



**TECHNOPOLIS**

ANNUAL REPORT  
2006



# INFORMATION FOR SHAREHOLDERS

## ANNUAL GENERAL MEETING

The Annual General Meeting of Technopolis Plc will be held on Thursday, March 29, 2007, starting at 12.00 noon at the Medipolis Center auditorium, street address Kiviharjuntie 11, 90220 Oulu, Finland. Shareholders registered in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd by March 19, 2007 will have the right to participate.

Shareholders wishing to attend the AGM must inform the company headquarters of their intention to do so by 4.00 p.m. on March 22, 2007, by telephone to +358 8 551 3242 or by email to teija.koskela@technopolis.fi, or by letter to Teija Koskela, Technopolis Plc, Elektroniiikkatie 8, FI-90570 Oulu, Finland. Notices sent by letter 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, Board of Directors' Report, Auditor's Report and the proposals of the Board of Directors are available for shareholders to view in the Finnish language only from March 22, 2007 at the company headquarters at

Elektroniikkatie 8, 90570 Oulu, and on the company's website at [www.technopolis.fi/yhtiokokous](http://www.technopolis.fi/yhtiokokous). After the above date, the company will send copies of the said documents to shareholders upon request. The documents will also be available at the AGM.

## PAYMENT OF DIVIDENDS

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.14 per share be paid for the financial year that ended on December 31, 2006, and that the remainder of the net profit for the year be transferred to retained earnings. 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, April 3, 2007. The Board proposes that the dividend be paid on April 12, 2007.

## INTERIM REPORTS IN 2007

Technopolis Plc will publish three Interim Reports in 2007 as follows: January-March on April 19, 2007, January-June on July 20, 2007, and January-September on October 18, 2007.

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# SUMMARY

Technopolis Plc had an outstanding year financially and also expanded its operations substantially. As evidence of its financial success, the company's net sales, EBITDA and net profit were higher than at any time in the company's 25-year history. The most significant operational developments were the acquisitions of technology centers in Jyväskylä and Tampere, Finland, and land for technology park operations in St. Petersburg, Russia.

The technology centers added to the Technopolis network during 2006 will increase the company's geographical coverage and diversify its customer base. Technopolis already has a Finland-wide network of technology centers covering a significant portion of the nation's high technology cluster – in Espoo, Jyväskylä, Lappeenranta, Oulu, Tampere and Vantaa.

In addition to new acquisitions, Technopolis expanded its existing operations in Oulu and Vantaa.

Technopolis proceeded in St. Petersburg by acquiring land near the Pulkovo Airport for the construction of an estimated maximum 50,000-square-meter technology park. Technopolis began operations in St. Petersburg by leasing

temporary facilities in which its first customers have already been located.

The Technopolis Group's net sales increased to EUR 44.8 million in 2006, up by 41.3 %. The Group's EBITDA totaled EUR 22.7 million, up by 29.8 % on the previous year. Earnings per share rose to EUR 0.63, compared with EUR 0.38 one year earlier.

The company's Board of Directors proposes that a dividend of EUR 0.14 per share be paid from the 2006 result. According to this proposal, the total dividends will be EUR 5.7 million, or 21.7 % more than one year earlier.

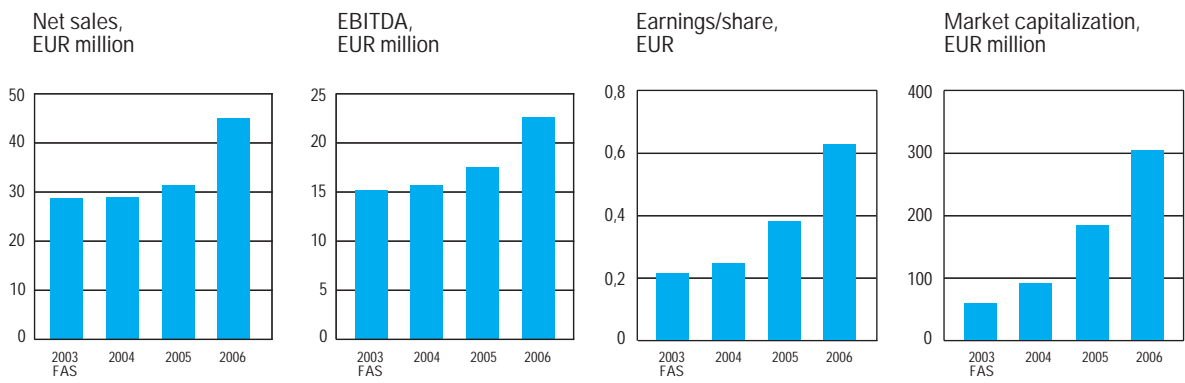
During its 7.5 years as a listed company, Technopolis's market capitalization rose from some EUR 26 million to about EUR 307 million at the end of 2006. Technopolis shares are quoted in the Nordic Exchange on the mid cap list.

In terms of the number of corporate clients, Technopolis is one of Europe's largest technology centers. There are 12,000 people and 930 companies or entities working in its premises. The Group's facilities had a total rentable area of 348,415 floor square meters at the end of 2006.

The outstanding success achieved by Technopolis shows that the service concept it has developed for technology companies provides the right kind of support for them to grow and prosper. The concept combines versatile business and development services with modern facilities.

Technopolis is still seeking growth, because its strategy is to operate in the best high tech cities in Finland, Russia and one or two other countries by 2010. It aims to expand through organic growth and acquisitions. Technopolis is currently preparing to build a new technology center in Ruoholahti, Helsinki, and has announced that it will develop the Hermia 12 property in Tampere.

The growth of Technopolis into a Finland-wide player has turned Technopolis Ventures – the business development and incubator company that belongs to its overall concept – into the leading expert in its field in Finland. Technopolis Ventures operates mainly in the same locations as the parent company. Last year over 200 companies participated in its development programs.



# TO OUR SHAREHOLDERS

By many indicators, 2006 was the best year in Technopolis Plc's history. The Group's net sales, EBITDA and net profit were all at record levels. Technopolis also made significant expansions to Jyväskylä and Tampere in Finland, and to St. Petersburg in Russia.

The Technopolis share is quoted in the Nordic Exchange in the mid cap group. The share's performance has followed the good business development, rising from EUR 5.00/share in January to EUR 7.70/share at the end of December.

Technopolis now forms a nationwide network of technology centers, covering Espoo, Jyväskylä, Lappeenranta, Oulu, Tampere and Vantaa. The network also extends beyond the Finnish borders to St. Petersburg. The excellent growth of Technopolis and the high occupancy rate of our operating environments clearly show that the Technopolis customer service concept is a success factor for high tech companies and entities.

## CUSTOMERS

Technopolis has 930 excellent customers, comprising companies and entities operating in diverse technological fields and the organizations that serve them. Together they form a major concentration of Finnish expertise that will continue to ensure our national well-being and success in the future.

Technopolis serves the various needs of its customers related to operating environments, en-

hancing their opportunities to achieve success in their own businesses. We seek to create new, innovative service concepts based on customer needs. A great many of our new ideas originate from our customers, for which I would like to extend my sincere thanks.

## SHAREHOLDERS

At the end of 2006, Technopolis had 3,745 shareholders, 3,403 of which were households. Shares held by households accounted for 14.5 % of all shares. The proportion of foreign and nominee-registered shareholders grew from 40.4 % to 51.2 %. For more specific information on shareholders, see page 38.

## VISION FOR 2010

Technopolis is aiming at profitable growth in the future, too. The Group's target is to increase its net sales by 15 % annually.

The company will achieve this through organic growth and acquisitions in Finland and abroad.

Growth in Finland will take place mainly in the current locations, while foreign growth will occur in Russia and one or two other countries.

## OUTLOOK FOR 2007

We expect that, in 2007, net sales and EBITDA will grow by 18-22 % on the previous year. Technopolis estimates that the occupancy rate of its operating environments will remain at a satisfactory level.

## VALUES

The values that guide Technopolis's business are customer orientation, innovation, corporate responsibility and profitable growth. The company aims to apply these values when operating in all areas of its service concept.

## PERSONNEL AND BOARD OF DIRECTORS

The Technopolis Group employed 139 people in seven cities at the end of 2006. Customer satisfaction surveys have yielded good feedback concerning the professionalism of our personnel. I would like to extend my warmest thanks to the Group's employees for their fine work in 2006.

The Board of Directors of Technopolis Plc and the boards of subsidiaries owned by the Group engaged in much meritorious work to develop the company in 2006. Dozens of Finland's leading experts made generous work contributions to Technopolis and succeeded very well in their key decisions.

Pertti Voutilainen, Chairman of the Board of the parent company, has expressed his wish to resign from his post at the Annual General Meeting in 2007. During his time, Technopolis has developed into a genuinely nationwide technology center and has expanded to St. Petersburg. I wish to express my sincere gratitude to him and to all the Technopolis Board members for the excellent cooperation in 2006.



Pertti Huuskonen  
President and CEO



*"A satisfied and successful customer  
is the best reward for our work."*



## EVENTS IN 2006

Technopolis took the first steps in February to expand its operations to St. Petersburg. Upon completion of the project, the company's technology park will be among the first to apply Western concepts in Russia.

In March the Technopolis Group acquired a majority holding in the Oulutech Oy incubator company. The acquisition reinforced the position of Technopolis Ventures, a business development and incubator company in the Group, as the largest in its field in Finland and an internationally significant player.

On his visit to Technopolis in Oulu in April, Russian Prime Minister Mikhail Fradkov received a memorandum from Technopolis proposing cooperation with Russia in technology center and incubator operations and transfer of know-how.

In May, Technopolis reached agreement with the City of Jyväskylä on the acquisition of Jyväskylä Science Park's shares. Technopolis secured a majority holding of the Jyväskylä-based company in June. At the same time it organized a share offering related to the share transaction.

Likewise in May, Innopoli Oy, a Technopolis subsidiary, purchased from Kapiteeli Ltd the land it had been leasing in Espoo for the Innopoli technology center.

Technopolis and Finpro signed a cooperation agreement in May to pave the way for establishing a Finnish innovation and technology center in St. Petersburg.

Technopolis and the City of Espoo announced a project in August aimed at expanding the Innopoli complex into an international business development center.

In August, the company also announced an expansion of its operations in Lappeenranta. It is planning to build an office block in the city center in two stages.

In September, the Technopolis St. Petersburg LLC subsidiary signed a preliminary agreement on the purchase of 4.6 hectares of land in St. Petersburg near the Pulkovo Airport. The sale of land for the technology park was finally closed in October.

At the end of the same month, Technopolis St. Petersburg LLC signed a long-term lease of Western-standard facilities in the Pulkovo area near the airport and close to the Technopolis technology park.

In September Technopolis announced it had reached agreement with the City of Tampere on the acquisition of a majority holding in Tampere Science Parks. The company organized a share offering related to the transaction in the same month. The parties signed the contract in October.

At the end of the year Technopolis disclosed it had purchased property from Visma Software in Jyväskylä with a view to increasing and diversifying its supply of premises.



# DESCRIPTION OF TECHNOLIS OPERATING

## **OULU REGION**

### **25 years of solid experience**

Technopolis can boast 25 years of solid experience in Oulu. The company offers its corporate clients a wide customer base, an expert partner network and a full range of services for its concept. The Oulu region's strengths include wireless technology, especially mobile applications. Areas for the future include water, environmental and optical technology.

Technopolis and the Oulu region are of increasing interest to international companies. More and more of the company's corporate customers come from China, the USA, India or Europe.

*Reijo Tauriainen, Director of the Oulu Unit*

## **TAMPERE**

### **High technology and traditional industry**

Characteristic of the Technopolis operating environment in Tampere is close links with the area's leading research and expertise. Many internationally esteemed products have sprung up from cooperation between business and universities.

The Hermia technology center has focused on high tech in ICT, mechanical engineering and automation, while Finn-Medi brings health technology experts and users together. Technopolis also aims to meet the needs of more traditional industries. Technopolis will expand its Tampere operations this year by developing the Hermia 12 property for its customers.

*Satu Eskelinen, Director of the Tampere Unit*

## **JYVÄSKYLÄ**

### **User-friendly technology**

Jyväskylä is an attractive area where business can take advantage of a highly skilled labor force and leading-edge research. Technopolis customers are offered a fast-growing, cooperative environment adaptable to their needs, located on the shores of a lake in the city center, near the university campus. Jyväskylä has special competence and experience in human technology – the development of user-friendly technology that can promote human well-being and activities. An area for the future is nanotechnology applications.

The planning of further stages for the Technopolis Ohjelmakaari center is under way and is due to be completed by the end of the year.

*Jukka Akselin, Director of the Jyväskylä Unit*

## **LAPPEENRANTA**

### **Russian trade and forest industry**

Lappeenranta is best known for Russian trade and the forest industry. Its location mid-way between St. Petersburg and Helsinki attracts both Western and Russian companies. Lappeenranta boasts an important European forest industry cluster thanks to extensive business enterprise and research done by the Lappeenranta University of Technology. Technopolis provides a versatile environment for companies at Skinnarila, Lappeenranta. The company is planning Technopolis Kareltek City in the city center, which upon completion will focus on serving companies engaged in the Russian trade.

*Marjut Hannelin, Director of the Lappeenranta Unit*



# LOCATIONS

## HELSINKI METROPOLITAN AREA

### Strong growth will continue

Technopolis operates in the Capital Area at Otaniemi, Espoo and near the Helsinki-Vantaa International Airport.

In Espoo, Technopolis is at the heart of one of Europe's leading clusters of business, research and development. Technopolis Innopoli and Technopolis Ventures, together with top researchers at Otaniemi, form the flagship of the Finnish innovation system. Technopolis Vantaa is an important hub for global companies due to the proximity of the airport. It offers internationalization services for companies planning operations abroad or just trying to expand.

The growth of Technopolis in the Capital Area will continue. The company is preparing to build a technology center at Ruoholahti, Helsinki. Moreover, the fourth stage has been built in Vantaa, and the fifth is under design. The company is also seeking opportunities to expand in Espoo.

*Keith Silverang, Director of the Capital Area*

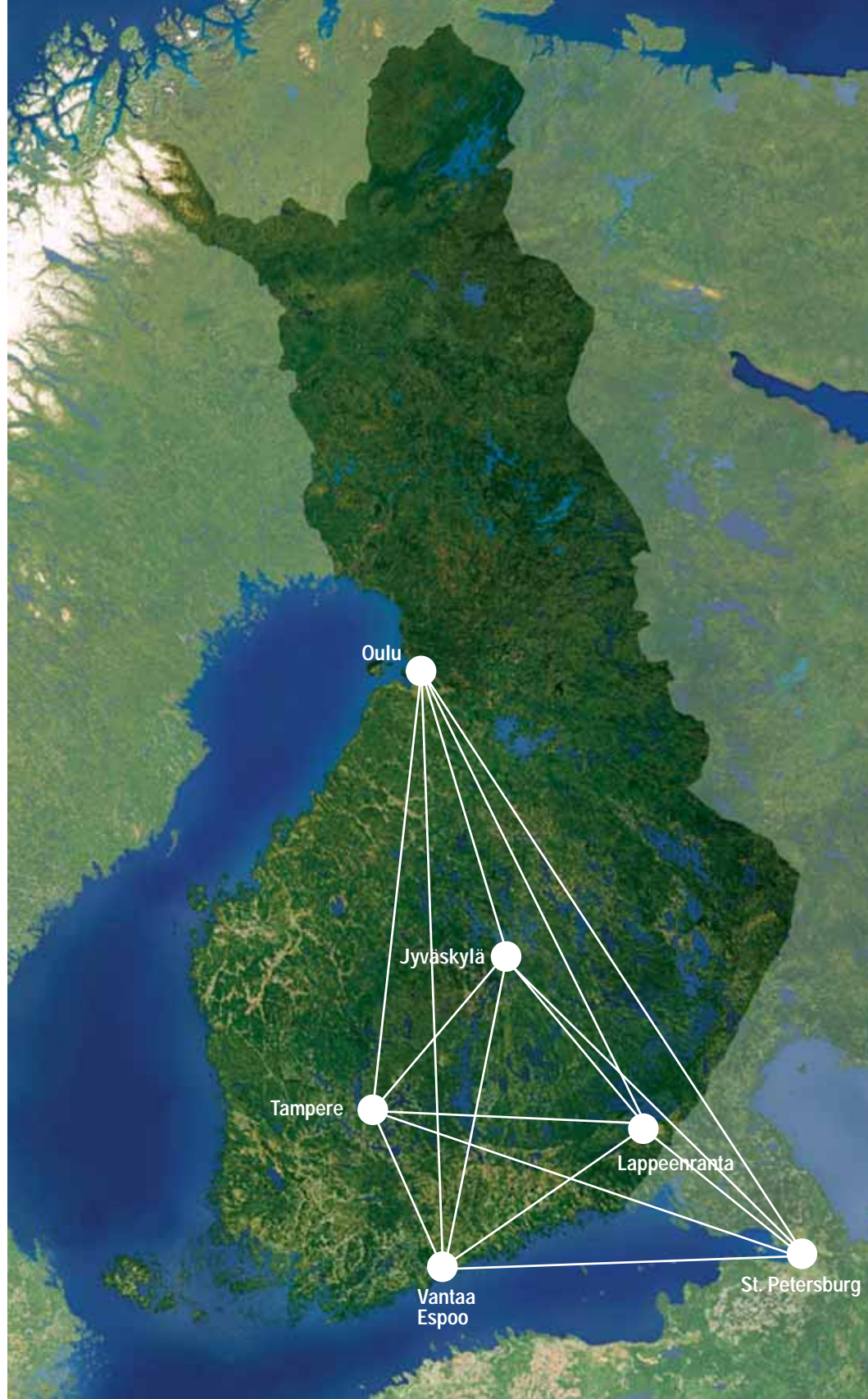
## ST. PETERSBURG

### Russia's Silicon Valley

St. Petersburg is Russia's second largest city. The fast growing economy, high-quality universities, skilled labor force and continually increasing number of Russian and international high tech companies give good reason to dub the city 'Russia's Silicon Valley'.

Technopolis is currently preparing to build a technology park near the Pulkovo Airport. The park will provide premises for high tech companies that wish to operate in an excellent environment tailored to their needs. Technopolis has already opened its innovation center in St. Petersburg. It is the best possible base for Finnish and international companies wishing to commence operations in St. Petersburg.

*Peter Coachman, General Director of Technopolis St. Petersburg*



*Technopolis technology centers form a strong and close-knit network. It covers most Finnish locations with high tech operations and St. Petersburg in Russia, which is experiencing strong growth at the moment.*







# THE TECHNOPOLIS CONCEPT

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

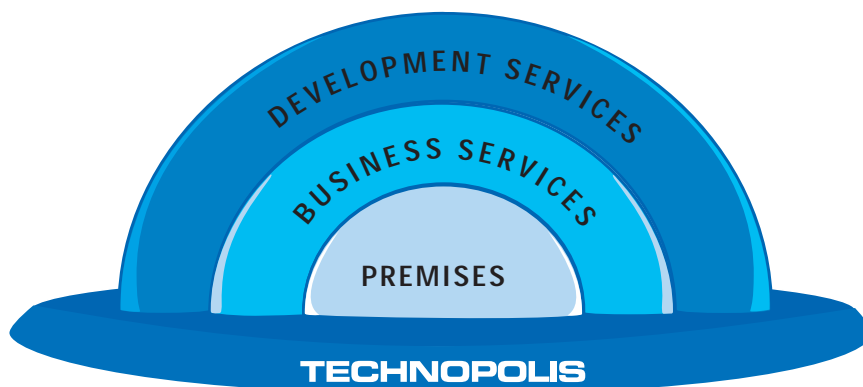
The Technopolis technology centers provide customers with modern, high-quality premises. Thanks to their easy adaptability, the premises can always be tailored for each customer's exact needs. The technology centers are located in Oulu, the Helsinki metropolitan area, Tampere, Jyväskylä and Lappeenranta – Finland's leading high tech locations.

The Technopolis business services are designed for customer companies and their employees. They 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 well-being and work efficiency of employees. The services are produced by Technopolis together with its partners.

The development services help customers boost their competitiveness and find the resources to succeed in international markets. They are designed not only for start-up or take-off companies, but also for those that are

already internationally active. In addition, Technopolis implements regional attractiveness programs and offers incubator and business development services. Technopolis also provides technology center consulting and related planning and training.

A more detailed description of the different aspects of the Technopolis concept and services can be found on pages 10 - 15.



*Technopolis has been developing its service concept for 25 years. The concept is especially suited to the needs of technology companies, and its purpose is 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 Finnish high technology. They provide the company's customers with modern premises that meet their exact needs.

Technopolis currently operates in Espoo, Jyväskylä, Lappeenranta, Oulu, Tampere and Vantaa. It has also purchased land in St. Petersburg for the construction of a technology park. Technopolis has already commenced operations in temporary premises in St. Petersburg. The company is also preparing to expand to Helsinki, where it is building a technology center at Ruoholahti.

Technopolis is present in key concentrations of Finnish technological research and business, and therefore its technology centers are excellently located. Customer companies can choose from various options according to their special needs.

Customer companies are supplied with modern, high-quality premises that can be flexibly adapted. They can be contracted, expanded or adjusted rapidly and cost-efficiently, and thus meet exact customer needs. Efficiency is increased by common functional facilities and social areas.

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

1. In Jyväskylä, Technopolis offers its customers a wide selection of modern operating environments. The premises are in various locations in or near the city center and close to the university. Technopolis has also begun to plan further construction stages at Ohjelmakaari.

2. In Oulu, a new technology center was completed for Technopolis customers right in the city center in August 2006. The other centers in Oulu are located at Linnanmaa, Kontinkangas, Laanila and Kempele near the Oulu Airport. Technopolis Linnanmaa is located in the same area as the University of Oulu and VTT Electronics, while the Kontinkangas technology center is located near Oulu University Hospital and Nokia's Peltola units. Laanila is a hub of expertise in water and environmental management.

3. In St. Petersburg, Technopolis is preparing to construct a technology park near the Pulkovo Airport. The company has purchased 4.6 hectares of land where it can build a technology park of some 50,000 square meters. Technopolis has commenced operations in St. Petersburg in leased premises fulfilling western requirements, and the first customers have already moved in.



4. In Tampere, Technopolis's activities are focused in the Finn-Medi and Hermia areas. Finn-Medi is designed for biotechnology and health technology companies and entities. Hermia, on the other hand, offers a dynamic environment for big and small technology companies representing various fields, and has direct links to the expertise of the Tampere University of Technology and VTT. Technopolis is expanding its operations in Tampere by developing the Hermia 12 property.



5. In Vantaa, the technology center is situated next to the international airport. This brings many advantages to its customers, including excellent connections for passenger and commercial traffic to and from Finland, reduced travel times and guaranteed visibility. The center is being completed in stages – the fourth construction stage has been completed and the fifth is under planning.



6. Technopolis Innopoli is located at 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. Other units operating in the area include VTT (the Technical Research Centre of Finland), the Helsinki University of Technology and various other R&D units.



7. In Lappeenranta, Technopolis is located near the Lappeenranta University of Technology. The customers include experts in forest technology and Russian economy and commerce. Technopolis operations in Lappeenranta cover all of Southeast Finland, forming an extensive network of the region's companies, research and educational institutes and suppliers of business services. In Lappeenranta, the company is preparing to construct a new technology center right in the city center.









## BUSINESS SERVICES

Business services improve corporate efficiency and competitiveness and promote employee wellbeing. The technology centers offer a wide variety of services provided by Technopolis and its partners.

Companies operating in the Technopolis technology centers have access to versatile, high-quality business services. These services support competitiveness and allow companies to focus on their core business, leaving the rest to Technopolis and its partners.

It is cost-efficient for customers to use the business services. Cost-efficiency is ensured by the economies of scale inherent in the operations of Technopolis. Customer companies can choose exactly the services they need.

The business services available at the Technopolis technology centers include telecommunications, telephone, lobby, office, secretarial, postal, cleaning and furniture rental services.

In addition, there are fixed high-quality video conference connections between the technology centers. Technopolis also offers comprehensive management and maintenance of facilities. All Technopolis locations utilize a building services management program called Infospace, which includes an eService interface used to receive, forward and make service requests and fault reports and follow up on them.

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

Technopolis aims to improve the job satisfaction of customer company employees, making it pleasant for them to come to work and increasing their efficiency and the appeal of the employing companies. To achieve this target, Technopolis technology centers have

an extensive and ever-increasing selection of services for company employees. These include dining facilities, occupational health and dental services, dry-cleaning, child day care, gymnasium services, hair dressing, travel agencies and physical therapy.

The technology centers' customers also include companies offering legal, accounting, patent, translation and communications services, etc. Customer companies have access to a network of partners created by Technopolis. 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

The development services provided by Technopolis improve companies' chances of success, and help them turn technology-based product ideas into international success stories. The services include programs to increase the attractiveness of different areas.

The main purpose of development services is to boost company competitiveness and develop the prerequisites for success in international markets.

Technopolis Ventures Ltd, part of the Technopolis Group, undertakes business development and incubator operations aimed at finding the best technology-based ideas and converting them into international success products. It assists in evaluating ideas, provides systematic coaching and guidance for entrepreneurs, channels funding, offers networking services and supports the successful commercialization of ideas in every way.

Technopolis also has minority holdings in Jyväskylä Innovation Ltd, Lappeenranta Innovation Ltd, Otaniemen kehitys Oy and Oulu Innovation Ltd, which carry out regional development programs such as Center of Expertise programs and others.

Technopolis also carries out regional attractiveness programs – such as the Vantaa Hi-Tech Program and the Lappeenranta attractiveness program – jointly with cities and other local players. Their purpose is to increase different areas' competitiveness and attractiveness as company locations.

Technopolis also provides consulting services related to technology centers. This has been done not only in Finland, but also in Sweden, Norway, Estonia, Russia and South Africa.

Technology center consulting is aimed at supporting the establishment of new technology centers and developing the operations of existing ones. The customers include technology centers, national and regional organizations, cities and companies.

Besides the actual development services, Technopolis technology centers also offer other forms of support. The centers host a large variety of expert companies whose services are easily available to others.

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 creative cooperation and interaction.







# BOARD OF DIRECTORS' REPORT, JANUARY 1 - DECEMBER 31, 2006

## Highlights of 2006 compared with the previous year:

- Consolidated net sales increased to EUR 44.8 million (EUR 31.7 million in 2005), up by 41.3 %
- EBITDA (Earnings before interest, taxes, depreciation and amortization) rose to EUR 22.7 million (EUR 17.5 million), up by 29.8 %
- Profit after taxes was EUR 23.7 million (EUR 12.7 million), up by 87.2 %
- Earnings per share totaled EUR 0.63 (EUR 0.38).
- The Board of Directors of Technopolis proposes to the Annual General meeting that a dividend of EUR 0.14 per share be distributed for the 2006 financial year (EUR 0.13 per share in 2005).

## Overview

The growth-oriented Technopolis Group, Finland's largest provider of high tech operating environments, has a service concept that combines premises, business services and development services. The Group has 348,415 floor square meters of premises for leasing, which are occupied by 930 companies and other entities. The Group's business advanced in line with strategy, and new operating locations were added at Jyväskylä and Tampere in Finland, and at St. Petersburg in Russia.

In June, the company acquired a majority holding in Technopolis JSP Ltd, located in Jyväskylä. Its holding in Technopolis JSP at the end of 2006 was 98.5 %. Late in the fall, the company acquired the entire stock of Technopolis TSP Oy, located in Tampere. In St. Petersburg, the company purchased a plot of 4.6 hectares in the vicinity of the Pulkovo airport for technology park operations.

The general business environment for Technopolis's operations continued to be challenging in 2006. However, the situation of over-supply of office premises in the Helsinki metropolitan area eased, and there was continuing demand for high-quality offices. A good level of demand continued in Oulu, although the lack of parking facilities in the city center hampered the marketing of office premises in general. In Tampere, the demand for high-quality premises enabled the commencement of new projects. In Jyväskylä, there is demand for new, functionally-designed office premises, and many outdated premises are undergoing conversion for residential use. In Lappeenranta, many previously vacant office premises have been occupied recently, and there are few premises available.

## Business

The consolidated net sales were EUR 44.8 million (EUR 31.7 million in 2005), up by 41.3 % on the previous year. EBITDA (Earnings before interest, taxes, depreciation and amortization) for the review period was EUR 22.7 million (EUR 17.5 million), up by 29.8 %. Operating profit was EUR 38.2 million (EUR 18.5 million). Profit before taxes totaled EUR 33.0 million (EUR 15.1 million), an increase of 118.7 % from the previous year. Depreciation according to plan totaled EUR 0.6 million (EUR 0.4 million). Earnings per share were EUR 0.63 (EUR 0.38). The Board of Directors of Technopolis proposes to the Annual General Meeting that a dividend of EUR 0.14 per share be distributed for the 2006 financial year. The proposed dividends would total EUR 5.7 million (EUR 4.7 million), an increase of 21.7 %.

The balance sheet total was EUR 431.4 million (EUR 270.2 million), representing growth of 59.7 %. The Group's equity to assets ratio at the end of the year was 38.5 % (46.4 %).

The fair value of the Group's investment property at the end of 2006 was EUR 392.2 million (EUR 249.3 million). The change in the fair value of investment property was affected by the fair values of properties bought and completed, a reduction in the market's return re-

quirements, changes in future returns and modernization costs, the revaluation of property owned throughout the year, and increases in the costs recognized in separate companies during the year. The effect on profit of the change in the fair value of investment property was EUR 16.1 million (EUR 1.2 million in 2005).

The Group's floor area for leasing totaled 348,415 floor square meters at the end of year (241,000 floor square meters in 2005). The Group's average financial occupancy ratio at the end of 2006 was 94.4 % (95.7 %). The financial occupancy ratio describes the rental revenue from the properties as a percentage of the combined total of the rent for the leased space and the estimated market rent for the vacant space. The Group's leases at the end of the review period amounted to EUR 121.1 million (EUR 68.1 million).

## Investments and development projects

In a transaction completed in May, Innopoli Ltd, a company wholly owned by Technopolis, purchased from Kapiteeli Plc a 2.2 hectare plot it had rented in the City of Espoo. The transaction price was EUR 5.4 million. Innopoli Ltd had built a technology center of 26,200 floor square meters on the purchased plot in 1991.

Technopolis Plc agreed in June on the acquisition of a majority holding in Technopolis JSP Ltd (Jyväskylä Science Park) from the City of Jyväskylä and from those of the company's minority shareholders that had accepted the offer made by Technopolis. The transaction price paid for the Technopolis JSP shares was EUR 18.0 million. Half of the price was paid in cash, and half in Technopolis Plc shares. Technopolis owns 98.5 % of Technopolis JSP Ltd shares.

In August, two new stages were completed at the Oulu city center Technopolis, with a total area of 12,509 floor square meters. The costs were approx. EUR 23.4 million, which includes the investment costs of the building's approx. 120 parking spaces for public parking to be owned by Technopolis.

In September, the fourth stage of Technopolis Helsinki-Vantaa – totaling 2,789 floor square meters and representing an investment of EUR 5.3 million – reached completion. The total area of Technopolis Helsinki-Vantaa's premises is currently 16,149 floor square meters.

In October, Technopolis signed a contract with the City of Tampere on the purchase of a majority holding in Technopolis TSP Oy (Tampere Science Parks Ltd). The transaction concerned 95.8 % of Technopolis TSP Oy's shares. The price paid for the shares was EUR 20.9 million. About half of the price was paid in Technopolis Plc's new shares and half in cash. Later in the fall, the company acquired the remaining Technopolis TSP Oy shares and now has a 100 % holding.

By a decision made in October by the City of Helsinki, an area containing the building rights to a total of 27,200 floor square meters was reserved for Technopolis in the Ruoholahti area. If Technopolis concludes a long-term land lease agreement for a plot containing the building rights to 6,600 floor square meters by March 31, 2007, the remaining reservation will continue until May 31, 2008. If Technopolis concludes a long-term land lease agreement for a plot containing the building rights to 9,000 floor square meters by May 31, 2008, the remaining reservation for the building rights to 11,600 floor square meters will continue until July 31, 2009.

On October 6, 2006, Technopolis St. Petersburg LLC, a fully owned subsidiary of Technopolis Plc, signed an agreement on the purchase of 4.6 hectares of land in St. Petersburg in the vicinity of the Pulkovo Airport for technology park operations. The land area is located next to Pulkovskoe shosse about two kilometers and five or ten minutes' drive from the airport. The plot size allows the construction of a technology park with a total area of up to 50,000 square meters. The acqui-



sition price for the land is EUR 7.4 million. The plot was registered to Technopolis St. Petersburg LLD on December 29, 2006, and the price was paid to the selling party on January 10, 2007.

#### Events after the financial year

At its meeting on January 4, 2007, the Board of Directors resolved, in accordance with the authorization granted by the Annual General Meeting of March 24, 2006, to increase the company's share capital by a maximum of EUR 1,162,652.40, a total of 687,960 shares, through a share offering for institutional investors. The purpose of the share offering was to finance the investments included in the company's investment plan, to secure the company's growth and to maintain the company's equity-to-asset ratio.

The shares were offered in deviation from the pre-emptive subscription rights of shareholders, for subscription by Finnish and international institutional investors. The share offering was implemented through a "book building" process, in which institutional investors would subscribe for the shares to be issued, in accordance with their subscription commitments made during the reception period for such commitments, January 3-4, 2007. The demand was about 3.5 times larger than the number of shares offered. The subscription price per share was set at EUR 7.70.

The company's Board of Directors decided on January 4, 2007 to approve the share subscriptions made by institutional investors. In the share issue, all 687,960 shares offered were subscribed for. As a result of the share issue, the company's share capital increased by the maximum amount permitted by the share capital increase decision, i.e. by EUR 1,162,652.40. The increase in share capital was entered in the Trade Register on January 8, 2007, and trading in the shares began on January 9, 2007.

Technopolis decided to commence the construction of the Hermia 12 property in Tampere. The project's cost estimate is EUR 9 million and the gross area is 8,600 square meters, which includes a parking facility for 115 vehicles. Almost half of the building's 5,000 floor square meters have been leased. Construction is scheduled for completion by the end of February 2008.-

Technopolis has reached a result in negotiations with the City of Oulu and the Northern Ostrobothnia Hospital District concerning the purchase of a total of 19,250 shares in Medipolis Ltd. The intention is to complete the transaction in February 2007, after which Technopolis will have a 97.7 % holding in the company. Technopolis seeks to acquire full ownership of Medipolis Ltd.

#### Group structure

The Technopolis Group includes the parent company, Technopolis Plc, which has operations in Oulu and Vantaa, and its subsidiaries Innopoli Ltd in Espoo (100 % owned), Technopolis JSP Ltd in Jyväskylä (98.5 %) with its subsidiary Technopolis JSP Facilities Oy (100 % owned), Technopolis Kareltek Ltd in Lappeenranta (100 % owned), Technopolis TSP Oy in Tampere (100 % owned), Medipolis Ltd in Oulu (55.7 % owned) and other subsidiaries. The parent company also has a minority holding in the associates, Technocenter Kempele Oy (48.5 %), Iin Micropolis Oy (25.7 %), Jyväskylä Innovation Ltd (24 %) and Lappeenranta Innovation Ltd (20 %). It holds 13 % of Oulu Innovation Ltd.

The Group also includes Innopoli Ltd's wholly-owned subsidiary, Technopolis Ventures Oy, in Espoo. Technopolis Ventures Oy has a wholly-owned subsidiary, Technopolis Ventures Kareltek Ltd. Following a transaction executed in March, Oulutech Oy became Technopolis Ventures Oy's 70 % owned subsidiary. In June, Technopolis Ventures Oy established a subsidiary, Technopolis Ventures JSP Ltd. Technopolis

Ventures Oy also has a 25 % holding in Otaniemi Development Ltd.

Technopolis has established in St. Petersburg two Russian companies, Technopolis Neudorf LLC and Technopolis St. Petersburg LLC, both fully owned by Technopolis.

#### Events related to the company's shares

During the review period, Technopolis' share capital was increased on six occasions. In November and December 2005, a total of 26,133 Technopolis shares were subscribed with year 2001 options, and the resulting increase in share capital of EUR 44,164.77 was entered in the Trade Register at February 15, 2006. In March, a total of 660,008 Technopolis shares were subscribed with year 2001 options, and the resulting increase in share capital of EUR 1,115,413.52 was entered in the Trade Register at March 9, 2006.

The Technopolis Board of Directors decided on June 21, 2006, pursuant to an authorization by the Annual General Meeting on March 24, 2006, to increase the company's share capital by a maximum of EUR 3,380,000 by issuing a maximum of 2,000,000 new shares of the company to Technopolis JSP Ltd shareholders. A total of 1,500,177 shares were subscribed in the directed share issue, raising the share capital by EUR 2,535,299.13. The share capital increase was entered in the Trade Register on July 6, 2006. The share capital was increased on August 21, 2006, in accordance with the decision concerning the said directed share issue by EUR 122,356.00, corresponding to 72,400 new shares. The shares were entered in the Trade Register on August 21, 2006 and were accepted for trading on August 22, 2006.

The Technopolis Board of Directors decided on September 27, 2006, pursuant to an authorization by the Annual General Meeting on March 24, 2006, to issue a maximum of 1,727,135 shares to Technopolis TSP Oy shareholders. Based on the share issue decision, a total of 1,655,116 new shares and a share capital increase of EUR 2,797,146.04 were registered on October 26, 2006. The share capital was increased on December 13, 2006, in accordance with the decision concerning the directed share issue by EUR 114,416.38, corresponding to 67,702 new shares.

After the above-mentioned six increases in share capital, Technopolis's share capital on December 31, 2006 totaled EUR 67,318,753.58, divided into 39,833,582 shares with a counter-book value of EUR 1.69.

No convertible bonds are in issue. The company has not acquired its own shares.

#### Finance

The Group's net financial expenses were EUR 5.2 million (EUR 3.4 million). The Group's balance sheet total was EUR 431.4 million (EUR 270.2 million), of which liabilities accounted for EUR 266.1 million (EUR 145.4 million). The Group's equity to assets ratio was 38.5 % (46.4 %). The Group's equity per share was EUR 4.03 (EUR 3.39).

The Group's long-term liabilities at the end of the review period amounted to EUR 207.3 million (EUR 119.6 million). The average interest rate for loans at December 31, 2006 was 3.99 % (3.30 %).

Technopolis supplemented its funding with a EUR 60 million domestic commercial paper program which allows the company to issue commercial papers with a maturity of less than a year. At December 31, 2006, the issued commercial papers totaled EUR 34.8 million.

#### Organization and personnel

The company's Executive Board comprises the following: Pertti Huuskonen, President and CEO, Jukka Akselin, Satu Eskelinen, Marjut Hannelin, Seppo Selmgren and Keith Silverang, all of whom are Directors, and Reijo Tauriainen, CFO.



Technopolis appointed Satu Eskelinen, M.Sc. (Eng.) as Director of the Tampere area and as a member of the company's Executive Board as of January 15, 2007. She will also serve as CEO of Technopolis TSP Oy.

Kari Mikkonen, Director of the Russian business operations of Technopolis, has given his notice, and his employment with the company will end on February 28, 2007. Peter Coachman will continue as General Director of Technopolis St. Petersburg.

The Group employed an average of 113 (74) people during the financial year. 34 (25) persons were employed in jobs related to premises activities, 28 (17) persons in business services and 51 (32) persons in development services. The number of personnel increased by 8 through the acquisition of Technopolis Ventures Oulutech Oy, by 14 through the acquisition of Technopolis JSP Ltd, and by 6 through the acquisition of Technopolis TSP Oy.

#### **Decisions of the Annual General Meeting**

The Annual General Meeting held on March 24, 2006 confirmed the consolidated and parent company income statements and balance sheets for the 2005 financial year, released those responsible for the accounts from further liability and decided on the distribution of a dividend of EUR 0.13 per share for the financial year that ended on December 31, 2005. The Annual General Meeting also authorized the Board of Directors to decide on a rights offering and an issue of convertible bonds.

The Board of Directors elected by the Annual General Meeting comprises Pertti Voutilainen, Chairman, Matti Pennanen, Vice Chairman, and Juhani Paajanen, Timo Parmasuo and Erkki Veikkolainen. Pertti Huuskonen is the President and CEO of Technopolis. KPMG Oy Ab, Authorized Public Accountants, is the company's auditor with Tapio Raappana, APA, as the principally responsible auditor.

#### **Evaluation of operational risks and uncertainty factors**

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

Technopolis's 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 level.

Technopolis uses derivative instruments only to reduce or eliminate financial risks in the balance sheet.

The structure of Technopolis's loan portfolio at the end of the financial year is shown by the fact that a one percentage unit rise in money market rates would increase annual interest rate costs by EUR 0.9 million.

Due to the interest rate risk related to credits, a policy of interest rate diversification has been followed. At December 31, 2006, 70.7 % of the loan portfolio was bound to either the 3-12 month Euribor rate or to the Bank of Finland's rate. 29.3 % of the loans were fixed-interest loans of 13-60 months. The loan period, weighted by the remaining capital of the loans, was 12.2 years. Technopolis supplements its funding with a EUR 60.0 million domestic commercial paper program which allows the company to issue commercial papers with a maturity of less than a year. At December 31, 2006, the issued commercial

papers totaled EUR 34.8 million.

Changes in the exchange rates between the Russian rouble and euro may have an effect on the company's financial situation and operations. Business transactions denominated in roubles are recorded at the exchange rate of the transaction date. Any translation differences are entered in the income statement under financial income and expenses. The purchase of land in St. Petersburg has been financed in local currency. The currency risk has been minimized by applying a currency swap.

Customer risk management aims to minimize the negative impact of any changes in customers' financial position on the business and the company's profit. In customer risk management, the emphasis is on familiarity with the customer's business and active monitoring of customer information. As part of customer risk management, Technopolis's 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, Jyväskylä, Lappeenranta, Tampere and Oulu. No single customer accounts 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 about 930 customers that operate in many different sectors.

The Group is protected against fluctuations in the business cycle by fixed-term leases which totaled EUR 121.1 million at December 31, 2006. Of the lease agreements, 9 % are valid until further notice or will expire in 2007, 18 % will expire in 2008-2010, 29 % will expire in 2011-2013, 5 % will expire in 2014-2016, and 39 % will expire in 2017 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 service 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 the transaction.

Changes in the market's return requirements may have a significant effect on profit performance. As return requirements increase, the fair values of properties decline, and correspondingly, as return requirements decrease, the fair values of properties rise. These changes affect the company's operating profit either negatively or positively.

#### **Future outlook**

The management of the Technopolis Group estimates that in 2007 the demand for high tech operating environments will be at a satisfactory level, and that the occupancy ratio of the Group's leasing facilities and the demand for the Group's services will both remain good. The Group estimates that net sales and EBITDA will increase in 2007 by 18-22 % on the previous year. The reduction on the estimate made at December 1, 2006 is due to better than anticipated growth at the end of 2006 and a delay in a planned domestic transaction.

As part of its strategy for growth, Technopolis aims to operate in the leading high tech cities in Finland, Russia and 1-2 other countries by 2010. The Group aims to increase its net sales by an average of 15 % annually. 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, in the financial markets and in the return requirements for properties. Factors in these areas may affect the Group's result through changes in occupancy ratios, the use of services, financing costs, the fair values of properties and office rent levels.

## KEY INDICATORS AND FINANCIAL RATIOS

	2006	2005	2004	2003	2002
	IFRS	IFRS	IFRS	FAS	FAS
<b>Summary of income statement</b>					
Net sales	44 837	31 730	28 840	28 479	22 643
Other operating income	3 863	2 418	6 024	5 621	2 666
EBITDA	22 670	17 486	15 932	15 067	13 316
Operating profit	38 213	18 533	10 521	11 579	10 027
Profit before taxes	33 047	15 110	6 796	8 068	6 030
Net profit for the year attributable to parent company shareholders	23 736	12 679	7 297	5 945	4 127
<b>Summary of balance sheet</b>					
Total assets	431 394	270 162	219 728	179 229	143 695
Investment properties 1)	392 160	249 325	203 006	164 631	131 397
Cash and bank	2 803	2 397	1 659	1 616	2 767
Shareholders' equity	165 276	124 807	93 113	56 602	48 612
Interest-bearing liabilities	229 488	125 176	108 554	107 740	83 334
<b>Key indicators and financial ratios</b>					
Change in net sales, %	41.31	10.02	1.27 <sup>2)</sup>	25.77	12.47
Operating profit/net sales, %	85.23	58.41	36.48	40.66	44.28
Return on equity (ROE), %	16.95	11.77	8.04	10.38	8.92
Return on investment (ROI), %	11.94	8.26	5.46	7.74	7.83
Equity to assets ratio, %	38.49	46.44	42.59	35.21	36.70
Net debt/equity (gearing), %	137.14	98.31	114.71	168.45	153.03
Interest margin, %	708.78	527.22	273.45	312.38	244.81
Employees in Group companies	113	74	95	95	69
<b>Share-related indicators</b>					
Earnings/share, undiluted, EUR	0.63	0.38	0.26	0.22	0.18
Earnings/share, adjusted for dilutive effect, EUR	0.63	0.38	0.26	0.22	0.18
Equity/share, EUR	4.03	3.39	3.04	2.20	2.08
Dividend/share, EUR	0.14 <sup>3)</sup>	0.13	0.12	0.156 <sup>4)</sup>	0.156 <sup>4)</sup>
Issue-adjusted no. of shares, average	37 472 329	33 358 468	28 075 286	26 510 570	22 503 920
Issue-adjusted no. of shares, at Dec 31	39 833 582	35 852 046	29 469 481	26 610 882	23 359 000
<b>Other key indicators and financial ratios</b>					
Net rental income of property portfolio, % 1)	7.73	8.56	8.75	10.17	11.30
Investments in non-current assets	59 286	35 262	15 049	18 450	15 650
Price/earnings (P/E) ratio	12.16	13.16	12.16	10.73	10.16
Dividend payout ratio, %	22.10 <sup>3)</sup>	34.20	46.17	69.68	85.21
Effective dividend yield, %	1.82 <sup>3)</sup>	2.60	3.80	6.49	8.39
Market capitalization of shares, EUR	306 718 581	179 260 230	93 123 560	64 032 434	43 506 138
Share turnover	23 293 922	21 690 055	6 126 353	3 640 689	1 674 781
Share turnover/ave. no. of shares, %	62.16	65.02	21.82	21.97	11.91
Share prices, EUR					
Highest price	7.99	5.23	3.31 <sup>4)</sup>	2.59	2.08
Lowest price	4.41	3.17	2.30 <sup>4)</sup>	1.67	1.63
Average price	6.01	4.10	2.75 <sup>4)</sup>	1.93	1.82
Price at Dec 31	7.70	5.00	3.16	2.41	1.86

1) The balance sheet values are IFRS fair values in 2004-2006, and FAS book values in 2002-2003.

2) The change in net sales % for 2004 was calculated by comparing the IFRS net sales in 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





## CONSOLIDATED BALANCE SHEET

ASSETS	Note	2006	2005
<b>Non-current assets</b>			
Intangible assets	6	2 632	220
Investment properties	7	392 160	249 325
Tangible fixed assets	8	2 442	8 609
Holdings in associates	9	10 769	1 092
Investments and receivables	10, 13	11 054	341
Deferred tax assets	11	1 769	3 663
<b>Non-current assets, total</b>		<b>420 826</b>	<b>263 249</b>
<b>Current assets</b>			
Current receivables	12, 13	7 732	4 515
Financial securities	12	33	
Cash and bank		2 803	2 397
<b>Current assets, total</b>		<b>10 568</b>	<b>6 913</b>
<b>ASSETS, TOTAL</b>		<b>431 394</b>	<b>270 162</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity			
Share capital		67 319	60 590
Premium fund		18 551	12 727
Revaluation fund		48	18
Paid-up unrestricted equity reserve		7 322	
Other funds			6
Other shareholders' equity		320	123
Retained earnings		43 404	35 272
Net profit for the year		23 736	12 679
<b>Shareholders' equity before minority interests, total</b>		<b>160 700</b>	<b>121 416</b>
Minority interests		4 576	3 391
<b>Shareholders' equity, total</b>		<b>165 276</b>	<b>124 807</b>
Liabilities			
Non-current liabilities	14	184 668	107 958
Deferred tax liabilities	11	22 682	11 620
Current liabilities	14	58 768	25 777
<b>Liabilities, total</b>		<b>266 117</b>	<b>145 355</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL</b>		<b>431 394</b>	<b>270 162</b>



## CONSOLIDATED CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2006	2005
Operating profit		38 213	18 533
Change in fair value of investment properties		-16 075	-1 218
Depreciation		561	447
Recognition of consolidation difference			-276
Other adjustments for non-cash transactions		320	26
Increase/decrease in working capital		459	-165
Interests received		290	71
Interests paid and fees		-5 502	-3 615
Income from other investments of non-current assets		6	14
Taxes paid		-1 921	-1 640
<b>Net cash provided by operating activities</b>		<b>16 351</b>	<b>12 178</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments in other securities		-25	-53
Investments in investment properties		-40 655	-24 069
Investments in tangible and intangible assets		-438	-471
Repayments of loan receivables		36	
Gains from disposal of other investments		149	
Disposal of subsidiaries			-52
Acquisition of subsidiaries	16	-18 168	-8 382
<b>Net cash used in investing activities</b>		<b>-59 101</b>	<b>-33 028</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in long-term loans		31 490	20 573
Decrease in long-term loans		-12 390	-9 774
Dividends paid		-4 664	-3 540
Paid share issue		1 115	20 209
Increase in short-term loans		154 854	62 600
Decrease in short-term loans		-127 250	-68 479
<b>Net cash provided by financing activities</b>		<b>43 155</b>	<b>21 589</b>
<b>Net increase/decrease in cash assets</b>		<b>405</b>	<b>738</b>
Cash and cash equivalents, January 1		2 397	1 659
<b>Cash and cash equivalents, December 31</b>		<b>2 803</b>	<b>2 397</b>

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

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Premium fund	Revaluation fund	Other funds <sup>1)</sup>	Retained earnings	Shareholders' equity before minority interests	Minority interests	Shareholders' equity, total
<b>Equity, 31.12.2004</b>	<b>49 803</b>	<b>898</b>	<b>17</b>	<b>6</b>	<b>38 806</b>	<b>89 530</b>	<b>3 583</b>	<b>93 113</b>
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
Share-based compensation					123	123		123
Net profit for the year					12 679	12 679	147	12 826
Other changes			1			1	-340	-338
<b>Equity 31.12.2005</b>	<b>60 590</b>	<b>12 727</b>	<b>18</b>	<b>6</b>	<b>48 075</b>	<b>121 416</b>	<b>3 391</b>	<b>124 807</b>
Share issue	6 729					6 729		6 729
Issue premium		5 850		7 322		13 172		13 172
Dividend distribution					-4 664	-4 664		-4 664
Share-based compensation					320	320		320
Net profit for the year					23 736	23 736	852	24 588
Other changes		-26	30	-6	-6	-9		-9
Business combinations							334	334
<b>Equity 31.12.2006</b>	<b>67 319</b>	<b>18 551</b>	<b>48</b>	<b>7 322</b>	<b>67 460</b>	<b>160 700</b>	<b>4 576</b>	<b>165 276</b>

1) Other funds: itemized in note 20.

# 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 at Espoo, Jyväskylä, Lappeenranta, Oulu, Tampere and Vantaa in Finland and at St. Petersburg in Russia. 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

The consolidated financial statements of Technopolis Plc have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements comply with the IAS (International Accounting Standards) and IFRS valid on December 31, 2006, 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. 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 significant 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 recognized through profit or loss for the financial year. All subsidiaries established or acquired during the financial year have been consolidated from the point in time when control over them was established.

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. In deviation from this, Kiinteistö Oy Hermia (Hermia real estate company) in Tampere has been measured at fair value.

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 monetary items denominated in a foreign currency are valued using the rates of the balance sheet date. Monetary items are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency. Gains and losses arising from foreign currency denominated business transactions and from the translation of monetary items have been recognized in the income statement. The Group has a Russian subsidiary in St. Petersburg that uses the euro as the presentation currency.

### 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 were not materially different from one another, and the business in St. Petersburg was still minor in scope. 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 the 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 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 shares' 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 item 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 at fair value. They include buildings and developed/undeveloped land owned by the Group. They also include properties held under a financial lease. Properties held under other than a financial lease are not classified as investment properties. The Technopolis Group keeps, for its own use, only small offices in buildings that can otherwise be defined as investment properties, for which reason the premises in Technopolis's own use have not been recognized separately at acquisition cost, but are included in the fair value calculation.

#### *Fair value accounting model*

In calculating the fair value of investment properties, the aim is to determine the prices paid on an active market at the time of the 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 accounting 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 latter 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 management, 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 values 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 rewards 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 finance 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.

Group companies are lessors of premises on long-term leases that are classified as finance leases. In these cases, the risks and rewards incidental to ownership of the premises have been transferred substantially to the lessee. Leases in which the risks and rewards incidental to ownership remain with the lessor are treated as operating leases. 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 are lessees of premises on long-term leases that are classified as finance leases. In these cases, the risks and rewards incidental to ownership of the premises have been transferred substantially to 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 financial 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 financial 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**

The pension security paid by the Technopolis Group as 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 arrangements 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 pro-

grams 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 model. 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 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 paid-up unrestricted equity reserve.

#### **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. The single most significant variable that may have a material effect on the fair value of investment properties is the return requirement of the market. The return requirement is determined by two third-party assessors. Based on this determination, the company internally assesses the return requirement by site, with consideration to the property-specific risk. There are also uncertainty factors relating to the determination of property-specific cash flows, for which assumptions and estimates about the future are required. 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.

#### **Operating profit**

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

#### **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. According to the Group's estimate, the adoption of IFRS 7 will mainly affect the notes to the financial statements. IFRIC 8, IFRIC 9 and IFRIC 10 will have no material effect on the Group's coming financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. NET SALES AND OTHER OPERATING INCOME

The Group's total rentable area was 348,415 floor square meters at the end of 2006 (241,000 floor square meters on December 31, 2005). The Group's average financial occupancy ratio at the end of the year was 94.4 % (95.7 %).

At the end of the year, the Group's lease portfolio totaled EUR 121.1 million (EUR 68.1 million). The leases are distributed over future years as follows:

Ending in 2007	11 358	9 %
Ending in 2008 - 2010	21 366	18 %
Ending in 2011 - 2013	35 437	29 %
Ending in 2014 - 2016	6 182	5 %
Ending in 2017 or later	46 734	39 %
<b>Total</b>	<b>121 077</b>	<b>100 %</b>

A contingent rent, based on the lessee's net sales, has been applied to some customers. Contingent rents totaling EUR 981 thousand were recognized in net sales for the year (EUR 854 thousand in 2005).

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

	2006	2005
<b>2. PERSONNEL EXPENSES</b>		
Salaries and fees	5 057	3 291
Pension costs, contribution-based plans	824	621
Share options granted	320	123
Indirect employee costs	370	318
<b>Personnel expenses, total</b>	<b>6 572</b>	<b>4 354</b>
Average number of employees	113	74

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

### 3. DEPRECIATION, IMPAIRMENT AND RECOGNITION OF CONSOLIDATION DIFFERENCE

Depreciation by asset group		
Intangible assets: Intangible rights	131	65
Tangible fixed assets: Machinery and equipment	431	382
Recognition of consolidation difference as income		-276
<b>Depreciation, impairment and recognition of consolidation difference, total</b>	<b>561</b>	<b>171</b>

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.

### 4. OTHER OPERATING EXPENSES

Property maintenance expenses	8 375	6 295
Service expenses	5 385	1 540
Expenses of development programs	3 604	2 212
Other operating expenses	2 064	2 262
<b>Other operating expenses, total</b>	<b>19 429</b>	<b>12 308</b>

### 5. FINANCIAL INCOME AND EXPENSES

Income from shares of profits of associates	-36	75
Dividend income	11	14
Interest income	288	71
Interest expenses	-5 427	-3 537
Impairment of non-current asset investments	-1	-46
<b>Financial income and expenses, total</b>	<b>-5 166</b>	<b>-3 422</b>

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: 1 000

	2006	2005
<b>6. INTANGIBLE RIGHTS</b>		
Acquisition cost, Jan 1	465	278
Increases	20	185
Increases from business combinations	2 522	2
Acquisition cost, Dec 31	3 008	465
Accumulated depreciation, Jan 1	-246	-180
Depreciation for the year	-131	-65
<b>Intangible rights, Dec 31</b>	<b>2 632</b>	<b>220</b>
Carrying amount, Jan 1	220	97
Carrying amount, Dec 31	2 632	220
<b>7. INVESTMENT PROPERTIES</b>		
Rental income	29 010	24 572
Property maintenance expenses	-7 942	-6 353
<b>Net rental income</b>	<b>21 068</b>	<b>18 219</b>
The comparison figure on the 2005 balance sheet date does not include the effect of the Technopolis Kareltek Oy and Technopolis Laanila properties, and the 2006 figure does not include the effect of properties acquired and brought into use during the year.		
<b>Changes in fair value of investment properties</b>		
Fair value of investment properties, Jan 1	249 325	203 006
Cost of investment properties acquired during the year	11 540	13 007
Investment properties from business combinations	79 272	21 723
Transfers from projects in progress	28 759	10 186
Change in fair value	23 266	1 402
<b>Fair value of investment properties, Dec 31</b>	<b>392 160</b>	<b>249 325</b>
<b>Change in value of investment properties</b>		
Change in fair value excluding change in net return requirements	-6 786	-1 874
Change caused by change in net return requirements	30 052	3 276
Change in acquisition costs of investment properties in financial year	-7 191	-184
<b>Effect on profit of change in value of investment properties</b>	<b>16 075</b>	<b>1 218</b>
<b>8. TANGIBLE FIXED ASSETS</b>		
<b>Machinery and equipment</b>		
Original acquisition cost	3 997	3 680
Accumulated depreciation	-2 747	-2 365
Net expenditures, Jan 1	1 250	1 315
Increases	427	344
Increases from business combinations	296	105
Decreases	-47	-132
Depreciation for the year	-431	-382
<b>Machinery and equipment, Dec 31</b>	<b>1 495</b>	<b>1 250</b>
Carrying amount, Jan 1	1 250	1 315
Carrying amount, Dec 31	1 495	1 250
<b>Other tangible assets</b>		
Acquisition cost, Jan 1	28	24
Increases from business combinations	4	4
<b>Other tangible assets, Dec 31</b>	<b>28</b>	<b>28</b>
Carrying amount, Jan 1	28	24
Carrying amount, Dec 31	28	28
<b>Advance payments and projects in progress</b>		
Projects in progress, Jan 1	7 331	6 633
Increases/decreases	22 347	10 409
Transfers from investment properties	477	477
Transfers to investment properties	-28 759	-10 186
<b>Advance payments and projects in progress, Dec 31</b>	<b>920</b>	<b>7 331</b>



Currency unit: 1 000

	2006	2005
<b>9. HOLDINGS IN ASSOCIATES</b>		
Holdings in associates, Jan 1	1 092	1 007
Increases/decreases	9 713	10
Group share of profit/loss for year	-36	75
<b>Holdings in associates, Dec 31</b>	<b>10 769</b>	<b>1 092</b>

Holdings in associates	Holding, %	Nominal value	Original acquisition cost/fair value	Group share of accumulated profit/loss
Iin Micropolis Oy, 500 shares, Ii	25.7	84	84	-84
Technocenter Kempele Oy, 501 shares, Kempele	48.5	125	588	319
Jyväskylän Innovation Ltd, 1,200 shares, Jyväskylä	24.0	12	12	3
Lappeenranta Innovation Ltd, 1,000 shares, Lappeenranta	20.0	10	10	-10
Otaniemen kehitys Oy, 25 shares, Espoo	25.0	25	25	0
Kiinteistö Oy Hermia, 8,162 shares, Tampere 1)	41.5	1 388	9 821	
<b>Yhteensä</b>			<b>10 541</b>	<b>229</b>

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

1) Kiinteistö Oy Hermia's shares are measured at fair value.

Technopolis Plc has recognized losses accumulated from its interest in the result of Iin Micropolis Oy only up to the acquisition cost of the shares. EUR 21 thousand (EUR 23 thousand in the 2005 financial year) was left unrecognized.

Technopolis Plc has recognized losses accumulated from its interest in the result of Lappeenranta Innovation Ltd only up to the acquisition cost of the shares. EUR 10 thousand was left unrecognized.

Information on associates	Assets	Liabilities	Net sales	Profit for the year
<i>2006</i>				
Iin Micropolis Oy	276	72	71	10
Technocenter Kempele Oy	3 172	772	369	-62
Otaniemen kehitys Oy	250	150	168	0
Lappeenranta Innovation Ltd	491	440	78	-99
Jyväskylän Innovation Ltd	360	296	713	14
Kiinteistö Oy Hermia	8 726	1 189	872	-102
<i>2005</i>				
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 Ltd	1 367	1 347	1 085	0
Lappeenranta Innovation Ltd	50	0	0	0

Currency unit: 1 000

	2006	2005
<b>10. AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>		
Available-for-sale financial assets, Jan 1	268	230
Increases	31	3
Decreases	-104	
Increases from business combinations	4 616	33
Change in fair value of assets recognized at fair value	30	1
<b>Available-for-sale financial assets, Dec 31</b>	<b>4 840</b>	<b>268</b>

EUR 3.2 million (EUR 73 thousand in 2005) has been recognized at fair value and EUR 1.7 million (EUR 195 thousand) has been recognized at cost.

<b>Revaluation fund</b>		
Revaluation fund, Jan 1	18	17
Change in fair value of assets recognized at fair value	30	1
<b>Revaluation fund, Dec 31</b>	<b>48</b>	<b>18</b>

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

#### 11. INCOME TAXES AND DEFERRED TAXES

Current taxes	-2 247	-1 778
Change in deferred taxes	-6 212	-506
<b>Tax expense in income statement</b>	<b>-8 460</b>	<b>-2 284</b>

#### Reconciliation of income taxes

Profit before taxes	33 047	15 110
Taxes calculated at the tax rate on the balance sheet date, 26 %	-8 592	-3 929

Non-tax-deductible expenses	-208	-93
Tax-exempt income		73
Previously unrecognized deductible differences	342	1 805
Unrecognized deferred tax assets	-27	-4
Income tax for previous years	-4	-86
Others	29	-50
<b>Tax expense in income statement</b>	<b>-8 460</b>	<b>-2 284</b>

#### Deferred tax liabilities

Investment properties	20 659	11 490
Other temporary differences	2 023	130
<b>Deferred tax liabilities, total</b>	<b>22 682</b>	<b>11 620</b>

#### Deferred tax assets

Investment properties	1 346	3 000
Tangible fixed assets		138
Unused losses confirmed in taxation	256	449
Other temporary differences	167	75
<b>Deferred tax assets, total</b>	<b>1 769</b>	<b>3 663</b>

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 0.2 million in 2006 (EUR 1.8 million in 2005).

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

	2006	2005
<b>12. CURRENT RECEIVABLES</b>		
Sales receivables	2 404	1 110
Receivables from associates		3
Loan receivables	7	67
Adjusting entries for assets	2 666	1 280
Finance lease receivables (breakdown in note 13.)	792	31
Other receivables	1 808	2 024
Income tax receivables	55	
<b>Short-term receivables, total</b>	<b>7 732</b>	<b>4 515</b>
<b>Financial securities</b>		
Other securities	33	
<b>13. FINANCE LEASE RECEIVABLES</b>		
The finance leases recognized in the consolidated financial statements are property leases and fixtures and fittings leases (Group as lessor). Long-term finance lease receivables have been recognized in non-current assets under investments and receivables.		
<b>Leases of fixtures and fittings</b>		
<b>Maturities of finance lease receivables</b>		
Not later than one year	34	36
Later than one year and not later than five years	52	76
<b>Gross investment in finance leases</b>	<b>85</b>	<b>112</b>
<b>Present value of minimum lease receivables</b>		
Not later than one year	28	31
Later than one year and not later than five years	48	65
<b>Present value of minimum lease receivables, total</b>	<b>76</b>	<b>96</b>
Non-accumulated financial income	10	16
<b>Gross investment in finance leases of fixtures and fittings</b>	<b>85</b>	<b>112</b>
<b>Finance leases of properties</b>		
<b>Maturities of finance lease receivables</b>		
Not later than one year	1 395	
Later than one year and not later than five years	5 177	
Later than five years	3 131	
<b>Gross investment in finance leases</b>	<b>9 704</b>	
<b>Present value of minimum lease receivables</b>		
Not later than one year	764	
Later than one year and not later than five years	3 569	
Later than five years	2 469	
<b>Present value of minimum lease receivables, total</b>	<b>6 802</b>	
Non-accumulated financial income	2 901	
<b>Gross investment in finance leases of properties</b>	<b>9 704</b>	
<b>14. LIABILITIES</b>		
<b>Non-current interest-bearing liabilities</b>		
Bank loans	139 535	107 022
Non-current finance lease liabilities	43 627	
<b>Non-current interest-bearing liabilities, total</b>	<b>183 162</b>	<b>107 022</b>
<b>Current interest-bearing liabilities</b>		
Commercial papers	34 833	7 073
Repayments on long-term loans	10 318	10 997
Other liabilities	1 176	84
<b>Current interest-bearing liabilities, total</b>	<b>46 326</b>	<b>18 154</b>



	2006	2005
Interest-bearing liabilities (excluding finance lease liabilities and other current liabilities) are all denominated in euros, and will mature as follows:		
2007	46 416	9 872
2008	14 598	12 898
2009	12 272	10 556
2010	17 089	11 942
2011	12 396	
Later	81 915	61 743
<b>Total</b>	<b>184 686</b>	<b>107 011</b>

The fair value of all interest-bearing liabilities was EUR 229.3 million in 2006 (EUR 124.5 million in 2005).

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

Bank loans	3.78	3.15
Bank loans incl. interest rate swaps	3.82	3.30
Finance lease liabilities	4.56	
Other loans	3.78	2.00
Commercial papers	3.32	2.33
<b>Non-current non-interest-bearing liabilities</b>		
Deferred tax liabilities	22 682	11 620
Other liabilities	1 506	936
<b>Non-current non-interest-bearing liabilities, total</b>	<b>24 188</b>	<b>12 557</b>

#### Current non-interest-bearing liabilities

Advances received	2 013	1 407
Accounts payable	4 129	2 036
Adjusting entries for liabilities	4 569	3 122
Liabilities based on derivatives contracts (interest rate swaps)	44	233
Other liabilities	1 284	825
Income tax liabilities	402	
<b>Current non-interest-bearing liabilities, total</b>	<b>12 442</b>	<b>7 622</b>

## 15. MANAGEMENT OF FINANCIAL RISKS

The most significant risks related to Technopolis's business operations are mainly financial risks and customer risks. Technopolis's 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's loan portfolio at the end of 2006 is shown by the fact that a one percentage point rise in money market rates would increase annual interest rate costs by EUR 0.9 million. Correspondingly, a one percentage point decrease in money market rates would reduce annual interest rate costs by EUR 0.9 million.

Changes in the exchange rate between the Russian ruble and the euro may have an effect on the company's financial situation and operations. Business transactions denominated in rubles are recognized at the exchange rate of the transaction date. The purchase of land in St. Petersburg was financed in local currency. The currency risk was minimized by applying a currency swap.

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's 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 June 2006, Technopolis Plc signed an agreement on the acquisition of a majority holding in Technopolis JSP Ltd (previously Jyväskylä Science Park) from the City of Jyväskylä and those of the company's minority shareholders that had approved the purchase offer made by Technopolis.

transaction price of shares acquired by the balance sheet date was EUR 18.0 million. This was paid partly in cash (EUR 9.5 million) and partly by offering 1,572,577 new Technopolis shares at a subscription price of EUR 5.41 per share. The other costs arising from the acquisition totaled EUR 0.5 million.

At the balance sheet date, Technopolis Plc owned 98.52 % of Technopolis JSP Ltd's shares. Technopolis aims to attain a 100 % holding. The

<b>Assets and liabilities arising from the acquisition of Technopolis JSP</b>	Fair values	Carrying amounts
<i>Assets</i>		
Intangible assets and tangible fixed assets	62 398	8 800
Investments and deferred tax assets	862	811
Receivables	1 914	1 914
Cash and cash equivalents	3 120	3 120
<i>Assets, total</i>	68 293	14 644
<i>Liabilities</i>		
Non-current liabilities	41 562	6 577
Current liabilities	1 172	
Other liabilities	6 913	
<i>Liabilities, total</i>	49 647	6 577
<i>Net asset value</i>	18 646	8 067
Minority interest in net asset value	-276	
Net asset value remaining for Group	18 370	8 067
Transaction price paid in cash	-9 483	
Transaction price paid by share offering	-8 508	
Transaction price paid otherwise	-530	
<i>Goodwill</i>	-151	
Transaction price paid in cash	-10 013	
Acquired company's cash assets	3 120	
Effect on cash flow	-6 893	

The goodwill from the acquisition of Technopolis JSP Ltd shares that could not be allocated to any identifiable assets, liabilities or contingent liabilities has been recognized through profit or loss.

In October 2006, Technopolis Plc signed an agreement with the City of Tampere on the acquisition of a majority holding in Tampere Science Parks Ltd. At the balance sheet date, Technopolis held 100 % of the shares of Technopolis TSP Oy (previously Tampere Science Parks). The transaction price of shares acquired by the balance sheet date was EUR 20.9 million. This was paid partly in cash (EUR 10.7 million) and partly by offering 1,722,818 new Technopolis shares at a subscription price of EUR 5.94 per share. The other costs arising from the acquisition totaled EUR 0.5 million.

Technopolis JSP Ltd's result for the financial year after the acquisition date, EUR -401 thousand, has been consolidated. If the acquired business had been in the Group from the start of the financial year, the consolidated net sales for 2006 would have been EUR 49.9 million, and the profit EUR 24.6 million.

<b>Assets and liabilities arising from the acquisition of Technopolis TSP</b>	Fair values	Carrying amounts
<i>Assets</i>		
Intangible assets and tangible fixed assets	18 038	10 060
Investments and deferred tax assets	13 593	10 138
Receivables	7 644	101
Cash and cash equivalents	733	636
<i>Assets, total</i>	40 009	20 934
<i>Liabilities</i>		
Non-current liabilities	13 904	6 553
Current liabilities	3 708	996
Other liabilities	997	
<i>Liabilities, total</i>	18 609	7 549

Currency unit: 1 000

Net asset value	21 399	13 385
Net asset value remaining for Group	21 399	13 385
Transaction price paid in cash	-10 693	
Transaction price paid by share offering	-10 234	
Transaction price paid otherwise	-478	
<i>Goodwill</i>	-5	
Transaction price paid in cash	-11 171	
Acquired company's cash and cash equivalents	733	
Effect on cash flow	-10 438	

The goodwill from the acquisition of Technopolis TSP Oy shares that could not be allocated to any identifiable assets, liabilities or contingent liabilities has been recognized through profit or loss.

Technopolis TSP Oy's result for the financial year after the acquisition date, EUR -563 thousand, has been consolidated. If the acquired business had been in the Group from the start of the financial year, the consolidated net sales for 2006 would have been EUR 47.8 million, and the profit EUR 25.6 million.

Additionally, following a transaction carried out in March, Technopolis Ventures Oulutech Oy in Oulu became Technopolis Ventures Oy's 70 % owned subsidiary. In May, the company acquired the entire stock of Kiinteistö- ja Sijoitusyhtiö Joreco Oy, an Oulu-based property and investment company. These acquisitions had no material effect on the consolidated figures.

	2006	2005		
<b>17. ASSETS PLEDGED, CONTINGENT LIABILITIES AND OTHER LIABILITIES</b>				
<b>Mortgages of properties</b>				
Loans from financial institutions	194 617	117 976		
Mortgages given	195 504	146 466		
<b>Land lease liabilities</b>				
Mortgages given	528	493		
<b>Other mortgage liabilities</b>	925	925		
<b>Mortgages, total</b>	<b>196 957</b>	<b>147 885</b>		
<b>Pledged property shares</b>				
Pledged investment properties	35 210	8 533		
<b>Collateral given on behalf of associates</b>				
Guarantees	505	505		
<b>Other guarantee liabilities</b>	100	100		
<b>Interest rate swaps</b>				
	Nominal value	Fair value	Nominal value	Fair value
Interest rate swaps in 2001 (fixed interest 5 years)			4 000	-69
Interest rate swaps in 2002 (fixed interest 5 years)	4 000	-44	4 000	-161
Interest rate swaps in 2003 (fixed interest 3 years)			1 172	-3
<b>Interest rate swaps, total</b>	<b>4 000</b>	<b>-44</b>	<b>9 172</b>	<b>-233</b>
<b>Other liabilities</b>				
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.		13 267		13 368
<b>Project liabilities</b>				
Project liabilities				2 027
Collateral deposits		10		10
<b>Project liabilities, total</b>		<b>10</b>		<b>2 037</b>
<b>Lease liabilities from fixtures and fittings leases</b>				
Current lease liabilities		185		28
Non-current lease liabilities		190		20
<b>Lease liabilities from fixtures and fittings leases, total</b>		<b>376</b>		<b>48</b>



Currency unit: 1 000

	2006	2005
<b>Lease liabilities from investment properties (Technopolis as the lessee)</b>		
<b>Total value of minimum lease payments</b>		
Not later than one year	3 214	
Later than one year and not later than five years	12 850	
Later than five years	52 607	
<b>Total</b>	<b>68 672</b>	
<b>Present value of minimum lease payments</b>		
Not later than one year	1 176	
Later than one year and not later than five years	5 195	
Later than five years	38 432	
<b>Present value of minimum lease payments, total</b>	<b>44 802</b>	
Future financial expenses, total	23 869	
<b>Total amount of finance lease liabilities from investment properties (Technopolis as the lessee)</b>	<b>68 672</b>	
<b>Carrying amount of investment properties leased by Technopolis on a financial lease, Dec 31</b>	<b>57 066</b>	

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

## 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 Ltd, 3,341,208 shares, Lappeenranta	31.12.2006	100.00	8 453
Innopoli Ltd, 1,414,280 shares, Espoo	31.12.2006	100.00	14 143
Technopolis Ventures Oy, 15,000 shares, Espoo	31.12.2006	100.00	1 261
Technopolis Ventures JSP Ltd, 1,000 shares, Jyväskylä	31.12.2006	100.00	8
Technopolis Ventures OuluTech Oy, 70 shares, Oulu	31.12.2006	70.00	12
Technopolis Ventures Kareltek Ltd, 1,000 shares, Lappeenranta	31.12.2006	100.00	8
Medipolis Ltd, 26,350 shares, Oulu	31.12.2006	55.71	4 432
Technopolis Hitech Ltd, 500 shares, Oulu	31.12.2006	100.00	50
Oulun Teknoparkki Oy, 122 shares, Oulu	31.12.2006	84.14	17
Oulun Ydinkeskustan Parkki Oy, 122 shares, Oulu	31.12.2006	62.24	12
Kiinteistö Oy Oulun Ydinkeskusta, 12,252 shares, Oulu	31.12.2006	98.77	3 063
Kiinteistö Oy Oulun Teknologiatilat, 16,200 shares, Oulu	31.12.2006	100.00	3
Kiinteistö Oy Oulun Moderava, 22,270 shares, Oulu	31.12.2006	100.00	8
Kiinteistö Oy Oulun Mediaani, 2,810 shares, Oulu	31.12.2006	100.00	8
Technopolis JSP Ltd, 1,400 shares, Jyväskylä	31.12.2006	98.52	2 355
Technopolis JSPF Ltd, 8,990 shares, Jyväskylä	31.12.2006	100.00	1 512
Technopolis TSP Oy, 675,295 shares, Tampere	31.12.2006	100.00	11 358
Kiinteistö Oy Hermia Kymppi, 3,573 shares, Tampere	31.12.2006	100.00	12
Kiinteistö- ja Sijoitusyhtiö Joreco Oy, 150 shares, Oulu	31.12.2006	100.00	3
Kiinteistö Oy Teknologiantie 11, 300 shares, Oulu	31.12.2006	100.00	3
Technopolis St. Petersburg LLC, St. Petersburg, Russia	31.12.2006	100.00	2 421

The subsidiaries Tekno-Tennis Oy in Finland and Technopolis Neudorf LLC in St. Petersburg, Russia have not been consolidated due to the minor scope of their activities.

Currency unit: 1 000

	2006	2005
<b>Associates</b>		
Sale of services	2	21
Receivables from associates		3
Liabilities to associates		36

Associates and the holdings in them have been presented in note 9. The transactions undertaken with associates comprise the sale of services in 2006 and the leasing of premises in 2005.

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

President and CEO	272	202
Members of the Board		
Juha Hulkko		2
Lauri Lajunen		2
Kari Nenonen		4
Juhani Paajanen	13	9
Timo Parmasuo	14	9
Matti Pennanen	13	7
Pertti Rantanen		1
Erkki Veikkolainen	13	8
Pertti Voutilainen	28	17
<b>Total</b>	<b>81</b>	<b>58</b>

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 8 thousand (EUR 10 thousand in 2005).

The terms of the option program are presented in note 19.

## 19. 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. The share subscription period will end on April 30, 2007.

By the end of the financial year, 553,100 of the year 2001 options had been exercised to subscribe for shares, and the number of outstanding 2001 options was 46,900. 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 125,068 shares. The weighted average execution date price of shares bought by exercising options was EUR 6.05 (EUR 3.90 in 2005).

Changes during the year	2006		2005	
	Weighted subscription price, EUR/share	Number of options	Weighted subscription price, EUR/share	Number of options
At beginning of year	1.69	286 500	1.69	458 000
New options granted	1.69	2 500	1.69	5 000
Exercised options	1.69	257 300	1.69	176 500
Outstanding at end of year	1.69	31 700	1.69	286 500
Exercisable at end of year		31 700		286 500

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 Plc 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 held on March 22, 2005 decided on an 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 tra-

de-weighted average price of the Technopolis share in the Helsinki Stock Exchange during April 1-30, 2005, plus 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 must immediately offer to the company or another party designated by the company, 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.

Changes during the year	2006		2005	
	Weighted subscription price, EUR/share	Number of options	Weighted subscription price, EUR/share	Number of options
At beginning of year, 2005A		336 000		
New options granted, 2005B	6.88	421 000		
Lost options, 2005A	3.97	20 000		
Outstanding at end of year	6.88	737 000	4.10	336 000
Exercisable at end of year		-		-



## 20. 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 Teknologia- ja Oyj (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 mid cap list of the Helsinki Stock Exchange. The ISIN code is FI0009006886, and the trading code is TPS1V.

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, 2006 was EUR 60,589,957.74 and on December 31, 2006 EUR 67,318,753.58, divided into 39,833,582 shares with a counter-book value of EUR 1.69. Changes in the share capital during the financial year are shown in the following section. 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.

### Shares and share capital

According to its Articles of Association, Technopolis Plc's share capital is

#### Increases in share capital

Share capital, EUR	Nominal value/ counter-bookvalue 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
60 634 122.51	1.69	35 878 179	15.2.2006
61 749 536.03	1.69	36 538 187	9.3.2006
64 284 835.16	1.69	38 038 364	6.7.2006
64 407 191.16	1.69	38 110 764	21.8.2006
67 204 337.20	1.69	39 765 880	26.10.2006
67 318 753.58	1.69	39 833 582	13.12.2006

#### Increases in share capital based on options

In November and December 2005, a total of 26,133 Technopolis shares were subscribed with year 2001 options, and the resulting increase in share capital, EUR 44,164.77, was entered in the Trade Register on February 15, 2006. In March 2006, a total of 660,008 Technopolis shares were subscribed with year 2001 options, and the resulting increase in share capital, EUR 1,115,413.52, was entered in the Trade Register on March 9, 2006.

#### Annual General Meeting of March 24, 2006

The AGM held on March 4, 2006 decided to distribute a dividend of EUR 0.13 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 of 7,175,635 new shares with a counter book value of EUR 1.69. Based on the authorization, the share capital can be increased by a maximum of EUR 12,126,823.15.

#### Share offering of June 21, 2006

The Technopolis Board of Directors decided on June 21, 2006 to increase the company's share capital by a maximum of EUR 3,380,000 by offering a maximum of 2,000,000 new shares of the company to Technopolis JSP Ltd (Jyväskylä Science Park) shareholders. The total number of shares issued corresponded to a maximum of some 5.2 % of the Technopolis share capital and votes after the share capital increase. A total of 1,500,177 shares were subscribed in the offering, raising the share capital by EUR 2,535,299.13. The shares were entered in the Trade Register on July 6 and accepted for trading on July 7.

Related to the share offering, the share capital was raised a second time in August, by EUR 122,356.00 and 72,400 shares. The shares were entered in the Trade Register on August 21 and accepted for trading on August 22.

#### Share offering of September 27, 2006

The Technopolis Board of Directors decided on September 27, 2006

to increase the company's share capital by a maximum of EUR 2,918,858.15 by offering a maximum of 1,727,135 new shares of the company to Technopolis TSP Oy (Tampere Science Park) shareholders. The total number of shares issued corresponded to a maximum of some 4.3 % of the Technopolis share capital and votes after the share capital increase. A share capital increase of EUR 2,797,146.04, corresponding to 1,655,116 new shares, was entered in the Trade Register on October 26 and accepted for trading on October 27.

Related to the share offering, the share capital was raised a second time in December, by EUR 114,416.38 and 67,702 shares. The shares were entered in the Trade Register on December 13 and accepted for trading on December 14.

#### Share-based incentive schemes

The company has two share-based incentive schemes – 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 19.

According to a disclosure received by Technopolis, Erkki Etola's holdings of the company's share capital and votes fell below 5 % in February 2006. 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.

#### Largest shareholders, Dec 31, 2006

	Number of shares	% of shares and votes
City of Oulu	2 356 098	5.91
City of Tampere	1 505 116	3.78
OP Life Assurance Company Ltd	908 680	2.28
Varma Mutual Pension Insurance Company	749 800	1.88
OP Eläkekassa	657 491	1.65
City of Vantaa	600 000	1.51
OP Bank Group Pension Foundation	562 600	1.41
Odin Forvaltnings AS	554 000	1.39
Finnish Cultural Foundation	548 227	1.38
Lappeenrannan Kaupunkiyhtiöt Oy	511 361	1.28
Total of 10 largest shareholders	8 953 373	22.47
Foreign and nominee-registered	20 389 153	51.19
Others	10 491 056	26.34
Total	39 833 582	100.00

According to a disclosure received by the company, the holding of Erkki Etola of the company's share capital and voting power fell below 5 % in February 2006. The company is unaware of any other changes in ownership as intended in Chapter 2, Section 10 of the Securities Markets Act.

#### Shareholding breakdown, Dec 31, 2006

	Share-holders	Share amount %	Shares/ votes	%
1 – 100	199	5.31	12 555	0.03
101 – 500	1 165	31.11	350 273	0.88
501 – 1 000	849	22.67	664 664	1.67
1 001 – 5 000	1 239	33.08	2 847 797	7.15
5 001 – 10 000	150	4.01	1 112 850	2.79
10 001 – 50 000	103	2.75	2 107 821	5.29
50 001 – 100 000	11	0.29	722 387	1.81
100 001 – 500 000	16	0.43	3 344 001	8.40
500 001 –	13	0.35	28 650 994	71.93
Total	3 745	100,00	39 813 342	99.95
of which nominee-registered	6		19 732 742	
Joint account			20 240	0.05
Number of shares issued			39 833 582	100.00

Currency unit: 1 000

### Shareholdings by sector, Dec 31, 2006

	Shareholders	%	Shares/ votes	%
Private companies	214	5.71	2 487 652	6.24
Finance & insurance institutions	30	0.80	22 297 058	55.98
Public bodies	26	0.69	6 539 797	16.42
Households	3 403	90.88	5 781 878	14.51
Non-profit institutions	57	1.52	2 050 546	5.15
Foreign investors	15	0.40	656 411	1.65
<b>Total,</b>	<b>3 745</b>	<b>100.00</b>	<b>39 813 342</b>	<b>99.95</b>
of which nominee-registered	6		19 732 742	
Joint account			20 240	0.05
Number of shares issued			39 833 582	100.00

	2006	2005
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### Share-related Indicators

#### Number of shares

On Dec 31, 2006	39 833 582	35 852 046
Issue-adjusted average during year	37 472 329	33 358 468
Dilution-adjusted average during year	37 619 867	33 526 874

#### Share-related indicators

Earnings/share, undiluted, EUR	0.63	0.38
Earnings/share, diluted, EUR	0.63	0.38
Equity/share, EUR	4.03	3.39
Dividend/share, EUR (proposal)	0.14	0.13
Dividend payout ratio, %	22.1	34.2
Price/earnings (P/E) ratio	12.2	13.2
Effective dividend yield, %	1.8	2.6

#### Share prices, EUR

Highest price	7.99	5.23
Lowest price	4.41	3.17
Average price	6.01	4.10
Price on Dec 31	7.70	5.00
Market capitalization, Dec 31, EUR	306 718 581	179 260 230
Share turnover, EUR	140 759 800	87 475 499
Shares traded	23 293 922	21 690 055

### Breakdown of Group equity

Restricted equity		
Share capital	67 319	60 590
Premium fund	18 551	12 727
Revaluation fund	48	18
<b>Restricted equity, Dec 31</b>	<b>85 918</b>	<b>73 335</b>

Unrestricted equity		
Paid-up unrestricted equity reserve	7 322	
Other funds		6
Other equity	320	123
Retained earnings	43 404	35 272
Net profit for the year	23 736	12 679
<b>Unrestricted equity, Dec 31</b>	<b>74 782</b>	<b>48 081</b>

### Parent's distributable unrestricted equity

Paid-up unrestricted equity reserve	7 322	
Parent's retained earnings	5 086	3 619
Dividends distributed	-4 664	-3 538
Parent's net profit for the year	7 363	5 005
<b>Parent's distributable unrestricted equity 31.12.</b>	<b>15 107</b>	<b>5 086</b>





## PARENT COMPANY BALANCE SHEET

<b>ASSETS</b>	<b>Note</b>	<b>2006</b>	<b>2005</b>
<b>Non-current assets</b>			
Intangible assets	8	360	456
Tangible assets	9	155 886	150 849
Holdings in Group companies	10	94 648	36 961
Holdings in associates	10	635	661
Investments	10	11 689	2 182
<b>Non-current assets, total</b>		<b>263 218</b>	<b>191 109</b>
<b>Current assets</b>			
Short-term receivables	11	3 673	1 197
Cash and bank		2 311	692
<b>Current assets, total</b>		<b>5 983</b>	<b>1 890</b>
<b>ASSETS, TOTAL</b>		<b>269 201</b>	<b>192 999</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
	12		
Share capital		67 319	60 590
Premium fund		18 943	13 093
Paid-up unrestricted equity reserve		7 322	
Retained earnings		422	81
Net profit for the year		7 363	5 005
<b>Shareholders' equity, total</b>		<b>101 369</b>	<b>78 769</b>
Accumulated appropriations		13 498	11 575
<b>Liabilities</b>			
Non-current liabilities	13	106 835	83 761
Current liabilities	14	47 500	18 895
<b>Liabilities, total</b>		<b>154 335</b>	<b>102 656</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL</b>		<b>269 201</b>	<b>192 999</b>

## PARENT COMPANY CASH FLOW STATEMENT

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2006</b>	<b>2005</b>
Operating profit	11 737	10 785
Depreciation according to plan	3 664	3 437
Other adjustments for non-cash transactions		-15
Increase/decrease in working capital	-2 602	1 073
Interest received	230	52
Interests paid and fees	-4 061	-3 755
Income from other investments in non-current assets	2 706	838
Taxes paid	-1 542	-1 536
<b>Net cash provided by operating activities</b>	<b>10 132</b>	<b>10 879</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments in other securities	-9 537	-16 045
Investments in tangible and intangible assets	-47 344	-18 599
<b>Net cash used in investing activities</b>	<b>-56 880</b>	<b>-34 643</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in long-term loans	30 040	20 033
Decrease in long-term loans	-7 298	-7 640
Dividends paid	-4 664	-3 538
Paid share issue	1 115	20 739
Increase in short-term loans	154 854	62 600
Decrease in short-term loans	-127 121	-68 500
Group account	1 441	
<b>Net cash provided by financing activities</b>	<b>48 367</b>	<b>23 694</b>
<b>Net increase/decrease in cash assets</b>	<b>1 618</b>	<b>-70</b>
Cash and cash equivalents, January 1	692	762
<b>Cash and cash equivalents, December 31</b>	<b>2 311</b>	<b>692</b>

## 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 various development projects are recognized in other operating income. Correspondingly, the expenses related to the development projects are recognized in other operating expenses and personnel expenses.

### Measurement of fixed assets

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

Intangible rights	20 % straight-line depreciation
Other long-term expenditure	10 % straight-line depreciation
Buildings and structures (stone or similar)	2.0-2.5 % straight-line depreciation
Buildings and structures (wood 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, and if they can be reliably defined and can be allocated to an asset. Otherwise, they will be recognized as an expense in the income statement. Existing and unfinished buildings also include interest expenses capitalized during the 2005 financial year.

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

### Translation of foreign currency items

Foreign currency transactions are recognized 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.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

	2006	2005
<b>1. NET SALES</b>		
Rental income	22 140	19 700
Service income	4 822	3 484
<b>Net sales, total</b>	<b>26 962</b>	<b>23 184</b>
<b>2. OTHER OPERATING INCOME</b>		
Development projects	426	1 025
Other operating income	220	51
<b>Other operating income, total</b>	<b>646</b>	<b>1 076</b>
<b>3. PERSONNEL EXPENSES</b>		
Salaries and fees	2 640	2 105
Pension costs	421	405
Indirect employee costs	224	235
<b>Personnel expenses, total</b>	<b>3 286</b>	<b>2 746</b>
Average number of employees	57	49
<b>Salaries of CEO and Board members</b>		
President and CEO	272	202
Members of the Board of Directors	81	58
<b>Salaries of CEO and Board members, total</b>	<b>353</b>	<b>260</b>
<b>4. DEPRECIATION ACCORDING TO PLAN AND IMPAIRMENT</b>		
Depreciation of intangible assets	117	116
Depreciation of tangible assets	3 546	3 321
<b>Depreciation according to plan and impairment, total</b>	<b>3 664</b>	<b>3 437</b>
<b>5. FINANCIAL INCOME AND EXPENSES</b>		
Dividend income from Group companies	2 703	833
Dividend income from others	8	3
Other interest income from Group companies	239	2
Other interest income from others	72	52
Interest expenses and other financial expenses to others	-3 930	-3 704
<b>Financial income and expenses, total</b>	<b>-909</b>	<b>-2 814</b>
<b>6. APPROPRIATIONS</b>		
Depreciation difference	1 923	1 431
<b>7. INCOME TAXES</b>		
Income tax from actual operations	1 542	1 536
<b>Income taxes, total</b>	<b>1 542</b>	<b>1 536</b>
<b>8. INTANGIBLE ASSETS</b>		
<b>Intangible rights</b>		
Acquisition cost, Jan 1	351	170
Increases	20	181
Acquisition cost, Dec 31	371	351
Accumulated depreciation, Jan 1	-151	-92
Depreciation for the year	-63	-59
<b>Intangible rights, Dec 31</b>	<b>157</b>	<b>200</b>

Currency unit: 1 000

	2006	2005
<b>Other long-term expenditure</b>		
Acquisition cost, Jan 1	1 046	1 046
Acquisition cost, Dec 31	1 046	1 046
Accumulated depreciation, Jan 1	-789	-733
Depreciation for the year	-54	-57
<b>Other long-term expenditure, Dec 31</b>	<b>203</b>	<b>257</b>
<b>9. TANGIBLE ASSETS</b>		
<b>Land areas</b>		
Connection fees	15 205	7 795
Increases	625	7 409
<b>Land areas, Dec 31</b>	<b>15 829</b>	<b>15 205</b>
<b>Connection fees</b>		
Acquisition cost, Jan 1	1 720	1 701
Increases	7	19
<b>Connection fees, Dec 31</b>	<b>1 727</b>	<b>1 720</b>
<b>Land areas, total, Dec 31</b>	<b>17 556</b>	<b>16 925</b>
<b>Buildings and structures</b>		
Acquisition cost, Jan 1	152 560	137 163
Increases	7 449	15 396
Acquisition cost, Dec 31	160 009	152 560
Accumulated depreciation, Jan 1	-20 338	-17 257
Depreciation for the year	-3 315	-3 081
<b>Buildings and structures, Dec 31</b>	<b>136 355</b>	<b>132 221</b>
Construction-period interest, Jan 1	413	319
Increases		94
Construction-period interest, Dec 31	413	413
Accumulated depreciation, Jan 1	-14	-6
Depreciation for the year	-8	-8
<b>Construction-period interest, Dec 31</b>	<b>391</b>	<b>399</b>
Depreciation of capitalized interest is included in depreciation according to plan in the income statement.		
<b>Buildings and structures, Dec 31</b>	<b>136 747</b>	<b>132 620</b>
<b>Machinery and equipment</b>		
Original acquisition cost	1 981	1 670
Accumulated depreciation	-1 284	-1 051
Net expenditures, Jan 1	697	618
Increases	242	355
Decreases	-46	-44
Depreciation for the year	-224	-232
<b>Machinery and equipment, Dec 31</b>	<b>670</b>	<b>697</b>
<b>Other tangible assets</b>		
Acquisition cost, Jan 1	18	18
<b>Other tangible assets, Dec 31</b>	<b>18</b>	<b>18</b>
<b>Advance payments and projects in progress</b>		
Projects in progress, Jan 1	590	5 351
Capitalized interest expenses		53
Increases/decreases	306	-4 815
<b>Advance payments and projects in progress, Dec 31</b>	<b>896</b>	<b>590</b>



Currency unit: 1 000

	2006	2005		
<b>10. INVESTMENTS</b>				
<b>Holdings in Group companies</b>				
Acquisition cost, Jan 1	36 961	18 884		
Increases/decreases	57 688	18 077		
<b>Holdings in Group companies, Dec 31</b>	<b>94 648</b>	<b>36 961</b>		
<b>Holdings in associates</b>				
Acquisition cost, Jan 1	661	651		
Increases/decreases	-27	10		
<b>Holdings in associates, Dec 31</b>	<b>635</b>	<b>661</b>		
<b>Other shareholdings</b>				
Acquisition cost, Jan 1	149	149		
Increases/decreases	-29			
<b>Other shareholdings, Dec 31</b>	<b>120</b>	<b>149</b>		
<b>Receivables from Group companies</b>				
Loans, Jan 1	2 033	1 789		
Increases	12 847	550		
Decreases	-3 310	-307		
<b>Receivables from Group companies, Dec 31</b>	<b>11 569</b>	<b>2 033</b>		
<b>Holdings in Group companies</b>	End of financial year	Holding, %	Nominal value	Book value
Technopolis Kareltek Ltd, 3,341,208 shares, Lappeenranta, Finland	31.12.2006	100.00	8 453	11 132
Innopoli Oy, 1,414,280 shares, Espoo	31.12.2006	100.00	14 143	6 068
Medipolis Oy, 26,350 shares, Oulu, Finland	31.12.2006	55.71	4 432	4 432
Technopolis Hitech Oy, 500 shares, Oulu, Finland	31.12.2006	100.00	50	63
Oulun Teknoparkki Oy, 100 shares, Oulu, Finland	31.12.2006	69.00	17	23
Oulun Ydinkeskustan Parkki Oy, 122 shares, Oulu, Finland	31.12.2006	62.24	12	12
Kiinteistö Oy Oulun Ydinkeskusta, 12,252 shares, Oulu, Finland	31.12.2006	98.77	3 063	21 646
Kiinteistö Oy Oulun Teknologiatalot, 16,200 shares, Oulu, Finland	31.12.2006	100.00	3	7 945
Kiinteistö Oy Oulun Moderava, 22,270 shares, Oulu, Finland	31.12.2006	100.00	8	496
Kiinteistö Oy Oulun Mediaani, 2,810 shares, Oulu, Finland	31.12.2006	100.00	8	8
Kiinteistö- ja Sijoitusyhtiö Joreco Oy, 150 shares, Oulu, Finland	31.12.2006	100.00	3	460
Technopolis JSP Ltd, 1,400 shares, Jyväskylä, Finland	31.12.2006	98.52	2 355	18 521
Technopolis TSP Oy, 675,295 shares, Tampere, Finland	31.12.2006	100.00	11 358	21 404
Technopolis Neudorf LLC, St. Petersburg, Russia	31.12.2006	100.00		17
Technopolis St. Petersburg LLC, St. Petersburg, Russia	31.12.2006	100.00		2 421
<b>Total</b>				<b>94 648</b>
<b>Holdings in associates</b>				
Iin Micropolis Oy, 500 shares, Ii	31.12.2006	25.64	84	24
Technocenter Kempele Oy, 501 shares, Kempele, Finland	31.12.2006	48.50	125	588
Jyväskylä Innovation Ltd, 1,200 shares, Jyväskylä, Finland	31.12.2006	24.00	12	12
Lappeenranta Innovation Ltd, 1,000 shares, Lappeenranta, Finland	31.12.2006	20.00	10	10
<b>Total</b>				<b>635</b>
<b>Other shareholdings</b>				
Oulun Puhelin Oyj, 22,500 shares	31.12.2006	0.06	11	51
Kiinteistö Oy Teknocent, 250 shares	31.12.2006	6.20	42	42
Tekno-Tennis Oy, 68 shares	31.10.2006	64.76	3	16
Nallikari-Tennis Oy, 20 shares	29.2.2006	0.90	3	3
Oulu Innovation Ltd, 2,392 shares	31.12.2006	13.00	2	5
Others				2
<b>Total</b>				<b>120</b>

	2006	2005
<b>11. SHORT-TERM RECEIVABLES</b>		
Sales receivables from Group companies	239	108
Adjusting entries for assets from Group companies	664	
Other Group receivables	1 330	
Sales receivables from associates		1
Sales receivables	814	388
Adjusting entries for assets	623	698
Other receivables	2	2
<b>Short-term receivables, total</b>	<b>3 673</b>	<b>1 197</b>
<b>12. CHANGES IN SHAREHOLDERS' EQUITY</b>		
Share capital, Jan 1	60 590	49 803
Share capital increase	6 729	10 787
<b>Share capital, Dec 31</b>	<b>67 319</b>	<b>60 590</b>
Share issues, Jan 1		
Increases	19 901	23 008
Transfer to share capital	-6 729	-10 787
Transfer to premium fund	-5 850	-12 222
Transfer to paid-up unrestricted equity reserve	-7 322	
<b>Share issues, Dec 31</b>		
Premium fund, Jan 1	13 093	872
Issue premium	5 850	12 222
<b>Premium fund, Dec 31</b>	<b>18 943</b>	<b>13 093</b>
<b>Restricted equity, Dec 31</b>	<b>86 262</b>	<b>73 683</b>
Paid-up unrestricted equity reserve, Jan 1		
Issue premium	7 322	
<b>Paid-up unrestricted equity reserve, Dec 31</b>	<b>7 322</b>	
Distributable funds, Jan 1	5 086	3 619
Dividends distributed	-4 664	-3 538
Net profit for the year	7 363	5 005
<b>Distributable funds, Dec 31</b>	<b>7 785</b>	<b>5 086</b>
<b>Unrestricted equity, Dec 31</b>	<b>15 107</b>	<b>5 086</b>
<b>Shareholders' equity, Dec 31</b>	<b>101 369</b>	<b>78 769</b>
<b>Distributable unrestricted equity, Dec 31</b>	<b>15 107</b>	<b>5 086</b>
<b>13. NON-CURRENT LIABILITIES</b>		
Loans from financial institutions	105 899	82 825
Other liabilities	936	936
<b>Non-current liabilities, total</b>	<b>106 835</b>	<b>83 761</b>
<b>14. CURRENT LIABILITIES</b>		
Loans from financial institutions	6 932	7 264
Advances received	491	722
Accounts payable	223	991
Liabilities to Group companies	2 292	102
Other current liabilities	35 670	7 613
Adjusting entries for liabilities	1 892	2 202
<b>Current liabilities, total</b>	<b>47 500</b>	<b>18 895</b>







# BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The distributable funds of the parent company Technopolis Plc, totaling EUR 7,784,899, are available to the Annual General Meeting. The Board of Directors proposes that a dividend of EUR 0.14 per share be distributed, totaling EUR 5,676,674.22. The Board proposes that the remainder be left in retained earnings.

Oulu, March 8, 2007

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

## AUDITOR'S REPORT

### **To the shareholders of Technopolis Plc**

We have audited the accounting records, the Board of Directors' report, the financial statements and administration of Technopolis Plc for the period 1.1. - 31.12.2006. The Board of Directors and the President and CEO have prepared the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, consisting of the Group's balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity and notes to the consolidated financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with the 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, the Board of Directors' report, the parent company's financial statements and the administration.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the Board of Directors' report and the financial statements are free of material misstatement. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the President and CEO have complied with the rules of the Companies Act.

### **Consolidated financial statements**

In our opinion the consolidated financial statements, prepared in accordance with the 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 result of operations as well as of the financial position.

### **Parent company's financial statements, Board of Directors' report 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 Board of Directors' report has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The Board of Directors' report 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 the distributable funds is in compliance with the Companies Act.

Oulu, March 8, 2007

KPMG Oy Ab

Tapio Raappana  
Authorized Public Accountant

# CORPORATE MANAGEMENT AND GOVERNANCE, DEC 31, 2006

## BOARD OF DIRECTORS

**Mr. Pertti Voutilainen**, M.Sc. (Eng.), M.Sc. (Econ.), born 1940, has served as Chairman of the Board since 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 Ridдарhyttan Resources AB and a Board member of Agnico-Eagle Mines Limited. On Dec 31, 2006, he held 3,200 Technopolis Plc shares.

**Mr. Matti Pennanen**, M.Sc. (Eng.), born 1951, has served as Vice Chairman since 2005. He has been the Mayor of Oulu since Jan 1, 2007, having served earlier as the Deputy Mayor from 2001. Prior to that he served Palmberg-Rakennus Ltd and YIT Corporation Ltd in various tasks in Finland and abroad. He is currently Chairman of Oulun Palvelusäätiö and a Board member of the Finnish Port Association.

**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, an Executive Board expert member at YTV, and a Board member of Pääkaupunkiseudun Markkinointi Oy.

**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, Space Economy Furniture Oy, the Technology Industries of Finland and the Confederation of Finnish Industry and Employers 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 2005. He is CEO of MEVita Invest Oy and previously served as a business unit director of Elektrobitt Group Plc., CEO of Elektrobitt Oy and in various tasks at Nokia Mobile Phones, the last being business unit director. He is a Board member of Aplicom Oy, Kiinteistö Oy Oulunsalon Kauppa- ja Palvelukeskus, Maustaja Oy, Mecanova Oy, Mecapinta Oy, Newtest Oy and Sijoitus Kapteeni Oy, and Chairman of Elcoflex Oy and Kodinkone Markus Oy. On Dec 31, 2006, he held 15,400 Technopolis shares.

All Board members are independent of the Company.

In 2006, the Board met 14 times. The average attendance was 94 %. The fees and meeting fees of the Board for 2006 totaled EUR 81,300.

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 position. The Board annually assesses its own work and success.

## PRESIDENT AND CEO

**Mr. Pertti Huuskonen**, M.Sc. (Tech), eMBA, MKT, 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. He is a member of Finpro's Supervisory Board and a Board member of Detection Technology Inc.

In 2006, the President and CEO was paid EUR 204,460 in basic salary including fringe benefits and EUR 67,200 in annual bonuses and other benefits. His individual pension insurance contributions in 2006 were EUR 6,048. On Dec 31, 2006, he held 46,400 Technopolis shares, 3,000 options from the 2001 options program and 265,000 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

**Mr. Jukka Akselin**, M.Sc. (Eng.), born 1961, serves as CEO of Technopolis JSP Ltd. Technopolis JSP (previously Jyväskylä Science Park) has been part of the Technopolis Group since June 2006. Jukka Akselin has served the JSP Group in various positions since 1995.

**Ms Satu Eskelinen**, M.Sc. (Eng.), born 1961, has served as CEO of Technopolis TSP Oy since Jan 15, 2007. Technopolis TSP (previously Tampere

Science Parks) has been part of the Technopolis Group since October 2006. Previously Satu Eskelinen served as head of Solteq Oy's consulting and technology unit.

**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 Lappeenranta Autokeskus Oy.

**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 Director of the Capital Area. 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, serves as 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.

## MANAGEMENT SHAREHOLDINGS

Members of the Board of Directors, the President and CEO, members of the Executive Board and controlled companies held 69,700 Technopolis shares on Dec 31, 2006, i.e. 0.17 % of the total shares.

On Dec 31, 2006, members of the Executive Board held a total of 51,100 Technopolis Plc shares, 8,000 options from the 2001 options program and 541,000 options from the 2005 options program.



*Members of the Technopolis Plc Board of Directors on Dec 31, 2006. From right: Pertti Voutilainen, Juhani Paajanen, Matti Pennanen, Timo Parmasuo and Erkki Veikkolainen.*

### **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 the Executive Board (e.g. based on annual performance) will be made by the Board of Directors.

### **AUDITOR**

Since March 24, 2006, the company's auditor has been KPMG Oy Ab, Authorized Public Accountants, with **Tapio Raappana**, APA, as the responsible auditor. Prior to that, the company's auditor was Ernst & Young Oy, Authorized Public Accountants, with **Rauno Sipilä**, APA, as the responsible auditor.

In 2006, the auditors were paid EUR 84,799 in auditing fees and EUR 35,112 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 for the 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 leases to end in different years. In addition, its operations are protected against business cycles by its fixed-term and long-term lease portfolio.

Risk management is also discussed in the Board of Directors' report on page 18.



# CORPORATE GOVERNANCE IN TECHNOPSIS PLC, DECEMBER 31, 2006

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 on 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 at the AGM.

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 schemes 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 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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