

TECHNOPOLIS

Statement concerning the valuation of investment properties of Technopolis

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Date of value 31.12.2012
17.1.2013

Assignment

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- Technopolis Oyj (Technopolis) and Realia Management Oy (Realia) reached an agreement of co-operation in November 2010 concerning the valuation of Technopolis investment properties.
- This statement was requested by Reijo Tauriainen 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

Investment properties, December 31, 2012		Fair value, EUR million	Net yield requirement, %	sq m
Finland	Oulu	225,3	8,5	192 900
	HMA	205,2	7,0	86 600
	Tampere	189,2	7,3	110 500
	Kuopio	92,2	8,4	57 500
	Jyväskylä	97,9	7,9	56 700
	Lappeenranta	29,2	8,9	27 300
	Finland, total	838,9	7,8	531 500
Estonia	Tallinn	63,9	8,4	79 200
Russia	St. Petersburg	53,6	10,6	24 100
Completed investment properties	Total	956,5	8,0	634 800
Investment properties under construction 1)	Total 5 properties	57,6	7,6-10,1%	59 400
Investment properties completed and under construction, total		1014,1		694 200
Other properties (holdings, rented)				9 500

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 two independent real estate consultants.

Site visits

- During 12/2010 – 12/2012 Realia has made site visits to following locations:
 - St. Petersburg
 - Tallinn
 - Helsinki
 - Tampere
 - Lappeenranta
 - Jyväskylä
 - 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

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. Technopolis has decreased the long-term occupancy rates in their calculations so that the Group's average occupancy rate in fair value calculations has decreased from 95,7 % (31.12.2010) to 94,9 % (31.12.2012). Our opinion is that this development is justified.
- 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 yield requirements have slightly increased on average compared to the situation at the end of year 2011. Our opinion is that this kind of development is justified at portfolio level. Yield requirements have decreased only in the best office properties. Otherwise yield requirements have remained stable or even increased.

- There has been continuing activity in the prime office market and some transactions have been made with quite aggressive yields. This prime office category is, however, very small and consists mainly of properties in the best Helsinki CBD locations and new business park type properties in Helsinki Metropolitan Area.

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, 31.12.2012.
- 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 31.12.2012

- With consideration to the aforementioned, the market value of the investment properties of Technopolis Plc at date of value (31.12.2012) is ca. **nine hundred fifty six million five hundred thousand euro**
MEUR 956.5
which is divided as follows:
 - owned real estate **MEUR 895.7**
 - financial lease real estate **MEUR 60.8**
- Market value of properties under construction is ca. **fifty seven million six hundred thousand euro**
MEUR 57.6
- 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 31.12.2012

Helsinki 17.1.2013

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