STATEMENT

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

Sponda Public Limited Company

Date of Valuation: December 31, 2018

CBRE

EVALUATION OF THE FAIR VALUE OF THE INVESTMENT PROPERTIES

Our Assignment

In accordance with the engagement contract #18/12-129CV dated December 5, 2018 between Sponda Plc (hereinafter referred to as "the Client", "the Company" or "Sponda") and CB Richard Ellis LLC, we have estimated the Fair Value of the real estate properties.

The Fair Value of the Sponda real estate Portfolio was estimated in accordance with RICS Valuation – Professional Standards 2017 (the "Standards"). Our calculations were conducted for accounting purposes. It may not be reproduced or used for any purpose other than the purpose stated above without the prior written consent of *CB Richard Ellis LLC* in each specific instance.

The Portfolio covered in our analysis consists of 2 (two) operational properties held for investment purposes; the assets are described in Appendix 1 of this Statement. Our calculations 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, 2018.

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".

In order to calculate the Fair Value of the Western Realty (Ducat Place II) we used the Income Approach, adopting a 5-year discounted cash flow method to arrive at a Net Present Value. We have based our valuation on the commercial terms provided to us by the Client in the tenancy schedule. In order to arrive at our conclusions regarding estimated rental values (ERV), we took into account opinion of CBRE's leasing agents, who have deep knowledge of Moscow office market, contracted rental rates within the Property as well as rental rates in comparable projects.

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 October 26, 2018. We have been confirmed by the Client that no significant changes that could affect the value of the Properties have occurred in the period between the inspection and valuation dates.

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

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

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

Market Conditions

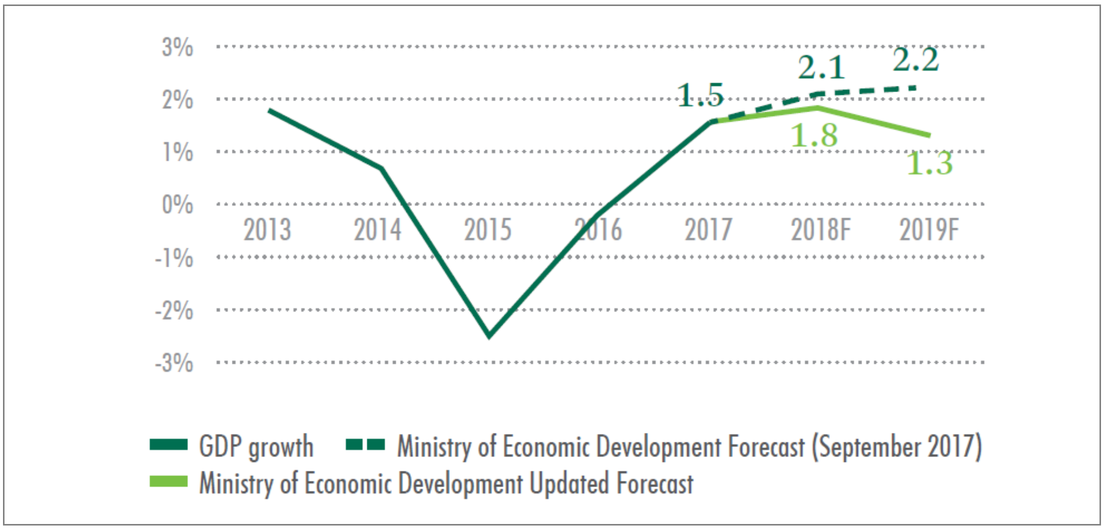
We would draw your attention to the fact that the current volatility and uncertainty in the Russian economy and financial market has created a significant degree of turbulence in commercial real estate market. Without stable market conditions, limited liquidity in the market and transaction evidence,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

MARKET COMMENTARY

Macroeconomic Analysis of Russia, Q3 2018

According to the updated forecast of the Ministry of Economic Development GDP growth is expected to slow down to 1.9% in 2018 and 1.4% in 2019 (previously 2.1% and 2.2% were expected in 2018 and 2019 accordingly).

Graph 1. GDP growth dynamics



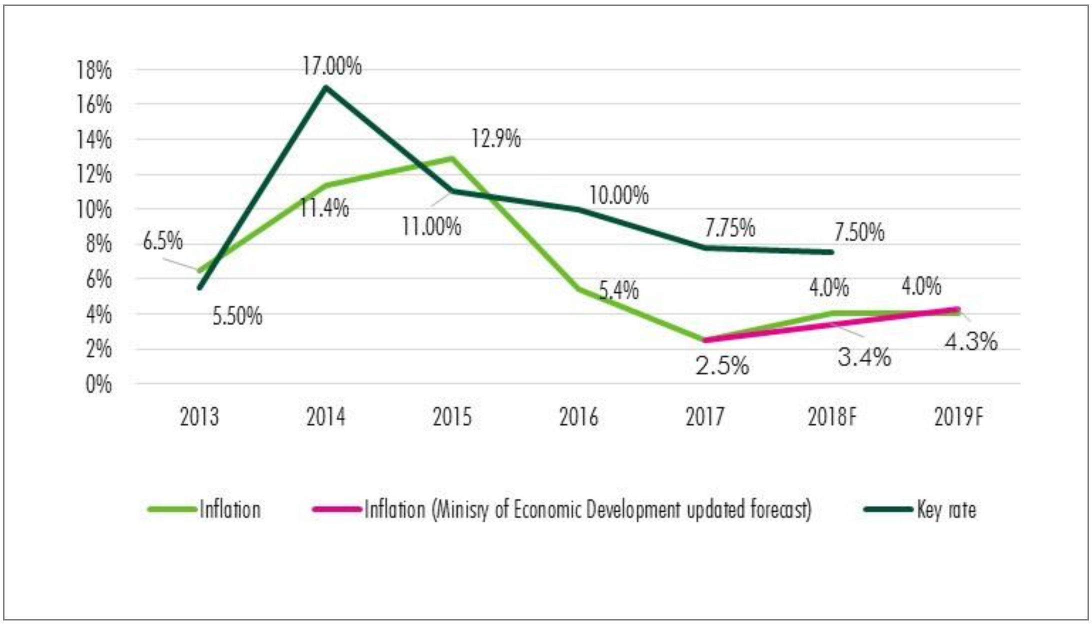
Source: Federal Statistics Service of Russia, CBRE

The threat of a tighter US sanctions package continues to exert downward pressure on Russian assets, the RUB in particular, and on broader business and consumer confidence. The resulting rise in inflation and the hugely unpopular decision to raise the retirement age are hurting consumer confidence. Increased government spending on investment should offset part of this pressure from 2019 onwards.

Russian rouble had a period of weakening since the beginning of August. In the face of accelerating inflationary pressures and no sign that the downward pressure on the rouble was subsiding and on the back of increased volatility, the Central Bank decided to raise the key rate to 7.5% (0,25 p.p. higher) at its September meeting.

VAT will increase from 18% to 20% since January 1, 2019 and will drive up prices and inflation in 2019.

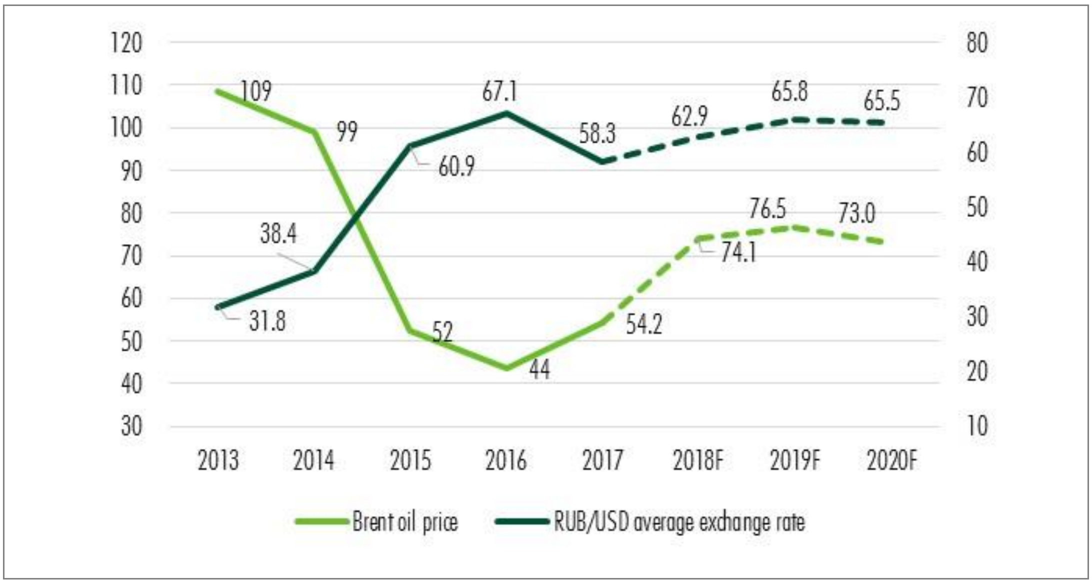
Graph 2. Inflation and key rate dynamics



Source: Federal Statistics Service of Russia

Brent oil price after a slight decline from mid-August continued to increase and reached $82,86 per barrel by the end of Q3 2018. The last time such high values were observed in November 2014.

Graph 3. Russian Rouble exchange rate and Brent oil price dynamics



Source: Federal Statistics Service of Russia, Central Bank of Russia

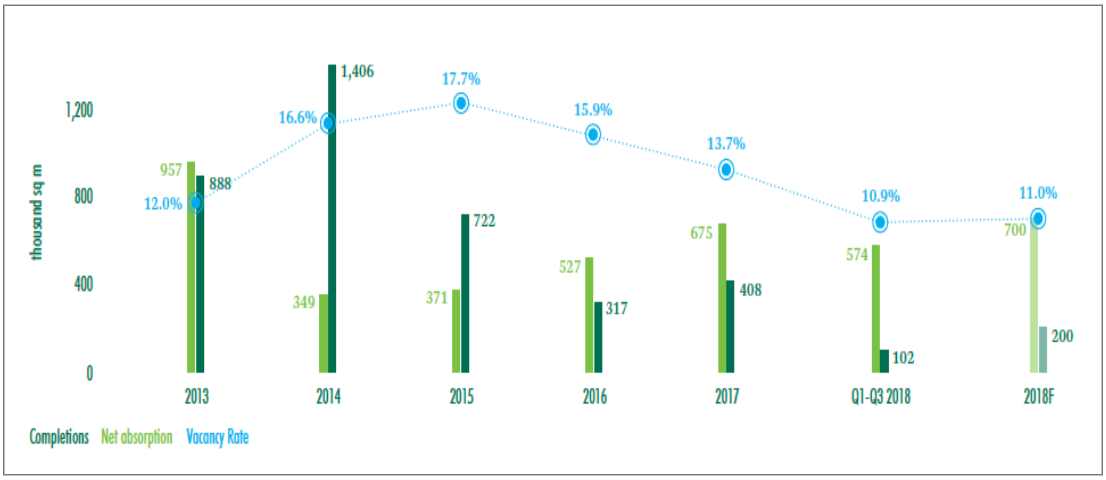
Despite expected economy damping, Russian economy is still recovering owing to oil price hardening, stably-low inflation level, retail sales and manufacturing volume growth.

Moscow Office Market Overview Q3 2018

Supply

In Q1-Q3 2018 office stock increased by about 102,000 sq m, more than half of which – 55,000 sq m – were commissioned in Q3 2018.

Graph 4. Dynamics of completions, net absorption and vacancy rate



Source: CBRE Research

In Q3 2018, part of VTB Arena office complex and Novion BC were commissioned.

Completions volume will not exceed 200,000 sq m in 2018. It will be the lowest volume of new delivery since 2000.

In the next few years new supply will remain sufficiently low compared to the pre-crisis years. In 2019, completions volume is expected to increase to 350,000 sq m. And 450,000 sq m are planned for commissioning in 2020. However, in Moscow almost every professional developer has a project in his portfolio, the construction of which can begin as soon as relevant client appears – about one million sq m of build-to-suit projects.

In Q3 2018, overall vacancy rate continued to decline and reached 10.9% (2.8 p.p. lower than at the end of 2017 and 0.6 p.p. lower compared to Q2 2018). By the end of 2018 and also in 2019 we expect the further decrease of vacancy rate.

Class A vacancy rate is decreasing in a slightly faster pace. Thus, for the last three years this indicator decreased by almost 7 p.p. from 23.1% in Q1 2016 to 13.4% now. For the same period in Class B segment vacancy rate decreased by 5.5 p.p. – to 9.9% at the end of Q3 2018.

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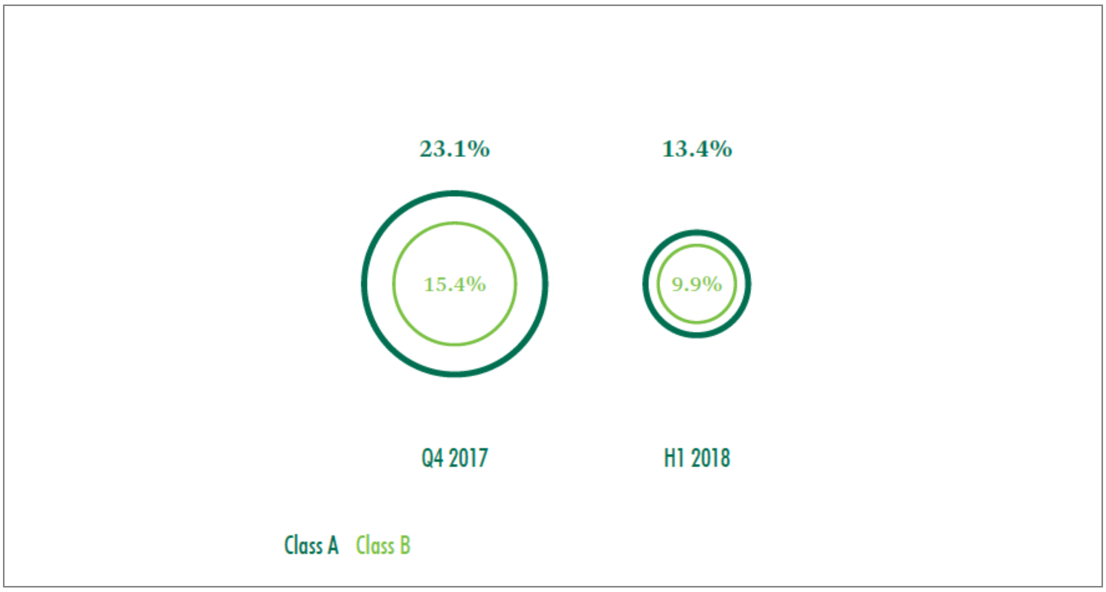
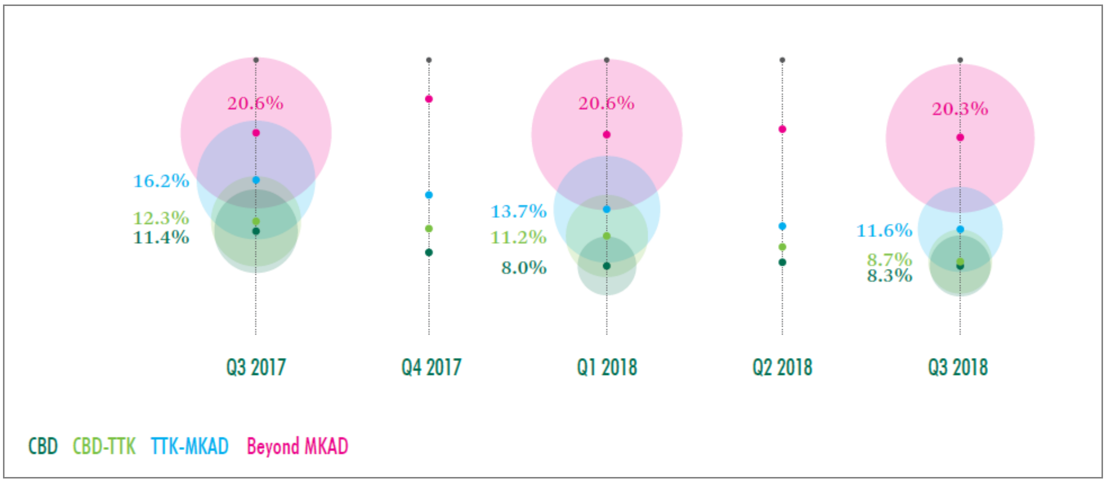
Graph 5. Vacancy rate by class



Source: CBRE Research

According to our forecasts, by the end of the year Class A vacancy rate will slightly decrease and amount to 12.5%, while Class B vacancy rate will increase to 10.4% due completions planned to be commissioned in Q4 2018.

Graph 6. Vacancy rate by location

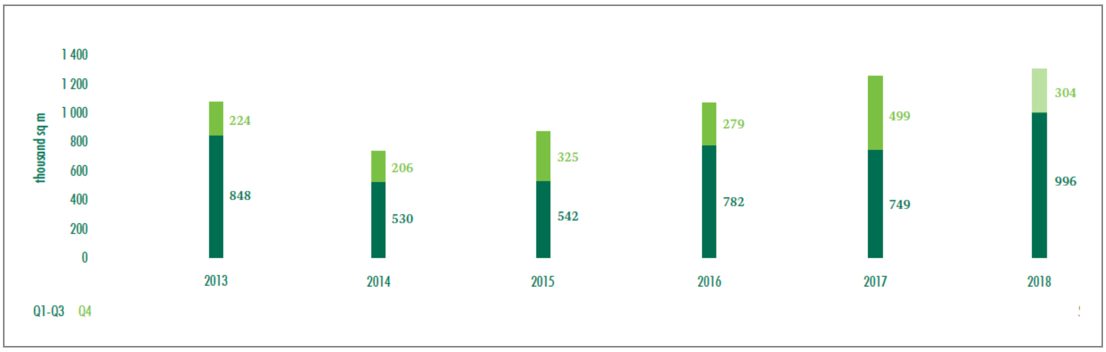


Source: CBRE Research

Demand

In Q1-Q3 2018, take-up accounted for 996,000 sq m of office space, which is 33% higher compared to the value in Q1-Q3 2017. Moreover, this is the record volume of new transactions since 2011. The larger volume was in 2010, when 1,188,000 sq m office space was leased and purchased by end-users for the first three quarters – by 19% higher than the current figure.

Graph 7. Demand structure



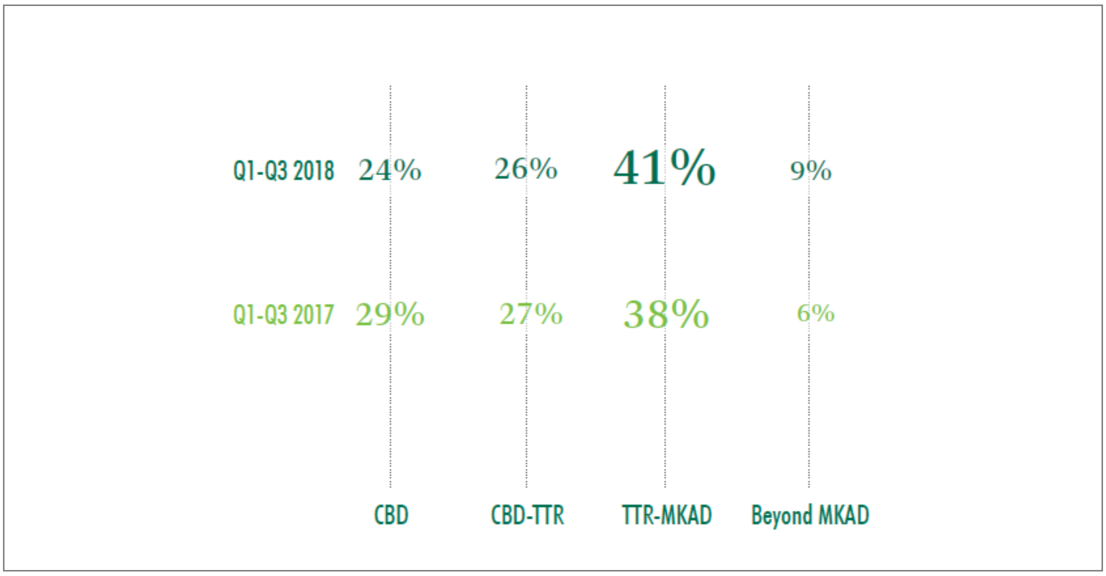
Source: CBRE Research

Net absorption amounted to 574,000 sq m in Q1-Q3 2018. This value is 2 times higher than the volume in the same period of 2017 and indicated a stable additional demand for office space.

For the three quarters of 2018 the share of renewal and renegotiation transactions amounted to 18% of the total transactions volume (225,000 sq m). This value lower than the share in the first 9 months of 2016 and 2017, when such transactions accounted for about a quarter of the volume of all transactions.

In Q1-Q3 2018, about 90% of take-up volume was formed by lease transactions which is similar to the Q1-Q3 2017 demand structure, when lease transactions amounted to 92% of take-up.

Graph 8. Take-up structure by location



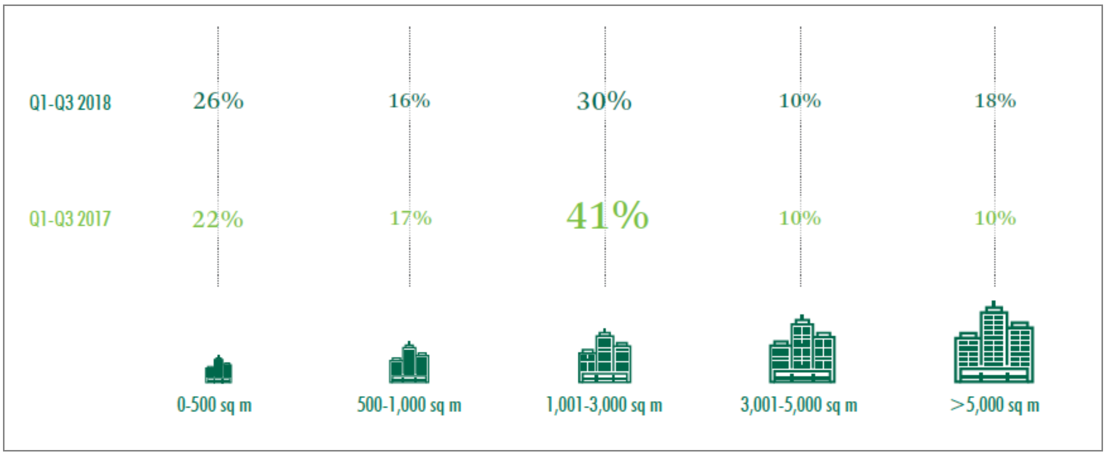
Source: CBRE Research

In Q1-Q3 2018, approximately one third of leased and purchased space was Class A office premises (332,000 sq m), which is 3 p.p. lower than in the same period of 2017. Most of the space – 37% in this segment – was leased and purchased in the Central business district.

Class B take-up accounted for 67% or 664,000 sq m of office space. The main demand in this segment occurred in the zone between TTR and MKAD – 51% of new transaction volume in this segment (5 p.p. higher than in Q1-Q3 2017).

Medium-sized offices with area of 1,001 – 3,000 sq m were in most demand in January-September 2018. However, their share in take-up structure decreased from 41% in the first 9 months of 2017 to 30% in the same period of this year. 18% of take-up volume was formed by large transactions (above 5,000 sq m). The number of such deals increased to 19 (in January-September 2017 – 9), the average size of a large transaction increased to 9,700 sq m against 8,200 sq m in 2017.

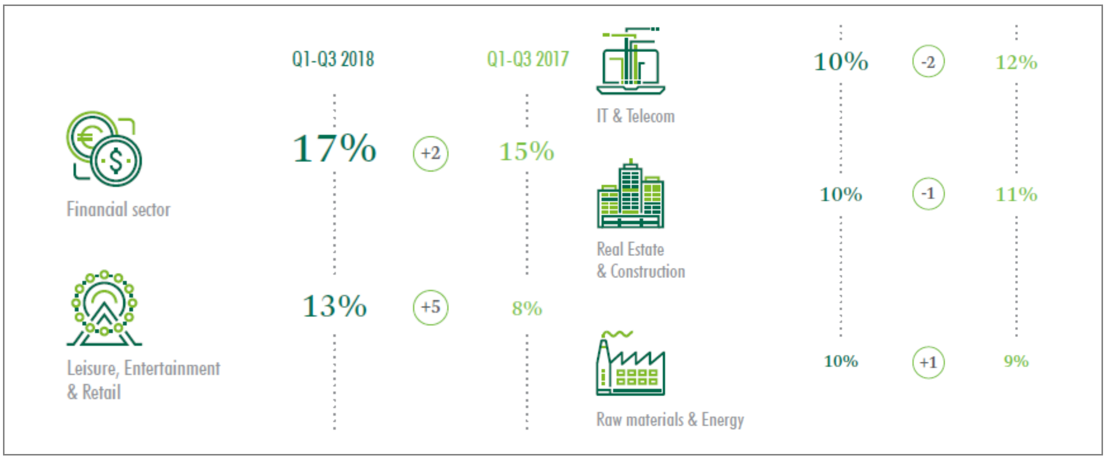
Graph 9. Demand structure



Source: CBRE Research

Financial companies formed the main demand for office premises. In Q1-Q3 2018, interest to office real estate increased noticeably from representatives of Leisure, Entertainment & Retail sector.

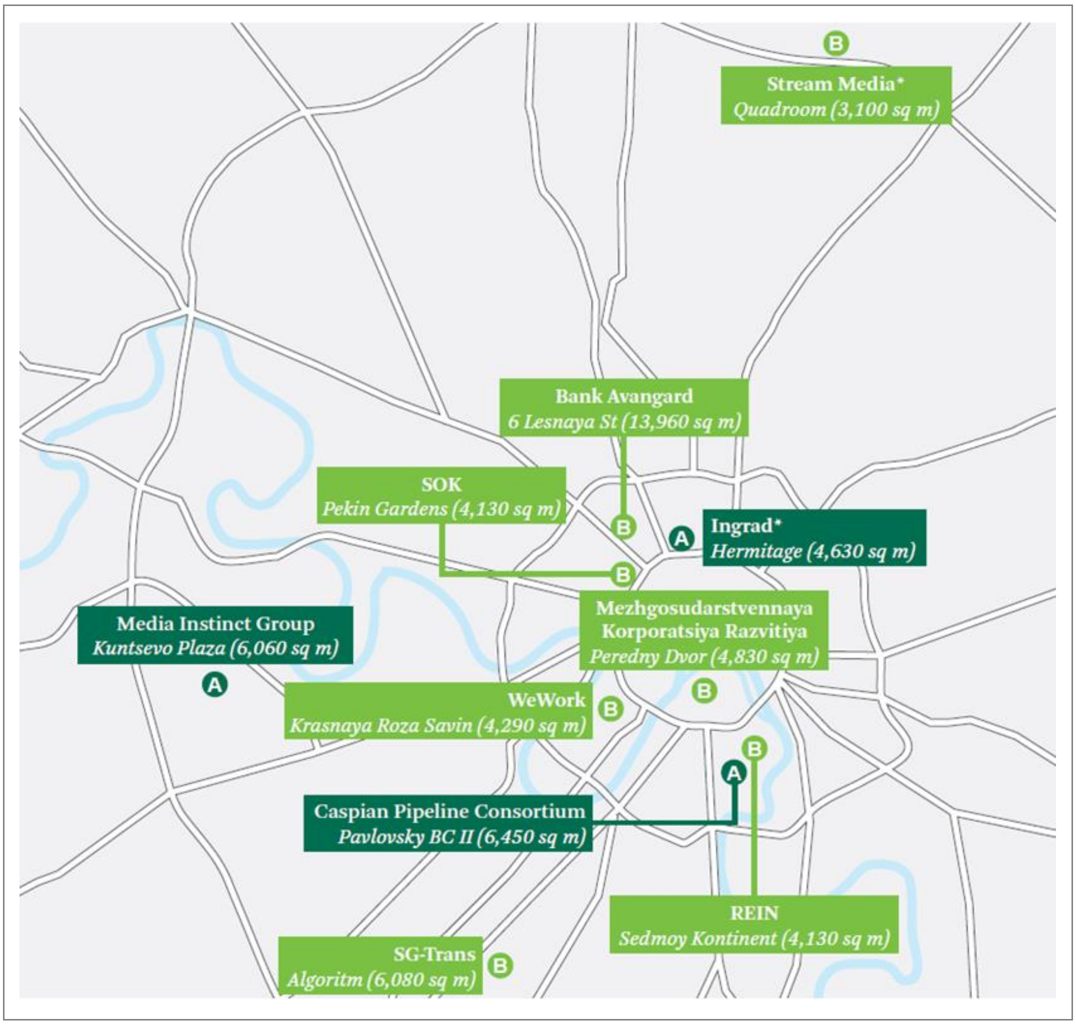
Graph 10. Key sectors in take-up structure



Source: CBRE Research

Russian companies were more active in the office market: 77% of take-up (3 p.p. higher compared to the same period in 2017). Financial sector companies continued to form the main demand for office premises (the largest deal in Q3 2018 was purchase of the building at 6 Lesnaya street by Avangard Bank). Their share in take-up structure increased from 15% in January-September 2017 to 17% in the same period of this year. In Q1-Q3 2018, interest to office real estate increased noticeably also from companies of Leisure, Entertainment & Retail sector (by 5 p.p. to 13%).

Graph 11. Q3 2018 large deals



Source: CBRE Research

Commercial terms

In Q3 2018, the average level of rental rates remained in the ranges of the end of last year. The average asking rate for Class A Prime offices amounted to $750-850 per sq m per year excluding operating expenses and VAT, rental rates for Class A premises ranged at 18,000-30,000 RUB/sq m/year and for Class B offices – 12,000-21,000 RUB/sq m/year.

According to our forecasts, rental rates will start to increase gradually under the influence of a shrinking vacant supply and stable demand. In the next 12 months, average rental rate growth in Class A segment may amount to 5-10%, in Class B segment – 2-3%.

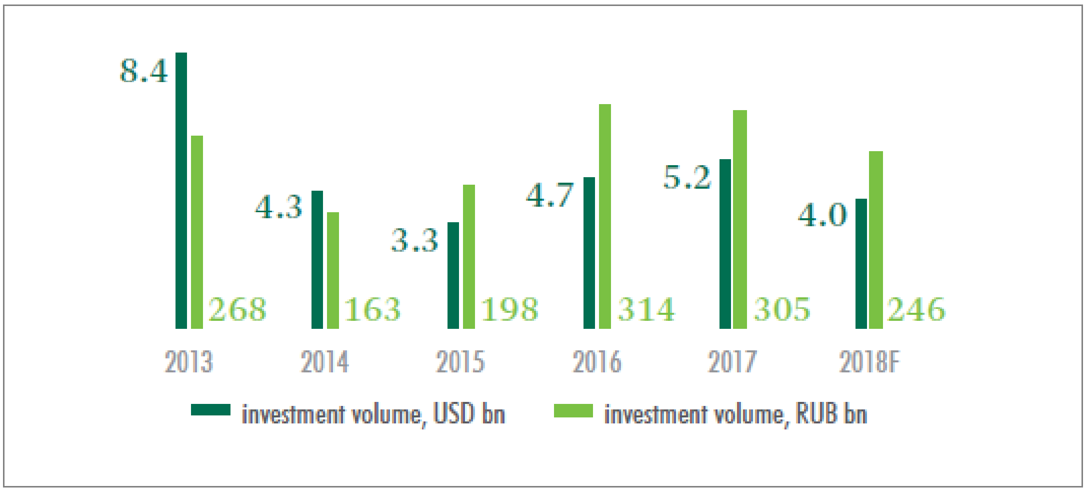
Real Estate Investment Market Overview Q3 2018

In Q3 2018, the volume of market transactions for the acquisition of real estate reached almost $800 mln, which, however, is 11% less compared to the same period of 2017. Among the largest deals – RDIF together with a number of asian and middle eastern investors purchased the share in Rostec City project at the site of the former Tushino airfield.

Total volume of transactions amounted to $2.1 bln for the first 9 months of 2018, while for the same period last year the figure was $2.6 billion. Also in Q3 O1 Properties changed the owner (Riverstretch Trading & Investments Ltd). Estimated value of this deal could be about $2.6-2.8 bln, but according to the calculation methodology it was not considered in the total volume of transactions.

Overseas capital amounted to about $640 mln among the transactions that were executed in January-September 2018. The share of Western capital in the volume of overseas investments accounted for about 60%. Companies from France (Leroy Merlin), America (Hines), Czech Republic (PPF), Great Britain (Raven Russia) and some other countries executed deals. The share of investments from Asian companies and Middle East investors accounted for about 40%.

Graph 12. Real estate investment volume dynamics



Source: CBRE Research, Q3 2018

In Q1-Q3 2018 the most tangible growth in investment occurred in the residential segment. In January-September of this year, developers invested about $660 mln in residential development sites, which is 26% higher than in the same period of 2017. At the same time, the share of this segment in the structure of investments increased by 11 p.p. – from 20% in the first 9 months of 2017 to 31% in the same period of this year. This is explained by the desire of developers to acquire and negotiate the project before introducing amendments into the law. In Q1-Q3 2018, the volume of investments in the office segment decreased 1.6 times compared to the value for Q1-Q3 2017 and amounted to $440 mln or 21%.

The largest transaction during this period was the acquisition of one of the office buildings of Metropolis complex in Q2 2018. The share of investments in retail real estate remained at the same level and accounted for also 21% in January-September 2018, the same as in Q1-Q3 2017. However, the volume of investments in this segment decreased by 16% to $460 million. In Q1-Q3 2018 the share of Investments in MFC accounted for 13%, in industrial real estate – 10% and in hotels – 4% of total investment volume.

Graph 13. Investment volume breakdown by the sector

	RESIDENTIAL	OFFICE	RETAIL	INDUSTRIAL	HOTEL	OTHER
2015	15%	28%	25%	17%	9%	6%
2016	10%	44%	17%	4%	18%	7%
2017	14%	29%	30%	9%	6%	12%
Q1-Q3 '18	31%	21%	21%	10%	4%	13%

Source: CBRE Research, Q3 2018

Moscow attracted the largest share of investments in the first 9 months of 2018 – 64%. At the same time, high activity remains on the St. Petersburg market, whose share amounted to 28% against 24% in the same period last year.

Graph 14. Investment volume breakdown by the region

	2015	2016	2017	Q1-Q3 '18
MOSCOW	94%	74%	81%	64%
SAINT PETERSBURG	4%	11%	13%	28%
REGIONS	2%	16%	5%	8%

Source: CBRE Research, Q3 2018

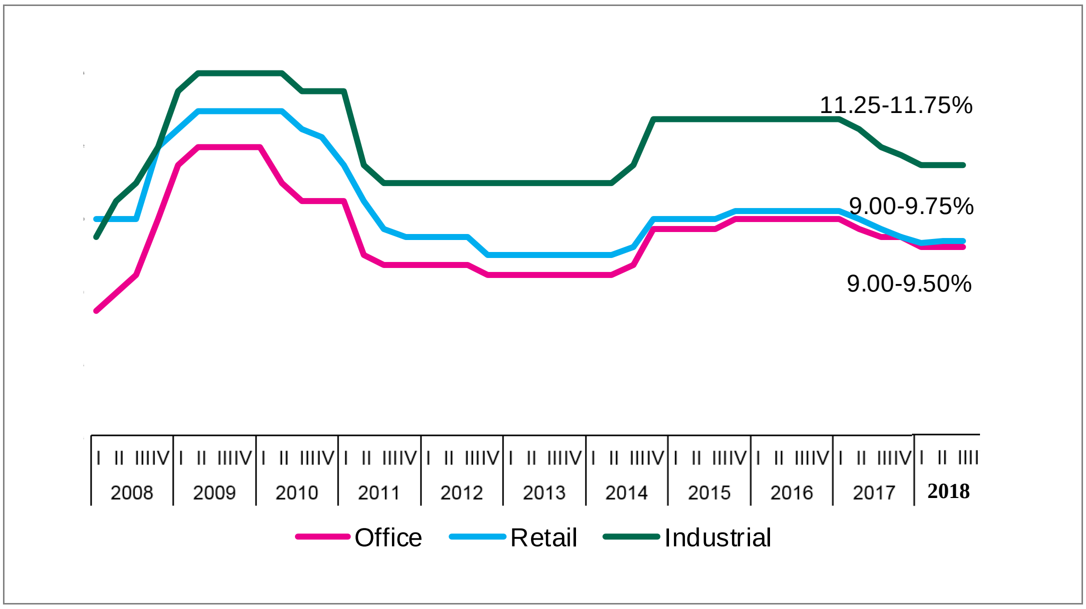
Capitalization rates for prime properties in Moscow has stopped compression and in Q3 2018 rates are:

- Office – 9.00-9.50%
- Retail – 9.00-9.75%
- Industrial – 11.25-11.75%

The risk premium for investing in high-quality "second tier" properties adds around 150-200 basis points, and in regional properties – 200-400 basis points.

In Q3 2018 yields for prime commercial real estate assets have been strengthening since 2017.

Graph 15. Prime yields dynamics in Moscow



Source: CBRE Research, Q3 2018

Based on the results of the first three quarters and information on transactions in advanced stages of negotiation, the previously announced 2018 investment volume forecast in the amount of $5 bln was adjusted to $4 bln.

Conclusions

Upon the assumption that there are no onerous restrictions or unusual outgoings of which we have no knowledge, and subject to the comments made in our Valuation Report, we are of the opinion that the Fair Value of the Properties as at December 31, 2018 in round figures is as provided in the table below.

Yours faithfully

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For and on behalf of

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Yours faithfully

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