STATEMENT

Evaluation of the fair value of the investment properties owned by Sponda PLC in:

Moscow, Moscow Region and Saint Petersburg, Russia

December 31, 2013

On behalf of Sponda Plc

SPONDA

EVALUATION OF THE FAIR VALUE OF THE INVESTMENT PROPERTIES OWNED BY SPONDA PLC IN RUSSIA

Our Assignment

In accordance with the engagement contract #07/10-496CV dated October 25, 2013 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 (2012) (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 December 31, 2013.

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.

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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 Ducat II was inspected on November 14th, 2013, other Moscow and Moscow Region Properties – between November 27th and December 5th, 2012. The warehouse complex Adastra was inspected 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 SITUATION

MACROECONOMIC OVERVIEW

Real Sector

According to the preliminary estimate from the Ministry of Economic Development (MED), Q3 GDP growth amounted to 1.2%. As usual, this figure will be revised by Rosstat. Nonetheless, this information shows that hopes of an acceleration of economic growth in H2 2013 did not come true.

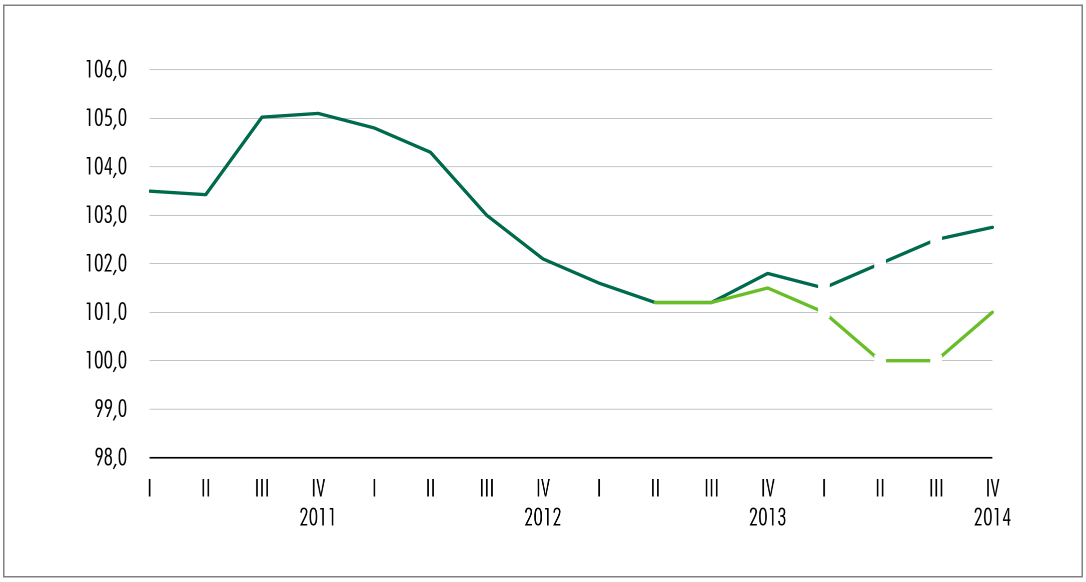
This economic situation could still be in line with the "passing through the trough" scenario.

In the Eurozone there were the first solid signs of a possible end of the recession. In Q2 – Q3 growth in unemployment was curbed and GDP Q-o-Q growth was positive in a number of countries, including the problematic peripheral economies. This fact increases the probability of the widely expected economic recovery in the Eurozone may occur in 2014.

Growth of aggregate demand in the Eurozone will generate positive contribution for Russian GDP, as well.

In summary, we can conclude that external factors are quite positive and the probability of Russian GDP returning to increasing rates of growth remains quite high.

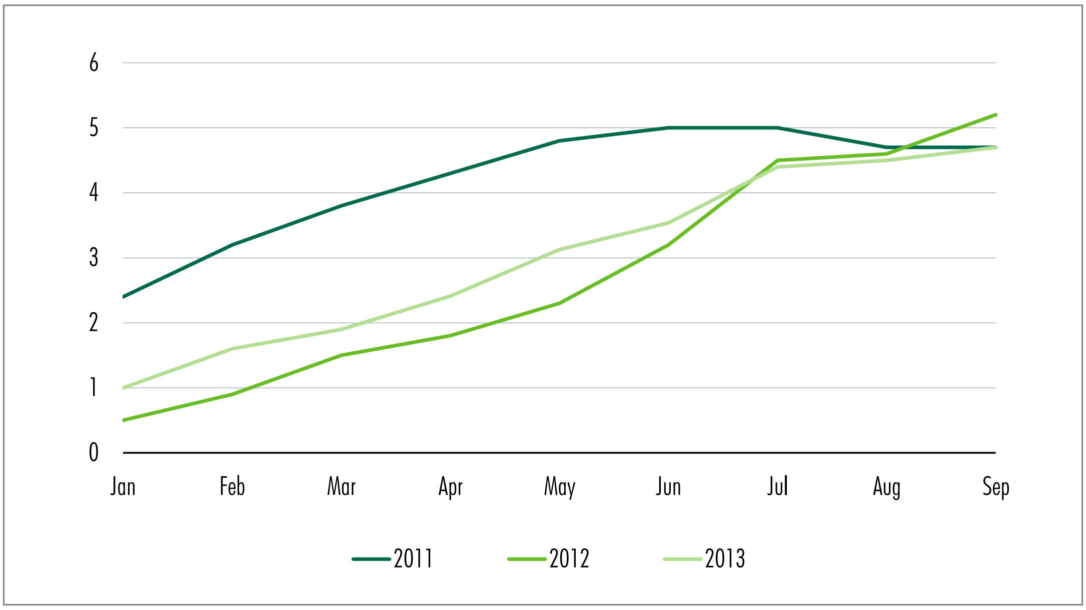
Graph 1. GDP growth, Russia, % YoY



Source: Rosstat, MED

Consumer prices in Q3 2013 increased by 1.1%, with YTD inflation totaling 4.7%. The probability of meeting the annual inflation target of 6% remains very high.

Graph 2. Consumer inflation, %

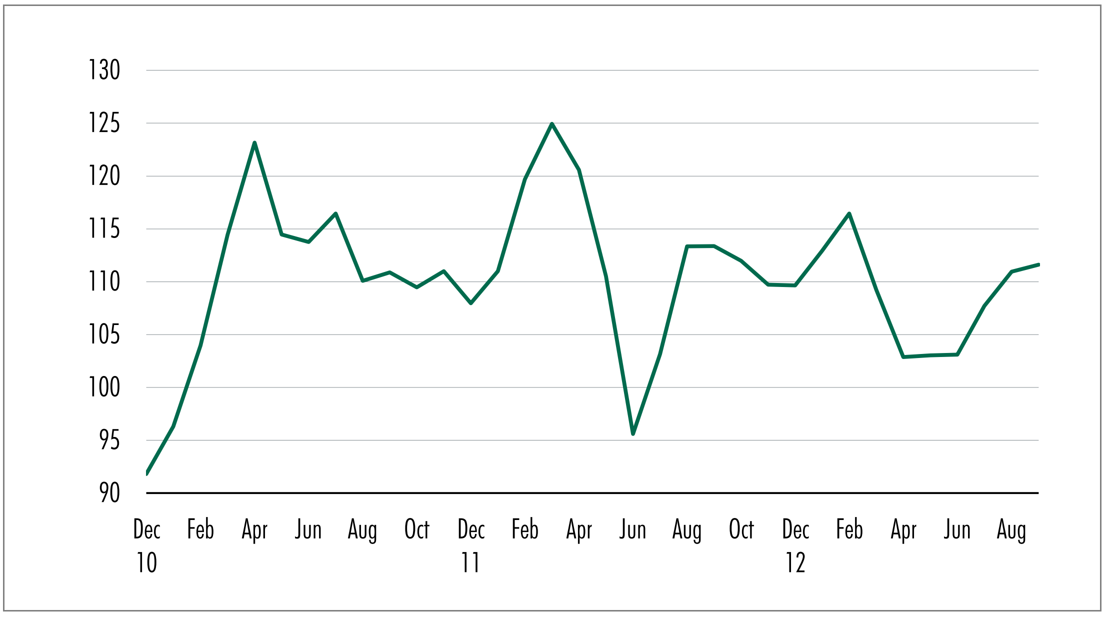


Source: Central Bank of Russia (CBR)

External Sector and Rouble Exchange Rate

In Q3 2013, the RUB/USD exchange rate exceeded 33 mark for a time, but later returned to its more familiar range of 30-33 RUB/USD. This behaviour was observed against the background of recovering oil prices, which were growing during the whole Q3. Oil prices also returned back into the range, which was typical for the last few years. Simultaneous growth of USD rate and oil prices is not typical for the Russian market, as usually decrease in oil prices is used to initiate speculations against Russian rouble, and growth – to earn on RUB appreciation.

Graph 3. Monthly average price, Brent, USD per barrel



Source: IndexMundi

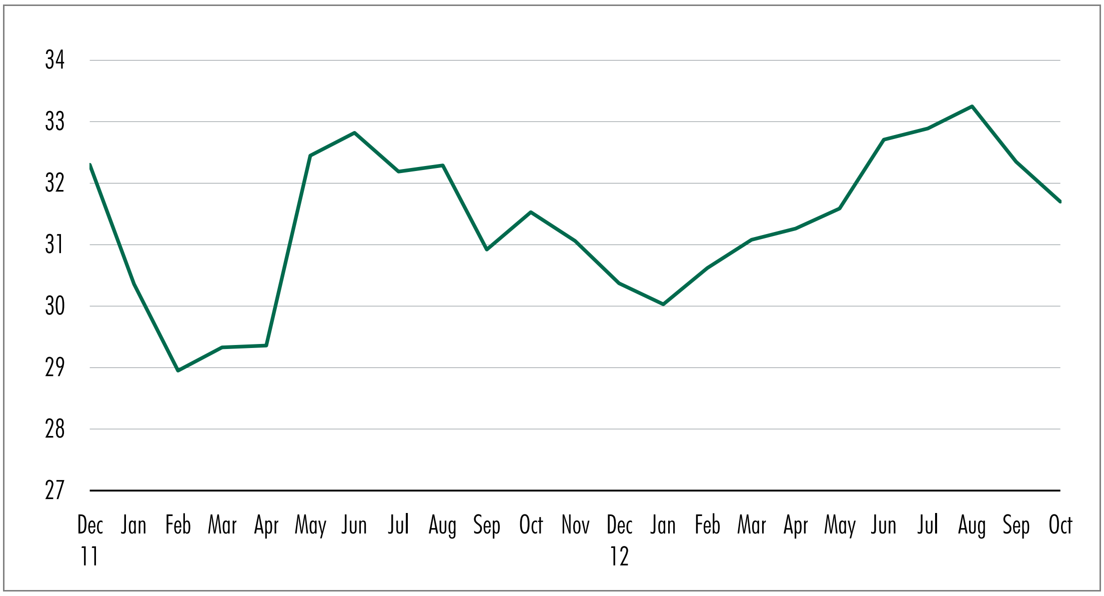
Nonetheless, in October we saw a more typical pattern, when oil price growth and rouble appreciation went together. However, October might become one of the last months when this pattern is evident. The reason is a strengthening of fundamental factors driving Russian rouble depreciation in the mid-term.

A chance to fuel economic growth via real RUB depreciation is one of these factors. Decreasing GDP growth rate and growing demand for imports against the background of increasing population income might revive the idea to conduct managed depreciation to stimulate growth in demand for Russian goods. Between January and October 2013 the rouble's real effective rate was 2% above its value during the same 9 months of 2012.

Another fundamental factor is growing problems with government finances. Their revenues to a large extent depend on oil / gas taxes, nominated in USD, while spending occurs mainly in Russian roubles. In this situation managed depreciation would help to cut the deficit or increase the amount of revenues for distribution.

With these points in the mind, we expect to see a downward trend in the RUB/USD rate over the next quarters up to 33.5-34 mark. This hypothesis would not become reality in case of a continuation of oil price growth or stronger proficit of the financial account of the balance of payments.

Graph 4. RUB/USD, end of period, roubles per 1USD



Source: CBR

In September international reserves increased (to the level of $522.6 billion) for the first time after 4 consecutive months of decline. As a result, in Q3 this indicator grew by $8.8 billion, or around 2%.

The Central Bank of Russia follows a policy of smoothing exchange rate fluctuations, buying currency during RUB appreciation and selling in the opposite case.

Balance of current and financial accounts in 2013 remained positive, meaning that the observed decrease in Bank of Russia's international reserves occurred due to market speculators.

In the short term their actions might get support from the balance of payments side. Key indicators of balance of payments (BoP) have worsened 6 quarters in a row.

According to the preliminary estimates of the Central Bank of Russia, export of goods during January – September 2013 decreased by 1.5%, while imports – grew by 3.3%. Net export of services worsened from deficit of $34 to 44 billion. As a result of these and other factors, the current account deficit in Q1-Q3 2013 amounted to $29.5 billion, which is more than twice less compared to the same period of 2012.

At the same time, the decrease in the negative balance of the financial account amounted to just $3 billion.

Continuation of these trends against the background of decreasing GDP growth threatens the economic outlook for 2014.

Lending Conditions

Lending conditions for large corporate borrowers showed positive development. In general, expectations turned into a zone of "softening", signalling banks' potential readiness to ease their requirements on borrowers. What banks need now in order to see further "softening" is a few positive signals from the global financial market and real sector of the Russian economy.

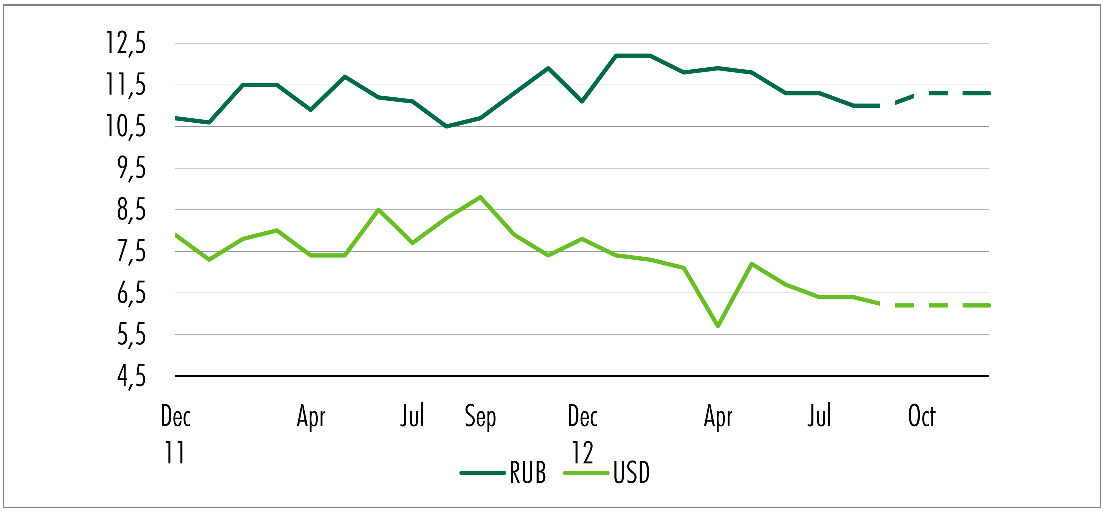
However, it is worth mentioning that expectations of “softening” in lending conditions were formed before the preliminary Q3 GDP results were announced. These results were quite contradictory and seemed to decrease the probability of significant improvements in the lending market.

In Q3 interest rates on the loans in the national currency continued a downward trend, which started in Q2. As of beginning of September they reached 11% vs 11.8% in May.

Interest rates on loans in foreign currencies decreased below the 7% mark and reached 6.2% as of the beginning of September. This decrease contradicted the change in yields on Russian sovereign Eurobonds, which was upward looking.

In general, there is disharmony between the interest rate dynamics on the domestic and external lending markets. While foreign players become more conservative regarding Russia, domestic investors and banks remain optimistic.

Graph 5. Weighted average rates, loans for non-financial sector , term >1 year, %



Source: CBR, CBRE Research forecast

Conclusions and Forecasts

- Q3 Russian GDP growth did not meet expectations.
- As a result, forecast for 2013 was revised once more. Again in negative direction: from 2.4% to 1.5 – 1.8%.
- Eurozone economy, in turn, shows signs of recovery. This factor might positively influence Russian GDP in 2014.
- There are growing fundamental incentives for depreciation of Russian rouble to 33.5–34 RUB / USD.
- Scenario of the Russian economy passing by its trough is still valid.
- However, the length of this process might be longer than expected.

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LEASING MARKET

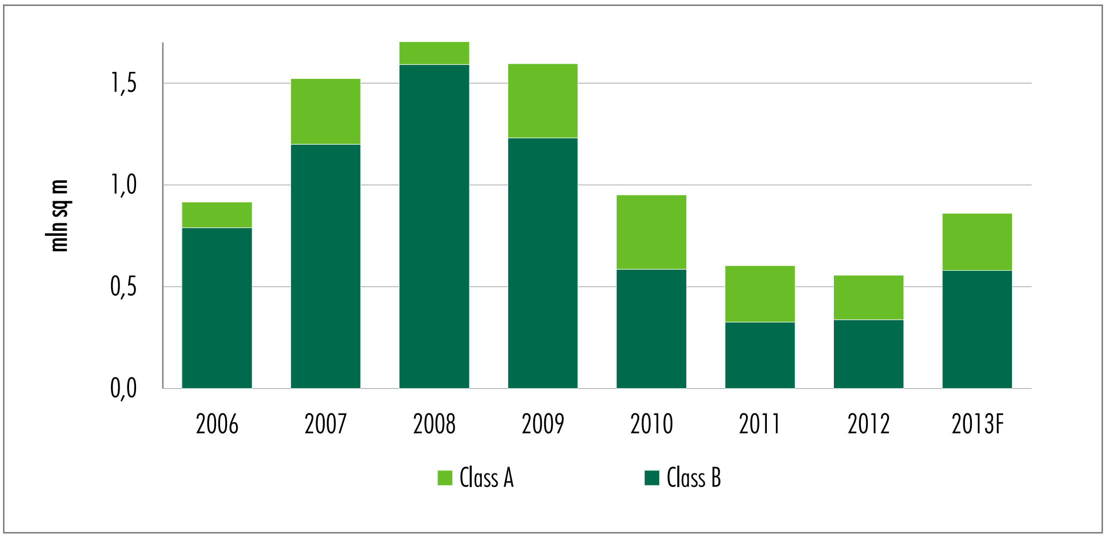
Moscow Office Market Overview

Supply

In Q3 new supply increased threefold against Q2 volume and reached 244,500 sq m. This volume contains one centrally located, owner-occupied office building (35,000 sq m). So around 14% of the new supply delivered was not available on the market for lease or sale.

The share of Class A within Q3 delivery exceeded Class B (128,300 sq m and 116,200 sq m, respectively). Such a proportion is uncommon for the Moscow office market. As a rule, the volume of Class A space is much less than Class B in new supply.

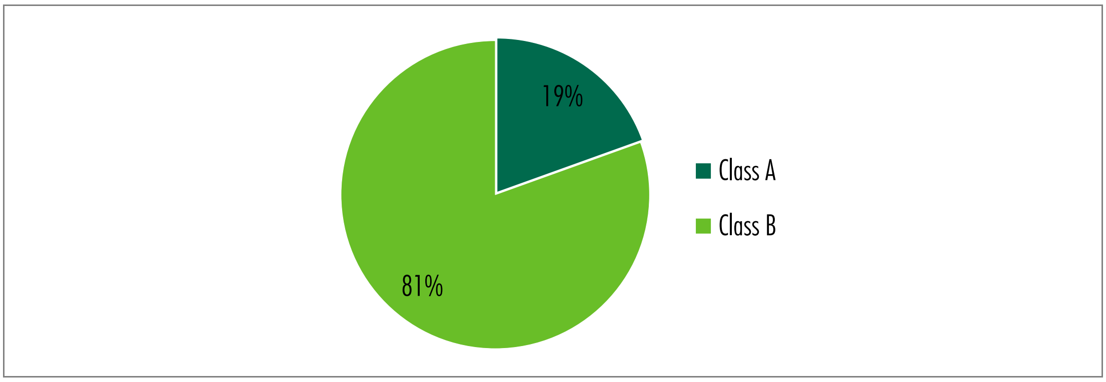
Graph 6. Annual Supply by Class, million sq m
2009 – 2013F



Source: CBRE

The total quality office stock is about 13.7 million sq m of which Class A comprises 19% or 2.68 million sq m.

Graph 7. Total Quality Office Stock, million sq m
Q3 2013



Source: CBRE

CBRE

Class A delivery. In Q3 four Class A office buildings were put into operation. Geographically each building is located in different Moscow submarkets:

- Business Complex Domino at Pyatnitskaya Street, 74 was put into operation in the Central Business District (CBD), this is the area within the Garden Ring, plus the area along 1st Tverskaya-Yamskaya Street up to Belorussky Railway Station Square).
- Leninsky 119 was delivered in the zone between the Third Transport Ring (TTK) and the Moscow Ring Road (MKAD).
- The third phase of the Country Park complex was put into operation in the area beyond MKAD, in Khimki at Panfilova Street, 19.
- Moscow-City business district saw the largest volume of new supply (36%) due to the delivery of Mercury City (87,500 sq m of office space). The total stock of the area has now reached 570,000 sq m and is likely to increase by 0.5 million sq m, or 87% of the current office stock, over the next two-three years.

Class B delivery. Class B space accounted for 47% of the total new supply in Q3. The largest share of newly delivered office space occurred in the zone between TTK and MKAD (72,500 sq m) due to the delivery of Phase II of the 9 Acres project at Nauchny Passage (62,300 sq m of office space).

In the first three quarters of 2013, Class A and B office space of around 585,600 sq m has been delivered. This volume is 30,000 sq m more than the total new supply for 2012.

Significant Projects Delivered in Q1-Q3 2013

PROJECT	OFFICE AREA, SQ M
Mercury Tower	87,500
White Gardens	63,900
Lotte	38,500
Quadrum at 92nd km of MKAD	24,600
Country Park 3	19,100
Leninsky 119	15,400
Black & White	13,000
Cherry Garden	12,000
Rosso Riva	11,900
Domino	6,200

Source: CBRE

In Q4 2013 space of around 270,000 – 300,000 sq m is expected to be completed, subject to delays in delivery of a number of projects. The total new supply for 2013 is expected to be around 860,000 – 880,000 sq m (35 – 37% more than for 2012).

Demand and Take-up

In Q3 the total take-up was 291,500 sq m (15% less than in Q2, but 30% more than in Q3 2012). The total volume of take-up for the first three quarters 2013 reached 848,000 sq m. In Q4 take-up volume is expected to be 300,000 – 350,000 sq m.

According to our forecast, the total take-up for 2013 was expected to be around 1.1 – 1.2 mln sq m (5 – 10% more than for 2012).

Class A share in the total take-up volume. Class A share in the total take-up volume accounted for 66,000 sq m (24,000 sq m less than Q2 figure, but 32,000 sq m more than in Q1).

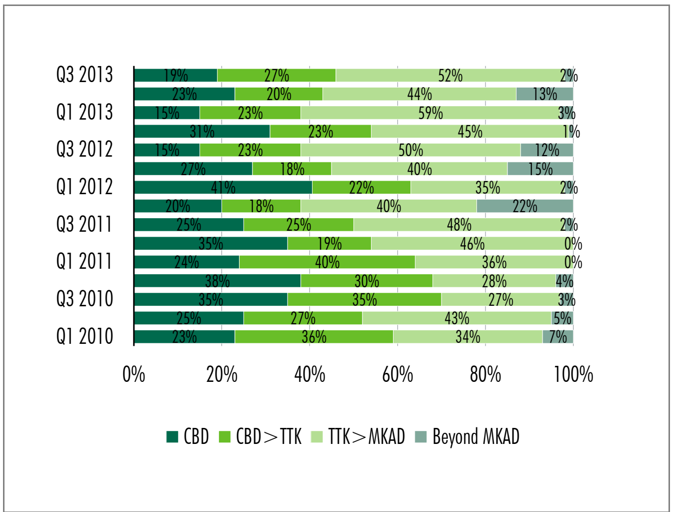
The following Class A deals were concluded for office space in Prime Class A buildings:

- Dentons leased around 4,000 sq m in White Gardens;
- Gefest leased around 2,700 sq m in White Square;
- eBay leased around 700 sq m in White Square.

A number of deals were also done in Class A office buildings delivered in 2013. Fresenius leased 2,600 sq m in Wall Street, Re-Trading – 2,300 sq m in Rosso Riva.

Graph 8. Annual Take-up by Geographic Submarket

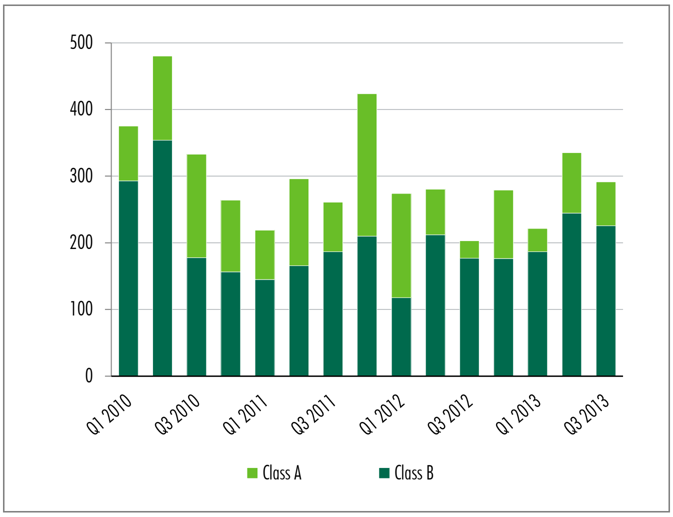
Q1 2010 – Q3 2013



Source: CBRE

Graph 9. Take-up by Class, thousand sq m

Q1 2010 – Q3 2013



Source: CBRE

Class B share in the total take-up volume. In Q2 Class B take up was 225,400 sq m or 77% of the total (20,000 sq m less than in Q2 2013). The majority of deals involved Russian occupiers, international companies leased just 14,500 sq m of Class B space.

Take-up by geographic submarket. As usual, the largest share of deals was done in the zone between TTK and MKAD (52% of the total). A few transactions took place in the area beyond MKAD (2%). The major ones are:

- Huawei leased 2,300 sq m in Greenwood;
- Pentair leased 880 sq m in Country Park 1.

The share of transactions in the CBD was 19%, while the zone between the Garden Ring and TTK accounted for 27%.

Purchase. In Q3 sale deals accounted for 68,000 sq m which is comparable to the Q2 figure of 72,000 sq m. The majority of buyers were Russian companies.

The most demanded office size. According to analysis of the deals transacted, the most popular office size remained blocks of up to 1,000 sq m (74% of the total number of done deals), followed by deals for space from 1,001 up to 3,000 sq m (21%). There were also a number of transactions of more than 3,000 sq m concluded.

Main Executed Deals in Q1-Q3 2013 (Lease)

COMPANY	OFFICE AREA, SQ M	PROPERTY	ADDRESS	CLASS
Gazprom	24,600	Varshavka-Sky	Varshavskoe HWY, 118	B+
Tinkoff Credit Systems	7,300	Mirland	Khutorskaya 2nd St., 38a	B+
INLINE Technologies	5,000	SkyLight	Leningradsky Av., 39	A
Rusatom Overseas	4,700	Silver City	Serebryanicheskaya Emb., 29	A
Dentons	4,000	White Gardens	Lesnaya St., 7	A
TVOE	3,600	Kaleidoskop	Skhodnenskaya St., 56	B+
Pochta Rossii	3,600	German centre	Andropova Ave., 18	B+
Roszheldorproekt	3,500	Chaika Plaza 4	Schepkina St., 42	B+
Kimberly-Clark	3,200	Lotte BC	Profsoyuznaya St., 65	B+
Higher School of Economics	3,100	Shabolovka BC	Shabolovka St., 31	B+
Gefest	2,700	White Square	Butyrsky Val St., 10	A
Fresenius	2,600	Wall Street	Valovaya St., 35	A
Gazprom Neft	2,600	BC at Letnikovskaya	Letnikovskaya St., 10	B+
ATAK	2,500	Burevestnik	Rybinskaya 3rd St., 18	B+
ESK ARMZ	2,300	Svaytogor BC	Letnikovskaya St., 10	B+
Nikon	2,000	Delta Plaza	Syromyatnicheskiy 2nd Lane, 1	B+
MasterCard	1,700	Legend	Tsvetnoy Blvd, 2	A
Microsoft	1,700	White Gardens	Lesnaya St., 27	A
A&NN Advisors	1,200	Naberezhnaya Tower	Presnenskaya Emb., 10	A
Ortiga	1,200	Avion	Leningradsky Ave., 47	B+

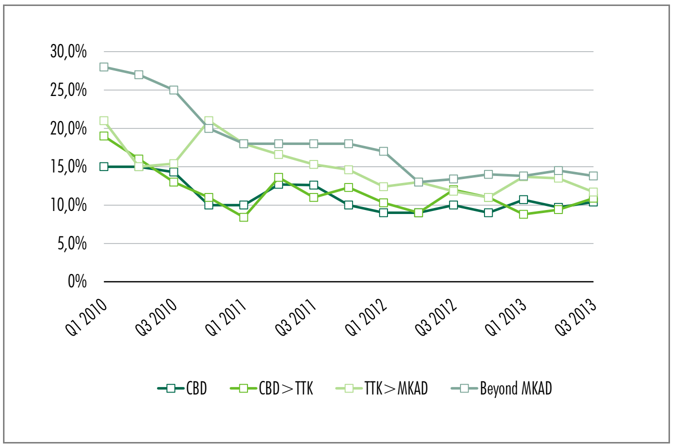
Source: CBRE

Vacancy Rates

In Q3, the overall vacancy rate decreased from 11.7% to 11%. The result was influenced by a large share of deals done in Class B segment.

In Q3, we observed falling vacancy in Class B buildings. It stood at 9.6% down from 10.8% in Q2. Due to the delivery of four Class A office buildings, totaling 116,200 sq m, the vacancy rate in Class A segment increased from 15.6% to 18.1%.

Graph 10. Vacancy by Geographic Submarket, %
Q2 2010 – Q3 2013



Source: CBRE

Graph 11. Vacancy Rate by Class, %
Q1 2010 – Q3 2013

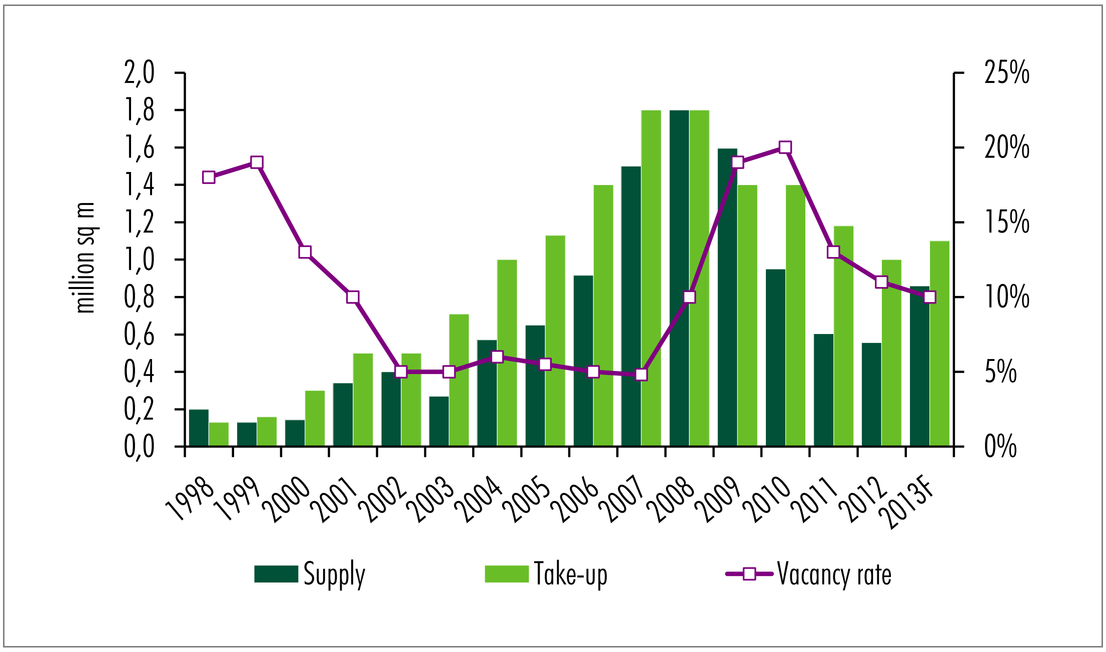
Source: CBRE

Geographically the vacancy fell in the zone beyond TTK and grew inside TTK.

The vacancy rate in the CBD increased by 0.7% and reached 10.4% due to a number of secondary premises becoming available. Due to the delivery of Mercury City, the volume of vacant space in the zone between the Garden Ring and TTK grew, vacancy in Moscow-City stood at 26%.

Vacancy fell in the zone between TTK and MKAD from 13.5% to 11.7% due to the high demand of office premises in this zone.

Graph 12. Supply, Take-up and Vacancy by Geographic Submarket
Q3 20123



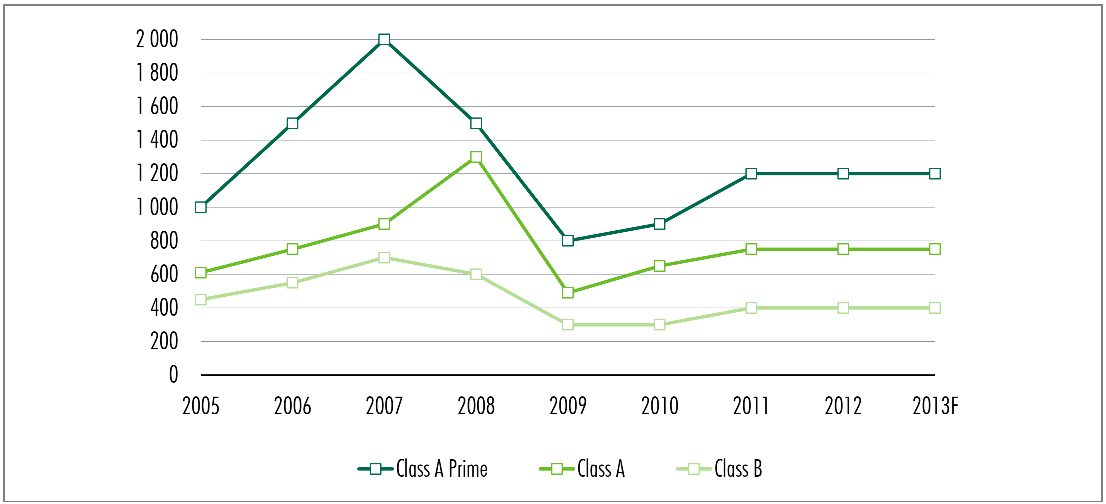
Source: CBRE

Rental Rates

In Q3, rental rates were stable as was the case during much of 2012 and 2013: $1,100 – $1,200 for Prime Class A, $650 – $750 for Class A, $400 – $450 for Class B (per sq m per year net of OpEx and VAT). It should be noted that some developers, realising the current market situation and the volume of vacant space, are ready to be flexible and give tailored offers to secure tenants.

Graph 13. Average Asking Rates, USD

2000 – 2013F, at the end of the period



Source: CBRE

Conclusions

During the first three quarters of 2013 we observed higher activity compared to 2011 – 2012 in terms of new office development and demand. The main trends of Q3 2013 are listed below:

- In Q3 new supply increased threefold against Q2 volume and reached 244,500 sq m;
- 36% of new supply took place in Moscow-City due to the delivery of Mercury City (87,500 sq m);
- The volume of closed deals accounted for 291,500 sq m (15% less than in Q2 2013, 30% more than in Q3 2012);
- Continuing decentralisation: 54% of closed deals were in the zone beyond the Third Transport Ring;
- 77% of closed deals were in Class B buildings, in Class A only 23%;
- The most popular office size demanded were blocks up to 1,000 sq m, 74% of the total number of deals;
- Vacancy in Class B buildings stood at 9.6% (10.8% in Q2 2013). Due to the delivery of four Class A office buildings the vacancy rate in Class A segment increased from 15.6% to 18.1%;
- Rental rates were stable. However some developers, realising the current market situation and the volume of vacant space, are ready to be flexible and give tailored offers to secure tenants.

Overview of the Moscow and Moscow Region Retail Markets

The Central Federal District, and especially Moscow and 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.

The Moscow retail market remained stable during 2013. The results of the balanced market are strong trading activity and steady indicators such as rental rates and vacancy rates. Active retailers prefer to concentrate on projects which have a proven track record of success.

International and local retail chains alike are continuing to expand their operations in Russia and different international operators have entered the Russian market. As a result of its close proximity to the capital and strong consumer demand, Moscow Region is ranked second after the city of Moscow in terms of investment prospects. Developers are therefore keen to develop projects not just in Moscow, but also close to the Moscow City Ring Road (MKAD).

The major trends are described below:

- By the end of Q3 2013, total stock of modern retail space within shopping malls in Moscow was about 4 million sq m GLA.
- At the end of Q3 2013 the amount of modern shopping centre space per 1,000 inhabitants in Moscow averaged 335 sq m, which is lower than in a number of other major European cities. It should be also noted that Moscow is not the leader in terms of retail space penetration rate in Russia. The amount of this space per 1,000 inhabitants is more than 350 sq m in seven Russian cities (including Saint Petersburg, Rostov-on-Don, Kazan and other).
- Supply of modern retail space in Moscow, delivered in January – September 2013, amounted to 149,647 sq m, including 80,000 sq m which was commissioned in Q3.
- During the first three quarters of 2013, six new retail schemes were delivered in Moscow. Two of them were opened in Q3. Shopping and entertainment centre (SEC) RIO was officially opened on Leninsky Avenue, 72 of a potential 140 retailers already launched their stores there. The second to open in Q3 2013 SEC was Raikin Plaza. 150 international and federal tenants of the 200 potential have already taken space.
- In September there was an official launch of the first stage of Vnukovo Outlet Village. The technical opening of this outlet took place in spring.
- At the end of Q3 2013 the average vacancy rate in Moscow modern shopping malls was just 2.9%.
- The Russian market is still attractive for international retailers. In Q3 2013, 10 new brands; ASH, Bata, Freddy, Krispy Kreme, Nathan's Famous, Patek Philippe, Serapian, Sherri Hill, Steve Madden and British international book chain WHSmith opened their stores in Moscow. Retailers continued to enter the market mostly through large popular shopping centres. Six more international brands are planning to enter the Moscow market soon.
- In early 2013 many international brands started to actively expand their retail space by adding new collections, targeted on capturing new consumer audiences. For example, Mango planes to introduce new sport and children collections in its new stores. H&M has launched a household line, H&M Home, in SEC Afimall City. Uniqlo also has opened two department stores with new children collections.

- Russian retailers have also been developing their chain brands by opening new stores.
- In Q3 several international chains have launched their online stores. Apple, LaCoste, Motivi, Tommy Hilfiger and Zara opened their internet platforms in Q3 2013. Brands such as Karen Millen, Massimo Dutti and Oysho plan to launch their internet projects in the near future. The luxury brand LVMH also plans to open their own online store in the Russian market. This proves the growing maturity of the Russian market.
- Currently the share of e-commerce channels in Europe is nearly 5% of retail sales. European analysts expect that this indicator could increase up to 10% during the next two years. In Russia this indicator is nearly 3%. There are two reasons of such a low figure. The first reason is about importance of visual and tactile components in the purchase decision making process, in Russia it is relatively higher compared to Europe. The second reason is low level of logistics development in all Russian regions (except Moscow and Saint Petersburg) which impedes efficient delivery of goods..
- Expansion of online trade channels is not expected to significantly reduce demand for retail space. According to European experience, potential reduction in demand will not exceed 8-10%. In Russia this trend had already started in the White and Brown and FMCG sectors.
- During Q3 2013 rental rates remained stable, prime rates for tenants of small areas (50-250 sq m) in shopping galleries were in a range from $1,200 to $2,300 per sq m per year.
- During 2013, business conditions have not been subject to correction. Turnover leases dominate the market, more than 70% of leases in the Moscow retail market are arranged this way.
- Federal retail chains continue to grow at a rapid pace: companies are adopting new formats and expanding their geographical presence. International operators continue to open their first stores in the capital, with catering chains being the most active.
- According to plans announced by developers for 2014, high-quality space supply in the shopping centres of Moscow may grow by 600,000 sq m GLA, which is comparable to the combined volume of space delivered in Moscow over the past three years. It is worth noting that 75% of the future supply is within the six largest facilities planned for delivery in the coming year, each has a GLA of over 50,000 sq m (Avia Park, Columbus, Vegas Crocus City, Mozaika, Good Zone and Vesna).
- High levels of investment activity are observed in the capital with several shopping centres being put on the market for sale. Operating centres are Schuka, Oblaka and Torgovy Kvartal (in Domodedovo town). While River Mall is under construction and Abramtsevo (on the MKAD) is at the project stage. The acquisition of a share in the Metropolis shopping centre by a Hines/CalPERS JV from Morgan Stanley has already been closed.

Saint Petersburg Warehouse Market

Supply

The total stock of quality warehouses (Class A and B) in St Petersburg stood at 1.7 million sq m (not including warehouses built for owner occupation) in Q3 2013.

In Q3 2013 no warehouse complexes were put into operation. By the end of 2013, three new warehouse complexes, with a combined area of 210,000 square meters, are expected to be commissioned. Among the planned projects were Phase II of Orion Logistics, Phase II of STK (St. Petersburg terminal complex) and Zvezda.

Class A warehouse complexes account for 66% of the total quality stock and Class B 34%.

Quality warehouse complexes can be divided into two groups, depending on the services provided: those which are only offered for lease with no additional services (59% of the total stock) and those which are offered with a full range of support logistical services, including professionally executed management, security and other services (41% of the total stock).

Industrial park projects continue to develop. Such projects are announced quite frequently, but most of them are in the early stages of development. Moreover not all projects comply with the standards of industrial parks and are only the modernisation of former manufacturing areas.

Warehouse Market Key Figures
Q3 2013

	CLASS A	CLASS B
Total stock, sq m	1.12 million	567,000
Delivery in Q3 2013, sq m	0	0
Vacancy	0.3%	0.5%
Capitalisation rate	13%	14%
Rental rate, USD/sq m/year (triple net)	$100-130	$90-110

Source: Maris/part of the CBRE Affiliate network

Demand and Take-up

During the first three quarters of 2013, transactions on the warehouse market totalled 146,670 sq m.

In Q3 2013, two deals on the warehouse market involving brokers were announced. The largest deal in Q3 2013 was the lease of 20,170 sq m in the Nordway warehouse complex. Autotrading company leased 8,700 sq m in the PNK Shushary 2 industrial park.

Major Lease Transactions in Q1-Q3 2013

COMPANY	WAREHOUSE	AREA, SQ M
Major	STK	30,000
Bright Rich	Nordway	20,170
Marvel Distribution	Megalogix	13,000
BAT-Russia	Osinovaya rosha (Sterkh), 2nd phase	12,000
Megapolis	Nordway	11,700
SOK Retail International Oy	Nordway	10,000

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COMPANY	WAREHOUSE	AREA, SQ M
Autotreiding	PNK Shushary 2	8,700
KARI	Nordway	8,300
Armstrong	LogopAark Yanino	8,000
Iron Mountain	Osinovaya rosha (Sterkh), 2nd phase	5,300
QUATTRO	Interterminal Trade	5,100
Lear Corporation	Logopark, Shushary	5,000
Intexo	Ahlers Logistics Center	3,600
RIF	Interterminal Prolodgis	3,400
ITAB	Parnas, Domostroitelnaya st.	2,400

Source: Maris/part of the CBRE Affiliate network

Clients are interested in premises 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 and manufacturing companies accounted for the largest proportion of demand in 2013.

Vacancy Rates

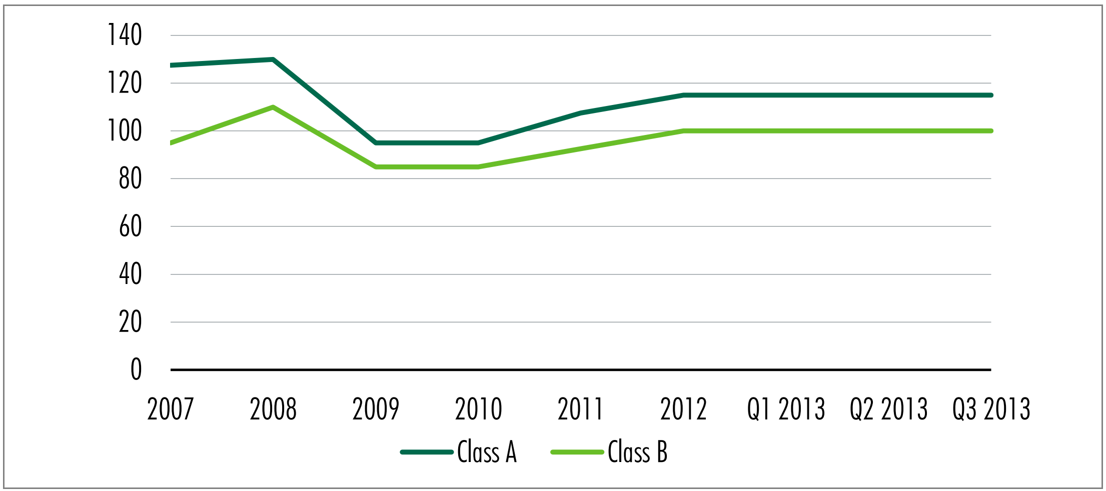
Given the shortage of new warehouse space and stable demand, the vacancy rate continues to decrease. The vacancy rate in Class A has dropped to 0.3% in Q3 2013 and to 0.5% in Class B.

Rental Rates

Since the end of 2012, rental rates for Class A and B warehouse premises began to increase due to the lack of quality supply in the market, during 2013 rental rates have remained stable.

The main characteristics influencing rents are: location, class of building, technical characteristics, transport accessibility and leasable area.

Graph 14. Rental Rates, USD/sq m/year (Triple Net)
2007 – Q3 2013



Source: Maris/part of the CBRE Affiliate network

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REAL ESTATE INVESTMENT MARKET OVERVIEW

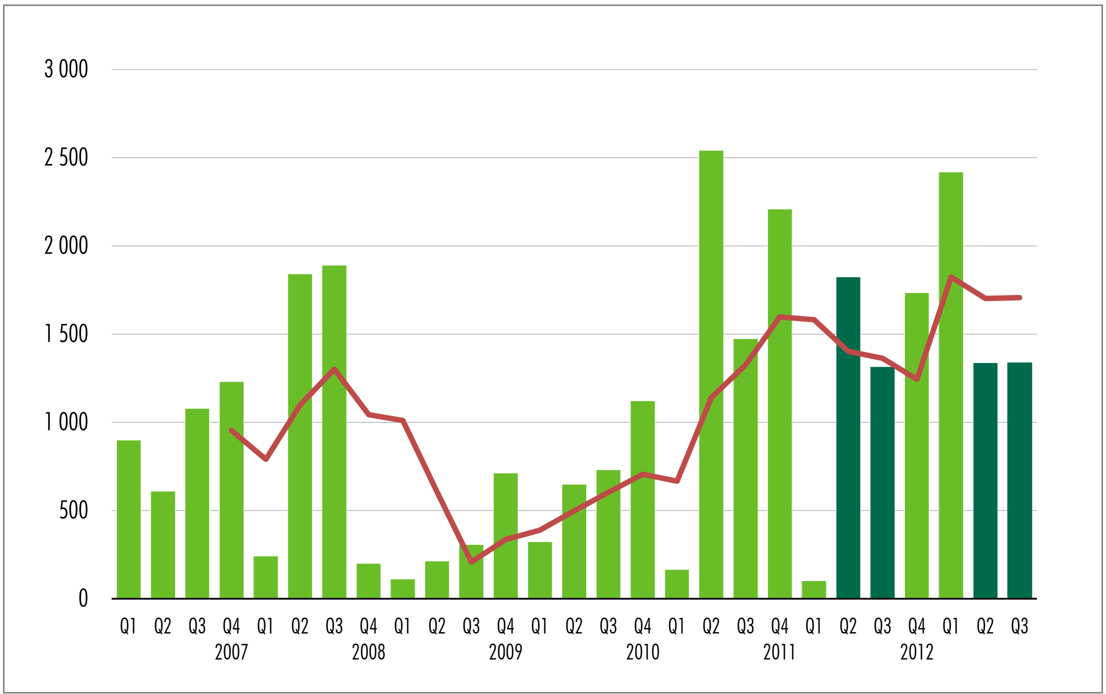
Volumes & Transactions

Recovery in investment activity in Europe is clearly well underway in most markets. Volumes on a y-o-y quarterly basis have grown for six consecutive quarters in a row. In Q1 – Q3 2013 investments in the European commercial real estate amounted to €100 billion and were 21% above the level in the respective period of 2012. Renaissance in investor interest to a large extent is due to the first signs of an end of economic recession in Europe.

Even more important is that in Q2 – Q3 a revival of investment activity was observed in the so-called Southern European "peripheral" countries. Their commercial real estate (CRE) markets significantly suffered from the world economic crisis and their economic situation still remains relatively difficult. But, increases in investments there were as large as 69% compared to Jan – Sep 2012.

In Russia investment activity remains high. In Q1 – Q3 2013 investments in the Russian CRE amounted to $4,769 million, which is 46% above that observed in the first nine months of 2012. Investment activity indicators in both Q2 and Q3 2013 ($1.17 & $1.173 million respectively) were below those in 2012, which was a record year. Between January and September 2013 there were 19 relatively large transactions compared to 22 in the respective period of 2012. At the same time, the "average ticket" increased from $150 to 250 million, or by 40%.

Graph 15. Investment volumes, Quarterly and 4Q moving average, USD billion



Source: CBRE

Around 2/3 of the Q3 investment volumes was delivered by a single transaction, the purchase of White Gardens business centre by Millhouse Capital. The same investor acquired another prime office property in Moscow, Four Winds Plaza, which occurred in early 2013.

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Another noticeable transaction in Q3 was acquisition of the iCube business centre (formerly BC Nakhimovskiy) by the well-known and very acquisitive Russian company O1 Properties.

In Q4 2013 O1 Properties also acquired from Capital Group the office part of Legenda Tsvetnogo Multifunctional Complex. The sale of Legenda Business Centre becomes the second largest office investment transaction in 2013. Whilst there has been discussion of an economic slowdown, we can see a continued strong appetite for the real estate sector and continued investor interest in Moscow offices.

Foreign investors remained quite passive, sustaining Q2 volumes: $60 million.

It is worth mentioning that in Q2 - Q3 2013 there were some transactions which are not typical in the Russian investment market (see table below). These transactions provide empirical evidence to the idea that investors are willing to accept greater risks than before.

Remarkable transactions in 2013

QUARTER	PROPERTY	POINT OF INTEREST
II	Metropolis, Moscow	Foreign pension fund, entering Russian CRE market
II	Aura, Novosibirsk	Acquisition of a large regional property
III	White Gardens, Moscow	Acquisition of a non-stabilized asset

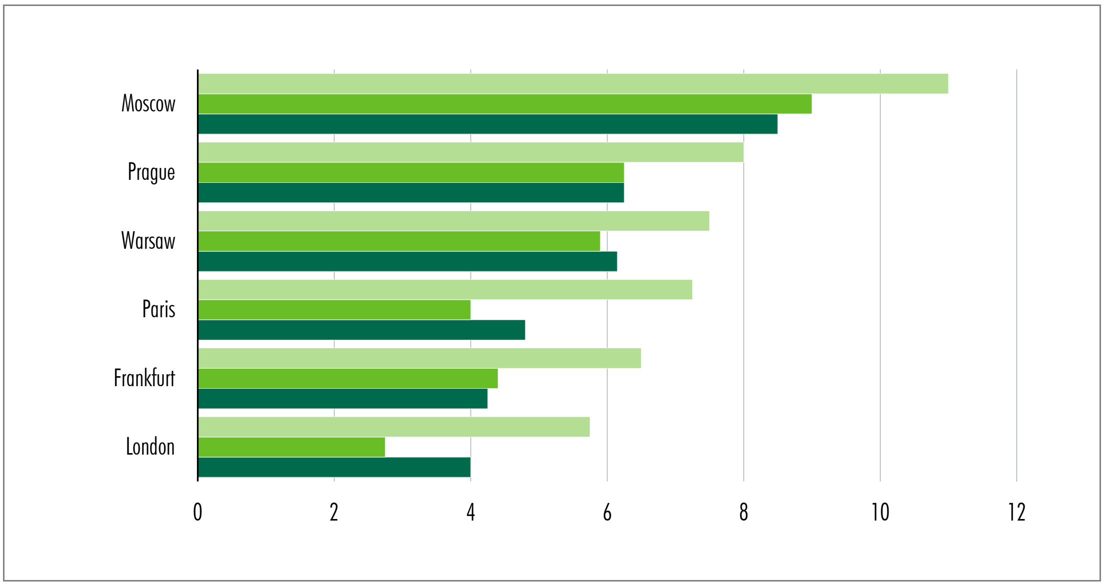
Source: CBRE

Yields & Risks

Prime capitalisation rates remain stable:

- Office – 8.5%,
- Retail – 9%,
- Industrial & Logistics (I&L) – 11%.

Graph 16. Capitalisation rates, %



Source: CBRE

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Despite increasing investment activity in Europe, prime rates there remain rather stable. As it was earlier, Moscow still offers yields which are 300-450 b.p. above that in key investment destinations of Western Europe, and 175-310 b.p. above Eastern Europe.

Yield spreads between investments in CRE and sovereign Eurobonds are close to the minimal levels of the post-crisis years.

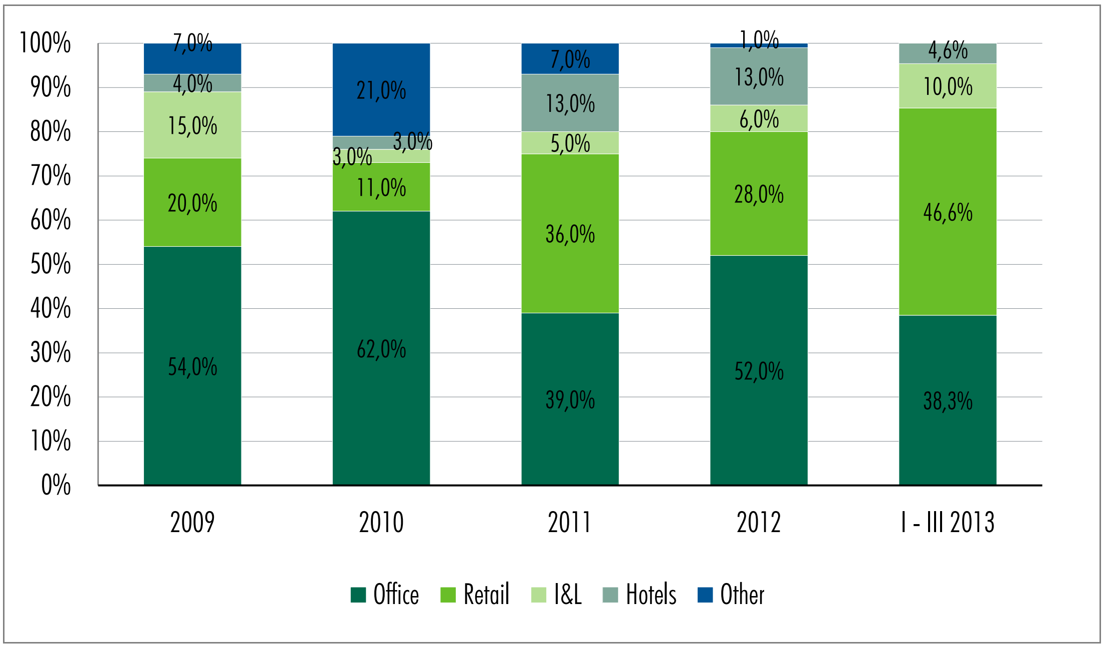
In this regard scenario of decrease in yields on investments in the Russian CRE market has low probability despite growing investors' readiness to take risks.

This question can return to the agenda once we will have seen significant positive changes in dynamics of Russian macroeconomic indicators.

Deal Structure

There were 6 relatively large transactions in Q3 2013. About 80% of the total Q3 investments went into office segment. Key transaction there included BC "White Gardens" and BC "iCube". As a result, cumulative share of investments into office segment increased up to almost 40%.

Graph 17. Investment structure by segments, %



Source: CBRE

Foreign investors significantly decreased their activity ($60 million) after the landmark transactions involving SEC Metropolis. Jensen Group was one of the most active. From a statistical point of view these figures indicate lowered foreign investors' interest to the Russian market. The wider reality is different to what the figures suggest.

First of all, a number of foreign investors are still seeking good investment properties in Russia. In this regard one should mention some deficit of quality investment properties and/or overpriced expectations of the potential sellers.

Secondly, a number of foreign investors have solid experience of investing in Russia and some are working on their own development projects.

Changes in Taxation

During 2014 the Property Tax regime was changed. Property tax on office and retail buildings will be calculated based on the cadastral value, currently it is determined based on the book value, this will be much closer to the market one.

It is expected that the new tax regime will affect around 2/3 of the existing office and retail space, including both high and low quality assets. This change is not expected to affect adversely public companies, as they regularly conduct market valuation of their portfolios. In this regard, less transparent players, having non-market prices of their portfolios in the balance sheet, will suffer.

According to our estimates, increase in expenses of the less transparent owners can be, at least:

- 3-5% of the annual rental rate for Prime Class A buildings,
- 5-7% – for Class A,
- 9-12% – for Class B.

This increase will be larger, the less the current book value of a property is in the balance sheet.

In retail related expenses may increase, at least, by 4-10% of the annual rental rate.

Owner's capacity to increase rental rates will be limited by the attractiveness of the property to tenants. A larger number of investment grade properties have this feature.

As a result, this innovation is not expected to generate noticeable negative impact on the investment market. At the same time some decisions about acquisitions might be postponed and/or revised.

Conclusion

- Investment activity in Europe is growing and spreading to the so-called "peripheral" Southern European countries.
- In Russia investment activity remains high, although there was some decrease in it during Q2 – Q3, which can be explained by a number of factors. One of them could be decreasing rates of GDP growth together with a lack of supply.
- There is a deficit of investment properties on the market, and investors are ready to consider development opportunities.
- Changes in taxation are not expected to generate noticeable adverse effect on the investment market.

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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 2013 as of February 5th, 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 77% 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 20% of the total Portfolio value. The lowest share in the total value of the Portfolio (around 3%) is the warehouse building in Saint Petersburg. The properties are modern, recently developed or redeveloped properties.

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 between 2014 and 2016.

Korbis

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

Main Use: Solnechniy Rai 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 6,581.5 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 50% of the total revenues, are due to expire between 2015 and 2022. 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 Rai 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 9,090.9 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 40% 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 14,364.0 sq m GLA. The Property was delivered to the market in 1997.

As of the valuation date the Property was 92% 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 to Baring Vostok expires on December 31, 2013, we understand there are negotiations ongoing with a number of tenants to occupy space in the building. The remaining lease agreements 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 3,870.6 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 expire between 2017 and 2018.