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AFI Development PLC
25 Olympion Street
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13 March 2009

Dear Sirs

AFI DEVELOPMENT PLC
VALUATION OF A PORTFOLIO OF FREEHOLD AND LEASEHOLD PROPERTIES

Scope of Instructions Information and Report

In accordance with our engagement contract №RU3111, with AFI Development PLC (the **"Company"**), we, (Jones Lang LaSalle), Chartered Surveyors, have considered the properties referred to in the attached schedule forming Appendix I (the **"Schedule"**), in order to advise you of our opinion of the Market Value (as defined below) of the freehold or leasehold interests (as appropriate) of the Company in each of these properties (the **"Properties"**).

Purpose of Valuation

We understand that this valuation report and the attached Schedule (together, the **"Valuation Report"**) is required in accordance with IFRS regulations for the purposes of your company accounts and specifically for the purpose of implementing Accounting Standard No.15 of the Institute of Certified Public Accountants of Israel.

Basis of Valuation and Assumptions

We confirm that the valuations have been carried out on the basis of Market Value in accordance with the appropriate sections of the current Practice Statements contained within the Royal Institution of Chartered Surveyors (RICS) Valuation Standards, 6th Edition (the "Red Book"). This is an internationally accepted basis of valuation.

Market Value is defined as:

"The estimated amount for which a property 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."

We can confirm that we have prepared our valuation as External Valuers as defined in the RICS Valuation Standards and our valuation has been prepared in accordance with our General Principles in Appendix II of this report.

In arriving at our opinions of Market Value we have also arrived at our opinions of current estimated net annual rent. These are assessed on the assumption that they are the best rent at which a new letting of an interest in property would have been completed at the date of valuation assuming:

(i) a willing landlord;

(ii) that, prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the letting;

(iii) that the state of the market, levels of value and other circumstances were, on any earlier assumed date of entering into an agreement for lease, the same as on the valuation date;

(iv) that no account is taken of any additional bid by a prospective tenant with a special interest;

(v) that where relevant the length of term and principal conditions assumed to apply to the letting and other tenants terms are the same as those set out in the rent review clause contained in the occupational lease which we confirm are not exceptionally onerous or beneficial for letting of the type and class of the subject property and;

(vi) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

Taking into account the fact that, with the exception of a number of lettings in the properties known as Plaza H20, Ozerkovskaya Lane 3, Berezhkovskaya, Four Winds I, combined with a number of pre-leases at Four Winds II, Moscow City Central Core shopping centre and Tverskaya Zastava Mall, none of the properties is currently leased to tenants at the date of valuation, the 'net annual rent' for each property, where relevant, is referred to in the Schedule as the 'Estimated Market Rental Value on Completion'.

Date of Valuation and Inspections

The date of valuation for the portfolio of properties summarised within attached schedule attached to this report as Appendix I is 31 December 2008 and is based on information provided to us as at this date.

Each of the properties have been inspected externally and, where appropriate, internally during the past six months by either Robert Mayhew, Alla Axyonova, Pavel Kartsev, Irina Poletayeva, Tatyana Andreychenko, Ekaterina Sakharova, Galina Bush, Anna Meshkova, Igor Sakulin, Sergey Osetrov or Milica Gruica.

Assumptions and Sources of Information

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, need not be verified by a Valuer as part of the valuation process. In undertaking our valuations, we have made a number of assumptions and have relied on certain sources of information. Where appropriate, the Company's advisers have confirmed that our assumptions are correct so far as they are aware. We believe that the assumptions we have made are reasonable, taking into account our knowledge of the properties, 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. The assumptions we have made for the purposes of our valuations are referred to below.

We would state that the adopted development commencement dates and construction periods in respect of each property have been made in isolation of the remaining properties also subject to development. As a result, the valuations reported do not reflect the effect of numerous properties being developed simultaneously or being released to the market at the same time.

We have also made an assumption that the information the Company and its professional advisers have supplied to us in respect of the properties is both full and correct.

It follows that we have made an assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

In those instances where full ownership rights are yet to be held, or where the granting of a ground lease is awaited, meaning that the basis of the "projects" to be developed are not yet finalised, our valuations take into account any reasonably anticipated risks of delay and costs in receiving the project documentation. However, we have assumed that there will be no unforeseeable additional costs or delays in comparison to those generally experienced and that such rights or interests are in due course obtained.

In addition to those assumptions which we have made, it has also been necessary for us to prepare our valuation of the property on the basis of a number of “Special Assumptions”. In this respect, a Special Assumption is referred to in the Red Book as an Assumption that either:

(i) *requires the valuation to be based on facts that differ materially from those that exist at the date of valuation: or*

(ii) *is one that a prospective purchaser (excluding a purchaser with a special interest) could not reasonably be expected to make at the date of valuation, having regard to prevailing market circumstances*

With regard to this Valuation Report, we are of the opinion that the Special Assumptions set out below are valid, realistic and relevant.

We have made a Special Assumption with regard to the valuation of that property known as Plaza I. In particular, we have been instructed by the Company to undertake the valuation of that part of the asset known as Plaza Ia on the Special Assumption that the project will be developed jointly with a co-investor which has the freehold interest within the existing premises on the site. As at the valuation date we note that there is no actual signed agreement with this co-investor specifying the terms of the development. We have been instructed to undertake the valuation assuming that the co-investor will participate within the development providing part of its financing and will also be responsible for obtaining a proportional share in the completed property.

In those instances where investment contracts are held for the development of properties, our valuations are on the basis that a ground lease and an ownership certificate will be obtained by the developer upon completion of the development.

The majority of properties are held by way of ground leasehold interests granted by the City of Moscow Government. The ground rental payments of such interests may be reviewed on an annual basis, in either an upwards or downwards direction, by reference to an established formula. Within the terms of the lease, there is a right to extend the term of the lease upon expiry in line with the existing terms and conditions thereof. It should be noted, however, that very few leasehold interests have yet to reach termination and, hence, the effective ability to renew on such a basis is relatively untested. In arriving at our opinions of Market Value, we have assumed that the respective ground leases are capable of extension in perpetuity. In addition, given that such interests are not capable of assignment, we have assumed that each leasehold interest is held by way of a special purpose vehicle (**”SPV”**), and that the shares in the respective SPVs themselves are capable of assignment. (See “Tenure and Tenancies” for more detail).

With regard to each of the Properties considered, in those instances where project documentation has been agreed with the respective local authorities, our opinions of value have been arrived at on the basis of these agreements. Where such documentation is yet to be agreed we have had regard to the Company’s individual proposals, but have not necessarily adopted these in arriving at our opinions of value, where we have felt it more prudent to adopt other assumptions as to volume of development etc.

In respect of those properties where rights of ownership have yet to be fully purchased, our valuations take into account all outstanding payments required to be made in order to acquire full ownership.

In those instances where the Properties are held in part ownership, our valuations assume that these interests are capable of sale in the open market without any restriction from the co-owner and that there are no encumbrances within the share agreements which would impact upon the saleability of the Properties concerned.

In terms of the Assumptions and Special Assumptions which we have made and which are summarised within this Valuation Report, the Company has confirmed that our Assumptions are correct as far as they are aware. In the event that any of our Assumptions prove to be incorrect, the valuations contained in this valuation report should be reviewed and modified as necessary.

Tenure and Tenancies

We have not had access to the title deeds of the Properties. As a result, we have assumed that the title is marketable and that the Properties are free from encumbrances, mortgages and charges. We have also assumed that, where the interest in the Properties is leasehold, there are no unreasonable or unusual clauses which would affect value and no unusual restrictions or conditions governing the assignment or disposal of the interest.

In respect of a number of the Properties, the Company is in possession of a share of the ownership of the entire asset. In these cases, where the Company will receive a share of the income to be generated by the property on completion, we have valued this share and have arrived at our opinion of value on this basis. In those instances where the company does have a part ownership, we would state that the Company may have a higher proportional liability of the construction costs (up to 100%). This factor has also been taken into account in arriving at our opinions of value.

In terms of those Properties which are held by way of ground leases, we understand that such ground leases are not capable of being transferred in Moscow. We further understand that each asset is held as a SPV. Consequently, as noted above, we have valued the Properties on the Special Assumption that the shares in each of these SPVs can be sold and, in addition, that there are no further assets or liabilities held by each SPV which might affect the ability to sell the shares in the vehicles.

It is important to note that the rights to complete a development may be lost or, at least, delayed if the lessee fails to complete a permitted development within the timescale set out by the ground lease. In addition, in the event that a development has not been commenced upon the expiry of a lease then the City Authorities are entitled to decline the granting of a new lease on the basis that the land is not used in accordance with its designation. Furthermore, where all necessary permissions and consents for the development are not in place, this may provide the City with grounds for rescinding or non-renewal of the ground lease. In undertaking the valuations reported herein, we have made the assumption that no such circumstances will arise to permit the City to rescind the land lease or to not grant a renewal.

With specific regard to the property known as Plaza IV, we have been informed by the Company that the developer will not be required to make any payments to the City in connection with the purchase of land rights given that these costs are the obligation of the previous owner. In particular, the Company has informed us that the purchase cost, in the sum of $128,086,000, includes an obligation on the previous owner to obtain ownership rights for the land. Taking this into account, we have made the assumption that freehold rights in the land will be obtained and that the developer will have a 100% share in the property upon completion.

In connection with the process of acquisition, with regard to those properties where ownership of existing buildings on the sites is already held, we have valued the properties on the basis that freehold ownership of the land will be acquired and that, subsequent to this process being completed, any necessary rezoning of the sites is then undertaken. This approach is based on existing precedents where owners of existing buildings on sites have been able to acquire full ownership rights for the land.

In calculating the payment required for the purchase of such ownership rights, we have had regard to Federal Law № 212-ФЗ, dated 24 July 2007, named 'On the subject of legislative acts of the Russian Federation regarding the specification of conditions and the order of acquisition of the rights for those land plots which are State or municipal property'.

According to the above Federal Law, prior to 1 January 2010 the sale of those land plots, which are owned by State or municipal authorities, to the owners of buildings, structures, or constructions thereon may be transacted at a price established according to the relevant enforcement authorities and institutions of the local government. The basis of the calculation of the price of these land plots is stated to be a multiple of the existing annual land tax up to a maximum factor of 30.

As a result of this legislation, it is possible for the relevant government institutions to place restrictions on the subsequent construction or reconstruction of buildings and structures located on the relevant site at the time of the acquisition of the plot in question. Such restrictions do not extend to the reconstruction of permanent structures, the use of which is regulated by a section of the town planning Code of the Russian Federation (chapter № 8, article 36). In addition, such restrictions also do not apply in the event that the existing use of such structures is maintained.

Where the existing use of a site is sought to be changed, a payment can be made to remove any restrictions in place. Such payments are calculated on the basis of a figure equating to up to 80% of the future cadastral value of the site on the basis of the proposed new use and we have incorporated, where relevant, such costs as part of our valuations.

In respect of those properties where sites are held without any existing buildings in ownership, we have valued the properties on the basis that any leasehold rights will be acquired from the relevant land owners.

As at the date of valuation there were no concluded occupational leases passing on any of the subject properties, with the exception of lettings in the properties known as Plaza H20, Ozerkovskaya Lane 3, Berezhkovskaya and Four Winds I, combined with a number of pre-leases at the Four Winds II, Moscow City Central Core shopping centre and Tverskaya Zastava Mall. We have been provided with copies of these lease agreements and have read them prior to forming our opinion of value.

We have not conducted credit enquires into the financial status of any of the tenants. However, in undertaking our valuations we have reflected our understanding of the market perception of the financial status of the tenants. We have also assumed that each tenant is capable of meeting its leasehold obligations and that there are no undisclosed breaches of covenant.

With regard to all valuations reported within this document, we have assumed that vacant possession of all parts of the properties required prior to redevelopment is obtained.

With the exception of a limited number of buildings, we understand that the structures existing on the majority of the sites which have yet to be developed do not form part of the Company's intended developments and are proposed to be demolished prior to the redevelopment of the sites.

Floor Areas

We have not undertaken any measured surveys of the properties and have relied entirely on information as to site areas and floor areas and dimensions of existing and proposed developments as provided to us by the Company.

Planning

The process of obtaining planning permits and all necessary planning consents is a particularly time consuming and difficult process in Moscow, and Russia generally. Prior to the granting of a ground lease, a number of preliminary planning approvals are required. Once the ground lease has been granted, a 'Project' must be approved through a division of the City Authorities and this will effectively summarise all design details of the proposed development. This document then provides the basis upon which a formal planning consent may be applied for and subsequently granted, and will outline all necessary contributions and technical requirements from utility providers.

Where available, the Company has provided us with such project documentation in respect of each of the development projects and we have had regard to this information in arriving at our opinions of Market Value.

In arriving at our opinions of Market Value we have had regard, where available, to the Company's specific proposals to develop each asset. However, although we have taken these proposals into account, each valuation reflects our opinion of such a development which may form the basis of a bid for the property by a prospective purchaser. As a result, our valuations do not necessarily fully reflect the Company's proposed development programme.

Where such documentation has not been available, we have incorporated our reasonable estimates of all costs necessary to obtain all necessary consents and documentation, together with the time necessary to obtain such. It should be understood that these are only estimates and the actual payments requirement may vary.

Although we have not made any formal searches in terms of planning consents and issues, we have generally relied upon guidelines provided by within the Moscow City 2020 Structure Plan or other relevant structure plans, as well as information provided by the Company as well as project documentation (where available) in respect of each of the Properties.

We have assumed that all existing properties have been erected and are being occupied and used in accordance with all necessary consents and that there are no outstanding statutory notices. We have also assumed that all buildings comply with all statutory and Local Authority requirements including building, fire and health and safety regulations.

In arriving at our opinions of market value we have assumed that all necessary planning consents will be obtained within a reasonable and standard timescale and that there will be no extraordinary issues which may delay the receipt of the necessary consent and which may impact on the value or marketability of the property.

Environmental Investigations and Ground Conditions

We have not been instructed to carry out site surveys or environmental assessments nor have we investigated any historical records, to establish whether any land or premises are or have been, contaminated. Unless we have been provided with information to the contrary, we have assumed that the properties are not, nor are likely to be, affected by land contamination and that there are no ground conditions which would affect the present or future use of the properties.

We were not instructed to carry out structural surveys of the properties but we have reflected any apparent wants of repair in our opinion of the value as appropriate. The properties have been valued on the basis of the Company's advice that no deleterious materials have been used in the construction of any of the subject buildings, save where we have been specifically advised to the contrary.

Plant and Machinery

In respect of any existing buildings, landlords' plant and machinery such as lifts, escalators, air-conditioning and other normal service installations have been treated as an integral part of each property and are included within our valuations. Plant and machinery, tenant's fixtures and specialist trade fittings have been excluded from our valuations.

No specialist tests have been carried out on any of these service systems and for the purposes of our valuations we have assumed that all are in good working order and in compliance with any relevant statute bylaw or regulation.

Valuation Uncertainty and Market Volatility

As a result of current market conditions, property valuations may be subject to ‘abnormal uncertainty’ caused by ‘market instability’. RICS Guidance Note 5 (GN5) refers to such circumstances thus:

“Unforeseen macroeconomic or political crises can have a sudden and dramatic effect on markets. This could manifest itself by either panic buying or selling, or simply disinclination to trade until it is clear how prices in the market will be affected in the longer term. If the valuation date coincides with the immediate aftermath of such an event, the data on which any valuation is based may be confused, incomplete or inconsistent, with an inevitable effect on the certainty that can be attached to it.”

“The RICS considers that, where uncertainty could have a material effect on the valuation, the valuer should draw attention to this, indicating the cause of the uncertainty and the degree to which this is reflected in the reported valuation.”

The continued turmoil and instability in the financial markets is continuing to cause volatility and uncertainty in the world’s capital markets and real estate markets. There are low levels of liquidity in the real estate market and transaction levels are significantly reduced, resulting in a lack of clarity as to pricing levels and the market drivers. This, combined with a weakening of sentiment towards Russian real estate, has resulted in a continual reappraisal of Russian commercial property prices.

Globally, many of those transactions currently being negotiated are likely to involve vendors who are more compelled to sell, or purchasers who will only buy at discounted prices. In addition, prices agreed during negotiation are frequently reduced prior to exchange of contracts as purchasers bring to bear their greater negotiating position and ability to complete transactions in the current 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. In Russia there is a lower level of transactional activity than in other markets and reduced transparency, which can exacerbate the present difficulties.

Taking into account the above factors, those development assets within the portfolio at the start of the complicated development process in Russia are, at present, particularly difficult to appraise. As a result, the Company has categorised these assets as ‘land bank’ and they have been excluded from our valuation as at 31 December 2008.

Valuation

On the bases outlined within this Valuation Report, we are of the opinion that the aggregate of the individual gross Market Values, as at 31 December 2008, of the freehold and long leasehold interests of those properties set out in the attached schedule, subject to the existing lettings but otherwise with vacant possession, is as set out below:

1. **Income Producing Properties**

$175,875,000

(One Hundred and Seventy Five Million, Eight Hundred and Seventy Five Thousand US Dollars)

2. **Projects Under Development**

$1,581,725,000

(One Billion, Five Hundred and Eighty One Million, Seven Hundred and Twenty Five Thousand US Dollars)

3. **Residential Projects**

$315,187,500

(Three Hundred and Fifteen Million, One Hundred and Eighty Seven Thousand, Five Hundred US Dollars)

It should be noted that the above valuation represents the aggregate of the individual values attributable to each property and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot.

Realisation Costs

Our Valuation is exclusive of VAT and no allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal of any property. Our valuation is, however, net of purchaser's acquisition costs.

Exchange rates

We have indicated the Market Values of the subject properties in the attached valuation schedule in US Dollars. In arriving at our opinions of value we have adopted the exchange rate of the $ (USD) against the Russian Ruble (RUB) of 1 USD = 29.3804 RUR.

Responsibility

In accordance with our normal practise we confirm that the Report is confidential to the party to whom it is addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any other party than those mentioned above and neither the whole of the Report, nor any part, nor references 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.

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

Yours faithfully

R. C. Mayhew

Robert C Mayhew BSc (Hons), MRICS
European Director
For and on behalf of Jones Lang LaSalle

Sergey Belov MS, MRICS
National Director

APPENDICES

Appendix 1. Schedules of Portfolio Assets and Valuations

Appendix 2. General Principles Adopted in the Preparation of Valuation and Reports

Appendix 3. Extract from the RICS Valuation Standards (6th edition)

Appendix 4. Valuation Methodology

APPENDIX I

SCHEDULE OF PORTFLIO ASSETS AND VALUATIONS

AFI DEVELOPMENT PLC
SCHEDULE
Portfolio Assets
Valuation as at 31 December 2008

1. Income Producing Properties

#	Property Name	Location, Description, Tenure & Tenancy	Market Value US$	Estimated market rental upon completion US$ per annum excluding VAT & Operating Expenses	Market Value on Completion US$
1.	**H2O**	The property comprises an existing Class B office building recently reconstructed around the frame of a former administrative building which formed part of an industrial estate. The building is located on a site having an area of 0.4 ha. The building has a gross area of 10,698 m^2 and a lettable area of 9,304 m^2. The office building is arranged on six floor levels and also benefits form support retail and canteen facilities at ground floor level. Parking is provided at surface level for 80 vehicles. The building is in operation. Approximately 82% of the lettable area has been leased. The property is located in the Southern Administrative District of Moscow, in the Danilovsky area. This district is currently characterised by a variety of industrial zones and heavy road traffic. However, the process of relocation of the industrial zones, due to the redevelopment of sites to provide business centres and residential accommodation, has resulted in a gradual improvement of the area.	$18,700,000	$5,326,330 (gross rent including operating expenses)	$18,700,000

		In terms of accessibility, the property benefits from good transport links, being within reasonable proximity of a number of major transport routes such as the Garden Ring and 'Third Transport Ring', which provide convenient access to the city centre. The closest metro station is Tulskaya, which is approximately 20 minutes walking distance. The Company has a freehold title in the building and a leasehold interest in the land.			
2.	**Ozerkovsky Lane 3**	The property comprises an existing Class B - office building with a gross area of 1,864.3 m^2 and a leasable area of 1,544.6 m^2 located on a site having an area of 0.04 ha. The office building is arranged on four floor levels plus basement and roof space. The building is in operation. Approximately 82% of the lettable area has been leased. The property is located in one of the most developed business districts in Moscow known as 'Zamoskvorechiye', within the Central Administrative District. The property is located inside and within a short distance of the Garden Ring and the general area is one where both high office rents and residential prices are witnessed. The nearest metro stations are Paveletskaya and Novokuznetskaya, both of which are within a 10 minute walk. The Company has a freehold title in the building and a leasehold interest in the land.	$4,000,000	$1,043,204 (gross rent including operating expenses)	$4,000,000

3.	**Four Winds Office Building**	The office building is located on a site with an area of 0.42 hectares. Its gross building area comprises 31,000 sq m and a gross lettable area of 21,319.5 sq m. The property has 142 underground car parking spaces. The offices are of Class A specification. As at the date of valuation, the construction was completed and the property had passed through the State Acceptance Committee procedure. The property is located at Bolshaya Gruzinskaya Street 69/71. In terms of adjoining streets, it is bordered by 1st and 2nd Brestskaya Streets, 1st Tverskaya-Yamskaya Street, Tverskaya Zastava Square and Bolshaya Gruzinskaya Street. This location has good accessibility by car and by public transport. The nearest metro station is Belorusskaya located within five minutes walk. The Company owns a 50% share in the freehold interest for the buildings and leasehold interest for the land.	$123,575,000	$12,249,500	$123,575,000

4.	**Berezhkovskaya**	The property comprises the completed reconstruction of four office buildings of Class B standard totalling 11,312.20 sq m. The buildings are located on a site with an area of 0.8 hectares. As at the date of valuation, the total vacant area in the four buildings amounted to 2,870.46 sq m. There is surface parking around the buildings. The subject property is located within the Dorogomilovsky district of Moscow to the west of the city centre. Dorogomilovsky forms part of Moscow's 'Decentral West' business district which includes the Moscow River, Minskaya Street and Kievskaya and Smolenskaya railway lines. It is both a cultural and business district of the city. Access is proposed to be from Berezhkovskaya Embankment, to the south-east of the Property. To the north-east, the surrounded area is occupied by residential buildings and parking spaces. The Property has good car access to a number of major transport routes including the 'Third Transport Ring' and Berezhkovskaya Embankment providing easy access to the city centre. The Company owns a 74% share in the freehold interest for the buildings.	$29,600,000	$5,893,000 (gross rent including operating expenses)	$29,600,000
		TOTAL	**$175,875,000**	**$24,512,034**	**$175,875,000**

2. Active Projects Under Development

#	Property Name	Location, Description, Tenure & Tenancy	Market Value US$	Estimated market rental upon completion US$ per annum excluding VAT & Operating Expenses	Market Value on Completion US$
1.	**Moscow City Centre Shopping Centre**	The property comprises a development site with a total area of 4.37 hectares. At present, the property is in the course of construction to provide a mixed-use development project known as Moscow City Central Core. The scheme will provide gross areas of 179,423 m^2 of retail accommodation and a concert hall of 21,744 m^2. The retail centre, to be named 'Mall of Russia', which will have a gross lettable area of 114,213 m^2, will be located on one underground and five above ground levels. The Centre will contain anchor shops, retail and pedestrian areas, a café, restaurant / bar zones, a cinema and a leisure zone. At present, the development is unique in terms of its relatively central location, planned scale of the development, critical mass, central planning and the support of the City authorities. Within the Central Core project there will also be provided a 6,000 seat concert hall, as well as a public square. As of the valuation date the development is in the final stage of the construction. The construction of the project is planned to be completed by the end of 2009. The subject property is located in the Central administrative district of Moscow on the Krasnopresnenskaya Embankment. The Central Core development project will form a part of the Moscow International Business Centre (MIBC) 'Moscow City' where about 1.5 million m^2 of high-quality office space is planned to be constructed by the end of 2012. Currently, MIBC 'Moscow City' is the largest investment project in the real estate sector in Russia. The concept of the development is to create a high quality business environment to meet international requirements and standards.	$740,000,000	$136,126,805	$1,100,000,000

		The Company has a freehold interest in 75% of the shopping centre building and a leasehold interest in the land.			
2.	**Tverskaya Zastava**	The property comprises five individual development sites with an aggregate site area of 6.46 hectares. The Property is intended for the development of an underground shopping centre, with a gross area of 106,137 m2, to be known as Tverskaya Zastava, a mixed-use complex called Plaza I, which will include a five star hotel, Class A office and residential uses, as well as separate office developments known as Plaza II, II (a) and IV. The aggregate gross building area of all phases will be 436,776 m2.			
	Shopping Centre	The shopping centre will be located on a site with an area of 3.35 hectares situated on Tverskaya Zastava square. The shopping centre, which will have a gross lettable area of 36,302.7 m^2, will be principally located on two underground levels together with underground car parking providing a total of 752 spaces, located beneath the retail levels. The construction of the shopping centre is planned to be completed by the middle of 2011.	$121,200,000	$66,445,356	$554,025,000
	Plaza I	The Plaza I mixed-use scheme will consist of three phases named Plaza Ia, Plaza Ib and Plaza Ic which will be located at 1st Brestskaya Street 64-66, 1st Tverskaya-Yamskaya Street 25, 27, 29/66, 2nd Brestksaya Street 52/2 and 2nd Brestskaya Street 50/2. The combined site area will total 1.04 hectares. The property's gross building area will total 134,712 m^2. The Gross Building Area of each of the phase will comprise 51,263 m^2 for Plaza Ia, 61,496 m^2 for Plaza Ib and 21,953 m^2 for Plaza Ic. Plaza I will include a 300 room five star hotel, 16,080 m^2 of office and retail space, approximately 38,480 m^2 of residential area for sale and 753 car parking spaces. The Plaza I phase is proposed to be delivered by mid 2012.	$208,675,000	$16,583,850	$787,525,000

Plaza II	Plaza II will predominantly provide offices together with retail space at ground floor level. It is located at Gruzinsky Val, 31 and the site area is 0.57 hectares. The property will have a gross building area of 55,030 m^2 and a gross lettable area of 35,030 m^2. In addition, 414 car parking spaces will be located at underground levels. The Plaza II phase is proposed to be delivered by mid 2012.	$76,225,000	$35,325,701	$305,625,000
Plaza II (a)	Plaza II (a) will predominantly provide office accommodation with retail space at ground floor level. It is located at Butyrsky Val, bld. 1 on a site of 0.17 hectares. The property will have a gross building area of 8,397 m^2 and a gross lettable area of 4,321 m^2 plus 72 car parking spaces to be located at underground level. The Plaza II (a) phase is proposed to be delivered by mid 2012.	$5,825,000	$4,478,600	$39,925,000
Plaza IV	Plaza IV will comprise a multi-functional complex with Class A offices and a 4-star hotel, located at Gruzinsky Val, 11. The property occupies a site of 1.33 hectares and the development is proposed to have a gross building area comprising 132,500 m^2 and a lettable office area of approximately 80,397 m^2. In addition, there will be a 150-room hotel and underground car parking totalling 910 vehicles. The Plaza IV phase is proposed to be delivered by mid 2012.	$166,750,000	$80,553,150	$729,550,000
	Each of the phases of the Tverskaya Zastava project is located within the Tverskoy district of Moscow, to the north-west of the city centre. Tverskoy forms part of Moscow's Central Business District and is located between one of the city's main railway stations, Belorussky Station, and Manege Square. In addition to being an important business district, Tverskoy provides one of Moscow's most popular entertainment, social and retailing destinations. These facilities are concentrated around a variety of squares, including Pushkin, Triumfalnaya and Tverskaya Zastava Squares.			

		The shopping centre and Plaza phases of the subject property are located on or around a large square known as Tverskaya Zastava, which forms one of the busiest traffic interchanges in Moscow. In terms of adjoining uses, the square is bordered from the west by a number of buildings forming the Belorussky railway station and various pavilions comprising the Belorusskaya Metro station. The Company owns a 100% share in the freehold interest for the buildings in respect of the shopping centre, Plaza Ib and Plaza Ic, Plaza II, Plaza II (a) and Plaza IV. The estimated interest within Plaza Ia, which forms the part of Plaza I, building comprises 91%.			
3.	**Paveletskaya**	The property comprises a proposed commercial development on a site with an area of 5.0683 hectares. The project involves the redevelopment of an existing industrial estate to provide a Class B business park with an overall projected gross building area of approximately 90,000 m^2. The proposed development is to be divided into three phases. Phase 1 comprises the reconstruction of an existing 8-storey administrative and industrial building with a total area of about 18,000 m^2. As a result, the total space of the building, including the basement for technical facilities, will be approximately 20,500 m^2. Phase 2 will comprise the reconstruction of existing buildings № 9, 10, 12, 13, 16 and 17 with a projected gross buildings area of about 34,000 m^2. Phase 3 will comprise the reconstruction of the outstanding industrial building (№ 2) with a projected gross building area about 36,000 m^2. According the Moscow Government Decree No.419-ПП it is necessary to pay additional fees for land lease rights stated if the areas of existent buildings change during any new construction or reconstruction.	$27,850,000	$12,642,897	$73,500,000

Taking into account current market conditions, we have arrived at our opinion of Market Value on the basis that Phase I of the proposed development will be completed and that the remainder of the site will provide additional surface parking.

The property is located in the Southern Administrative District of Moscow, in the Danilovsky area. This district is currently characterised by a variety of industrial zones and heavy road traffic. However, the process of relocation of the industrial zones, due to the redevelopment of sites to provide business centres and residential accommodation, has resulted in a gradual improvement of the area.

In terms of accessibility, the Property benefits from good transport links, being within reasonable proximity of a number of major transport routes such as the Garden Ring and 'Third Transport Ring', which provide convenient access to the city centre. The closest metro station is Tulskaya, which is approximately 20 minutes walking distance.

The Company has a freehold title in the buildings and a leasehold interest in the land.

4.	**Ozerkovskaya Phase III**	The property is located at Ozerkovskaya Embankment 22-24 and is part of a larger multi-functional complex called 'Aquamarine'. The property comprises the proposed Class A office buildings together with residential apartments under construction having a gross building area of 76,844 m², located on a site of 1.44 hectares. Phase III includes four blocks of which three will provide office space and the fourth will be residential. Two underground levels are provided for parking. The blocks will be located along the edge of the site and form an internal yard. The residential element is of 'business class' standard. The residential block is located along the Ozerkovskaya embankment and has gross area of 10,407 m² and a net residential area for sale of 5,029 m². In total it comprises 48 apartments together with 96 underground car parking spaces. The business centre, having a gross building area of 66,437 m² and a leasable area of 41,325 m² will be provided together with 610 underground car parking spaces. Completion of construction for this phase is scheduled for the second half of 2010. The project is located in one of the most developed business districts in Moscow known as 'Zamoskvorechiye', within the Central Administrative District. The Property is located inside and within a short distance of the Garden Ring and the general area is one where both high office rents and residential prices are witnessed. The nearest metro stations are Paveletskaya and Novokuznetskaya, both of which are within a 10 minute walk. The Company has a 50% share in the freehold interest in the buildings and a leasehold interest in the land.	$63,400,000	$15,800,000	$169,800,000

5.	**Kosinskaya**	The property consists of two sites together with existing improvements. The first site comprises a Class B - office building located on a land plot of 6.565 ha. Reconstruction has been completed and at present letting is ongoing. The gross floor area of the building according the title documents is 111,770 m^2. The second site comprises two land plots having a total area of 3.8032 ha with existing disused buildings which are to be subject to demolition. The valuation envisages development of the two sites in tandem and we have assumed the construction of a retail scheme in the form of an enclosed market. The property is located in the 'East Administrative' District of Moscow at Kosinskaya Street 9, in the Veshnyaki area. The site is located close to a number of major transport routes, being bounded by the Moscow ring road to the east, and by Moldagulovoy Street to the north. The nearest metro station is Vikhino, which is located within a 10-15 minute walk. Ownership of the property is based on a freehold interest in the buildings and a leasehold interest in the land.	$171,800,000	$60,000,000	$240,000,000
		TOTAL	**$1,581,725,000**	**$427,956,359**	**$3,999,950,000**

3. Residential Projects

#	Property Name	Location, Description, Tenure & Tenancy	Market Value US$	Estimated market rental upon completion US$ per annum excluding VAT & Operating Expenses	Market Value on Completion US$
1.	**Ozerkovskaya Phase II**	The property is located at Ozerkovskaya Embankment 26 and is part of a larger multi-functional complex called ‘Aquamarine’. Phase II comprises a residential and hotel complex on a site with an area of 1.21 hectares and a combined gross building area of 50,144 m^2. The hotel will provide 4-star accommodation totalling 11,130 m^2 having 156 rooms and 31 car parking spaces. The hotel component of the development is not a subject of the valuation according to the client’s instruction. The residential element consists of three blocks with a gross building area of 39,014 m^2 and a net residential area for sale of 15,713.3 m^2 plus 2,668.6 m^2 of balcony space together with commercial premises for sale of 685 m^2. In total it comprises 114 apartments for sale as well as 401 underground car parking spaces. The residential space is of 'business class' standard. Operational permit has been obtained. External and internal finishing works are scheduled for the Q2 2009. The project is located in one of the most developed business districts in Moscow known as 'Zamoskvorechiye', within the Central Administrative District. The Property is located inside and within a short distance of the Garden Ring and the general area is one where both high office rents and residential prices are witnessed. The nearest metro stations are Paveletskaya and Novokuznetskaya, both of which are within a 10 minute walk.	$65,800,000	-	$90,200,000

		The Company has a 50% freehold interest in the residential buildings and a leasehold interest in the land with the exception of the hotel, 24 apartments and 48 car parking spaces, which are owned 100%. Residential accommodation totalling to 7,052.5 m2 has been sold (including balcony). As at the date of valuation, the Company owns the 5,373.2 m^2 of the apartment space together with 1,303.5 m2 of balconies and 342.5 m2 of the commercial premises.			
2.	**Four Winds Residential Building**	The residential building is located on a site with an area of 0.71 hectares. The gross building area is 47,129 m^2. The total number of apartments within the residential building equates to 108 and there are also a total of 321 car parking spaces. In addition to the principal uses, there is support retail accommodation and a fitness centre. As at the date of valuation, 12,364 m^2 of apartment space and 86 car parking spaces have been sold. Construction is due to be completed by the end of 2009. The property is located at Bolshaya Gruzinskaya Street 69/71. In terms of adjoining streets, it is bordered by 1st and 2nd Brestskaya Streets, 1st Tverskaya-Yamskaya Street, Tverskaya Zastava Square and Bolshaya Gruzinskaya Street. This location has good accessibility by car and by public transport. The nearest metro station is Belorusskaya located within five minutes walk. The Company owns a 50% share in the freehold interest for the buildings and leasehold interest for the land in the Four Winds.	$32,462,500	$1,919,700	$59,470,000

3.	**Otradnoye**	The property comprises a site with an area of 37.9 hectares upon which it is proposed to construct a residential development. Upon completion the Property will have an aggregate gross building area of 741,400 m^2 within eight 25-storey apartment blocks providing a total of 450,100 m^2 of 'economy class' residential accommodation, retail space totalling 22,000 m^2, commercial space totalling 17,960 m^2, common areas of 31,090 m^2 and parking of 106,400 m^2 (with 3,040 parking spaces). The projected completion date is scheduled for 2016. The property is located in Odintsovo, which is situated in the western part of Moscow Region within a forested and park belt. The city is situated 4 km to the west of Moscow between the Mozhajskoe and Minskoe highways. The Odintsovo district has both well developed transport infrastructure and accessibility and is considered to be one of the most ecologically attractive areas in Moscow Region. The Otradnoye district is located in the north-western part of Odintsovo. In terms of adjoining uses, the subject property is bordered by the 'Verhnee Otradnoye' settlement to the north while an area occupied by the Zvenigorodsky State lies on the north-western side. Marshala Biryuzova Street borders the site from the north-eastern side while Severnaya Street borders the site from the south-eastern side. The Company has a 94% share of the residential and 90% share of the commercial freehold interests in the property.	$149,525,000	-	$1,408,775,000

4.	**Botanic Garden**	The property comprises a proposed high-rise residential, development to include apartments, retail, offices and parking facilities. At present, the project is at the initial construction stage (retaining wall is completed). The valuation envisages development of high-rise building with a total area of 168,574 m^2. The total site area is 3.2 ha, including 2.68 ha for development. The building will be composed of three towers of various heights (2, 6, 35 and 45 floors) and a stylobate (two levels) and three underground levels. The Company has a freehold interest in the completed buildings (90% share) and leasehold interest in the land.	$67,400,000	$2,046,800	$431,425,000
		TOTAL	**$315,187,500**	**$3,966,500**	**$1,989,870,000**

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APPENDIX II

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 Jones Lang LaSalle'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 (Sixth Edition) published by the Royal Institution of Chartered Surveyors, by valuers who conform to the requirements thereof.

Except where stated, Jones Lang LaSalle and Jones Lang LaSalle 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. All property is considered as if free and clear of all mortgages or similar financial encumbrances, which may be secured thereon.

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

3. Source of Information:

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

4. Documentation:

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

5. Tenants:

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

6. Measurements:

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

7. Town Planning and Other Statutory Regulations:

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

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

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

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

8. Structural Surveys:

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

9. Deleterious Materials:

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

10. Site Conditions:

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

11. Environmental Contamination:

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

12. Insurance:

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

Composite Panels

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

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).

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.

APPENDIX III

EXTRACT FROM THE RICS VALUATION STANDARDS (6th edition)

MARKET VALUE

Definition and Interpretive Commentary. Reproduced from the RICS Valuation Standards 6th Edition, PS 3.2

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

Definition

'The estimated amount for which a property 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.'

Interpretive Commentary, as published in International Valuation Standard 1

3.2.

The term property is used because the focus of these Standards is the valuation of property. Because these Standards encompass financial reporting, the term Asset may be substituted for general application of the definition. Each element of the definition has its own conceptual framework.

3.2.1 'The estimated amount ...'

Refers to a price expressed in terms of money (normally in the local currency) payable for the property in an arm's-length market transaction. Market Value is measured as the most probable price reasonably obtainable in the market at the date of valuation in keeping with the Market Value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of Special Value.

3.2.2 '... a property should exchange ...'

Refers to the fact that the value of a property is an estimated amount rather than a predetermined or actual sale price. It is the price at which the market expects a transaction that meets all other elements of the Market Value definition should be completed on the date of valuation.

3.2.3 '... on the date of valuation ...'

Requires that the estimated Market Value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as of the effective valuation date, not as of either a past or future date. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise be made.

3.2.4 '... between a willing buyer ...'

Refers to one who is motivated, but not compelled to buy. This buyer is neither over-eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than on an imaginary or hypothetical market which cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present property owner is included among those who constitute 'the market'. A valuer must not make unrealistic Assumptions about market conditions or assume a level of Market Value above that which is reasonably obtainable.

3.2.5 '... a willing seller ...'

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

3.2.6 '... in an arm's-length transaction ...'

Is one between parties who do not have a particular or special relationship (for example, parent and subsidiary companies or landlord and tenant) which may make the price level uncharacteristic of the market or inflated because of an element of Special Value (defined in IVSC Standard 2, paragraph 3.8). The Market Value transaction is presumed to be between unrelated parties each acting independently.

3.2.7 '... after proper marketing ...'

Means that the property would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the Market Value definition. The length of exposure time may vary with market conditions, but must be sufficient to allow the property to be brought to the attention of an adequate number of potential purchasers. The exposure period occurs prior to the valuation date.

3.2.8 '... wherein the parties had each acted knowledgeably, prudently ...'

Presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the property, its actual and potential uses and the state of the market as of the date of valuation. Each is further presumed to act for self-interest with that knowledge and prudently to seek the best price for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the date of valuation, not with benefit of hindsight at some later date. It is not necessarily imprudent for a seller to sell property in a market with falling prices at a price which is lower than previous market levels. In such cases, as is true for other purchase and sale situations in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.

3.2.9 '... and without compulsion.'

Establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

3.3

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase, and without offset for any associated taxes.

Commentary

a. The basis of Market Value is an internationally recognized definition. It represents the figure that would appear in a hypothetical contract of sale at the valuation date. Valuers need to ensure that in all cases the basis is set out clearly in both the instructions and the Report.

b. Market Value ignores any existing mortgage, debenture or other charge over the property.

c. In the conceptual framework in IVS quoted above (para 3.2.1) it is clear that any element of special value that would be paid by an actual special purchaser at the date of valuation must be disregarded in an estimate of Market Value. Special value includes synergistic value, also known as marriage value.

d. IVS describes special value and synergistic value as follows:

- Special Value can arise where an asset has attributes that make it more attractive to a particular buyer, or to a limited category of buyers, than to the general body of buyers in a market. These attributes can include the physical, geographic, economic or legal characteristics of an asset. Market Value requires the disregard of any element of Special Value because at any given date it is only assumed that there is a willing buyer, not a particular willing buyer.
- Synergistic Value can be a type of Special Value that specifically arises from the combination of two or more assets to create a new asset that has a higher value than the sum of the individual assets.
- When Special Value is reported, it should always be clearly distinguished from Market Value.

e. Notwithstanding this general exclusion of special value where the price offered by prospective buyers generally in the market would reflect an expectation of a change in the circumstances of the property in the future, this element of ‘hope value’ is reflected in Market Value .Examples of where the hope of additional value being created or obtained in the future may impact on the Market Value include:

- the prospect of development where there is no current permission for that development; and
- the prospect of ‘synergistic value’ arising from merger with another property or interests within the same property at a future date.

f. When Market Value is applied to plant & equipment, the word ‘asset’ may be substituted for the word ‘property’. The valuer must also state, in conjunction with the definition, which of the following additional assumptions have been made:

- that the plant & equipment has been valued as a whole in its working place; or
- that the plant & equipment has been valued for removal from the premises at the expense of the purchaser.

Further information on plant & equipment valuation, including typical further assumptions that may be appropriate in certain circumstances, can be found in GN 2 and in IVS GN 3 – Plant & equipment.

g. Where the property includes land which is mineral bearing, or is suitable for use for waste management purposes, it may be necessary to make assumptions to reflect either the potential for such uses or, where the land is already in such use, to reflect any potential future uses that may be relevant. Further information on the valuation approach in these cases can be found in GN 4.

h. Where the property is personal property it may be necessary to interpret Market Value as it applies to different sectors of the market. Further information on this type of valuation can be found in IVSC GN 4 and 5.

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APPENDIX IV

VALUATION METHODOLOGY

Valuation Methodology

The properties comprise a number of development projects and investment properties.

The development properties are in differing stages of development, some being close to completion and others being at the very early stages of the development process. When undertaking the valuation of development sites, there are generally two approaches which can be adopted, the approach selected being generally dependent upon the specific market and characteristics of the property concerned.

The first approach which can be adopted is referred to as the 'sales comparable' approach. Where this relates to development sites, the approach involves the analysis of comparable transactions which are generally reported on an area basis, to which adjustments can then be made to reflect differences in location, size, volume of proposed development etc. Adoption of the sales comparison approach necessitates the existence of detailed information on the various transactions available. Where such information is available, for example from a database held by a Land Registry, then this approach can be particularly useful and enables the accurate assessment of the value of properties comprising sites held for development.

Adopting the sales comparison approach for the valuation of development sites in Russia is particularly difficult as a result of the lack of transparency in the market and a general shortage of detailed comparable evidence. This situation hinders the ability to accurately compare the sale of development sites, meaning that the approach is generally not capable of being adopted at present. This current situation is likely to start to change as the property market matures and the availability and credibility of transactional evidence improves.

As a result of the above we have not adopted this approach as the primary valuation methodology in arriving at our opinion of Market Value of the properties. Where we are aware of details of comparable transactions, we have had regard to them in arriving at our opinions and these are reflected within the Market Values adopted. However, given the relatively limited number of such transactions we have been required to adopt an alternative technique as the principal approach to valuation.

The second approach which can be adopted in valuing properties in the course of development is the income approach and, in particular, the residual approach to valuation. The residual valuation approach involves the calculation of the value of the property upon completion of the development, through the capitalisation of an anticipated rental income at a chosen yield, from which all costs required to develop the property are deducted, including an allowance, where appropriate, for a profit payment to the developer. This approach is particularly suitable for those properties which are in the course of construction, as are the majority of the properties considered for the purposes of this Valuation Report.

In adopting the residual approach to valuation, there are two different choices of methodology which can be used by the valuer assessing the Market Value of the asset. First, the discounted cash flow ("DCF") methodology can be used which involves the calculation of the net present value ("NPV") 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 an NPV of the cash flow, which is the sum available for the purchase of the site at the date of valuation.

The second methodology using the residual valuation involves adopting the more straightforward residual method, which does not entail the use of a full discounted cash flow. Using this method, the value of the property upon completion as at the valuation date is assessed, as opposed to a projected value in the DCF, and then all costs necessary to be incurred in order to realise the development of the property, allowing for an element of developer's profit where appropriate, are deducted to leave a sum which represents the Market Value of the site. The timing of the differing development stages is also reflected in this method in terms of the cost of financing the development, where incorporated, as is any income received upon completion prior to sale. In adopting this method we have employed the use of the 'Argus' valuation software and, therefore, will refer to it as the 'Argus method.

Both the DCF and 'Argus' residual methods contain a variety of different variables, such as development costs, income, capitalisation rate/exit yield and, within the DCF, a discount rate. Small changes in these variables can result in relatively significant changes in the Market Value obtained and, therefore, each of these variables should be thoroughly researched in order that the inputs adopted are fully supportable.

It should be noted that, with specific regard to property valuation in Russia, where the DCF methodology to residual valuation is most commonly adopted, there is generally no explicit allowance for the cost of debt. As a result, the discount rate used will reflect the anticipated return the developer requires to undertake the development implicit of the need to fund, or purely reflecting a return on capital employed. The DCF method also requires the estimation of an exit yield upon the forecasted sale of the completed development.

Given the above factors, in arriving at our opinions of Market Value, we have adopted the 'Argus' method as the basis of our residual valuations. In comparison with the DCF methodology, fewer of the variables adopted within the 'Argus' basis are projected and, with the exception of the yield used to calculate the value upon completion, there is no requirement to adopt a discount rate, which is not only required to reflect perceived investor requirements for investments of this type, but also lacks of an explicit allowance for funding within the cash flow. The principal variables within the 'Argus' method are all effectively as at the date of valuation, including the capitalisation rate adopted, construction costs and rental levels. We consider this to be a very persuasive reason to adopt such a methodology, given the dynamic nature of the Russian property market at present and looking forward to the short and medium term.

We have also allowed for the financing of a proportion of the development costs of each project and are of the opinion that this is a realistic assumption, although as at the valuation date the ability to finance property developments is limited. In addition, the majority of the properties under consideration are of a highly institutional standard and we consider that the majority of developers seeking to develop such schemes would seek to finance the construction costs.

In terms of those elements of the properties which are income producing, we have adopted the income approach to valuation whereby we have capitalised the income received for the terms of the existing leases agreements. Where such leases are then terminated to allow for the redevelopment of the site, this has been reflected within the development appraisals while those leases which are assumed to be renewed at market rents have then been capitalised into perpetuity.

Valuation Approach

In addition to the above general valuation methodology, we would point out the following specific assumptions and bases of valuation we have taken into account in arriving at our opinions of Market Value:

<u>Pre Development</u>

In those instances where the nature of the ‘Project’ has been agreed with the City Authorities, we have assumed that the subject property will be developed in accordance with this blueprint, unless we have considered it prudent to adopt our own assumed concept.

<u>Development</u>

Where we have considered it appropriate, we have assumed that the proposed projects will be developed in phases in order to bring a manageable amount of supply to the market in stages.

In terms of construction costs, we have had regard to those budgeted costs provided to us by the Company and have taken these into account in considering our opinions of value. However, we have also had regard to current construction rates passing in the market which a prospective purchaser may deem appropriate to adopt in constructing each individual scheme. Although in some instances we have adopted the budgeted costs provided to us by the Company, in some cases we have opted to use own opinions of costs.

Where there are outstanding payments to be made in respect of the acquisition of rights or costs of permitting, we have adopted those figures provided to us by the Company. In addition, with regard to outstanding costs for the provision of utilities together with the undertaking any road or transport works we have also adopted those figure provided to us by the Company. We have assumed that these costs are accurate.

With regard to Valued Added Tax (“VAT”), our valuations of the commercial elements of the property are effectively assumed to be tax transparent. However, in respect of those parts of the properties which include residential accommodation, VAT (at the rate of 18% in Russia) is not recoverable on construction costs and, therefore, our cost assumptions include this tax within our calculations.

<u>Post Development</u>

Rental values have been assessed as at the date of valuation but having regard to the existing occupational markets taking into account the likely supply and demand dynamics anticipated during the anticipated development periods concerned.

We have assumed that upon completion, the properties will be let in line with market practices in terms of lease lengths, indexation of rents and recoverability of costs. The length of lease will vary depending upon the property type but, generally, these tend to be for periods of between three and five years. In terms of indexation, we have not explicitly reflected the indexation of rents in arriving at our opinions of value. We have assumed standard letting fees within our valuations.

Upon completion of construction we have adopted our opinion of an appropriate holding period prior to the sale of the property. This period represents our considered view of the period a developer would hold the property in order to reach a target occupancy level and to be able to demonstrate a stable income flow to potential investors. It should be understood that this opinion would not necessarily concur with the assumptions of the actual owner or developer.

In arriving at our estimates of gross development value ("GDV"), we have capitalised our opinion of net operating income ("NOI"), having deducted any anticipated non-recoverable expenses, such as property tax, and permanent void allowance, which has then been capitalised into perpetuity. All rents are exclusive of VAT.

The capitalisation rates adopted in arriving at our opinions of GDV reflect our opinions of the rates at which the properties could be sold for on the assumption that they are completed as at the date of valuation. The adopted capitalisation rates reflect our opinions of where we consider rates to be at present, although as a result of a lack of transparency in the market, and a relatively limited number of concluded transactions, this is a subjective exercise to a certain extent.

In terms of residential accommodation, the sales prices per m^2 again reflect current market conditions and represent those levels we consider to be achievable at present. We have assumed that there are no irrecoverable operating expenses and that all costs will be recovered from the occupiers/owners by way of a service charge.

Our valuations take into account the requirement to pay property tax and ground rental payments and these are assumed not to be recoverable from the occupiers. Property tax is assessed on the book value of property, excluding the proportion relating to the land value, and currently equates to 2.2% of this sum, although the actual sum payable varies depending upon the tenure type. In terms of ground rent payments, we have assessed these on the basis of information provided to us by the Company, where available, and if not provided we have calculated these payments based on current legislation defining the basis of these assessments.