



Semi-annual Report 2010

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Results at a Glance

Key numbers from Balance Sheet and Income Statement

in US\$

	30.06.2010	31.12.2009
Assets		
Investment properties	272,546,937	260,412,774
Financial assets at fair value through profit or loss	9,697,500	14,118,200
Loans and receivables	71,434,618	67,060,885
Cash & cash equivalents	2,899,593	4,563,501
Other assets	80,103,525	91,117,105
Total assets	436,682,173	437,272,465
Liabilities		
Bank loans	76,275,000	77,500,000
Accounts payable and accrued expenses	16,818,404	12,909,439
Total liabilities	111,371,566	105,260,562
Total equity	325,310,607	332,011,903
Number of shares outstanding	4,262,613	4,262,613
Net asset value per share	76.32	77.89
Results		
Gross rental income	6,146,708	8,780,360
Net gain/loss from fair value adjustment on investment properties	19,900,725	-28,249,988
Net loss from fair value adjustment on financial investments	-1,300,032	-2,706,727
Net operating gain/loss before finance cost	7,485,229	-25,240,254
Net loss for the period	-3,391,768	-37,420,623
Earnings per share	-0.80	-8.23
Market capitalisation	115,090,551	134,272,310

Statement of the Board of Directors

Dear Shareholders,

Real estate is a cyclical business: good times do not last forever, and every difficult period will inevitably be followed by a recovery.

The Moscow property market was several months later in starting its downturn than the rest of Europe, and its bottoming and recovery has lagged by a similar amount of time. After two years in which almost no new leases were signed, pricing expectations of property owners and potential buyers were too far apart for any significant investment transactions to come together, and debt financing for buyers or developers was simply unavailable, the period under review has been characterised by the renewal of leasing, investment, and even debt financing activity. Recovery of the St. Petersburg market is following at an even slower pace.

Our 49,000 sqm. Petrovsky Fort business center is one of St. Petersburg's largest office properties, and was acutely impacted by the economic downturn. Many tenants operated in local currency, making their US dollar-based rents an undue burden. In addition, many of our tenants were in the hardest hit industries of construction, finance, or leisure, and simply went out of business. With many new office developments entering the St. Petersburg market just as demand plummeted, it was quickly oversupplied with office space. Petrovsky Fort's vacancy rate, having been in the low single digits in 2007, reached a high of 35% earlier this year. Many of the city's property owners have chosen to compete for tenants on the basis of price alone. While requests of selected tenants for short-term rent reductions have been accommodated, we have opted to also increase the competitiveness of our property by investing in improvements. During the period under review, we have renovated Petrovsky Fort's common areas, and improved the ventilation and climate control system.

Rental income for the Company is significantly lower for the period under review than for the same period one year earlier. Lower rents and higher vacancies at Petrovsky Fort are a major contributor, and almost half the reduction can be attributed to our Magistral'naya office property in Moscow, which did not generate any income in 2010. Since termination of their lease in September 2009 due to non-payment of rents, the property's single tenant has contested the cancellation and resisted eviction. A series of court decisions in our favour allowed us to evict the tenant on 2 July, and we are now in the process of finding a new tenant to once again generate income from the asset.

Having entered into an agreement in late June to acquire our joint venture partner's 50% interest in Geneva House and become sole owner of the trophy 16,500 sqm Moscow office and retail property, we completed the acquisition on 12 July. Blue chip international tenants have already committed to over half the office and retail area, and we expect to fill the remaining space in the near future. With almost 12,000 sqm of net lettable area in a prime location, Geneva House will be a strong and stable contributor to our future rental income.

The first half of 2010 represents the first reporting period since end-2008 that we do not have negative fair value adjustments in both our investment properties and financial investments. Due to reduced rental income and impairment of two development projects we have recognized a loss for the period, but we do believe that we are well positioned for the recovery of our markets.

Sincerely,

The Board of Directors
August 2010

Property Review

Our property holdings as of 30 June 2010 consisted of two mixed-use office and retail buildings in Moscow and St. Petersburg, an office complex in Moscow, a land plot near St. Petersburg, and a 50% stake in a mixed-use office and retail property in Moscow, all of which are shown on our financial statements as Investment Property. We own a 50% stake in two mixed-use properties under development in Moscow, which are shown as Assets Under Development. We also hold 50% of a company with development rights to a number of parking facilities in Moscow, and a 25.9% stake in a joint venture to develop and operate shopping centers in a number of cities in Russia which are treated as Investments in Associates. We own a 10% stake in Sarnatus, a company which owns an office building, and a minority stake in a number of shopping centers and a retail operation, which is treated as a Financial Investment.

Berlin House

Berlin House was completed in 2002, making it one of Moscow's first investment grade properties. We have owned Berlin House since 2004. The premises are rented to international tenants under long-term leases, almost all of which were concluded before Moscow rents reached their highest levels in 2006 and 2007.

Consequently, Berlin House was significantly under-rented during that period, but rents have subsequently returned to approximately the level of our existing leases. As a result, tenants have not asked for downward rent revisions, and unlike many commercial property owners in Russia who signed leases at much higher rents, we do not believe we are at risk of a significant reduction in income from the property if our current tenants would have to be replaced. Although there was almost no rental activity in Moscow throughout 2009, 500 square meters of space vacated by a downsizing tenant was leased to Apple UK Ltd without any void period. There is currently no vacant office or retail space in Berlin House.

Geneva House

Geneva House was built as a 50% owned joint venture, with all construction financing provided by EPH. It is the first project to be brought from groundbreaking to commissioning by our management team. Located adjacent to Berlin House, we believe the location, design, and quality of the property places it solidly among the most desirable addresses and assets in Moscow. The size of Geneva House, at approximately 16,500 square meters, makes it equally attractive for owner occupancy or as an investment property. We

Investment Properties

Location, Address	Office Area (NLA m ²)	Retail Area (NLA m ²)	Office/Retail Rentable Area (NLA m ²)	Indoor Parking Area m ²	Gross Building Area m ²
Berlin House, 5 Petrovka Street, Moscow	5,557	1,877	7,434	2,355	12,989
Geneva House, 7 Petrovka Street, Moscow	7,855	4,062	11,917	4,170	16,455
Petrovsky Fort, 4 Finlandsky Prospect, St. Petersburg	15,302	5,797	21,099	4,075	47,610
Magistral'naya Building 1, 1st Magistralnaya Street 11/2, Moscow	1,628*	n/a	1,628*	n/a	1,628
Magistral'naya Building 2, 1st Magistralnaya Street 11/2, Moscow	1,594*	n/a	1,594*	n/a	1,594

* Assumes single tenant occupancy

** percentage of net rentable area

*** 100% since July 2010

believe Geneva House offers the potential for further price appreciation over the coming years, and, while we have been approached by a number of prospective buyers, we chose instead to purchase our partner's 50% share in the building. Prior to the end of the period under review we entered into a purchase agreement, and in July, became the 100% owner of the property. As of 30 June, Letters of Intent had been signed with blue chip international tenants for roughly half the office and retail space in the building.

Petrovsky Fort

Petrovsky Fort is in St. Petersburg, where market practices, the standard of premises available, and the business environment differ significantly from Moscow. Petrovsky Fort operates as a business center, offering varying, and variable sized offices to, in most cases, small businesses or representative offices. These businesses generally do their business in local currency, so ruble devaluation of over 50% against the US dollar between August 2008 and February 2009, made dollar-based rents a disproportionate burden for many tenants. As a result, we negotiated lower rents with many tenants, while others left our building or went out of business. While the Moscow rental market has shown signs of recovery since the third quarter of 2009, the

St. Petersburg market is following only with some delay and at a slower pace. In March the overall vacancy rate in Petrovsky Fort reached 35%, which we believe will be the peak. As of 30 June, the overall vacancy rate was slightly lower, at 33%. We believe Petrovsky Fort is well positioned to compete in the St. Petersburg marketplace, and its occupancy rate will recover in line with, or ahead of, the rest of the local office market. In order to increase the property's competitiveness, we have renovated the entry, atrium, and common areas of the property, and made improvements to the air conditioning and ventilation systems since the beginning of the year.

As a result of lower rents, increased vacancies and a higher capitalisation rate being used to value Petrovsky Fort, Debt Service Coverage Ratio and the Loan to Value covenants of our loan from UniCredit Bank were ultimately breached when calculations were submitted in January 2010. An agreement was reached with the bank in April 2010 under which amortisation payments were reduced for 2010, the DSCR breach was waived, and the LTV limit was temporarily moved upward. As such, we were in compliance with the amended covenants at 30 June 2010.

Parking Spaces	Vacancy Rate %**	Year of Construction	Year of Renovation	Purchase Date	Owning Entity	Ownership Percentage
65	–	2002	n/a	July 2004	Connecta GmbH & CoKG	100%
140	100%	2009	n/a	n/a	EPH Real Estate	50%***
155	32%	2006	n/a	Jun 2006	Romsay Properties Ltd via 000 Petrovsky Fort	100%
28	100%	1996	2003 – 2007	Oct 2007	Housefar Limited via 000 Inspetstroy	100%
112	100%	1994	2003 – 2007	Oct 2007	Housefar Limited via 000 Inspetstroy	100%

Arbat Multi-Use Properties

In 2007 the Group acquired 50% of a joint venture company with subsidiaries owning the rights to two development projects on Moscow's Arbat Street, the principal pedestrian street in the historical center of the city. The projects represent the construction of two multi-use buildings of approximately 27,000 and 11,000 square meters. Each contains retail premises and residential apartments with underground parking. Due to their high profile location, and the design of the projects, which will feature large well-lit living areas and sizeable terraces, the apartment premises in the buildings will be of elite standing. The larger project is well advanced, with the foundation work completed and one section constructed to the fourth floor. The site for the smaller project has been partially prepared, though construction has not started. Currently, financing possibilities are being explored which would allow work on both projects to commence later this year.

Scandinavia Land Site

Since 2008 we have owned a 103 hectare site approximately 22 kilometers from St. Petersburg. The site borders the Sestra River and is accessed via the main highway from St. Petersburg to Finland, hence combines beautiful natural surroundings and easy access for city commuters. The setting is ideal for a large residential development, but with the local housing market in a state of flux, and financing for homebuyers virtually non-existent, we are not actively developing the land at this point. We expect the value of the land will continue to appreciate while we hold it for yet undetermined use.

Development Properties

Location, Address

Arbat Multi-Use I, Moscow

Mixed use development, Residential and Retail

Arbat Multi-Use II, Moscow

Mixed use development, Residential and Retail

Inkonika, Turgenevskaya Ploshad, Moscow

Parking Project

Inkonika, Khokhlovskaya Ploshad, Moscow

Parking Project

Inkonika, Remaining Projects

Several land plots zoned for parking projects in Moscow

Scandinavia Land Site, St. Petersburg region

Land site close to St. Petersburg zoned for residential development

State of Project	Projected Completion	Purchase Date	Holding Company	Ownership Percentage
In construction since October 2005				
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.	2012	July 2007	Bluestone Investments Ltd.	50%
In planning				
The second project, located near the first, consists of approx. 11,000 sqm of GBA on a site area of 2,850 sqm and will also consist of retail space for lease, and luxury apartments for sale. One structure formerly on the site has been removed, while another is yet to be demolished, making way for site preparation and start of construction.	Open	Jul 2007/ Dec 2007	Bluestone Investments Ltd.	50%
In construction since October 2005				
Located at Turgenevskaya Ploshad in the Northeastern area of the CBD. The site has an approx. area of 2,100 sqm. The building will comprise 6 underground floors, all of them for car parking. The entrance will be accessed on street level with vertical communication between floors via ramps. The building will have a gross build area of 10,132 sqm that will comprise c. 300 parking spaces.	2010	Mar 2008	Vestive Limited	50%
In construction since October 2006				
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 building will have a total build area of 12,100 sqm that will comprise approx. 11,300 sqm for approx. 325 parking spaces. The city will receive the additional 800 sqm for a Museum.	2012	Mar 2008	Vestive Limited	50%
In planning				
Inkonika is holding rights to several land plots in strategically convenient areas zoned for parking projects. The total land area comprises approx. 32,000 sqm, on which it is planned to build approx 3,250 parking spaces. The projects are still in planning and permissions stage.	Open	Mar 2008	Vestive Limited	50%
Land held for undetermined use				
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 residential development.	Open	Aug 2007/ Jan 2008	Idelisa Limited	100%

Magistral'naya

Magistral'naya is an operational Class B office complex of three connected office buildings with a total combined area of 3,200 square meters and leasehold rights in three conjoined land plots with a total combined area of approximately 8,000 square meters. The property is located at the intersection of Zvenigorodskoye Shosse and Moscow's third ring road, a location which offers easy access to Moscow City, the Central Business District, and the western suburbs of Moscow. While purchased with re-development in mind, the building is currently a rental property. Our former tenant in the property, a construction company working primarily for the Russian government, has been unable to pay rent for an extended period of time. We terminated their lease in September 2009, and after unsuccessfully challenging our right to cancel the lease in the Russian courts, the tenant vacated in July. We are now looking for a new tenant, or tenants, for the property.

Inkonika

In early 2008 we purchased 50% of Moscow's only dedicated developer of parking facilities. Inkonika held development rights to over 5000 parking spaces in seven well-situated Moscow locations. Completion of the first project, at Turgenevskaya Square in central Moscow, has been slowed by both construction issues, such as underground water levels in excess of what was predicted by geologists, and slowing of construction due to financial constraints of the partners. While less than six months of work are needed to open the Turgenevskaya underground parking facility, no work is currently underway. The second project, at Khokhlovskaya Square, will require approximately 18 months to complete when construction has been restarted, and may be configured to include retail premises. To the extent that debt or equity financing is available, both projects may be restarted in 2010. Until funding can be found or arranged for Inkonika's other projects, they are increasingly at risk of being lost due to expiration or cancellation of Investment Contracts with the City of Moscow. Two of the seven projects have been impaired to zero value for 30 June 2010. In one case, local residents successfully lobbied to have the project cancelled, and while a replacement project has been promised, none has been forthcoming. In the other case, rights were granted by the City under the assumption that relevant legislation would follow, under which space below, for example, city streets, could be subject to long term leases. To date no such legislation has been enacted, leading the City to cancel rights to a second project. It is not known if a replacement project can be negotiated.

Investment Property – Valuation Data Appraised Values 2010

	Appraised Value in US\$	Carrying Value in US\$	Valuation movement in the period in US\$	Net initial yield in %	Reversionary yield in %	Reversionary potential in US\$
Segment 1 – Rental Properties						
Berlin House ¹	80,474,000	80,474,000	9,327,000	8.27	11.40	2,523,148
Petrovsky Fort ¹	58,470,000	58,470,000	1,288,000	6.67	12.88	3,630,944
Magistral'naya ¹	7,525,000	7,525,000	- 19,000	N/A	14.99	1,127,700
Total for Segment 1 - Rental Properties	146,469,000	146,469,000	10,596,000			
Segment 2 – Development Projects						
Geneva House ¹	115,040,000	115,040,000	1,554,000	N/A	11.42	13,244,660
Old Town I ²	124,760,000	87,587,000	819,000	N/A	N/A	N/A
Old Town II ²	26,269,000	26,269,000	500,000	N/A	N/A	N/A
Inkonika ²	65,888,000	65,888,000	- 818,000	N/A	N/A	N/A
Scandinavia ²	46,820,000	46,820,000	1,451,000	N/A	N/A	N/A
Total for Segment 2 - Development Projects	378,777,000	341,604,000	3,506,000			
Total Portfolio	525,246,000	488,073,000	14,102,000			

1 Income Approach

2 Residual Value

Corporate Governance Report

Group Structure

Group structure

Eastern Property Holdings ("EPH") is a real estate holding company. Its investments are held either directly or through subsidiaries. Management of the Company is provided by Valartis International Limited ("Valartis Intl"), a wholly owned subsidiary of Valartis Group AG. Prior to 31 December 2009, management was provided by Eastern Property Management Ltd ("EPML"), also a wholly owned Valartis Group subsidiary. The two Valartis Group subsidiaries were merged in 2009, and Valartis Intl, as the surviving company, became party to the Real Estate Management Agreement with EPH.

The Company's objective is detailed in Note 1, "Incorporation and Activity" to the Interim Financial Information.

Domicile Blenheim Trust (BVI) Limited,
R.G. Hodge Plaza, Wickhams Cay 1
P.O. Box 3483,
Road Town, Tortola,
British Virgin Islands

Swiss security number 1673866
ISIN number VGG290991014
Market capitalisation US\$ 115.09 million
as of 30 June 2010

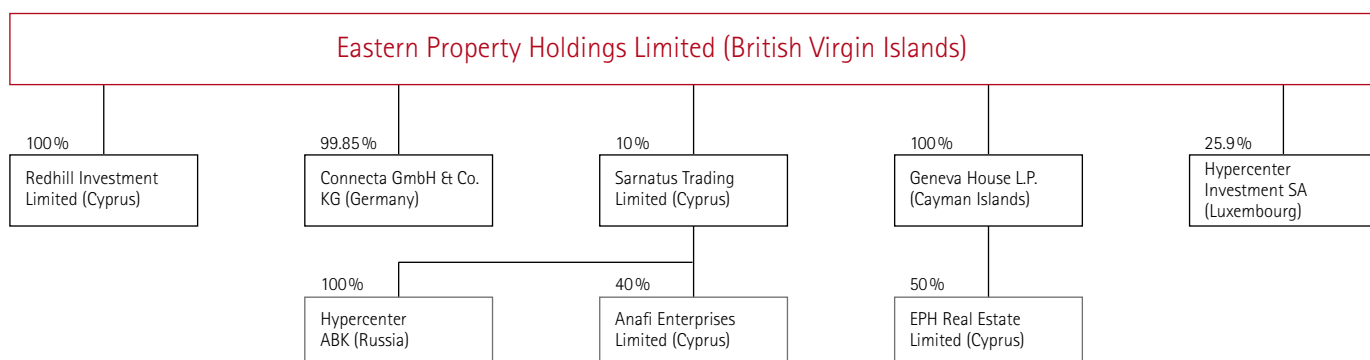
The subsidiaries of the Company are not listed and do not hold any shares in EPH.

Significant shareholders

On 30 June 2010, Valartis Group AG owned 773,798 shares of EPH. Wholly owned Valartis Group subsidiaries Valartis International Limited and Valartis Bank AG held 339,703 shares and 18,170 shares, respectively. ENR Private Equity Ltd and ENR Investmnet Ltd, both of which are majority-owned by Valartis Group owned 272,000 and 221,000 shares, respectively. MCT Global Opportunities Fund, which is managed by Valartis International Limited, held 100,000 shares. Edifin Services SA owned 416,000 shares. The Company has no knowledge of other significant shareholdings, and believes that the remaining shares outstanding are widely spread between institutional and private investors. EPH is not domiciled in Switzerland, so shareholders are not subject to the disclosure obligations of article 20 of SESTA, thus it is possible that other significant holdings exist but the Company has not been notified.

Cross-shareholdings

The company is not aware of any cross-shareholdings.



Capital Structure

Capital

As of 30 June 2010, the Company's share capital consists of 5,338,132 registered shares with one vote per share and no par value. The shareholder register is maintained and administered by SIX SAG Ltd. Baslerstrasse 90, CH-4601 Olten. Note 12, "Shareholders' Equity" to the Company's Interim Financial Information contains a detailed description of the Company's capital structure including a summary of transactions in treasury shares during the period under review.

Authorised and conditional capital

A change in the Company's authorised capital must be approved by a resolution passed by the general meeting of members. A capital increase by the exercise of options or conversion of rights must also be covered by the authorised capital as the Company's articles do not foresee a conditional capital. The status of the authorised capital is detailed in Note 12 to the Interim Financial Information.

Changes in capital

Changes in capital since 1 January 2009 are summarised in the Consolidated Statement of Changes in Equity.

Shares and participation certificates

Note 12 to the Interim Financial Information contains a detailed description of the Company's shares. No participation certificates have been issued.

Profit sharing certificates

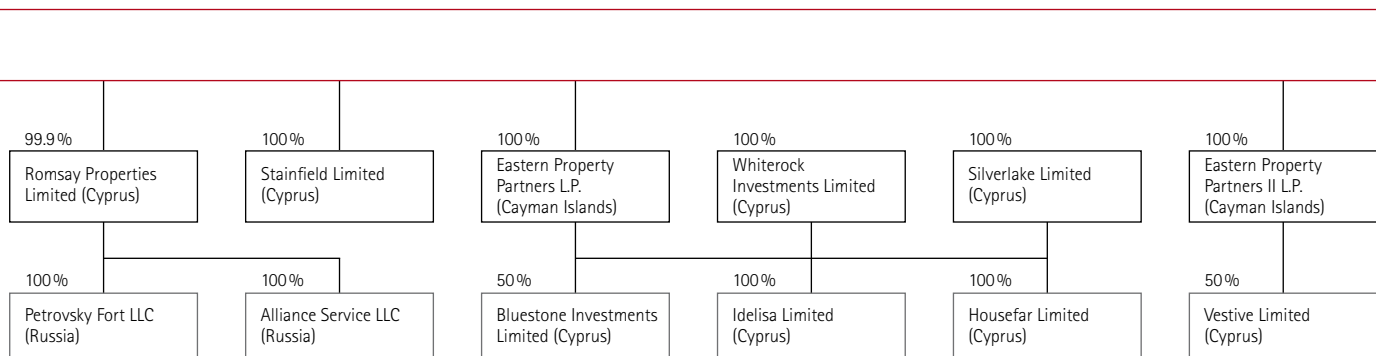
The Company has not issued any profit sharing certificates.

Limitations on transferability and nominee registration

In order to exercise their voting rights, shareholders must register their shareholdings in the Company's shareholder register. The Company's Articles of Association do not foresee any restrictions regarding the registration of shareholders in the register.

Convertible bonds and warrants / options

The Company has no outstanding warrants or options.



Board of Directors

Members of the Board of Directors

As of 30 June 2010, the Board of Directors is composed of the following members:

Serge de Pahlen, born 1944, French

Non-Executive Member (since April 2004)

Mr. de Pahlen is Chairman of Geneva-based Edifin Services SA. He was formerly Vice President for International Activities at Fiat Group, and Chairman of OOO Fiat Russia from 2001 to 2005, as well as board member for a number of other Fiat Group companies. He is a graduate of the Polytechnical Institute of Zurich.

Philipp LeibundGut, born 1973, Swiss

Executive Member (since March 2003)

Mr. LeibundGut is a partner at MCG, the majority shareholder of Valartis Group AG. He was instrumental in the founding of EPH, and also served as a member of the Management Committee from 2003 until 2006. Before joining MCG, Mr. LeibundGut was in charge of the Russian investment activities of Hansa AG, and prior to that was with Credit Suisse. He is a graduate of the Technical College of Basle-Land and Basle-Stadt, and a graduate in business economics from the Basle University of Applied Sciences (FHBB). Mr. LeibundGut is a member of the Board of Directors of Valartis Group AG and serves on the boards of a number of Valartis Group companies. He is also a member of the Supervisory Board of Valartis Bank (Austria) AG, Vienna.

Kay Reddy, born 1961, British

Non-Executive Member (since 1999)

Kay Reddy is Director of the Blenheim Group of Trust, Insurance and Fund Management Companies in the BVI. She has resided in the British Virgin Islands since 1987, where she previously held the position of Managing Director of Barclays Private Bank and Trust (BVI) Limited and, prior to that worked with Deloitte & Touche and

Ansbacher (BVI) Limited. She holds a degree in mathematics, operations research, statistics and economics from Warwick University, Coventry, UK. Mrs. Reddy is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Society of Trust & Estate Practitioners and a member of the Institute of Directors.

Gustav Stenbolt, born 1957, Norwegian **Executive Member (since March 2003)**

Gustav Stenbolt is the CEO of the Valartis Group and Valartis Bank AG, Zurich, Chairman of the Board of Directors of Valartis Asset Management S.A. and Valartis Wealth Management S.A., Geneva, ENR Russia Invest S.A., Geneva, MCG Holding AG, Baar, Valartis Bank (Liechtenstein) AG and Jelmoli Bonus Card AG, Zürich. He is Chairman of the Supervisory Board of Valartis Bank (Austria) AG, Vienna, and Valartis Europe AG, Vienna. Mr. Stenbolt is also a member of the Board of Directors of Anglo Chinese Group, Hong Kong. He is a graduate in economics from Fribourg University and founded MCT Group in 1996. Mr. Stenbolt also served on the Management Committee of EPH from its founding until 2007.

Other activities and functions

See section "Board of Directors".

Cross involvement

See section "Board of Directors" regarding Gustav Stenbolt and Philipp LeibundGut.

Election and term of office

The Directors are elected by the general meeting of shareholders for such terms as the shareholders meeting may determine. Currently, all Directors have been elected for an undetermined period. The year of first election is detailed in the "Board of Directors" section.

Internal organisational structure

Board meetings take place as often as business requires at such place as the directors shall decide. Such meetings may take place by conference call. Their duration depends on the list of items on the agenda. As the Company's investment guidelines foresee that all investments above US\$ 10 million must be approved by the Board of Directors, all significant investment proposals are discussed on the Board level.

As of 30 June 2010, the Board of Directors has not formed any committees.

At the beginning of each meeting, a Chairman is elected by the members. According to art.11.8 of the Company's Articles of Association, questions arising at any meeting shall be decided by a majority of votes. In case of any equality of votes, the Chairman will have a second or casting vote.

Definitions of areas of responsibility

The Board of Directors is responsible for managing the business affairs of the Company in accordance with the Company's Memorandum and Articles of Association. The day to day management, however, has been delegated to Valartis International Ltd., which appoints and provides the Company's Management Committee. The Management Committee is responsible for the management of the Company's business activities, except for the duties incumbent upon the Board of Directors. The Management Committee decides in particular on the business development and implementation of the Company's strategy and its results in accordance with the Investment Guidelines of the Company.

The main function of the Board of Directors remains the supervision of the Company's management and investments. Furthermore, the Board of Directors has ultimate responsibility for the issue of the necessary

directives and regulations and approval of the investment strategy as laid down in the Investment Guidelines. The Board of Directors also approves all investment decisions above US\$ 10 million.

Information and control instruments

The Management Committee meets as often as the business of the Company requires and may pass resolutions only with the consent of all the members attending the meeting. The meetings may also be attended by members of the Board of Directors, or other relevant parties. The Management Committee informs the Board of Directors on a regular basis of the Company's assets and liabilities, new investment targets and development of investments and operations.

Management Committee

Members of the Management Committee

As of 30 June 2010, the Company's Management Committee is composed as follows:

Terry Olin

Terry Olin is responsible for corporate operations and corporate finance at EPH. He has sixteen years of Russian investment experience, of which eight years were spent living and working in Moscow. Mr. Olin is a Managing Director at Valartis Asset Management SA. Prior to joining the Valartis Group in 2002, he was a partner at Brunswick Emerging Markets in Stockholm, Sweden, responsible for emerging European markets, and before joining Brunswick was a director at Russian investment bank Troika Dialog in Moscow. He is a member of the Management Board of the European Public Real Estate Association (EPRA).

Alexander Nikolaev

Alexander Nikolaev is responsible 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 University for Foreign Affairs he was Head of Russian and CIS operations for Smith Management LLC, a U.S. private investment corporation. He has over fourteen years of experience in real estate development, and managing investments in private and public equity.

Yulia Makhinova

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 Russian State Financial Academy, and a Chartered Public Accountant.

Andrey Zarechensky

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, having worked most recently in a senior role at British Petroleum.

Medina Dietz

Medina Dietz is responsible for property operations, commercialisation and tenant relations. She has over fourteen 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.

Other activities and vested interest

See section "Management Committee".

Management contracts

Pursuant to the Real Estate Management Agreement entered into on 15 September 2003, the Company appointed Eastern Property Management Limited ("EPML") as discretionary manager of all activities of the Company. Effective on 31 December 2009, EPML, a 100% owned Valartis Group AG subsidiary, merged with another wholly owned Valartis Group AG subsidiary, Valartis International Ltd. ("Valartis Intl"), which, as successor company, became party to the Real Estate Management Agreement..

On a day-to-day basis, Valartis Intl manages the Company's real estate business, in particular the management and supervision of the Company's properties, development projects, and other assets. Valartis Intl also manages all financing activities, the search for and identification of new investments, and the Company's operations and reporting.

The Real Estate Management Agreement has been concluded for an indefinite period of time. It may be terminated with thirty days written notice prior to the end of any calendar quarter. In the event of its termination by the Company, other than on the grounds of gross negligence or willful misconduct, Valartis Intl will be entitled to material compensation of an amount equal to three times the total fees paid to Valartis Intl, or EPML, for the preceding business year.

Under the terms of the Real Estate Management Agreement, Valartis Intl is entitled to a Management Fee of 2% of the Company's adjusted Net Asset Value, payable quarterly in arrears. The adjustment to the Net Asset Value relates to an addition of the nominal amount of all outstanding debt convertible into shares

of the Company, if any. The Management Fee includes the remuneration for the Management Committee.

Costs not included in the Management Fee are costs of third parties, out-of-pocket expenses incurred by Valartis Intl in carrying out the investigative and due diligence analysis required in pursuing likely investment opportunities, in negotiating, signing and closing investment contracts, and in monitoring existing investments, and costs relating to the general administration of the Company, which is provided by the company secretary and administrator.

Valartis Intl, as successor to EPML, is entitled to receive a Performance Fee equal to 15 % of the value appreciation of the Company's properties and property developments based on the valuation underlying the audited annual financial statements of the Company in accordance with IFRS; provided that the value of an appreciated asset exceeds its original level, and the per share Net Asset Value of the company is not lower than it was when the last performance fee was paid (high water mark).

The Performance Fee is payable only if the increased value of an asset has been realised (in whole or in part) through a sale, partial sale, refinancing or a similar transaction, and then only the Performance Fee generated by the sold or refinanced asset itself will be paid. Until such realisation, any accruals of the Performance Fee will be reflected in the Company's Balance sheet as a Provision for Long-term Liabilities and Charges. The Company's auditors will verify the calculations of the Management Fee and of the Performance Fee in the course of their audit of the Company's consolidated annual financial statements.

On 1 October 2007, Petrovsky Fort LLC, which owns Petrovsky Fort in St. Petersburg, entered into a Property Management Agreement with the St. Petersburg branch

of Valartis Intl. On 1 November 2007, Connecta GmbH & Co. KG, which owns Berlin House in Moscow, entered into a similar agreement with the Moscow branch of Valartis Intl. Under these contracts, Valartis Intl provides each company with property management services. The fees payable under these contracts consist of both fixed and variable charges, but any amounts paid under these contracts which exceed the actual costs incurred by Valartis Intl to provide the required services are subtracted from the amount payable under the Real Estate Management Agreement.

On 1 May 2008, Eastern Property Partners LP, Eastern Property Partners II LP, and Geneva House LP entered into Advisory Agreements with Valartis Asset Management SA, under which each partnership paid annual advisory fees equaling 2 % of total assets. Any amounts paid to Valartis Asset Management under these agreements were subtracted from the Management Fees to be paid to EPML. The Advisory Agreements between the partnerships and Valartis Asset Management were cancelled on 31 December 2009.

Starting 1 January 2010, Valartis Asset Management concluded a Real Estate Advisory Agreement with EPH under which the Company is invoiced based on the basis of time spent. Fees charged under this contract are also subtracted from the amount payable under the Real Estate Management Agreement.

Compensations, Shareholdings and Loans

Content and method of compensation

All directors are remunerated by means of a fixed compensation, payable once a year. There are no share-ownership programmes or stock option plans in place. Furthermore, it is the Company's policy not to pay remuneration to directors which are also officers of Valartis Group companies.

Compensations for acting members of governing bodies

No payments were made to Board members during the period under review.

The Company's management is remunerated by Valartis Group. For the period under review, a total amount of US\$ 3.29 million was paid or payable to Valartis Group for management or advisory services (see also Note 19 "Related Party Transactions" to the Interim Financial Information).

There were no severance payments made to persons who discontinued their functions during the year.

Share allotment in the year under review

The Company did not allot any shares in the year under review.

Share ownership

The members of the Company's Board of Directors, the members of the Company's Management Committee and parties closely linked to such persons held 2,043,171 shares in the Company as of 30 June 2010. Parties closely linked to Gustav Stenbolt, Member of the Board of Directors, held 1,624,671 shares in the Company. Parties closely linked to Serge de Pahlen, Member of the Board of Directors, held 416,000 shares in the Company. Terry Olin, Member of the Management Committee, held 2,500 shares in the Company.

Options

The members of the Company's Board of Directors, the members of the Company's Management Committee and parties closely linked to such persons did not hold any options on shares of the Company as of 30 June 2010.

Additional fees and remunerations

No additional fees and remunerations were paid to members of the Board of Directors during the period under review.

Loans to members of governing bodies

The Company did not grant any loans to members of the Board of Directors.

Highest total compensation

The highest total compensation paid to a member of the Board of Directors for serving during the period under review was nil.

Shareholders' Participation

Voting rights

Each fully paid-up registered share carries one vote at shareholders' meetings. The shareholder register is maintained and administered by SIX SAG Ltd. Baslerstrasse 90, CH-4601 Olten. According to article 4.4 of the Memorandum and Articles of Association, treasury shares do not confer the right to vote. In order to exercise their voting right, shareholders must be registered into the shareholder register.

Shareholders may either represent their shares in person or have them represented by another shareholder. Institutional investors may have their shares represented by the proxy of their choice.

Statutory quorums

A resolution of the General Meeting of Members (shareholders' meeting) approved by at least two thirds of the votes of the holders of the Ordinary Shares that were present at the meeting and entitled to vote and were voted and did not abstain is required for:

1. change of the purpose of the Company
2. the dissolution of the Company followed by liquidation

Convocation of shareholders' meetings

The Company is required to hold an annual general shareholders' meeting in London, UK. The convening of the general meeting of shareholders shall take place by giving notice at least 20 days prior to the day of the meeting, and specifying the place, the day and the hour

of the meeting. The convening notice shall state the agenda as well as the shareholders' proposals. Twenty days notice shall be given to the shareholders whose names appear on the register of members of the Company on the date the notice is given.

Extraordinary shareholders' meetings may be called by any director of the Company as well as upon written request of members holding more than 10% of the votes of the outstanding Ordinary Shares and shall also be held in London, UK.

Agenda

Shareholders holding more than 10% of the vote of the outstanding shares in the Company may request in writing that additional items are added to the proposed agenda.

Inscriptions into the share register

The deadline for the inscription of registered shares into the shareholders' register in view of their participation in the general meeting of shareholders is 20 days prior to the day of the meeting.

Change of Control and Defense Measures

Duty to make an offer

The Company's Memorandum and Articles of Association do not provide for rules on take-over. As a foreign entity, the Company is not subject to SESTA rules.

Clauses on change of control

The Company has entered into agreements which trigger financial consequences in the case of a change of control.

Auditors

Duration of the mandate and term of office

Ernst & Young AG, Zurich was appointed statutory auditor of the Company at the annual shareholder's

meeting on 29 June 2010. PricewaterhouseCoopers SA was the statutory auditor of the Company from 2004 until 2009.

Auditing fees

During the period under review, a total of US\$ 165,678 was paid to PricewaterhouseCoopers SA for audit of the Company's 2009 financial statements.

No fees were paid to Ernst & Young during the period under review.

Supervisory and control instruments

The auditors are supervised by the Company's Board of Directors, and delegates of the Board of Directors are in contact with the auditors on an ongoing basis.

Information Policy

Financial statements can be requested in writing free of charge from the following address:

Eastern Property Holdings Limited
Investor Relations
c/o Valartis Asset Management SA
2-4 Place du Molard
1204 Geneva, Switzerland
Phone: +41 22 716 10 00
Fax: +41 22 716 10 01

Furthermore, recent financial statements, press releases and the Investment Guidelines are available on the Company's website www.easternpropertyholdings.com.

Audited reports are published on an annual basis per 31 December. In addition, the Company publishes unaudited interim financial information per each 30 June.

Financial Information (unaudited)

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Condensed Consolidated Statement of Financial Position as of 30 June 2010

in US\$

	Note	30.06.2010	31.12.2009
Assets			
Non-current assets			
Investment properties	7	272,546,937	260,412,774
Assets under development	8	40,135,998	40,892,244
Financial assets at fair value through profit or loss	9	9,697,500	14,118,200
Investment in associates	10	27,016,208	37,166,493
Loans and receivables	11	26,829,884	25,388,996
Advance for land lease		1,753,122	1,788,177
Deferred tax assets		2,426,879	-
Furniture and equipment		71,821	64,730
Total non-current assets		380,478,349	379,831,614
Current assets			
Accounts receivable		3,317,562	4,889,630
Advance payment		755,874	942,016
Loans and receivables	11	44,604,734	41,671,889
Other current assets		-	1,049,366
Prepaid taxes		4,626,061	4,324,449
Cash & cash equivalents	20	2,899,593	4,563,501
Total current assets		56,203,824	57,440,851
Total assets		436,682,173	437,272,465
Equity			
Share capital		414,418,955	414,418,955
Treasury shares		-30,050,173	-30,050,173
Share premium		74,761,596	74,761,596
Accumulated deficit		-116,753,823	-113,362,055
Other reserves		718,340	718,340
Cumulative translation adjustment		-17,784,288	-14,972,926
Total shareholders' equity		325,310,607	331,513,737
Non-controlling interest		-	498,166
Total equity		325,310,607	332,011,903
Liabilities			
Non-current liabilities			
Borrowings	13	74,462,500	37,600,000
Provisions for long-term liabilities and charges	14	6,302,327	4,289,132
Other non-current liabilities		3,651,680	3,679,055
Total non-current liabilities		84,416,507	45,568,187
Current liabilities			
Borrowings	13	5,141,452	43,194,022
Accounts payable and accrued expenses		16,818,404	12,909,439
Financial liabilities at fair value through profit or loss		4,499,742	3,189,980
Provisions for liabilities and charges	14	35,805	180,829
Property tax		457,908	202,616
Bank overdraft	20	1,748	15,489
Total current liabilities		26,955,059	59,692,375
Total equity and liabilities		436,682,173	437,272,465

* The notes are an integral part of this interim financial information.

Condensed Consolidated Income Statement for the half year ended 30 June 2010

in US\$

	Note	30.06.2010	30.06.2009
Rental income			
Gross rental income		6,146,708	8,780,360
Ground rents paid		- 152,105	- 128,414
Service charge income on principal basis		1,244,425	1,215,316
Service charge expenses on principal basis		- 1,254,377	- 1,394,152
Property operating expenses		- 760,256	- 688,908
Repair and maintenance costs		- 440,524	- 200,118
Non-income taxes		- 1,061,402	- 468,555
Net rental income		3,722,469	7,115,529
Administrative expenses			
Performance fees	14	2,013,195	- 3,429,260
Management fees		3,286,613	3,866,696
Professional and administration fees		1,104,964	1,018,342
Salaries and social charges		73,706	171,288
Total administrative expenses		6,478,478	1,627,066
Other expenses/income			
Interest income		3,868,500	3,591,832
Other income		112,500	3,267
Other operating expenses		- 4,562,268	- 364,385
Loan impairment charge		- 928,001	-
Depreciation		- 4,689	- 11,084
Net loss from foreign currency translation		- 7,079,722	- 1,497,325
Net other expenses/income		- 8,593,680	1,722,305
Valuation movements			
Net loss from fair value adjustment on financial investments		- 1,300,032	- 2,706,727
Net gain/loss from fair value adjustment on investment properties		19,900,725	- 28,249,988
Valuation movements		18,600,693	- 30,956,715
Development property impairment		234,225	- 1,494,307
Net operating gain/loss before finance cost		7,485,229	- 25,240,254
Finance costs		- 3,123,017	- 5,740,096
Share of associates' loss		- 9,488,999	- 7,231,169
Loss before taxes		- 5,126,787	- 38,211,519
Income taxes		1,735,019	790,896
Net loss for the period		- 3,391,768	- 37,420,623
Attributable to:			
Equity holders of the Company		- 3,391,768	- 37,289,183
Non-controlling interest		-	- 131,439
Earnings per share for profit attributable to equity holders of the Company during the year			
Basic and diluted	7	- 0.80	- 8.23

* The notes are an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income for the half year ended 30 June 2010

in US\$

	Note	30.06.2010	30.06.2009
Net loss for the period			
Net loss for the period		-3,391,768	-37,420,623
Other comprehensive gain for the period			
Exchange loss on translation of financial statements of foreign operation		-2,811,362	-7,057,263
Total comprehensive gain for the period		-6,203,130	-44,477,886
Comprehensive gain attributable for the period			
Owners of the company		-6,203,130	-44,346,447
Non-controlling interest		-	-131,439
Total comprehensive gain for the period		-6,203,130	-44,477,886

* The notes are an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flow for the Half Year ended 30 June 2010

in US\$

	Note	30.06.2010	30.06.2009
Cash flows from operating activities			
Net loss for the period		-3,391,768	-37,420,622
Net loss from foreign currency translation		7,079,722	1,497,325
Net unrealised (gain) / loss on investment properties		-19,900,725	28,249,987
Net unrealised (gain) / loss on development properties		-234,225	1,494,307
Loan impairment charge		928,001	-
Net unrealised loss on financial investments		1,300,032	2,706,727
Depreciation		4,689	11,084
Interest income		-3,868,500	-3,591,832
Share of associates' loss		9,488,999	7,231,169
Finance costs		3,123,017	5,740,096
Cash (used in) / generated from operations before movements in working capital		-5,470,758	5,918,241
Increase / decrease in receivables and other current assets			
Increase / (decrease) in payables and other current liabilities		3,181,040	-1,026,568
Increase / (decrease) in other non-current liabilities		1,985,820	-3,999,955
Decrease / (increase) in receivables and other current assets		79,085	-1,954,995
Cash used in operations		-224,813	-1,063,277
Interest income received			
		8,870	60,667
Net cash used in operating activities		-215,943	-1,002,610
Cash flows from investing activities			
Net sale / (purchase) of financial instruments		4,634,572	-5,540,400
Investments in development property		-387,513	-4,343,276
Loans granted		-1,343,141	-3,646,509
Net cash generated from / (used in) investing activities		2,903,918	-13,530,184
Cash flows from financing activities			
Finance costs paid		-2,649,815	-2,616,313
Purchase of treasury shares		-	-13,732,065
Proceeds from borrowings		-	38,059,795
Repayment of borrowings		-1,225,000	-700,000
Net cash (used in) / generated from financing activities		-3,874,815	21,011,417
Net change in cash and cash equivalents		-1,186,840	6,478,623
Cash & cash equivalents at beginning of the year		4,548,012	8,975,452
Net gain from foreign currency translation		-463,327	738,812
Cash & cash equivalents at the end of the period	20	2,897,845	16,192,887

* The notes are an integral part of this interim financial information.

Condensed Consolidated Statement of Changes in Equity for the Period ended 30 June 2010

in US\$

	Ordinary share capital	Treasury shares	Share premium	Accumulated deficit
Balance as at January 1, 2009	414,418,955	- 15,645,708	74,761,596	- 46,773,274
Total comprehensive loss for the period	-	-	-	- 37,289,183
Acquisition during the period	-	- 13,732,065	-	-
Balance as at June 30, 2009	414,418,955	- 29,377,773	74,761,596	- 84,062,457
Total comprehensive loss for the period	-	-	-	- 29,299,598
Balance as at December 31, 2009	414,418,955	- 30,050,173	74,761,596	- 113,362,055
Total comprehensive loss for the period	-	-	-	- 3,391,768
Acquisition during the period	-	-	-	-
Balance as at June 30, 2010	414,418,955	- 30,050,173	74,761,596	- 116,753,823

in US\$

	Other reserves	Currency translation adjustment	Total shareholders' equity	Non-controlling interest	Total equity
Balance as at January 1, 2009	718,340	- 12,475,006	415,004,903	769,687	415,774,590
Total comprehensive loss for the period	-	- 7,057,263	- 44,346,446	- 131,439	- 44,477,885
Acquisition during the period	-	-	- 13,732,065	-	- 13,732,065
Balance as at June 30, 2009	718,340	- 19,532,269	356,926,392	638,248	357,564,640
Total comprehensive loss for the period	-	4,559,343	- 24,740,255	- 140,082	- 24,880,337
Acquisition during the period	-	-	- 672,400	-	- 672,400
Balance as at December 31, 2009	718,340	- 14,972,926	331,513,737	498,166	332,011,903
Total comprehensive loss for the period	-	- 2,811,362	- 6,203,130	-	- 6,203,130
Acquisition during the period	-	-	-	- 498,166	- 498,166
Balance as at June 30, 2010	718,340	- 17,784,288	325,310,607	-	325,310,607

* The notes are an integral part of this interim financial information.

Selected Notes to the Interim Financial Information as of 30 June 2010

1. Incorporation and Activity

Eastern Property Holdings Limited (the "Company") and its subsidiaries (together the "Group") is a real estate investment and development company with a focus on Russia, the CIS, and other formerly socialist countries or their successors in Central or Eastern Europe. The Company is a limited liability company pursuant to the BVI Business Company Act 2004 of the British Virgin Islands. The Company's registered offices are located at Blenheim Trust (BVI) Limited, R.G. Hodge Plaza, Wickhams Cay 1, P.O. Box 3483, Road Town, Tortola, British Virgin Islands.

The Company's mandate is defined as follows:

- to invest its assets in real estate, both in existing properties as well as in real estate development projects, which can be done directly or through subsidiaries or participation in other companies;
- to hold participations in all kind of companies with real estate related activities; and
- to provide real estate financing, sale and lease back of real estate, real estate management and to engage in all other real estate related activities; and
- to enter into all kind of financial transactions which it may think conducive to development of all or any of the above subjects; and
- to engage in any other business or in any acts or activities, which are not prohibited under any law for the time being in force in the British Virgin Islands.

The unaudited condensed consolidated interim financial information as of 30 June 2010 has been approved for issue on 24 September 2010.

2. Basis of Preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRS.

3. Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Functional and reporting currency

The functional currency of the parent company is the US dollar (US\$). The functional currency of the Group's major subsidiaries is

the Russian ruble (RUB). Items included in the interim financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates.

The Company's shares are listed on the SIX Swiss Exchange in US dollars. Therefore, the Group uses the US dollar as its presentation currency.

New standards, amendments and interpretations

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010. The amendments do not have an impact on the financial position, result of operations and cash flows:

- IAS 27 - Consolidated and separate financial statements (revised 2008; effective for annual periods beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss
- IFRS 3 - Business combinations (revised 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

Improvements to IFRS (issued in April 2009).

The improvements project contains numerous amendments to IFRS that the IASB considers non-urgent but necessary. Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are currently not relevant to the Group:

- IAS 39 (Amendment) - Eligible hedged Items
- IFRS 1 (Amendment) - Additional exemptions for first time adopters

- IFRS 1 (Amendment) – First-time adoption of International Financial Reporting Standards
- IFRS 2 (Amendment) – Group settled share-based payment transactions
- IFRIC 9 & IAS 39 (Amendment) – Reassessment of embedded derivatives
- IFRIC 17 – Distribution of non-cash assets to owners
- IFRIC 18 – Transfers of assets from customers

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- IAS 32 – Classification of Rights Issues (effective for financial years beginning after 1 February 2010) Following the amendment of this standard, rights issues for the purchase of shares in the company in a foreign currency may be classified as equity instruments under certain circumstances. The management does not expect the amendment to be relevant for the Group.
- IAS 24 – Related Party Disclosures (effective from 1 January 2010)
- IFRS 9 – Financial instruments: Classification and measurement (effective from 1 January 2013) In November 2009, the Board issued the first part of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 will ultimately replace IAS 39. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measures the financial assets as either at amortised cost or fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The management does not anticipate any significant impact on the consolidated financial statements.
- IFRIC 14 – The limit on a defined benefit asset, minimum funding requirement and their interaction (effective from 1 January 2011) The change in interpretation permits that, under certain circumstances, a company may present prepayments of contributions to defined pension plans under IAS 19 as an asset. The management does not anticipate any significant impact on its consolidated financial statements.
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for financial years beginning after 1 July 2010) The interpretation governs the treatment of a full or partial repayment of a financial liability by issuing equity instruments. The management does not anticipate any impact on the consolidated financial statements.

Improvements to IFRS (issued in May 2010 – effective for annual periods beginning on 1 July 2010)

The improvements to IFRS related largely to clarification issues only. Therefore, applying these amendments has no material impact on the Group's financial statements.

4. Segment information

The Chief Operating Decision Maker ("CODM") 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 two commercial properties
- 100% of a commercial property.

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 are comprised predominantly of office space, with a smaller amount of retail space in two of the three properties. 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 for which rental income is received. Gross and net rents for the Segment are reflected as such in both the Consolidated Income Statement and accounts presented by segment.

Two tenants account for over 10% each of revenues of the Rental Properties segment. One such tenant's six month rent under the lease is US\$ 1.43 million (June 2009: US\$ 1.38 million) and the other's is US\$ 0.71 million (June 2009: US\$ 1.06 million).

2. Development Properties which consist of:

- 100% of a land plot in Russia for development
- 50% of a joint venture which owns a commercial property in Moscow which was physically complete and commissioned, but not yet fitted-out for occupancy at the end of June 2010
- 50% of a company with certain rights to the development of parking garages in Moscow
- 50% of a joint venture to develop two mixed-use properties in Moscow

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 consists of:

- 25.9% of a joint venture created to develop commercial real estate in Russia
- 10% of a company which owns an office property and a minority stake in four shopping centers and a food retailer in Russia.

Passive Investments represent investments which are minority owned, and not actively managed by the Group. The Passive Investment segment is comprised of a stake in the Mosmart retail chain, the office building housing its headquarters and four shopping centers which Mosmart stores anchor, and a joint venture created to build shopping centers which would be anchored by Mosmart.

4. Development Financing which consists of loans made to fund development projects, and consists of loans to three 50% owned joint ventures.

Development Financing represents interest bearing loans made for the purpose of developing real estate in Russia. The Group's lending has primarily been to joint ventures in which it has ownership interest and the ability to actively protect its interests. As all outstanding loans are to companies in which the Group is 50% owner, the 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.

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

in US\$

	30.06.2010				Total
	Rental Property	Development Properties	Passive Investments	Development Financing	
Gross rental income	6,146,708	-	-	-	6,146,708
Net rental income	3,722,469	-	-	-	3,722,469
Interest income	-	-	-	3,868,500	3,868,500
Valuation movements	15,010,573	4,890,152	101,372	- 1,401,404	18,600,693
Development property impairment	-	234,225	-	-	234,225
Finance costs	-	-	-	- 3,123,017	- 3,123,017
Share of associates' gain/ (loss)	-	- 9,356,381	- 132,618	-	- 9,488,999
Net (loss) / profit for the period	11,607,978	- 11,122,903	- 178,179	- 3,698,664	- 3,391,768

in US\$

	30.06.2009				Total
	Rental Property	Development Properties	Passive Investments	Development Financing	
Gross rental income	8,780,360	-	-	-	8,780,360
Net rental income	7,115,529	-	-	-	7,115,529
Interest income	-	-	-	3,591,831	3,591,831
Valuation movements	- 30,988,029	31,315	-	-	- 30,956,714
Development property impairment	-	- 1,494,307	-	-	- 1,494,307
Finance costs	- 5,270,530	-	-	- 469,566	- 5,740,096
Share of associates' gain/ (loss)	-	- 2,475,351	- 4,755,818	-	- 7,231,169
Net (loss) / profit for the period	- 29,442,647	- 6,755,928	- 4,755,818	3,533,770	- 37,420,623

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

Asset and liabilities valuation as of 30 June 2010

	Rental Properties	Development Properties	Passive Investments	Development Financing	Total
Investment properties	148,779,980	123,766,957			272,546,937
Assets under development		40,135,998			40,135,998
Financial investments			9,697,500		9,697,500
Investment in associates		24,423,966	2,592,242		27,016,208
Loans and receivables				71,434,618	71,434,618
Other Assets	9,767,555	4,900,023		1,183,333	15,850,912
Total Portfolio	158,547,535	193,226,944	12,289,742	72,617,951	436,682,173
Total Liabilities	8,950,030	17,547,658	-	84,873,879	111,371,566

Asset and liabilities valuation as of 31 December 2009

	Rental Properties	Development Properties	Passive Investments	Development Financing	Total
Investment properties	138,246,085	122,166,689			260,412,774
Assets under development		40,892,244			40,892,244
Financial investments			14,372,061		14,372,061
Investment in associates		34,441,633	2,724,860		37,166,493
Loans and receivables				67,060,885	67,060,885
Other Assets	10,992,080	3,942,814		2,433,114	17,368,008
Total Portfolio	149,238,165	201,443,380	17,096,921	69,493,999	437,272,465
Total Liabilities	7,794,070	12,666,311	-	84,800,181	105,260,562

Reconciliation to the Statement of Financial Position

	30.06.2010	31.12.2009
Total Portfolio	436,682,173	437,272,465
Assets value per statement of financial position	436,682,173	437,272,465
Total Liabilities	111,371,566	105,260,562
Liabilities per statement of financial position	111,371,566	105,260,562

5. Critical Accounting Estimates and Judgment

The preparation of interim financial information requires Management to make judgments, 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 this condensed consolidated interim financial information, the significant judgments 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 2009.

6. Earnings per Share

Basic earnings per share is calculated by dividing the net income for the period under review by the weighted average number of shares outstanding during the same period. Diluted earnings per share is calculated by dividing the net income for the period under review by the weighted average number of shares outstanding during the period, adjusted for the effect of dilutive warrants. The Company has not had any warrants outstanding since 2006, so since 2007 there has been no difference between basic and diluted earnings per share.

in US\$		
	30.06.2010	30.06.2009
Earnings per share		
Net profit attributable to shareholders	-3,391,768	-37,289,183
Weighted average number of ordinary shares outstanding	4,262,613	4,530,794
Earnings per share (US\$ per share)	-0.80	-8.23

7. Investment Properties

Investment Properties comprise the following:

in US\$		
	30.06.2010	31.12.2009
Investment Properties		
Berlin House	80,805,130	71,488,034
Petrovsky Fort	60,341,932	59,109,921
Magistral'naya	7,632,918	7,648,130
Geneva House	57,520,000	56,743,000
Arbat Multi-Use Complexes	19,426,957	20,054,689
Land plots in St. Petersburg	46,820,000	45,369,000
End of period	272,546,937	260,412,774

Berlin House

in US\$		
	30.06.2010	31.12.2009
Berlin House		
Beginning of the period	71,488,034	82,812,059
Addition	-	-
Revaluation	9,317,096	-11,324,025
Land lease obligations	-	-
End of period	80,805,130	71,488,034

Berlin House is a 13,000 square meter commercial property located at Petrovka Street 5 in Moscow. The building's 7,800 square meters of net rentable space is divided between 5,760 square meters of office space and 2,040 square meters of retail space. Of the eight above-ground floors, six are devoted to office space and two are devoted to retail space. One of the three underground levels contains retail space, and the remaining two contain 64 parking spaces. Berlin House was commissioned in June 2002.

As of 30 June 2010, the vacancy rate as a percentage of total rentable area was, for office space, 0% (2009: 0%), and for retail space, 0% (2009: 0%). Rental income for the property for the period under review was US\$ 3.72 million (June 2009: US\$ 3.74 million). The following table indicates the exposure to non-renewals of existing operating leases over the periods indicated:

in US\$		
	30.06.2010	31.12.2009
Berlin House		
	(undiscounted amounts)	
No later than 1 year	6,295,891	6,694,401
Later than 1 year and no later than 5 years	8,747,236	11,725,068
Later than 5 years	-	-

As of 30 June 2010, the top five tenants in the building, by net rent paid are Reuters, UFG, Terra LLC, MFK Jamilco and Raiffeisen Bank. These top five tenants account for approximately 71% of the annual net rent (June 2009: 79%):

Remaining lease term	Percentage of space		Net rent as a percentage of total	
	Office	Retail	Office	Retail
Less than one year	7%	53%	6%	57%
One to five years	93%	47%	94%	43%
More than five years	0%	0%	0%	0%

The fair value of Berlin House was determined to be US\$ 80.8 million as of 30 June 2010 (31 December 2009: US\$ 71.5 million), based on an independent valuation dated 31 May 2010, prepared by Knight Frank, Moscow, and adjusted for outstanding land lease obligations with respect to the long-term leasehold land under the property. The valuation was based on discounted cash flow projections, using a discount rate of 9.5% on net income (31 December 2009: 10%).

Berlin House is held via the subsidiary company Connecta GmbH & Co. KG which uses the RUB as its functional currency and the US\$ as its presentation currency. The property is appraised in US\$, then

converted to RUB for comparison with the prior period. The US\$ fair value of the property increased during the period by US\$ 9.32 million (June 2009: decrease US\$ 11.49 million), while due to the movements in the US\$ / RUB exchange rate from 1 January 2010, the RUB fair value of the property has increased by US\$ 2.50 million (June 2009: US\$ 2.32 million). The resulting net unrealised gain of US\$ 11.82 million has been recognised in the income statement of the Group as at 30 June 2010 (June 2009: loss of US\$ 9.16 million).

As of 30 June 2010, Connecta had registered one mortgage on the building which served as collateral for a credit facility in the amount of US\$ 40.00 million from Aareal Bank AG, Germany.

Petrovsky Fort

in US\$

	30.06.2010	31.12.2009
Petrovsky Fort		
Beginning of the period	59,109,921	76,226,754
Addition	-	577,267
Revaluation	1,232,011	-17,694,099
Land lease obligations	-	-
End of period	60,341,932	59,109,921

Petrovsky Fort is a 49,000 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, 15,000 square meters are designated for office use and about 6,000 square meters as retail space. The building has an underground parking facility with 119 parking spaces and an above-ground car park with 36 parking spaces.

As of 30 June 2010, the vacancy rate as a percentage of total rentable space was, for office space, 33 % (31 December 2009: 31%), and for retail space, 28 % (31 December 2009: 40%). Rental income for the property for the period under review was US\$ 2.43 million (June 2009: US\$ 3.86 million). The following table indicates the exposure to non-renewals of existing operating leases over the periods indicated:

in US\$

	30.06.2010	31.12.2009
Petrovsky Fort	(undiscounted amounts)	
No later than 1 year	3,011,143	3,551,075
Later than 1 year and no later than 5 years	5,156,284	6,050,257
Later than 5 years	29,481	371,299

As of 30 June 2010, the top five tenants in the building, by net rent paid are CIT Finance, SET, PKC, RKS-Energo and KlinStar Europe. These top five tenants account for approximately 26% of the annual net rent (June 2009: 21%).

Petrovsky Fort

Remaining lease term	Percentage of space		Net rent as a percentage of total	
	Office	Retail	Office	Retail
Less than one year	70%	57%	69%	72%
One to five years	30%	21%	31%	15%
More than five years	0%	22%	0%	13%

The fair value of Petrovsky Fort was determined to be US\$ 60.34 million as at 30 June 2010 (31 December 2009: US\$ 59.11 million), based on an independent valuation dated 31 May 2010, prepared by Knight Frank, Moscow, and adjusted for outstanding land lease obligations with respect to the long-term leasehold land under the property. The valuation was based on discounted cash flow projections, using a discount rate of 11.5% on net income (2009: 12.5%).

Petrovsky Fort is held via the subsidiary company Romsay Properties Limited, which uses the RUB as its functional currency and the US\$ as its presentation currency. The property is appraised in US\$, then converted to RUB for comparison with the prior period. The US\$ fair value of the property increased during the period by US\$ 1.23 million (June 2009: decrease US\$ 16.16 million), while due to movements in US\$ / RUB exchange rate from January 2010, the RUB fair value of the property has increased by US\$ 1.78 million (June 2009: US\$ 2.46 million). The net unrealised gain of US\$ 3.01 million has been recognised in the income statement of the Group as at 30 June 2010 (June 2009: loss of US\$ 13.70 million).

As of 30 June 2010, 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, Austria.

Magistral'naya

in US\$

	30.06.2010	31.12.2009
Magistral'naya		
Beginning of the period	7,648,130	17,895,961
Addition	-	-
Revaluation	-22,024	-10,255,442
Land lease obligations	6,812	7,611
End of period	7,632,918	7,648,130

Magistral'naya is an operational Class B office complex of three buildings with a total combined area of 3,222 square meters and leasehold rights in three conjoined land plots, located in Moscow at the intersection of Zvenigorodskoye Highway and the 3rd Transport Ring Road.

As of 30 June 2010, International Building & Industrial Association "MOSSIB" occupied the entire office complex, though MOSSIB's lease agreement expired on 30 September 2009, and was not prolonged by the Group. MOSSIB formerly occupied the property under a direct lease, and as sublet tenant under a lease with MS Development. Legal action has been taken by the Group to collect accounts receivable and force MOSSIB to vacate the premises. All decisions by the Russian courts to date have been in favor of the Group. No rental income has been recognised by the Group since expiration of the MOSSIB lease.

The fair value of Magistral'naya was determined to be US\$ 7.63 million as of 30 June 2010 (31 December 2009: US\$ 7.65 million) based on an independent valuation dated 31 May 2010, prepared by DTZ, which was adjusted only for outstanding land lease obligations with respect to the long-term leasehold land under the property. The valuation was based on income capitalisation approach, using a capitalisation rate of 14% on net income (2009:14%).

Magistral'naya is held via the subsidiary company Housefar Limited, which uses the RUB as its functional currency and the US\$ as its presentation currency. The property is appraised in US\$, then converted to RUB for comparison with the prior period. The US\$ fair value of the property decreased during the period by US\$ 0.02 million (June 2009: US\$ 6.13 million), while due to movements in US\$ / RUB exchange rate from January 2010, the RUB fair value of the property has increased by US\$ 0.21 million (June 2009: US\$ 0.72). The net unrealised gain of US\$ 0.18 million (June 2009: loss of US\$ 5.42 million) has been recognised in the income statement of the Group as at 30 June 2010.

Properties under development

Geneva House

in US\$

	30.06.2010	31.12.2009
Geneva House		
Beginning of the period	56,743,000	55,945,000
Addition	263,140	3,926,835
Revaluation	513,860	-3,128,835
Land lease obligations	-	-
End of period	57,520,000	56,743,000

Geneva House is a 16,500 square meter commercial property at 7 Petrovka Street in Moscow. The building has 11,900 square meters of net rentable space, divided between 7,900 square meters of office space and 4,000 square meters of retail space. Of the eight above-ground floors, six are devoted to office space and two are devoted to retail space. One of the four underground levels contains retail space, and the remaining three contain 140 parking places.

Rights to Geneva House are held by EPH One, which in turn is owned by EPH Real Estate, a 50%-owned joint venture company of the Group as of 30 June 2010. On 23 June 2010 the Group entered into an agreement to purchase 50% of EPH Real Estate from its joint venture partner. The transaction was not closed as of end of June 2010 (see Note 17).

The fair value of the Group's 50% interest in Geneva House was determined to be US\$ 57.52 million as of 30 June 2010 (2009: US\$ 56.74 million) based on an independent valuation prepared by DTZ. As Letters of Intent have been signed with potential tenants for much of the space in the property, the valuation is based on income capitalisation approach, using a capitalisation rate of 11% on future net income. For 31 December 2009, the property was held vacant and suitable for sale to an owner-occupier, hence the property was valued using the comparable sales method and no capitalisation rate was considered.

EPH Real Estate uses the RUB as its functional currency and the US\$ as its presentation currency. The property is appraised in US\$, then converted to RUB for comparison with the prior period. The US\$ fair value of the property increased during the period by US\$ 0.51 million (June 2009: decrease of US\$ 4.25 million), while due to movements in US\$ / RUB exchange rate from January 2010, the RUB fair value of the property has increased by US\$ 1.61 million (June 2009: US\$ 1.69). The net unrealised gain of US\$ 2.13 million (June 2009: loss of US\$ 2.56 million) has been recognised in the income statement of the Group as at 30 June 2010.

Arbat Multi-Use Complexes

in US\$

	30.06.2010	31.12.2009
Multi-use complexes		
Beginning of the period	20,054,689	27,837,277
Addition	50,924	1,759,965
Revaluation	-678,656	-9,542,553
Land lease obligations	-	-
End of period	19,426,957	20,054,689

In 2007 Eastern Property Partners LP ("EPP"), which is now 100% owned by the Company (on 17 May 2010 the Company increased its stake in the partnership to 100% by acquiring all other limited partnership interests) acquired two Russian subsidiaries through 50%-owned joint venture company Bluestone Investments Limited. These two companies own the rights to two construction and development projects in the historical district in the center of Moscow. The projects represent the construction of two multi-use buildings of approximately 27,000 and 11,000 square meters.

Each project contains retail premises and residential apartments with underground parking.

Apartments, which are intended for sale, are recognised as Assets under development. Assets under development are kept at cost and tested for impairment at each balance sheet date (Note 8).

Retail premises, which are intended for future use as rental property are recognised as Investment Property and carried at fair value. The fair value of the retail premises was determined to be US\$ 19.43 million as of 30 June 2010 (2009: US\$ 20.05 million) based on an independent valuation prepared by DTZ, which was allocated between retail and residential apartments proportionately, based on estimated future revenues. The residual 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.

Bluestone Investments Limited uses the RUB as its functional currency and the US\$ as its presentation currency. The property is appraised in US\$, then converted to a RUB for comparison with the prior period. The US\$ fair value of the property has decreased by US\$ 0.68 million (June 2009: US\$ 8.97 million), while due to movements in US\$ / RUB exchange rate from 1 January 2010, the RUB fair value of the property has increased by US\$ 0.59 million (June 2009: 1.00 million). The net unrealised loss of US\$ 0.09 million has been recognised in the income statement of the Group as at 30 June 2010 (June 2009: loss of US\$ 7.97 million).

Land plots in St. Petersburg

in US\$		
	30.06.2010	31.12.2009
Land		
Beginning of the period	45,369,000	-
Addition	-	31,972,824
Revaluation	1,451,000	13,396,176
Land lease obligations	-	-
End of period	46,820,000	45,369,000

Through its 100% ownership of Eastern Property Partners LP ("EPP"), the Company owns 100% of Idelisa Limited, which owns three land plots near St. Petersburg, Russia, with a total area of 103 hectares.

The fair value of the land plots was determined to be US\$ 46.82 million as of 30 June 2010 based on an independent valuation dated 31 May 2010, prepared by DTZ (31 December 2009: US\$ 45.37 million). As the land is currently held for undetermined use, it is understood that the best determinant of the asset's value would be recent sale prices for comparable land. As no reliable comparable sales information is available, the appraiser has applied a residual value approach. The residual method of valuation 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.

Idelisa uses the RUB as its functional currency and the US\$ as its presentation currency. The property is appraised in US\$, then converted to a RUB for comparison with the prior period. The US\$ fair value of the property has increased by US\$ 1.45 million (June 2009: US\$ 10.34 million), while due to movements in US\$ / RUB exchange rate from 1 January 2010, the RUB fair value of the property has increased by US\$ 1.40 million (June 2009: 0.22 million). The net unrealised gain of US\$ 2.86 million has been recognised in the income statement of the Group as at 30 June 2010 (June 2009: US\$ 10.56 million).

Valuation of Investment Properties

The fair values of investment properties are based on their market value determined by the independent appraisers, Knight Frank (for Berlin House and Petrovsky Fort) and DTZ (for Magistral'naya, Geneva House, Arbat multi-Use complexes and Land Plots in St. Petersburg), who hold recognised and relevant professional

qualifications and who have recent experience in valuation of properties of similar location and category.

All appraisals used for valuation purpose at 30 June 2010 were determined using information available as of 31 May 2010, and dated accordingly. Management does not believe the fair values of the Group's real estate assets changed materially between 31 May and the balance sheet date of 30 June.

In valuing the investment properties, Knight Frank has utilised the term and reversion method 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"). Except for Geneva House and Magistral'naya valuations, DTZ has used residual value methodology which does not make assumptions as to future rents, but assumes that current rents will prevail and adjust for the 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.

In valuing Geneva House and Magistral'naya, DTZ utilised the income capitalisation approach based on certain assumptions with respect to the rental rates which will be used for new tenants, the period of time necessary to let the properties, and the yield a buyer would demand on his investment ("capitalisation rate").

8. Assets under Development

in US\$		
	30.06.2010	31.12.2009
Assets under development		
Beginning of the period	40,892,244	41,114,007
Addition	118,923	663,423
Revaluation	-875,169	-885,186
End of period	40,135,998	40,892,244

Arbat Multi-Use Complexes under development

Through Eastern Property Partners LP, the Group's 50% joint venture company, Bluestone Investments Limited, is developing two multi-use complexes on Moscow's Arbat Street. The complexes will be composed of both retail 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 7).

Assets under development are kept at cost and tested for impairment at each balance sheet date. The cost after impairment of the residential apartments was determined to be US\$ 40.14 million as of 30 June 2010 (2009: US\$ 40.89 million).

Bluestone Investments Limited uses the RUB as its functional currency and the US\$ as its presentation currency. The US\$ cost after impairment of the property has decreased by US\$ 0.88 million (June 2009: US\$ 2.53 million), while due to movements in US\$ / RUB exchange rate from 1 January 2010, the RUB cost after impairment of the property has increased by US\$ 1.11 million (June 2009: 1.02 million). Reversal of the prior year impairment of US\$ 0.23 million has been recognised in the income statement of the Group as at 30 June 2010 (June 2009: impairment of US\$ 1.49 million).

9. Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss comprised the following:

in US\$	30.06.2010	31.12.2009
Sarnatus Trading Limited	6,470,000	6,500,000
Other	3,227,500	7,618,200
	9,697,500	14,118,200

Sarnatus Trading Limited

Since July 2004, the Company has owned 10% of Sarnatus Trading Limited ("Sarnatus"). From 2004 until late 2009, Sarnatus was the 100% owner of the "Mosmart" retail chain, shopping center assets in Moscow, and an office building in Moscow.

Since 2006, the carrying value of Sarnatus, a Financial Investment held at Fair Value on the EPH balance sheet, has been calculated by adding the value of its retail operations based on market multiples for listed peers, to the appraised value of the real estate, then adjusting for the company's debt.

Until late 2009, the primary assets of Sarnatus were held through a number of 100% owned subsidiaries:

In August 2009, in conjunction with the restructuring of existing debt, and providing of an additional credit line by Sberbank, the company's primary lender, the shareholders of Sarnatus agreed to the transfer of the company's retail and shopping center assets to a new company in which a Sberbank affiliate would be the majority shareholder, and Sarnatus would own 40%. Though some asset transfers were only completed in the period under review, the Company treated the restructuring of Sarnatus as completed as of 31 December 2009, and valued its stake using the reduced share of the relevant assets.

Sarnatus, post-restructuring, owns 100% of an office building in Moscow, and indirect 40% stakes in Mosmart and four shopping center assets in Moscow. In addition to its ownership of 10% of the share interests in Sarnatus, the Company's financial investment in Sarnatus includes a contract under which the founders and former majority shareholders of Sarnatus have granted the Company additional economic rights to Sarnatus's assets. As such, the value of Sarnatus on the Company's balance sheet includes both the value of the Sarnatus shares and these additional economic rights.

The fair value of Sarnatus has been calculated by adding 100% of the value of the office building, and 40% of the equity value of the Mosmart retail operations and shopping center assets, and adjusting for direct and indirect debt. The value of the Group's additional economic rights is based on the same calculations. The 2010 budget and debt levels used for calculation of the value of the Group's Financial Investment have been provided by management of Mosmart and Sarnatus, and are not based on audited financial statements, which do not yet exist for the most recent periods.

The equity value of Mosmart is calculated using average valuation multiples of publicly traded Russian food retailers with similar businesses, such as Enterprise Value to EBITDA, Enterprise Value to Sales and Price to Earnings. This methodology involves the assumption that one of the peer group companies, all of which are significantly larger than Mosmart, would be willing to acquire the company at a valuation similar to their own in order to benefit from added selling locations and volumes, or that the public itself would value the Mosmart chain similarly to its peer group if it were listed on an exchange. In the case that peer companies would only be interested in buying Mosmart at a significant discount to their own multiples, or that investors would only be willing to buy a presumably less liquid share at a discount to larger companies, the value of the company could be lower.

Knight Frank valued the direct and indirect real estate holdings of Sarnatus at 31 December 2009, namely minority stakes in four shopping centers, and 100% of an office building. In valuing the properties, Knight Frank made certain assumptions, namely the rents at which current leases would be renewed upon expiration, and more significantly, the rent yield a potential buyer of the property would demand or "capitalisation rate". The initial yield used for calculating the value of the shopping centers and office building at year-end was 13 - 13.5%. For 30 June 2010, the real estate holdings have not been valued by a third party appraiser. Instead, the year-end reports have been adjusted for any difference between forecasted rental income and reversions, and actual results. No other valuation parameters, for example, capitalisation rate, have been changed.

In past periods the Company has described a US\$ 2.22 million contribution commitment to Sarnatus. An amended shareholder's agreement, signed in conjunction with the restructuring, has removed this commitment. The Group has no additional commitments to fund Sarnatus.

Other financial investments

On 22 April 2009, the Company purchased 250,000 units of the Valartis Russian & CIS Fixed Income Fund. The fund invests in interest-bearing obligations in Russia and the CIS and shares can be redeemed on a daily basis. The Company's cost for the units was US\$ 2.5 million. On 30 June 2010, the value of the Company's holding was US\$ 3.23 million (31 December 2009: US\$ 3.11 million).

On 23 April 2009, the Company purchased US\$ 5 million of 9.25% bonds issued by Gazprom affiliate "Gaz Capital" at a price of US\$ 100.25. The bonds have a maturity date of 23 April 2019, but there is an active secondary market for the bonds. During 2009 and the first half of 2010 the bond position was sold in full at the average price of US\$ 114.63.

The total fair value of other financial investments as of 30 June 2010 is equal to US\$ 3.23 million (31 December 2009: US\$ 7.6 million).

10. Investments in Associates

in US\$		
	30.06.2010	31.12.2009
Hypercenter Investment SA		
Beginning of year	2,724,860	13,113,282
Share of associates' profits / (losses)	- 132,618	- 10,020,458
Exchange differences	-	- 367,965
Other equity movements	-	-
Additional contribution	-	-
Closing balance	2,592,242	2,724,860

Hypercenter Investment SA

In 2005, the Company made an initial capital contribution to Hypercenter Investment SA which is a joint venture which was organised to be the exclusive development partner for new Mosmart-anchored shopping centers. Eastern Property Holdings owns 25.9% of Hypercenter Investment. The effective majority shareholder in Hypercenter Investment SA, Athris Holdings AG, has the right to buy 2% of Hypercenter Investment SA from the Company at its most recent balance sheet value. As the exercise price of this right is, by definition, consistent with the Company's carrying value for the asset on balance sheet date, it has zero value to the Company and does not create a liability.

In 2005-2008 the Company made contributions to Hypercenter Investment SA in the form of interest free loans. The loans are envisioned as being made by each shareholder pro-rata to ownership and, according to the shareholders agreement, effectively represent capital contributions. The Company did not participate in the last round of loans to Hypercenter Investment SA, while the other shareholders each provided additional financing in proportion to their ownership.

The primary asset of Hypercenter Investment as of 30 June 2010 is a shopping center project in Nizhny Novgorod which is substantially completed but not yet open. Additional assets of Hypercenter Investment, namely development rights held in a number of subsidiary companies, have been given no value.

No audited financial information for Hypercenter Investment SA exists since 2008. As such, the equity value of investment in Hypercenter Investment SA as of 30 June 2010 is recognised based on the internal assessment of its primary asset in Nizhny Novgorod net of any debts. The assessment of the property is calculated based on capitalization of the expected rental stream from the shopping center.

As the Company did not make the contributions pro-rata to ownership, in estimating the value of its investments in Hypercenter Investments SA the Group assumed that whether the loans made by the shareholders are repaid, or converted to equity, the Group would have rights to not 25.9%, but 23.0% of the value of the assets of the company.

Hypercenter Investment SA is an unlisted company incorporated in Luxembourg.

in US\$		
	30.06.2010	31.12.2009
Vestive Limited		
Beginning of the period	34,441,633	39,635,882
Share of associates' profits / (losses)	- 9,356,381	- 5,191,917
Exchange differences	- 661,287	- 2,332
Other equity movements	-	-
Additional contribution	-	-
Closing balance	24,423,966	34,441,633

Vestive Limited

The Company owns 100% of the limited partnership interests in Eastern Property Partners II (EPP II) which is the 50% owner of Vestive Limited, a company registered in Cyprus. Vestive owns 100% of Inkonika LLC, a Russian company with certain rights to the development of parking garages in the central administrative district of Moscow.

On 16 January 2008, EPH made an initial contribution of US\$ 9,000 to EPP II. Throughout 2008, EPH made additional contributions totalling US\$ 57.03 million to EPP II, which used US\$ 48.03 million to acquire 50% of Vestive Limited and US\$ 9.00 million as an equity contribution to the acquired company. In addition, US\$ 6.03 million was provided as a loan to Inkonika LLC through Redhill Investment Limited (note 11).

On 31 December 2009, Valartis Group merged its 100% owned subsidiaries Valartis International Ltd and Eastern Property Management. As a result, Valartis International Ltd. became the new General Partner of EPP II. As General Partner, Valartis International has a nominal share in EPP II. Historically, Valartis International had a nominal limited partnership interest in EPP II which was assigned to the Company at balance sheet value during the period under review.

As Valartis International's interest in EPP II does not represent a material amount, the Company is considered the only significant partner, and the partnership is consolidated into the Group.

Although the Group owns 50% of Vestive Limited, the remaining 50% is owned by two other investors. Based on terms of the shareholder's agreement in place between the three owners of Vestive, the Group cannot be said to control the company, therefore, unlike joint venture companies EPH Real Estate and Bluestone, in which the Group also owns 50% but there is only one other shareholder with the remaining 50%, Vestive Limited is treated as an associate.

The fair value of Vestive's assets was based on their market value as determined by DTZ as independent appraiser using primarily a residual value methodology. The residual value methodology determines the value of an asset as if it currently exists, then deducts the costs of bringing the asset from its current state to completion, including a profit for the developer. DTZ holds recognised and relevant professional qualifications and has recent experience in valuation of properties of similar location and category. Assumptions have been made, including that permits and

documentation which do not currently exist will be secured without significant delay when needed to complete development projects.

The assets of Vestive's wholly owned subsidiary, Inkonika, as of 30 June 2010, consisted of the rights to five parking projects in the city of Moscow.

During the period under review, Inkonika was informed that, due to the absence of necessary legislation, the City of Moscow was forced to cancel its Investment Contract granting Inkonika rights to a project. As Inkonika's expenditures on the project have not been material, no compensation from the City is expected. As such, the value of the project has been written off in full.

Though the Group has reason to believe that a second project, which was cancelled by the City due to opposition from residents in the immediate vicinity of the project, may ultimately be replaced, initial positive indications that a replacement was forthcoming have not resulted in any concrete action. As such, the Group believes it is appropriate to write off this project.

Due to change of ownership of one site from Moscow to Russian federal government ownership, discussions are currently underway between the city of Moscow and Inkonika to replace this project with another one. As the revocation of rights to the project would be through no fault of Inkonika's, management is confident that a substitute project will be provided. In case no replacement project is agreed, the City would be required to refund documented costs. The Group has the potential for other recourse as well, however, if the project is cancelled and no replacement is provided or offsetting compensation received, the Group would recognise a loss of approximately US\$ 3.42 million based on the project's current valuation.

in US\$

	30.06.2010	31.12.2009
Hypercenter Investment SA		
Assets	32,500,000	32,560,000
Liabilities	21,255,275	20,740,000
Profit / (loss)	- 575,275	- 43,467,122
Interest held	23.05%	23.05%
Vestive Limited		
Assets	70,826,732	90,433,457
Liabilities	21,978,800	21,550,191
Profit / (loss)	- 18,712,761	- 10,383,834
Interest held	50.0%	50.0%

11. Loans and Receivables

in US\$

	30.06.2010	31.12.2009
Loans (non-current)		
Bluestone Investments	17,093,622	16,125,492
Vestive	9,464,027	9,014,663
Other	272,235	248,841
	26,829,884	25,388,996
Loans (current)		
EPH Real Estate	39,874,734	36,472,267
West East Development Company	4,730,000	-
Mr Alexander Korolev	-	1,549,349
Konkor	-	3,650,273
	44,604,734	41,671,889

EPH Real Estate

On 9 February 2007, the Group made a RUB 92.8 million loan to EPH Real Estate. On 31 December 2008, the currency denomination of this loan was changed from RUB to US\$ and equals US\$ 3.53 million. From 2007 to the end of June 2010 the Group made loans totalling US\$ 27.20 million to the joint venture company to finance the construction of the Geneva House project. The Company also made an interest-free US\$ 1.06 million loan to EPH Real Estate. Beginning 2007, according to IAS 31, the joint venture is partially consolidated by integration of 50% of its balance sheet and income statement. Maturity date of all these loans is 31 December 2010.

West East Development Company

On 17 December 2007, the Company signed a US\$ 5.00 million loan agreement with Mr Alexander Korolev, which was further increased to US\$ 6.50 million on 28 May, 2008. The loan was secured by the surety of ZAO SIK Konkor ("Konkor"), a company in which Mr. Korolev was one of the primary shareholders.

On 31 July 2008, Redhill, an EPH subsidiary, signed a loan agreement with ZAO Stroitelno-Investitsionnaya Kompaniya "Konkor" for US\$ 3.20 million. The loan was secured by the surety of Mr. Vladimir Kononov, another primary Konkor shareholder. Maturity date of both loans was 28 December 2010.

On 30 April 2009, the Group and the shareholders of ZAO Stroitelno-Investitsionnaya Kompaniya "Konkor", Mr. Korolev and Mr Kononov, signed an agreement providing EPH with the right to acquire 70% of ZAO Konkor, which is the party to the investment contract with the city of Moscow, under which it owns the rights to a centrally-located hotel and business center development.

At each balance sheet date, the Company tested the loans against impairment by comparing the amount outstanding against the value of the Konkor shares which served as collateral. The development project, which was the primary asset of Konkor was valued by DTZ as of 31 December 2009. As the Group was able to exercise its right to 70% of the shares of Konkor, the value of the loans was impaired to US\$ 5.2 million, which was 70% of the appraised value of the project. As funds necessary for the development of the project were not available to Konkor, rights to the project were seen as increasingly at risk, thus further reducing

the value of the asset, and the future recoverability of the loans. On 30 June 2010 the Company sold the loans to West East Development Company for the total amount of US\$ 4.73 million.

Bluestone Investments

During 2007 – 2008, the Group made a loan of RUB 311.30 million to CJSC IC Otdelstroy, a wholly owned subsidiary of Geneva House LLC to finance construction of the Arbat Multi-use Complexes in central Moscow. On 31 December 2008, the currency of this loan was changed from RUB to US\$ making the principal amount of the loan US\$ 12.74 million.

From 2009 to the end of June 2010 the Group made loans totalling US\$ 0.50 million to the joint venture company to finance the construction of the complexes. The maturity date of this loan is 31 December 2010.

Since 31 December 2008, according to IAS 31, the Group has partially consolidated Bluestone by integration of 50% of its balance sheet. Prior to 31 December 2008, Bluestone was treated as a Financial investment.

Vestive Limited

On 18 March 2008, the Group made a loan of RUB 141.45 million to Inkonika LLC. Inkonika used the proceeds of the loan to finance the construction of two parking garages in the center of Moscow. On 1 January 2009, the currency of this loan was changed from RUB to US\$ and equalled US\$ 5.98 million. On 10 August 2009 the Group also made an interest-free US\$ 1.65 million loan to Inkonika LLC.

12. 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 and 7 March 2005, and the General Meeting of Members of 16 May 2006, 3 May 2007 and 24 June 2008 provides for an authorized capital which entitles the Board of Directors to issue a total of 9,000,000 registered ordinary shares without par value and 1,000,000 registered Series A preferred shares without par value.

Art. 3.4 of the Articles of Association foresees that the existing shareholders shall, in principle, be entitled to their subscription rights in the context of an authorised capital increase.

Change of capital

in US\$

	Number of ordinary shares		Number of series A preferred shares	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
Authorised capital				
Total authorised capital	9,000,000	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	-	-	-	-
Utilisation for capital increase	-	-	-	-
Conversion to ordinary shares	-	-	-	-
Closing balance unissued authorised capital	3,661,868	3,661,868	1,000,000	1,000,000

Issued share capital

	Number of ordinary shares		Number of series A preferred shares	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
Opening Balance	5,338,132	5,338,132	-	-
Capital increase	-	-	-	-
Closing balance	5,338,132	5,338,132	-	-

Treasury shares

	30.06.2010	31.12.2009
	Number of shares	Number of shares
Opening Balance	1,075,519	546,153
Issued to treasury	-	-
Purchase	-	529,366
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 dividend was declared for the result of the year 2009, hence no dividend was paid during the period under review.

No Preferred A shares are outstanding or in issue.

13. Borrowings

in US\$

	30.06.2010	31.12.2009
Borrowings (non-current)		
Aareal bank loan	37,200,000	37,600,000
UniCredit bank loan	37,262,500	–
	74,462,500	37,600,000
Borrowings (current)		
UniCredit bank loan	1,012,500	39,100,000
Aareal bank loan	800,000	800,000
Other	3,328,952	3,294,022
	5,141,452	43,194,022

The Group's bank debt consists of two loans with an average all-in cost of approximately 9.1% per annum and partial amortisation over their five-year terms.

Aareal bank loan

In October 2007 the Group drew a US\$ 40.00 million, non-recourse 5 year term loan from Aareal Bank AG secured by Berlin House. The terms of the facility agreement require that the ratio of net rental income to outstanding credit liabilities must not be less than 13%. In the case the ratio falls below this threshold, Connecta KG is to pay 50% of its net rental profits to an account pledged to the bank. Should the ratio fall below 11%, Connecta KG is obligated to pay 100% of its net rental profits to the pledged account. The bank will repay these amounts to the borrower, once the ratio has been within the provisions of the credit agreement for two consecutive interest payment periods. In case the ratio falls below 11%, the bank may exert an extraordinary right to cancel the credit agreement.

Furthermore, the Aareal Bank loan agreement foresees the compliance with an interest coverage degree of 160%, meaning the net rental income must not be less 160% of the interest payment obligations for a 12 month period.

The Loan-to-Value provision of the agreement dictates that the overall credit amount granted to the borrower can be equal to a maximum of 70% of the fair value of the building.

UniCredit bank loan

In January 2009 the Group drew a US\$ 40.00 million, non-recourse 5 year term loan from UniCredit Bank secured by Petrovsky Fort.

Under the facility agreement between the Group and UniCredit Bank, the ratio of debt service to net rental income (DSCR) shall not fall below 135%, meaning the net rental income must not be less than 135% of the interest and amortisation payment obligations for the next 12 months. If the ratio falls below 135%, the Group should ensure that excess rental income after payment of debt service is paid into an account pledged to the bank. Under certain circumstances the bank can use the amounts deposited to pay down the principal amount of the loan, otherwise they will be released to the Group. The DSCR is tested at each quarterly interest payment date. If it falls below 100% the bank has the right to accelerate the loan. The Loan-to-Value (LTV) provision of the agreement, as signed, dictates that the overall credit amount

outstanding under the loan agreement the borrower cannot equal more than 65% of the fair value of the building and is tested annually.

Increased vacancies at Petrovsky Fort, lower rent levels, and higher yields used for valuation purposes have resulted in both lower cash flows and a lower valuation for the property. The 31 December 2009 valuation resulted in an LTV of 68%, hence not meeting the 65% requirement. The Group received notice that it was in default of the LTV covenant on 12 February 2010.

As of 31 December 2009, both current income and budgeted income showed that the property would not meet the 135% DSCR covenant for the next quarterly testing date and would fall below 100%. The Group received notice that it was in default of the DSCR covenant on 5 February 2010.

As per the terms of the facility agreement, surplus net cash flows from Petrovsky Fort began being deposited into an existing special bank account with the option to use them to reduce the debt while negotiations were initiated with UniCredit Bank under which the Group would make certain payments on behalf of the borrower, and invest in the property in order to enhance its competitiveness in anticipation of a recovery of the St. Petersburg rental market in return for the waiver or temporary revision of the LTV and DSCR covenants

On 14 April 2010 the credit committee of UniCredit approved the waiver of the DSCR covenant for 2010, and to temporarily adjust the LTV covenant to 70% for 2010. Furthermore, scheduled amortisation payments were being reduced during 2010, while EPH has committed to expenditures for renovation and improvement of the asset.

As of 30 June 2010 the LTV is 65.46% and DSCR is higher than 100% but less than 135%, so the loan is not in breach of the adjusted covenants.

14. Provisions for Liabilities and Charges

in US\$

30.06.2010	Performance fee	Others	Total
Opening balance	4,289,132	180,829	4,469,961
Additional provisions	2,013,195		2,013,195
Reversal		– 145,024	– 145,024
Closing balance	6,302,327	35,805	6,338,133

Analysis of total provisions

	30.06.2010	31.12.2009
Non-current	6,302,327	4,289,132
Current	35,805	180,829
Closing balance	6,338,132	4,469,961

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Valartis International Limited is to receive a performance fee equaling 15% of the appreciation of the Group's investments.

Provisions are made for the payment of performance fees each reporting period, but the fees are only paid if there is a cash event involving a holding which has appreciated in value. Payment of performance fees is also subject to a high water mark which is the per share net asset value of the Company at the time of the prior payment of a performance fee. A performance fee was paid when Berlin House was refinanced in October 2007, setting the high water mark at US\$ 111.86 per share. Provisions for performance fees are also reduced when the value of an asset decreases. The amount of a performance fee is set when a cash event occurs, though the fee will only be paid when the high water mark is again reached.

15. Commitments and Contingencies

As a result of its investment and development activities, the Company has entered into commitments totalling US\$ 0.49 million as of 30 June 2010:

1. EPH Real Estate Ltd: undrawn facility of US\$ 0.19 million;
2. EPH One LLC: undrawn loan amount of US\$ 0.3 million.

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

17. Subsequent Events

1. On 2 July 2010 IBIA "MOSSIB", the only tenant in Magistral'naya building, fully vacated the premises.
2. On 5 July 2010 the Company, as borrower, entered into a Loan Agreement with Valartis Bank AG, as lender, for the amount of up to US\$ 15 million in relation to the first installment of the purchase price for 50% of EPH Real Estate Ltd.
3. On 8 July 2010 West East Development Company fully liquidated its debt to the Company in the amount of US\$ 4.73 million.
4. On 12 July 2010 the Group acquired 50% of EPH Real Estate Ltd, a company which owns Geneva House building through its subsidiary, from Vincennes Estates Ltd and became 100% owner of the property.
5. On 13 August 2010 the Group entered into a Mortgage Agreement with Valartis Bank AG to mortgage its Geneva House investment property pursuant to the Loan Agreement as mentioned above.

18. Taxation

Management of the Group must use an estimate of the annual tax rate to calculate and recognise an interim period tax charge, as required by IAS 34.30 (c).

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. It is possible that transactions and activities that have not been challenged in the past may be challenged. If management's interpretation of applicable legislation is not accepted by the tax authorities, additional taxes, penalties and interest may be assessed. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 30 June 2010 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

19. Related Party Transactions

The Company owns almost 100% of Connecta GmbH & Co. KG and Romsay Properties Ltd. The Company owns almost 100% of Eastern Property Partners II LP and Geneva House LP, through which it holds 50% stakes in Vestive and EPH Real Estate, respectively. Through its ownership of 100% of the limited partnership interests in Eastern Property Partners LP, the Company holds stakes in Bluestone, Housefar, Whiterock, Silverlake, and Idelisa. The Company also owns 25.9% of Hypercenter Investment SA and 10% of Sarnatus Trading Limited. As such, each of these companies are to be considered related parties. The Group's transactions with these companies in the period under review, subsequent to the year end, and planned in the future are described in Notes 7,8,9,10 and 11.

The following 100%-owned subsidiaries of Valartis Group have contractual agreements in place with the Group under which management fee / advisory fees / performance fees are charged:

- Valartis International Ltd has a management agreement with EPH, and is General Partner of EPP LP, EPP II LP, and Geneva House LP,
- Valartis International Ltd owns nominal interests in EPP LP; EPP II LP and Geneva House LP in its capacity as General Partner.
- Valartis International Ltd. has property management agreements with Connecta KG and Petrovsky Fort LLC.
- Valartis Asset Management has an advisory agreement with EPH.

Employees of the Valartis Group companies are members of the Management Committee and Board of Directors of the Company.

The total amount of management and advisory fees earned by all Valartis Group subsidiaries under all contracts described above is limited at 2% of the net assets of the Group as defined by the Real Estate Management Agreement between Valartis International Ltd and EPH.

For the period under review, US\$ 3.29 million (June 09: US\$ 3.87 million) was paid or will be paid as management fees, and US\$ 2.01 million (June 09: US\$ 3.43 million was reversed) has been accrued for payment of performance fees based on net reduction of the current values of the Group's financial investments and real estate assets.

On 30 June 2010, Valartis International Limited held 339,703 shares of EPH, Valartis Bank AG held 18,170 shares. Both of the Valartis companies are subsidiaries of Valartis Group AG which also directly held 773,798 EPH shares. ENR Private Equity Ltd and ENR Investment Ltd, both of which are majority owned by Valartis Group, owned 272,000 and 221,000 shares, respectively. MCT Global Opportunities Fund, which is managed by Valartis International Limited, held 100,000 shares of EPH.

20. Cash and Cash Equivalents

in US\$	30.06.2010		31.12.2009	
	Valartis Bank*	Others	Valartis Bank*	Others
Cash at bank and in hand	377,811	1,402,741	1,173,746	3,133,711
Fiduciary deposits	-	1,119,041	-	256,044
Money market instruments	-	-	-	-
Bank overdraft	-1,748	-	-15,489	-
Cash and cash equivalents	376,063	2,521,782	1,158,257	3,389,755
Total cash and cash equivalents	2,897,845		4,548,012	

Shareholder Information and Corporate Details

Board of Directors

Gustav Stenbolt
Serge de Pahlen
Kay Reddy
Philipp LeibundGut

Domicile

Eastern Property Holdings Limited
c/o Blenheim Trust (BVI) Limited
R.G. Hodge Plaza, Wickhams Cay 1
P.O.Box 3483
Road Town, Tortola
British Virgin Islands

Auditors

Ernst & Young AG
Badenerstrasse 47
CH 8022 Zurich, Switzerland
(since June 2010)

PricewaterhouseCoopers SA
Avenue Giuseppe-Motta 50
1211 Geneva, Switzerland
(from March 2004 until 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

Imprint

Eastern Property Holdings, Road Town, Tortola

Pictures

Geneva House

Photo archive of Eastern Property Holdings

Other Buildings

Thomas Mayer, Germany, www.thomasmayerarchive.de

Concept and Design

Eclat AG, Erlenbach/Zürich, Switzerland

Realisation

Multimedia Solution AG, Zürich, Switzerland

Printing

Neidhart + Schön AG, Zürich, Switzerland

