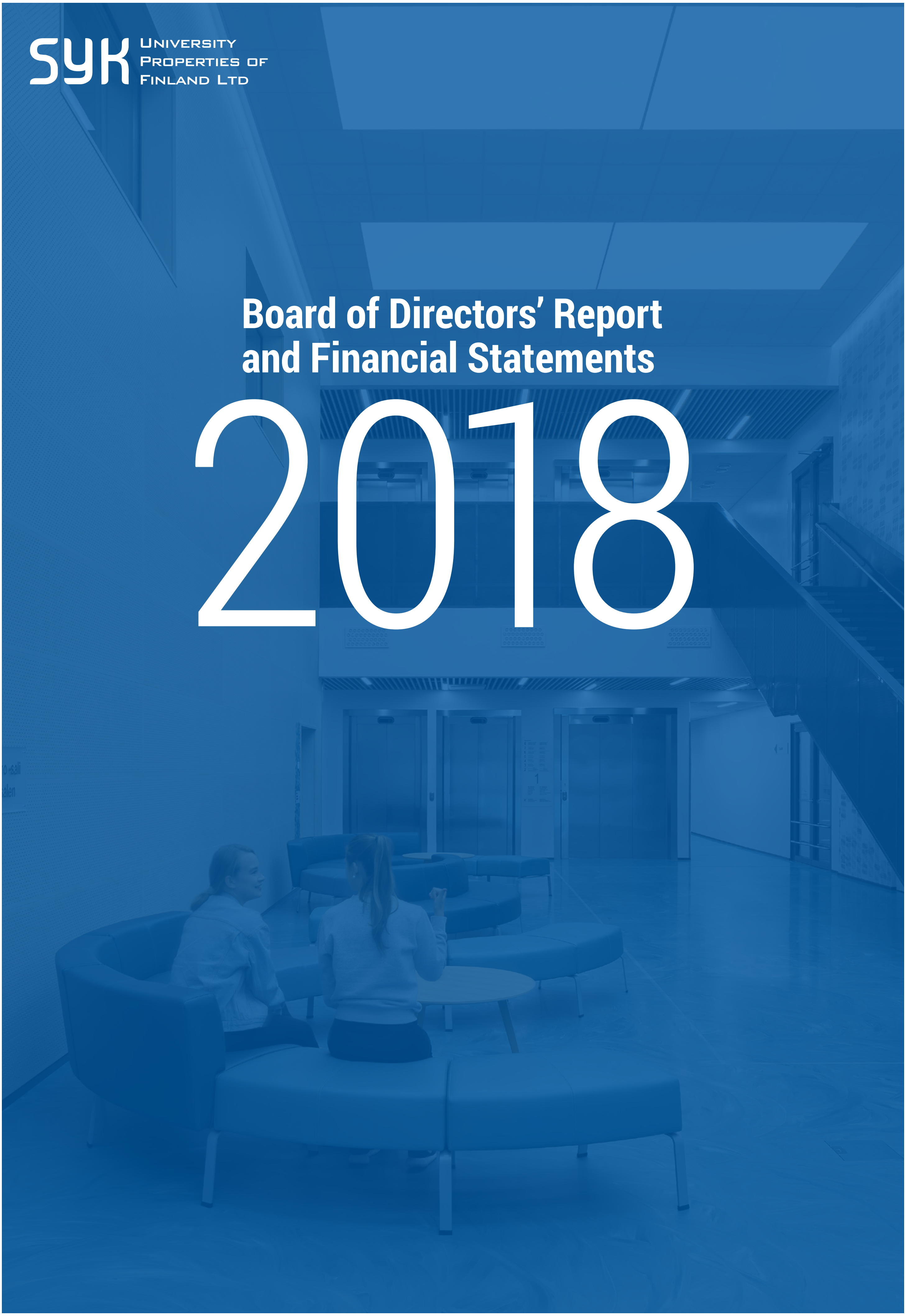
SYK University Properties of Finland Ltd

Board of Directors' Report and Financial Statements 2018



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CEO's review

University Properties of Finland had an active year of change and development in 2018. We continued the restructuring of our organisation in the early part of the year. Our new Account Managers took up their posts and, in the spring, we carried out a business transfer that saw property management services shifted even more to partners who operate in accordance with the targets and criteria set by University Properties of Finland Ltd. The changes were part of our strategic development path, which supports our aim of serving our customers across Finland with continuously improving quality. Following the retirement of long-serving members of our personnel in the maintenance and RDI functions late in the year, we brought in fresh faces and ideas in these areas, including the timely recruitment of a new Maintenance Manager.

After the summer, we established the new SYK Academy, which will serve as a multidisciplinary forum for the Group's future RDI activities. The purpose of the forum is to make the entire personnel more familiar with the Group's valuable R&D investments as well as serve as a platform for increasingly multidisciplinary development areas and needs in cooperation with universities. The core team of the Academy includes members representing each of our administrative teams. As SYK Ambassadors, they help maintain an effective dialogue between research and business in our day-to-day operations.

PRESERVING NATURE

Environmentally friendly solutions and sustainable development were again guiding themes for us during the year. We believe that shared-use facilities and resources will create a variety of long-term benefits. Our Kampusklubi concept, which has been piloted in Tampere's Hervanta district for the past three years, is one such example. Kampusklubi is characterised by a strong spirit of getting things done, and its activities benefit the university as well as enterprises and students.

For several years now, we have been involved in the development of operating practices in the property sector that help reduce energy consumption and promote environmental conservation. Making properties more eco-friendly through renovation projects is one key aspect of this effort. We apply the Building Research Establishment Environmental Assessment Method (BREEAM) in assessing both new construction projects and major renovation projects. The BREEAM framework facilitates the design and construction of buildings whose environmental footprint is minimised. BREEAM certificates also guide the use of buildings. The BREEAM assessment covers aspects such as management, energy and water consumption, materials, land use and transport as well as the degree to which health, well-being and user comfort are ensured. In our renovation of the Teacher Training School of the University of Turku in 2018, we achieved the BREEAM Very Good rating in line with our target for the environmental certificate. Going forward, we will even target the BREEAM Excellent rating for our newly constructed buildings.

SUSTAINABLE INVESTMENTS

In the autumn, we issued a green bond to strengthen our commitment to investing in environmentally progressive projects in the future. University Properties of Finland is a responsible property owner and developer that is committed to building a sustainable future. Our sustainable development objective is to produce the most responsible campuses in Europe by 2030. As one part of achieving this goal, we are already assessing potential ways to compensate for climate impacts.

Our international networks became increasingly diverse in 2018 as we explored opportunities to support Finnish universities' education export activities targeting developing countries, for example.

Interesting potential initiatives have already been identified in areas such as joint development, the active compensation of emissions, education technology and related platforms. These are areas in which we can play a role on the international stage in the future. Cooperation between universities and the business sector is a central aspect of our networks. We want to act as a facilitator at our domestic campuses as well as on international cooperation platforms.

We had an eventful year, including a large number of project start-ups and completed projects of various sizes. One of the most significant projects was the newly constructed Medisiina D multi-user building for medical studies in Turku, which was completed and inaugurated on schedule. Medisiina D is a prime example of "the campus as part of the city" thinking, which is part of our strategic approach. We want to develop attractive and appealing campuses as well as create opportunities for regional growth by combining science, business and vibrant urban life.

University Properties of Finland Ltd celebrates its 10th anniversary in 2019. The company was established as part of the Finnish university reform in 2009 and the story of our first decade has been an interesting and successful one. We enter our milestone year with positive feelings and a commitment to keep working hard as we get ready for our next strategy period. There have been significant changes in our ownership base during the past decade, and University Properties of Finland as a company has also gone through many changes. We see change as an opportunity for renewal and creating something new – perhaps something that will even exceed our expectations. As a result of the changes in our environment and our organisation, our campuses will become even more open to everyone, with more diverse services, and they will serve as platforms of lifelong learning to build valuable capital for us all!

Mauno Sievänen
Chief Executive Officer

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 ten universities outside Greater Helsinki (University of Eastern Finland, University of Jyväskylä, University of Lapland, LUT University, 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 2018, 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 strategy period (2016–2019) approved by University Properties of Finland's Board of Directors is already underway and they are being 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 2018. 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 2018.

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 the year 2018 was implemented in a new way and more broadly than before, using the GRI Standards framework. The report will also be published in the GRI database. The material themes of 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 2018, the Group's revenue grew by EUR 9.4 million year-on-year. The key reasons behind the increase in revenue (6.3%) were the completion of new buildings and the repairs and renovations of the premises as well as successful rental operations.

When the new zoning plan for the Joensuu campus made it possible to include residential properties on the campus, the company sold an on-campus residential plot to a local construction firm. During the year under review, the company also sold the Botania botanical garden property in Joensuu to a company that will continue its operations. The company recognised a sales gain of EUR 1.9 million on these transactions.

Impairment of approximately EUR 2.2 million was recognised on the Savonlinna Teacher Training School property after its operations were relocated to Joensuu and the property was left unused in spite of active efforts to find a buyer or tenant for it. These efforts will continue in 2019.

	Group			Parent company		
Key figures, EUR million	2018	2017	2016	2018	2017	2016
Revenue	159.5	150.1	148.2	158.7	149.3	147.6
Operating profit	46.0	38.8	39.9	46.9	39.4	41.1
Result for the period	27.5	21.2	22.5	31.0	24.7	24.5
Equity on 31 December	617.4	604.8	598.1	599.5	583.4	573.3
Balance sheet total on 31 December	1,357.1	1,268.8	1,226.8	1,357.0	1,267.5	1,224.9
Equity ratio, %	45.5%	47.7%	48.8%	45.5%	47.7%	48.7%
Return on capital employed, %	3.0%	2.6%	2.8%	3.3%	2.9%	3.1%
Return on equity, %	4.5%	3.5%	3.8%	4.6%	3.6%	4.0%

CUSTOMER RELATIONS AND SERVICES

The overall score for University Properties of Finland's operations was 3.6 in the most recent customer satisfaction survey conducted in late 2018 by Innolink Research Oy, and 84 percent of the respondents indicated that the company's role as a campus developer is fairly important or very important. Some 30 percent of the respondents indicated that the company's operations have improved over the past year.

CAMPUS DEVELOPMENT

Campuses are home to the makers of the future, consumers and future operating environments. Campuses support their local regions in international competition and promote regional vitality. Understanding and supporting the primary customer – the university – holds a key role in campus development. Development is based on campus strategies drafted in cooperation with the universities.

The challenge in campus development is identifying the right concepts for premises vacated by universities to ensure that they are occupied in sensible ways in the long term. We do not build any unnecessary new space. Instead, we renovate existing premises whenever possible, which is also in line with our commitment to sustainable development.

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.

We also launched campus development video production in 2018 and produced a native article targeted at decision-makers in the real estate and local government sectors.

We also worked with partners to publish a multimedia article about the Medisiina D building.

Social media visibility and stakeholder engagement were increased in 2018 and development in these areas is likely to continue in the new year.

RENTAL OPERATIONS

The occupancy rate remained nearly at the previous year's level and stood at 94.9 percent at the end of 2018. The average euro-weighted length of the leases was approximately 8.6 years, which is an increase of 0.3 compared to the previous year.

The total amount of new leases, renewed leases and leases renewed in connection with renovation projects in 2018 was 35, corresponding to 102,079 m^2 in leasable area. Of the leases, 15 were signed with universities. The average rent for the new leases was EUR 22.52/m^2/month. The total increase in cash flow from the leases is EUR 270.8 million, of which universities account for EUR 259.9 million.

The signing of leases for the newly constructed Aurum building and the renovation of the Medisiina A–C buildings in Turku were among the most significant events related to rental operations in 2018. With regard to previously vacant premises, the most significant moves were the leasing of the Skinnarila RV4 school building in Lappeenranta to the City of Lappeenranta and the daycare operator Touhula Päiväkodit as well as the Etelä-Hervanta school in Tampere moving into the vacant premises in the Konetalo building in Hervanta.

In rental operations in 2018, the focus was again placed on the renewal of the existing lease portfolio and the continuity of leases. The duration of leases was assessed in connection with user-driven changes to premises and negotiations on contract extensions were carried out.

Changes took place in the company's leasable property portfolio during the year. The Regia building in Joensuu as well as the Kasarmirakennus 24 and 25 buildings in Turku were sold and the old Juslenia building in Turku was demolished. In addition, the newly constructed Medisiina D building was inaugurated in Turku.

Appoximately 54,757 m^2 (5.1%) of the company's leasable premises were vacant at the end of 2018.

KEY FIGURES FOR RENTAL OPERATIONS

	2018	2017
Rental margin, % of revenue	65.8	63.8
Average rental income, EUR/m^2/month	12.2	11.7
Average occupancy rate, %	94.9	93.2
Average lease length, years	8.6	8.3
Proportion of premises producing rental income, %	90.9	90.1
Total leasable area, millions of m^2	1.08	1.07
Value of leases, EUR million	1,681	1,394

MAINTENANCE OPERATIONS

In May, University Properties of Finland Ltd carried out a business transfer related to its property management operations. As part of the business transfer, eight campus managers were transferred to our partners ISS Palvelut Oy and Colliers International Finland Oy, depending on the region, under their existing terms of employment. Having already worked closely with our partners in the area of property management previously, we decided to strengthen this proven operating model.

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. We continuously improve our indicators and reporting related to the environment and energy consumption. A campus safety project was launched on all campuses in 2018.

KEY FIGURES FOR MAINTENANCE OPERATIONS

	2018	2017
Average maintenance costs, EUR/m^2/month	4.2	4.3
Maintenance repairs, EUR million	10.1	11.2
Heating energy consumption*, kWh/gross m^2	144.7	147.9
Water consumption, dm^3/gross m^2	273.4	263.4
Electricity consumption, kWh/gross m^2	109.2	106.3
Emissions, CO_2/gross m^2	42.0	43.1

INVESTMENTS

In 2018, the company's investments totalled EUR 95 million. On the date of closing the books, the company had 103 investment projects in the preparatory and planning stages (EUR 186 million) and 134 projects in the investment phase (EUR 244 million).

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

Over EUR 30 million	Estimated start	Estimated completion	Annual General Meeting
Planning/preparation phase			
University student health centre, Tampere	2021	2022	2017
Jyväskylä University of Applied Sciences	2020	2022	2017
Investment phase			
Aurum (formerly referred to as the new Juslenia building), Turku	2017	2020	2017
Oulu University of Applied Sciences	2018	2020	2016 ylim.
Completed			
Medisiina D Multi-user building, Turku	2015	2018, inaugurated in May 2018	2014
Construction stage 1, renovation Lappeenranta University of Technology (currently LUT University)	2016	2018, inaugurated in January 2019	2014

Other significant projects at the end of 2018:

Planning phase
- Teacher Training School D wing renovation and expansion project, Tampere
- Renovation of the Arcanum building, Turku
- Alteration project of the old army barracks area in Sirkkala, Turku
- Library renovation, Jyväskylä
- Day-care centre project, Hämeenlinna

Construction phase
- Aurum (formerly Juslenia) newly constructed building, Turku
- Medisiina A-C renovation, Turku
- Renovation of main building, Turku

The most significant renovation and new construction projects completed in 2018 were:
- Lappeenranta University of Technology, building phase I renovation
- University of Turku, new building (Medisiina D)
- Renovation of the Athenaeum building at the University of Jyväskylä.
- University of Eastern Finland, alterations to teacher training premises, Joensuu
- Renovation of the University of Oulu School of Architecture
- Alteration projects for the University of Oulu Faculty of Humanities and Faculty of Education
- University of Oulu, renovation of the premises used for process engineering studies and by Oulu Mining School

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, which was completed in the spring, and the Virpa D digital user services ecosystem project. In the international Inlearn project, we support our customers' initiatives aimed at exporting education to developing countries. The Fusion Grid project incorporates new sustainable digital solutions to this development effort. The RESTORE project is focused on sustainable development.

In 2018, the Group's research and development investments totalled EUR 0.5 million (EUR 0.3 million in 2017, EUR 0.4 million in 2016), which represents 0.9 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 company seeks BREEAM Excellent certification for its new construction projects and BREEAM Very Good certification for its most significant renovation projects. The company has four 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 autumn 2018, the company issued a green bond of EUR 100 million to finance green investments. The bond issued by SYK was the first green bond in the property industry and the third overall in Finland. The bond issue helped the company diversify its capital structure. The issue was successful in terms of both investor interest and the cost of financing. It brought new domestic and international institutional financing partners to the company's operating environment.

New financing agreements and an efficient hedging policy have improved the stability and cost-efficiency of the company's finances as well as its customers' rental levels.

KEY FIGURES FOR FINANCING OPERATIONS

	2018	2017
Total loan amount, EUR million	723.5	638.1
Average loan maturity, years	7.1	7.8
Average financing interest, %	1.8	1.7
Interest-bearing period, years	4.7	5.2
Hedge level of loan capital, %	85	76
Interest coverage ratio	10.6	9.9
Liquidity on 31 December, EUR million	66.9	14.3

GENERAL MEETINGS

The company's Annual General Meeting was held on 22 May 2018 in Tampere. The meeting discussed the matters assigned to the Annual General Meeting.

The Annual General Meeting confirmed the financial statements for 2017 and discharged the members of the Board of Directors and the Chief Executive Officer from liability.

The meeting discussed the matters assigned to the Annual General Meeting. No new investments (exceeding EUR 30 million in value) were presented for decision.

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: Sami Yläoutinen, Ministry of Finance
- Essi Kiuru, Administrative Director, University of Oulu

Also elected to the Board of Directors were Riitta Juutilainen, Division Director, Senate Properties; Päivi Mikkola, Chief Operating Officer, University of Turku; and Keijo Hämäläinen, Rector, University of Jyväskylä.

Authorised Public Accountants KPMG Oy were elected the company's auditors, with APA Assi Lintula as the responsible 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 5.90 per share to be paid, corresponding to a total of EUR 14.8 million.

Chairman of the Board Petri Lintunen passed away in August 2018. The Extraordinary General Meeting held on 24 January 2019 elected Päivi Mikkola as the new Chairman of the Board.

The Board of Directors met nine times in 2018.

PERSONNEL

The Chief Executive Officer of University Properties of Finland Ltd is Mauno Sievänen. In 2018, the company had an average of 34 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, with an important role played by an active and highly competent network of partners. The average age of the company's personnel was 45 years at the end of the year. The restructuring of property management functions in the spring reduced the company's number of personnel.

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 roughly 7 percent of personnel expenses.

KEY FIGURES FOR PERSONNEL

	2018	2017	2016
Average number of personnel	34	35	32
Number of personnel at the end of the period	32	36	32
Personnel expenses, EUR million	2.8	3.0	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 percent and an interest-bearing period of 2–6 years depending on the prevailing market conditions.

CHANGES IN GROUP STRUCTURE IN 2018

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 2018.

COMPANY SHARES

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

	2018	2017
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 2019

The significant cost pressures on universities, which are University Properties of Finland'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 2019, 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 2019 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 347,505,494.03, of which the result for the financial year accounts for EUR 30,978,029.17. 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 18,648,000.00 will be distributed, corresponding to EUR 7.40 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 2018		1 Jan–31 Dec 2017
REVENUE	1.		**159.5**		**150.1**
Other operating income	2.		3.0		1.0
Personnel expenses					
Salaries and remuneration	3.	−2.4		−2.4	
Other personnel expenses					
Pension expenses		−0.4		−0.5	
Other personnel-related costs		0.0	−2.8	−0.1	−3.0
Depreciation and impairment	9., 10.				
Planned depreciation		−56.3		−53.7	
Impairment of fixed assets		−2.1	−58.4	0.0	−53.7
Other operating expenses	5.		−55.1		−55.5
Share of profit (loss) of associated companies	11.		−0.2		−0.2
OPERATING PROFIT			**46.0**		**38.8**
Financial income and expenses	7.				
Interest and financial income					
Interest income		0.2		0.3	
Other interest revenue		0.0		0.1	
Interest and financial expenses					
Interest expenses		−6.9		−10.5	
Other interest and financial expenses		−5.1	−11.9	−0.9	−11.0
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES			**34.1**		**27.7**
Income taxes	8.		−6.7		−6.5
Minority interest			0.0		−0.1
PROFIT (LOSS) FOR THE PERIOD			**27.5**		**21.2**

CONSOLIDATED BALANCE SHEET

ASSETS

EUR million	Note		31 December 2018		31 December 2017
NON-CURRENT ASSETS					
Intangible assets	9.				
Other capitalised expenditure		1.5	1.5	0.1	0.1
Tangible assets	10.				
Land and water areas		65.2		64.6	
Buildings and structures		1,079.3		985.7	
Machinery and equipment		2.8		2.9	
Other tangible assets		4.7		3.3	
Advance payments and construction in progress		126.0	1,278.1	188.1	1,244.5
Investments	11.				
Holdings in associated companies		4.2		4.4	
Other investments		3.8	8.0	3.8	8.2
Non-current assets total			**1,287.6**		**1,252.9**
CURRENT ASSETS					
Long-term receivables	12.				
Accrued income		2.7	2.7	2.1	2.1
Short-term receivables					
Receivables from property income	13.	1.0		0.3	
Accrued income		1.0		1.3	
Other receivables		0.3	2.2	0.0	1.6
Cash and cash equivalents			64.6		12.2
Current assets total			**69.5**		**16.0**
ASSETS TOTAL			**1,357.1**		**1,268.8**

CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY

EUR million	Note		31 December 2018		31 December 2017
CAPITAL AND RESERVES					
Share capital			252.0		252.0
Invested unrestricted equity fund			269.1		269.1
Retained earnings			60.8		54.5
Profit/loss for the period			27.5		21.2
Total equity	14.		**609.4**		**596.8**
MINORITY INTEREST			**8.0**		**8.0**
LIABILITIES					
Long-term liabilities	15.				
Bonds		100.0		0.0	
Loans from financial institutions		503.6		623.2	
Other debts		0.3	603.9	0.3	623.5
Short-term liabilities	15.				
Loans from financial institutions		119.6		14.6	
Deferred tax liability	16.	4.5		5.2	
Advances received		0.6		0.6	
Trade payables		4.4		15.2	
Other debts		0.8		0.4	
Accrued expenses		5.8	135.9	4.7	40.6
Total liabilities			**739.7**		**664.1**
TOTAL LIABILITIES AND EQUITY			**1,357.1**		**1,268.8**

CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Operating cash flow			
Operating profit		46.0	38.8
Planned depreciation and impairment		58.4	53.7
Other adjustments without payment transactions		0.2	0.2
Change in working capital	1.	−13.5	−4.1
Interest received		0.2	0.4
Interest paid		−4.9	−8.8
Other financial items		−5.1	−0.9
Taxes paid		−6.1	−5.6
Operating cash flow total		75.2	73.6
Investment cash flow			
Investments in tangible and intangible assets		−95.4	−116.3
Disposals of tangible and intangible assets		2.1	7.0
Investment cash flow		−93.4	−109.3
Financing cash flow			
Withdrawals/repayments of long-term loans		95.4	70.8
Withdrawals/repayments of short-term loans		−10.0	−35.5
Dividends paid		−14.9	−14.6
Financing cash flow total		70.5	20.7
Change in cash and cash equivalents		52.4	−15.0
Cash and cash equivalents at the start of the period		12.2	27.2
Cash and cash equivalents at the end of the period		64.6	12.2

Notes to the cash flow statement

1. Itemisation of working capital adjustment

Adjustment of long-term receivables	−0.6	−2.1
Adjustment of short-term receivables	−0.6	0.5
Adjustment of short-term non-interest bearing debts	−12.3	−2.5
	−13.5	−4.1

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 limited company domiciled in Tampere. The address of University Properties of Finland 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 (FAS) as well as the Finnish Limited Liability Companies Act.The financial period under review is the tenth financial period of the parent company and the Group. The company started its actual operations in 2010.

Group relations

University Properties of Finland was part of the Senate Properties group of companies until 31 December 2009. As of the beginning of 2010, University Properties of Finland 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 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 and other operating income

Revenue consists primarily of rental income for premises, compensation for use and other service income. Income is recognised when the performance obligation has been satisfied.

Gains on the sale of fixed assets are presented under other operating income.

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 2018	1 Jan–31 Dec 2017

1. Revenue

Rental income	158.6	149.6
Compensation for use	0.9	0.5
Total	159.5	150.1

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

The presentation of revenue was changed during the financial year with respect to gains from the sale of fixed assets. Sales gains were previously recognised as part of revenue, but they are now presented as part of other operating income. The comparison figures for the previous financial year have been adjusted to correspond to the new presentation method.

2. Other operating income

Gains on the sale of fixed assets	2.1	0.6
Other income	0.9	0.4
Total	3.0	1.0

Other operating income mainly consists of a gain on the sale of a residential plot in Joensuu, membership fees related to Kampusklubi activities and grants received for research projects.

3. Personnel expenses and number of personnel

Salaries and remuneration	2.4	2.4
Pension expenses	0.4	0.5
Other personnel-related costs	0.0	0.1
Total	2.8	3.0

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	34	35
Number of personnel at the end of period	32	36

4. Depreciation and impairment

Described in more detail in notes 9 and 10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the income statement

EUR million	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
5. Other operating expenses		
Administration	5.8	4.2
Use and maintenance	9.3	8.1
Maintenance of outdoor areas	1.8	1.5
Cleaning	0.2	0.1
Heating	11.1	10.8
Water and sewage	1.2	1.2
Gas and electricity	0.9	0.8
Waste management	0.9	0.7
Liability insurance	0.2	0.3
Rental expenses	0.9	0.7
Property taxes	12.1	11.9
Repairs	10.5	11.5
Reimbursements and grants received	0.0	0.0
Other maintenance costs	0.1	3.6
Credit losses	0.0	0.0
Total	55.1	55.5
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	0.1	0.0
7. Financial income and expenses		
Interest income	0.2	0.3
Other interest revenue	0.0	0.1
Total	0.2	0.4
Interest expenses	6.9	10.5
Other interest and financial expenses	5.1	0.9
Total	12.1	11.4
Total financial income and expenses	−11.9	−11.0
8. Income taxes		
Income taxes on actual operations	7.3	7.2
Change in deferred taxes	−0.6	−0.7
Total	6.7	6.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet assets

9. Intangible assets

2018 EUR million	Intangible rights	Other capitalised expenditure	Total 31 Dec 2018
Acquisition cost 1 January 2018	0.1	1.2	1.3
Increases during the period	0.0	1.6	1.6
Disposals during the period	0.0	0.0	0.0
	0.1	2.8	2.9
Accumulated depreciation 1 January 2018	−0.1	−1.1	−1.2
Depreciation during the period	0.0	−0.2	−0.2
Accumulated depreciation 31 December 2018	−0.1	−1.3	−1.4
Carrying amount 31 December 2018	0.0	1.5	1.5

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet assets

10. Tangible assets

2018 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total 31 Dec 2018
Acquisition cost 1 January 2018	64.6	1,344.9	4.2	5.3	188.06	1,607.1
Transfers between asset categories	0.0	0.0	0.0	0.0	−229.72	−229.7
Increases during the period	1.0	152.2	0.4	2.2	167.62	323.4
Disposals during the period	−0.4	−1.5	0.0	0.0	0.00	−1.9
Acquisition cost 31 December 2018	65.2	1,495.6	4.6	7.5	125.97	1,698.9
Accumulated depreciation 1 January 2018	0.0	−359.1	−1.3	−2.1	0.00	−362.5
Depreciation during the period	0.0	−55.0	−0.5	−0.7	0.00	−56.1
Impairment	0.0	−2.1	0.0	0.0	0.00	−2.1
Accumulated depreciation 31 December 2018	0.0	−416.2	−1.8	−2.8	0.00	−420.8
Carrying amount 31 December 2018	65.2	1,079.3	2.8	4.7	125.97	1,278.1

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	128.28	1,497.8
Transfers between asset categories	0.0	0.0	0.0	0.0	−59.89	−59.9
Increases during the period	0.8	59.4	1.0	0.3	119.67	181.2
Disposals during the period	−2.2	−9.9	0.0	0.0	0.00	−12.0
Acquisition cost 31 December 2017	64.6	1,344.9	4.2	5.3	188.06	1,607.1
Accumulated depreciation 1 January 2017	0.0	−306.4	−1.0	−1.6	0.00	−308.9
Depreciation during the period	0.0	−52.7	−0.4	−0.5	0.00	−53.6
Impairment	0.0	0.0	0.0	0.0	0.00	0.0
Accumulated depreciation 31 December 2017	0.0	−359.1	−1.3	−2.1	0.00	−362.5
Carrying amount 31 December 2017	64.6	985.7	2.9	3.3	188.06	1,244.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet assets

11. Investments

2018 EUR million	Holdings in associated companies	Other investments	Total 31 Dec 2018
Acquisition cost 1 January 2018	4.4	3.8	8.2
Share of profit for the period	–0.2	0.0	–0.2
Acquisition cost 31 December 2018	4.2	3.8	8.0
Impairment	0.0	0.0	0.0
Accumulated depreciation 31 December 2018	0.0	0.0	0.0
Carrying amount 31 December 2018	4.2	3.8	8.0

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

Holdings in Group companies 31 December 2018

	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 2018

	Share %
Kiinteistö Oy F-Medi	24.66

The associated company is included in the consolidated financial statements.

Other investments on 31 December 2018

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 2018	1 Jan–31 Dec 2017
12. Long-term receivables		
Accrued income	2.7	2.1
Total	2.7	2.1

Accrued income includes receivables related to property divestments.

13. Short-term receivables		
Receivables from property income	1.0	0.3
Accrued income	1.0	1.3
Other receivables	0.3	0.0
Total	2.2	1.6
Notable accrued income		
Value added tax receivables	0.0	1.2
Interest and financial items	0.0	0.1
Other	1.0	0.1
Total	1.0	1.3

Notes on balance sheet liabilities and equity

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	75.7	69.1
Dividend paid by the parent company	−14.9	−14.6
Result for the period	27.5	21.2
Retained earnings 31 December	88.3	75.7
Total unrestricted equity	357.4	344.8
Total equity	609.4	596.8
Minority interest 1 January	8.0	7.9
Minority share of profit for the period	0.0	0.1
Minority interest 31 December	8.0	8.0
Total equity and minority interest	617.4	604.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

EUR million	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017

15. Liabilities

Long-term liabilities		
Bonds	100.0	0.0
Loans from financial institutions	503.6	623.2
Other debts	0.3	0.3
Total	603.9	623.5

Loans maturing after more than five years		
Loans from financial institutions	470.9	489.8
Total	470.9	489.8

In 2018, the company issued a green bond of EUR 100 million with a fixed rate and a maturity of five years. The bond is an unsecured bullet bond. Under the terms of the bond issue, the funds can only be used for green projects and the bond includes ordinary covenants.

Short-term liabilities

Short-term interest-bearing debt		
Loans from financial institutions	119.6	14.6
Total	119.6	14.6

Short-term non-interest bearing debt		
Advances received	0.6	0.6
Trade payables	4.4	15.2
Other short-term debts	0.8	0.4
Accrued expenses	5.8	4.7
Total	11.7	20.8

Total short-term debt	131.3	35.4

Notable accrued expenses		
Interest and financial items	2.0	1.7
Income taxes	1.2	1.5
Other	2.6	1.5
Total	5.8	4.7

Credit limits		
Checking account limits	2.6	2.6
Unwithdrawn proportion of checking account limits	2.5	2.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

Maturity distribution of interest-bearing loans, EUR million		31 December 2018
	Maturing year of loans	
	2019	119.6
	2020	4.6
	2021	9.4
	2022	9.4
	2023	109.4
	2024	139.4
	2025	79.4
	2026	99.3
	2027	104.3
	2028	34.3
	2029	7.0
	2030	4.8
	2031	2.4
		723.2

Currency distribution of interest-bearing loans		
	EUR	723.2
		723.2

EUR million	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
16. Deferred tax liabilities and assets		
Deferred tax liability recorded on the consolidated balance sheet		
Accumulated depreciation	4.5	5.2
17. Derivative contracts		
Interest derivatives		
Interest rate swaps, notional value	480.0	535.0
Interest rate swaps, fair value	−24.5	−21.0
Interest rate caps, notional value	55.0	55.0
Interest rate caps, fair value	0.0	0.0
Interval swap, notional value	25.0	25.0
Interval swap, fair value	−0.2	−0.5
Interest and currency derivatives		
Interest and currency swaps, notional value	0.0	85.0
Interest and currency swaps, fair value	0.0	−7.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

Product EUR million	Maturity	Notional value of the loan	Hedging period	Notional value of the contract	Market value of the contract on 31 Dec 2018
Interest rate swap	31 May 2010–31 May 2025	40.0	29 May 2017–29 May 2025	40.0	−5.3
Interest rate swap	31 May 2017–31 May 2027	30.0	3 May 2018–24 May 2027	30.0	1.6
					−2.4
Interest rate swap	8 Dec 2014–8 Dec 2024	45.0	8 Dec 2016–9 Dec 2024	45.0	0.7
					−2.5
Interest rate swap	8 Dec 2010–9 Dec 2024	85.0	10 Dec 2018–9 Dec 2024	85.0	1.6
					−7.3
Interest rate swap	17 Feb 2014–17 Feb 2019	75.0	17 Aug 2016–18 Feb 2019	75.0	0.0
					−0.7
Interest rate swap	15 Feb 2016–15 Feb 2026	60.0	15 Feb 2019–15 Feb 2026	60.0	−2.3
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	1.2
					−1.3
Interest rate swap	14 Jan 2015–14 Jan 2027	40.0	21 Oct 2015–14 Jan 2027	40.0	1.7
					−6.4
Interest rate swap	3 Nov 2015–3 Nov 2027	25.0	3 Nov 2015–3 Feb 2027	25.0	1.1
					−4.0
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	1.6
					−1.6
Interval swap	22 May 2017–13 May 2031	25.0	13 Nov 2017–13 Nov 2019	25.0	−0.2
Interest rate swap			13 Nov 2019–13 May 2031	25.0	1.2
					−1.5
Total		480.0		560.0	−24.8

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 maturity of the loan they are linked to.

In practice, the interval 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 2018	1 Jan–31 Dec 2017
18. Collateral and contingent liabilities		
Debts secured by real estate mortgages		
Loans from financial institutions	623.2	637.8
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	0.2	0.1
Due later	0.2	0.2
Total	0.4	0.3

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, EUR million

2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
0.0	0.9	3.6	3.4	5.1	20.9	10.5	10.4	28.9	83.7

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 2018		1 Jan–31 Dec 2017
REVENUE	1.		**158.7**		**149.3**
Other operating income	2.		3.0		1.0
Personnel expenses	3.				
Salaries and remuneration		−2.4		−2.4	
Other personnel expenses					
Pension expenses		−0.4		−0.5	
Other personnel-related costs		0.0	−2.8	−0.1	−3.0
Depreciation and impairment	9., 10.				
Planned depreciation		−55.5		−52.9	
Impairment of fixed assets		−2.1	−57.7	0.0	−52.9
Other operating expenses	5.		−54.3		−55.0
OPERATING PROFIT			**46.9**		**39.4**
Financial income and expenses	7.				
Interest and financial income					
Interest income		0.2		0.3	
Interest income from Group companies		0.0		0.0	
Other interest revenue		0.0		0.0	
Interest and financial expenses					
Interest expenses		−6.9		−10.5	
Other interest and financial expenses		−5.1	−11.9	−0.9	−11.0
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES			**35.1**		**28.4**
Appropriations					
Change in depreciation difference			3.2		3.5
Income taxes	8.		−7.3		−7.2
PROFIT (LOSS) FOR THE PERIOD			**31.0**		**24.7**

PARENT COMPANY BALANCE SHEET

ASSETS

EUR million	Note		31.12.2018		31.12.2017
NON-CURRENT ASSETS					
Intangible assets	9.				
Intangible rights		0.3		0.4	
Other capitalised expenditure		1.5	1.8	0.1	0.5
Tangible assets	10.				
Land and water areas		65.0		64.4	
Buildings and structures		1,062.8		968.5	
Machinery and equipment		2.8		2.9	
Other tangible assets		4.7		3.1	
Advance payments and construction in progress		126.0	1,261.4	188.1	1,227.0
Investments	11.				
Holdings in Group companies		14.7		14.7	
Receivables from Group companies		0.2		0.3	
Holdings in associated companies		5.8		5.8	
Other investments		3.8	24.5	3.8	24.6
Non-current assets total			**1,287.6**		**1,252.0**
CURRENT ASSETS					
Long-term receivables	12.				
Long-term receivables		2.7	2.7	2.1	2.1
Short-term receivables	13.				
Receivables from property income		1.0		0.2	
Receivables from Group companies		0.1		0.1	
Accrued income		1.0		1.3	
Other receivables		0.2	2.2	0.0	1.6
Cash and cash equivalents			64.4		11.8
Current assets total			**69.4**		**15.5**
ASSETS TOTAL			**1,357.0**		**1,267.5**

PARENT COMPANY BALANCE SHEET
LIABILITIES AND EQUITY

EUR million	Note		31 December 2018		31 December 2017
CAPITAL AND RESERVES					
Share capital			252.0		252.0
Invested unrestricted equity fund			269.1		269.1
Retained earnings			47.4		37.6
Profit/loss for the period			31.0		24.7
Total equity	14.		**599.5**		**583.4**
ACCUMULATED APPROPRIATIONS					
Depreciation difference			**22.7**		**25.9**
LIABILITIES					
Long-term liabilities	15.				
Bonds		100.0		0.0	
Loans from financial institutions		503.3		622.9	
Other debts		0.3	603.6	0.3	623.1
Short-term liabilities	15.				
Loans from financial institutions		119.6		14.6	
Advances received		0.6		0.6	
Trade payables		4.4		14.9	
Other debts		0.8		0.3	
Accrued expenses		5.8	131.2	4.7	35.0
Total liabilities			**734.8**		**658.2**
TOTAL LIABILITIES AND EQUITY			**1,357.0**		**1,267.5**

PARENT COMPANY CASH FLOW STATEMENT

EUR million	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Operating cash flow			
Operating profit		46.9	39.4
Planned depreciation		57.7	52.9
Change in working capital	1.	−13.3	−4.3
Interest received	2.	0.2	0.4
Interest paid	3.	−4.9	−8.8
Other financial items		−5.1	−0.9
Taxes paid		−6.1	−5.6
Operating cash flow total		75.3	73.1
Investment cash flow			
Investments in tangible and intangible assets	4.	−95.4	−116.3
Disposals of tangible and intangible assets		2.1	7.0
Loans granted		0.1	0.1
Investment cash flow		−93.3	−109.2
Financing cash flow			
Withdrawals/repayments of long-term loans		95.4	70.9
Withdrawals/repayments of short-term loans		−10.0	−35.4
Dividends paid		−14.9	−14.6
Financing cash flow total		70.6	20.8
Change in cash and cash equivalents		52.6	−15.3
Cash and cash equivalents at the start of the period		11.8	27.1
Cash and cash equivalents at the end of the period		64.4	11.8

Notes to the cash flow statement

1. Itemisation of working capital adjustment		
Adjustment of long-term receivables	−0.6	−2.1
Adjustment of short-term receivables	−0.7	0.4
Adjustment of short-term non-interest bearing debts	−12.1	−2.6
	−13.3	−4.3
2. Interest received		
Interest income	0.2	0.3
Proportion of accrued income allocated to interest income	0.0	0.1
Interest income from Group companies	0.0	0.0
Other interest revenue	0.0	0.0
	0.2	0.4
3. Interest paid		
Interest expenses	−6.9	−10.5
Proportion of accrued expenses allocated to interest expenses	2.0	1.7
	−4.9	−8.8
4. Investments in tangible and intangible assets		
Investments in non-current assets, net 1 January	24.6	24.7
Investments in non-current assets, net 31 December	−24.5	−24.6
Intangible and tangible non-current assets 1 January	1 227.5	1 171.1
Intangible and tangible non-current assets 31 December	−1 263.2	−1 227.5
Planned depreciation	−57.7	−52.9
	−93.3	−109.2

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes to the income statement

EUR million	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017

1. Revenue

Rental income	158.0	149.0
Compensation for use	0.7	0.3
Total	158.7	149.3

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

The presentation of revenue was changed during the financial year with respect to gains from the sale of fixed assets. Sales gains were previously recognised as part of revenue, but they are now presented as part of other operating income. The comparison figures for the previous financial year have been adjusted to correspond to the new presentation method.

2. Other operating income

Gains on the sale of fixed assets	2.1	0.6
Other income	1.0	0.4
Total	3.0	1.0

Other operating income mainly consists of a gain on the sale of a residential plot in Joensuu, membership fees related to Kampusklubi activities and grants received for research projects.

3. Personnel expenses and number of personnel

Salaries and remuneration	2.4	2.4
Pension expenses	0.4	0.5
Other personnel-related costs	0.0	0.1
Total	2.8	3.0
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	34	35
Number of personnel at the end of period	32	36

4. Depreciation and impairment

Described in more detail in notes 9 and 10

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes to the income statement

EUR million	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
5. Other operating expenses		
Administration	5.8	4.1
Use and maintenance	9.0	7.9
Maintenance of outdoor areas	1.8	1.5
Cleaning	0.2	0.1
Heating	10.8	10.5
Water and sewage	1.2	1.2
Gas and electricity	0.6	0.4
Waste management	0.8	0.7
Liability insurance	0.2	0.3
Rental expenses	1.8	1.7
Property taxes	11.8	11.7
Repairs	10.1	11.2
Reimbursements and grants received	0.0	0.0
Other maintenance costs	0.2	3.7
Credit losses	0.0	0.0
Total	54.3	55.0
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	0.1	0.0
7. Financial income and expenses		
Interest income	0.2	0.3
Interest income from Group companies	0.0	0.0
Other interest and financial income	0.0	0.0
Total	0.2	0.4
Interest expenses	6.9	10.5
Other interest and financial expenses	5.1	0.9
Total	12.1	11.4
Total financial income and expenses	−11.9	−11.0
8. Income taxes		
Income taxes on actual operations	7.3	7.2

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes on balance sheet assets

9. Intangible assets

2018 EUR million	Intangible rights	Other capitalised expenditure	Total 31 Dec 2018
Acquisition cost 1 January 2018	1.2	1.1	2.3
Increases during the period	0.0	1.6	1.6
	1.2	2.7	3.9
Accumulated depreciation 1 January 2018	−0.8	−1.0	−1.8
Depreciation during the period	−0.1	−0.2	−0.3
Accumulated depreciation 31 December 2018	−0.9	−1.2	−2.1
Carrying amount 31 December 2018	0.3	1.5	1.8

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

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes on balance sheet assets

10. Tangible assets

2018 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total 31 Dec 2018
Acquisition cost 1 January 2018	64.4	1,318.3	4.2	5.2	188.1	1,580.2
Transfers between asset categories	0.0	0.0	0.0	0.0	−229.7	−229.7
Increases during the period	1.0	152.1	0.4	2.3	167.6	323.4
Disposals during the period	−0.4	−1.5	0.0	0.0	0.0	−1.9
	65.0	1,468.9	4.6	7.5	126.0	1,672.0
Accumulated depreciation 1 January 2018	0.0	−349.9	−1.3	−2.1	0.0	−353.3
Depreciation during the period	0.0	−54.1	−0.5	−0.7	0.0	−55.2
Impairment	0.0	−2.1	0.0	0.0	0.0	−2.1
Accumulated depreciation 31 December 2018	0.0	−406.1	−1.8	−2.8	0.0	−410.7
Carrying amount 31 December 2018	65.0	1,062.8	2.8	4.7	126.0	1,261.4

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

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes on balance sheet assets

11. Investments

2018 EUR million	Holdings in Group companies	Receivables from Group companies	Holdings in associated companies	Other investments	Total 31 Dec 2018
Parent company					
Acquisition cost 1 January 2018	14.7	0.3	5.8	3.8	24.6
Disposals during the period	0.0	−0.1	0.0	0.0	−0.1
Acquisition cost 31 December 2018	14.7	0.2	5.8	3.8	24.5
Impairment	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation 31 December 2018	0.0	0.0	0.0	0.0	0.0
Carrying amount 31 December 2018	14.7	0.2	5.8	3.8	24.5

2017 EUR million	Holdings in Group companies	Receivables from Group companies	Holdings in associated companies	Other investments	Total 31 Dec 2017
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

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

EUR million	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
12. Long-term receivables		
Accrued income	2.7	2.1
Total	2.7	2.1

Accrued income includes receivables related to property divestments.

13. Short-term receivables		
Receivables from property income	1.0	0.3
Receivables from Group companies	0.1	0.0
Accrued income	1.0	1.3
Other receivables	0.2	0.0
Total	2.2	1.6
Notable accrued income		
Value added tax receivables	0.0	1.2
Interest and financial items	0.0	0.1
Other	0.9	0.1
Total	1.0	1.3

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

EUR million	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
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	62.3	52.2
Distribution of dividend	−14.9	−14.6
Result for the period	31.0	24.7
Retained earnings 31 December	78.4	62.3
Total unrestricted equity	347.5	331.4
Total equity	599.5	583.4
Parent company's distributable funds 31 December		
Retained earnings 1 January	62.3	52.2
Distribution of dividend	−14.9	−14.6
Result for the period	31.0	24.7
Invested unrestricted equity fund	269.1	269.1
Total	**347.5**	**331.4**

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

EUR million	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
15. Liabilities		
Long-term liabilities		
Bonds	100.0	0.0
Loans from financial institutions	503.3	622.9
Other debts	0.3	0.3
Total	603.6	623.1
Loans maturing after more than five years		
Bonds	100.0	0.0
Loans from financial institutions	470.8	489.6
Total	570.8	489.6

In 2018, the company issued a green bond of EUR 100 million with a fixed rate and a maturity of five years. The bond is an unsecured bullet bond. Under the terms of the bond issue, the funds can only be used for green projects and the bond includes ordinary covenants.

Short-term liabilities		
Short-term interest-bearing debt		
Loans from financial institutions	119.6	14.6
Total	119.6	14.6
Short-term non-interest bearing debt		
Advances received	0.6	0.6
Trade payables	4.4	14.9
Accrued expenses	5.8	4.7
Other short-term debts	0.8	0.3
Total	11.6	20.4
Total short-term debt	131.2	35.0
Notable accrued expenses		
Interest and financial items	2.0	1.7
Income taxes	1.2	1.5
Other	2.6	1.5
Total	5.8	4.7
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 2018	1 Jan–31 Dec 2017
16. Derivative contracts		
Interest derivatives		
Interest rate swaps, notional value	480.0	535.0
Interest rate swaps, fair value	–24.5	–21.0
Interest rate caps, notional value	55.0	55.0
Interest rate caps, fair value	0.0	0.0
Interval swaps, notional value	25.0	25.0
Interval swaps, fair value	–0.2	–0.5
Interest and currency derivatives		
Interest and currency swaps, notional value	0.0	85.0
Interest and currency swaps, fair value	0.0	–7.0

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes on balance sheet liabilities and equity

Product EUR million	Maturity	Notional value of the loan	Hedging period	Notional value of the contract	Market value of the contract on 31 Dec 2018
Interest rate swap	31 May 2010–31 May 2025	40.0	29 May 2017–29 May 2025	40.0	−5.3
Interest rate swap	31 May 2017–31 May 2027	30.0	3 May 2018–24 May 2027	30.0	1.6
					−2.4
Interest rate swap	8 Dec 2014–8 Dec 2024	45.0	8 Dec 2016–9 Dec 2024	45.0	0.7
					−2.5
Interest rate swap	8 Dec 2010–9 Dec 2024	85.0	10 Dec 2018–9 Dec 2024	85.0	1.6
					−7.3
Interest rate swap	17 Feb 2014–17 Feb 2019	75.0	17 Aug 2016–18 Feb 2019	75.0	0.0
					−0.7
Interest rate swap	15 Feb 2016–15 Feb 2026	60.0	15 Feb 2019–15 Feb 2026	60.0	−2.3
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	1.2
					−1.3
Interest rate swap	14 Jan 2015–14 Jan 2027	40.0	21 Oct 2015–14 Jan 2027	40.0	1.7
					−6.4
Interest rate swap	3 Nov 2015–3 Nov 2027	25.0	3 Nov 2015–3 Feb 2027	25.0	1.1
					−4.0
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	1.6
					−1.6
Interval swaps	22 May 2017–13 May 2031	25.0	13 Nov 2017–13 Nov 2019	25.0	−0.2
Interest rate swap			13 Nov 2019–13 May 2031	25.0	1.2
					−1.5
Total		480.0		560.0	−24.8

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 maturity of the loan they are linked to.

In practice, the interval swaps 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 2018	1 Jan–31 Dec 2017
17. Collateral and contingent liabilities		
Debts secured by real estate mortgages		
Loans from financial institutions	622.9	627.4
Mortgages	969.2	969.2
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	0.2	0.1
Due later	0.2	0.2
Total	0.4	0.3

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, EUR million

2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
0.0	0.9	3.6	3.4	5.1	20.9	10.5	10.4	28.9	83.7

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 the Board of Directors' Report

Tampere, 14 March 2019

Päivi Mikkola
Chairman of the Board of Directors

Sami Yläoutinen
Deputy Chairman of the Board of Directors

Heli Huhtala
Member of the Board of Directors

Keijo Hämäläinen
Member of the Board of Directors

Riitta Juutilainen
Member of the Board of Directors

Essi Kiuru
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, 14 March 2019

KPMG Oy Ab
Assi Lintula, 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, 2018. 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 14th of March 2019

KPMG OY AB

Assi Lintula
Authorised Public Accountant, KHT

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