



Financial Results for the Year 2008

Carpathian plc 

May 2009



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Operational Highlights

- Appointment of Rory Macnamara as Non-Executive Chairman and Tim Walker as Non-Executive Director to the Board
- Conclusion of the Strategic Review, with the Board pursuing an independent future focused on shareholder value
- As an outcome of the Strategic Review, as soon as feasible and in any event within the next 12 months, Carpathian intends to make special distributions in aggregate of not less than 8 pence per share in cash to shareholders, subject to satisfactory discussions with the Group's lenders, shareholder approval and court confirmation following application to the Court in the Isle of Man to create sufficient distributable reserves to allow dividend and other distributions to resume
- Continued focus on preservation of value until a return of liquidity and transaction activity enables value realisation to occur

Operational Highlights



- Strategy aims to maximise the distribution of cash proceeds from future disposals
- Constructive discussions with the Company's lending banks continue, with the Company planning to update the market in the near future
- Discussions to be finalised shortly to realign shareholders' and the real estate asset managers' interests in conjunction with an operating cost reduction programme

Financial Highlights

- Adjusted profits after tax* of £11.8 million (2007: £10.3 million)
- Negative earnings per share of 62.8 pence for the period (2007: positive earnings per share of 8.3 pence)
- Adjusted earnings per share of 5 pence (2007: 5.2 pence)
- Net Asset Value per share of 80.2 pence, a decrease of 35% from 123.9 pence as at 31 December 2007
- £46.7 million of property disposal proceeds realised in December 2008 generating a profit of £11.2 million over the original acquisition price and net cash proceeds after debt repayment of £10.8 million
- Gross rental income for the period rose 41% to £34.4 million (2007: £24.3 million)
- Property assets of £536.6 million, after revaluation, as at 31 December 2008 (2007: £564.5 million)
- Total cash of £62.2 million as at 31 December 2008 (2007: £62.1 million) and £54.3 million as at 27 March 2009
- The Company has no distributable reserves as at 31 December 2008, and as a result there is no final dividend declared for 2008

*Adjusted profits after tax and EPS exclude fair value, deferred tax and foreign exchange adjustments

Outcome of Strategic Review

- On 22 October 2008, following approaches by interested parties to acquire the Company and/or CAM, the Board of Carpathian PLC announced the appointment of Hawkpoint to assist in the undertaking of a strategic review
- During this phase, the Company, together with its advisors, has investigated a number of available options including a possible sale of the Company
- Carpathian has shared its findings with a select group of major shareholders to understand their attitude to the various options
- Key considerations have been:
 - Preservation of cash reserves within the Company
 - Re-assessment of likely retained equity value per asset
 - Considering debt reduction or debt restructuring stances with banks
 - Sustainability of income and operational performance pending market stabilisation
- Having considered the available strategic options, and following consultation with most major shareholders, the Board and Management have concluded that shareholders' interests are best served by continuing the Company's trading strategy over the medium term, returning excess cash to shareholders.

Outcome of Strategic Review

- This strategy will focus on:
 - concluding arrangements negotiated with banks to protect the value of key assets only. This will utilise approximately half of the Company's current free cash
 - the remaining free cash to be distributed to shareholders
 - requiring non core assets to be entirely self financing with no new capital support
 - managing income generation and ensuring the sustainability of the core portfolio
 - increasing operational efficiencies and reducing corporate and management costs where possible
 - continuing to selectively consider value realisation in the medium term depending on conditions in the respective local markets
 - returning capital from sales to shareholders in the medium term
 - gaining recognition of the significant enduring equity value of the portfolio to help close the disparity between NAV and share price

Audited Group Profit and Loss

GROUP	2008			2007		
	Revenue	Capital	Total	Revenue	Capital	Total
Total	£'000	£'000	£'000	£'000	£'000	£'000
Gross rental income	37,515	-	37,515	27,051	-	27,051
Service charge income	11,931	-	11,931	9,635	-	9,635
Service charge expense	(14,194)	-	(14,194)	(10,886)	-	(10,886)
Property operating expenses	(5,685)	-	(5,685)	(3,401)	-	(3,401)
Other property income	4,825	-	4,825	1,894	-	1,894
Net rental and related income	34,392	-	34,392	24,293	-	24,293
Changes in fair value of investment and development property	-	(163,338)	(163,338)	-	15,983	15,983
Loss on sale of investment properties	-	(1,061)	(1,061)	-	-	-
Impairment of goodwill	-	(25,693)	(25,693)	-	-	-
Changes in fair value of derivative assets and liabilities	-	6,933	6,933	-	1,409	1,409
Changes in fair value of interest rate swaps	-	(8,718)	(8,718)	-	879	879
Net foreign exchange loss	-	(3,176)	(3,176)	-	(6,971)	(6,971)
Administrative expenses	(6,535)	-	(6,535)	(4,685)	-	(4,685)
Net operating (loss) / profit before net financing expense	27,857	(195,053)	(167,196)	19,608	11,300	30,908
Financial income	5,426	-	5,426	6,497	-	6,497
Financial expense	(20,707)	-	(20,707)	(15,528)	-	(15,528)
Net financing expense	(15,281)	-	(15,281)	(9,031)	-	(9,031)
Net (loss) / profit before tax	12,576	(195,053)	(182,477)	10,577	11,300	21,877
Tax income / (expense)	(814)	34,722	33,908	(341)	(6,606)	(6,947)
(LOSS) / PROFIT FOR THE YEAR	11,762	(160,331)	(148,569)	10,236	4,694	14,930

Audited Group Balance Sheet

Assets

	31-Dec-08	31-Dec-07
	£'000	£'000
GROUP ASSETS		
Non-current assets		
Investment property	508,642	525,192
Development property	27,919	41,428
Investment in subsidiaries	-	-
Loan to subsidiary	-	-
Goodwill	13,239	25,576
Intangible assets	-	13
Costs relating to future acquisitions	63	291
Investments in equity accounted investees	150	-
Other Investments	7,255	5,477
Loans receivable	24,510	14,846
Deferred income tax assets	2,876	1,027
	584,654	613,850
Current assets		
Trade and other receivables	15,295	12,776
Loans receivable	7,983	20
Cash and cash equivalents	62,162	62,103
Derivative assets	7,817	4,762
	93,257	79,661
TOTAL ASSETS	677,911	693,511

	31-Dec-08	31-Dec-07
	£'000	£'000
GROUP EQUITY		
Issued capital	2,321	2,293
Share premium	179,923	177,111
Retained earnings	-72,036	85,223
Translation reserve	75,444	19,660
Total equity attributable to equity holders of the	185,652	284,287
Minority interest	59	3,673
TOTAL EQUITY	185,711	287,960
LIABILITIES		
Non-current liabilities		
Bank loans	192,596	233,382
Other payables	27,300	6,142
Deferred income tax liabilities	26,106	56,333
Current liabilities		
Trade and other payables	26,007	23,822
Bank loans	213,497	77,055
Provisions	1,665	647
Dividends payable	-	7,638
Derivative liabilities	5,029	532
	246,198	109,694
TOTAL LIABILITIES	492,200	405,551
TOTAL EQUITY AND LIABILITIES	677,911	693,511

- As at 31 December 2008, the €/£ exchange rate was 1.03, compared to 1.36 as at 31 December 2007, representing a 24.5% appreciation of the Euro against Sterling.

During 2008, the applied average exchange rate moved to 1.26 €/£ from 1.46 €/£ in 2007

Investment & development portfolio valuation : Comparison of year end values in Euro and Sterling

Investment Properties	Purchase Price	Value YE 2008	Value YE 2007	Purchase Price	Value YE 2008	Value YE 2007
	(£m)	(£m)	(£m)	(€m)	(€m)	(€m)
Investment Properties	432.1	508.6	525.2	623.6	522.5	714.6
Varyada, Czech Republic	26.8	Sold	38.3	37	Sold	52.1
Investment Properties excl. Varyada	405.3	508.6	486.9	586.6	522.5	662.5

Development Properties	Purchase Price	Value YE 2008	Value YE 2007	Purchase Price	Value YE 2008	Value YE 2007
	(£m)	(£m)	(£m)	(€m)	(€m)	(€m)
Development Properties - Romania	37.3	27.9	41.4	54.1	28.7	56.4

Key Financial Indicators



Debt financing:

Loan to Cost ratio: 75% at year end
Loan to Value ratio: 85% at year end
Average loan term length: 2.41 years
(1.53 years if weighted)

Interest Rates:

Weighted average interest rate for the year: 6.05%
(2007: 5.52%)
Weighted average SWAP rate for the year: 3.78%
(2007: 3.7%)

All mortgage loans have been hedged against interest rate volatility.

Free cash reconciliation

Carpathian estimates its “free” cash as at 27 March 2009 at £41.6m

Free cash reconciliation (£m)

Total Bank Balances in £ as at 27 March 2009	54.3
Deposit, Service Charge, Security accounts	3.1
Identified Creditor requirements*	6.8
Anglo Irish restricted cash**	2.8
Total Restricted Cash	12.6
"Free" cash as at 27 March '09	41.6
"Free" cash per share	17.9p

Notes:

* excludes any provision for debt refinancing, closure and liquidation costs and medium to long term creditor requirements

** based on signed Heads of Terms with Anglo Irish Bank

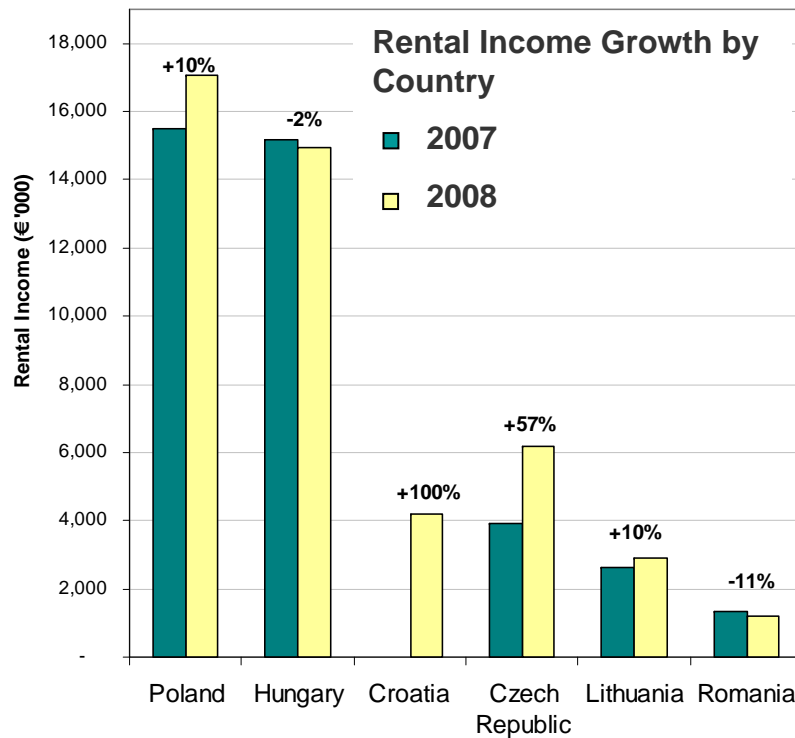
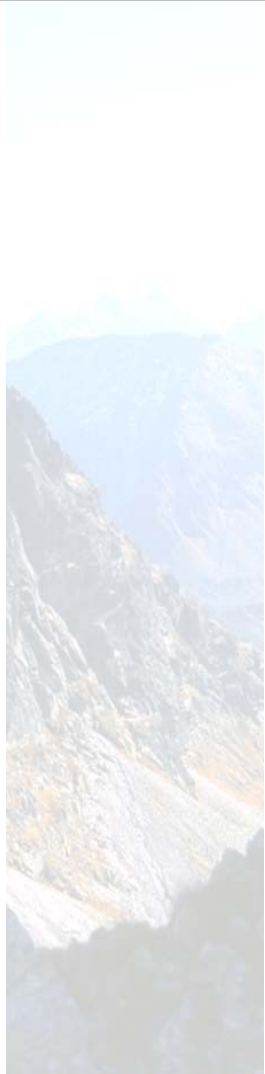
Property Portfolio Highlights



- Income as expected (excluding Interfruct) but weakness showing in Hungary, and some in Lithuania. Solid performance in Poland and Czech Republic
- Promenada reversionary
- Close scrutiny of tenant trading performance where any approaches received for rent reductions are made
- Void levels and rental levels presenting less risk at present than in the UK
- Pace of leasing new developments is slowing down but still making progress
- Intention to constrain capital expenditures on asset management initiatives for the short term
- Focus on sustainability of income, cost reductions and debt management

- Willing seller / willing purchaser RICS "Red book" basis for valuation is difficult to apply in this market
- Little evidence of liquidity
- Transaction pricing (as opposed to "value"), substantially influenced by perceptions of distress
- Euro based asset valuation reduction substantially offset by currency movement against Sterling





A. Sector Distribution of Portfolio by Area	
Property Type	%
Retail	85
Warehouse / Logistics	10
Office	6

Total lettable Area:

c. 374,953 m²

Void Areas as % of lettable area:

6.2% at Dec '08

24.4% including Interfruct

The weighted average lease length:

4.3 years as at Dec '09

Rent collection ratio:

98% as at Dec '08

99% as at Mar '09

Eastern European Economic Environment

- Pressure on retail sector in some CEE countries due to reduced consumer spending, lack of available credit and adverse FX movements
- Carpathian's portfolio includes a substantial element of non-discretionary retailing which may be less affected by the economic downturn
- Big discrepancies in economic performance across the region (Poland, Hungary, Latvia)
- Mixed views amongst equity and debt investors within the sector over vulnerability, potential speed of recovery and market risks relative to the West
- Absence of meaningful deal volume driven by lack of available debt financing
- Growing distinction between prime and subprime assets, even more so between distressed and non-distressed
- Region still offers production savings to cost conscious industries - could revert to previous growth rates after current downturn, outperforming most Western European economies

Debt Financing Summary

Lender	Loan	Asset	Proposed New Terms	Commentary
Hypo Real Estate	Amount: €108.0m Expiry: May 2009	Promenada	18 months extension No covenant testing	<ul style="list-style-type: none"> A refinancing deal is being negotiated with HRE with respect to this property Under the structure being considered, Carpathian will pay down €5m of the outstanding loan amount and contribute assets (to be purchased) worth €6.5m as additional security
Hypo Real Estate	Amount: €45.1m Expiry: Aug 2010	Blue Knight portfolio	Cross-collateralise with Promenada Reduce current amortisation	<ul style="list-style-type: none"> Loan performing and no current or imminent covenant breaches expected Asset to be cross-collateralised with Promenada as part of overall refinancing solution Level of amortisation to be reduced from currently €1.8m to €0.9m per annum
Hypo Real Estate	Amount: €57.3m Expiry: Aug 2010	MID portfolio	Limited paydown of principal and additional amortisation	<ul style="list-style-type: none"> Verbal refinancing agreement provisionally reached with HRE to address LTV covenants Initial pay down of €3m with a further €1m to be amortised over the remaining loan term
Hypo Real Estate	Amount: €23.5m Expiry: Oct 2009	Babilonas	Not yet discussed	<ul style="list-style-type: none"> Loan to expire in October 2009 Full cash sweep likely to be initiated in consultation with HRE in Q3 2009

Debt Financing Summary

Lender	Loan	Asset	Proposed New Terms	Commentary
Nordea	Amount: €64.0m (maximum) Expiry: Feb 2017	Riga	No discussions	<ul style="list-style-type: none"> Construction facility scheduled to turn into a long term investment facility on completion Current drawdown of c.€25m
Erste Bank	Amount: €40.5m Expiry: Mar 2011	Agrokor	Ongoing discussions	<ul style="list-style-type: none"> Positive negotiations in hand to address future LTV covenants
Barclays	Amount: €12.0m Expired	Antana	Ongoing discussions	<ul style="list-style-type: none"> Loan facility has expired and is being rolled over on a monthly basis while positive refinancing negotiations are ongoing
MKB	Amount: €42.7m Expiry: Mar 2015	Plaza portfolio	Ongoing discussions	<ul style="list-style-type: none"> Facility in breach of covenants Carpathian has made it clear that no new capital for debt paydown will be available Negotiations in hand with the bank for a constructive work out solution.
MKB	Amount: €59.0m (maximum) Expiry: Mar 2010	Arad	Ongoing discussions	<ul style="list-style-type: none"> Construction debt facility linked to agreed pre-let targets Current drawdown of €15.2m Discussions commenced to effect a restructuring of the facility including a potential switch into an investment facility on completion
MKB	Amount: €8.5m Expiry: Jun 2009	Cluj	Ongoing discussions	<ul style="list-style-type: none"> Land acquisition facility Uncertain whether value of underlying asset would currently recover debt

Debt Financing Summary





Lender	Loan	Asset	Proposed New Terms	Commentary
Anglo Irish Bank	Amount: €52.4m Expired	Interfruct portfolio	Extension of facilities	<ul style="list-style-type: none"> Transaction proposed will see all Anglo Irish assets cross-collateralised with Carpathian investing €3m to fund the structure for a further 9 months, of which there may be reasonable prospects of recovery of half As part of the proposed refinancing the balance of the Karlovy sale proceeds (€8m) will be released to Carpathian Any additional cash needs of the combined structure to be met by Anglo Irish Bank Assets to be disposed of in an orderly manner over 12-24 month period
Anglo Irish Bank	Amount: €6.8m Expiry: Oct 2012	Marina Mokotow		
Anglo Irish Bank	Amount:€11.1m Expired	Ericsson		









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Property Portfolio

Name	Picture	Commentary
Blue Knight portfolio		<ul style="list-style-type: none"> • Good performance across portfolio • Opportunities to grow income through capex investment • High percentage of rent renewals due in 2009, good take up thus far • Cross-collateralisation with Promenada on refinancing
Promenada		<ul style="list-style-type: none"> • Prime asset in centre of Warsaw • Significant increase in NOI over medium term possible, as is under-rented and has potential to reduce service charge leakage
Marina Mokotow		<ul style="list-style-type: none"> • Difficult trading environment through lack of footfall • Significant rent reductions granted • Estate could recover over medium term
Biedronka		<ul style="list-style-type: none"> • Equity funded

Property Portfolio

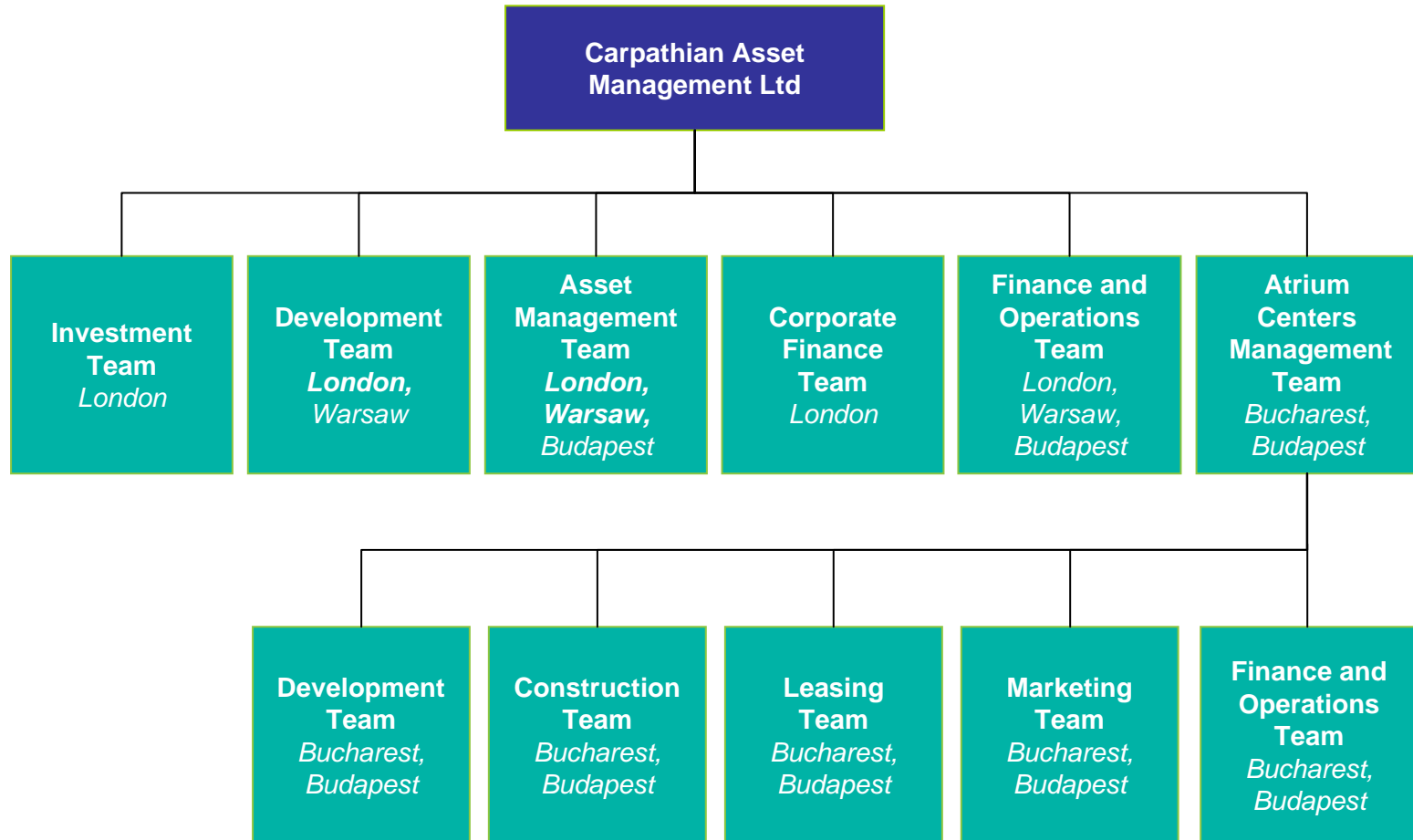
Name	Picture	Commentary
Agrokor portfolio		<ul style="list-style-type: none"> • Strong tenant with long leases and 2 year bank rental guarantee • Good interest coverage ratio
Arad		<ul style="list-style-type: none"> • Development operated as a joint venture through Atrium • Expected to be completed by March 2010 • Pre-let level of 46% achieved to date • A debt facility to replace construction loan on completion is yet to be secured
Cluj		<ul style="list-style-type: none"> • Land plot in Romania with building permission obtained • 30% pre-let achieved for proposed development
Baia Mare/ Satu Mare		<ul style="list-style-type: none"> • Fully equity financed land in Romania
Macro Mall		<ul style="list-style-type: none"> • Property not trading well; high vacancy level • Requires new anchor stores to improve performance • Fully equity financed
MID portfolio		<ul style="list-style-type: none"> • Long-term leases, strong income from key anchor tenants

Property Portfolio

Name	Picture	Commentary
Galleria Riga		<ul style="list-style-type: none"> • High profile development in the centre of Riga • Undertaken as a funding partner to a JV • Pre-lettings are now approaching the required level to release remaining asset funding • Little additional equity required until completion in June 2010
Antana		<ul style="list-style-type: none"> • Requires some capex spend to re-let currently vacant space • Barclays re-financing provisionally agreed
Plaza portfolio		<ul style="list-style-type: none"> • Requires significant capex to arrest declining footfall, voids and rental income • Current economic situation in Hungary extremely challenging
Ericsson		<ul style="list-style-type: none"> • Cash flow positive but significantly over rented • Single tenant expected to vacate in March 2011 • Substantial capex required to prepare for re-letting • Tenant may take new / refurbished building
Interfruct portfolio		<ul style="list-style-type: none"> • Currently empty portfolio of 23 properties across Hungary • Some initial interest received for most locations (both sale and lettings)
Babilonas		<ul style="list-style-type: none"> • Good occupational level being maintained • The centre remains the only significant retail offer within its catchment area • Likely to be impacted by factors currently influencing the Lithuanian economy

Carpathian Asset Management Ltd

- **Carpathian Asset Management Ltd** (“CAM”), formerly Dawnay Day PanTerra, was established from an MBO from the administrators of the Dawnay Day Group
- A Joint Venture between Carpathian Plc and the two principals Paul Rogers and Massimo Marcovecchio
- The principals have been in partnership since 2000
- Opportunistic/added value property investment platform
- Experienced and entrepreneurial management team
- Strong, multi-disciplinary team of professionals
- Proven track record over 9 years, creating specialist funds with exceptional property investment returns
- Expertise in expanding investment and development activity into new territories and market sectors
- Multinational team with experience transacting in UK, Western Europe and the CEE region.





Paul Rogers

- Managing Director of CAM, Dip. PropInvest, FRICS
- Responsible for identifying and promoting new business areas and strategies, set up of investment vehicles, overseeing fund strategies and guiding asset negotiations
- A Chartered Surveyor with 30 years' professional experience, Member of the International Council of Shopping Centres
- Previously with Conrad Ritblat (now Colliers CRE) and partner in a private consultancy partnership
- Specialised in retail leasing, sales, development, management, and property investment



Balazs Csepregi

- Director - Real Estate Finance
- Responsible for the finance function including investor relations, corporate finance, reporting, tax, risk management and corporate strategy
- 13 years' experience in international finance with 7 years in the real estate industry
- Trained with Arthur Andersen Hungary, then joined Man Group PLC in London and previously set up and managed the financial functions of real estate funds in Central and Southern Europe with CERPF B.V. (co- managed by Lehman Brothers and Jones Lang LaSalle) and Pradera AM PLC

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