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: December 31, 2015

CBRE

EVALUATION OF THE FAIR VALUE OF THE INVESTMENT PROPERTIES

Our Assignment

In accordance with the engagement contract #15/10-77CV dated October 27, 2015 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 4 (four) operational properties held for investment purposes; the assets are described in Appendix 1 of this Statement. Our review covered the properties which we believe are owned by the Client or its subsidiaries. CBRE made relevant enquiries in order to provide our opinion of the Fair Value of the Property Portfolio as at December 31, 2015.

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 20th, 2015 and June 5th, 2015. 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 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.

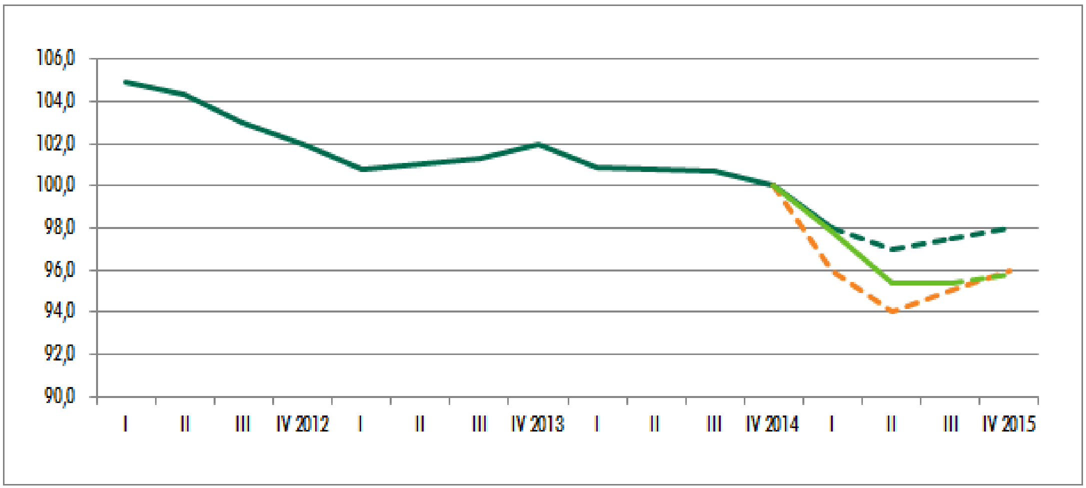
MARKET COMMENTARY

Macroeconomic Overview

Global vision

In Q3 real GDP dynamics remained weak with an estimated decline of 4,6%.

Graph 1. Real GDP growth, quarterly, % to the respective period of the previous year



Source: CBRE Research, Rosstat, MED, Q3 2015

Despite this, leasing activity in the commercial real estate market increased. Growth was especially impressive in the I&L segment. The end of the downward trend in oil prices and the decreased volatility of the Rouble exchange rate were among other factors, which contributed to this change in Q3 2015.

Q4 2015 brought another round of oil price decline, thus putting additional pressure on rouble dynamics.

External sector and Rouble exchange rate

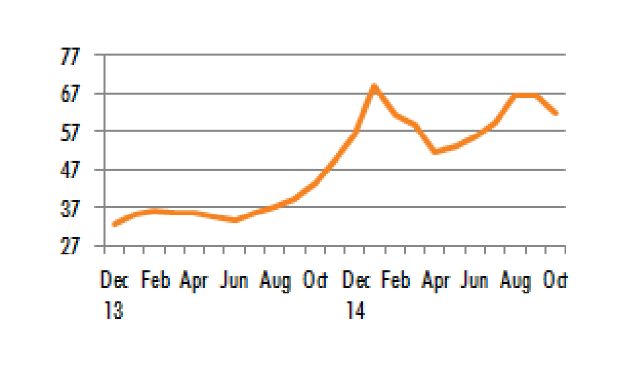
In Q3 2015 the USD exchange rate increased from 55.52 to 66.24 Roubles, or by around 20%. However, this Rouble depreciation did not lead to noticeable sentiments of panic in the market.

The relatively tranquil reaction of business to the foreign exchange market situation might be partly explained by expectations that the oil price had already reached its cyclical lows. Despite one more downward wave in 2015, oil prices in Q3 2015 did not settle below the levels seen in January 2015.

Q4 2015 brought another round of oil price decline, from about USD 50 per barrel of Brent in mid-October to USD 36 closer to end-December, thus putting additional pressure on rouble dynamics.

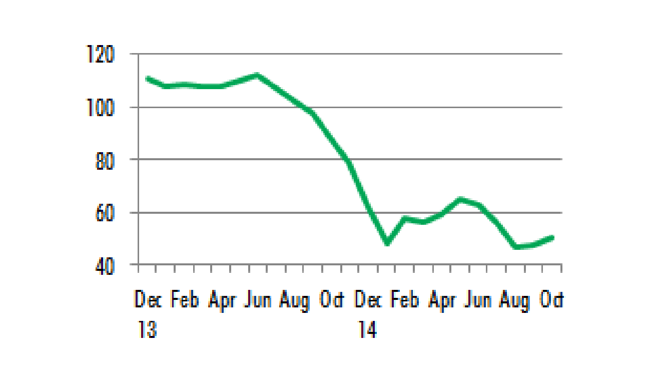
As a result rouble depreciated from the strongest position in Q3 of 61 Roubles per US dollar to the weakest of 71.32 per US dollar as of December 19, implying 14% decline, though it has slightly improved to 69.5 as of December 25.

Graph 2. RUR/ USD rate, end of period



Source: CBR, Q3 2015

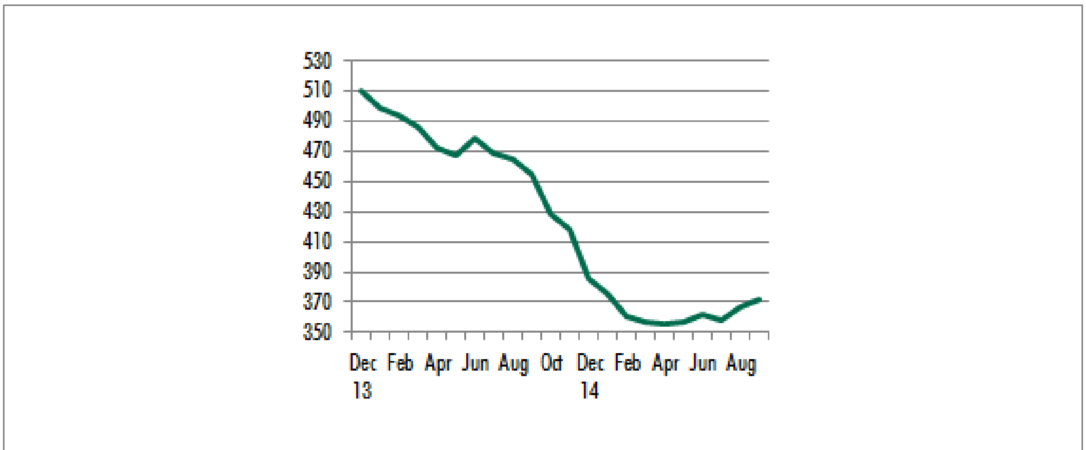
Graph 3. Average monthly oil price, Brent, USD/barrel



Source: IndexMundi,Q3 2015

International reserves stopped declining and actually increased in Q3 2015, from USD 361 bn. to 371 bn. This increase was driven appreciation of the Euro against the USD and small purchases of dollars by the Bank of Russia on the market.

Graph 4. International reserves, USD bn., end of period



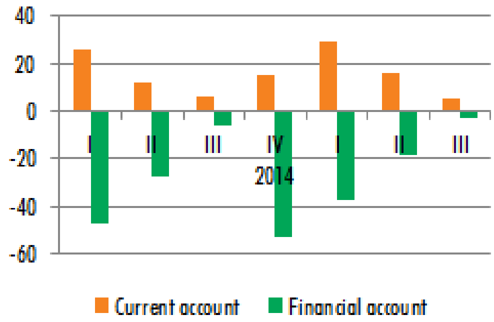
Source: CBR, Q3 2015

Trends in the key lines of the balance of payments did not bring any surprises and followed traditional seasonal patterns.

According to the preliminary estimate of the Bank of Russia, the Q3 current account surplus reached USD 5.4 bn. compared to USD 6.2 bn. in the same period of 2014 and a deficit of 0.7 bn. in 2013.

The financial account showed a deficit of USD 2.9 bn. In the same periods of 2014 and 2013 the deficit was USD 6 bn. and USD 4.5 bn., respectively.

Graph 5. Balance of payments accounts, USD bn.

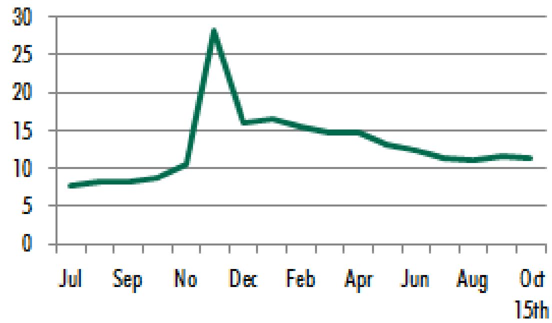


Source: CBR, Q3 2015

Lending

Interest rates on interbank loans have declined by 100 basis points since the beginning of Q3. Nonetheless, they are still more than 350 basis points above pre-crisis levels, meaning still expensive corporate and personal loans.

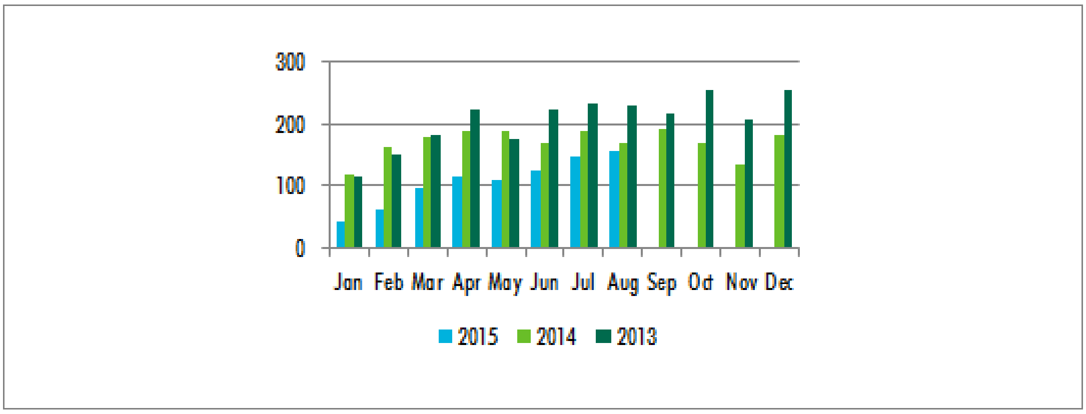
Graph 6. Average weighted actual interest rates on 1-day interbank loans granted my Moscow banks (MIACR)



Source: CBR, Q3 2015

New loans to companies in the "Construction" segment in July and August amounted to RUR 147 bn. and 158 bn., respectively. In 1H 2015 the amount of new loans issued was just 54% of that in the same period of 2014. However, in July - August this percentage increased to 85%.

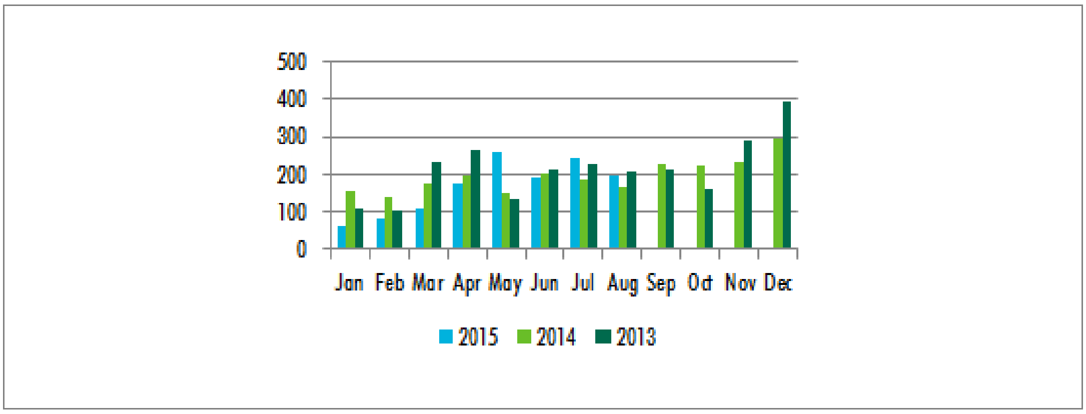
Graph 7. New loans, granted to the companies, working in "Construction" segment, RUR bn.



Source: CBR, Q3 2015

Lending activity in the "Operations on real estate, leasing and services" segment has already recovered. This correlates with the growth in investment in Russian commercial real estate, which has been seen for 3 quarters in a row.

Graph 8. New loans, granted to the companies, working in "Operations on real estate" segment, RUB bn.

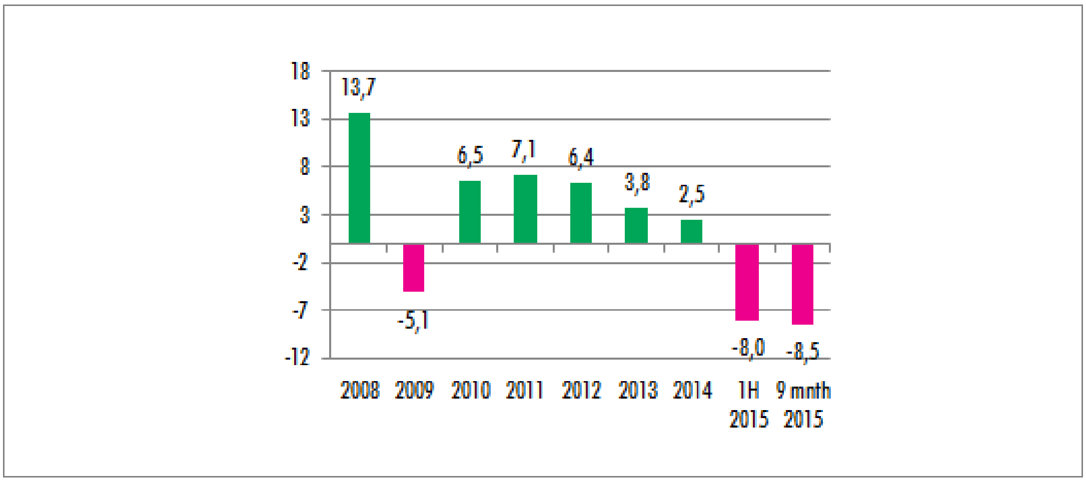


Source: CBR, Q3 2015

Real sector

A decline of 9% in real wages in Jan – Sep 2015 compared to the first 9 months of 2014 was the key reason for weak aggregate demand. As a result, retail sales declined by 8,5% in real terms.

Graph 9. Retail sales, %



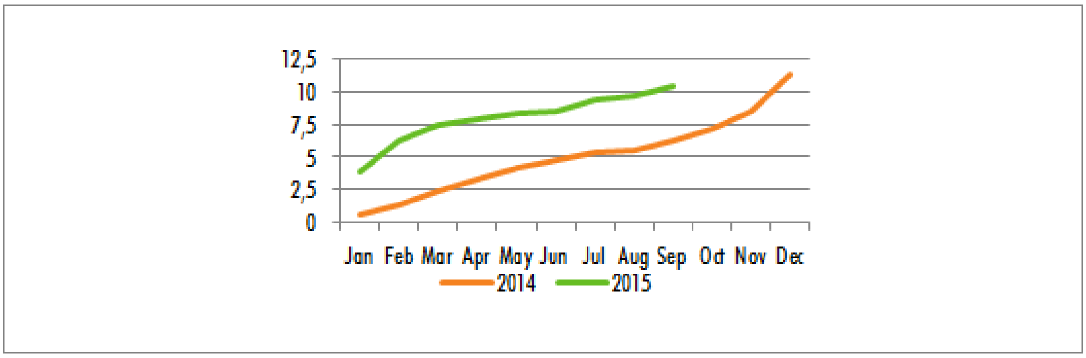
Source: MED, Rosstat, Q3 2015

According to preliminary estimates, investment in fixed capital formation declined by 5.6%. The trend in this indicator looks fairly optimistic against earlier published forecasts, which had expected double digits decline.

Inflation

In Q3 2015 inflation accelerated from 1% to 1.8%. Rouble depreciation was one of the important influencing factors. Thus, cumulative price growth in three quarters of 2015 reached 10.4%.

Graph 10. Consumer prices index (CPI), % to December



Source: Rosstat, Q3 2015

Moscow Office Market Overview

Hot topics

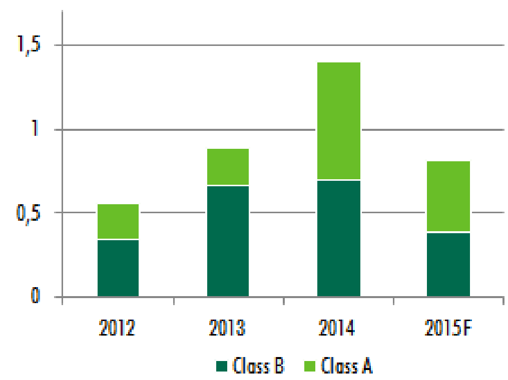
- Take-up amounted to 211,400 sq m (47% higher than in Q1 and 13% higher than in Q2 2015).
- Take-up may exceed 250,000 sq m in Q4 2015. However, the stabilisation of the Rouble and an absence of further negative events are key factors.
- Renewals and renegotiations remained considerable, at 170,500 sq m (22% increase compared to Q2 2015).
- Delivery of 300,000 sq m of office space has been postponed to 2016: as a result new supply for 2015 has decreased from 1.1 mln to 0.8 mln sq m. 240,600 sq m of new office space was commissioned in Q3 2015.
- The vacancy rate increased from 16.9% to 17.6% due to the large amount of new delivery. The vacancy rate may stop increasing in Q4 2015.
- Rental rates remained relatively stable. Reduction in asking rents affected only 6% of vacant Class A space.

Supply

In Q3 newly delivered office space amounted to 240,600 sq m, 129,100 sq m (54%) of which is Class A, and 111,500 sq m Class B. Due to the commissioning of Oruzheiny 41 (100,000 sq m), the CBD accounted for the largest share of new supply, 110,300 sq m (46% of the overall total). Simonov Plaza (49,150 sq m) was put into operation in the area between the GR and TTR, and 6 office buildings totalling 81,150 sq m in the area between the TTR and MKAD. The largest BCs in the area are Kuntsevo Plaza (29,000 sq m), Algoritm (25,000 sq m), and Danilov Plaza (12,600 sq m). No office buildings were delivered in Moscow-City or in the area beyond the MKAD.

The total new delivery for the first three quarters of 2015 amounted to 468,000 sq m. In Q4 new supply is expected to be around 350,000 sq m.

Graph 11. New supply by class, mln sq m



Source: CBRE Research, Q3 2015

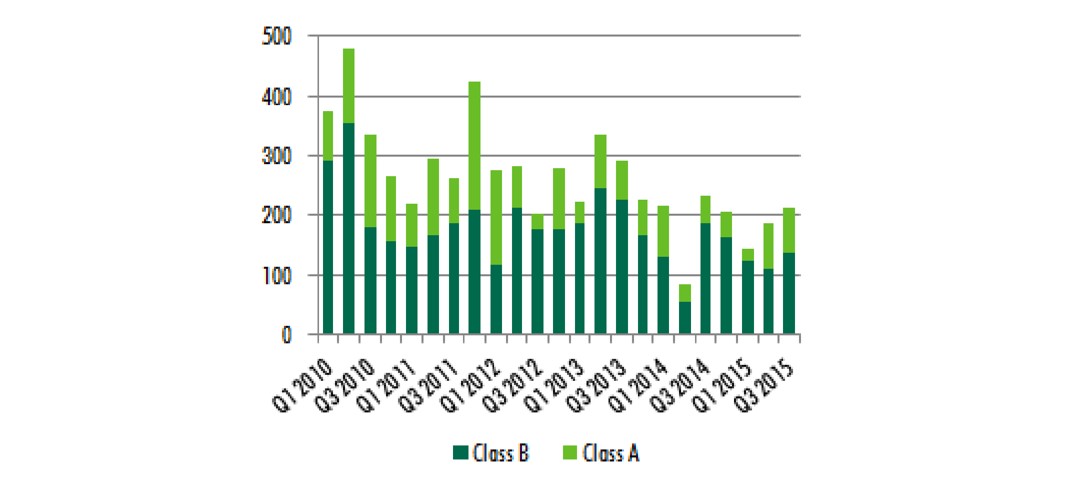
CBRE

Take-up

An increase in take-up has been recorded now for two consecutive quarters. In Q3 take-up (new lease and sale deals) totalled 211,400 sq m, of which 73,800 sq m (35%) was Class A and 137,600 sq m (65%) Class B.

Take-up for the first three quarters of 2015 amounted to 541,900 sq m or 60–70% of that expected by the end of 2015 (estimated at 750,000–850,000 sq m).

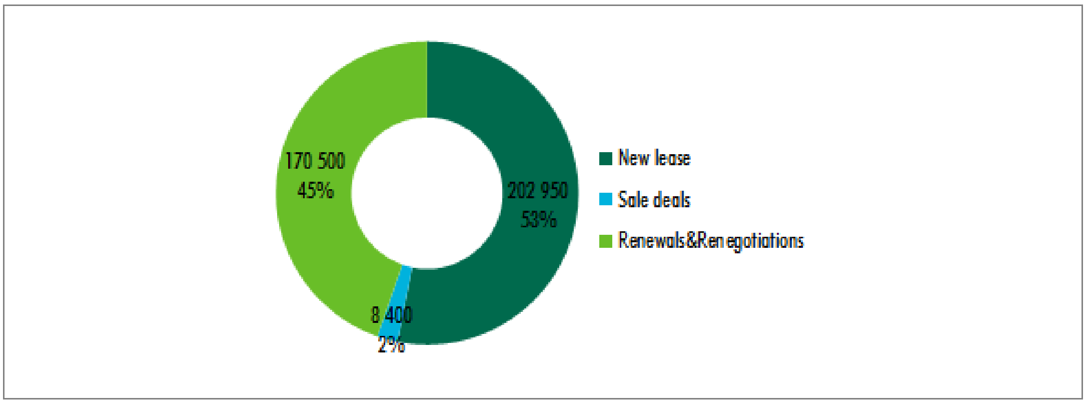
Graph 12. Take-up volume by class, thous. sq m



Source: CBRE Research, Q3 2015

A significant part of all transactions is represented by lease renewals and renegotiations; these totalled 170,500 sq m in Q3 2015 and 396,700 sq m for the first three quarters. It is an interesting fact that during the previous crisis of 2008 such transactions for Q1–Q3 2009 accounted for only around 170,000 sq m.

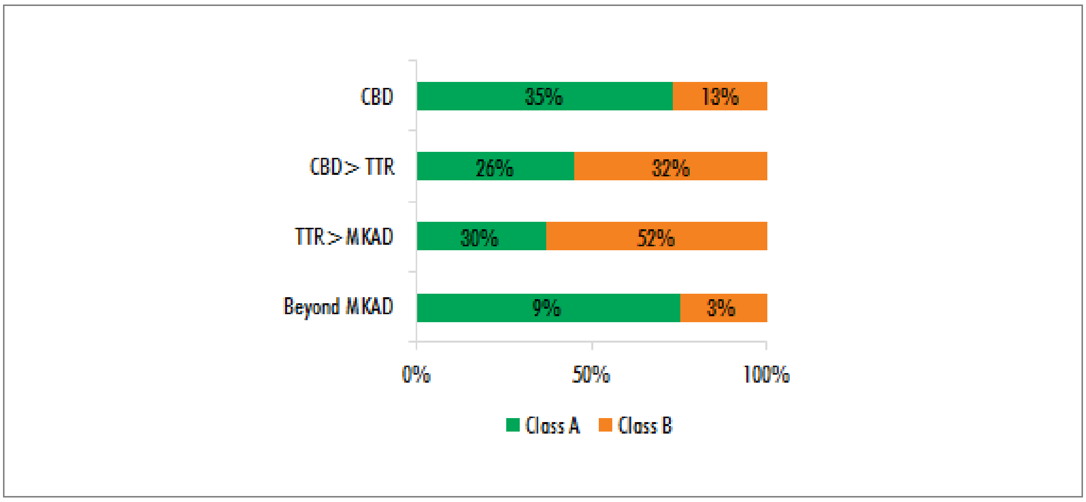
Graph 13. Transaction volume structure, Q3 2015



Source: CBRE Research, Q3 2015

Companies thus used the market situation during the previous crisis to find new offices, reach better commercial terms and fix them in the medium term. The opposite is now being seen – companies prefer to fix better commercial terms for the short term in their existing business centres. This is largely due to the fact that the end of the crisis is not obvious and it is difficult for companies to plan their future business development.

Graph 14. Take-up by class and geographic submarket



Source: CBRE Research, Q3 2015

However, a number of large companies are using the current market conditions to relocate. Large transactions include the leasing by adidas Group of 20,000 sq m at Krylatsky Hills Business Park Building 5, and the leasing by Yamal SPG of around 19,000 sq m at Algoritm BC.

These transactions are notable by the fact that they were concluded in newly commissioned office buildings which were put into operation in 2015. Such early leasing of new office space is no longer a common practice in the Moscow office market after the crisis of 2008. On average business centres are leased within 1.5–3 years after commissioning.

Large-scale transactions Q3 2015

Company	Size, sq m	Property name	Address	Class
adidas Group	20,000	Krylatsky Hills BPBuilding 5	19 Krylatskaya Street	A
Yamal SPG	19,000	Algoritm	22 Akademika Pilyugina Street	B+
Medtronic	3,150	Naberezhnaya Tower Building C	10 Presnenskaya Embankment	A
GlaxoSmithKline	2,800	Naberezhnaya Tower Building C	10 Presnenskaya Embankment	A
Booking.com	960	White Square Building A	10 Butyrsky Val Street	A
Sealed Air	940	Meridian	24d Smolnaya Street	B-
Diversey	860	Meridian	24d Smolnaya Street	B-

Source: CBRE Research, Q3 2015

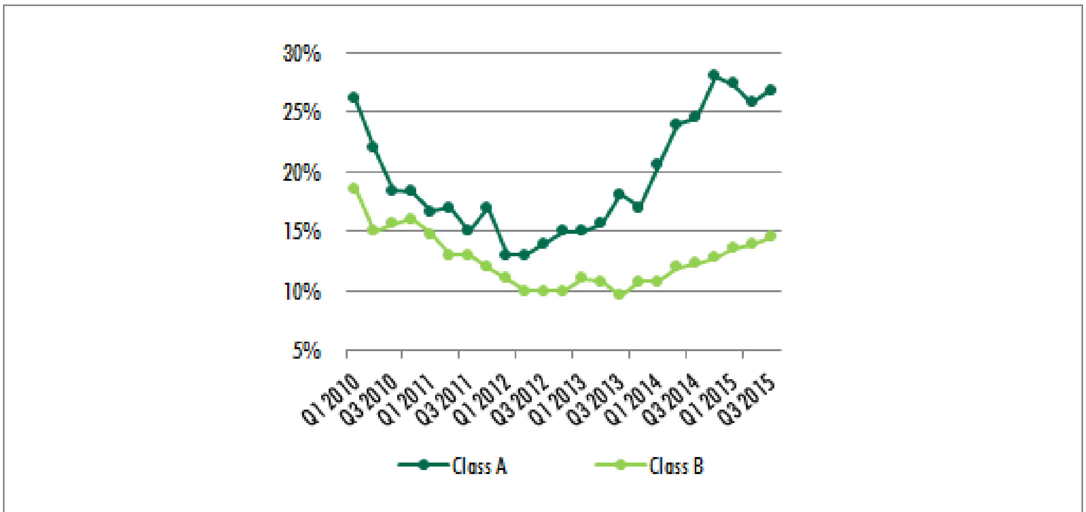
Graph 15. Office sizes in highest demand, % of the total number of new lease transactions, Q3 2015

Source: CBRE Research, Q3 2015

Vacancy rates

The total vacancy rate increased from 16.9% in Q2 to 17.6% in Q3; in the Class A segment the increase was from 25.8% to 26.8% and in Class B from 13.9% to 14.5%.

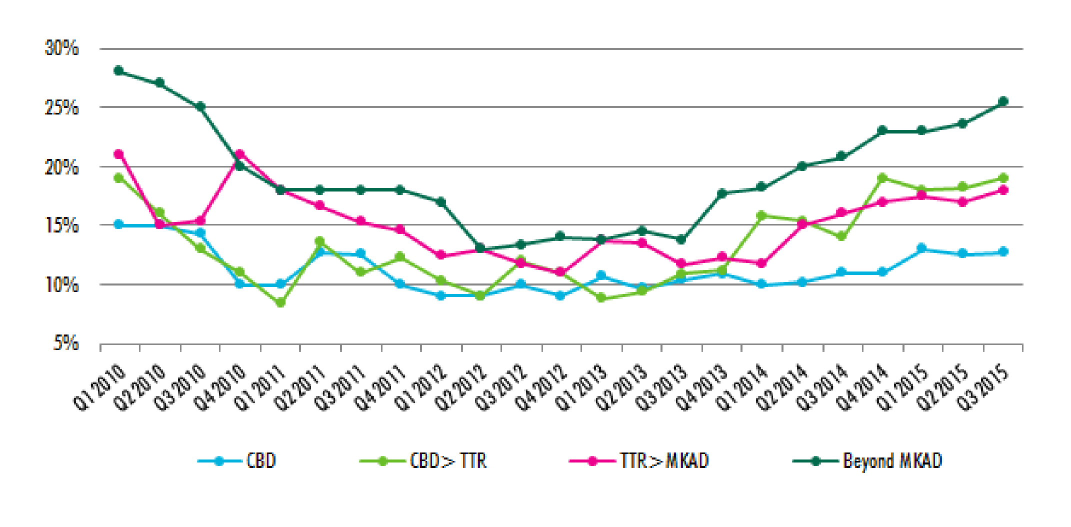
Graph 16. Vacancy rates by class



Source: CBRE Research, Q3 2015

Vacancy rates also increased in geographic submarkets: from 12.6% to 12.7% in the CBD; from 18.2% to 19% in the area between the GR and TTR; from 17% to 18% between the TTR and MKAD and from 23.6% to 25.4% beyond the MKAD. The increase is partially caused by the amount of new delivery and also by previously occupied space starting to enter the market as companies relocated to new offices.

Graph 17. Vacancy by geographic submarket



Source: CBRE Research, Q3 2015

Rental rates

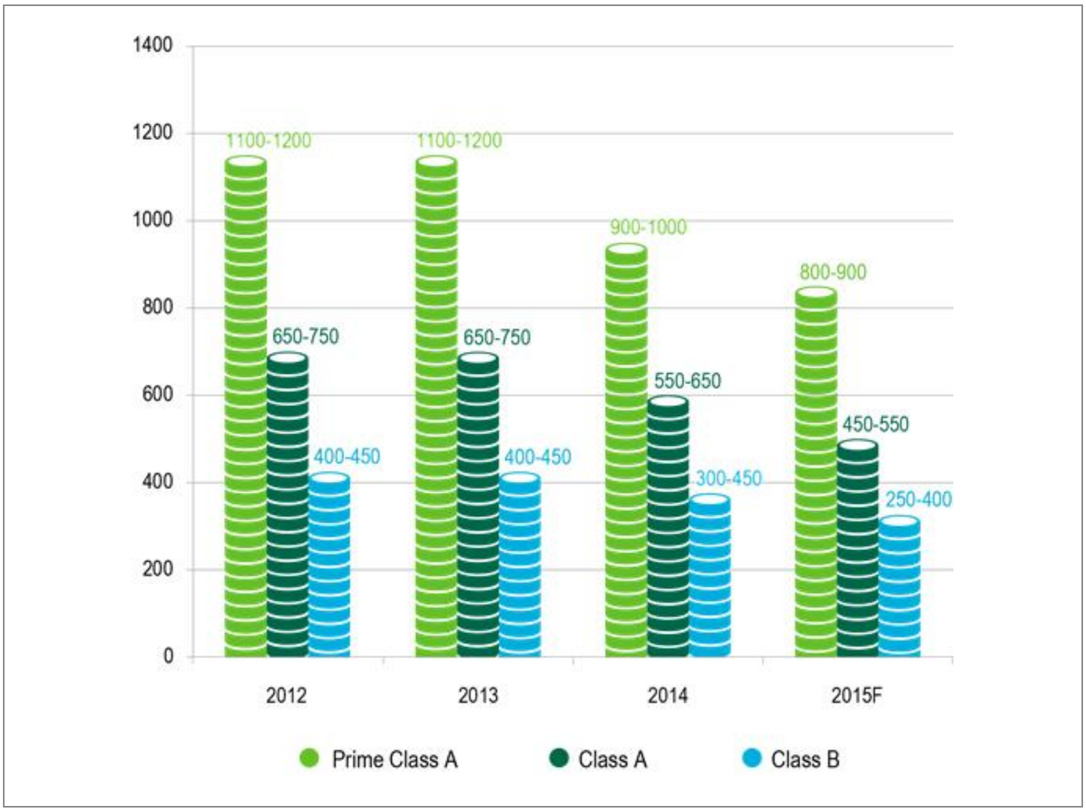
For the second consecutive quarter asking rental rates appear relatively stable. In Q2 12% of vacant Class A offices saw rental rates decrease while in Q3 this figure was only 6%.

This reduction did not affect the average range of rental rates. Nevertheless, it is worth noting that achievable rents are often 10–20% lower than asking rates. The currency corridor for rents averages between 55 and 65 RUB per USD.

Class A Prime asking rental rates are $820–950 per sq m per annum net of operating expenses and VAT. Rental rates for Class A offices in the city centre are $600–750; for Class A in the area outside the TTR $450–550.

Class B rents are $250–400, while the most common range in Roubles is 13,000–23,000 RUB (or on average 17,000 RUB). Rental rates are denominated in dollars for only 6% of vacant Class B offices, compared to 70% at the end of 2014.

Graph 18. Rental rates by the year-end ($/ sq m, net of OpEx and VAT)



Source: CBRE Research, Q3 2015

Outlook

0.8 mln sq m is expected to be commissioned in the whole of 2015, which is almost half the total estimated at the beginning of 2015 (1.4 mln sq m).

High vacancy and limited demand are forcing developers to postpone delivery dates.

However, 2015 is continuing the trend seen in 2014 where Class A delivery accounts for the majority of the total. It is estimated that delivery of Class A space will reach 0.42 mln sq m, and Class B 0.38 mln sq m this year (compared to 0.71 mln sq m and 0.69 mln sq m respectively in 2014).

It is estimated that transactions will remain at the same level as 2014, 0.75–0.85 mln sq m. The overall vacancy level, according to our forecasts, will reach 16–17% – 24–25% in the Class A segment and 14–15% in Class B.

Rental rate trends are entirely dependent upon external factors. In the case of further Rouble devaluation and other negative macroeconomic and geopolitical events, we believe that a further reduction in dollar denominated rents is possible.

Major office market indicators

	2013 Results	2014 Results	2015 Forecast
Total Stock, mln sq m	14	15.4	16.2
Class A, mln sq m	2.68	3.4	3.8
Class B, mln sq m	11.3	12	12.4

	2013 Results	2014 Results	2015 Forecast
Take-up, mln sq m	1.072	0.73	0.75–0.85
New Delivery, mln sq m	0.88	1.4	0.8
Rental Rates (asking), $/ sq m/ year, net of OpEx and VAT			
Prime Class A	1,200	900–1,000	800–900
Class A	650–750	550–650	450–550
Class B	400–450	300–450	250–400
Overall Vacancy, %	12	16.6	16–17
Class A Vacancy, %	17	28	24–25
Class B Vacancy, %	10.8	12.8	14–15

Source: CBRE Research, Q3 2015

Moscow Retail Market Overview

In January-November 2015 retail property market remained under strong pressure of real wages, having declined by around 9% in Russia. Reduced purchasing power and consumer confidence led to more than 8% contraction of retail sales in real terms. Sharp Rouble depreciation, by 100% since the beginning of the crisis, undermined competitiveness of import-oriented retailers and adversely influenced their margins.

Weakened retailers' demand together with high new delivery led to increase in vacancy to 9.5% by the end of 2015 in Moscow. This provoked rents to go down in shopping malls. Depending on the popularity of a destination, rents declined by 20-50% in dollar terms since the beginning of the current crisis.

The major trends in Moscow are described below:

- Newly delivered in Jan – Sep retail schemes formed 336,000 sqm of GLA. The total modern retail stock in Moscow reached 5,139,000 sq m in Q3 2015, or 419 sq m per 1,000 inhabitants. .
- Galereya Kutuzovsky and the retail gallery in MFC Evolution Tower that were scheduled to open by the end of 2015, will now be put into operation in 2016. As a result, our forecast for delivery in 2015 is now 15% lower than we expected during the first half of the year and amounts to 440,000-480,000 sq m.
- Expectations for delivery in 2016 remain stable at 350,000 sq m
- The vacancy rate in Moscow shopping centers in Q3 remained practically the same as in the previous quarter (9.2%). Given that over the past two years new projects have been opened with a high amount of empty space, the rescheduling of some large projects has become a limiting factor for the increase in the average vacancy rate.
- Growth of vacancy was limited by very low new delivery in Q3, as turning into operations of a several schemes was postponed with some of them rescheduled to Q1 2016. However, those shopping malls, which are expected be opened in 2015, with high probability will have up to 40% vacancy rate.

- 34 new brands entered the Moscow market in the first 3 quarters. Moreover, during the last three months, 4 new brands have announced their plans to open first stores in Moscow.
- Rental rates in dollar terms already declined by 20% compared to the 2014 year-end. Decline in effective rents even in reputable retail schemes could exceed 20%, with some destinations having lost more than 50% of rents value.
- Around 75-80% of market players had switched to rental rates in Rouble equivalent.
- Prime rents (for premises of 100-200 sq m with best location in top tire shopping centres) decreased by 3% compared to Q2 2015 and amounted to $1,650/sq m/year.
- In New Moscow there are two announced projects, Salaryevo Mall and Sky Mall, and both are at the design stage. The phase of active implementation should start when business and consumer activity will begin recovering, and hence the demand from tenants will be higher. Given the gradual development of new areas, population growth and the improvement of transport infrastructure, both projects will be able to find their target audience. Provided, of course, that they will have a successful marketing and architectural concept.

Saint Petersburg Warehouse Market

Supply and Pipeline

Developers' activity in construction of new speculative warehouse centers is low, despite the great potential of St. Petersburg because of its favourable geographical location.

In Q3 2015 only one new warehouse project was delivered to St. Petersburg market. By the end of September Class B office-warehouse complex on Kushelevskaya road was put into operation. Total area of warehouse is 11,900 sq m.

Total volume of high-quality warehouse space accounts to more than 2 mln. sq m (without built-to-suit projects).

Warehouse property key figures, Q3 2015

	Class A	Class B
New delivery Q3 2015, sq m	0	11,900
Vacancy rate	8%	5%
Rental rates*, USD/sq m/year	63-72	45-63

** triple net, 1USD=66.2367 rub*

Source: Maris | Part of the CBRE Affiliate Network

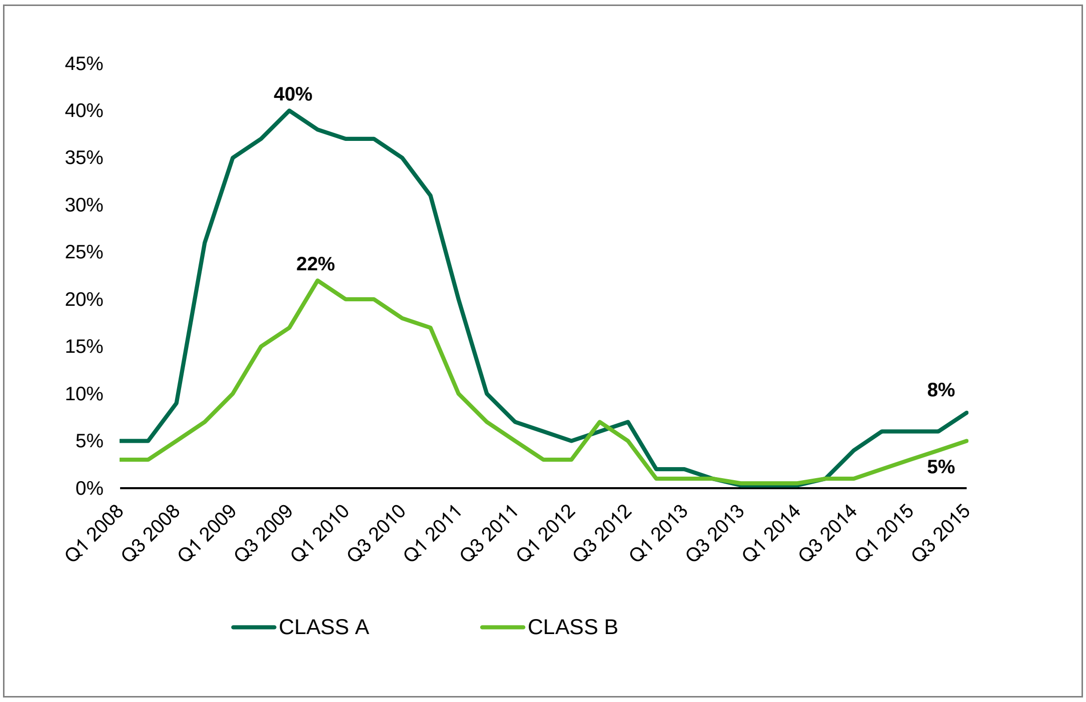
In terms of geographical distribution, the majority of existing warehouses are still concentrated in the southern part of St. Petersburg, mainly in the Shushary industrial zone, which accounts for 34% of existing quality supply. New small projects appear in the Krasnogvardeyskiy and Kalininskiy districts of St. Petersburg, and in the Vsevolozhskiy district of the Leningrad Region, nearby the city. New projects are offered both as storage and for locating small-scale production (under 5,000 m2).

In Q4 2015 – Q4 2017 planned to open 13 speculative warehouse projects with a combined gross area about 170 000 sq m.

Demand and Vacancy Rates

Despite the economic crisis, the demand for warehouses remains stable. However, there is an active rotation of tenants, which leads to an increase in vacancy rate. Primarily the demand is represented by those companies who are not satisfied with their current location. In addition, declining rental rates denominated in Roubles, give an opportunity to upscale the rented premises from class C to Class B, and even to A.

Graph 19. Vacancy rate



Source: Maris | Part of the CBRE Affiliate Network

The volume of transactions in Q3 2015 amounted to 67,000 sq m, and since the beginning of year – 215,000 sq m.

Examples of lease transactions of warehouse premises, Q3 2015

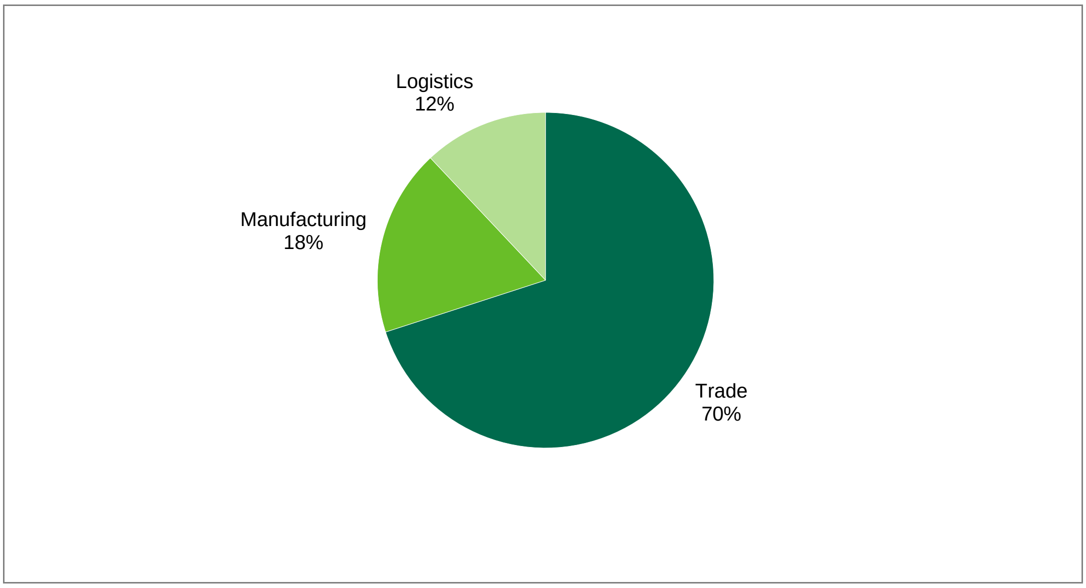
Tenant	Size, sq m	Warehouse center
Okey	23,000	PNK KAD
Gartner	18,000	Orion Logistics
Katren*	10,500	A Plus Park Shushary

**built-to-suit*

Source: Maris | Part of the CBRE Affiliate Network

The main tenants of quality warehouse complexes in St. Petersburg during the first three quarters of 2015 were trading and distribution companies (70%). Industrial companies usually lease small warehouses premises (from 1,000 to 2,000 sq m), however, volume of transactions and requests for such premises increase in connection with the policy of import substitution.

Graph 20. Leasing transactions structure by industry, Q1-Q3 2015



Source: Maris | Part of the CBRE Affiliate Network

Commercial terms

In Q1-Q3 2015 rental rates in Roubles decreased by two reasons: first, due to the denomination of rental rates in Roubles, and secondly due to growth of the competition in the warehouse market. Since the beginning of year rental rates decreased by 10%. Rental rates in dollars lowered almost twofold.

Graph 21. Rental rates dynamics, USD/sq m per year, triple net

*1 USD=66.2367 RUB. (30th September, 2015)

Source: Maris | Part of the CBRE Affiliate Network

Conclusion

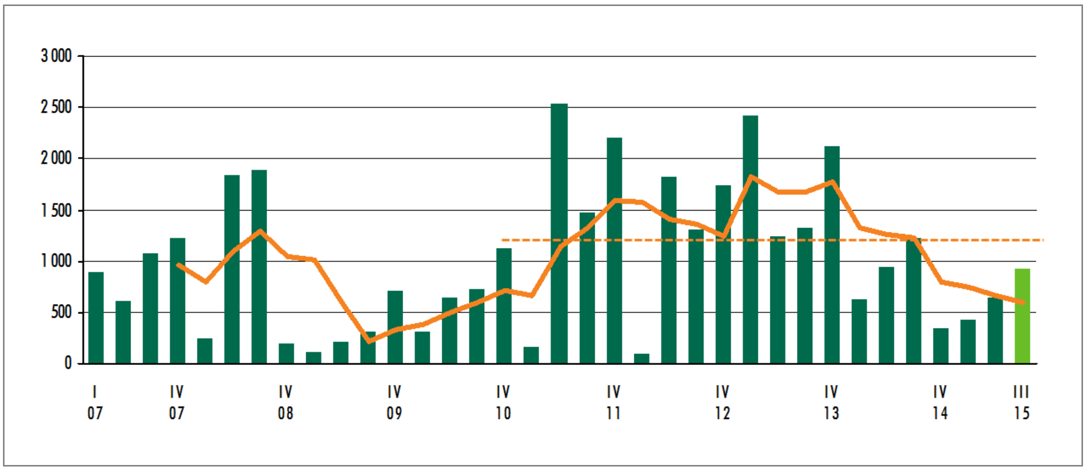
Developers' activity in construction of new speculative warehouse centers is low. Despite the fact that many retail chains have revised their needs for warehouse space during this year and last year, the market is still observing a persistent interest towards the lease of warehouse space both from remaining retailers and logistic companies as well.

Real Estate Investment Market Overview

Volumes and structure

In Q3 2015 investment in Russian commercial real estate amounted to USD 925 mln. This is 24.5% less than in the same period of 2014.

Graph 22. Total investment volume in Russian CRE, quarterly, 4Q moving average, average quarter meaning for the last 5 years, USD mln.



Source: CBRE Research, Q3 2015

However, at the same time this is the third largest investment total since the beginning of the current crisis in 2014.

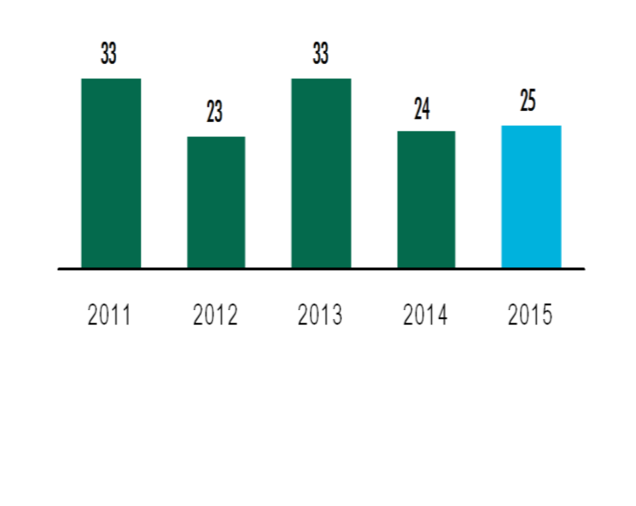
Since the beginning of 2015 cumulative investment has reached USD 2,013 mln. compared to USD 2, 807 mln. in the same period of 2014.

In Q3 2015 the share of investment transactions represented by retail properties increased to a more usual level. A key contributor to this was the sale of Gallery Modny Sezon.

The acquisitions of BC Zarechiye and the third building of BC Metropolis are among other notable Q3 transactions.

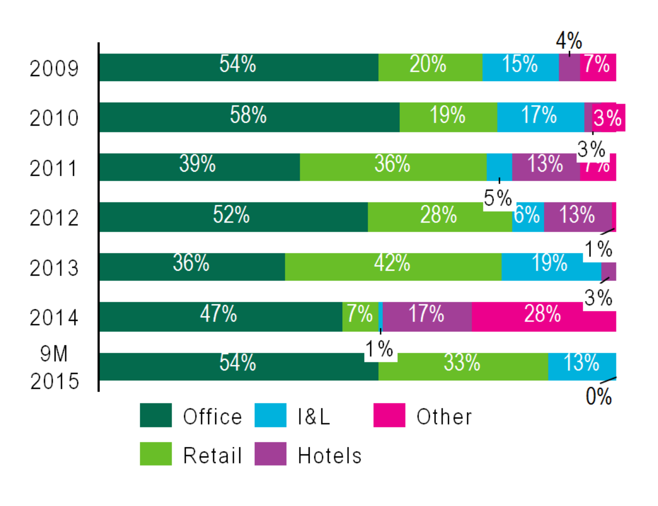
The level of investment deals in 2015 also supports the theory that a gradual recovery of investment activity is taking place.

Graph 23. Amount of investment transactions, units



Source: CBRE Research, Q3 2015

Graph 24. Shares of different segments, % of total investments during the period



Source: CBRE Research, Q3 2015

In the first nine months of 2015 the share of cross- border investment reached 27%, which is equivalent to USD 543 mln.

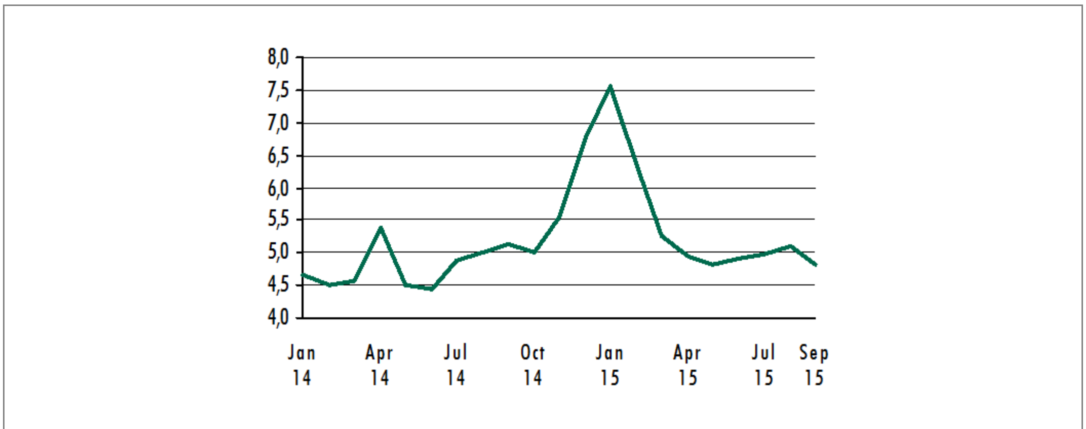
Almost all transactions were focused on the office segment. In Q3 the acquisition of the third building of BC Metropolis represented the bulk of cross-border investment.

Investment in regions amounted to just USD 29 mln. in the first three quarters of 2015. This is less than 1,5% of the overall total investment during that period.

Capitalisation rates

Yields on Russian sovereign eurobonds (index Euro-Cbonds Sovereign Russia, YTM, eff.), as an indicator of country risk premium, in Q3 remained within the 4.8 – 5.1% range. This is just 30-60 basis points above the levels seen in Q1 2014.

Graph 25. Index Euro-Cbonds Sovereign Russia, YTM, eff., %, end of period



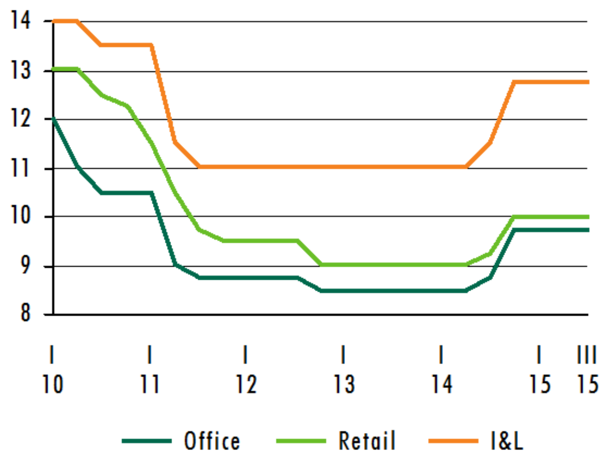
Source: CBRE Research, Q3 2015

Key commercial real estate market indicators included a more marked reduction in potential new supply and signs of recovery in tenant demand.

Current capitalisation rates for prime properties in Moscow remained stable:

- Office – 9.5 – 10%;
- Retail – 9.75 – 10.25%;
- I&L – 12.5 – 13%.

Graph 26. Capitalisation rates, %



Source: CBRE Research, Q3 2015

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.

Forecast

As of October 2015, transactions in negotiation stage amounted to 2.4 bn. This is 20% above the total investment activity in Jan flow discoun

In addition, increasing purchasing activity by tenants should be highlighted:

- acquisitions of 50,000 purchasinsq m I&L premises by DIY and food retailers;
- the Megafon deal to buy a stake in BC Oruzheyniy for more than USD 280 mln.

Our baseline forecast of investment activity in 2015 remains unchanged at USD 2.5 bn. This means USD 0.5 bn. of investment in Q4 2015.

Geopolitical problems still remain an important source of potential market instability, which could hinder an earlier upturn.

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 annual report for 2015 as of February 4th, 2016.

Yours faithfully

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APPENDIX 1: SUMMARY OF THE PROPERTIES

The Property Portfolio of Sponda Plc consists of four properties held for investment. Three are located in Moscow and one in Saint Petersburg. Approximately 86% of the value of the Portfolio is accounted for by two office buildings in Moscow. The retail property in Moscow comprises approximately 11% 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 2,786.4 sq m.

As of the valuation date the Property was 83% 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 2016.

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 9,085.7 sq m GLA.

As of the valuation date the Property was fully leased by multiple tenants. The long-term leases with anchor and mini-anchor tenants, representing circa 41% of the total revenues, expire between 2017 and 2024. 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 14,125.3 sq m GLA. The Property was delivered to the market in 1997.

As of the valuation date the Property was 77% 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.

CBRE