

PRESS RELEASE

30 May 2013

First Quarter 2013 Trading Update

Road Town, Tortola, BVI

ASSET UPDATE

Arbat 1:

- Main concrete works are completed; completion of facade and engineering works is scheduled for 3q 2013.
- Full completion of commercial part is expected by the end of 2013.

Arbat 2:

- Reinforcement of neighbouring buildings and preservation works in relation to historical facade have been completed.
- Underground works are being proceeded with full speed.

Petrovsky Fort:

- Vacancy rate slightly above 8% led to 2% YoY increase of gross rent.

Magistral'naya:

- Gross rent increased by 22% and net rent by 31% YoY.

Inkonika Parking:

- Income from Turgenevskaya Parking is increasing slow but steady. Management is considering an action plan which (together with the measures expected from the City with respect to illegal parking) should lead to further improvement.

Geneva House:

- Fully leased.

Berlin House:

- Fully leased in April 2013 when the lease agreement for the optimized retail space was registered.

SIGNIFICANT FINANCIAL EVENTS AND CHANGES FOR Q1 2013

Income

- **Rental Income**

In the three months ended 31 March 2013, our wholly-owned rental properties generated Gross Rental Income of \$2.04 million and Net Rental Income of \$1.74 million.

On a Like for Like (LfL) basis, due to reduced vacancies at Petrovsky Fort and full period occupancy at Magistral'naya the Gross Rental Income is up by 5% (\$2.04 million vs \$1.95 million in 1q 2012) and the improved operating efficiency at both Petrovsky Fort and Magistral'naya have resulted in a 21% increase in Net Rental Income (\$1.74 million vs \$1.44 million in 1q 2012).

- **Interest Income**

The Company generated \$1.93 million of interest income in the first three months of 2013 which is approximately at the same level as for the comparable period of 2012. More interest was accrued with respect to construction loans provided to finance the Arbat projects (\$1.1 million vs \$0.66 million in 1q 2012). Interest earned on liquid bond investments decreased due to the sale of a large part of the bond portfolio (\$0.16 million vs \$0.60 million in 1q 2012).

Expenses

- **Net Foreign Exchange Loss**

Moderate fluctuation between the Russian ruble and US\$ generated a \$2.16 million exchange rate loss for the first three months of 2013. For the same period in 2012, the Company recognized a \$0.34 million loss.

- **Impairment of Development Property**

EPH carries the Arbat apartment premises at cost while under construction. If cost is below the most recent appraised value, an impairment is recognized. A test for impairment at 31 March 2013, which is made against the appraisal dated 30 November 2012, results in an impairment of \$0.75 million. Management believes, however, that construction progress and the reduced time remaining until delivery of the projects would lead to a significantly higher appraisal if done for 31 March 2013, and that it is likely that no impairment would actually be required.

- **Income Taxes**

For the first three months of 2013, the Company recognized an income tax credit of \$0.47 million mainly caused by forex exchange loss and intercompany loan interest in Russian subsidiaries. In the first three months of 2012 the Company accrued \$0.58 million for income taxes.

BALANCE SHEET

Assets

- **Loans and Receivables**

EPH's loans and receivables increased due to both additional lending to its joint venture projects and accrual of interest on existing project loans. To the extent that a borrower is partially owned by EPH, loans are eliminated in 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 amounted to \$82.25 million as of 31 March 2013, of which \$65.72 million is principal, and \$16.53 million is accrued interest. As of 31 December 2012, loans and receivables amounted to \$76.79 million.

All 2013 lending has been for construction of the Arbat Projects.

- **Liquid Assets**

The Company has invested funds being held available for construction spending on the Arbat projects into individual corporate bonds of high rating and short to medium duration.

For the purpose of this trading update, cash and traded bonds have been combined and classified as Liquid Assets.

As of 31 March 2013 the Company held \$18.85 million of liquid assets. As of 31 December 2012, the Company held \$29.52 million of liquid assets.

The \$10.67 million reduction in the Company's liquid assets in the first three months 2013 has been primarily due to use of cash to fund Arbat construction.

- **Assets Under Development**

Assets under development have increased from \$95.18 million at 31 December 2012 to \$96.82 million at 31 March 2013. The \$1.64 million increase is the result of increased construction spending and weakening of the RUB against the US\$, reduced by an impairment of \$0.75 million.

Liabilities

- **Loans from Banks (LT & ST)**

EPH's only third party debt is a loan from UniCredit Bank secured by Petrovsky Fort mortgage. The outstanding balance of the loan at reporting date was \$34.00 million, down \$0.45 million from \$34.45 million at 31 December 2012. The reduction is due to amortization during the first three months 2013.

Significant Q1 2013 Income and Expense Items

Gross Rental Income	31.03.2013	31.03.2012	Change YoY	Percent Change YoY
Petrovsky Fort	\$1,705,579	\$1,671,750	\$33,829	2%
Magistral'naya	\$338,320	\$276,683	\$61,636	22%
Total	\$2,043,899	\$1,948,433	\$95,466	5%

Net Rental Income			Change YoY	Percent Change YoY
Petrovsky Fort	\$1,474,263	\$1,234,542	\$239,722	19%
Magistral'naya	\$267,694	\$204,283	\$63,411	31%
Total	\$1,741,957	\$1,438,825	\$303,132	21%

Material YoY changes in Income/Expense Items	31.03.2013	31.03.2012	Change YoY
Interest income	\$1,927,225	\$1,863,043	\$64,182
Net foreign exchange gain/ (loss)	-\$2,162,136	-\$336,112	-\$1,826,024
Development property (impairment)/ reverse of impairment	-\$747,502	\$1,715,351	-\$2,462,853
Income taxes	\$467,193	-\$580,389	\$1,047,582

Significant Q1 2013 Changes in Financial Position

Assets	31.03.2013	31.12.2012	Change YoY
Loans and receivables (LT & ST)	\$82,252,518	\$76,790,296	\$5,462,222
Liquid assets (Cash and bonds)	\$18,853,411	\$29,524,768	-\$10,671,357
Assets under development	\$96,819,449	\$95,179,891	\$1,639,558
Liabilities			
Loans from banks (LT & ST)	\$34,000,000	\$34,450,000	-\$450,000

Eastern Property Holdings Ltd. is an SIX Swiss Exchange-listed real estate development and investment company focusing on Russia. The company holds interests in office, residential, retail and parking properties and developments, principally in Moscow and St. Petersburg. EPH is managed by Valartis International Ltd. a wholly-owned subsidiary of Valartis Group AG. Additional information on Eastern Property Holdings is available by contacting Ellen Simone Weyrauch, +41 43 336 8374, or by visiting the company's website: www.easternpropertyholdings.com.
