

## Technopolis Group Financial Statements for 2014

### Profitable Growth Continued in 2014

- Net sales up by 28.0% to EUR 161.7 (126.3) million
- EBITDA up 35.9% to EUR 87.2 (64.1) million
- Financial occupancy rate rose to 94.7 (93.6) %
- Earnings per share were EUR -0.15 (0.30), including changes in fair value and unrealized exchange rate losses
- Fair values were down EUR 40.5 (-17.6) million
- Unrealized exchange rate losses totaled EUR -22.1 (-5.7) million
- Direct result (EPRA) grew 38.1% to EUR 55.9 (40.5) million
- Direct result per share (EPRA) was EUR 0.53 (0.47)
- Net asset value per share (EPRA) was EUR 4.52 (4.94)
- The Board of Directors proposes a dividend of EUR 0,15 per share

The acquisitions completed in 2013 and investments in campus expansions accelerated growth significantly, boosting net sales by 28.0%. Technopolis has been able to control its costs, with expenses growing 16.9% compared to EBITDA growth of 35.9%. EBITDA included non-recurring expenses of EUR 1.2 (2.3) million.

Key Indicators	10-12/	10-12/	1-12/	1-12/
	2014	2013	2014	2013
Net sales, EUR million	41.4	34.7	161.7	126.3
EBITDA, EUR million	21.9	16.9	87.2	64.1
Operating profit, EUR million	-3.5	11.6	42.9	43.9
Net result for the period, EUR million	-28.0	15.9	-3.0	31.6
Earnings/share EUR	-0.29	0.16	-0.15	0.30
Cash flow from operations/share, EUR			0,63	0.53
Equity ratio, %			38.5	40.2
Equity/share, EUR			4.17	4.66

  

EPRA-based Key Indicators	10-12/	10-12/	1-12/	1-12/
	2014	2013	2014	2013
Direct result, EUR million	16.7	11.2	55.9	40.5
Direct result/share, EUR	0.16	0.13	0.53	0.47
Net asset value/share, EUR			4.52	4.94
Net rental yield, %			7.5	7.6
Financial occupancy rate, %			94.7	93.6

The EPRA-based (European Public Real Estate Association) direct result does not include unrealized exchange rate gains or losses or fair value changes.

### Keith Silverang, CEO:

"Technopolis performed well despite the challenges of 2014, and recorded healthy operational earnings. We saw a significant increase in our net sales and EBITDA, and our occupancy rate rose. Our EPRA-based net result, which only contains operational items, grew 38.1%. What's more, our EBITDA margin rose from 50.7% in the last year to 53.9% thanks to effective cost control.

The decline in our IFRS-based earnings resulted from a EUR 40.5 million decrease in the fair value of investment properties and EUR 22.1 million in unrealized exchange rate losses, coming primarily from the devaluation of the Russian ruble. Russian business operations account for 4% of the company's balance sheet.

The equity ratio fell by 1.7 % year-on-year, primarily due to weaker currencies. Despite the fall, our equity ratio was 38.5%, remaining well above the 35% target set by the Board.

In 2014, we focused on operational efficiency enhancement and on the integration of campuses acquired in 2013. We were able to raise the occupancy rate of the Peltola campus in Oulu from 54% at the point of acquisition to 90%. In Vilnius, a high occupancy rate and our customers' expansion requirements offer excellent opportunities to invest in further expansion this year. In Oslo, we did more than 12,000m<sup>2</sup> in new agreements, including 5,400m<sup>2</sup> in new leases. The Falcon Business Park acquired in Espoo, Finland, was renamed Innopoli 3 and successfully integrated into the Otaniemi Campus.

The Technopolis concept is effective and replicable, as demonstrated by successful integration and higher EBITDA margins. It has enabled us to achieve strong financial occupancy rates in Finland, and robust growth outside the country.

We will continue to invest in international growth. That said, all new investments will still need to meet strict investment criteria, and we will continue to focus sharply on profitability.”

## Business Conditions and Business Segments

At the end of the reporting period, Technopolis had 742,000 (746,800) m<sup>2</sup> of rentable space, divided between three business segments.

### Finland

According to consensus information collected by the Federation of Finnish Financial Services (FK), Finland's GDP is forecast to have decreased by 0.2% in 2014. According to Statistics Finland, unemployment rate was 8.8% and inflation 0.5%. According to the consensus collected by the FK Finnish GDP is expected to rise 0.5% in 2015. The economic sanctions against Russia and the structural problems facing the economies of Finland and Europe will delay prospects for an economic upswing.

Finland	1-12/2014	1-12/2013	Change, %
Number of campuses	16	17	-5.9
Rentable space, m <sup>2</sup>	543,200	555,900	-2.3
Average rent, EUR/m <sup>2</sup>	16.79	16.21	3.5
Financial occupancy rate, %	93.7	92.9	0.8 pp
Net rental income, EUR million	103.3	94.9	8.8
Net sales, EUR million	118.6	109.4	8.4
EBITDA, EUR million	62.6	56.1	11.7
Market yield requirement, average, %	7.9	7.9	0 pp
Fair value of investment properties, EUR million	951.9	981.0	-3.0

### Baltic Rim

This segment includes Estonia, Russia and Lithuania. According to different market sources Estonia's GDP is expected to grow 1.7% in 2014, with the inflation rate at 0.0 % and the unemployment rate at 7.8%. The deteriorating economic prospects in the eurozone and in Russia are clouding the outlook for the export sector. Estonia's GDP is expected to grow 2.2% in 2015. According to Bloomberg the inflation rate in Russia was 7.8%, unemployment rate was 5.2% and GDP growth 0.5%. Growth in Russia was and will continue to be adversely affected by economic sanctions and falling oil prices. According to Bloomberg Russia's GDP is expected to shrink 4.0 % in 2015. According to different market sources Lithuania's GDP was projected to grow 2.5% in 2014, while the inflation rate was 0.3% and the unemployment rate 10.8%, with improved productivity driving the growth. The expected GDP growth in Lithuania for 2015 is 2.8%.

Baltic Rim	1-12/2014	1-12/2013	Change, %
Number of campuses	3	3	0.0
Rentable space, m <sup>2</sup>	135,800	119,500	13.6
Average rent, EUR/m <sup>2</sup>	14.00	15.04	-6.9
Financial occupancy rate, %	98.4	99.1	-0.7 pp
Net rental income, EUR million	23.6	15.3	54.3
Net sales, EUR million	24.9	15.9	56.3
EBITDA, EUR million	13.4	7.6	77.0
Market yield requirement, average, %	8.7	9.0	-0.3 pp
Fair value of investment properties, EUR million	224.7	212.4	5.8

Following the acquisition of a campus in Vilnius on May 31, 2013, and investments in the expansion of the Tallinn and St. Petersburg campuses, Technopolis recorded strong growth in operations. The Russian ruble weakened 37% against the euro during the year.

## Scandinavia

According to Bloomberg the inflation rate in Norway was 2.0% in 2014, while GDP growth was projected at 2.5% and the unemployment at 3.5%. GDP growth was fueled by the low unemployment rate and private consumption. Bloomberg consensus forecasts Norway's GDP to grow by 2.1% in 2015.

Scandinavia	1-12/2014	1-12/2013*)	Change, %
Number of campuses	1	1	0.0
Rentable space, m <sup>2</sup>	63,000	71,400	-11.8
Average rent, EUR/m <sup>2</sup>	22.03	21.16	4.1
Financial occupancy rate, %	95.6	89.5	6.1 pp
Net rental income, EUR million	18.0	1.0	1695.2
Net sales, EUR million	18.2	1.0	1807.2
EBITDA, EUR million	12.0	0.6	2044.0
Market yield requirement, average, %	6.4	6.5	-0.1 pp
Fair value of investment properties, EUR million	201.8	217.0	-7.0

\*) December 11 – 31, 2013

As the acquisition of the IT Fornebu campus in Oslo was completed on December 11, 2013, no comparison data for the first three quarters of 2013 is available. Rentable space decreased due to the expansion of service areas by 3,800m<sup>2</sup> and an increase in unrentable space.

## Financial Performance

The Group's total net sales were up by 28.0% to EUR 161.7 (126.3) million. The Group's rental revenue amounted to EUR 144.8 (111.1) million; an increase of 30.3% compared to the corresponding period in 2013. This was primarily due to an increase in rentable space. Service revenue grew by 10.8% to EUR 16.9 (15.2) million. The acquisition of new campuses without service revenue contributed to the growth in the service business being slower than growth in rental revenue. Depending on the campus, service operations are expected to reach their net sales targets within one to three years of acquisition.

In January–December, the Group's EBITDA was up 35.9% to EUR 87.2 (64.1) million. New sales grew faster than expenses, and the EBITDA margin rose to 53.9% (50.7%).

Top line growth resulted in a 16.9% year-on-year increase in expenditure. Property maintenance expenses rose by 25.8% to EUR 41.2 (32.8) million. The Group's administrative costs were up 24.8% to EUR 13.8 (11.1) million, and included non-recurring expenses in the amount of EUR 1.2 (2.3) million. Other operating expenses decreased by 1.5% to EUR 20.0 (20.4) million.

The fair values of investment properties fell by EUR 40.5 (-17.6) million during the reporting period.

Changes in fair values are result of:

EUR million	Change in net yield requirement	Change in occupancy rate assumption	Modernization	Projects in progress	Total
Finland	-2.6	-9.4	-39.1	0.5	-50.6
Baltic Rim	2.9	0.1	1.3	1.5	5.8
Scandinavia	3.4	-3.5	4.4	-	4.3
Total	3.7	-12.8	-33.4	2.0	-40.5

The Group's operating profit was EUR 42.9 (43.9) million.

The Group's net financial expenses were EUR 42.2 (21.2) million. Unrealized exchange rate losses of EUR -22.1 (-5.7) million were booked under financial items. The Group's pre-tax profit totaled EUR 0.6 (22.6) million. The net result for shareholders of the parent company was EUR -11.7 (28.8) million.

The EPRA-based direct result increased by 38.1% to EUR 55.9 (40.5) million. Financial expenses in the EPRA-based direct result were EUR 20.2 (15.0) million. The financial expenses included EUR 1.8 million in realized exchange rate losses. Taxes on operating items decreased to EUR 3.9 (4.0) million. Earnings per share rose to EUR 0.53 (0.47).

## Customers and Lease Stock

Technopolis currently has a total of approximately 1,700 customers, and roughly 47,000 people work in its facilities. The twenty largest customers had leased approximately 29.7% of the company's rented space by December 31, 2014.

Lease stock, % of space	Dec 31, 2014	Sept 30, 2014	June 30, 2014	March 31, 2014	Dec 31, 2013
Maturity, years					
< 1	17	17	14	17	22
1-3	23	25	24	21	22
3-5	12	12	9	12	13
> 5	22	21	24	22	26
Open-ended leases	26	25	28	28	17
Average lease term in months	39	40	40	37	35
Lease stock, EUR million	455.9	463.5	468.2	478.6	470.5

## Investments

The investment projects in progress during the reporting period, their rentable areas and estimated costs on December 31, 2014 are as follows:

Area	Name	Pre-let rate, %	m <sup>2</sup>	EUR million	Stabilized yield, % *)	Completion
Tallinn	Löötisa 5	8.6	9,200	17.0**)	8.8	09/2015
Vantaa	G-Building	32.6	5,300	18.3	8.0	09/2015
Tampere	Yliopistorinne 3-4	28.9	11,900	39.0	7.2	03/2016

\*) Stabilized yield = estimated net operating income / cost

\*\*\*) Technopolis' share 51%

## Financing

The Group's balance sheet total was EUR 1,502.9 (1,560.4) million, with liabilities accounting for EUR 927.3 (936.1) million. The Group's equity per share was EUR 4.17 (4.62) its equity ratio was 38.5% (40.2%) and its loan-to-value ratio was 59.7% (59.5%). At the period-end, the Group's net gearing was 141.4% (129.4%) and

its interest coverage ratio was 4.8 (5.3).

The Group's interest-bearing liabilities amounted to EUR 841.9 (861.9) million and the average capital-weighted loan maturity was 6.1 years (7.0 years) at the end of the period. The average interest rate on interest-bearing liabilities excluding the hybrid loan was 2.43% (2.46)%.

At the end of the period, 40.0% (49.7%) of the Group's interest-bearing liabilities were floating-rate loans and 60.0% (50.3%) were fixed-rate loans with maturities of 13–60 months. Of all interest-bearing liabilities, 2.5% (2.5)% were pegged to the under-3-month Euribor rate and 37.5% (47.2)% to Euribor rates from 3 to 12 months. The Group's interest fixing period was 2.7 (2.2) years at the end of the period. At the end of the reporting period, interest rate swaps covered EUR 482.9 (400.4) million of principal. The hedging ratio for interest-bearing liabilities was 57.4% (46.5%) and the average hedging period was 5.3 (5.2) years. A one percentage point change in market rates would cause a EUR 2.2 (3.5) million change in interest costs per annum.

At the end of the reporting period, Technopolis had EUR 156.5 (87.5) million in untapped credit facilities, and cash reserves amounting to EUR 28.3 (54.1) million. The credit facilities contained a EUR 151.1 (62.4) million credit line and a EUR 5.4 (25.1) million revolving credit facility. In addition, the company has a EUR 150.0 (120.0) million commercial paper program, of which EUR 56.5 (55.7) million was outstanding at the end of the reporting period.

During the 12-month period following the reporting period, EUR 182.2 (145.6) million in existing interest-bearing loans will mature.

The company's five largest creditors at the end of the period were the European Investment Bank, Handelsbanken, Nordea, Skandinaviska Enskilda Banken, and Swedbank, whose total lending to Technopolis amounted to EUR 605.5 million.

Technopolis had interest-bearing liabilities with covenants worth EUR 626.2 (671.6) million, with loans in the amount of EUR 360.7 (393.5) million including equity ratio-linked covenants. Of these loans, EUR 292.5 (219.2) million include a call provision. If the equity ratio falls below 33%, EUR 90.9 million of the loan principal could be called in. If the equity ratio falls below 30%, the amount could increase by EUR 201.6 million. The principal of EUR 158.5 (172.3) million includes an interest margin revision term. If the equity ratio falls below 33%, the additional impact on the interest expenses of these loans with the interest margin revision term would be EUR 0.8 (0.7) million per annum.

## Organization and Personnel

The CEO of Technopolis Plc is Keith Silverang. Reijo Tauriainen is the company's CFO and Deputy CEO.

The Group Management Team comprises Keith Silverang, Reijo Tauriainen, Juha Juntunen, Kari Kokkonen, and Outi Raekivi.

The Technopolis line organization consists of three geographical units: Finland, the Baltic Rim, and Scandinavia. The Group organization also has matrix support functions for the Group's real estate development, services, sales, marketing, and support services.

During the period, the Group employed an average of 214 (187) people. The increase in personnel is attributable to acquisitions and organic growth. Rental operations employed 75 (64) people, the service business 90 (80) people and the Group's administration 49 (43) people. The number of personnel at the period end was 220 (200).

## Corporate Responsibility

In September 2014 Technopolis expanded its environmental strategy to become a sustainability strategy, which assumes a more comprehensive approach to the areas of responsibility that are important to Technopolis and its stakeholders.

The objective of this strategy is to decrease consumption in like-for-like properties and emissions generated by these properties by 2016 from the baseline year 2011.

	2014	2011	Change, %	Target 2016
Energy consumption, kWh/gross m <sup>2</sup>	230.1	242.9	-5.3	-10%
Water consumption, m <sup>3</sup> /person	1.0	1.4	-24.5	-8%
Carbon dioxide emissions, kg CO <sub>2</sub> e/gross m <sup>2</sup>	38.5	77.2	-50.1	-50%

Measures such as property energy audits, use-related technical adjustments, and facility maintenance target setting designed to support energy efficiency have improved eco-efficiency and thereby reduced energy and water consumption in properties. However, in some properties energy consumption rose following the installation of cooling systems to improve indoor air quality in older premises, and the warm weather in the summer and fall. Similarly, changes in tenants, space efficiency, occupancy rates and a type of space use, for instance the use of premises as a data center, affect consumption. Reductions in emissions are primarily achieved with energy savings and the use of green electricity in all campuses in Finland.

During the reporting period, Technopolis achieved Green Star status in the GRESB (Global Real Estate Sustainability Benchmark) survey, and its Corporate Social Responsibility report was awarded the EPRA Bronze award. In the GRESB (Global Real Estate Sustainability Benchmark) survey, Technopolis scored the highest points of all Nordic property companies in the office category.

Furthermore, Technopolis achieved five new LEED certifications during the year, one of which was the first international Technopolis site in St. Petersburg. Two new building projects seeking LEED certification were launched during the year, and LEED certification projects were initiated for three existing sites.

## Strategic Financial Targets

In August 2014, Technopolis' Board of Directors approved the financial targets for 2015–2017 as follows:

- average annual growth in net sales and EBITDA of 15%
- at least a 6% return on capital employed per annum excluding fair value changes
- equity ratio at least 35% above the cycle

In addition to updating its strategic targets, Technopolis also revised its dividend policy calculation method. According to the revised policy, the objective is to annually distribute one third, on average, of the EPRA-based (European Public Real Estate Association) direct result in the form of dividends.

Technopolis seeks growth in the Nordic countries and in the Baltic Rim, and in its service business.

During 2014 the company achieved all its strategic financial targets: net sales rose by 28%, EBITDA increased by 35.9%, return on capital employed was at 6.6% and equity ratio at 38.5%.

## Evaluation of Operational Risks and Uncertainties

The most significant risks affecting Technopolis' business have to do with general economic conditions, translating into financing and customer risks.

The objective of interest rate risk management is to mitigate the negative impact of market rate fluctuations on the Group's earnings, financial position, and cash flow. If necessary, the company uses forwards, interest rate swaps, and interest rate options to hedge interest rate risks. The objective of the company's interest rate risk policy is also to diversify the interest rate risk of loan contracts over different loan periods based on the prevailing market situation.

The objective of refinancing risk management is to ensure that the Group's loan portfolio is sufficiently diversified with regard to repayment schedules and financing instruments. In order to manage financing risks, Technopolis draws upon the resources of a wide range of financiers, a variety of financing instruments,

and maintains a sufficient degree of solvency.

Uncertainty in the financial markets may adversely affect the availability and margins of growth financing and refinancing in the future.

The differences between legislation and administrative procedures in Finland and abroad may create risks.

Changes in exchange rates may affect the company's financial performance and operations. Foreign currency items are recorded at the exchange rate on the transaction date. Any translation differences are entered in the income statement under other operating expenses or financial income and expenses, according to the type of transaction involved.

In accordance with its foreign exchange hedging policy, the company does not hedge balance sheet items. Instead, it hedges part of the transaction risk affecting cash flows in foreign currencies. The Group's Russian and Norwegian subsidiaries generate its foreign currency-related effects. Any translation differences from investments made in Russian rubles (RUB) or Norwegian krone (NOK) are recorded in the income statement. In addition, unrealized financial income and expenses arising from the translation of the euro-denominated portion of the Russian subsidiary's borrowings are entered in the income statement.

The exchange rates used in the 2014 financial statements for operations were 8.36 for the Norwegian krone and 51.02 for the Russian ruble. The euro exchange rates used in the balance sheet were 9.0 for the Norwegian krone and 72.3 for the Russian ruble.

The direct effect of changes in exchange rates on the Group's operating profit, balance sheet and equity ratio as at December 31, 2014:

Foreign exchange % change against euro	Income statement effect	Translation difference effect	Total effect on the Group's equity	Equity ratio
RUB +10	EUR -3.6 million	EUR -1.8 million	EUR -5.4 million	38.1%
RUB -10	EUR 4.4 million	EUR 2.2 million	EUR 6.6 million	38.6%
NOK +10	-	EUR -7.9 million	EUR -7.9 million	38.3 %
NOK -10	-	EUR 9.6 million	EUR 9.6 million	38.3 %

Changes in loans denominated in Norwegian krone are proportionate to changes in shareholders' equity. As a result, changes have no effect on the equity ratio.

The sensitivity of changes in exchange rates in the Group's net sales and EBITDA as at December 31, 2014 can be illustrated as follows:

Foreign exchange % change against euro	Net sales	EBITDA
RUB +10	EUR -0.7 million	EUR -0.3 million
RUB -10	EUR 0.9 million	EUR 0.3 million
NOK +10	EUR -1.7 million	EUR -1.1 million
NOK -10	EUR 2.0 million	EUR 1.3 million

The objective of customer risk management is to minimize the negative impact of potential changes in customers' financial positions on the company's business and financial performance. Customer risk management focuses on having a solid understanding of the customer's business and active monitoring of customer information. Customer risks are diversified by acquiring customers from all sectors, including the public sector. As part of customer risk management, the leases signed by Technopolis include rental security arrangements.

Leases fall into two categories: fixed-term and open-ended. Both lease types are used as applicable, depending on the market situation, the property in question, and the sector in which the customer operates.

Declining financial occupancy rates may reduce rental and service revenue and profit, and reduce the fair value of investment properties and, thus, the equity ratio. The current lease structure allows customers to flexibly adjust the size of their premises as their business needs change. Although the flexibility of the lease structure may pose a risk to the Group, it is an essential element of Technopolis' service concept. The company has solid, long-term experience and competence in this business model in different stages of the economic cycle.

In new construction projects, Technopolis focuses on quality and on the manageability of properties over their entire life cycle. In the design phase, consideration is given to the property's maintenance and repair requirements in order to implement environmentally sustainable solutions for energy consumption, adaptability of premises, and recycling potential. When acquiring any properties, Technopolis carries out standard property and environmental audits before committing to the transaction. All properties are covered by full value insurance.

Changes in market yields may have a significant impact on the company's financial performance through the fair values of investment properties. As the yields increase, the fair value of properties decreases, and, conversely, as the yields decrease, the fair value of properties increases. Such changes either decrease or increase the Group's operating profit. Changes in market yields do not have any direct impact on the company's net sales, EBITDA, or cash flow, but a negative change in the value of investment properties may reduce the company's equity ratio and, as a result of this, the covenant terms of the loans may be met. In this case, the change in value may have an impact on the cash flow and earnings for the period.

## **Group Structure**

Technopolis Group comprises the parent company Technopolis Plc, whose subsidiaries have operations in Finland, Norway, Estonia, Russia, and Lithuania. The parent company has several subsidiaries and associates in Finland.

## **Annual General Meeting 2014**

The Annual General Meeting of Shareholders (AGM) of Technopolis was held in Espoo on March 26, 2014.

### Resolutions of the Annual General Meeting

#### Financial Statements and Dividend

The AGM 2014 adopted the Group and Parent Company's financial statements for the fiscal year 2013 and discharged the company's Board of Directors and CEO from liability. The AGM decided, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.10 per share. The dividend was paid to shareholders who were registered by Euroclear Finland Ltd on the record date of March 31, 2014. The dividend payment date was April 8, 2014.

#### Board of Directors and Remuneration of the Members of the Board of Directors

The number of members of the Board of Directors was confirmed at six. Sari Aitokallio, Carl-Johan Granvik, Jorma Haapamäki, Pekka Korhonen, Pekka Ojanpää, and Timo Ritakallio were elected members of the Board for a term of office expiring at the end of the next Annual General Meeting. Carl-Johan Granvik was elected Chairman of the Board of Directors and Jorma Haapamäki was elected Vice Chairman.

It was resolved to pay the members of the Board of Directors annual remuneration as follows: EUR 50,000 to the Chairman of the Board, EUR 30,000 to the Vice Chairman of the Board, and EUR 25,000 to each of the other members of the Board. In addition, it was decided that, for participation in meetings of the Board of Directors, each member of the Board of Directors shall, in addition to the annual remuneration, be paid a fee of EUR 600 and the Chairman of the Board of Directors a fee of EUR 1,200 for each Board meeting, and the chairmen of the committees a fee of EUR 800 and each member of the committees a fee of EUR 600 for each meeting of the committees, and that the travel expenses of the members of the Board of Directors

and the members of the committees shall be compensated in accordance with the company's travel policy.

The AGM decided that the annual remuneration will be paid on the condition that the Board member commits to using 50% of their annual remuneration to acquire Technopolis Plc shares on the market at the price determined in public trading. The shares are to be acquired within three weeks of the publication of the Interim Report for the period January 1 – March 31, 2014. If the shares cannot be purchased during this period due to insider regulations, they will be acquired on the first occasion possible according to valid insider regulations. Board members are not allowed to transfer the shares obtained as annual remuneration before their membership of the Board has ended.

In the first organizational meeting of the Board of Directors following the AGM, the Board appointed an Audit Committee and a Remuneration and HR Committee from among its members. The Audit Committee consists of Carl-Johan Granvik (Chair), Sari Aitokallio, and Pekka Korhonen. The Remuneration and HR Committee consists of Timo Ritakallio as Chairman and Jorma Haapamäki and Pekka Ojanpää as members. The Board of Directors' view is that all of the Board members are independent of the company and, with the exception of Timo Ritakallio, of its significant shareholders.

#### Auditor

KPMG Oy Ab, authorized public accountants, were re-elected as the auditors of the company, with Mr. Ari Eskelinen, APA, as the Auditor-in-Charge.

#### Board Authorizations

The AGM authorized the Board of Directors to decide on the repurchase and/or on the acceptance as pledges of treasury shares, as detailed below.

The amount of treasury shares to be repurchased and/or accepted as pledge shall not exceed 10,625,000 shares, which corresponds to approximately 10% of all the shares in the company. Under the authorization, the treasury shares may only be purchased using unrestricted equity. Treasury shares may be purchased at a price set in public trading on the date of purchase or at a price otherwise determined on the market. The Board of Directors decides how treasury shares will be repurchased and/or accepted as a pledge. Treasury shares can be repurchased using financial instruments such as derivatives, and in proportion other than the shareholdings of the shareholders (directed repurchase). The authorization will be valid until the end of the next Annual General Meeting; however, no later than June 30, 2015.

The Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act as follows:

The maximum number of shares to be issued pursuant to the authorization is 10,625,000, equaling approximately 10% of the company's shares. The Board of Directors shall decide on all the terms and conditions of the issuance of shares and of special rights entitling to shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). However, the authorization cannot be used for incentive schemes. The authorization will be valid until the end of the next Annual General Meeting; however, no later than June 30, 2015.

#### Unused Board Authorizations

The Board of Directors was authorized by the Annual General Meeting of 2014 to decide on the issue of shares and special rights referred to in the Limited Liability Companies Act, and on the repurchase and/or on the acceptance as pledge of treasury shares.

On October 30, 2014, the Board of Directors decided to acquire a maximum of 1,000,000 Technopolis Plc shares on the open market. As of December 31, 2014, the company held 428,553 treasury shares, which means the company may, pursuant to the authorization regarding treasury shares, repurchase and/or accept as pledge another 10,196,447 shares.

The Board of Directors has not exercised the rights of the 2014 AGM authorization to decide on a share issue and on special rights entitling to shares.

## **Stock-Related Events and Disclosures of Changes in Holdings**

In January 2014, a total of 20,860 new Technopolis Plc shares were subscribed based upon 2007C stock options. The shares were entered into the Trade Register on February 19, 2014.

In March 2014, a total of 118,474 new Technopolis Plc shares were subscribed based upon 2007C stock options and entered into the Trade Register on March 20, 2014.

In April 2014, a total of 103,891 new Technopolis Plc shares were subscribed based upon 2007C stock options and entered into the Trade Register on May 15, 2014.

The share subscription period for the 2007C stock options ended on April 30, 2014, and the company has no other stock option plans in effect.

Pursuant to the authorization of the AGM 2014, Technopolis acquired a total of 428,553 treasury shares in the period between November 4 and December 31, 2014.

## **Shareholders' Nomination Board**

The Nomination Board is responsible for preparing future proposals concerning the election and remuneration of the members of the Board of Directors to the General Meetings.

Based on shareholding on September 1, 2014, members of the Nomination Board were Risto Murto, President and CEO of Varma Mutual Pension Insurance Company as the Chairman; Harri Sailas, President and CEO of Ilmarinen Mutual Pension Insurance Company, and Matti Pennanen, Mayor, City of Oulu. Carl-Johan Granvik, Chairman of the Board of Technopolis Plc, participates in the Nomination Board's work as an adviser.

Proposals of the Shareholders' Nomination Board to the Annual General Meeting 2015 regarding the election of members of the Board of Directors were published by a stock exchange release on January 30, 2015.

## **Post-Fiscal Events**

Technopolis resumed its share buyback program launched on October 30, 2014. On January 19, 2015 when the program was suspended pending the company's silent period, the company held 700,000 treasury shares.

## **Board of Directors' Proposal for Distribution of Profit**

At the end of the period, distributable funds totaled EUR 19,445,385. The Board will propose that a dividend of EUR 0.15 (0.10) per share be paid, totaling EUR 15,902,374.35. The Board will further propose that the remainder be left in the retained earnings account. The proposed dividend represents approximately 28.5% of the EPRA-based direct result per share. As a part of profit sharing the company acquired 428,553 treasury shares in the period from November 4 to December 31, 2014 for a total of EUR 1.6 million.

There have been no significant changes to the company's financial status since the end of the financial period. In the opinion of the Board of Directors, the company's liquidity is good and the proposed dividend will not risk its solvency.

## **Annual General Meeting 2015**

The Annual General Meeting of 2015 will be held in Espoo on March 27, 2015. Shareholders can make

# TECHNOPSIS

resolution proposals at the meeting in matters relevant to the Annual General Meeting and included on the agenda. Shareholders who wish to include items on the agenda of the Annual General Meeting should submit their requests, with reasoning, or their resolution proposals by e-mail to [legal@technopolis.fi](mailto:legal@technopolis.fi) by February 15, 2015.

## **Future Outlook**

Technopolis expects its net sales and EBITDA in 2015 to be at the same level or slightly higher than in 2014.

The Group's financial performance depends on the development of the overall business environment, customer operations, financial markets, market yields, and currency exchange rates. Furthermore, any changes in the property portfolio may have an impact on the guidance.

Helsinki, February 9, 2015

Technopolis Plc

Board of Directors

Additional information:

Keith Silverang

CEO

tel. +358 40 566 7785

## Tables

The accounting policies applied in the interim report are the same as in the latest annual report. The formulas for calculating key indicators are available on the company website.

The interim report has been prepared in accordance with the IFRS recognition and valuation principles; the IAS 34 requirements have also been complied with.

The figures are unaudited.

Technopolis Group:

STATEMENT OF COMPREHENSIVE INCOME	10-12/ 2014	10-12/ 2013	1-12/ 2014	1-12/ 2013
Currency unit: EUR million				
Rent income	36,8	30,6	144,8	111,1
Service income	4,6	4,1	16,9	15,2
Net sales total	41,4	34,7	161,7	126,3
Other operating income	0,3	0,7	0,5	2,0
Premises expenses	-10,9	-9,3	-41,2	-32,8
Administration costs 1)	-1,5	-2,2	-13,8	-11,1
Other operating expenses	-7,4	-7,0	-20,0	-20,4
Change in fair value of investment properties	-24,4	-4,6	-40,5	-17,6
Depreciation	-1,0	-0,7	-3,8	-2,7
Operating profit/loss	-3,5	11,6	42,9	43,9
Unrealized exchange rate profit/loss	-16,7	-4,5	-22,1	-5,7
Finance income and expenses	-5,8	-1,7	-20,2	-15,5
Result before taxes	-26,0	5,3	0,6	22,6
Deferred taxes	-0,6	11,6	1,2	13,8
Current taxes	-1,4	-1,0	-4,8	-4,9
Net result for the period	-28,0	15,9	-3,0	31,6
Distribution:				
To parent company shareholders	-30,0	14,7	-11,7	28,8
To non-controlling shareholders	2,0	1,3	8,8	2,7
	-28,0	15,9	-3,0	31,6
Earnings per share, basic, EUR	-0,29	0,16	-0,15	0,30
Earnings per share, diluted, EUR	-0,29	0,16	-0,15	0,30

## STATEMENT OF COMPREHENSIVE INCOME

Net result for the period	-28,0	15,9	-3,0	31,6
Other comprehensive income items				
Items that may be reclassified subsequently to profit or loss:				
Translation difference	-19,4	-0,7	-20,6	-3,5
Available-for-sale financial assets	0,0	0,0	0,0	0,0
Derivatives	-3,0	0,1	-10,8	3,0
Taxes related to other comprehensive income items	0,8	0,0	2,5	-0,7
Other comprehensive income items after taxes for the period	-21,5	-0,6	-29,0	-1,2
Comprehensive income for the period, total	-49,5	15,3	-32,0	30,4

Distribution:				
To parent company shareholders	-46,9	14,0	-36,6	27,6
To non-controlling shareholders	-2,7	1,3	4,6	2,7
	-49,5	15,3	-32,0	30,4

## STATEMENT OF FINANCIAL POSITION, ASSETS

Currency unit: EUR million	31.12.2014	31.12.2013
Non-current assets		
Intangible assets	6,8	6,3
Tangible assets	19,6	18,6
Completed investment properties	1.378,4	1.410,4
Investment properties under construction	26,5	26,4
Investments	10,8	12,1
Deferred tax assets	17,8	15,8
Non-current assets, total	1.459,7	1.489,6
Current assets	43,2	70,8
Assets, total	1.502,9	1.560,4

## STATEMENT OF FINANCIAL POSITION, SHAREHOLDERS' EQUITY AND LIABILITIES

Currency unit: EUR million	31.12.2014	31.12.2013
Shareholders' equity		
Share capital	96,9	96,9
Premium fund	18,6	18,6
Equity related bond	74,2	74,2
Other funds	204,5	211,8
Translation difference	-20,3	-3,2
Retained earnings	153,9	142,2
Net profit for the period	-11,7	28,8
Parent company's shareholders' interests	516,1	569,3
Non-controlling interests	59,5	55,0
Shareholders' equity, total	575,6	624,3
Liabilities		
Non-current liabilities		
Interest-bearing liabilities	659,7	716,3
Non-interest-bearing liabilities	0,7	0,5
Deferred tax liabilities	34,7	32,8
Non-current liabilities, total	695,1	749,6
Current liabilities		
Interest-bearing liabilities	182,2	145,6
Non-interest-bearing liabilities	50,0	40,9
Current liabilities, total	232,3	186,5
Liabilities, total	927,3	936,1
Shareholders' equity and liabilities, total	1.502,9	1.560,4

1) Administration costs includes group expenses from key resources and administration.

## STATEMENT OF CHANGES IN EQUITY

Currency unit: EUR million

Equity attributable to owners of the parent

	Share capital	Premium fund	Other reserves	Translation differences	Own shares	Retained earnings	Share of non-controlling interests	Total shareholders' equity
Equity January 1, 2013	96,9	18,6	110,2	0,3		157,0	16,1	399,0
Comprehensive income								
Net profit for the period						28,8	2,7	31,6
Other comprehensive income items								
Translation difference				-3,5				-3,5
Derivatives		2,3						2,3
Available-for-sale financial assets		0,0						0,0
Comprehensive income for the period		2,3	-3,5		28,8	2,7		30,4
Related party transactions								
Dividend						-15,1	-0,4	-15,5
Share issue		98,7						98,7
Equity related bond issue		74,2						74,2
Investment of non-controlling interests							36,6	36,6
Other changes		0,5			0,3	0,1		0,9
Related party transactions			173,5			-14,8	36,3	194,9
Equity December 31, 2013	96,9	18,6	286,0	-3,2		171,0	55,1	624,3
Equity January 1, 2014	96,9	18,6	286,0	-3,2		171,0	55,0	624,3
Comprehensive income								
Net profit for the period						-11,7	8,8	-3,0
Other comprehensive income items								
Translation difference				-17,1		-0,4	-3,1	-20,6
Derivatives		-7,3					-1,0	-8,4
Available-for-sale financial assets		0,0						0,0
Comprehensive income for the period		-7,4	-17,1		-12,2	4,6		-32,0
Related party transactions								
Dividend						-10,6	-0,5	-11,1
Acquisition of own shares					-1,6			-1,6
Interest paid to equity related bond						-4,3		-4,3
Other changes		0,1				-0,1	0,4	0,4
Related party transactions			0,1		-1,6	-15,0	-0,1	-16,7
Equity December 31, 2014	96,9	18,6	278,7	-20,3	-1,6	143,8	59,5	575,6

STATEMENT OF CASH FLOWS	1-12/ 2014	1-12/ 2013
Currency unit: EUR million		
<hr/>		
Cash flows from operating activities		
Net result for the period	-3,0	31,6
Adjustments:		
Change in fair value of investment properties	40,5	17,6
Depreciation	3,8	2,7
Share of profits of associates	0,0	0,1
Gains from disposals	0,1	0,0
Other adjustments for non-cash transactions	0,5	0,3
Financial income and expenses	42,2	21,2
Taxes	3,6	-8,9
Increase / decrease in working capital	1,8	1,2
Interests received	0,3	0,2
Dividends received	0,0	0,0
Interests paid and fees	-15,5	-8,4
Other financial items in operating activities	-5,2	-10,2
Taxes paid	-2,6	-2,0
Net cash provided by operating activities	66,6	45,2
<hr/>		
Cash flows from investing activities		
Investments in investment properties	-53,2	-114,4
Investments in tangible and intangible assets	-11,1	-4,2
Investments in other securities		
Granted loans		-1,6
Repayments of loan receivables	1,3	0,3
Proceeds from sale of investments	0,9	
Proceeds from sale of tangible and intangible assets	6,7	5,9
Acquisition of subsidiaries	-4,6	-65,5
Proceeds from sale of associates		0,0
Acquisition of associates		
Net cash used in investing activities	-60,1	-179,5
<hr/>		
Cash flows from financing activities		
Issue of hybrid bond		75,0
Increase in long-term loans	83,0	285,0
Decrease in long-term loans	-94,8	-291,2
Dividends paid	-11,1	-15,5
Paid share issue	0,3	100,4
Acquisition of own shares	-1,6	
Capital investment by the minority		10,6
Hybrid bond interest paid	-5,6	
Acquisition of subsidiaries, no change in command	-0,4	
Change in short-term loans	1,4	9,7
Net cash provided by financing activities	-28,8	174,1
<hr/>		
Net increase/decrease in cash assets	-22,3	39,8
Effects of exchange rate fluctuations on cash held	-3,5	-1,3
Cash and cash equivalents at period-start	54,1	15,7
Cash and cash equivalents at period-end	28,3	54,1

## FINANCIAL INFORMATION BY SEGMENTS

Technopolis Group has three operating segments based on geographical units: Finland, Baltic Rim and Scandinavia. The Group's net sales or EBITDA do not include significant inter-segment items.

### SEGMENT INFORMATION

	10-12/ 2014	10-12/ 2013	1-12/ 2014	1-12/ 2013
Currency unit: EUR million				
<b>Net sales</b>				
Finland	30,4	28,4	118,6	109,4
Baltic Rim	6,4	5,3	24,9	15,9
Scandinavia	4,5	1,0	18,2	1,0
<b>Total</b>	<b>41,4</b>	<b>34,7</b>	<b>161,7</b>	<b>126,3</b>
<b>EBITDA</b>				
Finland	15,0	13,9	62,6	56,1
Baltic Rim	3,2	2,5	13,4	7,6
Scandinavia	3,0	0,6	12,0	0,6
Unallocated	0,6	0,0	-0,8	-0,1
<b>Total</b>	<b>21,9</b>	<b>16,9</b>	<b>87,2</b>	<b>64,1</b>
<b>Assets</b>				
Finland			1.060,2	1.147,9
Baltic Rim			257,2	282,7
Scandinavia			220,8	231,9
Eliminations			-35,3	-102,1
<b>Total</b>			<b>1502,9</b>	<b>1560,4</b>

### EPRA EARNINGS

Technopolis presents its official financial statements by applying the IFRS standards. The statement of comprehensive income includes a number of items unrelated to the company's actual business operations. Therefore, the company presents its direct result, which better reflects its real result.

The direct result presents the company's net result for the period excluding the change in the fair value of investment properties, the change in the fair value of financial instruments, unrealized exchange rate gains and losses and any non-recurring items, such as gains and losses on disposals. Additionally, the direct result presents the related taxes, deferred tax assets and liabilities and share of non-controlling interests.

Items excluded from the direct result and their tax effects and share of non-controlling interests are presented in the statement of income showing the indirect result.

	10-12/ 2014	10-12/ 2013	1-12/ 2014	1-12/ 2013
Currency unit: EUR million				
<b>DIRECT RESULT</b>				
Net sales	41,4	34,7	161,7	126,3
Other operating income	0,1	0,2	0,3	1,3
Other operating expenses	-19,7	-18,4	-74,7	-64,0
Depreciation	-1,0	-0,7	-3,8	-2,7
Operating profit/loss	20,8	15,8	83,5	61,0
Finance income and expenses, total	-5,8	-4,3	-20,2	-15,0
Result before taxes	14,9	11,5	63,3	46,0
Taxes for direct result items	1,9	0,1	-3,9	-4,0
Non-controlling interests	-0,1	-0,5	-3,5	-1,5
<b>Direct result for the period</b>	<b>16,7</b>	<b>11,2</b>	<b>55,9</b>	<b>40,5</b>

INDIRECT RESULT				
Non-recurring items	0,1	0,4	-0,1	0,4
Change in fair value of investment properties	-24,4	-4,6	-40,5	-17,6
Operating profit/loss	-24,3	-4,2	-40,6	-17,2
Change in fair value of financial instruments	-16,7	-1,9	-22,1	-6,2
Result before taxes	-41,0	-6,2	-62,7	-23,4
Taxes for indirect result items	-3,9	10,4	0,3	12,9
Non-controlling interests	-1,8	-0,8	-5,2	-1,2
Indirect result for the period	-46,7	3,5	-67,6	-11,6
Result for the period to the parent company shareholders, total	-30,0	14,7	-11,7	28,8
Earnings per share, diluted				
From direct result	0,16	0,13	0,53	0,47
From indirect result	-0,44	0,04	-0,64	-0,14
From net result for the period	-0,28	0,17	-0,11	0,34
Effect of the interest expenses from equity related bond	-0,01	-0,01	-0,04	-0,04
From adjusted net result for the period	-0,29	0,16	-0,15	0,30
KEY INDICATORS				
		1-12/ 2014	1-12/ 2013	
Change in net sales, %		28,0	17,7	
Operating profit/loss/net sales, %		26,5	34,7	
Interest coverage ratio		4,8	5,3	
Equity ratio, %		38,5	40,2	
Loan to value, %		59,7	59,5	
Group company personnel during the period, average		214	187	
Gross expenditure on assets, MEUR		69,1	466,7	
Net rental yield of investment properties, % 2)		7,5	7,6	
Financial occupancy rate, %		94,7	93,6	
Earnings/share				
basic, EUR		-0,15	0,30	
diluted, EUR		-0,15	0,30	
Cash flows from operating activities/share, EUR		0,63	0,53	
Equity/share, EUR		4,17	4,66	
Average issue-adjusted number of shares				
basic		106.015.829	85.352.432	
diluted		106.015.829	85.531.524	
Issue-adjusted number of shares at the end of period		106.083.079	106.268.407	
P/E ratio		-24,16	14,55	
Dividend/share, EUR 6)		0,15	0,10	
Dividend payout ratio, %		-	33,46	
Effective dividend yield		4,05	2,30	
OTHER KEY INDICATORS				
Market value of shares, EUR million, Dec 31		392,51	462,27	
Share turnover, shares		28.389.026	22.095.150	

Share turnover out of average number of shares, %	26,78	25,89
Share prices, EUR		
Highest price	4,70	5,16
Lowest price	3,40	3,72
Average price	4,23	4,39
Price Dec 31	3,70	4,35

2) The figure does not include properties commissioned and acquired during the fiscal year.

3) Proposal for distribution of dividends

	10-12/ 2014	10-12/ 2013	1-12/ 2014	1-12/ 2013
<b>CHANGE IN VALUE OF INVESTMENT PROPERTIES</b>				
Change in fair value, Finland	-1,3	14,0	-25,1	-5,7
Change in fair value, Baltic Rim	1,8	-1,2	4,9	3,6
Change in fair value, Scandinavia	-0,2	1,6	1,1	1,6
Change in fair value	0,3	14,4	-19,1	-0,5
Changes in acquisition costs of investment properties in financial year	-16,4	-19,2	-23,5	-19,7
Changes in fair value of projects in progress	-8,4	-1,2	2,0	2,5
Effect on profit of change in value of investment properties	-24,4	-6,0	-40,5	-17,6

## CONTINGENT LIABILITIES

Currency unit: EUR million

	31.12.2014	31.12.2013
<b>Pledges and guarantees on own debt</b>		
Mortgages of properties	1009,5	1051,0
Pledged securities and investment properties	758,5	782,5
Other guarantee liabilities	133,8	173,3
<b>Leasing liabilities, machinery and equipment</b>		
Project liabilities	4,8	3,9
	0,3	0,3
<b>Interest rate and currency swaps</b>		
Nominal values	482,9	400,4
Fair values	-17,1	-6,7

## BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES December 31, 2014

The following table provides a list of the groups of financial assets and liabilities used for valuation in accordance with IAS 39.

	Loans and other receivables	Available-for-sale financial assets	measured at amortized purchase price	Financial assets/ liabilities measured at fair value	Total
<b>Non-current financial assets</b>					
Assets measured at fair value					
Available-for-sale investments					
Available-for-sale quoted financial assets (level 1)		1,1			1,1
Available for sale non-quoted financial assets (level 3)		3,7			3,7
Other non-current receivables	0,0				0,0
<b>Total</b>	<b>0,0</b>	<b>4,8</b>			<b>4,8</b>
<b>Current assets</b>					

Trade and other receivables			
Sales receivables	7,0		7,0
Other current receivables	8,0		8,0
Cash and cash equivalents	28,3		28,3
Derivatives			
Interest rate swaps (level 2)		0,0	0,0
<b>Total</b>	<b>43,2</b>	<b>0,0</b>	<b>43,2</b>

## Non-current liabilities

<i>Financial liabilities recognized at amortized cost</i>			
Non-current finance lease liabilities (level 2)		32,9	32,9
Non-current interest-bearing liabilities (level 2)		626,8	626,8
Non-current non-interest-bearing liabilities (level 2)		0,7	0,7
Other non-current liabilities		34,7	34,7
<b>Total</b>		<b>695,1</b>	<b>695,1</b>

## Current liabilities

<i>Financial liabilities at fair value through profit or loss</i>			
Derivatives (level 2)			
Interest rate swaps, not meeting the criteria for hedge accounting		17,1	17,1
<i>Financial liabilities recognized at amortized cost</i>			
Current finance lease liabilities		2,7	2,7
Other current interest-bearing liabilities		179,2	179,2
Trade and other payables		32,9	32,9
Conditional additional purchase price		0,0	0,0
Income tax liability		0,1	0,1
<b>Total</b>		<b>214,9</b>	<b>17,1</b>

## Liability to adjust value added tax on property investments

	2008 - 2009	2010	10-year adjustment period			2014	Total
			2011	2012	2013		
Property investment expense (net)	104.126	38.56	53.28	81.685	45.93	22.28	345.86
VAT on property investment	22.908	8.364	12.09	18.787	10.88	5.337	78.380
Annual share of VAT on investment	2.291	836	1.210	1.879	1.089	534	7.838
VAT deducted	22.888	8.475	12.06	18.515	10.50	5.063	77.508
Annual share of VAT deducted	2.289	847	1.206	1.852	1.051	506	7.751
Number of years remaining in the adjustment period	4 or under	5	6	7	8	9	
Refundable amount of the deduction on Dec 31, 2013	8.090	4.237	7.237	12.961	8.404	4.557	45.487
Liability to adjust VAT on Dec 31, 2014							45.487
Liability to adjust VAT on Dec 31, 2013							48.292
Change							-2.806