

TECHNOPOLIS

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.
- This statement was requested by Reijo Tauriainen from 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 valued for financial reporting.
 - IAS40 is the standard, which discusses 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, site visits, Realia's 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

Location	Properties (pcs)	Area (sqm)
Oulu	48	194 297
	building right	19 763
HMA	10	77 558
	1 under construction	9 000
	building right	62 480
Lappeenranta	11	27 343
Jyväskylä	10	50 763
	1 under construction	9 216
	building right	6 230
Tampere	14	66 833
	2 under construction	12 752
Kuopio	14	56 790
	1 under construction	3 366
Tallinn	7	79 207
	building right	288 426
St. Petersburg	1	24 100
	building right	56 000
Total (completed)	115	576 891
Total (under construction)	5	34 334
Total (building right)		432 899

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

- Realia has made site visits in Tallinn, Helsinki, Tampere, Lappeenranta, Jyväskylä, Kuopio and Oulu properties during 12/2010 – 12/2011.
- Site visit in St. Petersburg will be made in 2012.
- Realia will continue site visits during 2012 as planned.

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

- Based on the previously mentioned we state that the valuations of each property are executed in accordance with requirements set by IFRS, IVS and local regulation (hyvä kiinteistöarviointitapa).
- **The following factors caught our attention:**
- Occupancy rates are high in calculations. The reason for a higher occupancy rate than what market evidence would justify is that Technopolis has organised its sales using mainly its own staff, sales incentives for staff and benefit of wide range of services provided by Technopolis to their tenants. This has led to the assumption of long-term high occupancy rate.
- Assumptions of market rents are high in several properties. The reasons for this are consistent with high occupancy rate and also portfolio that is better quality than average in several locations. Based on this, an assumption of high long-term rental levels has been made.
- The yield requirements have decreased in majority of the properties compared to the situation at 31st of December 2010. Our opinion is that there is no major change in market situation in office market where Technopolis operates which would justify the decrease of yield requirements in majority of the properties. Our opinion is that yield requirements have decreased only in the very best office properties. Otherwise yield requirements have stayed stable or even increased. However, the quality of Technopolis property portfolio is better than average in several locations and the portfolio has shown positive development in challenging market situation. The financial occupancy rate, like-for-like rental growth as well as the average lease period show positive development compared to the situation at 31st of December 2010.
- However, the value is within the accuracy of the valuation (+/- 15 %).
- Valuations of each property produce adequate and right information of the properties and values at date of value, 31.12.2011.
- The total value of the properties is the sum of the values of each property.

Market value of the properties 31.12.2011

- With consideration to the afore mentioned, the market value of the investment properties of Technopolis Plc at date of value (31.12.2011) is ca.

eight hundred forty three million eight hundred thousand euro
MEUR 843,8

which divides as follows:

- owned real estate **MEUR 785,0**
- financial leasing real estate **MEUR 58,8**
- Market value of properties under construction is ca.
sixty one million seven hundred thousand euro
MEUR 61,7
- 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 31.12.2011

Helsinki 13.1.2012

Realia Management Oy



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