



Retail property investment in Germany

Dawney, Day Treveria PLC
Interim Report 2008

Highlights

- Property assets of €2,221 million, after revaluation, as at 30 June 2008 (31 December 2007: €2,333 million) reflecting a decline in valuation of 6%.
- €79.2 million of property disposals notarised since 30 June 2008 at a 10% premium to the 31 December 2007 valuation.
- Gross rental income for the period rose 34% to €79.8 million (2007: €59.3 million).
- Adjusted profits after tax* of €17.4 million (2007: €20.3 million).
- Adjusted EPS* for the period of 2.85c (2007: 2.86c).
- Adjusted NAV* per share of 91.2c, a decrease of 19.2% from 112.9c as at 31 December 2007.
- Total cash position of €152 million as at 30 June 2008.
- Strategic review now focused on strengthening the Company's balance sheet and new management arrangements progressing.
- Proposed name change.

€17.4m

Adjusted profits after tax*

2.85c

Adjusted EPS* for the period

€152m

Total cash position

91.2c

Adjusted NAV* per share

* Adjusted NAV excludes deferred tax and derivative financial instruments; adjusted profits after tax and EPS exclude revaluation surplus, deferred tax, surrender premiums and derivative fair value movements.

IFC Highlights

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Chairman's statement



The Company's interim results for the six month period ended 30 June 2008 reflect what has been the most challenging period in the property industry for many years and for the Company specifically since its inception in late 2005.

Firstly, the global credit crisis, which began in August last year, has continued to worsen. The resulting lack of liquidity in the banking markets curtailed property transactions not only in Germany, but on a global basis. Coupled with rising inflation fuelled by higher energy, food and commodity prices, this has suppressed consumer demand especially for 'big ticket' purchases. Further, concerns over the level of Treveria's gearing and property valuation expectations combined to reduce the Company's share price to a level representing a very substantial discount to its published net asset value per share. Those events prompted the Board to announce a strategic review on 9 June 2008 to seek ways to maximise returns to shareholders. JPMorgan Cazenove was appointed to carry out the review with a remit to consider all options available ranging from returning funds to shareholders following asset disposals to a sale of the whole Company.

STRATEGIC REVIEW

Since the announcement of the review, the global credit environment and market sentiment have deteriorated and, in addition, parts of our external managers' wider group have been placed into administration. Despite this, Treveria has received significant interest from a number of parties for various proposals.

Following extensive consultation, the Board has concluded that, in current market conditions, a sale of the entire Company is unlikely to produce the best outcome for shareholders and has therefore focused the review on other options. In particular, the Board has identified the need for Treveria to strengthen its capital structure and, latterly, to stabilise its asset management operations.

A thorough review of debt facilities has been conducted as part of the strategic review, not least in light of increased susceptibility to valuation swings due to the relatively high levels of gearing. Treveria and its subsidiaries (together, the "Group") have a diversified portfolio of retail properties which offers significant interest cover on all its facilities. However, the Board acknowledges that, in current market conditions, further falls in the value of Treveria's portfolio may be possible; the Group is therefore exploring ways that it can strengthen its balance sheet.

The Board has decided to pursue a strategy of targeted disposals combined with a possible injection of new equity into the business. We are currently working with one preferred party to underwrite this possible injection of equity and discussions are continuing on the details of this proposal, which will include negotiating amendments to certain loan terms. There are a number of issues to be addressed and there can be no certainty at this time that acceptable terms can be agreed.

Until the conclusion of the strategic review process and implementation of its findings, it has been decided that the Company should preserve its cash resources and temporarily suspend dividend payments. Accordingly, no interim dividend will be paid.

MANAGEMENT

Following the financial difficulties at the Dawney, Day group, the Board and its advisers have been monitoring the financial situation of its external asset manager, Dawney, Day Treveria Real Estate Asset Management Limited ("DDTREAM"), and property manager, Dawney, Day Property Investment GmbH ("DDPI"), both of which are currently still trading. Having not been able to secure sufficient reassurance about their current financial stability and ability to manage the portfolio over the foreseeable future, the Board has sought a stable management solution.

Chairman's statement continued

We retain a substantial and diversified portfolio of retail assets in Europe's leading economy.

MANAGEMENT CONTINUED

The Board has been negotiating with Dawnay, Day entities to secure certain asset and property management capabilities. Despite protracted negotiations, the Board has been unable to date to reach an agreement with Dawnay, Day on this matter.

Certain Dawnay, Day entities that provide services to DDTREAM have also gone into administration which has had an impact on DDTREAM's ability to perform its duties independently. Unless an agreement can be reached quickly with Dawnay, Day, the Board is prepared to take unilateral action to sever its links with Dawnay, Day, terminate the portfolio management agreement with DDTREAM and put in place alternative arrangements. In anticipation of this, Treveria has set up a subsidiary, Treveria Asset Management Ltd ("TAM") under the leadership of David Hunter, Chairman of the Investment Committee since the Company's IPO, to provide an alternative solution for the management of the Group's assets. TAM has already taken on a number of key employees who were made redundant from their previous positions within Dawnay, Day and has established a subsidiary in Germany, Treveria Asset Management GmbH.

In addition, in the absence of reaching an agreement with Dawnay, Day, the Group is likely to terminate DDPI's property management agreements which can be terminated on three months' notice. The Company is in discussions with various parties about alternative external arrangements for property management. Some of these discussions are at an advanced stage.

PROPOSED CHANGE OF NAME

The Company intends to change its name to clarify its position as an independent entity, and a general meeting will be convened in due course to seek shareholders' approval for the proposed change.

GERMAN ECONOMY AND RETAIL MARKET

The fundamentals of the Germany economy remained resilient into the first half of 2008. German GDP grew 1.2% in the first half of 2008 compared with the previous six months despite a marked decline in the second quarter. The main drags on GDP were private consumption, where actual and perceived price inflation dampened households' real disposable income, and capital investment. GDP is forecast to grow by 1.7% in 2008 and 0.8% in 2009 which is significantly ahead of the Eurozone averages of 1.2% and 0.1%, respectively. Unemployment fell to 7.6% in August 2008, the lowest level since 1992.

However, the insolvency of two well known High Street names, Hertie and Sinn Leffers, was announced in July/August 2008 and this is discussed further below.

Given the state of the global economy, it is perhaps not surprising that transaction volumes in the retail property market in Germany were lower in the first half of 2008 with the total reaching €4.5 billion, compared to €5.3 billion in the first half of 2007. Of the transactions in 2008, €2.2 billion came from a single transaction which was the sale of a 50% stake in the Karstadt portfolio.

RESULTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

Gross rental income for the half year period was €79.8 million (2007: €59.3 million). The difference from the 2007 figure primarily reflects the fact that the portfolio was still being assembled in the first half of 2007. The larger proportion of ground rents payable in 2008, arising from properties acquired in 2007 and an increase in repairs and maintenance expenditure on the portfolio, gave rise to an increase in direct costs, which have been deducted from gross rental income. Ground rents payable in the first half of 2008 totalled €3.2 million against €0.8 million for the first six months of 2007. Operating loss for the period, which includes

unrealised revaluation deficits in the value of investment properties, was €80.7 million (2007: profit of €76.8 million) and the adjusted operating profit, which excludes any revaluation movement and surrender premiums, was €61.9 million (2007: profit of €48.3 million). There have been no surrender premiums in the first half of 2008 (2007: €4.2 million).

Loss before tax for the period was €111.3 million (2007: profit of €49.5 million) and the adjusted profit after tax, which excludes revaluation movement, surrender premiums and fair value adjustments on interest rate hedging taken through the income statement, was €17.4 million (2007: €20.3 million). Administrative and other expenses increased from €2.1 million to €3.1 million due mainly to the number of entities being managed in the Group and the increasing demands of compliance procedures.

Basic and adjusted EPS were a loss of 17.43c and a profit of 2.85c, respectively (2007: profit of 7.23c and 2.86c). Adjusted EPS exclude revaluation movement, surrender premiums, fair value adjustments on interest rate hedging and deferred tax.

REVALUATION AND NET ASSET VALUE

The portfolio has been valued by DTZ Debenham Tie Leung Limited as at 30 June 2008 at €2,221 million, giving a net deficit of €143 million, as compared to the 31 December 2007 valuation (as adjusted for sales and purchases during the period). This represents an overall downward valuation movement of about 6% in the period. The adjusted net asset value per share of the Group has reduced to 91.2c from 112.9c as at 31 December 2007, a fall of 19.2%.

The average net yield of the portfolio as at 30 June 2008 was 6.66% (31 December 2007: 6.22%) which would rise to 7.04% (31 December 2007: 6.60%) if fully let. The gross initial yield of the portfolio was 7.29% (31 December 2007: 6.86%).

PROPERTY ACQUISITIONS AND DISPOSALS

During the period, the Group initiated a programme of property disposals. Although no sales were completed in the first half, subsequent to 30 June 2008 the Group has notarised €79.2 million of property sales. The sale price represents a premium of €7.6 million to the December 2007 valuation and €11.2 million to the June 2008 valuation.

Further property disposals are being progressed in an orderly fashion and we continue to see selective interest for many types of property though the market for such transactions remains subdued by comparison with recent years.

There have been no significant new acquisitions contracted during the first half of 2008 though €26.1 million of properties, for which contracts were previously agreed, completed during the first half. The average net initial yield on the properties purchased was 6.56%.

In June 2007, the Group contracted to acquire a shopping centre in Cottbus for €75.5 million plus acquisition costs. This amount was shown as a capital commitment in the 2007 Annual Report. In order to conserve cash and in recognition of the changing economic environment, we have recently signed a new agreement that allows Treveria to terminate this contract for a single payment of €750,000 plus costs. The total cost is expected to be less than €1.1 million.

FINANCE AND BANKING

As at 30 June 2008, the Group's total borrowings amounted to €1,820 million, all of which are secured on its properties, compared to €1,789 million as at 31 December 2007.

The increase is due to additional net drawings as property acquisitions completed. The bank loans, provided by Citi, Deutsche Bank, ABN Amro, Eurohypo and JPMorgan, mature between January 2011 and November 2012. The current average blended interest rate in the first half of 2008 remained 4.9% inclusive of margin, approximately the same

Chairman's statement continued

With a cautious approach to the use of our cash, stabilisation of the capital base, a co-operative relationship with our lenders and a targeted sales programme, we are positioning the Company in a way which should enable it to weather the current economic storms and to benefit as market conditions improve.

FINANCE AND BANKING CONTINUED

as at 31 December 2007. Finance costs for the period amounted to €46.7 million which include €2.1 million of amortised bank fees and other financing charges. In the first half of 2007 where the portfolio was significantly smaller, the finance costs were €31.6 million of which €1.1 million related to amortisation.

The value of the Group's fixed rates and hedging contracts was estimated at €60.0 million as at 30 June 2008 against €27.1 million at 31 December 2007. Neither amount is included in the calculation of adjusted net asset value per share.

Finance income, relating mainly to cash balances held in the Isle of Man and Germany, amounted to €2.6 million, a decrease from €4.2 million in 2007. Cash balances as at 30 June 2008 were €152 million of which €30 million was held in blocked accounts for the payment of bank interest. The corresponding figures as at 31 December 2007 were €177 million and €25 million respectively. The gross LTV (gross debt against property assets) was 82.0% and the net LTV (net debt against property assets) was 75.1%. The corresponding figures as at 31 December 2007 were 76.7% and 69.1%, respectively.

The financial covenants within the Group's five bank facilities fall into two main categories: loan to value ("LTV") covenants and interest cover ("ICR") covenants on a projected twelve month basis. Breach of these causes an event of default under the facility. Each facility typically also has a lower threshold which, if exceeded, either traps the free cash flow within that facility 'silo' ("cash trap") or requires debt repayment or deposits to remedy the position.

All facilities are non-recourse with no cross-collateralisation between them.

Interest cover remains substantial; the overall ratio of net rental income over interest costs, ignoring amortisation of finance charges, was 145% in the first half of 2008 against 156% for the whole of 2007 and 149% for the second half of 2007. The Group's ICR cash trap thresholds are between 125% and 145% and 'hard breach' covenants are between 115% and 125%.

In a relatively highly geared portfolio, downward pressure on valuations will inevitably put pressure on LTV covenants. The cash trap LTV ratios are set at between 78% and 85% and the hard breach covenants are set at between 78% and 95%. The recent decline in valuation has meant that the Eurohypo facility is now in cash trap. We have agreed a 15 month hard breach LTV covenant waiver with Eurohypo in consideration for a loan repayment of €20 million and an adjustment in the margin payable to 125 basis points. Of the loan repayment, €2.25 million will be taken from the rent account and €7.5 million was already due to be repaid by 31 December 2008. In addition, it is likely that the first Deutsche Bank/Citi facility will also be in cash trap once the latest valuation is adopted.

The Group currently has about €125 million of cash, €75 million of which is held at the PLC level. The Board has flexibility to use this cash to give extra headroom on these facilities should it consider it appropriate to do so.

SHARE BUYBACKS

The Company commenced its share buyback programme in July 2007 and, in the first half of 2008, purchased 25.4 million of its own shares for cancellation during the period at a weighted average price of €0.76. The last purchase occurred on 18 April 2008. The cumulative total purchased to 30 June 2008 was 108.8 million shares at a weighted average price of €0.94. The Board has no intention of resuming share buybacks in the near future.

ASSET MANAGEMENT

The Asset Management team is focused on the active management of the portfolio and has identified and capitalised on a number of interesting asset management opportunities during the period.

During the first half of 2008, 203 lease extensions and new leases generating annual income of €3.4 million were completed. Rental uplift was 0.5% due to indexation on leases during the period. As at 30 June 2008 vacant space across the portfolio represented 5.5% of rent (December 2007: 5.5%) and 8.8% by area (December 2007: 7.1%), and 58 lettings of vacant space were agreed during the period generating annual income of €0.23 million.

On 31 July, the Company announced that Hertie GmbH, a tenant at five property locations, had entered into insolvency proceedings. The Group's rental income exposure to Hertie was €3.6 million per annum representing 2.2% of annualised rent roll. Subsequently, it was announced that Sinn Leffers, a tenant at three locations, had also appointed administrators. The exposure to Sinn Leffers represented €3.2 million per annum or 1.9% of the Company's annualised rent roll. Other than at one of the Hertie stores, rent continues to be received in relation to these properties and we are working with the administrators to clarify their future plans. The asset manager is also investigating other options for these stores.

As noted below, the balance of the portfolio is well diversified in a broad spectrum of retail locations.

PORTFOLIO ANALYSIS

The following analysis takes into account all properties owned as at 30 June 2008. By value, 81.4% of the properties are located in the former West Germany, 7.5% in Berlin and 11.1% in the former East Germany. The weighted average lease length of the portfolio is 5.3 years (December 2007:

5.4 years). The portfolio retains a diverse exposure to tenants with the top ten tenants constituting 35.8% (December 2007: 33.5%) of the total rent roll. Our largest tenant is C&A, which makes up 7.8% of the total rent roll, followed by Metro Group. The following table shows the breakdown of our assets by type:

	Value
High Street	43.1%
Retail Warehouse	27.5%
Shopping Centres	23.8%
Mixed Commercial	5.6%

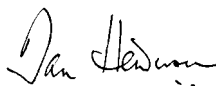
BOARD AND PEOPLE

I would like to take this opportunity to thank my fellow Board members for their contributions during this difficult period. I would also like to express my thanks to all the staff and advisers involved in managing the Group and its portfolio for their stalwart support throughout this very difficult transition.

Peter Klimt resigned as a non-executive director in July 2008.

OUTLOOK AND STRATEGY

We retain a substantial and diversified portfolio of retail assets in Europe's leading economy. With a cautious approach to the use of our cash, stabilisation of the capital base, a co-operative relationship with our lenders and a targeted sales programme, we are positioning the Company in a way which we hope will enable it to weather the current economic storms and to benefit as market conditions improve.



IAN HENDERSON
CHAIRMAN
29 SEPTEMBER 2008

Consolidated income statement

for the six months ended 30 June 2008

	Notes	(Unaudited) Six months ended 30 June 2008 €000	(Unaudited) Six months ended 30 June 2007 €000	(Audited) Year ended 31 December 2007 €000
Gross rental income	4	79,788	59,319	129,951
Direct costs	5	(14,797)	(8,846)	(20,094)
Net rental income		64,991	50,473	109,857
(Deficit)/surplus on revaluation of investment properties	10	(142,563)	24,296	(10,748)
Other income	4	—	4,214	7,100
Administrative expenses	5	(2,435)	(1,536)	(4,426)
Other expenses	5	(688)	(599)	(1,804)
Operating (loss)/profit		(80,695)	76,848	99,979
Finance revenue	4, 6	2,645	4,234	7,985
Finance expense	6	(46,744)	(31,615)	(73,073)
Change in fair value of derivative financial instruments	13	13,532	—	(1,314)
(Loss)/profit before tax		(111,262)	49,467	33,577
Income tax credit	7	3,791	2,474	722
(Loss)/profit for the period		(107,471)	51,941	34,299
Attributable to:				
Equity holders of the parent company		(106,237)	51,523	34,700
Minority interests		(1,234)	418	(401)
(Loss)/profit for the period		(107,471)	51,941	34,299
Earnings per share				
Basic, for (loss)/profit for the period attributable to ordinary equity holders of the parent*	8	(17.43c)	7.23c	5.06c
Diluted, for (loss)/profit for the period attributable to ordinary equity holders of the parent*	8	(17.43c)	7.23c	5.05c

* Adjusted earnings per share is given in note 8.

Consolidated balance sheet

as at 30 June 2008

	Notes	(Unaudited) 30 June 2008 €000	(Unaudited) 30 June 2007 €000	(Audited) 31 December 2007 €000
Non-current assets				
Investment properties	10	2,271,365	2,130,758	2,383,027
Total non-current assets		2,271,365	2,130,758	2,383,027
Current assets				
Trade and other receivables		20,223	20,542	20,308
Prepayments		9,388	14,085	10,366
Cash and short-term deposits	11	152,315	163,729	177,015
Derivative financial instruments	13	12,275	—	—
Total current assets		194,201	198,356	207,689
Total assets		2,465,566	2,329,114	2,590,716
Current liabilities				
Trade and other payables		40,201	48,989	48,419
Interest-bearing loans and borrowings	12	3,439	1,668	1,457
Current tax liabilities		898	1,730	271
Derivative financial instruments	13	—	—	1,314
Total current liabilities		44,538	52,387	51,461
Non-current liabilities				
Interest-bearing loans and borrowings	12	1,802,772	1,402,058	1,773,586
Finance lease obligations	10	50,376	40,959	50,377
Deferred tax liabilities	7	20,041	26,633	25,433
Total non-current liabilities		1,873,189	1,469,650	1,849,396
Total liabilities		1,917,727	1,522,037	1,900,857
Net assets		547,839	807,077	689,859
Equity				
Issued capital	14	6,035	7,123	6,288
Share premium		—	624,585	—
Capital redemption reserve		1,088	—	835
Other distributable reserve		610,594	87,991	629,755
Retained earnings		(75,077)	80,126	46,548
Total equity attributable to the equity holders of the parent		542,640	799,825	683,426
Minority interests		5,199	7,252	6,433
Total equity		547,839	807,077	689,859

Unaudited consolidated statement of changes in equity

for the six months ended 30 June 2008

	Notes	Issued capital €000	Share premium €000	Capital redemption reserve €000	Other distributable reserve €000	Retained earnings €000	Total equity attributable to the equity holders of the parent €000	Minority interests €000	Total equity €000
As at 31 December 2006		7,123	624,663	—	87,991	46,409	766,186	6,834	773,020
Profit for the period		—	—	—	—	51,523	51,523	418	51,941
Equity dividends	15	—	—	—	—	(17,806)	(17,806)	—	(17,806)
Transaction costs of share issue		—	(78)	—	—	—	(78)	—	(78)
As at 30 June 2007		7,123	624,585	—	87,991	80,126	799,825	7,252	807,077
Loss for the period		—	—	—	—	(16,823)	(16,823)	(819)	(17,642)
Own shares acquired		(835)	—	835	(82,821)	—	(82,821)	—	(82,821)
Court approved capital reduction		—	(624,585)	—	624,585	—	—	—	—
Equity dividends	15	—	—	—	—	(16,755)	(16,755)	—	(16,755)
As at 31 December 2007		6,288	—	835	629,755	46,548	683,426	6,433	689,859
Loss for the period		—	—	—	—	(106,237)	(106,237)	(1,234)	(107,471)
Own shares acquired		(253)	—	253	(19,161)	—	(19,161)	—	(19,161)
Equity dividends	15	—	—	—	—	(15,388)	(15,388)	—	(15,388)
As at 30 June 2008		6,035	—	1,088	610,594	(75,077)	542,640	5,199	547,839

Consolidated cash flow statement

for the six months ended 30 June 2008

	Notes	(Unaudited) Six months ended 30 June 2008 €000	(Unaudited) Six months ended 30 June 2007 €000	(Audited) Year ended 31 December 2007 €000
Operating activities				
(Loss)/profit before tax		(111,262)	49,467	33,577
Deficit/(surplus) on revaluation of investment properties	10	142,563	(24,296)	10,748
Finance revenue	6	(2,645)	(4,234)	(7,985)
Finance expense	6	46,744	31,615	73,073
Change in fair value of derivative financial instruments	13	(13,532)	—	1,314
Cash flows from operations before changes in working capital		61,868	52,552	110,727
Changes in working capital				
Increase in trade and other receivables		(1,201)	(9,835)	(10,530)
(Decrease)/increase in trade and other payables		(6,058)	13,087	10,227
Finance costs paid		(43,704)	(29,001)	(65,470)
Finance income received		2,753	4,234	8,093
Income tax paid		(974)	(123)	(1,539)
Cash flows from operating activities		12,684	30,914	51,508
Investing activities				
Purchase of investment properties		(29,055)	(358,350)	(638,920)
Cash flows used in investing activities		(29,055)	(358,350)	(638,920)
Financing activities				
Dividends paid to equity holders of the parent company	15	(15,388)	(17,806)	(34,561)
Transactions costs of share issue		—	(1,896)	(1,896)
Purchase of own share capital		(22,186)	—	(79,796)
Proceeds from loans		41,859	179,592	556,870
Repayment of loans		(10,260)	(1,167)	(2,914)
Derivative financial instruments		128	—	—
Finance charges paid		(2,482)	(895)	(6,613)
Cash flows from financing activities		(8,329)	157,828	431,090
Decrease in cash and short-term deposits		(24,700)	(169,608)	(156,322)
Cash and short-term deposits as at 1 January		177,015	333,337	333,337
Cash and short-term deposits at 30 June/31 December		152,315	163,729	177,015

Notes to the consolidated financial statements

for the six months ended 30 June 2008

1. GENERAL INFORMATION

Dawnay, Day Treveria PLC (the "Company") is a company incorporated and domiciled in the Isle of Man whose shares are publicly traded on AIM.

The consolidated financial statements of Dawnay, Day Treveria PLC comprise the Company and its subsidiaries (together referred to as the "Group").

The principal activities of the Group are described in note 3.

The Company acts as the investment holding company of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

These condensed consolidated interim financial statements are unaudited, have not been reviewed, and do not constitute statutory accounts. The statutory accounts for 2007, which received an unqualified report from the auditors, are available on the Company's website www.treveria.com.

The condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

(B) BASIS OF CONSOLIDATION

The condensed financial statements have been prepared under the historical cost convention, except for investment properties and derivative financial instruments that have been measured at fair value. The condensed financial statements are presented in Euro and all values are rounded to the nearest thousand (€000) except when otherwise indicated.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

3. SEGMENTAL REPORTING

No segmental reporting is included in the accounts as the Group only holds investment properties in Germany and as such only has one geographical segment which is Germany and one business segment which is predominantly investment in retail property.

4. REVENUE

	(Unaudited) Six months ended 30 June 2008 €000	(Unaudited) Six months ended 30 June 2007 €000	(Audited) Year ended 31 December 2007 €000
Rental income from investment properties	79,788	59,319	129,951
Other income – surrender premiums	—	4,214	7,100
Finance revenue	2,645	4,234	7,985
	82,433	67,767	145,036

Surrender premiums received in the period are included in other income.

5. OPERATING PROFIT

The following items have been charged or (credited) in arriving at operating profit:

DIRECT COSTS

	(Unaudited) Six months ended 30 June 2008 €000	(Unaudited) Six months ended 30 June 2007 €000	(Audited) Year ended 31 December 2007 €000
Service charge expenditure	15,146	12,727	26,003
Service charge income	(11,696)	(10,689)	(22,155)
Irrecoverable service charges	3,450	2,038	3,848
Property management fee	2,004	1,614	3,550
Asset management fee	4,596	3,531	8,394
Ground rent/lease charges	3,243	810	3,114
Other property costs	1,504	853	1,188
	14,797	8,846	20,094

5. OPERATING PROFIT CONTINUED

ADMINISTRATIVE EXPENSES

	(Unaudited) Six months ended 30 June 2008 €000	(Unaudited) Six months ended 30 June 2007 €000	(Audited) Year ended 31 December 2007 €000
Audit fee	448	431	788
Consultants' fees and expenses – subsidiary companies	105	105	150
Legal and professional fees and other administration costs	1,882	1,000	3,488
	2,435	1,536	4,426

OTHER EXPENSES

	(Unaudited) Six months ended 30 June 2008 €000	(Unaudited) Six months ended 30 June 2007 €000	(Audited) Year ended 31 December 2007 €000
Directors' fees	186	145	332
Directors' expenses	6	4	4
Net foreign exchange loss	29	6	10
Bank fees	121	73	325
Marketing, insurance and other expenses	349	371	1,133
	688	599	1,804

As at 30 June 2008, the Group had one full-time employee.

6. FINANCE REVENUE AND EXPENSE

	(Unaudited) Six months ended 30 June 2008 €000	(Unaudited) Six months ended 30 June 2007 €000	(Audited) Year ended 31 December 2007 €000
Bank interest receivable	2,645	4,234	7,985
Finance revenue	2,645	4,234	7,985
Bank loan interest payable	(44,862)	(30,498)	(70,460)
Amortisation of capitalised finance charges	(2,051)	(1,117)	(2,613)
Profit on termination of swap arrangements	169	—	—
Finance expense	(46,744)	(31,615)	(73,073)
Net finance expense	(44,099)	(27,381)	(65,088)

7. INCOME TAX

CONSOLIDATED INCOME STATEMENT

	(Unaudited) Six months ended 30 June 2008 €000	(Unaudited) Six months ended 30 June 2007 €000	(Audited) Year ended 31 December 2007 €000
Current income tax			
Current income tax charge	1,601	453	2,533
Tax charge relating to surrender premiums	—	1,000	1,872
	1,601	1,453	4,405
Deferred tax			
Effect of change of tax rate	—	(12,224)	(12,224)
Relating to origination and reversal of temporary differences	(5,392)	8,297	7,097
	(5,392)	(3,927)	(5,127)
Income tax (credit)/expense reported in the income statement	(3,791)	(2,474)	(722)

Notes to the consolidated financial statements continued

for the six months ended 30 June 2008

7. INCOME TAX CONTINUED

DEFERRED INCOME TAX LIABILITY

	(Unaudited) 30 June 2008 €000	(Unaudited) 30 June 2007 €000	(Audited) 31 December 2007 €000
As at 31 December	25,433	30,560	30,560
Effect of change of tax rate	—	(12,224)	(12,224)
Revaluation of investment properties to fair value	(7,334)	8,297	7,097
Revaluation of derivative financial instruments to fair value	1,942	—	—
Balance as at 30 June/31 December	20,041	26,633	25,433

The Group has tax losses of €87 million (31 December 2007: €88 million) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been loss-making for some time.

The Group has an unprovided deferred tax liability of €20 million as at 30 June 2008 (31 December 2007: €20 million) in respect of the difference between the tax base and the carrying value of investment properties that arose upon the acquisition of subsidiaries. This liability is unprovided as the Directors consider that, as the acquisitions are treated as asset purchases rather than business combinations, the initial recognition exemption in paragraph 24 of IAS 12 is available for this temporary difference. To the extent that any taxation is payable in respect of this temporary difference it will be recognised as current tax in the period it becomes payable.

There are no income tax consequences for the Company attaching to the payment of dividends in 2008 by the Company to its shareholders.

8. EARNINGS PER SHARE

The calculation of the basic, diluted and adjusted earnings per share is based on the following data:

	(Unaudited) 30 June 2008 €000	(Unaudited) 30 June 2007 €000	(Audited) 31 December 2007 €000
Earnings			
Earnings for the purpose of basic and diluted earnings per share ((loss)/profit for the period attributable to the equity holders of the parent)	(106,237)	51,523	34,700
Revaluation surpluses/(deficits) and surrender premiums net of related tax (attributable to equity holders)	123,626	(31,179)	1,688
Adjusted earnings	17,389	20,344	36,388
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	609,596,651	712,257,423	685,934,483
Weighted average effect of dilutive share options*	—	862,500	862,500
Weighted average number of ordinary shares for the purpose of diluted earnings per share	609,596,651	713,119,923	686,796,983
Basic earnings per share	(17.43c)	7.23c	5.06c
Diluted earnings per share	(17.43c)	7.23c	5.05c
Adjusted earnings per share	2.85c	2.86c	5.30c
Adjusted earnings per share including surrender premiums and related tax (attributable to equity holders)	2.85c	3.30c	6.06c

* The share options in issue have not been included in the calculation of the dilutive earnings per share for the six months ended 30 June 2008 as they are antidilutive and would decrease the loss per share.

9. NET ASSETS PER SHARE

	(Unaudited) 30 June 2008 €000	(Unaudited) 30 June 2007 €000	(Audited) 31 December 2007 €000
Net assets			
Net assets for the purpose of assets per share (assets attributable to the equity holders of the parent)	542,640	799,825	683,426
Deferred tax arising on revaluation surpluses	20,041	26,633	25,433
Derivative financial instruments	(12,275)	—	1,314
Adjusted net assets attributable to equity holders of the parent	550,406	826,458	710,173
Number of shares			
Number of ordinary shares for the purpose of net assets per share	603,468,809	712,257,423	628,844,061
Net assets per share	89.92c	112.29c	108.68c
Adjusted net assets per share	91.21c	116.03c	112.93c

10. INVESTMENT PROPERTIES

	(Unaudited) 30 June 2008 €000	(Unaudited) 30 June 2007 €000	(Audited) 31 December 2007 €000
As at 31 December	2,383,027	1,726,959	1,726,959
Additions	30,901	379,503	666,816
(Deficit)/surplus on revaluation	(142,563)	24,296	(10,748)
Balance as at 30 June/31 December	2,271,365	2,130,758	2,383,027

The fair value of the Group's investment properties at 30 June 2008 has been arrived at on the basis of a valuation carried out at that date by DTZ Debenham Tie Leung Limited, an independent valuer.

A reconciliation of the valuation carried out by the external valuer to the carrying values shown in the balance sheet is as follows:

	(Unaudited) 30 June 2008 €000	(Unaudited) 30 June 2007 €000	(Audited) 31 December 2007 €000
Investment properties at market value	22,224,489	2,089,799	2,336,143
Onerous lease	(3,500)	—	(3,493)
Investment properties at market value as determined by valuers	2,220,989	2,089,799	2,332,650
Adjustment in respect of minimum payments under head leases separately included as a liability in the balance sheet	50,376	40,959	50,377
Balance as at 30 June/31 December	2,271,365	2,130,758	2,383,027

11. CASH AND SHORT-TERM DEPOSITS

	(Unaudited) 30 June 2008 €000	(Unaudited) 30 June 2007 €000	(Audited) 31 December 2007 €000
Cash at banks and in hand	152,315	163,729	177,015
	152,315	163,729	177,015

As at 30 June 2008, €30,235,187 (31 December 2007: €24,640,210) of cash was held in blocked accounts. These balances are under the control of lenders who have made loans to the Group. The cash is specifically segregated so as to be able to pay financing costs including interest.

Notes to the consolidated financial statements continued

for the six months ended 30 June 2008

12. INTEREST-BEARING LOANS AND BORROWINGS

	Effective interest rate %	Maturity	(Unaudited) 30 June 2008 €000	(Unaudited) 30 June 2007 €000	(Audited) 31 December 2007 €000
Current					
Deutsche Bank and Citigroup Loan – second facility	4.79	20 July 2011	3,493	3,493	3,493
ABN Amro Loan	4.76	15 July 2011	1,976	—	987
ABN Amro Loan	Floating	15 July 2011	219	—	110
Eurohypo Loan	Floating	25 July 2012	912	—	—
Capitalised finance charges on all loans			(3,161)	(1,825)	(3,133)
			3,439	1,668	1,457
Non-current					
Deutsche Bank and Citigroup Loan – second facility	4.79	20 July 2011	223,574	227,067	225,320
Deutsche Bank and Citigroup Loan – first facility	4.58	20 January 2011	569,296	577,810	577,810
ABN Amro Loan	4.76	15 July 2011	393,032	395,007	394,020
ABN Amro Loan	Floating	15 July 2011	43,670	43,890	43,780
Eurohypo Loan	Floating	25 July 2012	485,590	165,856	448,034
JPMorgan Chase Loan	Floating	19 November 2012	98,491	—	95,100
Capitalised finance charges on all loans			(10,881)	(7,572)	(10,478)
			1,802,772	1,402,058	1,773,586
Total			1,806,211	1,403,726	1,775,043

The Group has pledged investment properties to secure related interest-bearing debt facilities granted to the Group for the purchase of such investment properties.

DEUTSCHE BANK AG AND CITIGROUP GLOBAL MARKETS LIMITED

The first facility has €577,810,000 drawn down, of which €8,514,000 has been repaid by way of a voluntary prepayment, resulting in a net liability of €569,296,000 at the period end (31 December 2007: €577,810,000). The interest rate on this loan is fixed at 4.58% per annum. Interest is payable quarterly in arrears. The loan is not amortising and is repayable on the repayment date of 20 January 2011. This loan is secured over assets and undertakings including over real property, various contracts, insurance policies and bank accounts.

The second facility has €232,867,000 drawn down, of which €5,800,000 has been amortised, resulting in a net liability of €227,067,000 at the period end (31 December 2007: €228,813,000). The interest rate on this loan is fixed at 4.79% per annum. The terms of the facility are as the first facility with a final repayment date of 20 July 2011.

ABN AMRO N.V.

This facility has €438,897,000 drawn down at the period end (31 December 2007: €438,897,000). The interest on 90% of the loan is fixed at a weighted average of 4.76% per annum, with the interest on the remaining 10% floating at a rate based on EURIBOR, but capped at 5.35% per annum by means of an interest rate cap. The final repayment date is 15 July 2011. This loan is secured over assets and undertakings.

EUROHYPO AG

This facility has a total amount of €500,000,000 of which €486,502,000 had been drawn down at the period end (31 December 2007: €448,034,000). The interest on 80% of the loan is fixed at a weighted average interest rate of 5.422% per annum by means of interest rate swaps, with the interest on the remaining 20% floating at a rate based on EURIBOR, but capped at 5.922% per annum by means of interest rate caps. The final repayment date is 25 July 2012. This loan is secured over assets and undertakings.

12. INTEREST-BEARING LOANS AND BORROWINGS CONTINUED

JPMORGAN CHASE BANK NA

This facility is for up to €105,000,000, of which €98,491,000 had been drawn down at the period end (31 December 2007: €95,100,000). Of this balance €36,190,000 has been syndicated to SNS Property Finance, €21,284,286 has been syndicated to Hypo Investmentbank AG and €28,530,000 has been syndicated to Bank of Ireland. The interest on 100% of the loan is fixed at a weighted average interest rate of 5.456% per annum by means of interest rate swaps. The final repayment date is 19 November 2012. This loan is secured over assets and undertakings.

13. FINANCIAL INSTRUMENTS

FAIR VALUES

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements:

	(Unaudited) 30 June 2008		(Unaudited) 30 June 2007		(Audited) 31 December 2007	
	Carrying amount €000	Fair value €000	Carrying amount €000	Fair value €000	Carrying amount €000	Fair value €000
Financial assets						
Cash	152,315	152,315	163,729	163,729	177,015	177,015
Derivative financial instruments	12,275	12,275	—	—	—	—
Financial liabilities						
Interest-bearing loans and borrowings:						
Floating rate borrowings	628,882	628,882	209,746	209,746	587,024	587,024
Fixed rate borrowings	1,191,371	1,143,688	1,208,327	1,166,570	1,201,629	1,173,237
Derivative financial instruments	—	—	—	—	1,314	1,314
		(Unaudited) 30 June 2008 €000		(Unaudited) 30 June 2007 €000		(Audited) 31 December 2007 €000
Movement in derivative financial instruments:						
As at 31 December		(1,314)		—		—
Acquisitions		118		—		—
Disposals		(61)		—		—
Change in fair value of derivative financial instruments		13,532		—		(1,314)
		12,275		—		(1,314)

14. ISSUED CAPITAL

	Number of shares	Share capital €
Authorised:		
Ordinary shares of €0.01 each		
As at 30 June 2008	1,500,000,000	15,000,000
Issued and fully paid:		
Ordinary shares of €0.01 each		
As at 30 June 2007/31 December 2006	712,257,423	7,122,574
Purchase of own shares	(83,413,362)	(834,134)
As at 31 December 2007	628,844,061	6,288,440
Purchase of own shares	(25,375,252)	(253,752)
As at 30 June 2008	603,468,809	6,034,688

Notes to the consolidated financial statements continued

for the six months ended 30 June 2008

15. DIVIDENDS

	(Unaudited) 30 June 2008 €000	(Unaudited) 30 June 2007 €000	(Audited) 31 December 2007 €000
Final dividend for the period ended 31 December 2006 (2.5c per share)	—	17,806	17,806
Interim dividend for the year ended 31 December 2007 (2.55c per share)	—	—	16,755
Final dividend for the year ended 31 December 2007 (2.55c per share)	15,388	—	—
	15,388	17,806	34,561

The Board approved, on 27 September 2008 that there would be no interim dividend (interim dividend for the year ended 31 December 2007: 2.55c) per ordinary share, which will result in no further distribution (2007: €16,755,000).

16. CAPITAL COMMITMENTS

As at 30 June 2008 the Group had notarised transactions of €29,299,970 (31 December 2007: €133,323,319) (exclusive of related acquisition costs) for completion after the period end for the acquisition of investment properties.

17. CONTINGENCIES

CARRIED INTEREST

Arba Investment S.à.r.l., has a right to a carried interest. In any year Arba Investment S.à.r.l. is not entitled to any carried interest unless the Group's property assets in aggregate show a cash on equity return of at least 8% per annum cumulative.

If the hurdle is achieved then Arba Investments S.à.r.l. will be entitled to 25% of the cumulative return in excess of 8% per annum achieved on assets sold (or, in certain circumstances, refinanced) by the Group during that financial period. The carried interest will also be payable on the occurrence of certain other events, such as a take-over or liquidation of the Group.

No amount has been provided as at 30 June 2008 (31 December 2007: €nil) as the minimum hurdle rate required has not been achieved.

18. EVENTS AFTER THE BALANCE SHEET DATE

On 26 September 2008, an agreement was signed which removed the Group's obligation to purchase a shopping centre at Cottbus for €75.5 million plus costs. The consideration for the release from the contractual obligation was €750,000 plus costs. The total cost is expected to be less than €1.1 million.

Since 30 June 2008, property sales of €79.2 million have been notarised and are due to complete in the next few months. The valuation of these properties was €71.6 million at 31 December 2007 and €68.0 million as at 30 June 2008.

On 28 September 2008, the Group agreed a variation to the terms of one of its bank facilities. This provides for a 15 month waiver of the hard breach loan to value ratio covenant. The other principal terms include a loan repayment of €20 million and an adjustment in the margin payable to 125 basis points.

Shareholder information and corporate details

DIRECTORS

IAN J HENDERSON
(Non Executive Chairman)

MARTIN J BRUEHL
(Non Executive Director)

CHRISTOPHER H LOVELL
(Non Executive Director)

MANFRED MAUS
(Non Executive Director)

DAVID J PARNELL
(Non Executive Director)

PETER R KLIMT
(Non Executive Director)
(resigned 25 July 2008)

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