

**PRESS RELEASE**

**31 March 2011**

**Eastern Property Holdings reports a net profit of \$12.8 million for 2010, compared to a net loss of \$66.9 million in 2009**

Road Town, Tortola, BVI

- **In the twelve months ended 31 December 2010 we generated a net profit of \$12.81 million compared to a net loss of \$66.86 million for 2009.**
- **Earnings per share were \$3.00 for 2010, compared to a loss per share of \$15.13 for 2009.**
- **Russian property values have stabilised and begun to recover. Revaluations of real estate assets have been the principal factor in the volatility of our net profits.**
- **Net assets at year-end 2010 were \$343.31 million compared to \$332.01 million as of 31 December 2009.**
- **Net asset value per share is \$80.54 at 31 December 2010, compared to \$77.89 at the end of 2009.**
- **Our annual report, including full financial statements, will be available on the company website after the closing of the Swiss stock exchange on 15 April.**

**Rental Income**

Our gross rental income was \$13.17 million for 2010, compared to \$16.36 million in 2009. The year on year reduction in gross rents is primarily attributable to Petrovsky Fort, where, since 2008, the short term nature of leases, and predominance of small locally-focused businesses - many of which were in hardest hit sectors like construction, real estate, and finance - led to both a high vacancy level and significantly lower rents being paid by both existing and new tenants.

Our non-income tax expense, which in our case is generally property tax, increased from \$1.03 million in 2009 to \$3.20 million in 2010. Most of the difference is due to the initiation of property tax payments upon the completion of Geneva House late in 2009.

The combination of lower gross rental income, and significantly higher property taxes are the primary factors leading to a decrease of Net rental income from \$12.91 million in 2009 to \$5.93 million in 2010.

## **Valuation movements**

Our net valuation movements for 2010 came to a positive \$41.38 million compared to a negative \$55.12 million in 2009.

As Russia's property markets stabilised and began to recover, we recognised a net gain from fair value adjustments on investment property of \$48.32 million in 2010, compared to a loss of \$38.20 million in 2009. Most of the net gain in 2010 can be attributed to Berlin House and Geneva House in Moscow. Berlin House benefitted from yield compression, meaning a lower capitalization rate was applied to approximately the same long term rental income stream. Geneva House benefitted from being delivered to the market and signing leases with a number of blue chip international tenants.

We recognised a net loss from fair value adjustments on financial investments of \$6.93 million in 2010, compared to a net loss of \$16.92 million in 2009. Most of the loss for both periods is attributable to our investment in Sarnatus. We recognised a net loss from fair value adjustment of \$13.85 million on this investment in 2009, and additional \$6.5 million loss in 2010 as we have impaired the value of the investment to zero.

Our net gain from foreign currency translation in 2009 was \$5.64 million, thus offsetting some negative revaluations to reduce net losses. In 2010, the ruble/dollar exchange rate was relatively stable and we recognized a modest net loss of \$0.60 million, so had little impact on net earnings.

## **Administrative expenses**

Administrative expenses other than accrued performance fees were \$9.78 million in 2010, slightly lower than expenses of \$10.45 million in 2009.

Pursuant to our Real Estate Management Agreement, Valartis International Ltd. is entitled to a performance fee calculated on the basis of 15% of the appreciation of our investments above their initial cost. In 2009 downward revaluations of assets led to the reversal of \$3.36 million of provisions previously made for performance fees. Revaluation gains in 2010 resulted in provisions of \$7.37 million this year. The fees accrued in 2010 were mostly attributable to Berlin House and Geneva House.

## **Net Profit**

### *Net operating profit before finance cost*

Our net operating profit before finance cost was \$29.84 million in 2010, compared to loss of \$44.05 million in 2009.

### *Finance costs*

Our finance costs decreased from \$8.65 million in 2009 to \$7.64 million in 2010. The decrease was primarily due to the fact that in 2009 one-time charges and costs were incurred in connection with drawing a \$40 million loan from UniCredit Bank.

### *Interest income*

Interest income decreased from \$7.82 million in 2009 to \$5.50 million in 2010, primarily due to our acquisition of 100% of Geneva House. As 50% owner of the joint venture which built the property, only 50% of the interest accrued on our construction loans was eliminated in consolidation. Upon acquiring 100% of the property in mid-2010, we consolidated 100% of the loans.

### *Share of associates' losses*

We recognised a loss from our associates, Hypercenter Investment SA and Vestive Holdings Ltd. of \$11.97 million in 2010, compared to \$15.21 million in 2009.

Hypercenter Investment generated a \$10.02 million loss in 2009, and a \$2.01 million loss in 2010 as the holding was marked down to zero value in the absence of reliable financial information.

Vestive generated a loss of \$5.19 million in 2009, primarily due to negative revaluations of the companies project portfolio, and a \$9.96 million loss in 2010 as certain of the company's projects were lost due to cancellation of development rights.

### *Net Profit*

Our net profit amounted to \$12.81 million in 2010, compared with a net loss of \$66.86 million in 2009.

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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 1000.

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## 2010 Results at a Glance

	31.12.2010	31.12.2009
<b>Assets</b>		
Investment properties	\$370,228,101	\$260,412,774
Financial assets at fair value through profit or loss	0	\$14,118,200
Loans and receivables	\$28,888,022	\$67,060,885
Cash & cash equivalents	\$9,621,851	\$4,563,501
Other assets	\$77,072,719	\$91,117,105
<b>Total assets</b>	<b>\$485,810,693</b>	<b>\$437,272,465</b>
<b>Liabilities</b>		
Bank loans	\$88,852,869	\$77,500,000
Accounts payable and accrued expenses	\$28,492,261	\$12,909,439
Other liabilities	\$25,158,380	\$14,851,123
<b>Total liabilities</b>	<b>\$142,503,510</b>	<b>\$105,260,562</b>
<b>Total equity</b>	<b>\$343,307,183</b>	<b>\$332,011,903</b>
<b>Number of shares outstanding</b>	<b>4,262,613</b>	<b>4,262,613</b>
<b>Net asset value per share</b>	<b>\$80.54</b>	<b>\$77.89</b>
<b>Results</b>		
Gross rental income	\$13,165,433	\$16,355,842
Net gain/ (loss) from fair value adjustment on investment properties	\$48,315,165	(\$38,198,797)
Net loss from fair value adjustment on financial investments	(\$6,932,687)	(\$16,918,710)
<b>Net operating gain/ (loss) before finance cost</b>	<b>\$29,844,786</b>	<b>(\$44,054,906)</b>
<b>Net profit/ (loss) for the period</b>	<b>\$12,808,546</b>	<b>(\$66,860,302)</b>
<b>Earnings per share</b>	<b>\$3.00</b>	<b>(\$15.13)</b>