Valuation Report RU8752

Jones Lang LaSalle LLC

Dom Park Kultury Office Center

11A Zubovskiy Boulevard, Moscow, Russia

February 2018

Executive Summary

Property Address

Dom Park Kultury, 11A Zubovskiy Boulevard, Moscow, Russia

Description

The subject Property (hereinafter referred to as the Property) is a high-quality Class A office building located on the land plot of 600 sq m with cadastral number 77:01:0005015:1. The Gross Building Area (GBA) of the Property amounts to 7,482.2 sq m including underground parking for 30 spaces whilst the Gross Leasable Area (GLA) of the building is 6,528.8 sq m.

Location

The Property is located in the Central Administrative District (CAD) of Moscow on front line of Zubovskiy Boulevard making part of the Garden Ring, the principal route from Moscow city centre, approximately 2 km to the south-west of the Kremlin. Access by car is possible from Zubovskiy Boulevard. The nearest metro station ‘Park Kultury’ is adjacent to the building (about 10 m).

CAD is one of the most prestigious parts of Moscow due to the high concentration of Russia’s business and cultural elite as well as good transport, retail and social infrastructure. About ¼ of all Moscow employees work in organisations located within the district. Despite problems with the transport accessibility and lack of the car parking, prime business centres located within the CAD achieve the highest rental rates in the city.

The surrounding area of the Property is characterised by a mix of office, retail (including banks, cafes and restaurants), a school and residential buildings. In addition, along Zubovskiy Boulevard there is a range of street retail units with residential or office accommodation above.

Tenure – Land

As at the valuation date the land plot total area of 600 sq m with cadastral number 77:01:0005015:1 is held by AM-Building Center CJSC on the basis of a long-term lease expiring on 03 January 2045. The land category is settlement lands and the permitted use is for operation of an administrative building.

Tenure – Building

AM-Building Center CJSC holds the building freehold. The title certificate for the office building was obtained in 16 May 2014.

Encumbrances

As at the date of valuation the Property was a subject to 6 occupational leases. The Property is the subject of security for a loan.

We understand that there are no protection obligations with regard to the Property.

Tenancy

According to the tenancy schedule provided for the Property, it had, as at the date of valuation, 6 tenants, which translates into an occupancy rate of around 83%. As at date of valuation 13th, 14th and 15th floors were fully vacant. The Client informed us that as at the date of valuation the Property has Letter of Intent (LOI) for the part of vacant premises on 14th floor and lease agreement for premises on 15th floor which will start on 02 February 2018 and will include 1 month of rent free period.

In addition, there is income from sources such as advertising and telecommunication contracts. As at the date of valuation, 14 parking spaces in two basement levels were let and occupied and 16 spaces were vacant.

All the leases are short-term (except lease agreement with Galaks – restaurant on the first and second floors with lease expiring on 14 June 2021).

According to the Client's information, when the lease agreement with ANO Orgkomitet regarding an advertising construction on the roof will expire, there will be an agreement with Russ Outdoor instead. We were not provided with the preliminary lease agreement with Russ Outdoor. For the purpose of this valuation we assumed that the agreement with Russ Outdoor will be signed and used this information in our calculations.

Gross Current Income

USD 6,139,131 per annum (net of VAT)

Estimated Rental Value

USD 4,720,828 per annum (net of VAT)

Key Attributes

We would highlight the following key attributes in respect of the Property.

- The Property is located in the Central Administrative District in Moscow, which is an established business destination with well-developed infrastructure where office rents are among the highest in the city;

- Excellent transport accessibility to the city centre of Moscow, proximity to the next metro station, Park Kultury metro station is next to the Property;
- The office space is designed to the highest standards and offers highly efficient and flexible layout suitable for many tenant types – for medium-sized companies as single occupiers as well as for smaller companies leasing office space floor by floor;
- High visibility. The Property is located on the first line of Zubovskiy Boulevard (Garden Ring);
- The Property is newly constructed;
- The Property offers street retail premises on the 1st and 2nd floors;
- The building is held freehold, the land plot is held leasehold on a long-term lease agreement expiring in 2045.

Principal Risks

In considering this Property as a subject of security for a loan, we would draw your attention to the following main risks.

- Most part of lease agreements will expire in August – September of 2018. According to the Client's information there were no signed LOI for these premises as at the valuation date;
- Limited availability of parking;
- Competition from existing office properties of the same or similar quality.

Marketing Period

Proper marketing ensures that the marketing period (exposure time) for the Property should be the order of twelve months. Our conclusion is supported by a number of brokers who are actively participating in transactions (sale) with comparable assets.

Valuation as at 31 December 2017

Market Value (net of value-added tax, rounded):

USD48,400,000 (Forty Eight Million Four Hundred Thousand US Dollars).

UniCredit S.p.A.
Via Alessandro Specchi 16, CAP 00186 Rome, Italy

AM-Building Center CJSC
119021, Moscow, Zubovskiy blv, 11A

Our ref. RU8752
Direct line +7 495 737 8000
Direct fax +7 495 737 8011
Tim.Millard@eu.jll.com

For the attention of:
Lysykh Nina Valerievna,
General Director

21 February 2018

Terms of Reference

Addressee	UniCredit S.p.A. Via Alessandro Specchi 16, CAP 00186 Rome, Italy AM-Building Center CJSC 119021, Moscow, Zubovskiy blv, 11A
Property Address	Dom Park Kultury, 11A Zubovskiy Boulevard, Moscow, Russia
Tenure	We understand that the site is held by way of a leasehold interest and the existing building on the site is held by way of a freehold interest. We have made an assumption that the current legal status of the Property is clear and free of any unusual encumbrances that could affect the marketability and saleability of the Property.
Valuation Date	31 December 2017
Instruction Date	24 January 2018
Purpose of Valuation	In accordance with the contract RU8752 dated 24 January 2018 we are instructed to provide you with a Report and valuation for reporting and bank financing purposes.
Basis of Valuation	In arriving at our opinion of Market Value, our valuation has been prepared in accordance with the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors on the basis of Market Value. The Report is subject to, and should be read in conjunction with, the attached General Terms and Conditions of Business and our General Principles Adopted in the Preparation of Valuations and Reports, which are attached as Appendix 4 and 5 to this Report. No allowance has been made for any expenses of realisation, or for taxation (including VAT), which might arise in the event of a disposal, and the Property has been considered free and clear of all mortgages or other charges, which may be secured thereon.
Inspection	The Property was inspected both internally and externally on 15 February 2018 by Alexandra Deryabina, Junior Valuer and Dmitry Davydov MRICS, National Director, Valuation Department, Jones Lang LaSalle LLC.

Personnel	The valuation has been prepared by Maria Vanzonok, Valuer, Alexandra Deryabina, Junior Valuer and Dmitry Davydov, MRICS under the direction of Tim Millard MRICS, Regional Director, Russia & CIS JLL. We confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the RICS Valuation Standards.
Status	In preparing this valuation we have acted as External Valuers, subject to any disclosures made to you.
Disclosure	We confirm that we are not aware of any conflict of interest that precludes us from valuing this Property on your behalf.
Assumptions	An assumption is stated in the glossary to RICS Valuation – Global Standards 2017 to be a 'supposition taken to be true' ('assumption'). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a Valuer as part of the valuation process. In undertaking our valuations, we have made a number of assumptions and have relied on certain sources of information. Where appropriate, you have confirmed that our assumptions are correct so far as you are aware. We believe that the assumptions we have made are reasonable, taking into account our knowledge of the Property, and the contents of Reports made available to us. However, in the event that any of these assumptions prove to be incorrect then our valuations should be reviewed.
Special Assumptions	According to the glossary to the Red Book a 'Special Assumption' is an assumption that either: • requires the valuation to be based on facts that differ materially from those that exist at the date of valuation; or • is one that a prospective purchaser (excluding a purchaser with a special interest) could not reasonably be expected to make at the date of valuation, having regard to prevailing market circumstances. In arriving at our opinion of Market Value, we have not made any Special Assumptions.
Sources of Information	In arriving at our opinion of value, we have relied upon the information supplied by the Client as detailed within Section 3 of the Report. We have made an assumption that the information supplied to us in respect of the property is both full and correct. It follows that we have made an assumption that details of all matters likely to affect value within your knowledge, such as prospective lettings and outstanding requirements under legislation, have been made available to us and that the information is up to date.
Valuation	Market Value (net of value-added tax, rounded): **USD48,400,000 (Forty Eight Million Four Hundred Thousand US Dollars)**

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Appendices

1 Location

1.1 Macro Location

The Property is situated in the Khamovniki micro district within the Central Administrative District (CAD) of Moscow at 11A Zubovskiy Boulevard.

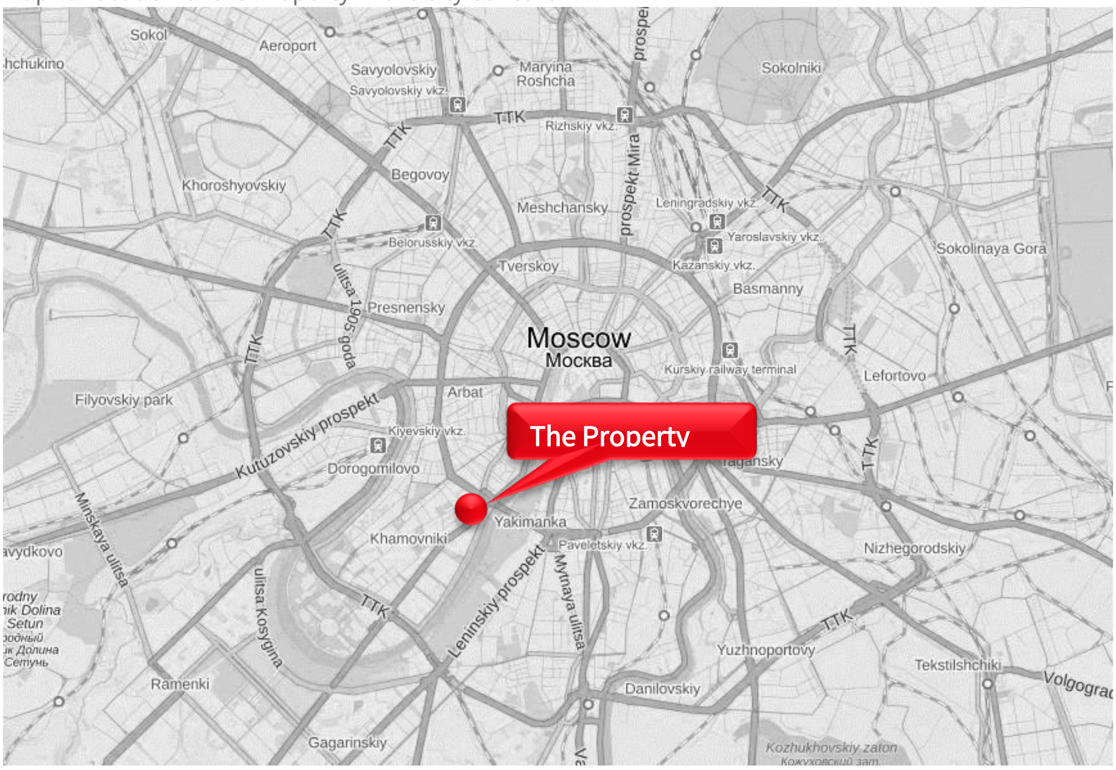
The CAD consists of 11 municipal districts: Arbat, Basmanny, Khamovniki, Kitai-Gorod, Krasnoselskiy, Meschanskiy, Presnenskiy, Taganskiy, Tverskoy, Yakimanka and Zamoskvorechye. Arbat, Basmanny and Yakimanka are the areas with the highest density of population.

The area of the CAD totals 6,619.75 hectares or 6.1% of the total city area. The population is approximately 770,000 and the density of population in the CAD is higher than city average. The Central Administrative District is one of three most populous districts of Moscow.

Khamovniki District is part of historical center of the City. There are two main tourist attractions nearby including Gorky Park and the Cathedral of Christ the Savior, all within walking distance.

The location of the Property in a city context is shown on the location map below:

Map 1. Location of the Property in the city context



Source: https://maps.yandex.com/

CAD is one of the most prestigious parts of Moscow due to the high concentration of Russia's business and cultural elite as well as good transport, retail and social infrastructure. About quarter of all Moscow employees work in organisations located within the district. Despite problems with the transport accessibility and lack of the car parking, prime business centres located within the CAD achieve the highest rental rates in the city.

CAD is the major governmental location with about 350 governmental organisations located there, such as the State Duma, City Duma, Moscow City Administration, Goskomstat and others. The CAD accounts for nearly half of total budget revenues.

The district houses approximately 7,000 buildings, alongside the administrative and commercial organisations, residential land covers more than 16.6 million sq m, much more than the land allocated to non-residential buildings. The housing stock includes a mix of pre-revolutionary buildings, communist-era high density housing and elite new developments. The district is the traditional location of elite residential areas such as Arbat, Zamoskvorechye, Ostozhenka, Plyuschikha, Khamovniki, Sretenka, Chistye Prudy and others.

The Property is located in Khamovniki District. The Khamovniki District constitutes a part of the larger Central Administrative District; it is located on the winding bend of the Moskva River, which is the largest river within the territory of the Russian capital. The micro district covers 949.2 hectares and is predominantly made up of residential and recreational zones (parks, boulevards and public gardens with the total area of 247.5 hectares). The population constitutes approximately 110,000 residents.

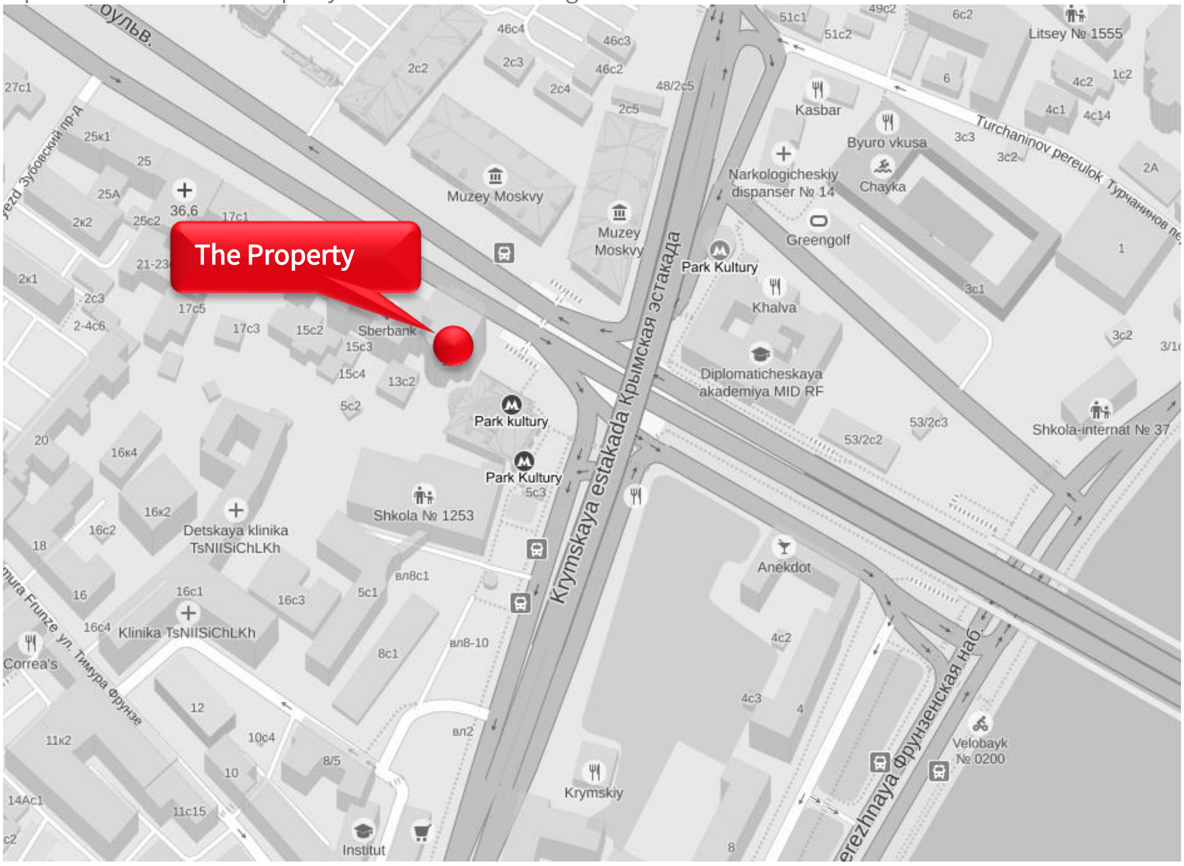
Khamovniki is a dated neighbourhood with well-developed infrastructure. It is served by four metro stations of the oldest Moscow metro line – Sokolnicheskaya: Kropotkinskaya, Park Kultury, Frunzenskaya and Sportivnaya.

The main thoroughfares are Komsomolskiy Prospect, the Garden Ring (Smolenskiy and Zubovskiy Boulevards), the Third Ring Road, and Bolshaya Pirogovskaya, Ostozhenka and Volkhonka Streets. Embankments of the Moskva River are also used as motor ways.

1.2 Micro Location

The Property is situated at Zubovskiy Boulevard (Garden Ring) near Park Kultury metro station. The plan shown below provides an illustration of the location of the Property in the context of the neighbouring streets.

Map 2. Location of the Property in the context of neighbourhood



Source: https://maps.yandex.com/

The Property is located in the business district (CAD) of Moscow. Zubovskiy Boulevard begins next to Prechistenka street, and is the part of the Garden Ring (first line).

The surrounding area is comprised of office, retail (including banks, cafes and restaurants), a school and residential buildings. A number of major international corporate, financial and service companies have established their offices in Khamovniki district due to the convenient location in the centre, accessibility and attractive amenities.

1.3 Transport and Communications

The Property can be easily accessed by car from Garden Ring and has a direct access to the city centre of Moscow (Kremlin) via Garden Ring/ Prechistenskaya Embankment as well as to the Third Transport Ring (TTR – 2.5 km) and Moscow Ring Road (MKAD – 14 km) via Komsomolskiy Prospect. The Garden Ring and the Third Transport Ring – major arterial circular roads located 100 m and 2.5 km from the Property. Access to the rings provides integrated traffic connectivity to the whole of Moscow.

The Property has excellent public transport links and accessibility. The Property is positioned 10 meters from Park Kultury metro station (circle line and radial red line) – a direct link to Moscow's centre and key transport hubs – Belorusskiy, Kievskiy and Paveletskiy train stations. Belorusskiy, Kievskiy and Paveletskiy train stations provide quick access to Sheremetyevo, Vnukovo and Domodedovo International Airports via Aeroexpress, the dedicated high-speed airport trains. A bus stop serviced by several lines is located next to the Property as well.

The location of the Property within very close proximity to the major road transport links and central part of Moscow is a strong positive factor providing good links to all parts of the city and beyond and positions it well in comparison to competing centres.

We would note that the road network in Moscow is subject to heavy congestion during peak times, this is particularly true of the routes such as the ring roads and the major radial routes out of the centre. This severe congestion can lead to significant delays and makes journey times unpredictable. On street parking is also difficult to secure in the centre of the city, so on-site parking is highly desirable.

The City Hall of Moscow introduced paid parking in 2013 initially inside the capital's central beltways — the Boulevard Ring. Starting from December 2, 2016 a zone of higher tariffs – RUB200 per hour were introduced on the busiest streets within the Garden Ring, the cost will depend on the time of day.

1.4 Visibility

The Property is located on the front line of Zubovskiy Boulevard, so has an excellent visibility from Garden Ring.

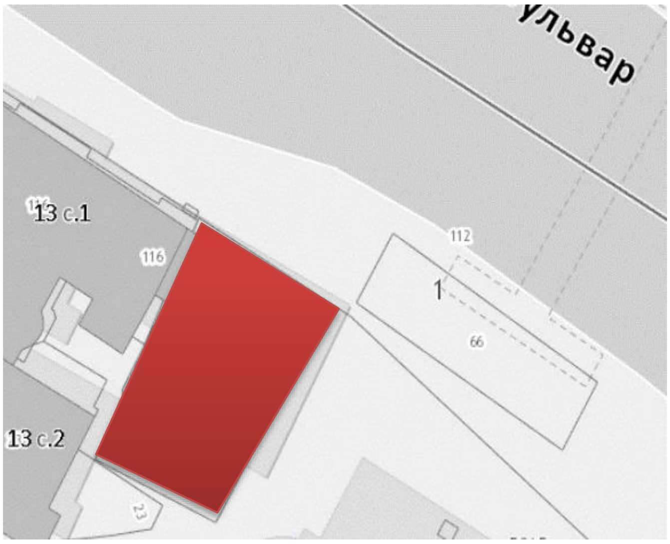
2 Description

2.1 Site

The Property is located on the land plot with a total area of 600 sq m registered under cadastral number 77:01:0005015:1.

The site plan is represented below.

Plan 1. Site plan



Source: http://maps.rosreestr.ru/PortalOnline/

According to the land lease agreement #M-07-003899 dated 3 January 1996 and addendums to the land lease agreement, the site is held by way of a leasehold interest by AM-Building Center CJSC until 03 January 2045.

According to the land lease agreement, the land category of the site is settlement lands and the permitted use is for the construction of commercial and business complex and its subsequent operation.

2.2 Building

2.2.1 General

The Dom Park Kultury Business Center represents a 16-storey Class A office building with a total area of 7,482.2 sq m. The end of construction was June 2011.

Next to office premises the Property provides retail space of about 352 sq m on the 1st and 2nd floor that can be accessed by a separate entrance on the 1st floor from the street (Garden Ring).

The basement (2 underground floors) accommodates the underground parking for 30 car parks that can be direct accessed from the Garden Ring. The parking is organized by an automatic 2-level parking system (SWISS PARK), whereas every unit has a separate electric energy switch. Technical premises are located on the 16th floor.

Construction features

The Property has a reinforced concrete foundation. The frame, internal and external walls are constructed of reinforced concrete, steel constructions and brick.

The facade is isolated, ventilated ('OLMA' system) and covered with granite. The windows are made of aluminium profile 'SCHUECO' with isolated glass.

The Property has two entrances, one from the Garden Ring and the second – with a ramp for handicapped people – from rear of the building. Further there is a separate entrance from the Garden Ring for the 2nd floor of the building which was used as a sales office and is retail in nature. The main pedestrian entrance is from Zubovskiy Boulevard. The access to the underground parking has an automatic gate and is organized by a system of traffic lights.

The construction features of the Property comply with Class A office requirements.

Fit-out

The office premises have an open floor layout. At our inspection premises located on 15th and 13th floors were not fitted-out. Other premises are fitted-out with high-quality materials.

There have been no alterations or changes of use to the Property since opening. The building is fully suitable for office and retail uses.

Further specification details can be seen in the table below.

Table 1. Building specification details

General characteristics for the office building	
Type of Property	Stand-alone building
Project	Business Centre Dom Park Kultury
Gross area	7,482.2 sq m
Leasable area (GLA excl. parking)	6,528.8 sq m
Year of construction	2011
Year of reconstruction	–
Functional use	Office building
Number of floors	15 above ground + technical floor + 2 basement occupied by parking
Location	
Address	11A Zubovskiy Boulevard, Moscow, Russia
Metro station	Metro station Park Kultury (1 minute walk)
Fit-out	
Condition of finishing	The premises located on 15th and 13th floors are without fit-out. Other premises are fitted-out with materials of high quality.
Engineering equipping	
Management company	Bilfinger
Utilities	Central city network
Power supply	Uninterruptible power supply system (UPS)
Ventilation and air conditioning	4-pipe HVAC system
Elevators	4 Kone elevators with a waiting time of 25 to 30 seconds – 1 elevator with a capacity of 320 kg from the underground parking to the lobby (1st floor); 3 Kone elevators (1 – 1,000 kg; 2 – 650 kg) from the lobby to the upper floors.
Security system	24-hour security; External and internal video surveillance system.
Telecommunication	Fiber-optical telecommunications
Parking	30 underground parking lots

Source: Client's information

2.2.2 Commentary

We have analysed the characteristics of the office building and noted the following:

- The office building is attractive, distinctive, recently constructed and specifically designed for office use with ancillary retail on the first and second floors;
- The building structure and finishing, as well as the services that supply the office complex, correspond to Class A office requirements;
- Office accommodation is provided from second to sixteenth floor levels. At our inspection the premises located on 15th and 13th floors were not fitted-out. Other premises were fitted-out with materials of high quality.
- Car parking (underground) is provided at the ratio of 1 space per 217 sq m of rentable space, which is not enough for the office building of class A, which is located in the central part of the city.

2.3 Accommodation

According to the tenancy schedule provided for the Property, it had, as at the date of valuation, 6 tenants, which translates into an occupancy rate of around 83%. As at date of valuation 13th, 14th and 15th floors were fully vacant. Nevertheless, the Client informed us that as at the date of valuation the Property has Letter of Intent (LOI) for the part of vacant premises on 14th floor and lease agreement for premises on 15th floor which will start on 02 February 2018 and will include 1 month of rent free period. We took this LOI and lease agreement into account in our calculations.

In addition, there is income from sources such as advertising and telecommunication contracts. As at the date of valuation, 14 parking spaces in two basement levels were let and occupied and 16 spaces were vacant.

All the leases are short-term (except lease agreement with Galaks – restaurant on the first and second floors with lease expiring on 14 June 2021). Most of premises will be vacant in August – September of 2018.

We have been provided with tenancy schedule and Explications for building dated 30.01.2012 and 20.02.2017 with leasable areas. We have relied upon these floor areas for the purposes of this valuation.

The breakdown of the floors by use is provided in the table below.

Table 2. Accommodation

#	Tenant	Type of premises	Floors	Area, sq m
1	Galaks	Retail	1, 2	352.0
2	ANO Orgkomitet	Office	3-8, 10, 12	3,546.1
3	GBU (FIFA)	Office	9, 11	1,500.4
4	SNP Komms LLC	Office	15	232.0
5	AkademService	Office	T (16)	17.0
6	IP Zagalskiy	Office	T (16)	16.0
7	IP Kozlov	Other	1 - stairs to basement	9.0
8	Byrom plc (LOI)	Office	14	160.3
9	Vacant	Office	13-14	696.0
Total				**6,528.8**

2.4 State of Repair

2.4.1 General

JLL was not instructed to undertake any structural surveys, tests for services, or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the Property.

We would however note that the Property is new building and as such we would expect that it has been specified and maintained to the required standard for modern office buildings.

2.4.2 Deleterious Materials

Normally as part of the valuation we do not carry out land investigations to find out whether the buildings have been constructed or reconstructed using deleterious materials or technologies (such as cement with a significant content of alumina, wooden slabs as temporary casing, chloride of calcium or asbestos). At the same time, we are stating that our valuation assumes that such materials or construction technologies have not been used.

2.5 Environmental Considerations

We have been instructed not to make any investigations in relation to the presence or potential presence of contamination in land or buildings, and to assume that if investigations were made to an appropriate extent then nothing would be discovered sufficient to affect value. We have not carried out any investigation into past uses, either of the properties or any adjacent land, to establish whether there is any potential for contamination from such uses or sites, and have therefore assumed that none exists.

In practice, purchasers in the property market do require knowledge about contamination. A prudent purchaser of this property would be likely to require appropriate investigations to be made to assess any risk before completing a transaction. Should it be established that contamination does exist, this might reduce the value now reported.

2.5.1 Ground Conditions

We have made the assumption that ground conditions are suitable for the current building.

3 Legal

3.1 Tenure

We have been provided by the Client with the copies of the following documents:

- Ownership Certificate 77AR #126161 dated 16 May 2014 issued for the gross building with a total area of 7,482.2 sq m located at the address: 11A Zubovskiy Boulevard, Moscow, Russia.
- Land Lease Agreement for the site #M-07-003899 dated 03 January 1996 and addendums to land lease agreement, dated December 02, 1996, November 26, 2001, March 29, 2002, January 13, 2003, January 20, 2004, July 12, 2004, December 16, 2004, August 05, 2008, July 31, 2009 and October 04, 2010. The addendum dated March 29, 2002 to the Lease Agreement is executed between the Department of Land resources of Moscow City and AM-Building Center CJSC in terms of the site with total area of 600 sq m. The lease agreement is signed for 49 years and is valid until 03 January 2045.
- Site plan.
- Floors plans.
- Explications for building dated 30.01.2012 and 20.02.2017.
- Technical passport for the building.
- Cadastral passport for the building.
- Tenancy schedule with lease conditions.
- Operating expenses.

3.1.1 Land

As at the valuation date the land plot total area of 600 sq m with cadastral number 77:01:0005015:1 is held by AM-Building Center CJSC on the basis of a long-term lease expiring on 3 January 2045. The land category is settlement lands and the permitted use is for operation of an administrative building.

3.1.2 Building

AM-Building Center CJSC holds the building freehold. The title certificate for the office building was obtained in 16 May 2014.

3.2 Rights and Encumbrances

The Property is a subject of security for a loan. For valuation purpose we do not take it into account. We understand that there are no protection obligations with regard to the Property.

3.3 Commentary

JLL has not carried out any legal due diligence of the information provided by the Client. We have assumed that there are no encumbrances or unduly onerous or unusual easements, restrictions, outgoings or conditions, likely to have an adverse effect upon the value of the Property, and we have assumed that a good and marketable title is held.

Notwithstanding the above, we have reviewed the land plot cadastral extract and we understand there are no encumbrances which might affect Property value.

Based on the information provided to us, we understand that there are no easements and servitudes likely to have influence on the value of the Property.

3.4 Tenancies

According to the tenancy schedule provided for the Property, it had, as at the date of valuation, 6 tenants, which translates into an occupancy rate of around 83%. As at date of valuation 13th, 14th and 15th floors were fully vacant. The Client informed us that as at the date of valuation the Property has Letter of Intent (LOI) for the part of vacant premises on 14th floor and lease agreement for premises on 15th floor which will start on 02 February 2018 and will include 1 month of rent free period.

In addition, there is income from sources such as advertising and telecommunication contracts. As at the date of valuation, 14 parking spaces in two basement levels were let and occupied and 16 spaces were vacant.

All the leases are short-term (except lease agreement with Galaks – restaurant on the first and second floors with lease expiring on 14 June 2021). Most of premises will be vacant in August – September of 2018.

According to the Client's information, when the lease agreement with ANO Orgkomitet regarding an advertising construction on the roof will expire, there will be an agreement with Russ Outdoor instead. We were not provided with the preliminary lease agreement with Russ Outdoor. For the purpose of this valuation we assumed that the agreement with Russ Outdoor will be signed and used this information in our calculations.

Main terms of lease agreements and LOI are in the table below.

Table 3. Tenancy schedule

#	Tenant	Lease start	Lease end	Type of premises	Floors	Area, sq m	Rental rate, USD per year (2018), excl. VAT and OpEx per sq m
1	Galaks	15.06.2016	14.06.2021	Retail	1, 2	352.0	1,404.7
2	ANO Orgkomitet	01.04.2016	31.07.2018	Office	3-8, 10, 12	3,546.1	1,181.7*
3	GBU (FIFA)	01.12.2017	31.08.2018	Office	9, 11	1,500.4	906.1
4	SNP Komms LLC	01.03.2018	31.07.2018	Office	15	232.0	779.5*
5	AkademService	01.01.2017	31.08.2018	Office	T (16)	17.0	702.7
6	IP Zagalskiy	01.01.2017	26.12.2018	Office	T (16)	16.0	441.4
7	IP Kozlov	01.06.2017	28.05.2018	Other	1 - stairs to basement	9.0	588.5
8	Byrom plc (LOI)	01.04.2018	30.07.2018	Office	14	160.3	868.1

*Excluding OpEx at the level of USD134 (as for tenant Byrom plc)

Source: Client's information

3.5 Planning

Whilst Moscow does not have a formal planning authority, the Land Code divides land into several categories on the basis of a designated prescribed use, such as commercial land. This category should be stated in all title documents, any agreement for use of the land and all registration documents. An application can nevertheless be made to change the prescribed use of a particular plot of land.

In Moscow, a construction lease of between three to six years is granted, during which time the property must be constructed according to the specifications set out within it. Once fully complete, the owner must obtain an occupancy permit to declare that it has been built according to the planning permissions and construction regulations.

The building must also be State Registered in order to officially exist and for contracts, such as leases, to be entered into in relation to it.

The principle planning stages are as follows:

- Identification of a land plot suitable for development and its allocation for development purposes;
- Preparation of the 'city-planning justification';
- Preparation of the 'initial permission documentation';
- Obtaining a permit to conduct city planning activities;
- Preparation and approval of the architectural design of the building;
- Preparation of the project documentation and review and approval by numerous state authorities;
- Obtaining the construction permit;
- Commissioning of the completed building by the state authority.

We have not seen copies of the planning consents and we have assumed that the Property has been erected and is being used in accordance with all necessary consents and that there are no outstanding statutory notices. We have assumed that the building complies with all statutory and Local Authority requirements including building, fire and health and safety regulations.

According to the documents listed above, the Property is located on land prescribed by the Moscow city authorities for operation of administrative building.

3.6 Property Assessment

3.6.1 General

The two statutory property taxes payable in Russia are property tax, based on the building's book or cadastral value and land tax, based on the site's cadastral value. If the site is held leasehold then the leaseholder is liable to pay land rent.

3.6.2 Land Rent

We have estimated the land payment at 1.5% from cadastral value (RUB82,270,602) of the land plot. According to our estimation the land payment of the date of valuation equals to RUB1,234,059 or USD21,425 per annum.

3.6.3 Property Tax

According to the Federal Law 307-FZ 'On Amendments to Article 12 of Part 1 and Part 2 of Chapter 30 of the Tax Code of the Russian Federation' dated November 2, 2013, which came into force on January 1, 2014, the base for calculation of the property tax is building's cadastral value.

According to the amendments adopted by Regional Governments in Moscow and Moscow Region, the tax rate for Offices and Retail in Moscow is 1.5% from 2018 onwards. Cadastral value of the Property equals RUB1,779,590,840. According to our estimation the property tax payment equals to RUB26,693,863 or USD463,434 per year.

3.7 Statutory and Tax Matters

3.7.1 Value Added Tax (VAT)

VAT is payable on the sale of commercial property at the current rate of 18 percent. Most commercial property transactions are undertaken through the sale of special purpose vehicle (SPV) companies that own the property. Sales of companies do not incur a VAT liability.

Our valuation does not reflect VAT.

4 Highest and Best Use Analysis

The market value of an asset will reflect its highest and best use.

Highest and best use (HBU) – the reasonably probable and legal use of the property, which is physically possible, financially feasible, and that results in the highest value.

Estimation of each of the HBU types requires a separate analysis. As can be seen, HBU is estimated under the following four criteria:

- Legal: permitted use, restrictions on private enterprise, regulations of historical areas and etc.
- Physical possibility: physically possible ways of use in this area.
- Financial feasibility: physically possible and legal use will provide with acceptable income to the owner of the Property.
- Highest profitability: which of financially feasible uses will generate the highest profitability.

Legal. The current use of building complies to the permitted use of land plot, on which the building is located.

In light of the foregoing, we considered, that in the context of legislative permission the Property can be used as office centre.

Physical possibility. Considering the technical condition, design, space-planning decisions of the office centre, the Valuer considers that, the change of the current use without additional significant capital investments is impossible and contradict the permitted use of the Property.

Financial feasibility and highest profitability. According to analysis of location and surrounding real estate properties, actual use and development of the relevant market segment in the city and high level of completion of the office centre, we considered that the use of the Property is financially feasible.

So that, analysis of the quantitative and qualitative characteristics of the Property allows us to conclude that the use of the Property as office centre will be financially feasible and, considering the permitted use, – the only possible, and, consequently, the most effective.

5 Market Commentary

5.1 Russian Investment Market overview

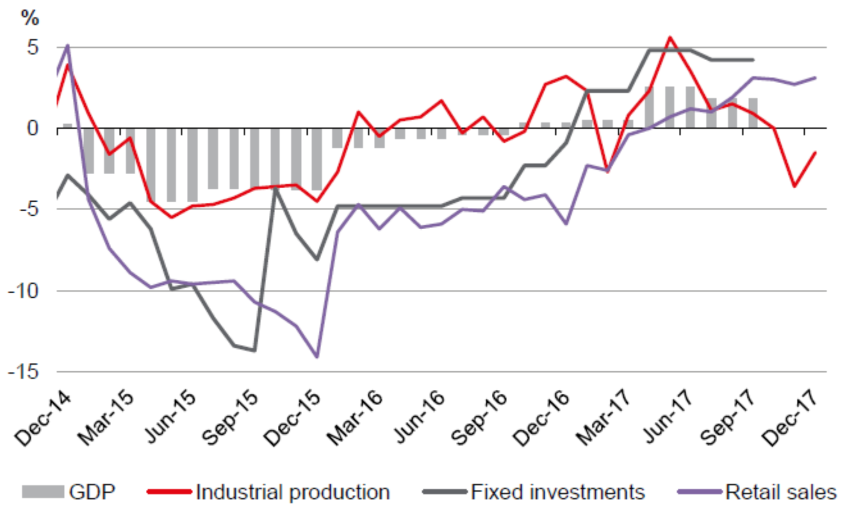
Russian Economy

Russian Investment Market overview was prepared by JLL Research Team.

The economy continues to recover. In Q3 2017, GDP increased by 1.6% YoY. Sector statistics in Q4 indicate general dynamic improvements.

According to Oxford Economics, GDP will rise by 1.8% in 2018.

Graph 1. Russian real sector indicators, YoY real growth



Source: Rosstat, Oxford Economics

Consumer sector

Retail turnover extends the growth streak, in 2017 it reached 1.2% YoY.

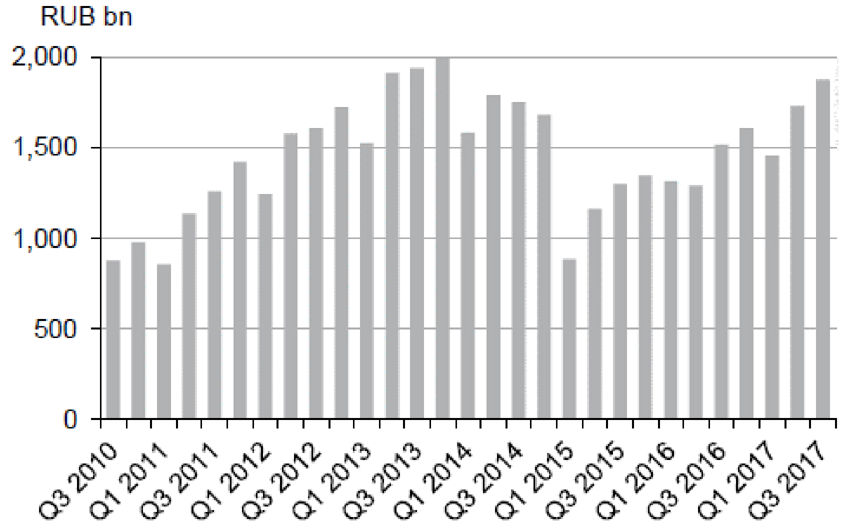
Real wage positive dynamics indicates future recovery of consumer sector. Real wage growth shows 3.4% YoY in 2017.

Graph 2. Retail sales and wages, YoY real growth

Source: Rosstat, CBR

The volume of issued consumer loans increased by 24% YoY in Q3 2017.

Graph 3. Consumer loans issued in Russia



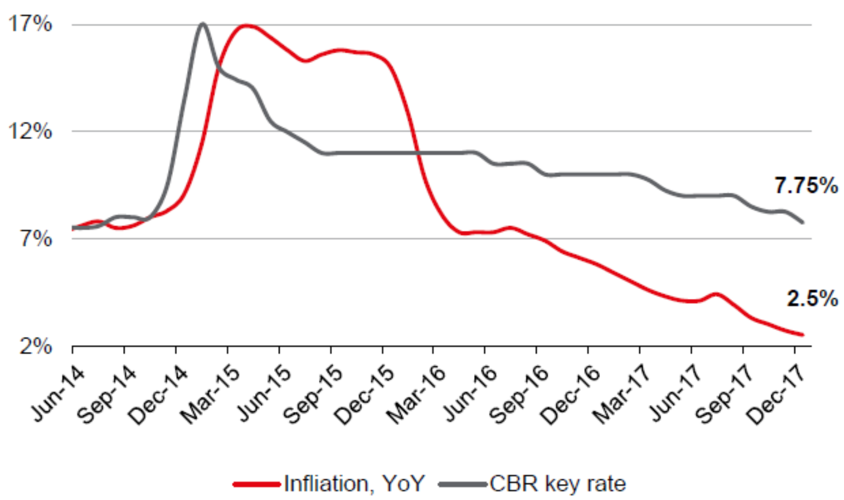
Source: CBR

Inflation and monetary policy

Inflation reached 2.5% YoY in 2017, which is below the CBR target (4.0% YoY). This allows further key rate cuts. In 2018 the CBR target inflation is 3.8% YoY.

The CBR has cut the policy rate to 7.75% in December, the further reduction is planned to 6.5%.

Graph 4. Inflation and policy rate

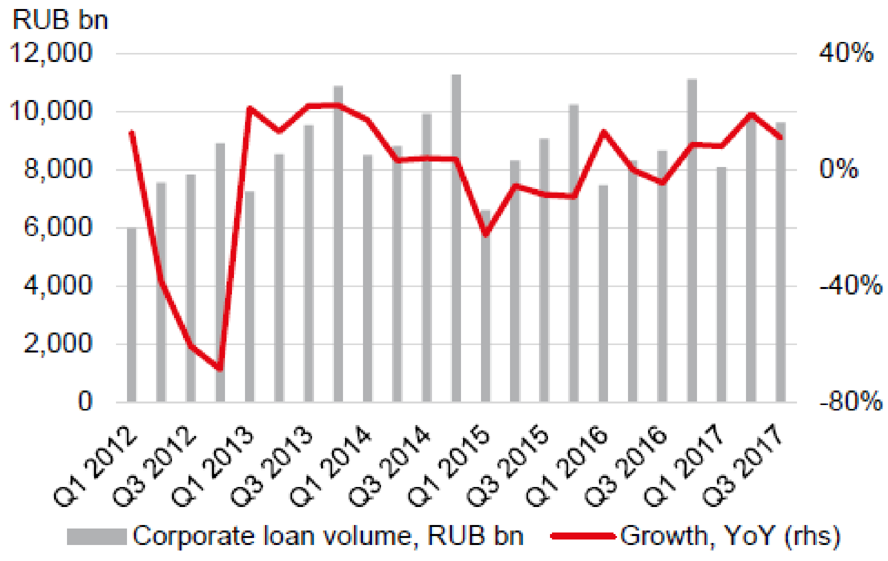


Source: Rosstat, CBR

Banking sector

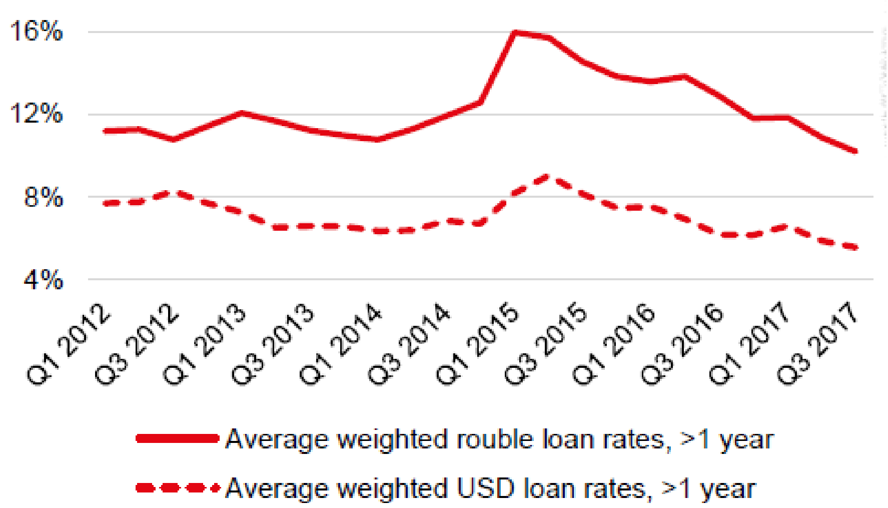
Lending activity picks up, corporate loan YoY growth as in November 2017 amounted to 2.6%. Interest rates compress, rouble corporate loan rate was equal to 9.82%, USD loan rate – 4.84% in November 2017.

Graph 5. Corporate loan volume and YoY growth



Source: Rosstat, CBR

Graph 6. Average corporate loan rates



Source: Rosstat, CBR

External sector

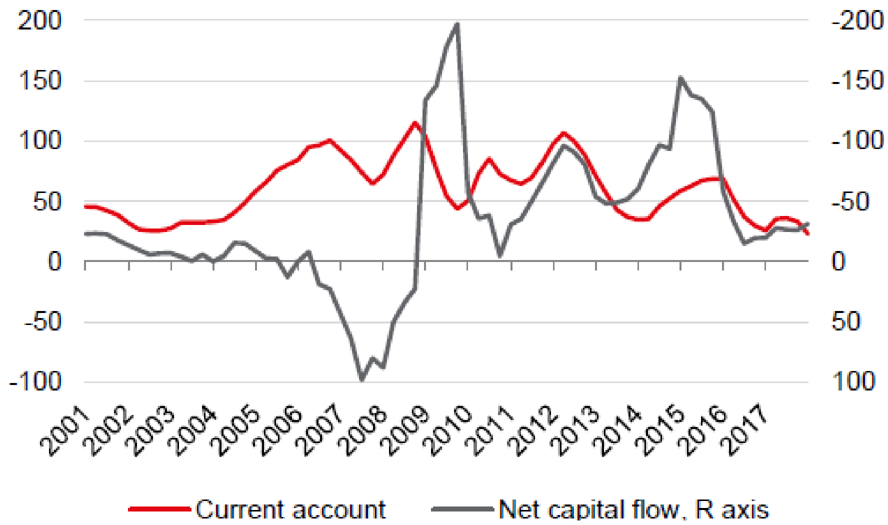
The current account continues posts surpluses, and rouble strengthens on the back of increasing oil price.

OPEC and other major oil producers, including Russia, extended their oil production cuts until end-2018, which helped balancing the oil market.

In 2018 further rouble strengthening is expected on the back of increasing oil price. However, there are some downside risks in case of increasing US oil output.

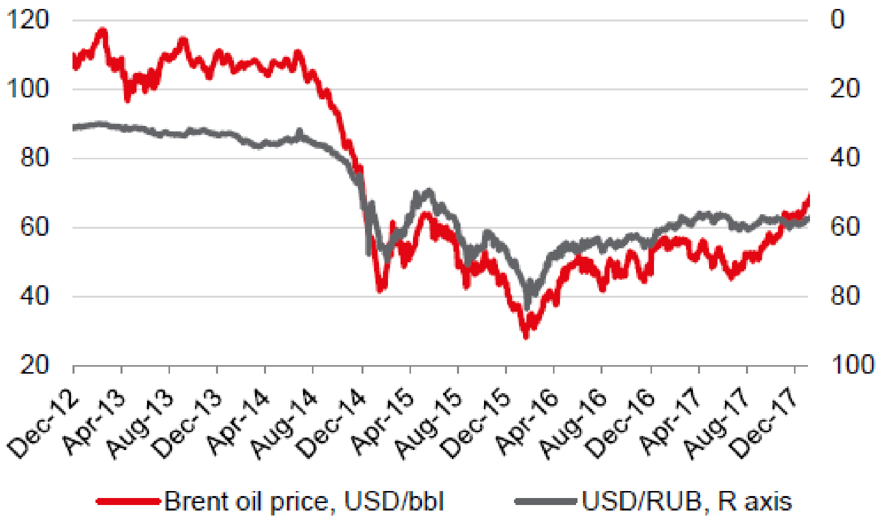
According to Oxford Economics and Bloomberg forecasts in 2018 the rouble dollar exchange rate will reach 59.20, Brent oil price – 61.55 USD/bbl.

Graph 7. Balance of payments, USD bn, 12m rolling total



Source: CBR, Bloomberg

Graph 8. USD/RUB exchange rate and oil price



Source: CBR, Bloomberg, Oxford Economics

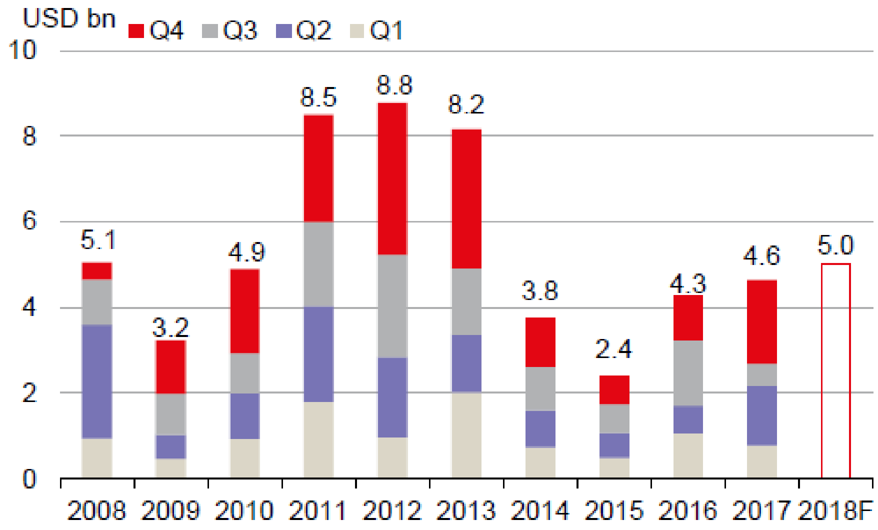
Russia real estate investment volume

Russia's real estate investments reached USD1.9bn in Q4 2017, up 88% YoY (USD1.0bn in Q4 2016), according to JLL calculations. This brought the full year volume to USD4.6bn, up 9% from USD4.3 bn in 2016.

In 2017, the market underwent both positive and negative changes. The Russian economy has been recovering. The rouble traded within a narrow range. Inflation declined below the Central Bank target. Despite the raising concerns about the banking sector stability, a number of large deals closed at the year end. These included the sale of Immofinanz shopping centre portfolio and the part of Sever-2 warehouse complex. We expect the investment volume to climb to USD5bn in 2018, up 9% YoY.

JLL research team expects further growth of investment in Russian real estate in short term. According to their forecast the investment volume in 2018 will reach USD 5 bn.

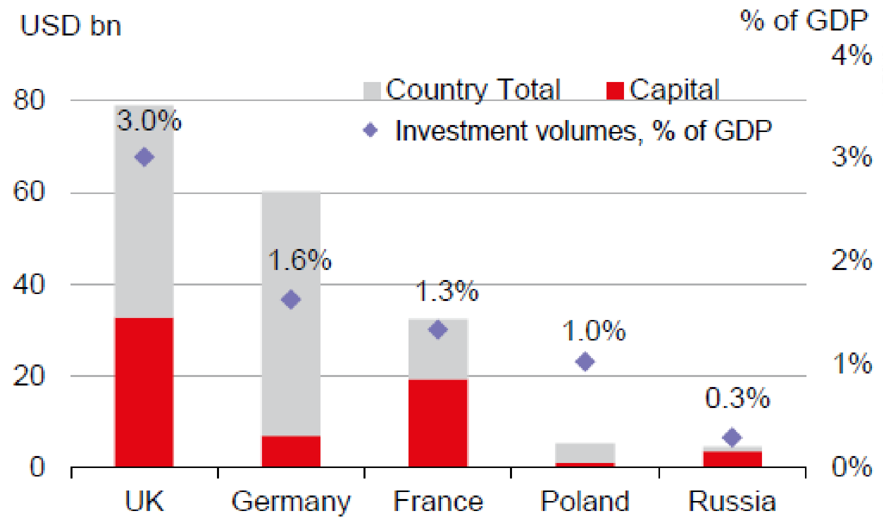
Graph 9. Russia real estate investment deals volume dynamics, USD bn*



*Investment deals, excluding land acquisitions, JVs, direct residential sales to end-users.

Source: Rosstat, CBR

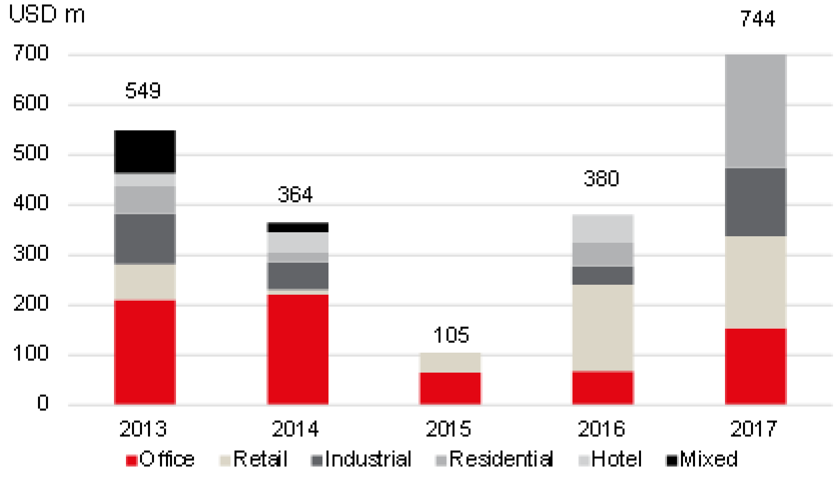
Graph 10. Investment volume: European comparison, 2017



Source: JLL, Oxford Economics

Moscow remains the main investment destination in Russia. In 2017, its share was close to the level in the previous year, at 79%. Higher investment activity was recorded in St. Petersburg, which share had increased from 9% in 2016 to 16% in 2017. In absolute terms, the St. Petersburg investment volume grew by 96% YoY, from USD380m to USD744m. Investors considered St. Petersburg assets as an alternative to those in Moscow, increasing their activity in the Northern capital.

Graph 11. St. Petersburg real estate investment deals volume dynamics



Source: JLL

Russia regions maintain a high investment potential. Quality assets attract investors with their prices.

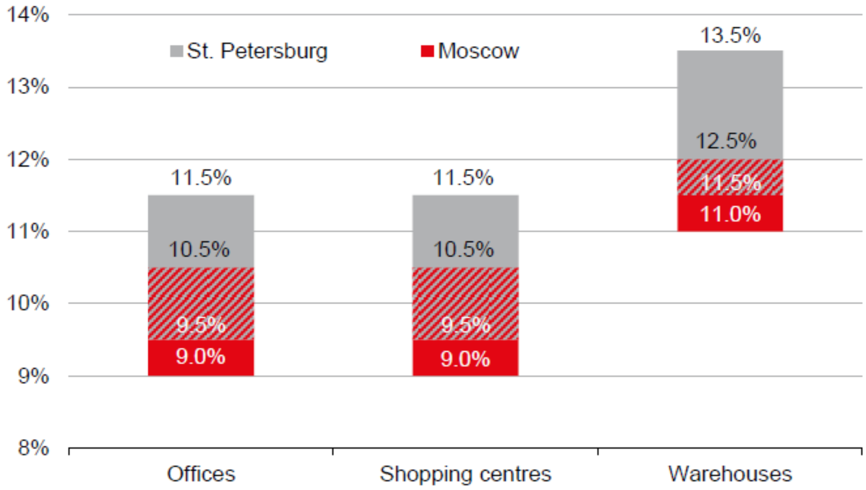
Prime yields

As a result of all of the improving macro-economic conditions and market fundamentals, yield compression is expected in 2018.

As benchmarks for the market players, JLL analysts consider Moscow prime yields between 9.0-10.5% for offices and shopping centres and 11.0-12.5% for warehouses; St. Petersburg prime yields at 9.5-11.5% for offices and shopping centres and 11.5-13.5% for warehouses. St. Petersburg assets will likely compete with those in Moscow due to higher yields and lower values.

Following key rate cuts by the Central Bank, the cost of bank financing will continue declining and will likely lead to yield compression next year.

Graph 12. Prime yield in Moscow and St. Petersburg



Source: JLL

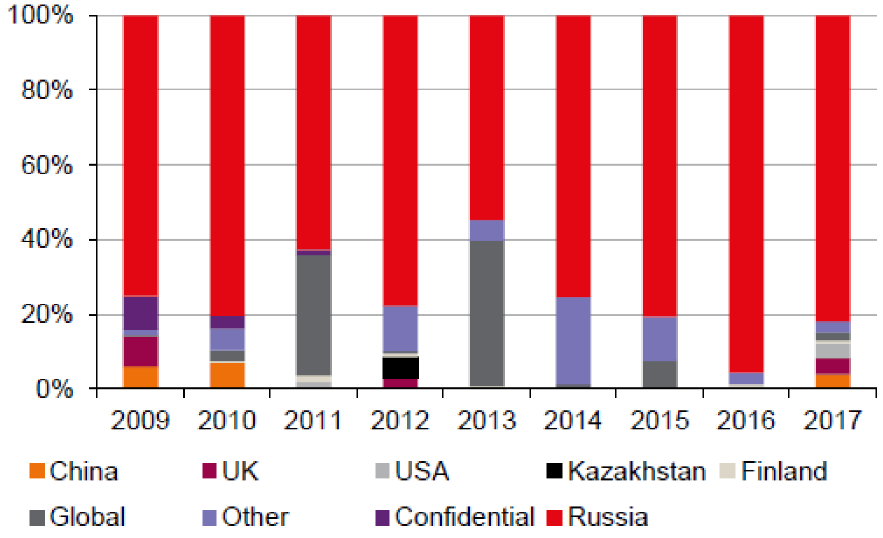
Investment breakdown by sector & source of capital

The share of foreign investments increased from 6% in 2016 to 17% in 2017.

In 2017, new foreign investors entered the market. At the same time, those who have already been present there became more active. The newcomers included the Chinese company Fosun Group, which purchased the Vozdvizhenka Centre office building in Moscow. Raven Russia, the British investment fund, which acquired assets both in Moscow and in St. Petersburg, led the 'old timer' list.

The investment market recovers gradually, with the share of restructuring deals dropping from 48% to 2% in 2017.

Graph 13. Real estate investors by origin



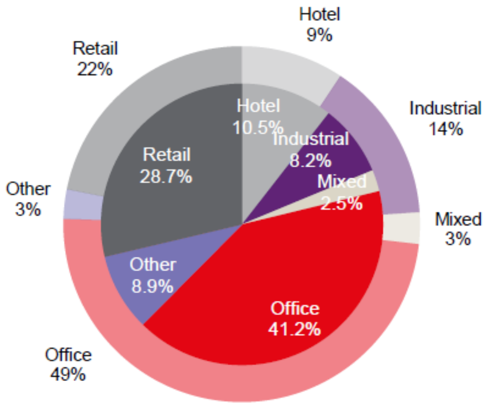
Source: JLL

In 2017, the retail sector accounted for 40% of the total volume. Offices followed, with 34% of all deals. The retail sector dominated over the whole year, with the sale of the shopping centre portfolio to Fort Group supporting this in Q4.

Graph 14. Investment volume in Russia, 2017

Source: JLL

Graph 15. Investment volume by sector, 2015–2017 (Russia – inside pie, global – outside pie)



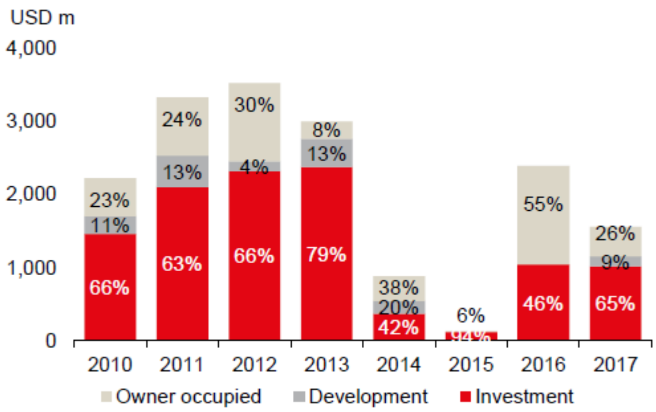
Source: JLL

Office investments, 2017 Q4

Office investments declined by 35% in 2017 as 2016 contained large debt restructuring deals.

The office investment volume comprised USD 1.6 mln.

Graph 16. Office investment volumes. Breakdown by purpose, USD m



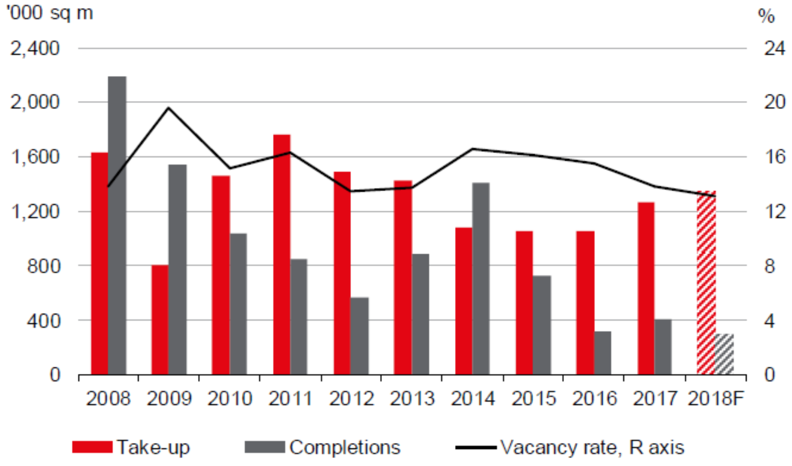
Source: JLL

Graph 17. Breakdown by city

Source: JLL

Office market balance

Graph 18. Office market balance



Source: JLL

The bulk of new premises (76%) were completed in Q4.

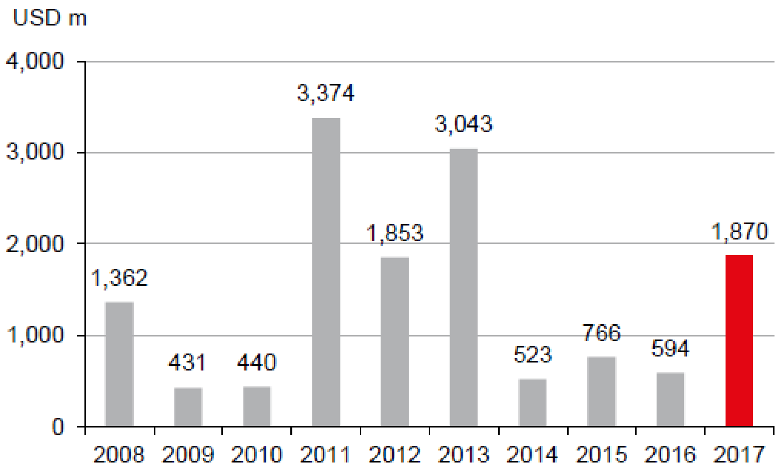
Take-up volume was up by 21% YoY, following large transactions by banks and telecom companies.

The total vacancy rate declined to 13.8% YoY, with the most significant drop in Class B+ buildings.

Retail investments, 2017 Q4

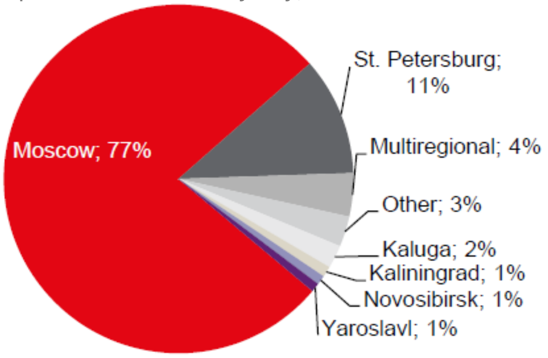
Retail investment volume increased three times amounting to USD 1.9 bn in 2017.

Graph 19. Retail investment volumes, USD m



Source: JLL

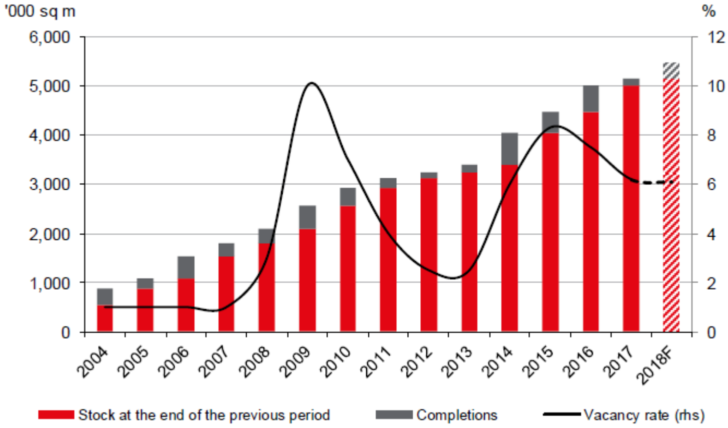
Graph 20. Breakdown by city, 2014-2017



Source: JLL

Retail market balance

Graph 21. Moscow retail market balance



Source: JLL

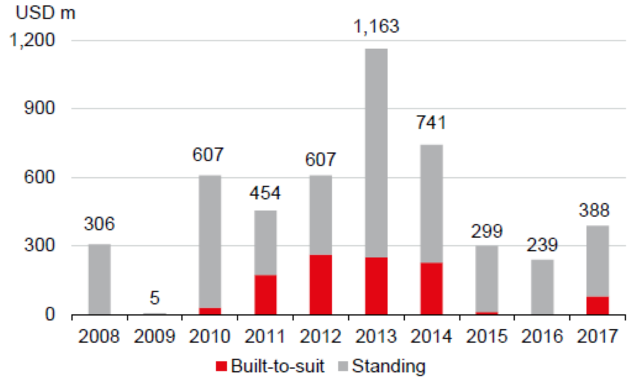
Completions were the lowest in the past five years, with no deliveries during H1 2017.

The vacancy rate declined to 6.2% on the back of the low shopping centre supply.

Warehouse investments, 2017 Q4

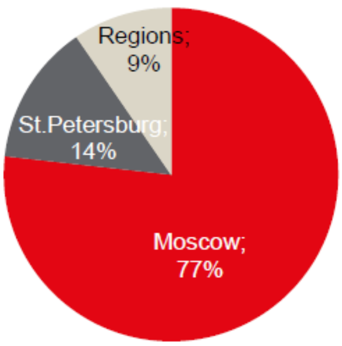
Warehouse investment started to recover in 2017, with a 63% YoY growth.

Graph 22. Warehouse investment volumes, USD m



Source: JLL

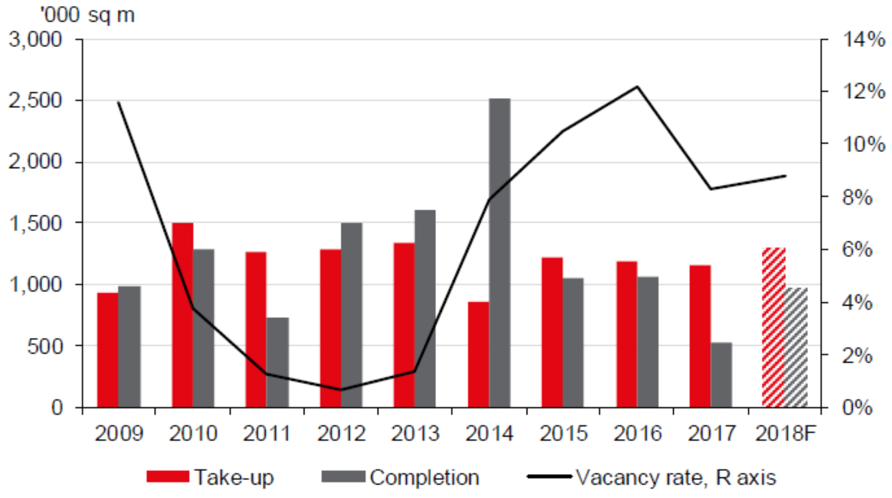
Graph 23. Breakdown by city, 2014 – 2017



Source: JLL

Warehouse market balance

Graph 24. Moscow warehouse market balance



Source: JLL

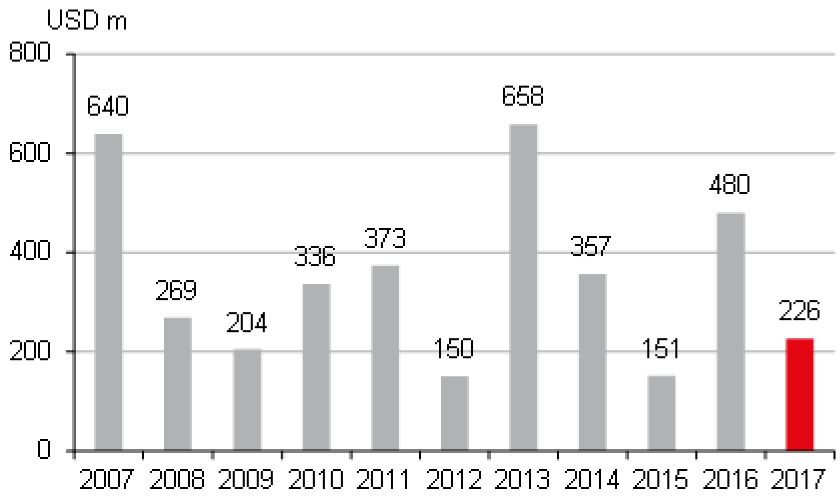
Completions were the lowest since 2006.

Leasing deals (61%) dominated the total 2017 take-up volume, while the built-to-suit share increased to 21%, matching 2012 and 2014 levels.

The vacancy rate declined to 8.3% in 2017, while absolute volumes remain high.

Regional real estate investments, 2017 Q4

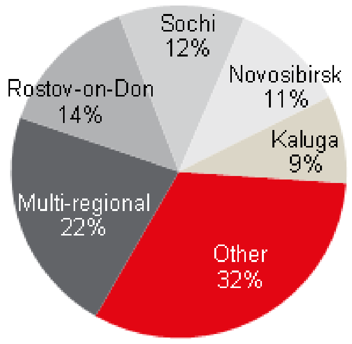
Graph 25. Regional investment volumes*



* All cities excluding Moscow and St. Petersburg.

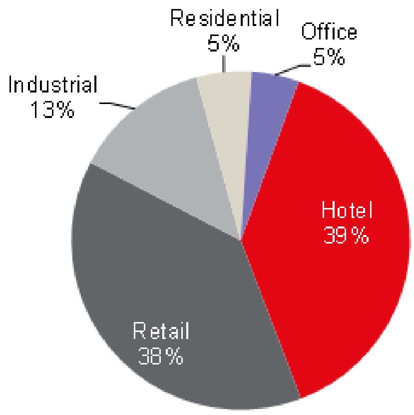
Source: JLL

Graph 26. Breakdown by city, 2014–2017



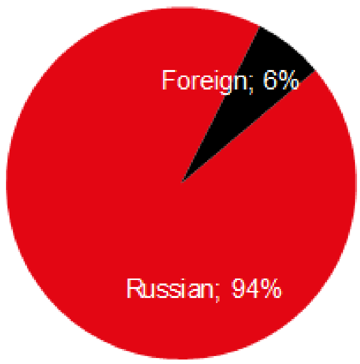
Source: JLL

Graph 27. Breakdown by sector, 2014–2017



Source: JLL

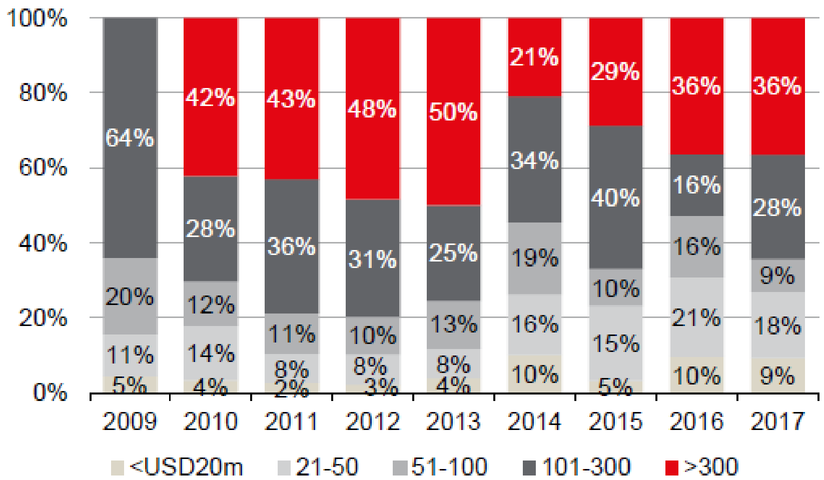
Graph 28. Breakdown by investor origin, 2014–2017



Source: JLL

Structure of real estate investments

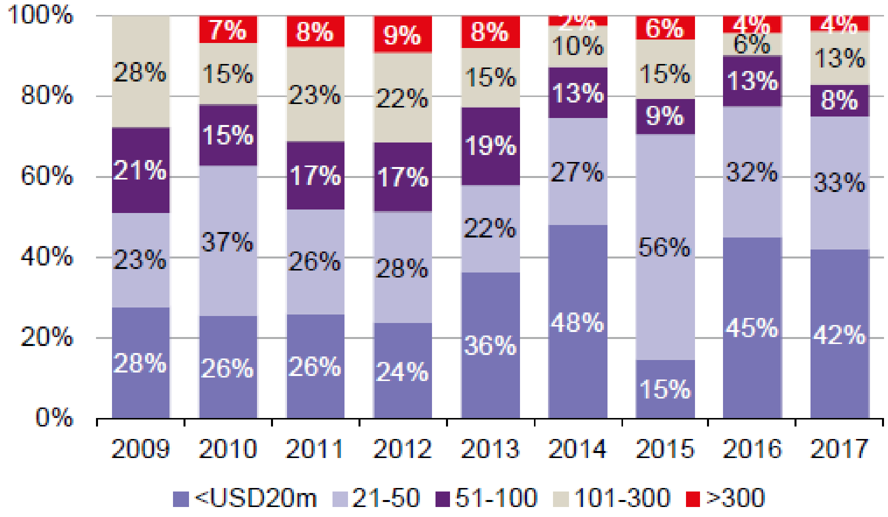
Graph 29. Investment by deal size (volume)*



* Investment volume by deal size as a share in total investment volume.

Source: JLL

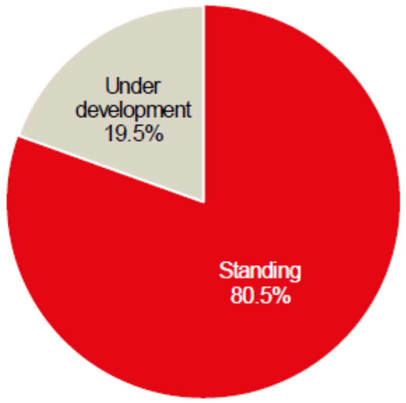
Graph 30. Investment by deal size (number of deals) *



* Number of deals by size as a share in the total number of deals.

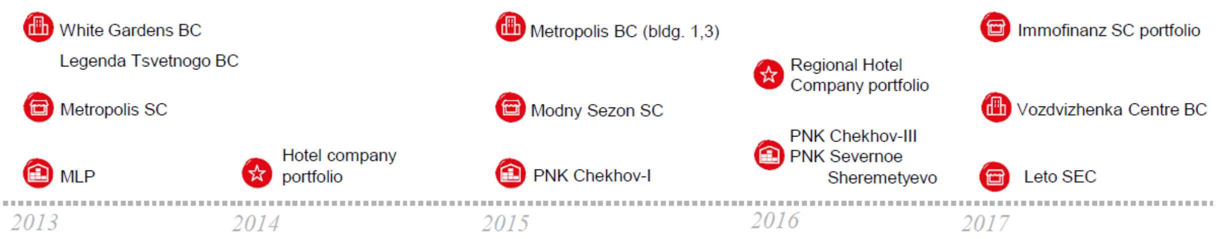
Source: JLL

Graph 31. Investment by type. 5 years average



Source: JLL

Major transactions



Source: JLL

5.2 Moscow Office Market overview

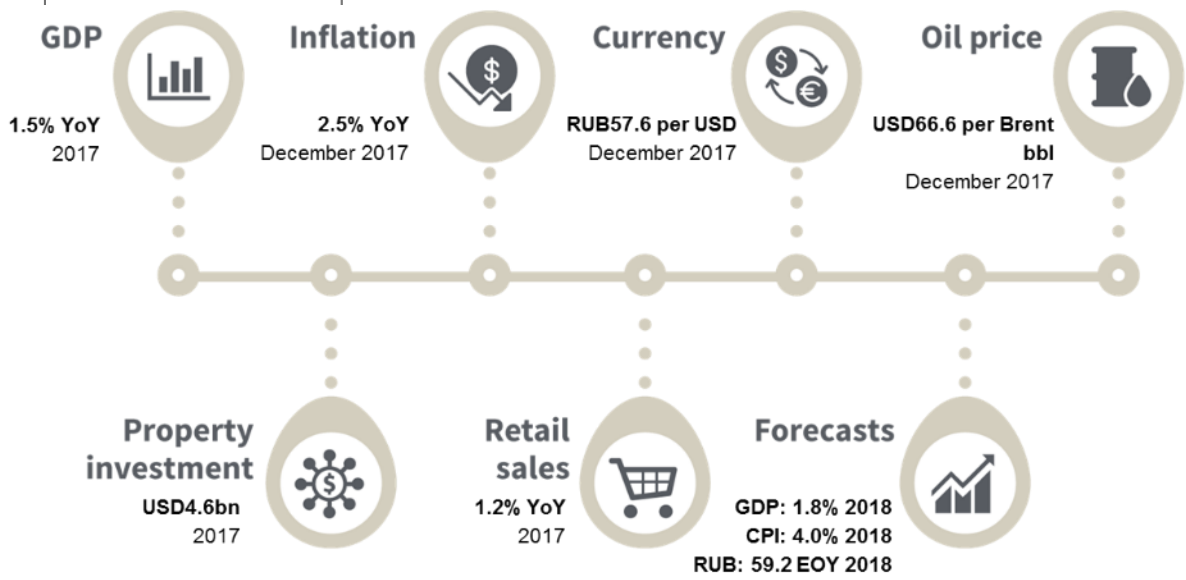
Table 4. Moscow office market Snapshot

Indicator	Total	Class A	Class B+	Class B-
Supply				
Modern office stock, sq m	18,495,169	4,112,850	9,469,203	4,913,116
Completions, Q4 2017, sq m	312,275	187,260	125,015	0
Completions, 2017, sq m	408,001	258,352	136,015	13,634
Availability, sq m	2,554,391	679,173	1,277,408	597,810
Vacancy rate, %	13.8	16.5	13.5	12.2
Pipeline 2017, sq m	280,683	182,852	97,831	0
Demand				
Total take-up Q4, sq m	508,017	164,061	262,383	81,573
Total take-up 2017, sq m	1,277,543	449,407	699,262	128,874
Commercial terms	USD/sq m/year		RUB/sq m/year	
	Prime	Class A	Class B+	Class B-
Asking rents	USD600-750 or RUB35,000-44,000	RUB24,000-40,000	RUB12,000-25,000	RUB8,000-12,000
Operating expenses, RUB/sq m/year	7,500-9,000	6,500-7,500	4,500-6,000	1,500-2,500
Prime yields	9-10.5%			

Source: JLL

Economic outlook

Graph 32. Macroeconomic snapshot

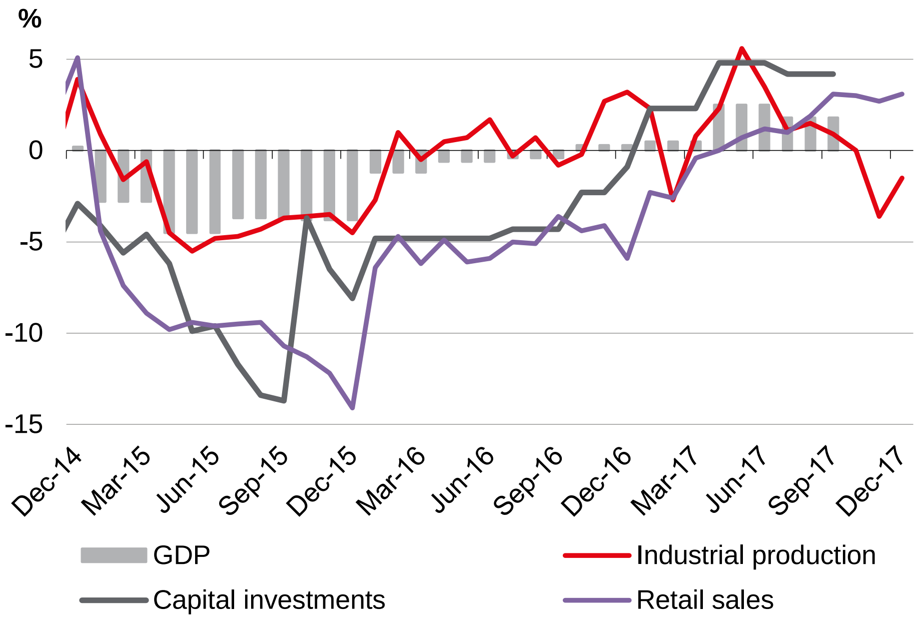


Source: Rosstat, Bloomberg, Oxford Economics, JLL

The economy continues to recover. In 2017, GDP increased by 1.5% YoY. Further rouble strengthening is expected on the back of increasing oil price.

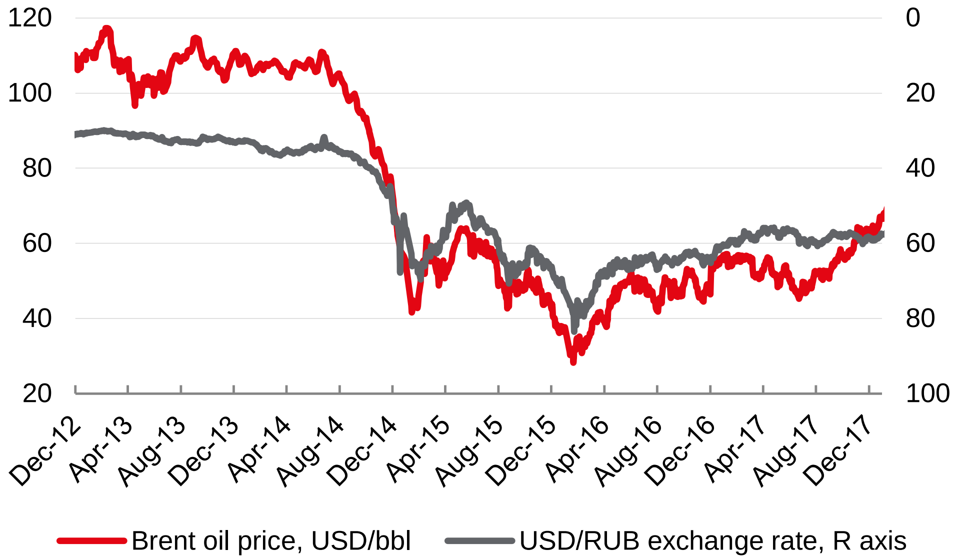
However, there are some downside risks from increasing oil output in the US.

Graph 33. Russia real sector indicators, YoY



Source: Rosstat, Bloomberg, JLL

Graph 34. USD/RUB exchange rate and oil price



Source: Rosstat, Bloomberg, JLL

Moscow office market snapshot

COMPLETIONS

- Some 408,000 sq m of office space were delivered to the market in 2017, a 29% YoY increase. The bulk of these premises (312,000 sq m, or 76%) were completed in Q4 2017. The largest projects in Q4 2017 and 2017 overall were Federation Tower East and IQ-Quarter. Their combined office space (about 240,000 sq m) accounted for 59% of 2017 completions.

	• Taking into account the current state of the announced projects, some of them will not be finished in time, and realistic 2018 completions will be about 300,000 sq m (a 26% decrease YoY).
TAKE-UP	• Total 2017 office take-up volume reached 1.28 m sq m, up by 21% YoY. Q4 2017 take-up amounted to 508,000 sq m, a record high quarterly indicator.
	• Class A and B+ office space remained in high demand among domestic and international companies. Office transactions in Class B+ dominated the market in 2017 (at 55%), while the share of Class A deals was 35%. Following the trend of recent years, the activity concentrated in the area outside the Third Transport Ring (40%).
VACANCY	• The overall office vacancy rate declined from 15.5% in Q4 2016 to 13.8% in Q4 2017.
	• Only Class B- office buildings recorded vacancy growth (by 2.4 ppt to 12.2%), as tenants continued to favour higher quality premises.
	• The Class A vacancy rate declined from 18.9% to 16.5%. The most significant decline was registered in Class B+ buildings, by 3.7 ppt to 13.5%.
RENTS	• Moscow office rents remained stable in Q4 2017.
	• Prime asking rents are USD600-750/sq m/year or RUB35,000-44,000.
	• Class A asking rents are USD400-670/sq m/year or RUB24,000-40,000. Class B+ asking rents are RUB12,000-25,000/sq m/year.
YIELDS	• Prime yields for Moscow offices remain flat at 9.0-10.5%.

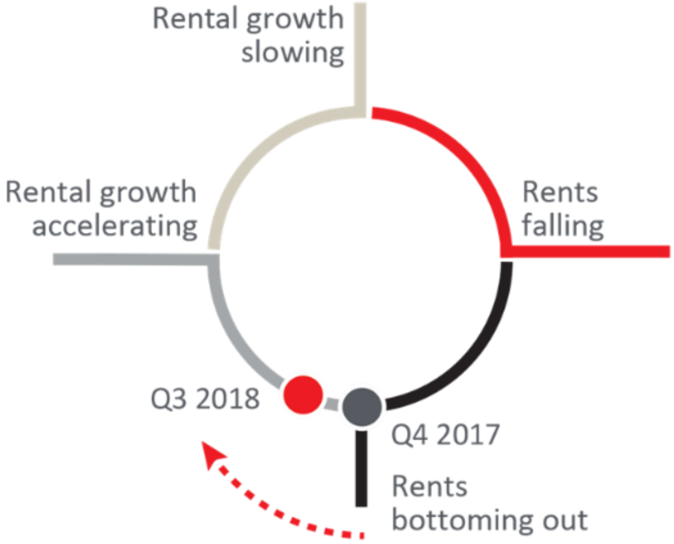
Office property cycle & short-term forecast

In 2017 there were several large purchases for own occupation and leasing deals. Companies, including those from the government sector, use current market conditions to lease or purchase offices at attractive prices.

Gradual economic recovery and rising demand for office space will allow owners to increase prices.

We expect rental growth to start in Q3 2018.

Graph 35. Office property cycle



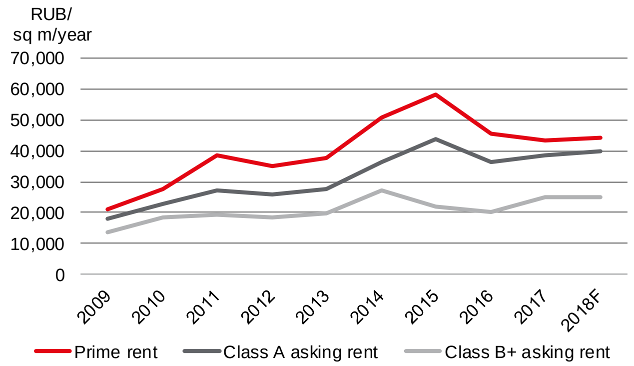
Source: JLL

Office rents

Rental rates in Q4 2017 remained stable.

- Prime asking rents are USD600-750/sq m/year (RUB35,000-44,000/sq m/year);
- Class A asking rents are RUB24,000-40,000/sq m/year;
- Class B+ asking rents are RUB12,000-25,000/sq m/year.

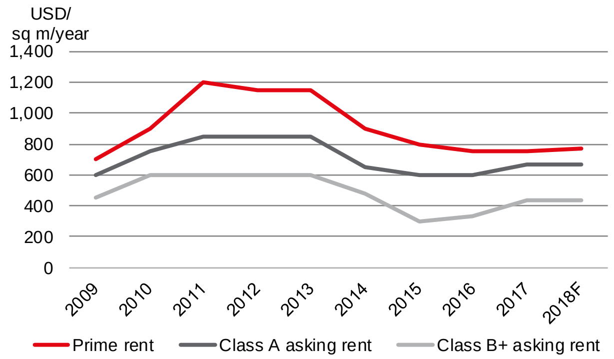
Graph 36. RUB asking rental rates



Prime and Class A asking rents are converted from USD at the official exchange rate for reference purposes.

Source: JLL

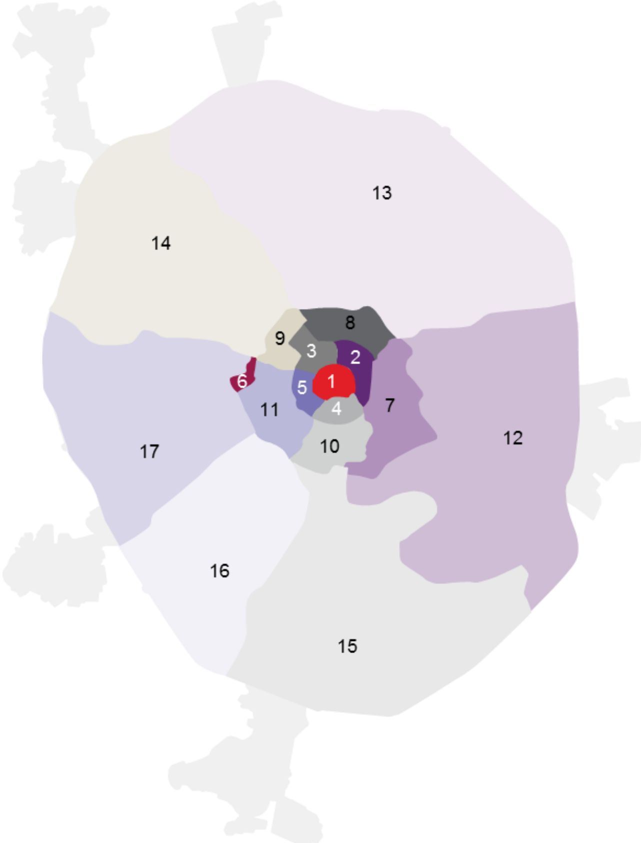
Graph 37. USD asking rental rates

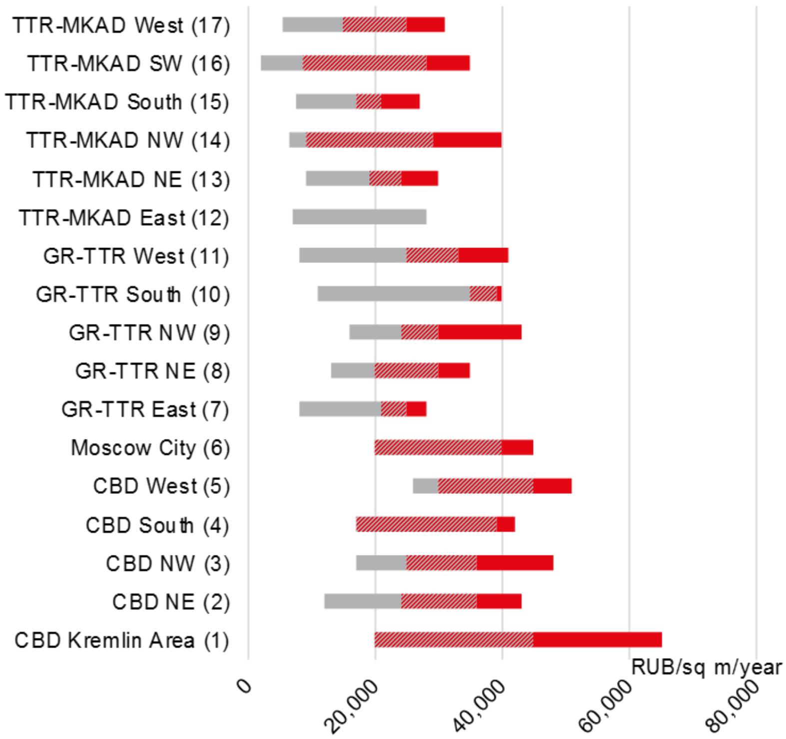


Class B+ asking rents are converted from RUB at the official exchange rate for reference purposes.

Source: JLL

Map 3. Asking rents* in Moscow submarkets





* Asking rents. Net of VAT and OPEX.

Source: JLL

Standard lease terms

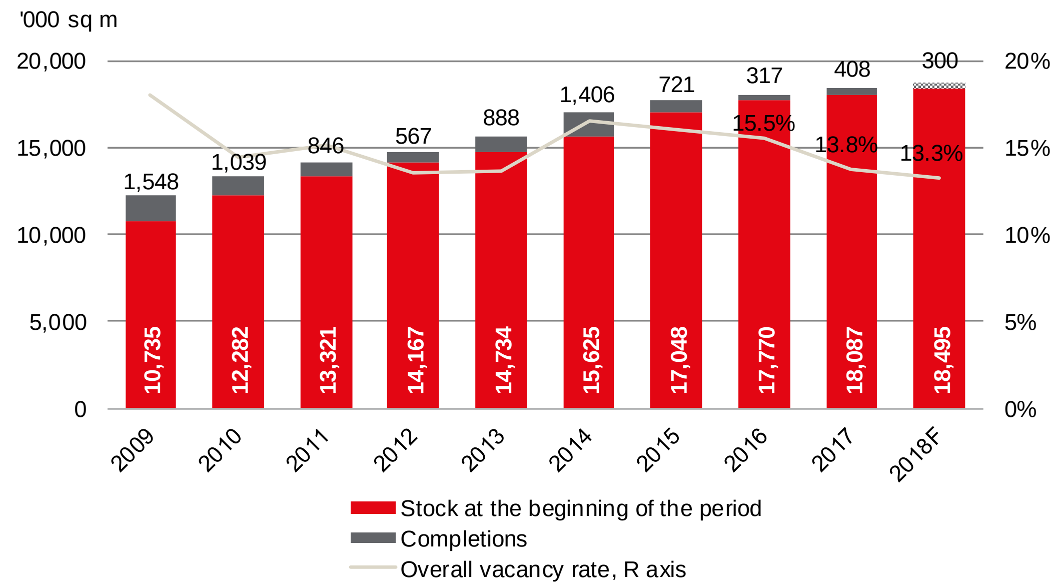
Class A rents	Quoted in USD or RUB, net of operating expenses, utilities, parking charges and VAT. Rents are quoted per sq m per annum.
Operating expenses	Paid by tenant on the open-book or fixed basis (paid in RUB).
Typical lease term	3-5 years
Rent indexation	US CPI or fixed rate (1.5-2.5%) for foreign currency leases. Russian CPI or fixed rate (5-8%) for rouble leases.
Security deposit	2-3 months / bank guarantee.
Frequency of rental payments (in advance)	Quarterly.
Rent free period	From 4 to 12 months (for shell & core space, to cover tenant fit-out works).

Supply and Completions

Some 408,000 sq m of office space was delivered to the market in 2017, a 29% increase YoY. The largest projects in Q4 2017, and in 2017, were Federation Tower East and IQ-Quarter.

Completion of some projects, including Novion MFC and VTB Arena Park MFC, was postponed to 2018. Among major projects announced for this year are Park Huaming, Park of Legends, Bolshevik (phase II) and Empire II. Taking into account the current stage of the announced projects, we expect some of them not to be finished this year. Realistic completions for 2018 will be about 300,000 sq m (a 26% decline YoY).

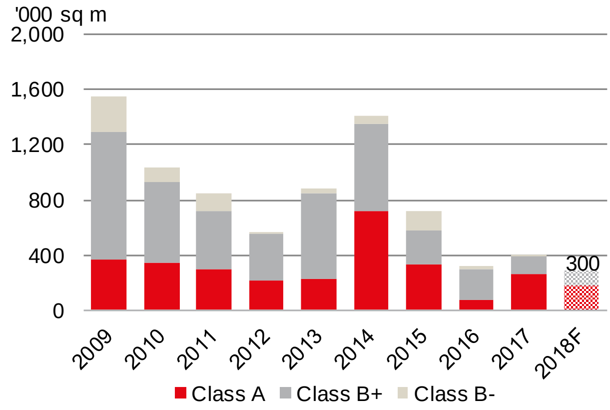
Graph 38. Quality stock and completions



Source: JLL

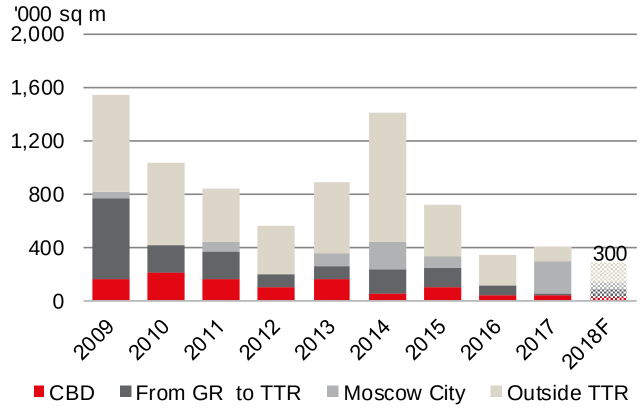
Among 2017 completions, 63% were Class A offices.

Graph 39. Completions by class



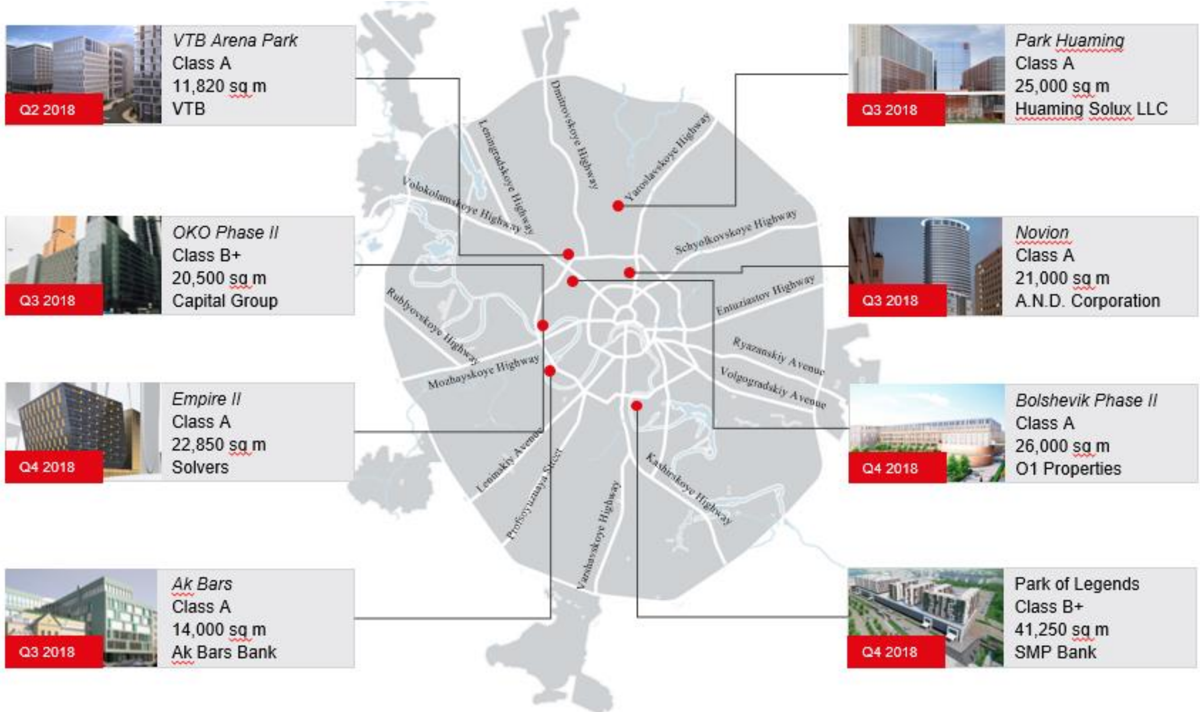
Source: JLL

Graph 40. Completions by submarket



Source: JLL

Map 4. Key new business centres in 2018



Source: JLL

Vacancy rate

The overall office vacancy rate declined from 15.5% to 13.8%.

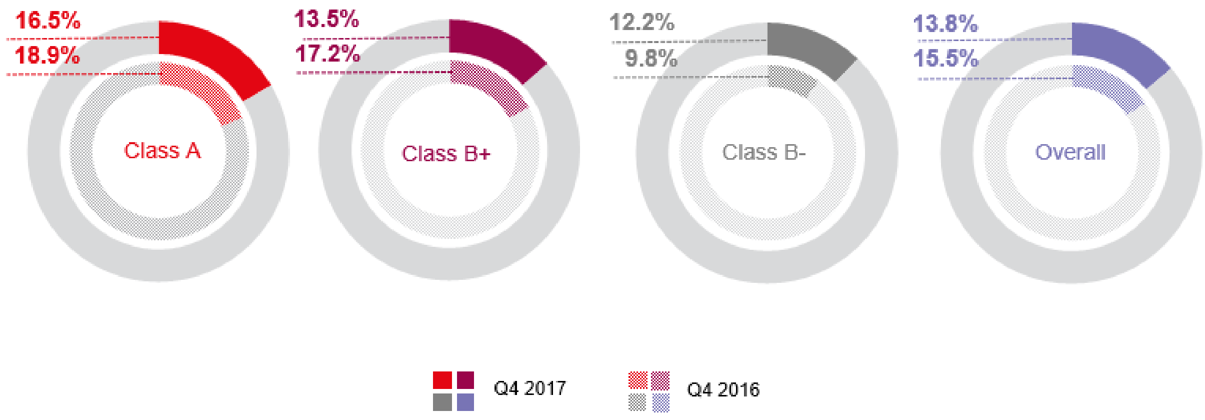
Only Class B- office buildings recorded an increase (by 2.4 ppt to 12.2%), as tenants continued to favour higher quality premises.

The Class A vacancy rate declined from 18.9% to 16.5%. The most significant decline was registered in Class B+ buildings, by 3.7 ppt to 13.5%.

The most significant decline was recorded in Moscow City, from 21.3% to 14.2%.

In the CBD, the vacancy rate declined from 12.8% in 2016 to 10.7%, the lowest since Q1 2009.

Graph 41. Vacancy rate dynamics



Source: JLL

Take-up

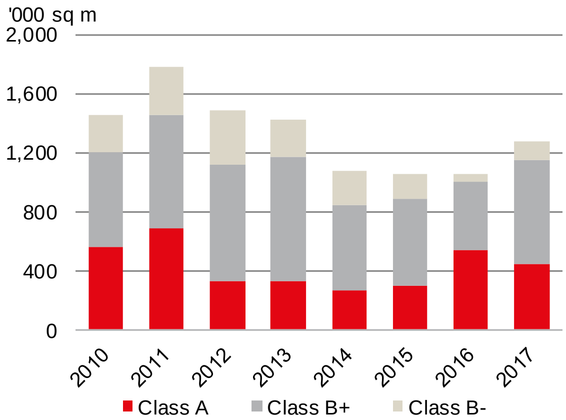
Total 2017 office take-up volume exceeded forecast and reached 1.28 m sq m, up by 21% YoY.

Class A and B+ office space remained in high demand among domestic and international companies. Office transactions in Class B+ dominated the market in 2017 (at 55%), while the share of Class A deals was 35%.

Following the trend of recent years, activity was concentrated in the area outside the TTR (40%).

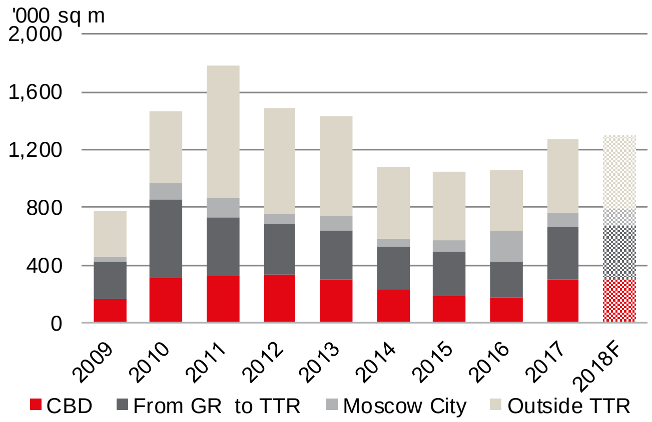
Pre-let and pre-sale deals appear on the market again. This will make a part of new completions inaccessible for tenants. The example of such deals is PJSC VympelCom in Bolshevik Phase II.

Graph 42. Take-up by class



Source: JLL

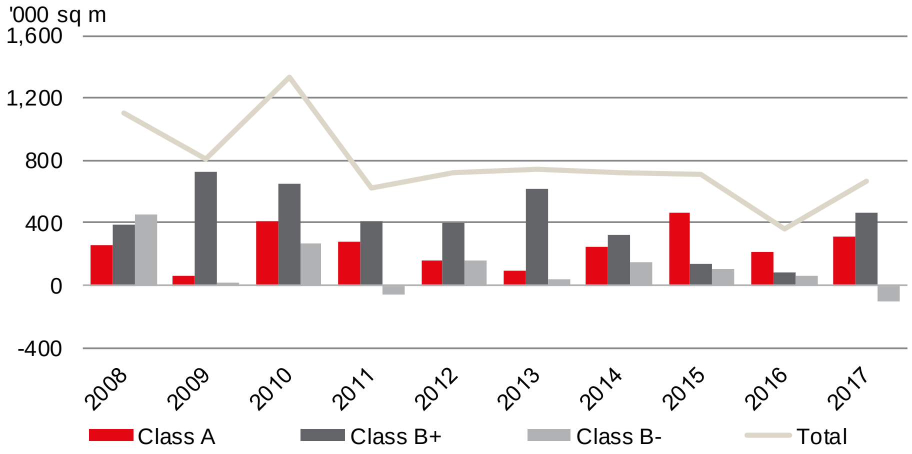
Graph 43. Take-up by submarket



Source: JLL

Net absorption amounted to 663,000 sq m in 2017.

Graph 44. Net absorption by class



Source: JLL

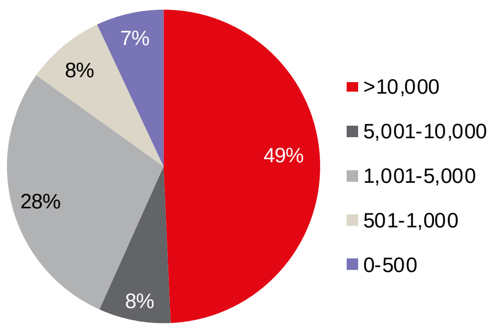
Table 5. Key office transactions in 2017

Tenant	Area, sq m	Business sector	Type of deal	Property
Russian Agricultural Bank	44,300	Baking & finance	Sale	IQ-Quarter
Gazprombank	43,364	Baking & finance	Sale	Aquamarine III
AUCTION LLC	38,317	Business Services	Lease	Poklonka Place (A, B, C)
PJSC VympelCom	17,004	Service Industries	Lease	Bolshevik Phase II
Transmashholding	14,427	Manufacturing	Lease	VTB Arena Park
Tele2	13,053	Service Industries	Lease	Comcity Alfa
Polyus	12,014	Mining & Exploration	Sale	Krasina 3
Gazprombank	11,665	Baking & finance	Lease	Oasis
Deutsche Bank	10,245	Baking & finance	Lease	Aquamarine III
Russian Agricultural Bank	9,639	Baking & finance	Sale	Incom Plaza

Source: JLL

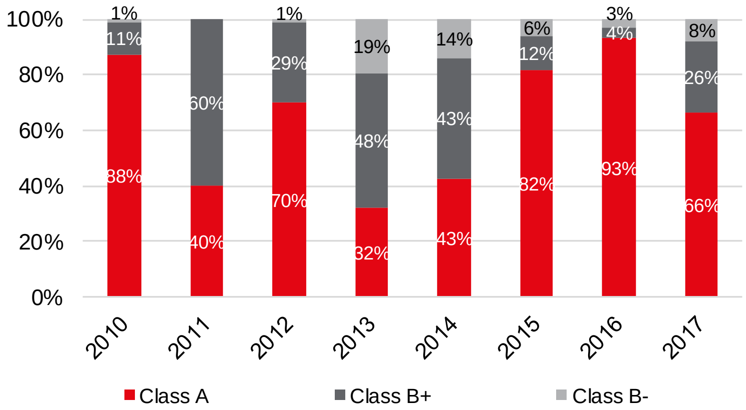
Office sales amounted to 202,000 sq m in 2017.

Graph 45. Sales deals by size



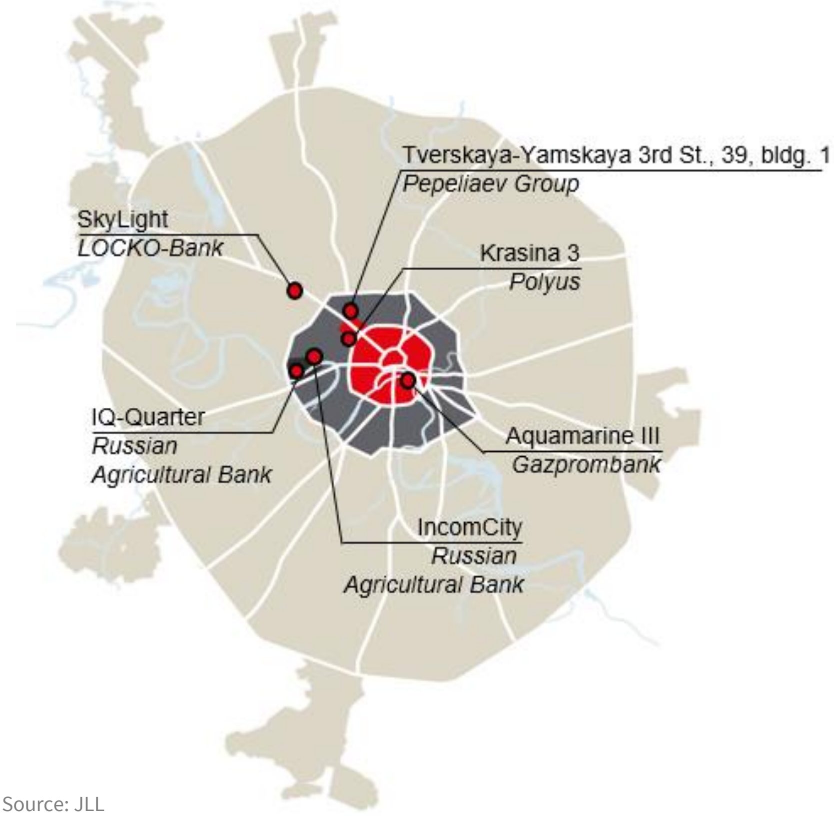
Source: JLL

Graph 46. Sale deals by class



Source: JLL

Map 5. Key 2017 sale deals

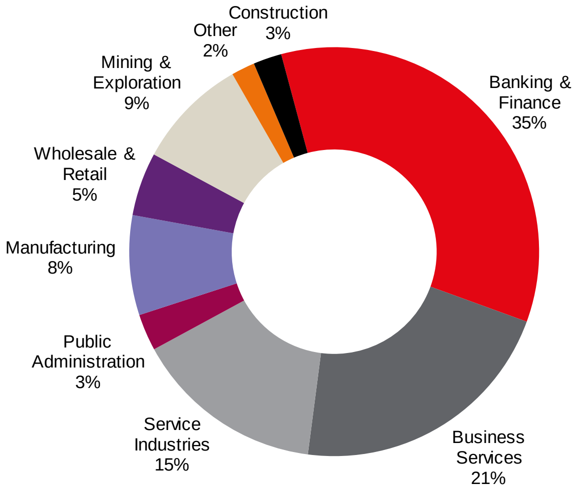


Source: JLL

Banks and finance companies, the dominant force in the demand structure for the last five years, accounted for 28% of the transacted volume in Q4 2017. Business services and manufacturing companies were also active, with 19% each.

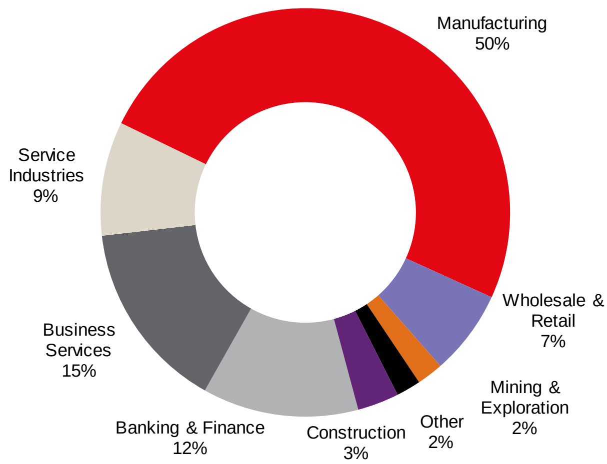
Demand structure by business sectors, 2017

Graph 47. Russian companies (74%)



Source: JLL

Graph 48. International companies (26%)



Source: JLL

Moscow office submarkets

Map 6. Moscow office submarkets

CBD	A	B+	Overall*
Stock, sq m	1,391,834	1,614,752	4,020,474
Availability, sq m	145,383	152,765	429,761
Vacancy rate, %	10.4	9.5	10.7
Rents, per sq m/year	USD400–750 or RUB24,000–44,000	RUB20,000–25,000	—

Moscow-City	A	B+	Overall*
Stock, sq m	880,127	233,751	1,113,878
Availability, sq m	135,586	22,297	157,883
Vacancy rate, %	15.4	9.5	14.2
Rents, per sq m/year	RUB22,000–44,000	RUB21,000-27,000	—

Garden Ring to TTR	A	B+	Overall*
Stock, sq m	472,986	2,631,265	4,485,440
Availability, sq m	62,352	321,229	516,568
Vacancy rate, %	13.2	12.2	11.5
Rents, per sq m/year	RUB24,000-29,000	RUB14,000–20,000	—

Outside TTR	A	B+	Overall*
Stock, sq m	1,367,903	4,989,435	8,875,377
Availability, sq m	335,852	781,117	1,450,269
Vacancy rate, %	24.6	15.7	16.3
Rents, per sq m/year	RUB18,000–27,000	RUB12,000–18,000	—

* Overall numbers include Class B-

Source: JLL

Central business district (CBD)

In 2017, only one business centre was commissioned, Oasis (35,000 sq m). In 2018, about 33,000 sq m are expected to be completed. Take-up increased by 71% in 2017, to 300,000 sq m. The vacancy rate declined by 2.1 ppt, to 10.7%. The most significant decline was in Class A, by 5.3 ppt to 10.4%.

Rental rates have not changed:

- RUB24,000-44,000/sq m/year (USD400-750) in Class A;
- RUB20,000-25,000/sq m/year in Class B+.

Map 7. Key submarket deals

Source: JLL

Table 6. Key projects announced for completion in 2018

Photo	Description
	Ak Bars Class A 14,000 sq m
	RTS Zemlyannoy Val Class B+ 9,241 sq m
	Smolensky Passage II Class A 9,352 sq m

Moscow City

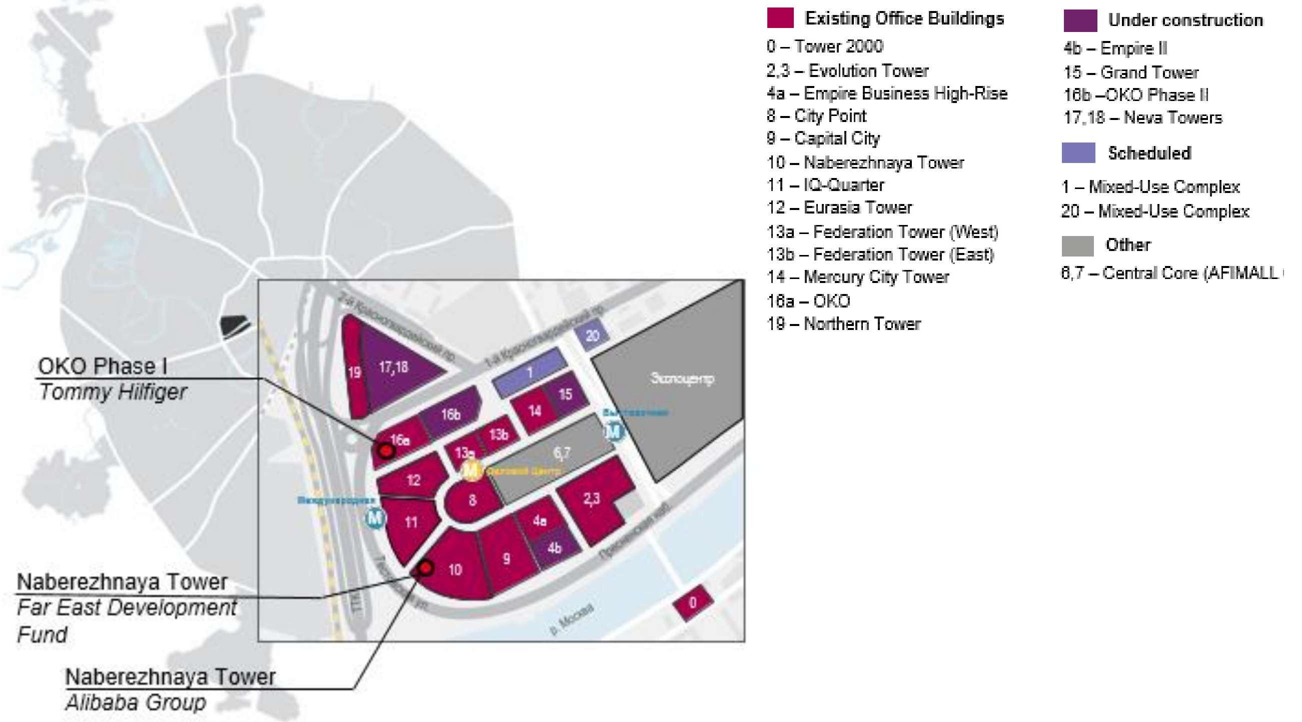
The 2017 completions were 240,000 sq m, a record high for the last ten years. Two large projects, IQ-Quarter and Federation Tower East, were completed. Take-up amounted to 109,000 sq m, where 95,000 sq m is Class A. The vacancy rate declined by 7.1 ppt in 2017, to 14.2%.

Activity of government companies and ministries lead to a deficit of large blocks (over 10,000 sq m). There were five options of this size a year ago. There were only four such premises in Q4 2017, despite the appearance of two large new buildings.

Rental rates stayed unchanged:

- RUB22,000-44,000/sq m/year in Class A;
- RUB21,000-27,000/sq m/year in Class B+.

Map 8. Key submarket deals



Source: JLL

The current office stock in this submarket is 1,114m sq m. 880,000 sq m are Class A and 234,000 sq m are Class B+. Completions of OKO Phase II and Empire II are expected in 2018.

Map 9. Moscow City. Future Supply

Source: JLL

Garden Ring to Third Transport Ring

The overall 2017 completions were 18,000 sq m. Take-up increased by 47%, to 361,000 sq m. Vacancy rate declined 5.2 ppt in 2017, to 11.5%. Class A vacancy was 13.2%, Class B+ 12.2%.

Rents stayed unchanged:

- RUB24,000-29,000/sq m/year in Class A;
- RUB14,000-20,000/sq m/year in Class B+.

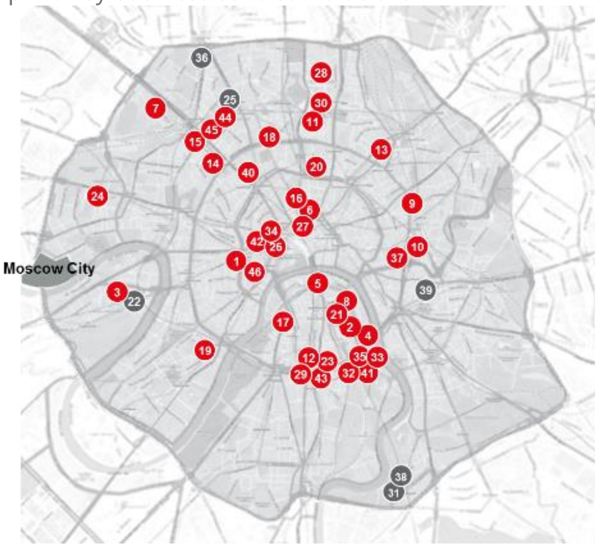
Map 10. Key submarket deals

Source: JLL

Table 7. Key projects announced for completion in 2018

Photo	Description
	Novion Class A 21,000 sq m
	Bolshevik Phase II Class A 26,000 sq m
	Rassvet Class B+ 20,000 sq m

Map 11. Key business centres inside the TTR



	Name	Office area, sq m	Year of completion
1	Arbat 1	25,687	2004
2	Aquamarine	74,834	2005, 2007, 2012
3	Atlantic	42,307	2015
4	Avrora BP	56,564	2002, 2006, 2014
5	Balchug Plaza	19,987	2005
6	Berlin House	5,761	2002
7	Bolshevik (phase I)	46,143	2014, 2017
8	Central City Tower	34,230	2005, 2006
9	CITYDEL	48,665	2008
10	Delta Plaza	22,167	2011
11	Diamond Hall	33,815	2011
12	DOMINO Business House	6,210	2013
13	Domnikov	27,076	2010
14	Ducat Place III	33,079	2006
15	Four Winds Plaza	21,600	2007
16	Geneva House	8,206	2009
17	Golutvinsky Dvor	11,500	2000
18	Hermitage Plaza	33,609	2006
19	Krasnaya Roza (Demidov)	14,526	2014
20	Legend	40,320	2010
21	Legion II	36,514	2008
22	Legion III	44,017	2008, 2009
23	LIGHTHOUSE	22,520	2012
24	Marr Plaza	20,947	2010
25	Meyerhold Centre	7,962	2008
26	Mokhovaya BC	5,845	2009
27	Moscow Hotel	12,223	2011
28	Nevis	11,395	2011
29	Oasis	35,000	2017
30	Olympic Hall	12,533	2012
31	Omega Plaza	75,000	2008
32	Paveletskaya Plaza	31,288	1997,1998
33	Riverside Towers	43,560	1998, 2010
34	Romanov Dvor	38,007	1998, 2004, 2014
35	Rosso Riva	11,947	2013
36	Severnoe Siyanie	29,953	2006
37	Silver City	41,520	2007
38	Simonov Plaza	49,150	2015
39	Stanislavskiy Factory	30,836	2006, 2007
40	SUMMIT	18,570	2010
41	Vivaldi Plaza	66,634	2011
42	Vozdvizhenka Center	26,981	2008
43	Wall Street	21,597	2013
44	White Gardens Office Center	63,900	2013
45	White Square Office Center	66,164	2009
46	Znamenka Business House	10,081	2006

Source: JLL

Outside TTR

Completions amounted to 115,000 sq m in 2017, 51% lower than in 2016. The largest office complex completed was Neopolis. Fili Grad Phase II, Kvadrat and Dubrovka Plaza were also completed.

The vacancy rate declined by 2.1 ppt, to 16.3%. In Q4, there was an increase in the Class A vacancy to 24.6% from 17% in Q3 due to one empty building completed in Q4. The Class B+ vacancy rate declined from 22.1% to 15.7% in 2017.

Rents stayed unchanged:

- RUB18,000-27,000/sq m/year in Class A;
- RUB12,000-18,000/sq m/year in Class B+.

Map 12. Key submarket deals

Source: JLL

Table 8. Key projects announced for completion in 2018

Photo	Description
	Park of Legends Class B+ 41,250 sq m
	Park Huaming Class A 25,000 sq m
	VTB Arena Park Class A 11,817 sq m

Map 13. Key business centres outside the TTR

	Name	Office area, sq m	Year of completion
1	9 Akrov	104,474	2009, 2013
2	Aerodom	26,712	2014
3	ALCON Business Complex	68,764	2012
4	Arcus III	34,182	2014
5	Comcity Alfa	107,546	2014
6	Country Park	19,120	2013
7	Danilovskaya Manufactory 1867	73,674	2012, 2013, 2016
8	Diagonal House	11,664	2007
9	Dvintsev	49,253	2009
10	Fili Grad	21,949	2017
11	G10 (Phase I)	123,000	2016
12	Gazoil City	21,433	2012
	Gazoil Plaza	29,000	2007
13	Grand Setun Plaza	58,221	2012
14	iCUBE	19,154	2013
15	K2 Bubiness Park (Bldg. A, B)	36,780	2014, 2015
16	Khimki BP	39,972	2007, 2008
17	Krugozor	48,000	2007
18	Krylatsky Hills BP	83,304	2005, 2006, 2015
19	Kutuzoff Tower	29,734	2007
20	LeFORT	51,900	2006, 2007, 2008
21	Leipzig Fashion House	15,175	2011
22	Linkor	31,256	2011
23	Lotos	88,651	2014
24	LOTTE	38,480	2013
25	Mebe One	31,087	2014
26	Metropolis	73,158	2008, 2009
27	MonArch-Center	55,004	2009
28	Myakininskaya Poyma	62,298	2009
29	Nagatino i-Land	197,700	2010, 2016
30	Neopolis	63,769	2017
31	Newton-Plaza	52,000	2013
32	Nordstar Tower	86,570	2009
33	Olympia Park	45,750	2012
34	Orbita (Phase II)	39,400	2014
35	Poklonka Place	72,082	2014
36	Premium West	15,600	2013
37	PREO 8	75,000	2010
38	Riga Land	135,281	2008, 2012, 2013
39	Sirius Park	60,000	2015
40	SkyLight	92,131	2012
41	SkyPoint	45,267	2010
42	Solutions	30,294	2009, 2012
43	VARSHAVKA Sky	33,793	2008
44	Vaviloff Tower	25,110	2003, 2006
45	Vodny MFC	52,335	2014
46	Western Gate	56,037	2010
47	W-Plaza	56,252	2010, 2012

Source: JLL

5.3 Moscow Street Retail Market Overview

The vacancy rate in the main Moscow high streets dropped to 9.0% in Q4 2017, 0.6ppt below the level a year earlier. The top-3 most occupied streets at the end of the year are Pokrovka (2.9% of vacant premises), Myasnitskaya (3.4%) and Patriarshiye Prudy District (3.5%).

Graph 49. Prime street retail rent, RUB/sq m/year*

250,000 → 0% **250,000**

2016 2017

*Rents are given for rectangular premises of 100-300 sq m with a separate entrance and a showcase on the first floor. For multi-storey buildings and larger premises rents are usually lower.

Source: JLL

Graph 50. Vacancy rate

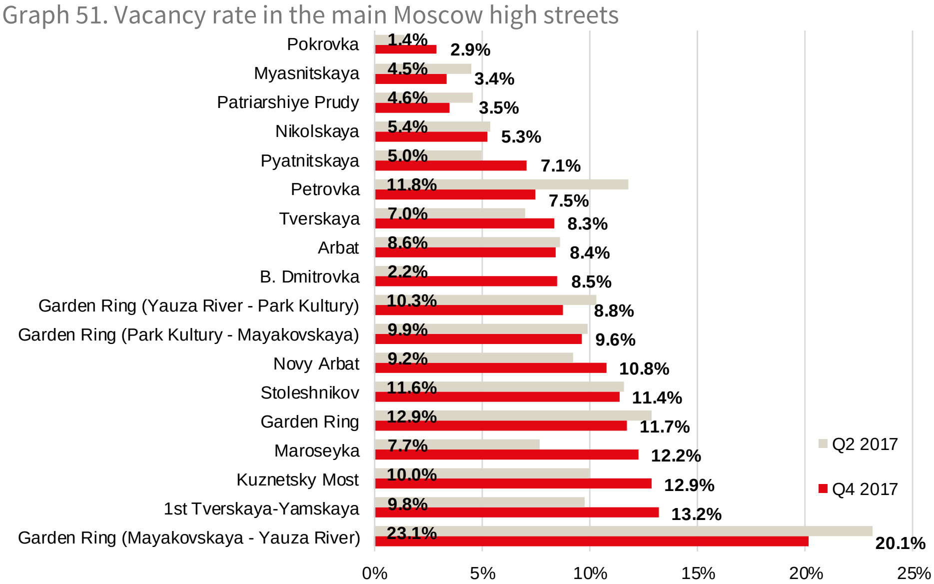
9.6% -60 bps **9.0%**

2016 2017

Source: JLL

The end of the Garden Ring reconstruction as a part of *My Street* programme was one of the most significant events in 2017. The summer renovation of the northern section (from Mayakovskaya metro station to Yauza River) and the southern section (from Yauza River to Park Kultury metro station) of the Garden Ring contributed to the vacancy rates dropping in H2 2017 from 23.1% to 20.1%, and from 10.3% to 8.8%, respectively. For comparison, the vacancy indicator in the part of the Garden Ring renovated in 2016 changed insignificantly and amounted to 9.6%. As a result, the overall vacancy rate on the Garden Ring declined from 12.9% to 11.7% in H2 2017.

Graph 51. Vacancy rate in the main Moscow high streets



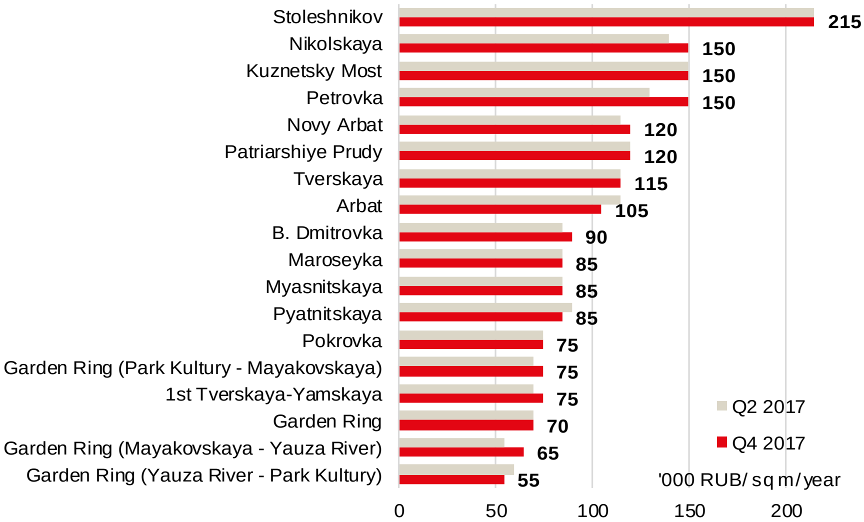
Source: JLL

After the street reconstruction has been completed, the access to many premises has improved, making them again attractive for retailers. Rental growth in the northern section of the Garden Ring, which has been renovated this summer, confirms a return of tenant demand. The rents there have increased by 18% in H2 2017 to 65,000 RUB/sq m/year. The northern section is now the second most expensive part of the Garden

Ring by the level of rents, while the vacancy rate there is still the highest. Nevertheless, analysts expect the ongoing decline of the vacancy rate to continue.

The list of the most expensive streets includes Stoleshnikov Lane, Nikolskaya Street, Kuznetsky Most Street, and Petrovka Street. The high-level rental rates in these locations confirm a strong tenant demand. As a result, rental rates have risen in Q4 2017 on Petrovka Street, and in Q3 2017 on Nikolskaya Street.

Graph 52. Average rents in the main Moscow high streets*

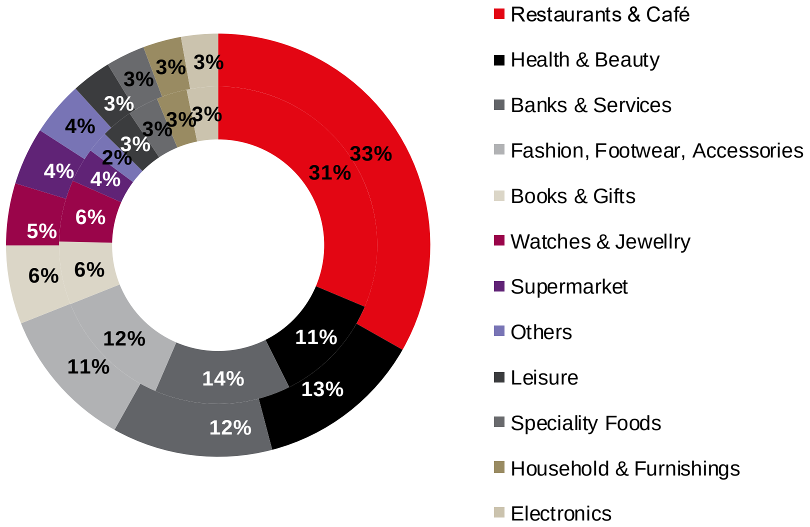


* Rents are given for premises of 100-300 sq m with a separate entrance and a showcase on the first floor inside the Third Ring Road.

Source: JLL

On the demand side, restaurants & cafés remained the leaders in the central retail corridors. They accounted for 41% of all 2017 leasing inquiries during the year. Supermarkets and grocery stores were the second most active at 13%, fashion operators were the third (12%), followed by health & beauty operators (11%).

Graph 53. Breakdown of high street retail tenants by profile in Moscow*



* Inner circle – 2016 year, exterior circle – 2017 year.

Source: JLL

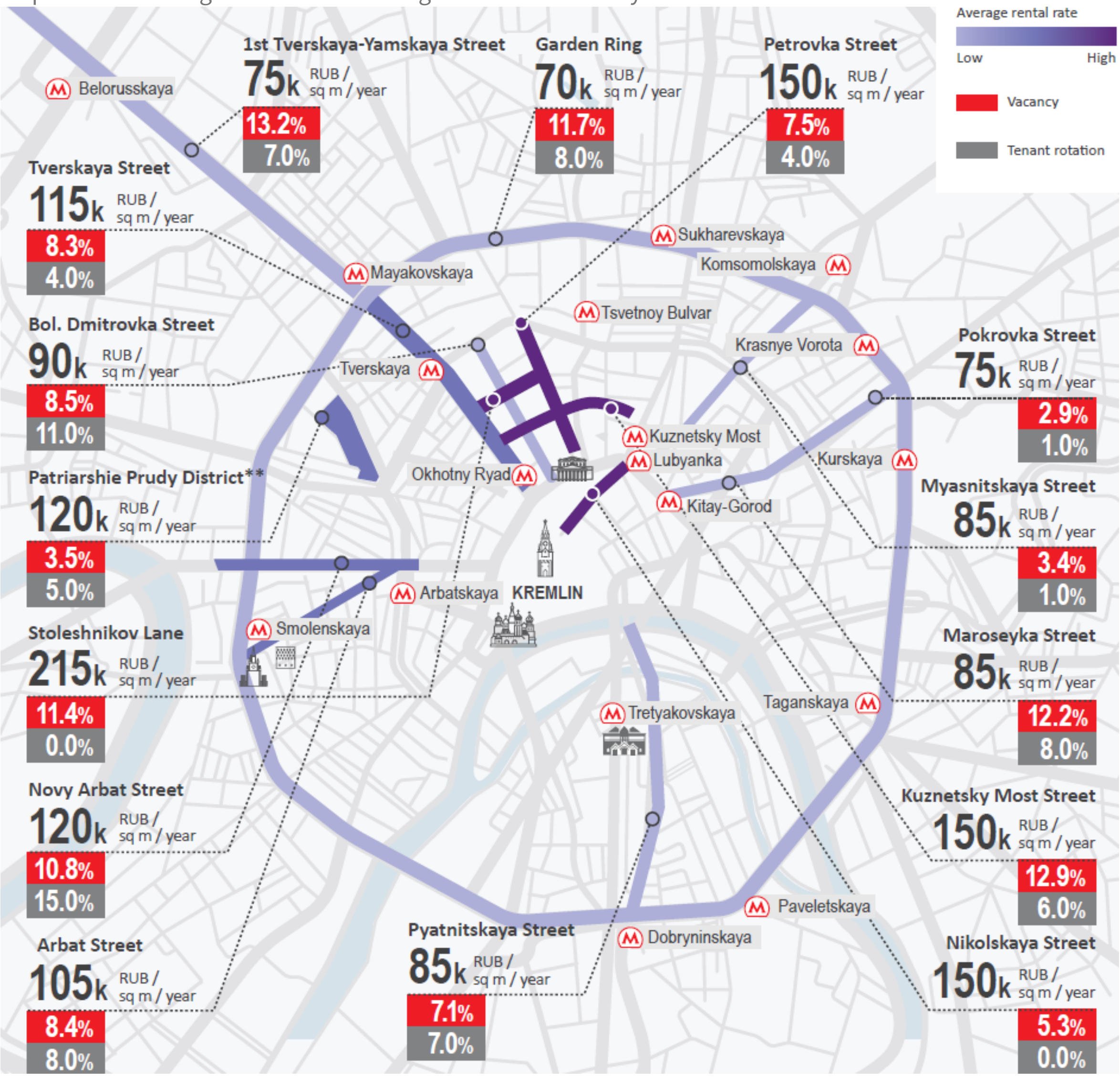
Foodservice operators also increased their Moscow high street presence more than other categories last year, accounting now for 33% of the market. New premises were opened by such brands as BB & Burgers (with new outlets on Myasnitskaya, 1st Tverskaya-Yamskaya, and Maroseyka streets), Burger Heroes

(Kamergersky Lane and Garden Ring), Israel coffee chain Cofix (Tverskaya and Pyatnitskaya), and two St. Petersburg restaurant chains, Ketch Up Burger and Marcellis, opening their first outlets in Moscow.

Health & beauty operators increased their presence on central streets as well, raising their share by 2ppt, to 13%. Banks & services and fashion operators decreased the number of outlets. The latter dropped out of the top-3 list and was replaced by health & beauty.

Rotation on the Moscow retail corridors declined to 8% in Q4 2017 from 9% in Q3 2017. The active occupancy of premises which had not been accessible during reconstruction works on the Garden Ring continued in the last three months of 2017. Rotation on the renovated northern section reached 16%, while the average Garden Ring level was estimated at 8%.

Map 14. Moscow high street retail average rents and vacancy rates*



* Rents are given for rectangular premises of 100-300 sq m with a separate entrance and a showcase on the first floor. For multi storey buildings and larger premises rents are usually lower.

** The central part of Patriarshie Prudy area, between Yermolaevsky, Maly Patriarshy and Spiridonyevsky lanes, and Malaya Bronnaya Street.

Source: JLL

5.4 Investment Comparables and Investment Considerations

Below we outline the information about the most recent investment transactions reported on the Moscow office market, which took place during the course in 2017.

Table 9. Major investment deals, office sector, 2017

Class	Property Name	GBA, sq m	Quarter	Sale Price (USD millions)	Vendor	Purchaser
-	Tipografiya for office redevelopment	20,300	Q1	15-20	The Auction House	tbc
B	BC on Sretenka 18	21,500	Q1	45-55	AO Russky Karavai Sergey Gordeev)	Platforma
B+	Incom City	10,000	Q1	40-50	Incom Group	Russian Agricultural Bank
A	VTB Arena	9,000	Q1	30-40	MC Dinamo	CN-Capital
A	Lotos BC	10,000	Q1	20-30	MR Group	Miratorg
A	SkyLight BC	4,500	Q1	20-30	Hals-Development	Private
B+	Pekin Gardens (Sady Pekina)	4,200	Q1	10-20	Hals-Development	Private
-	BC near Kazansky railway station	12,600	Q1	10-20	Rosatom	Neptun Invest (Alexander Smirnov)
A	Legion II	27,899	Q2	100-110	Norilsk Nickel	RCP Investments II (UFG Real Estate)
B+	Solutions business park	43,700	Q2	65-75	Moskapstroy-TN	Ingrad Service (Roman Avdeev)
A	50% in Bolshevik factory	44,000	Q2	55-65	Tactics Group (Pavel Shishkin)	O1 Properties
-	Krasina, 3 BC	12,000	Q3	55-65	tbc	Polyus
B+	Gruzinka, 30 BC	4,500	Q4	10-20	Stone Hedge	UK Belaya Sfera
A	74,600 sq m in IQ-Quarter	74,600	Q4	420-440	Hals Development	AHML
A	Aquamarine III (bldg. 2 & 4)	39,636	Q4	130-140	AFI Development	Gazprombank

Source: JLL

6 Valuation Commentary

6.1 Market Commentary as at Year End 2017

There are a number of reasons to be confident that we have moved out of a period of market uncertainty into a sustained period of economy and commercial property market growth, some of which are outlined below. The difficulty at this point in the cycle, after a profound and prolonged market downturn, is to adequately account for future income growth and anticipated ruble strengthening in assessing market values, without giving way to unsupported optimism. We have relied upon our proprietary market research and third party economic forecasts in arriving at our opinion of market value to reflect these various factors:

- GDP Growth: We have now had a sustained period of positive GDP growth with recent annualized figures topping 2%. Consensus forecasts are consistently being upgraded and the economic recovery is gathering pace;
- Oil Price: The price of Brent oil passed above USD60 early in Q4 2017. This is at levels not seen since early in 2015 and is a strong positive for the Russian Economy;
- Exchange Rate: The Russian Ruble has been very stable for much of 2017, trading in a narrow corridor within the context of the last 4 years. Consensus is for stability to continue with the ruble strengthening slightly over the next 2 years. Both of these factors are positive for commercial property markets;
- Inflation: Inflation continues to fall and is well below the CBR target of 4%;
- Policy Rate: The falls in inflation and the stable currency have allowed further cuts in the policy rate in 2017 and this is expected to continue in 2018. This is likely to put downward pressure on capitalisation rates for commercial property;
- Fundamentals: All sectors of the commercial property market have passed through their cyclical trough. Vacancy rates are declining which will put upward pressure on rental rates as the next cyclical upswing gathers pace. Investment activity has returned with an increase in the number of genuine arm's length transactions. This increase in activity is expected to gather pace through 2018 and allows more confidence in assessing yields.

6.2 Valuation Approach

There are three approaches to market valuation of the operational commercial real estate buildings: cost, comparable and income approach.

Cost approach is based on the assumption that market participants compare the value of the property with the costs required to build it. The value of the property is the sum of the land value and construction costs less depreciation. The approach is best used when information on sale comparables does not exist.

The sales comparable approach is the most efficient when information on transactions is available. Estimations of the properties' market value are based on analysis of recent sales of comparable real estate assets subject to adjustments that reflect the condition and specific use of the valued property compared to the comparable property. Usually the approach based on the comparison of the valued property with data on sales of comparable assets and information on asking prices can also be used.

The income approach is based on the capitalization or discounted cash flows which are generated by the operational property. We believe this approach reflects the logics of theoretical purchaser and seller.

For the purpose of the current valuation we have used the discounted cash flow method. The discounted cash flow ('DCF') methodology can be used which involves the calculation of the present value ('PV') of all future costs and income to be incurred and generated by the development of the property. This cash flow is discounted at an appropriate rate and this in turn generates the present value of the cash flow, which is the sum available for the purchase of the site at the date of valuation.

The DCF methodology implies the following steps:

- The calculation of the amount and time structure of costs required for the project development;
- The calculation of the amount and time structure of income from the project operation;
- The calculation of the amount and time structure of operating expenses required for the income receipt from the project operation;
- The calculation of the discount rate reflecting the corresponding risk level of capital investment in the valued property at different stages of development;
- The calculation of the market value by discounting all the costs and income connected to this property.

The discounting means conversion of future costs and income to the present date at an appropriate discount rate assumed by the Valuer.

The discount rate is calculated basing on the analysis of capital rates of return for the alternative investment in terms of risk level.

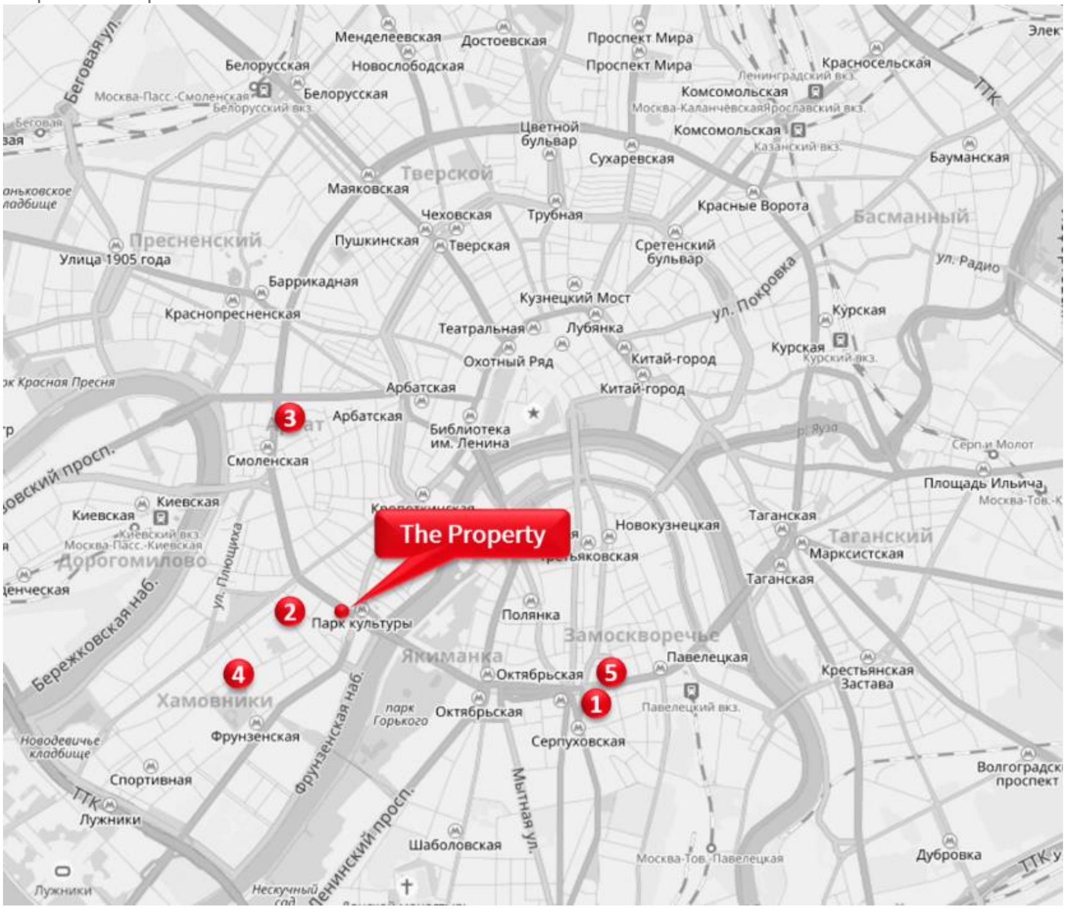
The income can be earned from lease or sale of the whole property in the most probable time at the market price.

Below we give a description of main inputs on which we based our valuation.

6.2.1 Office Rental Evidence and Considerations

In arriving at our opinion of rental value in respect of the Property, we have had regard to a range of buildings of A Class located around the Garden Ring currently available on the market, a selection of which are detailed below:

Map 15. Comparable business centres



Source: JLL

Table 10. Rental Evidence

Wall Street

<u>Map:</u> 1
<u>Address:</u> 35 Valovaya St.
<u>Class:</u> A
<u>Year of construction (Refurbishment):</u> 2013
<u>GBA:</u> 31,100 sq m
<u>Office GLA:</u> 21,500 sq m
<u>Office rent:</u> USD742 per sq m per annum (without fit-out, excl. VAT and OpEx)
<u>Description:</u> Class A office complex consists of two 8-storey buildings with the total area of 31,100 sq m. The complex is located on the first line of the Garden Ring, surrounded by shops, restaurants and other service facilities located within a few blocks. The developed infrastructure of the Business center is provided by: underground parking for 218 cars, quality decoration and modern engineering equipment, high-speed Internet, central heating and water supply system, air conditioning and ventilation, security with access control. Office space is made in free planning, they are completely ready for finishing works.

Krasnaya Roza Demidov

Map: 2
Address: Timura Frunze St., 11 bld. 1
Class: A
Year of construction (Refurbishment): 2014
GBA: 31,845 sq m
Office GLA: 15,065 sq m (7-story building) + 1,538 sq m (3-story building)
Office rent: USD712 per sq m per annum (with fit-out, excl. VAT and OpEx)
Description: MFC 'Demidov' is part of 'Krasnaya Roza' business district. 1-3-7-storey multifunctional building of A class with mansard composing total area of 31,845.6 sq m, from which the surface part is 20,514.6 sq m and the underground part is 11,331 sq m. Architecture conserves historical appearance of XIX-age buildings with classic brick fronts. Open space lay-out. Modern amenities meet all the requirements to high-class administrative buildings. Central air-conditioning, combined extract-and-input ventilation, modern elevators, sprinklers, 24-hour security, video surveillance.
Underground parking for 292 cars. The taller building is an exceptional futuristic construction with huge panoramic windows, lots of semi-transparent surfaces and a natural 'green' atrium.

Lotte Plaza

Map: 3
Address: 8 Novinsky blvd.
Class: A
Year of construction (Refurbishment): 2007
GBA: 78,634 sq m
Office GLA: 20,709 sq m
Office rent: USD804 per sq m per annum (with fit-out, excl. VAT and OpEx)
Description: 21-storey Class A complex comprises 20,709 sq m of offices leasable area. Panoramic views at the historical center of Moscow. All modern amenities. Well developed infrastructure. 4-level underground parking for 441 cars. Restaurant on the 21-st floor. Lotte Plaza business center fully meets the requirements for modern business premises. The building is equipped with a central ventilation and air conditioning system.
Prime central location – Novy Arbat Street.
Unmatched visibility – the building is located on two city's main thoroughfares.
Prestigious neighbourhood with excellent infrastructure. 3-minute walk to 'Smolenskaya' metro station.

Fusion Park

Map: 4
Address: Usacheva St., 2 bld. 1
Class: A
Year of construction (Refurbishment): 2008
GBA: 16,300sq m
Office GLA: 13,020 sq m
Office rent: USD739 per sq m per annum (with fit-out, excl. VAT and OpEx)
Description: Fusion Park is a large business complex consisting of high-tech multi-storey buildings. Modern engineering equipment, telecommunication systems and a full range of fire safety technologies in the complex create full-fledged conditions for doing business. Moreover, the complex has both ground and underground parking, open space lay-out, modern interior decoration using top quality materials.
Excellent technical equipment of the business complex (the 'smart house' technology) and the well thought out infrastructure fully meet the high standards of class 'A' office buildings.

Lighthouse

Map: 5
Address: Valovaya St., 26
Class: A
Year of construction (Refurbishment): 2012
GBA: 44,581 sq m
Office GLA: 27,492 sq m
Office rent: USD639 per sq m per annum (without fit-out, excl. VAT and OpEx)
Description: The 14-floor Lighthouse business centre was completed in 2012 to the highest industry standards. Ultramodern facades and fittings, contemporary lobby design, breath-taking panoramic views and ample parking facilities (367 parking spaces). The standard floor layout allows to effectively use the office space: engineering systems of the building are designed with a ratio of 8 sq m per person.
The property is located in one of Moscow's main business hubs, on the Garden Ring and close to Paveletskaya train and metro stations.

Source: JLL

6.2.2 Rental Value Considerations

Office space and parking lots

In arriving at our opinion as to market rental value we have asked the opinion of our office leasing agents who are active market participants for both landlords and tenants and have a very good knowledge of the Property. We have also taken into consideration recent offers for rent published in December in competing properties and adjusted them to reflect the differences in properties and asking prices.

Adjusted average rents for offices and parking lots are in the tables below.

Table 11. Office rent calculation

Data	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name	Wall Street	Krasnaya Roza Demidov	Lotte Plaza	Fusion Park	Lighthouse
Address	35 Valovaya St.	Timura Frunze St. 11-1	8 Novinsky Boulevard	Usacheva St. 2-1	26 Valovaya St.
Metro	Dobryninskaya	Park Kultury	Smolenskaya	Frunzenskaya	Dobryninskaya
Distance from metro	240 meters	500 meters	400 meters	450 meters	400 meters
Proximity to the Garden Ring	On the GR	Between GR and TTR - close to GR	On the GR	Between GR and TTR - 1,3 km to GR	On the GR
Class	A	A	A	A	A
Fit-out	without fit-out	with fit-out	with fit-out	with fit-out	without fit-out
Type of information	offer	offer	offer	offer	offer
Information date	Dec-17	Dec-17	Dec-17	Dec-17	Dec-17
Area offered, sq m	558	713	578	310	640
Base rental rate, USD per sq m per year	742	712	804	739	639
VAT included	no	no	no	no	no
OPEX included	no	no	no	no	no
Source	https://www.cian.ru/rent/commercial/170576586/	https://www.cian.ru/rent/commercial/169099457/	https://www.cian.ru/rent/commercial/170491173/	https://www.cian.ru/rent/commercial/169750754/	http://fortexgroup.ru/bc/layt haus/offices/?block=15595

Data	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
First group adjustments					
Adjustment for bargaining (negotiation)	offer	offer	offer	offer	offer
Adjustment	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Adjusted rent, USD per sq m per year	705	676	764	702	607
Second group adjustments					
Adjustment for distance from metro	0%	3%	3%	3%	3%
Adjustment for proximity to the Garden Ring	0%	0%	0%	3%	0%
Adjustment for fit-out	5%	0%	0%	0%	5%
Cumulative adjustment	5%	3%	3%	6%	8%
Adjusted rent, USD per sq m per year	740	696	787	744	655
Average adjusted rent, USD per sq m per year					724
Market rent for office units subject to rounding, USD					700

Source: JLL

Table 12. Parking lot rent calculation

Data	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name of BC	Wall Street	Krasnaya Roza Demidov	Lotte Plaza	Smolensky Passazh	Lighthouse
Address	35 Valovaya St.	Timura Frunze St. 11-1	8 Novinsky Blvd.	3 Smolenskaya Sq.	26 Valovaya St.
Type of parking	Underground	Underground	Underground	Underground	Underground
Type of information	offer	offer	offer	offer	offer
Date of offer	Dec-17	Dec-17	Dec-17	Dec-17	Dec-17
Asking rent, USD per month	400	451	438	521	361
VAT included	no	no	no	no	no
Rental rate net of VAT and OPEX	400	451	438	521	361
Source of information	https://wall-street.amo.ru/	https://www.cian.ru/rent/commercial/169099457/	https://officenavigator.ru/biznes-tsentr/lotte_plaza_1/	https://icx.ru/bc/smolenskij-passazh/101760/	https://icx.ru/bc/lajt-haus/
First group adjustments					
Adjustment for bargaining (negotiation)	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Adjusted rent, USD per month	380	429	416	495	343
Average rent for parking lot net of VAT per month					412
Market rent for parking lot net of VAT per month subject to rounding, USD					400

Source: JLL

We have applied no adjustment on the number of parking lots in comparable business centers because a limited number of parking lots are offered for rent depending on the size of the unit and ratio of parking availability of each asset. As there are 30 parking lots we assumed that all the parking lots will be fully leased out with no structural void.

Thus, following our research and calculations we can comment as follows on our approach to rental levels:

- In the current economic conditions we have assumed that the Property (office part) will be leased by several tenants or a single occupier, or by small companies leasing office space floor by floor.
- Based on our calculations subject to minor rounding, we have adopted an average rental level of USD700 net of VAT and OPEX per sq m per year as Estimated Rental Value (ERV) for office space with fit-out.
- Based on our calculations subject to minor rounding, we have adopted an average rental level of USD4,800 net of VAT and OPEX per year as Estimated Rental Value (ERV) for parking lots.

Retail space within the office buildings

According to the tenancy schedule, provided by the Client, the average rental rate for retail premises is at the level of USD1,405 - 1,664 per year (step rents 2018 - 2021). We asked the opinion of our agency colleagues who are active market participants for both landlords and tenants and have a very good knowledge of the Property. Therefore, rental rate for retail space set in lease agreement corresponds with the current market situation.

We assume that the rental rate in the lease agreement (within the retail area) is Estimated Rental Value (ERV) for retail space. We have adopted this rental rate for the retail premises on the first and second floors of the office building.

Other premises

There is an area of 9 sq m located on the stairs following to the basement (first level of underground parking). It is let to a tenant IP Kozlov. We assume that the rental rate in the lease agreement (within the area of 9 sq m) is Estimated Rental Value (ERV) for this area and adopted it in preparing our valuation.

Table 13. ERV

Group	Market rent excluding VAT and OpEx per year in USD
Office	700 per sq m
Retail	1,664 per sq m
Other (9 sq m)	589 per sq m
Underground parking	400 per parking lot

Source: JLL

6.2.3 Market Rental Value

We believe the aggregate Market Rental Value, as at the valuation date (subject to 100% occupancy of Property), is USD4,720,828 per year.

6.3 Income Analysis

According to the tenancy schedule provided for the Property, it had, as at the date of valuation, 6 tenants, which translates into an occupancy rate of around 83%. As at date of valuation 13th, 14th and 15th floors were fully vacant. The Client informed us that as at the date of valuation the Property has Letter of Intent (LOI) for the part of vacant premises on 14th floor and lease agreement for premises on 15th floor which will start on 02 February 2018 and will include 1 month of rent free period. We took this information into account in our calculations.

All the leases are short-term (except lease agreement with Galaks – restaurant on the first and second floors with lease expiring on 14 June 2021). Most of premises will be vacant in August – September of 2018.

In addition, there is income from sources such as advertising and telecommunication contracts.

According to the Client's information, when the lease agreement with ANO Orgkomitet regarding an advertising construction on the roof will expire, there will be an agreement with Russ Outdoor instead. We were not provided with the preliminary lease agreement with Russ Outdoor. For the purpose of this valuation we assumed that the agreement with Russ Outdoor will be signed and used this information in our calculations.

Due to the Client's information current total additional income is at the level of 3.1%, which we took in our calculations (regarding year 2018). Share of income from tenants ANO Orgkomitet and Russ Outdoor (advertising construction on the roof) is about 2.1%. Since year 2019 we applied an additional income at the level of 1% from the potential gross income and added an amount of income from the Russ Outdoor tenant.

As at the date of valuation, 14 parking spaces in two basement levels were let and occupied and 16 spaces were vacant. For the purpose of our valuation we assumed that parking could be marketed openly and let in 3 months at rental value mentioned above.

We haven`t applied any indexation in our calculations because we prepared our valuation in real cash flows which doesn't include inflation.

Our assumptions regarding base market rental rents were discussed above within the Report.

Our assumptions regarding operating expenses on vacant premises, letting periods will be discussed later within this Report.

6.3.1 Letting Period

In respect of the vacant premises within the office building we have applied 3 month letting period for the premises and parking lots.

We applied a one-month void period set to all leases after leases expire as well.

6.4 Cost Analysis

6.4.1 Fit-out costs

At our inspection premises located on 15th and 13th floors were without fit-out. Other premises are fitted-out with materials of high quality. We took it into account and applied costs for fit out at the level of USD170 per sq m net of VAT based on the market information[1].

6.4.2 Operating Costs

All costs incurred by the Landlord fall into two categories: recoverable from tenants and non-recoverable.

For the purpose of this valuation, we have assumed that operational expenses from the building (costs connected with the operation of the premises such as repairs, maintenance and supplies, utilities, staff salaries, management and administration, insurance) are fully recovered from the tenants, excluding land rent payments and property tax.

[1] http://stroylimited.ru/remont-ofisov, https://art-remont.ru/services/remont-ofisov, https://www.eremont.ru/remont_office/design_repair.html, http://finishstroy.ru/services/offices/, http://luxelitstroy.ru/remont_office/.

Property tax

According to the Federal Law 307-FZ 'On Amendments to Article 12 of Part 1 and Part 2 of Chapter 30 of the Tax Code of the Russian Federation' dated November 2, 2013, which came into force on January 1, 2014, the base for calculation of the property tax is building's cadastral value.

According to the amendments adopted by Regional Governments in Moscow and Moscow Region, the tax rate for Offices and Retail in Moscow is 1.5% from 2018 onwards. Cadastral value of the Property equals RUB1,779,590,840. According to our estimation the property tax payment equals to RUB26,693,863 or USD463,434 per year.

Land Rent

We have estimated the land payment at 1.5% from cadastral value (RUB82,270,602) of the land plot. According to our estimation the land payment of the date of valuation equals to RUB1,234,059 or USD21,425 per annum.

Non-recoverable OpEx

Based on information, provided by the Client, current operating non-recoverable expenses equal to USD134 / sq m of GLA per year. We applied this level of non-recoverable OpEx in respect of the office occupied space until current leases expiry. For the purpose of this valuation, we have assumed that operational expenses from the building will be fully recovered from the new tenants, excluding land rent payments and property tax.

6.5 Discounted Cash Flow Analysis

For the purpose of estimation of the discount rate (rate of return), we applied the cumulative approach. The formula for the calculation is the following one:

$$R_d = R_f + R_i + R_l + R_m + R_r \text{ , where}$$

R_d – discount rate,

R_f – risk free rate,

R_i – risk of investments in real estate,

R_l – risk on low liquidity,

R_m – risk on investment management,

R_r – specific (regional) risk.

In order to determine risk-free rate in Russia it is needed to identify rate of return on risk free investments. This investment in Russia is considered as government bonds with the maximum maturity date. It is necessary to consider the following:

- rates should match the currency in which the calculations are made,
- acquisition of a block of securities has to be accessible to a potential investor,
- the price of a block of securities has to match the proposed value of the Property.

As for the risk-free rate for contracts, fixed in rubles, we used yield to maturity of government bonds OFZ-26212, Ministry of Finance of Russia, Federal loan bonds with fixed coupon yield nominal documentary, release 26212 denominated in Russian rubles. As at the valuation date rate of return amounted to 7.499%.

It is needed to take into consideration the following risks while calculation **risk of investment in real estate**: systematic and non-systematic. Systematic risks include the overall deterioration of the economic situation, increase in the number of competitors and changes in federal and local legislation. Non-systematic risks include natural disasters, general criminal situation, accelerated depreciation, non-payments etc.:

- Political risk- the risk of unfavorable changes in the current legislation, the introduction of new administrative barriers, etc;
- Inflation / deflation risk - is the risk that the income of the investor devalued due to lower value of money;
- Currency risk is connected with the financial losses because of the changes in exchange rates;
- Interest rate risk occurs if interest rate on borrowed funds exceeds rate of return on invested funds;
- Risk of natural disasters;
- Business risk is connected with the fact that the subject segment of the market may occur in recession;
- Competitive risks are connected with the risk of entry of new properties on the market that may cause falling in demand for the subject property.

The value of this risk has been introduced in an expert way on the basis of the main characteristics of the Property. The value of the risk is equal to 1.5%.

The level of **risk on low liquidity** is based on the research for the subject segment of the market and marketing period of the Property. It has been introduced in an expert way and equals to 1.0%. The premium is determined by the riskiness and complexity of a particular investment decision, in this case the premium reflects the level of complexity of investment management of the Property.

In order to estimate **risk on investment management**, it is needed to understand that the highest income may be generated by those investments, which are managed properly. Investment management can be characterized as permanent choice among different financial options and ways of using the Property. It is connected with the necessity of the decision whether to keep or sell the Property. The higher the level of the quality of the management, the lower is the risk of unfavorable events and therefore the lower is the rate of risk on investment management. We have applied the level of risk on investment management in amount of 1.0%.

Specific (regional) risk is estimated in an expert way on the basis of the region of the Property. On the basis of the information provided by RA Expert[2] the investment rating of Moscow Region is characterized as high potential and minimum risk (1A). On the basis of this information specific (regional) risk has been applied in amount of 0.5%.

[2] http://raexpert.ru/database/regions/mos/

Therefore, discount rate calculation is provided in the table below.

Table 14. Discount rate calculation

Cumulative approach	
Risk-free rate	7.5%
Risks on investment in real estate	1.5%
Risk on low liquidity	1.0%
Risk on investment management	1.0%
Specific (regional) risk	0.5%
Discount rate	**11.5%**

Source: JLL

According to our assumptions discount rate, which reflects investment risks in the Property type for forecasted period is estimated (rounded) as **11.5%**.

6.6 Terminal Value

In our calculation, we applied a terminal cap rate to the Net Operating Income (NOI).

Based on current market conditions, the forecast of economic development in general and the real estate market in particular, as well as taking into account the characteristics of the Property, we applied a 9.5% cap rate to calculate terminal cash flow.

Our estimate of NOI terminal cash flow is given below.

Table 15. Terminal Value

Indices	Formula	Forecast period (2020)
Potential gross income, USD/year (PGI)		5 205 686
Vacancy losses, USD/year (L)		0
Effective gross income, USD/year (EGI)	PGI-L	5 205 686
Operating expenses, USD/year (OpEx)		484 858
Net operating income, USD/year (NOI)	EGI-OpEx	4 720 828
Cap rate (exit yield), % (Y)		9,50%
Terminal value, USD	NOI/Y	49 692 931

Source: JLL calculations

Having undertaken an appraisal on this basis, this produces a market value of the freehold interest in the Property to be approximately **USD48,400,000**.

Our calculations, applying an income approach, are given in Appendix 1 to this Report.

6.7 Fair Value measurement under IFRS 13

Value in Highest and Best Use

We confirm that the asset have been valued in its highest and best use.

Hierarchy of Valuation Inputs

Under IFRS 13, valuation inputs are to be classified according to the following hierarchy:

Level 1: Level 1 inputs are unadjusted quoted prices observed in active markets.

Level 2: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Level 3 inputs are unobservable inputs for the asset or liability. It should also be noted that if level 2 data has been significantly adjusted by the valuer then that input is to be classified as level 3.

This classification process has not been specifically designed for real estate assets. In applying it to real property we have had regard to certain specific characteristics of this asset class:

a) Unlike many financial assets, each real property asset is unique, in the first instance because no two properties can occupy exactly the same physical space or volume. Investment properties then differ according to their physical condition, their tenure and their tenancy schedules. Thus two properties that at first sight may seem very similar can in fact have significantly different rental, price or yield profiles. All this means that valuers of investment property rarely have evidence of transactions involving properties that are identical to the one being valued.

b) Like most other property markets in the world, the Russian investment market does not have a single central focal point, accessible to all the market players, where information about market rents, yields and prices is openly available. Whilst the press and some internet sites publish some information, this is rarely sufficiently detailed for valuers to apply this data directly to another property without making significant adjustments.

In preparing our valuation Report we have had regard, firstly, to information provided by our Client, particularly as regards floor areas, leases in place, current rents, service charges levels, recoverable expenditure, etc. These elements constitute the first important inputs into our valuation calculations.

We then adopt a number of other inputs whose levels are chosen according to the characteristics of the particular property and its market. The most important of these inputs include.

- The estimated rental value ('ERV') – DCF,
- The exit yield – DCF,
- The discount rate – DCF,
- Assumptions about future rental indexation – DCF.

In view of the nature of the Russian property investment market and the assets that we have valued here, we consider that the most significant inputs adopted for our valuations are all to be classified as Level 3 in the IFRS 13 hierarchy.

It is important to note that, despite the fact that our valuations are at level 3, the Russian property investment market is still considered to be semi-transparent. Indeed, Russia – Tier 1 (i.e. Moscow and Saint-Petersburg) is rated as "semi-transparent" in Jones Lang LaSalle's Global Real Estate Transparency Index 2014 and occupies the 37th place in the world in this classification.

Classifying our valuations at level 3 is therefore not a sign that the market is particularly opaque, that the properties lack liquidity or that the valuations are in any way of lower quality.

Sensitivity of reported values to changes in significant inputs

Our comments on the sensitivity of the reported values to changes in the values of the main inputs are as follows.

Estimated rental values (ERVs)

This input comes into play at the end of the current lease, either by way of a lease renewal, or on a re-letting of premises that are assumed to become vacant. If we consider that a particular tenant's premises are currently significantly over-rented we may assume that the rent will be re-negotiated down at the next tenant's break option, in which case the ERV comes into play at that time.

This input therefore enters into the calculation at different times in the hold period for different tenants, depending on the end (or break) date of their lease. The further the lease end is away, the less the ERV affects the total discounted value of the income over the hold period.

The ERV nevertheless always comes into play in the calculation of the exit price, which in the case of a 3 year cash flow can often constitute very roughly 70% of the reported value. The higher the ERV, the higher the exit value, resulting in a rather less proportionate increase in the reported value.

Exit yield

This yield is used to calculate the exit value, which generally contributes very approximately 70% of the reported value for a DCF over 3 years. As a very approximate illustration, based on an exit yield of, say 10%, a variation of 25 bps in this yield could lead to a change of around 6% in the exit value, and thus 3% in the final reported value. The exact figures depend, of course, on the value of the other parameters adopted.

Discount rate

This input is used to discount all of the income flows, both during the hold period and on the final sale of the property. It therefore has a direct impact on the reported value, on the usual basis that a change of, say 10 bps has a greater effect on value if the discount rate was 7% than if it was 10%.

Indexation assumptions

Most of the rents are indexed annually, both before and after lease ends or renewals. Any increase or reduction of the percentages adopted therefore has a fairly direct impact on the reported values.

We haven`t applied any indexation in our calculations because we prepared our valuation in real cash flows which doesn’t include inflation.

6.7.1 Key Attributes

We would highlight the following key attributes in respect of the Property.

- The Property is located in the Central Administrative District in Moscow, which is an established business destination with well-developed infrastructure where office rents are among the highest in the city;
- Excellent transport accessibility to the city centre of Moscow, proximity to the next metro station – Park Kultury metro station is next to the Property;
- The office space is designed to the highest standards and offers highly efficient and flexible layout suitable for many tenant types – for medium-sized companies as single occupiers as well as for smaller companies leasing office space floor by floor;
- High visibility – the Property is located on the first line of Zubovskiy Boulevard (Garden Ring);
- The Property is newly constructed;
- The Property offers street retail premises on the 1st and 2nd floors;
- The building is held freehold, the land plot is held leasehold on a long-term lease agreement expiring in 2045.

6.7.2 Principal Risks

In considering this Property as a subject of security for a loan, we would draw your attention to the following main risks.

- Most part of lease agreements will expire in August – September of 2018. According to the Client's information there were no signed LOI for these premises as at the valuation date;
- Limited availability of parking;
- Competition from existing office properties of the same or similar quality.

7 Valuation

7.1 Market Value

Having regard to the foregoing, we are of the opinion that the Market Value of the leasehold and freehold interests in the Property detailed above as at 31 December 2017 is in the sum of (net of value-added tax, rounded):

USD48,400,000 (Forty Eight Million Four Hundred Thousand US Dollars).

7.2 General Assumptions and Limitations

The Consultant based the Report on the following general assumptions and limitations:

- Reliance of the Report can be attributed only to its full text and for the purposes stipulated herein. Neither part hereof may be interpreted separately unless in the context of its full text.
- The Consultant shall be liable neither for legal interpretation of title documents for the Property, nor for any issues related to the right of ownership for the Property. We assume that the Property has a good and marketable title and there are no encumbrances or restrictions, unless otherwise stated herein.
- We accept as being complete and correct any information and documents provided by the Client and referred to herein.
- The Consultant assumes that the Property is free from any hidden defects that may affect the valuation. The Valuer is liable neither for any hidden defects, nor for their detection;
- Our Valuation did not include any investigation on specific parameters of the Property that may not be revealed during its visual examination. Our valuations are on the basis that no deleterious materials have been used in construction or alteration of the building. Also, our valuations are carried out on the basis that neither the land, nor the water in the area were affected by environmental contamination (toxic, harmful or other substances or electromagnetic emission or radiation);
- Our conclusion on the Property value shall be referred to the Property as a whole. Neither part of the value may be attributed to any part of the Property, unless otherwise stipulated in the Report;
- The Property's Market Value estimated by the Consultant is time-specific and is valid as at the Date of Valuation. The Valuer shall not be liable for any change in economic, legal or other factors that may arise after that date and affect the market and thus the Property value.

7.3 Confidentiality and Publication

This Valuation Report has been prepared for and only for AM-Building Center CJSC and for UniCredit S.p.A., (Via Alessandro Specchi 16, CAP 00186 Rome, Italy) for the purposes of estimation of a market Value of a Property located at 11A Zubovskiy Boulevard, Moscow, Russia. The Report is prepared for the purposes of financial statements under IFRS of AM-Building Center CJSC and for loan security for UniCredit S.p.A. To the fullest extent permitted by law, we do not accept or assume responsibility or liability in respect of the whole or any part of the Valuation Report for any other purpose or to any other person or entity to whom the

Report or valuation is shown or disclosed or into whose hands it may come, whether published with our consent or otherwise, except where expressly agreed by our prior consent in writing.

Yours Faithfully

Tim Millard MRICS

Regional Director

Head of Advisory Group

For and on behalf of JLL

Achieve Ambitions

Valuation Calculations

Appendix 1

Table 16. Market Value Calculations

Effective Gross Income		2018	2019	2020	Total
Gross potential income, USD					
Let premises	5,833 sq m	5,884,356	4,369,941	4,407,834	14,662,131
Vacant offices	696 sq m	285,367	487,200	487,200	1,259,767
Underground parking	30 lots	123,651	144,000	144,000	411,651
Advertising and other additional income		188,724	166,273	166,652	521,650
Total, USD		**6,482,097**	**5,167,414**	**5,205,686**	**16,855,198**
Occupancy level		83% - 100%	100%	100%	
Total Effective Gross Income, USD		**6,482,097**	**5,167,414**	**5,205,686**	**16,855,198**

Costs	2018	2019	2020	Total
Fit-out costs, USD	115,855			
=Total, USD	**115,855**	**0**	**0**	**0**

Operartional expences	2018	2019	2020	Total
Land rent, USD	21,425	21,425	21,425	64,274
Property tax, USD	463,434	463,434	463,434	1,390,301
Non-recoverable OpEx, USD	583,745			583,745
=Total, USD	**1,068,603**	**484,858**	**484,858**	**2,038,319**

Market Value Calculation	2018	2019	2020	Total
Effective gross income, USD	6,482,097	5,167,414	5,205,686	16,855,198
Terminal value from commercial areas, USD			49,692,931	49,692,931
Total in-flow, USD	6,482,097	5,167,414	54,898,617	66,548,128
Operational expenses, USD	1,068,603	484,858	484,858	2,038,319
Fit-out costs, USD	115,855	0	0	115,855
Total out-flow, USD	1,184,458	484,858	484,858	2,154,174
Total in-flow, USD	5,297,639	4,682,556	54,413,759	64,393,954

Market Value Calculation		2018	2019	2020	Total
Net total in-flow, USD		5,297,639	4,682,556	54,413,759	64,393,954
Cumulative		5,297,639	9,980,195	64,393,954	
Discount Rate		11.5%	11.5%	11.5%	
Net present value, USD		5,017,010	3,977,138	39,444,513	48,438,661
Cumulative		5,017,010	8,994,148	48,438,661	
Market Value, USD	**48,400,000**				

Photographs

Appendix 2

External view

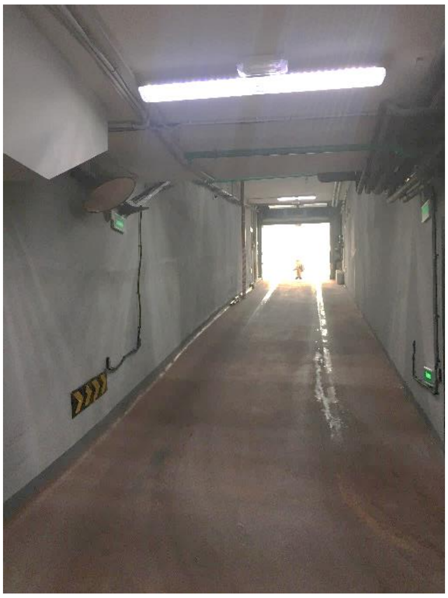
Facade

Internal view

Entrance

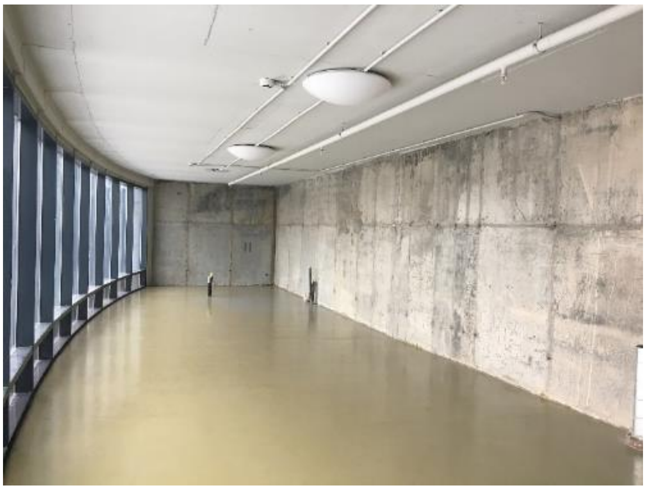
Elevator hall

Parking area



Office premises (fitted out)

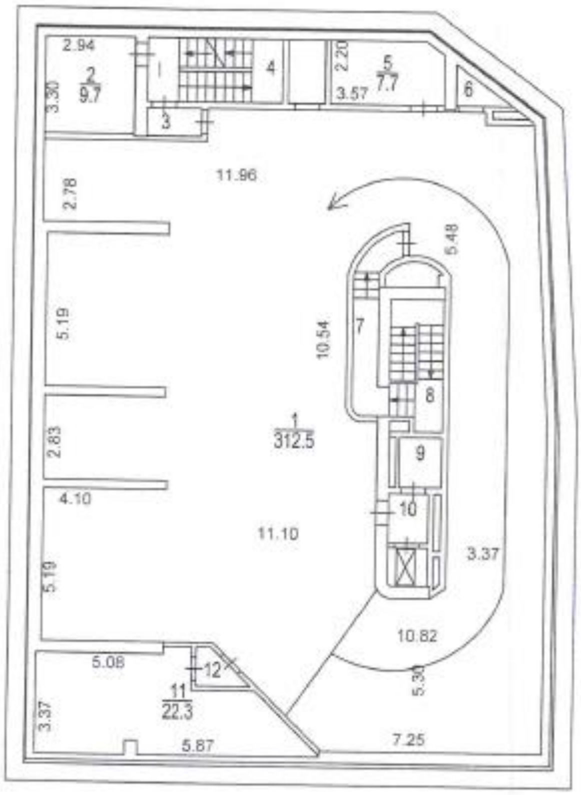
Office premises (without fit-out)



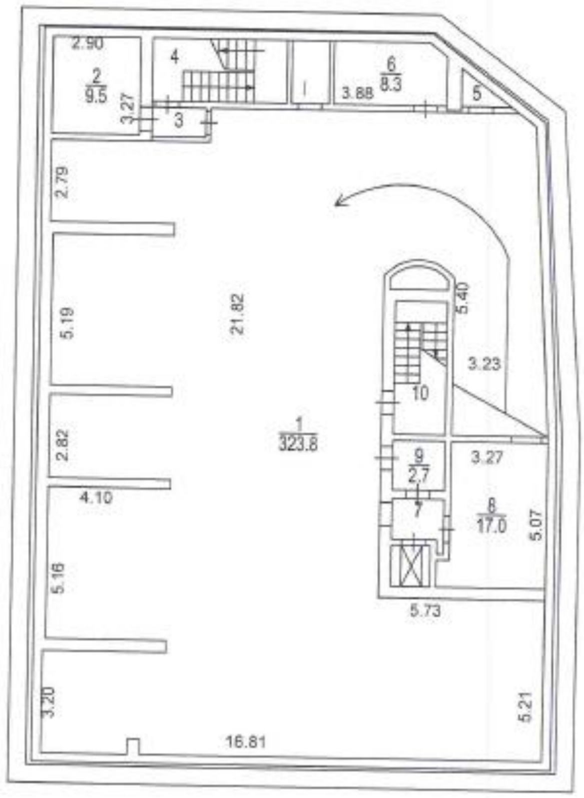
Typical Floor Layouts

Appendix 3

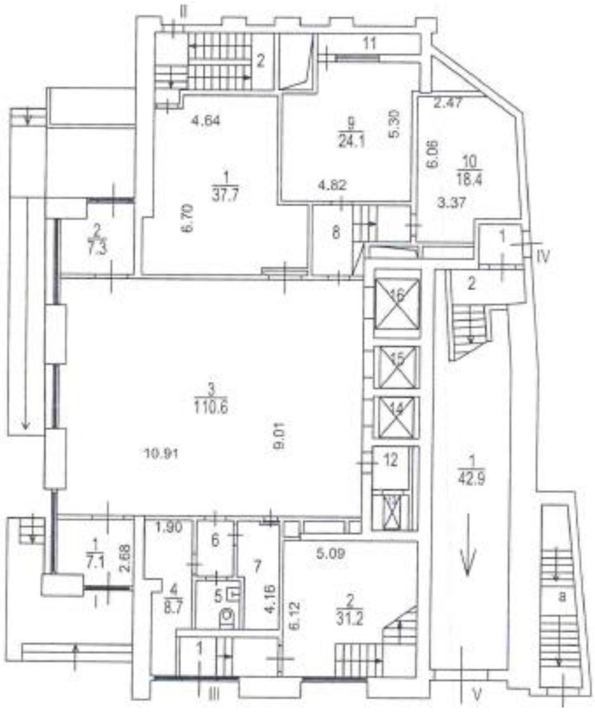
1underground level



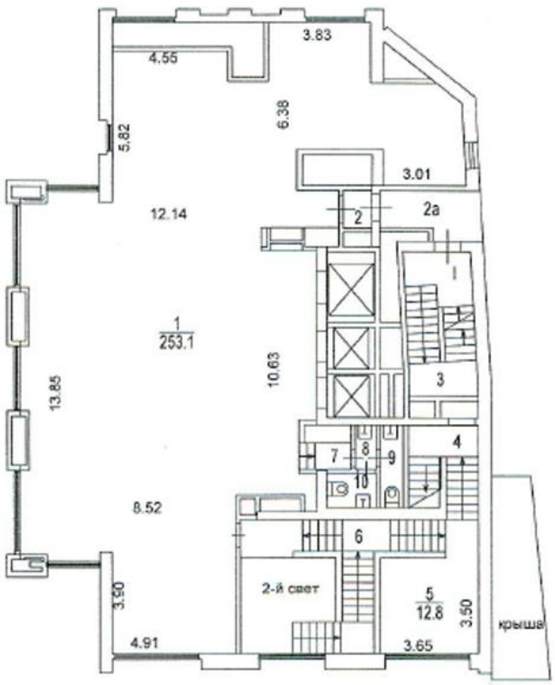
2 underground level



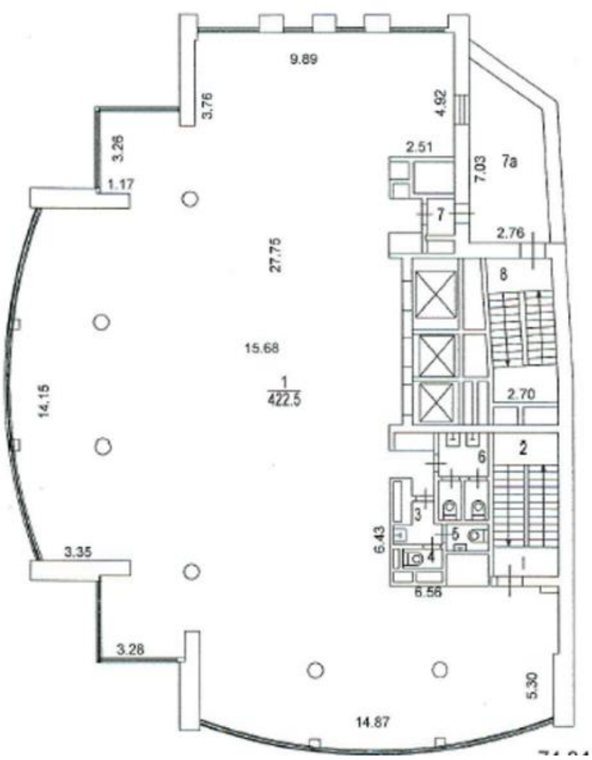
1 level



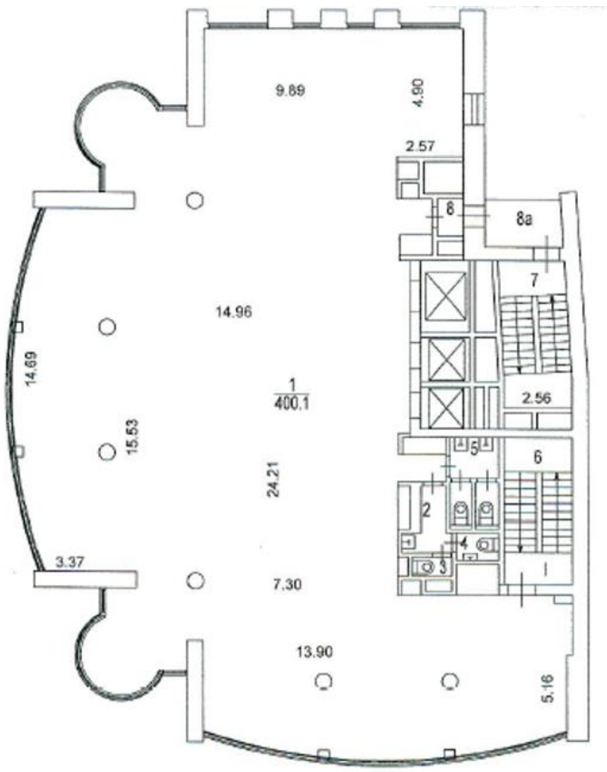
2 level



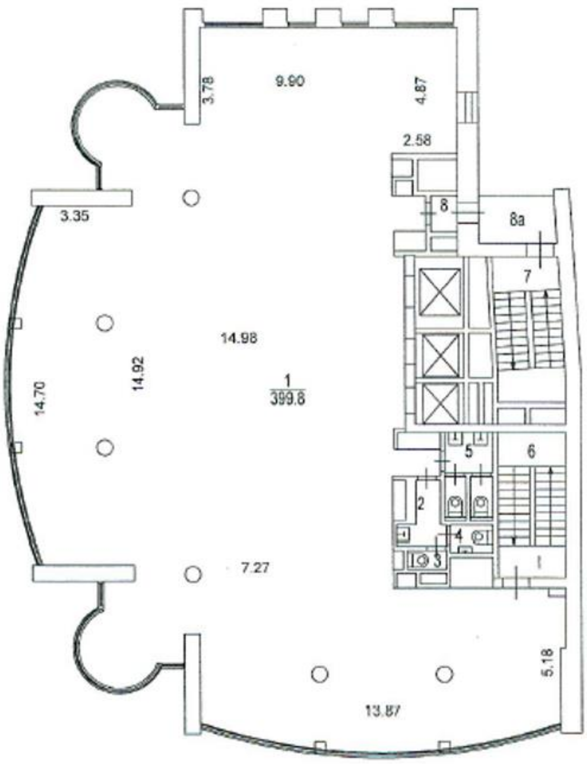
3 level



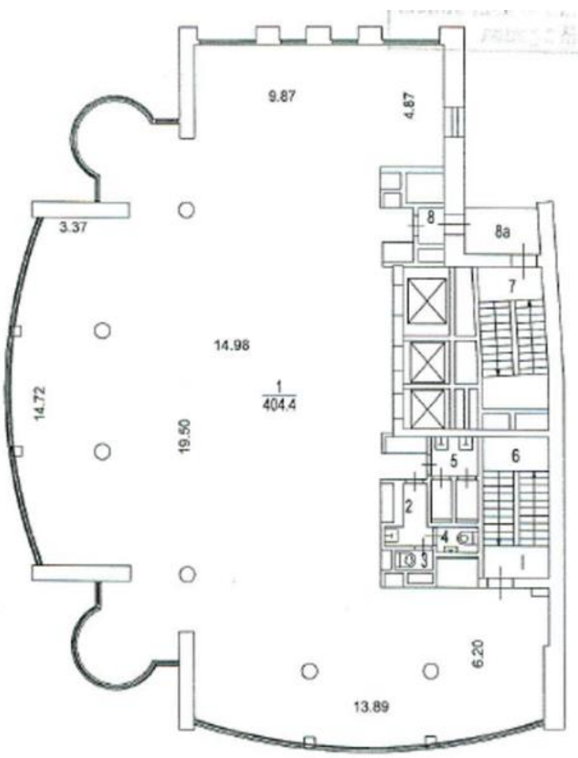
4 level



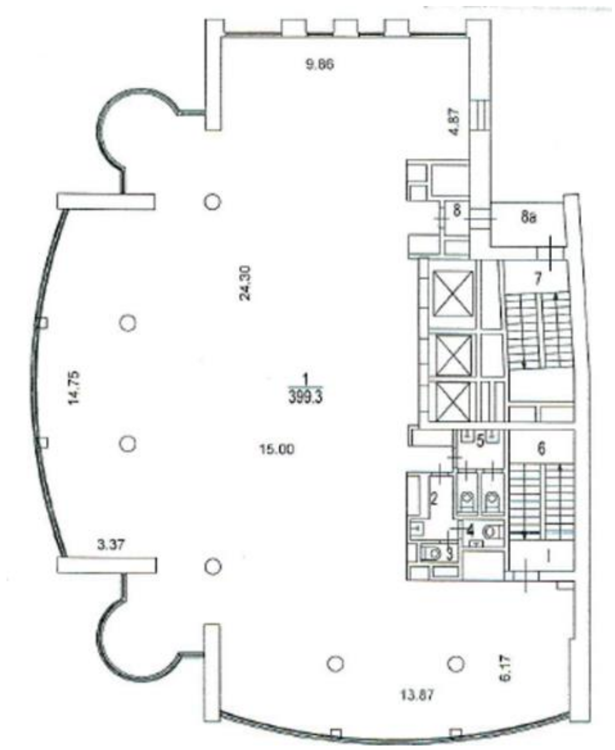
5 level



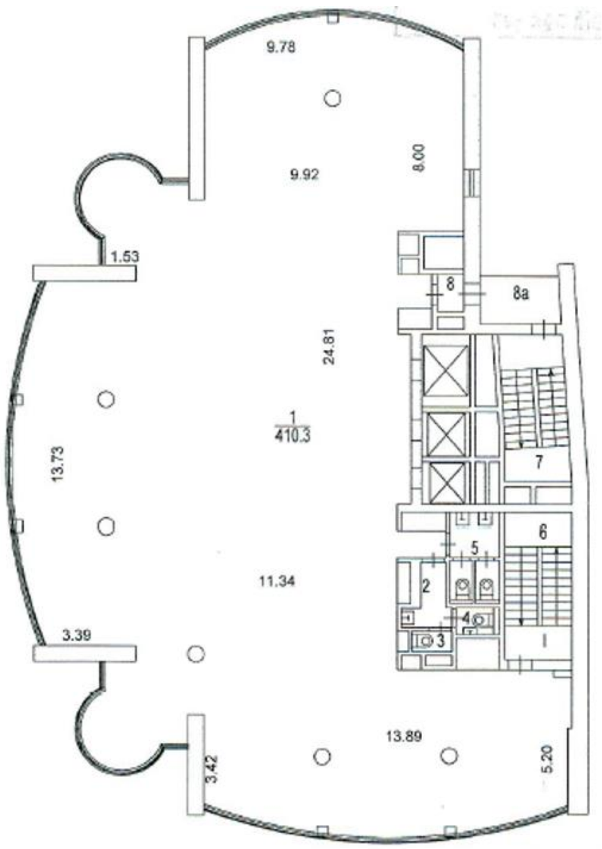
6 level



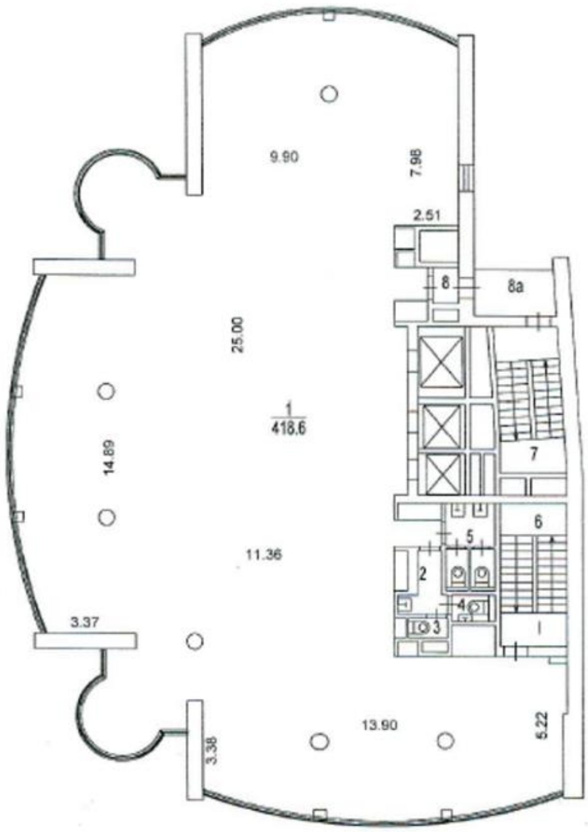
7 level



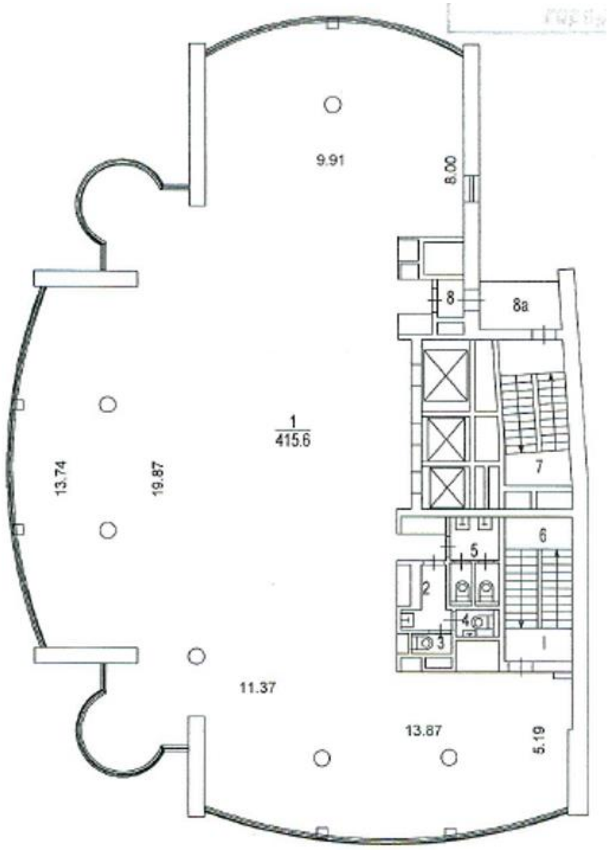
8 level



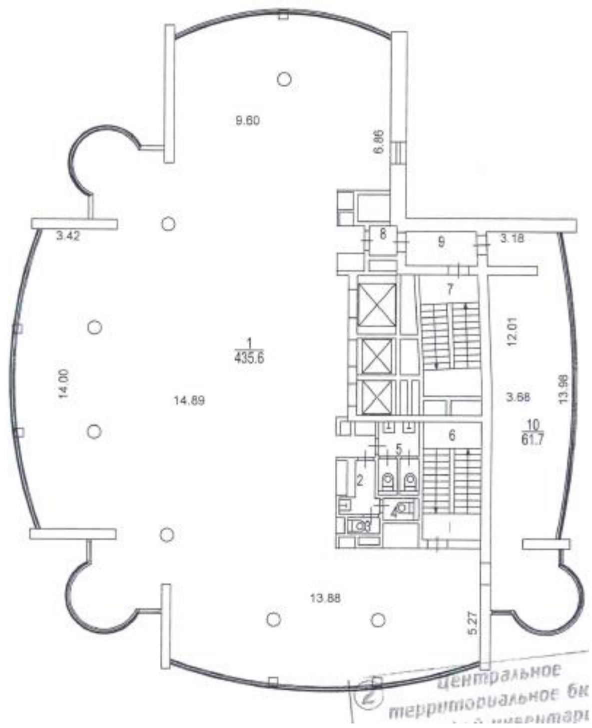
9 level



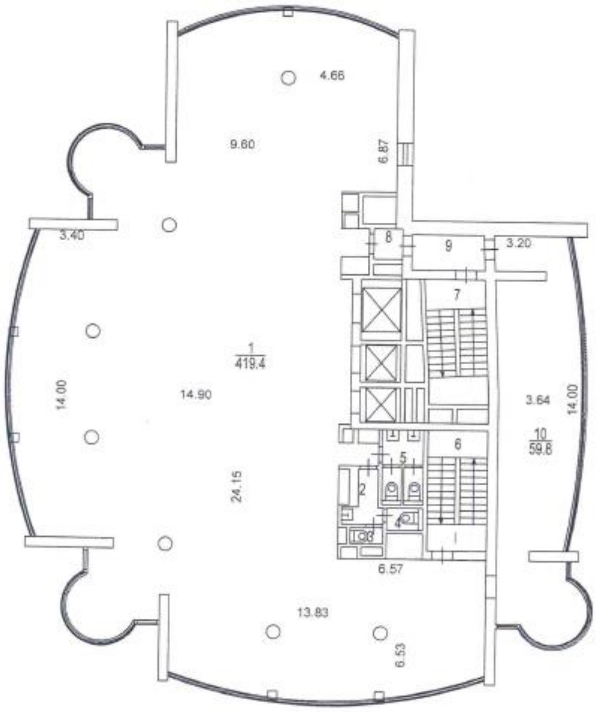
10 level



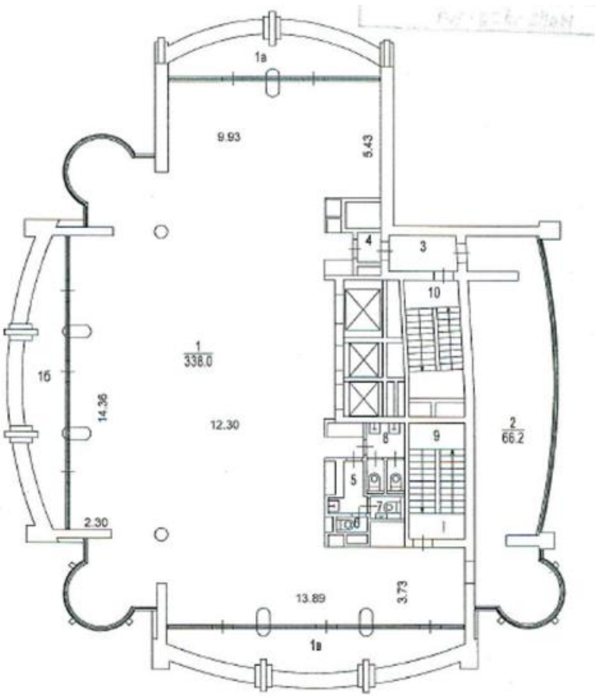
11 level



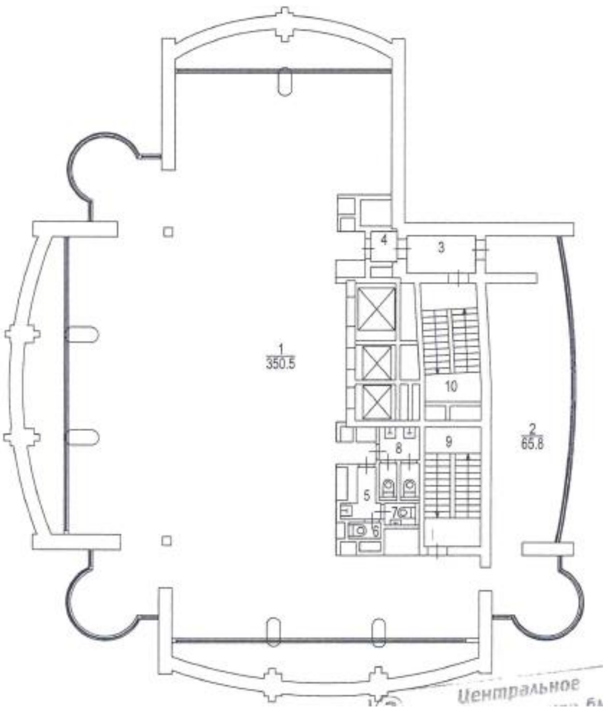
12 level



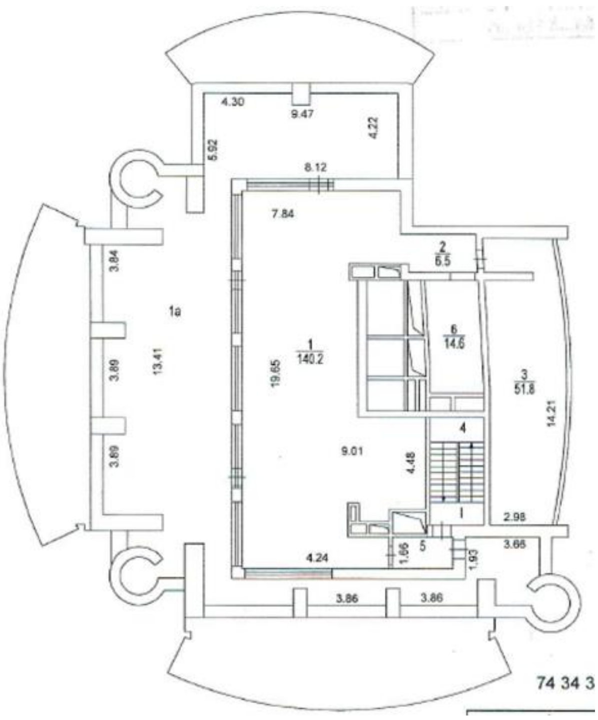
13 level



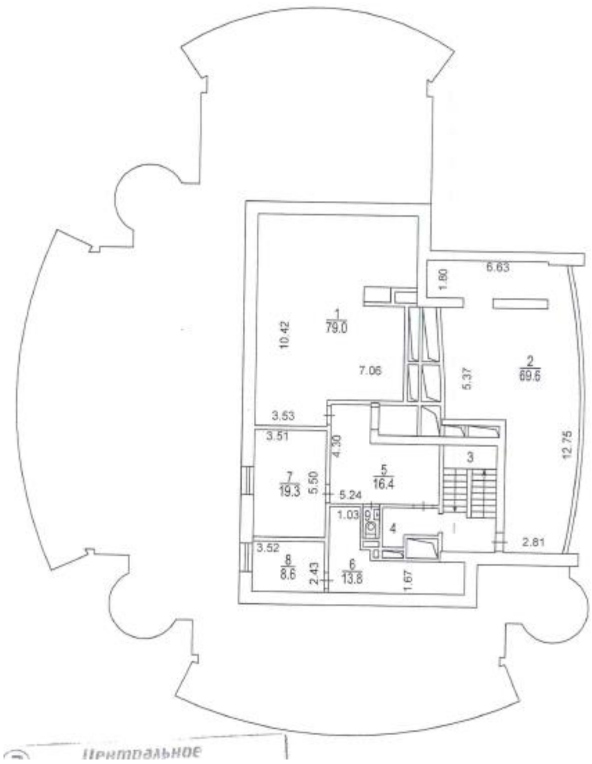
14 level



15 level



16 level



General Principles Adopted in the Preparation of Valuation and Reports

Appendix 4

These are the general principles upon which our Valuations and Reports are normally prepared; they apply unless we have specifically mentioned otherwise in the body of the Report. Where appropriate, we will be pleased to discuss variations to suit any particular circumstances, or to arrange for the execution of structural or site surveys, or any other more detailed enquiries.

These General Principles should be read in conjunction with Jones Lang LaSalle's General Terms and Conditions of Business.

1. RICS Valuation – Professional Standards:

Valuations and Reports are prepared in accordance with the Valuation Standards contained in the RICS Valuation – Global standards 2017 published by the Royal Institution of Chartered Surveyors, by valuers who conform to the requirements thereof.

Except where stated, Jones Lang LaSalle are External Valuers.

2. Valuation Basis:

Properties are generally valued to "Market Value" or alternatively another basis of valuation as defined in the Valuation Manual. Market Value is defined as "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The full definition of any other basis, which we may have adopted, is either set out in our Report or in the Valuation Manual.

There are interpretative commentaries on the definitions which are set out in the Valuation Manual and which we will be pleased to supply on request.

In our valuations, no allowances are made for any expenses of realisation, or for taxation, which might arise in the event of a disposal. All property is considered as if free and clear of all mortgages or similar financial encumbrances, which may be secured thereon.

Unless otherwise stated, our valuations are of each separate property. Portfolio valuations are aggregates of individual valuations rather than the portfolio having been valued as a whole. No allowance is made for the effect of the simultaneous marketing of all/or a proportion of the properties.

3. Source of Information:

We accept as being complete and correct the information provided to us, by the sources listed, as to details of tenure, tenancies, tenant's improvements, planning consents and other relevant matters, as summarised in our Report.

4. Documentation:

We do not normally read leases or documents of title. We assume, unless informed to the contrary, that each property has a good and marketable title, that all documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other outgoings of an onerous nature, which would have a material effect on the value of the interest under consideration, nor material litigation pending. Where we have been provided with documentation we recommend that reliance should not be placed on our interpretation without verification by your lawyers.

5. Tenants:

Although we reflect our general understanding of a tenant's status in our valuations, enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

6. Measurements:

Where appropriate, all measurement is carried out in accordance with the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors, except where indicated or where we specifically state that we have relied on another source.

7. Town Planning and Other Statutory Regulations:

Information on Town Planning, wherever possible, is obtained verbally from the Local Planning Authority. We do not make formal legal enquiries and, if reassurance is required, we recommend that verification be obtained from lawyers that:

7.1. the position is correctly stated in our Report;
7.2. the property is not adversely affected by any other decisions made, or conditions prescribed, by public authorities;
7.3. there are no outstanding statutory notices.

Outside the UK however, it is often not possible to make such verbal enquiries.

Our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory and EC regulations, including enactments relating to fire regulations, access and use by disabled persons and control and remedial measures for asbestos in the workplace.

8. Structural Surveys:

Unless expressly instructed, we do not carry out a structural survey, nor do we test the services and we therefore do not give any assurance that any property is free from defect. We seek to reflect in our valuations any readily apparent defects or items of disrepair, which we note during our inspection, or costs of repair which are brought to our attention.

9. Deleterious Materials:

We do not normally carry out investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques (including, by way of example, high-alumina cement concrete, woodwool as permanent shuttering, calcium chloride or asbestos). Unless we are otherwise informed, our valuations are on the basis that no such materials or techniques have been used.

10. Site Conditions:

We do not normally carry out investigations on site in order to determine the suitability of ground conditions and services for the purposes for which they are, or are intended to be, put; nor do we undertake archaeological, ecological or environmental surveys. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these matters.

11. Environmental Contamination:

Unless expressly instructed, we do not carry out site surveys or environmental assessments, or investigate historical records, to establish whether any land or premises are, or have been, contaminated. Therefore, unless advised to the contrary, our valuations are carried out on the basis that properties are not affected by environmental contamination. However, should our site inspection and further reasonable enquiries during the preparation of the valuation lead us to believe that the land is likely to be contaminated we will discuss our concerns with you.

12. Insurance:

Unless expressly advised to the contrary we assume that appropriate cover is and will continue to be available on commercially acceptable terms. For example, in regard to the following:

Composite Panels

We understand that a number of insurers are substantially raising premiums, or even declining to cover, buildings incorporating certain types of composite panel. Information as to the type of panel used is not normally available, and the market response to this issue is still evolving. Accordingly, our opinions of value make no allowance for the risk that insurance cover for any property may not be available, or may only be available on onerous terms, or for any adverse market reaction to the presence of such panels.

Terrorism

To the extent that it is feasible, our valuations have been made on the basis that the properties are insured against risks of loss or damage including damage caused by acts of Terrorism.

Flood and Rising Water Table

Our valuations have been made on the assumption that the properties are insured against damage by flood and rising water table.

13. Currency:

The valuations are prepared in US Dollars.

14. Value Added Tax:

Valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

15. Outstanding Debts:

In the case of property where construction works are in hand, or have recently been completed, we do not normally make allowance for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of contractors, subcontractors or any members of the professional or design team.

16. Confidentiality and Third-Party Liability:

Our Valuation and the Schedule are for the specific purpose to which they refer and form part of the prospectus. Save where the contents of this Valuation Report are reproduced, referred to or otherwise disclosed by virtue of the Prospectus in which it appears (or any part thereof) being incorporated by reference (as that term is used in the Prospectus Rules and/or the Listing Rules), before this Valuation Report, or any part thereof, is reproduced or referred to in any other document, circular or statement and before its contents, or any part thereof, are otherwise disclosed orally or otherwise to a third party, the Valuer's written approval as to form and context of such publication or disclosure must first be obtained.

For the avoidance of doubt, such approval is required whether or not Jones Lang LaSalle are referred to by name and whether or not the contents of our Valuation Report are combined with other reports.

17. `

In the event that we are instructed to provide a valuation without the opportunity to carry out an adequate inspection and/or without the extent of information normally available for a formal valuation, we are obliged to state that the valuation is totally dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should these prove to be incorrect or inadequate, the accuracy of the valuation may be affected.

Extract from the RICS Valuation – Global Standards 2017

Appendix 5

Market Value

Definition and Interpretive Commentary. Reproduced.

3.2

Valuations based on Market Value (MV) shall adopt the definition, and the interpretive commentary, settled by the International Valuation Standards Committee.

Definition

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

Interpretive Commentary, as published in International Valuation Standard 1

The definition of market value must be applied in accordance with the following conceptual framework:

'The estimated amount' refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

'An asset or liability should exchange' refers to the fact that the value of an asset or liability is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the Market Value definition at the valuation date.

'On the valuation date' requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as at the valuation date, not those at any other date.

'Between a willing buyer' refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute 'the market'.

'And a willing seller' is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner.

‘In an arm’s length transaction’ is one between parties who do not have a particular or special relationship, eg parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated. The Market Value transaction is presumed to be between unrelated parties, each acting independently;

‘After proper marketing’ means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the Market Value definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the valuation date;

‘Where the parties had each acted knowledgeably, prudently’ presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the valuation date. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the valuation date, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;

‘And without compulsion’ establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

32. The concept of market value presumes a price negotiated in an open and competitive market where the participants are acting freely. The market for an asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of market participants. The market in which the asset is presumed exposed for sale is the one in which the asset being exchanged is normally exchanged.

33. The market value of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset’s existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

34. The highest and best use of an asset valued on a stand-alone basis may be different from its highest and best use as part of a group, when its contribution to the overall value of the group must be considered.

35. The determination of the highest and best use involves consideration of the following:

To establish whether a use is physically possible, regard will be had to what would be considered reasonable by participants, To reflect the requirement to be legally permissible, any legal restrictions on the use of the asset, eg town planning/zoning designations, need to be taken into account as well as the likelihood that these restrictions will change,

The requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical participant, after taking into account the costs of conversion to that use, over and above the return on the existing use.

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