

## Annual Report and Financial Statements 31 December 2016

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## CEO'S REVIEW

University Properties of Finland Ltd had a very busy year in 2016. We have worked in close interaction with customers and various stakeholders across Finland. Together with our extensive network of partners, we launched several new initiatives and projects during the year. I want to take this opportunity to thank all of the parties concerned for their excellent cooperation and committed, forward-looking attitude! The dedicated people in our organisation and our partner organisations will help us accomplish great things and support the development and attractiveness of Finnish university campuses.

The year started with highlighting cooperation between universities and cities at the Win Peaks seminar, where we presented the key theme of our new corporate strategy, which is the close integration of campuses into the surrounding economic area — the campus as part of the city. A vibrant campus is operationally an integral part of the urban structure of the university city. Joint activities, infrastructure and strengths related to the entire higher education and teaching sector, services, housing and companies become available. The coming years will show how our thoughts on campus strategy match the structures and functions of regional urban development. What is clear is that open interaction, defining a shared objective and making the right strategic choices will strengthen the future of all operators in a given area.

In late 2016, we signed a significant agreement concerning the relocation of the functions of the Oulu University of Applied Sciences to our Linnanmaa campus in Oulu. We

are pleased to play an enabling role in the creation of this regionally significant centre of expertise and the functional and spatial synergies it will bring to the economic area as a whole.

Systematic investments in research, development and innovation activities continue to play a key role in SYK's operations. The work we have done in developing learning environments in close cooperation with users has created a new kind of ownership, which in turn has supported the successful use of the premises. Our operating culture and the results of demo activities are integrated into projects. There is a clear change underway from demos involving physical premises to demos that take advantage of digitalisation, and we intend to play a part in this development. We worked on our digital strategy during the year and it will guide the targeting of our R&D activities in 2017.

The broad scope of our operations is a challenge to our organisation, but presents many opportunities. In 2016, we accomplished a lot in Finland, including sharing our know-how and learning from fellow operators. The resource-wise sharing economy will enable many new solutions, often even more than we expect. With this in mind, our goal for 2017 is to increasingly accumulate our expertise, become a stronger organisation and serve our customers even better than before.

Chief Executive Officer  
Mauno Sievänen

## UNIVERSITY PROPERTIES OF FINLAND LTD - ANNUAL REPORT

University Properties of Finland Ltd was established in 2009. Since 2010, the company has leased and developed premises primarily for universities and higher education institutions outside the Greater Helsinki region. The company is owned by 10 universities outside Greater Helsinki (University of Eastern Finland, University of Jyväskylä, University of Lapland, Lappeenranta University of Technology, University of Oulu, University of Tampere, Tampere University of Technology, University of Turku, University of Vaasa and Åbo Akademi University) and the Finnish government.

The company offers universities suitable and reasonably priced premises and also develops its property assets for use by others. The aim is to turn campuses into attractive and sustainable learning and innovation environments that support the success of universities, even by international standards. The company has a strong focus on research and development in order to support the competitiveness of its customers by providing high-quality premises and solutions.

In 2016, the company's operations progressed as planned towards the objectives and promises defined in its strategy. The development of the themes and key strategic projects of the new strategy period (2016–2019) approved by University Properties of Finland Ltd's Board of Directors are already underway and they will be put into practice as part of the way the company's personnel operate. The company's strategic projects are: the campus as part of the city, cumulative competence, sustainable development and internationality. Our vision is to be Europe's most valued campus developer.

The company continued its extensive property development and renovation activities in 2016. The management of external risks remains at a very good level. Since it was established, the company has had a strong focus on the energy management of its properties. Excellent results were again achieved on this front in 2016.

Even at a time of substantial investment, the company's finances have developed favourably, with the operating profit at the planned level and the equity ratio relatively high for the industry. The company's profit performance remained stable.

Corporate responsibility reporting for 2016 is carried out applying the GRI reporting framework. The most relevant themes for University Properties of Finland Ltd's corporate responsibility were identified by stakeholder analysis and an evaluation of the company's own operations.

## BUSINESS OPERATIONS

In 2016, the Group's revenue grew by EUR 3.4 million compared with the previous year. The key reasons behind the increase in revenue (2.4%) were the completion of the new buildings and the repairs and renovations of premises as well as successful rental operations.

In 2016, impairment losses totalling EUR 2.9 million were recognised on two buildings, as their expected yield had permanently changed to an amount substantially lower than the undepreciated balance. The buildings were also demolished in relation to a larger project. The company continued to make substantial investments in maintenance and annual repair work to improve the condition and quality of its buildings.

Key figures, in millions of euros	Group 2016	Group 2015	Group 2014	Parent company 2016	Parent company 2015	Parent company 2014
Revenue	148.2	144.9	139.7	147.6	144.1	139.1
Operating profit	39.9	41.6	38.3	41.1	42.6	39.2
Result for the period	22.5	22.7	19.8	24.5	22.8	20.3
Equity on 31 December	598.1	589.4	579.1	573.3	562.5	552.0
Balance sheet total on 31 December	1226.8	1192.6	1111.1	1224.9	1189.9	1107.4
Equity ratio, %	48.8%	49.4%	52.1%	48.7%	49.3%	52.0%
Return on capital employed, %	2.8%	3.2%	3.2%	3.1%	3.2%	3.2%
Return on equity, %	3.8%	3.9%	3.4%	4.0%	4.1%	3.6%

## CUSTOMER RELATIONS, CAMPUS DEVELOPMENT AND COMMUNICATIONS

Customer satisfaction has remained at a good level. The overall score for University Properties of Finland Ltd's operations was 3.6 in the customer satisfaction survey conducted in late 2016 by Innolink Research Oy, and 57% of the respondents indicated they could warmly recommend, or have already recommended, University Properties of Finland Ltd to their colleagues. Some 25% of the respondents indicated that the company's operations have improved over the past year. Businesses that operate on campuses participated in the survey for the first time.

Major steps were taken in campus development during the year: campus strategies were completed in cooperation with customers and the Win Peaks seminar was followed by active dialogue on future prospects with customers and partners.

Joint-use buildings have already been commissioned in Tampere and Oulu, and construction is currently underway in Turku and at the Lappeenranta campus. There are interesting future prospects at the Oulu campus, where plans are being made for the Oulu University of Applied Sciences' relocation to the campus. Much remains to be done in the coming years to ensure that all of our campuses are vibrant parts of their respective cities.

Our communications are aimed at continuous improvement and increasing the company's brand awareness. Thanks to successful operations and construction projects, the com-

pany achieved a large number of media hits and content visibility in both mainstream news and professional channels during the year, continuing the recent years' growth in this area.

## RENTAL OPERATIONS

The occupancy rate remained nearly at the previous year's level and stood at 94.5% at the end of 2016. The average length of the company's leases declined slightly from the previous year, to approximately 8.5 years.

The total amount of new leases, renewed leases and leases renewed in connection with renovation projects in 2016 was 32, corresponding to 95,700 m<sup>2</sup> in leasable area. Of the leases, 15 were signed with universities. The average rent for the new leases was EUR 14.01 €/m<sup>2</sup>/month. The total cash flow from the leases is EUR 79.5 million, of which universities account for EUR 68.4 million.

One of the most significant contractual developments was the start of the Lappeenranta campus renovation project following the signing of leases with Lappeenranta University of Technology and Saimaa University of Applied Sciences.

Changes took place in the company's leasable property portfolio during the year. For example, the Arvo building for the University of Tampere School of Medicine was completed, with old buildings demolished from the area. The company divested its share in the Kajaani indoor sports arena, certain properties in Jyväskylä (Villa Rana, the Par-

viainen building and Rehtoraatti) and the Kevo research station.

At the end of 2016, approximately 60,028 m<sup>2</sup> of the company's leasable premises (5.5%) were vacant.

Key figures for rental operations:

	2016	2015
Rental margin, % of revenue	67.2	67.1
Average rental income, EUR/m <sup>2</sup> /month	11.2	11.0
Average occupancy rate, %	94.5	95.6
Average lease length, years	8.4	8.8
Proportion of premises producing rental income, %	89.5	93.1
Total leasable area, millions of m <sup>2</sup>	1.09	1.09
Value of leases, € million	1,306	1,161

## MAINTENANCE OPERATIONS

The key focus areas of maintenance operations were energy management, annual repair programmes revised and implemented based on condition assessments as well as ensuring that operations are in line with the operating models for maintenance activities.

The continuous development of the operations of the service network are of central importance in operations. One example of this is re-establishing the service networks of Lappeenranta University of Technology and Tampere University of Technology to better correspond to the requirements created by increasingly technical buildings as well as goals related to indoor conditions and energy efficiency.

The company developed and implemented a proactive indoor environment action model to ensure functional, safe and healthy premises on campuses.

The principles of sustainable development are promoted in the company's maintenance operations. Environmental management op-

erations were enhanced in 2016 by campus-specific action plans and by developing reporting.

We continuously improve our indicators related to the environment and energy consumption.

Based on an analysis of the current situation with regard to campus security, an operating model for security was developed in 2016 as a pilot project in cooperation with the University of Jyväskylä. The operating model will be put into practice at other campuses in 2017.

Key figures for maintenance operations:

*heating consumption data is weather-adjusted	2016	2015
Average maintenance costs, EUR/m <sup>2</sup> /month	3.7	4.2
Maintenance repairs, EUR million	11.6	14.2
Heating energy consumption*, kWh/gross m <sup>2</sup>	141.2	147.1
Water consumption, dm <sup>3</sup> /gross m <sup>2</sup>	276.1	288.6
Electricity consumption, kWh/gross m <sup>2</sup>	102.9	105.1

## INVESTMENTS

In 2016, the company's investments totalled EUR 95.8 million. On the date of closing the books, the company had 188 investment projects in the preparatory and planning stages (EUR 77 million) and 29 projects in the investment phase (EUR 187 million).

Project planning and construction have progressed for the projects approved by University Properties of Finland Ltd's Annual General Meetings on 15 May 2014 and 15 May 2013.

Over EUR 30 million	estimated start	estimated completion	Annual General Meeting
Medisiina D <i>Multi-user building, Turku</i>	2015	2018	2014
Construction stage 1, renovation <i>Lappeenranta University of Technology</i>	2016	2018	2014
Arvo2, a newly constructed building for the School of Medicine <i>University of Tampere</i>	2014	completed 05/2016	2013
New Faculty of Dentistry building <i>Multi-user building, Oulu</i>	2014	taken into use 12/2016 project 2017	2013
Over EUR 20 million	estimated start	estimated completion	Annual General Meeting
Renovation of the Teacher Training School of the University of Turku <i>University of Turku</i>	2015	completed 10/2016	2014

Other significant projects at the end of 2016:

### Planning phase

- University of Jyväskylä, Athenaeum
- University of Eastern Finland, alterations to teacher training premises, Joensuu
- Renovation of the future premises of the Oulu University School of Archi-

itecture and Department of Computer Science

- University of Oulu, renovation of premise used for process engineering studies and by Oulu Mining School

### Construction phase

- University of Jyväskylä, indoor air quality renovation in Main Building C
- University of Eastern Finland, renovation of the old section of the Metria building at the Joensuu campus
- Lappeenranta University of Technology, building phase I renovation
- University of Oulu, Faculty of Dentistry, new building
- University of Turku, new building (Medisiina D)
- Renovation of the Calonia building at the University of Turku

The most significant renovation and new construction projects completed in 2016 were:

- University of Turku, renovation of the Teacher Training School
- Arvo, a newly constructed building for the University of Tampere School of Medicine
- Alterations to the old main building of Tampere University of Technology

## RESEARCH AND DEVELOPMENT ACTIVITIES

The vision of research and development activities is that campuses are open, inspiring and international meeting places for talented multidisciplinary people. At these innovative campuses, new knowledge is created and learned efficiently through small experiments, while skills and competencies are quickly utilised in new business ventures for greater competitiveness and general prosperity.

Premises demos and joint development are facilitating a move towards the themes of platform business, the sharing economy and shared resources. The aim is to leverage digitalisation to enhance the effectiveness of the campus ecosystem and service infrastructure, supporting the creation of added

value for our customers. Research activities are conducted in close cooperation with the universities and selected partner enterprises with the aim of developing the attractiveness and functionality of campuses.

The research and development investments of the company totalled EUR 0.4 million in 2016 (2015: EUR 0.7 million, 2014: EUR 1.2 million), which represents 0.7% of operating expenses (1.3% in 2015, 2.3% in 2014).

During the year, the company participated in the Campus Retrofit (CARE) project, which created joint Nordic campus development models and references on the basis of Finnish and Nordic campus development projects and published several scientific articles. Among other things, University Properties of Finland Ltd published *Tilaa toiminnalla* (Space through activity) in relation to its demo activities. The CARE project also promoted joint international research programmes.

## SUSTAINABLE DEVELOPMENT

The efficiency of the use of space at the company's properties also takes into consideration the temporal efficiency of the utilisation of space as well as the versatility and shared use of premises. The company develops properties to make them increasingly energy-efficient and ecological. In its investments, it focuses on finding environmentally friendly and long-term solutions.

The company's long-term goal is to comply with the EU energy directive that entered into force in summer 2010.

SYK was among the first to sign the Property and Building Sector Energy Efficiency Agreement (TETS) for the period 2017–2025. The target set out in the agreement is to implement measures to save heating energy with a computational effect of 7.5% compared to the actual annual consumption at the time of joining the agreement. Accomplishing this target is expedited by the interim target of achieving 4% in savings by the end of 2020. The 6% target set for the previous

agreement period, 2010–2016, was achieved in 2015.

The company seeks BREEAM Very Good classification for its new construction projects and most important renovation projects.

## FINANCING

The goal of the company's financing operations is to create a long-term and cost-effective financing base in line with the company's financing policy. This will create a stable financial operating environment for property maintenance and development.

In 2016, the company used the extensive framework agreement signed with the European Investment Bank in 2013 for the acquisition of external capital. The company also signed a new EUR 50 million financing agreement with the Nordic Investment Bank. The agreement deepened and expanded the company's previous cooperation with NIB. The new agreement will be put into practical use in 2017 and 2018.

The new agreements and efficient hedging policy have improved the stability and cost-efficiency of the company's finances as well as rents.

Key figures for financing operations:

	2016	2015
Total loan amount, € million	602.0	577.0
Average loan maturity, years	7.7	7.1
Average financing interest, %	1.5	2.1
Interest-bearing period, years	5.5	4.6
Hedge level of loan capital, %	75	79
Interest coverage ratio	9.6	7.7
Liquidity on 31 December, EUR million	29.6	36.7



## GENERAL MEETINGS

The company's Annual General Meeting was held on 12 May 2016 in Tampere. The meeting discussed the matters assigned to the Annual General Meeting as well as a separate situation review of the project programme for significant investments (exceeding EUR 30 million in cost). No new investments were presented for decision.

The Annual General Meeting confirmed the financial statements for 2015 and discharged the members of the Board of Directors and the Chief Executive Officer from liability.

The Annual General Meeting re-elected the following members to the Board of Directors:

- Chairman of the Board: Petri Lintunen, Administrative Director, University of Tampere
- Deputy Chairman of the Board: Juha Lemström, COO, Senate Properties Ltd
- Matti Paavonsalo, CFO, University of Eastern Finland
- Kalervo Väänänen, Rector, University of Turku
- Päivi Laajala, Director-General, Ministry of Finance

In addition, Essi Kiuru, Administrative Director at the University of Oulu, was elected to the Board of Directors in place of Päivi Kytösalmi.

The Board of Directors met 11 times in 2016.

APA Hannu Paunikallio from KPMG Oy was elected as the auditor.

The Annual General Meeting decided to maintain the remuneration of Board members and auditors at the current level.

No new projects of more than EUR 30 million were submitted for decision to the Annual General Meeting.

The Annual General Meeting adopted the Board's proposal for a dividend of EUR 5.44 per share to be paid, corresponding to a total of EUR 13.7 million.

An Extraordinary General Meeting was held on 24 October 2016 to discuss, among other things, adding to the investment programme a project at the University of Oulu's Linnanmaa campus with a value exceeding EUR 30 million. The General Meeting also had a positive general discussion on University Properties of Finland Ltd's participation in locating universities of applied sciences and other education, training and research activities on campuses in the future.

## PERSONNEL

The Chief Executive Officer of University Properties of Finland Ltd is Mauno Sievänen. In 2016, the company had an average of 32 employees. The functions include campus development, property development and maintenance, finance, administration and research. The company's operating principle is based on a flat organisational structure that is close to the customer. The average age of personnel is 48.2 years.

The company has implemented an incentive scheme with targets based on the company's strategic objectives. In the event that the remuneration under the incentive scheme is paid out in full, the cost effect of the incentive scheme will be EUR 0.2 million, or approximately 7% of personnel expenses.

### Key figures for personnel

	2016	2015	2014
Average number of personnel	32	33	34
Number of personnel at the end of the period	32	32	36
Personnel expenses, € million	2.7	2.8	2.7

## OPERATIONAL RISKS

The company's operational risks are mainly related to property asset risks, financial risks, maintenance operations and the project risks of renovation and new construction projects. Further risks that can be identified include risks related to the indoor air quality of buildings, the vacating of premises, and the re-leasing of premises.

Key risks have been identified and analysed and plans have been prepared for their prevention. The plans are implemented across all levels of the organisation.

The company's financial risks are primarily related to interest and liquidity risks. The identified financial risks are managed by maintaining liquidity reserves and interest rate hedging in line with the company's financing policy. The company's asset and operational risks are insured with If Insurance Company Ltd.

The company has defined its key objectives and procedures for the management of financial risks in its financing policy. The aim of the company is to create a financing base that is extensively hedged against interest rate risk. The company's target is an interest rate hedging level of 60–90% and an interest-bearing period of 2–6 years depending on the prevailing market conditions.

## CHANGES IN GROUP STRUCTURE IN 2016

In addition to direct property ownership, University Properties of Finland Ltd owns shares in six different companies. Of these, the Group's subsidiaries and affiliated companies are included in the consolidated financial statements of University Properties of Finland Ltd.

There were no changes in group structure in 2016.

## COMPANY SHARES

The company has one share class and the share capital is divided as follows:

	2016	2015
1 vote / share	2,520,000 shares	2,520,000 shares

All shares have equal entitlement to dividends and company assets. Shares are governed by a redemption clause specified in Section 11 of the company's Articles of Association.

## OUTLOOK FOR 2017

The significant cost pressures on universities, which are University Properties of Finland Ltd's most important category of customers, naturally continue to have an effect on the company. This theme includes university funding as well as the self-driven development activities of universities. The company must become even more effective in finding ways to utilise premises released from use by universities.

This year, however, the company expects its operating environment to remain relatively stable and revenue to increase compared with the previous year, as planned. The development of the company's result is expected to remain unchanged from previous years.

In 2017, the company will continue to develop closer co-operation with customers and the most important service providers. This will ensure that the entire partner network will work towards the company's strategic goals.

The outlook for 2017 is positive as progress will be made in several significant investments. The company will also focus on further developing its property business during the year.

## **PROPOSAL ON THE USE OF THE PROFIT AND DISTRIBUTABLE FUNDS**

The distributable funds of the parent company total EUR 321,278,440.50, of which the result for the financial year accounts for EUR 24,451,997.93. The Board of Directors proposes that the profit for the period is transferred to retained earnings and that the distributable funds are used as follows:

- a total dividend of EUR 14,616,000.00 will be distributed, corresponding to EUR 5.80 per share
- the remaining distributable funds will be retained in equity.

There have been no significant changes in the company's financial position after the end of the financial period. The company's liquidity is good and the Board of Directors estimates that the proposed distribution of earnings will not compromise the company's solvency.

## University Properties of Finland Ltd

## CONSOLIDATED INCOME STATEMENT

	Note	1 Jan–31 Dec 2016		1 Jan–31 Dec 2015	
<b>REVENUE</b>	1)		148 245 245,33		144 879 784,62
Other operating income	2)		118 333,20		293 558,69
Personnel expenses					
Salaries and remuneration	3)	-2 204 119,42		-2 316 528,07	
Other personnel expenses					
Pension expenses		-369 768,73		-409 538,39	
Other personnel-related costs		<u>-89 850,17</u>	-2 663 738,32	<u>-90 718,90</u>	-2 816 785,36
Depreciation and impairment	9), 10)				
Planned depreciation		-49 299 398,10		-45 527 803,69	
Impairment of fixed assets		<u>-2 936 605,59</u>	-52 236 003,69	<u>-2 488 032,45</u>	-48 015 836,14
Other operating expenses	5)		-53 429 585,74		-52 494 117,92
Share of profit (loss) of associated companies	11)		-160 829,95		-196 702,27
<b>OPERATING PROFIT</b>			39 873 420,83		41 649 901,62
Financial income and expenses	7)				
Interest and financial income					
Interest income		309 953,69		695 788,90	
Other interest revenue		60 983,10		6 463,08	
Financial charges		0,00		54 343,43	
Interest and financial expenses					
Interest expenses		-10 708 067,76		-13 221 402,95	
Other interest and financial expenses		<u>-775 157,42</u>	-11 112 288,39	<u>-636 782,77</u>	-13 101 590,31
<b>PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES</b>			28 761 132,44		28 548 311,31
Income taxes	8)		-6 345 072,60		-5 925 195,13
Minority interest			145 803,32		22 085,03
<b>PROFIT (LOSS) FOR THE PERIOD</b>			<u>22 561 863,16</u>		<u>22 645 201,21</u>

## University Properties of Finland Ltd

## CONSOLIDATED BALANCE SHEET, ASSETS

	Note	31.12.2016		31.12.2015	
NON-CURRENT ASSETS					
Intangible assets	9)				
Intangible rights		0,00		1 080,00	
Other capitalised expenditure		<u>187 451,24</u>	187 451,24	<u>196 494,71</u>	197 574,71
Tangible assets	10)				
Land and water areas		65 827 942,99		61 557 694,48	
Buildings and structures		989 249 242,14		958 167 245,18	
Machinery and equipment		2 268 514,22		2 389 578,50	
Other tangible assets		3 562 602,48		3 609 918,24	
Advance payments and construction in progress		<u>127 937 147,37</u>	1 188 845 449,20	<u>120 630 380,60</u>	1 146 354 817,00
Investments	11)				
Holdings in associated companies		4 551 031,32		4 711 861,27	
Other investments		<u>3 842 520,10</u>	8 393 551,42	<u>3 842 520,10</u>	8 554 381,37
Non-current assets total			1 197 426 451,86	1 155 106 773,08	
CURRENT ASSETS					
Short-term receivables	12)				
Receivables from property income		1 412 794,48		1 102 385,45	
Accrued income		330 365,88		134 153,73	
Other receivables		<u>395 522,02</u>	2 138 682,38	<u>1 965 067,94</u>	3 201 607,12
Financial assets			5 000 000,00		0,00
Cash and cash equivalents			22 233 042,57		34 330 047,34
Current assets total			29 371 724,95	37 531 654,46	
ASSETS TOTAL			1 226 798 176,81	1 192 638 427,54	

## University Properties of Finland Ltd

## CONSOLIDATED BALANCE SHEET, LIABILITIES AND EQUITY

	Note	31.12.2016	31.12.2015
<b>CAPITAL AND RESERVES</b>			
Share capital		252 000 000,00	252 000 000,00
Invested unrestricted equity fund		269 080 508,78	269 080 508,78
Retained earnings		46 557 946,03	37 621 544,83
Profit/loss for the period		22 561 863,16	22 645 201,21
<b>Total equity</b>	13)	<b>590 200 317,98</b>	<b>581 347 254,82</b>
<b>MINORITY INTEREST</b>		<b>7 914 743,88</b>	<b>8 060 547,20</b>
<b>LIABILITIES</b>			
Long-term liabilities	14)		
Loans from financial institutions		552 401 239,77	517 037 137,07
Other debts		<u>269 000,00</u>	<u>269 000,00</u>
		552 670 239,77	517 306 137,07
Short-term liabilities	14)		
Loans from financial institutions		50 075 132,89	60 064 000,08
Deferred tax liability	15)	5 893 735,84	6 108 461,87
Advances received		450 512,67	387 571,11
Trade payables		13 316 222,17	15 243 461,20
Other debts		338 688,39	97 351,59
Accrued expenses		<u>5 938 583,22</u>	<u>4 023 642,60</u>
		76 012 875,18	85 924 488,45
<b>Total liabilities</b>		<b>628 683 114,95</b>	<b>603 230 625,52</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1 226 798 176,81</b>	<b>1 192 638 427,54</b>

## University Properties of Finland Ltd

## CONSOLIDATED CASH FLOW STATEMENT

	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Operating cash flow		
Operating profit	39 873 420,83	41 649 901,62
Planned depreciation and impairment	52 236 003,69	48 015 836,14
Other adjustments without payment transactions	160 829,95	196 702,27
Change in working capital	1) -2 554 659,73	4 050 341,97
Interest received	370 936,79	756 595,41
Interest paid	-9 202 411,14	-11 787 395,65
Other financial items	-775 157,42	-636 782,77
Taxes paid	-4 155 890,83	-4 270 466,92
Operating cash flow total	<u>75 953 072,14</u>	<u>77 974 732,07</u>
Investment cash flow		
Investments in tangible and intangible assets	<u>-94 716 512,42</u>	<u>120 759 960,41</u>
Investment cash flow total	<u>-94 716 512,42</u>	<u>120 759 960,41</u>
Financing cash flow		
Withdrawals/repayments of long-term loans	25 375 235,51	64 941 137,75
Dividends paid	<u>-13 708 800,00</u>	<u>-12 300 000,00</u>
Financing cash flow total	<u>11 666 435,51</u>	<u>52 641 137,75</u>
Change in cash and cash equivalents	-7 097 004,77	9 855 909,41
Cash and cash equivalents at the start of the period	34 330 047,34	24 474 137,93
Cash and cash equivalents at the end of the period	27 233 042,57	34 330 047,34
Notes to the cash flow statement		
1) Itemisation of working capital adjustment		
Adjustment of short-term receivables	1 062 924,74	886 727,83
Adjustment of short-term non-interest bearing debts	<u>-3 617 584,47</u>	<u>3 163 614,14</u>
	<u>-2 554 659,73</u>	<u>4 050 341,97</u>

## University Properties of Finland Ltd

### ACCOUNTING PRINCIPLES APPLIED TO THE PREPARATION OF THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

#### Basic information about the company

University Properties of Finland Ltd manages, develops and leases properties and business premises in its ownership primarily for research and education purposes, as well as for related supporting business activities in order to secure the long-term operation of universities.

The Group's parent company is University Properties of Finland Ltd, which is a Finnish listed company domiciled in Tampere. The address of University Properties of Finland Ltd is Korkeakoulunkatu 7, 33720 Tampere.

#### Basis of preparation of the financial statements

The consolidated and parent company financial statements of University Properties of Finland have been prepared in accordance with the Finnish Accounting Act and Ordinance, as well as the Finnish Limited Liability Companies Act.

The financial period under review is the eighth financial period of the parent company and the Group. The company started its actual operations in 2010.

#### Group relations

University Properties of Finland Ltd was part of the Senate Properties group of companies until 31 December 2009. As of the beginning of 2010, University Properties of Finland Ltd has been an associated company of Senate Properties, after the Finnish government transferred two thirds of the shares in the company to 10 universities outside the Greater Helsinki region.

University Properties of Finland Ltd is the Group's parent company. The Group includes three subsidiaries and one associated company. These subsidiaries and the associated company were first included in the consolidated financial statements of University Properties of Finland on 31 December 2009. KiOY Turun Kasarmialue, a wholly-owned subsidiary of University Properties of Finland, was merged with the parent company on 30 September 2011.

#### Accounting principles applied in the preparation of the consolidated financial statements

The consolidated financial statements have been prepared using the acquisition cost method. The difference between the acquisition cost of subsidiaries and the equity corresponding to the acquired proportion has been attributed entirely to buildings.

The proportions attributed to buildings are depreciated according to the depreciation plan for the fixed asset class in question.

Intra-group transactions, receivables, debts and profit distribution have been eliminated. Minority interests are recognised separately from the Group's equity and result.

The associated company has been included in the consolidated financial statements using the equity method.

#### Measurement and accrual principles

##### *Revenue*

Revenue consists primarily of rental income for premises, compensation for use and other service income. Income is recognised once the output has been delivered.

##### *Valuation of fixed assets*

Intangible and tangible assets are carried at original cost and depreciated over their useful lives according to a depreciation plan.

Depreciation is presented in the income statement as planned depreciation. The useful lives used for depreciation are as follows:

Goodwill	10 years
Intangible rights	3 years
Other capitalised expenditure	5 years
Buildings	25–30 years
Structures	15 years
Machinery and equipment	7–10 years
Other tangible assets	10 years

##### *Investments*

The parent company's investments include shares in subsidiaries and associated companies and loans to Group companies. Investments are valued at cost on the balance sheet.

##### *Research and development costs*

Research costs are recorded as annual expenditure. Construction project costs similar to development costs are capitalised when the technical implementation of the project is confirmed and the project is deemed to provide income for several years. Development costs are otherwise entered as annual expenditure.

##### *Financial assets and liabilities and derivative contracts*

Financial assets and non-interest bearing debt are recognised at acquisition cost. Interest expenses are recognised according to the accrual method.

Interest rate derivative agreements made to hedge the risk exposure associated with long-term loans are not entered on the balance sheet but instead are listed in the notes to the financial statements. Currency derivatives have been used to hedge the currency risk of loans denominated in SEK. The currency risk is fully hedged. Loans denominated in foreign currencies have been recognised in the financial statements at the contract exchange rate or the exchange rate at the time of repayment rather than the exchange rate on the date of closing the books.

##### *Income taxes*

Direct income taxes for the period have been amortised and recognised in the income statement.

A deferred tax liability has been entered in the consolidated financial statements from the accrued depreciation difference of the parent company and subsidiaries.

A deferred tax asset based on the postponed depreciation in the taxation of the subsidiaries has not been recognised due to their future utilisation being uncertain.

##### *Other accounting principles*

The Group has arranged statutory pension insurance for its personnel with a pension insurance company. The pension costs are entered as expense in proportion to salaries.



## University Properties of Finland Ltd

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the income statement

1 Jan–31 Dec 2016

1 Jan–31 Dec 2015

## 1) Revenue

Rents	147 799 146,19	144 543 408,84
Usage reimbursements	300 168,93	209 446,66
Other property income	145 930,21	126 929,12
Total	148 245 245,33	144 879 784,62

Geographically, the Group's revenue is produced in Finland.

## 2) Other operating income

118 333,20

293 558,69

Other operating income includes mainly membership fees related to Campus Club activities and grants received for research projects.

## 3) Personnel expenses and number of personnel

Salaries and remuneration	2 204 119,42	2 316 528,07
Pension expenses	369 768,73	409 538,39
Other personnel-related costs	89 850,17	90 718,90
Total	2 663 738,32	2 816 785,36

Salaries and remuneration to members of the Board of Directors and the Chief Executive Officer dur 290 769,19 272 170,99

Average number of personnel during the period 32 35  
Number of personnel at the end of period 32 34

## 4) Depreciation and impairment

Described in more detail in notes 9 and 10

## 5) Other operating expenses

Administration	3 945 056,55	4 308 487,85
Use and maintenance	7 548 639,43	6 107 531,82
Maintenance of outdoor areas	1 526 823,52	1 666 365,71
Cleaning	119 469,54	110 822,59
Heating	10 656 238,03	10 209 652,17
Water and sewage	1 253 893,30	1 366 258,55
Gas and electricity	642 492,53	516 818,72
Waste management	864 077,97	879 928,63
Liability insurance	284 028,77	267 960,84
Rental expenses	783 258,13	768 595,36
Property taxes	11 160 870,07	10 600 092,80
Repairs	12 348 334,68	14 607 462,55
Reimbursements and grants received	-300,00	0,00
Other maintenance costs	2 295 858,82	1 084 140,33
Credit losses	844,40	0,00
Total	53 429 585,74	52 494 117,92

## 6) Auditors' fees

Authorised Public Accountants KPMG Oy		
Auditors' fees	14 173,82	19 889,73
Tax advice	17 646,50	24 140,80
Other expert fees	31 077,50	28 473,92
Total	62 897,82	72 504,45

## 7) Financial income and expenses

Interest income	309 953,69	695 788,90
Other interest revenue	60 983,10	6 463,08
Financial charges	0,00	54 343,43
Total	370 936,79	756 595,41

Interest expenses	10 708 067,76	13 221 402,95
Other interest and financial expenses	775 157,42	636 782,77
Total	11 483 225,18	13 858 185,72

Total financial income and expenses -11 112 288,39 -13 101 590,31

## 8) Income taxes

Income taxes on actual operations	6 559 798,63	5 747 768,65
Change in deferred taxes	-214 726,03	177 426,48
Total	6 345 072,60	5 925 195,13

## Notes on balance sheet assets

## 9) Intangible assets

2016	Intangible rights	Other capitalised expenditure	Total 31.12.2016
Acquisition cost 1 January 2016	145 974,86	1 103 082,95	1 249 057,81
Increases during the period	0,00	85 070,04	85 070,04
Disposals during the period	-1 080,00	0,00	-1 080,00
	144 894,86	1 188 152,99	1 333 047,85
Accumulated depreciation 1 January 2016	-144 894,86	-906 588,24	-1 051 483,10
Depreciation during the period	0,00	-94 113,51	-94 113,51
Accumulated depreciation 31 December 2016	-144 894,86	-1 000 701,75	-1 145 596,61
Carrying amount 31 December 2016	0,00	187 451,24	187 451,24
2015	Intangible rights	Other capitalised expenditure	Total 31.12.2015
Acquisition cost 1 January 2015	145 974,86	1 103 082,95	1 249 057,81
Increases during the period	0,00	0,00	0,00
	145 974,86	1 103 082,95	1 249 057,81
Accumulated depreciation 1 January 2015	-144 894,86	-753 325,96	-898 220,82
Depreciation during the period	0,00	-153 262,28	-153 262,28
Accumulated depreciation 31 December 2015	-144 894,86	-906 588,24	-1 051 483,10
Carrying amount 31 December 2015	1 080,00	196 494,71	197 574,71

## 10) Tangible assets

2016	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total 31.12.2016
Acquisition cost 1 January 2016	61 557 694,48	1 213 257 552,11	3 026 555,31	4 675 308,64	120 630 380,60	1 403 147 491,14
Increases during the period	4 732 256,07	85 583 335,25	205 950,15	346 264,61	7 306 766,77	98 174 572,85
Disposals during the period	-369 083,73	-3 169 200,02	-3 766,72	0,00	0,00	-3 542 050,47
Acquisition cost 31 December 2016	65 920 866,82	1 295 671 687,34	3 228 738,74	5 021 573,25	127 937 147,37	1 497 780 013,52
Accumulated depreciation 1 January	0,00	-255 090 306,93	-636 976,81	-1 065 390,40	0,00	-256 792 674,14
Depreciation during the period	0,00	-48 395 532,68	-323 247,71	-486 504,20	0,00	-49 205 284,59
Impairment	0,00	-2 936 605,59	0,00	0,00	0,00	-2 936 605,59
Accumulated depreciation 31 Decem	0,00	-306 422 445,20	-960 224,52	-1 551 894,60	0,00	-308 934 564,32
Carrying amount 31 December 2016	65 920 866,82	989 249 242,14	2 268 514,22	3 469 678,65	127 937 147,37	1 188 845 449,20
2015	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total 31.12.2015
Acquisition cost 1 January 2015	60 882 400,10	1 080 184 514,74	1 382 314,18	2 913 980,16	137 024 321,55	1 282 387 530,73
Increases during the period	1 279 975,40	141 549 012,61	1 650 469,42	1 761 328,48	0,00	146 240 785,91
Disposals during the period	-604 681,02	-8 475 975,24	-6 228,29	0,00	-16 393 940,95	-25 480 825,50
Acquisition cost 31 December 2015	61 557 694,48	1 213 257 552,11	3 026 555,31	4 675 308,64	120 630 380,60	1 403 147 491,14
Accumulated depreciation 1 January	0,00	-207 918 157,85	-385 053,60	-626 888,83	0,00	-208 930 100,28
Depreciation during the period	0,00	-44 684 116,63	-251 923,21	-438 501,57	0,00	-45 374 541,41
Impairment	0,00	-2 488 032,45	0,00	0,00	0,00	-2 488 032,45
Accumulated depreciation 31 Decem	0,00	-255 090 306,93	-636 976,81	-1 065 390,40	0,00	-256 792 674,14
Carrying amount 31 December 2015	61 557 694,48	958 167 245,18	2 389 578,50	3 609 918,24	120 630 380,60	1 146 354 817,00

## 11) Investments

2016	Holdings in associated companies	Other investments	Total 31.12.2016
Acquisition cost 1 January 2016	4 711 861,27	3 842 520,10	8 554 381,37
Share of profit for the period	-160 829,95	0,00	-160 829,95
Acquisition cost 31 December 2016	4 551 031,32	3 842 520,10	8 393 551,42
Impairment	0,00	0,00	0,00
Accumulated depreciation 31 December 2016	0,00	0,00	0,00
Carrying amount 31 December 2016	4 551 031,32	3 842 520,10	8 393 551,42

2015	Holdings in associated companies	Other investments	Total 31.12.2015
Acquisition cost 1 January 2015	4 908 563,54	3 842 520,10	8 751 083,64
Share of profit for the period	-196 702,27	0,00	-196 702,27
Acquisition cost 31 December 2015	4 711 861,27	3 842 520,10	8 554 381,37
Impairment	0,00	0,00	0,00
Accumulated depreciation 31 December 2015	0,00	0,00	0,00
Carrying amount 31 December 2015	4 711 861,27	3 842 520,10	8 554 381,37

#### Holdings in Group companies 31 December 2016

	Share %
Kiinteistö Oy Bioteknia	71,49 %
Kiinteistö Oy Kuopion Studentia	56,23 %
Kiinteistö Oy Arctic Centre	50 %

All Group companies are included in the consolidated financial statements.

#### Shares in associated companies 31 December 2016

	Share %
Kiinteistö Oy F-Medi	24,66 %

The associated company is included in the consolidated financial statements.

#### Other investments on 31 December 2016

The most significant other investments are in two real estate companies

	Share %
Kiinteistö Oy Kuopion Teknia	18,42 %
Kiinteistö Oy Palosaaren laboratoriot	12,98 %

	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
<b>12) Short-term receivables</b>		
Receivables from property income	1 412 794,48	1 102 385,45
Accrued income	330 365,88	134 153,73
Other receivables	395 522,02	1 965 067,94
Total	2 138 682,38	3 201 607,12
Notable accrued income		
Accrued rent	63 260,00	0,00
Other	267 105,88	134 153,73
Total	330 365,88	134 153,73

#### Notes on balance sheet liabilities and equity

#### 13) Itemisation of equity

Share capital 31 December	252 000 000,00	252 000 000,00
Total restricted equity	252 000 000,00	252 000 000,00
Invested unrestricted equity fund 31 December	269 080 508,78	269 080 508,78
Retained earnings 1 January	60 266 746,04	49 921 544,83
Dividend paid by the parent company	-13 708 800,00	-12 300 000,00
Result for the period	22 561 863,16	22 645 201,21
Retained earnings 31 December	69 119 809,20	60 266 746,04
Total unrestricted equity	338 200 317,98	329 347 254,82
Total equity	590 200 317,98	581 347 254,82
Minority interest 1 January	8 060 547,20	8 082 632,23
Minority share of profit for the period	-145 803,32	-22 085,03
Minority interest 31 December	7 914 743,88	8 060 547,20
Total equity and minority interest	598 115 061,86	589 407 802,02

14) Liabilities

<b>Long-term liabilities</b>		
Loans from financial institutions	552 401 239,77	517 037 137,07
Other debts	269 000,00	269 000,00
Total	<u>552 670 239,77</u>	<u>517 306 137,07</u>
Loans maturing after more than five years		
Loans from financial institutions	414 200 000,00	248 760 000,00
Total	414 200 000,00	248 760 000,00
<b>Short-term liabilities</b>		
Short-term interest-bearing debt		
Loans from financial institutions	50 075 132,89	60 064 000,08
Total	<u>50 075 132,89</u>	<u>60 064 000,08</u>
Short-term non-interest bearing debt		
Advances received	450 512,67	387 571,11
Trade payables	13 316 222,17	15 243 461,20
Other short-term debts	338 688,39	97 351,59
Accrued expenses	5 938 583,22	4 023 642,60
Total	<u>20 044 006,45</u>	<u>19 752 026,50</u>
Total short-term debt	70 119 139,34	79 816 026,58
Notable accrued expenses		
Interest and financial items	1 505 656,62	1 434 007,30
Income taxes	3 407 833,92	1 477 301,73
Other	1 025 092,68	1 112 333,57
Total	<u>5 938 583,22</u>	<u>4 023 642,60</u>
<b>Credit limits</b>		
Checking account limits	2 550 000,00	2 550 000,00
Unwithdrawn proportion of checking account limits	2 536 242,26	2 550 000,00

<b>Maturity distribution of loans from financial institutic</b>		<b>31.12.2016</b>
Maturing year of loans		
2017	54 635 132,89	
2018	4 619 757,74	
2019	119 606 000,00	
2020	4 606 000,00	
2021	4 606 000,00	
2022	4 606 000,00	
2023	4 606 000,00	
2024	134 606 000,00	
2025	74 606 000,00	
2026	94 579 482,03	
2027	69 560 000,00	
2028	29 560 000,00	
2029	2 280 000,00	
	<u>602 476 372,66</u>	
<b>Currency distribution of loans from financial instituti</b>		<b>31.12.2016</b>
EUR	517 476 372,66	
SEK	85 000 000,00	
	<u>602 476 372,66</u>	

15) Deferred tax liabilities and assets

Deferred tax liability recorded on the consolidated balance sheet		
Accumulated depreciation	5 893 735,84	6 108 461,87

16) Derivative contracts

	<b>1 Jan–31 Dec 2016</b>	<b>1 Jan–31 Dec 2015</b>
Interest derivatives		
Interest rate swaps, notional value	425 000 000,00	370 000 000,00
Interest rate swaps, fair value	-29 254 905,61	-24 306 968,10
Interest rate caps, notional value	55 000 000,00	0,00
Interest rate caps, fair value	87 604,00	0,00
Interest and currency derivatives		
Interest and currency swaps, notional value	85 000 000,00	85 000 000,00
Interest and currency swaps, fair value	-4 692 527,00	-1 489 121,00

Tuote	Laina-aika	Suojausaika	Lainan nimellisarvo	Sopimuksen nimellisarvo	Sopimuksen markkina-arvo 31.12.2016
Jatko-oikeudellinen koronvaihtosopimus	31.5.2010 - 31.5.2025	30.4.2012 - 29.5.2017	40 000 000,00	40 000 000,00	-7 000 673,50
Koronvaihtosopimus	8.12.2014 - 8.12.2024	8.12.2016 - 8.12.2024	45 000 000,00	45 000 000,00	-2 325 304,00
Koron- ja valuutanvaihtosopimus	8.12.2010 - 9.12.2024	8.12.2016 - 10.12.2018	85 000 000,00	85 000 000,00	-4 692 527,00
Koronvaihtosopimus		8.12.2016 - 10.12.2018			-3 056 047,00
Koronvaihtosopimus		10.12.2018 - 9.12.2024			-4 111 382,00
Koronvaihtosopimus	17.2.2014 - 17.2.2019	17.8.2016 - 17.2.2019	75 000 000,00	75 000 000,00	-2 683 884,00
Koronvaihtosopimus	15.2.2016 - 15.2.2026	15.2.2019 - 15.2.2026	60 000 000,00	60 000 000,00	-1 351 217,00
Korkokattosopimus	20.8.2014 - 20.8.2026	22.8.2016 - 20.8.2019	30 000 000,00	30 000 000,00	50 274,00
Koronvaihtosopimus		20.8.2019 - 20.8.2026			356 731,00
Koronvaihtosopimus	14.1.2015 - 14.1.2027	21.10.2015 - 14.1.2027	40 000 000,00	40 000 000,00	-5 857 335,04
Koronvaihtosopimus	3.11.2015 - 3.11.2027	3.11.2015 - 3.2.2027	25 000 000,00	25 000 000,00	-3 633 595,07
Korkokattosopimus	22.4.2016 - 22.4.2028	22.6.2016 - 22.6.2019	25 000 000,00	25 000 000,00	37 333,00
Koronvaihtosopimus		22.7.2019 - 24.4.2028			407 801,00
Yhteensä			425 000 000,00	425 000 000,00	-33 859 825,61

Interest rate swap contracts made to hedge the risk exposure associated with long-term loans are not entered on the balance sheet, but instead are listed in the notes to the financial statements. Currency derivatives have been used to hedge the risk exposure associated with loans denominated in SEK. The currency risk is fully hedged. Loans denominated in foreign currencies have been recognised in the financial statements at the contract exchange rate or the exchange rate at the time of repayment rather than the exchange rate on the date of closing the books. The fair values of the agreements correspond to the values determined by the bank.

Interest swaps comprise one contract, in which the bank has the right to extend the contract. The right to extend the contract enters into effect on 29 May 2017. The nominal value of the contract is EUR 40,000,000.00 and its fair value is EUR -7,000,673.50 (EUR -6,131,856.48 in 2015). The change in the fair value of the contract compared to the value presented in the 2015 financial statements is EUR -868,817.02.

17) Collateral and contingent liabilities

Debts secured by real estate mortgages

Loans from financial institutions	602 476 372,66	577 101 137,15
Mortgages	970 478 000,00	909 978 000,00
Bank guarantees received	150 000 000,00	150 000 000,00
Other debts	269 000,00	269 000,00

Loans that include received bank guarantees are presented under the item Loans from financial institutions. Mortgages have been pledged for bank guarantees, and they are presented under the item Mortgages.

Lease liabilities

Due within the next 12 months	47 431,38	17 875,00
Due later	80 951,11	11 102,57
	128 382,49	28 977,57

The Group's key loan terms and covenants

The key covenants of the company's loans from financial institutions are linked to the Group's total liabilities, significant changes in the ownership structure and the equity ratio.

Other liabilities

VAT review liability on property investments

VAT deductions on modernisation investments, liabilities pursuant to Section 120 of the Finnish Value Added Tax Act:

10-year review period								
2009	2010	2011	2012	2013	2014	2015	2016	Total
46 957,95	151 757,22	1 770 383,87	6 051 754,13	5 108 537,65	7 104 409,01	28 072 193,88	13 482 640,03	61 788 633,74

Conservation responsibility

The real estate assets acquired for university operations in the company's capital contribution and trading arrangement include buildings and areas that are protected under the Finnish Nature Conservation Act (1096/1996) or the Decree on the Protection of State-owned Buildings (480/85) or the protection of which has otherwise been agreed upon. The company has undertaken to comply with the legislation, decrees, decisions and agreements concerning the protection of each property or conservation area.

University Properties of Finland Ltd

CALCULATION OF KEY FIGURES

Equity ratio, %	=	$100 \times \frac{\text{Equity + minority interest}}{\text{Balance sheet total - advances received}}$
Return on investment, % (ROI)	=	$100 \times \frac{\text{Result for the period + financial expenses}}{\text{Balance sheet total - non-interest bearing debt (average of the beginning of the period and the end of the period)}}$
Return on equity, % (ROE)	=	$100 \times \frac{\text{Result for the period}}{\text{Equity (average of the beginning of the period and the end of the period) + minority interest}}$
Occupancy rate, %	=	$100 \times \frac{\text{Area rented out}}{\text{Total leasable area}}$
Interest cover ratio	=	$\frac{\text{Operating margin (operating profit + planned depreciation + impairment)}}{\text{Accrual-based interest expenses}}$

When calculating key figures for the parent company, accumulated depreciation difference and the change in depreciation difference are divided into equity/profit for the period and deferred tax liabilities.

## University Properties of Finland Ltd

## PARENT COMPANY INCOME STATEMENT

	Note	1 Jan–31 Dec 2016		1 Jan–31 Dec 2015	
<b>REVENUE</b>	1)		147 564 490,33		144 137 284,69
Other operating income	2)		118 882,81		293 874,32
Personnel expenses	3)				
Salaries and remuneration		-2 202 139,42		-2 314 228,07	
Other personnel expenses					
Pension expenses		-369 768,73		-409 538,39	
Other personnel-related costs		<u>-89 850,17</u>	-2 661 758,32	<u>-90 718,90</u>	-2 814 485,36
Depreciation and impairment	9), 10)				
Planned depreciation		-48 508 084,92		-44 607 614,87	
Impairment of fixed assets		<u>-2 936 605,59</u>	-51 444 690,51	<u>-2 488 032,45</u>	-47 095 647,32
Other operating expenses	5)		-52 497 458,30		-51 909 961,70
<b>OPERATING PROFIT</b>			41 079 466,01		42 611 064,63
Financial income and expenses	7)				
Interest and financial income					
Interest income		309 946,54		695 786,46	
Interest income from Group companies		15 598,68		18 667,13	
Other interest revenue		3 279,91		6 463,08	
Interest and financial expenses					
Interest expenses		-10 697 663,70		-13 214 736,69	
Other interest and financial expenses		<u>-772 461,04</u>	-11 141 299,61	<u>-636 396,29</u>	-13 130 216,31
<b>PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES</b>			29 938 166,40		29 480 848,32
Appropriations					
Change in depreciation difference			1 073 630,16		-887 132,39
Income taxes	8)		-6 559 798,63		-5 744 395,65
<b>PROFIT (LOSS) FOR THE PERIOD</b>			<u>24 451 997,93</u>		<u>22 849 320,28</u>

## University Properties of Finland Ltd

## PARENT COMPANY BALANCE SHEET, ASSETS

	Note	31.12.2016		31.12.2015	
NON-CURRENT ASSETS					
Intangible assets	9)				
Intangible rights		511 748,14		619 484,50	
Other capitalised expenditure		<u>187 451,24</u>	699 199,38	<u>196 494,71</u>	815 979,21
Tangible assets	10)				
Land and water areas		65 737 088,70		61 373 916,36	
Buildings and structures		970 978 865,63		938 998 682,65	
Machinery and equipment		2 262 661,28		2 382 862,04	
Other tangible assets		3 450 179,10		3 590 418,69	
Advance payments and construction in progress		<u>127 937 147,37</u>	1 170 365 942,08	<u>120 630 380,60</u>	1 126 976 260,34
Investments	11)				
Holdings in Group companies		14 679 757,34		14 679 757,34	
Receivables from Group companies		362 000,00		452 500,00	
Holdings in associated companies		5 776 476,83		5 776 476,83	
Other investments		<u>3 834 110,70</u>	24 652 344,87	<u>3 834 110,70</u>	24 742 844,87
Non-current assets total			1 195 717 486,33		1 152 535 084,42
CURRENT ASSETS					
Short-term receivables	12)				
Receivables from property income		1 400 102,41		1 047 287,06	
Accrued income		319 079,71		124 581,38	
Other receivables		<u>350 491,83</u>	2 069 673,95	<u>1 920 907,67</u>	3 092 776,11
Financial assets			5 000 000,00		0,00
Cash and cash equivalents			22 124 389,53		34 233 350,36
Current assets total			29 194 063,48		37 326 126,47
ASSETS TOTAL			1 224 911 549,81		1 189 861 210,89



## University Properties of Finland Ltd

## PARENT COMPANY BALANCE SHEET, LIABILITIES AND EQUITY

	Note	31.12.2016		31.12.2015
<b>CAPITAL AND RESERVES</b>				
Share capital		252 000 000,00		252 000 000,00
Invested unrestricted equity fund		269 080 508,78		269 080 508,78
Retained earnings		27 745 933,79		18 605 413,51
Profit/loss for the period		24 451 997,93		22 849 320,28
<b>Total equity</b>	13)	<b>573 278 440,50</b>		<b>562 535 242,57</b>
<b>ACCUMULATED APPROPRIATIONS</b>				
Depreciation difference		<b>29 468 679,20</b>		<b>30 542 309,36</b>
<b>LIABILITIES</b>				
Long-term liabilities	14)			
Loans from financial institutions		552 000 000,00	517 000 000,00	
Other debts		<u>269 000,00</u>	<u>269 000,00</u>	517 269 000,00
Short-term liabilities	14)			
Loans from financial institutions		50 000 000,00	60 000 000,00	
Advances received		450 512,67	387 506,11	
Trade payables		13 180 894,24	15 039 500,05	
Other debts		327 738,85	71 935,10	
Accrued expenses		<u>5 936 284,35</u>	<u>4 015 717,70</u>	79 514 658,96
<b>Total liabilities</b>		<b>622 164 430,11</b>		<b>596 783 658,96</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1 224 911 549,81</b>		<b>1 189 861 210,89</b>

## University Properties of Finland Ltd

## PARENT COMPANY CASH FLOW STATEMENT

	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Operating cash flow		
Operating profit	41 079 466,01	42 611 064,63
Planned depreciation	51 444 690,51	47 095 647,32
Change in working capital	1) -2 505 691,11	4 024 955,62
Interest received	2) 328 825,13	720 916,67
Interest paid	3) -9 192 007,08	-11 780 729,39
Other financial items	-772 461,04	-636 396,29
Taxes paid	-4 155 890,83	-4 267 093,92
Operating cash flow total	76 226 931,59	77 768 364,64
Investment cash flow		
Investments in tangible and intangible assets	4) -95 817 608,63	-126 846 803,57
Disposals of tangible and intangible assets	1 100 016,21	6 140 000,00
Loans granted	90 500,00	90 500,00
Investment cash flow	-94 627 092,42	-120 616 303,57
Financing cash flow total		
Withdrawals/repayments of long-term loans	25 000 000,00	65 000 000,00
Withdrawals/repayments of short-term loans	0,00	0,00
Dividends paid	-13 708 800,00	-12 300 000,00
Financing cash flow total	11 291 200,00	52 700 000,00
Change in cash and cash equivalents	-7 108 960,83	9 852 061,07
Cash and cash equivalents at the start of the period	34 233 350,36	24 381 289,29
Cash and cash equivalents at the end of the period	27 124 389,53	34 233 350,36

## Notes to the cash flow statement

1) Itemisation of working capital adjustment		
Adjustment of short-term receivables	1 023 102,16	941 901,92
Adjustment of short-term non-interest bearing debts	-3 528 793,27	3 083 053,70
	-2 505 691,11	4 024 955,62
2) Interest received		
Interest income	309 946,54	695 786,46
Interest income from Group companies	15 598,68	18 667,13
Other interest revenue	3 279,91	6 463,08
	328 825,13	720 916,67
3) Interest paid		
Interest expenses	-10 697 663,70	-13 214 736,69
Proportion of accrued expenses allocated to interest expenses	1 505 656,62	1 434 007,30
	-9 192 007,08	-11 780 729,39
4) Investments in tangible and intangible assets		
Investments in non-current assets, net 1 January	24 742 844,87	24 833 344,87
Investments in non-current assets, net 31 December	-24 652 344,87	-24 742 844,87
Intangible and tangible non-current assets 1 January	1 127 792 239,55	1 054 181 083,30
Intangible and tangible non-current assets 31 December	-1 171 065 141,46	-1 127 792 239,55
Planned depreciation	-51 444 690,51	-47 095 647,32
	-94 627 092,42	-120 616 303,57

University Properties of Finland Ltd

NOTES TO THE PARENT COMPANY’S FINANCIAL STATEMENTS

Notes to the income statement	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
<b>1) Revenue</b>		
Rents	147 250 804,11	143 978 539,12
Usage reimbursements	152 880,48	13 873,74
Other property income	160 805,74	144 871,83
Total	147 564 490,33	144 137 284,69
Geographically, the parent company's revenue is produced in Finland.		
<b>2) Other operating income</b>	118 882,81	293 874,32
Other operating income includes mainly membership fees related to Campus Club activities and grants received for research projects.		
<b>3) Personnel expenses and number of personnel</b>		
Salaries and remuneration	2 202 139,42	2 314 228,07
Pension expenses	369 768,73	409 538,39
Other personnel-related costs	89 850,17	90 718,90
Total	2 661 758,32	2 814 485,36
Salaries and remuneration to members of the Board of Directors and the Chief Executive Officer dur	288 474,19	269 555,99
Average number of personnel during the period	32	33
Number of personnel at the end of period	32	32
<b>4) Depreciation and impairment</b>		
Described in more detail in notes 9 and 10		
<b>5) Other operating expenses</b>		
Administration	3 896 269,47	4 266 521,46
Use and maintenance	7 365 490,52	5 937 031,63
Maintenance of outdoor areas	1 505 149,99	1 634 768,85
Cleaning	79 741,20	58 345,95
Heating	10 306 447,24	9 904 299,72
Water and sewage	1 225 200,63	1 338 034,46
Gas and electricity	266 169,59	155 588,13
Waste management	854 912,88	871 835,15
Liability insurance	263 565,02	248 015,34
Rental expenses	1 753 372,46	1 762 777,75
Property taxes	10 880 477,56	10 329 078,80
Repairs	11 634 021,04	14 191 454,10
Reimbursements and grants received	-300,00	0,00
Other maintenance costs	2 466 096,30	1 212 210,36
Credit losses	844,40	0,00
Total	52 497 458,30	51 909 961,70
<b>6) Auditors' fees</b>		
Authorised Public Accountants KPMG Oy Ab		
Auditors' fees	11 655,51	17 230,78
Tax advice	17 646,50	24 140,80
Other expert fees	31 077,50	28 473,92
Total	60 379,51	69 845,50
<b>7) Financial income and expenses</b>		
Interest income	309 946,54	695 786,46
Interest income from Group companies	15 598,68	18 667,13
Other interest revenue	3 279,91	6 463,08
Total	328 825,13	720 916,67
Interest expenses	10 697 678,64	13 214 736,69
Other interest and financial expenses	772 446,10	636 396,29
Total	11 470 124,74	13 851 132,98
Total financial income and expenses	-11 141 299,61	-13 130 216,31
<b>8) Income taxes</b>		
Income taxes on actual operations	6 559 798,63	5 744 395,65

## Notes on balance sheet assets

## 9) Intangible assets

2016	Intangible rights	Other capitalised expenditure	Total 31.12.2016
Acquisition cost 1 January 2016	1 222 258,89	1 003 977,88	2 226 236,77
Increases during the period	0,00	85 070,04	85 070,04
	1 222 258,89	1 089 047,92	2 311 306,81
Accumulated depreciation 1 January 2016	-602 774,39	-807 483,17	-1 410 257,56
Depreciation during the period	-107 736,36	-94 113,51	-201 849,87
Accumulated depreciation 31 December 2016	-710 510,75	-901 596,68	-1 612 107,43
Carrying amount 31 December 2016	511 748,14	187 451,24	699 199,38
2015	Intangible rights	Other capitalised expenditure	Total 31.12.2015
Acquisition cost 1 January 2015	1 222 258,89	739 600,06	1 961 858,95
Increases during the period	0,00	264 377,82	264 377,82
	1 222 258,89	1 003 977,88	2 226 236,77
Accumulated depreciation 1 January 2015	-495 038,03	-654 220,89	-1 149 258,92
Depreciation during the period	-107 736,36	-153 262,28	-260 998,64
Accumulated depreciation 31 December 2015	-602 774,39	-807 483,17	-1 410 257,56
Carrying amount 31 December 2015	619 484,50	196 494,71	815 979,21

## 10) Tangible assets

2016	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total 31.12.2016
Acquisition cost 1 January 2016	61 373 916,36	1 186 625 649,68	3 014 226,04	4 655 809,09	120 630 380,60	1 376 299 981,77
Increases during the period	4 732 256,07	85 583 335,25	205 950,15	346 264,61	7 306 766,77	98 174 572,85
Disposals during the period	-369 083,73	-3 169 200,02	-3 766,72	0,00	0,00	-3 542 050,47
	65 737 088,70	1 269 039 784,91	3 216 409,47	5 002 073,70	127 937 147,37	1 470 932 504,15
Accumulated depreciation 1 January 2016	0,00	-247 626 967,03	-631 364,00	-1 065 390,40	0,00	-249 323 721,43
Depreciation during the period	0,00	-47 497 346,66	-322 384,19	-486 504,20	0,00	-48 306 235,05
Impairment	0,00	-2 936 605,59	0,00	0,00	0,00	-2 936 605,59
Accumulated depreciation 31 December 2016	0,00	-298 060 919,28	-953 748,19	-1 551 894,60	0,00	-300 566 562,07
Carrying amount 31 December 2016	65 737 088,70	970 978 865,63	2 262 661,28	3 450 179,10	127 937 147,37	1 170 365 942,08
2015	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total 31.12.2015
Acquisition cost 1 January 2015	60 698 621,98	1 053 605 769,15	1 369 984,91	2 894 480,61	137 024 321,55	1 255 593 178,20
Increases during the period	1 279 975,40	141 495 855,77	1 650 469,42	1 761 328,48	0,00	146 187 629,07
Disposals during the period	-604 681,02	-8 475 975,24	-6 228,29	0,00	-16 393 940,95	-25 480 825,50
	61 373 916,36	1 186 625 649,68	3 014 226,04	4 655 809,09	120 630 380,60	1 376 299 981,77
Accumulated depreciation 1 January 2015	0,00	-201 481 024,42	-381 159,50	-626 888,83	0,00	-202 489 072,75
Depreciation during the period	0,00	-43 657 910,16	-250 204,50	-438 501,57	0,00	-44 346 616,23
	0,00	-2 488 032,45	0,00	0,00	0,00	-2 488 032,45
Accumulated depreciation 31 December 2015	0,00	-247 626 967,03	-631 364,00	-1 065 390,40	0,00	-249 323 721,43
Carrying amount 31 December 2015	61 373 916,36	938 998 682,65	2 382 862,04	3 590 418,69	120 630 380,60	1 126 976 260,34

**11) Investments**

	2016				
		Holdings in Group companies	Receivables from Group companies	Holdings in associated companies	Other investments
Parent company					Total 31.12.2016
Acquisition cost 1 January 2016		14 679 757,34	452 500,00	5 776 476,83	3 834 110,70
Disposals during the period		0,00	-90 500,00	0,00	0,00
Acquisition cost 31 December 2016		14 679 757,34	362 000,00	5 776 476,83	3 834 110,70
Impairment		0,00	0,00	0,00	0,00
Accumulated depreciation 31 December 2016		0,00	0,00	0,00	0,00
Carrying amount 31 December 2016		14 679 757,34	362 000,00	5 776 476,83	3 834 110,70
	2015				
Parent company		Holdings in Group companies	Receivables from Group companies	Holdings in associated companies	Other investments
Acquisition cost 1 January 2015		14 679 757,34	543 000,00	5 776 476,83	3 834 110,70
Disposals during the period		0,00	-90 500,00	0,00	0,00
Acquisition cost 31 December 2015		14 679 757,34	452 500,00	5 776 476,83	3 834 110,70
Impairment		0,00	0,00	0,00	0,00
Accumulated depreciation 31 December 2015		0,00	0,00	0,00	0,00
Carrying amount 31 December 2015		14 679 757,34	452 500,00	5 776 476,83	3 834 110,70

Share and holdings are specified in Note 11 to the consolidated financial statements.

**12) Short-term receivables**

	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Receivables from property income	1 400 102,41	1 047 287,06
Accrued income	319 079,71	124 581,38
Other receivables	350 491,83	1 920 907,67
Total	2 069 673,95	3 092 776,11
Notable accrued income		
Accrued rent	63 260,00	0,00
Other	255 819,71	124 581,38
Total	319 079,71	124 581,38

**Notes on balance sheet liabilities and equity****13) Itemisation of equity**

Share capital 31 December	252 000 000,00	252 000 000,00
Total restricted equity	252 000 000,00	252 000 000,00
Invested unrestricted equity fund 31 December	269 080 508,78	269 080 508,78
Retained earnings 1 January	41 454 733,79	30 905 413,51
Distribution of dividend	-13 708 800,00	-12 300 000,00
Result for the period	24 451 997,93	22 849 320,28
Retained earnings 31 December	52 197 931,72	41 454 733,79
Total unrestricted equity	321 278 440,50	310 535 242,57
Total equity	573 278 440,50	562 535 242,57
Parent company's distributable funds 31 December	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Retained earnings 1 January	41 454 733,79	30 905 413,51
Distribution of dividend	-13 708 800,00	-12 300 000,00
Result for the period	24 451 997,93	22 849 320,28
Invested unrestricted equity fund	269 080 508,78	269 080 508,78
Total	321 278 440,50	310 535 242,57

14) Liabilities

<b>Long-term liabilities</b>		
Loans from financial institutions	552 000 000,00	517 000 000,00
Other debts	269 000,00	269 000,00
Total	552 269 000,00	517 269 000,00
Loans maturing after more than five years		
Loans from financial institutions	414 200 000,00	248 760 000,00
Total	414 200 000,00	248 760 000,00
<b>Short-term liabilities</b>		
Short-term interest-bearing debt		
Loans from financial institutions	50 000 000,00	60 000 000,00
Total	50 000 000,00	60 000 000,00
Short-term non-interest bearing debt		
Advances received	450 512,67	387 506,11
Trade payables	13 180 894,24	15 039 500,05
Accrued expenses	5 936 284,35	4 015 717,70
Other short-term debts	327 738,85	71 935,10
Total	19 895 430,11	19 514 658,96
Total short-term debt	69 895 430,11	79 514 658,96
Notable accrued expenses		
Interest and financial items	1 505 656,62	1 434 007,30
Income taxes	3 407 833,92	1 477 301,73
Other	1 022 793,81	1 104 408,67
Total	5 936 284,35	4 015 717,70
<b>Credit limits</b>		
Checking account limits	2 500 000,00	2 500 000,00
Unwithdrawn proportion of checking account limits	2 500 000,00	2 500 000,00

The maturity and currency distributions of loans from financial institutions are in Note 14 to the consolidated financial statements.

15) Derivative contracts

Interest derivatives		
Interest rate swaps, notional value	425 000 000,00	370 000 000,00
Interest rate swaps, fair value	-29 254 905,61	-24 306 968,10
Interest rate caps, notional value	55 000 000,00	0,00
Interest rate caps, fair value	87 604,00	0,00
Interest and currency derivatives		
Interest and currency swaps, notional value	85 000 000,00	85 000 000,00
Interest and currency swaps, fair value	-4 692 527,00	-1 489 121,00

Tuote	Laina-aika	Suojausaika	Lainan nimellisarvo	Sopimuksen nimellisarvo	Sopimuksen markkina-arvo 31.12.2016
Jatko-oikeudellinen koronvaihtosopimus	31.5.2010 - 31.5.2025	30.4.2012 - 29.5.2017	40 000 000,00	40 000 000,00	-7 000 673,50
Koronvaihtosopimus	8.12.2014 - 8.12.2024	8.12.2016 - 8.12.2024	45 000 000,00	45 000 000,00	-2 325 304,00
Koron- ja valuutanvaihtosopimus	8.12.2010 - 9.12.2024	8.12.2016 - 10.12.2018	85 000 000,00	85 000 000,00	-4 692 527,00
Koronvaihtosopimus		8.12.2016 - 10.12.2018			-3 056 047,00
Koronvaihtosopimus		10.12.2018 - 9.12.2024			-4 111 382,00
Koronvaihtosopimus	17.2.2014 - 17.2.2019	17.8.2016 - 17.2.2019	75 000 000,00	75 000 000,00	-2 683 884,00
Koronvaihtosopimus	15.2.2016 - 15.2.2026	15.2.2019 - 15.2.2026	60 000 000,00	60 000 000,00	-1 351 217,00
Korkokattosopimus	20.8.2014 - 20.8.2026	22.8.2016 - 20.8.2019	30 000 000,00	30 000 000,00	50 274,00
Koronvaihtosopimus		20.8.2019 - 20.8.2026			356 731,00
Koronvaihtosopimus	14.1.2015 - 14.1.2027	21.10.2015 - 14.1.2027	40 000 000,00	40 000 000,00	-5 857 335,04
Koronvaihtosopimus	3.11.2015 - 3.11.2027	3.11.2015 - 3.2.2027	25 000 000,00	25 000 000,00	-3 633 595,07
Korkokattosopimus	22.4.2016 - 22.4.2028	22.6.2016 - 22.6.2019	25 000 000,00	25 000 000,00	37 333,00
Koronvaihtosopimus		22.7.2019 - 24.4.2028			407 801,00
Yhteensä			425 000 000,00	425 000 000,00	-33 859 825,61

Interest rate swap contracts made to hedge the risk exposure associated with long-term loans are not entered on the balance sheet, but instead are listed in the notes to the financial statements. Currency derivatives have been used to hedge the risk exposure associated with loans denominated in SEK. The currency risk is fully hedged. Loans denominated in foreign currencies have been recognised in the financial statements at the contract exchange rate or the exchange rate at the time of repayment rather than the exchange rate on the date of closing the books. The fair values of the agreements correspond to the values determined by the bank.

Interest swaps comprise one contract, in which the bank has the right to extend the contract. The right to extend the contract enters into effect on 29 May 2017. The nominal value of the contract is EUR 40,000,000.00 and its fair value is EUR -7,000,673.50 (EUR -6,131,856.48 in 2015). The change in the fair value of the contract compared to the value presented in the 2015 financial statements is EUR -868,817.02.

16) Collateral and contingent liabilities

Debts secured by real estate mortgages

Loans from financial institutions	602 000 000,00	577 000 000,00
Mortgages	969 160 000,00	909 160 000,00
Bank guarantees received	150 000 000,00	150 000 000,00
Other debts	269 000,00	269 000,00

Loans that include received bank guarantees are presented under the item Loans from financial institutions. Mortgages have been pledged for bank guarantees, and they are presented under the item Mortgages.

Lease liabilities

Due within the next 12 months	46 231,38	16 090,00
Due later	80 951,11	9 782,57
	127 182,49	25 872,57

Other liabilities

VAT review liability on property investments

VAT deductions on modernisation investments, liabilities pursuant to Section 120 of the Finnish Value Added Tax Act:

10-year review period								
2009	2010	2011	2012	2013	2014	2015	2016	Total
46 957,95	150 121,12	1 770 383,87	6 051 754,13	5 108 537,65	7 104 409,01	28 072 193,88	13 482 640,03	61 786 997,64

Conservation responsibility

The real estate assets acquired for university operations in the company's capital contribution and trading arrangement include buildings and areas that are protected under the Finnish Nature Conservation Act (1096/1996) or the Decree on the Protection of State-owned Buildings (480/85) or the protection of which has otherwise been agreed upon. The company has undertaken to comply with the legislation, decrees, decisions and agreements concerning the protection of each property or conservation area.

**University Properties of Finland Ltd**

## SIGNATURES TO THE FINANCIAL STATEMENTS AND ANNUAL REPORT

Tampere, 7 March 2017

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Petri Lintunen, Chairman of the Board of Directors

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Juha Lemström, Deputy Chairman of the Board of Directors

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Essi Kiuru, Member of the Board of Directors

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Päivi Laajala, Member of the Board of Directors

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Matti Paavonsalo, Member of the Board of Directors

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Kalervo Väänänen, Member of the Board of Directors

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Mauno Sievänen, Chief Executive Officer

## AUDITOR'S NOTE

A report on the audit performed has been issued today.

Tampere

2017

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KPMG Oy  
Hannu Paunikallio, Authorised Public Accountant





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

# Auditor's Report

To the Annual General Meeting of Suomen Yliopistokiinteistöt Oy

## **Report on the Audit of Financial Statements**

### **Opinion**

We have audited the financial statements of Suomen Yliopistokiinteistöt Oy (business identity code 2268637-3) for the year ended 31 December, 2016. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the 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.

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

### **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 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 a 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 company 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.

### **Other Reporting Requirements**

#### **Other Information**

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors. 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 information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Tampere 17 March 2017

KPMG OY AB

HANNU PAUNIKALLIO

Hannu Paunikallio

Authorised Public Accountant