

# Current Status in MirLand Regional Retail

## Tenants' Problems

- 100% of the tenants requested discounts in 2014 and 1Q – 3Q 2015, and about 50% of the tenants send us official letter with termination treating.
- Economy of some tenants is so bad, that we have to agree or extend significant discounts; rent of these tenants is so high, that it doesn't allow us to make a rotation maintaining budget rate. We have very few possibilities for rotation because of the limited development of most of the tenants.
- Discounts previously provided, are now being extended for further periods either in the same volume, either with increase.

## **Triumph Mall tenants examples (similar situation is observed in more than 80% of shops in the center):**

Tenant	Area, sqm	Average share of rents in turnover, 2011 – 2013	Average share of rents in turnover, 1Q-3Q 2015**	Rate of increase (2Q 2015 vs 2011 – 2013)	Latest discount provided
Academy	614.6	19%	40%	2.0	35%
Centro	329.6	10%	21%	2.0	18%
Jewelux	47.5	20%	50%	2.5	40%
Betty Barclay	47.4	16%	36%	2.25	50%

## **Vernissage Mall tenants examples:**

Tenant	Area, sqm	Average share of rents in turnover, 2011 - 2013	Average share of rents in turnover, 1Q-3Q 2015	Rate of increase	Latest discount provided
O'STIN	508.7	12%	25%	2.0	24.5%
Lo	93.2	15%	32%	2.1	37%
Elis	75.0	19%	42%	2.2	24%
For men	77.4	23%	46%	2.0	30%

\*Calculations were performed using fixed upper limit of the US dollar;

\*\*Calculations were performed using fixed upper limit of the US dollar (1 USD = 39 RUR in Yaroslavl and 42 RUR In Saratov in 3Q 2015 on average) and discounts (if provided);

Even with the fixed US dollar upper limit and discounts provided, turnover of tenants decreased so that the share of rental payments in their turnover increased by 2 times.

# Company Measures Implemented in 2014, 9M 2015

Due to the current economic situation (US dollar rate rapid growth, decline in consumer demand and pessimistic forecast) we were forced to take the following measures:

- **Rotation of stores experiencing significant problems**
- **Discounts for problematic tenants:** we were forced to provide rent discounts for about 50% of our tenants in range of 10% - 60%, separate tenants were provided the upper CAP of the rent, because we were not able to replace them with other brands under the same rates and conditions.
- **Fixation of the upper limit of the US dollar rate:** a slight increase in fixed rate (+0.5 rub.) is provided in 4Q 2015 (from Nov) for both of the SEC.
- **Extra focus on accounts receivable** (provision of postponed payments, fines and penalties);
- **Active management of new kiosks and temporary tenants**

