APPRAISAL OF REAL PROPERTY

229 West 43rd Street
Between Seventh and Eighth Avenues
New York, New York County, NY 10036

IN A RESTRICTED APPRAISAL REPORT

As of June 30, 2009

Prepared For:
Africa-Israel, U.S.A.
229 West 43rd Street, 10th Floor
New York, New York 10036

PHOTOGRAPH OF SUBJECT PROPERTY

Prepared By:
Cushman & Wakefield, Inc.
Valuation Services
51 West 52nd Street
New York, NY 10019
C&W File ID: 09-12001-9769

Global Real Estate Solutions℠

CUSHMAN & WAKEFIELD, INC.
51 WEST 52ND STREET
NEW YORK, NY 10019

July 29, 2009

Mr. Tamir Kazaz
CFO
Africa-Israel, U.S.A.
229 West 43rd Street, 10th Floor
New York, New York

Re: Appraisal of Real Property
In a Restricted Report

229 West 43rd Street
Between Seventh and Eighth Avenues
New York, New York County, NY 10036

C&W File ID: 09-12001-9769

Dear Mr. Kazaz:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our appraisal of the above property in a restricted report dated July 29, 2009. The effective date of value is June 30, 2009.

This report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(c) of the Uniform Standards of Professional Appraisal Practice for a Restricted Appraisal Report. As such, it presents limited discussion of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be found in our appraisal work files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report, and it is intended only for the client's specified use. It may not be distributed to be relied upon by other persons or entities without written permission of Cushman & Wakefield, Inc. Reliance upon this report by the client is limited to the extent that we have not included extensive supporting data nor our work files. The value opinion reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report. There are no additional unusual conditions.

This report was prepared in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) as set forth by the Appraisal Foundation and in accordance with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. In addition, the appraisal was written in conformance with the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation (FDIC) in compliance with Title XI of FIRREA.

The purpose of this appraisal is to estimate our opinion of the market value of the leased fee estate on June 30, 2009. The report has been prepared for the exclusive use of Africa-Israel, U.S.A., and the intended function is for internal business decisions.

The property was inspected by and the report was prepared by Naoum M. Papagianopoulos, Douglas H. Larson and Matthew C. Mondanile, MAI.

In preparing this appraisal, we inspected the subject property and the immediate and surrounding area. We reviewed economic and demographic trends for the market, taking into account the impact of both the existing competitive inventory, and proposed additions to the market. We also compiled and analyzed recent market sales. During our research and analysis, we concluded that the property's highest and best use is for office building development.

The subject property is an existing 16-story landmarked Class B office building originally built in 1913 and known as the New York Times Building located at 229 West 43rd Street. The property is located in the Times Square/West Side sub market between West 43rd and West 44th streets and Seventh and Eighth Avenues. The building entrance is on West 43rd Street. The property is identified by the New York City Assessor's office as Lot 12 in Block 1015.

Developed in 4-phases from 1913 to 1947, the building expanded with the growth of the New York Times Building. A different architect designed each phase: Mortimer Fox in 1913, Ludlow & Peabody in 1924, Albert Kahn in 1931, and Shreve, Lamb & Harmon in 1947. The property, known as the New York Times Building, had frontage on West 43rd Street when it was built in 1913. This annex building was expanded eastward and renovated in 1924 and 1931. The 44th Street building, which extended the building to the north and added the "L-shaped portion" of the current building, was built in 1947. The floors between the additions are seamlessly integrated with the original building. The building is distinguished by its stone façade, extension ornamentation, 3-floor cupola, large floor plates ranging from 50,000 to 62,000 rentable square feet on floors 2-11, and above-standard ceiling heights ranging from 13' 6" to 25' 10".

The property was acquired in November 2004 by Tishman Speyer Development, LLC from The New York Times Company for a purchase price of $175,000,000. Following the sale, the entire property was net leased by the New York Times Company through June 30, 2007. The annual net rent payments were $12,250,000 per annum. The New York Times Company has vacated the building and moved their operations to their new headquarters at 620 Eighth Avenue which was recently completed.

The property was acquired in July 2007 by Africa-Israel, U.S.A. from Tishman Speyer Development, LLC for a purchase price of $525,000,000. This was an "at arm's length" transaction. There have been no other sales of the property within the past three years to the best of our knowledge.

The owners of the property, Africa-Israel USA, began a complete gut renovation of the building in July 2007, and intend to lease the vacant office and retail space to large, long-term quality tenants. The construction budget to redevelop the subject property excluding tenant leasing costs totaled over $80 million which was recently completed.

As of the effective date of this appraisal, the completed redevelopment has included demolition and installation of new mechanical equipment, elevators, electrical service and upgraded lobby and common areas. In addition, Africa-Israel, U.S.A. has renovated the loading bays along West 43rd Street and West 44th Street to accommodate retail use. The developers have demolished the interior of the building and installed new mechanical equipment, elevators and electrical service, and upgraded the lobby and common areas.

The office building contains 777,249 rentable square feet. The first 16 floors are tenantable while the top 3 floors are used for building mechanical systems. The square footage has been adjusted to take into account unleasable space containing less than 8-foot ceiling heights on the ground floor and lower level.

The developers have renovated the building at a Class A standard while paying close attention to the lobby, common corridors and bathrooms to ensure they are of the highest quality. Africa-Israel, U.S.A. intends to lease the vacant office and retail space. The building is currently being aggressively marketed to large corporate users. The retail and storage space is also being marketed to retail tenants, several which have provided offers.

In March 2009, the owners signed the first retail lease with Running Subway Productions. Running Subway Productions leases 59,137 square feet on the ground floor, basement and sub-basement for a 21 year-term with a 5 year renewal option. The Running Subway Productions space contains 4,550± square feet on the grade, 34,238± square feet in the basement, and 20,349± square feet sub basement. The initial base rent for the entire space is $2,000,000 per annum or $33.82 per square foot, with subsequent 3 percent increases per annum. In addition, there is percentage rent, which is equal to $1 for every ticket sold between 750,000 and 1,750,000 visitors and $2 for every ticket sold over 1,750,000 visitors.

In addition, the owners recently signed a second retail lease with Strike. Strike leases 90,386 square feet on the ground floor, 2nd, 3rd and 4th floors for a 20 year-term with three 5 year renewal options. The Strike space contains 750± square feet on the grade, 411± square feet on the 2nd floor, 62,665± square feet on the 3rd floor, and 26,560± square feet on the 4th floor. The initial base rent for the entire space is $4,500,000 per annum or $49.79 per square foot, with subsequent 10 percent increases every 5 years.

The large windows and high ceilings provide abundant natural light and air, which accommodates open plan layouts ideal for the larger base floors. The smaller floors ranging from 9,700 to 16,000 rentable square feet at the top of the building benefits from above standard ceiling heights and views to the south, southeast, west and northwest. The location and large floor plates are considered suitable for relocation of back office functions. The lower floors are ideal for large space users but are divisible to allow for multi-tenanted floors, while the tower floors would cater to space users desiring unique space with full floor identity in the heart of Times Square. The street presence, size and ceiling heights on the ground floor and lower level provide for potential retail uses including restaurants, big-box and entertainment.

Based on our physical inspection and review of the development budget provided by Turner Construction Company, the reconstruction of the new building appears to be reasonable, which was completed in the last several weeks. It is the assumption of this appraisal that the renovation of the building has been completed in accordance with the development budget.

Impact of Credit Crisis On The Financial Industry

The credit crunch that began to unfold in the U.S. in mid-2007, evolved into a global financial crisis by October 2008. Initially confined to non-depository lenders and investment banks, turmoil has now breached even the largest money-center banks, resulting in dramatic selloff at equity exchanges across the globe. Institutions heavily exposed to mortgage backed securities, collateralized debt or credit shortfalls have been forced into the arms of better capitalized suitors, declared bankruptcy or been taken over by their respective governments.

These events are rooted in the subprime mortgage crisis, which began garnering attention in 2007. The crisis was sparked primarily by the perceived strength of the U.S. residential market, and exacerbated by lax regulations on elaborate structured finance and insurance instruments designed to earn profit and hedge against losses. In early 2008, U.S. banks began showing cracks in their financial structure as the flaws in these practices became more apparent. At this point, the companies affected were those directly involved in home construction and mortgage lending, but as the crisis emerged financial institutions that had engaged in the securitization of mortgages began to falter as well.

By the end of September 2008, an international crisis had emerged as more banks failed and global markets witnessed sharp reductions in stock and commodity values. In the weeks that followed, the crisis began affecting the general availability of credit to businesses and to larger financial institutions not directly connected with mortgage lending. In an attempt to avoid a world-wide financial freeze, staunch the public fear and unlock the credit markets, governments began their largest private sector interventions in history.

The Emergency Economic Stabilization Act of 2008 (EESA) was passed, enabling Treasury to facilitate an $825 billion Troubled Asset Relief Program (TARP). TARP was initially intended to recapitalize financial institutions by transferring toxic securities off ailing institutions' balance sheets to the U.S. government. The fallout from the crisis has been significant, widespread, and has permanently altered the financial landscape. Below is a list of some of the major changes:

- IndyMac collapsed and its assets were seized by the federal regulators.
- Fannie Mae and Freddie Mac have been placed in federal conservatorship.
- Barclay's Bank acquired Lehman Brothers' core business assets, while the rest remain in bankruptcy proceedings.
- Bank of America agreed to acquire Merrill Lynch.
- JP Morgan Chase assumed all of Washington Mutual's assets, and most of their liabilities. The remaining subsidiaries have filed for Chapter 11 bankruptcy protection.
- Wells Fargo agreed to purchase Wachovia.
- Goldman Sachs and Morgan Stanley converted to bank holding companies.
- AIG, suffering a credit downgrade and liquidity crisis, was saved from insolvency by the Federal Reserve in return for a 79.9 percent equity interest.
- On an international level, Bradford & Bingley (Great Britain), Grupo Santander (Spain), Glitner (Iceland), Fortis (Belgium/Netherlands/Luxembourg) and Hypo Real Estate (Germany) are all subject to rescue or nationalization plans.

MANHATTAN OFFICE SPACE INVENTORY AND VACANCY

During a February 4, 2008 speech, Mayor Bloomberg estimated approximately 300,000 jobs in New York City could be lost in the next 18 months. According to C&W Research, approximately 33 percent of the Manhattan office space is leased to financial services firms, one of the worst hit sectors in this economic downturn. Wall Street's and financial services layoffs are expected to affect the New York economy heavily in coming months, which will directly impact vacancy and rents of office space. Various estimates indicate that 40,000 to 50,000 Wall Street jobs could be lost during this downturn.

The decline in the financial sector is now being exacerbated by weakness in other industries as the impact of the national recession is felt here. New York's economy provides services to the rest of the nation. The U.S. economy entered a recession at the end of 2007. This means that the demand for the services that New York firms provide, from advertising to media to accounting and legal services, are all likely to see further deterioration in sales until the national recession ends, which is not likely until mid-2009 at the earliest.

New York's commercial office market began to feel the full effects of the financial crisis in stages during 2008. Vacancy rates began to increase across the market during the first half of the year. As more financial firms came under pressure the amount of sublease space on the market rose sharply. By the end of 2008, sublease space on the market had increased by 4.7 million square feet or 132 percent and accounted for 25.8 percent of all available space, its highest share since February 2004. Total available space, at 31.8 million square feet, grew by nearly 43 percent in the past year, driving the overall vacancy rate up to 8.0% from 5.7%.

In determining the course of the Manhattan market, 2009 will be crucial, as financial firms such as J.P. Morgan Chase, Bank of America, Citigroup, Goldman Sachs, Merrill Lynch and AIG will have to make decisions with regard to excess space. Vacancy rates are likely to increase significantly, which is dependant upon how many jobs and office-using companies survive the turmoil. Within the next 18 months there is a significant amount of Manhattan office space becoming available due to lease expirations and companies potentially giving back space. C&W research estimates that 2010 and 2013 will be pivotal years for the Manhattan market as leases are due to expire covering over 14.4 and 11.9 million square feet, respectively. It should be noted that these estimates do not include “Shadow” space inventory. Shadow space is defined as excess office space that companies do not officially place on the market for lease but unofficially acknowledge its availability. Current estimates place the amount of “shadow” space from a minimum of 5 million square feet to a potential 10 million square feet.

From a new construction prospective, practically every office construction development in Manhattan has been put on hold. The ongoing construction sites are the Goldman Sachs building at 200 West Street, 510 Madison Avenue and Eleven Times Square. Goldman intends to occupy entirely 200 West Street, while the other two buildings are close to completion. The current capital market environment is exemplified by 250 West 55th Street, a joint venture between Boston Properties and Madison Equities, which plans called for a 900,000 square foot office building. Gibson, Dunn & Crutcher LLP had signed a lease for 222,000 square feet beginning in 2011 to relocate from Park Avenue. The original completion date was 2010. However, after failing to find a second major tenant for the balance of the space the owners have put the project on hold until the market conditions improve. Boston Properties and Madison Equities have placed the project on-hold even though there will penalties associated with not delivering the space to Gibson, Dunn & Crutcher LLP on time.

CONCLUSION

Given the current economic conditions we believe the subject will require an extended lease-up period. We believe that, upon a market-leasing scenario, the subject property would likely be leased to large office tenant spaces. The property is currently vacant and available for lease. We have assumed that the 718,112 square feet of available office, retail and storage space will be leased over a 36-month absorption period from April 2009. This result in an absorption rate of 19,948± square feet per month or 59,843± square feet per quarter, which is in-line with comparable building absorption. The subject’s office market rental rates are projected to range from in the low $60’s per square foot. Consistent with the marketplace, the projected concession package will include tenant workletters of $50 per square foot and 12 months of free rent to lease the vacant space. The subject’s space is projected to be leased to large, long-term quality tenants. Overall, 229 West 43rd Street provides a good appearance relative to competing buildings within its submarket.

This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that the Sales Comparison Approach and the Income Capitalization Approach would be considered meaningful and applicable in developing a credible value conclusion. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not utilized the Cost Approach to develop an opinion of market value.

MARKET VALUE AS IS

Based on the agreed to Scope of Work, and as outlined in the report, we have developed an opinion that the market value of the **leased fee estate** of the referenced property, subject to the assumptions and limiting conditions, certifications, extraordinary and hypothetical conditions, if any, and definitions, "As-Is" on June 30, 2009, was:

TWO HUNDRED TWENTY MILLION DOLLARS

$220,000,000

PROSPECTIVE VALUE UPON ACHIEVING STABILIZED OCCUPANCY

Based on the agreed to Scope of Work, and as outlined in the report, we have developed an opinion that the prospective value "Upon Achieving Stabilized Occupancy" of the **leased fee estate** of the referenced property, subject to the assumptions, limiting conditions, certifications, and definitions, on June 30, 2013, will be:

THREE HUNDRED NINETY MILLION DOLLARS

$390,000,000

The value opinion in this report is qualified by certain assumptions, limiting conditions, certifications, and definitions. We particularly call your attention to the extraordinary assumptions and hypothetical conditions listed below.

EXTRAORDINARY ASSUMPTIONS

The subject property consists of a vacant 16-story office building that was previously the corporate headquarters of The New York Times Company. In June 2007, The New York Times Company vacated the building and moved their operations to their new headquarters at 620 Eighth Avenue which was recently constructed. The owners of the property, Africa-Israel USA, began a complete gut renovation of the building in July 2007, and intend to lease the vacant office and retail space to large, long-term quality tenants.

Based on our physical inspection and review of the development budget provided by Turner Construction Company, the reconstruction of the building appears to be reasonable, which was completed in the last several weeks. It is the assumption of this appraisal that the renovation of the building has been completed in accordance with the development budget. The construction budget to redevelop the subject property excluding tenant leasing costs totaled over $80 million, which has created "value added" for the property.

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions.

HYPOTHETICAL CONDITIONS

This appraisal does not employ any hypothetical conditions. For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

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ASSUMPTIONS AND LIMITING CONDITIONS

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits, and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.

- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.
- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
- If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- In the event of a claim against C&W or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by C&W or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.
- Any estimate of insurable value, if included within the agreed upon scope of work and presented within this report, is based upon figures derived from a national cost estimating service and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, we make no warranties regarding the accuracy of this estimate.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

CERTIFICATION OF APPRAISAL

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Matthew C. Mondanile, MAI, Douglas H. Larson and Naoum M. Papagianopoulos made a personal inspection of the property that is the subject of this report.
- As of the date of this report, Matthew C. Mondanile, MAI has completed the continuing education program of the Appraisal Institute.

- Our analyses, opinions, or conclusions were developed and this report has been prepared in conformity with the requirements of the State of New York for State-certified appraisers.

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GLOSSARY OF TERMS & DEFINITIONS

The following definitions of pertinent terms are taken from *The Dictionary of Real Estate Appraisal*, Fourth Edition (2002), published by the Appraisal Institute, as well as other sources.

CASH EQUIVALENCE

A price expressed in terms of cash, as distinguished from a price expressed totally or partly in terms of the face amounts of notes or other securities that cannot be sold at their face amounts. Calculating the cash-equivalent price requires an appraiser to compare transactions involving atypical financing to transactions involving comparable properties financed at typical market terms.

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis."

HYPOTHETICAL CONDITIONS

A hypothetical condition is "that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis."

MARKETING TIME

Marketing time is an opinion of the time that might be required to sell a real property interest at the appraised value. Marketing time is presumed to start on the effective date of the appraisal. (Marketing time is subsequent to the effective date of the appraisal and exposure time is presumed to precede the effective date of the appraisal). The opinion of marketing time uses some of the same data analyzed in the process of estimating reasonable exposure time and it is not intended to be a prediction of a date of sale."

LEASED FEE INTEREST

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

MARKET RENT

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:

- Lessee and lessor are typically motivated.
- Both parties are well informed or well advised, and acting in what they consider their best interests.
- A reasonable time is allowed for exposure in the open market.
- The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract.
- The rental amount represents the normal consideration for the property lease unaffected by special fees or concessions granted by anyone associated with the transaction.

MARKET VALUE

Market value is one of the central concepts of the appraisal practice. Market value is differentiated from other types of value in that it is created by the collective patterns of the market. A current economic definition agreed upon by agencies that regulate federal financial institutions in the United States of America follows, taken from Advisory Opinion-22 of *USPAP* of The Appraisal Foundation:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

VALUE AS IS

The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal. It relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.

PROSPECTIVE VALUE UPON REACHING STABILIZED OCCUPANCY

The value of a property as of a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. At such point, all capital outlays for tenant improvements, leasing commissions, marketing costs and other carrying charges are assumed to have been incurred.

ADDENDA CONTENTS

ADDENDUM A:
DISCOUNTED CASH FLOW ANALYSIS

229 West 43rd Street

Between Seventh and Eighth Avenues
New York City

Discounted Cash Flow Analysis
Market Value "As Is" on June 30, 2009

FISCAL YEAR		NET CASH FLOW		DISCOUNT FACTOR @ 8.00%			PRESENT VALUE OF CASH FLOWS	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
One	$	(34,546,577)	X	0.925926	=	$	(31,987,571)	-14.53%	-15.69%
Two	$	(25,224,585)	X	0.857339	=	$	(21,626,016)	-9.82%	-11.46%
Three	$	(14,219,249)	X	0.793832	=	$	(11,287,698)	-5.13%	-6.46%
Four	$	(1,511,960)	X	0.735030	=	$	(1,111,336)	-0.50%	-0.69%
Five	$	24,775,368	X	0.680583	=	$	16,861,699	7.66%	11.25%
Six	$	25,108,309	X	0.630170	=	$	15,822,494	7.19%	11.41%
Seven	$	25,917,855	X	0.583490	=	$	15,122,819	6.87%	11.77%
Eight	$	27,251,957	X	0.540269	=	$	14,723,384	6.69%	12.38%
Nine	$	28,426,173	X	0.500249	=	$	14,220,164	6.46%	12.91%
Ten	$	28,277,257	X	0.463193	=	$	13,097,841	5.95%	12.85%
Eleven	$	28,592,069	X	0.428883	=	$	12,262,648	5.57%	12.99%
Twelve	$	29,430,043	X	0.397114	=	$	11,687,075	5.31%	13.37%
Thirteen	$	30,843,927	X	0.367698	=	$	11,341,248	5.15%	14.01%
Fourteen	$	32,080,801	X	0.340461	=	$	10,922,263	4.96%	14.57%
Total Present Value of Cash Flows						$	70,049,015	31.82%	4.66% Average
Reversion:									
Fifteen	$	32,143,606	*(1)* /	7.00%	=	$	459,194,371		
	Less: Cost of Sale @			4.00%		$	18,367,775		
	Less: T.I and Comm.					$	-		
	Net Reversion					$	440,826,597		
	X Discount Factor						0.340461		
Total Present Value of Reversion						$	150,084,282	68.18%	
Total Present Value						$	220,133,297	100.00%	
			ROUNDED:			**$**	**220,000,000**		

Net Rentable Area (SF):		777,249
Per Square Foot of Net Rentable Area:		$283.05
Implicit Going-in Capitalization Rate:		
Year One NOI (	12 Months)	($16,512,834)
Going-In Cap Rate		-7.51%
Compounded Annual Growth Rate Concluded to Reversion:		5.82%
Compounded Annual Growth Rate Net cash Flow:		n/a

Note: (1) Net Operating Income

229 West 43rd Street

Between Seventh and Eighth Avenues
New York City

Discounted Cash Flow Analysis
Prospective Value on June 30, 2013 "Upon Achieving Stabilized Occupancy"

FISCAL YEAR		NET CASH FLOW		DISCOUNT FACTOR @ 8.00%			PRESENT VALUE OF CASH FLOWS	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
One	$	24,775,368	X	0.925926	=	$	22,940,156	5.89%	6.36%
Two	$	25,108,309	X	0.857339	=	$	21,526,328	5.53%	6.45%
Three	$	25,917,855	X	0.793832	=	$	20,574,429	5.29%	6.66%
Four	$	27,251,957	X	0.735030	=	$	20,031,002	5.15%	7.00%
Five	$	28,426,173	X	0.680583	=	$	19,346,376	4.97%	7.30%
Six	$	28,277,257	X	0.630170	=	$	17,819,468	4.58%	7.26%
Seven	$	28,592,069	X	0.583490	=	$	16,683,198	4.29%	7.34%
Eight	$	29,430,043	X	0.540269	=	$	15,900,137	4.08%	7.56%
Nine	$	30,843,927	X	0.500249	=	$	15,429,643	3.96%	7.92%
Ten	$	32,080,801	X	0.463193	=	$	14,859,618	3.82%	8.24%
Total Present Value of Cash Flows						$	185,110,354	47.55%	7.21% Average
Reversion:									
Eleven	$	32,143,606	*(1)* /	7.00%	=	$	459,194,371		
	Less: Cost of Sale @			4.00%		$	18,367,775		
	Less: T.I and Comm.					$	-		
	Net Reversion					$	440,826,597		
	X Discount Factor						0.463193		
Total Present Value of Reversion						$	204,188,009	52.45%	
Total Present Value						$	389,298,362	100.00%	
			ROUNDED:			**$**	**390,000,000**		

Net Rentable Area (SF):	777,249
Per Square Foot of Net Rentable Area:	$501.77
Implicit Going-in Capitalization Rate:	
Year One NOI (12 Months)	$24,950,328
Going-In Cap Rate	6.40%
Compounded Annual Growth Rate Concluded to Reversion:	1.26%
Compounded Annual Growth Rate Net cash Flow:	n/a

Note: (1) Net Operating Income

229 West 43rd Street
Market Value "As Is" on June 30, 2009
Cash Flow Analysis

	YEAR 1 FY 2010	YEAR 2 FY 2011	YEAR 3 FY 2012	YEAR 4 FY 2013	YEAR 5 FY 2014	YEAR 6 FY 2015	YEAR 7 FY 2016	YEAR 8 FY 2017	YEAR 9 FY 2018	YEAR 10 FY 2019	YEAR 11 FY 2020	YEAR 12 FY 2021	YEAR 13 FY 2022	YEAR 14 FY 2023	YEAR 15 FY 2024
POTENTIAL GROSS INCOME															
Base Rental Revenue	$6,166,667	$15,898,700	$30,643,145	$43,811,082	$43,876,326	$44,393,529	$45,397,618	$46,937,208	$48,321,101	$48,396,739	$48,969,645	$50,078,248	$51,776,020	$53,302,658	$53,390,342
Base Rent Abatements	($6,166,667)	($10,253,628)	($8,650,705)	($13,104,592)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
BASE RENTAL INCOME	$0	$5,645,072	$21,992,440	$30,706,490	$43,876,326	$44,393,529	$45,397,618	$46,937,208	$48,321,101	$48,396,739	$48,969,645	$50,078,248	$51,776,020	$53,302,658	$53,390,342
Real Estate Taxes	$0	$132,125	$241,154	$452,426	$729,909	$1,016,523	$1,312,550	$1,618,283	$1,934,023	$2,656,893	$3,795,150	$4,960,364	$6,153,115	$7,373,994	$8,206,549
Operating Expenses	$0	$0	$47,511	$185,405	$392,475	$605,756	$825,440	$1,051,707	$1,284,764	$1,524,809	$1,772,065	$2,026,732	$2,289,043	$2,559,219	$2,837,506
Total Reimbursement Revenue	$0	$132,125	$288,665	$637,831	$1,122,384	$1,622,279	$2,137,990	$2,669,990	$3,218,787	$4,181,702	$5,567,215	$6,987,096	$8,442,158	$9,933,213	$11,044,055
Add: Subway Percentage Rent	$500,000	$750,000	$772,500	$795,675	$819,545	$844,132	$869,456	$895,539	$922,405	$950,078	$978,580	$1,007,937	$1,038,175	$1,069,321	$1,101,400
POTENTIAL GROSS INCOME	$500,000	$6,527,197	$23,053,605	$32,139,996	$45,818,255	$46,859,940	$48,405,064	$50,502,737	$52,462,293	$53,528,519	$55,515,440	$58,073,281	$61,256,353	$64,305,192	$65,535,797
Less: Vacancy & Collection Loss	$0	($57,772)	($222,811)	($313,443)	($449,987)	($460,158)	($475,356)	($496,072)	($515,399)	($525,784)	($545,369)	($570,653)	($602,182)	($632,359)	($644,344)
EFFECTIVE GROSS INCOME	$500,000	$6,469,425	$22,830,794	$31,826,553	$45,368,268	$46,399,782	$47,929,708	$50,006,665	$51,946,894	$53,002,735	$54,970,071	$57,502,628	$60,654,171	$63,672,833	$64,891,453
OPERATING EXPENSES															
Real Estate Taxes	$5,354,097	$6,490,276	$6,724,961	$7,005,818	$7,295,932	$7,595,594	$7,905,098	$8,224,751	$8,554,865	$9,310,647	$10,500,726	$11,718,990	$12,966,043	$14,242,503	$15,112,963
Operating Expenses	$11,658,737	$12,008,496	$12,368,752	$12,739,813	$13,122,008	$13,515,670	$13,921,140	$14,338,773	$14,768,937	$15,212,004	$15,668,364	$16,138,416	$16,622,567	$17,121,246	$17,634,884
TOTAL OPERATING EXPENSES	$17,012,834	$18,498,772	$19,093,713	$19,745,631	$20,417,940	$21,111,264	$21,826,238	$22,563,524	$23,323,802	$24,522,651	$26,169,090	$27,857,406	$29,588,610	$31,363,749	$32,747,847
NET OPERATING INCOME	($16,512,834)	($12,029,347)	$3,737,081	$12,080,922	$24,950,328	$25,288,518	$26,103,470	$27,443,141	$28,623,092	$28,480,084	$28,800,981	$29,645,222	$31,065,561	$32,309,084	$32,143,606
Per Square Foot	*($21.25)*	*($15.48)*	*$4.81*	*$15.54*	*$32.10*	*$32.54*	*$33.58*	*$35.31*	*$36.83*	*$36.64*	*$37.06*	*$38.14*	*$39.97*	*$41.57*	*$41.36*
LEASING & CAPITAL COSTS															
Tenant Improvements	$0	$3,248,620	$11,861,075	$8,671,718	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Leasing Commissions	$5,305,803	$9,786,505	$5,930,338	$4,751,300	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Renovation Costs	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Construction-White Box Standard	$7,772,490	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Construction-Floors 3-4	$4,800,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Capital Reserves	$155,450	$160,113	$164,917	$169,864	$174,960	$180,209	$185,615	$191,184	$196,919	$202,827	$208,912	$215,179	$221,634	$228,283	$235,132
TOTAL LEASING & CAPITAL COSTS	$18,033,743	$13,195,238	$17,956,330	$13,592,882	$174,960	$180,209	$185,615	$191,184	$196,919	$202,827	$208,912	$215,179	$221,634	$228,283	$235,132
TOTAL CASH FLOW	($34,546,577)	($25,224,585)	($14,219,249)	($1,511,960)	$24,775,368	$25,108,309	$25,917,855	$27,251,957	$28,426,173	$28,277,257	$28,592,069	$29,430,043	$30,843,927	$32,080,801	$31,908,474
Annual Overall Capitalization Rate	*-7.51%*	*-5.47%*	*1.70%*	*5.49%*	*11.34%*	*11.49%*	*11.87%*	*12.47%*	*13.01%*	*12.95%*	*13.09%*	*13.48%*	*14.12%*	*14.69%*	
Annual Cash on Cash Return	*-15.70%*	*-11.47%*	*-6.46%*	*-0.69%*	*11.26%*	*11.41%*	*11.78%*	*12.39%*	*12.92%*	*12.85%*	*13.00%*	*13.38%*	*14.02%*	*14.58%*	
PROPERTY VALUATION MATRIX AND CASH FLOW SUMMARY ($000's)															
Net Cash Flow	**($34,547)**	**($25,225)**	**($14,219)**	**($1,512)**	**$24,775**	**$25,108**	**$25,918**	**$27,252**	**$28,426**	**$28,277**	**$28,592**	**$29,430**	**$30,844**	**$32,081**	
Residual Value	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**440,827**	
Total Cash Flow Proceeds	**($34,547)**	**($25,225)**	**($14,219)**	**($1,512)**	**$24,775**	**$25,108**	**$25,918**	**$27,252**	**$28,426**	**$28,277**	**$28,592**	**$29,430**	**$30,844**	**$472,907**	

PRICING MATRIX - Sale/Yield Matrix (000's)

	Terminal Cap Rate				
IRR	**6.00%**	**6.50%**	**7.00%**	**7.50%**	**8.00%**
7.00%	$280,499 ($361)	$265,157 ($341)	$252,006 ($324)	$240,608 ($310)	$230,636 ($297)
7.50%	$262,248 ($337)	$247,875 ($319)	$235,555 ($303)	$224,878 ($289)	$215,535 ($277)
8.00%	$245,147 ($315)	$231,678 ($298)	$220,133 ($283)	$210,128 ($270)	$201,373 ($259)
8.50%	$229,119 ($295)	$216,494 ($279)	$205,672 ($265)	$196,293 ($253)	$188,086 ($242)
9.00%	$214,091 ($275)	$202,253 ($260)	$192,105 ($247)	$183,311 ($236)	$175,616 ($226)

VALUATION ASSUMPTIONS	
Discount Rate:	8.00%
Terminal Cap Rate:	7.00%
Cost of Sale at Reversion	4.00%
Square Footage NRA (sf)	777,249
Holding Period	14 Years
Value of Cash Flow	70,049,015
Value of Reversion	150,084,282
ESTIMATED MARKET VALUE	$220,000,000
Per Square Foot	$283.05

ADDENDUM B:
DISCOUNTED CASH FLOW ASSUMPTIONS

Discounted Cash Flow Assumptions

Projection Period:	15 years	
Holding Period:	14 years	
Start Dates:	July 1, 2009 “As Is”	
	July 1, 2013 “Upon Stabilized Occupancy”	
Market Rental Rate- Office (2009):	Space	Rent
	Floors 5-6	$45.00/sf
	Floors 7-10	$50.00/sf
	Floors 11-16	$55.00/sf
Market Rental Rate-Retail (2009):	Space	Rent
	Floors 3-4	$65.00/sf
	Floor 2	$72.00/sf
	Ground Floor	$200.00/sf
	Mezzanine	$50.00/sf
	Basement	$40.00/sf
Market Rental Rate-Storage (2009):	Space	Rent
	Sub-Basement	$30.00/sf
Rent Increase Profile:	For 15-year leases, 60-month step-ups of 10% are assumed.	
Growth in Market Rental Rate-Office:	Zero (2009-2011) and 3.00% (thereafter)	
Growth in Market Rental Rate-Retail:	3.00%	
Growth in Market Rental Rate-Storage:	3.00%	
Expense and Tax Pass Throughs:	Gross leases – tenant pays pro-rata share of real estate taxes and operating cost increases over a lease base year.	
Expense Growth Rate:	3.00%	
Consumer Price Index:	3.00%	
Free Rent – New Leases		
Office Tenants:	12 months	
Retail Tenants:	6 months	
Storage Tenants:	6 months	
Free Rent – Renewing Leases		
Office Tenants:	6 months	
Retail Tenants:	3 months	
Storage Tenants:	3 months	
Typical Lease Term		
Office Tenants:	15 years	
Retail Tenants:	15 years	
Storage Tenants:	15 years	

Discounted Cash Flow Assumptions

Renewal Probability:	65%
Tenant Improvement – New Leases	
Office Tenants:	$50.00 per square foot
Retail Tenants:	None
Storage Tenants:	None
Tenant Improvement – Renewing Leases	
Office Tenants:	$25.00 per square foot
Retail Tenants:	None
Storage Tenants:	None
Leasing Commissions With Override	
15-Year Lease:	52.50% of first year's base rent including override (paid in year one per market standard)
Vacancy Between Tenants:	8 months
Vacancy and Credit Loss:	3.00%
Terminal Capitalization Rate:	7.00% (applied to reversion year net operating income)
Transaction Costs in Reversion Sale:	4.00% (includes brokerage, legal fees and estimated transfer taxes)
Discount Rate:	8.00%
Market Value "As Is":	$220,000,000
Market Value "Upon Stabilized Occupancy":	$390,000,000

ADDENDUM C: INVESTMENT CONSIDERATIONS

THE FINANCIAL CRISIS

The credit crunch that began to unfold in the U.S. in mid-2007 evolved into a global financial crisis by October 2008, soon after the Lehman Brothers bankruptcy. Many market observers equate this crisis as the greatest challenge facing the world's economic health since the Great Depression. Its effects have already radically reshaped the financial sector, with the potential for more to come. At the beginning of summer 2009, the crisis is beginning to show a few signs that it may be approaching a bottom; however economic conditions are not expected to begin recovering until late this year or early 2010.

Initially confined to non-depository lenders and investment banks, turmoil has now breached even the largest money-center banks, resulting in a dramatic selloff at equity exchanges across the globe. Institutions heavily exposed to mortgage-backed securities, collateralized debt or credit shortfalls have been forced into the arms of better capitalized suitors, declared bankruptcy or been taken over by their respective governments.

These events are rooted in the subprime mortgage crisis, which began garnering attention in 2007. The crisis was sparked primarily by the perceived strength of the U.S. residential market, and exacerbated by lax regulations on elaborate structured finance and insurance instruments designed to earn profit and hedge against losses. In early 2008, U.S. banks began showing cracks in their financial structure as the flaws in these practices became more apparent. At that point, the companies affected were those directly involved in home construction and mortgage lending, but as the crisis emerged financial institutions that had engaged in the securitization of mortgages began to falter as well.

By the end of September 2008, an international crisis had emerged, as more banks failed and global markets witnessed sharp reductions in stock and commodity values. In the weeks that followed, the crisis began affecting the general availability of credit to businesses and to larger financial institutions not directly connected with mortgage lending. In an attempt to avoid a world-wide financial freeze, staunch the public fear, and unlock the credit markets, governments began their largest private sector interventions in history.

Although government efforts are certainly robust, it remains to be seen whether their policies will successfully reinvigorate the financial markets. Many economists, as well as investors, still have reservations regarding how much and to what extent governments should be involved in private industry. Nevertheless, the global attention and cooperation occurring is exceptional, and many believe their efforts may prevent a severe recession or depression.

THE FALLOUT

In response to the economic crisis, the U.S. government passed the Emergency Economic Stabilization Act of 2008 (EESA) on October 3, 2008. This law enabled Treasury to facilitate a $700.0 billion Troubled Asset Relief Program (TARP). Initially, TARP intended to recapitalize financial institutions by transferring their "toxic" securities to U.S. government balance sheets. Instead of buying the debt, however, the government decided to resuscitate the financial markets by directly infusing capital into large banks via preferred stock. On January 15, 2009 Congress released the second half of TARP funds and extended its focus outside the finance industry into the automotive bailout and programs such as the Homeowner Affordability and Stability Plan.

In addition to TARP's efforts to revitalize the economy, the American Recovery and Reinvestment Act of 2009 (AARA) was enacted by Congress and signed into law on February 17, 2009. Better known as the "stimulus bill," the $787.0 billion package includes federal tax cuts, extended unemployment benefits, and other social welfare provisions as well as domestic spending in education, health care and infrastructure.

The fallout from the crisis has been significant, widespread, and has permanently altered the financial landscape. Below is a list of some of the major changes:

- IndyMac collapsed and its assets were seized by the federal regulators.
- Fannie Mae and Freddie Mac have been placed in federal conservatorship.
- Barclay's Bank acquired Lehman Brothers' core business assets, while the rest remain in bankruptcy proceedings.
- Bank of America acquired Merrill Lynch, but has since received billions in federal aid.
- JP Morgan Chase assumed all of Washington Mutual's assets, and most of their liabilities. The remaining subsidiaries have filed for Chapter 11 bankruptcy protection.
- Wells Fargo acquired Wachovia.
- Goldman Sachs and Morgan Stanley converted to bank holding companies.
- AIG, suffering a credit downgrade and liquidity crisis, was saved from insolvency by the Federal Reserve in return for a 79.9 percent equity interest.
- Citigroup announced that the U.S. government will acquire a 36.0 percent equity stake.
- General Growth Properties, Inc. filed for Chapter 11 bankruptcy.
- GM and Chrysler have both declared bankruptcy. In June 2009, Chrysler completed the sale of its assets to the Italian company Fiat.
- Since the crisis began, the FDIC has taken over more than 50 banks; more than 35 since January 2009.

ECONOMIC IMPACT

The U.S. has now been in a recession for over a year and a half, the lengthiest slowdown since the Great Depression. Although a few economic indicators such as consumer confidence and home sales are showing signs of stabilization, most experts don't anticipate a recovery this year. That said, the tide appears to be changing and many economists are shifting their outlook from pessimistic to cautiously optimistic. In June 2009, the International Monetary Fund (IMF), revealed a brighter outlook for the U.S., revising its 2009 growth rate estimate up from a 2.8 percent contraction to a 2.5 percent contraction. On top of this, they now believe that the U.S. economy will grow by 0.75 percent in 2010, rather than remain flat. Listed below are some of this recession's major economic impacts:

- May 2009 lost a net total of 345,000 jobs, pushing the national unemployment rate to 9.4 percent, up from 8.9 percent just a month before. So far, 6.0 million jobs have been lost in this recession, about half of which occurred in 2009 alone. Although May's job loss report was better than anticipated, many economists believe that the U.S. will continue to shed jobs throughout 2009 and that a normal 5.0 percent unemployment rate will not be realized until 2013.
- U.S. inflation hit a 17-year high in July 2008. Since then, however, a precipitous drop in commodity prices is now generating fears of over-capacity and deflation. In April 2009, the Consumer Price Index (CPI) remained flat, but the core CPI (excluding food and energy) unexpectedly jumped to 0.3 percent. This was, however, largely driven by hikes in tobacco taxes, and on a year-over-year basis overall CPI inflation is at its weakest level since 1955.
- Total retail and food service sales declined in 2008 for the first time since 1967 with monthly retail sales declining for the entire second half of the year, the longest consecutive decline on record. In May 2009, the U.S. Census Bureau reported that retail sales rose by 0.5 percent over the previous month, but were down 9.5 percent from the same period a year ago.

- The injection of capital into banks, and the lowering of lending rates have not yet put confidence back into the market. As a result, the stock market has witnessed record gains and losses since September 2008. At the end of first quarter 2009, the Dow Jones Industrial Average (DJIA) was down 13.0 percent over fourth quarter 2008, the worst quarter in percentage terms since 1939. Since then however, the DJIA has rebounded and is essentially unchanged from the end of 2008.

- The National Association of Realtors reported that home prices fell 15.4 percent in April 2009, on a year-over-year basis; peak to trough U.S. home prices dropped over 30.0 percent. On a positive note, in April 2009 existing home sales rose 2.9 percent over fourth quarter 2008, intimating that sales may be approaching a bottom.

In their April 2009 semiannual *Global Financial Stability Report*, the IMF increased their forecast to a total loss of $4.1 trillion, up from $2.2 trillion in January 2009. For U.S. financial institutions, the IMF is predicting total losses of $2.7 trillion, nearly double the estimate from six months ago. From a historical context, the losses from the savings and loan crisis of the early 1990s totaled approximately $160.0 billion, before adjustment for inflation.

Complex, illiquid, and difficult to price securities remain widely distributed on the balance sheets of the world's financial institutions. Risks are magnified by instruments such as credit derivatives and credit default swaps. If nothing else, the recent failures on Wall Street demonstrated to regulators just how serious a risk the mortgage finance crisis presents to the nation's overall capital markets.

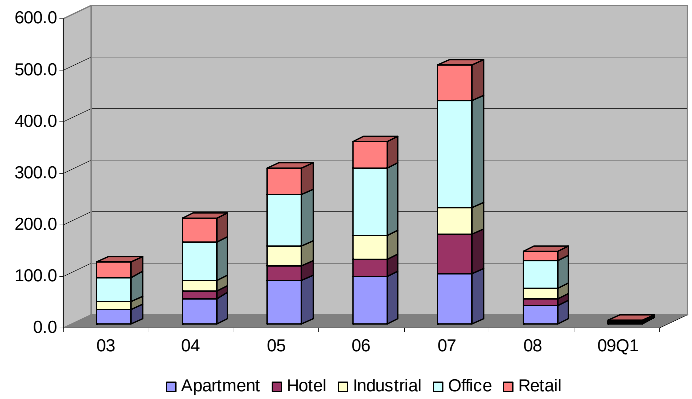
COMMERCIAL REAL ESTATE MARKET IMPACT

Commercial real estate may be the next big phase in the credit crisis and the slump could rival or even exceed one in the early 1990s. According to Deutsche Bank AG, the delinquency rate on roughly $700.0 billion in securitized commercial real estate loans more than doubled between September 2008 and March 2009 to 1.8 percent. At the moment, loss estimates for banks are as high as $250.0 billion, but could improve if the economy begins to rebound later this year.

In the meantime, turmoil in the housing and financial markets, and the resulting economic uncertainty, continue to impact the commercial real estate market. In response to losses suffered, general uncertainty about the overall economy, and commercial real estate in particular, lenders are tightening credit standards. This conservative tack adopted by financial institutions, combined with the virtual elimination of Wall Street money, is resulting in a pronounced liquidity contraction.

Reduced credit availability and sellers' refusals to lower pricing, despite investor concerns over market turmoil, translate into significantly reduced transaction volume. According to Real Capital Analytics., the dollar volume of commercial real estate sales increased about 310.0 percent between 2003 and 2007, but decreased by 72.0 percent in 2008. For first quarter 2009, total sales volume is down 47.8 percent over first quarter 2008, and 93.1 percent from the peak of the market in first quarter 2007.

National Transaction Activity by Property Type



Source: Real Capital Analytics, Inc.
Note: Numbers Reflect Billions

While it is difficult to get an accurate reading on the investment market because of the scarcity of transactions, this much is certain: prices are down, cap rates are up, and real estate capital and risk have been fundamentally re-priced for the foreseeable future. What impact this will have on long-term allocation to the sector remains to be seen, but certain trends and considerations are apparent, including:

- Current market turmoil is generating a reassessment of market and property-level risk by market participants. In valuation terms, this risk re-pricing is reflected in our estimates of rent and expense growth, capitalization rates, internal rates of return, and other assumptions underlying cash flow forecasts.
- We are also considering the impact of an increase in the cost of capital. Mortgage-equity models reflect an increase in overall capitalization rates if interest rates rise or there is an increase in the proportion of equity to debt. The current market is witnessing both events.
- Over the past few years, real estate benefited from a lack of attractive alternatives for equity investors with an abundance of capital. With highly-leveraged buyers removed from the market, we may see that re-sale risk has increased in the short term as a result of this "de-levering."
- To facilitate a transaction in the market, assumable or seller financing is desirable to generate investor interest. With financing from banks and traditional sources unavailable and/or at terms disagreeable to purchasers, alternatives are required for negotiations to gain traction, even for deals considered to be "typically" leveraged by historical standards.
- Purchasers must now provide higher equity contributions and lenders are adhering to more conventional underwriting standards. This de-levering mitigates risk and will benefit credit and real estate markets over the long term.

The actions listed above have been or are expected to be implemented by investors to offset the risks associated with the uncertainties in the credit markets. These actions are reflected in our rate selections along with property specific considerations.

CONCLUSION

As market observers who simulate behavior rather than affect it, we await market evidence as to the long term impact of the credit crisis. Risk is considered in the context of our anticipation of rental growth and most vividly in our cap and discount rate selections. Current investor behavior reflects a higher cost of capital, concern about the economy, a reduced pool of investors, and more conservative rent growth and cash flow modeling assumptions. We recognize also that the new market purchasers will have a greater equity interest and lenders will be working with more conventional lending margins, debt and equity coverage ratios.

ADDENDUM D:
APPRAISER'S CERTIFICATIONS

UNIQUE ID NUMBER
46000039300

State of New York
Department of State
DIVISION OF LICENSING SERVICES

FOR OFFICE USE ONLY
Control No. 43948

EFFECTIVE DATE
MO. 06 | DAY 05 | YR. 08

PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.

EXPIRATION DATE
MO. 06 | DAY 04 | YR. 10

LARSON DOUGLAS H
C/O CUSHMAN & WAKEFIELD INC
51 W 52ND ST
NEW YORK, NY 10019

HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER

In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.
LORRAINE A. CORTES-VAZQUEZ
SECRETARY OF STATE

DOS-1098 (Rev. 3/01)

UNIQUE ID NUMBER
46000004616

State of New York
Department of State
DIVISION OF LICENSING SERVICES

FOR OFFICE USE ONLY
Control No. 38499

EFFECTIVE DATE
MO. 10 | DAY 08 | YR. 07

PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.

EXPIRATION DATE
MO 10 | DAY 07 | YR. 09

MONDANILE MATTHEW C
C/O CUSHMAN & WAKEFIELD INC
51 W 52ND ST
NEW YORK, NY 10019-6178

HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER

In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.
LORRAINE A. CORTES-VAZQUEZ
SECRETARY OF STATE

DOS-1098 (Rev. 3/01)

UNIQUE ID NUMBER
4600004B506

State of New York
Department of State
DIVISION OF LICENSING SERVICES

FOR OFFICE USE ONLY
Control No. 40050

EFFECTIVE DATE
MO. 11 | DAY 05 | YR. 07

PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R.E. APPRAISERS.

EXPIRATION DATE
MO. 11 | DAY 04 | YR. 09

PAPAGIANOPOULOS NAOUM M
C/O CUSHMAN & WAKEFIELD
51 W 52ND ST 9TH FL
NEW YORK, NY 10019

HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R.E. GENERAL APPRAISER

In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.

LORRAINE A. CORTES-VAZQUEZ
SECRETARY OF STATE

DOS-1098 (Rev. 3/01)

ADDENDUM E: QUALIFICATION OF THE APPRAISERS

Professional Qualifications

Matthew C. Mondanile, MAI

Senior Managing Director/Area Leader
Valuation Services, Capital Markets Group

Actively involved in the analysis and appraisal of commercial real estate for the past 25 years. National, regional and local experience on a variety of property types including vacant land, apartment buildings, office buildings, shopping centers, regional malls, motels and hotels, manufacturing plants, warehouses and mixed-use projects. Appraisal and consulting assignments have been completed for mortgage loan purposes, condemnation, arbitration, allocations, estates, tax assessment hearings and as an aid in the decision making process in the acquisition, disposition and marketing of real estate.

Experience

Senior Managing Director – Valuation Services, Cushman & Wakefield, Inc.
Area Leader –New York Region 51 West 52nd Street, New York, New York from January 2005. Previous position as New York Manager from April 2001, Senior Director from January 1994 until March 2001; Director from May 1991 until December 1993; and Senior Appraiser from April 1984 until May 1991.

Formerly manager of the Appraisal Division of Douglas Elliman Knight Frank, Inc. New York, New York from April 1983 until April 1984. Previous position as a Senior Appraiser from July 1982 until April 1983.

Prior employment included appraisal positions with Richard W. Boyce, MAI, San Diego, California (1981-1982); R.S.T. Real Estate Company, Inc., Los Angeles, California (1978-1982); and the City of Paterson Tax Assessor's Office, Paterson, New Jersey (1976-1978).

Appraisal Experience – New York City Office Buildings

Extensive experience in the analysis and appraisal of New York City office buildings including Class A and B buildings constructed pre and post war as well as mixed-use properties and institutional office buildings. The primary market area of concentration is Manhattan where over 150 office buildings were appraised within the last five years. Notable office building assignments include the following:

- World Trade Center
- World Financial Center
- General Motors Building
- One Penn Plaza
- Trump Tower
- IBM Building
- Swiss Bank Tower
- Lever House
- 1251 6th Avenue

Brokerage and Consulting Experience

Varied commercial real estate experience in New York City for the past 20 years. Notable recent brokerage and consulting assignments included:

Consultant to Cablevision in selecting their financial alternatives related to the relocation of Madison Square Garden to the Farley Post Office site located on Eighth Avenue in midtown Manhattan.

Consultant to the Port Authority of New York and New Jersey related to their disposition alternatives for the World Trade Center, a seven building office and retail complex in lower Manhattan. **Winner of the C & W Deal of the Year Award.**

Special Purpose Property Experience

Diversified experience in the preparation of market studies of industry specific real estate including movie theatres, health clubs, television and film production studios and internet data centers and carrier hotels:

- Sony Theatres at Lincoln Square – 12-screen movie theatre complex including the largest IMAX Theatre in the United States.
- Reebok Sports Club – Four-story, 140,000 square foot health club complex with the largest membership in New York City.

- Hudson River Studios – Five-story television and film production studio to be built over an existing building – expected to be the largest facility of its kind in New York City.
- Telecom building experience included 85 Tenth Avenue a 595,000 square foot facility and 111 Eighth Avenue, a 2,300,000 square foot facility in New York City and the Lakeside Technology Center, a 1,200,000 facility in Chicago, Illinois.

Luxury Rental and For Sale Residential Experience

Extensive experience in the appraisal, analysis and feasibility of to be built apartment buildings. Notable recent assignments included:

515 Park Avenue	The Chatham Condominium	Union Square South
Trump World Tower	Columbus Centre	731 Lexington Avenue

Testimony in Courts of Law and Quasi-Judicial Hearings

- Qualified as an expert witness
- New York State Supreme Court
- United States Bankruptcy Court

Education

- William Paterson College of New Jersey
- Bachelor of Arts - 1977
- American Institute of Real Estate Appraisers Courses
- 1A Basic Principles and Procedures
- 1B Capitalization Theory and Techniques
- II Urban Properties
- VI Real Estate Investment Analysis
- VII Industrial Valuation

Memberships, Licenses and Certificates

- Broker "C" Member The Real Estate Board of New York, Inc.
- State of New York Licensed Real Estate Broker
- State of New York Certified General Real Estate Appraiser #46000004616
- State of Ohio Certified General Real Estate Appraiser #2004007236
- Certified Tax Assessor - State of New Jersey

Professional Affiliations

- Appraisal Institute
- M.A.I. Designation # 6811
- Metropolitan New York Chapter
- Board Secretary 2006

Professional Qualifications

Douglas H. Larson

Director, Valuation Services
Capital Markets Group

Background

Actively involved in appraising various property types including office, industrial, and retail developments. Assignments include appraisal and advising services to institutional lenders and financiers, investment banking firms, brokerage, domestic/international investors and pension/insurance funds. Mr. Larson's experience also involves financial modeling and property valuation, loan review and due diligence of diverse assets.

Experience

Director, New York Appraisal Services, Cushman & Wakefield Appraisal Division. Cushman & Wakefield is a national full service real estate organization and a Rockefeller Group Company. Experience on a variety of property types including office buildings, apartment buildings, shopping centers, regional malls, motels and hotels, manufacturing plants, warehouses and mixed use projects from 1993 to present.

Appraiser, Arthur Anderson & Co., Real Estate Services Group, Phoenix, Arizona, preparing due diligence and portfolio analysis used in marketing, leasing and sale of complex assets for bulk sale, internal and annual loan review, acquisition and disposition. Performed market analysis, feasibility studies and consulting on real estate within the western United States from 1992 to 1993.

Appraiser, Appraisal Department, Bank One of Arizona, Phoenix, Arizona, reviewing income property appraisals for compliance of OCC standards and FIRREA guidelines and assisting in appraisal preparation of commercial property from 1990 to 1992.

Education

Arizona State University, Tempe, Arizona
Bachelor of Science degrees
Double Majors in Economics & Sociology

American Institute of Real Estate Appraisers, Chicago, Illinois
Capitalization Theory and Techniques Part B
Capitalization Theory and Techniques Part A
Standards of Professional Practice Parts A and B
Basic Valuation Procedures
Real Estate Appraisal Principles

PROFESSIONAL QUALIFICATIONS

Naoum M. Papagianopoulos
Associate Director
Valuation Services, Capital Markets Group

Background
Naoum M. Papagianopoulos is an associate appraiser and real estate analyst with Cushman & Wakefield, Inc. Valuation Services, Capital Markets Group. He joined Cushman & Wakefield Valuation Advisory Services in March of 2005. Prior to joining the Valuation Services, Mr. Papagianopoulos was Cushman & Wakefield's financial analyst for budgeting and planning.

Experience
Appraisal assignments have included office buildings, retail properties, hospital and medical office space, mixed-use properties, industrial properties, residential condominium and apartment properties, air rights, vacant land, portfolios, feasibility studies, and market studies. Primary concentration is centered on existing and proposed office and retail use properties in New York City. Notable office building assignments include: General Motors Building, 667 Madison Avenue, 9 West 57th Street, 660 Madison Avenue, 1251 Avenue of the Americas, Trump Tower, World Trade Center Towers 2, 3 and 4, Seven World Trade Center, and 60 Wall Street.

License and Professional Affiliates
Certified General Real Estate Appraiser-State of New York (License No. 46000048506)
Associate Member, The Appraisal Institute – Metropolitan New York Chapter

Education
Baruch College, New York, NY
Zicklin School of Business
Masters of Business Administration, June 1999
Major in Finance

American College of Thessalonica
Bachelor of Arts, June 1996
Major in Business Administration

Appraisal Education
Successfully completed all New York State required appraisal courses and satisfied all educational requirements as set forth by the Appraisal Institute.

Jones Lang LaSalle®

Real value in a changing world

Valuation *Advisory*

AFI DEVELOPMENT PLC

Valuation of:

Mall of Russia (Moscow City Central Core)
Sites 6, 7, 8b, Moscow City, Moscow

June 2009

Executive Summary

Property Address

The subject property is located at Sites 6, 7, 8b MIBC 'Moscow City'.

Description

The subject property comprises the development of a super-regional retail complex with office accommodation and a 6,000-seat concert hall. The gross building area (GBA) of the proposed development is 179,423 m^2 plus a concert hall with an additional area of 21,744 m^2. There will be five above ground levels and one underground level.

The above ground part of the Central Core of MIBC 'Moscow City' forms part of a multi-functional complex situated on plots 6, 7, 8a and 8b of 'Moscow City', which will be built above the existing underground section. The project is has underground parking, constructed and operated by a Moscow City Governmental company. The shopping centre will benefit from 2,700 car parking spaces.

The total area of the site under the property is 4.3742 hectares (ha), which is made up of a total of three land plots referred to as No. 6, 7 and 8b.

Location

The subject property is located in the Presnensky District of the Central Administrative District, on Krasnopresnenskaya Embankment, within the Moscow International Business Centre (MIBC) 'Moscow City'. At present, MIBC 'Moscow City' is the largest investment project in the real estate sector not only in Moscow, but also in Russia and across Europe. It is planned to become a new business district in Moscow, equivalent to Canary Wharf in London or La Defense in Paris. Currently there are no other comparable districts in Moscow in terms of its central location, opportunities for large development, critical mass, central planning of the territory development and local government support.

The project is directly controlled by the Moscow Local Government, which provides funding for public infrastructure, metro construction and road network improvements.

Car accessibility to the subject property is provided from the Third Ring Road with junctions to both the northern and southern carriageways, 1st Krasnogvardeysky Proezd, Krasnopresnenskaya and Tarasa Shevchenko Embankments and Kutuzovsky Prospect. The Delovoy Centre and Mezhdunarodnaya Metro stations are located within a five minute walk of the property.

Pedestrian access is the from adjacent embankments and Bagration Bridge, transport access is difficult during the day. As new buildings are completed the additional office employees and visitors may significantly worsen the current traffic situation. Planned improvements are uncertain and may be not sufficient to relieve such pressure.

The subject property is located directly in the centre of the business district, ensuring excellent visibility from all surrounding areas.

Tenure - Land

The land site occupies plot Nos. 6, 7 and 8b of MIBC 'Moscow City' and has an area of 4.3742 ha. The cadastral number of the site is No.770104042062. The site is subject to a short-term land lease (until December 31, 2009) provided by the Moscow Government to the special governmental company Center-City CJSC, founded for managing the 'Moscow-City' complex.

Center-City CJSC is providing the site to the investor for construction purposes and charges land rent according to the rate stated in the land lease agreement, according to the information provided by the client, the annual rent for the land plot in 2009 is RUR23,722,706.22.

Tenure – Building

Bellgate Constructions Limited Company, as the winner of the auction, is the investor for this project. The investment agreement is signed between the Moscow Government and Bellgate Constructions Limited.

The investor will obtain a 75 percent share in the proposed development and the municipal share will be 25 percent of the total project area (shared with the Moscow Property Department). The investor must also finance the construction of a multi-functional concert hall at a minimum cost of USD20 million.

The development concept has been approved by the authorised institutions. The concept was considered as meeting all the town planning requirements. The design of the building structure was approved and the permission for base construction works received. According to the approved design, the maximum permissable gross building area is 179,930m^2.

All the required documents (investment contract, building permits and land-lease agreement for the site under the proposed shopping centre) have been extended until 31.12.2009

Valued Interest

Subject to the client's instructions we have valued the 75 percent of the freehold interest in the building of the retail centre and long term leasehold interest in the site, which will be secured once the construction is completed.

Development Assumptions

- Completion of the development within six months
- Total development budget: $433,304,106 for the shopping centre and $20,000,000 for the concert hall (excluding VAT)
- Total development cost: $2,415 per m^2 for the shopping centre and $920 per m^2 for the concert hall (excluding VAT)
- Outstanding development budget: $141,982,949 for the shopping centre and $15,979,692 for the concert hall (excluding VAT)
- Outstanding development cost: $878 per m^2 for the shopping centre and $735 per m^2 for the concert hall (excluding VAT)

Net Operating Income

$88,003,992 per annum

Yield

12 percent

Key Attributes

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

- Central location within the MIBC 'Moscow City' is expected to command high consumer demand.
- Close proximity to public and private transport including, metro stations, the Third Transport Ring and Kutuzovsky Prospect.
- Professional development concept.
- Future competition within the "Moscow City" will not be significant as the majority of the premises in the surrounding buildings will be used as offices.

Principal Risks

We would draw your attention to the following main risks in respect of the subject property.

- Access to the property during rush hours is difficult due to regular heavy traffic congestion in 'Moscow-City'.
- Risk of losing tenants that are secured on preliminary contract rents above current market levels.
- The impact of the global financial crisis on the real estate market has caused a significant decrease in tenant activity, as well as investment transactions, with yields softening and rents falling resulting in decreases in capital values.

Valuation as at 30 June 2009

$510,000,000

(Five Hundred and Ten Million US Dollars)

JONES LANG LASALLE

Kosmodamianskaya nab. 52/3, Moscow 115 054
tel +7 495 737 8000 fax +7 495 737 8011

www.joneslanglasalle.com

Our ref RU3470
Direct line +7 (495) 737 8000
Direct fax +7 (495) 737 8011
Robert.Mayhew@eu.jll.com

10 August 2009

Dear Sir

Terms of Reference

Addressee: AFI Development PLC
25 Olympion Street
3035 Limassol
Cyprus

For the attention of Avi Barzilay

Property Address: Sites 6, 7, 8b, MIBC 'Moscow City', Moscow, Russia

Client: AFI Development PLC

Tenure:

Building

Bellgate Constructions Limited Company, as the winner of the auction, is the investor for this project. The investment agreement is signed between the Moscow Government and Bellgate Constructions Limited (Investor).

The investor will receive a 75 percent share in the development and the municipal share will be 25 percent of the total project area (shared with the Moscow Property Department). The investor must also finance the construction of a multi-functional concert hall at a minimum cost of USD20 million.

The development concept was approved by the authorised institutions and was considered as meeting all the town planning requirements. The design of the building structure was approved and the permission for base construction works received. According to the approved design, the maximum permissable gross building area is 179,930m^2.

All the required documents (investment contract, building permits and land-lease agreement for the site under the proposed shopping centre) have been extended until 31.12.2009.

Land

The land site occupies plot Nos. 6, 7 and 8b of MIBC ‘Moscow City’ and has an area of 4.3742 ha. The cadastral number of the site is No.770104042062. The site is subject to a short-term land lease (until December 31, 2009) provided by the Moscow Government to the special governmental company

Kosmodamianskaya nab. 52/3, Moscow 115 054
tel +7 495 737 8000 fax +7 495 737 8011

www.joneslanglasalle.com

	Center-City CJSC, founded to manage the 'Moscow City' complex. Center-City CJSC is providing the site to the investor for construction purposes and charges land rent according to the rate stated in the land lease agreement. According to the information provided by the Client, the annual rent for the land plot in 2009 is RUB 23,722,706.22 .
Valuation Date:	30 June 2009
Instruction Date:	31 July 2009
Purpose of Valuation:	We understand that this valuation report is required in accordance with IFRS regulations for the purposes of your company accounts and specifically for the purpose of implementing Accounting Standard No.15 of the Institute of Certified Public Accountants of Israel.
Basis of Valuation:	Our valuation has been prepared in accordance with the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors on the basis of Market Value as defined in Appendix 5 of this report. The report is subject to, and should be read in conjunction with, the attached General Terms and Conditions of Business and our General Principles Adopted in the Preparation of Valuations and Reports, which are attached in Appendix 4. No allowance has been made for any expenses of realisation, or for taxation (including VAT), which might arise in the event of a disposal, and the property has been considered free and clear of all mortgages or other charges, which may be secured thereon.
Personnel and Date of Inspection:	The valuation has been prepared by Dmitry Romanov MRICS under the direction of Robert Mayhew BSc (Hons) MRICS, Director, Russia & CIS. We confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the RICS Valuation Standards.
Status:	In preparing this valuation we have acted as external valuers.
Sources of Information:	We have carried out all the necessary enquiries with regard to rental and investment value and market value, and have investigated planning and approval issues of the subject property.
Valuation:	**$510,000,000** **(Five Hundred and Ten Million US Dollars)**
Purchaser's Costs:	In accordance with investment and valuation practice in Russia, no allowance has been made for purchaser's costs in our valuation.

Contents

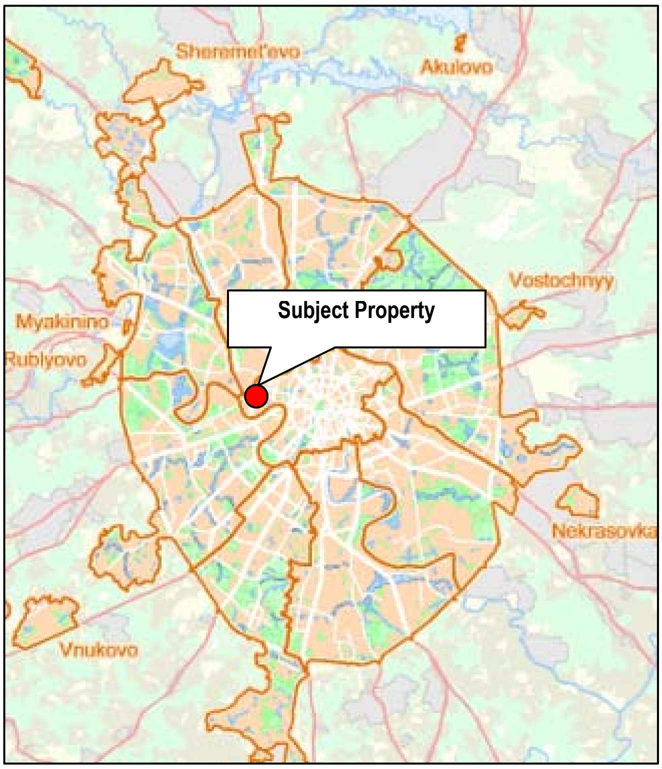
Appendices

1 Location

1.1 Location

The subject property is located in the Central Administrative District (CAD) of Moscow. The Central Administrative District occupies 66.2 km^2 or 6.1 percent of the total Moscow area. The number of Muscovites and visitors who reside in or visit the Central Administrative District is approximately 2.28 million people a day. It also should be mentioned that the population density of the district is 10,500 people per km^2, which exceeds the Moscow average (of 9,500 people per km^2), making it one of the three most densely populated Moscow districts[1]. The Central Administrative District is divided into 11 areas.

The map below shows the property's location, which is marked in red.



The population of the Central Administrative District is unevenly distributed. Around 30 percent of the population resides within the Garden Ring. The most densely populated areas are: Arbat, Yakimanka and Basmanny. These areas largely comprise modern low-rise dwellings adjoining historic developments. The population density in these areas ranges from 20,000 to 60,000 people per km^2. Meschanskoye is the least densely populated area in the entire district (up to 5,000 people per km^2). The remaining areas have a population density at an approximate average of 10,000 people per km^2.

The Central Administrative District contains the historic city centre and thus is considered as a prime residential area. The fact that the elite have traditionally resided there (in the Soviet era – the Communist Party and nowadays the financially and politically elite) adds to the attraction of the District to prospective inhabitants. Although the city centre is not the only prime residential location in Moscow, it is considered as the prime area in terms of services

[1] Source: Rosstat
[2] Source: Rosstat

such as transport, retail and cultural/leisure infrastructure. The Central Administrative District is ‘a city within a city’ where residents enjoy better living conditions in terms of the urban infrastructure.

1.2 District

The subject property is located in the Presnensky District of the CAD. The area of Presnensky district totals 112.2ha. In the south the Moscow River borders the district for over 5 km. Part of the Garden Ring, extending to 1.8 km, passes through the territory of the region.

There are 165 streets and almost 800 residential buildings in Presnya. The main part of the district’s housing stock was built between 1900 and 1962. Its total area amounts to 2,352,400 m^2. [3] It is estimated that nearly 35 percent of residential buildings require capital repairs.

At the beginning of 2008 the permanent population of the district comprised 104,600 people, while its actual population (including temporary residents) is 116,100 people[4].

Major thoroughfares within the district include: Krasnaya Presnya Street, 1905 Goda Street, Zvenigorodskoye Shosse, Krasnopresnenskaya Embankment, Bolshaya Sadovaya, Sadovaya-Kudrinskaya, Mantulinskaya, Bolshaya and Malaya Nikitskaya and 2nd Brestskaya streets.

There are the following objects of federal and municipal use located in the district: the House of Government of the Russian Federation, World Trade Centre, Moscow Zoo, Kinocenter, ITAR-TASS, and Expocenter. One of the largest international business centres in Europe, ‘Moscow City‘, currently under construction, is also located here.

One of the key features of the Presnensky district is the quantity of industrial enterprises, scientific and administrative buildings on its territory. However, redevelopment of industrial zones and construction of MIBC ‘Moscow City’ has resulted in a significant decrease in industrial enterprises within the district. Another peculiarity of Presnya is the high concentration of cultural institutions, historical and architectural monuments.

1.3 Micro Location (MIBC ‘Moscow City’)

The subject property is located on Krasnopresnenskaya Embankment, within the Moscow International Business Centre (MIBC) ‘Moscow City’. At present, MIBC 'Moscow City’ is the largest real estate investment project not only in Moscow, but also in Russia and across Europe. It is being developed on Krasnopresnenskaya Embankment on a 60 ha plot of land (buildable area). The business centre will include several high-rise mixed-use developments including office, retail, hotel and entertainment facilities.

The project can be considered as internationally significant with some of the world's foremost architects specialising in high-rise buildings contributing. ’Moscow City‘ has drawn upon worldwide experience in high-rise business centre construction in locations as diverse as Battery Park in New York, Canary Wharf in London, First Canadian Place in Canada, and La Defense in Paris.

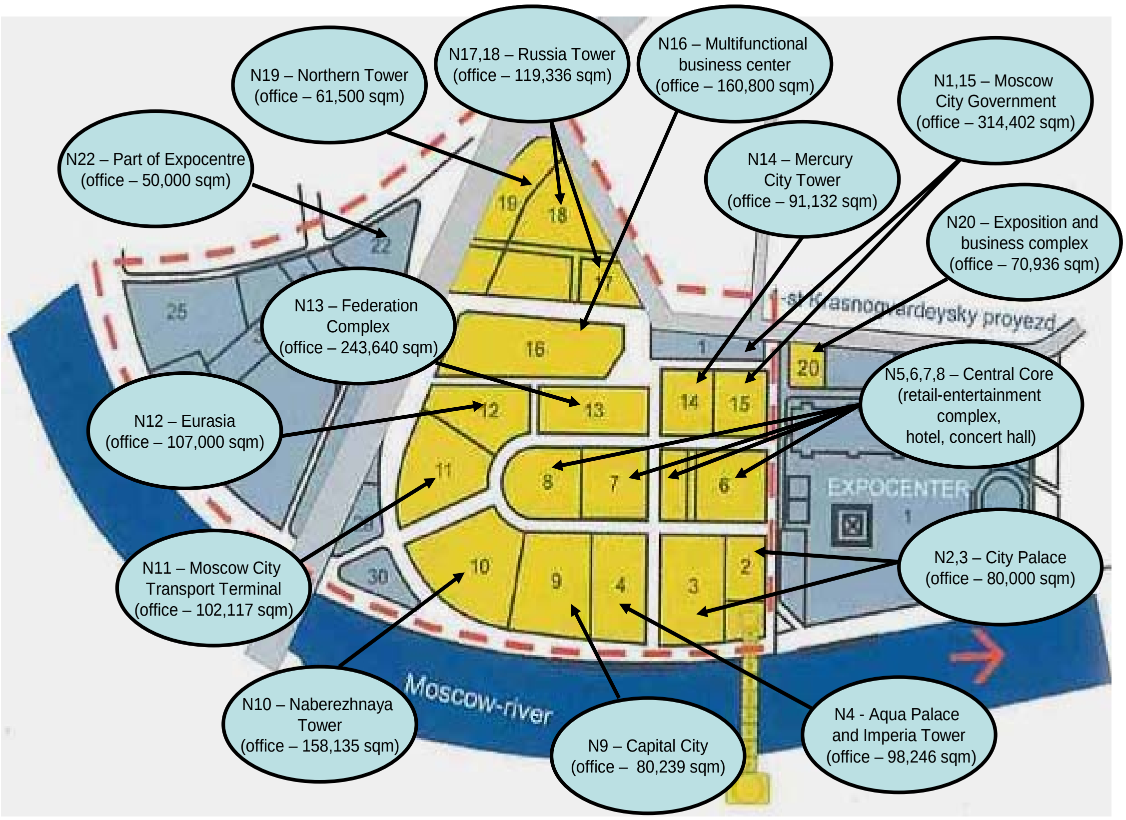
’Moscow City‘ was designed to become a new business district including high-rise office buildings of international quality with well-developed transport, retail and business infrastructure. The ’Moscow City‘ site development is directly controlled by the Moscow Government, which provides financing for public infrastructure, metro construction and road network improvements.

Currently MIBC ’Moscow City‘ is in an active stage of construction, although some of the projects have been frozen and work on others has slowed dramatically in response to the crisis. MIBC ’Moscow City‘ is a multi-purpose Class-

[3] Source: www.napresne.info
[4] Source: www.napresne.info

A office/administrative centre with the special status of an autonomous territory, it was created to be a high quality city environment to meet the international demands and standards expected of a business and exhibition complex.

The plan below provides an illustration of the location of the subject property in the context of the proposed, neighbouring MIBC 'Moscow-City' development projects. It should be noted that the situation is unclear at present in respect of which buildings will be completed and the likely timescale, as many developers are facing financing issues and the office market has been particularly badly affected by the crisis.



General information:

- Development areas comprise a total area of approximately 4.5 million m^2;
- Population:
  - The estimated number of office employees is approximately 100,000 to 130,000 people;
  - The estimated number of residents is approximately 3,500 people;
  - The estimated number of visitors for the retail section (external & office workers) is between approximately 30,000 to 68,000 people per day;
- Management:
  - The project is directly controlled by the Moscow Local Government, which provides funding for public infrastructure, metro construction and road network improvements;
  - The general development of 'Moscow City' is managed by Centre-City JSC.

It is planned that the area surrounding Moscow City will also be developed and 'Moscow City' will become a part of the more significant project known as the 'Big City'.

The 'Big City' project is located across the four administrative districts of Moscow and covers an area of about 1,000ha.

The propsedproject includes the construction of administrative and business buildings, retail and entertainment centres, recreational zones and residential developments. Most of the industrial enterprises located here will be removed to other parts of Moscow or to the outskirts. According to the latest concept of the project, approved by the Moscow Government Decree No 201-ПП as of 27.03.2007, 'Big City' is expected to consist of a total construction area of 21 million m^2. The residential areas will comprise 8.6 million m^2, office and administrative – 7.9 million m^2. About 1 million m^2 is intended for communications and municipal use. According to local authorities' opinion, such distribution will allow the balance between residential and office construction and will help to avoid excessive competition.

In addition, about 170,000 parking lots will be constructed, together with 25 km of metro lines and 8 km of railway lines.

The development was planned to be brought forward in three phases. The first stage includes MIBC 'Moscow-City', Expocenter, the Kamushki mixed-use complex with associated residential blocks, the residential and commercial zone Zvenigorodskaya and a municipal site near Vagankovskoe cemetery. The total building area within the first stage is about 5.6 million m^2 and it was planned to complete the first phase by 2010, however, given the current financial crisis it is unclear how much of the project will be constructed and when it will be completed.

1.4 Accessibility

By Car

- **Existing**: Third Ring Road (from the northbound and southbound carriageways), 1st Krasnogvardeysky Proezd, Krasnopresnenskaya and Tarasa Shevchenko Embankments and Kutuzovsky Prospect.
- **Projected improvements:**
  - Construction of the road connecting MIBC 'Moscow City' with Zvenigorodskoe Shosse by 2011
  - Construction of two secondary highways for Kutuzovsky Prospect in 2012 (northern and the southern). The northern highway (Moscow - Borodino) will lead from MIBC 'Moscow City' to Molodogvardeyskaya Highway, while the southern one will go along the Kievskoe line of the Moscow railway from Minskaya Street to Aminyevskoe Highway
  - Extension of Shelepikhinskaya Embankment with construction of a link to the Third Ring Road and Zvenigorodskoe Shosse in 2010
  - Widening of the 1st Krasnogvardeysky Proezd and construction of an overpass and a link to the alternative highway for Kutuzovsky Prospect by 2015
  - Reconstruction of Makeeva and Antonova-Ovseenko Streets

At present, neighbouring roads are heavily congested with traffic. In total, the major roads have approximately 17 lanes in each direction. We are of the opinion that construction of the above mentioned new highways will increase the capacity of the main access routes to 'Moscow City' but still the planned improvements will not be enough to handle the potential increase in car numbers during rush hours.

Public transport

- **Existing**: Metro stations Delovoy Centre and Mezhdunarodnaya (located within a five minute walk of the site) connect with Kievskaya station on the Filyovskaya line. There are stops for bus routes 12 (‘Moscow City’), 77, 91, 116, 205, 240, 157, 157e, 518 and trolley-buses 2, 7, 39, 44 (‘Kutuzovskiy Prospect’). In addition the following services are close by: bus 4, tram 23 and trolley-bus 54 (‘Shmitovsky Proezd’).
- **Projected improvements:**
  - Additional exits and underpasses from Mezhdunarodnaya and Delovoy Centre metro stations leading directly to the central core of ’Moscow City’ business centre (to the underground level of ‘Mall of Russia’ shopping centre) will be provided
  - The Moscow Government plans to extend the Filyovskaya metro line by 2015. The extension of the metro line from Mezhdunarodnaya to Polezhaevskaya and also to the Zamoskvoretskaya and Serpukhovsko-Timiryazevskaya lines will create a new interchange. It will include the construction of seven new stations including three connections to other lines. This project will significantly increase the potential capacity of Delovoy Centre and Mezhdunarodnaya metro stations
  - The design of an extension to the Kalininskaya line from Tretyakovskaya station to Moscow City is scheduled to be launched shortly. This project will provide the business district with a second metro line. The Moscow Government plans to have this project completed by 2015

Pedestrian

- **Existing**: adjacent embankments, Bagration Bridge
- **Projected improvements**:
  - Pedestrian route from Neskuchny Sad to ’Moscow City’,
  - Pedestrian Ring Road around MIBC ‘Moscow City’ (from Bagration Bridge to 1st Krasnogvardeysky proezd) (2009),
  - Pedestrian underpasses near the south-west entrance into the Central Core, as well as underpasses under 1st Krasnogvardeysky Proezd and along Botanichesky Sad,
  - Pedestrian travalator system providing connection between Tarasa Shevchenko Embankment and Kutuzovsky Prospect and MIBC ‘Moscow City’ (2009-2010).

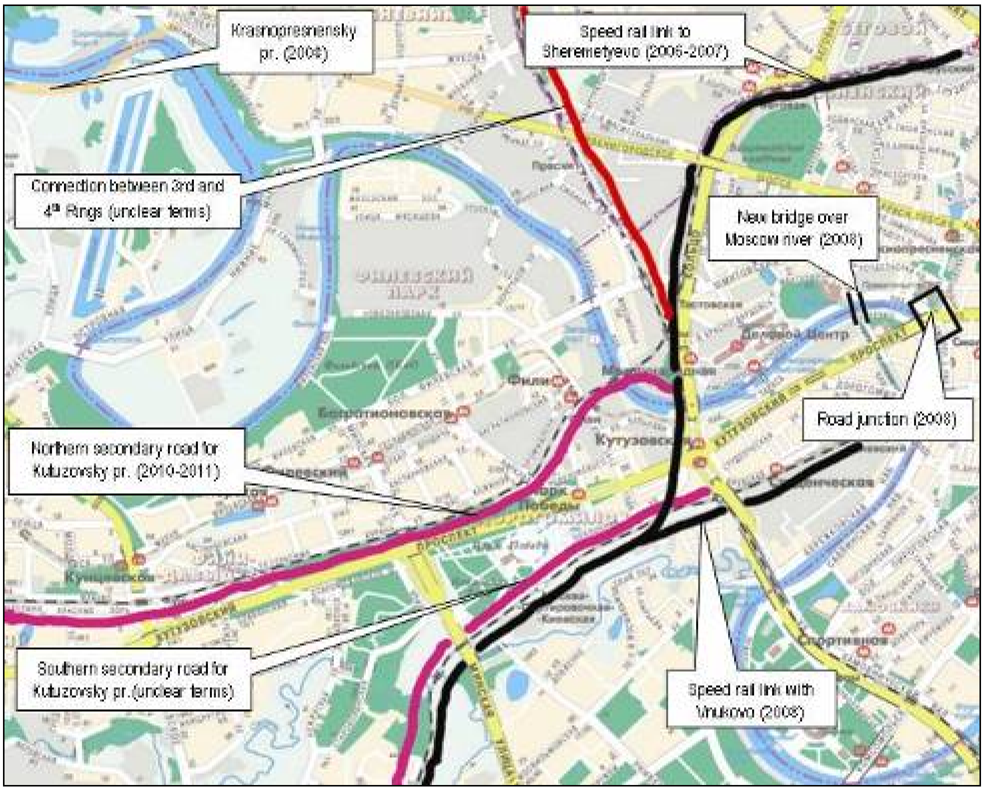
In addition to the above mentioned proposed improvements to the transport infrastructure of the district, construction of the following alternative transit systems is proposed:

- The Moscow Rail Ring Road will include about 30 stations (10 of them have connections with the metro, five with suburban railways, three with the Rapid Transit System). The project also includes construction of parking near stations located on the main highways. The Moscow Rail Ring Road is constructed by the Russian Railways and the Moscow Government, it is scheduled for completion by 2012.
- Another alternative transport system is the construction of a Rapid Transit System linking the business district with Moscow airports, Sheremetievo and Vnukovo, and Savelovsky, Kievsky and Belorussky stations. The first phase, including the link to Vnukovo and Sheremetyevo airports and the Moscow City Transport Terminal, is planned to be constructed by 2011.

’Moscow City‘ has a convenient location close to the city centre and subject to the above mentioned improvements, the business zone will have good transport accessibility.

The shopping centre will include a rail terminal linking it to Sheremetevo and Vnukovo airports via the Rapid Transit System. The terminal will also be linked to the new 'mini metro' line with two stations: 'Mezhdunarodnaya' and 'Delovoy Centre'.

The scheme reflecting the projected improvement of the transport accessibility is presented below.



1.5 Visibility

The subject property is located directly in the centre of the business district. This ensures its excellent visibility from all of the adjacent areas.

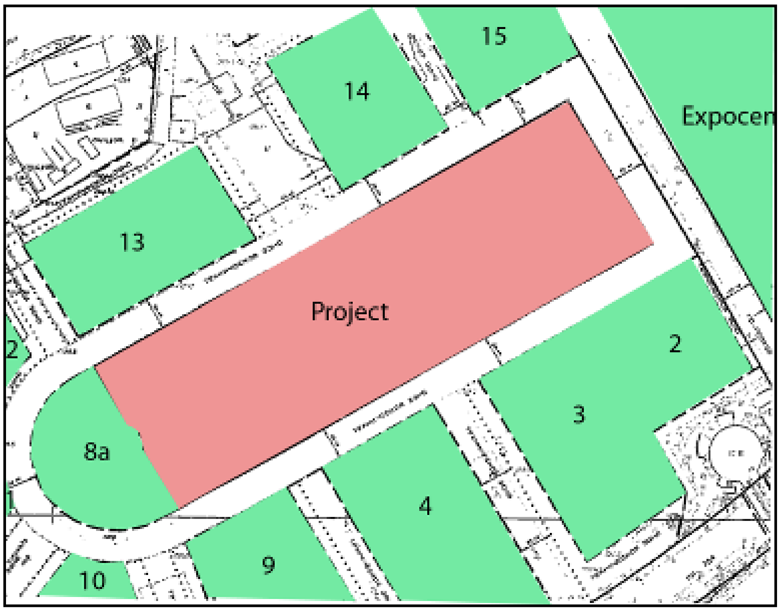
1.6 Conclusions

- The subject site is located in the Central Administrative District of Moscow, this district is the historic city centre and considered a prime residential area
- Moscow City is already becoming established as a new business district in Moscow, equivalent to Canary Wharf in London or La Defense in Paris. Currently there are no other comparable districts in Moscow in terms of centrality of location, opportunities for large development, critical mass, central planning of territory development and local government support
- The project is directly controlled by the Moscow Local Government, which provides funding for public infrastructure, metro construction and road network improvements
- The transport situation is crucial. Future office employees and visitors may significantly worsen the traffic situation. The planned improvements are also uncertain and may be not sufficient to relieve such pressure
- Some of the projects have no fixed concept yet and it is unclear which projects will be completed due to the current crisis, therefore the competition volume can not be determined exactly.

2 Description

2.1 Site

The total area of the site is 4.3742 ha, which is made up of a total of three land plots referred to as No. 6, 7 and 8b.



The sites are located in the centre of MIBC 'Moscow City'. To the south of the site are land plots No.2-3 (City Palace), No.4 (Aqua Palace and Imperia Tower), No.9 (Capital City), No.10 (Naberezhnaya Tower), to the west – land sites No.8a (Hotel), No.11 (Moscow-City Transport Terminal), to the north – land sites No.12 (Eurasia Tower), No.13 (Federation Complex), No.14 (Mercury City Tower), No.15 (Moscow City Government). To the east of the site there is an Expocenter Exhibition Hall.

The site forming the subject property is currently held under a short-term land lease interest. The cadastral number of the site is No.770104042062. This site is intended for the design and the construction of the above ground element of the Central Core.

All the above mentioned land plots are located in cadastral block No. 77:01:04042. The cadastral value for this block, in accordance with the Moscow Government decree No.1046-ПП dated 04.12.2007, is shown below (RUB per m^2):

Lands under residential complexes - RUB 60,384.17

Lands under office buildings - RUB 60,941.05

Lands under retail - RUB 56,832.99

There is also an underground section of the Central Core (the first phase) located under the property.

The underground part of the site has been developed by the Moscow Government. It includes the metro station "Delovoy Centre" at the markers 105.20 and 109.20, the parking and the technical facilities at the markers 114.4, 117.45 and 121.0.

The Central Core part of 'Moscow City' is surrounded by the road at the 121.00 marker, as well as the perimeter transport ramp at 129.70 marker. The south-western entrance has also been constructed.

2.2 Project Description

Our estimations have been based on information from the approved design of the project (stage П) undertaken by the “Urban Planning Institute of Residential and Public Buildings” and provided to us by the client.

The above-ground part of the Central Core of MIBC ’Moscow City’ is part of a multi-functional complex situated on plots 6, 7, 8a and 8b of ‘Moscow City’, which will be built above the existing underground section.

The project will be primarily a super-regional retail centre and will include a limited area of office accommodation as well, the development concept includes a concert hall with 6,000 seats.

Project characteristics are presented in the table below.

Table № 1

№	Index	Value
1.	Building	Part of the ‘Moscow City’ Central Core Complex (Phase I)
2.	Type	Shopping Centre
3.	Type of premises	Retail, Offices, Concert Hall
4.	Area of the site	4.3742 ha
5.	Foot-print	~43,742 m^2
6.	Gross building area	179,423 m^2 plus Concert Hall with a total area of 21,744 m^2
7.	Construction volume of the building	n/a
8.	Number of storeys	5 above ground levels and 1 underground
9	Height	179 m

The project is supplied with underground parking, constructed and operated by a Moscow City Governmental company. The shopping centre will benefit from 2,700 car parking spaces.

The design of the above ground part was created with consideration of the existing underground part of the Central Core. The vertical communications, engineering systems and the vertical shafts exit through the roof of the above ground part.

The project suggests the creation of a Central Core complex whereby the levels are connected with the surrounding plots as follows:

- Level 124.60 is the underground area connecting the neighbouring plots 2, 8, 9, 10 and 15 via pedestrian bridges
- Level 129.70 is connected with the surrounding development by means of a circular train, which leads to the ramp. The “Concert Hall” and the stage servicing premises are also located on this level
- Level 136.30 is connected directly with the public square in front of the Mosgorduma and the Moscow Government buildings complex. The connection between the pedestrian zone of the retail and entertainment complex and the hotel complex is provided by the square, creating the first level of atrium space

2.3 Dimensions

The general characteristics of the functional zones included into the proposed development are presented below:

Table № 2

№	Index	Value
1.	Retail Centre "Mall of Russia"	
	Class	Super-Regional
	Proposed tenants	Wide range of strong international and federal retailers, about 50% of the space will be occupied by anchors
	Total area, m²	179,423
	Leasable area, m²	114,213
	Terms of letting	Shell & Core
2.	Concert Hall	
	Class	-
	Proposed tenants	Shall be provided to Moscow City
	Number of seats	~6,000
	Planning	Open space
	Total area, m²	21,744
	Terms of delivery	Shell & Core

A more detailed breakdown of the retail accommodation is set out below:

Table № 3

Type of tenant	GBA[5], m²	GLA[6], m²	Commentary to Concept
Retail centre			
Level 0 (124.6)			
Anchor stores (Sport, Perfumery, Fashion)	**50,410**	10,204	**Lower-Mass Market: Young Fashion**
Mini-anchors		4,433	
Boutique shops		13,839	
Cafes		740	
Kiosks		115	
Sub-Total, level 124.6		**29,330**	
Level 1 (129.7)			
Supermarket	**38,401**	2,496	**Upper-Middle Class: Fashion**
Anchor stores (Fashion)		10,292	
Mini-anchors		2,292	
Boutique shops		8,155	
Cafes		949	
Kiosks		173	
Sub-Total, level 129.7		**24,357**	

[5] Source: Areas Calculation by BBB Architects as at 25.10.2006
[6] Source: Floor Plans and Areas Schedule by Colliers International as at 27.06.2008

Type of tenant	GBA[5], m²	GLA[6], m²	Commentary to Concept
Level 2 (136.3)			
Department Store (1st level)		2,303	
Anchor stores (Fashion)		5,751	**Upper-Middle Class: Pret-a-Porte Gallery, Men's Fashion, Digital**
Mini-anchors	**24,483**	3,241	
Boutique shops		8,891	
Cafes		266	
Kiosks		81	
Sub-Total, level 136.3		**20,533**	
Level 3 (142.45)			
Department Store (2nd level)		2,267	
Anchor stores (Kids, Household, Entertainment)		5,674	
Mini-anchors	**23,099**	1,475	**Food-court, Family & Kids**
Boutique shops		4,612	
Food-court, cafes		1,442	
Kiosks		89	
Sub-Total, level 142.45		**15,558**	
Level 4 (148.6)			
Department Store (3rd level)		2,217	
Anchor stores (Multimedia, Books)		1,956	
Cinema	**25,123**	7,144	**Cinema, Cafe & Restaurants**
Boutique shops		462	
Cafes, restaurants		5,820	
Kiosks		68	
Sub-Total, level 148.6		**17,667**	
Level 5 (154.75)			
Winter garden area		3,765	
Management company office	**17,907**	372	**Winter Garden & Offices**
Offices		2,631	
Sub-Total, level 154.75		**6,768**	
Total	**179,423**	**114,213**	

2.4 Project Development Timeline

In terms of timing, at present, the following construction timetable also allows for the development of the project.

Table № 4

Type of work	Period
Construction	until 09/2009
Internal fit-out	10/2009 – 12/2009
Opening	January 2010

The project is at the active development stage and construction works are estimated in line with the abovementioned timescale.

As at the valuation date the following works are completed/ ongoing:

- Completed 74 percent of construction of internal engineering system.
- Completed 71 percent of lift and escalator equipment.
- Completed 61 percent of electricity works.
- Internal fit-out is ongoing (82 percent is completed).

The Central Core complex is proposed to be opened at the beginning of 2010.

2.5 Marketing Period

We estimate the proper marketing period to ensure sufficient exposure time for the subject property will be over 15 months. This marketing period assumes the sale of the property through offering the shares in the SPV to a number of institutional investors . Such a transaction takes more time in comparison with the normal sale of the assets to a single investor and we have taken this into account in our valuation.

2.6 Environmental Considerations

We have been instructed not to make any investigations in relation to the presence or potential presence of contamination in land or buildings, and to assume that if investigations were made to an appropriate extent then nothing would be discovered sufficient to affect value. We have not carried out any investigation into past uses, either of the properties or any adjacent land, to establish whether there is any potential for contamination from such uses or sites, and have therefore assumed that none exists. In practice, purchasers in the property market do require knowledge about contamination. A prudent purchaser of this property would be likely to require appropriate investigations to be made to assess any risk before completing a transaction. Should it be established that contamination does exist, this might reduce the value herein reported.

3 Legal

3.1 Tenure

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

- A Moscow Government Decree, dated 20 June 2005 No.1098-РП
- An Investment contract, dated 24 June 2005 No.12-026022-5001-0012-00001-05, between Moscow Government and Bellgate Construction Limited about the construction of the aboveground part of the Central Core of MIBC ‘Moscow City’
- An additional agreement, dated 05 September 2008 No.1, to the abovementioned Investment contract, under which the terms of construction are extended until 31 December 2009 and the area of the maximum permissible area of the building is extended from 150,000 m^2 to 179,930 m^2
- Land Surveying Report by Moscow Land Department as of 10 August 2005, with the plan of the land site and specification of the area
- A short-term Land lease agreement, dated 10 November 2005, No.M-01-512770 (registration number as of 13 December 2005, No.01-105760-0000-0000-00000-05)
- An additional agreement, dated 19 June 2006 No.M-01-512770/1, to the abovementioned land lease agreement
- An additional agreement, dated 26 August 2008 No.M-01-512770/3, to the abovementioned land lease agreement, according to which the term of the agreement is extended until 31 December 2009
- Concept of the Central Core aboveground part by NATAL LLC as of 2006
- The extract of the Town-planning Commission in the Moscow Architectural Council Proceedings No.36, dated 15 December 2006, about the approval of the concept
- A shopping mall design development, dated 18 December 2006, (release 03) provided by ‘BRISBIN BROOK BEYNON, architects’ (Canada)
- The Act of Permitted Usage as of 27 June 2007 No.A-3946/98
- Construction permit No.RU77181000-000863 as of 27 January 2007, extended until 25 June 2008
- Exhibit No.12 for the Contract No.2006/159/PL-CORE-01 between Bellgate Construction Limited and ENKA (costs of designing, working documentation and construction of the superstructure of the Central Core MIBC ‘Moscow City’)
- A State Contract, dated 08 October 2008, No.105110 between Moscow Capital Construction Department and LLC ‘Stroyinkom-K’ about the designing of the Concert Hall
- Positive conclusion of the Moscow State Expertise on the project documentation for the shopping centre construction, dated 25 December 2008, No.SI 12368
- The title of the Regulating Album, which approves its endorsement by the local authorities
- Special technical specifications for the designing of the Multifunctional Retail and Entertainment Centre, dated 19 December 2008, No. 19-22-4471, prepared by LLC ‘OPB Pozhaudit’
- A Moscow Government Order, dated 12 December 2008, No. 98440831/22/2, which extends permission for the execution of ground works, provision and maintenance of the construction site until 31 December 2009
- The actual letting floor plans (prepared by Colliers International as of 19 December 2008)
- The budget of the construction costs and the actual expenses as at 30 June 2009 (prepared by the client)

3.2 Conclusions

On the basis of the documents provided, the consultant has arrived at the following conclusions regarding the subject property:

- Bellgate Constructions Limited Company, as the winner of the auction, is the investor for this project. The investment agreement is signed between the Moscow Government and Bellgate Constructions Limited (Investor).
- The investor will obtain a 75 percent share in the proposed development. The municipal share will be 25 percent of the total project area (shared with the Moscow Property Department). The investor must also finance the construction of a multifunctional concert hall at a minimum cost of USD20 million.
- The land site occupies the plots No.6, 7 and 8b of MIBC 'Moscow-City' and has an area of 4.3742ha. The Cadastral number of the site is No.770104042062. The site is subject to a short-term land lease (until 31 December 2009) provided by the Moscow Government to the special governmental company Center-City CJSC, founded for managing the 'Moscow-City' complex. Center-City CJSC is providing the site to the investor for the purpose of construction and collects land rent according to the rate stated in the land lease agreement. According to the information provided by the client, the annual rent for the land plot in 2009 is RUB 23,722,706.22 .
- The development concept was approved by the authorised institutions and was considered as meeting all the town-planning requirements. The design of the building structure was approved and the permission for base construction works received. According to the approved design, the maximum permissable gross building area is 179,930m^2.
- All the required documents (investment contract, building permits and land-lease agreement for the site under the proposed shopping centre) were extended until 31 December 2009.

On the basis of the abovementioned conclusions, we have made the following assumptions in our valuation:

- As the terms of both the Investment Contract and the Land Lease Agreement were extended, we assume that the end of construction will be in Q4 2009 with the opening of the shopping centre following in Q1 2010;
- We assume that the investor will finance the concert hall construction at a minimum cost of USD20 million and will not have ownership rights for the building once construction has finished;
- We assume that the owner of the property will have ownership rights for 75 percent of the planned building (retail centre) and long-term lease rights for the land site, which will occur after construction completion.

Jones Lang LaSalle has not carried out any legal expertise of the information provided by the Client. We have not been provided with a report on ownership in respect of this property and recommend that should such a report be prepared that we be provided with a copy and given the opportunity to reconsider our opinion of value in light of its contents.

3.3 Valued Interest

We understand that the client will have 75 percent of the freehold interest in the retail centre and long-term leasehold interest in the land site, which will occur once the construction is completed.

To obtain the mentioned interest in the property, the client has to execute the terms of the investment contract (to finance the construction of the shopping centre and participate in the construction of the concert hall at a minimum cost of USD $20 million).

3.4 Town Planning

We have been informed that at the current time the developer has extended the terms of all necessary permits for construction works on the site until 31 December 2009. The following permits are outstanding: Act of Permitted Usage; Permit for construction works.

We are not aware of any outstanding planning applications or decisions granted on the subject property that are likely to have any material impact on value.

4 Highest and Best Use Analysis

The highest and best use (HBU) of a real estate asset is the one that is physically possible, legally permissible, financially feasible, and must result in the highest value.

For valuation purposes, a real estate property may be considered as two separate constituents, which are the land plot and its improvements (buildings, developments, utility lines, etc. constructed on it or under it); therefore, in estimating a real estate property, appraisers estimate the highest and best use of land (as if vacant) and the highest and best use of the property (as improved). Estimation of each of the HBU types requires a separate analysis. However, as one can see, both are estimated under the following four criteria:

- legality;
- physical possibility;
- financial feasibility, and
- highest profitability.

Any use of a real estate asset shall be viewed from the above four points, which are to be applied in that order. In the event that some potential use option does not meet any of the four criteria, such an option shall be disregarded and replaced with another one. The HBU shall meet all of the above four criteria.

The land plot was provided for the construction of a multi-functional complex. This means that, from a legal perspective, the asset envisages only one function. As a result, we are of the opinion that the current use of the site represents its highest and best use .

5 Market Commentary

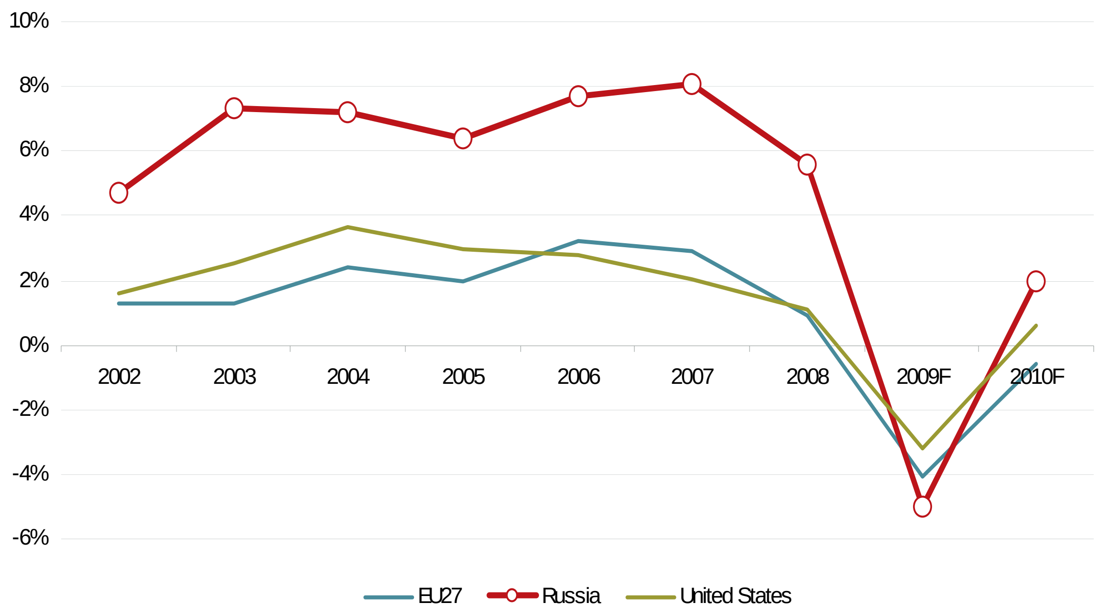
5.1 Economic Overview

The Russian Federation has the world's largest land area and stretches from the Baltic Sea to the Pacific Ocean across 11 time zones. The country has a population of 143.6 million (73 percent urban), the majority living in the European part of Russia, west of the Ural Mountains.

There are 13 cities in Russia with a population of over 1 million and 35 cities with a population over 500,000. Moscow, the capital, is the administrative and business centre of the country.

Over the last eight years, Russia has shown strong economic performance, with average GDP growth of approximately 7 percent per annum. High currency revenues, strong domestic investment and consumption growth, low consumer debt and less exposure to the sub-prime and CMBS markets delayed the effect of the global crisis on Russia until around September 2008. However, in Q4 2008, these positive market dynamics were interrupted by the financial crisis, slowing full-year 2008 GDP growth to 5.6 percent.

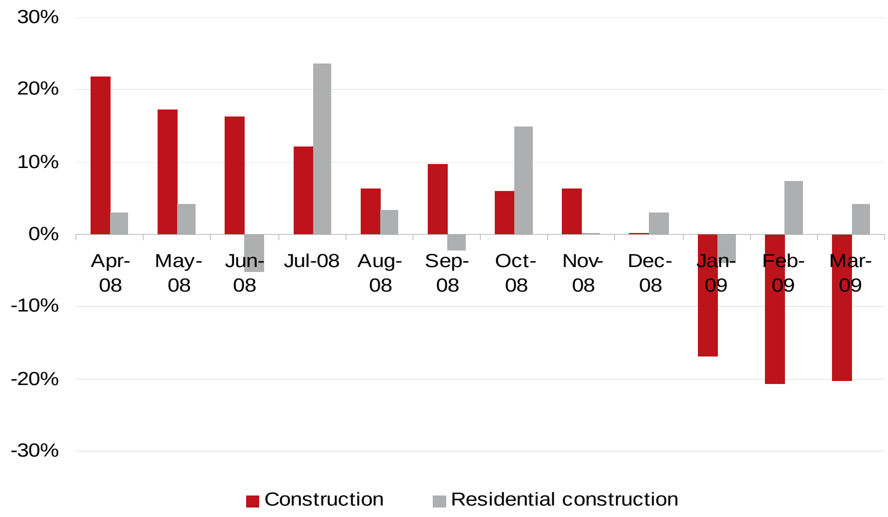
GDP Growth (%)



Source: EIU

The Russian economy continued to decelerate in the beginning of 2009. GDP is estimated to have declined by 9.5 percent year on year (YoY) in Q1 2009, with the recession extending to most sectors. Industrial production was down by 14.3 percent YoY, construction fared even worse at -19.3 percent YoY, although residential construction posted a 2.4 percent growth. Retail sales held up until February but ended the quarter 1.1 percent below the level of the year before.

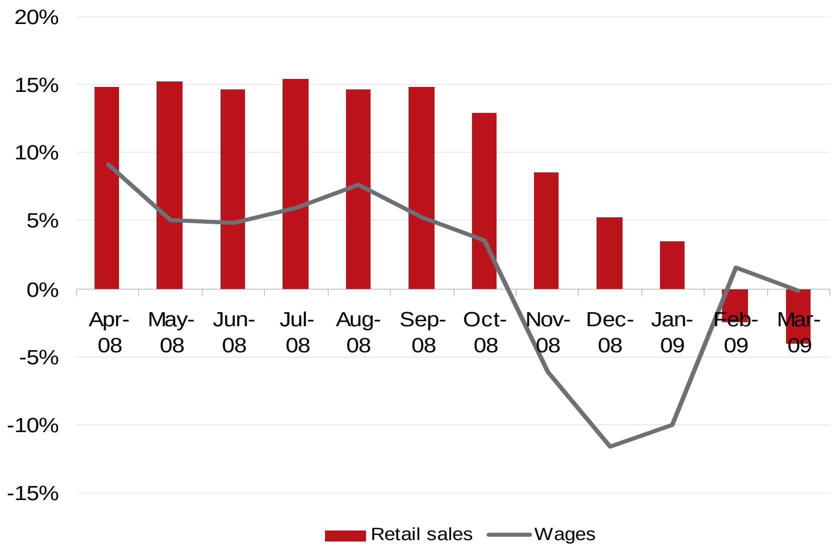
Construction output growth, YoY



Source: Economy Ministry

The weakening economy increased unemployment and put downward pressure on wages. The unemployment rate reached 9.5 percent in March 2009, while wages declined by 2.3 percent YoY in Q1 2009 in real terms.

Wages and retail sales growth, YoY



Source: Rosstat, Economy Ministry

Taking a resolute stance in January-February 2009, the Bank of Russia decided to let the rouble weaken from 29.4 to around 36.5 per USD and explicitly indicated that would be the peak of the devaluation for the time being. Subsequently the rouble has bounced back to below 32 per USD in recent weeks.

In order to deal with the impact of the global crisis the Russian Government plans to spend around RUB1.5 trillion ($45 billion) this year, as a result, the budget is expected to post a deficit of around 8 percent of GDP. The bulk of the money is expected to go towards refinancing maturing corporate debts in selected sectors.

A recent estimate from the Economy Ministry has put the GDP decline in 2009 at 6.0 percent. We believe the economy will close the year slightly better, at -5.0 percent. Both figures assume a rebound in H2, following a rather dismal start to the year, at this point it is not clear if this improvement will occur.

Oil prices remain the biggest external risk. Internally, consumer and business sentiments show positive signs and will remain instrumental to the improvement of the economic performance. The recent increases in oil prices may not be sustainable in the medium term and may fall back.

Table № 5

	2002	2003	2004	2005	2006	2007	2008	2009F	2010F
Nominal GDP (RUB bn)	10,818	13,243	17,048	21,620	26,883	32,989	41,540	45,987	54,467
Real GDP growth (%)	4.7	7.3	7.2	6.4	7.4	8.1	6.2	-5.0	4.0
Nominal GDP (USD bn)	345	431	592	764	989	1,290	1,673	1,373	1,594
Per capita GDP (USD)	2,378	2,989	4,127	5,356	6,957	9,086	11,831	9,752	11,369
Industrial production, real growth (%)	3.1	8.9	8.3	4.0	3.9	6.3	2.1	-12.1	1.3
Population (million)	145.0	144.2	143.5	142.7	142.2	142.0	141.4	140.8	140.2
Unemployment (%, end-year)	8.6	8.0	7.7	7.6	6.7	6.1	7.7	9.6	8.2
CPI (%, December-on-December)	15.1	12.0	11.7	10.9	9.0	11.9	13.3	13.0	11.0
Exchange rate (RUB/USD, end-year)	31.78	29.45	27.75	28.78	26.33	24.55	29.38	33.80	34.55
Exchange rate (RUB/USD, average)	31.38	30.74	28.79	28.29	27.17	25.57	24.81	33.50	34.18
Average monthly wage, USD	126	168	223	287	365	488	609	478	535
Nominal wage growth (% YoY)	34.6	26.1	22.6	26.9	24.3	27.8	25.9	8.5	15.4
Real wage growth (% YoY)	16.2	10.7	11.9	12.6	13.3	16.2	11.4	-4.0	4.0
Retail trade turnover (RUB bn)	3,765	4,529	5,642	7,038	8,690	10,758	13,853	14,894	17,072
Real retail sales growth (% YoY)	9.3	8.8	12.5	12.8	13.9	15.2	13.0	-3.6	4.8
Retail trade turnover (USD bn)	120	147	196	249	320	421	558	445	500
Urals oil price (USD per barrel, end-year)	23.8	27.2	34.2	50.5	61.3	69.5	91.7	50.0	60.0
FDI into Russia (USD m)	3,461	7,958	15,444	12,886	29,701	55,073	70,320	50,000	70,000

Source: Jones Lang LaSalle, Rosstat, Bank of Russia, Credit Suisse

5.2 Local Macroeconomic Overview

As the capital of the Russian Federation (RF), Moscow is the main financial, industrial, scientific and cultural centre of Russia. The city is situated in the most developed Russian region with the highest density of population. Moscow is positioned as the gateway to Russia for many foreign businesses and investors and, due to its proximity to Central and Eastern Europe, more and more inhabitants from European cities make visits to Moscow a part of their business activities.

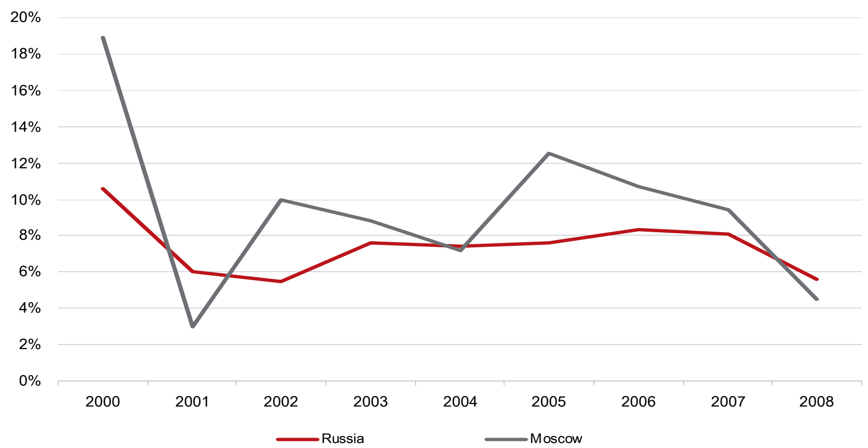
Moscow's local economy has diversified and modernised recently, reflecting intense growth in the service sector – finance and insurance, technology and retailing services. Moscow's Gross Regional Products (GRP) had been increasing at a higher rate than the country average. Currently Moscow's GRP is the highest in the Russian Federation. Muscovites enjoy a standard of living higher than most other locations in the country.

Moscow is Europe's largest city in terms of population, and ranks alongside London, Paris and Istanbul as one of Europe's four "Mega-Cities", and Moscow's population continues to grow. The current population ranges from 10.4-12 million, with a further 8 million housed in the surrounding Moscow Oblast, creating a greater metropolitan region of over 18 million inhabitants. Whilst the CEE region and Russia have seen their populations decline (largely due to low birth rates and migration), Moscow stands alone as the only major city in the region whose population is growing rapidly.

Being the economic centre of Russia, Moscow provides the main part of Russia's GDP (about 20 percent). The Moscow economy is characterised by an actively developing service sector, low debt and high budget indicators.

During recent years Moscow's macroeconomic indicators were growing steadily. During 2003 to 2008 the average annual GRP growth was 8.8 percent, real income growth was 6.7 percent and retail turnover growth was 6.1 percent. All these indicators were supplemented by a significant budget surplus.

Moscow vs. Russia Economic Growth (%)

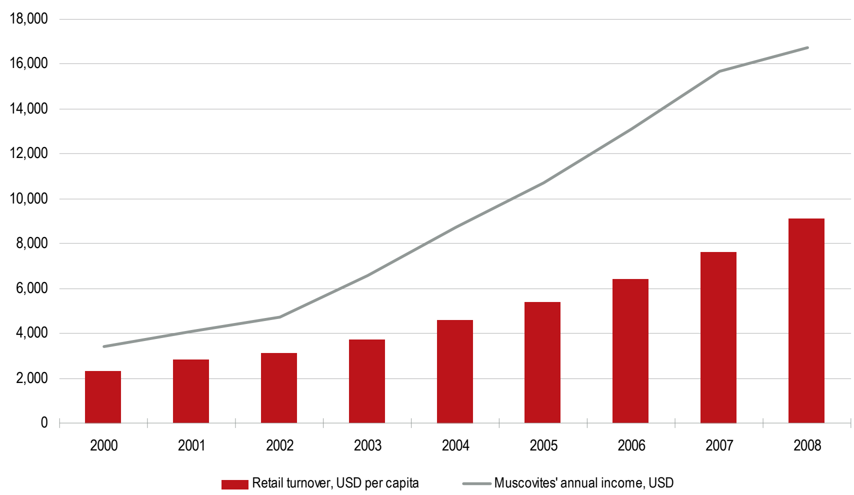


Source: Mosstat, EIU, Jones Lang LaSalle Research

In 2007 Moscow's GRP grew by 9.4 percent. In 2008 the city's economic growth rate slowed down to 4.5 percent due to the impact of the world financial crisis. Moscow's inflation is slightly lower than in Russia. It amounted to 11.9 percent in 2008, while it reached 13.3 percent in Russia.

According to Mosgorstat, the Moscow retail turnover reached $95 billion in 2008. Due to the influence of the financial crisis, retail turnover growth is going to slow down in 2009, but strong Moscow economic fundamentals will help the city to recover more rapidly than other parts of Russia.

Moscow retail turnover and income



Source: Mosstat, EIU, Jones Lang LaSalle Research

During the last several years high incomes that resulted from increasing energy prices were providing an opportunity for Russia to diversify its economic base, and Moscow was showing significant progress. The income distribution of

Moscow residents is quite uneven. The wealthiest population groups are concentrated in the City centre and in the semi-peripheral western parts of the City.

In 2008 the average monthly income amounted to $1,393. Since then, with the occurrence of the financial crisis, unemployment has risen and personal incomes have suffered due to both rouble devaluation and salary cuts, the extent of these falls are not yet clear.

In 2006, Moscow replaced Tokyo as the world's most expensive city, according to the Cost of Living Survey from Mercer Human Resource Consulting. In 2008, Moscow ranked top on the list of most expensive cities for the third year in a row. The most recent surveys indicate that Moscow has now fallen to third behind Tokyo and Osaka.

The economic downturn that became evident in Q4 2008 quickly affected the labour market. Unemployment in Moscow doubled over the 2008-2009 New Year holiday period, with 290,000 people becoming unemployed, up from 56,500 a year ago and 67,200 at the beginning of October. These numbers include those people registered as unemployed, as well as workers on unpaid leave and working shorter hours.

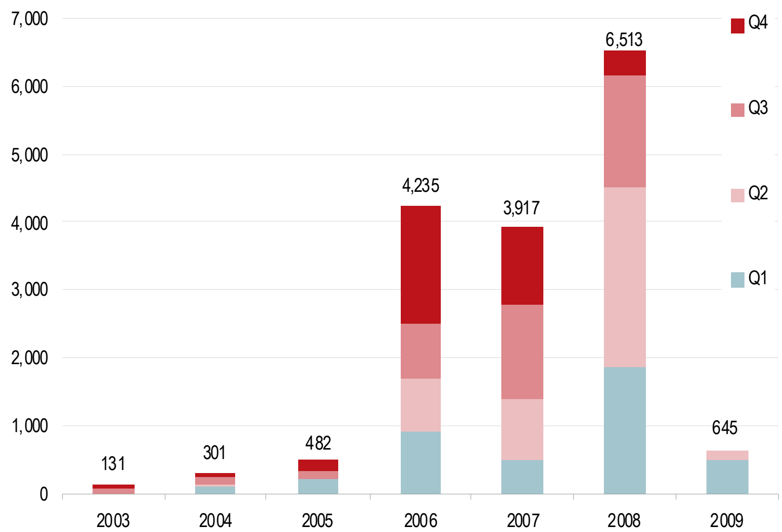
5.3 Investment Market

During 2008, investments into the Russian real estate market reached $6.5 billion. One of the largest transactions in Moscow during this period ($900m) was completed by a German investment fund, KanAm Grund. This transaction demonstrated the trend that investment is heavily targeted at Moscow, which accounted for around 76 percent of the annual total real estate investment in Russia. This is largely due to the lack of institutional quality investment stock outside of Moscow.

Since Q4 2008 investment activity in Russia has slowed significantly, in line with other real estate investment markets.

In H1 2009 a wait-and-see attitude continued to characterise the investor activity on the Russian market. Transactions are becoming smaller. There was only one major deal in Q1 2009: Sberbank bought Class B+ Southern Port business centre.

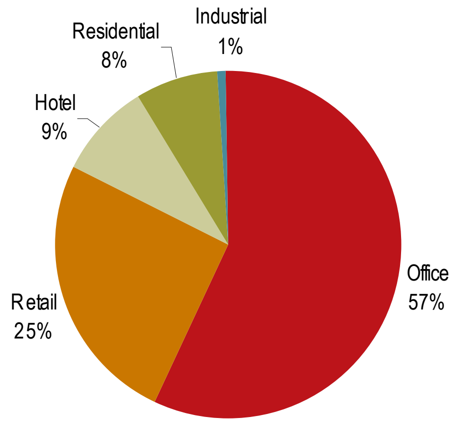
Investment Volume Dynamics ($ m)



* Investment deals, excluding corporate acquisitions, land and residential acquisitions, JVs.

Source: Jones Lang LaSalle

Investment volumes by sector, H1 2009 ($ m)

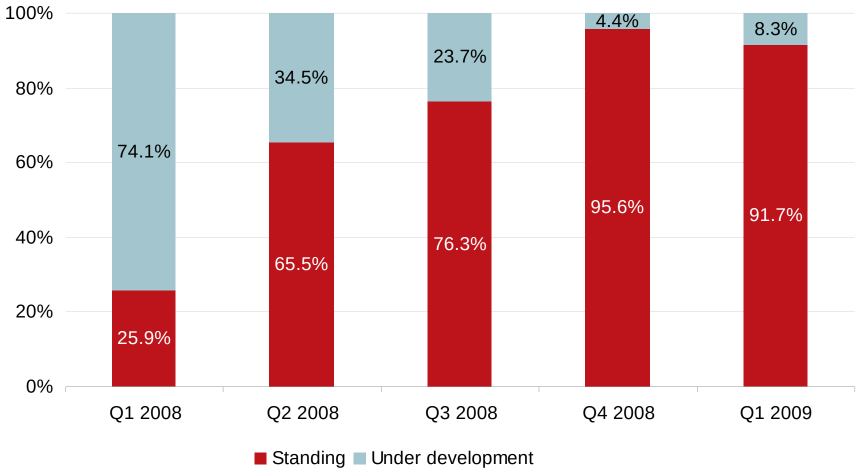


Source: Jones Lang LaSalle

In the beginning of 2009 the investment market was dominated by Russian-funded investors, while foreign investor activity shifted into low gear. High yields in more transparent and less risky Western European markets and lower risk tolerance of investors are the two key factors behind this. As a result, foreign investments accounted for only 3.5 percent in Q1 2009 compared to 75 percent in 2008.

In Q1 2009, projects under development became less popular, accounting for 8.3 percent of the total in comparison with 40-50 percent in 2007-2008. Weaker demand in the medium term and the lack of debt financing favours standing, income producing assets.

Investment destination dynamics



Source: Jones Lang LaSalle

The changes on the pan-European level produce similar results within Russia: developers and investors prefer to deal in less risky and more mature Moscow and St. Petersburg. We have observed a shift away from Russian regional investment markets since H2 2008.

A number of distressed assets have appeared on the market recently, although possibly not at the level which had been widely predicted. Following a period of active asset-based borrowing, developers and retailers, suffering from the lack of liquidity, started to lose their properties. For example, in the beginning of 2009, properties of ALPI and Banana-Mama retail chains went to Ursa-Bank and Alfa-Bank respectively, Sberbank became the owner of the Capital City project in Moscow-City and VTB took over Sistema-Hals and all its projects, including Detskiy Mir. It is expected that 2009 will be a year of M&A deals in all economic sectors, including commercial real estate.

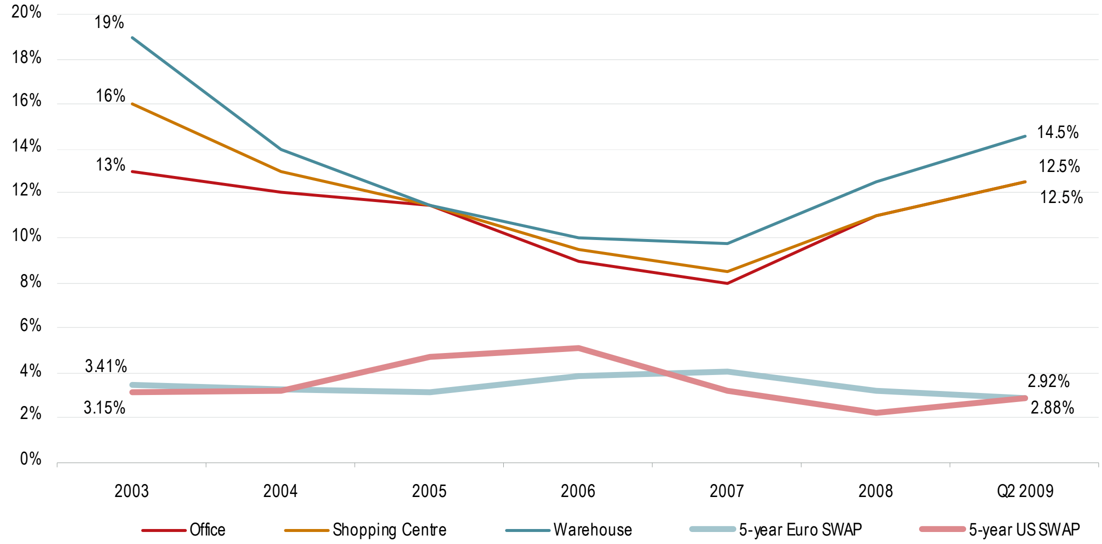
Debt markets will remain constrained throughout 2009. This will keep lot sizes and transaction volumes down with deals over $50m now often requiring two or more sources, substantially increasing their complexity.

Most of the banks operating in Russia have stopped commercial real estate financing programmes, although debt financing for prime projects still exists. For example, in Q1 2009 Sberbank financed the development of the Moskva hotel in the Moscow historical centre and the Galereya shopping centre in St. Petersburg.

In H1 2008 the yield compression in Russia was halted by the global financial crisis and was characterised by a yield decompression. In H2 2008 the yields increased by 250-300 bps. Across all assets, investors continued to demand higher risk premium as the process of deleveraging intensified.

In Q2 2009 real estate capitalisation rates continued to soften, reaching 2005 levels. Prime rates in Moscow are now at 12.5 percent for shopping centres and offices (+100 b.p. QoQ) and 14.5 percent for warehouses (+50 b.p. QoQ).

Prime yield dynamics in Moscow



Source: Jones Lang LaSalle

Major investment market trends

- 2009 will be a year of change marked by a decline in the number of deals and significant price corrections.
- Foreign investors become significantly more risk-averse and wait for the best opportunities. This will raise the profile of Russian investors.
- Due to the lack of debt financing, equity investors will be in the best position to take advantage of the market.
- As prices have declined significantly across the Russian real estate market and the entry price for prime assets has fallen, investor attention will mostly shift back to Moscow, which offers relatively lower risks, higher market transparency and a broader range of prime assets than in the regions.
- Investor interest this year will be focused mainly on quality standing assets or projects at the final stage of construction. Office and retail will remain the dominant sectors.
- We expect a gradual increase in the number of transactions in H2 2009.

5.4 Retail Market Overview

5.4.1 Moscow Retail Market

The table below contains the main indicators characterising the Moscow retail market as at Q2 2009.

Table № 6

Moscow retail snapshot, Q2 2009	
Shopping centre stock	2,447,896 m2
Shopping centre stock per 1,000 inhabitants	214 m2
Completions, Q2 2009	55,000m2; RIO (Filion Shopping centre)
Completions, H1 2009	214,000m2
Number of shopping centres	65
Prime shopping centre base rent	$2,000 – 3,000/m2/year*
Average shopping centre base rent	$350 – 1,000/m2/year*
Prime street retail base rent	$2,100 – 3,000/m2/year*
Prime shopping centre yield	12 – 13%
Vacancy rate	8%

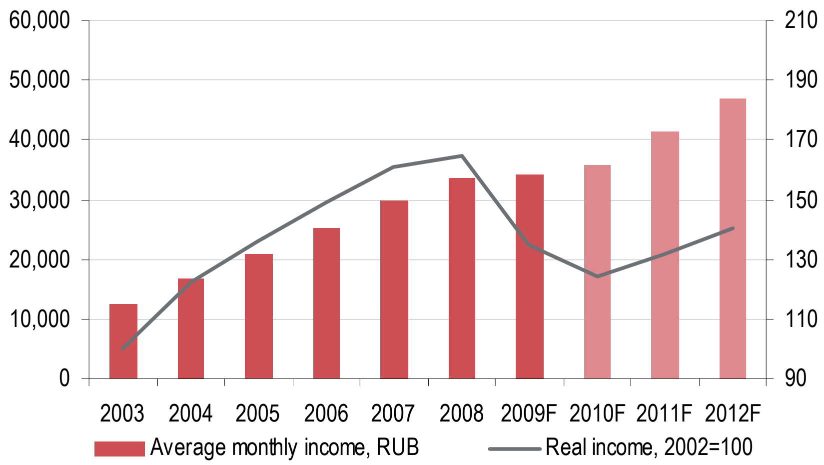
** Rent excludes VAT and operating expenses*

Source: Jones Lang LaSalle

Muscovites have the highest income level in Russia. Average monthly income in Moscow in May 2008-April 2009 was $1,379 per capita vs $596 across the country. With the economic crisis hitting Russia, Muscovites' real disposable income declined 18.2% year on year in 2008, yet increasing by 5.5% year on year in Jan-Apr 2009.

Overall unemployment has increased sharply, reaching 10.2% in April. Recent figures show a slight reversal, to 9.9% in May.

Average income in Moscow



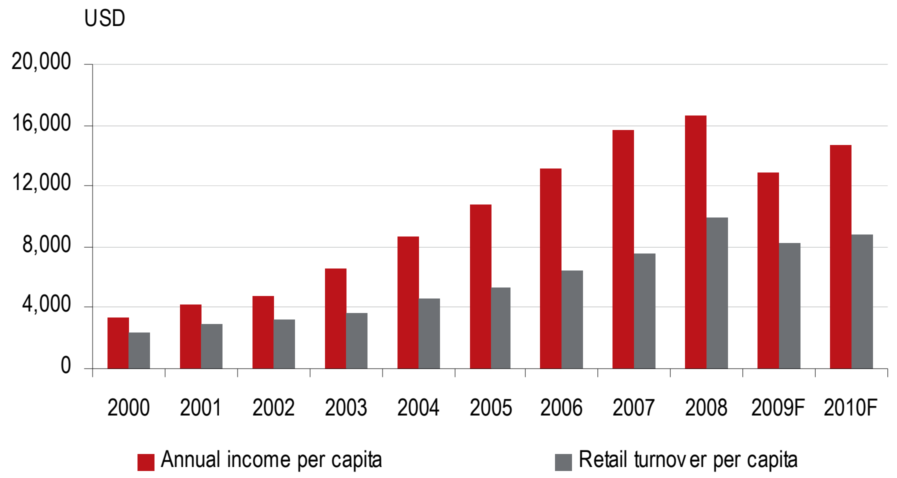
Source: Jones Lang LaSalle

Consumer loans have begun to play an important role in the retail market. The economic crisis has reduced this income supplement substantially and affected sales. In fact, the total outstanding consumer debt continues to decline. At the same time, the share of non-performing personal loans increased to a level last seen in 2000.

In recent years Muscovites spent approximately 70% of their incomes on consumption. This ratio reached 74% between May 2008 and April 2009. Despite the global financial crisis, expenditure on goods and services increased in absolute and in relative terms, this was at the expense of savings, which turned negative.

Moscow retail turnover represented approximately 17.8% of the Russian total in January-May 2009. As a result of declining incomes, retail turnover was down by 5.7% year on year. The recession will continue to affect retail sales this year. The rouble devaluation raised prices of imported goods and now serves as an additional factor slowing sales.

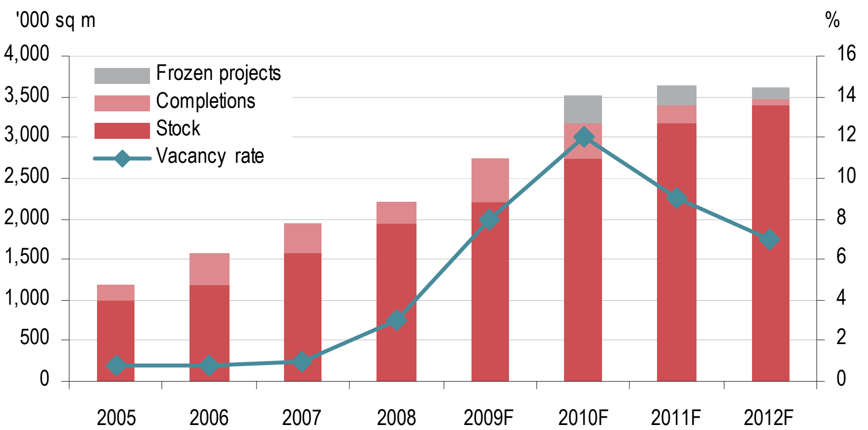
Muscovites' retail turnover and income



Source: Jones Lang LaSalle

Openings of most projects have been delayed by several quarters. This has become a norm for the retail market. Since some projects initially announced for 2007-2008 were postponed, completions are expected to increase over the next two years. Although about 65% of initially announced projects for 2009 were postponed, the Moscow retail market will have record-high 400,000 m^2 of retail areas completed this year.

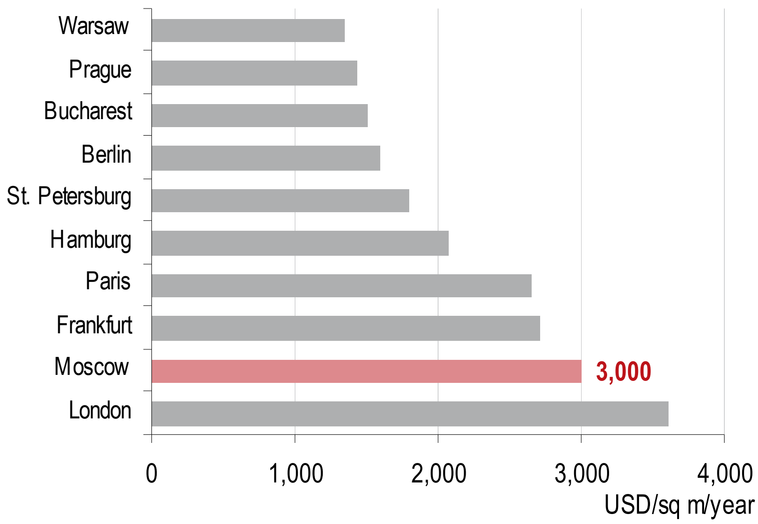
Moscow retail market balance



Source: Jones Lang LaSalle

Despite increasing vacancies and rental correction in H1 2009, Moscow prime rents remain one of the highest in Europe.

Prime shopping centre rents, Q2 2009



Although rents for the majority of tenant types remained stable in Q2 2009, we expect prime rents to continue declining in the medium term under pressure from weakening consumer demand.

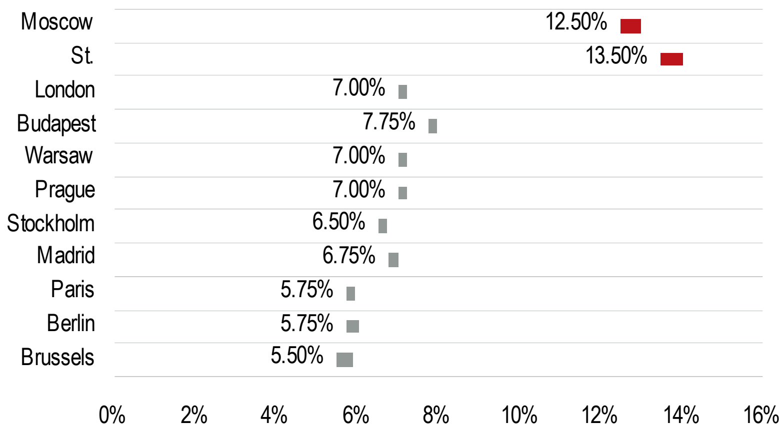
Table № 7

Profile	Area (sq m)	Min rent (USD / sq m / year)	Max rent (USD /sq m / year)
Hypermarket	>5,000	100	140
White & Brown	>2,500	190	300
	<2,500	410	550
Sporting goods	>3,000	120	250
	1,200-3,000	180	300
	<1,200	240	400
Cinema	>2,500	100	150
Entertainment	1,500-7,000	100	120
Perfume and cosmetics	300-500	1,200	1,800
	<300	1,500	2,200
Goods for children	>1,500	180	220
	<300	600	1,200
Household goods	1,000-5,000	100	130
DIY	8,000 – 15,000	120	150
Food courts	40 - 90	1,000	2,000
Restaurants	250 – 600	400	600
	<250	300	750
Fashion and apparel	40-200	800	3,000
	200-1000	500	800
	>1000	% or turnover	400

Source: Jones Lang LaSalle

Russia has re-priced more quickly and significantly than other real estate markets. Prime yields in Russia are now significantly higher than in any European market. We expect yield spreads to remain wide in the medium term.

Prime shopping centre yields, Q2 2009



Source: Jones Lang LaSalle

Taking into account our comments above, we can determine the following key trends prevailing in the market:

- Slower economic growth, changing trend in personal incomes and lower consumer confidence will depress spending in 2009.
- Consumer's switch to cheaper or non-branded goods, forcing retailers to optimise selection and increase the share of cheaper goods.
- Facing financial problems, retailers are downsizing their chains to improve operational efficiency. However, some still have ambitious expansion plans.
- Most projects currently under construction will be completed, albeit with delays caused by financing difficulties, while others will be frozen or delivered in phases.
- After rental corrections in Q1 2009, rents stabilised. However, prime rents are still under downward pressure. Space in new shopping centres is offered with discounts for the first two years.

5.4.2 Local Retail Market

The existing supply of high-quality shopping centres is not well distributed throughout the administrative districts of Moscow. Thus, in the east of the city an acute shortage of high-quality shopping space still exists, while the north, the west, the south and the centre of Moscow have a relatively comparable supply of high-quality shopping space. In the Central and Western Administrative Districts is located 27 percent of the total high-quality shopping centre stock, which totals to approximately 548,460m^2 (284,300m^2 is located in the Central Administrative District and 264,160m^2 – in the Western Administrative District).

Despite the fact that the MIBC 'Moscow-City' is located within the territory of the Central Administrative District, we also need to take into account the supply and demand in the western district of the city, because of the large catchment area of the project.

We assume the future growth of supply in the surrounding districts will continue the tendency to create a retail corridor along Kutuzovsky Prospect and in the neighbouring districts, a lot of large projects have entered the market or will enter the market in the near future, such as retail premises in ’Moscow-City’, Evropeisky retail centre (63,000m^2), Vremena Goda retail centre (52,000m^2), Metropolis (80,000m^2) and also a lot of small retail centres.

Below is a table with the main development projects within ‘Moscow-City’ that we consider will be competitive to the subject property in the near future.

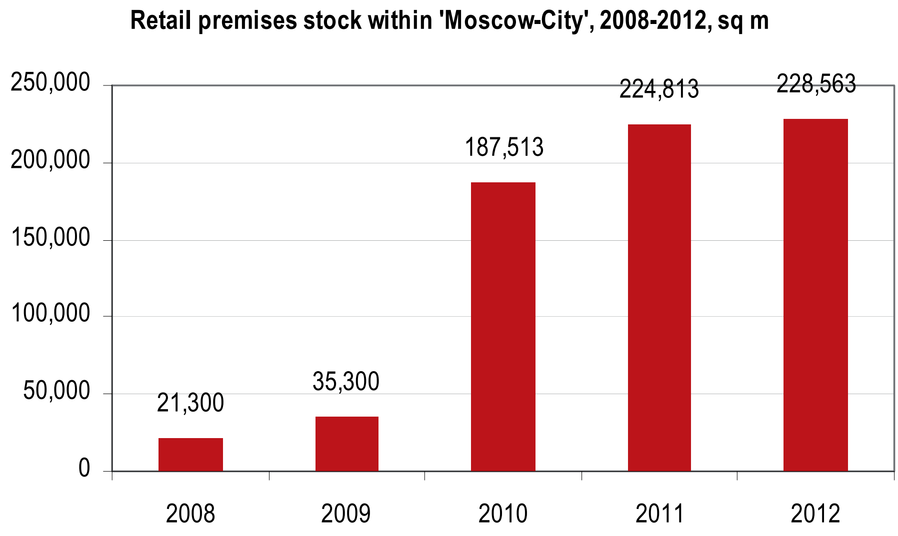
Table № 8

Retail Competition within ’Moscow-City’

Project	Retail segment, m^2	Estimated date of completion	Concept of the retail segment
Central Core (Mall of Russia)	114,213	Q1 2010	Hypermarket, cinema, strong set of anchors, large retail gallery for different classes of customers, large number of restaurants and cafes.
Federation Complex	38,000	Q4 2010	3 retail levels: galleries, shops, restaurant, cafe
Naberezhnaya Tower	10,800	Q4 2007	Support retail
Capital City I, II	24,000	Q4 2008, Q3 2009	Fitness centre, support retail, restaurants, multiplex
Eurasia Tower	27,500	Q1 2011	Support retail, supermarket, casino, restaurants
City Palace	23,000	Q3 2013	Retail gallery
Mercury City Tower	5,200	Q1 2011	Support retail
Aqua Palace and Imperia Tower	4,600	Q4 2011	Retail gallery, restaurants, cafes, night club
Moscow-City Transport Terminal	2,750	Q1 2012	Support retail
Moscow-City Government	1,000	Q4 2012	Support retail
Northern Tower	500	Q3 2008	Support retail, restaurants, fitness centre
Exposition and business complex	5,000	2014	Support retail, café, services
Part of Expocenter	50,000	2013	Concept is not confirmed

Source: Jones Lang LaSalle Research

In the case of the scheduled completion of all the announced projects, the total area of retail premises of MIBC ’Moscow-City’ will be more than 200,000m^2 by the end of 2011. We would again note however that the current financial crisis has caused many projects to be cancelled or delayed, the true extent of the delays and which projects will be completed is not clear at present.



However, the main function of the retail stock in 'Moscow-City' projects is as support retail for office premises, restaurants and cafes; the final concept and tenant's profile for most of the development projects have not been determined yet. Most of the projects including retail premises are oriented towards the internal market of 'Moscow-City', for those who work within the complex and will not therefore represent strong competition for the centre.

The Central Core shopping centre and its concept and target audience will significantly differ from its major competitors within the MIBC 'Moscow-City', as it will be the largest retail project within the MIBC 'Moscow-City' (more than 100,000m^2 area).

Retail Competition around the 'Moscow-City'

Table № 9

	Direct Competitors		Indirect Competitors
1	Evropeysky (Kievskaya sq., 2)	9	Galaktika I MFC (Michurinskiy Av. / Lobachevskogo street)
2	Lotte Plaza (Novinskiy blvd., 8)	10	Festival (Michurinskiy av., 3)
3	Vremena Goda (Kutuzovskiy av., 48)	11	Tverskaya Zastava (Tverskaya Zastava sq., 1)
4	Mirax Plaza MFC (Kutuzovskiy av., 16/Kulneva street)	12	Aviapark (Leningradskiy av., 27)
5	Smolensky Passage (Smolenskaya sq., 3)	13	Project at Ordzhonokidze (Ordzhonikidze street, 7)
6	Zvenigorodskiy (Zvenigorodskoe highway / 3rd Silikatniy pass.)	14	Metropolis (Leningradskoe highway, 16)
7	Filion (Bagrationovskiy pass., 5-6)	15	Project at Gagarina square (Gagarina sq.)
8	Park City MFC (Kutuzovskiy av., 12)	16	Arena (Tryapka) (Leningradskoe highway, 23)
		17	Zerkalo (Leninskiy av., 109)

The table below contains detailed information concerning the main retail centres and development projects outside "Moscow-City", which we consider to be competitive to the subject property.

Table № 10

Name (Address)	GBA, m2	Retail GLA, m2	Year of completion	Concept/ Anchors
Direct competitors				
1. Evropeysky (Kievskaya sq., 2)	180,000	63,000	2006	Regional centre / Perekrestok, Formula Kino
2. Lotte Plaza (Novinskiy blvd., 8)	85,000	22,700	2007	Specialty centre / Azbuka Vkusa, Mercury
3. Vremena Goda (Kutuzovskiy av., 48)	62,000	52,000	2007	Community centre / Globus Gourme, Car salon Porsche
4. Mirax Plaza MFC (Kutuzovskiy av., 16/Kulneva street)	368,000	28,000	2012	Community centre
5. Smolensky Passage (Smolenskaya sq., 3)	63,769	22,389	1998	Community centre / Mercury, World Class
6.Zvenigorodskiy (Zvenigorodskoe highway / 3rd Silikatniy pass.)	360,000	160,000	2014	Super regional centre
7. Filion (Bagrationovskiy pass., 5-6)	128,000	55,000	2009	Regional centre/ Carrefour, Detskiy Mir, Cinema star, Decathlon
8. Park City MFC (Kutuzovskiy av., 12)	300,000	55,000	2012 (FROZEN)	Community centre
Indirect competitors				
9. Galaktika I MFC (Michurinskiy Av. / Lobachevskogo street)	213,000	100,000	2015	Regional centre
10. Festival (Michurinskiy av., 3)	61,577	30,160	2005	Community centre/ Sedmoy continent, M.video, Formula Kino, Crazy Park
11. Tverskaya Zastava (Tverskaya Zastava sq., 1)	113,500	37,000	2011	Community centre / Perekrestok, Luxor cinema
12. Aviapark (Leningradskiy av., 27)	510,000	180,000	2014	Super regional centre/ Supermarket – 6,000 sq m; W&B – 8,400 sq m; Household goods – 7,800 sq m;cinema – 7,250 sq m
13.Project at Ordzhonokidze (Ordzhonikidze street, 7)	202,000	60,000	2010	Community centre / Auchan
14. Metropolis (Leningradskoe highway, 16)	325,000	80,000	2009	Super regional centre/Karusel, M.video, Snezhnaya Koroleva, Kinostar Miami, Marks&Spencer and Sportmaster
15. Project at Gagarina square (Gagarina sq.)	19,000	n/a	2012 (FROZEN)	Community centre
16. Arena (Tryapka, Golden Market) (Leningradskoe highway, 23)	22,000	15,400	2009	Community centre
17. Zerkalo (Leninskiy av., 109)	50,000	29,000	2011 (FROZEN)	Community centre

The main existing competitors for the Central Core retail centre are shopping centres “Vremena Goda” and “Evropeysky”. In future the “Smolensky Passazh” may also be considered as a strong competitor. In the secondary catchment areas the strongest existing competitors are ‘Metropolis’ and ‘Festival’, but there are also a few proposed competitors, such as ‘Aviapark’, ‘Galaktika’ and the project at Ordzhonikidze Street.

Nevertheless the location of the subject property and its good accessibility by public transport will place the centre well in terms of it’s competitors.

5.5 Office Market Overview

5.5.1 Moscow Office Market

The table below contains the main indicators that characterise the Moscow office market as at Q2 2009.

Table № 5

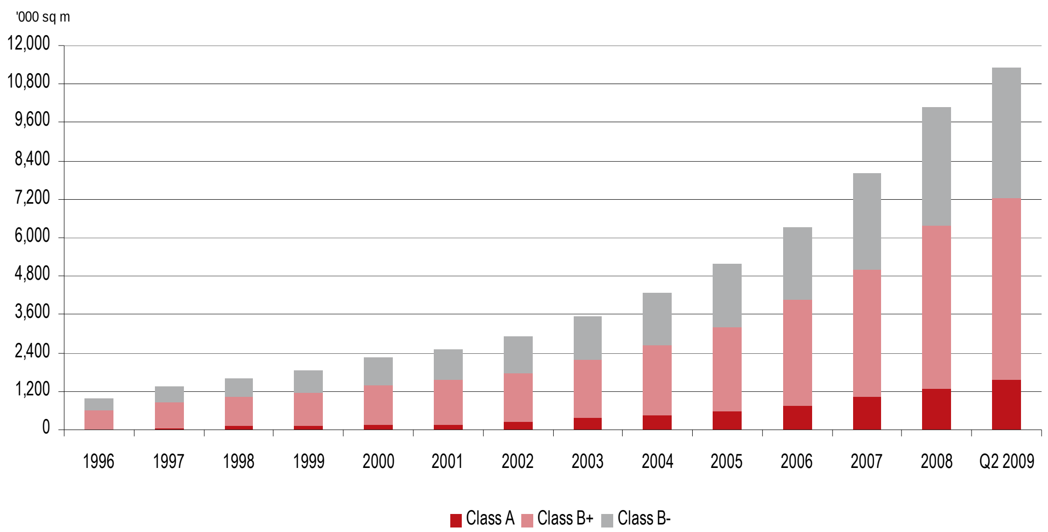
Moscow Office Market Snapshot, Q2 2009	Class A	Class B+	Class B-	Total
Modern office stock:	1,543,800	5,689,000	4,075,350	11,308,150
Completions Q2 2009:	100,600	89,550	65,150	255,300
Completions H1 2009:	246,200	636,550	357,170	1,239,920
Take-up Q2:	30,500	270,630	136,100	437,230
Take-up H1:	51,630	436,245	190,295	678,170
Availability:	347,400	1,067,600	631,100	2,046,100
Vacancy Rate:	22.5%	18.7%	15.5%	18%
Prime base rents*, (USD/m^2/year):	600-700			
Base rents, (USD/ m^2/year):	400-600	350-400	250-350	
Operating Expenses (USD/ m^2/year):	110-150	100-120	70-90	
Prime Yields:				12-13%

**These rents are applicable to high quality buildings situated within the Kremlin area and for top floor office premises in Moscow City.*
All figures in square meters unless otherwise noted.
The rents in the table above are given for the offices in shell & core.

Source: Jones Lang LaSalle

At the Q2 2009 modern office stock in Moscow reached 11.3 million m^2. However, it remains considerably smaller than in other major European capitals.

Class A, B+ and B- Office Supply Dynamics



Source: Jones Lang LaSalle

The Moscow office market is currently one of the most rapidly developing in Europe. Significant new supply will enter the market in 2009-2010. However, the ongoing financial crisis has forced developers to postpone planned projects.

It is anticipated that the financial crisis will significantly reduce office take-up in 2009 and that this will only return to 2007-2008 levels after 2011.

Modern Office Take-Up Dynamics

Source: Jones Lang LaSalle

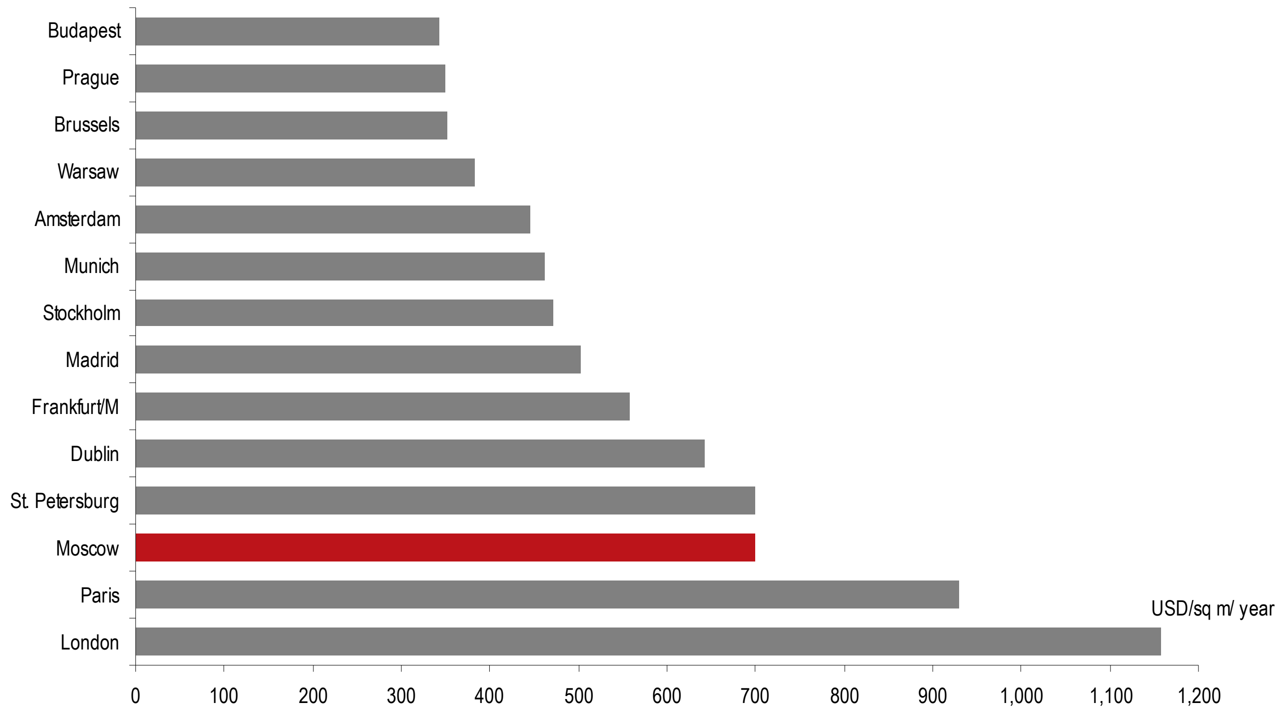
Moscow take-up in H1 2009 was 678,170 m^2, 36% of H1 2009 take-up was concentrated within the area outside the Third Ring Road. Decentralisation in office take-up follows from decentralisation of office stock. The following sub-markets accounted for the majority of H1 2009 take-up:

- South between Garden Ring and Third Ring Road (15%)
- North-West outside the Third Ring Road (11%)
- North-East inside Garden Ring (11%)

International manufacturing companies as well as Russian banking and finance companies dominated in take-up activity in H1 2009.

The significant volume of completions entering the market against weakening demand raised the vacancy rate to 18%. Vacancy rates in the majority of districts inside the Garden Ring and to the west of the city centre are below the average. This reflects higher demand for centrally located offices and premises in the west.

Office Prime Base Rents Benchmarks, Q2 2009



** Prime base rents are base rents (excluding VAT and operating expenses) for units of 1,000 m² in existing prime buildings (without fit-out).*
Source: Jones Lang LaSalle

The level of prime base rents in Moscow remains very high in comparison to most other European capitals. In Q2 2009 Moscow prime rental levels demonstrated a 30% decrease. Nevertheless, Moscow held third place after London and Paris in terms of prime rental level ($700 US/ m²/year).

Taking current market conditions into account, we consider short to medium term trends will be as follows:

- In 2009 we expect a large volume of completions, a fall in take-up, resulting in higher vacancy rates and decreasing office rents.
- New office supply will outpace demand and will drive the overall vacancy rate up to 25% by the end of 2009.
- Market stabilisation is expected in H2 2009.
- We expect net take-up to outpace the volume of completed projects only in Q3 2010.
- We consider that rent rates are sensitive to changes of the vacancy rate share, and not to its level. Thus, the decrease in vacancy rate will stimulate rental growth after Q3 2010.

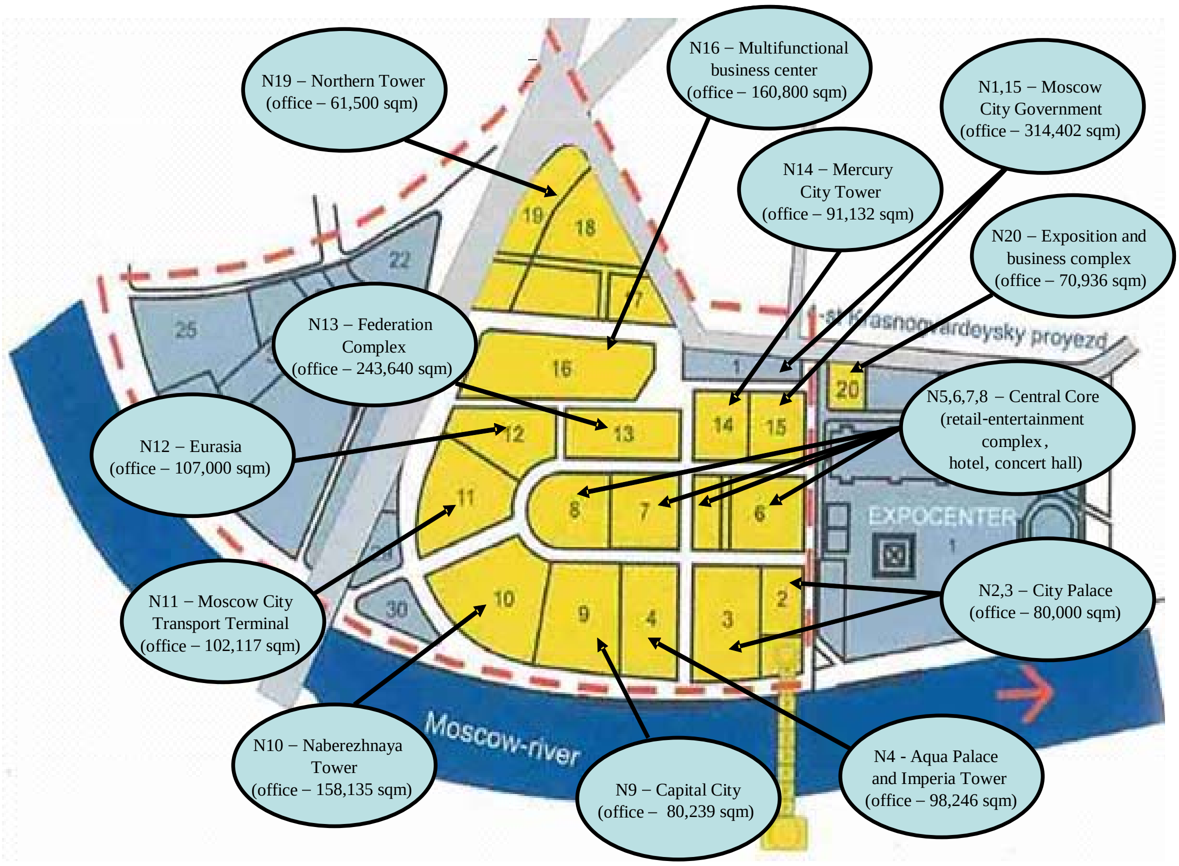
5.5.2 Local Office Market

<u>Supply</u>

The major competition for the subject property will come from other office projects within 'Moscow-City' as well as the business centres located in the most prestigious parts of Moscow.

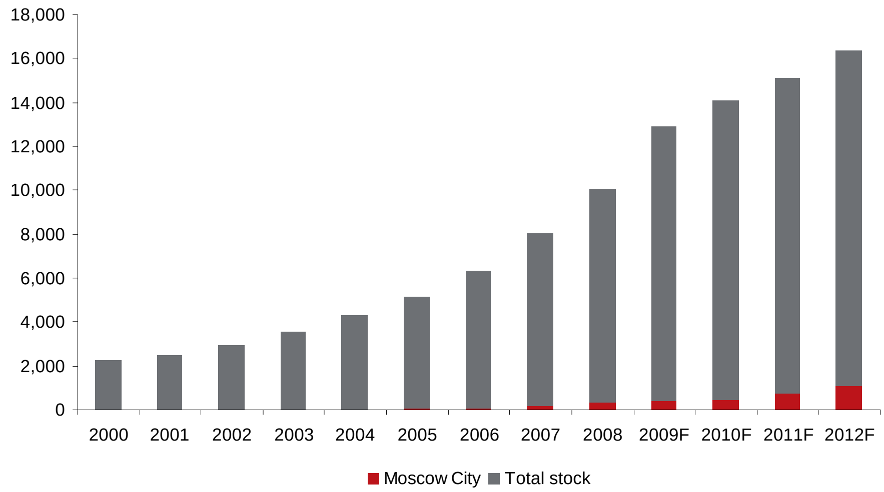
The majority of 'Moscow-City' projects are scheduled to be delivered to the market by 2012. According to our data, the total office stock of 'Moscow-City' projects may reach about 1.0 million m² by 2012 (if all the projects are delivered to the market within the announced schedules). As we have stated elsewhere in this report, the current crisis has caused many projects to be cancelled or delayed and therefore the true extent of the future competiton is unclear, it is however the case that a number of projects will be completed and vacancy rates are rising which will create substantial competition.

Below, the map of 'Moscow-City' projects and the quantity of offices in them is presented:



According to Jones Lang LaSalle research, the proportion of Moscow's Class A office stock situated within 'Moscow-City' is expected to increase from 3.9 percent in 2004 to approximately 20.8 percent in 2011.

Share of "Moscow-City" office premises within the total stock



Source: Jones Lang LaSalle Research

The peculiarity of 'Moscow-City' is the predominance of high-rise buildings. General information about the main 'Moscow-City' projects and their marketing data is stated below in the section 'Rental value and tenant demand'. However, it should be noted that some of the projects are at the very early stage of planning, so their development concept and areas may change significantly, this is exacerbated by the current uncertainty in the market.

Appendix III to this Report includes a brief description of the main projects of 'Moscow-City'. Taking into account the development schedule of Moscow-City projects that is available to us, we have concluded that the major stock is supposed to be delivered by 2012 and includes such projects as Naberezhnaya Tower III, Northern Tower, Capital City, Moscow-City Transport Terminal, Eurasia, Central Core, Federation Tower and other projects. However, considering the current market situation, construction may be delayed.

The projects that are being actively marketed and offered for lease as at the valuation date include Naberezhnaya Tower III, Federation Tower, Capital City and Mercury Tower.

Demand

The current tenants in the completed Moscow-City projects include reputable Russian and International companies from banking & finance, information, manufacturing, business services and telecommunications. Over the recent past there was a significant lack of good quality office space and therefore many offices were leased at the construction stage and rents were consistently rising. The largest office deal that is known to us is the purchase of about 64,000m^2 by Vneshtorgbank in the Federation Tower building. Other large-size deals include KPMG (20,000m^2), Renaissance Capital (14,000 m^2), IBM (9,500 m^2), and some pre-lets over 10,000m^2.

The situation changed significantly in the last quarter of 2008 due to the financial crisis, and now the Moscow office market may be considered as a tenant's market, where the tenants are able to dictate their requirements to the owners of the properties. In addition, the majority of signed lease agreements are now being renegotiated, which often results in a rent decrease. The average vacancy rate for Class A Moscow offices reached 22.5 percent in Q2 2009. For example, VTB has delayed its move to Federation Tower from the beginning of 2009 as was planned initially, to 2010, in order to reduce the costs associated with this move. The same decision was then made by the Moscow municipal Duma, but the reason there is the delay in the construction of their tower.

Based on the experience of Jones Lang LaSalle Strategic Consulting Department, the following important factors need to be taken into account.

'Moscow-City' is considered by Russian companies as a quality business destination for the future, but currently it has the image of an everlasting construction site and is therefore not perceived as a high-quality business destination. Construction activity will continue at the 'Moscow-City' Project for many years to come. The attitude of international companies toward 'Moscow-City' in general is very positive and it is perceived as a high quality business district for the future too.

The transport accessibility and car parking shortage of 'Moscow-City' is a big concern for both Russian and International companies.

As there is now more large scale, quality office space available on the market, tenants have a greater choice and can be more demanding with their requirements and base their decision on the quality offered. In particular, the following characteristic are important and impact the tenants' office choice (in particular, the choice of international companies):

- Location. Overall companies (mainly international) would prefer to stay within or in the vicinity of the Garden Ring. The major locations currently considered are Paveletskaya, Tverskaya and Belorusskaya. However some consider Moscow-City as a possible future office destination for their companies.
- Public transport accessibility (maximum 10 minutes walking distance to the Metro) This is a major priority, followed by car accessibility. Convenience of accessibility (i.e. access to several Metro lines and good connections) is a key decision factor which a number of companies have conducted employee surveys to identify the location with the shortest commute for the majority of employees. Capacity of parking spaces is of less importance to some companies, as they offer parking spots only to Senior Management / Executives. Parking provisions client/ guest are considered more important.
- Amenities. All international companies place strong importance on the availability of amenities such as restaurants, shops, gym, café - either located in the same building or within a short walking distance. The convenience of the workplace represents a key issue for international companies in order to maintain a high level of staff retention.
- Service - need for an international quality management company for the building.
- Layout - Preferred floor-plate sizes should be as big as possible, in the range of 2,000 – 2,500m^2, but ideally no smaller than 2,000m^2. Currently this requirement is being modified as many companies are pursuing a cost-cutting policy, reducing their staff and the areas leased.
- Building specifications:
  - Requirement for net floor height of most companies ranges between a minimum of 2.75m to 3.00m.
  - Most companies require a separate lift for delivery as well as separate receptions for delivery and clients/ visitors in order to avoid interference of visitors/ clients with daily delivery flows.
  - Provisions for raised floors should be prepared in order to avoid tenants having to build small ramps at all intersections with other floor-heights.
  - High-level security

5.6 Rental Evidence and Considerations

5.6.1 Retail Accommodation

Rental rates for high-quality shopping centres vary, depending on their location, quality and concept design.

The Central Core retail centre is located at the intersection of the Central and Western administrative districts within the territory of MIBC 'Moscow-City'. In the Central and Western administrative districts 27 percent of the total high-quality shopping centre stock (approximately 550,000m^2) is concentrated. The location of the subject property has a high development potential and will cover a large catchment area.

We assume that it will be a super-regional retail centre, which will provide customers with a broad variety of goods, clothing, furniture, household goods and various types of services, as well as leisure and entertainment facilities. It will offer services that are typical for business districts but will provide a smaller range of services than a super community centre. The catchment area for the Central Core retail centre includes all areas within a distance of 30-40 minutes by transport; the expected number of visitors is over 160,000 a day.

Future competition for the Central Core retail centre within the "Moscow-City" will not be significant as the majority of the premises in the surrounding buildings will be used as offices. Moreover, neighbouring business centres will provide additional consumers to the proposed shopping centre from their employees. A strong but secondary competitor will be "Tverskaya Zastava" shopping centre. The main existing competitors for the Central Core retail centre are retail centres "Smolensky Passage", "Evropeysky" and "Metropolis".

Below we show a brief description of the comparable projects in Moscow in terms of quality and the level of rental rates.

Table № 12

Picture	Description
 	**Europeysky** Location: Kievskaya Sq., 2 Developer: "Kievskaya Ploschad" CJSC Opening: November 2006 *Concept details*: Regional scale retail centre • GBA: ~ 180,000 m^2 • GLA: ~ 63,000 m^2 (retail) • Parking – 2,500 parking spaces on 5th-6th floors One of the highest-quality shopping centres in the central part of Moscow providing a large selection of fashion and shoes to middle class customers. *Tenants*: Anchors: Perekrestok, "Europa Cinema" (Formula Kino), Royal Rixos SPA Brands: Zara, Marks & Spencer, Mexx, Mango, Promod, Yudashkin Jeans, Chevignon, Garne, Orsay, Monton, Olsen, Catherina Leman, Oltre, Bershka, Tatoom, Motivi, Massimo Sela, Oasis, Monsoon, Pilgrim, Zimaletto, Karen Millen, Tara Jarmon, Lauren Vidal, Next, Naf Naf, Marella, Guess, Calvin Klein Jeans, Levi's, Benetton, Ego, 4YOU, Savage, FINN Flare, Colins, Lady & Gentleman City, Meucci, Egoist, Dormeuil, Tommi Hilfiger, Lacoste, Marc O'Polo, Ecco, Alba, Fabi, Chester, Geox, Baldinini, Adidas, Nike, Reabok, Puma, Camel Active and other Entertainment: Cinema, Ice Rink, Food Court, FEC *Rental Details*: • base retail rent rate: $300 – $6,000 per m^2 per year, (average $3,000) • service charges (OPEX): n/a

Picture	Description


Atrium
Location: Zemlyanoy Val, 33
Developer: Engeocom
Opening: May 2002
Concept details: Regional scale retail centre, target - middle class

- GBA: ~ 94,300 m^2 (retail)
- GLA: ~ 75,300 m^2 (retail)
- Parking (underground) – 700 spaces

One of the best shopping centres in the central part of Moscow providing large variety of entertainment and big selection of fashion shops to middle class customers.
Tenants:
Anchors: Seventh Continent, Formula Kino
Brands: Gentlemen, Mango, Adidas, Reebok, Nike, Mexx, Fabi, Ecco, Promod, TJ Collection, Diesel, Motivi, Guess, Karen Millen, Caterina Leman, Olsen, MoDaMo, Men`s Merit, Paul & Shark, Kotton, WoolStreet, Betty Barclay, Rich and other
Entertainment: Cinema, Bowling, Playing machines, Casino, FEC
Rental Details:

- base retail rent rate: average ~ \$1,000-\$5,000 / m^2 p.a. (average \$1,950)
- service charges (OPEX): ~ \$150-180 / m^2 p.a.


Lotte Plaza
Location: Novy Arbat, 21
Developer: Lotte Group
Opening: September 2007
Concept details: District scale retail centre, upper income level

- GBA: ~ 23,130 m^2 (retail)
- GLA: ~ 18,130 m^2 (retail)
- Parking (underground) – 450 spaces

Tenants:
Anchors: Supermarket „Azbuka Vkusa", Mercury (Prada, YSL, Gucci, D&G, Jimmy Choo, Miu Miu, Mulberry, Balenciaga, Chloe, Baccara), Crocus International (Emanuel Ungaro, Nina Ricci, Sergio Rossi, Plein Sud, Paul Ka, Les Copains, J Lo)
Brands: Zara, Armani, Dunhill, Vertu, Bally, PINKO (Wunderkind), Calvin Klein, Diesel full-line, UOMO Collezione, Cerruti Jeans, Murphy & Nye, Givenchy, Valentino, Anna Molinari, Jenny London, Jitrois, Patric Cox, Lacoste, Apple, Samsung, LG and other
Entertainment: Cafes
Rental Details:

- base retail rent rate: \$1,000-\$5,000 / m^2 p.a. (average \$1,700 / m^2 p.a.)
- service charges (OPEX): n/a


Smolensky Passage
Location: Smolenskaya square, 3
Developer: BIN PFK
Concept details: Regional scale retail centre,

- GBA: ~ 63,770 m^2 (including offices and parking)
- GLA: ~ 22,389 m^2 (retail)
- Parking (underground) – 450 spaces (both for retail and offices)

Tenants:
Anchors: Mercury (Dolche & Gabbana, Christian Dior, Nina Ricci, Gianfranko Ferre, Giorgio Armani, Millesia, Roberto Cavalli, Hugo Boss, Patek Philippe, Bvlgari, Fendi, Swarovski), World Class Fitness
Brands: Ecco, Dolche Vitta, Davidoff, Fashion Week, Sakura Garden, MANIA, ALBA, Yves Delorme, Good Look, Christ
Entertainment: Food-court, cafes
Rental Details:

- base retail rent rate: average ~ \$1,260 / m^2 p.a.
- service charges (OPEX): incl. in a base rent

Picture	Description
	**Bagration Bridge** Location: connects Kutuzovsky Av. with Moscow-City Developer: 'Moscow City' JSC Opening: 1997 *Concept details*: Neighbourhood scale shopping centre, • GBA: 13,750 m^2 • GLA: 2,572 m^2 *Tenants*: Anchors: Kreyzi Ball ***Rental Details*:** base retail rent rate from \$525 / m^2 p.a. (average - \$1,100 /m^2 p.a.)
 	**Metropolis** Location: Leningradskoe Highway, 16 Developer: Engeocom Delivery: Q1 2009 *Concept details*: Super regional scale retail centre, target - middle class • GBA: ~ 205,298 m^2 (including offices and parking) • GLA: ~ 79,400 m^2 • Parking (underground) – 1,410 spaces One of the most competitive super-regional retail centres in the decentralised part of Moscow. Strong concept and tenant mix. Anchor stores occupy about 55% of the total GLA. *Tenants*: Anchors: Perekrestok, Stockman, Snow Queen, M-Video, Peek&Cloppenburg, Debenhams, Marks&Spencer, Esprit, NewYorker, Detsky Mir, Champion Bowling, Kinostar Deluxe. Brands: About 250 retail shops of different brands including about 150 of fashion brands. Entertainment: Cinema, Bowling, FEC, food-court ***Rental Details*:** • base retail rent rate: retail gallery \$325-3,600 /m^2 p.a. (average \$1,500 /m^2 p.a.), anchors - \$170-500 /m^2 p.a. (average \$300 /m^2 p.a.). • service charges (OPEX): ~ \$210 / m^2 p.a. for retail gallery
 	**Kaluzhsky** Location: Profsoyuznaya str., 61A Developer: Z-Build Delivery: Q4 2003 *Concept details*: shopping centre • GBA: ~ 29,000 m^2 • GLA: ~ 18,100 m^2 • Multi-level parking – 800 spaces *Tenants*: Anchors: Perekrestok, Eldorado, Cinema-Park Brands: L'Etoile, Gerry Weber, Betty Berclay, Louis Feraud, Rosch, DIM, Steilmann, Olsen, VASSA, ECCO, Zara, Marks&Spencer, C&A, Sportmaster Entertainment: Cinema, game zone, food-court ***Rental Details*:** • base retail rent rate: \$470-2,500 / m2 p.a. • service charges (OPEX): ~ \$140 / m^2 p.a.

The retail accommodations in other Moscow-City projects comprise almost only support retail premises together with some branded shops. In terms of scale and concept they will not be significant competitors to the subject property.

The retail prospects of the subject property is estimated higher than such projects as Metropolis, Atrium and Vremena Goda. Bagrationovsky Most passage is also less attractive for tenants because of the small size and almost only short-stop sales.

Information regarding rental rates in the competing projects is not widely available in the market. Based on the experience of Jones Lang LaSalle Retail Agency team, using the limited public information about rent rates in the comparable shopping centres and the information about signed BTS and negotiations with prospective tenants, we have made the following assumptions on the rental value of the retail premises located in the subject property.

Table № 13

Type of tenant	GLA, m^2[7]	Base rent, $\$/m^2$ p.a.	Potential Gross Income (Rental Value), $
Retail Centre			
Level 0 (124.6)			
Anchor stores (Sport, Perfumery, Fashion)	10,204	800	8,162,800
Mini-anchors	4,433	1,200	5,319,120
Boutique shops	13,839	2,100	29,061,060
Cafes	740	1,900	1,405,050
Kiosks	115	2,500	288,500
Sub-Total, level 124.6	**29,330**	**1,508**	**44,236,530**
Level 1 (129.7)			
Supermarket	2,496	800	1,996,880
Anchor stores (Fashion)	10,292	500	5,145,950
Mini-anchors	2,292	1,200	2,750,160
Boutique shops	8,155	2,200	17,940,340
Cafes	949	1,800	1,708,560
Kiosks	173	3,000	520,200
Sub-Total, level 129.7	**24,357**	**1,234**	**30,062,090**
Level 2 (136.3)			
Department Store (1st level)	2,303	400	921,120
Anchor stores (Fashion)	5,751	700	4,025,770
Mini-anchors	3,241	800	2,592,880
Boutique shops	8,891	2,000	17,782,800
Cafes	266	1,800	479,340
Kiosks	81	2,500	201,750
Sub-Total, level 136.3	**20,533**	**1,266**	**26,003,660**
Level 3 (142.45)			
Department Store (2nd level)	2,267	400	906,680
Anchor stores (Kids, Household, Entertainment)	5,674	400	2,269,520
Mini-anchors	1,475	500	737,550
Boutique shops	4,612	1,200	5,534,520
Food-court, cafes	1,442	1,800	2,595,600
Kiosks	89	2,000	177,200
Sub-Total, level 142.45	**15,558**	**786**	**12,221,070**
Level 4 (148.6)			
Department Store (3rd level)	2,217	400	886,720
Anchor stores (Multimedia, Books)	1,956	400	782,320
Cinema	7,144	300	2,143,110
Boutique shops	462	1,000	462,100
Cafes, restaurants	5,820	1,500	8,730,300
Kiosks	68	2,000	136,400
Sub-Total, level 148.6	**17,667**	**744**	**13,140,950**

[7] The source: Floor Plans and Areas Schedule by Colliers International as at 27.06.2008

Type of tenant	GLA, m2[7]	Base rent, $/m² p.a.	Potential Gross Income (Rental Value), $
Level 5 (154.75)			
Winter garden area	3,765	200	752,920
Management company office	372	600	223,140
Offices	2,631	600	1,578,600
Sub-Total, level 154.75	**6,768**	**377**	**2,554,660**
Total	**114,213**	**1,123**	**128,218,960**

According to existing market practice, property owners collect additional payments from the tenants to cover operating expenses. The average level of the service charge (compensation for the operational expenses from the tenants) is in the range $150-180/m² per annum. Taking into account the higher requirements of the building characteristics and fit-out, as well as the more complicated external utilities and management of the overall complex, we expect that for the subject property the services charges will be $180-$210 per m² in the current market conditions.

In calculating effective gross income, we have deducted a stabilised average vacancy loss of 1.5 percent for the retail accommodation. We assume that the majority of lease agreements will be concluded before the opening date, however an additional period of time may be required for the stabilisation of cash flows and achievement of the stabilised vacancy rate. This period is taken into account in our calculations as letting and holding periods, which are assumed to total nine months.

5.6.2 Office Accommodation

The predominant offer in 'Moscow-City' is office premises in multi-storey towers. The usual tenants for such offices are large consulting companies, financial institutions, banks, and corporations. Information regarding rental rates for office space and car parking is presented in the table below.

Table № 14

Picture	Description
	**Naberezhnaya Tower** Site No.10 Developer – ENKA *Concept details* • Offices – 158,135m² GLA • Typical floor plate approx. 1,200m² (phases 1 and 2) • Retail premises – 10,800m² • Parking – 861 spaces *Project status*: construction completed • Phases 1and 2 – 100% leased; • Phase 3 – some LOI are signed *Rental details* • Current asking office base rent: $620 – $940; sublease (820 euro all incl.) / m² p.a. • OPEX ~ 90 euro / m² p.a. + utilities • Car parking rent, per space per month: o underground - $300 o surface - $250. Commercial loss factor: 7-12% (depending on the phase and leased area) Tenants include – IBM, Citibank, Procter&Gamble, Eli Lilly Vostok

Picture	Description

Capital City
Site No.9
Developer – Capital Group (Capital Group LLC)
Concept details
- Offices – 80,239m^2 GLA
- Apartments – 102,000m^2
- Retail premises – 10,000m^2
- Parking – 2,110 spaces (1,230 spaces are supposed to be allocated for offices)

Phasing
- Phase 1 – Q4 2008 (29,786m^2 office premises)
- Phase 2 – Q3 2009 (50,708m^2 office premises)

Project status: active construction of Phase 2, Phase 1 is completed

Rental details
- Asking office base rent: $750 / m^2 p.a.
- OPEX ~ €90(sublease - $130) / m^2 p.a. + utilities
- Car parking rent (underground): €300

Commercial loss factor: 10%
Office Sales details
- Asking price: $10,500- 14,000 / m^2 (VAT incl.)

Northern Tower
Site No.19
Developer – ENKA (ZAO “Severnaya Bashnya”)
Concept details
- Offices – 61,488m^2 GLA
- Conference hall with 200 places
- Retail premises – 500m^2
- Parking – 688 spaces

Phasing
- Phase 1 – Q3 2007 (48,488m^2 GLA office premises)
- Phase 2 – Q4 2007 (13,000m^2 GLA office premises)

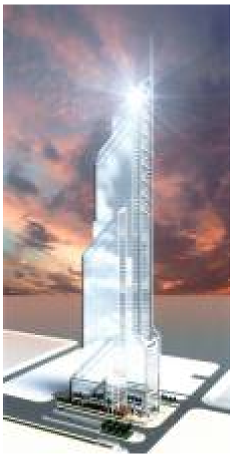
Project status: Completed
Rental details
- Asking office base rate: $600-800(bld.A), $650 (bld.B), $650(Ph. II) / m^2 p.a.
- OPEX ~ $120 / m^2 p.a. + utilities
- Car parking rent: $350 (bld. A) $450 (bld. B), $400 (Ph. II) per space per month.

Federation Tower
Site No.13
Developer – Mirax
Total Gross area – 449,848m^2
Concept details
- Offices – 243,640m^2 GBA
- Retail – 25,975m^2 GBA
- Hotel – 71,197m^2 GBA
- Apartments – 77,862m^2 GBA
- Other (technical and steeple) - 31,175m^2 GBA
- Parking – 74 spaces (increasing to 4,352 spaces).

Phasing
- Phase 1 (Tower B ‘Zapad‘, office space ~ 80,000m^2) – Q1 2008
- Phase 2 (Tower A ’Vostok‘, office space ~ 101,000m^2) – Q4 2010

Project status: Phase 1 is completed, phase 2 is under construction.

Office Rental details
- Asking office base rate in Tower B: $650 - $850 / m^2 p.a.
- OPEX ~ $120 / m^2 p.a. + utilities

Picture	Description
	• Car parking rent: $500 per space per month. • Hotel operator – Grand Hyatt *Office Sales details* • Asking price: $13,500-14,000 / m^2 (VAT incl.)
	**Mercury City Tower** Site No.14 Developer – Mercury Development Total Gross area – 158,528m^2 *Concept details* • Offices – 71,245m^2 GLA • Retail – 4,000 m^2 GLA • Apartments – 23,300 m^2 GBA • Parking – 444 spaces. *Project status*: actively under construction, scheduled for delivery in Q1 2011. *Office Rental details* • Asking office base rate: $600 - $750 / m^2 p.a. • Asking price: $8,000 - $12,000 / m^2 (VAT incl.)

While estimating the market level of the base rent for the office premises in the subject property we should take into account the specific character of the proposed offices compared to other 'Moscow-City' projects. The office premises within the subject development, taking into account the size and height of the location in comparison with towers, are more attractive for smaller tenants.

According to the analytical research prepared by Jones Lang LaSalle specialists, base rents for class "A" offices amount to $500-800 per m^2 per annum in Q2 2009. However, taking into account the level of vacancy rates within 'Moscow-City' and the fact that the current market situation forces owners to provide various discounts to the tenants and decrease the rental rates, in our estimations we preferred not to base our assumptions on the asking rents, which may be obtained from the public sources. Thus, we relied mostly on the results of our internal research and on the experience of the brokers from Jones Lang LaSalle Office Agency Department who actively participate in transactions on leasing of comparable assets.

Therefore, within the valuation we have applied the following rental rates for the office accommodation.

Table № 15

Type of tenant / Premises	GLA, m^2	Base rent, \$/m^2 p.a.	Potential Gross Income (Rental Value), $
Offices	3,003.0	600	1,801,740

The average level of the service charge for office premises in 'Moscow-City' towers (compensation of the operational expenses from the tenants) is in the range $120-140/m^2 per annum (for Moscow as a whole this figure varies from $110 to $150 per m^2 per annum).

Upon the market stabilising and with the appearance of a number of quality projects, we expect that the operational expenses and utilities will be compensated by the tenants on the basis of "open book" practice in common with more established markets, but the property tax and land payments will fall on the landlord.

In calculating the effective gross income, we have deducted a stabilised average vacancy loss of 1.5 percent for office accommodation. We based this on the assumption that the majority of lease agreements will be concluded before the opening date, however an additional period of time may be required for the stabilisation of cash flows and achievement of the stabilised vacancy rate. This period is taken into account in our calculations as letting and holding periods, which are assumed to total nine months.

5.7 Saleability

A more comprehensive commentary on the investment market in Russia and particularly Moscow, is contained within the main body of this report.

The subject property will be a Regional Development Shopping Centre located in the MIBC 'Moscow-City'. It has a number of characteristics that will make it particularly attractive to certain investors. The most appealing of these would be its location in a new business district in Moscow comparable to the likes of Canary Wharf in London or La Defense in Paris. Currently there are no other comparable districts in Moscow in terms of central location, opportunities for large development, critical mass, central planning of territory development, and support from the authorities. The number of daily visitors to 'Moscow-City' will be 162,000 persons with an upper-middle income level. In the longer term, the population of the catchment areas for the project will grow significantly upon completion of the residential elements within the 'Big City'.

The yields for prime shopping centres in Moscow are estimated at 12-13%. The scale of the development and the current volume of transactions significantly restrict the number of prospective buyers and the saleability of the property as a whole. The saleability of the property is significantly enhanced by disposal through the offering of shares in the SPV to a number of institutional investors. Taking into account the size of the Property, its quality and location we assume the yield on ERV of 12%.

It should be also taken into account that as of the date of valuation there has been a limited number of transactions on the market. Many buyers are seeking to purchase assets maximising the opportunities offered by temporary problems with financing of some developers and so they are targeting on distressed yields and prices. The owners who are not experiencing problems with financing are unwilling to sell properties at distressed prices.

Our valuation assumes normal conditions for a possible transaction and does not take into account the factors of a forced sale. We should mention that the property has a limited saleability as of the date of valuation and the marketing period (exposure time) is much longer in comparison with summer 2008.

6 Valuation Commentary

6.1 Estimation of the Market Value

In arriving at our opinion of Market Value we have adopted the residual method of valuation. The residual valuation approach involves the calculation of the value of the property upon completion of the development, through the capitalisation of an anticipated rental income at a chosen yield, from which all costs required to develop the property are deducted, including an allowance, where appropriate, for a profit payment to the developer. This approach is particularly suitable for properties which are in the course of construction.

The value of the property assuming completion at the valuation date is assessed, known as the Gross Development Value or GDV, as opposed to a projected future value as derived in a DCF. Rental values and capitalisation rates are drawn from our research of the market and agents, together with our experience and any existing agreements the developer has in place. The outstanding costs to realise the development of the property, allowing for an element of developer's profit where appropriate, are deducted from the GDV. These costs are derived from both the client's estimates, where available and also our opinion based on our experience of market practice and previous valuations. The timing of the different development stages is also reflected in this method in terms of the cost of financing the development, as is any income received upon completion prior to sale, during what is often referred to as a holding period to allow for stabilisation the rental income. Once these deductions have been made the remaining sum represents the Market Value of the site.

In adopting this method we have employed the use of the 'Circle Visual Developer' valuation software and, therefore, it is often referred to as the 'Circle' method.

We set out below a summary of the main inputs that form part of our valuation.

6.1.1 Gross Development Value (GDV)

The GDV of the property reflects our opinion of its value upon completion, on the basis that it has been completed as at the date of valuation. In arriving at our opinion of GDV for the subject property, we have capitalised our opinion of net operating income (NOI) of the commercial element of the property, having adopted the rental rates set out earlier within this report. The gross base rent, which includes an operating expense contribution from the tenant(s), has been netted down to reflect any non-recoverable expenses assumed to be incurred by the owner of the property to establish the NOI.

Current market practice is for the majority of costs associated with the occupation of modern quality business and retail centres to be recovered, with the exception of the property tax and land payments, which are the responsibility of the owner. Normal practice is also for owners to assign third party professionals to secure tenants, negotiate lease terms, as well as to ensure further operation and property management of the property.

We set out below the basis of our assumptions in respect of these significant operating expenses:

Property tax – this is based upon a rate of 2.2 percent of the subject property's book value. In forecasted time periods the annual tax base decreases as the accrued depreciation is subtracted from the property's book value. We assess the book value according to the information provided by the client on the amount of investments already made and investments which are to be made during the forecasted period (excluding costs of land, marketing expenses and developer's profit). The initial book value was then adjusted, considering the depreciation calculated from a 30 year effective life period for the planned real estate complex. The approximate annual sum of the property tax amounts to $7,888,557.

Land payments – considering the fact that the client has a leasehold interest in the valued land plot, land payments are represented by the land rent.

According to the current short-term Land lease agreement, the land rent for the site for 2009 amounts to RUB 23,722,706 or $758,146 (according to the rate of exchange effective as at the date of valuation).

In accordance with the Moscow Government Decree dated 25 April 2006 No.273-ПП, the land rent is calculated as a percentage of the site's cadastral value.

All the above mentioned land plots are located in cadastral block No. 77:01:04042. The Cadastral value for the land plots used for the retail purposes in this block, in accordance with the Moscow Government decree No.1046-ПП dated 04 December 2007, is RUB 56,832.99 per m^2.

According to the Moscow Government decree No. 1010-ПП dated 28 October 2008, land rent for the site under retail premises accounts for 1.5 percent of its cadastral value.

Therefore, after completion of construction and the conclusion of the long-term Land lease agreement, we expect annual land rent to be $1,062,920.

Within the calculation of the market value we have adopted a rent free period of one month for retail and office premises which allows a void period for achieving the stabilised vacancy rate and for losses during that period.

As the investor will obtain a 75 percent share in the premises of the proposed shopping centre, our GDV calculation is based on this assumption and takes into account areas that will be held by the investor upon the construction commencement (75 percent of the GLA, which corresponds to 85,660m^2).

We set out below a summary of the operating expense deductions we have made in arriving at the NOI figure, which forms the basis of our valuation.

Table № 16

Accommodation	Size, m^2	Rent Rate, $/m^2	Gross base rent, $ p.a.	Vacancy, %	Owner's expenses, $ p.a.	Net valuation rent (NOI), $ p.a.
Retail & offices (average)	85,660.00	1,123	96,164,220	1.5%	6,713,608	88,008,149
Concert Hall						**0**
Total	**85,660.00**					**88,008,149**

We have capitalised our opinions of NOI in respect of the commercial accommodation at the yields set out in the table below.

Table № 17

Accommodation	Size, m^2	Net Operational Income, $ p.a.	Yield, %	GDV, $
Retail (average)	85,660.00	88,008,149	12.00%	733,401,239
Concert Hall		**0**		**0**
Total	**85,660.00**	**88,008,149**		**733,401,239**

We have also taken into account income that would be received from tenants until the sale of the property. The total amount of income from tenants would be $66,006,112.

The net realisation (income from the property to the client) is equal to **$799,407,351.**

6.1.2 Construction Costs

Set out below is a summary of the construction costs incorporated into our valuation, showing the initial budgeted costs, those incurred and those outstanding. These figures are based on the information provided to us by the client but we have also taken into account our own enquiries in this regard.

We should also mention that, according to the Investment Contract, the investor should finance 100 percent of the costs incurred in construction of the shopping centre, as well as costs of construction of a multifunctional concert hall at a minimum cost of $20 million. The budgets below take into account these requirements.

Table № 18

Type of works	Construction Budget, '000 $	Actually Spent, '000 $	Outstanding Cost, '000 $
Retail Centre GBA, m^2	179,423		net of VAT
Rights	70,168	70,168	0
Design	23,759	14,350	9,410
Construction	308,011	186,180	121,831
Utilities	35	0	35
Marketing	3,080	1,464	1,616
Project management	17,674	12,718	4,956
Contingencies	10,577	6,441	4,135
TOTAL	**433,304**	**291,321**	**141,983**
Concert Hall GBA, m^2	21,744		net of VAT
Construction	20,000	4,020	15,980
TOTAL	**20,000**	**4,313**	**15,687**

It should be noted that in estimating construction costs we have made the following general assumptions:

- Direct costs: construction and utilities costs – based on the data provided by the client, costs are assumed as fixed and fully contracted;
- Design and project management – based on the data provided by the client;
- Contingencies – 3 percent of the direct costs;
- All areas are provided in the Shell & Core condition;
- Construction costs exclude VAT.

6.1.3 Development Period

We set out below the timing assumptions of the various stages of construction, which we have adopted within our residual valuation:

Table № 19

Development Timing Assumptions		
Construction period	6	months
Letting period	2	months
Holding Period from Lease Starting to sale	7	months
Total Development Period from Day One to Sale	15	months

6.1.4 Agents' Fees

With regard to letting fees for the commercial space, we have assumed agents' fees equating to 3 percent of rental value.

We have also applied a sum of $3,080,111 for the marketing based on the assumption that the marketing expenses amount to 1 percent of the construction costs. According to the information provided by the Client, $ 1,464,150 has already been spent as at the date of valuation.

6.1.5 Finance

We have assumed a cost of finance of 14.0 percent. The rate applied for the reinvestment of the temporarily available cash is assumed to be 14.0 percent.

7 Valuation

7.1 Market Value

We are of the opinion that the Market Value of the subject property, as at 30 June, 2009, equates to:

$510,000,000

(Five Hundred and Ten Million US Dollars)

7.2 Realisation Costs

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

7.3 Exchange Rates

We have indicated the Market Values of the subject properties in the attached valuation schedule in US Dollars. In arriving at our opinions of value we have adopted the exchange rate of the $ (USD) against the Russian Rouble (RUB) of 1 USD = 34.2904 RUB.

7.4 Confidentiality and Publication

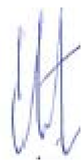
This report has been prepared for and only for AFI Development PLC for the purposes of assisting AFI Development PLC to value the property located at the following address: Sites 6, 7, 8b, MIBC 'Moscow City', Moscow, Russia as at 30 June 2009 for the purposes of AFI Development PLC accounts and specifically for the purpose of implementing Accounting Standard No.15 of the Institute of Certified Public Accountants of Israel and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility or liability in respect of the whole or any part of the report [or valuation] for any other purpose or to any other person or entity to whom the report or valuation is shown or disclosed or into whose hands it may come, whether published with our consent or otherwise, except where expressly agreed by our prior consent in writing.

Yours faithfully

Robert C Mayhew BSc (Hons), MRICS

European Director

For and on behalf of Jones Lang LaSalle



Sergey Belov MS, MRICS

National Director

Appendix I

Calculations

Jones Lang LaSalle Ltd

Development Appraisal

Mall of Russia

Shopping Centre

Moscow City Central Core
Moscow
Russia

Report Date: 10 August 2009

Mall of Russia
Shopping Centre

REVENUE

	m²	Rate m²	Gross MRV	Adjustment	Net Income
Shopping Centre	85,660.00	$1,122.63	96,164,220	(8,156,071)	88,008,149
					88,008,149

Investment Valuation					
Shopping Centre					
Current Rent	88,008,149	YP @	12.0000%	8.3333	733,401,239
					733,401,239
Income from Tenants				66,006,112	
NET REALISATION					**799,407,351**

OUTLAY

ACQUISITION COSTS					
Residualised Price (4.37 Ha $116,711,256.69 pHect)				510,028,192	
				510,028,192	
CONSTRUCTION COSTS					
Construction		**m²**	**Rate m²**	**Cost**	
Shopping Centre	179,423.00	$679.01	121,830,699		
Concert Hall	21,744.00	$734.90	15,979,692		
Totals	201,167.00		137,810,391	**137,810,391**	
Developers Contingency			4,135,426		
				4,135,426	
Other Construction					
Utilities			34,746		
				34,746	
PROFESSIONAL FEES					
Architect			9,409,752		
Project Manager			4,956,365		
				14,366,117	
MARKETING & LETTING					
Marketing			1,615,691		
Letting Agent Fee		3.00%	2,884,927		
				4,500,618	
Additional Costs					
Land rent			644,805		
				644,805	
FINANCE					
Debit Rate 14.0000% Credit Rate 14.0000% (Effective)					
Land			28,683,158		
Construction			4,407,829		
Other			94,796,069		
Total Finance Cost				127,887,056	
TOTAL COSTS					**799,407,351**

Appendix II

Photographs

The shopping centre elevation

Interior of the Mall

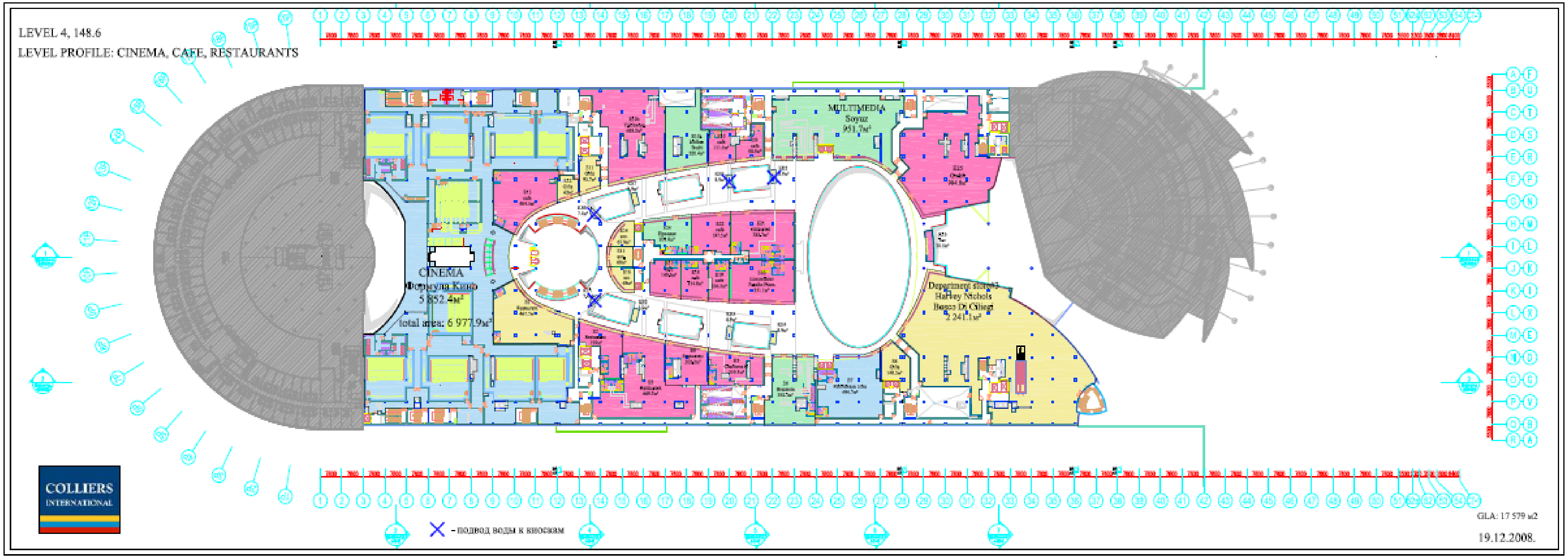
Interior of the Mall

Technical area

Examples of the facades

Appendix III

Typical floor plan


LEVEL 4, 148.6
LEVEL PROFILE: CINEMA, CAFE, RESTAURANTS
MULTIMEDIA
Soyuz
951.7м²
CINEMA
Формула Кино
5 852.4м²
total area: 6 977.9м²
Department store#3
Harvey Nichols
Bosco Di Ciliegi
2 241.1м²
COLLIERS
INTERNATIONAL
– подвод воды к вносям
GLA: 17 579 м2
19.12.2008.

Appendix IV

General Principles Adopted in the Preparation of Valuation and Reports

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

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

1.RICS Valuation Standards:

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

Except where stated, Jones Lang LaSalle and Jones Lang LaSalle Hotels are External Valuers.

2.Valuation Basis:

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

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

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

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

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

3.Source of Information:

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

4.Documentation:

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

5.Tenants:

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

6.Measurements:

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

7.Town Planning and Other Statutory Regulations:

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

7.1. the position is correctly stated in our report;

7.2. the property is not adversely affected by any other decisions made, or conditions prescribed, by public authorities;

7.3. there are no outstanding statutory notices.

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

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

8.Structural Surveys:

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

9.Deleterious Materials:

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

10. Site Conditions:

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

11. Environmental Contamination:

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

12. Insurance:

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

Composite Panels

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

Flood and Rising Water Table

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

13. Currency:

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

14. Value Added Tax:

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

15. Outstanding Debts:

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

16. Confidentiality and Third Party Liability:

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

17. Valuations Prepared On Limited Information:

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

Appendix V

Market Value definition

(EXTRACT FROM THE RICS VALUATION STANDARDS (6th edition))

Market Value

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

3.2

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

Definition

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

Interpretive Commentary, as published in International Valuation Standard 1

3.2.

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

3.2.1 'The estimated amount ...'

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.2.9 '... and without compulsion.'

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

3.3

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

Commentary

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

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

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

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

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

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

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

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

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

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

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

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

Jones Lang LaSalle

Real value in a changing world

Valuation *Advisory*

AFI DEVELOPMENT PLC

Valuation of:

Plaza I (Part of Tverskaya Zastava Development)

1st Tverskaya-Yamskaya Street 25, 27, 29/66, 1st Brestskaya Street 64/66,
2nd Brestskaya Street 52/2 and 2nd Brestskaya Street 50/2,
Moscow

June 2009

Executive Summary

Property Address

1st Tverskaya-Yamskaya Street 25, 27, 29/66, 1st Brestskaya Street 64/66, 2nd Brestskaya Street 52/2 and 2nd Brestskaya Street 50/2, Moscow

Description

The subject property comprises a mixed-use development to include retail accommodation, residential apartments, a 5-star hotel, office space and parking for 1,408 cars. The scheme will consist of three buildings, and will have a combined site area of 1.04 hectares and projected gross building area of 134,712m^2

The scheme will involve the refurbishment of the frontage of an existing period building on the site, which is a 19th Century façade.

Completion of construction is expected in Q2 2013.

The subject property is a part of the larger redevelopment of Tverskaya Zastava Square which will include the following phases:

- Transport interchange and a shopping centre with multilevel car parking at Tverskaya Zastava Square on a site of 3.35ha. Gross area of the shopping centre is 106,137m^2. Completion is expected in Q4 2011.
- Plaza I – the phase which is being considered and valued in this report.
- Plaza II - Office building located at the address: Gruzinsky Val Street 31, Moscow. The site area is 5,700m^2 with a projected gross building area of 55,030m^2. Completion in Q2 2013.
- Plaza II-a - Office building located at the address: Butyrsky Val Street, 1, Moscow. The site area is 1,700m^2. and the projected gross building area is 8,397m^2. Completion in Q4 2011.

Location

The subject property is located in the Tverskoy district of Moscow, which is both a cultural and business district of the city, situated to the north-west of the city centre. Tverskoy forms part of Moscow's Central District and is located between Belorussky Station, one of the city's main railway stations and Manege Square.

The Tverskoy district is a particularly important transport hub, containing the main route linking the city centre with one of Moscow's main airports, Sheremetevo International Airport. There are a number of main traffic routes running through Tverskoy, and these include Tverskaya, 1st Tverskaya-Yamskaya, Dolgorukovskaya and Novoslobodskaya. There is therefore a high volume of vehicular traffic and the district currently has a severe shortage of parking facilities and given the housing density this is only likely to be addressed with the provision of underground car parks. In terms of public transport, Tverskoy offers a total of 11 Metro stations.

Tenure - Land

The subject property forms part of a major redevelopment of the Tverskaya Zastava Square and the surrounding area. At the valuation date, the following land lease agreements are executed, these mainly relate to areas to be developed in the first phase, which includes construction of the underground shopping centre and traffic interchange:

- The site of the total area of 4,750 m^2 leased for the preparatory period of the transport interchange, multilevel underground car parking with shopping centre construction. Land lease is valid until 19 September 2009. The cadastral number of the site is #770104018157.
- The sites with the total area of 3,810 m^2 and 920 m^2 leased for demolition of existing buildings and pre-construction period. Land lease is valid till 01 January 2009. The land lease for these sites is being currently reissued for the sites with corrected borders. The cadastral numbers of the sites are #770104019130 and #770104019131 correspondingly.
- The sites with the total area of 359 m^2, 547 m^2, 1,172 m^2 and 1,376 m^2 with the permitted use for the construction of the traffic interchange and multilevel underground car parking with retail centre. The lease is valid until 10 November 2008. This lease agreement is currently being renewed and the new lease will have the sites with the new borders. The site cadastral numbers are #770104019130, #770104019131, #770104016167 and #770104016162.
- The sites with the total area of 593 m^2, 1,796 m^2, 674 m^2, 867 m^2, 2,030 m^2 and 2,106 m^2 located at Tverskaya Zastava Square allocated for the purpose of construction of the traffic interchange, multi-level underground car parking and a shopping centre. The land lease is valid until 13 November 2008. The land lease is currently being renewed. The sites' cadastral numbers are: #770104018149, #770104019130, #770104018149, #770104019130, #770104018130, #770104019130.
- The sites with the total area of 1,433 m^2 and 881 m^2 leased for demolition of existing buildings and pre-construction period. Land lease is valid until 09 April 2009. This lease is currently within the process of breaking. The cadastral number of the site is #770104019131.
- The site with the total area of 341 m^2 with the permitted use of the operation of existing building with slot machines. The lease is valid until 21 April 2010. The cadastral number of the site is #770104019046.

At the valuation date there are no land lease agreements for the site under the proposed Plaza I development, as the developer is going through the process of resettlement and purchase of the existing buildings.

Tenure - Building

'Stroyincom-K' possesses the rights for design and construction of the proposed development, which comprises a multifunctional complex located at the address: 1st Tverskaya-Yamskaya Street 27, 29/66, 1st Brestskaya Street 64/66, 2nd Brestskaya Street 50/2, 2nd Brestskaya Street 52/2, Moscow. The site area is 1.04 ha and the projected gross building area comprises 134,712m^2.

The functions of investor and developer are executed by the following companies, which are affiliated with 'Africa-Israel Investments Ltd.':

- Investor –'Avtostoyanka Tverskaya Zastava' LLC;
- Developer – 'Stroyincom-K' LLC.

At the valuation date, the developer has purchased the ownership of 1,959.9m^2 of the premises within the existing buildings on the subject sites. From the documents provided to us, we understand that another 5,728.3m^2 is to be purchased or resettled by the developer.

We have made a Special Assumption with regard to the valuation of Plaza I. In particular, we have been instructed by the client to undertake the valuation of that part of the asset known as Plaza Ia on the Special Assumption that the project will be developed jointly with a co-investor that has the freehold interest within the existing premises on the site. As at the valuation date, we note that there is no actual signed agreement with the co-investor specifying the terms of the development.

We have been instructed to undertake the valuation assuming that the co-investor will participate within the development, providing part of its financing, and will also be responsible for obtaining a proportional share in the completed property. Following the client's instruction, we have assumed that 4,604.3m^2 of areas within Plaza Ia (which is about a 9 percent share within this property) will be the responsibility of the co-investor, in terms of construction financing and ownership upon completion. The co-investor will be represented by the company known as "Gandliya Limited". Based on the above, the share of the client in the completed property, Plaza Ia, will comprise 91 percent.

In the case of Plaza Ib and Plaza Ic, 100 percent freehold is held by the investor following the payment by the investor for the long term land lease rights.

Valued Interest

In our valuation, we have valued the freehold of the completed buildings and lease rights to the site.

Development Assumptions

- Completion of development in Q2 2013
- Total development budget: $287,126,000 (excluding VAT)
- Total development cost: $2,563 per m^2 for Plaza 1 b, c and $1,428 per m^2 for Plaza a (excluding VAT)
- Outstanding development budget: $252,553,000 (excluding VAT)
- Outstanding development cost: $2,238 per m^2 for Plaza 1 b, c and $1,397 per m^2 for Plaza a (excluding VAT)

Net Operating Income

$13,440,600 per annum

Yield

Offices - 11.5 percent

Support retail - 12 percent

Hotel – 14.25% capitalisation rate and 19.25% discount rate

Key Attributes

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

- The specifications of the property will correspond to the requirements of Class A office buildings, Business-Class residential buildings and a 5-star hotel.

- Location in the prime district of the city, Tverskoy, which is an established business location with well-developed infrastructure where office rents are among the highest in the city and it is also a prestigious and highly-demanded residential location.
- The property has easy access to major thoroughfares of the city, including Leningradsky Prospect, the Garden Ring and the Third Transport Ring, in addition it is positioned near to Leningradsky Prospect which is a direct route to Sheremetievo International Airport.
- The property has very good accessibility by public transport since its location is in close proximity to metro and overland rail stations.

Principal Risks

We would draw your attention to the following main risks in respect of the subject property.

- Access to the property during rush hours is difficult due to regular heavy congestion in Tverskaya Zastava Square and on Leningradsky Prospect.
- The impact of the global financial crisis on the real estate market has caused a significant decrease in tenant activity, as well as investment transactions, with yields softening and rents falling resulting in decreases in capital values.

Valuation as at 30 June 2009

$141,275,000

(One Hundred and Forty One Million Two Hundred and Seventy Five Thousand US Dollars)

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Our ref RU3470
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Direct fax +7 (495) 737 8011
Robert.Mayhew@eu.jll.com

14 August 2009

Dear Sir

Terms of Reference

Addressee:	AFI Development PLC 25 Olympion Street 3035 Limassol Cyprus For the attention of Avi Barzilay
Report Format:	It should be noted that this report is presented in two main parts, the first of which comprises the main body of the report, covering both the office and residential part of the property. The second main component, forming Appendix III to the report, is a further valuation report addressing in detail the valuation of the hotel element of the proposed development.
Property Address:	1st Tverskaya-Yamskaya Street 25, 27, 29/66, 1st Brestskaya Street 64/66, 2nd Brestskaya Street 52/2 and 2nd Brestskaya Street 50/2, Moscow
Client:	AFI Development PLC
Tenure:	Building 'Stroyincom-K' possesses the rights for design and construction of the proposed development, which comprises a multifunctional complex located at the address: 1st Tverskaya-Yamskaya Street 27, 29/66, 1st Brestskaya Street 64/66, 2nd Brestskaya Street 50/2, 2nd Brestskaya Street 52/2, Moscow. The site area is 1.04 ha and the projected gross building area is 134,712m^2. The functions of investor and developer are executed by the following companies, which are affiliated with 'Africa-Israel Investments Ltd.': • Investor –'Avtostoyanka Tverskaya Zastava' LLC; • Developer – 'Stroyincom-K' LLC. At the valuation date, the developer has purchased the ownership of

1,959.9 m^2 of the premises within the existing buildings on the subject sites. From the documents provided to us, we understand that another 5,728.3 m^2 is to be purchased or resettled by the developer.

We have made a Special Assumption with regard to the valuation of Plaza I. In particular, we have been instructed by the client to undertake the valuation of that part of the asset known as Plaza Ia on the Special Assumption that the project will be developed jointly with a co-investor that has the freehold interest within the existing premises on the site. As at the valuation date, we note that there is no actual signed agreement with the co-investor specifying the terms of the development.

We have been instructed to undertake the valuation assuming that the co-investor will participate within the development, providing part of its financing, and will also be responsible for obtaining a proportional share in the completed property. Following the client's instruction, we have assumed that 4,604.3 m^2 of areas within Plaza Ia (which is about a 9 percent share within this property) will be the responsibility of the co-investor, in terms of construction financing and ownership upon completion. The co-investor will be represented by the company known as "Gandliya Limited". Based on the above, the share of the client in the completed property, Plaza Ia, will comprise 91 percent.

In the case of Plaza Ib and Plaza Ic, 100 percent freehold is held by the investor following the payment by the investor for the long term land lease rights.

Land

At the valuation date, the following land lease agreements are executed, these mainly relate to areas to be developed in the first phase, which includes construction of the underground shopping centre and traffic interchange:

- The site of the total area of 4,750 m^2 leased for the preparatory period of the transport interchange, multilevel underground car parking with shopping centre construction. Land lease is valid until 19 September 2009. The cadastral number of the site is #770104018157.
- The sites with the total area of 3,810 m^2 and 920 m^2 leased for demolition of existing buildings and pre-construction period. Land lease is valid till 01 January 2009. The land lease for these sites is being currently reissued for the sites with corrected borders. The cadastral numbers of the sites are #770104019130 and #770104019131 correspondingly.
- The sites with the total area of 359 m^2, 547 m^2, 1,172 m^2 and 1,376 m^2 with the permitted use for the construction of the traffic

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interchange and multilevel underground car parking with retail centre. The lease is valid until 10 November 2008. This lease agreement is currently being renewed and the new lease will have the sites with the new borders. The site cadastral numbers are #770104019130, #770104019131, #770104016167 and #770104016162.

- The sites with the total area of 593 m^2, 1,796 m^2, 674 m^2, 867 m^2, 2,030 m^2 and 2,106 m^2 located at Tverskaya Zastava Square allocated for the purpose of construction of the traffic interchange, multi-level underground car parking and a shopping centre. The land lease is valid until 13 November 2008. The land lease is currently being renewed. The sites' cadastral numbers are: #770104018149, #770104019130, #770104018149, #770104019130, #770104018130, #770104019130.
- The sites with the total area of 1,433 m^2 and 881 m^2 leased for demolition of existing buildings and pre-construction period. Land lease is valid until 09 April 2009. This lease is currently within the process of breaking. The cadastral number of the site is #770104019131.
- The site with the total area of 341 m^2 with the permitted use of the operation of existing building with slot machines. The lease is valid until 21 April 2010. The cadastral number of the site is #770104019046.

As at the valuation date there are no land lease agreements for the entire site under Plaza I development since the developer is going through the process of the existing buildings resettlement and purchase.

Valuation Date: 30 June 2009

Purpose of Valuation: We understand that this valuation report is required in accordance with IFRS regulations for the purposes of your company accounts and specifically for the purpose of implementing Accounting Standard No.15 of the Institute of Certified Public Accountants of Israel.

Basis of Valuation: Our valuation has been prepared in accordance with the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors on the basis of Market Value as defined in Appendix 6 of this report.

The report is subject to, and should be read in conjunction with, the attached General Terms and Conditions of Business and our General Principles Adopted in the Preparation of Valuations and Reports, which are

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	attached in Appendix 5.
	No allowance has been made for any expenses of realisation, or for taxation (including VAT), which might arise in the event of a disposal, and the property has been considered free and clear of all mortgages or other charges, which may be secured thereon.
Personnel and Date of Inspection:	The valuation has been prepared by Alla Axyonova under the direction of Robert Mayhew BSc (Hons) MRICS, Director, Russia & CIS. The property was inspected in January 2009.
	We confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the RICS Valuation Standards.
Status:	In preparing this valuation we have acted as external valuers.
Sources of Information:	We have carried out all the necessary enquiries with regard to rental and investment value and market value, and have investigated planning and approval issues of the subject property.
Valuation:	$141,275,000 (One Hundred and Forty One Million Two Hundred and Seventy Five Thousand US Dollars)
Exchange Rate	In arriving at our opinions of value we have adopted the exchange rate of the $ (USD) against the Russian Rouble (RUB) of 1 USD = 31.2904 RUR.
Purchaser's Costs:	In accordance with investment and valuation practice in Russia, no allowance has been made for purchaser's costs in our valuation.

Contents

Appendices

1 Location

1.1 Location

The subject property is located in the Tverskoy district of Moscow, which is both a cultural and business district of the city, situated to the north-west of the city centre. Tverskoy forms part of Moscow's Central District and is located between, Belorussky Station, one of the city's main railway stations and Manege Square.

The Tverskoy district is a particularly important transport hub, containing the main route linking the city centre with one of Moscow's main airports, Sheremetevo International Airport. There are a number of main traffic routes running through Tverskoy, and these include Tverskaya, 1st Tverskaya-Yamskaya, Dolgorukovskaya and Novoslobodskaya. There is therefore a high volume of vehicular traffic and the district currently has a severe shortage of parking facilities and given the housing density this is only likely to be addressed with the provision of underground car parks. In terms of public transport, Tverskoy offers a total of 11 Metro stations.

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

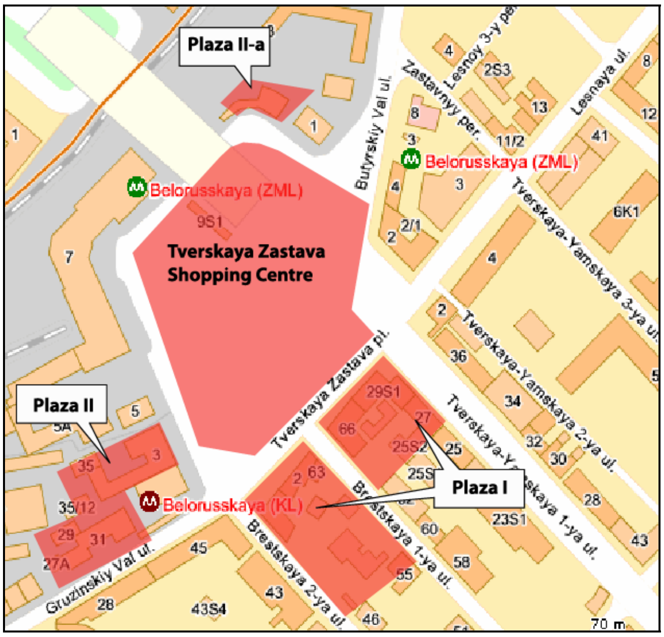
In addition to being an important business district, Tverskoy provides one of Moscow's most popular entertainment, social and retailing destinations. These facilities are concentrated around a variety of squares, including Pushkin Square, Tverskaya, Triumfalnaya and Tverskaya Zastava (the latter being the location of the subject property).

In addition to the commercial attractions of the district, the area located immediately to the south of Tverskaya is also characterised by expensive apartments, upscale shops and boutiques and upmarket restaurants.

1.2 Micro Location and Communications

The subject property is predominantly located on a large square known as Tverskaya Zastava, which forms one of the busiest traffic interchanges in Moscow. The subject property's address is 1st Tverskaya-Yamskaya Street 25, 27, 29/66, 1st Brestskaya Street 64/66, 2nd Brestskaya Street 52/2 and 2nd Brestskaya Street 50/2.

The plan shown below provides an illustration of the location of the subject property in the context of the neighbouring streets and also highlights, in red, the individual phases that will form the proposed Tverskaya Zastava redevelopment.



In terms of adjoining uses, the square is bordered from the west by a number of buildings forming the Belorussky railway station and various pavilions housing the Belorusskaya Metro station. Along the southern boundary there are a variety of administrative buildings, while to the north there is a bridge over the Moscovsko-Smolenskaya railway line. In addition, there are a number of temporary commercial pavilions and kiosks in the area at present. Much of the immediate area is within a protection zone for both historic and cultural monuments.

The area immediately surrounding Tverskaya Zastava has seen considerable commercial development recently, particularly of office buildings, such as White Square, concentrated between the Belorusskaya, Mayakovskaya and Dinamo metro stations and there are considerable further developments planned. There are also a number of large hotels in the area, including 'Heliopark Hotel' as well as a casino and entertainment centre known as 'Golden Palace'.

Being located next to the Belorusskaya metro station and Belorussky railway station, the property has excellent public transport accessibility. The accessibility of the property by car is also good; however it is worth mentioning that during the rush hours the traffic along Tverskaya Street and Leningradsky Prospect is heavy and suffers from frequent heavy congestion.

The accessibility to the property for cars will improve with the completion of the reconstruction of Leningradsky Prospect. The works were started in 2006 and include the reconstruction of the existing Leningradsky car tunnel, construction of Volokolamsky tunnel with three lanes in each direction, and a length of 1730 m, construction of a tunnel from Alabyana Street and Bolshaya Akademicheskaya Street with three lanes in each direction, over a length of 2015 m, as well as the construction of an overpass connecting Leningradsky Prospect and Volokolamskoje Highway. The reconstruction is currently taking place in accordance with the schedule and is planned to be completed in 2010. Upon completion, the capacity of Leningradsky Prospect will increase and there will be no traffic lights along Leningradsky Prospect and Leningradskoje Highway.

The traffic flow through Tverskaya Zastava will be re-arranged and improved as soon as the new transport interchange is constructed as part of Tverskaya Zastava redevelopment. The construction is planned to be finished in Q4 2011.

In undertaking the alteration of the road network, the following changes are planned:

- Reconstruction of the Tverskoy overpass on Leningradsky Avenue, including widening by around 7.0 m, together with the construction of two tunnels beneath Leningradsky Avenue. The first tunnel, with three lanes of traffic, will link Butyrsky Val with Lesnaya Street and then run in the direction of Gruzinsky Val. The second tunnel will be a four lane carriageway from 2nd Brestskaya Street and Gruzinsky Val towards Butyrsky Val and Leningradsky Avenue running in the direction of the city centre.

- Construction of a slip road from Leningradsky Avenue down to 1st Brestskaya, which will be a three lane carriageway in the direction of the city centre.

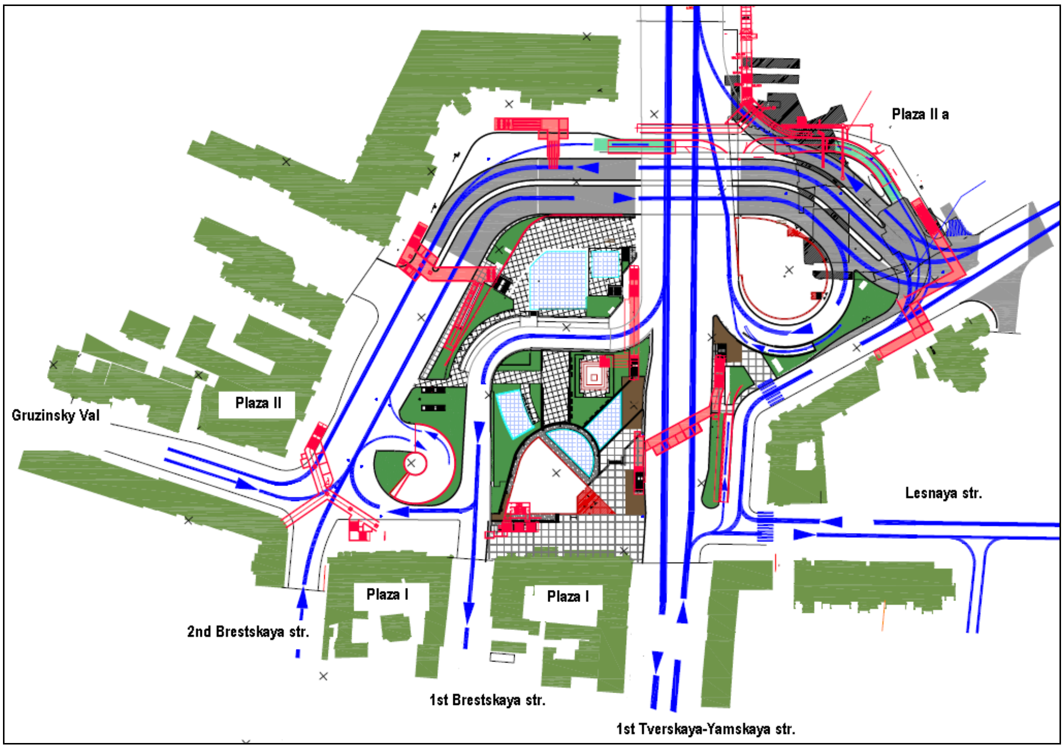
- Construction of an access road to Leningradsky Avenue for traffic travelling towards Moscow Region from Butyrsky Val.

- Construction of an access road to Leningradsky Avenue for traffic in the direction of Moscow Region from 2nd Brestskaya Street towards Butyrsky Val beneath the Tverskoy overpass.

- Construction of a slip road accessing a drop off area for Belorussky railway station and also providing access to the underground parking levels.

- Construction of a 4.50 m wide pedestrian bridge passing across the railway lines on the even numbered side of the road.

The entire traffic interchange as proposed is shown on the plan below:



In addition to the alteration to the road network, there will be seven pedestrian subways constructed.

2 Description

2.1 Site

In accordance with the information given by the client, the site under Plaza I will extend to 1.04 hectares. At the valuation date, the subject site is occupied by existing buildings (administrative, residential, and retail), which are currently being purchased by the developer and planned for demolition/partial reconstruction. Below we give a list of these buildings, comprising a total area of 10,040.1 m^2:

- 1st Tverskaya-Yamskaya Ul. 27
- 1st Tverskaya-Yamskaya Ul. 29, bld. 1
- 1st Tverskaya-Yamskaya Ul. 29, bld. 2
- 1st Tverskaya-Yamskaya Ul. 29, bld. 3
- 2nd Brestskaya Ul. 52/2

2.2 Description of Development

Based on the information provided by the client, the subject property comprises a mixed use development including, retail accommodation, residential apartments, a 5-star hotel, Class “A” office space and parking for 1,408 cars. The scheme will consist of three buildings located at the addresses: 1st Tverskaya-Yamskaya Street 25, 27, 29/66, 1st Brestskaya Street 64/66, 2nd Brestskaya Street 52/2 and 2nd Brestskaya Street 50/2, and will have a combined site area of 1.04 hectares.

The scheme will involve the refurbishment of the frontage of an existing period building on the site, which is a 19th Century façade. A more detailed breakdown of this phase of the overall development is set out below:

Table № 1

	Unit of measure	5-star Hotel Building	Office Building	Apartment Building	Total
		Plaza Ib	Plaza Ic	Plaza Ia	
Site area	ha	0.43	0.23	0.38	1.04
Footprint area	m²	4,078.5	1,841.0	3,325.0	9,244.5
Gross Building Area	m²	61,496	21,953	51,263	134,712
Underground Area	m²	13,879	5,502	13,830	33,211
Above-ground Area:	m²	47,617	16,451	37,433	101,501
Hotel	m²	23,539.8			23,540
Apartments	m²	16,177.4		35,079	51,256
Offices	m²		14,512		14,512
Retail	m²	370.6	965	1,236	2,571.6
Café	m²	164	974		1,138
Administration	m²	618.4		954	1,572
Restaurants and bars	m²	4,478.5			4,479
Conference facilities	m²	938.3			938
Fitness&spa	m²	1,494			1,494
Number of apartments	units	140		179	319
Number of hotel rooms	units	300			

	Unit of measure	5-star Hotel Building	Office Building	Apartment Building	Total
Number of levels	levels	4-11-14-18	11	6-11-15-18	
Above-ground levels	levels	18	11	18	
Underground levels	levels	4	3	4	
Number of underground car parking spaces	units	647	241	520	1,408

The areas given in the table above are provided on a gross basis, for the purpose of the valuation we have estimated the net areas based on the following coefficients:

- Offices and retail: the leasable area has been estimated applying a 10 percent loss factor
- Apartments: the saleable area has been estimated applying a 20 percent loss factor

With regards to the Plaza Ia building, the adjustment to the areas has been made to reflect the proposed co-investor ownership share within the completed building. As previously stated, 9 percent of the area of the completed building Plaza Ia is assumed to be passed to the co-investor “Gandliya Limited”. On the basis of the above, we have based our valuation on the following breakdown of areas:

Table № 2

Plaza Ib and Ic	Units of measure	Gross Area	Leasable/ saleable area
Offices	m²	14,512	13,061
Retail & cafes	m²	1,939	1,745
Apartments	m²	16,177	12,942
Hotel	m²	36,054	
Car parking for lease	units		241
Car parking for sale	units		280
Car parking for hotel	units		367

Table № 3

Plaza Ia	Units of measure	Gross Area	Leasable/ saleable area	Leaseable/ saleable area
			100% share	91% share
Retail	m²	1,400	1,400	1,274
Apartments	m²	35,079	28,063	25,538
Car parking	units	520	520	473

In terms of timing, at present, the following construction timetable is envisaged for this phase of the overall development.

Table № 4

Stage of Development	Timing
Plaza Ib and Ic	
Design preparation, securing approvals and permissions	Q4 2006 – Q4 2010
Construction	Q1 2011 – Q2 2013
Plaza Ia	Q4 2006 – Q2 2011
Design preparation, securing approvals and permissions	Q3 2011 – Q2 2013

As at the valuation date, the pre-project documentation of this phase of the development has been agreed by the City authorities and the Act of Permitted Use has been requested by the developer.

3 Legal

3.1 Tenure

We have been provided with the following documents relating to the property and to the overall Tverskaya Zastava development:

1. Moscow Government Decree dated 16 June 2003 #1022-RP concerning ‘construction designing of transport interchange, multi-level car parking with a shopping centre and newly constructed properties at Tverskaya Zastava Square (Central Administrative District)’.
2. Moscow Government Decree dated 4 August 2004 #1567-RP concerning ‘construction of transport interchange, multi-level underground car parking with a shopping centre and newly constructed properties at Tverskaya Zastava Square (Central Administrative District)’.
3. Moscow Government Decree dated as of 7 December 2004 #869-PP ‘About designing and construction of the multilevel hotel and administration property at the site located at the address: 2nd Brestskaya str., 50/2’.
4. Moscow Government Regulation dated as of 30 November 2005 #2410-RL ‘About the locating of the multifunctional property at the address: 1st Brestskaya str., 64-66, and locating of the office centres at the addresses: Gruzinsky Val str., 31 (including Tverskaya Zastava square, 3) and Butyrsky Val str., 1 (Central Administrative District of Moscow)’.
5. Moscow Government Decree 1032-PP dated 11 November 2008.
6. Tverskaya Zastava shopping centre project permission documentation, including permission for construction works dated 9 June 2008 #RU77203000-002245. The permission is valid until 25 June 2009.
7. Short-term land lease agreement for the construction period #M–01-513633 dated 5 August 2006 for the site under the projected shopping centre. Additional agreement to the land lease agreement dated 15 August 2006 # M-01-513633/01.
8. Short-term land lease agreement for demolition of existing buildings and pre-construction period #M-01-513897 dated 10 November 2006.
9. Short-term land lease agreement #M-01-513895 for the site under the projected shopping centre granted for the purpose of construction of the traffic interchange and underground shopping centre with the car parking. Additional agreement to the land lease agreement #M-01-513895 dated 10 November 2006 about the prolongation of the land lease until 10 November 2008.
10. Short-term land lease agreement M-01-513894 dated 10 November 2006.
11. Short-term land lease agreement for demolition of existing buildings and pre-construction period #M-01-513896 dated 10 November 2006. Additional agreement #M-01-513896/1 dated 17 May 2007.
12. Land Lease Agreement #M-01-512302 dated 15 June 2008.
13. List of buildings/premises located on the site under the future development, which must be purchased by the developer. Information about the purchase status.
14. State registration certificates:

Table № 5

Number of certificate	Rights holder	Type of rights	Property address	Type of property
77 АЖ916464	LLC "Avtostoyanka Tverskaya Zastava"	freehold	1st Tverskaya-Yamskaya str. 29/66, Moscow	Non-residential premises with the total area 113.9m^2
77 АЖ423602	LLC "Avtostoyanka Tverskaya Zastava"	freehold	1st Brestskaya str. 66, Moscow	Non-residential premises with the total area 50m^2.
77 АГ 0186613	LLC "Avtostoyanka Tverskaya Zastava"	freehold	1st Tverskaya-Yamskaya str. 29/66 bld. 1, Moscow	Non-residential premises with the total area 378.9m^2.
77 АГ 0186614	LLC "Avtostoyanka Tverskaya Zastava"	freehold	1st Tverskaya-Yamskaya str. 29/66 bld. 1, Moscow	Non-residential premises with the total area 139.1m^2.
77 АВ 566079	LLC "Avtostoyanka Tverskaya Zastava"	freehold	1st Tverskaya-Yamskaya str. 29/66 bld. 1, Moscow	Non-residential premises with the total area 86.7m^2.
77 АГ 0198255	LLC "Avtostoyanka Tverskaya Zastava"	freehold	1st Tverskaya-Yamskaya str. 29/66 bld. 1, Moscow	Non-residential premises with the total area 95.1m^2.
77 АД 196839	LLC "Avtostoyanka Tverskaya Zastava"	freehold	1st Brestskaya str. 66, Moscow	Non-residential premises with the total area 310.4m^2.
77 АД 300634	LLC "Avtostoyanka Tverskaya Zastava"	freehold	1st Tverskaya-Yamskaya str. 29 bld. 1, Moscow	Non-residential premises with the total area 397.2m^2.
77 АГ 702585	LLC "Avtostoyanka Tverskaya Zastava"	freehold	1st Tverskaya-Yamskaya str. 29/66 bld. 2, Moscow	Non-residential premises with the total area 298.4m^2.

15. Drawings and floor plans of stage 'P' for the shopping centre
16. Architectural parameters of the transport interchange.
17. Concept stage documentation for Plaza I, Plaza II, Plaza II-a properties.
18. Project development budget.
19. Project development schedule.

Based on the documents and information listed above, we arrived at the following conclusions, which we have used as the basis for our valuation:

- 'Stroyincom-K' possesses the rights for the design and construction of the proposed development which comprises a multifunctional complex located at the address: 1st Tverskaya-Yamskaya Street 27, 29/66, 1st Brestskaya Street 64/66, 2nd Brestskaya Street 50/2, 2nd Brestskaya Street 52/2, Moscow. The site area is 1.04ha with a projected gross building area of 134,712 m2.
- The functions of investor and developer are executed by the following companies, which are affiliated with 'Africa-Israel Investments Ltd.':
  - Investor –'Avtostoyanka Tverskaya Zastava' LLC
  - Developer – 'Stroyincom-K' LLC
- At the valuation date, the developer has purchased the ownership of 1,959.9m2 of the premises within the existing buildings on the subject sites. From the documents provided to us, we understand that another 5,728.3m2 is to be purchased or resettled by the developer.
- We have made a Special Assumption with regard to the valuation of Plaza I. In particular, we have been instructed by the client to undertake the valuation of that part of the asset known as Plaza Ia on the Special Assumption that the project will be developed jointly with a co-investor that has the freehold interest within the existing premises on the site. As at the valuation date, we note that there is no actual signed agreement with the co-investor specifying the terms of the development.

- We have been instructed to undertake the valuation assuming that the co-investor will participate within the development, providing part of its financing, and will also be responsible for obtaining a proportional share in the completed property. Following the client's instruction, we have assumed that 4,604.3m2 of areas within Plaza Ia (which is about a 9 percent share within this property) will be the responsibility of the co-investor, in terms of construction financing and ownership upon completion. The co-investor will be represented by the company known as "Gandliya Limited". Based on the above, the share of the client in the completed property, Plaza Ia, will comprise 91 percent.
- In the case of Plaza Ib and Plaza Ic, 100 percent freehold is held by the investor following the payment by the investor for the long term land lease rights.
- At the valuation date, the following land lease agreements are executed, these mainly relate to areas to be developed in the first phase, which includes construction of the underground shopping centre and traffic interchange:
    - The site of the total area of 4,750m^2 leased for the preparatory period of the transport interchange, multilevel underground car parking with shopping centre construction. Land lease is valid until 19 September 2009. The cadastral number of the site is #770104018157.
    - The sites with the total area of 3,810m^2 and 920m^2 leased for demolition of existing buildings and pre-construction period. Land lease is valid till 01.01.2009. The land lease for these sites is being currently reissued for the sites with corrected borders. The cadastral numbers of the sites are #770104019130 and #770104019131 correspondingly.
    - The sites with the total area of 359m^2, 547m^2, 1,172m^2 and 1,376m^2 with the permitted use for the construction of the traffic interchange and multilevel underground car parking with retail centre. The lease is valid until 10 November 2008. This lease agreement is currently being renewed and the new lease will have the sites with the new borders. The site cadastral numbers are #770104019130, #770104019131, #770104016167 and #770104016162.
    - The sites with the total area of 593m^2, 1,796m^2, 674m^2, 867m^2, 2,030m^2 and 2,106m^2 located at Tverskaya Zastava Square allocated for the purpose of construction of the traffic interchange, multi-level underground car parking and a shopping centre. The land lease is valid until 13.11.2008. The land lease is currently being renewed. The sites' cadastral numbers are: #770104018149, #770104019130, #770104018149, #770104019130, #770104018130, #770104019130.
    - The sites with the total area of 1,433m^2 and 881m^2 leased for demolition of existing buildings and pre-construction period. Land lease is valid until 09 April 2009. This lease is currently within the process of breaking. The cadastral number of the site is #770104019131.
    - The site with the total area of 341m^2 with the permitted use of the operation of existing building with slot machines. The lease is valid until 21 April 2010. The cadastral number of the site is #770104019046.

At the valuation date there are no land lease agreements for the site under the proposed Plaza I development, as the developer is going through the process of resettlement and purchase of the existing buildings.

At the valuation date the subject property is at the stage of design documentation preparation and purchase of premises/buildings located on the proposed development sites. Plaza I is the most advanced in terms of the planning process, given that the pre-project documentation has been approved by the City Authorities and the Act of Permitted Use is in the process of preparation. According to the development schedule, completion of these phases is planned for the end of Q2 2013. In our valuation we have made an assumption that the development concept that was provided to us for this phase will be definitely agreed and approved by the city authorities.

Jones Lang LaSalle has not carried out any legal expertise of the title and information provided by the Client. We have not been provided with a Report on Title in respect of this property and recommend that should such a report be prepared that we be provided with a copy and given the opportunity to reconsider our opinion of value in light of its contents.

In our valuation, we have valued the freehold of the completed buildings and lease rights to the sites.

3.2 Town Planning

It is our understanding that the proposed use is a legal use under the Moscow City Planning Legislation.

We are not aware of any outstanding planning applications or decisions granted on the subject property that are likely to have a material impact on the value.

3.3 Environmental Matters

No indications of past or present contaminative land uses were noted during the inspection. Our inspection was only of a limited visual nature and we cannot give any assurances that previous uses on the site or in the surrounding areas have not contaminated subsoil or ground waters. In the event of contamination being discovered, further specialist advice should be obtained.

3.4 Marketing Period

We consider that a proper marketing period (exposure time) for the property will be no less than 12 months. Our conclusion is supported by a number of brokers who are actively participating in sale transactions involving comparable assets.

4 Highest and Best Use Analysis

The highest and best use (HBU) of a real estate asset is the one that is physically possible, legally permissible, financially feasible, and must result in the highest value.

For valuation purposes, a real estate property may be considered as two separate constituents, which are the land plot and its improvements (buildings, developments, utility lines, etc. constructed on it or under it); therefore, in estimating a real estate property, appraisers estimate the highest and best use of land (as if vacant) and the highest and best use of the property (as improved). Estimation of each of the HBU types requires a separate analysis. However, as one can see, both are estimated under the following four criteria:

- legality;
- physical possibility;
- financial feasibility, and
- highest profitability.

Any use of a real estate asset shall be viewed from the above four points, which are to be applied in that order. In the event that some potential use option does not meet any of the four criteria, such an option shall be disregarded and replaced with another one. The HBU shall meet all of the above four criteria.

The land plot was provided for the construction of a multi-functional complex. This means that, from a legal perspective, the asset can only be developed for this function. As a result, we are of the opinion that the current use of the site represents its highest and best use .

5 Market Commentary

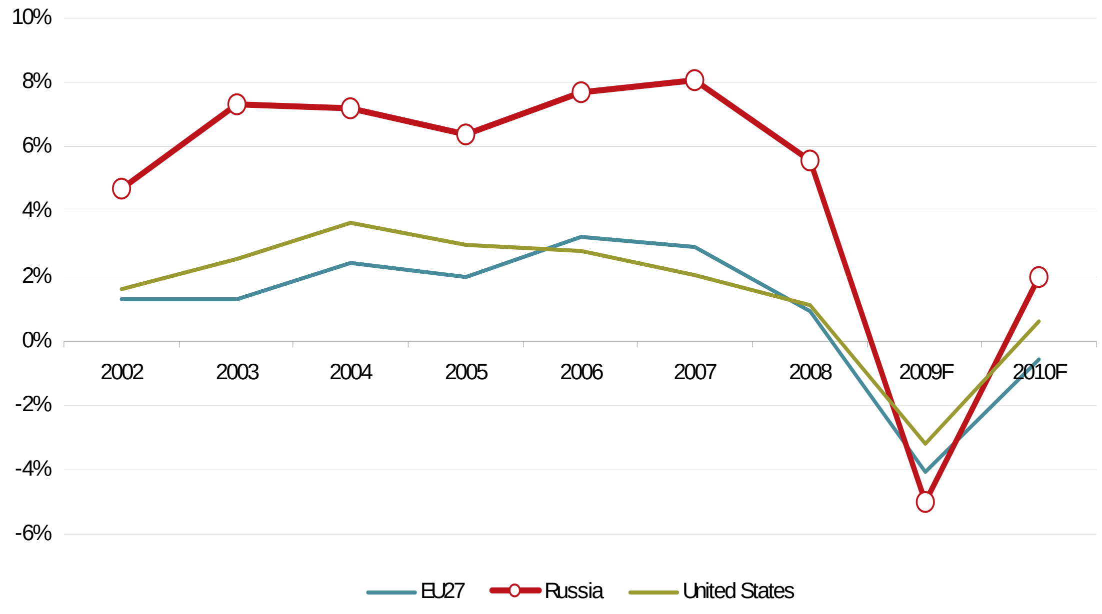
5.1 Russian Macroeconomic Overview

The Russian Federation has the world's largest land area and stretches from the Baltic Sea to the Pacific Ocean across 11 time zones. The country has a population of 143.6 million (73 percent urban), the majority living in the European part of Russia, west of the Ural Mountains.

There are 13 cities in Russia with a population of over 1 million and 35 cities with a population over 500,000. Moscow, the capital, is the administrative and business centre of the country.

Over the last eight years, Russia has shown strong economic performance, with average GDP growth of approximately 7 percent per annum. High currency revenues, strong domestic investment and consumption growth, low consumer debt and less exposure to the sub-prime and CMBS markets delayed the effect of the global crisis on Russia until around September 2008. However, in Q4 2008, these positive market dynamics were interrupted by the financial crisis, slowing full-year 2008 GDP growth to 5.6 percent.

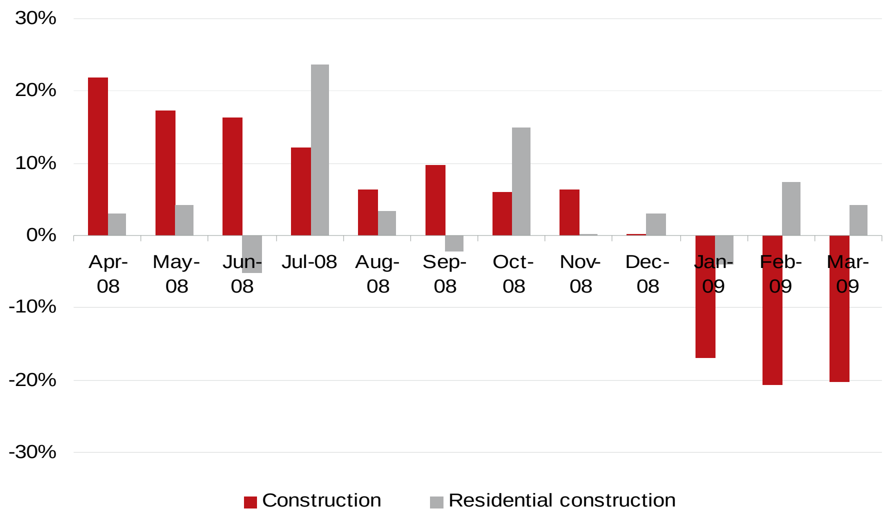
GDP Growth (%)



Source: EIU

The Russian economy continued to decelerate in the beginning of 2009. GDP is estimated to have declined by 9.5 percent year on year (YoY) in Q1 2009, with the recession extending to most sectors. Industrial production was down by 14.3 percent YoY, construction fared even worse at -19.3 percent YoY, although residential construction posted a 2.4 percent growth. Retail sales held up until February but ended the quarter 1.1 percent below the level of the year before.

Construction output growth, YoY



Source: Economy Ministry

The weakening economy increased unemployment and put downward pressure on wages. The unemployment rate reached 9.5 percent in March 2009, while wages declined by 2.3 percent YoY in Q1 2009 in real terms.

Wages and retail sales growth, YoY

Source: Rosstat, Economy Ministry

Taking a resolute stance in January-February 2009, the Bank of Russia decided to let the rouble weaken from 29.4 to around 36.5 per USD and explicitly indicated that would be the peak of the devaluation for the time being. Subsequently the rouble has bounced back to below 32 per USD in recent weeks.

In order to deal with the impact of the global crisis the Russian Government plans to spend around RUB1.5 trillion ($45 billion) this year, as a result, the budget is expected to post a deficit of around 8 percent of GDP. The bulk of the money is expected to go towards refinancing maturing corporate debts in selected sectors.

A recent estimate from the Economy Ministry has put the GDP decline in 2009 at 6.0 percent. We believe the economy will close the year slightly better, at -5.0 percent. Both figures assume a rebound in H2, following a rather dismal start to the year, at this point it is not clear if this improvement will occur.

Oil prices remain the biggest external risk. Internally, consumer and business sentiments show positive signs and will remain instrumental to the improvement of the economic performance. The recent increases in oil prices may not be sustainable in the medium term and may fall back.

Table № 6

	2002	2003	2004	2005	2006	2007	2008	2009F	2010F
Nominal GDP (RUB bn)	10,818	13,243	17,048	21,620	26,883	32,989	41,540	45,987	54,467
Real GDP growth (%)	4.7	7.3	7.2	6.4	7.4	8.1	6.2	-5.0	4.0
Nominal GDP (USD bn)	345	431	592	764	989	1,290	1,673	1,373	1,594
Per capita GDP (USD)	2,378	2,989	4,127	5,356	6,957	9,086	11,831	9,752	11,369
Industrial production, real growth (%)	3.1	8.9	8.3	4.0	3.9	6.3	2.1	-12.1	1.3
Population (million)	145.0	144.2	143.5	142.7	142.2	142.0	141.4	140.8	140.2
Unemployment (%, end-year)	8.6	8.0	7.7	7.6	6.7	6.1	7.7	9.6	8.2
CPI (%, December-on-December)	15.1	12.0	11.7	10.9	9.0	11.9	13.3	13.0	11.0
Exchange rate (RUB/USD, end-year)	31.78	29.45	27.75	28.78	26.33	24.55	29.38	33.80	34.55
Exchange rate (RUB/USD, average)	31.38	30.74	28.79	28.29	27.17	25.57	24.81	33.50	34.18
Average monthly wage, USD	126	168	223	287	365	488	609	478	535
Nominal wage growth (% YoY)	34.6	26.1	22.6	26.9	24.3	27.8	25.9	8.5	15.4
Real wage growth (% YoY)	16.2	10.7	11.9	12.6	13.3	16.2	11.4	-4.0	4.0
Retail trade turnover (RUB bn)	3,765	4,529	5,642	7,038	8,690	10,758	13,853	14,894	17,072
Real retail sales growth (% YoY)	9.3	8.8	12.5	12.8	13.9	15.2	13.0	-3.6	4.8
Retail trade turnover (USD bn)	120	147	196	249	320	421	558	445	500
Urals oil price (USD per barrel, end-year)	23.8	27.2	34.2	50.5	61.3	69.5	91.7	50.0	60.0
FDI into Russia (USD m)	3,461	7,958	15,444	12,886	29,701	55,073	70,320	50,000	70,000

Source: Jones Lang LaSalle, Rosstat, Bank of Russia, Credit Suisse

5.2 Local Macroeconomic Overview

As the capital of the Russian Federation (RF), Moscow is the main financial, industrial, scientific and cultural centre of Russia. The city is situated in the most developed Russian region with the highest density of population. Moscow is positioned as the gateway to Russia for many foreign businesses and investors and, due to its proximity to Central and Eastern Europe, more and more inhabitants from European cities make visits to Moscow a part of their business activities.

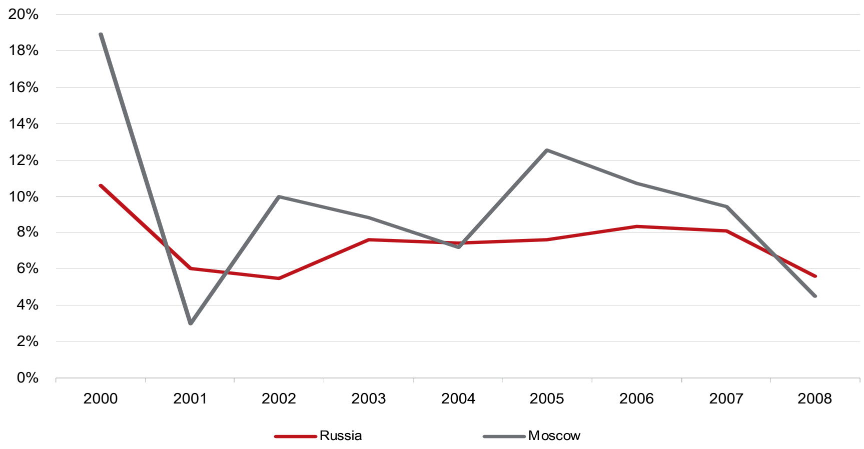
Moscow's local economy has diversified and modernised recently, reflecting intense growth in the service sector – finance and insurance, technology and retailing services. Moscow's Gross Regional Products (GRP) had been increasing at a higher rate than the country average. Currently Moscow's GRP is the highest in the Russian Federation. Muscovites enjoy a standard of living higher than most other locations in the country.

Moscow is Europe's largest city in terms of population, and ranks alongside London, Paris and Istanbul as one of Europe's four "Mega-Cities", and Moscow's population continues to grow. The current population ranges from 10.4-12 million, with a further 8 million housed in the surrounding Moscow Oblast, creating a greater metropolitan region of over 18 million inhabitants. Whilst the CEE region and Russia have seen their populations decline (largely due to low birth rates and migration), Moscow stands alone as the only major city in the region whose population is growing rapidly.

Being the economic centre of Russia, Moscow provides the main part of Russia's GDP (about 20 percent). The Moscow economy is characterised by an actively developing service sector, low debt and high budget indicators.

During recent years Moscow's macroeconomic indicators were growing steadily. During 2003 to 2008 the average annual GRP growth was 8.8 percent, real income growth was 6.7 percent and retail turnover growth was 6.1 percent. All these indicators were supplemented by a significant budget surplus.

Moscow vs. Russia Economic Growth (%)

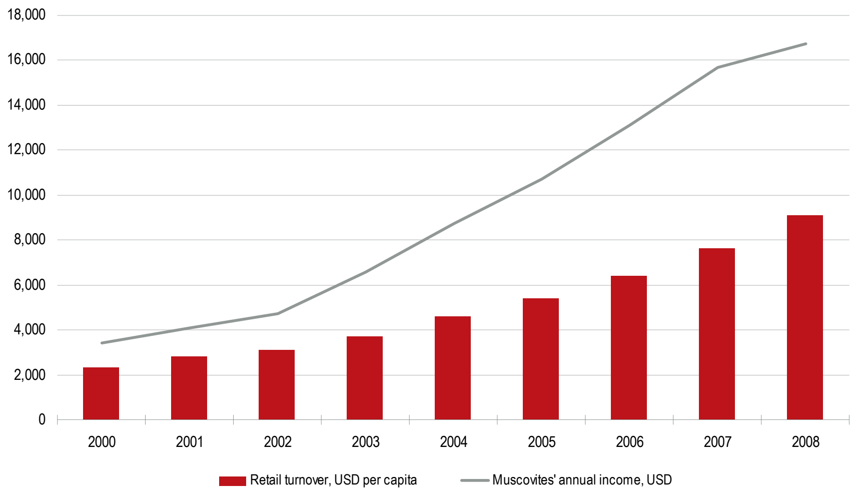


Source: Mosstat, EIU, Jones Lang LaSalle Research

In 2007 Moscow's GRP grew by 9.4 percent. In 2008 the city's economic growth rate slowed down to 4.5 percent due to the impact of the world financial crisis. Moscow's inflation is slightly lower than in Russia. It amounted to 11.9 percent in 2008, while it reached 13.3 percent in Russia.

According to Mosgorstat, the Moscow retail turnover reached $95 billion in 2008. Due to the influence of the financial crisis, retail turnover growth is going to slow down in 2009, but strong Moscow economic fundamentals will help the city to recover more rapidly than other parts of Russia.

Moscow retail turnover and income



Source: Mosstat, EIU, Jones Lang LaSalle Research

During the last several years high incomes that resulted from increasing energy prices were providing an opportunity for Russia to diversify its economic base, and Moscow was showing significant progress. The income distribution of Moscow residents is quite uneven. The wealthiest population groups are concentrated in the City centre and in the semi-peripheral western parts of the City.

In 2008 the average monthly income amounted to $1,393. Since then, with the occurrence of the financial crisis, unemployment has risen and personal incomes have suffered due to both rouble devaluation and salary cuts, the extent of these falls are not yet clear.

In 2006, Moscow replaced Tokyo as the world's most expensive city, according to the Cost of Living Survey from Mercer Human Resource Consulting. In 2008, Moscow ranked top on the list of most expensive cities for the third year in a row. The most recent surveys indicate that Moscow has now fallen to third behind Tokyo and Osaka.

The economic downturn that became evident in Q4 2008 quickly affected the labour market. Unemployment in Moscow doubled over the 2008-2009 New Year holiday period, with 290,000 people becoming unemployed, up from 56,500 a year ago and 67,200 at the beginning of October. These numbers include those people registered as unemployed, as well as workers on unpaid leave and working shorter hours.

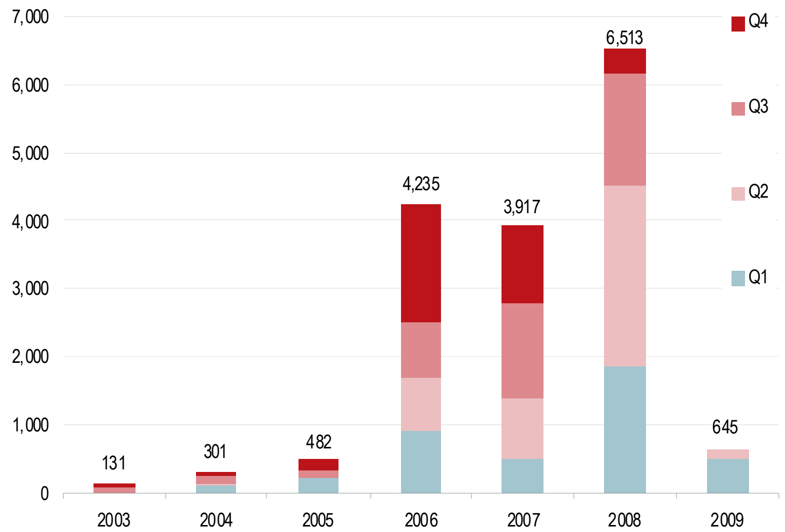
5.3 Investment Market

During 2008, investments into the Russian real estate market reached $6.5 billion. One of the largest transactions in Moscow during this period ($900m) was completed by a German investment fund, KanAm Grund. This transaction demonstrated the trend that investment is heavily targeted at Moscow, which accounted for around 76 percent of the annual total real estate investment in Russia. This is largely due to the lack of institutional quality investment stock outside of Moscow.

Since Q4 2008 investment activity in Russia has slowed significantly, in line with other real estate investment markets.

In H1 2009 a wait-and-see attitude continued to characterise the investor activity on the Russian market. Transactions are becoming smaller. There was only one major deal in Q1 2009: Sberbank bought Class B+ Southern Port business centre.

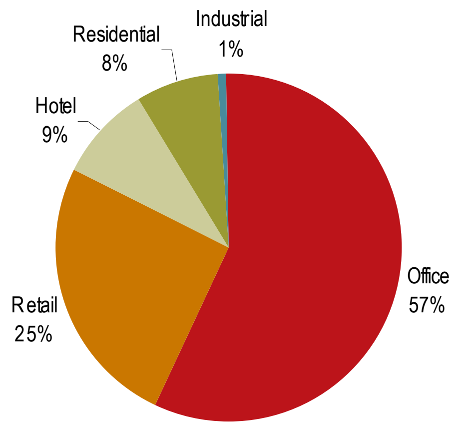
Investment Volume Dynamics ($ m)



* Investment deals, excluding corporate acquisitions, land and residential acquisitions, JVs.

Source: Jones Lang LaSalle

Investment volumes by sector, H1 2009 ($ m)

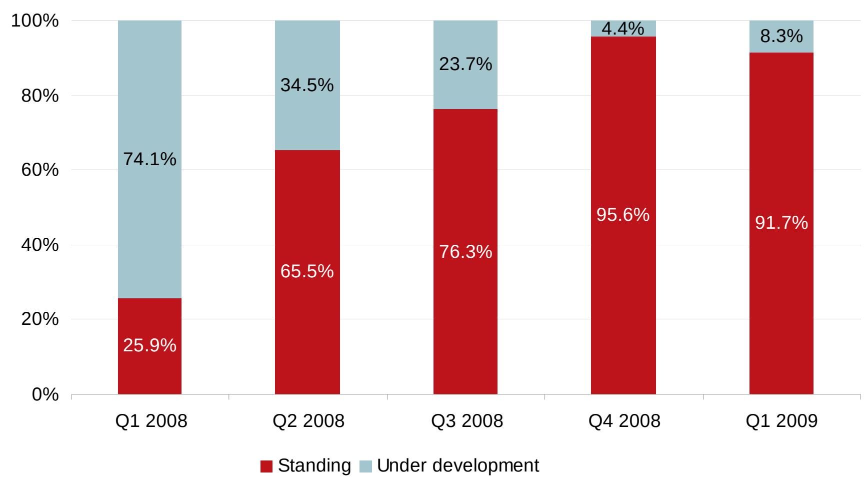


Source: Jones Lang LaSalle

In the beginning of 2009 the investment market was dominated by Russian-funded investors, while foreign investor activity shifted into low gear. High yields in more transparent and less risky Western European markets and lower risk tolerance of investors are the two key factors behind this. As a result, foreign investments accounted for only 3.5 percent in Q1 2009 compared to 75 percent in 2008.

In Q1 2009, projects under development became less popular, accounting for 8.3 percent of the total in comparison with 40-50 percent in 2007-2008. Weaker demand in the medium term and the lack of debt financing favours standing, income producing assets.

Investment destination dynamics



Source: Jones Lang LaSalle

The changes on the pan-European level produce similar results within Russia: developers and investors prefer to deal in less risky and more mature Moscow and St. Petersburg. We have observed a shift away from Russian regional investment markets since H2 2008.

A number of distressed assets have appeared on the market recently, although possibly not at the level which had been widely predicted. Following a period of active asset-based borrowing, developers and retailers, suffering from the lack of liquidity, started to lose their properties. For example, in the beginning of 2009, properties of ALPI and

Banana-Mama retail chains went to Ursa-Bank and Alfa-Bank respectively, Sberbank became the owner of the Capital City project in Moscow-City and VTB took over Sistema-Hals and all its projects, including Detskiy Mir. It is expected that 2009 will be a year of M&A deals in all economic sectors, including commercial real estate.

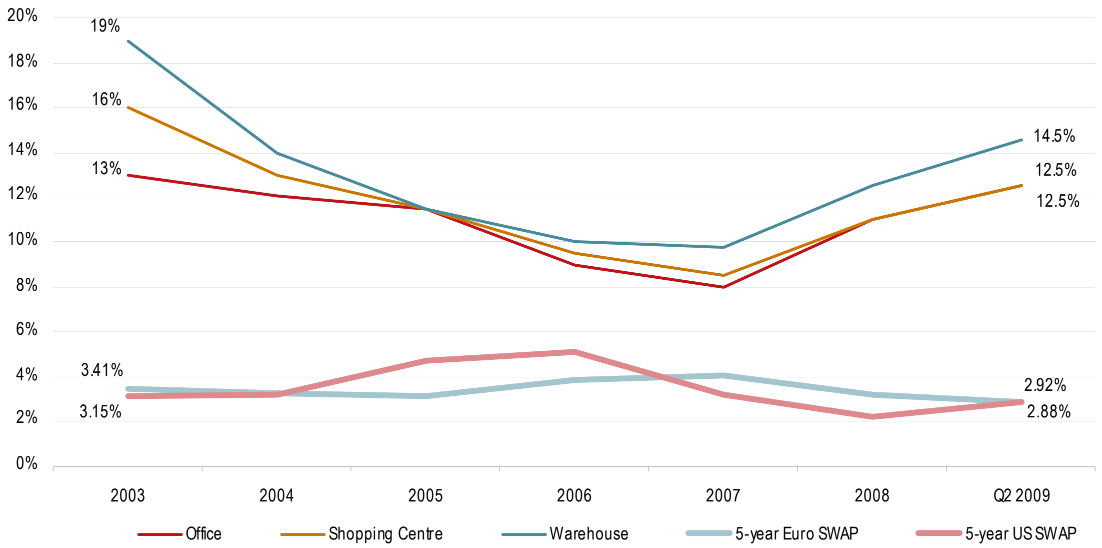
Debt markets will remain constrained throughout 2009. This will keep lot sizes and transaction volumes down with deals over $50m now often requiring two or more sources, substantially increasing their complexity.

Most of the banks operating in Russia have stopped commercial real estate financing programmes, although debt financing for prime projects still exists. For example, in Q1 2009 Sberbank financed the development of the Moskva hotel in the Moscow historical centre and the Galereya shopping centre in St. Petersburg.

In H1 2008 the yield compression in Russia was halted by the global financial crisis and was characterised by a yield decompression. In H2 2008 the yields increased by 250-300 bps. Across all assets, investors continued to demand higher risk premium as the process of deleveraging intensified.

In Q2 2009 real estate capitalisation rates continued to soften, reaching 2005 levels. Prime rates in Moscow are now at 12.5 percent for shopping centres and offices (+100 b.p. QoQ) and 14.5 percent for warehouses (+50 b.p. QoQ).

Prime yield dynamics in Moscow



Source: Jones Lang LaSalle

Major investment market trends

- 2009 will be a year of change marked by a decline in the number of deals and significant price corrections.
- Foreign investors become significantly more risk-averse and wait for the best opportunities. This will raise the profile of Russian investors.
- Due to the lack of debt financing, equity investors will be in the best position to take advantage of the market.
- As prices have declined significantly across the Russian real estate market and the entry price for prime assets has fallen, investor attention will mostly shift back to Moscow, which offers relatively lower risks, higher market transparency and a broader range of prime assets than in the regions.
- Investor interest this year will be focused mainly on quality standing assets or projects at the final stage of construction. Office and retail will remain the dominant sectors.
- We expect a gradual increase in the number of transactions in H2 2009.

5.4 Moscow Office Market Overview

The table below contains the main indicators that characterise the Moscow office market as at Q2 2009.

Table № 7

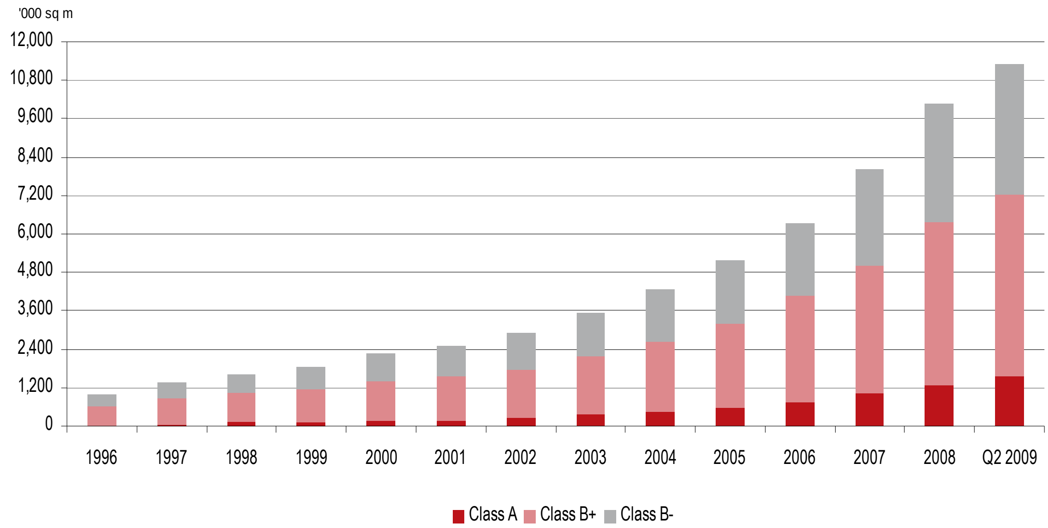
Moscow Office Market Snapshot, Q2 2009	Class A	Class B+	Class B-	Total
Modern office stock:	1,543,800	5,689,000	4,075,350	11,308,150
Completions Q2 2009:	100,600	89,550	65,150	255,300
Completions H1 2009:	246,200	636,550	357,170	1,239,920
Take-up Q2:	30,500	270,630	136,100	437,230
Take-up H1:	51,630	436,245	190,295	678,170
Availability:	347,400	1,067,600	631,100	2,046,100
Vacancy Rate:	22.5%	18.7%	15.5%	18%
Prime base rents*, (USD/m²/year):	600-700			
Base rents, (USD/ m²/year):	400-600	350-400	250-350	
Operating Expenses (USD/ m²/year):	110-150	100-120	70-90	
Prime Yields:				12-13%

**These rents are applicable to high quality buildings situated within the Kremlin area and for top floor office premises in Moscow City.*
All figures in square meters unless otherwise noted.
The rents in the table above are given for the offices in shell & core.

Source: Jones Lang LaSalle

At the Q2 2009 modern office stock in Moscow reached 11.3 million m². However, it remains considerably smaller than in other major European capitals.

Class A, B+ and B- Office Supply Dynamics



Source: Jones Lang LaSalle

The Moscow office market is currently one of the most rapidly developing in Europe. Significant new supply will enter the market in 2009-2010. However, the ongoing financial crisis has forced developers to postpone planned projects.

It is anticipated that the financial crisis will significantly reduce office take-up in 2009 and that this will only return to 2007-2008 levels after 2011.

Modern Office Take-Up Dynamics

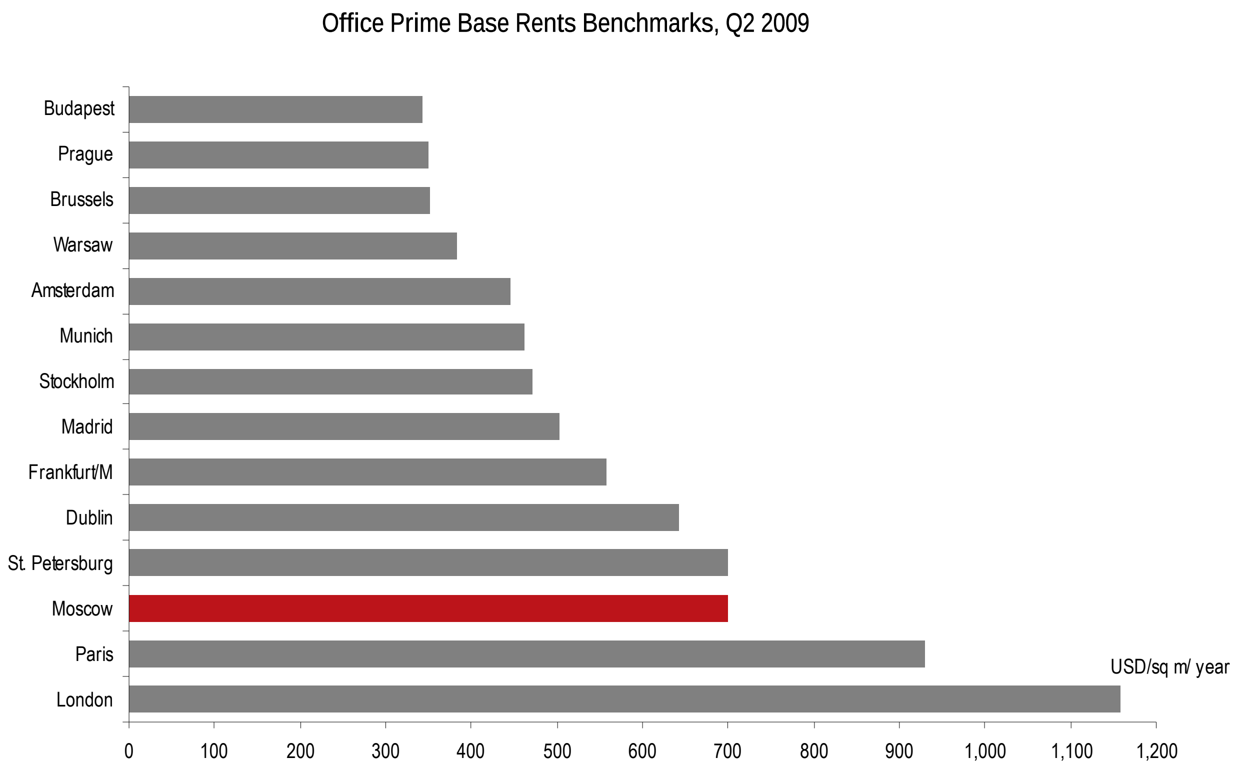
Source: Jones Lang LaSalle

Moscow take-up in H1 2009 was 678,170 m^2, 36% of H1 2009 take-up was concentrated within the area outside the Third Ring Road. Decentralisation in office take-up follows from decentralisation of office stock. The following sub-markets accounted for the majority of H1 2009 take-up:

- South between Garden Ring and Third Ring Road (15%)
- North-West outside the Third Ring Road (11%)
- North-East inside Garden Ring (11%)

International manufacturing companies as well as Russian banking and finance companies dominated in take-up activity in H1 2009.

The significant volume of completions entering the market against weakening demand raised the vacancy rate to 18%. Vacancy rates in the majority of districts inside the Garden Ring and to the west of the city centre are below the average. This reflects higher demand for centrally located offices and premises in the west.



** Prime base rents are base rents (excluding VAT and operating expenses) for units of 1,000 m^2 in existing prime buildings (without fit-out).*

Source: Jones Lang LaSalle

The level of prime base rents in Moscow remains very high in comparison to most other European capitals. In Q2 2009 Moscow prime rental levels demonstrated a 30% decrease. Nevertheless, Moscow held third place after London and Paris in terms of prime rental level ($700 US/ m^2/year).

Taking current market conditions into account, we consider short to medium term trends will be as follows:

- In 2009 we expect a large volume of completions, a fall in take-up, resulting in higher vacancy rates and decreasing office rents.
- New office supply will outpace demand and will drive the overall vacancy rate up to 25% by the end of 2009.
- Market stabilisation is expected in H2 2009.
- We expect net take-up to outpace the volume of completed projects only in Q3 2010.
- We consider that rent rates are sensitive to changes of the vacancy rate share, and not to its level. Thus, the decrease in vacancy rate will stimulate rental growth after Q3 2010.

5.5 Moscow Residential Market Overview

The residential real estate market is currently going through a difficult time as priorities have changed and values have been reappraised. In the past, sellers focused first on the quantity of their projects rather than their quality and buyers could not find enough time to analyze new projects constantly coming to the market. Now it is safe to say that the times when people bought anything which appeared on the market are gone, today, more balanced decisions are based on detailed analysis.

During H1 2009, 21.6 million m^2 of residential space (233,900 apartments) was delivered in Russia, which is 99.7 % of the volume in H1 2008. Despite the ongoing financial crisis, growth rates in early 2009 showed a positive result. However, the statistics confirm that delivery rates have now decreased considerably versus previous periods.

As far as residential construction is concerned, it is expected that 10 million m^2 less will be delivered than in 2008. It is planned to build 54 million m^2 in Russia this year. Moscow Region is the leader in terms of residential buildings delivered, the plans were fulfilled thanks to social housing programs. In all it is scheduled to build 4.5 million m^2 in Moscow of which 2.5 million m^2 will be built within the framework of social housing programs.

Despite the crisis, the main programs to free land for new construction are under way in Moscow. In early 2009, there were active discussions regarding the reduction of manufacturing areas, demolition and reconstruction programs and development of land along electricity transmission lines amongst others.

Among new projects announced in H1 2009 are Kantemirovsky residential urban neighbourhood which will be developed near Tsaritsyno Park. The total residential area is 370,000 m^2, creating an urban neighbourhood consisting of 15 buildings with multi-level underground parking.

Also, construction of a multifunctional centre in North-East Administrative District (intersection of Sukhonskaya street and Dezhneva street) was announced. The area of the land plot for construction is 0.9 ha, the area of the centre is 54,100 m^2. The project is expected to be implemented between 2009 and 2012.

Since the beginning of the year, we have witnessed some activity in the newly constructed residential market, supply volume decreased by almost 2%. In H1 2009, new supply came into the market, both completed complexes and those under construction. Sales commenced in “Brent” residential complex (Vavilova street 54), “Duet” residential complex (10th Parkovaya street 3-7) and “Prioritet” residential complex (Nagorny boulevard 39a).

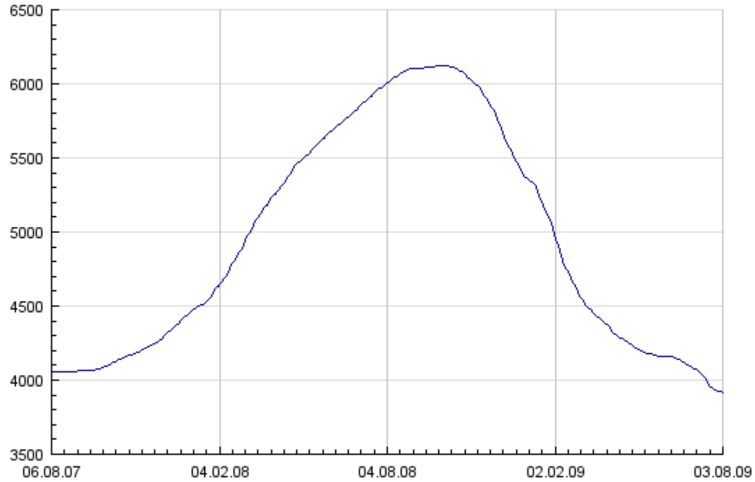
There are no new projects due to start construction, except social programs. This shows that further development of other construction projects will depend upon the market situation. Should there be neither financing nor active sales, decrease of new supply volume is inevitable.

In H1 2009, demand for residential properties was at an extremely low level. Many buyers left the market as they were impacted by the financial crisis, while other buyers were in no hurry to take a decision waiting for further price correction and relative market stability. This was compounded by stagnation in the residential mortgage market.

The number of enquiries and viewings grew, although, many buyers were interested only in having tours while postponing the purchase decision. Some deals were completed in the residential market, but according to research by IntermarkSavills the number of deals in H1 2009 in Moscow decreased by six times compared to H1 2008.

This has resulted in a reduction in the sale prices of residential premises in Moscow during 1H 2009 of around 27% in the primary market, involving newly constructed residential properties and 18% in the secondary market. Since September 2008 the reduction was 33% and 25% respectively.

Index of real estate market prices in Moscow, \$ per m²



Source: www.irn.ru – Real Estate Market Indicators

Elite residential market

In June 2009, new supply came into the elite residential market, while sales resumed in the large-scale Italian Quarter project (Dolgorukovskaya 21, Tverskoy district) by Insigma Group. The project includes construction of 300 apartments measuring from 45 to 250 m^2 with underground parking and infrastructure on a 2.5 ha site. The complex has been designed in an Italian style, current asking prices range between \$6,350 and \$15,400 per m^2. The delivery to the State Commission is planned for Q2 2011.

The volume of new supply in the primary market is shrinking due to two factors, few new buildings are entering the market and the most sought after ones, those with good value to quality ratio and close to completion, are being sold.

In June 2009, the average price for new elite residential properties in Moscow fixed in dollars amounted to \$16,460 per m^2 and to \$24,450 per m^2 for elite apartments in the secondary market. Therefore, the reduction in H1 2009 was 18% in the primary market (newly constructed buildings) and 6% in the secondary market. This shows a higher stability and the demand for the completed buildings in the secondary market.

Apartments

Apartments are residential premises that are offered for sale or for rent, either fitted-out or in shell-in-core condition. The owners of serviced apartments may enjoy the benefits of hotel services if the apartments form part of a hotel.

The main features of service apartments, which differ from hotel rooms, are:

- the similarity to residential premises;
- the existence of an equipped kitchen and household appliances;
- the lack of traditional hotel services, such as cleaning services, porter's and administrator's services.

These apartments are principally different from flats in that they have the status of non-residential premises and their owners can not be registered in them, as in residential premises. As a consequence of their special legal status, apartments are an alternative way to develop residential premises. The advantage of apartments for a development is the diversification of the designation of multifunctional complexes.

Another characteristic feature of apartments is their specific target audience, this is largely represented by rich business people. Apartments are mainly owned by top-managers (70 percent), who also have a flat in Moscow or a cottage in Moscow region. Therefore, in most cases, apartments do not provide permanent living premises but rather are regarded as either a place for temporary stays not far from the office, or for business purposes.

Currently the market for apartments in Moscow is poorly developed and highly centralised. The projects that include apartments are mainly within complex developments in the city centre, as well as at the Moscow City.

At present, apartments are considered to be a rather new product, the supply of apartments in Moscow is limited and there are almost no completed projects with apartments in the Moscow region. In Moscow, apartments are put up for sale in towers of the Moscow City complex, including the Federation complex, the Capital City complex and Imperia Tower. Tower B of Federation complex was put into operation in Q4 2007. The Capital City complex, Imperia Tower and Tower A of Federation Tower are planned to be placed into commission between 2009 and 2011.

In the table below, some development projects that include apartments are provided.

Table № 8

Project name	Location	Developer	Gross area of apartments	Commissioning planned
Kremlevskiy	Red Square	Mezhprombank	25,000	2009
Freestyle Park	Kievskoe Sh.	MT Development	15,000	2010
Kremlin Sites	Sofiyskaya Emb.	Dekra	80,000	2010
Park City	Tarasa Shevchenko Emb.	Pik	220,000	2010
Tverskaya Zastava	1-aya Brestskaya Str.	AFI Development	16,800	2011
Imperia Tower	Moscow City	Akva City Palace	40,000	2009
Federation Tower	Moscow City	Mirax Group	78,000	2009
Russia	Varvarka Str.	ST Development	10,000	2011-2012
Capital City	Moscow City	Capital Group	101,440	2009
Evrazia Tower	Moscow City	MosCityGroup	21,185	2010
Azro Park	Leningradskiy Pr.	Dinamo	N/A	2012
Luzhnetskaya Embassy	Luzhnetskaya Emb.	Mirax Group	200,000	2013
Mirax Plaza	Kutuzovkiy Pr.	Mirax Group	N/A	2013

Source: JLL research and data from open sources

At present, it is difficult to define whether these projects will be leased as serviced apartments, run by hotel operators or sold as flats without registration rights. Currently, the supply of apartments in Moscow is limited and consequently it is difficult to analyse this market. Due to the challenging market conditions, a number of projects with apartments are frozen due to a lack of finance and market uncertainty.

Apartments are high-budget residential real estate and can be classified as elite residential. In the 1st half of 2009, the prices for elite residential property dropped significantly, showing a decrease of 18% percent on the primary market.

The prices in the above mentioned complexes range from $7,000 to $18,000 per m^2 (including VAT), depending on the size, floor and the views of an apartment. Discounts are available in each particular case and those buyers who can offer immediate cash without needing to obtain credit are more likely to secure higher discounts.

However, large foreign companies, whose employees create nearly 70 percent of the demand for this kind of property, have largely stopped looking for apartments and will possibly reduce staff numbers, so bringing down demand. If in the meantime, the volume of supply grows then rental rates are likely to come under pressure. One possible outcome is that some potential buyers may enter the rental market from the sales market.

In terms of apartments for rent, such as in Park Place where there are long-term lease contracts for one to three years in place and where the target audience is the diplomatic corps, the prices are not likely to drop.

Conclusions

Taking current market conditions into account, we consider short to medium term trends will be as follows:

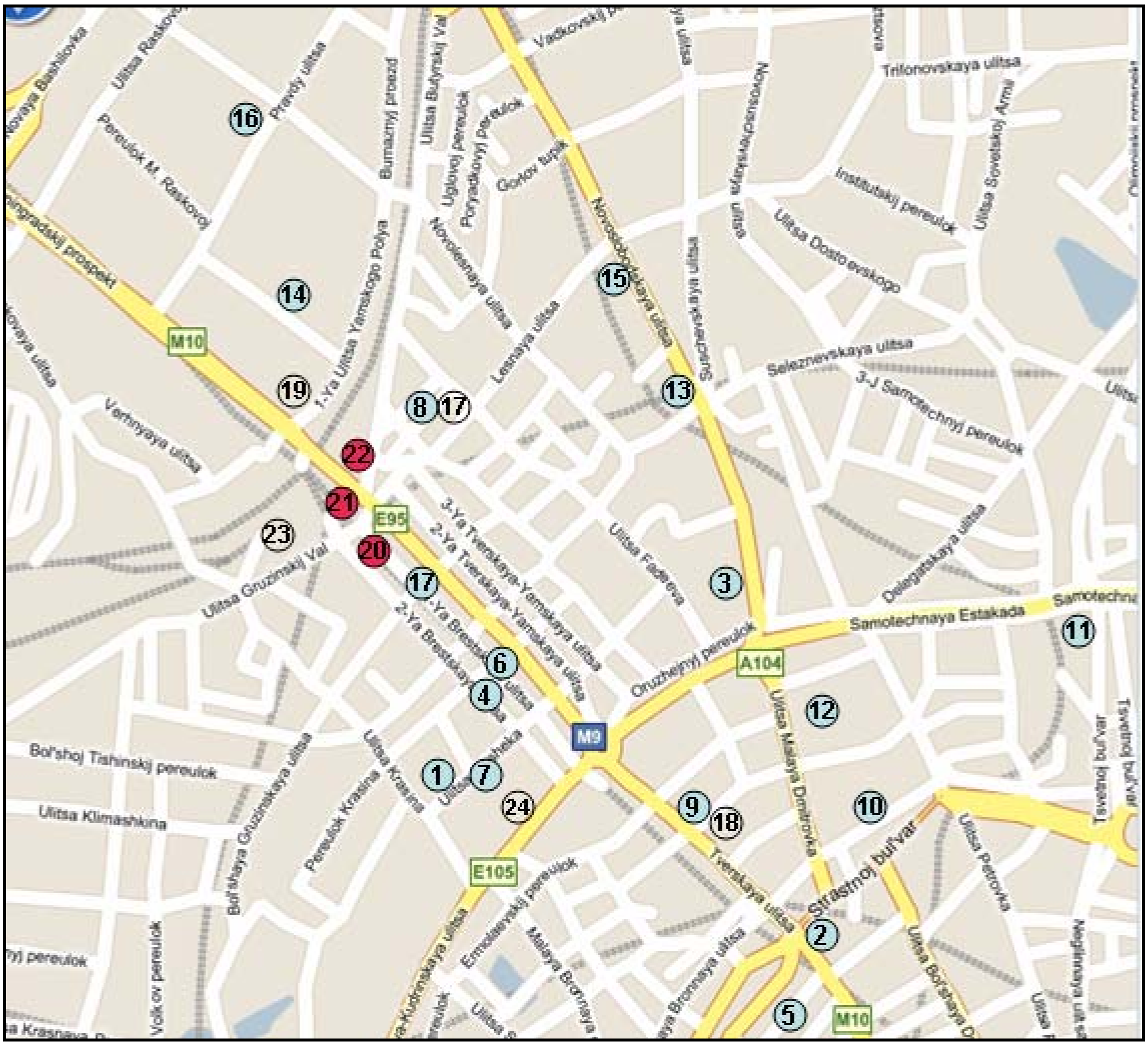
- The time of rapid price inflation, when buyers didn't have enough time to see all properties which came into the market, are gone.
- Buyers are searching for truly high quality properties.
- People are more focused on apartments in the secondary market or on apartments in completed new buildings, as it is more risky to purchase a property in a building under construction. Also, deals are only made if properties are offered with a significant discount.
- Despite hard economic circumstances and a decrease in real estate investment volumes, new entrants are still coming to the market. The opportunity to obtain construction sites and frozen development projects at a considerable discount is a strong decision making factor for investors to enter the market.
- In 2009-2010 the market will face a further decline in developer activity, some projects have been stalled or cancelled and the majority of projects that are currently at the planning stage will be postponed for delivery in 2011 and later. The population's declining income growth leads to a downward shift in demand for residential space.
- Demand for quality residential space is also decreasing due to tougher mortgage terms. However, it is worth noting that only 20 percent of all apartments have a mortgage, which is why the main factor affecting demand is a psychological one since financial markets all over the world remain unstable.

6 Local Market Overview

6.1 Local office market overview

6.1.1 Local office competition

In accordance with Jones Lang LaSalle's office market breakdown, the property is located between Zone 1 (inside the Garden Ring) and Zone 2 (between the Garden Ring and Third Ring Road), in the North-West submarket. On this basis, we include below a list of the existing and future local competitors (Class A and B+ office centres):



Existing Class A and B+ offices

1	Ducat Place 2, Gasheka str., 7, 8-10
2	Galereya Akter, Tverskaya Ul., 16/2 bld. 1, bld. 3
3	Sadovaya Plaza, Dolgorukovskaya str., 7
4	Panorama Centre, 2nd Brestskaya str., 8
5	Samsung Center, Bolshoy Gnezdikovsky per, 1-2
6	Capital Tower, 1st Brestskaya str., 29/22
7	Ducat Place 3, Gasheka str., 6
8	Capital Plaza, 4th Lesnoy per., 4
9	Chaika Plaza V, Tverskaya Ul. 22/2 bld. 1
10	Puzhkinsky Dom, Strastnoy blvd. 9
11	Mosenka Plaza III, Sadovaya-Samotechnaya Ul. 24/27
12	School of Journalism, Malaya Dmitrovka, 20-24
13	Meyerhold Center, Novoslobodskaya Ul. 23
14	Golden Age BC, 3 Yamskogo Polya Ul. 18
15	Chaika Plaza VII, Novoslobodskaya Ul. 41
16	Severnoye Siyanie, Pravdy Ul., 26
17	Four Winds, Bolshaya Gruzinskaya street, 69 - 71

Planned / Under construction Class A offices

17	White Square, Lesnaya str., 15
18	Summit, Tverskaya str., 22
19	Slava, Leningradsky av., 8
23	Plaza IV, Gruzinsky Val 11
24	Pekin, Bolshaya Sadovaya Ul., 5

Proposed development

20	Subject Property: Plaza I, 1st Brestskaya street, 64-66 and 2nd Brestskaya street, 50/2
21	Plaza II, Gruzinsky val, 31
22	Plaza II-a, Butyrsky val, bld.1

Source: Jones Lang LaSalle

Listed in Appendix II is a summary of those projects within the immediate sector of the market that we consider to be competitive to the subject property, both in terms of existing projects and those planned in the future.

To summarise, the North-West submarkets of Zone 1 and Zone 2 of the City of Moscow are characterised by a large amount of current and planned office projects of Class A standard, which will lead to a greater degree of competition between such developments, once the planned projects have been completed. However, it should be noted that, due to the financial crisis, the completion of the majority of projects may be delayed significantly.

6.1.2 Rental Value and Tenant Demand

In arriving at our opinion of rental value in respect of the property, we have had regard to a range of comparable buildings located in the area of the subject property, as follows:

Table № 9

#	Photo	Description
1		Ducat III Address: Gasheka Ul., 6 Metro: Mayakovskaya Developer: Hines Class: A Year of construction: 2006 GLA, m^2: 18,225 Asking office rent rate, USD per m^2 per annum: $850 (sub-lease of fitted-out space) Parking rent rate, USD per lot per month: $400 Description: 14-storey Class A office centre with 3-level underground parking (parking ratio 1/62m^2). Rentable area - 31,000m^2. Highly efficient column free office lay-out, state-of-the-art technological systems. Modern architectural design. 5,000m^2 is offered for sublease, including 68 spaces in underground parking.
3		Sadovaya Plaza Address: Dolgorukovskaya Ul., 7 Metro: Novoslobodskaya Developer: Enka Class: A Year of construction: 2002 GLA, m^2: 12,600 Asking office rent rate, EURO per m^2 per annum: 550 (fitted-out space) Parking rent rate, EURO per lot per month: 350 Description: 14-storey Class A office and retail centre comprising a total area of 19,286m^2, offering 2-level underground parking and surface parking. Ownership title is in place.
5		Arbatskaya Square, 1 Address: Arbatskaya Square, 1 Metro: Arbatskaya Developer: Investproekt Class: A Year of construction: 2009 GLA, m^2: 21,879 Asking office rent rate, EURO per m^2 per annum: 550 (shell & core premises) Parking rent rate, EURO per lot per month: 400 Description: Newly constructed 7-storey Class A Premium office building comprising 31,430m^2 gross. A novel architectural solution: restored ancient façade integrated with modern design. Surface part includes 21,879 ^{2}m. State-of-the-art engineering systems. All modern amenities. 3-level underground parking with parking ratio of one space per 90m^2 of rentable area.

#	Photo	Description
8		White Square Address: Lesnaya Ul., 15 Metro: Mayakovskaya Developer: AIG/Lincoln Class: A Year of construcion: 2009 GLA, m^2: 29,878 (bld.A), 26,366 (bld.B), 8,587 (bld.C) Asking office rent rate, USD per m^2 per annum: 650 – 700 (shell & core premises) Parking rent rate, USD per lot per month: 300 Description: A new Class A office complex consisting of three buildings with total area 74,000m^2. Unique business environment. High efficiency and flexibility of office premises: spacious floor plates, low loss factor, big windows. Up-to-date engineering and security systems, the highest architectural design standards. Office complex infrastructure provides all required amenities: fitness centre, cafeterias, shops, restaurants. Ample underground parking with parking ratio 1/100m^2.
9		Capital Plaza Address: 4th Lesnoy Per., 4 Metro: Belorusskaya Developer: Capital Group Class: A Refurbishment year: 2009 GLA, m^2: 38,078 Office rent rate, USD per m^2 per annum: 900 (sub-lease of fitted-out space) Parking rent rate, USD per lot per month: 300 Description: Class A 14-storey office building developed by Capital Group. Total area - 50,736m^2 including office area - 38,662m^2. All modern engineering systems are installed: independent 2-pipe central air-conditioning, fibre optics telecommunication, fire alarm Security Pro etc. 3-level underground parking with parking ratio 1/90. Open plan floor plate.

Source: Jones Lang LaSalle

In forming our opinion of rental value in respect of the subject property, we have had regard to current quoting rents for accommodation offered mainly for sub-lease on a fitted-out basis. According to our market research, the asking rents for such properties in the subject area vary from \$750 to \$900 per m^2 per annum (excluding OpEx and VAT), while the premises in a shell & core condition are offered at \$650 – \$700 per m^2. Rental values for underground car parking spaces vary from \$400 to \$550 per space per month.

6.1.3 Conclusions

Following the results of office market analysis, taking into account the location and characteristics of the subject property and based on our conversation with brokers who actively participate in lease transactions, we have made the following assumptions on rents in Plaza I buildings, assuming space is fitted out:

Table № 10

Type of tenant	GLA (m^2)	Base rent (\$ per m^2)
Offices	13,061	800
Retail (restaurants and shops)	3,019	800
Car parking for rent, spaces	241	400
Total GLA	16,080	

6.2 Local residential market overview

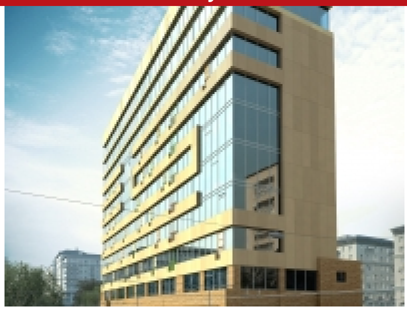
The table below shows some examples of residential properties offered, as at the valuation date, on the primary market in the Tverskoy District to support our assumptions on the residential sales price for Tverskoy District.

Table № 11

	Tverskoy District	Description[1]
1		**Makhaon** Schemilovsky 2-y Pereulok, 5A Building type: Club House Construction stage: Under construction (10 floors built) State Commission: 2010 Number of Floors: 20 Number of Flats: 100 Parking: Underground 2 level – $63,918 3 level – $57,526 Flats left: Flats on floors 9, 11, 12, 16, 18, 19, 20 Flat Area, m² / Floor / Decoration type / Price, $ per m² 166 / 11 / shell & core / $7,200 137 / 9 / shell & core / $8,200
2		**Tverskaya Plaza** Seleznevskaya St, 24-26, bld.1 Building type: Elite House Construction stage: Under construction (finishing works) State Commission: Q4 2009 Number of Floors: 7 Number of Flats: 24 Parking: Underground multileveled $76,702 Flats left: Flats on floors 2, 3, 4, 6, 7 Flat Area, m² / Floor / Decoration type / Price, $ per m² 138 / 2 / shell & core / $9,628 152 / 7 / shell & core / $10,866

[1] Exchange rate as at 30.06.2009: 1USD = 31,2904 RUR, 1EURO = 43.8191 RUR

Tverskoy District	Description[1]

3 

Residential House “Tverskoy”
3rd Tverskaya-Yamskaya St., 4-10

Building type	Elite House
Construction stage	Under construction (10 floors built)
State Commission	Q3 2010
Number of Floors	18
Number of Flats	27
Parking	Underground
	$100,000

Flat Area, m2	Floor	Decoration type	Price, $ per m2
157	3-4	shell & core	$ 10,000
157	7	shell & core	$ 12,000

4 

Italian Quarter
Dolgorukovskaya St., 21

Building type	Elite House
Construction stage	Under construction (1-2floors built)
State Commission	2011
Number of Floors	13 houses from 5 to 10 floors
Number of Flats	238
Parking	Two-leveled, underground, $50,000-80,000

Flat Area, m2	Floor	Decoration type	Price, $ per m2
60-250		shell & core	$6350-15,400

7 

4 Winds
Bolshaya Gruzinskaya St., 69-71

Construction stage	Completed
State Commission	Accepted
Number of Floors	10
Number of Flats	104
Parking	Underground $130,000
Comments	7-10 flats remaining

Flat Area, m2	Floor	Decoration type	Price, $ per m2
174	9	shell & core	$14,500
133,3	3	shell & core	$13,000
169,9	4	shell & core	$11,500
173	7	shell & core	$11,000

6.2.1 Conclusions

Below we summarise the factors that we have taken into account when estimating residential prices in the Plaza I project:

- Location

Plaza I is located in the Tverskoy region of the Central Administrative district, which is a prestigious and highly-demanded residential location where the prices for residential are among the highest in Moscow.

- Characteristics (class) of the property

Based on the property specifications provided by client, we have concluded that its characteristics can be classified as Business-Class.

- Stage of construction

The table above shows the prices in comparable residential properties, which are at different construction stages. Usually, apartments are offered in a shell & core condition. The prices vary depending on the floor, viewing characteristics, type of the property, total number of apartments in the building and construction stage. For instance, at the initial construction stage the prices range between \$6,350 and \$15,400 per m^2, in the middle of construction the prices vary between \$7,200 and \$12,000 per m^2, while at the final construction stage the offered prices are between \$10,000 and \$14,500 per m^2. In terms of underground car parking, the sale prices range from \$50,000 to \$130,000 per space.

Based on our analysis, we have arrived at the following prices, which were adopted in our valuation:

- Average sale price for apartments - \$9,500 per m^2 (excluding VAT)
- Price per car parking space – \$85,000 (excluding VAT)

The prices above are the average of the range reflecting the prices at ‘zero cycle’ construction stage.

7 Saleability

The subject property will comprise part of a high-profile mixed-use development located in an established district of the city. In evaluating the commercial potential of the office element of the project, it is necessary to take into account it's location in one of the most attractive business districts of the city, where the rent rates are among the highest in Moscow. The Tverskoy district is highly attractive among tenants looking for Class A offices. The close proximity to the metro, as well as excellent transport accessibility will be competitive advantages for the project which will make it particularly attractive.

The residential segment of the property will also be in demand with the potential buyers, given the high popularity and prestige of the location.

The hotel will be mainly used by business people. It is necessary to mention that it is situated in a business district where, besides the offices in the subject property, there are many other office buildings. There will be immediate access to Leningradsky Avenue and, as a result, easy access to Sheremetevo International Airport.

It should be also taken into account that as at the valuation date there is a limited number of transactions in the market. The majority of buyers are seeking to purchase the assets taking advantage of the temporary problems that some developers or investors are having with financing, hence they are targeting distressed assets. At the same time, those owners who do not have problems with financing or other factors which may force them to sale their assets are not looking to sell at distressed levels. There is, therefore, a gap between the expectations of buyers and sellers at present. However, our valuation assumes that both parties will be reasonable and also allows for an appropriate marketing period to arrive at a sale, having taken place by the date of valuation. Current conditions dictate that this marketing period is likely to be at least 12 months.

8 Valuation Commentary

In arriving at our opinion of Market Value we have adopted the residual method of valuation. The residual valuation approach involves the calculation of the value of the property upon completion of the development, through the capitalisation of an anticipated rental income at a chosen yield, from which all costs required to develop the property are deducted, including an allowance, where appropriate, for a profit payment to the developer. This approach is particularly suitable for properties which are in the course of construction.

The value of the property assuming completion at the valuation date is assessed, known as the Gross Development Value or GDV, as opposed to a projected future value as derived in a DCF. Rental values and capitalisation rates are drawn from our research of the market and agents, together with our experience and any existing agreements the developer has in place. The outstanding costs to realise the development of the property, allowing for an element of developer's profit where appropriate, are deducted from the GDV. These costs are derived from both the client's estimates, where available and also our opinion based on our experience of market practice and previous valuations. The timing of the different development stages is also reflected in this method in terms of the cost of financing the development, as is any income received upon completion prior to sale, during what is often referred to as a holding period to allow for stabilisation the rental income. Once these deductions have been made the remaining sum represents the Market Value of the site.

In adopting this method we have employed the use of the 'Circle Visual Developer' valuation software and, therefore, it is often referred to as the 'Circle' method.

We set out below a summary of the main inputs that form part of our valuation.

8.1 Gross Development Value (GDV)

The GDV of the property reflects our opinion of its value upon completion, on the basis that it has been completed as at the date of valuation. In arriving at our opinion of GDV for the subject property, we have capitalised our opinion of the net operating income (NOI) of the commercial element of the property, having adopted the rental rates set out earlier within this report.

With regards to the Plaza I, our estimates of the Net Operating Income were based on the 'triple net lease' scenario. In accordance with this scenario the applied rents are net of any operating expenses which the owner bears in operating the building (including property management, repairs, taxes, land rental payments, insurance etc.). In accordance with the current market practice, those expenses would be recovered from the tenants in modern high-quality office buildings.

We set out below a summary of NOI estimation for the subject property, which forms the basis of our valuation.

Table № 12

Indices	Formula	
Plaza I b and Ic (excluding hotel and residential)		
Potential gross income, '000 $/year (PGI)		13,001
Payments and vacancy losses, '000 $/year (L)	5%	580
Effective gross income, '000 $/year (EGI)	PGI-L	12,421
Net operating income, '000 $/year (NOI)		12,421

Plaza I a (excluding residential)		
Potential gross income, '000 $/year (PGI)		1,019
Payments and vacancy losses, '000 $/year (L)	0%	0
Effective gross income, '000 $/year (EGI)	PGI-L	1,019
Net operating income, '000 $/year (NOI)		1,019

Operating expenses for Plaza I have been estimated based on a rate of approximately \$120 per m^2 and are assumed to cover all the expenses of the owner.

With regard to the residential accommodation which forms part of the subject property, we have adopted a sale rate on a \$ per m^2 basis and have added the capital value of this element to the overall GDV.

Having taken into account the comparable transactions as outlined above, we have capitalised our opinions of NOI in respect of the commercial accommodation at the yields set out in the table below. We also indicated below the rates per m^2 or per parking space that we have adopted with regard to the residential units or car parking spaces.

The table below summarises the income and GDV:

Table № 13

Accommodation	Size (m^2)	Rate per m^2	Net rent per annum	Yield	GDV
Plaza I b and Plaza I c					
Retail	1,745	$800	1,396,080	11.50%	12,139,826
Offices	13,061	$800	9,926,360	11.50%	86,316,174
Car parking	5,502	$210.25	1,098,960	11.50%	9,556,184
Hotel	36,054	$1,217.53	n/a	n/a	111,100,000
Sales - apartments	12,941	$9,500	n/a	n/a	122,948,240
Sales – car parking	9,264	$2,569.03	n/a	n/a	23,800,000
Subtotal			12,421,401		365,860,424
Plaza I a					
Sales - apartments	25,538	$9,500	n/a	n/a	242,611,000
Sales – car parking	13,830	$2,907.09	n/a	n/a	40,205,000
Retail	1,274	$800	1,019,200	12%	8,493,333
Subtotal			1,019,200		291,309,333
TOTAL			13,440,601		657,169,757

The property also includes a proposed hotel, which we have also had regard to within the GDV calculation. This element of the property has been subject to a separate valuation report, which is attached to this report as Appendix III. The GDV of the hotel equates to \$111,100,000 and is based upon a capitalisation rate of 14.25 percent. It shall be noted that Appendix III, containing the valuation of the Hotel part of the property, contains the Likely Future Value of the Hotel upon completion, which was estimated as \$125,000,000. This sum has been adjusted to reflect the value of the hotel as if it was completed as at the valuation date.

8.2 Construction Costs

Set out below is a summary of the construction costs incorporated into our valuation, with the initial budgeted costs, those incurred and those outstanding, shown. These figures have been arrived at with regard to those costs provided to us by the client but having also taken into account our own enquiries and experience.

Table № 14

Type of works	Total budget, '000 $	Actual, '000 $	Outstanding budget, '000 $
Plaza I b and Plaza I c			
GBA	83,449		
City share	12,381	0	12,381
Rights	8,225	8,225	0
Tenants relocation	40,354	15,885	24,469
Design	5,642	1,108	4,534
Demolition costs	502	0	502
Construction	75,104	85	75,104
Hotel fit-out	37,727	0	37,727
Offices fit-out	1,959	0	1,959
Utilities	23,337	1,406	21,931
Marketing	751	124	751
Project management	2,296	1,883	2,296
Contingencies	5,630	427	5,078
TOTAL (construction)	213,909	29,143	186,733
Total per m2	2,563		2,238

Table № 15

Type of works	Total budget, '000 $, 100% share	Actual, '000 $	Outstanding budget '000 $, 100% share	Outstanding budget, '000 $, 91% share
Plaza I a				
GBA	51,263			
City share	7,129	0	7,129	7,129
Design	2,307	681	1,626	1,480
Construction	46,137	0	46,137	41,984
Utilities	14,336	865	13,471	12,259
Marketing	461	76	461	420
Project management	923	1,156	923	840
Contingencies	1,925	262	1,879	1,709
TOTAL (construction)	73,217	3,040	71,625	65,820
Total per m2	1,428		1,397	

It should be noted that in estimating development costs we have made the following general assumptions:

– City share estimation

With regards to the amount of the city share estimation, we have had the regard to the Moscow Government Decree №46 dated 27 January 2009. Based on that Decree, the city share is calculated as 60% of the site cadastral value and may reach 80%, if the developer exceeds the permitted development density. On this basis, the total amount of the city share for Plaza I is $19,510,000. This sum has been divided proportionally between phases Plaza I b, Plaza Ic and Plaza I a.

– The amount of the costs for purchase of rights and tenant relocation has been based on the budgets provided to us by the client.
– When estimating construction costs we have proceeded from the assumption that all areas, excluding the hotel and offices, are shell and core.
– Cost of utilities has been based on client's data.
– Base construction costs (shell & core) are estimated as $900 per m^2 excluding VAT.
– Hotel fit-out costs are estimated as $1,200 per m^2 of the hotel space.
– Offices fit-out costs are estimated as $150 per sq m of lettable area.
– Design costs within have been estimated as 5 percent of the construction costs.
– Marketing costs are estimated as 1 percent of base construction costs.
– Project management costs have been estimated by us as 2 percent of the construction costs.
– Contingencies are estimated at 3 percent of the total sum of development costs excluding purchase of rights, tenant relocation and city share;
– Construction costs exclude VAT;

8.3 Development Period

We set out below the timing assumptions of the various phases of construction that we have adopted within our residual valuation:

Table № 16

Development Timing Assumptions		
Plaza I b and Plaza I c		
Pre-construction period	18	months
Construction period	30	months
Post development	12	months
Income Flow	12	months
Part Length	60	months
Plaza I a		
Pre-construction period	24	months
Construction period	24	months
Post development	24	months
Income Flow	6	months
Part Length	72	months

8.4 Agents' Fees

In respect of the residential sales, we have deducted sales agents' fees of 2 percent of the GDV. With regard to letting fees for the commercial space, we have assumed agents' fees equating to 8 percent of the rental value and legal fees of 2 percent.

8.5 Finance

We have anticipated a finance cost of 16 percent.

8.6 Profit

Our appraisal reflects an allowance for profit for Plaza I as 15 percent of the development costs.

This amounts to a sum of approximately $86,955,187. We consider that this is the level of profit that would be expected by developers undertaking a speculative scheme of this nature.

Having undertaken an appraisal on this basis, this produces a residual site value of approximately $141,275,000.

9 Valuation

9.1 Market Value

We are of the opinion that the Market Value of the subject property, as at 30 June 2009, equates to:

$141,275,000

(One Hundred and Forty One Million Two Hundred and Seventy Five Thousand US Dollars)

9.2 Realisation Costs

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

9.3 Exchange Rates

We have indicated the Market Values of the subject properties in the attached valuation schedule in US Dollars. In arriving at our opinions of value we have adopted the exchange rate of the $ (USD) against the Russian Rouble (RUR) of 1 USD = 31.2904 RUR.

9.4 Responsibility

This Valuation Report has been prepared for and only for AFI Development PLC for the purposes of assisting the Company to value the asset as at 30 June 2009 on the Market Value basis, for the purpose stated above in this Valuation Report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility or liability in respect of the whole or any part of the Valuation Report for any other purpose or to any other person or entity to whom the report or valuation is shown or disclosed or into whose hands it may come, whether published with our consent or otherwise, except where expressly agreed by our prior consent in writing.

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

Yours faithfully

R. C. Mayhew

Robert C Mayhew BSc (Hons), MRICS

European Director

For and on behalf of Jones Lang LaSalle

Sergey Belov MS, MRICS

National Director

Appendix I

Calculations

Jones Lang LaSalle Ltd

Development Appraisal

Plaza I

Moscow
RUSSIA

Report Date: 14 August 2009

APPRAISAL SUMMARY JONES LANG LASALLE LTD

Tverskaya Zastava

Summary Appraisal for Plaza I b and I c

REVENUE

Sales Valuation	**m²**	**Rate m²**	**Gross Sales**	
Apartments	12,941.92	$9,500.00	122,948,240	
Car Parking	9,264.20	$2,569.03	23,800,000	
Hotel	36,054.00	$1,217.53	111,100,000	
Totals	58,260.12		257,848,240	**257,848,240**

Rental Area Summary	**m²**	**Rate m²**	**Gross MRV**	**Adjustment**	**Net Income**
Retail	1,745.10	$800.00	1,396,080	0	1,396,080
Offices	13,061.00	$800.00	10,448,800	(522,440)	9,926,360
Car Parking	5,502.01	$210.25	1,156,801	(57,840)	1,098,961
Totals	20,308.11		13,001,681	(580,280)	12,421,401

Investment Valuation

Retail					
Current Rent	1,396,080	YP @	11.5000%	8.6957	12,139,826
Offices					
Current Rent	9,926,360	YP @	11.5000%	8.6957	86,316,174
Car Parking					
Current Rent	1,098,961	YP @	11.5000%	8.6957	9,556,184
					108,012,184

GROSS DEVELOPMENT VALUE		365,860,424
Income from Tenants		
Retail	1,047,060	
Offices	7,444,770	
Car Parking	824,221	
		9,316,051
NET REALISATION		**375,176,475**

OUTLAY

ACQUISITION COSTS

Residualised Price (0.66 Ha $74,340,431.54 pHect)	49,064,685
	49,064,685

CONSTRUCTION COSTS

Construction	**m²**	**Rate m²**	**Cost**	
Retail	1,939.00	$900.00	1,745,100	
Offices	14,512.00	$900.00	13,060,800	
Car Parking	5,502.01	$900.00	4,951,811	
Apartments	16,177.40	$900.00	14,559,660	
Car Parking	9,264.20	$899.98	8,337,622	
Hotel	36,054.00	$900.00	32,448,600	
Totals	83,448.61		75,103,592	**75,103,592**
Contingency			5,018,000	
				5,018,000

Other Construction

Tenant relocation	24,469,000
Utilities	21,931,000
Hotel fit-out	37,727,000

APPRAISAL SUMMARY JONES LANG LASALLE LTD

Tverskaya Zastava

Demolition costs		502,000	
Offices fit-out costs		1,959,150	
			86,588,150
Municipal Costs			
Municipal Costs		12,381,089	
			12,381,089
PROFESSIONAL FEES			
Architect		4,534,000	
Project Manager	2.00%	2,295,795	
			6,829,795
MARKETING & LETTING			
Marketing	1.00%	751,036	
Letting Agent Fee	8.00%	1,040,134	
Letting Legal Fee	2.00%	260,034	
			2,051,204
DISPOSAL FEES			
Sales Agent Fee	2.00%	2,934,965	
			2,934,965
Additional Costs			
Additional Costs		248,848	
			248,848
FINANCE			
Debit Rate 16.0000% Credit Rate 16.0000% (Nominal)			
Land		42,373,684	
Construction		36,597,902	
Other		7,048,448	
Total Finance Cost			86,020,034
TOTAL COSTS			**326,240,362**
PROFIT			
			48,936,113

Performance Measures

Profit on Cost%	15.00%
Profit on GDV%	13.38%
Profit on NDV%	13.38%
Development Yield% (on MRV)	3.81%
Equivalent Yield% (Nominal)	11.50%
Equivalent Yield% (True)	12.38%
Gross Initial Yield%	11.50%
Net Initial Yield%	11.50%
Rent Cover	3 yrs 9 mths
Profit Erosion (finance rate 16.000%)	0 yrs 11 mths

* Variable Sinking Fund & Tax rates applied

APPRAISAL SUMMARY JONES LANG LASALLE LTD

Tverskaya Zastava

Summary Appraisal for Plaza I a

REVENUE				
Sales Valuation	**m²**	**Rate m²**	**Gross Sales**	
Apartments	25,538.00	$9,500.00	242,611,000	
Car Parking	13,830.00	$2,907.09	40,205,000	
Totals	39,368.00		282,816,000	**282,816,000**
Rental Area Summary	**m²**	**Rate m²**	**Gross MRV**	
Retail	1,274.00	$800.00	1,019,200	
Investment Valuation				
Retail				
Current Rent	1,019,200	YP @	12.0000%	8.3333
GROSS DEVELOPMENT VALUE				291,309,333
Income from Tenants				169,867
NET REALISATION				**291,479,200**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (0.38 Ha $242,660,656.32 pHect)				92,211,049
				92,211,049
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
Retail	1,400.00	$819.00	1,146,600	
Apartments	36,033.00	$819.00	29,511,027	
Car Parking	13,830.00	$819.00	11,326,765	
Totals	51,263.00		41,984,392	**41,984,392**
Contingency			1,709,000	
				1,709,000
Other Construction				
Utilities			12,259,000	
				12,259,000
Municipal Costs				
Municipal Costs			7,128,506	
				7,128,506
PROFESSIONAL FEES				
Architect			1,480,000	
Project Manager		2.00%	839,688	
				2,319,688
MARKETING & LETTING				
Marketing		1.00%	419,844	
Letting Agent Fee		8.00%	81,536	
Letting Legal Fee		2.00%	20,384	
				521,764
DISPOSAL FEES				
Sales Agent Fee		2.00%	5,656,320	
				5,656,320
Additional Costs				

APPRAISAL SUMMARY JONES LANG LASALLE LTD

Tverskaya Zastava

Additional Costs	601,470	
		601,470
FINANCE		
Debit Rate 16.0000% Credit Rate 16.0000% (Nominal)		
Land	79,636,136	
Construction	(2,893,563)	
Other	12,326,364	
Total Finance Cost		89,068,937
TOTAL COSTS		**253,460,125**
PROFIT		
		38,019,075

Performance Measures

Profit on Cost%	15.00%
Profit on GDV%	13.05%
Profit on NDV%	13.05%
Development Yield% (on MRV)	0.40%
Equivalent Yield% (Nominal)	12.00%
Equivalent Yield% (True)	12.96%
Gross Initial Yield%	12.00%
Net Initial Yield%	12.00%
Rent Cover	37 yrs 4 mths
Profit Erosion (finance rate 16.000%)	0 yrs 11 mths

Appendix II

Competing Projects

Key Competing Projects - Existing Office Buildings of Class A and B+

Business Centre	Picture	Location	Developer	Office area (sqm)	Year of Construction	Comments
Ducat Place 2		Gasheka ul., 7, 8-10	Hines	13,172	1997	Location near to metro; Well-known developer; Professional management. Lack of parking spaces; Bad accessibility by car; Heavy traffic in the area.
Galereya Akter		Tverskaya ul. , 16/2 bld. 4	Moscow City Govt./ Microdin Interros	8,899	1996 reconstruction	Very central location on the intersection of Tverskaya street and the boulevard Ring, offering easy access to all parts of Moscow. Lack of parking spaces;
Sadovaya Plaza		Dolgorukovskaya ul., 7	ENKA	12,002	2002	14-storey Class A office and retail centre comprising the total area of 19,286 m^2, offering 2-level underground parking and surface parking. Ownership title is in place.
Panorama Centre		2nd Brestskaya ul., 8	Expo Vel	21,450	2003	High-quality engineering systems; Location near to metro and to main arterial roads of the city. Lack of parking spaces; Heavy traffic in the area; Unprofessional operator.

Business Centre	Picture	Location	Developer	Office area (sqm)	Year of Construction	Comments
Samsung Centre	n/a	Bolshoy Gnezdikovsky per. 1-2	Samsung Engineering and Construction Group	8,367	1997	Very central location within 2-minute walk from Tverskaya metro station. Close to Tverskaya St., to the Boulevard and Garden Rings. Perfect access to all parts of the city. Heavy traffic in the area
Capital Tower		1st Brestskaya ul., 29/22	Capital Group	10,968	2004	Near to metro and a number of high-class hotels; Experienced developer; High-quality building. Inconvenient access by car; Heavy traffic in the area.
Ducat Place 3		Gasheka ul., 6	Hines	30,470	2006	High construction quality; Parking; Well-known developer; Effective floor planning; Near to metro; Well-known tenants. Intensive traffic in the area and inconvenient car drive to the property.
Capital Plaza		4th Lesnoy per., 4	Capital Group	38,078	2005	Near to metro; Effective floor planning; Experienced developer. Inconvenient car drive to the property and intensive traffic in the area.

Business Centre	Picture	Location	Developer	Office area (sqm)	Year of Construction	Comments
Chaika Plaza V	n/a	Tverskaya Ul. 22/2 bld. 1	Capital Group, AO Kron	6,885	2005	Within 5 minutes walk to the metro station. Good central location on Tverskaya Ulitsa. Direct access to the Garden Ring, the Boulevard Ring and throughout the city. Heavy traffic in the area.
Pushkinsky Dom	n/a	Strastnoy blvd. 9	Capital Group	12,500	2006	Unique central location within 5 minute walk from Pushkinskaya metro station. Direct access to the Garden Ring and other main roads. Heavy traffic in the area
Mosenka Plaza III	n/a	Sadovaya-Samotechnaya Ul., 24/27	Mosenka	5,251	2008	Located on the Garden Ring, easy access to the centre and throughout the city. Within 5-minute walk from Tsvetnoy Boulvar metro station. Heavy traffic in the area.
School of Journalism	n/a	Malaya Dmitrovka Ul., 22-24	Krost	6,892	2007	The complex is located in the business centre of Moscow within 7-minute walk from Mayakovskaya metro station and 10 minute walk from Tverskaya. This central city location offers convenient access to the Building from Tverskaya Street and Garden Ring. Heavy traffic in the area.
Meyerhold Center	n/a	Novoslobodskaya Ul., 23	Elbert ltd., Interros Estate	8,328	2001	The building is located within 5-minute walk to Taganskaya metro station. Just off the Garden Ring. Easy access to Taganskaya Ul., Nikoloyamskaya Ul. and throughout the city. Heavy traffic in the area.

Business Centre	Picture	Location	Developer	Office area (sqm)	Year of Construction	Comments
Golden Age BC	n/a	3 Yamskogo Polya Ul., 18	UVS	8,341	2007	Building is located within 7-minute walk to Beloruskaya metro station. Close to Tverskaya Ul. and Garden Ring. Easy access throughout the city and Sheremetyevo airport. Heavy traffic in the area.
Chaika Plaza VII	n/a	Novoslobodskaya Ul. 41	IngosStroi Complex	7,140	2002	The building is located within 5 minute walk from the closest metro stations, Mendeleevskaya and Novoslobodskaya. Great central location. Easy access to the Garden Ring, Leningradsky Prospect and the 3rd Ring. Heavy traffic in the area.
Severnoje Siyaniye	n/a	Pravdy Ul., 26	MIAN Development	30,450	2006	The building is located within 5-minute walk from Savelovskaya metro station. Easy access to Lenindradsky Prospekt, to the Third Transport ring, to Butyrsky Val Street and throughout the city. Heavy traffic in the area.
Four Winds		Bolshaya Gruzinskaya street, 69 - 71	Stroyincom-K	18,546	2007	New multifunctional complex with prime location in the centre of Moscow. Well-developed infrastructure.

Key Competing Projects - Future Office Buildings of Class A and B+

Business Centre	Picture	Location	Developer	Office area (sqm)	Year of Construction	Comments
White Square		Lesnaya Str., 15	Capital Group	38,078	2009	Class A, 14-storey office building developed by Capital Group. Total area - 50,736 m^2 including office area - 38,662 m^2. All modern engineering systems are installed: independent 2-pipe central air-conditioning, fibre optics telecommunication, fire alarm Security Pro etc. 3-level underground parking with parking ratio 1/90 m^2. Open plan floor plate.
Summit		Tverskaya Ul., 22	Metalloinvest-Development	17,000	2010	Future multifunctional complex. The building comprises 63,880 m^2 gross including 5-star hotel with 205 rooms, retail and entertainment centre, high-class office premises. Office part includes approximately 17,000 m^2 (3-10 floors), retail - 9,000 m^2. The office lobby is situated on the 1st floor with a separate entrance. Modern amenities and engineering systems: advanced 4-pipe HVAC system, 9 high speed elevators, and ventilated front. Electricity capacity - 100 W/ m^2. Developed infrastructure: restaurant, lobby-bar, fitness centre, SPA. Underground parking for 400 lot with parking ratio 1/80 m^2 .
Slava		Leningradsky av., 8	Stolny Grad	190,000	2013	Different infrastructure; Location near to metro and main artery roads; Large parking provision. Difficulties in large building management; intensive traffic in the area.
Plaza IV	-	Gruzinsky Val, 11	Stroyincom-K	80,000	2013	Projected office centre with prime location near Belorusskaya.
Hotel Pekin		Bolshaya Sadovaya Ul., 5	Systema-Hals	40,000	2012	Planned reconstruction of Hotel Pekin. The complex will include several 7-10-storey buildings with total area of approximately 109,000 m^2. Office part - 40,000 m^2. Support retail - 3,000 m^2. Hotel area is 25,000 m^2. Residential part - 22,000 m^2. Sufficient underground parking for 648 lots.

Appendix III

Hotel Valuation Report

Jones Lang LaSalle Hotels

Real value in a changing world

TVERSKAYA ZASTAVA LUXURY HOTEL PROJECT

1st and 2nd Brestskaya Streets, Moscow, Russia

Valuation for AFI Development Plc as at

30 June 2009

Jones Lang LaSalle
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AFI Development PLC
25 Olympion Street
3035 Limassol
Cyprus

Your ref
Our ref
Direct line +7 495 737 8075
Direct fax +7 495 737 8011
Marina.Usenko@eu.jll.com

14 August 2009

Dear Sirs,

VALUATION - Tverskaya Zastava Hotel, 1st and 2nd Brestskaya Street, Moscow

We thank you for your instruction to provide you with an updated valuation of the freehold interest in the building and the leasehold interest in the land parcel underneath it in the proposed hotel development in Moscow, Russian Federation. We set out in this letter the basis of our instructions and scope of works together with our valuation of the property. Our report is attached hereto.

Client

AFI Development PLC

Purpose of Valuation

The results of our valuation are to be used for the purpose of the 2009 mid-year accounts in accordance with IFRS (International Financial Reporting Standards).

Basis of Valuation

Our original valuation of the property was prepared upon your instructions dated March 2007, followed by updates in June 2007, December 2007, June 2008 and December 2008. This report should be read in conjunction with our original report prepared at that time.

The hotel has been valued as fully equipped and operating entity having regard to its trading potential. Our valuation is on the basis that the hotel would continue to be operated in the normal manner up to the date of sale and would be sold with the benefit of all appropriate fixtures, fittings, and equipment.

This valuation and report is prepared in accordance with the RICS Valuation Standards and our General Principles, which are contained within Appendix 1 and should be read in conjunction with the following report. We confirm that the valuation has been carried out by valuers who meet the requirements of the RICS Valuation Standards. In this instance we are acting as external valuers.

Given that the hotel is expected to open in 2013, we have been requested to assess the Likely Future Value of the property as the basis for the assessment of Gross Development Value, which will then be used to calculate the Market Value of the site using a residual valuation method.

Our opinion of Likely Future Value is assessed using the same approach and methodology as would be employed in the calculation of the Market Value of an operational hotel, however is assessed at a future point in time (in this case July 2013), which is the expected date of opening, under the special assumption that the development works have been completed and that the hotel is fully fitted and ready for immediate operation.

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Likely Future Valuations, by virtue of the risk associated with forecasting in the future, are outside the recommended best practice within the RICS Valuation Standards ("the Red Book"). We confirm that in both cases we have assumed that investment market conditions are as prevailing as at June 2009.

Our Likely Future Value is subject to a greater degree of risk for the following reasons:

1. There are risks associated with our trading projections, as they represent our best estimates at the date of preparing the report and are prepared in the absence of any trading history available, as the hotel will be newly built.
2. We have assumed that the proposed hotel will be completed to a high standard and will incorporate the accommodation outlined in this report.
3. We have made broad assumptions as to the success of the hotel, including local area infrastructure improvements. There is a risk that should the developments vary from our assumptions/understanding, trading performance and, indeed, value could be negatively affected.
4. Global credit crunch and the financial crisis on commercial property investment markets in Russia in the short- to medium-term;

These assumptions are key to our trading projections and could influence negatively the operating projections if not completed as anticipated.

Date of Valuation

As indicated above, our opinion of the Likely Future Value of the hotel is as at 2013, however we have assumed investment market conditions as prevailing as at June 2009. We have adopted 30th June 2009 as the date of valuation.

Information/Scope of Works

Local representatives of your company have provided us with relevant information, upon which we have relied.

We were able to undertake an adequate research of the Moscow hotel market, including meetings with key industry professionals, for the purpose of our valuation.

In the absence of a pre-selected/committed hotel operator, the existing architectural concept prepared by the Client is very preliminary in nature and does not allow us to judge with confidence the efficiency of the hotel layout. We have therefore made various assumptions as to the likely accommodation in the hotel, and must state that if the final scheme varies materially from these assumptions the value of the project may be different from the advice contained in this report.

Our report, which is attached, is based upon material in our possession, which was supplied to us by the above parties, which we believe to be reliable but may not be exhaustive. Whilst every effort has been made to ensure its accuracy and completeness, we cannot offer any warranty that factual errors may not have occurred. We would like to be told of any such errors or incorrect assumptions so that they can be rectified. Jones Lang LaSalle Hotels takes no responsibility for any damage or loss by reason of inaccuracy or incorrectness of this report as a result of information provided to us.

Personnel

The following personnel have provided input in the preparation of this valuation:

Inspection, Valuation & Report Preparation:	Marina Usenko, EVP, MRICS
Superior Review	Graham Craggs, Managing Director, MRICS

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Valuation

The bases and assumptions on which our valuation has been prepared are set out in Section 8 of the attached Report.

Likely Future Value

Subject to the contents of this Report, we are of the opinion that the Likely Future Value of the freehold interest in the building and the leasehold interest in the underlying land parcel in the proposed Tverskaya Zastava Hotel, 1st and 2nd Brestskaya Streets, Moscow, Russia, subject to a management agreement with an international hotel operator (on terms assumed as detailed in this Report) on completion of all works, as part of a completed mixed-use development, and as a fully operational hotel, as at 1st July 2013, is:

$125,000,000

(One Hundred And Twenty Five Million United States Dollars)

We must emphasize that the assessment of values at a future point in time carries a significant risk and for this reason is outside the guidance notes and Practice Statements in the RICS Valuation Standards. We confirm that our valuation specifically assumes that investment market conditions are as prevailing at the valuation date (June 2009).

Our valuation, which is prepared for the purpose of determining the Gross Development Value of the hotel is net of any purchasers costs, makes no allowances for expenses of sale or liabilities for taxation and assumes that the property would be offered for sale with the benefit of a management agreement with an international hotel operator.

In view of the unfurling global economic turmoil, foreign direct investments in Russia and the CIS region in general are expected to slow down substantially. Sourcing financing has become very difficult with the majority of (western) banks limiting funds for lending. All this has prompted developers to shelve new projects and abandon plans to expand in domestic and international markets. The majority of smaller domestic investors may drop off the scene, possibly selling out to their stronger competitors, especially in the regional markets.

While selling intentions are unlikely to be high in the next 12-24 months, some investors may be forced to put their assets on the market, driven either by the need to refinance or declining cashflows (including those in other businesses). Distressed hotel assets are likely to become the first products to be placed on the market (as demonstrated by the recent example with the Moscow-based “Budapest” hotel in late 2008).

It is commonly agreed that the current gap between sellers’ and buyers’ price expectations is not expected to narrow in 2009. Whatever strategy investors opt for, caution and selectivity are most likely to constitute the key approach in the market in the coming years.

Whilst the markets are expected to recover at some point, those relying on valuation advice prepared at this point in time will need to be mindful that major economic and financial problems are being reported on an almost daily basis, and that all investment markets, including the property sector, are therefore very difficult to track. Any valuation should be treated as having a greater range of uncertainty than normal, until the global financial markets and economies start to stabilise.

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Confidentiality

Our Valuation and the Schedules are confidential to the addressees as set out on the first page of this Valuation Report for the specific purpose to which they refer and form part of the prospectus. Before this Valuation Report, or any part thereof, is reproduced or referred to in any other document, circular or statement and before its contents, or any part thereof, are otherwise disclosed orally or otherwise to a third party, the Valuer's written approval as to form and context of such publication or disclosure must first be obtained.

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

We trust that the report provides you with the information you require, but please do not hesitate to contact us if we can be of further assistance.

Yours faithfully

Marina Usenko, MRICS
Executive Vice President
Jones Lang LaSalle Hotels

For and on behalf of Jones Lang LaSalle Ltd

Encl.

Contents

1 Executive Summary

1.1 Location and Site Description

The future hotel, as part of the mixed-use development known as the Tverskaya Zastava Project, will be located along 1st Tverskaya-Yamskaya Street, which is one of main thoroughfares forming part of the "Leningradsky Prospect Transport Corridor" that connects the Kremlin and Red Square with Sheremetyevo International Airport and, ultimately, leads to St. Petersburg. While technically outside the Garden Ring which delineates the centre of Moscow, the future hotel will have excellent visibility and accessibility and is only 3 km away from the Kremlin.

The 0.66-ha site consists of two separate parcels separated by 1st Brestskaya Street. Site 1 has an area of 0.43 ha and is bounded by 1st Tverskaya-Yamskaya Street to the east, Tverskaya Zastava Square to the north, 1st Brestskaya Street to the west. Site 2 has an area of 0.23 ha and is bounded by 1st Brestskaya Street to the east, Tverskaya Zastava Square to the north, 2nd Brestskaya Street to the west, and a planned roadway separating the Project from the Four Winds Plaza business centre.

1.2 Proposed Project Description

The future hotel will be an integral part of the mixed-use scheme with a gross area of 83,449-sq. m which will also include offices, retail and a residential scheme with underground parking. The mixed-use complex will be built as part of a large urban regeneration project.

The current hotel concept calls for development of a 300-room hotel. The total size of the hotel element (estimated at 37,576 sq. m including parking) is generally in line with the requirements of a deluxe hotel. The hotel will offer extensive food and beverage facilities (approximate total gross area – 2,360 sq. m), including several restaurants and bars to serve breakfast, lunch and dinner to hotel and non-hotel guests.

We have suggested that the future hotel would offer meeting and banqueting space of up to 2,830 sq. m in total. This concept suggest a 765 sq. m ballroom and syndicate meeting and break-out rooms totalling up to 1,100 sq. m for most promising use.

Additionally, according to the information, provided by the client, the hotel will offer a large spa and fitness zone, to be located on Level 2 of the hotel structure and to total up to 1,500 sq. m. Moreover, 370 sq. m of retail space is allocated to the hotel's portion of the complex.

1.3 Tenure and Statutory

Based on the provided copies of City Government Ordinances № 2410-RP dated 30 November 2005, № 869-PP dated 7 December 2004, and № 1567-RP dated 4 August 2004 which outline basic terms of agreement between the city and the private party, the Investor, Avtostoyanka Tverskaya Zastava LLC, and the Developer, Stroyinkom-K LLC, have the right to develop the Project described above and secure ownership of the Project upon their completion as a reimbursement/compensation of expenses incurred as part of the transport infrastructure works underneath Tverskaya Zastava Square.

As present, the client holds a short-term lease agreement (№ M–01-513633), dated 15 August 2006 and Additional Agreement dated 27 March 2007, for the project site, valid until 13 September 2009.

1.4 Moscow Hotel Operating Market

The Moscow hotel operating market has experienced significant growth in its key performance indicators in recent years as a result of a rapid strengthening in demand for overnight accommodation and a very restricted supply of quality hotels in comparison to other major cities.

In 2008, despite the very real signs of the economic slowdown, Moscow remained the top European performer in terms of average room rates for the fourth consecutive year. During the first half of 2009, Moscow hotels have been showing a consistent decline in occupancy in every pricing category. Each month of the year the results have been approximately 10% below the same month year-on-year.

While the market dynamics remain highly volatile, we believe that over the medium term (3-5 years), the Moscow market will show gradual signs of recovery. While we remain cautiously optimistic about Moscow's hotel market's performance outlook in the medium- and long-term, we do expect the current market conditions to negatively impact hotel values. Strong market fundamentals due to the low risk of oversupply given the nearly complete halt of new development, however, may reduce the fall in value for the best properties.

1.5 Competitive Market to the Proposed Hotel

We have identified the following hotels as those, which compete most directly with the subject hotel based on location, positioning, product and pricing attributes: Ararat Park Hyatt, Ritz Carlton, Baltschug Kempinski, Marriott Aurora, Marriott Grand and Swissôtel Krasnye Holmy (total room stock – 1,633).

1.6 Jones Lang LaSalle Hotels' Forecast Trading

TVERSKAYA ZASTAVA PLAZA I - LUXURY	JLLH Trading Projections (Year ending June)				
	2014 (Year 1)	**2015 (Year 2)**	**2016 (Year 3)**	**2017 (Year 4)**	**2018 (Year 5)**
Room Count	300	300	300	300	300
Occupancy Rate %	58.04%	64.64%	68.26%	68.26%	68.26%
Average Room Rate USD	417.68	465.41	491.36	501.19	511.21
RevPAR USD	242.42	300.85	335.41	342.12	348.96
RevPAR Growth		*24.1%*	*11.5%*	*2.0%*	*2.0%*
TOTAL SALES	**42,921**	**51,274**	**56,519**	**57,764**	**59,156**
GROSS OPERATING PROFIT	**20,899**	**26,739**	**30,387**	**30,770**	**31,320**
NET OPERATING PROFIT*	**14,871**	**19,410**	**22,541**	**22,322**	**22,813**

* After Property Tax, Insurance, FF&E Reserve and Management Fees; ~MOD includes Telephone

Source: Jones Lang LaSalle Hotels

1.7 Moscow Investment Market

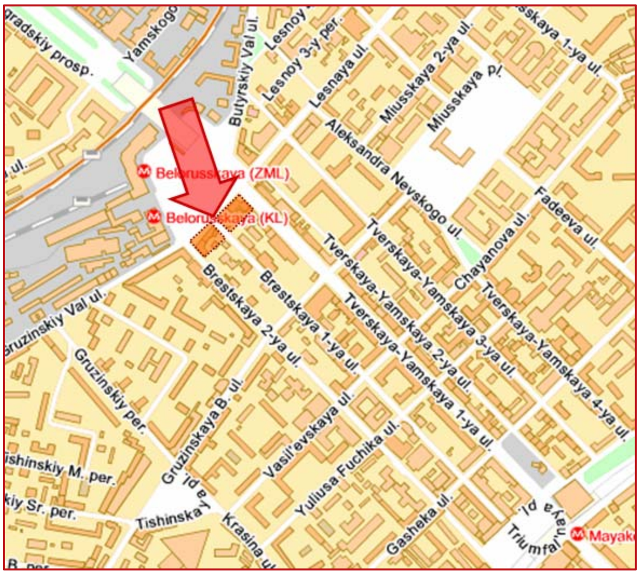
Although international interest in the Russian hospitality market has been steadily increasing since 2005 (until the first half of 2008), the main focus fell on the prime markets of Moscow and St. Petersburg. The only regional hotel transaction, completed in mid-2008, was the sale of the Park Inn Yekaterinburg hotel (in Yekaterinburg).

As far as hotel property transactions are concerned, there have been very few deals in Russia generally and in Moscow specifically. As a result there has been little guidance in relation to the appropriate investment yields that could be used for pricing / valuation purposes.

Recent turbulence in the global and domestic financial markets has made Russian developers particularly vulnerable in the light of the rising costs of financing and the increasing construction expenses. Observed drops in share prices of the major development companies which recently went public (Sistema Hals, OPIN, PIK among others) may lead to structural changes in the development sector and eventually result in the correction of land and property prices for the entire industry.

2 The Property

2.1 Location and Site



The 0.66-ha site which will house a mixed-use development with a hotel element, known as the Tverskaya Zastava Project (Plaza I), covers two city blocks (0.43 ha and 0.23 ha, respectively) between 1st Tverskaya-Yamskaya Street and 2nd Brestskaya Street, near the Belorussky Train Station. The hotel element will be located along 1st Tverskaya-Yamskaya Street, which is one of main thoroughfares forming part of the "Leningradsky Prospect transport corridor" that connects the Kremlin and Red Square with Sheremetyevo International Airport and, ultimately, leads to St. Petersburg.

The immediate area is typical for Central Moscow with a mix of commercial and residential uses. Over the last few years, however, the area has seen the emergence of a new Class A office cluster which may be seen as a primary business generator for the future hotel. The largest and most notable office developments in the immediate vicinity of the hotel are the Capital Plaza (40,000 sq. m – completed), the White Square development (75,000 sq. m – close to completion, fully leased), Four Winds Plaza (18,000 sq. m – completed) to name just a few.

While technically outside the Garden Ring which delineates the centre of Moscow, the site's strategic location at the corner of Tverskaya Zastava Square and 1st Tverskaya-Yamskaya Street will not only create the 'gateway effect' but will also enable excellent visibility and accessibility to the future hotel. The distance to the Kremlin, 3 kilometres, makes the site conveniently close to the historic centre of Moscow.

The site is within a 3-minute walk of the Belorussky Train Station; the nearest metro station - Belorusskaya – is just across the street.

We consider this location generally appropriate for an upscale hotel, particularly in view of the increasing number of demand generators in close proximity to the site.

The following table details the distance from the future hotel to some key destinations:

Place	Distance (km)
The Kremlin/Red Square	3 km
Bolshoi Theatre	3 km
Tretyakov Art Gallery	4.5 km
Christ Our Saviour's Cathedral	4 km
Conservatory n. a. Tchaikovsky	2.8 km

Source: Jones Lang LaSalle Hotels, 2009

The Site consists of two separate parcels separated by 1st Brestskaya Street. Site 1 (address: 1st Tverskaya-Yamskaya 27, building 1 and 29/66, buildings 1-3) has an area of 0.43 hectares and is bounded by 1st Tverskaya-Yamskaya Street to the East, Tverskaya Zastava Square to the North, 1st Brestskaya Street to the West, and existing administrative buildings to the South. Site 2 (address: 2nd Brestskaya Street 52/2, buildings 1, 2) has an area of 0.23 hectares and is bounded by 1st Brestskaya Street to the East, Tverskaya Zastava Square to the North, 2nd Brestskaya Street to the West, and a planned roadway separating the Project from the Four Winds Plaza project (currently under construction).

The Site appears flat.

2.2 Project Description

The proposal is to construct an 83,449-sq. m mixed-used complex including office, hotel, residential and retail elements with underground parking (the "**Project**"), which will be built as part of a large urban regeneration project that also includes the on-going transport infrastructure works on Tverskaya Zastava Square aimed at easing traffic congestion at the point of intersection of several arterial roads.

While technically occupying two sites, the Project will 'over-sail' the road, 1st Brestskaya Street.

The current preliminary architectural concept provides the following areas:

Element	Hotel Building (Site 1)	Offices (Site 2)	Total Area
Site, ha	0.43	0.23	0.66
Underground Total, sq. m	13,879.2	5,502	19,381.2
Aboveground Total, sq. m	47,616.8	16,451	64,067.8
Hotel, sq. m	**26,590.3**[1]	-	**29,590.3**
Apartments, sq. m	16,177.4	-	16,177.4
Offices, sq. m	-	14,512	14,512
Retail, sq. m	370.6	965	1,335.6
F&B Facilities, sq. m	4,478.5	974	5,452.5
Total, sq. m	**61,496**	**21,953**	**83,449**
№ of Apartments	140	-	140
№ of Hotel Rooms	300[2]	-	300
Floors	4-18	11	4-18
Parking Spaces	514	175	689

Source: Client Information, Jones Lang LaSalle Hotels

[1] Excluding F&B Facilities, Retail and Parking
[2] Jones Lang LaSalle Hotels' Assumption

2.3 Hotel Description

Our preliminary location analysis above indicates that the site location supports and justifies development of a deluxe hotel that will cater to the needs of business travellers and tourists alike. In the absence of a pre-selected/committed hotel operator, however, the current architectural concept prepared by OOO "ARKA" is very preliminary in nature and does not allow us to judge with confidence the efficiency of the hotel layout. It is assumed that the hotel operator will be selected shortly, and the hotel layout will be the fine-tuned in accordance with current standards of efficiency.

At this stage, we have to presume that the future hotel will be an integral part of the Project and thus will enjoy the benefits of synergies created in a mixed-use development - albeit separate from all other uses.

The hotel structure (estimated total area – 37,576 sq. m including parking) will front onto 1st Tverskaya-Yamskaya Street and will have up to 18 above-grade levels, with the top level set back from the façade, plus 4 underground floors (technical areas and parking). The two bottom underground levels (Level -2 and -3), while technically part of the hotel structure, will likely be shared by all tenants/residents/hotel guests of the Project. It appears that all deliveries to the hotel as well as guest parking will be accessed from the back of Site 1 on 1st Brestskaya Street.

The current concept calls for development of a 250-room hotel, which, considering the total size of the hotel element (31,439 sq. m – excluding parking) and its deluxe category, in our view, is still too large, when translated into the gross-area-per-room-ratio comes up to 126 sq. m per guest room. Since the concept is still of preliminary nature, we have assumed that the final concept (especially after a professional operator has been chosen) will be brought down to around 80-100 sq. m per key to achieve more efficiency. Hence, we have assumed that the final concept will include, at a minimum, 300 guest rooms, provided that the total area for the hotel remains as described in this report.

With 300 guestrooms, the hotel would be similar in size to its primary competitors in Moscow and most luxury chain hotels on an international level. The number of guestrooms in our view would maximize opportunities to capitalize on various market segments, including the corporate group business (meetings and conferences). It would also allow for the usual benefit of economies of scale from a cost reduction perspective to be achieved.

For the purposes of this valuation exercise, we have assumed that the future hotel would be planned and designed in an efficient manner. Below are our key spatial assumptions and ratios which are based on hypothetical hotels of similar size and standard (as well as our experience with advising on such facilities) both in Moscow and abroad, but these must be treated as general assumptions only and can in no way be applied directly to or seen as exact proposed measurements of the proposed hotel structure:

	Gross Area (sq. m)	Ratio to Gross Construction Area	Allocated Space/ Room (sq. m)
Guestrooms	19,051	60.6%	63.5
Public Areas (incl. Retail)	1,471	4.7%	4.9
Food & Beverage Outlets	2,358	7.5%	7.86
Conference & Meeting Facilities	2,832	9.0%	9.4
Back-of-House	3,694	11.7%	12.3
Technical	540	1.7%	1.8
Spa and Fitness	1,494	4.8%	5.0
Total Net Area	**23,976**	**76.3%**	**68.5**
Gross Allowance	7,463	23.7%	24.9
Total Gross Area*	**31,439**	**100.0%**	**104.8**

*Excluding Parking

Source: OOO "Arka", Jones Lang LaSalle Hotels

2.3.1 Guestrooms

We believe the following composition of rooms will efficiently position the property in the deluxe (five-star) segment:

Room Type	Quantity	Net Area, sq. m	Total, sq. m
Standard Rooms	225	45	10,125
Junior Suites	45	55	2,475
Suites	29	80	2,320
Presidential Suite	1	200	200
Total Net Area	**300**	**50.4**	**15,120**
Total Gross Area			**19,051**

Source: OOO "Arka", Jones Lang LaSalle Hotels

The total guestroom space, together with a 24-26% gross allowance, should comprise around 60-65% of gross hotel constructed area.

In arriving at our cash flow projections, we have assumed that fittings and furnishings in all guestrooms will be commensurate with five-star deluxe standards, which support the rate structure that we have adopted for the property. Standard facilities in all guestrooms should contain:

- Variety of quality case goods, including desk, ergonomic chairs, and TV stand with self-contained mini-bar (in case an LCD TV screen is placed on a wall);
- In-room digital T.V. and entertainment system;
- Full four-pipe air conditioning with individual temperature control;
- Wi-Fi;
- Facsimile machine (in business-class rooms);
- Direct dial telephones with personal numbers;
- Laptop safe;
- High quality illumination throughout; and
- Smoke detectors and fire sprinklers.

Bathrooms should be finished with marble floor and wall tiles and should be equipped with a bathtub, a separate shower, and toilet. Bathrooms will contain other amenities such as adjustable illuminated shaving mirrors, telephones, hairdryers and radio/TV speakers.

Suites representing approximately 10-15% of total room stock should be arranged in one- and two-bedroom combinations, providing amenities and VIP services which are greater than the hotel's standard offering.

2.3.2 Food and Beverage Facilities

Given the mixed-use type of the Project, we would generally recommend limiting the in-house food and beverage facilities. Nonetheless, considering the large office and residential components and relatively limited F&B facilities allocated to both, we believe that outlets should include the following:

Outlet	Location	Total Area, sq. m	Seating Capacity
Main Restaurant 1	Level 1 (UK-Ground Floor)	500	275-280
Lobby Bar	Level 1 (UK-Ground Floor)	150	100-105
Lounge	Level 1 (UK-Ground Floor)	150	90-95
Main Restaurant 2	Level 2	400	220-225
Private Dining Rooms	Level 2	150	95-100
Specialty Restaurant	Level 2	230	110-115
Health/Fitness Bar	Level 2	56	45-50
Fine Dining Restaurant	Top Level	250	120-125
Total Net Area		**1,886**	**1,055-1,095**
Total Gross Area		**2,358**	

Source: OOO "Arka", Jones Lang LaSalle Hotels

The two main restaurants might seat approximately 220 to 280 persons and serve breakfast, lunch and dinner to hotel and non-resident guests.

A second, fine-dining restaurant could seat up to 125 persons (approximate size 250 sq. m) and offer a more upscale dining atmosphere, preferably with views over the city (top floor).

We anticipate that the hotel should have one lobby bar within the lobby area with a seating of approximately 100 persons, in addition to the beverage provision offered inside the lobby / lounge area (up to 90-95 seats).

The main kitchen should be located so that it provides easy access to all food and beverage outlets as well as to the meetings and banqueting facilities. We would recommend one central kitchen unit, and an additional satellite kitchen for banqueting and the top-floor restaurant (if considered).

2.3.3 Conference and Meeting Facilities

Given its size and location, the hotel's business would benefit from conferences, meetings, and banqueting sales. The importance of conference facilities is also underpinned by a competitive requirement amongst deluxe hotels in Moscow to offer adequate conferences, meetings and banqueting provision. Moreover, sufficient allowance will aid in supporting trading during periods of weaker corporate and leisure demand. We have suggested that the future hotel would offer the following conference provision:

Meeting Room	Seating Capacity	Total Area, sq. m	Ratio to Gross Area
Ballroom	955	765	2.4%
Junior Ballroom	300	300	1.0%
Meeting Rooms (5)	250	400	1.3%
Board Rooms (10)	250	400	1.3%
Business Centre	45	100	0.3%
Foyer		300	1.0%
Total Net Area	**1,800**	**2,265**	**7.2%**
Total Gross Area		**2,832**	**9.0%**

Source: Jones Lang LaSalle Hotels

The hotel should have one large ballroom, which will be sub-divisible into three smaller sections and contain a pre-function area. The ballroom will be a multi-function facility extending to approximately 750-775 sq. m of column-free space with good ceiling height (at least 6 m).

We believe that a large ballroom could represent a competitive advantage, especially over the Baltschug Kempinski, the Marriott Grand, and the Ritz Carlton hotels with similar-sized or less extensive facilities.

In addition to the main ballroom, there should be a junior ballroom, a series of meeting/syndicate/boardrooms totalling 1,100 sq. m. The meeting rooms will support the hotel's corporate business, and should provide a good mix of audio visual and related equipment. Access to natural daylight is recommended.

2.3.4 Public Areas

Whilst the hotel guestrooms take up the majority of the area, the layout and quality of the public areas will define the property and, as such, the public areas would need to present very well and provide an excellent sense of arrival, compatible with the hotel's deluxe rating.

We have suggested that the main reception lobby would be centrally located to provide access to the restaurant, conference, and leisure facilities.

We have also assumed that the following space allowances would be made for the hotel's public areas:

Facility	Total Area, sq. m	Ratio to Gross Area	Allocated Space per Room, sq. m
Lobby	360	1.1%	1.2
Public Restrooms	30	0.1%	0.1
Retail Units	371	1.2%	1.2
Lounge	300	1.0%	1.0
Elevators, Stairs	116	0.4%	0.4
Total Net Area	**1,177**	**3.7%**	**3.9**
Total Gross Area	**1,471**	**4.7%**	**4.9**

Source: Jones Lang LaSalle Hotels

2.3.5 Other Facilities

We have assumed that the hotel would contain a health club/spa, including fitness and wellness facilities, and an indoor pool. These facilities should be extensive (approximate size - 1,500 sq. m) and easy to reach from the guest room floors. There may be an opportunity to extend use of the facilities to a limited external membership base.

According to the preliminary information, provided by the client, the current concept calls for a 370.6 sq. m retail element, to be located on ground level of the hotel structure. Since the hotel will be part of a larger mixed-use scheme, we would, generally, recommend limiting the possible retail allocations within the lobby to 2-3 shops (or kiosks selling newspapers, magazines, souvenirs etc.). Yet, considering the relatively large residential and office elements and the limited retail component, allocated to both, as well as the hotel's location on one of Moscow's prime shopping streets, we believe, that the current concept is in line with specific location and spatial requirements.

Although it is our understanding that few hotel guests arrive by car, we would recommend reserving approximately 100 parking spaces on the property for the exclusive use of hotel guests and people visiting the hotel, i.e., for meetings or social functions. According to the current concept, provided by the client, parking expands over four underground levels and includes up to 514 spaces in total. According to the preliminary concept information by OOO "Arka", dated June 2008, 280 parking places are reserved for the apartment complex and the remaining 234 spaces are allocated to the hotel.

2.3.6 Back-of-house and Technical Facilities

The back-of-house areas contain the hotel's main kitchen, staff canteen, changing areas, and administrative offices. We have assumed the following space allocations:

Facility	Total Area, sq. m	Ratio to Gross Area	Allocated Space per Room, sq. m
Administrative Offices	618	2.0%	2.1
Kitchens	1357	4.3%	4.5
F&B Stores	519	1.6%	1.7
Receiving	120	0.4%	0.4
General Stores	120	0.4%	0.4
Housekeeping & Laundry	420	1.3%	1.4
Technical (Plant)	540	1.7%	1.8
Employee Areas	540	1.7%	1.8
Total Gross Area	**4,234**	**13.5%**	**14.1**

Source: Jones Lang LaSalle Hotels

It is our understanding that the hotel's technical services will be separated from the main complex. We have therefore made a net allowance of 540 sq. m, representing 1.7% of gross hotel constructed area, to allow for appropriate provision of technical equipment.

2.4 Repairs and Condition

Upon completion of the proposed development to a hotel, we have assumed that the hotel will be finished to a high standard and should be in excellent condition. This will maintain the physical integrity and appearance of the building and thereby help the property to retain its value in the long term. We have assumed that the development will be carried out so as to fully meeting all necessary building regulations.

2.5 Capital Expenditure

As the hotel will be new, we assume that capital expenditure will be minimal in the short- to medium- term, especially with regard to the structural parts of the property. We assume that a reserve will be accrued for capital investments in the future. A 'cosmetic' refurbishment programme of other parts of the property, which complements on-going repairs and maintenance work, will probably have to be undertaken in some 5-8 years to ensure that the property will remain in good condition.

3 Tenure and Statutory

3.1 Title

We have been provided with the following documents relating to the property:

Documents
• Moscow Government Decree dated 16 June 2003 №1022-RP concerning 'construction designing of transport interchange, multi-level car parking with a shopping centre and newly constructed properties at Tverskaya Zastava Square (Central Administrative District)'.
• Moscow Government Decree dated 4 August 2004 №1567-RP concerning 'construction of transport interchange, multi-level underground car parking with a shopping centre and newly constructed properties at Tverskaya Zastava Square (Central Administrative District)'.
• Moscow Government Decree dated as of 7 December 2004 №869-PP 'About designing and construction of the multilevel hotel and administration property at the site located at the address: 2nd Brestskaya St., 50/2.
• Moscow Government Regulation dated as of 30 November 2005 №2410-RL 'About the locating of the multifunctional property at the address: 1st Brestskaya St., 64-66, and locating of the office centres at the addresses: Gruzinsky Val St., 31 (including Tverskaya Zastava square, 3) and Butyrsky Val St., 1 (Central Administrative District of Moscow).
• Tverskaya Zastava shopping centre project permission documentation including permission for construction works dated 23 November 2006 №21569. The permission is valid till 30 September 2007.
• Short-term land lease agreement №M–01–511057 dated 28 May 2004 for the site under the projected mixed-use complex.
• Short-term land lease agreement for the construction period №M–01-513633 dated 15 August 2006 (valid until 11 September 2006) for the site under the projected mixed-use complex. – Additional Agreement to the land lease agreement dated 15 August 2006 №M-01-513633/1, dated 15 January 2007 (valid until 5 February 2007). – Additional Agreement to the land lease agreement dated 15 August 2006 №M-01-513633, dated 27 March 2007 (valid until 13 September 2009).
• Short-term land lease agreement for demolition of existing buildings and pre-construction period №M-01-513896 dated 10 November 2006. Additional agreement №M-01-513896/1 dated 17 May 2007.
• List of buildings/premises located on the site under the future development which must be purchased by the developer. Information about the purchase status.
• List of tenants and contract details for the shopping mall at Tverskaya Zastava Square.
• Architectural parameters of transport interchange.
• Concept stage documentation for Plaza I, Plaza II, Plaza II-a properties.
• Preliminary Concept Proposal by OOO "Arka" for the Mixed-use Complex under the following address: 1st Tverskaya-Yamskaya St., 27,29/66; 1st Brestskaya St., 64/66 and 2nd Brestskaya St., 52/2, dated June 2008, Moscow (Including preliminary floor plans).
• Preliminary Concept Proposal by OOO "Arka" for the Apartment Complex under the following address: 2nd Brestskaya St., 50/2, dated June 2008, Moscow.
• Moscow City Committee on Cultural Heritage of the City of Moscow ("Moskomnasledye") Notice № 16-02-874/8-1 for the object under the following address: 1st Brestskaya St. 29/22, 13-14 floors,

Moscow, 125047, dated 17 July 2008.

- Working Documentation №05-7027-РД-VI-ПОД of the 6th phase of construction of transport flyovers, multi-level underground passes and underground garage with shopping mall (new construction) under the address: Tverskaya Zastava Square, approved by “MosGorTransNIIProekt” on the 25 August 2008.
- Contract between OOO “SPII Gidrospetsproekt” and OOO “Stroyinkom-K” for the correction of construction organisation of the transport flyovers, multi-level underground parking garage with shopping mall under the following address: Tverskaya Zastava Square, dated 29 August 2008.
- Administration for the Preparation of Projects for Approval Notices of Examination (“UPSP GUP ITC MKA”) of the buildings under the following addresses: 1st Tverskaya-Yamskaya St. 25,27,29/66; 1st Brestskaya St. 64/66 and 2nd Brestskaya St. 52/2; 2nd Brestskaya St. 50/2, Central Administrative District, dated 13 October 2008.
- Conclusion from the “Academic, Scientific and Technical Centre of the Russian Academy of Architecture and Construction Science” (“ANO ANTC RAASN”) about the method calculation of variants of technical solutions to decrease additional deformation of the existing building under the following address: Lesnaya St. 1/2, from the construction of the second chamber and the multi-level underground parking garage with shopping mall on the Tverskaya Zastava Square, dated 21 November 2008.
- Moscow City Order and Construction Permit №06442089/13/1 under the following address: Gruzinsky Val St., Butirsky Val St. and Lesnaya St., dated 27 November 2008 and valid until 01 May 2009.
- Administration for the Preparation of Projects for Approval Notices of Examination (“UPSP GUP ITC MKA”) of the buildings under the following addresses: Gruzinsky Val St. 31, Central Administrative District, dated 8 December 2008.
- Working Documentation №05-7027-РД-VII-ПОД 31 of the construction of transport flyovers, underground passes and an underground garage with shopping mall (new construction) under the address: Tverskaya Zastava Square, approved by “MosGorTransNIIProekt” on the 10 December 2008.
- Scientific-Technical Report of the 6th phase of construction of transport flyovers, underground passes and an underground garage with shopping mall (new construction) under the address: Tverskaya Zastava Square, approved by the research institute of underground installations “NIIOSP n. a. N. M. Gersevanova”, dated on the 15 December 2008.
- Scientific-Technical Report №A64-2008 of the development of technical solutions for the preservation of existing buildings under the following addresses: 2nd Brestskaya St. 52/2, bldg. 2 (pos. 8); 2nd Brestskaya St. 52/2/63, bldg. 2 (pos. 9); 1st Tverskaya-Yamskaya St. 29/66, bldg. 1 (pos. 18); 1st Tverskaya-Yamskaya St., 1st Brestskaya St. 29/66, bldg. 2 (pos. 19); during construction of the 4th Phase (chamber “B”, bypass of the rain drainage/canalisation F 1200mm next to the chamber; city canalisation F 1600mm; collector of engineering communications of the 4th Phase and Pedestrian walkway №4) and the underground complex on Tverskaya Zastava Square, signed by the “Academic, Scientific and Technical Centre of the Russian Academy of Architecture and Construction Science” (“ANO ANTC RAASN”) in Moscow, 2008.

Source: Client Information

Based on the provided copies of City Government Ordinances №2410-RP dated 30 November 2005, № 869-PP dated 7 December 2004, and №1567-RP dated 4 August 2004 which outline basic terms of agreement between the city and the private party, the Investor, Avtostoyanka Tverskaya Zastava LLC, and the Developer, Stroyinkom-K LLC, have the right to develop the Project described above and secure ownership of the Project upon their completion as a reimbursement/compensation of expenses incurred as part of the transport infrastructure works underneath Tverskaya Zastava Square. It is our understanding that Avtostoyanka Tverskaya Zastava LLC is an affiliate structure of Stroyinkom-K.

As we understand, Stroyinkom-K currently holds the rights to the site, described in Section 2.2, under a short-term lease №XXXX, which expires on the 13 November 2009. Based on the information provided by Stroyinkom-K, upon completion of construction works, the Project Investor would be able to conclude a long-term (49-year) ground lease for the site at a cost which would be calculated as the difference between the expenses incurred by Stroyinkom-K into the transportation junction underneath Tverskaya Zastava Square and the one-time payment for the right to conclude the long-term agreement (which, we are informed, is expected to be minimal and thus was assumed to be nil).

Russian law treats buildings and land separately, and with land ownership not practically available in Moscow, the 49-year lease (with renewal rights) can be considered an equivalent of a long term interest in land – assuming the functional zoning of the site and the actual use of the site are the same. The 49-year ground leases provide an area of risk in relation to uncertainty over future rental increases and also in relation to the position of expiry of the initial term. Limited transactional evidence in the Moscow commercial property market suggests that investors are tending to treat such investments as broadly equivalent to freeholds.

With the hospitality/tourist sector largely seen by the City of Moscow as a priority sector in the local economy, rental payments for land sites with hotel developments (and mixed-use schemes with a hotel element) are lower than for other types of commercial land use. According to City Government Ordinance No.273-PP dated 25 April 2006, ground rent for hotel-zoned sites (during construction) is calculated as 0.01% of the official cadastral value of the land parcel. For the subject site (cadastral block No. 77-01-04018, official cadastral value of RUR73,373/ sq. m) this will result in an annual rental payment of circa RUR19,278 or approximately $656 for the hotel's portion pro rata (in today's money).

3.2 Proposed Operating Structure/Management Structure

It is assumed that the hotel will be branded and managed, under a long-term management agreement, by an international hotel operator. We also assumed that contractual terms would be market-based and reached on a basis of a competitive tender.

The assumed fee structure is described in the relevant section of the Hotel Trading Performance section.

3.3 Licenses

We assume that by the time the hotel opens, it will have all required licences for its continued operation and that there will be no outstanding issues with the local Fire or Environmental Health Authorities.

3.4 Planning

It is our understanding that the proposed use is a lawful use under the Moscow City Planning Legislation, and the property is not listed or within a conservation area. We are not aware of any outstanding planning applications or decisions granted on the subject property which are likely to have any material impact on value.

3.5 Environmental Issues

No indications of past or present contaminative land uses were noted during the inspection. Our inspection was only of a limited visual nature and we cannot give any assurances that previous uses on the site or in the surrounding areas have not contaminated subsoil or ground waters. The detection of hazardous waste and toxic materials however requires investigation by qualified experts in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde, foam insulation or other potentially hazardous materials such as fuel contamination may affect the value of the property.

Our value estimate is predicated on the basis that there are no environmental contaminants, which would cause a loss in value. We are not qualified to detect hazardous waste and toxic materials and no responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The descriptions and resulting comments are the result of the routine observations made during the valuation process.

3.6 Property Tax

In Russia, property tax is calculated at the book value of the property amortised over a set period of time. The current tax rate is 2.2%.

In the absence of data for the property book value and depreciation scheme, we assume that the book value is equal to our estimates of the construction (reconstruction) costs, while the depreciation is calculated by the linear method with the depreciation period of 30 years. In the absence of information, we assumed that construction costs for the hotel part would amount to some $120 million (or $400,000 per room). We also considered the depreciation premium depreciating additional 10% of the property book value in the first year of operation.

For the purposes of valuation, we have assumed the following property tax payment schedule:

	2013	2014	2015	2016	2017
Book Cost ('000)	$120,000	$104,337	$100,741	$97,144	$93,548
Depreciation ('000)	$15,663	$3,596	$3,596	$3,596	$3,596
Taxable Base ('000)	$104,337	$100,741	$97,144	$93,548	$89,951
Property Tax (2.2%) ('000)	**$2,295**	**$2,216**	**$2,137**	**$2,058**	**$1,979**

Source: Jones Lang LaSalle Hotels

4 Moscow Hotel Market

4.1 Russian Economic Outlook

In 2007, Russia's GDP grew by 8.1%, led by non-tradable goods and services for the domestic market, as opposed to oil or mineral extraction or exports. Rising inflation returned in the second half of 2007, driven largely by tainted capital inflows and by rising food costs, and had approached 12% by year-end. This trend has continued throughout the first half of 2008. With high oil prices, a relatively cheap Rouble, as well as investment and consumer-driven demand as important drivers of this economic revival, the Russian economy has achieved considerable results: real fixed capital investments have exceeded 10% over the last five years, average disposable income has increased by up to 10% over the same period, poverty has declined steadily (as demonstrated by the decline of the unemployment rate) and the middle class has continued to grow (steady growth of average wages from 1999 – and a 14.2% increase in 2007 compared to 2006).

Strong earnings from oil exports have allowed Russia to increase its foreign currency reserves by over 90% since 2000 and helped reduce its total debt from 61.6% of GDP to around 7% in 2007. These achievements have raised business and investor confidence in Russia's economic prospects, which has resulted in $28 billion of foreign direct investment coming into Russia in 2007 (53% increase YoY). Much of the investment targets Moscow, but it is anticipated that investors' growing interest in the regional markets will help them attract a greater share of GDP in the future.

In view of the current economic downturn, it is important to note that Russia, nonetheless, is infected by the global financial crisis. Falling shares on international stock markets, decreasing oil prices and nationalization of the private banking system combined with a credit squeeze and outlook of a global recession, have weakened the economy over the last two months. According to the EIU (Economist Intelligence Unit), Russia as an emerging market has taken a blow but relative to and in comparison with other markets, Russia still represents one of the best growth options in the next five years.

While it is expected that Russia's GDP growth is going to decrease from 8.1% to some 2.4% in 2009, growth is only curving downward like the rest of the world where recession is outlook for the USA, Japan and the Eurozone. Additionally, due to its large foreign currency reserves (the third largest in the world) and oil and minerals wealth, Russia is likely to be less negatively affected than its emerging counterparts and to become the leader (down the road) coming out of the crisis compared with other Eastern European countries.

It is expected that foreign direct investment will slow as financing will become more difficult for real estate projects because western banks will have fewer funds and be more vary of Russian investments. Nonetheless, this may improve within the next two years as western financers will look to invest what money they have in projects that offer a decent return.

	2002	2003	2004	2005	2006	2007	2008	2009F	2010F
Real GDP growth (%)	4.7	7.3	7.2	6.4	7.4	8.1	6.2	-5.0	4.0
Per capita GDP (USD)	2,378	2,989	4,127	5,356	6,957	9,086	11,831	9,752	11,369
Industrial production, growth (%)	3.1	8.9	8.3	4.0	3.9	6.3	2.1	-12.1	1.3
Unemployment (%, end-year)	8.6	8.0	7.7	7.6	6.7	6.1	7.7	9.6	8.2
CPI (%, December-on-December)	15.1	12.0	11.7	10.9	9.0	11.9	13.3	13.0	11.0
Exchange rate (RUB/USD, average)	31.38	30.74	28.79	28.29	27.17	25.57	24.81	33.50	34.18
Average monthly wage, USD	126	168	223	287	365	488	609	478	535
Real wage growth (% YoY)	16.2	10.7	11.9	12.6	13.3	16.2	11.4	-4.0	4.0

Urals oil (USD/ barrel, year-end)	23.8	27.2	34.2	50.5	61.3	69.5	91.7	50.0	60.0
FDI into Russia (USD mln)	3,461	7,958	15,444	12,886	29,701	55,073	70,320	50,000	70,000

Source: EIU, Goskomstat, MEDT, Rosstat, Central Bank, Jones Lang LaSalle Research (2008)

4.2 Moscow's Economic Outlook

Moscow is the capital of the Russian Federation, and as the business, financial, industrial, scientific and cultural centre it plays an extremely significant role in the Russian economy. The officially registered city population counts from 10.4 to 12 million, with a further 8 million housed in the surrounding Moscow Oblast, creating a greater metropolitan region of over 18 million inhabitants.

At the same time Moscow accounts for approximately 20% of the nation's GDP (according to the Ministry of Economic Development and Trade). During recent years Moscow macroeconomic indicators were growing steadily. In 2003-2008 average annual GRP growth was 8.8 percent, real income growth – 6.7 percent, retail turnover growth – 6.1 percent. All these indicators were supplemented by significant budget surplus. In 2008 the city economic growth rate slowed down to 4.5 percent due to the world financial crisis impact.

During the last several years high incomes that were resulting from increasing energy prices were providing an opportunity for Russia to diversify its economic base, and Moscow was showing significant progress. In 2006, Moscow replaced Tokyo as the world's most expensive city, according to the Cost of Living Survey from Mercer Human Resource Consulting. In 2008, Moscow ranked top on the List of most expensive cities for the third year in a row.

The economic downturn that became evident in Q4 2008 quickly affected the labour market. Recent figures show a slight reversal, to 8.3% in June. These numbers include those people registered as unemployed, as well as workers on unpaid leave and working shorter hours.

Nonetheless, the role of Moscow in the economic development of the country in general, as well as its favourable location, enables it to rank as the main region of Russia where international business has actively developed and where most international investment has been allocated (40-45% of the total international investment coming into Russia).

4.3 Demand

Broadly speaking, tourism in Moscow is equally divided between international and domestic visitors, with prices being the decisive factor in their choice for accommodation. While, according to official statistics, domestic visitors account for 60% of stays in all Moscow hotels, their share falls markedly to 30% of stays when only quality hotels are considered.

Source: Moscow Tourism Committee

In 2007, international arrivals to Moscow rose by 8% over 2006, exceeding the 4 million mark and reflecting an average ann ual growth of 14%

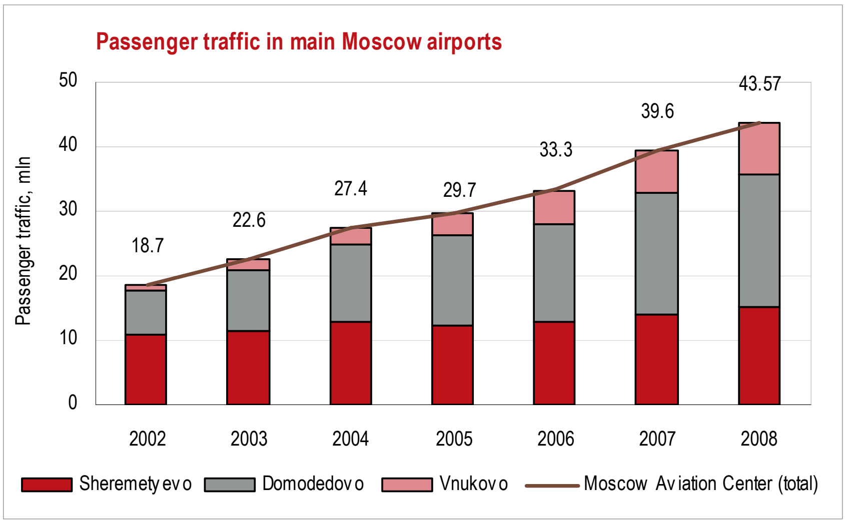
since 2000. The first half of 2008 demonstrated a remarkable 18% increase compared to the same period in 2007. In this period, international visitor arrivals reached 1.9 million, which drove many market experts to forecast a total of 4.5 million international arrivals by year-end 2008, nearing the 5 million mark targeted by the "General Plan for Moscow Development through 2020" by 2010. The global economic downturn, however, started to impact the tourist industry in the second half of the year, resulting in lower levels of inbound travel to Moscow than expected. At year end, total international arrivals reached 4.1 million visitors, a marginal 2% increase compared to 2007.

Principal source markets in 2008 remained the same as in previous years: Germany, UK, France and China. The number of guests arriving from the USA, China and Turkey saw the most significant drop to date of up to 5%.

Business demand remains the key driver of inbound travel to Moscow (up to 80% of all arrivals accommodated by the quality hotels in the city) for both international and domestic visitors. We expect this trend to be sustained in the medium term, despite the economic turmoil. Nevertheless, a drop in visitation can be expected in the short- to medium-term.

4.3.1 Airport Traffic

Moscow is served by the Moscow Aviation Centre (MAC) comprising three international airports - Domodedovo, Sheremetyevo and Vnukovo, all located within 25 to 30 kilometres of the city centre. All three airports are now well served by public transport, including shuttle buses and express trains.



Source: Moscow Aviation Centre

Similar to many other airports in Central and Eastern European capitals, activity at the MAC is dominated by international traffic representing up to 60% of total arrivals. Sheremetyevo remains the principal air gateway to Moscow for international scheduled flights (67% of its annual traffic in 2008 were international scheduled flights), with Domodedovo as a close runner-up accounting for 48% of the total international passenger traffic (mostly chartered flights) handled by the MAC. Vnukovo, traditionally contributing the smallest share to the MAC turnover, recently demonstrated outstanding growth and almost doubled its passenger traffic between 2005 and 2007. The airport currently represents an 18% share of MAC's total international traffic (compared to 12% in 2005).

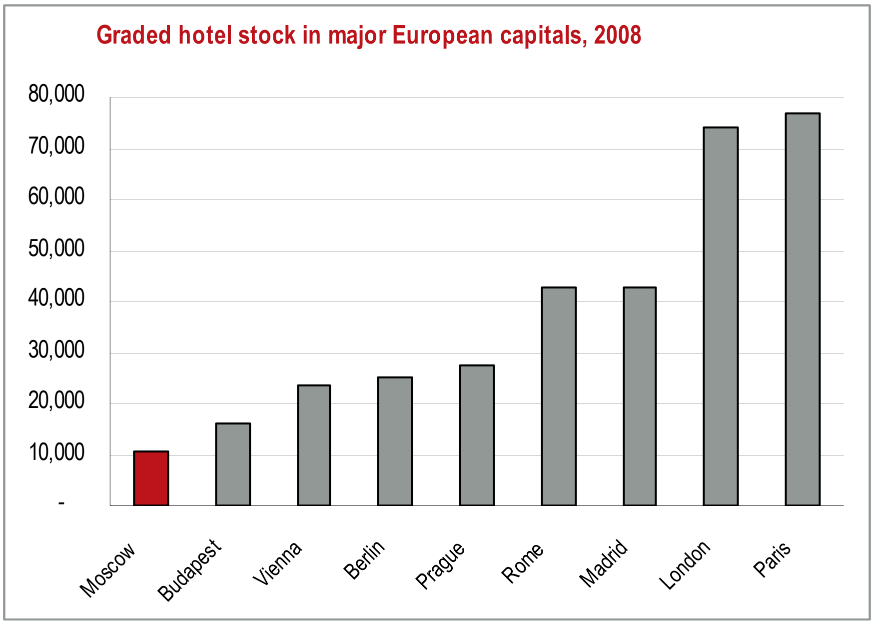
Passenger traffic at the MAC has been booming in recent years with arrivals growing by more than 13% per annum since 2003. 2007 proved to be a record year for all three airports, when a total of 39.6 million arrivals were reported, an impressive increase of 19% compared to 2006 (almost doubling the 2002 results). This record was only to be surpassed in 2008 when traffic figures increased, although at a lesser pace, to 43.6 million. Growth in passenger traffic is forecast to continue to weaken or even turn negative in the coming two years according to the airport authorities. Moderate improvement is expected by 2011 subject to the recovery of global economic conditions.

Ambitious programmes of large-scale reconstruction and expansion of the airport infrastructure, which are currently ongoing in all three Moscow airports, have been projected to drive international and domestic arrivals to exceed 85 million by 2015. Although the figure may now be subject to a certain correction, passenger traffic is likely to show healthy growth in the long term.

4.4 Supply

Existing Supply

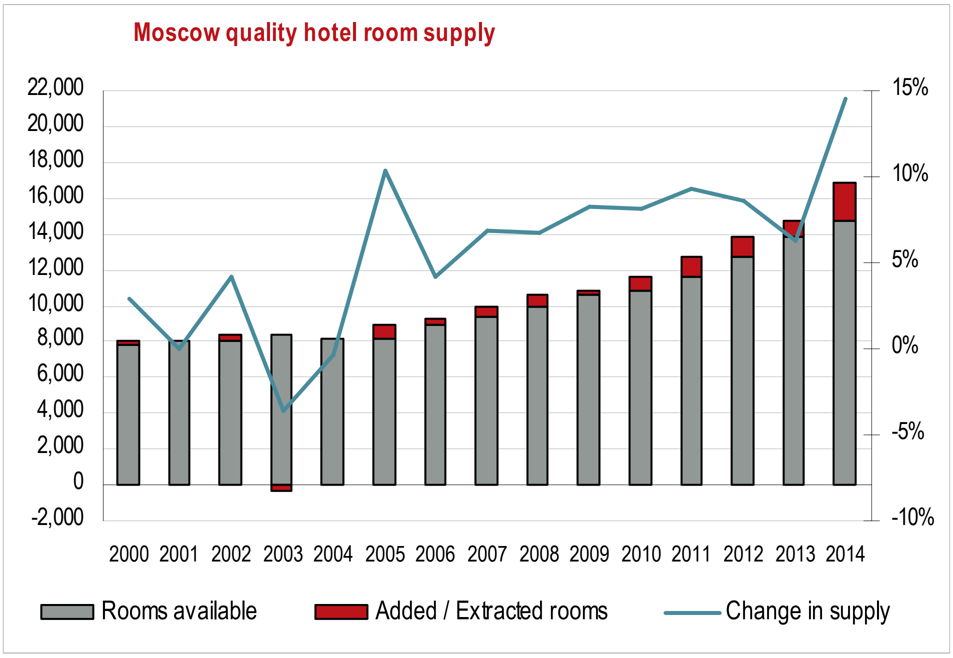
According to the Moscow Tourism Committee, Moscow currently offers 247 lodging facilities, comprising approximately 46,000 rooms (over 80,000 beds). Accommodation ranges from newly built luxury hotels to dormitory-type lodging houses and sub-standard guest houses.



Source: Jones Lang LaSalle Hotels, 2009

According to Jones Lang LaSalle Hotels' estimates, the quality hotel stock in Moscow currently totals 10,650 rooms, comprising roughly 23% of the officially registered room inventory. Current quality hotel supply is dominated by luxury and upscale properties, of which the majority are located in the city centre.

The existing mid-market sector, although comprising a sizeable share of the total quality stock, is represented largely by either outdated Soviet-era properties or privately run hotels. Currently only 27% of the mid-market sector has an international brand.



Source: Jones Lang LaSalle Hotels, 2009

Between 1999 and 2008, the quality hotel supply in Moscow had grown by approximately 35%. Parallel with the entry of over 4,600 new rooms during that period, the market had seen a shutdown of a number of Soviet-era hotels (including the landmark Intourist, Moskva, Rossiya, Leningradskaya, and Ukraine hotels) with the extracted total room stock exceeding 5,000 rooms. This has radically reduced the availability of economy and mid-market hotel bedrooms popular with price-sensitive leisure travellers.

Applying proper weighting to the quality portion of the extracted supply against the newly added rooms, the actual modern standard supply in Moscow has increased by an average 3.1% over the last decade, with the most notable increase of some 19% registered between 2005 and 2008.

As a rule, new developments in both the high-end and mid-range sectors tend to offer extensive meeting facilities and are operated by international hotel companies, with a view of attracting the corporate market and MICE sector.

Although the upscale and luxury segments currently dominate quality hotel supply in Moscow, recent growth in hotel supply has been concentrated in the mid-market sector and situated in somewhat peripheral locations outside the Garden Ring, near the newly-formed business areas or along principal transport thoroughfares.

F ollowing the entry of two new players in Moscow (the Ritz-Carlton and the refurbished Crowne Plaza – ex-Mezhdunarodnaya - hotels) in the second half of 2007, the Russian capital has continued to experience the arrival of international branded hotels in 2008, including the first Park Inn in Moscow (117-room Park Inn Sadu) and the long-awaited re-opening of a landmark Stalin-era property, which was re-branded as the 273-room Hilton Leningradskaya.

The only other addition recorded in 2008 was the July re-opening of the mid-market Aerostar hotel (281 rooms) run by a domestic operator (WEL Management).

Future supply

A growing number of international hotel operators have announced plans to introduce their best brands (Four Seasons, InterContinental, Grand Hyatt, Sofitel, Raffles, Mandarin Oriental, to name just a few) into the Moscow hotel market over the next three years.

However, 2009 is unlikely to see a significant increase in the quality room inventory. The only expected additions are the mid-market, 217-room Holiday Inn Simonovsky Val hotel, the 156-room Aquamarine hotel (likely to open as an independent mid-market hotel), and the 147-room Ibis Paveletskaya, all due to open before the end of 2009. The delivery date of the upscale 354-room Renaissance which was also scheduled for 2009, is likely to be postponed until 2010 in light of the current economic and market conditions.

The development pipeline – even though under continuous correction by the ongoing turmoil in the global and domestic financial markets - indicates that Moscow hotel supply is set to continue growing in the coming years. The city’s upscale and luxury segments, in particular, are projected to increase by more than 50% between 2009 and 2016, while the economy/ mid-range sectors are estimated to demonstrate a more modest growth of some 11% over the same period. The most active mid-market hotel operator in the Russian capital, IHG, is aggressively expanding in Moscow with three more Holiday Inn projects announced, adding over 700 rooms in the next 3 to 5 years, although we expect this to extend into a 5 to 7 year period given the current trends in the market.

The corresponding table lists the most notable high-end hotel projects that are due to open before the end of 2012.

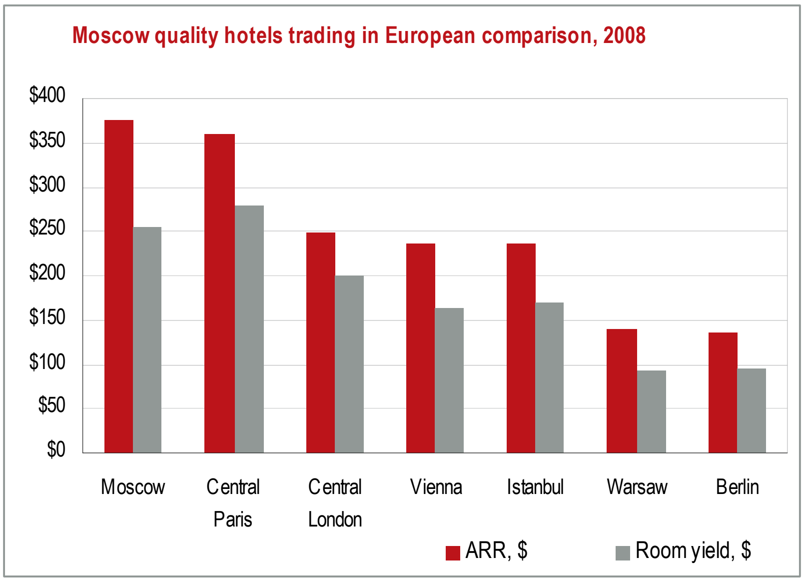
Hotel	Rooms	Expected opening	Category
Holiday Inn Simonovsky Val	217	2009	Mid-market
Aquamarine	156	2009	Mid-market
Ibis Paveletskaya	147	2009	Economy
Courtyard by Marriott	170	2010	Mid-market
Renaissance (Monarch)	366	2010	Upscale
Moskva Four Seasons	175	2010	Luxury

Grand Hyatt (Moscow City)	386	2011	Luxury
Novotel Gostiny Dvor	220	2011	Upscale
InterContinental	205	2011	Upscale
Radisson SAS Olimpiysky	360	2012	Upscale
TOTAL	**2,402**		

Source: Jones Lang LaSalle Hotels, 2009

Trading and trends

In 2008, despite the very real signs of the economic slowdown, Moscow remained the top European performer in terms of average room rates for the fourth consecutive year.

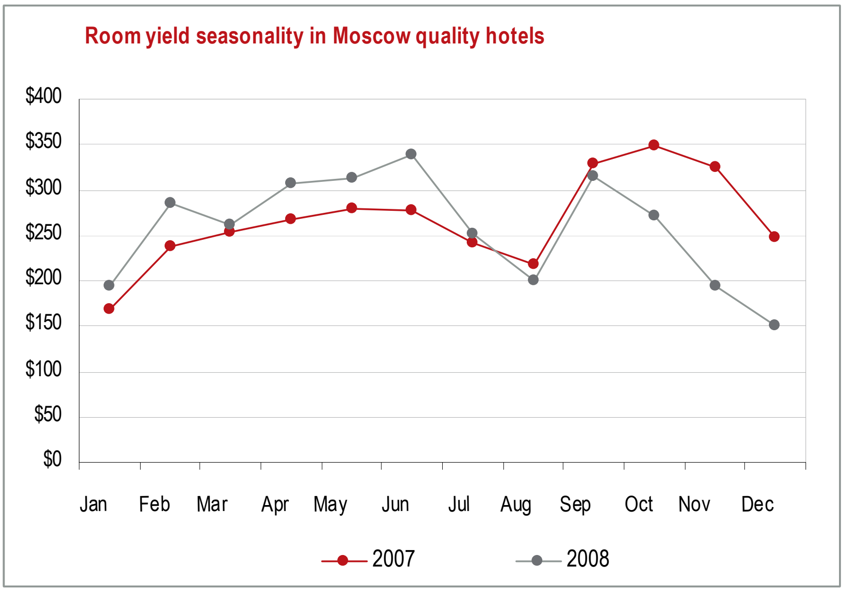


Source: STR Global, Jones Lang LaSalle Hotels, 2009

Moscow has traditionally been heavily reliant on business travellers, allowing hoteliers to achieve high room yields throughout the business year with peaks in the busy conference periods in spring and autumn.

Despite the recognizably threatening economic slump, in 2008 Moscow hoteliers continued to report a healthy growth in operating performance with room yield increasing by around 12%. Growth was supported by a further strong increase in average room rates of almost 14%. Average occupancy for quality Moscow hotels during 2008 fell to 67.5% level, a 1.7% decline compared to the previous year.

During the first nine months of 2008 Moscow hotels continued trading at spectacularly profitable rates. The last quarter, however, was marked by a pronounced reduction in performance which might be the starting point of a significant turnaround in trading performance in the short to medium term.



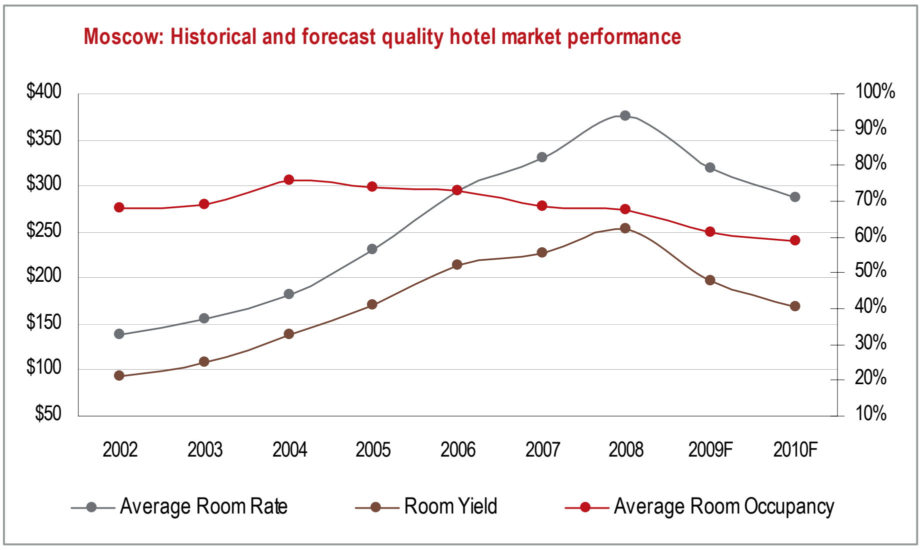
Source: STR Global, Jones Lang LaSalle Hotels, 2009

The first signs of a sl owdown became apparent in October 2008 when a fall in demand for hotel accommodation in Moscow resulted in a 4.9% drop in occupancy compared to the same month in 2007, with the decline continuing during November and December.

During the first four months of

2009, Moscow hotels have been showing a consistent decline in occupancy in every pricing category stabilising at 57.1% YTD April. Each month of the year the results have been approximately 10% below the same month year-on-year.

Heavy reliance on modern hotel stock which was also the priciest for foreign travellers (individual business people, in particular) has resulted in a serious decline in ADR compared to the same period last year. In Rouble terms, the ADR for the YTD April was RUB 7,820 (-16.5% year-on-year), whereas in USD terms the slump was more prominent at $225, or a 42.5% decline. As a result, Moscow now leads the sample of the worst hit European markets tracked by STR in terms of RevPAR drop – down 48.6% in USD terms (to $129) and 25.3% in Rouble terms (to RUB 4,468.9).



Source: STR Global, Jones Lang LaSalle Hotels, 2009

Business seemed to have picked up in April-May, when hotels in the mid-market/upscale category started seeing 100% occupancy during mid-week periods, although this suggests that hotels have started to drop their rates and pursue client categories which used to be less desirable before – e.g., tour groups.

The professionally operated hotels consistently show better trading results (with luxury hotels showing RevPAR results which are up to 75% better than those run without professional - which typically means, 'branded' – teams, primarily due to the professional management) because of active yield management and targeted sales efforts.

Typical delays of scheduled completions for new hotel projects which are so common in Moscow are now likely to be beneficial, as the limited amount of new room stock will be less likely to disrupt the already fragile trading environment and send rates spiralling downwards.

While the market dynamics remain highly volatile (in part due to the widely anticipated new wave of downward 'adjustments' in the Russian economy to be expected in the Autumn of 2009) which negatively affects the accuracy of forecasting, we believe that over the medium term (3-5 years), the Moscow market will show gradual signs of recovery. Considering the high correlation of hotel demand in Moscow with the health of the national economy which, in turn, is fully integrated into the global economy which is not expected to fully recover until at least early 2010, market observers generally agree that 2010 is likely to be only marginally better than 2009. Hotel demand is expected to pick up in 2011-2012, however, the anticipated increase of new supply across all market segments (a combined growth of modern room stock by 2012 of 37%), in our view, will make it difficult for hotels to achieve the room rates and RevPAR levels registered in 2008.

While we remain cautiously optimistic about Moscow's hotel market's performance outlook in the medium- and long-term, we do expect the current market conditions to negatively impact hotel values. Strong market fundamentals due to the low risk of oversupply given the nearly complete halt of new development, however, may reduce the fall in value for the best properties.

MARKET TOTAL	HISTORIC		PROJECTIONS				
YEAR	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Occupancy	**72.8%**	**67.5%**	**57.1%**	**58.7%**	**64.0%**	**66.4%**	**70.7%**
% Change Occupancy	0.1%	-5.3%	-10.4%	1.6%	5.3%	2.4%	4.2%
Rooms Available	3,655,402	3,900,682	3,978,829	4,335,397	4,589,437	5,094,597	5,381,852
Rooms Occupied	2,661,133	2,632,960	2,271,225	2,544,466	2,937,196	3,385,227	3,804,630
Increase in Room Demand	7.0%	-1.1%	-13.7%	12.0%	15.4%	15.3%	12.4%
Average Room Rate (USD)	**$330.21**	**$375.66**	**$263.28**	**$263.36**	**$280.26**	**$317.90**	**$346.15**
% Change ARR (USD)	12.3%	13.8%	-29.9%	0.0%	6.4%	13.4%	8.9%
Average Room Rate (Roubles)	8,453	9,320	8,820	9,002	9,739	11,184	12,333
% Change ARR (Roubles)	5.8%	10.3%	-5.4%	2.1%	8.2%	14.8%	10.3%
Room Yield (USD)	**$240.39**	**$253.57**	**$150.29**	**$154.57**	**$179.36**	**$211.24**	**$244.71**
% Change Room Yield (USD)	12.5%	5.5%	-40.7%	2.8%	16.0%	17.8%	15.8%
Room Yield (Roubles)	6,154	6,291	5,035	5,283	6,233	7,431	8,719
% Change Yield (Roubles)	5.9%	2.2%	-20.0%	4.9%	18.0%	19.2%	17.3%
Exchange Rate (year average)	25.6	24.8	33.50	34.18	34.75	35.18	35.63

Source: STR Global, EIU, Jones Lang LaSalle Hotels, 2009

5 The Proposed Hotel and its Competitive Market

5.1 Primary Competition

We have identified the following hotels (total room stock – 1,633) as those, which compete most directly with the proposed hotel based on location, positioning, product and pricing attributes.

The following table provides a brief description of the competitive set hotels.

Map Ref	Hotel (year of opening)	Grade	Guestrooms: No. of Rooms	Guestrooms: Standard Room Size, sq. m	Guestrooms: Incl. Suites, %	F&B Outlets	Conference & Banqueting Facilities: No. of Meeting Rooms	Conference & Banqueting Facilities: Total Area[3], sq. m	Conference & Banqueting Facilities: Largest Ballroom Size	Leisure Facilities	Rack Rate net of VAT and breakfast
1	**The Ritz-Carlton (2007)**	Deluxe	332	42-45	7%	2 Restaurants and 2 Bars	11	1,715	650 seats (650 sq. m)	Spa - ESPA, Fitness-centre, Indoor Swimming Pool	RUR 19,500 USD* 614
	Tverskaya Street, 3, Moscow										
2	**Ararat Park Hyatt (2002)**	Deluxe	219	35-40	10%	2 Restaurants 3 Bars (incl. 1 Sushi Bar)	10	603	100 seats (208 sq. m)	Spa - Quantum Health Club, Fitness-centre, Indoor Swimming Pool	RUR 18,000 USD 567
	Neglinnaya Street, 4, Moscow										
3	**Baltschug Kempinski (1992)**	Deluxe	232	35-40	14%	2 Restaurants 3 Bars	9	1,105	280 seats (416 sq. m)	Spa – Kanebo Spa and Beauty Centre, Indoor Swimming Pool	RUR 11,900 USD 375
	Balchug Street, 1, Moscow										
4	**Marriott Royal Aurora (1998)**	Luxury	231	40	16%	2 Restaurants 1 Lobby Bar	6	568	300 seats (385 sq. m)	Spa - Guerlain Beauty Salon, Indoor Swimming Pool	RUR 11,500 USD 362
	Petrovka Street 11/20, Moscow										
5	**Marriott Grand (1997)**	Luxury	384	32	3%	3 Restaurants 1 Lobby Bar	10	862	400 seats (418)	Spa - Carita Beauty Salon & Marriott Grand Health Club, Indoor Swimming Pool	RUR 9,000 USD 284
	Tverskaya Street, 26/1, Moscow										
6	**Swissôtel Krasnye Holmy (2005)**	Luxury	235	35	11%	2 Restaurants 3 Bars	11	550	120 seats (167 sq. m)	Spa - Amrita Spa & Wellness, Indoor Swimming Pool	RUR 8,500 USD 269
	Kosmodamianskaya Naberezhnaya, 52/6, Moscow										
	TOTAL		**1,633**								

* Currency rate: 1USD=31.74RUR

[3] Incl. pre-function areas

5.1.1 Ritz Carlton

The 11-storey, newly built hotel overlooking the Kremlin and Red Square offers 332 spacious guestrooms measuring a minimum of 42 sq. m, 1,715-sq. m conference and banquet facilities (including a 650-sq. m ballroom), a total of 4 bars and restaurants and an "ESPA" branded health club and spa (with an indoor swimming pool), a selection of luxury boutiques, as well as a total of 371 underground parking spaces (of which 50 are allocated for hotel use).

The hotel caters primarily to business individuals. Rack rates are currently quoted at RUR19,500 (approximately $614) for a standard room (net of VAT and breakfast).

Along with the more prominent location, the Ritz Carlton has the most spacious hotel rooms in Moscow, the largest and most modern conference facility as well as an attractive F&B offer. Considering the superior location and the overall quality of accommodation, we believe this property may be viewed as direct competition to the future hotel.

5.1.2 Ararat Park Hyatt

The 11-storey hotel located on Neglinnaya Street was Hyatt International's first property in Russia and one of the company's first "Park Hyatt" hotels in Europe. The hotel is contemporary and minimalist in style, a novelty in Moscow's upscale hotel market.

F&B outlets comprise 2 restaurants and 3 bars (including a sushi bar). Meeting and banqueting space is limited and only offers 9 rooms, of which 7 measure between 18 sq. m and 75 sq. m in size, and a ballroom of 208 sq. m. Leisure facilities comprise of the Quantum Health Club, a fitness centre and an indoor swimming pool.

Rack rates are currently quoted RUR18,000 (approximately $567) for a standard room (net of VAT and breakfast).

The Park Hyatt has a more prominent address (although not the same level of visibility/access as the subject hotel) and is largely a more enclosed property. Still, considering the superiority of the location and same quality of product, we can consider it direct competition.

5.1.3 Baltschug Kempinski

The Baltschug Kempinski has a good location which offers excellent views over the Kremlin and Red Square to some of the bedrooms, although it is perceived as 'located on the wrong side of the river'. Although the oldest international-grade hotel in Moscow and now visibly in need of substantial renovation, the Baltschug is trading very successfully and until the opening of the Ritz Carlton, it generated the second highest RevPAR in the city.

The hotel offers 230 guestrooms (standard and superior rooms ranging from 35 sq. m to 40 sq. m), five F&B outlets (2 restaurants, 2 bars/lounge and a café), over 1,000 sq. m of conference and meeting facilities (the main drawback – lack of a sufficiently large ballroom), a leisure club, and an assortment of retail boutiques at the lobby level.

We understand it is proposed that the property will benefit from a €30 million renovation although we are unaware as to when this renovation will commence.

Rack rates are currently quoted RUR11,900 (approximately $375) for a standard room (including breakfast, net of VAT).

The subject hotel will compare favourably with this hotel in terms of quality of accommodation and meeting/conference facilities. The Baltschug has the advantage of views over the Kremlin.

5.1.4 Marriott Royal Aurora

This hotel is located between Petrovka Street and Stoleshnikov Pereulok, overlooking the Bolshoi Theatre, and is considered to be the flagship property among all Marriott hotels in Moscow. The 7-storey building was completed in 1999 and is the newest of the three Marriott properties, all of which are Marriott franchises, managed by Interstate Hotels.

The hotel is similar in style to the Marriott Grand Hotel, with a more intimate atmosphere. Individual business travellers from the United States and Europe are the most important source of business.

The hotel's F&B facilities include 2 restaurants and 1 lobby bar. Conference facilities are relatively small and include 6 meeting rooms with a total area of 568 sq. m. Leisure facilities include a Guerlain Beauty Salon/Spa, a fitness-centre and an indoor swimming pool.

Rack rates are currently quoted RUR11,500 (approximately $362) for a standard room (net of VAT and breakfast).

The subject hotel will compare favourably with the Royal Aurora, which has not seen major overhaul of the rooms and other public areas since its opening. The Royal Aurora, however, has a more prominent location, even if not as visible and accessible as the Russia Tower hotel.

5.1.5 Marriott Grand

The Marriott Grand has been in operation since 1997 and fully complies with the standards of a modern upscale business hotel. The hotel features 384 rooms, with an average room size of 32 sq. m. Food and beverage facilities comprise 3 restaurants and a lobby bar.

The total function space available is 862 sq. m, with the largest room seating up to 400 persons (theatre style). Only part of the conference rooms offer daylight. There is a large (1,000 sq. m) Carita Beauty Salon & Marriott Grand Health Club with indoor swimming pool in the basement which offers membership to outside clients.

The hotel offers 80 underground parking spaces although street parking is practically absent. The hotel benefits from its central location along Tverskaya Street.

Rack rates are currently quoted RUR9,000 (approximately $284) for a standard room (net of VAT and breakfast).

While an older property which is certainly due for a major overhaul of the room product as well as public areas, the Marriott Grand is one of the most successful large-scale luxury properties in Moscow. Given the favourable location and the overall quality of accommodation, we consider the Marriott Grand a primary competition to the subject hotel.

5.1.6 Swissôtel Krasnye Holmy

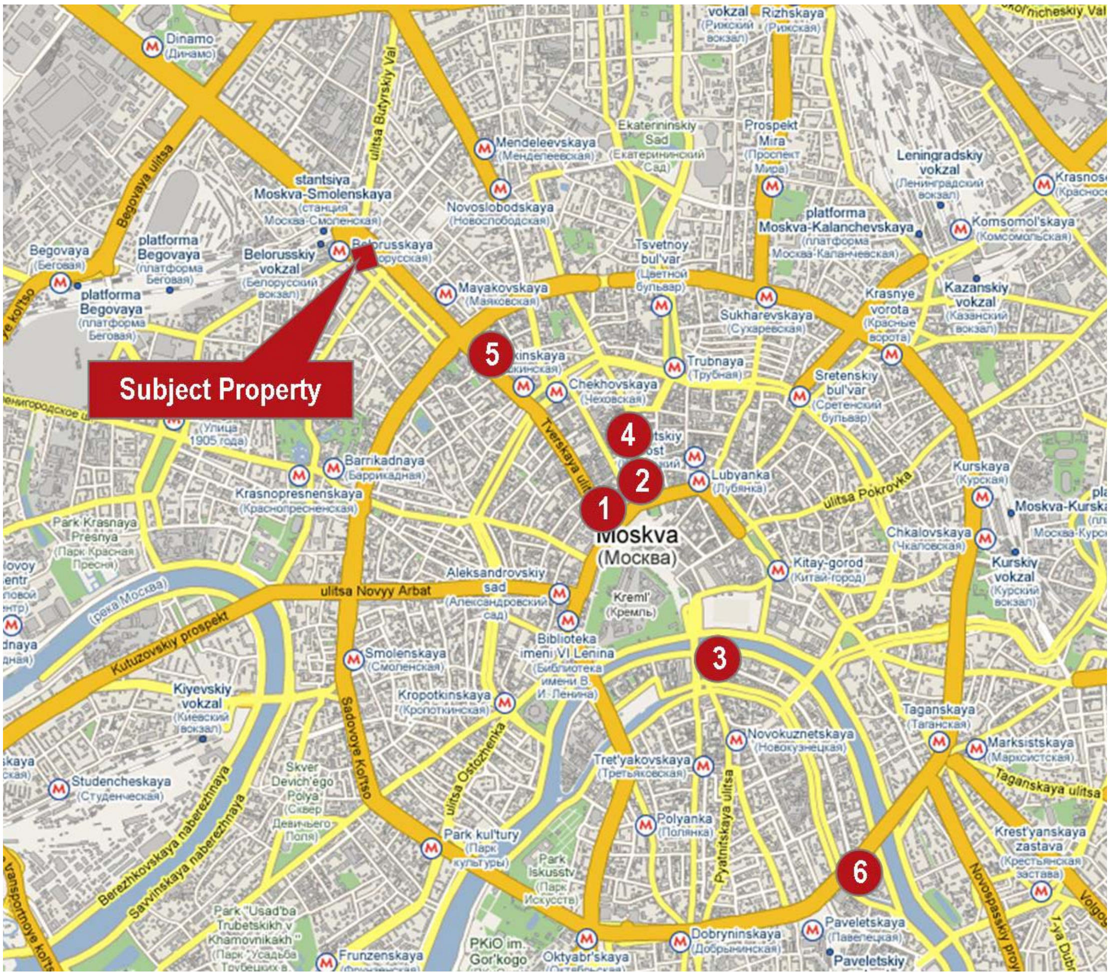
The Swissôtel Krasnye Holmy which opened in mid-2005, one of the newest hotels in the competitive set, occupies a landmark 34-storey tower on the southern end of the Garden Ring and, as such, enjoys good accessibility, although, reputedly not such a central location as expected for a high-end product.

With 235 rooms measuring 35 sq. m (standard rooms - on average), the hotel offers some of largest and best equipped rooms in the market. The food and beverage facilities include 2 restaurants, 2 bars (including the City Space Bar with roof-top views) and an executive lounge/bar. The conference segment is limited (550 sq. m in total) and features 11 meeting rooms, with the largest seating up to 120 persons (theatre style).

Rack rates are currently quoted at RUR8,500 (approximately $269) for a standard room (net of VAT and breakfast).

This property can be viewed as primary competitor to the proposed hotel, mainly in view of the not-quite-central location and the new and trendy design and overall high quality of accommodation as well as the “tower-effect”. On the negative side, the Swissôtel does not have a sufficient amount of conference space to compete, for example, with the more successful Ritz Carlton and the Baltschug Kempinski.

Primary Competition - Map



5.2 Secondary Competitors

Besides the hotels described above, the proposed hotel is expected to compete with a number of other business hotels with large-sized conference facilities, although their impact may be less pronounced. The Radisson Slavyanskaya (410 rooms) and the Renaissance Moscow (475 rooms), which both offer some of the largest conference zones on the Moscow market, may be viewed as secondary competitors.

5.3 Future Competitive Supply

Despite the City of Moscow's efforts to stimulate hotel development, the hotel pipeline, in our opinion, does not contain enough projects which might satisfy demand for high quality rooms and other related hotel services. Given the lack of professional hotel developers (and the general approach they take to hotels - rating them as the least profitable types of investment), development projects typically take longer to finish – so there is a visible delay between stated/projected hotel completions and opening dates. Furthermore, due to current conditions on international financial markets, many hotel projects have been put on hold in the short-to-medium term.

Nevertheless, below we provide a list of projects under development (likely to be completed by 2013-2014) and announced projects (the completion of which is difficult to project), which, whilst not exhaustive, outlines likely market development, which might affect the proposed hotel (albeit to various degrees).

Hotel	№ of Rooms	Expected Opening	Category
	Projects Under Development		
Renaissance (Monarch)	366	2010	Upscale
Lotte Plaza	298	2010	Luxury
Radisson Royal (Ukraine)	550	2010	Luxury
Moskva Four Seasons	175	2011	Luxury
InterContinental (Minsk)	205	2012	Upscale
Grand Hyatt (Moscow City)	386	2012	Luxury
Mandarin Oriental (Tsentralnaya)	237	2013	Luxury
Subtotal	**2,217**		
	Announced Projects		
New Sovietskaya	460	after 2014	Luxury
Kempinski Nikolskaya	200	after 2014	Luxury
Sofitel (MCTT)	170	after 2014	Luxury
Tverskaya 16/2	110	after 2014	Luxury
Raffles Moscow	130	after 2014	Luxury
Four Seasons Kremlin Sites	114	after 2014	Luxury
Hotel Rossiya	816	after 2014	Luxury
Inteco Ilyinka 3/8	102	after 2014	Luxury
Subtotal	**2,102**		
TOTAL	**4,319**		

Source: Jones Lang LaSalle Hotels, 2009

We anticipate that the subject hotel will face competition from other new, more luxurious hotels in more central locations, including the Four Seasons Moskva, the InterContinental, the Mandarin Oriental and Renaissance Monarch.

At the same time, current market conditions will lead to delays in expected opening dates and to an overall reduction in future supply (in the short- to mid-term), providing for a reduced list of competitors in the near future.

6 Future Hotel Trading Performance

6.1 Jones Lang LaSalle Hotels' Trading Projections

We set out below our income projections for the future hotel. They represent our opinion of the likely projections that would be forecasted by a potential purchaser and are not necessarily those that might be assumed by the hotel operator.

We have based our projections on the performance of hotels which are seen as potentially comparable to the future hotel. Moreover, we have also accounted for the anticipated development of the Moscow hotel market, in terms of both supply and demand, and the likely cost increases, which, in our view, will impact the hotel's profitability in the mid- to longer-term. We have based our assumptions on the concept information shared with us and our impressions from the site inspection. We have assumed that product design and fit-out will be adequate for a deluxe hotel. Below are basic assumptions about the hotel project:

- Our projections have been prepared on the assumption that the proposed hotel will have 300 rooms;
- The hotel will open in mid-2013;
- Our projection years range from July 1 to June 30;
- The first two to three years of operation will constitute the hotel's start-up phase. Performance is not anticipated to stabilize prior to 2016 (Year 3);
- The hotel will be classified as an international-grade deluxe property – with modern business, meetings, and leisure facilities;
- The proposed hotel will position itself well in the Moscow market and benefit from being part of a multifunctional recreational complex, contemporary product and professional management;
- The future hotel will be operated efficiently;
- FIT, Corporate and Individual Leisure segments, as well as MICE are expected to represent key drivers of the future hotel's demand;
- Continued road infrastructure improvements and commercial development of the neighbouring area of the hotel are expected to significantly increase the hotel's attractiveness in the mid- to long-term;
- The hotel will be part of a mixed-use complex, including office, residential and retail elements, and thus will enjoy the benefits of synergies created in a mixed-use complex - albeit separated from all other uses.

Our forecasts represent indicative assessments of possibilities rather than certain projections and although they have been conscientiously prepared on the basis of information provided to us, we do not guarantee their fulfilment. Our full five-year income and expenditure projections are based on our benchmarking from other quality hotels in Moscow as well as overall market conditions, for which we have data, and are contained in Appendix 3. A summary is set out below.

TVERSKAYA ZASTAVA PLAZA I - LUXURY HOTEL PROJECT: Trading Projections (Year ending June)	2014 (Year 1)	2015 (Year 2)	2016 (Year 3)	2017 (Year 4)	2018 (Year 5)
Room Count	300	300	300	300	300
Occupancy Rate %	58.04%	64.64%	68.26%	68.26%	68.26%
Average Room Rate USD	417.68	465.41	491.36	501.19	511.21
RevPAR USD	242.42	300.85	335.41	342.12	348.96
RevPAR Growth		*24.1%*	*11.5%*	*2.0%*	*2.0%*
TOTAL SALES	**42,921**	**51,274**	**56,519**	**57,764**	**59,156**
Rooms Sales	26,545	32,944	36,828	37,462	38,212
Rooms Profit	22,195	28,083	31,642	32,126	32,720
F&B Sales	12,823	14,027	14,924	15,446	15,987
F&B Profit	5,386	5,807	6,253	6,410	6,635
MOD Sales	3,053	3,789	4,235	4,308	4,394
MOD Profit	1,526	1,894	2,118	2,154	2,197
Rent & Other Income	501	516	531	547	563
GROSS OPERATING INCOME	**29,608**	**36,300**	**40,544**	**41,237**	**42,115**
GOI %	69.0%	*70.8%*	*71.7%*	*71.4%*	*71.2%*
Undistributed Expenses	8,709	9,560	10,157	10,468	10,795
GROSS OPERATING PROFIT	**20,899**	**26,739**	**30,387**	**30,770**	**31,320**
GOP %	48.7%	*52.1%*	*53.8%*	*53.3%*	*52.9%*
NET OPERATING PROFIT*	**14,871**	**19,410**	**22,541**	**22,322**	**22,813**
NOP %	34.6%	*37.9%*	*39.9%*	*38.6%*	*38.6%*

* After Property Tax, Insurance, FF&E Reserve and Management Fees; ~MOD includes Telephone

Source: Jones Lang LaSalle Hotels

6.1.1 Commentary on Trading Projections

- General inflation has been assumed at 3% per annum throughout the projection period in US dollar terms.
- The business segment is expected to be the most important source of business for the Tverskaya Zastava hotel – to be generated by the nearby office complexes, with the individual leisure segment being the second most important business segment. Even though Moscow is yet to attract considerable leisure traffic, the proximity of the hotel to the city centre and a convenient link to the metro system and the train station (including Express trains to the Domodedovo and Sheremetyevo International Airports) may appeal to tourists. The following table summarises our estimated market mix in the stabilized operation:

Segment	Share, %
Rack	15%
Corporate	60%
Business Groups (MICE)	15%
Leisure Individual	8%
Leisure Group	2%
TOTAL	**100%**

Source: Jones Lang LaSalle Hotels

- Based on the anticipated business mix, we estimate that the average room rate (net of VAT and breakfast) in a stabilized year (Year 3) of operation will be in the order of $491. Our room rate projections are based on market evidence in Moscow's current deluxe segment and on the assumption that the proposed hotel will compete with strong brands in the high-yielding international market and is therefore anticipated to focus less on volume-driven strategies – which should result in a higher rate.

Rooms Department

- The Rooms Department is expected to be the main source of revenue and comprise 65% of Total Sales in stabilized Year 3 and thereafter.
- Expenses in the Rooms Department are estimated to stabilize at around 14% of Room Sales in Year 3. In Years 4 and 5 expenses grow slightly above the projected assumed inflation rate (on a Per Occupied Room basis) thus, in line with room sales growth and the occupancy trend of the hotel.

Food and Beverage Department

- Food and beverage revenue (including some banquet and conference sales) is projected to stabilise at approximately 27% of Total Revenue (or 41-42% or Room Sales), which, in our view, is slightly above market average and provides a fair representation of the proposed F&B facilities and specific project components/location.
- Expenses in the food and beverage department are estimated to stabilize at around 58% of food and beverage revenue. Like in the Rooms Department, food and beverage expenses are in line with sales growth reaching the assumed inflation rate (on a POR basis).

Minor Operated Departments (MOD)

- Revenue from Minor Operated Departments will be in the order of 7.4% of Total Sales (Year 3) and includes possible revenue from the usage/membership of spa and fitness facilities, guest laundry, pay-TV and the sale of minor items (newspapers, cigarettes). Telephone revenue is anticipated to be minimal – we have combined it with MOD Sales.
- Expenses in this department are assumed at the level of up to 50% throughout the projection period.

Gross Operating Income (GOI)

- The GOI of the hotel is projected to stabilise above 71% - on the back of relatively low labour costs across all departments (at least, in the mid-term).

Undistributed Operating Expenses

Undistributed operating expenses are expenses that cannot be allocated to a specific department. They are allocated against total revenue and include:

- Administrative and General Expenses - comprise all personnel and non-personnel costs associated with the general management, accounting of the hotel, credit card commissions, travel agents, etc. These costs are estimated to amount to approximately 9.1-9.2% of Total Sales.
- Sales and Marketing Expenses - include all personnel and non-personnel costs associated with marketing the hotel locally as well as covering operator's so-called 'system costs' (centralized service fees and related charges). These costs are normally higher (in absolute values) for new hotels before stabilizing alongside the hotel business stabilization. For the purposes hereof, we assumed that these expenses will initially constitute 5.2% of Total Sales, gradually stabilizing at approximately 4.9%.
- Our estimations of the Heat, Light, and Power Expenses were based on similar category expenses in hotels in Moscow. While gas and electricity rates for private and corporate consumption are still relatively low in Russia, over the last 2-3 years these costs have been growing at 10-20% per annum. Arriving at our estimation, we have assumed a 60% fixed rate and a 40% variable rate, taking into account the difference in the increase in occupancy and indexed by a flat 5% growth for energy-related costs throughout the forecast period.

- Repairs and Maintenance - comprise personnel and non-personnel costs that are associated with the general upkeep of the property. In new hotels, an increasing scale may be applied, whereby these costs start at 2.2% of Total Sales and moderately decrease to 1.9% in stabilized Year 3 and thereafter.

Fixed Costs

Fixed costs usually include:

- Property Tax (for calculation please see Section 3.6).
- Hotel-related insurance payments are estimated to comprise 0.7% of Total Sales in Year 1. Thereafter, they are projected to increase by 5% per annum.
- We have assumed that the Manager obtains a base fee of 2.5% of Total Sales and an incentive fee of 8% of AGOP (AGOP is defined as Gross Operating Profit less Base Fee).
- The FF&E reserve is assumed to grow from 2% of Total Sales in Year 1 of operations to 4% in Year 4 and thereafter.
- The ground lease payment has not been included in our trading projections (For detailed ground lease payment calculations, please see Point 3.1 of the Tenure and Statutory Section).

Net Operating Profit

- The NOP (Net Operating Profit / Net Cash Flow) is estimated to stabilize at $22.5 million in Year 3, or approximately 38-39% of Total Sales.
- Due to the age of the property, we have made no deduction for Capital Expenditure.

7 Hotel Investment Market

7.1 Russian Hotel Investment Market

One of the most buoyant economies in Europe in recent years, Russia was immune to the global economic crisis until the second half of 2008 (GDP growth averaged an impressive 7% per year during 1999-2007 and reached 8% in 1H 2008). According to the EIU (European Intelligence Unit), Russia's real GDP growth is forecast to slow to an average of around 2.3% per year in 2009-2011, reflecting the impact of the financial turmoil, lower commodity prices and weak energy sector production. Inflationary pressure is likely to decline as a result of the fall in oil prices, helping sustain growth in real income.

Due to Russia's strong macroeconomic fundamentals grown on the back of high oil prices and supported by prudent fiscal management and substantial financial reserves, the country appeared likely to withstand the global economic downturn better than many other emerging markets. However, Russia was unable to prevent the global financial crisis from impacting the country's (real) economy. Falling shares on international stock markets, decreasing oil prices and nationalisation of the private banking system combined with a credit squeeze and outlook of a global recession, have weakened the country's economy during the fourth quarter of 2008.

International investors' interest in hotel investment in Russia intensified between 2005 and the first half of 2008, although generally the transaction volume as indicated in the corresponding table remained lower compared to other European countries due to its major focus on development (hence, the lack of stock and the concentration on the country's prime markets).

The majority of publicly announced hotel transactions have taken place in St. Petersburg possibly due to the proximity of the market to the Scandinavian countries where the majority of investors originated as well as to the perceived investor-friendly atmosphere created in St. Petersburg by the local authorities.

Predictably, the majority of transactions registered in 2008 also took place in St. Petersburg, with deals including the purchase of the newly-opened 255-room Sokos Hotel Vasilievsky by a Finnish company SOK Holding Oy for an undisclosed sum. The most notable transaction in 2008, however, was the sale of the 160-room Park Inn Yekaterinburg hotel to a Norwegian private equity group – WenaasGruppen A/S, who already own three landmark hotels in St. Petersburg. The hotel was sold for €22.5 million (approximately $35.5 million), and the transaction is rightfully considered the first open market hotel transaction in the CIS region.

The corresponding table lists the most notable hotel investment transactions in Russia in 2008:

Project	City	Category	Room Count	Purchaser	Price	Price per Room
Radisson SAS Slavyanskaya (50%)	Moscow	Upscale	410	Electroniy Rai	$85 mln	$414,600
Sokos Hotel Vassilievsky	St. Petersburg	Mid-market	255	SOK Holding Oy	n/a	n/a
Reval Hotel	St. Petersburg	Mid-market	175	Linstow	n/a	n/a
Park Inn Yekaterinburg	Yekaterinburg	Mid-market	160	WenaasGruppen A/S	$35.5 mln	$221,800

Source: Jones Lang LaSalle Hotels, 2009

We expect that within the next 12-24 months the interest from investors will be focused, overall, on trading, landmark properties, located in large cities, as, in the present market situation, development projects provide a too large risk for investors.

7.2 Investment outlook

In view of the unfurling global economic turmoil, foreign direct investments in Russia and the CIS region in general are expected to slow down substantially. Sourcing financing has become very difficult with the majority of (western) banks limiting funds for lending. Although financing in Russia remains available officially, the associated costs have doubled and even tripled, making it virtually beyond reach of the investors. All this has prompted developers to shelve new projects and abandon plans to expand in domestic and international markets. As a result, the majority of smaller domestic investors may drop off the scene, possibly selling out to their stronger competitors, especially in the regional markets.

The situation is especially critical for real estate property developers, who, due to long-production cycles, require long-term funding, making them particularly vulnerable in terms of demand for additional loans. Thus, amid the current credit tightening, many national developers, such as RussianLand, Mirax Group, Sistema Hals, PIK Group, AFI Development, to name just a few, have already announced cancellation of new investment projects to concentrate on those that are already under construction.

With only a limited amount of stock currently in the market and developments likely to be stalled or cancelled in the short- to medium-term, 2009 is expected to demonstrate further weakening of investment sentiment across all CIS markets, supported by continued softening of yields. Investment in recent years has, to a large extent, been driven by Western investors who are now returning home, to markets they know and which are perceived less risky.

While selling intentions are unlikely to be high in the next 12-24 months, some investors may be forced to put their assets on the market, driven either by the need to refinance or declining cashflows (including those in other businesses). Distressed hotel assets are likely to become the first products to be placed on the market (as demonstrated by the recent example with the Moscow-based “Budapest” hotel in late 2008).

Despite the difficult economic environment and the reduction in hotel demand, demand still appears to be outstripping supply across all hotel segments. With limited competition in sight for the short- to medium-term, the best located and professionally run properties are likely to face the lowest correction in capital values, despite the expected fall in visitation, operational margin erosion, and universal yield softening.

It is commonly agreed that the current gap between sellers’ and buyers’ price expectations is not expected to narrow in 2009. Whatever strategy investors opt for, caution and selectivity are most likely to constitute the key approach in the market in the coming years.

Existing hotel properties with stabilized revenues across all price segments are expected to weather the storm best, particularly those in prime destinations, supported by an international brand and/or efficient management. By the same token, privately owned properties with a weak management history are likely to suffer more, providing opportunities for professional management teams (including those by international operators) to take over the operations.

7.3 Factors Influencing Value (SWOT-Analysis)

We have particularly taken into consideration the following key factors, set out below, in arriving at our valuation and advice on the proposed hotel.

Strengths	Weaknesses
• Central and visible location along one of Moscow's main arterial roads (Tverskaya Street); • Proximity to major business generators (class A offices, high-end retail, etc.); • Proximity to metro system and Belorussky Train Station; • Professional management - International operator and internationally recognized brand; • Modern building, assumed high quality of construction, modern design and fit out; • Synergies to be achieved due to mixed-use nature of the Project; • Increased visibility and convenient access to/from the site; • Sufficient parking ratio.	• Good business location, although not prime (i.e. city centre).
Opportunities	**Threats**
• Premier deluxe property catering to business, MICE and leisure travellers; • Further commercial development in the immediate neighbourhood; • Improving vehicular accessibility (considering transport infrastructure works on Tverskaya Zastava square); • Further growth and development of Moscow hotel market.	• Increasing hotel supply in Moscow, particularly in the 4- to 5-star segment; • Refurbishment of existing hotels; • Scheduled opening of several hotels which might compete directly with the subject hotel: InterContinental, Tsentralnaya, Radisson Belorussky Train Station etc. • Gradual increase of labour & energy costs and inflation (in the long-term); • Global credit crunch and the financial crisis on commercial property investment markets in Russia in the short- to medium-term; • Uncertainty in financial markets may lead to decrease in trading indicators in Moscow and may, potentially, lead to longer recovery periods;

Source: Jones Lang LaSalle Hotels

7.4 The Market for the Proposed Hotel

Considering the current lack of financing on global real estate markets, as well as the arrival of other properties into the market over the next several years (albeit with projected delays), we expect that, at present, there would be little interest in the hotel project from investors.

In our opinion, the market for the hotel would be first of all local Russian investment groups, investment groups from CIS countries and private investors with confidence in this market.

In the long-term, we believe that private equity groups will remain a likely category of buyers for the subject property. Private equity groups and opportunity funds will still generally be seeking to acquire investment quality properties in Russia.

8 Valuation

8.1 Valuation Methodology

This section briefly summarises Jones Lang LaSalle Hotels' approach to the valuation of hotels.

Hotel investments are generally purchased on the basis of future income potential. Past performance provides some guide to the future performance of a hotel, but often new macro-economic factors or local supply issues mean that a fresh view needs to be taken of the performance potential of the hotel.

To arrive at an estimate of the hotel's capital value, we prepare an income and expenditure forecast which is then capitalised using a discounted cash flow model. This forecast represents what we believe a potential purchaser would adopt as being realistic estimates of the hotel's future income potential. This is not necessarily the same as current hotel management may project, but represents what a prospective purchaser might believe was reasonable as a basis for acquisition.

The forecast is prepared for a five-year period. The net cash flow in Year 5 is used as a basis for future income flows and inflated at an appropriate rate for Years 6 to 10, having regard to the hotel's prospects and the anticipated level of inflation in US Dollar terms.

A discount rate is then applied; selected by reference to historic hotel transaction evidence, yield evidence of other forms of commercial property, market factors and the location and nature of the property. The net cash flow in the eleventh year is capitalised at a separate capitalisation rate and deferred at the same discount rate, and incorporated to arrive at the total investment figure.

This is then cross checked against comparable transactional evidence and our understanding of purchasers' perceptions of hotel values (e.g. on a per room basis) and acceptable returns on investment.

Major domestic and international purchasers remain concerned with cash flows and with established or achieved trading figures as well as readily foreseeable income flows. These factors have a strong impact on purchasing decisions and we therefore have regard to the initial and likely returns to an investor/purchaser in the early years.

Having arrived at an estimate of total investment, which we consider reasonable, we then deduct any capital expenditure, which an investor would require to spend in the foreseeable future. In this instance, as the hotel will be new, we have assumed that the investor won't need any capital investment in the next 5-10 years. It is assumed that the FF&E reserve is sufficient enough to cover all necessary renovations and minor repairs within that period.

8.2 Valuation Assumptions

Our valuations have been prepared on the following bases.

- The General Principles contained in Appendix 1 of our report.
- Except as may be indicated below, our valuation has been prepared in accordance with the Guidance Notes and Practice Statements contained in the RICS Valuation Standards.
- Market value, which is defined as "The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

- That the information provided to us is correct, particularly that the hotel's operating projections accurately reflect its likely trading performance and that the premises will contain no deleterious materials such as high alumina cement concrete, woodwool permanent shuttering or asbestos.
- That the hotel has the benefit of all necessary planning consents and that they are subject to no unusual, onerous or restrictive conditions.
- Any adverse or favourable tax issues affecting the property or owning companies have been disregarded.
- We have assumed that the hotel would be properly and effectively marketed to both domestic and international purchasers allowing a reasonable period of time (being between six and twelve months) for exposure to the market and negotiation.
- That the property will include all operating equipment, furniture, fixtures, fittings and equipment necessary to manage a hotel of this standard, that they would remain in the property on sale and that this equipment will be owned, not leased.
- All appropriate licences and approvals (including Fire Certificate) will be held to operate the hotel and the various food and beverage facilities.
- That the property will continue to trade normally up until the date of sale.
- The site, on which the hotel is located, has all town-planning and construction approvals, which can not be challenged or recalled in case of any unforeseen events of a burdensome or binding character.
- In line with our standard practice, we have not included and undistributed savings, which could arise through capital expenditure funds or the FF&E reserve. The amount of these savings can change over time and will not be available to any potential purchaser.

8.3 Valuation of the Proposed Hotel

In accordance with our instructions, we have prepared an appraisal on the basis of the Likely Future Value of the hotel as an operational entity under the special assumption that it is completed and ready for trading.

Likely Future Value

There is little evidence in the hotel transaction market on which to base an appropriate discount rate to apply our projections. Based on the limited information available from real estate transactions and application of corresponding rates in the hotel industry we have applied an exit capitalisation rate to the projected 11th year's Net Operating Profit of 14.75% and a discount rate to this amount and to the first 10 years of our projections of 19.75%.

On this basis, the gross valuation of the proposed hotel is $125 million, or $417,000 per room, which we believe to be appropriate for this type and quality of property in light of current market conditions and our knowledge of the hotel market.

On this gross sum, the projected cash flows from the proposed hotel show the following running yields.

Year	Running Yields
2012	11.87%
2013	15.49%
2014	17.99%
2015	17.81%
2016	18.21%

Source: Jones Lang LaSalle Hotels

We have made no deductions for capital expenditure assuming the property will be fully completed.

8.4 Valuation Reconciliation

Likely Future Value

Subject to the contents of this Report, we are of the opinion that the Likely Future Value of the freehold interest in the building and the leasehold interest in the underlying land parcel in the proposed Tverskaya Zastava Hotel, 1st and 2nd Brestskaya Streets, Moscow, Russia, subject to a management agreement with an international hotel operator (on terms assumed as detailed in this Report) on completion of all works, as part of a completed mixed-use development, and as a fully operational hotel, as at 1st July 2013, is:

US$125,000,000

(One Hundred and Twenty Five Million United States Dollars)

We must emphasize that the assessment of values at a future point in time carries a significant risk and for this reason is outside the guidance notes and Practice Statements in the RICS Appraisal and Valuation Standards. We confirm that our valuation specifically assumes that investment market conditions are as currently prevailing as at the date of this Report (June 2009).

Our opinions make no allowance for expenses of sale, which may be considerable, or liabilities to taxation (including VAT), which might arise on a disposal. No allowance is made for transfer costs in disposing of the hotel (whether payable by the vendor or purchaser) as these often depend on the manner in which the sale is conducted, nor for any interest that might accrue prior to a disposal.

In accordance with our standard practice, we must state that this report is confidential to and for the use only of the party to whom it is addressed and their other professional advisors for the purpose to which it refers. No responsibility is accepted to any third parties and neither the whole nor any part or any reference thereto may be published in any document, statement or circular nor in communication with third parties without our prior written approval of the form and context in which it will appear. Any such consent will only be granted if due attention is drawn to the bases and assumptions upon which the valuations have been prepared.

Appendix 1 – General Principles Adopted in the Preparation of Valuations and Reports

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

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

1. RICS Valuation Standards:

Valuations and Reports are prepared in accordance with the Practice Statements contained in the RICS Valuation Standards published by the RICS, by valuers who conform to the requirements thereof.

Except where stated, Jones Lang LaSalle and Jones Lang LaSalle Hotels are External Valuers.

2. Valuation Basis:

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

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

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

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

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

3. Source of Information:

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

4. Documentation:

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

5. Tenants:

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

6. Measurements:

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

7. Town Planning and Other Statutory Regulations:

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

7.1. the position is correctly stated in our report;

7.2. the property is not adversely affected by any other decisions made, or conditions prescribed, by public authorities;

7.3. there are no outstanding statutory notices.

Outside the UK however, it is often not possible to make such verbal enquiries.
Our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory and EC regulations, including enactments relating to fire regulations, access and use by disabled persons and control and remedial measures for asbestos in the workplace.

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

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

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

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

12. Insurance:
Unless expressly advised to the contrary we assume that appropriate cover is and will continue to be available on commercially acceptable terms. For example in regard to the following:
Composite Panels - We understand that a number of insurers are substantially raising premiums, or even declining to cover, buildings incorporating certain types of composite panel. Information as to the type of panel used is not normally available, and the market response to this issue is still evolving. Accordingly, our opinions of value make no allowance for the risk that insurance cover for any property may not be available, or may only be available on onerous terms, or for any adverse market reaction to the presence of such panels.
Terrorism - Our valuations have been made on the basis that the properties are insured against risks of loss or damage including damage caused by acts of Terrorism as defined by the 2000 Terrorism Act. We have assumed that the insurer, with whom cover has been placed, is reinsured by the Government backed insurer, Pool Reinsurance Company Limited.
Flood and Rising Water Table - Our valuations have been made on the assumption that the properties are insured against damage by flood and rising water table.

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

14. Value Added Tax:
Valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

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

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

17. Hotels:

Hotels and certain similar properties are usually sold as fully operational entities, including trade fixtures, fittings, furniture, furnishings and equipment. The new owner will normally engage the existing staff and sometimes the management and would expect to take over the benefit of future bookings, which are an important feature of the continuing operation.

Accordingly, our valuations assume that the hotel is open for business and trading up to the date of sale. Unless stated to the contrary, it is assumed that it has the benefit of all necessary licences, consents, registration certificates and permits, as appropriate (including fire certificates), and that they can be renewed. Consumable stocks are excluded from the valuation of the property.

Fixtures, fittings, furniture and stock are taken into account as apparent on inspection (or otherwise indicated to us) on the basis that the hotel is suitably equipped for the satisfactory continuation of the business and that all such furniture, fittings and equipment will be included in any sale.

Unless informed to the contrary, we assume that no particular value attaches to any item of furniture or work of art and also that all furniture, fittings and equipment is owned and not subject to any lease arrangement.

In arriving at our valuation we consider trading accounts for previous years, where they are available and, where appropriate, we have regard to management accounts, forecasts and projections of future trading activity as indicators of future potential.

Details of the hotel and its operation are often obtained from the hotel management. Such information is checked where appropriate but is normally accepted as accurate unless contrary indications are received. In the event of a future change in the trading potential or actual level of trade from that indicated by such information and assumptions, the value of the hotel could vary, and could fall as well as rise.

No allowance is made for any contingent tax liabilities or liability to staff (whether relating to redundancy payments, pensions or otherwise) unless expressly stated.

Unless otherwise instructed, we adopt the date of the inspection as the date of valuation.

18. Valuations Prepared On Limited Information:

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

Appendix 2 – General Terms and Conditions of Business

1. General

1.1 The General Conditions shall apply to all dealings between Jones Lang LaSalle Hotels and the Client and, for the avoidance of doubt, shall be treated as applying separately to each Instruction given by a Client to Jones Lang LaSalle Hotels.

1.2 The appointment shall, unless otherwise specifically agreed, be exclusive and commence on the date the Client confirms our instruction by returning a signed copy of the letter of instruction and shall, unless otherwise agreed, continue for a minimum period of twelve months determinable there after by the Client on giving two calendar months written notice.

2. Governing Law

The General Conditions and the terms of the Instruction shall be governed and construed in accordance with the laws of England and Wales, Jones Lang LaSalle Hotels and the Client submitting to the exclusive jurisdiction of the Courts of England and Wales.

3. Performance of the Services

Jones Lang LaSalle Hotels shall exercise all reasonable skill and care in providing the Services under the Instruction and shall inform the Client if it becomes apparent that the Services need to be varied. The Client and Jones Lang LaSalle Hotels shall confirm in writing any variation of the Services to be provided under the Instruction.

4. Assignment and Sub-Contracting

4.1 The Client shall with the prior consent of Jones Lang LaSalle Hotels have the right to assign the whole or any part of the benefit or to transfer in any way the obligation contained in the Instruction, such consent shall not to be unreasonably withheld.

4.2 Jones Lang LaSalle Hotels shall have the right to sub-contract the performance of all or part of the Services from time to time. Should this occur, Jones Lang LaSalle Hotels will nevertheless and unless otherwise specifically agreed, remain responsible to the Client for the due and proper performance of the Services.

5. Information provided by Client

5.1 The Client shall promptly provide to Jones Lang LaSalle Hotels all information as is necessary or reasonably requested by Jones Lang LaSalle Hotels in order to enable Jones Lang LaSalle Hotels to properly perform the Services.

5.2 The Client accepts that Jones Lang LaSalle Hotels is entitled to rely on the accuracy, sufficiency and consistency of any and all information supplied by the Client. Jones Lang LaSalle Hotels accepts no liability for any inaccuracies contained in information disclosed by the Client, whether prepared by the Client or by a third party and whether or not supplied directly to Jones Lang LaSalle Hotels by that third party.

5.3 Except where required by law or by any proper authority or where the Client has waived such rights in writing, all confidential information provided by the Client shall be kept confidential by Jones Lang LaSalle Hotels.

5.4 Jones Lang LaSalle Hotels shall ensure that all persons whether employed by it or working under its direction in the course of performing the Services abide strictly by the obligation to keep all confidential information provided by the Client confidential.

5.5 All confidential information provided by the Client will be returned, destroyed or erased upon the Client's request. Save that Jones Lang LaSalle Hotels reserves the right to retain one copy of the confidential information for the purpose of compliance with professional, legal or regulatory requirements or obligations (subject always to its continuing duty to treat such information as confidential).

6. Information provided by Jones Lang LaSalle Hotels

6.1 Copyright in all material of whatever nature prepared by Jones Lang LaSalle Hotels and provided to the Client or otherwise generated in the course of carrying out the Services shall remain the property of Jones Lang LaSalle Hotels. No part of any report, document or publication may be reproduced or transmitted or disclosed in any form or by any means, or stored in any database or retrieval system of any nature, without the prior written permission of Jones Lang LaSalle Hotels.

6.2 All information and advice made available by Jones Lang LaSalle Hotels to the Client is for the sole use of the Client and for the sole purpose for which it was prepared in connection with the Services.

7. Third Party Liability

7.1 The Client acknowledges that, save in respect of Jones Lang LaSalle Hotel's own sub-contractors, Jones Lang LaSalle Hotels does not warrant the performance, work or the products of others and shall not hold Jones Lang LaSalle Hotels responsible for the inspection or supervision of the execution of such performance, work or products. This provision is not abated where the performance, work or products of others is incidental and/or inevitable to the Services provided by Jones Lang LaSalle Hotels.

7.2 Unless otherwise specifically agreed in writing neither these General Terms and Conditions of Business or the Services provided pursuant to the Instruction are intended, either expressly or by implication, to confer any benefit on any third party (excepting that is as provided specifically herein to the employees and subcontractors of Jones Lang LaSalle). The liability of Jones Lang LaSalle Hotels to any third party is expressly disclaimed.

8. Delay

Where matters beyond the control of Jones Lang LaSalle Hotels cause delay to the performance of the Services the Client shall not hold Jones Lang LaSalle Hotels responsible for that delay.

9. Payment of Fees, Expenses and Disbursements

9.1 Payment of the fees for the Services shall be calculated, charged and made as set out in the letter of instruction or any variation thereto agreed by the Client and Jones Lang LaSalle Hotels.

9.2 The Client shall pay the expenses of and reimburse the disbursements incurred on its behalf by Jones Lang LaSalle Hotels as specified, or on the basis set out in the letter of instruction or any variation thereto agreed by the Client and Jones Lang LaSalle Hotels.

9.3 All references to fees, expenses and disbursements are exclusive of Value Added Tax – or any other similar and applicable purchase tax. Any Value Added Tax chargeable on Jones Lang LaSalle Hotel's fees, expenses and disbursements shall be paid by the Client.

9.4 Our transaction fees shall become payable on the completion of all legal formalities in connection with the transfer of ownership of the whole or part of the property that is the subject of the instruction in the following circumstances:

i. If completion of the sale of the property that is the subject of the instruction takes place during the period of our instruction, even where the purchaser is not found by us or any negotiations are carried on by another agent or person including you or your company.

ii. If a sale of the property that is the subject of the instruction is completed within twelve months, or such other agreed time, of the expiry of the instruction to a party or associate who was introduced to you by us or another agent or person including you or your company during the period of the instruction or with whom it was recommended that discussions should take place in relation to the property.

9.5 In the event that invoices are not settled in full within 28 days of submission, Jones Lang LaSalle Hotels reserves the right to charge interest on the balance outstanding, to accrue at a daily rate of 2% above the National Westminster Bank base rate.

10. Termination

10.1 Either party may immediately terminate the Instruction in the event of the other party failing to remedy a material or persistent breach of any of the terms of the Instruction within 14 days after the service of a written notice detailing the facts that give rise to the material or persistent breach.

10.2 In the event of such a termination of the Instruction, Jones Lang LaSalle Hotels shall be entitled to, and shall be paid, fees for all Services provided to that time, in accordance with sub-clause 9.4 above.

11 Liability

11.1 Jones Lang LaSalle Hotel's liability to the Client for loss or damage shall be limited to such sum as Jones Lang LaSalle Hotel ought reasonably to pay having regard to its direct responsibility for the same and on the basis that all other third parties shall, where retained by the Client, be deemed to have provided to the Client contractual undertakings in terms no less onerous than this clause in respect of the performance of their services in connection with the instruction, and shall be deemed to have paid to the Client such proportion as may be just and equitable having regard to the extent of their responsibility for such loss or damage.

11.2 Unless otherwise agreed, the liability of Jones Lang LaSalle Hotels to the Client for loss or damage claimed in respect of any Instruction shall, notwithstanding the provisions of the paragraph above, in any event be limited to an aggregate sum not exceeding five million pounds (£5,000,000).

11.3 Unless, and to the extent finally and judicially determined to have been caused by fraud, wilful default or negligence of Jones Lang LaSalle Hotels, the Client agrees to indemnify on demand and hold harmless Jones Lang LaSalle Hotels against all actions, claims, proceedings, losses, damages, costs and expenses whatsoever and howsoever arising from or in any way connected with the Instruction or the provision of Services thereunder.

11.4 Unless and until any such agreement is reached and recorded in writing, Jones Lang LaSalle Hotels will accept no responsibility or owe no duties to the Client which relate to matters beyond the scope of the Services.

11.5 The Client acknowledges that any action, claim or proceedings arising out of the Services provided under the Instruction shall be brought against Jones Lang LaSalle Hotels with whom the Client has contracted and not against any employee or subcontractor of Jones Lang LaSalle Hotels involved directly or indirectly in the delivery of the Services.

11.6 The above paragraphs of this Clause do not apply to liability for death or personal injury arising out of negligence, which liability shall be unlimited.

12. Complaints Resolution Procedure
The Client agrees that it will not take any action or commence any proceedings against Jones Lang LaSalle before it has first referred its complaint to Jones Lang LaSalle in accordance with Jones Lang LaSalle's complaints procedure, details of which are available upon request from the Compliance Officer, Jones Lang LaSalle, 22 Hanover Square, London W1A 2BN.

13. On line Services
Jones Lang LaSalle Hotels may in order to facilitate delivery of the Services and/or general communication with the Client, offer and/or provide from time to time electronic systems and/or software to the Client which shall be provided on the then prevailing terms and conditions by which Jones Lang LaSalle provides such electronic systems and/or software.

14. Management and Insurance
Under the terms of our appointment we do not accept any responsibility for the security, management or insurance of the property that is the subject of the transaction nor do we accept responsibility for any third party visitors to the property, whether or not they are accompanied by us.

15. Offers Received
Unless otherwise agreed, we will report to you in writing all offers from prospective purchasers

16. Severance
Any provision of the Instruction, including any provision contained in the General Conditions, which is declared void or unenforceable by any competent authority or court shall, to the extent of such invalidity or unenforceability, be deemed severable and shall not affect the other provisions of the Instruction and General Conditions, which will continue unaffected.

Definitions
"Affiliate": means each subsidiary, associate and holding company and each subsidiary and associate of any such holding company and their respective directors, officers, employees and agents.
"Client": means the person, firm or company named in the Instruction as requiring the Services.
"Jones Lang LaSalle Hotels" or "Jones Lang LaSalle": means Jones Lang LaSalle Hotels which is the trading style of Jones Lang LaSalle Limited whose registered office is at 22 Hanover Square London W1A 2BN together with its successors and assigns or such Affiliate thereof as may be named in the Instruction as providing the Services.
"General Conditions": means these General Terms and Conditions of Business subject only to such amendments as may be agreed with Jones Lang LaSalle.
"Instruction": shall mean the requirements of the Client as set out in the an agreement in writing between Jones Lang LaSalle and the Client as signed by both parties or as otherwise evidenced in writing and which sets out the requirements of the Client and which shall incorporate details of the Services and a the Fees, Expenses and Disbursements, together with these General Conditions and conditions and/or documents expressly referred to in the Instruction, all of which shall be read as one as if set out in full in it.
"Schedule": shall mean, where appropriate, any description of Services, Fees, Expenses and Disbursements, whether letter, list or other document.
"Special Conditions": shall mean any conditions specifically applicable to the instruction and which, in case of conflict with the General Conditions, shall prevail.
"Services": shall mean the services to be provided by Jones Lang LaSalle Hotels as specified in the instruction or variations or amendments thereto agreed by Jones Lang LaSalle Hotels in writing.
"Agreed by Jones Lang LaSalle Hotels" and "consent of Jones Lang LaSalle Hotels" shall mean the agreement in writing by an authorised person in Jones Lang LaSalle (or of any successor or assign).

Appendix 3 – Jones Lang LaSalle Hotels' Operating Projections

Hotel Name TVERSKAYA ZASTAVA PLAZA I - LUXURY HOTEL PROJECT
Address 1st and 2nd Brestskaya St., Moscow, Russia
Tenure FREEHOLD
Currency USD'000s

JONES LANG LASALLE HOTELS

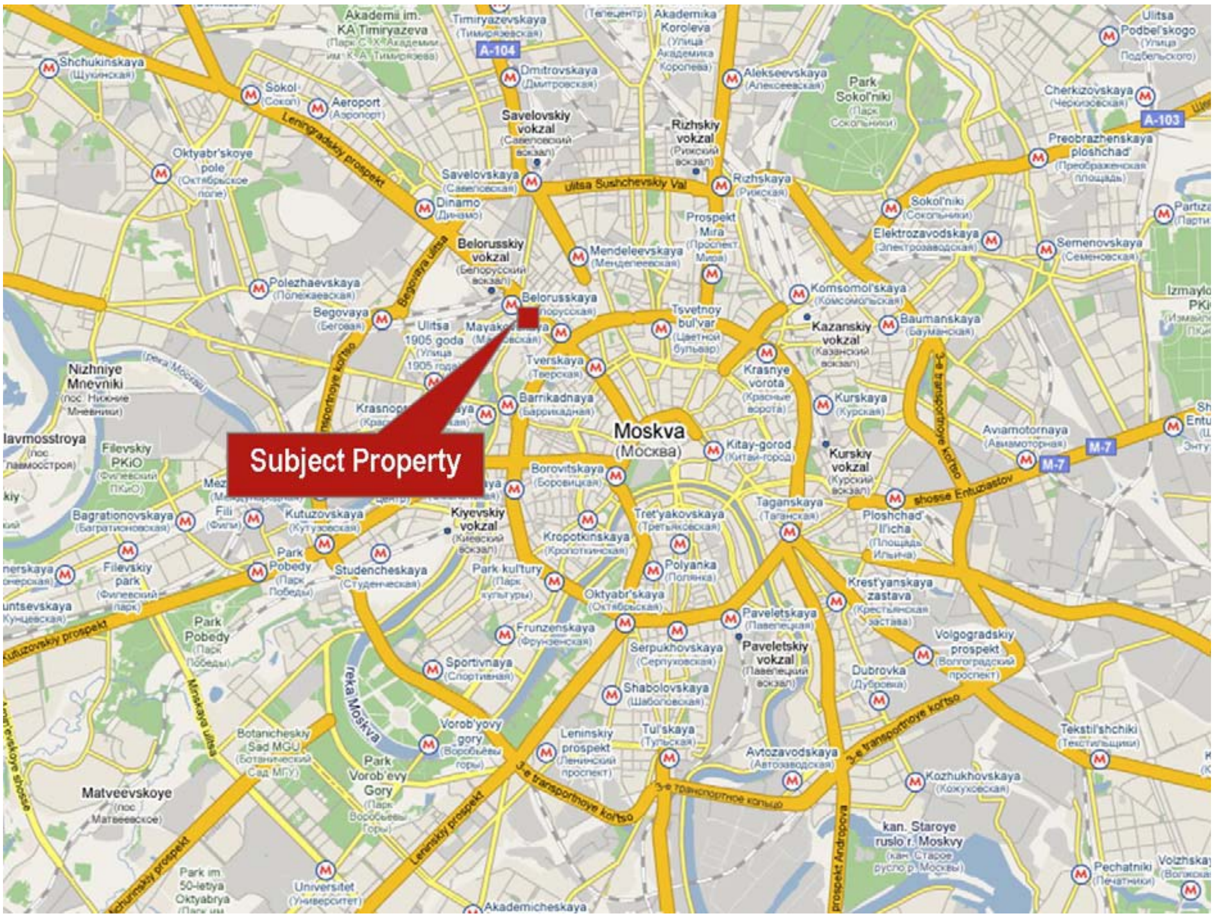
JONES LANG LASALLE HOTELS' VALUATION PROJECTIONS (Year ending June)

In Actual Year Values Year	**2014 (Year 1)**		**2015 (Year 2)**		**2016 (Year 3)**		**2017 (Year 4)**		**2018 (Year 5)**	
Room Count		300		300		300		300		300
Occupancy Rate		58.0%		64.6%		68.3%		68.3%		68.3%
Average Room Rate / (RevPAR)	417.68	242.42	465.41	300.85	491.36	335.41	501.19	342.12	511.21	348.96
Growth in Average Room Rate / RevPAR			11.4%	24.1%	5.6%	11.5%	2.0%	2.0%	2.0%	2.0%
TOTAL SALES	**42,921**		**51,274**		**56,519**		**57,764**		**59,156**	
ROOMS DEPARTMENT										
Sales	26,545	61.8%	32,944	64.2%	36,828	65.2%	37,462	64.9%	38,212	64.6%
Expenses	4,350	16.4%	4,861	14.8%	5,186	14.1%	5,337	14.2%	5,491	14.4%
Departmental Profit	22,195	83.6%	28,083	85.2%	31,642	85.9%	32,126	85.8%	32,720	85.6%
FOOD & BEVERAGE DEPARTMENT										
Food & Beverage Sales	12,823	29.9%	14,027	27.4%	14,924	26.4%	15,446	26.7%	15,987	27.0%
Food & Beverage Cost	7,437	58.0%	8,220	58.6%	8,671	58.1%	9,036	58.5%	9,352	58.5%
Departmental Profit	5,386	42.0%	5,807	41.4%	6,253	41.9%	6,410	41.5%	6,635	41.5%
MINOR OPERATED DEPARTMENT										
Sales	3,053	7.1%	3,789	7.4%	4,235	7.5%	4,308	7.5%	4,394	7.4%
Expenses	1,526	50.0%	1,894	50.0%	2,118	50.0%	2,154	50.0%	2,197	50.0%
Departmental Profit	1,526	50.0%	1,894	50.0%	2,118	50.0%	2,154	50.0%	2,197	50.0%
OTHER INCOME										
Total	501	1.2%	516	1.0%	531	0.9%	547	0.9%	563	1.0%
GROSS OP. INCOME	**29,608**	**69.0%**	**36,300**	**70.8%**	**40,544**	**71.7%**	**41,237**	**71.4%**	**42,115**	**71.2%**
LESS EXPENDITURE										
Administrative & General	4,500	10.5%	4,873	9.5%	5,142	9.1%	5,302	9.2%	5,470	9.2%
Sales & Marketing	2,230	5.2%	2,557	5.0%	2,767	4.9%	2,839	4.9%	2,917	4.9%
Heat, Light & Power	1,023	2.4%	1,107	2.2%	1,171	2.1%	1,212	2.1%	1,255	2.1%
Repairs & Maintenance	956	2.2%	1,023	2.0%	1,077	1.9%	1,115	1.9%	1,154	1.9%
TOTAL UNDISTRIBUTED EXPENSES	8,709	20.3%	9,560	18.6%	10,157	18.0%	10,468	18.1%	10,795	18.2%
GROSS OPERATING PROFIT	**20,899**	**48.7%**	**26,739**	**52.1%**	**30,387**	**53.8%**	**30,770**	**53.3%**	**31,320**	**52.9%**
LESS FIXED CHARGES										
Property Tax	2,295	5.3%	2,216	4.3%	2,137	3.8%	2,058	3.6%	1,979	3.3%
Insurance	215	0.5%	256	0.5%	283	0.5%	289	0.5%	296	0.5%
Management - Base Fee (% Total Sales)	1,073	2.5%	1,282	2.5%	1,413	2.5%	1,444	2.5%	1,479	2.5%
- Incentive Fee (% Adj. GOP)	1,586	8.0%	2,037	8.0%	2,318	8.0%	2,346	8.0%	2,387	8.0%
FF & E Reserve	858	2.0%	1,538	3.0%	1,696	3.0%	2,311	4.0%	2,366	4.0%
TOTAL FIXED CHARGES	6,028	14.0%	7,329	14.3%	7,846	13.9%	8,448	14.6%	8,507	14.4%
NET CASH FLOW (Net Operating Profit)	**14,871**	**34.6%**	**19,410**	**37.9%**	**22,541**	**39.9%**	**22,322**	**38.6%**	**22,813**	**38.6%**

All figures are actual year values and are in local currency (USD'000s) unless otherwise stated.
The method of accounting follows the Uniform System of Accounts for Hotels.

The projections represent an indicative assessment of possibilities rather than certain projections.
Prepared by Jones Lang LaSalle Hotels.

Appendix 4 – Project Location Map



Source: Google Maps, Jones Lang LaSalle Hotels, 2008

Appendix 5 – Site Photographs

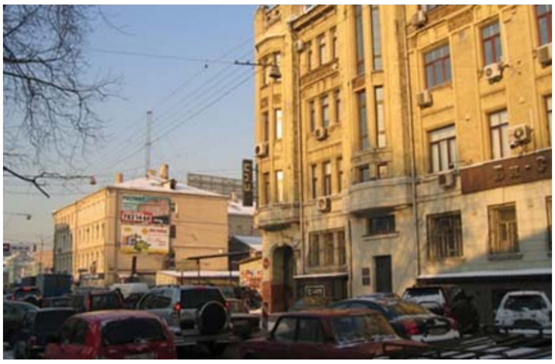
Tverskaya Zastava Square – Belorussky Train Station

Tverskaya Zastava Square – Construction Works

Hotel Site – existing buildings

Heliopark Hotel on 1st Brestskaya Street, 60/1

Tverskaya Zastava Square – Belorusskaya Metro Station



View onto 1st Brestskaya Street

Appendix 6 – Glossary of Key Terms

1. ADR - Average daily rate is the average price a room is sold for in a hotel in a given period, calculated by the room revenue for that period divided by the number of rooms sold/occupied. Also referred to as ARR (average room rate).

2. Adjusted GOP - Adjusted gross operating profit is the gross operating profit of a hotel after base management fees deduction. Gross operating profit is the profit of a hotel after deducting departmental expenses and undistributed operating expenses.

3. ARI - Average rate index measures the average room rate performance of one hotel against the average room rate of the set of competitive hotels. It is calculated by dividing the average room rate of the hotel by the average room rate of the set of hotels. If the ARI of a hotel is 1.05, it is performing 5% better than the average for the set of hotels.

4. FF&E reserve - The Furniture, Fixtures and Equipment reserve is a fund set aside by a hotel, normally around 3% to 5% of total revenue, for cyclical renovation works to guest bedrooms, public areas and back of house and any replacement of plant and machinery.

5. FMS - Fair market share is the number of rooms at a particular hotel divided by the total number of rooms in a set of competitive hotels.

6. Market Segment List (i.e. Rack, Transient Corporate committed wholesale/FIT etc.)

- Rack – Published rate usually the highest rate achieved in the market mix
- Transient -
- Corporate – a contracted rate with local companies in the area with a minimum number of room nights.
- FIT (Fully inclusive tours) – either for leisure or business not part of a group.

7. MOD Sales/Profit - Minor operated department sales usually includes revenue from laundry, spa, business centre, limousine, and other miscellaneous services provided by the hotel. This varies from hotel to hotel.

8. MPI - Market penetration index measures the hotel's penetration of its fair market share in a set of hotels. It is calculated as room nights sold/occupied at the hotel divided by the total room nights sold/occupied of the set of hotels and divided by the fair market share. If the MPI of a hotel is 0.9, it is performing 10% below its fair market share when compared to the set of hotels.

9. RevPAR - Revenue per available room or room yield is a measure of the revenue earned per hotel room derived by dividing the total rooms revenue by the number of rooms available in a given period.

10. RGI - Revenue generation index is the product of the ARI and MPI.

JONES LANG LASALLE HOTELS®

Real value in a changing world

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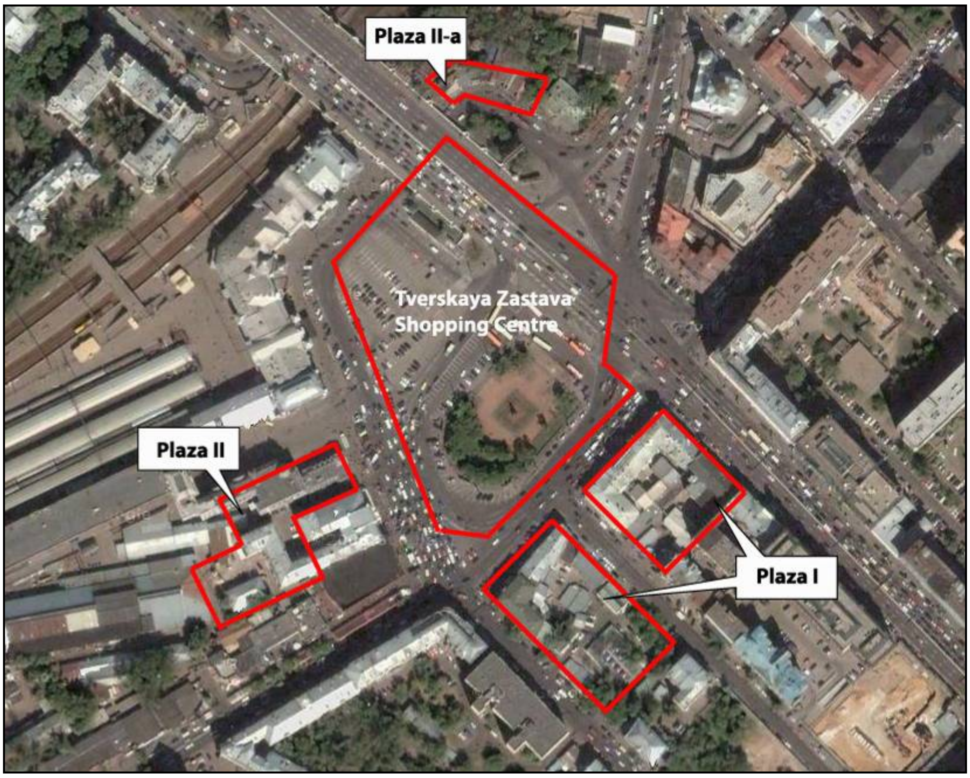
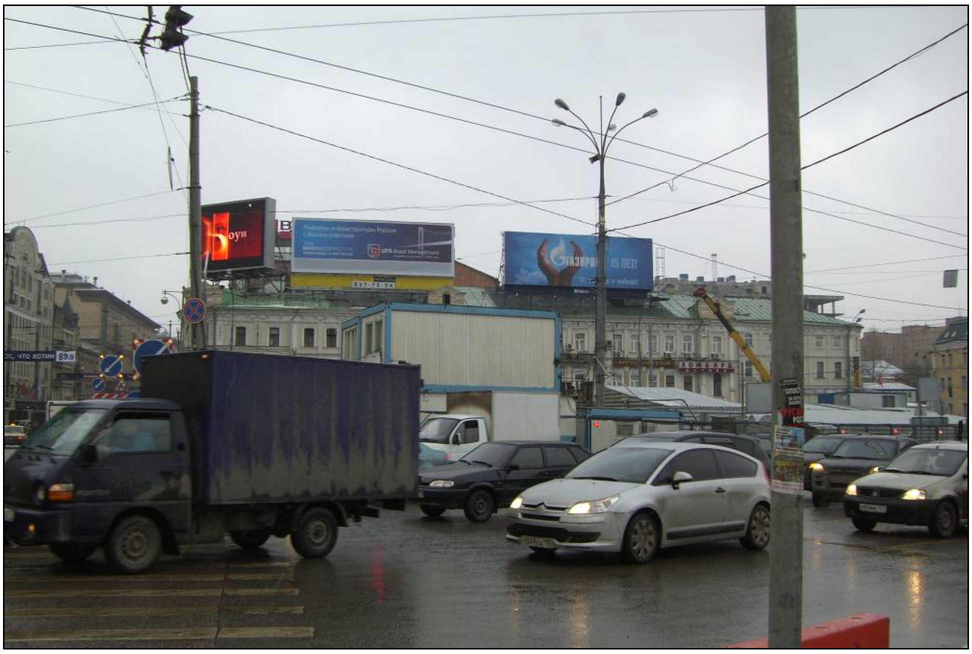
Appendix IV

Photographs

Satellite Map



View on the site intended for Plaza I development



Appendix V

General Principles Adopted in the Preparation of Valuation and Reports

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

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

1.RICS Valuation Standards:

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

Except where stated, Jones Lang LaSalle and Jones Lang LaSalle Hotels are External Valuers.

2.Valuation Basis:

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

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

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

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

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

3.Source of Information:

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

4.Documentation:

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

5.Tenants:

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

6.Measurements:

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

7.Town Planning and Other Statutory Regulations:

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

7.1. the position is correctly stated in our report;

7.2. the property is not adversely affected by any other decisions made, or conditions prescribed, by public authorities;

7.3. there are no outstanding statutory notices.

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

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

8.Structural Surveys:

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

9.Deleterious Materials:

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

10. Site Conditions:

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

11. Environmental Contamination:

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

12. Insurance:

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

Composite Panels

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

Flood and Rising Water Table

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

13. Currency:

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

14. Value Added Tax:

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

15. Outstanding Debts:

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

16. Confidentiality and Third Party Liability:

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

17. Valuations Prepared On Limited Information:

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

Appendix VI

Market Value Definition

(EXTRACT FROM THE RICS VALUATION STANDARDS (6th edition))

Market Value

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

3.2

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

Definition

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

Interpretive Commentary, as published in International Valuation Standard 1

3.2.

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

3.2.1 'The estimated amount ...'

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.2.9 '... and without compulsion.'

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

3.3

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

Commentary

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

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

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

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

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

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

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

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

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

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

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

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