EPH EASTERN PROPERTY HOLDINGS

SEMI ANNUAL REVIEW 2013

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DEAR SHAREHOLDERS

During the 1HY 2013, EPH focused on the ongoing construction of its most promising development projects: Arbat I & Arbat II. Arbat I reached the last construction phase expecting first apartment sales still during 2013. Apart from that, rent contracts at Berlin House have been renewed and are now based on current market rents. These are the main factors which led to the increase in appraised values of EPH properties.

In 1HY 2013, a more favorable management contract with Valartis International has been agreed and a new Board of Directors has been appointed by the general assembly. The new board members originate from different industries as well as countries and will contribute their knowledge and experience to the benefit of the shareholders. However, the strategy of EPH to invest and develop projects in Russia and CIS remains unchanged.

Although having been able to considerably increase rental income through decrease of vacancy rates in Petrovsky Fort and the improvement of operating efficieny as well as to decrease costs based on the new management agreement, net profit of the 1HY 2013 was lower than 1HY 2012, mainly due to negative impact of FX rate fluctuations.

Based on the positive market outlook, the expected start of sales at Arbat I and an uninterrupted and ongoing construction of Arbat II, the BoD of EPH believes in a further value creation of EPH.

Rather than reprint a large amount of information found in our Annual Report for the Semi Annual Review, we have opted to focus on what has changed during the period under review in this report, and include static background information only as necessary. If you are looking at Eastern Property Holdings for the first time, or perhaps for the first time in some years, please be sure to also have the 2012 Annual Report on hand. You will find it on the Company's website, or a printed copy will be sent to you by request.

Sincerely,

The Board of Directors
September 2013

CORPORATE GOVERNANCE

This section contains parts of the annual corporate governance report focusing on significantly changed matters since 31 December, 2012.

CAPITAL STRUCTURE

An authorized capital of the Company was increased from 9,000,000 shares to 11,000,000 shares by the resolution passed at the extraordinary shareholders' meeting on April 15, 2013.

As of 30 June 2013 the Company's issued share capital consists of 5,338,132 Ordinary Shares.

Note 13 "Shareholders' Equity" to the Company's Interim Financial Statements contains a detailed description of the Company's capital structure.

BOARD OF DIRECTORS

A new Board of Directors of the Company was elected at the extraordinary shareholders' meeting on 15 April, 2013. The Board of Directors was elected, in line with the articles of association of the Company, until the end of the annual general meeting of the Company in 2015. As of 30 June, 2013, the Board of Directors is composed of the following members:

Michael Cuthbert (since April 2013)

Mr. Michael Cuthbert is Chairman of Diamond Field International Ltd., a mining company listed on the TSX Venture Exchange in Canada, a member of the Board of Reso Garantia, a leading Russian insurance company, a consultant to Global Legal Search LLP, a legal recruiting firm in London, and to Discreet Law LLP, a legal services advisory firm in London. Before that Mr. Cuthbert worked for two of the leading law firms in London, Slaughter and May and subsequently Clifford Chance where he was, amongst others, the Regional Managing Partner responsible for Russia, the CIS and Central and Eastern Europe. Whilst practicing law, Mr. Cuthbert specialized in M&A, joint ventures, capital markets, debt financing and government contracting, particularly in the natural resource industries and emerging markets.

Tomasz Dukala (since April 2013)

Mr. Tomasz Dukala is an entrepreneur and board member in a number of commercial organizations. Mr. Dukala started his career at PricewaterhouseCoopers Corporate Finance Department in Warsaw. In 2002, he moved to Moscow and worked as Senior Manager in PricewaterhouseCoopers and subsequently as a National Director in Jones Lang LaSalle Capital Markets Department. From 2007 to 2011 he worked at Morgan Stanley, Real Estate Investment Banking Division as a Senior Coverage Officer, responsible for Russia / CIS and CEE markets, based in Moscow. Mr. Dukala is a CFA charter holder.

Olga Melnikova (since April 2013)

Mrs. Olga Melnikova is Deputy CEO at LLC Business Adviser, a legal consulting firm in Russia. Mrs. Melnikova provides its clients with full legal support both in Russia and abroad. She is specialized in the strategic planning of legal support through internal legal experts and external advisers in local or international legal environments. Besides, she provides legal support and structuring for real estate transactions in Russia and Europe. Mrs. Melnikova graduated from Moscow State University of Railway Engineering in 1991 with a degree in Engineering and Mathematics.

Hans Messmer (since April 2013)

Mr. Hans Messmer is the CIO of CAIAC Fund Management AG in Liechtenstein. Before joining CAIAC he held management functions in various asset management companies and acted as head of business development at Baader Bank (Munich) for exchange traded products. Prior to that, he was partner and manager for CK Trading Bank (Frankfurt) and director for several public funds. Mr. Messmer started his career as registered stock broker in New York and gained a license as EUREX trader at Deutsche Börse AG. During his career he qualified as Investment Specialist for Structured Products, Hedge Fund Advisor and Commodity Advisor. He holds an academic degree as MBA of Johann Wolfgang Goethe University Frankfurt specializing in Banking and Insurance.

Gustav Stenbolt (since March 2003)

Mr. Gustav Stenbolt is CEO of the Swiss listed Valartis Group and member of the board of directors of Eastern Property Holdings Ltd., ENR Russia Invest S.A. and Anglo Chinese Group. In 1996, Mr. Stenbolt founded MCT Group, one of the predecessors of Valartis Group, offering institutional asset management services focused on Eastern Europe and the CIS countries. From 2004 to 2007 he was president of the executive committee of Jelmoli Holding AG, by then one of the leading department store and real estate companies in Switzerland. Gustav Stenbolt graduated from the University of Fribourg, Switzerland with a degree in Economics.

Christodoulos G. Vassiliades (since April 2013)

Mr. Christodoulos G. Vassiliades is a lawyer and the managing director of the Cyprus law firm Christodoulos G. Vassiliades & Co LLC. He is specialized in corporate and commercial law, international tax planning, shipping, banking and private clients. After graduating from the University of Athens in 1980, Mr. Vassiliades founded the law firm, Christodoulos G. Vassiliades & Co LLC in 1984. Since then, the company has become one of the leading law firms in Cyprus. In 1999 he has been appointed Honorary Consul of Belize in Cyprus.

Board of Directors' meetings will take place as often as business requires, though generally four times per year, at such place as the directors shall decide. Meetings may also take place by conference call. None of the Company's Board Members serve in governing or supervisory bodies with relevance to the Company, nor do they represent Swiss or foreign interest groups. None of the Company's Board Members hold political posts or serve officially governmental or regulatory functions.

As per 30 June, 2013, the Board of Directors has not formed any committees and specific tasks have not been allocated to individual board members.

MANAGEMENT COMMITTEE

As of 30 June, 2013, the Management Committee was composed of the following members:

Alexander Nikolaev, Russian

Alexander Nikolaev is responsible for corporate operations and corporate finance as well as for execution of the company's projects and acquisitions, and management of the Russia-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 Institute of International Relations (MGIMO) with a degree in international law, he was Head of Russia and CIS operations for Smith Management LLC, a U.S. private investment corporation. He has over seventeen years of experience in real estate development, and managing investments in private and public equity. Mr. Nikolaev has been involved with EPH since inception and a member of the Management Committee since 2004

Yulia Makhinova, Russian

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 Financial Academy under the government of the Russian Federation and a Chartered Public Accountant. Ms. Makhinova joined the EPH team in 2005 and the Management Committee in 2006.

Andrey Zarechnesky, Russian

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 his field. Prior to joining the EPH Management Committee in 2006 he worked in a senior role at British Petroleum. He is a graduate of the Moscow Aviation University (National Research University) with a degree in mechanical engineering.

Medina Dietz, Austrian

Medina Dietz is responsible for property operations, commercialisation and tenant relations. She has over seventeen 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 West GkA, a division of WestLB focused on commercial real estate. Before joining West GkA, she was with Austrian construction company Wohnreform, and prior to that with Maculan International. Ms. Dietz has been with EPH since 2004 and a member of the Management Committee since 2006. She is a graduate of the State Gnessins College of the Ministry of Culture of Russia.

CORPORATE GOVERNANCE

Based on the new management agreement between the Company and Valartis International Ltd., the new Management Committee was elected by the resolution of the Board on 10 September, 2013. The new Management Committee consists of three persons, two of them nominated by the Company itself and one of them by Valartis International as manager of the Company.

DEFINITIONS OF AREAS OF RESPONSIBILITY

The areas of responsibility between the Board of Directors and the Management Committee remain generally unchanged. The Management Committee is responsible for taking operative decisions and will take such decisions by unanimous vote within its authorities and the guidelines determined by the Board of Directors.

MANAGEMENT CONTRACT

The Company entered into a new management agreement with Valartis International Ltd. which replaced the previous agreement. The agreement is effective from 1 January 2013 and concluded for the period of four years with the possibility of prolongation for another year.

The new management agreement covers a very specific scope of services and an exhaustive list of managed assets and EPH subsidiaries. Valartis International Ltd. continues to manage Berlin House and Geneva House as well as Petrovsky Fort and Turgenevskaya Parking. This includes comprehensive services for management and administration of the assets. In addition to leasing, maintenance, regular reporting and corporate administration, this also covers management of the sales process for Arbat I & Arbat II and, in case the sale is decided, for Petrovsky Fort and Scandinavia land plots.
The services provided by Valartis International Ltd. also relate to the development and sale of the Arbat projects as well as administrative and investor relation services to the Company.

The overall management fee under the new management agreement consists of separate payments for each of the specific services provided, instead of a general management fee of 2% of the Company's Net Asset Value (NAV) as in the previous contract. Under the new management agreement, the annual fixed management fee in respect to property management, investor relations and administrative services amounts to approximately USD 1,470,000. The variable management fees for Valartis International Ltd. amount for Turgenevskaya property Management to the higher of USD 70,000 or 15% of the annual net operating income and for Arbat development services and sales services to 1.5% of the annual average Arbat NAV. The new management agreement does not longer provide for any performance fees.

Under the new management agreement, the Company monitors Valartis International Ltd.'s activities as a manager closely. Valartis International Ltd. is only authorized to act within agreed budgets of the respective subsidiaries and within the scope of the respective property management agreements.

COMPENSATIONS

Compensation paid to Valartis International Ltd. under the new management agreement is described in section "Management Contract" above.

No additional compensation is paid by the Company to Members of the Management Committee.

Members of the Board of Directors are compensated for serving on the Board of Directors. The Board of Directors has set annual compensation for the members to a fixed USD 470,000 per year. In deciding on the level of compensation, the Board considered compensation paid to directors of other companies active in Russia, and Russian companies in particular. The current compensation level will remain in effect until the board votes to amend it.

SHAREHOLDERS' PARTICIPATION RIGHTS

According to the changes to the Company's Articles of Association approved by the extraordinary shareholders' meeting on 15 April 2013, the Company shall hold an annual general meeting each year in any place other than Switzerland, the Russian Federation or the British Virgin Islands. The exact location of the annual shareholders' meeting shall be specified in the notice of the meeting.

PROPERTY REVIEW

Our Property Holdings are reflected on our 30 June 2013 balance sheet as Investment Property, Assets under Development and Investments in Associates.

Arbat Projects

The Company's focus in 2013 remains on the construction of the Arbat mixed use residential, office and retail projects, representing it's largest investment and primary source of value creation in the one to three year medium term. The commercial part of the first, more advanced of the two projects, is scheduled for completion by the end of 2013. The start of sales is planned for the third quarter 2013. On the second project, foundation works started at the end of 2012. The start of aboveground works is scheduled for autumn 2013.

Geneva House

Geneva House is located in the city centre of Moscow and was completed by EPH in 2010. The majority of the lease agreements have been signed in 2010 and 2011. Due to the exceptional design, location and quality, Geneva House is fully occupied today.

Berlin House

Berlin House is located next to Geneva House on one of the most prominent shopping streets in Moscow and was completed and leased in 2002. At the end of 2012, new lease agreements for the office space have been signed at current market rents. Further, based on the optimal re-arranged retail area, one single lease agreement has been concluded in January 2013. These developments resulted in a higher value for the Company's remaining 10% stake in the property. The property is currently 100% occupied.

Petrovsky Fort

Petrovsky Fort business center in St. Petersburg is primarily rented to local Russian tenants. During the first half of 2013, EPH was able to decrease the vacancy rate to a stable level of 6–7% with slight variances during the period. This represents an improvement compared to one year ago, when the vacancy rate was around 9%.

Turgenevskaya Parking

The Turgenevskaya Parking property in Moscow, which is 50%-owned by the Company through its Vestive joint venture, opened in January 2012. Although initial demand has been disappointing, significantly higher parking fines which became effective mid-2012, in conjunction with marketing of the facility and more active enforcement of parking regulations in the area lead to a steady increase of occupancy rates. Further, with still no competing indoor parking near the property and a sufficient number of potential users of the facility nearby, hourly parking, as well as the number of short term and long term leases are expected to improve in the second half of 2013.

Magistral'naya

EPH's Magistral'naya Class-B office property in Moscow is leased till March 2022 to a single tenant, the Gazprom subsidiary Podzemgazprom. The lease agreement is subject to annual indexation and compensation of operating expenses.

Scandinavia Land

The Company continues to explore options for maximising the potential of its 103 hectare Scandinavia land site near St. Petersburg.

The following table provides a breakdown of the end of June 2013 appraised values of investment and development properties which EPH owns in full or in part. Please note the appraised values shown are for 100% of each asset, including for those properties in which EPH's stake is lower, and the carrying values shown are for Group's stake of the asset.

	Appraised Value * in US$	Valuation movement in the period in US$	Group's stake Carrying Value in US$	Net initial yield in %	Reversionary yield in %	Reversionary potential in US$
Rental Properties						
Petrovsky Fort *	61,920,000	120,000	61,920,000	9.46	11.85	1,482,624
Magistral'naya *	8,030,000	–170,000	8,030,000	11.11	13.61	200,297
Berlin House *	145,750,000	10,050,000	14,575,000	7.35	10.45	4,520,095
Geneva House *	166,040,000	1,940,000	16,604,000	9.30	10.01	1,176,847
Inkonika / Turgenevskaya *	19,700,000	–	9,850,000	n / a	n / a	n / a

* Valuation based on Income Approach

	Appraised Value * in US$	Valuation movement in the period in US$	Group's stake Carrying Value in US$
Development Projects			
Arbat Multi-Use I *	147,000,000	8,600,000	82,559,140
Arbat Multi-Use II *	63,100,000	13,100,000	29,948,592
Inkonika / Khokhlovskaya *	1,800,000	–	900,000
Scandinavia *	39,100,000	–	39,100,000

* Valuation based on Residual Value Approach

PROPERTY REVIEW

Location, Address	State of Project	Projected Completion	Purchase Date	Holding Company	Ownership Percentage
Development Properties					
Arbat Multi-Use I, Moscow	**In construction since October 2005**				
Mixed use development, Residential and Retail	The project, located in the old town of Moscow, will include retail, theatre, and luxury apartment space, consists of approx. 27,000 sqm gross build area on a site area of 3,700 sqm.	2014	July 2007	Vakhtangov Place Ltd.	60%
Arbat Multi-Use II, Moscow	**In construction since 2012**				
Mixed use development, Residential and Retail	The second project, located near the first, consists of approx. 11,500 sqm of gross build area on a site area of 2,850 sqm and will also consist of retail space and luxury apartments.	2014	Jul 2007 / Dec 2007	Vakhtangov Place Ltd.	60%
Inkonika, Khokhlovskaya Ploshad, Moscow	**Construction on hold since December 2008**				
Parking Project	Located at Khokhlovskaya Ploshad on the Boulevard Ring in the Northeastern area of the CBD. The site has an approximate area of 3,000 sqm. The building will comprise 5 underground floors. The planned bulding will have a total build area of 12,100 sqm, comprised of approx. 11,300 sqm for approx. 300 parking spaces. The city will receive the additional 800 sqm for a Museum.	open	Mar 2008	Vestive Ltd.	50%
Scandinavia Land Site, St. Petersburg region	**Land held for undetermined use**				
Land site close to St. Petersburg zoned for residential development	103 hectares of land located 22 Kms from St. Petersburg, near the “Scandinavia” highway which connects St. Petersburg and Helsinki, Finland. The land borders the Sestra River, and is already correctly zoned for development as, for example, a large residental development.	open	Aug 2007 / Jan 2008	Idelisa Ltd.	100%

	Building Area m²	Office Area (NLA m²)	Retail Area (NLA m²)	Total Rentable Area m²
Investment Properties				
Location, Address				
Berlin House, 5 Petrovka Street, Moscow	12,988.60	5,640.60	1,788.60	7,429.20
Geneva House, 7 Petrovka Street, Moscow	16,454.80	7,161.00	2,714.00	9,875.00
Petrovsky Fort, 4 Finlandsky Prospect, St. Petersburg	47,609.60	15,302.10	5,796.70	21,098.80
Magistral'naya Buildings, 1st Magistralnaya Street 11/2, Moscow	3,552.10	2,546.40 *	n/a	3,099.40
Turgenevskaya Parking, 3/1 Turgenevskaya Ploshad, Moscow	10,132.00	n/a	n/a	n/a

* mixed-use office

** percentage of net rentable area

PROPERTY REVIEW

Parking Spaces	Vacancy Rate % **	Year of Construction	Year of Renovation	Purchase Date	Owning Entity	Ownership Percentage
62	0%	2002	n/a	Jul 2004	Connecta GmbH & Co KG	10%
140	0%	2009	n/a	n/a	EPH Real Estate Ltd via OOO EPH One	10%
154	7%	2003	n/a	Jun 2006	Romsay Properties Ltd via OOO Petrovsky Fort	99.9%
140	0%	1966; 1994	2003–2007	Oct 2007	Housefar Ltd via OOO Inspetstroy	100%
312	n/a	2012	n/a	Mar 2008	Vestive Ltd via OOO Inkonika	50%

REPORT FROM THE PRINCIPAL EXTERNAL VALUER

Jones Lang LaSalle LLC has been instructed to prepare valuation reports regarding the following properties:

– Parking on Turgenevskaya (Moscow)
– Parking development on Khokhlovkaya (Moscow)
– Magistral'naya office building (Moscow)
– Arbat 24 development (Moscow)
– Arbat 39 development (Moscow)
– Scandinavia land plot (Leningrad Oblast)
– Petrovsky Fort office building (St Petersburg)
– Geneva House office building (Moscow)
– Berlin House office building (Moscow)

We understand that the reports are required for accounting purposes. The date of valuation is 31 May 2013.

Our valuation has been carried out in compliance with the requirements of 2012 edition of the RICS Valuation – Professional Standards.

Market Value is defined by the RICS Valuation Standards as 'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

In addition, our calculations have been carried out and are presented exclusive of VAT. Our reports summarise our key assumptions, estimations and conclusions used in arriving at our opinion of Market Value. The purpose of the reports is to present the basic facts and conclusions adopted in relation to the properties in arriving at our opinions.

Finally, and in accordance with our normal practice, we confirm that the reports are confidential to the party to whom they are addressed for the specific purpose to which they refer. No responsibility whatsoever is accepted to any third party and neither the whole of the reports, nor any parts, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

Yours faithfully

C.W.F. Dryden

Christopher Dryden BLE MA MRICS
National Director

For and on behalf of Jones Lang LaSalle

INDEPENDENT AUDITOR'S REPORT

Building a better working world

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone +41 58 286 31 11
Fax +41 58 286 30 04
www.ey.com/ch

To the Board of Directors of

Eastern Property Holdings Limited, Tortola, British Virgin Islands

Zurich, 10 September 2013

Report on the review of the interim condensed consolidated financial statements

Introduction

We have reviewed the accompanying interim condensed consolidated financial information (interim condensed consolidated statement of financial position, interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flow, interim condensed consolidated statement of changes in equity and selected notes to the interim condensed consolidated financial information) (pages 17 to 39) of Eastern Property Holdings Limited for the period from 1 January 2013 to 30 June 2013. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting” and article 17 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT AUDITOR'S REPORT

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" and article 17 of the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange.

Ernst & Young Ltd

Stefan Schmid	Philipp Bertschinger
Licensed audit expert (Auditor in charge)	Licensed audit expert

FINAN CIAL REPORT

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in US$	Note *	30.06.2013	31.12.2012
Assets			
Non-current assets			
Investment properties	6	128,805,210	126,257,951
Investment in associates	9	18,194,096	16,708,524
Loans and receivables	10	85,055,520	75,696,950
Advance for land lease		–	1,831,812
Deferred tax assets		3,655,050	2,014,943
Furniture and equipment		2,031	2,405
Total non-current assets		**235,711,907**	**222,512,585**
Current assets			
Cash & cash equivalents	11	7,535,781	9,882,146
Financial assets at fair value through profit or loss	8	–	19,642,622
Assets under development	7	95,767,732	95,179,891
Accounts receivable		321,168	402,063
Loans and receivables	10	1,378,373	1,093,346
Advance payment		794,098	389,511
Prepaid taxes		525,311	488,720
Total current assets		**106,322,463**	**127,078,299**
Total assets		**342,034,370**	**349,590,884**
Liabilities			
Non-current liabilities			
Loans from banks	12	–	32,650,000
Provisions for long-term liabilities and charges		–	12,858,017
Other non-current liabilities		3,791,296	3,793,806
Total non-current liabilities		**3,791,296**	**49,301,823**
Current liabilities			
Accounts payable and accrued expenses		14,857,782	8,231,826
Loans from banks and others	12	33,960,561	2,231,846
Property tax		104,794	107,603
Financial liabilities at fair value through profit or loss	8	436,269	824,427
Provisions for current liabilities and charges		50,825	27,079
Total current liabilities		**49,410,231**	**11,422,781**
Equity			
Share capital		414,418,955	414,418,955
Treasury shares		–30,050,173	–30,050,173
Accumulated deficit		–90,079,863	–91,144,441
Cumulative translation adjustment		–5,456,076	–4,358,061
Shareholders' equity attributable to the holders of the Company		**288,832,843**	**288,866,280**
Total equity and liabilities		**342,034,370**	**349,590,884**
Net asset value per share		67.76	67.77

* The notes are an integral part of these financial statements

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

in US$	Note *	30.06.2013	30.06.2012
Rental income			
Gross rental income		4,046,769	3,734,908
Ground rents paid		–227,610	–199,544
Service charge income on principal basis		1,191,656	1,138,568
Service charge expenses on principal basis		–767,587	–715,229
Property operating expenses		–49,499	–599,938
Repair and maintenance costs		–181,917	–291,570
Non-income taxes		–237,250	–262,678
Net rental income		**3,774,562**	**2,804,517**
Administrative expenses			
Reverse of accrual for performance fees		225,603	627,774
Management fees		–1,684,543	–2,791,009
Professional and administration fees		–513,811	–784,728
Salaries and social charges		–267,750	–32,964
Total administrative expenses		**–2,240,501**	**–2,980,927**
Other income / (expenses)			
Interest income		3,891,548	3,837,379
Gain on increased ownership stake		–	912,521
Other income		–	268,705
Other expenses		–1,501,590	–2,958,893
Depreciation		–217	–57
Net foreign exchange loss		–8,061,446	–1,353,972
Net other (expenses) / income		**–5,671,705**	**705,683**
Valuation movements			
Net gain from fair value adjustment on financial investments	8	416,338	539,835
Net gain from fair value adjustment on investment properties	6	1,161,834	1,903,907
Net valuation movements		**1,578,172**	**2,443,742**
Development property reverse of impairment	7	**512,623**	**–**
Net operating (loss) / gain before finance cost		**–2,046,849**	**2,973,015**
Finance costs		–1,532,750	–1,492,648
Share of associates' gain	9	**2,803,911**	**359,291**
(Loss) / gain before taxes		**–775,688**	**1,839,658**
Income taxes		1,840,266	1,529,970
Net profit for the period		**1,064,578**	**3,369,628**
Attributable to:			
Equity holders of the Company		1,064,578	3,369,628
Earnings per share for profit attributable to equity holders of the Company during the period			
Basic and diluted		0.25	0.79

* The notes are an integral part of these financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in US$	Note *	30.06.2013	30.06.2012
Net profit for the period		1,064,578	3,369,628
Other comprehensive gain			
Other comprehensive gain to be reclassified to profit or loss in subsequent periods:			
Loss on currency translation differences		–1,098,015	–216,294
Net other comprehensive gain to be reclassified to profit or loss in subsequent periods		–1,098,015	–216,294
Total comprehensive (loss) / gain for the period		–33,437	3,153,334
Attributable to:			
Equity holders of the Company		–33,437	3,153,334

* The notes are an integral part of these financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

in US$	Note *	30.06.2013	30.06.2012
Cash flows from operating activities			
Net gain for the period		1,064,578	3,369,628
Net foreign exchange gain		8,061,446	1,353,972
Net unrealised gain on investment properties	6	–1,161,834	–1,903,907
Reverse of development property impairment	7	–512,623	–
Net unrealised gain on financial investments	8	–416,338	–539,835
Depreciation		217	57
Interest income		–3,891,548	–3,837,379
Share of associates' gain	9	–2,803,911	–359,291
Finance costs		1,532,750	1,492,648
Net loss from sale of subsidiaries		–	–
Gain on increased ownership stake		–	–912,521
Income taxes		–1,840,266	–1,529,970
Cash generated from / (used in) operations before movements in working capital		**32,471**	**–2,866,598**
Increase / decrease in receivables and payables			
(Decrease) / increase in payables and other current liabilities		–1,774,717	416,720
Decrease in other non-current liabilities		–4,516,176	–599,637
Decrease in receivables and other current assets		1,671,688	1,164,080
Additions in assets under development	7	–7,205,504	–5,721,500
Cash used in operations		**–11,792,238**	**–7,606,935**
Interest income received		501,953	1,231,719
Income tax paid		–	–
Net cash used in operating activities		**–11,290,285**	**–6,375,216**
Cash flows from investing activities			
Sale of financial instruments		19,388,485	40,622,767
Purchase of financial instruments		–	–31,397,970
Investments in investment properties	6	–1,308,166	–1,466,907
Loans granted to joint ventures		–6,494,865	–7,458,572
Loans granted to associates		–6,562	–86,052
Proceeds from loans		367,362	–
Net cash generated from investing activities		**11,946,254**	**213,267**
Cash flows from financing activities			
Finance costs paid		–1,553,756	–1,337,983
Proceeds from borrowings		–	–
Repayment of borrowings		–900,000	–850,000
Dividends		–	–
Net cash used in financing activities		**–2,453,756**	**–2,187,983**
Net change in cash & cash equivalents		**–1,797,787**	**–8,349,932**
Cash & cash equivalents at beginning of the period		9,882,146	20,798,029
Net loss from foreign currency translation		–548,578	–706,146
Cash & cash equivalents at the end of the period	11	**7,535,781**	**11,741,952**

* The notes are an integral part of these financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in US$	Ordinary share capital	Treasury shares	Share premium	Accumulated deficit	Currency translation adjustment	Shareholders' equity attributable to the holders of the Company
Balance as at 01.01.2012	414,418,955	−30,050,173	74,761,596	−177,832,991	−4,776,130	276,521,257
Gain for the period	–	–	–	3,369,628	–	3,369,628
Other comprehensive loss	–	–	–	–	−216,294	−216,294
Total comprehensive gain / (loss) for the period	–	–	–	3,369,628	−216,294	3,153,334
Reclassification	–	–	−74,761,596	74,761,596	–	–
Balance as at 30.06.2012	414,418,955	−30,050,173	–	−99,701,767	−4,992,424	279,674,591
Gain for the period	–	–	–	8,557,326	–	8,557,326
Other comprehensive gain	–	–	–	–	634,363	634,363
Total comprehensive gain for the period	–	–	–	8,557,326	634,363	9,191,689
Balance as at 31.12.2012	414,418,955	−30,050,173	–	−91,144,441	−4,358,061	288,866,280
Gain for the period	–	–	–	1,064,578	–	1,064,578
Other comprehensive loss	–	–	–	–	−1,098,015	−1,098,015
Total comprehensive gain / (loss) for the period	–	–	–	1,064,578	−1,098,015	−33,437
Balance as at 30.06.2013	414,418,955	−30,050,173	–	−90,079,863	−5,456,076	288,832,843

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Interim Condensed Consolidated Financial Statements of Eastern Property Holdings Limited and its subsidiaries (together the "Group") for the half year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 10 September 2013. Eastern Property Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in British Virgin Islands whose shares are publicly traded on the SIX Swiss Exchange. The registered office is located at Blenheim Trust (BVI) Limited, R.G. Hodge Plaza, Wickhams Cay 1, P.O. Box 3483, Road Town, Tortola, British Virgin Islands VG1110.

The principal activities of the Group are described in Note 4.

2. BASIS OF PREPARATION

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRS.

The Interim Condensed Consolidated Financial statements are presented in US dollars ("US$").

3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERROR

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following amended IFRS standard and IFRIC interpretations as of 1 January 2013:

- IAS 1 – Presentation of Financial Statements (Amendment) effective 1 July 2012
- IAS 19 – Employee Benefits (Amendement) effective 1 January 2013
- IAS 27 – Separate Financial Statements (Amendement) effective 1 January 2013
- IAS 28 – Investments in Associates and Joint Ventures (Amendement) effective 1 January 2013
- IFRS 10 – Consolidated Financial Statements effective 1 January 2013
- IFRS 11 – Joint Arrangements effective 1 January 2013
- IFRS 12 – Disclosure of Interests in Other Entities effective 1 January 2013
- IFRS 13 – Fair Value Measurement effective 1 January 2013

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive gain/(loss). Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected the presentation only and had no impact on the Group's financial position or performance.

Other new standards and amendments do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

Early adoption of standards

In 2013, the Group did not early adopt any new or amended standards and does not plan to early adopt any of the issued, but not yet effective standards.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED ACCOUNTS

4. SEGMENT INFORMATION

The Chief Operating Decision Maker of the Group has been identified as the Management Committee, which has been given responsibility for allocating the Group's resources between its various assets, and operating the Group on a day to day basis under the Real Estate Management Agreement.

The Management Committee has access to detailed financial reports for all the Group's assets and evaluates the performance of each on an individual basis. Based on the shared natures of products and services, production processes, type of customer, distribution methods, and regulatory environment, the Group's assets have been aggregated into four operating segments: rental properties, development properties, passive investments, and development financing.

1. Rental Properties which consist of:

– 99.9% of one commercial property: Petrovsky Fort in St. Petersburg
– 100% of one commercial property: Magistal'naya in Moscow
– 10% of two commercial properties: Berlin House and Geneva House in Moscow
– 50% of a underground parking garage: Turgenevskaya Square in Moscow

Rental Properties generate rental income and incur expenses primarily for maintenance and building operations. The Group's Rental Properties are in Russia's two largest cities; Moscow and St. Petersburg, and, except Turgenevskaya parking, are comprised predominantly of office space, though all, except Magistral'naya, have space dedicated to retail. The assets are kept at fair value, which is generally based on the leases in place and market-wide valuation criteria (yields, reversion rents).

The Rental Properties segment generates product or service-based recurring revenues by providing commercial premises, or in the case of Turgenevskaya, car parking space, for which rental income is received. Generally, gross and net rents for the Segment are reflected as such in both the Interim Condensed Consolidated Income Statement and accounts presented by segment.

2. Development Properties which consist of:

– 60% of joint operations to develop two mixed-use properties in Moscow: Arbat Multi-use Complexes
– 100% of a raw land plot: 103 hectare "Scandinavia" site near St. Petersburg
– 50% of a joint venture to develop parking facilities in Moscow: Inkonika

Development Properties generate revaluation gains and losses, also based on certain dynamics (cost and availability of financing to developers, risk appetite, stage of completion) which are shared by all projects, yet different from those impacting Rental Properties. The Group's Development assets are in or near Russia's two largest cities; Moscow and St. Petersburg. Development Properties reflect a mixture of properties which, when completed, will either be retained and held as Rental Properties, or will be, in the course of business held for sale.

3. Passive Investments which consist of:
– 25.9% of a joint venture which developed and held rights to commercial real estate in Russia: Hypercenter Investment SA
– 10% of a company which owned a retail chain and real estate in Russia: Sarnatus Trading Ltd.

Passive Investments represent investments in companies in which the Group does not have a controlling interest and does not actively participate in management. Both of the Group's Passive investments are fully impaired. No impairment reversal was booked in the first six months of 2013.

4. Development Financing which consists of:
– Loans to Vakhtangov Place Ltd., the 60%-owned joint operation company which is developing the Arbat Multi-use Complexes
– Loans to Vestive, the 50%-owned joint venture company owning parking lot developer Inkonika
– Loans to EPH Real Estate and Connecta, the 10% investment in associates companies owning Berlin House and Geneva House buildings

Development Financing represents interest-bearing loans made for the purpose of developing real estate in Russia. All outstanding loans reflected on the Group's Consolidated Statement of Financial Position are to entities in which the Group has significant influence or owns a stake of at least 50%, but do not consolidate or do not fully consolidate, and has the ability to actively protect its interests. The loan amount reflected in the Group's accounts is that portion which is not eliminated in consolidation.

Development financing generates interest income for the Group.

All of the Group's Rental Properties, Development Properties, and Passive Investments are in Russia, as are the assets securing the Group's Development Financing.

Information provided to the Management Committee is measured in a manner consistent with that in the financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED ACCOUNTS

Revenue of the Group by operating activities for the periods is as follows:

	30.06.2013				
in US$	Rental Property	Development Properties	Passive Investments	Development Financing	Total
Gross rental income	4,046,769	–	–	–	4,046,769
Rental expenses	−272,207	–	–	–	−272,207
Net rental income (subtotal)	3,774,562	–	–	–	3,774,562
Interest income	–	–	–	3,891,548	3,891,548
Valuation movements	−50,000	1,211,834	15,163	401,175	1,578,172
Development property impairment	–	512,623	–	–	512,623
Finance costs	–	–	–	−1,532,750	−1,532,750
Share of associates' loss	2,803,911	–	–	–	2,803,911
Income taxes	755,874	1,084,392	–	–	1,840,266
Other income / (expenses)	342,031	−4,051,620	–	−8,094,165	−11,803,755
Net (loss) / profit for the period	7,626,378	−1,242,771	15,163	−5,334,193	1,064,577

	30.06.2012				
in US$	Rental Property	Development Properties	Passive Investments	Development Financing	Total
Gross rental income	3,734,908	–	–	–	3,734,908
Rental expenses	−930,391	–	–	–	−930,391
Net rental income (subtotal)	2,804,517	–	–	–	2,804,517
Interest income	–	–	–	3,837,379	3,837,379
Valuation movements	1,627,623	276,283	302,480	237,355	2,443,742
Development property impairment	–	–	–	–	–
Finance costs	–	–	–	−1,492,648	−1,492,648
Share of associates' loss	359,291	–	–	–	359,291
Income taxes	179,817	1,350,152	–	–	1,529,970
Other income / (expenses)	−460,346	−24,061	–	−5,628,216	−6,112,623
Net (loss) / profit for the period	4,510,902	1,602,375	302,480	−3,046,130	3,369,628

The Management Committee also assesses the performance of operating segments based on the results of valuation of the respective assets.

	Assets and liabilities valuation as of 30.06.2013				
	Rental Properties	Development Properties	Passive Investments	Development Financing	Total
Investment properties	72,965,210	55,840,000	–	–	128,805,210
Assets under development	–	95,767,732	–	–	95,767,732
Investment in associates	18,194,096	–	–	–	18,194,096
Loans and receivables	30,844,276	–	–	55,589,617	86,433,893
Cash & cash equivalents	2,022,081	4,103,129	1,410,572	–	7,535,782
Other Assets	4,284,929	1,012,729	–	–	5,297,658
Total Assets	128,310,592	156,723,589	1,410,572	55,589,617	342,034,371
Total Liabilities	15,686,018	2,912,523	–	34,602,985	53,201,527

	Assets and liabilities valuation as of 31.12.2012				
	Rental Properties	Development Properties	Passive Investments	Development Financing	Total
Investment properties	72,937,951	53,320,000	–	–	126,257,951
Financial assets at fair value through profit or loss	–	–	19,642,622	–	19,642,622
Assets under development	–	95,179,891	–	–	95,179,891
Investment in associates	16,708,524	–	–	–	16,708,524
Loans and receivables	13,819,629	–	–	62,970,667	76,790,296
Cash & cash equivalents	1,056,843	3,805,695	5,019,606	–	9,882,145
Other Assets	5,063,807	65,647	–	–	5,129,454
Total Assets	109,586,754	152,371,233	24,662,228	62,970,667	349,590,882
Total Liabilities	20,234,874	4,783,457	–	35,706,273	60,724,604

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires Management to make judgements, 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 Interim Condensed Consolidated Financial Statements, the significant judgements 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 2012.

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

When possible, valuers make their assumptions based on available evidence. When such evidence is lacking, which is often the case in the Russian market, assumptions are based solely on the experience and judgement of the valuer.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED ACCOUNTS

6. INVESTMENT PROPERTIES

in US$	30.06.2013	31.12.2012
Investment Properties		
Beginning of the period	126,257,951	117,803,658
Additions	1,308,166	4,157,247
Disposals	–	–
Cost reallocation from / (to) Development properties	–	1,290,814
Revaluations	1,161,834	3,000,584
Finance lease liabilities	77,259	5,648
End of period	128,805,210	126,257,951

Investment Properties comprise the following:

in US$	30.06.2013	31.12.2012
Investment Properties		
A. Petrovsky Fort	64,785,377	64,615,409
B. Magistral'naya	8,179,833	8,322,542
C. Arbat Multi-use Complexes	16,740,000	14,220,000
D. "Scandinavia" Land plots in St. Petersburg	39,100,000	39,100,000
End of period	128,805,210	126,257,951

The impact of Investment Property revaluations on the financial results of the Group is presented below on an asset by asset basis:

in US$	30.06.2013	30.06.2012
Net gain / (loss) from fair value adjustment on investment properties		
A. Petrovsky Fort	120,000	128,918
B. Magistral'naya	–170,000	1,498,705
C. Arbat Multi-use Complexes	1,211,834	276,284
D. "Scandinavia" Land plots in St. Petersburg	–	–
Total	1,161,834	1,903,907

RENTAL PROPERTIES

A. Petrovsky Fort

in US$	30.06.2013	31.12.2012
Petrovsky Fort		
Beginning of the period	64,615,409	64,092,889
Addition	–	76,088
Revaluation	120,000	446,432
Land lease obligations	49,968	–
End of period	64,785,377	64,615,409

Petrovsky Fort is a 47,600 square meter Class B office and retail building located at Finlyandsky Prospect 4 in central St. Petersburg. The building has nine office and two retail levels and a large central atrium. Of the net rentable space, 15,300 square meters are designated for office use and about 5,800 square meters as retail space. The building has an underground parking facility with 118 parking spaces and an above-ground car park with 36 parking spaces.

As of 30 June 2013, the vacancy rate as a percentage of total rentable area of the building was 7% (31 December 2012: 4%) and by use was, for office space, 10% (31 December 2012: 6%), and for retail space, 0% (31 December 2012: 0%). Gross rental income for the property for the period under review was US$ 3.38 million (30 June 2012: US$ 3.19 million). The following table indicates the exposure to non-renewals of existing operating leases over the periods indicated:

in US$	30.06.2013	31.12.2012
Petrovsky Fort		
Next 12 months	3,866,496	4,025,911
12 – 60 months	2,469,186	3,102,026
60 months and later	–	–

As of 30 June 2013, the top five tenants in the building, by net rent paid are DSK Slavyansky, RKS Group, Russian Consulting SPb, SET and Glavstroy-SPb. The top five tenants account for approximately 26% of the net rent (30 June 2012: 23%).

The fair value of Petrovsky Fort was determined to be US$ 61.92 million as at 30 June 2013 (31 December 2012: US$ 61.80 million), based on an independent valuation prepared by Jones Lang LaSalle, and adjusted for outstanding land lease obligations with respect to the long-term leasehold land under the property. The valuer has adopted the income approach in which they have capitalised the current income stream, as well as any reversionary income in the future that will be received upon the leasing of any vacant space or expiry and renewal of leases. The current valuation reflects an equivalent yield of 11.5% (31 December 2012: 11.5%).

As of 30 June 2013, Petrovsky Fort LLC had registered one mortgage on the building which served as collateral for a credit facility in the amount of US$ 40.00 million from Unicredit Bank Austria AG.

Remaining lease term	Percentage of space		Net rent as a percentage of total	
	Office	Retail	Office	Retail
Petrovsky Fort				
Less than one year	77%	46%	41%	16%
One to five years	23%	54%	59%	84%
More than five years	0%	0%	0%	0%

B. Magistral'naya

in US$	30.06.2013	31.12.2012
Magistralnaya		
Beginning of the period	8,322,542	6,210,769
Addition	–	–
Revaluation	–170,000	2,106,125
Land lease obligations	27,291	5,648
End of period	8,179,833	8,322,542

Magistral'naya is a Class B office complex of three buildings with a total combined area of 3,552 square meters and leasehold rights in two conjoined land plots, located in Moscow at the intersection of Zvenigorodskoye Highway and the 3rd Transport Ring Road.
As of 30 June 2013, the entire office complex, with the exception of 135 sq m, used by the Group, is let to "Podzemgazprom" under a 10 year lease agreement signed in March 2012.

The fair value of Magistral'naya was determined to be US$ 8.03 million as of 30 June 2013 (31 December 2012: US$ 8.20 million) based on an independent valuation prepared by Jones Lang LaSalle, which was adjusted only for outstanding land lease obligations with respect to the long-term leasehold land under the property. The valuer has adopted the income approach in which they have capitalised the current income stream, as well as any reversionary income in the future that will be received upon the leasing of any vacant space or expiry and renewal of leases. The current valuation reflects an equivalent yield of 12% (31 December 2012: 12%).

PROPERTIES UNDER DEVELOPMENT

C. Arbat Multi-use Complexes (retail and office premises)

in US$	30.06.2013	31.12.2012
Arbat Multi-use complexes		
Beginning of the period	14,220,000	8,400,000
Cost reallocation	–	1,290,814
Addition	1,308,166	4,081,159
Revaluation	1,211,834	448,027
End of period	16,740,000	14,220,000

The Company owns 60% of Vakhtangov Place Limited (VPL), which has the rights to two construction and development projects at Arbat Street 24-26 and Arbat Street 39-41 in Moscow. The projects represent the construction of two multi-use buildings of approximately 27,000 and 11,500 square meters. The Group consolidates VPL by integration of 60% of its balance sheet.

The two Arbat Multi-use Complexes each contain retail/office premises and residential apartments with underground parking. Though within the same buildings, areas which will be retail/office premises are treated differently for reporting purposes than areas which will be apartments. Retail/office premises are recognised as Investment Property and carried at appraised value. Apartments, which are intended for sale, are recognised as Assets under Development and carried at cost but tested against an appraisal for impairment at each balance sheet date (Note 7).

The fair value of the retail premises was determined to be US$ 16.74 million as of 30 June 2013 (31 December 2012: US$ 14.22 million) based on an independent valuation prepared by Jones Lang LaSalle, which was allocated between retail and residential apartments proportionately, based on estimated future revenues. The method of valuation, which was applied by the appraiser, calculates the site value as an amount the rational, third party or hypothetical developer could afford to bid or pay for the site given the highest and best use of the asset.

D. "Scandinavia" Land plots in St. Petersburg

in US$	30.06.2013	31.12.2012
"Scandinavia" Land		
Beginning of the period	39,100,000	39,100,000
Addition	–	–
Revaluation	–	–
End of period	39,100,000	39,100,000

The Company owns 100% of Idelisa Limited (Idelisa), which owns three conjoined land plots located at Leninskoye Settlement, "Pervomaiskoye Selskoye Poseleniye", Vyborgsky District, in the Leningrad Region near St. Petersburg, Russia, with a total area of 103 hectares.

The fair value of the land plots was determined to be US$ 39.1 million as of 30 June 2013 based on an independent valuation prepared by Jones Lang LaSalle (31 December 2012: US$ 39.1 million). As the land is currently held for undetermined use, the valuation is based on the highest and best use approach where the valuer assumes that the land will be sold as individual plots with utilities for owners to develop. In calculating the market value the appraiser has adopted the income approach based on discounted cash flows and the appropriate allowance for "entrepreneur's profit (investor's reward for assuming the risks that accompany the project).

Investment Properties fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of investment properties by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 30 June 2013, the Group held the investment properties carried at fair value in the statement of financial position:

In US$	Level 1	Level 2	Level 3	30.06.2013
Investment properties measured at fair value				
Investment properties	–	–	128,805,210	128,805,210

During the period ending 30 June 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

As at 31 December 2012, the Group held the investment properties carried at fair value in the statement of financial position:

In US$	Level 1	Level 2	Level 3	31.12.2012
Investment properties measured at fair value				
Investment properties	–	–	126,257,951	126,257,951

During the period ending 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements.

Valuation of Investment Properties

The fair values of investment properties are based on their market value determined by the independent appraisers, Jones Lang LaSalle, who hold recognised and relevant professional qualifications and who have recent experience in valuation of properties of similar location and category.

The appraisals used for valuation purposes at 30 June 2013 were performed using information available as of 31 May 2013, and dated accordingly. Management does not believe the fair value of the Group's real estate asset changed materially between 31 May 2013 and the balance sheet date of 30 June 2013.

In valuing Petrovsky Fort and Magistral'naya, Jones Lang LaSalle has utilised the income approach based on certain assumptions with respect to the rental rates which would be used upon the expiration of the current leases and the yield ("capitalisation rate"). For other investment property valuations, Jones Lang LaSalle has adopted the income approach based on discounted cash flows and using certain assumptions as to future rents and various costs of acquiring, completing, and putting the asset into operation. In this methodology, assumptions are made as to the amount of credit and cost at which it would be available to a theoretical buyer in the current market, and the return which the buyer would demand in order to assume the risks involved in the asset in the current market. When valuing development projects, the valuer has additionally assumed that various permits and permissions which may not yet exist will be secured as and when needed.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED ACCOUNTS

7. ASSETS UNDER DEVELOPMENT

in US$	30.06.2013	31.12.2012
Assets under development		
Beginning of the period	95,179,891	76,615,089
Cost reallocation	–	–1,290,814
Addition	7,205,504	19,927,168
Reverse of impairment/ (impairment)	512,622	–4,099,779
Forex effect	–7,130,286	4,028,227
End of period	95,767,732	95,179,891

ARBAT MULTI-USE COMPLEXES UNDER DEVELOPMENT (APARTMENT PREMISES)

The Group's 60% joint operation company, Vakhtangov Place Limited (VPL), is developing two multi-use complexes on Moscow's Arbat Street. The complexes will be composed of both retail/office space and residential apartments. As residential space in Moscow is generally sold, rather than held for rental income, the areas in the projects which are being developed as apartments are recognised as Assets under Development. Space in the same projects which will be developed as retail space, and presumably held for rental income, is being recognised as Investment Property (Note 6).

Assets under Development are kept at cost and tested against appraised values for impairment at each balance sheet date. The carrying value is thus the lower of cost or fair value. The cost of the space allocated for apartments in the Arbat Multi-use Complexes was determined to be US$ 95.77 million as of 30 June 2013 (31 December 2012: US$ 95.18 million).

8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The contribution of this category to the financial results of the Group is presented below:

in US$	30.06.2013	30.06.2012
Designated upon initial recognition		
Quoted debt securities	15,163	302,480
Unquoted debt securities	–	–
Unquoted equity shares	–	–
Interest rate swaps	401,175	237,355
Total	416,338	539,836

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

in US$	30.06.2013	31.12.2012
Designated upon initial recognition		
Quoted debt securities	–	11,242,932
Unquoted debt securities	–	8,399,690
Unquoted equity shares	–	–
Total	–	19,642,622

The Group does not own any debt securities as of 30 June 2013. The debt securities, quoted and unquoted, as of 31 December 2012 comprise the following:

Issuer	S&P ratings	Maturity date	Currency	Face value	Fair value in US$ as of 30.06.2013	Fair value in US$ as of 31.12.2012
Quoted debt securities						
Weltbank	AAA	16.09.2013	RUB	16,750,000	–	553,277
EIB	AAA	11.03.2013	RUB	25,000,000	–	861,710
Citigroup Inc	A-	19.08.2013	US$	2,088,000	–	2,211,053
Russian Federation	BBB+	06.02.2013	RUB	36,000,000	–	1,214,134
Russian Federation	BBB+	23.01.2013	RUB	35,000,000	–	1,184,954
RSHB Capital SA	BBB	16.05.2013	US$	2,000,000	–	2,060,439
RSHB Capital SA	BBB	25.03.2013	RUB	32,600,000	–	1,091,538
Gaz Capital SA	BBB	11.04.2013	US$	2,000,000	–	2,065,828
Unquoted debt securities						
Weltbank	AAA	27.02.2013	RUB	30,000,000	–	1,031,390
GBP Eurobond Finance	BB+	27.06.2013	US$	7,500,000	–	7,368,300
Total					–	19,642,622

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

in US$	30.06.2013	31.12.2012
Designated upon initial recognition		
Interest rate swap UniCredit bank	436,269	824,427
Total	436,269	824,427

9. INVESTMENTS IN ASSOCIATES

Investments in Associates comprise the following:

in US$	30.06.2013	31.12.2012
EPH Real Estate (closing balance for 10% stake)	7,573,689	7,106,698
Connecta KG (closing balance for 10% stake)	10,620,407	9,601,826
Vestive (closing balance for 50% stake)	–	–
Hypercenter Investment SA (closing balance for 25.9% stake)	–	–
	18,194,096	16,708,524

The contribution of Share of Associates' Gain / (Loss) in the financial results of the Group is presented below:

in US$	30.06.2013	30.06.2012
EPH Real Estate	1,018,564	–9,371
Connecta KG	1,785,347	368,662
Vestive	–	–
Hypercenter Investment SA	–	–
	2,803,911	359,291

During the period under review the Group did not receive the dividends from its associate companies.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED ACCOUNTS

10. LOANS AND RECEIVABLES

in US$	30.06.2013	31.12.2012
Loans (long term)		
Vakhtangov Place Limited	55,056,765	46,341,226
Bluestone Investments	463,554	430,048
Vestive	16,845,015	16,199,393
EPH Real Estate	8,591,114	8,591,114
Connecta KG	4,099,072	4,135,169
Total	85,055,520	75,696,950
Loans (short term)		
EPH Real Estate	1,122,015	833,728
Connecta KG	256,358	259,618
Total	1,378,373	1,093,346

During the period under review the Group received US$ 0.22 million from EPH Real Estate and US$ 0.15 million from Connecta KG as interest for loans granted.

11. CASH AND CASH EQUIVALENTS

	30.06.2013		31.12.2012	
in US$	Valartis Bank	Others	Valartis Bank	Others
Cash at bank and in hand	327,658	4,854,511	3,935,380	2,176,035
Fiduciary deposits	–	2,353,612	–	3,770,731
Short term forwards	–	–	–	–
Bank overdraft	–	–	–	–
Cash and cash equivalents	327,658	7,208,123	3,935,380	5,946,766
Total		7,535,781		9,882,146

12. LOANS FROM BANKS AND OTHER

in US$	30.06.2013	31.12.2012
Loans from banks (long term)		
UniCredit bank loan	–	32,650,000
Total	–	32,650,000
Loans from banks and others (short term)		
UniCredit bank loan	33,956,861	2,227,867
Other	3,700	3,979
Total	33,960,561	2,231,846

During the period under review US$ 0.90 million of UniCredit bank loan was repaid. As the loan from UniCredit bank matures in January 2014 it was reclassified to short-term loans.

13. SHAREHOLDERS' EQUITY

Authorised capital

Art. 5 of the Company's Memorandum of Association, as amended by the resolutions passed at the Extraordinary Shareholders Meeting of 29 June 2004, 19 November 2004, 7 March 2005, and the General Meeting of Members of 16 May 2006, 3 May 2007, 24 June 2008 and the Extraordinary Shareholders Meeting of 15 April 2013 provides for an authorised capital which entitles the Board of Directors to issue a total of 11,000,000 registered ordinary shares without par value and 1,000,000 registered Series A preferred shares without par value.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED ACCOUNTS

Change of Capital

	Number of ordinary shares		Number of series A preferred shares	
	30.06.2013	31.12.2012	30.06.2013	31.12.2012
Authorised capital				
Total authorised capital	11,000,000	9,000,000	1,000,000	1,000,000
Opening balance unissued authorised capital	3,661,868	3,661,868	1,000,000	1,000,000
Increase	2,000,000	–	–	–
Utilisation for capital increase	–	–	–	–
Conversion to ordinary shares	–	–	–	–
Closing balance unissued authorised capital	5,661,868	3,661,868	1,000,000	1,000,000

	Number of ordinary shares		Number of series A preferred shares	
	30.06.2013	31.12.2012	30.06.2013	31.12.2012
Issued share capital				
Opening balance	5,338,132	5,338,132	–	–
Capital increase	–	–	–	–
Closing balance	5,338,132	5,338,132	–	–

	Number of shares	
	30.06.2013	31.12.2012
Treasury shares		
Opening balance	1,075,519	1,075,519
Issued to treasury	–	–
Purchase	–	–
Sales	–	–
Closing balance	1,075,519	1,075,519

Treasury shares do not participate in profits of the Group 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. No Preferred A shares are outstanding or in issue.

No dividend was paid during the period under review.

14. RELATED PARTY TRANSACTIONS

The financial statements include the financial statements of the Company and its subsidiaries and joint operations. The Company's holdings in subsidiaries and joint operations are listed in the following table:

		% Holding	
Name of subsidiary	Incorporated in	30.06.2013	31.12.2012
Eastern Property Partners II LP	Grand Cayman, Cayman Islands	100%	100%
Housefar Limited	Limassol, Cyprus	100%	100%
Idelisa Limited	Limassol, Cyprus	100%	100%
Silverlake Limited	Limassol, Cyprus	100%	100%
Whiterock Investments Limited	Limassol, Cyprus	100%	100%
GH Immobiliare B.V. *	Rotterdam, Netherlands	–	100%
Stainfield Limited	Limassol, Cyprus	100%	100%
Redhill Investment Limited	Limassol, Cyprus	100%	100%
Romsay Properties Limited	Limassol, Cyprus	99.90%	99.90%
Joint operations			
Vakhtangov Place Limited	Limassol, Cyprus	60%	60%
Bluestone Investments Limited	Limassol, Cyprus	60%	60%

* dissolved in 2013

The Company owns 50% of Vestive and 10% interests in EPH Real Estate Limited, Connecta GmbH & Co. KG and Connecta GmbH.

The Company also owns 25.9% of Hypercenter Investment SA and 10% of Sarnatus Trading Limited.

As such, each of the companies named above is to be considered a related party. 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 corresponding notes.

On 20 June 2013, the Company signed a new real estate management agreement with Valartis International Limited effective from 1 January 2013. The overall management fee under the new agreement will consist of payments for each of the specific services provided, instead of a general management fee of 2% of the net assets of the Group as in the previous contract. Also, the new management contract does no longer provide for any performance fees but at the same time the Company is obliged to repay the performance fees accrued as per end of 2011 which was US$ 12.6 million as one-time payment for termination of the performance fees. During the period under review the Company repaid US$ 4.2 million out of that amount and the rest is payable by the end of 2013.

The following contractual agreements exist in place between the Group and Valartis International Limited under which management fee is charged:

- Valartis International Ltd has a real estate management agreement with EPH
- Valartis International Ltd has property management agreements in place with Petrovsky Fort LLC (Petrovsky Fort), Inkonika LLC (Turgenevskaya parking), Connecta KG (Berlin House) and EPH One LLC (Geneva House)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED ACCOUNTS

Valartis International Ltd. is General Partner of EPP II LP and in this capacity owns a nominal interest in the partnership, though its value is not material.

Managers, employees and shareholders of Valartis Group companies are members of the Management Committee and Board of Directors of the Company. The Group's related party balances as of 30 June 2013 and 31 December 2012 consisted of the following:

in US$	30.06.2013	31.12.2012
Loans and receivables	86,433,893	76,790,296
Cash & cash equivalents	327,658	3,935,380
Provisions for long-term liabilities and charges	–	12,858,017
Debt	–	–
Accounts payable and accrued expenses	9,621,349	2,175,204

The Group's transactions with related parties for the period ended of 30 June 2013 and 2012 consisted of the following:

in US$	30.06.2013	30.06.2012
Gross rental income	–	30,642
Property operating expenses	–	–562,723
Performance fees	225,603	627,774
Management fees	–1,684,543	–2,791,009
Professional and administration fees	–	–60,000
Interest income	3,676,698	2,605,660
Finance costs	–774	–29,415

15. TAXES

Due to the presence in Russian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, it is possible that a particular treatment based on Management's judgement of the Group's business activities could be challenged by the tax authorities and the Group may be deemed liable for additional taxes, penalties and interest. While the Group believes it has complied with all applicable regulations and requirements, it is impossible to predict future interpretations by regulatory authorities, and outcomes of such interpretations.

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. While operations are subject to long-term cyclical patterns in rent and interest rates, Management of the Group does not believe interim operations are subject to seasonality.

17. COMMITMENTS

The Group has entered into a loan agreement with Inkonika LLC, which is 50% owned by the Group. US$ 0.62 million of the total loan amount remained undrawn at balance sheet date.

18. SUBSEQUENT EVENTS

- On 29 July 2013, the Group received US$ 0.99 million from EPH Real Estate and US$ 0.29 million from Connecta KG as interest for loans granted.
- On 10 September 2013, the board of directors appointed two new members of the management committee of the Company.
- On 10 September 2013, the board of directors of the Company approved a US$ 30 million loan to Vakhtangov Place Limited with a 10% interest rate and maturity at the end of 2017 for the financing of Arbat construction.

SHAREHOLDER INFORMATION AND CORPORATE DETAILS

BOARD OF DIRECTORS
Olga Melnikova
Michael Cuthbert
Tomasz Dukala
Hans Messmer
Gustav Stenbolt
Christodoulos G. Vassiliades

DOMICILE
Eastern Property Holdings Limited
R.G. Hodge Plaza, Wickhams Cay 1
P.O. Box 3483
Road Town, Tortola
British Virgin Islands

AUDITORS
Ernst & Young AG
Maagplatz 1
Postfach
CH-8010 Zürich
Switzerland
(since June 2010)

REAL ESTATE MANAGER
Valartis International Limited
Vanterpool Plaza, 2nd Floor
Wickhams Cay 1
Road Town, Tortola
British Virgin Islands (since January 2010)

SECURITY NUMBER
1673866

ISIN NUMBER
VGG290991014

TICKER SYMBOL
EPH

COMPANY WEBSITE
www.easternpropertyholdings.com

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CONCEPT AND DESIGN
Schrägstrich Kommunikationsdesign, Zurich, Switzerland