

PRESS RELEASE
First Quarter 2015 Trading Update

26 May 2015, Road Town, Tortola, BVI

FINANCIAL HIGHLIGHTS

- Good performance of rental assets which overlaps moderate FX losses and increased finance costs.
- As a result, NAV is higher than at 31 December 2014 (based on the real estate valuations done as of 31 December 2014).

SIGNIFICANT FINANCIAL CHANGES FOR Q1 2015

Income

- **Net Rental Income**

During the first three months of 2015 our wholly-owned rental properties generated Net Rental Income of \$17.89 million. The contribution of each property to Net Rental Income is presented in the table below.

The Net Rental Income increased almost nine times from \$2.02 million in Q1 2014 to \$17.89 million in Q1 2015. This substantial increase is caused by the acquisition of new income-generating properties in 2014.

- **Interest Income**

Interest Income decreased from \$ 1.95 million in Q1 2014 to \$ 1.40 million in Q1 2015. The decrease is caused by the fact that part of the interest income in Q1 2014 was from EPH loans to Berlin House and Geneva House which were treated as investments in associate and were not consolidated for that period.

Expenses

- **Net Foreign Exchange Loss**

The functional currency of the Company's subsidiaries is RUB. If the subsidiaries have assets and liabilities which are denominated or valued in US\$ the fluctuations of the US\$ / RUB exchange rate create foreign exchange gain or loss.

All our properties are valued in US\$. Therefore the strengthening of RUB against US\$ during Q1 2015 is the main reason for Net Foreign Exchange Loss in the amount of \$ 5.90 million.

- **Finance Costs**

The Company recognized \$8.05 million of Finance Costs in the first three months of 2015 in comparison with \$0.54 million for the same period in 2014. The main reasons for the increase are: the interest expense on bonds issued in August and September 2014, as well as the interest expense on third party loans granted to Berlin House, Geneva House and Hermitage Plaza which were acquired by EPH together with these properties.

Assets

• Investment Properties

As of 31 March 2015 Investment Properties amount to \$ 749.77 million. All properties are valued twice a year, in the end of June and December; therefore the current figures are based on the appraiser's reports as of 31 December 2014.

• Loans and Receivables

EPH's Loans and Receivables increased due to both additional lending to Arbat projects and accrual of additional interest on existing project loans. To the extent that a borrower is partially owned by EPH, loans are eliminated in consolidation. This means that 60% of project financing for the Arbat Projects is classified as investment in the projects, and 40% as lending.

Loans and Receivables increased from \$75.42 million as of 31 December 2014 to \$77.43 million as of 31 March 2015.

• Cash and Cash Equivalents

The Company's cash position decreased from \$26.46 million as of 31 December 2014 to \$21.09 million as of 31 March 2015. A net reduction of \$5.37 million in the Company's cash position in the first three months of 2015 has been primarily caused by the bonds interest payment and the use of cash to fund Arbat construction.

• Assets Under Development (at cost)

Assets Under Development have increased from \$66.90 million at 31 December 2014 to \$69.17 million at 31 March 2015. The \$2.28 million net increase is the result of increased construction spending and slight strengthening of the RUB against the US\$. Assets Under Development are carried at cost which is nominated in RUB. Thus, the strengthening of RUB against USD in 1Q 2015 leads to an increase in Assets Under Development presented in US\$.

Liabilities

• Borrowings (LT & ST)

EPH's debt consists of:

- 9 year bonds listed on Swiss Stock Exchange issued in August and September 2014;
- loan from Jilford Ltd. signed in September 2013 for the purpose of financing Arbat construction;
- third party loans to EPH Real Estate, to Connecta KG and to Capital Estate Group.

The nominal value of the listed bonds at reporting date did not change since the end of 2014 and is \$270 million.

The loan from Jilford is received through Vakhtangov Place Limited, the Company's 60% joint operation company, therefore only 60% of the loan received is reflected on EPH's balance sheet. During the first three months of 2015 the outstanding balance of the loan did not change and is \$15.09 million.

EPH Real Estate and Connecta KG have RUB nominated loans from a third party on their balance sheets. The outstanding balance of the loans amounted to \$65.52 million as of 31 March 2015.

Capital Estate Group has a USD nominated loan from a third party on its balance sheet. The outstanding balance of the loan did not change during 1Q 2015 and is \$51.20 million.

• Accounts Payable and Accrued Expenses (LT & ST)

The amount of Accounts Payable decreased from \$223.38 million as of 31 December 2014 to \$216.52 million at 31 March 2015 mostly due to the decrease of trade payables in the rental properties.

The most part of the remaining accounts payable represents the deferred parts of the purchase prices with respect to the acquisitions of Berlin House, Geneva House, Polar Lights and Hermitage Plaza.

Significant Q1 2015 Income and Expense Items

| Net Rental Income | 31.03.2015 | 31.03.2014 | Change YoY |
|--------------------------|-------------------|-------------------|-------------------|
| Berlin House | 3,945,745 | - | 3,945,745 |
| Geneva House | 3,978,744 | - | 3,978,744 |
| Polar lights | 3,771,171 | - | 3,771,171 |
| Hermitage Plaza | 6,050,247 | - | 6,050,247 |
| Magistral'naya | 139,449 | 250,787 | (111,338) |
| Petrovsky Fort | - | 1,765,571 | (1,765,571) |
| Total | 17,885,356 | 2,016,358 | 15,868,998 |

| Material YoY changes in Income/Expense Items | 31.03.2015 | 31.03.2014 | Change YoY |
|--|-------------------|-------------------|-------------------|
| Interest income | 1,404,839 | 1,950,392 | (545,553) |
| Net foreign exchange loss | (5,901,067) | (5,347,630) | (553,437) |
| Net loss from fair value adjustment on investment properties | (349,615) | (949,028) | 599,413 |
| Finance costs | (8,051,124) | (536,954) | (7,514,170) |

Significant Q1 2015 items in Financial Position

| Assets | 31.03.2015 | 31.12.2014 | Change |
|---|-------------------|-------------------|---------------|
| Investment properties | 749,769,610 | 749,707,046 | 62,564 |
| Goodwill | 45,621,368 | 45,621,368 | - |
| Investment property held for sale | 4,300,000 | 4,300,000 | - |
| Loans and receivables (LT & ST) | 77,428,685 | 75,423,997 | 2,004,688 |
| Cash & cash equivalents | 21,086,523 | 26,460,024 | (5,373,501) |
| Assets under development | 69,174,620 | 66,896,144 | 2,278,476 |
| Liabilities | | | |
| Borrowings (LT & ST) | 407,083,611 | 408,871,502 | (1,787,891) |
| Accounts payable and accrued expenses (LT & ST) | 216,520,331 | 223,376,505 | (6,856,174) |
| Deferred tax liabilities | 126,606,547 | 126,364,886 | 241,661 |

Eastern Property Holdings Ltd. is an investment company listed on SIX Swiss Exchange which holds interest in office, residential and retail properties. EPH is managed by Valartis International Ltd., a wholly-owned subsidiary of Valartis Group AG.

Additional information on Eastern Property Holdings is available by contacting Anna Bernhart Tel: +41 44 503 5400.