EPH EASTERN PROPERTY HOLDINGS

PRESS RELEASE
Third Quarter 2015 Trading Update

26 November 2015, Road Town, Tortola, BVI

FINANCIAL HIGHLIGHTS

- The performance of the Company's income-generating properties is almost not impacted by the overall decline in the Russian market and continues to demonstrate high profitability.
- Rental income has become the most significant source of revenues for the Company as compared to 2014.
- Substantial increase of the Company's finance costs resulted from the interest expense on the bonds issued by the Company since August 2014. However, this additional expense is fully covered by the net operating income from the properties acquired by the Company: the increase in net rental income is more than twice higher than the increase of finance costs.
- Ruble/dollar exchange rate continues to be volatile. At year-end profits/losses arising from changed ruble values of dollar -valued assets are likely to, again, be a factor for the volatility of our net operating results.
- The purchase prices for Berlin House and Geneva House were fully paid resulting in a tangible decrease in the Company's accounts payable;
- Assuming unchanged values of investment properties, NAV as of 30 September 2015 would be approximately at the same level as at 30 June 2015.

SIGNIFICANT FINANCIAL CHANGES FOR Q3 2015

Income

- **Net Rental Income**

During nine months of 2015 our wholly-owned rental properties generated Net Rental Income of $52.81 million. The contribution of each property to Net Rental Income is presented in the table below.

The Net Rental Income increased almost six times from $8.99 million for 9 months of 2014 to $52.81 million for 9 months of 2015. This substantial increase is caused by the acquisition of new income-generating properties in the second half of 2014.

- **Interest Income**

Interest Income decreased from $5.75 million during nine months of 2014 to $4.43 million for the comparable period of 2015. The decrease is caused by the fact that part of the interest income in 2014 was generated by EPH loans to Berlin House and Geneva House which were treated as investments in associate till their acquisition. In 2015 this interest is eliminated during consolidation.

- **Net Foreign Exchange Gain**

The functional currency of the Company's asset-owning subsidiaries is Russian ruble ("RUB"). If these subsidiaries have assets and liabilities which are denominated or valued in US$, the fluctuations of the RUB / US$ exchange rate create foreign exchange gain or loss.

Since 1January 2015, the RUB weakened by more than 10% against the US$. As the Company's investment properties are valued in US$, the Company's income statement for 9 months of 2015 reflects net foreign exchange gain in the amount of $38.09 million. This gain, however, is mitigated by the negative change in cumulative translation adjustment reflected in the Company's financials directly in the equity and also resulted from the significant RUB depreciation.

Expenses

- **Finance Costs**

The Company recognized $24.20 million of finance costs during nine months of 2015 in comparison with $3.71 million for the same period in 2014. The main reasons for the increase are: the interest expense on bonds issued in August and September 2014 and in June 2015, as well as the interest expense on third party loans granted to Berlin House, Geneva House and Hermitage Plaza which were acquired by EPH together with these properties but were repaid in June 2015.

Assets

- **Loans and Receivables**

EPH's Loans and Receivables increased due to both: additional lending to Arbat projects and accrual of additional interest on existing project loans. To the extent that a borrower is partially owned by EPH, loans are eliminated in the consolidation. This means that 60% of project financing for the Arbat Projects is classified as investment in the projects, and 40% as lending.

Loans and Receivables increased from $75.42 million as of 31 December 2014 to $80.69 million as of 30 September 2015.

- **Cash and Cash Equivalents**

The Company's cash position decreased from $26.46 million as of 31 December 2014 to $10.97 million as of 30 September 2015. This decrease in the Company's cash position during the nine months of 2015 is a net effect of the following main cash inflows and outflows:

- proceeds from the bond placement in June 2015
- net rental income from rental properties
- repayments of third party loans acquired together with Berlin House, Geneva House and Hermitage Plaza
- payment of the remaining parts of the purchase prices for Berlin House and Geneva House
- bonds interest payments
- granting financing for Arbat construction

Liabilities

- **Borrowings (LT & ST)**

As per 30 September 2015, EPH's debt consists of:

  - 9 year bonds listed on Swiss Stock Exchange issued in August 2014, September 2014 and June 2015;
  - loan from Jilford Ltd. signed in September 2013 for the purpose of financing Arbat construction;

The nominal value of the issued bonds increased from $270 million as of 31 December 2014 to $405 million as of end of September 2015 due to the bond placement performed in June 2015.

The loan from Jilford is received through Vakhtangov Place Limited, the Company's 60% joint operation company. Therefore only 60% of the loan received is reflected on EPH's balance sheet. The outstanding balance of the loan increased from $15.09 million at 31 December 2014 to $16.29 million at 30 September 2015.

Third party loans acquired together with Berlin House, Geneva House and Hermitage Plaza in 2014 were fully repaid in June 2015 using the funds received from the latest bond placement.

- **Accounts Payable and Accrued Expenses (LT & ST)**

The amount of Accounts Payable decreased from $223.38 million as of 31 December 2014 to $186.53 million at 30 September 2015 primarily due to the repayment of deferred parts of the purchase prices for Berlin House and Geneva House.

The most part of the remaining accounts payable represents the deferred parts of the purchase prices with respect to the acquisitions of Polar Lights and Hermitage Plaza.

Significant Income and Expense Items for 9 months of 2015

Net Rental Income	30.09.2015	30.09.2014	Change YoY
Berlin House	11,989,129	1,375,933	10,613,197
Geneva House	11,542,374	1,462,387	10,079,987
Polar Lights	10,405,425	-	10,405,425
Hermitage Plaza	18,421,671	-	18,421,671
Magistral'naya	456,382	707,761	(251,379)
Petrovsky Fort	-	5,441,375	(5,441,375)
Total	**52,814,981**	**8,987,456**	**43,827,526**

Material YoY changes in Income/Expense Items	30.09.2015	30.09.2014	Change YoY
Interest income	4,427,550	5,745,736	(1,318,186)
Net foreign exchange gain/ (loss)	38,093,135	(8,970,706)	47,063,841
Finance costs	(24,199,902)	(3,714,480)	(20,485,422)

Significant Q3 2015 changes in Financial Position

Assets	30.09.2015	31.12.2014	Change
Loans and receivables (LT & ST)	80,687,179	75,423,997	5,263,182
Cash & cash equivalents	10,974,872	26,460,024	(15,485,152)

Liabilities	30.09.2015	31.12.2014	Change
Borrowings (LT & ST)	425,505,262	408,871,502	16,633,760
Accounts payable and accrued expenses (LT & ST)	186,527,769	223,376,505	(36,848,736)