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## Press Release

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### **Fabian Romania Limited (FAB.LN) Net asset value as at 30 September 2008**

Fabian Romania Limited ("Fabian"), the AIM listed dedicated investor in the Bucharest and wider Romanian real estate market announces its Net Asset Value ("NAV") as at 30 September 2008.

Fabian seeks to generate attractive total returns for its shareholders through a portfolio of income producing buildings, co-development residential, office, logistics and retail projects, with experienced partners and land investments. Fabian receives investment advice from Fabian Capital Limited, an independent investment management firm that specialises in Romanian real estate investment advice (Fabian Capital Limited does not carry out any regulated activities in the UK).

#### **Highlights**

- At 30 September 2008 the NAV per share of Fabian as determined in accordance with its Articles of Association was €1.665 per share (30 June 2008: €1.667), a decrease of 0.1 per cent. in the third quarter of 2008, practically unchanged from the 31 December 2007 NAV of €1.666 and an increase of 3.6 per cent. in the last twelve months (30 September 2007: €1.607).
- Adjusting the current NAV for the estimated future development profits of €0.553 per share indicates a potential future NAV ("Development Profit NAV" or "DPNAV") of €2.218 per share (30 June 2008: €2.319), a decrease of 4.4 per cent. in the third quarter of 2008, an increase of 1.7 per cent. for the year to date (31 December 2007: €2.180) and an increase of 3.5 per cent. in the last twelve months (30 September 2007: €2.142).
- The Romanian property market, like other world markets, is now experiencing the effects of the worldwide credit crunch. Accordingly, there have been no investment transactions for valuers, DTZ Echinox ("DTZ"), to provide evidence upon which to base the valuation yields for open market valuations of properties. Therefore there can be no certainty that the yields used in determining the above NAV accurately reflect the current open market.

- In calculating the NAV the development projects are included using the value of the land prior to the start of construction, to which the cost of the construction work in progress less any advance payments received is added. Any change in the valuation of the project as determined by DTZ is reflected in the estimated future profitability of the project to be realised on completion. The net value of the company's holdings in development land not yet subject to construction fell €0.3 million or 3.3 per cent. over the quarter.
- The value of Fabian's office portfolio, comprising 33.3 per cent. of the company's net assets as at 30 September 2008, was marked down by 2.6 per cent. during the period, resulting in a fall in value of €1.8 million. The negative impact of rising yields was partially offset by a combination of higher actual rents for several buildings as a result of new leases signed during the period as well as higher forecast reversionary rents for other leases.
- In other assets and liabilities, the company benefited from the recognition of a loan receivable of €2.6 million from a joint venture.
- The reduction in the DPNAV reflects higher forecast exit yields on office projects and recognition of actual costs post commencement of construction of Lakeview.
- Annual rental income from Fabian's office portfolio increased 3.2 per cent. during the quarter. New leases were signed with existing tenants at Cascades and Baneasa Business Centre resulting in rental income growth of 4.3 per cent. and 4.8 per cent. respectively.
- As a result of the on-going strength of the Bucharest office letting market and despite new leases being signed at higher rents, DTZ now forecast that the company's portfolio of income producing office buildings are now 17.0 per cent. under rented compared to 11.3 per cent. as at 30 June 2008.
- In line with other countries, the availability of bank credit in Romania has now become more difficult. Whilst Romanian GDP grew at an annualised rate of 8.8 per cent in the first half, a number of economists now forecast GDP growth for 2009 of around 4.0 per cent. In the light of an impending slowdown in growth and given current financial market instability, there is less certainty as to the future level of Bucharest office rents for the foreseeable future.
- Projects continue to be structured and financed to drive returns albeit in a prudent manner. During September 2008, a bank facility for the Romana office development project was agreed with Bank of Cyprus for both a construction and an investment loan. An initial drawdown is expected in the fourth quarter to repay part of the equity invested to date. Maximum gearing on the construction loan is 83 per cent. of costs while the investment loan is 75 per cent. of the open market value once construction is complete for a further term of 17 years. Construction on the Romana office development project is progressing on schedule and practical completion is expected in the second quarter of 2010.
- In August 2008 the Investkredit Bank loan secured on the Cascades office building was successfully refinanced with a facility of up to €13.875 million from Bank of Cyprus. 68 per cent of the available facility has been drawn down to date with the remaining 32 per cent. available for drawdown in the future.
- The maturity profile of the investment loans averages over 10 years. The outstanding project debts requiring refinancing in the near future are the land loan of €2.9 million on the Timisoara residential project, which is expected to be rolled over in December 2008, and on completion of the acquisition of the Cubic Centre, expected in the first quarter of 2009, the developer's existing bank loan of €31 million will either be rolled over with the existing lender or will need to be externally refinanced.

- Sales at the New Town residential scheme were slow in the third quarter but now total 285 forward sales. The first phase (315 units) is nearing build completion, anticipated in March 2009, with over 85 per cent. of this phase already forward sold. Sufficient sales in total have now been achieved to enable full drawdown of the construction loan banking facility.
- The strategy to develop residential projects in western Romania has been changed to reduce operational and financial risk. Rather than launch the residential schemes in Timisoara, Oradea and Satu Mare in the current market, the decision has been taken to delay commencement until residential market conditions are more favourable. The opportunity will now be taken to amend the building consents, when obtained, to reflect an increased number of construction phases on each scheme thereby reducing risk further and increase the available range of financing options.

## Net Assets of €1.665 per share

Fabian's NAV as at 30 September 2008 is €1.665 per share, a decrease of 0.1 per cent. from the second quarter's NAV of €1.667 per share.

The published NAV has been calculated consistently in accordance with Fabian's Articles of Association. The income producing buildings are valued based on values as determined by DTZ using estimated market yields. However, in the current market conditions and with a lack of evidence of transactions to provide a comparison, there can be no certainty that the yields used for the valuations will accurately reflect the open market value of the buildings. The development projects are included using the value of the land prior to the start of construction, to which the cost of the construction work in progress less any advance payments received is added. Any change in the valuation of the project as determined by DTZ is reflected in the estimated future profitability of the project to be realised on completion.

An analysis of Fabian's NAV by project is summarised below:

<u>30 September 2008</u>	<u>Fabians' share of Market Value</u>	<u>Net debt</u>	<u>Net Worth</u>	<u>Net Equity Invested **</u>
	€m	€m	€m	€m
Cascades	18.3	(9.5)	8.8	2.6
Banu	17.5	(8.7)	8.8	2.9
Baneasa Business Centre	28.2	(19.2)	9.0	3.9
Evo	5.2	(3.7)	1.6	1.3
<b>Sub-total</b>	<b>69.2</b>	<b>(41.0)</b>	<b>28.2</b>	<b>10.7</b>
Lakeview *^	16.4	(7.2)	9.2	5.3
Romana	3.2	0.0	3.2	2.9
Cubic Centre	12.5	0.0	12.5	12.5
New Town * ^	26.6	(11.8)	14.9	5.8
Timisoara * ^	5.7	(2.6)	3.1	1.7
Oradea +	2.2	(0.1)	2.1	2.0
Satu Mare +	0.8	(0.1)	0.7	1.2
Net cash			8.0	
Other assets / (liabilities) **			2.8	
<b>Total</b>	<b>136.6</b>	<b>(62.8)</b>	<b>84.6</b>	<b>42.0</b>
Shares (#)			50,831,130	
<b>NAVPS (€)</b>			<b>1.665</b>	
Movement in Q3 2008			-0.1%	

\* represents Fabian Romania Limited's share of the development

\*\* Net equity invested comprises the original acquisition equity less amounts repaid through refinancing

^ includes development WIP less advance payments from customers

+ Net debt represents deferred acquisition costs

## Future Development Profit of €0.553 per share

In order to provide transparency to Fabian's shareholders as to the potential level of such future development profits that may accrue, an estimate of these future development profits is given below. The calculations are based on the DTZ site valuations referred to above, at 30 September 2008 which include estimates of these development profits. These estimates by their very nature are forecasts, relying on future events and accordingly are subject to uncertainty. Shareholders may then choose to discount these profits to estimate their net present value in today's terms based on current market conditions.

The forecast development profit figures are stated gross and do not include all costs that may be incurred by Fabian over the course of the projects (in particular transaction fees and any carried interest payable to the investment manager). The implied share of future development profit figures for the New Town, Timisoara, Oradea and Satu Mare residential schemes and the Cubic Centre, Lakeview, and Romana office schemes, based on Fabian's calculations using DTZ's estimates, is given in the table below:

Project	Implied Fabian Share of future Development Profit (€m)	Final Year of development *
Lakeview	3.2	2009
Cubic Centre	4.0	2009
New Town	8.5	2010
Romana	1.4	2010
Timisoara	6.0	2011
Satu Mare	1.5	2011
Oradea	3.5	2012
NAV contribution (€m)	28.1	
NAVPS contribution (€)	0.553	

\* Fabian estimates (based on DTZ valuations)

Adding these forecast development profits of €28.1 million or €0.553 per share to the NAV produces what the Directors have called the DPNAV of €2.218 per share. This represents a decrease of 4.4 per cent. from 30 June 2008 DPNAV of €2.319.

**Mark Holdsworth and Jan-Olof Hansson**  
**Fabian Capital Limited**  
**27 October 2008**

The directors of Fabian Romania Limited accept responsibility for the information contained in this announcement. To the best of the knowledge and belief of the directors of the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this announcement is in accordance with the facts and does not omit anything likely to affect the import of such information.

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