

Interim report January – June

2019

CONTENTS

| | |
|---|---|
| SUMMARY | 2 |
| CEO'S review | 3 |
| The Board of Directors' report | 4 |
| Key figures | 4 |
| Profit performance for the period | 4 |
| Campus development and marketing | 4 |
| Communications | 4 |
| Rental operations | 4 |
| Investments | 5 |
| Customer relations and services | 5 |
| Maintenance operations | 5 |
| Research and development activities | 6 |
| Sustainable development | 6 |
| Financing | 6 |
| Annual General Meeting and administration | 6 |
| Organisation | 6 |
| Sale of Palosaari campus in Vaasa | 7 |
| Operational risks | 7 |
| Outlook for the second half of 2019 | 7 |
| Income statement and balance sheet | 8 |

SUMMARY

Revenue and result for the period developed as expected. Parent company's revenue grew by EUR 5 million compared to corresponding period to EUR 82.5 million, and the result was EUR 21.3 million.

A high hedge level was maintained in the loan portfolio as well as long interest-bearing period, taking advantage of the favourable market environment that decreased interest costs.

The company has invested EUR 53.3 million in renovation and new construction projects since the beginning of 2019. The whole year's investments are estimated to reach EUR 117 million.

There are about 260 investment projects underway in different stages (preparatory, planning, and investment); their total value is approximately EUR 377 million.

The company had an Extraordinary General Meeting on the 24th of January 2019. Chief Operating Officer Päivi Mikkola from the University of Turku was appointed Chairman of the Board, and Tampere University's CFO Heli Huhtala was elected a new member of the Board.

The Annual General Meeting was held on the 11th of April 2019. One of the Board members was changed with CFO Pekka Riuttanen from the University of Oulu joining the Board. The AGM decided on a dividend of EUR 7.40 per share, EUR 18.6 million in total.

The company made a property deal in April; University of Vaasa bought together with the City of Vaasa the Palosaari campus buildings used by the University.

The company's ownership remains unchanged: nine universities outside the Helsinki metropolitan area own two thirds of the company and the Finnish State one third.

CEO'S REVIEW

University Properties of Finland (SYK) was founded ten years ago. As we analyse the first half of our anniversary year, I am glad to be able to say that SYK resembles its owners today. Experimenting is an essential part of our culture. Our values have a built-in responsibility for developing our operations in co-operation with universities.

During the first half of the year, we continued preparing for the next strategy season by meeting the representatives of our owners extensively. Our ownership has undergone major changes during our ten years. Our current strategy has been successful and taken SYK in the right direction. The new strategy period, defined by our shared ambitions, will start next year.

Ten years after our foundation, we own and develop international campuses in vibrant university cities. The goal of our strategic 'Campus as a part of the city' project has been to reinforce the role of university campuses in their respective economic areas and to integrate them into the structure of the city. Campuses have been turned into attractive, structurally versatile areas of the cities that are often closer connected to the surrounding urban structures, supporting thus their vitality.

In SYK's first years, we selected sustainability as one of our focus areas. In our strategic sustainability project, we defined our sustainability goals then in alignment with our vision and business targets. Now in 2019, we consider sustainability in all our investments and operations. For example, we work

towards a BREEAM certification for all our new construction projects and we support our clients in their efforts towards sustainable solutions.

Our vision is to be Europe's most valued campus developer in 2019, and this has steered the company's everyday operations and choices made. In September, we will arrange Campus Seminar, receiving a large number of campus development professionals, researchers, clients, and partners as our guests. Campus Seminar allows us to reflect on our pan-Nordic and pan-European research, development, and innovation activities during our ten years and to look forward into the future of campus development. I believe that the discussion we will have at the event will further validate our vision.

My term as SYK's CEO will end at the end of this year. Recruitment of my successor is underway, and I am sure the company will be skippered by a particularly accomplished person to navigate during the next phase of SYK's development.

With autumn regards,

Mauno Sievänen
CEO

The Board of Directors' report

KEY FIGURES

| EUR million | Group* | | Parent company | | |
|------------------------------|----------|---------|----------------|----------|---------|
| | 1-6/2019 | 2018 | 1-6/2019 | 1-6/2018 | 2018 |
| Revenue | 82.9 | 159.5 | 82.5 | 77.5 | 158.7 |
| Operating profit | 28.3 | 46.0 | 28.7 | 25.3 | 46.9 |
| Result for the period | 18.1 | 27.5 | 21.3 | 18.6 | 31.0 |
| Equity | 616.8 | 617.4 | 602.2 | 587.1 | 599.5 |
| Balance sheet | 1,309.5 | 1,357.1 | 1,309.7 | 1,283.9 | 1,357.0 |
| Equity ratio % | 47.1 | 45.5 | 47.2 | 47.1 | 45.5 |
| Return on capital employed % | 3.7 | 3.0 | 4.2 | 3.8 | 3.3 |
| Return on equity % | 5.9 | 4.5 | 6.0 | 5.2 | 4.6 |

* In addition to owning properties directly, University Properties of Finland owns property shares in five different companies. Group figures have been presented earlier in annual financial statements only. This Interim Report shows for the first time figures for the period between 1st January and 30th June. As there are no Group figures for a corresponding period in 2018, figures from the Group's parent company University Properties of Finland Ltd are used in comparing the periods.

PROFIT PERFORMANCE FOR THE PERIOD

The revenue and result of University Properties of Finland Ltd (Group's parent company) have developed as predicted. The revenue for the beginning of the year grew by EUR 5.0 million and result by EUR 2.7 million year-on-year.

The company's balance sheet total was approximately EUR 1.3 billion at the end of the period.

The company has continued to invest significantly in maintenance and annual repairs. Maintenance costs rose slightly to EUR 28.0 million from corresponding period.

A high hedge level was maintained in the loan portfolio as well as long interest-bearing period, taking advantage of the favourable market environment that decreased interest costs.

CAMPUS DEVELOPMENT AND MARKETING

Campus as a part of the city and lifelong learning are central themes we have driven forward in our discussions with university cities. Dialogue with the cities has been rewarding, and SYK Ltd's ideas have been well-received there.

Zoning continues in different cities. Our goal is to have as permissive a zoning plan as possible, to make it relevant for a long time period and allowing new ideas. Resource-wise multiuser buildings are making their way to campuses as they enable interaction. Another clear theme to be advanced is campus living in all its possible forms.

We are looking into using more videos as a marketing tool. We also continue cooperation with

regional media and provide them with insights into regional campus development.

All the themes above help in and aim at creating attractive and vibrant campuses.

COMMUNICATIONS

Awareness of the company will be improved further through communications, increasing our media presence and use of multiple channels. The themes underlined in communications – efficiency, synergy, sustainable development and responsibility – are integral in all SYK operations from customer relations to construction projects. We will increase the number of channels used in our communications as well as our accessibility in different target groups. In the course of the year, we will provide more information about ongoing construction projects and other current topics on our website.

We have gained good media publicity for our construction projects together with the universities. Editorial visits have been made at the turn of the year and in the spring to make the company familiar to the media. Visits will be continued in university cities, when possible.

RENTAL OPERATIONS

The company has in all 442 leases on 30 June 2019, and its lease contract base was in total EUR 1,613 million. The occupancy rate of 95.0 percent has risen slightly when compared to the previous year (94.1%).

The number of new and renewed leases was 22 for the beginning of the year. 75 percent of these leases were signed with businesses. The total leased area was 30,210 m².

The average rent of all leases is EUR 13.53/m²/month at the moment; their average length is 5.3 years and euroweighted length 9.1 years.

KEY FIGURES FOR RENTAL OPERATIONS

| | 1-6/2019 | 1-6/2018 |
|--|----------|----------|
| Average rental income, EUR/m ² /month | 13.04 | 11.95 |
| Average rent, EUR/m ² /month | 13.53 | 13.05 |
| Average vacancy rate | 5.0% | 5.9% |
| Average lease length | 5.3 v | |
| Average euro-weighted length | 9.1 v | 8.9 v |
| Leasable area, millions of m ² | 1.05 | 1.09 |
| Average occupancy rate | 95.0% | 94.1% |

INVESTMENTS

There are several major projects going on, such as the Aurum building to be shared by Åbo Akademi and the University of Turku on the University of Turku campus (former Juslenia building); it is so far the biggest investment project of SYK Ltd, scheduled to be completed in 2021. At the Linnanmaa campus in Oulu, renovation and alterations are continuing to the facilities of the Oulu University of Applied Sciences, to be completed in 2020. In Turku, the renovation of the main building of the University of Turku is on-going.

So far in 2019, we have started the renovation of the Jyväskylä University Library, expansion of the University of Tampere Teacher Training School, and the building of Teacher Training Kindergarten in Rauma for the University of Turku.

In the first half of 2019, we completed the alterations to the 4th–6th floors on the Hervanta campus main building of Tampere University, expansion of the Teacher Training School of the University of Lapland, alterations to the Skinnarila campus kindergarten in Lappeenranta, and several minor alteration and maintenance projects.

From the beginning of the year, EUR 53.3 million has been invested; the total amount is expected to reach approximately EUR 117 million this year.

The company has about 260 investment projects underway in different stages; they are worth approximately EUR 377 million. About 130 projects are in the preparatory and planning stage (approximately EUR 178 million) and about 130 in construction phase (approximately EUR 199 million). These figures contain maintenance projects as well as alteration, renovation, and new building projects that affect rentals.

CUSTOMER RELATIONS AND SERVICES

We have brought new customers and services to our multiuser campuses, such as kindergartens and primary schools. Many businesses are interested in relocating to campuses where they can enhance their cooperation with universities, research and product development, and students. The number of businesses on campuses is growing. At the moment, there are 120 businesses/organisations working in our buildings on campuses in parallel with nine universities.

In the spring, we hired a services coordinator, whose job is to advance and implement services on our campuses in cooperation with our clients. The coordinator's tasks consist of real estate services, user services, and added-value services. Wellfunctioning services will streamline everyday life and make the campuses more attractive.

MAINTENANCE OPERATIONS

The key focus areas of SYK's maintenance operations were ensuring the functionality of its operating models and processes and developing its partner network. We have invested heavily in promoting circular economy. In waste management, we made a national agreement with Lassila & Tikanoja plc, starting from spring 2019. Our goal is to develop our waste management responsibly, improve our reporting, and promote circular economy.

Together with our partners, we have started projects to develop demand-controlled maintenance. Their objective is to study utilising automation analytics in managing maintenance activities and enhancing operations as well as improving transparency and manageability. The projects will extend to 2020.

KEY FIGURES FOR MAINTENANCE OPERATIONS

| | 1-6/2019 | 1-6/2018 |
|--|---------------------------------------|---------------------------------------|
| Maintenance costs, €/m ² /month | 4.39 | 4.38 |
| Maintenance repairs, EUR million | 4.6 | 3.1 |
| Consumptions for previous 12 months | 6/2019 | 6/2018 |
| Heating energy | 154.8 kWh/m ² | 151.6 kWh/m ² |
| Electricity | 114.3 kWh/m ² | 110.9 kWh/m ² |
| Water | 281.9 dm ³ /m ² | 282.8 dm ³ /m ² |

Annual production of solar energy 7/2018–6/2019

| | |
|--|----------|
| Kampusareena, Ruusuipuisto, Arvo2, Melania and LUT campus in total | 295.6MWh |
|--|----------|

RESEARCH AND DEVELOPMENT ACTIVITIES

As defined in its strategy, SYK continues its investments in research, development, and innovation. We boost extensive cooperation with our international network. According to the company's international strategy, we support universities in e.g. developing their education exports; In-Learn project is a good example of this. Other research themes are digitalisation, sustainable development, and campus of the future.

SUSTAINABLE DEVELOPMENT

According to our policy defined last year, the new buildings we construct go for the Excellent rating according to the BREEAM sustainability assessment method. Our first building pursuing Excellent rating is Aurum in Turku, and its environmentally friendly construction has progressed as planned. Renovation projects will aim at Very Good rating even in the future, one example being the renovation of Jyväskylä University Library.

Our maintenance is also taking steps forward in environmental performance. In early 2019, we have prepared for BREEAM-In-Use certification of our existing buildings. Our goal is to certify 10 buildings by the start of 2020 and then continue with about 10 buildings per year. This is how we can have our building base certified much faster than through projects only.

During the first half of the year, we piloted the more accurate calculation of the company's carbon footprint. In addition to delivered energy emissions, playing a big role, the calculation took into consideration the emissions from e.g. construction, waste, and travel by our personnel. One of the more noteworthy findings was that in 2018 our properties used more green electricity, decreasing the carbon footprint of our property base. To develop this more accurate calculation further, we focus on the data quality from construction and maintenance as well as the precision of calculation.

FINANCING

Our goal is to create a stable economic operational environment for the maintenance and development of properties. In practice, we strive to do this by a well-hedged loan portfolio and sufficiently long interest-bearing period. Average financing interest has stayed the same thanks to solutions utilising the favourable market environment. Risk exposure hedging has also stayed well on our target level.

The company also uses actively its commercial paper programme to secure short-term financing. In November 2018, SYK was the first company on the Finnish property market to issue a Green Bond. Early in 2019, the first Green Bond Investor Letter was drawn up; this investor report includes a review on where the money has actually been spent, among other things. The report can be found on our website.

KEY FIGURES

FOR FINANCING OPERATIONS 1–6/2019

| | |
|-----------------------------------|---------|
| Average financing interest | 1.7% |
| Interest-bearing period | 5.2 yr. |
| Hedge level of loan capital | 88% |
| Interest coverage ratio | 9.1 |
| Liquidity on 30 June, EUR million | 21.5 |

ANNUAL GENERAL MEETING AND ADMINISTRATION

The company's Annual General Meeting was held in Tampere on the 11th of April 2019. The meeting discussed the matters assigned to the Annual General Meeting, and as a separate item the progress report of the major investments (cost over EUR 30 million) project programme.

The meeting confirmed the financial statements for 2018 and discharged the members of the Board of Directors and the Chief Executive Officer from liability.

The Annual General Meeting adopted the Board's proposal for a dividend of EUR 7.40 per share to be paid, corresponding to a total of EUR 18.6 million.

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

- Chairman of the Board, Päivi Mikkola, University of Turku, COO
- Deputy Chairman of the Board, Sami Yläoutinen, Ministry of Finance, Director General
- Keijo Hämäläinen, University of Jyväskylä, Rector
- Riitta Juutilainen, Senate Properties, Division Director
- Heli Huhtala, Tampere University, CFO

Pekka Riuttanen, CFO of the University of Oulu, was elected as a new member of the Board. APA Assi Lintula from KPMG was elected as the responsible auditor.

ORGANISATION

The Chief Executive Officer of University Properties of Finland is Mauno Sievänen. The company has an average of 29 employees in functions including account management, leasing and user services, campus and concept development, sales and marketing, property development and maintenance, and finance and administration.

KEY FIGURES FOR PERSONNEL 1–6/2019

| | |
|--|-----|
| Average number of personnel | 29 |
| Number of personnel at the end of the period | 31 |
| Personnel expenses, EUR million | 1.3 |

During the period, two new employees were recruited. The property development organisation was fortified with the third property development manager in early summer 2019, and a new service coordinator position was filled in the customer relations and services unit. The search for a new CEO was also started.

SALE OF PALOSAARI CAMPUS IN VAASA

The company sold the Palosaari campus properties in Vaasa to a property company founded by the University of Vaasa and the City of Vaasa on the 30th of April 2019. At the same time, the company sold its shares in real estate company Palosaaren laboratoriot to the City of Vaasa. The company made EUR 4.3 million in profit from these transactions.

SYK still owns the school and teacher training buildings used by Åbo Akademi in the centre of Vaasa.

OPERATIONAL RISKS

The company's operational risks are mainly related to property asset risks, maintenance operations,

and project risks of both renovation and new construction projects. The company's financial risks are primarily related to interest rate and liquidity risks. These 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. Risk management review is done as a part of the company's operative annual plan implementation, and it is reported to the Board of Directors of the company.

OUTLOOK FOR THE SECOND HALF OF 2019

The economic outlook for the second half of 2019 is consistent with the first half's development and our plans. Investments into maintenance and annual repairs as well as renovation projects will continue. Major new construction projects decided earlier in the Annual General Meeting are also progressing as planned.

We strengthen the cooperation with our clients and most important service providers to ensure our whole partner network is aligned with the company's strategic goals.

Income statement and balance sheet

| CONSOLIDATED INCOME STATEMENT | | |
|--|-------------|--------------|
| EUR million | 1-6/19 | 2018 |
| Revenue | 82.9 | 159.5 |
| Other operating income | 9.9 | 3.0 |
| Personnel expenses | -1.3 | -2.8 |
| Depreciation and impairment | -29.7 | -58.4 |
| Other operating expenses | -33.4 | -55.1 |
| Share of profit (loss) of associated companies | -0.1 | -0.2 |
| Operating profit | 28.3 | 46.0 |
| Financial income and expenses | -6.4 | -11.9 |
| Income taxes | -3.8 | -6.7 |
| Minority interest | -0.0 | 0.0 |
| Profit (loss) for the period | 18.0 | 27.5 |

| CONSOLIDATED BALANCE SHEET | | |
|-------------------------------------|----------------|----------------|
| Intangible assets | 1.3 | 1.5 |
| Tangible assets | 1277.8 | 1278.1 |
| Investments | 6.1 | 8.0 |
| Non-current assets total | 1285.2 | 1287.6 |
| Long-term receivables | 2.7 | 2.7 |
| Short-term receivables | 2.2 | 2.2 |
| Cash and cash equivalents | 19.4 | 64.6 |
| Current assets total | 24.3 | 69.5 |
| Assets total | 1 309.5 | 1 357.1 |
| Share capital | 252.0 | 252.0 |
| Invested unrestricted equity fund | 269.1 | 269.1 |
| Retained earnings | 69.6 | 60.8 |
| Profit/loss for the period | 18.1 | 27.5 |
| Total equity | 608.8 | 609.4 |
| Minority interest | 8.0 | 8.0 |
| Long-term liabilities | 648.9 | 603.9 |
| Short-term liabilities | 43.8 | 135.9 |
| Total liabilities | 692.7 | 739.7 |
| Total liabilities and equity | 1 309.5 | 1 357.1 |

PARENT COMPANY INCOME STATEMENT

| EUR million | 1-6/19 | 1-6/18 | 2018 |
|-------------------------------------|-------------|-------------|--------------|
| Revenue | 82.5 | 77.5 | 158.7 |
| Other operating income | 9.9 | 0.1 | 3.1 |
| Personnel expenses | -1.3 | -1.7 | -2.8 |
| Depreciation and impairment | -29.3 | -25.3 | -57.7 |
| Other operating expenses | -33.0 | -25.3 | -54.3 |
| Operating profit | 28.7 | 25.3 | 46.9 |
| Financial income and expenses | -6.4 | -5.6 | -11.9 |
| Appropriations | 3.5 | 3.5 | 3.2 |
| Income taxes | -4.5 | -4.6 | -7.3 |
| Profit (loss) for the period | 21.3 | 18.6 | 31.0 |

PARENT COMPANY BALANCE SHEET

| | | | |
|-------------------------------------|----------------|----------------|----------------|
| Intangible assets | 1.6 | 0.4 | 1.8 |
| Tangible assets | 1 261.5 | 1 242.6 | 1 261.4 |
| Investments | 22.7 | 24.6 | 24.5 |
| Non-current assets total | 1 285.7 | 1 267.6 | 1 287.6 |
| Long-term receivables | 2.7 | 2.1 | 2.7 |
| Short-term receivables | 2.2 | 1.1 | 2.2 |
| Cash and cash equivalents | 19.0 | 13.1 | 64.4 |
| Current assets total | 24.0 | 16.3 | 69.4 |
| Assets total | 1 309.7 | 1 283.9 | 1 357.0 |
| Share capital | 252.0 | 252.0 | 252.0 |
| Invested unrestricted equity fund | 269.1 | 269.1 | 269.1 |
| Retained earnings | 59.8 | 47.4 | 47.4 |
| Profit/loss for the period | 21.3 | 18.6 | 31.0 |
| Total equity | 602.2 | 587.1 | 599.5 |
| Accumulated appropriations | 19.2 | 22.4 | 22.7 |
| Long-term liabilities | 648.6 | 623.1 | 603.6 |
| Short-term liabilities | 39.7 | 51.2 | 131.2 |
| Total liabilities | 688.3 | 674.4 | 734.8 |
| Total liabilities and equity | 1 309.7 | 1 283.9 | 1 357.0 |

SYK UNIVERSITY
PROPERTIES OF
FINLAND LTD

University Properties of Finland
P.O. Box 310
FI-33101 Tampere
FINLAND