TECHNOPOLIS

2018

Financial Statements

Financial Statements 2018

Contents

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 the 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.

An eventful 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)

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

Board of Directors' Report

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, the Board is satisfied with the 2018 performance. The net sales and EBITDA were slightly lower than the year before, but if you remove the effect of the Jyväskylä divestiture in November 2017, the company had healthy growth. Group net sales decreased by 1.3% year-on-year, but like-for-like sales grew 3.1%. The main driver was strong occupancy and robust service growth. The 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, Technopolis had eight organic growth projects in progress. In the fourth quarter, two large ones were initiated with an aggregate value of EUR 146 million: one in Espoo, Finland and one in Vilnius, Lithuania. The cumulative value of all projects in progress amounts to EUR 294 million. All of the 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 the 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. 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.

Technopolis now has 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. The Board is particularly excited about the opening in Warsaw, Poland this year, as it also represents entry into a new market for Technopolis.

Key Indicators

	2018	2017	Change, %
IFRS			
Net sales, EURm	177.4	179.7	-1.3
Equity ratio, %	40.8	44.8	-
EBITDA, EURm	88.0	97.1	-9.4
EPRA earnings, EURm	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	0.32	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.

Financial Performance

	2018	2017	Change, %
Net sales, Group, EURm	177.4	179.7	-1.3
Property income, EURm	148.6	154.3	-3.7
share of net sales, %	83.8	85.9	-
Service income, EURm	28.7	25.4	13.1
share of net sales, %	16.2	14.1	-
EBITDA, Group, EURm	88.0	97.1	-9.4
EBITDA margin, %	49.6	54.0	-
EBITDA, property, EURm	101.9	102.7	-0.8
EBITDA margin, %	68.5	66.5	-
EBITDA, services, EURm	2.1	2.7	-21.8
EBITDA margin, %	7.2	10.5	-
Operating profit, Group, EURm	105.5	121.4	-13.1
Operating profit margin, %	59.5	67.5	-
Net result, EURm	70.2	85.2	-17.7
EPS, EUR	0.39	0.46	-16.0

Note: Group EBITDA includes Group-level expenses.

Fair value changes in 2018:

EURm	Yield requirement	Occupancy assumption	Modernization	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.

Finally it is worth noting that 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.

Financial Performance

Net Sales and Income

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.

Profitability

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.

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.

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.

Balance Sheet, Financing and Cash Flow

Balance Sheet and Financing

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 per cent 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.

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 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

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

Financial Expenses

	2018	2017	Change, %
Financial expenses, EURm	-24.5	-24.4	0.1
Financial income, EURm	1.4	2.1	-32.5
Net financial expenses, EURm	-23.1	-22.4	3.1
Average interest rate*, %	2.19	2.60	-

* Excluding hybrid loan.

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%

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	2018	2017	Change, %
Acquisition of properties	2.3	18.4	-87.5
Organic growth projects	56.1	61.7	-9.2
Modernizations	12.3	8.5	44.9
Other investments	3.9	1.5	167.9
Total CAPEX incl. acquisitions	74.7	90.1	-17.2
CAPEX by segment:			
Finland	59.0	29.8	98.3
Baltic Rim	12.6	47.8	-73.7
Scandinavia	3.0	12.5	-75.9
Total CAPEX incl. acquisitions	74.7	90.1	-17.2
Divestitures	1.2	87.7	-98.6

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 on the left.

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 on the left.

Capital Expenditure and Cash Flow

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.

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

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".

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.

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.

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.

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%.

EBITDA decreased year-on-year, mainly due to Group administrative cost allocations, in the fourth quarter.

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.

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.

EBITDA decreased year-on-year, also due to Group administrative cost allocations, in the fourth quarter.

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

Segment Information

Finland	2018	2017	Change, %
Net sales, EURm	110.9	117.7	-5.7
Property income, EURm	89.5	97.5	-8.2
Service income, EURm	21.4	20.2	6.3
EBITDA, EURm	52.3	61.5	-14.9
EBITDA margin, %	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.

Baltic Rim	2018	2017	Change, %
Net sales, EURm	40.5	36.0	12.4
Property income, EURm	35.3	32.5	8.6
Service income, EURm	5.2	3.6	46.4
EBITDA, EURm	23.5	21.5	9.7
EBITDA margin, %	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.

Scandinavia	2018	2017	Change, %
Net sales, EURm	25.9	26.0	-0.4
Property income, EURm	23.9	24.4	-2.0
Service income, EURm	2.0	1.6	24.3
EBITDA, EURm	12.1	14.1	-14.1
EBITDA margin, %	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.

Organic Expansion

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

- 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 presented table on the left.

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 m² 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 m² 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 m² in rentable area, bringing the total to 20,500 m² 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%). 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 m² 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 m² 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

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.

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

Other Markets

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

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.

Other Markets

	SWE	NOR	EST	LIT	RUS
%	Gothenburg	Oslo	Tallinn	Vilnius	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.

larger than ever with approximately 1,168,000 m^2 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 m^2 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 m^2. 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 m^2 and the weakest demand is currently seen for offices sized between 150 and 300 m^2. 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 m^2. It is expected that during 2019–2020, the Vilnius office market will increase by approximately 217,600 m^2 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 m^2, 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.

Key Sustainability Indicators	2018	2016	Change,%	Target 2025
CO_2 emissions, CO_2e kg/m^2	23.4	29.8	-21%	-30%
Energy consumption, total, kWh/m^2	201.8	203.3	-1%	-10%
Energy consumption, building energy, (kWh/m^2)	138.8	140.8	-1%	-10%

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-emissions.

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

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 Review of the Board of Directors and the annual report 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

Trading

Share trading	2018	2017	Change %
Lowest price, EUR	3.58	2.96	20.9
Highest price, EUR	5.99	4.20	42.6
Closing price (end of period), EUR	4.65	4.18	11.2
Volume weighted average price, EUR	4.55	3.73	22.0
Share turnover, million shares	211.1	72.0	193.2
Share turnover, EURm	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

the application in respect of the aforementioned 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

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.

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.

In Helsinki, February 27, 2019.

Technopolis Plc
Board of Directors

Five-Year Review

	2018	2017	2016	2015	2014
Summary of income statement					
Net sales	177,359	179,712	172,076	170,566	161,678
Other operating income	884	17	430	51	536
EBITDA	88,005	97,086	93,068	93,011	87,169
Operating profit	105,465	121,359	89,346	88,868	42,865
Profit before taxes	82,214	98,994	64,222	55,127	630
Net profit for the year attributable to parent company shareholders	61,557	76,531	44,639	44,779	-11,737
Summary of balance sheet					
Total assets	1,752,788	1,719,790	1,823,684	1,562,130	1,502,929
Completed investment properties	1,606,360	1,537,940	1,624,179	1,426,013	1,378,360
Investment properties under construction	58,298	58,001	22,585	40,385	26,453
Cash and bank	23,756	71,753	128,027	39,378	28,270
Shareholders' equity	710,211	764,883	719,283	610,779	575,610
Interest-bearing liabilities	892,810	804,955	825,844	864,838	841,909
Key indicators and financial ratios					
Change in net sales, %	-1.31	4.44	0.89	5.50	27.98
Change in EBITDA, %	-9.35	4.32	0.06	6.70	35.94
Operating profit/net sales, %	59.46	67.53	51.92	52.10	26.51
Return on equity (ROE), %	9.51	11.49	7.52	8.44	-0.50
Return on investment (ROI), %	6.71	7.58	5.71	6.11	3.33
Return on capital employed (ROCE), %	5.30	5.73	5.65	6.05	5.74
Equity ratio, %	40.76	44.79	39.69	39.31	38.50
Net debt/equity (gearing), %	122.37	95.86	115.64	135.15	141.35
Interest coverage ratio	3.90	4.34	3.72	3.27	4.74
Loan to value, %	53.25	50.10	58.18	58.78	59.70
Cash flow from operations/share, EUR	0.29	0.47	0.46	0.52	0.55
Gross capital expenditure on non-current assets	134,562	77,461	221,021	88,965	69,061
Employees in Group companies, average	227	234	248	239	214

	2018	2017	2016	2015	2014
Share-related indicators [1,2]					
Earnings/share, undiluted, EUR	0.39	0.46	0.31	0.33	-0.13
Earnings/share, adjusted for dilutive effect, EUR	0.39	0.46	0.31	0.33	-0.13
Equity/share, EUR	4.15	4.06	3.75	3.79	3.63
Average issue-adjusted number of shares, basic	156,907,364	156,873,264	130,247,085	121,293,778	121,825,207
Average issue-adjusted number of shares, diluted	156,907,364	156,873,264	130,247,085	121,293,778	121,825,207
Issue-adjusted number of shares, at Dec 31	156,915,219	156,890,289	156,846,091	120,392,306	121,902,486
Market capitalization of shares, EUR	738,390,528	663,757,507	497,024,162	397,288,387	392,507,392
Share turnover, million shares	211.10	71.96	49.75	32.86	28.39
Share turnover/average number of shares, %	134.54	45.87	38.19	31.13	26.78
Share prices, EUR					
Highest price	5.99	4.20	3.48	4.04	4.09
Lowest price	3.58	2.96	2.89	2.97	3.00
Volume weighted average price	4.55	3.73	3.16	3.36	3.68
Price at Dec 31	4.65	4.18	3.13	3.25	3.22
Dividend/share, EUR [3]	0.00	0.09	0.12	0.15	0.13
Equity repayment/share, EUR [3]	0.00	0.08	-	-	-
Dividend payout ratio, % [3]	0.00	37.02	38.94	44.55	-
Effective dividend yield, % [3]	0.00	4.07	3.83	4.56	4.05
Price/earnings (P/E) ratio	11.85	8.57	9.13	8.79	-24.16

[1] Share-related indicators have been adjusted for the rights issue in fall 2016

[2] Own shares held by the company (1,878,443 shares) are excluded from the number of shares

[3] Board's proposal to the AGM.

	2018	2017	2016	2015	2014
EPRA and property key figures					
Rentable area, sqm	719,000	701,900	746,400	740,400	742,000
EPRA Earnings	50,764	60,628	52,637	54,955	55,901
Change in EPRA Earnings, %	-16.27	15.18	-4.22	-1.69	38.10
EPRA Earnings per share	0.32	0.39	0.40	0.45	0.46
Financial occupancy rate, %	95.80	96.10	93.40	94.60	94.70
EPRA Vacancy Rate	4.20	3.90	6.60	5.40	5.30
EPRA Like-for-like rental growth	1.04	5.40	-0.58	0.42	-1.71
Net rental income of property portfolio (EPRA Net Initial Yield), %	7.17	7.24	7.35	7.74	7.50
Net asset value (EPRA Net Asset Value)	744,065	717,990	665,160	492,274	479,345
Net asset value per share (EPRA NAV per share)	4.74	4.58	4.24	4.09	3.93

Consolidated Income Statement

	Note	2018	2017
Property income	1, 2	148,644	154,324
Service income	1, 2	28,715	25,388
Net sales total	**1, 2**	**177,359**	**179,712**
Other operating income	2	884	17
Premises expenses	3	-38,671	-39,372
Administration costs	4	-21,101	-14,727
Other operating expenses	6	-30,466	-28,544
EBITDA		**88,005**	**97,086**
Change in fair value of investment properties	12	21,355	28,332
Depreciation	5	-3,895	-4,059
Operating profit		**105,465**	**121,359**
Unrealized exchange rate profit/loss	7	-425	-497
Financial income and expenses	7	-22,653	-21,881
Share in associate profits	15	-173	13
Result before taxes		**82,214**	**98,994**
Deferred taxes	8	-8,959	-9,284
Current taxes	17	-3,102	-4,474
Net result for the period		**70,153**	**85,237**
Distribution of earnings for the year			
To parent company shareholders		61,557	76,531
To non-controlling interests	14	8,595	8,706
Total		**70,153**	**85,237**
Earnings per share, basic, EUR		0.39	0.46
Earnings per share, diluted, EUR		0.39	0.46

Consolidated Statement of Comprehensive Income

	Note	2018	2017
Net result for the period		70,153	85,237
Other comprehensive income items			
Items that may be reclassified subsequently to profit and loss:			
Translation differences	8, 20, 22	-12,769	-12,283
Change in fair value	7, 8, 16	-275	4
Derivatives	8	-4,079	8,095
Taxes related to other comprehensive income items	8	724	-1,655
Other comprehensive income items after taxes		**-16,398**	**-5,839**
Comprehensive income for the period, total		**53,754**	**79,397**
Distribution of comprehensive earnings for the period			
To parent company shareholders		45,159	70,896
To non-controlling interests	14	8,595	8,502
Total		**53,754**	**79,397**

Consolidated Balance Sheet

	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Non-current assets			
Intangible assets	10	6,763	5,438
Tangible fixed assets	11	5,869	5,662
Completed investment properties	12	1,606,360	1,537,940
Investment properties under construction	12	58,298	58,001
Advance payments and projects in progress	13	11,848	10,650
Holdings in associates	15	5,027	5,210
Investments and receivables	16	729	1,141
Deferred tax assets	17	14,296	13,092
Total non-current assets		**1,709,191**	**1,637,134**
Current assets			
Sales receivables	18	7,568	4,365
Other current receivables	18	12,274	6,538
Cash and cash equivalents	19	23,756	71,753
Total current assets		**43,597**	**82,656**
ASSETS, TOTAL		**1,752,788**	**1,719,790**
EQUITY AND LIABILITIES			
Equity	20		
Share capital		96,914	96,914
Premium fund		18,543	18,543
Invested unrestricted equity fund		322,810	335,362
Other reserves		-9,928	-6,299
Equity related bond		0	74,221
Translation differences		-36,115	-23,346
Retained earnings		197,014	139,241
Net profit for the year		61,557	76,531
Parent company's shareholders' share of equity		**650,795**	**711,166**
Share of non-controlling interests in equity	14	59,416	53,717
Total equity		**710,211**	**764,883**
Liabilities			
Deferred tax liabilities	17	85,538	77,941
Non-current finance lease liabilities	21, 22	1,738	6,115
Other non-current liabilities	21, 22	247,489	617,681
Non-current liabilities, total		**334,764**	**701,738**
Current finance lease liabilities	21, 22	5,450	1,694
Accounts payable	21, 22	11,765	3,088
Other current financial liabilities	21, 22	690,599	248,386
Current liabilities, total		**707,814**	**253,168**
Total liabilities		**1,042,577**	**954,906**
EQUITY AND LIABILITIES, TOTAL		**1,752,788**	**1,719,790**

Consolidated Statement of Cash Flows

	Note	2018	2017
Cash flows from operating activities			
Net result for the period		70,153	85,237
Adjustments:			
Change in value of investment properties	12	-21,355	-28,332
Depreciation	5	3,895	4,059
Share in associate profits	15	173	-13
Gains from disposals			397
Other adjustments for non-cash transactions		703	874
Financial income and expenses	7	22,753	21,891
Taxes	8, 17	12,062	13,757
Change in working capital		-10,798	2,650
Interest received	7	577	773
Dividends received	7	4	109
Interest paid and fees		-13,373	-16,799
Other financial items in operating activities	7	-10,952	-7,592
Taxes paid	8, 17	-7,684	-2,628
Cash flows from operating activities		**46,157**	**74,382**
Cash flows from investing activities			
Investments in investment properties	1	-59,867	-73,680
Investments in tangible and intangible assets	1	-4,547	-1,204
Investments in other securities		-6	
Loans granted		-851	
Repayments of loan receivables	21, 22	2	7
Proceeds from sale of investments		1,095	25
Proceeds from sale of tangible and intangible assets and investment properties		1,219	39,122
Acquisition of subsidiaries	24	297	-5,798
Shares in subsidiaries sold		0	56,886
Increase / decrease of cash equivalents		41	
Cash flows from investing activities		**-62,617**	**15,358**
Cash flows from financing activities			
Redeem of hybrid bond		-75,000	
Increase in long-term loans	21, 22	163,511	15,973
Decrease in long-term loans	21, 22	-148,110	-89,175
Sale of subsidiaries, no change in control			1,134
Dividends paid and return of capital	14	-29,644	-20,447
Interest paid to equity related bond	22	-5,625	-5,625
Acquisition of subsidiaries, no change in command		-12,629	
Change in short-term loans	21, 22	77,473	-48,287
Cash flows from financing activities		**-30,024**	**-146,427**
Change in cash and cash equivalents	**19**	**-46,483**	**-56,687**
Impact of exchange rate changes		-1,513	413
Cash and cash equivalents at period-start		71,753	128,027
Cash and cash equivalents at period-end		**23,756**	**71,753**

Statement of Changes in Equity

	Equity attributable to owners of the parent										
	Share capital	Premium fund	Invested unrestricted equity fund	Hedging instrument reserve	Fair value reserve	Equity related bond	Translation differences	Retained earnings	Equity attributable to owners of the parent	Share of non-controlling interests	Total shareholders' equity
Equity January 1, 2018	**96,914**	**18,543**	**335,362**	**-6,511**	**212**	**74,221**	**-23,346**	**215,772**	**711,166**	**53,717**	**764,883**
Comprehensive income											
Net profit for the period								61,557	61,557	8,595	70,153
Other comprehensive income items											
Translation difference							-12,769		-12,769	0	-12,769
Derivatives				-3,417					-3,417		-3,417
Change in fair value					-212				-212		-212
Comprehensive income for the period				**-3,417**	**-212**		**-12,769**	**61,557**	**45,159**	**8,595**	**53,754**
Related party transactions											
Dividend								-14,120	-14,120	-2,899	-17,019
Return of capital			-12,551					-4,500	-17,051		-17,051
Redemption of hybrid bond						-74,221		-779	-75,000	0	-75,000
Other changes									0	3	643
Related party transactions			**-12,551**					**641**	**-106,171**	**-2,896**	**-108,427**
Equity December 31, 2018	**96,914**	**18,543**	**322,810**	**-9,928**	**0**	**0**	**-36,115**	**258,571**	**650,795**	**59,416**	**710,211**
Equity January 1, 2017	**96,914**	**18,542**	**335,360**	**-12,951**	**208**	**74,221**	**-11,266**	**161,010**	**662,037**	**57,246**	**719,283**
Comprehensive income											
Net profit for the period								76,531	76,531	8,706	85,237
Other comprehensive income items											
Translation difference							-12,079		-12,079	-204	-12,283
Derivatives				6,440					6,440		6,440
Available-for-sale financial assets					4				4		4
Comprehensive income for the period				**6,440**	**4**		**-12,079**	**76,531**	**70,896**	**8,502**	**79,397**
Related party transactions											
Dividend								-18,820	-18,820	-1,385	-20,205
Interest paid to equity related bond								-4,500	-4,500		-4,500
Investment of non-controlling interests								1,252	1,252	-10,646	-9,394
Other changes		1	2					299	301	1	302
Related party transactions		**1**	**2**					**-21,769**	**-21,767**	**-12,030**	**-33,797**
Equity December 31, 2017	**96,914**	**18,543**	**335,362**	**-6,511**	**212**	**74,221**	**-23,346**	**215,772**	**711,166**	**53,717**	**764,883**

Accounting Policies Applied in the Preparation of the Consolidated Financial Statements

Company Information

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 operates in Finland in the Oulu region, the Helsinki Metropolitan Area, Kuopio, and Tampere; in St. Petersburg in Russia, in Tallinn in Estonia, in Vilnius in Lithuania, in Oslo in Norway, in Gothenburg and in Stockholm in Sweden and in Copenhagen in Denmark. The Group's parent company is Technopolis Plc. The company is domiciled in Oulu, Finland, and its registered address is Elektroniikkatie 8, FI-90590 Oulu.

The Board of Directors of Technopolis Plc has approved the publication of the consolidated financial statements on February 27, 2019. A copy of the consolidated financial statements is available on the website of Technopolis Plc at www.technopolis.fi/investors. Under the Finnish Companies Act, shareholders have the option to accept, amend or reject the financial statements at the Annual General Meeting, which is held after the publication of the financial statements.

Accounting Policies Applied in the Preparation of the Consolidated Financial Statements

The consolidated financial statements of Technopolis Plc have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements 2018 comply with the IAS (International Accounting Standards) and IFRS effective as of December 31, 2018, together with the interpretations of the SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) adopted by European Union. Accounting policies for comparison year 2017 can be found in financial statement 2017. Figures in the financial statements are presented in thousands of euros.

In the consolidated financial statements investment properties, financial assets and liabilities measured at fair value through profit and loss and derivatives are measured at fair value. In other respects, the consolidated financial statements are produced on the historical cost basis.

Scope of Consolidated Financial Statements

The consolidated financial statements include the parent company, Technopolis Plc, and those subsidiaries in which the parent company directly or indirectly controls more than 50% of the voting power of the shares or otherwise exercises control. The Group has control over an investment when it has the right and ability to control the significant functions of the investment, and when it has exposure or rights to the investee's variable returns and the ability to affect those returns through power over an investee. Technopolis Plc has control over all consolidated subsidiaries on the basis of voting power. Associated companies are companies in which Technopolis Group exerts significant influence. Significant influence exists when the Group owns more than 20% of the company's voting power or when it otherwise exerts significant influence but not control.

The purchase method has been used in eliminating the mutual shareholdings of Group companies. Pursuant to an exemption permitted under IFRS 1 First-time Adoption of International Financial Reporting Standards, the Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations that predate the transition to IFRS (January 1, 2004). Business combinations subsequent to the transition date implemented prior to January 1, 2010, comply with the IFRS 3 standard in force at the time, and as of January 1, 2010, the Group has applied the revised IFRS 3 standard in accordance with which all acquisition-related expenses are recognized in the statement of income as expenses. A conditional additional purchase price must be recognized at fair value, even if the materialization of the additional purchase price is not assumed to be probable at the time of the acquisition. Any changes in the conditional purchase price liability that have taken place after the time of acquisition are recognized through profit and loss.

IFRS 3 Business Combinations standard is applied to the acquisition of an investment property if the acquired entity comprises a single business entity that can be managed and administered as an independent entity. When the company determines whether the acquisition is a separate business, the criteria applied include the following factors: are employees transferred with the acquired company, does the acquired entity manage its customer accounts independently, and does the acquired entity make up a clear separate business entity. If the above criteria are met, IFRS 3 is applied to the acquisition of the investment property, otherwise the IAS 40 Investment Property standard is applied. With regard to acquisitions to which the IFRS 3 standard has been applied, the identifiable assets, liabilities and contingent liabilities are measured at fair value on the acquisition date. If the cost of an acquired company on the acquisition date exceeds the Group's share of the fair value of the acquired company's net assets, the difference is recognized as goodwill. All subsidiaries established or acquired during the fiscal year have been consolidated from the point in time when control over them was established. Changes in ownership of subsidiaries, associated companies or joint ventures are recognized directly in the Group's shareholders' equity. As a result of the standard revision, losses of a subsidiary can be allocated to non-controlling owners even when they exceed the value of their investments.

If the Group has acquired an investment property that is not a business combination referred to in IFRS 3, the investment property has been measured at acquisition cost at the time of acquisition. The acquisition cost of the acquired investment property includes the purchase price and direct expenses of the acquisition, such as related expert fees, asset transfer taxes and other transaction costs.

All intra-group transactions, balances and profit distribution have been eliminated. The distribution of net profit for the period between parent company shareholders and non-controlling interest is presented in the income statement, and the equity attributable to non-controlling interests is presented separately under equity. The distribution of comprehensive income between parent company shareholders and non-controlling interests is presented in the statement of comprehensive income.

Associates have been consolidated using the equity method of accounting. The Group's portion of the net profit/loss for the year of associates, less depreciation, is presented in the income statement under financial income. If the Group's portion of an associate's loss exceeds the carrying amount, any losses in excess of the carrying amount are not consolidated unless the Group is committed to fulfilling the obligations of the associates.

Mutual real estate companies have been consolidated by proportional consolidation, with the balance sheets, income statements and statements of comprehensive income of the mutual property companies being consolidated proportionally to the Group's holding, line by line, with the corresponding lines in the consolidated financial statements. If the income statements or statements of comprehensive income and the balance sheets of subsidiaries consolidated by proportional consolidation contain items that are exclusively attributable to the Group or to other owners, they have also been taken into account accordingly in the consolidated financial statements. These cases do not constitute a non-controlling interest.

Foreign Currency-Denominated Business Transactions

The figures concerning the result and financial position of the Group's unit are denominated in the currency of each unit's main business environment (the "functional currency"). The consolidated financial statements are disclosed in euros, which is the functional and presentation currency of the Group's parent company. In addition to the euro, the Group has items denominated in U.S. dollars, Russian rubles, Norwegian krones, Swedish kronas and Danish krones.

Foreign currency-denominated business transactions are recognized in the functional currency, using the exchange rate of the transaction date. Foreign currency-denominated monetary balances are converted to euros using the exchange rates of the balance sheet date. Foreign currency-denominated non-monetary items are valued using the exchange rate of the transaction date, except for items at fair value, which are converted to euros using the exchange rates of the valuation date.

Gains and losses arising from foreign currency-denominated business transactions and from the translation of monetary items have been recognized in the income statement under financial income and expenses. Exchange rate gains and losses from business operations are included in the corresponding items before operating profit.

Income and expense items of the Group companies' income statements are converted to euros using the average rate of the financial period and balance sheets using the exchange rate of the balance sheet date, which results in translation differences recognized in shareholders' equity on the balance sheet, with the result recognized in other comprehensive income. Translation differences from the elimination of foreign subsidiaries' acquisition cost and equity items accumulated after acquisition are recognized in other comprehensive income. Translation differences from the sale of a subsidiary or loss of control are recognized in the income statement as part of the capital gain or loss.

The Group has a Russian subsidiary in St. Petersburg that uses the Russian ruble as its functional currency and six subsidiaries in Oslo that use the Norwegian krone as their functional currency, two subsidiaries in Sweden that use the Swedish krona as their functional currency as well as one subsidiary in Denmark that uses Danish krone as its functional currency.

Net sales

The Group's net sales primarily consist of real estate rental revenues i.e. property income and service income derived from business operations. Net sales are adjusted for indirect taxes and the translation difference of foreign currency-denominated sales.

Most of the property revenues have been recognized as income in accordance with IAS 17 Leases through profit and loss on a straight-line basis over the entire lease term. The rents paid by some customers are "contingent rents," with the rent based on the lessee's net sales. Because the final rent based on net sales is confirmed only after the financial period has ended, rents tied to net sales are recognized during the financial period based on contracts and balanced according to the actual rents at the end of the financial period. IFRS 16 Leases standard that will be effective from the beginning of 2019 will replace the IAS 17 standard. This change will have no effect on Group net sales nor the recognition principles.

The Group's service income includes revenues from reception, cleaning, maintenance, meeting, ICT and catering services, as well as membership fees for coworking spaces. The service income is being recognized in accordance with IFRS 15 standard effective from the January 1, 2018 (previously in accordance with IAS 18 Revenue standard). The adoption of the standard did not have an effect on the Group's revenue recognition principle or the Group's retained earnings. The customer simultaneously receives and consumes the service, and the company fulfills the performance obligation as the services are produced. Service income is recognized over time or once the service has been performed. Relative transaction prices are defined for services through the related contracts.

The Group has cleaning and ICT service sections in which the provision of the service is provided by another parties. However, the Company is responsible for service provision, meaning that it acts as the principal for these services. If the company does not have control over the service before its delivery to the customer, the company is acting as an agent and will recognize only its net income from the service under net sales.

Public Subsidies

Public subsidies are recognized when there is reasonable assurance that the entity complies with the conditions attaching to them and that the subsidies will be received. The subsidies received for various development programs have been recognized in other operating income. The expenses relating to development programs are recognized under other operating expenses and personnel expenses.

Intangible Assets and Tangible Fixed Assets

Intangible assets and items of property, plant and equipment are measured at the original acquisition cost, less accumulated depreciation, and they are depreciated over their useful lives according to pre-established depreciation plans. Intangible rights are depreciated on a 20% straight-line basis, and machinery and equipment on a 25% straight-line basis.

Additional expenses arising later are capitalized if it is likely that they will cause future economic benefit to the company and they can be reliably determined and allocated to an asset. Otherwise, they are recognized as an expense in the income statement.

R&D expenditure is recognized in the income statement as expenses. Development expenses arising from the planning of new and significantly enhanced products are capitalized as intangible assets on the balance sheet when the development phase expenditure can be reliably determined, and the Group can show how the product will probably generate future economic benefit. Development expenses are mainly related to the development of software customized for the Group and the development of new service packages pursuant to the Technopolis concept. Capitalized R&D expenditure includes material, work and testing expenses and any capitalized borrowing costs that are directly due to finishing the product for the intended use. R&D expenditure previously recognized as expenses will not be subsequently capitalized.

The useful lives of intangible assets and tangible fixed assets are reviewed annually and their carrying amounts are assessed for possible depreciation. If there is any indication of depreciation, the recoverable amount of the asset involved is evaluated. The recoverable amount of unfinished intangible assets is additionally estimated annually regardless of whether there are indications of impairment.

The recoverable amount is the higher of the fair value of the asset less sales-related expenses or service value. Service value refers to the estimated future net cash flows from the asset or cash-generating unit discounted to their current value. The discount rate applied is the interest rate before tax, which illustrates the market view of the time value of money and special risks related to the asset.

If the carrying amount of an asset is found to be higher than the cash it will generate in the future, a depreciation loss will be recognized as an expense for the period. If a depreciation loss later proves unwarranted, it can be reversed by recognizing it in profit and loss. However, the reversal of a depreciation loss cannot exceed the depreciation of the asset recognized previously, and in cases where goodwill is recognized, a depreciation loss made in goodwill is irreversible.

On the balance sheet date, the Group had no intangible assets with indefinite useful lives or goodwill that would need to be subjected to annual depreciation testing.

Investment Properties

Investment properties are those that the Group holds in order to obtain rental revenues or an increase in asset value. They include buildings and developed/undeveloped land owned by the Group. They also include properties held under a capital lease. Investment properties are measured at fair value. Technopolis Group keeps for its own use only small offices in buildings that can otherwise be defined as investment properties, for which reason the premises in Technopolis' own use have not been recognized separately at acquisition cost, but are included in the fair value calculation.

Changes in the value of investment properties are entered into the income statement as a separate item. Aside from the change in the value of properties owned throughout the year, the change in the fair value of investment properties was due to the determination of properties completed during the fiscal year at fair value and the increases in acquisition cost recognized by special purpose entities during the fiscal year. Increases in acquisition costs consist of the capitalization of renovation investments in the properties.

Fair Value Accounting Model and Valuation Process

In calculating the fair value of investment properties, the aim is to determine the prices paid on an active market at the time of the review for properties that are equivalent in terms of type, location, condition or lease structure. If comparable prices cannot be found on active markets, the fair value can be determined by adapting the prices of active markets to correspond to the time of the review and the situation at hand, or by determining the prices from cash flows based on estimated future revenues.

The fair value accounting model applied by the Group is based on the cash flow analysis determined specifically for each property, in which the fair value of an investment property is determined by discounting the net cash flow of future income and expenses to the present day. The net cash flow consists of future rental revenues. All future income is based on existing agreements. Existing agreements are assumed to terminate upon expiry of the notice period following the first possible date for giving notice of termination. After this, the premises are assumed to be leased at market rates. The market rates used by the company are based on actual rents for each of the premises and properties. The stable financial occupancy rate strengthens the rents internally defined by the company as being market rates. Market rents are also defined for premises that are vacant at the valuation date. A vacancy rate is defined specifically for each property annually over the entire accounting period. In addition to income from the rental of premises, site-specific income is considered to include payments for usage, income from car parking and income from conference room rentals. Rents and market rents are raised annually by the expected inflation rate.

The net cash flow consists of future rental revenues adjusted by the vacancy rate, less annual management and maintenance costs. A long-term maintenance plan has been specified for each company and included annually in the calculation of net cash flow. The net cash flows from estimated future income and expenses are discounted to the present day using a discount rate derived from the net yield requirement and the expected inflation rate. The yield requirements are calculated by two independent appraisal agencies for each individual region quarterly. The yields are calculated by taking the average of the upper and lower ranges reported by these organizations. The current value of the residual value at the end of the fiscal year is added to the net present value of the net cash flow.

Undeveloped land areas are primarily measured at acquisition cost. If the acquisition cost is essentially different from the value of building rights, the land area is measured on the basis of the building rights.

The Company analyses the property-specific calculations internally and assesses the parameters used both with the regional manager and the Group administration. The valuation model and the parameters applied therein have been audited by a third-party property assessor (AKA). Additionally, the Group may, at its discretion, request appraisals from its most significant properties and undeveloped land areas from third-party assessors to support its own calculations.

Investment Properties Under Construction

Acquisition costs related to the construction of an investment property accumulated during the construction period, any related plot rents, interest expenses and costs of employee benefits are capitalized on investment properties under construction on the balance sheet. Investment properties under construction are then valued at their fair value according to the degree of completion, provided that the fair value can be reliably determined. The fair value of investment properties under construction is determined using the same fair value accounting model as the fair value of completed investment properties. Changes in the fair value of investment properties under construction are recognized in the income statement. Investment properties under construction are presented separately from completed investment properties and transferred to completed investment properties at their fair value upon commissioning.

Fair Value Measurement

In the consolidated financial statements, investment properties, assets measured at fair value through profit and loss and derivative contracts are measured at fair value.

Assets measured at fair value categorized into hierarchy level 1 are based on the quoted (unadjusted) prices in active markets for identical assets at the measurement date, such as share prices on the Nasdaq Helsinki stock exchange. The fair values of level 2 assets or liabilities are measured using other input data than quoted prices on level 1, for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly. The fair value of these instruments is measured on basis of generally accepted valuation techniques that primarily use inputs based on observable market data. The fair values of level 3 assets, on the other hand, are based on inputs concerning the asset which are not based on observable market data (non-observable inputs) but to a significant extent on assumptions made by the management and their use in generally accepted valuation techniques.

Advance Payments and Projects in Progress

Capitalized additions of non-current assets in progress have been recognized under advance payments and projects in progress. These include modernizations of investment properties and any other projects that are to be recognized as being in progress until they are completed.

Leases

Leases are classified as finance leases and operating leases, depending on the extent to which the risks typically related to the ownership of the leased asset are to be carried by the lessee or the lessor. Finance leases are those that substantially transfer all of the risks and rewards incidental to the ownership of the asset to the lessee. If the risks and rewards incidental to the ownership of the asset are not transferred, the lease is classified as an operating lease. Operating leases are recognized through profit and loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the lease's actual nature.

Group as a Lessor

Leases in which the risks and rewards incidental to ownership remain with the lessor are treated as operating leases. All of the Group's leases are operating leases. The majority of rental revenues are entered in the income statement on a straight-line basis during the term of the lease. The rents paid by some customers are based on the lessee's net sales. All rental revenues are recognized in net sales. The Group does not have lease premises under long-term leases that are classified as leases.

Group as a Lessee

Leases in which the risks and rewards incidental to ownership are not transferred to the lessee are treated as operating leases.

Lessees recognize finance leases at their commencement as balance sheet assets and liabilities at their fair value or at the current value of minimum leases, whichever is lower, and they are removed from the balance sheet at the time when the assets are expected to be capitalized. The rents to be paid are divided between financial expenses and a decrease in liabilities.

Group companies are lessees of premises on long-term leases that are classified as finance leases. In these cases, the risks and rewards incidental to ownership of the premises have substantially been transferred to the Group.

Shareholders' Equity

Shares issued before 2010 are presented as share capital. Assets received as consideration for shares issued after this are registered in the company's unrestricted equity reserve. Expenses related to the issue or purchase of equity instruments are presented as a reduction of shareholders' equity. The parent company has repurchased equity instruments, and the acquisition cost of the instruments has been deducted from shareholders' equity.

The equity bond, or hybrid bond, is a liability presented under shareholder's equity in the Group's financial statements. The hybrid bond is subordinate to other debt obligations. The bondholders have no rights belonging to shareholders, and it does not dilute the shareholdings of the existing shareholders. Costs associated with the issuance or acquisition of equity instruments are recognized as a decrease in shareholders' equity less tax effects. In March 2018, Technopolis redeemed the EUR 75 million hybrid bond in accordance with the terms and conditions of the bond.

Financial Assets and Liabilities

Technopolis Group's financial assets are classified into the following categories in accordance with IFRS 9 *Financial Instrument standard:* financial assets measured at fair value through profit and loss and financial assets at amortized cost. The classification is made according to the purpose of the acquisition of the financial assets, and they are classified in connection with the original acquisition. Financial instruments are initially recognized at fair value based on the consideration received or paid. Transaction costs are included in the initial accounting value of financial assets for items that are not measured at fair value through profit and loss. All purchases and sales of financial assets are recognized on the transaction date. For additional information about financial assets, see Note 22.

Financial assets are derecognized from the balance sheet when the Group has lost its contractual right to cash flows or it has substantially transferred the risks and rewards to a non-Group party.

The items in this group are recognized at fair value, and the fair values of all of the investments in this category are determined on the basis of quoted prices in active markets or generally approved option pricing models. Both realized and unrealized gains and losses from changes in fair value are recognized through profit and loss for the period during which they were incurred.

Short-term financial assets are measured at amortized cost. Fees related to sales receivables and other receivables are fixed or can be determined and not quoted in an active market. This group includes the Group's financial assets generated by conveying money, goods, or services to the debtor. They are measured at amortized costs and included in current and non-current financial assets; in the latter if they mature after more than 12 months. The Group recognizes an impairment loss for an individual receivable when there are objective indications that it will not be possible to collect the receivable in full.

Interest-bearing liabilities are recognized on the balance sheet at amortized cost by applying the effective interest method. Current interest-bearing liabilities include all interest-bearing liabilities maturing within 12 months, including commercial papers issued by the company.

Impairment of Financial Assets

Financial liabilities measured at fair value through profit and loss include derivatives not eligible for hedge accounting according to IFRS 9 Financial Instruments.

The Group recognizes an impairment loss for individual receivables when there are objective indications that it will not be possible to collect the receivable in full. The debtor having considerable financial difficulties, probability of bankruptcy, default on payments or delay of payment by more than 90 days are indications of the impairment of a receivable. The amount of impairment loss through profit and loss is determined as the difference between the book value of the receivable and estimated future cash flows. If the amount of the impairment loss decreases during a subsequent period and the decrease can be objectively considered to be related to an event taking place after the recognition of the impairment, the recognized loss is cancelled through profit and loss.

The Group estimates on the closing date of each reporting period whether there are indications of impairment of any individual items or group of financial assets. If there are indications of impairment, the loss accumulated in the revaluation fund is recognized through profit and loss.

Derivative Contracts and Hedge Accounting

The Group uses derivative contracts mainly to hedge interest rate risks. Interest rate derivatives are classified as hedging instruments of future interest flows, and the Group applies hedge accounting of cash flows to the contracts when the criteria for hedge accounting according to IFRS 9 are met. A change in the fair value of a derivative contract is recognized in other comprehensive income items to the extent that the hedging is effective. The non-effective proportion of hedging is immediately recognized in the income statement in financial items. If a derivative contract used as a hedging instrument is matured, sold or terminated prematurely but the generation of the interest flows of the hedged loans is still very probable, the gains and losses from interest rate swaps remain in shareholders' equity and are recognized in the income when the hedged interest flows are realized as income. If the generation of the hedged cash flows is no longer very probable, the gains and losses from interest rate swaps are immediately recognized from shareholders' equity to the income statement under financial income and expenses.

Derivative contracts that do not meet the criteria for hedge accounting are recognized through profit and loss. Such contracts are measured at fair value, and changes in their fair value are recognized in the income statement.

Borrowing Costs

Borrowing costs are recognized as expenses using effective interest method as for the financial period during which they were incurred. Borrowing costs that are capitalized include expenses due to loans raised for construction costs related to real estate development or expenses of construction projects multiplied by a financial expense factor if there is no separate loan allocated to the construction project in question. The financial expense factor is the weighted average interest rate of the Group's interest-bearing liabilities during the financial period, determined by quarter.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, demand deposits and other current, extremely liquid investments. Items classified as cash and cash equivalents have a maximum maturity of three months from the acquisition date.

Employee Benefits

Short-Term Employee Benefits

Salaries and bonuses are short-term employee benefits, and they are recognized as expenses for the financial period during which the work was performed.

Post-Employment Benefits

All of the Group's employees are included in defined contribution plans, and all contributions resulting from pension arrangements are recognized in the income statement for the fiscal year to which the contribution relates.

Provisions and Contingent Liabilities

A provision is recognized when the Group has a legal or actual obligation based on an earlier event, when materialization of the payment obligation is probable and the amount of the obligation can be reliably determined. The provisions are measured at the present value of the expenses required to cover them. If there is a possibility of obtaining compensation from a third party for part of the obligation, the compensation is recognized as a separate asset when its receipt is virtually certain. The amount of provisions is assessed on each balance sheet date and adjusted to correspond to the best estimate available at the time of assessment. The Group does not have such provisions.

A contingent liability is a potential liability resulting from earlier events, the existence of which only becomes certain when an uncertain event outside the control of the Group materializes. An existing obligation that probably does not require a payment obligation to be fulfilled or whose amount cannot be reliably determined is also classified as a contingent liability. Contingent liabilities are presented in the notes to the financial statements.

Taxes

Current taxes include the tax based on taxable income for the period, adjustments for previous years and changes in deferred taxes.

Deferred taxes are to be recognized based on the difference between the fair value of the property and its residual value that has not been deducted in taxation. Deferred tax assets arise when a Group company has losses confirmed in taxation. Deferred tax assets are recognized to the extent it is probable they can be utilized against future taxable income. The amounts of deferred tax assets resulting from losses are estimated annually upon the preparation of the financial statements. The estimates are based on the future yield expectations of the companies in question.

Changes in deferred taxes during the financial period are recognized in comprehensive income. Taxes related to other comprehensive income are presented in other comprehensive income. The corporate tax rate confirmed on the balance sheet date has been used in calculating deferred taxes.

Operating Profit

The Group has defined operating profit as follows: Operating profit is the net sum of the net sales figure, plus operating income, minus property maintenance expenses, administrative expenses, other operating expenses, depreciation and amortization expenses and any depreciation losses, as well as changes in the fair value of investment properties. All income statement items other than those listed above are presented under operating profit. Exchange rate differences are included in operating profit if they arise from business-related items; otherwise they are recognized in financial items.

Earnings per Share

The earnings per share figure is presented as basic earnings per share and adjusted for dilution. In calculating both basic and diluted earnings per share, the accrued interest of the equity bond less tax effects has been deducted from the net result for the period. The basic earnings per share is calculated using the parent company's average number of shares for the fiscal year. When the diluted earnings per share is calculated, the parent company's average number of shares for the year has been adjusted for the dilutive effect of additional shares resulting from the expected exercise of options. The exercise of options is excluded from the earnings per share calculations if the subscription price of an option-based share exceeds the shares' average market value during the year. The Group has no option plans in force. If the company has had a share issue during the current or preceding financial period, the average number of shares during the financial periods has been adjusted for the share issue in calculating earnings per share.

Related Party Transactions

A related party is a person or entity that is a party related to the reporting entity. A related party relationship exists if one of the parties exerts control or joint control or significant influence over the decision-making of the other party. In the Group, the related parties include the parent company, subsidiaries, associates and joint ventures. Additionally, related parties include board of Directors of the parent company and the members of the Group management team and their next of kin and companies in which such individuals exert control or joint control. The Group management includes the members of the Board of Directors and CEO and the members of the Group's Management Team.

Use of Estimates

When preparing financial statements, the Group management is required to apply the accounting policies at its discretion and make assumptions and estimates that affect the contents of the financial statements. The most important estimates are related to the parameters used in calculating the fair value of investment properties. The single most important variable that may have an essential impact on the fair value of investment properties is the market yield requirement. The yield requirement applied by the company in the fair value model is the average of the upper and lower ranges reported by two independent appraisal agencies for each individual region. When determining the fair value of investment properties, the management is also required to make assumptions concerning land rents, occupancy rates and facility maintenance costs. When doing so, the management makes use of the best knowledge available at the time when the accounts are closed. Actual future values may differ from current projections. For additional information on changes in fair value, see Note 12.

In preparing the financial statements, the Group management also needs to assess the amount of deferred tax assets resulting from losses on the consolidated balance sheet. The amount of recorded deferred tax assets is based on an assessment of the expected taxable future revenues of the loss-making subsidiaries.

When new investment properties are acquired, the Group's management assesses whether they are business combinations, as referred to in IFRS 3, or acquisitions of individual assets. The basis for the assessment is explained in more detail under "Scope of Consolidated Financial Statements" in the section on accounting policies.

Application of New or Amended International Financial Reporting Standards

IFRS 9 Financial Instruments

IFRS 9 replaces the earlier guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 15 Revenue from Contracts with Customers

The new standard has replaced earlier IAS 18 and IAS 11 standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard has also introduced extensive new disclosure requirements. The Group has adopted the standard in accordance with the cumulative effect principle.

Amendments to IAS 40 - Transfers of Investment Property

When making transfers of an investment property, the amendments clarify that a change in management's intentions, in isolation, provides no evidence of a change in use. The examples of evidences of a change in use are also amended so that they refer to property under construction or development as well as to completed property.

Adoption of new and amended standards in future financial years

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019)

The new standard replaces the current IAS 17 standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value about USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting.

The most significant change in group accounting related to IFRS 16 is the leases of plots of land, which will be recognized on the balance sheet in accordance with the new standard, whereas previously they have been off-balance sheet liabilities. Right-of-use assets related to leases of land will be recognized on the balance sheet as part of investment properties. The value of a right-of-use asset will change over time, with lease payments decreasing and discount rates changing. Changes in the value of the right-in-use asset will be recognized as changes in fair value on the income statement. Other leases, such as leases on printers and lobby displays, will also be recognized as right-of-use assets and lease payment liabilities on the balance sheet. The standard was adopted as of January 1, 2019, and the accumulated impact will be recognized in retained earnings on the date of application. The Group estimates that it will recognize in the opening balances of financial year 2019 an increase to assets of MEUR 59 and an increase to liabilities of MEUR 58.

IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial years beginning on or after 1 January 2019)

The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment.

When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment.

Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for financial years beginning on or after 1 January 2019)
The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures* (effective for financial years beginning on or after 1 January 2019)
The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

The impact of other new or revised standards on the financial statements is considered to be insignificant.

* = not yet endorsed for use by the European Union as of 31 December 2018.

Notes to the Consolidated Financial Statements

1. SEGMENT REPORTING

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 during financial year 2017. The operating segments combined into the Baltic Rim reporting segment are the St. Petersburg, Vilnius and Tallinn business units, whereas the Scandinavian reporting segment is comprised of the Oslo and Gothenburg business units, 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 mainly of rental and service income. Service income include revenues from UMA Coworking network.

The Group management monitors the net sales and EBITDA levels of the segments. EBITDA presents the company's profit for the period before depreciation, changes in the value of investment properties, financial income and expenses, and income tax. The Group's net sales or EBITDA do not include significant inter-segment items.

Unallocated items are shown in the "Others" column which includes eliminations of inter-segment loans. Segment assets include items that can be directly allocated to the reported segments, such as investment properties and receivables. The investments include increases in tangible and intangible assets and investments related to the investment properties.

2018	Finland	Baltic Rim	Scandinavia	Segments	Others	Group total
Property income	89,500	35,278	23,865	148,644	0	148,644
Service income	21,448	5,231	2,037	28,715	0	28,715
Net sales	**110,947**	**40,510**	**25,902**	**177,359**	**0**	**177,359**
Other operating income	873	11	0	884	0	884
Operating expenses	-59,505	-16,976	-13,758	-90,238	0	-90,238
EBITDA	**52,316**	**23,545**	**12,144**	**88,005**	**0**	**88,005**
Changes in fair value of investment properties	8,825	10,635	1,894	21,355	0	21,355
Depreciation						-3,895
Operating profit						**105,465**
Finance income and expenses						-23,251
Profit before taxes						**82,214**
Income taxes						-12,062
Net result for the period						**70,153**
Assets	**1,098,437**	**395,109**	**340,994**	**1,834,541**	**-81,753**	**1,752,788**
Investments	**48,253**	**12,435**	**3,726**	**64,414**		**64,414**

2017	Finland	Baltic Rim	Scandinavia	Segments	Others	Group total
Property income	97,494	32,472	24,358	154,324	0	154,324
Service income	20,178	3,572	1,638	25,388	0	25,388
Net sales	**117,672**	**36,045**	**25,996**	**179,712**	**0**	**179,712**
Other operating income	6	10	1	17	0	17
Operating expenses	-56,199	-14,587	-11,857	-82,643	0	-82,643
EBITDA	**61,479**	**21,467**	**14,140**	**97,086**	**0**	**97,086**
Changes in fair value of investment properties	12,035	12,406	3,890	28,332		28,332
Depreciation						-4,059
Operating profit						**121,359**
Finance income and expenses						-22,365
Profit before taxes						**98,994**
Income taxes						-13,757
Net result for the period						**85,237**
Assets	**1,056,654**	**383,358**	**340,680**	**1,780,692**	**-60,903**	**1,719,790**
Investments	**34,759**	**38,682**	**1,443**	**74,884**		**74,884**

2. NET SALES AND OTHER OPERATING INCOME

	2018	2017
Property income	148,644	154,324
Service income	28,715	25,388
Total net sales	**177,359**	**179,712**

Revenue from rental operations in financial year 2017 includes EUR 0.2 million of non-recurring income related to the premature termination of leases in Oulu business unit. In financial year 2018 the Group had no premature termination of leases.

Most of the rental revenue from investment properties has been recognized as revenue according to IAS 17 through profit and loss as equal items allocated over the entire lease term. A few customers pay rent based on the lessee's net sales. Such variable rents totaling EUR 3.6 million were recognized in net sales for the year (EUR 3.4 million in 2017).

The Group's total rentable space at the end of the year was 719,000 sqm (701,900 sqm on December 31, 2017). The Group's average financial occupancy rate at the end of the year was 95.8% (96.1%).

At the end of the year, the Group's lease portfolio totaled EUR 357.8 million (EUR 372.0 million). The accumulated rents are calculated on the basis of current lease agreements without any index-linked increases. The agreements valid indefinitely are taken into account until the end of the notice period specified in the agreements.

Lease stock, % of space	Dec 31, 2018	Dec 31, 2017
Maturity, years		
< 1	16	15
1-3	31	28
3-5	10	12
> 5	14	17
Open-ended leases	28	26
Total	**100**	**100**

Lease stock, % of space	Dec 31, 2018	Dec 31, 2017
Notice period in months		
0-3	11	8
3-6	8	14
7-9	1	0
10-12	2	9
> 12 months	79	68
Total	**100**	**100**
Average lease term in months	32	34
Lease stock, EUR million	357.8	372.0
Service contract stock, EUR, million	17.1	17.4

Other operating income	2018	2017
Other income	884	17
Other operating income, total	**884**	**17**

Other operating income results primarily from penalties received from lease agreements.

3. PREMISES EXPENSES

	2018	2017
Rents	2,354	2,282
Other real estate expenses	36,317	37,090
Premises expenses total	**38,671**	**39,372**

Rents include plot rents, property rents and space rents. Other real estate expenses include general expenses related to space, such as water, electricity and heating expenses and real estate taxes.

4. ADMINISTRATION COSTS

	2018	2017
Salaries and fees	5,193	4,606
Pension costs, defined contribution plans	701	608
Capitalized costs of employee benefits	0	-19
Share incentive scheme costs	1,495	389
Indirect employee costs	569	162
Administrative services costs	9,370	5,629
Other administration costs	3,773	3,351
Administration costs, total	**21,101**	**14,727**
Costs of employee benefits		
Salaries and fees	12,423	11,734
Pension costs, defined contribution plans	1,736	1,647
Capitalized costs of employee benefits	-110	-210
Share incentive scheme costs	1,445	389
Indirect employee costs	1,110	1,220
Costs of employee benefits, total	**16,604**	**14,780**

Of the employee benefits, EUR 7.9 million is included in administration costs on the income statement and EUR 8.7 million in other operating expenses.

Average number of employees in the Group	227	234

The employment benefits of the management are presented in Note 25.

5. DEPRECIATION

	2018	2017
Depreciation by asset group		
Intangible assets	1,552	1,722
Machinery and equipment	2,200	2,304
Other tangible assets	142	33
Depreciation, total	**3,895**	**4,059**

6. OTHER OPERATING EXPENSES

	2018	2017
Service expenses	15,765	13,527
Costs of employee benefits	8,697	9,033
Other operating expenses	6,004	5,984
Other operating expenses, total	**30,466**	**28,544**
Other operating expenses include fees paid to the auditor as follows:		
Auditing	114	207
Certificates and reports	39	7
Other services	55	56
Auditor's fees, total	**207**	**270**

7. FINANCIAL INCOME AND EXPENSES

	2018	2017
Financial income		
Dividend income from available-for-sale financial assets	4	55
Other financial income	1,125	1,775
Change in fair value of derivatives, portion recognized in the income statement	0	330
Foreign exchange gains	267	240
Total	**1,397**	**2,399**

The exchange rate gains are realized gains from intra-group loans.

	2018	2017
Financial expenses		
Interest expenses from commercial papers	357	267
Interest expenses from financial leases	102	257
Other interest expenses from loans and derivatives	19,365	21,380
Change in fair value of derivatives, portion recognized in the income statement	78	0
Foreign exchange losses	723	556
Other financial expenses	3,949	2,327
Total	**24,575**	**24,787**
Capitalized interest expenses	-100	-10
Financial costs, total	**24,475**	**24,777**
Associate's share of profits	-173	13
Financial income and expenses, total	**-23,251**	**-22,365**

Of the derivatives, EUR -0.1 million (EUR 0.3 million in financial year 2017) have been recognized as an income or as an expense in the income statement as there is no hedged loan associated with the derivative instrument in question. In other respects, the Group's current derivative financial instruments satisfy the criteria for hedge accounting.

Foreign exchange gains and losses have arisen as a result of the conversion of currency-denominated transactions and monetary items into euros. The foreign exchange losses are mainly a result of the conversion of payables and receivables between the parent company and the Norwegian and Swedish companies. More detailed information about foreign exchange rates and related risks is given in Note 22.

Other comprehensive income items related to financial instruments		
Change in fair value	-275	4
Derivatives, hedging of cash flows	-4,079	8,095
Total	**-4,353**	**8,099**
Tax effect	724	-1,655
Other comprehensive income items related to financial instruments after the tax effect	**-3,629**	**6,444**

8. INCOME TAXES

	2018	2017
Current taxes	-2,793	-6,293
Taxes for prior year	-310	1,819
Change in deferred taxes	-8,959	-9,284
Total for income taxes	**-12,062**	**-13,757**

Taxes for prior year in financial year 2017 includes an adjustment of EUR 1.8 million, which is related to divestment of investment property in 2016.

Reconciliation between income tax and taxes calculated using the parent company's tax rate:		
Profit before taxes	82,214	98,994
Taxes calculated at the parent company's tax rate on the balance sheet date	-16,443	-19,799
Tax rate on the balance sheet date	20%	20%
Non-tax-deductible expenses and tax-exempt income	-390	-1,815
Effects of the differing tax rates of foreign subsidiaries *)	3,110	2,590
Effect of tax rate change on deferred taxes in the beginning of the year	751	-53
Effect of tax rate change on deferred taxes in the income statement	30	17
Utilisation of tax losses from previous years	1,335	-1,321
Unrecognized taxes from losses	156	1,130
Income tax for previous years	-310	1,819
The effect of recognition principle to the taxes recognized from Investment properties	0	3,674
Total for income taxes	**-12,062**	**-13,758**
Other comprehensive income items before taxes		
Translation differences	-12,769	-12,283
Change in fair value	-275	4
Derivatives	-4,079	8,095
Total	**-17,123**	**-4,184**

Of the translation differences, EUR -9,9 million was due to a change in the exchange rate of the Russian ruble (EUR -6.1 million in financial year 2017), EUR -0.8 million due to changes in the exchange rate of the Norwegian krone (EUR -4.7 million in financial year 2017) and EUR -2,0 million due to changes in the exchange rate of the Swedish krona (EUR -1.5 million in financial year 2017).

	2018	2017
Tax effect of other comprehensive income items during the period		
Tax effect of change in fair value	63	-1
Tax effect of derivatives	661	-1,654
Total	**724**	**-1,655**
Other comprehensive income items after taxes		
Translation differences	-12,769	-12,283
Change in fair value	-212	3
Derivatives	-3,417	6,441
Total	**-16,398**	**-5,839**
*) Tax rates of foreign subsidiaries		
Tax rate in Russia	20%	20%
Tax rate in Estonia	0%	0%
Tax rate in Lithuania	15%	15%
Tax rate in Norway	23%	24%
Tax rate in Sweden	22%	22%
Tax rate in Denmark	22%	22%

9. EARNINGS PER SHARE

	2018	2017
Net profit for the period attributable to parent company shareholders	61,557	76,531
Interest expenses on an equity related bond	-1,295	-5,625
Tax effect	259	1,125
Adjusted net profit	**60,522**	**72,031**
Earnings per share, basic	0.39	0.46
Earnings per share, diluted	0.39	0.46
Average issue-adjusted number of shares, basic	156,907,364	156,873,264
Average issue-adjusted number of shares, diluted	156,907,364	156,873,264

In calculating the undiluted earnings per share and earnings per share adjusted for dilution, the average number of the parent company's shares during the financial period has been adjusted by the number of repurchased treasury shares and own shares held by the Group (1,878,443 shares).

10. INTANGIBLE ASSETS

	2018	2017
Intangible assets		
Acquisition cost, Jan 1	16,820	15,382
Increases	2,884	1,474
Decreases	-11	-15
Exchange rate differences	-1	-21
Acquisition cost, Dec 31	**19,693**	**16,820**
Accumulated depreciation, Jan 1	-11,383	-9,661
Depreciation for the year	-1,552	-1,731
Exchange rate differences	3	9
Intangible assets, Dec 31	**6,763**	**5,438**
Carrying amount, Jan 1	5,438	5,707
Carrying amount, Dec 31	6,763	5,438

11. TANGIBLE FIXED ASSETS

	2018	2017
Machinery and equipment		
Acquisition cost, Jan 1	8,696	9,201
Business combinations	5	0
Increases	587	395
Decreases	35	-174
Exchange rate differences	-277	-727
Acquisition cost, Dec 31	**9,047**	**8,696**
Accumulated depreciation	-6,841	-7,158
Adjustment of accumulated depreciation	-94	60
Depreciation for the year	-600	-452
Exchange rate differences	324	709
Machinery and equipment, Dec 31	**1,836**	**1,856**
Carrying amount, Jan 1	1,856	2,043
Carrying amount, Dec 31	1,836	1,856

	2018	2017
Machinery and equipment, finance leases		
Acquisition cost, Jan 1	13,756	12,717
Increases	1,454	1,049
Decreases	-712	-9
Exchange rate differences	-1	0
Acquisition cost, Dec 31	**14,497**	**13,756**
Accumulated depreciation	-10,011	-8,158
Adjustment of accumulated depreciation	153	
Depreciation for the year	-1,600	-1,852
Exchange rate differences	0	0
Machinery and equipment, finance leases, Dec 31	**3,039**	**3,745**
Carrying amount, Jan 1	3,745	4,558
Carrying amount, Dec 31	3,039	3,745
Other tangible assets		
Acquisition cost, Jan 1	61	95
Increases	1,064	0
Decreases	0	0
Depreciation for the year	-142	-33
Exchange rate differences	10	-1
Other tangible assets, Dec 31	**993**	**61**
Carrying amount, Jan 1	61	95
Carrying amount, Dec 31	993	61

12. INVESTMENT PROPERTIES

2018	Finland	Norway	Sweden	Estonia	Lithuania	Russia	Group total
Fair value of the investment properties							
Fair value of the investment properties, Jan 1	890,901	195,290	126,596	129,220	125,915	70,017	1,537,940
Impact of exchange rate changes		-2,186	-5,073			-9,104	-16,364
Acquisition of a individual investment property				0			0
Other investments to investment properties							0
Sold investment properties during the financial period	-1,199						-1,199
Transfers from investment properties under construction	36,437			16,833	17,198		70,468
Other transfers between assets	-13,332	1,876					-11,457
Transfer into investment properties under construction							
Changes in fair value	12,137	1,653	3,165	3,709	5,790	518	26,972
Fair value of the investment properties, Dec 31	**924,944**	**196,633**	**124,688**	**149,761**	**148,903**	**61,431**	**1,606,360**
Investment properties under construction							
Fair value of investment properties under construction, Jan 1	32,704			12,037	13,260		58,001
Increases/decreases	54,914			6,618	2,504		64,035
Change in fair value	4,065			1,231	1,434		6,730
Transfers to investment properties	-36,437			-16,833	-17,198		-70,468
Fair value of investment properties under construction, Dec 31	**55,246**	**0**	**0**	**3,053**	**0**	**0**	**58,298**
Effect on profit of change in value of investment properties							
Change in fair value excluding change in net yield requirements	-1,064	-1,701	-956	3,795	2,787	-848	2,013
Change caused by change in net yield requirements	13,201	3,354	4,121	-86	3,003	1,366	24,959
Change in fair value of completed investment properties	**12,137**	**1,653**	**3,165**	**3,709**	**5,790**	**518**	**26,972**
Change in acquisition costs of completed investment properties	-7,377	-2,861	-63	-2,089	-383	426	-12,347
Change in fair value of investment properties under construction	4,065			1,231	1,434		6,730
Effect on profit of change in value of investment properties, total	**8,825**	**-1,208**	**3,102**	**2,850**	**6,841**	**944**	**21,355**

Information on the acquired and divested individual investment properties and business combinations during the financial period and their consolidation is presented in Note 24.

2017	Finland	Norway	Sweden	Estonia	Lithuania	Russia	Group total
Fair value of the investment properties							
Fair value of the investment properties, Jan 1	997,635	207,846	126,444	124,854	90,275	77,125	1,624,179
Impact of exchange rate changes		-16,243	-3,828			-5,580	-25,651
Acquisition of a individual investment property					12,865		12,865
Other investments to investment properties	4,347	2,034	532	1,104	505		8,522
Sold investment properties during the financial period	-120,868						-120,868
Transfers from investment properties under construction					18,933		18,933
Other transfers between assets				-260			-260
Transfer into investment properties under construction	-2,066						-2,066
Changes in fair value	11,853	1,653	3,448	3,522	3,337	-1,528	22,286
Fair value of the investment properties, Dec 31	**890,901**	**195,290**	**126,596**	**129,220**	**125,915**	**70,017**	**1,537,940**

Investment properties under construction							
Fair value of investment properties under construction, Jan 1	10,433				12,153		22,585
Increases/decreases	18,163			11,400	13,606		43,170
Change in fair value	2,042			637	6,434		9,113
Transfers from investment properties	2,066			0	-18,933		-16,867
Fair value of investment properties under construction, Dec 31	**32,704**			**12,037**	**13,260**		**58,001**

Effect on profit of change in value of investment properties							
Change in fair value excluding change in net yield requirements	-8,403	-6,130	2,621	282	-2,161	-3,745	-17,536
Change caused by change in net yield requirements	22,743	8,557	1,408	4,344	6,006	2,217	45,276
Change in fair value of completed investment properties	**14,340**	**2,427**	**4,029**	**4,626**	**3,845**	**-1,528**	**27,740**
Change in acquisition costs of completed investment properties	-4,347	-2,034	-532	-1,104	-505		-8,522
Change in fair value of investment properties under construction	2,042			637	6,434		9,113
Effect on profit of change in value of investment properties, total	**12,035**	**393**	**3,497**	**4,159**	**9,775**	**-1,528**	**28,332**

The Group determines the fair values of investment properties itself. The fair value accounting model applied by the Group is based on the cash flow analysis determined specifically for each property, and are thus categorized as being level 3. Investment properties completed and under construction are measured using the same cash flow analysis model in all countries. Additional information on the accounting policy is provided under section "Accounting Policies Applied in the Preparation of the Consolidated Financial Statements".

The valuation model and the parameters applied in it have been audited by a third-party property assessor (AKA). The statement of expert opinion by Realia Management Oy regarding the valuation of Technopolis Plc's investment properties December 31, 2018, is appended to the financial statements and is also available on the company's website at www.technopolis.fi/en/investors/.

The company has applied the following average parameters to the cash flow calculations for investment properties:

2018	Finland	Norway	Sweden	Estonia	Lithuania	Russia	Group total
Completed investment properties							
Inputs not based on observable data:							
Range of net yield requirements, %	5.5-9.0	5.1-5.8	4.6	7.3	7.3	10.8	4.6-10.8
Net yield requirement, weighted, %	7.7	5.6	4.6	7.3	7.3	10.8	7.4
Estimated inflation rate, %	2.0	2.0	1.5	2.0	2.0	7.5	
Floor area-weighted market rent, EUR/sqm/month	13.0	16.1	19.5	12.4	13.1	17.5	13.4
Maintenance expenses, EUR/sqm/month	5.11	4.6	3.7	2.7	2.9	3.3	4.4
Modernizations, EUR/sqm/month	1.0	1.2	2.0	0.8	0.4	0.5	1.0
Other significant data:							
Rentable floor area, sqm	425,000	68,300	33,400	80,400	76,500	35,400	719,000
Average first-year financial occupancy rate, %	93.8	94.1	97.9	97.7	99.1	98.6	95.1
Average 10-year financial occupancy rate, %	93.3	95.2	98.4	97.4	99.7	99.0	94.1
Investment properties under construction							
Inputs not based on observable data:							
Range of net yield requirements, %	5.2-8.4			7.3	7.3		
Net yield requirement, weighted, %	6.7			7.3	7.3		
Estimated inflation rate, %	2.0			2.0	2.0		
Floor area-weighted market rent, EUR/sqm/month	18.3			13.5	13.8		
Maintenance expenses, EUR/sqm/month	5.1			2.5	2.9		
Other significant data:							
Rentable floor area, sqm	47,200			10,800	26,700		
Average first-year financial occupancy rate, %	89.0			80.0	85.0		
Average 10-year financial occupancy rate, %	96.0			95.0	95.0		

2017	Finland	Norway	Sweden	Estonia	Lithuania	Russia	Group total
Completed investment properties							
Inputs not based on observable data:							
Range of net yield requirements, %	5.7-9.1	5.2-5.9	4.7	7.3	7.4	11.0	4.7-11.0
Net yield requirement, weighted, %	7.8	5.8	4.7	7.3	7.4	11.0	7.5
Estimated inflation rate, %	2.0	2.0	1.5	2.0	2.0	7.5	
Floor area-weighted market rent, EUR/sqm/month	13.0	16.6	20.8	12.3	13.0	19.5	13.4
Maintenance expenses, EUR/sqm/month	4.9	4.2	3.5	2.8	2.9	3.2	4.2
Modernizations, EUR/sqm/month	1.1	1.2	2.0	0.9	0.4	0.5	1.0
Other significant data:							
Rentable floor area, sqm	425,000	66,700	34,200	72,000	68,600	35,400	701,900
Average first-year financial occupancy rate, %	93.3	95.0	95.4	97.7	99.1	98.3	94.7
Average 10-year financial occupancy rate, %	93.5	95.2	100.0	97.5	99.6	99.2	94.2
Investment properties under construction							
Inputs not based on observable data:							
Range of net yield requirements, %	5.9-7.1			7.6	7.5		
Net yield requirement, weighted, %	6.3			7.6	7.5		
Estimated inflation rate, %	2.0			2.0	2.0		
Floor area-weighted market rent, EUR/sqm/month	19.9			10.5	13.0-13.5		
Maintenance expenses, EUR/sqm/month	4.5			2.2	3.2		
Other significant data:							
Rentable floor area, sqm	15,400			9,700	13,800		
Average first-year financial occupancy rate, %	90.0			80.0	80.0		
Average 10-year financial occupancy rate, %	95.0			95.0	95.0		

The fair values of investment properties are affected by estimated future income, expenses, investments and discount rate. An increase in estimated yields and occupancy rates increases the fair value of investment properties, and a corresponding decrease decreases them. Maintenance expenses and the modernization of properties have an effect on fair value, decreasing it in proportion to the negative cash flow allocated to the property in the future. When market net yield requirements or estimated inflation rates increase, the fair values of investment properties decrease, while their fair values increase as net yield requirements and estimated inflation rates decrease. Additional information on the market yield requirement risk associated with investment properties is presented in Note 22.

13. ADVANCE PAYMENTS AND PROJECTS IN PROGRESS

	2018	2017
Advance payments and projects in progress		
Projects in progress, Jan 1	10,650	3,083
Exchange rate differences	-64	-184
Increases/decreases	1,262	7,751
Advance payments and projects in progress, Dec 31	**11,848**	**10,650**

Capitalized increases in non-current assets in progress have been recognized under advance payments and projects in progress. These include modernization of investment properties and other modification operations carried out on the premises for customers, which are recognized as projects in progress until their completion. After completion, they are recognized through profit and loss in "Changes in acquisition costs of completed investment properties" under the change in the fair value of investment properties.

14. SUBSIDIARIES AND SIGNIFICANT SHARES OF MINORITY

Holdings in Group companies	Holding, %
Finland	
Kiinteistö Oy Innopoli 2, Espoo	100.00
Kiinteistö Oy Technopolis Innopoli 3, Espoo	100.00
Technopolis Kiinteistöt Espoo Oy, Espoo	100.00
Kiinteistö Oy Falcon Gentti, Espoo	100.00
Kiinteistö Oy Falcon Hali, Espoo	100.00
Kiinteistö Oy Falcon Lago, Espoo	100.00
Kiinteistö Oy Falcon Tinnu, Espoo	100.00
Technopolis Kiinteistöt Pääkaupunkiseutu Oy, Helsinki	100.00
Kiinteistö Oy Helsingin Energiakatu 4, Helsinki	100.00
Kiinteistö Oy Technopolis Tekniikantie 21, Espoo	100.00
Kiinteistö Oy Technopolis Peltola, Oulu	100.00
Technopolis Hitech Oy, Oulu	100.00
Technopolis Kiinteistöt Oulu Oy, Oulu	100.00
Technopolis Kiinteistöt Tampere Oy, Tampere	100.00
Kiinteistö Oy Technopolis Ratapihankatu, Tampere	100.00
Technopolis UMA Holding Oy , Helsinki	100.00
Kiinteistö Oy Oulun Ydinkeskusta, Oulu	98.77
Kiinteistö Oy Technopolis Tohloppi Oy, Tampere	94.25
Kiinteistö Oy Yrttiparkki, Oulu	87.45
Oulun Teknoparkki Oy, Oulu	84.14
Kiinteistö Oy Hermia, Tampere	71.96
Oulun Ydinkeskustan Parkki Oy, Oulu	62.24
Technopolis Kuopio Oy, Kuopio	60.00
Kiinteistö Oy Technopolis Viestikatu 7, Kuopio	60.00
Kiinteistö Oy Technopolis Viestikatu 1-3, Kuopio	60.00
Kiinteistö Oy Technopolis Microkatu 1, Kuopio	48.65
Salmiparkki Oy	56.44
Sweden	
Technopolis AB, Gothenburg	100.00
Technopolis Gårda AB, Gothenburg	100.00

Holdings in Group companies	Holding, %
Norway	
Technopolis Holding AS, Oslo	100.00
Technopolis UMA Norway AS, Oslo	100.00
Campus H AS, Oslo	100.00
Campus T AS, Oslo	100.00
Campus X AS, Oslo	100.00
Campus P AS, Oslo	100.00
Estonia	
Technopolis Baltic Holding OÜ, Tallinn	100.00
Technopolis Ülemiste AS, Tallinn	51.00
Russia	
Technopolis St Petersburg LLC, St Petersburg	100.00
Lithuania	
Technopolis Lietuva UAB, Vilnius	100.00
UAB Technopolis UMA Lietuva, Vilnius	100.00
UAB Domestas, Vilnius	100.00
UAB Urban Housing, Vilnius	100.00
UAB Gama Projektai, Vilnius	100.00
UAB Delta Biurai, Vilnius	100.00
UAB Sorta, Vilnius	100.00
UAB Nova Biurai, Vilnius	100.00
Denmark	
Technopolis UMA Denmark ApS, Copenhagen	100.00
Poland	
Technopolis UMA Poland Sp z.o.o., Warsaw	100.00

Significant shares of minority

The Group has non-controlling interests in the companies listed below. The Kuopio companies comprise a sub-group, and required notes are given for the figures of the sub-group.

The Group acquired and/or established in financial year 2018 five new companies for UMA business: Technopolis UMA Holding Oy Finland (100%), Technopolis UMA Denmark ApS, Copenhagen (100%), Technopolis UMA Norway AS (100%), Technopolis UMA Poland Sp z.o.o (100%, no figures in group accounting) and UAB Technopolis UMA Lietuva (100%).

In Norway group companies Technopolis Holding 2 AS and Technopolis AS were merged to Technopolis Holding AS during the financial year 2018.

		Share of non-controlling interest in control	
Subsidiary	Country	2018	2017
Technopolis Ülemiste AS	Estonia	49.00%	49.00%
Technopolis Holding 2 AS	Norway	0.00%	0.00%
Technopolis AS	Norway	0.00%	0.00%
Campus H AS	Norway	0.00%	0.00%
Campus T AS	Norway	0.00%	0.00%
Campus X AS	Norway	0.00%	0.00%
Campus P AS	Norway	0.00%	0.00%
Technopolis Kuopio Oy	Finland	40.00%	40.00%
Kiinteistö Oy Technopolis Viestikatu 7	Finland	40.00%	40.00%
Kiinteistö Oy Technopolis Viestikatu 1-3	Finland	40.00%	40.00%
Kiinteistö Oy Technopolis Microkatu 1	Finland	51.35%	48.30%

		Share of non-controlling interest in net result for the period		Share of non-controlling interest in equity	
	Country	2018	2017	2018	2017
Technopolis Ülemiste AS	Estonia	5,498	5,888	37,784	33,517
Technopolis Holding AS group	Norway	0	1,252	0	0
Technopolis Kuopio group	Finland	3,094	1,580	21,638	20,208
*) Other non-significant shares of minority		2	-15	-5	-8
Total		**8,595**	**8,706**	**59,416**	**53,717**

*) Includes Oulun Ydinkeskustan Parkki Oy, Oulu

Financial information from significant minority shares

	Technopolis Ülemiste AS		Technopolis Holding AS group		Technopolis Kuopio group	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Assets	157,714	145,433	0	0	132,592	130,205
Liabilities	80,604	77,030	0	0	78,498	79,686
Net profit for the period	11,221	12,017	0	0	7,736	3,950
Share of non-controlling interest in net result of the period	5,498	5,888	0	1,252	3,094	1,580
Dividend distribution and return of capital to non-controlling interest	1,232	0	0	0	1,667	1,385
Cash flow from operating activities	8,891	8,237	0	0	8,788	4,241
Cash flow from investing activities	-8,258	-13,241	0	0	-1,703	-191
Cash flow from financing activities	-86	4,532	0	0	-8,591	-4,193

15. HOLDINGS IN ASSOCIATES

	2018	2017
Holdings in associates, Jan 1	5,173	5,222
Decreases	-146	-18
The Group's share of profit/loss for the year	0	5
Holdings in associates, Dec 31	**5,027**	**5,210**

Holdings in associates	Holding, %	Original acquisition cost	The Group's holding from retained earnings	Total
Iin Micropolis Oy, Ii, Finland	25.7	84	-84	0
Kiinteistö Oy Bioteknia, Kuopio, Finland	17.1	3,876	0	3,876
Kuopio Innovation Oy, Kuopio, Finland	14.4	37	-37	0
Rehaparkki Oy, Oulu, Finland	28.4	1,392	-242	1,151
Total		**5,390**	**-363**	**5,027**

Technopolis Plc has recognized losses accumulated from its interest in the results of its associates only up to the acquisition cost of the shares.

Information on associates

2018	Assets	Liabilities	Net sales	Earnings for the financial period
Iin Micropolis Oy	505	475	488	4
Kiinteistö Oy Bioteknia	11,965	95	964	-54
Kuopio Innovation Oy	79	2	0	0
Rehaparkki Oy	4,051	1	200	-86
Total	**16,600**	**573**	**1,652**	**-136**
2017				
Iin Micropolis Oy	462	438	471	4
Kiinteistö Oy Bioteknia	12,044	120	946	44
Kuopio Innovation Oy	341	266	1,546	0
Rehaparkki Oy	4,127	3	285	-26
Total	**16,974**	**827**	**3,249**	**22**

	2018	2017
Associates		
Sales to associates	1	1
Receivables from associates	0	0

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

	2018	2017
Financial assets, Jan 1	1,439	1,471
Increases	16	0
Decreases	-1,217	-35
Change in fair value of assets recognized at fair value	0	4
Financial assets, Dec 31	**238**	**1,439**
Fair value reserve		
Fair value reserve, Jan 1	212	208
Change in fair value of assets recognized at fair value	-275	3
Deferred taxes	63	1
Fair value reserve, Dec 31	**0**	**212**

Financial assets include units in interest funds and shares in publicly listed companies as well as other shares. Financial assets are categorized in hierarchy levels 1 and 3 and are presented in Note 22 in the Breakdown of financial assets and liabilities table. The changes in the fair value of financial assets less the tax effect are recognized in the fair value reserve. Changes in the fair value of assets recognized in the fair value reserve are all categorized as level 1 value changes.

17. DEFERRED TAXES

Deferred tax assets	Jan 1, 2018	Recognized through profit and loss	Recognized as other comprehensive income	Recognized as equity	Translation differences	Dec 31,2018
Measurement of investment properties at fair value	3,067	-348				2,720
Unused losses confirmed in taxation	7,134	1,610			-349	8,396
Measurement of interest-rate swaps at fair value	2,118	16	661	324	4	3,123
Other items	772	27	63	-804		58
Total	**13,092**	**1,305**	**724**	**-480**	**-345**	**14,296**

Deferred tax assets	Jan 1, 2017	Recognized through profit and loss	Recognized as other comprehensive income	Recognized as equity	Translation differences	Dec 31, 2017
Measurement of investment properties at fair value	3,209	-142		-0		3,067
Unused losses confirmed in taxation	7,446	237		-0	-548	7,134
Measurement of interest-rate swaps at fair value	3,943	-132	-1,655	2	-40	2,118
Other items	573	219		-20		772
Total	**15,172**	**182**	**-1,655**	**-19**	**-588**	**13,092**

Deferred tax liabilities	Jan 1, 2018	Recognized through profit and loss	Recognized as other comprehensive income	Recognized as equity	Translation differences	Dec 31, 2018
Measurement of investment properties at fair value	75,884	10,291	0	0	-997	85,179
Other items	2,057	-26	0	-1,672	0	359
Total	**77,941**	**10,265**	**0**	**-1,672**	**-997**	**85,538**

Deferred tax liabilities	Jan 1, 2017	Recognized through profit and loss	Recognized as other comprehensive income	Recognized as equity	Translation differences	Dec 31, 2017
Measurement of investment properties at fair value	69,663	7,791		0	-1,569	75,884
Measurement of interest-rate swaps at fair value	12		-12			-0
Other items	577	1,675		-194		2,057
Total	**70,251**	**9,465**	**-12**	**-194**	**-1,569**	**77,941**

In addition, the Group has EUR 6.9 (7.6) million in unrecognized deferred tax assets; of this amount, EUR 2.1 (4.1) million is related to losses made in the Russian subsidiary, EUR 2.2 (1.5) million to losses in the Norwegian companies, EUR 0.4 (0.0) million to losses in the Swedish companies, EUR 0.3 (0.0) million to losses in the Finnish companies and EUR 1.9 (2.0) million to losses in the Vilnius companies. The Group does not have sufficient certainty of the timing of future profits, and therefore the deferred tax assets have not been recognized.

18. CURRENT RECEIVABLES

	2018	2017
Sales receivables	7,568	4,365
Sales receivables from associates	0	0
Loan receivables	525	5
Accrued income	3,572	4,693
Other receivables	6,541	1,851
Income tax assets	1,636	-12
Short-term receivables, total	**19,841**	**10,903**
Maturities of sales receivables		
Not matured	3,623	2,250
less than 30 days	3,222	1,524
30 - 60 days	213	299
2 - 3 months	173	88
3 - 4 months	93	46
over 4 months	243	159
Total	**7,568**	**4,365**
Sales receivables by currency		
Euro	4,914	4,022
Russian ruble	263	386
Norwegian krone	-10	-80
Swedish krona	2,396	37
Danish krone	4	0
Total	**7,568**	**4,365**

19. CASH AND CASH EQUIVALENTS

	2018	2017
Cash on hand and at bank	23,756	71,753
Total cash and cash equivalents	**23,756**	**71,753**

20. SHAREHOLDERS' EQUITY

Share capital

Technopolis Plc has one class of shares. The company's share capital was EUR 96,913,626 on December 31, 2018. At the closing date, the company had 158,793,662 shares of which 1,878,443 shares are owned by the company. Changes in the number of shares during the financial year are shown in the following section. Each share carries one vote at a General Meeting of Shareholders. The shares have no nominal value. In 2018, EUR 0.09 per share from fiscal year 2017 was paid in dividends and 0.08 per share were repaid from equity, EUR 26,671,349 in total.

Reserves

Premium fund

In cases where the decision on option rights and share issues has been made while the previous Limited Liability Companies Act (29.9.1978/734) was in force, money payments received on the basis of share subscriptions less transaction expenses have been entered in share capital and premium fund in accordance with the terms and conditions of the arrangement.

Invested unrestricted equity fund

The unrestricted equity reserve includes other equity investments and share subscriptions to the extent that there has been no express decision to record them in share capital.

Equity related bond

The equity related bond (hybrid bond) includes the unsecured EUR 75 million equity bond issued in March 2013 less borrowing costs. The annual fixed coupon rate of the loan is 7.5% and is due for payment if the Annual General Meeting decides to pay out dividends. If the company does not pay interest, the unpaid interest is accumulated. It is perpetual, but the company may exercise an early redemption option after five years. If the company does not repay the bond after five years, the coupon rate of the bond increases by 3.0 percentage points. In March 2018, Technopolis redeemed the EUR 75 million hybrid bond in accordance with the terms and conditions of the bond.

Other reserves

Other reserves include the fair value reserve and the hedging instrument reserve. The changes in the fair value of available-for-sale financial assets less the tax effect are recognized in the fair value reserve. When such an asset is sold, the accumulated changes in fair value are transferred from shareholders' equity to profit and loss. Changes in the fair value, less tax effects, of derivative instruments that meet the criteria for hedge accounting are recognized in the hedging instrument reserve.

Translation differences

Translation differences include translation differences due to the conversion of the financial statements of foreign subsidiaries. Of the translation differences, EUR 21.1 million is due to changes in the exchange rate of the Russian ruble, EUR 10.3 million due to changes in the exchange rate of the Norwegian krone and EUR 4.7 million due to changes in the exchange rate of the Swedish krona.

Own shares

On December 31, 2018, the company held a total of 1,878,443 (1,903,373) treasury shares. The company has repurchased a total of 2,067,753 treasury shares, of which a total of 189,310 have been issued as share-based payments. In 2018, a total of 24,930 shares held by the company were issued as share-based payments. In 2017, a total of 15,192 shares returned to the company from the share-based incentive schemes, and a total of 59,390 shares held by the company were issued as share-based payments.

Changes in the number of shares and equity

	Number of shares and votes	Share capital	Premium fund	Invested unrestricted equity fund	Retained earnings	Total
2016/12/31	**156,846,091**	**96,914**	**18,551**	**335,360**	**-2,745**	**448,079**
Key personnel share-based rewards	44,198					
2017/12/31	**156,890,289**	**96,914**	**18,551**	**335,360**	**-2,745**	**448,079**
Key personnel share-based rewards	24,930					
2018/12/31	**156,915,219**	**96,914**	**18,551**	**335,360**	**-2,745**	**448,079**

21. LIABILITIES

	2018	2017
Non-current liabilities		
Deferred taxes	85,538	77,941
Bank loans	77,996	434,910
Bonds	138,558	149,544
Non-current finance lease liabilities	1,738	6,115
Other liabilities	30,935	33,227
Non-current liabilities, total	**334,764**	**701,738**

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.

More information about the change in loans is given in the Board of Directors' Report under the heading "Balance sheet, financing and cash flow".

In spring 2015 Technopolis Plc issued an unsecured EUR 150 million fixed-rate senior bond. The loan period of the bond is five years. Its carries a fixed coupon interest rate of 3.75%. On December 7, 2018, Technopolis released a notice in respect of the EUR 150 million bond. 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 per cent of the aggregate nominal principal amount of all the notes.

Other non-current liabilities are mainly comprised of debt to non-controlling interests.

	2018	2017
Current liabilities		
Repayments on non-current loans	541,126	172,818
Commercial papers	89,460	9,972
Bonds	11,182	
Current finance lease liabilities	5,450	1,694
Advances received	8,279	10,230
Accounts payable	11,765	3,088
Accruals	21,917	36,257
Derivatives	14,153	11,364
Other liabilities	3,704	3,771
Tax liabilities	778	3,974
Current liabilities, total	**707,814**	**253,169**
Liabilities		
Fixed rate	374,980	555,419
Floating rate	517,830	249,536
Non-interest bearing liabilities	149,768	149,952
Liabilities, total	**1,042,577**	**954,906**

Fixed rate loans are either interest rate hedged or fixed-rate loans with maturities of 13–60 months.

Finance lease liabilities		
Non-current finance lease liabilities	1,738	6,115
Current finance lease liabilities	5,450	1,694
Finance lease liabilities, total	**7,187**	**7,810**

Investment properties held under a finance lease		
Total value of minimum lease payments		
Within one year	4,183	246
Later than one year and not later than two years	0	254
Later than two years and not later than five years	0	533
Later than five years	0	3,396
Total	**4,183**	**4,429**

	2018	2017
Present value of minimum lease payments		
Within one year	4,105	217
Later than one year and not later than two years	0	226
Later than two years and not later than five years	0	483
Later than five years	0	3,396
Present value of minimum lease payments, total	**4,105**	**4,322**
Future financial expenses, total	78	107
Total amount of finance lease liabilities from investment properties	**4,183**	**4,429**
Carrying amount of investment properties leased by Technopolis on a financial lease, Dec 31	**6,261**	**6,397**

At the end of 2018, the Group had one leased investment property. The lease included a purchase option that was used in January 2019.

Other assets held under a finance lease		
Total value of minimum lease payments		
Within one year	1,387	1,574
Later than one year and not later than five years	1,798	2,192
Total	**3,185**	**3,765**
Present value of minimum lease payments		
Within one year	1,345	1,511
Later than one year and not later than five years	1,738	2,139
Present value of minimum lease payments, total	**3,082**	**3,650**
Future financial expenses, total	103	115
Total amount of finance lease liabilities from other leased assets	**3,185**	**3,765**

Other assets held under a finance lease primarily include machinery and equipment leased under finance leases.

22. FINANCIAL RISK MANAGEMENT

The goal of financial risk management at Technopolis Group is to secure sufficient funding for its operations at competitive terms, and to mitigate the negative impact of interest rate and foreign exchange rate fluctuations on the Group's earnings, financial position and cash flow. The general guidelines of the financial risk management are set out in the Group's Treasury Policy, approved by the Board of Directors.

Completion of the public tender offer for all the issued and outstanding shares in Technopolis Plc by Kildare Nordic Acquisition S.á.r.l triggered "change of control" clauses in most of Technopolis' and some of its subsidiaries' financing agreements.

On October 12, 2018 Technopolis received consent from its financiers for a six-month stand-still period and waivers for the duration of this period, in respect of rights, among others, a mandatory prepayment obligation or entitlement of the relevant lenders to accelerate outstanding loans, cancel commitments or terminate the relevant financing agreements. 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.

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.

Interest rate risk

The main financial risk that Technopolis is exposed to is interest rate risk. The majority of Technopolis' long-term, interest-bearing liabilities are floating-rate loans from financial institutions. The objective of interest rate risk management is to mitigate the negative impact of market rate fluctuations on the Group's earnings, financial position and cash flow. Technopolis uses derivative instruments, mainly interest rate swaps, to hedge the interest rate risk. The Group has set a euro-denominated maximum limit for increases in interest costs in the next 12–36 months, should market interest rates increase by one percentage point. In addition, the Group has a target of including all interest rate derivatives in IFRS hedge accounting.

	2018	2017
Weighted averages of the effective interest rates of liabilities, %		
Bank loans	1.74	1.49
Bank loans including interest rate and currency swaps	2.39	2.35
Finance lease liabilities	0.68	0.68
Commercial papers	0.45	0.90

Weighted average interest rates do not include the unsecured senior bond.

On December 31, 2018, 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) years at the end of the period. A total of 41.6% (75.5%) of the Group's interest-bearing liabilities were either interest rate-hedged or fixed-rate loans. The Group's average interest fixing period was 3.8 (4.6) years, including total of EUR 150 million in forward starting hedges starting in 2019–2021. Current short term loans are expected to be replaced by new loans with similar interest terms. Technopolis' hedge accounting documentation allows for such replacement. A one-percentage-point increase in market rates would result in a EUR 2.0 (2.0) million increase in interest costs per annum and would have a EUR 5.7 (20.9) million effect on shareholders' equity through derivatives included in hedge accounting. A 0.5-percentage-point decrease in market rates would result in a EUR 1.0 (1.0) million decrease in interest costs per annum, and would have a EUR -3.0 (-11.9) effect on shareholders equity.

Foreign Currency Exchange Rate Risks

The objective of the foreign currency exchange risk management is to mitigate the negative effect of exchange rate fluctuations on the Group's earnings, financial position and cash flow.

The most significant foreign currencies for Technopolis are the Russian ruble, Norwegian krone and Swedish krona. The majority of the income and expenses in Technopolis' foreign subsidiaries are denominated in local currencies. Therefore, Technopolis' exposure to transaction risks is limited. No hedges against transaction risks were outstanding on December 31, 2018. Translation risk arises from translation of the subsidiaries' foreign currency-denominated balance sheet items to euros, and may have an effect on the Group's financial position.

In accordance with the Group's Treasury Policy, translation risk is currently not hedged. The sensitivity to exchange rate fluctuations is presented in the tables 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	-5,898	-5,898	40.6%
RUB +10	0.0	7,208	7,208	41.0%
NOK -10	-2,120	-7,811	-9,931	40.4%
NOK +10	2,591	9,547	12,138	41.2%
SEK -10	0.0	-4,711	-4,711	40.6%
SEK +10	0.0	5,758	5,758	41.0%

Foreign currency % change against the Euro	Impact on net sales	Impact on EBITDA
RUB -10	-844	-600
RUB +10	1,031	734
NOK -10	-1,653	-967
NOK +10	2,020	1,182
SEK -10	-672	-375
SEK +10	822	458

Capital Structure, Funding and Liquidity Risk

The Group's capital structure is measured by means of an equity ratio and loan-to-value ratio. The long-term equity ratio target is set to at least 35% over the cycle. Long-term financing for the Group is provided by several financial institutions and market-based funding. Part of the Group's assets are pledged as collateral for the majority of the long-term loans.

Completion of the public tender offer for all the issued and outstanding shares in Technopolis Plc by Kildare Nordic Acquisition S.á.r.l triggered "change of control" clauses in most of Technopolis' and some of its subsidiaries' financing agreements.

On October 12, 2018 Technopolis received consent from its financiers for a six-month stand-still period and waivers for the duration of this period, in respect of rights, among others, a mandatory prepayment obligation or entitlement of the relevant lenders to accelerate outstanding loans, cancel commitments or terminate the relevant financing agreements. 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.

The Group's target is to maintain a sufficient liquidity reserve. The liquidity reserve should cover the Group's estimated net cash flow for a 12-month period. The liquidity reserve includes cash and cash equivalents, and committed credit facilities.

On December 31, 2018, the Group had EUR 200.0 (70.0) million in unused committed credit facilities and a EUR 25.0 (25.1) million short-term, uncommitted credit line, of which EUR 8.9 (0.0) million was withdrawn. In addition, the company has a EUR 150 (150) 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 December 31, 2018, the Group's equity ratio was 40.8% (44.8%). The loan-to-value ratio for the corresponding period was 53.3% (50.1%).

Loan covenants

The Group's loan arrangements include financial covenants that are based on having a Group equity ratio above 30%. In addition, in subsidiaries' local loan agreements, there are covenants related to interest coverage, debt service coverage and loan-to-value. The terms and conditions of some loan agreements include pricing terms related to the Group's equity ratio. The majority of the loans have Group assets pledged as collateral. More detailed information on the pledges and mortgages can be found in Note 23.

The Group has interest-bearing liabilities amounting to EUR 892.8 (805.0) million, of which the loan capital of EUR 475.7 (548.8) million includes covenants. The company's EUR 150 million senior unsecured bond has an equity ratio covenant of 28% and covenants related to debt service ratio and loan-to-value.

Credit risk

The main objective of credit risk management is to mitigate the risk related to receivables from Technopolis' customers. The general guidelines of the credit risk management are set in the Group's Credit Policy. Customers' credit standing is evaluated before lease agreements are signed, and leases usually include rental security.
The Group does not have significant credit risk concentrations. The biggest customer represents 5.3% of the Groups' net sales. Credit losses recognized for the financial year amounted to EUR 0.08 (0.07) million.

Yield requirement risks associated with investment properties

Changes in market yield requirements have a direct impact on the company's earnings and financial position through changes in the fair values of investment properties. The market yield requirement is used together with relevant inflation assumptions as a discount factor in the fair value calculations. Other things being equal, a decrease in market yield will result in an increase in the fair value of the investment property, and vice versa.
More detailed information on the fair values of the investment properties can be found in Note 12.

Repayments of liabilities and finance costs including accrued interest

2018			Contractual cash flow			Carrying amount
	Less than one year	1 - 2 years	3 - 5 years	over 5 years	Total	
Bank loans	549,282	78,974	0	0	628,256	610,262
Bonds	16,655	144,024	0	0	160,679	149,740
Commercial papers	89,500	0	0	0	89,500	89,460
Finance lease liabilities	5,355	1,805	386	0	7,547	7,187
Derivatives	319	2,759	1,950	9,126	14,153	14,153
Accounts payable	11,765	0	0	0	11,765	11,765
Other liabilities	4,812	2,217	3,325	27,577	37,931	32,625
Total	**677,688**	**229,780**	**5,661**	**36,703**	**949,831**	**915,192**

2017			Contractual cash flow			Carrying amount
	Less than one year	1 - 2 years	3 - 5 years	over 5 years	Total	
Bank loans	189,354	200,286	166,264	120,134	676,038	607,728
Bonds	5,625	155,625	0	0	161,250	149,544
Commercial papers	10,000	-	-	-	10,000	9,972
Finance lease liabilities	1,820	1,805	919	3,396	7,940	7,810
Derivatives	2,907	3,164	4,570	822	11,463	11,364
Accounts payable	3,087	0	0	0	3,087	3,087
Other liabilities	3,771	0	0	31,607	35,378	34,292
Total	**216,564**	**360,881**	**171,753**	**155,959**	**905,157**	**824,798**

Changes in liabilities in financing activities				No cash flow effect		
	Jan 1, 2018	Cash flows	Acquisition time	Exchange rate changes	Changes in fair value	Dec 31, 2018
Non-current liabilities	723,329	15,401	-492,690	-2,185		243,855
Current liabilities	73,817	77,473	491,735	-1,258		641,768
Leasing liabilities	7,810	-1,381	759			7,187
Derivatives used in hedging long term liabilities	11,364	-705			3,494	14,153
Total liabilities in financing activities	**816,319**	**90,789**	**-196**	**-3,443**	**3,494**	**906,963**

		Dec 31, 2018			Dec 31, 2017	
Interest rate swaps	Weighted maturity	Nominal value	Fair value	Weighted maturity	Nominal value	Fair value
Interest rate swaps (liabilities)	9.4	405,776	-14,153	6.7	574,921	-11,364
- Effective part of hedging		377,026	-13,510		546,595	-10,815
- Ineffective part of hedging		28,750	-643		28,326	-549
Interest rate swaps, total		405,776	-14,153		574,921	-11,364

The Group does not have any interest rate swaps that could net each other.

Breakdown of financial assets and liabilities

The following table provides a list of groups of financial assets and liabilities used for valuation in accordance with IFRS 9.

2018	Note	Financial assets/ liabilities measured at fair value through profit and loss	Financial assets/ liabilities measured at amortized cost	Derivatives under hedge accounting	Total	Fair value of financial assets/liabilities
Non-current financial assets						
Assets measured at fair value						
Non-quoted financial assets (level 3)	16	238			238	238
Other non-current receivables			491		491	491
Total		**238**	**491**		**729**	**729**
Current assets						
Trade and other receivables						
Sales receivables	18		7,568		7,568	7,568
Other current receivables			12,274		12,274	12,274
Cash and cash equivalents	19		23,756		23,756	23,756
Total			**43,597**		**43,597**	**43,597**
Non-current liabilities	**21**					
Financial liabilities recognized at amortized cost						
Non-current finance lease liabilities (level 2)			1,738		1,738	1,738
Non-current interest-bearing liabilities (level 2)			243,855		243,855	257,931
Non-current non-interest-bearing liabilities (level 2)			3,634		3,634	3,634
Total			**249,226**		**249,226**	**263,303**
Current liabilities	**21**					
Financial liabilities at fair value through profit and loss						
Derivatives						
Interest rate swaps, meeting the criteria for hedge accounting (level 2)	21			13,526	13,526	13,526
Interest rate swaps, not meeting the criteria for hedge accounting (level 2)		627			627	627
Financial liabilities recognized at amortized cost						
Current finance lease liabilities			5,450		5,450	5,450
Other current interest-bearing liabilities			641,768		641,768	641,768
Trade and other payables			44,847		44,847	44,847
Purchase price liabilities			1,596		1,596	1,596
Total		**627**	**693,661**	**13,526**	**707,814**	**707,814**

2017	Note	Available-for-sale financial assets	Financial assets/ liabilities measured at amortized cost	Financial assets/ liabilities measured at fair value	Total	Fair value of financial assets/ liabilities
Non-current financial assets						
Assets measured at fair value						
Available-for-sale investments	16					
Available-for-sale quoted financial assets (level 1)		651			651	651
Available for sale non-quoted financial assets (level 3)		788			788	788
Other non-current receivables			-298		-298	-298
Total		**1,439**	**-298**		**1,141**	**1,141**
Current assets						
Trade and other receivables						
Sales receivables	18		4,365		4,365	4,365
Other current receivables			6,538		6,538	6,538
Cash and cash equivalents	19		71,753		71,753	71,753
Total			**82,656**		**82,656**	**82,656**
Non-current liabilities	**21**					
Financial liabilities recognized at amortized cost						
Non-current finance lease liabilities (level 2)			6,115		6,115	6,115
Non-current interest-bearing liabilities (level 2)			614,355		614,355	615,703
Non-current non-interest-bearing liabilities (level 2)			3,326		3,326	3,326
Total			**623,796**		**623,796**	**625,144**
Current liabilities	**21**					
Financial liabilities at fair value through profit and loss						
Derivatives						
Interest rate swaps, meeting the criteria for hedge accounting (level 2)	21			10,815	10,815	10,815
Interest rate swaps, not meeting the criteria for hedge accounting (level 2)				549	549	549
Financial liabilities recognized at amortized cost						
Current finance lease liabilities			1,694		1,694	1,694
Other current interest-bearing liabilities			182,790		182,790	182,790
Trade and other payables			53,988		53,988	53,988
Purchase price liabilities			3,332		3,332	3,332
Total			**241,804**	**11,364**	**253,168**	**253,168**

There have been no transfers or changes between levels 1 and 2 during the financial period. The fair value of level 2 instruments has been measured on the basis of generally accepted valuation techniques which primarily uses inputs based on observable market data.

Changes during the financial period in the values of other items presented on level 3 are as follows:

	2018	2017
Financial assets, Jan 1	1,439	1,471
Increases	6	4
Decreases	-1,217	-35
Transfers between assets	10	0
Financial assets, Dec 31	**238**	**1,439**

23. ASSETS PLEDGED, CONTINGENT LIABILITIES AND OTHER LIABILITIES

	2018	2017
Mortgages of properties		
Loans from financial institutions	619,122	607,728
Mortgages given	863,751	931,501
Other mortgage liabilities		
Mortgages given	3,588	3,600
Mortgages, total	**867,351**	**935,101**
Pledged real estate shares		
Pledged investment properties	760,985	717,023
Land lease + location liabilities	**124,467**	**86,731**
Other guarantee liabilities	**150,048**	**149,558**

OTHER LIABILITIES

Maturity distribution, rental agreements

2018	less than one year	1-5 years	over 5 years	Total
Land leasing liabilities	2,109	8,431	71,985	82,525
UMA locations	4,656	26,925	10,360	41,942
Total	**6,765**	**35,357**	**82,345**	**124,467**

2017	less than one year	1-5 years	over 5 years	Total
Land leasing liabilities	1,965	7,777	68,511	78,253
UMA locations	1,659	6,485	334	8,478
Total	**3,624**	**14,262**	**68,845**	**86,731**

Value added tax (VAT) adjustment liability on property investments

Liability to adjust VAT on Dec 31, 2018	**32,443**
Liability to adjust VAT on Dec 31, 2017	32,041
Change	403

	2018	2017
Liabilities associated with the equity bond		
Accrued unpaid interest	0	4,330
Total	**0**	**4,330**

Interest payment of the equity related bond in 2018 was EUR 5.6 (5.6) million. Additional information concerning the equity loan and its terms and conditions is disclosed in Note 20.

24. BUSINESS COMBINATIONS, ACQUISITIONS OF INDIVIDUAL ASSETS AND DIVESTMENTS

Acquisition of individual assets

In 2017, the Group acquired an office building under construction in the Ozas region in Vilnius, with a rentable floor area of around 13,800 m². In addition, the company signed a purchase agreement for a plot with an expansion potential of at least 20,000 m². The investment totaled approximately EUR 32 million.

In 2017, the Group acquired Ilmarinen Mutual Pension Insurance Company's indirect 19% shareholding in Technopolis AS for EUR 12.3 million. After the acquisition, Technopolis Plc's ownership in Technopolis AS is 100%.

No business combinations were carried out in the financial years 2018 or 2017.

Divestments of individual assets

The Group divested its business operations in Jyväskylä during the financial year 2017. As part of this arrangement, the company sold the entire share capital of Technopolis Kiinteistöt Jyväskylä Oy and Kiinteistö Oy Technopolis Innova 4.

It also divested all other assets related to its business operations in Jyväskylä. The total transaction price was EUR 104.5 million. The divested sites had a total rentable floor area of 49,000 m².

25. RELATED PARTY TRANSACTIONS

Related parties refer to persons or entities that are in a related party relationship with the disclosing entity. A related party relationship exists if one of the parties exerts control, joint control or significant influence over the decision-making of the other party. The company's related parties include associated companies and key members of the management and their next of kin, as well as companies in which such individuals exert control, joint control or significant influence. Key members of the management include the members of the Board of Directors and the members of the Group's Management Team.

Salaries and service benefits of the parent company's management

The key employees who comprise the management include the company's Board of Directors, President and CEO, and members of the Management Team.

	2018	2017
Salaries and service benefits paid to key employees included in the management		
Salaries and other current employee benefits	1,361	1,094
Share-based benefits	0	297
Total	**1,361**	**1,391**
Salaries and other current employee benefits paid to the CEO and Deputy CEO		
Silverang Keith, CEO	341	298
Tauriainen Reijo, Deputy CEO	0	108
Total	**341**	**406**

Reijo Tauriainen acted as Deputy CEO till July 31, 2017. After that the Group has not had a Deputy CEO.

Employee benefits paid to members of the Management Team other than the CEO and Deputy CEO	690	491

Also, as described below, in 2018, the key employees were paid bonuses of EUR 289 thousand that they earned during the period from January 1, 2017, to December 31, 2017 and in 2017 they were paid EUR 108 thousand for the period January 1, 2016, to December 2016. Bonuses were recognized as expenses during the period in which they were earned.

Silverang Keith, CEO	116	29
Tauriainen Reijo, Deputy CEO	0	8
Other members of the Management Team	173	71
Total	**289**	**108**

The retirement age and pension of the CEO will be determined by the general pension provisions. The period of notice for the CEO is six months and the severance pay equivalent to 12 months' salary in addition to the regular pay for the notice period.

On the basis of CEO salaries and benefits EUR 78.0 thousand has been recognized in the income statement as a pension costs in the financial year 2018 due to Employees Pension Act requirements (EUR 56.4 thousand in the year 2017) and on the basis of the CFO salaries and benefits EUR 0 thousand in the financial year 2018 (EUR 19.9 thousand in year 2017). Employees' Pension Act is part of the Finnish social security and it is a collective arrangement, where the employer does not have a straight responsibility from the pension, thus the responsibility is on the whole pension system. According to Employees Pension Act the financing of the pension is based on two points: part from the pensions paid in the future is hedged beforehand and part is financed through a distribution system only when the pensions are paid.

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, elects its representatives to the Board of Directors of the company.

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

Until then, the Board of Directors comprised of seven members: Juha Laaksonen, Chairman, Reima Rytsölä, Vice Chairman, Kaj-Gustaf Bergh, Hannu Leinonen, Helena Liljedahl, Pekka Ojanpää and Christine Rankin.

Before the EGM and the organization meeting of the new Board of Directors on November 7, 2018 the members of the Board were be paid annual remuneration as follows: The members of the Board of Directors shall be 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 and its committees each member of the Board of Directors shall, in addition to the annual remuneration, be paid a fee of EUR 600 and the Chairman of the Board of Directors a fee of EUR 1,200 for each Board meeting. Each member of a committee of the Board of Directors shall be paid a fee of EUR 600 and the chairmen of the committees a fee of EUR 800 for each committee meeting. For meetings held outside the country of residence of the member and provided that the member is physically present at the meeting venue, each member of the Board of Directors shall, however, be paid a fee of EUR 900 and the Chairman of the Board of Directors a fee of EUR 1,800 for each Board meeting, and each member of a committee shall be paid a fee of EUR 900 and the chairs of the committees a fee of EUR 1,200 for each committee meeting. The travel expenses of the members of the Board of Directors and the members of the committees shall be compensated in accordance with the company's travel policy.

	2018	2017
Annual and meeting fees paid to Board members in 2018		
Laaksonen Juha, Chairman of the Board of Directors	79	71
Bergh Kaj-Gustaf	36	0
Leinonen Hannu	38	0
Liljedahl Helena	43	36
Ojanpää Pekka	39	36
Rankin Christine	49	43
Rytsölä Reima	44	37
Total	**328**	**224**
Former members of the Board		
Granvik Carl-Johan	0	6
Haapamäki Jorma	2	42
Ånäs Annica	0	4
Total	**2**	**52**

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

Annual compensation paid in shares and in cash to members of the Board:	Compensation paid in shares	Compensation paid in cash	Meeting fees	Total annual compensation
Laaksonen Juha, Chairman of the Board of Directors	0	58	21	79
Bergh Kaj-Gustaf	0	28	9	36
Leinonen Hannu	0	28	10	38
Liljedahl Helena	0	28	15	43
Ojanpää Pekka	0	28	11	39
Rankin Christine	0	33	16	49
Rytsölä Reima	0	33	11	44
Grand total for annual compensation	**0**	**234**	**93**	**328**

26. SHARE-BASED PAYMENTS

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. On December 31, 2018, liabilities related to the terminated share incentive schemes were EUR 2.0 (0.5) million.

Currency unit, EUR 1,000

Parent Company Income Statement and Balance Sheet

	Note	2018	2017
Net sales	1	**86,669**	**95,613**
Other operating income	2	171	910
Personnel expenses	3	-13,006	-11,337
Depreciation and impairment	4	-3,028	-3,672
Other operating expenses	5	-62,700	-63,407
Operating profit		**8,107**	**18,107**
Income from holdings in Group companies	6	15,611	6,734
Finance income, total	6	817	18,309
Finance expenses, total	6	-16,269	-20,974
Profit before appropriations and taxes		**8,266**	**22,175**
Profit before taxes		**8,266**	**22,175**
Change in depreciation difference	7	0	797
Income taxes	8	-229	-1,574
Net profit for the year		**8,036**	**21,398**

	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Non-current assets			
Intangible assets	9	12,688	12,904
Tangible assets	10	348	238
Holdings in group companies	11	753,264	756,512
Holdings in associates	11	1,417	1,417
Investments	11	80,249	62,031
Total non-current assets		**847,966**	**833,101**
Current assets			
Non-current receivables	12	239,100	49,408
Current receivables	13	37,722	181,104
Cash and bank		432	41,313
Total current assets		**277,253**	**271,825**
ASSETS, TOTAL		**1,125,219**	**1,104,925**
EQUITY AND LIABILITIES			
Equity	14		
Share capital		96,914	96,914
Premium fund		18,943	18,943
Invested unrestricted equity fund		327,023	339,574
Retained earnings		24,074	17,519
Net profit for the year		8,036	21,398
Equity, total		**474,990**	**494,348**
Accumulated appropriations	15	0	0
Liabilities			
Non-current liabilities	16	142,139	464,088
Current liabilities	17	508,090	146,489
Total liabilities		**650,229**	**610,577**
EQUITY AND LIABILITIES, TOTAL		**1,125,219**	**1,104,925**

Parent Company Cash Flow Statement

	2018	2017
Cash flows from operating activities		
Net profit for the year	8,036	21,398
Adjustments:		
Depreciation	3,028	3,672
Other adjustments for non-cash transactions	331	-1,702
Financial income and expenses	439	-4,566
Taxes	229	1,574
Increase/decrease in working capital	-2,009	-1,439
Interest received	9,213	4,885
Dividends received	8,569	2,534
Interest paid and fees	-14,632	-14,323
Other financial items in operating activities	-7,064	-5,142
Taxes paid	-4,829	-1,501
Cash flows from operating activities	**1,311**	**5,391**
Cash flows from investing activities		
Investments in tangible and intangible assets	-3,908	-3,131
Proceeds from sale of tangible and intangible assets	0	37,284
Loans granted	-210,555	-18,339
Repayments of loan receivables	82,958	411
Increase/decrease in cash equivalents	59,801	-3,669
Investments in other securities	0	0
Gains from disposals of other investments	1,095	25
Acquisition of subsidiaries	-1,309	0
Disposal of subsidiaries	5,930	51,334
Cash flows from investing activities	**-65,989**	**63,915**
Cash flows from financing activities		
Increase in long-term loans	158,860	0
Decrease in long-term loans	-205,835	-79,624
Dividends paid	-26,819	-18,831
Change in short-term loans	97,591	-34,392
Cash flows from financing activities	**23,797**	**-132,848**
Change in cash and cash equivalents	**-40,881**	**-63,541**
Cash and cash equivalents, January 1	41,313	104,855
Cash and cash equivalents, December 31	**432**	**41,313**

Accounting Policies Applied in the Preparation of Parent Company Financial Statements

Technopolis Plc's financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

NET SALES AND OTHER OPERATING INCOME

Net sales consist primarily of the rental revenues from premises and service revenues. Revenues are recognized on an accrual basis.

Gains on the sale of fixed assets and income from all other operating activities are recognized in other operating income.

MEASUREMENT OF NON-CURRENT ASSETS

Intangible and tangible assets are measured at original cost and are depreciated over their estimated useful life according to pre-determined depreciation plans. Depreciation according to plan is presented in the income statement. The depreciation based on estimated useful life is as follows:

Intangible rights	20%, straight-line depreciation
Other long-term expenditure	10%, straight-line depreciation
Machinery and equipment	25%, depreciation from book value

Additional expenses arising later will be capitalized if it is likely that they will inure additional economic benefit to the company and if they can be reliably determined and allocated to an asset. Otherwise, they will be recognized as an expense in the income statement.

Other long-term expenditures mainly include alteration work on leased premises, depreciated over the duration of the alteration work rent or the term of the lease. With regard to long-term leases, alteration work is, however, depreciated using a maximum annual depreciation rate of 10%.

TRANSLATION OF FOREIGN CURRENCY ITEMS

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of each transaction. At the end of the financial year, unsettled foreign currency transaction balances are valued at the average rates of the balance sheet date.

DERIVATIVES

Derivative contracts are mainly used for hedging against interest rate risk. Derivative contracts made to hedge against the interest rate risk of long-term loans are not entered in the balance sheet, but reported in the notes to the financial statements. Interest expenses related to derivative contracts are recognized on accrual basis to adjust the interest on the hedged item.

INCOME TAXES

The direct income taxes for the financial year are accrued and recognized in the income statement. Deferred tax liabilities and assets are not entered in the parent company balance sheet.

SHARE-BASED PAYMENTS

The cash portion of share-based rewards amounts to the taxes and tax-related charges incurred due to the plan. It is recognized as a liability at the granting date and at each closing date based on the benefits paid as shares. Share-based payments are allocated on an accrual basis. Changes in the estimates are recognized in the income statement.

Notes to the Parent Company Financial Statements

1. NET SALES

	2018	2017
Revenue from rental operations	70,263	78,311
Revenue from services	16,406	17,302
Net sales, total	**86,669**	**95,613**

2. OTHER OPERATING INCOME

	2018	2017
Other income from operations	171	910
Other operating income, total	**171**	**910**

The comparison data includes the gain on the sale of leasing property in Jyväskylä.

3. PERSONNEL EXPENSES

	2018	2017
Salaries and fees	11,003	9,280
Pension costs	1,577	1,542
Indirect employee costs	541	718
Capitalized personnel expenses	-115	-203
Personnel expenses, total	**13,006**	**11,337**
Average number of employees	160	169
Salaries of CEO and Board members		
President and CEO	457	402
Members of the Board of Directors	330	276
Salaries of CEO and Board members, total	**787**	**678**

The salary of President and CEO includes the salaries and bonuses paid during the fiscal period.

The salaries of the members of the Board of Directors include the salaries and meeting fees paid during the fiscal period.

4. DEPRECIATION ACCORDING TO PLAN AND IMPAIRMENT

	2018	2017
Depreciation on intangible assets	2,940	3,491
Depreciation on tangible assets	26	181
Depreciation according to plan and impairment, total	**3,028**	**3,672**

5. OTHER OPERATING EXPENSES

	2018	2017
Premises expenses	38,636	42,431
Service expenses	6,679	8,725
Other operating expenses	17,385	12,251
Other operating expenses, total	**62,700**	**63,407**
Auditor’s fees and services		
Other operating expenses includes fees paid to auditors as follows:		
Audit	79	92
Certificates and reports	39	7
Other services	55	56
Auditor’s fees, total	**173**	**155**

6. FINANCE INCOME AND EXPENSES

	2018	2017
Dividend income from Group companies	7,114	2,465
Dividend income from others	4	55
Other interest income from Group companies	8,497	4,269
Other interest- and financial income from others	813	18,254
Interest expenses and other finance expenses to Group companies	-406	-139
Interest expenses and other finance expenses to others	-16,585	-20,525
Items related to derivatives	722	-311
Finance income and expenses, total	**159**	**4,068**

Interest and finance income from others on comparison data includes the gain on the sale of the Jyväskylä business operations.

7. APPROPRIATIONS

	2018	2017
Difference between planned depreciation and depreciation for tax purposes	0	797

8. INCOME TAXES

	2018	2017
Income tax from actual operations	225	3,393
Taxes for prior years	4	-1,819
Income taxes, total	**229**	**1,574**

9. INTANGIBLE ASSETS

	2018	2017
Intangible rights		
Acquisition cost, Jan 1	13,900	12,425
Increases	1,303	1,474
Acquisition cost, Dec 31	15,203	13,900
Accumulated depreciation, Jan 1	-8,618	-6,951
Depreciation for the year	-1,487	-1,667
Intangible rights, Dec 31	**5,098**	**5,282**
Other long-term expenditure		
Acquisition cost, Jan 1	17,088	21,444
Increases	21	109
Decreases	-102	-6,345
Changes between assets items	1,490	1,881
Acquisition cost, Dec 31	18,497	17,088
Accumulated depreciation, Jan 1	-9,466	-9,704
Accumulated amortisation on disposals	0	2,063
Depreciation for the year	-1,442	-1,824
Other long-term expenditure, Dec 31	**7,590**	**7,622**
Intangible assets, total, Dec 31	**12,688**	**12,904**

10. TANGIBLE ASSETS

	2018	2017
Land areas		
Acquisition cost, Jan 1	0	3,927
Decreases	0	-3,927
Land areas, Dec 31	**0**	**0**
Buildings and structures		
Acquisition cost, Jan 1	648	8,447
Decreases	0	-7,799
Acquisition cost, total, Dec 31	648	648
Accumulated depreciation, Jan 1	-648	-2,057
Depreciation for the year	0	-146
Buildings and structures, Dec 31	**0**	**0**
Machinery and equipment		
Original acquisition cost	2,833	2,861
Accumulated depreciation	-2,738	-2,707
Net expenditures, Jan 1	96	154
Increases	111	0
Decreases	-61	-28
Accumulated amortisation on disposals	0	5
Depreciation for the year	-26	-35
Machinery and equipment, Dec 31	**119**	**96**
Other tangible assets		
Acquisition cost, Jan 1	29	29
Other tangible assets, Dec 31	**29**	**29**
Advance payments and projects in progress		
Projects in progress, Jan 1	113	388
Increases/decreases	1,578	1,651
Changes between assets items	-1,490	-1,927
Advance payments and projects in progress, Dec 31	**201**	**113**
Tangible assets, total Dec 31	**348**	**238**

11. INVESTMENTS

	2018	2017
Holdings in Group companies		
Acquisition cost, Jan 1	756,512	807,213
Increases	2,699	1,120
Decreases	-5,947	-51,822
Holdings in Group companies, Dec 31	**753,264**	**756,512**
Holdings in associates		
Acquisition cost, Jan 1	1,417	1,442
Increases/decreases	0	-25
Holdings in associates, Dec 31	**1,417**	**1,417**

Information on the associates' shareholders' equity and results for the period is presented in Note 15 to the consolidated financial statements.

Other shareholdings		
Acquisition cost, Jan 1	1,125	1,150
Increases/decreases	-890	-25
Other shareholdings, Dec 31	**235**	**1,125**
Receivables from Group companies		
Loan receivables, Jan 1	60,906	37,986
Increases	19,609	23,342
Decreases	-500	-422
Receivables from Group companies, Dec 31	**80,014**	**60,906**

Holdings in Group companies, December 31, 2018

	Holding, %	Book value
Kiinteistö Oy Helsingin Energiakatu 4, Helsinki, Finland	100.00	128
Kiinteistö Oy Hermia, Tampere, Finland	71.96	10,664
Kiinteistö Oy Innopoli 2, Espoo, Finland	100.00	55,216
Kiinteistö Oy Oulun Ydinkeskusta, Oulu, Finland	98.77	24,548
Kiinteistö Oy Technopolis Innopoli 3, Espoo, Finland	100.00	10,495
Kiinteistö Oy Technopolis Peltola, Oulu, Finland	100.00	29,925
Kiinteistö Oy Technopolis Ratapihankatu, Tampere, Finland	100.00	3
Kiinteistö Oy Technopolis Tekniikantie 21, Espoo, Finland	100.00	3
Kiinteistö Oy Technopolis Tohloppi, Tampere, Finland	94.25	23,293
Kiinteistö Oy Yrttiparkki, Oulu, Finland	87.45	3
Oulun Teknoparkki Oy, Oulu, Finland	84.14	50
Oulun Ydinkeskustan Parkki Oy, Oulu, Finland	62.24	12
Salmiparkki Oy, Helsinki, Finland	56.44	118
Technopolis AB, Gothenburg, Sweden	100.00	44,514
Technopolis Baltic Holding Oü, Tallinn, Estonia	100.00	13,357
Technopolis Hitech Oy, Oulu, Finland	100.00	63
Technopolis Holding AS, Oslo, Norway	100.00	64,734
Technopolis Kiinteistöt Espoo Oy, Espoo, Finland	100.00	3
Technopolis Kiinteistöt Oulu Oy, Oulu, Finland	100.00	120,295
Technopolis Kiinteistöt Pääkaupunkiseutu Oy, Helsinki, Finland	100.00	129,295
Technopolis Kiinteistöt Tampere Oy, Tampere, Finland	100.00	89,667
Technopolis Kuopio Oy, Kuopio, Finland	60.00	30,491
Technopolis Lietuva UAB, Vilnius, Lithuania	100.00	16,683
Technopolis St Petersburg LLC, St Petersburg, Russia	100.00	87,126
Technopolis UMA Holding Oy, Helsinki, Finland	100.00	2,580
Total		**753,264**

Holdings in associates	**Holding, %**	**Book value**
Iin Micropolis Oy, Ii, Finland	25.64	24
Rehaparkki Oy, Oulu, Finland	28.40	1,392
Total		**1,417**

	2018	2017
Other holdings		
Other shares	235	359
Danske mutual fund units	0	766
Total	**235**	**1,125**

	2018	2017
Other receivables		
Other receivables, Jan 1	-0	5
Decreases	0	-5
Other receivables, Dec 31	**-0**	**-0**

12. NON-CURRENT RECEIVABLES

	2018	2017
Other long-term receivables from group companies	238,907	49,270
Other long-term receivables	193	138
Other long-term receivables, total	**239,100**	**49,408**

13. CURRENT RECEIVABLES

	2018	2017
Sales receivables from Group companies	1,179	1,266
Loan receivables from Group companies	0	81,149
Adjusting entries for assets from Group companies	321	86
Other Group receivables	28,870	95,102
Sales receivables	1,496	1,607
Adjusting entries for assets	5,845	1,881
Other receivables	11	12
Short-term receivables, total	**37,722**	**181,104**
Essential items included in adjusting entries for assets		
Taxes	1,489	0
Items related to new finance agreement	2,217	0
Indirect personnel expenses	48	550
Others	2,092	1,331
Total	**5,845**	**1,881**

Other adjusting entries for assets include project receivables, interest receivables, and other amortized receivables.

14. CHANGES IN SHAREHOLDERS' EQUITY

	2018	2017
Share capital, Jan 1	96,914	96,914
Share capital, Dec 31	**96,914**	**96,914**
Premium fund, Jan 1	18,943	18,943
Premium fund, Dec 31	**18,943**	**18,943**
Restricted equity, Dec 31	**115,857**	**115,857**
Invested unrestricted equity fund, Jan 1	339,574	339,574
Return of invested unrestricted equity fund	-12,551	0
Invested unrestricted equity fund, Dec 31	**327,023**	**339,574**
Retained earnings, Jan 1	38,918	36,340
Dividends distributed	-14,120	-18,820
Prior period adjustment	-723	0
Net profit for the year	8,036	21,398
Retained earnings, Dec 31	**32,110**	**38,918**
Unrestricted equity, Dec 31	**359,133**	**378,491**
Shareholders' equity, Dec 31	**474,990**	**494,348**
Distributable unrestricted equity, Dec 31	**359,133**	**378,491**

The excess dividend receivable from subsidiary Technopolis Holding AS in the previous financial year has been adjusted through equity.

15. ACCUMULATED APPROPRIATIONS

	2018	2017
Depreciation difference, Jan 1	0	797
Increase/decrease during the year	0	-797
Depreciation difference, Dec 31	**0**	**0**

16. NON-CURRENT LIABILITIES

	2018	2017
Bonds		
Hybrid bond	0	75,000
Bond	138,818	150,000
Loans from financial institutions	0	235,767
Loans from group companies	3,321	3,321
Non-current liabilities, total	**142,139**	**464,088**

On March 26, 2018 Technopolis Plc redeemed the EUR 75 million capital notes issued on March 26, 2013 in accordance with the terms and conditions of the Hybrid Bond for the full outstanding amount.

Liabilities with a maturity of five years or longer		
Bank loans	0	87,929

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.

17. CURRENT LIABILITIES

	2018	2017
Bond	11,182	
Loans from financial institutions	313,956	59,024
Advances received	5,562	5,403
Accounts payable	1,325	561
Accounts payable to Group companies	87	0
Loans to Group companies	66,348	48,244
Adjusting entries for liabilities to Group companies	367	3,897
Other current liabilities	99,381	12,373
Adjusting entries for liabilities	9,882	16,987
Current liabilities, total	**508,090**	**146,489**

The increase in other current liabilities is mainly due to the issue of debt obligations related to the commercial paper program.

	2018	2017
Essential items included in adjusting entries for assets		
Interests related to bank loans	3,504	8,147
Interests related to derivatives	222	944
Tax liabilities	0	2,587
Rewards and bonuses	3,896	2,039
Other	2,260	3,271
Total	**9,882**	**16,987**

Other adjusting entries for liabilities include personnel expense liabilities and other amortizations of costs.

18. ASSETS PLEDGED, CONTINGENT LIABILITIES AND OTHER LIABILITIES

	2018	2017
Loans from financial institutions	**313,956**	**294,791**
Pledged real estate shares		
Pledged real estate shares, carrying amount	351,593	525,008

	Dec 31, 2018		Dec 31, 2017	
Interest rate and currency swaps	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Interest rate swaps, Nordea	117,884	-5,414	184,942	-4,948
Interest rate swaps, Danske	33,444	-1,307	35,000	-1,420
Interest rate swaps, Pohjola	180,833	-6,737	184,026	-3,671
Interest rate swaps, Handelsbanken	3,750	-61	15,325	-323
Interest rate and currency swaps, total	**335,912**	**-13,519**	**419,293**	**-10,362**

	Contractual cash flow			
	Less than one year	1-2 years	3-5 years	over 5 years
Repayments of derivatives	318	1,224	2,851	9,126

The 15-year agreements maturing in 2019 and 2021 can be voluntarily terminated early.

	2018	2017
Collateral given on behalf of Group companies		
Guarantees	351,593	146,069

OTHER LIABILITIES	2018	2017
Land lease liabilities	**242**	**1**
Lease liabilities for premises		
To be paid in the current financial year	0	1,659
To be paid later	0	6,819
Lease liabilities for premises, total	**0**	**8,478**
Leasing liabilities for fixtures and fittings		
To be paid in the current financial year	1,496	1,715
To be paid later	1,196	1,332
Leasing liabilities for fixtures and fittings, total	**2,692**	**3,047**
Lease liabilities from investment properties, total value of minimum lease payments		
Not later than one year	4,105	246
Later than one year and not later than two years	0	254
Later than two year and not later than five years	0	533
Later than five years	0	3,396
Total	**4,105**	**4,429**
Present value of minimum lease payments of investment properties		
Not later than one year	4,105	217
Later than one year and not later than two years	0	226
Later than two year and not later than five years	0	483
Later than five years	0	3,396
Present value of minimum lease payments, total	**4,105**	**4,322**
Future financial expenses, total	0	107
Total amount of finance lease liabilities	**4,105**	**4,429**

19. RELATED PARTY TRANSACTIONS

Related party transactions are presented in Note 25 to the consolidated financial statements.

20. SHARES

The company's business name is Technopolis Oyj in Finnish and Technopolis Plc in English, and its registered office is in Oulu, Finland. It was entered into the Trade Register on September 16, 1982 under the name Oulun Teknologiakylä Oy (reg. no. 309.397). It became a public limited company on November 5, 1997, changing its name to Technopolis Oulu Oyj on April 15, 1988, and again to Technopolis Oyj on April 7, 2000. Its business code is 0487422-3. Technopolis shares are quoted on the mid cap list of Nasdaq Helsinki. The ISIN code is FI0009006886, and the trading code is TPS1V.

Annual General Meeting March 20,2018

The Annual General Meeting (AGM) 2018 adopted on March 20, 2018 the Group and parent company's financial statements for the fiscal 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 and equity return payment date was April 4, 2018.
The AGM authorized the Board of Directors to decide on the repurchased and/or on the acceptance as pledges of the company's own shares as follows: The amount of own shares to be repurchased and/or accepted as a pledge shall not exceed 15,850,000 shares, which corresponds to approximately 10 per cent of all the shares in the company. Under the authorization, the company's own shares may only be purchased using unrestricted equity. The company's own shares can be repurchased at a 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 a 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.

The Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and other 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 to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization is effective until the end of the next Annual General Meeting; however, no later than June 30, 2019.

Shares and share capital

The company's registered, fully paid-up share capital on December 31, 2018, was EUR 96,913,626.29 (EUR 96,913,626.29), divided into 158,793,662 shares. Changes in shares during the financial year are shown in the following section. The company's shares have been in the book-entry securities system since March 7, 1998.
The company has one class of shares. Each share carries one vote at a General Meeting of Shareholders.

Own Shares

On December 31, 2018, the company held a total of 1,878,443 (1,903,373) treasury shares. The company has repurchased a total of 2,067,753 treasury shares, of which a total of 189,310 have been issued as share-based payments. In 2018, a total of 24,930 shares held by the company were issued as share-based payments. In 2017, a total of 15,192 shares returned to the company from the share-based incentive schemes, and a total of 59,390 shares held by the company were issued as share-based payments.

Stock-related Events

	Share capital, EUR	Change, shares, number	Outstanding number of shares	Entered in the register
Shares, December 1, 2017	**96,913,626.29**		**156,846,091**	
Return of own shares		- 11,174	156,834,917	1/11/2017
Share incentives for key personnel		59,390	156,894,307	4/25/2017
Return of own shares		- 4,018	156,890,289	6/5/2017
Shares, December 31, 2017	**96,913,626.29**	**44,198**	**156,890,289**	
Shares, December 1, 2018	**96,913,626.29**		**156,890,289**	
Share incentives for key personnel		24,930	156,915,219	4/25/2018
Shares, December 31, 2018	**96,913,626.29**	**24,930**	**156,915,219**	

The company's Board of Directors decided on a on a directed share issue without consideration on April 25, 2018. In the share issue, 24,930 treasury shares were issued without consideration to the key personnel entitled to share rewards in accordance with the terms and conditions of the Performance Share Plan 2013–2017.
The decision on the share issue was based on the authorization granted to the Board of Directors by the Company's General Meeting of Shareholders held on March 20, 2018.

Company´s own shares have been returned to Technopolis Plc on comparative year 2017 in accordance with the terms and conditions of the company´s performance share plan 2013-2017 due to the termination of employment of a key persons on January 11, 2017 and June 5, 2017.

	2018	2017
Share data		
*Number of shares *)*		
On Dec 31	156,915,219	156,890,289
Average during the year	156,907,364	156,873,264
Dilution-adjusted average during year	156,907,364	156,873,264

*) The total number of shares is 158,793,662. The company has a total of 1,878,443 own shares.

	2018	2017
Share-related Indicators		
Earnings/share, basic, EUR	0.39	0.46
Earnings/share, diluted, EUR	0.39	0.46
Equity/share, EUR	4.15	4.06
Dividend/share, EUR, proposal	0.00	0.09
Equity repayment/share, EUR, proposal	0.00	0.08
Dividend Payout Ratio, %	0.00	37.0
P/E ratio	11.85	8.57
Effective dividend yield, %	0.00	4.07
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
Market capitalization, Dec 31	724,099,099	663,757,507
Share turnover, euro	959,424,139	268,185,100
Share turnover, shares	211,098,805	71,962,264

Definitions of Key Indicators and Financial Ratios

Equity/Share

$$\frac{\text{Equity - Equity related bond}}{\text{Issue-adjusted number of shares outstanding on reporting date}}$$

Return on Equity (ROE), %

$$100 \times \frac{\text{Result before taxes - Taxes}}{\text{Equity + Non-controlling interests for year, average}}$$

Earnings/Share, Basic

$$\frac{\text{Profit to parent company shareholders} \\ \text{- Interest expenses on equity related bond}}{\text{Average issue-adjusted number of shares during year}}$$

Dividend/Share

$$\frac{\text{Dividend}}{\text{Issue-adjusted number of shares outstanding on reporting date}}$$

Effective Dividend Yield, %

$$100 \times \frac{\text{Issue-adjusted dividend/share}}{\text{Issue-adjusted share price on reporting date}}$$

Loan to Value, %

$$100 \times \frac{\text{Interest-bearing liabilities}}{\text{Fair value of investment properties (completed + under construction) on reporting date}}$$

Cash Flow From Operations/Share

$$\frac{\text{Cash flow from operations}}{\text{Average number of shares adjusted for dilutive effect during year}}$$

EBITDA

Operating profit + Depreciation
+/- Change in fair values of investment properties

Net Rental Revenue of Property Portfolio, % (EPRA Net Initial Yield)

$$100 \times \frac{\text{Rental income from Group-owned properties} \\ \text{- Direct expenses from Group-owned properties}}{\text{Fair value of completed investment properties on reporting date}}$$

EPRA Net Asset value (NAV)

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

Financial Occupancy Ratio, %

$$100 \times \frac{\text{Rental income of leased space}}{\text{Estimated market rent of vacant space} \\ \text{+ Rental income of leased space}}$$

EPRA Earnings/Share

$$\frac{\text{Operative result to parent company shareholders}}{\text{Average issue-adjusted number of shares during year}}$$

Net Sales on a Constant Currency Basis

Net sales - Impact of currency exchange rate changes

Return on Capital Employed (ROCE), %

$$100 \times \frac{\text{EBIT - Fair value changes}}{\text{Total assets - Non-interest-bearing liabilities for year, average}}$$

Equity Ratio, %

$$100 \times \frac{\text{Equity + Non-controlling interests}}{\text{Total assets - Advances received}}$$

Return on Investment (ROI), %

$$100 \times \frac{\text{Result before taxes} \\ \text{+ Interest expenses and other financial expenses}}{\text{Total assets - Non-interest-bearing liabilities}}$$

Earnings/Share, Diluted

$$\frac{\text{Profit to parent company shareholders} - \text{Interest expenses on equity related bond}}{\text{Average number of shares adjusted for dilutive effect during year}}$$

Dividend Payout Ratio, %

$$100 \times \frac{\text{Dividend/share}}{\text{Earnings/share}}$$

Price/Earnings (P/E) Ratio

$$\frac{\text{Issue-adjusted share price on reporting date}}{\text{Earnings/share}}$$

Interest Coverage Ratio

$$\frac{\text{EBITDA}}{\text{Accrual-based interest expenses}}$$

Net Debt/Equity (Gearing), %

$$100 \times \frac{\text{Interest-bearing debt - Cash, bank and financial securities}}{\text{Equity + Non-controlling interests}}$$

EBITDA %

$$100 \times \frac{\text{EBITDA}}{\text{Net sales}}$$

EPRA Like for Like Rental Growth, %

$$100 \times \frac{\text{Rental revenue from comparable properties}}{\text{Rental revenue from comparable properties in previous period}}$$

EPRA Net Asset Value/Share

$$\frac{\text{EPRA Net Asset Value}}{\text{Issue-adjusted number of shares outstanding on reporting date}}$$

EPRA Vacancy Rate

100% - Financial occupancy rate, %

EBITDA by Business Area

EBITDA from rental operations + EBITDA from services
- Group-level expenses and eliminations

EBITDA on a Constant Currency Basis

EBITDA - Impact of currency exchange rate changes

EPRA Triple Net Asset Value/Share

$$\frac{\text{EPRA Net asset value} + \text{Hedging reserve} - \text{Deferred taxes from investment properties} -/+ \text{Difference between fair value and balance sheet value of liabilities}}{\text{Issue-adjusted number of shares, basic, on reporting date}}$$

Board of Directors' Proposal for Dividend Distribution and Equity Repayment

The distributable funds of the parent company Technopolis Plc amounted to EUR 32,110,466.06 and the funds in the parent company's invested unrestricted equity fund amounted to EUR 327,022,572.29 on December 31, 2018.

The Board proposes a dividend payment of EUR 0.00 (0.09) per share to be paid from the distributable funds and an equity repayment of EUR 0.00 (0.08) per share to be paid from the invested unrestricted equity fund. The dividend payment and equity repayment total EUR 0.00 (0.17) per share, EUR 0.0 (26.7) million euros. The proposal is due to the ongoing redemption and delisting proceedings.

The Board further proposes that distributable funds be left in the retained earnings account.

Signatures of the Board of Directors and CEO for the Report by the Board of Directors and for the Financial Statements

in Helsinki, February 27, 2019

Paul Patel
Chairman of the Board

Sebastian Woitas
Deputy Chairman of the Board

Henri Guelff
Member of the Board

Louis Paletta
Member of the Board

Davy Toussaint
Member of the Board

Keith Silverang
President and CEO

The Auditor's Note

Our auditor's report has been issued today.

Helsinki, February 27, 2019

KPMG Oy Ab

Lasse Holopainen
Authorised Public Accountant

Auditor's Report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Technopolis Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Technopolis Plc (business identity code 0487422-3) for the year ended 31 December, 2018. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 6 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters above.

The Key Audit Matter	How the Matter Was Addressed in the Audit
Valuation of investment properties (Refer to note 12 to the consolidated financial statements)	
• Investment properties measured at fair value (EUR 1.664,7 million) represent 95,0 percent of the consolidated balance sheet total as at 31 December 2018. Changes in the fair values of the investment properties have a significant impact on the consolidated net result for the period and equity. • The fair values of investment properties is determined specifically for each property by discounting the estimated net cash flows to the present day. • The forecasts used by Technopolis in fair value measurement involve management judgement regarding projected occupancy rate and market rents, among others. The net yield requirement used in the fair value calculations is based on assessments provided by two external real estate valuators.	Our audit procedures included, among others: • We evaluated the assumptions requiring management judgement used in the fair value calculations. • In respect of property-specific fair value calculations, we assessed that the yield requirements are based on information provided by external real estate valuators. • We tested the analysis of changes in fair value and the underlying factors prepared by the Group. • We involved KPMG valuation specialists in testing of the technical validity of the property-specific calculations and in comparison of the assumptions used to market and industry data. • As part of our audit procedures performed on the acquisitions and divestments of investment properties we examined significant contracts and documentation on the accounting treatment applied to these transactions. • Furthermore, we assessed the appropriateness of the disclosures provided on the fair values of investment properties.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated

The Key Audit Matter	How the Matter Was Addressed in the Audit
Recognition of rental and service income (Refer to note 2 to the consolidated financial statements)	
• The Group's net sales primarily consist of real estate rental revenues recognized on a straight-line basis over the lease term and service revenues recognized upon completion of the service performance. • The number of invoicing transactions linked to rental revenues is considerable. • Accurate and timely recognition of rental and service revenue is material for rendering a true and fair view of the financial statements.	Our audit procedures included, among others: • We evaluated internal controls over both the IT environment related to the property rental process and the accuracy of rental invoicing process. • We tested the accuracy of basic data in the Group's ERP software by comparing to rental agreements and other contracts. • Furthermore, we tested the accuracy of the recognition process by performing substantive procedures.

The Key Audit Matter	How the Matter Was Addressed in the Audit
Financing arrangements (Refer to note 7 and notes 20–22 to the consolidated financial statements)	
• The total balance of the Group's interest-bearing liabilities is significant, EUR 892,8 million as at 31 December 2018. • In 2018 the Group has been involved in material financing arrangements. Due to the change in ownership Technopolis has agreed on a six month stand-still period regarding its existing financing arrangements. • The Group employs derivative instruments that are recognized at fair value. Technopolis uses derivative contracts mainly to hedge interest rate risks and applies hedge accounting to qualifying interest derivative instruments. The nominal value of the derivatives as at 31 December 2018 amounts to EUR 405,8 million.	Our audit procedures included, among others: • We evaluated the appropriateness of the recognition and measurement policies applied to financial instruments and tested the controls relevant to the accuracy and measurement of financial instruments. • We assessed the hedge accounting documentation prepared by Technopolis and the principles applied therein. • We tested the interest accruals of financial liabilities by comparing to external confirmations provided by lenders. • Furthermore, we assessed the appropriateness of the presentation of liabilities and financial instruments including the notes to the financial statements.

financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 24 March 2006 and our appointment represents a total period of uninterrupted engagement of 13 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 27 February 2019
KPMG OY AB

Lasse Holopainen
Authorised Public Accountant, KHT

TECHNOPOLIS

www.technopolis.fi