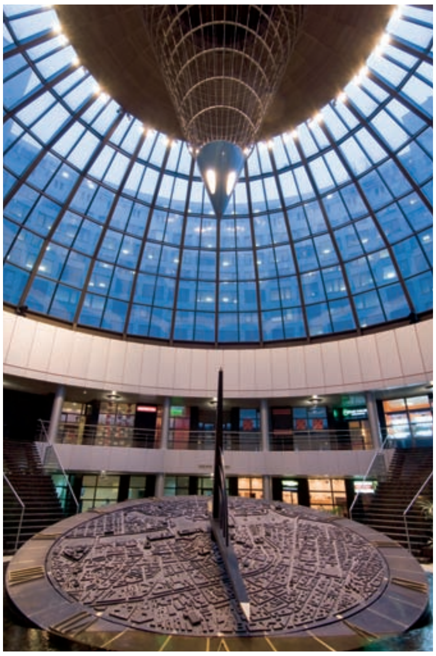
EPH EASTERN PROPERTY HOLDINGS



Semi-annual Review 2007

Contents

Results at a Glance

Key Numbers from Balance Sheet and Income Statement

in US$

	30.06.2007	31.12.2006
Assets		
Investment property	148,550,167	140,600,000
Financial investments	51,085,400	43,160,000
Loans and receivables	23,678,305	–
Cash & cash equivalents	86,099,551	127,587,076
Other assets	44,809,763	32,055,830
Total assets	354,223,186	343,402,906
Total shareholders' equity	328,818,729	322,723,204
Number of shares outstanding	3,383,729	3,383,729
Net asset value per share	97.18	95.38

	30.06.2007	30.06.2006
Results		
Gross rental income	8,658,221	2,949,097
Net gain from fair value adjustment on investment property	2,073,642	385,038
Net gain from fair value adjustment on financial investments	4,444,618	51,452
Net operating profit before finance cost	12,345,433	– 2,830,406
Net profit for the year	11,227,012	– 3,195,180
Earnings per share	3.32	– 1.89
Market capitalization	376,304,652	190,157,097

Statement of the Board of Directors

Dear Shareholders,

In late 2003, when we raised our initial capital, the Russian property market offered very attractive investment opportunities. In our opinion, it still does.

The nature of the opportunity, however, has changed. Prime properties with blue-chip tenant lists, like Berlin House, which we bought in 2004, are no longer available at double-digit yields. Yields have come down solidly into the single digits, while rents move relentlessly higher. This has, of course, been very positive for the properties we own – we have enjoyed very significant value appreciation in our existing properties – but it also means that the investment case for Russian property has evolved: rather than high yields and reasonable rents, now we see more modest yields and some of the world's highest rents.

We understand why property investors, both foreign and domestic Russian, continue to buy Russian properties. Even now, yields are significantly higher than in nearby Central Europe, and, of course, far higher than Western Europe. The Russian economy – for better or worse still significantly hydrocarbon-driven – is among the world's fastest growing, and with quite different drivers than the US or European economies. But we are not a global property investor or developer, and our business does not involve allocation of assets between Europe's developing and developed markets; we are dedicated to Russia and the relatively early stage economies of the region. For us, the decision is not whether or not we should be in Russian property, but how.

By any standard, Moscow, St. Petersburg, and the rest of the major cities of the CIS are undersupplied with office, retail, quality residential, and logistics space. We believe the most compelling opportunity today is not in bidding for what is there, but building what is needed.

So, while we do not rule out opportunistic acquisitions, the skill set embodied in our management team, and our recent and upcoming acquisitions are very much development oriented.

On 17 July, we announced a significant new investment, in which we will participate in the construction of two multi-use buildings, totaling over 38,000 square meters, in what we feel is one of Moscow's most attractive locations. The first building is already under construction. We expect to break ground on the second by year-end.

Our Geneva House project, which has been under construction since the beginning of this year, is progressing on schedule for commissioning next year. Please note that while significant value is being created with this project, we continue to keep it on our balance sheet at cost.

In the Notes to Financial Statements at the end of this report, you will see mention of additional acquisitions for which agreements are signed and funds are in escrow. These future holdings also represent development projects which we feel will be exciting both for our shareholders, and for their future occupants. We look forward to announcing additional details when the acquisitions have been completed.

Sincerely,

The Board of Directors

Corporate Governance Report

Group Structure

Group structure

Eastern Property Holdings (EPH) is a real estate holding company. Its investments are held either directly or through subsidiaries. Management of the Company is provided by Eastern Property Management Ltd (EPML), which is a wholly owned subsidiary of Valartis Group AG. The Company's object is described in Note 1, "Incorporation and Activity" to the Consolidated Financial Statements.

Domicile	P.O. Box 3161 Road Town, Tortola, British Virgin Islands
Swiss security number	1673866
ISIN number	VGG290991014
Market capitalization	US$ 376.3 million as of 30 June 2007

The subsidiaries of the Company are not listed and do not hold any shares in EPH.

Significant shareholders

The shares of the Company are widely spread between institutional and private investors. ENR Russia Invest SA, an investment company listed on the SWX Swiss Exchange, is holding 310,310 shares of EPH. The investment manager of ENR is also a subsidiary of Valartis Group AG. As EPH is not domiciled in Switzerland, its shareholders are not subject to the disclosure obligations as laid down in art. 20 f SESTA.

Cross-shareholdings

The Company is not aware of any cross-shareholdings.

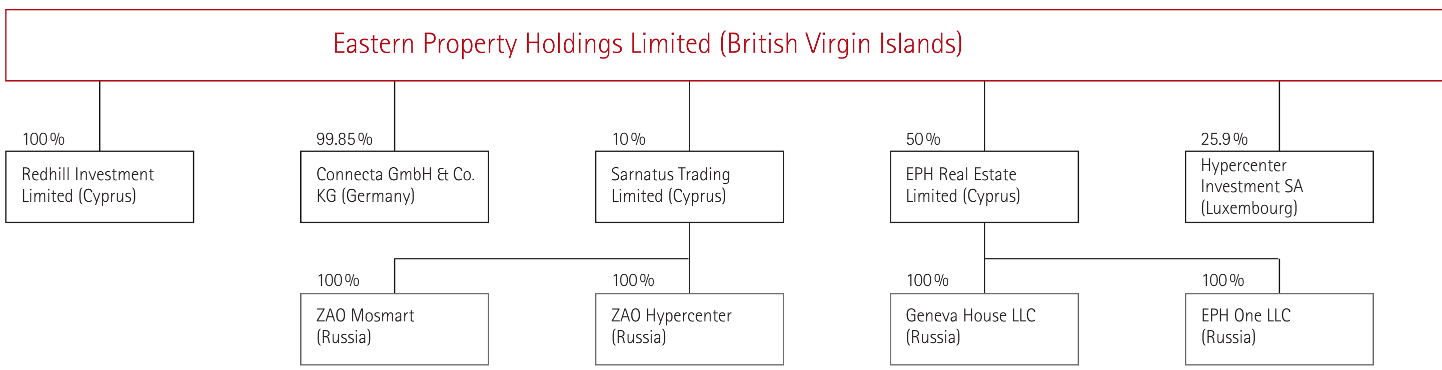
Capital Structure

Capital

As of 30 June 2007, the Company's share capital consists of 3,383,729 registered shares with one vote per share and no par value. The shareholders register is maintained and administrated by SAG SIS Aktienregister AG, Baslerstrasse 90, CH 4600 Olten. Note 13 to the Company's Consolidated Financial Statements contains a detailed description of the Company's capital structure including all transactions in treasury shares.

Authorized and conditional capital

A change in the Company's authorized capital must be approved by a resolution passed by the general meeting of members. A capital increase by the exercise of options or conversion of rights must also be covered



by the authorized capital as the Company's articles do not foresee a conditional capital. The status of the authorized capital is detailed in Note 13 to the Consolidated Financial Statements.

Change in capital

Changes in capital over the last two years are summarized in the Consolidated Statement of Changes in Equity.

Shares and participation certificates

Note 13 to the Consolidated Financial Statements contains a detailed description of the Company's shares. No participation certificates have been issued.

Profit sharing certificates

The Company has not issued any profit sharing certificates.

Limitations on transferability and nominee registration

In order to exercise their voting rights, shareholders must register their shareholdings in the Company's shareholder register. The Company's Articles of Association do not foresee any restrictions regarding the registration of shareholders in the register.

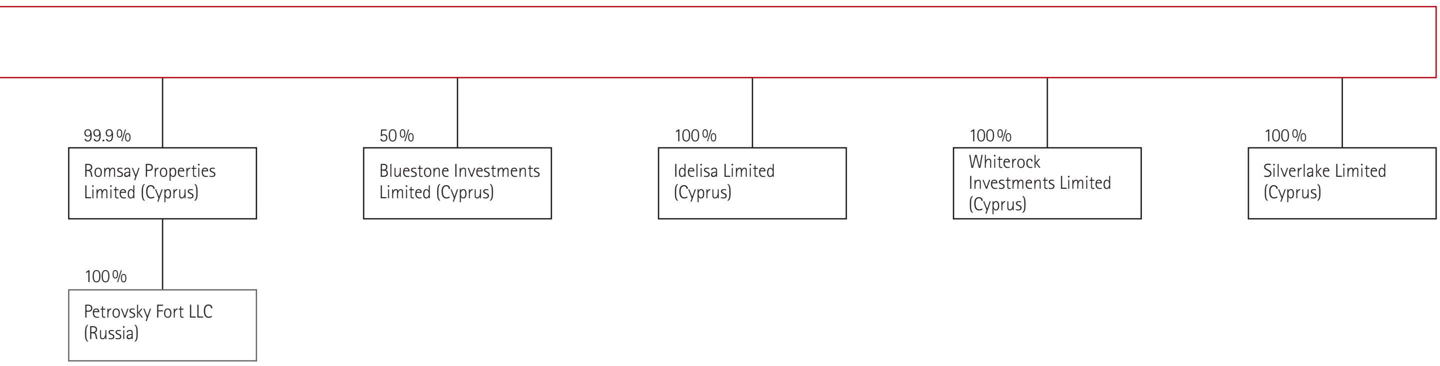
Board of Directors

Members of the Board of Directors

As of 30 June 2007, the Board of Directors is composed of the following members:

Gustav Stenbolt, Executive Member (since December 2005)

Mr. Stenbolt is the Chairman of Valartis Asset Management SA and Valartis Wealth Management SA, Vice Chairman of Valartis Group AG, President of the Executive Committee of Jelmoli, and also the general manager of Hansa AG, Basel. Prior to founding MCG, the majority shareholder of Valartis Group, he headed the investment management department of Unifund, a private Swiss-based investment company. Mr. Stenbolt is also a director of ENR Russia Invest, Jelmoli, Pelham Investments SA, Anglo Chinese Group and the investment funds MC Russian Market Fund and MC Premium SICAV. He is a graduate in economics from Fribourg University. Mr. Stenbolt also served on the Management Committee of EPH from its founding until 2007.



Serge de Pahlen, Non-Executive Member (since April 2004)

Mr. de Pahlen is Chairman of Geneva-based Edifin Services SA and Director of private equity investor FIMA. He was formerly Vice President for international activities at Fiat Group, and Chairman of OOO Fiat Russia from 2001 to 2005 as well as board member for a number of other Fiat Group companies. Mr. de Pahlen also serves on the boards of directors of International Industrial Bank (Russia) and Kostroma Invest. He is a graduate of the Polytechnical Institute of Zurich.

Philipp LeibundGut, Non-Executive Member (since March 2003)

Mr. LeibundGut is a partner at MCG, the majority shareholder of Valartis Group AG. He was instrumental in the founding of EPH, and also served as a member of the Management Committee from 2003 until 2006. Before joining MCG, Mr. LeibundGut was in charge of the Russian investment activities of Hansa AG, and prior to that was with Credit Suisse. He is a graduate of the Technical College of Basle-Land and Basle-Stadt, and a graduate in business economics from the Basle University of applied sciences (FHBB). Mr. LeibundGut is also a member of the board of directors of the Valartis Group AG.

Jan Eckert, Non-Executive Member (since December 2005)

Mr. Eckert is Managing Director of Sal. Oppenheim Jr. & Cie. (Schweiz) AG in charge of real estate investment advisory and real estate investment banking. Previously, Mr. Eckert, as an Arthur Andersen partner, founded Andersen Real Estate in Switzerland, which was then successfully integrated into Ernst & Young. As a partner at Ernst & Young, Mr. Eckert was head of the real estate practice in Zurich and a member of Ernst & Young's Global Real Estate Leadership Team. He has acted as strategic advisor to institutional investors and real estate companies, advised on valuation, structuring, analysis and performance measurement of real estate portfolios and acted as financial advisor with regards to real estate mergers & acquisitions and initial public offerings. Furthermore, Mr. Eckert has written numerous publications in the area of real estate investments. Mr. Eckert is an economist and a Swiss Chartered Public Accountant, an MRICS of the Royal Institute of Chartered Surveyors (R.I.C.S.) and holds a post graduate degree in real estate economics from the European Business School, Germany.

Kay Reddy, Non-Executive Member (since September 1999)

Ms. Reddy is the Managing Director of Euro-American Trust & Management Services Limited, BVI. She has resided in the British Virgin Islands since 1997, where she previously held the position of a Managing Director of Barclays Private Bank and Trust (BVI) Limited and, prior to that worked with Deloitte & Touche and Ansbacher (BVI) Limited. She holds a degree in mathematics, operations research, statistics and economics from Warwick University, Coventry, UK. Mrs. Reddy is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Society of Trust & Estate Practitioners and a member of the Institute of Directors.

Other activities and functions

See section "Members of the Board of Directors"

Cross involvement

See section "Members of the Board of Directors" regarding Gustav Stenbolt

Election and term of office

The directors are elected by the general meeting of shareholders for such terms as the shareholders meeting may determine. Currently, all directors have been elected for an undetermined period. The year of first election is detailed in the section "Members of the Board of Directors".

Internal organizational structure

Board meetings take place as often as business requires and generally once per quarter at such place as the directors shall decide. Such meetings may take place by conference call. Their duration depends on the list of items on the agenda. As the Company's investment guidelines foresee that all investments above US$ 10 million must be approved by the Board of Directors, all significant investment proposals are discussed on the Board level.

As of 30 June 2007, the Board of Directors has not formed any committees.

At the beginning of each meeting, a Chairman is elected by the members. According to art. 70 of the Company's Articles of Association, questions arising at any meeting shall be decided by a majority of votes. In case of any equality of votes, the Chairman will have a second or casting vote.

Definitions of areas of responsibility

The Board of Directors is responsible for managing the business affairs of the Company in accordance with the Company's Memorandum and Articles of Association. The day to day management, however, has been delegated to Eastern Property Management Ltd, which appoints and provides the Company's Management Committee. Therefore, the main function of the Board of Directors is the supervision of the Company's management and investments.

Information and control instruments

The Management Committee reports to the Board of Directors on a regular basis and provides an update on the development of investments and new investment targets. Furthermore, the investment strategy, as laid down in the Company's Investment Guidelines, is reviewed on the level of the Board of Directors. As explained in the "Internal organizational structure" section above, all major investments must be approved by the Board of Directors.

Management Committee

Members of the Management Committee

As of 30 June 2007, the Company's Management Committee is composed as follows:

Terry Olin

Terry Olin is responsible for corporate operations and corporate finance at EPH. He has thirteen years of Russian investment experience, of which eight years were spent living and working in Moscow. Mr. Olin is a Manager and Director at Valartis Asset Management SA. Prior to joining the Valartis Group in 2002, he was a partner at Brunswick Emerging Markets in Stockholm, Sweden, responsible for emerging European markets, and before joining Brunswick was a Director at Russian investment bank Troika Dialog in Moscow.

Alexander Nikolaev

Alexander Nikolaev is responsible for execution of the Company's projects and acquisitions, and management of the Moscow-based project management and property operations team. Mr. Nikolaev is Managing Director of Valartis Group's Russia and CIS operations. After graduating from Moscow State University for Foreign Affairs he was Head of Russian and CIS operations for Smith Management LLC, a U.S. private investment corporation. He has over nine years of experience in real estate development, and managing investments in private and public equity. Mr. Nikolaev is also a member of the Investment and Portfolio Management Committees of ENR Russia Invest SA.

Thomas Schelin

Thomas Schelin is responsible for leasing, development and acquisition. Mr. Schelin has been working in the real estate sector since 1989 and has experience working both from a landlord's perspective, and as an advisor to tenants. Until 2002, Mr. Schelin's career was spent with a number of well known property companies and consultants in Stockholm, Sweden. From 2002 until joining Valartis Group in 2007, Mr. Schelin was Head of the Leasing Department for Russia and Ukraine, and a member of the Management Team at IKEA Property Russia.

Yulia Makhinova

Yulia Makhinova is responsible for accounting and financial review, and financial reporting for the Company's subsidiaries. Ms. Makhinova is Chief Financial Officer in the Moscow office of Valartis Group. She began her career as a tax adviser with PricewaterhouseCoopers in Moscow. Prior to joining Valartis Group she was Chief Accountant at the Moscow office of Skanska East Europe. Ms. Makhinova is a graduate of the Russian State Financial Academy, and a Chartered Public Accountant.

Medina Dietz

Medina Dietz is responsible for property operations and tenant relations. She has over 11 years of construction and real estate management experience in Russia. Prior to joining Valartis Group in 2004, Ms. Dietz was a Moscow-based member of the Management Team of WestGkA, a division of WestLB focused on commercial real estate. Before joining WestGkA, she was with Austrian construction company Wohnreform, and prior to that with Maculan International. Ms. Dietz is also a member of the Investment and Portfolio Management Committees of ENR Russia Invest SA.

Andrey Zarechensky

Andrey Zarechensky is responsible for project management and technical management of EPH's development activities and properties. Prior to joining the Company, Mr. Zarechensky accumulated more than 20 years of experience in this field, having worked most recently in a senior role at British Petroleum.

Other activities and vested interest

See section "Members of the Management Committee"

Management contracts

Pursuant to the Real Estate Management Agreement entered into on 15 September 2003, the Company appointed Eastern Property Management Limited (EPML) as discretionary manager of all activities of the Company. On a day-to-day basis, EPML manages the Company's real estate business, in particular the search and identification of properties for investment purposes, the acquisition and disposal of properties, the management and supervision of the Company's properties and other assets and the sourcing and management of development projects on behalf of the Company. EPML also manages all related field activities.

The Real Estate Management Agreement has been concluded for an indefinite period of time. It may be terminated by thirty days' written notice prior to the end of any calendar quarter. In the event of its termination by the Company, other than on the grounds of gross negligence or willful misconduct, EPML will be entitled to material compensation of an amount equal to three times the total fees paid to EPML for the proceeding business year.

Under the terms of the Real Estate Management Agreement, EPML is entitled to a Management Fee of 2% of the Company's adjusted Net Asset Value, payable quarterly in arrears. The adjustment to the Net Asset Value relates to an addition of the nominal amount of all outstanding debt convertible into shares of the Company, if any. The Management Fee includes the remuneration for the Management Committee.

Costs not included in the Management Fee are costs of third parties, out-of-pocket expenses incurred by EPML in carrying out the investigative and due diligence analysis required in pursuing likely investment opportunities, in negotiating, signing and closing investment contracts, and in monitoring existing investments and costs relating to the general administration of the Company, which is provided by the company secretary and administrator.

EPML is entitled to receive a Performance Fee equal to 15% of the value appreciation of the Company's properties, property developments, and financial investments over the financial year, based on the valuation underlying the audited annual financial statements of the Company in accordance with IFRS; provided that the value of such holdings exceeds (i) its original level or (ii) if EPML has previously earned a performance fee, the level which last entitled EPML to a performance fee (high water mark).

The Performance Fee is payable only if the value of the Company's holdings appreciates and the resulting appreciation has been realized (in whole or in part) through a sale, partial sale, refinancing or a similar transaction with respect to one or more of the Company's holdings. Until such realization, any accruals of the Performance Fee will be reflected in the Company's Balance Sheet as a provision for liabilities and charges. The Company's auditors will verify the calculations of the Management Fee and of the Performance Fee in the course of their audit of the Company's consolidated annual financial statements.

Compensations, Shareholdings and Loans

Content and method of compensation

All directors are remunerated by means of a fixed compensation, payable once a year. There are no share-ownership programs or stock option plans in place. Furthermore, it is the Company's policy not to pay remuneration to directors which are also officers of EPML or Valartis Group.

Share allotment in the year under review

The Company did not allot any shares in the year under review.

Share ownership

The members of the Company's Board of Directors, the members of the Company's Management Committee and parties closely linked to such persons held 178,029 shares in the Company as of 30 June 2007.

Options

The members of the Company's Board of Directors, the members of the Company's Management Committee and parties closely linked to such persons did not hold any options on shares of the Company as of 30 June 2007.

Loans to members of governing bodies

The Company did not grant any loans to members of the Board of Directors.

Shareholders' Participation

Voting rights

Each fully paid up registered share carries one vote at shareholders' meetings. The shareholder register is maintained and administrated by SAG SIS Aktienregister AG, Baslerstrasse 90, CH 4600 Olten. According to art. 22 of the Memorandum and Articles of Association, treasury shares do not confer the right to vote. In order to exercise their voting right, shareholders must be registered into the shareholder register.

Shareholders may either represent their shares in person or have them represented by another shareholder. Institutional investors may have their shares represented by the proxy of their choice.

Statutory quorums

A resolution of the General Meeting of Members (shareholders' meeting) approved by at least two thirds of the represented share votes is required for:

1. A change of the purpose of the Company
2. The dissolution of the Company followed by liquidation

Convocation of shareholders' meetings

The Company is required to hold an annual general shareholders' meeting in London, UK. The convening of the general meeting of shareholders shall take place by giving notice at least 20 days prior to the day of the meeting, and specifying the place, the day and the hour of the meeting. The convening notice shall state the agenda as well as the shareholders' proposals.

Extraordinary shareholders' meetings shall be called as often as necessary and shall also be held in London, UK. The directors shall convene an extraordinary shareholders' meeting upon the written request of the members holding more than 10% of the outstanding voting shares of the Company.

Agenda

Shareholders holding more than 10% of the vote of the outstanding shares in the Company may request in writing that additional items be added to the proposed agenda.

Inscriptions into the share register

The deadline for the inscription of registered shares into the shareholder register in view of their participation in the general meeting of shareholders is 20 days prior to the day of the meeting.

Change of Control and Defense Measures

Duty to make an offer

The Company's Memorandum and Articles of Association do not provide for rules on take-over. As a foreign entity, the Company is not subject to SESTA rules.

Clauses on change of control

The Company has entered into agreements which trigger financial consequences in the case of a change of control.

Auditors

Duration of the mandate and term of office

PricewaterhouseCoopers SA are the statutory auditors of the Company since the year 2004.

Supervisory and control instruments

The auditors are supervised by the Company's Board of Directors, and delegates of the Board of Directors are in contact with the auditors on an ongoing basis. Furthermore, it is the Company's policy to hold a formal audit meeting between the Board of Directors and the auditor in charge once a year.

Information Policy

Financial statements can be requested in writing free of charge from the following address:

Eastern Property Holdings Limited
Investor Relations
c/o Valartis Asset Management
2–4 Place du Molard
1204 Geneva
Switzerland
Phone: +41 22 716 10 00
Fax: +41 22 716 10 01

Furthermore, recent financial statements, press releases and the Investment Guidelines are available on the Company's website www.easternpropertyholdings.com. Audited reports are published on an annual basis per 31 December. In addition, the Company publishes an unaudited half-year report.

Independent Auditor’s Report

Review Report to the Board of Directors of
Eastern Property Holdings Limited Tortola, British Virgin Islands

We have reviewed the Condensed Consolidated Interim Financial Statements (Condensed Consolidated Interim Balance Sheet, Condensed Consolidated Income Statement, Condensed Consolidated Cash Flow Statement, Condensed Consolidated Statement of Changes in Equity and Selected Notes to the Consolidated Financial Statements, pages 16 to 25) of Eastern Property Holdings Limited as of 30 June 2007.

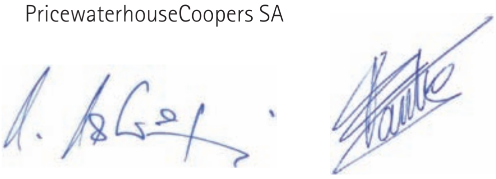
This Condensed Interim Financial Statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on this Condensed Interim Financial Statements based on our review.

Our review was conducted in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity.", which require that a review be planned and performed to obtain moderate assurance about whether the Condensed Interim Financial Statements are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Interim Financial Statements have not been properly prepared, in all material respects, in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

Without qualifying our opinion, we draw attention to Note 9 to the condensed consolidated interim financial statements. As indicated in Note 9, the consolidated financial statements include unquoted investments stated at their fair value of USD 51.09 million. Because of the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these fair values may differ from their realisable values, and the difference could be material. The fair values of these investments have been determined by the Board of Directors and have been disclosed in Note 9. We have reviewed the procedures applied by the Board of Directors in valuing such investments and have viewed the underlying documentation. While in the circumstances the procedures appear to be reasonable and the documentation appropriate, the determination of fair values involves subjective judgment which cannot be independently verified.

PricewaterhouseCoopers SA



Alex Astolfi Auditor in charge	Nicolas Fantuz

Geneva, 31 August 2007

Financial Report

Contents

Condensed Consolidated Interim Balance Sheet as of 30 June 2007

in US$

	Notes	30.06.2007	31.12.2006
Assets			
Non-current assets			
Intangible assets	7	–	7,462,356
Investment properties	8	148,550,167	140,600,000
Financial investments	9	51,085,400	43,160,000
Investment in associates	10	18,110,197	18,658,251
Advance payment	11	15,750,000	–
Loans and receivables	12	23,678,305	–
Furniture and equipment		51,417	836,932
Total non-current assets		257,225,486	210,717,539
Current assets			
Accounts receivable		482,354	602,502
Advance payment	11	7,004,891	767,199
Loans and receivables	12	750,000	–
Other current assets		45,144	313,142
Prepaid taxes		2,615,760	3,415,448
Cash & cash equivalents	20	86,099,551	127,587,076
Total current assets		96,997,700	132,685,367
Total assets		354,223,186	343,402,906
Shareholders' equity			
Ordinary share capital	13	270,856,515	270,856,515
Treasury shares		– 12,170	– 12,170
Share premium		74,791,236	74,662,619
Accumulated deficit		– 26,591,586	– 31,897,106
Other reserves		1,700,585	1,700,585
Cumulative translation adjustment		8,074,149	7,412,761
Total shareholders' equity		328,818,729	322,723,204
Liabilities			
Non-current liabilities			
Long-term liabilities		4,130,609	942,250
Provisions for long term liabilities and charges	14	3,996,017	6,768,530
Deferred purchase price liability		–	6,500,000
Total non-current liabilities		8,126,626	14,210,780
Current liabilities			
Accounts payable and accrued expenses		6,646,664	5,222,215
Provisions for liabilities and charges	14	3,858,267	975,790
Deferred purchase price liability		6,500,000	–
Property tax		272,900	265,813
Bank overdraft	20	–	5,104
Total current liabilities		17,277,831	6,468,922
Total liabilities and shareholders' equity		354,223,186	343,402,906

* The notes on pages 20 to 25 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Income Statement for the half year ended 30 June 2007

in US$

	Notes	30.06.2007	30.06.2006
Rental income			
Gross rental income		8,658,221	2,949,097
Ground rents paid		– 135,508	– 14,153
Service charge income on principal basis		175,753	99,502
Service charge expenses on principal basis		– 1,616,738	– 322,785
Property operating expenses		– 533,216	– 46,791
Repair and maintenance costs		– 209,639	– 31,148
Non-income taxes		– 556,219	– 686,837
Net rental income		5,782,654	1,946,885
Administrative expenses			
Performance fees		845,952	68,615
Management fees		3,257,724	1,399,901
Professional and administration fees		477,370	384,789
Salaries and social charges		204,002	73,424
Total administrative expenses		4,785,048	1,926,729
Other income / (expenses)			
Interest income		2,988,126	915,491
Other income		5,878	1,096
Other operating expenses		– 312,961	– 36,637
Depreciation		– 15,910	– 241
Net gain / (loss) from foreign currency translation		2,164,434	– 4,166,761
Net other income / (expenses)		4,829,567	– 3,287,052
Valuation movements			
Net gain / (loss) from fair value adjustment on financial investments	9	4,444,618	51,452
Net gain / (loss) from fair value adjustment on investment property	8	2,073,642	385,038
Valuation movements		6,518,260	436,490
Net operating profit before finance cost		12,345,433	– 2,830,406
Finance costs		– 310,703	– 364,774
Share of associates' losses		– 548,054	–
Profit before tax		11,486,676	– 3,195,180
Income taxes		– 259,664	–
Net Profit / (loss) for the period		11,227,012	– 3,195,180
Earnings per share for profit attributable to equity holders of the Company during the period			
Basic	6	3.32	– 1.89

* The notes on pages 20 to 25 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Cash Flow Statement for the Half Year Ended 30 June 2007

in US$

	Notes	30.06.2007	30.06.2006
Cash flows from operating activities			
Operating profit / (loss)		11,227,012	– 3,195,180
Net gain / (loss) from foreign currency translation		– 2,164,434	4,166,761
Net unrealized gain on investment property	8	– 2,073,642	– 385,038
Net unrealized gain on financial investments	9	– 4,444,618	– 51,452
Depreciation		15,910	241
Interest income accrued		– 2,988,126	– 915,491
Share of associates' losses		548,054	–
Finance costs accrued		310,703	364,774
Income tax accrued		259,664	–
Increase in payables and other current liabilities		10,731,955	1,678,891
(Decrease) / increase in long term and other non current liabilities		– 8,727,152	119,071
Decrease in receivables and other current assets		– 5,100,925	– 600,131
Income tax paid		– 428,025	–
Interest income received		2,536,009	718,231
Net cash generated from operating activities		– 297,615	1,900,677
Cash flows from investing activities			
Purchase of investment, net of cash acquired		–	–
Purchase of financial investments		– 3,553,385	– 480,000
Capital expenditure on development property		– 9,149,415	–
Net purchase of furniture and equipment		– 16,200	–
Loans granted	12	– 24,002,403	–
Interest-free loan granted to associate	10	–	– 5,180,000
Net cash generated from investing activities		– 36,721,403	– 5,660,000
Cash flows from financing activities			
Finance costs		– 172,552	– 167,542
Reimbursements from issue of ordinary shares		–	–
Proceeds from other non-current borrowings		–	32,000,000
Dividend paid		– 5,921,492	– 2,548,458
Warrants converted to ordinary shares		–	1,662,570
Proceeds from sale of warrants		–	302,631
Net cash generated from financing activities		– 6,094,044	31,249,201
Net change in cash and cash equivalents		– 43,113,062	27,489,878
Cash & cash equivalents at beginning of the year		127,587,076	52,480,141
Net gain / (loss) from foreign currency translation		1,625,537	217,063
Cash & cash equivalents at the end of the period	20	86,099,551	80,187,082

* The notes on pages 20 to 25 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity for the Period Ended 30 June 2007

in US$

	Ordinary share capital	Treasury shares	Share premium	Accumulated deficit
Balance as at 1 January 2006	126,743,129	– 359,797	74,662,619	– 56,323,667
Cumulative translation adjustment	–	–	–	–
Net income for the year	–	–	–	– 3,195,180
Total recognised expense as at 30 June 2006	–	–	–	– 3,195,180
Transactions in own shares and warrants	–	302,631	–	–
Issuance during the year	1,662,570	–	–	–
Dividend relating to 2005	–	–	–	– 2,548,458
Balance as at 30 June 2006	128,405,699	– 57,166	74,662,619	– 62,067,305
Cumulative translation adjustment	–	–	–	–
Net income for the year	–	–	–	30,170,199
Total recognised income as at 31 December 2006	–	–	–	30,170,199
Transactions in own shares and warrants	–	44,996	–	–
Issuance during the year	142,450,816	–	–	–
Share of associates' reserves	–	–	–	–
Dividend relating to 2005	–	–	–	–
Balance as at 31 December 2006	270,856,515	– 12,170	74,662,619	– 31,897,106
Cumulative translation adjustment	–	–	–	–
Net income for the year	–	–	–	11,227,012
Total recognised income as at 30 June 2007	–	–	–	11,227,012
Transactions in own shares and warrants	–	–	–	–
Issuance during the year	–	–	128,617	–
Share of associates' reserves	–	–	–	–
Dividend relating to 2006	–	–	–	– 5,921,492
Balance as at 30 June 2007	270,856,515	– 12,170	74,791,236	– 26,591,586

in US$

	Other reserves	Currency translation adjustment	Shareholders' equity
Balance as at 1 January 2006	–	– 3,585,156	141,137,128
Cumulative translation adjustment	–	10,030,628	10,030,628
Net income for the year	–	–	– 3,195,180
Total recognised income as at 30 June 2006	–	10,030,628	6,835,448
Transactions in own shares and warrants	–	–	302,631
Issuance during the year	–	–	1,662,570
Dividend relating to 2005	–	–	– 2,548,458
Balance as at 30 June 2006	–	6,445,472	147,389,319
	–		
Cumulative translation adjustment	–	564,619	564,619
Net income for the year	–	–	30,170,199
Total recognised income as at 31 December 2006	–	564,619	30,734,818
Transactions in own shares and warrants	–	–	44,996
Issuance during the year	–	–	142,450,816
Share of associates' reserves	1,700,585	402,670	2,103,255
Balance as at 31 December 2006	1,700,585	7,412,761	322,723,204
Cumulative translation adjustment	–	661,388	661,388
Net income for the year	–	–	11,227,012
Total recognised income as at 30 June 2007	–	661,388	11,888,400
Issuance during the year	–	–	128,617
Dividend relating to 2006	–	–	– 5,921,492
Balance as at 30 June 2007	1,700,585	8,074,149	328,818,729

* The notes on pages 20 to 25 are an integral part of the condensed consolidated interim financial statements.

Selected Notes to the Consolidated Financial Statements as of 30 June 2007

1. Incorporation and Activity

Eastern Property Holdings Limited (the "Company") and its subsidiaries (together the "Group") is a real estate investment and development company with a focus on Russia, the CIS, and other formerly socialist countries or their successors in Central or Eastern Europe. The Company is a limited liability company pursuant to the BVI Business Company Act 2004 of the British Virgin Islands and is subject to the laws of the British Virgin Islands. The Company's registered offices are located at Blenheim Trust (BVI) Limited, P.O. Box 3161, Road Town, Tortola, British Virgin Islands.

The condensed consolidated financial statements as of 30 June 2007 have been approved by the Board of Directors on 31 August 2007.

2. Statement of Compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting'. They do not include all the information required for full annual statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2006.

3. Summary of Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2006.

Functional and reporting currency

The functional currency of the parent company is the US dollar. The functional currency of the Group's major subsidiaries is the Russian ruble. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates.

The Company's shares are listed on the SWX Swiss Exchange in US dollars. Therefore, the Group uses the US dollar as its presentation currency.

New standards, amendments and interpretations

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31 December 2007:

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). IFRIC 7 provides guidance on how to apply requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group's operations;
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of IFRS 2. IFRIC 8 is not expected to have any impact on the Group's accounts;
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have changed the terms of their contracts, IFRIC 9 is not relevant to the Group's operations;
- IFRIC 11, IFRS 2, Group and Treasury Share Transactions (effective from 1 March 2007);
- IFRIC 12, Service Concession Agreement (effective from 1 January 2008);
- IFRIC 13, Customer Loyalty Programs (effective for annual periods beginning on or after 1 July 2008); and
- IFRIC 14, IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

As of 30 June 2007 the Group owns and manages two commercial properties in Russia, 50% of a joint venture which will acquire a commercial property in Moscow when completed, 26% of a company which develops commercial real estate throughout Russia and a 10% equity stake in a company which owns commercial properties and operates hypermarkets in Russia. Therefore, the Company considers commercial real estate its only business segment and Russia its only geographical segment.

5. Use of Estimates

The preparation of interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2006.

6. Earnings per Share

Basic earnings per share is calculated by dividing the net income for the year by the weighted average number of shares outstanding during the year.

in US$

	30.06.2007	30.06.2006
Earnings per share basic / diluted		
Net profit attributable to shareholders	11,227,012	– 3,195,180
Weighted average number of ordinary shares outstanding	3,383,729	1,690,487
Basic earnings per share (US$ per share)	3.32	– 1.89

7. Intangible assets

EPH Real Estate Limited

In 2005 the Company entered into a joint venture agreement with Vincennes Estates Limited for the development of an 18,000 square meter office and retail building in the central business district of Moscow. By virtue of this agreement, EPH sold a 50% interest in its wholly owned subsidiary EPH Real Estate Ltd, and acquired the right to a 50% ownership in the development project.

In 2005 the Group paid US$ 4.30 million to its joint venture partner. In 2006, as certain conditions had been met, an additional US$ 2.00 was released from escrow to the joint venture partner. These payments were made to compensate the joint venture partner for site acquisition and pre-development costs. In addition, the Group also incurred various expenses to enter into the joint venture agreement totaling US$ 281.6 thousand, which have been capitalized. Expenditures on the project by the joint venture as of 31 December 2006 totaled US$ 880.70 thousand, which was also reflected as the carrying value of the asset.

During the period under review additional agreements have been implemented between the developer of the project and the City of Moscow, and between the developer and EPH Real Estate. Construction of the project has also commenced. As the property will be commissioned upon completion in the name of the joint venture without additional purchase consideration, the asset has been reclassified from Intangible Assets to Advance Payments.

8. Investment Properties

in US$

	30.06.2007	31.12.2006
Berlin House		
Beginning of the period	68,100,000	51,000,000
Addition	–	–
Revaluation	2,260,000	17,100,000
Land lease obligations	422,625	–
End of period	70,782,625	68,100,000

Berlin House

Berlin House is a 13,000 square meter commercial property constructed by Hochtief AG, a multinational construction services company, and commissioned in June 2002. The building's 7,800 square meters of net rentable space is divided between 5,760 square meters of office space and 2,040 square meters of retail space. Of the eight above-ground floors, six are devoted to office space and two are devoted to retail space. One of the three underground levels contains retail space, and the remaining two contain 62 parking spaces.

The building is located at Petrovka Street 5, Moscow.

As of 30 June 2007, the vacancy rate as a percentage of total rentable area was, for office space, 0%, and for retail space, 0%. Rental income for the property for the period under review was US$ 3.16 million. The following table indicates the exposure to non-renewals of existing leases over the periods indicated:

in US$

	30.06.2007	31.12.2006
Berlin House		
No later than 1 year	5,201,471	5,806,506
Later than 1 year and no later than 5 years	17,215,346	16,989,077
Later than 5 years	1,400,284	3,373,825

There were no contingent-based rents recognized in the income statement.

As of 30 June 2007, the top five tenants in the building, by net rent paid are Reuters, Alcatel, Elikon ZAO, Terra LLC (former Yakhont Center) and MFK Jamilco. These top five tenants account for approximately 83% of the annual net rent.

Berlin House

Remaining lease term	Percentage of space		Net rent as a percentage of total	
	Office	Retail	Office	Retail
Less than one year	32%	11%	35%	17%
One to five years	4%	19%	3%	19%
More than five years	64%	70%	62%	64%

The market value of Berlin House was determined by the Board of Directors to be US$ 70.78 million as of 30 June 2007, based on an independent valuation prepared by Knight Frank, Moscow, and adjusted for outstanding land lease obligations. The valuation was based on discounted cash flow projections, using a discount rate of 9.25% on net income from existing leases, and 10.25% from reversion rents to be received when existing leases expire.

Berlin House is held via the subsidiary company Connecta GmbH & Co. KG. As the subsidiary company uses the Russian ruble as its functional currency, and due to the movements in the US$ / RUB exchange rate from 1 January 2007, the fair value of the property has decreased by US$ 1,539,958 as a result of exchange rate movements and has increased by a fair value appreciation for the period of US$ 2.26 million. The resulting net unrealized gain of US$ 720,042 has been recognized in the income statement of the Company as at 30 June 2007 (2006: gain of US$ 385,038).

in US$

	30.06.2007	31.12.2006
Petrovsky Fort		
Beginning of the period	72,500,000	–
Addition	–	65,000,000
Revaluation	3,000,000	7,500,000
Land lease obligations	2,267,542	–
End of period	77,767,542	72,500,000

Petrovsky Fort

Petrovsky Fort is a 49,000 square meter Class B office and retail building located in central St. Petersburg. Petrovsky Fort has nine office and two retail levels and a large central atrium. Of the net rentable space, 15,865 square meters are designated for office use and about 7,277 square meters as retail space. The building has an underground parking facility with 110 parking spaces and an above-ground car park with 33 parking spaces.

The building is located at Finlyandsky Prospect 4, St. Petersburg.

As of 30 June 2007, the vacancy rate as a percentage of total rentable space was, for office space, 3.1%, and for retail space, 1.4%. Rental income for the property for the period under review was US$ 5.50 million. The following table indicates the exposure to non-renewals of existing leases over the periods indicated:

in US$

	30.06.2007	31.12.2006
Petrovsky Fort		
No later than 1 year	6,797,426	5,549,041
Later than 1 year and no later than 5 years	5,470,860	2,669,571
Later than 5 years	–	–

As of 30 June 2007, the top five tenants in the building, by net rent paid are Stroimontage, Set, Yandex, Crystal Service and Delovoj Kvartal. These top five tenants account for approximately 38% of the annual net rent.

Petrovsky Fort

Remaining lease term	Percentage of space		Net rent as a percentage of total	
	Office	Retail	Office	Retail
Less than one year	53%	9%	53%	15%
One to five years	47%	91%	47%	85%
More than five years	0%	0%	0%	0%

The market value of Petrovsky Fort was determined by the Board of Directors to be US$ 77.77 million as at 30 June 2007, based on an independent valuation prepared by Knight Frank, Moscow, and adjusted for outstanding land lease obligations. The valuation was based on discounted cash flow projections, using a discount rate of 13% on net income.

Petrovsky Fort is held via the subsidiary company Romsay Properties Limited. As the subsidiary company uses the Russian ruble as its functional currency and the US dollar as presentation currency and due to the movements in US$/ RUB exchange rate from the date of the acquisition of the subsidiary, the fair value of the property has decreased by US$ 1,646,400 as a result of exchange rate movements and has increased by a fair value appreciation for the year of US$ 3.00 million. The net unrealized gain of US$ 1,353,600 has been recognized in the income statement of the Company as at 30 June 2007.

US$ 6.50 million of the purchase price of Petrovsky Fort is still outstanding as of the balance sheet date, and is therefore classified as deferred purchase price liability.

9. Financial Investments

Financial assets at fair value through profit or loss

On 1 July 2004, the Company acquired 10% of the equity in Sarnatus Trading Limited, and was assigned a loan for a total consideration of US$ 10.00 million. According to the share purchase agreement, the US$ 10.00 million consideration was for the shares, and for the assignment and transfer of the seller's rights and obligations under the assigned loan. The Company also committed to additional contributions totaling US$ 16.70 million triggered by the opening of new shopping centers. Sarnatus, in turn, committed to make payments of US$ 6.7 million to EPH in relation to the assigned loan. These payments have been categorized partially as interest, and partially as repayment of the amount of the loan. In November 2004, the Company and the other shareholders of Sarnatus agreed to acquire a site which was not envisioned in the original Shareholders Agreement, thus an additional proportionate contribution of US$ 1.54 million in the form of a loan that was later converted to equity was made. This amount did not reduce the remaining contributions due under our original agreement. Sarnatus paid the Company US$ 1.70 million in 2004 which was categorized as reduction of the amount of the assigned loan. In 2005 the Company's sole contribution to Sarnatus consisted of an interest-free US$ 600.00 thousand loan which was converted into equity in the first half of 2006. On 8 December 2006, the Company contributed US$ 2.18 million in the form of a loan that was converted to equity prior to year-end. On 12 December 2006, the Company paid US$ 5.00 million to Sarnatus to satisfy the obligation carried on prior financial statements as a Deferred Purchase Price Liability. On 14 December 2006, Sarnatus paid the Company US$ 5.00 million in accordance with its obligations in relation to the assigned loan. On 15 December 2006, all shareholder loans and the assigned loan were converted to equity. The conversion did not affect our percentage ownership of Sarnatus, as the other shareholders contemporaneously made and converted into equity similar loans in proportion to their respective ownership interests. The Company's remaining obligation under the Shareholders Agreement is a contribution of US$ 2.22 million.

The fair value of the equity investment in Sarnatus amounts to US$ 47.52 million as at 30 June 2007 (2006 year-end: US$ 43.16 million). The Company has recognized a net gain from fair value adjustment of its investment in Sarnatus of US$ 4.36 million as at 30 June 2007 (2006: US$ 51.45 thousand).

The value of Sarnatus has been estimated by the Company based on a sum of the parts approach. As of 30 June 2007, the value of Sarnatus is composed of the following elements:

- Mosmart retail business: at 30 June 2007, Sarnatus operates 4 hypermarkets and 20 other stores in other size formats under its Mosmart brand name. Valuation multiples for Mosmart's listed peers were applied to its first semester 2007 sales and earnings results.
- Real estate assets: at 30 June 2007, Sarnatus was the owner of 4 operational shopping centers. Each center includes a Mosmart hypermarket, and the remaining area is rented to other shops.
- Non-operating assets and the net debt position of Sarnatus at 30 June 2007 (on an unaudited basis) were taken into consideration
- In order to value its 10% stake, the Company used unaudited 2007 sales and earnings figures and its own sales and earnings projections for the valuation of the Mosmart retail business, and Knight Frank, an independent real estate consultant, for the valuation of the real estate assets as of 30 June 2007. The net debt position was estimated by the Company on basis of the unaudited management accounts of Sarnatus as of 30 June 2007.

On 7 June 2007, the Company purchased a floating rate note for GBP 1.78 million including accrued interest. Its fair value as of 30 June 2007 is equal to US$ 3,565,400.

10. Investments in Associates

in US$

	2007	2006
Equity investment	39,882	39,882
Share of associates' reserves	2,103,255	2,103,255
Share of associates' losses	– 1,385,940	– 837,887
Additional contribution	17,353,000	17,353,000
Closing balance	18,110,197	18,658,250

In 2005, the Company made a capital contribution to Hypercenter Investment SA which will be the exclusive development partner for new Mosmart-anchored shopping centers. EPH owns 25.9% of Hypercenter Investment.

In 2005, 2006 and 2007 the Company made contributions to Hypercenter Investment SA in the form of interest-free loans. The other shareholders of Hypercenter Investment have also made loans to the company in proportion to their ownership.

11. Advance Payment

On 28 May 2007, the indirectly held subsidiary of the Group, Petrovsky Fort LLC, entered into two provisional agreements for the acquisition of three land plots with a total area of approximately 103 hectares near St. Petersburg for a total purchase price of US$ 29.55 million payable in Rubles at the exchange rate of RUB 27 per US dollar.

On 31 May 2007, 10% of the total purchase price of the land plots under the provisional agreements was paid to the sellers as Advance payment. In the event that the respective sale and purchase agreements are not executed, the refund of the Advance payment is secured by a bank guarantee.

A total of US$ 15.75 million has been recognized as Advance Payments related to its Geneva House project. For this period, an amount of US$ 7.46 million related to the Group's 50% owned joint venture company EPH Real Estate was reclassified from Intangible Assets to Advance Payments (see Note 7). Additional expenses of US$ 8.29 million have been incurred during the period under review, of which US$ 2.00 million was paid to the Group's joint venture partner, Vincennes Estates Ltd., also as compensation for historical site acquisition and pre-development costs, and US$ 6.29 million was the Group's share of expenses incurred by the joint venture.

For additional information, see Note "Subsequent Events".

12. Loans and Receivables

in US$

	30.06.2007	31.12.2006
Loans (non current)		
EPH Real Estate Ltd.	23,678,305	0
Interest-free loans (current)		
EPH Real Estate Ltd.	750,000	–

EPH Real Estate Ltd.

On 9 February 2007, the Group made a RUB 185.5 million loan to EPH Real Estate Ltd. On 16 April 2007, the Group made a US$ 39.3 million loan to the joint-venture company. The Company also made an interest-free US$ 1.50 million loan to EPH Real Estate. Beginning 2007, according to IAS 31, the joint venture is partially consolidated by integration of 50% of its balance sheet and income statement.

13. Shareholders' Equity

Authorized capital

Art. 8 of the Company's Memorandum, as amended by the resolutions passed at the Extraordinary Shareholders Meeting of 29 June 2004, 19 November 2004 and 7 March 2005, and the General Meeting of Members of 16 May 2006 and 3 May 2007 provides for an authorized capital which entitles the Board of Directors to issue a total of 9,000,000 registered ordinary shares without par value and 1,000,000 registered Series A preferred shares without par value.

Art. 14 sec. 2 of the Articles of Association foresees that the existing shareholders shall, in principle, be entitled to their subscription rights in the context of an authorized capital increase.

During the first half of 2007, US$ 128,617 was returned to the Company from the bank syndicate in relation to the November 2006 capital increase.

Increase of capital

in US$

Authorised capital

	Number of ordinary shares		Number of series A preferred shares	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Opening Balance	1,109,868	1,309,623	1,000,000	1,000,000
Increase	4,500,000	1,500,000	–	–
Utilisation for capital increase	–	– 1,699,755	–	–
Conversion to ordinary shares	–	–	–	–
Closing balance	5,609,868	1,109,868	1,000,000	1,000,000

Issued share capital

	Number of ordinary shares		Number of series A preferred shares	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Opening Balance	3,390,132	1,690,377	–	–
Capital increase	–	1,699,755	–	–
Closing balance	3,390,132	3,390,132	–	–
Total authorised capital	9,000,000	4,500,000	1,000,000	1,000,000

Treasury shares

	Number of shares	Number of shares
	30.06.2007	31.12.2006
Opening Balance	6,403	6,403
Purchases	–	–
Sales	–	–
Closing balance	6,403	6,403

Treasury shares do not participate in profits of the Company and do not carry any voting rights. All outstanding shares rank equally as to dividends and all other pecuniary rights associated with share ownership. Common shares are entitled to one vote each. Preferred A shares are not entitled to vote.

On 8 May 2007, the Company paid a dividend of US$ 1.75 per ordinary share.

14. Provisions for Liabilities and Charges

in US$

30.06.2007

	Performance fee	Others	Total
Opening balance	6,768,530	975,790	7,744,320
Currency exchange difference	–	–	–
Additional provisions	845,952	–	845,952
Dissolution	–	– 735,988	– 735,988
Closing balance	7,614,482	239,802	7,854,284

Analysis of total provisions

	30.06.2007	31.12.2006
Non-current	3,996,017	6,768,530
Current	3,858,267	975,790
Closing balance	7,854,284	7,744,320

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Performance fees are to be paid to Eastern Property Management Ltd if there is a cash event involving a holding which has appreciated in value.

Refinancing of Berlin House is expected prior to year-end. As this will trigger payment of the performance fees linked to this asset, US$ 3.86 million of provisions have been moved from non-current to current.

15. Commitments and Contingencies

As a result of its investment and development activities, the Company has entered into commitments totaling US$ 30.19 million as of 30 June 2007:

1. Sarnatus Trading Ltd: follow-on investments of US$ 2.22 million, subject to Sarnatus reaching certain progress in its real estate developments;
2. Hypercenter Investment SA: follow-on investments of US$ 27.97 million.

16. Seasonality of Interim Operations

The Group's operating income is due to rent income from real estate assets, or interest income from loans and cash on deposit. As such, Management of the Group does not believe interim operations are subject to seasonality. Operations are subject to long-term cyclical patterns in rent and interest rates.

17. Subsequent Events

1\. On 3 July, US$ 20.5 million were transferred into escrow subsequent to the signing of the share purchase agreement for the purchase of 100% of the ordinary, and 85% of the preferred shares of a Cyprus limited liability company which will hold the ownership interests of a Moscow office property which will be acquired for redevelopment.

2\. On 9 July, the Company's indirectly held 50%-owned subsidiary Geneva House LLC entered into a share purchase agreement pursuant to which Geneva House LLC has acquired 100% of the share capital of a Russian closed-stock company, and 50% of the share capital of a second Russian closed-stock company. Geneva House LLC has the right to acquire the remaining 50% of the shares of the second company subject to certain conditions under the share purchase agreement. The acquired entities have the rights of ownership, development and construction of two mixed-use properties in central Moscow.

2\. On 13 July, the Group made a loan of US$ 5.18 million to Hypercenter Investment. This amount is applied against the Group's formal commitment to make follow-on investments in the company, as described in Note 10.

3\. On 19 July, the Group paid US$ 1.06 million to its joint venture partner Vincennes Estates Ltd. for compensation of the partner for pre-development costs relating to the construction of an office and retail building in the central business district of Moscow.

4\. On 20 July, the Company issued and listed 338,000 ordinary shares out of the authorized capital. The shares are currently being held in treasury.

5\. On 27 July, the Company entered into a partnership agreement with Eastern Property Management Ltd. and Valartis International Ltd. The partnership, Eastern Property Partners LP, was assigned the title and interest of the share purchase agreement dated 28 June relating to the purchase of Housefar Ltd.

6\. On 31 July, the Group made a RUB 300 million loan to its indirectly held affiliate Petrovsky Fort LLC for the acquisition of land plots in St. Petersburg. On 6 August, Petrovsky Fort LLC signed the agreement for the purchase of two land plots with a total area of 55.4 hectares. 90% of the purchase price, equal to RUB 363.48 million was transferred into escrow. Release of the purchase price to the sellers is subject to the registration of the title of the land plots in the name of Petrovsky Fort LLC. The execution of a sale and purchase agreement for a third land plot with an area of 48.3 hectares is subject to certain conditions to be met by the seller.

18. Taxation

Please note that the Management of the Group needs to use an estimate of the annual tax rate to calculate and recognize an interim period tax charge, as required by IAS 34.30 (c).

19. Related Transactions

The Group owns 50% of EPH Real Estate Ltd, 26% of Hypercenter Investment SA, and 10% of Sarnatus Trading Ltd. As such, each of these companies are to be considered related parties. The Group's transactions with these companies in the period under review, subsequent to the period's close, and planned in the future are described in Notes 14 and 16.

EPH is managed by Eastern Property Management Ltd, which is wholly owned by Valartis Group AG. Employees of the Valartis group companies are members of the Management Committee and Board of Directors of the Company. The Company pays management and performance fees to Eastern Property Management Ltd. For the period under review, US$ 3,257,724 was paid or will be paid as management fees, and US$ 845,952 has been accrued for payment of performance fees based on the current values of the Company's financial investments and real estate assets.

ENR Russia Invest SA is a Swiss investment holding company, listed on the SWX Swiss Exchange, and also managed by a Valartis Group company. ENR owns 9.17% of EPH's shares, and EPH and ENR have a board member in common.

20. Cash and Cash Equivalents

in US$	30.06.2007		31.12.2006	
	Valartis Bank*	Others	Valartis Bank*	Others
Cash at bank and in hand	20,708,765	34,611,666	5,435,087	8,283,913
Fiduciary deposits	30,000,000	–	112,165,000	–
Money market instruments	–	779,120	–	1,703,076
Bank overdraft	–	–	–	– 5,104
Cash and cash equivalents	50,708,765	35,390,786	117,600,087	9,981,885
Total cash and cash equivalents		86,099,551		127,581,972

* Valartis Bank is a group related party

Shareholder Information and Corporate Details

Board of Directors
Gustav Stenbolt
Serge de Pahlen
Kay Reddy
Philipp LeibundGut
Jan Eckert

Domicile
Eastern Property Holdings Limited
P.O. Box 3161
Road Town, Tortola
British Virgin Islands

Auditors
PricewaterhouseCoopers SA
Avenue Giuseppe-Motta 50
CH 1211 Geneva
(since March 2004)

Real estate Manager
Eastern Property Management Limited
P.O. Box 3161
Road Town, Tortola
British Virgin Islands
(since September 2003)

Security Number
1673866

ISIN Number
VGG290991014

Ticker Symbol
EPH

Company Website
www.easternpropertyholdings.com

Imprint

Eastern Property Holdings, Road Town, Tortola

Picture
Thomas Mayer, Germany, www.thomasmayerarchive.de

Concept and Design
Eclat AG, Erlenbach / Zurich, Switzerland

Realisation and Printing
Neidhart + Schön AG, Zurich, Switzerland

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