

PRESS RELEASE

Third Quarter 2014 Trading Update

28 November 2014, Road Town, Tortola, BVI

MAIN EVENTS

- Acquisition of 90% of Geneva House and Berlin House office and retail properties, as a result the Company became a 100% owner of both properties;
- Acquisition of 100% of Polar Lights business center in Northern part of the center of Moscow;
- Two successful bond placements for total amount of \$270 million;
- Sale of Petrovsky Fort business center;
- Sale of almost 25% of Scandinavia land plot.

FINANCIAL HIGHLIGHTS

- Strong performance of rental assets;
- Significant RUB weakening against US\$ during first 9 months 2014 led to FX loss;
- Decrease in valuations of St. Petersburg investment properties before the sale led to revaluation loss;
- Gain on acquisition of Berlin House, Geneva House and Polar Lights properties due to the agreed price discount to the fair value of the assets;
- No material gain or loss from the sale of Petrovsky Fort, as the property was sold at the price close to its NAV.

SIGNIFICANT FINANCIAL CHANGES FOR Q3 2014

Income

- **Net Rental Income**

During 9 months ended 30 September 2014, our wholly-owned rental properties generated Net Rental Income of \$8.99 million. Berlin House and Geneva House properties, which were acquired at the end of August, have contributed \$1.38 and \$1.47 million of Net Rental Income respectively since the acquisition date. The acquisition of Polar Lights had no impact on Net Rental Income because it was acquired on 30 September 2014.

- **Interest Income**

The Company generated \$5.75 million of interest income in the first nine months of 2014 which is approximately at the same level as for the comparable period of 2013 (\$5.84 million).

- **Gain from acquisition of subsidiaries**

The transaction price for 90% of Geneva House and Berlin House properties amounts to \$148.5 million and the price for 100% of Polar Lights amounts to \$152.8. As the net assets values of the acquired companies were higher than the purchase price, the Company recognized gain on all three acquisitions in amount of \$41.75 million. This gain is calculated based on the preliminary agreed purchase prices which are subject to certain final adjustments. Anyhow, we do not expect any significant change of purchase prices.

Expenses

- **Professional and administration fees**

The Company recognized \$1.82 million of Professional and administration expenses in the nine months of 2014 in comparison with \$0.95 million for the same period in 2013. The increase is primarily caused by the expenses related to bonds issue (\$0.60 million) and expenses related to Unicredit loan extension (\$0.12 million).

- **Net fair value adjustment on investment properties loss**

During nine months 2014 the Company recognised loss of \$11.44 million primarily caused by decrease in Petrovsky Fort and Scandinavia land plots valuations in the amount of \$9.37 million and \$1.50 million respectively.

- **Finance costs**

The Company recognized \$3.71 million of finance costs in the first nine months of 2014 in comparison with \$2.15 million for the same period in 2013. The main reason of increase are: the interest expense on Jilford loan which was arranged in September 2013 and further increased during 9 months 2014, as well as the interest expense for the period starting from 25 August 2014 on third party loans provided to Berlin House and Geneva House.

Assets

- **Investment properties**

The value of the Investment properties significantly increased from \$100.14 million as of 31 December 2013 to \$506.87 million as of 30 September 2014. This increase is the net result of Berlin House, Geneva House and Polar Lights acquisitions and the sale of Petrovsky Fort and part of Scandinavia land plot. Also the remaining part of Scandinavia land plot was reclassified on balance sheet from Investment properties to Investment property held for sale.

- **Loans and Receivables**

EPH's loans and receivables decreased from \$81.0 million as of 31 December 2013 to \$74.94 million as of 30 September 2014. The decrease is primarily attributable to the fact that Berlin House and Geneva House have repaid the most part of the loans due to the Company before their acquisitions and the remaining outstanding balances are now eliminated during consolidation. No new loans were provided during 9 months of 2014.

- **Cash and Cash Equivalents**

The \$74.27 million increase in the Company's cash position in the first nine months of 2014 is the net effect of cash inflows from two bond placements for the total amount of \$270 million, proceeds from sale of Petrovsky Fort in amount of \$21.58 million and proceeds from the sale of a part of Scandinavia land plot in the amount of \$1.99 million, decreased by consideration paid for the acquisitions of three properties for the total amount of \$224.67 million.

- **Accounts Receivable**

The \$2.65 million decrease in accounts receivable is primarily caused by the payment received for the Arbat apartments sold in December 2013.

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

Assets under development have decreased from \$101.83 million at 31 December 2013 to \$94.88 million at 30 September 2014. The \$6.95 million net decrease is primarily caused by significant weakening of the

RUB against the US\$. Assets under development are carrying at cost which is nominated in RUB, thus the weakening of RUB against USD leads to decrease in Assets under development presented in USD.

Liabilities

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

EPH's debt consists of 9 year bonds listed on Swiss Stock Exchange issued in August and September 2014, a loan from Jilford Ltd. signed in September 2013 for the purpose of financing Arbat construction, the third party loans to EPH Real Estate and to Connecta KG and a loan from Valartis Bank (Liechtenstein) AG signed in December 2013.

The outstanding balance of listed bonds at reporting date was \$270 million. The proceeds from the bonds were used to finance the acquisition of Berlin House, Geneva House and Polar Lights properties.

The loan from Jilford is received through Vakhtangov Place Limited, the Company's 60% joint operation company, therefore only 60% of the loan received is reflected on EPH's balance sheet. During the first nine months of 2014 the outstanding balance of the loan increased from \$9.51 million at 31 December 2013 to \$15.09 million at 30 September 2014.

EPH Real Estate and Connecta KG have the RUB nominated loans from the third party on their balance sheets. The outstanding balance of the loans amounted to \$96.08 million as of 30 September 2014.

The loan from Valartis Bank (Liechtenstein) AG was received to fully repay performance fees liability. During the first nine months of 2014 the outstanding balance of the loan remained unchanged at \$8.52 million.

Before 30 September 2014 the Company had a loan from UniCredit Bank Austria which was disposed at 30 September 2014 due to the sale of Petrovsky Fort. The outstanding balance of the loan as of end 2013 was \$32.65 million.

- **Accounts payable and accrued expenses**

The most part of accounts payable in the amount of US\$ 76.63 million represents the deferred part of the purchase price with respect to acquisition of Berlin House, Geneva House and Polar Lights, which is payable in 3Q 2015.

Significant Q3 2014 Income and Expense Items

Net Rental Income	30.09.2014	30.09.2013	Change YoY
Petrovsky Fort	5,441,374	5,004,609	436,765
Magistral'naya	707,761	714,666	(6,905)
Berlin House	1,375,933	0	1,375,933
Geneva House	1,462,387	0	1,462,387
Total	8,987,455	5,719,275	429,860

Material YoY changes in Income/Expense Items	30.09.2014	30.09.2013	Change YoY
Interest income	5,745,736	5,841,181	(95,445)
Professional and administration fees	(1,818,025)	(944,362)	(873,663)
Net (loss)/ gain from fair value adjustment on investment properties	(11,440,045)	85,030	(11,525,075)
Finance costs	(3,714,480)	(2,149,833)	(1,564,647)
Net gain from acquisition of subsidiaries	41,745,068	0	41,745,068

Significant Q3 2014 Changes in Financial Position

Assets	30.09.2014	31.12.2013	Change
Investment properties	506,871,878	100,140,472	406,731,406
Investment property held for sale	7,352,483	0	7,352,483
Loans and receivables (LT & ST)	74,942,870	80,995,725	(6,052,855)
Cash & cash equivalents	80,918,430	6,648,367	74,270,063
Assets under development	94,879,691	101,833,883	(6,954,192)
Accounts receivable	1,151,496	3,807,038	(2,655,542)
Liabilities			
Loans from banks and others (LT & ST)	392,608,819	51,210,613	341,398,206
Accounts payable and accrued expenses	87,228,262	7,091,474	80,136,788