

ADDENDUM TO THE MORTGAGE CONTRACT CONCLUDED BY THE COMPANY THAT HALS-DEVELOPMENT CONTROLS

MOSCOW, RUSSIA – 03 June, 2016 – HALS-Development (LSE, MICEX: HALS), a major Russian real estate Company announces that the Additional agreement #1 to the Mortgage contract of land leasehold and building dated 27/07/2012 between the company that HALS-Development controls – CJSC “Boarding House “Kamelia” (Pledgor) and Bank VTB (public joint stock company) (Pledge holder) were concluded.

The date of the official registration of the Additional agreement – 18/05/2016.

The date when mentioned information came to HALS-Development knowledge – 03/06/2016.

Subject of the Additional agreement:

The Additional Agreement has been concluded for the purpose of modifying the object of mortgage (mortgage of buildings, constructions, non-residential premises, not mortgaged before, owned by the Pledgor; exclusion of the “Phoenix” bar and restaurant building from the list of objects of mortgage due to its demolition and the cancellation of the relevant title of ownership), as well as for the purpose of amending the Mortgage Agreement due to the modification of terms of the main (secured) obligation – the Credit Agreement No.2793 dated 04.10.2011 (in respect of the loan period extension, the new loan repayment date to be 01.12.2023).

Term of transaction: 01/12/2023 - deadline for the fulfilment of the main obligation (secured obligation) – Credit Agreement No.2793 dated 04.10.2011.

Amount of transaction:

- 1) 5 051 056 155,57 RUB - pledge value of the Subject of Mortgage, agreed by the Parties in the Additional agreement that is 77.809% of the book value of the assets of the CJSC “Boarding House “Kamelia” under RAS on the end date of the reporting period ended 31/03/2016.
- 2) 5 044 283 122,11 RUB - balance value of the Subject of Mortgage, determined under the data of bookkeeping accounts of CJSC “Boarding House “Kamelia” on the date 31/03/2016, that is 77,705% of the book value of the assets of the CJSC “Boarding House “Kamelia” under RAS on the end date of the reporting period ended 31/03/2016.

Value of assets of CJSC “Boarding House “Kamelia” under RAS:

6 491 592 000 RUB (on the date 31/03/2016)

Hals-Development ("the Company") is the fastest growing developing company, specializing in commercial and residential real estate; it controls all stages of development project: from making conception till the following management of the built object. The main shareholders of the Company are VTB Bank and Bank of Moscow.

The Company was the first Russian property developer to list its shares on the main market of the London Stock Exchange. The Company's shares are also listed on the Moscow Interbank Currency Exchange and the Moscow Exchange.

Starting operations in 1994, Hals-Development has successfully completed about 40 projects with a total area over 600,000 square meters. Hals-Development is currently developing such projects as development of hotel “Peking”, building of Land Plot No. 11, MIBC “Moscow-City”, selling of residential premises of “Nasledie”, “Wine House”, “Peking Gardens”, “Teatralny Dom” and other projects in Moscow and regions. In 2011-2014 the Company put into operation more than 460 thousand sq.m., this is 6 large projects – shopping and entertainment mall “LETO” in Saint-Petersburg” (116 thousand sq. m.), business-center Sky-Light (110 thousand sq. m.), residential complex “Solnce” (60 thousand sq.m.), elite residential quarter “Literator” (67 thousand sq.m.), the shopping center “Children Dreamhouse Mall on Lubyanka” (73 thousand sq.m.) and resort “Kamelia” in Sochi (53 thousand sq.m.). The total value of development projects of HALS-Development is 1.6 mio sq.m.

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The information in the press release may contain forward-looking statements regarding future events or the future financial performance of Hals-Development. You can identify forward looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could", "may" or "might" the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and those actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the date thereof or to reflect the occurrence of unanticipated events.