

## **PRESS RELEASE**

### **First Quarter 2014 Trading Update**

26 May 2014, Road Town, Tortola, BVI

#### **FINANCIAL HIGHLIGHTS**

- Strong performance of wholly-owned and minority-held rental assets and Company's interest income;
- Significant RUB weakening against US\$ during the 1st quarter of 2014 led to FX loss;
- As a result, NAV is slightly higher than at 31 December 2013 (based on the real estate valuations done as of 30 November 2013).

#### **ASSET UPDATE**

The Company's focus in 2014 remains on completion of development of the Arbat mixed-use residential, office and retail projects, representing its largest investment and primary source of value creation in the short to medium term.

##### **Arbat 1:**

- Completion (including the Theatre part) is scheduled for the end of 2014;
- The project is being actively marketed.

##### **Arbat 2:**

- Construction is advancing according to plan;
- Completion is scheduled for Q3 2015.

#### **Significant financial events and changes for Q1 2014 are as follows:**

##### **Income**

- **Net Rental Income**

In the three months ended 31 March 2014, our wholly-owned rental properties generated Net Rental Income of \$2.02 million.

On a Like for Like (LfL) basis, net rent in Petrovsky Fort increased by 9% mainly due to improved operating efficiency and in Magistral'naya decreased by 6% mainly due to RUB weakening against US\$ (as the lease agreement is nominated in RUB). The overall increase in Net Rental Income is 7% compared to the Q1 2013 (\$2.02 million vs \$1.89 million in Q1 2013).

- **Interest Income**

The Company generated \$1.95 million of interest income in the first three months of 2014 which is approximately at the same level as for the comparable period of 2013 (\$ 1.93 million).

## Expenses

- **Net Foreign Exchange Loss**

Significant weakening of RUB against US\$ during the first three months of 2014 resulted in a \$5.35 million foreign exchange loss. For the same period in 2013 the Company recognized a \$2.16 million loss.

## Assets

- **Loans and Receivables**

EPH's loans and receivables increased from \$81.0 million as of 31 December 2013 to \$82.87 million as of 31 March 2014 only due to accrual of interest on existing project loans. No new loans were provided during the first three months of 2014.

- **Cash and Cash Equivalents**

A net reduction of \$1.23 million in the Company's cash position in the first three months of 2014 has been primarily due to use of cash to fund Arbat construction and payments under the loan from UniCredit Bank Austria.

- **Accounts Receivable**

The \$3.2 million decrease in accounts receivable is caused by the payment received for the two Arbat apartments sold in December 2013.

- **Assets Under Development (at cost)**

Assets under development have increased from \$101.83 million at 31 December 2013 to \$103.32 million at 31 March 2014. The \$1.49 million net increase is the result of increased construction spending and weakening of the RUB against the US\$.

## Liabilities

- **Loans from Banks and Others (LT & ST)**

EPH's debt consists of a loan from UniCredit Bank Austria secured by Petrovsky Fort mortgage, a loan from Jilford Ltd. signed in September 2013 for the purpose of financing Arbat construction and a loan from Valartis Bank (Liechtenstein) AG signed in December 2013.

The outstanding balance of the loan from UniCredit Bank Austria at reporting date was \$32.20 million, down \$0.45 million from \$32.65 million at 31 December 2013. The reduction is due to amortization during the first three months of 2014.

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 2014 the outstanding balance of the loan remained unchanged at \$9.51 million.

The loan from Valartis Bank (Liechtenstein) AG was received to fully repay performance fees liability. During the first three months of 2014 the outstanding balance of the loan remained unchanged at \$8.52 million.

## Significant Q1 2014 Income and Expense Items

Net Rental Income	31.03.2014	31.03.2013	Change YoY	Percent Change YoY
Petrovsky Fort	1,765,571	1,619,716	145,854	9%
Magistral'naya	250,787	267,694	(16,907)	-6%
<b>Total</b>	<b>2,016,358</b>	<b>1,887,411</b>	<b>128,948</b>	<b>7%</b>

Material YoY changes in Income/Expense Items	31.03.2014	31.03.2013	Change YoY
Interest income	1,950,392	1,927,225	23,167
Net foreign exchange loss	(5,347,630)	(2,162,136)	(3,185,494)

## Significant Q1 2014 Changes in Financial Position

<b>Assets</b>	31.03.2014	31.12.2013	Change
Loans and receivables (LT & ST)	82,863,248	80,995,725	1,867,523
Cash & cash equivalents	5,373,270	6,648,367	(1,275,097)
Assets under development	103,319,156	101,833,883	1,485,273
Accounts receivable	591,764	3,807,038	(3,215,274)
<b>Liabilities</b>			
Loans from banks and others (LT & ST)	50,232,500	50,682,500	(450,000)

## Q1 2014 Berlin House and Geneva House Net Rental income

<b>Net Rental Income</b>	31.03.2014	31.03.2013	Change YoY	Percent Change YoY
Berlin House	2,790,464	1,622,607	1,167,857	72%
Geneva House	3,674,562	3,761,148	(86,586)	-2%
<b>Total</b>	<b>6,465,026</b>	<b>5,383,755</b>	<b>1,081,271</b>	<b>20%</b>

**Eastern Property Holdings Ltd.** is an SIX Swiss Exchange-listed real estate development and investment company focusing on Russia. The company holds interests in office, residential, retail and parking properties and developments, principally in Moscow and St. Petersburg. 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 43 336 8111.