STATEMENT

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

Sponda Public Limited Company

Date of Valuation: June 30, 2017

EVALUATION OF THE FAIR VALUE OF THE INVESTMENT PROPERTY

Our Assignment

In accordance with the engagement contract #17/05-33CV dated May 11, 2017 between Sponda Plc (hereinafter referred to as "the Client", "the Company" or "Sponda") and CB Richard Ellis LLC, we have reviewed the property valuation 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 (January 2014) (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 1 (one) operational property held for investment purposes; the asset is described in Appendix 1 of this Statement. Our review covered the property which we believe is 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 June 30, 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. 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.

We have used gross floor area as shown in the title document. This valuation was based on the assumption that the Property has clear title and is 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 Property and site area are complete and correct.

The Property was 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 Property 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 Property 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 Property 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 Property nor of any neighbouring land to establish whether there is any potential for contamination from these uses or sites adjacent to the Property, 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

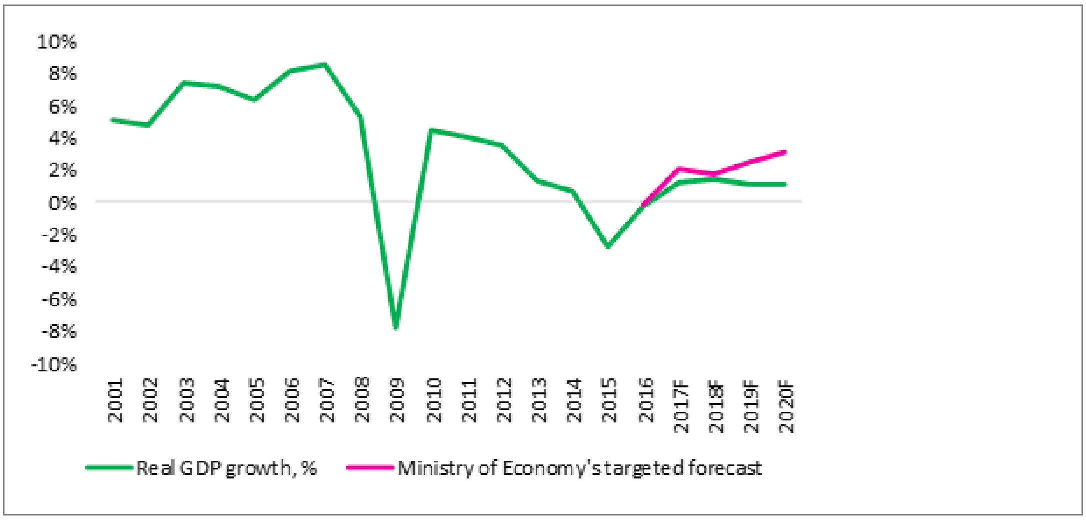
We would draw your attention to the fact that the current volatility and uncertainty in the Russian economy and financial market has created a significant degree of turbulence in commercial real estate market. Without stable market conditions, limited liquidity in the market and transaction evidence, 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 Overview

The Russian economy has emerged from a two-year recession, with GDP growing by 0.3% YoY in Q4 for an overall contraction of just 0.2% in 2016. 2017 will be the year of turning point, when Russian economy is expected to growth at 1.5-2.0% in real terms.

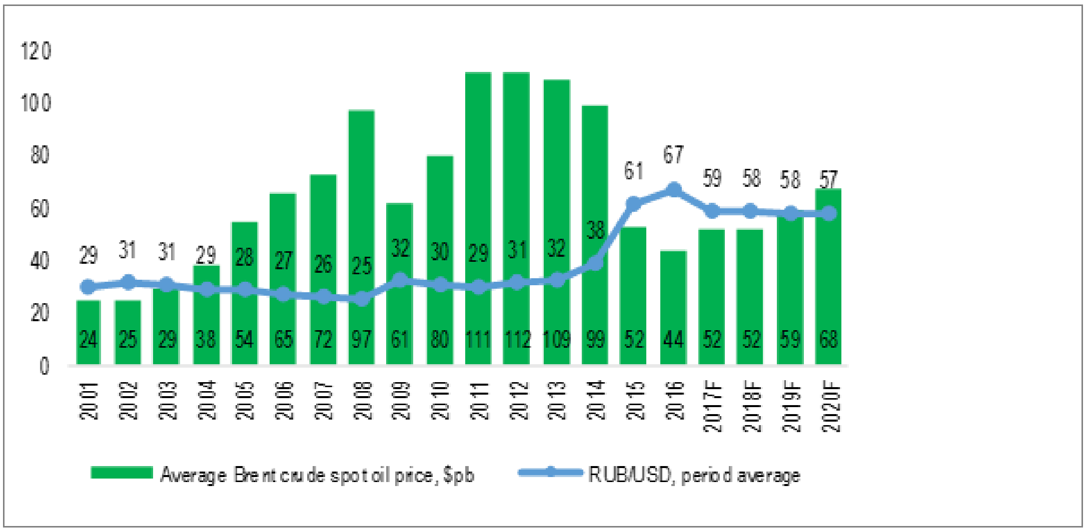
Graph 1. Real GDP growth dynamics, %



Source: Rosstat, Ministry of Economic Development

Russia's short-term economic prospects continue to be driven by the oil price, which is expected to average 52 USD per barrel in 2017. Oil prices rose in April after tumbling in March, but lost momentum in the second half of the month. Weak demand, high inventories, and a rising rig count in the US are likely to prevent oil prices from picking up significantly, even if the OPEC cuts are extended.

Graph 2. Brent oil price and RUB/USD



Source: Rosstat, Ministry of Economic Development

According to Rosstat, headline inflation was down to 4.3% YoY in March, from 4.6% YoY in February. Food price growth declined to 3.5% YoY from 3.7% in February. The main supporting effect to disinflation came from meat items. Non-food inflation declined even more visibly. It was down from 5.7% YoY in February, to 5.1% YoY. On the services front, inflation almost unchanged – at 4.2% YoY in March, after 4.3% YoY in February. We expect inflation to remain slightly above the target this year, at 4.4% by end-2017.

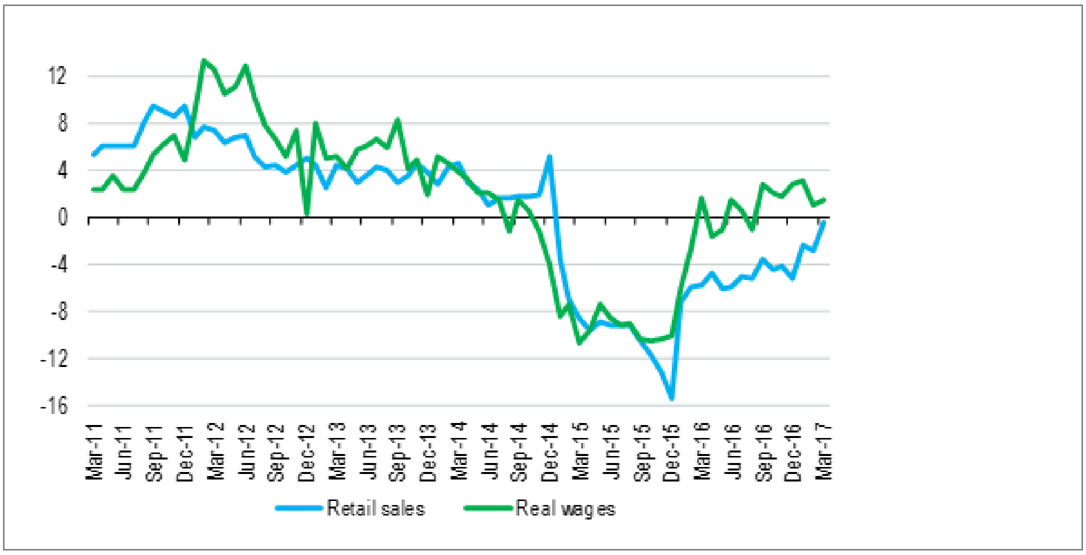
On the back of significant inflation decline, Bank of Russia started to cut the key rate, by 25 bpts in March to 9.25%. Market experts foresee further cuts this year of up to 150 bpts in total for 2017. This will result in gradual decline of cost of financing, which in turn will likely stimulate new development projects.

Salaries increased 1.5% YoY in March, which is eight consecutive months of growth in real terms.

According to Rosstat, consumer confidence index returning to 4Q 2014 levels indicating a positive change in consumption patterns.

Retail sales decline moderated to 0.4% YoY in March from 2.6% in February. Non-food items' consumption has emerged from contraction at 0.6% YoY in March, while food sales have stayed in the red, at -1.5%.

Graph 3. Retail sales and wages real growth, %

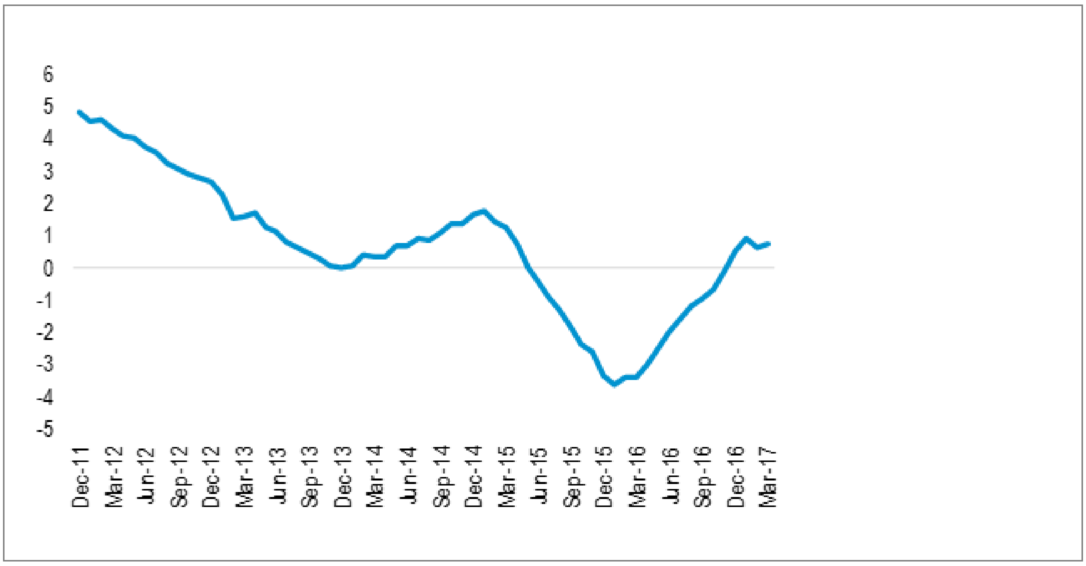


Source: Rosstat

Investment remains subdued as indicated by the downbeat construction activity. Rosstat notes that the value of construction works completed contracted -5.0% in March.

Industrial production in March expanded by 0.8% YoY vs. -2.7% YoY in February. Current industrial production growth is driven mostly by the recovery in manufacturing, which gained 1.0% YoY (-5.1% in February) on the back of more buoyant activity in the machinery and equipment manufacturing category.

Graph 4. Industrial production real growth, 12-month moving average, %



Source: Rosstat

Implementation of the fiscal rule, in which excess oil revenues above the budgeted level of 40 USD per barrel are saved, has helped stabilise the Reserve Fund at around 16 USD billion so far this year.

Moscow Office Market Overview

General Market Insight

	2015 Results	2016 Results	2017 Forecast
Total Stock, mn sq m	16.1	16.4	16.9
Class A, mn sq m	3.7	3.8	4.1
Class B, mn sq m	12.4	12.6	12.8
Take-up, mn sq m	0.87	1.06	1.1
New Delivery, mn sq m	0.7	0.32	0.50
Rental Rates, sq m / year, net of OpEx and VAT			
Prime Class A	$800-900	$800-900	$800-900
Class A	RUB 19,000-25,000	RUB 18,000-35,000	RUB 18,000-30,000
Class B	RUB 13,000-23,000	RUB 13,000-28,000	RUB 12,000-21,000
Overall Vacancy, %	17.7	15.9	15.4
Class A Vacancy, %	26.0	18.6	19.1
Class B Vacancy, %	14.8	14.9	14.0

Source: CBRE Research, Q1 2017

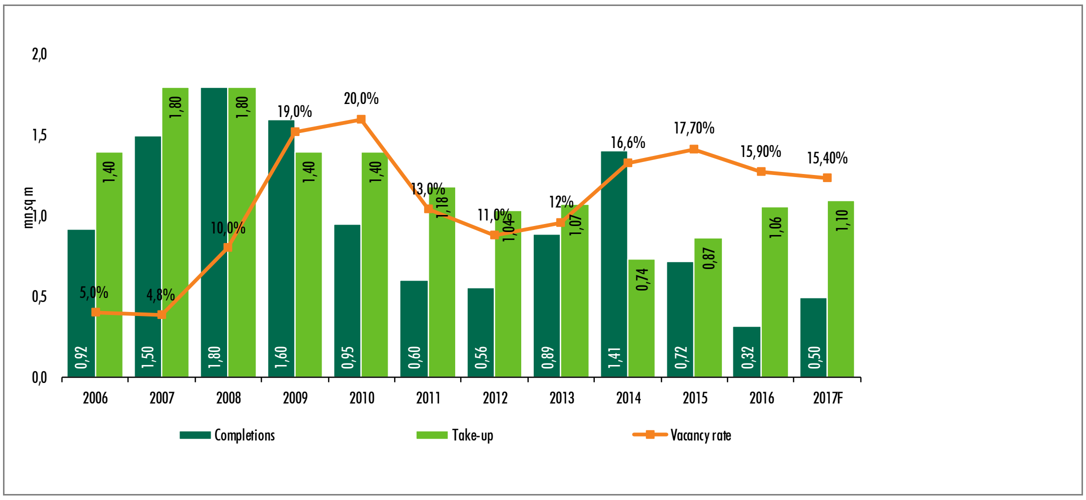
Supply

In 2016 317,300 sq m are commissioned, which is 2.3 times lower than in 2015. According to the projects announced, the volume of new construction in 2017 is not likely to exceed 498,000 sq m.

The beginning of 2017, as well as the end of last year, was marked by a record low volume of completions. The new minimum is caused by the postponement of commissioning of many business centres, the construction of which is at high stage of readiness. In Q1 2017, Dubrovka Plaza and new reconstructed buildings in Bolshevik Phase I were commissioned, with a total rentable area of about 21,100 sq m.

Record low volume of completions has had a major impact on the overall market vacancy that declined due to a significant decrease of this figure in the class A.

Graph 5. Completions, take-up and vacancy rate



Source: CBRE Research, Q1 2017

Based on the plans of developers, Moscow office market should be replenished by 500,000 sq m of new supply in 2017. Half of this volume is expected for commissioning in the first half of the year. In Q2 2017, Neopolis Business District, Oasis, Fili Grad Phase II and others business centres are planned for delivery.

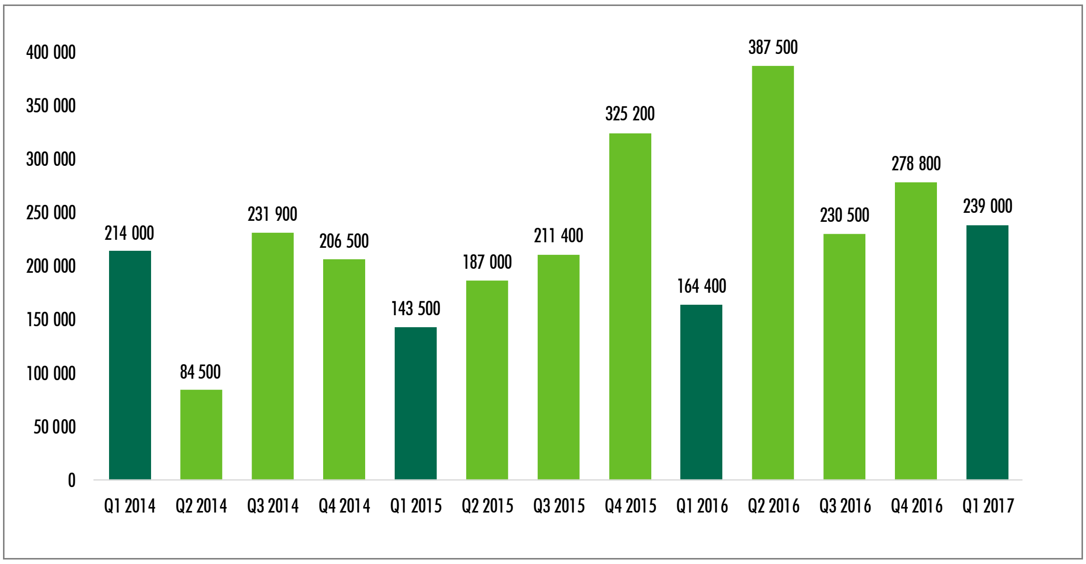
More than 40% of the new supply in 2017 will originate from two projects: IQ-Quarter and Federation Tower East. Limited demand and high vacancy are forcing developers to postpone delivery dates.

Demand & Take-up

The demand has increased in 2016, the take-up reached pre-crisis level of 2013 and amounted to 1.06 mn sq m. This figure is 22% higher than the value of the previous year, and 44% – than in 2014.

Office real estate market almost did not feel the seasonal decline in activity in Q1 2017. Take-up amounted to 239,000 sq m, which is 45% higher than the value in the same period last year and 66% higher than in Q1 2015.

Graph 6. Take-up volume, sq m

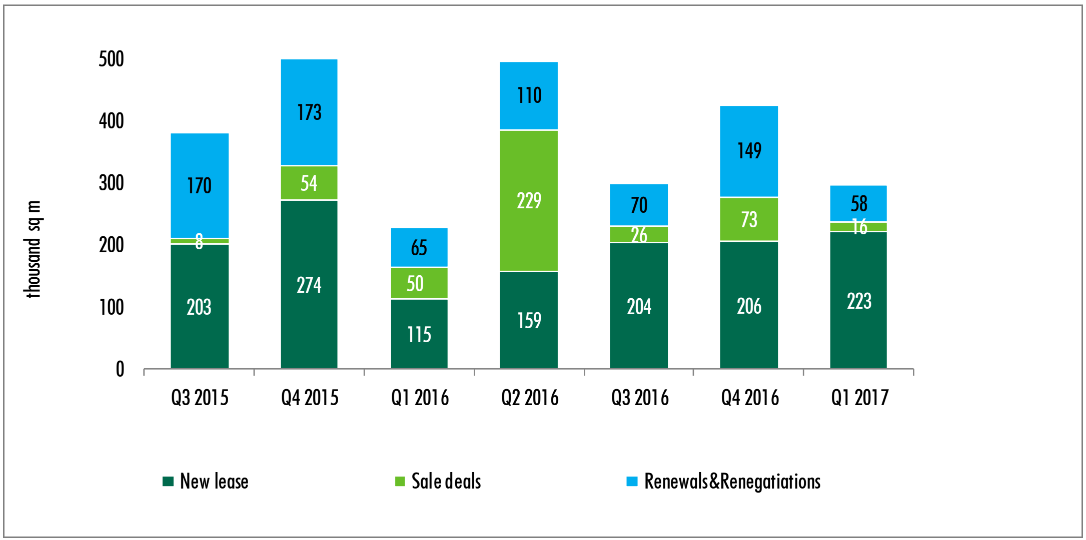


Source: CBRE Research, Q1 2017

In Q1 2017, the volume of renewals and renegotiations dropped to its lowest level in the last two years. They have a 19% share in the structure of total leasing activity. Thus, normal proportion of new lease and purchase deals and renewal and renegotiation transactions was reached in Q1.

Lease deals dominated in the structure of demand in January-March 2017. They form 97% of take-up. In this period 223,000 sq m were leased. At the same time, in Q1 both tenants and buyers give preference to Class B premises. This segment accounted to 69% of take-up.

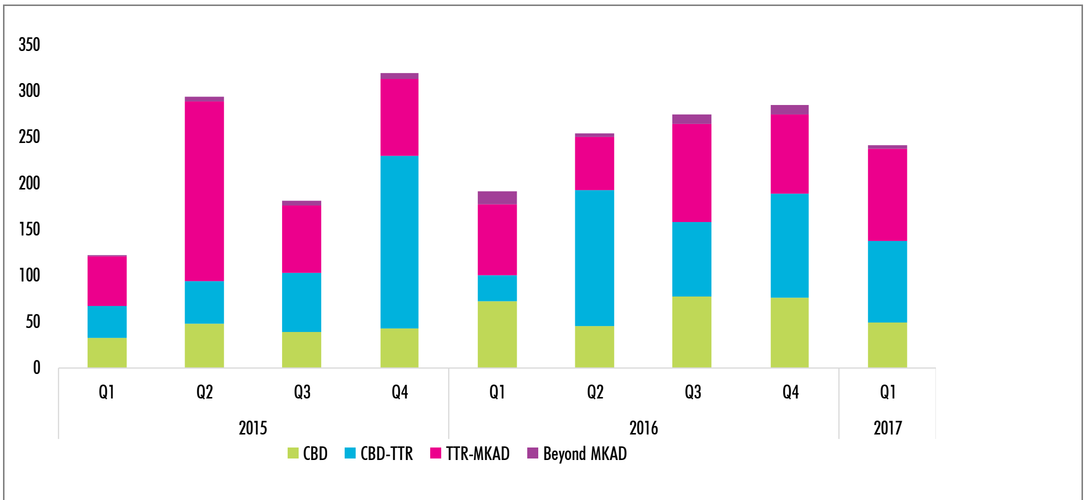
Graph 7. Deals volume



Source: CBRE Research, Q1 2017

Areas between TTR and MKAD and between GR (Garden Ring) and TTR were key zones in the territorial structure of take-up. The share of transactions in the zone between TTR and MKAD amounted to 41% (9 ppts higher than in Q1 2016) or 97,800 sq m of leased and purchased space. One of the largest deals in the zone is purchase of 4,500 sq m in class A SkyLight business centre by Locko-Bank. Office buildings located between the GR and TTK had 37% of take-up, which is 20 ppts higher than in Q1 2016. A large deal in this area was the purchase of office building at 1st Krasnogvardeyskiy proezd by Russian Agricultural Bank.

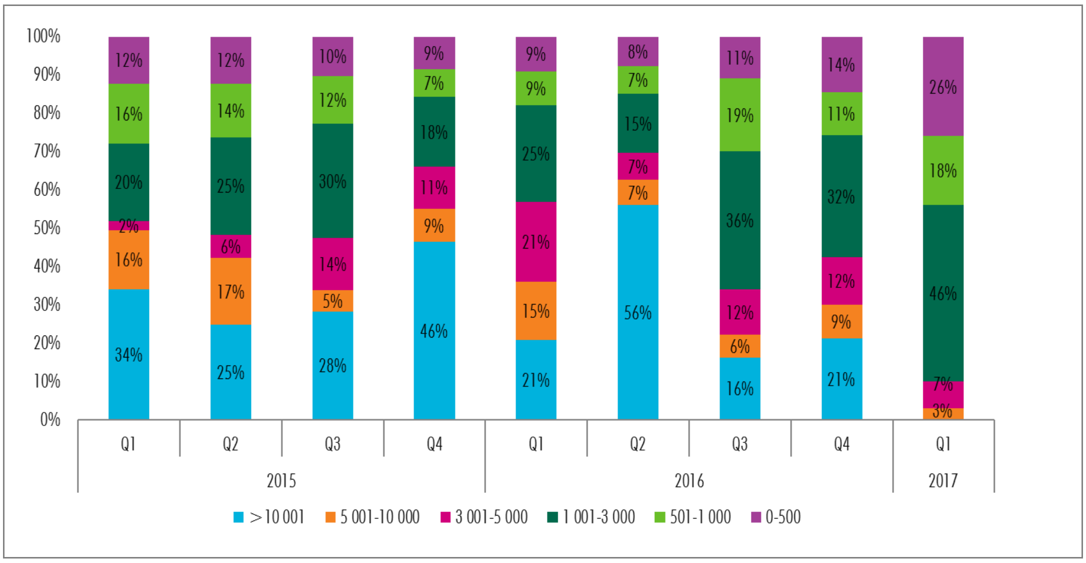
Graph 8. Take-up by zones, thousand sq m



Source: CBRE Research, Q1 2017

Medium-sized office premises with an area of 1,001-3,000 sq m were the most demanded in Q1 2017 (46% of take-up).

Graph 9. Structure of deal size, as a percentage of the take-up



Source: CBRE Research, Q1 2017

Key Deals Q1 2017

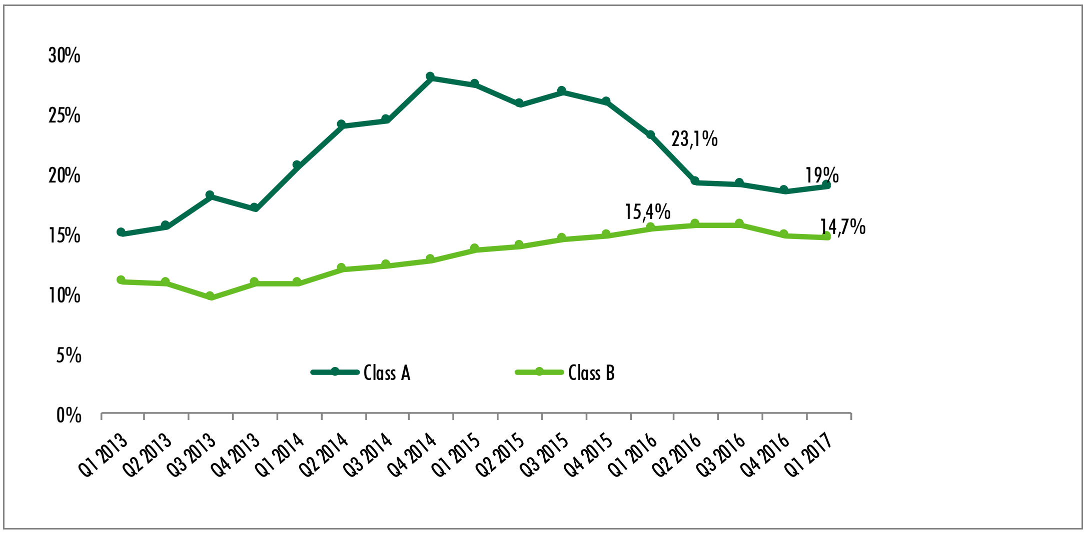
Company	Size, sq m	Property name	Address	Class
Rosselkhozbank	7,900	Bld1, 7, 1st Krasnogvardeysky pr-d	Bld1, 7, 1st Krasnogvardeysky pr-d	B
Loko-Bank	4,500	SkyLight	39, Leningradsky Ave.	A
Confidential	2,800	22, Simferopolsky Blvd.	22, Simferopolsky Blvd.	B
Tsentr podderzhki malogo bisnessa	2,700	Empire High-Rise	Bld2, 6, Presnenskaya Emb.	A
Ingrad	2,500	Hermitage Plaza	4, Krasnoproletarskaya St.	A
Perekrestok	2,400	RTS	26/27 Kalitnikovskaya S. St.	B
Herbalife Int.	2,100	Citydel	9, Zemlyannoy Val St.	A

Source: CBRE Research, Q1 2017

Vacancy

Overall vacancy rate slightly decreased from 15.9% at the end of last year to 15.8% in the Q1 2017. Vacancy in class A is amounted to 19%, which is 0.4 ppts above the value in Q4 2016. Share of vacant office space in class B segment on the contrary decreased by 0.2 ppts to 14.7%.

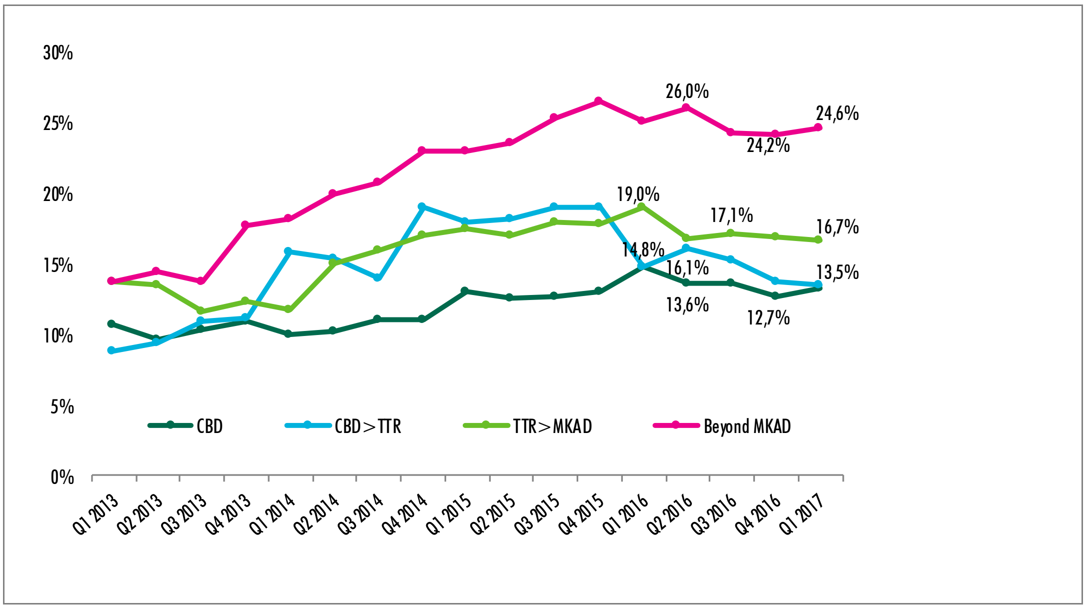
Graph 10. Vacancy rate by class



Source: CBRE Research, Q1 2017

The volume of vacant office space in Moscow City business centres is declining gradually. At the end of Q1 vacant office space is amounted to about 142,000 sq m, which is 10% less than the available area in Q1 2016 and 55% below the value in Q1 2015. The vacancy rate has changed from 16% in Q4 2016 to 15.6% in Q1 2017.

Graph 11. Vacancy rate by location

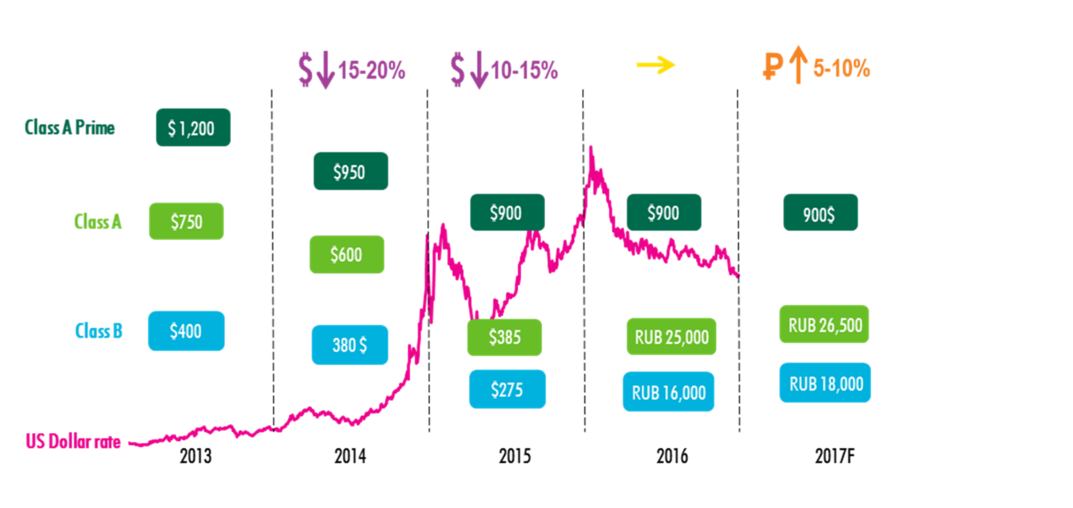


Source: CBRE Research, Q1 2017

Rental rates

In 2016, the pressure on rents from the volatility in commodity and forex markets significantly reduced. The rouble has been appreciating throughout the year. The latter contributed to the stabilization of office rental rates.

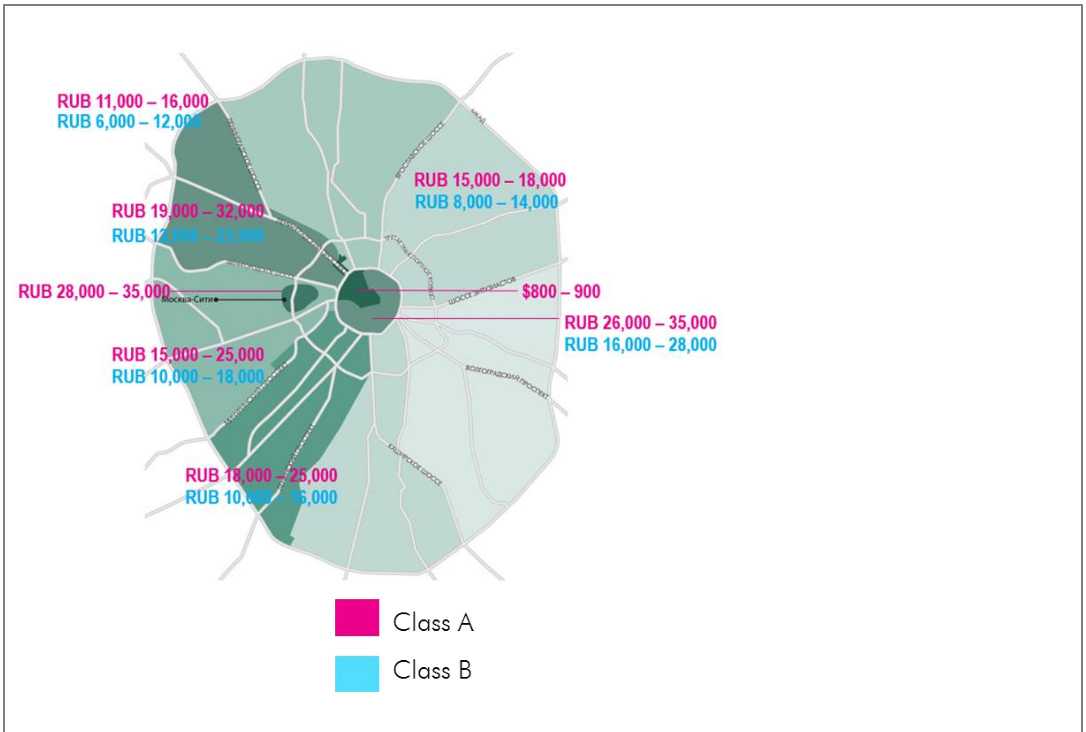
Graph 12. Rental rates dynamics



Source: CBRE Research, Q1 2017

In Q1 2017 rental rates for office space remained at the level of the end of 2016 year. Class A Prime asking rates are in the range of $750-850 per sq m per year. The average range of class A rates is RUB 18,000 – 30,000 per sq m per year, class B rates – RUB 12,000 – 21,000 per sq m per year. All rates are excluding operating costs and VAT.

Map 1. Rental rates by location, per sq m



Source: CBRE Research, Q1 2017

The further dynamics of rental rates in 2017 will be influenced by economic trends in the country.

Real Estate Investment Market Overview

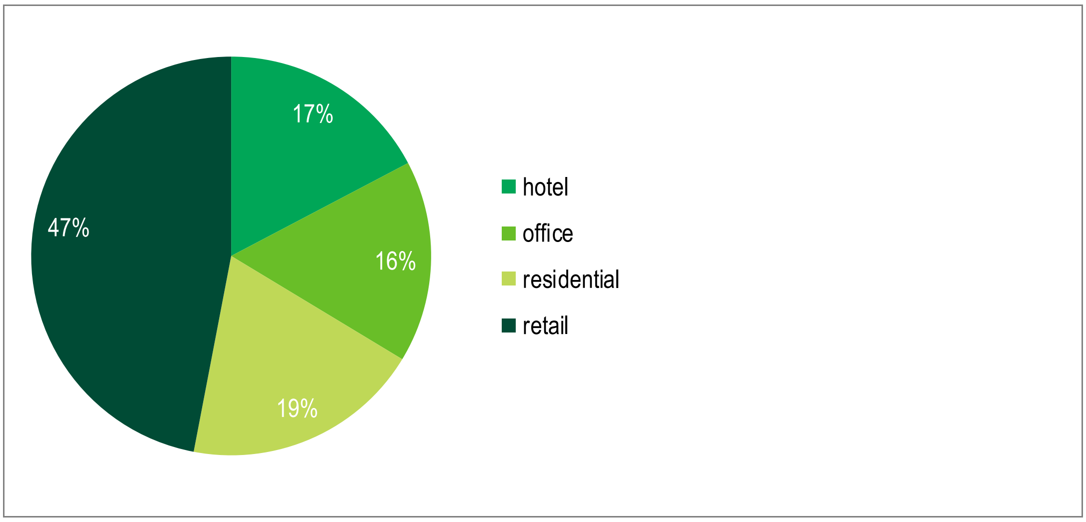
Structure

Investment volume in real estate in Russia amounted to $700 mn in Q1 2017 that is 66% lower than in respective period of 2016. This decline is explained by record high amount of deals in 1Q 2016 (due to closure of one large deal of office purchase by Transneft) which equalled 46% in total yearly investment transactions volume. If this deal is to be excluded, the volume will be down by 34% YoY in Q1 2017.

Foreign investment share increased to 22% in Q1 2017 from 5.4% in Q1 2016.

Almost half (47%) of volume has been invested into retail real estate, demonstrating the start of investor interest into retail real estate. About 19% has been invested in residential development projects, 16% – in offices, 17% – in hotels.

Graph 13. Investments by sectors

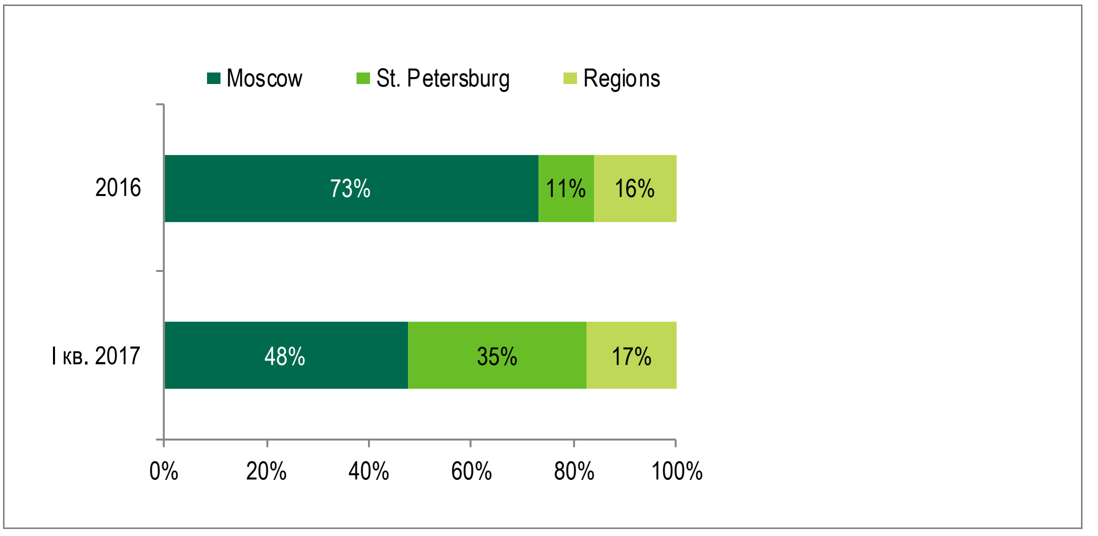


Source: CBRE Research, Q1 2017

The average deal size was 54% lower in Q1 2017 and amounted to $41 mn vs $90 mn in Q1 2016. However, if Transneft deal is excluded, average deal size amounted to $50 mn in Q1 2017, similar to Q1 2017 average deal size.

Due to Leto shopping centre deal closure, the share of St. Petersburg's investment volume increased to 35% in Q1 2017 from 11% in 2016. The share of Moscow accounted for 48% in Q1 2017.

Graph 14. Investments distribution by region



Source: CBRE Research, Q1 2017

Investors still prefer standing assets, the share of which remained relatively stable, at the level of 81% in Q1 2017 vs 85% in 2016.

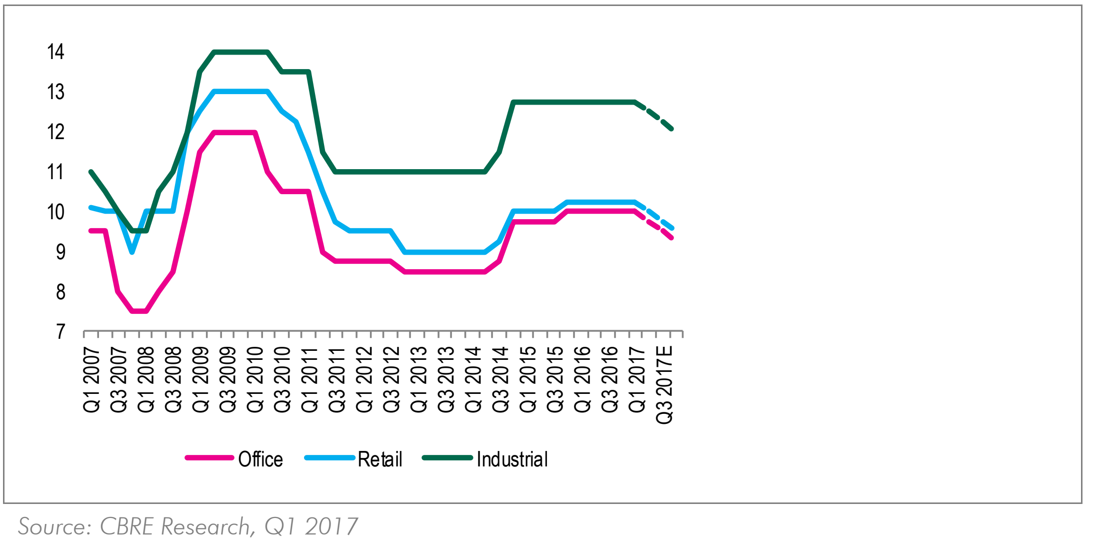
Investment activity on the real estate market is increasing on the back of rouble and oil price stability, as well as Russian economy exiting recession. Investment volume in 2017 may overcome previous year result and amount to $5 bn.

Capitalization rates

Current capitalization rates for prime properties in Moscow are the following:

- Office – 9.75 – 10.25%;
- Retail – 10 – 10.5%;
- I&L – 12.5 – 13%.

Graph 15. Prime yields, %



Source: CBRE Research, Q1 2017

After key rate cut at the end of March and taking into account Bank of Russia rhetoric about further cuts in Q2-Q3 2017, cost of debt finance will continue to go down. On the back of this, real estate capitalization rate compression by year-end is also expected.

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 January-June 2017 as of August 4th, 2017.

Yours faithfully

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For and on behalf of

CB Richard Ellis LLC

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Yours faithfully

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Project Reference: 17/05-33CV

APPENDIX 1: SUMMARY OF THE PROPERTIES

The Property Portfolio of Sponda Plc under valuation consists of one property held for investment. It is located in Moscow.

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

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 73% 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 2022.