

EPH EASTERN PROPERTY
HOLDINGS

INTERIM UNAUDITED RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

ANALYST CALL, 13 SEPTEMBER 2011

H1 2011 RESULTS CALL

13 SEPTEMBER 2011



Terry Olin: Management Committee
Managing Director
Eastern Property Holdings
Valartis Group



Alexander Nikolaev: Management Committee
Managing Director
Russia & CIS
Valartis Group



Yulia Makhinova: Management Committee
Finance Director
Russia & CIS
Valartis Group

HIGHLIGHTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

- Sold 80% of central Moscow assets Berlin House and Geneva House at strong prices. (Further 10% sold in August 2011).
- New appraiser reduced valuation of assets - fair values are now very robust.
- Income statement negatively affected by strong RUB/ weak US\$ during the period, but little actual impact on operations.
- Continued to strengthen corporate governance with new Board, disclosure and reporting standards.
- Board of Directors approved interim dividend of US\$5/share.

INVESTMENT PROPERTIES

in US\$			
		30.06.2011	31.12.2010
Assets			
Non-current assets			
	Investment properties	114'677'772	370'228'101
	Investment in associates	9'606'865	24'297'807
	Loans and receivables	36'429'797	28'888'022
	Advance for land lease	1'978'296	1'793'423
	Deferred tax assets	-	5'348'588
	Furniture and equipment	3'430	7'2025
	Total non-current assets	162'696'160	430'627'966
Current assets			
	Assets under development	56'600'000	40'247'869
	Investment in associates held for sale	8'951'727	-
	Accounts receivable	29'186'977	10'412'61
	Advance payment	522'783	713'471
	Loans and receivables	17'377'793	-
	Prepaid taxes	617'542	3'558'275
	Cash & cash equivalents	83'316'849	9'621'851
	Total current assets	196'573'671	55'182'727
	Total assets	359'269'831	485'810'693
Equity			
	Share capital	414'418'955	414'418'955
	Treasury shares	(30'050'173)	(30'050'173)
	Share premium	74'761'596	74'761'596
	Accumulated deficit	(159'679'426)	(100'553'509)
	Cumulative translation adjustment	(5'209'926)	(15'269'686)
	Total shareholders' equity	294'241'026	343'307'183

Investment Properties (US\$)

	30.06.2011	31.12.2010
Berlin House	-	90'628'742
Petrovsky Fort	63'400'096	61'719'423
Magistral'naya	6'727'676	7'130'399
Geneva House	-	140'640'000
Arbat Complexes	5'450'000	20'321'537
"Scandinavia" Land	39'100'000	49'788'000
End of period	114'677'772	370'228'101

WHAT CHANGED?

MARKET WIDE

- More comparable transactions for Scandinavia
- Modest yield compression and rent increases
- Petrovsky Fort primarily affected by improved market

ASSET SPECIFIC

- Updated Arbat design documentation reallocates space between Investment Properties and Assets under Development
- 80% of Berlin and Geneva Houses sold. Remaining 20% becomes Investment in Associates

INVESTMENT IN ASSOCIATES

in US\$			
		30.06.2011	31.12.2010
Assets			
Non-current assets			
	Investment properties	114677772	370'228'101
	Investment in associates	9'606'865	24'297'807
	Loans and receivables	36'429'797	28888'022
	Advance for land lease	1'978'296	1'793'423
	Deferred tax assets	-	5'348'588
	Furniture and equipment	3'430	7'2025
	Total non-current assets	162'696'160	430'627'966
Current assets			
	Assets under development	56'600'000	40'247'869
	Investment in associates held for sale	8'951'727	-
	Accounts receivable	29'186'977	10'412'61
	Advance payment	5'227'83	7'13'471
	Loans and receivables	17'377'793	-
	Prepaid taxes	6'17'542	3'558'275
	Cash & cash equivalents	83'316'849	96'21'851
	Total current assets	196'573'671	55'182'727
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	Accumulated deficit	(159'679'426)	(100'553'509)
	Cumulative translation adjustment	(5'209'926)	(15'269'686)
	Total shareholders' equity	294'241'026	343'307'183

Hypercenter Investment SA			
	30.06.2011	31.12.2010	
	Beginning of year	-	2724'860
	Share of losses	-	-2'006'520
	FX differences	-	-718'340
	Closing balance	-	-

Vestive Limited (Inkonika)			
	30.06.2011	31.12.2010	
	Beginning of period	24'297'807	34'441'633
	Share of losses	(24'297'807)	(9'960'187)
	FX differences	-	(183'639)
	End balance for 50% stake	-	24'297'807

EPH Real Estate Limited (Geneva House)			
	30.06.2011	31.12.2010	
	Beginning of period	-	-
	Additions	9'829'417	-
	Share of loss	-101'851	-
	End balance for 20% stake	9'727'566	-

Connecta KG (Berlin House)			
	30.06.2011	31.12.2010	
	Beginning of period	-	-
	Additions	9'091'914	-
	Share of losses	-260'888	-
	End balance for 20% stake	8'831'026	-

LOANS AND RECEIVABLES

in US\$			
		30.06.2011	31.12.2010
Assets			
Non-current assets			
	Investment properties	114'677'772	370'228'101
	Investment in associates	9'606'865	24'297'807
	Loans and receivables	36'429'797	28'888'022
	Advance for land lease	1'978'296	1'793'423
	Deferred tax assets	-	5'348'588
	Furniture and equipment	3'430	72'025
	Total non-current assets	162'696'160	430'627'966
Current assets			
	Assets under development	56'600'000	40'247'869
	Investment in associates held for sale	8'951'727	-
	Accounts receivable	29'186'977	10'412'61
	Advance payment	522'783	713'471
	Loans and receivables	17'377'793	-
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	Share capital	414'418'955	414'418'955
	Treasury shares	(30'050'173)	(30'050'173)
	Share premium	74'761'596	74'761'596
	Accumulated deficit	(159'679'426)	(100'553'509)
	Cumulative translation adjustment	(5'209'926)	(15'269'686)
	Total shareholders' equity	294'241'026	343'307'183

Loans and receivables (US\$)		
	30.06.2011	31.12.2010
Loans (long term)		
Bluestone (Arbat)	25'151'298	18'926'566
Vestive (Inkonika)	11'278'499	9'961'456
Total LT Loans	36'429'797	28'888'022

WHAT CHANGED?

- New loans were provided to finance construction of Arbat Complexes (50% is eliminated in consolidation) and completion of Inkonika's Turgenevskaya parking garage

DEFERRED TAX ASSETS

in US\$			
		30.06.2011	31.12.2010
Assets			
Non-current assets			
	Investment properties	114'677'772	370'228'101
	Investment in associates	9'606'865	24'297'807
	Loans and receivables	36'429'797	28'888'022
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	Total assets	359'269'831	485'810'693
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	Treasury shares	(30'050'173)	(30'050'173)
	Share premium	74'761'596	74'761'596
	Accumulated deficit	(159'679'426)	(100'553'509)
	Cumulative translation adjustment	(5'209'926)	(15'269'686)
	Total shareholders' equity	294'241'026	343'307'183

WHAT CHANGED?

- Tax losses accumulated in EPH RE with respect to Geneva House construction were written-off as they are not expected to be utilised in the foreseeable future

ASSETS UNDER DEVELOPMENT

in US\$		30.06.2011	31.12.2010
Assets			
Non-current assets			
	Investment properties	114'677'772	370'228'101
	Investment in associates	9'606'865	24'297'807
	Loans and receivables	36'429'797	28'888'022
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	Share premium	74'761'596	74'761'596
	Accumulated deficit	(159'679'426)	(100'553'509)
	Cumulative translation adjustment	(5'209'926)	(15'269'686)
	Total shareholders' equity	294'241'026	343'307'183

Assets under development (US\$)		
	30.06.2011	31.12.2010
Beginning of period	40'247'869	40'892'244
Reclassification	14'156'024	-
Addition	2'946'096	(282'143)
Revaluation	(749'989)	-362'232
End of period	56'600'000	40'247'869

WHAT CHANGED?

MARKET WIDE

- Slightly higher rent/sale/occupancy expectations

ASSET SPECIFIC

- This category is entirely Arbat Apartment Areas
- Updated Arbat design documentation reallocates space between Investment Properties and Assets under Development

INVESTMENTS IN ASSOC HELD FOR SALE

in US\$			
		30.06.2011	31.12.2010
Assets			
Non-current assets			
	Investment properties	114'677'772	370'228'101
	Investment in associates	9'606'865	24'297'807
	Loans and receivables	36'429'797	28'888'022
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	Total shareholders' equity	294'241'026	343'307'183

EPH Real Estate Limited (Geneva House)		
	30.06.2011	31.12.2010
Beginning of period	-	-
Additions	9'829'417	-
Share of loss	-101'851	-
End balance for 20% stake	9'727'566	-

Connecta KG (Berlin House)		
	30.06.2011	31.12.2010
Beginning of period	-	-
Additions	9'091'914	-
Share of losses	-260'888	-
End balance for 20% st	8'831'026	-

WHAT CHANGED?

- 10% of EPH RE and Connecta KG committed for sale is recognized as 'Investments in Associate held for sale'

ACCOUNTS RECEIVABLE

in US\$			
		30.06.2011	31.12.2010
Assets			
Non-current assets			
	Investment properties	114677772	370228101
	Investment in associates	9606865	24297807
	Loans and receivables	36429797	28888022
	Advance for land lease	1978296	1793423
	Deferred tax assets	-	5348588
	Furniture and equipment	3430	72025
	Total non-current assets	162696160	430627966
Current assets			
	Assets under development	56600000	40247869
	Investment in associates held for sale	8951727	-
	Accounts receivable	29186977	1041261
	Advance payment	522783	713471
	Loans and receivables	17377793	-
	Prepaid taxes	617542	3558275
	Cash & cash equivalents	83316849	9621851
	Total current assets	196573671	55182727
	Total assets	359269831	485810693
Equity			
	Share capital	414418955	414418955
	Treasury shares	(30050173)	(30050173)
	Share premium	74761596	74761596
	Accumulated deficit	(159679426)	(100553509)
	Cumulative translation adjustment	(5209926)	(15269686)
	Total shareholders' equity	294241026	343307183

WHAT CHANGED?

- Consideration for the sale of Berlin House was received in July 2011, after the transfer of shares had been registered

LOANS AND RECEIVABLES

in US\$			
		30.06.2011	31.12.2010
Assets			
Non-current assets			
	Investment properties	114677772	370228101
	Investment in associates	9606865	24297807
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	Accumulated deficit	(159679426)	(100553509)
	Cumulative translation adjustment	(5209926)	(15269686)
	Total shareholders' equity	294241026	343307183

	30.06.2011	31.12.2010
Loans (short term)		
EPH RE (Geneva House)	11711611	-
Connecta (Berlin)	1164685	-
Reneas (Buyer of GH/BH)	4501497	-
Total ST Loans	17377793	-

WHAT CHANGED?

- Loans to EPH RE and Connecta KG are not eliminated as intercompany loans, since after sale of 80% of Berlin and Geneva Houses the underlying investments become Investments in Associates and, thus, are not consolidated.
- The Group transferred 80% of principal amount of loan receivable from Connecta KG to Reneas Finance. The consideration was received in July 2011.

PREPAID TAXES

in US\$			
		30.06.2011	31.12.2010
Assets			
Non-current assets			
	Investment properties	114677772	370'228'101
	Investment in associates	9606865	24'297'807
	Loans and receivables	36'429'797	28'888'022
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	Prepaid taxes	617'542	3'558'275
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Equity			
	Share capital	414'418'955	414'418'955
	Treasury shares	(30'050'173)	(30'050'173)
	Share premium	74'761'596	74'761'596
	Accumulated deficit	(159'679'426)	(100'553'509)
	Cumulative translation adjustment	(5'209'926)	(15'269'686)
	Total shareholders' equity	294'241'026	343'307'183

WHAT CHANGED?

- Unutilized part of Russian VAT related to construction of Geneva House was written-off, since it will not be recovered as related to VAT exempt income (leases to representative offices of foreign companies)

CASH AND CASH EQUIVALENTS

in US\$		30.06.2011	31.12.2010
Assets			
Non-current assets			
	Investment properties	114677772	370228101
	Investment in associates	9606865	24297807
	Loans and receivables	36429797	28888022
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	Share premium	74761596	74761596
	Accumulated deficit	(159679426)	(100553509)
	Cumulative translation adjustment	(5209926)	(15269686)
	Total shareholders' equity	294241026	343307183

WHAT CHANGED?

MAIN INFLOWS

- Proceeds from Geneva House refinancing (Nomos Bank loan)
- Proceeds from sale of 80% of Berlin and Geneva Houses

MAIN OUTFLOWS

- Repayment of debt to Vincennes for the purchase of 50% of EPH RE in 2010
- Repayment of Valartis bank loan
- Construction financing of Arbat complexes and parking
- Payments to Valartis (management fees and consideration for the stake in EPP LP)
- Interest and loan amortization on Aareal Bank loan, Unicredit loan and Nomos Bank loan

DEBT

Liabilities		
Non-current liabilities		
Debt	35'350'000	72'607'666
Provisions for long-term liabilities and charges	10'924'924	11'654'564
Other non-current liabilities	4'685'791	5'178'845
Total non-current liabilities	50'960'715	89'441'075
Current liabilities		
Debt	6'846'057	19'924'732
Accounts payable and accrued expenses	5'308'330	28'492'261
Financial liabilities at fair value through profit or loss	1'574'106	4'028'126
Provisions for current liabilities and charges	209'551	30'608
Property tax	130'046	586'624
Bank overdraft	-	84
Total current liabilities	14'068'090	53'062'435
Total equity and liabilities	359'269'831	485'810'693
Net asset value per share	69.03	80.54

	30.06.2011	31.12.2010
Debt (long term)		
Aareal loan	-	36'800'000
UniCredit loan	35'350'000	35'807'666
LT Total	35'350'000	72'607'666

WHAT CHANGED?

- As Connecta KG was disposed on 29 June 2011, all its liabilities including Aareal bank loan are no longer on the balance sheet.
- Unicredit bank loan was decreased by the amount of loan amortization paid in 1hy 2011

PROVISIONS FOR LT LIABILITIES AND CHARGES

Liabilities			
Non-current liabilities			
Debt		35'350'000	72'607'666
Provisions for LT liabilities and charges		10'924'924	11'654'564
Other non-current liabilities		4'685'791	5'178'845
Total non-current liabilities		50'960'715	89'441'075
Current liabilities			
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Total equity and liabilities		359'269'831	485'810'693
Net asset value per share		69.03	80.54

Provisions for liabilities and charges			
30.06.2011			
	Performance	Other	Total
Opening	11'654'564	30'608	11'685'172
Additional provisions		178'943	178'943
Reversal	(729'640)		(729'640)
Closing	10'924'924	209'551	11'134'476
Analysis of total provisions			
	30.06.2011		31.12.2010
Non-current	10'924'924		11'654'564
Current	209'551		30'608
Closing	11'134'475		11'685'172

WHAT CHANGED?

- Accrued performance fees liabilities reduced due to decrease in valuation of assets

DEBT

Liabilities			
Non-current liabilities			
	Debt	35'350'000	72'607'666
	Provisions for LT liabilities and charges	10'924'924	11'654'564
	Other non-current liabilities	4'685'791	5'178'845
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	Total current liabilities	14'068'090	53'062'435
	Total equity and liabilities	359'269'831	485'810'693
	Net asset value per share	69.03	80.54

Debt	30.06.2011	31.12.2010
Debt (short term)		
Valartis loan	-	13'370'203
UniCredit loan	1'650'000	2'075'000
Aareal loan	-	800'000
Other	5'196'057	3'679'529
ST Total	6'846'057	19'924'732

WHAT CHANGED?

- Valartis loan was fully repaid
- The current portion of Unicredit bank loan was decreased based on loan amortization schedule
- As Connecta KG was disposed on 29 June 2011, all its liabilities including Aareal bank loan are no longer on the balance sheet
- The RUB-nominated loan from Vincennes was fixed into US\$ at the historical rate (23.45 RUB/US\$) – similar to EPH construction loans

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Liabilities			
Non-current liabilities			
	Debt	35'350'000	72'607'666
	Provisions for LT liabilities and charges	10'924'924	11'654'564
	Other non-current liabilities	4'685'791	5'178'845
	Total non-current liabilities	50'960'715	89'441'075
Current liabilities			
	Debt	6'846'057	19'924'732
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	Provisions for current liabilities and charges	209'551	30'608
	Property tax	130'046	586'624
	Bank overdraft	-	84
	Total current liabilities	14'068'090	53'062'435
	Total equity and liabilities	359'269'831	485'810'693
	Net asset value per share	69.03	80.54

WHAT CHANGED?

- US\$ 10 million payable to Vincennes was fully repaid
- Arrears to Valartis US\$ 9.3 million was paid

FINANCIAL LIABILITIES AT FAIR VALUE THRU' PL

Liabilities			
Non-current liabilities			
	Debt	35'350'000	72'607'666
	Provisions for LT liabilities and charges	10'924'924	11'654'564
	Other non-current liabilities	4'685'791	5'178'845
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	Bank overdraft	-	84
	Total current liabilities	14'068'090	53'062'435
	Total equity and liabilities	359'269'831	485'810'693
	Net asset value per share	69.03	80.54

Financial liabilities at fair value through PL

	30.06.2011	31.12.2010
UniCredit Interest rate SWAP	1'574'106	1'461'156
Aareal bank Interest rate SWAP	0	2'807'716
	1'574'106	4'268'872

WHAT CHANGED?

- As Connecta KG was disposed on 29 June 2011, all its liabilities including SWAP on Aareal bank loan are no longer on the balance sheet

GROSS RENTAL INCOME

in US\$		30.06.2011	30.06.2010
Rental income			
	Gross rental income	10'223'477	6'146'708
	Ground rents paid	(226'019)	(152'105)
	Service charge income on principal basis	2'392'472	1'244'425
	Service charge expenses on principal basis	(1'746'899)	(1'254'377)
	Property operating expenses	(1'834'593)	(760'256)
	Repair and maintenance costs	(474'773)	(440'524)
	Non-income taxes	(1'524'150)	(1'061'402)
	Net rental income	6'809'515	3'722'469
Administrative expenses			
	Performance fees	(729'640)	2'013'195
	Management fees	3'152'946	3'286'613
	Professional and administration fees	1'200'067	1'104'964
	Salaries and social charges	174'124	73'706
	Total administrative expenses	3'797'497	6'478'478
Other (expenses)/ income			
	Interest income	1'637'770	3'868'500
	Other income	10'644	112'500
	Other operating expenses	(3'173'186)	(4'562'268)
	Loan impairment charge	-	(928'001)
	Depreciation	(7'714)	(4'689)
	Net (loss)/ gain from fx translation	(11'491'816)	2'117'110
	Net other income/ (expenses)	(13'024'302)	603'152

Gross rental income

	30.06.2011	30.06.2010
Petrovsky Fort	2 787 724	2 430 353
Berlin House	3 977 068	3 716 355
Geneva House	3 013 919	-
Magistral'naya	444 765	-
	10 223 477	6 146 708

WHAT CHANGED?

- Geneva House started generating income in the beginning of 2011
- Since 1 February 2011 90% of Magistral'naya complex is leased to a single tenant
- Decrease of vacancy rate in Petrovsky Fort led to increase in its gross rental income

PERFORMANCE FEES

in US\$		30.06.2011	30.06.2010
Rental income			
	Gross rental income	10'223'477	6'146'708
	Ground rents paid	(226'019)	(152'105)
	Service charge income on principal basis	2'392'472	1'244'425
	Service charge expenses on principal basis	(1'746'899)	(1'254'377)
	Property operating expenses	(1'834'593)	(760'256)
	Repair and maintenance costs	(474'773)	(440'524)
	Non-income taxes	(1'524'150)	(1'061'402)
	Net rental income	6'809'515	3'722'469
Administrative expenses			
	Performance fees	(729'640)	2'013'195
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	Salaries and social charges	174'124	73'706
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	Interest income	1'637'770	3'868'500
	Other income	10'644	112'500
	Other operating expenses	(3'173'186)	(4'562'268)
	Loan impairment charge	-	(928'001)
	Depreciation	(77'14)	(4'689)
	Net (loss)/ gain from fx translation	(11'491'816)	2'117'110
	Net other income/ (expenses)	(13'024'302)	603'152

WHAT CHANGED?

- Earlier accrued performance fees were reduced due to decrease in valuation of assets

INTEREST INCOME

in US\$		30.06.2011	30.06.2010
Rental income			
	Gross rental income	10'223'477	6'146'708
	Ground rents paid	(226'019)	(152'105)
	Service charge income on principal basis	2'392'472	1'244'425
	Service charge expenses on principal basis	(1'746'899)	(1'254'377)
	Property operating expenses	(1'834'593)	(760'256)
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	Interest income	1'637'770	3'868'500
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	Loan impairment charge	-	(928'001)
	Depreciation	(77'14)	(4'689)
	Net (loss)/ gain from fx translation	(11'491'816)	2'117'110
	Net other income/ (expenses)	(13'024'302)	603'152

Interest Income

	30.06.2011	30.06.2010
Bluestone (Arbat)	1122763	958497
Vestive (Inkonika)	458489	440605
EPH Real Estate (Geneva House)	-	2184981
Other	56518	284417
Total	1637770	3868500

WHAT CHANGED?

- In H1 2010 EPH owned 50% of EPH RE and consolidated it by integration of 50% of its balance sheet.
- Accordingly, 50% of interest accrued on Geneva House construction loans were eliminated in consolidation and remaining 50% was recognized in P&L.
- In July 2010, EPH purchased the other 50% of EPH RE, and all further accrued interest income on construction loans was eliminated until EPH RE was sold.

OTHER OPERATING EXPENSES

in US\$			
		30.06.2011	30.06.2010
Rental income			
	Gross rental income	10'223'477	6'146'708
	Ground rents paid	(226'019)	(152'105)
	Service charge income on principal basis	2'392'472	1'244'425
	Service charge expenses on principal basis	(1'746'899)	(1'254'377)
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	Loan impairment charge	-	(928'001)
	Depreciation	(7'714)	(4'689)
	Net (loss)/ gain from fx translation	(11'491'816)	2'117'110
	Net other income/ (expenses)	(13'024'302)	603'152

WHAT CHANGED?

- In H1 2010 receivables on Magistralnaya lease to Mossib were written-off as uncollectable
- In H1 2011 unutilized part of Russian VAT related to construction of Geneva House was written-off, since it will not be recovered as related to VAT exempt income (leases to representative offices of foreign companies)

NET GAIN (LOSS) FROM FX TRANSLATION

in US\$		30.06.2011	30.06.2010
Rental income			
	Gross rental income	10'223'477	6'146'708
	Ground rents paid	(226'019)	(152'105)
	Service charge income on principal basis	2'392'472	1'244'425
	Service charge expenses on principal basis	(1'746'899)	(1'254'377)
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	Other operating expenses	(3'173'186)	(4'562'268)
	Loan impairment charge	-	(928'001)
	Depreciation	(7714)	(4'689)
	Net (loss)/ gain from fx translation	(11'491'816)	2'117'110
	Net other income/ (expenses)	(13'024'302)	603'152

WHAT CHANGED?

- EPH subsidiaries have RUB as their functional currency. Accordingly, US\$-denominated assets and liabilities are converted in RUB as of the end of each reporting period.
- Decrease in US\$/RUB ex-rate and substantial US\$-denominated assets (investment and development properties) in subsidiaries led to significant FX-loss

NET GAIN (LOSS) FROM FAIR VALUE ADJUSTMENT ON FINANCIAL INVESTMENTS

Valuation movements		
	Net gain/ (loss) from fair value adjustment on financial investments	737'427 (1'300'032)
	Net (loss)/ gain from fair value adjustment on investment properties	(13'342'316) 11'813'287
	Valuation movements	(12'604'889) 10'513'255
	Development property impairment	(749'989) (875'169)
	Net operating (loss)/ gain before finance cost	(23'367'162) 7'485'229
	Finance costs	(5'231'148) (3'123'017)
	Share of associates' loss	(24'660'546) (9'488'999)
	Net gain from sale of subsidiaries	741'168 -
	Loss before taxes	(52'517'688) (5'126'787)
	Income taxes	(6'608'229) 1'735'019
	Net loss for the period	(59'125'917) (3'391'768)
	Attributable to:	
	Equity holders of the Company	(59'125'917) (3'391'768)
	Non-controlling interest	- -
	Weighted average number of outstanding share	4'262'613 4'262'613

	Net gain/ (loss) from fair value adjustment on financial investments	
	30.06.2011	30.06.2010
Aareal SWAP revaluation	850 378	-261 972
Unicredit SWAP revaluation	-112 951	-1 139 432
Sarnatus FV revaluation	-	-30 000
Other	-	131 372
	737 427	-1 300 032

WHAT CHANGED?

- Fair value of Aareal SWAP liability decreased leading to gain, while Unicredit SWAP liability increased causing the loss.

NET GAIN (LOSS) FROM FAIR VALUE ADJUSTMENT ON INVESTMENT PROPERTIES

Valuation movements			
	Net gain/ (loss) from fair value adjustment on financial investments	737'427	(1'300'032)
	Net (loss)/ gain from fair value adjustment on investment properties	(13'342'316)	11'813'287
	Valuation movements	(12'604'889)	10'513'255
	Development property impairment	(749'989)	(875'169)
	Net operating (loss)/ gain before finance cost	(23'367'162)	7'485'229
	Finance costs	(5'231'148)	(3'123'017)
	Share of associates' loss	(24'660'546)	(9'488'999)
	Net gain from sale of subsidiaries	741'168	-
	Loss before taxes	(52'517'688)	(5'126'787)
	Income taxes	(6'608'229)	1'735'019
	Net loss for the period	(59'125'917)	(3'391'768)
	Attributable to:		
	Equity holders of the Company	(59'125'917)	(3'391'768)
	Non-controlling interest	-	-
	Weighted average number of outstanding share	4'262'613	4'262'613

Net (loss)/ gain from fair value adjustment on investment properties

	30.06.2011	30.06.2010
Berlin House	-	9,317,096
Petrovsky Fort	1,534,455	1,232,011
Magistral'naya	(409,646)	(22,024)
Geneva House	(2,709,320)	513,860
Arbat Complexes	(1,069,805)	(678,656)
"Scandinavia" land	(10,688,000)	1,451,000
	(13,342,316)	11,813,287

WHAT CHANGED?

- Overall decrease in the valuations of investment properties.

DEVELOPMENT PROPERTY IMPAIRMENT

Valuation movements			
	Net gain/ (loss) from fair value adjustment on financial investments	737'427	(1'300'032)
	Net (loss)/ gain from fair value adjustment on investment properties	(13'342'316)	11'813'287
	Valuation movements	(12'604'889)	10'513'255
	Development property impairment	(749'989)	(875'169)
	Net operating (loss)/ gain before finance cost	(23'367'162)	7'485'229
	Finance costs	(5'231'148)	(3'123'017)
	Share of associates' loss	(24'660'546)	(9'488'999)
	Net gain from sale of subsidiaries	741'168	-
	Loss before taxes	(52'517'688)	(5'126'787)
	Income taxes	(6'608'229)	1'735'019
	Net loss for the period	(59'125'917)	(3'391'768)
	Attributable to:		
	Equity holders of the Company	(59'125'917)	(3'391'768)
	Non-controlling interest	-	-
	Weighted average number of outstanding share	4'262'613	4'262'613

Note: this is entirely Arbat Development property impairment.

WHAT CHANGED?

- Slight decrease (considering cost additions) in the valuations of Arbat development property.

SHARE OF ASSOCIATES' LOSS

Valuation movements			
	Net gain/ (loss) from fair value adjustment on financial investments	737'427	(1'300'032)
	Net (loss)/ gain from fair value adjustment on investment properties	(13'342'316)	11'813'287
	Valuation movements	(12'604'889)	10'513'255
	Development property impairment	(749'989)	(875'169)
	Net operating (loss)/ gain before finance cost	(23'367'162)	7'485'229
	Finance costs	(5'231'148)	(3'123'017)
	Share of associates' loss	(24'660'546)	(9'488'999)
	Net gain from sale of subsidiaries	741'168	-
	Loss before taxes	(52'517'688)	(5'126'787)
	Income taxes	(6'608'229)	1'735'019
	Net loss for the period	(59'125'917)	(3'391'768)
	Attributable to:		
	Equity holders of the Company	(59'125'917)	(3'391'768)
	Non-controlling interest	-	-
	Weighted average number of outstanding share	4'262'613	4'262'613

Share of associates' loss

	30.06.2011	30.06.2010
Investments in Vestive	-24 297 807	-9 356 381
Investments in EPH RE	-101 851	-
Investments in Connecta KG	-260 888	-
Investments in HCI	-	-132 618
	-24 660 546	-9 488 999

WHAT CHANGED?

- NAV of Vestive group decreased to zero due to decrease in its parking project valuations.

CORPORATE GOVERNANCE

SIGNIFICANT IMPROVEMENTS MADE; REMAINS A PRIORITY

- Appointed two highly experienced and respected independent non-executive Directors
- Board of Directors is now majority independent of management
- Introduced quarterly reporting and conference call, starting in Q1 2011
- Introduced requirement to disclose when ownership crosses thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 33%, 50% or 66%

- Real Estate market expected to continue recovery in Moscow and St Petersburg
- EPH in strong position with development assets and cash for investment
- Focus on commercialization of Turgenevskaya Parking and completion of Arbat development projects
- Seek quality assets for new investment – location is the most important criteria

H1 2011 RESULTS CALL

13 SEPTEMBER 2011



Terry Olin: Management Committee
Managing Director
Eastern Property Holdings
Valartis Group



Alexander Nikolaev: Management Committee
Managing Director
Russia & CIS
Valartis Group



Yulia Makhinova: Management Committee
Finance Director
Russia & CIS
Valartis Group