

INTERIM MANAGEMENT REPORT

29 August 2011

REGULATORY INFORMATION

OPERATING RESULT UP BY 6% TO EUR 1,631 k

GOOD PERFORMANCE OF REAL ESTATE COMPANIES

CARRIGRES IMPACTED BY VARIOUS INCIDENTS

HIGHLIGHTS FOR THE FIRST HALF OF 2011

- In this presidential election year, the macroeconomic environment in DRC has remained stable with sustained growth (6.5% expected for 2011) supported by investments in the mining sector and construction. However, inflation is once again gaining pace (13% expected for 2011) in the wake of rising prices for crude oil and basic foodstuffs. Foreign exchange currency reserves are progressively growing as a result of high copper prices and the country has not been directly impacted by the upheaval on Western financial markets.
- Real estate activities continued to develop with, on the one hand, the putting up for rent of two new apartment buildings in June and August and, on the other, a 9% increase in rental income.
- **CARRIGRES** experienced major difficulties in the first few months of the year due to the breakdown of the primary crusher and frequent cuts in the electric power supply, and sales are down by 42%. Despite this, however, the situation was once again normal starting in June.
- **MECELCO** was adversely affected by weak demand for wagon maintenance and construction services on the part of Gécamines and further by a loss on a major metalworking contract. As such, turnover was 12% less than for the first half of 2010.
- The group's half-yearly operating results amounted to EUR 1,631 k, which is an increase of 6%. Net results (group share) stood at EUR 1,497 k, a strong progression compared to the EUR 607 k posted for the first six months of 2010 which had been impacted by foreign exchange variations affecting provisions.

TEXAF

CONSOLIDATED RESULTS FOR TEXAF GROUP (in EUR thousands)

(non-audited)

	30/06/2011	30/06/2010
Revenue from ordinary activities	6,894	8,144
Other recurrent operating income	333	312
Operating expenses	<u>-5,854</u>	<u>-6,935</u>
Recurrent operating results	1,373	1,521
<i>Δ y-1</i>	-10%	
Other non-recurrent operating items	<u>258</u>	<u>22</u>
Operating results	1,631	1,543
<i>Δ y-1</i>	+6%	
Financial results	214	-544
Results before tax (of continuing operations)	1,845	999
<i>Δ y-1</i>	+85%	
Tax charges	<u>-397</u>	<u>-515</u>
Net results after tax	1,448	484
Consolidated net results (group share)	1,497	607
<i>Δ y-1</i>	+147%	
Per share		
Recurrent operating results in EUR	4.30	4.77
Operating results in EUR	5.11	4.84
Consolidated net results (group share) in EUR	4.69	1.90
Number of shares in circulation	318,933	318,933

STATEMENT OF COMPREHENSIVE CONSOLIDATED RESULTS (in EUR thousands)

(non-audited)

	30/06/2011	30/06/2010
Results for the financial year	1,448	484
Movements of variations in foreign currencies	(55)	160
Movements (after tax) of reserves for financial assets available for sale		(40)
COMPREHENSIVE RESULTS	1,393	604
Allocated to:		
TEXAF shareholders	1,469	648
Minority interests	<u>(76)</u>	<u>(44)</u>
	1,393	604

CONSOLIDATED BALANCE SHEET (in EUR thousands)

(non-audited)

	30/06/2011	31/12/2010
Non-current assets	83,886	82,798
Property, plant and equipment	15,298	15,704
Investment properties	68,560	67,069
Other financial assets	28	25
Current assets	11,082	12,231
Inventories	3,393	2,577
Receivables	1,927	4,959
Cash and cash equivalents	4,487	4,863
Other current assets	1,275	832
TOTAL ASSETS	94,968	96,029

Equity	53,697	53,040
Capital	4,744	4,744
Group reserves	40,882	40,148
Minority interests	8,071	8,148
Non-current liabilities	34,407	35,108
Deferred income tax liabilities	26,611	26,857
Other non-current liabilities	7,796	8,251
Current liabilities	6,864	7,881
TOTAL LIABILITIES	94,968	96,029

CONSOLIDATED CONDENSED CASH FLOW STATEMENT (in EUR thousands)

(non-audited)

	30/06/2011	30/06/2010
Cash and cash equivalents at beginning of year	4,863	4,702
Cash flows from operating activities	3,188	3,101
Cash flows from investing activities	(2,693)	(3,128)
Cash flows from financing activities	(866)	893
Net increase (decrease) of cash and cash equivalents	(371)	866
Currency conversion discrepancies	(5)	28
Fair-value adjustment of cash and cash equivalents		(40)
Cash and cash equivalents at end of period	4,487	5,556
<i>Of which Texaf SA</i>	<i>3,116</i>	<i>551</i>

Comments on consolidated results (accounts drawn up in accordance with IFRS)

The full half-yearly report drawn up in accordance with IAS 34 is available at www.texaf.be.

- ✚ Rental income was up by 9% compared to the first half of 2010. A new building with six apartments was put up for rent and effectively rented in June, and the same applied in August for a second building consisting of nine apartments. New office space will also become available during the second half of the year.
- ✚ Contrary to this, turnover for industrial activities (**CARRIGRES** and **MECELCO**) was down 36%, essentially because of the production problems which affected **CARRIGRES** from January to May.
- ✚ “Other recurrent operating income” (EUR 333 k versus EUR 312 k in June 2009) mostly consists of the re-invoicing of water and electricity to tenants and of various sales.
- ✚ In total, the group’s recurrent turnover dropped by 15%. As regards recurrent operating expenses (EUR 5.8 million as opposed to EUR 6.9 million in 2010), these also decreased by 15% due to, on the one hand, a sharp decrease in costs for **CARRIGRES** (-38%) stemming from reduced activities and, on the other, cost control measures implemented at **MECELCO** and the real estate companies.
- ✚ Operating results progressed by 6% to EUR 1,631 k despite the difficulties experienced by the industrial companies. This was attributable to cost control measures as well as to non-recurrent items which contributed EUR 258 k. On the positive side, these *non-recurrent* operating items consisted of the reversal of a tax provision and the partial reimbursement of an old Comectrik receivable and, on the negative side, a provision for doubtful receivables.
- ✚ Net results (group share) amounted to EUR 1,497 k, i.e. EUR 4.69 per share. This is a strong increase compared to the EUR 607 k posted last year, which had been affected by the impact of a revaluation of the Congolese franc on deferred taxes.

REPORT ON INDUSTRIAL ACTIVITIES

EUR thousands	CARRIGRES		MECELCO	
	30/06/11	30/06/10	30/06/11	30/06/10
Revenue from ordinary activities	2,019	3,503	735	833
Operating results	328	586	(298)	(122)
Net results	386	81	(237)	(184)
Net results (group share)	386	81	(119)	(92)

CARRIGRES

- ✚ Sandstone production at **CARRIGRES** amounted to 156,000 tonnes, which is 80,000 tonnes below normal levels. The quarry was primarily impacted by the breakdown of the primary crusher, as well as by a series of failures involving various pieces of equipment and repeated cuts in the electric power supply affecting the entire area around Kinshasa. As a result, turnover fell by 42% to EUR 2,019 k.
- ✚ The impact of this drop on results was assuaged both by steady market prices and effective cost control measures. Operating results fell by 44% to EUR 328 k while net results grew by EUR 81 k to EUR 386 k compared to the first half of 2010 which had been characterised by losses on inventories and exchange rate variations.
- ✚ A new crusher head was delivered to **CARRIGRES** and various other pieces of equipment were renewed. The quarry has once again been operating normally since the beginning of June and, while the reliability of the electricity supply continues to be problematic, the second half of 2011 should be markedly better than the first half.

Mécelco

- ✚ Wagon maintenance and construction activities were relatively limited during the first six months of the year (EUR 209 k versus EUR 269 k for the same period in 2010) due to a slowdown in orders from Gécamines, the company's main client.
- ✚ Construction framework and metalworking activities generated turnover of EUR 525 k (compared to EUR 503 k with a stronger dollar). Unfortunately, however, this good performance could not prevent turnover from ultimately contracting by 12% to EUR 735 k.
- ✚ Results were impacted by a loss of EUR 137 k on a major metalworking contract executed in 2010 and closed with a loss of EUR 298 k at the operating level and EUR 237 k as regards net results.
- ✚ Activities during the second half of the year will benefit from a sizeable contract signed with a mining operator, but the group does not have any visibility concerning wagon maintenance and construction.

REPORT ON REAL ESTATE ACTIVITIES

EUR thousands	REAL ESTATE ACTIVITIES	
	30/06/11	30/06/10
Revenue from ordinary activities	4,140	3,808
Operating results	1,640	1,079
Net results	1,299	587
Net results (group share)	1,231	618

- ✚ Sector-wide data on real estate activities has to be interpreted while taking into consideration that it includes all of the costs associated with the holding company, for example payroll expenses and overhead.
- ✚ The increase in rental income amounted to + EUR 333 k (+ 9%).

- ✚ A new building with six apartments has been rented out since June while another one with nine apartments has been available since the beginning of August. New office space will be put up for rent both by Immotex and Cotex during the second half of 2011. Finally, construction work has begun on 18 new apartments and this project should start generating income as from the second half of 2012.

EVENTS HAVING TAKEN PLACE AFTER 30 JUNE AND OUTLOOK FOR THE REST OF 2011

- ✚ Previously-announced negotiations regarding the regrouping of the departments of an international body on the group's sites are progressing and the group hopes to receive a final answer sometime during the second half of the year.
- ✚ Bearing in mind the new buildings which will be rented out and depending on the progression at **CARRIGRES**, operating results for the second half of the year should, barring any new developments, surpass those for the first six months.

FINANCIAL CALENDAR

- ✚ Interim statement: 15 November
- ✚ Publication of 2011 results: 16 February 2012
- ✚ General assembly: 24 April 2012

Texaf, founded in 1925, is the only investment company with industrial, financial and real estate interests listed on Euronext which currently has all its activities and subsidiaries in the Democratic Republic of Congo. This stock market listing of activities in DRC, along with the associated good governance and transparency requirements, constitutes one of the group's major assets in promoting the formal sector in the country.

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