SECURE PROPERTY
DEVELOPMENT & INVESTMENT

HALF YEAR REPORT

H1-2014

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SECURE PROPERTY DEVELOPMENT AND INVESTMENT PLC

KIRIAKOU MATSI 16, AG. OMOLOGITES,1082, NICOSIA,CYPRUS

This report may contain forward-looking statements about the Company. Such statements are predictive in nature and depend upon or refer to future events or conditions and may include such words as ''expects'', ''plans'', ''anticipates'', ''believes'', ''estimates'' or other similar expressions. In addition, any statement regarding future performances, strategies, prospects, actions or plans is also a forward-looking statement. Forward-looking statements are subject to known and unknown risks and uncertainties and other factors that may cause actual results, events, activities and achievements to differ materially from those expressed or implied by such statements. Such factors include general economic, political and market conditions, interest and foreign exchange rates, regulatory or judicial proceedings, technological change and catastrophic events. You should consider these and other factors carefully before making any investment decisions and before relying on forward-looking statements.

1. Management Report

1.1. Corporate Overview & Financial Performance

In summary

During the first half of 2014, the management has been successful in its strategy of:

a) driving forward the growth and diversification plan, the cornerstone of the Company's strategy to become a large regional property company;

b) ensuring that the Ukrainian assets continued to produce sustainable and recurring revenues; and,

c) addressing the lingering legal "legacy liabilities" (those predating the Company's restructuring in August 2011) in Odessa & Brovary.

While the economic climate in Europe improved substantially in 2013 (with Greece and Cyprus addressing the issues required to stimulate an economic recovery), 2014 started with troubles in Ukraine which have evolved in a full blown military and economic crisis. Currently the situation in eastern Ukraine remains unstable with wider uncertainty still surrounding the territorial integrity of Southern Ukraine. As a result the Hryvnia experienced a substantial devaluation of circa 40%, while the wider Ukrainian economy remains challenged.

In line with our stated growth strategy, the Company transacted several acquisitions in the greater South East European region, and specifically in Romania and Greece. While Romania is demonstrating the most robust economic fundamentals in the region, Greece is recovering and also offers substantial opportunities.

During the reporting period, the Company acquired the Innovations Logistics Park, which is located on Bucharest's ring road and is the main cold storage facility of Nestle in Romania. The asset will generate a NOI of approximately US$1.8m for the Company, starting from June 2014.

In addition, the Company signed binding Agreements (which were executed in August 2014) for the acquisition of three more assets:

a) a logistics terminal in the outskirts of Athens, rented mostly to the German logistics operator Kuehne+Nagel;

b) an office building in Bucharest that houses (under a 12 year lease agreement) the headquarters of Danone in Romania; and,

c) a portfolio of 122 apartments in Bucharest which are almost fully let.

These three assets will bring into the Company an additional annualized NOI of more than US$3.1m.

In June 2014, the Company engaged SP Angel as its Nominated Advisor, a company that not only has the capabilities and experience to act in such capacity but expressed both support for SPDI's potential and a strong willingness to join us.

During the period, the Management continued to spend time on finalizing the restructuring of the EBRD loan, which has been agreed since March 2013, but was delayed until January 2014 when the B Lender (Bank of Cyprus) gave its agreement, only for EBRD and the borrower to then request some additional clauses in the spring of 2014. However, the Management believes that the restructuring will be signed within 2014.

2. Regional Economic Developments [1]

Ukraine

According to the estimates, real GDP decreased by 1.1% year on year ("yoy") in Q1 2014, which is well below the consensus forecast of -5.3%, indicating that the political turmoil has not yet fully affected the major economic sectors.

In Q1 2014, the Current Account Deficit shrank to 3.8%, mainly because of decline in imports (-18.3% yoy). A major reason for the latter is the decrease in energy imports by 25.9% yoy, while non-energy imports dropped by 15.5%, reflecting the lower domestic demand, as well as the depreciation of the Hyrvnia.

The National Bank of Ukraine decided to raise the discount rate to 9.5% from 6.5%. The social and political tensions contribute further to macroeconomic conditions which pose risks to price stability, with inflation growing at faster rate in Q1 2014. It is indicative that inflation grew to 3.4% in March from 1.2% in February.

The International Monetary Fund Executive Board approved an exceptional two year USD17 billion Stand-By Arrangement, with USD3.2 billion being immediately disbursable. This is expected to unlock further international assistance from other donors such as World Bank and the EBRD.

Macroeconomic data and forecasts					
	2010	2011	2012	2013	2014f
GDP (USD bn)	136,2	163,4	176,2	177,8	170,7
Population (mn)	45,8	45,6	45,6	45,5	45,5
GDP (constant prices y-o-y %)	4,2	5,2	0,2	0,0	-6,5
CPI (average, y-o-y %)	9,4	8,0	0,6	-0,2	6,0
ILO Unemployment rate (%)	8,1	7,9	7,5	7,4	10,0
Net FDI (USD bn)	5,7	7,0	6,6	3,3	5,0

Sources : IMF, Raiffeisen Research, National Sources, Eurobank EFG

Romania

Romania's Real GDP soared by 3.8% yoy in Q1 2014 from an average growth of 1.6% per quarter in H2 2013. The Current Account Deficit inched up by 0.2 pps to 0.2% of GDP, in Q1 2014. Simultaneously, the trade deficit leveled off, in yoy terms, at 0.4% of GDP, and the import growth was offset by an increase in exports (10.1% yoy in Q1 2014 vs 13.3% in Q4 2013).

On July 1st, the National Bank of Romania decided to keep the annual monetary policy rate unchanged at 3.5% and to pursue adequate liquidity management in the banking system. Moreover, it decided to lower the minimum reserve requirement ratio on foreign currency-denominated liabilities of credit institutions to 16% from 18%.

Standard and Poor's upgraded Romania to investment grade by raising its credit rating by one notch to BBB-. This decision came mainly as a result of an adjustment in Romania's external imbalances, such as the Current Account Deficit that from a high of 14.3% of GDP in 2007 decreased to 1.1% in 2013.

During the European Parliamentary elections the ruling Social-Democratic Union gained 37.6%, winning 16 out of a total of 32 seats, reflecting its dominance, while the liberal PNL was the second largest party with 15% (6 seats).

[1] Sources : World Bank Group, Eurostat, National Bank of Greece, Elstat, UniCredit Group – research Division, Eurobank Research, NBG Strategy and Economic Research Division, National Institute of Statistics- Romania, National Statistical Institute –Republic of Bulgaria.

Macroeconomic data and forecasts					
	2010	2011	2012	2013	2014f
GDP (EUR bn)	124,4	131,4	131,8	142,2	149,3
Population (mn)	21,5	21,4	21,3	21,3	21,2
GDP (constant prices y-o-y %)	-1,1	2,2	0,7	3,5	2,8
CPI (average, y-o-y %)	6,1	5,8	3,4	4,0	2,5
Unemployment rate (%)	7,3	7,4	7,0	7,3	7,2
Net FDI (EUR bn)	2,2	1,8	2,2	2,6	3,0

Sources : IMF, Raiffeisen Research, National Sources, Eurobank EFG

Bulgaria

Real GDP growth in Bulgaria stood at 1.2% yoy in Q1 2014, which is the same level of increase seen in the first quarter. However, a positive 3.1% yoy increase in domestic demand is significantly higher than the 0.6% yoy decrease seen in Q4 2013. The Current Account Deficit narrowed by 0.8 pps to 0.2% of GDP in Q1 2014, mainly due to lower income inflows related with FDI and higher official transfers. In addition, the trade deficit widened to 2% of GDP, mainly because of a steep decrease of 6.9% in exports, particularly to Ukraine and Turkey (-15.2%).

The Coalition government of Bulgaria, led by the Bulgarian Socialist Party and the Movement for Rights and Freedoms, faced a vote of no confidence during the European Parliaments elections on May 25th, with the main opposition party (GERB) gaining 30.4% of vote and the Coalition for Bulgaria gaining 18.9%.

Corporate Commercial Bank, the fourth-largest lender in terms of assets, and owner of the local unit of Credit Agricole, was placed in receivership. As a result, the Central Bank of Bulgaria decided to increase the capital of the bank, whilst also adopting amendments to BNB Ordinance No. 6 on Extending Collateralized Lev Loans to Banks. Amongst other things, these amendments set the required percentage of collateral at 100% of the original amount of the resources provided, in case of need. Moreover, the Bulgarian Central Bank reduced interest rates on deposits held with Corporate Commercial Bank down to the average market rate.

Macroeconomic data and forecasts					
	2010	2011	2012	2013	2014f
GDP (EUR bn)	36,1	38,5	39,7	39,9	42,0
Population (mn)	7,5	7,3	7,3	7,3	7,2
GDP (constant prices y-o-y %)	0,4	1,8	0,8	0,9	1,6
CPI (average, y-o-y %)	2,4	4,2	3,0	0,9	-0,4
Unemployment rate (%)	10,2	11,2	12,3	12,9	12,7
Net FDI (EUR bn)	1,0	1,2	1,2	1,1	1,2

Sources : IMF, Raiffeisen Research, National Sources, Eurobank EFG

Greece

The Greek economy is expected to record marginally positive growth in 2014 for the first time in six years, as subdued domestic demand will be offset by robust exports. A return to stronger, more broad based growth is anticipated for 2015 when rising export orders on the back of higher external demand and improving competitiveness of Greek producers eventually feeds into private investment activity. A fiscal slippage is still the main risk to growth. In addition, Greek economy has benefited from the spectacular increase in tourist arrivals in 2013 and in the first semester 2014.

Macroeconomic data and forecasts					
	2010	**2011**	**2012**	**2013e**	**2014f**
GDP (EUR bn)	222,2	208,5	193,4	182,1	193,6
Population (mn)	11,2	10,8	11,1	11,0	10,9
GDP (constant prices y-o-y %)	-2,0	-1,1	0,2	1,0	-1,2
CPI (average, y-o-y %)	2,4	4,2	3,0	0,9	-0,4
Unemployment rate (%)	12,7	17,9	24,5	27,5	27,2
Net FDI (EUR mn)	249,0	822,0	1354,0	1936,0	27,2

Sources : World Bank Group, Eurostat, National Bank of Greece, Elstat

3. Real Estate Market Developments[2]

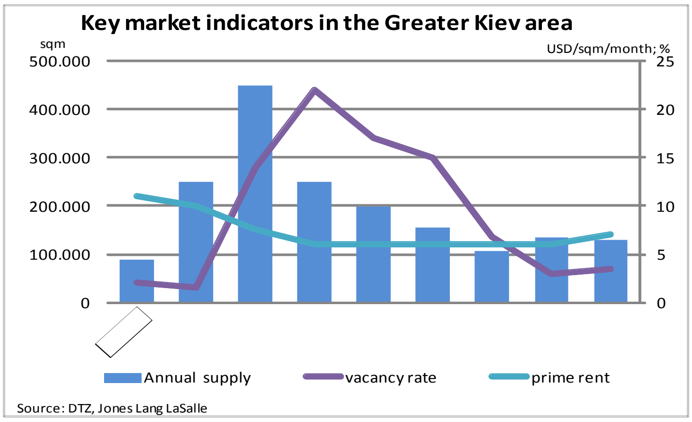
3.1 Ukraine

General

The social and political turbulence that began in Ukraine in late 2013 has resulted in a significant number of potential deals being put on hold.

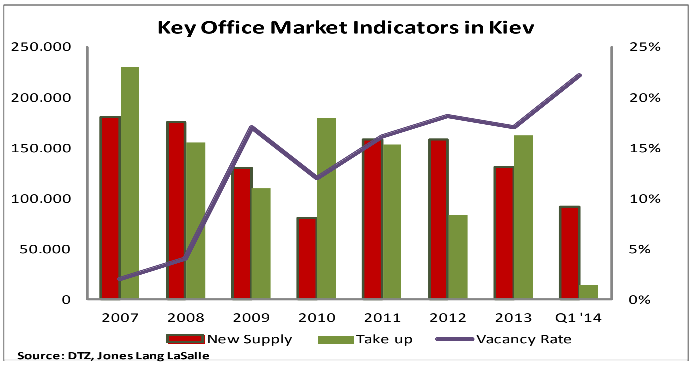
Logistics Market

In Q1 2014, the total warehouse stock in Kiev stood at 1,489,000 sqm, having upward prospects for 2014. The vacancy rate leveled off at 3.5%, having improved consistently from 24%, five years ago.



Office Market

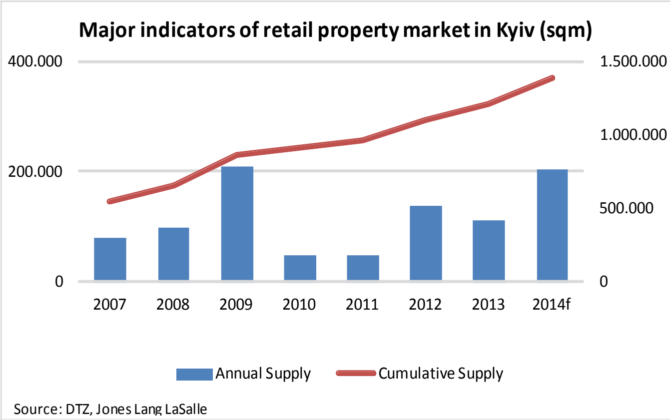
In Q1 2014 there was a 28.7% yoy increase in new office development to 91,400 sqm, which is the highest level of quarterly completion since 2011. 63% of the sqm delivered is Class B, with 76% of the space located on the Right Bank of Kiev. The high level of completions in combination with relatively low demand pushed the vacancy rate from 18.7% in Q4 2013 to 22.1% in Q1 2014.



Retail Market

The political turmoil resulted in the mothballing of almost 50% of the shopping centres which were expected to complete in 2014. In Q1 2014, demand decreased significantly and as a result the vacancy rate almost doubled to 6.3%. The prime rent remained flat at USD100 sqm/year.

[2] Sources : National Bank of Greece, Bank of Greece, Eurobank, Jones Lang LaSalle, DTZ Research, CBRE Research, Colliers International, Cushman & Wakefield, MBL Research.



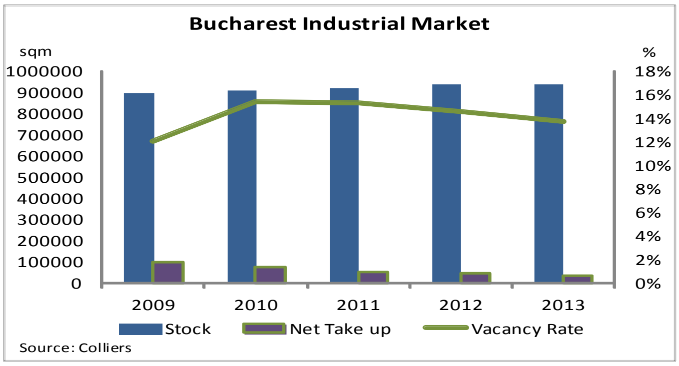
3.2 Romania

General

In 2013, the investment market recorded deals (yielding assets) with a total volume of approximately EUR300 million, an increase of almost 100% compared to 2012.

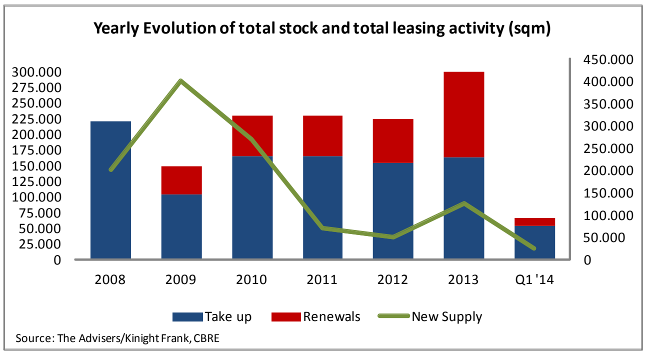
Logistics Market

The rate of construction of new warehouses remains low, although vacancy rate dropped to below 14% in 2013.



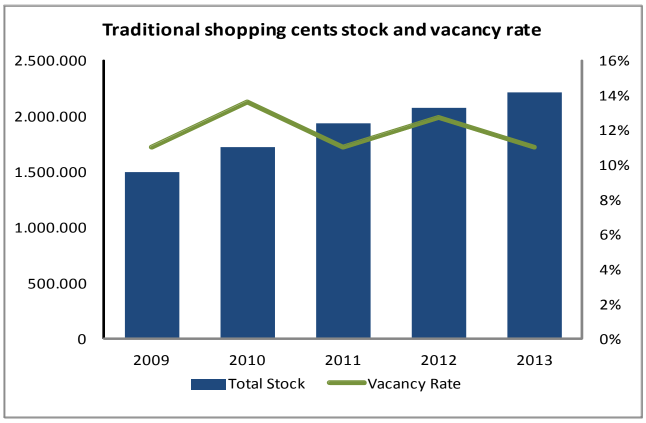
Office Market

In Q1 2014, two office buildings were completed, adding 25,000 sqm of space and pushing up the total stock to 2.17 million, constituting 38% of class A space and 62% of Class B space. During the same period, 66,500 sqm of office space was transacted, which is up by 8% compared with the same quarter of 2013. The headline rent and yield remained relatively stable at EUR18 per sqm per month and 8.25%, respectively.



Retail Market

Total Romanian traditional retail stock has increased by 47% over the last five years, although the speed of development has decelerated during the last two. 2014 is expected to be the year with the lowest levels of new supply since 2008, although supply is expected to increase from 2015 to 2017. In addition, rents have begun to stabilise following the limited levels of new supply that came online during 2013 and their steep decrease of around 10%, during 2012.



Residential Market

In Q1 2014, on yoy terms, there are signs of clear stabilization in residential prices despite an aggregated decrease of over 40% from 2008. Prices are expected to pick up in 2014 and accelerate in 2015.

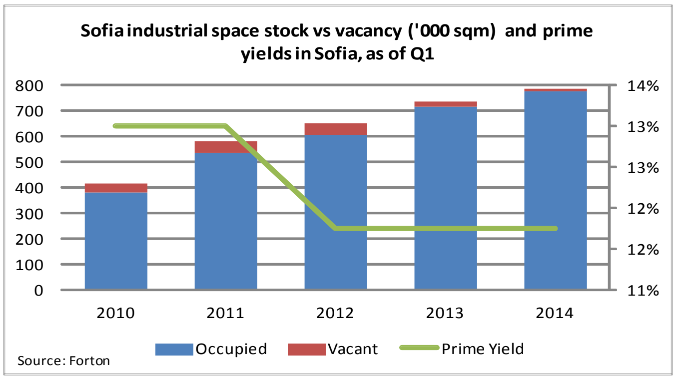
3.3 Bulgaria

General

According to preliminary results, the overall volume of construction in the first half increased 6.2% yoy, mainly driven by civil engineering (+14.7% yoy), whilst building construction dropped slightly by 0.1% yoy.

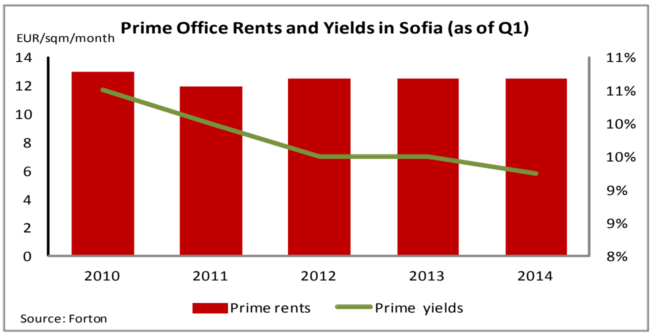
Logistics Market

In Q1 2014, total stock in Sofia inched up by 1% over the previous quarter at 803,000 sqm, due to the diminished pipeline, whilst, in Q1 2014, the lowest quarterly construction volume since 2010 was recorded. Rental levels remained stable at EUR3.5 per sqm per month, while the market continued to be characterized by a lack of high-quality stock.



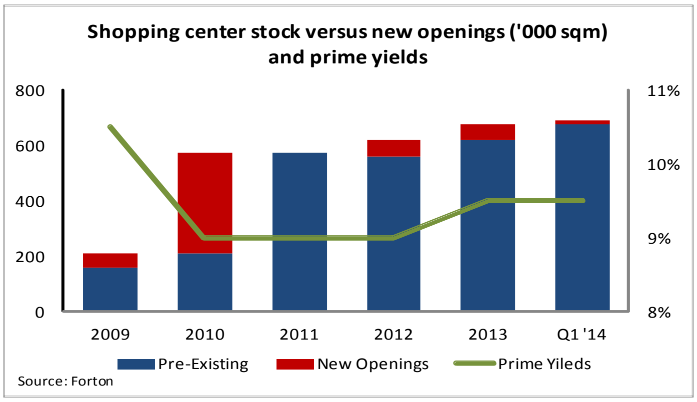
Office Market

Total office stock in Sofia increased by approximately 30,000 sqm to 1.68 mln sqm, while the pipeline contracted further to 143,000 sqm. The major players in the market were the IT and outsourcing sectors.



Retail Market

In Q1 2014, the total leasable area of operational shopping malls stood at 688,000 sqm, while there is another 47,000 sqm that represents existing, but non operational shopping centers. Against this backdrop, the main retailers focused on established projects in the large cities.



3.4 Greece

General

The Greek real estate market is showing signs of emerging from a five year recession with a significant amount of distressed assets, but also with plenty of interested investors looking for opportunities.

Office Market

Prime rents have stabilized at €19.00/sqm/month, although price levels remain almost 60% off their ten year high and no significant construction projects have been initiated. The overall vacancy rate, which at the end of Q2 2014 was 11.2%, is expected to decline further by the erosion of current overhang space. The number of investors remains limited.

Retail Market

Deflation is providing some relief to domestic budgets and is set to continue throughout 2014. Meanwhile, retail sales volumes recorded a significant upturn in April with growth of 7.3% year on year. Another promising factor is that a considerable number of units previously occupied by banks have now been leased to retail tenants, especially in central locations, despite a slow improvement in economic conditions.

4. Property Assets

4.1 Aisi Brovary – Terminal Brovary Logistic Park , Ukraine

Project description

The Brovary Logistic Park consists of a 49,180 sq m GLA Class A warehouse and associated office space. The building has large facades to Brovary ring road, at the intersection of the Brovary (E-95/M-01 highway) and Borispil ring roads. It is located 10 km from Kiev city border and 5 km from Borispol international airport.

The building is divided into six independent sections (each at least 6,400 sq m), with internal clear ceiling of 12m height and industrial flooring constructed with an anti–dust overlay quartz finish. The terminal accommodates 90 parking spaces for cars and trucks, as well as 24 hour security and municipal provided sewage, water and garbage collection.

Current status

As of the end of June, the building remained 90% leased, with a 100% lease of its warehouse capacity leased.

4.2 Innovations Logistics Park, Romania

Project description

The Park incorporates approximately 8,470 sqm of multipurpose warehousing space, 6,395 sqm of cold storage and 1,705 sqm of office space. It is located in the area of Clinceni, south west of Bucharest center, 200m from the city's ring road and 6km from Bucharest-Pitesti (A1) highway. Its construction was tenant specific, was completed in 2008 and it comprises four separate warehouses, two of which offer cold storage.

Current status

As of the end of June the warehouse was 100% leased with Nestle Ice Cream Romania being the anchor tenant (100% of cold space and 72% of total NOI), following the recent renewal of its lease .

4.3 Dimitriou Warehouse and Photovoltaic Park, Greece

Project description

The 17,756 sqm complex that consists of industrial and office space is situated on a 44,268 sqm land plot in the West Attica Industrial Area (Aspropyrgos). It is located at exit 4 of Attiki Odos (the Athens ring road) and is 10 minutes from the port of Piraeus and the National Road. The roofs of the warehouse buildings house a photovoltaic park of 1,000KWp.

The buildings are characterized by high construction quality and state-of-the-art security measures. The complex includes 100 car parking spaces, as well as two central gateways (south and west).

Current status

The Company reached a binding agreement in August for the acquisition of the asset which is expected to be concluded upon the transfer of the asset from previous owner to a newly formed company, and completion of certain other conditions. The complex is currently 100% occupied, while the major tenant (approximately 70%) is the international transportation and logistics company Kuehne + Nagel .

4.4 EOS Business Park – Danone headquarters, Romania

Project description

The park consists of 5,000 sqm of land including a class “A” office building of 3,386 sqm GLA and 90 parking places. It is located next to the Danone factory, in the North-Eastern part of Bucharest with access to the Colentina Road and the Fundeni Road. The Park is very close to Bucharest’s ring road and the DN 2 national road (E60 and E85) and is also serviced by public transportation. The park is highly energy efficienct.

Current status

The Company has reached a binding agreement in August for the acquisition of the asset which is expected to be finalised upon completion of certain conditions. The complex is currently fully let to Danone Romania, the French multinational food company, until 2026.

4.5 Residential portfolio

- **Romfelt Plaza (Doamna Ghica), Bucharest, Romania**

Project description

Romfelt Plaza is a residential complex located in Bucharest, Sector 2, relatively close to the city center, easily accessible by public transport and nearby supporting facilities and green areas.

The residential unit portfolio acquired by the Company comprises 2,990 sqm across nine studios, six two bed apartments and thirteen three bed apartments, all located in buildings A, D, E, F, and I.

Current status

As of the date of issuance of this report the total existing leases stood at 21 indicating an occupancy rate of 75%.

- **Linda Residence, Bucharest, Romania**

Project description

Linda Residence is a residential complex located in Bucharest, Sector 3, close to subway transportation which connects the project to all areas in Bucharest in less than 30 minutes.

The 2,642 sqm residential portfolio acquired by the Company comprises twenty seven apartments including two studios, fifteen two bed, eight three bed and two four bed apartments, as well as 27 storage spaces, and 20 surface parking spaces.

Current status

As of the date of issuance of this report there are a total of 12 total existing leases indicating an occupancy rate of approximately 44%.

- **Monaco Towers, Bucharest, Romania**

Project description

Monaco Towers is a residential complex located in South Bucharest, Sector 4, enjoying good car access due to the large boulevards , public transportation, and a shopping mall (Sun Plaza) reachable within a short driving distance or easily accessible by subway.

The residential portfolio acquired by the Company comprises forty apartments, twenty five two-room apartments and fifteen three-room apartments, totaling 3,609 sqm.

Current status

As of the date of issuance of this report the total existing leases stood at 30 indicating an occupancy rate of 75%.

- **Blooming House, Bucharest, Romania**

Project description

Blooming House is a residential development project located in Bucharest, Sector 3, a residential area with the biggest development and property value growth in Bucharest , offering a number of supporting facilities such as access to Vitan Mall, kindergartens, café, schools and public transportation (both bus and tram).

The residential unit portfolio acquired by the Company comprises twenty seven apartments, comprising twelve two bed, forteen three bed, and one five bed, totaling 2,387 m^2, plus 28 parking spaces, 13 above ground, 15 underground.

Current status

At the end of the reporting period the total existing leases stood at eighteen (18) indicating an occupancy rate of approximately 67%.

4.6 Land Bank

- **Aisi Bela – Bela Logistic Center**

Project description

The site consists of a 22.4 ha plot of land with zoning allowance to construct up to 103,000 sqm GBA industrial properties and is situated on the main Kiev – Odessa highway, 20km from Odessa port, in an area of high demand for logistics and distribution warehousing.

Current status

Following the completion of planning and issuance of permits in 2008, construction commenced, with column foundation and peripheral walls for 100,000 sqm completed in 2009. Development was then put on hold, due to lack of funding and deteriorating market conditions.

- **Kiyanovskiy Lane – Land for Residential Complex**

Project description

The project consists of 0.55 ha of land located at Kiyanovskiy Lane, near Kiev city centre. It is destined for the development of business to luxury residences with beautiful protected views overlooking the scenic Dnipro River, St. Michaels' Spires and historic Podil.

Current status

The concept design of the project is under review with the proposed development to include residential apartments (GBA of circa 21,000 sqm) and 100 parking spaces across two basement levels.

- **Tsymlyanskiy Lane – Land for Residential Complex**

Project description

The 0.36 ha plot is located in the historic and rapidly developing Podil District in Kiev. The Company owns 55% of the plot, with one local co-investor owning the remaining 45%.

Current status

In 2009, all necessary documents were submitted to relevant authorities for approval and issuance of a construction permit. The plan was to develop approximately 10,000 sqm GBA of 40 high end residential units and office spaces on lower floors, as well as 41 parking spaces over three underground levels. Since then, the project has been mothballed.

- **Balabino-Land for Retail/Entertainment Development**

Project description

The 26.38 site is situated on the south entrance of Zaporozhye city, three km away from the administrative border of Zaporozhye. It borders the Kharkov-Simferopol Highway (which connects eastern Ukraine and Crimea and runs through the two largest residential districts of the city) as well as another major artery accessing the city centre.

UKRAINE


SATELITE MAP OF ZAPOROZHYE

Current status

The site is zoned for retail and entertainment and various development options are being evaluated as per the market's needs.