



DAWNAY, DAY CARPATHIAN PLC

INTERIM REPORT 2007

Dawnay, Day Carpathian PLC

“DDC” is an AIM listed company formed for the purpose of investing in commercial retail property assets in Central and Eastern Europe.

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- Successful secondary Placing raising a further £100 million (before expenses) completed in May 2007
- Diversified portfolio spread across six countries in Central and Eastern Europe
- During the six month period ended 30 June 2007, the Company committed £29 million of equity to a forward purchase of 55% of a development in Riga. Since 30 June 2007, announced a further two development transactions for a combined equity commitment of £30 million (including the Arad development announced today)
- On track to meet the investment targets timetable set in May 2007 supported by a robust pipeline of some ten transactions which includes a balanced mix of development and income producing opportunities
- On track to deliver dividend targets of 10 pence for 2007 and 2008
- Net rental income of £11.11 million (30 June 2006: £4.42 million)
- Net profit grew to £7.16 million (30 June 2006: £5.18 million) excludes any new revaluation surplus as the properties are only revalued on an annual basis
- Basic earnings per share is 3.7 pence, while diluted earnings per share is 3.6 pence
- NAV per share of 112.41 pence (31 December 2006: 114.15 pence). Adjusted NAV per share of 119.67 pence (31 December 2006: 126.68 pence). The change in NAV values largely reflects the impact of the £100 million secondary Placing and dividend declared of £10.7 million during the period.

We are pleased to report that the Company remains in a good position with a strong and geographically diverse portfolio. While global market conditions have unsettled specific markets, revenues from our operations have been unaffected and in time should generate acquisition opportunities for the Company as some of the less established buyers fall away thereby reducing competition. The additional funds raised in May 2007 will enable the continued expansion of the portfolio and the Company is pleased to confirm it remains on track to deliver on its dividend targets of 10 pence for 2007 and 2008.

Rupert Cottrell, Chairman of Dawnay, Day Carpathian

I am pleased to report that following the successful secondary Placing completed in May 2007, the Company is on track to build a substantial retail portfolio in Central and Eastern Europe, within the timetable set. While market conditions have become less predictable, the property investment manager, Dawnay, Day PanTerra ("PanTerra") believes that the Company is well positioned given the current transaction pipeline which in itself is sufficient to meet the Company's investment targets together with the expectation of being able to take advantage of more opportunistic purchases arising from reduced competition as less established buyers find it harder to operate.

During the six month period, the Company delivered a solid financial performance generated currently from the income producing property portfolio which benefits significantly from being diversified geographically as well as by target customer groups.

The Company's investment strategy remains focused on enhancing the diversification of the present portfolio through acquiring or developing new properties in new locations as well as continuing to pursue the significant asset management opportunities across the existing portfolio. Ultimately, the Company is committed to providing shareholders with a resilient property portfolio and delivering reliable dividend income and capital growth.

FINANCIAL RESULTS

The Company generated net rental income for the period of £11.11 million (30 June 2006: £4.42 million) which led to a profit before tax of £7.16 million (30 June 2006: £5.18 million).

The basic earnings per share of the Company were 3.7 pence, while the diluted earnings per share were 3.6 pence. NAV per share was 112.41 pence (31 December 2006: 114.15 pence) and the adjusted NAV per share was 119.67 pence (31 December 2006: 126.68 pence). The change in NAV values largely reflects the impact of the £100 million secondary Placing and dividend declared of £10.7 million during the period.

As at 30 June 2007, the Company's borrowings totalled £256.2 million, representing a loan to value ratio of 69%. The weighted average lengths of the loans are approximately 2.7 years. The weighted average interest rate of the borrowings is 5.21% for the period. The Company has hedged its interest rate exposure by swapping the variable Euribor rate to an average fixed rate of 3.57%.

DIVIDENDS

The Board has declared its first dividend in respect of the financial year ended 31 December 2007 of 3.33 pence per share on 23 April 2007. This will be paid on 28 September 2007 to ordinary shareholders on the register at the close of business on 4 May 2007.

The Company's intention is to pay an additional interim dividend of 3.33 pence per share, together with a final dividend for the financial year ended 31 December 2007, which is intended to result in an aggregate dividend payment of 10 pence per share for the financial year ended 31 December 2007.

PROPERTY PORTFOLIO

During the period, the Company committed £29 million of equity to the forward purchase of 55% of the Riga development and since then we have announced a further two development transactions for a combined equity commitment of £30 million. In addition, all conditions were met in the early part of 2007, with regard to the final completion of the £57.75 million acquisition of the Interfruct portfolio in Hungary first announced in November 2006.

The underlying market conditions reflect increasing consumer spending and affordable rents. This is feeding through to more prompt rental payments.

The development of the Galleria Patollo shopping centre in Riga, Latvia, is continuing on track, this is a substantial project which on completion in 2009 is expected to be worth in excess of £170 million. The Company's largest asset, the Promenada Shopping Centre in Poland is currently being extended by 7,600 sqm to incorporate further retail space and this is also progressing to plan.

On 28 September 2007, the Company announced the acquisition of a retail development site in Arad, Romania for £8.3 million. This acquisition follows on from the acquisition of the development site in Cluj-Napoca, Romania announced in August 2007 and is the second of the four pipeline deals identified by PanTerra at the time of the second fund raising completed in May 2007.

SHARE BUY BACK

The Company continues to actively monitor share buy back opportunities, but is equally conscious of conserving existing cash resources for its investment commitments.

OUTLOOK

The macroeconomic outlook within our target markets is still attractive and the Board believe it provides the Company with excellent growth prospects in the consumer sector in the medium and short term.

The present market turbulence experienced in the credit markets of primarily USA and Western Europe has so far only had a slight impact on our target markets. In addition, the slight adjustments in pricing on new debt instruments for prospective deals are compensated by the favourable changes in the Euro swap rates.

The Board feels that the present market conditions paired with the Company's resources and its experience in these markets provides us with excellent opportunities to deliver outstanding value to our shareholders.



RUPERT COTTRELL
CHAIRMAN

UNAUDITED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

GROUP	Note	30 JUNE 2007 £'000	30 June 2006 £'000	31 December 2006 £'000
Gross rental income		13,146	4,635	15,799
Service charge income		4,825	1,449	5,946
Service charge expense		(5,606)	(1,355)	(6,712)
Property operating expenses		(1,621)	(491)	(2,679)
Other property income		367	184	335
Net rental and related income		11,111	4,422	12,689
Changes in fair value of investment property	2	—	—	36,792
Changes in fair value of financial assets and liabilities		(841)	(174)	(1,147)
Net foreign exchange (loss)/gain		1,186	(341)	1,388
Administrative expenses		(1,561)	(911)	(2,140)
Net operating profit before net financing income		9,895	2,996	47,582
Financial income		4,888	4,115	6,839
Financial expense		(7,624)	(1,935)	(7,660)
Net financing (expense)/income	3	(2,736)	2,180	(821)
Net profit before tax		7,159	5,176	46,761
Tax		(1,182)	(618)	(10,739)
Profit for the period		5,977	4,558	36,022
Attributable to:				
Equity holders of the Company		5,977	4,460	30,706
Minority interests		—	99	5,316
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the period				
Basic earnings per share	4	3.7p	3.1p	21.1p
Diluted earnings per share	4	3.6p	3.0p	21.0p

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

GROUP	Note	Share capital £'000	Share premium £'000	Minority interest £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2006		1,454	125,556	230	(95)	14,675	141,820
Profit for the period		—	—	—	—	36,022	36,022
Minority interest		—	—	460	—	(460)	—
Dividend paid		—	—	—	—	(2,909)	(2,909)
Carried interest allocation to minority shareholders		—	—	4,856	—	(4,856)	—
Translation into presentation currency		—	—	—	(3,372)	—	(3,372)
Balance as at 31 December 2006		1,454	125,556	5,546	(3,467)	42,472	171,561
Balance as at 1 January 2007		1,454	125,556	5,546	(3,467)	42,472	171,561
Profit for the period		—	—	—	—	5,977	5,977
Purchase of minority shareholders' interest		—	—	(690)	—	—	(690)
Dividend paid	8	—	—	—	—	(5,841)	(5,841)
Dividend declared	8	—	—	—	—	(4,868)	(4,868)
Translation into presentation currency		—	—	—	(758)	—	(758)
Issue of shares	6	839	99,761	—	—	—	100,600
Costs of issue of shares	6	—	(3,304)	—	—	—	(3,304)
Balance as at 30 June 2007		2,293	222,013	4,856	(4,225)	37,740	262,677

UNAUDITED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

GROUP	Note	30 JUNE 2007 £'000	30 June 2006 £'000	31 December 2006 £'000
Assets				
Non-current assets				
Investment property		371,148	227,459	368,692
Goodwill		18,139	9,727	16,578
Costs relating to future acquisitions		266	—	436
Deferred income tax assets		937	734	964
Other investments	5	4,970	—	—
Loans receivable	5	1,685	—	—
		397,145	237,920	386,670
Current assets				
Trade and other receivables		6,809	5,462	10,368
Cash and cash equivalents		164,623	94,350	75,131
Financial assets		4,814	2,035	2,666
		176,246	101,847	88,165
Total assets		573,391	339,767	474,835
Equity				
Issued capital	6	2,293	1,454	1,454
Share premium	6	222,013	125,556	125,556
Retained earnings		37,740	19,135	42,472
Translation reserve		(4,225)	672	(3,467)
Total equity attributable to equity holders of the parent		257,821	146,817	166,015
Minority interest		4,856	329	5,546
Total equity		262,677	147,146	171,561
Liabilities				
Non-current liabilities				
Bank loans		213,529	159,726	189,535
Deferred income tax liabilities		35,801	11,586	35,336
		249,330	171,312	224,871
Current liabilities				
Trade and other payables		11,290	17,097	11,838
Bank loans		42,651	4,038	64,702
Dividend payable		4,868	—	—
Provisions		729	—	729
Financial liabilities		1,846	174	1,134
		61,384	21,309	78,403
Total liabilities		310,714	192,621	303,274
Total equity and liabilities		573,391	339,767	474,835

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

GROUP	Note	30 JUNE 2007 £'000	30 June 2006 £'000	31 December 2006 £'000
Cash flows from operating activities				
Cash generated from operations	7	12,678	1,282	2,940
Income taxes paid		(1,168)	—	(797)
Net cash generated from operating activities		11,510	1,282	2,143
Cash flows from investing activities				
Capital expenditure on investment properties		(2,259)	(2,287)	(34,486)
Capital expenditure on incomplete acquisitions		—	—	(436)
Investment in unconsolidated entities		(1,685)	—	—
Loans advanced to unconsolidated entities		(4,970)	—	—
Interest received		2,273	2,598	4,593
Acquisition of subsidiaries		(1,094)	(6,824)	(70,937)
Acquisition of minority interest in subsidiaries		(987)	—	—
Loans advanced to subsidiaries before acquisition		—	(19,460)	(22,476)
Net cash used in investing activities		(8,722)	(25,973)	(123,742)
Cash flows from financing activities				
Dividends paid		(5,841)	(4,363)	(7,272)
New bank loans raised		28,668	—	86,045
Proceeds on issue of shares, net of issuance costs		97,296	—	—
Interest paid		(6,279)	(1,505)	(7,075)
Repayments of borrowings		(27,354)	(1,766)	—
Net generated/(cash used in) from financing activities		86,490	(7,634)	71,698
Net increase/(decrease) in cash and cash equivalents		89,278	(32,325)	(49,900)
Cash and cash equivalents at the beginning of the period		75,131	126,145	126,145
Exchange gains/(losses) on cash and cash equivalents		214	530	(1,114)
Cash and cash equivalents at the end of the period		164,623	94,350	75,131

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

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 2007, 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 at listing and a further £100 million in May 2007 (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.

2 SIGNIFICANT ACCOUNTING POLICIES

The Interim Report for the six months ended 30 June 2007 is unaudited and has been prepared based on the accounting policies set out in the statutory accounts for the year ended 31 December 2006.

The Group's policy is to fair value investment properties annually at 31 December, as a result no fair value adjustments have been recognised in the income statement for the six months ended 30 June 2007.

3 NET FINANCING INCOME

GROUP	30 JUNE 2007 £'000	30 June 2006 £'000	31 December 2006 £'000
Interest income from financial institutions	2,254	2,693	4,593
Fair value adjustment of interest rate swaps	2,276	1,422	2,246
Interest income from related party	358	—	—
Financial income	4,888	4,115	6,839
Gross interest expenses on bank borrowings	(7,130)	(1,761)	(7,597)
Unwinding of unrealised direct issue costs of borrowings	(494)	(174)	(63)
Financial expense	(7,624)	(1,935)	(7,660)
Net financing costs	(2,736)	2,180	(821)

4 EARNING PER SHARE

BASIC EARNING PER SHARE

The calculation of basic earnings per share at 30 June 2007 was based on the profit attributable to ordinary shareholders of £5,977,000 and a weighted average number of ordinary shares outstanding during the six month period ended 30 June 2007 of 162,425,595, calculated as follows:

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

GROUP	30 JUNE 2007 £'000	30 June 2006 £'000	31 December 2006 £'000
Profit for the period	5,977	4,558	36,022
Minority interest	—	(99)	(5,316)
Profit attributable to ordinary shareholders	5,977	4,459	30,706

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

Shares in issue at 31 December 2005 and 2006	145,430,015	145,430,015	145,430,015
Effect of shares issued on 23 February 2007	420,994	—	—
Effect of shares issued on 18 May 2007	16,574,586	—	—
Weighted average number of ordinary shares	162,425,595	145,430,015	145,430,015
Basic earnings per share	3.7p	3.1p	21.1p

DILUTED EARNING PER SHARE

The calculation of diluted earnings per share at 30 June 2007 was based on the profit attributable to ordinary shareholders of £5,977,000 and a weighted average number of ordinary shares outstanding during the period ended 30 June 2007 of 164,995,950 calculated as follows:

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS (DILUTED)

GROUP	30 JUNE 2007 £'000	30 June 2006 £'000	31 December 2006 £'000
Profit for the period	5,977	4,558	36,022
Minority interest	—	(99)	(5,316)
Profit attributable to ordinary shareholders	5,977	4,459	30,706

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2007

4 EARNING PER SHARE CONTINUED

DILUTED EARNING PER SHARE CONTINUED

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

Weighted average number of ordinary shares	162,425,595	145,430,015	145,430,015
Effect of dilutive potential ordinary shares: share options	2,570,355	1,989,605	1,085,853
Weighted average number of ordinary shares (diluted)	164,995,950	147,419,620	146,515,868
Diluted earnings per share	3.6p	3.0p	21.0p

5 OTHER INVESTMENTS

On 2 April 2007 the Group agreed to the purchase of a 55% interest in SIA Patollo, on the completion of the development of Galleria Patollo shopping centre in Riga, Latvia. Under the agreement, the Group is committed to making staged, conditional payments via debt and equity to partially fund the project. The eventual cost of the acquisition of the investment in SIA Patollo is dependent on the value of the shopping centre on completion of the development.

As at 30 June 2007, the funding committed to the project, comprised of £4,970,000 paid for 17.7% of the share in SIA Patollo and a loan of £1,685,000 to SIA Patollo bearing interest of 25% per annum.

6 SHARE CAPITAL AND SHARE PREMIUM

AUTHORISED:

	Number of ordinary share of 1 pence each	£'000
30 June 2006 and 31 December 2006	200,000,000	2,000
17 May 2007 – increase of authorised share capital	150,000,000	1,500
30 June 2007	350,000,000	3,500

On 17 May 2007 the authorised share capital of the Company was increased to £3,500,000 by the creation of 150,000,000 ordinary shares of 1 pence each.

6 SHARE CAPITAL AND SHARE PREMIUM CONTINUED

ISSUED:

	Number of shares issued and fully paid	Share capital £'000	Share premium £'000
Ordinary shares of 1 pence each			
Balance at 30 June 2006 and 31 December 2006	145,430,015	1,454	125,556
23 February 2007 – share option exercised	600,000	6	594
18 May 2007 – issue for cash	83,333,334	833	99,167
18 May 2007 – placing cost	—	—	(3,304)
Balance at 30 June 2007	229,363,349	2,293	222,013

On 23 February 2007, Numis Securities Limited exercised a portion of their option, and purchased 600,000 ordinary shares at £1 per share.

On 18 May 2007, the Company issued 83,333,334 ordinary shares in relation to its public offering at £1.20 per share. The Company incurred costs of £3,304,000 relating to the issue of shares. These equity transaction costs were deducted from equity in accordance with IAS 32, Financial Instruments Disclosure and Presentation.

7 NOTES TO THE CASH FLOW STATEMENT

CASH GENERATED FROM OPERATIONS

GROUP	30 JUNE 2007 £'000	30 June 2006 £'000	31 December 2006 £'000
Profit for the period	5,977	4,558	36,022
Adjustments for:			
Increase in fair value of interest rate swaps	(2,276)	(1,624)	(2,246)
Increase in fair value of financial liabilities	841	—	1,147
Unwinding of unrealised direct issue costs of borrowings	494	174	63
Net other finance (income)/expense	4,518	(556)	3,004
Increase in fair value of investment property	—	—	(36,792)
Income tax expense	1,183	618	10,739
Unrealised foreign exchange (loss)/gain	(1,186)	—	(1,388)
Operating cash flows before movements in working capital	9,551	3,170	10,549
Decrease/(increase) in receivables	3,897	1,579	(3,091)
Increase in payables	(770)	(3,467)	(4,518)
Cash generated from operations	12,678	1,282	2,940

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2007

8 DIVIDENDS

	30 JUNE 2007 £'000	31 December 2006 £'000
GROUP		
Dividend paid in 2006 for the year	—	2,909
Dividend paid in 2007 for the year	—	5,841
Dividend declared for the year	4,868	—
	4,868	8,750

An interim dividend of 3.33p per share for the year ended 31 December 2007 was declared on 24 April 2007 and will be paid on 28 September 2007 to ordinary shareholders on the register at close of business on 4 May 2007.

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

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