

**REPORT AND  
VALUATION FOR**

**MIRLAND  
DEVELOPMENT  
CORPORATION PLC**

Thessaloniki Street  
Nicolau Pentadromos Centre,  
Floor 10, office 1002  
Limassol 3025  
Cyprus

**Of the following  
Property:  
“The Mirland  
Development  
Corporation Assets”**

**DATE OF VALUATION  
31<sup>st</sup> of December 2007**

**DATE OF DRAFT REPORT  
ISSUE  
17<sup>th</sup> of March 2008**

**Prepared by**

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17<sup>th</sup> of March 2008

Dear Sirs

**PROPERTY VALUATION AS AT 31<sup>ST</sup> OF DECEMBER 2007  
VARIOUS PROPERTIES TOGETHER KNOWN AS THE “MIRLAND  
DEVELOPMENT CORPORATION ASSETS” (“THE PROPERTIES”)  
FOR MIRLAND DEVELOPMENT CORPORATION PLC (“THE COMPANY”)**

In accordance with the contracts between ourselves and Mirland Development Corporation plc dated 30<sup>th</sup> of November 2007 respectively, we have pleasure in reporting to you as follows:

**1.1 SCOPE OF INSTRUCTIONS**

We, Cushman & Wakefield Stiles & Riabokobylko and Cushman & Wakefield (herein together referred as “C&WSe&R”), have considered each property as set out in the Appendix.

We are instructed to prepare this Valuation Report for revaluation purposes and preliminary valuation of three new projects located in Moscow (office developments Tamiz & Century projects) and Kazan (Shopping Centre Development).

The effective date of each valuation is 31<sup>st</sup> of December 2007.

Each valuation has been prepared in accordance with the Practice Statements, 6<sup>th</sup> edition, contained in the RICS Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors in May 2003 (“the Red Book”) as amended, and prepared by an appropriate valuer who conforms to the requirements as set out in the Red Book, acting in the capacity of External Valuer.

We confirm that this Valuation Report is a Regulated Purpose Valuation as defined in the Red Book.



## 1.2 BASIS OF VALUATION

Each property is either: held as an investment; for development; or is in the course of development and has, as instructed and in accordance with the requirements of the Red Book, been valued on the basis of Market Value, as defined in the Red Book as:

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

## 1.3 TENURE AND TENANCIES

We have not reviewed the Title Deeds or Leases and each valuation has been based entirely on the information which the Company has supplied to us as to tenure, tenancies and statutory notices. We understand each property is either held by the Company, its subsidiaries, or jointly with third parties. We have valued a 100% share of the tenure stated in each property, unless otherwise specifically stated, as if each property was held entirely by the Company as at the valuation date. We have not made any adjustment to value, which may be appropriate when considering fractional ownership for each individual property. In the summary below, an apportionment has been provided taking into account the share ownership of each property as provided to us by the Company. This is a straight apportionment based on these percentages, and no further deductions have been made to reflect minority share ownerships or the fact of fractional ownership. This number therefore may differ from the Market Value for the share ownership of individual properties, particularly when only a minority interest is held by the Company.

A number of properties are held leasehold on ground leases from Moscow City Government. The standard terms of these leases are that rents are reviewed annually (upwards, or downwards) in accordance with a city-wide formula that is set by the Moscow City Government. Each ground lease is subject to Term Extension Right Clause as standard, allowing for the extension of the duration of the lease upon expiry, on the same terms and conditions. However you should be aware that the effectiveness of the Term Extension Right Clause remains untested in the market because few leases have reached expiry. Our valuation assumes that the ground lease at each property can be extended in accordance with the Term Extension Right Clause.

Where a property is either “currently in the course of development” or “held for future development” and is held leasehold, the land leases generally confer the landlord’s permission to develop. Where the considered development scheme differs from that anticipated by the land lease, our valuation assumes that the required variation to the landlord’s permission will be forthcoming without material cost or delay. Where a property is to be held leasehold but the terms of the land lease are not finalised, our valuation takes in to account any additional, reasonable, risks of delay and cost in receiving landlord’s permissions. We have assumed



that there are no unforeseeable circumstances that would cause additional cost or delay in excess of that generally experienced.

Unless disclosed to us to the contrary and recorded in the property descriptions, each valuation is on the basis that:

- a) the property possesses a good and marketable title, free from any unusually onerous restrictions, covenants or other encumbrances;
- b) where the interest held in the property is leasehold, there are no unreasonable or unusual clauses which would affect value and no unusual restrictions or conditions governing the assignment or disposal of the interest;
- c) leases to which the property may be subject are on standard market terms, and contain no unusual or onerous provisions or covenants which would affect value;
- d) all notices have been served validly and within appropriate time limits;
- e) the property excludes any mineral rights; and
- f) vacant possession can be given of all accommodation which is unlet, or occupied either by the Company or by its employees on service occupancies.

In certain cases we have been informed by the Company that land lease rights are “*in the process of being formulated*”. Unless otherwise stated our valuation is for a full share interest in the Property and assumes that a good and marketable title exists. This should be taken into account in consideration of individual properties. Where specific outstanding costs have been identified to us as being required to arrive at ownership of a full share interest in the requisite Property or in order to obtain the necessary permits, these costs have been taken into account in the valuation in full.

For some properties we have been informed by the Company that investment contracts are held for the development. In these cases our valuations assume that a ground lease and an ownership certificate will be issued upon completion of the development, as is normal development practice in Moscow.

#### **1.4 NET ANNUAL RENT**

The net annual rent for each property is referred to in the Schedule at Appendix One. Net annual rent is defined in the Listing Rules as:

*“the current income or income estimated by the valuer:*

*(i) ignoring special receipts or deductions arising from the property;*





(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and

(iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent”.

## **1.5 TOWN PLANNING**

We have not made formal searches, but have generally relied on verbal enquiries and any informal information received from the Local Planning Authority, or from the Company. Each valuation is on the basis that the property has been erected either prior to planning control or in accordance with a valid planning permission and is being occupied and used without any breach of planning or building regulations. Except where stated otherwise, each valuation is on the basis that each property is not affected by proposals for road widening, Compulsory Purchase, planning inquiry, or archaeological investigation.

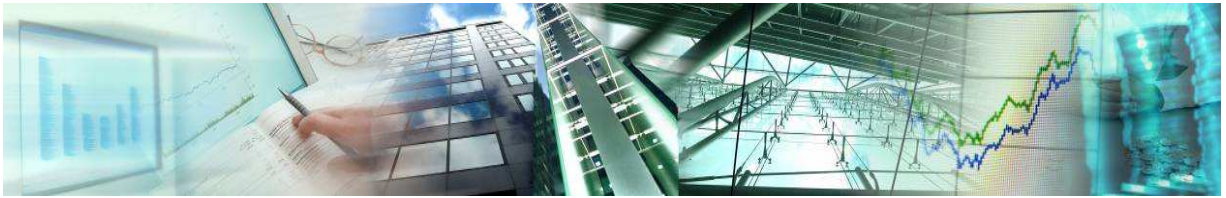
We are informed by the Company that for a number of “properties held for development”, the relevant planning permission approvals are either; “*in the process of being applied for*”, or “*in the process of being updated*”. Each valuation assumes that all required planning permission consents will be received within a normally acceptable timescale and that there are no such issues which would materially delay the issuance of the required consent, or have a material effect on value or marketability.

Although, where appropriate, we have considered the Company’s business plan to develop each property, each valuation reflects our opinion of an appropriate development that could reasonably be expected to form the basis of a bid for a property by a third party. I.e. the Highest and Best Use as defined by the International Valuation Standards has been considered for each property. The Highest and Best Use is defined in Paragraph 3.4 of IVS 1 as: “*The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued*”.

Therefore our valuations do not necessarily reflect the Company’s intended investment /development program.

## **1.6 STRUCTURE**

We have neither carried out a structural survey of each property, nor tested any services or other plant or machinery. We are therefore unable to give any opinion on the condition of the structure or services at any property. Each valuation takes into account any information supplied to us and any defects noted during our inspection, but otherwise are on the basis that there are no latent defects, wants of repair or other matters which would materially affect each valuation.



We have not inspected those parts of each property which are covered, unexposed or inaccessible and each valuation is on the basis that they are in good repair and condition.

We have not investigated the presence or absence of High Alumina Cement, Calcium Chloride, Asbestos and other deleterious materials. In the absence of information to the contrary, each valuation is on the basis that no hazardous or suspect materials or techniques have been used in the construction of any property.

### **1.7 SITE AND CONTAMINATION**

We have not investigated ground conditions/stability and each valuation is on the basis that any buildings have been constructed, having appropriate regard to existing ground conditions. Where the property has development potential, our valuation is on the basis that there are no adverse ground conditions which would affect building costs. However, where you have supplied us with a building cost estimate, we have relied on it being based on full information regarding existing ground conditions. We have considered the Company's construction estimates in the light of typical market norms.

We have not carried out any investigations or tests, nor been supplied with any information from you or from any relevant expert that determines the presence or otherwise of contamination (including any ground water). Accordingly, our valuation has been prepared on the basis that there are no such matters that would materially affect our valuation.

### **1.8 PLANT AND MACHINERY**

Where the interest held in the property is freehold, usual landlord's fixtures such as lifts, escalators and central heating have been treated as an integral part of the building and are included within the asset valued. Where the interest held in the property is short leasehold (<50 years), these items have been treated as belonging to the landlord upon reversion of the lease.

Process-related plant/machinery and tenants' fixtures/trade fittings have been excluded from each valuation.

### **1.9 INSPECTIONS, AREAS AND DIMENSIONS**

We have inspected each property internally and externally unless specific reference is made to a limited inspection. Further inspections have been carried out where there have been significant changes to any individual property, and these further inspection dates, where applicable, are identified in the property descriptions below.

No measured surveys have been carried out by C&WS&R, we have relied entirely on the site and floor areas and dimensions provided to us by the Company. We have assumed that



these are correct and calculated on the appropriate basis, as normally adopted by the local property market. Any reference to the age of buildings are approximate.

#### **1.10 GENERAL PRINCIPLES**

Each valuation is based on the information which has been supplied to us by the Company or which we have obtained in response to our enquiries. We have relied on this information as being correct and complete and on there being no undisclosed matters which would affect each valuation.

In respect of tenants' covenants, whilst we have taken into account information of which we are aware, we have not received a formal report on the financial status of the tenants. We have not been supplied with any information to indicate that there are material arrears or that the tenants are unable to meet their commitments under the leases. Each valuation is on the basis that this is correct. You may wish to obtain further information to verify this.

Where we have reflected development potential in a valuation, we have assumed that all structures at the property will be completed using good quality materials and first class workmanship and that the development scheme will let to tenants who satisfy the tenant mix policy and are of reasonable covenant status and on typical market lease terms.

No allowances have been made for any expenses of realisation arising from a sale or development of each property. Each valuation does not make allowance either for the cost of transferring sale proceeds internationally or elsewhere within the Company, or for any restrictions on doing so. No account has been taken of any leases granted between subsidiaries of the Company, and no allowance has been made for the existence of a mortgage, or similar financial encumbrance on or over each property. Where a grant has been received, no allowance has been made in our valuations for any requirement to repay the grant.

A purchaser of a property is likely to obtain further advice or verification relating to certain matters referred to above before proceeding with a purchase. You should therefore note the conditions on which this Valuation Report has been prepared.

The valuation of each property has been undertaken by the professional(s) identified in the valuation schedule below.

We strongly recommend that no disposal of any property should be undertaken without proper exposure to the market. Each valuation assumes that there is an active letting and funding market. This Valuation Report should be read in conjunction with the contracts referred to above, our terms of engagement and in particular our Standard Terms and Conditions of Appointment of Cushman & Wakefield Stiles & Riabokobylko as Valuers.





### **1.11 SPECIAL ASSUMPTIONS, RESERVATIONS AND DEPARTURES**

We can confirm that each valuation is not made on the basis of any Special Assumptions or any Departures from the Practice Statements contained in the Red Book. Subject to the general limitations of our inspections and sources of information set out above, each valuation is not subject to any specific Reservations in relation to restricted information or property inspection.

### **1.12 DISCLOSURE**

The members of The Royal Institution of Chartered Surveyors signing this Report have previously been the signatories to the valuations provided to the Company for the same purposes as this Valuation Report. C&W S&R have previously carried out these valuations for the same purpose as this Valuation Report on behalf of the Company.

C&W S&R have from time to time provided other professional or agency services to the client and have done so for a period of less than 5 years. In relation to the preceding financial year the proportion of the total fees payable by the Company to the total fee income of C&W S&R is less than 5%.

### **1.13 AGGREGATE VALUATION**

Subject to the foregoing, and based on values current as at 31<sup>st</sup> of December 2007, we are of the opinion that the aggregation of the Market Value of each 100% share of each freehold and leasehold interest each property, as set out in the appendix, is the total sum of (rounded):

**US\$1,440,312,000**

**(One Billion Four Hundred Forty Million and Three Hundred Twelve Thousand US Dollars)**



This sum may be apportioned as follows:

	Freehold (rounded)	Leasehold (rounded)
Properties held as Investments	US\$90,580,000	US\$203,470,000
Properties in the Course of Development	US\$132,730,000	US\$239,907,000
Properties Held for Development	US\$571,606,000	US\$202,019,000
<b>Total</b>	<b>US\$794,916,000</b>	<b>US\$645,396,000</b>

Based on the information supplied to us as regards ownership, we are of the opinion that the Market Value of the Company's beneficial share in each Property, on the basis outlined above is the total sum of (rounded):

**US\$1,214,815,000**

**(One Billion Two Hundred Fourteen Million and Eight Hundred Fifteen Thousand US Dollars)**

This sum may be apportioned as follows:

	Freehold (rounded)	Leasehold (rounded)
Properties held as Investments	US\$44,384,000	US\$203,470,000
Properties in the Course of Development	US\$128,062,000	US\$119,954,000
Properties Held for Development	US\$516,926,000	US\$202,019,000
<b>Total</b>	<b>US\$689,372,000</b>	<b>US\$525,443,000</b>

The valuation stated above represents the aggregate of the current values attributable to the individual properties and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot. We set out the value ascribed to each property in the appendix.

We have considered an appropriate development commencement date and development period for each property in isolation, based on each property's particular circumstance. Each valuation does not consider any effect of multiple properties being developed



concurrently (e.g. any resource, expense or savings issues if undertaken by a single developer), or released to the market (occupation or investment) together.

The Summary Valuation Schedule shows our opinion of the appropriate discount rate on an un-leveraged basis as used in the Market Valuation for each property. This discount rate is calculated on the assumption that each property would be held for a reasonable period to allows stabilisation of income upon development completion, with the exception of the development of residential property for sale, and that no debt is used (see “Global Assumptions – Debt Assumptions” below).

#### **1.14 CONFIDENTIALITY**

The contents of this Valuation Report are intended to be confidential to the addressees and for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents. Before the Valuation Report or any part of its contents are reproduced or referred to in any document, circular or statement or disclosed orally to a third party, our written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt, such approval is required whether or not this firm is referred to by name and whether or not our Valuation Report is combined with others.

Notwithstanding the preceding paragraph, our prior written approval shall not be required for the reproduction and inclusion of this report, in its entirety or only parts of this report, in respect of the Mirland Development Corporation financial reporting related to its public listing at AIM.

Yours faithfully

For and on behalf of Cushman & Wakefield Stiles & Riabokobylko and Cushman & Wakefield

TJ MILLARD MA(Cantab) MRICS  
Partner  
Head of Advisory Services

K LEBEDEV  
Director Valuation  
Valuation Advisory Services



## **APPENDIX ONE**

### **VALUATION METHODOLOGY**

#### **GLOBAL ASSUMPTIONS**

#### **SCHEDULE OF VALUES**

#### **PROPERTY SCHEDULES : SUMMARY TABLE**

#### **PROPERTY SCHEDULES : PROPERTIES HELD AS INVESTMENTS**

#### **PROPERTY SCHEDULES : PROPERTIES IN COURSE OF DEVELOPMENT**

#### **PROPERTY SCHEDULES : PROPERTIES HELD FOR DEVELOPMENT**

### **VALUATION METHODOLOGY**

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

#### **The Sales Comparison Approach**

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

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

The principal problem is a lack of transparency and a relatively low volume of recorded deals. In mature property markets there is a wealth of information available on completed sales transactions, in the form of yields and total sales prices, and this makes it relatively straight-forward to apply this valuation technique to any property. In Moscow this sort of





information is often not available, and where the details of transactions are publicized their accuracy can not always be guaranteed. In addition, a large number of sales transactions in Moscow take place “off-market” and therefore details of them are seldom known beyond those who were party to the deal.

The volume of completed deals is very low in all sectors of the Moscow real estate market. In addition – as outlined above, deal information is rarely reported accurately and is often manipulated for other reasons benefiting the separate parties to any sale deal. Therefore it is often necessary to use offered prices as a basis for assessing the opinion as to value using the sales comparison approach.

Additionally the large majority of the properties included in this valuation are either “held for development” or “in the course of development”. Properties in the course of development are rarely transacted and there is therefore very little comparable information for properties of this type. Development sites are transacted, but these transactions are usually “off-market” and therefore reliable comparable information is therefore only available to the parties to the transactions and their advisers – who are usually bound by confidentiality restrictions.

We are aware of the details of a number of transactions of land held for development. This comparable information has been taken into account in assessing the valuations herein, and where possible these comparables are referred to. However – in most cases we are bound by confidentiality and therefore can only provide guideline information.

### **The Income Approach**

The most commonly used technique for assessing Market Value within the Income Approach is Discounted Cash-flow. This is a financial modelling technique based on explicit assumptions regarding the prospective cash-flow to a property or business and the costs associated with being able to generate the income. To this assessed cash-flow is applied a market-derived discount rate to establish a present value of the income stream. This Net Present Value (“NPV”) is an indication of Market Value<sup>1</sup>. This approach is considered to be the most sophisticated valuation technique, over and above even the Sales Comparison Approach, because it allows differences between comparable sales and the subject property to be explicitly considered and analysed. It is therefore less based on subjective judgements but objectively on market available information.<sup>2</sup>

For the basis of the current valuations where for the majority of properties consents exist for a specific type of development, the income approach is the most relevant. The residual value for properties under development or properties held for future development is the NPV of all future income streams less the NPV of all future costs. The costs include all of

<sup>1</sup> International Valuation Standards Sixth Edition – Guidance Note 9

<sup>2</sup> International Valuation Standards Committee Newsletter - Global Valuation Issues (Sept. 2003)





the development costs still outstanding in respect of each property, taxes paid over the operation incomes and tax for the sale of assets, and future incomes are assessed based on current returns for completed properties of a similar nature in the market adjusted to reflect the expected completion date for the particular project and anticipated future trends in rents and / or sales prices.

The difficulty in applying this method in the Russian market is assessing the correct market derived discount rate, due to the very small number of transactions, the lack of transparency in the reporting of information and in the wide variations in returns required on projects from different investors.

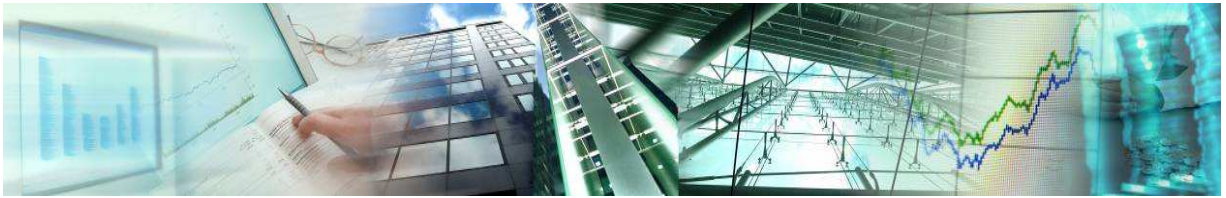
The costs and incomes associated with the project have been assessed on the basis of standard construction costs in the market together with property or project specific information provided by the developer and current market returns adjusted to reflect anticipated future trends.

In order to assess the residual valuation of the land a discount rate has to be applied to the projected cash-flows. The discount rate is market derived and reflects the minimum returns a typical investor would require to undertake a project of this type. This approach then provides the maximum value that an investor would be willing to pay for the land in its current condition, being the Net Present Value of all identified future costs and incomes at the necessary rate of return.

In the Russian market this approach specifically excludes the use of debt and the effect of leverage. The availability of debt, and on what terms, varies widely from investor to investor, and there is no market standard – especially in a comparatively immature debt market such as Moscow. Pre-debt discount and capitalisation rates are therefore used to represent the risk-return requirement of investors.

### **The Cost Approach**

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



## **GLOBAL ASSUMPTIONS**

For those properties “held for development” or “in the course of development”, some general assumptions have been made in developing the residual valuations, in addition to the assumptions and conditions above.

These are summarised below:

### **Acquisition Cost**

The properties are currently owned. However, in the modelling process the Market Value for a third party purchaser has been treated as the initial investment;

### **Development Proposals**

It has been assumed where project documentation exists that any development would conform to the overall sizes as provided to us unless it is reasonable to assume that development could take place in some other form;

### **Utilities & Road Improvement**

In Russia the cost of providing utilities and executing necessary road improvements can vary widely. Where utilities need to be provided or road works executed it has been assumed that the cost estimates supplied to us are accurate;

### **Construction Phasing**

All projects, unless specifically stated otherwise, have been assumed to be constructed in one phase. Due to the size of the Saint Petersburg (Residential and Trade Centre) and Techagrocom projects it has been assumed that it would be phased and that the phasing would be designed to maximise the returns from the site;

### **Construction Costs**

Construction costs have been assessed in accordance with standard rates in the market that a third party developer / purchaser would expect to have to pay in the course of the development of each project. In some cases these costs differ in their general level from the anticipated construction costs as provided by the Company;

### **Construction Contract**

An advance payment is included in the cost calculations, which is charged to the first quarter of



the construction contract. A hold-back against defects requiring remedy is also included and is charged to the quarter after completion of construction of the relevant phase. The remaining construction costs are applied equally throughout the development period;

### **Permit & Design Costs**

Where there are outstanding permitting costs these have been assessed in line with the anticipated numbers as supplied by the client as, once again, there can be a wide variation in the permitting costs. Design costs – where appropriate have been assessed in line with market standards;

### **Assumed Sale**

In order to assess the capital value of a completed development, we have assumed that a property is to be held upon completion for a period until the net income stabilizes, and thereafter is sold. Taxes for the operation period and for the sale of assets were deducted from the proceeds (See taxes below). This is a valuation technique and does not necessarily represent the intention of the owner;

### **Returns**

Rental rates for commercial office and retail spaces have been projected together with capitalisation rates, for the period of the cash-flow. Sales prices for residential developments have been assessed for the reasonably expected completion dates; These figures are based on research carried out by *Cushman & Wakefield Stiles & Riabokobylko* and market information. In respect of commercial rents they are exclusive of operating expenses and VAT and have been assessed on a conservative projection of future market movements (see *market analysis* below). They therefore provide realistic minimum figures that it is anticipated can be achieved;

Market Capitalisation rates have been projected based on the assessment that the property investment market for Moscow, Saint Petersburg and the regions in general will become more sophisticated over the period and that the number of active investors will increase. It is therefore



anticipated that the changes in market yields will reflect the experiences in other Eastern European countries where the property investment environment is already more mature such as Poland and the Czech Republic and that there will be a yield compression over time. See the commentary on market yields below;

**Review / Renewal Period**

This is the length of the initial leases. The rents for the initial leases remain fixed for their entire term, in line with current market practices where indexation and rent reviews are not prevalent, and the rent during this period will depend upon the prevailing market rental rate in the year of completion. The assumed length of initial leases varies depending upon the property class – office leases are typically 5 years and retail leases are typically 3 to 5 years;

**Vacancy Rate**

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

**Operating Expenses**

For commercial properties these are assumed to be paid by the tenant at cost, and they are therefore cash-flow and VAT neutral and they are not included in the cash-flow analysis. For residential properties it is also assumed that operating expenses will be passed through to residents in the form of a service charge or similar;

**Security Deposit**

It is common for tenants to pay security deposits in the Russian market which are held interest free by the Landlord and offset against the last relevant period of the lease. Standard levels of Security Deposit have been assumed for different property classes. These deposits are treated as financing cash-flow and will be off-settable against the final relevant period of each lease;

**Debt Assumptions**

In assessing the Market Value of property it has been assumed that no debt is used. There are wide variations as to the financing terms available in the as





yet immature Russian property finance market and it is not therefore possible to apply standard terms.

Therefore unleveraged yields are used to provide a consistent approach;

### **VAT Rate**

The VAT rate has been taken at the current rate of 18% introduced at the beginning of 2004. The VAT rate is of importance because although in theory VAT in Russia is immediately recoverable from the government the practice is slightly different. The VAT paid on construction and other development costs is considered a VAT credit account in favour of the landowner. VAT on future rents can be retained and offset against the VAT account until it is zeroed out. This has a significant effect on cash-flow. For the purchase of existing properties VAT is payable in respect of that part of the purchase price apportioned to building improvements. VAT is not payable in respect of the part (or whole) of the purchase price that relates to the land plot (or land lease).

It has been assumed that all of the costs in association with the development of the project will be subject to VAT and also that all of the tenants (where appropriate) will be VAT paying. Where applicable the current VAT credit account has been taken into account – depending upon the tenure of the property. I.e. freehold property sales are subject to VAT, but sales of shares in a company are not. For the purposes of this valuation all properties have been assessed on a freehold basis as opposed to the existence of any SPVs;

### **VAT Inflation Loss**

The VAT credit account is rouble denominated whereas rents are receivable in dollars. A factor is used to take account of annual losses to the VAT credit account balance, which is non-interest bearing, due to inflation and exchange rate movements;

### **Cash Reserve**

A contingency account against future capital expenditures is a prudent measure. Contributions to





this cash reserve have been set depending on the different criteria of each proposed development;

### **Agent's & Brokers Fees**

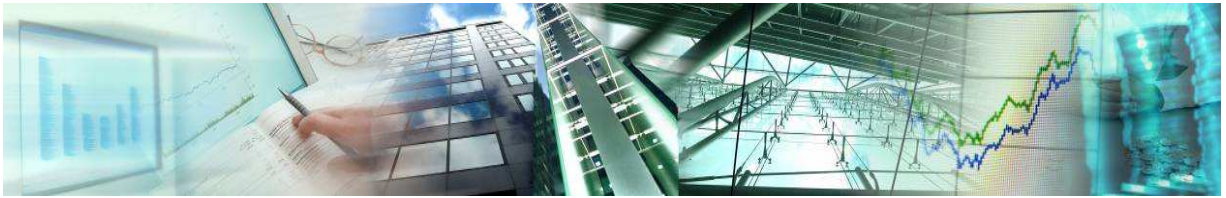
Standard market practice is to use brokers to lease commercial space. This has been taken into account;

### **Depreciation**

Assessed over 50 years on a straight line basis, in line with local regulations excluding that part of the balance sheet value that relates to the underlying land value. The type of tenure affects the annual depreciation and will therefore affect the level of costs which are deductible for profit tax purposes. A sale of a freehold property results in the property being held on the balance sheet at the transaction value and usually results in a higher level of depreciation and therefore a higher level of tax deductible costs, potentially increasing income. Where a property is held in a Special Purpose Vehicle (SPV) any sale of the shares will not affect the value of the property on the balance sheet (usually the existing depreciated construction cost) and this will ordinarily result in a lower level of depreciation. As outlined above, all of the properties in this report have been valued on the basis of a freehold sale;

### **Taxes**

Similarly property tax is payable on the book value of any property, excluding that part that relates to the underlying land value, currently at 2.2% and the nature of the tenure will affect the overall level of property tax payable. There may also be effects on the level of other taxes payable due to the type of tenure. The standard corporate profit tax rate is currently at 24.0% and has been included in our financial analysis, i.e. taxes were deducted from the operation profits during the operation period and from capital gains due to sale of assets.

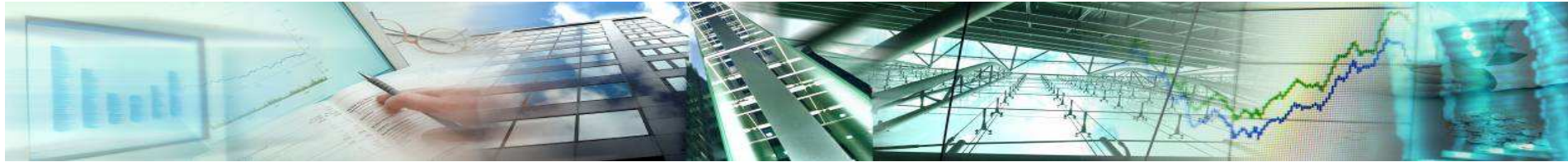


## **SCHEDULE OF VALUES**

A summary table is included below. The appendices contain information for each of the individual properties within the classes of: "Properties *held* as investments", "Properties in the course of development", and "Properties held for development".



**SUMMARY TABLE**



### MirLand Development Corporation Assets - Overview of Market Values as at 31st of December 2007

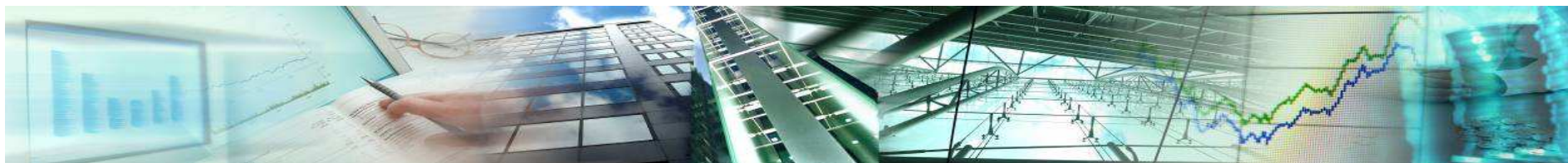


Ref.	City	Property Name and Address	Portfolio Market Value as at 31st of December 2007 (Rounded)	Percentage Owned by MirLand	MirLand Market Value as at 31st of December 2007 (Rounded)	Total sqm of Land	Projected Net Leasable / Saleable Area in sqm upon Completion (excl. Parking)	Market Value per sqm of Projected Net Leasable Area	Discount Rate	Projected Exit Date	Projected Exit Capitalisation Rate for Commercial (Uncompleted Only)	Projected Exit Sales Price (Uncompleted Only)	Projected Corporate Profit Tax on Exit Sales Price of Commercial Units (Uncompleted Only) Rounded	Projected Exit Sales Price per sqm of Net Leasable Commercial Area (Uncompleted Only)	Total Outstanding Investment (excl. VAT & Land)	Total Commercial NOI as of 2007 Market Rental Values (Assuming 100% Occupancy and Fully Completed)
001	Moscow	Hidromashservice, 2-Khutorskaya str., 38A	\$102 390 000	100%	\$102 390 000	12 237	17 889	\$ 724	10,50%	Completed	Completed	Completed	Completed	Completed	Completed	\$ 9 715 000
002	Moscow	MAG, 2-Khutorskaya str., 38A	\$101 080 000	100%	\$101 080 000	21 940	18 355	\$ 5 507	10,50%	Completed	Completed	Completed	Completed	Completed	\$ 1 126 400	\$10 063 000
003	Moscow Region	Perkhushkovo, Odintsovsky district	\$86 050 000	100%	\$86 050 000	225 300	69 924	\$ 1 231	15,00%	31.12.2009	Residential	\$180 159 000	Residential	Residential	\$ 71 022 000	Residential
004	Saratov	Retail mall, 167 Zarubina street	\$46 680 000	90%	\$42 012 000	22 000	27 547	\$ 1 695	13,00%	30.04.2010	8,50%	\$127 135 000	\$22 666 000	\$ 4 615	\$42 175 000	\$11 707 000
005	Moscow	Skyscraper, Dmitrovskoe schosse, 1	\$168 291 000	100%	\$168 291 000	9 079	92 000	\$ 1 829	17,00%	30.08.2012	7,20%	\$1 016 215 000	\$168 665 000	\$11 046	\$342 453 000	\$79 100 000
006	Saint Petersburg	Residential & Trade Centre	\$462 564 000	100%	\$462 564 000	408 314	707 000	\$ 654	17,5% / 18,5%	31.12.2014	8,00% / 7,60% / 7,30%	\$2 350 433 000	\$52 583 000	\$ 4 621	\$1 457 107 000	\$33 150 000
007	Moscow Region	Techagrocom, Kaluzhskoe Highway	\$93 063 000	50%	\$46 532 000	220 000	156 320	\$ 595	17,00%	30.06.2011 / 30.06.2012 / 30.06.2013	8,50% / 8,20% / 7,90%	\$688 902 000	\$87 735 000	\$ 4 407	\$327 028 000	\$59 868 450
008	Yaroslavl	Phase I: Operating Shopping Centre, Kalinina str.	\$90 580 000	49%	\$44 384 000	120 000	32 249	\$ 2 809	10,25%	Completed	Completed	Completed	Completed	Completed	Completed	\$ 8 262 000
009	Yaroslavl	Phase II (Remaining unimproved Land Plot of 18 ha)	\$15 979 000	49%	\$ 7 830 000	180 000	50 000	\$ 320	17,00%	31.03.2011	8,00%	\$105 126 000	\$13 377 000	\$ 2 103	\$53 242 000	\$ 8 500 000
010	Moscow	Sokolniki Residential	\$40 673 000	50%	\$20 337 000	13 000	19 000	\$ 2 141	15,00%	31.03.2010	Residential	\$103 288 000	Residential	\$ 5 436	\$48 094 000	Residential
011	Moscow	Nemchinovka Residential	\$155 168 000	50%	\$77 584 000	130 000	117 732	\$ 1 318	15,00%	30.06.2010	Residential	\$435 666 000	Residential	\$ 3 700	\$208 898 000	Residential
013	Moscow	Tamiz Building	\$24 036 000	100%	\$24 036 000	4 500	10 743	\$ 2 237	15,50%	30.06.2010	9,40%	\$77 573 000	\$11 972 000	\$ 7 221	\$29 896 000	\$ 7 151 000
014	Moscow	Century Building	\$44 066 000	50%	\$22 033 000	5 800	17 681	\$ 2 492	14,00%	31.12.2009	9,80%	\$117 420 000	\$19 197 000	\$ 6 641	\$40 761 000	\$12 377 000
015	Kazan	Kazan Commercial	\$9 692 000	100%	\$9 692 000	22 000	34 085	\$ 284	18,00%	30.06.2011	8,40%	\$96 168 000	\$10 960 000	\$ 2 821	\$54 042 000	\$ 8 745 000
<b>Total</b>			<b>\$1 440 312 000</b>		<b>\$1 214 815 000</b>							<b>\$5 298 085 000</b>		<b>\$2 675 844 400</b>		
Explanations:	Projected Exit Capitalisation Rate:	The "Projected Exit Capitalisation Rate" represents the expected market capitalisation rate for the projected disposal year of the respective project.														
	Projected Exit Sales Price:	This value is based on the respective Market Rental Values (net operating income) and the Projected Exit Capitalisation Rate.														
	Projected Profit Tax on Exit Sales Price:	If the respective project is getting sold in several phases/years different capitalisation rate may apply.														
	Total Outstanding Investment (excl. VAT & Land):	This column shows the Russian corporate profit tax amount which is expected to be paid upon the sale of the underlying asset.														
	Total NOI (assuming 100% Occupancy):	The profit corporate profit tax rate of currently 24.0% is applied to the difference of the projected exit sales price to the book value.														
Comments:	Perkhushkovo:	This column represents the remaining money to be invested into the respective project (mainly construction costs). It excludes VAT and land acquisition costs.														
	Saint Petersburg Residential:	This number represents the market rental value under the assumption that 100% of the leasable areas are occupied at the market rental rates(s).														
	Saint Petersburg Residential:	Please note that the Projected Exit Sales Price represents total income before taxes. It is further assumed that all units can be sold on a single unit basis to end users (no Remainders nor Block Sales).														
	Techagrocom:	Projected Building Area including 63,000 sqm of Community Buildings. Expenses of the school (39,300 sqm) are assumed to be reimbursed at the end of the project according to information provided.														
	Yaroslavl, Phase II:	Please note that the Projected Exit Sales Price represents total income over the phases before taxes. It is further assumed that all units can be sold on a single unit basis to end users (no Remainders nor Block Sales).														
	Sokolniki:	According to the three construction phases the assumed sale of the phases takes place at different dates in time.														
	Nemchinovka:	The concept design for development of another retail property with 50,000 sqm of lettable area is in process.														
	Kazan:	Please note that the Projected Exit Sales Price represents total income over the phases before taxes. It is further assumed that all units can be sold on a single unit basis to end users (no Remainders nor Block Sales).														
		Please note that the Projected Exit Sales Price represents total income over the phases before taxes. It is further assumed that all units can be sold on a single unit basis to end users (no Remainders nor Block Sales).														
		The total projected net leasable area of 34,085 sqm includes an area of 5,668 sqm, which will be sold to the local retail chain Behette upon construction completion with a 20% return on cost.														
		As a result the subject unit is not included in the total exit sales price, the corporate profit tax, the indicated outstanding investment and the NOI as of 2007.														

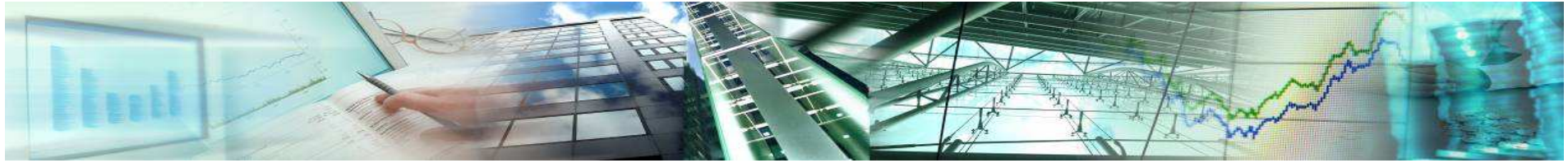


## **PROPERTIES HELD AS INVESTMENTS**

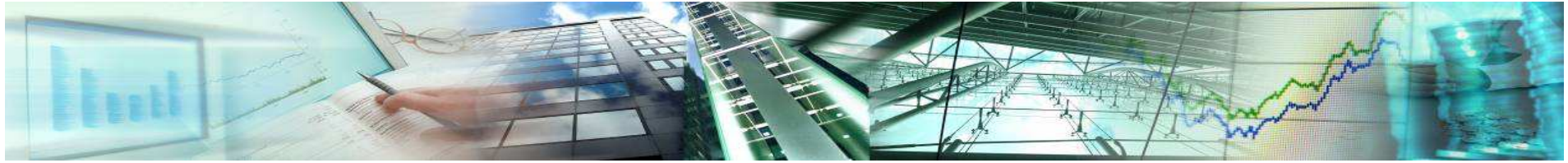




Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
<p>“MAG” 2-Khutorskaya street, 38A Moscow, Russia</p>	<p>The Property is located in approximately 10 minutes walking distance from the nearest metro station Dmitrovskaya. This location is in the north portion of the Moscow Novoslobodsky Business District, approximately 2 kilometres from the Third transport ring road.</p> <p>MAG is a former factory site containing several buildings, which have been refurbished and transformed into new class B office space. As at the date of valuation nearly all the premises were completed. According to information provided to us total leasable area is 18,365 sqm and 175 parking slots. Some 15,077 sqm are rented as at the date of valuation, while 2,335 sqm will be available for lease after the reconstruction is fully over.</p> <p>According to information provided by the Company total outstanding investments for reconstruction of Building #25 are estimated at US\$1,126,400 (excluding VAT) as at the date of valuation.</p> <p>According to the Long Term Lease Agreement #M-09-031793 of 29th of September 2006, Mashinostroenie and Hydravlika OJSC leases a land plot of 1.2879 ha until 1st of September 2055.</p> <p>The land plot with a total area of 1.0257 ha is held by Mashinostroenie and Hydravlika OJSC under the Decree of the Northern Administrative district of Moscow # 9590 from 19.12.2007 on the leasehold basis up to 30.11.2032.</p>	<p>Differing length periods.</p>	<p>US\$8,134,289</p>	<p>US\$10,063,324</p>	<p><b>US\$101,080,000</b></p> <p><b>US\$101,080,000</b> for the 100% share interest held by the Company according to information provided to us.</p>



Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
<p>“Hidromashservice” 2-Khutorskaya street, 38A Moscow, Russia</p>	<p>The Property is located in approximately 10 minutes walking distance from the nearest metro station Dmitrovskaya. This location is in the north portion of the Moscow Novoslobodsky Business District, approximately 2 kilometres from the Third transport ring road.</p> <p>Hidromashservice is a former factory site containing several buildings, which have been practically fully refurbished and transformed into new class B office and retail (supermarket) space. As at the date of valuation the majority of the space was completed. According to information provided to us total leasable area is 17,889 sqm, of which 16,920 sqm are leased and 175 parking slots. The Property has originally been constructed and used as an industrial premise in the former century. The Company did not provide us with any information regarding the age of the Property. The building improvements are owned by Hydromashservice LLC according to ownership certificates provided by the Company.</p> <p>According to the Amendment Agreement No.5 of 29.09.2006 to the land lease agreement # M-09-025311, dated 28.11.2003, Hidromashservice LLC leases a land plot of 1.2237 ha.</p>	Differing length periods.	US\$7,801,407	US\$9,714,608	<p><b>US\$102,390,000</b></p> <p><b>US\$102,390,000</b> for the 100% share interest held by the Company according to information provided to us.</p>
<p>“Yaroslavl Mall” Moskovskoye Shosse &amp;</p>	<p>The Property is represented by a modern retail complex with entertaining areas which opened on the 27<sup>th</sup> of April 2007 with a total area of 32,299 sqm. The complex consists of one ground floor and a guest ground parking with 1,450 slots. The gross area of the Property is 40,787 sqm.</p>	Differing length periods.	US\$8,114,191	US\$8,262,000	<p><b>US\$90,580,000</b></p> <p><b>US\$ 44,384,000</b> for the 49% share interest held by the</p>

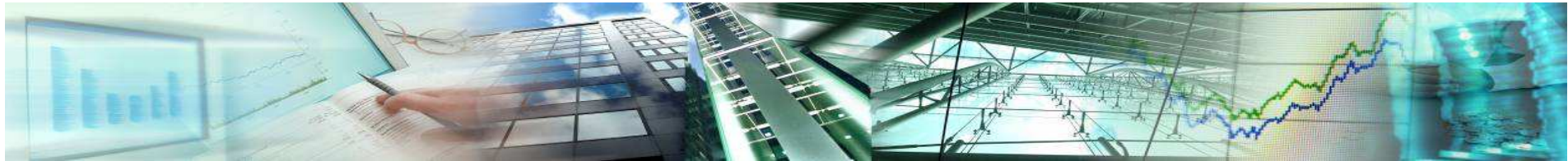


Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
<b>Kalinina street Yaroslavl Region, Russia</b>	<p>The Property is located at the intersection of Kalinina street (ring road of Yaroslavl) and Moskovskoye shosse at the border of the city of and the Yaroslavl region. The city centre (six km) can be reached in about 15 to 20 minutes driving distance. The district is mostly residential, with a large residential micro-district in the north and individual housing surrounding the subject Property.</p> <p>The tenure of the land plot (12 hectares in size) is freehold (according to the Ownership Certificate 76-AA #170178). The remaining land area of 18 hectares is reserved for future development (see “Yaroslavl: Phase II”).</p>				Company according to information provided to us.



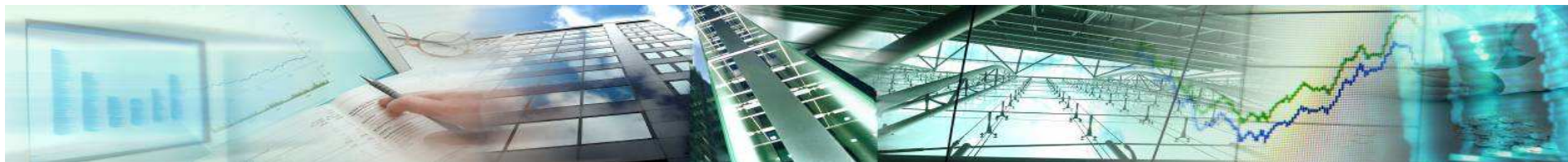
## PROPERTIES IN COURSE OF DEVELOPMENT



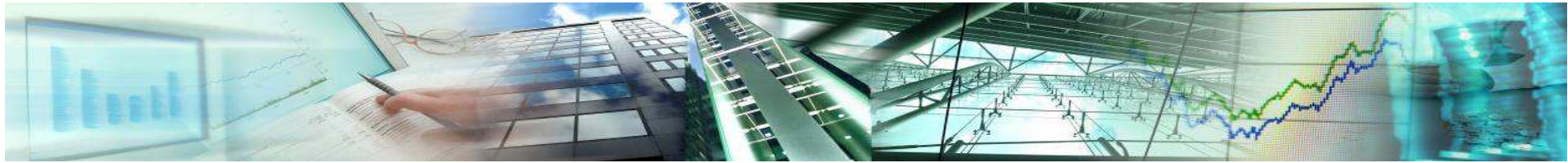


Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
<p><b>Perkhushkovo, Odintsovo District</b></p> <p><b>Moscow Region, Russia</b></p>	<p>The Property is represented by two undeveloped “Greenfield” land plots being located opposite to each other and separated by a dead-end street with a total area of 22.53 ha:</p> <p style="padding-left: 40px;">Land plot #1 with a total area of 10.57 ha;</p> <p style="padding-left: 40px;">Land plot #2 with a total area of 11.96 ha</p> <p>The Property is held for residential development and is intended to provide 157 luxury homes, each about 369 sqm on average. 65 town houses with a total area of 18,200 sqm according to the information provided by the Company. Furthermore, some 13 1-A business houses with a total saleable area of 4,485 sqm, 16 1-B business houses with a total area of 5,984 sqm and 32 2-A business+ with a total saleable area of 15,168 sqm as well as 31 2-B business+ with 14,105 sqm will be developed on the site in the near future. Apart from residential premises a managing company building with a total saleable area of 800 sqm and 3,000 sqm of saleable retail will be constructed. According to information provided by the Company as at the date of this Report issue construction work of the premises have already commenced. Following their construction completion, the Company plans to dispose the residential premises on a single unit basis to end users. For the purpose of this valuation we have also assumed that the commercial units will be sold in line with the residential units. Total outstanding development costs are estimated at US\$71,022,000 (excluding VAT).</p>	<p>Upon completion the units are expected to get sold on a single unit basis.</p>	<p>Upon completion the units are expected to get sold on a single unit basis.</p>	<p>Upon completion the units are expected to get sold on a single unit basis.</p>	<p><b>US\$86,050,000</b></p> <p><b>US\$86,050,000</b> for the 100% share interest held by the Company according to information provided to us (Assuming built and fully sold on market terms US\$180,159,000)</p>

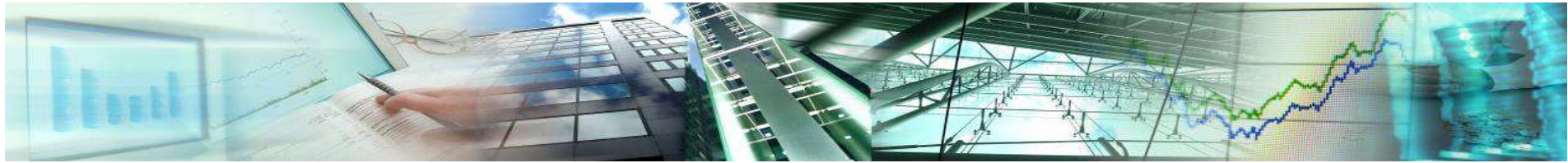




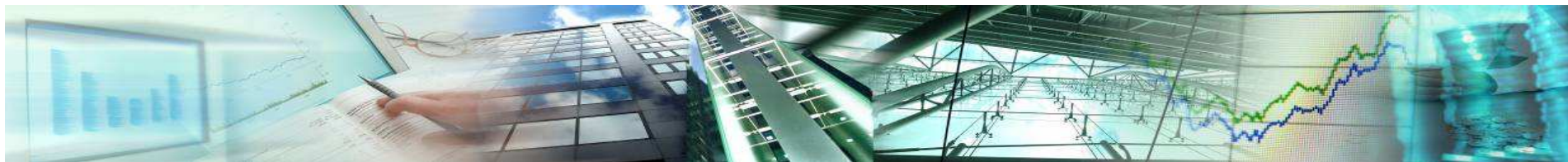
Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
	<p>The Property is located in the Moscow Region in the Odintsovo district close to the Mozhayskoe shosse in approximately 15 km distance to the west from MKAD (Moscow Ring Road) and approximately five km from Perkhushkovo railway station. The neighbouring land plots are characterised by housing settlements and forests.</p> <p>The tenure of the land plots is freehold.</p>				
<p>167 Zarubina Street Saratov, Russia</p>	<p>The Property is represented by a land plot of 22,000 sqm. The Property is intended for development of a retail mall including parking facilities.</p> <p>According to information provided by the Company as at the date of this Report issue the Company has received the construction permit and the construction works of the premises have already commenced. The planned retail areas are divided into different structures: retail gallery, retail (anchors) and retail (semi-anchors). Overall, some 28,001 sqm of net leasable area are expected to get constructed in one phase. 10,772 sqm will be used by anchors, 4,271 sqm will be used by semi-anchors and 12,958 sqm will be occupied by tenants of the retail gallery. Customer parking including 175 surface parking lots and 310 underground parking places will be further included. Total outstanding development costs are estimated at US\$42,175,000 (excluding VAT).</p> <p>The construction started in January 2007 and is due to be over in April 2009 (including completion of fit-out works).</p>	n/a	n/a	<p>\$11,469,700 upon completion and assuming 100% occupancy. For the purpose of our valuation we have assumed a structural vacancy rate of 7.5%.</p>	<p><b>US\$46,680,000</b> <b>US\$42,012,000</b> for the 90% share interest held by the Company according to information provided to us (Assuming built and fully let on market terms US\$127,135,000)</p>



Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
	<p>The subject Property is located at the intersection of Astrakhanskaya and Kutyakova streets in 15 minutes' walking distance from the historical centre of Saratov, near Saratov airport and Saratov railway station. The north-eastern border faces Zarubina street. Universitetskaya street is in the north-west from the site and Astrakhanskaya street is the south-eastern frontier. The south-western border of the site is Kutyakova street. The surroundings are predominantly retail, residential and industrial premises.</p> <p>The tenure of the land plot of 2.2 ha is freehold.</p>				
<p><b>“Century Building”</b> <b>2-Khutorskaya street, 38A</b> <b>Moscow, Russia</b></p>	<p>The Property is located in approximately 10 minutes walking distance from the nearest metro station Dmitrovskaya. This location is in the north portion of the Moscow Novoslobodsky Business District, approximately 2 kilometres from the Third transport ring road.</p> <p>The land plot is intended for Century office building development.</p> <p>According to information provided by the Company the total leasable area of future office building is 17,681 sqm.</p> <p>Construction began in December 2007 and is supposed to end in December 2008. Total outstanding development costs are estimated at US\$40,761,000 (excluding VAT).</p> <p>Total area of the plot is 0.58 ha.</p>	n/a	n/a	<p>\$12,377,000 upon completion and assuming 100% occupancy. For the purpose of our valuation we have assumed a structural vacancy rate of 7.5%.</p>	<p><b>US\$44,066,000</b> <b>US\$22,033,000</b> for the 50% share interest held by the Company according to information provided to us (Assuming built and fully let on market terms US\$117,420,000)</p>



Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
<b>Residential Development at Sokolniki</b>  <b>Moscow, Russia</b>	<p>The subject Property is located in the North-East of Moscow not far (10 minutes walk) from Sokolniki metro station on Matrosskaya Tishina street. Site is surrounded by low-rise administrative and residential buildings. In the vicinity to the site there is a complex of buildings which belongs to Ministry of Defense of Russian Federation.</p> <p>The site is located in a quiet residential area and represents some non-operational former industrial red-brick buildings to be redeveloped for residential use. Total area of the land plot is 1.3 ha.</p> <p>The Company plans to reconstruct and develop all in all 16,198 sqm of net saleable residential space and 3,820 sqm of commercial premises including small shops, a sports complex and some offices. As at the date of valuation the construction permission was received and the preliminary construction works started and are expected to be completed in the end of 2009. The residential units are expected to get sold on a single unit basis to end users. Total outstanding development costs are estimated at US\$48,094,000 (excluding VAT).</p>	<p>Upon completion the units are expected to get sold on a single unit basis.</p>	<p>Upon completion the units are expected to get sold on a single unit basis.</p>	<p>Upon completion the units are expected to get sold on a single unit basis.</p>	<p><b>US\$40,673,000</b></p> <p><b>US\$20,337,000</b> for the assumed 50% share interest held by the Company (Assuming built and fully sold on market terms US\$103,288,000)</p>
<b>Residential Development Project: Nemchinovka Settlement</b>  <b>Moscow,</b>	<p>The subject Property is located in the West of Moscow not far from intersection of Mojaiskoe highway and MKAD in the Nemchinovka settlement area. The subject site is distant from MKAD and located on the territory of a former military unit and surrounded by several low-rise residential buildings and a great amount of greenery. Moreover, there is a residential high-rise building situated to the North from the site.</p>	<p>Upon completion the units are expected to get sold on a single unit basis.</p>	<p>Upon completion the units are expected to get sold on a single unit basis.</p>	<p>Upon completion the units are expected to get sold on a single unit basis.</p>	<p><b>US\$155,168,000</b></p> <p><b>US\$77,584,000</b> for the assumed 50% share interest held by the Company (Assuming built and</p>



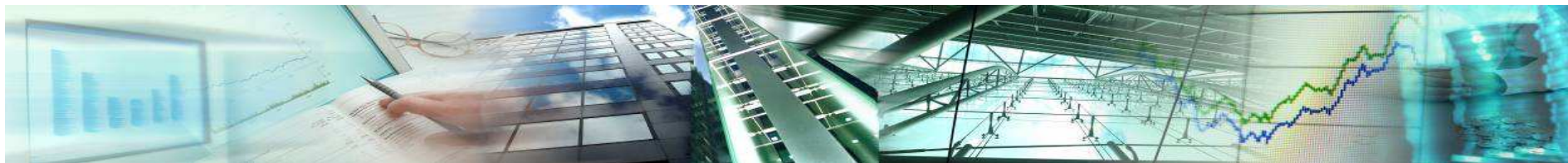
Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
<b>Russia</b>	<p>The Company plans to develop residential settlements on the subject Property with all in all 122,760 sqm of net saleable residential space and 11,260 sqm of commercial premises including small shops, a sports complex, a supermarket and medical centre as well as some offices among other uses. As at the date of valuation the construction permission was received and the preliminary construction works started and are expected to be completed in the middle of 2009. The residential units are expected to get sold on a single unit basis to end users. Total outstanding development costs are estimated at US\$208,898,000 (excluding VAT). Total area of the plot is 13 ha.</p>				fully sold on market terms US\$435,666,000)



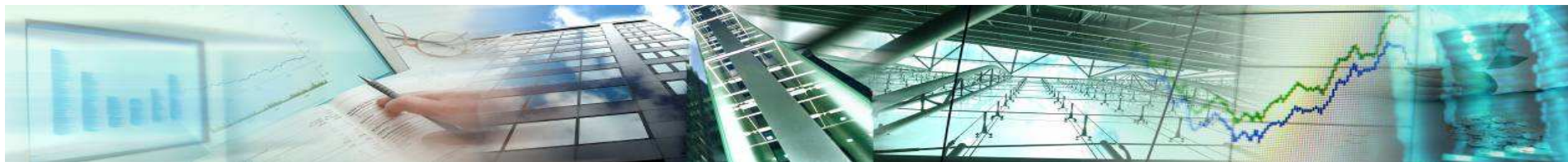


## PROPERTIES HELD FOR FUTURE DEVELOPMENT

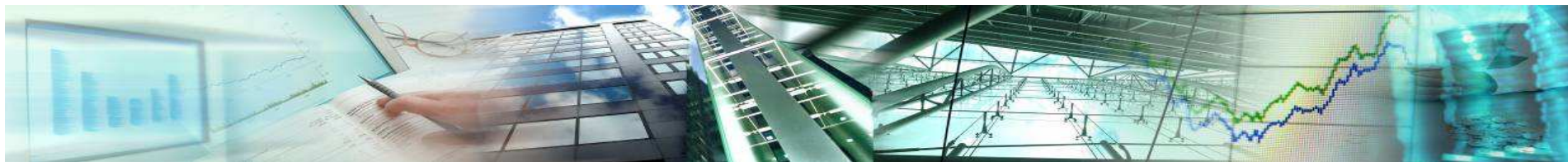




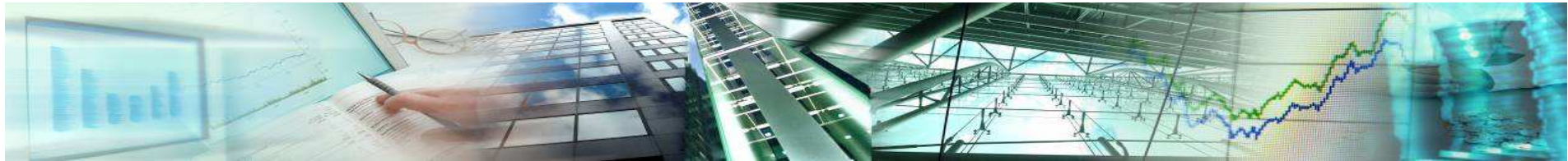
Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
<p><b>“Skyscraper”<sup>1</sup></b></p> <p><b>Dmitrovskoye Shosse 1B</b></p> <p><b>Moscow, Russia</b></p>	<p>The property is represented by a land plot of 9,079 sqm of total area and intended for future construction of a 48-storey class A office building including retail areas in the lower floors. The existing constructions are to be demolished before the construction commencement. According to the concept provided by the Company the planned construction will include (all leasable area) 86,900 sqm of class A office space, 5,000 sqm of retail space and 1,500 underground parking spaces. Construction is expected to take place in one phase starting in April 2008 and expected to being completed in August 2012. Total outstanding development costs are estimated at US\$342,453,000 (excluding VAT).</p> <p>Construction is supposed to start in May 2008 and is due to be over in May 2011 with fit-out works completed in August 2011. The tenure of the land plots is leasehold.</p> <p>The Property is confined by transportation routes of the North-Eastern part of the junction formed by Dmitrovsky lane in the North, and slip road to Dmitrovskoye Shosse in the North-East, Rizhskaya railroad line in the South and street railway depot in the West.</p> <p>The site is located in Northern Administrative District of Moscow. It is situated near the crossing of Dmitrovskoye Shosse and Dmitrovsky lane. Dmitrovsky lane is a four-lane road (two lanes each way), Dmitrovskoye Shosse has four lanes each way. Both of the roads are high traffic routes.</p>	n/a	n/a	<p>\$79,100,000 upon completion and assuming 100% occupancy. For the purpose of our valuation we have assumed a structural vacancy rate of 7.0%.</p>	<p><b>US\$168,291,000</b></p> <p><b>US\$168,291,000</b> for the 100% share interest held by the Company according to information provided to us (Assuming built and fully let on market terms US\$1,016,215,000)</p>



Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
<p>“Saint Petersburg Residential” and “Saint Petersburg Trade Center”</p> <p>30 Pulkovskoe Shosse</p> <p>Saint Petersburg, Russia</p>	<p>The Property is represented by a land plot of 40.8314 hectares in total which is intended for future development of residential apartment dwellings including appertaining community buildings and parking facilities in four phases.</p> <p>A high-voltage power line passes the site along the eastern land plot boundaries. The power line takes a comparable small part of the land plot.</p> <p>The concept provided to us suggests constructing all in all 9,000 residential dwellings comprising an average saleable area of 68.6 sqm per apartment (617,000 sqm in total) in four phases. The quality of the apartments is split into “Economy” class (431,900 sqm or 70.0% of the total sum) and “Comfort” class (185,100 sqm or 30.0% of the total sum). The construction of the first phase including 20.0% of net saleable residential area is scheduled to start in November 2007 with the consecutive phases following at a time difference of one and a half years each. Moreover, some 63,000 sqm net area of community buildings as well as some 6,613 underground parking spaces as well as open parking areas along the streets will be constructed as part of the Saint Petersburg Residential project. Total outstanding development costs are estimated at US\$1,457,107,000 (excluding VAT). The Company informed us that it can reimburse the expenses for the construction of a community school (39,300 sqm) by the City of Saint Petersburg at the end of the construction of phase 4.</p>	<p><u>Residential:</u></p> <p>Upon completion the units are expected to get sold on a single unit basis.</p> <p><u>Commercial:</u></p> <p>n/a</p>	<p><u>Residential:</u></p> <p>Upon completion the units are expected to get sold on a single unit basis.</p> <p><u>Commercial:</u></p> <p>n/a</p>	<p><u>Residential:</u></p> <p>Upon completion the units are expected to get sold on a single unit basis.</p> <p><u>Commercial:</u></p> <p>\$33,150,000 upon completion and assuming 100% occupancy. For the purpose of our valuation we have assumed a structural vacancy rate of 7.5%.</p>	<p><b>Total Value for Residential&amp;Trade</b></p> <p><b>US\$462,564,000</b></p> <p><b>US\$462,564,000</b> for the 100% share interest held by the Company according to information provided to us (Assuming built and fully sold on market terms US\$2,350,433,000)</p>

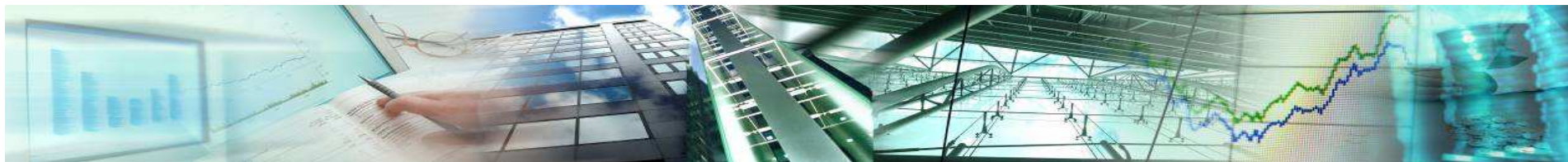


Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
	<p>The Property is located in second line to the main road (Pulkovskoe Shosse) connecting the Saint Petersburg airport to the city centre. The distance to the airport is approximately five km. The city centre is about 16 km away.</p> <p>The tenure of the land plot is freehold.</p> <p>Commercial part of the property is represented by a land plot of 8.16628 hectares in total and is part of 40.8314 hectares site which is intended for future development of class B office and retail space including parking facilities in four phases.</p> <p>The concept provided to us suggests the development of a modern business park (office Class B) as well as a retail complex and street retail areas in several, partly overlapping, phases with construction expected to start in April 2009 and the last phase being completed and fitted out in March 2013.</p> <p>It is planned to construct 60,000 sqm leasable area of Class B office space in one phase. The construction is scheduled to start in November 2009 and to last for approximately two years (shell &amp; core condition). The planned retail areas are split into two different forms. Overall, some 30,000 sqm of net leasable area are expected to get constructed in five different phases. 15,000 sqm will be used for a commercial centre.</p>				



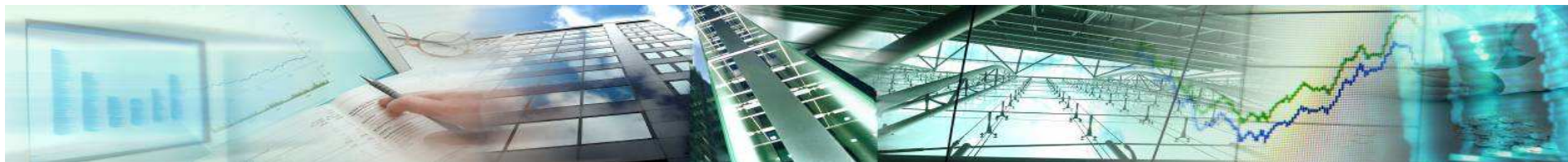
Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
<p>“Techagrocom”</p> <p>Kaluzhskoe Shosse</p> <p>Moscow Region, Russia</p>	<p>The Property is represented by four land plots of 22 hectares total area. They represent a clear field. It is free from any capital constructions, however, two high-voltage power lines pass along the North-West and South-West land plot boundaries. The power lines run above a significant portion of the land plot.</p> <p>The Property is held for future development of a modern business park as well as a retail complex in three phases. The retail complex will be oriented towards the traffic flow along Kaluzhskoye Shosse and is expected to provide some 74,000 sqm of net leasable area. The office premises will amount to 100,000 sqm of net leasable area. Construction of the first phase is expected to begin in January 2008 with the last phase being completed (shell &amp; core) at the end of December 2011. Total outstanding development costs are estimated at US\$327,028,000 (excluding VAT).</p> <p>The Property is geographically situated on the territory of the Moscow Region, but in fact it is adjacent to Moscow – the land plot is located within only one kilometre from MKAD, on Kaluzhskoye Shosse representing the extension of Profsoyuznaya Street.</p> <p>The tenure of the land plots is freehold.</p>	n/a	n/a	<p>\$59,868,000 upon completion assuming 100% occupancy. For the purpose of our valuation we have assumed a structural vacancy rate of 5% for all premises except the hypermarket retail unit which is expected be leased to one tenant only (here vacancy rate is zero).</p>	<p><b>US\$93,063,000</b></p> <p><b>US\$ 46,532,000</b> for the 50% share interest held by the Company according to information provided to us (Assuming built and fully let on market terms US\$688,902,000)</p>



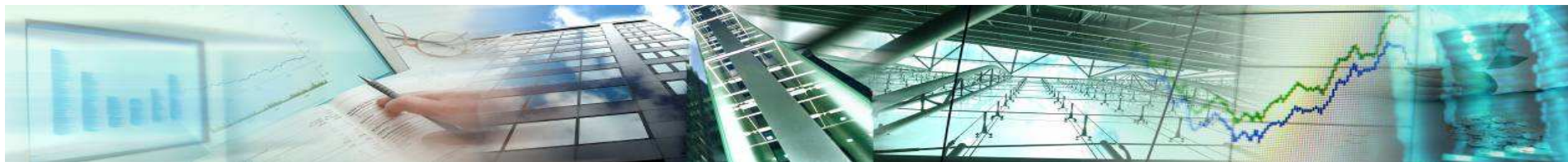


Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
<p>“Tamiz”</p> <p>2-Khutorskaya street, 38A</p> <p>Moscow, Russia</p>	<p>The Property is located in approximately 10 minutes walking distance from the nearest metro station Dmitrovskaya. This location is in the north portion of the Moscow Novoslobodsky Business District, approximately 2 kilometres from the Third transport ring road.</p> <p>The Property represents a land plot of total area of 0.45 Ha. The land plot is intended for TAMIZ office building development.</p> <p>According to information provided by the Company the total area of future office building is 13,876.9 sqm including 10,033.72 sqm of office net rentable area and 709 sqm of fitness club net leasable area. The building will have 5 floors not including one socle floor and technical floor. The total number of surface parking spaces intended for lease is 18.</p> <p>Construction is supposed to begin in April 2008. The building will be completed in June 2009 and will be put into operation in June 2010. Total outstanding development costs are estimated at US\$29,896,000 (excluding VAT).</p>	n/a	n/a	\$7,151,000 upon completion and assuming 100% occupancy. For the purpose of our valuation we have assumed a structural vacancy rate of 7.5%.	<p><b>US\$24,036,000</b></p> <p><b>US\$ 24,036,000</b> for the 100% share interest held by the Company according to information provided to us (Assuming built and fully let on market terms US\$77,573,000)</p>
<p>“Kazan Home Design Center”</p> <p>Okolnaya street, 28A</p>	<p>The Property represents a land plot with total area of 2.2 ha intended for construction of a two-storied Home Design Centre. Mostly the site is surrounded by residential buildings from the west, south and east. From the north the Site is bounded by industrial zone.</p> <p>The total area of the future retail centre will be 34,085 sqm,</p>	n/a	n/a	\$8,745,000 upon completion and assuming 100% occupancy. For the purpose of our valuation we have	<p><b>US\$9,692,000</b></p> <p><b>US\$ 9,692,000</b> for the 100% share interest held by the Company according to information</p>





Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
<b>Kazan, Russia</b>	<p>excluding underground parking for 550 lots.</p> <p>One part of the property (5,688 sqm) will be constructed for one specific owner (the Behetle Company) and will be sold to him upon construction. Construction costs will be paid gradually in course of development by the future owner. After completion the Client will get 20% benefit. This fact was taken into consideration in our models.</p> <p>According to information provided, the Company is currently in process of obtaining rights to land. No documents at the moment are available as at the date of valuation. We have therefore valued the Property under the assumption that the land is owned by the Company. Construction will begin in July 2008 completed and fitted out in June 2010. Total outstanding development costs are estimated at US\$54,042,000 (excluding VAT).</p> <p>The analyzed site is located in the Central part of Kazan on the intersection of Gorkovskoe highway, Bolotnikova street, Frunze street and Vosstaniya street.</p> <p>The site is located between two administrative units: Moskovky district and Kirovsky district.</p>			<p>assumed a structural vacancy rate of 7.5%.</p>	<p>provided to us (Assuming built and fully let on market terms US\$96,168,000)</p>



Property Address:	Description, Age and Tenure:	Terms of Existing Tenancies:	Net Annual Rent:	Estimated Net Annual Rent:	Market Value:
<p><b>“Yaroslavl Phase II: Remaining Land Plot of 18 Hectares”</b></p> <p><b>Moskovskoye Shosse &amp; Kalinina street</b></p> <p><b>Yaroslavl, Russia</b></p>	<p>The Property is represented by a land plot of approximately 18 hectares (remaining part of the Yaroslavl land plot which has not been used for the development of the Yaroslavl mall) which is unimproved as at the date of valuation.</p> <p>According to information provided by the Company the construction of a big box retail complex incorporating some 50,000 sqm of total leasable area is planned in the future. Construction is supposed to begin in September 2008 and will be completed in March 2010. Total outstanding development costs are estimated at US\$53,242,000 (excluding VAT).</p> <p>The Property is located at the intersection of Kalinina street (ring road of Yaroslavl) and Moskovskoye shosse at the border of the city of and the Yaroslavl region. The city centre (six km) can be reached in about 15 to 20 minutes driving distance. The district is mostly residential, with a large residential micro-district in the north and individual housing surrounding the subject Property.</p> <p>The tenure of the land plot is freehold (according to the Ownership Certificate 76-AA #170178)</p>	n/a	n/a	<p>\$8,500,000 upon completion and assuming 100% occupancy. For the purpose of our valuation we have assumed a structural vacancy rate of 1.5% with a surface parking having zero vacancy rate.</p>	<p><b>US\$15,979,000</b></p> <p><b>US\$7,830,000</b> for the 49% share interest held by the Company according to information provided to us (Assuming built and fully let on market terms US\$105,126,000)</p>



## APPENDIX TWO

### OFFICE CLASSIFICATION STANDARDS

The group, consisting of Cushman & Wakefield Stiles & Riabokobylko, Colliers International, Jones Lang LaSalle, Noble Gibbons / CB Richard Ellis has been coordinating some of their data collection activities since autumn 2002 to provide consistent information to investors, developers, occupiers and press.

In order to provide accurate and consistent information, MRF has produced a set of definitions based on geographic division, terminology and building classification. The main aim of the new agreement was to establish consistent terminology and technique for classifying modern office space in Moscow and thereby providing a guideline for whole Russia into A and B class buildings.

The office classification is represented below.

1. This Classification is adapted to modern office stock (Class A, Class B+, Class B-) only.
2. Building to be classified as Class A, Class B+ or Class B- should meet all relevant criteria apart from 1 “Must” criterion and 4 “Optional” criteria. All buildings which do not meet the above parameters are classified as Class C buildings.

Class A	Class B+	Class B-
<b>1. BUILDING SYSTEMS</b>		
<b>1.1. BMS (Building Management System)</b>		
<b>must</b>	<b>optional</b>	<b>not applicable</b>
<b>1.2. HVAC (Heating Ventilation and Air-Conditioning)</b>		
HVAC system that provides cooling, heating and humidity control within individual premises	HVAC	
<b>must</b>	<b>must</b>	<b>optional</b>
<b>1.3. HVAC capacities</b>		
Capacity to provide 24-hour cooling in server rooms. Temperature in office areas 22-23 C <sub>0</sub> , +/- 1C <sub>0</sub> . Fresh air supply 60 m <sup>3</sup> per hour per 10 m <sup>2</sup> of office rentable space according to planned occupancy		
<b>must</b>	<b>recommended</b>	<b>not applicable</b>
<b>1.4. Modern fire security system</b>		
<b>must</b>	<b>must</b>	<b>must</b>
<b>1.5. Elevators</b>		
Modern high quality speed elevators of major international brands	Modern elevators for 3-storey buildings and higher	
<b>must</b>	<b>must</b>	<b>must</b>
<b>1.6. Maximum waiting time of lifts around 30 seconds</b>		
<b>optional</b>	<b>not applicable</b>	<b>not applicable</b>
<b>1.7. Power supply</b>		



Two independent sources of power supply with automatic change-over or a diesel generator power supply system emergency back-up (power supply should be minimum 70 VA of the one-time electric load per 1 m2 effective office space), UPS for emergency systems		
<b>must</b>	<b>optional</b>	<b>optional</b>
<b>1.8. Security system</b>		
Modern security system and access control (CCTV at all entrance points and parking, electronic card access, 24-hour security personnel)	CCTV at all entrance points, 24-hour security personnel Recommendation: Electronic card access	
<b>must</b>	<b>must</b>	<b>must</b>
<b>2. BUILDING STRUCTURE</b>		
<b>2.1. Clear ceiling height 2.7-2.8 m and over</b>		
<b>must</b>	<b>optional</b>	<b>optional</b>
<b>2.2. Layout</b>		
Open floor plates, efficient layout. Regular column grid not less than 6X6	Open floor plates for the whole or more than 50% of office rentable area, efficient layout	
<b>must</b>	<b>must</b>	<b>optional</b>
Recommendation Distance from windows to columns not less than 4 m at least for 90% of usable area. Floor plate not less than 1,000 m2 and regular column grid 8X8 or 9X9 are more efficient		
<b>2.3. Floor depth</b>		
Floor depth not more than 18-20 m from window to window. Not more than 9-10 m from window to floor plate core, 12 m – for buildings with non-regular forms and atriums		
<b>optional</b>	<b>optional</b>	<b>optional</b>
<b>2.4. Loss factor.</b> Building loss factor not exceeding 12%		
<b>must</b>	<b>optional</b>	<b>optional</b>
$\text{Loss factor} = 1 - \frac{\text{usable.area}}{\text{rentablearea}} * 100\%$ <p><i>Areas are calculated according to BOMA standards</i></p>		
<b>2.5. Load bearing capacity not less than 400 kg/ m2 and more</b>		
<b>must</b>	<b>optional</b>	<b>optional</b>
<b>2.6. Fit-out of common areas and facade finishing</b>		
High quality materials used in fit-out of common areas and facade finishing	Quality materials used in fit-out of common areas and facade finishing	
<b>must</b>	<b>must</b>	<b>must</b>
<b>2.8. Raised floors</b>		
Building is designed for full value raised floor installation		
<b>must*</b>	<b>not applicable</b>	<b>not applicable</b>
* Optional for buildings delivered before 2005		
<b>2.9. Lightning &amp; window grid</b>		
Modern high quality windows providing ample (good) natural lighting, rational window grid		





<b>optional</b>	<b>optional</b>	<b>optional</b>
<b>3. LOCATION</b>		
<b>3.1. Location</b>		
Good building location, absence of objects that can have negative impact on a building image nearby (for example functioning industrial buildings, cemeteries, dumps, prisons, etc.)		
<b>3.2. Transport access</b>		
Convenient vehicle and public transport access, i.e. 10-15-minute walk from the nearest metro station or an adequately organized shuttle-bus service		
<b>must</b>	<b>optional</b>	<b>optional</b>
<b>4. PARKING</b>		
<b>4.1. Parking type</b>		
Underground parking or multilevel parking with covered way to the building. Surface guest parking	Organized secured parking	
<b>must</b>	<b>must</b>	<b>must</b>
Recommendation Convenient pass for cars to parking	Recommendation: Underground parking for newly built buildings	
<b>4.2. Parking ratio</b>		
Parking ratio for buildings: 1) within the Garden Ring – not less than 1 space per 100 m <sup>2</sup> of leasable area (1/100); 2) outside the Garden Ring, within the Third Ring Road – not less than 1/80; 3) outside the Third Ring Road and within 10 km from MKAD (along-track direction to the city center) – not less than 1/60; 4) 10 km from MKAD (along-track direction to the city center) and further – 1/30-40 or more		
<b>optional</b>	<b>optional</b>	<b>optional</b>
<b>5. OWNERSHIP</b>		
<b>5.1. Single ownership (the building is not sold by floors or blocks to different owners)</b>		
<b>must</b>	<b>not applicable</b>	<b>not applicable</b>
<b>5.2. Transparent ownership structure</b>		
<b>optional</b>	<b>optional</b>	<b>optional</b>
<b>6. PROPERTY MANAGEMENT &amp; SERVICES</b>		
<b>6.1. Property management</b>		
Professional property management company with not less than 5 buildings under management (not less than 5,000 m <sup>2</sup> each) or with relevant international experience	Well-organized property management	
<b>must</b>	<b>must</b>	<b>must</b>
<b>6.2. Telecom providers</b>		
At least two independent high quality telecom providers in the building		
<b>must</b>	<b>must</b>	<b>optional</b>
<b>6.3. Lobby</b>		
Efficiently organized reception area appropriate to building size, providing convenient access to the building		
<b>optional</b>	<b>optional</b>	<b>not applicable</b>
<b>6.4. Amenities</b>		





Professionally organized staff cafeteria adequate to building size and population and at least two more amenities in the building (ATM, news agency, dry cleaning, shops, etc). Infrastructure nearby should be considered	Staff cafeteria and other amenities in the building (ATM, news agency, dry cleaning, shops, etc). Infrastructure nearby should be considered	
<b>must</b>	<b>must</b>	<b>must</b>