

Valuation report

**MARKET VALUE OF THE REAL
PROPERTY INTERESTS**

**Residential-commercial complex
Schellenburg under construction
in Ljubljana**

ID plot 1725 2642/1, plot 1725 2643/2, plot 1725
2642/6, plot 1725 2642/7, plot 1725 2642/9, plot
1725 2642/8, plot 1725 2642/4, plot 1725 2642/10,
plot 1725 2655/2, plot 1725 2665/1, plot 1725
2666/1

1 SUMMARY

In accordance with your order we have prepared the report of market value of interests in real property for the **purpose of secured lending**. This valuation of real property interests is not to be used for financial reporting. The valuation has been prepared in accordance with the International Valuation Standards (IVS) and the Slovene Accounting Standards (SPS). There are no departures from the IVS provisions. The property has been valued as though unencumbered.

In line with the purpose of valuation, market value has been chosen as the basis of value according to the IVS. **Market value** is defined as 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 (IVS).

In line with the basis of value, **highest and best use** has been chosen as the premise of value according to IVS. A premise of value or assumed use describes the circumstances of how an asset or liability is used (IVS).

The property valued is **residential-commercial complex Schellenburg under construction**. The land valued measures 9,932 m² and is located in the center of Ljubljana, at the crossroads of Gosposvetska cesta and Županičeva ulica. The land is allocated mostly to central areas and is regulated with municipal detailed spatial plan (OPPN) 106 – Kolizej.

The property valued are land plots No. 2642/1, 2643/2, 2642/6, 2642/7, 2642/9, 2642/8, 2642/4, 2642/10, 2655/2, 2665/1 and 2666/1. According to The Surveying and Mapping Authority of the Republic of Slovenia data, the land has been parceled out. Plots No. 2642/9, 2642/10, 2655/2, 2665/1 and 2666/1 have changed to plots 2642/11, 2642/12, 2642/13, 2642/14 and 2642/15. The area of land valued remained the same. The land plots in the land register have not yet been changed.

The complex Schellenburg consists of Palais Schellenburg, Villa Schellenburg and business part. Individual parts of the complex are built to different construction phases. The Villa Schellenburg is in final phase of construction. It is necessary to arrange the surroundings and finish the common areas (flooring on the staircase is missing). Some of the floor coverings and some of the bathrooms are missing in the apartments. Lights must be installed. The inner doors are missing. The Palais Schellenburg is between the third and third extended construction phase. Windows are partly heated. The facade is partly completed. The interior is unfinished. The business part is in the third construction phase. The garage part is finished.

The complex Schellenburg consists of Palais Schellenburg (buildings A and B) and Villa Schellenburg (building C). The Palais and Villa Schellenburg were designed by a worldwide renowned architectural buro, KSP Jürgen Engel Architekten GmbH from Frankfurt. The construction of the complex is planned to be finished by the end of July 2023.

Palais Schellenburg is comprised of office building (A) and commercial-residential building (B). The office building (building A) is located along Gosposvetska cesta and is comprised of 3 underground floors, a commercial ground floor and 5 upper floors of mostly office areas. Commercial-residential building (building B) comprises 3 underground floors, a commercial-residential ground floor and 6 upper floors and a terrace floor with apartments. Its layout is in the form of the letter "H". There will be 110 apartments (91 premium and 19 super-premium), several shops, and several office premises in the buildings. The basements will contain technical areas, archives, 110 storages and 323 parking spaces, of which 211 are intended for residents and 112 for users of business areas.

Villa Schellenburg (building C) is comprised of one underground floor, a ground floor and 5 upper floors. It is located in the southern part of the complex. There will be 15 apartments in the building, of which 12 will be premium and 3 super-premium. The basement will contain technical areas, 15 storages and 32 parking spaces.

The building permit No. 35105-36/2019/40 from 25 November 2019 was submitted to us for the overview. The building permit is legally final form 12. May 2021. We also received part of project for

obtaining a building permit (PGD) No. 7730, 7731 from October 2016, January 2017 with amendments from September 2018, November 2018, July 2019 and September 2019, prepared by LUZ d.d.

The investor plans to make some changes in the project:

- The number of apartments in Palais Schellenburg will be reduced by two (110 apartments instead of 112 apartments). According to the client, an official change of the building permit is not required for this change because the number of the apartments is lower as permitted.
- In the original project, a large area in the first basement is intended for supermarket. The investor plans to change the usage of this area to a parking lot. A total of 70 more parking spaces are planned than stated in the building permit. Some other areas in the 1st basement will also be repurposed - not used as retail units but as office archives.
- The site used to be a location of cultural monument palace Kolizej. Because the cultural monument was demolished the investor is obligated to build a multi-purpose area for cultural activities (hall). The investor addressed an application to the Ministry of Culture that the construction of a multi-purpose hall would not be necessary. The investor received a decision on the compensatory measures from the Ministry of Culture. The client has paid a monetary amount of 1.500.000 €. According to the proof submitted by client, the amount has already been paid. Instead of a multi-purpose hall on one floor, two floors of offices are planned. Also, the building A can then have floors GF+5+T instead of GF+4+T, while the height of the building remains the same.

The client won two very important lawsuits at the second (final) court level. On 18th August 2020 the client received a dismissal of the appeal and confirmation of the judgment of the court of first instance regarding the prohibition of cutting the branches and prescription of easement. The judgement is in favour of client. On 26th August 2020 the client received a dismissal of the lawsuit for renewal of the procedure for the environmental consent.

The Higher administrative court ruling states that an appeal against the environmental consent can no longer be filed or rather has been rejected on all accounts. The District court decision states that the neighbour has failed to obtain a land denotation right on the land plots for the part of the branches of his silver birch that are growing across the land plot. According to the client the rulings are opening the path towards a successful hand-over of the real estate at the date of completion (between 31.12.2022 and 30.6.2023) with no encumbrances or burdens whatsoever.

The property valued is accessible from Gosposvetska cesta, land plot No. 3272/2 in c.m. 1725 (owned by Municipality of Ljubljana) and from Župančičeva ulica, land plot No. 3293 in c.m. 1725 (owned by Municipality of Ljubljana with annotation of public good). We estimate that the access is legally provided.

According to the Land Register the owner of valued land plots is company Tivoli, Razvoj rezidenc, d.o.o., Železna cesta 18, 1000 Ljubljana. Several notices of pending actions are entered in the Land Register – we did not examine the notices and assume that they do not affect the property value. Three mortgages are entered on all valued land plots. An additional mortgage is entered on the land plot No. 2642/7. An annotation of the procedure for determining the associated land according to ZVETL is entered on valued land plots No. 2642/7, 2642/6, 2642/4 and 2642/8 in c.m. 1725. Some annotations of a dispute concerning the right-of way or easements are also entered on some of the valued land plots. This report assumes that the ownership matters have been settled and the entries in the Land Register do not affect the property value.

To prepare the report, we carried out a property inspection on 21.9.2022, including the location with the immediate surroundings and the of building. A detailed inspection of property has not been carried out. We assume that the property is in a condition corresponding to its chronological age and there are no hidden defects. The data on areas of planned buildings and units was provided by client. The data differs from the data in the project for obtaining the building permit (PGD) and building permit, because the investor plans to make several changes to the project. By valuation we considered the planned changes of the project. A part of project for detailed design was submitted to us for the overview. We considered data provided by client and assume that it is accurate.

We used the residual method for the valuation of the property. The residual method is a hybrid of the market approach, the income approach and the cost approach. We used the market approach for the valuation of completed apartments and parking spaces. We used the income approach for the valuation of completed business premises. The costs of construction of the buildings was determined based on

the cost approach. The residual value was calculated using the income approach and the discounted cash flow method. We considered the time and costs needed for construction of the buildings, the estimated selling prices of the residential and commercial units and the time needed to sell the units, the costs of sale and the developer's profit.

In accordance with the analyses presented in this report, we are of the opinion that the **market value** of the property as on **21.9.2022 is:**

Villa Schellenburg: 14,251,000 €

Palais Schellenburg: 63,720,000 €

Business areas: 12,690,000 €

TOTAL: 90,661,000 €

In accordance with the order we also estimated the market value of the complex under special assumption that the complex is at the date of valuation fully completed in accordance with the client's data.

In accordance with the analyses presented in this report, we are of the opinion that the **market value** of real property under **special assumption that the complex is fully completed (office part III. extended construction phase) in accordance with the client's data** not considering time and costs of sale as on **21.9.2022 is:**

Villa Schellenburg: 19,198,000 €

Palais Schellenburg: 105,322,000 €

Business areas: 21,956,000 €

TOTAL: 146,476,000 €

In accordance with the analyses presented in this report, we are of the opinion that the **market value** of real property under **special assumption that the complex is fully completed (office part III. extended construction phase) in accordance with the client's data considering time and costs of sale** as on **21.9.2022** is:

Villa Schellenburg: 18,002,000 €

Villa Schellenburg - IV. construction phase: 17,330,000 €

Palais Schellenburg: 97,496,000 €

Palais Schellenburg - IV. construction phase: 94,760,000 €

Business areas: 20,589,000 €

*Business areas – office part III. extended construction phase and other part IV. construction phase :
20,350,000 €*

TOTAL: 136,087,000 €

We stay at your disposal for any further questions regarding the report.

Yours faithfully,

JURE FLEISCHMAN
CERTIFIED REAL ESTATE VALUER

