

27 July 2006



## **Hansteen Holdings PLC**

("Hansteen", "the Company")

### **Interim Results**

Hansteen Holdings PLC (AIM: HSTN), the new pan European property investment company, formed by Ian Watson and Morgan Jones, the founders and former directors of Ashtenne Holdings, announce maiden interim results for the period 27 October to 30 June 2006.

#### **Highlights**

- Admitted to AIM on 29 November 2005
  - raised £123.6 million (net)
- Approximately £100 million of properties, mainly in continental Europe, acquired to date
- Pre tax profit for the period - £2.8 million
- Annualised net rental income of £8.4 million
- Net assets of £126.3 million - no borrowings
- New €230 million revolving loan facility with the Bank of Scotland

**James Hambro, Chairman, commented:** "Operationally, the Hansteen team has grown from two to seven employees, and we have an established network of contacts, agents and professional staff throughout continental Europe which will provide the company with a solid foundation for building the portfolio further. As a result, we are looking forward optimistically to the second half of 2006."

#### **For further information:**

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**HANSTEEN HOLDINGS PLC**

## **Interim Statement**

We are pleased to present our first set of results since the incorporation of the Company in October 2005 and the subsequent admission to AIM of the Company's share capital, in November 2005, at which time we raised £123.6 million (net of expenses), through the placing of 125 million new ordinary shares at £1 each.

We are delighted with the progress made in the seven months since the flotation. During this period the Company has acquired a portfolio of properties of approximately £100 million and achieved an interim profit of £2.8 million before tax.

Since incorporation, Hansteen has been transformed from a start up business with two employees and no properties to a company with a substantial and growing property portfolio, a strong management team and a growing network of contacts throughout continental Europe to assist in the development of the business.

## **Results**

Hansteen today announces a profit before tax of £2.8 million for the period to 30 June 2006 and an annualised net rental income of £8.4 million. As at 30 June the Company had net assets of £126.3 million and no borrowings as the Board's policy has been to invest first the equity raised at flotation before utilising any debt finance.

As completion of the bulk of our property acquisitions has taken place in the last three months the Board has decided not to have an interim property valuation this year. From next year, however the Company's portfolio will be re-valued for both the interim and final full year accounts.

## **Property**

Our core business is the acquisition of industrial and logistics properties in continental Europe. Our focus to date has been on Germany, France and The Netherlands. Compared with the UK market, these types of properties can be acquired at a higher yield and with lower financing costs.

The core portfolio as at 30 June 2006 comprised 27 industrial properties at a gross cost of approximately £82 million, of which £61 million is in The Netherlands, £14 million in Germany and £7 million in France. These properties are producing a current net annual rental income of £7.44 million, which, after taking account of different lease structures in each country, produces a current net yield of approximately 8%.

The properties are largely logistics and production units. The purchase costs are generally lower than replacement cost which is an important factor in Hansteen's buying criteria. The current portfolio has a vacancy rate of 7%.

Prices are increasing in most western continental European markets and we expect to see continued yield compression. However, there are still opportunities to purchase

properties on attractive terms. In addition to the properties acquired up to the end of June, the Company has a good pipeline of new acquisitions in all three countries where we are currently invested and today we have announced new purchases in Germany and The Netherlands at a total value of approximately €24 million. As the number of investments grow, we expect the balance between the three countries to even out to some extent. The Company will also start to look more actively for investments in other parts of continental Europe.

A key part of Hansteen's strategy is to make investments in non-core opportunistic purchases where we believe added value can be achieved. We have already made two such investments which are expected to contribute positively to the returns of the Company in the long term.

The first is a portfolio of 390 apartments in Wiesbaden in Germany which we acquired from the local municipality at a total cost of €21 million. These properties provide a good income stream and potential for growth through the 18% of the apartments that are currently vacant. The second is a 90 acre greenfield site in Gilston, near Falkirk in Scotland which was previously owned by Ashtenne Holdings plc. We believe increased value can be achieved through improvement in the planning authorisation and investment in the infrastructure.

## **Finance**

During the seven months since flotation the monies raised have largely been invested and will be fully invested when we complete the acquisition of the properties currently in the pipeline. As a result we have recently negotiated a new €230 million revolving loan facility with Bank of Scotland for the expansion of our core business. This facility should enable us to continue with the strategy set out at the commencement of our business and to benefit from the arbitrage between rental yields in continental Europe and interest costs.

As Hansteen Holdings PLC is a UK company reporting in sterling the Group has a currency exposure as the majority of its investments are in the Euro zone. All borrowing will be in Euros (or the relevant local currency), thus partially hedging the currency exposure. However, Hansteen intends to substantially protect the sterling value of its foreign currency assets represented by the equity portion of investments by taking out a three year forward contract. This cover will be adjusted from time to time taking into account, inter alia, the level of capital gain in the underlying property portfolio

## **Outlook**

The market outlook in the last seven months has been consistent with our expectations at the time of flotation, although prices in parts of Europe have been increasing faster than expected, particularly in The Netherlands and the Paris region of France. Nevertheless, the Board remains confident that Hansteen will continue to build an attractive, high yielding portfolio of properties. In addition to falling yields, we have also seen evidence of premium prices being paid for larger portfolios as substantial funds seek to invest quickly. Again we hope this will work to the Company's advantage.

Operationally, the Hansteen team has grown from two to seven employees, and we have an established network of contacts, agents and professional staff throughout continental Europe which will provide the company with a solid foundation for building the portfolio further. As a result we are looking forward optimistically to the second half of 2006.

James Hambro  
Chairman  
Hansteen Holdings plc.

27 July 2006

## HANSTEEN HOLDINGS PLC

### Consolidated income statement for the period from 27 October 2005 to 30 June 2006

		<b>Period from 27 October 2005 to 30 June 2006 £'000 Unaudited</b>
	<b>Note</b>	
<b>Continuing operations</b>		
Revenue	3	4,410
Cost of sales		(1,714)
<b>Gross profit</b>		<u>2,696</u>
Administrative expenses		(1,496)
<b>Operating profit</b>	4	<u>1,200</u>
Net financing income		
- financing income		1,713
- financing expenses		(91)
		<u>1,622</u>
<b>Profit before tax</b>		2,822
Tax	6	(903)
<b>Profit for the period</b>		<u><u>1,919</u></u>
<b>Earnings per share</b>		
<b>Basic</b>		<u><u>1.8p</u></u>
<b>Diluted</b>		<u><u>1.8p</u></u>

# HANSTEEN HOLDINGS PLC

## Consolidated balance sheet At 30 June 2006

	<b>30 June 2006 £'000 Unaudited</b>
<b>Non-current assets</b>	
Property, plant and equipment	25
Investment property	95,668
	<hr/> 95,693 <hr/>
<b>Current assets</b>	
Trading properties	5,355
Trade and other receivables	2,324
Cash and cash equivalents	26,864
	<hr/> 34,543 <hr/>
<b>Total assets</b>	<hr/> <hr/> 130,236 <hr/> <hr/>
<b>Current Liabilities</b>	
Trade and other payables	(2,742)
Current tax liabilities	(763)
	<hr/> (3,505) <hr/>
<b>Net current assets</b>	<hr/> 31,038 <hr/>
<b>Non-current liabilities</b>	
Deferred tax liabilities	(457)
	<hr/> (457) <hr/>
<b>Total liabilities</b>	<hr/> <hr/> (3,962) <hr/> <hr/>
<b>Net assets</b>	<hr/> <hr/> <hr/> <hr/> 126,274 <hr/> <hr/>
<b>Equity</b>	
Share capital	12,500
Share premium account	111,133
Translation reserves	701
Retained earnings	1,940
<b>Total equity</b>	<hr/> <hr/> 126,274 <hr/> <hr/>

## HANSTEEN HOLDINGS PLC

### Consolidated statement of changes in equity for the period from 27 October 2005 to 30 June 2006

	Share capital £'000 Unaudited	Share premium £'000 Unaudited	Translation reserves £'000 Unaudited	Retained earnings £'000 Unaudited	Total £'000 Unaudited
Exchange differences arising on translation of overseas operations	-	-	1,018	-	1,018
Tax on items taken directly to equity	-	-	(317)	-	(317)
Net income recognised directly in equity	-	-	701	-	701
Share based payments	-	-	-	21	21
Profit for the period	-	-	-	1,919	1,919
Ordinary shares issued at a premium	12,500	112,500	-	-	125,000
Costs of issue of shares at a premium	-	(1,367)	-	-	(1,367)
<b>Balance at 30 June 2006</b>	<b>12,500</b>	<b>111,133</b>	<b>701</b>	<b>1,940</b>	<b>126,274</b>

## HANSTEEN HOLDINGS PLC

### Consolidated cash flow statement for the period from 27 October 2005 to 30 June 2006

	Note	Period from 27 October 2005 to 30 June 2006 £'000 Unaudited
<b>Net cash used in operating activities</b>	5	(3,718)
Interest received		1,711
Additions to property, plant and equipment		(29)
Additions to investment properties		(94,644)
<b>Net cash used in investing activities</b>		(92,962)
Proceeds from issue of shares at a premium		125,000
Costs of issue of shares at a premium		(1,367)
Finance costs		(91)
<b>Net cash from financing activities</b>		123,542
<b>Net increase in cash and cash equivalents</b>		26,862
<b>Effect of foreign exchange rate changes</b>		2
<b>Cash and cash equivalents at end of period</b>		<b>26,864</b>

## HANSTEEN HOLDINGS PLC

### Notes to the Accounts for the period from 27 October 2005 to 30 June 2006

#### 1. General information.

Hansteen Holdings plc was incorporated in the United Kingdom under the Companies Act 1985 on 27 October 2005. The address of the registered office is 1 Berkeley Street, London W1J 8DJ.

The Company was listed on AIM on 29 November 2005 and these financial statements cover the period from its date of incorporation on 27 October 2005 to 30 June 2006. As these are the Company's maiden interim results there are no comparative figures.

The Group's principal activities are those of a property group investing mainly in industrial properties in continental Europe.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. Foreign operations are included in accordance with the policies set out in note 2.

The interim report was approved by the Board on 26 July 2006. The financial information contained in this report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The unaudited financial information contained in this report has been prepared on the basis of accounting policies set out below.

#### 2. Accounting policies

The financial information presented in this document is unaudited and has been prepared in accordance with International Financial Reporting Standards ('IFRSs').

**Accounting convention.** The financial statements have been prepared under the historical cost convention. The first revaluation of the investment properties of the Group will be undertaken at 31 December 2006.

**Basis of consolidation.** The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of the investee entity so as to obtain benefits from its activities.

The results of subsidiaries which commenced trading or which were acquired during the period have been included from the date on which trading commenced or the date from which they were acquired.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

## HANSTEEN HOLDINGS PLC

### 2. continued

**Property, plant and equipment.** This comprises computer and office equipment. Computers and office equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of computers and office equipment, over their estimated useful lives, using the straight line method, on the following bases:

Computers	3 years
Office equipment	3 years

**Investment properties.** Investment property, which is property held to earn rentals and/or for capital appreciation are included in these first interim financial statements at cost and will be independently valued on an open market basis on 31 December 2006. Any surplus or deficit arising on revaluing investment properties is recognised in the income statement.

Profits and losses on sales of investment properties are recognised in the income statement on unconditional exchange of contracts. The profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus additions in the period.

**Leasing.** Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Where a property is held under a head lease it is initially recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

**Trading Properties.** Trading properties are included in the balance sheet at the lower of cost and net realisable value. Cost includes development costs specifically attributable to properties in the course of development. Net realisable value represents the estimated selling price less further costs expected to be incurred to completion and disposal.

## HANSTEEN HOLDINGS PLC

### 2. continued

#### **Financial Instruments.**

**Trade receivables and payables.** Trade receivables and payables are stated at their nominal value. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

**Financial obligations.** Debt instruments are stated at their net proceeds on issue. Finance charges including premiums payable on settlement or redemption and direct issue costs are spread over the period to redemption using the effective interest method.

**Cash and cash equivalents.** Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**Revenue recognition.** Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Rental income is recognised on an accruals basis.

Sales of trading properties and surrender premiums are recognised on unconditional exchange of contracts.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**Foreign Currencies.** The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statement of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## HANSTEEN HOLDINGS PLC

### 2. continued

#### **Foreign Currencies (continued)**

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Company's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

**Operating leases.** Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

**Taxation.** The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured on a non-discounted basis.

## HANSTEEN HOLDINGS PLC

### 2. continued

#### **Taxation (continued)**

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Share-based payments.** The fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period based on the Company's estimate of options that will eventually vest. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

### 3. Revenue includes the following:

	<b>Period from 27 October 2005 to 30 June 2006 £'000 Unaudited</b>
Rental and property management activities	2,857
Sale of trading properties	1,553
	<hr/> <b>4,410</b> <hr/>

## HANSTEEN HOLDINGS PLC

4. Operating profit includes £104,000 from the sale of trading properties.

5. Reconciliation of Operating Profit to Net Cash used in Operating Activities

	<b>Period from 27 October 2005 to 30 June 2006 £'000 Unaudited</b>
Operating profit	1,200
Adjustments for:	
Depreciation of property, plant and equipment	4
Share based payment expense	21
	<hr/>
Operating cash flows before movements in working capital	1,225
Increase in stocks	(5,355)
Increase in debtors	(2,318)
Increase in creditors	2,730
	<hr/>
<b>Net cash used in operating activities</b>	<b>(3,718)</b>
	<hr/> <hr/>

6. Tax on profit on ordinary activities

	<b>Period from 27 October 2005 to 30 June 2006 £'000 Unaudited</b>
UK corporation tax	480
Overseas Taxation	283
	<hr/>
Current tax	763
Deferred tax:	140
	<hr/>
	<b>903</b>
	<hr/> <hr/>

## **HANSTEEN HOLDINGS PLC**

### **7. Post Balance Sheet Events**

On 25 July 2006 the Company arranged a €230 million revolving loan facility with Bank of Scotland to fund the expansion of the core industrial property business in continental Europe. The bank loan is guaranteed by Hansteen Holdings PLC and is secured against the overseas industrial properties owned by the Company.

On 25 July 2006 the Group entered into a 3 year forward contract to sell €155.2 million to acquire £110 million at a rate of €1.41.

- 8.** The Interim Report and Accounts will be posted to shareholders and will be available from the Company's Registered Office at 1 Berkeley Street, London W1J 8DJ.