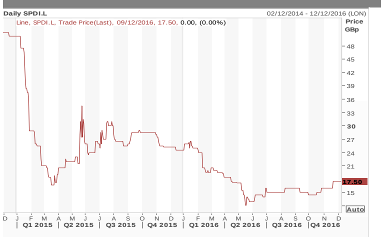
13th December 2016

Real Estate



Source: Eikon Thomson Reuters

Market data

EPIC/TKR	SPDI
Price (p)	17.5
12m High (p)	27
12m Low (p)	12
Shares (m)	90
Mkt Cap (£m)	15.8
EV (£m) *	74
Free Float	25%
Market	AIM

* *At €1:19*

Description

SPDI invests in real estate in south eastern Europe. Its principal aim is to make profitable investments and development will likely remain very modest.

Company information

Chair	Paul Ensor
CEO	L. Anagnostopoulos
CFO	C. Bitros

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Key shareholders

Ionian Equity Participation	15.3%
PM Capital	10.9%
Carema Hldgs SA	9.7%
Narrowspeak Consultants	8.9%
Dundee Corp	7.6%
MNC Finance Establishm't	5.3%

Next events

End Dec-16	2016 AGM
Apr-17	Finals
Oct-17	Interims

Analyst

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SECURE Property Development & Investment (SPDI)

Strategic assessment

SECURE Property Development and Investment (SPDI) invests in south eastern European real estate - an area out of investor favour, but offering secure blue chip covenanted leases at yields typically 8-10%. As a function of these markets being out of favour, and because of SPDI share issuance at below NAV leading to past NAV per share dilution, SPDI shares trade at c48% below diluted NAV/ share. A key event will take place when Terminal Brovary disposal completes (imminently). SPDI having raised occupancy from 12% when purchased, to 100% now, the sale books a profit. This event, crucially, takes SPDI to marginally profitable on its P&L (this management bought into a sub-scale operation) and marginally negative cash flow (post debt amortisation and a conservative estimate of apartment sales).

- **Valuation:** We consider the Terminal Brovary disposal and the ongoing reduction in overheads as game-changers. SPDI as a result of these two factors no longer needs to grow just to cover (reduced) overheads. We see management much more 'in the driving seat' as to taking advantage of potential equity issuance to grow further. The 48% discount to NAV per share thus appears excessive set against the track record on the acquisitions and the costs fronts.
- **SPDI shares trade at a 48% (52% prospective) NAV discount**. For investors, this added attraction is important. It stems, we believe, from the historic necessity to issue equity. SPDI may chose further issuance but it can now 'take its time' if any issuance indeed does take place. Shares in issue have grown from 9.28m as of post the initial (US$8m) new money in January 2012, to 28.17m at end 2013 and 90.01m end 2015 (and currently). Diluted, current shares total 102.9m.
- **Run rate of P&L is now breakeven**. It has not been so in the past, due to SPDI being sub-scale in 2011 when the current management and backers bought in.
- **Administrative costs have more than halved** since 2012, but the portfolio also needed to grow for even this level to be viable. As the company has now broken through to run-rate profits, the situation re share issuance is totally changed.
- **SPDI:** invests in south eastern European property, principally Romania, Bulgaria and Greece. The Greek asset is logistics benefiting directly from the rapid rise in Chinese-European trade through the deep-water port of Athens (Piraeus).

Financial summary and valuation

Year end December (€m)	2014	2015	*1H16*	2016E	2017E
Income	2.8	5.3	*3.0*	5.8	4.0
Disposal profits	0.0	0.0	*-0.8*	3.3 [1]	0.0
Revaluation / translation	-8.3	-15.3	*-0.4*	-0.4	0.0
Operating costs	-2.7	-3.0	*-1.3*	-2.5	-1.9
Financing costs	-1.3	-3.8	*-1.2*	-2.4	-1.6
Profits pre-revaluation	-1.1	-1.4	*-0.3*	4.1	0.6
Profits (headline) post-revaluation, currency, other	-9.9	-16.7	*-1.0*	3.2	0.5
Average shares issue (dil)	34.2	82.6	*102.9*	102.9	102.9
EPS (€)	0.03	-0.13	*0.00*	0.03	0.00
NAV (diluted (€)	0.84	0.41	*0.40*	0.43	0.44
Share price / NAV	25%	51%	*52%*	48%	47%

[1] Assumes 4.0m completion profit Brovary *Source: SPDI accounts; Hardman & Co Research*

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Executive summary

SPDI invests in south eastern European real estate, principally Romania, Bulgaria and Greece. This is an area of investment which is out of favour, we contend, illustrated by quality commercial assets being valued at 7-8% yields (on net operating income) and logistics on c.9%. Thus, not only are good yields locked in, but SPDI is not competing in a 'crowded space' when buying. For investors, the added benefit currently is that SPDI shares trade at a 48% NAV discount. To investors in the SPDI equity, effective yields on offer are not 7-9% but c.12%-15%, mathematically to adjust for that discount. With borrowing rates typically 3.5 - 4.5% over EURIBOR (i.e. typically under 4.5% all-in), there is a 'positive carry'.

Such a 'big picture' strategy can go wrong for several reasons and SPDI has certainly avoided most of these. It could be dangerous if assets were not financed robustly. SPDI's loan structure we consider to be secure as LTV for income producing assets is lower than average. Emerging market real estate can also be vulnerable if management cannot be effective – which could be for a number of legitimate reasons. Here SPDI shows to its effectiveness. 92% of assets are 100% owned so management controls them well (joint venture structures are kept to a minimum and mostly out of necessity). Overheads have halved since the new Board arrived in 2011 (whilst assets more than trebling).

So, this is a management and a set of assets we rate as being attractive.

Yet the shares trade at a 48% discount to latest stated NAV. Why is this and how would this potentially reverse?

The reason stems, we believe, from the historic necessity to issue equity. Shares in issue have grown from 9.28m as of post the initial (US$8m) new money in January 2012 to 28.17m at end 2013; 33.88m end 2014; 90.01m end 2015 and currently.

Whilst administrative costs have halved, the portfolio also needed to grow for even these reduced overheads to be viable. As we analyse later in this document, we estimate run rate of P&L to be breakeven or slightly higher. Note, this is including the effect of non-yielding land assets and apartments, some of which are vacant in order to optimise potential for disposal. The cash flow is balanced partly through the sales of residential units with c.70-80% of disposal proceeds paying down associated debt and the remaining covering the financing needs of the company. In addition, we estimate at least €2m net of all costs to be generated early in 2017 by the large Ukrainian asset sold (under approval by the local antimonopoly committee).

So, this P&L is now down to a stable level, but to get here, required the expansion in shares in issue to fund the rise in gross assets (more than trebling) which we have seen. Additionally, it is selling non-core assets. Given that this has now successfully happened, SPDI may choose to expand further and use new equity in part. But the key to the turn in fortunes for the equity would appear to us to be the end which has now been reached for the 2011 – 2015 phase. During that period, there was a need to issue new shares – for the scale of the business. In this current phase of 2016 onwards, it might be attractive on balance to issue shares for expansion – at the right price.

That makes an extremely significant positive impact on the future course of NAV per share. This, then, in turn, puts the large share price discount to NAV (of 48%) into sharp context.

Investment case

Management has created value. Medium term upside within the operations is significant. The phase of needing to issue shares to reach critical mass is now past. We consider SPDI to have its core assets deployed via modern, well located real estate. 89% gross assets are now outside Ukraine (pro-forma for a disposal subject to local authorities' approval), which constituted the entire business when new management was appointed – as of August 2011. At that stage the largest asset was Terminal Brovary, warehouse, then 12% let. This has recently been sold (subject to closing) at a book profit. The balance sheet and structure appear good quality. Shares stand at a 48% discount to latest stated NAV. There are a number of reasons:

- The business had been sub-scale and thus losing money at the operating level. The result of the recent growth was that operating outflows we estimate to be mostly a thing of the past. In P&L terms, we consider the run rate to be better than break-even. Combined with the increase in income, the overheads have halved and gross assets have slightly more than trebled since end 2013 alone.

- Appetite for real estate in emerging European markets (modern, well located) is modest. Concomitant: SPDI is deploying assets well, in markets out of favour.

- Management has sold well (i.e. the Brovary, which was half SPDI assets when the new Board arrived). It has trimmed costs well and purchased quality assets. One asset however saw a 29% mark-down in 2015 in line with rent reductions taken when the quality tenant extended its lease to 2025 from the original 2020 expiry. Discussions are on-going with the vendor for a markdown on the acquisition price as well.

- SPDI has grown through issuing equity – issued at a significant discount to NAV. This has – in itself – diluted the NAV. Growing the business further would prove advantageous, with overheads now just covered. At €99.5m investment assets, this is still not a fully efficient deployment. €40.3m of those assets are residential (which is only part let as it is being positioned for progressive disposal) or undeveloped land with no yield. Nonetheless, we consider the urgency to expansion is gone – albeit scaling up from here remains a core strategy.

- With the sale of Terminal Brovary, we expect the financial statements of the company would be greatly simplified as a) the variability of the UAH –EUR foreign exchange effect will be greatly reduced and b) the intercompany loans provided to Ukraine out of Cyprus will be also transferred thus exchange differences arising out of them will also be taken out. Hence the 2017 financial statements (and to a lesser degree those of 2016) will present a clearer and more stable economic position of the company.

The markets addressed offer yields of between 8% and 10% for sound, strategic assets. There is the scope for regional asset yields to tighten (i.e. prices rise). Management is experienced and well connected. The balance sheet is strong: post the major disposal, LTV (with no re-finance due until 2022) we calculate as standing at 48%.

The share price discount to NAV would therefore appear to offer a more than adequate compensation to the risks of investing in these real estate geographies.

Risks in real estate markets where liquidity is shallow effectively revolve around the 'locking-in' to the assets, which therefore need to have strong long term prospects. SPDI we see as well placed. Treasury risk is assessed: bank debt is not always abundantly available. With LTV set to fall below 50% we see this as pretty robust. Risks also require the legal structure and the management be closely scrutinised. Whilst there is a somewhat complex structure, under 5% assets are held in associates where SPDI has under 100% holding (gross assets there equate to 11.3% SPDI's NAV). There are no overages or other profit shares outwith the % shares of projects held. Warrants and options are in existence but total (only) 12.5% of enlarged stock. SPDI has navigated these potential concerns well.

We analyse the projects, their performance and their financing in more detail in this research document. The key features, as we see it, however are

- The growth into asset classes which have every opportunity of seeing secure rental expansion, further diversification and prove attractive to investors into the future.

- We support the strategy of holding both commercial and also apartments. These latter are being disposed of, ongoing, in order both to create profits (disposals were profitable in 2015 but in H1 2016 the loss was mostly attributed to a one-off bulk sale and the sales in Boyana where incentives were provided to buyers) and cash flow to recycle capital. We would like to see the residential disposals generating profits to be 'worth their keep'.

- We note the professional and robust management of the assets held by the Company which senior management bought into in 2011. They clearly are skilled at 'turning around' projects. This includes re-financing the (often delinquent) loans attached to these 'inherited' assets and assets bought subsequently. We also note that management has withheld the pressure stemming from the Cypriot economic crisis and the Ukrainian political and economic crisis (and the Greek one as well).

- Whilst at one recent purchase rent had to be cut more than expected to lengthen the lease from five to ten years, we believe the valuation hit (which is not crystalised) is overly harsh. In these types of markets, we consider the benefits of a ten-year tenancy with Praktiker to be significant.

- We see strong value in the shares. The main hit to valuations has been the balancing act between growing the business and issuing stock below NAV. This has resulted in a negative feed-back loop. With the revenue run-rate at just over breakeven, the business is (just about) large enough now. We therefore are in a position to see what an even heavily discounted share valuation might look like. We consider €0.33 per share sketched below takes an overly cautious view of the asset value. It adds nothing for a factor we consider to be of tangible value: the expertise of the management harnessed through the only substantive quoted vehicle in the UK providing exposure to a specific regional market.

We look at equity valuation. Let us assess assets post the pending Terminal Brovary disposal. With historic diluted NAV of €0.40 per share, the debt would be reduced to €56m. Halving the valuation of Ukraine land assets, allocating a 10% discount to the one Romanian asset where notice was given and a 10% reduction in residential assets, results in a €10.2m reduction in gross asset values versus balance sheet valuations. With a €4m uplift on Terminal Brovary at its agreed disposal price (vs balance sheet valuation), the €41.3m NAV at the last balance sheet rises to €45.3m NAV. Deducting the illustrative discount outlined above (which we consider inappropriately conservative), €45.3m - €11.3m = €34.0m NAV = diluted €0.33 per share. This is not a target price – it is an assessment of what a particularly conservative interpretation might look like, if the negative view is taken wherever possible.

Management has created value: medium term upside should prove significant. There may be scope for yield compression, though the global macro-economic and political background is 'risk-off' for assets such as those in which SPDI is interested. The shares reflect the past, namely the rather inexorable momentum to issue shares to gain 'cruising altitude' in size and composition of the portfolio. The size has reached a good level which could – if needs be – represent the long-term level, thus no shares need to be issued, unless that be at attractive prices.

Strategic goals; history; potential

Strategic goals

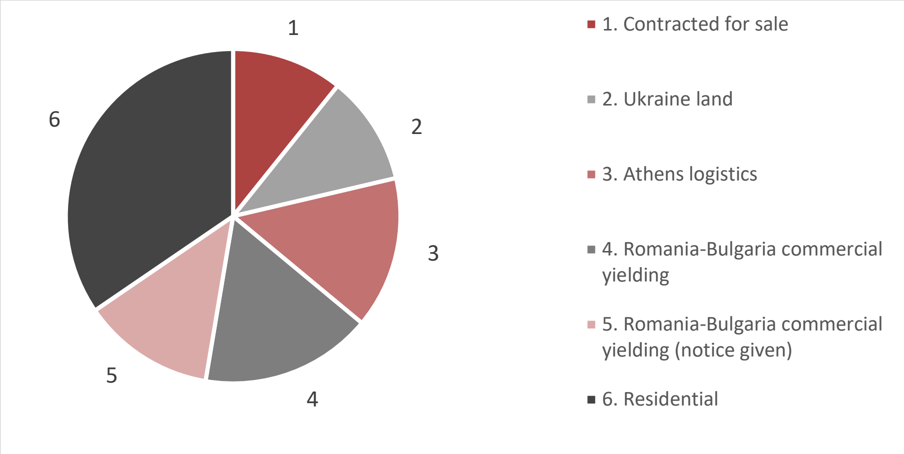
The strategic goal of SPDI is to expand and actively manage a portfolio of real estate assets in south eastern Europe, focusing on buying quality assets which would benefit from improved leases or financing structure or both. Strategy is to focus on modern assets in locations favoured by blue chip tenants. Given the market's cautious approach to central/ south eastern Europe and also the fact that liquidity in markets is less deep, certain such assets are available at good prices.

The properties are a mix of rent generating assets and development land and comprise commercial and residential. Current management brought $8m new shareholders (via a convertible bond, into the new equity at 95p) in to a quoted company (called Aisi at the time) in January 2012. The potential is that this hands-on management continues to prove its worth: we believe it seeks further expansion.

Current portfolio

Following the conclusion of the disposal of the 'legacy' Ukrainian warehouse asset, SPDI's income producing asset portfolio will include logistics terminals in Athens and Bucharest, offices in Bucharest, as well as a big box retail in Craiova, Romania. In addition to the residential unit portfolio in Bucharest and Sofia, SPDI continues to hold sizeable land assets in Ukraine, all of which have good locations and are debt free.

Asset values by category



Source: SPDI (Categorisation: Hardman & Co)

In October 2016, the Brovary warehouse in Ukraine was sold (conditional to approval from lender now that the competition authorities have approved) for just over $16m. This asset is "contracted for sale" in the chart above. This disposal was at a $2.5m net profit to latest valuation and only 9% below 2011 – a result we consider excellent given the macro-economic geo-political issues in Ukraine.

With regards 'asset 3' in the chart above, we consider there, on balance, to be scope in the Athens port asset for that yield to come in and asset values rise. We have however not visited the location. COSCO, a major Chinese logistics company operates the port of Piraeus and has announced its intention to make it the port of entry for Chinese exports to Europe, changing the China – EU trade related logistics chain. COSCO invested €280m to date and is scheduled to follow on with a further €230m. This appears a logical and long term commitment, literally an anchor tenant albeit this is not the tenant to SPDI. But it does underpin the whole investment logic indirectly betting on the change of the port's operations before the other benefits. Note the SPDI cornerstone tenant has extended the lease twice.

See pages 18-19 for more detail on assets. We draw attention to the fact of the Romanian 'bigbox' asset being purchased with a strong (Praktiker) tenant in place to 2020. SPDI and Praktiker have agreed to extend the lease to 2025. Rent was reduced however. Separately Innovations logistics park 'asset 5' is currently some 20% let, but it was built to the Nestle quality specifications and we anticipate prompt success in re-letting post Nestle vacating the premises by effectively paying 18 months' rent.

2011 results (with the impact of new management for part year) showed an operating surplus of $1.4m ($0.8m post currency-related revaluations). The largest loan – a $15.5m EBRD advance – was successfully refinanced on the back of substantially improved occupancy at Brovary, which was valued at $17.5m end 2010.

SPDI assets are, we and the third party valuers consider (we have not visited the assets), modern and located proximate to good arterial road connections. Yields on the three largest yielding assets are respectively, near 9.0% (port hinterland assets near Athens, 100% let with 70% to one strong international tenant); 7.5% for the Romanian 'bigbox' retail let to 2025 and 8.5% at the logistics park asset in Bucharest (currently only a minor part is let but excellent scope to re-let). These three comprise 45% gross assets (ex the Terminal Brovary).

Brief history

$42m new money for growth has been raised in a series of fund-raisings of new equity. $8m (a significant start in raising, with another $34m since then) was committed in 2012 in new equity by investors connected to the senior management. Management turned a loss maker into (modest) profits in year one. It has cut costs in half in this still-small company (current net assets €41m). However – whilst we are impressed at how management has ensured losses are minimal despite difficult markets – it is yet to made significant profits from any assets. This is hardly surprising given most were purchased 2015.

Shares have been poor performers from the 95p level of the first new equity investment at start 2012. Further monies have been raised and this has been effected at levels below NAV – thereby diluting NAV. This has dragged NAV down from US$2.73 post the buy-in to €0.46 (or €0.40 fully diluted) as at 30 June 2016. 2015 is a case in point. Number of shares rose 166%. 2015 investment assets ended the year at €99.5m, with negative revaluations of €1.7m and negative currency translation €8.1m. This totals negative 9.9% investment returns for 2015 but NAV per share fell 51.1% in total – the result of the share issuance impacting.

Track record

Let us look at how assets have performed under the management which arrived 2012.

In 2011, prior to the new investors and management, all assets were in Ukraine. SPDI's principal asset was a warehouse complex (Brovary Terminal) in Kiev, 12% occupied (with some further lessors 'in the pipeline'). There were legacy liability and legal issues, which have all bene dealt with. By June 2012 that figure was 72% and by year end at close to 100%. Other Ukrainian land assets were held. In 2010 it lost $25.4m (a $5.3m operating loss pre-revaluations).

The largest asset at time of buy-in has been sold (subject to contact). We believe it has acquitted itself well in the range of Ukrainian assets it inherited (see below). This largest has been (conditional to contract finalisation) been disposed of at 91% of its original 2010 book value. This is an excellent result, we consider, given 1) the macro-situation and 2) that new investors bought in at 95p compared to a diluted NAV US$2.88 post the buy-in – so this is effectively by our calculation a substantial uplift for them. We would add that (reference the first point), management bought in to SPDI (as of then with a different name) as it had underperforming assets (particularly the 12% occupied Brovary Terminal) and was an inexpensive (albeit sub-scale) London quoted business. Post the 'Orange' revolution, there was a view Ukraine would be experiencing a positive background, but it was always the intention to broaden to wider S-E Europe. SPDI navigated a near 70% drop in GDP and a local currency (Hrivnia) devaluation reaching over 60% down.

Since that end-June 2012 first balance sheet under the new management, the underlying assets have seen reductions in valuations. See the Financial section of this document for more details. A fall is not the ideal outcome. These falls take account of the circa 43% fall in the Ukrainian land assets (since 2012) which comprised 48% total investment assets at the time the new management arrived. Not to excuse the strategic choice by management to buy into a Ukraine focused company, this outcome we consider to be robust.

Historic data for asset revaluation and currency translation changes

Revaluations (real estate value and currency)	Comments	% change	€m
H2 2012	Terminal Brovary +20%, rest +ve and -ve	+7.8	+2.6
2013	Development progress	+0.6	+0.3
2014	All in the 50% of the portfolio which is in Ukraine, rest unchanged	-9.2	-5.5
2015	-23% Ukraine; -5% Romania; +1% Greece	-9.9	-9.8
H1 2016	Range of modest +ve and -ve results	-2.6	-2.5

Source: SPDI (Calculations: Hardman & Co)

In the table above:

- 81% of the valuation change in 2015 stemmed from currency, 19% revaluations.

The majority of 2014 changes due to revaluations and currency translation also stemmed from currency. This is the change in Ukraine currency vs €. With Ukraine now a small minority of the portfolio, this element will be much diminished in importance. The outcome, which we consider robust compared to what might have been the case, was all the more resilient as a result of operating expenses having been reduced in year one by 50%. Run rate had been $5.2m and annualising the latest half year is $2.4m. Exposure to Ukraine has reduced from 100% to 13%. Investors will be well aware values in Ukraine are some 80% down on the peak in 2007/8.

Note, in 2013 the accounting currency was translated from US$ to € (reflecting the shift in focus from Ukraine).

So what has dragged NAV down from US$2.88 per share post the buy-in to €0.46 (€0.40 diluted) as at 30 June 2016? Note, this figure was the last prior to the new investors coming in (via new convertible shares' exercise) at which time the new (current) top management took charge. The main (though, as table above illustrates not the only) reason for falls in NAV per share is the issuance of new shares at below NAV. SPDI has raised fresh equity for expansion (and it has made small losses at operational level due to the modest size of its yielding assets, despite the cut in overheads) on several occasions, each time below NAV.

2015 is a case in point. In 2015 investment assets ended the year at €99.5m. There were single figure % negative NAV revaluations (80% of which were actually from currency) but NAV per share fell 51.1% in total. We have touched on this above, but set out details in the table below. It is important to note that 80% of that fall stemmed from share issuance at prices below NAV. We outline our views in this document that the dynamics behind share issuance have changed.

NAV calculations: assets and shares

Net assets per share	2014	2015
€m Net assets attributable to equity holders of the parent	32.56	42.43
Number of ordinary shares (m)	33.884	90.015
Diluted number of ordinary shares (m)	38.867	102.874
Basic NAV / share €	0.96	0.47
Diluted NAV / share €	0.84	0.41

Source: SPDI

We understand the management's desire is to expand further but for the first time, in 2017, the Revenue Account (P&L before disposals, non-cash revaluations and non-cash currency translation) is running at breakeven. We calculate €0.2m surplus, to be precise. Therefore, most importantly, the urgency to issue further (to grow to achieve a size to cover overheads) is gone.

Risks

See page 26.

Strategic constraints

The management's results to date have been about recycling capital from the Ukrainian assets and minimising losses here, within a particularly difficult macro-background. They have been about restructuring. 1) These are ongoing on the loan providers, but proceeding well with a robust backdrop of (pro-forma for disposal) 48% LTV, so we have few fears here. 2) These are also about reducing costs, which are down 54% to historic half year annualised. We estimate 2017 will see administrative costs fall a further 25% vs H1 2016. This would be to a €1.8m run-rate (excluding direct property management costs).

Whilst laudable, this is seen as 'housekeeping' – albeit essential and positive but not a game changer. It really is important, however, that this takes the business to just above break-even. We note the LTV falls below 50% post the Brovary disposal but take a conservative view of the scope to raise this back up beyond current levels in the low 50s%. This is despite the LTV being among the lowest LTVs for portfolios in the region. On residential, the various lines of debt appear as being repayable but the c.€15m of debt which is market as matured by 2017 is in fact repayable only as and when assets are sold. The repayment is broadly at €550 per sq. m., a level which enables SPDI to retain some 10-30% of the proceeds (as dependent on individual apartment sales). We note that a bulk sale (the Linda portfolio) in 2016 was undertaken at a loss but the price was for bulk and provided substantial cash for the company.

As a matter of policy, we consider residential assets for sale to be a good component of a real estate investors such as SPDI as these assets create ongoing liquidity and cash flow. That is good. However, by the nature, residential being marketed actively for sale is better to be vacant. Therefore by design, the SPDI residential assets are only partly tenanted. This takes the residential net operating income POST share of overheads to a modest level (we estimate under €0.1m pa) and residential being at a run-rate loss of near €0.6m pa after taking into account the interest costs (at 4.5% to 5.75% interest margin over EURIBOR 3 months).

Management has some tasks – all manageable – in its ‘inbox’. We consider all are being dealt with promptly and in the normal course of events. What would be good would be finding a replacement tenant for Nestle (see further details below in the body of this document) and achieving full completion of the Brovary disposal. On the former, the property is not yet being actively marketed (the tenant has of course paid a significant break fee) but we understand there have already been approaches at good rental levels. On the latter, we consider the EBRD (lender) approval to be a mere formality at this stage and there is no rationale for any problems with the local Competition Authority. Maybe the timing is the focus – but we anticipate no material delays.

Observations on structure

The structure of multi-jurisdictional real estate companies tends by its nature to be complex. In SPDI’s case, this is less so than many and is reassuring on all key issues. There are no overages or other profit shares outwith the % shares of projects held. We like the fact that the large majority of assets are 100% owned: whilst in SPDI’s case this number is 89%, the minorities are (and will remain) the exception. SPDI holds significant tax losses at all levels that can be set off against profits generated in the future. All the loans being renegotiated stem from acquisitions where these encumbrances were reflected in the acquisition price. The structure of SPDI is straightforward. There have been some warrants and options in existence but never over more than 15% of the diluted shares and all bar a de-minimis amount are to expire/exercised this December. Notably, the B warrants are exercisable at a peppercorn cost and will dilute to the extent of becoming 12.5% of the enlarged ordinary share capital.

Current positioning

The strategy of SPDI

The aim ultimately is to move to the point at which SPDI is in a position to sustainably distribute a portion of earnings as dividends. So, further growth, by some means, is indicated. The 2015 Report summarised very well the position. "All acquisitions made in 2015 are representative of what we look for: a fully let logistics park west of Athens predominantly let to Kuehne + Nagel generating a ~€1.5 million net operating income ('NOI'); …..; a fully let retail property in Craiova, Romania rented to Praktiker with ~€0.6 million of gross rental income, and a fully let office building in Bucharest mostly let to Romania's Telecom Regulatory Authority generating ~€1.85 million of gross rental income."

The portfolio comprises assets in Romania, Greece, Ukraine, Bulgaria (by order of valuation quantum and excluding the large asset contracted for sale).

Pro-forma post the disposal, SPDI is now for the first time in a position to achieve a revenue account profit if potential revaluations and disposal profits are excluded.

Run-rate of revenue account (pro-forma post recent major disposal)

Forward annual run-rate (€ m)	
Rental income total	3.8
Total operating costs [1]	-1.9
Financing costs	-1.7
Tax	0.0
Post tax profits (pre-revaluation/ disposals)	0.2

[1] Includes estimated €0.2m property cost related to bare land *Source: Hardman estimates*

Again, we emphasise the trend of growing the business and shrinking costs since January 2012 when new management bought in.

SPDI has raised $34m since the start of 2013 in five fund raises. SPDI provides the only realistic way to invest in south eastern European real estate in public markets in the UK. There are very few 'pure' vehicles if any in other markets either. More importantly management's hard work is paying off, not least the profitable turnaround and disposal of Terminal Brovary.

The post-tax run rate of Breakeven does, nonetheless, result in a dilemma. Whilst there is scope to expand the gross assets line through gearing up, we do not expect a significant re-gearing. Whilst there is scope to recycle capital from ongoing smaller asset sales (the residential portfolio is being individually, progressively sold down), this does not likely result in a major rebalancing of the portfolio. We consider SPDI's past track record of raising capital gives it a good opportunity to raise further new monies.

SPDI has grown and its strategy is to continue to do so. It is not far from revenue account profits – effectively there, immediately post the Brovary disposal. Growth in assets would be accommodated without significant growth in overheads. With yielding assets being purchased at 9.0% yields (weighted average of current yielding assets in the portfolio ex Terminal Brovary), the acquisition of an illustrative €10m yielding assets would (mathematically) take the revenue account to €0.8m, pre any disposal profits, which is €0.008 EPS (that is, 0.8 Euro cents). We have no doubt the operating possibility presents itself to purchase €100m (or significantly more than that) as opposed to €10m. With overheads set to remain efficient and constrained, this expansion would generate significant value. Incidentally, we note €11m assets are tied up in Ukrainian land. At the present time, we anticipate no immediate development and no disposal of these. With low carry cost, it makes sense to hold until the situation improves there. Clearly development, were it to be possible, would be helpful to the strategy. It is worth emphasising these assets are unencumbered by debt.

Asset blend

Gross asset values by country

	2015 €m / %		2014 €m / %		2013 €m / %	
Ukraine	24	21%	32	42%	40	100%
Greece	17	14%	17	21%	0	
Romania	58	49%	29	37%	0	
Bulgaria	18	16%	0	0%	0	
Total	117	100%	78	100%	40	100%

Source: SPDI

Half the Ukrainian assets as of end 2015 comprise the Terminal Brovary asset, now sold.

The assets inherited at the buy-in were in Ukraine. SPDI is now a pan south-east European investor – as per its strategy. We have shown the table below in chart form on page 7. The table lists assets and asset categories on the basis of attempting to assist readers of this document to achieve an overview of six different categories of risk

We provide a summary description of each project on page 18 in the following section of this research document.

Asset categories €m invested

Asset/ Asset type (see descriptions text below)	€m latest balance sheet
1. Contracted for sale	12.070
2. Ukraine land	11.887
3. Athens logistics	16.500
4. Romania-Bulgaria commercial yielding	13.750
5. Romania commercial yielding (notice given)	14.400
6. Residential (NB in accounts, includes ‘Inventories’)	38.782

Source: SPDI (Categories: Hardman & Co)

1. Contracted for sale. Terminal Brovary has gone through all requirements to complete (including just last Friday the Competition Authorities in Ukraine). This is set very fair to complete.

2. Ukraine land is 40% at Bela Logistics park in Odessa. We note this is at just over €20 per sq meter, but the number incorporates also the foundation costs for a 100,000 sq m logistics terminal, developed by the company before the current management joined in 2009. Considering the latter, valuation appears to be inexpensive following the clear geo-political issues taken on board. The large majority of the rest is in Kiev, two in tight, urban plots of under one hectare but also two extensive suburban plots.

3. This is driven by the change in flow of Chinese imports to southern/ eastern Europe. The value is not – we consider – driven by the Greek macro-economic situation for the 2/3rds of the income from a global import-export tenant. Rather, the value is in broad import flows to this larger region of Europe. The balance of the asset income is from a tenant (the original developer and quoted on Athens bourse) which does sell into Greece. Roughly 10% or more of the asset income derives from PV electricity sales into the Greek national grid. There is overall a near 9% yield on valuation.

4. This is two modern assets in Romania let 100% to blue-chip tenants: to 2025 and 2026, valued on over 8% yield.

5. This asset refers to the Innovations logistics park asset. It is a well located (Bucharest ring road) cold and ambient store (built to Nestle's high specification) which we understand is in strong demand and where the 70% tenant (Nestle) has paid a substantial break fee upon giving notice. 20% of the asset's space is already let.

6. Here is a mix of upper middle and middle market apartments in Bucharest (a small amount in Sofia, Bulgarian capital). There is upside from possible land development allied to standing stock (which is situated near features such as an international school) and from progressive disposal apartment by apartment. Market values are trending up in the past couple of years. This includes €10.4m of apartments which are assets stated as inventories for accounting presentation purposes.

Disposal reflects well on management ability

The disposal of Terminal Brovary announced in recent weeks is a most significant feature of SPDI currently. It formed the core asset of the portfolio when the current SPDI management team bought in. The terminal was at that stage only 12% let and loans in default, worth more than any valuation realistic at the time, at which a disposal could be expected to be made. It has been disposed of after significant lettings success and despite the fact that the military and political events unfolding in Ukraine caused rental revenue generally to halve (with a lot of active management by SPDI who managed to keep the terminal fully let). The price achieved – pending contract finalisation – is above the last balance sheet valuation and will generate circa €4m profit and at least €2m clear cash surplus, whilst clearing off (transferring to the buyer) the associated debt.

Balance sheet structure is robust

Post the completion of the Terminal Brovary, the Balance sheet structure is robust. Prior to this disposal completion, debt stands (end June 2016 balance sheet) €68.4m, a LTV (loan to value) of 52%. For the region albeit given SPDI is not generating profits if one excludes revaluations and asset sales, this LTV is one of the lowest for portfolio holders in the region. Loans on yielding commercial assets run to 2022 at least (there are some sale/ lease back structures). Residential loans run on and are being paid down at the time of disposals. The disposals will generate surplus cash to SPDI. There are amortisations which we understand run at some €1m per annum, which is not an onerous figure at all. Ukrainian land is unencumbered by debt. Nonetheless – we consider – the ideal LTV would not be dissimilar to the current levels prior to the Brovary disposal. The world can be prone to shocks. We consider the balance sheet (which basically has six years before major re-financing) to be robust. SPDI has one of the lowest LTVs among regional portfolios, we believe.

Valuation

Valuation reflects the caution in emerging / peripheral real estate vehicles

The market – and individual investors – can take their own view as to relative valuations and the robustness of the local agencies of the international valuers SPDI has retained.

We would summarise the situation in three ways.

1) There is dynamic tension between raising equity (which would help execution of the strategy) and diluting the NAV following on from issuance below NAV. Management is closely focused on shareholder value, here.

2) We aim to summarise the most pertinent challenges and opportunities management has with regard the assets in the portfolio, but investors have to take the view as to what management/ portfolio premium is appropriate given track record and given the paucity of quoted vehicle through which to gain exposure to south-eastern European real estate.

3) The table below seeks to (overly) summarise asset classes in order to assist a 'top-down' assessment of the possible discount or premium allocated to the components and the whole.

Income yields and asset values by category

Asset type	€m valuation	€m NOI [1]	Yield on NOI	ERV yield [2]
Terminal Brovary (Ukraine)	12.1	sold	na	na
Ukraine land	12.0	nil	nil	nil
Innovations logistics	14.4	0.95	6.6	8.5
Other commercial on b/s	30.3	2.6	8.6	8.6
Residential (c.40% let)	38.7	0.4	1.0	2.6

Source: SPDI (Categories: Hardman & Co)

[1] Net operating income i.e. post all property costs

[2] Estimated rental value on basis 100% let. We consider current rent is the same as passing market rent currently.

Our view is that 'Contracted for sale', which is Terminal Brovary Kiev, very much will proceed. There is some de minimis completion risk, related to EBRD (who we would presume are happy with SPDI's working up of the income of the asset with tenants of good quality). The Competition commission in Ukraine has announced it approves.

The property in Romania is, we consider, highly lettable. The valuation does not reflect this development. We would suggest a 10% discount to reflect the execution risk and potential void period and this is incorporated into our illustration. This is just an illustration of Hardman's view that, given the execution risk, investors would like to see a re-letting success.

The Athens logistics park is 70% let to a global shipper and 30% to a substantial local business (on which we have not undertaken due diligence). It is convenient to

Piraeus which is a strategically embedded port (Mediterranean sea's deepest water port) for COSCO and serves a large region of south east Europe beyond Greece. The asset appears to be valued on a yield 9%, which we consider sufficiently reflects risks. This is especially the case as a portion of income derives from PV electricity sale, which would be valued on a tighter yield basis. The warehouse assets are therefore valued on 10%+. Naturally, however, any asset does have risk as well as reward. The leases expire 2018 and 2021, and have been renewed twice already, so we are confident of prospects and see scope for the valuation to rise on a tighter yield basis.

We like the residential projects (albeit we have not visited them nor sought valuation verification). The largest is Green Lake where apartments appear to be valued at €1030 per sqm but is in a high end suburb and is selling at these prices. There was one bulk sale (the Linda portfolio we mentioned) and this was for a loss.

In our Investment Case section of this research document we summarised a bear-case valuation basis. We emphasise, this is a synopsis based on Hardman illustrative views.

- Halving the valuation of Ukraine land assets – we note they have been written down already of course and the further halving might be 'over-kill'. We take a broad-brush view but we have 'been here before' and want to be conservative. There are significant foundation works but there is a holding cost totalling some €0.2m pa. SPDI appear happy to wait, not for the macro-scene to pick up but rather for specific developers with whom they are in discussion.

- Allocating a 10% discount to the one Romanian asset which is empty at the moment. We understand there are potential tenants for renting space in the near future. This is the only cold store to this level of performance in Bucharest (the specification was to Nestle standard, minus 32°C) and there are a number of other potential tenants. Discussions do not take place instantaneously however.

- Applying a 10% reduction in residential assets, This reflects the recent Linda sale which was a bulk sale and we are informed there are no further bulk sales planned or required. Give it another year's steady sales at profits of the 10-20% margin being achieved on individual sales and we shall be happier.

We can therefore re-cast a bear-case version of the table at the top of this segment of the document.

Asset values – an illustrative 'bear-case' valuation scenario

Asset type	€m valuation	€m NOI [1]	ERV yield	Valuation at Hardman Co's illustrative bear-case discount	ERV yield [1]
Ukraine land	12.0	nil	nil	6.0	nil
Innovations logistics	14.4	0.95	8.5	13.0	9.4 [2]
Other commercial on b/s	30.3	2.6	8.6	30.3	8.6 [3]
Residential (c.40% let)	38.8	0.4	2.6	34.9	2.9 [4]
Total	95.5			84.2	

Source: SPDI (Categories: Hardman & Co)

[1] Yield at our DISCOUNTED valuation ILLUSTRATION ……… see further, overleaf

[2] Once re-let, this asset will trade at a much lower yield (i.e. higher valuation basis). Our illustration is to reflect the possible delay in getting the right tenant.

[3] No discount. We consider the valuation on the cautious side of reality already. The Athens site we consider stands on over 10% cap rate ex the PV electricity element.

[4] This asset class is not valued off yield, but average sales prices which seem to be circa €650-750 sq meter which seems a sensible market rate. Hardman ILLUSTRATIVELY places a 10% discount which would reduce on further completions of individual properties at a profit to book. We anticipate these will be demonstrated by the reporting of H2 2016 results.

This, above, translates to an illustrative bear-case diluted €0.33 per share, below which we really struggle to see any rationale.

- The balance sheet value of €95.5m moves to €84.2m in our ILLUSTRATION. This includes the residential inventory assets but not the small (€4.9m associate).
- Terminal Brovary is selling at a €4m uplift on latest balance sheet valuation.
- €41.3m NAV at last balance sheet.

Calculating Hardman's illustrative €0.33 per share 'bear-case' scenario

With a €4m uplift on Terminal Brovary (vs balance sheet valuation), the €41.3m NAV at the last balance sheet rises to €45.3m NAV. Deducting the illustrative discount outlined above (which we consider inappropriately conservative), €45.3m - €11.3m = €34.0m NAV = diluted €0.33 per share. This is not a target price – it is an assessment of what a particularly conservative interpretation might look like, if the negative view is taken wherever possible.

It is worth noting regarding the Ukrainian land, which is debt-free, SPDI has written off 75% of the land value from 2008 valuations.

As illustrated, €0.33 per share takes a particularly baleful view of the asset value. It adds nothing for a factor we consider to be of tangible value: the expertise of the management harnessed through the only substantive quoted vehicle in the UK providing exposure to a specific market.

Our valuation conclusion is that the SPDI shares' valuation reflects the region's risks but double discounts them. The assets themselves are valued to reflect the local risks and rewards. Nonetheless, the 'risk-off' nature of investors' views on the markets SPDI addresses understandably leads to a certain discount to NAV. The current discount (share price vs diluted historic NAV per share) of circa 48% reflects in addition the historic reductions in NAV per share as a result of the issuance of shares at discounts to NAV. We estimate NAV per share rising from here (see page 31).

Project descriptions

List of assets held currently, 2013,2014,2015, H1 2016 balance sheets

Asset	% occupied	Type	Debt 2016	Net operating income fully let €m	Carrying amount 30-6-16 €m	Carrying amount Dec-15 €m	Carrying amount Dec-14 €m	Carrying amount Dec-13 €m
Terminal Brovary Logistic Park	100	Warehouse	Being sold	Sold subject	12.1	12.2	17.5	18.3
Bela Logistic Center Odessa	land	Logistic land	Nil	na	5.0	5.1	5.1	6.5
Kiyanivskiy Lane Kiev	land	Resi land	Nil	na	3.2	3.2	4.0	5.4
Tsymlyanskiy Lane Kiev	land	Resi land	Nil	na	1.0	1.0	1.1	1.7
Balabino, south Ukraine	land	Resi land	Nil	na	1.5	1.6	2.1	3.3
Rozny Lane Kiev	land	Resi land	Nil	na	1.2	1.2	Not owned	Not owned
Total Ukraine					24.0	24.4	29.8	35.2
Innovations Logistics Park (Bu'rest)	20	Warehouse	7.5	0.95	14.4	14.4	14.0	Not owned
EOS Business Park Bucharest	100	Offices	3.8	0.60	6.6	6.6	6.4	Not owned
Praktiker Craiova, Romania	100	DIY retail	4.5	0.55	7.2	7.2	Not owned	Not owned
Residential portfolio, Bucharest	60	Residential	3.2	na	4.6	6.7	8.4	Not owned
Green Lake Bucharest	40	Residential	17.0	na	17.9	17.9	Not owned	Not owned
Pantelimon Lake (resi) Bucharest	land	Resi land	5.0	na	5.8	5.8	Not owned	Not owned
Total Romania					56.5	58.6	28.8	0.0
Boyana Sofia - Inventory	c.20	Residential	3.7	na	10.4	11.3	Not owned	Not owned
Total Bulgaria					10.4	11.3	0.0	0.0
GED Logistics Athens	100	Warehouse	11.8	1.45	16.5	16.5	Not owned	Not owned
Total Greece					16.5	16.5	0.0	0.0
TOTAL				na	107.4	110.8	58.6	35.2
Deleneco 24.35% holding	100	Office	0.75	associate	4.9	Not owned	Not owned	Not owned

Source: Hardman & Co Research

List of assets held currently, changes in valuation since 2013

Asset	Carrying amount Dec-15 €m	FX changes	Local currency valuations	Acquisition/ disposal	Carrying amount Dec-14 €m	FX and valuation impact	Carrying amount Dec-13 €m
Terminal Brovary Logistic Park	**12.2**	-4.6	-0.6	0.0	**17.5**	-0.9	**18.3**
Bela Logistic Center Odessa	**5.1**	-1.5	1.5	0.0	**5.1**	-1.4	**6.5**
Kiyanivskiy Lane Kiev	**3.2**	-1.1	0.3	0.0	**4.0**	-1.3	**5.4**
Tsymlyanskiy Lane Kiev	**1.0**	-0.3	0.2	0.0	**1.1**	-0.6	**1.7**
Balabino, south Ukraine	**1.6**	-0.6	0.0	0.0	**2.1**	-1.2	**3.3**
Rozny Lane Kiev	**1.2**	0.0	-0.3	1.5	**Not owned**	na	**Not owned**
Total Ukraine	**24.4**	**-8.1**	**1.0**	**1.5**	**29.8**	**-5.5**	**35.2**
Innovations Logistics Park (Bu'rest)	**14.4**	0.0	0.4	0.0	**14.0**	1.0	**Not owned**
EOS Business Park Bucharest	**6.6**	0.0	0.2	0.0	**6.4**	0.6	**Not owned**
Praktiker Craiova, Romania	**7.2**	0.0	-2.9	0.0	**Not owned**	na	**Not owned**
Residential portfolio, Bucharest	**6.7**	0.0	0.3	-1.9	**8.4**	-1.5	**Not owned**
Green Lake Bucharest	**17.9**	0.0	-0.9	0.0	**Not owned**	na	**Not owned**
Pantelimon Lake (resi) Bucharest	**5.8**	0.0	0.0	0.0	**Not owned**	na	**Not owned**
Total Romania	**58.6**	**0.0**	**-2.9**	**-1.9**	**28.8**	**-0.0**	**0.0**
Boyana Sofia – Inventory	**11.3**	0.0	0.0	0.0	**Not owned**	na	**Not owned**
Total Bulgaria	**11.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
GED Logistics Athens	**16.5**	0.0	0.1	0.0	**Not owned**	na	**Not owned**
Total Greece	**16.5**	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**
TOTAL	**110.8**	**-8.1**	**-1.8**	**-0.4**	**58.6**	**-5.4**	**35.2**
Deleneco 24.35% holding	**Not owned**	na	na	na	**Not owned**	na	**Not owned**

Source: Hardman & Co Research

Brief descriptions of projects (i)

Terminal Brovary	Sold (pending EBRD lender competition commission ruling).
	49180 sqm warehouses and offices
Bela Logistic, Odessa	22.4 ha plot with groundworks suspended 2009 – pre-acquisition.
	On main highway but 'dormant' care and maintenance
Kiyanivskiy Lane Kiev	Live but tentative discussions from 2015 with local luxury developers
Tsymlyanskiy Lane Kiev	55% owned and Q4 2015 saw approaches to SPDI to develop residential
Balabino, south Ukraine	26.4 ha plot on large highway. On hold
Rozny Lane Kiev	42 ha plot with development possibilities 'being evaluated'
Innovations Logistics Park Bucharest	8470 sqm: GLA **ambient** warehouse + 6395 sqm: **deep cold store** + 1705 sqm: office 200m from ring road.
	Built 2008. Was 67% leased to Nestle who recently terminated
EOS Business Park Bucharest	3386 sqm GLA next to Danone factory and adjacent ring road plus public transport. 100% let to 2026
Praktiker Craiova, Romania	9385 sqm GLA bigbox retail in park with similar occupants in major provincial city.
	In July 2016 extended lease from 2020 to 2025 for reduced rent.
Residential portfolio, Bucharest	This is 96 apartments (at last b/s date), 22% of apartments at start period were sold in half year.
	43% holding and control. 18000 sqm residential in modern blocks, frontage to scenic lake next to
Green Lake (Boyana) Bucharest	international school.
Pantelimon Lake (resi) Bucharest	Also known as Delia Lebada. 40,000 sqm plot opposite to famous hotel.
GED Logistics Athens	Debt inherited when bought is in default: re-finance progressing well.
	17756 industrial and office space in 44sq km plot 10 minutes via ring road to Piraeus deep water port.
Delenco, Romania	PV on roof selling electricity to grid. 100% let to 2018/2021.
	24.35% holding. 10280 sqm GLA offices. 100% let, of which 67% to blue chip local.

Source: Hardman & Co Research

Projects – further notes and indications of valuation underpinnings (ii)

Terminal Brovary	Set to generate net cash €4m. Debt of €12.2m to be assigned to buyer.
Bela Logistic, Odessa	€23 per sqm valuation including foundations for 100000 sqm.
	On that basis, this therefore seems to reflect likely long term nature and cautious outlook.
Kiyanivskiy Lane Kiev	€550 sqm equates to upmarket more near-term residential development.
Tsymlyanskiy Lane Kiev	Reasonably modest valuation.
Balabino, south Ukraine	€5 per sqm valuation. On hold maybe secondary location.
Rozny Lane Kiev	€3 per sqm valuation. Being evaluated. Maybe secondary location.
Innovations Logistics Park Bucharest	Valued €870 sqm – note this is a mix of assets including -32^{O}C cold store, ambient, allied offices.
EOS Business Park	Valued €1900 sqm.
Praktiker Craiova,	Valued c. €700 sqm, down as result lengthened but reduced rent lease.
Romania	Valued 8.3% yield NOI (on reduced rent, long lease).
Residential portfolio, Bucharest	(With Pantelimon): four sites, one site sold in period.
Green Lake (Boyana) Bucharest	€1030 per sqm apartment (but note figure also is including the possession of tracts of land).
Pantelimon Lake (resi)	Also known as Delia Lebada. 40,000 sqm plot opposite luxury hotel.
Bucharest, Romania	Debt inherited when bought is in default: re-finance progressing well.
GED Logistics Athens	Equivalent to 9.1% yield on NOI which includes electricity sales to grid of c.€0.3m.
	Let to global blue chip to 2018 - they have extended twice.
	Let to local blue chip to 2021 - they were the original developers.
	Set to generate net cash €4m. Debt of €12.2m to be assigned to buyer.

Source: Hardman & Co Research

Importantly, there are no options or overages or profit shares on projects or land. Further, rental income collected is 95% triple net.

Some background to where some key projects have come from. The table below, arguably, is the most important in this document. It does not list Terminal Brovary, where occupancy rose from 12% to 100%.

Income and valuation evolution for key SPDI assets

Asset name	Income when bought	Income now	Value when bought	Valuation now	Date bought
EOS	0.55	0.6	5.8	6.6	2014
Innovations	0.90	0.90 [1]	13.0	14.4	2014
Athens	1.35	1.45	15.0	16.5	2015
Praktiker big box	1.00	0.60 [2]	10.1	7.2	2015

Source: SPDI and Hardman estimates

[1] part tenant has paid for early break, so given this the vacating tenant rent continues for over a year

[2] SPDI is in discussion with vendor. Tenant cut rent but stayed and extended lease from 2020 to 2025

Some further background

Athens

The main tenant is Kuehne + Nagel International AG. This is a global transportation and logistics company based in Schindellegi, Switzerland (founded in 1890). Its lease runs to 2018 but crucially it has twice extended already and we anticipate discussions next year to extend for another three years.

The local tenant is a strong, stock-market quoted company. www.gedsa.gr They are the largest importer/ distributor of air conditioning and white goods etc in Greece. The lease is to 2021. This tenant was the original developer.

PV solar (roof) is an integral part of the proposition.

We consider it important to give some background on the Greek position regarding international logistics flows. Following the inauguration of the enlarged Suez Canal last year, COSCO, the Chinese infrastructure company that had been managing two of the three container terminal piers at the port of Piraeus near Athens (the deepest port in the Mediterranean Sea) until 2052, signed an agreement in April to acquire up to 67% of the whole port from the Greek Government. Having increased the container throughput of the terminal by a factor of eight over the last four years (from 500,000 TEU a year to 4,000,000 a year), COSCO has announced it intends to make Piraeus the main point of entry for Chinese goods into the EU, which is expected to result in a significant increase in container traffic (to more than 7,000,000) through Greece toward Europe in the near future and create opportunities for SPDI.

Residential

Green Lake is situated in Bucharest, Romania. At €17.9m this is a sizeable asset for SPDI. This is for SPDI's 44.24% share. SPDI has management control. The total plot is 100,000 sqm, and 130,000 gross buildable area. It's 100% zoned and all Building Permit approved. 40,500 sqm of this has been built. At end 2015, the asset comprised the land plus 40 apartments and 37 villas. In H1 2016, six were sold. However, 60% of apartments were tenanted and only 14% of villas. The villas number is low due to the established programme of sales, where tenants impinge negatively value. So clearly vacant possession is sought, especially for villas.

The residential blocks of apartments were bought in tranches in 2015. Some were bought from a company that included a related party, which was folding its assets into the quoted SPDI. The later 2015 acquisition had low occupancy upon purchase and this is filling up progressively in Bucharest. In Sofia, a programme of sales is progressing. (The Inventory asset in the balance sheet). Markets (especially in Bucharest) are improving somewhat and certainly can provide decent ongoing sales opportunities.

However at current sales rates, this does seem a somewhat inefficient use of capital to us, unless (which is quite possible) some of the undeveloped residential land within the curtilage proves attractive to a third party and a value-uplift occurs. We do not anticipate such a disposal (or joint venture etc.) but there is an asset here, which could generate an uplift which we do not include in our calculations below. The market is decent (it has improved but does not seem stretched). Effectively, the market value of assets is rising, rental income is modest but disposals are being made at 10-30% profit margins on individual sales, we understand.

Residential income is – we estimate – some €0.4m and administrative (overhead) costs allocated total – we estimate – circa €0.35m. With finance cost of €0.6m pa, the 'division' runs at a loss. However, IF 20% of the assets are sold every year at a 20% profit, profits from disposals would be €1.1m. This would take the 'division' into profit (this is totally illustrative) of €0.5m pa. This just about gives a 10% ROE.

Debt security (historic figures)

Summary debt terms

Principal of bank Loans	Project	€m	Summary debt terms
EBRD	Terminal Brovary	12.16	total sale agreed but not completed as of current.
Banca Comerciala Romana	Monaco Towers	1.21	interest of EURIBOR 3M plus 5%. Repayable: SPDI discussing terms.
Bancpost SA	Blooming House	1.74	interest of EURIBOR 3M plus 3.5% and matures in May 2017.
Alpha Bank Romania	Romfelt Plaza	0.87	interest of EURIBOR 3M+5.25%. Repaid as [1] Discussion re term loan.
Raiffeisen Bank Romania	Linda Residence	0.43	fully repaid by total sale in mid-2016
Bancpost SA	GreenLake - Parcel K	3.10	interest of EURIBOR 3M plus 5%. The loan is repaid as [1].
Alpha Bank Bulgaria	Boyana	3.46	interest of EURIBOR 3M plus 5.75%. The loan is repaid as [1].
Alpha Bank Bulgaria	Boyana/Sertland	0.74	interest of EURIBOR 3M plus 5.75%. The loan is repaid as [1].
Bank of Cyprus	Delia	4.57	debt inherited in default and under negotiation for restructuring.
	Lebada/Pantelimon		
Eurobank Ergasias SA	GED Logistics	12.34	interest of EURIBOR 6M plus 3.2%+30% of asset swap. Repayable 2022.
Piraeus Bank SA	GreenLake-Phase 2	2.53	interest of EURIBOR 3M plus 4.6%. The loan is repaid as [1].
Marfin Bank Romania	Praktiker Craiova	4.84	interest of EURIBOR 3M plus 4.5%. Extended July 2016 to mature 2025.
Loans by non-controlling shareholders	Green Lake	2.71	Other non-bank borrowing include borrowings from non-controlling interests. Coupons 5% to 7% annually repayable 2017.

[1] Indicates the repayment of capital as and when residential assets are disposed of – on a formula *Source: Hardman & Co Research*

Macro background to local real estate markets

General economic conditions and the property market dynamics of the Region translate into a positive environment in which to allocate capital. Main drivers of the opportunity include:

- Banks continue to need to dispose of distressed and non-core property assets
- Traditional sources of funding have dried up for most regional property players
- Yields are significantly higher than elsewhere in Europe, providing income generating assets at highly attractive valuations
- Operating companies with good asset portfolio have been starved of cash
- There is a significant lack of supply in many segments of the property market in the region
- Demand and economic activity is outpacing the rest of Europe

According to Cushman & Wakefield, commercial real estate investment activity in the core Central European markets of Poland, the Czech Republic, Slovakia, Hungary and Romania reached €6.05 bn in the first three quarters of 2016, a 37% increase y-o-y, with a very strong first half. The volume of assets traded totalled €1.4bn in Q3 2016, down over 20% a year ago and half Q2 volumes. Clearly the level of uncertainty has risen this recent past. In the face of this we see no call for a reduction in German investment into the region. The market is well aware of the travails of Deutsche Bank. We do not consider the driver to FDI into these markets to be debt fuelled, though debt will always play a part in infrastructure and real estate.

SPDI management has dealt well with macro-risks. That is a major part of the investment case. That is why quality assets are available at 8-10% yields. For example, in the build up to the Cyprus banking crisis, SPDI held significant liquidity in Cypriot banks. It took no haircut and total costs and losses were c. 2% of deposits.

To put the respective jurisdictions' impact on SPDI in context we would draw attention to these asset splits.

As of December 2016, Ukraine has fallen to 12% (ex-Terminal Brovary – subject to contract). Greece stands at 16%, Romania 55% and Bulgaria 17%.

Annualised net operating income

€m	2015		2014		2013	
Ukraine	1.8	25%	2.4	40%	2.7	100%
Greece	1.5	21%	1.5	25%	0.0	0%
Romania	3.2	45%	2.1	35%	0.0	0%
Bulgaria	0.6	8%	0.0	0%	0.0	0%

Source: SPDI accounts

Greek logistics

In April 2016, COSCO and the Greek government officially agreed to the privatization of the remaining part of the Port of Piraeus, allowing the Chinese shipping company to consolidate their port investment in South East Europe and creating the biggest European hub for Chinese imports. Due to adverse market conditions in the region over the last seven years, the sector is severely undersupplied leading to low vacancy rates and demand for new prime stock. Piraeus port container numbers have grown each year since 2009, by CAGR 40%. However, growth in 2015 levelled off to nil. In 2015 COSCO TEU in Piraeus did rise 10%. European Union is financing the European Rail Freight Corridor 7 (RFC7) which will connect Athens to Prague via seven different European countries. According to SPDI research, logistics rental rates (sq. m. month) are €3.50-4.00 Athens vs 4.00-€4.50 average in a combination of Athens, Budapest, Bucharest, Prague, Zagreb, Belgrade.

Prime office yields fell from 10% 1998 to 8% 2003 before a sustained fall (i.e. rising prices) to 6% 2007. After peaking at 9.5% 2013, they stand at 8.5% (BNP Paribas). Residential price falls continue – at 5%pa, after a trough of -12% pa in 2012. They currently fall at their slowest rate since 2009 – but falls continue.

Romania

GDP grew 3.7% in 2015 with FDI in automotive again of importance as well as IT and outsourcing (growing 20% CAGR). Residential is a major driver to SPDI. “More international residential players resumed their land search and development activities in 2015 and entered the middle and upper middle income segments. Another trend on the market was the shift of those previously active only on peripheral land plots suitable for low income residential products to central and semi-central locations….. Supply and prices: The stock of land available for sale registered a slight increase in 2015 …. several undeveloped land portfolios were put up for sale by international developers who changed ownership. 2015 was probably the last year with a rich supply of distress opportunities…. Prices remained stable during the entire year of 2015. Nonetheless, there were small upward fluctuations for the areas expected to receive notable investment projects (real estate or infrastructure related)….After consistent annual falls, which took semi-central and peripheral prices down over 50% 2008 to 2010 and again down 50% 2010 to 2013, 2015 prices appear to have risen in these locations, but not in the centre.” Colliers.

“Demand from new home buyers was once again backed up by the Prima Casa program. According to Romania National Bank statistics, at national level 11% more mortgage loans were granted in H1 2015 compared with H1 2014. Another sign that the residential market is reviving, is represented by the fact that a formerly insolvent residential compound, Asmita Gardens, managed to exit insolvency and its sales rhythm is accelerating.” Knight Frank (late 2015 comment).

“Property transactions (total) reached €650m in 2015 down from €1.17bn in 2014, but that was a year distorted by large deals.” Source JLL, which states residential sales in 2015 above the 2007 peak.

Hardman & Co notes changes in VAT and banking collateral rules have a respectively positive and dampening influence on the market.

Bulgaria

As an indication, the rent in prime industrial rose in 2016 after years of sideways moves: from €3.50 to €4.00. Investment yields here have fallen from 11.5% 2014 to 10% (source: Cushman Wakefield).

Some points of detail – projects and financing

Most of the commercial projects are funded by debt maturing 2022 onwards and in line with the length of the lease (in most cases being longer than five years to run). We identify €21.1m of commercial assets as unencumbered by debt but both are subject to sale and lease back, so there is no material scope for refinancing in these. The residential assets' debts are being paid down by disposals (LTVs being below 100%) and Ukraine land is unencumbered by debt.

Residential loans are all rolling on, albeit there are various loans maturing 2016 and 2017, comprising various totalling €13.8m plus €4.6m specifically on the Pantelimon residential assets (Bank of Cyprus). 'Maturity' in these cases means disposals (timing from now on is at SPDI's choice, crucially – we understand) will trigger a repayment of a proportion to the lender. Unless disposals are made significantly below current market values, we understand that SPDI will receive amounts of free cash flow on each disposal. Thus, for most of these facilities, the debt is reducing versus last year, as apartments are sold. Many were debts inherited as part of purchases in 2015, therefore both SPDI and the vendors' banks are aware of the positive momentum behind SPDI's pro-active management, controls and momentum. Investors will await further news and update – probably at the time of publication of end 2016 results from SPDI. The loan to value (end June 2016) of 80% at Pantelimon is typical of the ratios pertaining on these Romanian assets.

The GED (Athens) commercial loan is on 75% LTV. These are maturing 2022. Innovations and EOS commercial assets – valued at €21.1m – are unencumbered but have sale and lease back. Overall therefore (with a LTV of a comfortable 52% even prior to the Terminal Brovary disposal) we see no likely practical strain on the fundability of these assets. Ongoing debt restructuring is part of the day-to-day.

Debt and treasury management are issues however which can task management. For example, here, there is a €0.33m Default interest relating to interest charged by Bank of Cyprus in relation to the loan over Delia Lebada Invest srl. As of end 2015: "The Company has a number of legal cases pending. Management does not believe that the result of these will have a substantial overall effect on the Group's financial position. Consequently, no such provision is included in the current financial statements." More significantly, SPDI originally announced the acquisition of BLUEBIGBOX 3, (let to Praktiker) in July 2015, paying through issuance of 8,618,997 Secured Redeemable Convertible Preference Shares ("RCPS") to the Vendor.

"At the discretion of the Vendor, the RCPSs were either to be converted into an equal number of new ordinary shares of €0.01 each in the Company or redeemed by SPDI at €0.7056 for each RCPS, for a total amount of approximately €6 million. As part of the agreement, the RCPSs were secured against the Company's interests in Autounion Office ("Autounion"), an office building in Sofia, which was acquired in April 2015 from the Vendor for €4.05 million and in which the Vendor retains an interest. During the course of negotiations, the Vendor has issued a default notice in respect of the RCPSs and has exercised its security over SPDI's interest in Bluehouse Accesion V, the vehicle through which SPDI's 20% interest in the Autounion is held." (SPDI 2nd November 2016 announcement). Autounion being no longer owned by SPDI has no effect on SPDI NAV.

There are certain risks to land registry in certain jurisdictions in emerging real estate markets. For example, in July 2015 following intensive legal battle which started in 2011, SPDI registered ownership over Rozny land plot in Kiev Oblast. This is a residential development site, the ownership of which was under contention by an Ukrainian third party even though the claims were unsubstantiated (as finally proven). We have not undertaken due diligence but note the open approach of the management regarding reporting such issues.

As regarding tax, there are important positive considerations to be aware of. For projects acquired through merger, SPDI carries forward tax losses. This may become a valuable feature in the next two or so years. SPDI plans to restructure (this process takes 6-9 months in Romania). Restructuring would comprise merging residential holding SPVs into certain assets which are income producing. By this means income tax would be unlikely to be payable over the next few years. We believe this period free of income tax could extend five years or so.

Separately, currency has been a feature and has served to obscure, somewhat. Ukraine has thrown up significant currency negatives. Post completion of the Ukrainian Terminal Brovary, the P&L and balance sheet complications of FX movements will fall away. Historically the UAH-EUR profits/losses every year (non-materialised) were very significant.

Finally, we note that certain residential asset acquisitions were from a company where, as reported, the Board of SPDI have an interest. This interest was however modest at just under 1%.

Risks

Currently, south east Europe remains a region with political risks (Greece and Bulgaria, we would argue face uncertainty).

In times of political uncertainty, cross border investment often wanes. H1 2016 has seen good cross border inward investment in central Europe (predominantly Poland, but elsewhere too) but this has slowed Q3. Threats to the integrity of the EU do not help the case for the 'converging' countries. We would note, however, that the case is somewhat different regarding the Athens port asset. This – we consider – is more exposed to levels of import-export to Europe from China (and elsewhere) than the local values around Athens. This is trans-shipment, absolutely not CBD offices or retail.

Few assets will remain in Ukraine but the disposal of Terminal Brovary is not completed. In any case the existing LTV of the portfolio, at 52%, is good.

We see no material re-finance risk until 2022 and this is secured on strong, yielding assets where rents are in rising momentum recently and currently. AS per paragraphs one and two, lending to 'peripheral' market real estate is subject to international flows of assets. In this case, this is not an issue until 2022. Elsewhere, there is a steady stream of apartment sales which add to the robustness of cash flow.

Regarding Ukraine, development/ disposal of the Ukrainian land parcels is not an operational imperative. They have very low holding cost and no debt. We are not competent to comment on the valuation for these, and the valuers are well regarded professionals with deep local knowledge.

There are certain risks to land registry in certain jurisdictions in emerging real estate markets. For example, in July 2015 following legal contestation which started in 2011, SPDI registered ownership over Rozny land plot in Kiev Oblast.

Notwithstanding NOI yields for grade A assets typically usefully in excess of 6%, this, to us, means financial gearing cannot comfortably be too stretched – and in the case of SPDI it is not. Nor can it safely rise from here.

Historically the SPDI revenue account (pre-disposals) has been loss making. Going forward (pro-forma) we anticipate the company to be close to (if not above) break even.

The day-to-day reality of transacting in markets where SPDI operates reflects that this is not a market (or series of markets) where liquidity for transactions or for occupancy is deep. There are a number risks, for example the €6m cash purchase of the big box retail announced a year ago has not gone smoothly.

SPDI owns well located by and large income generating properties with blue chip tenants in high-yielding locations that have favourable demand/supply dynamics for modern commercial properties. Such properties still command low prices / high income yields. We see the balance as favourable, giving scope for growth in passing rents, i.e. medium term reversionary upside. However, we do categorise our opinion as 'by and large'. Were the property vacated by Nestle to re-rent well, we would be unsurprised but there has to be some execution risk seen here. Success here will be a notable positive.

The shallow liquidity (not to be over-stated) means investors have to take a view on prospects for assets stretching some period of time to the future. Four good examples of this are 1) the cut in the rent payable by Praktiker to extend the lease at the regional city of Craiova, Romania to 2025. 2) Earlier this year, Nestle gave notice (of over a year) on its offices and cold store and ambient warehouse which are next to its (now sold) manufacturing facility. How SPDI fares with re-letting will be of some modest importance to the revenue account (and indeed valuation) but of major interest strategically in assessing the relet-ablity of such assets. For this asset, though 'local market depth' of potential tenants may be limited, it is a sought-after asset. We have discussed this elsewhere in the research document. 3) SPDI owns five Ukrainian bare-land unencumbered assets, acquired prior to when the current management bought into SPDI. The value at that stage was some four times current levels in the balance sheet. It is now collectively in the balance sheet at €11.9m. We write further on these elsewhere in the research document. 4) A portfolio of apartments was purchased (71% let) in 2015. They are being progressively liquidated to recycle capital without 'pushing' the market. There is a balance in the speed vs profit margin – and a recent bulk sale did register a loss.

SPDI has not ruled out issuing equity for growth, which may be at levels below NAV.

Conclusion on balance

Management has created value. Medium term upside within the operations is significant. There may be scope for yield compression, though the global macro-economic and political background we suspect remains 'risk-off' for assets such as those in which SPDI is interested. The shares reflect the past, namely the rather inexorable momentum to issue shares to gain 'cruising altitude' in size and composition of the portfolio. The size has reached a good level which could – if needs be – represent the long-term size. Thus no shares need to be issued, unless that be at attractive prices. We anticipate the discount to NAV will narrow and the portfolio grow.

Management and domicile

The Company is not incorporated in the UK: rights of shareholders in the Company may be different from the rights of shareholders in a UK company, including that it is exempt from The City Code on Takeovers and Mergers.

NOMAD and broker: Strand Hanson, London.

Solicitors: Reed Smith, London. Et al.

Auditors: Baker Tilly Klitou and Partners Ltd, Corner C Hatzopoulou & 30 Griva Digheni Avenue, 1066 Nicosia, Cyprus.

Structure: The corporate holding structure can be seen on the corporate website (under full revamping, the new one to be ready before year-end):

http://www.secure-property.eu/about-us/structure

Directors:

Paul Ensor, Chairman (non-executive)

Mr. Ensor is a partner of RK Equity, a finance group that he co-founded in 2003. RK advises and helps to finance companies operating globally, as well as acting as an advisor to Asian groups investing in commercial property in Europe. Prior to that he spent 20 years in Asia and London as an equity analyst covering companies in emerging markets for leading investment banks including CLSA and UBS, and prior to that worked as a journalist for The Economist and Far Eastern Economic Review. B.A. in History from Brown University. M. Phil. of Development Economics from Sussex University.

Lambros Anagnostopoulos, Director & CEO

Mr. Anagnostopoulos lead the recapitalization and was appointed as CEO of the Company in August 2011. In 2007, he founded SECURE Investments, a private equity platform investing in property projects in Romania, Bulgaria and Serbia. In 2000, he set up LAMDA Development, a real estate developer listed on the Athens Stock Exchange, where he served as CEO and Director from the company's inception until June 2006. In parallel, he was a party to setting up GRIVALIA (then EFG Properties), the leading Greek REIT, listed on the ASE, where he served as the Vice Chairman of the board until 2007. In the 1990's Mr. Anagnostopoulos has been an executive of the Latsis Group, based in Geneva, Switzerland, where, among others, he was director of the Group's business planning. Between 1988 and 1992, Mr. Anagnostopoulos worked as a management consultant with Pugh-Roberts Associates, a division of PA Consulting Group, in the USA and Great Britain. He is a graduate in naval architecture, marine and mechanical engineering from the National Technical University of Athens (1986) and received post-graduate degrees in shipping at MIT (1988) and in management from the MIT Sloan School of Management (1989).

Constantinos Bitros, CFO

Mr. Bitros appointed CFO of SECURE Property in August 2011. From 2007, CFO of SECURE Investments, a private company with more than $250m AUM in three southeastern European countries. From 2005-2006, held positions at Kantor Management Consultants. From 2000 to 2004, held positions at various investment firms in Greece. From 1998 to 2000, ran a $150m private equity derivatives portfolio in the United States. Set up and implemented risk management systems for financial and industrial mid to large size companies in the US and Greece. Created and managed venture capital and long/short equity market neutral hedge funds. MBA in Financial Engineering and Business Strategy from Loyola University of Chicago. BA in Finance & Accounting from Athens University of Economics and Business (AUEB).

Vagharshak Barseghyan, Director (non-executive)

Vagharshak Barseghyan has 16 years of international corporate finance, private equity and real estate development experience. Founding Partner of Asterisk Capital LLP, a London based FSA regulated partnership and spent over 4 years as Vice President of JNR(UK), a company representing certain interests of the Rothschild family. He is a Partner of Hannover Square Capital LLP and was previously a director of Asterisk Capital LLP. He currently concentrates his efforts on two segments: real estate (development and investment) and investments into early- to mid-stage internet companies.

Ian Domaille, Director (non-executive)

Ian Domaille is a member of both the Institute of Chartered Accountants in England and Wales and the Society of Trust and Estate Practitioners. He is director and founder shareholder of Artemis Trustees Limited, a licensed fiduciary services company. He has been involved in the financial services industry for over 25 years, initially as an auditor, and, over the last fifteen years, being involved in personal and corporate planning. Mr. Domaille is a director of a number of listed and private companies in the financial services and other sectors.

Dr. Franz Hoerhager, Director (non-executive)

Dr. Hoerhager is a founding partner and executive director of Mezzanine Management GmbH, the manager of Accession Mezzanine Capital, which is the leading fund provider of subordinated debt to businesses in Accession countries in Central and Eastern Europe. Prior to this he was a member of the managing board of Bank Austria Creditanstalt International AG where he was responsible for all international commercial banking activities with an emphasis on the countries of the former Soviet Union, Slovenia, Slovakia, Croatia, the European Union and the USA. Dr. Hoerhager holds a doctorate in Economics from Vienna University for Economy and World Trade. He is an Austrian citizen and has worked in both Moscow and New York.

Antonios Kaffas, Director (non-executive)

Antonios Kyriakou Kaffas, aged 60 is appointed as non-executive director. Antonios, a fellow of the Institute of Chartered Accountants in England and Wales, has worked as CFO for major shipping groups and real estate companies, most recently at Gulf Marine Management S.A. and currently at Hermes Marine Management S.A.

Calypso Nomikos, Director (non-executive)

Calypso Nomikos is an entrepreneur primarily involved in ship owning and management as well as shipping-related commercial and trading activities mainly through the auspices of A.M Nomikos Transworld Maritime Agencies S.A. where she has served as a President since 1976. Ms. Calypso Nomikos has also served in the last five years as a Director in S&B Industrial Minerals SA. She has extensive experience in real estate in the SEE as a direct or indirect investor in many property deals.

Alvaro Portela, Director (non-executive)

Álvaro Portela was for more than twenty years Executive President and CEO of Sonae Sierra, the Portuguese based leader in retail real estate. Under his leadership, Sonae Sierra developed and/or operated 71 shopping malls (with a GLA of over 2m sqm) in Europe and Brazil, including Romania. Former Chairman of Real Estate Developer MAFP (retail property developer and operator in the Middle East and Central Asia) and also of the Investment Advisory Committee at Paneuropean Fund. Currently sits on the Investment Committee at ECE European Prime Shopping Centre Fund and on the Boards of Sonae SGPS, Sonae Capital SGPS and Fundação Carmona e Costa.

Harin Thaker, Director (non-executive)

Harin Thaker appointed CEO of Aeriance Investments S.A., the European Commercial Real Estate Lending Specialist. Former CEO of Hypo Real Estate Bank International and former Head of Real Estate Finance International at Deutsche Pfandbriefbank AG (as Hypo was renamed). The bank is a specialized lender in real estate finance and under Harin's leadership it expanded in various international markets in Europe, and Asia, including several countries in Eastern and South Eastern Europe.

Remuneration Committee comprises two non-executive members of the Board, Mr. Ian Domaille and Mr. Harin Thaker.

Financial analysis

Comprehensive income

EURO (m)	2014	2015	1H16	2H16E	2016E	2017E
Net operating income	2.8	4.7	*2.5*	*2.5*	5.0	3.6
Residential income	0.0	0.0	*0.2*	*0.2*	0.4	0.2
Sale of assets: profits	0.0	0.0	*-0.8*	*4.0*	3.3	0.0
Surplus from associates/ available sale assets	0.0	0.6	*0.3*	*0.1*	0.4	0.2
Total operating income	2.8	5.3	*2.2*	*6.8*	9.0	4.1
Valuation and currency translation gain/loss	-8.3	-15.3	-0.4	0.0	-0.4	0.0
Other operating costs	0.0	0.0	*-0.3*	*-0.3*	-0.6	-0.4
Costs, non-property management	na	na	*-1.0*	*-0.9*	-1.9	-1.5
Total administration costs	-2.7	-3.0	*-1.3*	*-1.2*	-2.5	-1.9
Financing cost	-1.3	-3.8	*-1.2*	*-1.2*	-2.4	-1.6
Pretax profit pre-revaluations/ currency	**-1.1**	**-1.4**	***-0.3***	***4.4***	**4.1**	**0.6**
Tax	-0.2	-0.1	*0.0*	*-0.1*	-0.1	0.0
Post-tax profit pre-revaluations	-1.3	-1.5	*-0.4*	*4.3*	3.9	0.6
Other finance (etc.) costs	-0.3	-0.6	*-0.2*	*-0.1*	-0.3	-0.1
Other income	0.0	0.6	*0.0*	*0.0*	0.0	0.0
Profits post all (as reported)	**-9.9**	**-16.7**	***-1.0***	***4.2***	**3.2**	**0.5**
Shares (ave., diluted) (m)	34.2	82.6	*102.9*	*102.9*	102.9	102.9
Shares (period end non-diluted) (m)	33.9	90.0	*90.0*	*90.0*	90.0	90.0
EPS (stated pre-exchange rate difference, diluted) EURO	**0.03**	**-0.13**	***0.00***	***0.04***	**0.03**	**0.00**

Source: SPDI accounts; Hardman & Co Research

Note net operating income fall in primarily due to the sale of Terminal Brovary **which we anticipate completing at year end 2016.**

Note residential income falls as per ongoing disposals.

Surplus from associates is Deleneco (formerly had also included AutoUnion office in 'available for sale' also).

For 2014, 2015 we do not separate out 'costs non-property management' from 'other operating costs'

Balance sheet highlights

EURO (m)	2014	2015	1H16	2H16E	2016E	2017E
Total assets	66.8	124.6	122.3	103.0	103.0	101.0
Net debt (including redeemable pref., finance lease)	29.7	70.7	68.4	49.0	49.0	47.0
NAV (excluding minorities)	32.6	42.5	41.3	44.0	44.0	45.0
NAV per share (diluted) EURO	**0.84**	**0.41**	**0.40**	**0.43**	**0.43**	**0.44**

Source: SPDI accounts; Hardman & Co Research

Note the anticipated rise in NAV 2016 being the disposal profit on Terminal Brovary.

2016 asset reduction 2016 is Autounion (part holding), Terminal Brovary, some resi.

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