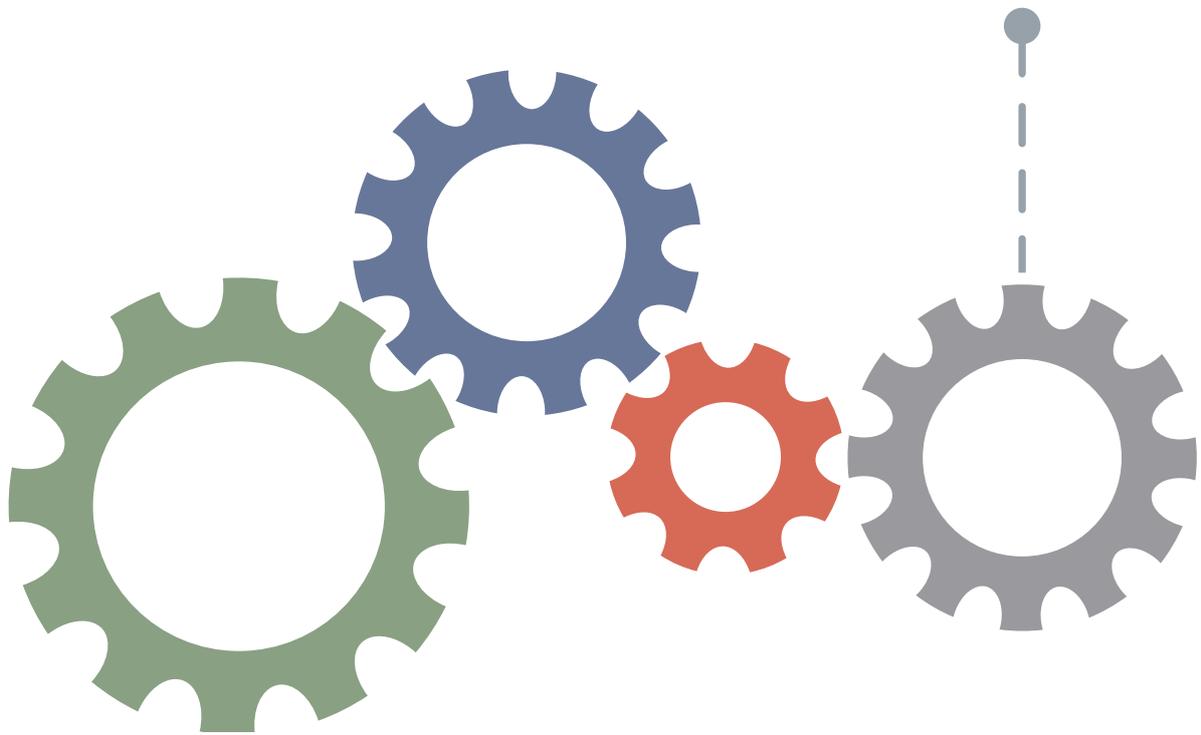


Valuation of Intellectual Property



1 Introduction

Intangible assets are vital elements of profitable, growing businesses. With the shift towards a more knowledge-based and service-orientated economy, intangible assets such as trademarks, know-how and technology, account for an increasing part of the business value.

TPA Global Valuations helps to determine the value of intellectual property in today's rigorous regulatory environment by providing independent and well-supported valuations.

Valuation of IP requires specific valuation skills unique to intellectual property rights and assets. Besides relevant knowledge and experience it requires in-depth understanding of the market, the company and its competitors, the financial and non-financial information, as well the legal and regulatory environment. The valuation advice needs the right combination of analysis, experience and judgment. We value all forms of intellectual property and other intangible assets and help to provide you with the right value.

Importantly, TPA Global's unique approach to valuation is based on the premise that any intra-group valuation study must be performed in an integrated way with due regard to core valuations principles as well as specific transfer pricing and tax implications in each jurisdiction.

2 The Process

The paragraphs underneath describe the various phases of our valuation process.

- **Phase 1 - Analysis and Definition of IP:** the central challenge of the IP Valuations lies in the understanding of the IP. Sometimes the IP, such as trademarks, is part of a larger group of intangibles known as the 'brand bundle' which might for example include primary trademark, corporate name & logo, customer lists, worldwide trademark registrations, copyrights, etc. We need to understand whether the IP needs to be valued alone or whether all assets related to the IP will be grouped into a single brand bundle and then valued.
- **Phase 2 - Determine IP Contribution:** after it is clear what IP needs to be valued, the contribution of the IP needs to be determined. Questions that are relevant are: does the trademark differentiate the product or service with which it is associated? Would others be interested in using the trademark? Would a third party pay a fee to license or use the name? If the answer to all these questions is yes, there is value.
- **Phase 3 - Valuation:** determine valuation methods to be used and perform the valuation. The most frequently used method in the context of IP valuation is the relief-from-royalty, which requires an arm's length royalty rate to be determined through a royalty rate study. Other common methods are residual return method and excess income method.
- **Phase 4 - Documentation:** findings will be documented in a comprehensive written report setting out the conclusion of value. The report aims to provide a clear and operable valuation which is defensible towards various financial reporting and tax authorities.

Information required to perform the valuation study depends on the type of IP that is being valued. However standard information includes:

- Profit & Loss related to the IP;
- Financial forecast related to the IP;
- Costs, expenses and investments related to the development of the IP and carrying value of the IP;
- Copyright, patent and/or trademark registration details (where applicable);
- Information related to the IP, the business and the industry sector.

3 Our Deliverables

TPA Global valuation reports have a comprehensive writing style that aim to be accessible for a wide audience including readers with limited valuation knowledge. The written report includes calculations and financial details only when relevant for the understanding of the process. The financial schedules that accompany the report set out the valuation data discussed in the written report in detail. A report will generally include the following, subject to the specifications of the client:

1. Definitions used and reference to national and/or international guidelines where applicable;
2. A description of the Business and the IP identified;
3. Analysis of economic and industry conditions
4. A discussion of the valuation methods considered and the reasoning behind the methods used;
5. Our conclusion as to the fair value of the IP;
6. Illustrative and supporting schedules and appendices, including sufficient information to permit intended users to understand the data, reasoning, and analyses underlying the valuation conclusion of value.

The TPA Global group is an independent and specialist provider of expert transfer pricing, valuation and customs services, headquartered in Amsterdam and with offices and coverage in over 60 countries around the world.

TPA Global offers valuation services in the following 4 areas:

- Tax – including valuation of shares, employee stock options and Intellectual Property;
- Financial reporting – including Purchase Price Allocation and Annual Impairment Test;
- Transactions – including buy and sell side assistance and valuation support for Joint Ventures;
- Litigation support – including damage quantification and financial and IP litigation support.

TPA Global's dedicated valuation team comprises valuation specialists with extensive experience in performing valuation studies. Due to our focused services, we are able to distinguish ourselves through flexibility, quality and reasonable fees.

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