

## PRESS RELEASE

### EPH GROUP EXPECTS A MODERATE PROFIT FOR THE YEAR ENDED 31 DECEMBER 2018 COMPARED TO A LOSS IN THE PREVIOUS YEAR

31 March 2019, Road Town, Tortola, BVI

Eastern Property Holdings (“EPH” or the “Company”) would like to announce that the Company expects a net profit of up to US\$ 30 million for the year ended 31 December 2018, compared to a net loss of US\$ 10.86 million for the year ended 31 December 2017.

The main factors contributing to such change are:

#### **Currency effect**

In 2017, the Company recognized a net foreign exchange loss in amount of US\$ 3.44 million. Due to substantial RUB weakening by the end of 2018 (by more than 20%) we expect rather significant foreign exchange gains to be recognized in the Company’s consolidated income statement. The foreign exchange gains are mainly caused by revaluation of investment properties by the Company’s subsidiaries which have RUB as their functional currency.

Despite the anticipated profit, we expect that the Company’s net assets will decrease – mainly due to negative Cumulative Translation Adjustment (CTA) effect on the Company’s net assets. The CTA reflects gains and losses from currency translation which have accumulated over the period of ownership of the subsidiaries. The weakening of RUB against USD in 2018 has a negative effect on CTA.

#### **Fair value adjustments on Investment Properties**

The Company also expects a loss from fair value adjustments of its investment properties in 2018. Although the rental income generating properties are performing well, the expected reduction in the appraised values is arising from RUB depreciation during the reporting period which affects the USD value of the current rental stream nominated in RUB and a lower estimated rental value (ERV) applied by the appraiser after the expiration of the existing leases. It should be noted, however, that the valuation process is not finalized yet, therefore, further changes are still possible.

The Company would like to emphasize that from an operating standpoint the Company’s income-generating properties continue to demonstrate stable profitability and generate sufficient cash to cover the Company’s operating expenses, including payment of interest on the bonds issued by the Company.

The above stated figures in regards to FY 2018 are preliminary and are still subject to finalization of the Company’s financials. The audited results for the year ended 31 December 2018 will be published on 29 April 2019. No further information on the Group’s business performance will be released until then.

*Eastern Property Holdings Ltd. is an investment company listed on SIX Swiss Exchange which holds interest in office, residential and retail properties. EPH is managed by Valartis International Ltd. a wholly-owned subsidiary of Valartis Group AG.*

*Additional information on Eastern Property Holdings is available by contacting Anna Bernhart Tel: +41 44 503 5400.*