
# FINANCIAL REVIEW 2012

TECHNOPOLIS

# TECHNOPOLIS PLC
# FINANCIAL REVIEW 2012

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# KEITH SILVERANG, CEO:

2012 was a good year for Technopolis. We generated growth through the expansion of our existing campuses and the Tohloppi acquisition from Yleisradio (The Finnish Broadcasting Corporation) in Tampere. Given the prevailing challenging business conditions, an increase of 15.6% in net sales and 17.3% in EBITDA and a financial occupancy rate of 95.3% is a good result.

Last year's success was made possible by success in the local business units. They managed to find good investment cases, attract new tenants and safeguard our occupancies. The Technopolis service concept, our flexible facilities and, the company's efficient sales organization combined with a proactive service attitude have become a sustainable competitive advantage. This is clearly visible in our high financial occupancy rates.

Technopolis has been working hard to build longer term customer relationships, particularly in the public sector. This enhanced our lease portfolio in 2012 and the company's average lease period rose by 13 months year-on-year, to 39 months at the year end. The growth in lease periods also increased Technopolis' lease stock by 37.5% over year-end 2011. Recent changes in the lease portfolio have increased the stability and predictability of operations.

In 2012, Technopolis financed its growth through a rights issue and via bank loans. The company paid a record low 1.83% average interest rate at the end of the year. The cost of financing was low, but bank loan margins started to rise toward the year end. Due to favorable conditions on the bond market, and in order to diversify its sources of financing, the company is also considering raising capital on the bond market in the future.

In accordance with the company's strategy, we will continue to pursue profitable and cash flow generating growth. The focus of growth will shift to some extent from organic construction projects to company and property acquisitions, both in Finland and abroad. The 2012 acquisition of Tohloppi in Tampere and the early 2013 acquisition of the Peltola campus in Oulu reflect this shift.

Keith Silverang

# TECHNOPOLIS GROUP FINANCIAL STATEMENTS FOR 2012

## HIGHLIGHTS OF 2012 COMPARED TO 2011:

- Net sales rose to EUR 107.3 (92.8) million, an increase of 15.6%
- EBITDA rose to EUR 55.8 (47.5) million, an increase of 17.3%
- Operating profit decreased to EUR 48.0 (72.0) million, due to EUR -5.7 (26.3) million drop in fair value of investment properties
- Profit attributable to the shareholders of the parent amounted to EUR 25.8 (46.7) million
- Earnings per share were EUR 0.37 (0.70)
- Cash flow from operations per share was EUR 0.56 (0.46).
- Net asset value per share was EUR 5.67 (5.65)
- The financial occupancy rate was 95.3% (95.1%)
- The Board of Directors proposes a dividend of EUR 0.20 (0.19) per share

The increase in net sales and EBITDA was mainly due to an increase of 11.7% in leased and a rise of 2.4% in like-for-like rental income. Changes of EUR -5.7 (26.3) million in the fair value of investment properties had a negative effect on the financial performance. Excluding changes in fair value and the related tax effects, the operating profit was EUR 53.7 (45.7) million, and the profit attributable to the shareholders of the parent company rose to EUR 29.9 (25.9) million. The strengthening of the Russian ruble contributed to earnings, resulting in the recognition of EUR 0.8 (-0.9) million in financial income.

### KEY INDICATORS

| | 2012 | 2011 |
|---|---|---|
| Net sales, EUR million | 107.3 | 92.8 |
| EBITDA, EUR million | 55.8 | 47.5 |
| Operating profit, EUR million | 48.0 | 72.0 |
| Net result for the period, EUR million | 25.8 | 46.7 |
| Earnings/share, EUR | 0.37 | 0.70 |
| Cash flow from operating activities/share, EUR | 0.56 | 0.46 |
| Dividend/share | 0.20 [1] | 0.19 |
| Equity ratio, % | 36.2 | 35.8 |
| Equity/share, EUR | 4.94 | 4.96 |

2012 share-related figures have been adjusted for the May share issue.
[1] The Board of Directors' dividend proposal for 2012

### EPRA-BASED KEY INDICATORS

| | 2012 | 2011 |
|---|---|---|
| Direct result, EUR million [1] | 29.9 | 25.5 |
| Direct result/share, EUR [1] | 0.43 | 0.38 |
| Net asset value/share, EUR | 5.67 | 5.65 |
| Net rental revenue, % | 7.8 | 7.8 |
| Financial occupancy rate, % | 95.3 | 95.1 |

[1] The company adopted a company-specific adjustment of the direct result recommended by EPRA as of October 1, 2012. The company no longer includes unrealized financial income and expenses due to changes in exchange rates in its direct result. The comparison figures have been adjusted accordingly.

The EPRA-based (European Public Real Estate Association) direct result increased by 17.2% year-on-year, amounting to EUR 29.9 (25.5) million. The company's net rental yield was steady at 7.8% (7.8%), and the financial occupancy rate rose to 95.3% (95.1%).

## BUSINESS ENVIRONMENT

2012 was a challenging year for the Eurozone. Growth was burdened by decreased loan supply due to the debt crisis, the need to stabilize public finances, decreased export demand in industrialized countries and increasing unemployment. Due to these factors, Eurozone GDP growth turned negative during the second quarter, and it has been estimated that full-year GDP decreased by 0.4%. The first half of 2013 is expected to be a time of negative growth in the Eurozone, but the economy is expected to begin to grow during the second half of the year and to turn full-year growth figures positive.

In Finland, GDP growth turned negative during the second quarter, and full-year growth in 2012 is estimated to have remained under 0.3%. In 2013, growth is expected to be approximately 1%, taking place mainly during the second half of the year. Companies prepared for the softening trend during 2012 and adjusted their operations accordingly.

The Russian economy, which is dependent on oil exports and other commodities, has remained relatively strong and its estimated growth in 2012 was approximately 3.6% in real terms. The St. Petersburg region is expected to grow at a faster rate than this. In 2013, growth in the Russian economy is expected to slow down slightly, amounting to some 3.3%.

The estimated growth of Estonia's real GDP was approximately 2% in 2012. The unemployment rate was decreasing throughout the year and is the lowest among the Baltic countries at 9.7%. The Estonian economy is in good condition and the state is almost debt-free. In 2013, GDP is estimated to grow by 3.1%.

## FINANCIAL OCCUPANCY RATES

In spite of macroeconomic uncertainty and recent negative development in GDP, demand for Technopolis business space has remained good. The Group's financial occupancy rates are as follows:

| | December 31, 2012 | September 30, 2012 | June 30, 2012 | March 31, 2012 | December 31, 2011 |
|---|---|---|---|---|---|
| **Group** | **95.3** | **94.8** | **94.1** | **94.3** | **95.1** |
| **Finland** | **95.1** | **94.7** | **93.9** | **94.4** | **95.1** |
| Oulu | 94.5 | 93.3 | 91.8 | 92.2 | 91.8 |
| HMA | 91.9 | 92.0 | 88.4 | 95.5 | 95.3 |
| Tampere | 97.6 | 98.1 | 98.7 | 98.6 | 98.5 |
| Kuopio | 94.9 | 94.3 | 96.4 | 96.1 | 98.2 |
| Jyväskylä | 98.6 | 98.4 | 98.2 | 91.4 | 96.8 |
| Lappeenranta | 92.5 | 93.5 | 92.3 | 94.7 | 92.6 |
| **Estonia, Tallinn** | **94.9** | **92.5** | **92.9** | **90.2** | **90.7** |
| **Russia, St. Petersburg** | **100.0** | **100.0** | **99.4** | **97.1** | **100.0** |

The Group's financial occupancy rate was 0.2 percentage points higher than a year earlier, and 0.5 percentage points higher than at the end of the previous quarter.

In Finland, Technopolis' financial occupancy rate remained at the same level as at in the end of the previous year. In Oulu, conditions on the office space rental market improved during 2012 and the financial occupancy of the Oulu unit increased to 94.5% (91.8%). In the Helsinki metropolitan area (HMA), market rents were unchanged or slightly lower in 2012. The financial occupancy rates of the company's Helsinki Metro unit decreased by 3.4 percentage points during the year due to the expiry of two major leases during the second half of the year and the 89.2% occupancy rate of Ruoholahti phase 2. The ICT industry vacated some space in Tampere during 2012, but we were able to lease them to new tenants. Technopolis' financial occupancy rate decreased by 0.9 percentage points in Tampere during 2012, yet remained the second-highest in the company. In Kuopio, financial occupancy rates decreased by 3.3 percentage points during the year, due to rearrangements in the facilities to accommodate new customers. The Jyväskylä rental market has been good, and demand focuses on the downtown area, where the Technopolis Innova campus is located. The company's financial occupancy rates increased in Jyväskylä throughout 2012 and amounted to 98.6% (96.8%) at the end of the period under review. In Lappeenranta, Technopolis' financial occupancy rates increased by 0.1 percentage points year-on-year.

Market occupancy rates and rents have been increasing in Tallinn since 2010. At the end of the year, the market occupancy rate of high-quality B1 office space, such as Technopolis Ülemiste, was 89.8% (91.2%). The financial occupancy rate of Technopolis' airport campus rose during the year to 94.9% (90.7%) at the end of 2012.

In St. Petersburg, demand focused on the downtown area in 2012. However, rental demand remained strong, especially in class B properties, which includes the Technopolis Pulkovo airport campus based on its location. The occupancy rate in the market was 93.3% (90.1%). The company's financial occupancy rate varied during the year as it rearranged its tenant portfolio, but the occupancy rate increased to 100.0% during the second half of the year.

## BUSINESS SEGMENTS

### Geographical Segments

Net sales and EBITDA in Finnish operations developed favorably. Net sales were EUR 97.4 (85.2) million and EBITDA was EUR 51.2 (44.8) million. The EBITDA margin was stable at 52.5% (52.6%). Compared to the previous year, net sales increased by 14.4% and EBITDA by 14.2%.

In Tallinn, the net sales of the Technopolis Ülemiste airport campus were EUR 4.8 (4.7) million and EBITDA was EUR 3.1 (3.1) million. Net sales increased by 3.9% and EBITDA by 0.6% compared to 2011. The EBITDA margin was 64.9% (67.0%). In 2012 it was affected by marketing costs of properties under construction. Ülemiste's average rents increased during 2012, and leases totaling approximately 10,000 sqm were renegotiated with customers.

In St. Petersburg, the net sales of the Technopolis Pulkovo airport campus were EUR 5.0 (2.9) million and EBITDA was EUR 1.4 (-0.2) million. Net sales increased by 71.7% compared to 2011 and EBITDA was in the black. The EBITDA margin was 27.4% (-7.8%). The first phase of the campus was completed in June 2011, which affects the figures for the comparison period. As the result of negotiations held early in 2012, rents significantly increased compared to the previous year, boosting the full-year net sales and EBITDA of the campus.

### Space and Service Business

Rental revenue accounted for 86.7% (86.7%) and service revenue for 13.3% (13.3%) of net sales.

Breakdown of net sales and EBITDA by business function (excluding eliminations):

| EUR million, unless otherwise specified | 2012 | 2011 |
|---|---|---|
| **Space** | | |
| Net sales | 93.0 | 80.7 |
| EBITDA | 61.9 | 52.9 |
| EBITDA % | 66.5 | 65.6 |
| **Services** | | |
| Net sales | 14.2 | 12.1 |
| EBITDA | 1.3 | 2.0 |
| EBITDA % | 9.4 | 16.4 |

The full-year EBITDA margin of the space rental business increased by 0.9 percentage points compared to the previous year. The EBITDA margin decreased to 9.4% (16.4%) in the service business. This was mainly due to a change in the allocation of operating expenses between the services and space rental in internal accounting.

## FINANCIAL PERFORMANCE

The Group's net sales for the period under review were EUR 107.3 (92.8) million, an increase of 15.6%. The Group's EBITDA was EUR 55.8 (47.5) million, up 17.3%. The growth comprised an 11.7% increase in space and an increase of 2.4% in like-for-like rental income.

The Group's operating profit was EUR 48.0 (72.0) million. The decrease was due to a decline in the fair value of investment properties. Changes in fair value amounted to EUR -5.7 (26.3) million for the period. Without the change in fair value, operating profit was EUR 53.7 (45.7) million.

The Group's net financial expenses totaled EUR 13.6 (12.0) million, including EUR 1.1 of losses recognized due to changes in the fair value of interest swaps. The figures for the comparison period include EUR 1.7 million of unrealized interest swap income recognized in the comprehensive statement of income before the Group changed to IAS 39 hedge accounting as of 1 May 2011. Financial income of EUR 0.8 (-0.9) million was recognized from the strengthening Russian ruble.

The Group's result before taxes totaled EUR 34.5 (60.0) million. Without the change in fair value, the result before taxes was EUR 40.2 (33.7) million.

## CUSTOMERS AND LEASE STOCK

Technopolis has a total of approximately 1,400 customers, and 23,000 customer employees working in Technopolis facilities. The twenty largest customers lease approximately 34% of the company's rentable space.

**LEASE STOCK, % OF SPACE**

| Notice period in months | December 31, 2012 | September 30, 2012 | June 30, 2012 | March 31, 2012 | December 31, 2011 |
|---|---|---|---|---|---|
| 0-3 | 13.8 | 17.3 | 16.1 | 16.7 | 13.1 |
| 3-6 | 25.3 | 28.1 | 30.5 | 29.4 | 28.7 |
| 6-9 | 7.4 | 7.4 | 4.9 | 5.8 | 6.2 |
| 9-12 | 6.7 | 7.6 | 7.7 | 5.6 | 5.7 |
| >12 Months | 46.8 | 39.6 | 40.8 | 42.5 | 46.3 |
| Average lease term in months | 39 | 25 | 27 | 26 | 26 |
| Lease stock, EUR million | 296.1 | 238.2 | 239.7 | 215.6 | 215.4 |

During the year, the average lease term increased by 13 months. This is a result of long fixed-term leases in the education and health care sectors and a twenty-year lease signed with Yleisradio in October.

## PROPERTIES AND INVESTMENTS

Technopolis' facilities are located next to good transportation connections in the vicinity of universities, airports or downtown areas.

The fair values of the Group's investment properties at the end of the period totaled EUR 1,014.1 (905.5) million, of which completed investment properties accounted for EUR 956.5 (843.8) million and investment properties under construction were EUR 57.6 (61.7) million.

| Fair value, EUR million | December 31, 2012 | September 30, 2012 | June 30, 2012 | March 31, 2012 | December 31, 2011 |
|---|---|---|---|---|---|
| **Group** | **1,014.1** | **963.2** | **944.0** | **932.8** | **905.5** |
| **Finland** | **838.9** | **784.7** | **786.3** | **765.3** | **726.7** |
| Oulu | 225.3 | 224.2 | 224.9 | 229.2 | 231.6 |
| HMA | 205.2 | 206.5 | 206.9 | 179.7 | 181.5 |
| Tampere | 189.2 | 134.1 | 133.9 | 134.4 | 120.3 |
| Kuopio | 92.2 | 93.6 | 94.5 | 95.7 | 88.3 |
| Jyväskylä | 97.9 | 97.1 | 96.7 | 96.8 | 75.8 |
| Lappeenranta | 29.2 | 29.1 | 29.4 | 29.5 | 29.3 |
| **Estonia** | **63.9** | **64.4** | **64.5** | **63.8** | **64.7** |
| **Russia** | **53.6** | **53.5** | **51.8** | **54.0** | **52.4** |
| **Under construction** | **57.6** | **60.7** | **41.4** | **49.6** | **61.7** |

The Group's total floor space in completed investment properties at the end of the period was 644,300 (576,900) sqm, up 11.7%.

| 1,000 sqm | December 31, 2012 | September 30, 2012 | June 30, 2012 | March 31, 2012 | December 31, 2011 |
|---|---|---|---|---|---|
| **Group** | **644.3** | **604.1** | **604.2** | **595.2** | **576.9** |
| **Finland** | **541.0** | **500.8** | **500.9** | **491.9** | **473.6** |
| Oulu | 194.3 | 194.3 | 194.4 | 194.4 | 194.4 |
| HMA | 86.6 | 86.6 | 86.6 | 77.6 | 77.6 |
| Tampere | 112.1 | 71.9 | 71.9 | 71.9 | 66.8 |
| Kuopio | 60.3 | 60.3 | 60.3 | 60.3 | 56.8 |
| Jyväskylä | 60.4 | 60.4 | 60.4 | 60.4 | 50.8 |
| Lappeenranta | 27.3 | 27.3 | 27.3 | 27.3 | 27.3 |
| **Estonia** | **79.2** | **79.2** | **79.2** | **79.2** | **79.2** |
| **Russia** | **24.1** | **24.1** | **24.1** | **24.1** | **24.1** |

Properties acquired or investments completed during the last 12 months and projects under construction during the period and their rentable space are as follows:

| Area | Name | Occupancy rate, % a) | sqm | EUR million | Initial yield, % b) | Completion |
|---|---|---|---|---|---|---|
| **Acquired** | | | | | | |
| Tampere | Tohloppi | 100.0 | 32,000 | 23.3 | 10.1 | 10/2012 |
| **Completed** | | | | | | |
| Kuopio | Viestikatu 2B | 89.3 | 3,100 | 5.4 | 8.4 | 01/2012 |
| Tampere | Hermia 15B | 100.0 | 4,500 | 10.9 | 7.3 | 01/2012 |
| Jyväskylä | Innova 2 | 100.0 | 8,000 | 20.5 | 7.8 | 03/2012 |
| HMA | Ruoholahti 2 | 89.2 c) | 8,600 | 26.8 | 6.1 | 06/2012 |
| Tampere | Yliopistonrinne 2 | 93.4 c) | 7,500 | 22.5 | 6.4 | 10/2012 |
| **Under construction** | | | | | | |
| Kuopio | Viestikatu 7B&C | 89.9 | 9,300 | 16.5 | 7.8 | 02/2013 |
| Tallinn | Löötsa 8C | 98.9 | 6,200 | 8.3 | 8.4 | 03/2013 |
| St. Petersburg | Pulkovo 2 | 8.8 | 18,700 | 42.0 | 8.5 | 10/2013 |
| Tallinn | Löötsa 8A&B | 54.9 | 16,300 | 24.3 | 8.4 | 10/2013 |
| Jyväskylä | Innova 4 | 37.0 | 8,900 | 23.7 | 7.7 | 10/2013 |

a) Status on January 31, 2013
b) Estimated first-year net cash flow / fair value of the property
c) Status on February 12, 2013

All of the Technopolis projects under construction at the closing date are expansions to existing campuses. During 2012, the company spent EUR 23.3 (-) million acquiring properties and invested a total of EUR 107.2 (98.1) million in investment properties.

## FINANCING

The Group's balance sheet totaled EUR 1,082.7 (962.9) million, of which liabilities totaled EUR 693.2 (619.7) million. The Group's equity ratio was 36.2% (35.8%). At the end of the period, the Group's net gearing was 152.1% (156.0%). The Group's equity per share was EUR 4.94 (EUR 4.96).

At the end of the period, the Group's interest-bearing liabilities from financial institutions amounted to EUR 608.1 (547.7) million, and the average capital-weighted loan maturity was 8.5 (8.7) years. The average interest rate on interest-bearing liabilities was 1.83% (2.80%). The Group's interest fixing period was 1.8 (1.2) years at the end of the period. At the end of 2012, floating-rate loans constituted 63.9% (63.0%) of interest-bearing liabilities, and 36.1% (37.0%) were fixed-rate loans. Of interest-bearing liabilities 7.0 % were pegged to the under 3-month Euribor rate, 56.9% were pegged to the 3 - 12 month Euribor rate and 36.1% were fixed-rate loans with maturities of 13 - 60 months.

At the end of the reporting period, Technopolis had EUR 129.1 (63.0) million in untapped credit facilities and cash amounting to EUR 15.7 (12.5) million. The credit facilities contained a EUR 112.7 (45.0) million credit line and a EUR 16.4 (18.0) million revolving credit facility. In addition, the company has a EUR 120.0 (120.0) million commercial paper program, of which EUR 46.0 million was issued at the end of the reporting period.

During the 12-month period following the period under review, EUR 108.4 (78.9) million in existing interest-bearing loans will mature.

The company's five largest creditors at the end of the period under review were the European Investment Bank, Nordea, Handelsbanken, Danske Bank, and OP-Pohjola Group. Their total lending to the company amounted to EUR 465.0 million.

A one percentage point change in market rates would cause a EUR 2.9 (2.6) million change in interest costs per annum. At the end of the reporting period, there were interest rate swaps covering EUR 190.4 million (EUR 170.0 million) of principal converting to hedge ratio of 31.3% (31.0%).

The Group's interest coverage ratio was 4.5 (3.7) and the loan-to-value ratio was 59.5% (60.0%).

The Group had interest-bearing liabilities with covenants worth EUR 407.7 (252.9) million. Loans amounting to EUR 366.6 (212.9) million include covenants relating to the equity ratio. A decline in the equity ratio may lead to higher interest rate margins or premature repayment of these loans. Of these loans, EUR 207.5 (40.6) million include a call-in provision. The repayment covenant is breached if the equity ratio falls below 30%. If the equity ratio decreased to below 33%, interest rate expenses would increase by EUR 0.5 (0.4) million per annum.

## ORGANIZATION AND PERSONNEL

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

On December 31, 2012, the Group Management Team comprised Keith Silverang, Reijo Tauriainen, Marko Järvinen, Satu Eskelinen, Sami Juutinen, Kari Kokkonen, and Jukka Rauhala. The composition of the Management Team changed at the beginning of 2013. As of January 1, 2013, the new Management Team is: Keith Silverang, Reijo Tauriainen, Juha Juntunen, Sami Juutinen, Kari Kokkonen, and Outi Raekivi.

The Technopolis operational organization consists of three geographic units: Finland, Russia, and Estonia. The Group organization also has matrix functions for the Group's real estate development, services, and support services.

During the period, the Group employed an average of 178 (158) people. Rental operations employed 98 (89) people and the service business 80 (69) people. At the end of the period under review, the Group's personnel totaled 179 (174). The increase in the number of personnel is mainly due to strengthening the central corporate functions and services.

## ENVIRONMENT

Key objectives of the company's environmental strategy for 2011 - 2015 include reducing like-for-like energy consumption by 10%, water consumption by 8%, and carbon dioxide emissions by 20%, compared to 2011.

In 2012, all Technopolis offices in Finland were awarded the right to use the WWF Green Office label, and Technopolis Ülemiste in Estonia will use it as of February 1, 2013. The company seeks LEED environmental certificates for all new investments, and two new properties were awarded LEED certificates in 2012.

Comparison of Finnish units:

| | 2012 | 2011 | % change |
|---|---|---|---|
| Energy consumption, kWh/gross sqm | 232.7 | 235.6 | -1.3 |
| Water consumption, $m^3$/person | 1.21 | 1.27 | -5.3 |
| Carbon dioxide emissions, $CO_2$e kg/gross sqm | 41.0 | 81.8 | -49.8 |

The comparison only includes comparable properties owned by the company throughout the year. The significant decrease in carbon dioxide emissions is primarily due to the company adopting "green electricity", with sources such as wind power and hydroelectric power, as of January 1, 2012.

## STRATEGY AND FINANCIAL TARGETS

In September 2011, the company's Board of Directors confirmed the company's financial targets for the period 2012 - 2016 as follows:

- net sales and EBITDA growth average of 15% per annum
- over EUR 50 million net sales outside Finland
- at least 6% return on capital employed per annum
- equity ratio over 35% over the cycle
- 40% - 50% dividend distribution on net profit excluding changes in fair value and their tax effects

The company is strengthening the share of the health and education sectors in its customer portfolio by investing in these segments and the services employed by them. Technopolis is working to diversify its customer portfolio geographically and by sector.

As part of its international growth targets, Technopolis has been analyzing potential international investment targets in the Baltic Sea and Nordic regions. The key criteria for acquisitions are sufficient size and growth potential, excellent locations in growth centers, a high-quality and flexible property portfolio, and positive cash flow. In addition, the acquisition must have a positive impact on earnings per share, and the customer base of the property should be a good match with the Technopolis business concept. The company is also investigating opportunities to divest properties that are not optimal for its concept.

## EVALUATION OF OPERATIONAL RISKS AND UNCERTAINTIES

Technopolis' most significant business risks relate primarily to general economic development associated with financing and customers, as well as international business 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 company's policy concerning interest rate risks also aims to diversify the interest rate risk of loan contracts over different loan periods based on the prevailing market situation and the interest rate forecast created by the company.

A one percentage point change in money market rates would change interest rate costs by EUR 2.9 million per annum.

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. The average capital-weighted outstanding loan period was 8.5 years. In order to manage financing risk, Technopolis draws upon the resources of a wide range of financers and a variety of financing instruments, and maintains a sufficient degree of solvency.

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

The differences between Russian, Estonian, and Finnish legislation and administrative procedures may create risks.

Changes in the exchange rates between the Russian ruble and the euro may have an effect on the company's financial performance and operations. Ruble-denominated transactions are recorded at the exchange rate on the transaction date. Any translation differences are entered in the comprehensive income statement under other operating expenses or financial income and expenses according to the type of transaction involved.

Customer risk management aims to minimize the negative impact on the company's business and financial performance of potential changes in customers' financial positions. The company estimates that the risk to its business related to the restructuring of the electronics industry currently represents a maximum of 3% of the space leased to customers. Customer risk management focuses on having a profound understanding of customers' businesses and active monitoring of customer information. Customer risks are diversified by acquiring customers from all sectors, including the public sector. As part of client risk management, Technopolis leases include rental security arrangements.

The company's leases fall into two categories: fixed-term and open-ended. The company aims to apply both lease types 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 space they need 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 in this business model over a wide variety of economic cycles.

In new construction projects, Technopolis focuses on quality and the management of the property's 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 purchasing 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 market yields increase, the fair value of properties decreases. Conversely, as market yields decrease, the fair value of properties increases. Such changes 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. However, a negative change in the value of investment properties may reduce the company's equity ratio, which may affect the covenant terms of the leases. In that case, the change in value can have an impact on the cash flow and result for the period.

## GROUP STRUCTURE

Technopolis Group comprises the parent company Technopolis Plc, whose subsidiaries have operations in Finland, Russia, and Estonia. The parent company has several subsidiaries and associates in Finland. The parent company has two subsidiaries in Russia, Technopolis Neudorf LLC and Technopolis St. Petersburg LLC, both wholly owned. The Estonian subsidiary Technopolis Baltic Holding OÜ (wholly owned) manages the holdings in Technopolis Ülemiste AS (51%). Detailed information on page 36 and 44.

The mutual real estate companies Innova 4, Technopolis Tohloppi, Technopolis Innopoli 3, and Technopolis Viestikatu 7 were established during the financial period.

## ANNUAL GENERAL MEETING 2012

The Annual General Meeting of Shareholders (AGM) of Technopolis was held in Espoo on March 27, 2012.

**Resolutions of the Annual General Meeting**

The AGM 2012 adopted the Group and parent company's financial statements for the financial year 2011 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 0.20 per share. The dividend was paid to shareholders who were registered in the company's shareholders' register kept by Euroclear Finland Ltd on the record date of March 30, 2012. The dividend payment date was April 11, 2012.

**Board of Directors and remuneration of the members of the Board of Directors**

The number of members on the Board of Directors was confirmed at six. Carl-Johan Granvik, Matti Pennanen, Teija Andersen, Pertti Huuskonen, Pekka Korhonen, 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 Matti Pennanen 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 is paid on the condition that the Board members commit 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, 2012. If the remuneration cannot be paid as shares in the company, it will be paid fully in cash. 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 committee from among its number. The Audit Committee consists of Carl-Johan Granvik, chair, and Pertti Huuskonen and Pekka Korhonen. The remuneration committee consists of Timo Ritakallio, chair, and Teija Andersen and Matti Pennanen. The Board of Director's opinion is that all of the Board members, apart from Pertti Huuskonen, are independent of the company and, excluding Timo Ritakallio, of its major shareholders.

**Auditor**

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

**Shareholders' Nominating Committee**

The Annual General Meeting decided to form a shareholders' nominating committee to prepare proposals for the next Annual General Meeting on the composition and remuneration of the Board of

Directors. The Nominating Committee is composed of three members representing the three largest shareholders, who may not be members of the Board of Directors of the company, in addition to the Chairman of the Board of Directors who acts as an expert member and secretary to the committee. The member appointed by the largest shareholder acts as Chairman of the Committee. The term of office of the nomination committee continue until a new nomination committee is appointed, unless the general meeting resolves otherwise. The Nominating Committee also prepares the above-mentioned proposals for extraordinary general meetings, if needed. A person who cannot, according to the applicable Finnish Corporate Governance Code, be appointed to a nominating committee of the Board of Directors may not be appointed to the nominating committee. The shareholders' nominating committee must also fulfill the requirements of independence in relation to the company as set out in the Code.

Based on shareholdings as of October 1, 2011, the members of the Nominating Committee are Risto Murto, Vice President of Varma Mutual Pension Insurance Company as the Chairman, Harri Sailas, President and CEO of Ilmarinen Mutual Pension Insurance Company, and Timo Kenakkala, Deputy Mayor of the City of Oulu. In addition, Carl-Johan Granvik, Chairman of the Board of Directors of the company, will act as the Nominating Committee's expert member and secretary. The new Nominating Committee was established on the basis of shareholdings on October 1, 2012. There were no changes in the composition of the Nominating Committee.

**Board Authorizations**

The AGM authorized the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the company's own shares as follows.

The amount of the company's own shares to be repurchased and/or accepted as pledge shall not exceed 6,338,500 shares, which corresponds to approximately 10% of all the company's shares. Under the authorization, the company's own shares may only be purchased using unrestricted equity. The company's own 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 pledges. Treasury shares can be repurchased using, inter alia, derivatives. The company's own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). The authorization is effective until the end of the next Annual General Meeting; however, no later than June 30, 2013.

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

Pursuant to this authorization, the maximum number of shares to be issued will be 12,677,000, equaling approximately 20% of the company's shares. The Board of Directors decides on all the terms and conditions of the issuance of shares and of special rights entitling holders to shares. The issuance of shares and of special rights entitling holders to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The Board of Directors may decide on the company's share-based incentive schemes. However, no more than 350,000 shares may be issued on the basis of the authorization for the purpose of implementing incentive schemes decided upon by the General Meeting or the Board of Directors. The authorization is effective until the end of the next Annual General Meeting, but no later than June 30, 2013, and it cancels the authorization given to the Board of Directors by the General Meeting on March 30, 2011 to decide on the issuance of shares as well as the issuance of other special rights entitling holders to shares.

## STOCK-RELATED EVENTS AND DISCLOSURES OF CHANGES IN HOLDINGS

At the end of the reporting period, the company had 75,561,227 shares outstanding. The shares are in a single series, and each share entitles the holder to one vote at the Annual General Meeting. The company's share capital is EUR 96,913,626.29. The number of shares in the company was 63,385,044 shares on March 31, 2012. The number of shares increased by 81,347 shares as the result of the directed share issue without consideration to key employees covered by the company's share incentive program executed on April 26, 2012. The number of shares increased by a further 12,088,836 new shares with the rights issue that ended on June 18, 2012, and 6,000 shares subscribed to using Technopolis 2007C options on November 28, 2012. The dilution effect of these share issues totaled 19.2%. The share issues were implemented by virtue of a Board authorization of the Annual General Meeting of March 27, 2012.

On February 2, 2012, Ilmarinen Mutual Pension Insurance Company announced that its direct holding of Technopolis Plc's share capital and votes had increased above 10% as a result of a share transaction carried out on February 2, 2012. After the transaction, the proportion of Technopolis Plc's share capital and votes controlled directly by Varma Mutual Pension Insurance Company is 6,372,725 shares and 10.05%, respectively.

According to information received on March 13, 2012 from BNP Paribas Investment Partners, the proportion of Technopolis Plc's shares and votes held by its funds had decreased below 10% on October 20, 2010 and below 5% on January 17, 2012. The proportion of Technopolis Plc's shares and votes directly and indirectly controlled on March 9, 2012 by BNP Paribas Investment Partners and its funds was 2,653,086 shares and 4.19%, respectively. Indirect holdings were 70,717 shares, which represents 0.11% of shares and votes.

The subscription period for 2007C stock options decided upon by the Annual General Meeting of Technopolis Plc on March 22, 2005 commenced in accordance with the option program's terms and conditions on May 1, 2012 and Technopolis applied for entry of the 2007C stock options on the trading list of the NASDAQ OMX Helsinki exchange. The trading of 2007C stock options on the NASDAQ OMX Helsinki exchange commenced on May 2, 2012.

On April 26, 2012, the company's Board of Directors approved a directed share issue of 81,347 new shares in the company without consideration to the key employees fulfilling the Performance Share

Plan target criteria based on the authorization granted by the Annual General Meeting on March 27, 2012. A total of 18 people belonging to the management and personnel of the company received rewards in the share issue. The shares were registered with the Trade Register on April 30, 2012 and listed on the trading list of NASDAQ OMX Helsinki on May 2, 2012.

On May 15, 2012, the company's Board of Directors decided on a rights issue based on the authorization granted by the Annual General Meeting on March 27, 2012, and to issue a maximum of 12,088,836 new shares, representing approximately 19.05% of all shares in the company. The final result of the rights issue was published on June 18, 2012.

All 12,088,836 new shares offered were subscribed in the share issue. 11,874,720 shares were subscribed in the primary subscription, which is approximately 98.2% of the shares offered. 8,470,366 shares were subscribed in the secondary subscription, of which the subscription of 214,116 shares was approved. Thus, 168.3% of the shares offered were subscribed.

The subscription price was EUR 2.70 per share, and the company raised approximately EUR 31.8 million through the share issue after expenses and fees. The shares were registered on June 19, 2012. They were listed on the trading list of NASDAQ OMX Helsinki on June 20, 2012.

The 6,000 shares subscribed using 2007C stock options were registered with the Trade Register on November 28, 2012. The total number of Technopolis shares rose to 75,561,227.

Further information on the company's share and shareholders on pages 47 - 49.

## UNTAPPED BOARD AUTHORIZATIONS

The Board of Directors was authorized by the Annual General Meeting of 2012 to decide on the issuance of shares and the issuance of special rights entitling holders to shares referred to in the Limited Liability Companies Act, as well as on the repurchase and/or on the acceptance as pledge of the company's own shares.

Following the share issues executed during the reporting period, the Board may decide on the issuance of a further 506,817 new shares, conveyance of treasury shares held by the company or issuance of options and other special rights. The company's Board of Directors has not exercised the authorization to repurchase and/or accept as pledges the company's own shares, and the company did not hold any treasury shares at the end of the reporting period.

## BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF PROFIT

At the end of the period, distributable funds of the parent company were EUR 26,479,400. The Board proposes that a dividend of EUR 0.20 (0.20) per share be paid, totaling EUR 15,112,245**.** The Board proposes that the remainder be left in the retained earnings account. The proposed dividend is 50,6% of the earnings per share, excluding changes in the fair value of investment properties and their tax effects.

There have been no significant changes to the company's financial status after the end of the financial period. According to the opinion of the Board of Directors, the company's liquidity is good and the proposed dividend will not negatively influence the company's solvency.

## 2013 ANNUAL GENERAL MEETING

The Annual General Meeting in 2013 will be held in Oulu on March 27, 2013. Shareholders can make resolution proposals at the meeting in matters germane to the Annual General Meeting and included in the agenda. Shareholders who wish to include items on the agenda of the Annual General Meeting should submit their request with reasoning or resolution proposals by e-mail to legal@technopolis.fi by February 15, 2013.

## POST-FISCAL EVENTS

Post-fical events on page 39.

## FUTURE OUTLOOK

The Company estimates that its net sales and EBITDA will grow 9 - 12 % in 2013 from the previous year.

The Group's financial performance depends on the development of the overall business environment, customer operations, financial markets, and market yield requirements. Furthermore, any property transactions that take place will have an impact on the guidance.

Currency unit, EUR 1,000

# FIVE-YEAR REVIEW

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| **Summary of income statement** | | | | | |
| Net sales | 107,330 | 92,835 | 81,181 | 76,401 | 72,571 |
| Other operating income | 1,609 | 1,223 | 1,565 | 2,426 | 5,480 |
| EBITDA | 55,750 | 47,539 | 41,404 | 39,965 | 36,985 |
| Operating profit | 48,031 | 71,990 | 43,015 | 2,315 | 35,312 |
| Profit before taxes | 34,476 | 60,015 | 33,587 | -9,446 | 21,379 |
| Net profit for the year attributable to parent company shareholders | 25,821 | 46,700 | 23,254 | -7,443 | 15,987 |
| **Summary of balance sheet** | | | | | |
| Total assets | 1,082,734 | 962,879 | 827,611 | 706,090 | 683,564 |
| Completed investment properties | 956,520 | 843,778 | 727,672 | 596,729 | 594,022 |
| Investment properties under construction [1] | 57,559 | 61,698 | 54,058 | 51,054 | |
| Cash and bank | 15,676 | 12,507 | 4,485 | 4,519 | 7,146 |
| Shareholders' equity | 389,527 | 343,167 | 307,602 | 261,843 | 275,704 |
| Interest-bearing liabilities | 608,140 | 547,712 | 457,868 | 388,702 | 350,272 |
| **Key indicators and financial ratios** | | | | | |
| Change in net sales, % | 15.61 | 14.35 | 6.26 | 5.28 | 27.54 |
| Change in EBITDA, % | 17.27 | 14.82 | 3.60 | 8.06 | 29.18 |
| Operating profit/net sales, % | 44.75 | 77.55 | 52.99 | 3.03 | 48.66 |
| Return on equity (ROE), % | 7.36 | 15.00 | 8.24 | -2.79 | 6.57 |
| Return on investment (ROI), % | 5.46 | 8.95 | 6.15 | 1.87 | 7.14 |
| Equity ratio, % | 36.19 | 35.84 | 37.38 | 37.30 | 40.52 |
| Net debt/equity (gearing), % | 152.10 | 155.96 | 147.39 | 146.72 | 124.45 |
| Interest coverage ratio | 4.49 | 3.67 | 4.87 | 3.78 | 2.23 |
| Loan to value, % | 59.47 | 59.98 | 58.04 | 59.11 | 55.62 |
| Cash flow from operations/ share, EUR | 0.56 | 0.46 | 0.39 | 0.48 | 0.37 |
| Gross capital expenditure on non-current assets | 115,766 | 105,256 | 134,387 | 66,029 | 143,273 |
| Employees in Group companies, average | 178 | 158 | 135 | 152 | 165 |

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| **Share-related indicators [2]** | | | | | |
| Earnings/share, basic, EUR | 0.37 | 0.70 | 0.36 | -0.12 | 0.29 |
| Earnings/share, adjusted for dilutive effect, EUR | 0.37 | 0.70 | 0.36 | -0.12 | 0.29 |
| Equity/share, EUR | 4.94 | 4.96 | 4.47 | 4.35 | 4.57 |
| Issue-adjusted no. of shares, basic, average | 69,913,841 | 66,586,727 | 64,123,998 | 60,241,949 | 54,657,907 |
| Issue-adjusted no. of shares, diluted, average | 70,146,318 | 66,767,124 | 64,277,317 | 60,241,949 | 54,751,307 |
| Issue-adjusted no. of shares, at Dec 31 | 75,561,227 | 66,586,727 | 66,586,727 | 60,241,949 | 60,241,949 |
| Market capitalization of shares, EUR | 284,865,826 | 212,339,897 | 258,610,980 | 177,770,557 | 165,154,582 |
| Share turnover | 18,994,144 | 30,084,022 | 22,547,191 | 18,870,550 | 33,013,701 |
| Share turnover/average number of shares, % | 27.17 | 47.46 | 36.94 | 32.91 | 63.45 |
| Share prices, EUR | | | | | |
| Highest price | 4.07 | 4.21 | 4.04 | 3.77 | 6.17 |
| Lowest price | 2.93 | 2.48 | 2.82 | 1.86 | 2.15 |
| Average price | 3.60 | 3.42 | 3.42 | 2.87 | 4.61 |
| Price at Dec 31 | 3.77 | 3.19 | 3.88 | 2.95 | 2.74 |
| Dividend/share, EUR | 0.20 [3] | 0.19 | 0.16 | 0.14 | 0.11 |
| Dividend payout ratio, % | 54.15 [3] | 27.15 | 44.62 | -115.57 | 39.05 |
| Effective dividend yield, % | 5.31 [3] | 5.97 | 4.17 | 4.84 | 4.17 |
| Price/earnings (P/E) ratio | 10.21 | 4.55 | 10.71 | -23.88 | 9.37 |

[1] Investment properties under construction have been valued at fair value under revised IAS 40 since 2009
[2] Share-related indicators have been adjusted for the rights issue in spring 2012
[3] Proposal for distribution of dividends

Currency unit, EUR 1,000

| EPRA and property key figures | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Rentable area, sqm | 644,300 | 576,900 | 527,800 | 453,600 | 438,300 |
| Direct result (EPRA Earnings) [4] | 29,860 | 25,467 | 20,941 | 21,656 | 15,121 |
| Change in direct result, % [4] | 17.25 | 17.59 | -3.30 | 43.22 | |
| Direct result per share (EPRA Earnings per share) | 0.43 | 0.38 | 0.33 | 0.36 | 0.28 |
| Financial occupancy rate, % | 95.34 | 95.06 | 94.44 | 94.36 | 96.54 |
| EPRA Vacancy Rate | 4.66 | 4.94 | 5.56 | 5.64 | 3.46 |
| EPRA Like-for-like rental growth [4] | 2.35 | 6.80 | -1.85 | -0.43 | |
| Net rental income of property portfolio (EPRA Net Initial Yield), % | 7.80 | 7.80 | 7.65 | 7.60 | 7.60 |
| Net asset value (EPRA Net Asset Value) | 428,292 | 376,298 | 333,221 | 290,116 | 309,242 |
| Net asset value per share (EPRA NAV per share) | 5.67 | 5.65 | 5.00 | 4.82 | 5.13 |

[4] This key figure has been presented since the beginning of 2008.

Currency unit, EUR 1,000

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, BALANCHE SHEET, CASH FLOW AND CHANGES IN EQUITY

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | 2012 | 2011 |
|---|---|---|---|
| **Net sales** | **1, 2** | **107,330** | **92,835** |
| Other operating income | 2 | 1,707 | 1,223 |
| Costs of employee benefits | 3 | -11,005 | -10,341 |
| Depreciation | 4 | -2,015 | -1,831 |
| Changes in fair value of investment properties | 10 | -5,705 | 26,282 |
| Other operating expenses | 5 | -42,282 | -36,177 |
| **Operating profit** | | **48,031** | **71,990** |
| Finance income, total | 6 | 1,261 | 2,115 |
| Finance costs, total | 6 | -14,815 | -14,123 |
| Share in associate profits | 13 | 0 | 32 |
| **Profit before taxes** | | **34,476** | **60,015** |
| Income tax | 7, 15 | -7,526 | -11,219 |
| **Net result for the period** | | **26,950** | **48,795** |
| | | | |
| **Other comprehensive income** | | | |
| Translation differences | 7, 18 | 944 | -645 |
| Available-for-sale financial assets | 6, 7, 14 | 21 | 47 |
| Derivatives | 6, 7 | -3,970 | -4,388 |
| Taxes related to other comprehensive income items | 7 | 971 | 1,129 |
| **Other comprehensive income items after taxes** | | **-2,035** | **-3,857** |
| | | | |
| **Comprehensive income for the period, total** | | **24,916** | **44,938** |
| | | | |
| **Distribution of earnings for the year** | | | |
| To parent company shareholders | | 25,821 | 46,700 |
| To non-controlling interests | | 1,129 | 2,095 |
| **Total** | | **26,950** | **48,795** |
| | | | |
| **Distribution of comprehensive earnings for the period** | | | |
| To parent company shareholders | | 23,787 | 42,843 |
| To non-controlling interests | | 1,129 | 2,095 |
| **Total** | | **24,916** | **44,938** |
| | | | |
| **Earnings per share calculated from the profit attributable to the owners of the parent company** | **8** | | |
| Average issue-adjusted number of shares | | 69,913,841 | 66,586,727 |
| Earnings per share, basic, EUR | | 0.37 | 0.70 |
| Average number of shares adjusted for dilutive effect | | 70,146,318 | 66,767,124 |
| Earnings per share, diluted, EUR | | 0.37 | 0.70 |

## CONSOLIDATED BALANCE SHEET

| | Note | 2012/12/31 | 2011/12/31 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 9 | 5,558 | 6,724 |
| Tangible fixed assets | 10 | 5,278 | 4,310 |
| Completed investment properties | 11 | 956,520 | 843,778 |
| Investment properties under construction | 11 | 57,559 | 61,698 |
| Advance payments and projects in progress | 12 | 8,453 | 7,707 |
| Holdings in associates | 13 | 6,056 | 5,386 |
| Investments and receivables | 14 | 6,454 | 6,821 |
| Deferred tax assets | 15 | 2,740 | 2,566 |
| **Total non-current assets** | | **1,048,618** | **938,989** |
| | | | |
| **Current assets** | | | |
| Sales receivables | 16 | 4,991 | 4,716 |
| Other current receivables | 16 | 13,448 | 6,666 |
| Cash and cash equivalents | 17 | 15,676 | 12,507 |
| **Total current assets** | | **34,116** | **23,890** |
| | | | |
| **ASSETS, TOTAL** | | **1,082,734** | **962,879** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | **18** | | |
| Share capital | | 96,914 | 96,914 |
| Premium fund | | 18,551 | 18,551 |
| Invested unrestricted equity fund | | 116,274 | 84,190 |
| Other reserves | | -6,071 | -3,093 |
| Translation differences | | 299 | -645 |
| Retained earnings | | 121,668 | 87,421 |
| Net profit for the year | | 25,821 | 46,700 |
| **Parent company's shareholders' share of equity** | | **373,456** | **330,038** |
| Share of non-controlling interests in equity | | 16,071 | 13,129 |
| **Total equity** | | **389,527** | **343,167** |
| | | | |
| **Liabilities** | | | |
| Deferred tax liabilities | 15 | 49,735 | 45,972 |
| Non-current finance lease liabilities | 19 | 33,919 | 34,891 |
| Other non-current liabilities | 19 | 466,090 | 434,984 |
| *Non-current liabilities, total* | *20* | *549,744* | *515,847* |
| Current finance lease liabilities | 19 | 3,411 | 2,111 |
| Accounts payable | 19 | 6,010 | 6,005 |
| Other current financial liabilities | 19 | 134,042 | 95,748 |
| *Current liabilities, total* | | *143,463* | *103,864* |
| **Total liabilities** | | **693,207** | **619,712** |
| | | | |
| **EQUITY AND LIABILITIES, TOTAL** | | **1,082,734** | **962,879** |

Currency unit, EUR 1,000

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2012 | 2011 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net result for the period | 26,950 | 48,795 |
| Adjustments: | | |
| Change in fair value of investment properties | 5,705 | -26,282 |
| Depreciation | 2,015 | 1,831 |
| Share in associate profits | 0 | -32 |
| Gains from disposals | -96 | 26 |
| Other adjustments for non-cash transactions | 247 | 601 |
| Financial income and expenses | 13,554 | 12,007 |
| Taxes | 7,526 | 11,219 |
| Change in working capital | 1,039 | -901 |
| Interest received | 160 | 182 |
| Dividends received | 13 | 12 |
| Interest paid and fees | -10,281 | -10,241 |
| Other financial items in operating activities | -4,407 | -2,403 |
| Taxes paid | -3,256 | -4,350 |
| **Cash flows from operating activities** | **39,168** | **30,466** |
| | | |
| **Cash flows from investing activities** | | |
| Investments in other securities | -2 | -5 |
| Investments in investment properties | -107,172 | -98,132 |
| Investments in tangible and intangible assets | -8,250 | -4,361 |
| Loans granted | | -81 |
| Repayments of loan receivables | 20 | 128 |
| Proceeds from sale of investments | 50 | 406 |
| Proceeds from sale of tangible and intangible assets | 99 | 160 |
| Acquisition of subsidiaries [1] | -661 | |
| Acquisition of associates | -670 | -723 |
| Shares in associate companies sold | | 868 |
| **Cash flows from investing activities** | **-116,586** | **-101,741** |

| | 2012 | 2011 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Increase in long-term loans | 96,326 | 113,325 |
| Decrease in long-term loans | -58,236 | -36,825 |
| Dividends paid | -12,673 | -10,772 |
| Proceeds from issue of share capital | 32,652 | |
| Capital investment of non-controlling interests | 1,813 | 784 |
| Change in short-term borrowings | 20,883 | 12,867 |
| **Cash flows from financing activities** | **80,765** | **79,378** |
| | | |
| **Change in cash and cash equivalents** | **3,347** | **8,103** |
| Impact of exchange rate changes | -178 | -81 |
| Cash and cash equivalents at period-start | 12,507 | 4,485 |
| **Cash and cash equivalents at period-end** | **15,676** | **12,507** |

[1] Acquisitions of shares of non-controlling interests which did not result in changes in control

Currency unit, EUR 1,000

## STATEMENT OF CHANGES IN EQUITY

| | Equity attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Premium fund | Invested unrestricted equity fund | Hedging instrument reserve | Fair value reserve | Translation differences | Retained earnings | **Equity attributable to owners of the parent** | Share of non-controlling interests | **Total equity** |
| **Equity, Jan 1, 2011** | **96,914** | **18,551** | **84,100** | | **120** | | **97,668** | **297,352** | **10,250** | **307,602** |
| **Comprehensive income** | | | | | | | | | | |
| Net result for the period | | | | | | | 46,700 | 46,700 | 2,095 | **48,795** |
| Other comprehensive income | | | | | | | | | | |
| Translation differences | | | | | | -645 | | -645 | | **-645** |
| Derivatives | | | | -3,247 | | | | -3,247 | | **-3,247** |
| Available-for-sale financial assets | | | | | 35 | | | 35 | | **35** |
| **Comprehensive income for the period, total** | | | | **-3,247** | **35** | **-645** | **46,700** | **42,843** | **2,095** | **44,938** |
| **Transactions with owners of the company** | | | | | | | | | | |
| Dividend | | | | | | | -10,775 | -10,775 | | **-10,775** |
| Acquired own shares | | | 90 | | | | | 90 | | **90** |
| Share-based compensation | | | | | | | 563 | 563 | | **563** |
| Investment of non-controlling interests | | | | | | | | | 784 | **784** |
| Other changes | | | | | | | -34 | -34 | | **-34** |
| **Transactions with owners of the company** | | | **90** | | | | **-10,247** | **-10,157** | **784** | **-9,373** |
| **Equity, Dec 31, 2011** | **96,914** | **18,551** | **84,190** | **-3,247** | **155** | **-645** | **134,121** | **330,038** | **13,129** | **343,167** |
| | | | | | | | | | | |
| **Equity, Jan 1, 2012** | **96,914** | **18,551** | **84,190** | **-3,247** | **155** | **-645** | **134,121** | **330,038** | **13,129** | **343,167** |
| **Comprehensive income** | | | | | | | | | | |
| Net result for the period | | | | | | | 25,821 | 25,821 | 1,129 | **26,950** |
| Other comprehensive income | | | | | | | | | | |
| Translation differences | | | | | | 944 | | 944 | | **944** |
| Derivatives | | | | -2,998 | | | | -2,998 | | **-2,998** |
| Available-for-sale financial assets | | | | | 20 | | | 20 | | **20** |
| **Comprehensive income for the period, total** | | | | **-2,998** | **20** | **944** | **25,821** | **23,787** | **1,129** | **24,916** |
| **Transactions with owners of the company** | | | | | | | | | | |
| Dividend | | | | | | | -12,677 | -12,677 | | **-12,677** |
| Share issue | | | 32,071 | | | | | 32,071 | | **32,071** |
| Share options exercised | | | 13 | | | | | 13 | | **13** |
| Share-based compensation | | | | | | | 394 | 394 | | **394** |
| Changes in holdings in subsidiaries [1)] | | | | | | | 78 | 78 | | **78** |
| Investment of non-controlling interests | | | | | | | | | 1,813 | **1,813** |
| Other changes | | | | | | | -249 | -249 | | **-249** |
| **Transactions with owners of the company** | | | **32,084** | | | | **-12,454** | **19,631** | **1,813** | **21,444** |
| **Equity, Dec 31, 2012** | **96,914** | **18,551** | **116,274** | **-6,245** | **175** | **299** | **147,489** | **373,456** | **16,071** | **389,527** |

[1)] Acquisitions of shares of non-controlling interests which did not result in changes in control

# ACCOUNTING POLICIES APPLIED IN THE CONSOLIDATED FINANCIAL

## COMPANY INFORMATION

Technopolis is a company that specializes in providing operating environments for high-tech enterprises, utilizing a service concept that combines premises, business services and development services. Technopolis operates in Finland in the Oulu region, the Helsinki Metropolitan Area, Jyväskylä, Kuopio, Lappeenranta, and Tampere; in St. Petersburg in Russia and in Tallinn in Estonia. The Group's parent company is Technopolis Plc. The company is domiciled in Oulu, Finland, and its registered address is Elektroniikkatie 8, FI-90590 Oulu.

The Board of Directors of Technopolis Plc approved the publication of the consolidated financial statements on March 1, 2013. A copy of the consolidated financial statements is available on the website of Technopolis Plc at www.technopolis.fi/investors. Under the Finnish Companies Act, shareholders have the option to accept, amend or reject the financial statements at the Annual General Meeting, which is held after the publication of the financial statements.

## ACCOUNTING POLICIES APPLIED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Technopolis Plc have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements comply with the IAS (International Accounting Standards) and IFRS effective as of December 31, 2012, together with the interpretations of the SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee), adopted by European Union. All figures in the financial statements are presented in thousands of euros.

In the consolidated financial statements, investment properties, available-for-sale financial assets, derivatives and the cash portion of the share incentive scheme are measured at fair value. In other respects, the consolidated financial statements were produced on the historical cost basis.

The Group has taken into account the amendments to standards and interpretations that came into effect on January 1, 2012, such as revised IAS 12 Income Taxes and IFRS 7 Financial Instruments: Disclosures. The changes in standards do not have any major effect on the Group's consolidated financial statements.

## Scope of Consolidated Financial Statements

The consolidated financial statements include the parent company, Technopolis Plc, and those subsidiaries in which the parent company directly or indirectly controls more than 50% of the voting power of the shares or otherwise exercises control. Associates are companies in which the Technopolis Group exerts significant influence. Significant influence exists when the Group owns more than 20% of the company's voting power or when it otherwise exerts significant influence but not control.

The parent company Technopolis Plc and all of its subsidiaries have been consolidated in the consolidated financial statements. The subsidiaries are companies in which the Group has a controlling interest. A controlling interest exists when the Group has more than half of the voting power or otherwise has a controlling interest. The purchase method has been used in eliminating the mutual shareholdings of Group companies. Pursuant to an exemption permitted under IFRS 1, the Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations that predate the transition to IFRS (January 1, 2004). Business combinations subsequent to the transition date implemented prior to January 1, 2010, comply with the IFRS 3 standard in force at the time, and as of January 1, 2010, the Group has applied the revised IFRS 3 standard in accordance with which all acquisition-related expenses are recognized in the statement of comprehensive income as expenses. A conditional additional purchase price must be recognized at fair value, even if the materialization of the additional purchase price is not assumed to be probable at the time of the acquisition. Any changes in the conditional purchase price liability that have taken place after the time of acquisition are recognized through profit or loss. With regard to acquisitions to which the IFRS 3 standard has been applied, the identifiable assets, liabilities and contingent liabilities are measured at fair value on the acquisition date. If the cost of an acquired company at the acquisition date exceeds the Group's share of the fair value of the acquired company's net assets, the difference is recognized as goodwill. All subsidiaries established or acquired during the fiscal year have been consolidated from the point in time when control over them was established. Changes in ownership of subsidiaries, associated companies or joint ventures are recognized directly in the Group's shareholders' equity. As a result of the standard revision, losses of a subsidiary can be allocated to non-controlling owners even when they exceed the value of their investments.

All intra-group transactions, balances and profit distribution have been eliminated. The portion attributable to non-controlling interests has been separated from consolidated equity and profit and is presented separately under equity.

Associates have been consolidated using the equity method of accounting. The Group's portion of the net profit/loss for the year of associates, less depreciation, is presented in the statement of comprehensive income under financial income. If the Group's portion of an associate's loss exceeds the carrying amount, any losses in excess of the carrying amount are not consolidated, unless the Group is committed to fulfilling the obligations of the associates.

Mutual property companies have been consolidated by proportional consolidation, with the balance sheets and income statements of the mutual property companies being consolidated proportionally to the Group's holding, line by line, with the corresponding lines in the consolidated financial statements. If the statements of comprehensive income and the balance sheets of subsidiaries consolidated by proportional consolidation contain items that are exclusively attributable to the Group or to other owners, they have also been taken into account accordingly in the consolidated financial statements. These cases do not constitute a non-controlling interest.

## Foreign Currency Denominated Business Transactions

The figures concerning the result and financial position of the Group's unit are denominated in the currency of each unit's main business environment (the "functional currency"). The consolidated financial statements are disclosed in euros, which is the functional and presentation currency of the Group's parent company. In addition to the euro, the Group has items denominated in U.S. dollars and Russian rubles.

Foreign currency denominated business transactions are recognized in the functional currency, using the exchange rate of the transaction date. Foreign currency denominated monetary balances are converted to euros using the exchange rates of the balance sheet date. Foreign currency denominated non-monetary items are valued using the exchange rate of the transaction date, except for items at fair value, which are converted to euros using the exchange rates of the valuation date.

Gains and losses arising from foreign currency denominated business transactions and from the translation of monetary items have been recognized in the statement of comprehensive income under financial income and expenses. Exchange rate gains and losses from business operations are included in the corresponding items before operating profit.

Income and expense items of the Group companies' statements of comprehensive income are converted to euros using the average rate of the financial period and balance sheets using the exchange rate of the balance sheet date, which results in translation differences recognized in shareholders' equity on the balance sheet, with the result recognized in other comprehensive income. Also, translation differences from the elimination of foreign subsidiaries' acquisition cost and equity items accumulated after acquisition are recognized in other comprehensive income. Any translation difference from the sale of a subsidiary is recognized in the income statement as part of the capital gain or loss.

The Group also has a Russian subsidiary in St. Petersburg that uses the Russian ruble as its functional currency.

## Recognition Principles

The Group's net sales primarily consist of real estate rental revenues and service revenues derived from business operations. Net sales are adjusted for indirect taxes, sales adjusting items and the translation difference of foreign currency denominated sales. The Group's income is recognized when it is probable that the economic benefits associated with the transaction will flow to the entity. Most of the rental revenues from investment properties have been recognized as income in accordance with IAS 17 through profit or loss on a straight-line basis over the entire lease term. The rents paid by some customers are "contingent rents," with the rent based on the lessee's net sales. Rents tied to net sales are recognized during the financial period based on contract and balanced according to the actual rents at the end of the financial period. Service revenues are recognized according to IAS 18 upon completion of the service performance.

## Public Subsidies

Public subsidies are recognized when there is reasonable assurance that the entity complies with the conditions attaching to them and that the subsidies will be received. The subsidies received for various development programs have been recognized in other operating income. The expenses relating to development programs are recognized under other operating expenses and personnel expenses.

## Intangible Assets and Tangible Fixed Assets

Intangible assets and items of property, plant and equipment are measured at the original acquisition cost, less accumulated depreciation, and they are depreciated over their useful lives according to pre-established depreciation plans. Intangible rights are depreciated on a 20% and machinery and equipment on a 25% straight-line basis. Depreciation is included in the statement of comprehensive income under depreciation according to plan.

Additional expenses arising later are capitalized if it is likely that they will cause future economic benefit to flow to the company and they can be reliably determined and allocated to an asset. Otherwise, they are recognized as an expense in the statement of comprehensive income.

R&D expenditure is recognized in the statement of comprehensive income as expenses. Development expenses arising from the planning of new and significantly enhanced products are capitalized as intangible assets on the balance sheet when the development phase expenditure can be reliably determined, finishing the product is technically feasible, the Group is able to use or sell the product, the Group can show how the product will probably generate future economic benefit and the Group has both the intent and resources to finish the development work and use or sell the product. Capitalized R&D expenditure includes material, work and testing expenses and any capitalized borrowing costs that are directly due to finishing the product for the intended use. R&D expenditure previously recognized as expenses will not be subsequently capitalized.

The useful lives of intangible assets and tangible fixed assets are reviewed annually and their carrying amounts are assessed for possible depreciation. If there is any indication of depreciation, the recoverable amount of the asset involved is evaluated. The recoverable amount of unfinished intangible assets is additionally estimated annually regardless of whether there are indications of impairment.

The recoverable amount is the higher of the fair value of the asset less sales-related expenses or service value. Service value refers to the estimated future net cash flows from the asset or cash-generating unit discounted to their current value. The discount rate applied is the interest rate before tax, which illustrates the market view of the time value of money and special risks related to the asset.

If the carrying amount of an asset is found to be higher than the cash it will generate in the future, a depreciation loss will be recognized as an expense for the period. If a depreciation loss later proves unwarranted, it can be reversed by recognizing it in profit or loss. However, a reversal of a depreciation loss cannot exceed the depreciation of the asset recognized previously, and in cases where goodwill is recognized, a depreciation loss made in goodwill is irreversible.

On the balance sheet date, the Group has no intangible assets with indefinite useful lives or goodwill that would need to be subjected to annual depreciation testing.

## Investment Properties

Investment properties are those that the Group holds in order to obtain rental revenues or an increase in asset value. Investment properties are measured at fair value. They include buildings and developed/undeveloped land owned by the Group. They also include properties held under a capital lease. Properties held under other than a capital lease are not classified as investment properties. The Technopolis Group keeps, for its own use, only small offices in buildings that can otherwise be defined as investment properties, for which reason the premises in Technopolis's own use have not been recognized separately at acquisition cost, but are included in the fair value calculation.

Changes in the value of investment properties are entered into the statement of comprehensive income as a separate item. Aside from the change in the value of properties owned throughout the year, the change in the fair value of investment properties was due to the determination of properties completed during the fiscal year at fair value and the increases in acquisition cost recognized by special purpose entities during the fiscal year.

**Fair Value Accounting Model**

In calculating the fair value of investment properties, the aim is to determine the prices paid on an active market at the time of the review for properties that are equivalent in terms of type, location, condition or lease structure. If comparable prices cannot be found on active markets, the fair value can be determined by adapting the prices of active markets to correspond to the time of the review and the situation at hand, or by determining the prices from cash flows based on estimated future revenues.

The fair value accounting model applied by the Group is based on the cash flow analysis determined specifically for each property, in which the fair value of an investment property is determined by discounting the net cash flow of future income and expenses to the present day. The net cash flow consists of future rental revenues adjusted by the vacancy rate, less annual management and maintenance costs. The current value of the residual value at the end of the fiscal year is added to the net present value of the net cash flow. Undeveloped land areas are measured on the basis of the building rights if the latter is essentially different from the land acquisition cost.

All future income is based on existing agreements. Existing agreements are assumed to terminate upon expiry of the notice period following the first possible date for giving notice of termination. After this, the premises are assumed to be leased at market rates. The market rate is a rent defined by the company itself specifically for each of the premises and properties. Market rents are also defined for premises that are vacant at the valuation date. A vacancy rate is defined specifically for each property annually over the entire accounting period. In addition to income from the rental of premises, site-specific income is considered to include payments for usage, income from car parking and income from conference room rentals. Rents and market rents are raised annually by the expected inflation rate.

The expenses attributed to a property include the cost of management, minor repairs and facility maintenance allocated to the property or the proportional holding in it for the entire accounting period. These expenses are increased annually by the expected inflation rate. The facility maintenance costs used in the calculation of residual value are based on internal site-specific estimates.

The net cash flows from estimated future income and expenses are discounted to the present day using a discount rate derived from the net yield requirement and the expected inflation rate. The yield requirements are calculated by two independent appraisal agencies for each individual region. The yields are calculated by taking the average of the upper and lower ranges reported by these organizations.

The valuation model and the parameters applied in it have been audited by a third-party property assessor (AKA). Additionally, the Group may, at its discretion, request appraisals from third-party assessors to support its own calculations.

**Investment properties under construction**
Acquisition costs related to the construction of an investment property accumulated during the construction period, any related plot rents, interest expenses and costs of employee benefits are capitalized on investment properties under construction on the balance sheet. Investment properties under construction are then valued at their fair value according to the degree of completion, provided that the fair value can be reliably determined. The fair value of investment properties under construction is determined using the same fair value accounting model as the fair value of completed investment properties. Changes in the fair value of investment properties under construction are recognized in other comprehensive income. Investment properties under construction are presented separately from completed investment properties and transferred to completed investment properties at their fair value upon commissioning.

## Advance payments and projects in progress

Capitalized additions of non-current assets in progress have been recognized under advance payments and projects in progress. These include modernizations of investment properties and any other projects that are to be recognized as being in progress until they are completed.

## Leases

Leases are classified as finance leases and operating leases, depending on the extent to which the risks typically related to the ownership of the leased asset are to be carried by the lessee or the lessor. Finance leases are those that substantially transfer all of the risks and rewards incidental to the ownership of the asset to the lessee. If the risks and rewards incidental to the ownership of the asset are not transferred, the lease is classified as an operating lease. Operating leases are recognized through profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the lease's actual nature.

**Group as a Lessor**
Leases in which the risks and rewards incidental to ownership remain with the lessor are treated as operating leases. All of the Group's leases are operating leases. The majority of rental revenues are entered in the income statement on a straight-line basis during the term of the lease. The rents paid by some customers are based on the lessee's net sales. All rental revenues are recognized in net sales.

The Group does not have lease premises under long-term leases that are classified as leases.

**Group as a Lessee**
Leases in which the risks and rewards incidental to ownership are not transferred to the lessee are treated as operating leases. Most of the leases in which the Group is the lessee are operating leases. The rental expenses arising from such leases are entered in the comprehensive income statement on a straight-line basis during the term of the lease.

Lessees recognize finance leases at their commencement as balance sheet assets at their fair value or at the current value of minimum leases, whichever is lower, and they are removed from the balance sheet at the time when the assets are expected to be capitalized. The rents to be paid are divided between financial expenses and a decrease in liabilities.

Group companies are lessees of premises on long-term leases that are classified as finance leases. In these cases, the risks and rewards incidental to ownership of the premises have substantially been transferred to the lessee.

## Shareholders' Equity

Shares issued before 2010 are presented as share capital. Assets received as consideration for shares issued after this are registered in the company's unrestricted equity reserve. Shares issued after that are Expenses related to the issue or purchase of equity instruments are presented as a reduction of shareholders' equity. If the parent company repurchases equity instruments, the acquisition cost of the instruments is deducted from shareholders' equity.

## Financial Assets and Liabilities

Technopolis Group's financial assets are classified into the following categories in accordance with IAS 39 Financial Instruments: Recognition and Measurement: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification is made according to the purpose of the acquisition of the financial assets and liabilities, and they are classified in connection with the original acquisition. Financial instruments are initially recognized at fair value based on the consideration received or paid. Transaction costs are included in the initial accounting value of financial assets and liabilities for items that are not measured at fair value through profit or loss. All purchases and sales of financial assets and liabilities are recognized on the transaction date.

Financial assets are derecognized from the balance sheet when the Group has lost its contractual right to cash flows or it has substantially transferred the risks and rewards to a non-Group party.

Financial assets at fair value through profit or loss include available-for-sale assets. Available-for-sale financial assets have mainly been acquired in order to generate profits from short-term changes in market prices. Available-for-sale assets also include derivatives not eligible for hedge accounting according to IAS 39 Financial Instruments: Recognition and Measurement. Available-for-sale financial assets maturing within 12 months are included in current assets.

The items in this group are recognized at fair value, and the fair values of all of the investments in this category are determined on the basis of quoted prices in active markets or generally approved option pricing models. Both realized and unrealized gains and losses from changes in fair value and related taxes are recognized in the income statement for the period during which they were incurred.

Fees related to borrowings and other receivables are fixed or can be determined and not quoted in an active market, and the company does not hold them for trading purposes. This group includes the Group's financial assets generated by conveying money, goods, or services to the debtor. They are measured at amortized costs and included in current and non-current financial assets; in the latter if they mature after more than 12 months. The Group recognizes an impairment loss for an individual receivable when there are objective indications that it will not be possible to collect the receivable in full.

Available-for-sale financial assets are non-derivative assets that are specifically classified into this group or not classified into any other group. They are included in non-current financial assets if the aim is to hold them for more than 12 months after the closing date; otherwise, they are included in current financial assets. Changes in the fair values of available-for-sale financial assets are recognized in other comprehensive income items and in the revaluation fund, taking tax effects into account. Changes in fair value are transferred from shareholders' equity to the income statement when the investment is sold or its value has decreased so that an impairment loss must be recognized.

Interest-bearing liabilities are recognized on the balance sheet at amortized cost by applying the effective interest method. Current interest-bearing liabilities include all interest-bearing liabilities maturing within 12 months, including commercial papers issued by the company.

**Impairment of Financial Assets**
The Group estimates at the closing date of each reporting period whether there are indications of impairment of any individual items or group of financial assets. If the fair value of share investments has fallen considerably under the acquisition cost, this is an indication of the impairment of the available-for-sale instrument. If there are indications of impairment, the loss accumulated in the revaluation fund is recognized through profit or loss. Impairment losses from equity investments classified into available-for-sale financial assets are not cancelled through profit or loss, while the subsequent cancellation of impairment losses concerning fixed-income instruments is recognized through profit or loss.

The Group recognizes an impairment loss for individual receivables when there are objective indications that it will not be possible to collect the receivable in full. The debtor's considerable financial difficulties, probability of bankruptcy, default on payments or delay of payment by more than 90 days are indications of the impairment of a receivable. The amount of impairment loss through profit or loss is determined as the difference between the book value of the receivable and estimated future cash flows. If the amount of the impairment loss decreases during a subsequent period and the decrease can be objectively considered to be related to an event taking place after the recognition of the impairment, the recognized loss is cancelled through profit or loss.

**Derivative Contracts and Hedge Accounting**
The Group uses derivative contracts mainly to hedge interest rate risks. Interest rate derivatives are classified as hedging instruments of future interest flows, and the Group applies hedge accounting of cash flows to the contracts when the criteria for hedge accounting according to IAS 39 are met. A change in the fair value of a derivative contract is recognized in comprehensive income to the extent that the hedging is effective. The non-effective proportion of hedging is immediately recognized in the income statement in financial items. If a derivative contract used as a hedging instrument is matured, sold or terminated prematurely but the generation of the interest flows of the hedged loans is still very probable, the gains and losses from interest rate swaps remain in shareholders' equity and are recognized in the income statement when the hedged interest flows are realized as income. If the generation of the hedged cash flows is no longer very probable, the gains and losses from interest rate swaps are immediately recognized from shareholders' equity to the income statement under financial income and expenses.

Derivative contracts that do not meet the criteria for hedge accounting are recognized through profit or loss. Such contracts are measured at fair value, and changes in their fair value are recognized in the income statement.

**Borrowing Costs**
Borrowing costs are recognized as expenses for the financial period during which they were incurred. Borrowing costs arising directly from the acquisition, construction or manufacturing of an item meeting specific criteria are included in the acquisition cost of the item in question. Borrowing costs that are capitalized include expenses due to loans raised for construction costs related to real estate development or expenses of construction projects multiplied by a financial expense factor if there is no separate loan allocated to the construction project in question. The financial expense factor is the weighted average interest rate of the Group's interest-bearing liabilities during the financial period, determined by quarter.

## Cash and Cash Equivalents

Cash and cash equivalents consist of cash, demand deposits and other current, extremely liquid investments. Items classified as cash and cash equivalents have a maximum maturity of three months from the acquisition date.

Credit accounts related to consolidated accounts are included in current financial liabilities and they are presented as net value since the Group has a contractual legal offsetting right, according to which it can set off an amount to be paid to a creditor in full or in part, or otherwise eliminate it.

## Employee Benefits

All of the Group's employees are included in defined contribution plans, and all contributions resulting from pension arrangements are recognized in the income statement for the fiscal year to which the contribution relates.

## Share-based Payments

Options are measured at fair value at the granting date and are recognized in the statement of comprehensive income as expenses on a straight-line basis during the period in which the right arises. The cost determined on the option granting date is based on the Group's estimate of the number of options for which a right is estimated to arise at the end of the period.

Fair value is determined on the basis of the Black-Scholes option pricing model. The fair value of an option is determined by the issue price, the share option's life, the price of the underlying shares at grant date, the expected volatility of the share price, and the risk-free interest rate. The expected volatility of the share price is primarily based on its historical volatility. The Group updates the assumptions concerning the final number of options on each balance sheet date. Changes in the estimates are entered in the statement of comprehensive income. When options are exercised, all money payments received on the basis of share subscriptions (adjusted for the transaction costs, if any) are entered in the share capital (counter book value) and in the invested unrestricted equity fund.

The company also has a current share incentive scheme decided by the Annual General Meeting in 2009. The bonuses under the share incentive scheme are paid partly in shares and partly in cash. The terms and conditions of the share incentive scheme are presented in more detail in the notes to the consolidated financial statements. The portion paid in shares is recognized as expenses for employee benefits incurred during the period the benefits were created, and is also recognized in Group equity. The portion paid in cash is recognized as expenses for employee benefits incurred during the period the benefits were created, and also as a liability.

## Provisions and contingent liabilities

A provision is recognized when the Group has a legal or actual obligation based on an earlier event, when materialization of the payment obligation is probable and the amount of the obligation can be reliably determined. The provisions are measured at the present value of the expenses required to cover them. If there is a possibility of obtaining compensation from a third party for part of the obligation, the compensation is recognized as a separate asset when its receipt is virtually certain. The amount of provisions is assessed on each balance sheet date and adjusted to correspond to the best estimate available at the time of assessment. The Group does not have such provisions.

A contingent liability is a potential liability resulting from earlier events, the existence of which only becomes certain when an uncertain event outside the control of the Group materializes. An existing obligation that probably does not require a payment obligation to be fulfilled or whose amount cannot be reliably determined is also classified as a contingent liability. Contingent liabilities are presented in the notes to the financial statements.

## Taxes

Current taxes include the tax based on taxable income for the period, adjustments for previous years and changes in deferred taxes. Deferred tax liabilities arise when the carrying amount of an item in the consolidated balance sheet exceeds its taxation value. Deferred tax liabilities are recognized in their entirety. Deferred tax assets arise when the carrying amount of an item in the consolidated balance sheet is under its taxation value or a Group company has losses confirmed in taxation. Deferred tax assets are recognized to the extent it is probable they can be utilized against future taxable income. Changes in deferred taxes during the financial period are recognized in comprehensive income. Taxes related to other comprehensive income are presented in other comprehensive income. The corporate tax rate confirmed on the balance sheet date has been used in calculating deferred taxes.

## Operating Profit

The Group has defined operating profit as follows: Operating profit is the net sum formed when the net sales figure is increased by operating income, and decreased by employee benefits expenses, depreciation and amortization expenses and any depreciation losses, changes in the fair value of investment properties and other operating expenses. All income statement items other than those listed above are presented under operating profit. Exchange rate differences are included in operating profit if they arise from business-related items; otherwise they are recognized in financial items.

## Earnings per Share

The earnings per share figure is presented as basic earnings per share and adjusted for dilution. The basic earnings per share is calculated using the parent company's average number of shares for the fiscal year. When the diluted earnings per share is calculated, the parent company's average number of shares for the year has been adjusted for the dilutive effect of additional shares resulting from the expected exercise of options. The exercise of options is excluded from the earnings per share calculations if the subscription price of an option-based share exceeds the shares' average market value during the year.

## Related Party Transactions

A related party relationship exists if one of the parties exerts control or significant influence over the decision-making of the other party. In the Group, the related parties include the parent company, subsidiaries, associates and joint ventures. Additionally, related parties include the Group management and their next of kin and companies in which such individuals exert control, joint control or significant influence. The Group management includes the members of the Board of Directors and CEO and the members of the Group's Management Team.

## Use of Estimates

When preparing financial statements, the Group management is required to apply the accounting policies at its discretion and make assumptions and estimates that affect the contents of the financial statements. The most important estimates are related to the parameters used in calculating the fair value of properties. The single most important variable that may have an essential impact on the fair value of investment properties is the market yield requirement. The yield requirement applied by the company in the fair value model is the average of the upper and lower ranges reported by two independent appraisal agencies for each individual region. When determining the fair value of investment properties, the management is also required to make assumptions concerning land rents, occupancy rates and facility maintenance costs. When doing so, the management makes use of the best knowledge available at the time when the accounts are closed. Actual future values may differ from current projections. For additional information on changes in fair value, see Note 11.

## Application of New or Amended International Financial Reporting Standards

When preparing the financial statements, the Group has given due consideration to the new standards, such as revised IAS 1 Presentation of Financial Statements, revised IAS 19 Employee Benefits, IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair value Measurement, and interpretations issued by the IASB and will adopt them in the forthcoming reporting periods as soon as they become effective. The new standards do not have major effect on the Group's consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. SEGMENT REPORTING

On the balance sheet date, Technopolis Group has three operating segments based on geographic units: Finland, Russia, and Estonia. The segment division is based on the Group's existing internal reporting procedures and the organization of the Group's operations. The net sales of the segments mainly consist of rental and service income.

The Group management monitors the net sales and EBITDA levels of the segments. EBITDA presents the company's profit for the period before depreciation, changes in the value of investment properties, finance income and expenses, and income tax. The Group's net sales or EBITDA do not include significant inter-segment items.

Unallocated items are shown in the "Others" column, which includes items created in Group administration, tax items and financial items as well as items common to the whole Group and inter-segment loans under assets. Segment assets include items that can be directly allocated to the reported segments, such as investment properties. The investments include increases in tangible and intangible assets and investment properties.

| 2012 | Finland | Russia | Estonia | Segments total | Others | Group total |
|---|---|---|---|---|---|---|
| Revenues from rental operations | 83,495 | 4,703 | 4,549 | 92,747 | 5 | 92,752 |
| Revenues from services | 13,935 | 328 | 296 | 14,559 | 20 | 14,578 |
| **Net sales** | **97,430** | **5,031** | **4,845** | **107,306** | **24** | **107,330** |
| Other operating income | 919 | 1 | 158 | 1,078 | 630 | 1,707 |
| Operating expenses | -47,168 | -3,648 | -1,857 | -52,673 | -614 | -53,287 |
| **EBITDA** | **51,180** | **1,383** | **3,147** | **55,710** | **40** | **55,750** |
| Changes in fair value of investment properties | -11,980 | 6,431 | -155 | -5,705 | | -5,705 |
| Depreciation | | | | | | -2,015 |
| *Operating profit* | | | | | | *48,031* |
| Finance income and expenses | | | | | | -13,554 |
| *Profit before taxes* | | | | | | *34,476* |
| Income taxes | | | | | | -7,526 |
| *Net result for the period* | | | | | | *26,950* |
| | | | | | | |
| **Assets** | **935,663** | **90,938** | **89,758** | **1,116,359** | **-33,625** | **1,082,734** |
| **Investments** | **95,285** | **13,528** | **6,953** | **115,766** | | **115,766** |

| 2011 | Finland | Russia | Estonia | Segments total | Others | Group total |
|---|---|---|---|---|---|---|
| Revenues from rental operations | 73,425 | 2,569 | 4,420 | 80,414 | -14 | 80,400 |
| Revenues from services | 11,766 | 365 | 250 | 12,382 | 53 | 12,434 |
| **Net sales** | **85,192** | **2,933** | **4,670** | **92,795** | **39** | **92,835** |
| Other operating income | 957 | 0 | 29 | 986 | 237 | 1,223 |
| Operating expenses | -41,326 | -3,164 | -1,567 | -46,057 | -461 | -46,518 |
| **EBITDA** | **44,823** | **-231** | **3,132** | **47,724** | **-185** | **47,539** |
| Changes in fair value of investment properties | 15,303 | 8,874 | 2,106 | 26,282 | | 26,282 |
| Depreciation | | | | | | -1,831 |
| *Operating profit* | | | | | | *71,990* |
| Finance income and expenses | | | | | | -11,976 |
| *Profit before taxes* | | | | | | *60,015* |
| Income taxes | | | | | | -11,219 |
| *Net result for the period* | | | | | | *48,795* |
| | | | | | | |
| **Assets** | **840,188** | **62,522** | **79,037** | **981,747** | **-18,868** | **962,879** |
| **Investments** | **95,879** | **8,151** | **1,226** | **105,256** | | **105,256** |

## 2. NET SALES AND OTHER OPERATING INCOME

| | 2012 | 2011 |
|---|---|---|
| Revenues from rental operations | 92,752 | 80,400 |
| Revenues from services | 14,578 | 12,434 |
| **Total net sales** | **107,330** | **92,835** |

Net sales include rental revenues from premises and service revenues. Net sales have been adjusted for indirect taxes, adjusting entries for sales and exchange rate differences from sales in foreign currencies.

A few customers pay rent based on the lessee's net sales. Such variable rents totaling EUR 1,920 thousand were recognized in net sales for the year (EUR 1,685 thousand in 2011).

The Group's total rentable space at the end of the period was 644,300 sqm (576,900 sqm on December 31, 2011). The Group's average financial occupancy ratio at the end of the year was 95.3% (95.1%).

At the end of the year, the Group's lease portfolio totaled EUR 296.1 million (EUR 215.4 million). The accumulated rents are calculated on the basis of current lease agreements without any index-linked increases. The agreements valid indefinitely are taken into account until the end of the notice period specified in the agreements.

| Lease stock, % of space | 2012/12/31 | 2011/12/31 |
|---|---|---|
| Notice period in months | | |
| 0-3 | 13.8 | 13.1 |
| 3-6 | 25.3 | 28.7 |
| 7-9 | 7.4 | 6.2 |
| 10-12 | 6.7 | 5.7 |
| >12 months | 46.8 | 46.3 |
| | | |
| Average lease term in months | 39 | 26 |
| | | |
| Lease stock, EUR million | 296.1 | 215.4 |
| | | |
| **Other operating income** | | |
| Subsidies received for development programs | 1,302 | 1,123 |
| Sales gain from fixed assets | 98 | |
| Other income items | 307 | 99 |
| **Other operating income, total** | **1,707** | **1,223** |

Other operating income primarily includes subsidies received for certain development programs. The expenses related to the development projects are recognized in other operating expenses and staff cost. The sales gains include a sales gain of EUR 98 thousand from the sale of apartment shares.

## 3. COSTS OF EMPLOYEE BENEFITS

| | 2012 | 2011 |
|---|---|---|
| Salaries and fees | 9,295 | 8,234 |
| Pension costs, defined contribution plans | 1,508 | 1,332 |
| Capitalized costs of employee benefits | -648 | -422 |
| Share options granted | 109 | 405 |
| Share incentive scheme, equity-settled share based payments | 138 | 155 |
| Share incentive scheme, cash-settled share based payments | 115 | 189 |
| Indirect employee costs | 488 | 448 |
| **Costs of employee benefits, total** | **11,005** | **10,341** |
| | | |
| Average number of employees in the Group | 178 | 158 |

The employment benefits of the management are presented in Note 22.

## 4. DEPRECIATION

| | | |
|---|---|---|
| **Depreciation by asset group** | | |
| Intangible assets | 715 | 640 |
| Tangible fixed assets: Machinery and equipment | 1,300 | 1,190 |
| **Depreciation, total** | **2,015** | **1,831** |

## 5. OTHER OPERATING EXPENSES

| | | |
|---|---|---|
| Premises expenses | 25,233 | 21,847 |
| Service expenses | 8,790 | 5,960 |
| Other operating expenses | 8,259 | 8,349 |
| Sales loss for the divestment of an associate | | 21 |
| **Other operating expenses, total** | **42,282** | **36,177** |
| | | |
| **Other operating expenses include fees paid to the auditor as follows:** | | |
| Audit | 47 | 44 |
| Certificates and reports | 8 | 23 |
| Other services | 546 | 257 |
| **Auditor's fees, total** | **601** | **324** |

## 6. FINANCE INCOME AND EXPENSES

| | 2012 | 2011 |
|---|---|---|
| **Finance income** | | |
| Dividend income from available-for-sale financial assets | 13 | 12 |
| Gains from disposal of investments | | 10 |
| Other interest income | 249 | 270 |
| Positive change in fair value of derivatives | | 1,822 |
| Foreign exchange gains | 999 | |
| **Total** | **1,261** | **2,115** |
| | | |
| **Finance expenses** | | |
| Interest expenses from commercial papers | -526 | -557 |
| Interest expenses from financial leases | -714 | -876 |
| Other interest expenses | -10,893 | -11,637 |
| Negative change in fair value of derivatives | -1,276 | -114 |
| Foreign exchange losses | | -856 |
| Other finance expenses | -2,105 | -1,125 |
| **Total** | **-15,514** | **-15,165** |
| Capitalized interest expenses | 699 | 1,042 |
| **Finance costs, total** | **-14,815** | **-14,123** |

Foreign exchange gains and losses have arisen as a result of the conversion of ruble-denominated transactions into euros.

Technopolis Group uses derivative instruments (mainly interest rate swaps) in order to hedge against exposure to market rate fluctuations. During the comparison period until April 30, 2011, the Group recognized the positive and negative changes in fair value, totaling EUR 1.7 million, through profit or loss. The Group amended its accounting policy and has complied with IAS 39-compliant hedge accounting for interest swaps as of May 1, 2011, and as a result, changes in the fair value of derivative instruments that satisfy the criteria for hedge accounting are recognized under cash flow hedges in comprehensive income. Most of the Group's current interest rate swaps satisfy the criteria for hedge accounting. Changes in the fair value of derivative instruments that do not satisfy the criteria for hedge accounting are recognized through profit or loss.

| | 2012 | 2011 |
|---|---|---|
| **Other comprehensive income items related to financial instruments** | | |
| Available-for-sale financial assets | 21 | 47 |
| Derivatives | -3,970 | -4,388 |
| **Total** | **-3,949** | **-4,341** |
| Tax effect | 971 | 1,129 |
| **Other comprehensive income items related to financial instruments after the tax effect** | **-2,978** | **-3,212** |

Available-for-sale financial assets have been recognized at fair value and there have not been any changes in classification during the fiscal year.

## 7. INCOME TAXES

| | 2012 | 2011 |
|---|---|---|
| Current taxes | -3,900 | -4,835 |
| Change in deferred taxes | -3,626 | -6,384 |
| **Total for income taxes** | **-7,526** | **-11,219** |
| | | |
| **Reconciliation between income tax and taxes calculated using the parent company's tax rate:** | | |
| Profit before taxes | 34,476 | 60,015 |
| Taxes calculated at the parent company's tax rate on the balance sheet date | -8,447 | -15,604 |
| Tax rate on the balance sheet date | 24.5 % | 26.0 % |
| | | |
| Non-tax-deductible expenses | -7 | -392 |
| Tax-exempt income | 0 | 164 |
| Effects of the differing tax rates of foreign subsidiaries *) | 872 | 1,466 |
| Effect of tax rate change on deferred taxes | | 2,753 |
| Income tax for previous years | 4 | -11 |
| Other | 52 | 404 |
| **Total for income taxes** | **-7,526** | **-11,219** |
| | | |
| **Other comprehensive income items before taxes** | | |
| Translation differences | 944 | -645 |
| Available-for-sale financial assets | 21 | 47 |
| Derivatives | -3,970 | -4,388 |
| **Total** | **-3,005** | **-4,986** |
| **Tax effect of other comprehensive income items during the period** | | |
| Tax effect of available-for-sale financial assets | -1 | -12 |
| Tax effect of derivatives | 972 | 1,141 |
| **Total** | **971** | **1,129** |
| **Other comprehensive income items after taxes** | | |
| Translation differences | 944 | -645 |
| Available-for-sale financial assets | 20 | 35 |
| Derivatives | -2,998 | -3,247 |
| **Total** | **-2,035** | **-3,857** |
| | | |
| *) Tax rates of foreign subsidiaries | | |
| Tax rate in Russia | 20 % | 20 % |
| Tax rate in Estonia | 0 % | 0 % |

## 8. EARNINGS PER SHARE

| | 2012 | 2011 |
|---|---|---|
| Profit for the period attributable to owners of the parent company | 25,821 | 46,700 |
| Earnings per share, basic | 0.37 | 0.70 |
| Earning per share, diluted | 0.37 | 0.70 |
| Number of shares, basic | 69,913,841 | 66,586,727 |
| Number of shares, adjusted for dilutive effect | 70,146,318 | 66,767,124 |

When the diluted earnings per share are calculated, the parent company's average number of shares for the year has been adjusted for the dilutive effect of additional shares resulting from the expected exercise of options. The exercise of options is excluded from the earnings per share calculations if the subscription price of an option-based share exceeds the shares' average market value during the year.

The company carried out a share issue in spring 2012, whereby 12,088,836 new shares were issued. The number of shares in the periods preceding the share issue and the per-share figures calculated with it have been adjusted for the share issue. The share issue factor is 1.0505.

## 9. INTANGIBLE ASSETS

| | 2012 | 2011 |
|---|---|---|
| **Intangible assets** | | |
| Acquisition cost, Jan 1 | 8,862 | 5,578 |
| Increases | 5,579 | 3,286 |
| Decreases | -174 | -2 |
| Transfers to investment properties under construction | -5,856 | |
| **Acquisition cost, Dec 31** | **8,411** | **8,862** |
| Accumulated depreciation, Jan 1 | -2,138 | -1,498 |
| Depreciation for the year | -715 | -640 |
| **Intangible assets, Dec 31** | **5,558** | **6,724** |
| Carrying amount, Jan 1 | 6,724 | 4,080 |
| Carrying amount, Dec 31 | 5,558 | 6,724 |

## 10. TANGIBLE FIXED ASSETS

| | 2012 | 2011 |
|---|---|---|
| **Machinery and equipment** | | |
| Acquisition cost, Jan 1 | 7,623 | 6,926 |
| Increases | 797 | 879 |
| Decreases | -3 | -182 |
| **Acquisition cost, Dec 31** | **8,417** | **7,623** |
| Accumulated depreciation | -4,901 | -4,472 |
| Adjustment of accumulated depreciation | | 50 |
| Depreciation for the year | -527 | -479 |
| **Machinery and equipment, Dec 31** | **2,989** | **2,722** |
| Carrying amount, Jan 1 | 2,722 | 2,455 |
| Carrying amount, Dec 31 | 2,989 | 2,722 |
| **Machinery and equipment, financial leasing** | | |
| Acquisition cost, Jan 1 | 2,646 | 1,608 |
| Increases | 1,429 | 1,038 |
| **Acquisition cost, Dec 31** | **4,076** | **2,646** |
| Accumulated depreciation | -1,074 | -367 |
| Depreciation for the year | -769 | -708 |
| **Machinery and equipment, financial leasing, Dec 31** | **2,232** | **1,572** |
| Carrying amount, Jan 1 | 1,572 | 2,646 |
| Carrying amount, Dec 31 | 2,232 | 1,572 |
| **Other tangible assets** | | |
| Acquisition cost, Jan 1 | 57 | 285 |
| Decreases | | -229 |
| **Other tangible assets, Dec 31** | **57** | **57** |
| Carrying amount, Jan 1 | 57 | 285 |
| Carrying amount, Dec 31 | 57 | 57 |

## 11. INVESTMENT PROPERTIES

| | 2012 | 2011 |
|---|---|---|
| **Changes in fair value of completed investment properties** | | |
| Fair value of completed investment properties, Jan 1 | 843,778 | 727,672 |
| Impact of exchange rates | 1,865 | |
| Fair value of investment properties acquired during the year | 25,235 | 9,429 |
| Transfers from investment properties under construction | 94,517 | 84,206 |
| Transfers to investment properties under construction | -3,031 | |
| Change in fair value | -5,844 | 22,471 |
| **Fair value of completed investment properties, Dec 31** | **956,520** | **843,778** |
| **Effect on profit of change in value of investment properties** | | |
| Changes in fair value of completed investment properties | -4,659 | 22,570 |
| Changes in acquisition costs of completed investment properties during the financial year | -10,698 | -9,215 |
| Changes in fair value of investment properties under construction | 9,651 | 12,926 |
| **Effect on profit of change in value of investment properties, total** | **-5,705** | **26,282** |

**Effect on profit of change in value of investment properties**

| **2012** | Finland | Russia | Estonia | Group total |
|---|---|---|---|---|
| Change in fair value excluding change in net yield requirements | 3,631 | 5,838 | -245 | 9,224 |
| Change caused by change in net yield requirements | -9,967 | -2,593 | 283 | -12,278 |
| Impact of exchange rate changes | | -1,605 | | -1,605 |
| Changes in fair value of completed investment properties | -6,336 | 1,640 | 38 | -4,659 |
| Changes in acquisition costs of completed investment properties during the financial year | -11,119 | 890 | -469 | -10,698 |
| Changes in fair value of investment properties under construction | 5,475 | 3,901 | 276 | 9,651 |
| **Effect on profit of change in value of investment properties, total** | **-11,980** | **6,431** | **-155** | **-5,705** |

| **2011** | Finland | Russia | Estonia | Group total |
|---|---|---|---|---|
| Change in fair value excluding change in net yield requirements | 8,382 | -2,080 | 358 | 6,660 |
| Change caused by change in net yield requirements | 7,066 | 6,815 | 2,093 | 15,974 |
| Impact of exchange rate changes | | -63 | | -63 |
| Changes in fair value of completed investment properties | 15,448 | 4,672 | 2,451 | 22,570 |
| Changes in acquisition costs of completed investment properties during the financial year | -8,870 | | -345 | -9,215 |
| Changes in fair value of investment properties under construction | 8,725 | 4,202 | | 12,926 |
| **Effect on profit of change in value of investment properties, total** | **15,303** | **8,874** | **2,106** | **26,282** |

Investment properties under construction are measured at fair value in compliance with IAS 40 and presented as a separate item in the balance sheet. The fair value of investment properties under construction is made up as follows:

| | 2012 | 2011 |
|---|---|---|
| **Investment properties under construction** | | |
| **Fair value of investment properties under construction, Jan 1** | **61,698** | **54,058** |
| Increases/decreases | 77,727 | 79,008 |
| Transfers from investment properties | 3,031 | |
| Change in fair value | 9,620 | 12,837 |
| Transfers to completed investment properties | -94,517 | -84,206 |
| **Fair value of investment properties under construction, Dec 31** | **57,559** | **61,698** |

The Group determines the fair values of investment properties itself. The fair value model deployed by the Group is based on property-specific cash flow analysis. The valuation model and the parameters applied in it have been audited by a third-party property assessor (AKA). The statement of expert opinion by Realia Management Oy regarding the valuation of Technopolis Plc's investment properties dated December 31, 2012, is appended to the financial statements and is also available on the company's website at www.technopolis.fi/investors.

## 12. ADVANCE PAYMENTS AND PROJECTS IN PROGRESS

| | 2012 | 2011 |
|---|---|---|
| **Advance payments and projects in progress** | | |
| Projects in progress, Jan 1 | 7,707 | 7,176 |
| Increases/decreases | 746 | 531 |
| **Advance payments and projects in progress, Dec 31** | **8,453** | **7,707** |

Capitalized increases in non-current assets in progress have been recognized under advance payments and projects in progress. These include modernization of investment properties and other modification operations carried out on the premises for customers.

## 13. HOLDINGS IN ASSOCIATES

| | 2012 | 2011 |
|---|---|---|
| Holdings in associates, Jan 1 | 5,386 | 5,584 |
| Increases | 670 | 723 |
| Decreases | | -952 |
| The Group's share of profit/loss for the year | 0 | 32 |
| **Holdings in associates, Dec 31** | **6,056** | **5,386** |

| **Holdings in associates** | Holding, % | Original acquisition cost | The Group's holding Retained earnings | Total |
|---|---|---|---|---|
| Iin Micropolis Oy, Ii | 25.7 | 84 | -84 | 0 |
| Jyväskylä Innovation Oy, Jyväskylä | 24.0 | 12 | 5 | 17 |
| Kiinteistö Oy Bioteknia, Kuopio | 28.5 | 4,574 | 0 | 4,574 |
| Kuopio Innovation Oy, Kuopio | 24.0 | 37 | 0 | 37 |
| Otaniemen Kehitys Oy, Espoo | 35.0 | 35 | -0 | 35 |
| Rehaparkki Oy, Oulu | 28.4 | 1,392 | 0 | 1,392 |
| **Total** | | **6,135** | **-79** | **6,056** |

Technopolis Plc has recognized losses accumulated from its interest in the results of its associates only up to the acquisition cost of the shares. EUR 0.1 thousand was left unrecognized for Iin Micropolis.

Technopolis sold its holding in Technocenter Kempele Oy and Lappeenranta Innovation Oy during the reference financial year. A sales loss of EUR 20 thousand was recorded for the divestment of Technopolis Kempele Oy and a sales gain of EUR 10 thousand was recognized for the divestment of Lappeenranta Innovation Oy in finance income.

**Information on associates**

| | Assets | Liabilities | Net sales | Earnings for the financial period |
|---|---|---|---|---|
| **2012** | | | | |
| Iin Micropolis Oy | 378 | 378 | 116 | 4 |
| Jyväskylä Innovation Oy | 720 | 622 | 1,949 | 15 |
| Kiinteistö Oy Bioteknia | 12,021 | 82 | 774 | 0 |
| Kuopio Innovation Oy | 871 | 795 | 2,440 | 0 |
| Otaniemen kehitys Oy | 221 | 94 | 118 | 0 |
| Rehaparkki Oy | 4,631 | 75 | 43 | 0 |
| **Total** | **16,560** | **2,344** | **5,860** | **-18** |
| | | | | |
| **2011** | | | | |
| Iin Micropolis Oy | 351 | 355 | 51 | -15 |
| Kiinteistö Oy Bioteknia | 12,019 | 81 | 795 | 0 |
| Jyväskylä Innovation Oy | 776 | 692 | 2,508 | 11 |
| Kuopio Innovation Oy | 782 | 707 | 2,348 | 0 |
| Otaniemen kehitys Oy | 206 | 52 | 21 | -33 |
| Rehaparkki Oy | 2,310 | 344 | 0 | 0 |
| **Total** | **16,444** | **2,232** | **5,724** | **-37** |

## 14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 2012 | 2011 |
|---|---|---|
| Available-for-sale financial assets, Jan 1 | 5,764 | 5,723 |
| Increases | 2 | |
| Decreases | -50 | -4 |
| Change in fair value of assets recognized at fair value | 20 | 46 |
| Impairment losses for the period | | 0 |
| **Available-for-sale financial assets, Dec 31** | **5,737** | **5,764** |
| | | |
| Available-for-sale quoted financial assets | 1,118 | 1,097 |
| Available for sale non-quoted financial assets, measured at acquisition cost | 1,692 | 1,740 |
| Available for sale non-quoted financial assets, measured at fair value | 2,927 | 2,927 |
| **Available-for-sale financial assets, Dec 31** | **5,737** | **5,764** |
| | | |
| **Fair value reserve** | | |
| Fair value reserve, Jan 1 | 155 | 120 |
| Change in fair value of assets recognized at fair value | 21 | 47 |
| Deferred taxes | -1 | -12 |
| **Fair value reserve, Dec 31** | **175** | **155** |

The changes in the fair value of available-for-sale financial assets less the tax effect are recognized in the fair value reserve. When such an asset is sold, the accumulated changes in fair value are transferred from shareholders' equity to profit or loss.

## 15. DEFERRED TAXES

| | 2012 | 2011 |
|---|---|---|
| **Change in deferred taxes recognized through profit or loss** | | |
| Change in deferred tax assets | 109 | -1,860 |
| Change in deferred tax liabilities | -3,735 | -4,524 |
| **Total change in deferred taxes recognized through profit or loss** | **-3,626** | **-6,384** |
| | | |
| **Deferred tax assets** | | |
| Deferred tax assets, Jan 1 | 2,635 | 4,414 |
| Change in deferred tax assets recognized through profit or loss | 105 | -1,847 |
| Portion recognized in other comprehensive income | | -1 |
| **Deferred tax assets, Dec 31** | **2,740** | **2,566** |
| | | |
| **Deferred tax assets, Dec 31** | | |
| Investment properties | | 745 |
| Unused losses confirmed in taxation | 2,370 | 1,202 |
| Other temporary differences | 370 | 619 |
| **Total deferred tax assets** | **2,740** | **2,566** |
| | | |
| **Deferred tax liabilities** | | |
| Deferred tax liabilities, Jan 1 | 46,015 | 41,436 |
| Change in deferred tax liabilities recognized through profit or loss | 3,719 | 4,524 |
| Portion recognized in other comprehensive income | 1 | 12 |
| **Deferred tax liabilities, Dec 31** | **49,735** | **45,972** |
| | | |
| **Deferred tax liabilities, Dec 31** | | |
| Investment properties | 48,591 | 43,758 |
| Other temporary differences | 1,144 | 2,215 |
| **Total deferred tax liabilities** | **49,735** | **45,972** |

Taxes are recognized through profit or loss, except when they are related to other comprehensive income, in which case the tax is also recognized under other comprehensive income.

## 16. CURRENT RECEIVABLES

| | 2012 | 2011 |
|---|---|---|
| Sales receivables | 4,991 | 4,716 |
| Sales receivables from associates | 12 | 22 |
| Loan receivables | 134 | 78 |
| Loan receivables from associates | | 0 |
| Accrued income | 7,566 | 3,388 |
| Other receivables | 3,829 | 1,899 |
| Income tax assets | 1,907 | 1,279 |
| **Short-term receivables, total** | **18,439** | **11,382** |

| | | |
|---|---|---|
| **Maturities of sales receivables** | | |
| Not matured | 3,080 | 3,434 |
| less than 30 days | 1,013 | 466 |
| 30 - 60 days | 234 | 299 |
| 2 - 3 months | 324 | 82 |
| 3 - 4 months | 92 | 128 |
| over 4 months | 260 | 329 |
| **Total** | **5,003** | **4,738** |

| | | |
|---|---|---|
| **Sales receivables by currency** | | |
| Euro | 4,715 | 4,603 |
| Russian ruble | 288 | 135 |
| **Total** | **5,003** | **4,738** |

## 17. CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Cash on hand and at bank | 15,676 | 12,507 |
| **Total for cash and cash equivalents** | **15,676** | **12,507** |

## 18. EQUITY

**Share capital**

Technopolis Plc has one class of shares. The company's share capital was EUR 96,913,626 on December 31, 2012. At the closing date, the company had 75,561,227 shares. Changes in the number of shares during the financial year are shown in the following section. Each share carries one vote at a General Meeting of Shareholders. The shares have no nominal value. In 2012, EUR 0.20 per share from fiscal year 2011 was paid in dividends, EUR 12,677,009 in total.

**Reserves**

*Premium fund*

In cases where the decision on option rights and share issues has been made while the previous Limited Liability Companies Act (29.9.1978/734) was in force, money payments received on the basis of share subscriptions less transaction expenses have been entered in share capital and premium fund in accordance with the terms and conditions of the arrangement.

*Invested unrestricted equity fund*

The unrestricted equity reserve includes other equity investments and share subscriptions to the extent that there has been no express decision to record them in share capital.

*Other reserves*

Other reserves include the fair value reserve and the hedging instrument reserve. The changes in the fair value of available-for-sale financial assets less the tax effect are recognized in the fair value reserve. When such an asset is sold, the accumulated changes in fair value are transferred from shareholders' equity to profit or loss. Changes in the fair value, less tax effects, of derivative instruments that meet the criteria for hedge accounting are recognized in the hedging instrument reserve.

**Translation differences**

Translation differences include translation differences created in the conversion of the financial statements of foreign business units.

| **Changes in the number of shares and equity** | **Number of shares and votes** | **Share capital** | **Premium fund** | **Invested unrestricted equity fund** | **Total** |
|---|---|---|---|---|---|
| **2010/12/31** | **63,385,044** | **96,914** | **18,551** | **84,100** | **199,564** |
| Compensation paid in shares to Board members | | | | 90 | 90 |
| **2011/12/31** | **63,385,044** | **96,914** | **18,551** | **84,190** | **199,654** |
| Share issue | 12,088,836 | | | 32,071 | 32,071 |
| Compensation paid in shares to key employees | 81,347 | | | | |
| Exercised options | 6,000 | | | 13 | 13 |
| **2012/12/31** | **75,561,227** | **96,914** | **18,551** | **116,274** | **231,738** |

## 19. LIABILITIES

| | 2012 | 2011 |
|---|---|---|
| **Non-current interest-bearing liabilities** | | |
| Bank loans | 465,774 | 433,947 |
| Non-current finance lease liabilities | 33,919 | 34,891 |
| **Non-current interest-bearing liabilities, total** | **499,694** | **468,838** |
| | | |
| **Current interest-bearing liabilities** | | |
| Repayments on non-current loans | 59,249 | 51,908 |
| Commercial papers | 45,737 | 24,852 |
| Other current interest-bearing liabilities | 48 | 3 |
| Current finance lease liabilities | 3,411 | 2,111 |
| **Current interest-bearing liabilities, total** | **108,446** | **78,874** |
| | | |
| **Interest-bearing liabilities** | | |
| Fixed rate | 219,538 | 201,881 |
| Floating rate | 388,601 | 345,831 |
| **Interest-bearing liabilities** | **608,140** | **547,712** |
| | | |
| **Fair value of interest-bearing liabilities** | **608,557** | **549,069** |

Interest-bearing liabilities (excluding finance lease liabilities) are all denominated in euros, and will mature as follows:

| | | |
|---|---|---|
| 2012 | | 76,959 |
| 2013 | 105,034 | 57,439 |
| 2014 | 79,172 | 58,986 |
| 2015 | 102,547 | 95,253 |
| 2016 | 53,635 | 48,450 |
| 2017 | 41,394 | |
| Later | 189,028 | 173,622 |
| **Total** | **570,810** | **510,710** |

Weighted averages of the effective interest rates of interest-bearing liabilities, %

| | 2012 | 2011 |
|---|---|---|
| Bank loans | 1.32 | 2.30 |
| Bank loans including interest rate and currency swaps | 1.64 | 2.53 |
| Finance lease liabilities | 1.12 | 2.42 |
| Commercial papers | 1.56 | 2.51 |
| | | |
| **Non-current non-interest-bearing liabilities** | | |
| Deferred tax liabilities | 49,735 | 45,972 |
| Other liabilities | 316 | 1,037 |
| **Non-current non-interest-bearing liabilities, total** | **50,050** | **47,009** |
| | | |
| **Current non-interest-bearing liabilities** | | |
| Advance payments received | 6,101 | 5,077 |
| Accounts payable | 6,010 | 6,005 |
| Adjusting entries for liabilities | 10,304 | 9,337 |
| Derivatives | 9,020 | 3,874 |
| Other liabilities | 3,436 | 665 |
| Income tax liability | 145 | 31 |
| **Current non-interest-bearing liabilities, total** | **35,017** | **24,990** |

| | 2012/12/31 | | 2011/12/31 | |
|---|---|---|---|---|
| **Interest rate swaps** | **Nominal value** | **Fair value** | **Nominal value** | **Fair value** |
| Interest swaps 2012 (fixed rate 5 years) | 86,667 | -3,391 | | |
| Interest swaps 2012 (fixed rate 6 years) | 40,000 | -3,278 | | |
| Interest swaps 2012 (fixed rate 7 years) | 17,000 | -928 | | |
| Interest swaps 2011 (fixed rate 3 years) | 20,000 | -386 | 67,800 | -1,704 |
| Interest swaps 2010 (fixed rate 2 years) | | | 163 | -3 |
| Interest swaps 2010 (fixed rate 3 years) | | | 21,000 | -247 |
| Interest swaps 2010 (fixed rate 5 years) | 26,714 | -1,037 | 41,000 | -1,076 |
| Interest swaps 2009 (fixed rate 4 years) | | | 40,000 | -844 |
| **Interest rate swaps, total** | **190,381** | **-9,020** | **169,963** | **-3,874** |

| | 2012 | 2011 |
|---|---|---|
| **Finance lease liabilities** | | |
| Non-current finance lease liabilities | 33,919 | 34,891 |
| Current finance lease liabilities | 3,411 | 2,111 |
| **Finance lease liabilities, total** | **37,330** | **37,003** |
| | | |
| **Investment properties held under a finance lease** | | |
| **Total value of minimum lease payments** | | |
| Within one year | 1,866 | 2,165 |
| Later than one year and not later than five years | 13,194 | 9,318 |
| Later than five years | 23,369 | 30,975 |
| **Total** | **38,430** | **42,459** |
| | | |
| **Present value of minimum lease payments** | | |
| Within one year | 1,470 | 1,340 |
| Later than one year and not later than five years | 11,198 | 6,224 |
| Later than five years | 22,723 | 28,046 |
| **Present value of minimum lease payments, total** | **35,391** | **35,610** |
| Future financial expenses, total | 3,039 | 6,850 |
| **Total amount of finance lease liabilities from investment properties** | **38,430** | **42,459** |
| | | |
| **Carrying amount of investment properties leased by Technopolis on a financial lease, Dec 31** | **60,778** | **58,821** |

Technopolis Group has leased investment properties on finance leases. A majority of the leases include an option to buy. The terms and conditions of the leases vary with respect to indexes and lease periods.

| | | |
|---|---|---|
| **Other assets held under a finance lease** | | |
| **Total value of minimum lease payments** | | |
| Within one year | 791 | 585 |
| Later than one year and not later than five years | 1,251 | 883 |
| **Total** | **2,042** | **1,468** |
| | | |
| **Present value of minimum lease payments** | | |
| Within one year | 739 | 546 |
| Later than one year and not later than five years | 1,199 | 847 |
| **Present value of minimum lease payments, total** | **1,939** | **1,393** |
| Future financial expenses, total | 104 | 75 |
| **Total amount of finance lease liabilities from other leased assets** | **2,042** | **1,468** |

Other assets held under a finance lease primarily include machinery and equipment leased under finance leases.

## 20. RISK MANAGEMENT

### I) Financial risk management

By pursuing an active policy to manage financial risks, the Group seeks to secure efficient and competitive funding for its operations and to reduce the negative impact of financial market fluctuations on its operations. In order to manage the financing risk, the Group draws upon the resources of a wide range of financiers, makes use of a variety of financing instruments and maturities, and maintains strong solvency. The objective of refinancing risk management is to ensure that the Group's loan portfolio and unused credit facilities are sufficiently diversified and high with regard to repayment schedules and other financing needs. Technopolis uses derivative instruments exclusively for the purpose of reducing or eliminating financial risks in the balance sheet. Uncertainty in the financial markets may adversely affect the availability of growth financing and refinancing and finance costs in the future.

#### Interest rate risk

The main financial risk Technopolis is exposed to is the interest rate risk affecting its loan portfolio. The policy for managing interest rate risk is approved by the Board. 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 company aims to match the interest fixing period of its debt financing to the durations of its customers' leases. The company's policy concerning interest rate risks also aims to diversify the interest rate risk of loan contracts over different loan periods based on the prevailing market situation and the interest rate forecast created by the company.

With Technopolis' loan portfolio at the end of 2012, a one-point change in money market rates would change interest rate costs by EUR 2.9 (2.6) million per year. Correspondingly, the change of 0.5 point in the fair value of interest rate swaps included in the scope of hedge accounting would affect shareholders' equity by EUR 3.0 million and the income statement by EUR 4.0 million. Because of the interest rate risk associated with loans, a policy of diversifying interest bases is pursued. Some 7.0% of interest-bearing liabilities were pegged to the under 3-month Euribor rate and 56.9% were pegged to the 3 - 12 month Euribor rate. Of interest-bearing liabilities, 36.1% were fixed-rate loans with maturities of 13 - 60 months. The interest fixing period, which describes the average interest rate adjustment period, was 1.8 years. The objective of refinancing risk management is to ensure that the Group's loan portfolio and unused credit facilities are sufficiently diversified and high with regard to repayment schedules and financing instruments. The average capital-weighted outstanding loan period was 8.5 years.

#### Loan covenants

The company's borrowing arrangements include standard security instruments and covenants. The company employs collateral in its borrowing and insists on standard pledge restrictions. The Group has interest-bearing liabilities amounting to EUR 608.1 (547.7) million, of which the loan capital of EUR 407.7 million includes covenants related to equity ratio, debt service ratio or loan-to-value. Loans amounting to EUR 366.6 (212.9) million include covenants relating to the equity ratio. A decline in the equity ratio may lead to higher interest rate margins or premature repayment of these loans. The margins of some loans and bank guarantees may rise as the equity ratio falls. Potential changes in the margins take effect in accordance with the contractual provisions of each loan. Of these loans, EUR 207.5 million includes a repayment term. The repayment term is met if the equity ratio falls below 30%. The equity ratio decreasing to below 33% would increase interest rate expenses by EUR 0.5 (0.4) million per annum.

The Group's equity ratio was 36.2% (35.8%) on December 31, 2012. More detailed information about covenants is given in the Board of Directors' Report under the heading "Financing".

#### Foreign currency exchange rate risks

As the operations have expanded outside the eurozone, the company has become exposed to exchange rate risks. The objective of currency risk management is to reduce uncertainties relating to cash flow, profit and the balance sheet. Changes in the exchange rates between the Russian ruble and the euro may have an effect on the company's financial performance and operations. The currency risk sensitivity means that a weakening of the exchange rate by 10% would result in costs of EUR 5.6 million in the income statement, and it strengthening by 10% would improve the company's net profit by EUR 5.6 million. Ruble-denominated transactions are recorded at the exchange rate of the transaction date. Any translation differences are entered in the income statement under other operating expenses or finance income and expenses. If the company keeps expanding its operations outside the eurozone, it will also be exposed to foreign currency exchange rates risk regarding its new countries of operation.

#### Credit risk

Credit risk management at Technopolis Group focuses on managing client risks. Clients' credit standing is evaluated before leases are signed and new leases usually include rental security arrangements. Any outstanding receivables are initially targeted by internal collection measures. If these do not yield a favorable result, the collection of the outstanding receivable is transferred to a specialist outsourcing partner.

The Group does not have uncertain receivables. The amount of outstanding sales receivables is low and closely monitored. Credit losses recognized in losses for the financial year amounted to EUR 156 (258) thousand. At the end of the year, the Group's maximum credit risk is equivalent to the carrying amount of financial assets.

#### Liquidity risk and counterparty risk

The Group management evaluates and monitors the financing required for running the operations in order to ensure adequate reserves of liquid funding for financing the operations and repaying loans when due. Financial counterparty risk is created when the counterparty to the financial contract cannot necessarily meet its contractual obligations. In order to manage liquidity and counterparty risks, Technopolis draws upon the resources of a wide range of financiers and maintains strong solvency. Long-term financing for the company is provided by several Finnish and foreign financial institutions and the loans have been diversified both in terms of type of contract and maturity. Additionally, the company has domestic commercial paper programs with three Finnish financial institutions. For short-term financing needs, the Group also has a revolving credit facility and sufficient credit facilities estimated to cover loan repayments during the next 12 months.

At the closing date, the Group had EUR 129.1 (63.0) million in untapped credit facilities and cash amounting to EUR 15.7 (12.5) million. The credit facilities contained a EUR 112.7 (45.0) million credit line and a EUR 16.4 (18.0) million revolving credit facility. In addition, the company has a EUR 120.0 million (EUR 120.0 million) commercial paper program, of which EUR 46.0 million (EUR 25.0 million) was issued at the end of the reporting period. The company has not, for the time being, issued bonds or investments targeted at the capital market, which are typically unsecured and carry a fixed interest rate. However, it is possible that such instruments will be used to seek financing in the future. More detailed information about liquidity risk is given in the Board of Directors' Report under the headings "Financing" and "Evaluation of Operational Risks and Uncertainties".

**Repayments of interest-bearing liabilities and finance costs**

| 2012 | Contractual cash flow | | | | Carrying amount |
|---|---|---|---|---|---|
| | Less than one year | 1 - 5 years | over 5 years | Total | |
| Bank loans | 65,617 | 318,128 | 171,723 | 555,468 | 525,024 |
| Commercial papers | 46,000 | | | 46,000 | 45,737 |
| Finance lease liabilities | 2,658 | 14,446 | 23,369 | 40,472 | 37,330 |
| Derivatives | 1,934 | 6,999 | | 9,020 | 9,020 |
| Accounts payable | 6,010 | | | 6,010 | 6,010 |
| Other liabilities | 20,350 | | | 20,350 | 20,350 |
| **Total** | **142,570** | **339,572** | **195,093** | **677,321** | **643,472** |

| 2011 | Contractual cash flow | | | | Carrying amount |
|---|---|---|---|---|---|
| | Less than one year | 1 - 5 years | over 5 years | Total | |
| Bank loans | 63,573 | 325,075 | 152,454 | 541,102 | 485,854 |
| Commercial papers | 25,000 | | | 25,000 | 24,852 |
| Finance lease liabilities | 2,751 | 10,201 | 30,975 | 43,927 | 37,003 |
| Derivatives | 1,725 | 2,149 | | 3,874 | 3,874 |
| Accounts payable | 6,005 | | | 6,005 | 6,005 |
| Other liabilities | 15,114 | 1,037 | | 16,151 | 16,151 |
| **Total** | **114,168** | **338,462** | **183,429** | **636,059** | **573,739** |

**Breakdown of financial assets and liabilities**

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

| 2012 | Note | Loans and other re-ceivables | Available-for-sale financial financial assets | Financial liabilities measured at amortized financial liabilities | Financial assets/ liabilities, total | Fair value |
|---|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | | |
| Available-for-sale investments | 14 | | 5,737 | | 5,751 | 5,751 |
| Other non-current receivables | | 717 | | | 717 | 717 |
| **Total** | | **717** | **5,737** | | **6,468** | **6,468** |
| **Current assets** | | | | | | |
| Trade and other receivables | | 16,533 | | | 16,533 | 16,533 |
| **Total** | | **16,533** | | | **16,533** | **16,533** |
| **Non-current liabilities** | **19** | | | | | |
| Non-current finance lease liabilities | | | | 33,919 | 33,919 | 33,919 |
| Non-current interest-bearing liabilities | | | | 465,774 | 465,774 | 466,192 |
| Non-current non-interest-bearing liabilities | | | | 316 | 316 | 316 |
| **Total** | | | | **500,009** | **500,009** | **500,427** |
| **Current liabilities** | **19** | | | | | |
| Current finance lease liabilities | | | | 3,411 | 3,411 | 3,411 |
| Other current inte-rest-bearing liabilities | | | | 105,035 | 105,035 | 105,035 |
| Trade and other payables | | | | 34,872 | 34,872 | 34,872 |
| Income tax liability | | | | 145 | 145 | 145 |
| **Total** | | | | **143,463** | **143,463** | **143,463** |

| 2011 | Note | Loans and other re-ceivables | Available-for-sale financial financial assets | Financial liabilities measured at amortized financial liabilities | Financial assets/ liabilities, total | Fair value |
|---|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | | |
| Available-for-sale investments | 14 | | 5,764 | | 5,778 | 5,778 |
| Other non-current receivables | | 1,057 | | | 1,057 | 1,057 |
| **Total** | | **1,057** | **5,764** | | **6,835** | **6,835** |
| | | | | | | |
| **Current assets** | | | | | | |
| Trade and other receivables | | 10,103 | | | 10,103 | 10,103 |
| **Total** | | **10,103** | | | **10,103** | **10,103** |
| | | | | | | |
| **Non-current liabilities** | 19 | | | | | |
| Non-current finance lease liabilities | | | | 34,891 | 34,891 | 34,891 |
| Non-current interest-bearing liabilities | | | | 433,947 | 433,947 | 435,304 |
| Non-current non-interest-bearing liabilities | | | | 881 | 881 | 881 |
| **Total** | | | | **469,719** | **469,719** | **471,076** |
| | | | | | | |
| **Current liabilities** | 19 | | | | | |
| Current finance lease liabilities | | | | 2,111 | 2,111 | 2,111 |
| Other current interest-bearing liabilities | | | | 76,763 | 76,763 | 76,763 |
| Trade and other payables | | | | 24,959 | 24,959 | 24,959 |
| Income tax liability | | | | 31 | 31 | 31 |
| **Total** | | | | **103,864** | **103,864** | **103,864** |

**Fair value hierarchy of assets and liabilities measured at fair value**

| 2012 | Note | Level 1 | Level 2 | Level 3 | Fair value |
|---|---|---|---|---|---|
| **Assets measured at fair value** | | | | | |
| Available-for-sale financial assets | | | | | |
| Equity investments, measured at acquisition cost | 14 | | | 1,692 | 1,692 |
| Equity investments, measured at fair value | 14 | 1,118 | | 2,927 | 4,044 |
| **Total** | | **1,118** | | **4,619** | **5,737** |
| **Liabilities measured at fair value** | | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivatives | | | | | |
| Interest rate swaps, not meeting the criteria for hedge accounting | 19 | | 1,276 | | 1,276 |
| Interest rate swaps, meeting the criteria for hedge accounting | 19 | | 7,744 | | 7,744 |
| **Total** | | | **9,020** | | **9,020** |

| 2011 | | Level 1 | Level 2 | Level 3 | Fair value |
|---|---|---|---|---|---|
| **Assets measured at fair value** | | | | | |
| Available-for-sale financial assets | | | | | |
| Equity investments, measured at acquisition cost | 19 | | | 1,740 | 1,740 |
| Equity investments, measured at fair value | 19 | 1,097 | | 2,927 | 4,024 |
| **Total** | | **1,097** | | **4,667** | **5,764** |
| **Liabilities measured at fair value** | | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivatives | | | | | |
| Interest rate swaps, not meeting the criteria for hedge accounting | 19 | | 1,708 | | 1,708 |
| Interest rate swaps, meeting the criteria for hedge accounting | 19 | | 2,166 | | 2,166 |
| **Total** | | | **3,874** | | **3,874** |

Changes during the financial period in the values of other items presented on level 3 and measured at acquisition cost are as follows:

| | 2012 | 2011 |
|---|---|---|
| Available-for sale financial assets measured at acquisition cost, opening balance | 1,740 | 1,748 |
| Increases | 2 | |
| Decreases | -50 | -4 |
| **At end of year** | **1,692** | **1,744** |

Level 1 of the fair value hierarchy: The fair value is based on quoted (unadjusted) prices in active markets for identical assets or liabilities. The Group has obtained the fair value of level 1 instruments from NASDAQ OMX Helsinki Stock Exchange market prices on the valuation date and has ensured that the prices of these instruments present actual, regular transaction prices.

Level 2 of the fair value hierarchy: The fair value is measured using other input data than quoted prices on level 1, for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. The fair value of these instruments is measured on the basis of generally accepted valuation techniques which primarily use inputs based on observable market data.

Level 3 of the fair value hierarchy: The fair value is measured with techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. The fair value is measured on the basis of generally accepted valuation techniques which use assumptions made by the management together with observable market data.

**II) Yield requirement risks associated with investment properties**

In new construction projects, Technopolis focuses on quality and the management of the property's entire lifecycle. 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 purchasing 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 value of investment properties. As yields increase, the fair value of properties decreases. Conversely, as yields decrease, the fair value of properties increases. Such changes either decrease or increase the Group's operating profit and net profit. Changes in market yields do not have any direct impact on the company's net sales, EBITDA, or cash flow, because changes in taxes are imputed. A negative change in the value of investment properties may reduce the company's equity ratio and, as a result of this, covenant terms of the loans may be triggered. In that case, the change in value will have an impact on the cash flow and result for the period via finance income. Because Technopolis does not trade in the properties it owns, the risk arising out of changes in market yield requirements has not been hedged.

A one-point change in yield requirements would affect the fair value of investment properties as follows:

| | | Change in yield requirement | |
|---|---|---|---|
| | 2012/12/31 | +1% | -1% |
| Fair value of investment properties | 956,520 | 854,962 | 1,089,112 |

**III) Risk concentrations**

Customer risk management aims to minimize the negative impact of potential changes in the customers' financial position on the company's business and financial performance. Customer risk management focuses on having a profound understanding of the customer's business and active monitoring of customer information. Customer risks are diversified by acquiring customers from all technology sectors, knowledge-intensive operations, and the public sector. As part of client risk management, Technopolis leases include rental security arrangements.

The company's leases fall into two categories: fixed-term and open-ended. The company aims to apply both lease types depending on the market situation, the property in question, and the sector in which the customer operates. At the end of the period under review, open-ended leases in the lease portfolio that could be terminated and renegotiated within the next 12 months covered approximately 53.2% (53.7%) of the lease stock. At the end of the period, the average lease period was 39 (26) months. 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 and long-term experience in this business model over a wide variety of economic cycles.

Changes in the general economic environment may have an adverse effect on the companys clients and hence on the Groups business operations.

**IV) Capital management**

The Group management and Board of Directors monitor the company's capital structure on a regular basis in order to ensure solid financial performance and growth as foreseen in the corporate strategy. For instance, the capital structure can be modified through dividend distribution and share issues. The Board of Directors seeks to pursue a predictable and active dividend policy. The Group's objective is to maintain shareholders' equity at a level that allows regular dividend payments to shareholders every year. The aim is also to ensure the position of the debt financier with regard to liquidity and prevent breaches of the covenant terms.

Expanding the property portfolio through construction or acquisitions calls for borrowing or equity financing. Maintaining an optimum capital structure is of great importance because changes in financing costs and the availability of external funding affect the company's operations, profit and financial position.

The Group's capital structure is monitored by means of the equity ratio. On December 31, 2012, the Group's equity ratio was 36.2% (35.8% on December 31, 2011). The long-term target equity ratio is at least 35% over the cycle. The loan-to-value rate for the corresponding periods was 59.5% (60.0%).

## 21. ASSETS PLEDGED, CONTINGENT LIABILITIES AND OTHER LIABILITIES

| | 2012 | 2011 |
|---|---|---|
| **Mortgages of properties** | | |
| Loans from financial institutions | 516,279 | 485,854 |
| Mortgages given | 605,618 | 472,486 |
| | | |
| **Land lease liabilities** | | |
| Mortgages given | 3,616 | 2,697 |
| | | |
| **Other mortgage liabilities** | **925** | **925** |
| | | |
| **Mortgages, total** | **610,159** | **476,108** |
| | | |
| **Pledged real estate shares** | | |
| Pledged investment properties | 201,527 | 208,237 |
| | | |
| **Other guarantee liabilities** | **53,528** | **60,865** |

### OTHER LIABILITIES

**Liability to adjust value added tax on property investments**

| | | 10-year adjustment period | | | | |
|---|---|---|---|---|---|---|
| | **2008** | **2009** | **2010** | **2011** | **2012** | **Total** |
| Property investment expense (net) | 58,086 | 33,280 | 38,921 | 37,656 | 81,805 | 249,748 |
| VAT on property investment | 12,779 | 7,322 | 8,443 | 8,661 | 18,815 | 56,020 |
| Annual share of VAT on investment | 1,278 | 732 | 844 | 866 | 1,882 | 5,602 |
| | | | | | | |
| VAT deducted | 12,713 | 7,289 | 8,552 | 8,624 | 18,542 | 55,719 |
| Annual share of VAT deducted | 1,271 | 729 | 855 | 862 | 1,854 | 5,572 |
| | | | | | | |
| Number of years remaining in the adjustment period | 5 | 6 | 7 | 8 | 9 | |
| Refundable amount of the deduction on Dec 31, 2012 | 6,356 | 4,373 | 5,986 | 6,899 | 16,688 | 40,303 |
| | | | | | | |
| **Liability to adjust VAT on Dec 31, 2012** | | | | | | **40,303** |
| Liability to adjust VAT on Dec 31, 2011 | | | | | | 27,015 |
| Change | | | | | | 13,288 |

| | 2012 | 2011 |
|---|---|---|
| **Project liabilities** | | |
| Collateral deposits | 178 | 178 |
| **Project liabilities, total** | **178** | **178** |

## 22. RELATED PARTY TRANSACTIONS

| **Holdings in Group companies** | **Holding, %** |
|---|---|
| Kiinteistö Oy Finnmedi 6-7, Tampere | 100.00 |
| Kiinteistö Oy Hermia, Tampere | 67.81 |
| Kiinteistö Oy Innopoli II, Espoo | 100.00 |
| Kiinteistö Oy Oulun Ydinkeskusta, Oulu | 98.77 |
| Kiinteistö Oy Technopolis Innopoli 3, Espoo | 100.00 |
| Kiinteistö Oy Technopolis Innova 4, Jyväskylä | 100.00 |
| Kiinteistö Oy Technopolis Mikrokatu 1, Kuopio | 91.37 |
| Kiinteistö Oy Technopolis Tohloppi Oy, Tampere | 100.00 |
| Kiinteistö Oy Technopolis Viestikatu 1-3, Kuopio | 100.00 |
| Kiinteistö Oy Technopolis Viestikatu 7, Kuopio | 100.00 |
| Oulun Teknoparkki Oy, Oulu | 84.14 |
| Oulun Ydinkeskustan Parkki Oy, Oulu | 62.24 |
| Technopolis Baltic Holding Oü, Tallinn, Estonia | 100.00 |
| Technopolis Hitech Oy, Oulu | 100.00 |
| Technopolis Kiinteistöt Jyväskylä Oy, Jyväskylä | 100.00 |
| Technopolis Kiinteistöt Lappeenranta Oy, Lappeenranta | 100.00 |
| Technopolis Kiinteistöt Oulu Oy, Oulu | 100.00 |
| Technopolis Kiinteistöt Pääkaupunkiseutu Oy, Helsinki | 100.00 |
| Technopolis Kiinteistöt Tampere Oy, Tampere | 100.00 |
| Technopolis Neudorf, St. Petersburg, Russia | 100.00 |
| Technopolis St. Petersburg LLC, St. Petersburg, Russia | 100.00 |
| Technopolis Ülemiste AS, Tallinn, Estonia | 51.00 |

| | 2012 | 2011 |
|---|---|---|
| **Associates** | | |
| Sales to associates | 351 | 370 |
| Receivables from associates | 12 | 22 |

Associates and the holdings in them have been presented in Note 13. Transactions undertaken with associates comprise the sale of services and leasing of premises.

**Salaries and service benefits of the parent company's management**

The key employees who comprise the management include the company's Board of Directors, President and CEO, Deputy CEO, and members of the Management Team.

| | | |
|---|---|---|
| *Salaries and service benefits to key employees included in the management:* | | |
| Salaries and other current employee benefits | 1,167 | 1,212 |
| Share-based benefits | 181 | 428 |
| **Total** | **1,348** | **1,640** |

No persons included in the related parties were paid any employee benefits due to end of employment contract or other non-current employee benefits in 2012 or 2011.

| | 2012 | 2011 |
|---|---|---|
| *Salaries and other current employee benefits paid to the CEO and Deputy CEO:* | | |
| Silverang Keith, CEO | 200 | 227 |
| Tauriainen Reijo, Deputy CEO | 141 | 138 |
| Total | 341 | 364 |
| Employee benefits paid to members of the Management Team other than the CEO and Deputy CEO | 564 | 527 |

Also, as described below, in 2012, key employees were paid bonuses EUR 199 thousand that they earned during the period from January 1, 2011, to December 31, 2011 and in 2011 the were paid EUR 179 thousand from period January 1, 2010, to December 2010. Bonuses were recognized as expenses during the period in which they were earned.

| | | |
|---|---|---|
| Silverang Keith, CEO | 86 | 73 |
| Tauriainen Reijo, Deputy CEO | 20 | 42 |
| Other members of the Management Team | 94 | 61 |
| Total | 199 | 176 |

The retirement age and pension of the CEO and the Deputy CEO will be determined by the general pension provisions. The period of notice for the CEO is six months and the severance pay equivalent to 12 months' salary in addition to the regular pay for the notice period.

The 2012 General Meeting of Shareholders resolved that members of the Board will be paid annual compensation 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 to the annual compensation, the members of the Board will be paid compensation for attending the meetings as follows: EUR 600 to the members and EUR 1,200 to the Chairman for each Board meeting, and EUR 800 is paid to the chairmen of the committees and EUR 600 to the members of committees for each committee meeting. In addition, meeting fees will be paid for committee work as agreed in advance.

| | 2012 | 2011 |
|---|---|---|
| *Members of the Board of Directors* | | |
| Granvik Carl-Johan, Chairman of the Board of Directors | 69 | 37 |
| Pennanen Matti, Deputy Chairman | 43 | 33 |
| Andersen Teija | 38 | 33 |
| Huuskonen Pertti | 39 | 144 |
| Korhonen Pekka | 36 | 34 |
| Ritakallio Timo | 41 | 36 |
| *Total* | *265* | *319* |
| *Former members of the Board* | | |
| Veikkolainen Erkki | | 2 |
| *Total* | | *2* |

The annual remuneration is paid on the condition that the Board member commits to using 50% of his or her annual remuneration to acquire Technopolis Plc shares on the market at the price determined in public trading. A Board member may not dispose of the shares received in annual compensation before the expiry of his or her term.

| Annual compensation paid in shares and in cash to Board members: | Number of shares | Compensation paid in shares | Compensation paid in cash | Meeting fees | Total annual compensation |
|---|---|---|---|---|---|
| Granvik Carl-Johan, Chairman | 7,130 | 25 | 25 | 19 | 69 |
| Pennanen Matti, Deputy Chairman | 4,278 | 15 | 15 | 13 | 43 |
| Andersen Teija | 3,565 | 13 | 13 | 13 | 38 |
| Huuskonen Pertti | 3,565 | 13 | 13 | 14 | 39 |
| Korhonen Pekka | 3,565 | 13 | 13 | 11 | 36 |
| Ritakallio Timo | 3,565 | 13 | 13 | 16 | 41 |
| **Grand total for annual compensation** | **25,668** | **90** | **90** | **85** | **265** |

The terms of the option programs are presented in Note 23.

## 23. SHARE-BASED PAYMENTS

**2007 option program**

The Annual General Meeting of March 29, 2007 decided on an option program and the issuance of option rights to key personnel. A total of 1,650,000 option rights were issued as part of the incentive compensation plan for key individuals.

Under option plan 2007A, the subscription price of the share is the average share price at the Nasdaq OMX Helsinki Stock Exchange from April 1 to April 30, 2007, weighted by the trading volume of the Technopolis share; under option plan 2007B, the average share price at the Nasdaq OMX Helsinki Stock Exchange from April 1 to April 30, 2008, weighted by the trading volume of the Technopolis share; and under option plan 2007C, the average share price at the Nasdaq OMX Helsinki Stock Exchange from April 1 to April 30, 2009, weighted by the trading volume of the Technopolis share. If the company distributes dividends or funds from the invested unrestricted equity fund, the subscription price of the share subscribed under the option plan will be reduced by the amount of dividends paid out after the expiry of the period determining the subscription price and by the amount of dividends decided before subscription on the record date for each dividend distribution or return of capital on the record date. The subscription period for shares under option plan 2007A is from May 1, 2010, to April 30, 2012; under option plan 2007B from May 1, 2011, to April 30, 2013; and under option plan 2007C from May 1, 2012 to April 30, 2014.

According to the original terms, each option right entitled the holder to subscribe to one (1) Technopolis share. When making the decision on the rights issue on April 27, 2008, the Board of Directors amended the terms of the 2007 option plans in order to ensure equal treatment of option holders and shareholders. The amendments to the option terms took effect on May 26, 2008. The subscription ratio and price of the 2007 option rights were changed such that now one option right entitles the holder to subscribe to 1.043 Technopolis shares. When the shares are subscribed, the total number of shares subscribed by the option right holder will be rounded to the nearest full share and the subscription price will be calculated using the rounded number of shares and rounded to the nearest full cent.

If the employment or position of the option holder with Technopolis Group ends for reasons other than death or statutory retirement, he is she shall immediately offer, without consideration, the option rights to the company or order in respect of which the share subscription period has not commenced by the date of expiry of employment or position. However, the Board may, at its discretion, decide to allow the option holder to keep the options rights, or part of them, subject to such an obligation to offer.

| | 2012 | | 2011 | |
|---|---|---|---|---|
| Changes during the year, 2007A | Weighted subscription price, EUR/share | Number of options | Weighted subscription price, EUR/share | Number of options |
| At beginning of year | 6.95 | 418,500 | 7.12 | 418,500 |
| Outstanding at end of year | | 418,500 | 6.95 | 418,500 |
| Exercisable at end of year | | - | | 418,500 |

The share subscription period for option rights 2007A is May 1, 2010, to April 30, 2012.

| | 2012 | | 2011 | |
|---|---|---|---|---|
| Changes during the year, 2007B | Weighted subscription price, EUR/share | Number of options | Weighted subscription price, EUR/share | Number of options |
| At beginning of year | 4.93 | 424,500 | 5.10 | 424,500 |
| Outstanding at end of year | 4.55 | 424,500 | 4.93 | 424,500 |
| Exercisable at end of year | | 424,500 | | - |

The share subscription period for option rights 2007B is May 1, 2011 to April 30, 2013.

| | 2012 | | 2011 | |
|---|---|---|---|---|
| Changes during the year, 2007C | Weighted subscription price, EUR/share | Number of options | Weighted subscription price, EUR/share | Number of options |
| At beginning of year | 2.48 | 503,000 | 2.65 | 520,000 |
| Exercised options | 2.09 | -6,000 | | -17,000 |
| Outstanding at end of year | 2.09 | 497,000 | 2.48 | 503,000 |
| Exercisable at end of year | | 497,000 | | - |

The share subscription period for option rights 2007C is May 1, 2012, to April 30, 2014.

| **Parameters used in defining the fair value of the option program** | 2007A | 2007B | 2007C |
|---|---|---|---|
| Share price at the date of issue, EUR | 6.36 | 4.50 | 3.72 |
| Original subscription price, EUR | 7.85 | 5.37 | 2.80 |
| Duration (years) | 2.5 | 2.5 | 2.7 |
| Expected volatility, % | 33 | 33 | 33 |
| Risk-free interest rate, % | 4.30 | 3.59 | 2.67 |
| Fair value of option at the date of issue, EUR | 1.73 | 1.21 | 1.62 |

The expected volatility of the share price is primarily based on its historical volatility. The risk-free interest rate is obtained from a five-year government bond interest rate on the grant date.

The expenses recognized on granted options are disclosed in Note 3.

**Share incentive scheme 2010 - 2012**

The Annual General Meeting of March 26, 2009 decided to adopt a share incentive scheme for key personnel in Technopolis Group. The scheme aims to align the objectives of the owners and key personnel in order to increase the company's value and the commitment of key personnel to the company by providing them with a competitive bonus system based on ownership of the company's shares. The maximum amount of incentives available under the scheme is 390,000 shares plus a cash incentive equal to the amount required for the taxes and tax-like levies to be imposed on key personnel due to the incentive as at the date the shares are recorded on the book-entry system account. However, the maximum amount of the cash incentive is the amount corresponding to the value of the shares on the record date. The shares may not be surrendered, pledged or otherwise deployed during the commitment period set for them. No incentive will be payable to a key employee in case his/her employment is terminated by the Group company or the employee him/herself before payment of the incentive is due. However, the Board may in these cases decide on the key employee's right to the incentive accumulated by the end of their employment or position.

If shares are given as an incentive under the scheme, the company's CEO must keep half of the shares received under the scheme for as long as his/her term in office continues, and members of the company's Management Team must keep half of the shares received under the scheme for two years after the expiry of the respective commitment period.

The share incentive scheme was introduced in 2011, and the key employees have a possibility to earn a maximum total of 150,000 shares during 2011. The earning criteria for the incentive shares are weighted and consist of growth in the company's earnings per share (60% weight) and an increase in the like-for-like rental income (40% weight). In 2012, the maximum number of shares was 160,000 and the earning criteria consisted of the increase in the like-for-like rental income (50% weight) and share price trend during January - February 2013 (50% weight).

| Parameters used for recognizing the share incentive scheme | 2012 scheme | 2011 scheme |
|---|---|---|
| Date of granting the shares | 2012/03/01 | 2011/01/28 |
| Number of shares granted | 160,000 | 150,000 |
| Value of the shares, EUR | 3.69 | 4.2 |
| Qualifying period | Jan 1, 2012 - Jun 30, 2015 | Jan 1, 2011 - Jun 30, 2014 |
| Expected success rate, % | 65.00 | 86.19 |

The expenses recognized through profit or loss for the options are disclosed in Note 3.

## 24. EVENTS AFTER THE BALANCE SHEET DATE

On January 24, 2013, the company announced in a stock exchange release that it had sold its Innovation Mill operations to Open Innovation Management Oy, which is owned by two former members of the company's Management Team.

On February 12, 2013, the company announced that it will buy a campus in Peltola, Oulu. The value of the investment is approximately EUR 31.7 million. The total rentable space of the campus is approximately 37,600 sqm, and it includes a garage with 800 parking spaces.

On February 13, 2013 and February 19, 2013 (change to the previous) the company announced it has decided on a new long-term share-based incentive scheme for the Group's key personnel. Share-based incentive scheme will amount a maximum of 520,000 shares. More detailed information on the share-based incentive scheme for 2013-2016 is available on the company website.

# ACCOUNTING POLICIES APPLIED IN THE PREPARATION OF PARENT COMPANY FINANCIAL STATEMENTS

Technopolis Plc's financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

## Net sales and other operating income

Net sales consist primarily of the rental revenues from premises and service revenues. Revenues are recognized on an accrual basis.

The operating grants received for various development projects are recognized in other operating income. Similarly, the expenses related to the development projects are recognized in other operating expenses and personnel expenses.

## Measurement of non-current assets

Intangible and tangible assets are measured at original cost and are depreciated over their estimated useful life according to pre-determined depreciation plans. Depreciation according to plan is presented in the income statement. The depreciation based on estimated useful life is as follows:

| | |
|---|---|
| Intangible rights | 20%, straight-line depreciation |
| Other long-term expenditure | 10%, straight-line depreciation |
| Buildings and structures (stone and similar) | 2.0%-2.5%, straight-line depreciation |
| Buildings and structures (wood and similar) | 3%, straight-line depreciation |
| Machinery and equipment | 25%, depreciation from book value |

Additional expenses arising later will be capitalized if it is likely that they will inure additional economic benefit to the company and if they can be reliably determined and allocated to an asset. Otherwise, they will be recognized as an expense in the income statement. Existing and unfinished buildings also include interest expenses capitalized during the financial year. Projects in progress also include capitalized personnel expenses and land lease rents for the construction period.

Other long-term expenditures mainly include alteration work on leased premises, depreciated over the duration of the alteration work rent or the term of the lease. With regard to long-term leases, alteration work is, however, depreciated using a maximum annual depreciation rate of 10%.

The merger difference is entirely allocated to buildings and structures. The depreciation period of merger difference corresponds to the depreciation period of buildings and structures.

In the parent company financial statements, the depreciation difference is presented in the income statement as appropriations, while the accumulated depreciation difference is presented in the balance sheet as accumulated appropriations.

## Research and development expenses

Research expenses are recognized as expenses during the period in which they were incurred. Research and development expenses that will generate revenues during three or more years have been capitalized in the balance sheet as development expenses, and they are depreciated over 3 - 5 years.

## Translation of foreign currency items

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of each transaction. At the end of the financial year, unsettled foreign currency transaction balances are valued at the average rates of the balance sheet date.

## Valuation of financial instruments

Interest rate and currency swaps have been recognized at fair value and the changes in fair value are recognized in profit of loss for the period.

## Income taxes

The direct income taxes for the financial year are accrued and recognized in the income statement. Deferred tax liabilities and assets are not entered in the parent company balance sheet.

## Comparability of information for the previous financial period

In comparing the information for the financial period, it should be noticed that Innopoli Ltd. and Technopolis Ventures Ltd. were merged with Technopolis Plc on May 31, 2011.

# PARENT COMPANY INCOME STATEMENT

## PARENT COMPANY INCOME STATEMENT

| | Note | 2012 | 2011 |
|---|---|---|---|
| **Net sales** | 1 | **92,717** | **78,450** |
| Other operating income | 2 | 1,548 | 954 |
| Personnel expenses | 3 | -9,853 | -8,522 |
| Depreciation and impairment | 4 | -11,897 | -10,478 |
| Other operating expenses | 5 | -42,220 | -31,931 |
| **Operating profit** | | **30,296** | **28,473** |
| Income from holdings in Group companies | 6 | 1,417 | 776 |
| Finance income, total | 6 | 159 | 197 |
| Finance expenses, total | 6 | -16,213 | -12,774 |
| **Profit before extraordinary items and taxes** | | **15,658** | **16,673** |
| Extraordinary items | 7 | | 17,726 |
| **Profit before taxes** | | **15,658** | **34,399** |
| Change in depreciation difference | 8 | -5,805 | -1,941 |
| Income taxes | 9 | -2,597 | -3,519 |
| **Net profit for the year** | | **7,256** | **28,938** |

## PARENT COMPANY BALANCE SHEET

| | Note | 2012/12/31 | 2011/12/31 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 10 | 14,612 | 10,555 |
| Tangible assets | 11 | 451,514 | 438,686 |
| Holdings in Group companies | 12 | 287,288 | 173,884 |
| Holdings in associates | 12 | 6,176 | 5,506 |
| Investments | 12 | 37,029 | 23,763 |
| **Total non-current assets** | | **796,618** | **652,394** |
| | | | |
| **Current assets** | | | |
| Non-current receivables | 13 | 591 | 908 |
| Current receivables | 14 | 17,498 | 47,454 |
| Cash and bank | | 5,957 | 7,076 |
| **Total current assets** | | **24,046** | **55,438** |
| | | | |
| **ASSETS, TOTAL** | | **820,664** | **707,832** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | **15** | | |
| Share capital | | 96,914 | 96,914 |
| Premium fund | | 18,943 | 18,943 |
| Invested unrestricted equity fund | | 118,112 | 85,460 |
| Retained earnings | | 19,224 | 2,962 |
| Net profit for the year | | 7,256 | 28,938 |
| **Total equity** | | **260,448** | **233,217** |
| | | | |
| Accumulated appropriations | 16 | 33,165 | 27,360 |
| | | | |
| Obligatory provisions | 17 | | 156 |
| | | | |
| **Liabilities** | | | |
| Non-current liabilities | 18 | 393,614 | 358,192 |
| Current liabilities | 19 | 133,437 | 88,908 |
| **Total liabilities** | | **527,051** | **447,099** |
| | | | |
| **EQUITY AND LIABILITIES, TOTAL** | | **820,664** | **707,832** |

## PARENT COMPANY CASH FLOW STATEMENT

| | 2012 | 2011 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net profit for the year | 7,256 | 28,938 |
| Adjustments: | | |
| Depreciation | 11,897 | 10,478 |
| Gains (-) and losses (+) of non-current assets | -96 | -248 |
| Other adjustments for non-cash transactions | 10,955 | -13,098 |
| Financial income and expenses | 9,488 | 9,113 |
| Taxes | 2,597 | 3,519 |
| Increase/decrease in working capital | 8,229 | -405 |
| Interest received | 241 | 369 |
| Dividends received | 11 | 10 |
| Interest paid and fees | -7,475 | -7,196 |
| Other financial items in operating activities | -4,039 | -2,372 |
| Taxes paid | -3,225 | -5,434 |
| **Cash flows from operating activities** | **35,840** | **23,674** |
| | | |
| **Cash flows from investing activities** | | |
| Investments in investment properties | -69,124 | -62,487 |
| Investments in tangible and intangible assets | -5,497 | -6,662 |
| Proceeds from sale of tangible and intangible assets | 99 | 286 |
| Loans granted | -47,248 | -33,650 |
| Repayments of loan receivables | 27 | 15,778 |
| Increase/decrease in cash equivalents | 886 | -183 |
| Investments in other securities | -2 | |
| Gains from disposals of other investments | 50 | 406 |
| Acquisition of subsidiaries | -1,658 | -20 |
| Acquisition of associates | -670 | -723 |
| Shares in associate companies sold | | 598 |
| **Cash flows from investing activities** | **-123,136** | **-86,656** |
| | | |
| **Cash flows from financing activities** | | |
| Increase in long-term loans | 94,119 | 97,154 |
| Decrease in long-term loans | -50,880 | -30,775 |
| Dividends paid | -12,673 | -10,772 |
| Paid share issue | 32,652 | |
| Change in short-term loans | 22,958 | 11,386 |
| **Cash flows from financing activities** | **86,176** | **66,993** |
| | | |
| Cash assets in reorganizations | | -40 |
| Change in cash and cash equivalents | -1,120 | 4,011 |
| Cash and cash equivalents, January 1 | 7,076 | 3,026 |
| **Cash and cash equivalents, December 31** | **5,957** | **7,076** |

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## 1. NET SALES

| | 2012 | 2011 |
|---|---|---|
| Revenues from rental operations | 79,115 | 67,773 |
| Revenue from services | 13,602 | 10,677 |
| **Net sales, total** | **92,717** | **78,450** |

## 2. OTHER OPERATING INCOME

| | | |
|---|---|---|
| Development projects | 1,271 | 630 |
| Other income from operations | 277 | 325 |
| **Other operating income, total** | **1,548** | **954** |

Other operating income includes capital gains of EUR 98 thousand.

## 3. PERSONNEL EXPENSES

| | | |
|---|---|---|
| Salaries and fees | 8,595 | 7,307 |
| Pension costs | 1,472 | 1,232 |
| Indirect employee costs | 351 | 345 |
| Capitalized personnel expenses | -565 | -363 |
| **Personnel expenses, total** | **9,853** | **8,522** |
| | | |
| Average number of employees | 143 | 121 |
| | | |
| **Salaries of CEO and Board members** | | |
| President and CEO | 409 | 300 |
| Members of the Board of Directors | 265 | 320 |
| **Salaries of CEO and Board members, total** | **674** | **620** |

## 4. DEPRECIATION ACCORDING TO PLAN AND IMPAIRMENT

| | | |
|---|---|---|
| Depreciation on intangible assets | 1,489 | 1,402 |
| Merger difference in depreciation | 1,045 | 1,045 |
| Depreciation on tangible assets | 9,364 | 8,031 |
| **Depreciation according to plan and impairment, total** | **11,897** | **10,478** |

## 5. OTHER OPERATING EXPENSES

| | | |
|---|---|---|
| Premises expenses | 26,834 | 19,161 |
| Service expenses | 6,536 | 4,772 |
| Other operating expenses | 8,850 | 7,998 |
| **Other operating expenses, total** | **42,220** | **31,931** |

| | 2012 | 2011 |
|---|---|---|
| **Auditor's fees and services** | | |
| Other operating expenses includes fees paid to auditors as follows: | | |
| Audit | 47 | 31 |
| Certificates and reports | 8 | 17 |
| Other services | 546 | 215 |
| **Auditor's fees, total** | **601** | **263** |

## 6. FINANCE INCOME AND EXPENSES

| | 2012 | 2011 |
|---|---|---|
| Dividend income from others | 11 | 10 |
| Other interest income from Group companies | 1,417 | 776 |
| Other interest income from others | 148 | 187 |
| Interest expenses and other finance expenses to Group companies | -0 | -147 |
| Interest expenses and other finance expenses to others | -11,064 | -10,020 |
| Change in fair value of derivatives | -5,149 | -2,608 |
| **Finance income and expenses, total** | **-14,637** | **-11,801** |

## 7. EXTRAORDINARY ITEMS

| | 2012 | 2011 |
|---|---|---|
| Merger gains | | 17,726 |
| **Extraordinary items, total** | | **17,726** |

## 8. APPROPRIATIONS

| | 2012 | 2011 |
|---|---|---|
| Difference between planned depreciation and depreciation for tax purposes | 5,805 | 1,941 |

## 9. INCOME TAXES

| | 2012 | 2011 |
|---|---|---|
| Income tax from actual operations | 2,597 | 3,519 |
| **Income taxes, total** | **2,597** | **3,519** |

## 10. INTANGIBLE ASSETS

| | 2012 | 2011 |
|---|---|---|
| **Intangible rights** | | |
| Acquisition cost, Jan 1 | 6,318 | 3,005 |
| Acquisition costs transferred in merger | | 48 |
| Increases | 5,556 | 3,266 |
| Decreases | -3,278 | |
| Acquisition cost, Dec 31 | 8,597 | 6,318 |
| Accumulated depreciation, Jan 1 | -1,372 | -830 |
| Depreciation for the year | -619 | -542 |
| **Intangible rights, Dec 31** | **6,605** | **4,946** |

| | 2012 | 2011 |
|---|---|---|
| **Other long-term expenditure** | | |
| Acquisition cost, Jan 1 | 8,521 | 4,892 |
| Acquisition costs transferred in merger | | 263 |
| Increases | 3,273 | 3,367 |
| Decreases | -6 | |
| Acquisition cost, Dec 31 | 11,788 | 8,521 |
| Accumulated depreciation, Jan 1 | -2,912 | -1,848 |
| Accumulated depreciation for items transferred in merger | | -205 |
| Depreciation for the year | -869 | -859 |
| **Other long-term expenditure, Dec 31.** | **8,007** | **5,609** |

## 11. TANGIBLE ASSETS

| | 2012 | 2011 |
|---|---|---|
| **Land areas** | | |
| Acquisition cost, Jan 1 | 52,357 | 29,966 |
| Acquisition costs transferred in merger | | 5,616 |
| Increases | 3,537 | 16,774 |
| Decreases | -13,203 | |
| **Land areas, Dec 31** | **42,691** | **52,357** |
| | | |
| **Connection fees** | | |
| Acquisition cost, Jan 1 | 3,906 | 3,569 |
| Acquisition costs transferred in merger | | 233 |
| Increases | 499 | 105 |
| **Connection fees, Dec 31** | **4,405** | **3,906** |
| | | |
| **Land areas, total, Dec 31** | **47,097** | **56,262** |
| | | |
| **Buildings and structures** | | |
| Acquisition cost, Jan 1 | 378,262 | 332,022 |
| Acquisition costs transferred in merger | | 35,903 |
| Increases | 74,226 | 10,337 |
| Acquisition cost, total, Dec 31 | 452,488 | 378,262 |
| Accumulated depreciation, Jan 1 | -62,291 | -46,779 |
| Accumulated depreciation for items transferred in merger | | -7,689 |
| Depreciation for the year | -9,169 | -7,822 |
| **Buildings and structures, Dec 31** | **381,028** | **315,971** |
| | | |
| Construction-period interest, Jan 1 | 2,107 | 2,062 |
| Increases | 834 | 46 |
| Construction-period interest, Dec 31 | 2,942 | 2,107 |
| Accumulated depreciation, Jan 1 | -155 | -113 |
| Depreciation for the year | -59 | -42 |
| **Construction-period interest, Dec 31** | **2,728** | **1,952** |

| | 2012 | 2011 |
|---|---|---|
| Merger difference, Jan 1 | 19,369 | 19,369 |
| Merger difference, Dec 31 | 19,369 | 19,369 |
| Accumulated depreciation, Jan 1 | -4,641 | -3,596 |
| Depreciation for the year | -1,045 | -1,045 |
| **Merger difference, Dec 31** | **13,683** | **14,728** |
| | | |
| **Buildings and structures, Dec 31** | **397,439** | **332,651** |

The depreciation of capitalized construction-period interest pertaining to completed buildings and the merger difference in depreciation are included in depreciation according to plan in the income statement.

| | 2012 | 2011 |
|---|---|---|
| **Machinery and equipment** | | |
| Original acquisition cost | 2,797 | 2,054 |
| Acquisition costs transferred in merger | | 752 |
| Accumulated depreciation | -2,264 | -1,445 |
| Accumulated depreciation for items transferred in merger | | -652 |
| Net expenditures, Jan 1 | 533 | 709 |
| Increases | 13 | 28 |
| Decreases | -3 | -38 |
| Depreciation for the year | -136 | -167 |
| **Machinery and equipment, Dec 31** | **407** | **533** |
| | | |
| **Other tangible assets** | | |
| Acquisition cost, Jan 1 | 33 | 24 |
| Acquisition costs transferred in merger | | 9 |
| **Other tangible assets, Dec 31** | **33** | **33** |
| | | |
| **Advance payments and projects in progress** | | |
| Projects in progress, Jan 1 | 49,207 | 13,013 |
| Increases/decreases | -42,668 | 36,194 |
| **Advance payments and projects in progress, Dec 31** | **6,539** | **49,207** |

## 12. INVESTMENTS

| | 2012 | 2011 |
|---|---|---|
| **Holdings in Group companies** | | |
| Acquisition cost, Jan 1 | 173,884 | 179,931 |
| Increases | 113,404 | 20 |
| Decreases | | -6,068 |
| **Holdings in Group companies, Dec 31** | **287,288** | **173,884** |
| | | |
| **Holdings in associates** | | |
| Acquisition cost, Jan 1 | 5,506 | 5,357 |
| Increases/decreases | 670 | 149 |
| **Holdings in associates, Dec 31** | **6,176** | **5,506** |

Information on the associates' shareholders' equity and results for the period is presented in Note 13 to the consolidated financial statements.

| | 2012 | 2011 |
|---|---|---|
| **Other shareholdings** | | |
| Acquisition cost, Jan 1 | 4,577 | 4,508 |
| Increases/decreases | -48 | 69 |
| **Other shareholdings, Dec 31** | **4,529** | **4,577** |
| | | |
| **Receivables from Group companies** | | |
| Loan receivables, Jan 1 | 19,045 | 22,705 |
| Increases | 26,675 | 8,784 |
| Decreases | -13,361 | -12,444 |
| **Receivables from Group companies, Dec 31** | **32,359** | **19,045** |

**Holdings in Group companies, December 31, 2012**

| | **Holding, %** | **Carrying amount** |
|---|---|---|
| Kiinteistö Oy Finnmedi 6-7, Tampere | 100,00 | 28 670 |
| Kiinteistö Oy Hermia, Tampere | 67,81 | 10 281 |
| Kiinteistö Oy Innopoli II, Espoo, | 100,00 | 55 216 |
| Kiinteistö Oy Oulun Ydinkeskusta, Oulu | 98,77 | 24 548 |
| Kiinteistö Oy Technopolis Innopoli 3, Espoo | 100,00 | 10 495 |
| Kiinteistö Oy Technopolis Innova 4, Jyväskylä | 100,00 | 13 929 |
| Kiinteistö Oy Technopolis Microkatu 1, Kuopio | 91,37 | 54 636 |
| Kiinteistö Oy Technopolis Tohloppi, Tampere | 100,00 | 23 293 |
| Kiinteistö Oy Technopolis Viestikatu 1-3, Kuopio | 100,00 | 16 529 |
| Kiinteistö Oy Technopolis Viestikatu 7, Kuopio | 100,00 | 9 020 |
| Oulun Teknoparkki Oy, Oulu | 84,14 | 50 |
| Oulun Ydinkeskustan Parkki Oy, Oulu | 62,24 | 12 |
| Technopolis Baltic Holding Oü, Estonia | 100,00 | 13 357 |
| Technopolis Hitech Oy, Oulu | 100,00 | 63 |
| Technopolis Kiinteistöt Jyväskylä Oy, Jyväskylä | 100,00 | 3 |
| Technopolis Kiinteistöt Lappeenranta Oy, Lappeenranta | 100,00 | 3 |
| Technopolis Kiinteistöt Oulu Oy, Oulu | 100,00 | 3 |
| Technopolis Kiinteistöt Pääkaupunkiseutu Oy, Helsinki | 100,00 | 3 |
| Technopolis Kiinteistöt Tampere Oy, Tampere | 100,00 | 3 |
| Technopolis Neudorf LLC, St. Petersburg, Russia | 100,00 | 17 |
| Technopolis St Petersburg LLC, St. Petersburg, Russia | 100,00 | 27 159 |
| **Total** | | **287 288** |

| | | |
|---|---|---|
| **Holdings in associates** | | |
| Iin Micropolis Oy, Ii | 25,64 | 24 |
| Jyväskylä Innovation Oy, Jyväskylä | 24,00 | 12 |
| Kiinteistö Oy Bioteknia, Kuopio | 28,51 | 4 685 |
| Kuopio Innovation Oy, Kuopio | 24,00 | 37 |
| Otaniemen Kehitys Oy, Espoo | 25,00 | 25 |
| Rehaparkki Oy, Oulu | 28,40 | 1 392 |
| **Total** | | **6 176** |

| | 2012 | 2011 |
|---|---|---|
| **Other holdings** | | |
| Listed shares | 14 | 14 |
| Other shares | 813 | 861 |
| Apartment shares | 2,937 | 2,937 |
| Sampo mutual fund units | 766 | 766 |
| **Total** | **4,529** | **4,577** |
| | | |
| **Other receivables** | | |
| Other receivables, Jan 1 | 140 | 140 |
| **Other receivables, Dec 31** | **140** | **140** |

## 13. NON-CURRENT RECEIVABLES

| | 2012 | 2011 |
|---|---|---|
| Other long-term receivables | 591 | 908 |
| **Other long-term receivables, total** | **591** | **908** |

## 14. CURRENT RECEIVABLES

| | 2012 | 2011 |
|---|---|---|
| Sales receivables from Group companies | 181 | 154 |
| Loan receivables from Group companies | 8,247 | 38,344 |
| Adjusting entries for assets from Group companies | 138 | 244 |
| Other Group receivables | 1,364 | 1,012 |
| Sales receivables | 3,811 | 3,713 |
| Sales receivables from associates | 12 | 22 |
| Adjusting entries for assets | 3,445 | 3,350 |
| Other receivables | 300 | 614 |
| **Short-term receivables, total** | **17,498** | **47,454** |
| | | |
| **Essential items included in adjusting entries for assets** | | |
| Taxes | 1,907 | 1,279 |
| Others | 1,538 | 2,071 |
| **Total** | **3,445** | **3,350** |

Other adjusting entries for assets include project receivables, interest receivables, and other amortized receivables.

## 15. CHANGES IN SHAREHOLDERS' EQUITY

| | 2012 | 2011 |
|---|---|---|
| Share capital, Jan 1 | 96,914 | 96,914 |
| **Share capital, Dec 31** | **96,914** | **96,914** |
| | | |
| Premium fund, Jan 1 | 18,943 | 18,943 |
| **Premium fund, Dec 31** | **18,943** | **18,943** |
| | | |
| **Restricted equity, Dec 31** | **115,857** | **115,857** |
| | | |
| Invested unrestricted equity fund, Jan 1 | 85,460 | 85,370 |
| Acquired own shares | | 90 |
| Share issue | 32,640 | |
| Exercised options | 13 | |
| **Invested unrestricted equity fund, Dec 31** | **118,112** | **85,460** |
| | | |
| Distributable funds, Jan 1 | 31,901 | 13,828 |
| Dividends distributed | -12,677 | -10,775 |
| Consideration paid for own shares | | -90 |
| Net profit for the year | 7,256 | 28,938 |
| **Distributable funds, Dec 31** | **26,479** | **31,901** |
| | | |
| **Unrestricted equity, Dec 31** | **144,591** | **117,360** |
| | | |
| **Shareholders' equity, Dec 31** | **260,448** | **233,217** |
| | | |
| **Distributable unrestricted equity, Dec 31** | **144,591** | **117,360** |

## 16. ACCUMULATED APPROPRIATIONS

| | 2012 | 2011 |
|---|---|---|
| Depreciation difference, Jan 1 | 27,360 | 25,214 |
| Transferred from merged companies | | 205 |
| Increase during the year | 5,805 | 1,941 |
| **Depreciation difference, Dec 31** | **33,165** | **27,360** |

## 17. OBLIGATORY PROVISIONS

| | 2012 | 2011 |
|---|---|---|
| Tax provisions | | 31 |
| Other mandatory provisions | | 125 |
| **Obligatory provisions, total** | | **156** |

EUR 125,000 of uncharged expert fees has been recognized as an expense in year 2011 to the parent company and an increase in obligatory provisions.

## 18. NON-CURRENT LIABILITIES

| | 2012 | 2011 |
|---|---|---|
| Loans from financial institutions | 393,584 | 357,453 |
| Other liabilities | 30 | 738 |
| **Non-current liabilities, total** | **393,614** | **358,192** |
| | | |
| Liabilities with a maturity of five years or longer | 208,083 | 165,878 |

## 19. CURRENT LIABILITIES

| | 2012 | 2011 |
|---|---|---|
| Loans from financial institutions | 52,987 | 45,878 |
| Advances received | 5,357 | 4,239 |
| Accounts payable | 3,001 | 3,148 |
| Accounts payable to Group companies | 25 | 24 |
| Loans to Group companies | 2,283 | 210 |
| Adjusting entries for liabilities to Group companies | 3,179 | 41 |
| Other current liabilities | 48,492 | 25,529 |
| Adjusting entries for liabilities | 18,112 | 9,839 |
| **Current liabilities, total** | **133,437** | **88,908** |
| | | |
| **Essential items included in adjusting entries for liabilities** | | |
| Interest | 1,131 | 1,647 |
| Derivatives | 9,020 | 3,871 |
| Other | 7,814 | 4,321 |
| **Total** | **17,965** | **9,839** |

Other adjusting entries for liabilities include personnel expense liabilities and other amortizations of costs.

## 20. ASSETS PLEDGED, CONTINGENT LIABILITIES AND OTHER LIABILITIES

| | 2012 | 2011 |
|---|---|---|
| **Mortgages of properties** | | |
| Loans from financial institutions | 446,541 | 403,332 |
| Mortgages given | 449,498 | 417,732 |
| | | |
| **Land lease liabilities** | | |
| Mortgages given | 3,616 | 1,977 |
| | | |
| **Other mortgage liabilities** | **925** | **925** |
| | | |
| **Mortgages, total** | **454,040** | **420,634** |

| | 2012/12/31 | | 2011/12/31 | |
|---|---|---|---|---|
| **Interest rate and currency swaps** | Nominal value | Fair value | Nominal value | Fair value |
| Interest rate swaps, Nordea | 70,000 | -3,010 | 37,800 | -1,222 |
| Interest rate swaps, Sampo | 17,000 | -626 | 21,000 | -435 |
| Interest rate swaps, Pohjola | 66,381 | -2,519 | 70,000 | -1,242 |
| Interest rate swaps, Handelsbanken | 37,000 | -2,865 | 41,000 | -972 |
| **Interest rate and currency swaps, total** | **190,381** | **-9,020** | **169,800** | **-3,871** |

| | 2012 | 2011 |
|---|---|---|
| **Pledged real estate shares** | | |
| Pledged real estate shares, carrying amount | 153,982 | 152,792 |
| | | |
| **GUARANTEES** | | |
| **Collateral given on behalf of Group companies** | | |
| Guarantees | 27,371 | 19,253 |

**OTHER LIABILITIES**

**Liability to adjust value added tax on property investments**

| | | 10-year adjustment period | | | | |
|---|---|---|---|---|---|---|
| | **2008** | **2009** | **2010** | **2011** | **2012** | **Total** |
| Property investment expense (net) | 56,713 | 30,078 | 30,628 | 9,913 | 71,970 | 199,302 |
| VAT on property investment | 12,477 | 6,617 | 6,601 | 2,280 | 16,553 | 44,528 |
| Annual share of VAT on investment | 1,248 | 662 | 660 | 228 | 1,655 | 4,453 |
| VAT deducted | 12,411 | 6,584 | 6,710 | 2,244 | 16,283 | 44,232 |
| Annual share of VAT deducted | 1,241 | 658 | 671 | 224 | 1,628 | 4,423 |
| Number of years remaining of the adjustment period | 5 | 6 | 7 | 8 | 9 | |
| Refundable amount of the deduction Dec 31, 2012 | 6,205 | 3,951 | 4,697 | 1,795 | 14,655 | 31,303 |
| | | | | | | |
| **Liability to adjust VAT Dec 31, 2012** | | | | | | **31,303** |
| Liability to adjust VAT Dec 31, 2011 | | | | | | 19,443 |
| Change | | | | | | 11,860 |

| | 2012 | 2011 |
|---|---|---|
| **Project liabilities** | **178** | **178** |
| | | |
| **Leasing liabilities for fixtures and fittings** | | |
| To be paid in the current financial year | 1,730 | 1,532 |
| To be paid later | 3,435 | 2,659 |
| **Leasing liabilities for fixtures and fittings, total** | **5,165** | **4,191** |
| | | |
| **Lease liabilities from investment properties, total value of minimum lease payments** | | |
| Not later than one year | 1,866 | 2,165 |
| Later than one year and not later than five years | 13,194 | 9,318 |
| Later than five years | 23,369 | 30,975 |
| **Total** | **38,430** | **42,459** |

| | 2012 | 2011 |
|---|---|---|
| **Present value of minimum lease payments of investment properties** | | |
| Not later than one year | 1,470 | 1,340 |
| Later than one year and not later than five years | 11,198 | 6,224 |
| Later than five years | 22,723 | 28,046 |
| **Present value of minimum lease payments, total** | **35,391** | **35,610** |
| Future financial expenses, total | 3,039 | 6,850 |
| **Total amount of finance lease liabilities** | **38,430** | **42,459** |

## 21. RELATED PARTY TRANSACTIONS

Related party transactions are presented in Note 22 to the consolidated financial statements.

## 22. SHARES AND SHAREHOLDERS

The company's business name is Technopolis Oyj in Finnish and Technopolis Plc in English, and its registered office is in Oulu, Finland. It was entered into the Trade Register on September 16, 1982 under the name Oulun Teknologiakylä Oy (reg. no. 309.397). It became a public limited company on November 5, 1997, changing its name to Technopolis Oulu Oyj on April 15, 1988, and again to Technopolis Oyj on April 7, 2000. Its business code is 0487422-3. Technopolis shares are quoted on the mid cap list of the OMX Nordic Exchange Helsinki. The ISIN code is FI0009006886, and the trading code is TPS1V.

**Annual General Meeting of March 27, 2012**

On March 27, 2012, the Annual General Meeting of Shareholders (AGM) of Technopolis Plc adopted the Group and parent company's financial statements for fiscal 2012 and released the company management and Board from liability for the period. The AGM decided, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.20 per share. The dividends were paid on April 11, 2012.

The Annual General Meeting decided to form a nominating committee to prepare proposals for the next Annual General Meeting on the composition and remuneration of the Board of Directors.
The nominating committee will be composed of the Chairman of the Board of Directors and three members representing the three largest shareholders, who may not be members of the Board of Directors of the company. The member appointed by the largest shareholder acts as Chairman of the Committee.

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: Pursuant to this authorization, the maximum number of shares to be issued will be 12,677,000, equaling approximately 20% of the company's shares. The Board of Directors decides 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 supersedes the authorizations given to the Board of Directors by the General Meeting of March 30, 2011, to decide on the issuance of shares and of special rights entitling to shares. The authorization is effective until the end of the next Annual General Meeting; however, no later than June 30, 2013.

**Shares and share capital**

The company's registered, fully paid-up share capital on December 31, 2012, was EUR 96,913,626.29 divided into 75,561,227 shares. There were no changes in the company's share capital during the year because the subscription price of the new shares has been registered in the company's unrestricted equity reserve. Changes in shares during the financial year are shown in the following section. The company's shares have been in the book-entry securities system since March 7, 1998. The company has one class of shares. Each share carries one vote at a General Meeting of Shareholders.

**Stock-related Events**

| | Share capital, EUR | Shares, No | Entered in the register |
|---|---|---|---|
| **Shares, Jan 1, 2012** | **96,913,626.29** | **63,385,044** | |
| Directed issue, share incentive | 96,913,626.29 | 81,347 | 2012/04/30 |
| Rights issue | 96,913,626.29 | 12,088,836 | 2012/06/19 |
| Subscription using stock options | 96,913,626.29 | 6,000 | 2012/11/28 |
| **Shares, Dec 31, 2012** | **96,913,626.29** | **75,561,227** | |

On April 27, 2012, Technopolis announced a directed issue without consideration based on the Performance Share Plan 2010 - 2012, in which 81,347 new shares were issued without consideration to key persons participating in the Performance Share Plan. A total of 18 people belonging to the management and personnel of the company received rewards in the share issue. The number of shares increased to 63,466,391 shares as the result of the share issue, and the shares were entered into the Trade Register on April 30, 2012.

Technopolis carried out a rights issue from May 24 to June 18, 2012, with 12,088,836 new shares offered at a subscription price of EUR 2.70 per share. All of the shares offered were subscribed for, and the number of shares increased to 75,555,227 shares. The share issue had no effect on the share capital. The shares were entered into the Trade Register on June 19, 2012

A total of 6,000 shares were subscribed for using Technopolis option rights 2007C on November 5, 2012, and entered in the Trade Register on November 28, 2012. As the result of the subscriptions, the number of shares in the company increased to 75,561,227 shares.

Technopolis 2007A Stock Options were listed on the trading list of NASDAQ OMX Helsinki on May 3, 2010. The share subscription period began on May 1, 2010, and ended on April 30, 2012. No new shares were subscribed for under the 2007A Stock Options during the subscription period.

Technopolis 2007B Stock Options were listed on the trading list of the OMX Nordic Exchange on May 2, 2011. The share subscription price with the 2007B stock options is EUR 4.547 per share. The share subscription period began on May 1, 2011, and will end on April 30, 2013. The total number of stock options is 550,000. They entitle their holders to subscribe for a maximum of 573,650 new shares in the company.

Technopolis 2007C Stock Options were listed on the trading list of the OMX Nordic Exchange on May 1, 2012. The share subscription price with the 2007B stock options is EUR 2.092 per share. The share subscription period began on May 1, 2012 and will end on April 30, 2014. There is a total of 594,247 options remaining, entitling their holders to subscribe for a maximum of 619,799 new shares in the company.

On February 2, 2012, Varma Mutual Pension Insurance Company announced that its direct holding of Technopolis Plc's share capital and votes had increased above one tenth (10%) as a result of a share transaction carried out on February 2, 2012. After the transaction, the proportion of Technopolis Plc's shares and votes controlled directly by Varma Mutual Pension Insurance Company was 6,372,725 shares and 10.05%, respectively.

**Largest shareholders, December 31, 2012**

| Shareholder | Shares, number | Holding of shares and votes, % |
|---|---|---|
| Varma Mutual Pension Insurance Company | 18,177,280 | 24.06 |
| Ilmarinen Mutual Pension Insurance Company | 7,921,177 | 10.48 |
| City of Oulu | 3,646,337 | 4.83 |
| City of Tampere | 1,956,649 | 2.59 |
| OP-Pohjola Group | 1,248,079 | 1.65 |
| Laakkonen Mikko Kalervo | 875,846 | 1.16 |
| Finnish Cultural Foundation | 848,602 | 1.12 |
| Odin Finland | 820,960 | 1.09 |
| Taaleri Finland Value Equity Fund | 750,000 | 0.99 |
| Kickoff Oy | 701,181 | 0.93 |
| | | |
| Total for ten largest | 36,946,111 | 48.90 |
| Foreign and nominee-registered | 19,689,618 | 26.06 |
| Other | 18,925,498 | 25.05 |
| Total | 75,561,227 | 100.00 |

**Shareholding breakdown on December 31,2012**

| | **Number of shareholders** | **%** | **Number of shares and votes** | **%** |
|---|---|---|---|---|
| 1 – 100 | 458 | 7.61 | 25,528 | 0.0 |
| 101 – 500 | 1,910 | 31.72 | 564,694 | 0.7 |
| 501 – 1 000 | 1,123 | 18.65 | 847,285 | 1.1 |
| 1 001 – 5 000 | 1,990 | 33.05 | 4,446,981 | 5.9 |
| 5 001 – 10 000 | 295 | 4.90 | 2,084,927 | 2.8 |
| 10 001 – 50 000 | 191 | 3.17 | 3,828,577 | 5.1 |
| 50 001 – 100 000 | 17 | 0.28 | 1,280,956 | 1.7 |
| 100 001 – 500 000 | 19 | 0.32 | 4,298,527 | 5.7 |
| 500 001 – | 19 | 0.32 | 58,164,472 | 77.0 |
| Joint account | 0 | 0.00 | 19,280 | 0.0 |
| | | | | |
| Total | 6,022 | 100.00 | 75,561,227 | 100.0 |

| Shareholdings by sector, December 31, 2012 | Number of shares and votes | % |
|---|---|---|
| Private companies | 4,052,114 | 5.4 |
| Financial and insurance institutions | 3,349,371 | 4.4 |
| Public sector organizations | 33,422,879 | 44.2 |
| Private households | 12,086,098 | 16.0 |
| Non-profit organizations | 2,941,867 | 3.9 |
| Foreign and nominee-registered | 19,689,618 | 26.1 |
| Joint account | 19,280 | 0.0 |
| | | |
| Total | 75,561,227 | 100.0 |
| | | |
| Number of outstanding shares | 75,561,227 | 100.0 |

| Share data [1] | 2012 | | 2011 |
|---|---|---|---|
| *Number of shares* | | | |
| On Dec 31 | 75,561,227 | | 66,586,727 |
| Issue-adjusted average during year | 69,913,841 | | 66,586,727 |
| Dilution-adjusted average during year | 70,146,318 | | 66,767,124 |
| | | | |
| *Share-related Indicators* | | | |
| Earnings/share, basic, EUR | 0.37 | | 0.70 |
| Earnings/share, diluted, EUR | 0.37 | | 0.70 |
| Equity/share, EUR | 4.94 | | 4.96 |
| Dividend/share, EUR, proposal | 0.20 | [2] | 0.19 |
| Dividend Payout Ratio, % | 54.15 | [2] | 27.15 |
| Effective dividend yield, % | 5.31 | [2] | 5.97 |
| P/E ratio | 10.21 | | 4.55 |
| | | | |
| *Share prices, EUR* | | | |
| Highest price | 4.07 | | 4.21 |
| Lowest price | 2.93 | | 2.48 |
| Trade-weighted average price | 3.60 | | 3.42 |
| Price Dec 31 | 3.77 | | 3.19 |
| Market capitalization, Dec 31 | 284,865,826 | | 212,339,897 |
| Share turnover, shares | 18,994,144 | | 30,084,022 |

[1] The share data for the comparison year has been adjusted for the share issue of spring 2012.
[2] Proposal for distribution of dividends

# DEFINITIONS OF KEY INDICATORS AND FINANCIAL RATIOS

**Equity/share**

$$\frac{\text{Equity}}{\text{Issue-adjusted number of shares on Dec 31}}$$

**Return on Equity (ROE), %**

$$100 \times \frac{\text{Result before taxes - taxes}}{\text{Equity + non-controlling interests for year, average}}$$

**Earnings/share, basic**

$$\frac{\text{Profit to parent company shareholders}}{\text{Average issue-adjusted number of shares during year}}$$

**Dividend/share**

$$\frac{\text{Dividend}}{\text{Issue-adjusted number of shares on Dec 31}}$$

**Effective Dividend Yield, %**

$$100 \times \frac{\text{Issue-adjusted dividend/share}}{\text{Issue-adjusted share price on Dec 31}}$$

**Loan to Value, %**

$$100 \times \frac{\text{Interest-bearing liabilities}}{\text{Fair value of investment properties (completed + under construction) on Dec 31}}$$

**Equity Ratio, %**

$$100 \times \frac{\text{Equity + Non-controlling interests}}{\text{Total assets - Advances received}}$$

**Return on Investment (ROI), %**

$$100 \times \frac{\text{Result before taxes + Interest expenses and other financial expenses}}{\text{Total assets - Non-interest-bearing liabilities}}$$

**Earnings/share, diluted**

$$\frac{\text{Profit to parent company shareholders}}{\text{Average number of shares adjusted for dilutive effect during year}}$$

**Dividend Payout Ratio, %**

$$100 \times \frac{\text{Dividend/share}}{\text{Earnings/share}}$$

**Price/earnings (P/E) Ratio**

$$\frac{\text{Issue-adjusted share price on Dec 31}}{\text{Earnings/share}}$$

**Interest Coverage Ratio**

$$\frac{\text{EBITDA}}{\text{Accrual-based interest expenses}}$$

**Cash flow from operations/share**

$$\frac{\text{Cash flow from operations}}{\text{Issue-adjusted number of shares, diluted, on Dec 31}}$$

**EBITDA**

Operating profit + depreciation
+/- change in fair values of investment properties

**Net Rental Revenue of Property Portfolio, %**
**(EPRA Net Initial Yield)**

$$100 \times \frac{\text{Rental income from Group-owned properties - Direct expenses from Group-owned properties}}{\text{Fair value of completed investment properties on Dec 31}}$$

**EPRA Net Asset value (NAV)**

Equity to parent company shareholders
- Hedging reserve
+ Deferred taxes from investment properties

**Financial Occupancy Ratio, %**

$$100 \times \frac{\text{Rental income of leased space}}{\text{Estimated market rent of vacant space + Rental income of leased space}}$$

**Net Debt/equity (Gearing), %**

$$100 \times \frac{\text{Interest-bearing debt - Cash, bank and financial securities}}{\text{Equity + Non-controlling interests}}$$

**EBITDA %**

$$100 \times \frac{\text{EBITDA}}{\text{Net sales}}$$

**EPRA Like for like rental growth, %**

$$100 \times \frac{\text{Rental revenue from comparable properties}}{\text{Rental revenue from comparable properties in previous period}}$$

**EPRA Net Asset value/share**

$$\frac{\text{EPRA Net Asset Value}}{\text{Issue-adjusted number of shares, basic, on Dec 31}}$$

**EPRA Vacancy Rate**

100% - Financial occupancy rate, %

# BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The distributable funds of the parent company Technopolis Plc, totaling EUR 26,479,400, are available to the Annual General Meeting. The Board of Directors proposes that a dividend of EUR 0.20 per share be paid, totaling EUR 15,112,245. The Board proposes that the remainder of distributable funds be left in the retained earnings account.

# SIGNATURES OF THE BOARD OF DIRECTORS AND CEO FOR THE REPORT BY THE BOARD OF DIRECTORS AND FOR THE FINANCIAL STATEMENTS

Espoo, March 1, 2013

Carl-Johan Granvik
Chairman of the Board

Matti Pennanen
Deputy Chairman of the Board

Teija Andersen
Member of the Board

Pertti Huuskonen
Member of the Board

Pekka Korhonen
Member of the Board

Timo Ritakallio
Member of the Board

Keith Silverang
President and CEO

# THE AUDITOR'S NOTE

Our auditor's report has been issued today.

Espoo, March 1, 2013

KPMG Oy Ab

Ari Eskelinen
Authorised Public Accountant

# AUDITOR'S REPORT

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

## TO THE ANNUAL GENERAL MEETING OF TECHNOPOLIS PLC

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Technopolis Plc for the year ended 31 December 2012. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

**Responsibility of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion on the consolidated financial statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

**Opinion on the company's financial statements and the report of the Board of Directors**

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Espoo, 1 March 2013

KPMG OY AB

ARI ESKELINEN
Authorized Public Accountant

# EPRA INDICATORS

EPRA (European Public Real Estate Association) is an organization of listed real estate investment companies that publishes recommendations for the industry on the presentation of financial information, for instance, aiming to create uniform calculation models for real estate investment companies.

This section of the financial statements presents the EPRA-compliant figures monitored regularly by the company. For additional information on EPRA and EPRA recommendations, visit www.epra.com.

## 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 financial 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 statement of comprehensive income showing the direct result presents the related taxes and deferred tax assets and liabilities and the share attributable to non-controlling interests.

Items excluded from the direct result and their tax effects and share attributable to non-controlling interests are presented in the statement of income showing the indirect result. As the company has interest swaps that do not satisfy the IFRS criteria for hedge accounting, the changes in the fair value of these financial instruments are recognized in the statement of income showing the indirect result.

Earnings per share have been calculated both from the direct and indirect results in accordance with the instructions issued by EPRA. The direct and indirect result and the earnings per share calculated from them are consistent with the company's financial result and earnings per share for the period.

| Technopolis Group | 2012 | 2011 |
|---|---|---|
| **DIRECT RESULT EUR million** | | |
| Net sales | 107,330 | 92,835 |
| Other operating income | 1,304 | 1,123 |
| Other operating expenses | -53,285 | -46,492 |
| Depreciation | -2,015 | -1,831 |
| **Operating profit/loss** | **53,335** | **45,635** |
| Finance income and expenses, total | -13,029 | -12,841 |
| **Profit before taxes** | **40,306** | **32,794** |
| Taxes for direct result items | -9,241 | -5,232 |
| Share of non-controlling interests | -1,205 | -2,095 |
| **Direct result for the period** | **29,860** | **25,467** |
| | | |
| **INDIRECT RESULT** | | |
| Non-recurring items | 401 | 73 |
| Changes in fair value of investment properties | -5,705 | 26,282 |
| **Operating profit/loss** | **-5,304** | **26,355** |
| Changes in fair value of financing instruments | -525 | 865 |
| **Profit before taxes** | **-5,829** | **27,220** |
| Taxes for indirect result items | 1,715 | -5,987 |
| Share of non-controlling interests | 76 | 0 |
| **Indirect result for the period** | **-4,038** | **21,233** |
| | | |
| **Result for the period, total** | **25,821** | **46,700** |
| | | |
| Earnings per share, diluted (EPRA Earning per share) | | |
| From direct result | 0.43 | 0.38 |
| From indirect result | -0.06 | 0.32 |
| From net result for the period | 0.37 | 0.70 |

## NET RENTAL INCOME OF INVESTMENT PROPERTIES (EPRA NET INITIAL YIELD)

The company monitors the net rental income from its properties and the net rental income percentage calculated from it as follows:

| | 2012 | 2011 |
|---|---|---|
| Rental income from properties owned by the Group | 85,996 | 73,502 |
| Direct expenses for properties owned by Group | -24,237 | -19,574 |
| **Net rental income** | **61,759** | **53,928** |
| | | |
| **Net rental income percentage** | **7.80** | **7.80** |

The net rental income figures do not include properties commissioned and acquired during the financial period.

## NET ASSET VALUE (EPRA NET ASSET VALUE, NAV)

In calculating the EPRA net asset value, shareholders' equity is adjusted for the fair value entries of financial instruments and deferred taxes due to investment properties.

Net asset value/share is calculated by dividing net assets by the number of shares at the closing date.

| | 2012 | 2011 |
|---|---|---|
| Shareholders' equity attributable to shareholders | 373,456 | 330,038 |
| - Hedging instrument reserve | 6,245 | 3,247 |
| + Deferred taxes from investment properties | 48,591 | 43,013 |
| **Net asset value, EPRA** | **428,292** | **376,298** |
| | | |
| **Net asset value/share** | **5.67** | **5.65** |

## FINANCIAL OCCUPANCY RATE (EPRA VACANCY RATE)

The financial occupancy rate depicts rental revenues from the properties as a percentage of the aggregate of the rents for occupied premises and the estimated market rent for vacant space.

| | | |
|---|---|---|
| **Group's financial occupancy rate** | **95.3 %** | **95.1 %** |
| Finland | 95.1 % | 95.1 % |
| Estonia | 94.9 % | 90.7 % |
| Russia | 100.0 % | 100.0 % |

The vacancy rate, on the other hand, depicts lost rental revenues from vacant space as a percentage of the aggregate of the rents for occupied space and the estimated market rent for vacant space.

| | 2012 | 2011 |
|---|---|---|
| **EPRA Vacany Rate** | **4.7 %** | **4.9 %** |
| Finland | 4.9 % | 4.9 % |
| Estonia | 5.1 % | 9.3 % |
| Russia | 0.0 % | 0.0 % |

## CHANGE IN LIKE-FOR-LIKE RENTAL INCOME, % (LIKE-FOR-LIKE RENTAL GROWTH)

The change in like-for-like rental income depicts rental income from comparable properties during the financial period compared to rental income from corresponding properties during the previous financial period.

| | 2012 | 2011 |
|---|---|---|
| **Group** | **2.4 %** | **6.8 %** |

# INFORMATION FOR SHAREHOLDERS

## ANNUAL GENERAL MEETING

**Time:** Wednesday, March 27, 2013 at 1:00 p.m.
**Place:** Elektroniikkatie 3 (auditorium), 90590 Oulu, Finland
Each shareholder registered in the company's shareholders' register held by Euroclear Finland Ltd on March 15, 2013, has the right to participate in the annual general meeting (hereinafter AGM). Shareholders wishing to attend the AGM shall register for the meeting no later than by 10:00 a.m. EET on March 22, 2013 using one of the following methods:

- on the Internet at www.technopolis.fi/registration
- by e-mail legal@technopolis.fi
- by phone +358 46 712 0000 from Monday to Friday EET 9.00-16.00 or
- by letter to Technopolis Plc/AGM, Energiakuja 3, 00180 Helsinki, Finland

Proxy documents should be delivered in originals by mail to Technopolis Plc/AGM, Energiakuja 3, 00180 Helsinki, Finland. Both resolution proposals on the agenda of the AGM and the notice to the AGM are available on the Technopolis Plc website at www.technopolis.fi. Technopolis Plc's financial statements, the annual report by the Board of Directors, and the auditor's report, will be made available on the same website no later than 6 March, 2013. The above-mentioned documents are available at the AGM and copies of these documents will be sent to shareholders on request.

## PAYMENT OF DIVIDENDS

Technopolis Plc's target is regular annual dividend payments. The Board of Directors' aim is to observe a stable and active dividend policy in which annual dividend payments to shareholders total from 40% to 50% of Technopolis Plc's net profit excluding changes in fair value and their tax affects, while taking into account the need for capital investment and other related factors.

The Board of Directors proposes to the AGM to be held on March 27, 2013, that a dividend of EUR 0.20 per share to be paid from the parent company's distributable equity. The dividend will be paid to the shareholders registered in the company's shareholder register maintained by Euroclear Finland Ltd. on the record date for dividend payment April 3, 2013. The Board proposes the dividends to be paid on April 10, 2013.

## FINANCIAL INFORMATION IN 2013

Technopolis Plc will publish three interim reports in 2013:
- Interim report January-March on May 8, 2013
- Interim report January-June on August 16, 2013
- Interim report January-September on October 31, 2013

The company has a silent period of 21 days prior to the publication of annual financial statements and interim reports. During this period, the company does not engage in discussion of the results or any factors influencing them with representatives of the capital markets.

**Basic share data**
**Listing:** NASDAQ OMX Helsinki
**Trading code:** TPS1V
**ISIN code:** FI0009006886
**Segment:** Financials, Real Estate
**Sector:** Real Estate and Services
**Number of shares on December 31, 2012:** 75,561,227

TECHNOPOLIS

www.technopolis.fi