15 August 2013

ALPHA REAL TRUST LIMITED ("ART" OR THE "COMPANY")

INTERIM MANAGEMENT STATEMENT AND DIVIDEND ANNOUNCEMENT

ART today publishes its interim management statement for the quarter ending 30 June 2013 and the period up until the date of this announcement. The information contained herein has not been audited.

About the Company

ART (ticker ARTL:LSE) has a dual strategy of investing in high yielding equity in property assets and high yielding property debt. Target investment opportunities include real estate assets, operating companies, securities, services and other related businesses that offer high total returns. ART's investment strategy is unconstrained by geography.

The Company´s investment strategy currently focuses on investment and lending opportunities in the UK and Western Europe where it is well positioned to take advantage of the dislocated real estate investment and finance markets. The Company´s typical investments include equity investment in property assets and / or the provision of property loans, particularly mezzanine finance.

In making these investments the Company uses the expertise and knowledge of its Investment Manager, Alpha Real Capital LLP ("ARC") whose team of property professionals focus on the potential to enhance earnings and add value to the underlying real estate assets, and also on the risk profile of each investment within the capital structure to best deliver high risk adjusted returns.

Highlights

NAV per share 106.7p (107.6p: 31 March 2013)

Adjusted earnings per share of 1.4p for the three months to 30 June 2013

Declaration of a dividend of 1.05p payable on 20 December 2013

Subsequent dividends to be declared and paid on a quarterly basis

Europip: further Norwegian asset sales achieved to enable repayment of part of the Norwegian senior debt facility from 70.8% to 67.4% loan to value in the period since 31 March 2013

Europip: strategic sales in Norway and France enabled part repayment of the Norwegian bank debt and a reduction in the mezzanine loan facilities from £8.8 million to £5.5 million since 31 March 2013

AUMP: redemption of convertible loan notes and conversion into mezzanine loan position accruing a coupon of 15% per annum

H2O: 3 new leases signed with fashion, restaurant and specialist retailers

93% of the Company's investment portfolio is in income producing investments in the UK and Europe

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Investment summary

Investment name Investment type	Investment amount	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio [6]
High yield debt						
Europip loan Mezzanine loan	£5.5m	9.0%. [1]	Norway	Offices and logistics properties	Secured mezzanine loan, 9% coupon p.a.	8.2%
Alpha UK Real Estate Fund plc Convertible loan	£8.3m	10.7% [1]	UK	High-yield diversified portfolio	Preferred capital structure	12.4%
Alpha UK Multi Property Trust plc Loan	£6.4m	15% [1]	UK	High-yield diversified portfolio	Unsecured mezzanine loan, 15% p.a.	9.5%
High yield equity in property assets						
Cambourne Business Park Indirect property	£1.2m	12.9% [2]	UK	High-yield business park located in Cambridge	Bank facility at 50% LTV (current interest cover of 2.4 times covenant level)	1.8%
Alpha UK Multi Property Trust plc Equity	£0.4m	n/a	UK	High-yield diversified portfolio	19% of ordinary shares	0.5%
Europip Norway Indirect property	£5.7m (€6.6m)	11.0% [4]	Norway	A geared property investment vehicle invested in offices and logistics properties	Recently refinanced senior and mezzanine loan position	8.5%
H2O shopping centre Direct property	£14.2m (€16.6m)	11.3% [2]	Spain	High-yield, dominant Madrid shopping centre	Debt facility with no LTV covenant and a 1.1x ICR covenant	20.7%
Other assets						
Freehold Income Authorised Fund Ground rent fund	£15.3m	4.2% [5]	UK	Highly defensive income freehold ground rents	Very low gearing (1% net LTV); monthly liquidity	22.7%
Business Centre Properties Limited Indirect property	£2.8m	n/a	UK	Business centre fund	Predominantly ungeared fund	4.1%
Healthcare & Leisure Property Limited Indirect property	£2.4m	7.9% [3]	UK	Leisure property fund	No external gearing	3.5%
Europip Mosaic Indirect property	£0.5m (€0.6m)	n/a	Central & Eastern Europe	Minority investment in a central / eastern European commercial property fund	Property held via investment vehicles, varying debt levels	0.7%
Galaxia Direct property	£5.0m (INR 450m)	n/a	India	Special Economic Zone development site located in NOIDA, Delhi, NCR	Arbitration process underway to protect investment	7.4%

[1] Based on coupon, and if applicable, plus redemption premium annualised
[2] Over 12 months to 30 June 2013
[3] Return over the average investment during the ownership period
[4] Annualised quarterly earnings yield [5] Annualised monthly return
[6] Percentage share shown based on NAV excluding parent company's sundry assets / liabilities.

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High yield debt

Market overview

The acquisition and refinancing needs of many real estate investors throughout Europe remains high. A withdrawal of traditional lenders, including banks, mezzanine and securitisation underwriters and investors from the marketplace combined with reduced liquidity for those who remain active has created a large gap in available funding and presents opportunities for new lenders.

Competition within the lending market is expected to remain weak for some time, especially for smaller transactions in non-prime sectors where a strong knowledge of the underlying assets is required. ART is well positioned to take advantage of such opportunities as they are identified.

Key investment updates

Further to the annual report published on 21 June 2013, the following are key investment updates:

Europip: amortisation of the Norwegian mezzanine facility

The proceeds from the sale of one of the Europip Norwegian assets (Bredmyra 1), outside the secured bank facility pool, and of Europip´s sole asset in Paris have been used to pay down the ART mezzanine facility provided to Europip to £5.5 million as at 30 June 2013 (£8.8 million as at 31 March 2013).

Alpha UK Multi Property Trust (“AUMP”) loan

On 1 July 2013, the Company announced that, in accordance with the Convertible Unsecured Loan Stock (“CULS”) Subscription Agreement with AUMP, it redeemed all outstanding CULS in full at par plus the payment of the premium of 18 per cent. The redemption amount was £6.42 million.

The Company further announced that it has entered into an agreement (“Loan Facility Agreement”) in which it will provide an unsecured loan (“Loan”) to AUMP for £6.42 million. The proceeds of the Loan will be applied to finance the redemption of the CULS.

The term of the Loan Facility Agreement is six months to 31 December 2013 and is extendable by five years to 31 December 2018 with the consent of both the Company and AUMP. The coupon of the Loan is 15% per annum compounded quarterly.

High yield equity in property investments

Market overview

Market dislocation due to limited transactions and constrained finance continues to present potential opportunistic buying opportunities. As many investors continue to focus on prime sectors, there are increasingly attractive opportunities in the broader investment market. For example, UK secondary properties are forecast to outperform all property from 2014 to 2016 supported by strong income returns which are expected to underpin total returns. Currently UK secondary property yields are at record high spreads over both bond yields and prime property yields.

The Company is focused on investments that offer potential to deliver high risk adjusted returns via value enhancement through active asset management, improvement of net rental income, selective deployment of capital expenditure and the ability to undertake strategic sales when the achievable price is accretive to returns.

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ART benefits from the depth of experience, strength and size of the Investment Manager's real estate business which has a broad network of funds under management throughout Europe. This creates opportunities that would not be otherwise available.

Key investment updates

The Company's investments have benefited from an active management approach with successes evident in both the Company's direct and indirectly held investments.

Further to the annual report published on 21 June 2013, the following are key investment updates:

<u>Europip: strategic asset sales and bank debt amortisation in Norway</u>

The Arenga 2 property sale completed on 1 July 2013. The net proceeds from this sale and those received from the Enebakkveien asset sale, which were received during April 2013, along with scheduled quarterly amortisation, will be used to further amortise the Norwegian bank loan facility from £36.9 million (NOK 340 million) to £30.0 million (NOK 276.3 million), which reflects a reduction in loan to value during the period from 70.8% to 67.4%.

<u>H2O: continued leasing progress</u>

At the H2O shopping centre asset in Madrid, since 31 March 2013, three new leases have been signed with national branded fashion, restaurant and specialist retailers. Footfall continues to be assisted by the presence of the new Nike destination factory store opened in March 2013.

<u>AUMP: bank financing</u>

In AUMP, the loan facility with a current outstanding balance of £48.2 million provided by Bank of Scotland in respect of the Company's wholly owned subsidiaries, CHIP (One) Limited, CHIP (Three) Limited, CHIP (Four) Limited and CHIP (Five) Limited, which expired on 31 July 2013, has been extended to 30 November 2013, subject to certain additional conditions that AUMP must undertake regarding capital raising.

The AUMP loan facility with a current outstanding balance of £8.6 million provided by Nationwide in respect of the Company's wholly owned subsidiary, CHIP (Two) Limited, was extended to 30 August 2013.

Discussions with Bank of Scotland, Nationwide and alternative banks and providers of capital are continuing in order to pursue extensions to, or refinancing of, these borrowings.

<u>Other assets</u>

<u>Freehold Income Authorised Fund´s ("FIAF"): continued income returns</u>

The Company has invested £15.3 million in FIAF as at 30 June 2013. FIAF continues its unbroken 20 year track record of positive inflation beating returns, generating a total return for the year to 2 April 2013 of 7.70% (based on the bid price of accumulation shares) up from 6.02% in the prior year. FIAF again exceeded its target annual income for the year with an annual income return of 5.27% with the most recent income distribution occurring in April 2013 (following the income distribution of November 2012).

The investment is expected to continue to provide a better return than currently earned on the Company's cash balances. FIAF operates a monthly dealing facility to provide liquidity.

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Galaxia, India

On 2 February 2011, ART recommenced arbitration proceedings against its development partner Logix Group in order to protect its Galaxia investment. Arbitration hearings have been held in January and May 2013, with further hearings currently underway.

Healthcare & Leisure Property Limited (“HLP”)

ART continues to receive income from its investment while HLP´s underlying assets are realized. HLP has delivered a return of 7.9% over the average investment during the approximate 9 months of ART’s ownership, and ART will continue to benefit from its share of net proceeds from the sales of the underlying assets as they are progressed.

Business Centre Properties Limited (“BCP”)

Following a relatively short marketing period, contracts have been agreed for the sale of the Mitcham asset.

ACE and Romulus

ART acquired, at an ascribed zero value, Property Investment Portfolio Plc’s (“PIP”) investments in Active Commercial Estates PLC (“ACE”), a fund invested in secondary commercial UK property as well as The Romulus High Income Trust (“Romulus”), a fund holding four UK business centres. Any realised value from these investments will be passed to former PIP shareholders only, by way of ART A shares. As at 30 June 2013, the net asset values of both ACE and Romulus were zero.

Share buybacks

At the Extraordinary General Meeting on 7 March 2013, consistent with the Company’s commitment to shareholder value, the Company’s shareholders approved a general authority allowing the Company to acquire up to 24.99% of the Voting Share Capital during the period expiring on the earlier of (i) the conclusion of the annual general meeting of the Company in 2014 and (ii) 6 September 2014. A waiver conditionally granted by the Takeover Panel of any obligation on ARC and/or its concert parties to make a general offer to all shareholders, was also approved.

Dividend

The Company´s earnings are continuing to increase as a consequence of allocation of capital to yield driven investments.

The Board announces that the next semi-annual dividend of 1.05p per share for all shareholders will be paid on 20 December 2013 (Ex dividend date 4 December 2013 and record date 6 December 2013).

Subsequent dividends will be declared and paid on a quarterly basis.

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Net asset value

The unaudited net asset value per share of the Company for all share classes was 106.7p at 30 June 2013 (31 March 2013: 107.6p).

There was no revaluation of the Company's directly owned investment properties during the period.

Foreign currency

The Company monitors foreign exchange exposures and considers hedging where appropriate. Foreign currency balances have been translated at the period end rates of £1:€1.169, £1:NOK9.224 or £1:INR 90.638, as appropriate.

Strategy and outlook

ART continues its dual strategy of investing in high yielding or preferred equity in property assets and high yielding property debt (typically in mezzanine positions). The Company's focus is on investments with strong underlying cashflows and/or defensive risk profiles.

ART remains in a strong position to capitalise on further income enhancing opportunistic investments as they are identified.

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