

**Strictly Confidential  
For Addressee Only**

**10.93 hectares Land  
Plot located at the  
address:**

**massive #12, territory of  
Prylimanskiy village  
council, Ovidiopol  
district, Odessa region,  
Ukraine**

**Report and Valuation for**

**IFRS purposes**

**Europort Ukraine LLC**

**Valuation Date**

**October 3rd, 2008**



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## Executive Summary

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### massive #12, territory of Prylimanskiy village, Ovidiopol district, Odessa region, Ukraine

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Valuation Date: October 3rd, 2008

Address: The Property is located at the address: massive #12, territory of Prylimanskiy village council, Ovidiopol district, Odessa region, Ukraine.

Property Description: The subject Property represents a land plot with total area of 10.93 ha. The total area of land consists of six adjoining sites of similar size each of which have approved commercial use.

Currently there are no buildings on the site and the land is greenfield. The site is intended for the development of the Business park with total building area of 103,150 sqm.

As at the date of valuation the process of obtaining a Construction Permit is ongoing. According to the information provided us by the Client and the Agreement # CA1 dated March 14, 2008, concluded between the Client and LLC "Progress-stroy" on preparing construction planning documents for the obtaining of permission for carrying out of the construction works (Stage "P" (Project)) the Construction Permit is supposed to be obtained in September 2008.

It is planned to construct a modern business park comprising Offices, Multiflexes, Distribution warehouses and Hotel with Conference Centre. The total number of parking places is planned to be 2,037 including 1,689 of above ground places for private car, 40 above ground places for trucks and 308 split parking places for private car.



Subject Land plot



Junction

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Tenure: The tenure of the land plot is freehold.

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## massive #12, territory of Prylimanskiy village, Ovidiopol district, Odessa region, Ukraine

|                  |   |
|------------------|---|
| Title Documents: | <p>State Act about right of ownership to land with area 1,8337 hectares, located at the address: plot # 240/1, massive #12, territory of Prylimanskiy village council, Ovidiopol district, Odessa region, issued by Ovidiopolskyy district department of Land Resources of Odessa region to LLC "Europort-Ukraine", Series ЯД # 960935;</p> <p>State Act about right of ownership to land with area 1,8369 hectares, located at the address: plot # 240/2, massive #12, territory of Prylimanskiy village council, Ovidiopol district, Odessa region, issued by Ovidiopolskyy district department of Land Resources of Odessa region to LLC "Europort-Ukraine", Series ЯД # 960936;</p> <p>State Act about right of ownership to land with area 1,8108 hectares, located at the address: plot # 241/1, massive #12, territory of Prylimanskiy village council, Ovidiopol district, Odessa region, issued by Ovidiopolskyy district department of Land Resources of Odessa region to LLC "Europort-Ukraine", Series ЯД # 960937;</p> <p>State Act about right of ownership to land with area 1,8108 hectares, located at the address: plot # 241/2, massive #12, territory of Prylimanskiy village council, Ovidiopol district, Odessa region, issued by Ovidiopolskyy district department of Land Resources of Odessa region to LLC "Europort-Ukraine", Series ЯД # 960938;</p> <p>State Act about right of ownership to land with area 1,8183 hectares, located at the address: plot # 242/1, massive #12, territory of Prylimanskiy village council, Ovidiopol district, Odessa region, issued by Ovidiopolskyy district department of Land Resources of Odessa region to LLC "Europort-Ukraine", Series ЯД # 960939;</p> <p>State Act about right of ownership to land with area 1,8183 hectares, located at the address: plot # 242/2, massive #12, territory of Prylimanskiy village council, Ovidiopol district, Odessa region, issued by Ovidiopolskyy district department of Land Resources of Odessa region to LLC "Europort-Ukraine", Series ЯД # 960940.</p> |
|------------------|---|

**Market value** **\$15,300,000**

Developer Profit 25%

Project IRR 32%

**Market value** **\$18,000,000**

**on the assumption  
Construction Permit  
is in place**

Developer Profit 23%

Project IRR 30%

This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.

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## A Valuation Report

**To:** Europort Ukraine LLC

**Attention:** Mr. Gibor O.O.

**Borrower:** Europort Ukraine LLC

**Property:** Land plot of commercial use, located at the address: massive #12, territory of Prylimanskiy village council, Ovidiopol district, Odessa region, Ukraine; total area 10.93 ha

**Report Date:** 3rd of October, 2008

**Valuation Date:** 3rd of October, 2008

**Cushman & Wakefield**  
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### 1 Instructions

#### Appointment

We are pleased to submit our valuation report, which has been prepared for financial reporting purposes. The property and interests valued are detailed in Part B.

The valuation has been carried out in accordance with the instructions detailed in Part C of this report. The extent of our professional liability to you is also outlined within these instructions.

### 2 Background to the Valuation

You have told us that the valuation report is required for financial reporting purposes and that these financial statements are being prepared in accordance with IFR. You have also confirmed the property have been classified for this purpose as shown in Part B.



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### Property History

The property of 10.93 ha was recently (March 2008) purchased by LLC "Europort Ukraine" for **14,243,429 \$** (68,988,050 UAH, official exchange rate on October 3, 2008 is 1USD = 4,8435 UAH). The transactions were made on the ground of the following Sale contracts:

Sale contract for the land plot **1.8337** ha, series BKI # 376986, # 376987, # 376988, certified on March 14, 2008 by private notary of Odessa city notary district, registered under the # 870, sale price is **\$2,389,848**.

Sale contract for the land plot **1.8369** ha, series BKI # 377003, # 377004, # 377005, certified on March 14, 2008 by private notary of Odessa city notary district, registered under the # 882, sale price is **\$2,394,019**.

Sale contract for the land plot **1.8108** ha, series BKI # 376972, # 376973, # 376974, certified on March 14, 2008 by private notary of Odessa city notary district, registered under the # 858, sale price is **\$2,360,003**.

Sale contract for the land plot **1.8108** ha, series BKI # 376976, # 376977, # 376978, certified on March 14, 2008 by private notary of Odessa city notary district, registered under the # 864, sale price is **\$2,360,003**.

Sale contract for the land plot **1.8183** ha, series BKI # 376996, # 376994, # 376998, certified on March 14, 2008 by private notary of Odessa city notary district, registered under the # 876, sale price is **\$2,369,778**.

Sale contract for the land plot **1.8183** ha, series BKI # 377017, # 377015, # 377019, certified on March 14, 2008 by private notary of Odessa city notary district, registered under the # 894, sale price is **\$2,369,778**.

We believe that the property was given wide exposure to the open market prior to the transaction being agreed.

At the date of valuation the Client has a Concept of Office and Warehouse Complex consisting of office, hotel, convention centre, and objects for commercial, public and warehouse purposes with total construction area of 103,150 sq m. The Client has concluded the Agreement with LLC "Progress-stroy", # CA1, dated March 14, 2008, on carrying out works on preparing,



approving and confirming construction planning documents for obtaining Construction Permission. According to the terms of the Agreement the Construction Permission is expected to be obtained on September 2008.

### **Bases of Valuation**

The valuation and report has been prepared in accordance with the RICS Valuation Standards, 6<sup>th</sup> Edition as amended (the "Red Book") by a valuer acting as an External Valuer, as defined within the Red Book.

### **Bases**

The property in Part B has been valued on the following bases:

- Market Value of the empty property having regard to development potential.

### **Definitions**

Our Principal Terms of Appointment As Valuers (within Part C) contain full definitions of the Red Book valuation bases.

### **'Market Value'**

PS 3.2 of the Red Book defines Market Value 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.”

### **Valuations under IFRS**

The Red Book PS 3.6 stipulates that valuations for financial statements shall be in accordance with the IVSC International Valuation Application 1 (IVA 1).

The application states that the professional Valuer undertaking a valuation for financial statements purpose should report the Market Value of the asset. (PS 3.6 para 3). Any



assumptions or qualifications made in applying Market Value should be discussed with the entity and disclosed in the report.

### **3 Assumptions, Departures and Reservations**

As it was previously agreed with the Client in our report we will provide two value of the subject property:

- one of which as at current stage on the date of valuation, when Construction Permit is in the process of applying for approval from the authorities, where a positive result is expected in the nearest future,
- and other on the Special Assumption that the Construction Permit is in place.

In addition, the Glossary within the Red Book defines a Special Assumption as an assumption that either:

- requires the valuation to be based on facts that differ materially from those that exist at the date of valuation; or
- is one that a prospective purchaser (excluding a purchaser with a special interest) could not reasonably be expected to make at the date of valuation, having regard to prevailing market circumstances.

You should note that if the Special Assumptions above were not adopted there could be a material difference in value.

We have made no Departures from the Red Book. Our valuation is made without any reservations or special instructions.

### **4 Inspection**

The subject property was inspected on the 5th of July, 2008. The property was inspected externally from ground level by Vitalina Gagulina, Valuer, Valuation & Advisory Department (Certificate MF #2132, issued by the State property Fund of Ukraine). No measured surveys have been carried out by C&W and we have relied entirely on the site areas and dimensions



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stated in the documents provided us by the Client. We have assumed that these are correct and calculated on the appropriate basis, as normally adopted by the local property market.

## **5 Sources of Information**

In addition to information established by us, we have relied on the information obtained from you, the borrower and others listed in Part C.

## **6 General Comment**

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgements that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you or the borrower contemplate a sale, we strongly recommend that the property is given proper exposure to the market. In a rapidly rising market, or in the case of a property with development potential, the inclusion of a 'clawback' provision in the sale contract should also be considered, so that further sums become payable if the property is quickly re-sold at a profit.

You should not rely on this report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.

### **Currency**

The property has been valued in the US dollars. The data has been converted to the US dollars, adopting an exchange rate of the National bank of Ukraine at the date of valuation. On 3rd October 2008 the exchange rate of US dollar against UA hryvna is 4.8435.



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## **7 Valuation**

### **Market Value**

In evaluating Market Value we've implemented Sales Comparable Approach and Residual Development Appraisal.

The Market Value of the site is:

**\$ 15,300, 000**

**(Fifteen Million Three Hundred Thousand USA dollars)**

The Market Value on the Special Assumption the Construction Permit is in place is:

**\$ 18,000,000**

**(Eighteen Million USA dollars)**

## **8 Confidentiality**

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.



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## 9 Disclosure and Publication

Save for your requirement to disclose our valuation report under applicable Israeli Security Laws, where our consent is hereby given, you must not disclose the contents of this valuation report to any other third party in any way without first obtaining our written approval to the form and context of the proposed disclosure. You must obtain our consent, even if we are not referred to by name or our valuation report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made.

Signed for and on behalf of Cushman & Wakefield

**Roy Gregory FRICS**

Director of Valuation and Advisory

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## **Appendix 1     Draft Reference for Publication**

### **Draft Reference for Publication (under IFRS)**

Europort Ukraine LLC's properties were valued on 3 October 2008 by Cushman & Wakefield, acting as an External Valuer. The valuations were in accordance with the requirements of the RICS Valuation Standards and the International Valuation Standards. The valuation of the property was on the basis of Market Value, subject to the following assumption:

- Property held for Development: would be sold with vacant possession in its existing condition.

In addition, Market Value has also been provided on the Special Assumption that the Construction Permit for the proposed development is in place.

The valuer's opinion of Market Value was primarily derived using an estimate of the future potential net income generated by the proposed development of the property.

This is the first occasion that the signatories to this report have been signatory to valuations for you for the stated purpose.

Cushman & Wakefield has no other material relationship with you.



## B Property Report

### **massive #12, territory of Prylimanskiy village, Ovidiopol district, Odessa region, Ukraine**

We inspected the property on the 5th of July, 2008. The property was inspected externally from ground level by Vitalina Gagulina, Valuer, Valuation & Advisory Department.

#### 1 Location

Map is attached at Appendix 1.

|  |           |
|--|-----------|
| a. Overall quality   | Secondary |
| b. Prospects of the location (both macro and micro) over the term of the proposed loan | Improving |

The site is located in Odessa region on the intersection of Ovidiopol Road T- 1604, Kiev-Odessa Highway M-05 (E-95) and Bypass Highway at approximately 10 km distance from the Odessa city boarder and about 12 km from Central Odessa Airport. The huge market (bazaar) is a prominent landmark and an important integral part of the wealth of the Odessa city and which acts as a major attraction to many private retailers who come from all of Ukraine to buy cheap goods is situated in approximately 2-3 km from the subject site. The area within 10 to 15 minutes transportation distance from the site on Ovidiopol Road is predominantly green field and residential property.

The micro-market where the land plot is located, in Ovidiopol district, had been significantly changed during recent years. There are some existing residential areas that are developing very quickly.



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| Locality                                      | Distance, km |
|---|--------------|
| Sign indicating entry into the city of Odessa | 10           |
| Odessa Airport through the main road          | 12           |
| Odessa Airport through the internal road      | 3            |
| "7 km" huge open-air market                   | 2-3          |
| Odessa Seaport                                | 20           |
| City of Ilichevsk, Ilichevsk Seaport          | 40           |

### **Borders (Neighbourhood)**

The subject land plot borders with the following properties:

- From the North – junction of Ovidiopol Road T- 1604, Kiev-Odessa Highway M-05 (E-95) and Bypass Highway;
- From the West - Bypass Highway;
- From East – green field and Ovidiopol Road T- 1604;
- From South – green field zone.

### **Access**

The Ovidiopol Road T- 1604 (Odessa-Ilichevsk road) and Kiev-Odessa Highway (E-95) is the core access road to the property. Kiev-Odessa Highway connects to the main motorways to the western and south-eastern regions (Crimea) of Ukraine, Moldova, Romania, Russia and Belarus.

### **Visibility**

The land plot fronts Ovidiopol Road and is visible from the junction of Ovidiopol Road T- 1604, Kiev-Odessa Highway M-05 (E-95) and Bypass Highway.

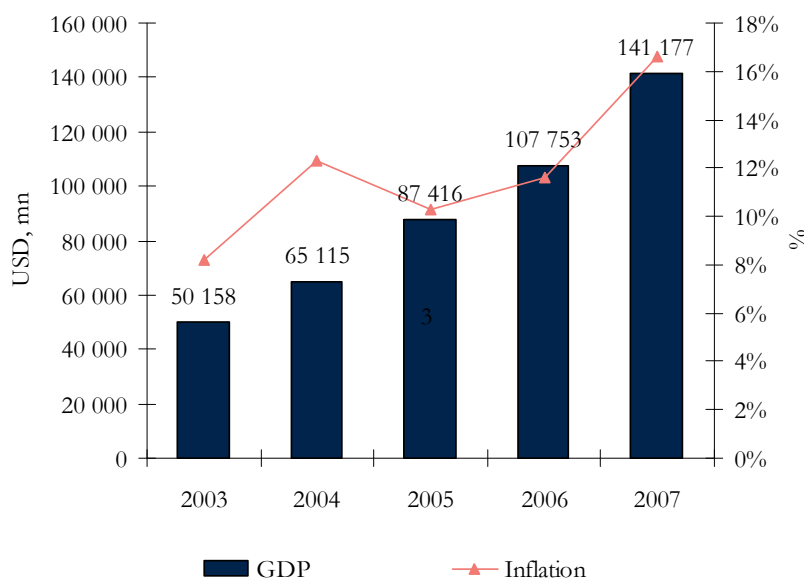


## 2 Demographics and Local Economy

Over the last 7 years the economy of Ukraine has performed well. Ukraine's GDP showed 7.6 % growth, year on year or performed \$ 141 bln in 2007. GDP was mostly generated by wholesale and retail trade turnover (28,9%), construction (15,6%) manufacturing industries output growth (13,1%), an upsurge in foreign demand for major Ukrainian exports (metals, chemicals and machinery), good performance of the fiscal system, and considerable FDI inflow. Since 1991 Ukraine has enjoyed \$ 26,857 bln FDI. In 1H 2007 Ukraine received \$ 3, 27 bln FDI, the real estate market portion was up to \$ 1 bln, a boost of 31,5% vs. 2006. About \$ 1 bln was attracted into the country via IPO. In spite of FDI growth, per capita it is still low - \$ 576, 2.

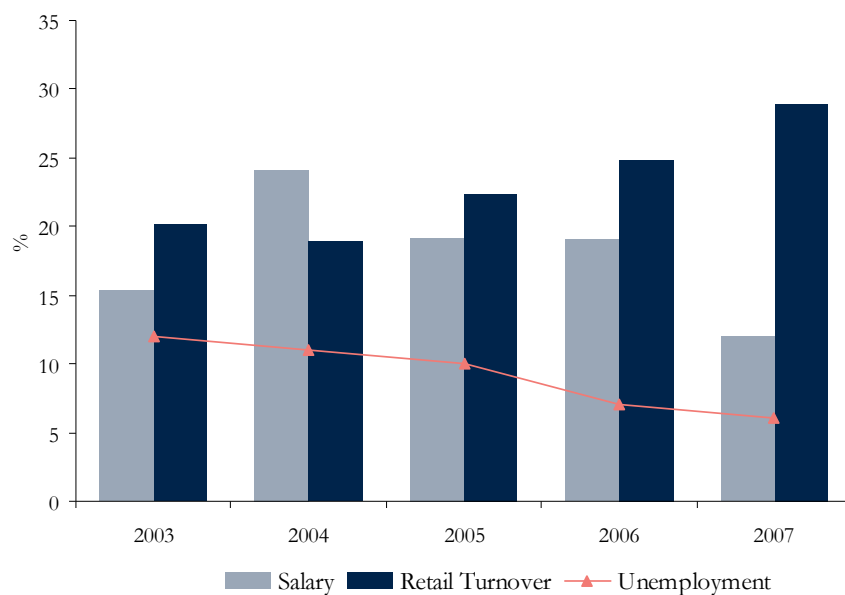
Inflation in Ukraine for the 4th year in a row is still high, showing on average an annual 16,6% growth. Inflation may be partially explained by a higher increase in salaries (12.2%), than in productivity. It results in household consumption growth (53% of income spent in the food & beverage segment) which in turn is reflected in producer's sale price increase PPI - 23.3%.

**Main macroeconomic indicators of Ukraine**





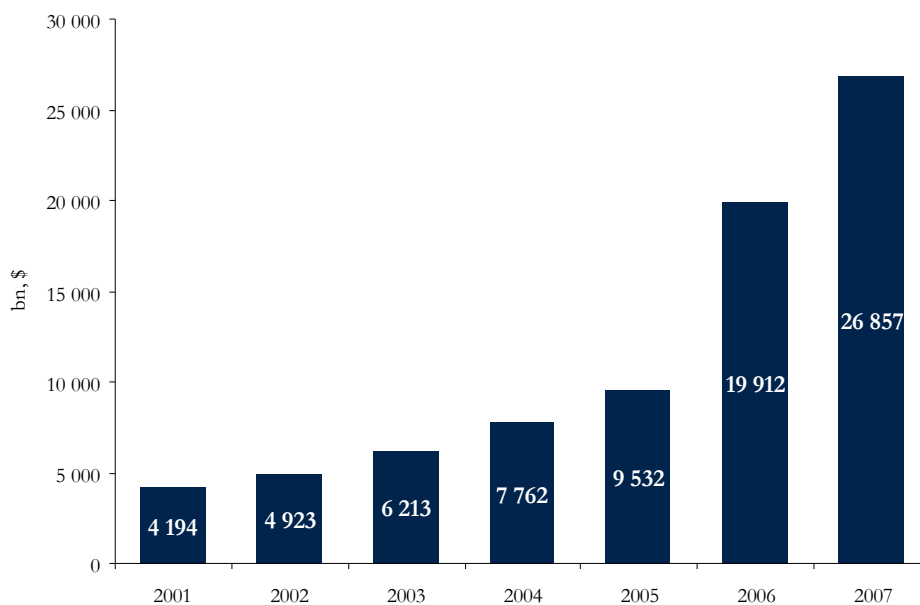
Salary, Retail turnover, Unemployment Growth, %



| Ukraine                | 2003  | 2004  | 2005  | 2006 | 2007  |
|------------------------|-------|-------|-------|------|-------|
| GDP, %                 | 9,6   | 12,1  | 2,7   | 7,3  | 7,6   |
| CPI, %                 | 8,2   | 12,3  | 10,3  | 11,6 | 16,6  |
| Retail Turnover, %     | 20,6  | 18,9  | 22,4  | 26,5 | 28,8  |
| Foreign Investments, % | 144,3 | 170,3 | 348,2 | 60,1 | 167,1 |
| Real Salary, %         | 15,2  | 23,8  | 20,3  | 18,3 | 12,5  |



### Dynamics of foreign direct investments



FDI mostly originate from Germany (23,5%), Cyprus (17.1%), and Austria (8.1%), also Netherlands and Great Britain – about 7%. The most attractive industries are metallurgy, financial services, construction and real estate, manufacture industry and retail.

### 3 Description of the future project

|                                     |                               |
|-------------------------------------|-------------------------------|
| a. Classification                   | Property held for development |
| b. Predominant use                  | Office park/warehouse         |
| c. Approximate date of construction | Start 1Q2009<br>Finish 4Q2012 |
| d. Overall supposed quality         | Good                          |

#### General

Business park with total building area of 103,150 sqm.



It is planned to construct a modern business park comprising Offices, Multiflexes, Distribution warehouses and Hotel with Conference Centre.

Photographs are included in Appendix 2.

### Parking Provision

The total number of parking places is planned to be 2,037 including 1,689 of above ground places for private car, 40 above ground places for trucks and 308 split parking places for private car.

The Project area breakdown is as following

| Zone  | Use                                       | Construction area, sqm |
|---|---|------------------------|
| Zone 1  | Front Office building (12 storey)         | 11,892                 |
|   | Office park (6, 7 and 8 storey buildings) | 33,365                 |
| Zone 2  | Flex                                      | 24,475                 |
|   | Flex Multiuse                             | 6,025                  |
|   | Flex Office                               | 18,450                 |
| Zone 3  | Warehouse                                 | 22,260                 |
|   | Distribution                              | 15,560                 |
|   | Office above service access               | 6,700                  |
| Zone 4  | Conference Centre                         | 5,212                  |
| Zone 5  | Hotel                                     | 5,946                  |
| <b>Total construction area of the project</b> |   | <b>103,150</b>         |

## 4 Site

### Description

The site is flat with irregular shape. The total area of the site is 10.93 hectares. The land plot consists of six plots with area of 1.8183 ha, 1.8183 ha, 1.8108 ha, 1.8108 ha, 1.8369 ha and 1.8337 ha as described in State Acts about the right of ownership. With respect to the Acts of ownership the sites are for commercial purposes (land use is for building and exploitation of commercial, public and storage purposes in a structure of trading and storage complex).



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### Services

The main services (gas, water, electricity) are near the site.

### Buildings

There are no buildings and any significant vegetation on the site.

### Ground Conditions

We are not aware about any evidence that the property has been affected by adverse ground conditions (E.g. radon, mining, subsidence, land-fill, etc.)

### Archaeology

We understand that the site has no archaeological significance.

## 5 Environmental Considerations

We are not aware of any potential sources of contamination to the property, either current or historic, and we found nothing during our inspection to give cause for concern.

In view of the characteristics and history of the property we would not expect there to be any outstanding environmental issues.

## 6 Town Planning and Statutory Considerations

|                             |  |
|-----------------------------|--|
| a. Local planning authority | Prilimanskiy Village Counsel of the Ovidiopol District, Odessa Region  |
| b. Current planning use     | For building and exploitation of commercial, public and storage purposes in a structure of trading and storage complex |
| c. Conservation area        | No   |
| d. Outstanding applications | No   |



## 7 General

### BRIEF OVERVIEW OF ODESSA

Odessa is the main port city located on the Black Sea coast in the South-Western part of Ukraine. There are 7 ports in the Odessa region, including one in Odessa, Yuzhniy, Izmail, and Illichevsk. Odessa region borders with Moldova and Romania on the West, Vinnitsa and Kirovograd regions on the North, Nikolaev region on the East and Turkey and Bulgaria on the South. Being accessed from the Azov and Black Seas, the Dunay, Dnestr, Dnepr and Don Rivers make Odessa region a strategic location.

#### Demographic Profile

| Population               | Area        | Population density                 |
|--------------------------|-------------|------------------------------------|
| 1,000,583 (January 2007) | 139,5 sq km | 6,254 persons/sq km (January 2007) |

Odessa is inhabited by ca. 1 mln. people, while the Odessa Metropolitan Area's population comprises around 1.19 mln. citizens. The vast majority of residents are of working age while the population of the city is gradually increasing due to the migration of people from neighbouring regions with the ever increasing employment opportunities in Odessa.

| Administrative Division of Odessa |                                      |
|-----------------------------------|--------------------------------------|
| District                          | % Share Relative to Total Population |
| Kyivkyi                           | 26.0                                 |
| Malynovskyi                       | 25.0                                 |
| Prymorskyi                        | 15.1                                 |
| Suvorovskyi                       | 26.3                                 |



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The number of households in Odessa comprises ca. 385 000 with families average size of 2.6 persons per household.

### **Economic and Labor Profile**

Odessa is considered one of the core economic centres of Ukraine. Within the international labor division system the city plays an important role in terms of international trade and transport. It is considered a major trade-industrial center. The main spheres are transport, processing industry, agriculture, retail, real estate and construction, shipbuilding, oil processing, machine building, metal-working industry, agriculture, chemical industry, light and food industry. Banking, finance, insurance, trade and other service sectors are relatively well developed in the city.

More than 40 000 private enterprises are registered in Odessa. Some them are: “Odessa plant of Champagne wines”, “Shustov – Odessa cognac plant”, “Odessa alcoholic beverage plant, Odessavinprom, ‘Baltic concentrated milk factory”, and others.

Odessa oil processing plant ‘Lukoil’ is a part of closed production cycle of Russian oil processing company “Lukoil”. The company owns 215 gas stations, 46 of which are located in Odessa region.



### Macroeconomic indicators of Odessa

|  | 2003       | 2004      | 2005      | 2006       | 2007       |
|--|------------|-----------|-----------|------------|------------|
| Volume of products sold (services, products), thousand UAH | 32,312,111 | 3,580,358 | 6,161,978 | 4,993,509  | 7,057,283  |
| Volume of products sold (services, products), thousand USD | 639,843    | 708,981   | 1,220,193 | 988,814    | 1,397,482  |
| Index of industrial production                             | 117        | 93        | 87        | 75         | 104        |
| Volume of performed construction work, mln UAH             | 667        | 688       | 987       | 1,345      | 1,929      |
| Freight turnover <sup>2</sup> , mln. tkm                   | 341        | 516       | 651       | 783        | 384        |
| Passenger turnover <sup>2</sup> , mln.pass. km             | 10,543     | 2,348     | 2,421     | 2,418      | 2,488      |
| Export of goods, thousand USD                              | 720,911    | 726,332   | 639,903   | 367,837    | 484,527    |
| Import of goods, thousand USD                              | 946,852    | 1,041,299 | 1,522,103 | 1,518,979  | 1,698,133  |
| Balance (+,-) thousand USD                                 | -225,941   | -314,967  | -882,200  | -1,151,142 | -1,213,606 |
| Retail turnover (thousand UAH                              | 1,920,565  | 2,804,846 | 3,952,535 | 55,526,723 | 7,810,933  |
| Retail turnover (thousand USD)                             | 380,310    | 555,415   | 782,680   | 1,099,539  | 1,546,719  |
| Average salary   |            |           |           |            |            |
| Nominal, UAH.  | 550        | 654       | 860       | 1,072      | 1,354      |
| real, %  | 112        | 123       | 122       | 115        | 111        |
| Unemployment, %  | 0.4        | 0.3       | 0.3       | 0.3        | 0.3        |
| PPI  | 119        | 117       | 111       | 118        | 115        |
| CPI  | 106        | 109       | 111       | 109        | 119        |



|  | 2003    | 2004    | 2005    | 2006    | 2007    |
|--|---------|---------|---------|---------|---------|
| <b>FDI , thousand USD</b>                        | 221,740 | 311,739 | 369,835 | 422,061 | 501,270 |
| <b>Hotels and hostels revenue (thousand UAH)</b> | 45,602  | 58,496  | 71,083  | 94,693  | 123,877 |
| <b>Number of tourists, (people)</b>              | 326,239 | 98,488  | 108,341 | 127,345 | 132,893 |
| <b>including</b>                                 |         |         |         |         |         |
| <b>Foreign visitors</b>                          | 111,759 | 51,890  | 48,647  | 56,801  | 52,228  |
| <b>Ukrainian citizens, who travelled abroad</b>  | 17,037  | 25,182  | 28,458  | 36,181  | 44,683  |
| <b>Local tourists</b>                            | 197,443 | 21,416  | 31,236  | 34,363  | 35,982  |

#### Indexes of industrial production by economic activity

|  | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|------|------|------|------|------|------|------|
| <b>Industry</b>  | 130  | 108  | 118  | 97   | 100  | 91   | 117  |
| <b>Mining industry</b>   | 120  | 112  | 125  | 98   | 137  | 336  | 76   |
| <b>Extraction of mineral resources except fuel and power</b>     | 120  | 112  | 125  | 98   | 137  | 336  | 76   |
| <b>Reclamation industry</b>                                      | 131  | 108  | 118  | 98   | 100  | 90   | 117  |
| <b>including</b>   |      |      |      |      |      |      |      |
| <b>Production of foodstuffs, drink, tobacco</b>                  | 114  | 123  | 136  | 93   | 116  | 112  | 102  |
| <b>Light industry</b>  | 121  | 92   | 111  | 251  | 43   | 80   | 105  |
| <b>Woodworking, production of goods in wood except furniture</b> | 99   | 99   | 81   | 103  | 175  | 66   | 141  |
| <b>Production of pulp and paper, publishing activity</b>         | 113  | 96   | 103  | 117  | 110  | 118  | 114  |

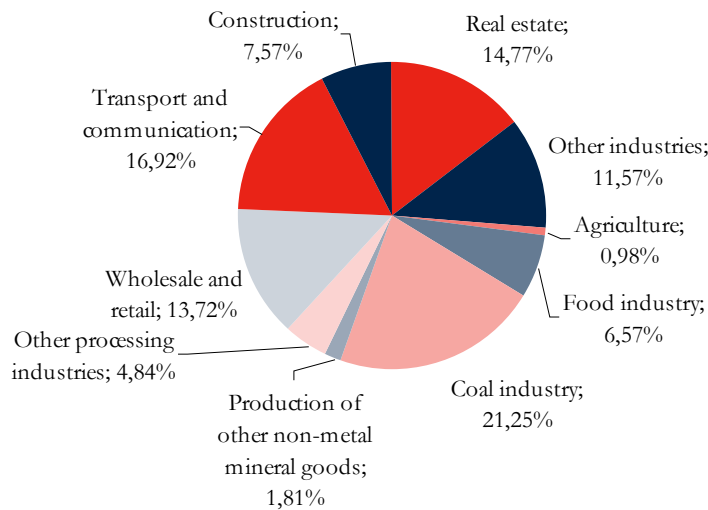


|  | 2001  | 2002 | 2003  | 2004  | 2005  | 2006 | 2007  |
|--|-------|------|-------|-------|-------|------|-------|
| Production of coke, oil-refining products                    | 170   | 113  | 113   | 83    | 58    | ...  | ...   |
| Chemical and petrochemical industry                          | 103   | 101  | 103   | 104   | 111   | 99   | 105   |
| chemical production  | 102,4 | 99,6 | 102,7 | 104,2 | 110,7 | 99,4 | 104,2 |
| production of rubber and plastic goods                       | 144   | 116  | 117   | 108   | 113   | 102  | 110   |
| Production of other no metallic mineral products             | 109   | 103  | 114   | 107   | 126   | 116  | 108   |
| Metallurgical production and production finished metal wares | 103   | 86   | 106   | 131   | 107   | 128  | 94    |
| Machinery construction                                       | 137   | 100  | 130   | 115   | 122   | 101  | 146   |
| production of machines and equipments                        | 128   | 111  | 140   | 115   | 120   | 104  | 102   |
| production of electrical, electronic and optical equipments  | 124   | 108  | 133   | 114   | 100   | 97   | 106   |
| production of transportations and equipments                 | 183   | 75   | 115   | 115   | 129   | 102  | 166   |
| Production and distribution of electric power, gas and water | 95    | 128  | 108   | 72    | 95    | 107  | 119   |

According to State Statistics Odessa occupies 4<sup>th</sup> position in FDI attractiveness.



**Structure of FDI to Odessa city (2006)**



American company “Bunge Limited” realized the most prominent investment of \$36 mln for the construction of plant for sunflower seed oil production

Moreover, due to its costal location, Odessa is a popular recreation and tourist destination rivaling any of the Black Sea resorts.

Due to an increase of the number of employment opportunities in Odessa, the unemployment rate is dwindling whilst the wage/salary level rose to ca. UAH 1 354 (ca. EUR 174) in 2007.

**Consumer Behavior and Purchasing Power**

The expenditure structure of a typical Ukrainian household, including inhabitants of Odessa, is presented as follows.



| Expenditure Structure   |                                      |
|---|--------------------------------------|
|   | Share Relative to Total Expenditures |
| Food (including catering points, alcoholic beverages, tobacco products) | 53%                                  |
| Non-food Goods and Services   | 30.1%                                |
| Housing and Communal Goods/Services                                     | 6.4%                                 |
| Non-consumer Total Expenditure  | 8.9%                                 |

### Tourist Market and Business Visits

Taking into consideration, that the city is located on the Sea coast, the tourist industry always played quite an important role in the city's economics. Odessa health resorts were always attractive due to the Sea side and also for mud, carbonic acid gas, oxygen and radon baths.

The first health resort "Kuyalnik" was opened on 1833.

The overall tourist market is rapidly developing due to the growing popularity of Ukrainian cities, including Odessa, as recreation and business destinations. In fact, the population of the city significantly increases at the height of tourist season.

Odessa is widely accepted as the Black Sea resort, that attracts a number of tourists mainly from CIS states. The growing CIS middle-class is the key consumer group for hospitality services in Odessa, which helps to boost its tourist market. Recognition of Odessa as a popular resort among European consumers should increase the volume of tourists in the longer-term period. The visa-free regime is expected to accelerate this process.



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EURO 2012 is likely to indirectly influence the tourist market of Odessa and is expected to attract a larger group of foreign consumers.

The surge in business activity and visits by foreign business will play an important role in the enhancement of the hospitality market of Odessa.

### **Transport Infrastructure**

Odessa, the largest port in Ukraine, is considered the core sea transport junction. The port has a shore line of 8 km Handling over 20 mln. ton of goods and ca. 120 000 passengers each year. Proposed Development plans for the Port {Концепция развития Одесского порта до 2010 г) will increase the size and modernise the facilities. Odessa is an important strategic location being and will be a transit junction on the proposed Pan-European Transport Network of highway E 95.

Major highways are: Odessa-Ilichivsk, Odessa-Kiev, as well as the M16 connecting Odessa with the Ukrainian-Moldavian border check point n Kuchurgan /Tiraspol.

Odessa International airport provides transport to many destinations in Europe and the CIS countries. The capacity of the airport comprises ca. 400 passengers per hour. The city is also developing the railway network connecting the CIS and European states while there is a developed public transport system, providing good access via bus and ferry services.

The aging transport system is in need of restocking as the existing vehicles are inefficient while an improvement in road maintenance is badly needed.

### **Odessa ports**

Odessa is the largest Ukrainian seaport with a capacity to handle over 20 mln. ton of goods per year. The port is connected to more than 600 international ports.

Odessa region with total area of about 33 300 sq m is one of the main Sea centers of Ukraine.

There are 7 main Sea and river ports including Odessa, Yuzhny, Ismail, and Illichevsk.

Odessa Sea Trade Port



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Illichevsk Sea trade port (is one of the main components of TRASEKA” transport corridor

Sea port “Yuzhny”

Reninsky Sea port, located on the left bank of Danube in the South-West part of Ukraine on the cross roads with Ukrainian, Romanian and Moldavian borders and 4 transport corridors (Cretan transport # 7 and # 9 and also Eurasian and Black Sea transport corridors). A free trade zone “Reni” with area of 94,36 ha was established on the territory of the port for the period of 30 years.

Ismail Sea port, is a modern Sea port

Belgorod-Dnestrovsky Sea trade port

Ust-Dunaisky Sea trade port

The central railway station “Odessa glavnaya” is located in the central maritime district of the city. There is a Sea port, Central Railway station and several bus stations.

There is an International Airport located in Malinovsky district near Ovidiopol highway within 20 min from the city center. The following carriers are represented there – Austrian Airlines, Aerosvit, International Ukrainian Airlines, Tavria, Transaero, Odessa Airlines, Turkish Airlines, Armenian Airlines, El-Al and others.

The carries realize air transportation to the following countries – Russia, Caucasus, Lebanon, Greece, Germany and Austria.

Four Cretan International transport corridors go through the territory of Ukraine #3, # 5, # 7 (water), # 9 and also transport corridor TRASKA – “Europe – Caucasus – Asia – Baltic Sea (Fdynya –Gdansk) – Black Sea (Odessa – Illichevsk).

Four transport corridors go through Odessa region:

Cretan International transport corridor # 9 (2 300 km, in Ukraine – 1 496 km: “Helsinki – Saint-Petersburg- Vitebsk – Kiev (Moscow) – Odessa (Kishenev) – Bukharest – Alexandropolis”

International transport corridor “Baltic Sea (Gdansk) –Black Sea( Odessa)” 905 km:



“Yagodin- Kovel – Lutsk – Ternopol – Khmelnytsky – Vinnitsa – Uman – Odessa”

International transport corridor ‘CHES’ (965 km)

“Reni – Ismail – Odessa – Nikolaev – Kherson – Melitopol – Berdyansk – Novoazovsk”

There were created 2 free (economic) zones “Porto-Franco in Odessa and ‘Reni’ in Odessa region, though according to the Law of Ukraine “about the state budget of Ukraine for 2005” and other legislative acts of Ukraine, in April 2005 all privileges of the free economic zone were cancelled due to it’s inefficiency.

### **A Course of General Development of Odessa**

The development of the City up to 2012 is based on the Program of Socio-Economic Development of Odessa (Программа социально-экономического развития Одессы до 2012 г.), the main concepts of which are as follows:

- An increase of living standards and purchasing power of residents, improvement of employment in the city, reduction of the shortage of residential space in Odessa, the formation of a modern residential market, provision of low-income households with municipal residential units etc.
- The economic development of Odessa includes a bold plan to upgrade the city's status as a regional and international business hub by creating a favorable environment for the SME sector and others;
- Ecological improvements concerning environmental conditions in terms of estuaries, sea, land, air and water quality, etc;
- Town-planning aspects referring to the conservation of the city center historical heritage, regeneration of the costal zone within Langeron - Arkadia districts, revision of zoning plans, transport infrastructure's improvements, among others.

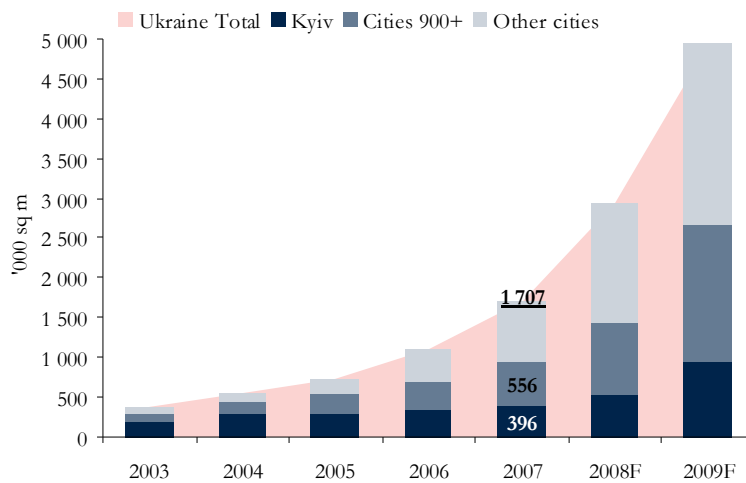


## ODESSA RETAIL MARKET OVERVIEW

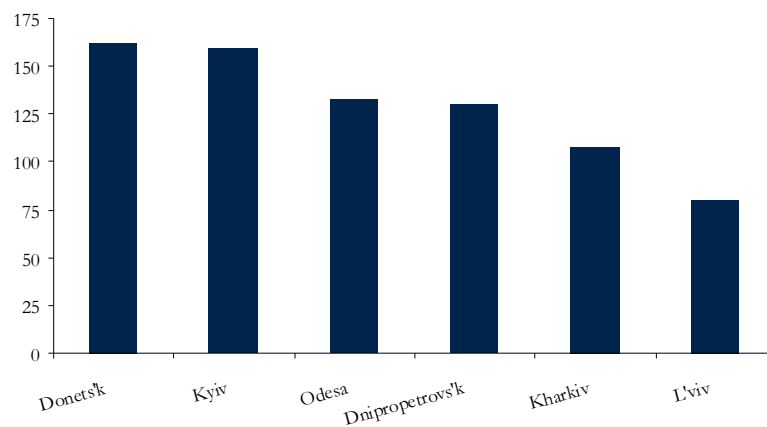
### Supply

Regional retail market of Ukraine has been significantly developed in recent years. Odessa is one of the most developed cities in Ukraine, which shows considerable potential, attracting investors, developers and retailers.

**Retail stock in Ukraine, pipeline 2009**



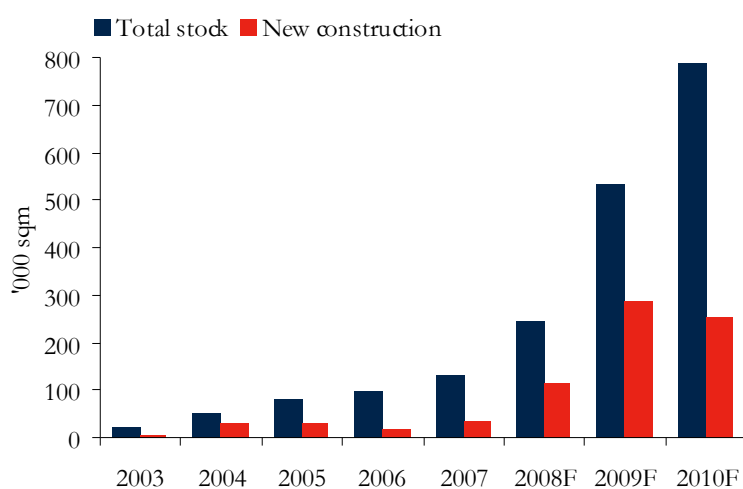
**Existing retail GLA stock, I H 2008**





As of the beginning of August 2008, total area of shopping centers comprises approximately 130,700 sq m (GLA). Additional 70 456 sq m of shopping area in the format of retail warehouses, including Metro Cash & Carry, DIY supermarkets “Epicenter K” and “Nova Liniya”, and also supermarkets and unprofessional shopping centers: Rorus, Mega Antoshka, Kyivs’kyi, etc.

### Odessa Retail Market: 2003-2010 (forecast)



| Year  | Total stock | New construction |
|-------|-------------|------------------|
| 2003  | 19,25       | 5,45             |
| 2004  | 49,811      | 30,561           |
| 2005  | 79,304      | 29,493           |
| 2006  | 97,698      | 18,394           |
| 2007  | 130,698     | 33               |
| 2008F | 245,758     | 115,06           |
| 2009F | 534,021     | 288,263          |
| 2010F | 788,544     | 254,523          |

Source: Cushman&Wakefield research



The considerable role in the in the economy of the city plays the commercial real estate segment.

Both local and International companies are involved in this sphere – such developing companies as “Tavria-V”, Goldblat (Odessa), Mechaniki Ukraine (Greece), Forent – Kiev are quite active in this region. Kiev development companies declared about their intention to enter Odessa market as well.

The Retail and Hotels segments are of high developers’ interest.

As of beginning of August 2008, GLA of modern retail premises in the city comprised approximately 130 700 sq m or 133 sq m per every 1,000 capita. It should be taken into consideration, that considerable share of existing retail supply in the city is of low quality and needs to be redeveloped to keep the shopping centers functioning in the long run.

First professional Shopping Centers in Odessa appeared in 2002.

“Aeroportovsky” Shopping Center was opened in 50, Hastello St, offering 10,000 sq m. (Developer – local company – “Tavria – V”).

Shopping and Office Center “Galleria Afina” with the total area of 29 215 sq m (developer – Mechaniki Ukraine), located in the city center – on Greek square, was delivered in 2004.



“Europe” Shopping Center with the total area of 8 610 sq m, located on the main retail corridor – Deribasovskaya St, was commissioned in 2005.



The 1st phase of “Platan Plaza” Shopping Center with the total area of 22 100 sq m, located on 4, Semaforny ln. was opened in 2005, anchored by Furshet supermarket (4 500 sq m), ABV technika (2000 sq m), JVSK, City com., cosmetics supermarket “Bomond” and entertainment area, offering 7 multiplex complexes Cinema City, for 1259 seats, which remains the biggest one in Ukraine, and entertainment complex Igroland.

“Marshal” Shopping Center with the total area of 10 000 sq m was commissioned in 2005, developed by Tavria-V company.

9 floor Shopping and Entertainment Center “Novy privoz”, located on 25 Panteleimonovskaya St, was opened in 2006 with the total area of 39 600 sq m. 1-5 floors are the shopping areas, 6th floor is Entertainment complex, office premises are located on the 6th floor. And 7-9 floors are occupied by “Black Sea” hotel, offering 100 rooms. Also, there is a SPA center, a conference hall for 120 seats and a restaurant for 200 seats.

“Panorama” Shopping Center, with the total area of 17 000 sq m, located in 1, Derevyanko St was opened in 2006, offering food court and children’s entertainment center “Sun City” for 1500 sq m.

The most prominent object – “Sady Pobedy” Shopping Center (developer – Tavria – V) with the total area of 27 000 sq m, located in 10, April St in Arkadia district. Among tenants of the shopping center are: delicacies market “Cosmos”, Vertu, Cristal Group, Chopard, Carrera y



Carrera, Brocard, Otrada Luxury Group, Noblesse and others. The shopping center is positioned in the format of luxury class and is intended for customers with higher than average income.



About 74 500 sq m of professional Shopping area weres delivered during 2005-2007, though the demand will exceed supply for the next 5-7 years.

High-quality Shopping center on Generala Petrova Str. is under construction at the moment of our research, developed by Amstor company. The total area of the center makes up 60 000 sq m. The developer intends to deliver the scheme in 2009.

The Dutch company Acteem Group announced a realization of the Shopping and Entertainment center “Hippodrome”. Total area of the project will amount about 155 000 sq m, GLA – 62 500 sq m.



About 658 000 sq m GLA of professional shopping centers are expected to be delivered in Odessa by 2011. That would increase the retail stock to about 789 000 sq m.



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The historical center of Odessa, which starts from the railway station to Odessa Sea port, is considered the main shopping area of the city. The main retail corridors are: Deribasovskaya, Pushkinskaya streets and Grecheskaya square.

Such Shopping Centres as Central Department Store (TSUM), Europa, Galerea Afina and specialized children's store Meha- Antoshka are located there.

The secondary shopping areas of the city are Fontan with Shopping Center "On Sredbefontaskpy", "Sady Pobedy", Tairovo with "Panorama" and "Vusovsky" Shopping Centers and Kotovskogo village with "Sem'ya" and "Avrora" Shopping Centres. The territory of Kotovskoho village will continue to be attractive because of some difficulties of gaining the land plots in the centre of the city.

### **Demand**

The demand for retail premises in Odessa is high. It is mostly formed by Ukrainian and international retailers, entering the market. International tenants are widely represented in Odessa. Among them: Vertu, Otrada Luxury Group, Naf-Naf, Crystal Group, Lee Cooper, Brocard, Women' secret, Pierre Cardin, Accessorize, Noblesse, Nike, Adidas, Springfield, Minelli, Mother Care, etc.

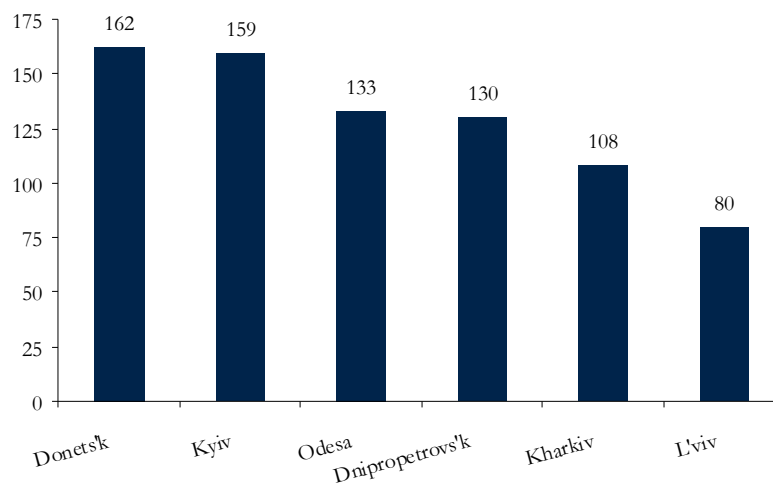
The vacancy rate in professional shopping centers is very low, which shows, the demand remains high. Owners of shopping centers can choose the best tenants on the most profitable terms.

Shopping centers are usually 100% leased before the delivery.

There is a significant demand for retail premises in the central part of Odessa from small clothing retailers, jewellery shops and restaurants. As a rule, they lease unprofessional premises in the street retail, but in prime location.



### Ratio of Shopping centers per '000 capita in some Ukrainian cities



At the moment the ratio of professional shopping area per '000 capita in Odessa totals 133 sq m. Real estate specialists in the market assert, that demand will meet supply when the ration will total 250 sq m. According to forecasts from retailers and developers, demand will exceed supply within the next few years.

#### **Rental rates –**

Rental rates in Shopping Centers vary depending on the Shopping Centers' quality, location, floor, size and location of the premise –from \$29/ per sq m to \$160. Rental rates reach \$200 per sq m. in street retail on the main Street Corridor – Derebasovskaya St. Rental rates for retail premises in DIY stores run up to \$12-20/sq m.



## Existing shopping centers in Odessa

| Name            | Address                           | Total SQM | GLA, sq m | Delivery year | Developer         | Number of parking slots | Rental rate, \$/sq m | Tenants   |
|-----------------|-----------------------------------|-----------|-----------|---------------|-------------------|-------------------------|----------------------|---|
| Aeroportovskiyi | Hastello str. 50                  | 10000     | 7000      | 2002          | Tavriya-V         | 500                     |                      | Adidas  |
| Afina           | Grecheskaya sq. 3/4               | 29215     | 9841      | 2004          | Michaniki Ukraine |                         | \$50-160             | Tavriya-V, Mavi, Triumph, Voronin, Bobiju, Euroset, Privat Bank, food court, galleria |
| Avrora          | Dnipropetrovs'ka doroha str. 125a | 8670      | 8000      | 2004          |                   | 100                     |                      | Furshet, Foxtrot, fitness club  |



|                 |                           |       |       |      |             |   |
|-----------------|---------------------------|-------|-------|------|-------------|---|
| Dytyachyi svit  | Rishel'evs'ka str. 14     |       |       | n/a  |             |   |
| Epicenter (DIY) | Ovidiopol's 'ke highway 1 | 34000 | 25000 | 2006 | Epicenter K | DIY   |
| Europe          | Derebasiv'ska str. 21     | 8609  | 7993  | 2005 | Forent      | Delicacy-shop "Baltman", Swatch Tissot, Colours&Beauty, Levi's, Naf-Naf, Women'secret, Lee Cooper, Pierre Cardin, Buduar, Chartage, Phard, Brocard, Sunglass Hut, Fabe, Shemel, Presenta, Noblesse, Versal, Accessorize, Sunglass Hut, Next, Intertop, Adidas, Minelli, Mother care, Kidditop, Inwear, Kira Platinina |
| Fozzy           | Balkovs'ka str.           | 12000 | 6800  | 2001 | Fozzy Group | Food staff, DIY, food-court, furniture  |



massive #12, territory of Prylimanskiy village, Ovidiopol district, Odessa region, Ukraine as at October 3, 2008

|                    |                            |       |       |      |                             |     |                     |  |
|--------------------|----------------------------|-------|-------|------|-----------------------------|-----|---------------------|--|
| Greek Square       |                            |       |       |      | Tavri<br>ya-V               |     |                     |  |
| Kyivs'kyi          | Dymytrova<br>ave. 14-1     | 4000  | 2800  | 1998 |                             |     | \$45                |  |
| Marshal            | Hlushko<br>srt. 29A        | 10000 | 6500  | 2005 | Tavri<br>ya-V               | 500 |                     |  |
| Meha-Antoshka      | Grecheskay<br>a sq. 2      | 3600  | 2000  | 2005 |                             |     |                     | Children's goods and entertainment   |
| Mehadom            | Tolbukhina<br>str. 135     | 16000 | 13000 | 2007 |                             | 500 | \$18-20;<br>\$41-58 | DIY, Premises for lease in supermarket or in<br>DIY store, construction materials/ souvenirs |
| Metro Cash & Carry | Aeroportiv<br>s'ka str. 29 | 16000 | 11000 | 2005 | Metro<br>Cash<br>&<br>Carry | 900 |                     |  |
| Metro Cash & Carry | Marshala<br>Zhukova,       | 14000 | 10000 | 2008 | Metro<br>Cash               | 252 |                     |  |



|                   | 101 m                    |       |       |      | &<br>Carry  |                  |  |
|-------------------|--------------------------|-------|-------|------|-------------|------------------|--|
| Nova Liniya (DIY) | Leninrads'ke highway 8/2 | 20000 | 16000 | 2007 | Nova Liniya |                  | DIY, own goods, retail area is not for lease   |
| Novyi Privoz      | Panteleimovs'ka str. 25  | 39549 | 6394  | 2006 |             | \$20 - 4th floor | 1st level — jewelry, souvenir shop, cosmetics, day-to-day goods. 2nd level — clothing store, footwear, leather accessories, lingerie, bijouterie, accessories. Bar. 3rd level — youth brands, adventure holiday goods, clothing, footwear, lingerie. 4th level |
| Panorama          | Borysa Derevyanko sq. 1  | 17000 | 12000 | 2006 | Tavriya-V   | \$80             | Tavriya-V (3000 sq. m), food court, galleria, children's entertainment center "Sun city" (1500 sqm)  |



|  |                            |       |       |      |   |     |              |  |
|--|----------------------------|-------|-------|------|---|-----|--------------|--|
| Platan Plaza I phase<br>(Srednefontanskiy) | Semafornyi<br>ln. 4        | 22100 | 15000 | 2005 | SC<br>Sredn<br>efonta<br>nskii/<br>Zavo<br>d<br>Autoa<br>hreha<br>t | 450 | \$59-<br>106 | Anchors: Furshet (4500 sqm), ABV-Tekhnika (2000 sqm).<br>Shops: JYSK, City.com, Bomond, Antoshka (1120 sqm), Mexx, Colin's, TJ Collection, Springfield, Monton, Mozaik, Multisport, Adidas, (Delta sport) Nike,<br>Entertainment: multiplex cinema "Cinema.City" (7 screens), casino, bowling, night club, fitness |
| Rorus                                      | Il'pha and<br>Petrova str. | 4698  | 3656  | 2003 | Rorus   |     |              | Rorus  |
| Sady Pobedy                                | 10th april<br>sq.          | 27000 | 20000 | 2007 | Tavri<br>ya-V   | 200 |              | Delicacy-shop «Cosmos», Vertu, Crystal Group, Chopard, Carrera y Carrera, Brocard, Otrada Luxury Group, Noblesse, D.Simachev, Montegrappa, Marina Rinaldi, DEHA, Valencia, Tru Trussardi, Carlo Colucci, Tedeza, Fauchon-corner, Pepe Nero, Park Avenue. Restau  |



massive #12, territory of Prylimanskiy village, Ovidiopol district, Odessa region, Ukraine as at October 3, 2008

|            |  |       |       |      |               |     |   |
|------------|--|-------|-------|------|---------------|-----|---|
| SemYa      | Dnipropetr<br>ovs'ka<br>doroha str.<br>93a | 12632 | 5450  | 2003 | Rorus         | 310 | Grocery store, galleria, food court, children's<br>playground, services. Antoshka (950 sq. m) |
| TSUM       | Pushkins'ka<br>str. 72                     |       |       | n/a  |               |     |   |
| Vuzovs'kyi | Lyustdorfs'<br>ka doroha<br>140/1          | 20100 | 12720 | 2004 | Tavri<br>ya-V | 700 | Vuzovskyi, fast food Stakan, skating-rink Luzha   |



## Shopping centers in pipeline 2008-2011

| Name       | Address               | Total SQM | GLA, sq m | Delivery year | Developer | Number of parking slots | Rental rate, \$/sq m                  | Tenants   |
|------------|-----------------------|-----------|-----------|---------------|-----------|-------------------------|---------------------------------------|---|
| Amstor     | Henerala Petrova str. | 60000     | 30000     | 2009          | Amstor    |                         | DIY, cinema-\$11-12; gallery-\$ 27-38 | Amstor, multiplex cinema (8 screens), bowling, food court |
| Casablanka | Suvorovs'kyi district | 31716     | 21274     | 2009          | Goldblat  | 724                     |                                       |   |
| Dafi       |                       | 110000    |           | n/a           | Dafi      |                         |                                       |   |



massive #12, territory of Prylimanskiy village, Ovidiopol district, Odessa region, Ukraine as at October 3, 2008

|              |                       |        |       |      |  |      |      |  |
|--------------|-----------------------|--------|-------|------|--|------|------|--|
| DOM.Mall     | Balkovs'ka str.       | 15300  | 8460  | 2008 | Goldblat   | 153  |      |  |
| DUPD SC      |                       | 17000  | 11000 | 2009 | Dragon-Ukrainian Properties & Development (DUPD) |      |      |  |
| Hippodrome   | Krasnova str.         | 155000 | 62500 | 2010 | ACTEEUM Group                                    | 2200 | \$73 | Will contain around 180 top-quality stores, including a well-known hypermarket operator, cinema, several top quality fashion stores, a food court and strong leisure elements. |
| Karavan      | Ch. Kozachestva       | 128614 | 92023 | 2010 | Lex Holding                                      |      |      |  |
| Leski        | v. Fontanka           | 115700 |       | 2010 | Progress Development                             | 2000 |      |  |
| Malinovs'kyi | Malinovs'kyi district | 64600  | 56240 | 2009 | (blank)  |      |      |  |



massive #12, territory of Prylimanskiy village, Ovidiopol district, Odessa region, Ukraine as at October 3, 2008

SC

|                          |                              |       |        |      |   |      |                      |
|--------------------------|------------------------------|-------|--------|------|---|------|----------------------|
| Mall                     |                              |       | 70000  | n/a  | Venture One   |      |                      |
| Mega                     | Okružhna str.                |       | 100000 | 2010 | IKEA  |      |                      |
| MEL SC                   |                              |       |        | 2009 | LLC Acteeum<br>Ukraine (Meinl<br>European Land<br>Ltd.) |      |                      |
| Muravei I<br>phase       | Henerala Bocharova<br>str. 5 | 10240 | 5000   | 2009 | Goldblat  | 94   | Furniture, fast food |
| Muravei II<br>phase      | Henerala Bocharova<br>str. 5 | 10725 | 5000   | 2009 | Goldblat  | 94   | DIY, fast food       |
| Platan Plaza<br>II phase | Semafornyi ln. 4             | 77900 | 51000  | 2011 | Zavod<br>Autoahrehat                                    |      |                      |
| Privoz                   | Privozna str. 14             | 71075 | 47705  | 2009 | Progress<br>Development /                               | 1382 |                      |



| Privoz                       |                             |        |       |                  |   |      |               |   |
|------------------------------|-----------------------------|--------|-------|------------------|---|------|---------------|---|
| Riviera Shopping City        | v. Fontanka                 | 110000 | 63044 | 2009             | Argo Real Estate Opportunities Fund       | 2400 | \$29-<br>\$73 | 75000 sqm - Hypermarket, DIY (\$12-13), clothes and furniture.<br>25000 sqm - Entertainment, fashion-zone |
| Sakharova SC                 | Sakharova str.              | 15600  | 10000 | 2009             | Goldblat                                  |      |               |   |
| 6-th element                 | 6 km Ovidiopol's'ka road    | 14620  | 8600  | I phase-<br>2008 |   | 300  | \$22-<br>\$25 | Retail park, II phase- Total area 7 380 , GLA- 9 400 sq m, UTG  |
| Shopping entertaining center |                             | 60000  | 39000 | 2009             | Meinl European Land                       |      |               |   |
| TRE'n'D SC                   | 8th km of Leningrad Highway | 115000 | 88000 | 2008             | Trade Real Estate & Development (TRE'n'D) |      |               | OBI DIY, O'Key hypermarket  |



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|            |                        |        |       |      |                         |      |          |   |
|------------|------------------------|--------|-------|------|-------------------------|------|----------|---|
| Vigas Mall | Marshala Zhukova,<br>2 | 111504 | 82245 | 2011 | Progress<br>Development | 2134 | Av. \$34 | Retail area- 55 433 sq m,<br>Entertainment-26 812 sq m, Land<br>plot- 8,97 ha. Food hypermarket,<br>children's entertainment center,<br>skating rink with a swimming pool, a<br>cinema, total investments- about<br>\$123 mln |
|------------|------------------------|--------|-------|------|-------------------------|------|----------|---|

*Source: Cushman&Wakefield Research*



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### **Active retailers in the market**

Food store retail operators such as Billa, Furshet, Silpo (Fozzy Group), local chains “Tavriya-V”, “Nataalka”, “Obzhora” and “Rorus” (recently acquired by Fozzy Group), German hypermarket “Real” have claimed their interest in being anchor tenant in Ippodrom shopping center.

Electronics stores, such as ABV-Tehnika, Foxmart, MegaMax, Foxtrot, Eldorado, City.Com, Unitrade, Tehnomarket, Tehnoyarmarok, etc.

Metro Group opened its first Metro Cash & Carry

DIY operators, i.e. Epicenter-K and Nova Liniya

In the niche of kids’ goods “Evroprodukt” concern (own following brands: Antoshka, Naslednik, Teremok, and Vibel) is dominating the market.

Local company “Arho Trading Ltd.” acts as a franchise operator of Promod, Sisley, Benetton, Mango, Levi’s, Morgan, etc.

In the cosmetics and perfumery segment - DC, Brocard, Eva, L’escale, Belaya Vorona and local operators, i.e. “100% Chistoty”, Jean, It and Bomond.

Other retail chains, such as Intertop (Kidditop), Megasport, Sela, Monarkh, Arber, VD One, Sensus, Carlo Pazzolini, etc.

### **Main retail districts in Odessa**

The historic center of Odessa, that stretches from the Central Railway Station to the Sea Port is considered to be the main retail corridor of the city. High street retail is on Deribasovskaya, Rishel’evskaya, and Pushkinskaya streets and also on Grecheskaya square. Other clusters of retail activity are close to the residential areas, including Fontan, Tairovo districts and Kotovskovo village. In Malinovskiy district are located market “Sedmoy Kilometr”, Metro Cash & Carry, DIY supermarket “Epicenter-K”, and supermarket “Aeroportovskiy”.



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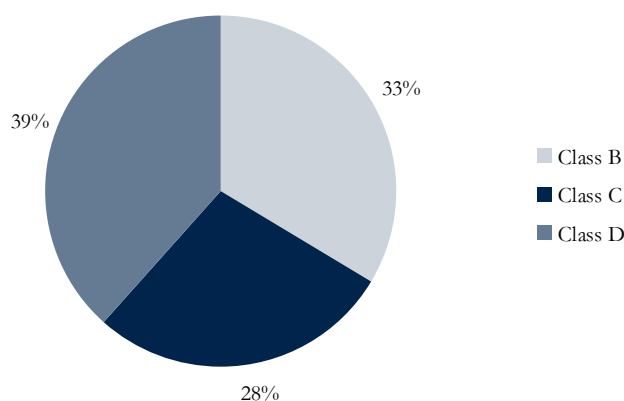
## ODESSA OFFICE MARKET OVERVIEW

### Supply

There is a lack of high-quality office premises in Odessa. At the moment of our research, a lions' share of the office market is represented by Soviet-style office premises in administrative buildings and offices in apartment houses. A large portion of existing business centers is located in the city center. However, there is a lack of primarily located land plots for office development in Odessa, which causes high development activity outside of the city center.

According to different sources of information, office stock in Odessa totals 203-300 000 sq m.

#### Odessa Office market structure by class



*Source: Commercial Property*

Mostly, positioned class of Business centers in Odessa is higher and doesn't correspond to the international standards. Although, there are numerous high-quality office schemes in the pipeline in Odessa.

Marsel Business center (2 011 sq m.), Second phase of Morskoy Business center (13 800 sq m), Negoziant Business center (7 316 sq m.) are declared for delivery for recent years.



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Further to our interviewing with the general management of Progress-Development company, two large business centers on Marshala Zhykova and on Raskidaylovskaya streets are being projected at the moment of our research in Odessa. The projected rentable office area of these business centers makes up 17 687 and 14 700 sq m. respectively. According to our research, the exit strategy of these schemes in an investment sale.

Active developers on the market are:

Inkor Develop,

Progress Development

“BC Morskoy”, etc.

We consider, that there is a significant unsatisfied demand for high-quality office premises in the city.

The vacancy rate in existing business centers is very low. A lot of office premises in professional Business centers have already been leased at the stage of development of the projects.

Rental rates for office premises in Odessa grown up significantly over the last years due to essential demand from Ukrainian and international companies. The average net rental rate for Class B office premises in Odessa totals about \$22-28/ sq m. Rental rates for lower class office premises are available for \$10-17/ sq m.

The asking price usually excludes VAT and operational expenses.



## Examples of Business Centers in Odessa

| Name              | Developer            | Address                | Status | Class | Delivery year      | Total area, sq m | Rentable area, sq m | Rental rate/Sale price, \$/sq m | Op. expense, \$/sq month | Vacant space, sq m | Parking, slots | Parking, price \$/slot/month |
|-------------------|----------------------|------------------------|--------|-------|--------------------|------------------|---------------------|---------------------------------|--------------------------|--------------------|----------------|------------------------------|
| Shevchenkivskiy I | "BC Shevchenkivskiy" | 4 d Shevchenko blvd.   | Ex     | A     | 2006               | 14 000           | 10 000              | 28-35                           | 2                        | 120                | 50             | 49-80                        |
| Epsilon           | "BC Morskoy"         | Bunina Str.            | Ex     | B-    | 2002               |                  |                     | 24                              |                          | Reconstructed      |                | Free                         |
| Solnechniy        | "BC Solnechniy"      | 5 Solnechnaya Str.     | Ex     | B-    |                    |                  |                     |                                 |                          | No vacancies       |                |                              |
| Planeta           | "BC Planeta"         | 120/2 Balkovskaya Str. | Ex     | C     | 2008, reconstructi | 5 000            | 3 500               | 17                              | 1                        | 180                | 30             | Free                         |



| on                       |                  |  |    |   |                            |        |        |       |   |   |     |      |
|--------------------------|------------------|--|----|---|----------------------------|--------|--------|-------|---|---|-----|------|
| Primors'kiy              | "BC Primors'kiy" | 17 Bolshaya<br>Arnautskaya Str.            | Ex | B |                            |        |        | 20    | 2 | 95 sq m will<br>probably be<br>vacant in Nov. | 20  | Free |
| Albatros                 | "Trust-Ukraina"  | 66/2<br>Chernomorskogo<br>Kazachestva Str. | Ex | B | 2007,<br>reconstructe<br>d | 2 091  | 1 260  | 16-24 | 1 | Basic fit-out,<br>497 sq m                    | 18  | Free |
| Sigurd Hall              | "Progress Story" | 10-th of April<br>Square/Bolshoy<br>Fontan | Ex | A | 2008                       | 4 634  | 2 623  | 20-40 |   |   |     |      |
| Pisheprom-<br>avtomatika |                  | 28 Prohorovskaya<br>Str.                   | Ex |   |                            |        |        |       |   |   |     |      |
| Prestige                 |                  | 84 Balkovskaya Str.                        | Ex |   |                            |        |        |       |   |   |     |      |
| Amerikanskiy             |                  | 5 Deribasovskaya                           | Ex |   |                            |        |        |       |   |   |     |      |
| Morskoy                  | "BC Morskoy"     | 10 Bunina Str.                             | UC | A | 2008                       | 18 000 | 13 800 | 33-41 |   | Basic fit-out,                                | 150 | Free |



497 sq m

|                    |                         |                                      |    |    |      |       |       |       |   |       |    |       |
|--------------------|-------------------------|--------------------------------------|----|----|------|-------|-------|-------|---|-------|----|-------|
| Shevchenkova<br>II | "BC Shevchenkova<br>II" | Preobrazhenskaya/<br>Kyibysheva Str. | UC | B- | 2008 | 2 500 | 2 000 | 20    | 2 | 1100  | 10 | 49-80 |
| Marsel             | Inkor Develop           | Tiraspolskaya Sq.                    | UC | B+ | 2009 | 3238  | 2011  | 5000  |   |       |    | 28    |
| Nedoziant          | Inkor Develop           | 1 Bunina Str.                        | UC | A  | 2009 | 9570  | 7316  | 22-23 |   |       |    |       |
| Business<br>Center | Progress Development    | 67 Raskidaylovskaya<br>Str.          | UC | A  | 2011 | 16832 | 14691 | 25    |   | 14691 |    | 243   |
| Business<br>Center | Progress Development    | Marshala<br>Zhykova/Levitana<br>Str. | Pl | B+ | 2010 | 22911 | 17687 | 3000  |   | 17687 |    | 81    |

Source: Cushman&Wakefield research



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## ODESSA LOGISTIC MARKET OVERVIEW

### Supply

Total warehouse supply in Odessa and nearby areas is more than 600 000 sq m. However the major portion of exiting stock does not meet modern requirements.

Warehouse premises in Odessa are located in several major zones.

1) Industrial zones within the border of Odessa, located close to the city center. This part of the city, according to the General plan, (which now is on the stage of enhancement) is designated for residential complexes with appropriate infrastructure. Construction of warehouse premises in this area is unlikely due to high land prices and restricted transport accessibility especially to juggernaut size vehicles.

**Slobodka** (Balkovaya, Bugaevskaya streets) comprises warehouse premises of the soviet era. There is a large (20 000 sq m) modern logistic complex «Maksan», which provides all the logistic services for retailers.

Rental rates in this area are equal to rental rates in other industrial zones i.e. \$4 – \$7 per sq m per month. Total warehouse area is more then 80 000 sq m.

**Peresyp** (Chervonomorskoho Kozachestva and Atamana Holovatova streets, Mykolaivskaya road) – this is an industrial zone along the sea coast 8 km long and 500 m wide, 50% of which are warehouse premises, located in ex industrial premises. Rental rates for old premises are around \$4/sq m/month.

There quality of warehouse premises constructed during Soviet times is slightly better (due to footlights, broad doorways) therefore rental rates for such premises is about \$5 per sq m per month. The total warehouse area consist of about 100 000 sq m.

**Moldavanka** (the main streets are Tsvetaeva, Kosvennaya, Prokhorovskaya streets) is located in immediate vicinity from the city center. Many industries are located there as well as supply depots on Tsvetaeva street. The firsts floors of the Tsvetaeva's premises are used for wholesale trade, the 2nd and 3d floors for warehouse premises. Rental rates in typical warehouse premises



in Moldavanka are \$7-\$8/ sq m/ month. Rental rate in former industrial premises is on average \$3 – \$4. Total warehouse area approaches about 100 000 sq m.

2) Industrial zones outside Odessa, on the main highways close to the ring road.

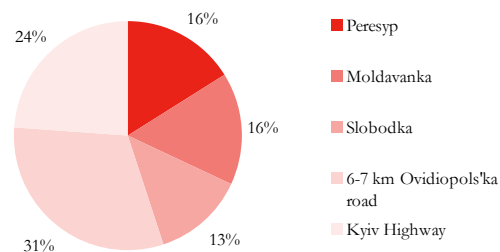
**Kyiv Highway.** (Novomoskovskaya and Grushevko streets and Leningradskoe highway) –the district with the greatest supply of warehouse premises established back during Soviet times. Total area of warehouse premises in this district is about 150 000 sq m., mostly represented by old Soviet period construction, some of which has been slightly modernized. There are also new logistic complexes with rental rates reaching \$10 per sq m. while rental rates for Soviet period premises is \$5 – \$6 per sq m. per month.

**6 – 7 KM.** Ovidopolskaya road. Warehouse and Container premises are located on the highway which serves one of the biggest markets of Ukraine – “7KM”. Rental rates for warehouse premises located on Bazovaya str, 7 km distance away reached about \$7-\$8 per sq m per month. Many entrepreneurs are using containers for goods warehousing, NET rental rates of which are \$10-\$12 per sq m. Land in this area is attractive for commercial areas (here are located Metro Cash & Carry, Epicentre and other retailers).

*Source: “ІІСІ-Прозпець компані”*

The distribution of warehouse premises is showed in the diagram below.

#### Structure of warehouse premises in Odessa ( including unprofessional warehouses)





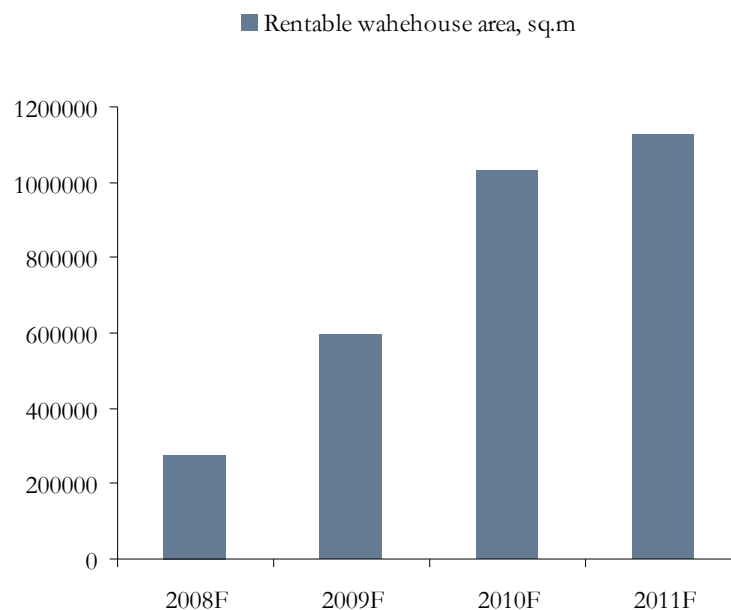
Further to our interviewing with some of the management of development companies, numerous warehouse complexes are at the development stage at the moment of our research. Among them: Business and Logistic park “Odessa business Park”, both phases of Odessa Logistic Park, Bela Logistic park, Dolphin Logistic park, etc.

Main developers, operating in the market are:

- GLD Invest Group
- Alfa Development Group
- AISI Realty Public
- Delin Development, etc.

According to developers’ forecasts, more than 1 million square meters of new high-quality warehouse premises will be delivered till 2011.

#### **Class A Warehouse complexes in Odessa. Pipeline 2008-2011**



*Source: Cushman&Wakefield research*



## Odessa Warehouse stock, Pipeline 2008-2011

| Name   | Location                                      | Developer            | Status | Delivery year | Class | Rentable warehouse area, sq.m | Rentable office area, sq.m | Rental rate / \$/sq.m |
|--|---|----------------------|--------|---------------|-------|-------------------------------|----------------------------|-----------------------|
| Maksan   | Odessa, Dal'nitskaya Str.                     | Maksan               | Ex     | 2005          | B     | 20000                         | 12000                      |                       |
| Warehouse complex                                  | Odessa city, Kievskiy district                | Local developer      | Ex     | 2006          | B     | 6217+<br>6409                 | 7612                       | \$10                  |
| Business and Logistics Park "Odessa Business Park" | Odessa-Kiev Highway                           |                      | UC     | 2008          | A     | 160000                        |                            |                       |
| FIM Service Logistics Complex                      | Bilyayevs'kyi district, village of Nerubayske | FIM Group            | UC     | 2011          | A     | 50000                         | 5000                       |                       |
| Logistic complex                                   |   |                      | UC     | 2010          | A     | 72000                         | 8400                       |                       |
| Odesa Logistic Park I phase                        | v. Dachne                                     | GLD Invest Group     | UC     | 2008          | A     | 47000                         |                            | \$10                  |
| Warehouse complex                                  |   | GIN CONSULTING GROUP | UC     | 2008          | A     | 8000                          | 1200                       |                       |
| Kleverniy  | Odessa-Kiev highway,                          | Alfa Development     | UC     | 2008          | A     | 35580                         |                            |                       |



|                                | Kleverniiy<br>bridge          | Group                  |    |      |   |        |       |                 |
|--------------------------------|-------------------------------|------------------------|----|------|---|--------|-------|-----------------|
| Dolphin Logistic park I phase  | v. Nerubaiske                 | Delin Development      | UC | 2009 | A | 74511  | 3672  | \$10            |
| Bela Logistic Park             | Odessa-Kiev                   | AISI Realty Public     | UC | 2009 | A | 103000 | 11200 |                 |
| Warehouse complex              |                               |                        | UC | 2009 | B | 18000  |       |                 |
| Odesa Logistic Park II phase   | v. Dachne                     | GLD Invest Group       | UC | 2009 | A | 113000 |       | not decided yet |
| Dolphin Logistic park II phase | v. Nerubaiske                 | Delin Development      | Pl | 2011 | A | 45723  | 2203  | 10              |
| Greengate                      |                               | Eurasia Logistics      | Pl | 2010 | A | 300000 |       |                 |
| Logistic center                | Balka, Ovidiopol's'ke highway | XXI Century            | Pl | 2010 | A | 60068  |       |                 |
| Kulindrovskiyi                 |                               | Alfa Development Group | UC | 2009 | A | 25482  |       |                 |

Source: Cushman&Wakefield research

### Demand

Together with the growth of the Ukrainian economy demand for logistic facilities is increasing, especially in one of the key transit regions of the country – the city of Odessa.



The main problem facing market operators who require warehouse premises is that existing supply predominantly old and outdated but which are still utilized for the delivery and storage of goods in particular for retail..

Demand for warehouse premises is mainly formed by large net trade operators, FMCG producers and large distribution companies.

So far the market has reacted slowly to the growth in demand, consequently Odessa logistics and trade companies are obliged to accept lower standard levels of warehousing, a choice limited last century Soviet era premises many of which have been renovated and adopted to meet the various companies individual specification needs.

As a result, market demand for warehouse premises which meet international standards will predictably increase, while demand for re-profiled and low-quality premises will gradually decrease.

#### **ODESSA LAND MARKET OVERVIEW**

The Odessa Land market has shown considerable growth over the last years in comparison to other city real estate sectors.

In Odessa's "coastal" districts, for example in Chervony Khutor on average the cost of 100 square meters of land is about \$15 000, in Sovenjion district from \$20 000 per one hundred meters. In Odessa city, in Arkadia district it is reported that a 100 meter land plot cost in the region about \$100 000.

Due to limited supply of available land plots in the Central part of the city price is difficult to define and tends to vary depending on the location where prices can vary from \$40 000 to \$200 000 per one hundred square meters.

There is a tendency to buy land plots in the city's suburbs as well as outlying districts. The popularity of out-of-town areas for logistics and retail is increasing which increases the attractiveness of Odessa's as an object of investment.

Distance from the city has recently not been a major factor in land plot selection. Land plots for the construction of warehouse premises are mainly sought on the main exit routes outside the



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City borders as land lots within the city boundaries are too expensive for warehouse use. The majority of land being sought outside Odessa is agricultural with development potential although the land in this state can be cheaper the permits to develop are relatively expensive a role local partners normally assume.

The most tense construction activity is taking place in Ovidiopolskyi district. There is a famous market “7 kilometre”, Metro Cash & Carry, DIY “Epicenter-K” are located there. The asking price for land plots there has considerably increased up to \$10 - \$20 000 per one hundred square meters.

The region of Kyiv highway is considered to be one of the most attractive among developers and investors for the construction of Warehouse premises as well. The region is popular for a number of reasons including good traffic junction allowing access to the City by the Kyiv or Ring Road highways which is within 30-40 minutes travelling distance from the centre, good rail links and convenient regular bus services to Kyiv and outlying districts In total there are 15 land plots from 2 hectares to 20 hectares for construction of warehouse complexes along this route.

The average asking price of a one hundred square meters sector in the region of Kyiv highway comes up to \$10-\$18 000. The prices here are a slightly lower than on Ovidiopolskaya road.

It is worth to observe, that in general, land price depends on the location and size of the plot, on the land use, surrounding areas, façade, main services on the site, etc.

## **8 Valuation Methodology and Commentary**

### **Valuation Methodology**

There are three generally adopted approaches used to value property: The Sales Comparison Approach; The Income Approach; and The Cost Approach. We have valued the property using the income approach, taking into account of sales comparables. The cost approach has not been used as this produces a “Non-Market Value” suitable for financial statements relating only to “specialised properties”.



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The most important factor in real estate valuation is its location, the influence of external factors, and market conditions.

### **The Cost Approach**

Under IVS this approach is relevant to specialised properties (i.e. properties that are rarely if ever sold on the open market due to their uniqueness which arises from their specialised nature and design of the buildings, their configuration, size, location or otherwise) and Limited Market Property (i.e. properties that because of market conditions, unique features, or other factors attract relatively few buyers).

### **The Income Approach (Residual Valuation Method)**

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation method. This method assumes the property's capital value equates to the end value of the property (valued using the Income Approach) once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

### **GLOBAL ASSUMPTIONS**

These are summarised below:

#### **Development Proposals**

It has been assumed that any development would



conform to the overall size provided to us unless it is reasonable to assume that development could take place in some other form;

**Construction Phasing**

The project, unless specifically stated otherwise, is assumed to be delivered in three phases;

**Construction Costs**

Construction costs have been assessed in accordance with the standard market rates that a third party developer / purchaser would expect to pay over the course of the project's development ;

**Returns**

Rental rates for the various properties and phases of the development have been assessed using expected completion dates. These figures are based on research carried out by C&W and market information available at the time of valuation. Commercial rents are exclusive of operating expenses and VAT and have been assessed on a conservative projection of future market trends providing a realistic minimum figure which should be achieved;

**Market Rates**

Our assessment value has been based on the assumption that the property investment market for Odessa region in general should become more sophisticated in the future. We assumed an Exit Capitalisation rate of 9.5% for office premises and 10% for warehouses.

**Professional fees & Contingency**

These figures are %s of the total construction costs and equate to a range of between 14.5% and 16% and are based on an our own opinions of generally accepted market rates for items such as architects fees, engineers fees, project management fees and



project contingency. The range reflects the difference between the proposed scheme with and without construction permits;

**Vacancy Rate**

Vacancy has been assumed for the duration of the project and depends upon the property class, its location, the local market, the relative merits of the anticipated project.;

**Debt Assumptions**

There are wide variations as to the financing terms available in an immature Ukrainian property finance market. In this valuation we have applied debt financing at an average market rate of 14% to the project costs. We are not aware of the proposed loan terms negotiated with the borrower and in any use such negotiated terms are individual to the borrower and are likely to be based on, at least the financial strength of the borrower, their existing relationship with you and your own criteria for lending. To include such variations would make our valuation an opinion of worth and not Market Value;

**Agents & Brokers Fees**

Standard market practice is to use brokers to lease commercial space. This has been taken into account in our assessment of the valuation figures (8%). The standard market commission for sales brokers' service is 2,5% of the sales income;

**Developer Profit**

Our opinion of value is underpinned by what we believe is the market rate for development profit. This is the difference between total development costs and the net realizable capital value. This has been reflected as a % of development cost. In arriving at our opinion of value we have applied a



range of %'s between 23% and 25% profit on cost. This level reflects the associated risks of the project and the range reflects the difference in risk between the proposed scheme with construction permits and without.

### **The Sales Comparison Approach**

As a check, we have also valued the subject site using a sales comparison approach. This method involves analyzing all available information on sales of comparable properties that have taken place and making adjustments in the prices achieved to reflect the differences in the properties sold and the property to be valued. This approach hinges on the availability of reliable market evidence of comparable sales. Distinction must be drawn between information that is known to be accurate and reported information that is second hand or at best hearsay. Only information that is known to be accurate can be relied upon with any degree of comfort to provide an accurate valuation.

We have collected and analysed these comparables (attached at Appendix 3) and concluded that a rate of \$13,674 per 100 sq m is where the market level is at date of valuation. This produces a site value of \$14,949,682, say \$14,950,000. This is a level slightly less than our opinion of Market Value; however, on the basis that the subject site has some specific development proposals attached to it, a corresponding higher value is generated.

In addition to the above there are severe difficulties of applying this valuation approach in emerging real estate markets, as due to their comparative immaturity the availability of reliable market information is extremely limited. To reflect this, the International Valuation Standards Committee (“IVSC”) (the leading international body for setting valuation standards) devoted a White Paper to the study. It identifies specific problems for valuers in emerging markets, which apply very well to Ukraine – and these problems also tend to inhibit the operation of the market as a whole, in particular as regards investment.

The principal problem is a lack of transparency and an extremely low volume of recorded deals. In mature property markets there is a wealth of information available on completed sales transactions, in the form of yields and total sales prices, and this makes it relatively straightforward to apply this valuation technique to any property. In Ukraine real estate market this sort



of information is often not available, and where the details of transactions are publicized their accuracy can not always be guaranteed.

Transaction information is rarely reported accurately and is often manipulated for other reasons benefiting the separate parties to any sale deal. Therefore it is often necessary to use offered prices as a basis for assessing the opinion rather than value using the sales comparison approach.

### **GLOBAL ASSUMPTIONS**

For property “held for development”, some general assumptions have been made in developing the market valuation, in addition to the assumptions and conditions above.

**These are summarised below:**

#### **Price of Sales/Acquisition**

The market information is based on the research carried out by Cushman & Wakefield. There is a difference between offer price and transaction price levels. The information available on actual transactions is not reliable therefore we adopt a method of down valuing the asking price level to arrive at what we consider to be market price. All prices of comparables are exclusive VAT;

#### **Adjustments**

Comparable property prices often differ from the actual value and this also applies with this property. Appropriate downward adjustments are based on market research and have been included in our assessment of value;

#### **Total Indicated Net Price of Supply**

This is the price after all appropriate adjustment have been made. Market value of the property is calculated using the net prices of each comparable property considered



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For property “held for development”, some general assumptions have been made in developing the market valuation, in addition to the assumptions and conditions above.



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**Market Value**

In our opinion, the Market Value of the freehold interest in the land plot is:

**\$ 15,300, 000**

**(Fifteen Million Three Hundred Thousand USA dollars)**

The Market Value on the Special Assumption the Construction Permit is in place is:

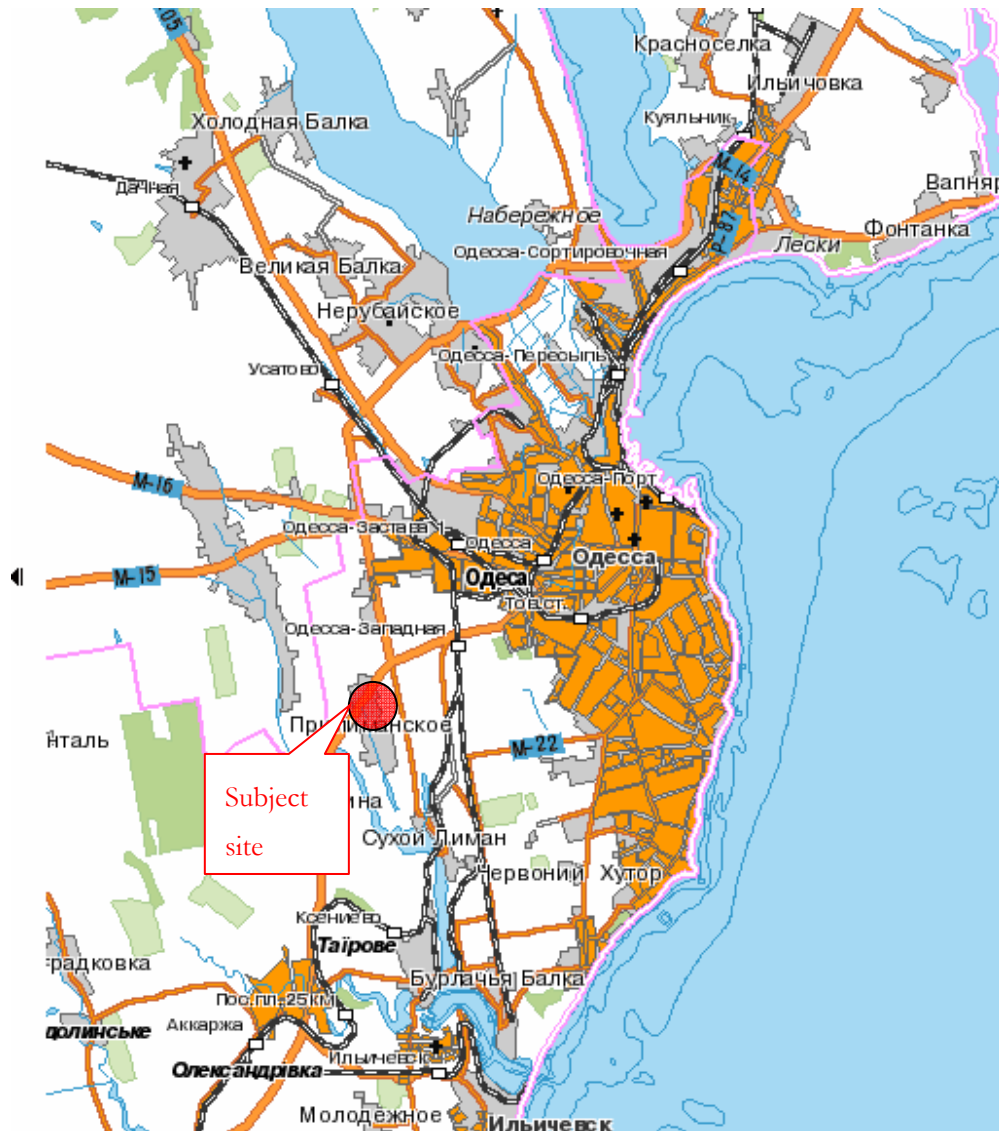
**\$ 18,000,000**

**(Eighteen Million USA dollars)**



Appendix 1 Map

Site Location



Europort Ukraine LLC

massive #12, territory of Prylimanskiy village, Ovidiopol district, Odessa region, Ukraine as at October 3, 2008

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## **Appendix 2      Photographs**



Land plot of commercial use, located at the address: massive #12, territory of Prylimanskiy village council, Ovidiopol district, Odessa region, Ukraine;  
total area 10.93 ha



Junction, where the subject site is located

Appendix 3      Schedule of Comparables

**Comparables of rental rates for the office premises class A, B, B- for the Business park project**

| Name              | Developer            | Address                              | Status | Class | Delivery year        | Total area, sq m | Rentable area, sq m | Rental rate/ Sale price, \$/ sq m | Operational expenses, \$/ sq m/month | Vacant space, sq m                          | Parking, slots | Parking, price \$/slot/month | Contacts                      |
|-------------------|----------------------|--------------------------------------|--------|-------|----------------------|------------------|---------------------|-----------------------------------|--------------------------------------|---|----------------|------------------------------|-------------------------------|
| Shevchenkovi'y I  | "BC Shevchenkovi'yi" | 4 d Shevchenko blvd.                 | Ex     | A     | 2006                 | 14,000           | 10,000              | 28                                | 2                                    | 120   | 50             | 49-80                        | (0482) 333003                 |
| Shevchenkovi'y II | "BC Shevchenkovi'yi" | Preobrazhenskaya/ Kyibysheva Str.    | UC     | B-    | 2008                 | 2,500            | 2,000               | 20                                | 2                                    | 1100  | 10             | 49-80                        | (0482) 333003                 |
| Planeta           | "BC Planeta"         | 120/2 Balkovskaya Str.               | Ex     | C     | 2008, reconstruction | 5,000            | 3,500               | 17                                | 1                                    | 180   | 30             | Free                         | (048) 7175304                 |
| Primors'kiy       | "BC Primors'kiy"     | 17 Bolshaya Arnautskaya Str.         | Ex     | B     |                      |                  |                     | 20                                | 2                                    | 95 sq m will probably be vacant in November | 20             | Free                         | (0482) 343962, 8067-484-11-83 |
| Albatros          | "Trust-Ukraina"      | 66/2 Chernomorskogo Kazachestva Str. | Ex     | B     | 2007, reconstructed  | 2,091            | 1,260               | 16                                | 1                                    | Basic fit-out, 497 sq m                     | 18             | Free                         | 8048-717-45-98                |
| Sigurd Hall       | "Progress Story"     | 10-th of April Square/Bolshoy Fontan | Ex     | A     | 2008                 | 4,634            | 2,623               | 20-40                             |                                      |   |                |                              | 8(0482) 301-570               |
| Morskoy           | "BC Morskoy"         | 10 Bunina Str.                       | UC     | A     | 2008                 | 18,000           | 13,600              | 33-41                             |                                      | Basic fit-out, 497 sq m                     | 150            | Free                         | (0482) 307792                 |
| Epsilon           | "BC Morskoy"         | Bunina Str.                          | Ex     | B-    | 2002                 |                  |                     | 24                                |                                      | Reconstructed                               |                | Free                         | (0482) 307792                 |

The referred above Comparables are for estimation of Market rental rate of office premises of the Business Park project, in our valuation we assumed as following:

office class A - \$25/per sqm/monthly/excluding VAT; office class B - \$20/per sqm/monthly/excluding VAT.

**Comparables for the Multiflex and Distribution Warehouse premises of the Business park project**

| Name                           | Location                       | Developer         | Status | Delivery year | Class | Rentable warehouse area, sq.m | Rentable office area, sq.m | Rental rate/ \$/sq.m | Comments  |
|--------------------------------|--------------------------------|-------------------|--------|---------------|-------|-------------------------------|----------------------------|----------------------|---|
| Warehouse complex              | Odessa city, Kievskiy district | Local developer   | Ex     | 2006          | B     | 6217+6409                     | 7612                       | \$10                 | For sale+Land plot- \$25 000 000, rental rate for offices- \$20 |
| Odesa Logistic Park I phase    | v. Dachne                      | GLD Invest Group  | UC     | 2008          | A     | 47000                         |                            | \$10                 | Agent - Colliers International ( Total area- 176 000 sq m)      |
| Dolphin Logistic park I phase  | v. Nerubaiske                  | Delin Development | UC     | 2009          | A     | 74511                         | 3672                       | \$10                 | 23,4 ha. Property management company - Bovis Lend Lease         |
| Dolphin Logistic park II phase | v. Nerubaiske                  | Delin Development | Pl     | 2011          | A     | 45723                         | 2203                       | \$10                 | 23 ha. Property management company - Bovis Lend Lease           |

The referred above Comparables are for estimation of Market rental rate of warehouse premises of the Business Park project, in our valuation we assumed as following:

Flex office - \$12/per sqm/monthly/excluding VAT; Flex Multiuse - \$10/per sqm/monthly/excluding VAT; Distribution - \$8/per sqm/monthly/excluding VAT.

### Appendix 3 Comparison approach (comparables and calculations)

#### Market comparables for the land plot

| № | Area, hectar | Area, 100 sq.m | Location  | Decription   | Land use  | Titles   | Sale price \$ per 100 sq.m. | Total Sale price, \$ | Contacts                        |
|---|--------------|----------------|---|--|---|----------|-----------------------------|----------------------|---------------------------------|
| 1 | 10.8         | 1,080          | 6 km far from Odessa, 12 km from the city center, close to 7th kilometer market, Prilimanskiy subdistrict | Façade ( 450 m ) ! close to 7th km!! Rectangular shape, all main services close to the site  | For Commercial construction- retail and warehouse complex | Freehold | \$12,639                    | \$13,650,000         | (067) 9242545,<br>(048) 7994109 |
| 2 | 3.5          | 350            | Ovidiopol'ska road, 7 km from Odessa, opposite the Market   | Close to Epicenter and 7th kilometer Market!   | For logistics   | Freehold | \$21,000                    | \$7,350,000          | 8050-190-23-93                  |
| 3 | 6            | 600            | Kiev-Odessa highway, 1 km from Odessa border, close to Kleverniy bridge and Usatovo village               | All the main services close to the site, opposite Novaya Liniya supermarket. It's possible to reduce the price!!   | For Commercial and warehouse complex                      | Freehold | \$18,000                    | \$10,800,000         | 8050-190-23-93                  |
| 4 | 40           | 4,000          | Ovidiopol'ska road, 7 km from Odessa. 500 m from the Market   | Façade!! 100-1000 m. Close to Metro, Epicenter, Nove Misto. Cottage town- Avangard-2 is located- 2 km from the site. It's possible to purchase 1,72- 40 hectares | For Retail and Logistics                                  | Freehold | \$21,000                    | \$84,000,000         | 8(048)7032101                   |
| 5 | 3.72         | 372            | Kiev-Odessa highway. Close to Kleverniy bridge, Usatovo village   | There is a possibility to purchase 3 land plots ( for agricultural use, 6 ha) close to the site  | For Shopping and Entertainment center                     | Freehold | \$10,081                    | \$3,750,000          | 722 22 54,<br>8050 190 2393     |
| 6 | 14.6         | 1,460          | 6 km of Ovidiopol Highway   | Close to 7 km market, façade 500-550 m   | Commercial, public, retail, warehouse complex             | Freehold | \$12,000                    | \$17,520,000         | (067) 9242545,<br>(048) 7994109 |

## Calculations

| #  | Location  | Land area, ha | Land use   | Price of Supply/ \$ per 100 sq. m, excluding VAT | Itemized Adjustments, % |                            |          |                            |          |                            |      |                            |                       |                            |            |                            | Total Indicated Net Price of Supply/\$ per 100 sq. m |
|--|---|---------------|--|--|-------------------------|----------------------------|----------|----------------------------|----------|----------------------------|------|----------------------------|-----------------------|----------------------------|------------|----------------------------|--|
|  |   |               |  |  | Price of supply         | Price after adjustment, \$ | Location | Price after adjustment, \$ | Land use | Price after adjustment, \$ | Area | Price after adjustment, \$ | Permits and Approvals | Price after adjustment, \$ | Demolition | Price after adjustment, \$ |  |
| 1  | 6 km far from Odessa, 12 km from the city center, close to 7th kilometer market, Prilimanskiy subdistrict | 10.800        | For Commercial construction-retail and warehouse complex | \$12,639   | -5%                     | \$12,007                   | -5%      | \$11,407                   | 0%       | \$11,407                   | 0%   | \$11,407                   | 0%                    | \$11,407                   | 0%         | \$11,407                   | \$11,407   |
| 2  | Ovidiopol'ska road, 7 km from Odessa, opposite the Market   | 3.500         | For logistics  | \$21,000   | -5%                     | \$19,950                   | -5%      | \$18,953                   | 0%       | \$18,953                   | -10% | \$17,057                   | 0%                    | \$17,057                   | 0%         | \$17,057                   | \$17,057   |
| 3  | Kiev-Odessa highway, 1 km from Odessa border, close to Kleverniy bridge and Usatovo village               | 6.000         | For Commercial and warehouse complex                     | \$18,000   | -5%                     | \$17,100                   | -10%     | \$15,390                   | 0%       | \$15,390                   | -5%  | \$14,621                   | 0%                    | \$14,621                   | 0%         | \$14,621                   | \$14,621   |
| 4  | Ovidiopol'ska road, 7 km from Odessa. 500 m from the Market   | 40.000        | For Retail and Logistics                                 | \$21,000   | -5%                     | \$19,950                   | -5%      | \$18,953                   | 0%       | \$18,953                   | 5%   | \$19,900                   | 0%                    | \$19,900                   | 0%         | \$19,900                   | \$19,900   |
| 5  | Kiev-Odessa highway. Close to Kleverniy bridge, Usatovo village   | 3.700         | For Shopping and Entertainment center                    | \$10,135   | -5%                     | \$9,628                    | -5%      | \$9,147                    | 0%       | \$9,147                    | -10% | \$8,232                    | 0%                    | \$8,232                    | 0%         | \$8,232                    | \$8,232  |
| 6  | 6 km of Ovidiopol Highway   | 14.600        | Commercial, public, retail, warehouse complex            | \$12,000   | -5%                     | \$11,400                   | -5%      | \$10,830                   | 0%       | \$10,830                   | 0%   | \$10,830                   | 0%                    | \$10,830                   | 0%         | \$10,830                   | \$10,830   |
| <b>Typical Indicated Price of Supply</b> |   |               |  |  |                         |                            |          |                            |          |                            |      |                            |                       |                            |            |                            | <b>13,674</b>  |

## Appendix 4 Information Supplied

We have been supplied with the following information:

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| Information   | Source |
|---|--------|
| 1. Copy report on title/Confirmation of title, including site plan, tenure, tenancy and sub-tenancy details, etc./Copy leases | Client |
| 2. Details of planning use and relevant planning consents   | Client |

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**Appendix 5      Residual valuation**

## **C Instructions**

This valuation report has been prepared in accordance with the instructions agreed between us, as recorded in Valuation Agreement # 27/08 VAL dated 29th of July 2008 and any subsequent correspondence. Information supplied to us is listed in Appendix 4.

# PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS/ADVISORS

## 1. PRELIMINARY

- 1.1 These general terms and conditions (the "Terms of Business") shall apply to all forms of professional services, other than agency services (to which separate terms will apply), provided by Cushman & Wakefield ("C&W", "we", "us" or "the Firm") to the client to whom the Proposal is sent (referred to as "you" or "the client", ). They shall apply separately to each service provided to you.
- 1.2 The Terms of Business are to be read in conjunction with the Proposal sent by us to you (the "Proposal"). In the event of any ambiguity or conflict between the Proposal and these Terms of Business, the provisions in the Proposal shall prevail. These Terms of Business and the Proposal may only be varied in writing by agreement between the parties.
- 1.3 The Terms outlined in paragraph 1.2 above will be incorporated into a formal contract between the Parties. The contract will have precedence over all other documents.

## 2. PERFORMANCE OF THE SERVICES

- 2.1 We undertake to use all reasonable skill and care in providing the services and advice described in the instruction given by you (the "Services"). We will inform you if it becomes apparent that the Services need to be varied or external third party advice is required. Any variation is to be confirmed in writing.
- 2.2 We may need to appoint third party providers to perform all or part of the Services and we shall agree this with you in advance.

## 3. BASIS OF FEES

- 3.1 The basis of our fees for our Services is set out in the Proposal.

- 3.2 When applicable, VAT shall be payable by you in addition to any fees or disbursements invoiced at the applicable rate.
- 3.3 Our fees are payable in accordance with the payment schedule represented in this Proposal. Payment is due within 10 days of the invoice date.
- 3.4 Where valuations are undertaken for a lender for loan security purposes and it is agreed that a borrower will pay our fee, the client shall remain primarily liable to pay our fee should such borrower fail to meet its liabilities to us in full. Payment of our fees is not conditional upon to any loan being drawn down or any of the conditions of the loan being met.
- 3.5 If you do not dispute with us an invoice or any part thereof within 10 days of the date of such invoice, you shall be deemed to have accepted the invoice in its entirety.
- 3.6 If we are required by you to undertake additional work in relation to an instruction, we shall notify you beforehand of any additional fees which may be payable.
- 3.7 Where there is a change to the stated purpose for which our valuation is being commissioned and in our sole opinion we deem this to result in an increase in our liability (for example a valuation for annual accounts being used for loan security purposes), we reserve the right to charge an additional fee in accordance with clause 12.
- 3.8 In the event that you withdraw our instructions prior to completion of a valuation, you shall be liable to pay us for a fair and reasonable proportion of our fees and any agreed disbursements. If we have sent you a draft valuation report, such fees shall be subject to a minimum of 80% of the fee originally agreed between us.
- 3.9 We will advise you in advance if it is necessary or convenient to instruct a third party to provide advice or to act as an expert or arbitrator and provide an estimate of the likely cost. If you approve, either verbally or in writing, that the third party be instructed, we will instruct the party as agent on your behalf and request that all the third party's invoices be addressed to you care of us. If we are requested by you to advance payment of the third party invoices, you shall be obliged to reimburse the advance payment made and pay a handling charge.

#### **Associated/Related Entities of the Client**

- 3.10 Where we are instructed to provide Services to one of your subsidiaries or associate/related entities or should you subsequently request that another entity be substituted for you at a later stage and we are unable to seek or obtain payment of any outstanding monies for whatever reason, you shall remain primarily liable to pay those outstanding monies if the subsidiary, associate/related or other entity does not meet its liabilities in relation to the Services.

#### **4. DISBURSEMENTS**

- 4.1 You shall reimburse disbursements incurred in the provision of the Services quarterly in arrears from the date they were incurred in accordance with terms in the proposal. These include, for example, maps, plans, research, photography, copying of documents or plans, messenger delivery, costs of obtaining external information on companies, properties, demographic or other similar information, any reproduction, copying or other royalties incurred, additional bound copy reports, costs of external information/references obtained and key cutting, travel and subsistence expenses at their actual cost.

#### **5. INFORMATION RECEIVED FROM THE CLIENT**

- 5.1 We will take all reasonable steps to ensure property information is accurate where we are responsible for its preparation. Where you provide us with any information on a property that is necessary or convenient to enable us to provide the Services properly, you are aware that we will rely on the accuracy, completeness and consistency of any information supplied by you or on your behalf and, unless specifically instructed otherwise in writing, we will not carry out any investigation to verify such information. We accept no liability for any inaccuracy or omission contained in information disclosed by you or on your behalf, whether prepared directly by you or by a third party, and whether or not supplied directly to us by that third party and you shall indemnify us should any such liability arise. If our valuation is required for the purpose of purchase or loan security, you accept that full investigation of the legal title and any leases is the responsibility of your lawyers.

#### **5.2 Advice Assumptions**

Unless otherwise advised by you in writing, we will provide the Services in relation to any property on the assumption that:-

- (i) information provided as to the extent of and ownership of the property is complete and correct and that there are no encumbrances or unduly onerous or unusual easements, restrictions, outgoings or conditions attaching to the property save as specifically notified to us;

- (ii) there are no environmental matters (including but not limited to actual or potential land, air or water contamination, or by asbestos or any other harmful or hazardous substance) that would affect the property, any development or any existing buildings on the property in respect of which the Services are provided or any adjoining property, and that we shall not be responsible for any investigations into the existence of the same and that you are responsible for making such investigations;
- (iii) the property and any existing buildings are free from any defect whatsoever;
- (iv) all the building services (such as lifts, electrical, gas, plumbing, heating, drainage and air conditioning installations and security systems) and property services (such as incoming mains, waste, drains, utility supplies, etc) are in good working order without any defect whatsoever;
- (v) any building, the building services and the property services comply with all applicable current regulations (including fire and health and safety regulations);
- (vi) the property and any existing building comply with all planning and building regulation, have the benefit of appropriate planning consent or other statutory authorisation for the current use and no adverse planning conditions or restrictions apply (which includes, but is not limited to, threat of or actual compulsory purchase order);
- (vii) appropriate insurance cover is, and will continue to be, available on commercially acceptable terms for any building incorporating types of construction or materials which may pose an increased fire or health and safety risk, or where there may be an increased risk of terrorism, flooding or a rising water table; and
- (viii) items of plant and machinery that usually comprise part of the property on an assumed sale, are included in the property but items of plant and machinery that are associated with the process being carried on in the property or tenants trade fixtures and fittings are excluded from the property.
- (ix) all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual effect on building costs, property values or viability of any development or existing buildings.

5.3 Where comparable evidence information is included in our report, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where

we had reason to believe its general accuracy or where it was in accordance with expectation. In addition, we have not inspected comparable properties.

## **6. STRUCTURE**

6.1 We will not carry out a structural survey of any property nor will we test services. Further, no inspection will be made of the woodwork and other parts of the structures which are covered, unexposed or inaccessible. In the absence of information to the contrary, the valuation will be on the basis that the property is free from defect. However, the value will reflect the apparent general state of repair of the property noted during inspection, but we do not give any warranty as to the condition of the structure, foundations, soil and services. Our report should not be taken or interpreted as giving any opinion or warranty as to the structural condition or state of repair of the property, nor should such an opinion be implied.

### **6.2 Measurements**

- (i) Our standard practice in Ukraine is that all measurements are to be provided by the Client from Property registration documentation. We will not carry out any physical measurements unless you specifically instructed us to do so.

## **7. CONFLICTS OF INTEREST**

7.1 We have conflict management procedures designed to prevent us acting for one client in a matter where there is or could be a conflict with the interest of another client for whom we are acting. If you are aware or become aware of a possible conflict of this type, please raise it immediately with us. If a conflict of this nature arises, then we will decide, taking account of legal constraints, relevant regulatory body rules and your and the other client's interests and wishes, whether we can continue to act for both parties (eg through the use of separate teams with appropriate Chinese Walls), for one only or for neither. Where we do not believe that any potential or actual conflict of interest can be managed appropriately, we will inform you and consult with you as soon as reasonably practicable. Should you have any queries on this, you should contact your client partner.

## **8. MANAGEMENT OF THE PROPERTY**

8.1 We shall not be responsible for the management of the property nor have any other responsibility (such as maintenance or repair) in relation to the property. We shall not be liable for any damage that may occur while the property is unoccupied. The property shall be your sole responsibility. You are aware that while a property is unoccupied, the property is likely to suffer from adverse

weather conditions and frost damage may occur to water and heating systems and sanitary appliances. You are strongly recommended to take all necessary actions to protect the property from such risks and to ensure that adequate insurance cover is in force.

## **9. APPRAISAL EXCLUSIONS**

### **Delay**

- 9.1 Where matters beyond the control of ourselves cause delay to the performance of the services we will notify the client as soon as we become aware of the situation. The client agrees that we will not be held responsible for such delay.

### **Basis of Valuation**

- 9.2 Unless otherwise requested the valuation will be prepared in accordance with Ukrainian Valuation Standards and rules and the Appraisal and Valuation Standards published by the RICS (“The Red Book”) and will be prepared by Asset Valuers as defined therein. In case of any discrepancies between these standards the Ukrainian Valuation Standards and rules will have precedence.
- 9.3 The valuation of any property held as an investment or surplus to requirements will be on the basis of Market Value (as defined in paragraph 21 hereof). Any properties primarily occupied by the owner of those properties or their subsidiaries will be valued on the basis of Existing Use Value (as defined in paragraph 21 hereof).
- 9.4 Any property which is classified as "specialised" or which has been subject to specialist adaptation works may need to be valued on the basis of Depreciated Replacement Cost (as defined in paragraph 21 hereof). This value will be caveated as being subject to the directors of the owning company being satisfied that there is adequate potential profitability of the business compared with the value of the total assets employed.
- 9.5 When assessing either Existing Use Value or Market Value for balance sheet purposes in accordance with International Accounting Standards, we will not include directly attributable acquisition or disposal costs in our valuation. Where asked to reflect costs by the client (as required under FRS15), these will be stated separately.

### **Tenure and Tenancies**

- 9.6 We will not be under obligation to inspect title deeds and we will therefore rely on the information supplied as being correct and complete. In the absence of information to the contrary, we will assume the absence of unusually onerous restrictions, covenants or other encumbrances and that the property has a good and marketable title. Where supplied with legal documentation, we will consider it but we will not take responsibility for the legal interpretation of it.
- 9.7 You should confirm to us in writing if you require us to read leases and if so, provide all the relevant documentation within a reasonable time for consideration bearing in mind the date for receipt of our report. You should not rely upon our interpretation of the leases without first obtaining the advice of your lawyers.

### **Covenant**

- 9.8 Our valuation will take into account potential purchasers' likely opinion of the financial strength of tenants. However, we will not undertake any detailed investigations on the covenant strength of the tenants. Unless informed to the contrary by you, we will assume that there are no significant arrears and that the tenants are able to meet their obligations under their leases or agreements.
- 9.9 We will not make any allowance in our Services for the existence of any mortgage or other financial encumbrance on or over the property nor take account of any leases between subsidiaries.
- 9.10 Any appraisal figures provided will be exclusive of VAT.
- 9.11 In instances where we are instructed to provide an indication of current reinstatement costs for fire insurance purposes, this is given solely as a guide without warranty. Formal estimates for insurance purposes can only be given by a quantity surveyor or other person with sufficient current experience of replacement costs.

## **10. PLANNING REGULATIONS**

- 10.1 Unless specifically instructed in writing to make formal searches with the relevant local planning authorities, we shall rely in the provision of our Services on the information provided informally by the relevant planning authority or its officers. We recommend that your lawyers be instructed to confirm the planning position relating to the property and review our comments on planning in the light of their findings.

- 10.2 Where we undertake value appraisals, we may consider the possibility of alternative uses being permitted. Unless otherwise notified by you in writing, we shall assume that the property and any existing buildings comply with all planning and building regulation, existing uses have the benefit of appropriate planning consent or other statutory authorisation, and that no adverse planning conditions or restrictions apply.

## **11. TERMINATION BY NOTICE**

- 11.1 Unless a fixed period has been agreed, either party may terminate the instruction by giving 14 days' notice in writing to the other party.
- 11.2 In the event of termination by notice, you shall be obliged to pay forthwith all the fees accrued in relation to the Services and work performed up to the date of termination (and any agreed abort fee) (the "Termination Fees") plus any expenses or disbursements incurred by us or to which we are committed at the date of termination.

## **12. PROFESSIONAL LIABILITY**

- 12.1 Subject to the provisions in these Terms of Business and the Letter, our total aggregate liability (including that of our partners and employees) to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services shall be limited to an aggregate sum not exceeding twenty times the fee paid for each instruction accepted. We shall not be liable to you for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct, indirect or consequential, or any claims for consequential compensation whatsoever (howsoever caused) which arise out of or in connection with the Services.
- 12.2 For the avoidance of doubt, our partners and employees shall have no liability in respect of their private assets.
- 12.3 Nothing in these Terms of Business excludes or limits our liability for: (i) death or personal injury caused by our negligence; (ii) any matter which it would be illegal for us to exclude or attempt to exclude our liability; or (iii) fraud or fraudulent misrepresentation.

- 12.4 Where a third party has contributed to the losses, damages, costs, claims or expenses, we shall not be liable to make any contribution in respect of the liability of such third party.
  
- 12.5 Save in respect of third parties directly instructed by us and not on your behalf, we shall not be liable for the services or products provided by other third parties, nor shall we be required to inspect or supervise such third parties, irrespective of the third party services or products being incidental to or necessary for the provision of our Services to you.
  
- 12.6 We shall be released from our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond our reasonable control (examples being a strike, act of God or act of terrorism). On becoming aware of any circumstance which gives rise, or which is likely to give rise, to any failure or delay in the performance of our obligations, we will notify you by the most expeditious method then available.
  
- 12.7 To cover any liability that might be incurred by us, we confirm that we will maintain professional indemnity insurance, so long as such insurance is available at commercially acceptable rates and terms, with insurers of good standing and repute.
  
- 12.8 Our pricing structure has been established by reference to these limitations on our liability and our level of professional indemnity insurance in respect of the Services we provide. If you feel that it is necessary to discuss with us a variation in these levels, then please raise the issue with your client partner who will be able to let you have proposals for a revised pricing structure to reflect any agreed level of our liability and/or professional indemnity cover.
  
- 12.9 Responsibility for our valuation extends only to the party(ies) to whom it is addressed. However in the event of us being asked by you to readdress our report to another party or other parties or permit reliance upon it by another party or other parties, we will give consideration to doing so, to named parties, subject to the following minimum fees:-

|                                      | First Extended<br>Party | Second &<br>Subsequent<br>Extended Parties |
|--------------------------------------|-------------------------|--|
| For the first \$1m of reported value | 0.075%                  | 0.025% per party                           |
| Thereafter                           | 0.035%                  | 0.015% per party                           |

These fees are exclusive of VAT & expenses (including the cost of readdressing the report) and are subject to a minimum fee of \$1000. Should additional work be involved, over and above that undertaken to provide the initial report, we may make a further charge although we will agree this with you before commencing the work.

### **13. QUALITY OF SERVICE**

- 13.1 Whilst we seek to provide high quality Services, if a client has cause for complaint we have standard complaints procedures, a copy of which is available on request. This is in accordance with requirements of the Royal Institution of Chartered Surveyors.

### **14. QUALITY CONTROL**

- 14.1 In circumstances where a valuation, although provided for a client, may also be of use to third parties, for instance the shareholders in a company (otherwise defined as a “Regulated Purpose Valuation” by the RICS), the RICS requires us to state our policy on the rotation of the surveyor who prepares the valuation and the quality control procedures that are in place.
- 14.2 Irrespective of the purpose of the valuation, we will select the most appropriate surveyor for the valuation having regard to his/her expertise and the possible perception that independence and objectivity could be compromised where a valuer has held the responsibility for a particular client for a number of years. This may result in us rotating the surveyor responsible for repeat valuations for the same client although we will not do so without prior discussion with the client.
- 14.3 All our valuation reports in Ukraine are signed by the Director of Valuation Roy Gregory is a Fellow of the Royal Institution of Chartered Surveyors of Great Britain whose responsibility it is to ensure that all relevant quality control procedures have been complied with.
- 14.4 Where we are undertaking a Regulated Purpose Valuation (see 14.1 above) we are required by the RICS to state all of the following in our report:
- 14.4.1 The length of time the valuer continuously has been the signatory to valuations provided to you for the same purpose as the report, together with the length of time we have continuously been carrying out that valuation instruction for you;
- 14.4.2 The extent and duration of the relationship between you and us;

14.4.3 In relation to our preceding financial year the proportion of the total fees, if any, payable by you to our total fee income expressed as one of the following:

- less than 5%; or
- if more than 5%, an indication of the proportion within a range of 5 percentage points;

14.4.4 Where, since the end of the last financial year, it is anticipated that there will be a material increase in the proportion of the fees payable, or likely to be payable, we shall include a further statement to that effect in addition to 14.4.3 above.

## **15. DATA PROTECTION**

15.1 We (including any of our international partnerships, group companies and affiliated organisations) are a data controller of all personal data collected during the provision of the agency services. We shall use such personal data and information we obtain from other sources for providing the agency services, for administration and customer services, for marketing and to analyse your preferences. We may keep such personal data for a reasonable period for these purposes. We may need to share personal data with our service providers and agents for these purposes. We may disclose personal data in order to comply with a legal or regulatory obligation and you may request, in writing and upon payment of a fee, a copy of the details held about you by us.

15.2 To help us to make credit decisions about you, to prevent fraud, to check identity and to prevent money laundering, we may search the files of credit reference agencies and we may also disclose details of how you conduct your account to such agencies.

15.3 We may share personal data within our international partnerships, group companies and affiliated organisations and with our business partners for marketing purposes, which may be to countries or jurisdictions which do not provide the same level of data protection as the country in which you are based, or we may send you and your employees information about other organisations' goods and services. We or any business partners may contact you and your employees, directly or via our agents, by mail, telephone, fax, email, SMS or other electronic messaging service with offers of goods and services or information that may be of interest. By providing us with your or your employees' personal data (whether that data is deemed sensitive or not) including fax numbers, telephone numbers or email addresses, you and your employees consent to being contacted by these methods for these purposes.

## **16. MONEY LAUNDERING REGULATIONS**

- 16.1 We have regard to UK legislation, including the Proceeds of Crime Act 2002, Money Laundering Regulations 2003 and related guidance as updated from time to time, which has imposed on us obligations for mandatory reporting, record keeping and identification procedures. We may be required to verify certain particulars of our clients and may need to ask you to assist us in complying with such requirements. Where such information is requested, you will provide such information promptly to enable us to proceed to provide our Services. We shall not be liable to you or any other parties for any delay in the performance or any failure to perform the Services which may be caused by our duty to comply with such requirements.

## **17. ELECTRONIC COMMUNICATIONS**

- 17.1 We may communicate with each other by electronic mail, sometimes attaching electronic data. By consenting to this method of communication, we and you accept the inherent risks (including the security risks of interception of, or unauthorised access to, such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices). In the event of a dispute, neither of us will challenge the legal evidential standing of an electronic document and our system shall be deemed to be the definitive record of electronic communications and documentation.

## **18. CONFIDENTIALITY AND INTELLECTUAL PROPERTY**

- 18.1 We owe our clients a duty of confidentiality. You agree, however, that we may, when required by our insurers or other advisers, provide details to them of any engagement on which we have acted for you, and that we may also disclose confidential information relating to your affairs if required to do so for legal, regulatory or insurance purposes only.
- 18.2 Both parties agree never to disclose sensitive details of transactions or our advice without the other's consent. Unless we are expressly bound by a duty of confidentiality which otherwise overrides this, both parties shall be entitled to mention to third parties (e.g. in the course of presentations, speeches or pitches) and/or publish (e.g. in brochures, marketing or other written material) that we provide our services to you.
- 18.3 We shall provide the Services to you only for your sole use and for the stated purpose. We shall not be liable to any third party in respect of our Services. You shall not mention nor refer to our advice, in whole or in part, to any third party orally or in annual accounts or other document, circular or statement without our prior written approval. The giving of an approval shall be at our sole discretion.
- 18.4 We will not approve any mention of our Services unless it contains sufficient reference to all the special assumptions and/or limitations (if any) to which our Services are subject. For the

avoidance of doubt our approval is required whether or not we are referred to by name and whether or not our advice is combined with others.

18.5 We may make the approval of any mention of our Services, or re-address to third parties our Services, subject to the payment of an additional fee to cover additional work and professional liability.

18.6 All intellectual property rights (including copyrights) in the documents, materials, records, data and information in any form developed or provided to you by us or otherwise generated in the provision of our Services shall belong to us solely.

## **19. THIRD PARTIES RIGHTS AND ASSIGNMENT**

19.1 No term of the Proposal or these Terms of Business is intended to confer a benefit on or to be enforceable by any person who is not a party to the same.

19.2 We shall be entitled to assign or transfer this contract and any rights and obligations arising from it to any party which comprises of substantially the whole of our business, including any limited liability partnership, by giving appropriate notice.

19.3 Subject to clause 18.2 above, neither party shall be entitled to assign this contract or any rights and obligations arising from it without the prior written consent of the other, such consent not to be unreasonably withheld.

## **20. GENERAL**

20.1 If any provision of the Terms of Business is found by any court, tribunal or administrative body of competent jurisdiction to be wholly or partly illegal, invalid, void, voidable, unenforceable or unreasonable it shall to the extent of such illegality, invalidity, voidness, voidability, unenforceability or unreasonableness be deemed severable and the remaining provisions of the Terms of Business and the remainder of such provision shall continue in full force and effect.

20.2 Failure or delay by us in enforcing or partially enforcing any provision of these Terms of Business shall not be construed as a waiver of any of our rights under these Terms of Business.

20.3 The Proposal and these Terms of Business shall be governed by and be construed in accordance with Ukrainian law.

## **21. BASES OF VALUATION**

Our valuation advice will be prepared in accordance with one or more of the following bases of valuation as defined in the Practice Statements of the Red Book (“PS”), as appropriate:-

### **21.1 Market Value**

PS 3.2 defines Market Value 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.”

#### **21.1.1 Trading Related Valuations**

Where appropriate, such properties will be valued on the basis of Market Value as a fully equipped operational entity, having regard to trading potential.

Where we are instructed to value an operational property having regard to its trading potential (such as self storage properties, hotels and marinas), we will take account of any trading information provided to us. The valuations will be based on our opinion as to future trading potential and the level of turnover and net operating income likely to be achieved.

The valuations will be made on the basis that the properties will be sold as a whole including all fixtures, fittings, stock and goodwill. The new owner would normally engage the existing staff and the new management would expect to take over the benefit of existing and future bookings or occupational agreements which may be an important feature of the continuing operation, together with all existing statutory consents plus all operational permits and licences.

Unless made clear to the contrary in our report, the valuations will reflect our opinion that all goodwill for the properties is tied to the land and buildings and does not represent personal goodwill to the operator.

Our valuations will be based on the information which either the operator has supplied to us or which we have obtained from our enquiries (including full detailed trading information in relation to each trading property). We will rely on this being correct and complete and on there being no undisclosed matters which would affect our valuation.

## **21.2 Depreciated Replacement Cost**

PS 3 Appendix 3.1 states that Depreciated Replacement Cost (DRC) is recognised as an acceptable method of estimating Market Value where more reliable methods, such as market comparison or an income (profits test), cannot be applied. The valuer must be satisfied that it is not practicable to prepare a valuation by any other method before relying solely on depreciated replacement cost.

DRC is based on an estimate of the value of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

## **21.3 Market Rent**

PS 3.4 defines Market Rent as:

“The estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arms length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.”

## **21.4 Existing Use Value**

PS 1.3 defines Existing Use Value 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 arms length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently, and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding

potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.”