

Interim report
1 January – 30 June 2020



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Summary

- Revenue and result developed as expected. The Group's revenue for the period under review grew by EUR 1,4 million compared to the reference period of 1–6/2019 to EUR 84,3 million, and the result was EUR 14,7 million.
- During the first half of the year, a new long-term loan of EUR 80 million was negotiated and withdrawn. Despite the COVID-19 pandemic, the new loan arrangement was implemented with a cost-effective solution.
- Since the beginning of 2020, the company has invested EUR 46,9 million in renovation and new construction projects. The whole year's investments are estimated to reach EUR 110 million.
- There are a total of about 180 ongoing investment projects in different stages (preparatory, planning and investment): their total value is approximately EUR 292 million.
- The Annual General Meeting was held on 11 June 2020. One of the members of the company's Board of Directors changed with Jukka Mönkkönen, Rector of the University of Eastern Finland, being elected to serve as a new member of the Board of Directors as well as being appointed Chair of the Board. The Annual General Meeting decided on a dividend of EUR 7,50 per share, EUR 18,9 million in total.
- The company's ownership remains unchanged: 9 universities outside the Helsinki metropolitan area own two thirds of the company and the Finnish State one third.

CEO's review

The first half of 2020 has been the time for lively discussion in both the company and our customer base. As the new CEO, I have got to know the field of operation and got acquainted with people, listened to them and planned the next development period of University Properties of Finland (SYK) together with the Board of Directors.

When getting to know the company and operations, I have been able to visit all of our campus cities. During these tours, I have been pleased to realise how different our campuses are. When discussing with owners' representatives on the campuses and meeting with owners during the spring, we have had conversations concerning the preparation of our new strategy. All feedback received in the discussions will be utilised when we consider SYK's future measures. SYK wants to offer our universities reasonably priced facilities that enable the best possible environment for studying, research and teaching.

The COVID-19 pandemic, which affects us all, made the early part of the year even more hectic. At SYK, the transition to remote working went smoothly and the company continued its operations almost as usual, albeit with quiet campuses. The most important thing for us is the safety of people and the environment, and these aspects were reviewed regularly by the internal COVID-19 preparedness team throughout the emergency period. We are interested to see how our everyday campus life will be shaped in the autumn and, together with our owners and our customers, we will

consider what kind of working and learning space solutions we can offer to support operations in the future.

In the spring, we started to shape SYK's corporate culture with the entire staff to develop internal operations. I believe that by taking advantage of everyone's expertise we will be able to adopt a common and comprehensible culture of openness and efficiency as required by the importance of the matter. In the future, we want to serve you, our dear customers, even better than before. As the CEO, I believe that in order for us to live up to this promise, we need to clarify our organisational structure and the content of duties so that it best supports the company's operations in line with its objectives and serves the universities as our owner customers, as well as all other users of our premises. The new organisational model that entered into force on 1 August as a result of the co-operation procedure contributes to this change.

We still have a long way to go and we have to make some adjustments, without doubt, but the fundamental steps for the new direction have now been set. I am confident that we will continue to build a more prosperous SYK together with our skilled and motivated personnel. Naturally, the focus of this joint construction work is on close and open dialogue with all our owners, our customers and SYK's Board of Directors. Thank you for your trust, we want to be worth it now and in the future!

With autumn regards,

SANNA SIANOJA
CEO

Key indicators, EUR million

	Group*			Parent company		
	1-6/2020	1-6/2019	2019	1-6/2020	1-6/2019	2019
Revenue	84,3	82,9	165,2	83,9	82,5	164,5
Operating profit	25,1	28,3	46,0	25,6	28,7	46,9
Result for the period	14,7	18,1	27,0	19,1	21,3	31,2
Equity	621,5	616,8	625,7	612,3	602,2	612,1
Balance sheet	1371,3	1309,5	1335,0	1372,3	1309,7	1335,7
Equity ratio, %	45,3	47,1	46,9	45,4	47,2	46,9
Return on capital employed, %	3,2	3,7	3,0	3,3	4,2	3,3
Return on equity, %	4,7	5,9	4,3	4,8	6,0	4,5

*In addition to direct property ownership, University Properties of Finland Ltd owns shares in five different real estate companies.

Profit performance for the period

The revenue and result of University Properties of Finland Ltd have developed as predicted.

The revenue for the beginning of the year grew by EUR 1,4 year-on-year. The result was EUR 3,4 million lower than in the corresponding period, which is mainly explained by gains on the sale of fixed assets amounting to EUR 4,3 million in the period 1-6 2019.

The company's balance sheet was approximately EUR 1,4 billion at the end of the period.

The company has continued to invest significantly in maintenance and annual repairs. Maintenance costs decreased slightly to EUR 27,3 million from corresponding period.

Customer relations and services

The key theme of customer relations has been the strengthening of customer cooperation, which will continue with the new organisation. Quick feedback received from customers at meetings shows us in which areas we still have room for improvement. We are continuously working on measures to improve our customer service. During the spring, the COVID-19 pandemic had an impact on the process of leasing premises to corporate customers, but the leasing of premises to companies became more active again at the start of the summer.

Customer work continued with the help of remote connections also during the COVID-19 pandemic in the spring. In rapidly changing situations, customers were served in relation to questions concerning both customer relations and maintenance, despite the exceptional

situation. SYK's user service concepts were developed further during the spring, and the work on defined service baskets will continue together with our maintenance department. With the organisational change, SYK's service function will become the responsibility of the maintenance team starting from 1 August.

Rental operations

The company had a total of 459 leases on 30 June 2020, and its lease contract base was EUR 1,590 million in total. The occupancy rate of

95,1 per cent is at the same level as the previous year (95,0 %).

The number of new and renewed leases was 16 for the period under review. 100 per cent of these leases were signed with businesses. The total leased area was 2,735.10 htm².

The average rent of all leases is currently EUR 14,02/m²/month, and the average length calculated on the basis of all leases is 8,7 years.

Key figures for rental operations:

	1-6/2020	1-6/2019
Average rental income	EUR 13,31/m ² /month	EUR 13,04/m ² /month
Average rent	EUR 14,02/m ² /month	EUR 13,53/m ² /month
Average vacancy rate	4,9 %	5,0 %
Average lease length in years	8,7 years	9,1 years
Leasable area	1,05 million m ²	1,05 million m ²
Average occupancy rate, %	95,1 %	95,0 %

Property development

Several important projects are underway, such as the joint Aurum building of Åbo Akademi University and the University of Turku on the Turku campus (formerly Juslenia), which is so far the largest investment project of University Properties of Finland and which will be completed in 2021, and the renovation of the library building of the University of Jyväskylä.

The company has approximately 135 investment projects underway in different stages, and they amount to approximately EUR 338 million in total. About 129 projects are in the preparatory and planning stage (approximately EUR 135 million) and about 65 in construction phase (approximately EUR 203 million). These figures contain maintenance projects as well as alteration, renovation, and new building projects that affect rentals.

During the reporting period, the following projects have been started, for example: the extension and alterations of the restaurant of the Carelia building in Joensuu, the ventilation reform and roof renovation of the Snellmania building in Kuopio, as well as the indoor air quality project at the Rauma Teacher Training School.

The projects completed in the first half of 2020 include the extension of the Teacher Training School of the Tampere University, the renovation of the Main Building at the University of Turku, the alterations to the Arcanum building, the completion of the Pikkunorssi training day-care centre in Rauma, the alterations and renovation in a couple of different stages on the Linnamaa campus at the Oulu University of Applied Sciences, as well as alterations to the Foodoo restaurant. The alterations to the facilities of university services on Kuopio campus were completed at the University of Eastern Finland.

A total of EUR 46,9 million has been spent on investments since the beginning of the year. The total amount of investments is estimated to reach a level of approximately EUR 110 million this year.

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.

The projects aimed at the development of demand-controlled maintenance have progressed to the pilot phase. The operating model drawn up on the basis of the development projects was launched at the Tampere University's city centre campus, and the plan is to expand it to the Medisiina D building in Turku during the second half

of the year. The objective is to study utilising automation analytics in managing maintenance activities and enhancing operations as well as improving transparency and manageability. The projects will continue in 2021.

The introduction of the condition evaluation model for Capex properties at campuses was promoted, and the new operating model will be implemented in the summer of 2021 as a whole. The Capex principles will be reviewed together with our clients in autumn 2020.

Key figures for maintenance operations:

	1-6/2020	1-6/2019
Maintenance costs	EUR 4,32/ m ² /month	EUR 4,39/ m ² /month
Maintenance repairs	3,9 million EUR	4,6 million EUR
Resource consumption for previous 12 months	6/2020	6/2019
Heating energy	150,4 kWh/m ²	153,4 kWh/m ²
Electricity	112,8 kWh/m ²	118,6 kWh/m ²
Water	218,9 dm ³ /m ²	274,8 dm ³ /m ²
Emissions CO ₂ e/ m ²	24 Kg CO ₂ e/ m ²	39 Kg CO ₂ e/ m ²

Annual production of solar energy

7/2019-6/2020:

Kampusareena, Ruusupuisto, Arvo 2, Melania and LUT campus in total 448,0 MWh (previous 12 months: 295,6 MWh)

Campus development and marketing

Project plans have been further developed to promote attractive and viable campuses. During the reporting period, we signed a land use agreement in Joensuu, and we leased a property for Hemsö Utbildnings Fastigheter Ab for a project that will increase the joint use of the premises of the University and the City of Joensuu and facilitate mobility between Carelia and the conservatory building, which will be built in the campus area.

Properties were sold according to the annual during the first half of the year. The Tuorla Observato-ry in Kaarina was sold to Tuorlan Tähtitornit Oy. The transaction included 16 buildings and their plots of land. In addition, protected wood buildings located in the Kasarmialue district in Turku were sold to Monopoli Oy. The transaction included a total of three buildings with their plots.

Communications

Awareness of the company will be improved further through communications, increasing our media presence. The themes underlined in communications are cooperation, synergy, sustainable development and responsibility. These measures are also integral in all SYK operations from customer relations to construction projects. In the first half of the year, we have, for example, introduced a communications portal for shareholders, and we will provide more information about ongoing construction projects and other current topics on our website.

There have been visits by journalists at the beginning of the year and throughout the spring with the aim of letting the media get to know the company. These visits will be continued in university cities, where possible.

Research and development activities

As defined in its strategy, SYK continues its investments in research, development, and innovation by participating in research projects together with universities and by offering universities the opportunity to use the SYK demo programme. Demo is an experimental and innovative small scale change made to an existing physical or digital environment. It is used to examine the functionality of a new solution and its potential for future use. During the first half of the year, four new demo projects were launched. In addition, we are involved in 12 research projects. Important research themes include digitalisation, sustainable development and campus of the future.

Research results have been made more visible by putting together a systematic project portfolio to which every employee has free access. The company's RDI activities are coordinated by the internal SYK Academy. During the period under review, we held events to increase our personnel's human capital. We had, for example, six RDI days, one demo café introducing the Kampusluonto project (Campus Na-ture) and promoting the piloting culture, as well as a Kick off day for 2020 demos, aimed at developing the piloting culture. We invested in the reporting of final projects by producing final reports for both Virpa D and In-Lear projects to support internal development.

We also promote extensive cooperation in national and international networks. At the beginning of the year, we, as an expert, took part in writing a book on hybrid campuses. The book focuses on the effects that digitalisation and sustainable development have on campuses. The book will be published in September 2020. In addition, we take part in writing a book on how to apply Lean thinking in construction projects. The book will be completed in the course of the following calendar year.

Sustainable development

As the unrivalled pioneer of the real estate industry, the company became carbon neutral in early summer 2020. The company has made longterm work to determine and reduce emissions. The work continued with the company's compensation programme involving all emissions from 2019. Compensation was thus included in the company's climate work. With emissions compensation, our company's carbon footprint will also become visible in economic terms. The aim of the company is to make its own operations carbon neutral by 2030 and thus eliminate the need for compensation.

The results of the company's carbon footprint calculation have been actively used during the first half of 2020. Universities have calculated their own carbon footprints, and as our customers, they have been very interested in the carbon footprints of the properties they use. Also the interest shown by the Ministry of Education and Culture in the carbon footprint of universities has played a role. The company has been pleased to serve its customers in relation to emission issues.

In the first half of 2020, ten of our buildings received the company's first BREEAM In-Use certificates. The BREEAM In-Use certification is an environmental assessment method for buildings in use. Of the assessed SYK properties, particularly the Arvo 2 building on the Kauppi campus in Tampere received excellent points. The result of the Arvo 2 building is 77,6 % in the Asset Performance section, and it was the highest rating in Finland at the time of publication. Arvo 2 received a very good score in matters related to users' possibility to adjust indoor conditions room by room, supporting sustainable mobility, as well as security.

SYK's other properties that have the BREEAM In-Use certification belong to the Tampere University: Festia, Kampusareena, Konetalo, Main Building, Päätalo, Rakennustalo, Sähkötalo, Tietotalo and Konetalo. The Kampusareena in Hervanta, which was BREEAM certified already at the construction stage, got the Excellent rating in the Asset section, as the Arvo 2 building, and the Very Good rating in the Building Management section. Other buildings received ratings Very Good and Good.

By means of nature assessments, the company aims to support the diversity of nature on campuses. This assessment work was started in summer 2020. The project is characterised by the identification and development of natural values in built environments. The current natural values of the campuses are studied in the project based on initial information and site visits to 20 campuses around Finland. The existing natural values will be reported and guidance on the future management and development of the areas will be provided. The area to be assessed is about 270 hectares.

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 through 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. In March 2020, the second 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 reports are available on SYK's website under "Investors".

Key figure for financing 1–6/2020:

Average financing interest	1,9 %
Interest-bearing period	5,7 years
Hedge level of loan capital	86 %
Interest coverage ratio	8,2
Liquidity on 30 June 2019	EUR 40,6 million

Annual general meeting and administration

The company's Annual General Meeting was held on 11 June 2020 in Tampere using remote connections. 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 2019 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 7,50 per share to be paid, corresponding to a total of EUR 18,9 million.

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

- Deputy Chairman of the Board, **Sami Yläoutinen**, Ministry of Finance, Budget Manager
- **Päivi Mikkola**, University of Turku, COO
- **Riitta Juutilainen**, Senate Properties Ltd, Division Director
- **Heli Huhtala**, Tampere University, CFO
- **Pekka Riuttanen**, University of Oulu, CFO

Jukka Mönkkönen, Rector of the University of Eastern Finland, was elected as a new member of the Board of Directors. He was also appointed Chair of the board. Authorised Public Accountants KPMG Oy were elected the company's auditors, with APA **Assi Lintula** as the responsible auditor.

Organisation

The Chief Executive Officer of University Properties of Finland is Sanna Sianoja. The company has an average of 30 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.

During the period under review, the head of the customer relations and services business unit resigned, and cooperation negotiations concerning the entire organisation were launched in June due to restructuring of the organisation's operations.

In spring, we started to redesign our corporate culture with the entire personnel, and Leidenschaft Oy, which specialises in corporate culture, was selected as a partner in this project.

Key figures for personnel 1–6/2020:

Average number of personnel	30
Number of personnel at the end of the period	31
Personnel expenses, EUR million	1,4

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 and liquidity risks. These 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. 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 2020

The economic outlook for the second half of 2020 is consistent with the first half's development and our plans. Investments into maintenance and annual repairs as well as renovation projects will continue to be strong. The company's new strategy will be developed together with the Board of Directors and owners so that the Board of Directors can discuss the new strategy in December 2020.

We continue to strengthen the cooperation with our clients, and we will particularly invest in campus-specific strategy discussions with universities. Strong cooperation with our key service providers will continue to ensure that the entire network of partners operates in line with the company's strategic objectives.

Consolidated income statement

EUR million	1-6/2020	1-6/2019	2019
REVENUE	84,3	82,9	165,2
Other operating income	0,8	9,9	5,4
Personnel expenses	-1,4	-1,3	-2,6
Depreciation and impairment	-30,7	-29,7	-60,0
Other operating expenses	-27,7	-33,4	-61,8
Share of profit (loss) of associated companies	-0,2	-0,1	-0,2
OPERATING PROFIT	25,1	28,3	46,0
Financial income and expenses	-6,7	-6,4	-13,1
Income taxes	-3,7	-3,8	-5,8
Minority interest	-0,0	-0,0	0,0
RESULT FOR THE PERIOD	14,7	18,0	27,0

Consolidated balance sheet

EUR million	1-6/2020	1-6/2019	2019
Intangible assets	1,7	1,3	1,9
Tangible assets	1321,9	1277,8	1307,4
Investments	5,8	6,1	6,0
Non-current assets total	1329,4	1285,2	1315,4
Long-term receivables	0,0	2,7	0,0
Short-term receivables	3,3	2,2	5,5
Cash and cash equivalents	38,5	19,4	14,2
Current assets total	41,9	24,3	19,7
ASSETS TOTAL	1371,3	1309,5	1335,0
Share capital	252,0	252,0	252,0
Invested unrestricted equity fund	269,1	269,1	269,1
Retained earnings	77,7	69,6	69,6
Profit/loss for the period	14,7	18,0	27,0
Total equity	613,5	608,8	617,7
Minority interest	8,1	8,0	8,1
Long-term liabilities	723,0	648,9	645,5
Short-term liabilities	26,7	43,8	63,8
Total liabilities	749,7	692,7	709,3
TOTAL LIABILITIES AND EQUITY	1371,3	1309,5	1335,0

Parent company income statement

EUR million	1-6/2020	1-6/2019	2019
REVENUE	83,9	82,5	164,5
Other operating income	0,8	9,9	5,4
Personnel expenses	-1,4	-1,3	-2,6
Depreciation and impairment	-30,3	-29,3	-59,2
Other operating expenses	-27,3	-33,0	-61,1
OPERATING PROFIT	25,6	28,7	46,9
Financial income and expenses	-6,8	-6,4	-13,2
Appropriations	4,9	3,5	4,3
Income taxes	-4,6	-4,5	-6,7
RESULT FOR THE PERIOD	19,1	21,3	31,2

Parent company balance sheet

EUR million	1-6/2020	1-6/2019	2019
Intangible assets	1,8	1,6	2,1
Tangible assets	1306,5	1261,5	1291,6
Investments	22,6	22,7	22,6
Non-current assets total	1330,9	1285,7	1316,3
Long-term receivables	0,0	2,7	0,0
Short-term receivables	3,3	2,2	5,4
Cash and cash equivalents	38,1	19,0	14,0
Current assets total	41,4	24,0	19,4
ASSETS TOTAL	1372,3	1309,7	1335,7
Share capital	252,0	252,0	252,0
Invested unrestricted equity fund	269,1	269,1	269,1
Retained earnings	72,1	59,8	59,8
Profit/loss for the period	19,1	21,3	31,2
Total equity	612,3	602,2	612,1
Accumulated appropriations	13,5	19,2	18,5
Long-term liabilities	722,8	648,6	645,3
Short-term liabilities	23,7	39,7	59,9
Total liabilities	746,5	688,3	705,2
TOTAL LIABILITIES AND EQUITY	1372,3	1309,7	1335,7