

## Technopolis Plc

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Statement concerning the valuation of  
investment properties of Technopolis

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# Assignment

## Assignment

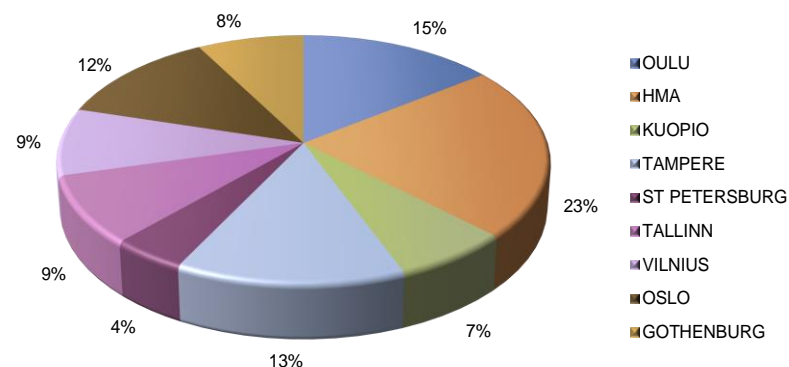
- Technopolis Oyj (Technopolis) and Realia Management Oy (Realia) reached an agreement of co-operation in November 2010 concerning the valuation of Technopolis investment properties. Agreement was renewed during 2015.
- This statement was requested by Heli Matero on behalf of Technopolis.
- The purpose of this statement is to provide a second opinion of the internal valuation made by Technopolis for financial reporting purposes.
- According to the International Financial Reporting Standards (IFRS), the fair value of an investment property is to be defined for financial reporting purposes.
  - IAS40 is the standard, which defines the valuation of investment properties.
- Definition of fair value:
  - The amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.
- Second opinion is based on the internal valuation of Technopolis, Realia's site visits, market and valuation knowledge and experience.

## Structure of the Statement

- Assignment
- Summary of properties under valuation
- Basis and procedures
- Market value of the properties

## Summary of portfolio

2017-12		
	FAIR_VALUE	
OULU	233 055 472	15 %
HMA	364 932 071	23 %
KUOPIO	110 056 233	7 %
TAMPERE	213 194 449	13 %
ST PETERSBURG	70 017 389	4 %
TALLINN	141 256 934	9 %
VILNIUS	139 175 097	9 %
OSLO	197 657 362	12 %
GOTHENBURG	126 596 268	8 %
<b>TOTAL</b>	<b>1 595 941 273</b>	<b>100 %</b>



# Basis and Procedure

## Internal valuation of Technopolis

- The main valuation method is income method (10 year cash flow analysis).
- The degree of completion is taken into account in valuing the properties under construction.
- Sales comparable method is used in valuing unbuilt sites.
- Technopolis is responsible for the correctness of current rent roll, operational expense and repair expense information and applying them to their cash flow model.
- Market rent and vacancy rate are estimated by Technopolis.
- The yield requirements are produced by independent real estate consultants.

## Site visits

- During 12/2010 – 12/2017 Realia has made site visits to following locations:
  - St. Petersburg
  - Oslo
  - Tallinn
  - Vilnius
  - Helsinki
  - Tampere
  - Kuopio
  - Oulu

## Realia's second opinion procedure

- Realia has checked the functionality of the cash flow model of Technopolis by comparing its outputs to Realia's own cash flow model outputs when using the same inputs.
- Realia has discovered that valuation process and model of Technopolis fulfill the requirements of IFRS, IVS and local regulation (hyvä kiinteistöarviointitapa).
- Realia has gone through the following parameters used in the calculation by Technopolis:
  - Yield requirements
  - Market rent
  - Vacancy rate
  - Operational expenses
  - Repair expenses
- Realia has presented comments to Technopolis regarding the calculations where departures from market evidence were found.
- Technopolis has changed their calculations or justified their opinion to be in accordance with market.
- Realia has discovered the calculations to be market derived and meet technical and methodological requirements.
- However following factors in the calculations caught Realia's attention (see the next page).

# Comments and Statement of valuation

## The following factors caught our attention

- Occupancy rates used in calculations are partly high. The reasoning behind a higher occupancy rate compared to what can be justified based on market evidence is that Technopolis has organised its sales using mainly its own staff, using sales incentives for staff and a wide range of services as benefits provided by Technopolis to their tenants. This has led to the assumption of long-term high occupancy rate.
- Assumptions for market rent are at a high level in several properties. The reasoning for this is consistent with the occupancy rate assumptions. In addition, flexible leases and spaces allow for customer space demand growth. Technopolis premises are also of higher quality than average in several regions. The aforementioned factors have enabled the currently prevailing high contract rent level. Thus, an assumption of high long-term rental levels has been made.
- The activity described above would also be possible for other professional owners once the properties are good and flexible (not an owner specific assumption).
- The yield requirements of best properties have decreased compared to the situation at the end of year 2016. Our opinion is that this kind of development is justified.
- Yield requirements have still been decreasing in prime offices.
- Because supply of above mentioned prime offices is scarce and at the same time availability of financing has improved and interest rates are on a low level increasing demand is focused also on prime minus –category.
- Increasing demand is focused also in secondary office market and yield requirements of best properties have decreased.

## Realia's statement of valuation

- The value is within the accuracy of the valuation (+/- 15 %).
- Valuations of each property produce adequate and correct information of the properties and values at the date of value, 31.12.2017.
- The total value of the properties is the sum of the values of each property.
- Taking all previously mentioned issues into account, we state that the valuations of each property are executed in accordance with requirements set by IFRS, IVS and local regulation (hyvä kiinteistöarviointitapa).

# Market value of the properties 31.12.2017

Helsinki & Tampere & Oulu 26.1.2018

Realia Management Oy



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Authorized real estate valuer (AKA)



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Valuer, M.Sc (Tech.)  
Authorized real estate valuer (AKA)  
Agriculture and forestry

- With consideration to the aforementioned, the market value of the investment properties of Technopolis Plc at date of value (31.12.2017) is ca.

**one billion five hundred ninety-five million  
nine hundred thousand euro  
MEUR 1,595.9**

which is divided as follows:

- **owned real estate MEUR 1,531.5**
- **financial lease real estate MEUR 6.4**
- Market value of properties under construction is ca.  
**fifty-eight million euro  
MEUR 58.0**
- Almost all properties are producing cash flow and therefore income method is the most suitable valuation method.
- Accuracy of the valuation is + / - 15%.
- The date of value is 31.12.2017.