

25 August 2011

# Hansteen

**Hansteen Holdings PLC**  
**(“Hansteen” or “the Group” or “the Company”)**  
**Half Year Results**

Hansteen Holdings PLC (LSE: HSTN), the investor in continental European and UK real estate, announces its half year results for the six months ended 30 June 2011.

## Financial Highlights

- Profit before tax increased by 115% to £16.8 million (HY10: £7.8 million)
- Normalised profits\* increased by 87% to £18.2 million\*\* (HY10: £9.7 million)
- Portfolio valued at £780.1 million (FY10: £744.6 million)
- 30 June 2011 diluted EPRA Net Asset Value of 87 pence per share (FY10: 84 pence per share\*\*\*)
- 30 June 2011 IFRS Net Asset Value of 86 pence per share (FY10: 83 pence per share\*\*\*)
- Annualised rent roll of £61.5 million (HY10: £58.2 million)
- Spring interim dividend of 2.1 pence paid May 2011, autumn interim dividend of 1.6 pence payable on 24 November 2011 (14% increase on the autumn 2010 interim dividend of 1.4 pence)

## Operational Highlights

- £150 million (£146.5 million net of expenses) raised by way of a Placing and Open Offer at a price of 81 pence per share
- 214 lettings and lease renewals with a total annual rent of £10 million
- 20 sales across the Group with a total value of £17.8 million, a yield of 5.7% and a combined profit above book cost of £1.2 million
- New £42 million loan concluded by the Hansteen UK Industrial Property Unit Trust (“HPUT”) for future acquisitions
- Existing currency hedge strengthened by moving the floor from €1.42 to the £1 to €1.20 to the £1

\* Profit before gains and losses on investment properties, sale of subsidiaries, sale of available for sale investments, foreign currency derivatives and foreign exchange and changes in fair value of interest rate derivatives

\*\* Including £5.3 million insurance receipt

\*\*\* Adjusted for the dilutive effect of the Placing and Open Offer announced on 13 April 2011

## James Hambro, Chairman, commented:

“This interim statement reports an encouraging first half and a significant financial strengthening of the Group. Profits are up both in total (£16.8 million compared to £7.8 million for H1 2010) and in earnings per share (2.8 pence compared with 1.6 pence for H1 2010). Net asset value has increased from 84 pence to 87 pence notwithstanding the £150 million placing and open offer and a materially increased dividend paid during the period. Furthermore, the Group has achieved this with low gearing and now has considerable capacity to make further acquisitions.”

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## **CHAIRMAN'S INTERIM STATEMENT**

This interim statement reports an encouraging first half and a significant financial strengthening of the Group. Profits are up both in total (£16.8 million compared to £7.8 million for H1 2010) and in earnings per share (2.8 pence compared with 1.6 pence for H1 2010). Net asset value has increased from 84 pence to 87 pence notwithstanding the £150 million placing and open offer and a materially increased dividend paid during the period. Furthermore, the Group has achieved this with low gearing and now has considerable capacity to make further acquisitions.

During the first half of 2011 Hansteen has continued to drive its business forward. Net occupancy, annual rent roll, profits and the dividend have all increased. The Board believes that opportunities arising from debt driven distress in the property sector will become more manifest and that capital, both debt and equity, will be more valuable. Accordingly, the Group has increased its acquisition capacity by raising of significant further equity, arranging a new acquisition facility for HPUT and through profitable sales.

### **Results**

Hansteen made £16.8 million profit before tax compared to a £7.8 million profit during the same period last year. The profit includes a one-off benefit of £5.3 million arising from an insurance claim in Bremen.

The normalised profit was £18.2 million compared to £9.7 million in the first half of 2010. This reflects, in particular, the positive performance of the HBI and Kilmartin acquisitions carried out in 2010.

In the light of the improving profits the Board has increased the interim dividend to be paid on 24 November 2011 by 14% to 1.6 pence per share (November 2010: 1.4 pence per share). The associated record date is 28 October 2011 and the ex-dividend date is 26 October 2011. In the absence of unforeseen circumstances the Board intends to continue to operate a prudently progressive dividend policy for the foreseeable future reflecting the growing profitability of the business.

The Net Asset Value per share measured on a diluted EPRA basis as at 30 June 2011 rose by 3.6% to 87 pence per share compared to 84 pence as at 31 December 2010 and on an IFRS basis rose by 3.6% to 86 pence compared to 83 pence per share as at 31 December 2010. The improvement in NAV was achieved after taking into account the May dividend payment and the Placing and Open Offer detailed below.

### **Firepower**

On 6 May 2011 Hansteen announced that shareholders had approved the successful raising of £150 million (£146.5 million net of expenses) by way of a fully underwritten Placing and Open Offer at a price of 81 pence per share.

In addition, shortly before the half year end, HPUT concluded a new £42 million acquisition facility with RBS secured against the existing HPUT portfolio to enable it to continue to build its portfolio. The loan is for a term of 4 years at an initial margin of 2.25% over 3 month LIBOR.

In the first half, the Group also concluded 20 sales with a total value of £17.8 million at a profit of £1.2 million over book value.

The net result of this activity is that, at the half year end, the Group has cash on its balance sheet of £209 million. Assuming prudent gearing of 50% loan-to-value, both on the balance sheet and in the HPUT, it has firepower of approximately £450 million.

Hansteen's track record as a reliable and professional purchaser continues to grow. This reputation, together with Hansteen's financial strength, is producing a number of interesting potential property opportunities for the Group to explore.

## Property Portfolio

The current business environment is well suited to Hansteen's business model which is to buy property that represents value on the fundamentals of high yield, low capital cost, sustainable rent levels and real opportunities to add value. The existing portfolio is robust and high yielding with excellent prospects for growth as the value inherent in the vacant property and the undeveloped land is realised either through letting or sale.

Excluding the properties within HPUT, at the half year Hansteen owned 1,802,000 sq m of property (30 June 2010 1,870,000 sq m) in the UK and Continental Europe with a value of £780.1 million (30 June 2010 £721.9 million) and an annualised rent roll of £61.5 million (30 June 2010 £58.2 million). This reflects a yield of 7.9% compared to Hansteen's average cost of borrowing of 3.5%. The growth in the rent roll was achieved despite sales of a number of income producing properties.

The property portfolio, including HPUT, increased in value from £829 million at 31 December 2010 to £863 million at the half year despite net sales in the period of £15 million. Excluding the effects of capital expenditure and currency movement the valuation showed an increase of approximately £1 million.

Overall occupancy improved, the vacant space at the beginning of the year was 480,563 sq m and at the half year 394,795 sq m. Occupancy continued to improve in Germany and there were also four sales, at a small profit over book value, which indicated a measure of liquidity returning to the market. Benelux and France remain challenging but even here the Group had some encouraging successes in lease renewals, lettings and sales. In France the vacancy fell from 29% to 9% as a result of the sale of a large vacant property albeit at a small loss against book value.

In total there were 214 new leases entered into in the first half with a combined annual rent roll of £10 million.

Set out below is a schedule of property reflecting our core operating areas: -

	No. Properties	Built Area sqm	Vacant Area (%)	Passing Rent		Value		Yield (%)
				Euros €m	Sterling £m	Euros €m	Sterling £m	
<b>UK</b>	44	44,409	43.44%	3.03	2.74	60	54	5.1%
<b>Germany</b>	85	1,285,432	18.69%	50.09	45.23	591	533	8.5%
<b>Benelux and France</b>	48	472,096	28.63%	15.02	13.56	213	193	7.0%
<b>Total Wholly Owned</b>	<b>177</b>	<b>1,801,937</b>	<b>21.91%</b>	<b>68.14</b>	<b>61.53</b>	<b>864</b>	<b>780</b>	<b>7.9%</b>
<b>HPUT</b>	11	195,127	31.95%	6.95	6.28	92	83	7.6%
<b>Total</b>	188	1,997,064	22.89%	75.09	67.81	956	863	7.9%

## **Finance and Hedging**

The net debt to value at 30 June 2011 was 34% compared with 53% at 31 December 2010. Hansteen currently has £475 million of borrowings of which £333 million is swapped at an average rate of 2.43% and £127 million is capped at an average rate of 4.61%. Although European interest rates have risen slightly in the first half Hansteen continues to benefit to a very large extent from the low prevailing interest rates (the average borrowing rate at 30 June 2011 was 3.51%). Borrowings are in the same currency as the assets secured.

Hansteen reports its results in Sterling although, at present approximately 50% of its net assets are denominated in Euros. In order to mitigate the risk of a substantial fall in the Sterling value of the portfolio arising from devaluation of the Euro, Hansteen purchased currency options in July 2010 to hedge the equity invested in the Eurozone. The hedge, to sell €200 million was effective at €1.42 to the £1 over a three year period. In June 2011 Hansteen sold those options and purchased replacement options to sell €200 million at a level of €1.20 to the £1. This will provide a more effective currency hedge for the next two and a half years. The net cost to the Group of the new hedging arrangements, after selling the old options, was £5.4 million. The Board regularly reviews the Sterling/Euro balance of net assets and considers appropriate hedging strategies.

The Group manages its Euro revenues and cash balances to ensure that it always has adequate Sterling resources to meet dividends.

## **Outlook**

In the light of the current stock market turmoil and the continuing uncertain economic outlook across Europe the Group will continue to focus on maintaining and improving occupancy and the rent roll and will take a cautious view of prospective acquisitions.

The Board believes that realising and distributing profits is key to sustaining long term shareholder value. The Group's property portfolio is diverse both geographically and in terms of number and type of occupier. The income it produces is robust and growing and the Board's progressive dividend policy reflects this. Furthermore the Board believes that the nature of the portfolio means that it will show long-term capital appreciation as the markets improve.

**James Hambro**  
**Chairman**  
24 August 2011

# HANSTEEN HOLDINGS PLC

## Condensed consolidated income statement for the six months ended 30 June 2011

Year ended 31 December 2010 £'000 Audited		<b>Six months ended 30 June 2011 £'000 Unaudited</b>	Six months ended 30 June 2010 £'000 Unaudited
	<b>Continuing operations</b>		
67,827	Revenue	31,331	23,090
(22,011)	Cost of sales	(6,222)	(4,565)
45,816	<b>Gross profit</b>	<b>25,109</b>	18,525
-	Other operating income	5,297	-
(9,564)	Administrative expenses	(5,878)	(4,694)
11,532	Negative goodwill recognised on acquisition of subsidiaries	-	-
(2,724)	Costs relating to acquisition of subsidiaries	-	-
588	Share of results of associates	1,267	98
45,648	<b>Operating profit before (losses)/gains on investment properties</b>	<b>25,795</b>	13,929
3,994	(Losses)/gains on investment properties	(728)	2,842
49,642	<b>Operating profit</b>	<b>25,067</b>	16,771
1,184	Profit on sale of available for sale investment	-	1,184
(2,306)	Changes in fair value of foreign currency derivatives	(1,813)	(684)
600	Finance income	448	384
(13,482)	Finance costs	(8,060)	(4,606)
(293)	Changes in fair value of interest rate derivatives	3,380	(4,227)
(2,162)	Foreign exchange losses	(2,188)	(977)
33,183	<b>Profit before tax</b>	<b>16,834</b>	7,845
(2,604)	Tax charge	(2,325)	(602)
30,579	<b>Profit for the period</b>	<b>14,509</b>	7,243
30,503	<b>Attributable to:</b> Equity holders of the parent	14,453	7,229
76	Non-controlling interests	56	14
30,579	<b>Profit for the period</b>	<b>14,509</b>	7,243
6.6p*	<b>Earnings per share</b> <b>Basic</b>	2.8p	1.6p*
6.6p*	<b>Diluted</b>	2.8p	1.6p*

\* Comparative earnings per share have been restated following the issue of new shares at a discount to fair value during the year (see note 11).



# HANSTEEN HOLDINGS PLC

## Condensed consolidated balance sheet as at 30 June 2011

31 December 2010 £'000 Audited		Note	30 June 2011 £'000 Unaudited	30 June 2010 £'000 Unaudited
<b>Non-current assets</b>				
1,946	Goodwill		2,051	2,004
237	Property, plant and equipment		201	235
728,239	Investment property		762,400	699,502
30,372	Investment in associates		31,637	29,882
1,505	Other investments		1,233	2,765
1,453	Deferred tax asset		1,320	1,720
2,648	Derivative financial instruments		7,172	4,171
<u>766,400</u>			<u>806,014</u>	<u>740,279</u>
<b>Current assets</b>				
16,397	Trading properties		17,670	22,386
24,110	Trade and other receivables		23,941	29,179
67,442	Cash and cash equivalents		209,039	26,291
<u>107,949</u>			<u>250,650</u>	<u>77,856</u>
<u>874,349</u>	<b>Total assets</b>		<u>1,056,664</u>	<u>818,135</u>
<b>Current liabilities</b>				
(16,999)	Trade and other payables		(20,524)	(16,204)
(2,709)	Current tax liabilities		(1,465)	(105)
(2,511)	Borrowings	12	(1,744)	(2,558)
(330)	Obligations under finance leases		(348)	(315)
-	Derivative financial instruments		-	(1,716)
<u>(22,549)</u>			<u>(24,081)</u>	<u>(20,898)</u>
<b>Non-current liabilities</b>				
(455,496)	Borrowings	12	(469,570)	(427,303)
(3,304)	Obligations under finance leases		(3,398)	(3,231)
(5,636)	Derivative financial instruments		(3,096)	(7,112)
(7,141)	Deferred tax liabilities		(9,121)	(6,239)
<u>(471,577)</u>			<u>(485,185)</u>	<u>(443,885)</u>
<u>(494,126)</u>	<b>Total liabilities</b>		<u>(509,266)</u>	<u>(464,783)</u>
<u>380,223</u>	<b>Net assets</b>		<u>547,398</u>	<u>353,352</u>
<b>Equity</b>				
45,365	Share capital	13	63,883	45,365
112,731	Share premium account		112,731	112,731
36,813	Translation reserves		52,732	25,723
184,462	Retained earnings		317,098	168,808
<u>379,371</u>	<b>Equity shareholders' funds</b>		<u>546,444</u>	<u>352,627</u>
852	Non-controlling interests		954	725
<u>380,223</u>	<b>Total equity</b>		<u>547,398</u>	<u>353,352</u>
83p*	Diluted net asset value per share	11	86p	77p*
84p*	Diluted EPRA net asset value per share	11	87p	79p*

\* Comparative net asset values per share have been restated following the issue of new shares at a discount to fair value during the year (see note 11).

HANSTEEN HOLDINGS PLC

Condensed consolidated statement of changes in equity  
for the six months ended 30 June 2011

	Six month period to 30 June 2011 Unaudited							
	Share capital £'000	Share premium £'000	Translation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total £'000
<b>Balance at 1 January 2011</b>	45,365	112,731	36,813	-	184,462	379,371	852	380,223
<b>Changes in equity for the six months ended 30 June 2011:</b>								
Ordinary shares issued at a premium	18,518	-	-	131,482	-	150,000	-	150,000
Transfer to retained earnings	-	-	-	(131,482)	131,482	-	-	-
Cost of issue of shares at a premium	-	-	-	-	(3,528)	(3,528)	-	(3,528)
Dividends	-	-	-	-	(9,527)	(9,527)	-	(9,527)
Share-based payments	-	-	-	-	28	28	-	28
Profit for the period	-	-	-	-	14,453	14,453	56	14,509
Other comprehensive income/(expense) for the period	-	-	15,919	-	(272)	15,647	46	15,693
<b>Balance at 30 June 2011</b>	<b>63,883</b>	<b>112,731</b>	<b>52,732</b>	<b>-</b>	<b>317,098</b>	<b>546,444</b>	<b>954</b>	<b>547,398</b>

	Six month period to 30 June 2010 Unaudited							
	Share capital £'000	Share premium £'000	Translation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total £'000
<b>Balance at 1 January 2010</b>	45,365	112,731	44,783	-	176,692	379,571	611	380,182
<b>Changes in equity for the six months ended 30 June 2010:</b>								
Dividends	-	-	-	-	(14,517)	(14,517)	-	(14,517)
Share-based payments	-	-	-	-	18	18	-	18
Profit for the period	-	-	-	-	7,229	7,229	14	7,243
Other comprehensive expense for the period	-	-	(19,060)	-	(614)	(19,674)	(49)	(19,723)
Capital invested by non-controlling interests	-	-	-	-	-	-	149	149
<b>Balance at 30 June 2010</b>	<b>45,365</b>	<b>112,731</b>	<b>25,723</b>	<b>-</b>	<b>168,808</b>	<b>352,627</b>	<b>725</b>	<b>353,352</b>

HANSTEEN HOLDINGS PLC

Condensed consolidated statement of changes in equity continued  
for the six months ended 30 June 2011

	Year ended 31 December 2010 Audited							
	Share capital £'000	Share premium £'000	Translation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000	Non- controlling interest £'000	Total £'000
<b>Balance at 1 January 2010</b>	45,365	112,731	44,783	-	176,692	379,571	611	380,182
<b>Changes in equity for the year ended 31 December 2010:</b>								
Dividends	-	-	-	-	(20,868)	(20,868)	-	(20,868)
Share-based payments	-	-	-	-	47	47	-	47
Profit for the year	-	-	-	-	30,503	30,503	76	30,579
Other comprehensive expense for the year	-	-	(7,970)	-	(1,912)	(9,882)	(21)	(9,903)
Non-controlling interest acquired in the year	-	-	-	-	-	-	30	30
Capital invested by non-controlling interest	-	-	-	-	-	-	156	156
<b>Balance at 31 December 2010</b>	<b>45,365</b>	<b>112,731</b>	<b>36,813</b>	<b>-</b>	<b>184,462</b>	<b>379,371</b>	<b>852</b>	<b>380,223</b>

## HANSTEEN HOLDINGS PLC

### Condensed consolidated cash flow statement for the six months ended 30 June 2011

Year ended 31 December 2010 £'000 Audited		<b>Six months ended 30 June 2011 £'000 Unaudited</b>	Six months ended 30 June 2010 £'000 Unaudited
	<b>Note</b>		
6,210		<b>21,925</b>	(29,671)
<b>Net cash inflow/(outflow) from operating activities</b>			
600		<b>448</b>	384
(254)		<b>(6)</b>	(210)
(67,568)		<b>(10,074)</b>	(45,753)
29,487		<b>7,723</b>	4,751
8,692		<b>-</b>	8,678
(14,992)		<b>-</b>	(14,992)
7,034		<b>-</b>	7,034
(37,001)	14	<b>(1,909)</b>	(40,108)
<b>Net cash used in investing activities</b>			
(20,868)		<b>(9,527)</b>	(14,517)
-		<b>146,472</b>	-
(154)		<b>(80)</b>	(77)
100,694		<b>-</b>	87,336
(46,175)		<b>(11,323)</b>	(40,518)
(4,817)		<b>(6,936)</b>	(4,817)
-		<b>1,436</b>	-
(30,752)		<b>-</b>	(30,752)
159		<b>-</b>	149
(1,913)		<b>120,042</b>	(3,196)
<b>Net cash generated by/(used in) financing activities</b>			
(32,704)		<b>140,058</b>	(72,975)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
100,970		<b>67,442</b>	100,970
(824)		<b>1,539</b>	(1,704)
67,442		<b>209,039</b>	26,291
<b>Cash and cash equivalents at end of period</b>			

## **HANSTEEN HOLDINGS PLC**

### **Notes to the condensed set of financial statements for the six months ended 30 June 2011**

#### **1. General information**

Hansteen Holdings PLC is a company which is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 6th Floor, Clarendon House, 12 Clifford Street, London, W1S 2LL.

The Group's principal activities are those of a property group investing mainly in industrial properties in Continental Europe and the United Kingdom.

The financial information contained in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the year ended 31 December 2010 was derived from the statutory accounts for the year ended 31 December 2010, a copy of which has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

#### **2. Basis of preparation**

The annual financial statements of Hansteen Holdings PLC are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

The interim report was approved by the Board on 24 August 2011.

#### **3. Principal risks and uncertainties**

Risk management is an important part of the Group's system of internal controls. Senior management staff and the Board regularly consider the significant risks, which it believes are facing the Group, identify appropriate controls and if necessary instigate action to improve those controls. There will always be some risk when undertaking property investments but the control process is aimed at mitigating and minimising these risks where possible. The key risks identified by the Board, the steps taken to mitigate them and additional commentary is as follows:

- Changes in the general economic environment exposes the Group to a number of risks including falls in the value of its property investments, loss of rental income and increased vacant property costs due to the failure of tenants to renew or extend leases as well as the increased potential for tenants to become bankrupt. The Board believes these risks are reduced due to its policy of assembling a portfolio with a wide spread of different tenancies in terms of actual tenants, industry type and geographical location as well as undertaking thorough due diligence on acquisitions. The level of exposure to individual tenants is regularly monitored to ensure they are within manageable limits. Rent deposits or bank guarantees are requested where appropriate to mitigate against the effect of tenant defaults. Where possible, purchases are achieved at low capital values and with due investigation of tenant finances.
- A further significant risk relates to the Group's treasury operations. Over-borrowing by the Group, insufficient credit facilities, significant interest rate increases or facility covenant breaches could represent a significant risk to the Group. In response to these risks Hansteen maintains a prudent approach to its borrowing levels by seeking to maintain headroom within its debt facilities. The Board actively monitors current debt and equity levels as well as considering the future levels of debt and equity to sustain the business. Loan covenants are monitored on a regular basis and compliance certificates are prepared. For all money borrowed consideration is given to securing the appropriate hedging instruments to protect against increases in interest rates.
- By investing in property in mainland Europe the Group is exposed to a foreign currency exchange rate risk. In response to this risk the Group's borrowings are in Euro denominated loan facilities and therefore, to the extent that investments are financed by debt, a self hedging mechanism is in place. In relation to the equity element of the Group's Euro investments the Board monitors the level of exposure on a regular basis and considers the level and timing of when to take out the appropriate hedging instruments to cover this exposure.

## **HANSTEEN HOLDINGS PLC**

### **Notes to the condensed set of financial statements for the six months ended 30 June 2011**

#### **3. Principal risks and uncertainties** continued

- A further risk identified by the Board encompasses environmental risks. In addition to the need to act as a responsible landlord there may, in some circumstances, be occasions when pollution on a site owned by a property investment company becomes its responsibility. Each acquisition undertaken by the Group includes an environmental report from a specialist consultancy. These reports may highlight the need for further investigation and in some cases remediation. The Group's policy is then to either undertake such investigations or remediation or potentially reject the purchase as no longer viable.
- Following conversion to a REIT during 2009, the Board considers the loss of REIT status and payment of additional corporation tax as a risk to the Group. Loss of REIT status and payment of additional corporation tax would arise from a breach of REIT compliance requirements. Breach of certain limits imposed by REIT legislation may be mitigated through regular review of the Group's actual and forecast performance against REIT regime requirements. Management have sufficient discretion to manage and meet the REIT requirements and apply mitigating actions where required.

#### **4. Going concern**

The Group's principal risks and uncertainties are detailed above. The Directors believe that the Group is well placed to manage its business risks successfully despite the potential impact of the current uncertain economic outlook on the Group's operating cash flows and the possibility of tenancy failures and increased vacancies. After consideration of the Group's forecast cash flows and covenant compliance, including evaluation of the impact of potential further reductions in property valuations, rental income and increases in interest rates, the Directors have a reasonable expectation that the Group will continue to have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing these condensed financial statements.

#### **5. Related party transactions**

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed. There have been no other material transactions with related parties in the first six months of 2011 and there have been no material changes in the related party transactions described in the Annual Report and Accounts for the year ended 31 December 2010.

## HANSTEEN HOLDINGS PLC

Notes to the condensed set of financial statements for the six months ended 30 June 2011 continued

### 6. Operating segments

#### Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Six month period ended 30 June 2011 Unaudited		Six month period ended 30 June 2010 Unaudited	
	Revenue £'000	Result £'000	Revenue £'000	Result £'000
Belgium	1,211	1,098	1,476	1,347
France	622	698	867	818
Germany	21,956	17,278	14,178	10,557
Netherlands	5,109	4,414	5,405	4,811
UK	2,433	1,621	1,164	992
	<u>31,331</u>	<u>25,109</u>	<u>23,090</u>	<u>18,525</u>
Other operating income		5,297		-
Administrative expenses*		(5,878)		(4,694)
Share of results of associate		1,267		98
Operating profit before (losses)/gains on investment properties		25,795		13,929
Changes in fair values of investment properties by segment:				
Belgium	(2,408)		(1,932)	
France	(179)		(403)	
Germany	8,313		5,606	
Netherlands	(7,725)		(4,862)	
UK	931		3,925	
Total changes in fair values of investment properties		(1,068)		2,334
Profit on disposal of investment properties		340		508
Total (losses)/gains on investment properties		(728)		2,842
Operating profit		25,067		16,771
Profit on sale of available for sale investment		-		1,184
Net finance costs		(8,233)		(10,110)
<b>Profit before tax</b>		<u>16,834</u>		<u>7,845</u>

\* Administrative expenses and net finance costs are substantially managed as central costs and are therefore not allocated to segments.

# HANSTEEN HOLDINGS PLC

Notes to the condensed set of financial statements for the six months ended 30 June 2011 continued

## 6. Operating segments continued

### Segment assets

The following is an analysis of the Group's assets by reportable segment:

	Investment properties £'000	Trading properties £'000	Total properties £'000	Other assets £'000	Total assets £'000	30 June 2011 Unaudited Additions to investment properties £'000	Non- current assets £'000
Belgium	33,369	-	33,369	4,039	37,408	63	35,420
France	14,744	-	14,744	1,898	16,642	-	14,744
Germany	533,328	-	533,328	36,953	570,281	9,974	534,499
Netherlands	144,540	-	144,540	6,499	151,039	25	145,236
UK	36,419	17,670	54,089	3,699	57,788	12	36,419
	<u>762,400</u>	<u>17,670</u>	<u>780,070</u>	<u>53,088</u>	<u>833,158</u>	<u>10,074</u>	<u>766,318</u>
Corporate and unallocated assets					<u>223,506</u>		<u>39,696</u>
Entity total					<u>1,056,664</u>		<u>806,014</u>

	Investment properties £'000	Trading properties £'000	Total properties £'000	Other assets £'000	Total assets £'000	31 December 2010 Audited Additions to investment properties £'000	Non-current assets £'000
Belgium	33,936	-	33,936	3,939	37,875	86	35,882
France	17,060	-	17,060	642	17,702	-	17,060
Germany	491,396	-	491,396	27,689	519,085	293,485	491,787
Netherlands	145,882	-	145,882	5,540	151,422	488	146,851
UK	39,965	16,397	56,362	3,203	59,565	62,819	39,965
	<u>728,239</u>	<u>16,397</u>	<u>744,636</u>	<u>41,013</u>	<u>785,649</u>	<u>356,878</u>	<u>731,545</u>
Corporate and unallocated assets					<u>88,700</u>		<u>34,855</u>
Entity total					<u>874,349</u>		<u>766,400</u>

## HANSTEEN HOLDINGS PLC

Notes to the condensed set of financial statements for the six months ended 30 June 2011 continued

### 7. Other operating income

Other operating income comprises an insurance receipt relating to an investment property damaged by fire in a previous period.

### 8. Tax on profit on ordinary activities

Year ended 31 December 2010 £'000 Audited	Six months ended 30 June 2011 £'000 Unaudited	Six months ended 30 June 2010 £'000 Unaudited
(626) UK current tax	(73)	149
(771) Foreign current tax	(526)	(421)
<hr/> (1,397) Total current tax	<hr/> (599)	<hr/> (272)
(1,207) Deferred tax	(1,726)	(330)
<hr/> (2,604) <b>Tax charge</b>	<hr/> (2,325)	<hr/> (602)

### 9. Dividends

Group and Company	2011 £'000	2010 £'000
Amounts recognised as distributions to equity holders in the period: Interim dividend for the year ended 31 December 2010 of 2.1p (2009: 3.2p) per share	<hr/> <hr/> 9,527	<hr/> <hr/> 14,517

As a REIT, the Company is required to pay Property Income Distributions ('PIDs') equal to at least 90% of the Group's exempted net income, after deduction of withholding tax at the basic rate (currently 20%). 1.24p of the cash dividend paid in the period ended 30 June 2011 is attributable to PIDs (2010: 0.34p).

### 10. Normalised Profit

In addition to the IFRS measures, the Group has presented a Normalised Profit measure as a supplementary measure of its performance. Normalised Profit is stated before gains and losses on investment properties, sale of subsidiaries, sale of available for sale investments, foreign currency derivatives and foreign exchange and changes in fair value of interest rate derivatives, as follows:

Year ended 31 December 2010 £'000 Audited	Six months ended 30 June 2011 £'000 Unaudited	Six months ended 30 June 2010 £'000 Unaudited
67,827 Revenue	31,331	23,090
(22,011) Cost of sales	(6,222)	(4,565)
<hr/> 45,816 Gross Profit	<hr/> 25,109	<hr/> 18,525
- Other operating income	5,297	-
(9,564) Administrative expenses	(5,878)	(4,694)
588 Share of results of associates	1,267	98
(12,882) Net finance costs	(7,612)	(4,222)
<hr/> 23,958 <b>Normalised Profit</b>	<hr/> 18,183	<hr/> 9,707



# HANSTEEN HOLDINGS PLC

## Notes to the condensed set of financial statements for the six months ended 30 June 2011 continued

### 11. Earnings per share and net asset value per share continued

The calculations for Net Asset Value per share are shown in the table below:

31 December 2010 Audited			30 June 2011 Unaudited			30 June 2010 Unaudited		
Equity share- holders' funds £'000	Number of shares 000's*	Net asset value per share pence*	Equity share- holders' funds £'000	Number of shares 000's	Net asset value per share pence	Equity share- holders' funds £'000	Number of shares 000's*	Net asset value per share pence*
379,371	459,466	83	<b>Basic NAV</b>	<b>546,444</b>	<b>638,833</b>	352,627	459,466	77
			Unexercised					
570	850	n/a	share options	<b>943</b>	<b>1,300</b>	603	850	n/a
<u>379,941</u>	<u>460,316</u>	<u>83</u>	<b>Diluted NAV</b>	<b>547,387</b>	<b>640,133</b>	353,230	460,316	77
			Adjustments:					
(1,946)			Goodwill	<b>(2,051)</b>		(2,004)		
			Fair value of					
			interest rate					
5,328			derivatives	<b>1,851</b>		8,619		
5,328			Deferred tax	<b>8,057</b>		3,200		
<u>388,651</u>		<u>84</u>	<b>Diluted EPRA</b>	<b>555,244</b>	<b>87</b>	363,045		<u>79</u>

\*As restated

### 12. Borrowings

31 December 2010 £'000 Audited		30 June 2011 £'000 Unaudited	30 June 2010 £'000 Unaudited
	<b>Secured at amortised cost</b>		
458,360	Bank loans	<b>471,661</b>	430,189
(353)	Unamortised borrowing costs	<b>(347)</b>	(328)
<u>458,007</u>		<b>471,314</b>	429,861
	<b>Total borrowings</b>		
2,511	Amount due for settlement within 12 months	<b>1,744</b>	2,558
455,496	Amount due for settlement after 12 months	<b>469,570</b>	427,303
<u>458,007</u>		<b>471,314</b>	429,861

## HANSTEEN HOLDINGS PLC

### Notes to the condensed set of financial statements for the six months ended 30 June 2011 continued

#### 12. Borrowings continued

On 25 July 2006 Hansteen Holdings PLC and certain of its subsidiary undertakings entered into a five year €230,000,000 revolving bank loan facility with an expiry date of 25 July 2011. On 29 May 2008, following the re-financing of the Dutch portfolio of investment properties, this facility was reduced to €200,000,000. On 30 October 2009, the facility was extended and reduced to €150,000,000. The revised facility has an expiry date of 30 October 2014 and has a loan to value covenant of 75% and an income cover covenant of 175%. The loan is secured on the shares of the borrowing subsidiaries and their investment properties and is guaranteed by Hansteen Holdings PLC and the borrowing subsidiaries. Interest on the amounts drawn under the original loan facility was charged at EURIBOR plus 0.8%. Following renegotiation of the facility, interest on amounts drawn down from 30 October 2009 is charged at EURIBOR plus 1.75%. Interest of 1.0% (previously 0.3%) is charged on undrawn amounts. The Group has drawn down €136,000,000 under this facility at 30 June 2011 (31 December 2010: €139,000,000).

On 25 May 2008 Hansteen Netherlands B.V. and Hansteen Ormix B.V., both Dutch subsidiaries, entered into a five year €130,000,000 bank loan facility with an expiry date of 1 June 2013. The €130,000,000 drawn down under the facility was used to repay existing borrowings of the Dutch subsidiaries. The loan is secured on the properties of Hansteen Netherlands B.V. and Hansteen Ormix B.V. The net sales proceeds arising from sales of investment properties are required to be used to reduce the bank loan unless re-invested in investment properties. Interest on the amounts drawn under the loan facility is charged at EURIBOR plus 1.55%. There is no loan to value covenant on this loan and the interest cover covenant is 155%. At 30 June 2011 the Group has drawn down €109,300,000 under this facility (31 December 2010: €117,000,000) and no further amounts can be drawn.

On 8 April 2010, as part of the acquisition of the HBI portfolio, the Group became party to a €300,000,000 loan facility. Immediately after acquisition, the Group repaid €40,000,000, reducing the facility to €260,000,000. The facility has an expiry date of 20 February 2015. The loan is secured on the shares of the borrowing subsidiaries and their investment properties and is guaranteed by Hansteen Holdings PLC and the borrowing subsidiaries. Interest on the amounts drawn under the loan facility is charged at EURIBOR plus 1.10%. The Group has drawn down €259,675,000 under this facility at 30 June 2011 (31 December 2010: €260,000,000). The 5 year loan does not have any loan to value covenants for the first year, 95% in years two and three, 85% in year four and 75% in year five. The interest covenant is set at 132% in year one, 144% in year two and 155% thereafter.

The Belgian subsidiaries have a number of facilities secured on the Belgian investment properties with expiry dates ranging from 1 April 2011 to 31 March 2026 and interest charged at EURIBOR plus 0.75% to 2.25%. The aggregate amount outstanding at 30 June 2011 in respect of these bank loans is €17,295,000 (31 December 2010: €18,907,000).

Security for secured borrowings at 30 June 2011 is provided by charges on property with an aggregate carrying value of £718,000,000 (31 December 2010: £670,000,000).

The Directors estimate that the book value of the Group's bank loans approximates to their fair value.

# HANSTEEN HOLDINGS PLC

Notes to the condensed set of financial statements for the six months ended 30 June 2011 continued

## 12. Borrowings continued

31 December 2010 £'000 Audited		<b>30 June 2011 £'000 Unaudited</b>	30 June 2010 £'000 Unaudited
<b>Group</b>			
<b>Maturity</b>			
The bank loans are repayable as follows:			
2,743	Within one year or on demand	1,877	2,750
2,632	Between one and two years	2,618	2,567
443,245	In the third to fifth years inclusive	456,730	415,169
9,740	Over five years	10,436	9,703
<u>458,360</u>		<u>471,661</u>	<u>430,189</u>
<b>Undrawn committed facilities</b>			
<u>9,426</u>	Expiring after more than two years	<u>12,643</u>	<u>22,102</u>
<b>Floating rate borrowings</b>			
31 December 2010 £'000 %	Audited	<b>30 June 2011 £'000 Unaudited</b>	30 June 2010 £'000 Unaudited
3.28	<u>458,360</u>	<b>3.51    471,661</b>	3.11    430,189
<b>Interest rate and currency profile</b>			
	Euros		

## 13. Share capital

	<b>30 June 2011 £'000 Unaudited</b>	30 June 2010 £'000 Unaudited
Issued and fully paid 638,833,250 (2010: 453,648,064) ordinary shares of 10p each	<u>63,883</u>	<u>45,365</u>

On 9 May 2011 pursuant to a Placing and Open Offer the Company raised gross proceeds of £150,000,000 (£146,472,000 net of expenses) through the issue of 185,185,186 new ordinary shares at a price of 81p per new ordinary share. As a result the Company's issued share capital was increased from 453,648,064 ordinary shares to 638,833,250 ordinary shares.

The share capital comprises one class of ordinary shares carrying no right to fixed income. There are no restrictions on the size of a shareholding or the transfer of shares, except for UK REIT restrictions.

## HANSTEEN HOLDINGS PLC

Notes to the condensed set of financial statements for the six months ended 30 June 2011 continued

### 14. Notes to the cash flow statement

Year ended 31 December 2010 £'000 Audited		<b>Six months ended 30 June 2011 £'000 Unaudited</b>	Six months ended 30 June 2010 £'000 Unaudited
30,579	Profit for the period	<b>14,509</b>	7,243
	Adjustments for:		
47	Share-based employee remuneration	<b>28</b>	18
72	Depreciation of property, plant and equipment	<b>42</b>	31
58	Impairment of goodwill	-	-
(11,532)	Negative goodwill recognised on acquisition of subsidiaries	-	(2,038)
(588)	Share of profits of associate	<b>(1,267)</b>	(98)
(3,994)	Losses/(gains) on investment properties	<b>728</b>	(2,842)
(1,184)	Gain on sale of available for sale investment	-	-
2,306	Losses on currency derivatives	<b>1,813</b>	684
14,796	Net finance costs	<b>6,243</b>	8,819
2,604	Tax charge	<b>2,325</b>	602
	<b>Operating cash inflows before movements in working capital</b>	<b>24,421</b>	12,419
(13,401)	Increase in trading properties	<b>(1,273)</b>	(19,390)
760	Decrease/(increase) in receivables	<b>5,886</b>	(15,030)
2,115	Increase in payables	<b>2,260</b>	1,108
22,638	<b>Cash generated by/(used in) operations</b>	<b>31,294</b>	(20,893)
(3,383)	Income taxes paid	<b>(1,520)</b>	(4,293)
(13,045)	Interest paid	<b>(7,849)</b>	(4,485)
6,210	<b>Net cash inflow/(outflow) from operating activities</b>	<b>21,925</b>	(29,671)

### 15. Events after the balance sheet date

There are no post balance sheet events to report.

## HANSTEEN HOLDINGS PLC

Notes to the condensed set of financial statements for the six months ended 30 June 2011 continued

### 16. Responsibility statement

We confirm to the best of our knowledge:

- (a) The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- (b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

On behalf of the Board

Ian Watson  
Joint Chief Executive

Morgan Jones  
Joint Chief Executive

24 August 2011

17. The Interim Report and condensed set of financial statements will be posted to shareholders and will be available from the Company's Registered Office at 6th Floor, Clarendon House, 12 Clifford Street, London W1S 2LL and on the Company's website at [www.hansteen.co.uk](http://www.hansteen.co.uk).

## **INDEPENDENT REVIEW REPORT TO HANSTEEN HOLDINGS PLC**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

### **Deloitte LLP**

Chartered Accountants and Statutory Auditor  
Reading, UK  
24 August 2011