwegian subsidiaries' equity totalled NOK 854.8 million, and the Swedish subsidiaries' equity was SEK 531.4 million.

The sensitivity of changes in exchange rates in the Group's net sales and EBITDA of the most significant currency exposures as of December 31, 2018 are presented below:

Foreign currency % change against the Euro	Effect on Net sales, EURm	Effect on EBITDA, EURm
RUB -10	-0.8	-0.6
RUB +10	1.0	0.7
NOK -10	-1.7	-1.0
NOK +10	2.0	1.2
SEK -10	-0.7	-0.4
SEK +10	0.8	0.5

Capital Expenditure and Cash Flow

CAPEX, EUR million	Q4/ 2018	Q4/ 2017	Change %	2018	2017	Change %
Acquisition of properties	0.0	12.6	nm	2.3	18.4	-87.5
Organic growth projects	20.5	22.1	-7.3	56.1	61.7	-9.2
Modernizations	4.0	0.2	nm	12.3	8.5	44.9
Other investments	1.2	0.4	174.3	3.9	1.5	167.9
Total CAPEX incl. acquisitions	25.8	35.4	-27.3	74.7	90.1	-17.2
CAPEX by segment:						
Finland	21.3	9.3	129.9	59.0	29.8	98.3
Baltic Rim	3.5	15.1	-76.9	12.6	47.8	-73.7
Scandinavia	0.9	11.0	-91.5	3.0	12.5	-75.9
Total CAPEX incl. acquisitions	25.8	35.4	-27.3	74.7	90.1	-17.2
Divestitures	0.0	85.6	nm	1.2	87.7	-98.6

In 2018, cash flow from operations was EUR 46.2 (74.4) million. Cash flow from investments was EUR -62.6 (15.4) million, of which investments in investment properties were EUR -59.9 (73.7) million. Financing cash flow was EUR -30.0 (-146.4) million. Cash and cash equivalents on December 31, 2018 were EUR 23.8 (71.8) million. The net change in cash in 2018 was EUR -46.5 (-56.7) million.

PROPERTY PORTFOLIO, LEASING, OCCUPANCY AND CUSTOMER BASE

Property Portfolio

At the end of December, the fair value of Technopolis' investment properties was EUR 1,606.4 (1,537.9) million. Technopolis had a total rentable area of 719,200 (701,900) m², of which 7,100 (14,200) m² were under renovation. The increase in both the fair value and rentable area were due to new buildings being completed in Helsinki, Tallinn and Vilnius. Nearly all properties are office properties. In addition, 97,400 (38,900) m² were under construction at the end of the period. Technopolis holds over 310,000 m² of further building rights, of which nearly 45% are located in Finland, over 40% in the Baltic Rim, and over 10% in Scandinavia. Acquisition and divestitures as well as organic development projects in progress are described in more detail in the section "Group Strategy and Financial Targets".

Leasing, Occupancy and Customer Base

On December 31, Technopolis had a total of approximately 1,600 customers. The ten largest customers let approximately 21.3% (22.8%) of rented space and the single largest customer had 4.3% (4.4%). In January–December, the ten largest customers accounted for 20.5% (20.8%) of rental income and the single largest customer 5.3% (4.6%).

The financial occupancy rate at the end of the period was 95.8% (96.1%) and the technical occupancy rate was 95.2% (95.2%).

At the end of December, Technopolis had a total of over 2,700 (over 2,800) existing rental agreements. During the year, the Company agreed on 371 (427) new contracts (including extended or renewed contracts) covering a rentable area of 66,000 (114,300) m². During the same time period, 320 (309) contracts ended, covering a rentable area of 47,700 (45,400) m².

Lease stock, % of space Maturity, years	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 30, 2018	Dec 31, 2017
< 1	16	17	15	18	15
1–3	31	28	30	29	28
3–5	10	10	10	13	12
> 5	14	15	18	17	17
Open-ended leases	28	31	27	24	26
Average lease term in months	32	31	34	34	34
Lease stock, EUR million	357.8	352.9	358.9	360.7	372.0

The current lease structure allows customers to flexibly adjust the size of their premises as their business needs change. It is an essential element of the Technopolis concept. The company has solid, long-term experience and competence in this business model and in practice, the customer relationships have lasted much longer than the current average lease term.

Credit losses in Technopolis are negligible. In 2018, recognized credit losses totaled EUR 0.08 (0.07) million.

BUSINESS SEGMENTS

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

Finland

The Finland segment comprises the Helsinki Metropolitan Area (HMA), Kuopio, Oulu and Tampere business units, as well as two UMA coworking spaces 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	Q4/ 2018	Q4/ 2017	Change %	2018	2017	Change %
Net sales, EURm	28.5	29.6	-3.5	110.9	117.7	-5.7
Property income, EURm	22.7	24.1	-5.7	89.5	97.5	-8.2
Service income, EURm	5.8	5.5	6.4	21.4	20.2	6.3
EBITDA, EURm	9.9	14.0	-29.8	52.3	61.5	-14.9
EBITDA margin, %	*34.6*	*47.5*	-	*47.2*	*52.3*	-
Fair value of investment properties*, EURm	-	-	-	924.9	890.9	3.8
Number of campuses*	-	-	-	12	12	-
Rentable area*, m²	-	-	-	425,000	425,000	0.0
Average rent*, EUR/m²/month	-	-	-	17.5	17.7	-1.2
Financial occupancy rate*, %	-	-	-	94.0	94.5	-
Market yield requirement, average*, %	-	-	-	7.2	7.3	-

* At the end of the period.

Note: 12/18: 6,100 m² under renovation, 12/17: 4,500 m² under renovation.

Property income decreased, mainly due to the divestiture of Jyväskylä, in the fall of 2017. Average rent decreased 1.2% year-on-year, and was EUR 17.5 (17.7) per m² per month. Similarly, the financial occupancy rate (FOCR) decreased by 0.5 percentage points mainly due to Ruoholahti 3 relatively low occupancy rate in Helsinki, whereas fair value of investment properties increased mainly due to completion of the same building. Service income grew 6.3% year-on-year and reached EUR 21.4 (20.2) million. EBITDA decreased due to both, as well as the Jyväskylä divestiture and Group administrative cost allocations in the fourth quarter.

Baltic Rim

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

Baltic Rim	Q4/ 2018	Q4/ 2017	Change %	2018	2017	Change %
Net sales, EURm	10.7	9.4	13.9	40.5	36.0	12.4
Property income, EURm	9.1	8.5	7.7	35.3	32.5	8.6
Service income, EURm	1.6	1.0	69.4	5.2	3.6	46.4
EBITDA, EURm	4.9	5.4	-9.6	23.5	21.5	9.7
EBITDA margin, %	*46.0*	*57.9*	-	*58.1*	*59.6*	-
Fair value of investment properties*, EURm	-	-	-	360.1	325.2	10.7
Number of campuses*	-	-	-	3	3	-
Rentable area*, m²	-	-	-	192,300	176,000	9.3
Average rent*, EUR/m²/month	-	-	-	15.5	15.7	-1.3
Financial occupancy rate*, %	-	-	-	99.4	99.7	-
Market yield requirement, average*, %	-	-	-	7.9	8.1	-

* At the end of the period.

Note: 12/18: 200 m² under renovation, 12/17: 8,400 m² under renovation.

Rentable area, net sales, EBITDA and fair values of investment properties in 2018 increased year-on-year, mainly due to the completion of new buildings in Vilnius, Lithuania and Tallinn, Estonia. The depreciating Russian ruble had a negative impact of EUR -1.2 (+1.1) million on net sales and EUR -0.8 (+0.8) million on EBITDA compared to the previous year. Occupancy remained at very high levels. In constant currencies, the average rent increased 3.5%.

Fourth quarter EBITDA decreased year-on-year due to Group administrative cost allocations.

Scandinavia

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

Scandinavia	**Q4/ 2018**	**Q4/ 2017**	**Change %**	**2018**	**2017**	**Change %**
Net sales, EURm	6.7	6.6	2.3	25.9	26.0	-0.4
Property income, EURm	6.0	6.0	-0.3	23.9	24.4	-2.0
Service income, EURm	0.7	0.6	30.1	2.0	1.6	24.3
EBITDA, EURm	2.1	3.1	-32.9	12.1	14.1	-14.1
EBITDA margin, %	*31.5*	*47.9*	-	*46.9*	*54.4*	-
Fair value of investment properties*, EURm	-	-	-	321.3	321.9	-0.2
Number of campuses*	-	-	-	2	2	-
Rentable area*, m²	-	-	-	101,700	100,900	0.8
Average rent*, EUR/m²/month	-	-	-	19.5	19.5	-0.3
Financial occupancy rate*, %	-	-	-	97.3	97.5	-
Market yield requirement, average*, %	-	-	-	5.2	5.3	-

* At the end of the period.

Note: 12/18: 800 m² under renovation, 12/17: 1,300 m² under renovation.

Net sales in 2018, was basically flat, year-on-year. The depreciating Norwegian krone and Swedish krona had a negative impact of EUR 1.0 (-0.2) million on net sales and EUR -0.6 (-0.1) million on EBITDA compared to year 2017. Profitability was burdened by the ramp-up cost related to UMA Kungsbron (Stockholm), UMA Vestergade (Copenhagen) and UMA Oslo City.

Fourth quarter EBITDA decreased year-on-year due to Group administrative cost allocations.

The average rent in euros remained at the previous year's level at EUR 19.5 (19.5) per m², for the full year. In constant currencies, the average rent increased 2.3%.

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

In summer 2017, Technopolis completed a comprehensive review of the Group's strategy, and its strategic and financial targets and announced them on June 2, 2017. The Group management together with the new Board of Directors are currently in the process of reviewing the company's strategy and evaluating whether any changes are called for.

The main elements of the strategy announced in the summer 2017, were:

- 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

In addition to increasing the profitability of the current real estate and service businesses, the company decided to accelerate organic investments.

Organic Expansion

Organic expansion projects in progress, their rentable areas and estimated investments on December 31, 2018, were as follows:

Area	Name	Pre-let rate, %	Rentable area, m²	Total investment, EURm	Stabilized yield, % 1)	Completion
Vantaa	Aviapolis Bldg H	40.8	5,100	15.1	8.0	1/2019
Tampere	City Center	50.5	13,200	46.0	7.5	10/2019
Oulu	City Center II	5.3	8,400	25.0	8.4	3/2020
Tallinn	Sepapaja 1	0.0	10,800	25.0	8.7	5/2020
Kuopio	Microkatu, phase 8	74.0	6,800	12.1	10.4	8/2019
Tampere	City Center, II	0.0	7,300	27.2	7.8	7/2020
Espoo	Innopoli IV, phase 1	100.0	6,400	94.1*	7.1*	Q3/2020
	Innopoli IV, phase 2**	100.0	6,300	-	-	Q3/2022
	Innopoli IV, phase 3**	40.0	6,400	-	-	Q4/2024
Vilnius	Nova	47.0	26,700	51.9	8.4	Q4/2020
TOTAL in progress			97,400	296.4		

1) Stabilized yield = estimated net operating income / cost

*) Comprises all the three phases

**) Project approved by the Board, but construction not yet started

In November, Technopolis announced it will invest a total of EUR 51.9 million in organic expansion in its existing Ozas Campus in Vilnius, Lithuania. A new building will add another 26,700 m² to the campus, bringing the total rentable area to just over 100,000 m² upon completion of the project. Construction started in December 2018, and is scheduled to be completed in the fourth quarter of 2020. The pre-let rate of the new building is 47.0%. The anchor customer is Skandinaviska Enskilda Banken AB Vilnius branch (SEB Global Services).

In November, Technopolis also decided to invest a total of EUR 94.1 million in organic expansion in its existing Otaniemi Campus in Espoo, Finland. The project will consist of three phases to be built in 2018–2024. It will add around 19,000 m² to the rentable area of the Otaniemi campus, bringing the total to nearly 78,700 m² upon completion of the project. Construction of the first phase started in December 2018, and the project it will be completed in the third quarter of 2020. The rentable area of the first phase is around 6,400 m². Technopolis has signed a 10-year lease agreement with an anchor company, VTT Technical Research Centre of Finland Ltd (VTT), for all the work space in the building, and a project agreement regarding the two following phases.

All three phases are about the same size. Construction of the second phase is expected to start in fall 2019 and to be completed in the third quarter of 2022. Construction of the third phase is expected to start in early 2023 and to be completed in the fourth quarter of 2024. In accordance with the project agreement, VTT will rent all of the work space in the second phase and at least 40% of the third one for a period of 10 years. However, there are some general conditions in the agreements between Technopolis and VTT that need to be fulfilled in order for the construction of each phase to start and be completed as currently planned.

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

In August, Technopolis decided to invest EUR 39.3 million in organic expansion in Kuopio and Tampere in Finland. In Kuopio, a total of 6,800 m^2 will be added to the Technopolis' Microkatu Campus. The value of the investment is EUR 12.1 million, and the stabilized yield is estimated at 10.4%. Construction started in September 2018 and will be completed in August 2019. The pre-let rate is 74.0%.

In Tampere, the second phase of the City Center Campus will be built as an extension to the first, the construction of which started in February 2018. The value of the second phase investment is EUR 27.2 million and the estimated stabilized yield is 7.8%. The second phase will add another 7,300 m^2 in rentable area, bringing the total to 20,500 m^2 upon completion of the campus, which will also have a parking facility with 120 parking spaces. Construction work on the second phase started in September, and the building will be completed in July 2020. The pre-let rate of the first phase at the end of the year was 50.5%. The second phase has no signed pre-lets yet, but the prospect pipeline is strong.

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

Expansion and Profitability of the Service Business

Service business growth and profitability improvement are progressing as planned. In 2018, service income grew 13.1% year-on-year and reached EUR 28.7 (25.4) million. Service penetration was 16.2% (14.1%). In the fourth quarter, service penetration was 17.7% (15.3%). 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 34% in the international business units, on average. The fastest-growing service areas in absolute terms in 2018 were workplace solutions & moving services as well as conference services.

Service EBITDA in 2018, was down 21.8% from the previous year at EUR 2.1 (2.7) million, with a margin of 7.2% (10.5%). Service EBITDA was significantly impacted by approximately EUR 3.2 million in costs related to the UMA network ramp-up. Excluding UMA, the service EBITDA-margin reached 16.7%, for the full year.

Development of UMA Coworking Network

At the year-end, there were five UMA work spaces in operation: two in Helsinki and one in each Scandinavian capital - Copenhagen, Oslo and Stockholm.

In December 2018, two new UMAs were opened. One in downtown Oslo in Norway and one in Helsinki. UMA Oslo City was built into a leased 3,000 m^2 space with 42 private offices, over 100 open area workstations and four shared meeting rooms. UMA Teurastamo, the second UMA coworking space in Helsinki, is located in the trendy Kalasatama district and was built into a leased 1,700 m^2 space.

In October, Technopolis announced that UMA Workspace is expanding in the Baltic capitals. New UMAs will open in the city centers of Tallinn, Estonia and Vilnius, Lithuania, in mid-2019. In Tallinn, UMA Maakri will be located in the heart of the central business district. The modern workspace will be built in a carefully restored, historical building. As for Vilnius, UMA will be located on the top floor of a premium shopping center called GO9, in downtown.

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

In March, Technopolis announced its UMA expansion into the Danish market. UMA Vestergade was built into a leased 1,950 m² space with 33 small offices, 60 hot desks and five shared conference rooms, and opened in September.

UMA Kungsbron opened in Stockholm, Sweden in April. The rentable area is around 2,350 m².

OPERATING ENVIRONMENT

Macro Environment

%	Finland	Norway	Sweden	Estonia	Lithuania	Russia
GDP growth forecast						
Y-o-y change '17–18	+2.8	+2.3	+2.5	+3.3	+3.4	+1.6
Y-o-y change '18–19	+1.8	+2.2	+1.9	+3.5	+2.9	+1.5
Y-o-y change '19–20	+1.6	+2.0	+1.9	+2.3	+2.6	+1.8
CPI growth forecast						
Y-o-y change '17–18	+1.1	+2.7	+2.0	+3.1	+2.6	+2.9
Y-o-y change '18–19	+1.3	+2.3	+2.4	+2.9	+2.5	+5.0
Y-o-y change '19–20	+1.7	+2.1	+2.3	+2.8	+2.5	+4.0

Source: OECD, November 2018

Commercial Office Market

Finland

%	HMA	Oulu	Tampere	Kuopio
MARKET				
Office vacancy rate				
CBD	8.4	n/a	n/a	n/a
City average	13.1	8.5	10.8	n/a
Market yield				
CBD	3.8	7.5	6.5	n/a
City, range	3.8-6.6	n/a	n/a	n/a
TECHNOPOLIS				
Office vacancy rate	12.1	5.4	1.8	1.5

Source: Catella

Note: Market information as of 12/18, Technopolis numbers as of 12/18.

For a third consecutive year, property market's transaction volumes in Finland rose to an exceptionally high level. The volume totaled EUR 8.9 billion. This is the second highest volume of all time and ranked second against the EUR 10.0 billion volume in 2017. As in 2017, office properties were the most interesting category for investors, and their share of the total transaction volume was 39 % (42%). In terms of the number of transactions, there were nearly 30% more transactions that took place in 2018 than the year before. Finland continued to interest international investors, and foreign investors' share of the total transaction volume was 65% (73%). There were several new international investors that entered the Finnish market.

Due to high demand, yield requirements have continued to fall. In the Helsinki CBD the yield requirement fell to its all-time-low and is currently at 3.8%. Continuous decline has persisted over five years already. In the Catella time series, the previous mark of a 4% yield is from 1990. The downward trend in vacancy rates in HMA, however, has come to a stop, at least momentarily, and on at a relatively high level at around 13%.

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

Other Markets

%	SWE Gothenburg	NOR Oslo	EST Tallinn	LIT Vilnius	RUS St. Petersburg
MARKET					
Office vacancy rate					
Class A / CBD*	2.3*	6.0	4.5	5.0	3.1
Class B / city average*	6.0!	10.0!	9.0/8.5*	2.8/3.7*	7.2/5.8*
Market yield					
Class A / CBD*	3.85*	3.75*	<7.0	n/a	9.25–11.25**
Class B / city average*	4.5!	5.00!	8.0-9.25	6.25**	n/a
TECHNOPOLIS					
Office vacancy rate	2.2	3.0	0.9	0.0	0.9

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

! Gårda area in Gothenburg and Fornebu area in Oslo.

** Prime retail & office Q4/18.

Note: Market information as of and 9-12/18, Technopolis numbers as of 12/18.

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

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 3.6%. The cumulative transaction volume in Sweden up till end of November 2018 was SEK 131 billion, up by approximately 8% year-on-year. International investors represented 28% (23%) of the total transaction volume. Offices represented 24%. Stockholm dominates geographically and represented 42% of the transaction volume. Gothenburg accounted for 10%. (Source: Catella, Newsec)

High demand in combination with low supply of office space in central Gothenburg has made the market rent increase in more external locations such as Gårda and Lindholmen. The demand from investors on centrally located offices is strong in Gothenburg, but over the last years there have been almost no willing sellers. Furthermore, the office developments have been limited. Today, the pipeline is larger than ever with approximately 1,168,000 m² to be completed between 2019 and 2025. (Source: CBRE)

In Oslo, Norway, there is strong demand for office space, stemming from economic growth, limited new construction and conversion from office to residential. Prime office yields are at 3.6%. It seems like the gap between prime real estate and real estate located on the fringe of the best area is getting smaller. This is partly due to the limited supply of centrally located assets, but also due to the fact that the comparable assets on the fringe are let on attractive lease contracts. The rental level in Fornebu seems to be stable. Vacancy is still an issue due to some companies' exposure to the oil and gas sector. (Source: Catella and Cushman and Wakefield)

The office market in Tallinn is growing. According to the current data, delivery of approximately 70,000 m² was expected in 2018, most of it in the second half of the year. By the end of 2018, the modern office supply will exceed 800,000 m². In the near term, the development volumes are going to continue to grow. The average vacancy rate for modern buildings is 8.5%. In the Class A segment, the vacancy rate is 4.5%. Class B offices had a vacancy rate of 9%. Vacancies in the most sought-after areas and new Class A buildings, however, are still marginal. Newsec forecasts an increase in vacancies during last quarter of 2018 and in first part of 2019, as new deliveries will be significant. The most demanded are office premises below 100 m² and the weakest demand is currently seen for offices sized between 150 and 300 m². Average yields for prime properties have declined and are currently slightly below 7%. (Source: Newsec)

At the year-end 2018, the gross leasable area of modern office stock in Vilnius, Lithuania stood at 635,150 m². It is expected that during 2019–2020, the Vilnius office market will increase by approximately 217,600 m² of modern office space, of which slightly below 60% is estimated to be Class A offices. In Q4/18, the vacancy rate of A and B class buildings reached 5% and 2.8%, respectively. Vacancy in A class offices increased during the year, whereas vacancy in B class buildings kept declining. In Q4/18, average yields for prime retail and office assets in Vilnius stood at 6.25%. (Source: Newsec)

By the end of Q4/2018, the volume of quality office stock in St. Petersburg, Russia, stood at 3.37 million m², of which Class A premises represented 33%. Leasing activity in 2018 was not really high due to the absence of available large office blocks. The average vacancy rate in St. Petersburg at the end of December was 3.1% in Class A offices and 7.2% in Class B offices. Rental rates in rubles in Q4/18, compared to Q3, increased by 1.9% in the Class A segment and 1.6% in Class B offices. 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 company's corporate sustainability targets which were renewed in 2017, include reductions in consumption and emissions from the base year 2016 to 2025. Developments are reviewed quarterly.

In 2018, Technopolis 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 addition, Technopolis received the full five stars and was awarded the prestigious Green Star status from the GRESB (Global Real Estate Sustainability Benchmark) 2018 -survey. Compared to the previous year, Technopolis improved both its score and ranking, and was rated the third best company in its European peer group. Technopolis also received the EPRA gold sBPR award for open and transparent data disclosure in its sustainability reporting.

During 2018, Technopolis received five building-level environmental certifications: three LEED Core and Shell -certifications and two Existing Buildings certifications using the Technopolis LEED Volume Program. Out of the LEED Core and Shell certifications, the Lõõtsa 12 building in Tallinn received LEED Platinum and the Penta building in Vilnius and the Ruoholahti 3 building in Helsinki received LEED Gold -level certification. Both existing buildings that were certified as part of the Technopolis LEED Volume Program received LEED Gold level certification.

In collaboration with its partners, Technopolis has been working on increasing the amount of renewable energy produced in its buildings. During the first half of the year, on-site solar energy panels were installed in multiple buildings in Oulu and in one building in Vilnius. The total nominal power of these new solar power systems is 1.4 MW. Technopolis has also increased the share of green electricity procured in the Tallinn campus, significantly reducing the CO_2-emmissions.

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

Key Sustainability Indicators	2018	2016	Change %	Target 2025
CO_2 emissions, CO_2e kg/m²	23.4	29.8	-21%	-30%
Energy consumption, total, kWh/m²	201.8	203.3	-1%	-10%
Energy consumption, building energy, (kWh/m2)	138.8	140.8	-1%	-10%

EVALUATION OF RISKS AND UNCERTAINTIES

Risk Management within Technopolis

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

The main objectives of risk management at Technopolis are to:

- ensure the achievement of the company's business objectives,
- identify, evaluate, measure and mitigate significant risks and uncertainties, as well as to
- monitor them as part of the day-to-day management of business operations.

Other objectives of risk management at Technopolis are to:

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

The purpose of financial risk management is to secure efficient and competitive funding for Technopolis' operations, and to reduce the negative impact of financial market fluctuations on its operations. Financial risks and financial risk management are further described in the notes section (Note 22) of the Financial Statements 2018, as well as in the Financial Risk Management -section of this report.

In the latest corporate risk review in the fourth quarter of 2018, on short term (next 12 months), the company's management evaluated the most significant risks affecting Technopolis' business, as a whole, to belong to the strategic risk category. Risks belonging to financial, external and operational risk categories were evaluated to be less significant. Sustainability related risks were categorized the least significant.

In the medium term (next 36 months), the company's management evaluated the most significant risks affecting Technopolis' operations as relating to strategic and external risk categories. Risks belonging to financial, operational and sustainability risk categories were perceived as less significant.

The company's new Board of Directors has reviewed this evaluation, and in the view of the Board of Directors, there are no changes to this evaluation.

In the Report of the Board of Directors and the annual review for 2017, the company presented the most significant corporate risks for 2018. None of the then identified risks materialized in any significant manner during the year.

Most Significant Risks

Short-Term (next 12 months)

In the 2018 annual risk review, the most relevant strategic risks, in the short term, are seen as risks related to investments, reaching the strategic targets and mergers and acquisitions. There is a risk that the company will make unprofitable investments and/or will pay too high a price for acquisitions based on incorrect assumptions related to e.g. market and/or business development. In addition, there is a risk of the company failing to fully understand and exploit the business opportunity provided by fast growing coworking market.

The most significant operational risk relates to human resources, and the company's ability to attract and commit the needed key personnel to implement and execute the company's strategy. In addition, there is an information technology related risk of the current IT systems not supporting operations in an optimal manner; systems to fully corresponding to business needs, lack of timely updates on relevant systems and using fragmented and incompatible IT infrastructure that can cause inefficiencies and increase the IT spend.

The most relevant financial risk was assessed as relating to unfavorable exchange rate movements that may lead to deteriorating profitability. In addition, the company's ability to manage its liquid funds was estimated to pose a risk. Financial risks are described in more detail in the Financial Risk Management -section of this report as well as in the notes section (Note 22) of the Financial Statements for 2018.

In the short term, external risks were seen as relating to market dynamics, like intensifying competition on the traditional office market and/or new business models emerging to compete with Technopolis' model. Also any unexpected market conditions due to e.g. an oversupply of office space or due to an economic downturn may prevent Technopolis from reaching its growth targets and maintaining its profitability. In addition, changes in geopolitical situation, were assessed as a risk.

Medium-Term (next 36 months)

In the 2018 annual risk review, the most relevant strategic risks, in the medium term, are seen as risks related to the company failing to fully understand and exploit the business opportunity provided by fast growing coworking market as well as its ability to expand its services business through development of new services. In addition, there is a risk that the company will fail to capture digitalization potential.

The most relevant operational risk relates to human resources, and the company's ability to attract and commit the needed key personnel to implement and execute the company's strategy. In addition, there is an information technology related risk of the current IT systems not supporting operations in an optimal manner. Furthermore, there is a risk that in operating new businesses, like coworking, Technopolis may base decisions on incorrect assumptions / financial planning or encounter challenges in choosing / securing optimal locations, securing sufficient resourcing and succeed in sales. Also, continuous development of the core operating processes is in focus.

The most relevant financial risk, on a three-year perspective, relates to the risk of breaching of financial covenants.

External risks, in medium term, were evaluated to be largely the same as in the short term, and relate to market dynamics, possible changes in customer preferences and to any unexpected changes in market conditions.

CORPORATE GOVERNANCE

More detailed information on Technopolis' governance related matters can be found in the company's Corporate Governance Statement 2018 on the company's website.

Organization and Personnel

The CEO of Technopolis Plc 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, CLO.

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

In 2018, the Group employed an average of 227 (234) people. On average, property operations employed 69 (75) people, service operations 108 (105) and Group administration 50 (54). The number of personnel at end of the period was 233 (224).

Extraordinary General Meeting on November 7, 2018

On October 17, 2018, Kildare Nordic Acquisitions S.à.r.l that held more than nine-tenths (9/10) of all the shares in Technopolis, requested Technopolis to convene an extraordinary general meeting (EGM). A notice of the EGM was published the same day. The EGM was held on November 7, 2018.

The EGM decided that the Board of Directors shall comprise five members and elected Paul Patel, Louis Paletta, Davy Toussaint, Henri Guelff and Sebastian Woitas as members of the Board of Directors for a term of office ending at the end of the next Annual General Meeting in 2019. Paul Patel was elected as the Chairman of the Board of Directors and Sebastian Woitas as the Vice Chairman for the same term of office. It was also resolved that no remuneration will be paid to the members of the Board of Directors for a term of office ending at the end of the next Annual General Meeting in 2019.

The EGM also resolved to disband the Shareholders' Nomination Board.

Further information on the EGM and participation in the EGM is available on the company's website.

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.

The AGM adopted all the proposals to the General Meeting by the Board of Directors and the Shareholders' Nomination Board approved the annual accounts for the financial year 2017 and discharged the company's management from liability.

The AGM decided, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.09 per share from the distributable profits of the parent company, and to return EUR 0.08 per share from the invested unrestricted equity fund, totaling EUR 0.17 per share. The dividend was paid on April 4, 2018 to shareholders who were recorded in the shareholders' register of the company held by Euroclear Finland Ltd on the dividend record date of March 22, 2018.

It was decided that the Board of Directors shall comprise seven members and elected Kaj-Gustaf Bergh, Juha Laaksonen, Hannu Leinonen, Helena Liljedahl, Pekka Ojanpää, Christine Rankin and Reima Rytsölä as the members of the Board of Directors. Juha Laaksonen was elected as the Chairman of the Board of Directors and Reima Rytsölä the Vice Chairman of the Board of Directors.

KPMG Oy Ab, authorized public accountants, was re-elected auditor of the company. KPMG Oy Ab had notified that Lasse Holopainen, APA, acts as the responsible auditor. The auditor's term of office shall expire at the end of the next Annual General Meeting. The remuneration to the auditor is paid against the auditor's reasonable invoice.

Board of Directors

Until the disbandment of the Shareholders' Nomination Board on November 6, 2018 the General Meeting of shareholders elected the Board members as proposed by the Shareholders' Nomination Board. From November 7, 2018, the majority shareholder of Technopolis, Kildare Nordic Acquisitions S.à.r.l, proposes its representatives to the Board of Directors of the company.

The Board that the EGM elected on November 7, 2018 comprises of five members: Paul Patel (Chairman), Sebastian Woitas (Vice Chairman), Louis Paletta, Henri Guelff and Davy Toussaint (members).

Until then, the Board of Directors comprised seven members elected by the AGM on March 20, 2018: Juha Laaksonen (Chairman), Reima Rytsölä (Vice Chairman), Kaj-Gustaf Bergh, Hannu Leinonen, Helena Liljedahl, Pekka Ojanpää and Christine Rankin (members).

Before the EGM and the organization meeting of the new Board of Directors on November 7, 2018 the members of the Board were paid annual remuneration as follows: EUR 57,800 to the Chairman of the Board, EUR 33,100 to the Vice Chairman of the Board and the Chairman of the Audit Committee (in case he/she is not simultaneously acting as Chairman or Vice Chairman of the Board) and EUR 27,600 to the other members of the Board of Directors. For participation in the meetings of the Board of Directors each member of the Board of Directors, in addition to the annual remuneration, were paid a fee of EUR 600 and the Chairman of the Board of Directors a fee of EUR 1,200 for each Board meeting. For meetings held outside the country of residence of the member and provided that the member is physically present at the meeting venue, each member of the Board Committees were, however, paid a fee of EUR 900 for each Board meeting.

Of the annual remuneration, 40% was to be paid in Technopolis Plc shares acquired at a price determined in public trading. According to the AGM decision, if the remuneration could not be paid in shares due to insider regulations, termination of the Board member's term of office, or other reasons relating to the company or the member of the Board, the annual remuneration was to be paid fully in cash. In 2018, the annual remuneration of the Board members was paid in cash.

The members of the Board were not allowed to transfer any shares obtained as annual remuneration before their membership of the Board was ended.

More information on the Remuneration Report for 2018 and on the company's website.

Board Committees

The remuneration and HR Committee of the Board of Directors was disbanded by the organization meeting of the newly elected Board of Directors on November 7, 2018.

Prior to that, Technopolis had two Board committees. The members of the committees were:

- 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

Before the EGM and the organization meeting of the new Board of Directors on November 7, 2018, the members of the Board Committees were paid remuneration as follows: the chairmen of the committees a fee of EUR 800 for each committee meeting and each member of a committee a fee of EUR 600. For meetings held outside the country of residence of the member and provided that the member was physically present at the meeting venue, each member of the Board Committees was, however, paid a fee of EUR 900 and the chairs of the committees a fee of EUR 1,200 for each committee meeting.

More information on the Remuneration Report for 2018 and on the company's website.

Nomination Board

The Shareholders Nomination Board was established by the Annual General Meeting in 2013 until further notice. It was disbanded by the Extraordinary General Meeting on November 7, 2018.

Prior to the decision, Technopolis' Nomination Board consisted of three members nominated by three major shareholders of the company. In addition, the Chairman of the Board of Directors of the company participated in the work of the Nomination Board as an expert. The Nomination Board was responsible for preparing proposals for the General Meeting concerning the election and remuneration of the members of the Board of Directors.

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

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

On October 16, 2018, Varma Mutual Pension Insurance Company and Mercator Capital Ab announced they had sold all their shareholdings in Technopolis Plc. Also, the city of Oulu had sold all its shareholdings in Technopolis Plc.

According to the Charter of Technopolis Plc's Nomination Board, a member is obliged to resign from the Nomination Board if the relevant shareholder later transfers more than half of the shares it held on the September 1 which entitled it to nominate a member to the nomination board, and as result is no longer among the company's ten largest shareholders. Consequently, the representative of Varma Mutual Pension Insurance Company, Risto Murto, who acted as the Chairman of the Nomination Board, the representative of Mercator Capital Ab, Kaj-Gustaf Bergh, and representative of the City of Oulu, Päivi Laajala, who acted as members of the Nomination Board, also renounced their memberships in the Nomination Board.

Lawsuits and Claims

During 2018, there were no legal proceedings taking place in Technopolis Plc or its Group companies that would have a material impact on the Company or its financial position.

Annual General Meeting 2019

Due to the ongoing redemption and delisting proceedings, the date for Technopolis' Annual General Meeting will be communicated, if needed, at a later date.

SHARES, SHARE CAPITAL AND TRADING

At the end of December 2018, Technopolis Plc's share capital amounted to EUR 96,913,626.29 (96,913,626.29) and the total number of shares was 158,793,662 (158,793,662). At the end of the year, the company held a total of 1,878,443 (1,903,373) treasury shares, representing 1.18% (1.20%) of the total number of shares outstanding.

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

Share-based incentive plans have been terminated in connection with the completion of the public tender offer made on Technopolis Plc shares. The rewards to be paid based on the incentive plans have been booked as an expense for 2018, and will be paid out by the end of May 2019.

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

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

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

On October 12, 2018, the tender offer was completed, and a subsequent offer period was launched. The subsequent offer period ended on October 30, 2018. According to the final result, the shares validly tendered during the subsequent offer period represented approximately 2.25 percent of all the shares and voting rights in Technopolis (excluding the treasury shares held by Technopolis). The shares tendered during the subsequent offer period, together with the shares validly tendered during the primary offer period and otherwise acquired by the offeror through market purchases until October 31, 2018, represented approximately 98.17 percent of all the shares and voting rights in Technopolis Plc (excluding the treasury shares held by Technopolis).

On November 5, 2018, the offeror announced it had commenced the redemption proceedings in respect of the remaining shares in Technopolis by initiating arbitration proceedings in accordance with Chapter 18, Section 3 of the Finnish Companies Act in order to obtain ownership of all the shares in Technopolis Plc. Following the application in respect of the afore-mentioned arbitration proceedings, the Redemption Board of the Finland Chamber of Commerce petitioned the District Court of Oulu for the appointment of a special representative to further the interests of the minority shareholders of Technopolis in the redemption proceedings. With its decision given on November 5, 2018, the District Court of Oulu has appointed Tiina Lind, M.Sc. (Econ.), to act as such special representative pursuant to Chapter 18, Section 5 of the Finnish Companies Act.

On December 20, 2018, Kildare was informed that the Redemption Board of the Finland Chamber of Commerce had appointed an arbitral tribunal consisting of three arbitrators for the redemption proceedings. The arbitral tribunal comprises attorney-at-law Niina Palaja (Chair), Professor Matti J. Sillanpää and D.Sc. (Econ.) Harri Seppänen.

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 December 2018, the Board had not used this authorization.

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

The amount of shares to be issued shall not exceed 400,000 shares, which corresponds to approximately 0.3% of all the shares in the company.

The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling the holder to shares. The issuance of shares and of special rights entitling the holder to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

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

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

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

Trading

Share trading		Q4/ 2018	Q4/ 2017	Change %	2018	2017	Change %
Lowest price	EUR	4.60	3.79	21.4	3.58	2.96	20.9
Highest price	EUR	5.99	4.20	42.6	5.99	4.20	42.6
Closing price (end of period)	EUR	4.65	4.18	11.2	4.65	4.18	11.2
Volume weighted average price	EUR	4.66	4.14	12.6	4.55	3.73	22.0
Share turnover	million shares	156.8	34.7	351.9	211.1	72.0	193.2
Share turnover	EURm	729.5	143.8	407.3	959.4	268.2	257.7
Market capitalization (end of period)	EURm	-	-	-	738.4	663.8	11.2

* Market capitalization is based on 158,793,662 shares.
Source: Nasdaq Helsinki

According to Fidessa, in 2018, trading on the Nasdaq Helsinki represented 72.0% (73.4%) of the total trading in Technopolis shares. The remaining 27.9% (26.6%) was traded on alternative markets like Cboe and Turquoise.

On August 28, Kildare Nordic Acquisitions S.à.r.l announced a voluntary public tender offer on all the issued and outstanding shares in Technopolis. The offer price was EUR 4.65 and it represented a premium of 13.7 per cent compared to the closing price of the last trading day prior to the announcement. The offer positively affected both the share price as well as trading volume. The trading volume has been exceptionally high in the fourth quarter representing 74.3% and 76.0% of total share turnover in number of shares and in millions of euros, respectively, in 2018. This is due to the share trades of the tender offer being effectuated on October 16, 2018.

Shareholders

The ten largest shareholders on December 31, 2018 together with the distribution of shareholdings by sector and by size of the shareholding, can be found in the notes section of the parent company financial statements or on the company's website.

At the year-end 2018, there was only one shareholder holding more than five per cent of the total number of shares and voting rights in Technopolis Plc: Kildare Nordic Acquisitions S.à.r.l held 154,625,700 shares representing 97.38% of all the shares and votes.

The latest detailed information on Technopolis shareholders and shareholdings can be found on the company's website.

Disclosures of Changes in Holdings

On November 2, 2018, Technopolis received a flagging notification pursuant to Chapter 9 Section 5 of the Finnish Securities Markets Act. According to the flagging notification, the total indirect ownership in Technopolis Plc held by Sand Grove Capital Management LLP decreased on October 16, 2018 to zero (0) shares thus totaling 0% of all shares in Technopolis Plc.

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

- Kildare Nordic Acquisitions S.à.r.l had completed its voluntary public cash tender offer for all the issued and outstanding shares in Technopolis which were not held by Technopolis or its subsidiaries. In addition, Kildare Nordic Acquisitions S.à.r.l had purchased shares in Technopolis in open market acquisitions (including shares the settlement of which is still pending). According to the notification, the total holdings in Technopolis shares and votes indirectly held by Kildare Holdings, Ltd (directly held by Kildare Nordic Acquisitions S.à.r.l had increased to approximately 92.70% out of all shares and votes in Technopolis Plc.

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

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

On September 11, 2018, Technopolis received a flagging notification pursuant to Chapter 9 Section 5 of the Finnish Securities Markets Act. According to the flagging notification, the total indirect ownership in Technopolis Plc held by Sand Grove Capital Management LLP increased on September 10, 2018 to 7,966,000 shares thus totaling 5.01% of all shares in Technopolis Plc.

On January 3, 2018, Technopolis received a flagging notification pursuant to chapter 9 section 5 of the Finnish Securities Markets Act. According to the flagging notification, the total ownership in Technopolis Plc held by BlackRock, Inc. (based on the total sum of the indirect holding and the total number of financial instruments referred to in chapter 9, section 6a of the Securities Markets Act) decreased on January 2, 2018 below 5.00% of all shares in Technopolis Plc.

Liquidity Guarantee

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

SIGNIFICANT EVENTS TAKING PLACE AFTER THE REVIEW PERIOD

On February 6, 2019, the Board of Directors of Technopolis resolved to apply for the termination of trading in the shares of Technopolis and the delisting of the shares from the official list of Nasdaq Helsinki and the application for the termination of trading and the delisting of the Technopolis shares was submitted to the Listing Committee of Nasdaq Helsinki on the same day. In the application Technopolis requested that the delisting of the Technopolis shares would take place as soon as possible upon Kildare having gained title to all the shares in Technopolis in the on-going redemption proceedings.

On January 16, 2019, Technopolis pre-payed 101 per cent of the nominal amount of its EUR 150 million senior unsecured fixed rate notes due 2020, together with the accrued and unpaid interest. The pre-payment was made due to a "change of control" event pursuant to the terms and conditions of the notes. In connection with the repurchase, Technopolis cancelled the repurchased notes, after which the aggregate nominal principal amount of the outstanding notes is EUR 138,818,000.

in Helsinki, February 27, 2019

Technopolis Plc
Board of Directors

FINANCIAL STATEMENTS

The accounting policies applied in the financial 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. The amendment did 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. For the full year 2018, there was no impact resulting from the change.

The figures are based on audited financial statement figures.

Technopolis Group:

CONSOLIDATED INCOME STATEMENT

EUR million	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Property income [1]	37.8	38.6	148.6	154.3
Service income	8.1	7.0	28.7	25.4
Net sales total	46.0	45.5	177.4	179.7
Other operating income	0.2	0.0	0.9	0.0
Premises expenses	-10.1	-10.1	-38.7	-39.4
Administration costs [2]	-10.6	-4.9	-21.1	-14.7
Other operating expenses	-8.5	-7.9	-30.5	-28.5
EBITDA	16.9	22.7	88.0	97.1
Change in fair value of investment properties	3.0	12.0	21.4	28.3
Depreciation	-1.1	-1.0	-3.9	-4.1
Operating profit/loss	18.9	33.6	105.5	121.4
Unrealized exchange rate profit/loss	-1.2	-0.3	-0.4	-0.5
Finance income and expenses	-6.5	-4.4	-22.8	-21.9
Result before taxes	11.1	28.9	82.2	99.0
Deferred taxes	-0.3	-1.2	-9.0	-9.3
Current taxes	0.4	-3.8	-3.1	-4.5
Net result for the period	11.2	23.9	70.2	85.2
Distribution:				
To parent company shareholders	8.8	21.4	61.6	76.5
To non-controlling shareholders	2.4	2.5	8.6	8.7
	11.2	23.9	70.2	85.2
Earnings per share, basic, EUR	0.06	0.13	0.39	0.46
Earnings per share, diluted, EUR	0.06	0.13	0.39	0.46

[1] 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 financial report for Q4/2018, 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.

[2] Administration costs includes group expenses from key resources and administration.

STATEMENT OF COMPREHENSIVE INCOME

EUR million	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Net result for the period	11.2	23.9	70.2	85.2
Other comprehensive income items				
Items that may be reclassified subsequently to profit or loss:				
Translation difference	-6.0	-4.6	-12.8	-12.3
Change in fair value	0.0	0.0	-0.3	0.0
Derivatives	-5.2	-0.5	-4.1	8.1
Taxes related to other comprehensive income items	0.9	0.1	0.7	-1.7
Other comprehensive income items after taxes for the period	-10.2	-5.0	-16.4	-5.8
Comprehensive income for the period, total	1.0	18.9	53.8	79.4
Distribution:				
To parent company shareholders	-1.5	16.2	45.2	70.9
To non-controlling shareholders	2.4	2.6	8.6	8.5
	1.0	18.9	53.8	79.4

STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	Dec 31, 2018	Dec 31, 2017
Non-current assets		
Intangible assets	6.8	5.4
Tangible assets	17.7	16.3
Completed investment properties	1,606.4	1,537.9
Investment properties under construction	58.3	58.0
Investments	5.8	6.4
Deferred tax assets	14.3	13.1
Non-current assets	1,709.2	1,637.1
Current assets	43.6	82.7
Assets, total	**1,752.8**	**1,719.8**

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	Dec 31, 2018	Dec 31, 2017
Shareholders' equity		
Share capital	96.9	96.9
Premium fund	18.5	18.5
Equity related bond	0.0	74.2
Other funds	312.9	329.1
Translation difference	-36.1	-23.3
Retained earnings	258.6	215.8
Parent company's shareholders' interests	650.8	711.2
Non-controlling interests	59.4	53.7
Shareholders' equity, total	**710.2**	**764.9**
Liabilities		
Non-current liabilities		
Interest-bearing liabilities	245.6	620.5
Non-interest-bearing liabilities	3.6	3.3
Deferred tax liabilities	85.5	77.9
Non-current liabilities, total	334.8	701.7
Current liabilities		
Interest-bearing liabilities	647.2	184.5
Non-interest-bearing liabilities	60.6	68.7
Current liabilities, total	707.8	253.2
Liabilities, total	**1,042.6**	**954.9**
Shareholders' equity and liabilities, total	**1,752.8**	**1,719.8**

STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Premium fund	Other reserves	Translation differences	Retained earnings	Share of non-controlling interests	Total shareholders' equity
	Equity attributable to owners of the parent						
Equity Jan 1, 2018	96.9	18.5	403.3	-23.3	215.8	53.7	764.9
Comprehensive income							
Net profit for the period					61.6	8.6	70.2
Other comprehensive income items							
Translation difference				-12.8			-12.8
Derivatives			-3.4				-3.4
Change in fair value			-0.2				-0.2
Other changes							0.0
Comprehensive income for the period			-3.6	-12.8	61.6	8.6	53.8
Related party transactions							
Dividend					-14.1	-2.9	-17.0
Return of capital			-12.6				-12.6
Interest paid to equity related bond					-4.5		-4.5
Redemption of hybrid bond			-74.2		-0.8		-75.0
Other changes					0.6		0.6
Related party transactions	0.0	0.0	-86.8	0.0	-18.8	-2.9	-108.4
Equity Dec 31, 2018	96.9	18.5	312.9	-36.1	258.6	59.4	710.2

EUR million	Share capital	Premium fund	Other reserves	Translation differences	Retained earnings	Share of non-controlling interests	Total shareholders' equity
Equity Jan 1, 2017	96.9	18.5	396.8	-11.3	161.0	57.2	719.3
Comprehensive income							
Net profit for the period					76.5	8.7	85.2
Other comprehensive income items							
Translation difference				-12.1		-0.2	-12.3
Derivatives			6.4				6.4
Available-for-sale financial assets							0.0
Other changes							0.0
Comprehensive income for the period			6.4	-12.1	76.5	8.5	79.4
Related party transactions							
Dividend					-18.8	-1.4	-20.2
Interest paid to equity related bond					-4.5		-4.5
Investment of non-controlling interests					1.3	-10.6	-9.4
Other changes					0.3		0.3
Related party transactions					-21.8	-12.0	-33.8
Equity Dec 31, 2017	96.9	18.5	403.3	-23.3	215.8	53.7	764.9

STATEMENT OF CASH FLOWS

EUR million	1-12/ 2018	1-12/ 2017
Cash flows from operating activities		
Net result for the period	70.2	85.2
Adjustments:		
Change in fair value of investment properties	-21.4	-28.3
Depreciation	3.9	4.1
Share of profits of associates	0.2	0.0
Gains from disposals	-	0.4
Other adjustments for non-cash transactions	0.7	0.9
Financial income and expenses	22.8	21.9
Taxes	12.1	13.8
Increase/decrease in working capital	-10.8	2.6
Interests received	0.6	0.8
Dividends received	0.0	0.1
Interests paid and fees	-13.4	-16.8
Other financial items in operating activities	-11.0	-7.6
Taxes paid	-7.7	-2.6
Net cash provided by operating activities	46.2	74.4
Cash flows from investing activities		
Investments in investment properties	-59.9	-73.7
Investments in tangible and intangible assets	-4.5	-1.2
Investments in other securities	0.0	-
Granted loans	-0.9	-
Repayments of loan receivables	0.0	0.0
Proceeds from sale of investments	1.1	0.0
Proceeds from sale of tangible and intangible assets	1.2	39.1
Acquisition of subsidiaries	0.3	-5.8
Sale of subsidiaries	-	56.9
Increase/decrease of cash equivalents	0.0	-
Net cash used in investing activities	-62.6	15.4
Cash flows from financing activities		
Redeem of hybrid bond	-75.0	-
Increase in long-term loans	163.5	16.0
Decrease in long-term loans	-148.1	-89.2
Sale of own shares	-	1.1
Dividends paid and return of capital	-29.6	-20.4
Hybrid bond interest paid	-5.6	-5.6
Acquisitions of subsidiaries, no change in command	-12.6	-
Change in short-term loans	77.5	-48.3
Net cash provided by financing activities	-30.0	-146.4
Net increase/decrease in cash equivalents:	-46.5	-56.7
Effects of exchange rate fluctuations on cash held	-1.5	0.4
Cash and cash equivalents at period-start	71.8	128.0
Cash and cash equivalents at period-end	23.8	71.8

FINANCIAL INFORMATION BY SEGMENT

On the closing date, Technopolis Group had three reporting segments: Finland, Baltic Rim and Scandinavia. The Group has combined its operating segments into reporting segments based on geographic location.

The operating segments combined into the Finland segment are the Helsinki Metropolitan Area, Tampere, Kuopio and Oulu business units, as well as UMA Workspaces in Helsinki. Jyväskylä business unit was divested in November 2017. The operating segments combined into the Baltic Rim reporting segment are the St. Petersburg, Tallinn and Vilnius business units, whereas the Scandinavian reporting segment is comprised of the Gothenburg and Oslo business units as well as UMA Workspaces in Stockholm, Copenhagen and Oslo.

The combined operating segments all have similar financial characteristics and performance. The operating segments have similar space and service businesses. The segmentation is based on the Group's existing internal reporting and the organization of its business operations. The net sales of the segments are comprised of property and service income. Service income include income from UMA Coworking network.

SEGMENT INFORMATION

EUR million	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Net sales				
Finland	28.5	29.6	110.9	117.7
Baltic Rim	10.7	9.4	40.5	36.0
Scandinavia	6.7	6.6	25.9	26.0
Total	**46.0**	**45.5**	**177.4**	**179.7**
EBITDA				
Finland	9.9	14.0	52.3	61.5
Baltic Rim	4.9	5.4	23.5	21.5
Scandinavia	2.1	3.1	12.1	14.1
Total	**16.9**	**22.7**	**88.0**	**97.1**
Assets				
Finland	-	-	1,098.4	1,056.7
Baltic Rim	-	-	395.1	383.4
Scandinavia	-	-	341.0	340.7
Eliminations	-	-	-81.8	-60.9
Total	**-**	**-**	**1,752.8**	**1,719.8**

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

EUR million	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Net result to parent company shareholders	8.8	21.4	61.6	76.5
Adjustments to calculate EPRA Earnings, exclude:				
Changes in value of investment properties	-3.0	-12.0	-21.4	-28.3
Profits or losses on disposal of investment properties and other non-operative financial income and expenses	1.0	0.7	-1.2	0.9
Changes in fair value of financial instruments	0.0	0.0	0.0	0.0
Deferred tax in respect of EPRA adjustments	0.4	4.2	9.3	10.0
Non-controlling interests in respect of the above	0.8	0.2	2.4	1.6
EPRA Earnings	7.9	14.5	50.8	60.6
Basic number of shares	-	-	156,907,364	156,873,264
EPRA Earnings per Share (EPS)	0.05	0.09	0.32	0.39

KEY INDICATORS

	Dec 31,2018	Dec 31,2017
Change in net sales, %	-1.3	4.4
Operating profit/loss/net sales, %	59.5	67.5
Change in EBITDA, %	-9.4	4.3
Service revenue of Net Sales, %	16.2	14.1
Interest coverage ratio	3.9	4.3
Equity ratio, %	40.8	44.8
Loan to value, %	53.3	50.1
Group company personnel during the period, average	227	234
Gross expenditure on assets, MEUR	134.6	77.5
Net rental yield of investment properties, % 3)	7.2	7.2
Financial occupancy rate, %	95.8	96.1
Earnings/share		
basic, EUR	0.39	0.46
diluted, EUR	0.39	0.46
Cash flows from operating activities/share, EUR	0.29	0.47
Equity/share, EUR	4.15	4.06
Average issue-adjusted number of shares 4)		
basic	156,907,364	156,873,264
diluted	156,907,364	156,873,264
Issue-adjusted number of shares at the end of period	156,915,219	156,890,289

P/E ratio	11.85	8.57
Dividend/share, EUR 5)	0.00	0.09
Equity repayment/share, EUR 5)	0.00	0.08
Dividend payout ratio, %	0.0	37.0
Effective dividend yield	0.00	4.07
OTHER KEY INDICATORS		
Market value of shares, EUR million, Dec 31	738.4	663.8
Share turnover, milj. shares	211.1	72.0
Share turnover out of average number of shares, %	134.54	45.87
Share prices, EUR		
Highest price	5.99	4.20
Lowest price	3.58	2.96
Volume weighted average price	4.55	3.73
Price, Dec 31	4.65	4.18

3) The figure does not include properties commissioned and acquired during the fiscal year.
4) Own shares held by the company (1,878,443 shares) are excluded from the number of shares.
5) Board's proposal to the AGM.

CHANGE IN VALUE OF INVESTMENT PROPERTIES

EUR million	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Change in fair value, Finland	1.4	3.4	12.1	10.7
Change in fair value, Baltic Rim	6.2	0.1	10.0	6.9
Change in fair value, Scandinavia	-2.0	7.4	4.8	10.1
Change in fair value	5.7	10.9	27.0	27.7
Changes in acquisition costs of investment properties in financial year	-4.0	-0.2	-12.3	-8.5
Changes in fair value of projects in progress	1.4	1.3	6.7	9.1
Effect on profit of change in value of investment properties	3.0	12.0	21.4	28.3

CONTINGENT LIABILITIES

EUR million	Dec 31, 2018	Dec 31, 2017
Pledges and guarantees on own debt		
Mortgages of properties	863.8	931.5
Pledged securities and investment properties	761.0	717.0
Pledges for land lease payments	3.6	3.6
Other guarantee liabilities	150.0	149.6
Leasing liabilities, land + locations	124.5	86.7
Leasing liabilities, machinery and equipment	0.1	0.2
Project liabilities	0.0	0.0
Interest rate and derivatives		
Nominal values	405.8	574.9
Fair values	-14.2	-11.4

BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES Dec 31, 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	Financial assets/ liabilities measured at fair value through profit and loss	Financial assets and liabilities measured at amortized cost	Derivatives in hedge accounting	Total	Fair value of financial assets/ liabilities
Non-current financial assets					
Assets measured at fair value					
Non-quoted financial assets (level 3)	0.2			0.2	0.2
Other non-current receivables		0.5		0.5	0.5
Total	**0.2**	**0.5**		**0.7**	**0.7**
Current assets					
Trade and other receivables					
Sales receivables		7.6		7.6	7.6
Other current receivables		12.3		12.3	12.3
Cash and cash equivalents		23.8		23.8	23.8
Total		**43.6**		**43.6**	**43.6**
Non-current liabilities					
Financial liabilities recognized at amortized cost					
Non-current finance lease liabilities (level 2)		1.7		1.7	1.7
Non-current interest-bearing liabilities (level 2)		243.9		243.9	246.7
Non-current non-interest-bearing liabilities (level 2)		3.6		3.6	3.6
Total		**249.2**		**249.2**	**252.1**
Current liabilities					
Financial liabilities at fair value through profit or loss					
Derivatives					
Interest rate swaps, meeting the criteria for hedge accounting (level 2)			13.5	13.5	13.5
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		5.4		5.4	5.4
Other current interest-bearing liabilities		641.8		641.8	641.8
Trade and other payables		44.8		44.8	44.8
Purchase price liabilities		1.6		1.6	1.6
Total	**0.6**	**693.7**	**13.5**	**707.8**	**707.8**

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 on a constant currency basis

EBITDA - impact of currency exchange rate changes

EBITDA by business area

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

EPRA Direct result

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

EPRA Net rental yield

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

EPRA Net asset value/share

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

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

Net sales on a constant currency basis

Items affecting comparability (currency impact) consist of the impact of the Norwegian krone, the Russian ruble, Swedish krona and Danish krone 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, SEK and DKK exchange rates of the comparison period.

EUR million	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Net sales	46.0	45.5	177.4	179.7
Items affecting comparability (currency impact)	0.6	-0.2	2.2	-0.9
Net sales on a constant currency basis	46.5	45.3	179.5	178.8

EBITDA on a constant currency basis

Items affecting comparability (currency impact) consist of the impact of the Norwegian krone, the Russian ruble, Swedish krona and Danish krone 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, SEK and DKK exchange rates of the comparison period.

EUR million	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
EBITDA	16.9	22.7	88.0	97.1
Items affecting comparability (currency impact)	0.4	-0.2	1.4	-0.7
EBITDA on a constant currency basis	17.3	22.5	89.4	96.4

EBITDA by business area

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

EUR million	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
EBITDA, property	24.9	25.1	101.9	102.7
EBITDA %, property	65.9	65.0	68.5	66.5
EBITDA, services	0.5	0.6	2.1	2.7
EBITDA %, services	5.6	8.1	7.2	10.5
Items affecting comparability in EBITDA	-8.5	-2.9	-15.9	-8.3
EBITDA in total	16.9	22.7	88.0	97.1

EPRA Net rental yield

EUR million	Dec 31, 2018	Dec 31, 2017
Property income	148.6	154.3
Items affecting comparability in rent income	-5.3	-15.0
Property income used in net rental yield calculation	143.3	139.3
Premises expenses	-38.7	-39.4
Items affecting comparability in premises expenses	0.5	8.6
Premises expenses used in net rental yield calculation	-38.2	-30.8
Fair value of completed investment properties	1,606.4	1,537.9
Building rights	-51.6	-64.5
Other items affecting comparability	-87.3	-55.4
Fair value of investment properties used in net rental yield calculation	1,467.4	1,418.0

EPRA Net asset value

EUR million	Dec 31, 2018	Dec 31, 2017
Equity to parent company shareholders	650.8	711.2
Adjustments to EPRA Net asset value:		
Hedging reserve	9.9	6.5
Deferred taxes from investment properties	83.3	74.5
Equity related bond	0.0	-74.2
EPRA Net asset value	744.1	718.0

EPRA Triple net asset value

EUR million	Dec 31, 2018	Dec 31, 2017
EPRA Net asset value	744.1	718.0
Adjustments to EPRA Triple net asset value:		
Hedging reserve	-9.9	-6.5
Deferred taxes from investment properties	-83.3	-74.5
Difference between fair value and balance sheet value of liabilities	-3.5	-1.3
EPRA NNNAV	647.3	635.6

ROE (based on EPRA earnings, rolling 12 months)

EUR million	Dec 31, 2018	Dec 31, 2017
EPRA earnings before taxes	59.7	71.6
- taxes from EPRA earnings	-2.7	-3.8
EPRA earnings, rolling 12 months	56.9	67.8
Equity + non-controlling interests for year, average	737.5	742.1
ROE (based on EPRA earnings, rolling 12 months), %	7.7	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 seven countries within the Nordic and Baltic Sea region. Technopolis Plc (TPS1V) is listed on Nasdaq Helsinki.

For more information, please visit our website.

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