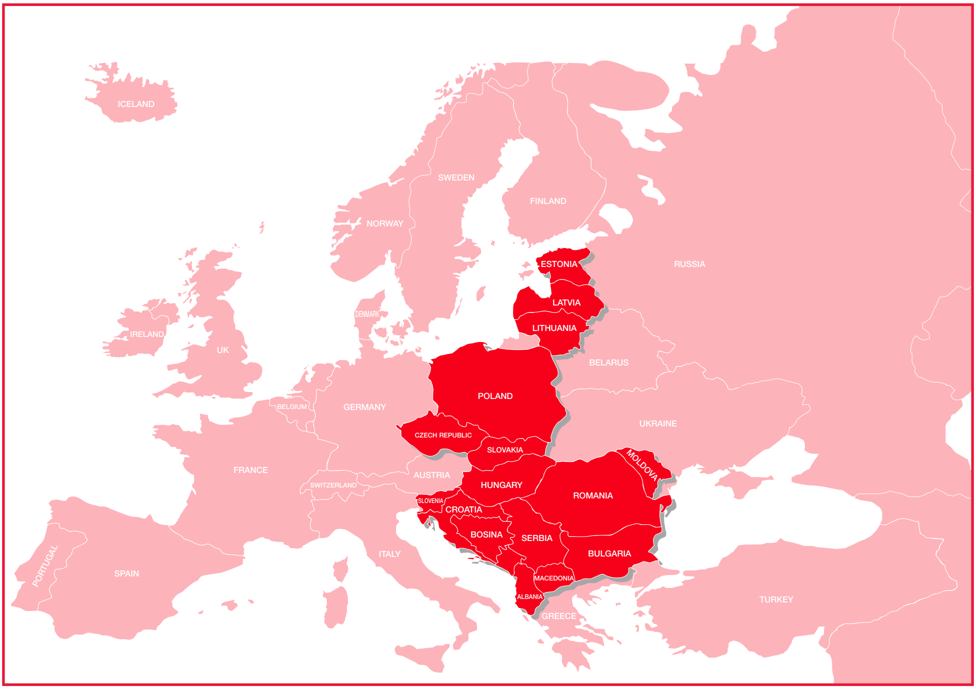
Dawnay, Day Carpathian PLC

Unaudited Interim Results 2006



Key ■ **= Target Countries**

Contents

Directors, Officers and Advisers

Directors	Patrick Rupert Cottrell *(Non-executive Chairman)* Peter Richard Klimt *(Non-executive Director)* William Allen Hamilton-Turner *(Non-executive Director)* Philip Peter Scales *(Non-executive Director)*
Company Secretary	Philip Peter Scales
Property Advisor	Dawnay, Day Europe Limited 15 Grosvenor Gardens London SW1W 0BD
Nominated Advisor and Broker	Numis Securities Limited Cheapside House 138 Cheapside London EC2V 6LH
Auditors	Deloitte & Touche Grosvenor House PO Box 250 66-67 Athol Street Douglas Isle of Man IM99 1XJ
UK Solicitors	Olswang 90 High Holborn London WC1V 6XX
Property Valuers	DTZ Debenham Tie Leung Limited European Valuations 1 Curzon Street London W1A 5PZ
Isle of Man Advocates	Simcocks Advocates Limited Ridgeway House Ridgeway Street Douglas Isle of Man IM99 1PY
Tax Advisors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6HR

Directors' Report

The Directors present herewith their report and unaudited financial statements for the six months ended 30 June 2006.

Principal activities

The principal activity of the company is that of investing in the retail property market in Central and Eastern Europe.

Results for the period

Profit for the six months ended 30 June 2006, was £4,558,458. The results for the period and their appropriation are set out in the income statement.

Dividend

The Directors declared a dividend of 2p per share, for the six months ended 30 June 2006.

Directors

The Directors who served during the period from incorporation to date were as follows:

	Appointed/Reappointed	**Resigned**
P R Cottrell (Non-executive Chairman)	23 June 2005	
P R Klimt (Non-executive Director)	23 June 2005	
W A Hamilton-Turner (Non-executive Director)	23 June 2005	
D Parnell (Non-executive Director)	22 December 2005	25 July 2006
P P Scales (Non-executive Director)	25 July 2006	

Secretaries

The secretaries who served during the period from incorporation and to date were as follows:

	Appointed/Reappointed	**Resigned**
David Parnell	22 December 2005	25 July 2006
Philip Peter Scales	25 July 2006	

Auditors

The auditors, Deloitte & Touche, have expressed their willingness to continue as auditors and will continue in office in accordance with section 12(2) of the Companies Act 1982.

By Order of the Board

P Scales
Secretary

Chairman's Statement

I am pleased to be able to report that Dawnay, Day Carpathian PLC ("Dawnay, Day Carpathian" or the "Company") continues to make good progress towards creating a €1 billion (£700 million) geared portfolio of retail properties in Central and Eastern Europe.

The properties we have acquired are well located, have excellent growth prospects and broad tenant bases. As at 30 June 2006, we had completed the purchase of £227 million of properties with an annualised rent roll in excess of £18 million and a blended net initial yield of 7.51%.

Our investment strategy remains focused on acquiring suitable commercial retail properties such as shopping centres, supermarkets and retail warehousing in Central and Eastern Europe. Despite the increasing flow of inward property investment into Central and Eastern Europe, we are confident that the extensive market contacts gained and in-depth sector knowledge held by the growing management team will provide the Company with a competitive edge in these maturing property markets.

Financial Results

During the period under review, the Company acquired six retail properties in three acquisitions for approximately £140 million. The net rental and related income for the period was £4.2 million, and the Company overall generated a profit before tax of £5.2 million, which excludes any revaluation surplus relating to the period. Independent valuation of the portfolio is conducted on an annual basis.

The basic earnings per share of the Company were 3.1 pence, while the diluted earnings per share were 3 pence.

As at 30 June 2006, the Company's borrowings totalled £163.8 million representing a loan to value ratio of 72%. The cash balance of the Company was £94.3 million and the net debt was £69.5 million.

The Company actively manages its foreign exchange exposure through different intermediaries. A large majority of the property income is pegged to the euro, while the remaining portion is either pegged to US$ or local currency. The local currency portion provides a natural hedge against operational expenses incurred in the same currency.

The loans secured against the properties are denominated in euros and have an average weighted interest rate of 4.6% for the period. All loan agreements have hedging instruments in place minimising the impact of the interest rate risk.

I am pleased to announce an interim dividend of 2p per share. This is in accordance with the investment objective in the AIM admission document where the Directors anticipate an equivalent dividend of 6% to 7% for 2006 and 10% once fully invested based upon the Company's flotation price of 100 pence per share.

The interim dividend will be payable to shareholders on the register on 6 October 2006 (ex-dividend date of 4 October 2006) and will be paid on 3 November 2006.

Chairman's Statement (continued)

The current portfolio comprises:

Country	Location	Property	Value*
Poland	Gdansk	Osowa Centre	20.9 million
	Lodz	Tulipan	15.9 million
	Sosnowiec	Geant Centre	2.8 million
	Torun	Kometa Centre	4.1 million
	Warsaw	Promenada Shopping & Business Centre	95.5 million
	Slupsk	Biedronka Supermarket	0.7 million
		Sub-total:	**£139.9 million**
Hungary	Budaors	Antana Warehouse Park	15.7 million
	Pecs	Pecs Plaza	17.3 million
	Szombathely	Savaria Plaza	4.7 million
	Sopron	Sopron Plaza	11.9 million
	Veszprem	Balaton Plaza	9.8 million
		Sub-total:	**£59.4 million**
Czech Republic	Karlovy Vary	Varyada Shopping Centre	28.1 million
Lithuania	Panevezys	Babilonas Shopping Centre	22 million
Romania	Brasov	Macromall Business Centre	13 million
		Grand Total	**£262.4 million**

* *Value represents either the fair value at 31 December 2005 or the purchase price including costs.*

Asset Manager Review

In anticipation of the enlarged portfolio, the Dawnay, Day Europe asset management team has been expanded to 21 people. This recruitment includes a number of Eastern European nationals, and strengthens DDE's capability particularly within leasing, project management, facilities management and property management. While Dawnay, Day Europe's core activities continue to be directed from the London head office, in June 2006 they established a Warsaw office, and expect to open further satellite offices throughout our target regions.

The asset management team is focusing on a number of specific projects:

Antana: Budapest - Hungary

The retail development proposals of 55,000 sq m GLA (Gross Lettable Area) have been presented to and positively received by the Mayor, Chief Executive and Chief Architect for that Municipality. The development requires an increase in the capacity of the local road infrastructure, requiring a new Master Plan. This is a formal requirement of the Hungarian planning process and will add to the project delivery date by 6 months. We have continued to extend existing leases on a short term basis and sustained the occupancy rate prior to development.

Chairman's Statement (continued)

Pecs Plaza: Hungary

The Company has accumulated adjoining land plots totalling 9.5 hectares. This land is zoned for commercial and retail use. The land cost of £2.56 million represents £270 per sq m. Plans are being worked up to extend the retail facilities with larger anchor and discount units and possibly a 3 star hotel. Construction will not commence until substantial pre-lets are achieved.

Sopron Plaza: Sopron – Hungary

The Asset Manager is progressing with the Tenant relocation plan the first stage of which will see an existing local occupier of 5 prime units relocate to a single large upper level store at a rent of 25% in excess of the budget. These 5 units will be released from prime locations within the main mall presenting an opportunity to re-lease to a stronger line-up and variety of retailers at higher rents.

Savaria Plaza

This centre, substantially vacant with a Developers income guarantee expiring 31 December 2007, now has terms agreed for anchor stores of a 2,000 sq m supermarket and 650 sq m children's wear store.

Varyada: Kalovy Vary – Czech Republic

The Asset Manager has identified an opportunity to increase GLA by approximately 500 sq m with an increased annual rental income of £41,500 to provide a new anchor store for a major international fashion retailer who wishes to occupy premises.

Promenada Centre: Warsaw – Poland

Terms have been agreed with Peek and Kloppenberg for a new 2,800 sq m store, subject to planning. Consent is currently awaited for this extension which totals 7,600 sq m comprising 4,778 sq m retail, 2,823 sq m offices, 1,790 sq m leisure.

Investment Pipeline

The asset managers, Dawnay Day Europe and the Company have a well established profile in the target markets. This is leading to a steady stream of opportunities being presented to the Company often from private vendors in off market transactions. Dawnay, Day Carpathian continues to generate many acquisition opportunities, and there are still a large number of potential deals that meet our investment criteria.

Since the half-year ended 30 June 2006, we have completed the purchase of two acquisitions in two new territories with a total value of £35 million bringing the total portfolio value to over £262 million. In respect of the current identified pipeline, we are in the advanced stages of due diligence work on further £180 million of transactions.

Chairman’s Statement (continued)

In addition, we are also at a well progressed stage on both large single asset and portfolio negotiations with many further opportunities under discussion. We see 2007 as being a year during which we will focus on the consolidation and performance of the assets acquired and consider how we may pursue further the opportunities that continue to present themselves.

Outlook

We believe we are establishing an excellent portfolio of assets and a reputation for successfully executing complex transactions. We are not prepared to disregard issues uncovered in due diligence, and are creative and commercial in seeking fair adjustment when material problems arise.

The Company is substantially on track to meet its targets set at the time of the IPO and we look forward to the future with confidence. We remain focused on income producing retail assets and we are also seeing a rising level of new developments providing opportunities to invest which are being pursued in ways so as to minimise our exposure to the associated development risks.

Rupert Cottrell
Chairman

Unaudited consolidated income statement

For the six months ended 30 June 2006

	Note	31 December 2005 Group £	30 June 2006 Group £
Gross rental income		1,485,519	4,635,089
Service charge income		494,073	1,449,000
Service charge expense		(424,650)	(1,355,159)
Property operating expenses		(394,614)	(490,606)
Net rental and related income		1,160,328	4,238,324
Changes in fair value of investment property		2,468,706	–
Changes in fair value of financial liability		–	(173,822)
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost		69,941	–
Net Foreign Exchange (loss)/gain		608,639	(340,723)
Administrative expenses		(701,102)	(910,768)
Net other income		32,433	183,688
Net operating profit before net financing income		3,638,945	2,996,699
Financial income		3,007,062	3,677,791
Financial expense		(1,009,461)	(1,498,004)
Net financing income		1,997,601	2,179,787
Net profit before tax		5,636,546	5,176,486
Income tax expense		(702,796)	(618,028)
PROFIT FOR THE PERIOD		4,933,750	4,558,458
Attributable to:			
Equity holders of the Company		4,909,679	4,459,592
Minority Interests		24,071	98,866
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed as pence per share)			
Basic earnings per share	3	4.8	3.1
Diluted earnings per share	3	4.7	3.0

Unaudited consolidated statement of changes in equity

For the six months ended 30 June 2006

GROUP	Share Capital £	Share Premium £	Minority Interest £	Foreign Exchange Movement £	Retained Earnings £	Total £
Issue of share capital	1,454, 300	144,468, 545	–	–	–	145,922,845
Costs of issue of shares	–	(5,389,998)	–	–	–	(5,389,998)
Recognition of share-based payments	–	605,543	–	–	–	605,543
Acquisition of subsidiaries	–	–	205,702	–	–	205,702
Profit for the period	–	–	–	–	4,933,750	4,933,750
Minority interest	–	–	24,071	–	(24,071)	–
Share premium release	–	(14,127,767)	–	–	14,127,767	–
Dividend declared	–	–	–	–	(4,362,900)	(4,362,900)
Translation into presentation currency	–	–	–	(95,033)	–	(95,033)
Balance as at 31 December 2005	1,454,300	125,556,323	229,773	(95,033)	14,674,546	141,819,909
Balance as at 1 January 2006	1,454,300	125,556,323	229,773	(95,033)	14,674,546	141,819,909
Profit for the period	–	–		–	4,558,458	4,558,458
Minority interest	–	–	98,866	–	(98,866)	–
Translation into presentation currency	–	–	–	767,105	–	767,105
Balance as at 30 June 2005	1,454,300	125,556,323	328,639	672,072	19,134,138	147,145,472

Unaudited consolidated balance sheet

As at 30 June 2006

	31 December 2005 Group £	30 June 2006 Group £
ASSETS		
Non current assets		
Investment property	87,054,370	226,003,568
Land	–	1,454,884
Goodwill	3,698,346	9,726,917
Deferred income tax assets	127,305	734,110
	90,880, 021	237,919,479
Current assets		
Trade and other receivables	2,036,675	5,462,298
Cash and cash equivalents	126,144,770	94,349,757
Financial assets	399,323	2,034,753
	128,580,768	101,846,808
TOTAL ASSETS	219,460,789	339,766,287
EQUITY		
Issued Capital	1,454,300	1,454,300
Share Premium	125,556,323	125,556,323
Retained Earnings	14,674,546	19,134,138
Foreign Exchange Movement	(95,033)	672,072
Total equity attributable to equity holders of the parent	141,590,136	146,816,833
Minority Interest	229,773	328,639
TOTAL EQUITY	141,819, 909	147,145,472
LIABILITIES		
Non-current liabilities		
Bank loans	60,971,511	159,726,201
Deferred income tax liabilities	4,943,082	11,586,335
	65,914,593	171,312,536
Current liabilities		
Trade and other payables	4,887,286	17,096,873
Bank loans	2,476,101	4,037,584
Dividends payable	4,362,900	–
Financial liabilities	–	173,822
	11,726,287	21,308,279
TOTAL LIABILITIES	77,640, 880	192,620,815
TOTAL EQUITY AND LIABILITIES	219,460,789	339,766,287

Unaudited consolidated cash flow statement

For the six months ended 30 June 2006

	Note	31 December 2005 Group £	30 June 2006 Group £
Cash flows from operating activities			
Cash generated from operations	4	2,706,408	1,280,051
Net cash generated from operating activities		2,706,408	1,280,051
Cash flows from investing activities			
Capital expenditure on investment property		(22,849)	(105,726)
Acquisition of Investment property		–	(726,278)
Purchases of Land		–	(1,454,884)
Interest received		2,470,348	2,598,338
Acquisition of subsidiaries		(6,483,768)	(6,823,545)
Loans advanced to Subsidiaries before acquisition		(10,342,575)	(19,459,543)
Net cash used in investing activities		(14,378,844)	(25,971,637)
Cash flows from financing activities			
Dividends Paid		–	(4,362,900)
Proceeds on issue of shares, net of share issuance costs		139,381,406	–
Interest paid		(778,495)	(1,504,701)
Repayments of borrowings		(294,846)	(1,765,633)
Net (cash used in)/generated from financing activities		138,308,065	(7,633,234)
Net (decrease)/increase in cash and cash equivalents		126,635,629	(32,324,820)
Cash and cash equivalents at the beginning of the period		–	126,144,770
Exchange gains/(losses) on cash and cash equivalents		(490,859)	529,807
Cash and cash equivalents at the end of the period		126,144,770	94,349,757

Notes to the unaudited consolidated financial statements
For the six months ended 30 June 2006

1. General information

Dawnay, Day Carpathian PLC (The "Company") is a company incorporated and domiciled in the Isle of Man on 2 June 2005 for the purpose of investing in the retail property market in Central and Eastern Europe.

The interim report of Dawnay, Day Carpathian PLC for the six months ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as the "Group").

The Company's registered address is IOMA House, Hope Street, Douglas, Isle of Man.

The Company was admitted to the AIM of the London Stock Exchange and commenced trading its shares on 26 July 2005. The Company raised approximately £140 million (before admission costs).

The functional currency of the consolidated financial statements is the Euro as it is the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in pounds sterling (presentation currency) for the convenience of readers. The translation between the functional and presentation currency is in accordance with the Group's accounting policies.

Comparatives for the corresponding six months ended 30 June 2005 have not been disclosed as the Company was admitted to the AIM of the London Stock Exchange on 26 July 2005; the directors feel that such information would not be relevant or meaningful information.

2. Significant accounting policies

The interim report for the six months ended 30 June 2006 is unaudited and has been prepared based on the accounting polices set out in the statutory accounts for the year ended 31 December 2005.

3. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2006 was based on the profit attributable to ordinary shareholders of £4,459,592 and a weighted average number of ordinary shares outstanding during the six month period ended 30 June 2006 of 145,430,015.

Basic earnings per share

	31 December 2005 Group £	30 June 2006 Group £
Profit attributable to ordinary shareholders		
Profit for the period	4,933,750	4,558,458
Minority interest	(24,071)	(98,866)
Profit attributable to ordinary shareholders	4,909,679	4,459,592
Weighted average number of ordinary shares		
Founder shares converted on incorporation – 2 June 2005	10,000	–
Effect of shares issued on 1 August 2005	100,377,358	–
Effect of shares issued on 16 October 2005	1,382,649	–
Effect of shares issued on 16 November 2005	331,801	–
Shares in Issue at 31 December 2005 and 30 June 2006	–	145,430,015
Weighted average number of ordinary shares	102,101,808	145,430,015
Basic earnings per share (expressed as pence per share)	4.8	3.1

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2006 was based on the profit attributable to ordinary shareholders of £4,459,592 and a weighted average number of ordinary shares outstanding during the period ended 30 June 2006 of 147,419,621.

Profit attributable to ordinary shareholders (diluted)	£	£
Profit for the period	4,933,750	4,558,458
Minority interest	(24,071)	(98,866)
Profit attributable to ordinary shareholders	4,909,679	4,459,592

Earnings per share (continued)

Weighted average number of ordinary shares

Weighted average number of ordinary shares	102,101,808	145,430,015
Numis options	1,254, 807	1,750,125
Plaza Profit reinvestment	–	274,492
Promenada profit reinvestment	–	1,002,570
Adjustment to purchase consideration of Gumtree S.à,r.l.	–	(1,034,772)
Adjustment to purchase consideration of BHA Czech s.r.o	–	440,771
Adjustment to purchase consideration of LarchSilver Hungary Kft	–	(443,581)
Weighted average number of ordinary shares (diluted)	103, 356, 615	147, 419, 621
Diluted earnings per share (expressed as pence per share)	4.7	3.0

4. Notes to the cash flow statement

	31 December 2005 Group £	30 June 2006 Group £
Cash generated from operations		
Profit for the period	4,933,750	4,558,458
Adjustments for:		
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	(69,941)	–
Increase in fair value of interest rate swaps	(200,290)	(1,624,254)
Increase/(decrease) in fair value of bank loans	(336,424)	173,822
Net other finance income	(1,460,887)	(555,533)
Increase in fair value of investment property	(2,468,706)	–
Income tax expense	702,796	618,028
Operating cash flows before movements in working capital	1,100,298	3,170,521
Decrease in receivables	5,864,791	1,577,328
Decrease in payables	(4,258,681)	(3,467,798)
Cash generated from operations	2,706,408	1,280,051

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