

## PRESS RELEASE

# EPH GROUP EXPECTS A SIGNIFICANTLY HIGHER PROFIT FOR THE 1HY 2019 COMPARED TO THE PREVIOUS YEAR

3 September 2019, Road Town, Tortola, BVI

Eastern Property Holdings (“EPH” or the “Company”) would like to announce that the Company expects a net profit between US\$ 20 – 30 million for the first half year 2019, compared to a net profit of US\$ 2.7 million for the same period a year earlier.

The main factors contributing to such change are:

### **Acquisition of investment property in Vienna**

At the end of February 2019, the Company acquired 100% of a prime office asset in Vienna which is fully let to two reputable tenants. Accordingly, during the period from March till June 2019 this new property contributed approximately US\$ 1.3 million of net rentable income to the Company’s overall financial result.

### **Income from the sale of Arbat apartments**

The Company recognized profit on sale of an apartment and several parking lots at Arbat 24 residential property.

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

The Company also expects a gain from fair value adjustments of its investment properties in USD equivalent in the first half-year 2019 as compared to the loss reflected in the first half of 2018. The rental income generating properties are performing well, and also RUB appreciation during the reporting period positively affects the USD value of the current rental stream denominated in RUB and a higher 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.

### **Currency effect**

RUB strengthening by the end of June 2019, as compared to the end of 2018, had an adverse effect on RUB values of Russian investment properties, resulting in recognition of respective foreign exchange loss. The loss was partly eliminated by the gain on revaluation of net USD denominated financial liabilities of Russian subsidiaries.

In the same period of 2018, RUB weakening caused the opposite effect on the Group’s profits: foreign exchange gain due to increase in RUB values of Russian investment properties was partly eliminated by negative revaluation of net USD financial liabilities of Russian subsidiaries.

We expect, however, that the negative currency impact on the Company’s financial results will be almost eliminated by the positive change in Cumulative Translation Adjustment (CTA), so that there will be almost no 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 strengthening of RUB against USD in 2019 has a positive effect on CTA.

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 are preliminary and are still subject to finalization of the Company’s financials. The results for the first half year 2019 reviewed by the auditor will be published on 30 September 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.*