

PRESS RELEASE

First quarter 2020 Financial Update

29 May 2020, Road Town, Tortola, BVI

KEY EVENTS

- In March 2020, the Company received EUR 204.7 million by issuance of subordinated notes to its two largest shareholders at an interest rate of 3.5% p.a. The management intends to use the funds for the acquisition of properties in Western Europe in order to further strengthen the Group's business and follow its strategy to invest in premium quality income producing commercial property assets in Europe.
- Arbat sales have been continued: a few more apartments and parking lots were sold in Q1 2020.
- Leases with the Company's top tenants (Chanel and Richemont Group) have been extended.
- As a subsequent event, in April 2020 the Company acquired 89.9% of interest in the Nhow Hotel in Berlin, Germany. The property had been completed in 2010 and comprises approximately 20,160 sqm, including 304 rooms, 86 underground & 39 surface parking spaces, a spa, restaurant and two music studios.

FINANCIAL HIGHLIGHTS

- The Company's rental properties demonstrate stable performance and generate sufficient cash to cover the Company's operating expenses and service the debt.
- RUB and EUR, major currencies of the Group's operations, continue to be volatile and affect the Company's operating results and net asset value. Dramatic drop in oil prices in Q1 2020 resulted in deterioration of RUB against major global currencies US\$ and EUR. RUB and EUR weakened against US\$ by approximately 26% and 2% since last reported date of 31 December 2019. In average, for Q1 2020 RUB depreciated by 6% against US\$ and EUR – by 3% against US\$ in comparison to Q1 2019.

The above key events led to the following main changes in the Company's financial results for Q1 2020 and financial position at 31 March 2020. The comparative data below is given from the Group's published financial statements as of 31 December 2019.

NET RENTAL INCOME

During Q1 2020 EPH rental properties generated US\$ 14 million of net rental income (Q1 2019: US\$19 million).

FOREIGN EXCHANGE IMPACT

All Company's properties are valued twice a year – as of the end of June and December when the Group publish its consolidated financial statements under IFRS. So, as of 31 March 2020 the values in the currency of revaluation (US\$ for Russia and EUR for Germany and Austria) did not change. For Russian properties, the Company recalculated RUB equivalent of US\$ values of the properties at the rate effective at 31 March 2020 and recognised FX gain on revaluation in the amount of \$153.4 million. The gain was fully compensated by negative FX recognised in the income statement on the intra-group debt and external debt denominated in US\$ and EUR and by negative change in currency translation adjustment recognized directly in equity; so, the overall impact of exchange rate fluctuations in the reporting period is a gain of \$0.4 million.

RESIDENTIAL PROPERTY SALES

In Q1 2020, net gain on sales of apartments and parking lots in Arbat, 24 and Arbat, 39 residential complexes amounted to US\$0.5 million. Proceeds from sales amounted to US\$ 5.1 million.

INVESTMENT PROPERTY

Decrease in US\$ value of investment property from US\$1 007 million to US\$ 999 million is caused by compression in US\$ equivalent of fair values of European properties due to US\$/EUR rate depreciation since fair value for these properties is denominated in EUR.

ARBAT RESIDENTIAL PROPERTIES

Arbat residential properties in Moscow are valued at cost and denominated in RUB. It's US\$ value equivalent US\$ 94 million decreased from US\$124 million upon recalculation at depreciated US\$/RUB rate as well as due to the sale of several premises in Q1 2020 with US\$ 4.6 million cost.

CASH AND BORROWINGS

Increase in cash balance up to US\$ 253 million from US\$29 million corresponds to the funds raised in March from issuance of subordinated notes.

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.

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