

**Ministry of Justice - National Trade Register Office**  
**File no. 282169 / 7 August 2014**

REPORT OF EXTRAJUDICIAL TECHNICAL EVALUATION  
in the specialty of Real Estate Evaluation

The undersigned:

- **PAPASTERI MIHAI**, judicial technical expert in the specialty of Real Property Evaluation, with the identification badge no. 5180-14419 registered with the Bucharest Law Court - Local Office for Technical and Accounting Assessment, and accredited member of ANEVAR, badge no. 45006,

appointed by resolution 94992 / 11.04.2014 in case 282169 / 07.08.2014 by the National Trade Register Office to conduct a technical evaluation, I bring to your notice the following:

**1. CLIENT: SN Nuclearelectrica SA**, J40 / 7403/1998, sole registration code 10874881, having its Headquarter in Bucharest, 65 Polona Street, sector 1

**2. Evaluation objective:** establishing the land contribution in kind of the

**3. Assessment objective:** The real estate technical assessment has the following objective: Determining the market value in order to establish the contribution in kind of the undivided share of land of 239.05 square meters located within Bucharest urban area, namely in 33 Gh. Magheru Blvd., sector 1.

**4. If, with respect to this case, there have been also conducted other surveys in the same specialty area: NO**

**5. Evaluation Development:**

- I went to the client's headquarters where its representative, Mr. Mihai Gheorghievici, provided me with the file with the documentation necessary for preparing the evaluation report. On the 08/28/2014, hours 10.00, I performed the external inspection of the building in Bucharest, 33 Gh. Magheru Blvd., sector 1. On this occasion, outdoor photos of the property and surroundings were taken.

**Description of the state of affairs**

**5.1** In accordance with the submitted documents, the land in question is owned by SN Nuclearelectrica SA and is not burdened with any charges or mortgages. The land full ownership right is evaluated without taking into account the charges.

**5.2** The land area of 239.05 square meters, represents an undivided share of 13.65% of the total area of 1,750.05 square meters occupied by a building represented by Basement + Ground floor + 7 floors, platform and access passage from Mendeleev Street. The land is located in downtown Bucharest, on the segment between the Romana Circus and the University

Circus, about 200 m from the first one. The land is fully occupied by a historical monument building, the former "Gas and Electric Company Palace " built in the period between 1926-1934, with a height requirement including Basement + Ground floor + 7 floors, out of which SNN SA occupies floors #5 and #6, building registered on the list of historical monuments under position B-II-m-B-19117. The total land represents 1,750.05 square meters having an opening of 31.72 m to Gh. Magheru Blvd. and another opening of 3.01 m to the Mendeleev Street. The area is a mix of structures, old office buildings, commercial spaces on the ground floor and also apartments. Due to the easy access to public surface transport and subway, as well as its location in the ASE area, this is one of the most expensive areas of the city for all types of real estate (very few empty plots of land, placed only in the second front, residential, commercial or offices).

**Documents used and attached to this evaluation report:**

- Resolution 94992 / 11.04.2014 MJ-NTC
- Certificate of land ownership M03 Series No. 12900 issued on 27.02.2014 by the Ministry of Economy
- Topography-Cadastrre documentation for obtaining the ownership certificate for the land of SC Topomax Company SRL
- Government Decision 365 / 1998 regarding the setting up of SNN SA
- Control report 1470 / 06.02.2014 for tracking structures behaviour

**6. Assessment content - land evaluation**

Evaluation corresponds to the date of 28/08/2014 (1 EUR = 4.3941 lei)

The market analysis showed that:

- The market continues to be blocked (lack of transactions) in the context of the international financial crisis and of the worsening credit conditions on the Romanian banking market,
- Offer is greater than demand, buyer's market is imposing, marked by trends of permanent price dropping. Unlike the previous years, offers decreased even by 10% annually, reaching the final transaction values (average margins of negotiation of about 5-10%),
- Period of vendibility estimated over 12 months.

The market value of the land considered unoccupied was estimated according to the market data and findings by comparing the land in question with other similar ones, in the same area, offered for trading, taking into account the urban parameters of the area where the land is located.

**Client and report addressee**

The customer and the recipient of this report is SNN SA.

**Evaluator 's mission**

**Evaluation objective**

The purpose of this evaluation report is to estimate the market value of the real property (considered unoccupied land) located in Bucharest, 33 Gh. Magheru Blvd., sector 1.

### **Nature and source of information**

Owners / creditors, who, for the information regarding the evaluated real property (legal and technical-economic status, documentation regarding land registration in the Land Register, Cadastral Register excerpt, areas, history, usage, data from the accounting records of the company) are responsible only for the veracity of the provided information.

Sources of information which lay at the basis for the preparation of the evaluation report were:

- Information on the history of the site, provided by the owner,
- Architectural plans, cadastral documentation
- Information from the evaluator's own database
- Information on the real property market and real estate agencies, etc.

The type of value estimated in this report is the **market value** (equivalent to the circulation value for which there is no definition in the current Romanian legislation).

Applicable standards – ANEVAR 2014 Evaluation Standards : SEV 100 – General Framework, SEV 101 - Terms of Reference for the evaluation, SEV 102 – Implementation, SEV 103 - Reporting, SEV 230 - Rights of real property, SEV 300 - Evaluations for Financial Reporting, GME 630 – Evaluation of real property.

Applicable Laws: Ordinance no. 2/2010 on the organization of judicial and extrajudicial technical evaluation activity approved by Law 156/2002 as subsequently amended, Ordinance no. 24/2011 on certain measures in the field of property evaluation approved by Law 99/2013 as subsequently amended, the provisions of the Company Law 31/1990 - republished.

### **Steps taken**

- inspection of the site and area; assessment of the site and of the attractiveness of the real property;
- selecting the type of value estimated in this report;
- analysis of all the collected information, interpretation of the results in terms of the evaluation;
- implementation of evaluation approaches and methods considered appropriate for determining the (market) circulation value of the real estate.

### **Hypotheses and special hypothesis**

a. The legal aspects are based solely on information and documents provided by the bailiff's office and presented without performing additional checks. It is assumed that the provided information is accurate and complete, and the ownership documents are valid.

b. The property is assessed as being free of any charges.

c. A responsible ownership and a competent administration are assumed.

d. The blueprints and the graphic material in the report are included in order to support an adequate image referring to the property.

e. Hidden or unnoticeable aspects of the property which could have an impact on the assessed assets value are assumed inexistent.

- f. It is assumed that the property and its use thereof are in compliance with the local and domestic legal regulations regarding environment protection.
- g. It is considered that the property is in compliance with all regulations and urban restrictions, authorizations, certificates and other documents which to allow the ongoing usage on which the value estimations within the report are based.
- h. The estimated values are based on the exploitation estimations in the current market conditions, on anticipated factors of supply and demand.
- j. The estimated values in the hereby report cannot be used for other assessments, all data being confidential, and the possession of this report does not allow its total or partial publication without the written consent of the beneficiary and evaluator.
- k. As similar properties, namely undivided share of lands which are not transacted separately from the inherent buildings built on, the expert concluded the hereby report on the special hypothesis that a potential transfer of the unoccupied land property would be done for the entire building inherent parcel, this hypothesis being also necessary to ensure “the best use of the unoccupied land” condition. The expert’s reasoning is based on the action pattern of the real estate developers who acquire unoccupied land, build buildings which are broken up, and when selling the cadastral units, the price is established based on the market value of the undivided share of land related to each unit, the cost of the building and the margin of the developer. As such, the developer ensures that the sale of the land component of the real estate property is done without incurring losses.

In order to assess lands, six methods/procedures are used: direct comparison, proportion, extraction, allotment, residual technique and capitalization of the base rent. Proportion and extraction combine the cost method with the direct comparison; the residual technique combines the capitalization method with the cost method, and allotment combines the three methods.

### **6.1. The direct comparison method**

It is used to assess unoccupied land or which it is considered unoccupied for the purpose of the assessment. This method is most employed and preferred when there is comparable data.

By means of this method, the prices and the information referring to similar parcels are analyzed, compared and corrected based on similarities and differences.

The elements of comparison are the property rights, legal restrictions, market conditions (sale date), localization, physical characteristics, available utilities, zone and the best use. The most variable comparison elements from case to case are the physical characteristics, namely area and shape, the facade length, topography, localization and sight. It is wise to correlate the results of two or more comparisons.

If the prices have changed rapidly in the recent years, the comparable parcels must be selected as close as possible to the assessment date. Sometimes the evaluator has to choose between nearby property transactions, but which took place several years before the

assessment date and recent transactions, but for parcels located at a distance; it is indicated to choose recent transactions. Generally, the area is a less important comparison element than date and localization. Most parcels have an optimal area, but if the area is larger, the value of the additional land has the tendency to decrease significantly. That is why, it is advisable to look for comparable properties, but with approximately the same area. Zoning is often the selection criterion because lands in the same area are the most comparable. As general rule, the more or the greater the differences between the assessed property and the comparable ones, the higher the possibility to reach erroneous interpretations. The evaluator might also take into consideration the offer prices (renegotiated), although these are less credible (prices from the sale offers are higher, while those from the buying offers are less than the negotiated prices). Direct data can be obtained from discussions with the involved parties in the transaction: sale persons, buyers, lawyers and real estate agents.

Generally, for each criterion of comparison price corrections of the comparable transactions are necessary. The level of correction depends on the available data and it is expressed either absolutely (in currency) or relatively (percentage). Corrections of the property rights, financing, market and sale conditions are done before those referring to localization and physical characteristics. All corrections must be presented in the assessment report in a logical and easy to understand manner. In highly developed urban areas, there are numerous unoccupied lands and their value cannot be estimated through direct comparison. Unoccupied lands from isolated rural areas are rarely transacted and the comparison data may be unreliable. In such cases, the value of the land can be estimated by the proportion or extraction methods.

## **6.2. The proportion method**

The proportion method or otherwise known as allocation is based on the principle of balance and on the concept of contribution, which states that, normally, there is a typical report between the value of the land and the value of the real estate for certain types of properties in certain locations. This report is more accurate when the constructions are relatively new. In the case of older constructions, the report land value/property value increases. The proportion method does not render a determined value of the property, but it can be used when the number of comparable unoccupied land transactions is insufficient. The estimation is rough because more expensive or cheaper constructions may be erected on parcels of equal value.

## **6.3. The extraction method**

This method is a version of the proportion method, namely the value of the land is extracted from the sale price of a property by subtracting the construction contribution which is estimated by costs and depreciation. Rural area properties are often estimated using this method because, generally, the building contribution to the total value is reduced and easily identified. The value of the land resulted through the extraction method can be used for

comparison to the prices from the unoccupied land transactions and it is more useful to estimate certain normalized parameters, rather than absolute values.

#### **6.4. The allotment method**

The method is used to assess lands for which allotment represents the best usage and comparison data for these types of parcels is available. A well planned allotment can create a better property where zoning, available utilities, communal conditions, access and other elements are in a favourable combination.

The evaluator begins to assess an allotment by determining the number and dimensions of the parcels that can be created from a physical, legal and economic point of view. The proposed parcels need to be in compliance with the legal requirements and to meet the requirements of the local market. This requires a specialized analysis regarding the development of real estate, even though sometimes the evaluator can determine the adequate allotment through analogy. A comparative analysis is subsequently performed on the already built parcels and after the necessary corrections, the evaluator will estimate the most probable selling price, the probable construction duration and the absorption rate of the parcels by the market. All direct and indirect costs related to real estate development and marketing and property sale built on the parcels are subtracted. These costs may incur discharge and finishing expenses, streets, roads and sidewalks construction and utilities insurance expenses.

Taxes, insurances, fees, commissions and advertising expenses will be considered. The amounts representing the result of the capital invested during the development period and the promoter's profit will be deducted. Thus, the cash flow resulted from selling the properties constructed on parcels and inherent only to the land is obtained. These flows will be updated by a rate which is obtainable on the market and takes into account the risk associated to developing real estate.

The updating period depends on the construction duration and sale supported by market absorption.

The method of allotment is also used for feasibility studies and for assessments with a reduced number of comparable transactions. The precision of the method is determined by the precision of the update rate and by that of indirect and service cost absorption rate.

#### **6.5. The Residual method**

This method may be used in cases where information regarding similar plots of free land are not available. This technique is based on the principle of balance and on the concept of contribution which refers to the balance between production agents, meaning land, workforce, coordination and capital.

The method is applies when:

- the value of the building is known or may be accurately estimated;
- the established annual net income, generated by the property is known or may be estimated;
- the separate capitalization quotas for the buildings and the land may be extracted from

the market.

The value of the buildings can be estimated in the same manner as for new buildings which represent the optimum utilization and which don't have physical or functional depreciation.

In order to apply the method, the evaluator will first determine the value of the construction (actual or hypothetical) which represents the optimum utilization. The evaluator will then estimate the net and stable annual operational income, earned from the rent on the market and the operation expenses estimated at the time of the evaluation. Subsequently, the evaluator will calculate the share of the income that can be attributed to buildings and will obtain the share left for the land.

This amount is capitalized with the capitalization quota obtained on the real estate market and will result in the value of the land.

### **6.6. Capitalization of the base annuity method**

The base annuity can be capitalized by an appropriate quota. The base annuity is the amount paid for the right to use and occupy the land, as per the regulations of land tenancy.

This procedure is used when information from the Market for rental of real estate is available. If the current annuity corresponds to the annuity on the Market, then the capitalization by a Market quota is the equivalent of the Market value.

If the annuity paid under the terms of the contract does not correspond to that on the market, corrections will be made taking into account the differences between the contract values and the values on the market.

The annuity can have different escalation and payment clauses and these must be reflected in the base annuity.

Taking into account to type of property to be evaluated, within the framework of the current assessment report the possibility to apply the following methods was studied:

- direct comparison of sales method;
- allotment method;
- Capitalization of the base annuity method.

The other 3 methods are not applicable because they require the existence of a building or of the possibility to construct a building at the level of CMBU or the specific conditions might not fulfil this general condition (the land might be occupied by an historical building which cannot be altered except for internal compartmentalisation, due to the age of the building it is difficult to assess the physical, functional and external depreciation, etc). Taking into account the size and shape of the plot of land, it is noticed that an additional allotment is not necessary, thus the allotment method is not applicable. The lack of data regarding the renting/leasing of plots of land in the area lead to the exclusion of the capitalization of the base annuity method.

Subsequently, the only applicable method is that of direct comparison, for which there are sufficient information regarding the sale offer. The general real estate market is completely

blocked due to the international financial crisis and recession of Romania's economy since 2009-2013 and the beginning of 2014. The specific real estate market in the central area of the capital between the University and Piata Romana, alongside Magheru and Nicolae Balcescu Avenues registers few offers, in general plots of land occupied by buildings which can be demolished in the second line of main access routes. The conclusions of the market analysis: low offer, demand lower than the offer, transaction blockage, decreasing trends in accordance with the general trends of the real estate market of Romania. The information is acquired from real estate agencies – internet, phone verification.

**Phases**

- inspection of the site and of the area, appreciation of the site and the attractiveness of the real estate market;
- selection of the type of the estimated value in the current report;
- analysis of gathered information, interpretation of the results in view of the assessment;
- application of the approaches and assessment methods considered suitable for the establishment of the market value of the real estate.

**Approach by comparisons**

The method of market comparisons uses the comparative analysis: the assessment of the market value is performed through the analysis of the market in order to find similar properties and to compare them to the assessed real estate. The major premises of this method is that the market value of a real estate is directly related to the prices of competitive and similar properties. The comparative analysis is based on resemblances and differences between the properties and transactions, which influence the value. It is a global method which applies the gathered information, based on the ratio of demand and offer on the real estate market, reflected in the mass-media or other information source. It is based on the value resulted from the transactions and/or offers for real estate in the area.

In order to assess the market value of the plot of land through this method, the evaluator took into consideration the information provided by the sale offers of similar properties in the area, as well as the existing data and information from the publications with real estate columns. For comparison, 6 similar offers were selected which are presented in the appendix to the current report, the direct comparison table being presented in Figure 1.

It is noticed that for comparable offer number 1, the smallest gross correction is recorded which means that the estimated market value of the land is 1.800 Euro/mp.

Result:

Surface size 239,05 mp	<b>430.290 €</b>	<b>1.890.740 lei</b>
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The arguments at the base of this opinion as well as the reasons regarding the value are:

- the value was determined taking into account solely the information held by the evaluator;

- the data used for the current report were obtained from the parties present at the inspection; the evaluator takes no responsibility for the truthfulness and accuracy of the information;
- the value represents a prediction; the value does not take into account the environmental responsibilities;
- the value is subjective; the assessment is an opinion on a value.

**DEFINITION OF THE MARKET VALUE**

The basis of the evaluation is the estimation of the “market value” as it is defined by the Evaluation Standard SEV100, ANEVAR 2014 – “The market value – basis for evaluation”, namely “The market value represents the estimated amount for which an asset or a debt can be exchanged at the date of the evaluation, between a determined buyer and a determined seller, within an objective transaction, after an adequate marketing, in which the parties are informed and act with prudence and without constraints”.

**STATEMENT REGARDING LIMITING CONDITIONS**

- The evaluation was performed by PAPASTERI MIHAI in his capacity of expert, based on the information supplied by the current owner, that the evaluator considers to be correct;
- The evaluator considers that the ownership certificate is valid and that the legal status is the one provided in the documents and information offered by the client;
- The assessment report took into consideration all the factors that influence the value of the assessed property, without deliberately overlooking any relevant information for the estimation of the value. The evaluator used only the information made available to him in the assessment of the value, without excluding the possibility that there may be other information that the evaluator was not aware of;
  - The evaluator has no current and future interest that might influence the result of the evaluation. The evaluator has no current or future interest in the building which is assessed;
    - The current report is intended for the exclusive purpose of supplying an opinion in view of increasing the share capital of the company through in kind contribution and may not be used for other purposes such as obtaining a bank loan, registration of accounting documents, etc.
    - The evaluator takes full responsibility regarding the conclusions of the current report.

**9. CONCLUSIONS**

\*Market value of the land at 28.08.2014 is:

Surface size 239,05 mp	<b>430.290 €</b>	<b>1.890.740 lei</b>
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Date,

Signature,

31.08.2014

**Papasteri Mihai**  
**Judicial technical expert**

The following appendixes are part of the assessment report:

- APPENDIX 1: Establishment of the market value through the direct comparison method - land
  
- APPENDIX 2: Photos
- APPENDIX 3: Resolution 94992/11.04.2014 MJ-ONRC
- APPENDIX 4: Ownership certificate for the land series M03 number 12900 issued on 27.02.2014 by the Ministry of Economy
- APPENDIX 5: Topography and cadastre documentation for obtaining the ownership certificate of the land SC Topomax Company SRL
  
- APPENDIX 6: HG365/1998 regarding the establishment of SN Nuclearelectrica SA
- APPENDIX 7: Control report 1470 / 06.02.2014 for tracking structures behaviour
- APPENDIX 8: Offers for the sale of similar properties in August 2014