SECURE PROPERTY
DEVELOPMENT & INVESTMENT

HALF YEAR REPORT
H1-2013

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SECURE PROPERTY DEVELOPMENT AND INVESTMENT PLC
KIRIAKOU MATSI 16, AG. OMOLOGITES,1082, NICOSIA,CYPRUS
e-mail: kyivoffice@secure-property.eu, administrator@secure-property.eu

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1. Management Report

1.1. Corporate Overview & Financial Performance

In summary

During the first half of 2013, the management has focused on retaining the high level of sustainable and recurring revenues generated by Terminal Brovary, eliminating one of the last remaining "legacy liabilities" (those predating the Company's restructuring in August 2011), addressing a number of legal claims against the business and finalizing the refinancing of the EBRD loan amortization. In parallel, management has devoted considerable efforts to progressing the pipeline of income yielding acquisition targets in line with the Company's strategic growth plan and to raising debt and equity capital to effect this plan.

The economic climate in Europe, despite no major improvements, appears to have stabilized and sentiment across the continent is improving. Greece, Italy and Spain are still in challenging circumstances, but their respective governments are pushing forward with their financial stability and reform plans. Unemployment remains the key concern and social unrest, despite being subdued, remains a background risk. As a consequence of the slow recovery, bank lending remains constrained, with deleveraging plans restricting liquidity in all countries including those in which the Company operates in or plans to enter.

As per its stated growth plan, the Company is progressing several potential acquisitions in the greater South East European region, and specifically in Romania and Bulgaria. Target assets have been identified and are under due diligence with a view to finalizing a transaction during H2-2013.

At the same time the Company is progressing discussions with various banks in the region for securing debt financing at competitive terms for these transactions.

In parallel with these due diligence and the debt raising activities, the Company successfully completed a further equity raising with seven investors contributing a total of $17 million in February 2013. The Company aims to raise further capital in order to support the realization of its acquisition plan.

Operationally, the Company increased gross revenues from Terminal Brovary by 135% in comparison with last year to $1.8 million. At the same time the legacy liability to Altis (General Contractor of Terminal Brovary), has been settled and paid.

While the operational optimization process continues, the management has also focused on the restructuring of the EBRD loan amortization so as to match Company inflows with outflows for the foreseeable future. The process being substantially progressed, the Company expects to conclude this soon and will make a further announcement in due course.

Remuneration Committee

The Remuneration Committee concluded its assessment and forwarded to the Board, which subsequently approved, its proposal on the Directors and Management remuneration plan. The share option portion of the remuneration plan will be brought to a vote of the shareholders of the Company at the Annual General Meeting prior to implementation.

Financial performance

The first half of the year saw, yet again, an increase in revenues, compared to the same period last year. During the period there was a 35% reduction in overall operating expenses which fell to $1.4 million from $2.1 million in H1 2012. As a result of this and the operational efficiency improvements, the operating profit for H1 2013 reached $239,130 compared to a loss of $1,584,478 in H1 2012.

Capital Raising

During the period, seven investors contributed a total of $17.05 million as a part of the ongoing capital raise in the Company (http://www.secure-property.eu/wp-content/uploads/2013/02/13-02-28-SECURE-PROPERTY-Completion-of-Placing-of-17.05-million.pdf).

Liquidity Management

The Group continues its prudent and optimal cash flow management in line with liquidity needs and, at the end of the period, the Company had $15 million in immediate cash liquidity to be used for implementing its growth plan as well as for working capital purposes.

As part of its active cash management, the Company transferred most of its cash out of the Cypriot home bank (CPB) just weeks before CPB went bust, eliminating almost entirely the effects of the collapse of the Cypriot economy. In fact the Cypriot banking crisis resulted in only a $135,000 loss for the Company (not recognized during the period in view of the expected receipt of BoC shares instead).

As part of the EBRD loan restructuring process, the Company repaid $1.04 million of the EBRD- Terminal Brovary loan during the reporting period. The outstanding loan amount currently stands at $15.3 million, including the previous restructuring fees and interest.

2. Regional Economic Developments [1]

Ukraine

In Ukraine GDP dropped to -1.1% year-on-year in Q1 2013 (-0.8% in Q4 2012 and -2% in Q3 2012). However, in quarter-on-quarter terms GDP increased slightly by 0.7%, following a series of consecutive declines. Industry contracted by 5% in Q1 2013, while the construction sector slumped by 16.8%. On the other hand, household demand still supports the economy, while real wages increased by 9.9% in Q1 and retail sales grew significantly by 13.4%. Moreover, net exports' contribution to GDP became positive for the first time since Q1 2010. Agriculture grew by 5.8% during the period from January to March 2013.

In June 2013, the National Bank of Ukraine cut interest rates by 0.5% to 7%, a decision primarily driven by the close-to-zero inflationary levels, the deposit growth in the banking sector, as well as the diminishing cost of funds.

The government is showing a dedication to implement reform policies, which should help to support an IMF deal. On the positive side Ukraine, continues to repay current foreign debt through international refinancing. However, Ukraine may be forced by the wide current account gap and the growing limited access to global markets to reach an agreement with the IMF by September 2013. The main discussion points for implementation of an IMF deal are the hikes in gas prices, UAH depreciation and fiscal consolidation measures.

Romania

Romania has made progress with its economic reforms. The Excessive Deficit Procedure led by the EU was closed to Romania, since the country's deficit was reduced below 3% of GDP. Moreover, the seventh and eighth IMF reviews of Romania's performance under its economic program were successfully completed, a fact that makes an additional amount of approximately €520.74 million available for disbursement. According to the IMF's release, although downside risks still exist, core inflation remains low, and the fiscal and current account balances are sustainable.

GDP growth is forecast to reach 2.2% in 2013 up from just 0.7% in 2012. One of the positive trends is the strength of the export market, which is a result of the broadening of Romania's export base, particularly in the automotive sector (40% of total exports) despite the recession in the EU. Particularly, exports increased by 7.2% in April 2013 from 1.9% in H2 2012, while imports inched up by just 0.5% in April 2013 from -2.1% in H2 2012, partly as a result of weak domestic demand. The 12-month rolling Current Account Deficit has already narrowed to a low of 2.6% of GDP in April, backed by the narrower trade deficit (0.7% of GDP).

An increase in risk aversion towards the Emerging Market assets over the past month resulted in pressures for leu depreciation, which reached an eight month high at 4.5503 EUR/RON in early June. Although inflation stood at 5.3% in March (above the 1.5 – 3.5% target band), the Central Romania Bank has taken the decision to cut the policy rate by 0.25% to 5%.

Bulgaria

GDP growth stood at 0.4% in Q1 2013, slightly improved from 0.1% in Q4 2012. Collective consumption contributed to the growth by increasing more than 3%, while imports and exports grew by 5.6% and 10.8% respectively.

The budget execution data reveals that Bulgaria outperformed its 2012 full year deficit target. The general government deficit (cash basis) declined by 78% to BGN350 million. The debt to GDP ratio is expected to drop at 14% by year end from 14.75% in January 2013.

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

Total expenditure per household surged by 15.2% year-on-year, which is in line with the 20.6% rise in wages and salaries that constitute more than half of household income. Generally, private consumption is expected to rise, because of the lower levels of inflation (2% in May 2013) and looser income policies, but at the same time remains hindered by tight credit conditions.

Bulgaria's new Socialist-led government won a parliamentary vote of confidence on 29 of May. The government is backed by the BSP party and the Turkish minority party MRF, while it is one seat short of a parliamentary majority and relies on support from the nationalist Ataka party. However, the situation remains fragile.

3. Real Estate Market Developments[2]

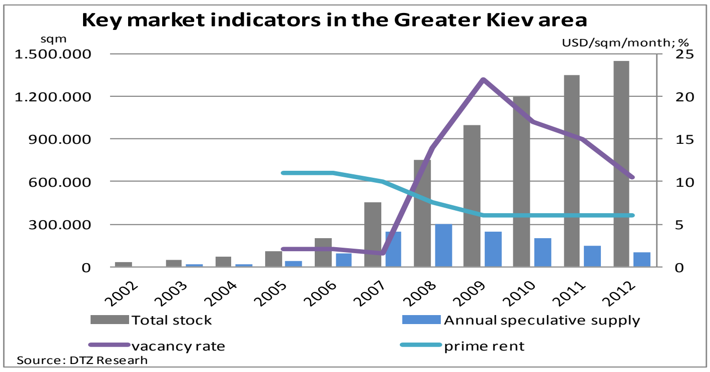
3.1. Ukraine

General

In 2012, approximately $580 million of investment transactions were registered. In 2013, prime yields are expected to remain unchanged and investment volumes are likely to stay moderate.

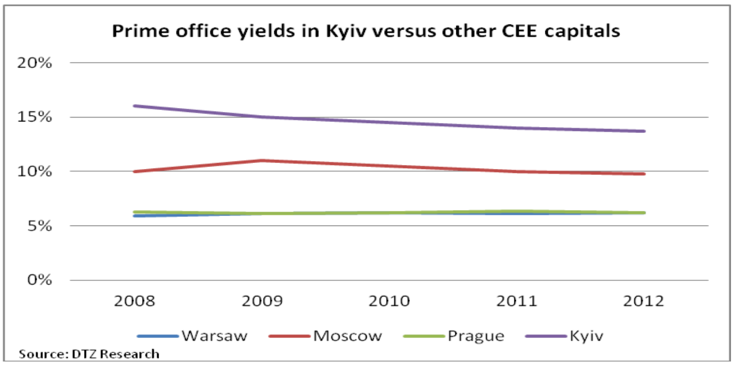
Logistics Market

In 2012, vacancy rates in the logistics sector dropped from 17% to 10% and are expected to decrease further during 2013. Simultaneously, a slowing of take-up is forecasted, due to uncertainty in respect of future economic developments.



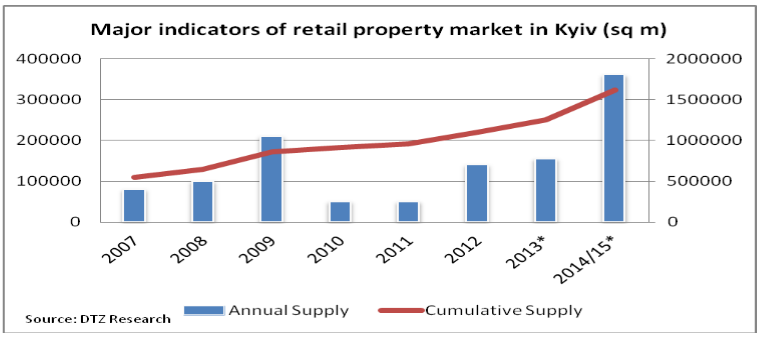
Office Market

The office market vacancy rate increased to 16.8% from 13.5%, due to office stock increase of ~12%. Another 170,000 sq m of office space is expected to be delivered in 2013, 70% of which will be Grade A office buildings. Consequently, headline rents are predicted to remain flat if not experiencing downward pressures.



Retail Market

In 2012 and during the first quarter of 2013, premium fashion brands such as Dolce & Gabana and Tom Ford opened their first mono-brand boutiques in Kiev. Moreover, Ukraine is expected to experience double-digit growth in shopping center floor space in the next 12-18 months, which translate into 520,000-1.1 million sq m of GLA.



[2] Sources : Jones Lang LaSalle, DTZ Research, CBRE Research, Colliers International, Cushman & Wakefield, MBL Research.

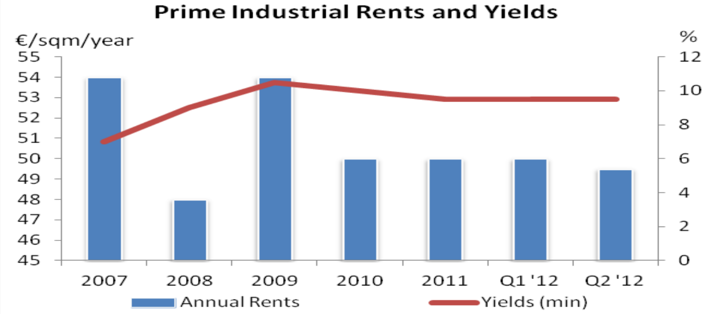
3.2. Romania

General

Real estate transactions in Romania grew by up to 32% in April 2013, while the real estate investments increased by 18% in Q1 2013.

Logistics Market

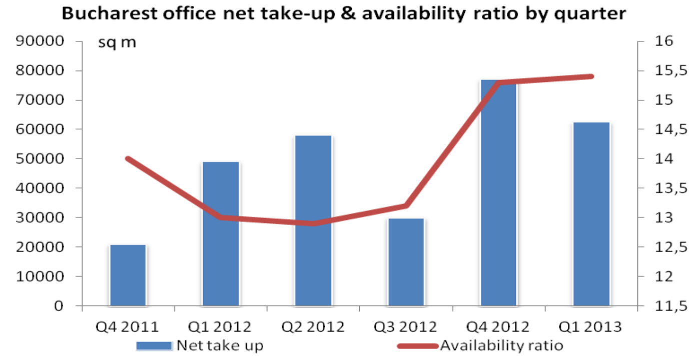
Carrefour's 45,000 sq m lease in the Europolis Logistics Park has been renewed, while the total take up for Q1 2013 was 65,000 sq m, being the largest aggregate transaction volume in Romania since 2007. Investors' interest seems to spread in Bucharest and other emerging markets such as Timisoara and Constanta. Apart from the traditional occupiers, there are some new industries such as manufacturing companies seeking to benefit from Romania's attractive production costs. In Q1 2013, there was only 17,600 sq m of logistics space under construction.



Source: Jones Lang LaSalle

Office Market

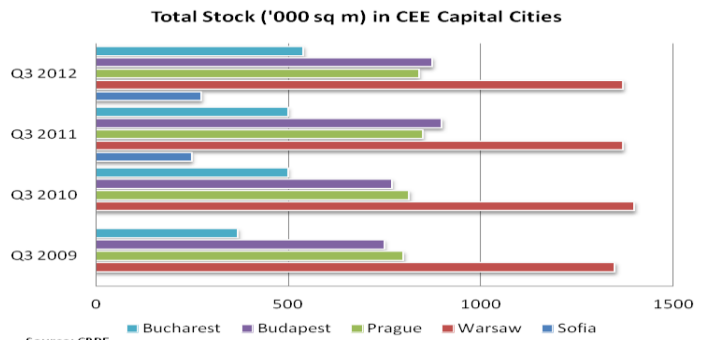
Over the first quarter of 2013, 72,000 sq m of new office space was delivered and, with 46% already secured under pre-let agreements, the vacancy rate only slightly increased to 15.4%. Take-up reached 62,500 sq m and while some new leases were signed, the bulk of activity is being driven by renewals or space consolidations due to cost reductions. The office pipeline is an estimated 147,000 sq m of which 23% is pre-let and approximately 51,600 sq m is expected to be completed in 2013.



Source: Jones Lang LaSalle, DTZ, C&W

Retail Market

The first quarter of 2013 saw the addition of a single shopping center of 15,000 sq m of GLA, with Uvertura City Mall opening its doors in downtown Botosani, in northern Romania. In the same period, the most important transaction was the purchase of the 50% share of Intercora's retail portfolio by Mitiska Ventures, consisting of eight stores.



Source: CBRE

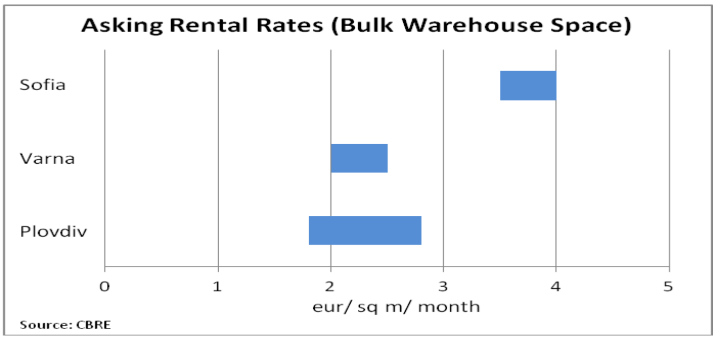
3.3. Bulgaria

General

According to the Bulgarian Registry Agency, the number of real estate deals increased by 23% in Q1 2013.

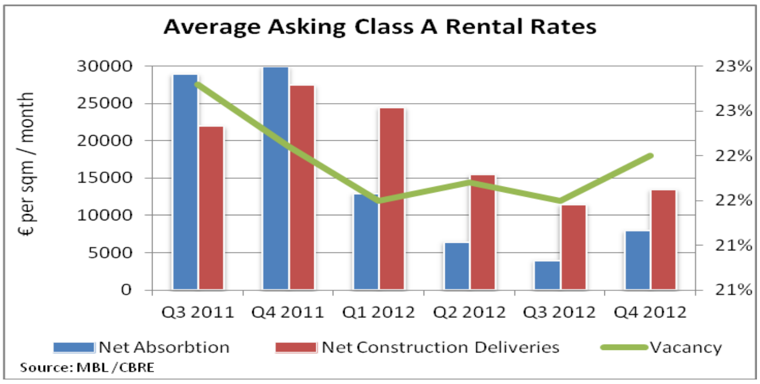
Logistics Market

Prime logistics yields moved around the 11.75% range, in a market characterized by a lack of high quality, accessible space. Although investors remain cautious, the vacancy rate dropped to 4% in Sofia, whereas Q4 2012 saw the highest absorption (40,700 sq m) in a year and half.



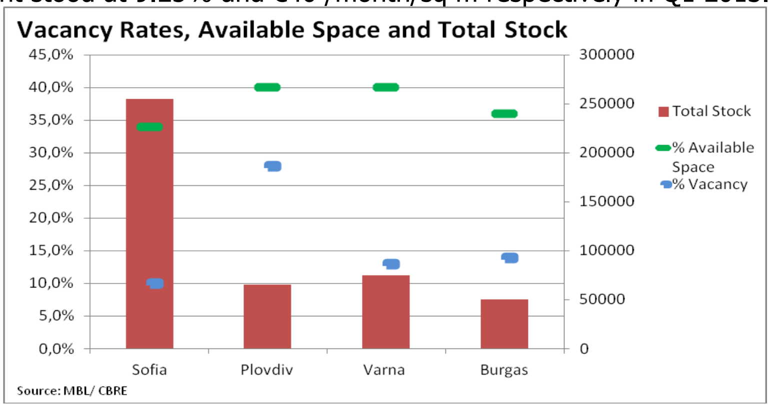
Office Market

The office sector did not experience any significant investment transactions. However, investors continue to monitor the prime market, where space is becoming scarcer. Key players are companies from the IT and Business Process Outsourcing sectors. Headline rents have maintained their levels, supported by incentive packages, while prime CBD yields are now in the region of 9.5%.



Retail Market

The first leisure and retail center in Sofia, Paradise Center, opened up in Q1 2013. The project is estimated to have cost €150 million and has more than 200,000 sq m built-up area, including 82,000 sq m for retail outlets, while 80% of already let to tenants including Zara, Marks & Spencer, H&M, and GAP. Prime yields and prime rent stood at 9.25% and €40 /month/sq m respectively in Q1 2013.



4. Property Assets

4.1. Aisi Brovary – Terminal Brovary Logistic Park (Kiev)

Project description

The Brovary Logistics Park consists of a 49,180 sq m GLA Class A warehouse and associated office space. The building has large facades overlooking the Brovary ring road, at the intersection of Brovary (E-95/M-01 highway), and the Boryspil ring road. It is strategically 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 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.

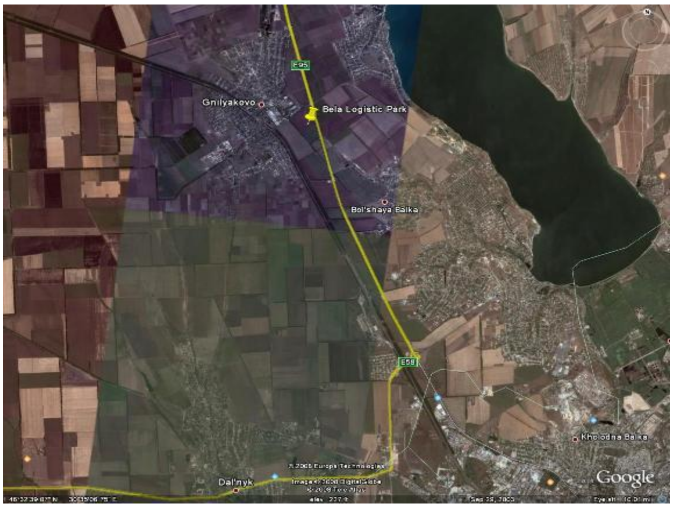
Current status

The property is fully let as far as the warehouse space is concerned, although a small space (circa 1.500 sq m) was empty for part of the period. However, due to its small size, this space is now being rented on a short term basis by existing tenants who need to expand. Average rent for the reporting period increased by 11.5% compared to H1 2012 with parallel increase at the average lease length from 1.5 years to 2.5 years.

4.2. Aisi Bela – Bela Logistic Center (Odessa)

Project description

The site consists of a 22.4 ha plot of land with zoning allowance to construct industrial properties of up to 103,000 sq m GBA. It is situated on the main Kiev – Odessa highway, 20km from Odessa port and 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 sq m being completed in 2009. Development was then put on hold due to lack of funding and deteriorating market conditions.

4.3. Kiyanovsky Lane – Land for Residential Complex

Project description

The project consists of 0.55 ha of land located at Kiyanovskiy, near Kiev city centre. Current plans are for the development of residential properties with beautiful protected views overlooking the scenic Dnipro River, St. Michael's Spires and historic Podil, when market conditions allow for it.

Current status

The Company is evaluating its options for the scheme, which include, inter alia, progressing with the development of the plot. In early 2012, the Company concluded geotechnical studies showing that the soft ground necessitates retaining walls prior to construction.

4.4. Tsymlyanski 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, while one local co-owner has the remaining 45%.

Current status

In 2009, all necessary documents were submitted to the relevant authorities for the approval and the issuance of a construction permit. The plan was to develop circa 10,000 sqm GBA of 40 high end residential units and sq. m of office space on lower floors, as well as 41 parking spaces in three underground levels. Since then, the project has been frozen and the land lease fee to the state was not paid last year. The Company is evaluating its options for the scheme, which include, inter alia, an outright sale as well as a contribution in kind to a larger development.

4.5. Balabino-Land for Retail/Entertainment Development

Project description

The 26.38 ha land site is situated on the south entrance of Balabino city, 3 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 ZAPOROZHY

Current status

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