STATEMENT

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

Sponda Public Limited Company

Date of Valuation: June 30, 2016

CBRE

EVALUATION OF THE FAIR VALUE OF THE INVESTMENT PROPERTIES

Our Assignment

In accordance with the engagement contract #16/04-56CV dated May 11, 2016 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 3 (three) 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, 2016.

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

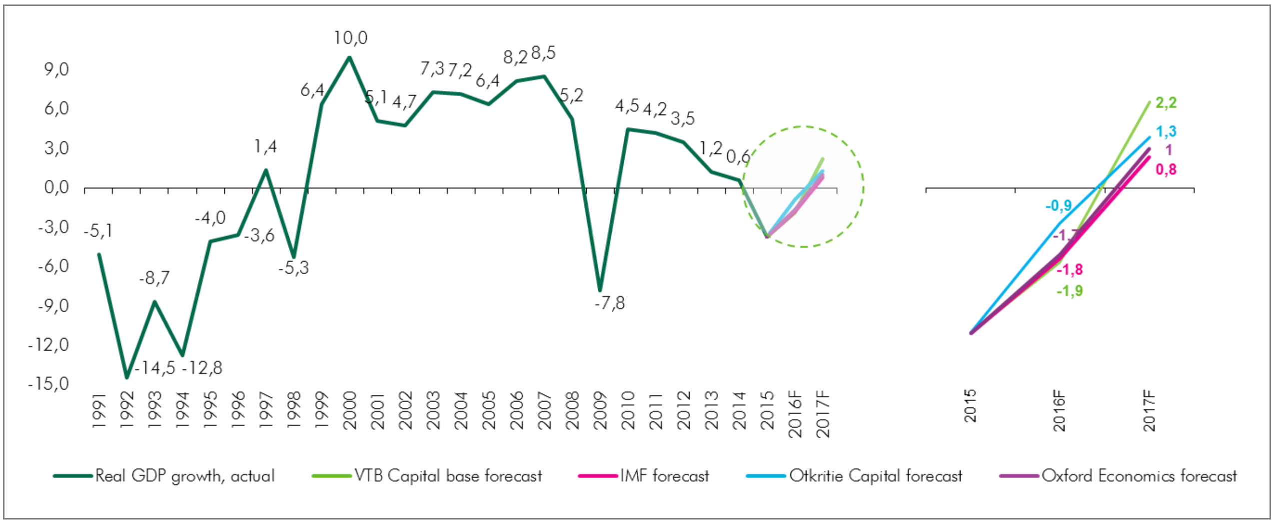
We would draw your attention to the fact that the current volatility and uncertainty in the Russian economy and financial market has created a significant degree of turbulence in commercial real estate market. Without stable market conditions, limited liquidity in the market and transaction evidence,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

The Russian economy after 3.7% GDP decline in 2015 will stay in the negative zone this year, and is likely to turn the point in Q4 2016, so to enter the positive zone in 2017. Base forecast of the Ministry of Economic Development (MED) implies GDP decline of 0.8% in real terms in 2016 and growth of 1.9% in 2016.

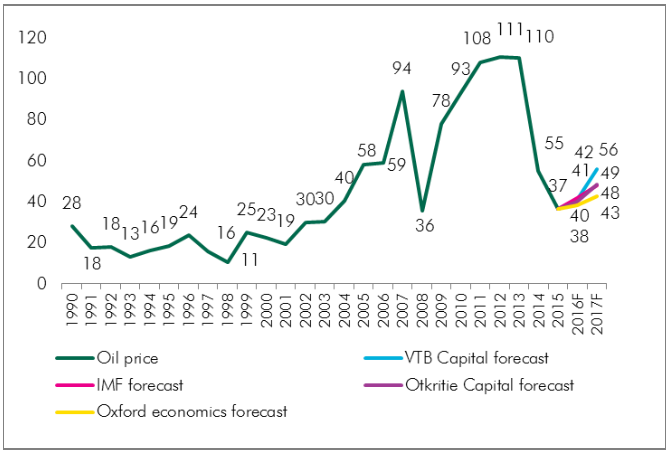
Graph 1. Real GDP growth dynamics, %



Source: CBRE

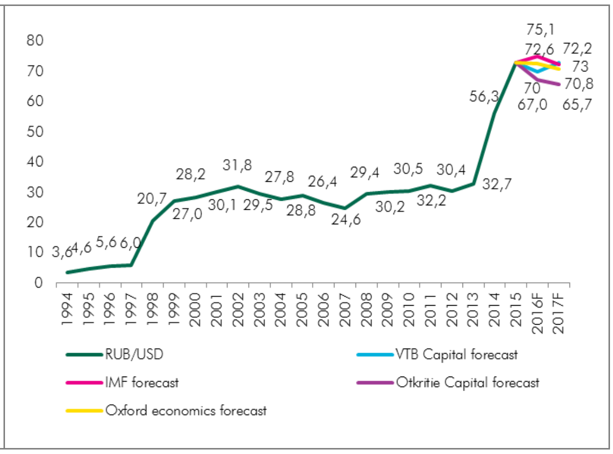
On the back of increasing oil prices in Q1 2016, from 27.4 as at the end of January to about 40 at the end of March, we have recorded 24% rouble appreciation, from the lowest of 83.6 roubles per dollar in the end of January to 67.6 in the end of March.

Graph 2. Brent oil price, USD per barrel



Source: CBRE

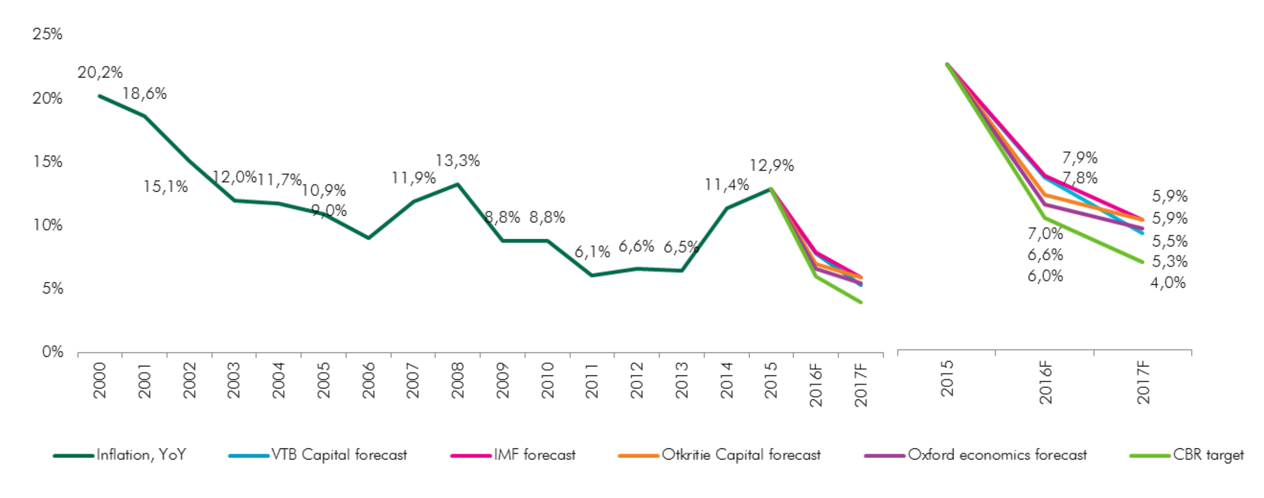
Graph 3. RUB/USD



Source: CBRE

According to Rosstat, in the period of 22-28 March consumer prices grew 0.1% WoW, the same pace as since mid-February. Based on weekly reports, the headline inflation is estimated to edge down to 7.5% YoY as of March-end. Depressed consumer demand limits retailers' and producers' ability to pass price increases on to consumers. However, potential acceleration in nominal wage growth observed in the first two months of 2016 could support household consumption, thus putting pressure on inflation resilience.

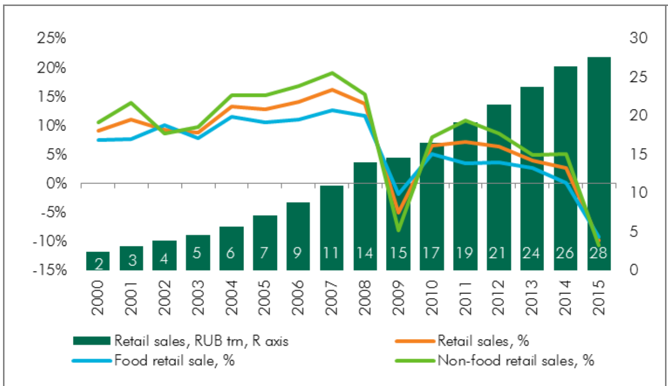
Graph 4. Consumer price growth, % YoY



Source: CBRE

The CBR might acknowledge the disinflation progress and is likely to cut the key rate by 50 bpts at its next meeting in April, if the commodity market does not worsen.

Graph 5. Retail sales, real growth, %



Source: CBRE

Graph 6. Wages and disposable income, real growth, %

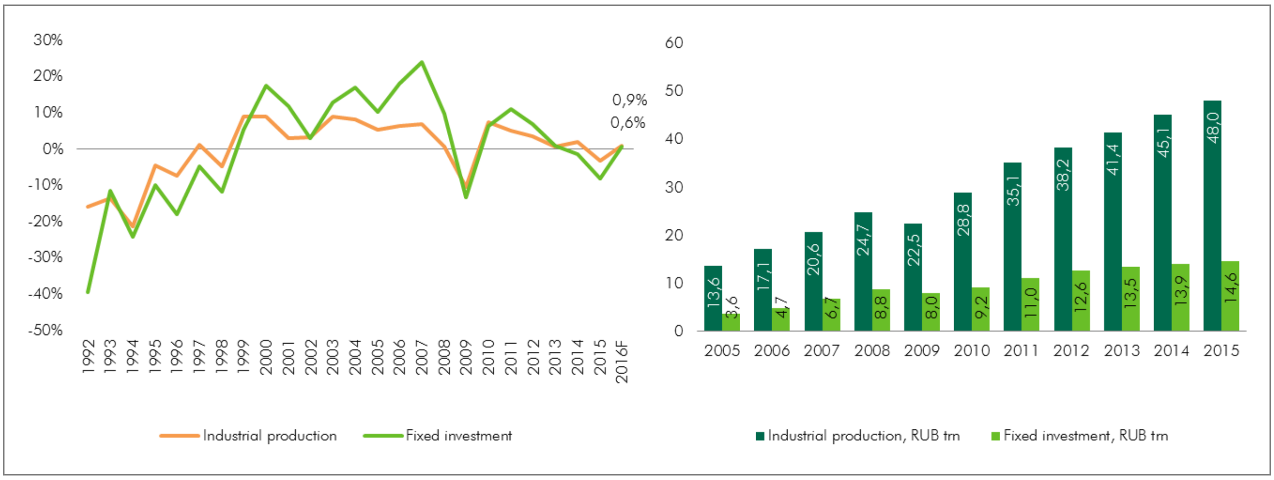
Source: CBRE

Many macro indicators recorded an improvement in February, with retail sales recovering to -5.9% YoY (from -7.3% in January), food sales reaching -4.0% and non-food edging to -7.6%. Industrial production improved to 1.0% YoY, railway cargo increased 5.9% YoY. Otherwise, construction activity (the closest proxy of investment activity since the monthly FAI series has been suspended) edged up to +0.4% YoY (after -4.2% YoY in January).

More unexpectedly, the nominal wage growth for January was revised up from 3.1% YoY to 5.8% YoY, while the flash estimate for February was published at 5.1%. If the acceleration in wage growth does proves to be a robust tendency that would indicate a supply shortage on the labour market. This could lead to a more sluggish recovery in investment activity and it might be a catalyst for retail lending which would promote a more front loaded pick up in consumption, thus putting more pressure on inflation and trade balance resilience, delaying the normalisation of monetary policy.

In February, industrial production edged up 1.0% YoY after the contraction of 2.7% YoY last month. Sector-wise, mining and quarrying improved strongly to 5.8% YoY, after 0.4% in January, and the recovery in manufacturing was also visible as the contraction eased to 1.0% YoY, after the decline of 5.6%. At the same time, the production of electricity, gas and water stayed unchanged in February (following the 2.5% YoY increase in January). The positive results could be explaining by the leap year with February favouring one additional day, and the low base effect, as February 2015 was a turning point when industrial production dived into the negative.

Graph 7. Industrial production vs fixed investment dynamics: real growth, % annual and RUB trn



Source: CBRE

And industrial sector is experiencing the structural change of vacant premises, with newly delivered premises being gradually absorbed and premises on the secondary market being vacated. Retailers are still very actively looking for logistics premises. In office segment the vacancy rate and rental rates remained fairly stable in Q1 2016. In retail property segment the demand from retailers is highly fragmented, with some actively consider new premises, and others are on hold for the development.

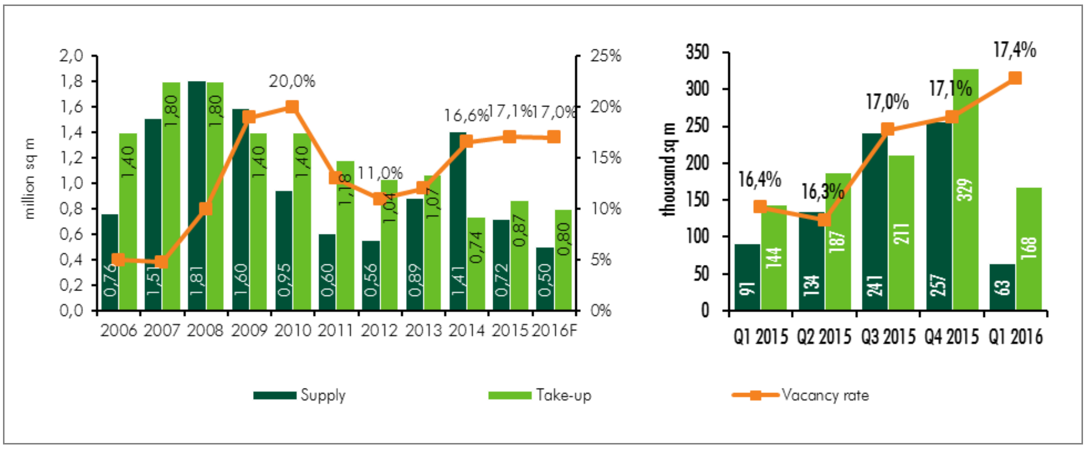
Real estate investment volumes are under pressure of limited and expensive financing, as well as mismatch of buyers and sellers price expectations. The 2016 is expected to see USD 2.8 bn of investments into real estate, with some upside potential.

Moscow Office Market Overview

Supply

In Q1 2016, 63,100 sq m of new office space was commissioned, which is the lowest quarterly value over the last 10 years. In comparison, in Q1 2015, 90,700 sq m were commissioned, 44% more than in Q1 2016.

Graph 8. New supply, take-up and vacancy rate



Source: CBRE

The entire volume of the new delivery is comprised of four class B buildings, three of which are located in the North-West Moscow and all outside TTR.

It is estimated that in 2016 no more than 0.5 mln sq m will be commissioned, which is 40% less than was constructed in 2015 and almost 3 times less than in 2014.

Trend of postponing commissioning dates is still observed. For instance, commissioning dates of such business centres as IQ-Quarter, Oasis and Smolensky Passage Phase II were delayed.

Except office buildings that are already underway, new projects for 2017 and onwards are not announced or frozen.

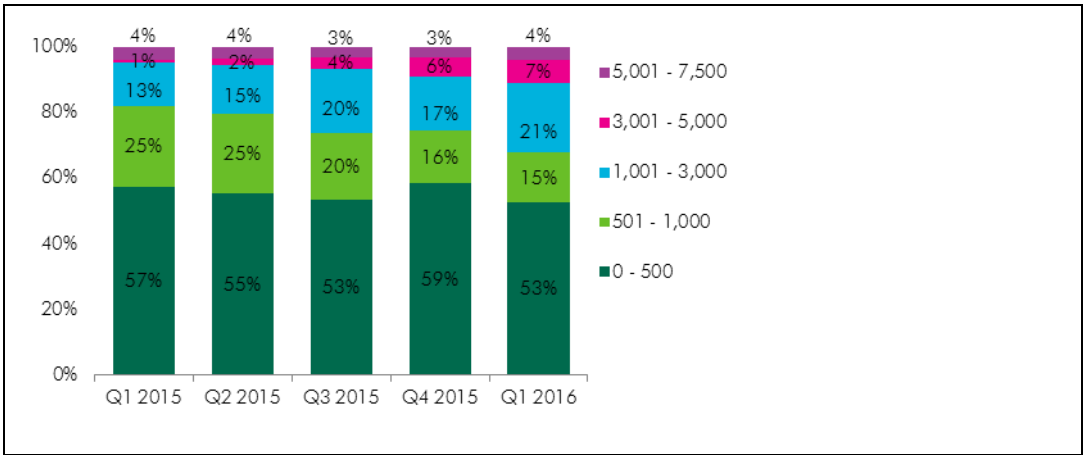
According to the projects announced for 2016, the volume of new construction in 2016 is not likely to exceed 0.5 mln sq m, including 0.2 mln sq m of class A offices and 0.3 mln sq m of class B. Almost one-third of the volume will originate from three projects: Federation Tower East, Neopolis and MFC "CSKA".

Take-up

The take-up volume in Q1 2016 increased by 17% in comparison to Q1 2015 and amounted to 167,600 sq m, 57,900 sq m of which are class A offices.

It was expected the volume of renewal and extension transactions decreased by 26% compared to Q1 2015 and almost three times compared to Q4 2015. Further, the number of these transactions will gradually reduce, as most of the large companies have already renegotiated commercial terms.

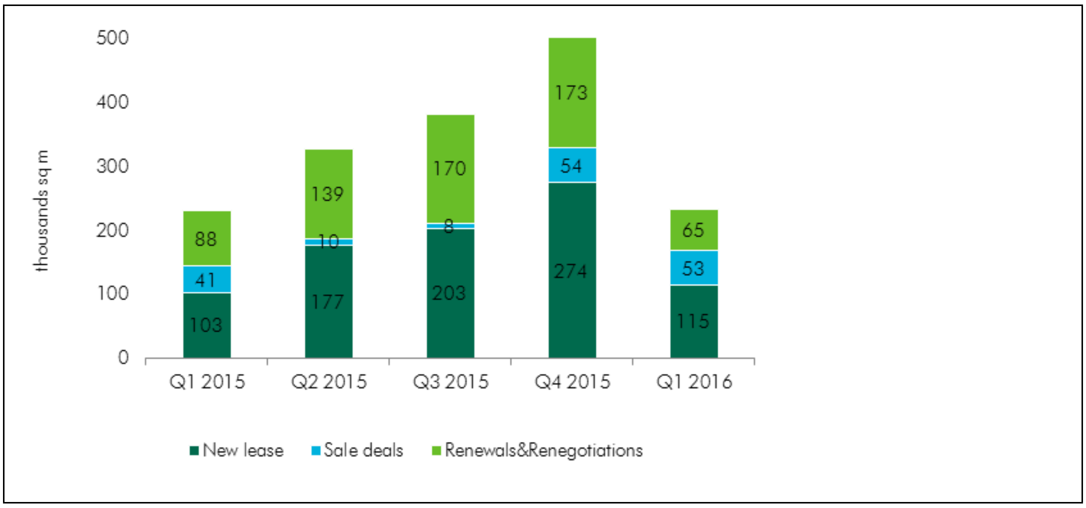
Graph 9. Transactions by size in percentage from total take-up



Source: CBRE

Continuing the trend of 2015, when most of the new transactions accounted for the newly constructed offices, the portion of such transactions in Q1 2016 was 56% (94,500 sq m). For example, Philip Morris Sales and Marketing leased 4,800 sq m in Kuntsevo Plaza, Rosatom – 3,400 sq m in Newton and Tele2 – 2,200 sq m in Vodny.

Graph 10. Quarterly take-up structure, sq m



Source: CBRE

Average transaction size increased. Transactions larger than 1,000 sq m account for 32% of the total in the Q1 2016 against 17% in Q1 2015.

Share of transactions by domestic companies vastly exceed foreign companies, 86% and 14% respectively.

Key lease transactions, Q1 2016

Company	Area,	Property	Address	Class
OSK	6,700	Legion II Phase II	Tatarskaya B. Street, 11	A
Engeocom	5,100	BC on Pogodinskaya	Pogodinskaya Street, 24, bld.1, 2	B+
Philip Morris Sales and Marketing	4,800	Kuntsevo Plaza	Yartsevskaya Street, 19	A
Avito	4,200	White Gardens Building A	Lesnaya Street, 7	A
Moskovskaya administrativnaya dorozhnaya inspektsiya	3,900	BC on Kalanchevskaya	Kalanchevskaya Street, 49	B+
Rosatom	3,400	Newton Technopark	Nagatinsky 1st Lane, 10	B+
Pension Fund of the RF - GU 9	3,100	Greenwood	Putilkovo 72th km MKAD	B+
Rusatom Overseas	3,000	Simonov Plaza	Leninskaya Sloboda Street, 26	B+

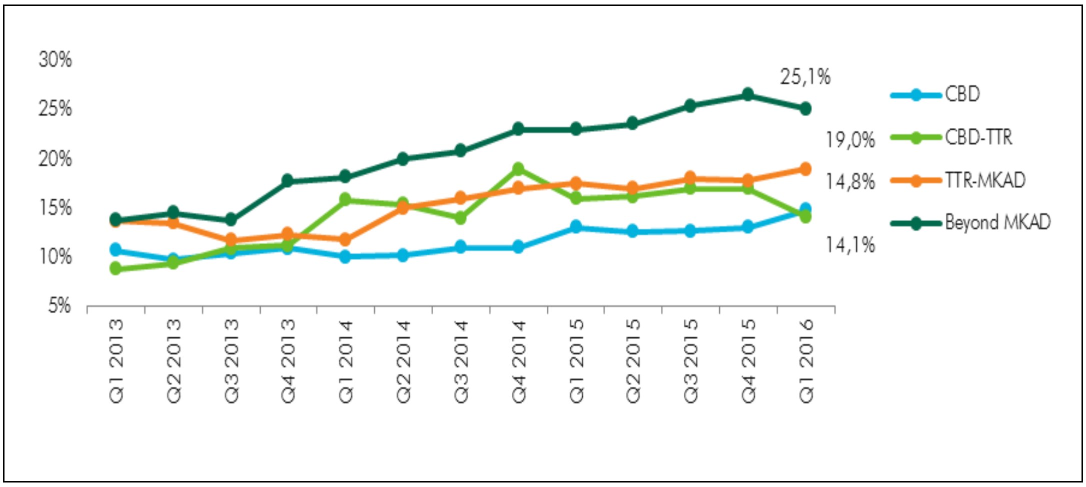
Source: CBRE

Vacancy

Despite the increase in the overall vacancy rate of 0.3 percentage points, in absolute terms the increase amounts to 50,000 sq m and does not exceed the volume of the new delivery. All new delivery added to class B stock, which increased class B vacancy by 0.6 percentage points.

Vacancy in class A has decreased by 0.4 percentage points from 23.5% to 23.1%. This decrease is explained by the absence of new delivery and new lease transactions, which summed up to 57,900 sq m.

Graph 11. Quarterly take-up structure, sq m



Source: CBRE

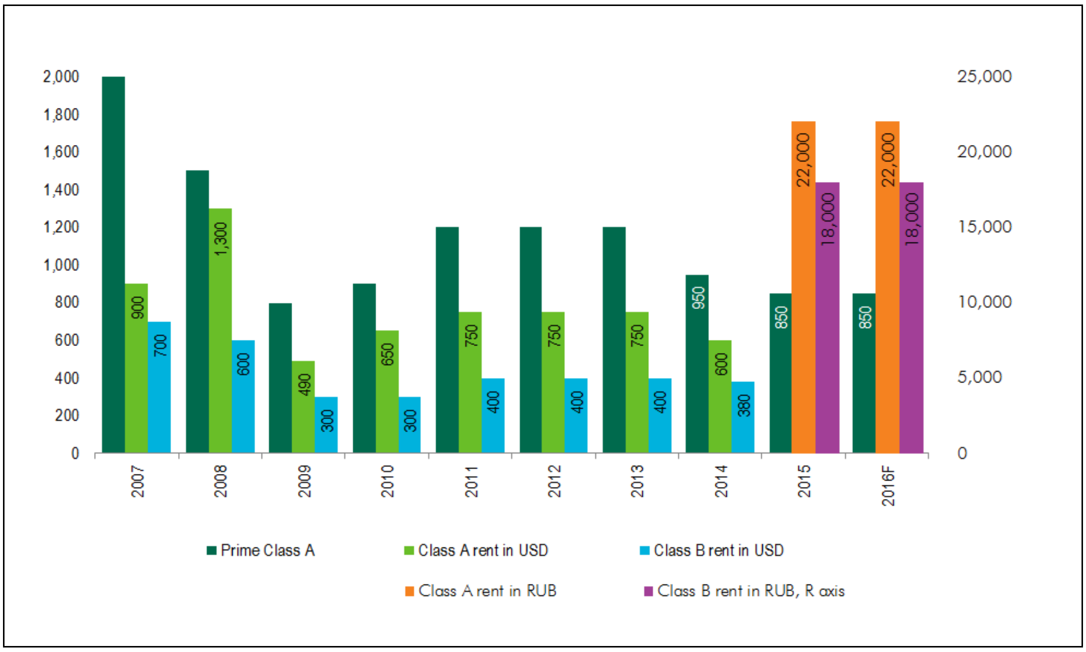
Rental rates

The main trend for 2015 is the final transition of lease rates to roubles. If in H1 2015 Class B was predominantly characterised by rouble rates, in Q4 the trend spread to Class A. The only submarket where landlords still continue to offer the premises in rents, denominated in dollars, is Prime Class A segment ($800-900 per sq m per year net of OpEx and VAT).

Comparing the asking rental rates in dollars at the end of 2014 and 2015, the rental decrease varied from 30% up to 50% due to the rents denomination in roubles and increasing rouble devaluation in Q4 2015. However, starting late 2014, asking rental rates denominated in dollars, in most cases, implied a fixed currency band. As a result, the actual rental rates, if transferred to roubles, decreased by only 10-20%.

Rental rates remained stable in Q1 2016, at RUB19,000-25,000 per sq m per year for Class A, RUB13,000-23,000 per sq m per year for Class B, net of operating expenses and VAT.

Graph 12. Office rental rates

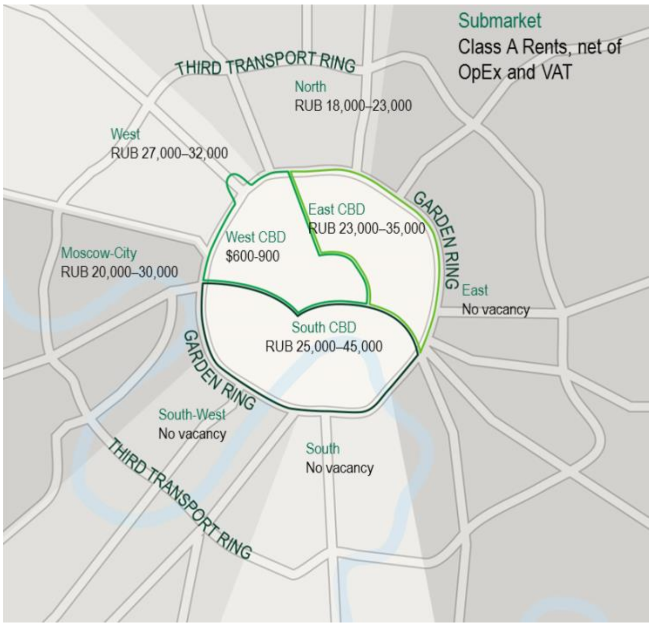


Source: CBRE

During the 2016 rental rates in our estimation will continue to be nominated in roubles, except for class A Prime, where the base rate currently amounts to $800-900 per sq m/year, net of operating expenses and VAT.

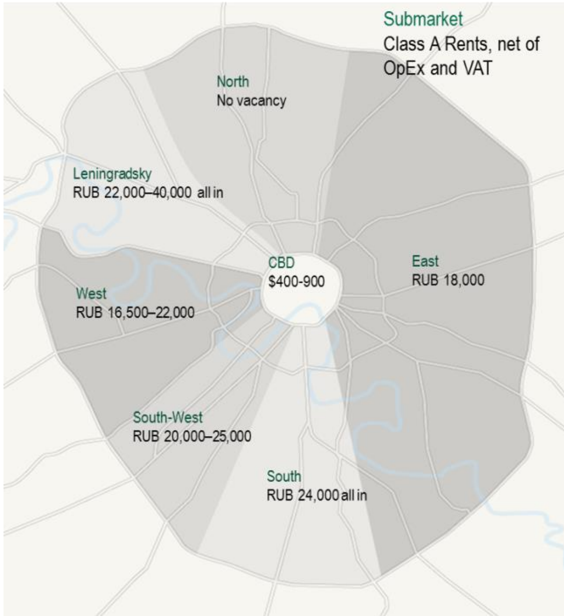
However, for asking rental rates, denominated in dollars, in most cases currency corridor is applied.

Graph 13. Office rental rates in the Central business district



Source: CBRE

Graph 14. Office rental rates beyond the Third Transport Ring



Source: CBRE

Most landlords do not allocate operational expenses and VAT in the structure of asking rental rates.

Saint Petersburg Warehouse Market

Main trends

- Lack of new speculative projects;
- Shift to rental rates denominated in Roubles, calculation of rental rates on "all inclusive" basis;
- Growth in short-term lease contracts;
- High level of leasing activity by retail, wholesale and distribution companies;
- Slowdown in rate of growth of built-to-suit development. The main demand was satisfied in 2014-2015.

Total stock

In Q1 2016 3 new warehouse projects were delivered to the St Petersburg market. The Pokrovsky speculative warehouse complex in the Leningrad Region, which has a total area of 7,000 sq m, was put into operation. Two built-to-suit projects (37,000 sq m) in the A Plus Park Shushary were also completed.

By the end of this year about 77,000 sq m of new speculative projects and 67,500 sq m of owner occupied warehousing are planned to be put into operation.

Rental rates

Most developers have moved to rental rates denominated in Roubles. To date in 2016, 99% (compared to 90% in December 2015) of lease agreements in the warehouse market in St Petersburg have been denominated in Roubles.

In Q1 2016 average rental rates remained unchanged:

- $62-71* – class A;
- $44-62* – class B.

**sq m/year/triple net*
1 USD=67.6076 Roubles

Various methods of calculating commercial terms have been used by landlords since the end of 2014, prior to which rental rates were denominated in Dollars on a triple net basis.

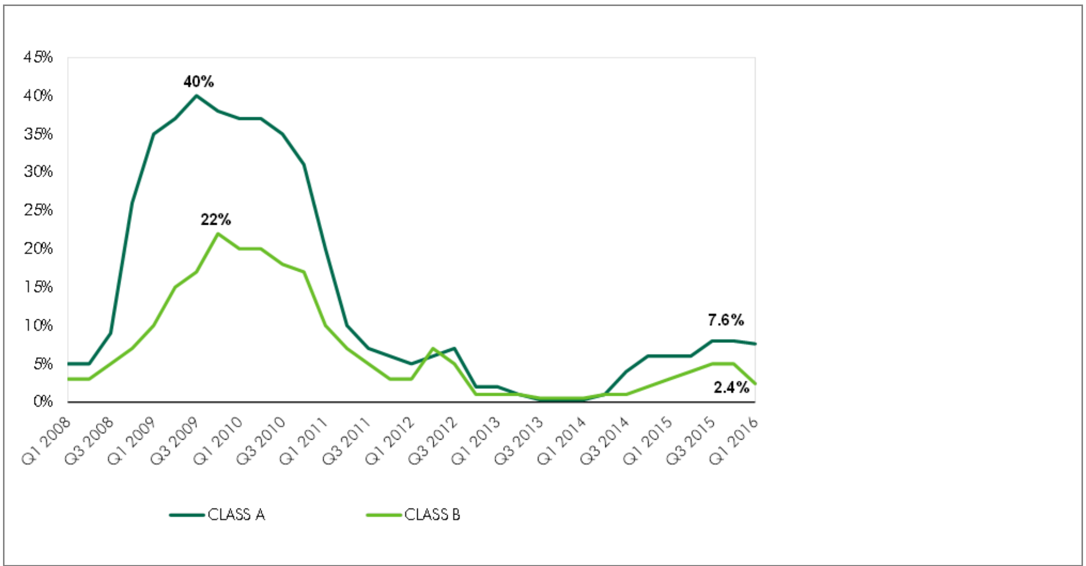
- Since 2015 more than half of landlords have included all costs except for electricity in the rental rate (VAT, operating expenses and utility payments).
- Many landlords include VAT and operating expenses in the rental rate, but utility costs are paid by tenants according to actual consumption.
- Less than 10% of landlords, principally foreign developers, continue to denominate rents on a triple net basis.

By the end of March 2016, the maximum asking rental rates for class A warehouse complexes had reached $71 per sq m per year (triple net).

Vacancy rate

By the end of Q1 2016 vacant space in warehouse complexes in St Petersburg and its suburbs amounted to 150,000 sq m (6.3% of the total stock). The class A occupancy rate amounted to 92.4%, and class B 97.6%.

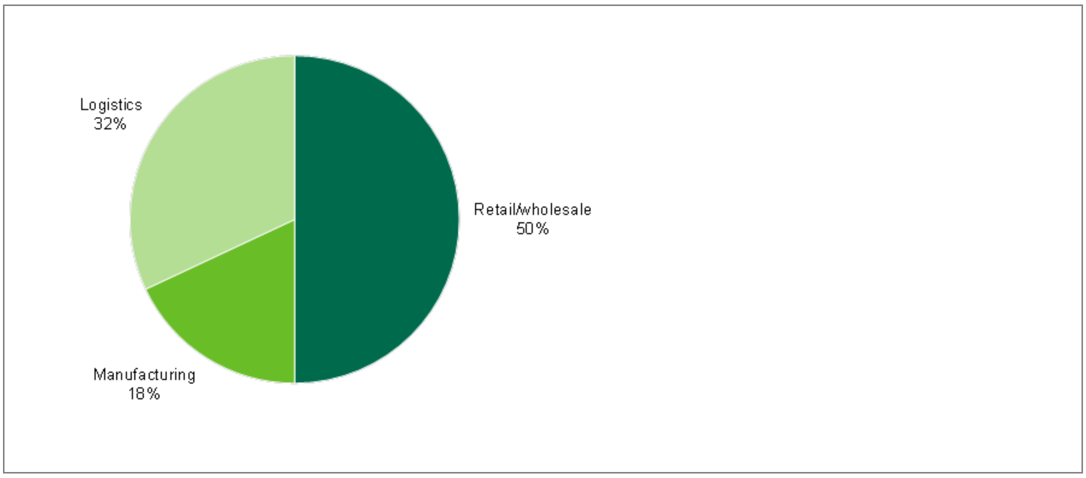
Graph 15. Vacancy rate



Source: Maris | Part of the CBRE Affiliate Network

Total transactions including built-to-suit in Q1 2016 amounted to not less than 40,000 sq m, 61% of which was class A.

Graph 16. Leasing transactions by sector



Source: Maris | Part of the CBRE Affiliate Network

One of the major lease transactions in Q1 2016 was the renting of 7,800 sq m by a logistics company in the Nordway Logistics Park warehouse complex (broker – Maris|Part of the CBRE Affiliate Network).

In terms of transaction volume, retailers and wholesalers led the way with 50% of the total.

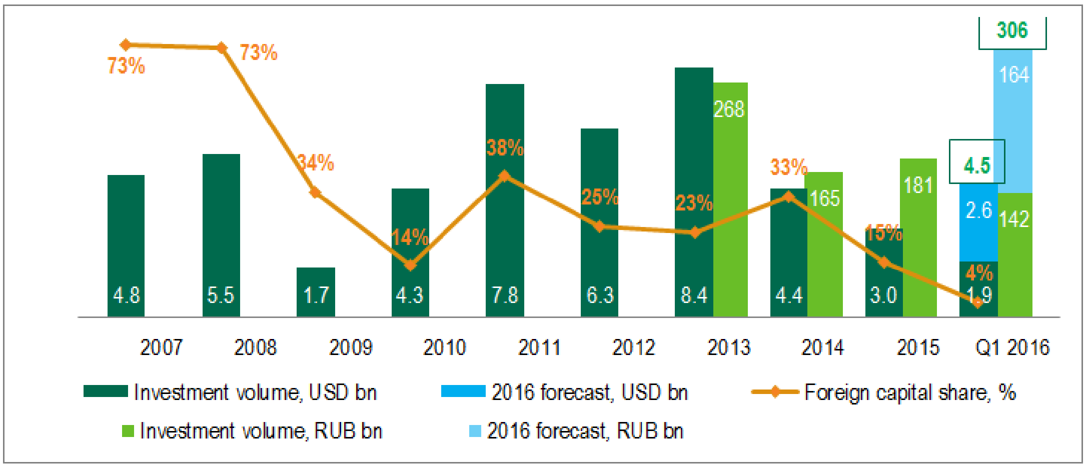
Demand for small industrial premises to purchase (up to 5,000 sq m) has increased. In Q1 2016 the sale of a class A industrial complex in Shushary was completed. The building area is 5,091 sq m, and the land plot is 7 ha (broker - Maris|Part of the CBRE Affiliate Network).

Real Estate Investment Market Overview

Key trends

- The investment volume in Q1 2016 amounted to USD 1.9 bn (or RUB 142 bn), being 4.5 times higher than Q1 2015 result, as deferred demand started to realize in Q1 2016.
- Average deal size increased to USD 142 mn with 13 deals closed in Q1 2016 compared to USD 52 mn with 8 deals in Q1 2015, explained by large deals closed in the beginning of 2016.
- Taking into account the volume of deals in Q1 2016 and current deals under negotiations, we upgraded our forecasts to USD 4.5 bn from previous USD 2.8 bn.
- The main driver for investors now is the potential of asset value recovery on the back of the market correction.

Graph 17. Total investment volume in Russia



Source: CBRE

Volumes and structure

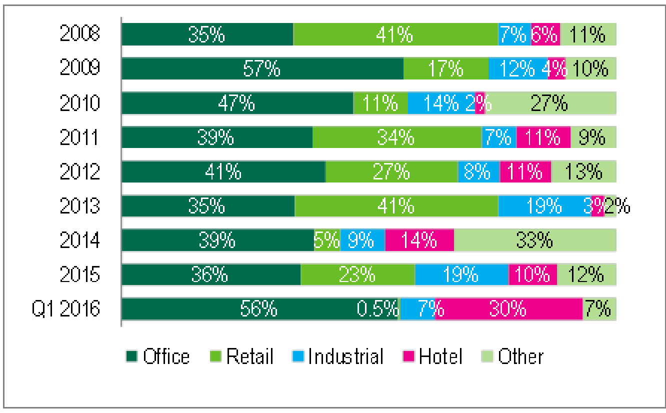
The leaders in investment structure were again offices (56%) and hotels (30%) due to closure of one large deal. The share of warehouses amounted to 7%, retail – 0.5%, other sectors – 7%.

Russian capital still dominates (96%), at the same time Middle Eastern investor closed their first deal in 2016: Mubadala bought PNK-Chekhov 3 and PNK-Severnoe Sheremetievo, building 10 and 11.

95% of all deals were done with standing assets.

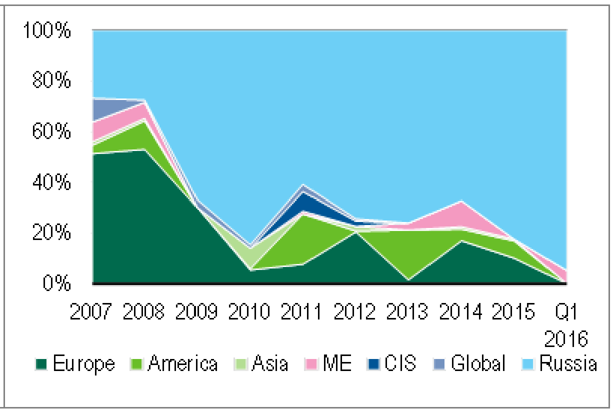
The share of Moscow amounted to 67%, while large share (25%) in regions was a result of Sberbank sale of Gornaya Karusel ski resort in Krasnaya Polyana.

Graph 18. Investment by sectors, %



Source: CBRE

Graph 19. Source of capital



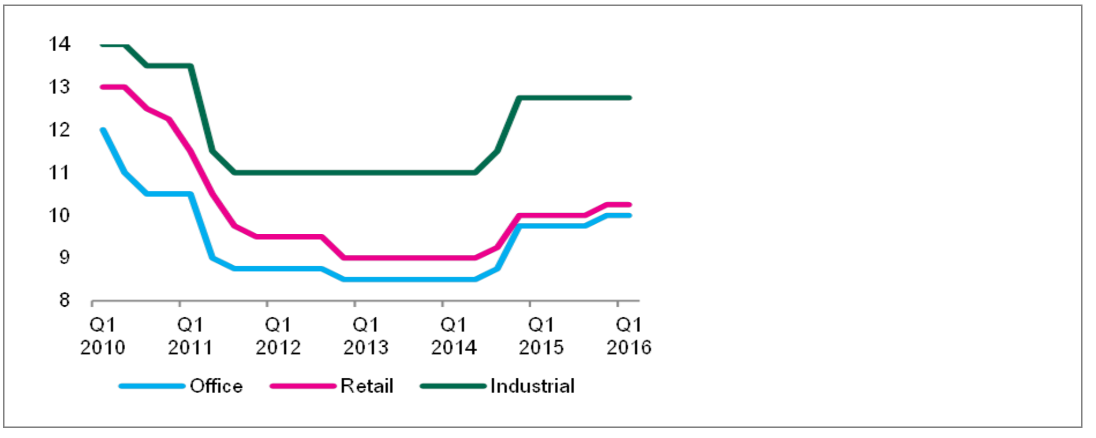
Source: CBRE

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 20. Total investment volume in Russia



Source: CBRE

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 January-June 2016 as of August 4th, 2016.

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: 16/04-56CV

CBRE

APPENDIX 1: SUMMARY OF THE PROPERTIES

The Property Portfolio of Sponda Plc consists of three properties held for investment. Two are located in Moscow and one in Saint Petersburg. Approximately 96% of the value of the Portfolio is accounted for by two office buildings in Moscow. The 4% in the total value of the Portfolio 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 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 2,786.4 sq m.

As of the valuation date the Property was 84% let to 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 2017.

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 14,194.3 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 2016 and 2020, the majority – in 2016-2018.