CARPATHIAN PLC
INTERIM REPORT 2008

CORPORATE STATEMENT

Carpathian PLC ("CPT") is an AIM listed company formed for the purpose of investing in commercial retail property assets in Central and Eastern Europe.

FINANCIAL HIGHLIGHTS

- Net rental and related income increased to £16.39 million (six months to 30 June 2007: £11.11 million) – up 47.5%
- Net profit before tax for the period increased to £8.44 million (six months to 30 June 2007: £7.16 million) – up 17.9%
- Profit for the period is £5.91 million (six months to 30 June 2007: £5.98 million) – down 1.2%
- Earnings per share 3.7 pence (six months to 30 June 2007: 3.7 pence)
- Interim dividend of 2 pence per share (six months to 30 June 2007: 3.33 pence) and new total dividend objective of 5 pence per share for the year*
- Net Asset Value per share is 133.8 pence (30 June 2007: 112.4 pence) – up 19%
- Adjusted Net Asset Value** per share is 147.8 pence (30 June 2007: 119.7 pence) – up 23.5%
- Severed final links with Dawnay, Day Group, successful change of Company name and transfer of PanTerra into a new company now named Carpathian Asset Management

* This should not be construed as a profit forecast.

** Adjusted NAV excludes goodwill and deferred tax on property valuations.

CHAIRMAN'S STATEMENT

As I indicated in our last Annual Report published in May, the global economy and especially the financial and property markets of US and Western Europe continue to show unprecedented turbulence which is expected to continue throughout 2009.

This inflationary and growth pressure in Western Europe is likely to slow the prospects of Central and Eastern Europe ("CEE") in 2009. However, the forecasted Real GDP growth in CEE of 4.3% for 2009 will still substantially exceed the Eurozone average of 1.2% for 2009*. Our view is that the domestic consumer and retail markets of CEE countries have further potential to grow compared to their Western European competitors. While some countries could underperform within the CEE, the Company has the flexibility to further diversify.

In our view the CEE property markets' relative size and its attractive performance to date has meant that yields and property valuations have not changed as dramatically compared with Western Europe.

While these macro trends require our constant attention we also had to focus on the relationship that Dawnay, Day International ("DDI") had with our advisers, Dawnay, Day PanTerra ("PanTerra"). DDI was not able to provide satisfactory guarantees as to the liquidity and future of PanTerra, as a result, the Board of Carpathian and the minority shareholders of PanTerra bought from the administrators this business in its entirety. I am pleased to report that the former PanTerra team was successfully transferred into a new company now named Carpathian Asset Management and this initiative was achieved within 20 days. The Board and I feel confident that this new vehicle will be more economical and stable for our shareholders.

You will know the Company has changed its name to Carpathian PLC; with the purchase of the management company and the resignation of Peter Klimt, we have severed all ties and have no further operational or financial relationships with Dawnay, Day Group.

FINANCIAL RESULTS

During the first half of the year, the Company made good progress increasing its net rental and related income by 47.5% and net profit before tax by 17.9% as compared with results of the six months to 30 June 2007. As a result, the earnings per share achieved for the period is 3.7 pence based on a 40% increase in the weighted average number of shares of approximately 229 million from 162 million.

DIVIDENDS

During this period of global uncertainty over the future of financial markets, we are determined to concentrate additional resources on the management of liabilities, liquidity and risk as a priority. Given today's uncertainties and the Interfruct default, the Board has decided to rebase its dividend policy and declares a 2 pence per share interim dividend from the 3.7 pence earnings per share for the period with a final dividend expected to be not less than 3 pence making a total of 5 pence for the year**. The Board and I consider this as a prudent move in this most uncertain of times. The interim dividend will be paid on 7 November 2008 to all shareholders on the register at the close of 10 October 2008.

PROPERTY PORTFOLIO

At the end of August this year, we received the disappointing news that our largest tenant, Interfruct, a cash and carry retailer, was in default by virtue of non payment. Last year these properties contributed approximately £1.36 million or 8% of the total Company profit after tax. We took swift steps to commence a restructuring of the mortgage debt and appointed Cushman & Wakefield to restructure the underlying property portfolio. Our priority is to minimise the loss of income to our shareholders. You will be notified immediately of any further developments.

Overall, the rest of the investment portfolio provided a very stable income, with rent collections above 95% to date and vacancy rate below 6%.

We have also made good progress on our developments, especially in Riga (Latvia), Arad and Cluj Napoca (Romania). In Riga, we secured construction financing of £51.2 million in April this year and pre-lettings are over 50%. In Arad, a construction facility of £50 million was signed in August, with pre-lettings around 40%, while in Cluj Napoca pre-lettings are also around 50%.

At the property portfolio level, the Company's focus remains unchanged to deliver income and capital growth through realisations and active implementation of asset

management and development plans. In total we have secured new debt in the total amount of £133.6 million this year and are also in active negotiations with banks to refinance debt of £64.7 million (including Interfruct) expiring before the year end. The investment portfolio has an overall debt level of 63% which is well below valuation thresholds set by the individual financing banks.

OUTLOOK

It gives me great pleasure to announce that we feel sufficiently established to provide greater transparency and liquidity by gaining permission to enter the main market of the London Stock Exchange and change the Company's presentational currency to Euros before the end of 2008, subject to shareholder approval. During this time we also plan to appoint two further Non-executive Directors to complement the Board's present composition with further expertise in the field of property and accountancy.

The Company's success relies upon a continued focus on delivering a stable property portfolio performance, thorough management of liabilities and liquidity particularly under these present market conditions. The Board and I are confident that the underlying portfolio has the right characteristics to deliver attractive income and value over the coming years. With the new ownership structure of our experienced property advisory team, a more stable and economic platform has been created to the benefit of our shareholders.

Finally I would like to thank you, our shareholders, for being so supportive over a time of much change. Also I thank everybody in Carpathian Asset Management for their loyalty and total dedication to Carpathian PLC.

RUPERT COTTRELL
CHAIRMAN
29 SEPTEMBER 2008

* (Source: International Monetary Fund).

** This should not be construed as a profit forecast.

PROPERTY INVESTMENT ADVISER'S REPORT

TRANSACTIONS DURING THE PERIOD

ACQUISITIONS

By the end of 2007, the Company achieved its stated aim substantially to invest or commit its equity ahead of its target date of December 2008. As a result, the Company has not conducted any significant acquisitions in 2008.

As scheduled, the Company invested the previously committed £0.4 million to purchase the final phase of the suburban Warsaw retail project, Marina Mokotow.

Overall a cost of approximately £0.4 million has been recognised as abortive project costs over the period for potential smaller transactions, where the Company either withdrew from negotiations during the due diligence process or has stopped the process pending an improvement of terms.

SALES

In 2008 the Company had intended to start its regular activity of asset trading to realise value for its shareholders. The advent of the global credit crunch has caused the Company to refine this strategy and to be highly selective in identifying assets that demonstrate the greatest liquidity or unlocking of relative equity performance opportunities.

As a result, two investments have been placed on the market for sale:

➔ the first, Varyada Shopping Centre, Karlovy Vary, Czech Republic has received strong responses from a number of investors. Due diligence is currently being undertaken by the selected bidder; and

➔ the second, Babilonas Shopping Centre, in Panevezys, Lithuania is in early stages of marketing.

Off market approaches are currently being received from investors and such enquiries will be, as a matter of course, pursued to explore potential pricing and sale benefits.

DEBT FINANCING

During the period, we have also completed three debt-financing transactions, out of which one is an investment loan, while the remaining two are construction facilities.

The first was completed in Croatia in March 2008, following the agreement to the Agrokor supermarket sale and lease back. At the very end of 2007, the anticipated debt facility was subsequently signed with Erste Bank of Austria. This loan was for £32.4 million, for a term of three years.

The second financing completed in June 2008 was for the construction of the Galleria Patollo, in Riga, Latvia in the amount of £51.2 million and the first instalment drawn down since from Nordea bank. This facility was used to refinance an existing smaller Hansabank loan and will cover all future remaining construction and running costs necessary for the current phase of the project.

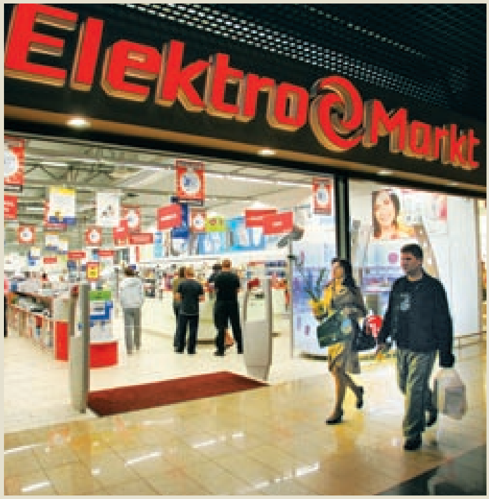
The third financing completed in July 2008 for the construction of the Atrium Shopping Centre, in Arad, Romania was agreed and signed with MKB of Hungary in August, 2008. This facility is for approximately £50 million and covers a refinance of the development site loan plus all future project costs.

Also during the period, the final tranche of debt was drawn down in respect of the Marina Mokotow asset. This was a further amount of £1.7 million plus a VAT facility of £0.56 million.

ASSET MANAGEMENT AND DEVELOPMENT ACTIVITIES

Noteworthy events during the period include:

In the Osowa Centre, Gdansk, Poland, the reconfiguration of the mall has been completed on schedule and the new units have been handed over to the new tenants. It is anticipated that the units will be trading by 1 November 2008. The net rental increase will be approximately £62,000 p.a. at a capital cost of £290,000. Meanwhile 26 existing leases were due to expire in 2008 out of which 25 have already been settled with either the existing or replacement retailers.



On another investment property, the Company has allocated approximately £1.9 million to the potential acquisition of a strategic adjoining ownership property. Subject to successful negotiations, the closing of this transaction would be before the end of the year.

The refurbishment of Sopron Plaza, Sopron, Hungary, a ten year old building, is planned for 2009. A project manager has been appointed and works are anticipated to commence in early 2009. The refurbished centre is expected to draw new retailers and customers and the completion of works is expected to be in early 2010. Additional demand for retail space has been identified in excess of 200 sq m. CBA, the anchor food retailer in the shopping centre renewed its lease for an additional ten years and has also expanded its operations by approximately 800 sq m or above 20% of its present floor area. Additionally, this tenant is expected to launch its second CBA Premier brand unit in Hungary in Sopron Plaza.

The first CBA Premier branded store in Hungary opened in June in Savaria Plaza, Szombathely, with 2,000 sq m floor space. It is trading well above expectations with a turnover of over £400,000 per month. As a result, pedestrian flows increased by 300%, two new retailers signed new five year leases with further interest from other retailers in excess of 400 sq m.

In Pecs Plaza (Pecs, Hungary), the present supermarket's lease (Match) expiries next year and CBA expressed interest to open its Premier brand on site. In addition, there is retailer demand to occupy space on five year leases.

After the period end in August 2008 the Company decided to terminate its lease agreements with Interfruct, a cash and carry retailer, the largest tenant of the Company due to default by non payment of two months rent, following discussions with SCD Holding, the parent company. There were 21 retail and 2 warehouse units leased to Interfruct, which can be found in almost all major cities of Hungary. The properties are mostly located on arterial roads at the edge of cities in the main commercial zones or popular shopping destinations across the country.

ASSET MANAGEMENT AND DEVELOPMENT ACTIVITIES CONTINUED

The annualised rent roll of Interfruct was approximately £5.36 million representing approximately 14% of the annualised rent roll of the Company. In 2007, these properties contributed approximately £1.36 million or 8% of the total Company profit after tax. The Company has taken swift steps to restructure its mortgage debt provided by Anglo Irish Asset Finance and engaged Cushman & Wakefield to review the best possible future of the portfolio whether it is in the form of sale or re-letting.

The Company's priority is to minimise the loss of income within the period of approximately eleven months covered by the tenant's on demand bank guarantee. The £5.1 million bank guarantee provided by one of Interfruct's financing banks has been partly drawn and the drawdown notice for the remaining approximately €4 million of the bank guarantee has been served upon the bank very recently. The Company will provide updates immediately of any further development on any matters relating to Interfruct as they arise.

Apart from meeting the requirements to draw on the construction facility for the Galleria Patallo in Riga, Latvia, pre-leasing is progressing very well of which 52% of the GLA has now been signed up. Brands secured so far include Esprit, Marc O'polo, Diesel, Jules, Daniel Hechter, Initimissimi and Escada Children. Heads of terms have been agreed for a further 13% and advanced negotiations are in hand with a food store which would take lettings to 70%.

In Arad, Romania, the main construction of the 29,000 sq m GLA retail and entertainment centre in Arad commenced in September 2008 with the appointment of the main general contractor, Arcadom. Lease commitments total approximately 40% of GLA including among others multinational companies such as Cinema City, Billa, Leonardo, Kenvelo, Deichmann, Reserved and Cropp Town which together with units committed or in negotiation bring the total to 60% GLA.

In Cluj Napoca, Romania, this 33,000 sq m GLA city centre located scheme is progressing well with 30% of the retail space secured and with heads of terms bringing the total agreed to 50%. Negotiations are progressing for the hotel together with an encouraging level of interest being shown for the office element driven by the success of the City in attracting expanding high quality international businesses.

Difficult market conditions are being widely experienced by developers in Romania reconciling the recent impact of substantial construction cost inflation against the current reduced investment market liquidity and its potential effect on future investment exit value. The Company is not immune to these issues and is mitigating risk wherever possible through:

- ➔ pressing to a significant stage of pre-leasing before commencement;
- ➔ signing full debt requirement bank facilities before commencement;
- ➔ reviewing all design and cost factors to reduce total cost; and
- ➔ appointing leading general contractors in the local market under fixed or capped cost contract terms.

The projects in Baia Mare and Satu Mare are subject to ongoing design, cost and pre-leasing discussions before committing to the final form.

PORTFOLIO SUMMARY

The total lettable area of the investment portfolio is 392,486 sq m. The portfolio's vacancy rate is approximately 6% which includes strategic vacancies, before taking into account the Interfruct termination representing 24% of total GLA.

The weighted average lease length of the investment portfolio is 3.8 years.

Rent collections of the investment portfolio (excluding Interfruct) were above 95% (to 30 June 2008), which we consider very positive.

In respect of the existing investment portfolio, a total potential developable area has been identified in excess of 80,000 sq m. The phased realisation of this potential is expected to be subject to approvals and planning permits from local authorities which is expected to take place within the next one to three years.

On pages 7 and 8 there is a detailed breakdown of the properties and projects owned by the Company showing acquisition costs, valuations and yields for 2007 by the independent valuer DTZ.

INVESTMENT PROPERTIES

Country	Property	Gross lettable area (sq m)	Number of units	Purchase price (£m)	Value* (£m)	Bank loan (£m)	LTV
Croatia	Agrokor portfolio: 6 properties	30,221	6	40.7	45.1	31.7	70%
Croatia total		30,221	6	40.7	45.1	31.7	
Czech Republic	Varyada Shopping Centre	18,437	80	26.8	41.2	28.2	68%
Czech Republic	MID portfolio: 2 properties	25,948	26	28.8	32.7	26.2	80%
Czech Republic total		44,385	106	55.6	73.9	54.4	
Hungary	Antana Logistic Park	36,997	75	14.2	17.9	9.5	53%
Hungary	Plaza portfolio: 4 properties	47,559	254	44.4	63.5	34.5	54%
Hungary	Ericsson Office Building Complex	8,972	—	11.5	13.2	9.0	68%
Hungary	Interfruct portfolio: 23 properties	94,668	23	55.8	67.7	46.2	68%
Hungary	MID portfolio: 2 properties	19,392	9	20.8	23.7	19.1	80%
Hungary total		207,588	361	146.7	186.0	118.3	
Latvia	Blaumana 12	—	—	8.5	10.1	5.9	59%
Latvia total		—	—	8.5	10.1	5.9	
Lithuania	Babilonas Shopping Centre	21,458	120	23.0	28.1	18.7	67%
Lithuania total		21,458	120	23.0	28.1	18.7	
Poland	Geant portfolio: 4 properties	26,908	173	42.3	66.2	36.2	55%
Poland	Promenada Shopping Centre	50,663	228	94.5	132.4	85.4	65%
Poland	Biedronka Supermarket	1,220	3	0.8	1.3	—	—
Poland	Marina Mokotow	2,554	31	6.9	8.1	5.9	73%
Poland total		81,345	435	144.5	208.0	127.5	
Romania	Macromall Shopping Centre	7,489	64	13.1	14.6	—	—
Romania total		7,489	64	13.1	14.6	—	
Grand total		392,486	1,092	432.1	565.8	356.5	63%

* DTZ valuation at December 2007 with additions during the period at cost converted at the exchange rate prevailing on 30 June 2008.

PORTFOLIO SUMMARY CONTINUED

DEVELOPMENT PROPERTIES

Country	Location	Property	Purchase price (£m)	Value* (£m)	Bank loan (£m)	LTV
Romania	Arad	Construction site with permits	9.3	11.2	3.5	31%
Romania	Baia Mare	Development site with permits	12.0	14.5	—	—
Romania	Cluj Napoca	Development site with permits	9.7	12.7	6.4	50%
Romania	Satu Mare	Development site with permits	7.0	8.1	—	—
Romania total			38.0	46.5	9.9	21%

The Company's investment in the Galleria Patollo, Riga, Latvia shopping centre development is not shown here, as it is not consolidated in the balance sheet as a development property at this stage but represented as a loan of approximately £26 million provided to the joint venture company at the end of the period.

* Valuation at purchase and capitalised costs, converted at the exchange rate prevailing on 30 June 2008.

FINANCIALS

The net rental and related income for the period at £16.39 million was up on the same period last year by 47.5% largely due to additional acquisitions completed in the second half of 2007.

Net profit for the period has also increased by 17.9% to £8.44 million, however the overall profit for the period of the Group was £5.91 million, slightly less than the £5.98 million for June 2007. The principal reason for this was the reported tax amount in the statement, which includes an unrealised amount of £1.8 million. The effective tax rate of the Group is approximately 8.5%.

In addition, the administrative expenses are higher than last year as a result of acquisitions in Croatia, Hungary and Czech Republic during the last quarter of 2007 and longer than expected implementation of cost saving initiatives and additional one off costs. Investment properties of the portfolio will be revalued as part of the planned move to the Official List by external, independent property valuers.

The basic EPS for the period remained at 3.7 on an increased weighted average number of shares in issue of 229,363,349 for the period from 162,425,595 for the six months to 30 June 2007.

The net asset value ("NAV") per share of the Group has increased by 19% and 8% respectively to 133.8 pence from 112.4 pence as at 30 June 2007 and 123.9 as at 31 December 2007. The adjusted NAV per share of the Group has increased to 147.8 pence from 119.7 pence as at 30 June 2007 and 136.7 pence as at 31 December 2007. The adjusted NAV excludes goodwill and deferred tax liabilities on the property valuations.

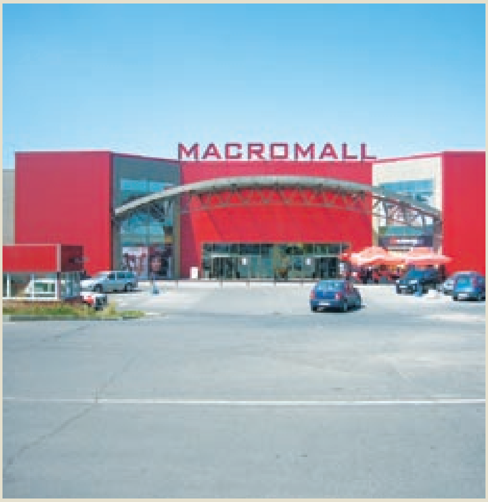
Overall the Group's borrowing facilities were £366.4 million, of which, £64.7 million is expiring before the year end of 2008. Each of the facilities are denominated in Euros, and secured against individual assets or portfolio with no cross default provisions amongst them. Interest rate swaps are in place for each of these facilities to provide a hedge against any interest rate movement.

PORTFOLIO DEBT

The Company has recently entered into a due diligence phase instructing lawyers after a thorough negotiations of heads of terms to complete the restructuring of its present short term financing liabilities to a new three year term structure with one of its main lenders. In addition, it is reviewing alternative options with other banks to address the individual property level financing requirements before the end of the year combined with the cash assets available to the Company.

The portfolio's properties are financed by the following banks: Anglo Irish Bank plc, Barclays, Erste Bank, Hypo International, MKB and Nordea. Please find below a detailed breakdown of each facility overleaf.

Each of the facilities listed opposite are independent of each other and there is no cross collaterisation in place between them.



Country	Property	Payable within one year (£m)	Payable after one year (£m)	Loan expiry	Swap rate	Margin (on 3M EURIBOR)
Croatia	Agrokor portfolio: 6 properties	—	31.7	March 2011	3.84%	1.80%
Czech Republic	Varyada Shopping Centre	0.3	27.9	March 2010	3.57%	1.70%
Czech Republic	MID portfolio: 2 properties	—	26.2	August 2010	4.41%	1.05%
Hungary	Antana Logistic Park	9.5	—	October 2008	2.89%	1.50%
Hungary	Plaza portfolio: 4 properties	1.3	33.2	March 2015	—	1.75% and an average fixed rate of 2.86%
Hungary	Ericsson Office Building Complex	9.0	—	September 2008	—	1.60%
Hungary	Interfruct portfolio: 23 properties	46.2	—	November 2008	3.92%	1.75%
Hungary	MID portfolio: 2 properties	—	19.1	August 2010	4.41%	1.05%
Latvia	Blaumana 12	—	5.9	February 2017	—	1.55%
Lithuania	Babilonas Shopping Centre	—	18.7	October 2009	3.85%	1.65%
Poland	Geant portfolio: 4 properties	1.2	35.0	August 2010	2.99%	Average of 1.75%
Poland	Promenada Shopping Centre	85.4	—	May 2009	3.57%	1.60%
Poland	Marina Mokotow	0.1	5.8	October 2012	4.55%	1.70%
Romania	Developments – Arad	3.5	—	March 2009	—	1.90%
Romania	Developments – Cluj Napoca	6.4	—	March 2009	—	1.90%
Grand total		162.9	203.5			

PROPERTY INVESTMENT ADVISER'S REPORT CONTINUED

MACRO OUTLOOK

The CEE region continues to grow faster than the EU average with 2009 estimated Eurozone GDP growth reaching no more than 1.6%, versus the 2009 estimated CEE Region GDP growth of 5.3%.

The majority of leases in the portfolio are linked to one of a number of Euro Consumer Price Indices which are currently demonstrating a year on year average increase of 4.4%. (Source: Eurostat July 2008)

Globally contracting credit markets appear so far to be having less effect in the CEE region than in Western Europe with both consumer markets and property markets less exposed than in Western countries.

"Strong economic fundamentals and buoyant occupier markets have slightly mitigated the credit crunch's effects, the CEE-3 capitals of Prague, Warsaw, and Budapest are not immune and have all seen yield decompressions of approximately 50 bps."

"Current volatility in the capital markets should provide a greater case for pension funds and insurance companies to diversify and seek out the safe haven that real estate can offer. In addition, if markets stagnate or deteriorate office markets are likely to suffer to a greater extent with retail offering a more defensive play."
(Source: JLL H1 2008 CEE Retail Investment Overview)

Commercial property debt continues to be available for small lot sizes up to circa €50 million, at gearing levels of up to circa 65%. Large lot sizes of over €100 million have a very restricted market, requiring debt syndication, but in relative terms it is felt that the Banks see the CEE as reasonably insulated from most of their over leveraging problems and as an economy that is still fundamentally growth orientated.

Transaction volumes throughout the market are markedly down due to the impact on liquidity arising from the reduced debt availability. Significant buyers currently are mostly German open ended funds, Austrian, American and Spanish funds and property companies, quoted UK investors, and asset managers. The Company is also aware of ongoing interest in the region of new capital sources such as Australian and Middle Eastern Sovereign funds seeking diversification.

"Transactions concluded to date across Poland, Czech Republic, Slovakia and Hungary represent only 10% (retail sector) and 25% (all sectors) respectively of property volumes transacted in 2007."
(Source: JLL H1 2008 CEE Retail Investment Overview)

STRATEGY

The Company continues to be one of the few opportunities for investors to gain access to such a diversified portfolio of income yielding properties and development projects spread throughout the larger CEE region.

The long term strategy of the Board of the Company remains as a generator of strong regular dividends from net rental income surpluses with profits being generated through trading and development.

In the short term, during this period of global economic re-assessment, the Company requires its property adviser to focus increasingly upon the management of portfolio and property level liabilities and risk exposures to maintain a prudent liquidity level.

Therefore, whilst still generating a positive dividend yield, the Company will over the next year or so concentrate on the enhancement of assets and income generation and management of debt on conservative assumptions to protect NAV and cash balances.

This means that there will be an increasing concentration of resources to asset management and that all portfolio debt arrangements will continue to be under review and subject to ongoing negotiation with a view to maintaining the current cautious gearing levels based on workable covenant terms available.

Potential asset sales will continue to be actively monitored for pricing advantages relative to alternative market opportunities that are available to Carpathian PLC. Interest has also been shown by investors in potential joint ventures on the existing portfolio assets, and developments which will be explored by the Company. It is considered that the environment over the foreseeable period is likely to give rise to opportunistic one off new investment transactions. Carpathian should place itself to be able to actively take advantage of such opportunities.

Therefore, once a sufficient level of market stability is reached, the reinvestment of capital released via future sales will be reviewed in the context of all market opportunities and directed to the buying back of shares, or the purchase of further property investments, dependant upon the respective economic benefits to the Company at the time.

Note: All amounts represented here were translated from Euros for consistency at an exchange rate of 1.25 Euro/£ unless otherwise stated.

UNAUDITED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

Group	Note	**30 June 2008 £'000**	30 June 2007 £'000	31 December 2007 £'000
Gross rental income		**19,321**	13,146	27,051
Service charge income		**5,584**	4,825	9,635
Service charge expense		**(6,516)**	(5,606)	(10,886)
Property operating expenses		**(2,549)**	(1,621)	(3,401)
Other property income		**549**	367	1,895
Net rental and related income		**16,389**	11,111	24,294
Changes in fair value of investment property	2	**—**	—	15,983
Changes in fair value of financial assets and liabilities		**14**	(841)	1,409
Net foreign exchange (loss)/gain		**(1,194)**	1,186	(6,971)
Administrative expenses		**(3,103)**	(1,561)	(4,685)
Net operating profit before net financing expense		**12,106**	9,895	30,030
Financial income		**6,101**	4,888	7,375
Financial expense		**(9,771)**	(7,624)	(15,528)
Net financing expense	3	**(3,670)**	(2,736)	(8,153)
Net profit before tax		**8,436**	7,159	21,877
Tax		**(2,524)**	(1,182)	(6,947)
Profit for the period		**5,912**	5,977	14,930
Attributable to:				
Equity holders of the Company		**8,581**	5,977	16,202
Minority interest		**(2,669)**	—	(1,272)
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the period (expressed as pence per share)				
Basic earnings per share	4	**3.7p**	3.7p	8.3 p
Diluted earnings per share	4	**3.7p**	3.6p	7.3 p

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

Group	Note	Share capital £'000	Share premium £'000	Minority interest £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2007		1,454	125,556	5,546	(3,467)	42,472	171,561
Profit for the year		—	—	—	—	14,930	14,930
Dividends paid and declared		—	—	—	—	(18,342)	(18,342)
Purchase of minority shareholders' interest		—	—	(688)	—	—	(688)
Minority interest through acquisitions		—	—	87	—	—	87
Carried interest allocation to minority shareholders		—	—	(1,272)	—	1,272	—
Issue of share capital		833	99,167	—	—	—	100,000
Costs of issue		—	(3,315)	—	—	—	(3,315)
Exercise of share-based option		6	594	—	—	—	600
Share premium release		—	(44,891)	—	—	44,891	—
Translation into presentation currency		—	—	—	23,127	—	23,127
Balance as at 31 December 2007		2,293	177,111	3,673	19,660	85,223	287,960
Balance as at 1 January 2008		**2,293**	**177,111**	**3,673**	**19,660**	**85,223**	**287,960**
Profit for the period		**—**	**—**	**—**	**—**	**5,912**	**5,912**
Dividends paid and declared	7	**—**	**—**	**—**	**—**	**(7,661)**	**(7,661)**
Carried interest allocation to minority shareholders		**—**	**—**	**(2,669)**	**—**	**2,669**	**—**
Translation into presentation currency		**—**	**—**	**—**	**21,702**	**—**	**21,702**
Balance as at 30 June 2008		**2,293**	**177,111**	**1,004**	**41,362**	**86,143**	**307,913**

UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008

Group	Note	**30 June 2008 £'000**	30 June 2007 £'000	31 December 2007 £'000
Assets				
Non-current assets				
Investment property		**565,756**	371,148	523,112
Development property		**46,437**	—	41,428
Goodwill		**27,983**	18,139	25,576
Intangible assets		**23**	—	13
Cost relating to future developments		**263**	266	291
Other investments		**5,890**	4,970	5,477
Loans receivable		**26,085**	1,685	14,846
Deferred income tax assets		**2,380**	937	1,027
		674,817	397,145	611,770
Current assets				
Trade and other receivables		**14,665**	6,809	12,776
Loans receivable		**—**	—	20
Cash and cash equivalents		**66,490**	164,623	62,103
Financial assets		**8,597**	4,814	4,762
		89,752	176,246	79,661
Total Assets		**764,569**	573,391	691,431
Equity				
Issued capital	5	**2,293**	2,293	2,293
Share premium	5	**177,111**	222,013	177,111
Retained earnings		**86,143**	37,740	85,223
Translation reserve/(deficit)		**41,362**	(4,225)	19,660
Total equity attributable to equity holders of the parent		**306,909**	257,821	284,287
Minority interest		**1,004**	4,856	3,673
Total equity		**307,913**	262,677	287,960
Liabilities				
Non-current liabilities				
Bank loans		**203,523**	213,529	233,382
Deferred income tax liabilities		**63,656**	35,801	56,333
		267,179	249,330	289,715
Current liabilities				
Trade and other payables		**17,277**	11,290	27,884
Bank loans	6	**162,858**	42,651	77,055
Provisions		**1,681**	729	647
Dividends payable		**7,661**	4,868	7,638
Financial liabilities		**—**	1,846	532
		189,477	61,384	113,756
Total liabilities		**456,656**	310,714	403,471
Total equity and liabilities		**764,569**	573,391	691,431

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

Group	Note	**30 June 2008 £'000**	30 June 2007 £'000	31 December 2007 £'000
Cash flows from operating activities				
Cash generated from/(used in) operations	7	**2,302**	12,678	(13,730)
Income taxes paid		**(526)**	(1,168)	(1,830)
Net cash generated from/(used in) operating activities		**1,776**	11,510	(15,560)
Cash flows from investing activities				
Capital expenditure on investment properties		**(3,148)**	(2,259)	(8,870)
Capital expenditure on development properties		**(1,831)**	—	(8,354)
Capital expenditure on future developments		**(114)**	—	(337)
Capital expenditure on intangible assets		**(10)**	—	(13)
Loan advances to unconsolidated entities		**(11,239)**	(4,970)	(14,866)
Investment in unconsolidated entities		**—**	(1,685)	(5,419)
Interest received		**1,211**	2,273	5,733
Acquisition of subsidiaries		**(476)**	(1,094)	(41,987)
Acquisition of minority interest in subsidiaries		**—**	(987)	(1,035)
Net cash used in investing activities		**(15,607)**	(8,722)	(75,148)
Cash flows from financing activities				
Proceeds on issue of shares, net of share issuance costs		**—**	97,296	97,285
New bank loans raised		**34,074**	28,668	53,019
Interest paid		**(8,896)**	(6,279)	(13,796)
Repayments of borrowings		**(2,636)**	(27,354)	(50,219)
Dividends paid		**(7,638)**	(5,841)	(10,704)
Net cash generated from financing activities		**14,904**	86,490	75,585
Net increase/(decrease) in cash and cash equivalents		**1,073**	89,278	(15,123)
Cash and cash equivalents at the beginning of the period		**62,103**	75,131	75,131
Exchange gains on cash and cash equivalents		**3,314**	214	2,095
Cash and cash equivalents at the end of the period		**66,490**	164,623	62,103

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1 GENERAL INFORMATION

Carpathian PLC (the "Company") (formerly Dawnay, Day Carpathian PLC) is a company domiciled and incorporated 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 Carpathian PLC for the six months ended 30 June 2008, 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 2008 is unaudited and has been prepared based on the accounting polices set out in the statutory accounts for the year ended 31 December 2007.

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 2008.

3 NET FINANCING EXPENSE

Group	**30 June 2008 £'000**	30 June 2007 £'000	31 December 2007 £'000
Interest income from financial institutions	**1,223**	2,254	5,907
Interest income from related party	**1,486**	358	589
Fair value adjustment of interest rate swaps	**3,392**	2,276	879
Financial income	**6,101**	4,888	7,375
Net interest expenses on bank borrowings	**(9,479)**	(7,130)	(14,814)
Finance costs amortised	**131**	—	(116)
Unwinding of unrealised direct issue costs of borrowings	**(423)**	(494)	(598)
Net financing expense	**(3,670)**	(2,736)	(8,153)

4 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the period ended 30 June 2008 was based on the profit attributable to ordinary shareholders of £8,580,651 and a weighted average number of ordinary shares in issue of 229,363,349, calculated as follows:

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

Group	**30 June 2008 £'000**	30 June 2007 £'000	31 December 2007 £'000
Profit for the period	**5,912**	5,977	14,930
Minority interest	**2,669**	—	1,272
Profit attributable to ordinary shareholders	**8,581**	5,977	16,202

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	Number	Number	Number
1 January	**229,363,349**	145,430,015	145,430,015
Effect of shares issued on 23 February 2007	**—**	420,994	511,233
Effect of shares issued on 18 May 2007	**—**	16,574,586	50,228,311
Weighted average number of ordinary shares	**229,363,349**	162,425,595	196,169,559
Basic earnings per share	**3.7p**	3.7p	8.3p

DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share for the period ended 30 June 2008 was based on the diluted profit attributable to ordinary shareholders of £8,580,651 and a weighted average number of ordinary shares in issue of 229,363,349, calculated as follows:

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS (DILUTED)

Group	**30 June 2008 £'000**	30 June 2007 £'000	31 December 2007 £'000
Profit for the period	**5,912**	5,977	14,930
Minority interest	**2,669**	—	1,272
Share options dilutive effect	**—**	—	(1,741)
Profit attributable to ordinary shareholders	**8,581**	5,977	14,461

4 EARNINGS PER SHARE CONTINUED

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR THE PURPOSES OF DILUTED EARNINGS PER SHARE

	Number	Number	Number
Weighted average number of ordinary shares	**229,363,349**	162,425,595	196,169,559
Effect of dilutive potential ordinary shares: share options	**—**	2,570,355	1,536,294
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**229,363,349**	164,995,950	197,705,853
Diluted earnings per share	**3.7p**	3.6p	7.3p

5 SHARE CAPITAL AND SHARE PREMIUM

AUTHORISED

	Number of ordinary shares of 1 pence each	£'000
At 31 December 2007 and 30 June 2008	350,000,000	3,500

ISSUED

	Number of shares issued and fully paid	Share capital £'000	Share premium £'000
Ordinary shares of 1 pence each:			
Balance at 31 December 2007 and 30 June 2008	229,363,349	2,293	177,111

6 BANK LOANS

Bank loans repayable within twelve months of the balance sheet date are secured on various investment properties, including Promenada Shopping Centre (£85.4 million), Interfruct Portfolio (£46.2 million), Antana Logistic Park (£9.5 million) and Ericsson Office Complex (£9.0 million) and two of the Group's developments in Romania (£9.9 million). The remainder represents repayment instalments due in respect of long term facilities.

7 NOTES TO THE CASH FLOW STATEMENT

CASH GENERATED FROM/(USED IN) OPERATIONS

Group	**30 June 2008 £'000**	30 June 2007 £'000	31 December 2007 £'000
Profit for the period	**5,912**	5,977	14,930
Adjustments for:			
Increase in fair value of interest rate swaps	**(3,406)**	(2,276)	(1,632)
Increase in fair value of financial liabilities	**(561)**	841	(656)
Unwinding of unrealised direct issue costs of borrowings	**423**	494	598
Net other finance income	**6,639**	4,518	8,433
Increase in fair value of investment property	**—**	—	(15,983)
Costs relating to future acquisitions written off	**76**	—	439
Reversal of investment in subsidiaries	**—**	—	30
Provisions	**1,083**	—	(82)
Income tax expense	**2,524**	1,183	6,947
Unrealised foreign exchange gain/(loss)	**1,194**	(1,186)	6,971
Operating cash flows before movements in working capital	**13,884**	9,551	19,995
(Increase)/decrease in receivables	**(276)**	3,897	760
Decrease in payables	**(11,306)**	(770)	(34,485)
Cash generated from/(used in) operations	**2,302**	12,678	(13,730)

8 DIVIDENDS

	30 June 2008 £'000	31 December 2007 £'000
First interim dividend	**—**	4,868
Second interim dividend	**—**	7,638
Final dividend	**7,661**	5,836
	7,661	18,342

On 21 May the Directors declared a final dividend of 3.34 pence per share for the year ended 31 December 2007. The dividend was paid on 3 July 2008.

9 EVENTS AFTER THE BALANCE SHEET DATE

On 29 August 2008 the Company changed its name from Dawnay, Day Carpathian PLC to Carpathian PLC.

On 25 July the Company acquired 50% of the issued share capital of Carpathian Asset Management Ltd for a consideration of £0.15 million. The Company has appointed Carpathian Asset Management Ltd as its property and development manager, following the termination of the appointment of its previous manager. As part of the arrangements, the Company acquired various management assets and three subsidiaries of Carpathian Asset Management Ltd. In addition, the employment contracts of certain employees employed by the previous manager were transferred to Carpathian Asset Management Ltd.

The Company issued 2,784,826 shares at £1.02 per share on 16 July 2008.

On 23 July 2008 Peter Klimt resigned as a Director of the Company.

The Company appointed KPMG Audit LLC as its auditors on 12 August 2008.

On 13 August 2008 the Group secured a construction finance facility of £50 million to fund its Arad development in Romania.

On 22 August 2008 the Group terminated all 23 of its leases with Interfruct Kft, as a consequence of that company's financial position and non payment of rent. The tenant's bank guarantee amounting to £5.1 million, equivalent to eleven months' rent, has since become payable. A number of actions are being actively explored.

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(Non-executive Chairman)

WILLIAM ALLEN HAMILTON-TURNER
(Non-executive Director)

PHILIP PETER SCALES
(Non-executive Director)

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