EPH EASTERN PROPERTY HOLDINGS

PROFIT WARNING

2 August 2011

Based on the preliminary review of the draft unaudited interim financial accounts of Eastern Property Holdings (the "Company") as at, and for the six month period ending 30 June 2011, the board of directors (the "Directors") of the Company wish to inform the shareholders of the Company and potential investors that the consolidated net loss after tax of the Company for the period is expected to be approximately US$ 59 million, compared to a net loss of US$ 3.4 million for the same period a year earlier. The net asset value ("NAV") of the Company is expected to decrease by approximately US$ 49 million compared to year-end 2010. NAV per share is expected to decrease from US$ 80.54 to approximately US$ 69.00 per share.

Losses for the period are primarily attributable to two factors: fair value adjustments on investment properties and foreign currency effects.

Fair Value Adjustments

The impact of lower appraised values for our real estate assets is reflected in the Valuation Movements, Development Property Impairment, and Share of Associate's Loss lines of the Company's income statement.

In prior years the Company used the Moscow branches of international property consultants Knight Frank and DTZ to value its real estate assets. Starting 30 June 2011, valuations of all the Company's real estate assets are being done by the Moscow branch of international consultant Jones Lang LaSalle ("JLL").

As stated in our previous financial statements, valuation of real estate assets, especially in the case of development projects, involves a significant number of assumptions and judgment calls by the valuers. These variables include, but are 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 dramatic 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 judgment of the valuer.

- Rental Properties (Berlin House, Geneva House, Petrovsky Fort, and Magistralnaya): The appraised value of this group of assets, which involves much less use of assumptions and estimates was consistent between appraisers, being up slightly in the first six months of 2011.

- Scandinavia (103 hectare land site near St Petersburg): The land has been revalued by JLL at 30 June 2011 at approximately US$ 39 million, down from US$ 49.8 million at year-end 2010. In line with local market trends, JLL assumes the land will be sold as individual plots with utilities for owners to develop. There are local examples of such developments which have recently come to market and therefore underpin the valuation. This is a lower risk use of the land than the previous (DTZ) assumption, which was that a developer would sell finished homes in an elite residential community.

- Arbat (two mixed-use, apartment/retail/office developments with parking in central Moscow): The Company's 50% stake in the developments has been valued by JLL using different estimates as to the rental value of retail space, sale price of parking spaces, and time of delivery. The appraised value of the projects (100%) using JLL's assumptions is approximately US$124 million, compared to DTZ's valuation of $152.28 million at 31 December 2010. Half of the US$28.30 million difference is attributed to EPH.

- Inkonika (Moscow parking developments): The Company owns 50% of Inkonika, a parking developer in Moscow. The company is treated as an associate. The Company's share of this associate's loss for the first half of 2011 is approximately US$ 27 million. Inkonika's projects for which construction has been started have been revalued significantly downward due to the use of different assumptions as to how space will be allocated between hourly rental, monthly lease, and sale, and the projected occupancy rate.

  In particular, JLL uses different assumptions than DTZ when valuing Inkonika's largest unstarted project to construct approximately 1850 parking spaces on Sakharova Street in central Moscow. DTZ assumed that large blocks of parking spaces would be sold to neighboring commercial property owners at completion, as is common in high demand business districts in other cities. However, as there is no precedent for this in Moscow, JLL believes it is most prudent to assume a long marketing and sale period until local market data supports a different assumption. By assuming a long sale period and minimal hourly demand for space, the present value of this significant project is reduced to zero.

Currency Effect

Between end-December 2010 and end-June 2011, the Russian ruble ("RUB") gained approximately 8% against the US dollar ("US$"). The Company's valuations, leases, loans, and financial statements are in US$. Certain property operating expenses, local taxes, and construction costs are generally denominated in RUB. Ruble appreciation has had little impact on the profitability of the Company's operations, but it has had a significant impact on net profit under IFRS for the period. In a strong RUB environment, loans, including internal loans from the parent company to subsidiaries, generate a foreign exchange profit, in that a constant US$ debt could be repaid with less RUB. Assets, such as real estate appraised in US$, have the opposite effect, in that an unchanged US$ value converts to a lower amount of RUB. The net impact on the Company's net profit for the period is a loss of approximately US$ 10 million.

Implications for Full Year 2011

The Directors believe that engaging a new valuer has had the effect of generating two independent appraisals of the Company's assets in a short timeframe, and with this one-off rebasing of carrying values, investors can take comfort in there being a clear baseline supporting the underlying value of the Company's assets.

The Company will continue to focus on minimizing the impact of exchange rate movements on operations, but to the extent that such movements impact the company only due to functional/reporting currency effects, the Company's approach will be to inform shareholders and investors as early as possible, but not to incur hedging costs.

Interim financial statements will be released on 24 September 2011, and available on the Company's website: *www.easternpropertyholdings.com* at that time.

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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 Terry Olin, Tel: +41 22 716 1035.

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