



VALUATION OF SUPERFICIES RIGHT FOR CONSTRUCTION TO BE ACQUIRED BY BLOCKS GROUP BULGARIA AD

7 December 2020

CONFIDENTIAL



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7 December 2020

Mrs Stela Ivancheva

Director

Baker Tilly Klitou South East Europe Limited

Corner C. Hatzopolou & 30 Griva Digheni Avenue

1066, Nicosia

Cyprus

Dear Mrs. Ivancheva,

In accordance with our Engagement Letter dated 16 November 2020, Dill Ventures OOD (Dill Ventures, we) is pleased to present the following report (the Report) for the valuation of superficies right (unlimited in time) for the construction of a building with a total built-up area (above ground floor) of 2,700 sq. m., with a ground-floor built-up area of 1,800 sq. m, together with a treatment plant, over a designated part with an area of 4,218 sq. m. of land plot with current cadastral identifier 68134.1971.3338, located in the city of Sofia, with an address: 72 Ring Road, Sofia, Bulgaria as at 30 November 2020.

Our work was performed in consideration of the International Valuation Standards (IVS), 2020 and the Bulgarian Valuation Standards (2018), which are compliant with the IVS.

The scope of our valuation analysis is presented in Section 2.1, Our Work below.

This Report is provided solely for the purpose of assisting Baker Tilly Klitou South East Europe Limited (Assigner), which has been retained by Blocks Group Bulgaria AD (Client) in relation to the preparation of a debt offering prospectus. The prospectus is intended to facilitate offering of debt securities by the Client to be issued and registered on Bulgarian Stock Exchange.

It is noted that this valuation report is subject to the terms and conditions of our Engagement Letter dated 16 November 2020. Additionally, this valuation analysis should not be construed as investment advice and we assume no responsibility for any potential buyer or the Client to negotiate a purchase or sale at the recommended values.

Our valuation analysis was based on information provided by the Client. We did not independently investigate or otherwise verify the data provided (including the legal rights, issues and transaction documents provided) and do not express an opinion or offer any form of assurance regarding its accuracy or completeness.

Valuation of Superficies Right for Construction

Prior to issuance of final report, the Client will provided us with a general representation letter confirming that it had provided us with all relevant information, knowledge, supporting documents and confirmations completely and correctly.

Our valuation analysis is subject to the limiting conditions contained in the Report.

We highly appreciate the opportunity to render services to Baker Tilly Klitou South East Europe Limited. Should you have any questions or comments on our work and/or the Report, please contact us.

Sincerely,

Nikolay Markov, CFA
Managing Director

ABBREVIATIONS AND TERMS

Abbreviation	
Assigner	Baker Tilly Klitou South East Europe Limited
BGN	Bulgarian lev
BNB	Bulgarian National Bank
Client	Blocks Group Bulgaria AD
Dill Ventures, we	Dill Ventures OOD
ECB	European Central Bank
EU	European Union
EUR	Euro
etc.	et cetera
IVS	International Valuation Standards, 2020
k	Thousands
m	Millions
Report	This valuation report
sq.m	square meters
Valuation date	30 November 2020
y-o-y	year on year



1. EXECUTIVE SUMMARY

1.1 THE VALUATION CONCLUSIONS

In accordance with our engagement with the Client, we have valued a superficies right (unlimited in time) for the construction of a building with a total built-up area (above ground floor) of 2,700 sq. m., with a ground-floor built-up area of 1,800 sq. m, together with a treatment plant, over a designated part with an area of 4,218 sq. m. of land plot with current cadastral identifier 68134.1971.3338, located in the city of Sofia, with an address: 72, Ring Road, Sofia, Bulgaria.

The valuation was performed as at 30 November 2020 (Valuation Date).

The valuation is performed under the following Special Assumptions that:

1. The preliminary agreement for superficies right between Pit Company and Blocks Group, as provided to us, will be signed by the parties (the Agreement).
2. The following terms of the Agreement will be executed in full:
 - the designated part with an area of 4,218 sq. m. will be separated from land plot with current cadastral identifier 68134.1971.3338 and
 - will be acquired by the Blocks Group Bulgaria AD following the realization of the building (superficies) right over land plot with current cadastral identifier 68134.1971.3338.

We estimated the market value of the subject of valuation by applying the Market Approach, with a relevance test based on the Residual Value Method.

Based on our research and valuation analysis performed, the market value of the subject right for construction is estimated between EUR 686,200 and EUR 785,400 with an average value of EUR 755,700.



2. OUR WORK

2.1 THE SCOPE OF OUR WORK

In accordance with our engagement letter dated 16 November 2020, the purpose of our engagement is to provide an estimate of the market value the following asset:

- 1) A superficies right (unlimited in time) for the construction of a building with a total built-up area (above ground floor) of 2,700 sq. m., with a ground-floor built-up area of 1,800 sq. m, together with a treatment plant, over a designated part with an area of 4,218 sq. m. of land plot with current cadastral identifier 68134.1971.3338, located in the city of Sofia, with an address: 72 Ring Road, Sofia, Bulgaria

This valuation is subject to the certifications and limiting conditions contained in Appendix B to this report and in our engagement letter dated 16 November 2020.

2.2 STANDARDS AND DEFINITIONS

2.2.1. PURPOSE OF VALUATION

The valuation is prepared solely for the purpose of assisting the Assigner, which has been retained by the Client to provide valuation services for the purposes of preparation of a prospectus for the offering of debt securities that the Client intends to issue and register on Sofia Stock Exchange whereby the subject of valuation will be used to securitize the issued debt securities.

2.2.2. VALUATION STANDARDS

The valuation is performed under the International Valuation Standards 2020, published by the International Valuation Standards Council and the Bulgarian Valuation Standards 2018, which comply with the International Valuation Standards.

2.2.3. VALUATION DATE

The valuation date is 30 November 2020.

2.2.4. BASIS OF VALUE

The appropriate basis of value, under which the valuation is performed, is “market value” as defined in IVS:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

2.2.5. SPECIAL ASSUMPTIONS

The valuation is performed under the following Special Assumptions:

1. The preliminary agreement for superficies right between Pit Company and Blocks Group, as provided to us, will be signed by the parties (the Agreement).
2. The following terms of the Agreement will be executed in full:
 - the designated part with an area of 4,218 sq. m. will be separated from land plot with current cadastral identifier 68134.1971.3338 and
 - will be acquired by the Blocks Group Bulgaria AD following the realization of the building (superficies) right over land plot with current cadastral identifier 68134.1971.3338.

This valuation analysis has considered the effect of the Special Assumptions on the subject right, as if these assumptions have materialized. We note that we have relied on Client information regarding the Agreement and the transaction process, which we have accepted as correct, and we do not assume any responsibility regarding legal matters, interpretations or issues.

2.2.6. VALUATION APPROACHES

The valuation was prepared under the Market Approach: a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

The Residual Value Method, which is commonly used for development land, was used as a relevance check of the value determined under the market approach.

2.2.7. TENURE

As of the valuation date the subject of valuation is not owned by the Client. The Client is in process of acquiring it and we have been provided with the respective documentation including a draft preliminary agreement between the Client

and the current owner of land plot 68134.1971.3338 – Pit Company OOD, evidencing the envisaged acquisition process.

Our work did not include any legal verification procedures and any legal issues fall outside the scope of our work.

2.2.8. ENVIRONMENTAL ISSUES

As a formal environmental assessment is not in the scope of this valuation, we have not undertaken any analysis of the subject property with regard to potential environmental risks and no detailed inspection of the site has been undertaken to establish the presence of any type of land contamination.

2.2.9. CURRENCY

As the real estate market in Bulgaria is Euro-denominated, we have estimated the fair value of the assets in euro (EUR).

2.2.10. CONFLICT OF INTEREST

Dill Ventures asserts that with regards to the appraisal of the subject property it as well as the members of the valuation team have no conflict of interest. We are not related parties to the Client, the Assignor or the owner of the plot, and we have no obligations to these parties. Dill Ventures has no interest in the object of the valuation.

2.3 SOURCES OF INFORMATION

In the valuation we have considered:

- Information provided by the Client
 - Scheme of plot cadastral number 68134.1971.3338 issued by the Geodesy, Cartography and Cadastre Agency as of 20 October 2020
 - Draft Preliminary Agreement for Superficies Right between the Client and Pik Company OOD dated 30 November 2020
 - Draft scheme of the designated part with an area of 4,218 sq. m. to be separated from land plot with current cadastral identifier 68134.1971.3338, located in the city of Sofia, with an address: 72 Ring Road, Sofia, Bulgaria, on which the building (superficies) right will be exercised (Attachment 1 to the above agreement)
 - Draft motivated proposal for construction visa
 - Community Center Scheme

- Business plan for the construction and operation of Community Center
 - Descriptive information on the property and its characteristics.
- General and specific market information
 - Publicly available real estate market data and analysis.

2.4 VALUATION TEAM

The valuation analysis was performed by Svetla Dragneva, CFA, registered appraiser of real estate. Her certificate issued by the Bulgarian Chamber of Independent appraisers is presented in Appendix D.

The valuation is reviewed by Nikolay Markov, CFA, registered appraiser.

2.5 LIMITATIONS

This Report is subject the limiting conditions presented in Appendix B as well as to all terms and conditions agreed in our engagement letter dated 16 November 2020.

3. KEY INDUSTRY CONSIDERATIONS

Some major real estate industry considerations are presented below:

3.1.1. GENERAL

- The 2008-2010 financial crisis:

During the pre-crisis period, real estate prices in Bulgaria raised to unprecedented and in some cases speculative levels, which peaked around 2007. During the crisis the real estate market collapsed and huge number of development projects in all market segments were either frozen or abandoned. The market bottomed in 2010 and its moderate recovery started in 2011-2012 along with the gradual recovery of the Bulgarian economy. During the following few years the market stabilized, investor interest resumed and property prices started increasing. The market shift to quality products and improved liquidity are seen as major drivers of investors' interest.

- The Covid-19 pandemic crisis

2020 started with a lockdown and the effects of the Covid-19 pandemic on the real estate market are still to be seen in the months to come. The segments which are most affected by the pandemic seem to be office, retail and leisure. The industrial and logistics property segment is showing growth and positive expectations for future development. In Q22020 the residential market dropped y-o-y as a result of the uncertainty of buyers and showed gradual recovery during the summer months when buyers returned to the market but expected lower prices, which were not offered by the sellers. **A major change in the residential segment resulting from the Covid-19 pandemic is the growing demand for family houses in proximity to Sofia and the other big cities. Due to the anti-crisis measures undertaken on EU, government and central bank level, the effects of this crisis might have not materialized as of the Valuation Date and could be delayed in time. Nevertheless, the uncertainties in the development of the Covid-19 pandemic remain high, the market risk is therefore higher, and fluctuations of the valuation analysis and estimates could be expected and should be considered in this context.**

- Office market:

The office space segment in 2019 was characterized by a stable demand. The supply continued to grow, as several class A buildings were put into operation during the year. The key demand drivers were the IT and BPO industries and the preferred properties were quality open space offices located in the capital and the large cities like Plovdiv, Bourgas and Varna.

However, the Covid-19 crisis resulted in a drop in the segment. According to Forton as of Q3 2020 transactions with office space had a 34% share in total real estate acquisitions in Central and Eastern Europe compared to 61% in the previous year. Lessors in Bulgaria started reconsidering their office space needs (driven by the switch to hot desks, work from home, open space risks) as some of them already re-negotiated their lease agreements freeing part of the rented premises. The effect of the crisis on the office segment is still to be quantified as statistics lags behind market developments. Expectations are related to a drop in both transactions and prices and increased vacancy rates.

- Retail market:

Lately, the retail market underwent significant developments shifting from traditional shopping centre to multifunctional property development. The segment is in a mature stage, characterised by a big number of shopping centres (around 780k sq. m of stock in the country, half of which in Sofia) and very intense competition. Whereas in 2019 the segment accounted for 23% of real estate acquisitions in Central and Eastern Europe, in 20% its share dropped to 4%. According to Forton as of Q32020 the retail segment in Bulgaria slowed down, witnessing increasing vacancy and significant price pressure as shopping centre tenants suffer dramatic drop in sales.

- Industrial market:

According to an analysis by Cushman & Wakefield Forton, 2019 was characterised by increased activity in the acquisition of plots and the development of new projects in the segment of industrial space, as the main growth drivers were the sectors of logistics, trade and courier services. In 2020 the trend persisted and even became more expressed in response to the effects of the Covid-19 crisis (boost in e-commerce and courier services). According to Forton, in 2020 take-up in Bulgaria exceeded 32,000 sq.m, which is considerably above the 10-year sector average. The volume of the sector in the acquisitions in Central and Eastern Europe tripled y-o-y as expectations are for further development and growth.

- Residential market:

The few years before the Covid crisis were characterised by growing residential market in Sofia and the big cities (in terms of transaction number, prices and construction activity). Major segment drivers were the increased availability of mortgage loans and refinancing offered by banks, low interest rates and increasing purchasing power of population. Property prices have been following an above-average upward trend, buyers became more educated and demanding better quality and mostly newly constructed properties. The first lockdown hampered the growth in the segment as in Q2 2020 both the number of transactions in the country dropped considerably (by 30% y-o-y). However, in Sofia, which is the major residential market (see. P.3.1.2 below), the decline was lower.

3.1.2. THE RESIDENTIAL MARKET IN SOFIA

■ **Market drivers**

The housing market in the capital has always been the fastest growing in the country. However, the pandemic hampered the activity in the segment especially during the second quarter of 2020 when the number of transactions dropped by c. 17% y-o-y. During the third quarter of the year the segment witnessed returning buyer interest but an overall expectation for lower prices, which was not met by the sellers who still have higher bargaining power due to the undersupply of quality properties.

The demand for residential properties is driven by the following major factors:

- Low bank interest rates: Bank interest rates on mortgage loans continued to decrease and reached historic lows of around 2.6%-2.7%.
- Stable purchasing power of population: despite the effects of the crisis (unemployment) the demand for homes shows stability as people willing to buy a property before the crisis are still on the market
- Lack of alternative investments: Residential properties are seen as a good investment in consideration of the almost nil interest rates on deposits and the yield on residential properties (in the range of 4-5%). According to Address real estate agency around 20% of the current buyers have investment purposes as their number is increasing.

■ **Demand**

According to Arco Real Estate, the two-room apartments (with prices up to EUR 90k) and three-room apartments (with a garage and parking space with a price up to EUR 130k) are the most demanded properties on the market in Sofia. 20-25% of the transactions are for properties under construction. However, buyer interest is towards properties with complete rough construction (Act 14), which will become operational (Act 16) by the end of 2020.

A rapidly growing segment is the one for family houses in the vicinities of the capital as real estate agencies report that the demand for land plots, houses and first floor apartments with yards in the areas of Manastirski livadi, Boyana, Dragalevtsi has been growing steadily.

■ **Supply**

In 2020 construction activity in the residential segment dropped by c.18% (in terms of construction volume).

The supply of three-room apartments exceeds the one of two-room apartments. According to Arco Real Estate the supply of houses has been growing. There is persistent undersupply of quality properties which is further enhanced by the Covid-19 crisis as a large number of property owners withdrew their offers in an expectation of falling prices.

- **Prices**

According to Raiffeisenbank in 2020 the prices of residential properties in Sofia increased by 5% y-o-y as the average selling price as of Q3 2020 was 1,176 euros/sq.m. The most expensive location in the capital is the area around the Doctor's Monument (c. 2500 euros/sq.m.) and the cheapest apartments are in the range of EUR 800-850/sq.m or more in the suburban neighbourhoods.

- **Expected developments:**

- Although industry experts believe that the residential market in Sofia has good prospects, the socio-economic risks related to the impact of the Covid-19 crisis appear significant and are still to materialize.
- The demand for houses in the vicinities of the capital could be expected to continue to grow at above-average pace in the mid-term
- Entrepreneurs could be expected to factor in the increasing demand for space and fresh air – houses and first-floor apartments with yards
- Prices of residential properties and development land suitable for residential construction in the vicinities of the capital could be expected to remain stable or increase in the short-term.

4. VALUATION ANALYSIS

4.1 VALUATION APPROACH

4.1.1. MARKET COMPARABLES METHOD

Taking into consideration the nature of the designated plot with area of 4,218 sq.m (currently part of land plot with current cadastral identifier 68134.1971.3338) on which the superficies right for construction will be executed, the availability of information and the basis of value, the market approach was considered most appropriate for the valuation analysis.

Comparable data

In the process of identification of comparable plots, we gathered information through publically available sources including www.imot.bg, www.imoti.net, Yavlena Real Estate Agency, Address Real Estate Agency, and other market research. Our search criteria included development plots that are in proximity to the designated area. For valuation purposes, we identified five ask prices for comparables in the area where plot cadastral identifier 68134.1971.3338 is located.

Adjustments to comparables

The following adjustments to the ask prices of comparable plots were made:

- Size adjustment: Prices of smaller comparable plots were adjusted downwards and of bigger – upwards to reflect the relatively higher price per sq. m of smaller-size plots.
- Location adjustment: Prices of comparable plots are adjusted to reflect the location differences between them and the subject of valuation.
- Land statute adjustment: Adjustments are made to reflect the difference between the statute of each valued plot and the comparables.
- Specific adjustment: Specific adjustment was applied to account for the construction parameters, shape, infrastructure and development potential of the valued land as compared to the comparable plots.
- Ask price adjustment: A 5% discount from the ask prices was applied to reflect market illiquidity and the gap between actual and offer prices.

4.1.1. RESIDUAL VALUE METHOD

As a relevance check of the value determined under market approach we applied the Residual Value Approach, which is based on the concept that the value of property could be derived as the difference between the value of the property after completion and the costs for the development, including developer's profit.

The method was used as a relevance check only since it is:

- more subjective in the current case, given the uncertainty regarding the highest and best use of the property
- very sensitive to the inputs and assumptions used
- attributing any potential market opportunities or other factors (incl. entrepreneurship, current market conditions, etc.) over the land plot only.

However, a simplified residual valuation method is often used to check the result of a market approach valuation.

The following elements were considered in the application of the method:

- Highest and best use of the valued plot which “maximises its potential and that is possible, legally permissible and financially feasible”
- Completed property value, which is an estimate of the value of the real property following its notional completion
- Construction costs include cost of all work necessary to complete the project
- Consultant fees include architects and other fees that would be reasonably incurred by a market participant
- Infrastructure costs relate to the internal infrastructure of the developed property
- Marketing and sales costs is the allowance associated with appropriate marketing and sales effort and brokerage commissions
- Finance costs
- Development profit which is a percentage return on the costs incurred reflecting the risk associated with the project.

4.2 MARKET COMPARABLES METHOD

4.2.1. DESCRIPTION

The subject of valuation is a superficies right (unlimited in time) for the construction of a building with a total built-up area (above ground floor) of 2,700 sq. m., with a ground-floor built-up area of 1,800 sq. m, together with a treatment plant, over a designated part with an area of 4,218 sq. m. of land plot with current cadastral identifier 68134.1971.3338, located in the city of Sofia, with an address: 72 Ring Road, Sofia, Bulgaria.

Under the Special Assumptions described under 1.1 above, the valuation of the subject superficies right is considered identical with the valuation of the designated part with an area of 4,218 sq. m. to be separated from land plot with current cadastral identifier 68134.1971.3338 (designated land), located in the city of Sofia, with an address: 72 Ring Road, Sofia, Bulgaria, which shall be acquired following the realization of the building (superficies) right over land plot with current cadastral identifier 68134.1971.3338.

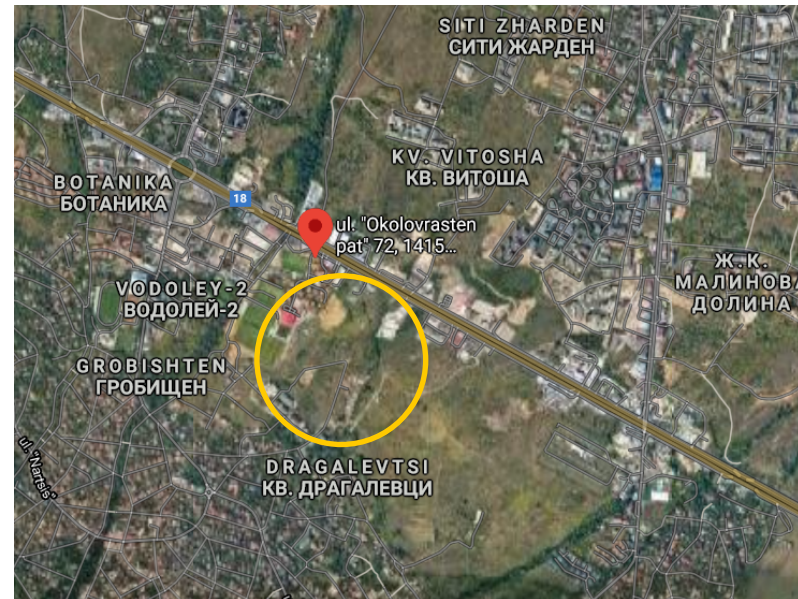
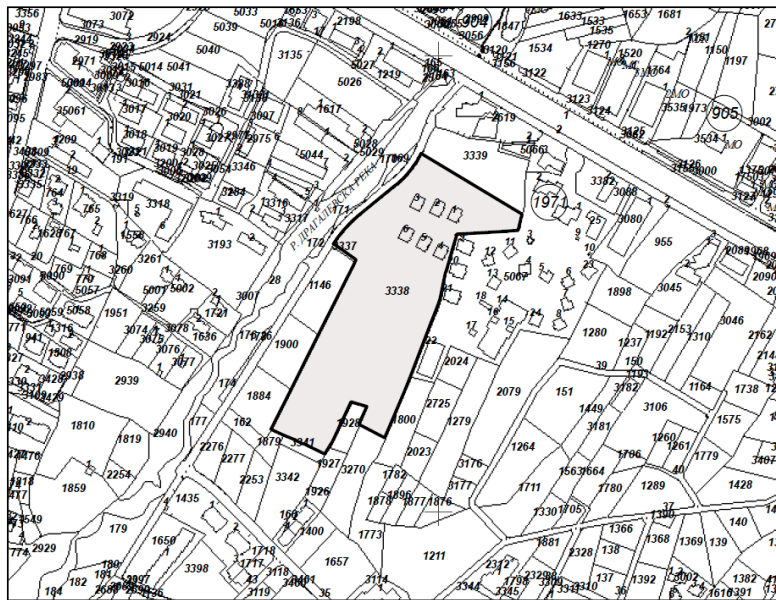
4.2.2. LOCATION ANALYSIS

The designated land is located at 72, Okolovrastren pat Street, in the area of Tsarsko selo complex in proximity to the Ring Road of Sofia.

The location of land plot with current cadastral identifier 68134.1971.3338 is presented on the maps below:

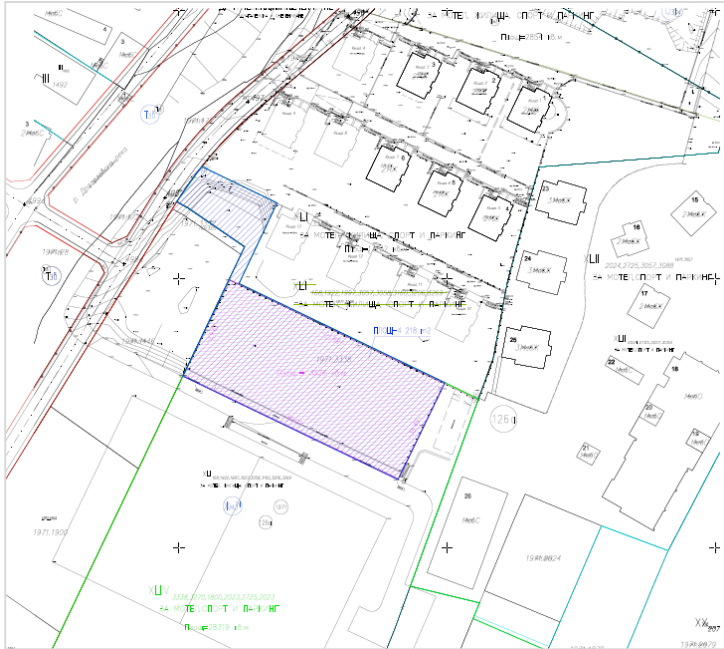
Map and cadastre scheme of the plot subject to valuation

Source: Google maps



Draft Cadastral map of the designated area, part of land plot with current cadastral identifier 68134.1971.3338

Source: the Client



4.2.3. CHARACTERISTICS

- Attractiveness of the area: Very good.
- Development potential: Very good. The plot is in an area suitable for residential and other type of low construction. Its proximity to the Ring Road makes it easily accessible.
- Supply/Demand ratio: As of the valuation date the demand for comparable plots in the area is growing and exceeds supply.
- Similar property price trends: Due to the Covid crisis, the demand for houses and respectively development plots in the vicinities of the capital has been increasing steadily.

4.2.4. VALUATION

The valuation analysis under the market comparables method is presented in the tables below:

Comparable properties																			
N: Property	Location		Date	Area sq.m.	Price Euro	Price per sq.m. Euro	Regulation	Δ	Location	Δ	Adjustments to comparable				Adjusted price per sq.m Source				
	City/village	Description									Size	Δ	Specifics	Δ	Offer	Δ	Euro		
VALUED PROPERTY																			
				4,218			Yes		Secondary		Medium		Good						
1	Plot	Dragalevtsi, Sofia	Land plot located above Tsarsko selo. The land plot is suitable for residential construction (density 15%, intensity 0.5, cornice height 7.5 m).	25 Nov 20	1,459	255,000	175	Yes	0%	Secondary	0%	Smaller	-5%	Good	0%	Yes	-5%	158	imot.bg
2	Plot	Dragalevtsi, Sofia	Land plot adjacent to Tsarsko selo. The land plot is suitable for residential construction.	10 Nov 20	1,645	329,000	200	Yes	0%	Secondary	0%	Smaller	-5%	Good	0%	Yes	-5%	181	imot.bg
3	Plot	Dragalevtsi, Sofia	Land plot adjacent to Tsarsko selo. The land plot is suitable for residential construction.	4 Sep 20	2,160	432,000	200	Yes	0%	Secondary	0%	Smaller	-2%	Good	0%	Yes	-5%	186	imot.bg
4	Plot	Dragalevtsi, Sofia	Land plot in proximity to Tsarsko selo. The plot is suitable for residential construction.	1 Dec 20	2,748	684,252	249	Yes	0%	Secondary	0%	Smaller	-2%	Very good	-10%	Yes	-5%	209	imot.bg
5	Plot	Dragalevtsi, Sofia	Land plot located next to Tsarsko selo. The land plot is suitable for residential construction (density 20%, intensity 0.5, cornice height 10 m)	15 Jun 20	2,850	498,000	175	Yes	0%	Secondary	0%	Smaller	-2%	Good	0%	Yes	-5%	163	imot.bg
	Minimum				1,459	255,000	175											158	
	Average				2,172	439,650	200											179	
	Median				2,160	432,000	200											181	
	Maximum				2,850	684,252	249											209	

Valuation conclusion									
	City/Village	Description	Date	Area sq.m.	Value per sq.m. Euro	Other adjustments %	Adjusted value per sq.m. Euro	Market value EUR	Market value BGN
1	Part of plot 68134.197 Vitosha area, Sofia	Part of regulated land plot 68134.1971.3338	7 Dec 20	4,218	179	0%	179	755,658	
	Total			4,218				755,658	1,477,938

The valuation analysis results in a range of values between EUR 163 per sq.m and EUR 186 per sq.m (1st and 3rd quartiles). The average value of **EUR 179 per sq. m** was used as a single point estimate in the valuation conclusion.

4.2.5. VALUATION CONCLUSION

Based on our research and analysis performed, the market value of the subject superficies right for construction on the designated area as at 30 November 2020 was estimated **between c. EUR 686,200 and EUR 785,400 with an average value of EUR 755,700 (seven hundred fifty five thousand seven hundred Euro).**

Further details on the comparables used in the valuation analysis are provided in Appendix B to the report.

4.3 RESIDUAL VALUE METHOD

4.3.1. MAJOR ASSUMPTIONS

- Highest and best use – in consideration of the existing statute of land plot with current cadastral identifier 68134.1971.3338 – designation for low construction and residential area, the assumed highest and best use is for construction of five two- storey family houses with yards.

We note that the Client is planning the realisation of a project for construction of a social home (Community Centre) on the designated area, which is currently part of plot 68134.1971.3338. However, the project realisation is related to a number of factors outside the direct real estate environment, which are not accessible to any independent market participant (considered under the highest and best use concept). For the Client, the designated area has synergistic value (with know-how, access to service and healthcare providers, etc., ownership of adjacent properties and partial realisation of a larger project), which is likely higher than the market value of the plot and the associated construction right, based on the perspective of an independent buyer.

- Selling price – the assumed selling price equals EUR 1,500 per sq.m which falls in the range of the observed offer prices of similar properties currently offered for sale in the districts of Vitosha and Dragalevtsi in Sofia.
- Construction cost – the assumed construction cost considers the latest construction price information published by Construction Review magazine for two-storey family house as of August 2020 and is set at EUR 400 per sq.m.
- Infrastructure and landscaping costs are estimated at EUR 50 per sq.m.
- Architect fees are estimated at EUR 20 per sq.m built-up area.
- Construction control costs at EUR 5 thousand.
- Sales and marketing expenses are estimated at 3% of selling price.
- Additional costs and contingencies are forecasted at 10% of all development costs.
- Finance costs assuming the project is financed with 70% loan is set at 5%, based on market data.
- Developer's profit is set 20% of total development cost, based on market data.
- Time value of money: It is noted that for valuation purposes it is assumed that the project will be completed within less than a year and will also involve short-selling. Accordingly, (considering also the potential price inflation) the effect of the time value of money on the project cash flows is not expected material.

4.3.2. VALUATION

The application of the residual value method is presented in the following table:

Assumption	Measure		Total for the Project	Notes
Number of houses	number	5		Two-storey family houses with c. 600 sq.m yards
Built up area	sq.m per house	200	1,000	
Selling price	Euro/sq.m	1,500	1,500,000	Based on current market data - comparable properties in the area, also assuming a short selling process
Construction cost	Euro/sq.m	400	400,000	Crosschecked also with Stroitelten Obzor - c.EUR 390 per sq.m
Infrastructure and landscaping	Euro/sq.m	50	50,000	
Architect fees	Euro/sq.m	20	20,000	Based on market estimates
Construction control	Euro/sq.m	5	5,000	Based on market estimates
Sales and marketing	% of selling price	3%	45,000	Based on market estimates
Additional costs and contingencies	% of constr. cost	10.0%	52,000	
Total development costs	Euro		572,000	
Debt as % total financing	%	70.0%	400,400	Based on market estimates
Finance cost (interest)	%	5.0%	20,020	Based on market estimates
Development profit	% on cost	20.0%	114,400	Based on market estimates
Residual value	Euro		793,580	

4.3.3. VALUATION CONCLUSION

Based on the above test, the market value of the subject construction right on the designated area as at 30 November 2020 was estimated c. **EUR 793,600 (seven hundred ninety three thousand six hundred Euro)**.



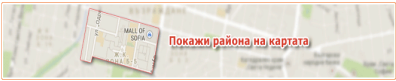



The value determined under the Residual Value Method is close to the high end of the range of values estimated under the Market Approach, which supports the valuation conclusion and indicates limited overvaluation risk.

5. APPENDIX A: COMPARABLES USED IN THE VALUATION

The comparable offers used in the valuation analysis are presented below:

Comparable properties and/or offers used in the valuation analysis under the market approach

Source: Bulgarian Registry Agency, www.imot.bg

<p>imot.bg</p> <p>Продава ПАРЦЕЛ</p> <p>255000 EUR</p> <p>Местоположение: град София Район: Драгалевци Под район: ул. Папарт</p> <p>Датуми: Квадратура: 1459 кв.м Регулация: ДА Ток: ДА Вода: ДА</p> <p>Допълнителна информация: ПРОДАВАМ ПАРЦЕЛ - УТИ с площ 1459 кв.м., С ЦЕЛПОЛЪЩЕН ДОСТЪП, над комплекс Царско село до ул. Момиче венци и Вълшебни блягове. Прозорлив с две чакани, от едната страна гранича със свободен парцел от втора страна с двор с нови редови къщи с наредена ограда, а от друга страна с уличка. Планирана главна кълм София и планираната. По новия УТ на София парцела попада в ЖЗЗ, ПЪТНОСТ: 25%, МИНТ: 0,5 КОТА КОРИДО: 7,5 м, с възможност за построяване на 1 или 2 фамилии или редови къщи. РЕГУЛАЦИЯ, трифазен ток, вода, газ, асфалтиран път с цялостна достъп в район с много нови къщи и комплекси от затворен тип и в близост до градски транспорт. ЗА ПОВЕЧЕ ПОДРОБНОСТИ И ОГЛЕДИ: GSM 0893 410 306; СВЕРТА: АЗ793.</p> <p>Особени: Вода, За жил.строителство</p> <p>Продавач: Тел.: 02/9880605 АЛДЕС http://aldes.imot.bg</p> <p>Лице за контакт: Цветанка СИМЕОНОВА Личен телефон: 02/9880605; 9880604; GSM: 0893 410 306; е-мэйл: csimeonova@aldes.bg</p> <p>публикувана в 10:38 часа на 25 ноември, 2020 год.</p> 	<p>imot.bg</p> <p>Продава ПАРЦЕЛ</p> <p>200 EUR на кв.м</p> <p>Местоположение: град София Район: Драгалевци</p> <p>Датуми: Квадратура: 1645 кв.м Регулация: ДА</p> <p>Допълнителна информация: Подлагане на Вашето внимание урегулиран поземлен имот, намиращ се в непосредствена близост до комплекс Царско село и училище BALTANCA Park School. На метри от строената се обособява нова Жилищна Стил Квартал. Районът е бързо развиващ се, много престижен, с нови наредени къщи. Попада в жилищна зона (ЖЗЗ). Частно лице. За контакт +359877538456</p> <p>Продавач: Тел.: 0877538456</p> <p>публикувана в 20:12 часа на 10 ноември, 2020 год.</p> <p>Затворен прозорец</p>    	<p>imot.bg</p> <p>Продава ПАРЦЕЛ</p> <p>432000 EUR</p> <p>Местоположение: град София Район: Драгалевци</p> <p>Датуми: Квадратура: 2160 кв.м Регулация: ДА Ток: ДА Вода: ДА</p> <p>Допълнителна информация: УТИ над Общинският път в квартал Драгалевци - до комплекс "Царско село". Изключително парково място с лесен достъп до центъра. Има площ 20 метра, заета е с правилна форма, наклонен са: ток, вода, канализация, асфалтен достъп. Попада в развитата зона ЖЗЗ/жищна зона/наредено застрояване с параметри: пътност 15%, котл 0,3, котл коридор 7 м. Имотът е подходящ за построяването на къща или затворен жилищен комплекс от къщи. Прозорлив на парцела и с красив панорама. За повече информация и огледи: Михаил Септемиев - 0887755-21-72; 088881616-65; septemiev@olimp-uv.com</p> <p>Особени: За жил.строителство</p> <p>Продавач: Тел.: 0887755-21-72 http://olimp-uv.com</p> <p>Лице за контакт: Михаил Септемиев Личен телефон: 02/426 54 35 и 0887 552 172 е-мэйл: septemiev@olimp-uv.com</p> <p>публикувана в 13:10 часа на 4 септември, 2020 год.</p> 
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<p>imot.bg</p> <p>Предлага ПАРЦЕЛ</p> <p>249 EUR на кв.м</p> <p>Местоположение: Местоположение: град София Район: Драгалевци Пощ. район: ул. Папарт</p> <p>Дани: Квадратура: 2748 кв.м Етажност: ДА Борд: ДА</p> <p>Допълнителна информация: Предлагаме на вниманието ви Училищен център до ул. Манастирски кладенец (близко до жп станция). Теренът е готов за жилищно строителство и попада в зона ЖЗЗ. Достъпът до място е по изградена асфалтова път. Има изградени канализация по улицата. Районът е газифициран. Проверена планировка от новоназначения и град София. Проектен план, необходим трябва да се види. Свържете се за връщане от Бана при професионални лица. Новите да подадете в допълнителна информацията на нашата компания в digrup.bg.com на чашта обява без За повече обяви и информации посетете нашия сайт www.digrup.bg.com / www.estatros.com За контакти: Дарина Дечева, тел. 088929666, email: dcchova@digrup-bg.com</p> <p>Особени: За жилищенство</p> <p>Подаване: Тел.: 088929666 http://digrupestate.imot.bg</p> <p>Лице за контакти: Дарина Дечева Личен телефон: 088929666 e-mail: digrup.estate@gmail.com</p>  <p>публикувано в 22:16 часа на 3 декември, 2020 г.</p>	<p>imot.bg</p> <p>Предлага ПАРЦЕЛ</p> <p>498000 EUR</p> <p>Местоположение: Местоположение: град София Район: Драгалевци</p> <p>Дани: Квадратура: 2850 кв.м Етажност: ДА Топ: ДА Борд: ДА</p> <p>Допълнителна информация: Училищен център (близко до ул. Манастирски кладенец, изградена, изградена, офис, интермаркет). От мястото се открива отлична панорама към София и Витоша. Изградени са всички комуникации – топло, вода, канализация, газ. Проектът попада в жилищна зона с планирано строителство. Без съмнения парцелът е с площ 2000 кв.м, а неговата форма 10 м. Подходяща е за построяване на жилища с обща площ 1000 кв.м. Планировка и всички парцели. За повече информации и оглед: Милена Сотнирова 088755-2172, 088688-16-05, 02426-54-25; vertochnik@bolimp-uv.com</p> <p>Особени: За жилищенство</p> <p>Подаване: Тел.: 088755-2172 http://bolimp.imot.bg</p> <p>Лице за контакти: Милена Сотнирова Личен телефон: 02426 54 25 и 0887 552 172 e-mail: vertochnik@bolimp-uv.com</p>  <p>публикувано в 13:36 часа на 15 юни, 2020 г.</p>
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6. APPENDIX B: LIMITATIONS

- The valuation date is 30 November 2020 and the market value determined in this report is valid as of that date.
- The valuation uncertainty associated with the impact of the Covid-19 pandemic on the real estate market might be significant and cannot be reliably measured and reflected in the valuation analysis as of the date of this report due to lack of information and possible of multiple factors (healthcare, regulatory, market and other).
- All services rendered as well as this report shall be only used for the stated purposes and shall not be used or disclosed to any entity other than the said parties without our prior written consent.
- No investigation will be made of, and no responsibility will be assumed for, legal description or for legal matters, including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is further assumed to be free and clear of any and all liens, easements or encumbrances unless otherwise stated.
- Information furnished by the Client and others, upon which all or portions of the report will be based, is believed to be reliable, but will not be verified in all cases. No warranty will be given as to the accuracy of such information.
- The valuation is performed under the special assumptions stated in 1.1. above.
- It is assumed that all required licenses, consents or other legislative or administrative authority from any local or state government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in the report will be based.
- Full compliance with the applicable state and local zoning, use, environmental and similar laws and regulations is assumed, unless otherwise stated.
- No responsibility will be taken for changes in market conditions, and no obligation is assumed to revise the report to reflect events or conditions, which occur subsequent to the valuation date.
- Areas and dimensions of the valued property was obtained from the Client. No verification of area or boundary of the property was performed.
- The appraiser has no knowledge of existence of any hazardous material on the valued properties and it is assumed that there is no such material on or in the valued properties.
- We have assumed that the information provided to us in the course of our work presents a truthful image of valued properties at the valuation date. We will not be responsible for errors or omissions in our work due to incorrect information provided to us.
- In the course of our work we have not received information that would make us believe that the data used in our work and this report are not correct.

- Our services are limited to valuation and do not represent audit or tax services.
- This report will not be updated for events after the valuation date unless such assignment is separately agreed with the Client.
- The valuation team has no conflict of interest with respect to the Client, the Assigner and the valued property.

7. APPENDIX C: CERTIFICATES OF THE VALUATION TEAM

