Valuation *Advisory*

Dom Park Kultury Office Center

11A Zubovskiy Boulevard, Moscow, Russia

February 2017

Executive Summary

Property Address

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

Description

The Property represents a high quality Class A office building located on the land plot of 600 sq. m. 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 6,219.1 sq.m.

Location

The Property is located in the Central Administrative District 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

The Property is situated on the land plot with the total area of 600 sq. m 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. The cadastral number # 77:01:0005015:1.

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 11 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 and Covenant

According to the tenancy schedule provided for the Property, it had, as at the date of valuation, 11 tenants, which translates into an occupancy rate of around 89%. As at date of valuation 14th and 15th floors were fully vacant. The Client informed us that as at the date of valuation the Subject Property has LOI`s for vacant area of 298 sq. m on 15th floor.

In addition, there is income from sources such as advertising and telecommunication contracts. As at the date of valuation, 13 parking spaces in two basement levels were let and occupied, and 4 parking spaces outside the building and 17 underground parking spaces were vacant.

All the leases are short-term, from 1 to 2.4 years (except lease agreement with Galaks – restaurant on the first and second floors with lease length of 5.1 years). The weighted average unexpired lease term is 1.9 years.

Gross Current Income

$ 6,208,942 per annum (net of VAT)

Estimated Rental Value

$ 4,428,430 per annum (net of VAT)

Key Attributes

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

- Limited availability of parking;
- Congested traffic may have a negative impact to the demand;
- Current unstable situation on the economic and financial market;
- 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 2016

Market Value (Rounded)

$47,000,000

(Forty Seven Million US Dollars)

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

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Tim.Millard@eu.jll.com

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

For the attention of:
Lysykh Nina Valerievna,
General Director

08 February 2017

Dear Sirs and Ms,

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 2016
Instruction Date:	16 January 2017
Instruction and Purpose of Valuation:	In accordance with the contract dated 16 January 2017 we are instructed to provide you with a report and valuation for purposes of financial statements under IFRS of AM-Building Center CJSC and for loan security for UniCredit S.p.A..
Basis of Valuation:	In arriving at our opinion of Market Value, our valuation has been prepared in accordance with the RICS Valuation Standards (Edition 2014) published by the Royal Institution of Chartered Surveyors.

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 5 and 6 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 14 December 2016 by Ekaterina Kanachkina MRICS, Senior Consultant and Dmitry Davydov MRICS, National Director, Valuation Department, Jones Lang LaSalle LLC.

Personnel: The valuation has been prepared by Ekaterina Kanachkina MRICS 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 the Red Book 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, needs not be verified by the 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.

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 this 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 (Rounded)** **$47,000,000** **(Forty Seven Million US Dollars)**

Valuation Uncertainty as at 31 December 2016:

The Russian economy has been in a period of heightened volatility since the start of 2014. Largely due to sanctions and counter-sanctions together with respectively low oil price. In the last 6 months there have been signs of improvement with inflation subsiding, recovery in the oil price, a stable and strengthening ruble and cuts in the Central Bank of Russia policy rate all being positive signals.

There is evidence of increased activity in the Russian real estate, with more deals under negotiation but this is yet to translate to a significant increase in the number of closed investment transactions. Uncertainty and slow decision making remain the order of the day. The sector remains vulnerable to external shocks and this has resulted in a lack of certainty as to pricing levels and market drivers. We are aware that prices agreed during negotiation are typically reduced prior to exchange of contracts as purchasers bring to bear their greater negotiating position and ability to complete transactions in an uncertain market. In this environment, prices and values are going through a period of heightened volatility whilst the market absorbs the various issues and reaches its conclusions. As a result there is less certainty with regard to valuations with the result that market values can change rapidly in the current conditions.

Where the number of genuine third party, arm's length transactions, are severely limited it is challenging to draw conclusions on current market yields and to accurately assess ERVs where landlord and tenants are continuing to negotiate to find the new equilibrium.

We have exercised increased care in preparing robust valuations but in a very thin market it is necessary to make more judgements than is usually required. This should be taken into account in reading the valuation opinion.

Contents

Appendices

1 Location

1.1 Macro Location

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

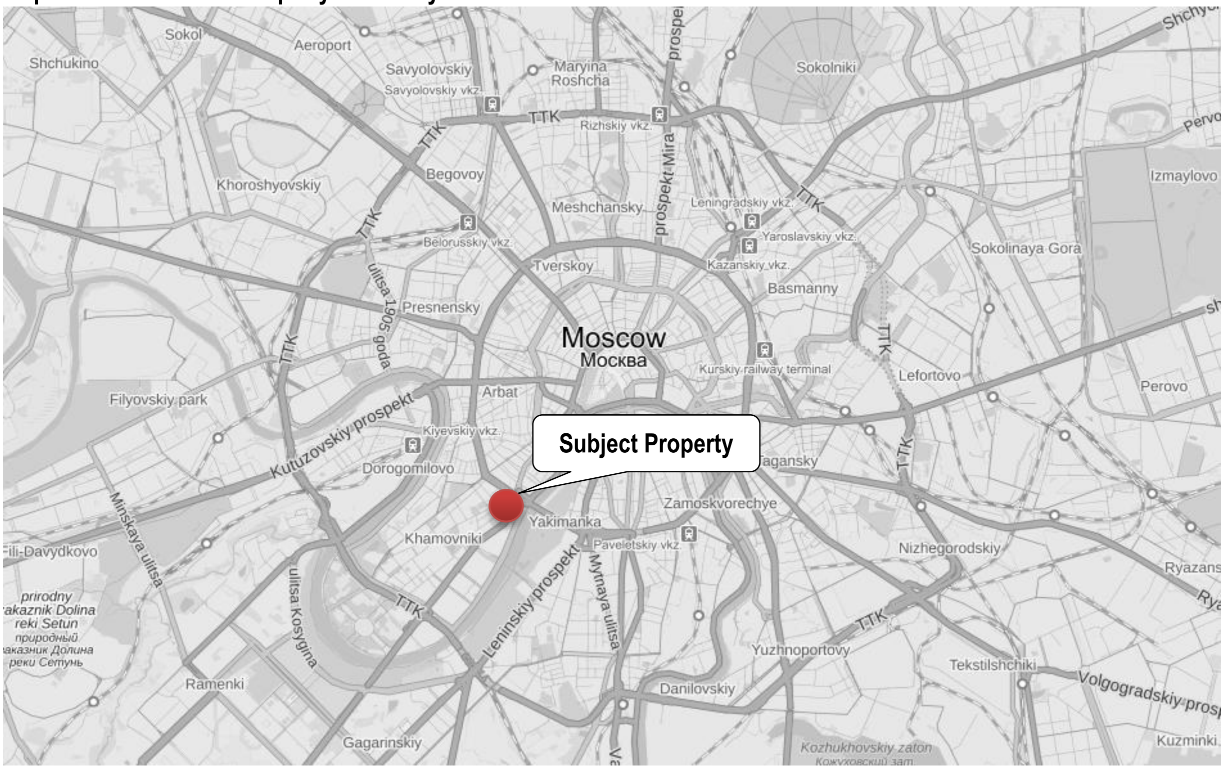
The CAD consists of 11 municipal districts: Arbat, Basmanny, Khamovniki, Kitai-Gorod, Krasnoselsky, Meschansky, Presnensky, Tagansky, Tverskoy, Yakimanka and Zamoskvorechye. Arbat, Basmanny and Yakimanka are the areas with the highest density of population.

The area of the CAD totals 6,619.75 hectares or 6.1% of the total city area. The population is approximately 760,500 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[1].

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.

[1] Source: www.cao.granit.ru

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, Chistiye Prudy and others.

The Subject 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 97,100 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 Komsomolsky Prospect, the Garden Ring (Smolensky 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 subject 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 Subject 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 Komsomolsky 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 – Belorussky, Kievsky and Paveletsky train stations. Belorussky, Kievsky and Paveletsky 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 — at cost of 50 rubles per hour to park there.

By the year end the City Hall of Moscow expanded paid parking areas in Moscow out to the Garden Ring, while raising hourly fees. Since Dec. 5, 2013, paid parking was introduced in the Yakimanka and Zamoskvorechye districts in southern central Moscow. On Dec. 25, 2013 the remaining areas within the Garden Ring road and TTK were also included. As the new areas were added, the parking charge went up to 80 rubles per hour within the Boulevard Ring, to 60 rubles per hour inside the Garden Ring and to 40 rubles per hour between Garden Ring and TTR. Starting from December 2, 2016 a zone of higher tariffs - 200 rubles 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:

Map 3. Site plan

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

According to the land lease agreement #M-07-003899 dated 03 January 1996 and addendums to the 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 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 Description and Construction

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 the1st floor 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. Additionally there are 4 surface parking lots. Technical area is located on the 16 floor.

Construction features:

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

The façade 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 Subject Property comply with Class A office requirements.

Fit-out:

The office premises have an open floor layout. At the valuation date, the property was almost fully fitted out. The premises are fitted out with materials of high quality. At our inspection the 15th floor was under fit-out and the 13th floor was not fully fitted out and was leased by ANO Orgkomitet for storage purposes. However the fit-out of those premises will be according to requirements and at expenses of the tenant (if necessary).

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	11A Zubovskiy Boulevard, Moscow, Russia
Gross area	7 482.2 sq. m
Leasable area (GLA excl. parking)	6,219.1 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 minutes walk)
Fit-out	
Condition of finishing	The property was almost fully fitted out. The 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	

General characteristics for the office building	
Type and capacity	34 lot including: 30 underground parking lots and 4 surface lots

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 fifteenth floor levels. As at the valuation date, all the premises are almost fully fitted out. At our inspection the 13th floor was not fully fitted out.
- Car parking (underground) is provided at the ratio of 1 space per 183 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, much of the parking is provided by way of a secure underground facility.

2.3 Accommodation

According to the tenancy schedule provided for the Property, it had, as at the date of valuation, 11 tenants, which translates into an occupancy rate of around 89%. As at date of valuation 14th and 15th floors were fully vacant. Nevertheless, the Client informed us that as at the date of valuation the Subject Property has LOI`s for vacant area of 298 sq. m on 15th floor. We took this LOI into account in our calculations.

In addition, there is income from sources such as advertising and telecommunication contracts. As at the date of valuation, 13 parking spaces in two basement levels were let and occupied, and 4 parking spaces outside the building and 17 underground parking spaces were vacant.

All the leases are short-term, from 1 to 2.4 years (except lease agreement with Galaks – restaurant on the first and second floors with lease length of 5.1 years). The weighted average unexpired lease term is 1.9 years.

We haven`t been provided with a breakdown of areas prepared in accordance with the 'Standard Method for Measuring Office Buildings' produced by the Building Owners and Managers Association (BOMA).

We have been provided with tenancy schedule and Explication for building dated 30.01.2012 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 (office space)

#	Tenant	Type of premises	Floors	Leased Area, sq. m
1	ANO Orgkomitet	Office	3-8,10,12,13	3,927
2	GBU (FIFA)	Office	6 (partly), 9,11	1,200
3	AkademService	Office	16 (technical floor)	17
4	Galaks	Retail	1-2	352
5	IP Zagalskiy	Office	16 (technical floor)	16
6	Fasad Media	Other	basement, 1 floor	9
7	Megafon	Office	2	3
8	Vacant	Office	14, 15	694.8
	Total:			**6,219**

Source: Client`s information

According to the information provided by the Client, as of the date of valuation 21 car lots (17 underground parking lots and 4 surface ones) were vacant.

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 Subject 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

3.1.1 Tenure

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

1. 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.
2. 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.
3. Site plan.
4. Floors plans.
5. Explication for building dated 30.01.2012.
6. Technical passport for the building.
7. Cadastral passport for the building.
8. Tenancy schedule with lease conditions.
9. Operating expenses.

3.1.2 Land

The Property is situated on a land plot with total area of 600 sq m held by AM-Building Center CJSC on the basis of a long-term leasehold interest, expiring on 03 January 2045. 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. The cadastral number of the land plot is # 77:01:0005015:1.

3.1.3 Building

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

3.1.4 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.

3.1.5 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.

3.2 Tenancies

According to the tenancy schedule provided for the Property, it had, as at the date of valuation, 11 tenants, which translates into an occupancy rate of around 89%. As at date of valuation 14th and 15th floors were fully vacant. Nevertheless, the Client informed us that as at the date of valuation the Subject Property has LOI`s for vacant area of 298 sq. m on 15th floor. We took this LOI into account in our calculations.

In addition, there is income from sources such as advertising and telecommunication contracts. As at the date of valuation, 13 parking spaces in two basement levels were let and occupied, and 4 parking spaces outside the building and 17 underground parking spaces were vacant.

All the leases are short-term, from 1 to 2.4 years (except lease agreement with Galaks – restaurant on the first and second floors with lease length of 5.1 years). The weighted average unexpired lease term is 1.9 years.

We haven`t been provided with a breakdown of areas prepared in accordance with the 'Standard Method for Measuring Office Buildings' produced by the Building Owners and Managers Association (BOMA).

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

The breakdown of the floors by use and tenants is provided in the table below:

Table 3. Tenancy schedule

#	Tenant	Type of premises	Floors	Leased Area, sq. m	Rental rate, USD per year, excl. VAT and OpEx
1	ANO Orgkomitet	Office	3-8,10,12,13	3,927	1,151*
2	GBU (FIFA)	Office	6 (partly), 9,11	1,200	782
3	AkademService	Office	16 (technical floor)	17	519
4	Galaks	Retail	02-Jan	352	1,500
5	IP Zagalskiy	Office	16 (technical floor)	16	419
6	Fasad Media	Other	basement, 1 floor	9	3,333
7	Megafon	Office	2	3	6,726
8	Edvans Holding	Advertising (add income)			
9	Vimpelcom	Telecomunications			
10	Rostelecom	Telecomunications			
11	MTS	Telecomunications			
	Vacant	Office	14,15	694.8	
	Total:			**6,219**	

Source: Client`s information

*rental rate includes OpEx

According to the information provided by the Client, as of the date of valuation 21 car lots (17 underground parking lots and 4 surface ones) were vacant.

3.3 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.

3.4 Property Assessment

3.4.1 General

The two statutory property taxes payable in Russia are property tax, based on the building’s book or cadstral 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.

3.4.2 Land rent

We have estimated the land payment at 1.5% from cadastral value (82,270,602 RUB) of the land plot. According to our estimation the land payment of the date of valuation equals to RUB 1,234,059 RUB or 20,345 USD per annum.

3.4.3 Property Tax

From January 1, 2014 commercial real estate owners in Moscow and Moscow Region will be subject to revised laws which affect the manner by which office and retail properties are valued. As a consequence we expect to see a marked changed to the taxable base for this real estate, which in turn may significantly alter the property tax liabilities for landlords. In the vast majority of cases valuations are expected to increase significantly. As we noted in our previous publication Amendments to Tax Code in Russia Affecting Real Estate Valuations, published in October 2013, the main issue the amendment is aiming to address is that the current approach, which uses book value, takes into account the depreciation of a building. This approach can result in a book value that is significantly below the market value of the property, potentially resulting in lower revenues for the tax authorities.

According to the new Federal Law 307-FZ About Amendments to the Article 12 of Part 1 and to the Chapter 30 of Part 2 of the Tax Code of Russian Federation adopted on November 2nd of 2013, which will come into effect from January 1st of 2014, the new tax base for the real estate tax will be property cadastral value as opposed to previously used book value. In Moscow and Moscow region the amendments will only affect properties of more than 3,000 sq. m.

According to the Law of Moscow #60 dated 18 November 2015 About the Amendments to the articles 1.1 and 2 of Moscow adopted on 5th November 2003 #64 About the property tax of companies. From the 1st January 2017 the tax from cadastral value will be applied for all specialised shopping and office buildings regardless of the gross building area. Also it will be applied for non-residential buildings with GBA more than 1,000 sq. m if they are used for commercial purposes. It is planned that from 2017 the tax will be also applied for non-residential premises in apartment buildings which are used as offices, retail premises, café and service rooms if the total area such premises are more than 3,000 sq. m.

The tax rates for the mentioned above buildings and premises will be 1.4% in 2017 and 1.5% from 2018 onwards.

3.5 Statutory and Tax Matters

3.5.1 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.

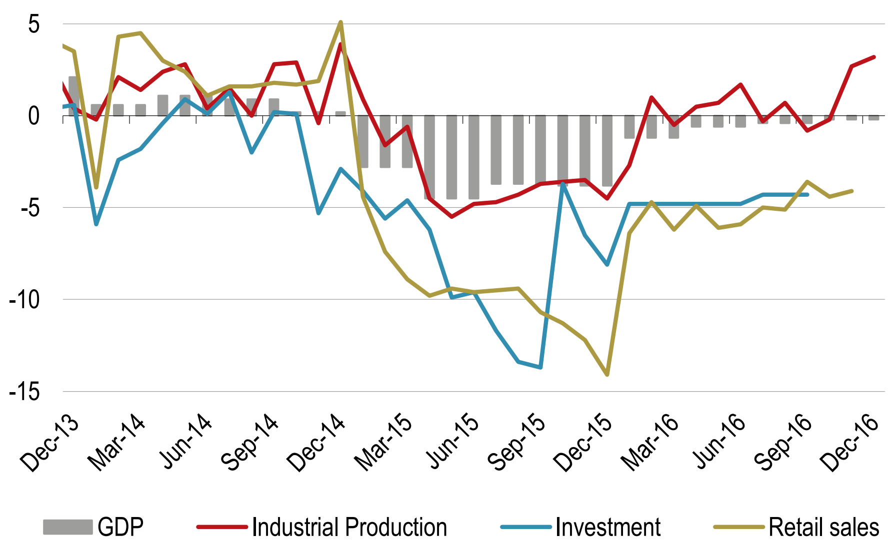
4 Market Commentary

4.1 Investment Market Overview

In 2016, the GDP declined by 0.2% YoY. The Russian economy continues to stabilize, supported by oil price growth and rouble appreciation.

The growth is expected to resume in H1 2017. According to Oxford Economics, GDP growth will rise by 1.2% in 2017. These positive changes reduce market uncertainties.

Russian real sector indicators, YoY real growth



Source: Rosstat, Oxford Economics

Retail turnover is still declining, although showing improvements since the beginning of the year.

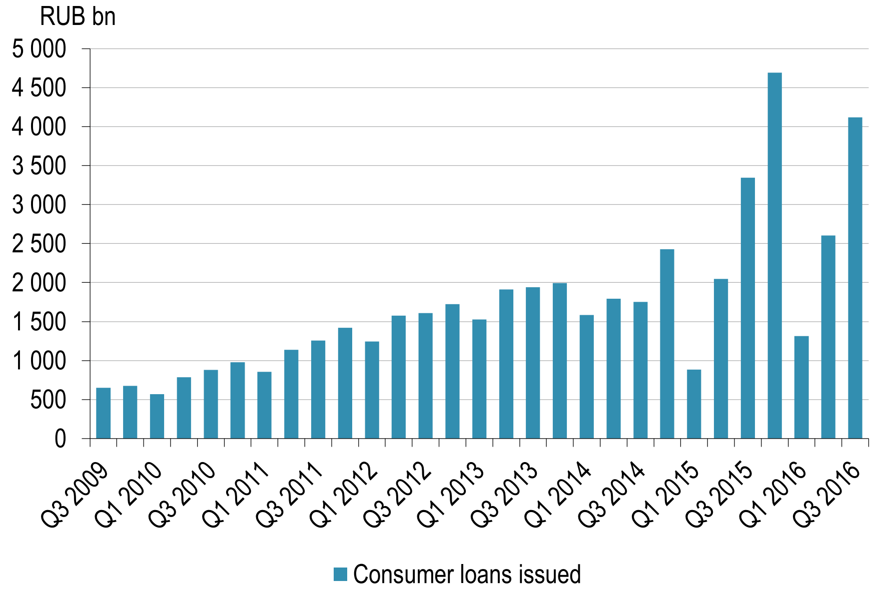
Real wages indicate potential gains in consumer activity. However, consumer debt repayments will likely delay the recovery of retail activity.

Retail sales and wages, YoY real growth

Source: Rosstat

The volume of issued consumer loans increased by 23% YoY in Q3 2016.

Consumer loans issued in Russia

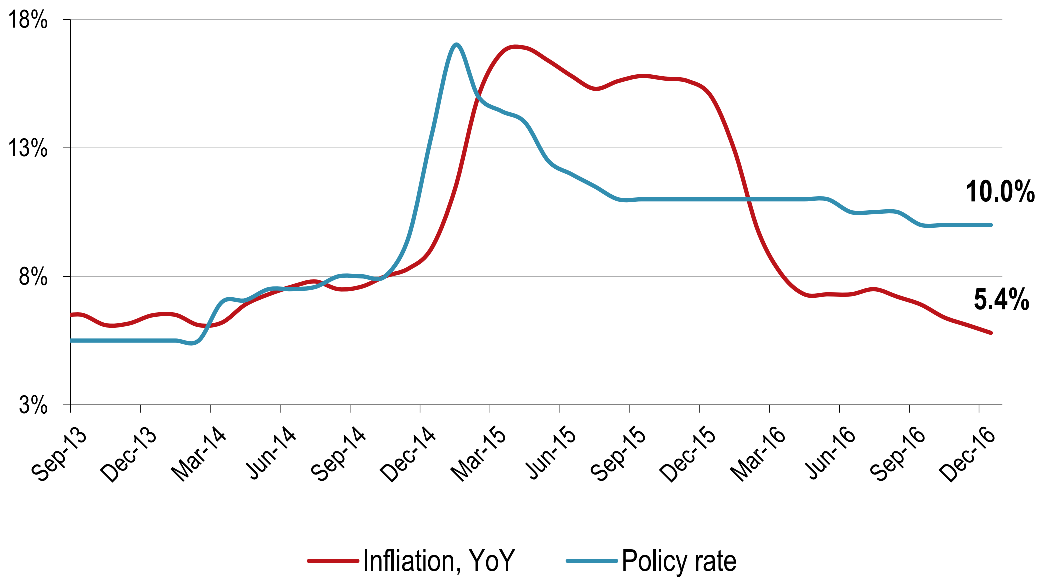


Source: Rosstat

Inflation declined to 5.4% YoY in December. Further moderation is expected in the near term. The CBR target is 4.0% by the end of 2017.

The Central Bank cut the policy rate to 10.5% in June and then to 10.0% in September. The declining inflation will lead to further policy rate cuts.

Inflation and policy rate, YoY

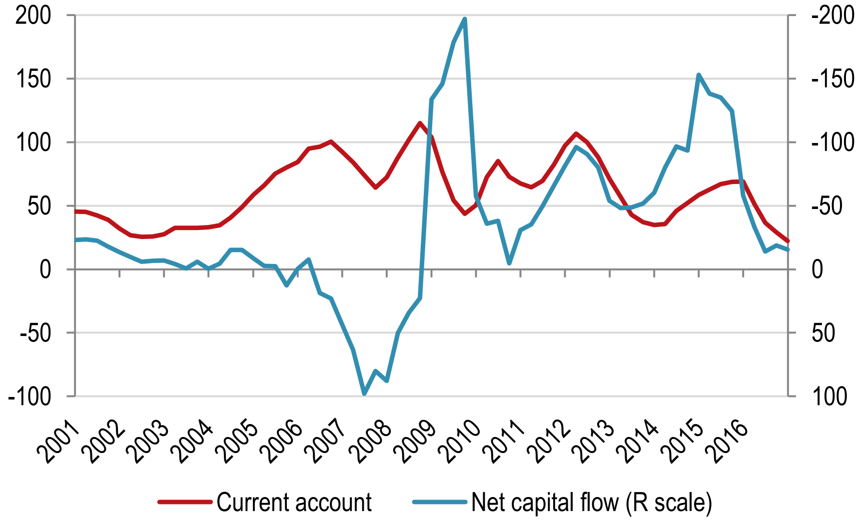


Source: Central Bank of Russia

The current account continues to post surpluses, while lower foreign debt payments reduce capital outflows.

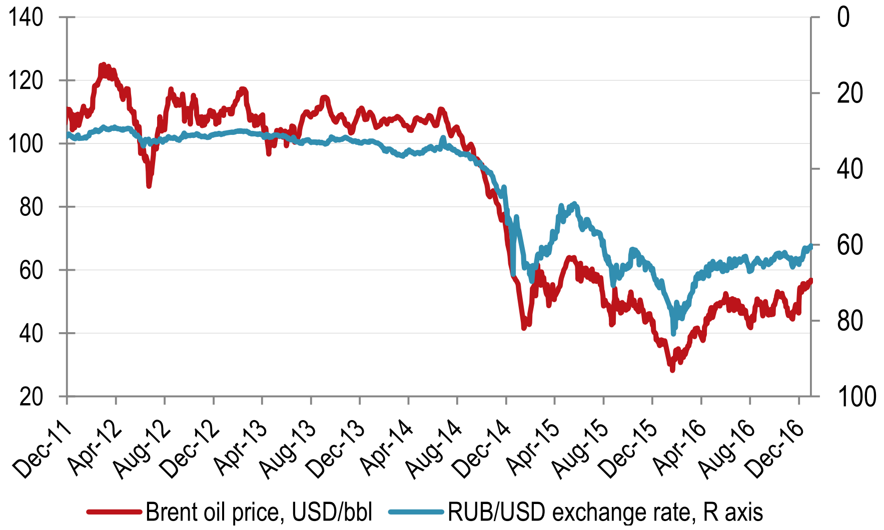
The rouble traded in a narrow range since Q2 2016, helped by stable oil prices. The recovery of oil prices will support further rouble strengthening.

Balance of payments, USD bn, 12m rolling total



Source: Central Bank of Russia, Bloomberg

RUB/USD exchange rate and oil price



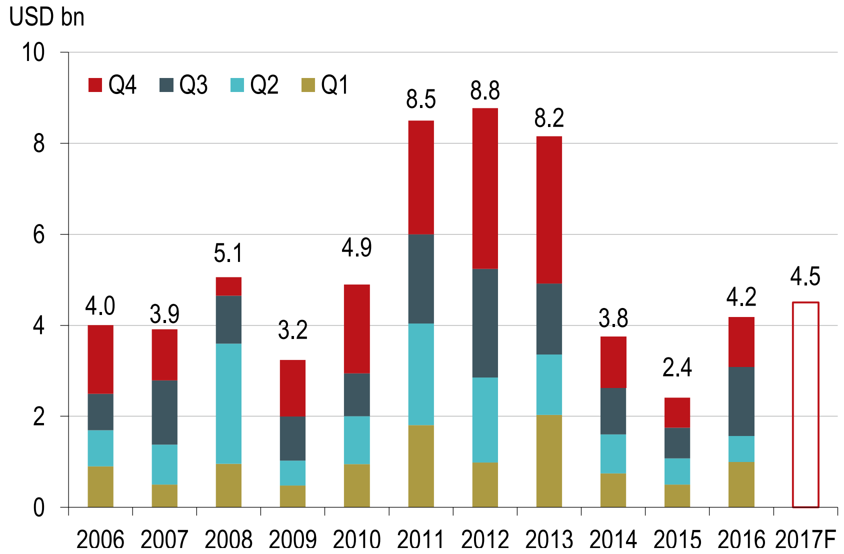
Source: Central Bank of Russia, Bloomberg

Russia's real estate investments reached USD1.1bn in Q4 2016, up 67% YoY, according to JLL calculations. This brought the full year volume to USD4.2bn, up 74% from USD2.4bn in 2015.

Oil price growth and rouble appreciation have significantly reduced market uncertainties, supporting the rise of investor activity. As has been the case after the 2008-09 crisis, the real estate investment sector has been the first to react to improving conditions. Investors expect further rouble strengthening and see the market bottoming out.

JLL analysts expect the upward momentum to extend into the near future. According to their forecast for 2017, investment volume will reach USD4.5bn.

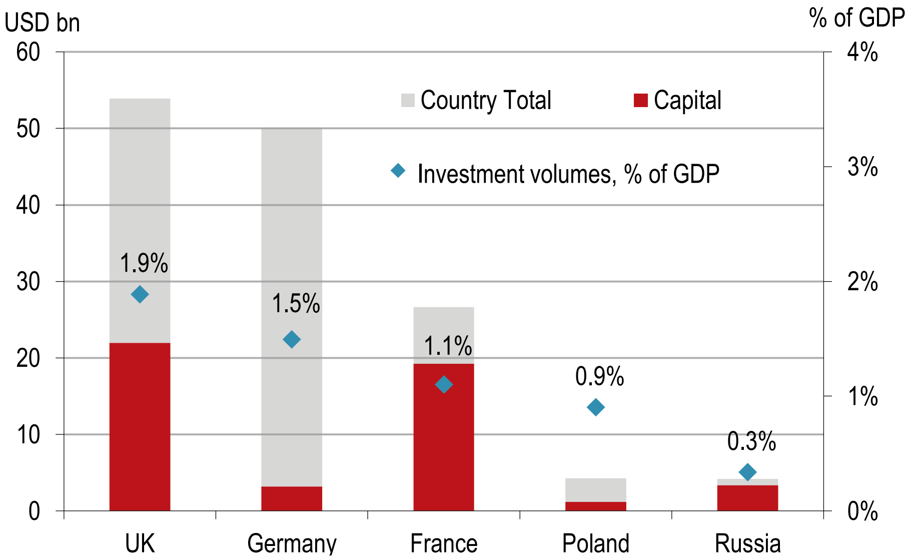
Investment volume dynamics, USD bn*



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

Source: JLL

Investment volume: European comparison, 2016



Source: JLL, Oxford Economics

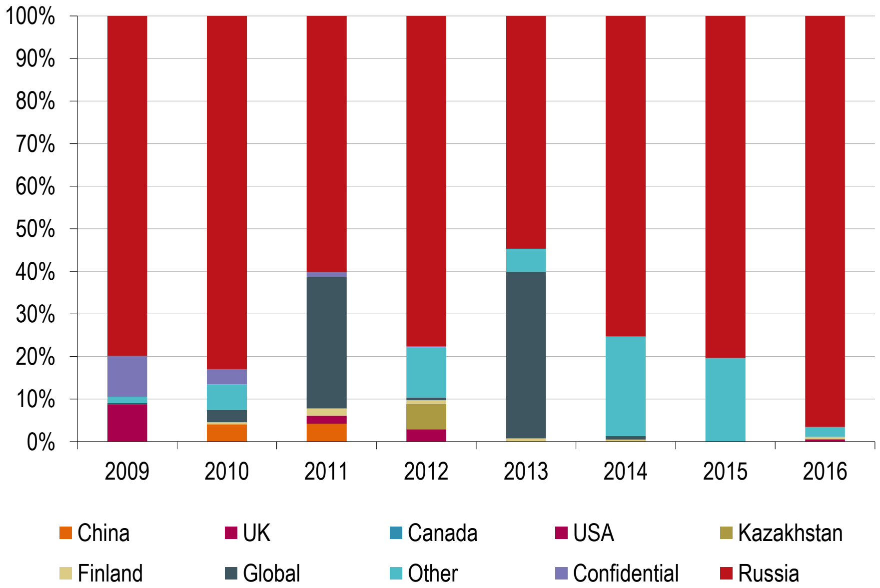
Investors continued to focus on assets in Moscow, which accounted for 80% of all deals in 2016. At the same time, investor activity improved in other locations. The share of St. Petersburg deals reached 6% in 2016 vs 4% a year earlier.

	2014	2015	2016
Real estate investment volume, USD m*	3,755	2,407	**4,183**
Moscow share	81%	89%	**80%**
St. Petersburg share	10%	4%	**6%**

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

The share of regional investments climbed to 14% from 6% in 2015. Russian investors continue to be the most active.

Real estate investors by origin



Source: JLL

Moscow and St. Petersburg prime yields remain an imprecise indicator. The main reasons are low traditional investment activity in quality assets and low transparency of the market. The leasing market in different asset classes has not fully stabilized, both in rental and vacancy levels.

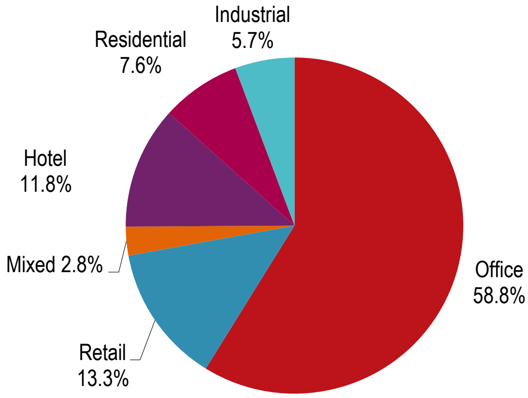
As benchmarks for the market players, JLL analysts take Moscow prime yields between 9.0-10.5% for offices and shopping centres and 11.0-12.5% for warehouses; St. Petersburg prime yields at 9.5-11.5% for offices and shopping centres and 11.5-13.5% for warehouses. These ranges reflect the current difference in buyers' and sellers' asset value estimations.

Prime Yields, Q4 2016	Moscow	St. Petersburg
Office	9.0-10.5%	9.5-11.5%
Retail	9.0-10.5%	9.5-11.5%
Warehouse	11.0-12.5%	11.5-13.5%

Offices remained the most attractive asset class, accounting for almost 60% of all deals. Office deals dominate in Moscow, while retail and industrial assets are more actively sought after in Russian regions.

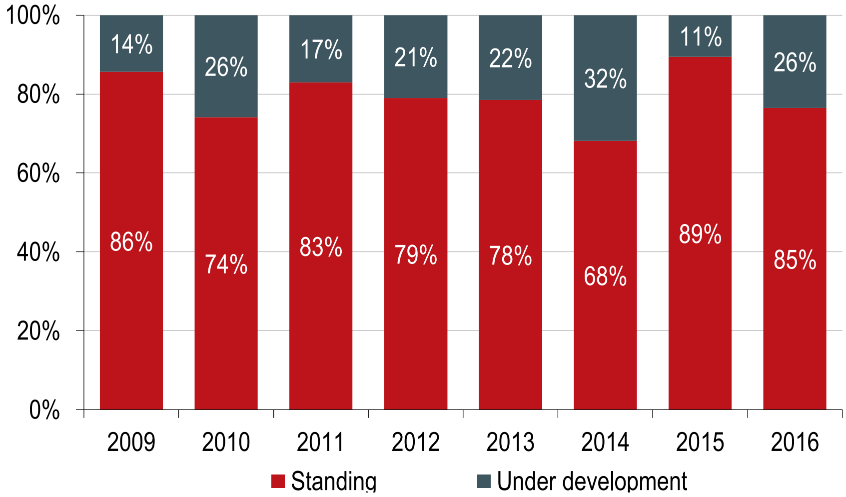
The market has displayed some notable features last year. These included asset consolidations through acquisitions of residential developers, which will likely improve the overall sustainability of the industry. There was also a high share of deals with nonperforming assets (debt restructurings, asset swaps, ownership transfers from borrowers to lenders).

Investment Volume Breakdown by Sector



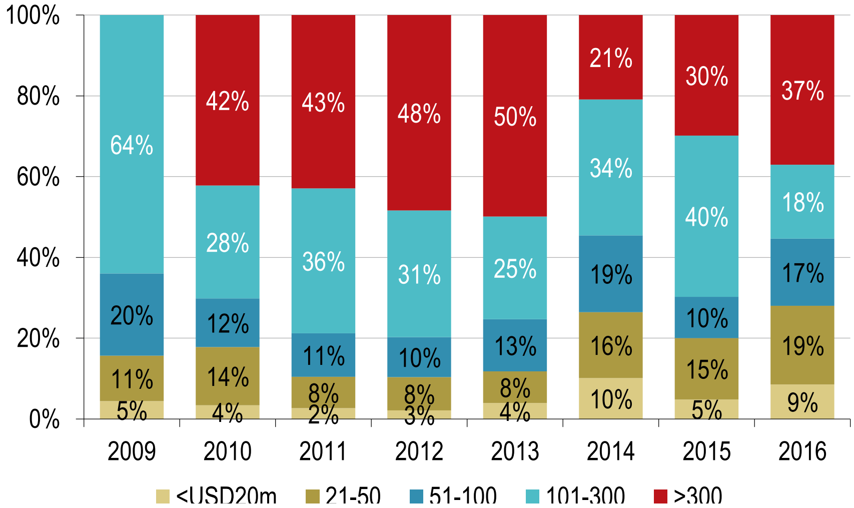
Source: JLL

Investment by type



Source: JLL

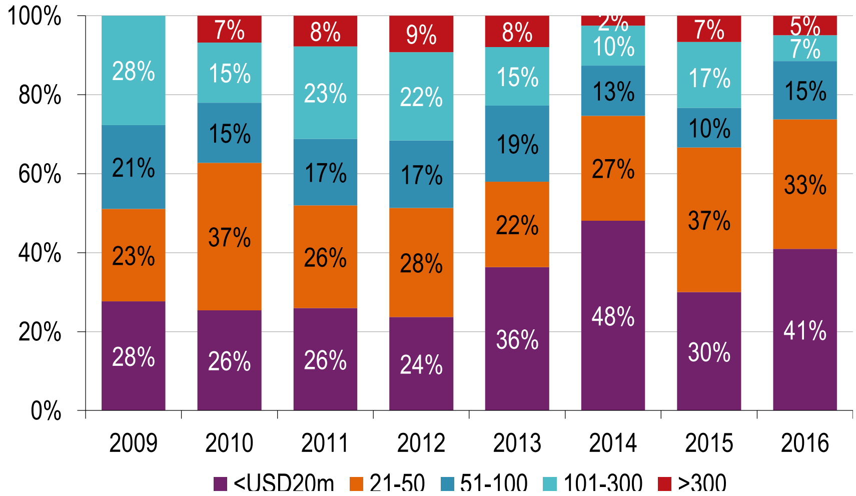
Investment by deal size (volume)*



* Investment volumes by deal size vs. total investment volume.

Source: JLL

Investment by deal size (number of deals) **

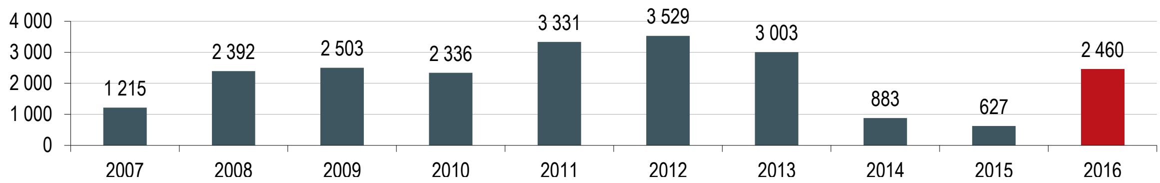


** Number of deals by size vs. total number of deals.

Source: JLL

Office Investment, Q4 2016

Office investment volumes, USD m

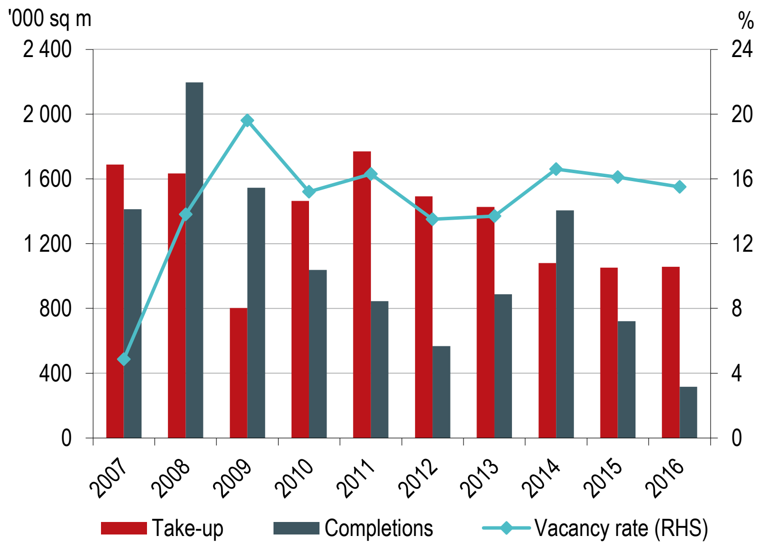


Source: JLL

Office sector remains the most attractive for investors.

The dominant transaction – purchase of the Evolution Tower (Q1 2016).

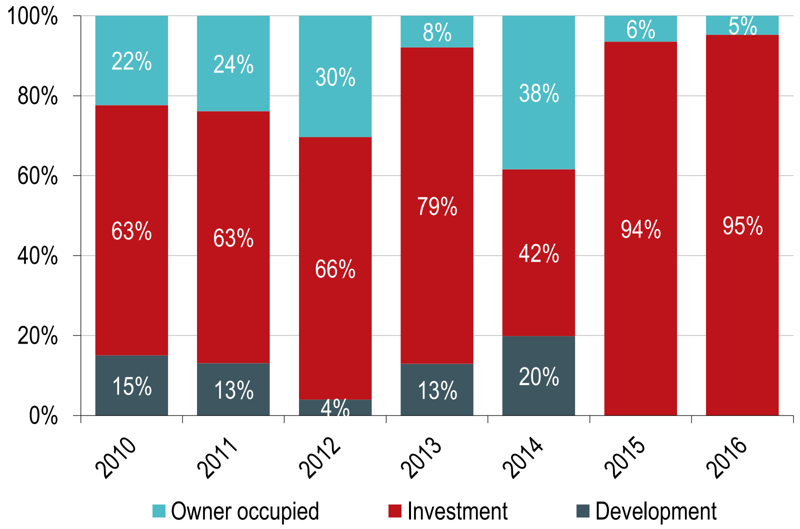
Moscow office market balance



Source: JLL

Office completions almost halved in 2016 compared to 2015, to 317,000 sq m, while take-up held steady at around 1m sq m. The vacancy rate declined to 15.5%. As a year earlier, no investments in assets under development were made in 2016.

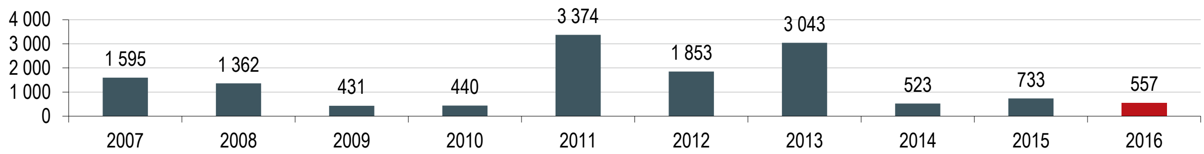
Breakdown by purpose



Source: JLL

Retail Investment, Q4 2016

Retail investment volumes, USD m

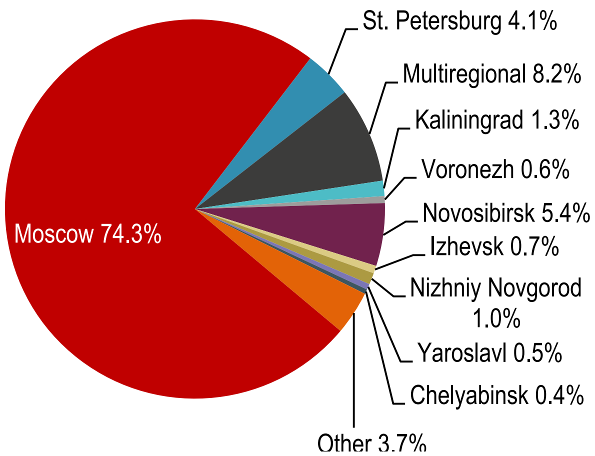


Source: JLL

Low investor activity in the retail segment reflects subdued consumer sector performance.

Moscow remains the dominant investor destination.

Breakdown by city, 2013 – 2016

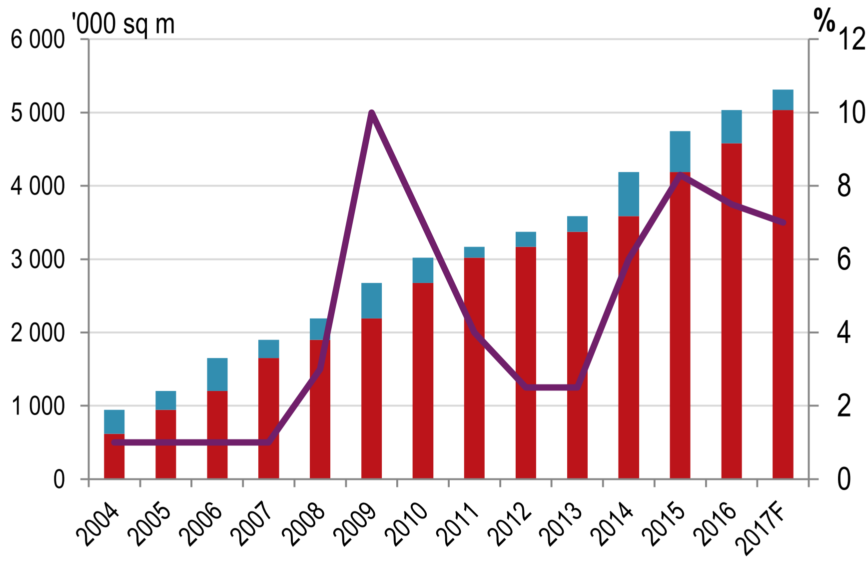


Source: JLL

All retail investments in 2016 went into standing assets.

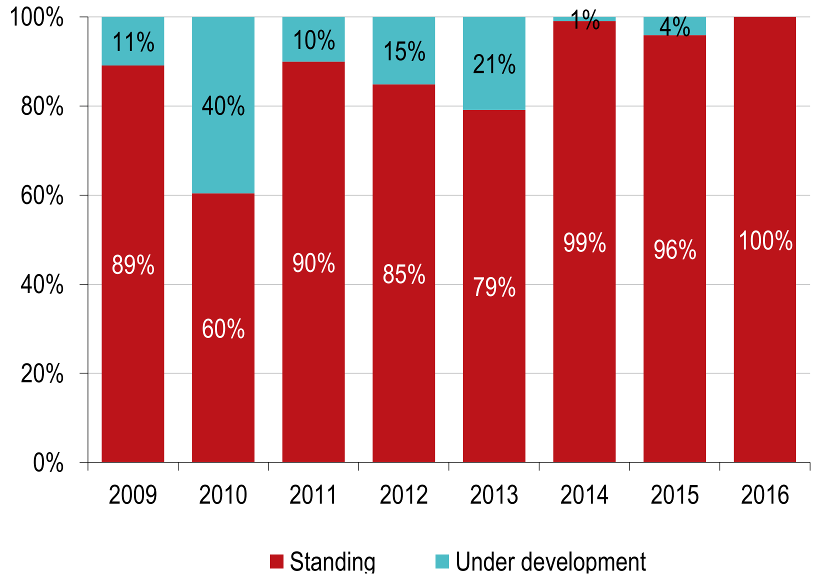
The overall vacancy rate decreased from 8.5% to 7.5% in Q4 2016. In 2017 it is expected to subside, to 7% due to increased tenant activity and low new retail supply (completions are expected at 277,000 sq m).

Moscow retail market balance



Source: JLL

Breakdown by type

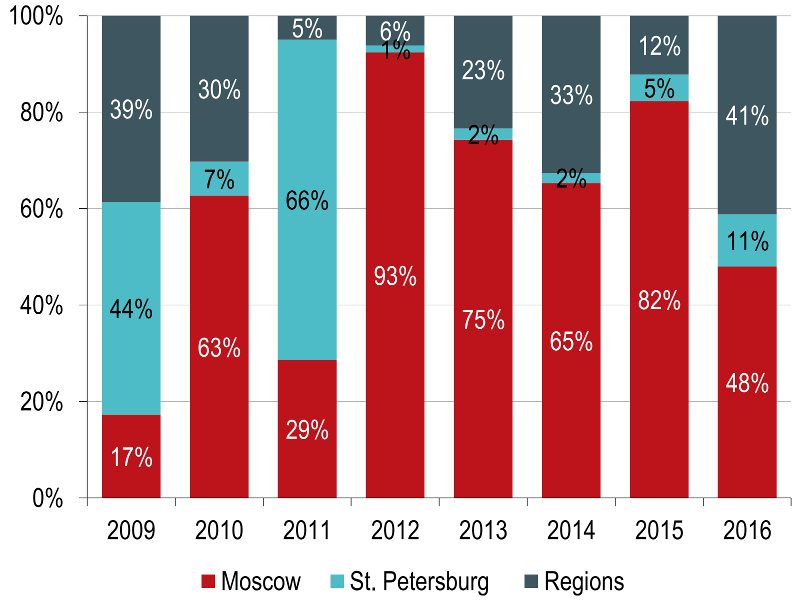


Source: JLL

In 2016, the share of regional retail investments (41%) was comparable to that of Moscow.

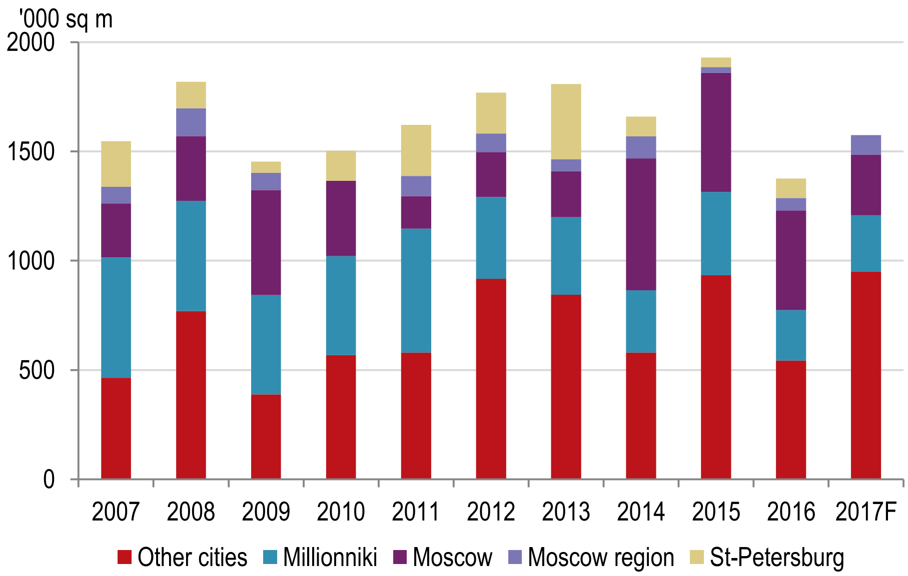
Active shopping centre construction continues in smaller cities (non-Millionniki). This will likely raise 2017 completions after a drop last year.

Investment breakdown by city



Source: JLL

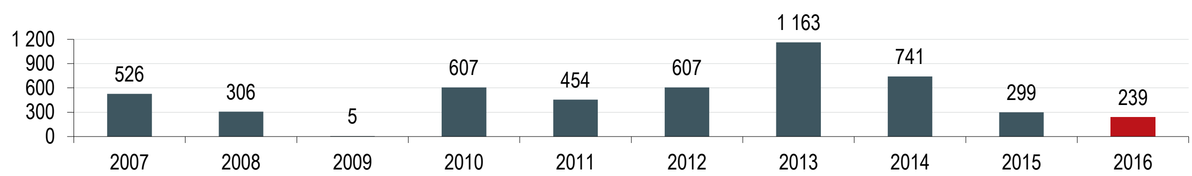
Russia shopping centre new supply distribution



Source: JLL

Warehouse Investment, Q4 2016

Warehouse investment volumes, USD m

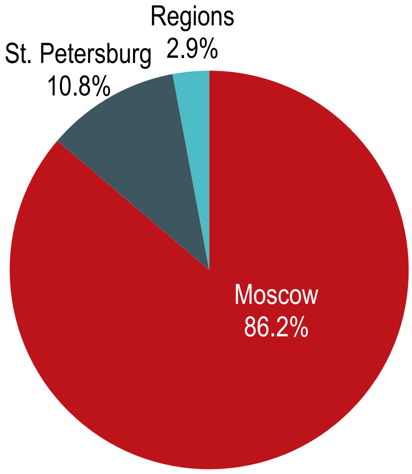


Source: JLL

Warehouse investment volumes in 2016 were 20% lower than a year earlier (USD239mn vs. USD299mn).

Investments concentrated in Moscow properties.

Breakdown by city, 2008 – 2016

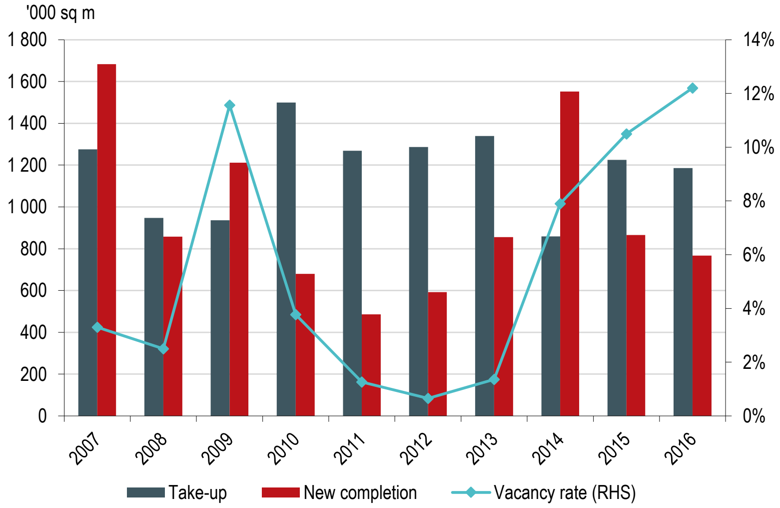


Source: JLL

In Q4 2016, the volume of new supply of warehouse space in Moscow Region reached 570,000 sq m, the highest quarterly level in market history.

This led to the most significant decrease in the vacancy rate in the last six years, from 13.6% to 12.2%.

All investments went into speculative projects.

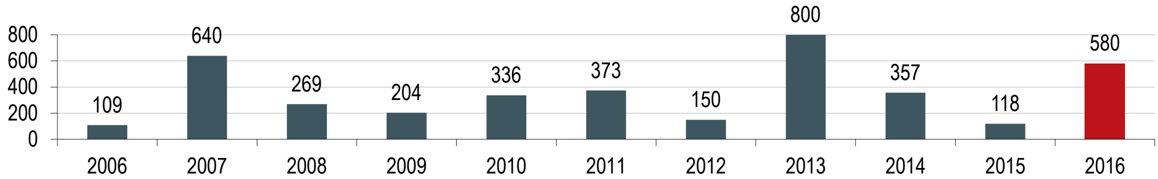


Moscow warehouse market balance

Source: JLL

Regional Real Estate Investment, 2016

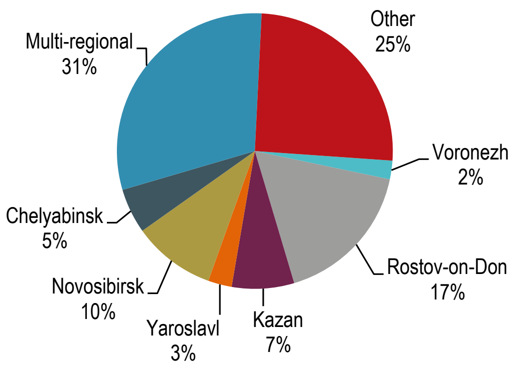
Regional investment volumes*, USD m



* All cities excluding Moscow and St. Petersburg.

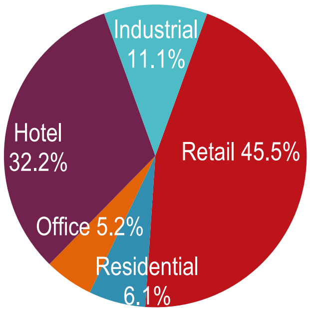
Source: JLL

Breakdown by city, 2014 – 2016



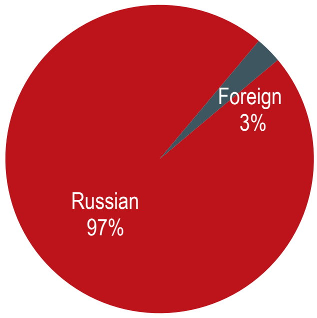
Source: JLL

Breakdown by sector, 2014 – 2016



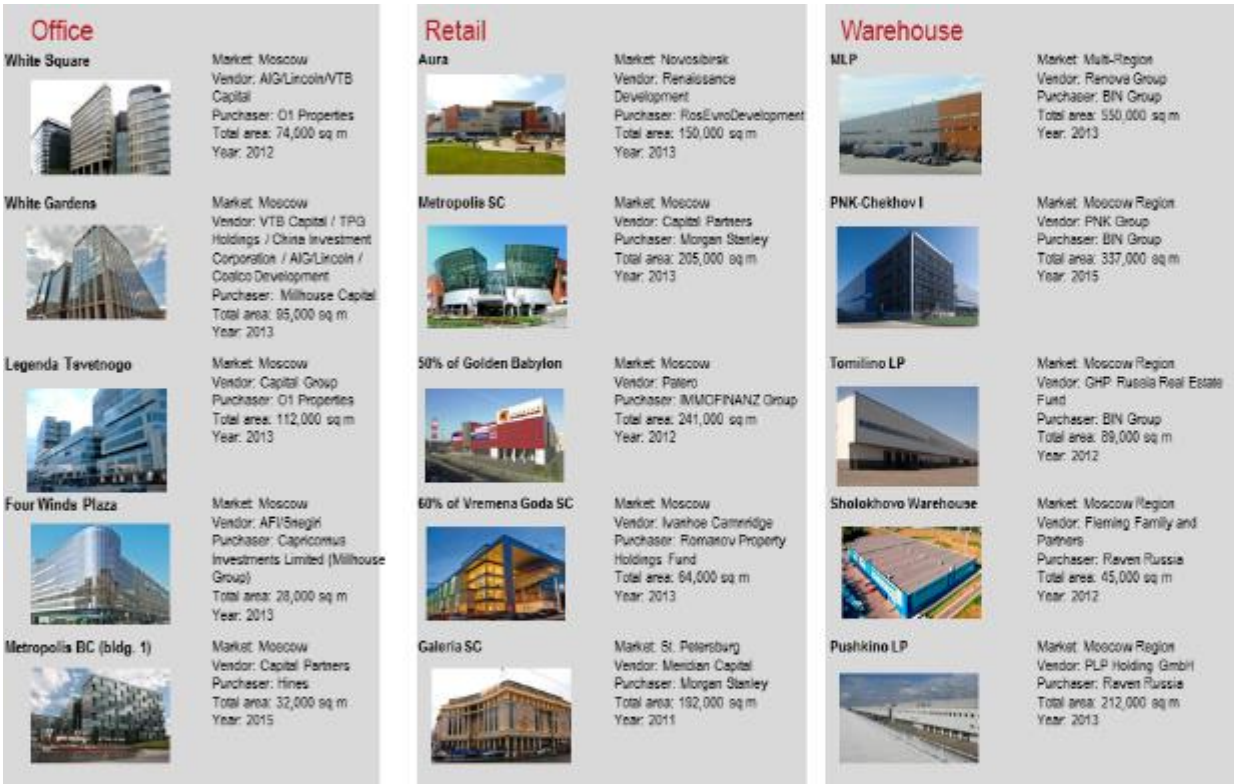
Source: JLL

Breakdown by investor origin, 2014 – 2016



Source: JLL

Major Transactions



Source: JLL

4.2 Office Market Overview

Table 4. Moscow Office Market Snapshot, Q3 2016

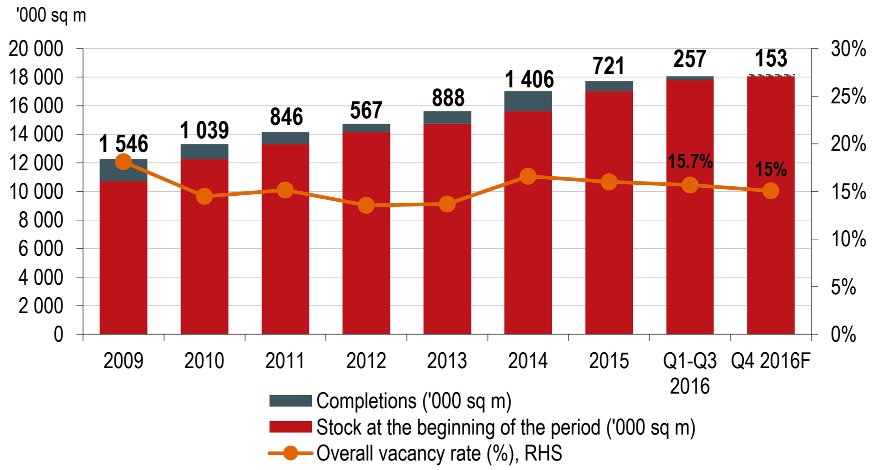
Indicators	Total	Class A	Class B+	Class B-
Supply				
Modern office stock (sq m)	18,063,640	3,859,520	9,304,638	4,899,482
Completions, Q3 2016 (sq m)	82,026	8,471	73,555	0
Availability (sq m)	2,832,101	781,709	1,571,796	478,596

Indicators	Total	Class A	Class B+	Class B-
Vacancy rate (%)	15.7	20.3	16.9	9.8
Pipeline, Q4 2016 (sq m)	152,829	41,259	105,002	6,568
Demand				
Transacted space, Q3 2016 (sq m)	278,973	167,682	94,341	16,950
Commercial terms[1]	*USD/sq m/year*		*RUB/sq m/year*	
	Prime[3]	*Class A*	*Class B+*	*Class B-*
Asking rents[2]	600–750	400–600	12,000–20,000	8,000–12,000
Operating expenses (RUB/sq m/year)	7,500–9,000	6,500–7,500	2,500–5,000	1,500–2,500
Prime yields				10.50%

Source : JLL

New supply continues to moderate. New office supply in 2016 is expected at 410,000 sq m, which will be 43% lower than last year. The average vacancy shows minor fluctuations.

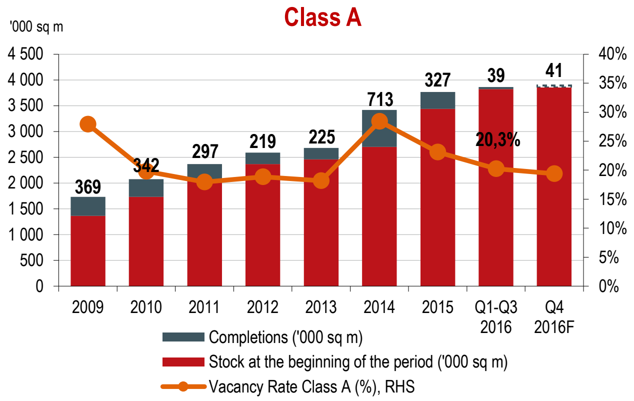
Graph 1. Supply and Vacancy trends

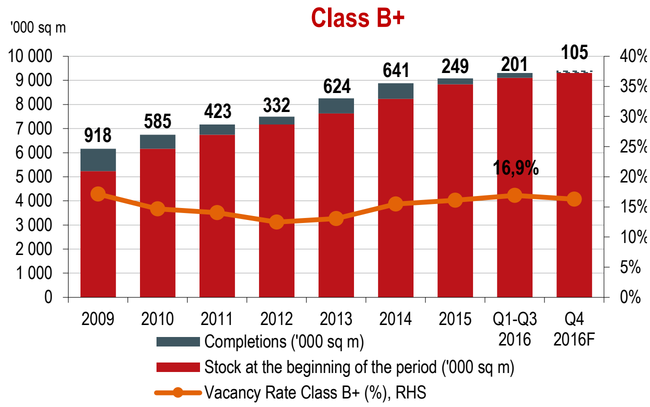


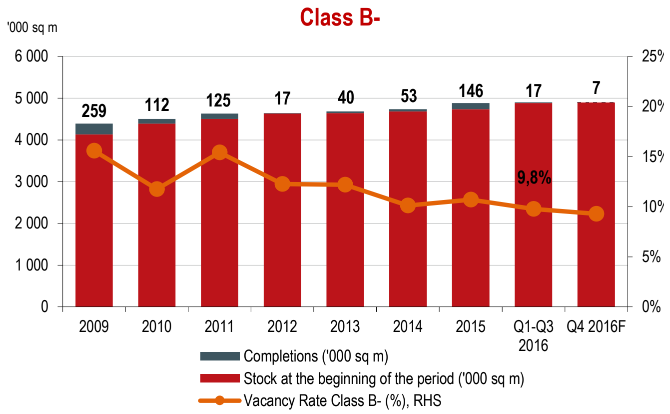
Source: JLL

The vacancy rate in Class A declined to 20.3% from 21.0% in Q2 2016. The vacancy rate in Class B+ increased modestly, from 16.3% to 16.9% due to new deliveries. The overall vacancy rate is stable at 15.6% - 15.7%. Tenants show a preference to leasing higher-quality premises and optimize rental expenses at the same time.

Graph 2. Supply, Pricing and Availability by Class





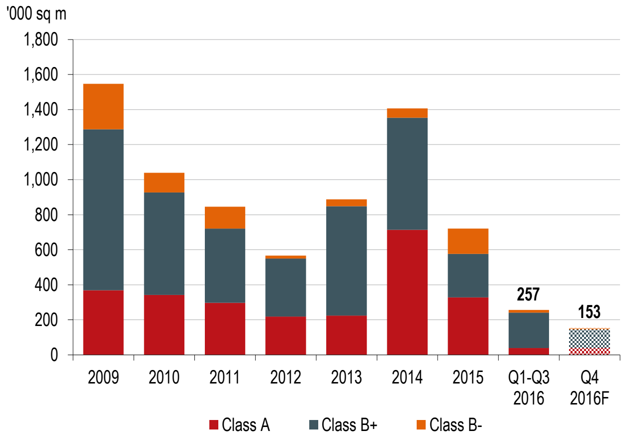


Source: JLL

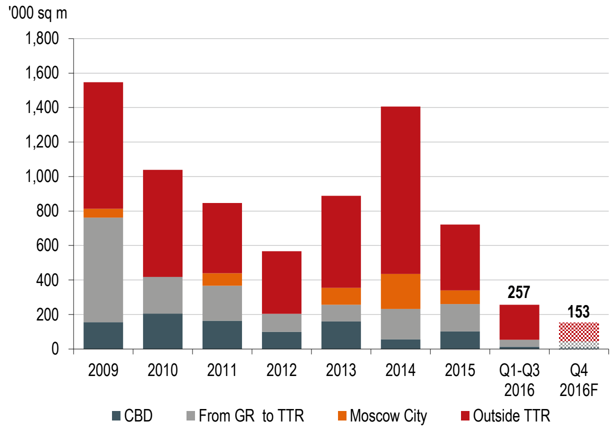
About 76% or 311,290 sq m of new completions are located outside TTR. Class B+ premises dominate in 2016 deliveries, accounting for 306,730 sq m or 75% of the total

Graph 3.

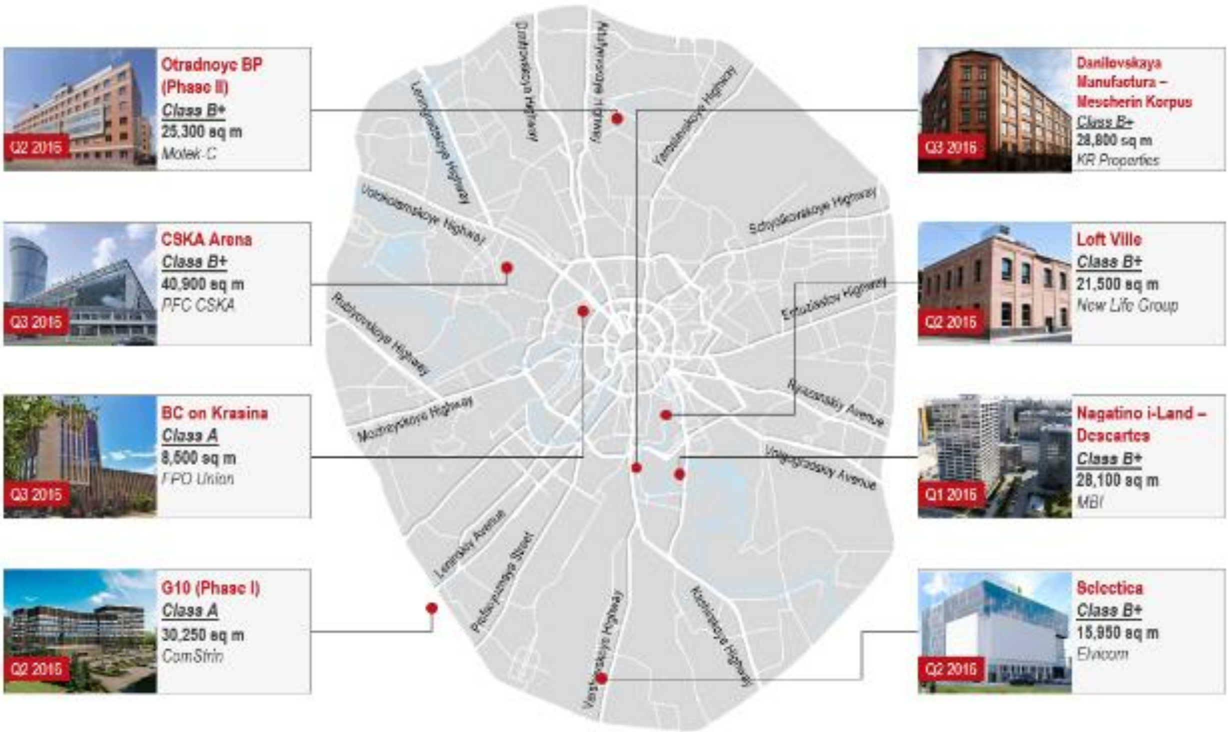
Completions by class



Completions by submarket

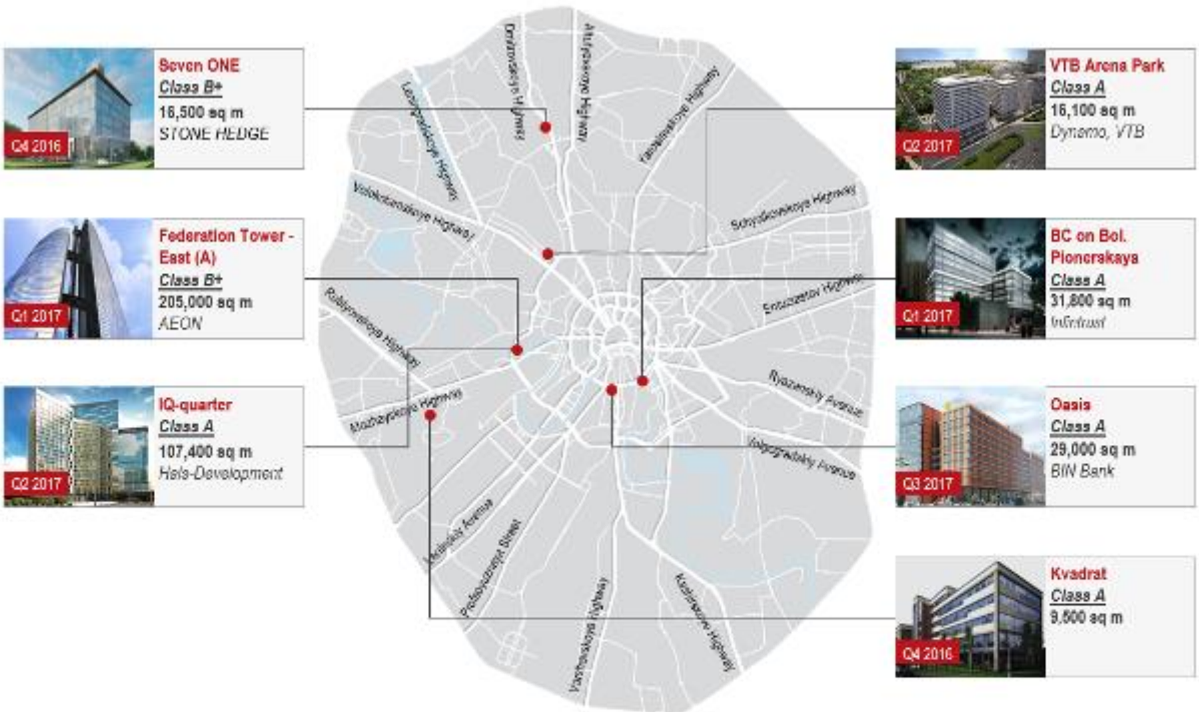


Major Completions in Q1-Q3 2016



Source: JLL

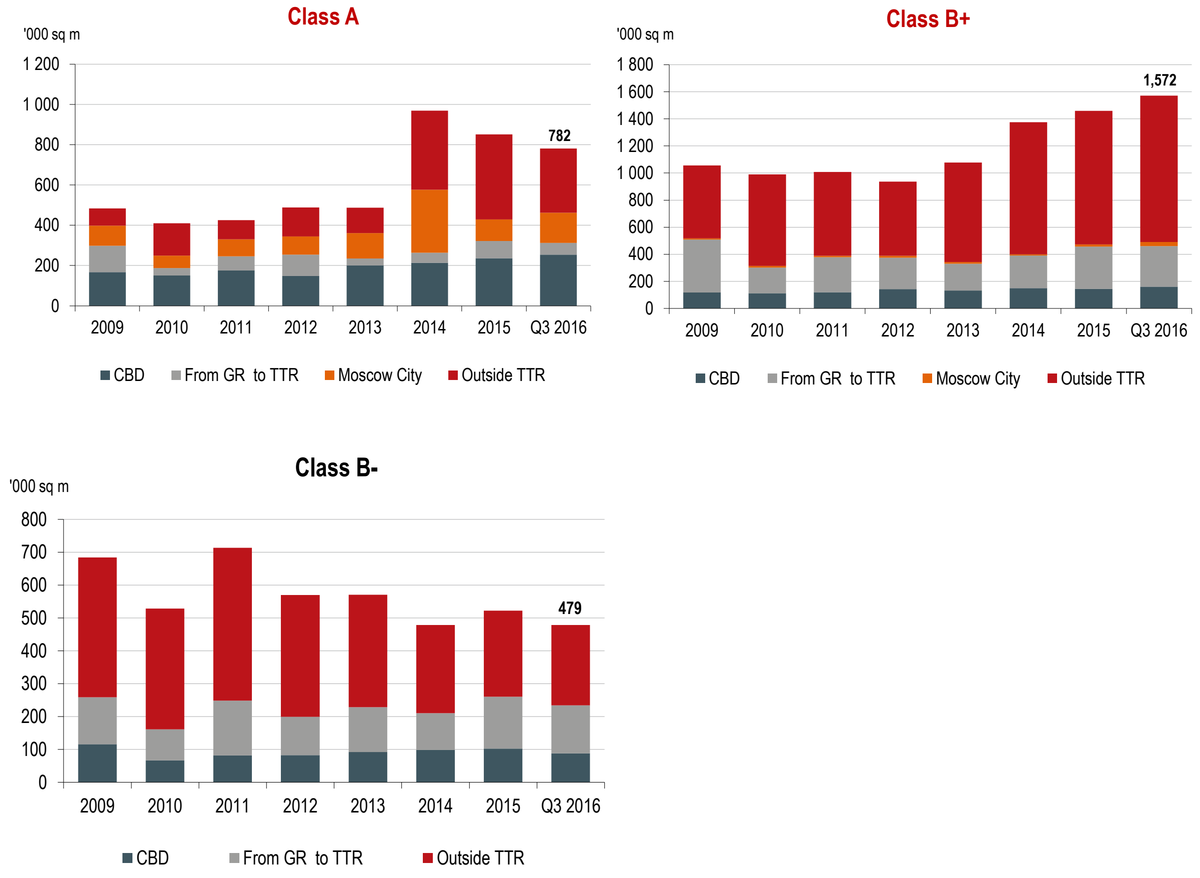
Some Projects in the Pipeline



Source: JLL

The majority of available office space is located in the area outside the TTR. About 1.6m sq m of vacant space, comprising 58% of the available stock, is located outside the CBD. The total vacancy area within the TTR accounts for approx. 1.2m sq m, or 42% of the total available stock. 462,000 sq m of vacant Class A space is located within the TTR. The split in Class B+ vacancy is the opposite: about 69% or 1.1m sq m are in the premises outside the TTR.

Graph 4. Availability by Submarket

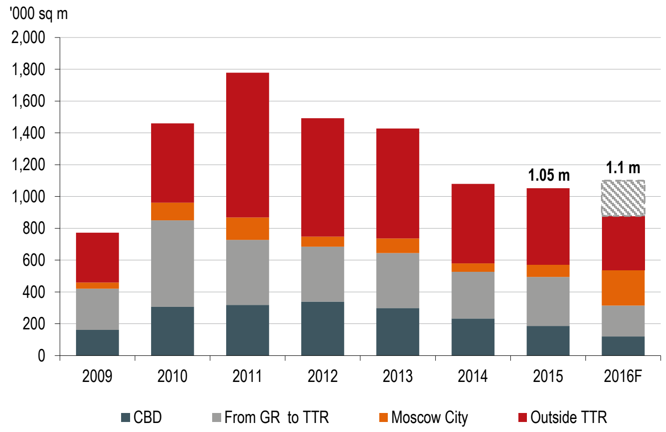


Source: JLL

The amount of transacted office space this year will likely be close to the volumes seen in 2015, at around 1.1 m sq m.[2] Tenant activity remains modest.Several large transactions boosted the overall take-up.

[2] Represents floor space acquired within a market for end use (includes leases, subleases, pre-lets, sales and pre-sales).

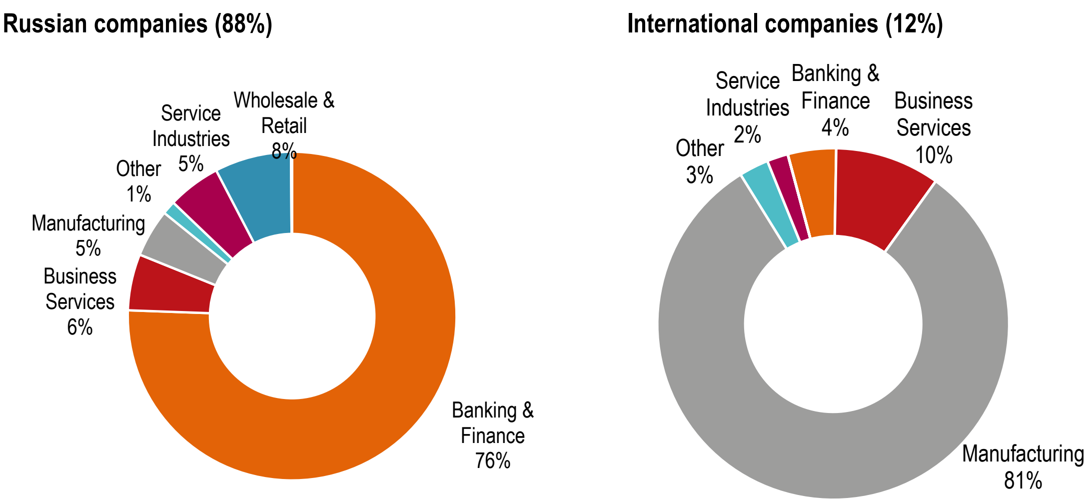
Graph 5. Take-up by submarket



Source: JLL

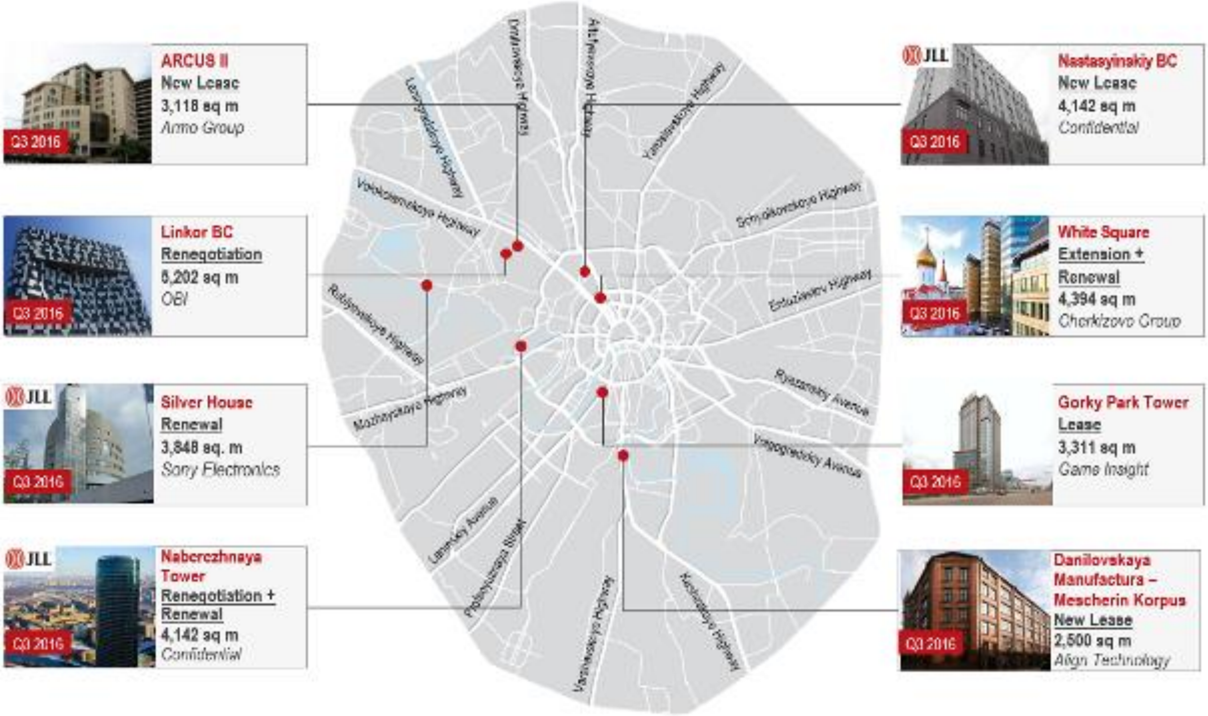
Russian companies continued to dominate with 88% of total take-up. The banking sector was the main office demand driver, with 76% share in Q3 2016

Graph 6. Demand by Business Sector, Q3 2016



Source: JLL

Major Office Market Deals in Q3 2016

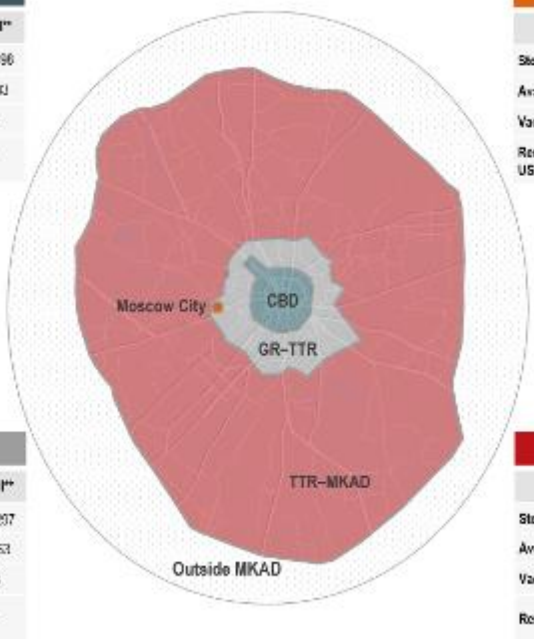


Source: JLL

Analysis by Submarket

CBD	A	B+	Overall**
Stock, sq m	1,325,058	1,614,752	3,953,696
Availability, sq m	254,413	159,942	502,580
Vacancy rate, %	19.2	9.9	12.7
Rents*	400–750	20,000–25,000	—

Moscow City	A	B+	Overall**
Stock, sq m	793,434	117,351	910,785
Availability, sq m	149,522	29,064	178,586
Vacancy rate, %	18.8	24.8	19.6
Rents, USD/sq m/year	300–600		—



GR to TTR	A	B+	Overall**
Stock, sq m	455,843	2,627,265	4,467,207
Availability, sq m	58,519	300,413	505,253
Vacancy rate, %	12.8	11.4	11.3
Rents*	400–600	14,000–20,000	—

TTR to MKAD	A	B+	Overall**
Stock, sq m	1,282,185	4,945,270	8,731,860
Availability, sq m	319,266	1,082,377	1,646,669
Vacancy rate, %	24.9	21.9	18.8
Rents*	300–450***	12,000–16,000	—

* For Class A, rents are in USD/sq m/year, for Class B+, rents are in RUB/sq m/year.

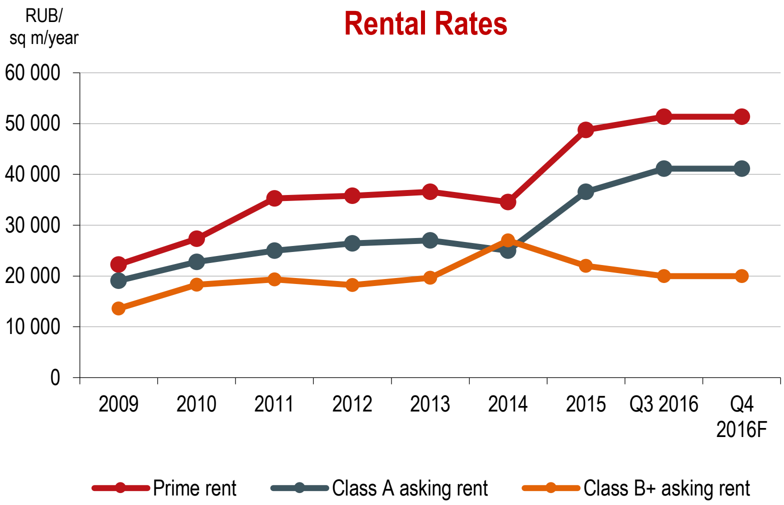
** Overall availability and stock includes Class B-.

*** The low end of the rental range reflects distressed rents in buildings with high vacancy rates

Source: JLL

We evidence a small correction in premium segment: the upper level of asking rents has contracted from 800 to 750 USD/sq m/year. Asking rents are stable across the market. In current market conditions, we do not expect rents to start rising before Q3 2017

Graph 7. Rental rates



Source: JLL

Lease terms

Moscow Main Lease Terms	
Class A rents	Quoted in USD (paid in RUB), net of operating expenses, utilities, parking charges and VAT. Rents are quoted per sq m per annum. A number of Class A buildings now offer rouble leases or a fixed currency corridor for the first 1-2 years.
Operating expenses	Tenant responsible for paying operating expenses, property management fee. May be open-book or fixed (paid in RUB).
Typical lease term	3–7 years (Class A); 3–5 years (Class B+).
Rent indexation	Consumer price index (US CPI) or a fixed percentage (usually 3–5%). For rouble leases, Russian CPI or a fixed percentage (9-12%).
Security deposit	2–3 months / bank guarantee.
Frequency of rental payments (in advance)	Quarterly.
Rent free period	Varies from 2 to 12 months (for shell&core space to cover tenant fit-out works).

Source: JLL

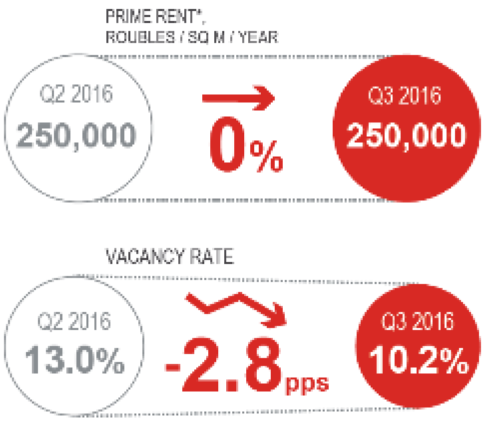
4.3 Street Retail Market Overview

Prime rents for the main retail corridors on the Moscow street retail market have remained unchanged in Q3 2016 at 250,000 RUB/sq m per year.

The vacancy rate on the primary retail corridors declined from 13% to 10.2%. In Q3 2016, Patriarshie Prudy area and Myasnitskaya Street demonstrated the lowest vacancy rates among main Moscow retail corridors, 5.6% and 6.8%. A significant drop of vacancies (from 16% to 8.5%) and marginal rental growth were observed on Novy Arbat Street due to the recent reconstruction.

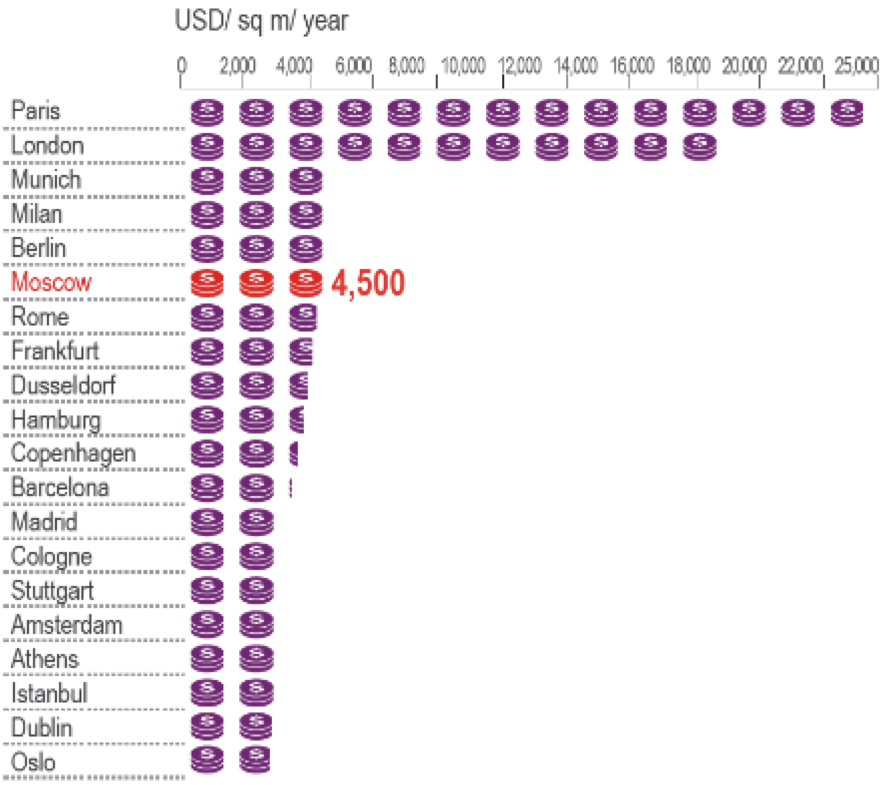
On the demand side, Restaurants and Cafes continue to be most active (accounting for 44% of leasing inquiries). Tenants of the Grocery stores and Supermarkets segment comprise 13% of the total demand. The third largest group is Health & Beauty, with 11%. Premises of 100-300 sq m were the most demanded (44% of the total volume of inquiries). Fashion operators continue to focus on well-known central streets, such as Kuznetsky Most, Nikolskaya, Bolshaya Dmitrovka and Stoleshnikov Lane. In Q3 2016, locations with the highest rotation of tenants were Bolshaya Dmitrovka (21%) and Kuznetsky Most (21%). The lowest level of rotation (3%) was observed on Myasnitskaya, Nikolskaya and Patriarshie Prudy area.

Graph 8. Moscow high street indicators



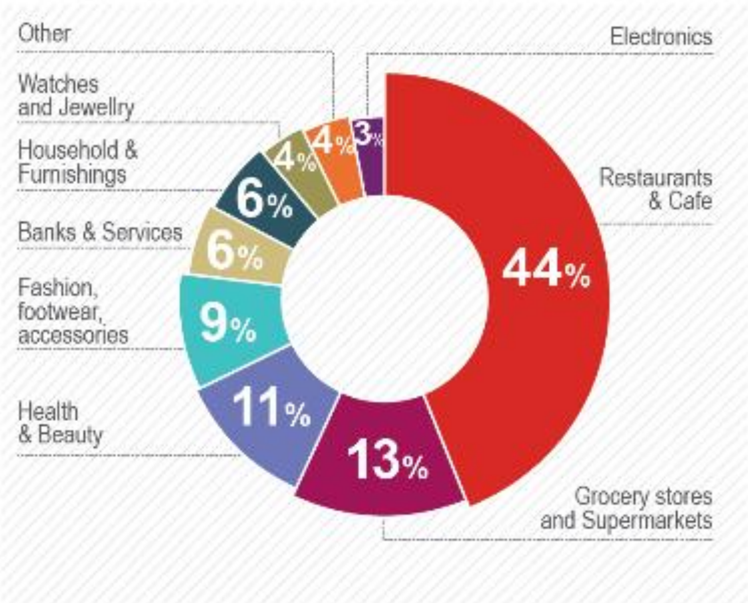
* Rents are given for rectangular form premises of 100-300 sq m with a separate entrance and a showcase on the first floor inside the Third Ring Road. For multi storey buildings and larger premises rents might be revised downwards.
Source: JLL

Graph 9. European prime street retail rent indicators



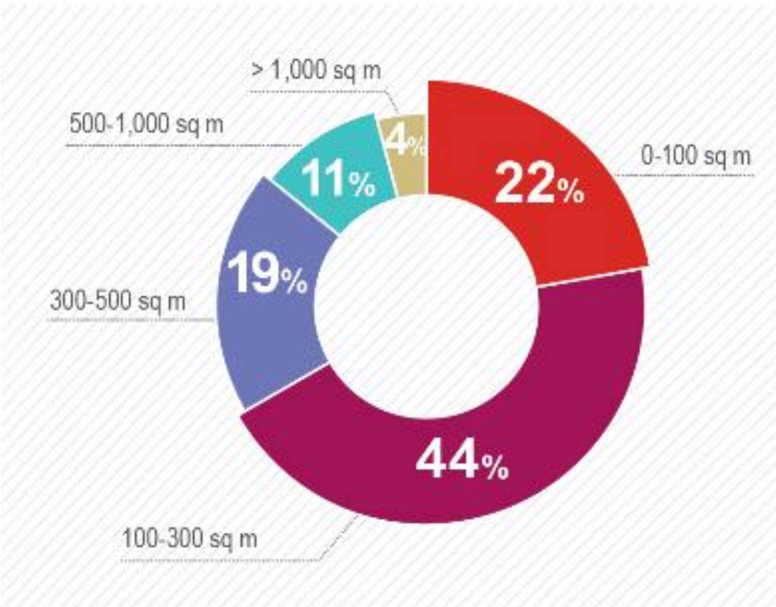
Source: JLL

Graph 10. Demand by retailer profile



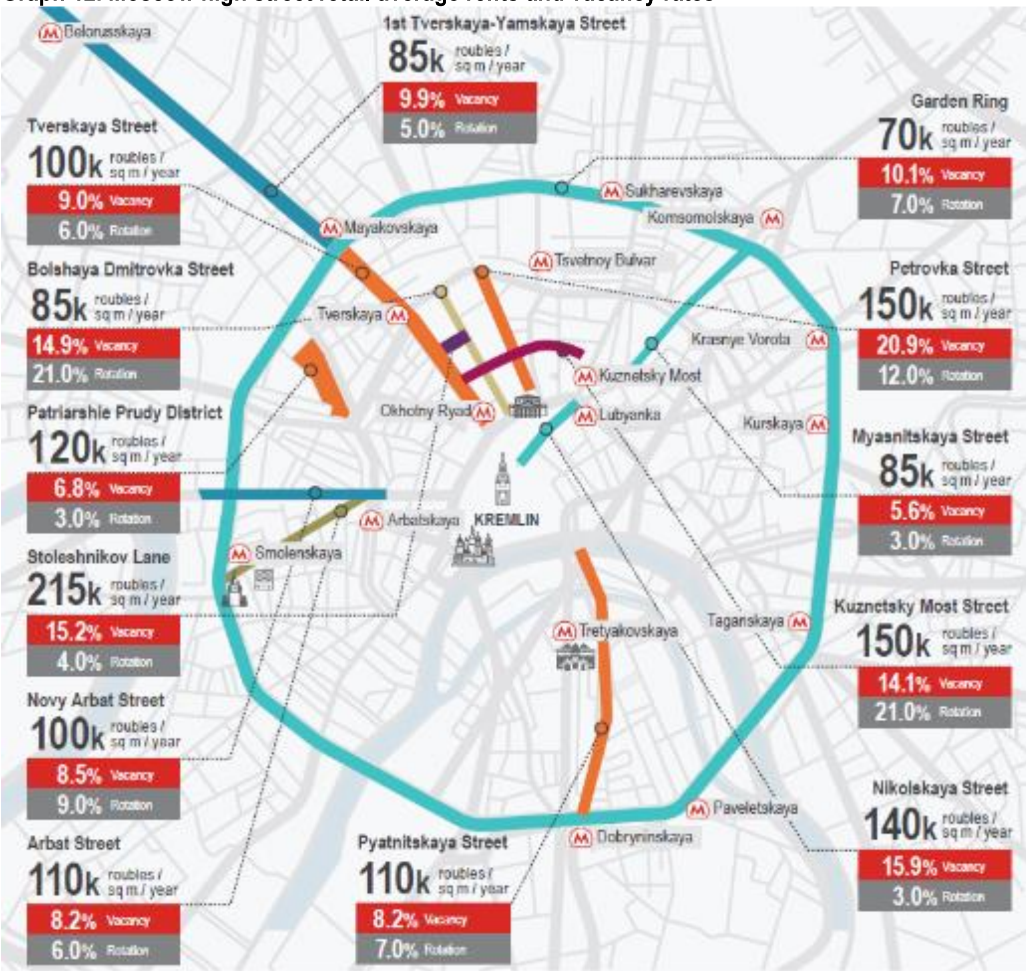
Source: JLL

Graph 11. Demand by size



Source: JLL

Graph 12. Moscow high street retail average rents and vacancy rates



*Rents are given for rectangular form premises of 100-300 sq m with a separate entrance and a showcase on the first floor inside the Third Ring Road. For multi storey buildings and larger premises rents might be revised downwards.
Source: JLL

5 Valuation Commentary

5.1 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.

5.1.1 Office Rental Evidence and Considerations

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

Map 4. Comparable business centres

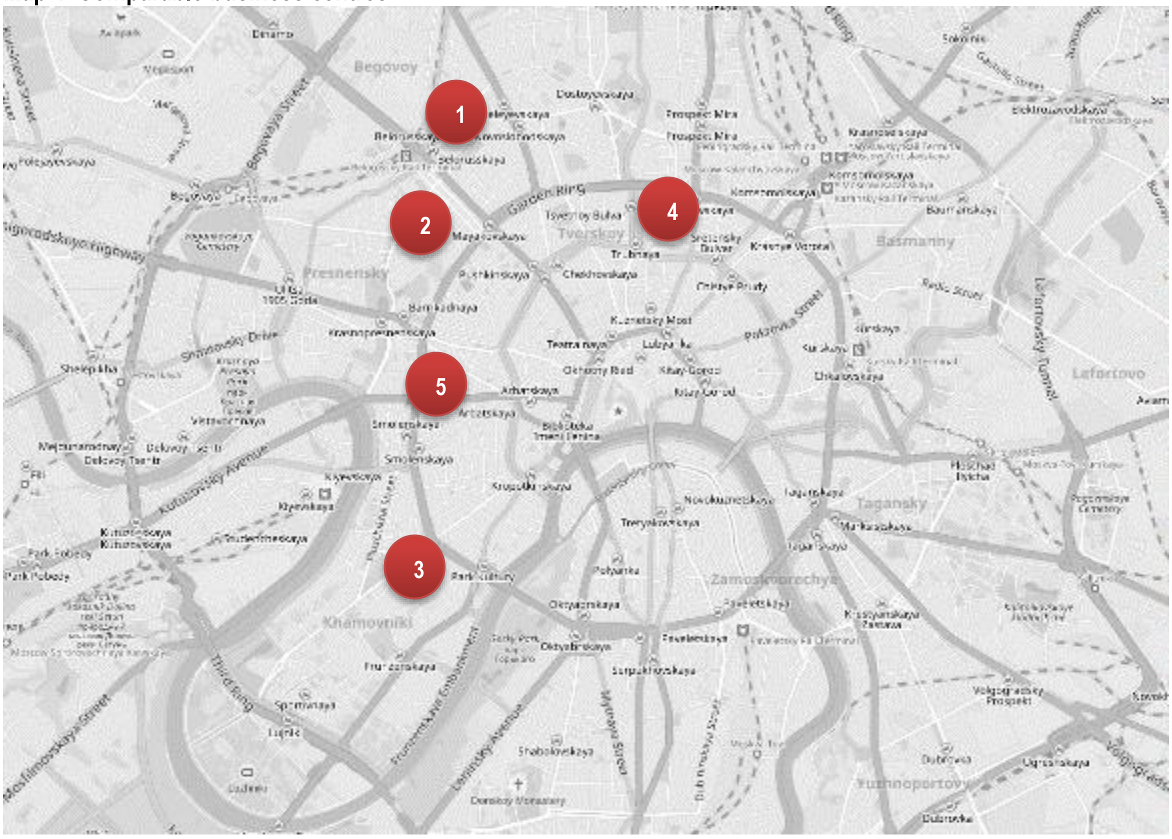


Table 5. Rental Evidence

Name: White Square
Map: 1
Address: Butyrsky Val 10
Class: A
Year of construction: 2009
GBA: 74,000 sq.m
Office GLA:
Bld. A - 34,019 sq.m
Bld. B - 29,976.2 sq.m
Bld. C - 9,921 sq.m
Asking price
Office rent: $650-$750 per sq. m per annum (fitted-out, excl. VAT and OpEx)
Parking: $400
Description: New Class A office complex consists of three buildings. High efficiency and flexibility of office premises: spacious floor plates, ample natural light. Modern technical specifications, the highest architectural design standards (raised floors, 3 m clear ceiling height, 4-pipe fan coils, computerized building management system, fully sprinklered building, dual loop power supply, CCTV monitors all access points to the building and parking). Parking ratio - 1/65 – 130 sq.m. Major tenants are McKinsey&Company, Microsoft, Deloitte & Touche and PWC.

Name: DUCAT PLACE III
Map: 2
Address: Gasheka str., 6
Class: A
Year of construction: 2006
GBA: 54 000 sq.m
Office GLA: 33 493 sq.m
Asking price
Office rent: $600-700 per sq.m per annum (fitted-out, without VAT and OpEx)
Parking: $350
Description: Ducat Place III is one of the most famous and high-quality office centres in Moscow. The building is located in the historical business district within a walking distance from Mayakovskaya metro station, Garden Ring and Tverskaya Street, only a few minutes of driving from the Kremlin.
The cutting edge architectural project designed by the London office of Skidmore, Owings & Merill, serves a prominent addition to the skyline of Central Moscow, meeting all requirements of the international business community. Ducat Place III is one of the few office buildings in Moscow, certified under BREEAM (Building Research Establishment Environmental Assessment Methodology).
Main tenants: Citibank, Clifford Chance, Goldman Sachs, Cushman & Wakefield, Hines, European Bank for Reconstruction and Development.
Parking: 467 parking lots. Parking ratio - 1/67.
Amenities: canteen Cafetera, Starbucks cafe, ATM.

__Name__: **KRASNAYA ROZA DEMIDOV**
__**Map: 3**__
__Address__: Timura Frunze str., 11 bld. 1
__Class:__ A
__Year of construction (Refurbishment):__ 2014
__GBA__: 31 84 5sq.m
Office GLA: 15 065 sq.m (7-story building) + 1 538 sq. m. (3-story building)
Asking price
Office rent: - $720 per sq.m per annum (without fit-out, excl. VAT and OpEx)
Parking: $400
Description: MFC “Demidov” is part of “Krasnaya Roza” business district. New 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. Fibre optics. Delivery in shell&core condition – 3Q 2014.
Parking ratio: 1/100. 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.

__Name__: **Legend**
__**Map: 4**__
__Address__: Tsvetnoy Blvd,2
__Class__: A
__Year of construction__: Q3 2010
__GBA__: 36,000 sq.m
__Office GLA__:31,000 sq.m
Asking price
Office rent: $700 per sq.m per annum (fitted-out, without VAT and OpEx),
Parking: $400
__**Description**__: New multifunctional complex with total area approximately 112,000sq.m, including premium class A offices (2-7 floors), high-end residential apartments (9-14 floors), apart-hotel, operated by a professional hotel operator, quality retail units on the 1st floor. Office area has a total space circa 30 000sq.m. Well-developed infrastructure of Tsvetnoy district. Exclusive architectural decisions. High efficiency of office-premises. Possibility to have circa 3 000-4 000sq.m on one floor. 3-level underground parking. Parking ratio- 1 parking lot per 75 sq.m of rentable area. Shell and core delivery - November, 2010.

Name: Lotte Plaza
Map: 5
Address: Novinsky blvd., 8
Class: A
Year of construction: 2007
GBA: 78,634sq.m
Office GLA: 20,709 sq.m
Asking price
Office rent: $900 per sq.m per annum with fixed exchange rate: $1 = 49 Rub till 31.12.2016 (fitted-out, without VAT and OpEx),
Parking: $450
Description: Newly constructed 21-storey Class A project comprises 20,709 sq. m of offices leasable area. Panoramic views at the hystorical center of Moscow. All modern amenities. Well developed infrastructure. 4-level underground parking. Restaurant on the 21-st floor.
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.
Highly developed building infrastructure Lotte Plaza shopping center, restaurant Kalina bar, Balkon, Edoko, Zafferano, Lodka

Source: JLL

5.1.2 Rental Value Considerations

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 subject 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.

Table 6. Office rent calculation for a floor

Data	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Address	6 Gasheka Str.	2 Letnikovskaya Str.	11/1 Timura Frunze Str.	2 Tsvetnoy Boulevard	8 Novinsky Boulevard
Metro	Mayakovskaya	Belorusskaya	Park Kultury	Tsvetsnoy Boulevard	Smolenskaya
Distance from metro	10 minute walk	2 minute walk	5 minute walk	3 minute walk	3 minute walk
Name	Ducat Place 3	White Square	Krasnaya Roza Demidov	Legenda	Lotte Plaza
Class	A	A	A	A	Underground
Fit-out	with fit-out	with fit-out	with fit-out	with fit-out	with fit-out
Type of information	offer	offer	offer	offer	offer
Information date	Dec-16	Dec-16	Dec-16	Jan-17	Dec-16
Area offered	449	from 222	713 - 12 102	144 -6 982	30 -1 452
Base rental rate, USD per sq.m per annum	**692**	**725**	**720**	**700**	**727**
VAT included	no	no	no	no	no
OPEX included	no	no	no	no	no
Source	http://of.ru/bc/917/2821	https://cbre.rentnow.ru/estate/office/white_gardens_building_a_13835/	https://cbre.rentnow.ru/estate/office/krasnaya_roza_demidov_17080/	https://cbre.rentnow.ru/estate/office/legend_16353/	https://cbre.rentnow.ru/estate/office/lotte_plaza_16268/
Adjustments					
Adjustment for bargaining (negotiation)	*offer*	*offer*	*offer*	*offer*	*offer*
Adjustment	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%
Adjusted rent, USD	658	689	684	665	691
Adjustment for time of offer					
Information date	*Dec-16*	*Dec-16*	*Dec-16*	*Dec-16*	*Dec-16*
Adjustment	0%	0%	0%	0%	0%
Adjusted rent, USD	658	689	684	665	691
Adjustment for location / distance from metro					
Location	10 minute walk	2 minute walk	5 minute walk	3 minute walk	3 minute walk
Adjustment	5%	0%	2%	2%	2%
Adjusted rent, USD	691	689	698	678	705
Adjustment for fit-out					
Fi-out	*with fit-out*	*with fit-out*	*without fit-out*	*with fit-out*	*with fit-out*
Adjustment	0%	0%	5%	0%	0%
Adjusted rent, USD	691	689	733	678	705
Offered area, sq.m	449	from 222	713 - 12 102	144 - 6 982	30 -1 452
Adjustment	0%	0%	0%	0%	0%
Adjusted rent, USD	**691**	**689**	**733**	**678**	**705**
Market rent for office units subject to rounding			**700**		

Source: JLL

Table 7. Parking lot rent calculation

Data	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Address	2 Letnikovskaya Str.	9 Zemlyanoy Val Str.	5 Lesnaya Str.	21, Tverskaya-Yamskaya 1-yal Str.	8 Novinsky Boulevard
Metro	Paveletskaya	Paveletskaya	Belorusskaya	Belorusskaya	Smolenskaya
Distance from metro	5 minute walk	2 minute walk	1 minute walk	5 minute walk	3 minute walk
Name of BC	Vivaldi Plaza	Paveletskaya Plaza	White Square	Four Winds	Lotte Plaza
Type of parking	Underground	Underground	Underground	Underground	Underground
Type of information	offer	offer	offer	offer	offer
Date of offer	Dec-16	Dec-16	Dec-16	Dec-16	Dec-16
Asking rent USD per	350	450	400	Dec-16	Dec-16

Data	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
month					
VAT included	no	no	no	no	no
Rental rate net of VAT and OPEX	**350**	**450**	**400**	**450**	**450**
Source of information	http://vivaldi-plaza.allmoscowoffices.ru/?search=206173	JLL Data Base	https://cbre.rentnow.ru/estate/office/white_square_office_complex_building_b_13093/	https://cbre.rentnow.ru/estate/office/four_winds_plaza_14554/	https://cbre.rentnow.ru/estate/office/lotte_plaza_16268/
Adjustments					
Adjustment for bargaining (negotiation)	*offer*	*offer*	*offer*	*offer*	*offer*
Adjustment	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%
Adjusted rent, USD	333	428	380	428	428
Adjustment for time of offer					
Type of information	Dec-16	Dec-16	Dec-16	Dec-16	Dec-16
Adjustment	0%	0%	0%	0%	0%
Adjusted rent, USD	333	428	380	428	428
Adjustment for location / distance from metro					
Adjustment	0%	0%	0%	0%	0%
Adjusted rent, USD	333	428	380	428	428
Adjustment for fit-out					
Fi-out	*Standard*	*Standard*	*Standard*	*Standard*	*Standard*
Adjustment	0%	0%	0%	0%	0%
Adjusted rent, USD	333	428	380	428	428
Market rent for parking lot net of VAT per month subject to rounding			**400**		

Source: JLL

We have applied no adjustment on the number of parking lots in comparable business canters 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. Thus, we have assumed that parking lots will be leased along with the office space proportionally. As there are 34 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:

- The Property is well designed and constructed and represents a modern Class A office centre, with high quality design, construction, internal fit-out, amenities and professional building management systems.
- Based on our research, we consider that rental values for Class A office space in Moscow (CBD) is approximately $400-750 per sq. m per annum (excluding VAT and OpEx). The variation within the classes relates to differences in a range of factors most significantly location, size, tenant and lease terms.
- Based on our calculations subject to minor rounding, we have adopted an average rental level of $700 net of VAT and OPEX per sq. m per annum for office space.
- In the current economic conditions we have assumed that the Subject 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, parking income is calculated on $4,800 net of VAT and OPEX per annum per parking lot.

Practically all of the lease agreements are subject to the annual indexation of the base rent during the total rental period. The level of the indexation varies from 3% to 10%. We haven`t applied any indexation in our valuation.

Retail space within office buildings

According to the tenancy schedule, provided by the Client, the average rental rate for retail premises is at the level of 1,500 USD per annum. We have based our opinion on the market rental rates of the lease agreements provided to us by the Client according to tenancy schedule. We assume that the rental rate in the lease agreement (with retail area) signed in 2016 reflects Estimated Rental Value (ERV) for retail space.

We have also 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 subject Property. Therefore, rental rate for retail space set in lease agreement corresponds with the current market situation.

We have adopted this rental rate for the retail accommodation on the first and second floors of the office building.

Market Rental Rates for the retail premises within the office building
Retail space within Office Building (facing Garden Ring)
$1,500 per sq. m per annum

5.1.3 Market Rental Value

We believe the aggregate Market Rental Value, as at the valuation date (subject to 100% occupancy of Property), is $ 4,888,854 per annum.

5.2 Income Analysis

According to the tenancy schedule provided for the Property, it had, as at the date of valuation, 11 tenants, which translates into an occupancy rate of around 89%. As at date of valuation 14th and 15th floors were fully vacant. Nevertheless, the Client informed us that as at the date of valuation the Subject Property has LOI`s for vacant area of 298 sq. m on 15th floor. We took this LOI with lease terms into account in our calculations.

In addition, there is income from sources such as advertising and telecommunication contracts. As at the date of valuation, 13 parking spaces in two basement levels were let and occupied, and 4 parking spaces outside the building and 17 underground parking spaces were vacant.

All the leases are short-term, from 1 to 2.4 years (except lease agreement with Galaks – restaurant on the first and second floors with lease length of 5.1 years). The weighted average unexpired lease term is 1.9 years.

Our assumptions regarding base market rental rents were discussed above within this Report ($700 per annum for office premises and $1,500 per annum for retail area).

We assumed that after the Property will be leased by tenants there will be an additional income from ATM's, advertising and telecommunications. Current additional income is at the level of 6% due to lease agreement with ANO Orgkomitet (advertising). We applied additional income on the level 1% from the potential gross income after ANO Orgkomitet lease expiry.

Currently 21 car parking spaces within the building are vacant. For the purpose of our valuation we assumed that parking could be marketed openly and let in 3 months at rental values $400 per months.

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

5.2.1 Letting Period, Rent Free Period

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

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

5.2.2 Operating Costs

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.

Property tax

According to the new 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 new base for calculation of the property tax will be building's cadastral value as opposed to the previously used the building's book value.

In Moscow and Moscow region the amendments will only affect properties of more than 3,000 sq. m and with more than 20% of the area of those properties actually used for the defined purposes.

According to the amendments adopted by Regional Governments in Moscow and Moscow Region, the tax rates for Offices and Retail in Moscow will be 1.4% in 2017, and 1.5% from 2018 onwards. Cadastral value of the Subject Property equals RUB 1,779,590,840 or $ 26,693,863.

The property tax for valued Property is presented in the table below:

Table 8. Property tax calculation

Year	Rate, %	Property tax, $
2017	1.40%	410,741
2018	1.50%	440,080
2019	1.50%	440,080
2020	1.50%	440,080
2021	1.50%	440,080

Source: JLL

Land Rent

We have estimated the land payment at 1.5% from cadastral value (82,270,602 RUB) of the land plot. According to our estimation the land payment of the date of valuation equals to RUB 1,234,059 RUB or 20,345 USD per annum.

Non-recoverable OpEx

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

We understand that currently the office space is vacant within the Property.

Based on information, provided by the Client, current operating non-recoverable expenses equal to $146 per sq. m per year within the building. A rate of $146 net of VAT per sq. m per annum for OpEx has been applied 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.

5.2.3 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 of 2013-2015.

Table 9. Major investment deals, office sector, 2013-2015

Samples of transactions

White Gardens BC

Address: Lesnaya Street, building 27, Moscow

Class of building: A (prime)

Completed: Q2 2013

Description: Prime Class office building with the developed infrastructure including stores, cafes, restaurants.

Tenants: Microsoft, Baring Vostok, Baker & McKenzie

Gross Building Area: 94,300 sq m

Gross Leasable Area: 63,750 sq m

Vendor: VTB Capital, AIG/Lincoln, Coalco Development

Purchaser: Millhouse Group

Sales date: November 2013

Sales price: confidential

Four Winds

Address: 1st Tverskaya-Yamskaya, 21

Class of building: A (prime)

Completed: 2007

Description: Prime Class office building with the developed infrastructure including shops, restaurants and fitness centre.

Tenants: Morgan Stanley, Moody's, Barclays Capital etc

Gross Building Area: 31,000 sq m

Gross Leasable Area: 21,949.7 sq m

Vendor: AFI Development, Snegiri

Purchaser: Capricomus Investments Limited (Millhouse Group)

Sales date: January 2013

Sales price: c. 370 mln US dollars

Price per sq m of GBA: c. 11,900 USD

White Square BC

Address: Lesnaya street, 5, Butyrskiy Val street, 10

Class of building: A (prime)

Completed: 2009

Description: Prime Class office building with the developed infrastructure, retail shops, restaurants etc.

Gross Building Area: 96,703.5 sq m

Gross Leasable Area: 76,353 sq m

Tenants: Deloitte, PWC, Microsoft, McKinsey & Co etc.

Vendor: AIG Lincoln

Purchaser: O1 Properties

Sales date: Q1 2013

Sales price: confidential

Nevis BC

Address: Schepkina St., 61/2 bldg. 12

Class of building: A

Completed: 2011

Description: Newly constructed Class A business center. 4-level underground parking for 100 lots. Delivery in shell&core.

Gross Building Area: 15,014 sq m

Gross Leasable Area: 10,987 sqm

Vendor: Capital Group

Purchaser: O1 Group

Sales date: Q1 2014

Sales price: c. 30-45 mln US Dollars

Samples of transactions

Danilov Plaza BC, 3 floors- 3,000 sqm

Address: Novodanilovskaya Emb., 6

Class of building: B+

Completed: 2015

Description: New multifunctional business complex. Complex consists of two 13-storeys buildings and 3- level underground parking for 445 lots. Well-developed infrastructure: canteen for tenants, bank and retail areas.

Gross Building Area: 39,385 sqm

Gross Leasable Area: 12,640 sqm

Vendor: MR Group

Purchaser: Private investor

Sales date: Q2 2014

Sales price: c.10-20 mln US Dollars

SkyLight- 1,000 sqm

Address: Leningradskiy Ave., 39

Class of building: A

Completed: 2011

Description: The complex of two 27-storey office towers Developed infrastructure: canteen for tenants, restaurant, café, bank. 5-level underground parking for 637 lots.

Gross Building Area: c.85,000 sqm

Gross Leasable Area: c. 61,250 sqm

Vendor: Hals-Development

Purchaser: confidential

Sales date: Q3 2014

Sales price: c.5-10 mln US Dollars

Lotos BC- owner occupied- 1,395 sqm

Address: Odesskaya St., estate 2

Class of building: B+

Completed: 2014

Description: Newly constructed multifunctional complex which consists of three buildings. Developed infrastucture: shops, canteen, branch of bank, restaurant, cafeteria. Underground parking for 1326 lots.

Gross Building Area: 151,958 sqm

Gross Leasable Area: 88,350 sqm

Vendor: MR Group

Purchaser: IP Stepanova

Sales date: Q1 2014

Sales price: c. 5-10 mln US Dollars

Aerodom BC-owner occupied-2,225 sqm

Address: Leningradskiy Ave., 37 bldg. 7

Class of building: B+

Completed: 2014

Description: 13-storey newly constructed Class B office building. Underground parking for 365 lots.

Gross Building Area: 36,000 sqm

Vendor: PSN

Purchaser: EuroTransStroy

Sales date: Q2 2014

Sales price: c.10-20 mln US Dollars

Samples of transactions

Capital City BC- owner occupied- 3,400 sq m

Address: Presnenskaya Emb., 8 bldg. 1

Class of building: A

Completed: 2009

Description: MFC includs 2 residental towers (73 and 62 floors), office spaces (4 – 17 floors), and retail gallery (total area 13 000 sq m), located on 1 – 3 floors. Infrastructure includs 2 restaurants, "WorldClass" fitness center, «Tchayka» medical center, several cafes, canteen, loundry, etc. Building is connected by underground lines with other towers and AFIMOLL City. Total parking for 2,353 lots (underground for 615 lots).

Gross Building Area: 288,680 sqm

Gross Leasable Area: 88,000 sqm

Vendor: Capital Group

Purchaser: Russian fund

Sales date: Q1 2015

Sales price: c. 20-30 mln US Dollars

Metropolis BC (Building 1)

Address: Lenigradskoye Hwy., 16A bldg. 1

Class of building: A

Completed: 2008

Description: part of Metropolis large scale mixed-use (office-retail) development project of approximately 325,000 sq m. Office part comprises 3 buildings: 9-storey, 9-storey , 11-storey. Building I is the 9-storey office building. Large and efficient open-space floorplates of 2,760 sq m. State-of the-art technical specifications, outstanding interior design and concept. Fully glazed facades provide maximum natural light. Spacious lobbies.

Gross Building Area: 33,470 sqm

Gross Leasable Area: 22,923 sqm

Vendor: Capital Partners

Purchaser: Hines/PPF Group

Sales date: Q1 2015

Sales price: c. 85-100 mln US Dollars

Vodny MFC – 7,000 sqm

Address: Golovinskoye Hwy., 5

Class of building: A

Completed: 2014

Description: newly constructed 28-storey mixed-use complex consisting of 8 buildings. Open space lay-out. Well developed infrastructure: conference hall, canteen, café, restaurant, hyper market. All modern amenities and engineering systems are on site: central air conditioning, high speed elevators, access control system, sequrity guard, sprinklers. Panoramic windows. 8.4 column grid. Ceiling height - 3.35 m. Parking: surface 1,605 lots, underground – 455 lots.

Gross Building Area: 166,300 sqm

Gross Leasable Area: 52,335 sqm

Vendor: MR Group

Purchaser: Confidential

Sales date: Q1 2015

Sales price: c. 21-50 mln US Dollars

Mercedes-Benz Plaza BC

Address: Leningradskiy Ave., 39A

Samples of transactions
Class of building: B+ Completed: 2004 Description: New 9-storey business center. Modern internal and external design of the building. High quality engineering systems, well developed infrustructure: fitness, hotel, restaurants. Canteen inside the building. Professional property management. The premises are fitted-out. Underground parking for 24 lots. Gross Building Area: 16,484 sqm Gross Leasable Area: 6,372 sqm Vendor: ASKK Holding Purchaser: Region Group Sales date: Q2 2015 Sales price: c. 85-100 mln US Dollars

Source: JLL

Below we outline the information about the most recent investment transactions reported on the Moscow office market, which took place during the course in 2016.

Table 10. Major investment deals, office sector, 2016

Class	Property Name	Address	GBA (sq m)	Q	Vendor	Purchaser
A	Evolution Tower	Presnenskaya nab., 7	79,053	Q1	Snegiri Development	Transneft
A	Aurora BC	Sadovnicheskaya Street, 82 bld 2	86,000	Q3	Forum Properties	O1 Properties
A	Nordstar Tower	Begovaya Street, 3	135,500	Q3	Don Story	Region group of companies
A	OKO	Presnenskaya nab., 7	55,000	Q3	Capital Partners	Moscow Government
A	Headquarters Building	1st Tverskaya Street , 14	4,900	Q3	Rostelecom	OOO Investcapital
B+	Headquarters Building	14, 1st Tverskaya-Yamskaya Street	4,900	Q1	Rostelecom	OOO Investcapital
B+	Park Pobedy BC	Vasilisy Kozhinoy Street, 1	10,000	Q2	Magnit	RUSAL
B+	'Solutions' Business Park	Warsaw Highway 148	18,840	Q3	Moskapstroy-TN	Rioteks group

Source: JLL

5.3 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 9.75% cap rate to calculate terminal cash flow.

Our estimate of NOI terminal cash flow is given below.

Table 11. Terminal Value

Indices	Formula	Post-forecast period 2021
Potential gross income, USD/year (PGI)		**4,888,854**
Vacancy losses, USD/year (L)		0
Effective gross income, USD/year (EGI)	**PGI-L**	**4,888,854**
Operating expenses, USD/year (OpEx)		460,424
Net operating income, USD/year (NOI)	**EGI-OpEx**	**4,428,430**
Cap rate (exit yield), % (Y)		9.75%
Terminal value, USD	**NOI/Y**	**45,419,791**

5.4 Yield Capitalisation (Discounted Cash Flow Analysis)

For the purpose of the current valuation we have used the discounted cash flow method. The discounted cash flow (DCF) methodology includes the following steps:

- Calculating the discount rate for future cash flow;
- Calculating and forecasting future cash flow during the subject property's holding period; and,
- This cash flow is discounted at an appropriate rate and this in turn generates the present value of the cash flow.

As far the model has been recalculated on the basis of 5-year model with the 9.75% exit cap rate the discount rate has been estimated on the same level as the cap rate since we haven`t applied any growth in our valuation.

Based on the information mentioned above and minor rounding, we applied the discount rate 9.75%.

Having undertaken an appraisal on this basis, this produces a market value of the freehold interest in the Property to be approximately **$47,000,000.**

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

5.5 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 reports 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 5 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 60-70% of the reported value for a DCF over 5 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.

In view of the importance of this input we have proceeded as follows:

- We adopt a single percentage rate for the hold period.

In this way our approach generally limits the impact of changes in this variable to just the changes in indexation rates that we anticipate over the first year or two.

5.5.1 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.

5.5.2 Principal Risks

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

- Limited availability of parking;
- Congested traffic may have a negative impact to the demand;
- Current unstable situation on the economic and financial market;
- Competition from existing office properties of the same or similar quality.

6 Valuation

6.1 Market Value

Having regard to the foregoing, we are of the opinion that the Market Value (as defined in Appendix 4) of the leasehold and freehold interests in the Property detailed above as at 31 December 2016 is in the sum of:

Market Value (Rounded)

$47,000,000

(Forty Seven Million US Dollars)

Valuation Uncertainty as at 31 December 2016:

The Russian economy has been in a period of heightened volatility since the start of 2014. Largely due to sanctions and counter-sanctions together with respectively low oil price. In the last 6 months there have been signs of improvement with inflation subsiding, recovery in the oil price, a stable and strengthening ruble and cuts in the Central Bank of Russia policy rate all being positive signals.

There is evidence of increased activity in the Russian real estate, with more deals under negotiation but this is yet to translate to a significant increase in the number of closed investment transactions. Uncertainty and slow decision making remain the order of the day. The sector remains vulnerable to external shocks and this has resulted in a lack of certainty as to pricing levels and market drivers. We are aware that prices agreed during negotiation are typically reduced prior to exchange of contracts as purchasers bring to bear their greater negotiating position and ability to complete transactions in an uncertain market. In this environment, prices and values are going through a period of heightened volatility whilst the market absorbs the various issues and reaches its conclusions. As a result there is less certainty with regard to valuations with the result that market values can change rapidly in the current conditions.

Where the number of genuine third party, arm's length transactions, are severely limited it is challenging to draw conclusions on current market yields and to accurately assess ERVs where landlord and tenants are continuing to negotiate to find the new equilibrium.

We have exercised increased care in preparing robust valuations but in a very thin market it is necessary to make more judgements than is usually required. This should be taken into account in reading the valuation opinion.

6.2 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.

6.3 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

T J Millard MA(Cantab) MRICS
Regional Director
Head of Advisory
Russia & CIS JLL

For and on behalf of JLL

APPENDIX 1 – Valuation Calculation

Effective Gross Income		2017	2018	2019	2020	2021	Total
Gross potential income, USD							
Let premises	***5822.3***	5,762,317	5,625,646	4,438,888	4,468,956	4,381,811	**24,677,618**
Vacant offices	***396.8***	208,320	277,760	277,760	277,760	277,760	**1,319,360**
Underground parking	***34***	131,455	155,928	163,200	163,200	163,200	**776,983**
Advertising and other additional income		390,770	247,851	53,761	54,062	53,190	**799,634**
Total		**6,492,862**	**6,307,185**	**4,933,609**	**4,963,978**	**4,875,961**	**27,573,595**
Occupancy level, %		94%	100%	100%	100%	100%	
Total Effective Gross Income, USD		**6,479,571**	**6,307,185**	**4,933,609**	**4,963,978**	**4,875,961**	**27,560,304**

Operartional expences	2017	2018	2019	2020	2021	Total
Land rent	20,345	20,345	20,345	20,345	20,345	101,725
Property tax	410,741	440,080	440,080	440,080	440,080	2,171,059
Non-recoverable OpEx, USD	908,415	382,398	0	0	0	1,290,813
=Total, USD	**1,339,501**	**842,822**	**460,424**	**460,424**	**460,424**	**3,563,597**

Market Value Calculation		2017	2018	2019	2020	2021	Total
Effective gross income, USD		6,479,571	6,307,185	4,933,609	4,963,978	4,875,961	**27,560,304**
Terminal value from commercial areas, USD						45,419,791	**45,419,791**
Total in-flow		**6,479,571**	**6,307,185**	**4,933,609**	**4,963,978**	**50,295,753**	**72,980,095**
Operartional expences		1,339,501	842,822	460,424	460,424	460,424	3,563,597
Total out-flow		1,339,501	842,822	460,424	460,424	460,424	3,563,597
Total in-flow, USD		5,140,070	5,464,363	4,473,185	4,503,553	49,835,328	69,416,498
Net total in-flow, USD		**5,140,070**	**5,464,363**	**4,473,185**	**4,503,553**	**49,835,328**	**69,416,498**
Cumulative		5,140,070	10,604,432	15,077,617	19,581,170	69,416,498	
Discount Rate		9.75%	9.75%	9.75%	9.75%	9.75%	
Discount coefficient	1	0.9112	0.8302	0.7565	0.6893	0.6280	

Market Value Calculation		2017	2018	2019	2020	2021	Total
Net present value, USD		**4,683,435**	**4,536,600**	**3,383,789**	**3,104,111**	**31,297,862**	**47,005,796**
Cumulative		4,683,435	9,220,035	12,603,823	15,707,934	47,005,796	
Market Value, USD	**47,000,000**						

APPENDIX 2 – Photograph

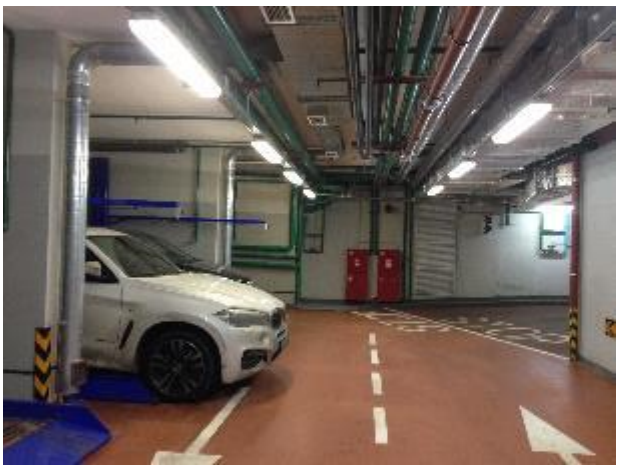
Facade

Facade

Entrance

Elevator hall

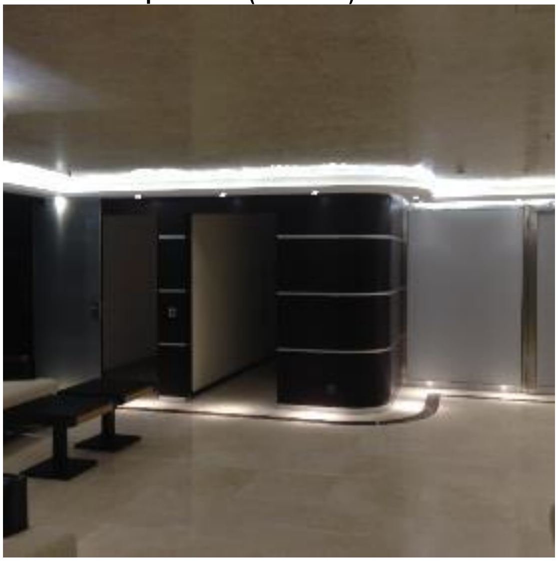
Parking area



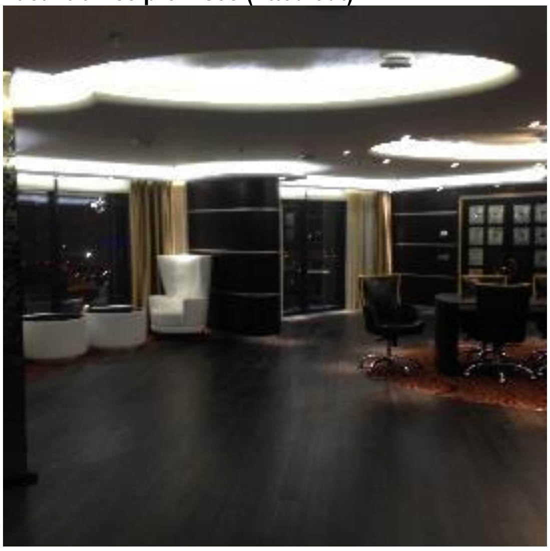
Parking area

Vacant office premises (fitted out)

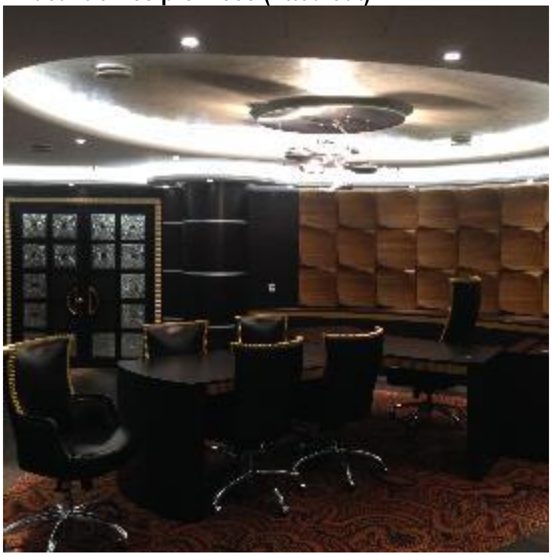
Vacant office premises (fitted out)



Vacant office premises (fitted out)



Vacant office premises (fitted out)



Vacant office premise (under fit-out)

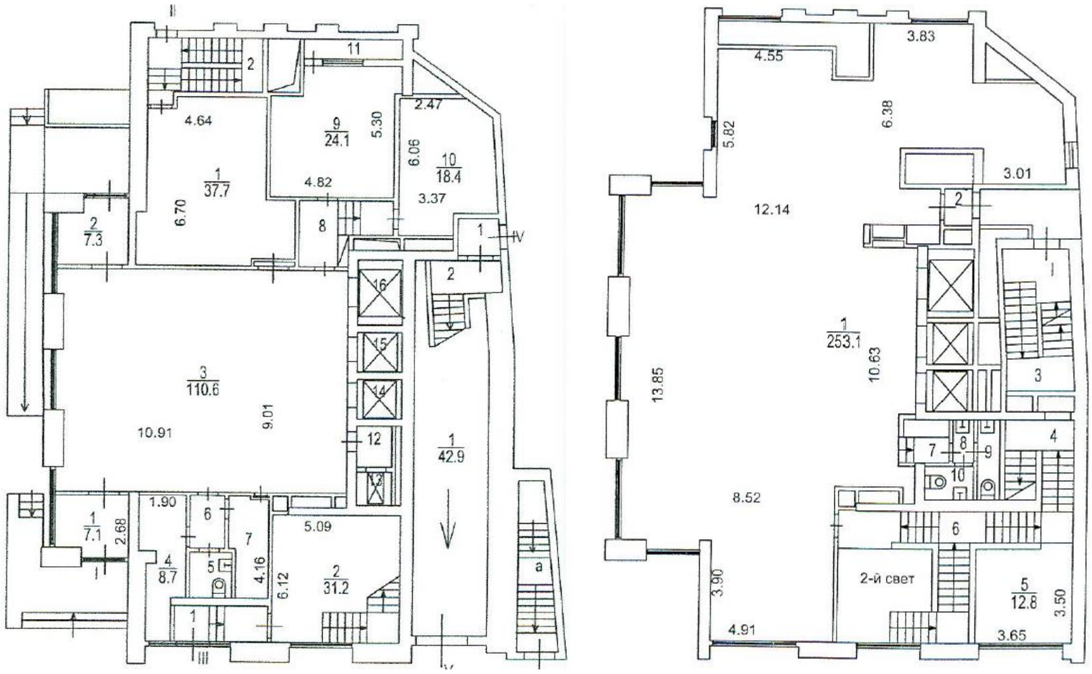
Vacant office premise (under fit-out)

Office premise (shell & core)

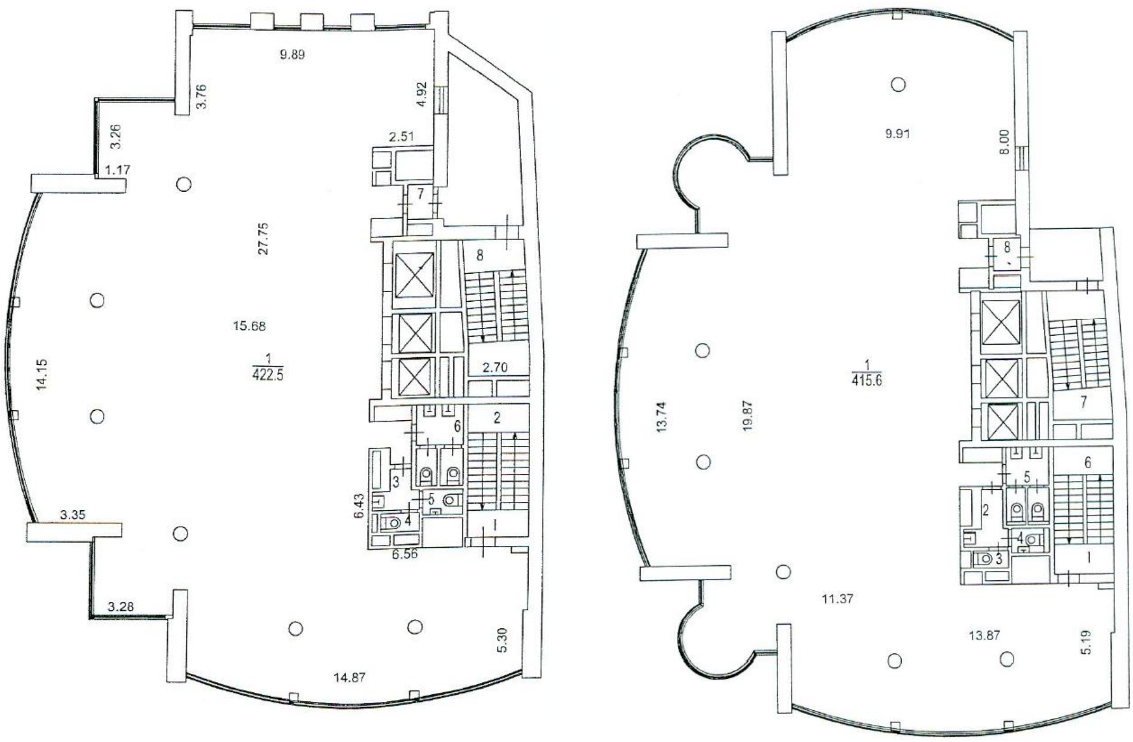
Office premise (shell & core)

APPENDIX 3 – Typical Floor Layouts

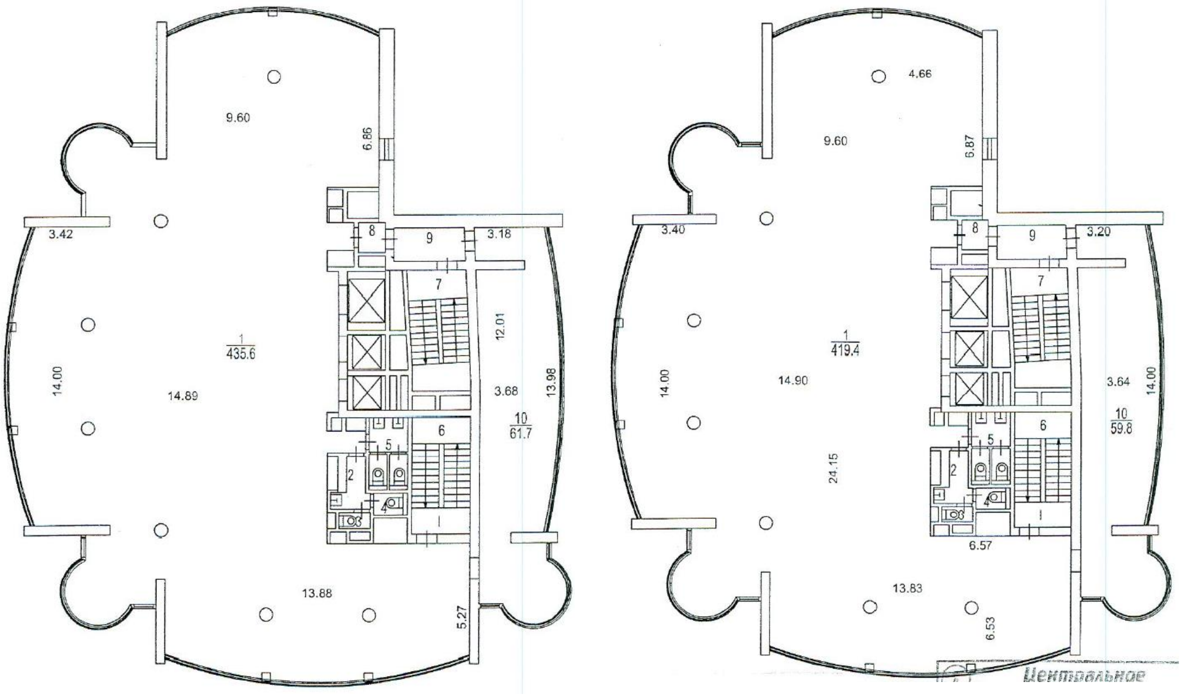
1 -2 levels



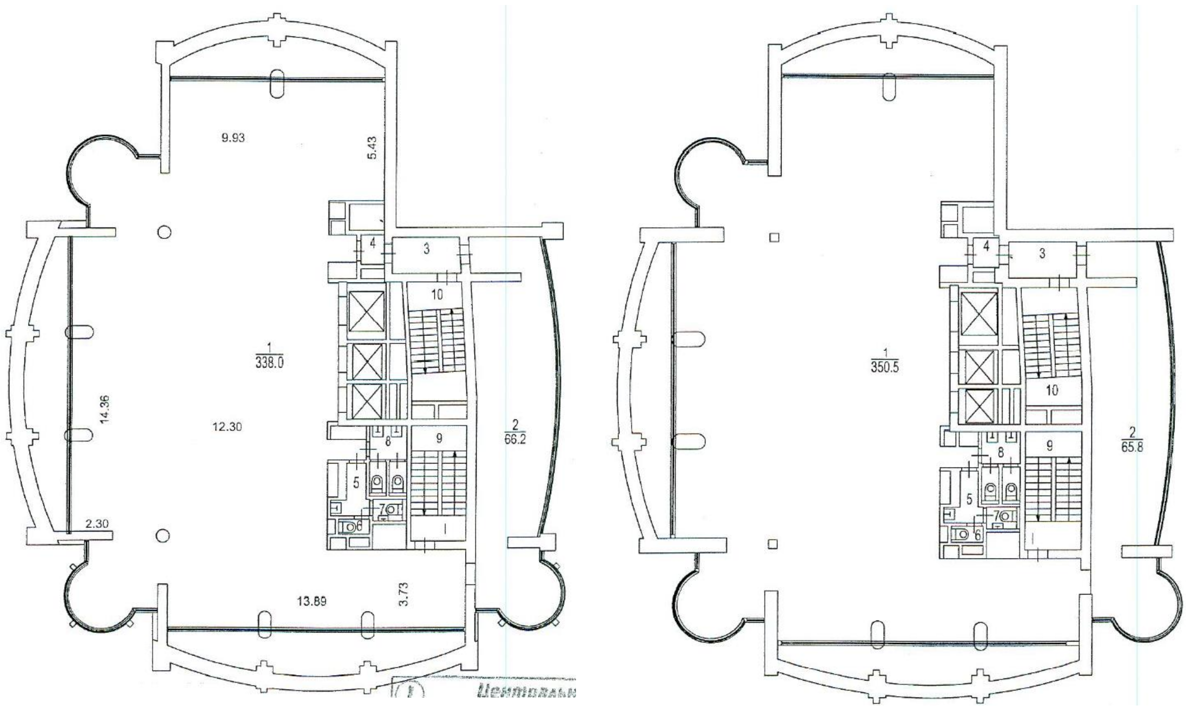
3 – 10 levels



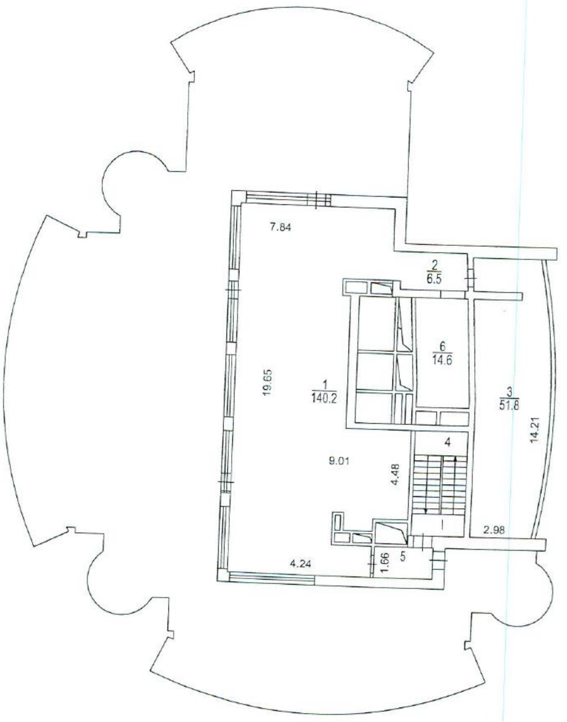
11 – 12 levels

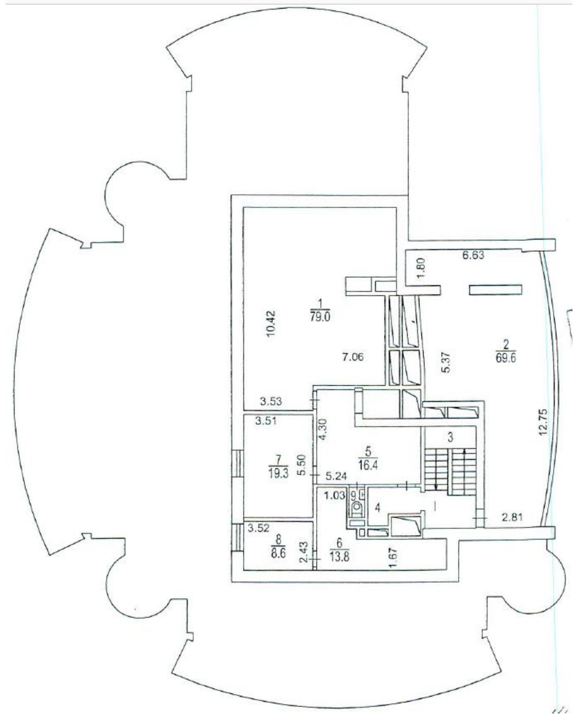


13 – 14 levels



15 – 16 levels


7.84
2
6.5
6
14.6
19.65
1
140.2
3
51.8
14.21
9.01
4
4.48
2.98
4.24
1.66
5


1.80
6.63
10.42
1
79.0
7.06
5.37
2
69.6
3.53
3.51
4.30
3
12.75
7
19.3
5.50
5
16.4
5.24
1.03
4
2.81
3.52
8
8.6
2.43
6
13.8
1.67

APPENDIX 4 – General Principles Adopted in the Preparation of Valuation and Reports

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 JLL's General Terms and Conditions of Business.

1.RICS Valuation Standards:

Valuations and Reports are prepared in accordance with the Practice Statements contained in the RICS Valuation Standards (Edition 2014) published by the Royal Institution of Chartered Surveyors, by valuers who conform to the requirements thereof.

Except where stated, JLL and JLL Hotels are External Valuers.

2.Valuation Basis:

Properties are generally valued to "Market Value" or alternatively another basis of valuation as defined in the Appraisal and Valuation Manual. Market Value is defined as "The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein 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 Standards.

There are interpretative commentaries on the definitions which are set out in the Valuation Standards 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. The 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 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.

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:

Valuations are prepared in Sterling or, if outside the UK, the appropriate local currency. In some countries, particularly where inflation rates are unduly high, hotel values are often expressed in an international currency (eg. US Dollars or euros).

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 Valuations and Reports are confidential to the party to whom they are addressed for the specific purpose to which they refer, and no responsibility whatsoever is accepted to any third parties. Neither the whole, nor any part, nor reference thereto, may be published in any document, statement or circular, nor in any communication with third parties, without our prior written approval of the form and context in which it will appear.

17. Valuations Prepared On Limited Information:

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.