

2016

ANNUAL BOARD REPORT AND FINANCIAL STATEMENTS



Aalto University

Annual Board Report *2016*

(Based on the audited Finnish version)

The role of Aalto University

The role of the Aalto University Foundation, operating as Aalto University, is to promote free research and scientific and artistic erudition, provide higher education based on research, and educate students to serve their country and humanity. The University is an autonomous, multidisciplinary science and art community, which operates in the fields of technology, economics, art and design, and in fields closely related to them. The University works in interaction with the rest of the society and the international scientific and artistic communities, and advances the impact of research and artistic activities on society.

The national mission of the University is to support Finland's success through high-quality research and teaching, to make a positive contribution to building Finnish society, its economy, technology, art and design, internationalisation and competitiveness, and to promote the welfare of humankind and the environment. The University respects the freedom of science, art, and education.

Activities during 2016

2016 was Aalto University's seventh year of operation. The main priorities during the year were the recruitments in the professors' tenure track career system that continued the university's research profile renewal, study path streamlining, decision on one main campus in Otaniemi and the implementation of the balancing plan in response to the public funding cuts.

At the end of 2016, there were 228 professors (216 in 2015) who had been appointed since the creation of Aalto University in the tenure track system. 30% (28%) of them were international recruits and 25% (27%) were women. In addition, the number of professors who had been appointed before the year 2010 was 158 (172).

During 2016, the University decided to take the final step toward creating a fully integrated campus in Otaniemi. An integrated campus, with co-location of all University core activities, supports the national mandate of Aalto University to strengthen the innovative capacity of Finland by enhancing multidisciplinary collaboration and interactions between students, faculty and external stakeholders.

The significant university sector funding cuts decided by the Finnish government in 2015 started to realize during the year 2016. Aalto University's Ministry of Education funding was reduced by 7% and Tekes income by 12%. In response to the cuts, Aalto University started to implement its financial balancing plan aiming to safeguard the long-term sustainability of the University's core activities. The implementation of the balancing plan proceeded well during 2016, with additional competitive funding acquired and achieving savings in facility costs and spend. Despite of these saving measures, the University was also forced to find savings in personnel costs.

Research

During the year, 2 269 (2 020) refereed articles were published in scientific journals, showing an increase of 12% over the previous year. The Aalto Crown indicator was 1.54 (1.52), which means that the University's publications received 54% more citations compared to the citation average in the same fields worldwide. The number of articles and their impact is expected to develop positively as the University continues to implement its strategy. Highly competitive research funding obtained by Aalto University increased by 11%, mainly due to an increase in funding acquired from the Academy of Finland to strengthen the profiling of universities.

Aalto University participated in seven (7) national Centres of Excellence during 2016 and two (2) Academicians of Science worked at the University. The quality of research conducted at the University is also reflected in the fact that the University has 21 (17) recipients of research grants from the European Research Council (ERC), seven (6) Academy professors, 37 (34) Academy researchers, and 12 (14) Finland Distinguished Professor Programme (FiDiPro) professors and fellows.

Teaching

The number of degrees completed at the University continued to increase in 2016. A total of 1 970 (1 661) students completed a Bachelor's Degree, 1 998 (1 967) completed a Master's Degree, and 260 (256) a Doctorate. The number of full-time equivalent Bachelor's and Master's Degree students was 10 819 (10 978) in 2016. The total number of degree students was 17 563 (18 116). Degree students earned a total of 474 103 (481 806) ECTS study credits, equivalent to an average of 32 (31) study credits per every active degree student. A total of 3 493 (3 114) foreign students studied at the University, and 72% (69%) of them were studying a full degree.

The Finnish Education Evaluation Centre (FINEEC) audited Aalto University's quality system and stated that the University's quality system in education leading to a degree was at the best, advanced level. No other university has reached the same level in the evaluation of its quality system in degree education on FINEEC's second audit round. The degree targets set by the Ministry of Education and Culture were reached and even exceeded at all levels of education. A record number of both Bachelor's Degrees and Doctorates were completed. The number of Master's Degrees also increased from previous years. All indicators measuring performance in the education and learning developed positively. There was a significant increase in the proportion of students who responded in the national Bachelor's Graduate Survey. Aalto University's strategy of educating game changers was systematically realised in all of its four areas: the quality of degree programmes and their marketing among students, digital learning, student well-being and effective studying, and working life skills. The promotion of A!OLE, an online learning project, was particularly successful: more than ten online learning pilot projects were realised during the year. The attractiveness of the degree programmes was promoted through considerable investments in marketing the chosen key programmes online.

Artistic activities

The University's artistic activities aim at combining art and design thinking with the University's other fields, with a high quality of artistic activities and international visibility. University Wide Art Studies was launched in 2016 with the implementation of six courses during the year. Students from all Schools of the University participated in the courses. One part of the artistic activities was an international seminar, in which forms of artistic activities in different universities were discussed with the help of visiting speakers.

During 2016, the University developed artistic activity indicators especially for important artistic forums. In accordance with these indicators, participation in the main exhibition of the Venice Biennale, the Paris Photo art fair and the biennial of São Paulo, and participation in the exhibition of wood architecture in the New York Center for Architecture were selected as the most important ones among 300 outcomes of artistic activities. There was international success in all fields of art represented in the University.

The Bachelor's Programme in Fashion was ranked third best in the world in BoF's Global Fashion School Rankings, and students' success in international forums continued. A grand total of three of the ten finalist collections in the design competition organised as part of the Hyères 2016 festival were from Aalto University. The bold design competence of the University's students was widely noted in international media.

Impact

The societal impact of Aalto University is partly a result of the University's extensive collaboration with companies. The University has intensified collaboration with its strategic partners and has sought new forms of collaboration after reductions were made in Tekes funding and in SHOK funding. Collaboration with companies brought project funding to the University amounting to €13 million (€13 million) in 2016.

The active innovation ecosystem that has formed around Aalto University is both internationally and nationally renowned and competitive by international standards. According to a report by Tekes in 2015, one half of startups originating from Finnish universities are born at Aalto and in a report by Massachusetts Institute of Technology in 2014, Aalto University was listed among the five most promising entrepreneurial universities. During the year, the University processed 154 (129) innovation proposals, filed 42 (22) patent applications, and realised 30 (21) transfers of technology or competence to businesses. In addition, numerous new companies are founded every year both by students and by personnel. Student-led entrepreneurial activities at Aalto University focus especially on business models of growth companies (Startup Sauna) and encounters between startups and investors (Slush).

Those who are interested in the fields of science and education at Aalto University can study individual courses or study modules at the Open University. The number of study credits completed at the Open University was 14 685 (14 866).

The strategic partners of Aalto University also include public sector actors such as nearby towns and cities, other universities and research institutes, and international innovation networks such as the KICs of the European Institute of Innovation and Technology in the fields of ICT, raw materials and climate change. Aalto University aims to increase its societal impact by creating networks for international and national actors.

Aalto University provides executive education and continuing education through Aalto Executive Education Oy (Aalto EE). Aalto EE is among the global leaders in executive education and leadership development. It has operated in Finland since 1970 and is the most respected provider of education in its field.

Governance

The main governing bodies of the University are the Board, the President, the Provost, the Academic Affairs Committee, and the Deans of the University's Schools.

The Board consists of seven members from outside the University, including the Chair and the Vice Chair. The Board is responsible for decisions concerning the University's strategy, annual operating plan and budget, and for approving the financial statements and the University's regulations. The Board appoints the President, the Provost, the Vice Presidents, and other personnel reporting directly to the President. The Board ensures that the University's operations are organised appropriately and that its assets are invested in a systematic and productive manner. The University Board had eight meetings during the year.

The President leads the operation of the University in accordance with the Universities Act, the values of the University community, the strategy approved by the Board and the orders and instructions provided by the Board. The President leads the long-term strategic development and partnerships of the University.

The Provost deputises the President, supports the President in the planning of strategies, the appointments of professors and the planning of resources, and leads all processes related to teaching, research and societal impact. The academic Vice Presidents report to the Provost.

The University Academic Affairs Committee is an overall multi-member executive body as referred to in the Universities Act. The Academic Affairs Committee is responsible for matters such as curricula, degree requirements, the principles used for admitting students, and for establishing the bodies necessary to govern the University's research and teaching. In addition, it appoints the Board Nomination Committee and the members of the Board based on proposals made by the Board Nomination Committee.

The Board Nomination Committee consists of five members, who represent the University's founders.

The University is organised into six Schools and shared service units. Led by their Deans, the University's Schools consist of Departments, led by Department Heads. The University's Schools are responsible for teaching and research and are academically independent within the framework established

by the University's strategy, guidelines, and annual operating plan and budget. The University's joint service units are organised in a matrix in which joint service processes are defined centrally for the whole University, while services are produced locally in the academic units.

The Board appointed Professor **Jouko Lampinen** as the Dean of the School of Science starting from 1 June 2016.

The University and its subsidiaries form the Aalto University Group. The largest subsidiaries of the Aalto University Group are Aalto University Properties Oy (100% holding), and Aalto Executive Education Oy (100% holding). The Board and the President are responsible for the governance of the Aalto University Group. The President appoints the University's representatives to the annual meetings of subsidiaries, at which the board members of these companies are elected. The boards of the subsidiaries elect their CEOs, who are responsible for the operations of these companies.

Personnel

In 2016, the number of the University's personnel equalled 4 066 full-time equivalents (4 385 in 2015, 4 637 in 2014). A total of 61% (60%, 59%) of the personnel were employed in teaching and research positions, 9% (9%, 10%) were degree students working as teaching and research assistants and 30% (31%, 31%) belonged to other personnel groups. In total 23% (23%, 23%) of the personnel were doctoral students.

A total of 40% (40%, 39%) of the personnel held a permanent employment contract and 85% (85%, 86%) worked full-time. Women accounted for 38% (38%, 38%) of the personnel. A total of 17% (17%, 16%) of the personnel will reach the age of 65 within the next 10 years. The share of non-Finnish personnel was 23% (21%, 20%) which indicates the strong international focus of the University.

At the end of 2016, the University had 386 (388, 369) professors, of whom 140 (145, 122) had fixed-term contracts. In total, 19% (20%, 17%) of professors were women. Approximately 35% (36%, 40%) of professors will reach the age of 65 within the next 10 years.

The average number of personnel employed by the Aalto University Group was 4 201 (4 519, 4 773). The University Group's personnel costs totalled €237 million (€254, €265 million), of which the University accounted for €227 million (€245 million, €257 million). Salaries and other remuneration paid to the members of the Board, the President, and the members of the boards of Aalto University Group companies and their CEOs totalled €1.4 million (€1.3 million, €1.2 million).

The statutory employer-employee negotiations begun at the University in November 2015 and ended in January 2016. As a result of these negotiations it was concluded that the number of staff would have to be reduced by 316, of which 165 would be covered by retirement arrangements and fixed-term contracts and 151 by redundancies. These measures will be carried out between 2016 and 2018.

Campus

In 2016, the University decided to centralise all its core operations to Otaniemi by the end of 2019 by relocating to Otaniemi those operations of the School of Business that were still in Töölö. During 2016, the University implemented its campus development plan by completing the renovation of the Learning Centre, continuing the renovation of Dipoli, beginning the construction of Väre and Maarintie 13, and by vacating the facilities of the School of Electrical Engineering at Otakaari 5 for rental to external parties.

In 2016, the University reduced its facility usage by 2% (5%). The University had three campuses and other facilities totalling 281 000 m² (286 000 m²), of which the Otaniemi campus accounted for 216 000 m² (216 000 m²), the Töölö campus for 23 000 m² (26 000 m²), the Arabia campus for 40 000 m² (40 000 m²) and other sites for 3 000 m² (4 000 m²). Facility costs for the University totalled €65 million (€67 million) during the year.

Endowment

Aalto University has a long-term endowment strategy designed to support the implementation of its strategy. The endowment management aims to provide a steady and predictable income to fund University operations as well as to preserve and accumulate the real value of the endowment capital in the long term. Preserving the real value of the endowment capital secures equality across generations by enabling the preservation of the same purchasing power of the endowment capital and the funding it provides to the University's operations over time.

At the end of year, the market value of the endowment portfolio was €948 million (€901 million). The annual return on the endowment portfolio was 6.1% (3.4%) after expenses. The average annual return on the endowment portfolio has been 5.1% since the inception of operation. At the end of 2016, 51% (50%) of the portfolio was held in fixed income instruments, 48% (50%) in equities and 1% (0%) in alternative risk. During the year 2016, a total of €8 million of the cumulated real return of the endowment portfolio was used to finance the University's operations.

Aalto University is committed to complying with the principles for responsible investment. The University is a member of Finland's Sustainable Investment Forum (FINSIF).

Sustainable development

Sustainable development and responsibility are central factors in Aalto University's strategy and shared values. The University takes sustainable development and responsibility into consideration in all teaching, research and other operation. Development of the campus also has a key role in promoting sustainable development. The CodeBus Africa project coordinated by Aalto University arranges coding events especially to young girls aged 12-20 years. The bus visits 10 African countries as part of the Finland 100 programme in 2017.

Figures in parenthesis refer to 2015 and 2014 unless otherwise mentioned.

Sustainable development work group follows and promotes research, teaching, and operative activities in the area. During the year 2016 the emphasis was to build a sustainable development researcher community and the work continues in order to identify know-how profiles. As part of the quality assurance the Bachelor's Degree programs were evaluated during the year, and sustainable development and responsibility were well represented in the learning objectives. The University cooperates with several national and international networks such as the International Sustainable Campus Network (ISCN) and EIT Climate KIC community.

Operating environment and risk management

Risk management at Aalto University forms an essential part of Aalto University's governance system and supports the University in achieving its strategic and operational objectives. In pursuing its objectives and strategic priorities, the University will generally accept a level of risk proportionate to the expected benefits to be gained, and the scale and likelihood of damage. For unrewarded risks, strategy is to avoid the risks or when appropriate, cost-effectively mitigate risks to an acceptable level.

The main risks in Aalto University's operating environment continue to be related to the development of public funding in the university sector and consequently to safeguarding the University resources in the long term. There are also risks related to the decisions on how resources in the university sector are distributed between the various universities, in which the quality and impact should apply as key criteria. The funding cuts toward the university sector outlined by the Finnish Government during 2015 will amount to almost half a billion euros by the end of 2020. Aalto University's share of the cuts is estimated at about 20%, which means that Aalto University will be subjected to proportionally more cuts than the rest of the university sector.

To minimise the consequences from these cuts, the University has started the implementation of a plan to balance its finances. Active search for additional funding, responsible use of investment returns as well as savings in personnel costs, facility costs and spend are the corner stones of this plan. Successful implementation of the balancing plan entails considerable risks regarding the realisation of both additional funding and savings, and these risks may complicate implementation of the University's strategy in the coming years.

The development of the University's investment portfolio may contain financial risks associated with the uncertainty of the financial markets, which could have a negative impact on the University's long-term funding.

The targets set for the integrated campus require both considerable investments for the next 15 years and savings of about €18 million, i.e. 25% of the current level of facility expenses. Uncertainty in the financial markets may make it more difficult to finance the investment programme, thus delaying the implementation of the programme. The possible overheating of the construction sector may increase the construction costs and delay the implementation of the campus investments. This may have significant negative consequences for the implementation of the University's teaching and research strategy. Furthermore, as a consequence of Finland's economic situation and the excess supply of business premises in the Helsinki metropolitan area, it may become more difficult to find external parties who will rent or buy facilities that have been vacated by the University due to the facility savings programme.

The principle underlying the University's property insurance cover is to insure key assets with a relatively high level of own risk. The insurances thus secure all assets that are essential and material for the University's operations. Aalto University also has liability insurance cover in respect of possible damage caused by its operations to third parties, as well as management liability insurance cover in respect of financial damage that might result from the actions of the University's management and the members of the Board and the Boards of its subsidiaries.

Financial position

The University's pro forma operative income totalled €353 million, down 5% from the €372 million recorded in the previous financial year (€389 million in 2014). The main sources of income were government funding totalling €237 million (€254 million, €266 million) and project grants: €40 million (€35 million, €31 million) from the Academy of Finland, €23 (€26 million, €31 million) from Tekes, and €21 million (€19 million, €21 million) from the European Union.

The University's pro forma operative expenses were €358 million, which is down 7% from the €385 million in the previous year (€400 million in 2014). Personnel and facility expenses account for the majority of the expenses. Personnel expenses accounted for 63% (64%, 64%) and facility expenses 18% (17%, 17%) of operative expenses. Personnel expenses fell by 7.4% from the previous year, due to a decrease in the number of personnel. Facility expenses were down 3.5% from the previous year, mainly as a result of reductions in facility usage.

The University's pro forma operative deficit during 2016 was €5 million (€12 million, €11 million).

The surplus in fundraising was €10 million (€1 million, €5 million). Fundraising income consisted of donations received and expenses were mainly personnel expenses and service expenses. Received donations are capitalised to special purpose funds through Change in special purpose funds in the income statement.

The surplus recorded in investment and financing activities totalled €22 million (€30 million, €39 million). Income and expenses were mainly composed of sales gains and losses as a

Figures in parenthesis refer to 2015 and 2014 unless otherwise mentioned.

result of portfolio allocation changes and exchange between investment funds. The surplus recorded in investment and financing activities includes realised gains and losses; unrealised gains and losses are included in the fair value fund in the balance sheet.

The net surplus for the University's financial year was €16 million (€18 million, €33 million), which is 4% (5%, 8%) of the operative income.

The University's balance sheet totalled €1 545 million (€1 226 million, €1 101 million).

In assets, the book value of the investments increased by €23 million from €1 104 million in the previous financial year to €1 127 million (€1 005 million in 2014) mainly as a result of investment gains. Long-term receivables increased from €2 million in the previous financial year to €260 million. The long-term receivables result from the internal reorganisation of the Group's real estate loans to obtain more affordable loan terms.

In equity and liabilities, the fair value reserve increased by €33 million from €105 million in the previous financial year to €138 million as a result of unrealised investment gains, and long-term liabilities increased by €266 million from €2 million in the previous financial year to €268 million as the University refinanced Aalto University Properties Oy's loans from financial institutions. Short term liabilities were €65 million (€71 million, €71 million) and mainly consisted of received advance payments, accrued payroll expenses and other liabilities.

In the cash flow statement, cash flow from operations fell to -€5 (-€1 million, -€5 million). The fall was mainly due to a decrease in government grants received and an increase in net working capital. Cash flow from investments totalled -€234 million (€25 million, -€41 million), of which -€258 million were associated with loans granted to Aalto University Properties Oy. €30 million (€37 million, -€33 million) were associated with investment activities and -€7 million (-€11 million, -€8 million) with investments in teaching and research infrastructure and IT infrastructure. The cash flow from financing was €267 million (€1 million, €5 million) as a result of loans from financial institutions taken on behalf of Aalto University Properties Oy. The University's total cash flow was €28 million (€25 million, -€41 million).

Activities with related parties

Aalto University maintains a register of its related parties, which covers all required related party information that is practically available. The register of related parties is updated on a yearly basis.

A summary of financial activities with related parties is presented in the notes to the financial statements.

Aalto University Group

Aalto University Group's total income was €414 million (€431 million) and the total expenses were €390 million (€402 million). The Group recorded a net surplus of €25 million (€29 million).

The Group's balance sheet totalled €1 607 million (€1 485 million) at the end of the year. The increase in the balance sheet total was mainly caused by investments made in buildings and constructions by Aalto University Properties Oy, by the investment gains in the University's endowment portfolio (Other shareholdings) and by an increase in cash and bank receivables. The Group's equity ratio was 77% (79%). Cash flow from Aalto University Group's operations was €26 million (€30 million) and the cash flow from investments -€47 million (€26 million). Cash flow from financing was €59 million (-€58 million). The Group's total cash flow was €37 million (-€1 million).

Aalto University Group's largest subsidiary, Aalto University Properties Oy, owns and manages the majority of the facilities used by the University. The turnover of the sub-group Aalto University Properties was €49 million (€50 million) and it recorded a profit of €8 million (€14 million). The balance sheet totalled €450 million (€389 million) at the end of the financial year.

The sub-group Aalto Executive Education recorded a turnover of €19 million (€17 million) and the net profit for the financial year was €1.2 million (€0.4 million).

All Aalto University Group companies have prepared their own financial statements for the financial year 2016.

Auditor

KPMG Oy Ab was the University's auditor during the financial year.

Major events after the financial year

Aalto University Properties Oy became a mutual real-estate company at the beginning of 2017. As a result of this change, Aalto University will in future be responsible for the rental of vacant facilities to external parties, and Aalto University Properties Oy will charge the University a cost-based charge instead of rent. The change will reduce the level of the University's facility costs in the coming years. The lower rental agreement liabilities resulting from the change have already been taken into account in the Rental agreements note in the financial statements of 2016.

No other events of a material nature affecting the financial status of the Aalto University Group and its financial statements for 2016 took place between the end of the financial year and the preparation of the financial statements.

Financial Statements *2016*

(Based on the audited Finnish version)

Aalto University Foundation Pro Forma Income Statement, €1m

(not audited)

OPERATIVE INCOME	2016	%	2015	%	2014	%	2013	%	2012	%	2011	%	2010	%
Government funding	237	67%	254	68%	266	69%	275	66%	271	64%	272	64%	245	61%
Tekes	23	6%	26	7%	31	8%	38	9%	41	10%	43	10%	42	11%
Academy of Finland	40	11%	35	10%	31	8%	34	8%	32	8%	29	7%	27	7%
European Union	21	6%	19	5%	21	5%	20	5%	20	5%	17	4%	12	3%
Corporate	13	4%	13	3%	14	4%	22	5%	26	6%	29	7%	31	8%
Other	19	5%	24	6%	23	6%	29	7%	30	7%	29	7%	38	10%
Transfer from special purpose funds	1	0%	1	0%	1	0%	2	0%	0	0%	3	1%	4	1%
TOTAL	353	100%	372	100%	389	100%	418	100%	421	100%	423	100%	400	100%
OPERATIVE EXPENSES														
Academic personnel	162	45%	172	45%	174	43%	179	43%	181	43%	168	42%	161	43%
Service personnel	65	18%	73	19%	83	21%	87	21%	86	20%	80	20%	75	20%
Facilities	65	18%	67	17%	68	17%	71	17%	66	16%	62	16%	59	16%
Service purchases	26	7%	28	7%	28	7%	35	8%	36	9%	33	8%	33	9%
Depreciations	8	2%	8	2%	7	2%	7	2%	7	2%	6	2%	6	2%
Other	32	9%	37	10%	40	10%	42	10%	48	11%	46	12%	39	10%
TOTAL	358	100%	385	100%	400	100%	420	100%	424	100%	395	100%	374	100%
OPERATIVE SURPLUS														
	-5		-12		-11		-2		-4		28		26	
Surplus / deficit from investment operations	22		30		39		31		29		-14		2	
Surplus / deficit from fundraising	10		1		5		5		4		0		0	
Tax	0		0		0		0		0		0		0	
Transfer to special purpose funds	-12		0		0		0		0		0		0	
NET SURPLUS	16		18		33		33		29		14		28	

FOUNDATION INCOME STATEMENT, €1 000

	Note	1.1.–31.12.2016	1.1.–31.12.2015
ORDINARY OPERATIONS			
Income			
Income from grants	2	95 316	93 810
Income from business activities	6	9 466	11 649
Other income		10 991	11 634
		115 774	117 092
Expenses			
Personnel expenses	4	227 011	245 233
Depreciation and amortization	7	8 416	7 805
Other expenses	5	122 502	131 540
		357 929	384 577
SURPLUS/DEFICIT FROM ORDINARY OPERATIONS		-242 156	-267 485
FUNDRAISING			
Income			
Donations		10 196	664
Other income		480	699
		10 676	1 363
Expenses			
Fundraising expenses		540	0
Fundraising total		10 135	1 363
SURPLUS/DEFICIT AFTER FUNDRAISING		-232 020	-266 122
INVESTMENT AND FINANCING ACTIVITIES			
Income			
Dividend income		2 056	4 786
Interest income		296	56
Profit on sale of investments		21 443	26 466
Reversal of investment impairment		0	735
Other income		1 952	2 519
		25 746	34 561
Expenses			
Interest expenses		191	20
Loss on sale of investments		2 306	4 873
Other expenses		952	157
		3 449	5 050
Investment and financing activities total		22 297	29 511
GENERAL GRANTS			
Universities Act based government grant		236 563	254 417
SURPLUS BEFORE CHANGE IN SPECIAL PURPOSE FUNDS AND TAX		26 840	17 805
CHANGE IN SPECIAL PURPOSE FUNDS			
Change in special purpose funds		-10 918	-947
Change in special purpose funds with separate assets		0	1 596
TAX	8	64	17
SURPLUS OF THE FINANCIAL YEAR		15 857	18 437

FOUNDATION BALANCE SHEET, €1 000

	Note	31.12.2016	31.12.2015
ASSETS			
FIXED ASSETS			
Intangible assets			
	9		
Intangible assets		1 089	899
Advance payments		0	1 167
		1 089	2 066
Tangible assets			
	10		
Land and water areas		0	324
Buildings and constructions		88	32
Machinery and equipment		21 328	21 931
Other tangible assets		25	35
Advance payments and work in progress		3 152	4 521
		24 593	26 843
Investments			
	13		
Shares in Aalto group companies		156 538	154 860
Shares in associated companies		3 012	2 863
Shares in jointly owned companies		3 215	3 215
Other shareholdings	12, 14	964 133	942 705
		1 126 897	1 103 643
TOTAL FIXED ASSETS		1 152 579	1 132 553
CURRENT ASSETS			
Receivables			
Long-term receivables			
Receivables, associated companies		2 000	2 000
Loans to group companies	15	257 500	0
		259 500	2 000
Short-term receivables			
Accounts receivable		42 042	37 128
Accounts receivable, group companies		1 026	397
Other receivables		10 272	515
Prepaid expenses and accrued income	16	14 304	16 400
		67 644	54 440
Cash and bank		65 568	37 091
Special purpose funds with separate assets, cash and bank		0	37
TOTAL CURRENT ASSETS		392 712	93 568
TOTAL ASSETS		1 545 291	1 226 120
EQUITY AND LIABILITIES			
EQUITY			
	18		
Endowment capital		280 000	280 000
Operating equity		154 644	154 644
Capital reserve		412 477	412 477
Fair value reserve		138 126	105 360
Special purpose funds		46 725	35 806
Special purpose funds with separate assets		0	37
Unrestricted fund		137 526	0
Other equity			
Surplus from previous years		41 931	146 722
Surplus of the financial year		1 560	18 437
TOTAL EQUITY		1 212 989	1 153 484
LIABILITIES			
Long-term liabilities			
	21		
Loans from financial institutions		265 000	0
VAT compensation		2 569	1 999
		267 569	1 999
Short-term liabilities			
Loans from financial institutions		2 500	0
Advance payments		26 849	28 534
Accounts payable		7 160	4 932
Liabilities to group companies		152	69
Other liabilities		10 167	17 412
Accrued expenses		17 906	19 692
		64 733	70 637
TOTAL LIABILITIES		332 302	72 637
TOTAL EQUITY AND LIABILITIES		1 545 291	1 226 120

FOUNDATION CASH FLOW STATEMENT, €1 000

	1.1.-31.12.2016	1.1.-31.12.2015
CASH FLOW FROM OPERATIONS		
Surplus/Deficit from ordinary operations	-242 156	-265 293
Depreciation included in the above	8 416	7 805
Change in net working capital		
Change in inventories	0	355
Change in interest-free receivables	-9 885	1 291
Change in interest-free debts	-8 122	2 058
Total cash flow from ordinary operations	-251 746	-253 785
Cash flow from fundraising	10 135	714
Received general grants	236 563	254 417
Paid direct taxes	-18	-194
Special purpose funds with separate assets	0	-2 192
TOTAL CASH FLOW FROM OPERATIONS (A)	-5 065	-1 040
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-8 920	-13 343
Received investment grants	2 064	1 877
Proceeds from sales of tangible and intangible assets	160	13
Granted loans	-257 500	0
Investments in financial assets	-161 688	-341 882
Proceeds from sales of financial assets	190 429	373 814
Other net proceeds from investments activities	1 497	4 664
TOTAL CASH FLOW FROM INVESTMENTS (B)	-233 958	25 143
CASH FLOW FROM FINANCING		
Withdrawed long-term loans	267 500	0
Special purpose funds with separate assets	-37	596
TOTAL CASH FLOW FROM FINANCING (C)	267 463	596
CHANGE IN CASH AND BANK (A+B+C)	28 440	24 699
Cash and bank beginning of year	37 091	10 725
Cash and bank end of year	65 568	37 091
Cash and bank, Special purpose funds with separate assets beginning of year	37	1 704
Cash and bank, Special purpose funds with separate assets end of year	0	37
CHANGE IN CASH AND BANK	28 440	24 699

GROUP INCOME STATEMENT, €1 000

	Note	1.1.-31.12.2016	1.1.-31.12.2015
ORDINARY OPERATIONS			
Income			
Income from grants	2	95 423	93 971
Income from business activities		34 103	34 479
Other income		11 302	12 245
		140 828	140 695
Expenses			
Personnel expenses	4	236 790	253 911
Depreciation and amortization	7	23 132	20 582
Other expenses	5	106 916	114 261
		366 839	388 754
Profit/loss attributable to minority interests in associated companies		155	29
SURPLUS/DEFICIT FROM ORDINARY OPERATIONS		-225 856	-248 029
FUNDRAISING			
Income			
Donations and other income		10 196	664
Other income		480	699
		10 676	1 363
Expenses			
Fundraising expenses		540	0
Fundraising total		10 135	1 363
SURPLUS/DEFICIT AFTER FUNDRAISING		-215 721	-246 666
INVESTMENT AND FINANCING ACTIVITIES			
Income		25 469	31 295
Expenses		8 030	9 581
Investment and financing activities total		17 439	21 714
EXTRAORDINARY ITEMS			
Extraordinary items		0	180
GENERAL GRANTS			
Universities Act based government grant		236 563	254 417
SURPLUS BEFORE CHANGE IN SPECIAL PURPOSE FUNDS		38 281	29 645
CHANGE IN SPECIAL PURPOSE FUNDS			
Change in special purpose funds		-10 918	-947
Change in special purpose funds with separate assets		0	1 596
TAX	8	2 679	1 498
MINORITY INTERESTS		-3	0
SURPLUS OF THE FINANCIAL YEAR		24 680	28 796

GROUP BALANCE SHEET, €1 000

	Note	31.12.2016	31.12.2015
ASSETS			
FIXED ASSETS			
Intangible assets	9	1 107	2 150
Tangible assets	10		
Land and water areas		41 116	39 886
Buildings and constructions		373 257	293 753
Machinery and equipment		40 921	40 962
Other tangible assets		2 311	2 268
Advance payments and work in progress		3 152	32 577
		460 757	409 447
Investments	13		
Shares in associated companies		5 429	3 110
Other shareholdings	12	964 133	942 705
		969 562	945 815
TOTAL FIXED ASSETS		1 431 425	1 357 412
CURRENT ASSETS			
Inventories		25	23
Receivables			
Long-term receivables		1 335	1 000
Short-term receivables			
Accounts receivable		43 402	39 366
Other receivables		13 146	1 702
Prepaid expenses and accrued income	16	16 561	22 230
		73 108	63 299
Securities		11 929	16 087
Cash and bank		88 866	46 985
Special purpose funds with separate assets, cash and bank		0	37
TOTAL CURRENT ASSETS		175 264	127 432
TOTAL ASSETS		1 606 689	1 484 844
EQUITY AND LIABILITIES			
EQUITY			
	18		
Endowment capital		280 000	280 000
Operating equity		154 644	154 644
Capital reserve		412 477	412 477
Fair value reserve		138 126	105 360
Special purpose funds		46 725	35 806
Special purpose funds with separate assets		0	37
Unrestricted fund		137 526	0
Surplus from previous years		59 085	150 356
Surplus of the financial year		10 384	28 796
TOTAL EQUITY		1 238 966	1 167 476
MINORITY INTERESTS		89	86
LIABILITIES			
	21		
Long-term			
Loans from financial institutions		274 589	173 581
Advance payments		2 569	2 002
Total long-term liabilities		277 158	175 583
Short-term			
Loans from financial institutions		3 133	48 439
Advance payments		29 234	31 430
Accounts payable		18 438	13 162
Accrued tax		7 367	7 986
Other short-term liabilities		11 939	18 916
Accrued expenses		20 364	21 766
Total short-term liabilities		90 476	141 699
TOTAL LIABILITIES		367 634	317 282
TOTAL EQUITY AND LIABILITIES		1 606 689	1 484 844

GROUP CASH FLOW STATEMENT, €1 000

	1.1.–31.12.2016	1.1.–31.12.2015
CASH FLOW FROM OPERATIONS		
Surplus/Deficit from ordinary operations	-226 011	-245 867
Depreciation included in the above	23 132	20 582
Change in net working capital		
Change in inventories	-2	352
Change in interest-free receivables	-10 144	-1 181
Change in interest-free debts	-4 345	6 353
Total cash flow from ordinary operations	-217 370	-219 761
Cash flow from fundraising	10 135	767
Received general grants	236 563	254 417
Paid direct taxes	-3 566	-2 763
Special purpose funds with separate assets	0	-2 192
TOTAL CASH FLOW FROM OPERATIONS (A)	25 763	30 468
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-75 622	-57 160
Received investment grants	2 064	1 877
Proceeds from sales of tangible and intangible assets	160	13
Investments in financial assets	9 019	59 609
Other net proceeds from investment activities	17 439	21 714
TOTAL CASH FLOW FROM INVESTMENTS (B)	-46 940	26 053
CASH FLOW FROM FINANCING		
Changes in equity	3 162	-92 618
Change in loans		
Withdrawed short-term loans	0	42 508
Paid long-term loans	-45 306	-8 409
Withdrawed long-term loans	101 008	0
Special purpose funds with separate assets	0	596
TOTAL CASH FLOW FROM FINANCING (C)	58 864	-57 923
CHANGE IN CASH AND BANK (A+B+C)	37 686	-1 402
Cash and bank, beginning of period	63 073	62 879
Cash and bank, end of period	100 796	63 073
Special purpose funds with separate assets, beginning of period	37	1 633
Special purpose funds with separate assets, end of period	0	37
CHANGE IN CASH AND BANK	37 686	-1 402

Aalto University Foundation

Aalto University Foundation forms a group, domiciled in Helsinki.

The annual statements and financial reports of the Aalto University Foundation are available at Aalto University Foundation, Lämpömiehenkuja 2, 02150 Espoo.

Accounting principles

Aalto University Foundation's accounting complies with the principles laid down in the Finnish Accounting Act (1336/1997) and the Accounting Code for Universities (1/500/2013) issued by the Ministry of Education and Culture (MoE).

Valuation of fixed assets

Fixed assets have been valued at the original acquisition cost deducted by accumulated depreciation according to plan. Depreciation according to plan has been calculated from intangible assets according to straight-line depreciation and from tangible assets based on straight-line depreciation or declining depreciation. Minimum value for activating fixed asset to balance sheet is €10 000.

Depreciation according to plan categories are:

Asset group	Depreciation method	Period
Intangible assets	Straight-line depreciation	4–10 years
Buildings	Straight-line depreciation	23–40 years
Longstanding teaching and research equipment, heavy machinery	Straight-line depreciation	10–15 years
Equipment, machinery and furniture	Straight-line depreciation or declining depreciation	4–5 years / 25%

Valuation of inventories

Inventories are valued in the balance sheet at acquisition cost or net realizable value if lower.

Valuation of financial assets

Financial assets are valued in the balance sheet at the market value.

Expenses of fundraising, and investment and financing activities

As of 2016 the expenses of Fundraising, and investment and financing activities have been recorded in the Fundraising and investment and financing activities. Until year 2015 a significant part of the costs were recorded in the Ordinary operations. Comparative data from year 2015 has not been restated.

Unrestricted fund

Aalto University Foundation's Board decided on 25 November 2016 to form an unrestricted fund. Investment and financing

activities' surplus is transferred to the fund yearly, before approving the financial statements. The accumulated surplus (€123.2 million) for the years 2008–2015 and the surplus of the year 2016 (€14.3 million) were transferred to the fund. The Board decides on the use of the fund to cover the University's activities.

Fair value reserve

Since the investments are long term, Foundation uses the Fair value reserve method. In Fair value reserve method the endowment capital is valued at market value and the impact of unrealized profits and losses is shown under Equity in liabilities. The fair value of financial instruments in the balance sheet is reliably definable. Non-current and relevant losses are posted as expense in the income statement.

Value added tax compensation receivables and liabilities

According to the Universities Act the Ministry of Education and Culture shall compensate to the universities the value added tax included in the cost incurred by the universities in the provision of educational services and in procurement and facility rents relating to research other than commercial research. During the financial year the Foundation has followed net procedure as regards to the VAT. The receivables relating to the VAT compensation from the MoE is recorded in long-term receivables and the liabilities in long-term liabilities. Both have been calculated according to the principles set in the Accounting Code for Universities.

Revenue recognition

The revenue from ordinary operations of the University is recognized as a percentage of completion using cost to cost method. The non-invoiced turnover of the subsidiaries involved in business transactions is recorded in the accounts according to estimated level of completion of the deliverable. The corresponding receivable is recorded in the accrued income. Received advance payments are recorded in the balance sheet as short-term debts. The revenue from educational programs is recorded as income in proportion of number of training days provided.

Business activities

Business activities are operations that according to tax authorities are subject to corporate income tax. In accounting all projects that fulfill the business activity characteristics defined by tax authorities have been classified as business activities.

Statutory pension

Statutory pension for employees born before 1 January 1980 and transferred from the three earlier universities has been arranged through Keva and for other employees in an external pension insurance company. Pension fees are expensed according to accrual basis.

Items in foreign currencies

Receivables and payables in foreign currencies have been translated into euro at the average exchange rate in force on the last day of the financial year.

Derivate contracts

University uses interest rate derivatives to hedge its exposure to changes in future interest payment cash flows concerning long-term loans. Derivatives are only used in a protective purpose.

Aalto University Properties Oy, an Aalto University subsidiary, uses electricity derivatives to balance the energy costs. Unrealised gains and losses on contracts hedging future purchases are not recognised in profit or loss.

Derivatives are not subject to hedge accounting.

Management compensation

The management compensation includes salaries and other compensation paid to the members of the Foundation Board of Trustees and the President and for the Board members and CEO's of the Group subsidiary companies.

Pro forma income statement

A Pro forma income statement is included in the Financial Statements. In order to give a better overview of the financials, Pro forma income statement does not follow the official income statement structure. Pro forma income statement is not audited.

Accounting principles and extent of the consolidated accounts

The Group consolidation is done according to the acquisition cost method. In addition to the parent organization Aalto University Foundation, the accounts of the subgroups Aalto Holding Oy and Aalto University Properties Oy have been consolidated.

In addition, the proportion of Aalto University Foundation's shareholding in the associated real estate company Kiinteistö Oy Helsingin Pohjoinen Hesperiankatu 23A (50,0%) and the associated housing company Asunto Oy Eteläinen Hesperiankatu 4 (26,98%) are consolidated in the Group accounts.

Associated companies Otahalli Oy (25,0%) and Asunto Oy Kartanontanhua (31,45%) have not been consolidated in the Group accounts as consolidation is not necessary to give true and fair view of the financial situation of the Aalto University Foundation Group.

Internal business operations, internal receivables and liabilities, mutual ownership as well as internal profit sharing have been eliminated.

Goodwill's depreciation plan is five year straight-line.

The income statement of the foreign Group company has been converted into euros with ECB's average exchange rate for the financial year. Balance sheet has been converted into euros with the exchange rates at the end of the financial year. Differences in exchange rates and elimination of shareholding caused by conversions are recorded in Surplus of the financial year.

NOTES TO INCOME STATEMENT, €1 000

1. TOTAL INCOME AND EXPENSES	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Total income	389 530	410 221	414 461	430 767
Total expenses	373 673	391 783	389 781	401 971
Difference	15 857	18 437	24 680	28 796
2. GRANT INCOME	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Tekes grants	22 511	25 566	22 511	25 728
Academy of Finland grants	40 295	35 415	40 295	35 415
European Union grants	20 908	19 368	20 908	19 368
Other grants	11 603	13 460	11 709	13 460
Total	95 316	93 810	95 618	93 971
3. INCOME STATEMENT BY FIELD OF OPERATION	Foundation 2016	Foundation 2015		
Education				
Income				
Income from grants	15 949	17 259		
Income from business activities	1 584	1 966		
Other income	1 839	2 317		
	19 372	21 541		
Expenses				
Personnel expenses	27 288	31 820		
Depreciation	1 159	1 158		
Other expenses	6 096	7 856		
Share of common expenses	25 531	29 906		
	60 073	70 739		
Education total	-40 702	-49 198		
Research				
Income				
Income from grants	77 852	75 508		
Income from business activities	7 732	8 602		
Other income	8 977	10 139		
	94 561	94 250		
Expenses				
Personnel expenses	133 203	139 247		
Depreciation	5 657	5 068		
Other expenses	29 758	34 377		
Share of common expenses	124 627	130 872		
	293 245	309 565		
Research total	-198 683	-215 315		
Artistic activities				
Income				
Income from grants	320	245		
Income from business activities	32	28		
Other income	37	33		
	389	306		
Expenses				
Personnel expenses	547	453		
Depreciation	23	16		
Other expenses	122	112		
Share of common expenses	512	425		
	1 205	1 006		
Artistic activities total	-817	-700		
Societal impact				
Income				
Income from grants	1 196	797		
Income from business activities	119	91		
Other income	138	107		
	1 452	995		
Expenses				
Personnel expenses	2 046	1 470		
Depreciation	87	53		
Other expenses	457	363		
Share of common expenses	1 914	1 381		
	4 504	3 267		
Societal impact total	-3 051	-2 272		

Common expenses

Personnel expenses	64 551	72 244
Depreciation	1 490	1 508
Other expenses	86 543	88 832
-transferred to functions	-152 584	-162 584

Total common expenses 0 0

4. PERSONNEL EXPENSES

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Salaries and other compensations	188 776	200 924	196 679	207 892
Pension expenses	30 950	36 594	32 432	37 986
Other social expenses	7 910	7 716	8 304	8 034

Total 227 636 245 233 237 415 253 911

5. OTHER EXPENSES

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Materials and supplies	8 911	11 087	16 727	18 847
Rents and facility expenses	64 847	67 178	21 034	22 175
Travel expenses	10 642	11 698	10 938	11 926
Services	26 075	27 618	38 108	38 902
Other expenses	12 504	13 959	19 910	23 642

Total 122 978 131 540 106 717 115 493

6. PROFIT AND LOSS STATEMENT FOR BUSINESS ACTIVITIES

Subject to corporate income tax Foundation 2016 Foundation 2015

NET SALES 9 466 11 649

Materials and services

Materials and supplies	344	819
External services	530	566
Total	874	1 384

Personnel expenses

Salaries and other compensations	2 295	2 683
Pension expenses	386	500
Other social expenses	864	957
Total	3 545	4 140

Depreciations 43 65

Other expenses 4 691 6 011

PROFIT BEFORE TAXES AND APPROPRIATIONS 313 49

Tax 64 10

NET PROFIT 249 39

7. DEPRECIATION AND AMORTIZATION

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Depreciation according to plan				
Intangible assets	184	121	184	121
Other long-term expenditure	0	14	0	85
Buildings	31	12	11 335	10 851
Machinery and equipment	8 191	7 657	10 373	9 638
Other tangible assets	10	0	111	250
Additional depreciation	0	0	744	136
Amortization	0	0	17	15

Total 8 416 7 805 22 786 21 096

8. TAX

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Tax	64	17	1 498	557
Change in deferred tax	0	0	733	940

Total 64 17 2 679 1 498

NOTES TO BALANCE SHEET, €1 000

9. INTANGIBLE ASSETS	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Intellectual property rights				
Acquisition value 1 Jan.	1 550	1 177	1 568	1 195
Increases	373	373	373	373
Acquisition value before depreciation 31 Dec.	1 923	1 550	1 941	1 568
Total depreciation 1 Jan.	-651	-530	-651	-530
Depreciation for the financial year	-184	-121	-184	-121
Total depreciation 31 Dec.	-835	-651	-835	-651
Book value 31 Dec.	1 089	899	1 107	917
Goodwill				
Acquisition value 1 Jan.	0	0	461	461
Acquisition value before depreciation 31 Dec.	0	0	461	461
Total depreciation 1 Jan.	0	0	-396	-374
Depreciation for the financial year	0	0	-22	-22
Total depreciation 31 Dec.	0	0	-417	-396
Book value 31 Dec.	0	0	44	65
Other long-term expenditure				
Acquisition value 1 Jan.	1 369	808	1 369	808
Increases	407	563	407	563
Decreases	-1 574	-2	-1 574	-2
Acquisition value before depreciation 31 Dec.	202	1 369	202	1 369
Total depreciation 1 Jan.	-202	-187	-202	-187
Depreciation for the financial year	0	-14	0	-14
Total depreciation 31 Dec.	-202	-202	-202	-202
Book value 31 Dec.	0	1 167	0	1 167
TOTAL INTANGIBLE ASSETS	1 089	2 066	1 150	2 150
10. TANGIBLE ASSETS	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Land and water areas				
Acquisition value 1 Jan.	324	324	39 886	33 881
Increases	0	0	2 630	6 005
Decreases	-324	0	-1 400	0
Acquisition value before depreciation 31 Dec.	0	324	41 116	39 886
Book value 31 Dec.	0	324	41 116	39 886
Buildings and constructions				
Acquisition value 1 Jan.	77	59	350 714	325 659
Increases	87	18	29 977	25 054
Decreases	0	0	-55	0
Acquisition value before depreciation 31.12.	164	77	380 635	350 714
Total depreciation 1 Jan.	-44	-32	-56 960	-45 860
Depreciation for the financial year	-31	-12	-11 649	-10 851
Additional depreciation	0	0	-685	-250
Total depreciation 31 Dec.	-75	-44	-69 294	-56 960
Book value 31 Dec.	88	32	311 342	293 753
Machinery and equipment				
Acquisition value 1 Jan.	62 041	53 530	90 660	77 573
Increases	9 942	9 456	12 756	14 048
Investment grants	-2 064	-878	-2 064	-878
Decreases	-290	-67	-308	-82
Acquisition value before depreciation 31 Dec.	69 630	62 041	101 045	90 660
Total depreciation 1 Jan.	-40 110	-32 454	-49 699	-40 061
Depreciation for the financial year	-8 191	-7 657	-10 427	-9 638
Foreign exchange difference	0	0	1	0
Total depreciation 31 Dec.	-48 301	-40 110	-60 125	-49 699
Book value 31 Dec.	21 328	21 931	40 920	40 961

Other tangible assets				
Acquisition value 1 Jan.	35	35	2 515	2 015
Decreases	-10	0	213	500
Acquisition value before depreciation 31 Dec.	25	35	2 728	2 515
Total depreciation 1 Jan.	0	0	-247	-111
Depreciation for the financial year	0	0	-160	-136
Additional depreciation	0	0	-10	0
Total depreciation 31 Dec.	0	0	-417	-247
Book value 31 Dec.	25	35	2 311	2 268

Advance payments and work in progress				
Acquisition value 1 Jan.	4 521	2 391	32 577	22 969
Increases	3 522	8 078	37 896	32 254
Investment grants	0	-1 000	0	-1 000
Decreases	-4 892	-4 948	-4 892	-21 646
Acquisition value before depreciation 31 Dec.	3 152	4 521	65 582	32 577
Book value 31 Dec.	3 152	4 521	65 582	32 577

TOTAL TANGIBLE ASSETS **24 593** **26 843** **461 270** **409 446**

11. INVESTMENT GRANTS				
	Foundation 2016	Foundation 2015		
Academy of Finland	2 064	1 477		
Other	0	400		
Total	2 064	1 877		

Investment grant related refund liability on 31.12.2016 is €4 093 098 (in 2015 €3 225 934).

12. VALUE OF MARKETABLE SECURITIES				
	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Market value	960 874	939 276	973 127	955 382
Book value	960 874	939 276	972 804	955 650
Difference	0	0	323	-268

The value of marketable securities is included in the balance sheet in Other shareholdings. In addition to the value of investments, Other shareholdings also includes €3 258 643 worth of shares in housing companies and other shares related to the University's ordinary operations.

13. CHANGES IN INVESTMENTS				
	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Shares in Aalto Group companies				
Book value 1 Jan.	154 860	102 305	0	0
Increases	1 678	52 555	0	0
Book value 31 Dec.	156 538	154 860	0	0
Shares in associated companies				
Book value 1 Jan.	2 863	2 737	3 144	3 007
Increases	289	139	2 305	139
Decreases	-141	-13	-141	-2
Book value 31 Dec.	3 012	2 863	5 308	3 144
Shares in jointly owned companies				
Book value 1 Jan.	3 215	3 215	0	0
Book value 31 Dec.	3 215	3 215	0	0
Other shareholdings				
Book value 1 Jan.	942 684	897 109	942 684	897 109
Increases	209 740	442 263	209 740	442 263
Decreases	-188 291	-396 689	-188 291	-396 689
Book value 31 Dec.	964 133	942 684	964 133	942 684

14. ENDOWMENT PORTFOLIO

	Domicile	Aquisition value 31.12.2016	Market value 31.12.2016	Book value 31.12.2016
Aktia Emerging Market Local Currency Bond	Finland	26 075	29 211	29 211
Aktia Emerging Market Local Currency Frontier Bond	Finland	10 000	10 105	10 105
AQR Managed Futures UCITS Fund	Luxembourg	10 000	9 905	9 905
BlueBay Emerging Market Investment Grade Corporate Bond	Luxembourg	11 582	12 639	12 639
Capital Four Invest European Loan & Bond Fund	Luxembourg	33 880	36 408	36 408
Danske Invest Europe Enhanced Index	Finland	54 916	68 472	68 472
Danske Invest North America Enhanced Index	Finland	37 423	67 259	67 259
Eaton Vance Parametric Emerging Markets	Ireland	26 512	29 876	29 876
eQ Europe Stock Index	Finland	38 464	53 160	53 160
eQ US Stock Index	Finland	29 393	60 303	60 303
Evli Euro Liquidity	Finland	62 335	63 976	63 976
Evli Finnish Small Cap	Finland	12 369	23 662	23 662
Investec Emerging Markets Local Currency Debt	Luxembourg	10 066	10 505	10 505
iShares € Corp Bond Interest Rate Hedged UCITS ETF	Ireland	35 218	33 578	33 578
iShares Core MSCI EM IMI UCITS ETF	Ireland	8 277	7 708	7 708
iShares Core MSCI Japan IMI UCITS ETF	Ireland	13 875	15 468	15 468
iShares Edge MSCI EM Minimum Volatility UCITS ETF	Ireland	15 559	16 491	16 491
iShares MSCI EM Small Cap UCITS ETF	Ireland	15 882	16 145	16 145
iShares STOXX Europe 600 UCITS ETF	Germany	25 934	26 639	26 639
JPMorgan Emerging Markets Debt Fund	Luxembourg	51 780	54 777	54 777
Mirae Asia Great Consumer Equity Fund	Luxembourg	19 400	17 825	17 825
Muzinich Enhancedyield Short-Term Fund	Ireland	41 945	45 314	45 314
Muzinich Short Duration High Yield Fund	Ireland	24 102	26 130	26 130
Nomura US High Yield Bond Fund	Ireland	6 000	6 491	6 491
Nordea 1 - European High Yield Bond Fund	Luxembourg	5 577	8 805	8 805
OP-Euro A	Finland	34 565	34 589	34 589
OP-Likvidi A	Finland	10 002	10 003	10 003
OP-Obligaatio Prima A	Finland	39 129	40 436	40 436
Robeco Investment Grade Corporate Bonds IH	Luxembourg	13 936	16 206	16 206
Robeco Investment Grade Corporate Bonds OIH	Luxembourg	36 945	37 821	37 821
Robeco Lux-o-rente IH	Luxembourg	16 000	15 190	15 190
SEB Nordic Small Cap Fund	Luxembourg	7 548	14 733	14 733
Vanguard FTSE Developed Europe ex UK UCITS ETF	Ireland	9 928	10 480	10 480
Vanguard S&P 500 UCITS ETF	Ireland	29 398	30 566	30 566
Fixed-term deposit and cash		61 045	61 045	61 045
Total		885 059	1 021 918	1 021 918

The endowment portfolio is included in Other shareholdings and Cash and bank. €8 million of the returns of the endowment portfolio were used to finance the ordinary operations of the Aalto University.

15. OUTSTANDING LOANS

Long-term loan receivables	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Loans to group companies	257 500	0	0	0
Loans to associated companies	2 000	2 000	1 000	1 000
Total	259 500	2 000	1 000	1 000

The Foundation has granted an internal loan of €290 million for its subsidiary Aalto University Properties Oy. The loan will be used to refinance AUP's existing loans and also for ongoing property investments. The loan may be disbursed in several tranches and it will be paid back in one instalment 5 years from the last instalment. In the end of 2016 the balance of the internal loan was €257.5 million.

16. PREPAID EXPENSES AND ACCRUED INCOME

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Accrued interests	0	0	25	36
Accrued income	12 618	15 485	12 891	15 728
Other prepaid expenses and accrued income	1 686	916	6 300	7 490
Total	14 304	16 400	19 216	23 254

17. VAT COMPENSATION

	Foundation 2016	Foundation 2015
Gross expenses entitled to VAT compensation		
Expenses in profit and loss statement	111 407	118 282
Expenses activated into fixed assets	11 171	9 960
Total	122 578	128 242
VAT compensation		
On expenses	21 011	22 480
On fixed asset activations	2 162	1 926
Total VAT compensation	23 174	24 405
Received compensation from MoE	24 194	25 954
VAT compensation for the year	-1 020	-1 549
VAT compensation receivable/liability 1 Jan.	-1 999	2 258
Received compensation clearance from MoE	451	-2 709
VAT compensation for the year	-1 020	-1 549
VAT compensation receivable/liability 31 Dec.	-2 569	-1 999

18. EQUITY

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Endowment capital 1 Jan.	280 000	280 000	280 000	280 000
Endowment capital 31 Dec.	280 000	280 000	280 000	280 000
Capital reserve 1 Jan.	412 477	412 477	412 477	412 477
Capital reserve 31 Dec.	412 477	412 477	412 477	412 477
Operating equity 1 Jan.	154 644	154 644	154 644	154 644
Operating equity 31 Dec.	154 644	154 644	154 644	154 644
Fair value reserve 1 Jan.	105 360	0	105 360	0
Valuations	32 766	105 360	32 766	105 360
Fair value reserve 31 Dec.	138 126	105 360	138 126	105 360
Special purpose funds 1 Jan.	35 806	34 877	35 806	34 877
Annual return less expenses	10 918	929	10 918	929
Special purpose funds 31 Dec.	46 725	35 806	46 725	35 806
Special purpose fund with separate assets 1 Jan.	37	1 633	37	1 633
Annual return less expenses	-37	-1 596	-37	-1 596
Special purpose fund with separate assets 31 Dec.	0	37	0	37
Unrestricted fund 1 Jan.	0	0	0	0
Capital transfer	137 526	0	137 526	0
Unrestricted fund 31 Dec.	137 526	0	137 526	0
Retained earnings 1 Jan.	165 160	146 722	179 152	178 707
Changes in income and expenses in previous accounting periods	0	0	0	-464
Financing of the purchase of Group's own shares	0	0	0	0
Capital transfer Unrestricted fund	-123 229	0	-123 229	0
Retained earnings 31 Dec.	41 931	146 722	55 923	150 356
Surplus of the financial year	15 857	18 437	24 378	28 796
Capital transfer Unrestricted fund	-14 297	0	-14 297	0
Retained earnings 31 Dec.	43 491	165 160	65 859	179 152
Total equity	1 212 989	1 153 484	1 235 357	1 167 476

Aalto University Properties Oy financed the purchase of its own shares by the Unrestricted Equity Fund in the year 2015.

19. SPECIAL PURPOSE FUNDS

	Fund equity 1.1.2016	Special purpose fund's fixed annual return	Received donations	Fund usage during financial year	Fund equity 31.12.2016
Special purpose funds in economics					
Helsingin kauppakorkeakoulun stipendii-rahastot	16 286	554	30	0	16 870
Matti Lehden nimikkorahasto	126	4	0	0	130
Helsingin kauppakorkeakoulun palvelu-toimintarahasto	5 194	177	0	0	5 371
Helsingin kauppakorkeakoulun yliopisto-rahasto	112	4	0	-1	115
Special purpose funds in science and technology					
Professori E. J. Nyströmin rahasto	1 786	61	0	-4	1 843
Vuorineuvos Sundbergin laaturahasto	105	1	0	-3	103
Yritystoiminnan tukirahasto	1 359	46	0	-35	1 370
Fabian Ahvenaisen rahasto	633	22	0	-11	644
Professori Hanneliuksen rahasto	30	1	0	0 31	
Teräsbetoni Oy:n rahasto	73	2	0	-2	73
Insinöörien matka-apurahasto	96	3	0	-3	97
Oy Atlas Diesel Ab:n rahasto	86	3	0	-4	85
Arkkitehti Väinö Vähäkallion stipendii-rahasto	998	34	0	-34	998
Arkkitehti Annikki Paasikiven stipendii-rahasto	1 917	65	0	-68	1 914
Teknos Winter Oy:n rahasto	89	3	0	-3	89
Oiva Allan Pölkkyksen rahasto	100	3	0	-1	103
Aleksander ja Lucie Lampénin rahasto	2 188	74	0	-71	2 192
Oy Strömberg Ab:n rahasto	42	1	0	-1	42
Yhdistetty opiskelijarahasto	75	3	0	-2	76
Kansallis- Osake-Pankin rahasto	97	3	0	-2	99
Julius Tallbergin rahasto	155	5	0	-4	156
Ernst Wirtzenin rahasto	154	5	0	-4	155
DI Marja-Terttu Tanttisen rahasto	14	0	0	0 14	
RAPAL-apurahat	13	0	0	-2	11
Paloturvallisuustekniikan professuuri	544	3	0	0	546
Vesitalouden vesi- ja kehitysrahasto	0	0	400	0	400
Mide	664	3	0	-458	209
Talotekniikan rahasto	84	3	0	0	87

Maa- ja vesitekniikan tuki ry	352	2	0	-47	307
Alumnirahasto	18	1	0	0	18
Puurakentaminen	1	0	0	0	1
Energiatekniikan professuuri	46	0	0	-45	1
Kaute	43	0	0	0	43
Tapani Järvisen Ympäristötekniikan rahasto	64	0	0	-11	54
Puunjalostustekniikan Prof. Maloney	65	0	0	0	65
Special purpose funds in art and design					
Helmi Grönlundin rahasto	426	14	0	-5	435
Professori Nils Erik Wickbergin rahasto	789	27	0	-22	794
Arkkitehtien matka-apurahasto	48	2	0	-2	48
Fundraising eligible for government capitalization					
The field of Science and technology, capital can be used	176	1	7 788	0	7 964
The field of Art, capital can be used	25	0	311	0	336
The field of Business and Economics, capital can be used	531	3	1 770	0	2 304
Unallocated, capital can be used	204	1	330	0	534
Special purpose funds total	35 807	1 135	10 628	-845	46 725

Special purpose funds are used for scholarships to students and employees and for financing the University's operations as required by donors. The funds are grouped by field of study. The funds receive yearly return according to the University's investments' annual return.

SPECIAL PURPOSE FUND WITH SEPARATE ASSETS

	Fund equity 1.1.2016	Received donations	Fund usage during financial year	Fund equity 31.12.2016
AppCampus-rahasto	37	0	-37	0

20. UNRESTRICTED FUND

	Fund equity 1.1.2016	Capital transfers during the financial year	Fund usage during the financial year	Fund equity 31.12.2016
Investment surplus reserve fund	0	137 526	0	137 526

21. LIABILITIES

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Long-term liabilities				
Loans from financial institutions	265 000	0	266 238	173 581
Short-term liabilities				
Loans from financial institutions	2 500	0	2 673	48 439
Accrued expenses				
Accrued salaries and wages	17 058	19 059	1 112	20 021
Accrued tax	46	0	296	224
Other accrued expenses	803	632	1 050	1 752
Total	17 906	19 692	2 458	21 997

OTHER NOTES, €1 000

22. LEASE CONTRACTS

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Lease payments due within one year	398	546	622	1 005
Lease payments due later	317	519	663	1 228
Total	714	1 065	1 286	2 233

23. RENTAL AGREEMENTS (incl. VAT)

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Rental agreement liabilities due within one year	11 711	65 928	13 099	12 906
Rental agreement liabilities due later	11 706	405 277	21 480	21 377
Total	23 418	471 206	34 579	34 283

Aalto University Properties Oy changed to a mutual real estate company on 1.1.2017 and will charge Aalto University only the maintenance charge and capital charge. The change has reduced the rental agreement liabilities significantly.

24. DERIVATIVE CONTRACTS

Derivatives in the Aalto Group consist of commodity (electricity) and interest rate swap agreements. Commodity swap agreements provide protection against the fluctuation of electricity prices and interest rate swap agreements provide protection against rate changes by swapping the variable interest rate of bank loans to fixed rate. Commodity swap agreements extend to the years 2017–2020 and interest swap agreements to the years 2017–2027. The contracts existing at the end of the fiscal year provide an approximately 64% protection rate for the total interest-bearing loan portfolio. Derivatives are only used in a protective purpose. The contracts have early termination.

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Electricity derivatives				
Protected amount, MWh	0	0	93 715	90 343
Current value of contracts, €1 000	0	0	-374	-1 139
Interest rate swap agreements				
Nominal value of contracts	203 941	0	0	181 218
Current value of contracts, €1 000	-10 101	0	0	-8 708

25. LIABILITIES WITH PROPERTY COLLATERALS

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Bank loans	0	0	7 710	177 364
Other loans	0	0	4 747	3 656
Total collateral loans	0	0	12 457	181 020

26. LIABILITIES WITH SHARES AS COLLATERALS

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Bank loans	0	0	0	35 000
Book value of shares deposited as collaterals	0	0	0	5 943

27. LOANS WITH MATURING PERIOD OVER FIVE YEARS

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Bank loans	165 623	0	165 623	61 837

28. VAT REFUND LIABILITIES

Companies owned by the Foundation have deducted VAT from their property investments and this involves liability to revise the deduction in the case of alteration of use in the of property. In 2009 the VAT refund liability relating to the property that was transferred from the Senate Properties was not transferred to the group company (except for Metallimiehenkuja 10 that was under renovation).

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
VAT refund liability 31 Dec.				
Completed projects (10 year revision period)	182	212	22 425	18 108
Work in progress	0	0	14 789	5 461
Total	182	212	37 214	23 568
Total VAT relating to the investments under revision liability				
Completed projects (10 year revision period)	303	378	31 062	26 396
Work in progress	0	0	14 789	5 461
Total	303	378	45 851	31 857

29. LEGAL PROCEEDINGS AND OTHER COMPENSATION CLAIMS

The foundation had two dispute matters in process on 31.12.2016. Total estimated risk relating to these disputes is €200 000.

30. OTHER CONTINGENT LIABILITIES

Other short term debts

The group company Aalto University Properties Oy has made an agreement with the city of Espoo on land area usage. The agreement covers Otaniemi's city plan, which came into effect in August 2015. Contractual compensation of €500 000 has been paid in 2016. The remaining compensation of €700 000 will be due in 2017.

Income taxation

The Supreme Administrative Court judged in May 2016 in accordance with the requirement of Aalto University Properties Oy that the company is entitled to make depreciations from buildings already in year 2009's taxation. The Finnish Tax Administration returned to the company €3 166 624 taxes and interests paid from the profit of the year 2010.

Covenants

Aalto University's collateral loans include covenants. The agreed terms cover for example the University's financial solidity. Covenant terms are fulfilled and followed.

Share of mortgage

The Foundation owns a 27% share of Asunto Oy Helsingin Eteläinen Hesperiankatu 4 housing company, which entitles to the use of 7 apartments. The housing company's mortgage relating to these 7 apartments is €2,0 million (€2,17 million).

31. AUDITOR FEES

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Audit fees	25	53	76	115
Tax advisory fees	3	7	5	10
Other fees	1	5	14	10
Total	29	64	95	135

32. AVERAGE PERSONNEL

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Teaching and research	2 846	3 040	2 846	3 040
Other personnel	1 220	1 345	1 355	1 479
Total	4 066	4 385	4 201	4 519

33. MANAGEMENT COMPENSATION

	Foundation 2016	Foundation 2015	Group 2016	Group 2015
Members of Boards, the President and CEOs of Group companies	365	362	1 449	1 322

34. RELATED PARTY FINANCIAL TRANSACTIONS

	Grants and similar payments with no respective input received	Financial activities with respective input received	Expenses	Receivables	Liabilities
Founders and their subsidiaries, Aalto University's subsidiaries	0	72	45 475	258 134	134
Above parties' board members, CEOs and their substitutes, auditors, Aalto University's directors and any companies owned by aforementioned	0	75	3 255	336	104
Family members of the above	0	0	93	0	0
Total	0	146	48 823	258 470	238

35. SHARES IN OTHER COMPANIES

Company	Domicile	Shares owned by Foundation	Shares owned by Group	Total equity
Aalto Holding Oy	Helsinki	100,00%	100,00%	(consolidated to group)
Aalto-yliopistokiinteistöt Oy	Espoo	100,00%	100,00%	(consolidated to group)
Asunto Oy Hgin Eteläinen Hesperiankatu 4	Helsinki	26,98%	26,98%	(consolidated to group)
Kiinteistö Oy Hgin Pohj. Hesperiankatu 23A	Helsinki	50,00%	50,00%	(consolidated to group)
Otahalli Oy	Espoo	25,00%	25,00%	1045
Asunto Oy Kartanontanhua	Espoo	31,45%	31,45%	8



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