EPH EASTERN PROPERTY HOLDINGS

PRESS RELEASE
Third Quarter 2013 Trading Update

12 November 2013, Road Town, Tortola, BVI

FINANCIAL HIGHLIGHTS

- RUB strengthening against US$ during the 3rd quarter of 2013 slightly mitigates the negative effect of exchange rate fluctuations reflected in the Company's Interim Unaudited Financial Statement as of 30 June 2013. Though, the overall net FX loss of $7.01 million as of 30 September 2013 has substantial adverse effect to the Company's Net Profit and NAV.

- Nevertheless, assuming unchanged real estate values (based on the valuations done as of 31 May 2013), strong performance of wholly-owned and minority-held rental assets would result in NAV slightly higher than at 31 December 2012.

ASSET UPDATE

Arbat 1:
- Construction is advancing according to plan;
- Completion of commercial part of the building (i.e. excluding equipment and fit-out of the Theatre part) is scheduled for the end of 2013;
- The apartments are already in the market; marketing strategy has been developed and is being implemented.
- First agreement on the sale of two apartments has been signed. The payment is expected by year-end.

Arbat 2:
- Completion of underground works and start of aboveground works is scheduled for December 2013.

Arbat construction financing:
- External loan facility of up to $ 30 mln at 10% interest per annum has been signed in September 2013. As of 30 September $2.85 million was drawn down.

Petrovsky Fort:
- Decreased vacancy rate (below 5% as of 30 September) led to moderate increase of gross rent by 5% YoY.

Magistral'naya
- Gross rent has increased by 3% and net rent by 17% YoY.

Inkonika Parking:
- Income from hourly parking increased by app. 70% starting from the beginning of the year; income from short-term and mid-term contracts with companies and individuals also demonstrates a positive trend.

Geneva House:
- Fully leased.

Berlin House:
- Fully leased.

Significant financial events and changes for Q3 2013 are as follows:

Income

- **Rental Income**

In the nine months ended 30 September 2013, our wholly-owned rental properties generated Gross Rental Income of $5.81 million and Net Rental Income of $5.61 million.

On a Like for Like basis, due to reduced vacancies at Petrovsky Fort and annual indexation of rent at Magistral'naya the Gross Rental Income of the Company is up by 5% ($5.81 million vs $5.56 million in 3q 2012). In fact, until 2013 the staff working for Petrovsky Fort was employed by Valartis and the respective costs were covered by the management fee which was included in the Net Rent calculation. Starting from 2013 those employees are hired by Petrovsky Fort and the respective salary expenses are reflected as Administartive expenses and, therefore, are not included in the Net Rent calculation. Further, the improved operating efficiency at both Petrovsky Fort and Magistral'naya has resulted in a 32% increase in Net Rental Income ($5.61 million vs $4.25 million in the first nine months of 2012).

- **Interest Income**

The Company generated $5.84 million of interest income in the first nine 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 by the Company to finance Arbat projects ($3.56 million vs $2.28 million in the nine months of 2012), although interest earned on liquid bond investments decreased due to the sale of the bond portfolio ($0.18 million vs $1.70 million in the nine months of 2012).

- **Income Taxes**

For the first nine months of 2013, the Company recognized an income tax credit of $1.30 million mainly caused by forex exchange loss and intercompany loan interest expense in Russian subsidiaries. In the first nine months of 2012 the Company recognized $0.32 as income tax credit.

Expenses

- **Net Foreign Exchange Loss**

RUB weakening against US$ during the first nine months of 2013 resulted in a $7.01 million exchange rate loss. For the same period in 2012 the Company recognized a $2.04 million gain.

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 $87.79 million as of 30 September 2013, of which $69.27 million is principal, and $18.52 million is accrued interest. As of 31 December 2012, loans and receivables amounted to $76.79 million.

Almost all 2013 lending has been for construction of the Arbat Projects.

- **Liquid Assets**

In 2011-2012 the Company invested funds into individual corporate bonds of high rating and short to medium duration.

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

As of 30 September 2013 all bonds were matured or sold by the Company to finance Arbat construction, therefore, liquid assets fully consist of cash in the amount of US$ 4.17 million. As of 31 December 2012, the Company held $29.52 million of liquid assets, including $19.64 million of bonds.

The $25.36 million reduction in the Company's liquid assets in the first nine months 2013 has been primarily due to use of cash to fund Arbat construction, payment of the management fees and a part of the accrued performance fees to Valartis and payments under the loan from UniCredit Bank Austria.

- **Assets Under Development (at cost)**

Assets under development have increased from $95.18 million at 31 December 2012 to $101.81 million at 30 September 2013. The $6.63 million increase is the result of increased construction spending and weakening of the RUB against the US$.

Liabilities

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

EPH's third party debt consists of a loan from UniCredit Bank Austria secured by Petrovsky Fort mortgage and a loan from Jilford Ltd. signed in September 2013 for the purpose of financing of Arbat construction.

The outstanding balance of the loan from UniCredit Bank Austria at reporting date was $33.10 million, down $1.35 million from $34.45 million at 31 December 2012. The reduction is due to amortization during the first nine months of 2013.

The loan from Jilford is received through VPL, the Company's 60% joint-venture, therefore only 60% of the loan received is reflected on EPH's balance sheet. As of 30 September 2013 the outstanding loan balance due to Jilford in the Company's balance sheet is US$ 1.71 million.

Significant Q3 2013 Income and Expense Items

Gross Rental Income	30.09.2013	30.09.2012	Change YoY	Percent Change YoY
Petrovsky Fort	5,083,777	4,854,615	229,162	5%
Magistral'naya	727,459	705,824	21,635	3%
Total	5,811,235	5,560,439	250,797	5%

Net Rental Income			Change YoY	Percent Change YoY
Petrovsky Fort	4,891,562	3,644,901	1,246,661	34%
Magistral'naya	714,666	609,252	105,414	17%
Total	5,606,228	4,254,153	1,352,075	32%

Material YoY changes in Income/Expense Items	30.09.2013	30.09.2012	Change YoY
Interest income	5,841,181	5,859,634	(18,453)
Net foreign exchange (loss)/ gain	(7,009,730)	2,038,042	(9,047,772)
Development property reverse of impairment/ (impairment)	503,159	(702,980)	1,206,139
Income taxes	1,299,488	324,014	975,474

Significant Q3 2013 Changes in Financial Position

Assets		30.09.2013	31.12.2012	Change
	Loans and receivables (LT & ST)	**87,790,186**	**76,790,296**	**10,999,890**
	Liquid assets (Cash and bonds)	**4,169,529**	**29,524,768**	**(25,355,239)**
	Assets under development	**101,809,927**	**95,179,891**	**6,630,036**
Liabilities				
	Loans from banks and others (LT & ST)	**34,810,000**	**34,450,000**	**360,000**

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.
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