

**PRESS RELEASE**

**Eastern Property Holdings expecting a significant loss in the Company's financial result and a significant decrease of its net asset value**

04 April 2014, Road Town, Tortola, BVI

Eastern Property Holdings ("EPH" or the "Company") would like to announce that it is expected that the consolidated financial result of the Company for the financial year 2013 will deteriorate significantly. The Company expects a net loss of approx. US\$ 34 million, compared to a net profit of US\$ 11.9 million for the same period a year earlier. The net asset value ("NAV") of the Company is expected to decrease by approx. US\$ 34 million to a value of about US\$ 255 million. The NAV per share is expected to amount to approx. USD 60 (-12% compared to a value of USD 67.77 as per 31 December 2012).

The above stated figures are still subject to auditor's confirmation.

The expected decrease in the financial result and in the NAV is primarily attributable to three factors: fair value adjustments on Scandinavia Land, loan impairments and foreign currency effects.

**Fair Value Adjustment**

The main impact on the financial result and, accordingly, on the NAV of the Company in terms of fair value adjustments arises from the significant decrease in the valuation of Scandinavia Land.

As stated in our previous financial statements, valuation of real estate assets, especially in the case of development projects, involves a significant number of assumptions and judgment calls by the Company and the valuers. These variables include, but are not limited to: future rent and sale price levels, amount of time needed to rent or sell space, time needed to deliver new construction, construction costs, best and highest use of an asset or space in an asset, and exchange rates. Varying any of these factors can have a material impact on valuations, and variations in a number of these factors at once can have a dramatic effect.

Scandinavia Land (103 hectare land site near St Petersburg)

The fair value of the land plots was determined to be US\$ 39.1 million as of 31 December 2012 based on an independent valuation prepared by Jones Lang LaSalle. As the land was held for undetermined use, the valuation was based on the highest and best use approach where the valuer assumed that the land will be sold as individual plots with utilities for owners to develop. The valuation was based on assumptions like the sales price per square meter, the time required to sell all of the land strips and the level of profit required by an investor as rewards for his risk. However, the land market in St-Petersburg changed since 2012 – it became non-transparent and shows that there is almost no demand for land plots such as Scandinavia Land, especially taking into account its particular location, size and the fact that the land is undeveloped. Further, the real estate market is also influenced by the recent geopolitical issues and changes in the Russian economy.

Based on the above, the assumptions previously used by the valuer were re-considered. The final valuation is still subject to confirmation of the valuer and the auditors. Anyhow, a depreciation of Scandinavia Land is inevitable.

**Impairment of Loans:**

As of 31 December 2013 the Company impairs its loans to Vestive, the 50% owned joint venture owning Turgenevskaya Parking projects in Moscow, down to the amount recoverable by Vestive's assets. It is expected that the impairment of these loans will amount to approximately US\$ 8 million.

Although occupancy rates in Turgenevskaya parking are steadily increasing which also has a positive effect on rents, the valuation was decreased due to more conservative assumptions used by the valuer with respect to the dynamics of the rental income. Further, the Company considers the development of Khokhlovskaya parking to be economically not reasonable as the expected profitability of this project based on the parameters approved by the Moscow City is questionable.

**Currency Effect**

Between January and December 2013, the Russian ruble ("RUB") weakened approximately 8% against the US dollar ("US\$"). The functional currency of the Company's asset-owning subsidiaries is the RUB, so if the RUB weakens against US\$, the US\$ denominated assets create a gain and the US\$ denominated liabilities create a loss simply due to the fact that the profit or loss of these subsidiaries is calculated on a RUB basis.

The total net foreign exchange loss amounts to approximately US\$ 9 million in 2013 compared to a net foreign exchange gain of approximately US\$ 4 million in 2012.

**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.