



Khazar Islands

Report on fair value estimation and cost analysis

KPMG in Azerbaijan

May 2017



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Private and confidential

May 8, 2017

Mr. Ibrahim Ibrahimov
Avesta Concern LLC
1104 Teymur Aliyev street
Baku, Azerbaijan, AZ1069

RE: Fair value estimation of existing residential units, hotels and restaurants in Phase 1 of the “Khazar Islands” project, and analysis of construction cost for other investments made in infrastructure and land reclamation

Dear Mr. Ibrahimov,

In accordance with the terms of reference set out in Assignment No. 1 to contract KP15/15/2017 dated 1 March 2017 between the Representative Office of “KPMG Azerbaijan Limited” and “Avesta Concern” LLC, we hereby enclose our report (The Report) of our fair value estimation of the existing residential units, hotels and restaurants in Phase 1 of the “Khazar Islands” project, and our analysis of construction costs for other investments made in existing infrastructure and land reclamation (the Targets) as at 31 December 2016 (the Analysis Date).

Our analysis was rendered for management decision making purposes. The results of our analysis may be used solely for the above-stated purpose.

The fair value estimation was performed in accordance with International Valuation Standards.

We appreciate the opportunity to have assisted you on this project. Please feel free to contact us should you have any questions, or if we can be of any further assistance.

Yours sincerely,

Sven Osmer
Partner
Head of Real Estate Advisory in the CIS

Important Notice

In our work we used the information provided by the Client management, as well as information from public sources. During the valuation process, interviews were also conducted with Client representatives

It should be taken into consideration that our results are based on the information provided by the Client’s management, and we have assumed that the information is true and can be used for the purpose of valuation . The information has been used in accordance with the limiting conditions described in this Report

We, as the valuation consultants, did not audit the information and do not express an opinion or any form of confirmation as to its accuracy or reliability. We did not check the information used as the basis for our valuation, but relied on information provided by the Client management. Any errors in this information, alterations or modifications thereto could materially affect the results of the Valuation

This Report should not be regarded as an opinion on any actual or potential transaction, opinion on the solvency of the Company, or as investment advice. For various reasons, the price at which the subject of this valuation can be sold in a certain transaction between certain parties on a certain date may differ significantly from the value determined in this Report

The terms of reference for this report set out in our engagement letter have been agreed by the addressees and we will not accept responsibility or liability to any other party to whom the report may be shown or who may acquire a copy of the report.

Our Report is for the benefit and information of the addressees only. Our report should not be quoted or referred to, in whole or in part, without our prior written consent, except as specifically provided in our engagement letter. This Report can be used only in accordance with the terms and conditions of the Agreements and cannot be transferred to third parties without the prior written consent of KPMG, provided that such consent will not be rejected unreasonably, and the third party will sign the Agreement on limitation of liability

This report cannot be used by the Client or other person or organisation (i) for avoiding penalties which could be levied on a taxpayer, or (ii) for the promotion, marketing or recommendation to any other party of certain aspects / questions mentioned in this Report

Client management is responsible for identifying any confidential information in this Report’s analysis which the Client management does not want to disclose

Contents

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	Page		Page
Glossary	4	Cost analysis	41
Executive summary	5	Description of initial documentations	42
Target Overview	6	Methodology	43
Khazar Islands project	7	Assumptions and results	45
Project phases	8	Conclusion	46
Current situation	9	Results Summary	47
Restaurant & hotels	10	Sensitivity analysis	48
Residential buildings	11	Sensitivity Analysis for hotels	49
Existing infrastructure	12	Scenario analysis	50
Macroeconomic Overview	14	Scenario analysis: Iran and Middle East scenario	51
Main economic trends in Azerbaijan	15	Limiting conditions	52
Monetary & fiscal policies	20	Appendices	55
Overview of real estate market	23	Appendix 1 – Legal documents of properties	56
Overview of tourism industry in Azerbaijan	24	Appendix 2 – Master plan	67
Overview of hotel real estate market in Baku	25	Appendix 3 – Project concepts and plans	68
Overview of elite-class residential estate market	28	Appendix 4 – Elite-class residential complexes	72
Fair value analysis	30	Appendix 5 – Market approach calculation	73
Methodology	31	Appendix 6 – Discount rate calculation	77
General assumptions	32	Appendix 7 – Cost analysis	78
Revenue forecast	33	Appendix 8 – Cost analysis description	80
Expenses forecast	37	Appendix 9 – Investment promotion reforms	85
CAPEX forecast	39	Appendix 10 – Site photos	86
Fair value calculation	40	Appendix 11 – Representation letter	91
		Appendix 12 – Information sources	96

Glossary

ADR	Average daily rate	GBA	Gross building area
Analysis Date	31 December 2016	GDP	Gross domestic product
AZN	Azerbaijani Manat	GFA	Gross floor area
bbl	Barrels	GoA	Government of Azerbaijan
CAGR	Compounded annual growth rate	GLA	Gross leasable area
CAPEX	Capital expenditure	IVS	International Valuation Standards
CAPM	Capital asset pricing model	KPMG	KPMG Azerbaijan Limited
CBAR	Central Bank of Azerbaijan	LLC	Limited liability company
CIP	Construction in progress	MEP	Mechanical, electrical, and plumbing
CIS	Commonwealth of Independent States	NOI	Net operating income
CIT	Corporate income tax	OPEX	Operating expenses
Client / Company	Avesta Concern LLC	Project	Khazar Islands Project
CPI	Consumer price index	Q	Quarter
DCF	Discounted Cash Flow	RevPAR	Revenue per available room
EIA	Energy Information Agency	SOFAZ	State Oil Fund of Azerbaijan Republic
EIU	Economist Intelligence Unit	SSC	State Statistics Committee of the Republic of Azerbaijan
EUR	Euro	USD	US dollars
F&B	Food and beverage	VAT	Value-added tax
FV	Fair value		

Executive Summary

Scope of work	In accordance with the terms of reference set out in Assignment No. 1 to contract KP15/15/2017 dated 1 March 2017 between the Representative Office of “KPMG Azerbaijan Limited” and “Avesta Concern” LLC, we hereby enclose our Report of our fair value estimation of the existing residential units, hotels, bungalows and restaurants under Phase 1 of the “Khazar Islands” project (the Targets), and our analysis of construction cost for other investments made in infrastructure and land reclamation as at 31 December 2016 (the Analysis Date)
Asset valued	In the fair value analysis, the uncompleted projects include four residential buildings, two hotels, and bungalows; while completed buildings, such as restaurants, were also considered. The cost analysis includes all the existing infrastructure and reclamation costs, excluding the land under the buildings and the properties themselves, considered in the fair value analysis. The cost analysis was made based on worksite inspection and cartographical data. The cost of the Entrance Arch, electrical substations, the laying of electricity lines, sewer treatment plants, sewer lines, and concrete were not analysed because of the lack of documentation and data
Valuation date	The assumptions for the valuation is provided for 31 December 2016
Purpose of Valuation	Management decision making purposes
Basis of determination	The fair value basis was used to determine the fair value of commercial properties, defined in accordance with IVS as the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties. The fair value given does not take into account any possible premium or discounts that may be agreed between the seller and the buyer during negotiation of a specific deal For infrastructure, cost analysis was applied. Under the cost analysis, KPMG compared the amount of completed infrastructure work designated during our worksite inspection with data from the provided documents about the scope of work. The cost of the performed work, provided by the Client, was compared to market costs
Limiting conditions	This Report is confidential and is provided to the Client on the condition that it is intended exclusively for the purposes indicated above and that its contents will not be disclosed, in whole or in part, to third parties without the prior written consent of KPMG, and on the understanding that such consent will not be withheld without reasonable cause and that a Hold Harmless Letter will be signed with the third party This Report should not be considered as an opinion in respect of any real or proposed transaction, an opinion on the solvency of the Targets, or as an investment recommendation. For a number of different reasons, the price at which the Targets may be sold in a specific transaction between specific parties on a specific date may differ materially from the results of the Analysis
Conclusion	The fair value analysis assessed the fair value for the residential units, hotels, bungalows, and restaurants which are under construction as USD 141.9 million . As there is high uncertainty in future hotel occupancy rate, we conducted a sensitivity analysis of hotel's NPV to give understating of possible value fluctuation in case of difference between real and planned occupancy. As a result of the cost analysis, the total cost of all existing infrastructure and reclamation costs, excluding the cost of land under the buildings and the properties considered in the fair value analysis, was estimated as USD 516.2 million (VAT excluded)



Target Overview

Khazar Islands Project

Project information

Khazar Islands project (the Project) is the major upscale commercial and residential development project in the Caspian Sea region. The project is being developed by Avesta Concern LLC, and envisages the establishment of a new city and construction of 78 artificial islands with capacity to house 1.2 million people and host 300,000 guests per annum

Khazar Islands are located on the shore of the Caspian Sea, about 23 km south-west of the centre of Baku. Implementation is planned in four phases, and completion is targeted between 2030 and 2035. There will be 201 buildings with 58,015 apartments and 150 bridges connecting the artificial islands. Residents and tourists will be provided with transportation services, such as shuttle buses, to visit Baku

The new city will have social, leisure, and entertainment infrastructure. These will comprise schools, universities, kindergartens, hospitals, cinemas, theatres, restaurants, and shopping centres. To ensure residents enjoy active and healthy lives, it is planned that amusement parks, stadiums, equestrian centres, a golf course, a rallying area, a horse-racing track, a Formula 1 track, a spa, fitness and health centres, and many other large facilities will be constructed

Company information

The project is being developed by Avesta Concern LLC (the Company). The Company is founded by Ibrahim Ibrahimov in 1996. It is currently one of the biggest construction companies in Azerbaijan

The Company is involved in the different construction activities such as projection-assessment, technological, design, and other engineering works, road construction, as well as production of construction materials (sand, gravel, basalt, and stone)

The Company has implemented state-level construction projects such as Administrative building of State Aviation Academy, residential complex for Azerbaijan Airlines employees, hotel complex, recreation center, 5 mosques

Location analysis

Khazar Islands are located on the 27-29 km of Baku-Salyan highway, which is the main highway from Baku to Georgia as well as Iran. The islands are close to Sahil railway station, which is located on Baku-Boyuk Kasik and Baku-Astara railway lines

Project location



Source: Client Data

Project phases

Phases of the project

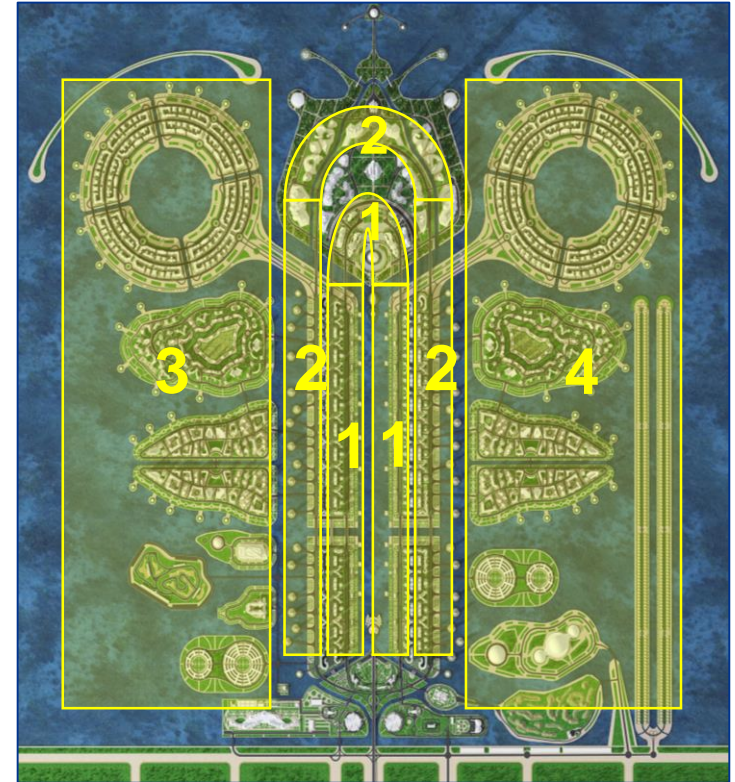
Phase I consists of buildings to be located on Street №1 of each of the four main islands. A small part of “Big Island” will have restaurants and entertainment centres. Phase I is divided into 3 parts, with 119 buildings: 3,854,504 m² is designated as residential, and 964,484 m² is designated as commercial. During the first part of the phase, there are plans to construct 30 buildings, meaning there will be 15 buildings on Island 2 and 15 on Island 5

Phase II consists of buildings to be on Street №2 of each of the four main islands. A large part of “Big Island” will have offices and entertainment centres. Phase II is also divided into 3 parts. In total, there are 84 buildings in Phase II, with 4,879,132 m² being residential and 1,193,734 m² being commercial. During the first part of the phase, 43 buildings are planned for construction, with 21 buildings on Island 2 and 22 buildings on Island 5

Phase III consists of islands connected with bridges to the main four islands from the left side. Phase III consists of 7 large-scale residential and recreational islands. On the islands, there will be universities, campuses, technical schools, a motorcycle racing track, and hospitals. Under Phase III, there will be 274 buildings in total on 7 large-scale residential and recreational islands

Phase IV consists of islands connected with bridges to the main four islands from the right side. Phase IV consists of 7 large-scale residential and recreational islands. The islands will be home for colleges and professional schools, a Formula 1 racing circuit, a Golf Club, and a mosque. There will be 274 buildings in total on 7 large-scale residential and recreational islands under Phase IV

Master plan with the project phases



Source: Client Data

Current situation

Current situation*:

Completed work on the project site:

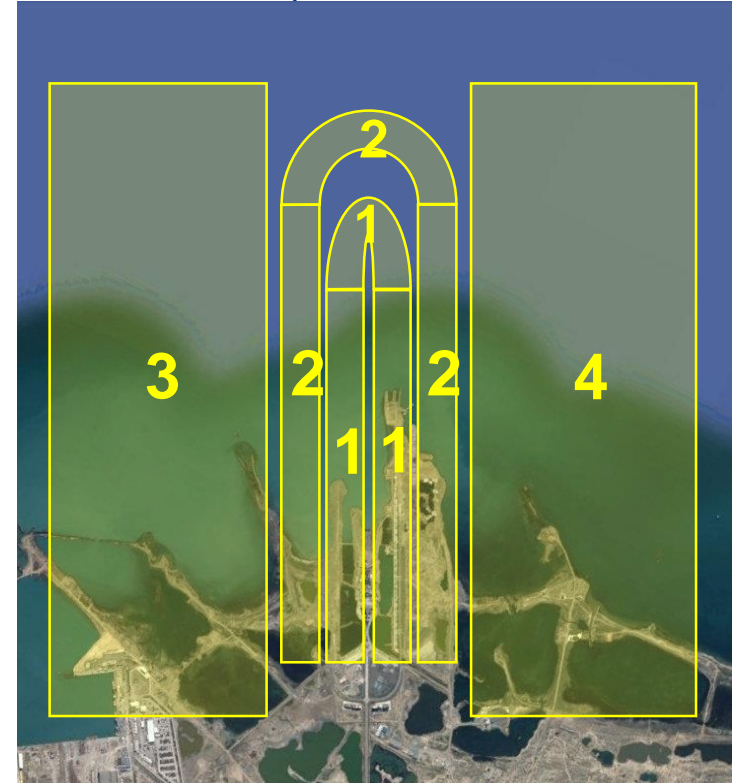
- Reclamation work for three islands:
 - The first island at the entrance: 90%,
 - The second island: 65%,
 - The third island: 20%;
- Outdoor sports complex, 3 bridges, 1 restaurant, 2 cafes
- More than 3 km of road covered with a granite layer
- 3 km boulevard strip
- Filled-in and ready piles and foundations for 5 residential buildings (total of 25 blocks)

Work under progress*:

- 4 Residential buildings (11 blocks)
- 9 Restaurants, 4 tea houses / cafes
- Sales centre, 1 bridge
- 2 hotels, 1 indoor sports complex, "Bungalow" Resort Complex
- Pool complex, children's amusement park
- Reclamation of land for completion of Phase 1

* : Client information

Current situation of the phases



Source: Client Data

Restaurants and Hotels

Restaurants

Several restaurants, along with the sport complexes and changing facilities have been constructed on the first island located at the entrance of Khazar Islands. The biggest restaurant is Stingray Restaurant, consisting of 3 floors (including the basement floor). All of Stingray restaurant's floors have been designed and renovated by Italian engineers. There is a beer production factory with the restaurant on the 2,533 m² basement floor. Stingray restaurant was inaugurated in 2016 and provided services to customers throughout last summer.

As well as Stingray (pub, club, restaurant), the island's other establishments will serve as steak houses, sushi bars, and fish restaurants. One of Baku's largest swimming pools has been constructed here, with a 28.3 m² bar located within the pool. The Client plans to expand the restaurant and pool complex to cater for the beach area

Hotels

As at the analysis date, two twin hotel buildings are under construction on the first island at the entrance to the project site. Both of the hotels were initially designed by an Italian company, Sinalco Group, as 5-star hotels. The Client's management decided to redesignate the hotels as 4-star, with each hotel having 124 rooms. The 8-floor hotels are designed like cruise ships, with each hotel having 10,922 m² internal space, 6,558 m² of parking, and 1,362 m² of terraces

Each hotel complex has 1.5 ha of land. According to the Client's management, it is planned that construction of the hotels will be completed by the summer of 2019

The Client is also planning to construct 43 bungalows around the restaurants near the sea on the first island. The bungalows will consist of 2-room (1+1) and 3-room (2+1) houses, and they will mainly host guests during the summer

Restaurants area



Source: Client Data

Hotels



Source: Client Data

Residential buildings

Residential buildings information

As at the analysis date, four residential buildings are under construction on Island №2. The buildings are part of the first phase of Khazar Islands project. Total area for the four buildings is 213,085.8 m². Each building represents a different building type

The type 4 building is the biggest residential building of the four buildings. The total area of this building is 69,189.4 m², and the total area of the apartments in the building is 58,494.6 m². The building will have 430 apartments, and 162 of them will be double-room flats. The building will also have 24 single rooms, 154 three-room, and 90 four-room apartments

The type 5 building has a total area of 61,042.5 m², with 43,504.3 m² allocated to apartments . 164 of 291 flats will be double apartments, while 82 flats will be three-room, and 45 will be four-room, respectively

The type 5A building has a total area of 55,772.4 m², with 47,192.9 m² allocated to apartments. The building will have 68 single-room and 23 double-room flats. In addition, the building will have 94 three-room and 129 four-room apartments

The type 6 building is the smallest of the four residential buildings under construction. The building will have 38 two-room, 48 three-room, and 29 four-room apartments. It will also have two big apartments: one apartment of 5-rooms, and one of 11-rooms

The ground floors of the four residential properties will be utilised as retail spaces. The total commercial area in the four buildings is 40,859 m²

Buildings under construction



Source: Client Data

Residential units

Buildings	Building area (m ²)	Apartment area (m ²)	Retail space area (m ²)	Number of apartments
Type 4 building	69,189	58,495	10,695	430
Type 5 building	61,043	43,504	17,538	291
Type 5A building	55,772	47,193	8,480	314
Type 6 building	27,082	22,935	4,146	117

Source: Client Data

Existing infrastructure (1/2)

Existing infrastructure

At the analysis date, the total area of the islands, including the reclaimed and acquired lands, is estimated to be 223 ha. The Client has performed reclamation as well as construction work, and built infrastructure in the project area

Project construction work includes construction of the sports complex, comprising a basketball court and football pitch, security checking rooms, and green spaces. Three bridges have already been constructed to connect the islands, and the entrance arch to the city has also been built. Water and electricity lines, transformer substations, and sewerage treatment lines have all been constructed at the project site

The Client has also executed more than 20 million m³ of foundation and filling-in work in the project area. Piling construction work has been completed for an additional five residential buildings. The client has created designs for the residential buildings and non-residential buildings in Phase 1

Roads and parking areas have been constructed around the restaurants, hotels, and residential properties. The road surfaces are covered with granite paving

The Client has created boulevards, parks and green spaces, where olive, palm, pine, and other trees have been planted

Detailed information on the islands' existing infrastructure is presented on the next slide and in Appendix 8

Project site



Source: Client Data

Cost analysis

Infrastructure	Unit	Value
Sport fields and checkrooms	m ²	3,839
Bridges	m ²	6,232
Entrance arch to the City		-
Filling works	m ³	20,646,182
Foundation work	items	6,111
Highways and parking	m ²	269,300
Boulevard and parks	m ²	161,750
Green works	m ²	230,200

Source: Client Data, KPMG analysis

Target overview

Existing infrastructure (2/2)

1. Bridges
2. Stingray
3. Seaside park
4. Entrance road
5. New sales centre
6. Old sales centre
7. Seaside boulevard
8. Sport complex



Source: Client Data, KPMG analysis



Macroeconomic Overview of Azerbaijan

Main economic trends (1/5)

Azerbaijan is currently experiencing a slowdown in economic growth due to falling oil prices

The population is dominated by young and middle-aged people

General overview

Azerbaijan is in the Caspian Sea basin and has rich natural resources. There are seven billion bbl of proven oil reserves, and one trillion cubic metres of proven gas reserves, according to the EIU. The country has an estimated GDP of USD 36.3 billion, but the estimated real GDP growth rate was (negative) - 3.0% in 2016. The forecast real GDP growth rate for 2017 was estimated at (negative) -0.6%

The population of Azerbaijan is estimated at 9.7 million, concentrated in Baku (2.2 million), the capital

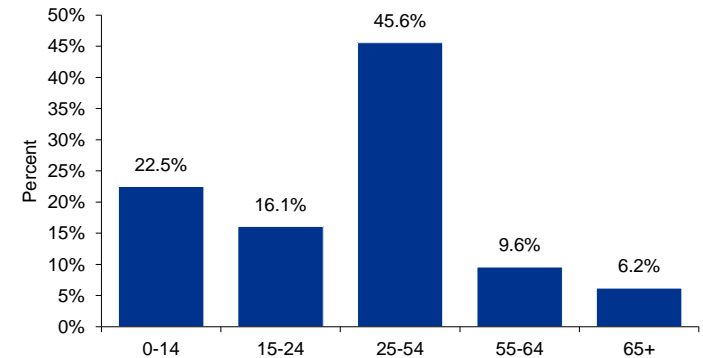
Life expectancy is 72.7 years for men and 77.6 years for women. The population is profile mainly consists of young and middle-aged people. According to the SSC, 45.6% of the population consists of people in the age range 25 to 54, and the second-largest proportion of the population consists of children and those beginning secondary education (22.5%)

Historical trends

Azerbaijan enjoyed double-digit growth from 2006 to 2009, and completion of the Baku-Tbilisi-Ceyhan oil pipeline took place in May 2006. This rapid economic development mainly arose from exploitation of hydrocarbon resources (through product sharing agreements with foreign oil companies and foreign direct investment). The rapid increase in oil production caused Real GDP growth to surge in 2006 and 2007, averaging circa 29.8% annual growth, before dropping back to growth levels of 10% in 2008

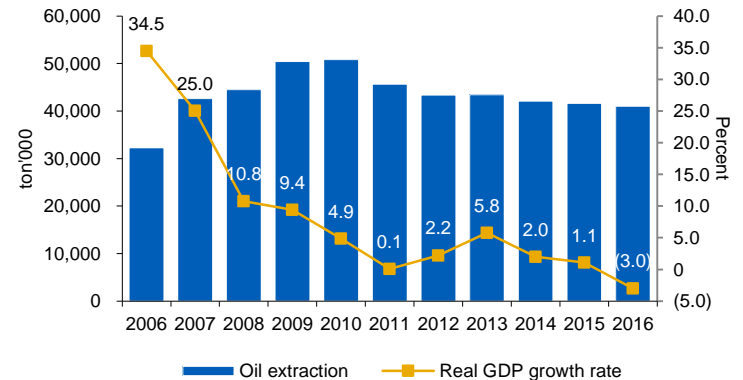
The vulnerability of the economy to oil production fluctuations was seen in 2011 and 2012, when annual GDP growth fell to 0.1% (2011) and 2.2% (2012) as a result of lower oil production

Age distribution of population, 2016



Source: SSC data

Azerbaijan Oil extraction and Real GDP growth rate



Source: SSC data, EIU data

Main economic trends (2/5)

Azerbaijan is currently experiencing a slowdown in economic growth due to falling oil prices

Current trends

The country's growth, hit by declining global oil prices and oil production, has fallen into negative territory

Real GDP growth in 2015 was 1.1%. In 2016, the estimated Real GDP growth was (negative) - 3%. This is the lowest in the last 20 years

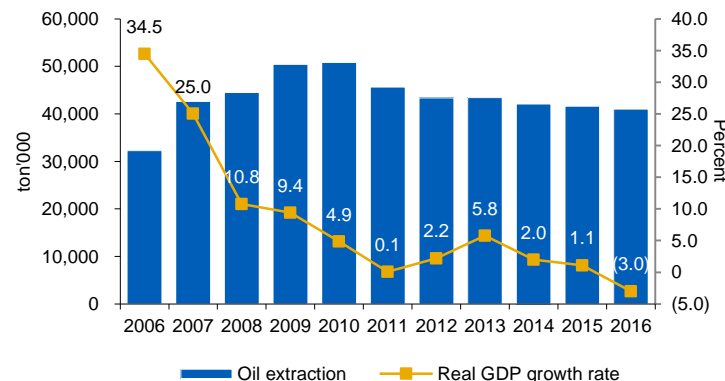
Current trends in the economy are closely associated with global economic movements. The 2014 collapse in global oil prices was especially significant for the Azerbaijani economy, as more than 30% of the country's GDP came from the oil sector. The decline in oil prices (below USD 40 / barrel) forced the GoA and CBAR to take the following steps:

- Devalue the Azerbaijani manat against the US dollar (AZN 1.7707 / USD as at the Analysis Date)
- Adopt a managed floating exchange rate regime, with the AZN pegged to a USD–Euro basket

The economy's high dependence on hydrocarbons places the country at the risk of volatility and raises concerns about its long-term sustainability and macroeconomic stability

To diversify the economy, the government intends to use the country's oil revenues to finance infrastructure investment and to establish viable non-oil economic sectors

Azerbaijan Oil extraction and Real GDP growth rate



Source: SSC data, EIU data

In order to facilitate diversification, the government established the Azerbaijan National Fund of Entrepreneurial Support in 1992. It was only in 2002 when the fund began to actively support entrepreneurs. The fund primarily supports entrepreneurs by providing them with low-interest-rate loans. 68% of loans issued with the Fund's help relate to development of the agricultural sector, while the remaining 32% are associated with other industries

Main economic trends (3/5)

In the long term, Azerbaijan's economy is expected to recover

GDP growth is forecast to accelerate after Shahdeniz-2 is launched in 2018

Expected trends

In the mid-term, it is expected that the economy will do a U-turn in response to the hoped-for positive impact of recent amendments (tax relief, suspending statutory check-ups)

The government has established the "ESFB" (Easy Support to Family Business) institution to provide small businesses with all kinds of support, including financing, business plans, etc. Launch of Shahdeniz-2 in 2018 is expected to accelerate growth in the context of an already-rebounding economy

There are four additional factors that will aid the recovering economy:

- Azerbaijan will join China's Great Silk Road Economic Route. This will increase Azerbaijan's transit revenues. The infrastructure investments will allow for long term profitability

- Azerbaijan will transit Central Asian gas to Europe via Turkey. If achieved, this will highlight Azerbaijan's transit potential in the region
- According to the amendments to the Tax Code of Azerbaijan of 1st of January 2014, agricultural producers are exempt from income tax, property tax and VAT until 1st January 2019
- Investment promotion certificates were introduced into Azerbaijan on 18th January 2016. This certificate provides for a 50% reduction in income tax, and full exemption from land tax and exemption from paying customs duties on machinery, equipment and devices imported for investment purposes in priority industries of the economy for 7 years

Forecast of main indicators											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Nominal GDP, AZN bn	67.3	73.4	78.2	85.9	90.3	95.7	101.6	107.6	113.8	120.2	126.6
Real GDP growth, %	(0.6)	0.8	1.4	2.0	2.3	1.5	1.8	1.8	1.7	1.7	1.7
CPI, %	7.6	5.7	4.5	4.6	4.4	4.4	4.3	4.1	4.0	3.8	3.6
Exchange rate, AZN/USD	1.8	1.7	1.7	1.8	1.7	1.8	1.8	1.9	2.0	2.0	2.1
Nominal wages growth, %	6.8	6.3	6.4	6.5	7.5	–	–	–	–	–	–
Lending interest rate, %	18.0	12.1	12.5	12.1	13.1	–	–	–	–	–	–
Deposit interest rate, %	15.0	9.0	8.2	7.9	8.9	–	–	–	–	–	–
Budget balance/GDP, %	(1.3)	(0.6)	(0.7)	(0.6)	(0.6)	–	–	–	–	–	–

Source: EIU data

Main economic trends (4/5)

Two consecutive devaluations of the AZN (national currency) caused the rate of inflation to significantly increase

Inflation

Inflation, as measured by the consumer price index (CPI), has declined significantly from nearly 21% in 2008 to only 2.5% in 2013. Inflation since the mid-2000s has been driven by a combination of factors such as high oil prices, large fiscal stimulus, a stable exchange rate against the US dollar, monetary expansion, imported food prices, and a rapid rise in credit for households

According to the EIU, the CPI was 1.5% per annum in 2014. During 2015, inflation surged substantially in March, following the devaluation of the AZN in February, and stood at 4.5% year-on-year in December. The CBAR, which targeted 2-3% inflation before the devaluation, revised its target to 5-6%. Average annual inflation was 4.1% for 2015. The second devaluation of the AZN took place in December 2015, with the AZN steadily devaluing close to the end of 2016. As a result, the inflation estimate for 2016 rose sharply to 12.2%.

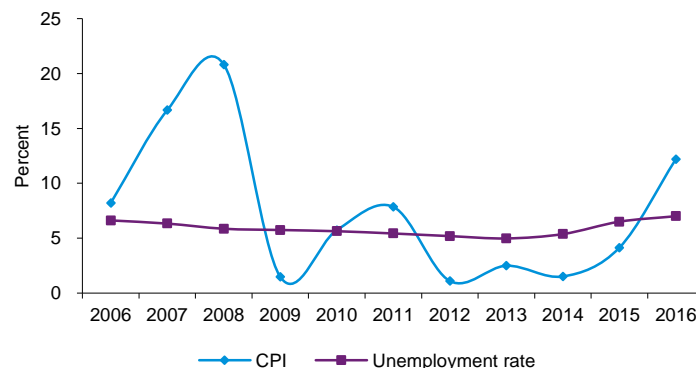
The EIU forecasts an inflation rate of 7.6% in 2017. By 2021, inflation is expected to decline further to 4.4% in 2021

Unemployment

According to the EIU, the estimated unemployment rate for 2016 is 7.0%, vs. 6.5% in 2015. It was 5.4% in 2014 .

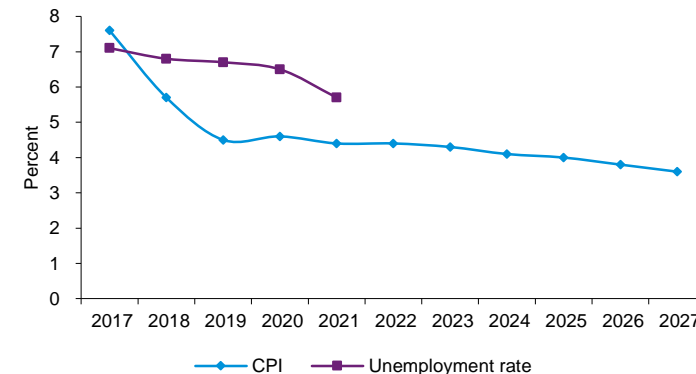
The unemployment rate will remain in the range of 6.8% and 7.1% between 2016 and 2018, based on EIU forecasts. However, unemployment is expected to show a downward trend after 2017, and is predicted to fall to 5.7% in 2021. Unemployment forecasts are not available beyond 2021

CPI and Unemployment rate



Source: EIU data

CPI and Unemployment rate forecast



Source: EIU data

Main economic trends (5/5)

Over the past few years, the oil and gas sector's share of the economy has decreased, mainly due to decreasing output and falling global prices

Economic sectors

The country's GDP can be classified into the following sectors: industry (32%), construction (14.1%), agriculture (6.5%), services (39.7%), and others (7.7%) in 2016

GDP in 2016 was estimated at AZN 57.7 billion, i.e. an increase of 6.1% on 2015. The annualized contribution of the 'industry' sector to GDP in 2016 was estimated to be AZN 18.5 billion, 1.8% higher than in 2015

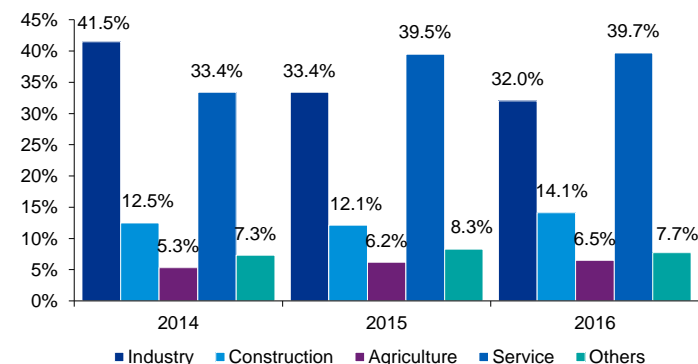
The construction and services sectors gained ground following the inflows of oil revenue since 2007. The construction sector increased from 6.6% of GDP (AZN 1.9 billion) in 2007 to 14.1% of GDP (AZN 8.14 billion) in 2016

The services sector surged from 24.5% of GDP in 2007 to 39.7% of GDP (AZN 22.9 billion) in 2016. The government also launched a number of programmes to facilitate growth in agriculture, develop the regions, reduce poverty and diversify the economy

The agriculture sector was estimated at AZN 3.8 billion in 2016, an increase of AZN 0.4 million on 2016. This increase in agriculture comes from an increase in demand for agricultural products in Russia following introduction of a ban on EU goods

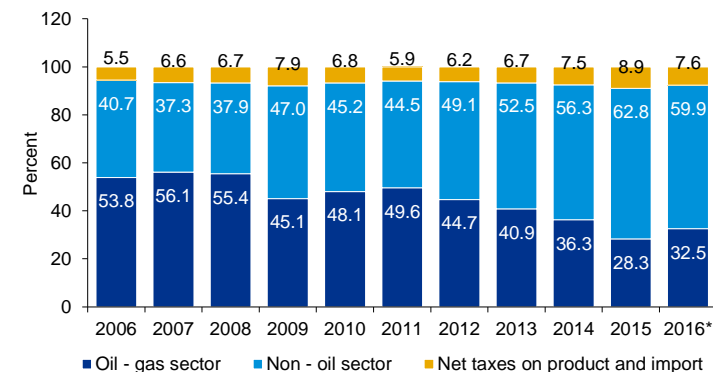
As stated earlier, oil and gas production significantly contributes to the revenue and GDP of Azerbaijan. Historically, oil and gas's contribution to GDP has been on a downward trend from 2008 to 2015 due to falling oil prices and output, except for slight increases in 2010 and 2011 (the rises in 2010 and 2011 were the result of high oil prices in the global market). The share of this sector in 2016 was estimated at 33.5% of GDP (AZN 19.6 billion), higher than in 2015. We expect that the oil and gas sector's contribution will continue to fall in the medium term, as oil prices remain low

GDP structure



Source: MoF data

GDP contribution by sector



Source: SSC data
Note: * estimation

Monetary and fiscal policies (1/3)

The CBAR announced a shift to a floating exchange rate in 2015

The CBAR's foreign currency reserves were rapidly depleting

General trends

Azerbaijan's macroeconomic policy pre-2015 can be described as a hydrocarbon-backed policy that maintained a stable exchange rate. This policy has since been abandoned, with a managed currency regime being adopted from February 2015

Before the inflows of oil revenues, the GoA adopted a presidential decree issuing a new generation of banknotes on 1 January 2006. One new manat (AZN) was 5,000 old manat. The AZN/USD exchange rate was 0.9184. Subsequently, oil revenues increased the supply of foreign currency in the country, which appreciated the AZN up to 0.78 AZN/USD

This appreciation continued until 2013, after which the AZN/USD exchange rate stabilised at around 0.7844. When oil prices began to fall, high pressure was placed on the AZN. The CBAR then decided to peg the AZN to a USD-EUR basket. On 21 February 2015 and on 21 December 2015, the AZN was devalued against the USD and set to 1.05 and 1.55, respectively. The CBAR also announced its decision to abandon the AZN peg and adopt a floating rate

Monetary reserves

As the oil prices began to fall, CBAR's efforts to keep the AZN at a stable exchange rate began to rapidly deplete foreign currency reserves. The decline in reserves continued even after devaluation of the AZN against the USD. Reserves decreased by 74% from USD 15.2 billion on 31 July 2014 to USD 3.97 billion on 31 December 2016. Moreover, State Oil Fund of Azerbaijan (SOFAZ) has USD33.1 billion reserves as at the analysis date

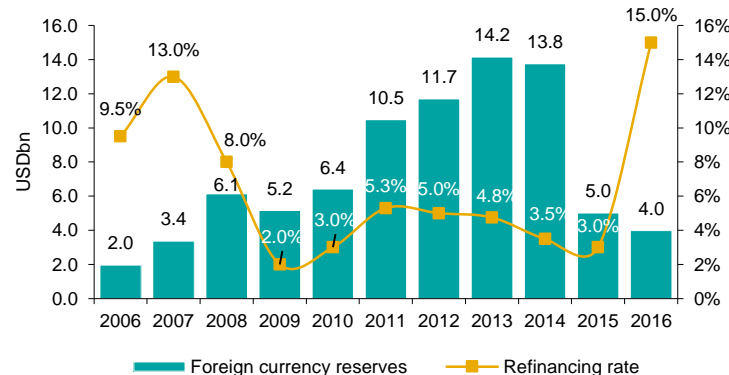
Refinancing rate adjustments

Historically, the refinancing rate had an upward trend until 2008 (15%) to combat inflation

However, as global growth declined in 2008-2009 and oil prices fell due to the financial crisis, the CBAR gradually cut the refinancing rate from 12% in 2008 to 2% in 2009

Later on, as oil recovered and global growth rebounded, the CBAR began to gradually increase the refinancing rate from 2% to 5.25% in 2011. From 2012, the refinancing rate saw a downward trend (related to declining oil output). In 2012–2013, the GoA's desire to increase growth in the country led to the refinancing rate being reduced. However, the interest rate cuts in 2014 and 2015 were associated with a drop in oil prices and the GoA's intention to recover growth and accelerate diversification of the economy. Starting from 15 February 2016, the CBAR decided to gradually increase the refinancing rate to reduce the money supply with the intention of combatting any further devaluation of the AZN. The refinancing rate is currently 15%, an increase of 3% since 2015. The CBAR has also started to sell short-term notes to decrease monetary supply

Foreign currency reserves and refinancing rate



Source: CBAR

Monetary and fiscal policies (2/3)

In 2017 the budget will be funded via four sources:

- Taxes: 45.2%
- SOFAZ transfers: 38.2%
- Customs: 13.8%
- Other income: 2.8%

Main expenditure areas in 2017:

- Current expenses 58.7% (defence, healthcare, etc.)
- CAPEX 31.4% (funds to Southern Gas Corridor (SGC), etc.)
- Debt services 9.9% (public debt repayments)

State budget

Budget revenues were estimated at AZN 16.8 billion (29.0% of GDP) in 2016, and expenses at AZN 18.5 billion (31.9% of GDP) in 2016 by the Ministry of Finance. Hence, the budget deficit stood at AZN 1.7 billion (2.9% of GDP). The forecast budget for 2017 is AZN 16.0 billion (23.9% of GDP) for revenues, and AZN 16.6 (24.8% of GDP) for expenses. A reduction of 5.2% in revenues and a 10.2% cut in expenditure from 2016 to 2017 is planned following the recent global economic shifts. The budget deficit is expected to be AZN 0.6 billion (0.9% of GDP)

Budget revenues

Among the major shifts in funding structure, income from taxes is expected to increase by 2.9% to AZN 7.2 billion (2016: AZN 7.0 billion). Transfers from SOFAZ are expected to be AZN 6.1 billion, which is AZN 1.5 billion lower than in 2016. According to the Ministry of Finance, non-oil revenues are estimated to account for 50.8% of total income in 2017, 6.6% higher than in 2016, and 11.3% higher than in 2015

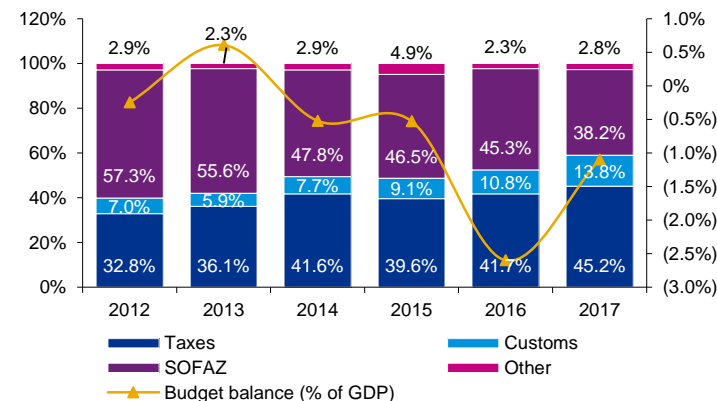
Budget expenses

Current expenses are planned to decrease by 19.5% to AZN 9.7 billion in 2017, vs. AZN 12.1 billion in 2016

Capital expenditure will be 13% higher and account for AZN 5.2 billion (2016: AZN 4.6 billion). The financing of special government purchases and industrial projects will utilise a considerable portion of 2017's budget

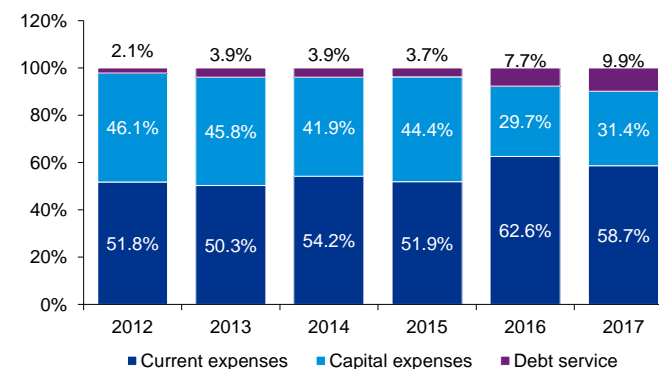
In 2017, debt servicing expenses are estimated to decrease by 7.5% and stand at AZN 1.6 billion. Expenses related to debt servicing are chiefly associated with the repayment of bonds denominated in other currencies

Budget balance and revenue structure



Source: MoF

Budget expense structure



Source: MoF

Monetary and fiscal policies (3/3)

Recent changes to personal income taxation will stimulate aggregate demand

Tax policy

The Tax Code of Azerbaijan was adopted on 11 July 2000 and has been in effect since 1 January 2001. The most significant taxes are corporate income tax, individual income tax, and VAT. In total, AZN 7.1 billion of taxes were paid in Azerbaijan during 2016. This is almost at the same level as in 2015. The growth rate has been decelerating over the years:

- All legal entities are required to pay 20% tax on corporate profits. Historically, this rate was set at 27% until 2002. The GoA reduced this rate to 24% by 2005 to foster economic activity. The rate was set at 22% in 2006–2010, before dropping to 20% in 2010
- Personal income tax of 14% is imposed on individuals whose monthly income is less than AZN 2,500. If that threshold is exceeded, a 25% rate applies to the excess. Currently, individuals with salaries lower than AZN 2,500 a month are entitled to tax concessions amounting to the minimum living wage (approximately AZN 20). Employers in Azerbaijan are required to pay 22% of gross payroll in excess of 3% deducted from employees' salary
- All entities and individuals exceeding AZN 200,000 in income for 12 consecutive months are subject to value-added tax. The VAT rate is 18% and has remained at this rate for several years. PSA transactions, imports via grant contracts, and international logistics are non-VATable
- The excise tax imposed on alcoholic beverages ranges from AZN 0.08 to AZN 0.8 per litre. Tobacco products are levied with a 12.5% excise tax, while excise tax for imported automobiles varies between AZN 0.15 and AZN 1 per sm³ AZN/sm³
- The property tax rate is 1% on the average annual residual value of fixed assets.

- Companies using land are subject to land tax, which is levied at AZN 0.1 to AZN 1.2 per 100 square metres of land used for accommodation purposes, and AZN 2 to AZN 20 per 100 square metres of land used for industrial purposes
- Companies with revenue of less than AZN 200,000 for 12 consecutive months can pay simplified tax, levied on total income. The simplified tax rate is 4% in Baku and 2% in the regions. Individual income tax is levied on all a resident's worldwide income, and all Azerbaijan-sourced income for non-residents
- Dividends and interest paid are subject to a 10% withholding tax
- In excess of these, different entities/individuals are subject to (1) road tax, (2) mineral extraction tax, and (3) withholding tax
- The agriculture sector is exempt from CIT, VAT, simplified tax and property tax for assets used for agricultural activities

Furthermore, the Government of Azerbaijan has recently implemented tax reforms to increase transparency in the tax system. The reforms include the following changes:

- Implementation of advance tax ruling, so tax payers are informed about their tax obligations
- Electronic trade sellers will be subject to VAT (excluding hotel and air-ticket orders)
- Cameral tax audit is implemented with 30 days after a tax declaration is presented, and cameral tax audit cannot be repeated again
- Simplified tax at 1% rate is calculated for cash withdrawal from bank accounts by legal entities and individual entrepreneurs

Detailed information about recent tax and customs reforms are provided in Appendix 9



Overview of the real estate market

Overview of tourism industry in Azerbaijan

Demand for hotels in Azerbaijan primarily comes from tourists from neighboring countries

Major market development trends

Tourism is one of the fastest-developing sectors in Azerbaijan's economy, being supported by a state programme for 2010–2014. As per World Travel & Tourism Council, the total contribution of the tourism sector to national GDP was AZN 5.08 billion (8.4% of total GDP) in 2015. This is expected to see annual growth of 6.3% to AZN 9.7 billion in 2025 (9.8% of total GDP). In 2009–2016, the number of foreign tourists coming to Azerbaijan more than doubled, reaching 2.24 million in 2016

The government is developing tourism by supporting numerous infrastructure projects and conducting intensive tourism promotional campaigns. Azerbaijan takes part in international forums and exhibitions (ITB in Berlin, ITE&MICE in Hong-Kong, IMTEC in Dubai, etc.) and hosts global, cultural, political, and sports events (the Global Baku Forum, Eurovision, the European Games, a Formula 1 Grand Prix, the Islamic Games, and EURO 2020)

The constantly-increasing inflows of tourists have stimulated hotel construction projects throughout the country: there were 536 hotels operating in Azerbaijan in 2016, which is 7.4% more than in 2010 according to the SSC

Based on the 2016 results, the hospitality market trends can be outlined as follows:

- After rapid development of the luxury hotel segment in Baku in 2011–2013, this segment is expected to see some inactivity and much lower growth rates in terms of the amount of supply
- Major demand for hotels comes consistently from tourists consistently from neighbouring countries (Russia, Georgia, Turkey, and Iran). Tourists from Gulf countries increased substantially in 2016 due to the easing of visa regulations for these countries
- Recent geopolitical and economic shifts in the region, and the strengthening of relations, have encouraged tourist inflows from Gulf countries and Iran
- On 1 June 2016, the President signed a decree establishing an electronic visa regime, ASAN Visa, which is expected to increase tourist inflows to Azerbaijan
- The President signed a decree to approve the Strategic Roadmap to develop the tourism industry in Azerbaijan. According to the Strategic Roadmap, foreign tourists will increase significantly, and Azerbaijan will become one of the world's top 20 global tourist destinations
- Luxury hotels in Baku have shown positive occupancy trends. Hotel demand is determined by business seasonality

Overview of the hotel real estate market in Baku (1/3)

Supply

Baku is the country's most active and fastest-growing hotel market, due to its expanding business activity. According to the SSC, the number of hotels in the city has increased significantly, reaching 127 in 2016. In 2009–2016, the city's total room supply substantially increased to around 7,800 rooms in 2016. However, in 2016, only about 30% of existing room stock is operated under international brands (around 2,600 rooms)

The first international five-star hotel was opened in Baku in 2006 under the Hyatt Regency brand (Hyatt Hotels Corporation). Then, from 2011–2013, the city experienced a boom in luxury hotel construction: five properties entered service with a total room stock of around 1,200 (nearly half of the branded hotel supply in Baku). After explosive growth, the branded segment experienced inactivity (along with the Baku hotel market as a whole): only two midscale hotels (the Ramada and Holiday Inn brands) were opened, in 2014 and 2015, respectively

The luxury hotel market is reaching its upper limits, with upscale hotels comprising 72% of branded room stock in 2015, which is expected to reach 75% by 2020. Thus the luxury and upscale segments are expected to reach market saturation, leading to a shift to midscale hotel development

There was one luxury hotel in the pipeline in Baku as at the Analysis Date: InterContinental is under construction and it has a scheduled opening date of 2017.

However, the international brands Trump Hotel, Kempinski Hotel, and Jumeirah Hotel ceased operating in Baku. Local public sources say that Badamdar Hotel will be operated by Pullman from February 2017

Luxury international branded hotels in Baku, 2016

Name	Address	Open	Rooms
Operating hotels			
Fairmont Baku	1A Mehdi Huseyn St.	2013	318
Four Seasons Hotel Baku	1 Neftchilar Avenue	2012	171
JW Marriot Absheron Baku	674 Azadliq Square	2012	243
Hilton Baku	Azadlig Avenue 1B	2011	309
Excelsior Hotel Baku	Heydar Aliyev Avenue 2	2011	61
Holiday Inn Baku	Keykab Khanim Safaraliyeva Str. 5	2015	207
Sheraton Baku Airport Hotel	Heydar Aliyev International Airport	2011	205
Hyatt Regency Baku	Izmir Street 1033	2012	159
Ramada	Shikhov Beach 1023	2011	79
Total operating			1,752
Future hotel			
Intercontinental Baku	Z. Aliyeva St.	2017	162

Source: Hotels' website

Overview of the hotel real estate market in Baku (2/3)

Introduction of the electronic visa regime will increase the number of foreign tourists visiting Azerbaijan

Demand

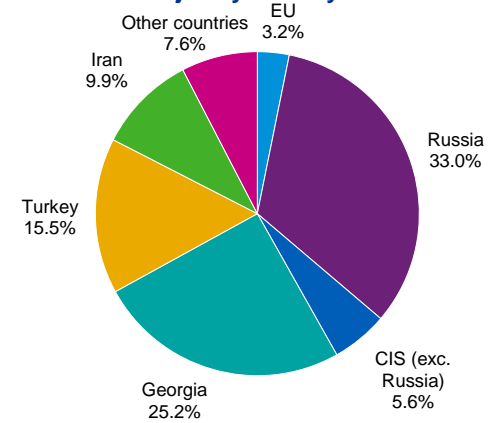
Demand for hotels in Baku comes from both local and international tourists. 78.9% of tourists accommodated in Baku hotels were foreign tourists, while 21.1% of them were local in 2015. Most local tourists accommodated in Baku were Baku residents or from Nakhchivan Autonomous Republic

Tourist inflows to Azerbaijan grew by 11.7% annually in 2016. Most of the tourists come from neighbouring countries, with visitors from Russia, Georgia, Turkey and Iran comprising more than 80% of arrivals. From the beginning of 2016, Azerbaijan eased visa processes and rules for citizens from Qatar, Oman, Saudi Arabia, Bahrein, Kuwait, Japan, China, Korea, Malaysia, and Singapore

Azerbaijan's political and economic relations with Gulf countries and Iran have strengthened in recent years. As a result, tourists coming from those countries increased significantly in 2016

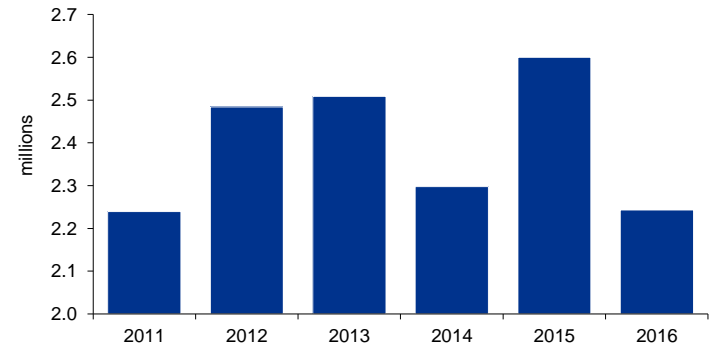
On 1 June 2016, Azerbaijan started easing visa rules for foreign tourists, applying an electronic visa regime. It is expected that the electronic visas will boost tourists inflows to Azerbaijan in the upcoming years. In addition, Azerbaijan will host the 4th Islamic Solidarity Games and the Azerbaijani Formula 1 Grand Prix in 2017, events that will increase awareness about Azerbaijan and further stimulate tourist inflows to Baku

Tourist inflows to Azerbaijan by country in 2016 H1



Source: SSC, KPMG analysis

Tourists inflows to Azerbaijan



Source: Ministry of Tourism and Culture, KPMG analysis

Overview of hotel real estate market in Baku (3/3)

Seasonal trends and cycles significantly influence the overall operation of hotels

Operating results for Baku luxury hotels

In 2013–2015, the occupancy level for luxury hotels in Baku was stable at 36%, with insignificant changes. Occupancy rates for luxury and upper scale hotels increased to 51.9% in 2016 due to the substantial rise in the number of tourists from Gulf countries. It is projected that these occupancy levels will remain high in upcoming years

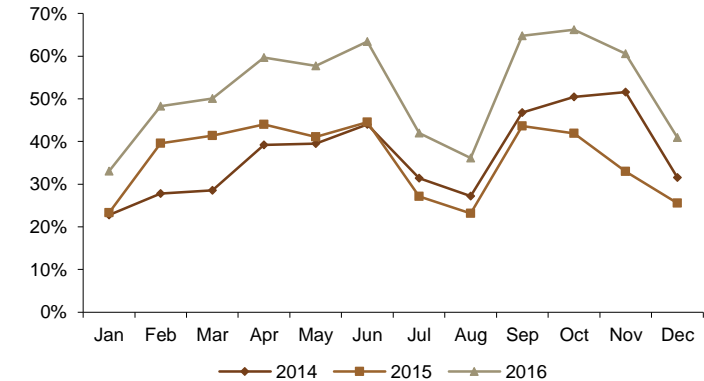
Monthly occupancy rates depend on business seasonality: occupancy reaches its first height during the spring high season, then declines in summer, before growing again in September–November

The ADR (denominated in the national currency) was constant in 2013–2014 between USD 233–237, whereas in 2015, there was a 18.9% decline to USD 192. A further decline in ADR to USD 138 was observed in 2016 due to devaluation of the AZN

Future development trends

- The growing visibility of Azerbaijan on the global tourist market, further development of tourist infrastructure, and adoption of the Strategic Roadmap for Tourism will boost the flow of incoming visitors
- Lower development activity caused by issues raising finance will lead to a further decline in the growth of supply
- Most announced branded hotel projects in Baku that are in the pipeline are in the upscale and luxury segment. The market will thus remain unbalanced, lacking midscale hotels
- The decreasing supply growth, along with stable tourist inflows, will allow existing hotels to improve their operational indicators

Monthly occupancy rates for luxury hotels in Baku, 2014-2016



Source: STR Global, KPMG analysis

Baku luxury hotel market: Key operational indicators

Year	Occupancy %	ADR AZN	ADR USD	RevPAR AZN	RevPAR USD
2013	35.9%	183	233	66	84
2014	36.7%	186	237	68	87
2015	35.6%	197	192	70	68
2016	51.9%	221	138	79	49

Source: STR Global, KPMG analysis

Overview of elite-class residential real estate market in Baku (1/2)

General information

Evolution of the residential real estate market in Baku began in the early 2000s and was chiefly driven by oil revenues. During that period, nearly 200 construction companies were established, including Gilan Holding, Azinko, Avesta Concern, Akkord Group of Companies, Altes Construction, and others, most of which are linked to major holdings in Azerbaijan. These holdings not only carried out the construction and management of real estate projects, but also established industrial companies to produce key construction materials

During the 2000s, the market boomed as a demand backlog from the 1990s was unleashed and the oil sector enjoyed a 'golden' age. Apartments were purchased not only to provide better living standards, but as ideal investment tools

However, the collapse in the global oil price in 2014–2015, and the subsequent two AZN devaluations, caused a sharp reduction in demand on the Baku residential market. Numerous construction projects have been suspended, while others have required additional financing. This, in conjunction with the economic instability, has led to mid-term uncertainty and market inactivity, resulting in lower demand and a decline in price. The government then took the initiative to stimulate construction, establishing in 2016 the State Housing Construction Agency to construct social housing for the low and middle income population. Prices started to slightly increase from the beginning of 2016 as the economic recovery started

Supply

The Baku residential market saw double-digit supply growth rates in the early 2000s. During the 2010s, growth rates slowed; around 0.5 million m² was added to the city's new supply annually from 2012 to 2014. However, in 2015 and 2016, only around 0.3 million m² was added

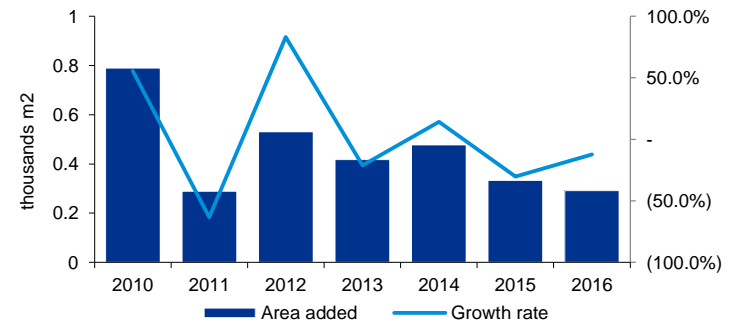
Construction of the first elite-class residential real estate began in 2007, backed by the significant inflows of oil income (real GDP growth reached an unprecedented 34.5% in 2006)

Roseville and City Gardens, the earliest elite-class residential complexes, were completed in 2008. Later Altes Plaza, Azure Residencies, and Port Baku Residence were announced. The newly built elite-class residential complexes feature a high quality of construction and are copiously fitted out. They come with substantial infrastructure and good parking to meet residents' needs

Baku White City is currently the largest residential development in Baku, with more than 3.3 million m² of housing announced for construction. The project will include elite residences, as well as business- and economy-class housing. Other elite-class residential buildings, including Park Bayil, and Crescent Bay, are currently under construction. Detailed information on elite-class residential complexes in Baku is provided in Appendix 4

The economic instability will likely lead to lower supply growth rates in upcoming years: major projects may face financing difficulties, being postponed or completed phase-by-phase

Total area of new apartments in Baku



Source: SSC

Overview of elite-class residential real estate market in Baku (2/2)

Demand

Demand for elite residences in Baku was strong in 2009–2013, as emerging high-income individuals actively invested in residential complexes. The following also impacted the market in 2009–2013:

- International companies expanded into Azerbaijan
- Azerbaijanis living abroad purchased elite flats. A number of real estate agencies highlighted that Azeris living in Europe, Russia, CIS and Iran purchased apartments in Baku

In 2014, the Baku residential market suffered from the global decline in oil prices. Devaluation of the Russian rouble (RUB) in October 2014 led to drops in demand and prices

Demand for elite residences was also influenced by regulatory changes adopted in 2014, under which the GoA constrained speculative demand for residential properties by placing a capital gains tax (14-20%) on the re-sale of apartments within 3 years after their purchase

During 2015, Azerbaijan faced new negative macroeconomic trends, resulting in the first devaluation of the AZN in February 2015 of approximately 34%. Residential sector experts say the devaluation decreased prices on the secondary residential market by 16.3%. In 2016, this negative trend in Azerbaijan's economy continued as a result of the second devaluation on 21 December 2015. This led to demand falling by 47% in 2016.

Real estate buyers became more selective: the completed and commissioned Port Baku Residence and Altes Plaza still have vacant apartments available for sale

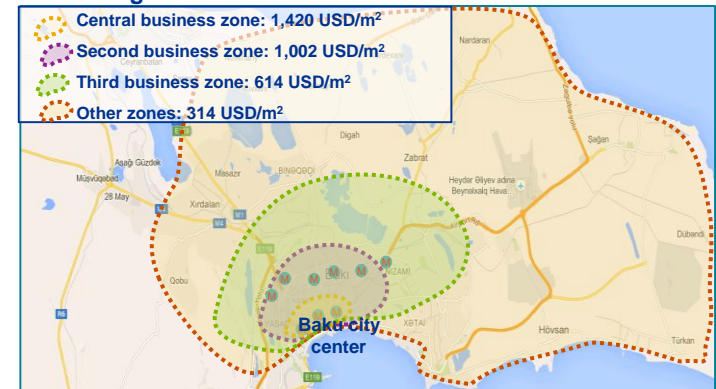
Sales prices

At the beginning of the 2000s, sale prices for apartments in Azerbaijan saw stable growth due to the favourable macroeconomic trends and high demand for residential properties. After two devaluations of the AZN in 2015, the prices and demand dropped substantially. However, in 2016, prices started to increase slightly as the economy stabilised. As at the analysis date, average prices in the first and second zones of the city are USD 1,420 per m² and USD 1,002 per m², respectively

Expected trends

The elite-class real estate market is highly connected with development of the major sectors of the economy in Azerbaijan. Taking into account GoA measures to improve the macroeconomic situation (i.e. diversification, joining China's Silk Road Economic Route, and Shah Denis II), a recovery is expected starting from 2018. In 2017–2018, growth in supply on Baku's residential market is expected to be low due to difficulties in raising finance for real estate developers

Market segmentation of Baku and Absheron



Source: (1) Management data
(2) Consulting and Business journal






Fair Value Analysis

The income approach was used for commercial properties (residential premises, hotels, bungalows and restaurants) which are assumed to generate cash flows in future.

The market approach was not applied due to the unique parameters of the properties and lack of market comparables. However, elements of the market approach were applied to estimate sale prices, rental rates and other operational indicators.

For the other properties (infrastructure assets) which are not capable of producing stable cash flows, the cost analysis has been applied. Under the cost analysis, KPMG performed a market analysis of construction work. Prices for material and technical resources were determined based on commercial offers from construction contractors and suppliers in Azerbaijan

Income Approach 	Market Approach 	Cost Approach 
<p>The income approach is based on the assumption that the value of any property depends on the income this property is expected to generate for its owner. When using the income approach, the net cash flows generated by the property are projected. Future cash flows generated by the property are discounted back to the Analysis Date and netted</p> <p>Using the income approach allows the appraiser to calculate different cash flows that real estate will generate. The income approach is the most applicable for estimation of the value of income generating properties or development projects</p>	<p>The market comparison approach is based on a comparison of the property with similar assets for which information is publicly available</p> <p>The market comparison approach is used when reliable market information on comparable sales is available. The comparable sales are chosen among deals involving properties that are similar to the property (by primary purpose of use, size and location) and which occurred in comparable conditions (time of the transaction and financial terms of the transaction)</p> <p>The main difficulties in using the market approach are related to a lack of sufficient data on comparable sales. The real prices of real estate transactions almost always remain unknown. Thus during the real estate fair value determination, offer prices are often used instead</p>	<p>The cost approach comprises a set of value determination methods which are based on the determination of costs required for the reproduction (reconstruction) or replacement of the object of analysis, accounting for its depreciation. The cost approach is appropriate when a potential buyer would rather build a new comparable asset than buy the analysed property. This approach determines the value of an asset on the basis of how much a prudent investor would pay for the replacement of the asset (replacement cost)</p> <p>This approach is used in the event of the unavailability of any market information about deal prices or prospective income from the property</p>

General assumptions

Assumptions	In accordance with the Engagement details, the fair value analysis was performed separately for the Project's components: residential properties, hotels, bungalows and restaurants
Sources of information	Management information, client budgets, tax legislation of the Azerbaijani Republic, independent market analysis, and information from the State Statistical Committee of Azerbaijan, Economist Intelligence Unit, S&P Capital IQ, STR Global research, and MBA Consulting research
Forecasting period	As the cash flows are assumed to stabilise within 5 years, the forecast period includes the period between 1 January 2017 and 31 December 2022. The cash flow forecasts were built on a quarterly basis. For presentation purposes, data has been aggregated on an annual basis in this Report (if not specified)
Cash flow currency	Cash flows are forecast in USD, as the company assumes that apartments will be sold to foreign investors, and that the hotel business will target international tourists
Terminal value	The terminal value was determined by using the direct capitalization method with a capitalization rate of 12.0%
Discount rate	A discount rate of 18.5% was applied reflecting the completion stage and risks of the Project, as well as the expected return of a potential investor (see Appendix 6 for the respective calculation). Assuming that cash flows occur throughout the period, cash flows were discounted in the middle of the period. A discount rate was applied to calculations only for commercial assets, not for the whole project
Legislation	The cash flows are forecast in accordance with the existing legislation of Azerbaijan as at the analysis date

Revenue forecast – Residential buildings

Revenues from residential buildings are forecast on proceeds from the sale of apartments and retail spaces located on the ground floors of the buildings

Revenue forecast

Revenues from residential buildings are forecast on the proceeds from the sales of apartments and retail spaces located on the ground floors of the buildings. All apartments & retail spaces are planned to be sold as shell & core. The revenue forecast was based on the net saleable area of the properties, as well as the price and forecast for how fast they will be sold

Recent geopolitical and economic changes in the region and the locational advantage of the project site means that international investors from Iran and Middle East are considered the main customers for the residential and commercial properties. Hence, taking into consideration the target market and possible inflows from investors, sales were forecast in USD

As the sales to the investors from Iran and Middle East are not in the active stage, sales forecast was performed based on market data for elite class residential buildings in the second zone of Baku

Sales prices were estimated at USD1,176 and USD2,300 per m² for apartments and commercial premises, respectively, which is close to the average price of apartments & commercial premises in the second zone. A detailed description of comparable properties used in the estimation was provided in Appendix 5

According to Management’s plans and their expected contracts with potential investors, the sale of the residential apartments & commercial spaces will start in the third quarter of 2017 and be completed in 3 years. All premises are expected to be sold by Q3 2020. The forecast assumes that around 50% of the residential & commercial units will be sold during the construction period

Based on market research data, the sale of premium-class residential properties does not heavily depend on seasonality, thus sales in the first two quarters were estimated at 20%, and then, due to increased market activity, 30% was applied to the last two quarters of the forecast sales years

Revenue forecast - Residential buildings								
USD'000		Total	2017	2018	2019	2020	2021	2022
Apartments								
Sales amount	m2	172,127	30,983	51,638	61,966	27,540	-	-
Average sales price for the year	USD/m2		1,197	1,218	1,238	1,251	-	-
Residential sales revenue	000'USD	211,162	37,095	62,905	76,719	34,443	-	-
Retail spaces								
Sales amount	m2	40,859	7,355	12,258	14,709	6,537	-	-
Sales price	USD/m2		1,985	2,019	2,052	2,073	-	-
Retail spaces sales revenue	000'USD	83,087	14,596	24,751	30,187	13,552	-	-

Source: Management data, KPMG Analysis

Revenue forecast - Hotels

Base ADR as at the analysis date was defined as USD 70 (VAT excluded) per room

Revenue from hotels

There are plans to construct twin four-star hotels and each of them will have 74 standard, 31 superior rooms and 19 suits.

Construction of the hotels will be finalised by the third quarter (Q3) of 2019, with income being immediately generated from Q3. The following profit centres will generate the hotels' income:

- Income from room sales
- Income from the food and beverages department (F&B)
- Other operating departments' income (SPA, conference, fitness, etc.)

Income from room sales

Income from room sales was calculated based on the hotels' main operating indicators (available rooms, ADR and occupancy). The total number of available rooms in each quarter was calculated as the total number of operational days of the hotel during the quarter, multiplied by the total number of hotel rooms.

The average daily rate (ADR) for the hotels was estimated based on independent market research of four-star hotels located in Baku and its suburbs. A full list of the hotels included in the research is shown in Appendix 5. The main factors considered in estimation of the ADR are room size, room type, positioning, location, concept and plans for operational management. As a result of the research, base ADR as at the analysis date was defined as USD 77, USD 99, USD 141 (VAT excluded) per standard, superior rooms and suites respectively. Throughout the forecast period of 2017–2022, the ADR was indexed by the US CPI provided by the EIU

Hotel occupancy was estimated based on expected market and economic conditions, comprehensive research of four-star and five-star hotels, and managements plans. Based on the market research of competitive hotels and general practice, after the commencement of operations, a 60% occupancy rate was assessed for the base year of 2019

For the second year of operations, occupancy will increase to 65%; and after three years of stabilisation, the average yearly occupancy rate will gradually reach 70% in 2021, where it will remain for the rest of the forecast period. Nevertheless, due to future economic events, market conditions, there is a high uncertainty for the assumptions and the hotel occupancy and ADR are subject to potential change in future

Given the seasonal factors, quarterly adjustments have also been applied for each forecast year. During the autumn and winter seasons (first and fourth quarters) of each forecast period, relevant yearly occupancy was decreased by 15%, while during spring and summer (the second and third quarters), occupancy was increased 15%

The summary of forecast ADR, yearly occupancy and seasonal adjustments, is shown in the following tables

ADR and Hotel Occupancy		2019	2020	2021	2022
Occupancy					
Yearly occupancy	%	60.0%	65.0%	70.0%	70.0%
Hotel ADR					
Standard rooms	USD/room	90	94	99	103
Superior rooms	USD/room	115	120	126	131
Suites	USD/room	165	173	180	188

Source: Management data, KPMG Analysis

Seasonal adjustment of occupancy		Q1	Q2	Q3	Q4
Change in occupancy	%	-15.00%	15.00%	15.00%	-15.00%

Source: Management data, KPMG Analysis

Revenue forecast - Hotels

During the stabilisation period (2021–2022), the share of F&B revenue in the base period was calculated as 36% of room revenue, with a stabilised occupancy of 65%

The amount of revenue from other departments in the base period was defined as 10% of room revenue, with stabilised occupancy of 65%

Income from the F&B department

In addition to revenue from room sales, the hotels are expected to generate revenue from the food and beverage department (F&B). The total F&B area of the hotels is 1,641 m². Research into hotels conducted by STR Global shows income from F&B is calculated as a share of forecast room revenue. Given the competition from other restaurants, the average share of F&B revenue in the base period was defined as 36% of room revenue, with stabilised occupancy of 65%. In addition, some F&B revenue doesn't depend on occupied rooms, though the rest does depend on the number of hotel guests and occupied rooms. Therefore, in line with market practice, 20% of F&B revenue was defined as fixed, with the remaining 80% calculated as variable F&B revenue

Income from other departments

Income from other departments of the hotel includes the booking of conference rooms for events, revenue from the spa& fitness centres and sport complexes, and from organising special events. Like F&B, revenue from other departments was also calculated based on room revenue with stabilised occupancy at 65%, and in line with market research, the share of this income stream in total revenue was assessed at 10%. Of this income, 20% was defined as fixed and 80% as variable revenue

A summary of consolidated revenue distribution for both hotels is given in the following table

Revenue from hotels		2017	2018	2019	2020	2021	2022
USD'000							
Room revenue							
Number of Days Open/Year	days	-	-	183	366	365	365
Hotel room number	rooms	-	-	248	248	248	248
Average yearly occupancy	%	-	-	60.0%	65.0%	70.0%	70.0%
Average ADR range	USD	-	-	90 - 165	94 - 173	99 - 180	103 - 188
Total room revenue		-	-	2,984	6,660	7,478	7,807
F&B revenue							
Fixed F&B revenue	20%	-	-	248	510	531	555
Variable F&B revenue	80%	-	-	849	1,895	2,127	2,221
Total F&B revenue	36% of room revenue	-	-	1,097	2,405	2,659	2,776
Other revenue							
Fixed other revenue	20%	-	-	70	143	149	156
Variable other revenue	80%	-	-	239	533	598	625
Total other revenue	10% of room revenue	-	-	308	676	748	781
Total hotel revenue		-	-	4,389	9,741	10,884	11,363

Source: KPMG Analysis

Revenue forecast – Bungalows & Restaurants

Bungalows & Restaurants

The cash flow forecast for 43 bungalows and restaurants comprises income and expense forecasts. These properties will start to generate revenue next summer

Income from bungalows

Income from bungalows was calculated based on the number of available bungalows, the ADR and occupancy. The average daily rate (ADR) of the bungalows was estimated based on independent market research of hotels in Baku and its suburbs. A full list of the hotels included in the research is shown in Appendix 5. The main factors considered in estimating the ADR are room size, price difference between same type of hotel rooms, positioning, location, concept and the management's operating plans. Based on the research of hotels located in nearby countries, the average ADR for bungalow type rooms was estimated as 10% higher than the ADR for the same types of rooms inside hotel buildings. Hence, as the bungalow rooms will be suites, the ADR was calculated as USD 155 (VAT excluded) per bungalow which is roughly 10% higher than the ADR for hotel suites

Throughout the forecast period from 2017 to 2022, the ADR was indexed by the US CPI provided by the EIU

Bungalow occupancy was estimated based on seasonal factors, forecast market conditions, the economy and managements plans. As the bungalows will mainly operate during the summer, a 95% occupancy rate was assessed during the third quarter. Moreover, as the bungalows will operate in June, 32% occupancy rate for the second quarter, while for the other quarters 5% was assessed. Thus average yearly occupancy was calculated as 34.3%

Income from restaurants

Restaurants around the hotels and the bungalows are the main sources of revenue. It is planned that the restaurants will be leased to operators . The income from the restaurants was calculated based on research into average leasing rates for restaurants in Baku. The comparable properties included in the research are described in Appendix 5. As a result, the average yearly leasing rate was calculated as USD 52 per year, CPI indexed. A summary of consolidated revenue distribution for bungalows and restaurants is given in the following table

Revenue from bungalows & restaurants							
USD		2017	2018	2019	2020	2021	2022
Revenue from bungalows							
Number of Days Open/Year	days	-	214	365	366	365	365
Bungalows	rooms	-	43	43	43	43	43
Average yearly occupancy	%	-	34.3%	34.3%	34.3%	34.3%	34.3%
ADR	USD	-	173	182	190	198	207
Total revenue from bungalows		-	760,435	983,122	1,028,436	1,073,917	1,121,170
Revenue from restaurants							
Area	m2	-	8,094	8,094	8,094	8,094	8,094
Leasing rate	USD/m2/year	-	64	67	70	73	77
Total revenue from restaurants		-	382,897	677,397	708,306	739,996	772,556

Source: KPMG Analysis

Expenses forecast - Hotels

Room expenses for the base year were estimated as 18% of room revenue

F&B expenses for the base year were calculated as 58% of F&B revenue

Administrative & general expenses were 18.4% of other revenue

Operating costs for hotels

The expenses from operating the hotels are as follows:

- Room expenses
- F&B expenses
- Administrative & general expenses
- Other expenses

According to the research in the STR report, room expenses for the base year were estimated as 18% of room revenue. Like room revenue, the expenses have also been distributed between fixed (20%) and variable expenses (80%), and forecast in line with the CPI

F&B expenses for the base year were calculated as 58% of F&B revenue. 65% of the expenses were variable, while 35% were fixed

Administrative & general expenses were also calculated following the same procedure, which is 18.4% of other revenue

Other expenses include marketing expenses, management fees, maintenance expenses and related costs. These are typically classified as undistributed expenses. Other expenses were defined as 57.5% of other revenue, with fixed and variable expenses distributed 20/80%, respectively

A summary of operating costs for hotels is shown on the next slide

Hotels operational expenses							
USD	Share	2017	2018	2019	2020	2021	2022
Room expenses							
Total room revenue		-	-	2,984,156	6,660,189	7,477,604	7,806,619
Total room expenses	18% of room revenue	-	-	555,226	1,217,283	1,345,818	1,405,034
Fixed room expenses	20%	-	-	125,507	258,216	269,043	280,881
Variable room expenses	80%	-	-	429,718	959,067	1,076,775	1,124,153
F&B expenses							
Total F&B revenue		-	-	1,096,857	2,404,762	2,658,685	2,775,667
Total F&B expenses	58% of F&B revenue	-	-	682,782	1,442,324	1,541,649	1,609,482
Fixed F&B expenses	65%	-	-	467,369	961,557	1,001,876	1,045,959
Variable F&B expenses	35%	-	-	215,412	480,768	539,773	563,523
Administrative & General expenses							
Total A&G expenses	18% of room revenue	-	-	62,300	130,091	137,526	143,578
Fixed A&G expenses	80%	-	-	51,318	105,582	110,009	114,849
Variable A&G expenses	20%	-	-	10,982	24,509	27,518	28,728
Other expenses							
Other revenue		-	-	308,459	676,268	747,677	780,575
Total other expenses	57% of other revenue	-	-	177,490	389,130	430,219	449,149
Fixed other expenses	20%	-	-	40,121	82,544	86,005	89,790
Variable other expenses	80%	-	-	137,369	306,586	344,214	359,359
Total hotel operational expenses		-	-	1,477,797	3,178,829	3,455,213	3,607,243

Source: KPMG Analysis

Expenses forecast

Fixed expenses

Fixed expenses for all commercial properties under the fair value analysis consist of:

- Brokerage commissions,
- Insurance fees, and
- Replacement funds for future capital repairs.

General market practice dictates that property sellers pay a brokerage fee of 2% of the revenue from sales. Thus the base brokerage fee for the sale of apartments and retail spaces was forecast using this rate

The property Insurance rate for hotels, restaurants and bungalows was estimated based on real estate market research, and calculated at the average of 0.3% of the property's value

Based on comparisons with similar property types, the replacement fund required for future capital repairs was estimated at 3% of sales revenue. Considering the type of property, the fund for capital repairs will be invested after 30 years of property usage

Fixed expenses								
USD'000		Total	2017	2018	2019	2020	2021	2022
Fixed expenses								
Brokerage fee	000'USD	(5,885)	(1,034)	(1,753)	(2,138)	(960)	-	-
Insurance	000'USD	(2,297)	-	-	(285)	(722)	(669)	(621)
Replacement fund	000'USD	(1,339)	-	(34)	(181)	(344)	(381)	(398)
Total fixed expenses	000'USD	(9,521)	(1,034)	(1,787)	(2,604)	(2,026)	(1,050)	(1,018)

Source: KPMG Analysis

CAPEX forecast

Implementation costs were USD 133.8 million as at the Analysis Date. An additional USD 128.5 million will be needed to complete the Targets

Capital expenditure forecast

The capital expenditure forecast for the commercial assets was based on the budget provided by the Client and developed in accordance with the Project's current architectural and engineering plan

Total implementation costs for the commercial assets comprise USD 262.3 million, while USD 133.8 million has already been invested, accounting for the costs incurred, including the land value

Outstanding capital expenditure is assumed to be USD 128.5 million for the period starting from Q2 2017 to Q4 2019

CPI indexation in real prices was applied to the construction budget. KPMG did not perform an independent audit of the construction budget

A detailed breakdown of CAPEX by type of work for each Project component is provided below

CAPEX Forecast						
USD'000	Total	Incurred	Outstanding	2017	2018	2019
Land	64,378	64,378	-	-	-	-
Residential 5A	32,695	9,861	22,834	11,406	10,238	1,190
Residential 5A	30,140	9,090	21,050	10,515	9,438	1,097
Residential 4	40,525	12,223	28,303	14,138	12,690	1,475
Residential 6	15,890	4,792	11,097	5,543	4,976	578
Commercial	23,989	7,235	16,754	8,369	7,512	873
Hotel 1	14,189	2,927	11,262	5,683	5,579	-
Hotel 2	14,378	1,845	12,532	5,808	5,104	1,620
Restaurants & beaches	26,150	21,453	4,697	2,710	1,986	-
Total CAPEX	262,334	133,805	128,529	64,172	57,523	6,834

Source: KPMG Analysis

Fair value calculation

The fair value for residential units, hotels and restaurants which are under construction was estimated as USD 141.9 million

Discounted Cash Flows

The fair value of the commercial assets was estimated by adding the discounted cash flows during the forecast period to the discounted terminal value

As a result of the fair value analysis, fair value for residential units, hotels and restaurants under construction was estimated as USD 141.9 million

The terminal value covers the period after stabilisation of the commercial assets, and was determined using the direct capitalization method with a capitalization rate of 12.0% based on investment market research conducted by Knight Frank for 2016, and adjusted for Azerbaijan. The undiscounted terminal value was calculated as USD 71.9 million

Calculation of the fair value						
USD'000	2017	2018	2019	2020	2021	2022
Revenue from residential buildings	51,691	87,656	106,906	47,995	-	-
Revenue from hotels	-	-	4,389	9,741	10,884	11,363
Revenue from restaurants & bungalows	-	1,143	1,661	1,737	1,814	1,894
Operational expenses	-	-	(1,478)	(3,179)	(3,455)	(3,607)
Fixed expenses	(1,034)	(1,787)	(2,604)	(2,026)	(1,050)	(1,018)
Net Operating Income	50,658	87,012	108,874	54,268	8,192	8,631
CAPEX for residential buildings	(49,970)	(44,855)	(5,213)	-	-	-
CAPEX for hotels	(11,492)	(10,682)	(1,620)	-	-	-
CAPEX for restaurants & building	(2,710)	(1,986)	-	-	-	-
Tax expenses	(10)	(11)	(11)	(10)	(10)	(10)
Net Income	(13,525)	29,477	102,030	54,258	8,182	8,621
Terminal value	-	-	-	-	-	71,841
Total cash flow	(13,525)	29,477	102,030	54,258	8,182	71,841
Discount rate	18.5%					
Discounted cash flow	(13,962)	22,061	65,483	31,062	3,804	33,443
Fair Value	141,890					

Source: KPMG Analysis



Cost analysis

Description of initial documentation

Initial documentation

In order to determine the cost of construction works, KPMG analysed the scope and cost of the work provided by the Client

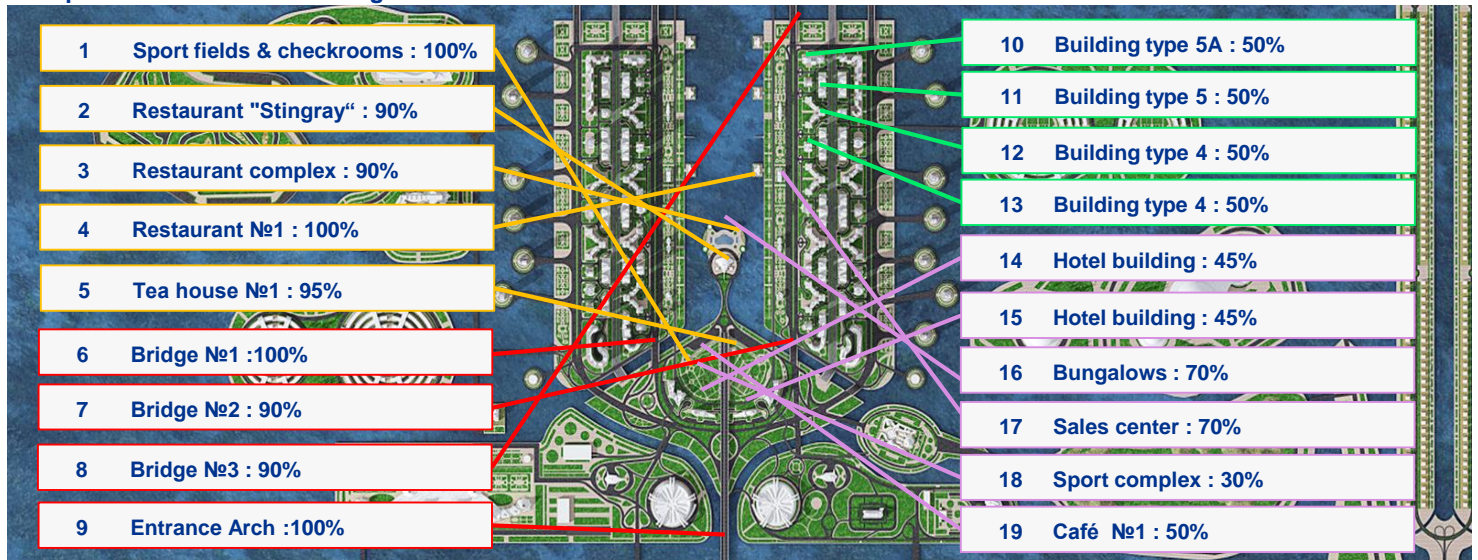
KPMG compared the scope of work that was designated during the worksite inspection with the data in the provided documentation about the scope of work. The cost of the performed work provided by the Client was compared against the market costs

The Client has provided an estimation of construction costs. The estimation contains a list of assets that includes their cost, the scope of work performed, and consolidated costs per unit. According to the provided estimation, the cost of the construction is USD 710,669,650 including VAT of 18%

The list of initially provided documentation is given in Appendix 7

KPMG also conducted a worksite inspection to determine the scope of performed work and approximate the degree of completeness

Completeness status of the Target



Source: Client Data, KPMG analysis

Methodology

To estimate the cost of the work performed, KPMG analysed the market for construction work. Prices for material and technical resources were determined based on commercial offers from construction contractors and suppliers in Azerbaijan

Unit costs were analysed by matching the declared cost of performed work with the average market cost for the same work in Azerbaijan

The scope of declared construction work was analysed to match initial data with the actual work identified during the worksite inspection. In addition, explanations from the Client and General Design Organisation were taken into consideration

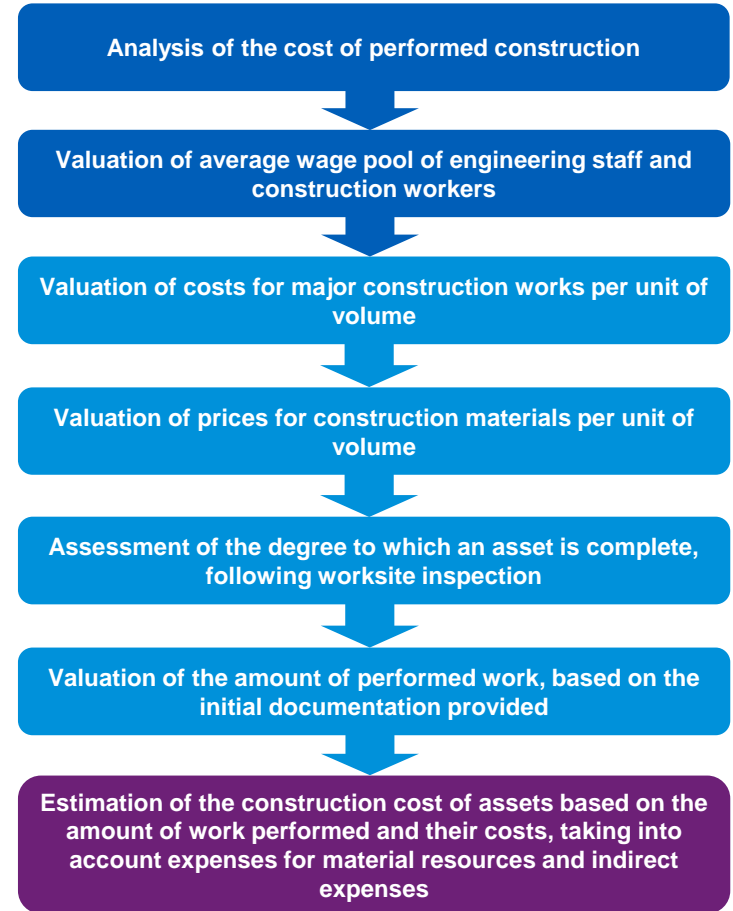
The bridge construction costs were analysed based on construction costs for existing bridges in Azerbaijan

- The cost of building the bridge across the river Kura at the 55th kilometre of the Alyat–Astara highway was AZN 34 million
- The cost of the bridge across the river Kura in Salyan district was AZN 12 million

The cost of the completed and uncompleted real estate properties was analysed based on the scope and market cost of construction work, and the degree of completeness

The degree of completeness was assessed based on expert opinion, formed after visual inspections

The cost analysis of purchased land plots was performed based on the market prices of comparable land plots in Baku and adjacent regions. (Source: <http://ru.tap.az/all/real-estate/land>). The full list of comparable land spots is presented in Appendix 7



Source: KPMG analysis

Cartographic data from Google Maps was used to assess the scope of construction work needed to complete the island embankment. Island embankment areas, size, and the thickness of embankment layers were identified

Unit costs contain the followings:

- Direct expenses (payroll expenses, maintenance costs for machines and mechanisms, and the cost of material and technical resources, estimated in accordance with the technical specifications of the materials)
- Following normal construction practice, delivery costs for materials are estimated at 5% of the material's cost
- Indirect costs (20% of direct costs)
- Unexpected expenses (2% of total costs. This amount is estimated based on normal construction practices)
- Value-Added Tax (VAT of 18%);

Indirect costs include the following:

- Temporary establishments
- Winter appreciation
- Transportation costs for staff
- Engineering staff wages
- Service costs
- Maintenance costs for transport vehicles
- Rental costs for offices and warehouses
- Advertisement and consulting services fees
- Social payments
- Expenses for communication services and other

Project area



Source: Client data

Project area



Source: Client data

Assumptions and results

Assumptions

- According to the Client, 15% of the total cost of used materials was incurred as a loss during the embankment filling works. The loss was considered in the estimation of filling works costs. The described loss is related to sea fluviraption
- As the documents related to the embankment work performed were not provided, valuation was carried out based on the worksite inspection. Having studied cartographical data from Google Maps, the total area of reclaimed and acquired land was estimated at 2,229,754 m²
- The area of the acquired land plots was confirmed by the provided cadastral passport for the purchase of this territory. As the purchase agreement was not provided, the cost analysis was conducted based on the market value of land plots in Baku and adjacent regions. The cost analysis yielded a price range of USD 6-14 per m² in Baku and adjacent regions. According to data from the Client, the cost of the purchased land was USD 11 per m², which is within the market price range. KPMG also assumed that sales tax was included in the land plot price
- Due to the absence of design documentation, specific technical decisions, and comparable assets, the cost of the Entrance Arch was not analysed. Client data states the cost of construction at USD 499,800 including VAT of 18%.
- As the designs and documentation for construction of the sewerage treatment lines and plants were not provided, KPMG did not analyse or visually inspect these assets. As per the Client's data, the construction cost of sewage treatment plants and sewer lines was USD 338,850 including VAT of 18%

- Due to a lack of information about different brands and models for concrete plants, the price of these plants were not analysed. According to the Client's data, the price of the concrete plants was USD 903,600, including VAT of 18% on both items

The total unconfirmed cost for the assets was USD 2,871,745 including VAT of 18%, which is about 0.4% of the total cost of the performed work

Results

KPMG's costs analysis identified some insignificant mismatches between the initial data and our performed analysis

In particular, the cost of construction works and materials in the consolidated costs do not match when compared with market costs for construction works and materials. As a result, the cost of project construction was adjusted by KPMG

The total project construction cost according to KPMG's estimation is USD 516.2 million (VAT excluded)

This cost does not include USD 116,398,719 (VAT excluded) of commercial assets, including the cost of the embankment and the pile-based foundation construction as part of those assets

The detailed results of the cost analysis are presented in Appendix 7



Conclusion

Results Summary

Fair value for residential units, hotels and restaurants which are under construction was estimated as USD 141.9 million

Total cost of all the existing infrastructure and reclamation costs excluding the land, under the objects and properties itself considered in the fair value analysis was estimated as USD516.2 million (VAT excluded)

The income approach was used for commercial properties (residential premises, hotels, bungalows and restaurants) which are assumed to generate cash flows in future. For the other properties (infrastructure objects) which are not capable of stable cash flows, cost analysis has been applied.

Fair value analysis

- The net present value (NPV) was calculated by discounting free cash flows. The Project's NPV is USD 141.9 million;
- Total incurred capital expenditure (CAPEX) by "Avesta Concern" LLC for the target is USD 133.8 million (including land acquisition costs)
- "Avesta Concern" LLC's total outstanding CAPEX to be paid is for the target is USD 128.5 million
- The internal rate of return (IRR) is 20.5% when both incurred and outstanding capital expenditure are considered
- IRR is 186.4% when only outstanding capital expenditure is considered
- The payback period (PBP) for the project is 3.0 years. The project will generate positive cash flows from the second half of 2017
- The Return on Investment (ROI) divides undiscounted profit by total CAPEX and is 99.5%

Construction cost analysis

- The total cost of the land under the properties considered in the fair value analysis was USD 64.2 million, excluding VAT of 18%
- The total cost that were not analysed of the properties, such as the Entrance Arch, electrical substations, the costs of laying electricity lines, the sewer treatment plants, sewer lines, and concrete, were AZN 5.1 million, approximately 0.4% of the total cost of performed work

Key Performance Indicators

	Unit	Value
NPV		
Residential buildings	USD'000	121,160
Hotels	USD'000	13,690
Restaurants & Bungalows	USD'000	7,040
Total project NPV	USD'000	141,890
Incurred CAPEX		
Residential buildings	USD'000	107,580
Hotels	USD'000	4,772
Restaurants & Bungalows	USD'000	21,453
Total incurred CAPEX	USD'000	133,805
Outstanding CAPEX		
Residential buildings	USD'000	100,038
Hotels	USD'000	23,794
Restaurants & Bungalows	USD'000	4,697
Total outstanding CAPEX	USD'000	128,529
KPI		
Project IRR investment	%	20.5%
Project IRR outstanding	%	186.4%
PBP	years	3.0
ROI	%	99.45%
Total undiscounted profit	USD'000	260,884
Total CAPEX	USD'000	262,334
CAPEX/m ² of GFA	USD/m ²	1,077

Source: KPMG Analysis

Construction cost analysis

	Unit	Value
Total cost of reclamation and existing infrastructure	USD'000	516,198
Total cost of lands under properties considered in the fair value	USD'000	64,223

Source: KPMG Analysis



Sensitivity Analysis

Sensitivity analysis

Sensitivity Analysis for hotels

The value of the hotels mainly depends on the ADR and hotel occupancy

Due to future economic events, market conditions, there is a high uncertainty for the assumptions and the hotel occupancy and ADR are subject to change in future.

Sensitivity analysis for hotels

The main drivers for value of the hotels are ADR and occupancy. For the base scenario, based on the market research of competitive hotels, general practice and Client's estimations, after the commencement of operations, a 60% occupancy rate was assessed for the base year and after three years of stabilization the occupancy will reach to 70% in 2021.

As a base scenario, ADR for hotels as at the analysis date was defined as USD 77, USD 99, USD 141 (VAT excluded) per standard, superior rooms and suites respectively. As the hotels are located far from the city center and due to seasonality factor, the Client looks forward to apply effective management system for tourist attraction and to keep the occupancy high.

Nevertheless, due to future economic events, market conditions, there is a high uncertainty for the assumptions and the hotel occupancy and ADR are subject to change in future. Therefore, sensitivity analysis was applied based on the Hotel ADR and occupancy

The main uncertainty in hotel occupation is related to autumn and winter period. Most of the tourist in cold season would prefer to stay in the hotels located in Baku. The client plans to organize different events and marketing actions focusing on Iranian auditory what will allow to stabilize occupancy in the low season. However, as the hotel is not under operation there is high uncertainty

In the sensitivity analysis, base and stabilized hotel occupancy was changed from -5% to 5%, while ADR for all room types was changed from -10% to 10%. As a result, the sensitivity will give the range of hotel NPV from USD7.6 to USD 20.4 million

USD'000		Hotel ADR				
		-10.0%	-5.0%	0.0%	5.0%	10.0%
Hotel Occupancy	-5.0%	7,548	9,266	10,984	12,703	14,421
	-2.5%	8,765	10,551	12,337	14,123	15,909
	0.0%	9,982	11,836	13,690	15,543	17,397
	2.5%	11,200	13,121	15,042	16,964	18,885
	5.0%	12,417	14,406	16,395	18,384	20,373

Source: KPMG Analysis



Scenario Analysis

Scenario Analysis

Scenario analysis: Iran and Middle East scenario

Iran and Middle East scenario

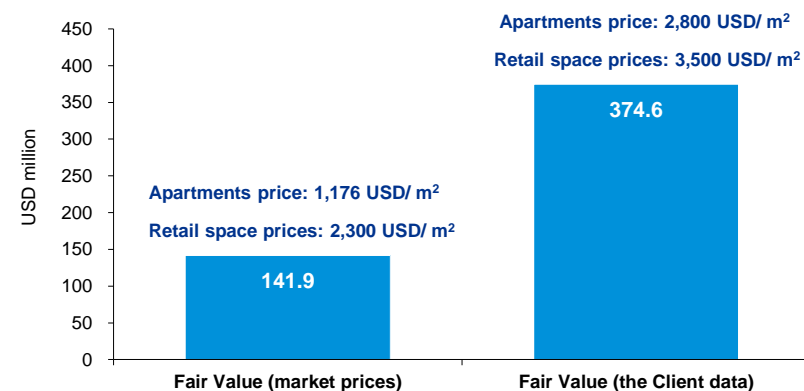
According to the Client management, there are ongoing negotiations with a potential investors from Middle East and Iran

As a result of the negotiations, a sales contract has been proposed. As per the proposed contract, average sales price per m² of the apartments and retail is estimated as USD2,800 and USD3,500, respectively. In this scenario, it is assumed that both retail spaces and apartments will be sold within two years

In this scenario compared to the second zone market price scenario, the revenue from the sales of the apartments will almost double due to the higher sales prices. In addition, the sales period is shorter, so discounted cash flow will be higher. Both the higher prices and shorter sales period have resulted with the higher value

As the contract is not signed yet, the resulting value cannot be treated as a fair value and does not reflect KPMG opinion. The result is performed for indicative purposes as per the Client request

Fair Value analysis in two scenarios



Source: KPMG analysis

Calculation of the indicative value

USD'000	2017	2018	2019	2020	2021	2022
Revenue from residential buildings	103,102	315,312	172,219	-	-	-
Revenue from hotels, restaurants & bungalows	-	1,143	6,050	11,478	12,698	13,257
Operational expenses	-	-	(1,478)	(3,179)	(3,455)	(3,607)
Fixed expenses	(2,062)	(6,341)	(3,911)	(1,066)	(1,050)	(1,018)
Net Operating Income	101,040	310,115	172,881	7,233	8,192	8,631
Capital expenditures	(64,172)	(57,523)	(6,834)	-	-	-
Tax expenses	(10)	(11)	(11)	(10)	(10)	(10)
Net Income	36,857	252,580	166,037	7,222	8,182	8,621
Terminal value	-	-	-	-	-	71,841
Total cash flow	36,857	252,580	166,037	7,222	8,182	71,841
Discount rate	18.5%					
Discounted cash flow	30,399	190,044	112,952	3,979	3,804	33,443
Fair Value	374,622					

Source: KPMG analysis



Limiting Conditions

Limiting conditions (1/2)

Distribution of the Report

This Report was prepared solely for the purposes outlined in the transmittal letter and is not intended for use for any other purposes. Unless otherwise specifically stated in this Report, neither the Report nor its contents may be referred to or cited, either in whole or in part, in any documents related to the registration of securities, emission prospectus, public documents, loan agreements or any other agreements and documents without our prior written consent. In addition, except where specifically stated, our analysis and the Report materials are not intended for distribution or publication and may not be reproduced or transferred to third parties without our prior written consent

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Scope of analysis

The calculation of the value of the Target or any other financial instruments is a question of judgment, based on available information. This Report was prepared on the basis of the information and assumptions submitted by the Company

Nature of the Report

Our Report should not be considered an opinion regarding any actual or proposed transaction, or as an investment recommendation. This Report analyses the fair value of the Target as at 31 December 2016

For a number of different reasons, the price at which the Targets may be sold under a specific transaction between specific parties on a specific date may differ materially from the value provided in our Report

Confirmation of the information provided by the Client

We have relied on the information presented to us without performing an audit on it or independent confirmation of its authenticity. We proceeded on the assumption that all the information has been presented in full, is accurate, and reflects the good-faith intentions of the Client to provide a gross development representation of its performance and development prospects as at the Valuation Date from an operational and financial viewpoint. When performing the work we used publicly available financial information from recognised sources, which in most cases we did not check

Subsequent events

Pursuant to the terms of the Contract, we are under no obligation to update this Report or the performed Analysis to account for events which take place after the Analysis Date

Limiting conditions (2/2)

Legal issues

KPMG assumes no obligations on legal issues, including interpretation of laws or contracts. We did not study the issue of legal status and proceeded from the premise that the declared right of the owner to the property is substantiated. Unless otherwise specifically stated, we did not check the property for the existence of a lien or other encumbrance. We proceeded on the assumption that all the requisite licences, permits, etc. are valid. We assume no responsibility for the applicability of the approaches used in the Report to be used as evidence during a hearing in any court or jurisdiction. The use of the Report and findings in a court of any instance is to be decided at the discretion of the Client and its legal advisor

Witness testimony

Neither KPMG nor any individual who signed this Report or was related to the Report in any other way shall be obliged to testify as a witness or appear in court or at any other court proceedings, except for instances where special preliminary instructions were issued on this account

Limitation of liability

This Report and the Appendices hereto contain a number of assumptions which we consider to be legitimate and substantiated. However, anyone using this Report should perform their own analysis and due diligence check, including of the assumptions made by KPMG. KPMG assumes no liability or obligations related to costs, damages, losses or expenses sustained by a third party in relation to the use of this Report



Appendices

Legal documents of properties(1/11)

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0358741

Keyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsi, şimal-şərq hissəsi, "Yeni şəhər" kompleksi /5.5961 ha torpaq sahəsi
Yüklüliyin növü	İstifadə
Yüklüliyin müddəti	----
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklüliyi	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001354
Qeydiyyat nömrəsi	1112022647
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 359 nömrəli reyestr kitabının 33870 nömrəli vərəqində qeydiyyata alınmışdır.


Bakı Şəhər Ərazi İdarəsinin rəisi E.Səmədov
Qeydiyyat icraçısı E.Babayev

Qeydi laminasiya olunmuşna yol verilmir

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0359045

Keyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsinin şimal-şərq hissəsi, "Yeni şəhər" kompleksi / 43.9418 ha torpaq sahəsi
Yüklüliyin növü	İstifadə
Yüklüliyin müddəti	----
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklüliyi	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001363
Qeydiyyat nömrəsi	1112022653
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 353 nömrəli reyestr kitabının 33362 nömrəli vərəqində qeydiyyata alınmışdır.


Bakı Şəhər Ərazi İdarəsinin rəisi E.Səmədov
Qeydiyyat icraçısı E.Babayev

Qeydi laminasiya olunmuşna yol verilmir

Legal documents of properties(2/11)

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0357893

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsi, şimal-şərq hissəsi, "Yeni şəhər" kompleksi / 5.8829 ha torpaq sahəsi
Yüklülüyün növü	İstifadə
Yüklülüyün müddəti	-
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli Sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklülüyü	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001350
Qeydiyyat nömrəsi	1112022640
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 350 nömrəli reyestr kitabının 33099 nömrəli vərəqində qeydiyyata alınmışdır.

Bakı Şəhər Ərazi İdarəsinin rəisi E.Səmədov
Qeydiyyat icraçısı E.Babayev

Qeydi lənəməyə əhəməməyə yöl verəmələ

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0357894

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsi, şimal-şərq hissəsi, "Yeni şəhər" kompleksi / 45.637 ha torpaq sahəsi
Yüklülüyün növü	İstifadə
Yüklülüyün müddəti	-
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli Sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklülüyü	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001358
Qeydiyyat nömrəsi	1112022456
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 355 nömrəli reyestr kitabının 33522 nömrəli vərəqində qeydiyyata alınmışdır.

Bakı Şəhər Ərazi İdarəsinin rəisi E.Səmədov
Qeydiyyat icraçısı E.Babayev

Qeydi lənəməyə əhəməməyə yöl verəmələ

Legal documents of properties(3/11)

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0359040

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsinin şimal-şərq hissəsi, "Yeni şəhər" kompleksi / 40.413 ha torpaq sahəsi
Yüklüliyin növü	İstifadə
Yüklüliyin müddəti	-----
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklüliyi	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001357
Qeydiyyat nömrəsi	1112022525
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 358 nömrəli reyestr kitabının 33769 nömrəli vərəqində qeydiyyat alınmışdır.

Bakı Şəhər Ərazi İdarəsinin rəisi  E.Səmədov
Qeydiyyat icraçısı  E.Babayev

Qeydi ləminasiya olunmasına yel verilmir

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0358743

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsi, şimal-şərq hissəsi, "Yeni şəhər" kompleksi /12.6693 ha torpaq sahəsi
Yüklüliyin növü	İstifadə
Yüklüliyin müddəti	----
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklüliyi	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001351
Qeydiyyat nömrəsi	1112022562
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 358 nömrəli reyestr kitabının 33770 nömrəli vərəqində qeydiyyat alınmışdır.

Bakı Şəhər Ərazi İdarəsinin rəisi  E.Səmədov
Qeydiyyat icraçısı  E.Babayev

Qeydi ləminasiya olunmasına yel verilmir

Legal documents of properties(4/11)

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0357895

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsi, şimal-şərq hissəsi, "Yeni şəhər" kompleksi / 23.9899 torpaq sahəsi
Yüklüliyin növü	İstifadə
Yüklüliyin müddəti	-
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklüliyi	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001347
Qeydiyyat nömrəsi	1112022543
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 350 nömrəli reyestr kitabının 33100 nömrəli vərəqində qeydiyyata alınmışdır.


 Bakı Şəhər Ərazi İdarəsinin rəisi E.Səmədov
 Qeydiyyat icraçısı E.Babayev

Qeydi: lüminasiya olunmasına yol verilmir

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ


Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0357896

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsi, şimal-şərq hissəsi "Yeni şəhər" kompleksi / 15.8085 ha torpaq sahəsi
Yüklüliyin növü	İstifadə
Yüklüliyin müddəti	-
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli Sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklüliyi	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001352
Qeydiyyat nömrəsi	1112022468
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 355 nömrəli reyestr kitabının 33520 nömrəli vərəqində qeydiyyata alınmışdır.


 Bakı Şəhər Ərazi İdarəsinin rəisi E.Səmədov
 Qeydiyyat icraçısı E.Babayev

Qeydi: lüminasiya olunmasına yol verilmir

Legal documents of properties(5/11)

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0359039

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsinin şimal-şərq hissəsi, "Yeni şəhər" kompleksi / 14.0912 ha torpaq sahəsi
Yüklüliyin növü	İstifadə
Yüklüliyin müddəti	----
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklüliyi	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001359
Qeydiyyat nömrəsi	1112022631
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 353 nömrəli reyestr kitabının 33344 nömrəli vərəqində qeydiyyata alınmışdır.



Bakı Şəhər Ərazi İdarəsinin rəisi E.Səmədov


Qeydiyyat icraçısı E.Babayev
Qeydi ləminətiyə olunmasına yəd verilmir

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0358742

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsi, şimal-şərq hissəsi, "Yeni şəhər" kompleksi / 43.9415 ha torpaq sahəsi
Yüklüliyin növü	İstifadə
Yüklüliyin müddəti	----
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklüliyi	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001355
Qeydiyyat nömrəsi	1112022556
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 359 nömrəli reyestr kitabının 33868 nömrəli vərəqində qeydiyyata alınmışdır.



Bakı Şəhər Ərazi İdarəsinin rəisi E.Səmədov


Qeydiyyat icraçısı E.Babayev
Qeydi ləminətiyə olunmasına yəd verilmir

Legal documents of properties(6/11)

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0359041

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsinin şimal-şərq hissəsi, "Yeni şəhər" kompleksi / 43.9355 ha torpaq sahəsi
Yüklülüyün növü	İstifadə
Yüklülüyün müddəti	----
Əsas ühdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklülüyü	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001353
Qeydiyyat nömrəsi	1112022421
Qeydiyyat tarixi	29.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 358 nömrəli reyestr kitabının 33772 nömrəli vərəqində qeydiyyata alınmışdır.

Bakı Şəhər Ərazi İdarəsinin rəisi E.Səmədov
Qeydiyyat icraçısı E.Babayev

Qeydi ləvizasiya olunmuşdur və verilir.

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0359042

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsinin şimal-şərq hissəsi "Yeni şəhər" kompleksi / 4.1848 ha torpaq sahəsi
Yüklülüyün növü	İstifadə
Yüklülüyün müddəti	----
Əsas ühdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklülüyü	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001361
Qeydiyyat nömrəsi	1112022548
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 353 nömrəli reyestr kitabının 33343 nömrəli vərəqində qeydiyyata alınmışdır.

Bakı Şəhər Ərazi İdarəsinin rəisi E.Səmədov
Qeydiyyat icraçısı E.Babayev

Qeydi ləvizasiya olunmuşdur və verilir.

Legal documents of properties(7/11)

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0359044

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsinin şimal-şərq hissəsi, "Yeni şəhər" kompleksi / 27.2028 ha torpaq sahəsi
Yüklüliyin növü	İstifadə
Yüklüliyin müddəti	-----
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklüliyi	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001346
Qeydiyyat nömrəsi	1112022389
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 359 nömrəli reyestr kitabının 33869 nömrəli vərəqində qeydiyyata alınmışdır.

Bakı Şəhər Ərazi İdarəsinin rəisi E.Səmədov
Qeydiyyat icraçısı E.Babayev

Qeydi İdarəsinə qaytarılmasına yol verilmir

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0359043

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsinin şimal-şərq hissəsi, "Yeni şəhər" kompleksi / 12.7485 ha torpaq sahəsi
Yüklüliyin növü	İstifadə
Yüklüliyin müddəti	-----
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklüliyi	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001364
Qeydiyyat nömrəsi	1112022411
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 360 nömrəli reyestr kitabının 33956 nömrəli vərəqində qeydiyyata alınmışdır.

Bakı Şəhər Ərazi İdarəsinin rəisi E.Səmədov
Qeydiyyat icraçısı E.Babayev

Qeydi İdarəsinə qaytarılmasına yol verilmir

Legal documents of properties(8/11)

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ



Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0358208

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsi, şimal-şərq hissəsi, "Yeni şəhər" kompleksi /15.8812 ha torpaq sahəsi
Yüklüliyin növü	İstifadə
Yüklüliyin müddəti	--
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı 06.08.2010-cu il tarixli Sərəncamına əsasən "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir.
Hüququn əvvəlki yüklüliyi	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001360
Qeydiyyat nömrəsi	1112022425
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 358 nömrəli reyestr kitabının 33771 nömrəli vərəqində qeydiyyatla alınmışdır.

Bakı Şəhər Ərazi İdarəsinin rəisi  E.Səmədov
Qeydiyyat icraçısı  E.Babayev

Qeyd: lüminasiya olunmuşdur və verilmir

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0357892

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsinin şimal-şərq hissəsi, "Yeni şəhər" kompleksi / 27.2979 ha torpaq sahəsi
Yüklüliyin növü	İstifadə
Yüklüliyin müddəti	--
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli Sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklüliyi	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001348
Qeydiyyat nömrəsi	1112022533
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 359 nömrəli reyestr kitabının 33867 nömrəli vərəqində qeydiyyatla alınmışdır.

Bakı Şəhər Ərazi İdarəsinin rəisi  E.Səmədov
Qeydiyyat icraçısı  E.Babayev

Qeyd: lüminasiya olunmuşdur və verilmir

Legal documents of properties(9/11)

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0358210

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsi, şimal-şərq hissəsi, "Yeni şəhər" kompleksi /43.9416 ha torpaq sahəsi
Yüklüliyin növü	İstifadə
Yüklüliyin müddəti	--
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı şəhər İcra Hakimiyyətinin 309 sayılı 06.08.2010-cu il tarixli Sərəncamına əsasən "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir.
Hüququn əvvəlki yüklüliyi	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001349
Qeydiyyat nömrəsi	1112022516
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 355 nömrəli reyestr kitabının 33521 nömrəli vərəqində qeydiyyata alınmışdır.

Bakı Şəhər Ərazi İdarəsinin rəisi  E. Samadov
Qeydiyyat icraçısı  E. Babayev

Qeydi ləminəyiz əhatəsinə yot verilmir

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0358209

Xeyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsi, şimal-şərq hissəsi, "Yeni şəhər" kompleksi / 40.0528 ha torpaq sahəsi
Yüklüliyin növü	İstifadə
Yüklüliyin müddəti	--
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı şəhər İcra Hakimiyyətinin 309 sayılı 06.08.2010-cu il tarixli Sərəncamına əsasən "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir.
Hüququn əvvəlki yüklüliyi	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001362
Qeydiyyat nömrəsi	1112022436
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 360 nömrəli reyestr kitabının 33974 nömrəli vərəqində qeydiyyata alınmışdır.

Bakı Şəhər Ərazi İdarəsinin rəisi  E. Samadov
Qeydiyyat icraçısı  E. Babayev

Qeydi ləminəyiz əhatəsinə yot verilmir

Legal documents of properties(10/11)

AZƏRBAYCAN RESPUBLİKASI
ƏMLAK MƏSƏLƏLƏRİ DÖVLƏT KOMİTƏSİNİN YANINDA
DAŞINMAZ ƏMLAKIN DÖVLƏT REYESTRİ XİDMƏTİ

Hüquqların Dövlət qeydiyyatı haqqında daşınmaz əmlakın Dövlət reyestrindən

ÇIXARIŞ

Seriya MA № 0359038

Keyrinə hüquq yüklü edilən şəxs(lər)	"Avesta" Konserni
Hüququ yüklü edilən şəxs(lər)	Dövlət
Yüklü edilən əmlakın (əmlak hissəsinin) adı və ünvanı	Bakı şəhəri, Qaradağ rayonu, Sahil qəsəbəsinin şimal-şərq hissəsi, "Yeni şəhər" kompleksi / 32.741 ha torpaq sahəsi
Yüklülüyn növü	İstifadə
Yüklülüyn müddəti	-----
Əsas öhdəliyin mahiyyəti və icra müddəti	Bakı Şəhər İcra Hakimiyyətinin 309 sayılı, 06.08.2010-cu il tarixli sərəncamı ilə "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsi üçün istifadəyə verilmişdir
Hüququn əvvəlki yüklülüynü	yoxdur
Yüklü edilən əmlakın reyestr nömrəsi	002011001356
Qeydiyyat nömrəsi	1112022510
Qeydiyyat tarixi	30.03.2012

Daşınmaz əmlak üzərindəki hüquq daşınmaz əmlakın Dövlət reyestrində 355 nömrəli reyestr kitabının 33519 nömrəli vərəqində qeydiyyata alınmışdır.

Bakı Şəhər Ərazi İdarəsinin rəisi E.Səmədov
Qeydiyyat icraçısı E.Babayev

Qeydi: İmzaya əhəmiyyəti yoxdur

AZƏRBAYCAN RESPUBLİKASI
**BAKİ ŞƏHƏR
İCRA HAKİMİYYƏTİ BAŞÇISI**

SƏRƏNCAM " 06 " 08 2010 -ci il

№ _____

«Yeni şəhər» kompleksinin tikintisinin layihələndirilməsi haqqında

1. «Avesta» konserninin 28.07.2010-ci il tarixli, 16 sayılı müraciətini nəzərə alaraq, Qaradağ rayonu, Sahil qəsəbəsinin şimal-şərq hissəsində yerləşən torpaq sahəsində və 2-ci, 3-cü dəniz bəndləri arasındakı su fondu torpaq sahəsində, ümumilikdə 500,0 ha torpaq sahəsində «Yeni şəhər» kompleksinin tikintisinin layihələndirilməsi üçün icarə əsasında «Avesta» konserninə icazə verilsin.

2. Sifarişçiyə tapşırılsın:

2.1. Ərazinin və tikiləcək obyektin səhərsalma əsaslandırılmasına dair Səhərsalma və Arxitektura Komitəsindən müsbət rəy alındıqdan sonra, razılaşdırılması üçün Memarlıq və Səhərsalma Baş İdarəsinə təqdim etsin.

2.2. Sahəni yerində qəbul etsin, onun sanitari vəziyyətinə nəzarət etsin.

2.3. Ərazinin və obyektin memarlıq-planlaşdırmasının həllini layihələndirmə ərəfəsində Memarlıq və Səhərsalma Baş İdarəsi ilə razılaşdırsın. Layihələndirmə başa çatdıqdan sonra işçi layihəsini tam həcmdə Baş İdarəyə təqdim etsin.

2.4. Layihə təşkilatı layihə-axtarış işləri apararkən mühəndis kommunikasiyaları aşkar edildikdə, Baş plan işlənməzdən əvvəl həmin kommunikasiyaların köçürülməsini, Memarlıq və Səhərsalma Baş İdarəsi və əlaqədar təşkilatlarla razılaşdırsın.

3. Layihələndirmə işləri tam başa çatdıqdan sonra razılaşdırılmış və təsdiq edilmiş sənədlər Qeydiyyat Müfəttişliyinə təqdim edilşin.

4. Azərbaycan Respublikası «Torpaq Məcəlləsinin 66, 67 və 68-ci maddələrinə uyğun olaraq, Bakı Şəhər İcra Hakimiyyəti nəzdində "Interservis" müdiriyəti torpaq icarə müqaviləsinin bağlanmasını təmin etməli və sifarişçi Əmlak Məsələləri Dövlət Komitəsi yanında Daşınmaz Əmlakın Dövlət Reyestr Xidmətində torpaq sahəsi üzərində icarə hüququnu dövlət qeydiyyatına almalsdır.

5. Layihə sənədləri mərhələsindən asılı olmayaraq, memarlıq fəaliyyəti ilə lisenziya əsasında məşğul olan hüquqi və fiziki şəxslər tərəfindən işlənməlidir.

6. Ayrılmış torpaq sahəsinin sanitari vəziyyətinə nəzarət, həmin sahənin özbaşına zəbt olunmasının qarşısını almaq üçün tədbirlər görmək rayon icra hakimiyyətinin başçısına tapşırılsın.

7. Yuxarıda qeyd edilən tədbirlər sifarişçi tərəfindən yerinə yetirilməmə, sərəncamın ləğv edilməsi məsələsinə qarşı qeyd edilən tədbirlərdə tutulmuş qaydada baxılacaqdır.

H. Abutalbov

Əslilə düzür

Legal documents of properties (11/11)

18/1

SOCAR Azərbaycan Respublikası Dövlət Neft Şirkəti
Prezident

Azərbaycan, Bakı
AZ 1000, Neftçilər pr. 73
Tel.: (994 12) 521 03 32
Fax: (994 12) 521 03 63
e-mail: socar1@socar.az

№ 22.197-842
"11" 10 20 10 il


**Bakı Şəhər İcra Hakimiyyətinin başçısı
cənab H.Abutalıbova**


Kompleksin layihələndirilməsi ilə bağlı

Hörmətli Hacıbala müəllim,

Qaradağ rayonu, Sahil qəsəbəsinin şimal-şərq hissəsində yerləşən torpaq sahəsində və 2-ci, 3-cü dəniz bəndləri arasındakı su fondu torpaq sahəsində "Yeni şəhər" kompleksinin tikintisinin layihələndirilməsinə rəyin bildirilməsi barədə 14 sentyabr 2010-cu il tarixli 7-2323/17 nömrəli məktubunuza Azərbaycan Respublikası Dövlət Neft Şirkətində baxılmışdır.

Bununla bağlı bildirilir ki, qaz anbarı ilə həmsərhəd olan həmin torpaq sahəsində qüvvədə olan tikinti norma və qaydaları nəzərə alınmaqla "Yeni şəhər" kompleksinin layihələndirilməsinə ARDNŞ etiraz etmir.


Rövnəq Abdullayev

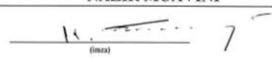

LİSENZIYA
№ 089869


Qeydiyyat nömrəsi İ/14-1451/2016 "20" İyun 2016 il
Azərbaycan Respublikasının İqtisadiyyat Nazirliyi
(licenziyanı verən dövlət orqanının adı)

**Tikintisinə icazə tələb olunan və barəsində məlumatlandırma
(fəaliyyət növü)**
icraatı tətbiq olunan bina və qurğuların layihələndirilməsini
hayata keçirməyə icazə verir.

Lisenzia verilib **"ESR İNŞAAT"**
(hüquqi şəxslər üçün - lisenziya verilən hüquqi
Məhdud Məsuliyyətli Cəmiyyətinə
şəxsin adı və hüquqi ünvanı; fiziki şəxslər üçün - adı, atasının adı, soyadı, şəxsiyyət
Bakı şəhəri, Binəqədi rayonu, Mustafa Kamal Atatürk,
vəsiqəsinə dair məlumat (seriya, nömrə, kim tərəfindən və nə vaxt verilmişdir, ünvanı)
ev 29, mənzil 7, VÖEN 0300060831

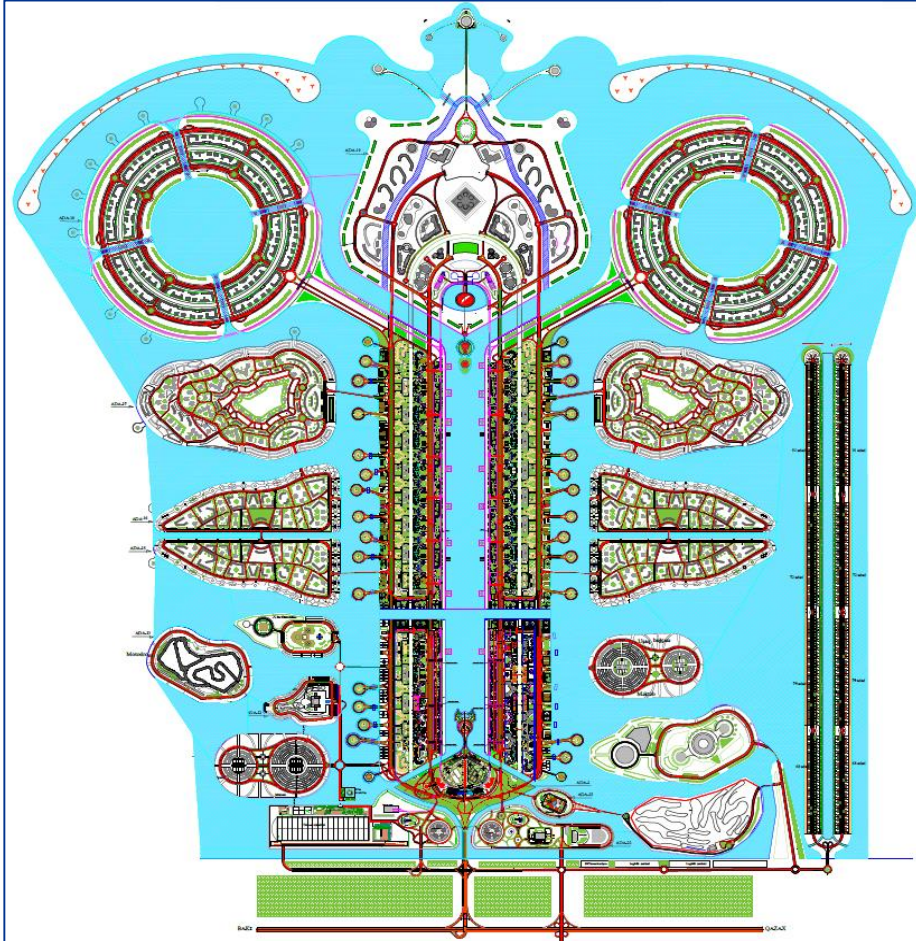
Lisenzianın qüvvədə olduğu müddət **Müddətsiz** il.
Lisenzianı təsdiq edən məsul şəxs **SAHIB MƏMMƏDOV**
(adi, soyadı)

Vəzifəsi **NAZİR MÜAVİNİ**

(imza)

M.Y.


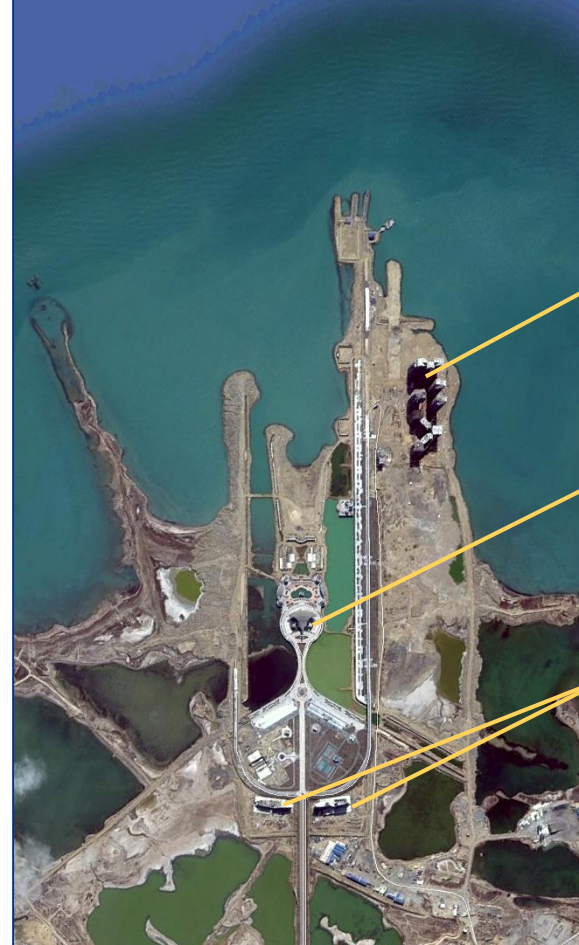
Master plan

Project Master Plan



Source: Client data

Current Status



Source: Client data

Residential



Restaurants



Hotels



Appendix 3

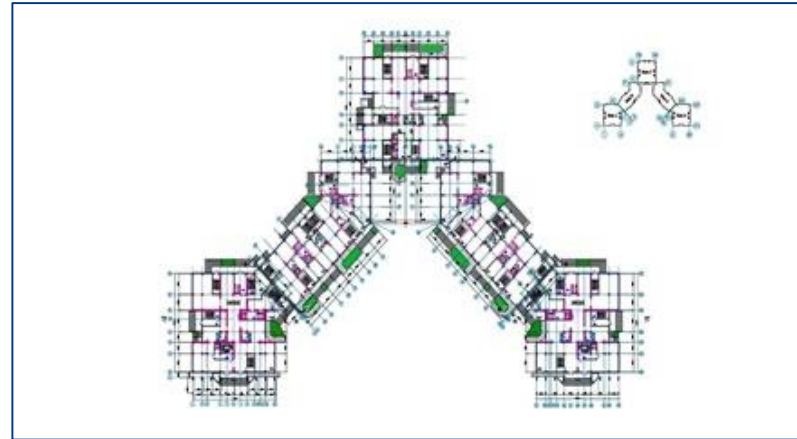
Project concepts and plans (1/4)

Building No.4 – Khazar Empire building



Source: Client data

Khazar Empire building – Master Plan



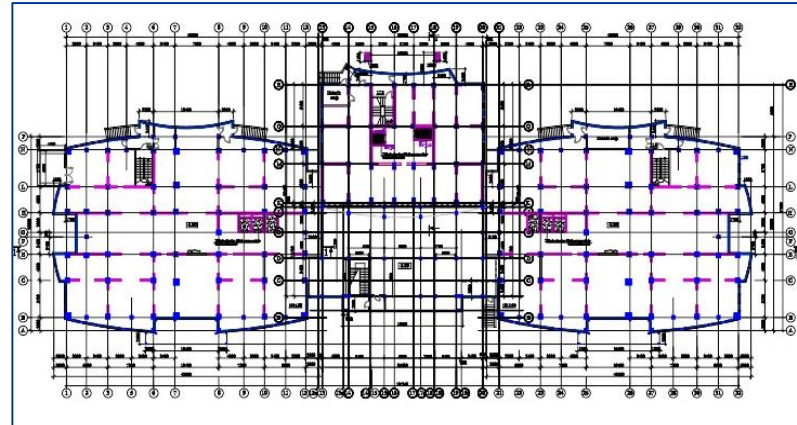
Source: Client data

Building No.5A – Antares building



Source: Client data

Antares building – Master Plan



Source: Client data

Appendix 3

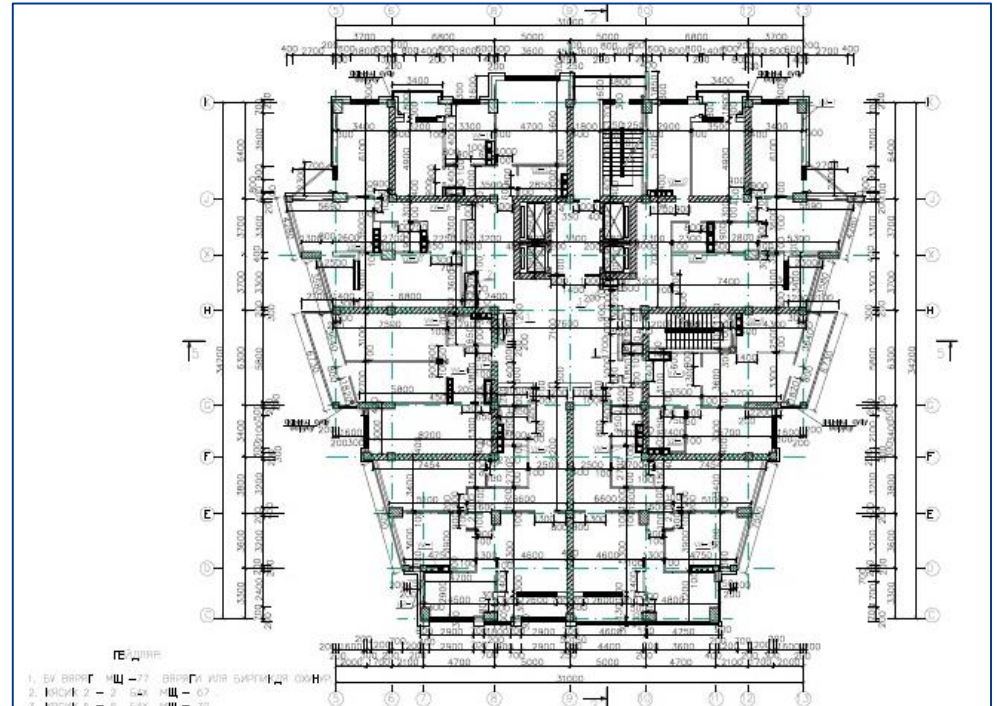
Project concepts and plans (2/4)

Building No.5 –Khazar Twins



Source: Client data

Khazar Twins – Master Plan



Source: Client data

Appendix 3

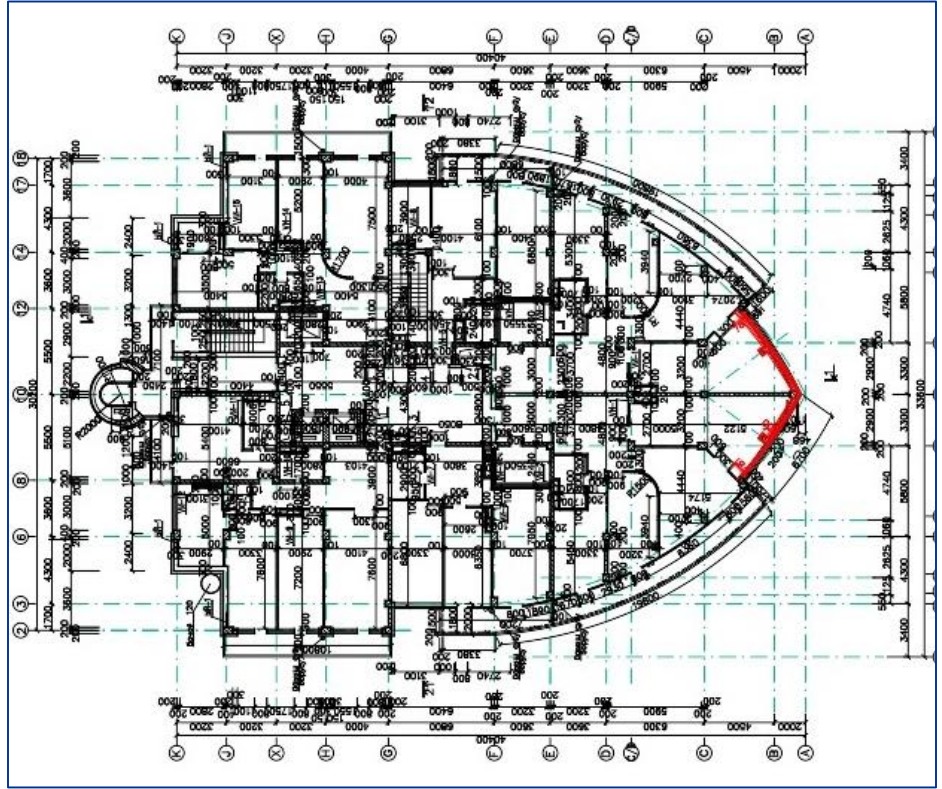
Project concepts and plans (3/4)

Building No.6 –White Sail



Source: Client data

White Sail – Master Plan



Source: Client data

Appendix 3

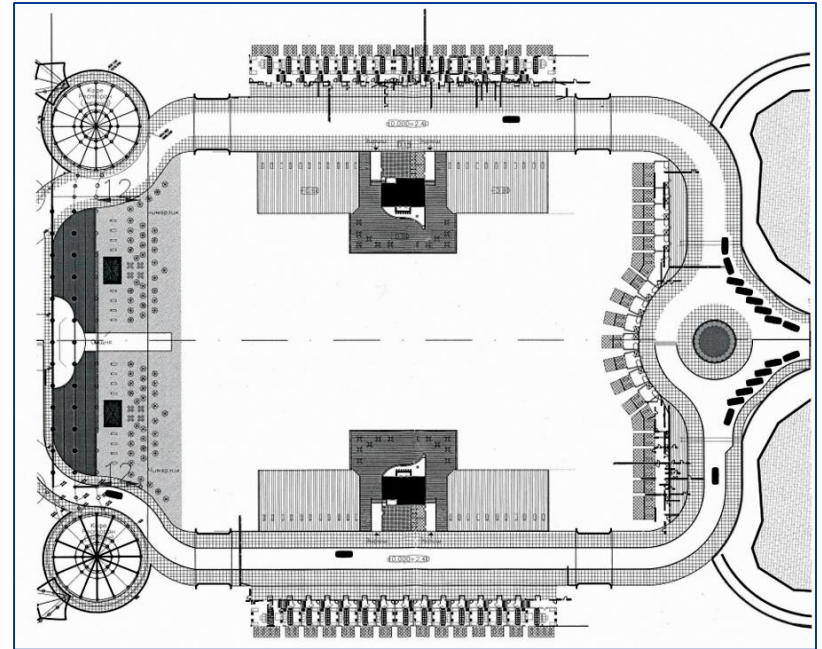
Project concepts and plans (4/4)

Bungalows photo



Source: Client data









Bungalows plan



Source: Client data

Appendix 4

Elite-class residential complexes in Baku

Residential properties								
Photos								
Property number	1	2	3	4	5	6	7	8
Property name	Roseville Residences	Baku City Gardens	Baku White city	Port Baku residence	Park Bayil	Bayil Bay	Crescent Bay	Azure residence
Brief description	The project includes a child entertainment park, sports complex, spa, and open swimming pool	As one of the first premium class residence complexes, it includes sports and entertainment clubs, a spa, and an indoor swimming pool	With its own retail and entertainment centre, as well as a school, the complex occupies 221ha of developed area	This complex is located in a prestigious region of the city. It was developed by world-famous partners and includes a shopping mall, retail store, and sports club.	Park Bayil, a 12-storey premium-class residential building, is located right in front of the new part of the famous Baku Boulevard and State Flag Square	Bayil Bay is located in a prestigious place, offering captivating views of the sea, the city, and the landscape.	An integrated leisure, hospitality, residential and commercial development, Crescent Bay is poised to set new standards for service, entertainment and enjoyment in the Caucasus.	Located in the trendy part of the city on the shores of the Caspian sea, near Baku Boulevard
Property address	AZ1008,Baku,Narimanov,Kazim Kazimzadeh	AZ1072,Baku,Narimanov,Ashig Ali,4	AZ1025,Baku,Khatai,Alfred Nobel	AZ1010,Baku,Nasimi,Neftchilar,153	27 Gurban Abbasov str. Sabail district, AZ1003, Baku, Azerbaijan	5 Gurban Abbasov street AZ1003, Baku, Azerbaijan	38, Zarifa Aliyeva str. Baku, Azerbaijan, AZ1010	AZ1025,Baku,Khatai,Alfred Nobel,15
Distance from city centre, km	2.4	5.1	4.7	1.1	4	3.5	0.5	2.7
Developer	Atkins; Aral Group	Atkins	Atkins	Pasha Construction	N/A	N/A	Gilan Holding	Yeni Hayat
Status	Completed	Completed	Under construction	Completed	Under Construction	Under Construction	Under Construction	Completed
Flat count	272		18,000	800	N/A	N/A	168	307
Flat area	up to 454	150-450	250-400	n/a	N/A	N/A	273,000	135-195
Residence sale price, USD/m ²	1,450-1,700	2,250	1,300-1,700	1,700-3,400	N/A	N/A	N/A	1,700-3,400
Parking sales, USD/ m2	28,000	n/a	11,300-17,000	27,500	N/A	N/A	N/A	20,000
Parking rental, USD/lot/month	170	n/a	40-55	175	N/A	N/A	N/A	90-112
Web site	http://www.aralgroupbaku.com/en/	http://www.bakucitygardens.com/indexeng.html	http://www.bakuwhitecity.com/en/	http://portbaku.az/residential/	http://parkbayil.az/az/location	http://bayilbay.az/eng/iletisim.html	http://gilanholding.com/tourism/Crescent+Hotel+115?hl=en	http://azure.az/en/

Appendix 5

Market approach calculation (1/4)

Residential Market					
Characteristic	Target	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Characteristics					
Source	Client Data	https://bina.az/items/495889	https://bina.az/items/487920	https://bina.az/yasayis-kompleksleri/22	https://bina.az/items/487257
Date of offer	31/12/2016	20/04/2017	07/04/2017	19/04/2017	19/04/2017
Region	Baku	Baku	Baku	Baku	Baku
Location	Khazar Islands	Nobel avenue	A.Jalilov street	G.Abbasov street	Z.Khalilov street
Metro station	N/A	Khatai station	Khatai station	N/A	Elmlar Akademiyasi
District	Garadagh	Khatai	Khatai	Sabail	Yasamal
Total area, m2	150	134	146	128	136
Property rights	Residential	Residential	Residential	Residential	Residential
Repair condition	Good	Not repaired	Not repaired	Not repaired	Not repaired
Class	B	B	B	B	B
Number of floors	N/A	3/7	17/18	7/12	10/20
Appraised value/Ask price, AZN	N/A	294,000	292,000	293,888	265,000
Appraised value/Ask price, AZN/m2	N/A	2,194	2,000	2,296	1,949
Adjustments					
Date adjustment, %		0.0%	0.0%	0.0%	0.0%
Bargain discount, %		0.0%	0.0%	0.0%	0.0%
Size adjustment, %		0.0%	0.0%	0.0%	0.0%
Location adjustment, %		0.0%	0.0%	-5.0%	0.0%
Property rights adjustment, %		0.0%	0.0%	0.0%	0.0%
Condition adjustment, %		0.0%	0.0%	0.0%	0.0%
Other adjustment, %		0.0%	0.0%	0.0%	0.0%
Adjusted price, AZN/m2		2,194	2,000	2,181	1,949
Average value, AZN/m2	2,081				
Average value, USD/m2 (VAT Included)	1,176				

Appendix 5

Market approach calculation (2/4)

Commercial Market						
Characteristic	Target	Comparable 1	Comparable 2	Comparable 3	Comparable 4	
Characteristics						
Source	Client Data	http://yeniemlak.az/elan/888808	https://bina.az/items/481011	https://bina.az/items/488185	http://yeniemlak.az/elan/854823	
Date of offer	31.12.16	1/4/2017	4/11/2017	18/02/2017	17/02/2017	
Region	Baku	Baku	Baku	Baku	Baku	
Location	Khazar Islands	Gutgashinli	Bayil	Gutgashinli	Afiyaddin Jalilov 45	
Metro station	N/A	Elmler Akademiyasi	N/A	Elmler Akademiyasi	Khatai	
District	Garadagh	Yasamal	Bayil	Yasamal	Khatai	
Total area, m2	1,000	200	700	140	90	
Property rights	Restraurant	No-residential	Non-residential	Non-residential	Non-residential	
Repair condition	Good	Very good	Not repaired	Good	N/A	
Class	C	B	B	B	N/A	
Number of floors	N/A	20/1	18/1	N/A	N/A	
Appraised value/Ask price, AZN	N/A	1,000,000	2,800,000	700,000	360,000	
Appraised value/Ask price, AZN/m2	N/A	5,000	4,000	5,000	4,000	
Adjustments						
Date adjustment, %		0.0%	0.0%	0.0%	0.0%	
Bargain discount, %		0.0%	0.0%	0.0%	0.0%	
Size adjustment, %		0.0%	0.0%	-5.0%	0.0%	
Location adjustment, %		0.0%	0.0%	0.0%	0.0%	
Property rights adjustment, %		0.0%	0.0%	0.0%	0.0%	
Condition adjustment, %		-15.0%	0.0%	-15.0%	0.0%	
Other adjustment, %		0.0%	0.0%	0.0%	0.0%	
Adjusted price, AZN/m2		4,250	4,000	4,038	4,000	
Average value, AZN/m2	4,072					
Average value, USD/m2 (VAT Included)	2,300					

Appendix 5

Market approach calculation (3/4)

Restaurants					
Characteristic	Target	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Characteristics					
Source	Client Data	http://yeniemlak.az/elan/8898	http://yeniemlak.az/elan/8840	http://yeniemlak.az/elan/8831	http://unvan.az/gutgasinli-kuc-2295121.html
		59	31	76	
Date of offer	31.12.16	4/3/2017	1/4/2017	26/03/2017	27/01/2017
Region	Baku	Baku	Baku	Baku	Baku
Location	Khazar Islands	Nearby Yasamal Police Department	Azadlig avenue 66	Khocali avenue	Gutgashanli
Metro station	N/A	Inshaatcilar	Ganjlik	Khatai	Nearby Baku State University
District	Garadagh	Yasamal	Narimanov	Khatai	Elmler Akademiyasi
Total area, m2	200	217	285	165	224
Property rights	Restaurant	Non-residential	Restaurant	Restaurant	Non-residential
Repair condition	Good	Good	Good	Medium	Good
Class	C	B	B	B	B
Number of floors	N/A	18/1	18/1	15/1	N/A
Appraised value/Ask price, monthly AZN	N/A	2,000	3,000	1,600	2,000
Appraised value/Ask price, Monthly AZN/m2	N/A	9	11	10	9
Adjustments					
Date adjustment, %		0.0%	0.0%	0.0%	0.0%
Bargain discount, %		0.0%	0.0%	0.0%	0.0%
Size adjustment, %		0.0%	0.0%	0.0%	0.0%
Location adjustment, %		0.0%	0.0%	0.0%	0.0%
Property rights adjustment, %		0.0%	0.0%	0.0%	0.0%
Condition adjustment, %		-10.0%	-10.0%	-5.0%	-10.0%
Other adjustment, %		0.0%	0.0%	0.0%	0.0%
Adjusted price, AZN/m2		8	9	9	8
Average value, AZN/m2/month	9				
Average value, USD/m2/year (VAT Included)	61				

Appendix 5

Market approach calculation (4/4)

4 Star Hotels in Azerbaijan										
Hotel Name	Address	Website	City	Total Rooms	ADR (USD, VAT Included)					
					Standard	Superior	Suite			
Holiday Inn Baku	Keykab Khanim Safaraliyeva Street 5	https://www.ihg.com/holidayinn/hotels/us/en/baku/baku/ihotel/detail	Baku	223	116	124	264			
Qafqaz Baku City Hotel and Residences	Tbilisi Avenue 34	http://www.qafqazhotel.com/ru/qafqaz-baku-city-hotel-and-residence	Baku	316	80	86	137			
Qafqaz Baku Sport Hotel	Khagani Rustamov Street, Block 1210	http://www.qafqazhotel.com/ru/qafqaz-baku-sport-city-hotel	Baku	104	77	89	101			
Park Inn by Radisson Baku Hotel	Azadlig Avenue 1	https://www.parkinn.com/Hotel/Baku	Baku	248	113	163	195			
Shah Palace Hotel	Qosha Qala Street 47	http://www.shahpalacehotel.com/	Baku	35	104	131	149			
Divan Express Baku	Hasanoglu Street 15	http://divan-express-baku.hotel-rn.com/?lbl=ggl-ex	Baku	63	64	70	105			
Gorgud Hotel & SPA	Khatai avenue 39	http://www.gorgudhotel.com/	Baku	65	119	179	238			
Modern Hotel	Mirali Gashgai Street 188	www.modernhotel.az	Baku	67	72	107	131			
Safran Hotel	Jeyhun Hajibeyli Street 282	www.safranhotel.az/	Baku	49	77	107	N/A			
Ariva Hotel	Ahmad Rajabli 1 Street 12	http://www.arivahotel.az/index.php/ru	Baku	47	89	107	179			
					Average ADR (VAT Included)			91	116	167
					Average ADR (VAT Excluded)			77	99	141
					Bungalow ADR (VAT Excluded)					155

Comparison of hotel rooms and club rooms

Hotel Name	Address	City	ADR (USD)	
			Hotel	Club
TT Hotels Hydros Club	Yeni Mahalle, Sehit Polis Kemal Ilgaz Caddesi No:1, 07980	Kemer	106	112
Cirali Hotel Odile	Cirali Mahallesi Ulupinar Köyü	Cirali	88	118
Ela Quality Resort Belek	Iskele Mevkii Belek-Serik	Antalya	235	250
Kale Hotel	Yeni Cami Mah. Anfitiyatro Sok. N.8	Kas	93	114
Rixos Premium Tekirova	Tekirova Beldesi Antalya, 07995 Tekirova,	Antalya	417	428
Average ADR			187.8	204.4
Difference between Hotel rooms and Club rooms				8.9%

Source: KPMG analysis

Appendix 6

Discount rate calculation

Discount rate calculation		
Component	Source	Value
Risk-free rate	Bloomberg	6.8%
Real estate risk premium	Expert	1.0%
Exposure time	Expert	12
Liquidity risk premium	Calculation	6.8%
Property specific risk premium	Expert	4.0%
Discount rate		18.5%

Source: KPMG analysis

Appendix 7

Cost analysis (1/3)

List of initial documentation

- The general plan of the Target
- The package of drawings for the bridges construction
- The package of drawings for the checkrooms and sport complex construction
- The package of drawings for “Stingray” restaurant construction
- The package of drawings for Restaurant #1 construction
- The package of drawings for Tea House #1 construction
- The package of drawings for housing buildings (type 4; type 5; type 5A; type 6) construction
- The package of drawings for the administration building and hotel building (Ships) construction
- The package of drawings for Sales Center construction
- The package of drawings for mini-football and basketball fields construction
- The package of drawings for Café #1 construction
- Space-planning design for Bungalow construction
- The package of technical provisions for connecting to engineering networks
- Copy of cadastral certificate for purchased land plots
- Project presentation
- List of machines and mechanisms involved in construction works
- Photographic images of the objects

Appendix 7

Cost analysis (2/3)

Salary expenses

Position	Average monthly wage, USD
Engineering staff	847
Construction worker	395

Source: <https://az.jobble.org>

Costs of construction works

#	Title of construction work	Unit	Average cost, USD
1	Construction of sport grounds	m ²	35
2	Construction of ceramic tile pavements	m ²	17
3	Construction of grass-plat	m ²	10
4	Construction of granite tile pavements	m ²	22
5	Construction of reinforced concrete structures	m ³	69
6	Construction of basement from sand- aggregate mixtures	m ³	8
7	Laying of exterior line tube with diameter D300	l.m.	33
8	Construction of asphalt pavement	m ³	44
9	Construction of kerb-stone	l.m.	8
10	Construction of concrete basement	m ²	8
11	Tree planting	lt.	6
12	Underwood planting	it	17
13	Survey and design work (for square unit)	m ²	2

Source: KPMG analysis

Prices for major material and technical resources

#	Title of material	Unit	Average cost, USD
1	Aggregate for construction. Size 20-40	m ³	18
2	Aggregate for construction. Size 40-70	m ³	17
3	Sand with high content of clay	m ³	6
4	Sand from quarry	m ³	7
5	Street ceramic tile	m ²	7
6	Concrete B25	m ³	41
7	Concrete B30	m ³	45
8	Concrete B40	m ³	48
9	Mixture for grass-plat	kg	11
10	Street granite tile	m ²	27
11	In-situ reinforced concrete construction	m ³	110
12	Gravel size 40-70	m ³	18
13	Exterior line tube with diameter D300	l.m.	19
14	Hot mix asphalt	m ³	35
15	Kerb-stone 1000.30.15	l.m.	3
16	Palm (street)	it	1387
17	Olive tree (street)	it	153
18	Reinforcement A500	t	568

Source: KPMG analysis

Appendix 7

Cost analysis (3/3)

Subject Property						
Characteristic	Target	Comparable 1	Comparable 2	Comparable 3	Comparable 4	
Characteristics						
Source	Client Data	http://tap.az/all/real-estate/land/2484790	http://tap.az/all/real-estate/land/2484747	http://tap.az/all/real-estate/land/2498803	http://tap.az/all/real-estate/land/2520747	
Date of offer	31.12.16	23/03/2017	23/03/2017	24/03/2017	27/03/2017	
Region	Baku	Baku	Baku	Baku	Baku	
Location	Khazar Islands	Bilajari settlement	Fatmayi village	Qobu settlement	Qobu settlement	
Metro station	N/A	N/A	N/A	N/A	N/A	
District	Garadagh	Binagadi	Absheron	Absheron	Absheron	
Total area, m2	N/A	600	4,500	800	800	
Property rights	Residential	Residential	Residential	Residential	Residential	
Appraised value/Ask price, USD	N/A	8471	56475	6777	4518	
Appraised value/Ask price, USD/m2	11	14	13	8	6	
Min value, USD/m2	6					
Average value, USD/m2	10					
Max value, USD/m2	14					

Appendix 8

Cost analysis description (1/4)

Cost analysis											
# Est.	Expenses particle related to type of work	Title of object, section	Main type of works	Amount		Cost per unit, USD		total cost, USD		% of total cost	
						Unit	VAT excl.	VAT incl.	VAT excl.		VAT incl.
1	construction	Sport fields and checkrooms	Universal sport area	1,600	m2		91	108	146,309	172,644	0.0%
1	construction	Sport fields and checkrooms	Basketball area	850	m2		91	108	77,727	91,717	0.0%
1	construction	Sport fields and checkrooms	Tiles cover	1,035	m2		25	29	25,503	30,094	0.0%
1	construction	Sport fields and checkrooms	Green area	120	m2		61	72	7,302	8,616	0.0%
1	construction	Sport fields and checkrooms	Checkrooms	234	m2		1,129	1,333	263,963	311,477	0.0%
1	construction	Restaurant "Stingray"	Granite cover (highway)	3,786	m2		141	167	534,534	630,751	0.1%
1	construction	Restaurant "Stingray"	Granite cover (walking path)	7,705	m2		124	147	957,305	1,129,620	0.2%
1	construction	Restaurant "Stingray"	Greeneries ((Flowers and decorative trees, lawn)	1,352	m2		56	67	76,343	90,084	0.0%
1	construction	Restaurant "Stingray"	Underground floor (Restaurant and beer factory) with equipment designed by Italian experts and completely renovated	2,533	m2				4,291,862	5,064,397	0.7%
1	construction	Restaurant "Stingray"	1st Floor (Restaurant renovated by Italian design)	2,674	m2		1,694	1,999	4,831,716	5,701,425	0.8%
1	construction	Restaurant "Stingray"	2nd Floor (Restaurant renovated by Italian design)	1,205	m2		1,807	2,132	2,177,489	2,569,437	0.3%
1	construction	Restaurant Complex	Service floor and restaurant floor	1,809	m2		1,017	1,200	1,838,934	2,169,942	0.3%
1	construction	Restaurant Complex	Restaurants (quantity 2)	896	m2		1,129	1,333	1,012,029	1,194,194	0.2%
1	construction	Restaurant Complex	Café and restaurants (quantity 2)	788	m2		1,017	1,200	801,039	945,226	0.1%
1	construction	Restaurant Complex	Bar within a pool	28	m2		847	1,000	23,940	28,249	0.0%
1	construction	Restaurant Complex	Pools	4,338	m2		339	400	1,469,758	1,734,314	0.2%
1	construction	Restaurant Complex	Granite layer and protective concrete side of the road	4,500	m2		141	167	635,342	749,704	0.1%
1	construction	Restaurant Complex	Greeneries (lawns and trees)	48	m2		56	67	2,711	3,199	0.0%
1	construction	Restaurant #1	Restaurants №1	764	m2		2,259	2,666	1,725,645	2,036,261	0.3%
1	construction	Restaurant #1	Terrace and pool	196	m2		565	666	110,465	130,348	0.0%
1	construction	Restaurant #1	Granite layer and protective concrete side of the road	800	m2		66	78	52,719	62,208	0.0%

Source: KPMG analysis

Appendix 8

Cost analysis description (2/4)

Cost analysis										
# Est.	Expenses particle related to type of work	Title of object, section	Main type of works	Amount	Unit	Cost per unit, USD		total cost, USD		% of total cost
						VAT excl.	VAT incl.	VAT excl.	VAT incl.	
1	construction	Restaurant #1	Greeneries	100	m2	56	67	5,647	6,664	0.0%
1	construction	Tea House #1	Tea house №1	146	m2	1,694	1,999	247,529	292,084	0.0%
1	construction	Tea House #1	Terrace area	225	m2	169	200	38,188	45,062	0.0%
1	construction	Tea House #1	Floor	200	m2	113	133	22,590	26,656	0.0%
1	construction	Bridge 1	Steel-concrete construction	2,072	m2	1,910	2,253	3,957,110	4,669,389	0.6%
1	construction	Bridge 2	3 span and 4 supported bridge	2,249	m2	1,910	2,253	4,294,730	5,067,782	0.7%
1	construction	Bridge 3	3 span and 4 supported bridge	1,911	m2	1,910	2,253	3,649,279	4,306,150	0.6%
1	construction	Entrance arch to the city	Steel-concrete works, façade works, decoration works, lighting, landscaping and etc.	-	pack	423,561	499,802	-	-	-
2	construction	Type 5A Building №15	in-situ reinforced concrete construction	55,772	m2	114	135	6,378,852	7,527,046	1.0%
2	construction	-	Purchased stained glass material	24,075	m2	147	173	3,535,043	4,171,350	0.6%
2	construction	Type 5 Building №15	in-situ reinforced concrete construction	55,042	m2	114	135	6,295,360	7,428,524	1.0%
2	construction	-	Purchased stained glass material	9,630	m2	147	173	1,414,017	1,668,540	0.2%
2	construction	Type 6 Building №13	in-situ reinforced concrete construction	21,665	m2	114	135	2,477,907	2,923,930	0.4%
2	construction	-	Purchased stained glass material	18,295	m2	147	173	2,686,339	3,169,880	0.4%
2	construction	Type 4 Building №15	in-situ reinforced concrete construction	40,699	m2	114	135	4,654,897	5,492,778	0.7%
2	construction	Mayor Administrative building	-	16,041	m2	114	135	1,834,669	2,164,910	0.3%
2	construction	Hotel Administrative building	-	10,112	m2	114	135	1,156,547	1,364,726	0.2%
2	construction	Places with bungalow	-	6,470	m2	68	80	438,471	517,395	0.1%
2	construction	Sales Centre	-	2,558	m2	114	135	292,568	345,230	0.0%
2	construction	Café#1	-	184	m2	847	1,000	155,701	183,727	0.0%
3	filling works	-	Filling with large stone, sand, and gravel at 7m depth of the Sea	15,608,278	m3	22	26	348,325,710	411,024,338	55.1%

Source: KPMG analysis

Appendix 8

Cost analysis description (3/4)

Cost analysis										
# Est.	Expenses particle related to type of work	Title of object, section	Main type of works	Amount	Unit	Cost per unit,USD		total cost, USD		% of total cost
						VAT excl.	VAT incl.	VAT excl.	VAT incl.	
3	filling works	-	Filling with compacted stone, sand, and gravel at 1 m depth of the Sea	586,231	m3			11,110,625	23,214,830	1.8%
3	filling works	-	Filling with the layer of clay at 0.6 m depth of the Sea	351,739	m3	19	22	5,024,206	10,497,708	0.8%
3	filling works	-	Filling with the 2.4 m height compacted sand and soil	1,406,954	m3	14	17	20,665,142	43,178,284	3.3%
3	filling works	-	Losses (15%)	2,692,980	m3	15	17	53,612,573	112,019,505	8.5%
4	piling works	Type 5A Building №7	in-situ reinforced concrete pile construction	807	it	9,845	11,617	7,944,623	16,599,702	1.3%
4	piling works	Type 4 Building №9	in-situ reinforced concrete pile construction	830	it	9,141	10,787	7,587,403	15,853,318	1.2%
4	piling works	Type 4 Building №6	in-situ reinforced concrete pile construction	830	it	9,141	10,787	7,587,403	15,853,318	1.2%
4	piling works	Type 4 Building №6	in-situ reinforced concrete pile construction	830	it	9,141	10,787	7,587,403	15,853,318	1.2%
4	piling works	Type 6A Building №10	in-situ reinforced concrete pile construction	207	it	9,845	11,617	2,037,840	4,257,916	0.3%
4	piling works	Type 8 Building №8	in-situ reinforced concrete pile construction	207	it	9,845	11,617	2,037,840	4,257,916	0.3%
5	Shore protection	Piling works	Piling works	2,400	0	2,660	3,139	6,383,916	13,338,720	1.0%
5	Shore protection	Shore protection	Shore protection and diaphragms	7,100	0	1,041	1,228	7,389,902	15,440,654	1.2%
6	Design and survey work	-	Designing 12 residential buildings	761,711	m2	5	6	4,188,095	8,750,715	0.7%
6	Design and survey work	-	Designing non-residential buildings	49,414	m2	16	19	789,206	1,648,988	0.1%
6	Design and survey work	-	Sketch projects of general plan and other objects	500,000	m2			1,309,113	2,735,294	0.2%
6	Design and survey work	-	Paperwork (approval of sketch and working projects, geological and topographical works, for the analysis of concrete and rebars, laboratory works, examinations of projects, technical specifications et.c.)	1	pack	3	3	2,686,616	5,613,485	0.4%
7	Price of land plot	Land and water area	-	5,000,000	m2	2,686,616	3,170,207	56,474,840	100,005,000	7.6%
8	Facilitation and treatment plants	-	D300 mm facilitation of water with pipeline	10,000	m	11	11	1,914,401	4,000,000	0.3%
8	Facilitation and treatment plants	-	Facilitation of electric lines and construction of transformer substations	-	0	191	226	-	-	-
8	Facilitation and treatment plants	-	The construction of sewage treatment plants, sewer lines	-	0	957,201	1,129,497	-	-	-
						287,160	338,849			

Source: KPMG analysis

Appendix 8

Cost analysis description (4/4)

Cost analysis										
# Est.	Expenses particle related to type of work	Title of object, section	Main type of works	Amount	Unit	Cost per unit, USD		total cost, USD		% of total cost
						VAT excl.	VAT incl.	VAT excl.	VAT incl.	
9	Concrete plant purchasing	Concrete plant	-		- pack	382,880	451,799	-	-	-
10	Highways and parkings	Highways within the city (asphalt)	-	48,300	m2	21	25	1,005,899	1,186,961	0.2%
10	Highways and parkings	Highways within the city (granite layer)	-	37,000	m2	50	59	1,844,211	2,176,169	0.3%
10	Highways and parkings	Kerb-stone protection	-	12,890	l.m.	12	15	160,060	188,871	0.0%
10	Highways and parkings	The concrete base of highways	-	72,500	m2	16	19	1,163,996	1,373,515	0.2%
10	Highways and parkings	Highways within the city (covered in ceramic tiles)	-	35,500	m2	35	41	1,242,443	1,466,083	0.2%
10	Highways and parkings	Granite layers of parking lots	-	38,000	m2	50	59	1,894,054	2,234,984	0.3%
10	Highways and parkings	Concrete basis of parking lots	-	38,000	m2	16	19	610,094	719,911	0.1%
10	Highways and parkings	Granite kerbs of parking lots	-	3,600	l.m.	20	23	71,050	83,839	0.0%
11	Boulevard and park	Reinforced concrete base in the park	-	52,600	m2	54	64	2,856,588	3,370,774	0.5%
11	Boulevard and park	Laying tiles cover in the park	-	23,500	m2	44	52	1,041,422	1,228,878	0.2%
11	Boulevard and park	The concrete base of a seaside boulevard	-	52,500	m2	23	27	1,191,739	1,406,252	0.2%
11	Boulevard and park	Imposing granite slabs in the seaside boulevard	-	28,900	m2	69	82	2,005,278	2,366,228	0.3%
11	Boulevard and park	Imposing red granite slabs in the seaside boulevard	-	3,000	m2			162,437	191,676	0.0%
11	Boulevard and park	Preparation of granite railings in seaside boulevard	-	1,250	m2			102,442	120,882	0.0%
12	Green works	-	Lawn works, land cleaning, construction, allocation of arable layor, planting and watering lawns	170,000	m2			1,787,982	2,109,818	0.3%
12	Green works	-	Planting olive trees	12,000	it	11	12			
12	Green works	-	Planting palm trees	210	it	145	171	1,737,001	2,049,661	0.3%
12	Green works	-	Shrubs and flowers	14,000	m2	1,265	1,492	265,588	313,394	0.0%
12	Green works	-	Other different trees	14,000	m2	25	30	353,462	417,085	0.1%
12	Green works	-	Pine trees	1,200	m2	47	56	56,666	66,865	0.0%
12	Green works	-		45,000	m2	53	63	2,401,998	2,834,358	0.4%

Source: KPMG analysis

Investment promotion reforms

Investment promotions

On 18 January 2016, the President of the Republic of Azerbaijan has signed a decree on Promotion of Investment

Further to expansion of investment activities, improve the business environment and increase industrial production, appropriate rules are applied for the purpose of promotion investment mechanism and regulation of legal instrument

Upon issuance of Investment Promotion Certificate (hereinafter “Certificate”) the following rules shall be met:

The following criteria should be met for issuing Investment Promotion Certificate:

- Investment to be carried out in economic sphere
- The minimum amount of investment projects
- Administrative and territorial units of the investment project

Exemptions and privileges

The following customs tariff concessions shall be applied:

- Technology and technological equipment imported by entities and individual entrepreneurs engaged in investment activity, as well as by resident entities and individual entrepreneurs of industrial or technology parks for the purpose of building production areas of industrial or technology parks, conducting scientific research and development works on the basis of the confirmation document shall be exempt for the period of 7 years
- Import of technology, technological equipment and devices by managing organization or operator of industrial or technology parks shall be exempt for the period of 7 years

Tax exemptions and privileges						
Tax	Rate	Investment promotion certificate	Timeframe	In SCIP the managing organisation / operating body	In SCIP legal and physical persons - residents of the industrial or technology parks	
Income Tax of Entrepreneurs	20%	50% Exemption from Income Tax (effective tax rate is 10%)	7 years	From the date of obtaining Investment Promotion certificate	From the date of obtaining Investment Promotion certificate	
Profit Tax	20%	50% Exemption from Profit Tax (effective tax rate is 10%)	7 years	From the date of obtaining Investment Promotion certificate	From the date of obtaining Investment Promotion certificate	
VAT	18%	Exempted	7 years	From the date of obtaining Investment Promotion certificate	From the date of obtaining Investment Promotion certificate	
Property Tax	1%	Exempted		From the date of obtaining Investment Promotion certificate	From the date of obtaining Investment Promotion certificate	
Land Tax	8 AZN / 100 m2	Exempted	7 years	From the date of obtaining Investment Promotion certificate	From the date of obtaining Investment Promotion certificate	
Import Customs Duty exemption	0-15%	Import of technology, technological equipment and devices by entities and individual entrepreneurs engaged in investment activity shall be exempt for the period of 7 years		From the date of obtaining Investment Promotion certificate	From the date of obtaining Investment Promotion certificate	

Source: Milli Majlis (National Parliament)

Appendix 10

Site photos (1/5)

Entrance to “Khazar Islands”



Project area



Sales center



Entrance arch



Project area



Stingray Restaurant and outdoor pool



Site photos (2/5)

Residential buildings



Residential buildings



Hotel



Bridge



Project area



Project area



Appendix 10

Site photos (3/5)

Aerial photo



Roads with the granite pavements



Project area



Project area



Sport complex



Restaurants



Appendix 10

Site photos (4/5)

Residential buildings



Hotels



Project area



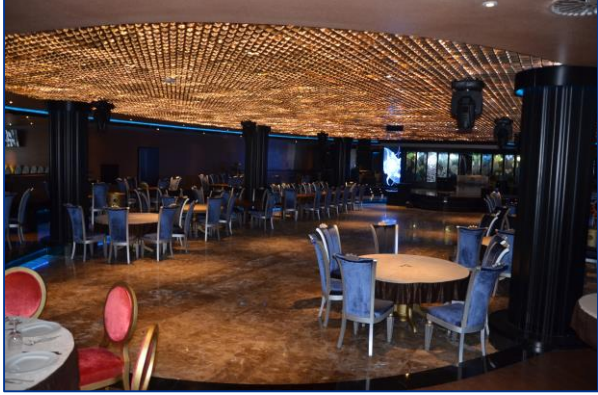
Restaurant



Beer club



Restaurants



Appendix 10

Site photos (5/5)

Stingray restaurant



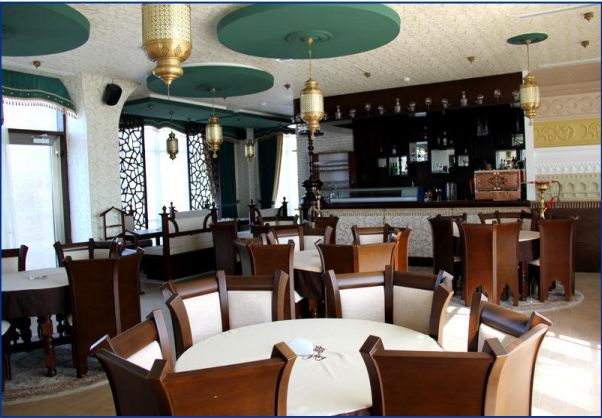
Stingray restaurant



Stingray restaurant



Stingray restaurant



Stingray restaurant



Stingray restaurant



Representation letter (1/5)

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“28” April 2017

KPMG Azerbaijan Limited
AZ1010, Baku, Nasimi district, Nefchilar Avenue 153

To: Sven Osmers
Head of Real Estate Practice, KPMG Russia and CIS

Representation letter

Dear Sven Osmers,

This representation letter was prepared in relation to the services on fair value estimation for residential units, hotels, and restaurants under the Phase 1 of “Khazar Islands” Project located on 27-29km Baku-Salyan highway and cost analysis for other investments made in existing infrastructure and land reclamation (the “Targets”) as at 31 December 2016 (“Analysis Date”) in accordance with Assignment No. 1 Engagement Contract KPI15/15/2017 dated on 01/03/2017, signed between “Avesta Concern” LLC (the “Client”, or the “Company”) and KPMG Azerbaijan Ltd. (“KPMG”).

I confirm that the information, provided for the Analysis is complete, accurate and reflects the management’s best knowledge and expectations regarding Project concept, area distribution, construction costs, timeline, future development prospects, risks and other significant aspects of the Targets.

I confirm that the information on the Targets enclosed in Appendices to this letter is materially accurate and complete, not misleading in the manner of its portrayal and, therefore, forms a reliable basis for performing of the Analysis. I am not aware of any further information which should be relevant to the Analysis.

I understand KPMG have relied on the aforementioned information and data provided by the Company and upon discussions with our employees during the engagement and that KPMG has not undertaken any audit procedures to independently verify the reasonableness of this information. I also understand that KPMG express no opinion as to the fairness of the presentation of the aforementioned information, and that any errors in, alterations or modifications to this information could materially affect KPMG’s findings.

We have no reason to dispute the underlying information upon which KPMG relied in the Analysis. We understand that KPMG findings are to be relied upon solely in connection with the circumstances set forth in your Contract.

Yours faithfully,




Ibrahim Ibrahimov
President, Avesta Concern LLC.



Appendices

- Appendix 1. CAPEX for the Targets
- Appendix 2. Hotels and bungalows occupancy level
- Appendix 3. Project construction timeline
- Appendix 4. Area distribution
- Appendix 5. Sales periods
- Appendix 6. Number and area of apartments in each building
- Appendix 7. Sales forecasts assumptions
- Appendix 8. Seasonal adjustments for sales forecasts
- Appendix 9. Sales prices for apartments and retail spaces
- Appendix 10. Hotels and bungalows data
- Appendix 11. Restaurants
- Appendix 12. Cost analysis



Representation letter (2/5)

Appendix 1. CAPEX for the Targets

The Company confirms that incurred CAPEX and CAPEX forecasts represented in the table below is applicable for the Analysis as at December 31, 2016.

Capital Expenditures																	
ADN (AIF included)	Year	Target	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	
Land acquisition	113,954,087	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Type 5A building	17,486,160	36,102,120	-	10,894,000	6,110,770	4,110,770	4,110,770	6,110,770	4,110,770	4,110,770	3,802,207	1,770,866	-	-	-	-	
Type 5 building	16,096,160	33,298,810	-	8,989,040	3,794,086	3,794,086	3,794,086	3,794,086	3,794,086	2,703,717	1,633,027	-	-	-	-	-	
Type 4 building	21,642,423	44,772,260	-	13,451,763	5,101,496	5,101,496	5,101,496	5,101,496	5,101,496	3,853,288	2,188,469	-	-	-	-	-	
Type 6 building	8,485,797	17,654,932	-	3,288,480	2,000,219	2,000,219	2,000,219	2,000,219	2,000,219	1,426,383	861,876	-	-	-	-	-	
Commercial	12,871,111	31,273,914	-	6,381,374	3,880,367	3,880,367	3,880,367	3,880,367	3,880,367	2,592,864	1,530,861	-	-	-	-	-	
Hotel 1	5,183,010	21,218,058	-	6,305,420	2,452,111	2,452,111	2,452,111	2,452,111	2,452,111	2,452,111	-	-	-	-	-	-	
Hotel 2	3,287,280	23,276,688	-	6,983,384	2,240,480	2,240,480	2,240,480	2,240,480	2,240,480	2,240,480	1,417,107	1,417,107	-	-	-	-	
Bungalows & Restaurants	37,486,760	8,883,900	-	1,770,700	1,770,700	1,770,700	1,770,700	1,770,700	1,770,700	2,243,462	2,243,462	-	-	-	-	-	

Appendix 2. Hotels and bungalows occupancy level

The Company confirms that the occupancy level forecasts for both hotels and bungalows represented in the table below is applicable for the Analysis as at December 31, 2016.

Hotels & bungalows occupancy level																	
Unit	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	
Hotels %	-	75%	65%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	
Bungalows %	-	32%	66%	6%	5%	32%	66%	6%	6%	32%	66%	6%	6%	32%	66%	6%	

Appendix 3. Project construction timeline

The Company confirms that project time the constructions represented in the table below is applicable for the Analysis as at December 31, 2016.

Project Construction Timeline		
	Construction start	Construction end
Type 5A building	01/01/2017	31/03/2019
Type 5 building	01/01/2017	31/03/2019
Type 4 building	01/01/2017	31/03/2019
Type 6 building	01/01/2017	31/03/2019
Hotel 1	01/01/2017	30/06/2019
Hotel 2	01/01/2017	30/06/2019
Bungalows & Restaurants	01/01/2017	31/05/2018



Appendix 4. Area distribution

The Company confirms that area distribution represented in the table below is applicable for the Analysis as at December 31, 2016.

Area distribution			
	Unit	GFA	GLA
Type 5A building	m2	56,772	47,193
Type 5 building	m2	61,043	43,504
Type 4 building	m2	66,180	58,495
Type 6 building	m2	27,082	22,935
Hotel 1	m2	10,922	N/A
Hotel 2	m2	10,922	N/A
Restaurants	m2	11,003	9,953

Appendix 5. Sales periods

The Company agree with the sales periods represented in the table below is applicable for the Analysis as at December 31, 2016

Sales period for residential units			
	Sales start	Sales end	
Type 5A building	01/07/2017	30/06/2020	
Type 5 building	01/07/2017	30/06/2020	
Type 4 building	01/07/2017	30/06/2020	
Type 6 building	01/07/2017	30/06/2020	

Appendix 6. Number and area of residential buildings

The Company confirms that the number and area of apartments represented in the table below is applicable for the Analysis as at December 31, 2016

Area and number of apartments		
	Area m2	Apartments
Type 5A building	47,193	314
Type 5 building	43,504	291
Type 4 building	58,495	430
Type 6 building	22,935	117



Representation letter (3/5)

Appendix 7. Sales forecasts assumptions

The Company agrees with the sales of forecasts assumptions represented in the table below is applicable for the Analysis as at December 31, 2016

Sales forecasts assumptions				
Sales year		1	2	3
Type 5A building	%	30.0%	30.0%	40.0%
Type 5 building	%	30.0%	30.0%	40.0%
Type 4 building	%	30.0%	30.0%	40.0%
Type 6 building	%	30.0%	30.0%	40.0%
Retail spaces	%	30.0%	30.0%	40.0%

Appendix 8. Seasonal adjustments for sales forecasts

The Company agrees with seasonal adjustments for sales of apartments and retail spaces forecasts represented in the table below are applicable for the Analysis as at December 31, 2016.

Seasonal adjustments for sales forecasts				
Quarters	1	2	3	4
Quarterly distribution of sales	20.0%	20.0%	30.0%	30.0%

Appendix 9. Sales prices for apartments and retail spaces

The Company confirms the sales prices represented in the table below are applicable for the Analysis as at December 31, 2016.

Sales prices for Residential buildings		
Unit	Value	
Type 6A building	USD/m ²	1,176
Type 5 building	USD/m ²	1,176
Type 4 building	USD/m ²	1,176
Type 6 building	USD/m ²	1,176
Retail spaces	USD/m ²	2,300



Appendix 10. Hotels and bungalows

The Company confirms hotels and bungalows rooms and prices represented in the table below are applicable for the Analysis as at December 31, 2016

Hotel & bungalows rates		
	Rooms	Daily Rate
	USD (VAT Excluded)	
Hotels		
Standard rooms	148	77
Superior rooms	62	99
Suits	38	141
Bungalows	43	156

Appendix 11. Restaurants

The Company confirms restaurants area and leasing rates represented in the table below are applicable for the Analysis as at December 31, 2016

Restaurants area	
Restaurant	Area m ²
Stingray restaurant	
Level -1	2,533
Level 1	2,673
Level 2	1,204
Poolside restaurants	1,809
Circle restaurants	1,684
Total restaurants area	9,903

Restaurants		
Restaurants	Leasing Area	Leasing rates
	m ²	USD/m ² per year
Restaurants	9,903	57



Representation letter (4/5)

Appendix 12. Cost analysis

The Company confirms infrastructure items and their sizes represented in the table below are applicable for the Analysis as at December 31, 2016

Cost analysis					
# Est.	Expenses particle related to type of work	Title of object, section	Main type of works	Amount	Unit
1	construction	Sport fields and checkrooms	Universal sport area	1,600	m ²
1	construction	Sport fields and checkrooms	Basketball area	850	m ²
1	construction	Sport fields and checkrooms	Tias cover	1,035	m ²
1	construction	Sport fields and checkrooms	Green area	120	m ²
1	construction	Sport fields and checkrooms	Checkrooms	234	m ²
1	construction	Restaurant "Stingray"	Granite cover (highway)	3,786	m ²
1	construction	Restaurant "Stingray"	Granite cover (walking path)	7,705	m ²
1	construction	Restaurant "Stingray"	Greeneries (Flowers and decorative trees, lawn)	1,352	m ²
1	construction	Restaurant "Stingray"	Underground floor (Restaurant and beer factory) with equipment designed by Italian experts and completely renovated	2,533	m ²
1	construction	Restaurant "Stingray"	1st Floor (Restaurant renovated by Italian design)	2,674	m ²
1	construction	Restaurant "Stingray"	2nd Floor (Restaurant renovated by Italian design)	1,205	m ²
1	construction	Restaurant Complex	Service floor and restaurant floor	1,809	m ²
1	construction	Restaurant Complex	Restaurants (quantity 2)	896	m ²
1	construction	Restaurant Complex	Café and restaurants (quantity 2)	788	m ²
1	construction	Restaurant Complex	Bar within a pool	28	m ²
1	construction	Restaurant Complex	Pools	4,338	m ²
1	construction	Restaurant Complex	Granite layer and protective concrete side of the road	4,500	m ²
1	construction	Restaurant Complex	Greeneries (lawns and trees)	48	m ²
1	construction	Restaurant #1	Restaurants Nr1	764	m ²
1	construction	Restaurant #1	Terrace and pool	196	m ²
1	construction	Restaurant #1	Granite layer and protective concrete side of the road	800	m ²



Appendix 12. Cost analysis

The Company confirms infrastructure items and their sizes represented in the table below are applicable for the Analysis as at December 31, 2016

Cost analysis					
# Est.	Expenses particle related to type of work	Title of object, section	Main type of works	Amount	Unit
1	construction	Restaurant #1	Greeneries	100	m ²
1	construction	Tea House #1	Tea house Nr1	146	m ²
1	construction	Tea House #1	Terrace area	225	m ²
1	construction	Tea House #1	Floor	200	m ²
1	construction	Bridge 1	Steel-concrete construction	2,072	m ²
1	construction	Bridge 2	3 span and 4 supported bridge	2,249	m ²
1	construction	Bridge 3	3 span and 4 supported bridge	1,911	m ²
1	construction	Entrance arch to the city	Steel-concrete works, facadesworks, decoration works, lighting, landscaping and etc.	-	pack
2	construction	Type 5A Building Nr15	in-situ reinforced concrete construction	55,772	m ²
2	construction	-	Purchased stained glass material	24,075	m ²
2	construction	Type 5 Building Nr15	in-situ reinforced concrete construction	55,042	m ²
2	construction	-	Purchased stained glass material	9,630	m ²
2	construction	Type 6 Building Nr13	in-situ reinforced concrete construction	21,685	m ²
2	construction	-	Purchased stained glass material	18,295	m ²
2	construction	Type 4 Building Nr15	in-situ reinforced concrete construction	40,699	m ²
2	construction	Mayor Administrative building	-	16,041	m ²
2	construction	Hotel Administrative building	-	10,112	m ²
2	construction	Places with bungalow	-	6,470	m ²
2	construction	Sales Center	-	2,558	m ²
2	construction	Cafe#1	-	184	m ²
3	filling works	-	Filling with large stone, sand, and gravel at 7 m depth of the Sea	15,608,278	m ³



Representation letter (5/5)

Appendix 12. Cost analysis

The Company confirms infrastructure items and their sizes represented in the table below are applicable for the Analysis as at December 31, 2016

Cost analysis					
# Est.	Expenses particle related to type of work	Title of object, section	Main type of works	Amount	Unit
3	filling works	-	Filling with compacted stone, sand, and gravel at 1 m depth of the Sea	566,231	m ³
3	filling works	-	Filling with the layer of clay at 0.6 m depth of the Sea	351,739	m ³
3	filling works	-	Filling with the 2.4 m height compacted sand and soil	1,406,954	m ³
3	filling works	-	Losses (15%)	2,662,980	m ³
4	piling works	Type 5A Building №7	in-situ reinforced concrete pile construction	807	lt
4	piling works	Type 4 Building №9	in-situ reinforced concrete pile construction	830	lt
4	piling works	Type 4 Building №6	in-situ reinforced concrete pile construction	830	lt
4	piling works	Type 4 Building №5	in-situ reinforced concrete pile construction	830	lt
4	piling works	Type 6A Building №10	in-situ reinforced concrete pile construction	207	lt
4	piling works	Type 8 Building №8	in-situ reinforced concrete pile construction	207	lt
5	Shore protection	Piling works	Piling works	2,400	0
5	Shore protection	Shore protection	Shore protection and diaphragms	7,100	0
6	Design and survey work	-	Designing 12 residential buildings	761,711	m ²
6	Design and survey work	-	Designing non-residential buildings	48,414	m ²
6	Design and survey work	-	Sketch projects of general plan and other objects	500,000	m ²
6	Design and survey work	-	Paperwork (approval of sketch and working projects, geological and topographical works, for the analysis of concrete and rebar's, laboratory works, examinations of projects, technical specifications etc.)	1	pack
7	Price of land plot	Land and water area	-	5,000,000	m ²
8	Facilitation and treatment plants	-	D300 mm facilitation of water with pipeline	10,000	m
8	Facilitation and treatment plants	-	Facilitation of electric lines and construction of transformer substations	-	0
8	Facilitation and treatment plants	-	The construction of sewage treatment plants, sewer lines	-	0



Appendix 12. Cost analysis

The Company confirms infrastructure items and their sizes represented in the table below are applicable for the Analysis as at December 31, 2016

Cost analysis					
# Est.	Expenses particle related to type of work	Title of object, section	Main type of works	Amount	Unit
9	Concrete plant purchasing	Concrete plant	-	-	pack
10	Highways and parking's	Highways within the city (asphalt)	-	48,300	m ²
10	Highways and parking's	Highways within the city (granite layer)	-	37,000	m ²
10	Highways and parking's	Kerb-stone protection	-	12,880	Lm.
10	Highways and parking's	The concrete base of highways	-	72,500	m ³
10	Highways and parking's	Highways within the city (ceramic tiles cover)	-	35,500	m ²
10	Highways and parking's	Granite layers of parking lots	-	38,000	m ²
10	Highways and parking's	Concrete basis of parking lots	-	38,000	m ²
10	Highways and parking's	Granite kerbs of parking lots	-	3,600	Lm.
11	Boulevard and park	Reinforced concrete base in the park	-	52,600	m ²
11	Boulevard and park	Laying tiles cover in the park	-	23,500	m ²
11	Boulevard and park	The concrete base of a seaside boulevard	-	52,500	m ²
11	Boulevard and park	Imposing granite slabs in the seaside boulevard	-	28,900	m ²
11	Boulevard and park	Imposing red granite slabs in the seaside boulevard	-	3,000	m ²
11	Boulevard and park	Preparation of granite railings in seaside boulevard	-	1,250	m ²
12	Green works	-	Lawn works, land cleaning, construction, allocation of arable layer, planting and watering lawns	170,000	m ²
12	Green works	-	Planting olive trees	12,000	lt
12	Green works	-	Planting palm trees	210	lt
12	Green works	-	Shrubs and flowers	14,000	m ²
12	Green works	-	Other different trees	1,200	m ²
12	Green works	-	Pine trees	45,000	m ²



Appendix 12

Information sources

List of sources

- Baku Statistics Department <http://www.baku.azstat.org/>
- Baku White City Project
- BMI research, (Thomson Research, research.thomsonib.com)
- Central Bank of Azerbaijan, www.cbar.az
- City Gardens, www.bakucitygardens.com
- Damodaran, pages.stern.nyu.edu/~adamodar/
- Economist Intelligence Unit, EIU, www.eiu.com
- Google maps, maps.google.com
- Ilk Construction, www.ilkonstruction.com/project/national-gymnastic-arena-project.html
- MBA group, www.mbagroup.az
- Ministry of Finance <http://www.maliyye.gov.az/>
- Ministry of Tourism and Culture
- Port Baku, www.portbaku.az,
- S&P Capital IQ, www.capitaliq.com
- State Statistics Committee, www.stat.gov.az
- STR Global



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