TECHNOPOLIS

ANNUAL REPORT 2005

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The Annual General Meeting of Technopolis Plc will be held on Friday, March 24, 2006, starting at 12.30 p.m., in the Leonardo auditorium of Technopolis Innopoli, street address Tekniikantie 12, 02150 Espoo, Finland. Shareholders registered in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd by March 14, 2006 have the right to participate. Shareholders whose shares have not been transferred to the book-entry system also have the right to participate provided they were registered in the company's shareholder register before March 6, 1998. In this case, upon arrival at the AGM, they must present their share certificates or other documentation proving that their shares have not been transferred to the book-entry system.

Shareholders wishing to attend the AGM must give notice of their intention to do so by 4.00 p.m., on March 17, 2006 by telephone to +358 8 551 3242, or by email to teija.koskela@technopolis.fi, or in writing to Teija Koskela, Technopolis Plc, Elektroniikkatie 8, FI-90570 Oulu. The notice must be received by the above deadline. Shareholders are requested to present any powers of attorney along with their notice of intention to participate.

Copies of the financial statements and the proposals of the Board of Directors are available for shareholders to view from March 17, 2006, at the company's headquarters at (street address) Elektroniikkatie 8, Oulu, Finland. The company will send copies of the said documents to shareholders upon request.

PAYMENT OF DIVIDENDS

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.13 per share be paid for the financial year ending on December 31, 2005. The dividend will be paid to shareholders who are registered in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd by the dividend record date, March 29, 2006. The Board proposes that the dividend be paid on April 5, 2006.

INTERIM REPORTS FOR 2006

Technopolis Plc will publish three Interim Reports for 2006 as follows: January-March on April 21, 2006, January-June on July 20, 2006, and January-September on October 25, 2006.

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SUMMARY

2005 was a successful year for Technopolis Plc both financially and in terms of operations. The company's profit improved substantially, and there was a significant rise in net sales. Technopolis also expanded its operations appreciably and made several major investment decisions.

Technopolis' net sales grew to EUR 31.7 million in 2005. As the corresponding figure in the previous year was EUR 28.8 million, the increase was 10 %. The company's profit after taxes rose to EUR 12.7 million, compared with EUR 7.3 million in 2004. This was an increase of 73.8 %.

The company's Board of Directors proposes that a dividend of EUR 0.13 per share be distributed from the 2005 result. In the previous year, the dividend was EUR 0.12. The proposed dividends would total EUR 4.7 million, representing an increase of 32 %.

The company's success was reflected in a rise in its share price and market capitalization. In 2005, Technopolis' market capitalization climbed from EUR 93 million to EUR 179 million. The interest shown in the company by international investors also rose significantly. At the end of 2005, more than 40 % of the company was under foreign ownership.

In terms of the number of customer companies, Technopolis is one of Europe's largest technology centers. Technopolis is also the largest provider of high tech operating environments in Finland, hosting approximately 700 customer companies with a total of 9,000 employees. At the core of Technopolis is a unique service concept combining premises, business services and development services, which has been developed to support the growth and success of its customer companies.

In the City of Oulu, Technopolis operates at the Linnanmaa site by the University of Oulu campus, at the Kontinkangas site near the city center and by the Lentokentäntie road in Kempele. In the Helsinki metropolitan area, Technopolis has technology centers in the immediate vicinity of Helsinki-Vantaa International Airport and at Otaniemi in the City of Espoo. In Eastern Finland at Lappeenranta, Technopolis operates at Skinnarilanniemi, next to the Lappeenranta University of Technology.

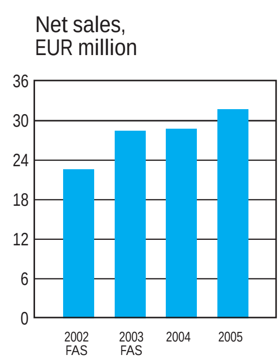
The company is also expanding in the very center of Oulu. The two first building stages of the city center technology center will be ready for use by customers at the end of summer 2006. Technopolis Helsinki-Vantaa was expanded in 2005 by the completion of a third building stage. Technopolis is also preparing technology centers in the Ruoholahti region of Helsinki and the Suurpelto region in Espoo.

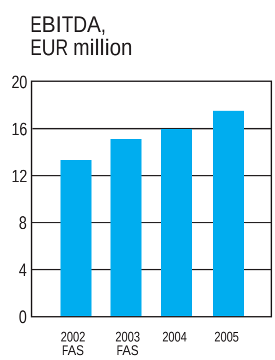
The acquisition of the Kareltek technology center in Lappeenranta introduced customers from new sectors and expanded the geographical coverage of the company's operations. In addition, Kareltek brought Technopolis additional competence in dealing with the Russian markets.

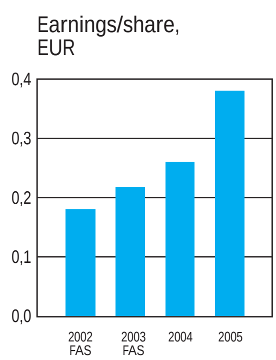
Technopolis, which is currently investigating the potential for expanding to Russia, has signed a memorandum of understanding with the City of St. Petersburg on the establishment of a technology center there. Under the memorandum of understanding, the City of St. Petersburg will look into the possibilities to provide Technopolis with land in the Neudorf region to the west of the St. Petersburg city center. In November, the region was accepted as one of Russia's six areas with Special Economic Zone status.

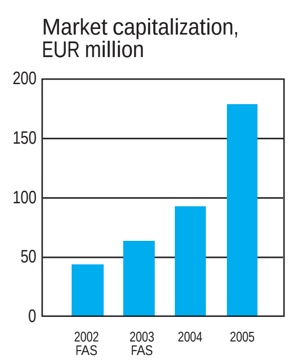
In 2005, Technopolis signed a cooperation agreement with Tehnopol, a company in Tallinn, Estonia. The aim of this co-operation is to develop the Tallinn technology center into an operating environment for Finnish and international companies.

In 2005, Technopolis executed a share offering and related share sale, by which it strengthened its equity to assets ratio and obtained resources for new investments. The company is quoted on the main list of the Helsinki Stock Exchange, in the Finance group.









TO OUR SHAREHOLDERS

Dear Technopolis shareholder,

The 2005 financial year was a positive one for the company's growth and development, creating a solid foundation for future business.

Technopolis recorded good progress in both the Oulu region and the Helsinki metropolitan area. In both areas, investment projects were implemented and decisions were finalized on new projects that will further expand operations.

2005 – A YEAR OF GROWTH

In Oulu, the company successfully commenced construction of the city center Technopolis. The two first stages of this operating environment – a unique one by Finnish standards – will be completed late in the summer of 2006. Another new and significant cluster established in Oulu was the concentration of environmental technology that is now emerging in the district of Laanila.

In the Helsinki metropolitan area, Technopolis Helsinki-Vantaa, conveniently located next to the international airport, continued to grow. The center's third stage was completed in February and construction of the fourth stage commenced late in 2005. The operations of Technopolis Innopoli developed favorably as well. Preparations for Technopolis Ruoholahti advanced in Helsinki, allowing the company to begin marketing for the center in early 2006.

Technopolis expanded its geographical range of operations by acquiring the stock of Technology Center Kareltek Inc in Lappeenranta and incorporating Kareltek into the Technopolis Group in November. The inclusion of Kareltek brought Technopolis 90 new customer companies and new expertise with respect to operating in Russia.

One of the most significant events for the company's future was the initiation of cooperation with the City of St. Petersburg with the aim of commencing technology center operations in St. Petersburg. Technopolis also continued negotiations and investigations in the Baltic area concerning new expansion there.

TECHNOPOLIS CUSTOMERS AND SERVICE CONCEPT

The Technopolis Group has 900 excellent customers operating in the technology sector or providing related services in leading concentrations of competence in Finland. These customers include start-ups based on innovations, growth companies and leading international corporations.

Technopolis offers service products for all stages of the corporate life cycle, from early-stage incubator services to large-scale development environments and technology programs. The company's service concept once again proved its competitiveness and is reflected, for example, in the high occupancy rates of premises. At the end of 2005, the occupancy rate of all the Group's premises stood at 97.1 %, which is a good achievement in the challenging markets.

The ideas for many of our popular new services have originated from our customers. I would like to take this opportunity to express my sincerest thanks to our creative and development-oriented customers for the excellent spirit of cooperation in 2005.

SHAREHOLDERS

At the end of 2005, Technopolis had 3,831 shareholders, 3,458 of which were households. The number of shares held by households accounted for 24 % of all shares. During the year under review, the proportion of foreign and nominee-registered shareholders grew substantially: at the beginning of the year it was 9.8 %, but at year's end it was 40.4 %. For more specific information on shareholders, see page 36.

TECHNOPOLIS BY 2009

Technopolis will continue to seek controlled and profitable growth. The company will apply three strategies in this endeavor.

First, the company will seek to achieve growth in its current geographical operating areas. In these areas, the company has excellent technology centers and good land reservations which allow it to grow organically through development investments of the so-called "greenfield" type.

A second growth strategy will be the incorporation of existing Finnish technology centers into the Technopolis Group. The company reckons there are several good technology centers in Finland's university cities whose incorporation into the Group would create substantial mutual benefits. The company believes that, by 2009, between one and three technology centers from Finland's best high tech areas will have been incorporated into it.

The third focus of growth will be Russia and the Baltic countries – two areas where the company will be able to find new customer relationships and service concepts. The company estimates that it will have technology center operations up and running in both areas by 2009 at the latest.

OUTLOOK FOR 2006

The management of Technopolis estimates that in 2006 the demand for the Group's high tech operating environments will be at a satisfactory level, and that both the occupancy rate of the Group's leasing premises and the demand for its services will remain good. The Group expects its net sales to increase by 15 - 20 % and its EBITDA by 12 - 17 % compared with the previous year.

As part of its growth strategy until 2009, Technopolis has decided to study the potential for expansion both within its present operating locations and in other growth centers in Finland. There are estimated to be one to three potential areas. Technopolis will continue its work to launch technology center operations in line with its concept in Russia and the Baltic countries. Technopolis seeks to grow organically as well as through acquisitions.

PERSONNEL AND BOARD OF DIRECTORS

The competent and committed personnel of Technopolis did excellent work in 2005. For this I would like to express my heartfelt thanks. I would also like to thank the Board of Directors for interacting with and assisting the company's management in many ways.

Pertti Huuskonen
President and CEO

"Technopolis seeks profitable growth."

MAIN EVENTS IN 2005

In January, Technopolis decided to commence construction of the second stage of the Kontinkangas technology center in close proximity to the Oulu city center. The size of the stage is 2,436 floor square meters and the construction costs are EUR 3.8 million. The building was completed for use by customers in November.

In February, the third construction stage of Technopolis Helsinki-Vantaa (3,383 floor square meters) was brought into use. The investment totaled EUR 6.2 million.

In April, the company began to construct a new technology center in the Oulu city center. The first of the several stages planned for the technology center will be completed in the summer of 2006. The first stage totals 6,979 floor square meters and is estimated to cost EUR 14.5 million.

In late April, Technopolis announced it would arrange a combined share issue and sale for domestic and international investors. In the share issue, the company offered 5.4 million new shares for subscription, and in the share sale, the City of Oulu offered for sale a maximum of 2.5 million Technopolis shares.

The share issue and sale executed by Technopolis in early May was over-subscribed 1.6 times. The share price formed in the issue and sale was EUR 3.69. As a result, the company gained approximately EUR 20 million in new capital. Technopolis will use these funds to ensure sufficient equity financing for new investments and to prepare for corporate and property acquisitions.

In June, the company announced it was beginning to investigate the potential for establishing a technology center in St. Petersburg, Russia, in cooperation with Technology Centre Kareltek Inc from Lappeenranta, Finland.

In September, Technopolis and Ascendas, the parent company of Singapore Science Park, signed a broad cooperation agreement for the purpose of developing their respective technology park concepts and promoting their business activities.

In September, Technopolis signed a preliminary agreement with Lappeenrannan Kaupunkiyhtiöt Oy on the acquisition of a majority holding in Technology Centre Kareltek Inc. The agreement concerned 79 % of Kareltek's shares. At the same time, Technopolis announced it would later make an offer aimed at achieving 100 % ownership of the Lappeenranta-based company. Kareltek has 23,944 floor square meters of premises hosting 90 companies which employ about 800 persons.

In October, Technopolis signed a memorandum of understanding with the City of St. Petersburg on the building of a technology center in St. Petersburg. Technopolis immediately commenced a feasibility study, and the city started looking into the possibilities of providing Technopolis with land suitable for a technology center.

Also in October, Technopolis commenced construction of the second stage of the technology center in the Oulu city center. The second stage includes 5,530 floor square meters and is estimated to cost approximately EUR 8 million. It is scheduled for completion in August 2006 together with the first stage.

In mid-November, Technopolis signed a deed of sale giving it a majority holding in Kareltek. Later the same month, the company announced it had agreed with some of Kareltek's largest shareholders on the acquisition of Kareltek shares, increasing its holding to 99 %.

At the end of November, the Neudolf area, reserved preliminarily for Technopolis by the City of St. Petersburg, was approved by a Russian government decision as one of six Special Economic Zones (SEZ) established under legislation enacted in August. The SEZ legislation grants tax benefits to companies which establish themselves in the Special Economic Zones.

Construction of Technopolis Helsinki-Vantaa's fourth stage started in December. The size of the stage is 2,789 floor square meters and the investment is approx. EUR 5.5 million.

In December, Technopolis signed a deed of sale on the purchase of Kemira's Oulu Research Centre real estate (9,083 floor square meters) and the leasing of the most of the facilities on a long-term agreement. The sales price was EUR 5.3 million.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ENERIS SOLUTIONS
HIUSHOITOLA
Tieto-X
OULUSOFT
ANALYSTE
hp
PROCOMP solutions
TECHNOPOLIS
plenware
Canon
ANALYSTE
GeraCap

THE TECHNOPOLIS CONCEPT

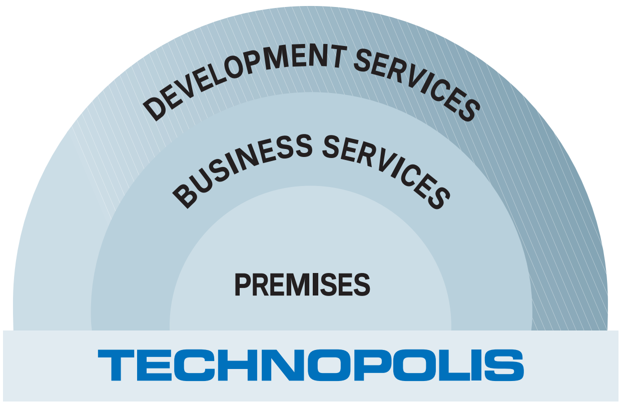
The Technopolis business idea is to help customer companies grow and prosper. This is fulfilled especially through the service concept it has developed for the needs of technology companies. The concept consists of three areas: 1) premises, 2) business services and 3) development services.

Technopolis technology centers provide their customer companies with modern, high-quality premises that are easily adaptable. The premises are always designed exactly for the needs of customer companies. The technology centers are located in the Helsinki metropolitan area, the Oulu region and Lappeenranta, all of which are top high tech areas in Finland.

Technopolis business services are designed for customer companies and their employees. The services improve companies' cost-efficiency and increase the flexibility of their operations. They allow companies to concentrate on their core business and leave the rest to Technopolis. They also promote the wellbeing and work efficiency of customer companies' employees. The services are produced by Technopolis together with its partners.

Development services help customer companies by boosting their competitiveness and resources to succeed in international markets. They are designed not only for companies that are just starting up or on the verge of strong growth, but also for those that are already international business engines. In addition, Technopolis offers its customers regional attractiveness programs and incubator and business development services. Technopolis also provides consulting services for technology centers, as well as related planning and training services.

More detailed descriptions of the different areas of the Technopolis concept can be found on pages 9 - 15.



Technopolis has been developing its operating concept for over twenty years. The concept is designed to meet the needs of technology companies in particular, and to help them grow and prosper.

Technopolis is constantly developing and diversifying the services included in its concept. The wishes and opinions of customers play an important role in the development process.




PREMISES

Technopolis technology centers are located in key concentrations of the Finnish technology industry. They provide customers with modern premises that meet their exact needs.

Technopolis technology centers provide customer companies with modern, high-quality premises that are easily adaptable. They can be contracted, expanded or adjusted rapidly and cost-efficiently. Thus, customer companies always have premises that correspond to their needs. Functional common facilities increase efficiency.

The technology centers are equally as suitable for small companies with only a few employees, as for head offices with hundreds of employees. The facilities are specially designed to suit the needs of technology companies and companies providing services for them.

Technopolis has a strong presence in key concentrations of Finnish technology industry and research. The location of its technology centers is excellent in other respects, too. Customer companies can choose from various options according to their individual needs.

Technopolis technology centers are located in the Oulu region, in Espoo and Vantaa in the Helsinki metropolitan area, and in Lappeenranta. The company is also planning an expansion to Helsinki - preparations for a new technology center to be built in the Ruoholahti area are underway. Technopolis has also made a preliminary agreement on building a technology center in St. Petersburg, Russia.

In the Oulu region, Technopolis technology centers are located in the city center, Linnanmaa, Kontinkangas, Laanila and by the Lentokentäntie road near Oulu airport. The first two construction stages of the Technopolis technology center in the city center will be available for customers in the fall of 2006. Technopolis Linnanmaa is situated in the same area as the University of Oulu and VTT Electronics, while the Kontinkangas center is located near Oulu University Hospital and Nokia's Peltola units. In Laanila, a new kind of technology center is emerging, with customers operating in water and environmental management, for example.

Technopolis Helsinki-Vantaa is situated next to an international airport. This brings many advantages to the technology center's customers: excellent connections for passenger and commercial traffic to and from Finland, reduced travel times and guaranteed visibility for the company. The technology center is being completed in stages, with the fourth construction stage due for completion at the beginning of September 2006.

Technopolis Innopoli is located in the heart of the famous Otaniemi area of Espoo which is the largest technology community in Finland. Science, education and business interact in a uniquely creative way at Otaniemi. The area is also home to VTT (the Technical Research Centre of Finland), the Helsinki University of Technology and various other R&D units. Technopolis is also planning to build another technology center in Espoo, in the Suurpelto area.

Technopolis Kareltek is located in close proximity to the Lappeenranta University of Technology. Kareltek's customers include experts in forest technology and Russian economy and commerce. Kareltek's operations cover all of Southeast Finland, forming a comprehensive network of the region's companies, research bodies, educational institutions and suppliers of business services.






TECHNOPOLIS

BUSINESS SERVICES

The versatile, high-quality business services of Technopolis improve corporate efficiency and competitiveness. They also promote employee wellbeing.

Versatile, high-quality business services are an essential part of Technopolis technology centers. The services support the competitiveness of companies operating in the centers by allowing them to concentrate on their core businesses and leave the rest to Technopolis.

Technopolis business services are cost-efficient and easy to use. Cost-efficiency is ensured by Technopolis' extensive operations which bring economies of scale. Customer companies can choose exactly the services they need. Good availability and flexible use of services are the result of the one-stop service principle applied at the technology centers.

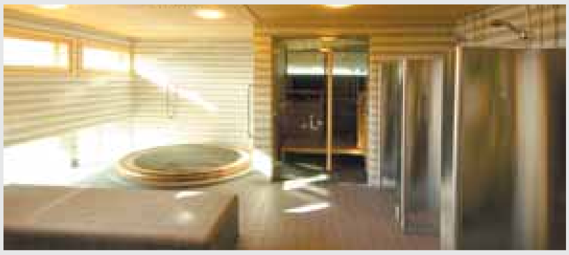
Key business services of Technopolis include telecommunications, telephone, lobby, office, postal and HR services, as well as the comprehensive management and maintenance of facilities. All Technopolis locations utilize an electronic building services management program. Furthermore, there are fixed high-quality video conference connections between the technology centers.

While most of the business services are designed for the companies operating in Technopolis centers, some services, such as conference and restaurant services, are available to outsiders as well.

Technopolis technology centers also offer a wide range of personal services to their customer companies' employees. The purpose of these services is to improve the working environment and increase job satisfaction. They improve employees' work efficiency and increase the appeal of customer companies as employers.

The range of personal services is constantly being supplemented. Currently it includes employee cafeterias, occupational health and dental services, dry-cleaning, child day care, gymnasium services, hair dressing, a travel agency and physical therapy.

A significant part of Technopolis services are provided by the service companies operating in Technopolis premises, offering legal, accounting, patent, translation and communications services, for example. Technopolis has also developed a network of partners to provide services that complement Technopolis' own selection of business and personal services. The network includes only those companies that Technopolis has assessed as good and reliable, and in whose quality it can trust. The companies included in the partner network cover a wide range of expertise and service areas.

DEVELOPMENT SERVICES

Development services improve the success opportunities not only of companies that are starting up or on the verge of strong growth, but also of those that are already international business engines. They support the refining of technology-based product ideas into international success products.

Development programs help customer companies by boosting their competitiveness and resources to succeed in international markets.

Technopolis Ventures Ltd, Oulutech Ltd and Technopolis Ventures Kareltek Inc undertake business development and business incubator operations with the aim of discovering the best ideas based on technology competence and converting these into international success products. They help to evaluate product ideas, coach and instruct entrepreneurs systematically, channel funding, offer networking services and support the successful commercialization of ideas in every way.

Additionally, Technopolis' affiliated companies Oulu Innovation Oy and Lappeenranta Innovation Oy are involved in the implementation of regional development programs. Oulu Innovation Oy is responsible for the implementation of the Oulu Region Centre of Expertise program and the Oulu Growth Agreement, while Lappeenranta Innovation Oy is responsible for the implementation of the Centre of Expertise program in Southeast Finland. Technopolis has a 25 percent holding in Oulu Innovation and a 20 percent holding in Lappeenranta Innovation.

In addition to the actual development services, Technopolis technology centers also offer other forms of support for companies. The centers host a number of expert companies in different fields, offering easy access to their services for customer companies located in the centers. The informal networking and exchange of ideas that constantly take place in the technology centers between people from different companies and business sectors is also extremely important. As a concentration of enterprise, training and research, the centers form an excellent platform for diverse cooperation and interaction.

Technopolis also provides consulting services related to technology centers. It has implemented these services in Finland, Sweden, Norway, Estonia, Russia and South Africa. The purpose of technology center consulting is to support the establishment of new technology centers and develop the operations of existing ones. The unit's customers include not only technology centers, but also national and regional organizations, cities and corporations.

Regional attractiveness programs, such as the Vantaa Hitech program carried out by Technopolis in cooperation with the City of Vantaa, are aimed at increasing the respective areas' competitiveness and attractiveness as company locations. Through these programs, Technopolis serves different regions by helping them strengthen and utilize their best competencies.




BOARD OF DIRECTORS' REPORT, JANUARY 1 – DECEMBER 31, 2005

Highlights of 2005 compared with the previous year:

- The Group's net sales rose to EUR 31.7 million (EUR 28.8 million in 2004), an increase of 10.0 %
- The Group's EBITDA rose to EUR 17.5 million (EUR 15.9 million), an increase of 10.1 %
- Profit after taxes was EUR 12.7 million (EUR 7.3 million), an increase of 73.8 %
- Earnings/share were EUR 0.38 (EUR 0.26).
- The Board of Directors of Technopolis proposes to the Annual General Meeting that a dividend of EUR 0.13 per share be distributed for the 2005 financial year (EUR 0.12 per share in 2004).

The profit for the financial year was improved by good business development and a decrease in net return requirements on the real estate markets. The 2005 financial statements and the comparison figures for 2004 are IFRS-compliant.

Business environment

Technopolis is a growth-oriented provider of high tech operating environments, which is the largest in Finland. The Group's service concept combines premises, business services and development services. In 2005, the company's business progressed well in Oulu and the Helsinki metropolitan area. In November, Technopolis acquired a majority holding in Technology Centre Kareltek Inc in Lappeenranta. The ownership interest in Kareltek at the end of 2005 was 99.8 %.

The overall situation of high tech operating environments continued to be relatively challenging in 2005. However, the excess supply of operating premises in the Helsinki metropolitan area has leveled off. The demand for new construction has been maintained by the desire of companies to improve the quality of their premises and concentrate their operations. In the Oulu region, the demand for high-quality office premises remains good. Technopolis commenced two new projects in Oulu in 2005: the expansion of Technopolis Kontinkangas and the city center construction project. In the Helsinki metropolitan region, the third stage of Helsinki-Vantaa was brought into use in February, and the fourth stage was commenced in December.

Business

The Group's consolidated net sales were EUR 31.7 million (EUR 28.8 million in 2004), an increase of 10 %. Operating profit for the year was EUR 18.5 million (EUR 10.5 million), up by 76.1 %. Profit before taxes was EUR 15.1 million (EUR 6.8 million), an increase of 122.3 % from the previous year. Depreciation according to plan totaled EUR 0.4 million (EUR 0.6 million). Earnings per share were EUR 0.38 (EUR 0.26). The Board of Directors of Technopolis proposes to the Annual General Meeting that a dividend of EUR 0.13 per share be distributed from the profit for 2005. The proposed dividends would total EUR 4.7 million (EUR 3.5 million), an increase of 32 %.

The balance sheet total was EUR 270.2 million (EUR 219.7 million), up by 23.0 %. The Group's equity to assets ratio at the end of the year was 46.4 % (42.6 %).

The fair value of the Group's investment properties at the end of 2005 was EUR 249.3 million (EUR 203.0 million). The change in the fair value of investment properties was due not only to the change in the value of properties owned throughout the year, but also to the measurement at fair value of properties completed during the financial year, and increases in acquisition cost recognized in separate companies during the financial year. The effect on profit of the change in the fair value of investment properties was EUR 1.2 million (EUR -5.0 million).

The Group's total rentable area was 241,000 floor square meters at the end of 2005 (202,000 floor square meters at December 31, 2004). The Group's average occupancy ratio at the end of the year was 97.1 % (97.5 %).

At the end of the year, the Group's leases totaled EUR 68.1 million (EUR 57.3 million). Of the leases, 10 % will expire in 2006, 33 % will expire in 2007 - 2009, 25 % will expire in 2010 - 2012, 10 % in 2013 - 2015, and 22 % in 2016 or later.

Group structure

The Technopolis Group includes Technopolis Plc (the parent company), which has operations in Oulu and Vantaa, and its subsidiaries Innopoli Ltd in Espoo (wholly-owned), Technopolis Kareltek Oy in Lappeenranta (99.8 % owned), Medipolis Ltd in Oulu (55.7 % owned), and other subsidiaries.

The Group also includes Technopolis Ventures Ltd in Espoo (fully owned by Innopoli Ltd). In October, Technopolis Ventures Ltd established its wholly-owned subsidiary Technopolis Ventures Kareltek Oy. The parent company also has a minority holding in the affiliated companies Technocenter Kempele Oy (48.5 %), Iin Micropolis Ltd (25.7 %), Oulutech Ltd (30 %), Oulu Innovation Ltd (24 %) and Lappeenranta Innovation Oy (20 %).

Technopolis Ventures Ltd, the City of Espoo and other shareholders own a joint venture called Otaniemen kehitys Oy. Technopolis Ventures Ltd has a 25 % holding in the company and the City of Espoo 35 %. Other central members of the Otaniemi scientific community are participating in the project as small owners.

Investments and development projects

In January, Technopolis decided to commence implementation of the second stage of Technopolis Kontinkangas in close proximity to the Oulu city center. The size of the building is 2,436 floor square meters and the acquisition cost is EUR 3.9 million. The building was brought into use in November 2005.

The third stage of Technopolis Helsinki-Vantaa, 3,383 floor square meters, was brought into use in February. The investment was EUR 6.4 million.

Technopolis decided to commence implementation of the first stage of the Oulu city center Technopolis in April. The size of the stage is 6,979 floor square meters and the cost estimate is EUR 14.5 million, which includes the investment costs of the building's approx. 120 parking spaces for public parking to be owned by Technopolis.

In September, Technopolis signed a preliminary agreement with Lappeenrannan Kaupunkiyhtiöt Oy on the acquisition of a majority holding in Technology Centre Kareltek Inc. The transaction concerned 79 % of Kareltek Inc's shares. The total sale price was EUR 8.5 million, of which EUR 6,225,000 was paid in cash and the remaining part was paid with a share offering. The remaining shares were held by 65 shareholders, to whom Technopolis later made a purchase offer aimed at achieving 100 % ownership of Kareltek Inc. At December 31, 2005, Technopolis had a 99.8 % holding in Technopolis Kareltek Oy.

Due to favorable demand, Technopolis decided in October to commence the second stage of the Oulu city center Technopolis. The second stage comprises 5,530 floor square meters and the cost estimate is EUR 8.0 million. The second stage is estimated to be completed in August 2006 together with the first stage of the building.

In December, Technopolis decided to commence implementation of the fourth stage its Helsinki-Vantaa technology center due to the favorable demand outlook. The size of the stage is 2,789 floor square meters and the investment will amount to about EUR 5.5 million.

In December, Technopolis signed a deed of sale on the purchase of a 9,083 floor square meter building belonging to Kemira's Oulu Research Centre and the leasing of the most of the facilities on a 12-year lease. The rest of the real estate has been leased to four other customers. The sales price was EUR 5.3 million.

By a decision of the Helsinki City Board, an area containing the building rights to 24,900 square meters has been reserved for Technopolis until August 31, 2006 for the planning of a new technology center in Ruoholahti. The area's local detailed plan was approved and became legally valid in 2005. The marketing of the premises will be commenced in the first half of 2006.

Technopolis has been making preparations with the City of Espoo to build a new technology center in the Suurpelto area of Espoo. The land reservation is valid until June 30, 2006. In addition to high tech companies, the center will also house units of educational institutes. The area's local detailed plan is expected to be completed in 2006.

Technopolis has signed a co-operation agreement with Tehnopol, a technology center organization in Tallinn, Estonia. The aim of this co-operation is to develop the Tallinn technology center into an operating environment for Finnish and international companies. Technopolis is negotiating with Tehnopol regarding the possibility of establishing a joint venture to carry out the technology center operations in question.

In April 2005 Technopolis began to investigate the potential for commencing technology center activities in St. Petersburg. Technopolis signed a memorandum of understanding at October 7, 2005 with the City of St. Petersburg on the establishment of a technology center in St. Petersburg. Under the memorandum of understanding, the City of St. Petersburg will look into the possibilities to provide Technopolis with land suitable for technology center operations in the Neudorf region to the west of the St. Petersburg city center. In November, the region was accepted as one of Russia's six areas with SEZ (Special Economic Zone) status.

Technopolis and the City of St. Petersburg next intend to draw up an investment contract on the project. The contract is expected to be completed by the end of the first quarter of 2006.

Events related to the Technopolis share

The company's share was quoted on the main list of the Helsinki Stock Exchange, in the Finance group. The share price varied between EUR 3.17 and EUR 5.23 in 2005. The average price for the year was EUR 4.10. The closing trading price at December 30, 2005 was EUR 5.00. The trading volume was EUR 87.5 million.

Technopolis' share capital was increased on four occasions in 2005. In December 2004, 15,999 Technopolis shares were subscribed with year 2001 options, and the resulting increase in share capital, EUR 27,038.31 was entered in the Trade Register at January 31, 2005. In February, 455,205 Technopolis shares were subscribed with year 2001 options, and the resulting increase in share capital, EUR 769,296.45 was entered in the Trade Register at March 9, 2005.

The company's Board of Directors decided at April 21, 2005 on the marketing of a directed share issue, to start at April 26, 2005 and end at May 6, 2005. A total of 5,400,000 new shares were offered for subscription. At the same time, the City of Oulu offered for sale a maximum of 2,500,000 shares. In the share issue and sale, 6,700,000 shares were offered to international and domestic investors in an institutional issue and sale, while 1,200,000 shares were offered to Finnish retail investors in a retail issue and sale.

The share issue and sale was over-subscribed approximately 1.6 times and the institutional issue and sale approximately 1.8 times. The company's Board of Directors decided on an allocation of shares to investors by which 5,099,600 shares were allocated to international investors and 2,546,000 shares to domestic investors and on a share subscription and sales price of EUR 3.69 per share. A total of 5,400,000 new shares were subscribed in the share offering, as a result of which a share capital increase of EUR 9,126,000 was entered in the Trade Register at May 11, 2005.

In November, in connection with the transaction regarding the majority holding in Technopolis Kareltek Oy, Technopolis offered 511,361 shares to Lappeenranta Kaupunkiyhtiöt Oy, as a result of which the share capital increased by EUR 864,200.09. The increase in share capital was entered in the Trade Register at December 1, 2005.

After the above-mentioned four increases in share capital, Technopolis' share capital at December 31, 2005 totaled EUR 60,589,957.74, divided into 35,852,046 shares with a counter-book value of EUR 1.69.

At the end of 2005, the company had 3,831 shareholders. Households held 24 % of the total shares. At December 31, 2005, 40 % of the shares were held by foreign parties or were nominee-registered (10 % on December 31, 2004). At December 31, 2005, the company's market capitalization was EUR 179.3 million (EUR 93.1 million at December 31, 2004). The company's market capitalization has risen by 92.5 % in one year due, among others, to the share issue implemented in May and positive share price performance.

No convertible bonds were launched. The company has not redeemed its own shares.

Distribution of options

In June the Board of Directors decided to distribute a total of 336,000 2005A options to key personnel. A total of 436,000 2005B options and 436,000 2005C options will be distributed later to current and future key personnel of the Group.

Financing

The Group's net financial expenses were EUR 3.4 million (EUR 3,7 million). The Group's balance sheet total was EUR 270.2 million (EUR 219.7 million), of which liabilities accounted for EUR 145.4 million (EUR 126.6 million). The Group's equity to assets ratio was 46.4 % (42.6 %). The Group's equity per share was EUR 3.39 (EUR 3.04).

The Group's long-term liabilities at the end of the year amounted to EUR 119.6 million (EUR 97.4 million). The average interest rate of loans at December 31, 2005 was 3.30 % (3.56 %). Due to the related interest rate risk, a policy of interest rate diversification has been followed. At December 31, 2005, 46.2 % of the loan portfolio was bound to either the 3-12 month Euribor rate or to the Bank of Finland's rate. 53.8 % of the loans were fixed-interest loans of 13-60 months. The loan period, weighted by the outstanding capital of the loans, was 10.7 years.

Technopolis supplemented its finance with a EUR 30 million domestic commercial paper program under which the company issued commercial papers with a maturity of less than a year. At December 31, 2005, the issued commercial papers totaled EUR 7.1 million.

Administration, organization and personnel

At the end of the financial year, the company's Board of Directors comprised Pertti Voutilainen (Chairman), Matti Pennanen (Vice Chairman), and the following elected members: Juhani Paajanen, Timo Parmasuo and Erkki Veikkolainen. Pertti Huuskonen is the President and CEO of Technopolis. The company's auditor is Ernst & Young Oy, Authorized Public Accountants, with Rauno Sipilä, APA, as the responsible auditor.

The company abides by the insider guidelines prepared by the Helsinki Stock Exchange for listed companies and the Corporate Governance Recommendation for Listed Companies published by HEX Plc, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers.

During the financial year, the Group employed an average of 74 (95) people. 25 (23) persons were employed in jobs related to premises activities, 17 (20) persons in business services and 32

(52) persons in development services. In March, Medipolis Ltd sold 75 % of its holding in Medipolis GMP Ltd, and as a result of the transaction, the number of employees in the Group fell by 15. On January 1, 2005 the Oulu Region Centre of Expertise non-profit program was transferred to a new company Oulu Innovation Oy. Technopolis Plc's holding in the new company is 24 %. The transfer did not have a significant effect on Technopolis' financial results, but it did reduce the number of employees by 14 people. As a result of the acquisition of Kareltek in November and the establishment of Technopolis Ventures Kareltek Ltd, the number of employees increased by 19 people.

Decisions of the Annual General Meeting

The Annual General Meeting held on March 22, 2005 confirmed the consolidated and parent company income statements and balance sheets for the 2004 financial year, released those responsible for accounts from further liability and decided on the distribution of a dividend of EUR 0.12 per share for the financial year that ended at December 31, 2004. The Annual General Meeting also decided to amend the Articles of Association with respect to the share capital, grant the Board of Directors an authorization concerning a rights offering and convertible bonds issue, and issue options to key personnel.

Decisions of the Extraordinary Shareholders' Meeting

An Extraordinary Shareholders' Meeting decided at November 11, 2005 to grant the Board an authorization to decide on a rights offering or issue of convertible bonds, and to amend Article 11 of the company's Articles of Association to the effect that Shareholders' Meetings may be held in Oulu, Helsinki, Espoo or Vantaa.

Evaluation of operational risks and uncertainty factors

The most significant risks to Technopolis' business operations are mainly financial risks and customer risks.

Technopolis' main financial risk is the interest rate risk related to the loan portfolio. The objective of interest rate risk management is to reduce or remove the negative impact of market interest rate fluctuations on the company's result, balance sheet and cash flow. The company's financing policy aims to diversify the interest rate risk of loan contracts over various maturities on the basis of the market situation prevailing at any particular time and the interest rate prognosis created in the company. If necessary, the company will employ forward rate agreements, interest rate swaps and interest rate options.

In order to manage financial risk, Technopolis uses a wide range of finance providers and maintains a high equity to assets ratio.

Technopolis uses derivatives only to reduce or remove financial risks in the balance sheet.

The structure of Technopolis' loan portfolio at the end of 2005 is reflected by the fact that a one-percent rise in money market rates would increase annual interest rate costs by EUR 0.3 million. Correspondingly, a one-percent decrease in money market rates would reduce annual interest rate costs by EUR 0.3 million.

Due to the interest rate risk related to credits, a policy of interest rate diversification has been followed. At December 31, 2005, 46.2 % of the loan portfolio was bound to either the 3-12 month Euribor rate or to the Bank of Finland's rate. 53.8 % of the loans were fixed-term loans of 13-60 months. The loan period, weighted by the outstanding capital of the loans, was 10.7 years. Technopolis supplements its finance with a EUR 30.0 million domestic commercial paper program under which the company issues commercial papers with a maturity of less than a year. At December 31, 2005, the issued commercial papers totaled EUR 7.1 million.

The Group's net financial expenses were EUR 3.4 million (EUR 3.7 million). The Group's balance sheet total was EUR 270.2 million (EUR 219.7 million), of which liabilities accounted for EUR 145.4 million (EUR 126.6 million). The Group's equity to assets ratio was 46.4 % (42.6 %). The Group's equity/share was EUR 3.39 (EUR 3.04). The Group's long-term liabilities at the end of the year amounted to EUR 119.6 million (EUR 97.4 million). The average interest rate of loans at December 31, 2005 was 3.30 %.

Customer risk management aims to minimize the negative impact of any changes in customers' financial situation on the business and the company's profit. In customer risk management, emphasis is on familiarity with the customer's business and active monitoring of customer information. As part of customer risk management, Technopolis' leases include rent collateral arrangements. Properties are insured with full value insurance.

The Group's property portfolio is divided geographically between the Helsinki metropolitan area, Lappeenranta and the Oulu region. The Group's strategic goal is that no single customer will account for more than 20 % of the Group's net sales. The Group has arranged the leases of its biggest customers to end at different times. The Group has some 700 customers, which operate in many different sectors.

The Group is protected against fluctuations in the business cycle by fixed-term leases which totaled EUR 68.1 million at December 31, 2005. Of the lease agreements, 10 % will expire in 2006, 33 % will expire in 2007 - 2009, 25 % will expire in 2010 - 2012, 10 % in 2013 - 2015, and 22 % in 2016 or later.

In new building projects, Technopolis focuses on quality definition and the manageability of the property's entire lifecycle. In the design phase, all the building's maintenance and repair requirements are taken into account, with the aim of implementing environmentally friendly solutions in terms of energy consumption, the adaptability of office facilities, and recycling possibilities. In connection with property purchases, Technopolis carries out the normal property and environmental assessments before committing to a transaction.

Events after the balance sheet date

At January 27, 2006, Technopolis signed the articles of incorporation for two Russian companies, Technopolis Neudorf and Technopolis St. Petersburg, in St. Petersburg. Technopolis is the sole owner of both companies.

Outlook for the future

The management of the Technopolis Group estimates that in 2006 the demand for high tech operating environments will be at a satisfactory level, and that the occupancy rate of the Group's leasing facilities and the demand for the Group's services will both remain good. The Group estimates that net sales will increase by 15-20 % and EBITDA by 12-17 % on the previous year.

As part of its strategy for growth to 2009, Technopolis has decided to study the potential for expansion both within its present operating locations and in other growth centers in Finland. There are estimated to be 1 - 3 potential areas. Technopolis will continue its work to launch technology center operations in line with its concept in Russia and the Baltic countries. Technopolis seeks to grow organically as well as through acquisitions.

The Group's financial performance is dependent on trends in the general operating environment, in customer business and in the financial markets. Factors in these areas may affect the Group's result through changes in occupancy rates, the use of services, financing costs and office rent levels.

Currency unit: EUR 1 000

KEY INDICATORS AND FINANCIAL RATIOS

	2005 IFRS	2004 IFRS	2003 FAS	2002 FAS	2001 FAS
Summary of income statement					
Net sales	31 730	28 840	28 479	22 643	20 133
Other operating income	2 418	6 024	5 621	2 666	2 896
EBITDA	17 486	15 932	15 067	13 316	12 688
Operating profit	18 533	10 521	11 579	10 027	9 721
Profit before taxes	15 110	6 796	8 068	6 030	5 755
Net profit for the year attributable to parent company shareholders	12 679	7 297	5 945	4 127	4 101
Summary of balance sheet					
Total assets	270 162	219 728	179 229	143 695	130 107
Investment properties [1]	249 325	203 006	164 631	131 397	121 659
Cash and bank	2 397	1 659	1 616	2 767	1 690
Shareholders' equity	124 807	93 113	56 602	48 612	40 544
Interest-bearing liabilities	125 176	108 554	107 740	83 334	79 962
Key indicators and financial ratios					
Change in net sales, %	10.02	1.27 [2]	25.77	12.47	18.71
Operating profit/net sales, %	58.41	36.48	40.66	44.28	48.28
Return on equity (ROE), %	11.77	8.04	10.38	8.92	9.95
Return on investment (ROI), %	8.26	5.46	7.74	7.83	8.52
Equity to assets ratio, %	46.44	42.59	35.21	36.70	34.15
Net debt/equity, %	98.31	114.71	168.45	153.03	176.37
Interest margin, %	527.22	273.45	312.38	244.81	238.98
Employees in Group companies	74	95	95	69	65
Share-related indicators					
Earnings/share, undiluted, EUR	0.38	0.26	0.22	0.18	0.22
Earnings/share, diluted, EUR	0.38	0.26	0.22	0.18	
Equity/share, EUR	3.39	3.04	2.20	2.08	2.17
Dividend/share, EUR	0.13 [3]	0.12	0.156 [4]	0.156 [4]	0.156 [4]
Issue-adjusted no. of shares, average	33 358 468	28 075 286	26 510 570	22 503 920	17 842 321
Issue-adjusted no. of shares, at Dec 31	35 852 046	29 469 481	26 610 882	23 359 000	18 687 200
Other key indicators and financial ratios					
Net yield of book value of real estate, % [1]	8.56	8.75	10.17	11.30	11.42
Investments in non-current assets	35 262	15 049	18 450	15 650	20 071
Price/earnings (P/E) ratio	13.16	12.16	10.73	10.16	8.80
Dividend payout ratio, %	34.2 [3]	46.17	69.68	85.21	70.08
Effective dividend yield, %	2.6 [3]	3.8	6.49	8.39	7.96
Market capitalization of shares, EUR	179 260 230	93 123 560	64 032 434	43 506 138	36 673 630
Share turnover	21 690 055	6 126 353	3 640 689	1 674 781	2 812 126
Share turnover/ave. no. of shares, %	65.0	21.82	21.97	11.91	25.22
Share prices, EUR					
Highest price	5.23	3.31 [4]	2.59	2.08	2.03
Lowest price	3.17	2.30 [4]	1.67	1.63	1.56
Average price	4.10	2.75 [4]	1.93	1.82	1.77
Price on Dec 30	5.00	3.16	2.41	1.86	1.96

1) The balance sheet values are IFRS fair values in 2004-2005, and FAS book values in 2001-2003.
2) The change in net sales % for 2004 was calculated by comparing the IFRS net sales for 2004 with the FAS net sales in 2003. There are no differences in FAS and IFRS net sales.
3) Proposal for distribution of dividends
4) Bonus issue-adjusted

Currency unit: EUR 1 000

CONSOLIDATED INCOME STATEMENT

	Note	2005	2004
Net sales	1	**31 730**	**28 840**
Other operating income	1	2 418	6 024
Personnel expenses	2	-4 354	-4 935
Depreciation, write-down and recognition of consolidation difference	3	-171	-446
Revaluation of investment properties	7	1 218	-4 965
Other operating expenses	4	-12 308	-13 997
Operating profit		**18 533**	**10 521**
Financial income and expenses	5	-3 497	-3 810
Share of profits of associates	9	75	85
Profit before taxes		**15 110**	**6 796**
Income taxes	11	-2 284	306
Net profit for the year		**12 826**	**7 102**
Distribution of profit for the year			
To parent company's shareholders		12 679	7 297
To minority shareholders		147	-195
Average issue-adjusted number of shares		33 358 468	28 075 286
Earnings per share, EUR, undiluted		0.38	0.26
Average number of shares adjusted for dilutive effect		33 526 874	28 251 824
Earnings per share, EUR, diluted		0.38	0.26

Currency unit: EUR 1 000

CONSOLIDATED BALANCE SHEET

ASSETS	Note	2005	2004
Non-current assets			
Intangible assets	6	220	97
Investment properties	7	249 325	203 006
Tangible fixed assets	8	8 609	7 971
Holdings in associates	9	1 092	1 007
Investments and receivables	10, 13	341	239
Deferred tax assets	11	3 663	2 533
Non-current assets, total		**263 249**	**214 853**
Current assets			
Current receivables	12, 13	4 515	3 216
Cash and bank		2 397	1 659
Current assets, total		**6 913**	**4 875**
ASSETS, TOTAL		**270 162**	**219 728**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		60 590	49 803
Premium fund		12 727	898
Revaluation fund		18	17
Other funds		6	6
Retained earnings		35 395	31 509
Net profit for the year		12 679	7 297
Shareholders' equity before minority interests, total		**121 416**	**89 530**
Minority interests		3 391	3 583
Shareholders' equity, total		**124 807**	**93 113**
Liabilities	14		
Long-term liabilities		107 958	86 881
Deferred tax liabilities	11	11 620	10 532
Short-term liabilities		25 777	29 201
Liabilities, total		**145 355**	**126 615**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**270 162**	**219 728**

Currency unit: EUR 1 000

CONSOLIDATED CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2005	2004
Operating profit		18 533	10 521
Revaluation of investment properties		-1 218	4 965
Depreciation		447	598
Recognition of consolidated difference		-276	-152
Other adjustments for non-cash transactions		26	5
Increase/decrease in working capital		-165	1 485
Interests received		71	40
Interests paid and fees		-3 615	-3 918
Income from other investments of non-current assets		14	9
Taxes paid		-1 640	-1 704
Net cash provided by operating activities		**12 178**	**11 849**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in other securities		-53	-18
Investments in investment properties		-24 069	-6 812
Investments in tangible and intangible assets		-471	-280
Disposal of subsidiaries		-52	
Acquisition of subsidiaries	16	-8 382	-7 939
Net cash used in investing activities		**-33 028**	**-15 049**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in long-term loans		20 573	17 500
Decrease in long-term loans		-9 774	-9 658
Dividends paid		-3 540	-4 158
Paid share issue		20 209	6 539
Change in short-term loans		-5 879	-6 980
Net cash provided by financing activities		**21 589**	**3 244**
Net increase/decrease in cash assets		**738**	**43**
Cash assets at January 1		1 659	1 616
Cash assets at December 31		**2 397**	**1 659**

The notes to the cash flow statement are presented in the notes to the consolidated financial statements.

Currency unit: EUR 1 000

STATEMENT OF CHANGES IN EQUITY

	Share capital	Premium fund	Revaluation fund	Other funds	Retained earnings	Shareholders' equity before minority interests	Minority interests	Shareholders' equity, total
Equity 31.12.2003, FAS	28 108	16 054		432	12 008	**56 602**	4 559	**61 162**
IFRS adjustments			12	-412	23 635	23 235	-781	**22 454**
Equity 31.12.2003	**28 108**	**16 054**	**12**	**19**	**35 644**	**79 837**	**3 779**	83 616
Share issue	3 019					3 019		**3 019**
Bonus issue-adjusted	18 676	-18 676						
Issue premium		3 520				3 520		**3 520**
Dividend distribution					-4 158	-4 158		**-4 158**
Net profit for the year					7 297	7 297	-195	**7 102**
Other changes			5	-13	23	14		**14**
Equity 31.12.2004	**49 803**	**898**	**17**	**6**	**38 806**	**89 530**	**3 583**	**93 113**
Share issue	10 787					10 787		**10 787**
Issue premium		11 829				11 829		**11 829**
Dividend distribution					-3 540	-3 540		**-3 540**
Taxes recognised directly in equity					6	6		**6**
Equity-linked remuneration					123	123		**123**
Net profit for the year					12 679	12 679	147	**12 826**
Other changes			2			2	-340	**-338**
Equity 31.12.2005	**60 590**	**12 727**	**18**	**6**	**48 074**	**121 416**	**3 391**	**124 807**

ACCOUNTING POLICIES OF CONSOLIDATED FINANCIAL STATEMENTS

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 the Oulu region, Vantaa, Espoo and Lappeenranta in Finland. The Group's parent company is Technopolis Plc. The company is domiciled in Oulu, Finland and its registered address is Elektroniikkatie 8, FI-90570 Oulu.

ACCOUNTING POLICIES OF CONSOLIDATED FINANCIAL STATEMENTS

These are the first consolidated financial statements of Technopolis Plc to be prepared under the IFRS (International Financial Reporting Standards). The financial statements comply with the IAS (International Accounting Standards) and IFRS valid on December 31, 2005, together with the interpretations of the SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee). The Group has applied IFRS 1, First-time Adoption of International Financial Reporting Standards, from the transition date of January 1, 2004. The 2004 comparison figures have been adjusted in accordance with the IFRS. The changes resulting from the adoption of the IFRS were presented in a stock exchange release on October 20, 2005, as presented in note 21 of the Notes to the Consolidated Financial Statements. All figures in the financial statements are presented in thousands of euros.

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 has control. Associates are companies in which the Technopolis Group has significance influence. Significant influence exists when the Group owns more than 20 % of the company's voting power or when it otherwise has significant influence but not control.

Principles of consolidation

The purchase method has been used in eliminating the mutual shareholdings of Group companies. Pursuant to an exemption permitted by IFRS 1, the Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations that predate the transition to IFRS. All business combinations subsequent to the transition date comply with IFRS 3. In the purchase cost calculations, all identifiable assets, liabilities and contingent liabilities related to the acquired sites 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. Goodwill is thereafter tested annually for impairment. No goodwill requiring testing for impairment has arisen as a result of business combinations.

All intragroup transactions, margins on fixed assets, balances and profit distribution have been eliminated. The portion attributable to minority 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 impairment, is presented in the income statement 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. These cases do not constitute a minority interest.

Translation of foreign currency items

The consolidated financial statements are disclosed in euros, which is the functional and presentation currency of the Group's parent company. Foreign currency transactions are stated 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. The Group has no foreign subsidiaries, for which reason there are no translation differences.

Segment reporting

On the balance sheet date, the risks and profitability related to the products and services of the Group's various businesses and geographical areas are not materially different from one another. The Group regularly assesses any future changes and consequential formation of segments. Segment information will be reported when segments that require reporting are formed in the future.

Policies for income recognition

The Group's net sales primarily consist of the premises rental income, service income and consulting income derived from business operations. Net sales are adjusted by indirect taxes, sales adjusting items and the translation difference of foreign currency denominated sales. The Group's income is recognized when the risks and rewards of ownership are transferred to the buyer and when it is probable that the economic benefits associated with the transaction will flow to the entity. Service income is recognized upon complete performance of the service.

Government grants

Government grants are recognized when there is reasonable assurance that the entity complies with the conditions attaching to them and that the grants will be received. The grants 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.

Income taxes

Current taxes include accrual-based taxes relating to the profit for the year, adjustments for previous years and changes in deferred taxes. Deferred taxes liabilities arise when the carrying amount exceeds the net expenditures remaining in taxation. Deferred tax liabilities are recognized in their entirety under non-current liabilities. Deferred tax assets arise when the carrying amount falls below the net expenditures remaining in taxation. Deferred tax assets are recognized to the extent it is probable that they can be utilized against future taxable income. Deferred tax assets are recognized under non-current receivables.

Deferred taxes arise from e.g. investment properties, fixed assets, available-for-sale financial assets, confirmed losses, financial instruments, and the measurement of asset items at fair value in conjunction with business acquisitions. The corporate tax rate confirmed on the balance sheet date has been used in calculating deferred taxes.

Earnings per share

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

Intangible assets and tangible fixed assets

Intangible assets and tangible fixed assets are measured at the original acquisition cost, less accumulated depreciation and impairment, and they are depreciated over their useful lives according to pre-established depreciation plans. Intangible rights are depreciated on a 20 % straight-line basis, and machinery and equipment on a 25 % residual value basis. Depreciation is included in the income statement 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 defined and allocated to an asset. Otherwise, they are recognized as an expense in the income statement.

The useful lives of intangible assets and tangible fixed assets are reviewed annually and their carrying amounts are assessed for possible impairment. If the carrying amount of an asset is discovered to be larger than the cash it will generate in the future, an impairment loss will be recognized as an expense through profit or loss. If an impairment loss later proves unwarranted, it can be reversed by recognizing it through profit or loss. However, a reversal of an impairment loss cannot exceed the impairment of the asset recognized previously, and an impairment 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 tested for impairment by annual impairment tests.

Investment properties

Investment properties are those that the Group holds in order to obtain rental income or an increase in asset value. Investment properties are measured fair value. They include buildings and developed/undeveloped land owned by the Group. 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' own use have not been recognized separately at acquisition cost but are included in the fair value calculation.

Fair value 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 examination for properties that are equivalent in their nature, location, condition or leasing 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 examination time and situation, or by determining them from cash flows based on estimated future income.

The fair value model applied by the Group is based on the cash flow method 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 rent income adjusted by the under-utilization rate, less annual management and maintenance costs. The current value of the residual value after the accounting period is added to the current value of the net cash flow. Undeveloped land areas are measured on the basis of the building rights, if the value of the building rights is essentially different from the land acquisition cost.

All future income is based on existing agreements. Existing agreements are considered to terminate after the notice period that follows the first possible date for giving notice of termination has ended. After this, the premises are assumed to be leased at market rents. The market rent 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 empty at the valuation date. An under-utilization 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 increased annually by the expected inflation rate.

The expenses attributed to a property include the cost of administration, small repairs and 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 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 return requirement and the expected inflation rate. A statement on area-specific net return requirements is requested from two third-party experts. From these, the company internally estimates the net return requirements specifically for each site.

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

Changes in the value of investment properties are entered into the income statement as a separate item. The change in the fair value of investment properties during the financial year was due to three factors – the change in the value of properties owned all the year, the determination at fair value of properties completed during the financial year, and increases in acquisition cost recognized in separate companies during the financial year.

Advance payments and projects in progress

The item "advance payments and projects in progress" presents the actual total acquisition cost of properties under construction at the end of the financial year. Advance payments include those made in relation to the properties – e.g. for acquisition of land.

Undeveloped land areas are classified as investment properties until the commencement of construction, at which point they are transferred to projects in progress at fair value as per the transfer date. The purchase cost model is applied to properties that are under construction and are to be classified later as investment properties. Projects in progress include, in addition to land areas under construction, the purchase costs of buildings under construction and connection fees. After the completion of the property, the building's purchase cost, the land area and a sum corresponding to the connection fees is transferred in its entirety to investment properties, and its fair value is determined. The difference between the portion transferred from projects in progress and the fair value is recognized through profit or loss.

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 transfer substantially all of the risks and rewards incidental to the ownership of the asset item to the lessee. If the risks and benefits incidental to the ownership of the asset item 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 lessor

Lessors recognize assets held under a finance lease at their commencement date in the balance sheet and state them at their net investment value. Lessors treat the receivable lease income as repayment of capital and financial income. The recognition of financial income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned financial income.

The Group has not leased out any premises based on leases that would be classified as finance leases, but the risks and rewards that are incidental to the ownership of premises substantially remain with the lessor. The majority of rental income is entered in the income statement on a straight-line basis during the lease period. Contingent rents are applied in the case of a few customers, in which the rent is based on the lessee's net sales. All lease income is entered in net sales.

Group as lessee

Lessees recognize financial leases at the 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 used. The rents to be paid are divided between financial expenses and a decrease in liabilities.

Group companies essentially are not lessees of finance leases in which a substantial part of the risks and rewards incidental to ownership would fall upon the lessee.

Financial instruments

Borrowing costs are recognized as expenses for the financial year during which they arise.

Financial instruments are grouped as financial assets and liabilities recognized at fair value through profit or loss, or as loans and other receivables, available-for-sale financial assets and financial liabilities recognized at amortized cost. Available-for-sale financial assets and financial assets and liabilities recognized at fair value through profit or loss are measured at fair value by using quoted market prices and exchange rates or applicable valuation methods.

Interest rate swaps have been classified under financial assets and liabilities recognized at fair value through profit or loss. Interest rate swaps are initially entered in the accounts at their acquisition cost, which is equivalent to their fair value. After the acquisition, interest rate swaps are measured at fair value. The fair value of interest rate swaps is determined by discounting all future cash flows related to the interest rate swaps to the valuation date in accordance with the counterparty's pricing systems and methods.

Loans and other receivables and all financial liabilities, excluding derivatives, are presented in the balance sheet at the amortized cost by applying the effective interest method. Transaction costs are included at their initial purchase cost.

Equity investments are classified under available-for-sale financial assets. Available-for-sale financial assets are measured at fair value by applying quoted market prices. Any unlisted shares the fair value of which cannot be reliably determined are recognized at their acquisition cost, less impairment. Changes in the fair values of available-for-sale financial assets are recognized directly in equity under the revaluation fund, less the tax consequences. When this kind of asset is sold, the accumulated changes in fair value are transferred from shareholders' equity to profit.

Interest-bearing liabilities are recognized in the balance sheet at amortized cost by applying the effective interest method. Current interest-bearing liabilities include the commercial papers issued by the company.

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.

Sales receivables

Sales receivables are measured at their initial value, less their estimated impairment. The situation with doubtful receivables and credit losses is estimated regularly case by case.

Employee benefits

At the balance sheet date, the Technopolis Group operates only in Finland, and the pension security paid by the employer is completely based on the Finnish pension security system (TEL). All pension plans effective during the financial year and the comparison year have been interpreted as defined contribution plans and are recognized in the income statement in that financial year which the contribution concerns.

Voluntary pension plans of key persons have been treated as defined contribution plans, because the Group's legal and constructive obligation is limited to the amount which the Group contributes to the plan concerning post-employment benefits.

Share-based payments

The Group has applied IFRS 2, Share-based Payments, to all those option programs under which options have been granted after November 7, 2002 and to which no right has arisen prior to January 1, 2005. No costs related to any option programs that predate the above have been presented in the income statement. Options are measured at fair value at the granting date and are recognized in the income statement as expenses on a straight-line basis during the period when 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 system. An option's fair value depends on the subscription price of option-based shares, volatility, the expected option lifetime and the risk-free interest rate. Volatility is determined on the basis of the company's historical data and the long-term interest rate is used as the risk-free interest rate. The cost entry arising from the options is recognized in the income statement under personnel expenses and in equity. The Group updates the assumption on the final number of options on each balance sheet date. Changes in the estimates are entered in the income statement. When options are exercised, all money payments received on the basis of share subscriptions (adjusted by the transaction costs, if any) are entered in the share capital (counter book value) and in the share premium fund.

Related party transactions

Parties are deemed to be related parties, if one party has control over or significant influence on the other's decision making. The Group's related parties comprise the parent company, all subsidiaries and associates, together with Group management and their family members.

Use of estimates

In the preparation of the financial statements, the Group's management has to exercise judgement in the application of accounting policies and make estimates and assumptions that affect the contents of the financial statements. The most significant estimates in the consolidated financial statements are related to the estimation of the parameters used in the fair value measurement of investment properties. When making these estimates and assumptions, the management has used the best knowledge available on the balance sheet date. Actual future outcomes may deviate from estimates made at present.

Application of new or revised International Financial Reporting Standards

The Group has taken into consideration the new standards and interpretations published by the IASB (International Accounting Standards Board) during the financial year and will apply these in coming years as they take effect. The Group estimates that the new standards and interpretations published during the financial year will have no material effect on the Group's coming financial statements.

Currency unit: EUR 1 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NET SALES AND OTHER OPERATING INCOME

The Group's total rentable area was 241,000 floor square meters at the end of 2005 (202,000 floor square meters on December 31, 2004). The Group's average occupancy rate at the end of the year was 97.1 % (97.5 %).

At the end of the year, the Group's lease portfolio totaled EUR 68.1 million (EUR 57.3 million). The leases are distributed over future years as follows:

Ending in 2006	6 952	10 %
Ending in 2007 - 2009	22 548	33 %
Ending in 2010 - 2012	16 981	25 %
Ending in 2013 - 2015	6 887	10 %
Ending in 2016 or later	14 708	22 %
Total	**68 076**	**100 %**

A contingent rent, based on the lessee's net sales, has been applied to some customers.
Contingent rents totaling EUR 854 thousand were recognized in net sales for the year (EUR 851 thousand in 2004).

The grants received for certain development programs are recognized under other operating income. The expenses relating to the development programs are recognized under other operating expenses and personnel expenses.

2. PERSONNEL EXPENSES	**2005**	**2004**
Salaries and fees	3 291	4 029
Pension costs, contribution-based plans	621	633
Share options granted	123	
Indirect employee costs	318	272
Personnel expenses, total	**4 354**	**4 935**
Average number of employees	74	95

The employment benefits of the management are presented in note 18.

3. DEPRECIATION, WRITE-DOWN AND RECOGNITION OF CONSOLIDATION DIFFERENCE

Depreciation by asset group		
Intangible assets: Intangible rights	65	31
Tangible fixed assets: Machinery and equipment	382	567
Recognition of consolidation difference as income	-276	-152
Depreciation, write-down and recognition of consolidation difference, total	**171**	**446**

The recognition of consolidation difference as income for the 2005 financial year is due to the negative goodwill arising from the acquisition of Kareltek Oy stock which could not be allocated to any identifiable assets, liabilities or contingent liabilities.

The recognition of consolidation difference as income for 2004 was due to the transaction premium realized in the comparison period with respect to the acquisition of Innopoli Oy stock. When the transaction premium was realized in 2004, the decrease in consolidation difference due to the correction of the sales price liability was immediately recognized in income.

4. OTHER OPERATING EXPENSES

Property maintenance expenses	6 295	6 797
Service expenses	1 540	1 496
Expenses of development programs	2 212	3 500
Other operating expenses	2 262	2 204
Other operating expenses, total	**12 308**	**13 997**

5. FINANCIAL INCOME AND EXPENSES

Income from shares of profits of associates	75	85
Dividend income	14	9
Interest income	71	40
Interest expenses	-3 742	-4 005
Impairment of non-current asset investments	-46	60
Change in fair value of assets recognized at fair value through profit or loss	205	87
Financial income and expenses, total	**-3 422**	**-3 725**

As the Group's current interest rate swaps do not fulfil the criteria for hedge accounting, the positive and negative changes in fair value have been recognized through profit or loss.

Currency unit: EUR 1 000

6. INTANGIBLE RIGHTS	**2005**	**2004**
Acquisition cost, Jan 1	278	195
Increases	185	83
Increases from business combinations	2	
Acquisition cost, Dec 31	465	278
Accumulated depreciation, Jan 1	-180	-150
Depreciation for the year	-65	-31
Intangible rights, Dec 31	**220**	**97**
Carrying amount, Jan 1	97	45
Carrying amount, Dec 31	220	97

7. INVESTMENT PROPERTIES

Rental income	24 883	24 122
Property maintenance expenses	-6 463	-6 857
Net rental income	**18 420**	**17 265**
Changes in fair values of investment properties		
Fair value of investment properties, Jan 1	203 006	191 837
Cost of investment properties acquired during the year	13 007	
Investment properties from business combinations	21 723	7 918
Transfers from projects in progress	10 186	7 486
Change in fair value	1 402	-4 234
Fair value of investment properties, Dec 31	**249 325**	**203 006**
Changes in value of investment properties		
Change in fair value excluding change in net return requirements	-1 874	-4 234
Change caused by change in net return requirements	3 276	
Changes in acquisition costs of investment properties in financial year	-184	-731
Effect on profit of changes in values of investment properties	**1 218**	**-4 965**

8. TANGIBLE FIXED ASSETS

Machinery and equipment		
Original acquisition cost	3 680	3 490
Accumulated depreciation	-2 365	-1 798
Net expenditures, Jan 1	1 315	1 692
Increases	344	202
Increases from business combinations	105	5
Decreases	-132	-17
Depreciation for the year	-382	-567
Machinery and equipment, Dec 31	**1 250**	**1 315**
Carrying amount, Jan 1	1 315	1 692
Carrying amount, Dec 31	1 250	1 315
Other tangible assets		
Acquisition cost, Jan 1	24	18
Increases from business combinations	4	6
Other tangible assets, Dec 31	**28**	**24**
Carrying amount, Jan 1	24	18
Carrying amount, Dec 31	28	24
Advance payments and projects in progress		
Projects in progress, Jan 1	6 633	8 017
Increases/decreases	10 409	5 425
Transfers from investment properties	477	676
Transfers to investment properties	-10 186	-7 486
Projects in progress, Dec 31	**7 331**	**6 633**

Currency unit: EUR 1 000

9. HOLDINGS IN ASSOCIATES

9. HOLDINGS IN ASSOCIATES	2005	2004
Holdings in associates, Jan 1	1 007	833
Increases/decreases	10	30
Recoveries of write-downs		60
Group share of profit/loss for year	75	85
Holdings in associates, Dec 31	**1 092**	**1 007**

Holdings in associates	Holding, %	Nominal value	Original acquisition cost	Group's share of accumulated profit/loss
Oulutech Oy, 30 shares, Oulu	30	5	34	81
Iin Micropolis Oy, 500 shares, Ii	25,7	84	84	-84
Technocenter Kempele Oy, 501 shares, Kempele	48,5	125	588	349
Otaniemen kehitys Oy, 25 shares, Espoo	25	25	25	0
Oulu Innovation Oy, 2,400 shares, Oulu	24	5	5	0
Lappeenranta Innovation Oy, 1,000 shares, Lappeenranta	20	10	10	0
Total			**746**	**346**

The fair value of the shares of associates do not materially differ from their carrying amount.

Technopolis Plc has recognized losses accumulated from its share in the result of Iin Micropolis Oy only up to the acquisition cost of the shares. EUR 23 thousand (EUR 26 thousand) was left unrecognized.

Information regarding associates	Assets	Liabilities	Net sales	Profit for the year
2005				
Oulutech Oy	603	219	658	5
Iin Micropolis Oy	244	50	86	10
Technocenter Kempele Oy	3 420	958	783	152
Otaniemen kehitys Oy	248	148	16	0
Oulu Innovation Oy	1 367	1 347	1 085	0
Lappeenranta Innovation Oy	50	0	0	0
2004				
Oulutech Oy	545	168	527	2
Iin Micropolis Oy	218	34	99	14
Technocenter Kempele Oy	3 890	1 606	806	201
Otaniemen kehitys Oy	415	315	0	0

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS	2005	2004
Available-for-sale financial assets, Jan 1	230	225
Increases	3	
Increases from business combinations	33	
Change in fair value of assets recognized at fair value	2	5
Available-for-sale financial assets , Dec 31	**268**	**230**

EUR 73 thousand was recognized at fair value (EUR 65 thousand in 2004), and EUR 195 thousand was recognized at acquisition cost (EUR 165 thousand).

Revaluation fund		
Revaluation fund, Jan 1	17	12
Change in fair value of assets recognized at fair value	2	5
Revaluation fund, Dec 31	**18**	**17**

The changes in the fair value of available-for-sale financial assets are recognized in the revaluation fund, with the tax effect deducted. When such an asset item is sold, the accumulated changes in fair value are transferred from shareholders' equity to profit.

Currency unit: EUR 1 000

11. INCOME TAXES AND DEFERRED TAXES	2005	2004
Current taxes	-1 778	-1 704
Change in deferred taxes	-506	2 010
Tax expense in income statement	**-2 284**	**306**
Reconciliation of income taxes		
Profit before taxes	15 110	6 796
Taxes calculated at tax rate of balance sheet date, 26 % (29 %)	-3 929	-1 971
Non-tax-deductible expenses	-93	-9
Tax-exempt income	1	
Previously unrecognized deductible differences	1 805	1 143
Unrecognized deferred tax assets	-4	137
Change in tax rate		923
Recognition of consolidation difference as income	72	44
Income tax for prior years	-86	-123
Others	-50	161
Tax expense in income statement	**-2 284**	**306**
Deferred tax liabilities		
Investment properties	11 490	10 528
Other temporary differences	130	4
Deferred tax liabilities, total	**11 620**	**10 532**
Deferred tax assets		
Investment properties	3 000	1 734
Tangible fixed assets	138	117
Unused losses confirmed in taxation	449	562
Other temporary differences	75	120
Deferred tax assets, total	**3 663**	**2 533**

Deferred tax assets from temporary differences and confirmed losses for which there is no certainty that they can be utilized in the future have not been recognized in the consolidated financial statements. These temporary differences totaled EUR 1.77 million in 2005 (in 2004, EUR 8.19 million in temporary differences and EUR 0.3 million in confirmed losses).

The taxes and deferred taxes related to items recognized directly in shareholders' equity have been recognized directly in shareholders' equity.

12. CURRENT RECEIVABLES

	2005	2004
Sales receivables	1 110	1 244
Receivables from associates	3	2
Loan receivables	67	5
Adjusting entries for assets	1 280	1 310
Finance lease receivables	31	
Other receivables	2 024	655
Short-term receivables, total	**4 515**	**3 216**

Events after the balance sheet date

On January 31, 2006, the Helsinki Administrative Court issued a decision concerning a VAT reassessment for the years 2001 - 2003, according to which the company's center of expertise operations were deemed to be a form of business conducted in the way specified in Section 1, Paragraph 1, Point 1 of the VAT Act. The company was entitled to deduct the VAT on the expenses of the projects under its management. As the administrative court's decision was not yet legally valid on February 8, 2006, when the financial statements were approved for disclosure, a conditional asset is in question. A total of EUR 0.3 million in VAT including interest was paid on the basis of the reassessment.

Currency unit: EUR 1 000

13. FINANCE LEASE RECEIVABLES	2005	2004

The finance leases recognized in the consolidated financial statements are furniture lease-out agreements.
Long-term finance lease receivables have been recognized in non-current assets under investments and receivables.

Long-term finance lease receivables	65	
Short-term finance lease receivables	31	
Finance lease receivables, total	**96**	
Present value of minimum lease payments		
Within one year	31	
More than one year, during at least five years	65	
Current value of minimum rents, total	**96**	
Non-accumulated financial income	16	
Gross investment in finance leases	**112**	

14. LIABILITIES

Long-term interest-bearing liabilities		
Bank loans	107 022	85 861
Other liabilities		84
Long-term interest-bearing liabilities, total	**107 022**	**85 945**
Short-term interest-bearing liabilities		
Commercial papers	7 073	12 952
Repayments on long-term loans	10 997	9 657
Other liabilities	84	
Short-term interest-bearing liabilities, total	**18 154**	**22 609**

Interest-bearing liabilities are all denominated in euros, and will mature as follows:

2006	18 165	9 377
2007	9 872	9 039
2008	12 898	12 069
2009	10 556	9 710
2010	11 942	
Later	61 743	45 749
Total	**125 176**	**85 945**

The fair value of interest-bearing liabilities was EUR 124.5 million in 2005 (EUR 108.4 million in 2004).

The weighted averages of the effective interest rates of interest-bearing liabilities were, %

Bank loans	3,15	3,26
Bank loans incl. interest rate swaps	3,3	3,56
Other loans	2	2
Commercial papers	2,33	2,28
Long-term non-interest-bearing liabilities		
Deferred tax liabilities	11 620	10 532
Other liabilities	936	936
Long-term non-interest-bearing liabilities, total	**12 557**	**11 468**
Short-term non-interest-bearing liabilities		
Advances received	1 407	1 076
Accounts payable	2 036	1 263
Adjusting entries for liabilities	3 122	2 989
Liabilities based on derivatives contracts (interest rate swaps)	233	438
Other liabilities	825	826
Short-term non-interest-bearing liabilities, total	**7 622**	**6 592**

Currency unit: EUR 1 000

15. MANAGEMENT OF FINANCIAL RISKS

The most significant risks related to Technopolis' business operations are mainly financial risks and customer risks. The company has no currency risks.

Technopolis' main financial risk is the interest rate risk related to the loan portfolio. The objective of interest rate risk management is to reduce or remove the negative impact of market interest rate fluctuations on the company's result, balance sheet and cash flow. The company's financing policy aims to diversify the interest rate risk of loan contracts over various maturities on the basis of the market situation prevailing at any particular time and the interest rate prognosis created in the company. If necessary, the company employs forward rate agreements, interest rate swaps and interest rate options. In order to manage financial risk, Technopolis uses a wide range of finance providers and maintains a high equity to assets ratio.

Technopolis uses derivative instruments only to reduce or remove financial risks in the balance sheet. The interest rate sensitivity of Technopolis' loan portfolio at the end of 2005 is shown by the fact that a one percentage point rise in money market rates would increase annual interest rate costs by EUR 0.3 million. Correspondingly, a one percentage point decrease in money market rates would reduce annual interest rate costs by EUR 0.3 million.

Customer risk management aims to minimize the negative impact of any changes in customers' financial situation on the business and the company's profit. In customer risk management, emphasis is on familiarity with the customer's business and active monitoring of customer information. As part of customer risk management, Technopolis' leases include rent collateral arrangements. Properties are insured with full value insurance. The Group has no uncertain receivables where the probability that other parties will default is high.

16. ACQUIRED BUSINESSES

In November 2005, Technopolis Plc entered into an agreement with Lappeenranta Kaupunkiyhtiöt Oy on the acquisition of a majority holding in Technology Centre Kareltek Inc. At the close of the financial year, Technopolis owned 99.8 % of Kareltek's shares. Technopolis aims to attain a 100 % holding in Kareltek. The price of the shares acquired by the close of the financial year was EUR 10.7 million. EUR 8.5 million of this price had been paid in cash, in addition to which 511,361 new Technopolis shares were issued for a subscription price of EUR 4.47 per share. The other costs arising from the acquisition totaled EUR 0.3 million.

Assets and liabilities arising from the Kareltek acquisition	Fair values	Carrying amounts
Assets		
Intangible assets and tangible fixed assets	21 861	21 513
Investments and deferred tax assets	581	33
Receivables	616	616
Cash assets	852	852
Assets, total	23 911	23 015
Liabilities		
Long-term liabilities	11 440	11 440
Short-term liabilities	1 130	1 130
Other liabilities		7
Liabilities, total	12 570	12 577
Net asset value	11 341	10 438
Minority interest in net asset value	-60	-51
Net asset value remaining for Group	11 281	10 387
Transaction price paid in cash	-8 719	
Transaction price paid with share issue	-2 286	
Negative goodwill	246	
Transaction price paid in cash	-8 719	
Acquired company's cash assets	852	
Effect on cash flow	-7 867	

The negative goodwill that arose from the acquisition of Kareltek Inc´s stock and could not be allocated to any identifiable assets, liabilities or conditional liabilities has been recognized through profit or loss.

Kareltek Inc´s result for the financial year after the acquisition date, EUR -257 thousand, has been included in the Group's result for the financial year. If the acquired business had been in the Group since the beginning of the financial year, the Group's net sales for the year would have been EUR 34.9 million, and the profit EUR 13.4 million.

Currency unit: EUR 1 000

17. ASSETS PLEDGED AND CONTINGENT LIABILITIES

		2005		2004
Mortgages of properties				
Loans from financial institutions		117 976		95 518
Mortgages given		147 391		135 950
Land lease liabilities				
Mortgages given		493		468
Mortgages, total		**147 885**		**136 418**
Pledged rental income				
Loans from financial institutions				1 563
Pledged rental income				775
Pledged investment properties		8 533		8 634
Collateral given on behalf of associates				
Guarantees		505		505
Interest rate swaps	Nominal value	Fair value	Nominal value	Fair value
Interest rate swaps in 2001 (fixed interest 5 years)	4 000	-69	4 000	-151
Interest rate swaps in 2002 (fixed interest 3 years)			4 000	-43
Interest rate swaps in 2002 (fixed interest 5 years)	4 000	-161	4 000	-238
Interest rate swaps in 2003 (fixed interest 3 years)	1 172	-3	1 289	-7
Interest rate swaps, total	**9 172**	**-233**	**13 289**	**-438**
Other liabilities				
Liability for return of VAT, which is realized if properties are sold or their intended use is changed in the situations referred to in section 33 of the VAT Act.		13 368		17 107
Rent payment liability				634
Project liabilities		2 037		6 729
Leasing liabilities				
To be paid in the current financial year		28		4
To be paid later		20		5
Leasing liabilities, total		**48**		**9**

18. RELATED PARTY TRANSACTIONS

The Group's related parties comprise the parent company, Technopolis Plc, and its subsidiaries and associates and their key management personnel.

Holdings in Group companies	Balance sheet date	Holding, %	Nominal value
Technopolis Kareltek Oy, 3 333 962 shares, Lappeenranta	31.12.2005	99,78	8 408
Technopolis Ventures Kareltek Oy, 1 000 shares, Lappeenranta	31.12.2006	100	8
Innopoli Ltd, 1 414 280 shares, Espoo	31.12.2005	100	14 143
Technopolis Ventures Oy, 15 000 shares, Espoo	31.12.2005	100	1 261
Medipolis Ltd, 26 350 shares, Oulu	31.12.2005	55,71	4 432
Technopolis Hitech Ltd, 500 shares, Oulu	31.12.2005	100	50
Oulun Teknoparkki Oy, 122 shares, Oulu	31.12.2005	84,14	21
Oulun Ydinkeskustan Parkki Oy, 122 shares, Oulu	31.12.2005	62,24	12
Kiinteistö Oy Oulun Ydinkeskusta, 12 252 shares, Oulu	31.12.2005	98,77	3 063
Kiinteistö Oy Oulun Teknologiatalot, 16 200 shares, Oulu	31.12.2005	100	3
Kiinteistö Oy Oulun Moderava, 22 270 shares, Oulu	31.12.2005	100	8
Kiinteistö Oy Oulun Mediaani, 2 810 shares, Oulu	31.12.2005	100	8

The subsidiary Tekno-Tennis Oy has not been included in the consolidated financial statements due to lack of activities.

In March, Medipolis Ltd. sold 75 % of its holding in Medipolis GMP Ltd. to the company's acting management, and as a result of the transaction, the number of employees in the Group fell by 15.

Currency unit: EUR 1 000

	2005	2004
Associates		
Sale of services	21	29
Receivables from associates	3	2
Liabilities to associates	36	36

Associates and holdings in them have been presented in note 9. The transactions undertaken with associates comprise the leasing of premises at market rates.

Salaries and service benefits of the parent company's management		
President and CEO	202	205
Members of the Board		
Juha Hulkko	2	7
Marketta Kokkonen		2
Lauri Lajunen	2	9
Kari Nenonen	3	19
Juhani Paajanen	9	7
Timo Parmasuo	9	7
Matti Pennanen	7	
Pertti Rantanen	1	9
Erkki Veikkolainen	8	
Pertti Voutilainen	17	9
Total	**58**	**70**

The President and CEO's retirement age and pension comply with general regulations. The period of notice for the President and CEO is 6 months and the termination compensation equals the salary for 18 months.

In voluntary pension plans for key personnel, the Group's legal and constructive obligation is limited to the amount which the Group contributes to the plan with respect to post-employment benefits. Voluntary pension contributions made for key personnel during the financial year totaled EUR 10 thousand (EUR 12 thousand in 2004).

The Annual General Meeting decided during the financial year on a new option program and the issuing of options to the company's management. 1,208,000 options were issued, intended to be part of the incentive and commitment system for key personnel. The terms of the option program are presented in note 20.

19. SHARES AND SHAREHOLDERS

The company's business name is Technopolis Oyj in Finnish and Technopolis Plc in English, and its domicile is Oulu, Finland. It was entered in 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, 1998, and again to Technopolis Oyj on April 7, 2000. Its business code is 0487422-3. Technopolis shares are quoted on the main list of the Helsinki Stock Exchange, in the Finance group. The ISIN code is FI0009006886, and the trading code is TPS1V. A trading lot is 200 shares.

Shares and share capital

According to its Articles of Association, Technopolis Plc's share capital is EUR 15,000,000 at minimum and EUR 300,000,000 at maximum, within which limits it may be increased or decreased without amending the Articles of Association. The number of the company's shares is 5,000,000 at minimum and 600,000,000 at maximum. The company's registered, fully paid share capital on January 1, 2005 was EUR 49,803,422.89 and on December 31, 2005 EUR 60,589,957.74, divided into 35,852,046 shares with a counter-book value of EUR 1.69. Changes in the share capital during the financial year are shown in the following page. The company's shares have been in the book-entry system since March 7, 1998. The company has one share series. Each share gives the right to one vote at a General Meeting.

Increases in share capital

Share capital EUR	Nominal value/ counter book value of shares	Number of shares	Entered in the register
336,375.80	168.19	2,000	16.9.1982
1,345,503.40	168.19	8,000	22.5.1986
2,691,006.80	168.19	16,000	10.2.1988
4,372,886.10	8.41	520,000	28.3.1990
6,392,654.90	8.41	760,180	10.4.1991
8,092,362.10	8.41	962,300	7.3.1996
14,063,033.50	1.68	8,361,500	26.11.1998
16,875,135.60	1.68	10,033,500	8.6.1999
16,956,615.00	1.69	10,033,500	7.4.2000
19,488,235.00	1.69	11,531,500	20.4.2001
19,738,355.00	1.69	11,679,500	8.10.2001
24,672,943.75	1.69	14,599,375	2.4.2002
27,967,113.72	1.69	16,548,588	27.1.2003
28,107,743.69	1.69	16,631,801	3.10.2003
28,338,639.94	1.69	16,768,426	31.5.2004
31,127,139.94	1.69	18,418,426	1.7.2004
49,803,422.89	1.69	29,469,481	27.12.2004
49,830,461.20	1.69	29,485,480	31.1.2005
50,599,757.65	1.69	29,940,685	9.3.2005
59,725,757.65	1.69	35,340,685	11.5.2005
60,589,957.74	1.69	35,852,046	1.12.2005

Increases in share capital based on options

In December 2004, a total of 15,999 Technopolis shares were subscribed with year 2001 options, and the resulting increase in share capital, EUR 27,038.31 was entered in the Trade Register on January 31, 2005. In February 2005, a total of 455,205 Technopolis shares were subscribed with year 2001 options, and the resulting increase in share capital, EUR 769,296.45 was entered in the Trade Register on March 9, 2005.

Annual General Meeting of March 22, 2005

The AGM held on March 22, 2005 decided to distribute a dividend of EUR 0.12 per share. The AGM authorized the Board to decide, within one year of the meeting granting the authorization, on the raising of share capital by a rights offering or convertible bonds issue in one or more installments. In the event of a rights offering or convertible bonds issue taking place, the authorization allows subscription of a maximum 5,897,096 new shares with a counter book value of EUR 1.69. Based on the authorization, the share capital can be increased by a maximum EUR 9,966,092.24.

Share issue and sale, May 9 - 10, 2005

The company's Board of Directors decided on April 21 to begin the marketing of a share offering, to start on April 26, 2005 and end on May 6, 2005, which would offer 5,400,000 new shares for subscription. At the same time, the City of Oulu offered for sale a maximum of 2,500,000 shares. In the share issue and sale, 6,700,000 shares were offered to international and domestic investors in an institutional issue and sale, while 1,200,000 shares were offered to Finnish retail investors in a retail issue and sale.

The whole share issue and sale was over-subscribed approximately 1.6 times and the institutional issue and sale approximately 1.8 times. The Board of Directors of Technopolis decided on a share allocation in which 5,099,600 shares were offered to international investors and 2,546,000 shares to Finnish investors. The subscription and sales price per share was set at EUR 3.69. A total of 5,400,000 new shares were subscribed in the share offering, resulting in a share capital increase of EUR 9,126,000 being entered in the Trade Register on May 11, 2005.

Extraordinary General Meeting of Nov 11, 2005

An Extraordinary General Meeting of November 11, 2005 authorized the Board to decide, within one year of the meeting granting the authorization, on the raising of share capital by a rights offering or convertible bonds issue in one or more installments. In the event of a rights offering or convertible bonds issue taking place, the Board was authorized to subscribe for a maximum 7,068,137 new shares with a counter book value of EUR 1.69. Based on the authorization, the share capital can be increased by a maximum EUR 11,945,151.53.

Share offering of Nov 30, 2005

In November, Technopolis acquired a majority of Technology Center Kareltek Inc's shares from Lappeenrannan Kaupunkiyhtiöt Oy, in accordance with a share purchase agreement entered into on November 15, 2005. The price was paid partly by a cash sum of EUR 6,225,000, and partly by offering 511,361 new Technopolis shares, with a counter book value of EUR 1.69, to Lappeenrannan Kaupunkiyhtiöt Oy. As a result of the share offering, the share capital of Technopolis was increased by EUR 864,200.09. The increase in share capital was entered in the Trade Register on December 1, 2005.

Share-based incentive systems

The company has two share-based incentive systems – the 2001 option program and the 2005 option program – intended as part of the incentive and commitment system for key personnel. The terms of these programs are presented in note 20 of the notes to the consolidated financial statements.

Largest shareholders, Dec 31, 2005

	Number of shares	% of shares and votes
City of Oulu	2,356,098	6.57
Erkki Etola	2,000,000	5.58
OP-Henkivakuutus Oy	908,680	2.53
Yleisradio Pension Trust	681,920	1.90
OP-Eläkekassa	657,491	1.83
Varma Mutual Pension Insurance Company	632,000	1.76
City of Vantaa	600,000	1.67
OP Bank Group Pension Foundation	562,600	1.57
Odin Forvaltnings AS	554,000	1.55
Finnish Cultural Foundation	548,227	1.53
Total of 10 largest shareholders	9,501,016	26.50
Foreign and nominee-registered	14,485,359	40.40
Others	11,865,671	33.10
Total	**35,852,046**	**100.00**

The following disclosures were received by Technopolis in 2005. In February, the holding of Etra Invest Oy, a company controlled by Erkki Etola, together with Erkki Etola's personal holding of the company's share capital and votes fell below 15 %, and Erkki Etola's personal holding fell below 10 %. In February, too, the holding of Henderson Global Investors Limited and companies controlled by it rose above 5 %. In May, the holding of the City of Oulu fell below 10 %, the holding of Stichting Pensioenfonds ABP rose above 5 %, and the holding of Etra Invest Oy, a company controlled by Erkki Etola, together with Erkki Etola's personal holding fell below 10 %. In October, the holding of Stichting Pensioenfonds ABP fell below 5 %.

To the company's knowledge, no other ownership changes of the type referred to in chapter 2, section 10 of the Securities Market Act have occurred.

Shareholding breakdown, Dec 31, 2005

Share amount	Shareholders	%	Shares/votes	%
1 - 500	1,210	31.58	339,184	0.95
501 - 1,000	881	23.00	698,495	1.95
1,001 - 5,000	1,408	36.75	3,271,587	9.13
5,001 - 10,000	183	4.78	1,329,365	3.71
10,001 - 50,000	108	2.82	2,248,421	6.27
50,001 - 100,000	14	0.37	1,051,083	2.93
100,001 - 500,000	12	0.31	2,558,074	7.13
500,001 -	15	0.39	24,333,037	67.87
Total	3,831	100.00	35,829,246	99.94
of which nominee-registered	6		13,872,860	
Joint account			22,800	0.06
Number of shares issued			**35,852,046**	**100.00**

Shareholdings by sector, Dec 31, 2005

	Shareholders	%	Shares/votes	%
Private companies	246	6.42	2,649,519	7.39
Finance & insurance institutions	28	0.73	16,283,880	45.42
Public bodies	25	0.66	5,202,441	14.51
Households	3,458	90.26	8,600,051	23.99
Non-profit institutions	60	1.57	2,480,456	6.92
Foreign investors	14	0.36	612,899	1.71
Total	3,831	100.00	35,829,246	99.94
of which nominee-registered	6		13,872,860	
Joint account			22,800	0.06
Number of shares issued			**35,852,046**	**100.00**

Share-related Indicators

Number of shares	
On Dec 31, 2005	35,852,046
Issue-adjusted average during year	33,358,468
Dilution-adjusted average during year	33,526,874
Share-related indicators	
Earnings/share, undiluted, EUR	0.38
Earnings/share, diluted, EUR	0.38
Equity/share, EUR	3.39
Dividend/share, EUR (proposal)	0.13
Dividend payout ratio, %	34.2
Price/earnings (P/E) ratio	13.2
Effective dividend yield, %	2.6
Share prices, EUR	
Highest price	5.23
Lowest price	3.17
Average price	4.10
Price on Dec 30	5.00
Market capitalization, Dec 30, EUR	179,260,230
Share turnover, EUR	87,475,499
Shares traded	21,690,055

Group's distributable profit, EUR 1,000	**2005**	**2004**
Distributable funds, Jan 1	32,257	35,644
Other increases/decreases		23
Dividends distributed	-3,540	-4,158
Net profit for the year	12,679	7,298
Non-distributable items	-7,592	-6,549
Distributable funds, Dec 31	33,804	32,257

Calculation of distributable funds is based on the IFRS balance sheet and Finnish legislation. Under Finnish legislation, the amount of distributable funds is limited by a sum that must be transferred from accumulated depreciation difference to equity. This amounted to EUR 7.6 million in 2005 (EUR 6.5 million in 2004).

20. SHARE-BASED PAYMENTS

2001 option program

The 2001 Annual General Meeting of Technopolis decided on the company's option program and the issuing of options to key personnel. The total number of options was 600,000. In 2002, the Technopolis Board of Directors decided to change the terms of the options, by increasing the number of shares that could be subscribed with one option to 1.25 shares instead of 1 share. Following the December 2004 bonus issue, the number of shares that could be subscribed with one option was increased from 1.25 shares to 2.6667 shares with a counter-book value of EUR 1.69. The share subscription price is EUR 1.69.

By the end of the financial year, 295,800 of the year 2001 options had been exercised to subscribe for shares, and the number of outstanding 2001 options was 304,200. As a result of subscriptions made on the basis of the 2001 options, the company's share capital may further increase by a maximum of 811,210 shares. The weighted average execution date price of shares bought by exercising options was EUR 3.90 (EUR 2.45 in 2004).

	2005		2004	
Changes during year	Weighted subscription price, EUR/share	Number of options	Weighted subscription price, EUR/share	Number of options
At beginning of year	1.69	458,000	2.22	590,000
New options granted	1.69	5,000		
Lost options			1.97	7,500
Exercised options	1.69	176,500	1.97	124,500
Outstanding at end of year	1.69	286,500	1.69	458,000
Exercisable at end of year		286,500		308,000

The Group applied IFRS 2, Share-based Payments, to those option arrangements of the 2001 option program, under which options were granted after November 7, 2002 and to which no right had arisen prior to January 1, 2005. The above-mentioned criteria were only met with respect to the 2001 option program's D options and only concerning those that had been granted after November 7, 2002.

The total number of D options is 150,000. Each of the D options entitles its holder to subscribe for 2.6667 Technopolis shares. A maximum of 400,005 shares can be subscribed with the D options. The current subscription price for the options is EUR 1.69 per share. The share subscription period for the D options began on October 31, 2005 and will end on April 30, 2007.

2005 option program

The Annual General Meeting of Technopolis decided during the financial year on a new option program and the issuing of options to key personnel. 1,208,000 options were issued, intended as part of the incentive and commitment system for key personnel.

At the issue stage, all of the 2005B and 2005C options, together with those 2005A options not granted to key personnel, were granted to Technopolis Hitech Ltd. Technopolis Hitech Ltd can, by decision of the Technopolis Board of Directors, grant options to present or future key personnel of the Technopolis Group.

The share subscription prices are as follows: for the 2005A options, the trade-weighted average price of the Technopolis share in the Helsinki Stock Exchange during April 1 - 30, 2005, plus 10 % (EUR 4.10); for the 2005B options, the trade-weighted average price of the Technopolis share in the Helsinki Stock Exchange during April 1 - 30, 2006, plus 10 %; and for the 2005C options, the trade-weighted average price of the Technopolis share in the Helsinki Stock Exchange during April 1 - 30, 2007, plus 10 %. The prices of shares to be subscribed with the options are lowered after the end of the subscription price determination period and before the share subscription by the amount of dividends distributed on each record date for dividend distribution. The share subscription periods for the options are as follows: for 2005A options, June 1, 2007 - April 30, 2010; for 2005B options, June 1, 2008 -April 30, 2010, and for 2005C options, June 1, 2009 - April 30, 2010.

Each option gives the right to subscribe for one (1) Technopolis share. The counter book value of a share is EUR 1.69. As a result of the share subscriptions, the share capital of Technopolis may increase by a maximum of EUR 2,041,520 and the number of shares by a maximum of 1,208,000 new shares. Subscribed and fully paid shares will be entered in the subscriber's book entry account.

If an option holder's employment relationship with the Technopolis Group ends for a reason other than the option holder's death or statutory retirement, the option holder has an obligation to offer to the company, or to another party as indicated by the company, without delay and without consideration, those options for which the share subscription period has not commenced on the employment termination date. However, the Board may decide in these cases that the option holder may retain all or some of the options that are subject to the obligation to offer.

	2005	
Changes during year	Weighted subscription price, EUR/share	Number of options
At beginning of year		
New options granted, 2005A	4.10	336,000
Outstanding at end of year	4.10	336,000
Exercisable at end of year		0

21. TRANSITION TO IFRS (INTERNATIONAL FINANCIAL REPORTING STANDARDS)

On October 20, 2005, Technopolis published a stock exchange release presenting the most significant changes that transition to IFRS would cause in the consolidated financial statements. This release also presented the IFRS comparison figures for 2004.

Investment properties

The Group has decided to adopt the fair value measurement of investment properties in compliance with the IFRS. The consolidated financial statements prepared under Finnish accounting standards applied the acquisition cost concept, in which buildings were reported at acquisition cost, less depreciation according to plan.

The fair value of the Group's investment properties in the opening IFRS balance sheet on January 1, 2004 was EUR 192 million, which exceeded the investment properties' carrying amount at that particular date (EUR 162 million) by EUR 30 million. The fair value of the Group's investment properties on December 31, 2004 was EUR 203 million, which exceeded the investment properties' carrying amount at that particular date (EUR 174 million) by EUR 29 million. The fair value of the investment properties was affected not only by changes in value but also by the value of Kiinteistö Oy Oulun Teknologiatalot's investment properties acquired during the financial year and the fair value of the property in the Helsinki metropolitan area, built by the company and completed during the financial year. The change in the fair value of investment properties entered in the income statement in the 2004 financial year is largely due to a tightening of accounting policies and a cautious approach in determining the fair values of investment properties.

In adopting the fair value concept, IFRS adjustments with a profit effect will be allocated to the income statement item "depreciation and write-down". As investment properties are measured at fair value, the consolidated financial statements will no longer report depreciation on them. In 2004, the consolidated financial statements prepared under Finnish accounting standards reported planned depreciation on buildings totaling EUR 4.2 million. However, following the application of IAS 40, changes in the fair value of investment properties will be reported through profit or loss in the income statement, which will most likely increase the variability of the Group's result compared with the accounting practice applied earlier. Changes in the fair value of investment properties will have no impact on the Group's cash flow.

In defining fair values, the company will apply the future cash flows method, with consideration given to the area-specific net return requirements set by third-party property assessors and the internally determined occupancy rate forecasts, property-specific market rents, maintenance costs, modernization costs and inflation expectations. In addition, the company will obtain a valuation statement from an independent third-party expert concerning the calculation methods and parameters applied.

Taxes

The consolidated balance sheet total will also be increased by changes during the year in deferred taxes, determined according to IAS 12, which will be recognized in the income statement. Deferred tax liabilities result mainly from investment properties, while deferred tax assets result mainly from confirmed losses.

Entry of negative consolidation difference as income

In the 2004 consolidated income statement prepared under Finnish accounting standards, the result was improved by a decrease in consolidation difference of EUR 2.0 million. EUR 1.8 million of this consolidation difference will be entered as income in accordance with IFRS 1 in the opening IFRS balance sheet for January 1, 2004, which will, for its part, reduce the operating profit for 2004 calculated in compliance with IFRS, compared with the consolidated operating profit for 2004 calculated in compliance with Finnish accounting standards.

Financial instruments

Technopolis uses interest rate swaps and issues commercial papers, the treatment of which under IFRS is different from their treatment under Finnish accounting standards. Under IFRS, interest rate swaps are recognized at fair value and commercial papers at amortized cost. Interest rate swaps do not fulfil the hedge accounting criteria defined in IAS 39, due to which positive and negative fair value changes are recognized through profit or loss. The adoption date for IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Presentation and Disclosure) was January 1, 2004. Technopolis Plc did not utilize the exemption permitted for companies adopting IFRS, according to which the comparison information concerning financial instruments need not be adjusted for 2004.

Principles of consolidation

The acquisition cost method has been applied in the elimination of mutual shareholdings amongst Group companies, while associates have been consolidated using the equity method. In the IFRS consolidated financial statements, property companies are consolidated through proportional consolidation, which differs from consolidation under Finnish accounting standards.

Other items

The difference between the first-time measurement at fair value and the carrying amount of the acquisition cost, less planned property depreciation, was entered through profit or loss in the opening IFRS balance sheet under "retained earnings". In addition, the revaluation entered in the revaluation reserve on the Medipolis plot in 1997 was cancelled, and other costs with long-term effects were allocated to those balance sheet items to which they belonged because of their nature. The capitalized interest rates from the construction period were cancelled.

Currency unit: EUR 1,000,000

COMPARISON FIGURES DEC 31, 2004, FAS VS. IFRS

	31.12.2004 FAS	IFRS adjustment	31.12.2004 IFRS
INCOME STATEMENT			
Net sales	28.8		28.8
Other operating income	6.0		6.0
Other operating expenses	-18.9		-18.9
Revaluation of investment properties		-5.0	-5.0
Depreciation according to plan	-4.8	4.2	-0.6
Decrease in consolidation difference	2.0	-1.8	0.2
Operating profit	13.1	-2.6	10.5
Financial income and expenses, total	-3.7		-3.7
Profit before appropriations and taxes	9.3	-2.6	6.8
Income taxes	-1.7	2.0	0.3
Net profit for the year	7.6	-0.5	7.1
Distribution of profit for the year			
To parent company's shareholders	7.6	-0.3	7.3
To minority shareholders	0.0	-0.2	-0.2
Earnings/share, undiluted, EUR	0.27		0.26
Earnings/share, diluted, EUR	0.27		0.26
BALANCE SHEET, ASSETS			
Non-current assets			
Intangible assets	0.6	-0.5	0.1
Tangible assets	183.0	-175.0	8.0
Investment properties		203.0	203.0
Investments	1.2		1.2
Deferred tax assets		2.5	2.5
Non-current assets, total	184.8	30.0	214.9
Current assets	4.9		4.9
ASSETS, TOTAL	189.8	30.0	219.7
BALANCE SHEET, SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital, cooperative capital etc.	49.8		49.8
Premium fund	0.9		0.9
Revaluation fund	0.4	-0.4	
Retained earnings	7.9	23.6	31.5
Net profit for the year	7.6	-0.3	7.3
Attributable to parent company's shareholders	66.6	22.9	89.5
Minority interests	4.5	-0.9	3.6
Shareholders' equity, total	71.2	21.9	93.1
Liabilities			
Long-term liabilities			
Interest-bearing liabilities	85.9		85.9
Interest-free liabilities	0.9		0.9
Deferred tax liabilities	2.8	7.7	10.5
Short-term liabilities			
Interest-bearing liabilities	22.7		22.6
Interest-free liabilities	6.2	0.3	6.6
Liabilities, total	118.6	8.0	126.6
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	189.8	30.0	219.7

Currency unit: EUR 1,000,000

Statement of changes in equity	**1.1.2004**	**Change**	**31.12.2004**
Shareholders' equity, FAS	61.2	10.0	71.2
IFRS adjustments:			
Income taxes, IAS 12	-7.6	2.1	-5.5
Tangible fixed assets, IAS 16	-0.4	0.0	-0.4
Borrowing costs, IAS 23	-0.2	-0.1	-0.3
Financial instruments, IAS 39	-0.4	0.1	-0.3
Investment properties, IAS 40	30.0	-0.6	29.4
Business combinations, IFRS 3	1.8	-1.8	
Minority interest	-0.8	-0.2	-0.9
Shareholders' equity, IFRS	83.6	9.5	93.1

KEY INDICATORS	**31.12.2004 FAS**	**31.12.2004 IFRS**
Earnings/share, undiluted, EUR	0.27	0.26
Earnings/share, diluted, EUR	0.27	0.26
Equity/share, EUR	2.26	3.04
Return on investment (ROI), %	7.6	5.5
Equity to assets ratio, %	37.7	42.6

No reconciliation between cash flow statements complying with FAS and IFRS respectively has been presented, due to the fact that there are no material differences between them.

Currency unit: EUR 1 000

PARENT COMPANY INCOME STATEMENT

	Note	2005	2004
Net sales	1	23 184	21 231
Other operating income	2	1 076	4 333
Personnel expenses	3	-2 746	-3 320
Depreciation and write-down	4	-3 437	-3 259
Other operating expenses		-7 293	-9 492
Operating profit		**10 785**	**9 494**
Financial income and expenses	5	-2 814	-3 379
Profit before extraordinary items and taxes		**7 971**	**6 114**
Extraordinary items	6		75
Profit before taxes		**7 971**	**6 189**
Increase or decrease in depreciation difference	7	-1 431	-1 000
Income taxes	8	-1 536	-1 627
Net profit for the year		**5 005**	**3 563**

Currency unit: EUR 1 000

PARENT COMPANY BALANCE SHEET

ASSETS	**Note**	**2005**	**2004**
Non-current assets			
Intangible assets	9	456	391
Tangible assets	10	150 849	135 702
Holdings in Group companies	11	36 961	18 884
Holdings in affiliated companies	11	661	651
Investments	11	2 182	1 938
Non-current assets, total		**191 109**	**157 567**
Current assets			
Short-term receivables	12	1 197	1 973
Cash and bank		692	762
Current assets, total		**1 890**	**2 735**
ASSETS, TOTAL		**192 999**	**160 302**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	13		
Share capital		60 590	49 803
Premium fund		13 093	872
Retained earnings		81	56
Net profit for the year		5 005	3 563
Shareholders' equity, total		**78 769**	**54 294**
Accumulated appropriations		11 575	10 144
Liabilities			
Long-term liabilities	14	83 761	70 992
Short-term liabilities	15	18 895	24 871
Liabilities, total		**102 656**	**95 863**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**192 999**	**160 302**

Currency unit: EUR 1 000

PARENT COMPANY CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES	2005	2004
Operating profit	10 785	9 494
Depreciation according to plan	3 437	3 259
Other adjustments to operating profit	-15	
Increase/decrease in working capital	1 073	1 331
Interests received	52	22
Interests paid and fees	-3 755	-3 414
Income from other investments in non-current assets	838	6
Taxes paid	-1 536	-1 627
Net cash provided by operating activities	**10 879**	**9 071**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in other securities	-16 045	-7 335
Investments in tangible and intangible assets	-18 599	-6 792
Net cash used in investing activities	**-34 643**	**-14 127**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in long-term loans	20 033	17 500
Decrease in long-term loans	-7 640	-7 688
Dividends paid	-3 538	-4 158
Paid share issue	20 739	6 539
Change in short-term loans	-5 900	-6 900
Net cash provided by financing activities	**23 694**	**5 293**
Net increase/decrease in cash assets	**-70**	**238**
Cash assets at January 1	762	524
Cash assets at December 31	**692**	**762**

ACCOUNTING POLICIES OF PARENT COMPANY FINANCIAL STATEMENTS

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

Net sales and other operating income
Net sales consist primarily of rental income, service income and consulting income from business. Income is recognized on an accrual basis.

The operating grants received for certain development projects are recognized in other operating income. Correspondingly, the expenses relating to the development projects are recognized in other operating expenses and personnel expenses.

Measurement of fixed assets
Intangible and tangible assets are measured at the original acquisition cost, and are depreciated during their estimated useful lives according to depreciation plans. Depreciation is included under "depreciation according to plan" 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 or similar)	2.0 - 2.5 % straight-line depreciation
Buildings and structures (wooden or 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 incur additional economic benefit to the company, they can be reliably defined and can be allocated to an asset. Otherwise, they will be entered as an expense in the income statement. Existing and unfinished buildings also include interest expenses capitalized during the 2004 and 2005 financial years.

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.

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.

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.

Currency unit: EUR 1 000

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

	2005	2004
1. NET SALES		
Rent income	19 700	18 820
Service income	3 484	2 411
Net sales, total	**23 184**	**21 231**
2. OTHER OPERATING INCOME		
Development projects	1 025	4 327
Other operating income	51	6
Other operating income, total	**1 076**	**4 333**
3. PERSONNEL EXPENSES		
Salaries and fees	2 105	2 677
Pensions	405	423
Indirect employee costs	235	219
Personnel expenses, total	**2 746**	**3 320**
Average number of employees	49	61
Salaries of CEO and Board members		
President and CEO	202	205
Members of the Board	58	70
Salaries of CEO and Board members, total	**260**	**275**
4. DEPRECIATION ACCORDING TO PLAN AND WRITE-DOWN		
Depreciation of intangible assets	116	139
Depreciation of tangible assets	3 321	3 120
Depreciation according to plan and write-down, total	**3 437**	**3 259**
5. FINANCIAL INCOME AND EXPENSES		
Dividend income from Group companies	833	
Dividend income from others	3	6
Other interest income from Group companies	2	-56
Other interest income from others	52	22
Interest and other financial expenses to others	-3 704	-3 352
Financial income and expenses, total	**-2 814**	**-3 379**
6. EXTRAORDINARY ITEMS		
Group contribution		75
7. APPROPRIATIONS		
Depreciation difference	1 431	1 000
8. INCOME TAXES		
Income tax from extraordinary items		22
Income tax from actual operations	1 536	1 605
Income taxes, total	**1 536**	**1 627**
9. INTANGIBLE ASSETS		
Intangible rights		
Acquisition cost, Jan 1	170	111
Increases	181	60
Acquisition cost, Dec 31	351	170
Accumulated depreciation, Jan 1	-92	-69
Depreciation for the year	-59	-23
Intangible rights, Dec 31	**200**	**78**

Currency unit: EUR 1 000

	2005	2004
Other long-term expenditure		
Acquisition cost, Jan 1	1 046	948
Increases/decreases		98
Acquisition cost, Dec 31	1 046	1 046
Accumulated depreciation, Jan 1	-733	-617
Depreciation for the year	-57	-116
Other long-term expenditure, Dec 31	**257**	**313**

10. TANGIBLE ASSETS	**2005**	**2004**
Land areas		
Acquisition cost, Jan 1	7 795	7 786
Increases	7 409	9
Land areas, Dec 31	**15 205**	**7 795**
Connection fees		
Acquisition cost, Jan 1	1 701	1 721
Increases	19	
Decreases		-19
Connection fees, Dec 31	**1 720**	**1 701**
Land areas, total, Dec 31	**16 925**	**9 496**
Buildings and structures		
Acquisition cost, Jan 1	137 163	129 810
Increases	15 396	7 353
Acquisition cost, total, Dec 31	152 559	137 163
Accumulated depreciation, Jan 1	-17 257	-14 349
Depreciation for the year	-3 081	-2 908
Buildings and structures, Dec 31	**132 221**	**119 906**
Construction-period interest, Jan 1	319	25
Increases	94	294
Construction-period interest, Dec 31	413	319
Accumulated depreciation, Jan 1	-6	
Depreciation for the year	-8	-6
Construction-period interest, Dec 31	**399**	**313**

Depreciation of capitalized interest is included in depreciation according to plan in the income statement.

Buildings and structures, total, Dec 31	**132 620**	**120 219**
Machinery and equipment		
Original acquisition cost	1 670	1 561
Accumulated depreciation	-1 051	-845
Net expenditures, Jan 1	618	715
Increases	355	118
Decreases	-44	-9
Depreciation for the year	-232	-206
Machinery and equipment, Dec 31	**697**	**618**
Other tangible assets		
Acquisition cost, Jan 1	18	18
Increases/decreases		
Other tangible assets, Dec 31	**18**	**18**
Advance payments and projects in progress		
Projects in progress, Jan 1	5 351	6 402
Capitalized interest expenses	53	65
Increases/decreases	-4 815	-1 116
Projects in progress, Dec 31	**590**	**5 351**

Currency unit: EUR 1 000

11. INVESTMENTS	2005	2004
Holdings in Group companies		
Acquisition cost, Jan 1	18 884	11 091
Increases/decreases	18 077	7 793
Holdings in Group companies, Dec 31	**36 961**	**18 884**
Holdings in affiliated companies		
Acquisition cost, Jan 1	651	646
Increases/decreases	10	5
Holdings in affiliated companies, Dec 31	**661**	**651**
Other shareholdings		
Acquisition cost, Jan 1	149	149
Increases/decreases		
Other shareholdings, Dec 31	**149**	**149**
Receivables from Group companies		
Loans, Jan 1	1 789	2 405
Increases	550	
Decreases	-307	-615
Receivables from Group companies, Dec 31	**2 033**	**1 789**

Holdings in Group companies	End of financial year	Holding, %	Nominal value	Book value
Technopolis Kareltek Oy, 3 333 962 shares, Lappeenranta	31.12.2005	99,78	8 408	11 005
Innopoli Oy, 1 414 280 shares, Espoo	31.12.2005	100	14 143	6 068
Medipolis Oy, 26 350 shares, Oulu	31.12.2005	55,71	4 432	4 432
Technopolis Hitech Oy, 500 shares, Oulu	31.12.2005	100	50	63
Oulun Teknoparkki Oy, 100 shares, Oulu	31.12.2005	69	17	23
Oulun Ydinkeskustan Parkki Oy, 122 shares, Oulu	31.12.2005	62,24	12	12
Kiinteistö Oy Oulun Ydinkeskusta, 12 252 shares, Oulu	31.12.2005	98,77	3 063	6 909
Kiinteistö Oy Oulun Teknologiatalot, 16 200 shares, Oulu	31.12.2005	100	3	7 945
Kiinteistö Oy Oulun Moderava, 22 270 shares, Oulu	31.12.2005	100	8	496
Kiinteistö Oy Oulun Mediaani, 2 810 shares, Oulu	31.12.2005	100	8	8
Total				**36 961**
Holdings in affiliated companies				
Oulutech Oy, 30 shares, Oulu	31.12.2005	30	5	34
Iin Micropolis Oy, 500 shares, Ii	31.12.2005	25,64	84	24
Technocenter Kempele Oy, 501 shares, Kempele	31.12.2005	48,5	125	588
Oulu Innovation Oy, 2 400 shares, Oulu	31.12.2005	24	5	5
Lappeenranta Innovation Oy, 1 000 shares, Lappeenranta	31.12.2006	20	10	10
Total				**661**
Other shareholdings				
Incap Oyj, 20 000 shares	31.12.2005	0,16	34	36
Oulun Puhelin Oyj, 22 500 shares	31.12.2005	0,06	11	51
Kiinteistö Oy Teknocent, 250 shares	31.12.2005	6,2	42	42
Tekno-Tennis Oy, 68 shares	31.10.2005	64,76	3	16
Nallikari-Tennis Oy, 20 shares	29.2.2005	0,9	3	3
Total				**149**

12. SHORT-TERM RECEIVABLES	2005	2004
Sales receivables from Group companies	108	35
Adjusting entries for assets from Group companies		113
Sales receivables from affiliated companies	1	2
Sales receivables	388	670
Adjusting entries for assets	698	1 147
Loans		5
Other receivables	2	2
Short-term receivables, total	**1 197**	**1 973**

Currency unit: EUR 1 000

	2005	2004
13. CHANGES IN SHAREHOLDERS' EQUITY		
Share capital, Jan 1	49 803	28 108
Share issues	10 787	3 019
Bonus issues		18 676
Share capital, Dec 31	**60 590**	**49 803**
Share issues, Jan 1		
Increases	23 008	6 539
Transfer to share capital	-10 787	-3 019
Transfer to premium fund	-12 222	-3 520
Share issues, Dec 31		
Premium fund, Jan 1	872	16 028
Issue premium	12 222	3 520
Bonus issues		-18 676
Premium fund, Dec 31	**13 093**	**872**
Retained earnings, Jan 1	3 619	4 214
Dividends distributed	-3 538	-4 158
Net profit for the year	5 005	3 563
Retained earnings, Dec 31	**5 086**	**3 619**
Shareholders' equity, Dec 31	**78 769**	**54 294**
Distributable funds		
Retained earnings	81	56
Net profit for the year	5 005	3 563
Distributable funds, Dec 31	**5 086**	**3 619**
14. LONG-TERM LIABILITIES		
Loans from financial institutions	82 825	70 056
Other liabilities	936	936
Long-term liabilities, total	**83 761**	**70 992**
15. SHORT-TERM LIABILITIES		
Loans from financial institutions	7 264	7 640
Advances received	722	523
Accounts payable	991	828
Liabilities to Group companies	102	82
Other short-term liabilities	7 613	13 589
Adjusting entries for liabilities	2 202	2 210
Short-term liabilities, total	**18 895**	**24 871**
16. ASSETS PLEDGED AND CONTINGENT LIABILITIES		
Mortgages		
Loans from financial institutions	90 056	77 696
Mortgages	95 645	100 472
Rent liabilities		
Mortgages	468	468
Mortgages, total	**96 113**	**100 940**
Pledged rent income		
Loans from financial institutions		1 563
Pledged rent income		775

Currency unit: EUR 1 000

		2005		2004
Interest rate swaps	Nominal value	Fair values	Nominal value	Fair value
Interest rate swaps in 2001 (fixed interest 5 years)	4 000	-69	4 000	-151
Interest rate swaps in 2002 (fixed interest 3 years)			4 000	-43
Interest rate swaps in 2002 (fixed interest 5 years)	4 000	-161	4 000	-238
Interest rate swaps in 2003 (fixed interest 3 years)	1 172	-3	1 289	-7
Interest rate swaps, total	**9 172**	**-233**	**13 289**	**-438**

	2005	2004
Pledged shares of subsidiaries		
Loans from financial institutions	7 500	7 500
Pledged shares of subsidiaries	7 945	7 945
Other liabilities		
Liability for return of VAT, which is realized if properties are sold or their intended use is changed in the situations referred to in section 33 of the VAT Act.	11 686	17 107
Project liabilities	2 037	6 729
Collateral given on behalf of Group companies		
Guarantees	100	100
Collateral given on behalf of affiliated companies		
Guarantees	505	505
Leasing liabilities		
To be paid in the current financial year	3	4
To be paid later	2	5
Leasing liabilities, total	**5**	**9**

DEFINITIONS OF KEY INDICATORS AND FINANCIAL RATIOS

Return on equity (ROE), %

$$100 \times \frac{\text{Profit or loss before taxes - Taxes}}{\text{Equity + Minority interests}}$$

Return on investment (ROI), %

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

Equity to assets ratio, %

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

Net debt/equity, %

$$100 \times \frac{\text{Interest-bearing debt - cash and bank and financial securities}}{\text{Equity + Minority interests}}$$

Interest margin, %

$$100 \times \frac{\text{Profit before taxes + Financial expenses}}{\text{Financial expenses}}$$

Earnings/share, undiluted

$$\frac{\text{Profit before taxes - Taxes +/- Minority interests}}{\text{Average issue-adjusted number of shares during year}}$$

Earnings/share, diluted

$$\frac{\text{Profit before taxes - Taxes +/- Minority interests}}{\text{Average number of shares adjusted for dilutive effect during year}}$$

Equity/share

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

Dividend/share

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

Dividend payout ratio, %

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

Price/earnings (P/E) ratio

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

Effective dividend yield, %

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

Net rent income ratio, %

$$100 \times \frac{\text{Rent income (from Group-owned properties) - Direct expenses (from Group-owned properties)}}{\text{Average book value of real estate portfolio during year}}$$

Floor area occupancy rate, %

$$100 \times \frac{\text{Total rented floor area (floor square meters)}}{\text{Total rentable floor area (floor square meters)}}$$

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The Group's distributable funds amount to EUR 33,804,002. The parent company's distributable funds amount to EUR 5,085,779. The Board of Directors proposes that dividends of EUR 0.13 per share be distributed, totaling EUR 4,664,163. The Board proposes that the remainder be left in retained earnings.

Oulu, March 3, 2006

Pertti Voutilainen
Chairman of the Board

Matti Pennanen
Vice Chairman of the Board

Juhani Paajanen
Member of the Board

Timo Parmasuo
Member of the Board

Erkki Veikkolainen
Member of the Board

Pertti Huuskonen
President and CEO

AUDITORS´ REPORT

To the shareholders of Technopolis Plc
We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Technopolis Plc for the period 1.1. - 31.12.2005. The Board of Directors and the President and CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements
In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration
In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Oulu, March 3, 2006

ERNST & YOUNG OY
Authorized Public Accounting Firm

Rauno Sipilä
Authorized Public Accountant

CORPORATE MANAGEMENT AND GOVERNANCE, DEC 31, 2005

BOARD OF DIRECTORS

Mr. Pertti Voutilainen, M.Sc. (Eng.), M.Sc. (Econ.), born 1940, has served as Chairman of the Board since March 2005. Before that, he was Vice Chairman from 2003. He was previously Deputy CEO of MeritaNordbanken and CEO of Kansallis Bank and Outokumpu Oy. He is currently Chairman of Riddarhyttan Resources AB and a Board member of Agnico-Eagle Mines Limited and H.I.M. Erikoiskaluste Oy. On Dec 31, 2005, he held 3,200 Technopolis Plc shares.

Mr. Matti Pennanen, M.Sc. (Eng.), born 1951, has served as Vice Chairman since March 2005. He has been Deputy Mayor of Oulu since 2001, and earlier served Palmberg-Rakennus Ltd and YIT Corporation Ltd in various tasks in Finland and abroad. He is currently Chairman of Oulun Palvelusäätiö, a Board member of the Finnish Port Association and a Supervisory Board member of the VVO Group.

Mr. Juhani Paajanen, M.Sc. (Eng.), born 1947, has been a Board member since 2004. He is the Mayor of Vantaa. Before that, he was Executive Director and Asst. Executive Director of the Metropolitan Helsinki Cooperation Council YTV and Vantaa City Engineer. He is a Supervisory Board member at Ekokem Oy Ab and an Executive Board expert member at YTV.

Mr. Timo Parmasuo, Engineer, born 1950, has been a Board member since 2003. He is Chairman of Meconet Oy and Meconet Baltic AS. He is a Board member of Finpro ry and Space Economy Furniture Oy and a deputy Board member of the Ilmarinen Mutual Pension Insurance Company.

Mr. Erkki Veikkolainen, M.Sc. (Eng.), eMBA, born 1952, has been a Board member since March 2005. He is CEO of MEVita Invest Oy and previously served as a business unit director of Elektrobit Group Plc., CEO of Elektrobit Oy and in various tasks at Nokia Mobile Phones, the last being business unit director. He is a Board member of Aplicom Oy, Mecanova Oy, Mecapinta Oy and Newtest Oy and Chairman of Kodinkone Markus Oy. On Dec. 31, 2005, he held 15,000 Technopolis shares.

In 2005, the Board met 15 times. The average attendance was 94 %. The fees paid for participation in Board meetings in 2005 totaled EUR 58,150.

The Board decides on the company's strategy and major organizational solutions, appoints the President and CEO and Executive Board members, decides on their salaries and other benefits, decides succession plans for key personnel, major investments and sales of assets, proposes profit distribution to the Annual General Meeting and monitors the company's financial and risk positions. The Board annually assesses its own work and success. All Board members are independent of the company.

PRESIDENT AND CEO

Mr. Pertti Huuskonen, M.Sc. (Tech), eMBA (Marketing), born 1956, has been President and CEO of the parent company, Technopolis Plc, since 1985. He is Chairman of the Group's Executive Board. Previously he was CEO of Vakote Oy, a machine automation company that he founded.

In 2005, the President and CEO was paid EUR 175,575 in basic salary including fringe benefits and EUR 26,435 in annual bonuses and other benefits. His individual pension insurance payments in 2005 were EUR 6,048. On Dec 31, 2005, he held 64,400 Technopolis shares, 133,000 options from the 2001 options program and 120,000 A options from the 2005 options program. His term of notice is six months. His severance compensation is 18 months' salary.

EXECUTIVE BOARD

Mr. Pertti Huuskonen, President and CEO, Chairman of the Executive Board.

Ms. Satu Barsk, M.Sc. (Econ. & Bus. Adm.), eMBA, born 1961, serves as Director of Service Operations, Oulu unit, and is responsible for business and employee services development in the Group. She has served the Technopolis Group since 1997. She was previously Sales Director of Finland Post Ltd, responsible for corporate services in Northern Finland.

Ms. Marjut Hannelin, Dip. Bus. & Admin., born 1947, serves as CEO of Technology Centre Kareltek. Kareltek has been part of the Technopolis Group since November 2005. Marjut Hannelin has served Kareltek since 1988. She was previously Chief Accountant at Lappeenrannan Autokeskus Oy.

Ms. Mervi Käki, MJD, born 1957, serves as Director of Operations in the Helsinki metropolitan area. She has served the Technopolis Group since 2001. She was previously Managing Director of Helsinki Fair Ltd Wanha Satama.

Dr. Martti Launonen, born 1953, serves as Director of the Consulting Unit. He has served the Technopolis Group since 1999. He was previously Director, POHTO Institute for Management and Technological Training (business management and organizational development).

Mr. Marko Lind, Civil Engineer, born 1968, serves as Director of Facility Management. He has served the Technopolis Group since 1998. He was previously a quality engineer for Pohjois-Suomen YH-Rakennuttajat.

Mr. Kari Mikkonen, Engineer, born 1961, serves as Director, Russia and Baltic Business Operations. He has served the Technopolis Group since August 2005. He was previously engaged in managerial duties in sales and marketing at Nordic Aluminium Oyj and Oy KWH Pipe Ab.

Members of the Technopolis Plc Board of Directors on Dec 31, 2005.
From right: Pertti Voutilainen, Timo Parmasuo, Erkki Veikkolainen, Matti Pennanen and Juhani Paajanen.

Mr. Seppo Selmgren, Dip.EMC, born 1965, serves as Marketing Director, Oulu unit. He has served the Technopolis Group since 1997. He was previously Marketing Manager, Eden Spa Hotel.

Mr. Keith Silverang, BA, MBA, born 1961, serves as CEO of Technopolis Ventures Ltd. He has served the Technopolis Group since 2004. He was previously Vice President and Director of the Training Division of AAC Global and CEO of his own consulting company.

Mr. Reijo Tauriainen, M.A., born 1956, is Financial Director of the Group and Director of the Oulu unit. He has served the Technopolis Group since 2004. He was previously Financial Director of Flextronics ODM Finland Oy.

On Dec 31, 2005, the Executive Board members totally held 68,600 Technopolis Plc shares and 279,000 options from the 2001 options program.

336,000 A options issued as a result of the Annual General Meeting on March 22, 2005 were distributed to key personnel of Technopolis Plc in June 2005.

MANAGEMENT SHAREHOLDINGS

Members of the Board of Directors, the President and CEO and members of the Executive Board and controlled companies held 86,800 Technopolis shares on Dec 31, 2005, i.e. 0.24 % of total shares.

PERSONNEL INCENTIVE SYSTEMS

Bonuses based on the company's result and personal performance may be paid to the management and personnel. If shares or instruments entitling share subscription are used as an incentive, decisions on their use or terms and conditions will be made by a General Meeting. Decisions on other bonuses for the President and CEO and Executive Board (e.g. based on annual performance) will be made by the Board of Directors.

AUDITOR

The company's auditor is Ernst & Young Oy, Authorized Public Accountants, with Rauno Sipilä APA, as the responsible auditor. He has served as the Technopolis Group's auditor since 2001.

In 2005, the auditor was paid EUR 66,320 in auditing fees and EUR 55,249 in fees for non-auditing services.

According to the Articles of Association, Technopolis Plc has one auditor elected by an Annual General Meeting. Both the auditor and his deputy, if any, must be public accountants or accounting firms authorized by the Central Chamber of Commerce of Finland. The terms of the auditor and deputy auditor expire at the close of the AGM that first follows their election. The Board of Directors meets the auditor once a year to discuss the auditing plan and results.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors and the President and CEO are responsible for arranging the Group's internal control and reporting systems. The Board evaluates the efficiency of the company's internal control and risk management at regular intervals.

Business risks are spread due to the company's customers operating in many high tech fields. Technopolis aims for no single customer to account for over one-fifth of net sales. To minimize customer-specific risks, Technopolis aims for its major lease agreements to end in different years. In addition, its operations are protected against business fluctuations by its fixed-term and long-term lease portfolio.

CORPORATE GOVERNANCE IN TECHNOPOLIS PLC

Technopolis complies with the Corporate Governance Recommendation for Listed Companies issued by HEX Plc, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers.

According to the Companies Act and the Articles of Association of Technopolis Plc, the company's management is supervised by General Meetings of Shareholders, the company's Board of Directors and the President and CEO.

These guidelines are aimed at ensuring that good corporate governance practices are employed at all levels of the company. It is thus important to ensure that all members of the Board, corporate management and personnel are aware of their contents.

The Board of Directors will update these guidelines as necessary to meet any changed circumstances. These may include changes in official regulations, significant changes in the company's operations, or other changes.

1. BOARD OF DIRECTORS

The Board of Directors is responsible for supervising the management and proper organization of the company's operations. According to the Articles of Association, the Board comprises at least four and at most seven members. The Board must always promote the company's interests and comply with legislation, official regulations and the norms of society.

1.1. Electing Board Members

The Annual General Meeting elects the Board members. According to the Articles of Association, the term of Board members expires at the end of the AGM that first follows their election.

A working group comprising the Chairman and Vice Chairman prepare a proposal concerning the election of the Board after consulting the largest shareholders. It must be ready in good time for the proposed composition of the Board to be attached to the Notice of AGM. Personal information and information concerning the business interests of the proposed members must be presented.

An account of the Board election procedures as well as the background information of the Board members must be included in the Annual Report.

1.2. Composition of the Board

Board members will be elected in accordance with the required qualifications stated in the Companies Act. The composition of the Board must fulfill the requirements set by the business sector and market situation. Board members must be professionals, independent of the company. The President and CEO cannot be a Board member.

1.3. Chairman and Vice Chairman

Under the Articles of Association, the Annual General Meeting elects the Chairman and Vice Chairman of the Board.

1.4. Compensation of Board Members

The Annual General Meeting will decide on the fees to be paid to Board Members when electing them.

To maintain the independence of the Board members, the company may order paid consulting or other such services from them only in exceptional circumstances, with the Board's special permission.

The fees paid to Board members must be published in the company's Annual Report.

1.5. Operations of the Board

The Board makes its decisions subject to the Companies Act and the Articles of Association, and has a quorum when over half of the members are present. Under special circumstances, a Board meeting may be arranged as a telephone conference. The Board plans an annual schedule for its meetings.

The Board's duties have been determined in the Companies Act and in the Articles of Association. All matters with far-reaching consequences for the company's operations must be considered by the Board. The Board's duties include:

- Determining corporate strategy
- Decisions on major organizational changes
- Appointing the President and CEO and Executive Board members, and decisions concerning their salaries and other benefits, and decisions concerning continuity plans for key personnel
- Decisions on major capital expenditure and divestments of assets
- Making a proposal to the AGM on the distribution of profits
- Monitoring the company's financial situation and risk position

The Board will conduct an annual evaluation of its work and performance.

The Board's decisions are recorded in minutes signed by the Chairman, the Secretary and one member chosen each time.

The company has taken liability insurance to cover the operations of the Board of Directors.

1.6. Board Committees and Groups

To prepare matters properly, the Board may appoint special committees and groups consisting of Board members. The Board will provide the committees and groups with appropriate instructions and information on their duties, and they will report back to the Board. Even if the preparation of a specific matter is delegated to a committee or group, the Board makes all decisions collectively.

1.7. Disqualification of Board Members

The provisions of the Companies Act concerning the disqualification of Board members apply to the Board's decision-making process. Board members must always act in accordance with the interests of the company and its shareholders.

2. PRESIDENT AND CEO

According to the Articles of Association, the company has a President and CEO.

2.1. Appointing and discharging the President and CEO

The Board appoints the President and CEO and, if necessary, discharges him/her of his/her duties.

The company and the President and CEO will sign a written service contract.

2.2. Duties of the President and CEO

The President and CEO manages the day-to-day affairs of the company in accordance with the Companies Act, the Articles of Association, other rules and regulations, and the Board's instructions.

The Board of Directors sets annual operational and financial goals for the President and CEO. In these discussions, the Chairman represents the Board.

The President and CEO will report to the Board on all matters significant to the company and its operations.

The President and CEO must obtain the Board's approval before accepting any key positions of trust or secondary positions.

The company has taken liability insurance to cover the operations of the President and CEO.

3. EXECUTIVE BOARD

The company has an Executive Board to assist the President and CEO. The Board of Directors appoints the members of the Executive Board based on a proposal from the President and CEO.

The President and CEO is responsible for the decisions made by the Executive Board.

4. COMPANY REPRESENTATION

According to the company's Articles of Association, the company's business name may be signed by the Chairman of the Board and the President and CEO, each alone, or by two Board members together.

The Board may also authorize proxies.

5. DIVIDEND POLICY

The AGM will decide on dividends based on the Board of Directors' proposal concerning the distribution of profits. According to the resolution in force, the aim of the Board of Directors is to follow a stable and active dividend policy. The target is to distribute 40 - 50 % of the annual profit, while taking into account the company's capital targets and other factors.

6. MANAGEMENT BONUSES AND INCENTIVE SCHEMES

The Board of Directors will decide on the general principles concerning the bonuses and incentive systems for the company's management.

6.1. Executive Salaries and other Benefits

The Board of Directors will decide on the President and CEO's and Executive Board members' salaries.

6.2. Incentive Schemes

Corporate management and personnel may be paid bonuses based on corporate and personal performance. The AGM will decide if the company's shares or instruments entitling to subscribe for the company's shares can be used as incentives. The AGM will also determine the terms and conditions of such incentives. The Board will make decisions on additional bonuses to the President and CEO and Executive Board members (e.g. corporate performance-based bonuses during the financial year). The President and CEO will decide on other bonuses for the personnel.

The incentive schemes must support company strategy and their terms and conditions must be competitive.

6.3. Reporting Salaries and Bonuses

All valid share-based incentive schemes must be stated in the company's Annual Report.

The Annual Report must also report the salaries and bonuses paid to the President and CEO within the last financial year, specifying the proportions of the total sum formed by the basic salary and other bonuses.

The Annual Report must also state all other significant terms and conditions of the President and CEO's service contract with the company, such as retirement age and criteria used for determining pension, terms and conditions of terminating employment, and any share options granted.

7. CONTROL AND REPORTING SYSTEMS

7.1. Auditors

According to the Articles of Association, Technopolis Plc has one auditor elected by an AGM. Both the auditor and his deputy, if any, must be public accountants or accounting firms authorized by the Central Chamber of Commerce of Finland.

The terms of the auditor and deputy auditor expire at the close of the AGM that first follows their election.

The Board of Directors meets the auditors once a year to discuss the auditing plan and results..

7.2. Internal control

According to the Companies Act, the Board of Directors and the President and CEO are responsible for arranging internal control and reporting systems for the company.

The Board of Directors must, at regular intervals, evaluate the efficiency of the company's internal control.

8. SUBSIDIARIES

The Board of Directors decides how to elect company representatives to attend general meetings and to sit on the boards of the company's subsidiaries. The Board also authorizes the representatives to make decisions regarding the subsidiaries if necessary.

The fees received by the company's employees for their memberships in boards of subsidiaries are taken into account when determining their total remuneration.

9. INTERNAL GUIDELINES

The company has a number of rules for its personnel to follow in their day-to-day operations. The company abides by and applies the valid insider guidelines.

Most of these policies are related to daily activities, such as traveling, procurement of goods and services, administration of leases, maintenance of the insider register, etc.

The company's operations involve a significant degree of cooperation with other companies, public sector bodies and other parties. This requires high standards in terms of the ethics applied to such cooperation. The guidelines related to such situations are included in the company's Code of Conduct.

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