SYK University Properties of Finland Ltd

Board of Directors' Report and Financial Statements 2017

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CEO's review

University Properties of Finland Ltd had a very successful year in 2017. Our efforts to develop Finnish university campuses are producing good results. One example of these good results is the Oulu joint campus project that will see the Oulu University of Applied Sciences relocate to the Linnanmaa campus in 2020. The University of Oulu and the Oulu University of Applied Sciences will constitute a regionally significant centre of expertise, and the functional and spatial synergies of the joint campus are undeniable.

During the past year, we established new customer relationships with many new companies for whom being located in close proximity to the research and development activities of university campuses is a clear strategic choice. At University Properties of Finland, we have played a pioneering role in diversifying campuses, making more efficient use of research environments and increasing cooperation between universities and the business sector. We will continue these development efforts going forward.

CAMPUSES AS PART OF THE CITY

We strive to achieve close integration between university campuses and the surrounding economic areas. We believe this is a responsible strategy that will serve society well in the long run. For this goal to be accomplished, campuses must have, among other things, structures and services that enable lifelong learning. Learning facilities must be utilised more efficiently and ecologically than they are now.

Campuses are places of growth, with room for many different types of operators. The idea of bringing lifelong learning to campuses has attracted widespread interest: there are several studies underway to consider the placement of various school functions on campuses. In Lappeenranta, for example, an agreement has already been signed on relocating one or more basic education units to the Skinnarila campus.

In Tampere, the first private on-campus day-care centre began its operations in Hervanta in early 2018. As one tech student put it, "kids in day care wear overalls just like university students, so we should stick together!" We warmly welcome both early education and basic education customers to our campuses around Finland.

STRENGTH FROM COOPERATION

Cooperation with our customers, stakeholders and partners was key to our success in 2017.

Our own close-knit team continued to work with a high level of commitment and strong performance. We have bolstered our ranks with new recruits and will continue to do so in early 2018. The restructuring of our organisation ensures that we can serve our customers even better going forward and respond to growing customer needs with the necessary speed and professionalism throughout Finland.

The centenary of Finland's independence was the big theme of 2017, and one of the many events to mark the occasion took place in Jyväskylä. We completed the extensive renovation of the University of Jyväskylä's main building. When the project was finished, we invited the public to participate in architecture tours to learn more about the rich heritage of the Alvar Aalto-designed building. The protected building is now functional and healthy for future generations and being used in the manner it deserves.

INVOLVING USERS IN THE DESIGN OF PREMISES

Several renovation projects were successfully completed on our various campuses during the year, and satisfied users were able to move from substitute premises to jointly developed work and research environments. We have utilised the joint development model in our operations for several years and it is now applied in most of our projects.

We also relocated our own office in Tampere in the autumn. Through the use of joint development methods and collaboration, we designed ideal and adaptable premises for University Properties of Finland's operations in the Tietotalo business park in Hervanta.

Our neighbours in the business park include many forward-looking and open-minded companies. We all share a common perspective of the campus as a meeting place for everyone, which will promote better outcomes in learning, growth and innovation!

Chief Executive Officer
Mauno Sievänen

Board of Directors' 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 2017, 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 2017. 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 2017.

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 2017 was carried out in accordance with the GRI G4 framework and the report was accepted into the GRI database. 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 2017, the Group's revenue grew by EUR 2.6 million compared with the previous year. The key reasons behind the increase in revenue (1.8%) were the completion of new buildings and the repairs and renovations of the premises as well as successful rental operations.

	Group			Parent company		
Key figures, EUR million	2017	2016	2015	2017	2016	2015
Revenue	150.9	148.2	144.9	150.1	147.6	144.1
Operating profit	38.8	39.9	41.6	39.4	41.1	42.6
Result for the period	21.2	22.5	22.7	24.7	24.5	22.8
Equity on 31 December	604.8	598.1	589.4	583.4	573.3	562.5
Balance sheet total on 31 December	1,268.8	1,226.8	1,192.6	1,267.5	1,224.9	1,189.9
Equity ratio, %	47.7%	48.8%	49.4%	47.7%	48.7%	49.3%
Return on capital employed, %	2.6%	2.8%	3.2%	2.9%	3.1%	3.2%
Return on equity, %	3.5%	3.8%	3.9%	3.6%	4.0%	4.1%

The Group was particularly active in making divestments of properties in 2017. The Kajaani campus, properties on Horttokuja and in the Kasarmialue district in Turku and the Mekrijärvi Research Station were sold. The company continued to make substantial investments in maintenance and annual repair work to improve the condition and quality of its buildings.

CAMPUS DEVELOPMENT

Customer satisfaction has remained at a good level. The overall score for University Properties of Finland Ltd's operations was 3.7 in the most recent customer satisfaction survey conducted in late 2017 by Innolink Research Oy, and as many as 98 percent of the respondents indicated that the company's role as a campus developer is fairly important or very important. Some 20 percent of the respondents indicated that the company's operations have improved over the past year.

The campus strategies provide the foundation for the development of land use and activities on the campuses. These development efforts have produced positive results and the zoning of campuses has started well in almost every municipality.

Joint-use buildings have already been commissioned in Tampere and Oulu, and construction is currently underway in Turku and at the Lappeenranta campus. Much remains to be done in the coming years to ensure that all of our campuses are vibrant parts of their respective cities.

COMMUNICATIONS

Our communications are aimed at continuous improvement and increasing the company's brand awareness. Thanks to successful operations and construction projects, we achieved a large number of media hits and content visibility in both mainstream news and professional channels during the year. Our communications work was boosted during the year by the energy efficiency award achieved by University Properties of Finland, the Group's newly completed BREEAM-certified properties as well as a successful video production and campaign.

Further highlights of the year included the Campuses of the Century seminar organised in Jyväskylä and the cultural tours of the newly renovated main building of the University of Jyväskylä to mark the centenary of Finnish independence.

RENTAL OPERATIONS

The occupancy rate remained nearly at the previous year's level and stood at 93.2 percent at the end of 2017. The average length of the company's leases also remained on a par with the previous year at approximately 8.3 years.

The total amount of new leases, renewed leases and leases renewed in connection with renovation projects in 2017 was 42, corresponding to 90,162 m² in leasable area. Of the leases, 16 were signed with universities. The average rent for the new leases was EUR 14.10 m²/month. The total cash flow from the leases is EUR 199.9 million, of which universities account for EUR 94.5 million.

One of the most significant events in 2017 was the signing of a lease with the Oulu University of Applied Sciences for premises on the Linnanmaa campus, which also involved the start of alteration projects for the premises used by the University of Oulu and the updating of the lease portfolio. Significant leases were also signed in relation to projects at the University of Eastern Finland in Kuopio (renovation of the Lab Animal Centre) and Joensuu (relocation of teacher training operations from Savonlinna). In rental operations in 2017, the focus was placed on the renewal of the existing lease portfolio and the continuity of leases.

Changes took place in the company's leasable property portfolio during the year. At Kontinkangas in Oulu, the newly constructed Dentopolis building was commissioned and the old building used for teaching by the Faculty of Dentistry was demolished. The company also divested the Kajaani campus and the property in Turku's Ruissalo district as well as a few minor buildings in Turku that were no longer used for instruction.

At the end of 2017, approximately 72,655 m² of the company's leasable premises (6.8%) were vacant.

KEY FIGURES FOR RENTAL OPERATIONS:

	2017	2016
Rental margin, % of revenue	66.3	67.2
Average rental income, EUR/m²/month	11.7	11.2
Average occupancy rate, %	93.2	94.5
Average lease length, years	8.3	8.4
Proportion of premises producing rental income, %	90.1	89.5
Total leasable area, millions of m²	1.07	1.09
Value of leases, € million	1,394	1,306

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 service network and maintenance operations is of central importance.

One example of this is the development of the needs-based maintenance model, which also involves service network competence assessment and development.

The principles of sustainable development are promoted in the company's maintenance operations. Environmental management operations were enhanced in 2017 by campus-specific action plans and by developing reporting.

In 2017, University Properties of Finland Ltd received an honourable mention for achieving the targets of the energy efficiency agreement during the period 2011–2016 from the Ministry of Economic Affairs and Employment, the Ministry of the Environment, the Energy Authority and Motiva.

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

Progress was made in the campus safety project in 2017 with regard to the University of Tampere, Tampere University of Technology and the University of Oulu. The operating model will be put into practice at other campuses in 2018.

KEY FIGURES FOR MAINTENANCE OPERATIONS:

	2017	2016
Average maintenance costs, EUR/m^2/month	3.7	3.7
Maintenance repairs, EUR million	11.2	11.6
Heating energy consumption*, kWh/gross m^2	147.9	141.2
Water consumption, dm^3/gross m^2	263.4	276.1
Electricity consumption, kWh/gross m^2	106.3	102.9
Emissions, CO_2/gross m^2	43.1	45.9

INVESTMENTS

In 2017, the company's investments totalled EUR 116 million. On the date of closing the books, the company had 223 investment projects in the preparatory and planning stages (EUR 241 million) and 104 projects in the investment phase (EUR 201 million).

Over EUR 30 million	Est. start	Est. completion	Annual General Meeting
Juslenia, new building, Turku	2017	2020	2017
University student health centre, Tampere	2019	2020	2017
Relocation of schools to the Savilahti area, Kuopio	Will not be implemented		2017
Jyväskylä University of Applied Sciences	2019	2022	2017
Oulu University of Applied Sciences	2017	2019	2016 EGM
Medisiina D Multi-user building, Turku	2015	2018	2014
Construction stage 1, renovation Lappeenranta University of Technology	2016	2018	2014

Project planning and construction have progressed for the projects approved by University Properties of Finland Ltd's Annual General Meetings on 15 May 2014, 24 October 2016 (Extraordinary General Meeting) and 27 April 2017.

Other significant projects at the end of 2017:

Planning phase

- Juslenia, new building, Turku
- Medisiina A–C renovation, Turku
- Library renovation, Jyväskylä

Construction phase

- Lappeenranta University of Technology, building phase I renovation
- University of Turku, new building (Medisiina D)
- 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 Architecture and Department of Computer Science
- University of Oulu, renovation of the premises used for process engineering studies and by Oulu Mining School

The most significant renovation and new construction projects completed in 2017 were:

- 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
- University of Oulu, Faculty of Dentistry, new building
- Renovation of the Calonia building at the University of Turku

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.

During the year, the company participated in the real estate sector's multidisciplinary virtual service environment Virpa C project and the digital user services ecosystem Virpa D project. The international RESTORE project is focused on sustainable development.

In 2017, the Group's research and development investments totalled EUR 0.3 million (EUR 0.4 million in 2016, EUR 0.7 million in 2015), which represents 0.6 percent of operating expenses.

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 Ministry of Economic Affairs and Employment, the Ministry of the Environment, the Energy Authority and Motiva granted an honourable mention to University Properties of Finland for its exemplary, effective and long-term efforts to improve the efficiency of energy consumption as part of the business premises action plan under the real estate sector's energy efficiency agreement for 2011–2016. University Properties of Finland is naturally committed to the corresponding action plan for the next period, 2017–2025, which aims to achieve 7.5 percent savings in heating energy consumption.

The company seeks BREEAM Very Good classification for its new construction projects and most important renovation projects. The company has three construction stage certificates and five design stage certificates.

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 2017, the company used the EUR 50 million financing agreement signed with the Nordic Investment Bank in 2016 for the acquisition of external capital. The agreement deepened and expanded the company's previous cooperation with NIB. Old loans were converted and interest hedges were adjusted to maintain the loan portfolio's high hedging level and interest-bearing period as well as to achieve cost benefits.

The company also introduced its own commercial paper programme during the year, which proved to be a very useful instrument for short-term financing and cash management.

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:

	2017	2016
Total loan amount, € million	637.4	602.0
Average loan maturity, years	7.8	7.7
Average financing interest, %	1.7	1.5
Interest-bearing period, years	5.2	5.5
Hedge level of loan capital, %	76	75
Interest coverage ratio	9.9	9.6
Liquidity on 31 December, EUR million	14.3	29.6

GENERAL MEETINGS

The company's Annual General Meeting was held on 27 April 2017 in Tampere. The meeting discussed the matters assigned to the Annual General Meeting.

The Annual General Meeting confirmed the financial statements for 2016 and discharged the members of the Board of Directors and the Chief Executive Officer from liability.

The Annual General Meeting decided on the company's investment programme for major projects (valued at over EUR 30 million) and received a separate situation review of the project programme with regard to previously approved significant investments.

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
- Essi Kiuru, Administrative Director, University of Oulu
- Matti Paavonsalo, CFO, University of Eastern Finland
- Kalervo Väänänen, Rector, University of Turku

In addition, Director General Sami Yläoutinen was elected as the state's representative, replacing Päivi Laajala.

The Board of Directors met nine times in 2017.

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.

The Annual General Meeting adopted the Board's proposal for a dividend of EUR 5.80 per share to be paid, corresponding to a total of EUR 14.6 million.

PERSONNEL

The Chief Executive Officer of University Properties of Finland Ltd is Mauno Sievänen. In 2017, the company had an average of 35 employees. The functions include campus development, property development, service 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 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 approximately EUR 0.2 million, or approximately 7 percent of personnel expenses.

KEY FIGURES FOR PERSONNEL:

	2017	2016	2015
Average number of personnel	35	32	33
Number of personnel at the end of the period	36	32	32
Personnel expenses, € million	3.0	2.7	2.8

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 percent and an interest-bearing period of 2–6 years depending on the prevailing market conditions.

CHANGES IN GROUP STRUCTURE IN 2017

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 2017.

COMPANY SHARES

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

	2017	2016
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 2018

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 2018, the company will continue to develop closer cooperation 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 2018 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, with more comprehensive customer relationship management being the most significant area of development.

PROPOSAL ON THE USE OF THE PROFIT AND DISTRIBUTABLE FUNDS

The distributable funds of the parent company total EUR 331,395,464.86, of which the result for the financial year accounts for EUR 24,733,024.36. 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 14,868,000.00 will be distributed, corresponding to EUR 5.90 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.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

EUR million	Note		1 Jan–31 Dec 2017		1 Jan–31 Dec 2016
REVENUE	1)		**150.9**		**148.2**
Other operating income	2)		0.2		0.1
Personnel expenses					
Salaries and remuneration	3)	−2.4		−2.2	
Other personnel expenses					
Pension expenses		−0.5		−0.4	
Other personnel-related costs		−0.1	−3.0	−0.1	−2.7
Depreciation and impairment	9), 10)				
Planned depreciation		−53.7		−49.3	
Impairment of fixed assets		0.0	−53.7	−2.9	−52.2
Other operating expenses	5)		−55.5		−53.4
Share of profit (loss) of associated companies	11)		−0.2		−0.2
OPERATING PROFIT			**38.8**		**39.9**
Financial income and expenses	7)				
Interest and financial income					
Interest income		0.3		0.3	
Other interest revenue		0.1		0.1	
Interest and financial expenses					
Interest expenses		−10.5		−10.7	
Other interest and financial expenses		−0.9	−11.0	−0.8	−11.1
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES			**27.7**		**28.8**
Income taxes	8)		−6.5		−6.3
Minority interest			−0.1		0.1
PROFIT (LOSS) FOR THE PERIOD			**21.2**		**22.6**

CONSOLIDATED BALANCE SHEET

ASSETS

EUR million	Note		31 Dec 2017		31 Dec 2016
NON-CURRENT ASSETS					
Intangible assets	9)				
Other capitalised expenditure		0.1	0.1	0.2	0.2
Tangible assets	10)				
Land and water areas		64.6		65.9	
Buildings and structures		985.7		988.9	
Machinery and equipment		2.9		2.3	
Other tangible assets		3.3		3.5	
Advance payments and construction in progress		188.1	1,244.5	128.3	1,188.8
Investments	11)				
Holdings in associated companies		4.4		4.6	
Other investments		3.8	8.2	3.8	8.4
Non-current assets total			**1,252.9**		**1,197.4**
CURRENT ASSETS					
Long-term receivables	12)				
Accrued income		2.1	2.1	0.0	0.0
Short-term receivables					
Receivables from property income	13)	0.3		1.4	
Accrued income		1.3		0.3	
Other receivables		0.0	1.6	0.4	2.1
Financial assets			0.0		5.0
Cash and cash equivalents			12.2		22.2
Current assets total			**16.0**		**29.4**
ASSETS TOTAL			**1,268.8**		**1,226.8**

CONSOLIDATED BALANCE SHEET
LIABILITIES AND EQUITY

EUR million	Note		31 Dec 2017		31 Dec 2016
CAPITAL AND RESERVES					
Share capital			252.0		252.0
Invested unrestricted equity fund			269.1		269.1
Retained earnings			54.5		46.6
Profit/loss for the period			21.2		22.6
Total equity	14)		**596.8**		**590.2**
MINORITY INTEREST			**8.0**		**7.9**
LIABILITIES					
Long-term liabilities	15)				
Loans from financial institutions		623.2		552.4	
Other debts		0.3	623.5	0.3	552.7
Short-term liabilities	15)				
Loans from financial institutions		14.6		50.1	
Deferred tax liability	16)	5.2		5.9	
Advances received		0.6		0.5	
Trade payables		15.2		13.3	
Other debts		0.4		0.3	
Accrued expenses		4.7	40.6	5.9	76.0
Total liabilities			**664.1**		**628.7**
TOTAL LIABILITIES AND EQUITY			**1,268.8**		**1,226.8**

CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Operating cash flow			
Operating profit		38.8	39.9
Planned depreciation and impairment		53.7	52.2
Other adjustments without payment transactions		0.2	0.2
Change in working capital	1)	−4.1	−2.6
Interest received		0.4	0.4
Interest paid		−8.8	−9.2
Other financial items		−0.9	−0.8
Taxes paid		−5.6	−4.2
Operating cash flow total		73.6	76.0
Investment cash flow			
Investments in tangible and intangible assets		−116.3	−95.8
Disposals of tangible and intangible assets		7.0	1.1
Investment cash flow		−109.3	−94.7
Financing cash flow			
Withdrawals/repayments of long-term loans		70.8	25.4
Withdrawals/repayments of short-term loans		−35.5	0.0
Dividends paid		−14.6	−13.7
Financing cash flow total		20.7	11.7
Change in cash and cash equivalents		−15.0	−7.1
Cash and cash equivalents at the start of the period		27.2	34.3
Cash and cash equivalents at the end of the period		12.2	27.2

Notes to the cash flow statement

1) Itemisation of working capital adjustment			
Adjustment of long-term receivables		−2.1	0.0
Adjustment of short-term receivables		0.5	1.1
Adjustment of short-term non-interest bearing debts		−2.5	−3.6
		−4.1	−2.6

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 1, 33720 Tampere, Finland.

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 ninth 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 ten universities outside the Greater Helsinki region.

University Properties of Finland Ltd is the Group's parent company. The University Properties of Finland 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. Kiinteistö Oy 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the income statement

EUR million	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
1) Revenue		
Rents	149.6	147.8
Usage reimbursements	0.5	0.3
Other property income	0.8	0.1
Total	150.9	148.2

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

2) Other operating income	0.2	0.1

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	2.4	2.2
Pension expenses	0.5	0.4
Other personnel-related costs	0.1	0.1
Total	3.0	2.7

Salaries and remuneration to members of the Board of Directors and the Chief Executive Officer during the period	0.3	0.3

Average number of personnel during the period	35	32
Number of personnel at the end of period	36	32

4) Depreciation and impairment

Described in more detail in notes 9 and 10

5) Other operating expenses		
Administration	4.2	3.9
Use and maintenance	8.1	7.5
Maintenance of outdoor areas	1.5	1.5
Cleaning	0.1	0.1
Heating	10.8	10.7
Water and sewage	1.2	1.3
Gas and electricity	0.8	0.6
Waste management	0.7	0.9
Liability insurance	0.3	0.3
Rental expenses	0.7	0.8
Property taxes	11.9	11.2
Repairs	11.5	12.3
Reimbursements and grants received	0.0	0.0
Other maintenance costs	3.6	2.3
Credit losses	0.0	0.0
Total	55.5	53.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the income statement

EUR million	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
6) Auditors' fees		
Authorised Public Accountants KPMG Oy		
Auditors' fees	0.0	0.0
Tax advice	0.0	0.0
Other expert fees	0.0	0.0
Total	0.0	0.1
7) Financial income and expenses		
Interest income	0.3	0.3
Other interest revenue	0.1	0.1
Financial charges	0.0	0.0
Total	0.4	0.4
Interest expenses	10.5	10.7
Other interest and financial expenses	0.9	0.8
Total	11.4	11.5
Total financial income and expenses	−11.0	−11.1
8) Income taxes		
Income taxes on actual operations	7.2	6.6
Change in deferred taxes	−0.7	−0.2
Total	6.5	6.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet assets

9) Intangible assets

2017 EUR million	Intangible rights	Other capitalised expenditure	Total 31 Dec 2017
Acquisition cost 1 January 2017	0.1	1.2	1.3
Increases during the period	0.0	0.0	0.0
Disposals during the period	0.0	0.0	0.0
	0.1	1.2	1.3
Accumulated depreciation 1 January 2017	−0.1	−1.0	−1.1
Depreciation during the period	0.0	−0.1	−0.1
Accumulated depreciation 31 December 2017	−0.1	−1.1	−1.2
Carrying amount 31 December 2017	0.0	0.1	0.1

2016 EUR million	Intangible rights	Other capitalised expenditure	Total 31 Dec 2016
Acquisition cost 1 January 2016	0.1	1.1	1.2
Increases during the period	0.0	0.1	0.1
Disposals during the period	0.0	0.0	0.0
	0.1	1.2	1.3
Accumulated depreciation 1 January 2016	−0.1	−0.9	−1.1
Depreciation during the period	0.0	−0.1	−0.1
Accumulated depreciation 31 December 2016	−0.1	−1.0	−1.1
Carrying amount 31 December 2016	0.0	0.2	0.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet assets

10) Tangible assets

2017 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total 31 Dec 2017
Acquisition cost 1 January 2017	65.9	1,295.3	3.2	5.0	128.3	1,497.8
Transfers between asset categories	0.0	0.0	0.0	0.0	−59.9	−59.9
Increases during the period	0.8	59.4	1.0	0.3	119.7	181.2
Disposals during the period	−2.2	−9.9	0.0	0.0	0.0	−12.0
Acquisition cost 31 December 2017	64.6	1,344.9	4.2	5.3	188.1	1,607.1
Accumulated depreciation 1 January 2017	0.0	−306.4	−1.0	−1.6	0.0	−308.9
Depreciation during the period	0.0	−52.7	−0.4	−0.5	0.0	−53.6
Impairment	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation 31 December 2017	0.0	−359.1	−1.3	−2.1	0.0	−362.5
Carrying amount 31 December 2017	64.6	985.7	2.9	3.3	188.1	1,244.5

2016 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total 31 Dec 2016
Acquisition cost 1 January 2016	61.6	1,213.3	3.0	4.7	120.6	1,403.1
Increases during the period	4.7	85.2	0.2	0.3	7.7	98.2
Disposals during the period	−0.4	−3.2	0.0	0.0	0.0	−3.5
Acquisition cost 31 December 2016	65.9	1,295.3	3.2	5.0	128.3	1,497.8
Accumulated depreciation 1 January 2016	0.0	−255.1	−0.6	−1.1	0.0	−256.8
Depreciation during the period	0.0	−48.4	−0.3	−0.5	0.0	−49.2
Impairment	0.0	−2.9	0.0	0.0	0.0	−2.9
Accumulated depreciation 31 December 2016	0.0	−306.4	−1.0	−1.6	0.0	−308.9
Carrying amount 31 December 2016	65.9	988.9	2.3	3.5	128.3	1,188.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet assets

11) Investments

2017 EUR million	Holdings in associated companies	Other investments	Total 31 Dec 2017
Acquisition cost 1 January 2017	4.6	3.8	8.4
Share of profit for the period	−0.2	0.0	−0.2
Acquisition cost 31 December 2017	4.4	3.8	8.2
Impairment	0.0	0.0	0.0
Accumulated depreciation 31 December 2017	0.0	0.0	0.0
Carrying amount 31 December 2017	4.4	3.8	8.2

2016	Holdings in associated companies	Other investments	Total 31 Dec 2016
Acquisition cost 1 January 2016	4.7	3.8	8.6
Share of profit for the period	−0.2	0.0	−0.2
Acquisition cost 31 December 2016	4.6	3.8	8.4
Impairment	0.0	0.0	0.0
Accumulated depreciation 31 December 2016	0.0	0.0	0.0
Carrying amount 31 December 2016	4.6	3.8	8.4

Holdings in Group companies 31 December 2017

	Share %
Kiinteistö Oy Bioteknia	71.49%
Kiinteistö Oy Kuopion Studentia	56.23%
Kiinteistö Oy Arctic Centre	50.00%

All Group companies are included in the consolidated financial statements.

Shares in associated companies 31 December 2017

	Share %
Kiinteistö Oy F-Medi	24.66%

The associated company is included in the consolidated financial statements.

Other investments on 31 December 2017

The most significant other investments are in two real estate companies

	Share %
Kiinteistö Oy Kuopion Teknia	18.42%
Kiinteistö Oy Palosaaren laboratoriot	12.98%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet assets

EUR million	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
12) Long-term receivables		
Accrued income	2.1	0.0
Total	2.1	0.0

Accrued income includes receivables related to property divestments.

13) Short-term receivables		
Receivables from property income	0.3	1.4
Accrued income	1.3	0.3
Other receivables	0.0	0.4
Total	1.6	2.1
Notable accrued income		
Value added tax receivables	1.2	
Accrued rent	0.0	0.1
Interest and financial items	0.1	0.0
Other	0.1	0.3
Total	1.3	0.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

EUR million	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
14) Itemisation of equity		
Share capital 31 December	252.0	252.0
Total restricted equity	252.0	252.0
Invested unrestricted equity fund 31 December	269.1	269.1
Retained earnings 1 January	69.1	60.3
Dividend paid by the parent company	−14.6	−13.7
Result for the period	21.2	22.6
Retained earnings 31 December	75.7	69.1
Total unrestricted equity	344.8	338.2
Total equity	596.8	590.2
Minority interest 1 January	7.9	8.1
Minority share of profit for the period	0.1	−0.1
Minority interest 31 December	8.0	7.9
Total equity and minority interest	604.8	598.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

EUR million	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
15) Liabilities		
Long-term liabilities		
Loans from financial institutions	623.2	552.4
Other debts	0.3	0.3
Total	623.5	552.7
Loans maturing after more than five years		
Loans from financial institutions	489.8	414.2
Total	489.8	414.2
Short-term liabilities		
Short-term interest-bearing debt		
Loans from financial institutions	14.6	50.1
Total	14.6	50.1
Short-term non-interest bearing debt		
Advances received	0.6	0.5
Trade payables	15.2	13.3
Other short-term debts	0.4	0.3
Accrued expenses	4.7	5.9
Total	20.8	20.0
Total short-term debt	35.4	70.1
Notable accrued expenses		
Interest and financial items	1.7	1.5
Income taxes	1.5	3.4
Other	1.5	1.0
Total	4.7	5.9
Credit limits		
Checking account limits	2.6	2.6
Unwithdrawn proportion of checking account limits	2.6	2.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

EUR million	Maturing year of loans	31 Dec 2017
Maturity distribution of loans from financial institutions		
	2018	14.6
	2019	119.6
	2020	4.6
	2021	9.4
	2022	9.4
	2023	9.4
	2024	139.4
	2025	79.4
	2026	99.3
	2027	104.3
	2028	34.3
	2029	7.0
	2030	4.8
	2031	2.4
		637.8

Currency distribution of loans from financial institutions	Currency	31 Dec 2017
	EUR	552.8
	SEK	85.0
		637.8

16) Deferred tax liabilities and assets

Deferred tax liability recorded on the consolidated balance sheet

EUR million		
Accumulated depreciation	5.2	5.9

EUR million	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
17) Derivative contracts		
Interest derivatives		
Interest rate swaps, notional value	535.0	485.0
Interest rate swaps, fair value	−21.0	−29.3
Interest rate caps, notional value	55.0	55.0
Interest rate caps, fair value	0.0	0.1
Additional benefit swaps, notional value	25.0	0.0
Additional benefit swaps, fair value	−0.5	0.0
Interest and currency derivatives		
Interest and currency swaps, notional value	85.0	85.0
Interest and currency swaps, fair value	−7.0	−4.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

Product EUR million	Maturity of loan	Nominal value of loan	Maturity of derivative	Nominal value of derivative	Market value of derivative 31 Dec 2017
Interest rate swap	31 May 2010–31 May 2025	40.0	29 May 2017–29 May 2025	40.0	−5.5
Interest rate swap	8 Dec 2014–8 Dec 2024	45.0	8 Dec 2016–9 Dec 2024	45.0	1.5 −2.9
Cross currency interest rate swap	8 Dec 2010–9 Dec 2024	85.0	8 Dec 2016–10 Dec 2018	85.0	78.2 −85.3
Interest rate swap			8 Dec 2016–10 Dec 2018	85.0	−0.3 −1.2
Interest rate swap			10 Dec 2018–9 Dec 2024	85.0	3.5 −7.2
Interest rate swap	17 Feb 2014–17 Feb 2019	75.0	17 Aug 2016–18 Feb 2019	75.0	0.3 −2.0
Interest rate swap	15 Feb 2016–15 Feb 2026	60.0	15 Feb 2019–15 Feb 2026	60.0	−0.9
Interest rate cap	20 Aug 2014–20 Aug 2026	30.0	22 Aug 2016–20 Aug 2019	30.0	0.0
Interest rate swap			20 Aug 2019–20 Aug 2026	30.0	1.8 −1.2
Interest rate swap	14 Jan 2015–14 Jan 2027	40.0	21 Oct 2015–14 Jan 2027	40.0	2.5 −7.2
Interest rate swap	3 Nov 2015–3 Nov 2027	25.0	3 Nov 2015–3 Feb 2027	25.0	1.6 −4.5
Interest rate cap	22 Apr 2016–22 Apr 2028	25.0	22 Jun 2016–22 Jul 2019	25.0	0.0
Interest rate swap			22 Jul 2019–24 Apr 2028	25.0	2.2 −1.6
Interval swap	22 May 2017–13 May 2031	25.0	13 Nov 2017–13 Nov 2019	25.0	−0.5
Interest rate swap			13 Nov 2019–13 May 2031	25.0	1.7 −1.5
Total		450.0		700.0	−28.5

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. The fair values of the agreements correspond to the values determined by the bank. The interest flows of derivatives will materialise at the same time as the interest flows of the loans. The hedging of a single loan can be divided into multiple parts based on time periods. In this case, however, the hedges must not exceed the validity of the loan they are linked to.

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.

Interest swaps comprised one contract in which the bank had the right to extend the contract on 29 May 2017. The bank exercised this right. As a result, the interest swap is valid until the repayment of the loan it is linked to.

In practice, the additional benefit swap means that, for a period of two years, one interest rate swap includes a mechanism that eliminates the cost-increasing effect of the negative Euribor rate on the interest rate swap when the corresponding loan has a so-called zero floor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

EUR million	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
18) Collateral and contingent liabilities		
Debts secured by real estate mortgages		
Loans from financial institutions	637.8	602.5
Mortgages	970.5	970.5
Bank guarantees received	150.0	150.0
Other debts	0.3	0.3

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	0.1	0.0
Due later	0.2	0.1
	0.3	0.1

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	2017	Total
EUR million	0.0	0.1	1.3	4.8	4.2	6.1	24.6	11.9	12.1	65.2

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 is committed to complying with legislation, decrees, decisions and agreements on the protection of each property or conservation area.

CALCULATION OF KEY FIGURES

Equity ratio, %	=	100 ×	Equity + minority interest / Balance sheet total – advances received
Return on investment, % (ROI)	=	100 ×	Result for the period + financial expenses / 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 ×	Result for the period / Equity (average of the beginning of the period and the end of the period) + minority interest
Occupancy rate, %	=	100 ×	Area rented out / Total leasable area
Interest cover ratio	=		Operating margin (operating profit + planned depreciation + impairment) / Accrual-based interest expenses

When calculating the 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.

PARENT COMPANY INCOME STATEMENT

EUR million	Note		1 Jan–31 Dec 2017		1 Jan–31 Dec 2016
REVENUE	1)		**150.1**		**147.6**
Other operating income	2)		0.2		0.1
Personnel expenses	3)				
Salaries and remuneration		−2.4		−2.2	
Other personnel expenses					
Pension expenses		−0.5		−0.4	
Other personnel-related costs		−0.1	−3.0	−0.1	−2.7
Depreciation and impairment	9), 10)				
Planned depreciation		−52.9		−48.5	
Impairment of fixed assets		0.0	−52.9	−2.9	−51.4
Other operating expenses	5)		−55.0		−52.5
OPERATING PROFIT			**39.4**		**41.1**
Financial income and expenses	7)				
Interest and financial income					
Interest income		0.3		0.3	
Interest income from Group companies		0.0		0.0	
Other interest revenue		0.0		0.0	
Interest and financial expenses					
Interest expenses		−10.5		−10.7	
Other interest and financial expenses		−0.9	−11.0	−0.8	−11.1
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES			**28.4**		**29.9**
Appropriations					
Change in depreciation difference			3.5		1.1
Income taxes	8)		−7.2		−6.6
PROFIT (LOSS) FOR THE PERIOD			**24.7**		**24.5**

PARENT COMPANY BALANCE SHEET

ASSETS

EUR million	Note		31 Dec 2017		31 Dec 2016
NON-CURRENT ASSETS					
Intangible assets	9)				
Intangible rights		0.4		0.5	
Other capitalised expenditure		0.1	0.5	0.2	0.7
Tangible assets	10)				
Land and water areas		64.4		65.7	
Buildings and structures		968.5		970.6	
Machinery and equipment		2.9		2.3	
Other tangible assets		3.1		3.5	
Advance payments and construction in progress		188.1	1,227.0	128.3	1,170.4
Investments	11)				
Holdings in Group companies		14.7		14.7	
Receivables from Group companies		0.3		0.4	
Holdings in associated companies		5.8		5.8	
Other investments		3.8	24.6	3.8	24.7
Non-current assets total			**1,252.0**		**1,195.7**
CURRENT ASSETS					
Long-term receivables	12)				
Accrued income		2.1	2.1	0.0	0.0
Short-term receivables	13)				
Receivables from property income		0.2		1.4	
Receivables from Group companies		0.1		0.0	
Accrued income		1.3		0.3	
Other receivables		0.0	1.6	0.4	2.1
Financial assets			0.0		5.0
Cash and cash equivalents			11.8		22.1
Current assets total			**15.5**		**29.2**
ASSETS TOTAL			**1,267.5**		**1,224.9**

PARENT COMPANY BALANCE SHEET
LIABILITIES AND EQUITY

EUR million	Note		31 Dec 2017		31 Dec 2016
CAPITAL AND RESERVES					
Share capital			252.0		252.0
Invested unrestricted equity fund			269.1		269.1
Retained earnings			37.6		27.7
Profit/loss for the period			24.7		24.5
Total equity	14)		**583.4**		**573.3**
ACCUMULATED APPROPRIATIONS					
Depreciation difference			**25.9**		**29.5**
LIABILITIES					
Long-term liabilities	15)				
Loans from financial institutions		622.9		552.0	
Other debts		0.3	623.1	0.3	552.3
Short-term liabilities	15)				
Loans from financial institutions		14.6		50.0	
Advances received		0.6		0.5	
Trade payables		14.9		13.2	
Other debts		0.3		0.3	
Accrued expenses		4.7	35.0	5.9	69.9
Total liabilities			**658.2**		**622.2**
TOTAL LIABILITIES AND EQUITY			**1,267.5**		**1,224.9**

PARENT COMPANY CASH FLOW STATEMENT

EUR million	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Operating cash flow			
Operating profit		39.4	41.1
Planned depreciation		52.9	51.4
Change in working capital	1)	−4.3	−2.5
Interest received	2)	0.4	0.3
Interest paid	3)	−8.8	−9.2
Other financial items		−0.9	−0.8
Taxes paid		−5.6	−4.2
Operating cash flow total		73.1	76.2
Investment cash flow			
Investments in tangible and intangible assets	4)	−116.3	−95.8
Disposals of tangible and intangible assets		7.0	1.1
Loans granted		0.1	0.1
Investment cash flow		−109.2	−94.6
Financing cash flow total			
Withdrawals/repayments of long-term loans		70.9	25.0
Withdrawals/repayments of short-term loans		−35.4	0.0
Dividends paid		−14.6	−13.7
Financing cash flow total		20.8	11.3
Change in cash and cash equivalents		−15.3	−7.1
Cash and cash equivalents at the start of the period		27.1	34.2
Cash and cash equivalents at the end of the period		11.8	27.1

Notes to the cash flow statement

1) Itemisation of working capital adjustment		
Adjustment of long-term receivables	−2.1	0.0
Adjustment of short-term receivables	0.4	1.0
Adjustment of short-term non-interest bearing debts	−2.6	−3.5
	−4.3	−2.5
2) Interest received		
Interest income	0.3	0.3
Proportion of accrued income allocated to interest income	0.1	0.0
Interest income from Group companies	0.0	0.0
Other interest revenue	0.0	0.0
	0.4	0.3
3) Interest paid		
Interest expenses	−10.5	−10.7
Proportion of accrued expenses allocated to interest expenses	1.7	1.5
	−8.8	−9.2
4) Investments in tangible and intangible assets		
Investments in non-current assets, net 1 January	24.7	24.7
Investments in non-current assets, net 31 December	−24.6	−24.7
Intangible and tangible non-current assets 1 January	1,171.1	1,127.8
Intangible and tangible non-current assets 31 December	−1,227.5	−1,171.1
Planned depreciation	−52.9	−51.4
	−109.2	−94.6

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes to the income statement

EUR million	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
1) Revenue		
Rents	149.0	147.3
Usage reimbursements	0.3	0.2
Other property income	0.8	0.2
Total	150.1	147.6

Geographically, the parent company's revenue is produced in Finland.

2) Other operating income	0.2	0.1

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	2.4	2.2
Pension expenses	0.5	0.4
Other personnel-related costs	0.1	0.1
Total	3.0	2.7

Salaries and remuneration to members of the Board of Directors and the Chief Executive Officer during the period	0.3	0.3

Average number of personnel during the period	35	32
Number of personnel at the end of period	36	32

4) Depreciation and impairment Described in more detail in notes 9 and 10

5) Other operating expenses

Administration	4.1	3.9
Use and maintenance	7.9	7.4
Maintenance of outdoor areas	1.5	1.5
Cleaning	0.1	0.1
Heating	10.5	10.3
Water and sewage	1.2	1.2
Gas and electricity	0.4	0.3
Waste management	0.7	0.9
Liability insurance	0.3	0.3
Rental expenses	1.7	1.8
Property taxes	11.7	10.9
Repairs	11.2	11.6
Reimbursements and grants received	0.0	0.0
Other maintenance costs	3.7	2.5
Credit losses	0.0	0.0
Total	55.0	52.5

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes to the income statement

EUR million	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
6) Auditors' fees and services		
Authorised Public Accountants KPMG Oy Ab		
Auditors' fees	0.0	0.0
Tax advice	0.0	0.0
Other expert fees	0.0	0.0
Total	0.0	0.1
7) Financial income and expenses		
Interest income	0.3	0.3
Interest income from Group companies	0.0	0.0
Other interest and financial income	0.0	0.0
Total	0.4	0.3
Interest expenses	10.5	10.7
Other interest and financial expenses	0.9	0.8
Total	11.4	11.5
Total financial income and expenses	−11.0	−11.1
8) Income taxes		
Income taxes on actual operations	7.2	6.6

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes on balance sheet assets

9) Intangible assets

2017 EUR million	Intangible rights	Other capitalised expenditure	Total 31 Dec 2017
Acquisition cost 1 January 2017	1.2	1.1	2.3
Increases during the period	0.0	0.0	0.0
	1.2	1.1	2.3
Accumulated depreciation 1 January 2017	−0.7	−0.9	−1.6
Depreciation during the period	−0.1	−0.1	−0.2
Accumulated depreciation 31 December 2017	−0.8	−1.0	−1.8
Carrying amount 31 December 2017	0.4	0.1	0.5

2016 EUR million	Intangible rights	Other capitalised expenditure	Total 31 Dec 2016
Acquisition cost 1 January 2016	1.2	1.0	2.2
Increases during the period	0.0	0.1	0.1
	1.2	1.1	2.3
Accumulated depreciation 1 January 2016	−0.6	−0.8	−1.4
Depreciation during the period	−0.1	−0.1	−0.2
Accumulated depreciation 31 December 2016	−0.7	−0.9	−1.6
Carrying amount 31 December 2016	0.5	0.2	0.7

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes on balance sheet assets

10) Tangible assets

2017 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total 31 Dec 2017
Acquisition cost 1 January 2017	65.7	1,268.7	3.2	5.0	128.3	1,470.9
Transfers between asset categories	0.0	0.0	0.0	0.0	−59.9	−59.9
Increases during the period	0.8	59.5	1.0	0.2	119.7	181.2
Disposals during the period	−2.2	−9.9	0.0	0.0	0.0	−12.0
	64.4	1,318.3	4.2	5.2	188.1	1,580.2
Accumulated depreciation 1 January 2017	0.0	−298.1	−1.0	−1.6	0.0	−300.6
Depreciation during the period	0.0	−51.8	−0.4	−0.5	0.0	−52.7
Impairment	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation 31 December 2017	0.0	−349.9	−1.3	−2.1	0.0	−353.3
Carrying amount 31 December 2017	64.4	968.5	2.9	3.1	188.1	1,227.0

2016 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total 31 Dec 2016
Acquisition cost 1 January 2016	61.4	1,186.6	3.0	4.7	120.6	1,376.3
Transfers between asset categories	0.0	0.0	0.0	0.0	0.0	0.0
Increases during the period	4.7	85.2	0.2	0.3	7.7	98.2
Disposals during the period	−0.4	−3.2	0.0	0.0	0.0	−3.5
	65.7	1,268.7	3.2	5.0	128.3	1,470.9
Accumulated depreciation 1 January 2016	0.0	−247.6	−0.6	−1.1	0.0	−249.3
Depreciation during the period	0.0	−47.5	−0.3	−0.5	0.0	−48.3
	0.0	−2.9	0.0	0.0	0.0	−2.9
Accumulated depreciation 31 December 2016	0.0	−298.1	−1.0	−1.6	0.0	−300.6
Carrying amount 31 December 2016	65.7	970.6	2.3	3.5	128.3	1,170.4

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes on balance sheet assets

11) Investments 2017 EUR million	Holdings in Group companies	Receivables from Group companies	Holdings in associated companies	Other investments	Total 31 Dec 2017
Parent company					
Acquisition cost 1 January 2017	14.7	0.4	5.8	3.8	24.7
Disposals during the period	0.0	−0.1	0.0	0.0	−0.1
Acquisition cost 31 December 2017	14.7	0.3	5.8	3.8	24.6
Impairment	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation 31 December 2017	0.0	0.0	0.0	0.0	0.0
Carrying amount 31 December 2017	14.7	0.3	5.8	3.8	24.6

2016 EUR million	Holdings in Group companies	Receivables from Group companies	Holdings in associated companies	Other investments	Total 31 Dec 2016
Parent company					
Acquisition cost 1 January 2016	14.7	0.5	5.8	3.8	24.7
Disposals during the period	0.0	−0.1	0.0	0.0	−0.1
Acquisition cost 31 December 2016	14.7	0.4	5.8	3.8	24.7
Impairment	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation 31 December 2016	0.0	0.0	0.0	0.0	0.0
Carrying amount 31 December 2016	14.7	0.4	5.8	3.8	24.7

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

EUR million	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
12) Long-term receivables		
Accrued income	2.1	0.0
Total	2.1	0.0

Accrued income includes receivables related to property divestments.

13) Short-term receivables		
Receivables from property income	0.3	1.4
Accrued income	1.3	0.3
Other receivables	0.0	0.4
Total	1.6	2.1
Notable accrued income		
Value added tax receivables	1.2	0.0
Interest and financial items	0.1	0.0
Accrued rent	0.0	0.1
Other	0.1	0.3
Total	1.3	0.3

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

EUR million	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
14) Itemisation of equity		
Share capital 31 December	252.0	252.0
Total restricted equity	252.0	252.0
Invested unrestricted equity fund 31 December	269.1	269.1
Retained earnings 1 January	52.2	41.5
Distribution of dividend	−14.6	−13.7
Result for the period	24.7	24.5
Retained earnings 31 December	62.3	52.2
Total unrestricted equity	331.4	321.3
Total equity	583.4	573.3
Parent company's distributable funds 31 December	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Retained earnings 1 January	52.2	41.5
Distribution of dividend	−14.6	−13.7
Result for the period	24.7	24.5
Invested unrestricted equity fund	269.1	269.1
Total	**331.4**	**321.3**

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

EUR million	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
15) Liabilities		
Long-term liabilities		
Loans from financial institutions	622.9	552.0
Other debts	0.3	0.3
Total	623.1	552.3
Loans maturing after more than five years		
Loans from financial institutions	489.6	414.2
Total	489.6	414.2
Short-term liabilities		
Short-term interest-bearing debt		
Loans from financial institutions	14.6	50.0
Total	14.6	50.0
Short-term non-interest bearing debt		
Advances received	0.6	0.5
Trade payables	14.9	13.2
Accrued expenses	4.7	5.9
Other short-term debts	0.3	0.3
Total	20.4	19.9
Total short-term debt	35.0	69.9
Notable accrued expenses		
Interest and financial items	1.7	1.5
Income taxes	1.5	3.4
Other	1.5	1.0
Total	4.7	5.9
Credit limits		
Checking account limits	2.5	2.5
Unwithdrawn proportion of checking account limits	2.5	2.5

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

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

EUR million	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
16) Derivative contracts		
Interest derivatives		
Interest rate swaps, notional value	535.0	485.0
Interest rate swaps, fair value	−21.0	−29.3
Interest rate caps, notional value	55.0	55.0
Interest rate caps, fair value	0.0	0.1
Additional benefit swaps, notional value	25.0	0.0
Additional benefit swaps, fair value	−0.5	0.0
Interest and currency derivatives		
Interest and currency swaps, notional value	85.0	85.0
Interest and currency swaps, fair value	−7.0	−4.7

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

Product EUR million	Maturity of loan	Nominal value of loan	Maturity of derivative	Nominal value of derivative	Market value of derivative 31 Dec 2017
Interest rate swap	31 May 2010–31 May 2025	40.0	29 May 2017–29 May 2025	40.0	−5.5
Interest rate swap	8 Dec 2014–8 Dec 2024	45.0	8 Dec 2016–9 Dec 2024	45.0	1.5
					−2.9
Cross currency interest rate swap	8 Dec 2010–9 Dec 2024	85.0	8 Dec 2016–10 Dec 2018	85.0	78.2
					−85.3
Interest rate swap			8 Dec 2016–10 Dec 2018	85.0	−0.3
					−1.2
Interest rate swap			10 Dec 2018–9 Dec 2024	85.0	3.5
					−7.2
Interest rate swap	17 Feb 2014–17 Feb 2019	75.0	17 Aug 2016–18 Feb 2019	75.0	0.3
					−2.0
Interest rate swap	15 Feb 2016–15 Feb 2026	60.0	15 Feb 2019–15 Feb 2026	60.0	−0.9
Interest rate cap	20 Aug 2014–20 Aug 2026	30.0	22 Aug 2016–20 Aug 2019	30.0	0.0
Interest rate swap			20 Aug 2019–20 Aug 2026	30.0	1.8
					−1.2
Interest rate swap	14 Jan 2015–14 Jan 2027	40.0	21 Oct 2015–14 Jan 2027	40.0	2.5
					−7.2
Interest rate swap	3 Nov 2015–3 Nov 2027	25.0	3 Nov 2015–3 Feb 2027	25.0	1.6
					−4.5
Interest rate cap	22 Apr 2016–22 Apr 2028	25.0	22 Jun 2016–22 Jul 2019	25.0	0.0
Interest rate swap			22 Jul 2019–24 Apr 2028	25.0	2.2
					−1.6
Interval swap	22 May 2017–13 May 2031	25.0	13 Nov 2017–13 Nov 2019	25.0	−0.5
Interest rate swap			13 Nov 2019–13 May 2031	25.0	1.7
					−1.5
Total		450.0		700.0	−28.5

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. The fair values of the agreements correspond to the values determined by the bank. The interest flows of derivatives will materialise at the same time as the interest flows of the loans. The hedging of a single loan can be divided into multiple parts based on time periods. In this case, however, the hedges must not exceed the validity of the loan they are linked to.

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.

Interest swaps comprised one contract in which the bank had the right to extend the contract on 29 May 2017. The bank exercised this right. As a result, the interest swap is valid until the repayment of the loan it is linked to.

In practice, the additional benefit swap means that, for a period of two years, one interest rate swap includes a mechanism that eliminates the cost-increasing effect of the negative Euribor rate on the interest rate swap when the corresponding loan has a so-called zero floor.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

EUR million	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
17) Collateral and contingent liabilities		
Debts secured by real estate mortgages		
Loans from financial institutions	627.4	602.0
Mortgages	969.2	969.2
Bank guarantees received	150.0	150.0
Other debts	0.3	0.3
	0.3	0.1

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	0.1	0.0
Due later	0.2	0.1

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	2017	Total
	0.0	0.1	1.3	4.8	4.2	6.1	24.6	11.9	12.1	65.2

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.

Signatures to the Financial statements and Board of Directors' Report

Tampere, 8 March 2018

Petri Lintunen
Chairman of the Board of Directors

Juha Lemström
Deputy Chairman of the Board of Directors

Essi Kiuru
Member of the Board of Directors

Matti Paavonsalo
Member of the Board of Directors

Kalervo Väänänen
Member of the Board of Directors

Sami Yläoutinen
Member of the Board of Directors

Mauno Sievänen
Chief Executive Officer

AUDITOR'S NOTE

A report on the audit performed has been issued today.

Tampere, 8 March 2018

KPMG Oy
Hannu Paunikallio, Authorised Public Accountant

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, 2017. 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 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 IN 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 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 other information 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. 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 of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Tampere 23 March 2018

KPMG OY AB

Hannu Paunikallio
Authorised Public Accountant, KHT