EPH EASTERN PROPERTY HOLDINGS

PRESS RELEASE

30 May 2012

First Quarter 2012 Trading Update

Road Town, Tortola, BVI

FINANCIAL HIGHLIGHTS

- While sale of 90% interests in the Company's two most significant rental properties has reduced overall rental income YoY, Like for Like net rents are up 30% YoY.
- Rental income has become a less significant source of revenues for the Company, while interest earned on construction financing and cash reserves have increased. In Q1, interest income amounted to $1.86 million.

ASSET UPDATE

Arbat:

- Concrete works at Arbat I to be finished in Q3
- Facade works on Arbat I started in May.
- All key documentation in place and not at risk of expiration prior to completion of project.

Petrovsky Fort:

- Vacancy rate down to 8.8% for the first time since 2008.
- Passing rents (net) at end-March 2012 were $5.44 million, up $900,000 YoY

Inkonika Parking:

- Initial customer traffic at first completed facility (Turgenevskaya Square) lower than expected. We are improving visibility via signage, while the city of Moscow is enhancing enforcement of parking regulations and will significantly raise parking fines as of 1st July.

Berlin House:

- Existing US$ 36.4 million loan to mature end-July. The joint owners have decided that the proposed renewal terms are unattractive so will repay the loan in full. EPH's 10% share is US$ 3.64 million.
- With repayment of this bank loan, EPH will only have US$35.8 million of direct or indirect third party debt.

Geneva House:

- Blue chip Russian tenant will take all remaining space in the building, bringing occupancy up to 100%

Significant financial events and changes for Q1 2012 are as follows:

Income

- **Rental Income**

  In the three months ended 31 March 2012, our wholly-owned rental properties generated Gross Rental Income of $1.95 million and Net Rental Income of $1.44 million.

  EPH sold 90% interests in two of its major rental properties in 2011. Though the Company will continue to receive its pro rata 10% share of rental income from the properties, the entities owning them are no longer subsidiaries and rental income generated by the properties is no longer included in the rental income section of EPH's income statement. As a result, Gross rents for Q1 2012 are $2.91 million lower than for the same period in 2011.

  On a Like for Like (LfL) basis, there has been significant improvement. Reduced vacancies at Petrovsky Fort and improved operating efficiency at both Petrovsky Fort and Magistral'naya have resulted in a 22% increase in Gross Rents ($1.95 million vs $1.60 million in 2011) and 30% increase in Net Rents ($1.44 million vs $1.11 million in 2011).

- **Interest Income**

  The company generated $1.86 million of interest income in the first three months of 2012. Of this amount, over $850,000 was received from the Company's financial investments and the holding companies of Geneva House and Berlin House. The remaining amount has been accrued on construction loans to the Arbat and Inkonika projects.

  The sale of 90% interests in Berlin House and Geneva House in Q3 of 2011 resulted in a significant cash inflow. The cash was used to reduce debt, pay a $5 per share dividend in September 2011, and restart construction on the Company's Arbat projects. Until bank financing is in place for the Arbat projects, the Company is holding a significant cash balance in order to ensure that completion of the projects is not dependent on securing construction financing. Since the timing of construction spending is relatively predictable, the Company has invested the majority of its cash in highly rated shorter duration bonds. The bond portfolio delivered almost $600,000 of the Q1 interest income.

  Interest income in Q1 2011 was $615,000 higher than in the Q1 2012, primarily due to increased lending to the Arbat projects and interest on financial investments.

Expenses

- **Finance costs**

  The sale of 90% stakes in Berlin House and Geneva House reduced the Company's ongoing finance costs significantly. In Q1 2012, Finance costs were just $634,000, compared to over $2.15 million in 2011.

  The Company's only direct bank debt is now the UniCredit loan secured by Petrovsky Fort. As the Company is now 10%, rather than 100% owner of Berlin House and Geneva House, loans secured by these properties are reflected as a component of the Company's carrying value of the assets, but are not included as line items in the Company's liabilities. In the second half of 2011, the Nomos Bank loan secured by Geneva House was repaid in full.

Sale of the 90% stakes in Berlin House and Geneva House reduced the Company's finance costs by approximately $5.5 million per year.

- **Management Fees**

  $1.39 million was accrued for management fees for the first quarter, a reduction of $322,000 compared to the same period in 2011, due to reduced fair values on the Company's real estate assets, and payment of a dividend of over $21 million.

- **Income Taxes**

  $580,000 was accrued for income taxes in the first quarter, a reduction of over $800,000 compared to the year ago period. Again, this is predominantly due to the 90% sale of the Petrovka Street properties. In 2011, almost $650,000 was attributable to Geneva House alone. Though it did not generate net rental income at the time, taxable income for the property was generated as a result of foreign exchange movements. Due to a strong ruble, the company's ruble liabilities in regards to dollar-denominated loans were reduced, resulting in a profit for local tax purposes. Income taxes did not lead to cash payments to the budget because the Company's deferred tax assets were utilized.

Balance Sheet

- **Loans and Receivables**

  $4.6 million of debt financing was provided to the Arbat projects in the first three months of the year. The Arbat projects are owned by a joint venture in which EPH is now 60% owner. As such, a loan from EPH to the joint venture is treated 60% as a loan to EPH itself, so is treated as an investment in the project, while the other 40%, in this case $1.8 million, is treated as a loan to the non-owned share of the joint venture and is reflected on the asset side of the company's balance sheet as a loan.

  Interest of $1.25 million accrued on the Company's construction financing in the first three months of the year. Of this amount, $667,000 was from the Arbat projects, and $339,000 from the Inkonika parking joint venture.

- **Financial assets**

  Given the unattractive rates available on bank deposits, and the generally predictable nature of construction spending, the Company has invested funds being held available for construction spending on the Arbat projects into individual corporate bonds of high rating and short to medium duration.

  On a cost basis, the majority of the Company's bond portfolio, which is denominated in US dollars (approximately 70%), or in the case of Euro or Swiss franc bonds, is hedged against the US dollar (approximately 20%) earns over 3.3% interest. Approximately 10% of the portfolio is ruble-denominated and earns over 6.3%.

  Most bonds in the portfolio will be held to maturity, though a smaller portion are of longer duration but highly liquid. On a mark to market basis, the bond portfolio appreciated by over

$500,000 in the first quarter.

- **Cash & cash equivalents**

  Cash and equivalents decreased by $15.7 million in the first quarter. Almost $9.0 million was invested in short term bonds, so moved from Cash to Financial Investments.

  The most significant cash expenditures were $4.6 million of financing for the Arbat projects and approximately $2.0 million for end-2011 management fees.

- **Assets under development**

  The largest share of the Arbat projects is apartment space, which will be sold upon completion. As such, these premises are held at cost until sale.

  Because the accounts of the JV company owning the Arbat projects are kept in Russian rubles, changes in the exchange rate against the US dollar also impact the historical cost of the assets.

  In the first three months of the year, Assets under development increased by $4.02 million. Of that amount, $2.34 million is new investment, while $1.68 million is due to movement in the exchange rate.

- **Loans from banks and others (LT & ST)**

  Completion of the restructuring of the Arbat project holding structure, in which EPH's stake was increased from 50% to 60%, took place in Q1 and resulted in almost $1.10 million of the total $1.70 million reduction in loans. Most of the remaining amount is amortization of the UniCredit loan on Petrovsky Fort.

- **Accounts payable and accrued expenses**

  Accounts payable was reduced by $875,000 due to payment of fees due to Valartis at YE2011 which were paid in Q1.

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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 Terry Olin, Tel: +41 22 716 1035, or by visiting the company's website: *www.easternpropertyholdings.com*.

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Significant Q1 Income and Expense Items

Rental income	31.03.2012	31.03.2011	Change YoY
Gross rental income	**$1'948'433**	**$4'860'646**	**-$2'912'213**
Ground rents paid	-$118'299	-$117'045	-$1'254
Service charge income on principal basis	$602'012	$725'240	-$123'228
Service charge expenses on principal basis	-$389'050	-$876'776	$487'726
Property operating expenses	-$310'012	-$905'806	$595'794
Repair and maintenance costs	-$168'514	-$391'478	$222'964
Non-income taxes	-$125'745	-$761'609	$635'864
Net rental income	**$1'438'825**	**$2'533'172**	**-$1'094'347**

Rental income (Like for Like)	31.03.2012	31.03.2011	Change YoY
Gross rental income	**$1'948'433**	**$1'597'142**	**$351'291**
Ground rents paid	-$118'299	-$105'408	-$12'891
Service charge income on principal basis	$602'012	$490'657	$111'355
Service charge expenses on principal basis	-$389'050	-$432'725	$43'675
Property operating expenses	-$310'012	-$217'138	-$92'874
Repair and maintenance costs	-$168'514	-$82'012	-$86'502
Non-income taxes	-$125'745	-$138'872	$13'127
Net rental income	**$1'438'825**	**$1'111'643**	**$327'182**

Other income/expense items			
Interest income	**$1'863'043**	**$1'247'749**	**$615'294**
Finance costs	**-$633'782**	**-$2'153'248**	**$1'519'466**
Management fees	**-$1'391'764**	**-$1'713'844**	**$322'080**
Income taxes	**-$580'389**	**-$1'384'336**	**$803'947**

Significant Q1 Changes in Financial Position

Assets	31.03.2012	31.12.2011	Change
Loans and receivables (LT & ST)	**$54'364'528**	**$51'276'846**	**$3'087'682**
Financial assets (bond portfolio)	**$66'108'226**	**$56'011'682**	**$10'096'544**
Cash & cash equivalents	**$5'130'312**	**$20'798'029**	**-$15'667'717**
Assets under development (at cost)	**$80'640'000**	**$76'615'089**	**$4'024'911**

Liabilities			
Loans from banks and others (LT & ST)	**$35'804'115**	**$37'503'282**	**-$1'699'167**
Accounts payable and accrued expenses	**$5'512'441**	**$6'387'805**	**-$875'364**

Number of shares outstanding	**4'262'613**	**4'262'613**	**Unchanged**