CARPATHIAN PLC

INTERIM REPORT 2012

Financial Highlights

- Profit after tax of €4.9 million (six months to 30 June 2011: €6.6 million)
- Earnings per share of 2.1 euro cents (six months to 30 June 2011: 2.9 euro cents)
- Net asset value per share of 2.7 euro cents (0.6 euro cents as at 31 December 2011)
- Total cash of €9.2 million as at 30 June 2012 (€110.9 million as at 30 June 2011)

Operational Highlights

- The Company sold its last investment property and its last development property during the first half of 2012
- As announced on 20 March 2012, the Group disposed of its various interests held in the Galleria shopping centre in Riga, Latvia for a cash consideration of €2.3 million
- The Group sold its interest in Baia Mare development land in Romania for a gross consideration of €0.3 million on 26 June 2012
- The Group has settled its construction dispute in Poland in relation to the Promenada shopping centre on 11 May 2012
- The Group continues to merge, sell or liquidate its subsidiary undertakings and to repatriate cash to the IOM holding company pending a further and final distribution to shareholders

Rory Macnamara, Non-executive Chairman of Carpathian, said:

"In line with key objectives, we have reached a stage where the Company no longer owns any investment or development assets. We are working towards maximising cash delivery back to our shareholders before the end of 2012, while retaining reserves to cover all known outstanding actual or contingent liabilities."

CHAIRMAN'S STATEMENT

By the end of 2011, we successfully delivered the key objectives set out following the conclusion of the Strategic Review in January 2010.
During the first part of 2012 and since then, we continued our focus on selling the Group's interests in the final two property assets together with simplifying our corporate structure and concluding settlements on actual and contingent liabilities.

Financial Results

The Company has continued to present its Consolidated Statement of Comprehensive Income in accordance with International Financial Reporting Standard 5 ('IFRS 5'), with all operations now classified as discontinuing - please refer to the Going Concern note below.

Profit after tax for the period was €4.9 million, while during the first six months of 2011 the Group generated a profit of €6.6 million. Earnings per share are 2.1 euro cents (2011: earnings per share of 2.9 euro cents).

The Group had a loss of €1.1 million from net rental and related income, while for the same period in 2011 it realised €7.6 million of income. In the first six months of 2012, the Group had no income producing assets.

The profit on disposal of subsidiary companies was €7.9 million (six months to 30 June 2011: €0.6 million). The Company's various interests in the Galleria shopping centre in Riga, Latvia were sold in March 2012 for an aggregate consideration of €2.3 million, while reversal of related liabilities no longer increased the net asset value of the Group by approximately €7.8 million in total.

The accounting profit on disposal of investment property of €0.5 million for the period resulted from the settlement of the Locher construction dispute in Warsaw, Poland (as announced on 11 May 2012). For the first six months of 2011, the profit was €13.2 million.

All expected liquidation costs and other expenses expected to be incurred up to the completion of the liquidation of the Group's subsidiary undertakings by the end of 2012 (and beyond, where necessary) have been provided for in the Consolidated Balance Sheet as at 31 December 2011 - the total amount accrued was some €2.0 million and has been reviewed and adjusted in detail in the Consolidated Balance Sheet as at 30 June 2012. Administrative expenses for the period were €0.7 million (2011: €2.9 million), in line with expectations and the revised terms agreed with the Company's Property Investment Adviser.

The Distributed Capital Payout payable to the Property Investment Adviser, based on the performance measures set out in the Strategic Review and updated in December 2011, is also fully accrued for its full term expiring on 31 December 2012. This is at €1.5 million for the year 2012, while this was €10.5 million up to the end of 2011.

The Group's net asset value per share is 2.7 euro cents as at 30 June 2012 (as at 30 June 2011: 41.9 euro cents, as at 31 December 2011: 0.6 euro cents).

Total Group cash was €9.2 million as at 30 June 2012 (€110.9 million as at 30 June 2011). As at 31 August 2012, the Group had in excess of €3.0 million in cash at holding company level in Isle of Man and Luxembourg and the balance after deductions for normal operating expenses and provisions for local liabilities is in the process of being converted into euro and up streamed to holding company level.

In addition, as at 30 June 2012, the Group has trade and other receivables of €2.7 million (as at 30 June 2011: €14.6 million and as at 31 December 2011: €7.0 million); current assets, and trade and other payables of €5.8 million (as at 30 June 2011: €43.6 million and as at 31 December 2012: €30.5 million) and current liabilities of [is something missing here?].

Key operational matters for the period

The Group's last two properties were sold in the first half of 2012. The sale of the various interests in Galleria shopping centre in Riga, Latvia is described above. The Group also sold its interest in the Baia Mare development land in Romania (its last development property asset) for a gross consideration of €0.3 million on 26 June 2012.

We also continued to focus on settling liabilities within the Group.

The Dawnay, Day Group settlement was completed on 24 January 2012, as announced. This transaction was fully provided for at 31 December 2011 in the Consolidated Financial Statements.

The Group also settled the Locher construction dispute in Poland in relation to the Promenada shopping centre. Since the announcement on 11 May 2012, the Company has made a contribution of €0.4m towards the full and final settlement of this litigation, as a consequence of which the litigation was discontinued and became non-appealable. The Company's local subsidiaries recovered the cash of approximately €4.8 million that had been reqiured to be deposited at court as security. In addition, further cash reserves held in one of the local entities of €0.85 million were able to be released.

The Group continued to simplify its corporate structure completing mergers, liquidations and sales of more than 40 entities combined. The Company (through the Property Investment Adviser) is managing approximately 10 entities at present and continues to further streamline the corporate structure

Note on going concern and outlook

The financial statements of the Group and Company have been prepared under the historical cost convention. The Company intends to either seek shareholders' approval to de-list its shares from the Alternative Investment Market of the London Stock Exchange and to implement a members' voluntary liquidation or to find an new investment group seeking a shell (without any cash). Discussions are continuing in this regard and a further announcement is expected to be made in the near future. The Directors will provide further detail on these proposals in due course. Adequate cash reserves will be retained for all applicable actual and contingent liabilities. Any net surplus from sales and other recoveries in 2012 and cash released as a result of the release of any unrealised liabilities will be distributed to shareholders before the year end of 2012.

The Directors therefore do not consider the Company to be a going concern and have prepared the financial statements on a break up basis. All expected liquidation costs and expenses expected to be incurred post year end until eventual liquidation have been accrued for, in line with management's best estimates.

Rory Macnamara

Chairman
28 September 2012

Unaudited Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2012

	Note	**6 months ended 30 June 2012 Discontinuing €'000**	6 months ended 30 June 2011 Total €'000	Year ended 31 December 2011 Total €'000
Gross rental income	4	**-**	10,591	12,470
Service charge income		**-**	3,861	4,267
Service charge expense		**-**	(4,540)	(5,208)
Property operating expenses	5	**(1,301)**	(3,122)	(3,809)
Other property income		**203**	855	1,217
Net rental and (expense) / related income		**(1,098)**	7,645	8,937
Changes in fair value of investment property		**-**	-	(2,960)
Profit on disposal of investment property	7	**530**	13,151	6,396
Profit on derecognition of investment property		**-**	-	3,421
Profit on disposal of subsidiary companies	8	**7,869**	586	-
Distributed capital payout	9	**(1,473)**	(9,451)	(10,507)
Impairment of goodwill		**-**	(228)	60
Legal settlement		**-**	-	3,382
Impairment of loans receivable		**-**	-	(150)
Changes in fair value of derivative assets and liabilities		**-**	1,676	(566)
Net foreign exchange gain / (loss)		**79**	(230)	136
Administrative expenses		**(716)**	(2,900)	(6,835)
Net operating profit before net financing expense		**5,191**	10,249	1,314
Financial income		**305**	498	840
Financial expenses		**(550)**	(6,562)	(7,673)
Changes in fair value of interest rate swaps		**-**	2,980	2,977
Net financing expense	10	**(245)**	(3,084)	(3,856)
Net profit / (loss) before tax		**4,946**	7,165	(2,542)
Tax expense		**(54)**	(518)	(1,000)
Profit / (loss) for the period and total comprehensive income for the period		**4,892**	6,647	(3,542)
Attributable to:				
Equity holders of the Company		**4,892**	6,647	(3,542)

Basic and diluted earnings per share for profit attributable to the equity holders of the

Company during the period
(expressed as cents per share)

Basic earnings per share	11	**2.1 c**	2.9 c	(1.4) c
Diluted earnings per share	11	**2.1 c**	2.9 c	(1.4) c

All operations are derived from discontinued activities.

Unaudited Consolidated Statement of Changes in Equity
for the six months ended 30 June 2012

	Share capital €'000	Share premium €'000	Retained earnings €'000	Total €'000
Balance as at 1 January 2011	2,321	91,477	(3,059)	90,739
Total comprehensive income for the period				
Profit for the period	-	-	6,647	6,647
Balance as at 30 June 2011	2,321	91,477	3,588	97,386
Balance as at 1 January 2012	**2,309**	**42,522**	**(43,529)**	**1,302**
Total comprehensive income for the period				
Profit for the period	**-**	**-**	**4,892**	**4,892**
Balance as at 30 June 2012	**2,309**	**42,522**	**(38,637)**	**6,194**

Unaudited Consolidated Statement of Financial Position
as at 30 June 2012

	Note	**30 June 2012 €'000**	30 June 2011 €'000	31 December 2011 €'000
Assets				
Current assets				
Trade and other receivables		**2,720**	14,587	6,995
Assets held for sale	12	**-**	88,500	2,790
Cash and cash equivalents		**9,230**	110,917	49,948
Deferred income tax assets		**-**	149	-
Financial assets		**-**	5,498	-
		11,950	219,651	59,733
Total assets		**11,950**	219,651	59,733
Equity				
Issued capital	13	**2,309**	2,321	2,309
Share premium	13	**42,522**	91,477	42,522
Retained earnings		**(38,637)**	3,588	(43,529)
Total equity		**6,194**	97,386	1,302
Liabilities				
Current liabilities				
Trade and other payables		**5,756**	43,615	30,510
Bank loans		**-**	75,674	-
Provisions		**-**	992	63
Dividends payable		**-**	-	13,793
Repurchase of shares		**-**	-	14,065
Deferred income tax liabilities		**-**	1,623	-
Financial liabilities		**-**	361	-
		5,756	122,265	58,431
Total liabilities		**5,756**	122,265	58,431
Total equity and liabilities		**11,950**	219,651	59,733

Unaudited Consolidated Statement of Cash Flows
for the six months ended 30 June 2012

	Note	**6 months ended 30 June 2012 €'000**	6 months ended 30 June 2011 €'000	Year ended 31 December 2011 €'000
Cash flows from operating activities				
Cash (used in) / generated from operations	14	**(15,351)**	9,444	(15,239)
Income taxes received / (paid)		**(54)**	574	(818)
Net cash (used in) / generated from operating activities		**(15,405)**	10,018	(16,057)
Cash flows from investing activities				
Cash received on disposal of investment property		**2,790**	227,050	274,024
Cash conceded on derecognition		**-**	-	(367)
Loans to unconsolidated entities		**-**	-	(150)
Interest received		**305**	514	840
Net cash generated from investing activities		**3,095**	227,564	274,347
Cash flows from financing activities				
Interest paid		**(550)**	(7,189)	(7,673)
Repayments of borrowings		**(14,065)**	(146,249)	(169,405)
Repurchase of share capital		**-**	-	(34,901)
Dividends paid		**(13,793)**	-	(23,136)
Net cash used in financing activities		**(28,408)**	(153,438)	(235,115)
Net (decrease) / increase in cash and cash equivalents		**(40,718)**	84,144	23,175
Cash and cash equivalents at the beginning of the period		**49,948**	26,773	26,773
Cash and cash equivalents at the end of the period		**9,230**	110,917	49,948

Notes to the Unaudited Consolidated Financial Statements

1 General information

Carpathian PLC (the "Company") 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. On 24 July 2009 the Company re-registered as a company governed by the Isle of Man Companies Act 2006 and redenominated the par value of it's Ordinary Shares from Pounds Sterling 0.01 to Euro 0.01.

The Interim Report of Carpathian PLC for the six months ended 30 June 2012, comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements include the share capital of the Company denominated in Euro. The share capital was converted from Pounds Sterling to Euro on 24 July 2009 based on the exchange rate prevailing in that date.

The Company's registered address is IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP.

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).

2 Going concern

The financial statements of the Group have been prepared under the historical cost convention. The Company intends to seek shareholders' approval to de-list the Company from the Alternative Investment Market of the London Stock Exchange and in due course thereafter to commence and implement an orderly members voluntary liquidation. The Directors therefore do not consider the Company to be a going concern and have prepared the financial statements on a break up basis and therefore all operations are presented as discontinuing operations. There has been no financial impairment of the Group's and Company's assets as a result of a break up basis of valuation, as there is no remaining asset held for sale. All expected liquidation costs and expenses expected to be incurred post year end until eventual liquidation have been accrued for, in line with management's best estimates.

3 Significant accounting policies

The interim report for the six months ended 30 June 2012 is unaudited and has been prepared based on the accounting polices set out in the statutory accounts for the year ended 31 December 2011. There are no new or revised accounting policies implemented in this report.

4 Gross rental income

	6 months ended 30 June 2012 €'000	6 months ended 30 June 2011 €'000	Year ended 31 December 2011 €'000
Gross rental income	-	10,951	12,470

The Company disposed all of its income producing investments during 2011.

5 Property operating expenses

	6 months ended 30 June 2012 €'000	6 months ended 30 June 2011 €'000	Year ended 31 December 2011 €'000
Property operating expenses	**1,301**	3,122	3,809

Property operating expenses comprise of property taxes and fees of €0.9 million relating to Promenada.

6 Operating segments

All income producing investments were disposed of in 2011, the Group is no longer a going concern, all operations are therefor considered discontinue and as a result it is determined that there is only one operating segment.

7 Profit on disposal of investment property

	6 months ended 30 June 2012 €'000	6 months ended 30 June 2011 €'000	Year ended 31 December 2011 €'000
Profit on disposal of investment property	**530**	13,151	6,396

The accounting profit €0.5 million for the six months period ended 30 June 2012 has arisen as result of the settlement reached in relation to the construction dispute in Warsaw, Poland (as announced on 11 May 2012).

8 Profit on disposal of subsidiary companies

	6 months ended 30 June 2012 €'000	6 months ended 30 June 2011 €'000	Year ended 31 December 2011 €'000
Profit on disposal of investment property	**7,869**	586	-

On 20 March 2012, the Group disposed of its various interests held in the Galleria shopping centre in Riga, Latvia for an aggregate consideration of €2.3 million. As disclosed in the Audited Financial Statements of the Group for the year ended 31 December 2011, the significant interests included in the Statement of Financial Position were other investments (note 17: €nil), loans receivable (note 18: €nil), assets held for sale (note 21: €2.7 million) and related party payables (note 26: €8.7 million). The Group's subsidiary, Stringybark SIA, was also included in the disposal. The overall impact of the disposal is an increase in the Group net asset value of approximately €7.8 million. Further details are set out in note 12.

9 Distributed Capital Payout

	6 months ended 30 June 2012 €'000	6 months ended 30 June 2011 €'000	Year ended 31 December 2011 €'000
Distributed Capital Payout	**1,473**	9,451	10,507

Carpathian Asset Management Ltd acts as the Company's Property Investment Adviser (''adviser''), its contract will automatically terminate on 31 December 2012. The adviser is entitled to receive a distributed capital payout as per the revised Property Management Agreement.

The Distributed Capital Payout amount accrued for the six months ended 30 June 2012 represents the estimated full Distributed Capital Payout amount payable to the adviser before 31 December 2012.

10 Net financing expense

	6 months ended 30 June 2012 €'000	6 months ended 30 June 2011 €'000	Year ended 31 December 2011 €'000
Interest income from financial institutions	**305**	498	840
Net interest expenses on bank borrowings	**(550)**	(5,241)	(6,778)
Finance costs amortised	**-**	(291)	(496)
Unwinding of unrealised direct issue costs of borrowings	**-**	(1,030)	(399)
	(550)	(6,562)	(7,673)
Changes in fair value of interest rate swaps	**-**	2,980	2,977
Net financing expenses	(245)	(3,084)	(3,856)

11 Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of €4,892,007 and a weighted average number of ordinary shares outstanding during the six months ended 30 June 2012 of 230,957,973, calculated as follows:

Profit / (loss) attributable to ordinary shareholders	**30 June 2012 €'000**	30 June 2011 €'000	31 December 2011 €'000
Profit / (loss) attributable to ordinary shareholders	**4,892**	6,647	(3,542)
Weighted average number of ordinary shares			
1 January	**230,957,973**	232,148,175	232,148,175
Weighted average number of ordinary shares	**230,957,973**	232,148,175	248,048,735
30 June / 31 December	**230,957,973**	232.148,175	230,957,973
Basic and diluted earnings per share	**2.1 €, c**	2.9 €, c	(1.4) €, c

12 Assets held for sale

	30 June 2012 €'000	30 June 2011 €'000	31 December 2011 €'000
Assets held for sale	-	88,500	2,790

On 20 March 2012, the Group disposed of its investment property, as part of its various interests held in the Galleria shopping centre in Riga, Latvia for an aggregate consideration of €2.3 million. The Group's subsidiary was included in the disposal. The net assets disposed of are detailed below:

	Riga €'000
Assets	

Assets held for sale	**2,700**
Cash	**0**
Total assets	**2,700**
Liabilities	
Trade and other payables	**1,868**
Related party payables	**8,676**
Total liabilities	**10,544**
Net (liabilities)	**(7,844)**

13 Share capital and share premium

	Number of Shares	€'000
Authorised:		
At 31 December 2010 and 30 June 2011		
Ordinary Shares of 1 euro cent each	**350,000,000**	**3,500**
Unclassified Shares of 0.01 euro cent each	**285,703,650**	**29**
Total at 30 June 2012 and 31 December 2011		**3,529**

	Number of shares issued and fully paid	Share capital €'000	Share premium €'000
Issued:			
At 31 December 2011 and 30 June 2012 Ordinary Shares of 1euro cent each	**230,957,973**	**2,309**	**42,522**

14 Notes to the Cash Flow Statement

Cash generated from operations	**30 June 2012 €'000**	30 June 2011 €'000	31 December 2011 €'000
Profit / (loss) for the period	**4,892**	6,647	(3,542)
Adjustments for:			
Increase / (decrease) in fair value of financial instruments	**-**	(4,707)	(2411)
Unwinding of unrealised direct issue costs of borrowings	**-**	615	-
Net other finance income	**245**	6.064	6,833
Decrease in fair value of investment and development property	**-**	-	2,960
Provisions	**-**	(5)	-
Legal settlement	**-**	-	(3,382)
Impairment of loans receivable	**-**	-	150
Impairment of goodwill	**-**	6,564	(60)
Income tax (credit) / expense	**54**	(1,009)	1,000
Profit on disposal of investment property	**-**	(10,915)	(9,817)
Operating cash flows before movements in working capital	**5,191**	3,254	(8,269)
(Increase) / decrease in receivables	**4,275**	(5,967)	(155)
Increase / (decrease) in payables	**(24,817)**	12,157	(6,815)
Cash (used in) / generated from operations	**(15,351)**	9,444	(15,239)