TECHNOPOLIS PLC INTERIM REPORT October 29, 2009 at 11.45 a.m.

TECHNOPOLIS GROUP INTERIM REPORT JANUARY 1 – SEPTEMBER 30, 2009

Highlights for the period 1 – 9/2009 compared with 2008 equivalent
- Net sales reached EUR 56.7 million (EUR 53.0 million), an increase of 7.0%
- EBITDA rose 7.0% to EUR 30.0 million (EUR 28.1 million)
- The direct result rose 28.7% to EUR 15.6 million (EUR 12.2 million)
- The operating loss was EUR 1.5 million (operating profit EUR 25.9 million), mainly due to a fall of EUR 31.1 million (EUR -1.3 million) in the fair value of investment properties and properties under construction
- The loss before taxes was EUR 10.8 million (profit before taxes EUR 15.9 million) and included a negative impact of EUR 31.1 million (EUR -1.3 million) in the fair value of investment properties and properties under construction
- Diluted earnings per share EUR -0.14 (EUR 0.23)
- The financial occupancy rate was 94.3% (96.4%)
- The Group’s equity ratio was 38.0% (41.4%).

Keith Silverang, President and CEO:

“Technopolis’ operations made satisfactory progress during the reporting period. The recession appears to have leveled off for the time being and we have seen signs of recovery.

The downturn has had an unfavorable impact on the company’s net sales during the reporting period, but the financial occupancy rate has stopped declining. The Group’s financial occupancy rate was at the same level as at the end of the second quarter, i.e. 94.3%. However, cost-cutting measures launched in 2008 have helped the company safeguard its profitability, which is reflected in the improvement in its direct result and EBITDA on the previous period.

The increase in yield requirements has slowed down during the third quarter. The fair values of investment properties and properties under construction have continued to fall during the third quarter, but more moderately than before.

So far Technopolis has come through the financial crisis satisfactorily. At the end of the reporting period, the average interest rate of the Group’s loan portfolio was 2.72%. With its current credit facilities of EUR 205.0 million, the Group can meet the funding needs of its approved investments. Despite the increase in loan spreads, the Group’s interest expenditure has fallen below the expected level because of the general decline in interest rates, which, for its part, has contributed to the Group’s profitability.”

Business Conditions in Finland and St. Petersburg

The financial market has normalized to a great extent during the summer, even though credit margins remain higher than a couple of years ago. The problems of the real economy will, however, have a delayed impact on the property market. But it is to be expected that the downward trend in the financial situation of tenant companies will result in an increase in vacancy rates, and rents may come down slightly in 2009 (Source: Catella September 30, 2009).

The employment situation is expected to deteriorate during the next year. Tenants have, in some areas, requested short-term rent reductions, pointing to the weakness of the economy. The vacancy rates of premises, particularly offices, are expected to rise. With increasing supply, the upward trend in rental levels will come to a halt and may turn downward, at least to some extent. Cautious optimism about the economy has been reflected in the property market in that the rise in yield requirements has slowed down. (Source: Catella September 30, 2009).

The downturn continued in the St. Petersburg office market, although a small upturn has been visible during the third quarter. The demand for office space comes mostly from companies moving to modern premises from their existing, inefficient offices. As in the past, the percentage of new tenants entering the market remained low. The oversupply has resulted in further decreases in rent levels. Tenants are requesting lower rents and looking for smaller offices. (Amplion, October 14, 2009).

The deterioration of the global business conditions can be seen in changes in the demand for operating environments among technology clients in Technopolis' operating sectors. In accordance with its concept, Technopolis offers suitable and flexible operating environment solutions even in times of recession. The Group's financial occupancy rate has fallen but it remained at the reasonable level of 94.3% at the end of the reporting period (having been 96.4% on September 30, 2008).

Operations

The Technopolis Group has defined the operating segments required under IFRS 8, which took effect at the beginning of 2009. There are two operating segments based on geographic units: Finland and Russia. The segment division is based on the Group's existing internal reporting procedures and the organization of the Group's operations. The Group has presented segment reports from the beginning of the current year.

The Group's net sales for the reporting period reached EUR 56.7 million (EUR 53.0 million in 2008), an increase of 7.0%. Of this, rental revenue accounted for 85.4% (81.8%) and service revenue for 14.6% (18.2%). The reduction in the relative proportion of service revenue was mainly due to the discontinuation of the Consulting Unit in the fall of 2008. The Group's Business Development Services helped clients in obtaining EUR 19.0 million worth of risk capital. Rental revenue from comparable sources showed no increase. Like for like rental growth, i.e. the comparable development of rental revenue, was calculated by comparing the rental revenue for the period 1-9/2009 with the corresponding period in 2008. In order to be comparable, the figures do not include properties commissioned or acquired during the year. EBITDA for the period was EUR 30.0 million (EUR 28.1 million), an increase of 7.0%.

The Group’s operating loss was EUR 1.5 million (profit EUR 25.9 million) which included a loss of EUR 31.1 million (EUR -1.3 million) in the fair value of investment properties and properties under construction. The decline in the operating profit was due to a drop in the fair value of investment properties caused by rising yield requirements. This drop had no impact on the net sales, EBITDA or cash flow. Decreases in the fair market values have a negative impact on the Group’s equity ratio.

The Group’s net financial expenses totaled EUR 9.3 million (EUR 10.0 million). The Group’s loss before taxes was EUR 10.8 million (profit EUR 15.9 million).

From the beginning of the current year, the company presents its direct result, which provides a more accurate picture of the company’s operational financial performance. The Group’s direct result was EUR 15.6 million (EUR 12.2 million), an increase of 28.7%. The direct result shows the company’s result for the fiscal period excluding changes in the fair market values of investment properties and financial instruments during the period, any non-recurring items and tax effects relating to the above-mentioned items.

Total assets in the balance sheet were EUR 691.7 million (EUR 659.0 million), an increase of 5.0%. The Group’s equity ratio at the end of the period was 38.0% (41.4%).

The fair value of the Group’s finished investment properties at the end of the period was EUR 596.4 million (EUR 576.2 million). From January 1, 2009, the company has complied with the amended IAS 40 standard, under which investment properties under construction recognized in tangible assets must also be measured at fair value, provided that fair value can be reliably determined. The fair value of investment properties under construction was EUR 40.0 million at the end of the period. The amendment to the standard was not applied retroactively. The negative earnings impact of the change in the fair values of investment properties and properties under construction was EUR 31.1 million (EUR -1.3 million) during the period. The negative change in the fair value is mainly due to the increased market yield requirements.

Yield requirements are calculated by means of analyses done by two independent appraisal agencies for each individual region. The yields are calculated by taking the average of the upper and lower ranges reported by these organizations. On September 30, 2009, the average net yield requirement for Group properties was 8.02% (7.47% on September 30, 2008). An average occupancy rate of 95.4% was projected for the calculation of the fair values over a ten-year time frame. The Group’s targets concerning the actual occupancy rates are higher than this. Over the period from 2000 to 2008, the Group’s average occupancy rate was 97.5%.

The Group’s total rentable space was 456,738 square meters at the end of the period (429,036 square meters on September 30, 2008). The Group’s average financial occupancy rate at the end of the period was 94.3% (96.4%). The financial occupancy rate depicts rental revenues from the properties as a percentage of the aggregate of market rents for occupied premises and the estimated market rent for vacant space. At the end of the reporting period, the lease portfolio held by the Group totaled EUR 122.5 million (EUR 117.7 million).

Group Structure

The Technopolis Group includes the parent company, Technopolis Plc, which has operations in Espoo, Helsinki, Jyväskylä, Kuopio, Lappeenranta, Oulu, Tampere and Vantaa, and its subsidiaries Innopoli Ltd and Kiinteistö Oy Innopoli II, both wholly owned and both in Espoo, as well as other subsidiaries.

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

The parent company has a non-controlling interest in the affiliated companies Kiinteistö Oy Hermia (49.3%), Technocenter Kempele Oy (48.5%), Kiinteistö Oy Bioteknia (28.5%), Iin Micropolis Ltd (25.7%), Jyväskylä Innovation Ltd (24%), Kuopio Innovation Ltd (24%), and Lappeenranta Innovation Ltd (20%). Technopolis Plc has a 13% holding in Oulu Innovation Ltd.

The Group also includes Technopolis Ventures Ltd in Espoo, which is wholly owned by Innopoli Ltd. Technopolis Ventures Ltd owns the subsidiaries Technopolis Ventures Lappeenranta Ltd (100%), Technopolis Ventures Jyväskylä Ltd (100%), Technopolis Ventures Oulu Ltd (100%), Technopolis Ventures Professia Ltd in Tampere (50.1%), and Technopolis Ventures Kuopio Ltd (100%). Since the end of the reporting period, Technopolis Ventures Ltd has acquired the entire share capital of Technopolis Ventures Professia Ltd. The local subsidiaries of the Group’s development services unit, Technopolis Ventures Ltd, are to be merged with their parent company Technopolis Ventures Oy. After the reporting period, Technopolis Ventures Ltd has acquired the entire share capital of Technopolis Ventures Professia Ltd. The Technopolis Group also has a 35% holding in Otaniemi Development Ltd.

Major Investments and Development Projects

A decision was made in April 2008 to start Phase 1 of the Hermia 15 building in Tampere. The cost of this 11,790-square-meter project is EUR 14.5 million, which includes a parking facility for 300 vehicles. The Phase 1 premises have been fully let. Phase 1 was brought to completion in August 2009.

Construction of Phase 1 of the Yliopistonrinne project in downtown Tampere was started in June 2008. The new technology center will be located on a plot of land bought from the City of Tampere earlier in January, next to the University of Tampere. The price of the plot was EUR 5.6 million. The estimated total cost of the 19,200-square-meter project is EUR 33.3 million, which includes a parking facility for 130 vehicles. The project is due for completion in March 2010 with 89% of the Phase 1 facilities already pre-let so far.

Technopolis is building an eye center in Tampere for the Joint Municipal Authority of the Pirkanmaa Hospital District in a new building being developed by Technopolis on the wellbeing and healthcare campus in the Finn-Medi district. The Hospital District will rent the facilities from Technopolis Plc which is in charge of the construction project. The term of the lease is 20 years.

The design and construction planning for the project will continue during the fall and the final decision on construction start will be taken in spring 2010. The estimated cost of the project is EUR 14.2 million. The operations of the 4,800-square-meter facility can start in early 2012.

Construction of Phase 1 of the Pulkovo technology center in St. Petersburg has begun. The new center is being constructed on a plot owned by Technopolis St. Petersburg LCC near Pulkovo International Airport. The estimated cost of the 24,100-square-meter building is about EUR 50 million. The roof raising ceremony for the phase was held on August 27, 2009, and work is proceeding according to plan. By the end of the reporting period, a total of EUR 32.9 million had been committed to the operations in St. Petersburg.

The market situation in St. Petersburg is extremely challenging, but there is reasonable demand. Negotiations on significant amounts of space are being conducted with numerous potential customers. However, it is difficult to forecast the timing for when new leases will be signed. In Russia, the normal market practice is to sign leases only upon completion of the projects. However, the first binding pre-lease for the Pulkovo project has been signed. The project is due for completion in the spring of 2010 with 3% of the Phase 1 facilities let so far.

As part of a program to improve operational efficiency, Technopolis launched a project to develop its management information systems. The new MIS system is to be deployed in April 2010. The external costs of the development project will amount to EUR 0.9 million.

Stock-Related Events

The company’s share capital stands at EUR 96,913,626.29, with 57,345,341 shares outstanding.

The company has not received any notices of changes in ownership during the reporting period.

Financing

With its current credit facilities, Technopolis can finance all Board approved investments. At the end of the period, Technopolis had available EUR 205.0 million in untapped binding credit facilities and loans, and cash amounting to EUR 2.2 million. Of the long-term unused credit facilities, EUR 70.0 million is credit extended by the European Investment Bank to Technopolis for future expansion projects in Finland. Technopolis has a EUR 90 million domestic commercial paper program for managing its short-term liquidity, which allows the company to issue commercial paper with maturities of less than one year. At the end of the period, there was no commercial paper outstanding. Technopolis also has a EUR 15.0 million checking account credit line which was not in use at the end of the reporting period.

The Group's net financial expenses totaled EUR 9.3 million (EUR 10.0 million). The Group's interest coverage ratio was 3.6 (2.4). The interest coverage ratio indicates the ratio between EBITDA and accrual-based interest expenses.

The Group's total assets as indicated in the balance sheet were EUR 691.7 million (EUR 659.0 million).Liabilities totaled EUR 430.7 million (EUR 387.7 million). The Group's equity ratio was 38.0% (41.4%). At the end of the period, the Group's net gearing was 143.3% (118.8%). The Group's equity per share was EUR 4.55 (EUR 4.73).

The Group's interest-bearing liabilities at the end of the reporting period were EUR 376.2 million (EUR 333.9 million). On September 30, 2009, the average interest rate on interest-bearing loans was 2.72% (5.08%). At the end of the reporting period, 70.8% (72.7%) of the interest-bearing loans were pegged to the 3 to 12-month Euribor rates with 29.2% (27.3%) being fixed-rate loans with a maturities of 13 to 60 months. The average principle-weighted loan period was 10.3 years (10.5 years).

The Group's loan to value, i.e., the ratio of interest-bearing liabilities to the fair value of investment properties and properties under construction, was 58.4% (55.1%).

The Group has interest-bearing liabilities from credit institutions worth EUR 337.9 million, of which EUR 75.5 million is tied to equity-ratio covenants. With these loans, any decline in the equity ratio may lead to higher interest rate margins or in a few cases premature repayment. The margins of some loans and bank guarantees may rise with lower equity ratios as shown in the table below.

Principal of loan (L) or bank guarantee (BG), €m	Spread % 9/30/2009	Equity ratio under 38%	Equity ratio under 33%	Equity ratio under 30%	Other
10.0 (L)	0.65			0.85	
4.1 (L)	0.65		0.70	1.00	
20.0 (L)	1.50	1.50	1.75	2.00	The spread is 1.00% as of October 1, because equity ratio is 38%
1.4 (L)	0.45				Spread may be changed or loan terminated if equity ratio falls under 28%
10.0 (BG)	0.40			0.60	

20.0 (BG)	0.265	0.35*)		0.65	*) Covenant validity begins 12/8/2013
10.00 (BG)	0.9		1.00	1.5	

Bank guarantees in the amount of EUR 76.0 million have been given as security for the EUR 75.0 million in loans granted by the European Investment Bank. EUR 20.0 million of these guarantees will expire by the end of 2013 and the plan is to extend them. Significant increases in loan margins may occur if and when these bank guarantees are extended.

Of the existing interest-bearing loans, a total of EUR 26.2 million will mature during the 12-month period following the reporting period.

Financing for the Pulkovo construction project in Russia has been arranged via funding acquired by the parent company, which is converted into long-term loans and shareholders' equity in compliance with Russian thin-capitalization rules.

Organization and Personnel

The President and CEO of Technopolis is Keith Silverang, MBA. Mr. Silverang has dual U.S. and Finnish citizenship. He took his undergraduate degree at Boston University and an MBA at the Helsinki School of Economics. Mr. Reijo Tauriainen serves as the Deputy CEO of the company.

The Executive Board comprises President and CEO Keith Silverang, Finnish Country Manager and CFO Reijo Tauriainen, Director of Tampere operations and Business Services Satu Eskelinen, Chief Development Officer Jukka Akselin, Chief Sales Officer Seppo Selmgren, and Chief Development Services Officer Will Cardwell.

The Technopolis line organization now consists of three units: Finland, Russia and New Markets. The Group organization also has matrix support functions for its real estate development, business services, business development and operational support activities. The New Markets Unit has no net sales or operating profit and its expenses are included in administrative expenses.

The Group employed an average of 152 (167) people during the period. There were 61 (60) employees in real estate operations, 34 (38) in business services and 57 (69) in development services. At the end of the reporting period, the total number of Group personnel was 149 (181).

Technopolis initiated mandatory labor negotiations within the Technopolis Ventures companies as required by the Finnish Act on Cooperation within Undertakings. The outcome of the negotiations may affect the employment status of 25 to 30 people. The potential impact on personnel can include termination of employment, transfer of employees to other employers under government-funded programs, and internal transfers within Technopolis.

The reorganization of the Group’s development services includes plans to merge the local Technopolis Ventures companies with their parent company, Technopolis Ventures Ltd. Sophisticated video conferencing systems and web-based technologies will enable the centralization of a significant amount of service development, production and delivery activities. Sales of service development will be organized locally through Technopolis’ local business units. Plans are being developed to transfer most of the publicly funded non-profit programs to local public and private partners by the end of 2009.

Annual General Meeting

The Annual General Meeting of Shareholders (AGM) of Technopolis Plc was held on March 26, 2009. The AGM adopted the Group and Parent Company financial statements for fiscal year 2008 and released the company management from liability.

The AGM decided to pay a dividend of EUR 0.12 per share as proposed by the Board. The dividend was to be paid to those shareholders who were registered by Euroclear Finland Oy on the record date March 31, 2009. The dividends were paid on April 7, 2009.

The Annual General Meeting decided to amend section 8 of the Articles of Association by specifying that notices of the AGM should be served no later than three weeks before the AGM.

The number of members on the Board of Directors was confirmed at six. Teija Andersen, Jussi Kuutsa, Matti Pennanen, Timo Ritakallio and Erkki Veikkolainen were elected to the Board for a term ending at the conclusion of the next Annual General Meeting. In addition to the above members, the Board includes Pertti Huuskonen, who was elected full-time Chairman of the Board by the AGM on March 27, 2008, for a term that began on September 15, 2008, and will end with the conclusion of the 2010 Annual General Meeting. Matti Pennanen was elected Deputy Chairman of the Board.

The Annual General Meeting decided that Pertti Huuskonen be paid compensation according to the decision made thereon by the AGM of March 27, 2008, and in compliance with the agreement made with Pertti Huuskonen, for the period beginning with the conclusion of the 2009 AGM and ending with the conclusion of the following AGM, taking into account, however, that the monetary compensation payable to Mr. Huuskonen will be reduced by 15 percent to EUR 288,150 in accordance with his own voluntary savings initiative.

The other members of the Board will be paid annual compensation as follows: EUR 30,000 to the Deputy Chairman of the Board and EUR 25,000 to Board members. A further EUR 600 will be paid per meeting for participation in Board meetings. Travel costs will be reimbursed to Board members in accordance with the company’s travel regulations.

The AGM further decided to authorize the Board to extend the compensation agreement made with Pertti Huuskonen by one year under the original terms so that it will end with the conclusion of the 2011 AGM. In accordance with the original terms of contract, the annual fee payable to the Chairman of the Board of Directors is EUR 339,000.

KPMG Oy Ab were appointed auditors for the Group, with Tapio Raappana, APA, as the auditor-in-charge. It was decided that the auditors be paid auditing fees on the basis of reasonable invoicing.

The Annual General Meeting authorized the Board of Directors to decide on purchasing the company’s own shares as follows. The maximum number of shares to be acquired pursuant to this authorization is 5,700,000, which is equivalent to approximately 9.94% of the company's issued shares. Under the authorization, the company’s own shares may only be purchased using its unrestricted equity.

The company’s own shares may be purchased at a price arrived at in public trading on the date of acquisition or at a price otherwise determined by the market.

The decision on how the shares are to be acquired will be made by the Board of Directors. Derivatives may be used for this purpose. Shares need not necessarily be acquired in proportion to the current holdings of the existing shareholders (directed acquisition).

This authorization to purchase the company’s own shares supersedes the authorization granted by the Annual General Meeting of March 27, 2008.

The authorization will expire on September 26, 2010.

The AGM resolved to authorize the Board to decide on a share issue and on granting options and other special rights giving entitlement to shares as referred to in Chapter 10, section 1, of the Limited Liability Companies Act as follows.

The maximum number of shares to be issued pursuant to this authorization is 11,400,000, which is equivalent to approximately 19.88% of the company's issued shares.

The Board of Directors will decide on all the terms of the share issue and on the granting of special rights giving entitlement to shares. The authorization concerns both the issuance of new shares and the conveyance of the company’s own shares. A share issue may be floated and special rights giving entitlement to shares granted in derogation to the pre-emptive right of shareholders (directed issue).

This authorization supersedes the authorizations granted by the Extraordinary General Meeting of November 29, 2007, and by the Annual General Meeting of March 27, 2008, to decide on a share issue and on granting special rights giving entitlement to shares.

The authorization will expire on March 26, 2012.

At the AGM, the Board made the decision to amend its proposal referred to in the notice of the meeting so that the number of shares to be issued pursuant to the authorization may not exceed 11,400,000, which is equivalent to 19.88% of the company’s outstanding shares.

The AGM approved a share ownership plan for key personnel in the Technopolis Group.

The purpose of the plan is to harmonize the goals of the owners and the key personnel in order to increase the company's value, to make the key personnel committed to the company and to offer them a competitive remuneration plan based on share ownership.

The plan consists of three earning periods: the calendar years 2010, 2011 and 2012. The Board of Directors will decide on the criteria and targets for each earning period in the December of the previous year. Rewards for the earning periods 2010, 2011 and 2012 will be paid in 2011, 2012 and 2013 partly in cash and partly in company shares. Shares may not be disposed of during a commitment period of two and a half years.

Maximum rewards payable under the plan correspond roughly to the value of some 800,000 Technopolis Plc shares (including the proportion payable in cash).

Evaluation of Operational Risks

The most significant risks in Technopolis operations are financial and client risks, as well risks related to operations in Russia.

The objective of interest rate risk management is to mitigate the negative impact of market rate fluctuations on the Group’s earnings, financial position and cash flow. If necessary, the company will make use of forwards, interest rate swaps and interest rate options to hedge interest rate risks. Another aim of the company’s interest rate risk policy is to diversify the interest rate risk of loan contracts over various loan periods on the basis of the market situation prevailing at any given time and the interest rate forecast created by the company.

It is indicative of the structure of Technopolis’ loan portfolio at the end of the fiscal period that a one point change in money market rates would change interest rate costs by EUR 2.0 million per annum.

Because of the interest rate risk associated with loans, a policy of diversifying interest bases is pursued. On September 30, 2009, 70.8% of the company’s interest-bearing liabilities were pegged to the 3-12 month Euribor rate. Of all interest-bearing liabilities, 29.2% were fixed-rate loans with maturities of 13 to 60 months.

The objective of refinancing risk management is to ensure that the Group loan portfolio is sufficiently diversified in terms of repayment schedules and financing instruments. The average principle-weighted outstanding loan period for interest-bearing liabilities was 10.3 years. In order to diversify financing risk, Technopolis draws upon the resources of a wide range of financiers, makes use of a variety of financing instruments and maintains a high degree of solvency.

Extended uncertainty on the financing market may affect the availability of growth financing and refinancing and their spreads in the future.

The differences between Russian and Finnish legislation and administrative procedures may give rise to risks. If the premises cannot be let as planned, the Pulkovo technology center will pose a financial risk to the Group. Once completed, Pulkovo will represent approximately 7% of the combined fair value of the Group's investment properties.

Fluctuations in the exchange rate between the Russian ruble and the euro may have an effect on the company’s financial position and operations. Transactions denominated in rubles are recorded at the exchange rate applied on the transaction date. Any translation differences are entered in the income statement under other operating expenses or financial income and expenses depending on the nature of the transaction. The acquisition of land in St. Petersburg has been financed in the local currency, and the related exchange rate risk has been hedged using a currency swap.

The deterioration of general economic conditions, if prolonged, may have an adverse effect on the company’s clients and hence on the Group’s operations.

Client risk management aims to minimize the negative impact of potential changes in the client’s financial position on the company’s business and its financial performance. Client risk management focuses on a deep understanding of the business that the client is engaged in and on the active monitoring of client information. Client risks are diversified by acquiring clients from a broad cross-section of knowledge-intensive sectors, and the public sector. As part of client risk management, Technopolis leases include rental security arrangements. All the properties have full-value insurance.

Geographically, the Group’s property portfolio is diversified across the Helsinki Metropolitan Area, Jyväskylä, Kuopio, Lappeenranta, Tampere, the Oulu region, and St. Petersburg. No single client accounts for more than 9% of the Group’s net sales. All in all, the Group has some 1,190 clients operating in a wide range of sectors.

The company’s leases fall into two categories: fixed-term and open-ended. The company aims to employ both types of lease depending on the market situation, the property involved and the tenant’s business.

At the end of the period under review, the open-ended leases that could be terminated and renegotiated during the following 12 months covered a total of 183,050 (227,467 as at December 31, 2008) square meters of space, or 45% (57%) of the entire property portfolio. The notice periods for these leases are as follows: three months or less 5% (24%); three to six months 27% (52%); six to nine months 52% (16%); and more than nine months 16% (8%) of the leases. At the end of the period, the average term of the leases was 23 (24) months.

Any reduction in the financial occupancy rate may decrease rental and service revenues and so reduce the fair value of investment properties and, subsequently, the equity ratio. The current lease structure allows clients to adjust the premises they occupy flexibly as their businesses evolve. While the flexibility of the lease system poses a risk to the Group, it is an essential element of the Technopolis service concept. The company has solid long-term experience of this business model over many business cycles.

In new building projects, Technopolis focuses on quality specifications and the management of the property's entire lifecycle. In the design phase, due consideration is given to all the maintenance and repair requirements in order to implement environmentally sustainable solutions for energy consumption, the adaptability of office facilities and recycling potential. When properties are bought, Technopolis carries out the standard property and environmental audits before finally committing itself to the transaction.

Changes in the market yield requirements may have a significant impact on financial performance. When the yield requirements increase, the fair values of properties fall. Conversely, when the yield requirements decrease, the fair values of properties increase. While the changes increase or decrease the company's operating profit, they do not affect its direct result, but they do have an impact on its equity ratio.

Outlook

Technopolis management assessed earlier this year that the demand for its facilities and services would decline in 2009. At that time, the management felt there was a risk that the financial occupancy rate would fall, which could have an adverse impact on the company's net sales and EBITDA in 2009 and 2010. The current management view is that this risk has declined to some extent following the prevailing recovery of the economy, although there is still uncertainty with respect to 2010.

The management believes that a general economic downturn, if protracted, would pose a challenge to the Group's growth targets. The company will continue to pursue measures aimed at safeguarding profitability even under difficult market conditions. The Group management expects the net sales and EBITDA to increase by 5% to 8% in 2009.

In accordance with its updated growth strategy, Technopolis' objective is to operate in all the leading Finnish knowledge-intensive cities as well as Russia and two to three other countries by 2014. The Group will aim at increasing its net sales at an average annual rate of 10%, with 25% of net sales being generated outside Finland by 2014. The company will target growth through both organic expansion and acquisitions. The Group’s equity ratio target is 35%.

The Group’s financial performance is determined by the general macroeconomic trends, client operations, financial markets and market yield requirements for properties. Developments in these areas may affect the Group’s financial performance through changes in occupancy rates, the use of services, financing costs, the fair values of properties and office rent levels.

Oulu, October 29, 2009

TECHNOPOLIS PLC
Board of Directors

Keith Silverang
President and CEO

Additional information:
Keith Silverang, tel. +358 40 566 7785

A PDF version of this interim report is available at www.technopolis.fi. For a hardcopy version, please contact: tel. +358 8 551 3228 / Technopolis info.

Technopolis provides an online information bulletin service that can be subscribed to on the company website. Subscribers will receive the company’s information bulletins by email.

The accounting policies applied in the interim report and the formulas for calculating key indicators are basically the same as in the 2008 annual report. Since January 1, 2009, the company has applied the revised IAS 1 and IAS 40 standards as well as the IFRS 8 regulations. The interim report has been prepared in accordance with the IFRS recognition and valuation principles; the IAS 34 requirements have also been complied with.

The Technopolis Group has two operating segments based on geographic units: Finland and Russia. The segment division presented in this interim report is based on the Group’s existing internal reporting procedures and the organization of the Group’s operations. This is the first year when the Group is presenting the information on the operating segments complete with comparative data.

Investment properties are valued in accordance with the fair value model. The company has complied with the amended IAS 40 standard, under which investment properties under construction must be measured at fair value, provided that fair value can be reliably determined. The company has applied the amended standard since the beginning of 2009.

The figures are unaudited.

Technopolis Group:

STATEMENT OF COMPREHENSIVE INCOME Currency unit: EUR million	7-9/ 2009	7-9/ 2008	1-9/ 2009	1-9/ 2008	1-12/ 2008
Net sales	18.58	18.16	56.74	53.04	72.57
Other operating income 1)	0.45	1.23	1.51	4.37	5.48
Other operating expenses	-8.73	-9.25	-28.21	-29.36	-41.07
Change in fair value of investment properties	-2.56	0.41	-31.15	-1.32	-0.69
Depreciation 2)	-0.13	-0.14	-0.39	-0.82	-0.98
Operating profit/loss	7.62	10.40	-1.50	25.92	35.31
Financial income and expenses	-3.04	-3.21	-9.28	-10.01	-13.93
Profit before taxes	4.57	7.19	-10.78	15.91	21.38
Income taxes	-1.42	-2.02	2.56	-4.30	-5.53
Net profit for the period	3.15	5.17	-8.23	11.60	15.85
Other comprehensive income items					
Available-for-sale financial assets	0.03	0.01	0.06	-0.02	-0.04
Taxes related to other comprehensive income items	-0.01	0.00	-0.02	0.00	0.01
Other comprehensive income items after taxes for the period	0.02	0.00	0.05	-0.01	-0.03
Comprehensive income for the period, total	3.18	5.17	-8.18	11.59	15.82
Distribution of earnings for the period:					
To parent company shareholders	3.17	5.17	-8.18	11.76	15.99
To non-controlling shareholders	-0.02	0.00	-0.05	-0.15	-0.14
	3.15	5.17	-8.23	11.60	15.85
Distribution of comprehensive earnings for the period:					
To parent company shareholders	3.17	5.17	-8.16	11.74	15.96
To non-controlling shareholders	0.01	0.00	-0.02	-0.15	-0.14
	3.18	5.17	-8.18	11.59	15.82

Earnings per share based on result of flows to the parent company shareholders:

Earnings/share, basic (EUR)	0.06	0.10	-0.14	0.23	0.31
Earnings/share, adjusted for dilutive effect (EUR)	0.06	0.10	-0.14	0.23	0.31

BALANCE SHEET, ASSETS			
Currency unit: EUR million	9/30/2009	9/30/2008	12/31/2008
Non-current assets			
Intangible assets	2.03	2.02	2.02
Tangible assets	50.28	31.62	37.94
Investment property	596.40	576.24	594.02
Investments	25.90	26.02	26.70
Deferred tax assets	2.46	2.66	1.89
Non-current assets	677.07	638.57	662.57
Current assets	14.63	20.47	20.99
Assets, total	691.70	659.04	683.56

BALANCE SHEET, SHAREHOLDERS' EQUITY AND LIABILITIES			
Currency unit: EUR million			
Shareholders' equity			
Share capital	96.91	96.91	96.91
Premium fund	18.55	18.55	18.55
Other funds	63.93	63.82	63.82
Other shareholders' equity	0.43	0.43	0.55
Retained earnings	89.21	79.61	79.62
Net profit for the period	-8.18	11.76	15.99
Parent company's shareholders' interests	260.86	271.08	275.44
Non-controlling interests	0.12	0.24	0.26
Shareholders' equity, total	260.98	271.33	275.70
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	349.95	312.80	329.84
Non-interest-bearing liabilities	1.28	1.41	1.38
Deferred tax liabilities	32.75	37.92	38.11
Non-current liabilities, total	383.98	352.13	369.33
Current liabilities			
Interest-bearing liabilities	26.21	21.11	20.43
Non-interest-bearing liabilities	20.53	14.47	18.10

Current liabilities, total	46.74	35.59	38.53
Liabilities, total	430.72	387.71	407.86
Shareholders' equity and liabilities, total	691.70	659.04	683.56

CASH FLOW STATEMENT Currency unit: EUR million	1-9/ 2009	1-9/ 2008	1-12/ 2008
Cash flow from operating activities			
Net profit for the period	-8.23	11.60	15.85
Adjustments:			
Change in fair value of investment properties	31.15	1.32	0.69
Depreciation	0.39	0.82	0.98
Share in affiliate profits	-0.01	-0.01	-0.02
Other adjustments for non-cash transactions	0.44	0.00	0.14
Financial income and expenses	9.29	10.02	13.95
Taxes	-2.56	4.30	5.53
Increase / decrease in working capital	2.89	1.04	0.24
Interests received	0.38	0.49	1.24
Dividends received	0.01	0.01	0.01
Interests paid and fees	-8.79	-12.42	-16.41
Other financial items in operating activities	-2.41	0.06	0.46
Taxes paid	-1.68	-1.67	-2.47
Net cash from operations	20.87	15.57	20.19
Cash flow from investing activities			
Investments in other securities	-0.02	-0.11	-1.11
Investments in investment properties	-44.93	-48.17	-70.21
Investments in tangible and intangible assets	-0.22	-0.16	-0.27
Repayments of loan receivables	0.49	0.70	0.96
Gains from disposals of other investments	0.00	2.30	2.33
Acquisition of subsidiaries	-0.10	-19.73	-22.21
Net cash used in investing activities	-44.78	-65.17	-90.51
Cash flow from financing activities			
Increase in long-term loans	42.00	50.21	70.21
Decrease in long-term loans	-12.12	-10.89	-14.46
Dividends paid	-6.88	-6.66	-6.60
Paid share issue		58.54	58.48

Repayments of capital leasing receivables	-4.00	-31.18	-31.24
Change in short-term loans	19.01	60.02	76.39
Net cash from financing activities	-4.91	10.43	6.07
Net increase/decrease in cash assets	7.15	1.08	1.08
Cash and cash equivalents at period-start	2.24	11.51	7.15
Cash and cash equivalents at period-end			

STATEMENT OF CHANGES IN EQUITY

Currency unit: EUR million	Share capital	Premium fund	Other funds	Retained earnings	Non-controlling shareholders	Shareholders' equity
EQUITY 12/31/2007	74.54	18.55	27.38	86.29	0.40	207.17
Share capital increase	0.01		0.01			0.02
Directed share issue	22.36		36.38			58.75
Dividend distribution				-6.62		-6.62
Comprehensive income for the period			-0.01	11.76	-0.15	11.59
Other changes			0.06	0.36		0.43
EQUITY 9/30/2008	96.91	18.55	63.82	91.80	0.24	271.33
Comprehensive income for the period			-0.01	4.23	0.02	4.23
Other changes			0.01	0.13		0.14
EQUITY 12/31/2008	96.91	18.55	63.82	96.16	0.26	275.70
Dividend distribution				-6.88		-6.88
Comprehensive income for the period			0.05	-8.18	-0.05	-8.18
Other changes			0.06	0.37	-0.10	0.34
EQUITY 9/30/2009	96.91	18.55	63.93	81.47	0.12	260.98

Financial Information by Segment

The Group's net sales or EBITDA do not include inter-segment items. Items after the EBITDA, such as depreciation, financing items and taxes, are not presented in the segment information because they are not allocated to segments.

SEGMENT INFORMATION Currency unit: EUR million	7-9/ 2009	7-9/ 2008	1-9/ 2009	1-9/ 2008	1-12/ 2008
Net sales					
Finland	18.50	18.12	56.54	52.90	72.43
Russia	0.10	0.07	0.24	0.20	0.27
Unallocated	-0.01	-0.04	-0.05	-0.06	-0.13
Total	18.58	18.16	56.74	53.04	72.57
EBITDA					
Finland	11.26	11.02	33.27	31.77	42.32
Russia	-0.07	-0.09	-0.35	-0.39	-0.54
Unallocated	-0.89	-0.80	-2.89	-3.32	-4.80
Total	10.30	10.13	30.03	28.05	36.98
Assets					
Finland			684.22	654.40	675.22
Russia			32.85	14.24	19.14
Eliminations			-25.37	-9.60	-10.80
Total			691.70	659.04	683.56

Direct and Indirect Result

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

The direct result presents the company's financial result for the period excluding the change in the fair value of investment properties, the change in the fair value of financial instruments and any non-recurring items, such as gains and losses on disposals. As the company has interest rate and currency swaps that do not satisfy the IFRS criteria for hedge accounting, the changes in the fair value of these financial instruments are recognized in the statement of comprehensive income. Additionally, the statement of comprehensive income showing the direct result presents the related taxes and deferred tax assets and liabilities.

Items excluded from the direct result and their tax effects are presented in the statement of income showing the indirect result. Earnings per share have been calculated both from the direct and indirect results in accordance with the instructions issued by the European Public Real Estate Association EPRA. The direct and indirect result and the earnings per share calculated from them are consistent with the company's financial result and earnings per share for the period.

Technopolis Group Currency unit: EUR million DIRECT RESULT	7-9/ 2009	7-9/ 2008	1-9/ 2009	1-9/ 2008	1-12/ 2008
Net sales	18.58	18.16	56.74	53.04	72.57
Other operating income	0.37	1.23	1.41	3.39	4.45

Other operating expenses	-8.73	-9.25	-28.21	-29.36	-41.07
Depreciation	-0.13	-0.14	-0.39	-0.39	-0.56
Operating profit/loss	10.09	9.99	29.54	26.68	35.40
Finance income and expenses, total	-2.92	-3.20	-8.84	-10.24	-15.19
Result before taxes	7.17	6.79	20.70	16.44	20.21
Taxes for direct result items	-1.64	-2.03	-5.10	-4.44	-5.22
Non-controlling interests	0.02	0.00	0.05	0.15	0.14
Direct result for the period	5.55	4.76	15.64	12.16	15.12
INDIRECT RESULT					
Non-recurring items	0.08	0.00	0.10	0.98	1.03
Change in fair value of investment properties	-2.56	0.41	-31.15	-1.32	-0.69
Non-recurring depreciation				-0.42	-0.42
Operating profit/loss	-2.47	0.41	-31.05	-0.76	-0.08
Change in fair value of financial instruments	-0.12	-0.01	-0.44	0.23	1.25
Result before taxes	-2.59	0.40	-31.48	-0.54	1.17
Taxes for indirect result items	0.22	0.01	7.66	0.14	-0.30
Indirect result for the period	-2.38	0.41	-23.82	-0.40	0.87
Result for the period, total	3.17	5.17	-8.18	11.76	15.99
Earning per share, diluted *)					
From direct result	0.10	0.10	0.27	0.24	0.29
From indirect result	-0.04	0.01	-0.42	-0.01	0.02
From net result for the period	0.06	0.10	-0.14	0.23	0.31

*) Earnings per share calculated according to EPRA's instructions.

KEY INDICATORS	1-9/ 2009	1-9/ 2008	1-12/ 2008
Change in net sales, %	7.0	28.9	27.5
Operating profit/loss / net sales, %	-2.7	48.9	48.7
Interest coverage ratio	3.6	2.4	2.2

Equity ratio, %	38.0	41.4	40.5
Loan to value, %	58.4	55.1	55.6
Group company personnel during the period, average	152	167	165
Gross expenditure on assets, EUR 1,000	45 839	118 376	143 273
Net rental revenue of investment properties, % 3)	7.9	7.7	7.6
Financial occupancy rate, %	94.3	96.4	96.5
Earnings/share			
basic, EUR	-0.14	0.23	0.31
diluted, EUR	-0.14	0.23	0.31
Equity/share, EUR	4.55	4.73	4.80
Average issue-adjusted number of shares			
basic	57 345 341	50 245 014	52 029 796
diluted	57 345 341	50 111 727	52 118 705

CONTINGENT LIABILITIES

Currency unit: EUR million	9/30/2009	9/30/2008	12/31/2008
Pledges and guarantees on own debt			
Mortgages of properties	345.3	261.9	261.9
Book value of pledged securities	161.3	165.5	162.4
Other guarantee liabilities	12.9	46.8	13.24
Collateral given on behalf of associates	0.50	0.50	0.50
Leasing liabilities, machinery and equipment	2.30	1.03	0.94
Project liabilities	0.15	0.02	0.21
Interest rate and currency swaps			
Nominal values	139.80	132.00	112.00
Fair values	0.39	0.22	0.56

1) Other operating income consists of operating subsidies received for development services; an equal amount is recorded under operating expenses for development services. The 2009 figures include non-recurring items of EUR 0.1 million and the 2008 cumulative figures EUR 0.9 million.

2) The 2008 cumulative figures include non-recurring depreciation of EUR 0.4 million.

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

Distribution:
Nasdaq OMX Helsinki
Major news media
www.technopolis.fi