STATEMENT

Evaluation of the fair value of the investment properties owned by Sponda PLC
Moscow, Russia

Sponda Public Limited Company

Date of Valuation: December 31, 2017

EVALUATION OF THE FAIR VALUE OF THE INVESTMENT PROPERTIES

Our Assignment

In accordance with the engagement contract #17/11-98CV dated November 21, 2017 between Sponda Plc (hereinafter referred to as "the Client", "the Company" or "Sponda") and CB Richard Ellis LLC, we have reviewed the property valuations carried out internally by Sponda.

CBRE has been asked to review the internal valuation of the Sponda real estate Portfolio in accordance with RICS Valuation – Professional Standards 2017 (the "Standards"). Our review of the internal valuation of the Portfolio was conducted for accounting purposes. It may not be reproduced or used for any purpose other than the purpose stated above without the prior written consent of *CB Richard Ellis LLC* in each specific instance.

The Portfolio covered in our analysis consists of 2 (two) operational properties held for investment purposes; the assets are described in Appendix 1 of this Statement. Our review covered the properties which we believe are owned by the Client or its subsidiaries. CBRE made relevant enquiries in order to provide our opinion of the Fair Value of the Property Portfolio as at December 31, 2017.

We confirm that we provide this advice as external valuers and we are not aware of any conflict of interest or potential conflict of interest arising in carrying out this instruction.

Approach

In accordance with the Standards, our valuations have been prepared on the basis of Fair Value. There are two definitions of Fair Value defined in the Standards:

- "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" (definition adopted by the International Valuation Standards Council - IVSC);
- "The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date" (definition adopted by the International Accounting Standards Board - IASB).

According to Point 2 of the Comments in VS 3.5, "In applying the IVS definition, reference should be made to paragraphs 39-43 of the IVS Framework". According to paragraph 40 of the IVS Framework, "The International Valuation Standards Board (IVSB) considers that the definitions of fair value in IFRS are generally consistent with market value".

We found the general valuation methodology used by the Company to be appropriate and based our valuation on the Income Approach, adopting a 10-year discounted cash flow method to arrive at a Net Present Value (an exception was made for Meliora Place office centre). We amended some of the assumptions on market rental rates used by the Company based on our research of current rental rates, incorporating these into the discounted cash flow model upon expiry of current leases.

Taking into account the size and the format of the Meliora Place office centre we relied on the results of Sale Comparison Approach to estimate the fair value of this Property.

We have used gross floor areas as shown in the title documents. This valuation was based on the assumption that the Properties have clear title and are free from any actual or pending encumbrances, disputes, claims etc.

We have relied upon the rentable areas, tenancy schedules, current rental rates and operating expenses as provided to us by the Client. We have not made check measurements to verify any areas and have assumed that all areas provided for the Properties and site areas are complete and correct.

The Properties were inspected in the period between May 20, 2015 and June 5, 2015. We have been confirmed by the Client that no significant changes that could affect the value of the Properties have occurred in the period between the inspection and valuation dates.

We have not undertaken structural surveys or tested any of the services. At the time of our inspection, the Properties generally appeared to be in a reasonable state of repair and decoration commensurate with age and use. We have not been provided with a copy of any building surveys or structural reports and have assumed that there are no defects that could have an impact on value.

For the avoidance of doubt, we have not undertaken any environmental audits or other environmental investigations or soil surveys at the Properties that may draw attention to the existence of any contamination or the possibility of any such contamination. We have not carried out any investigation into past or present uses of the Properties nor of any neighbouring land to establish whether there is any potential for contamination from these uses or sites adjacent to the Properties, and have therefore assumed that none exists.

CB Richard Ellis LLC will not assume any responsibility or liability for losses occurred to Sponda Plc, or other parties, as a result of the circulation, publication, reproduction or use of this Statement contrary to the provisions stated. We wish to emphasise that our liability rests with Sponda Plc and that we are under no obligation, contractual or otherwise, to any other parties.

Market Conditions

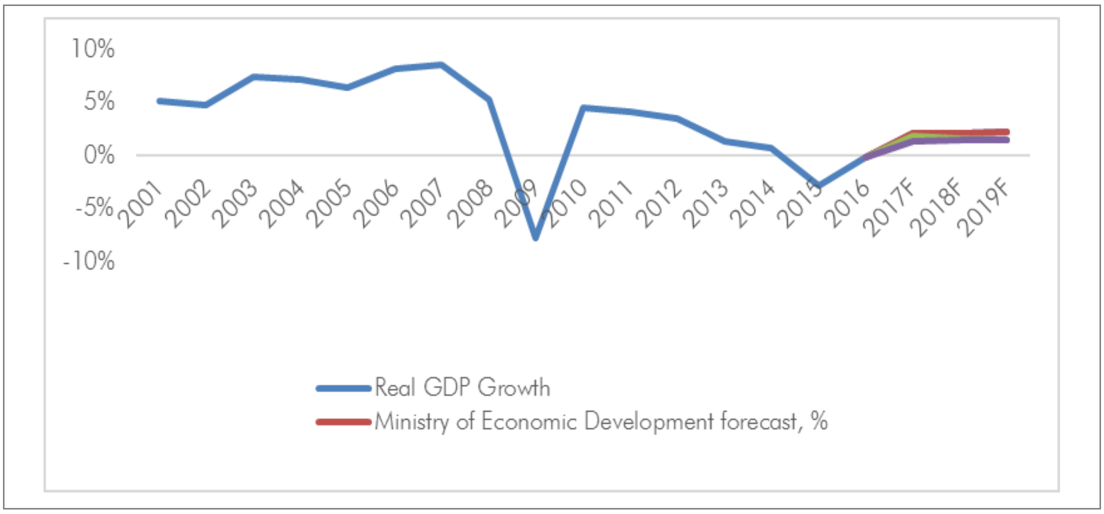
We would draw your attention to the fact that the current volatility and uncertainty in the Russian economy and financial market has created a significant degree of turbulence in commercial real estate market. Without stable market conditions, limited liquidity in the market and transaction evidence, it is very difficult to quantify with any degree of certainty the fair value of real estate assets. Whilst we believe our valuation is a reasonable assessment of the value of the individual assets it may also be difficult to achieve a sale of some assets in the short-term. We would therefore recommend that the situation and the valuations are kept under regular review, and that specific marketing advice is obtained should you wish to effect a disposal.

MARKET COMMENTARY

Macroeconomic Analysis of Russia, Q3 2017

In the middle of 2017 the tendency to growth of the Russian economy remained, by the Q3 2017 GDP growth was 2.5% in annual terms. The most sluggish sectors were construction and industrial production, while retail growth continued to strengthen, suggesting an incipient recovery in consumption. According to the forecast of the Ministry of Economic Development, GDP growth in 2017 will be 2.1%, and 2.2% in 2018.

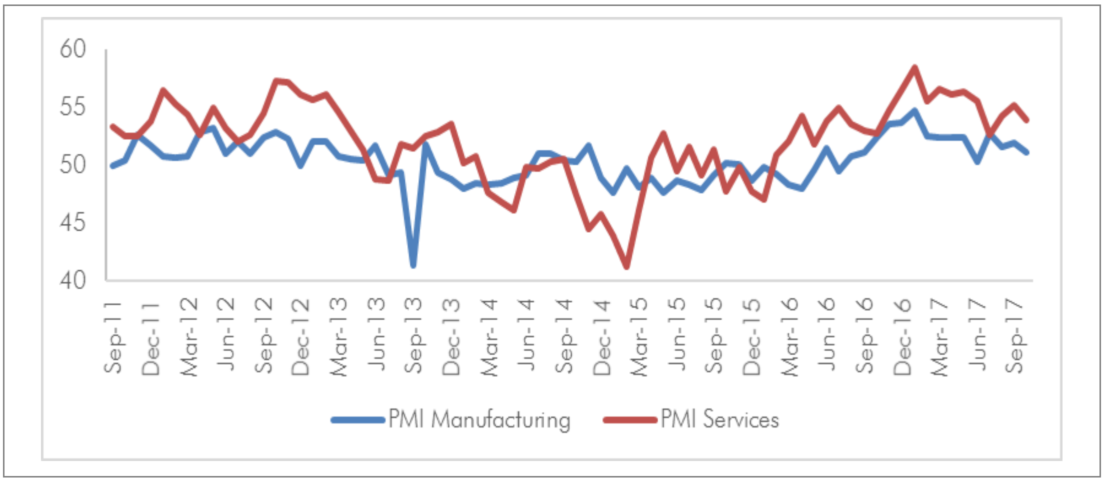
Graph 1. Dynamics of Real GDP Growth, YoY %



Source: Rosstat, Ministry of Economic Development, Oxford Economics, World Bank

For 9 months, the volume of production increased by 1.8% compared to the same period last year, and the PMI index continued to grow both in production and services.

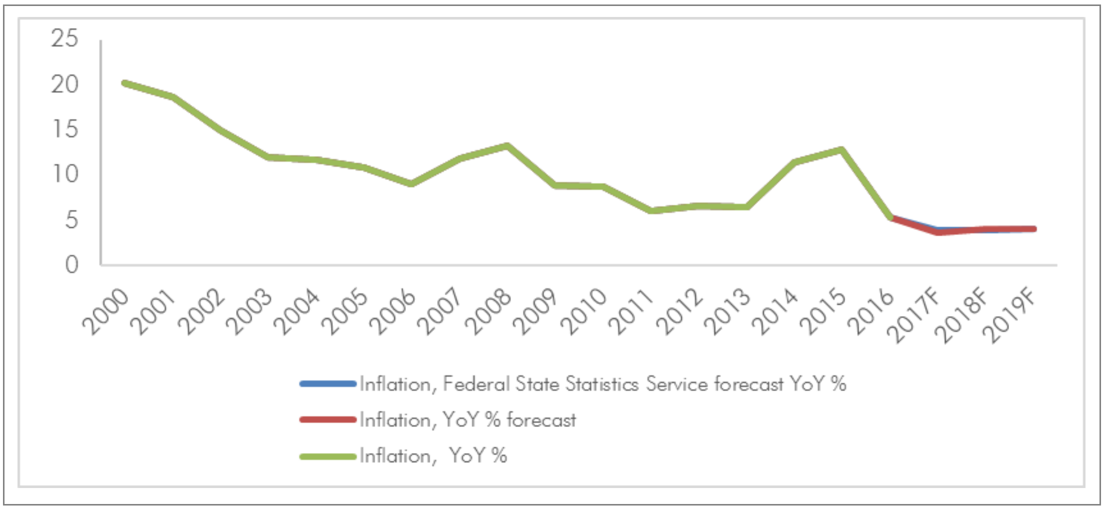
Graph 2. Dynamics of PMI



Source: Rosstat, Markit

The Central Bank of the Russian Federation continue to target inflation, which allowed to reduce its level from 5.4% in 2016 to 3% in annual terms in the third quarter. According to the Central Bank of Russia forecasts the inflation at the end of 2017 will be at 3.8%. In the future, inflation is expected to stabilise at 4%. Low inflation will stimulate the growth of real incomes, which, along with increased consumer expectations and lowered the key interest rate will lead to an increase in consumer spending of 1.2% in 2017 and 2.2% in 2018.

Graph 3. Dynamics of inflation level, YoY %



Source: Rosstat, Oxford Economics

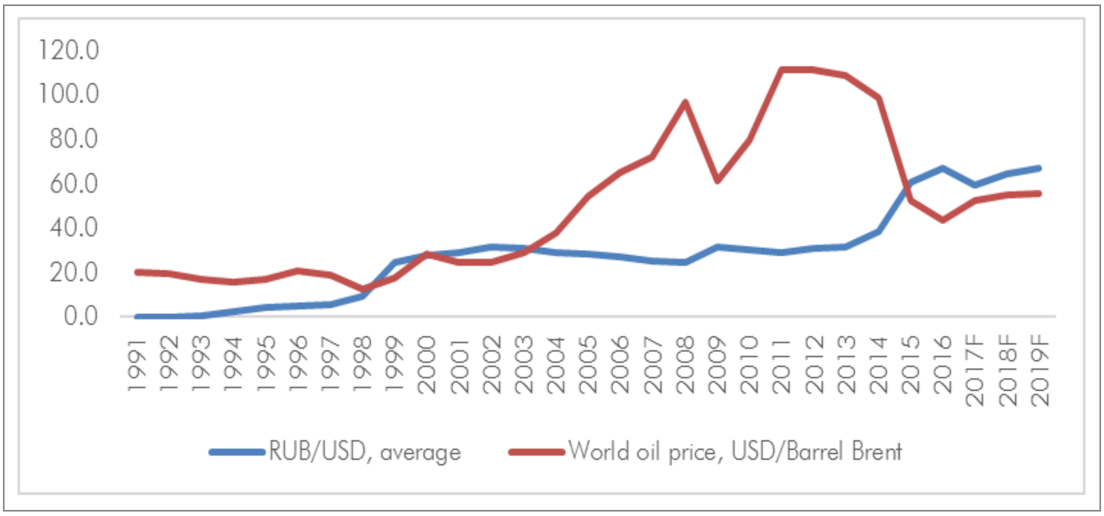
Graph 4. Retail sales growth and Real wage growth, YoY %

Source: Rosstat, Oxford Economics

In December 2017 the Central Bank of Russia for the sixth time lowered the key rate since the beginning of the year. Against the background of a decrease in the inflation level in the market of non-food products and stabilisation of the growth of services prices, the key rate was reduced by 0.5 pp to 7.75%. The decline from the beginning of the year amounted to 200 basis points.

The oil price has a significant impact on the Russian economy. Starting in 2014, the price of Brent crude oil fell by $55.5 per barrel and at the end of 2016 it stood at around $49.2 per barrel, after which its smooth growth began. According to forecasts, the upward trend should continue and by 2019, the price for a barrel of Brent crude oil should be $55.8 in average annual terms. In the wake of a decline in the price of a barrel of oil, the value of the national currency also declined. From 2014 to 2016, the rouble rate in relation to the dollar fell by 28.5 roubles in average annual terms. In 2018-2019, it is expected that the rouble will stabilize against the dollar at a level of 65 roubles per dollar.

Graph 5. Dynamics of RUB/USD and Barrel Brent oil prices



Source: Oxford Economics

Moscow Office Market Overview Q3 2017

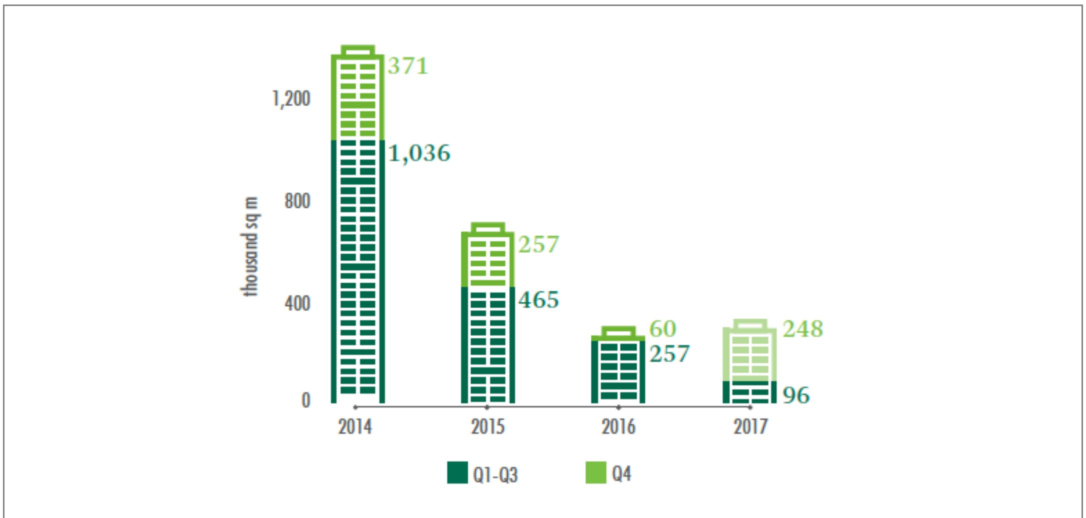
Supply

In Q3 2017, 74,600 sq m were commissioned on the Moscow office market. This volume is the largest quarterly increase since the beginning of the year, however it is 9% lower than the value in the same period of 2016. The majority of new supply was Class A premises (76%) due to the commissioning of office complexes Oasis in the Central Business District and Fili Grad Phase II near the Third Ring Road.

In January-September 2017, a total of 95,700 sq m of office space were commissioned that is the minimum value for a comparable period for the history of the Moscow real estate market and more than 2.5 times less than the completions volume in Q1-Q3 2016.

Based on the stated plans of developers, in Q4 2017 almost 250,000 sq m of new office space is expected to be commissioned thus 2017 completions volume may reach 345,000 sq m. This value is comparable to the low new supply volume in 2016 (317,000 sq m). The largest office buildings that are scheduled for commissioning by the end of 2017 are MFC IQ-quarter in Moscow City and Business Quarter Neopolis in New Moscow.

Graph 6. Completions of office premises



Source: CBRE Research, Q3 2017

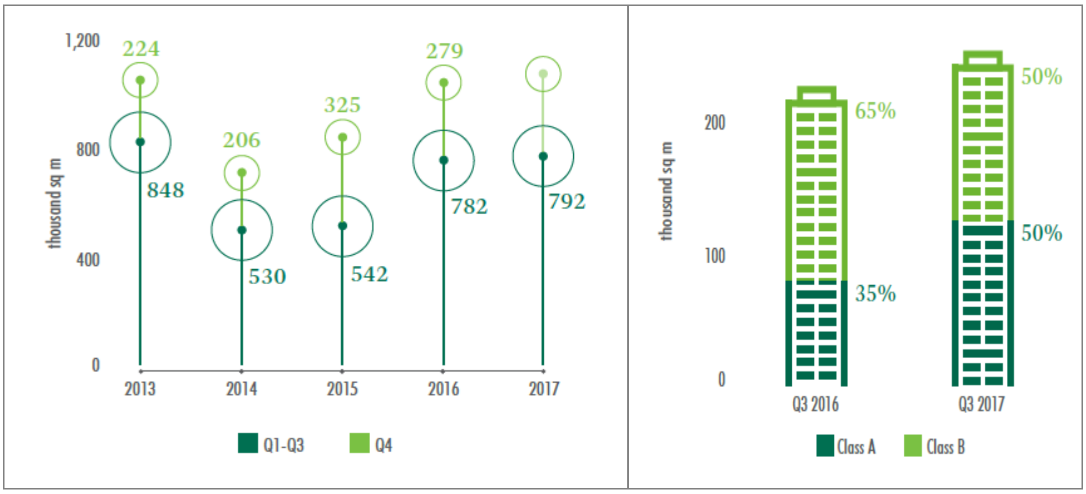
Since 2014, many developers have decided to suspend the implementation of office projects with the willingness to resume construction in case of having a particular tenant or buyer. A build-to-suit development so far poorly realised format in the office segment. In the context of extremely low new supply volumes in conjunction with a stable level of demand, the number of suitable options of Class A office premises for large users is already limited. This trend is most noticeable in the central locations within the TTR, where traditionally main demand tends. In the medium term, this situation can encourage large companies to choose build-to-suit format as the most optimal solution to the problem of efficient office space for their employees.

Take-up

In Q3 2017, take-up is amounted to 255,000 sq m, which is 11% above the volume in Q3 2016 and 21% higher than the volume in Q3 2015.

In Q3 as well as in the first half of the year, demand was mainly formed by lease transactions. Their share in take-up structure amounted to 91% of the volume of new transactions in July-September and 93% for the first nine months. In Q1-Q3 2016, the share of lease transactions was significantly lower and amounted to 61%.

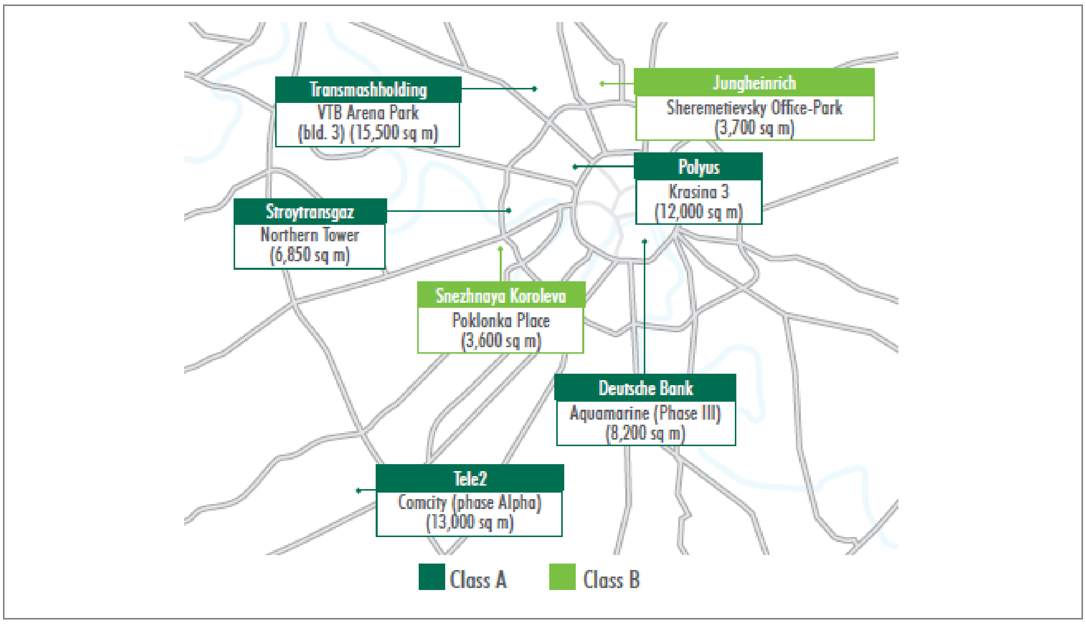
Graph 7. Take-up volume and structure of deal



Source: CBRE Research, Q3 2017

In Q3 2017, take-up was distributed between offices of Class A and Class B in equal shares, whereas in Q1 and Q2 of this year the demand from tenants and buyers was turned mainly to Class B. Key Q3 transactions were lease of office building in complex VTB Arena Park, large office space in business centres Comcity (phase Alpha), Aquamarine (Phase III), Northern Tower, as well as acquisition of BC Krasina 3.

Graph 8. Largest deals in Q3 2017

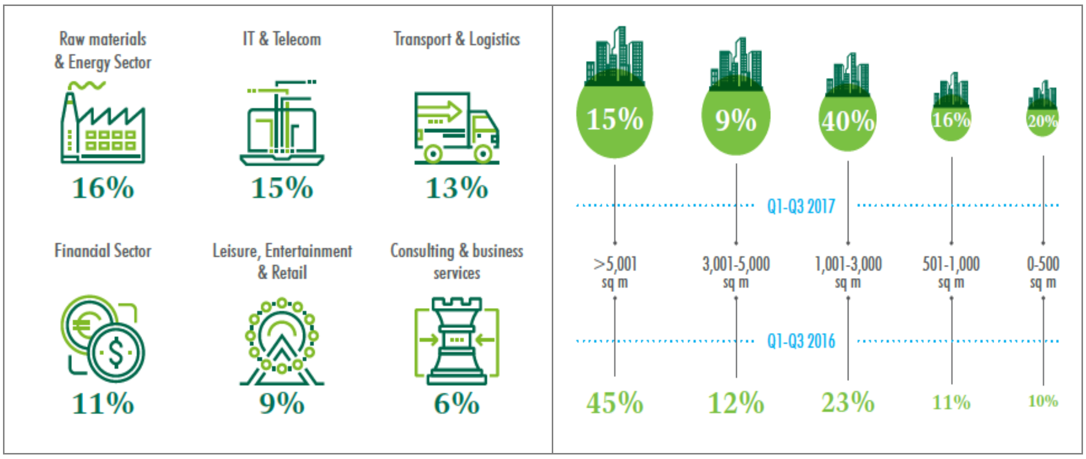


Source: CBRE Research, Q3 2017

The most active tenants and buyers of office premises in Q3 2017 were raw materials and energy companies, they accounted for 16% of take-up, as well as IT and telecom industry representatives, whose share in the volume of new transactions was 15%. Financial companies continue to be active on office real estate market at the expense of the banking sector. Deutsche Bank, Novikombank, Russian National Commercial Bank and some others leased new office premises.

The total Q1-Q3 2017 take-up amounted to almost 792,000 sq m that is comparable to the same indicator in 2016, when 782,500 sq m of office space was leased and purchased in the first nine months. Offices sized from 1,000 to 3,000 sq m were in most demand this year, they accounted for 40% in take-up structure in January-September. At the same time, the share of lease and purchase transactions with large premises over 5,000 sq m decreased to 15% from 45% for the same period in 2016.

Graph 9. Leading sectors in take-up structure and structure of deal size



Source: CBRE Research, Q3 2017

According to our forecasts, the take-up volume in 2017 will amount to 1.1 million sq m of leased and purchased office space and thereby reach the pre-crisis level of 2013.

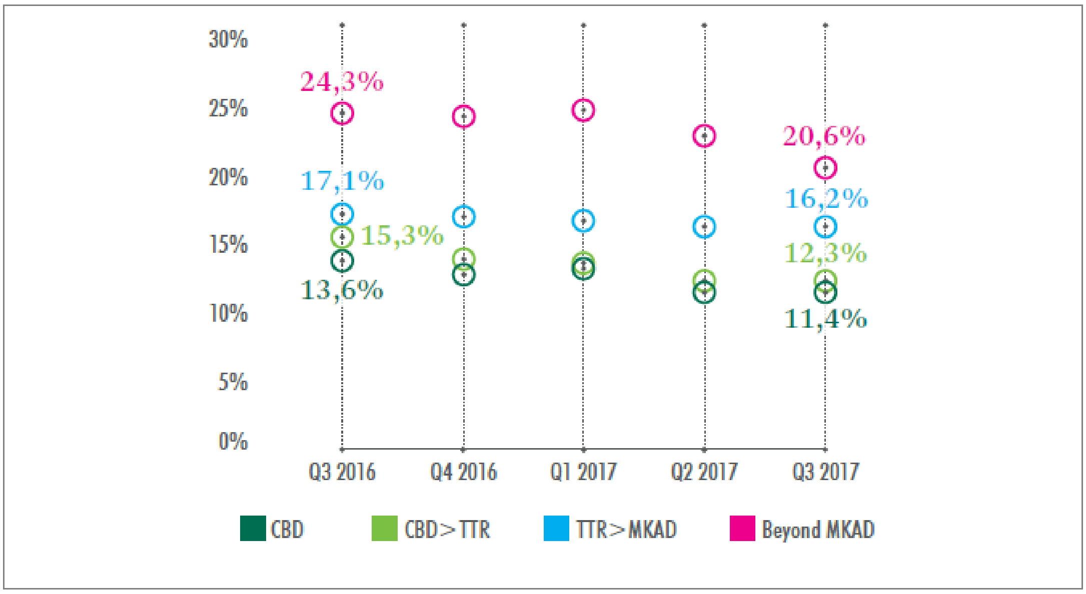
Vacancy

The low new supply volume contributes to the continuing overall vacancy rate reduction. In Q3 2017 this indicator decreased by 0.8 ppts from 15.4% at the end of H1 2017 to 14.6%. The share of vacant office space has decreased by 1.3 ppts since the beginning of the year.

The most significant change in Q3 was observed in Class A business centres, where the vacancy rate fell by 2 ppts to 16.4%. In class B segment vacancy rate leveled at 13.9%, thereby reducing by 0.4 ppts compared to the end of H1 2017.

According to our forecasts, in Q4 Class B vacancy rate will slightly decrease to 13.4%, while in Class A it may increase up to 18% provided that the business centres declared for this period will be commissioned. The overall vacancy rate will remain at the level of 14.5-15%.

Graph 10. Vacancy by location



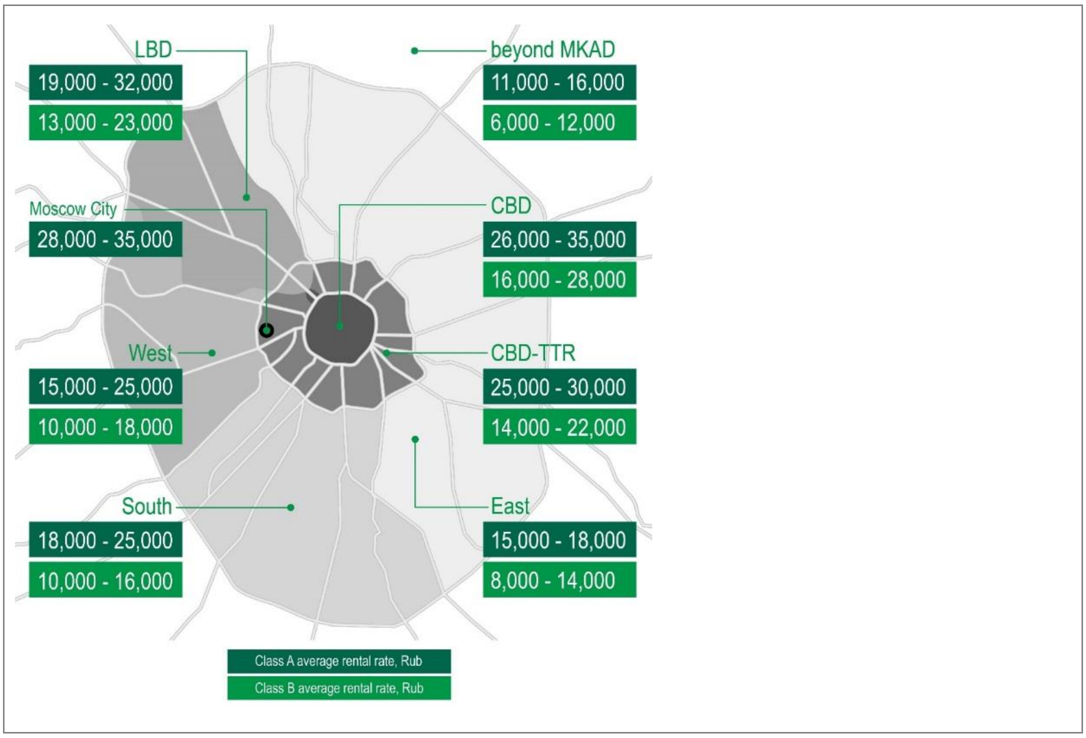
Source: CBRE Research, Q3 2017

Rental rates

Rental rates remained stable and by the end of Q3 2017 average rents (net of operating costs and VAT, per year) were the following:

- Class A Prime – $750-850
- Class A – RUB 18,000-30,000
- Class B – RUB 12,000-21,000

Map 1. Rental rates by location, per sq m



Source: CBRE Research, Q3 2017

Ranges of asking rental rates remained stable in Q3 2017, but vacancy rate decrease and gradual equalization of the supply and demand balance in the Moscow office market will begin to influence the level of rates that may increase by 3-5% by the end of the year.

Central Business District

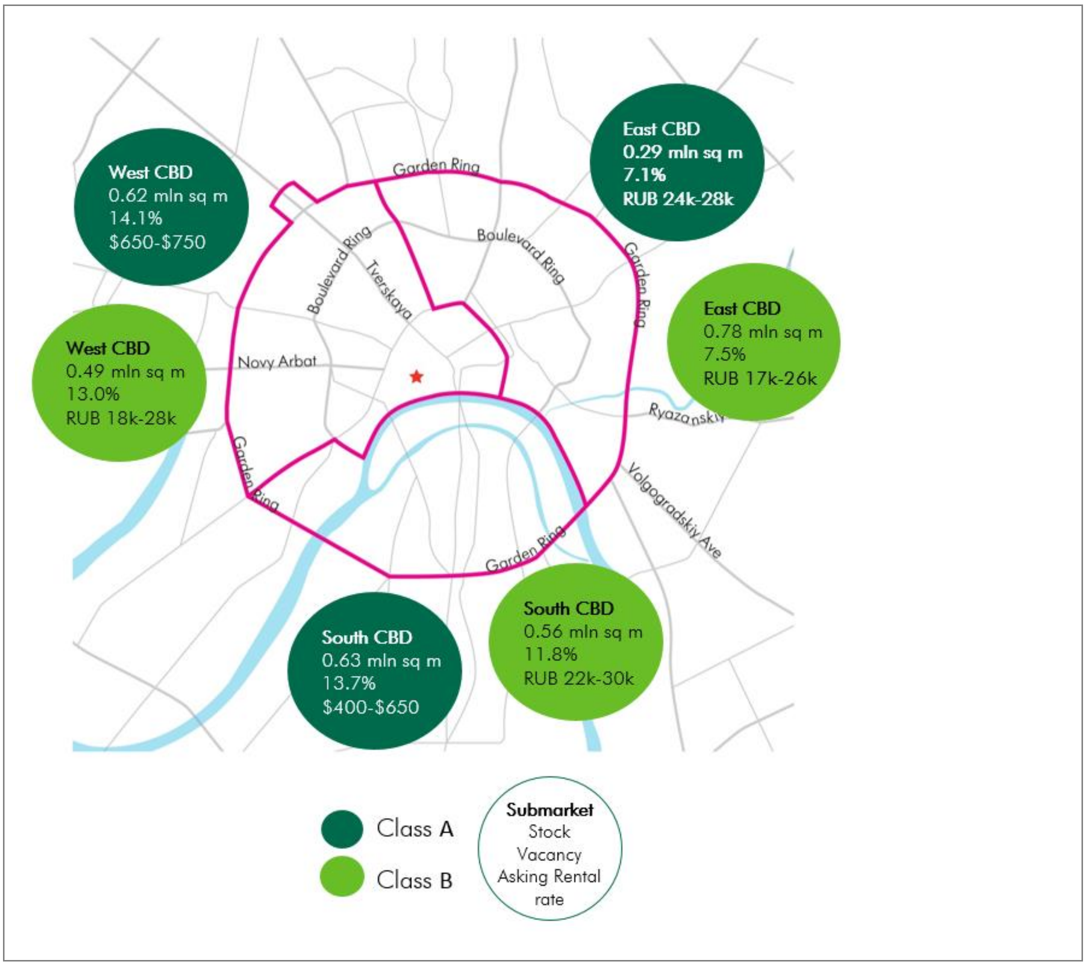
Vacancy rates stands at 12.6% in class A and 10.3% in Class B buildings in CBD. Overall vacancy in CBD is 11.4%

In CBD 3 business centres were commissioned in 2016, with total rentable area of 44,500 sq m. Two of them were class A office buildings: Krasina, 3 (8,500 sq m) and Pionerskaya B., 1/17 (31,800 sq m). The only Class B business centre commissioned is Pekin Gardens (4,200 sq m).

In 2017 only one office building was commissioned – Class A business centre Oazis with total rentable area of 35,000 sq m.

Low volume of completions in recent years is the result of both Moscow government policy to reduce new office construction in the city centre and overall cyclical decrease in development activity.

Map 2. Rental rates by location, per sq m



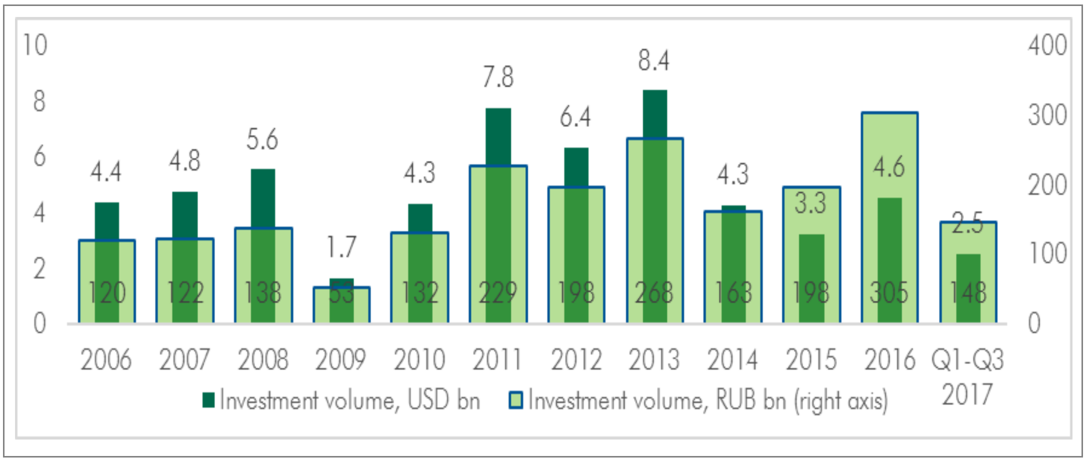
Source: CBRE Research, Q3 2017

Real Estate Investment Market Overview

Strengthening of macroeconomic indicators including the compression of the Central Bank's key rate, gives a basis for the positive sentiment to market participants. While some investors are still waiting of market stabilization, others believe in market recovery, which is converted into a tangible increase in closed institutional transactions in 2017.

The volume of purchase transactions in Q1-Q3 2017 is amounted to $2.5 billion, 35% of which accounted for Q3 2017. Compared to the same period in 2016, the volume of transactions decreased by 27%. However, there is still activity on the market and the end of the year may show an increase in the volume of completed transactions. At various stages of the approval are purchase transactions for own use, as well as assets with leasing flow. If they are completed in Q4 2017 the volume of transactions could reach about $2.5 billion, which is comparable with the volume of the three quarters of this year, and the full investment in 2017could reach about $4.5 billion.

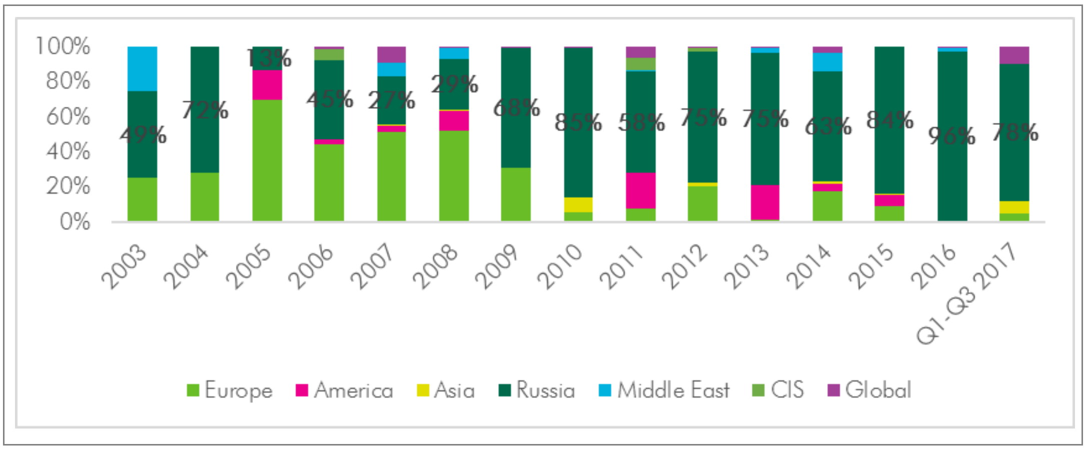
Graph 11. Dynamics of investment in real estate in Russia



Source: CBRE Research, Q3 2017

The activity of foreign investors in the Russian market is increasing – foreign investment funds are considering stable or premium assets. However, the approval period may take a long time. Compared to the same period last year, the volume of transactions involving foreign capital for the 9 months of 2017 increased by 4.8 times to $562 million, which was 24% in total investment, against 3.4% in January-September 2016. However, by the end of the year the share of foreign investors may decrease due to many transactions involving Russian companies that are in the active stage of negotiation.

Graph 12. Investments distribution by the source of capital, %

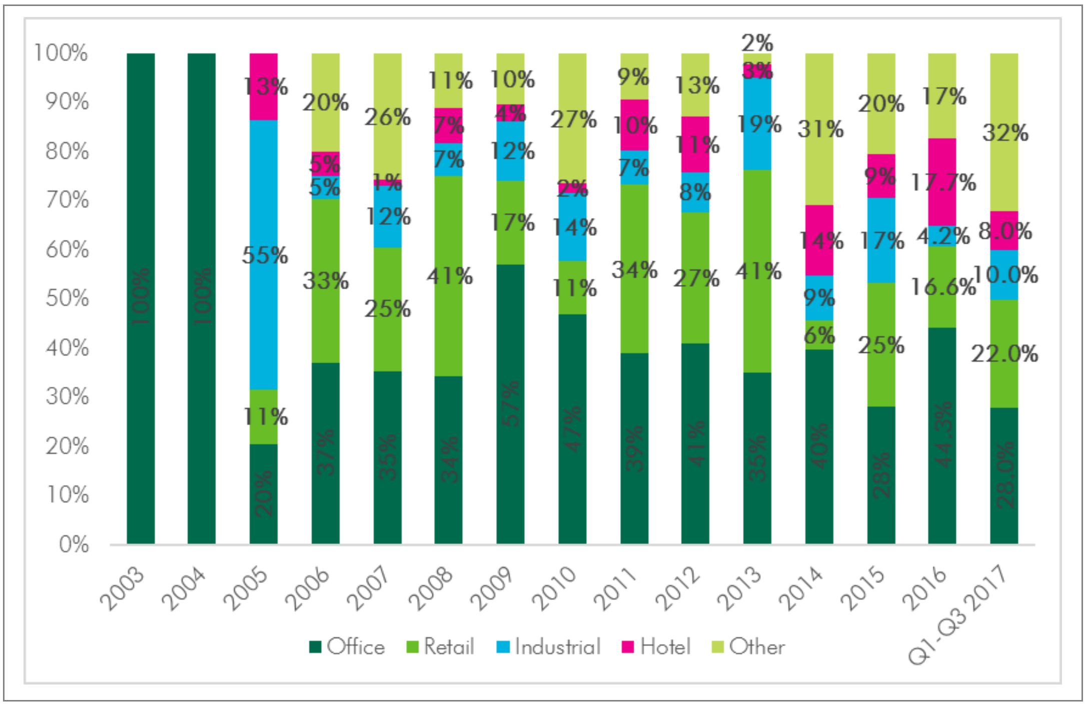


Source: CBRE Research, Q3 2017

Outside the Moscow region investment activity is formed by purchase transactions of real estate in St. Petersburg. The share of St. Petersburg and the Leningrad Region in the total volume of transactions for Q1-Q3 2017 increased and reached 24%, compared to 10% in the same period in 2016.

The average transaction size for the three quarters of 2017 was $31 million, compared to $53.4 million for 9 months of 2016.

Graph 13. Investments distribution by sector, %



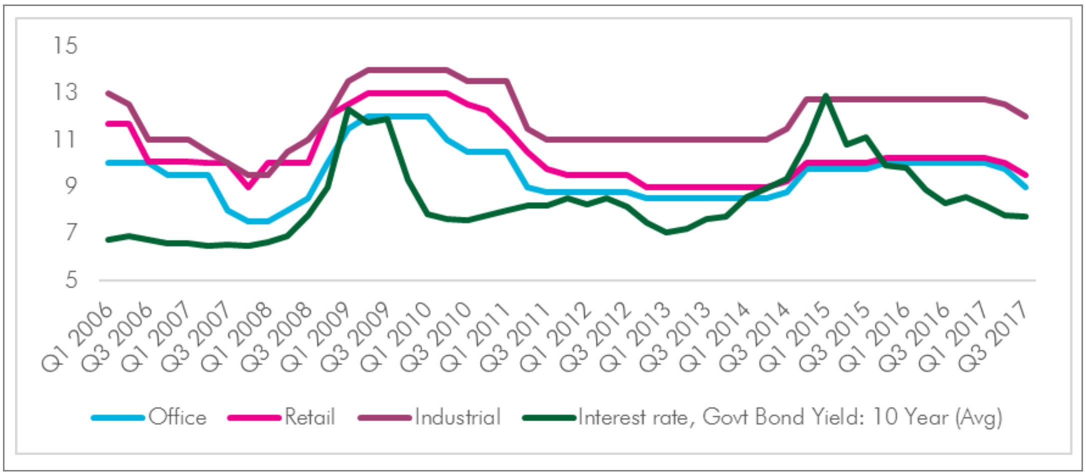
Source: CBRE Research, Q3 2017

The largest volume of investments for three quarters of 2017 fell on the office segment and reached $701 million, which is 2.6 times lower than the same period on the previous year. It is necessary to emphasize that the largest transaction for 9 months with the participation of foreign capital was closed in the office real estate segment. Office real estate, being the most transparent and predictable segment, traditionally attracts both Russian and foreign investors.

For the period from January to September, three transactions were closed with a volume of more than $100 million in the retail segment, including one that became the largest transaction outside the Moscow Region. In total, for 3 quarters of 2017 the volume of investments in the retail segment amounted to $544 million, which is almost 3 times higher than the volume of transactions for Q1-Q3 2016.

For several years we have noted an increase in the volume of investments in the residential real estate segment. This is both a transaction for the acquisition of objects in the active construction stage, as well as the acquisition of land for the construction of residential complexes. In just 3 quarters of 2017, the volume of investments in the residential segment totalled $515 million, which is 27% higher than in the three quarters of 2016. The residential real estate market, despite the reduction in real income, was the most resistant to the crisis, largely due to state support for mortgage programs, as well as lowering mortgage rates.

Graph 14. Prime yield dynamics, %



Source: CBRE Research, Q3 2017

Capitalization rates in all segments of commercial real estate were adjusted relative to the beginning of 2017. Compression occurs due to lower the key rate of the Central Bank and stabilization of rental.

Capitalization rates for prime properties in Q3 2017 in Moscow:

- Office – 9.50%;
- Retail – 9.75%;
- I&L – 12.00%.

The risk premium for investing in high-quality "second tier" properties may add around 100-200 basis points, and in regional properties – 200-400 basis points.

In situations where cash flow from a property is generated in Roubles, a valuation should be based on the cash flow discount model.

Conclusions

Having reviewed the internal valuation of the Company Portfolio, CBRE concluded that the Fair Value of the subject Property Portfolio corresponds to the Fair Value of the Portfolio as published in the company's unaudited consolidated interim report for 2017 as of February 2nd, 2018.

Yours faithfully

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Yours faithfully

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CBRE

APPENDIX 1: SUMMARY OF THE PROPERTIES

The Property Portfolio of Sponda Plc consists of two properties held for investment. They are located in Moscow.

A brief description of the Properties in the Portfolio is provided below:

Meliora Place (Ancor)

Address: 6 Prospect Mira Street, Moscow, Russia

Main Use: Office Centre

Description: The Property is a 4-storey office building (mansion) with 1 level of underground parking, built in 2008. It has a GBA of 4,842.5 sq m and a GLA of 3,243.38 sq m.

As of the valuation date the Property was fully leased by multiple tenants. The office space in the Property is let on a short-term and long-term basis mainly to local tenants where the areas of the occupied blocks vary from 42 sq m to 382 sq m. The majority of the lease agreements expire in 2018-2020.

Western Realty

Address: 7 Gasheka Street, Moscow, Russia

Main Use: Office Centre (Ducat II).

Description: The Property is multilevel, with 4 and 10 aboveground office levels and a two-level underground car park. The building comprises 19,201.2 sq m GBA and 14,125.9 sq m GLA. The Property was delivered to the market in 1997.

As of the valuation date the Property was 74.7% let to multiple tenants. The office space in the Property is mainly let to reputable, internationally recognised tenants under mid-term lease agreements. The lease agreements for office space expire between 2018 and 2021, the majority – in 2018-2019.