# Cooperative Research and Development Project between FUB/CDT and TERRACAP

Technical and Economic Feasibility Study for
Digital Capital Technology Park
[Parque Tecnológico Capital Digital – PTCD]

| Product 5.1 – Update Report of Evaluation of Business Infrastructure | |
|---|---|
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## 1. Purpose and Justification

This report aims to detail the procedures for updating the economic and financial valuation of Digital Capital Science and Technology Park (PTCD) project.

This update is not a result of obtaining more precise projections with respect to sources of revenue and expense, but rather by the need to incorporate a new evaluation report.

The upgrade comprises the period between October 2011 until February 2013.

The new market value, according to a report of the Real Estate Commission (CVI), for the land is R$ 1,164,390,000 .00.

## 2. Methodology and Relevant Amendments

As there was no relevant factor that reduces the uncertainties inherent in the project, there is no increase in accuracy in estimates of revenue and expenditure, exception made to the value of the land, which has new appraisal report.

For this reason, we opted by the monetary restatement of cost and revenue sources based on the adoption of specific indexes for each cost and revenue source.

Construction costs have been updated based on the cumulative values for the national index of construction (INCC) in the analysis period. Other income and expenses have been updated based on the consumer price index (IPCA) accumulated in the period. As the wage values originally designed for personal spending remain today, were not applied changes to that variable.

The use of the IPCA ensures consistency between the original projections, which had already adopted this index as a reference, and current estimates.

Another change was the inclusion of a new dynamic of payment of the ground, who went on to follow the logic designed for the capital increase of the Winning Bidder (LV). Table 1 presents the percentages of payment per round of investment.

Table 1: Payment

| Payment phases | |
|---|---|
| 1a. phase | 20,01% |
| 2a. phase | 33,52% |
| 3a. phase | 22,51% |
| 4a. phase | 23,96% |

## 3. Updated Scenarios

Changes in cash flow designed and the change in the dynamics of payment of the ground affected the estimated values for the Internal Rate of Return (IRR) and Net Present Value (NPV). For this reason, three new scenarios were estimated with the following parameters adopted as reference for analysis:

- Capital cost kept in original values (nominal equity of 18.5 and third-party capital of 6.5);
- Expected inflation rate of 4.5 per year;
- Estimate of the need to leverage the Winning Bidder for a positive NPV;
- Scenarios vary with the participation of TERRACAP in profits of society.

The new scenarios are presented Tables 2, 3 and 4:

- Table 2: participation of importance in proportion to their quotas (47.10);
- Table 3: participation of the importance in 50% of its equivalent dimensions; and
- Table 4: TERRACAP without profit sharing

As the source of third-party capital designed for the Winning Bidder (LV) is BNDES, given the contractual modality practiced by the Bank has been chosen to keep the constant cost of equity regardless of the degree of leverage of LV.

Table 2: Profit as Equity Capital

| **Scenario 1 (Division equivalent to Equity Capital)** | |
|---|---|
| NPV | R$ (602.627.142,74) |
| PayBack | 17 anos |
| Real IRR | 6,12% |
| Nominal IRR | 10,62% |
| Required funding by the BNDES | 26,65% |
| Cost of Real Leveraged Capital | 10,62% |
| Leveraged NPV | R$ 715.674,41 |

Table 3: Reduction of Terracap’s share by 50%

| **Scenario 2 (Reduction of Terracap’s share in profits by 50%)** | |
|---|---|
| NPV | R$ (136.633.295,71) |
| PayBack | 14 anos |
| Real IRR | 8,54% |
| Nominal IRR | 13,04% |
| Required funding by the BNDES | 7,60% |
| Cost of Real Leveraged Capital | 13,04% |
| Leveraged NPV | R$ 511.746,04 |

Table 4: Terracap’s share in the profits is equal to zero

| **Scenario 3 (Terracap’s share in the profits is equal to zero)** | |
|---|---|
| NPV | R$ (329.360.551,31) |
| PayBack | 10 anos |
| Real IRR | 12,69% |
| Nominal IRR | 17,19% |
| Required funding by the BNDES | 0 |
| Cost of Real Leveraged Capital | 14,00% |
| Leveraged NPV | Não há |

## 4. TERRACAP's participation in the Equity Capital and Investment from Winning Bidder

According to the new appraisal report, the market value of the land is R$ 1,164,390,000 .00.

In today's values, according to the INCC accumulated for the reference period, the value required to develop the same activities provided for in the original project is R$ 1,307,879,208 .00.

In total, the initial stockholders ' equity of the SPE will be R 2.472.269.208 .00.

In this way, the new corporate distribution is as follows:

- Terracap: 47.10%
- Winning Bidder: 52.90%

## 5. Updated Cash Flow

The updated cash flow of the project for February 2013 is presented in attachment file (014B-Cash Flow of Project.xlsx). By virtue of its size, it has not been possible to format it to include it in this document.