CONDENSED CONSOLIDATED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

NEW EUROPE PROPERTY INVESTMENTS PLC

(Incorporated and registered in the Isle of Man with registered number 001211V)
(Registered as an external company with limited liability under the laws of South Africa, Registration number 2009/000025/10)
AIM share code: NEPI BVB share code: NEP JSE share code: NEP ISIN code: IM00B23XCH02 (“NEPI”, “the Group” or “the Company”)

DIRECTORS’ COMMENTARY

DISTRIBUTABLE EARNINGS

The Group has achieved distributable earnings of 24.67 euro cents per share for the financial year ended 31 December 2011. This is as a result of continued strong performances in the Group’s assets, the favourable acquisition of the Floreasca offices in Bucharest during December 2010 and a settlement with the vendor of the Raiffeisen office portfolio in relation to the non-performance of certain obligations towards the Group.

The vendor settlement gave rise to non-recurring income and as a result the Board resolved to limit the full year dividend to 20.25 euro cents per share, an improvement of 15% over the 17.61 euro cents distributable earnings per share generated during the 2010 financial year. The retained distributable earnings of €4.4 million generated during the 2011 financial year will be considered for distribution in relation to the 2012 and 2013 financial years, whilst the Group pursues further growth in dividend distributions and a number of property developments. Accordingly, the Board has declared a final dividend of 10.48 euro cents per share in respect of the six months ended 31 December 2011.

OTHER HIGHLIGHTS

The Company raised a combined €68.8 million via a private placement during June 2011 and a rights issue during December 2011. Both capital raisings were substantially oversubscribed, despite turmoil in the capital markets in the second half of the 2011 financial year. As a result, the shareholder base of the Company expanded significantly and the liquidity in the trading of the Company’s shares improved thus contributing to the inclusion of the Company’s shares in a number of indices during December 2011.

In respect of the Raiffeisen portfolio which was acquired in 2008, the vendor undertook a number of obligations towards the Group, which included rental guarantees and performing refurbishments. In addition, the vendor undertook the obligation to buy the property in Constanta from the Group as a result of an option exercised by the Group during the 2009 financial year. A number of the vendor’s obligations were not fulfilled or fulfilled late. In August 2011 the parties had reached a financial settlement that was subsequently implemented. The settlement agreement led to the transfer of the Constanta property to the vendor and the realisation by the Group of substantial late payment and non-performance penalties. Some €2.4 million of the vendor’s settlement obligations towards the Group remained outstanding at the 2011 financial year-end and these are secured over three real estate properties owned by the vendor group.

The Company was admitted to trading on the regulated market of the Bucharest Stock Exchange on 20 June 2011.

RETAIL ACQUISITIONS, EXTENSIONS AND DEVELOPMENTS

Promenada Mall Braila | The Group finalised and opened an extension of Promenada Mall Braila consisting of a 10-screen cinema complex and a large entertainment area during April 2011. The entertainment extension has proved to be successful and contributed to a substantial increase in footfall and tenants’ turnovers. A vacancy of some 7 000m^2 occurred following the insolvency of Staer, a national furniture retailer, during February 2011. A redevelopment was pursued in order to integrate the purpose-built former Staer space into the shopping centre. This redevelopment was completed in November 2011 and the vacancy has been re-let. The Group is currently underway with a re-configuration and re-tenanting of the fashion section of the Mall that will result in the addition of C&A and H&M as tenants during the second quarter of the 2012 financial. It is expected that this will strengthen the centre’s regional dominance.

Brasov Strip Mall | During the year, the Group acquired land adjacent to its retail asset in Brasov that borders a top-performing Carrefour hypermarket and initiated a redevelopment of the combined property into a 5 300m^2 GLA strip mall. The fully let redevelopment was completed in November 2011, with DM and Flanco opening for trade on 1 December 2011, whilst C&A, Deichman, New Yorker and Takko are expected to be trading by the end of the first quarter of the 2012 financial year.

Retail Park Auchan Pitesti | During the year, the Group acquired the underperforming remaining 7 000m^2 GLA galleria linked to the Retail Park Auchan Pitesti that it did not acquire in 2010 to become the sole owner of the property. The Group redeveloped the galleria into a value centre which resulted in an addition of 3 345m^2 of GLA to the retail park. This included an extension of the Auchan hypermarket sales area by 3 200m^2 turning it into the largest hypermarket in Romania outside of the capital city. The redeveloped section of the property was opened on 1 December 2011 with 8 195m^2 of it having been let by year-end to tenants including Domo, Naturlich, Reserved outlet and Toyplex.

Ploiesti Shopping City | During the year, the Group acquired land adjacent to Carrefour’s operating hypermarket in Ploiesti, Romania and reached agreement with Carrefour Property to redevelop the combined properties into a regional shopping centre. The Ploiesti hypermarket is Carrefour’s leading hypermarket in Romania outside of Bucharest. Construction works commenced during December 2011 and leases have been agreed with tenants including Altex, Bershka, Cinema City, H&M, Lee Cooper, Massimo Dutti, New Yorker, Office Shoes, Orsay, Oysho, Pull and Bear, Reserved, Stradivarius, Vodafone and Zara. Several other tenant negotiations are ongoing and the development that will comprise 56 000m^2 GLA on completion is progressing as scheduled and is expected to open towards the end of the 2012 financial year.

Victoria City Centre | During November 2011, the Group concluded an agreement to acquire a 50% shareholding in a company that owns a former factory site located in the north-western part of Bucharest, an area which is under-serviced with retail space and that benefits from excellent accessibility both by car and public transportation. There is a metro stop in front of the site allowing direct metro access to the proposed development. Further public transport is available through bus, tram and trolley lines. It is proposed to develop a 56 000m^2 GLA shopping centre on the site. As of the date of this report, this development remains subject to the Group and the joint venture partner agreeing to and formally adopting a project development plan, which is expected to occur by the end of February 2012.

Brasov buy and leaseback | The Group is currently finalising a due diligence in relation to a buy and leaseback transaction with Mobexpert, the leading Romanian furniture retailer, in relation to its retail asset in Brasov, Romania. The retail asset is located on a site of some 15 600m^2 that borders NEPI’s recently completed strip mall and the Carrefour hypermarket in Brasov.

OFFICE ACQUISITIONS, EXTENSIONS AND DEVELOPMENTS

Brasov Office | As previously reported, the Group finalised the refurbishment of the Brasov office building during the 2011 financial year. 3 400m^2 of the refurbished office area remains unrented at the 2011 financial year-end.

Victoriei Office | During August 2011, the Group indirectly acquired a 4 400m^2 plot of land in Victoriei Square, Bucharest. The land that contains a neglected historic villa that has been declared a national monument is located in the centre of Bucharest, 200 metres from the central government seat and 20 metres from an entrance to one of the largest metro nodes of the city. The intention is to refurbish the villa and to develop a complimentary A-class office building on the land that will integrate with, and expand the public space of Victoriei Square. The project is in design and permitting phase.

City Business Centre | During January 2012, the Group concluded agreements to indirectly acquire 47 000m^2 GLA A-class offices in the town centre of Timisoara, Romania. Timisoara is the fourth largest city in Romania with a population in excess of 315 000 and is home to a growing back-office activities-and-services market that offers a skilled labour force, low costs and proximity to Western Europe. The acquisition includes three existing office buildings of some 27 150m^2 GLA and a forward commitment to acquire two further office buildings of some 20 000m^2 GLA that are under development. Tenants in the three existing buildings include Alcatel, Deloitte, IBM, Microsoft, PWC, Raiffeisen Bank and Unicredit. Autoliv and SAP are expected to become tenants in the office buildings under development.

DISPOSALS

As a result of exercising of a put option, the Group transferred in August 2011 the Constanta property, a 6 797m^2 GLA office building that was part of the Raiffeisen portfolio, to the vendor as part of the financial settlement mentioned above.

DEBT

In April 2011, the Group repaid the €6.8 million Alpha Bank loan facility that was due for repayment and replaced this in June 2011 with a €9.5 million revolving facility from Unicredit Bank. The new revolving facility carries an interest rate of 1 month Euribor plus 3.0% and matures on 31 May 2012 when, at the Group’s option, the facility is convertible into a term-loan repayable on 31 December 2014. As at 31 December 2011, the new facility was undrawn.

The Group entered into a swap agreement during November 2011, fixing its base rate in relation to €104.7 million of its interest bearing debt at 1.8% for 5 years from this date.

PROSPECTS

The Group will continue to pursue further growth in recurring distributable earnings per share in the medium-term via the combination of an expected strong performance of its existing portfolio together with the acquisition and development activities reported on above as well as exploring further acquisitions and developments in Romania and in some of the other countries in the region.

By order of the Board

Martin Slabbert
Chief executive officer

Victor Semionov
Financial director

8 February 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 31 Dec 11 €	Audited 31 Dec 10 €
ASSETS		
Non-current assets	**362 404 369**	328 991 707
Investment property	**341 802 837**	313 755 281
Investment property at fair value	**316 393 495**	300 899 292
Investment property under development	**25 409 342**	12 855 989
Goodwill	**13 351 499**	13 849 887
Other long term assets	**6 213 458**	–
Financial assets at fair value through profit or loss	**1 036 575**	1 386 539
Current assets	**62 816 541**	31 185 529
Trade and other receivables	**7 751 441**	7 338 247
Cash and cash equivalents	**55 065 100**	23 847 282
Total assets	**425 220 910**	360 177 236
EQUITY AND LIABILITIES		
Total equity attributable to equity holders	**235 258 940**	155 087 026
Share capital	**955 693**	712 686
Share premium	**227 844 770**	159 308 324
Share based payment reserve	**7 456 257**	759 550
Currency translation reserve	**(2 650 522)**	(2 964 825)
Accumulated profit/(loss)	**1 652 742**	(2 728 709)
Total liabilities	**189 961 970**	205 090 210
Non-current liabilities	**174 098 216**	185 374 433
Interest bearing borrowings	**156 629 879**	168 564 379
Deferred tax liabilities	**15 086 152**	15 586 362
Financial liabilities at fair value through profit or loss	**2 382 185**	1 223 692
Current liabilities	**15 863 754**	19 715 777
Trade and other payables	**5 251 265**	7 656 857
Interest bearing borrowings	**8 235 659**	9 847 153
Tenant deposits	**2 376 830**	2 211 767
Total equity and liabilities	**425 220 910**	360 177 236
Net asset value per share	**2.41**	2.18
Adjusted net asset value per share	**2.43**	2.22

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 31 Dec 11 €	Audited 31 Dec 10 €
Cash flows from operating activities*	**17 186 867**	3 335 524
Cash flows from financing activities	**38 246 038**	53 813 129
Cash flows from investing activities	**(24 164 735)**	(45 441 330)
Net increase in cash and cash equivalents	**31 268 170**	11 707 323
Cash and cash equivalents brought forward	**23 847 282**	12 276 543
Translation effect on cash and cash equivalents	**(50 352)**	(136 584)
Cash and cash equivalents carried forward	**55 065 100**	23 847 282

Includes interest paid on bank borrowings amounting to €7 649 493 for the year ended 31 December 2011 and €5 542 335 for the year ended 31 December 2010.

CONSOLIDATED STATEMENT OF INCOME

	Audited 31 Dec 11 €	Audited 31 Dec 10 €
Net rental and related income	**23 727 203**	16 224 196
Contractual rental income and expense recoveries	**32 069 075**	21 269 338
Property operating expenses	**(8 341 872)**	(5 045 142)
Share based payments	**(1 041 647)**	(524 650)
Unrealised foreign exchange (loss)/gain	**(475 883)**	178 175
Investment advisory fees	**–**	(703 323)
Administrative expenses	**(2 023 349)**	(1 991 478)
Fair value adjustment on investment property	**3 010 852**	1 111 927
Profit before net finance expense	**23 197 176**	14 294 847
Net finance expense	**(4 925 640)**	(5 906 809)
Finance income	**6 253 858**	581 765
Finance expense	**(11 179 498)**	(6 488 574)
Profit before tax	**18 271 536**	8 388 038
Tax	**500 210**	(1 476 694)
Profit for the year attributable to equity holders	**18 771 746**	6 911 344
Weighted average number of shares in issue	**78 659 834**	52 388 748
Diluted weighted average number of shares in issue	**84 264 285**	56 334 549
Basic weighted average earnings per share (euro cents)	**23.86**	13.19
Diluted weighted average earnings per share (euro cents)	**22.28**	12.27
Distributable earnings per share (euro cents)	**24.67**	17.61
Headline earnings per share (euro cents)	**20.04**	11.07
Diluted headline earnings per share (euro cents)	**18.70**	10.29

RECONCILIATION OF PROFIT FOR THE YEAR TO DISTRIBUTABLE EARNINGS

	Audited 31 Dec 11 €	Audited 31 Dec 10 €
Profit for the year attributable to equity holders	**18 771 746**	6 911 344
Unrealised foreign exchange loss/(gain)	**475 883**	(178 175)
Acquisition fees	**–**	831 369
Share based payment fair value	**1 041 647**	524 650
Accrued interest on share based payments	**685 186**	491 064
Fair value adjustment on investment property	**(3 010 852)**	(1 111 927)
Financial assets at fair value	**4 263 016**	836 397
Amortisation of financial assets	**(972 520)**	(426 032)
Deferred tax expense	**(500 210)**	1 460 883
Share issue *cum* distribution	**2 323 347**	2 325 443
Distributable earnings for the year	**23 077 243**	11 665 016
Less: dividends declared	**(18 689 531)**	(11 665 016)
Interim dividend	**(8 293 733)**	(4 869 996)
Final dividend	**(10 395 798)**	(6 795 020)
Earnings not distributed	**4 387 712**	–
Number of shares entitled to distribution	**99 196 545**	73 346 586
Distributable earnings per share for the year (euro cents)	**24.67**	17.61
Less: dividends declared	**(20.25)**	(17.61)
Interim dividend per share (euro cents)	**(9.77)**	(8.35)
Final dividend per share (euro cents)	**(10.48)**	(9.26)
Earnings per share not distributed (euro cents)	**4.42**	–

STATEMENT OF OTHER COMPREHENSIVE INCOME

	Audited 31 Dec 11 €	Audited 31 Dec 10 €
Profit for the year attributable to equity holders	**18 771 746**	6 911 344
Other comprehensive income		
– currency translation differences	**314 303**	(314 756)
Total comprehensive income for the year	**19 086 049**	6 596 588

RECONCILIATION OF PROFIT FOR THE YEAR TO HEADLINE EARNINGS

	Audited 31 Dec 11 €	Audited 31 Dec 10 €
Profit for the year attributable to equity holders	**18 771 746**	6 911 344
Fair value adjustment of investment property	**(3 010 852)**	(1 111 927)
Headline earnings	**15 760 894**	5 799 417

RECONCILIATION OF NET ASSET VALUE TO ADJUSTED NET ASSET VALUE

	Audited 31 Dec 11 €	Audited 31 Dec 10 €
Adjusted net asset value	**249 738 983**	170 571 937
Net asset value per the statement of financial position	**235 258 940**	155 087 026
Loans in respect of the share purchase scheme	**12 745 390**	13 748 436
Deferred tax liabilities	**15 086 152**	15 586 362
Goodwill	**(13 351 499)**	(13 849 887)
Net asset value per share	**2.41**	2.18
Adjusted net asset value per share	**2.43**	2.22
Number of shares for net asset value per share purposes	**97 569 456**	71 268 704
Number of shares for adjusted net asset value per share purposes	**102 783 693**	76 933 734

SEGMENTAL ANALYSIS

	Audited 31 Dec 11 €	Audited 31 Dec 10 €
Contractual rental income and expense recoveries		
Retail	**14 848 471**	13 636 990
Industrial	**1 830 940**	1 376 030
Office	**15 389 664**	6 256 318
Total	**32 069 075**	21 269 338
Profit before net finance expense		
Retail	**13 180 638**	16 902 869
Industrial	**1 097 525**	961 679
Office	**10 788 682**	(430 901)
Corporate	**(1 869 669)**	(3 138 800)
Total	**23 197 176**	14 294 847

LEASE EXPIRY PROFILE

Year	Total based on rental income	Total based on rented area
2012	1.1%	1.9%
2013	4.5%	2.3%
2014	17.1%	15.0%
2015	21.4%	18.1%
2016	3.8%	3.1%
2017	7.5%	6.2%
2018	3.4%	1.9%
2019	1.2%	1.1%
2020	2.6%	3.1%
>= 2021	37.4%	47.3%
Total	**100%**	**100%**

STATEMENT OF CHANGES IN EQUITY

Group audited	Share capital €	Share premium €	Share based payment reserve €	Currency translation reserve €	Accumulated profit/(loss) €	Total €
Opening balance 1 January 2010	386 247	76 731 744	234 900	(2 650 069)	(1 983 359)	72 719 463
Transactions with owners	326 439	82 576 580	524 650	–	(7 656 694)	75 770 975
– issue of shares	326 439	82 949 893	–	–	–	83 276 332
– issue cost recognised to equity	–	(373 313)	–	–	–	(373 313)
– share based payment reserve	–	–	524 650	–	–	524 650
– dividend distribution	–	–	–	–	(7 656 694)	(7 656 694)
Total comprehensive income				(314 756)	6 911 344	6 596 588
– other comprehensive income	–	–	–	(314 756)	–	(314 756)
– profit for the year	–	–	–	–	6 911 344	6 911 344
Balance at 31 December 2010	712 686	159 308 324	759 550	(2 964 825)	(2 728 709)	155 087 026
Opening balance 1 January 2011	**712 686**	**159 308 324**	**759 550**	**(2 964 825)**	**(2 728 709)**	**155 087 026**
Transactions with owners	**243 007**	**68 536 446**	**6 696 707**	**–**	**(14 390 295)**	**61 085 865**
– issue of shares	**243 007**	**69 914 745**	**–**	**–**	**–**	**70 157 752**
– issue cost recognised to equity	**–**	**(1 378 299)**	**–**	**–**	**–**	**(1 378 299)**
– share based payment reserve	**–**	**–**	**6 696 707**	**–**	**–**	**6 696 707**
– dividend distribution	**–**	**–**	**–**	**–**	**(14 390 295)**	**(14 390 295)**
Total comprehensive income	**–**	**–**	**–**	**314 303**	**18 771 746**	**19 086 049**
– other comprehensive income	**–**	**–**	**–**	**314 303**	**–**	**314 303**
– profit for the period	**–**	**–**	**–**	**–**	**18 771 746**	**18 771 746**
Balance at 31 December 2011	**955 693**	**227 844 770**	**7 456 257**	**(2 650 522)**	**1 652 742**	**235 258 940**

BANK LOANS AND BORROWINGS AS AT 31 DECEMBER 2011

Borrower	Facility amount €	Outstanding amount €	Available for drawdown €	Interest rate	Hedge
Nepi Bucharest One SRL	6 200 000	6 200 000	–	1M Euribor+4.5%	1M Euribor capped at 2.00%
General Investment SRL	15 000 000	8 721 936	–	Fixed at 6.23%	–
Nepi Bucharest Two and Unique Delamode SRL	9 500 000	–	9 500 000	1M Euribor+3%	1M Euribor capped at 2.00%
Pemium Portofolio	13 995 000	13 330 916	–	Fixed at 5.17%	–
Promenada Mall	40 000 000	40 000 000	–	3M Euribor+3.0%	3M Euribor swapped at 1.8%
Retail Park Auchan Pitesti	28 813 000	28 596 902	–	1M Euribor+4.0%	1M Euribor capped at 2.00%
Floreasca Business Park	77 000 000	67 808 485	–	3M Euribor+2.5%	3M Euribor swapped at 1.8%
Total	**190 508 000**	**164 658 239**	**9 500 000**		

BANK LOANS REPAYMENT PROFILE

Borrower	2012 €	2013 €	2014 €	2015 €	2016 €	Total €
Nepi Bucharest One SRL	–	6 200 000	–	–	–	6 200 000
General Investment SRL	1 064 641	1 137 283	6 520 012	–	–	8 721 936
Nepi Bucharest Two and/or Unique Delamode SRL	–	–	–	–	–	–
Premium Portofolio	241 106	334 550	12 755 260	–	–	13 330 916
Promenada Mall	2 155 653	2 155 654	35 688 693	–	–	40 000 000
Retail Park Auchan Pitesti	2 139 366	1 899 257	2 084 139	22 474 140	–	28 596 902
Floreasca Business Park	1 794 104	66 014 381	–	–	–	67 808 485
Total	**7 394 870**	**77 741 125**	**57 048 104**	**22 474 140**	**–**	**164 658 239**

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Transfer secretaries and settlement agent
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Computershare Investor Services (Jersey) Limited, 2nd floor, Queensway House, Hilgrove Street, St Helier, JE1 1ES, Jersey

Directors Dan Pascariu (Chairman)*, Desmond de Beer#, Michael Mills*, Dewald Joubert*, Jeffrey Zidel*, Victor Semionov (Financial director), Martin Slabbert (Chief executive officer) **Independent non-executive director #Non-executive director*

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NOTES TO THE CONDENSED CONSOLIDATED AUDITED FINANCIAL STATEMENTS

BASIS OF PREPARATION

The condensed consolidated audited financial statements have been prepared in accordance with the recognition and measurement criteria of the International Financial Reporting Standards (IFRS), its interpretations adopted by the International Accounting Standard Board (IASB), the presentation and the disclosure requirements of IAS 34 Interim Financial Reporting and the Listing Requirements of the JSE. The accounting policies adopted are consistent with those of the prior year. Ernst & Young has audited the financial information set out in these financial statements. Their unmodified audit report is available for inspection at the Group’s registered office. The independent auditor’s report will be included in NEPI’s 2011 annual report.

INVESTMENT PROPERTY

Investment property are those held either to earn rental income or for capital appreciation or both. After initial recognition investment property are measured at fair value. Fair value is determined annually by external independent professional valuators with appropriate and recognised professional qualifications and recent experience in the location and category of property being valued.

PAYMENT OF FINAL DIVIDEND

The board has approved and notice is hereby given of a dividend per share of 10.48 euro cents for the six months ended 31 December 2011

The salient dates for the dividend are set out below:

Last day to trade *cum* dividend (JSE)	Friday, 24 February 2012
Ex-dividend date (JSE)	Monday, 27 February 2012
Ex-dividend date (AIM and BVB)	Wednesday, 29 February 2012
Record date	Friday, 2 March 2012
Payment date	Monday, 5 March 2012

No dematerialisation or rematerialisation of share certificates, nor transfer of shares between sub-registers in the Isle of Man, South Africa and Romania will take place between Monday, 27 February 2012 and Friday, 2 March 2012.

Shareholders on the South African sub-register will receive dividends in South African Rand, based on the exchange rate to be obtained by the Company on or before 17 February 2012. A further announcement in this respect will be made on or before 17 February 2012.