STATEMENT

Evaluation of the fair value of the investment properties owned by Sponda PLC
Moscow, Moscow Region and Saint Petersburg, Russia

Sponda Public Limited Company

Date of Valuation: June 30, 2014

EVALUATION OF THE FAIR VALUE OF THE INVESTMENT PROPERTIES

Our Assignment

In accordance with the engagement contract #14/04-32CV dated April 28, 2014 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 (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 6 (six) 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 June 30, 2014.

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. 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 cyclical nature of the real estate market and the economy.

We have used gross floor areas as shown in the title documents. This valuation was based on the assumption that the Subject 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 office centre Bakhrushina House and the shopping centre Solnechniy I were inspected on June 4th, 2014, the shopping centre Solnechniy II – on June 5th, 2014. The office centre Ducat II was inspected on November 14th, 2013, the office centre Meliora Place (Ancor) – on December 5th, 2012, the warehouse complex Adastra – on December 6th, 2012. We have assumed 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 subject 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 COMMENTARY

Macroeconomic Overview

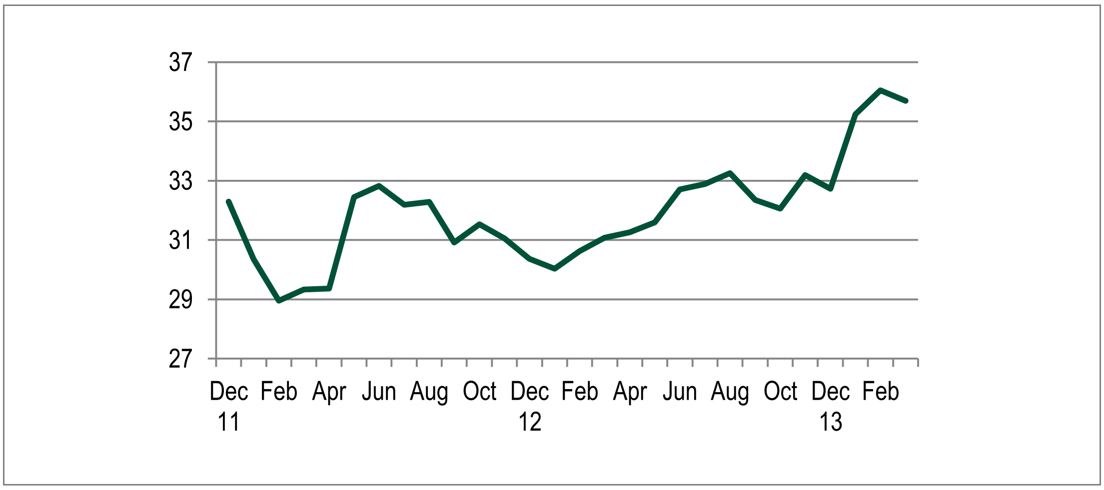
External Sector and Rouble Exchange Rate

The rouble depreciated against the USD by 9% in Q1, having halted its decline at the 35.69 RUR/USD mark. The largest part of this weakening took place in January – 7.6% - and was comparable to the results of the whole of 2013 (7.8%).

This depreciation was quite predictable from the point of view of fundamentals. However, its speed was unpredictable and was an unpleasant surprise for market participants.

After the sharp decrease in January, the rouble showed quite good resilience to the negative influence of geopolitical events, which had intensified since February and continued further in Q1. To some extent this resilience can be explained by the relatively active measures of the Bank of Russia, which not only increased its interventions on the FX market but also tightened monetary policy and liquidity management of the banking system.

Graph 1. RUR/USD, end of period, Roubles per 1 USD



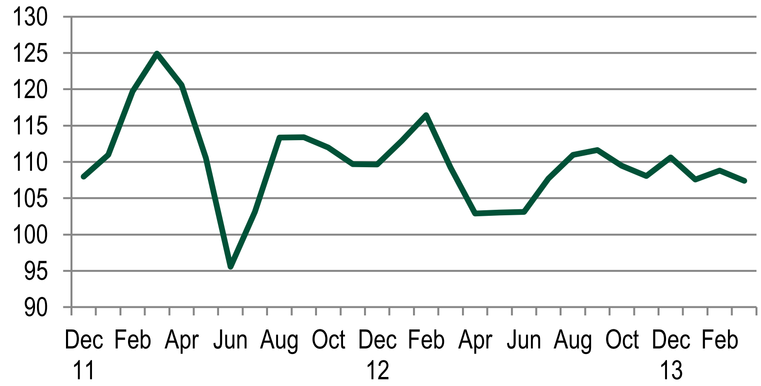
Source: Central Bank of Russia (CBR)

Oil prices, unlike the exchange rate, remained within the established corridor, having decreased by 3% compared to the end of 2013 and reaching USD 107.4/barrel.

The medium term macroeconomic scenario for the Russian economy may be defined in Q2. Traditionally, it is Q2 when demand for oil decreases seasonally, and the market balance might shift towards lower prices. Coordinated actions of a few key oil suppliers might strengthen a decline in prices even further and transform it from a short term process into a medium term one.

This threat makes it advisable for developers and investors to avoid high leverage and to conduct a conservative financial policy

Graph 2. Monthly Average Price, Brent, USD per barrel



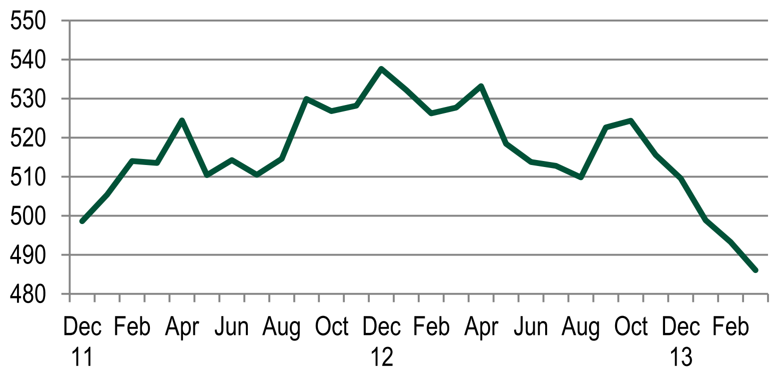
Source: IndexMundi

CBR international reserves decreased by USD 23.5 bn. to USD 486.1 bn., or by 4.6%, in Q1.

From the medium term point of view, from the beginning of 2013 to the end of Q1 2014, international reserves reduced by USD 51.5 bn., or 10%.

The trend in international reserves follows, with some lag, trends in the current account of the balance of payments. The latter started deteriorating 2 years ago, i.e. from Q2 2012.

Graph 3. International reserves, USD bn.



Source: Central Bank of Russia (CBR)

The rouble depreciation in January generated some positive changes. The steady reduction in the current account surplus finally took a pause. According to the preliminary estimates of the Bank of Russia, the Q1 current account surplus amounted to USD 27.6 bn., which is 14% above that in Q1 2013.

In addition, the Ministry of Economic Development revised its yearly forecast with an expected increase in the current account surplus from USD 19 bn. to USD 48 bn. These changes might lead to a halt in the 2 year old trend of a deterioration of the current account balance.

The financial account balance reflected the influence of the increased geopolitical uncertainty on international financial operations. According to the CBR's preliminary estimates, the deficit amounted to USD 48.6 bn., which is 4 times higher than in Q1 2013.

Reduced opportunities to attract debt from the international capital markets became the key contributor to the financial account deficit:

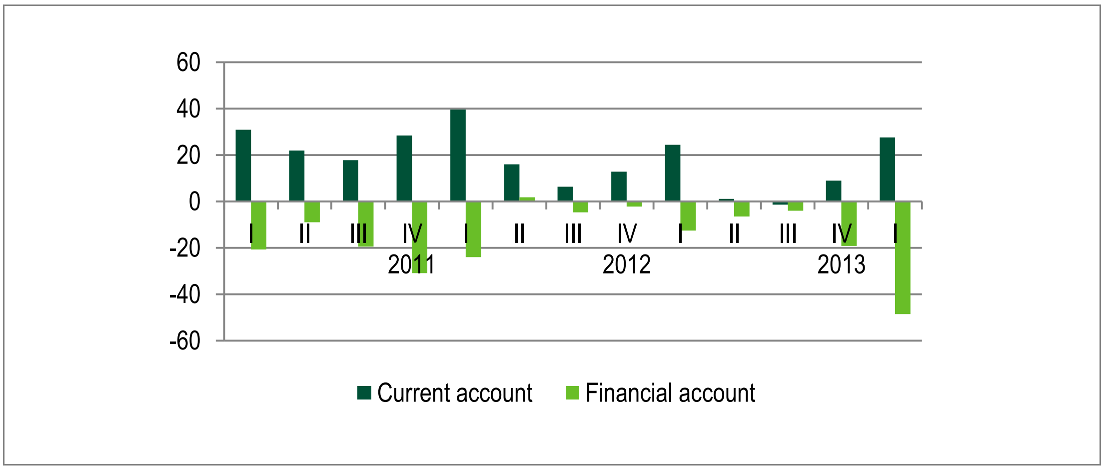
- inflow of international loans fell from USD 35.5 bn. to USD 9.2 bn.
- foreign direct investment declined from USD 37.1 bn. to USD 11.9 bn.

The second indicator is less critical as Russian investment assets abroad decreased even more sharply, by USD 50 bn.

In fact, these facts suggest that limited access to international capital markets was compensated by a reduction of assets abroad.

Combined with the proper execution of a programme to reduce the utilisation of off-shore companies by Russian business, these facts suggest that capital flight forecasts of USD 100–150 bn. may not come true.

Graph 4. Balance of payments indicators, USD bn.



Source: Central Bank of Russia (CBR)

Lending Conditions

The speculative attack on the rouble and geopolitical instability led to increased volatility on financial markets and adversely influenced lending conditions.

Availability of financing from international capital markets reduced considerably. This is seen explicitly in the balance of payments statistics.

In addition, financing became more expensive due to the increase in country risks. Yields on Russian sovereign eurobonds increased by 100+ basis points compared to the beginning of the year.

The trend towards yield stabilisation was again broken by the next round of geopolitical tensions in April.

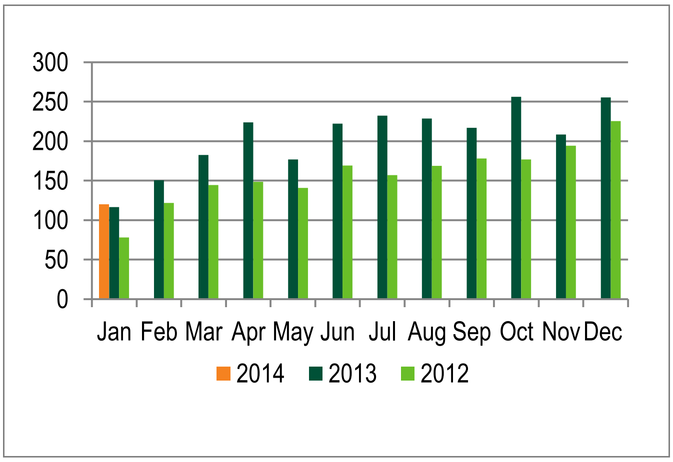
By now it is fairly obvious that events in Q1 developed a solid foundation for, at least, a short term increase in interest rates during the whole of the first half of the year.

Despite the solid liquidity stance of the largest banks involved in lending to the construction and development sectors, we expect that they will be more selective on granting loans, meaning a tightening of lending conditions. This will first of all influence LTV ratios, which are expected to decrease.

Statistics on newly granted loans in January did not yet reflect the difficulties with new financing. On the contrary, there was minor growth of 2.8%, albeit just in nominal terms.

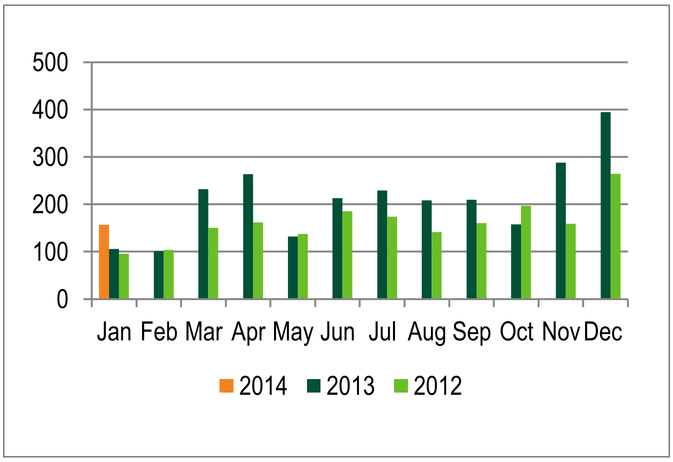
Lending volumes for the construction sector amounted to RUR 119.6 bn. The currencies in which the loans were granted hardly changed. Lending to the sector “Operations on real estate, leasing and other RE services” in January 2014 was 48% above that in the same period of 2013.

Graph 5. New loans to the construction sector, RUR bn.



Source: Central Bank of Russia (CBR)

Graph 6. New loans to the «Operations on real estate, leasing and other RE services» sector, RUR bn



Source: Central Bank of Russia (CBR)

The existing contradiction between an increase in lending volumes and tightened lending conditions is perhaps related to transactions involving Olympic properties or some other forms of state support.

All in all, the decreased availability of funding, including that from the international capital markets, is expected to adversely influence developer activity, at least in H1. The largest banks will be able to grant loans for quality projects, but the cost of funding is expected to increase.

Real Sector

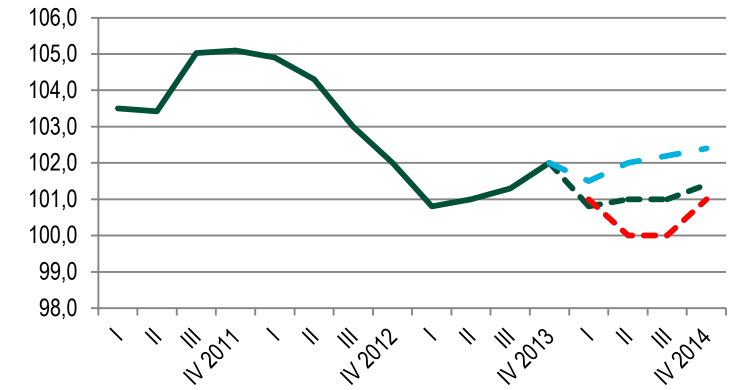
According to the Ministry of Economic Development (MED) preliminary estimates, in Q1 2014 Russian GDP increased by 0.8% compared to the same period of 2013.

In April the MED revised its macroeconomic forecast, and GDP growth was downgraded once again, this time from 2.5% to 0.5–1.1%.

There are therefore still no sound arguments to confirm that the “trough” in Russian economic growth has passed. The situation still remains quite uncertain and problematic, and the probability of recession has grown.

Nonetheless, GDP growth for 2014 is still expected to remain positive, which will support, first of all, the Retail and I&L property sectors.

Graph 7. GDP Growth, Russia, % YoY

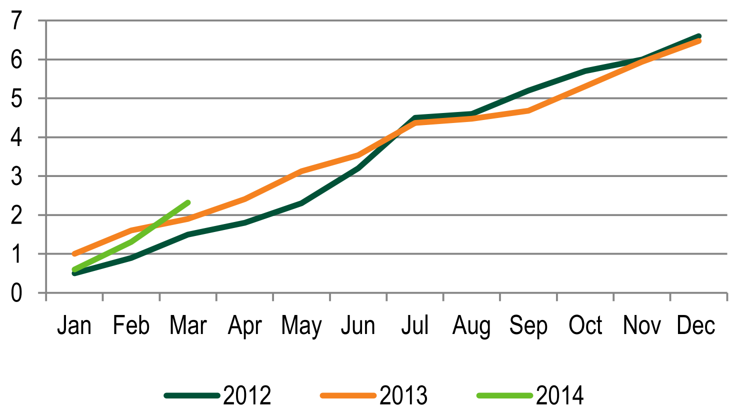


Source: Rosstat, MED

Consumer prices increased by 2.3% in Q1 and made it almost impossible to meet the forecast of 4.8% for the year.

The latter is therefore also expected to be revised up to around 6%.

Graph 8. Consumer Inflation, %



Source: Central Bank of Russia (CBR)

Conclusions and Forecasts

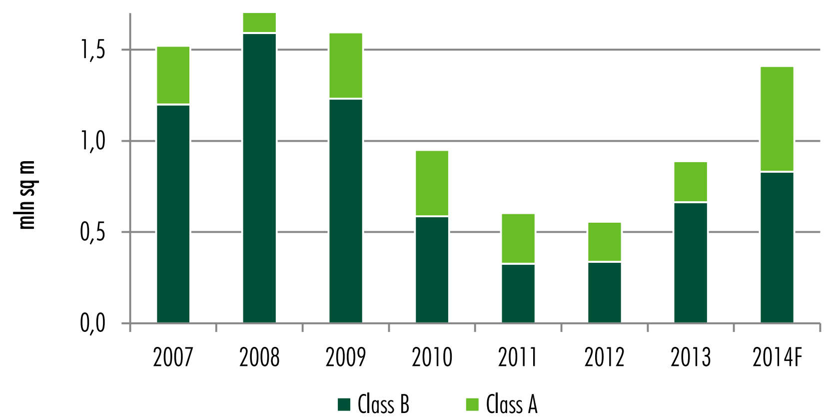
- The considerable revision in the GDP growth forecast for 2014 was the worst news, leading to a possible decrease in demand for commercial real estate.
- In this situation, strong developer activity, if it continues, is expected to generate upward pressure on vacancy rates and downward pressure on rents.
- The retail property sector is expected to show the strongest resilience.
- Despite all the negative news, the "window of opportunity" for a positive medium term scenario remains open.
- The necessary foundation for this includes oil prices above USD 100/barrel and gradual de-escalation of the geopolitical problems in Q2.

Moscow Office Market Overview

Supply

During Q1 2014 a total of 209,000 sq m of office space was commissioned, of which Class A accounted for 62% (130,400 sq m) and Class B 38% (78,600 sq m), the latter including 40,000 sq m of built-to-suit.

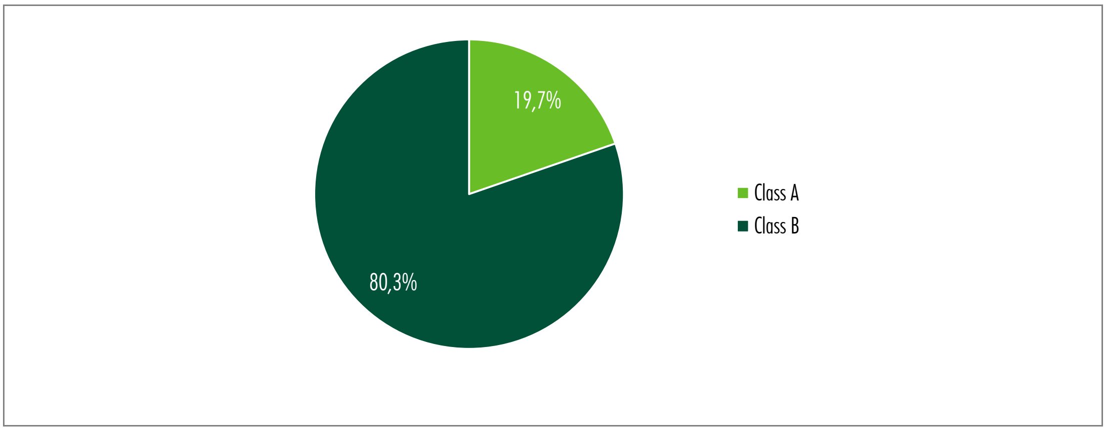
Graph 9. Annual Supply by Class, million sq m
2007 – 2014F



Source: CBRE

Total office stock in Moscow therefore reached 14.2 million sq m, 2.8 million sq m (or 19.7%) of which is Class A.

Graph 10. Total Quality Office Stock, million sq m



Source: CBRE

During the last four post crisis years (2010-2013) quarterly delivery figures have varied from 80,000 sq m up to 302,000 sq m. Q1 2014 falls within this range; however estimated delivery for each of the remaining three quarters of the year is expected to be around 400,000 sq m.

Class A space traditionally accounts for a lower proportion of the total than Class B; occasionally not a single Class A building is commissioned in a quarter. However, in Q1 2014 there was more Class A space commissioned than Class B.

The largest building commissioned in Q1 was Eurasia Tower in Moscow-City. As a result of the delivery of Eurasia Tower, the vacancy rate in Moscow-City increased significantly from 25% (year-end 2013) to 37%. Other Class A buildings commissioned in Q1 2014 were Krasnaya Roza Morozov Phase II in the CBD, which was pre-leased by Yandex in Q4 2013, and Mebe One Khimki Plaza outside the MKAD.

Significant Projects Delivered in Q1 2014

PROJECT	OFFICE AREA, SQ M
Eurasia Tower	86,800
Mebe One Khimki Plaza	29,900
Krasnaya Roza Morozov Phase II	13,600
Rochdel Center	6,900

Source: CBRE

A total of 450,000 sq m of Class A space is expected to be delivered during 2014. In terms of geographic area, the main locations for this space are Moscow-City and the zone beyond the MKAD.

Total new delivery in 2014 is expected to reach 1.4 million sq m, 60% of which will be Class B and 40% Class A. Most of the buildings to be delivered in 2014 are nearly completed and are therefore likely to enter the market, regardless of any negative impact that may follow a deterioration of the macroeconomic situation.

Office Projects to be Completed in 2014

PROJECT	OFFICE AREA, SQ M
OKO	110,000
Vodny	61,500
K2 Buildings A and B	36,000
Arcus III	34,000
AERO City	32,000
Bolshevik Phase I	28,000
Romanov Dvor Phase III	5,000

Source: CBRE

Demand and Take-up

In Q1 2014 total take-up amounted to 214,000 sq m. This is comparable to the figures for Q1 2011, and Q1 and Q4 of 2013 which saw 219,000 sq m, 221,000 sq m and 229,000 sq m respectively. Recent events – the devaluation of the Russian rouble and the geopolitical situation - have not led to a significant reduction in demand for office space in Q1 therefore.

However, it should be noted that the actual level of net absorption of office space (the difference between occupied stock at the end and beginning of the period) has decreased significantly; in Q4 2013 net absorption stood at 94,700 sq m, with 50,000 sq m in Q1 2014, against figures for Q1-Q3 2013 of 187,000 sq m, 381,000 sq m and 293,000 sq m respectively. The reduction in net absorption indicates that tenants in the current unstable situation are hardly increasing the amount of space occupied. The majority of tenants are simply leasing similar amounts of space in another business centre.

39% of the total volume of transactions was Class A space (83,300 sq m), and the remainder – 130,700 sq m – was Class B.

Take-up of Class A space. In Q1 2014 the two largest deals for Class A space were the following: PepsiCo leased 13,000 sq m at Alcon BC Phase I and Systematica 17,000 sq m at Comcity Phase Alpha office park. 54% of total Class A take-up was therefore outside the TTR.

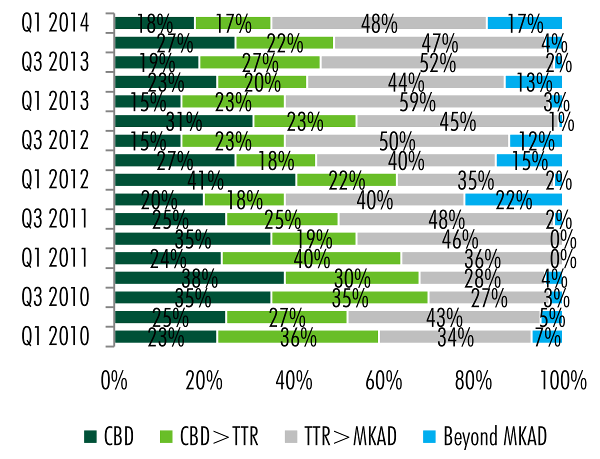
It should be noted that the Systematica transaction took place at the construction stage of the complex, before the building was officially commissioned. In 2013, just one pre-lease transaction took place - Publicis Groupe took 10,800 sq m in BC Bolshevik.

Several small transactions totalling 2,400 sq m were recorded in the Class A Prime segment; for example, UTC leased 460 sq m at White Gardens BC, and FASHION HOUSE Group 215 sq m at White Square BC. In 2013, transactions in the Class A Prime segment totalled nearly 39,000 sq m. The low activity in this segment registered in Q1 2014 could be largely attributed to potential tenants' reaction to the deteriorating economic indicators in Russia, as well as developments in the geopolitical situation.

Take-up of Class B space. Class B premises remained in high demand, especially among Russian companies. Around 120,000 sq m of Class B space was leased or purchased by Russian companies (90% of the total Class B).

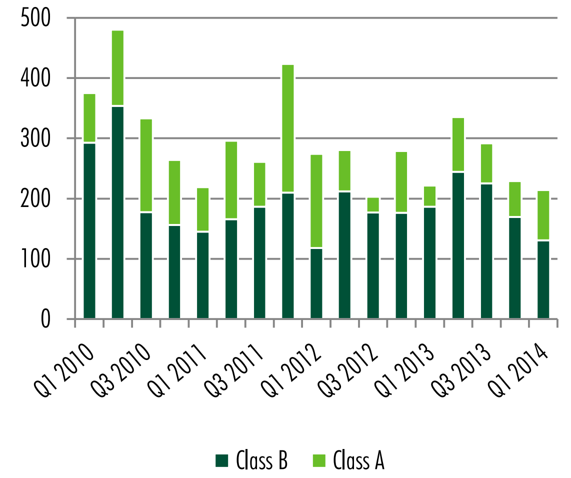
Among the most active sectors are banking (Joint Stock Commercial Bank Troika leased 1,700 sq m at Plaza H2O BC, and KB Transportny 3,900 sq m in the Business Centre at Kalanchevskaya) and IT (2GIS leased 2,000 sq m at Arma BC, and Point 700 sq m at Newton Plaza).

Graph 11. Annual Take-up by Geographic Submarket
Q1 2010 – Q1 2014



Source: CBRE

Graph 12. Take-up by Class, thousand sq m
Q1 2010 – Q1 2014



Source: CBRE

Office sizes in highest demand. Office units up to 1,000 sq m are still the most popular on the market (81% of the total number of lease transactions, with 58% of these under 500 sq m). 14% of all transactions involved offices between 1,001 sq m and 2,000 sq m. Transactions over 2,000 sq m were rare.

Sales transactions. Sales transactions (for owner occupation) totalled 42,000 sq m which is similar to the Q4 2013 figure.

As a result of the rapid devaluation of the rouble and geopolitical developments, a number of potential buyers remain cautious.

Main Completed Transactions in Q1 2014 (Lease)

COMPANY	OFFICE AREA, SQ M	PROPERTY	ADDRESS	CLASS
Systematica	17,300	Comcity Phase Alfa	Kievskoe Highway	A
PepsiCo	13,000	Alcon	72 Leningradsky Avenue	A
Modis	3,900	Wall Street	35 Valovaya Street	A
Investgeoservis	1,900	Principal Plaza	10A 60-letiya Oktyabrya Avenue	A
Merz Pharma	1,700	Naberezhnaya Tower	10 Presnenskaya Embankment	A
Ob'edinennaya Vagonnaya Kompaniya	1,100	Aurora BP Phase II	82 Sadovnicheskaya Street	A
Boiron	980	Sadovaya Plaza	7-9 Dolgorukovskaya Street	A
First Quantum	840	Butik-office	7 Butikovsky Lane	A

CBRE

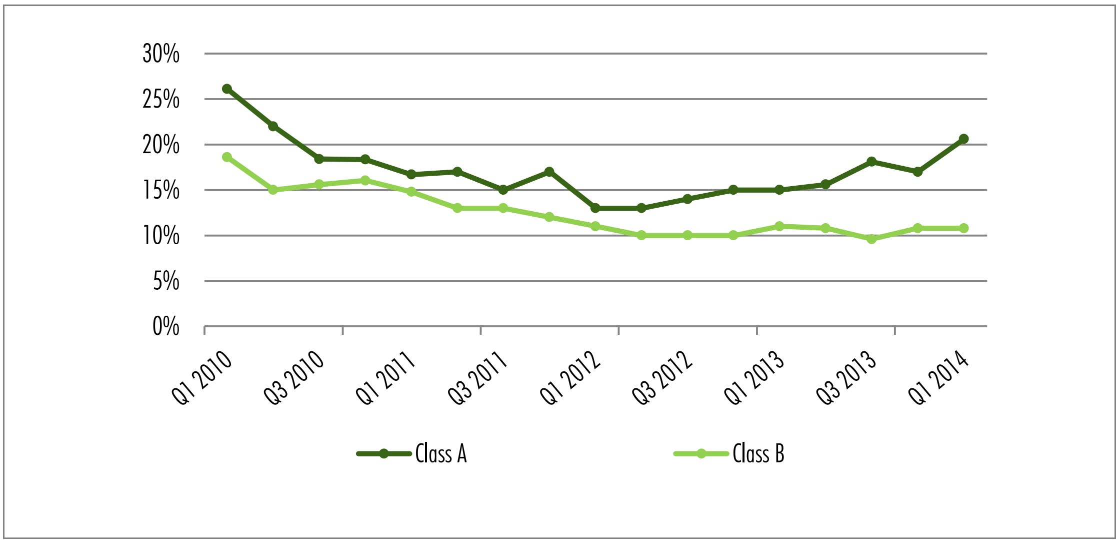
COMPANY	OFFICE AREA, SQ M	PROPERTY	ADDRESS	CLASS
Roland Berger	680	Legend	2 Tsvetnoy Boulevard	A

Source: CBRE

Vacancy Rates

In Q1 the overall vacancy rate increased to 13% from 12% in 2013. Major changes have occurred in the Class A segment following the delivery of a large amount of office space. The Class A vacancy level therefore reached 20.6%.

Graph 13. Vacancy Rate by Class, %
Q1 2010 – Q1 2014



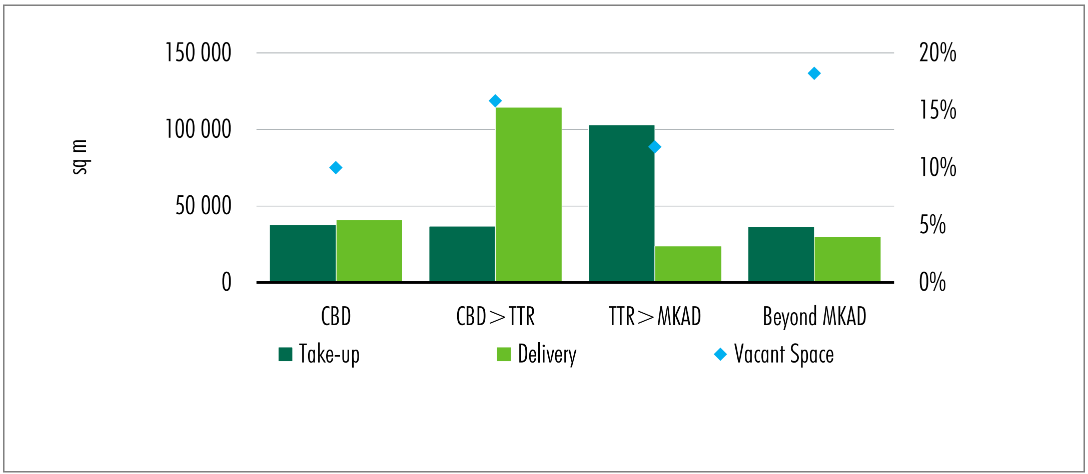
Source: CBRE

This particularly affected Moscow-City where Class A supply significantly increased (as well as the area between the GR and the TTR, to which Moscow-City is geographically related) and vacancy rose from 25% to 37%. In general, we estimate that the Class A vacancy rate will be in the range of 19%–20% throughout the year.

In the other areas, vacancy has changed slightly from 10.9% to 10% in the CBD, from 12.3% to 11.8% in the zone between the TTR and the MKAD, and from 17.7% to 18.2% outside the MKAD.

Graph 14. New Delivery, Take-Up, Vacancy Rates by Geographic Submarket

Q1 2014 results



Source: CBRE

Rental Rates

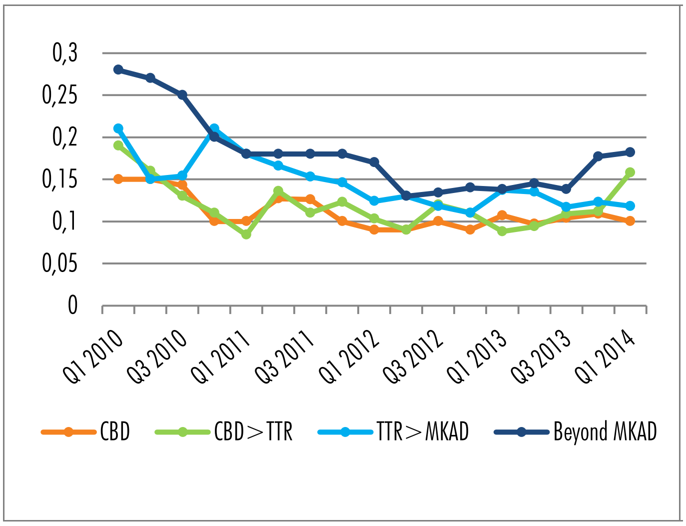
The negative political perception of Russia, as well as forecasts for a deterioration of economic performance in 2014, mainly influenced the premium office sector. Owners of Class A buildings in central locations with high vacancy rates are ready to offer individual commercial terms to reliable tenants that include such incentives as basic fit-out, longer rental holidays etc.

Some owners of Class A office buildings in the CBD have already lowered lease rates by 10-15%. However, the trend to reduce asking rents should not be regarded as a common practice.

In general, rental rates did not change significantly in relation to Q4 2013: $1,050-$1,200 for Class A Prime, $650-$750 for Class A and $400-$450 for Class B.

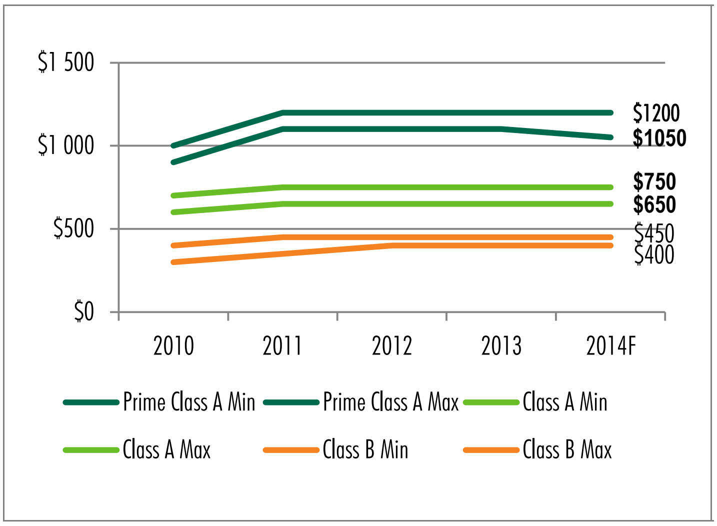
Nevertheless, due to the large amount of new space delivered, as well as continuing political instability and, as a consequence, the economic situation, we expect that within a year most transactions will be concluded at rents close to the lower end of the range.

Graph 15. Rental Rates by Geographic Submarket, year-end
Q2 2010 – Q3 2013



Source: CBRE

Graph 16. Rental Rates by Class, year-end
Q1 2010 – Q3 2013



Source: CBRE

Conclusions

- Three Class A office buildings totalling 130,000 sq m – Eurasia Tower, Mebe One Khimki Plaza and Krasnaya Roza Morozov Phase II – were commissioned;
- Regardless of the devaluation of the Russian rouble and the unstable geopolitical situation, the volume of transactions remained fairly stable with only a 7% decrease compared to Q4 2013;
- The zone between the TTR and the MKAD still accounts for the highest take-up (48% of the total);
- 61% of closed deals were in Class B buildings, with 39% in Class A (14% of which were in two large deals by PepsiCo (13,000 sq m) and Systematica (17,000 sq m));
- The most popular office size was units up to 1,000 sq m, which represented 81% of the total number of deals;
- The overall vacancy rate increased (from 12% in Q4 2013 to 13% in Q1). Vacancy in Class B properties remained stable (10.8%), in Class A properties – increased from 17% in Q4 2013 to 20.6% in Q1 2014. Vacancy in Moscow-City increased to 37%;
- Rental rates were stable. However some owners of premium office buildings in the CBD have already lowered lease rates by 10-15%.

Overview of the Moscow and Moscow Region Retail Markets

The Central Federal District, and especially Moscow and the Moscow Region, has a special status in that the leading domestic retail operators, as well as foreign retailers establishing their operations in Russia, have a presence there.

In Q1 2014 the Moscow retail market froze in anticipation. Against the background of an unstable geopolitical situation, there was a sharp depreciation of the rouble against the USD and euro. As a result of this exchange rate volatility, retailers have become more cautious: they are preferring to develop their retail chains in shopping malls that are already in operation, or are concentrating on projects that are at the final stages of completion.

Nevertheless, expectations for private consumption and retail sales remain positive. This means that quality projects in the right locations will have found their tenants. At the same time, there is a higher chance that the opening of some shopping centres might be re-scheduled to 2015.

The major trends are described below:

- By the end of Q1 2014, the total stock of modern retail space within shopping malls in Moscow was about 4.2 million sq m GLA.
- At the end of Q1 2014, the amount of modern shopping centre space per 1,000 inhabitants in Moscow averaged 346 sq m, which is lower than in a number of other major European cities.
- Four shopping malls totalling 101,000 sq m GLA were delivered to the market in Q1 2014. Openings of shopping malls re-scheduled from the end of 2013 resulted in Q1 2014 seeing the third largest new delivery in the last six years. Only 2009 and 2011 saw a larger increase in the supply of quality retail space.
- One new regional shopping mall (Goodzone) and three neighbourhood malls (Mosckvorechie, VDNKH, and Mandarin) entered the Moscow retail market in Q1 2014.
- Developers announced plans for one new retail shopping centre in Q1 2014 – a shopping mall in Taganskaya Square with an area of 12,600 sq m GLA.
- The average vacancy rate in modern shopping malls in Moscow was stable at 2.6% in Q1 2014.
- The Russian brand Zolotaya Imperia entered the market via Afimall City SEC in Q1 2014. The jewelry brand 585 also returned to the Russian market. New household products chains Matryoshka and Houms plan to enter the market soon.
- The Russian market is still attractive for international retailers. In Q1 2014, eight new brands, Conguitos, Dirk Bikkembergs, Harman, Lene Bjerre, Max Brenner, MIO, Monki and Sinsay, opened stores in Moscow. Some of these such as Lene Bjerre, Dirk Bikkembergs and Monki already had stores in the Russian regions and opened their first shops in Moscow. Six more international brands, Armani Jeans, Magnolia

Bakery, Hooters, Granier, Reima and Andrea Montelpare, are planning to enter the Moscow market during 2014.

- The expansion plans of the majority of retail chains still look rather optimistic. For example, retail leaders such as McDonalds, Detskiy Mir, Media Markt and Takko Fashion announced plans for the launch of new stores in Moscow, the Moscow Region and other Russian cities.
- International brands continue to actively expand their retail space by adding new collections, targeted on capturing new consumer audiences. H&M Holding plans to introduce a new sports collection. Incity launched a new men's collection, and the jewelry brand Adamas plans to start a children's collection.
- New international retail chains are actively testing new retail platforms. For example, Carl`s Jr opened the first café in Moscow as a tenant of the food court in the Crocus Expo exhibition centre. The Japanese clock brand G-Shock has entered the market via the Flacon Design Factory with their first sole-brand store. The British cosmetics retail chain Models Own opened the first non-standard format shop in Moscow ('bottle-shop') in the Mega Belaya Dacha shopping and entertainment centre. Another British brand, Hunter, opened the first sole-occupation pop up corner in Moscow in the Tsvetnoy shopping centre.
- During Q1 2014 rental rates in major shopping centres remained stable; prime rents for tenants occupying small areas (50-250 sq m) in shopping galleries were in a range from $1,200 to $2,300 per sq m per year.
- There were some cases of rental rates for anchor tenants being decreased. These reductions could be as high as 10-15%. The main reasons for these revisions included the weakened rouble and a slowdown in retail sales.
- According to plans announced by developers for 2014, supply of high-quality shopping centre space in Moscow may increase by 800,000 sq m GLA. There are currently 16 shopping malls under construction with an announced delivery date by the end of 2014. It is worth noting that 76% of the future supply is within the five largest facilities planned for delivery in the coming year (Avia Park, Columbus, Vegas Crocus City, Mozaika and Vesna). There are also two second stages of existing outlet centres that are expected to open at the end of 2014: Vnukovo Outlet Village and Belaya Dacha Outlet Village.
- However, experts believe that not all of the announced projects will be opened on time. The reasons for potential changes in delivery dates include the worsening macroeconomic environment, tightening lending conditions and internal difficulties being experienced by some developers. Neighbourhood format schemes from small developers might be the first candidates to suffer from these problems. If macroeconomic conditions worsen further, shopping centres with an announced delivery date of Q4 2014 (in total 450,000 sq m out of the 800,000 sq m scheduled for 2014) could be rescheduled to Q1 2015.

Saint Petersburg Warehouse Market

Supply

The total stock of quality warehouses (Class A and B) in St Petersburg stood at 1.65 million sq m in Q1 2014 (not including warehouses built for owner occupation).

No warehouse complexes were put into operation in Q1 2014.

Class A warehouse complexes account for 66% of the total quality stock and Class B 34%. During the last few years the amount of Class A warehouses completed has significantly exceeded Class B space. By the end of 2014, three new Class A warehouse complexes, with a combined area of 355,000 sq m, are expected to be commissioned. Among the planned projects are the second phase of Orion Logistics, the second phase of Nord Way, and Armada Park.

The largest amount of speculative warehouse space (approximately 500,000 sq m) is planned for 2014-2015. If all of this space is commissioned, the market may become more active, leading to a gradual decline in rental rates and a rise in vacancy rates. It should be taken into account that in Q1 2014 more than 80% of all transactions in the warehouse market were pre-leases.

Industrial park projects continued to be announced. At the last MIPIM international exhibition, an agreement was signed by the Chinese company Hua Bao and representatives of the city to build an industrial park for the production of medical equipment and a convention and exhibition centre in St Petersburg. An industrial park for the production of garments and accessories is planned on a plot with a total area of 6 hectares in the Nevsky district of the city.

Warehouse Market Key Figures
Q1 2014

	CLASS A	CLASS B
Total stock, sq m	1.08 million	567,000
Delivery in Q1 2014, sq m	0	0
Vacancy	0.3%	0.5%
Capitalisation rate	13%	14%
Rental rate, USD/sq m/year (triple net)	$120-140	$100-120

Source: Maris/part of the CBRE Affiliate network

Demand and Take-up

Warehouse transactions totalled 22,750 sq m in Q1 2014.

In the first quarter of 2014, several warehouse deals involving brokers were announced. The largest deal in Q1 2014 was the lease of 15,000 sq m in the Osinaya Roshia warehouse complex by the large St Petersburg retailer O'kay. KWE also leased 2,750 sq m in the Orion Logistics logistics complex. The retail company Verniy rented a warehouse with a total area of 5,000 sq m in Logopark Shushary, signing a sublease agreement with one of the current tenants.

Major Lease Transactions
Q1 2014

COMPANY	WAREHOUSE	AREA, SQ M
O'kay	Osinaya Roshia	15,000
Verniy	Logopark Shushary	5,000
KWE	Orion Logistics	2,750

Source: Maris/part of the CBRE Affiliate network

Companies are interested in units of 3,000-5,000 sq m as well as smaller ones of 1,000-3,000 sq m. There is a shortage of small and medium-sized warehouse facilities in the city.

Retail/wholesale and logistics companies accounted for the largest proportion of demand in 2013.

Vacancy Rates

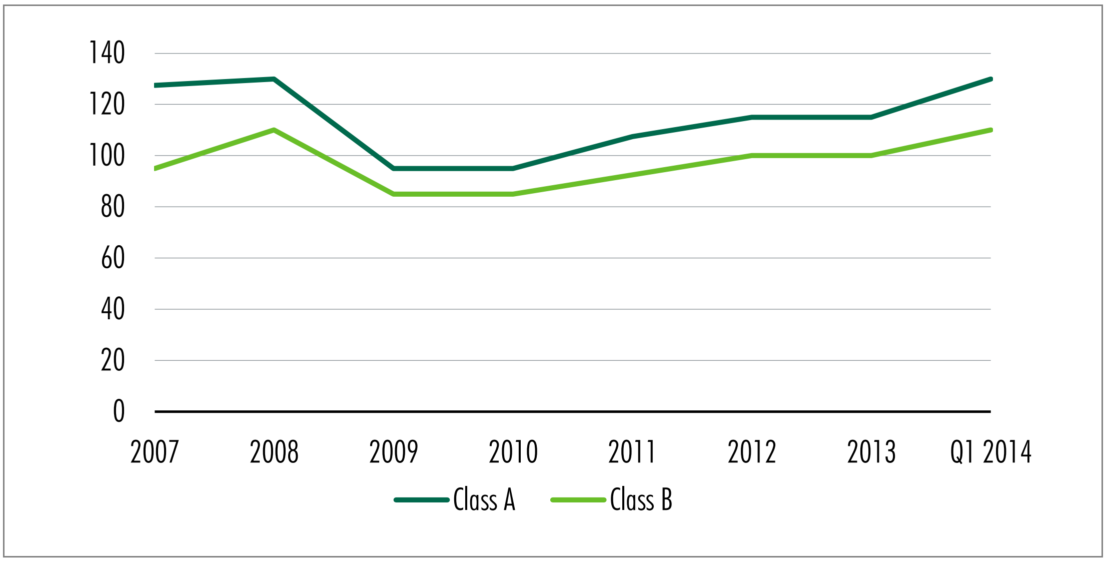
The vacancy rate for Class A space has fallen to 0.3% in Q1 2014. As a result of increased demand, the vacancy level for Class B space has fallen to 0.5%. If there is low supply and a growing number of preliminary agreements in 2014, the occupancy rate will remain at the same level.

Rental Rates

The warehouse market is now a landlord's market. In most cases lease agreements are long-term with stringent conditions for termination.

As a result of the low amount of vacant space, rental rates for warehouses continue to grow. For the most popular Class A and B space, rents are $100-140 per sq m per year (triple net).

Graph 17. Rental Rates, USD/sq m/year (Triple Net)
2007 – Q3 2013



Source: Maris/part of the CBRE Affiliate network

CBRE

Real Estate Investment Market Overview

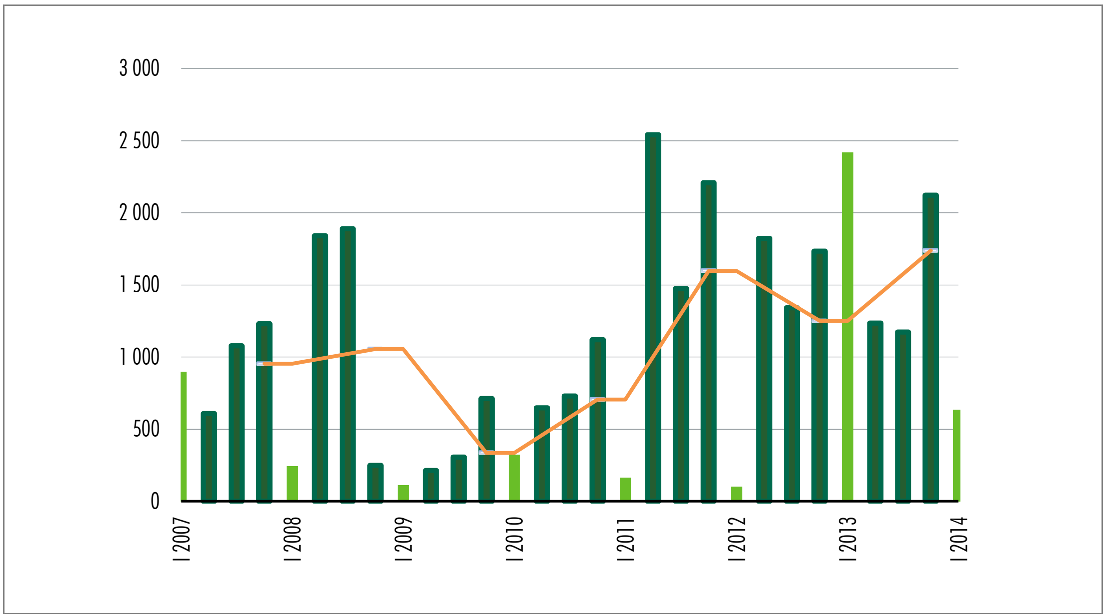
Volumes & Transactions

In Q1 2014 total investment in Russian commercial real estate stood at $636 mln., which is 26.5% of investment turnover in Q1 2013, which totalled $2.4 bn.

Nonetheless, this represented the second largest Q1 volume since 2007. In this regard, the major negative events that occurred in Q1 were, to some extent, positive for the market, as Q1 is usually a "low season".

A total of five deals were closed in Q1 2014. For comparison, there were six in Q1 2013, but the deals in 2013 were much larger in value and, also importantly, were originally expected to take place in 2012.

Graph 18. Investment in CRE, Quarterly and 4 Quarter moving average, USD million



Source: CBRE

The most notable transactions in Q1 2014 included:

- the purchase of Linkor BC for USD 150 mln. by the investment company UFG Wealth Management;
- the acquisition of a 26% stake in "O1 Properties" (a company which owns and manages 15 office properties in Moscow) by Alexander Nesis;
- the sale of Nevis BC to "O1 Properties". The estimated transaction value was USD 63 mln.

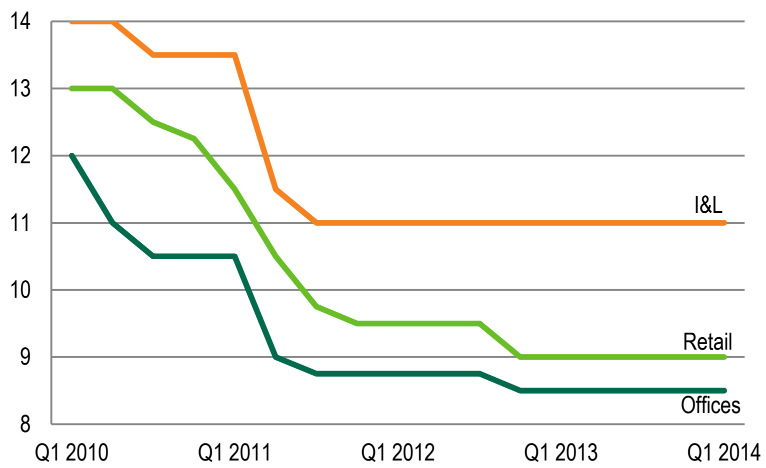
Capitalisation Rates

Prime capitalisation rates are the following:

- Office – 8.5%,

- Retail – 9%,
- Industrial & Logistics (I&L) – 11%.

Graph 19. Capitalisation Rates, %

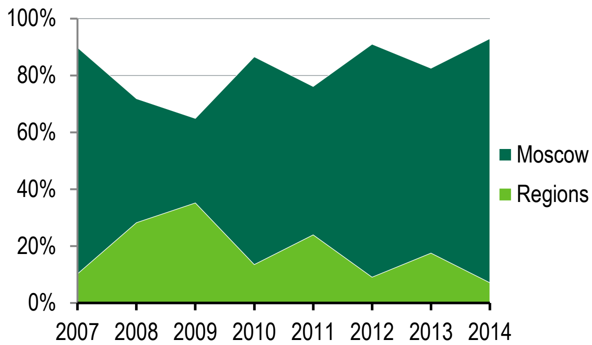


Source: CBRE

Structure of Transactions

Almost no transactions were closed in the regions in Q1: $590 mln., or 93% of the total investment volume, was invested in Moscow. There was only one transaction in the regions: the purchase of a 49.5% stake in the Vernisage Mall in Yaroslavl' by Mirland Development.

Graph 20. Transactions by Location, %

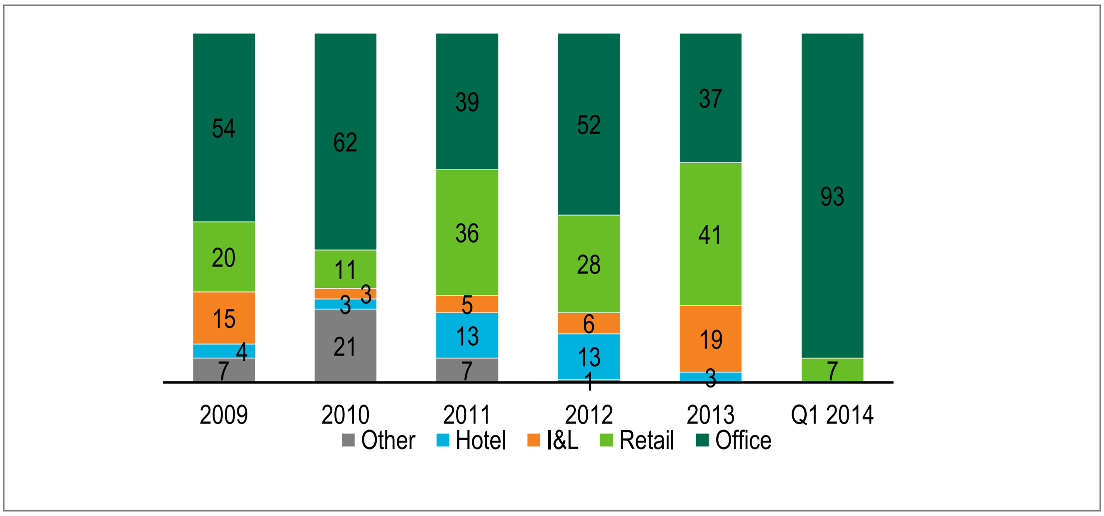


Source: CBRE

The office sector was the most active, accounting for all investment in Moscow.

In terms of the optimal investment strategies currently, we prefer to think about less risky asset classes, rather than sectors. Quite high levels of new deliveries could be seen in all sectors in 2014, which would result in increased competition everywhere.

Graph 21. Investment Structure by Sector, %



Source: CBRE

In this regard an investment strategy concentrated on the core assets seems to be the optimal, at least until it becomes clearer how the market will develop in the second half of 2014. Opportunistic and value add investment strategies should be implemented carefully with more conservative debt utilisation.

Russian companies accounted for 93% of total investment. Foreign investors are in an "on hold mode" in terms of transactions, although they continue to seek attractive market opportunities, including those in development.

By the end of 2014 the share of foreign investors as a percentage of the total could be as low as 10-15%, compared to 27% in 2013.

The largest European investors are still not investing in Russia. In 2012–2013 only about 2% of their investment came to the country. However, a number of foreign investors who have been active in Russia for some time have already witnessed and survived a number of crises and are therefore not expected to take a "leave" decision.

Conclusions & Forecasts

- The overall situation has definitely worsened compared to that at the beginning of the year.
- Nonetheless, the economy is still expected to grow, which is positive news for the commercial real estate market.
- New supply in 2014 could still be balanced with demand, albeit with a different combination of vacancy and rental rates.
- The new balance could offer attractive opportunities for investors looking for "bargain" deals.
- High quality properties in good locations will continue to be in demand.

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 2014 as of August 1st, 2014.

Yours faithfully

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APPENDIX 1: SUMMARY OF THE PROPERTIES

The Property Portfolio of Sponda Plc consists of six properties held for investment. Four are located in Moscow, one in Moscow Region and one in Saint Petersburg. Approximately 76% of the value of the Portfolio is accounted for by the three office buildings in Moscow. The retail properties, including 2 (two) shopping centres in Moscow and in Ramenskoe in Moscow Region, comprise approximately 21% of the total Portfolio value. The lowest share in the total value of the Portfolio (around 3%) is the warehouse building in Saint Petersburg.

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

Adastra

Address: 7, Zanevka warehouse zone, Zanevka Village, Vsevolzhsky District, Leningrad Region, Russia

Main Use: Warehouse Complex (Onninen)

Description: The Property comprises a Class A warehouse complex of 7,872.3 sq m built in 2006.

As at the valuation date, the subject warehouse was fully leased and occupied on a long-term basis by *Onninen, LLC*. The lease expires at the end of 2016.

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 2,783.4 sq m.

The Property is fully let to multiple tenants. The office space in the Property is let on a long-term basis mainly to local tenants where the areas of the occupied blocks vary from 44 to 382 sq m. The majority of the lease agreements expire in 2015.

Korbis

Address: 4B Vokzal'naya Street, Ramenskoe City, Moscow Region, Russia

Main Use: Solnechniy II Shopping Centre

Description: The Property is a two-storey shopping centre with an additional underground level, built in 2005. The centre comprises 9,018.8 sq m GBA and 6,561.5 sq m GLA with surface parking for 110 cars providing a parking ratio of approximately one space per 60 sq m of GLA.

The Subject Property is located on Privokzal'naya Plashad, in the centre of Ramenskoye City. The advantages of the Subject Property include its central location, convenient access by car and the vicinity of the railway station.

As of the valuation date the Property was 100% let to multiple tenants. The long-term leases with anchor and mini-anchor tenants, representing circa 53% of the total revenues, are due to expire between 2015 and 2023. The pool of tenants consists entirely of local companies, some of whom operate on franchises from international brands.

Slavyanka

Address: 6 Borovskoye Shosse, Solncevo District, Moscow, Russia

Main Use: Solnechniy I Shopping Centre

Description: The Property is a two-storey shopping centre with an underground level, built in 2004. It comprises 11,652.8 sq m GBA and 9,094.9 sq m GLA. The Property has surface parking for 140 cars providing a parking ratio of approximately one space per 65 sq m of GLA.

As of the valuation date the Property was 100% let to multiple tenants. The long-term leases with anchor and mini-anchor tenants, representing circa 42% of the total revenues, expire between 2015 and 2018. The pool of tenants consists totally of local companies, some of whom operate on franchises from international brands.

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 14,356.1 sq m GLA. The Property was delivered to the market in 1997.

As of the valuation date the Property was 76% let to multiple tenants. The office space in the Property is mainly let on a long term basis to reputable, internationally recognised tenants. The lease agreements for office space expire between 2014 and 2018.

Bakhrushina House

Address: bld.1, 32 Bakhrushina Street, Moscow, Russia

Main Use: Office Centre (Bakhrushina House).

Description: The building is laid out over six upper floors and a basement level. The building comprises 5,078.8 sq m GBA and 3,864.6 sq m GLA. The Property was delivered to the market in 2002.

At the valuation date the Property was fully leased to reputable, internationally recognised tenants. The lease agreements for office space expire between 2017 and 2018.