

NEW EUROPE PROPERTY INVESTMENTS PLC

# **CONDENSED CONSOLIDATED UNAUDITED FINANCIAL** STATEMENTS FOR THE SIX MONTHS ENDED **30 JUNE 2011**

(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, Reg No 2009/000025/10)

JSE share code: NEP BVB share code: NEP AIM share code: NEPI ISIN code: IM00B23XCH02 ("NEPI", "the Group" or "the Company")

#### **DIRECTORS' COMMENTARY**

#### 1 DISTRIBUTABLE EARNINGS

The Group has achieved consolidated distributable earnings of 9.77 euro cents per share and accordingly, the Board declared an interim dividend of 9.77 euro cents per share in respect of the six month period ended 30 June 2011. This strong performance represents a 17% increase over the 8.35 euro cents per share distributed for the comparable prior interim period.

#### **2 OTHER HIGHLIGHTS**

On 20 June 2011, the Company was admitted to trading on the regulated market of the Bucharest Stock Exchange. The Bucharest Stock Exchange is a regulated European market that makes the Company's shares accessible to Romanian investors, including Romanian institutional investors, Although the Romanian institutions do not have high levels of capital under management yet, this is expected to significantly change over time. Further, the regulated nature of the Bucharest Stock Exchange paves the way for a potential listing on a major European exchange.

In June 2011, the Company raised €28.8 million through a private placement that was heavily oversubscribed. The proceeds will be used to fund the Group's investment and development pipeline. This private placement extended the Company's shareholder base.

Liquidity in the trading of the Company's shares has further improved during this period

### **3 PROPERTY ACQUISITIONS AND DEVELOPMENT**

As reported in the 2010 Annual Report following the year-end, the Group has acquired land adjacent to Carrefour Property's operating property in Ploiesti and has reached preliminary agreement with Carrefour Property to redevelop the combined properties into a 50,000 m<sup>2</sup> regional shopping centre. Since then Carrefour Property's board has approved the transaction and significant progress has been made in securing bank financing and agreeing pre-leases

The Group also acquired land adjacent to its retail asset in Brasov that borders a Carrefour hypermarket. The combined property is being redeveloped into a 5,300 m<sup>2</sup> strip mall. Tenants have been secured and the re-development is under way.

During the period, the Group exercised its option to acquire a 7,000 m<sup>2</sup> underperforming galleria linked to Retail Park Auchan Pitesti that will be redeveloped into a value centre. As a significant step in the redevelopment plan, the Group concluded an agreement with Auchan to extend the hypermarket area by a further 3,500 m<sup>2</sup>, of which 1,042 m<sup>2</sup> is related to the acquired galleria. This extension will result in this hypermarket being one of the largest in Romania outside of the capital city. It is expected that this will strengthen Auchan's leading position in the Pitesti area and contribute to the re-generation of the galleria.

The Group finalised and opened the first phase of the extension of Promenada Mall Braila consisting of a 10 screen Cinema City complex and a large entertainment area including an ice rink (Cinema City is the largest cinema operator in Central and Eastern Europe). Further extensions and re-configurations are ongoing and are expected to include the addition of several large international fashion retailers.

In June 2011, the Group finalised the refurbishment of the Brasov office building and is currently in negotiations with three potential tenants to lease the refurbished property.

## 4 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. The new facility remains undrawn.

# **5 PROSPECTS**

NEPI's property portfolio continues to perform well supported by the length of its lease profile and tenants with strong corporate covenants. The Group is actively pursuing further acquisition and investment opportunities and is in negotiations to conclude three transactions, which include a sizeable office acquisition, a land acquisition and a joint venture shopping centre development.

By order of the Board

Chief executive officer

Martin Slabbert

Victor Semionov Financial director

10 August 2011

## Registered office

2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man, IM1 4LN

#### Transfer secretaries and settlement agent Computershare Investor Services (Proprietary) Limited,

70 Marshall Street, Johannesburg, 2001, South Africa (PO Box 61051, Marshalltown, 2107, South Africa) Computershare Investor Services (Jersey) Limited, 2nd floor, Queensway House, Hilgrove Street, St Helier, JE1 1ES, Jersey

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 For further information please contact

New Europe Property Investments plc Martin Slabbert

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## Java Capital

Romanian Advisor

Intercapital Invest SA Razvan Pasol

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#### **CONSOLIDATED STATEMENT** OF FINANCIAL POSITION

OF FINANCIAL	POSITIO	אוכ	
	Unaudited	Audited	Unaudited
	30 Jun 11	31 Dec 10	30 Jun 10
	€	€	€
ASSETS			
Non-current assets	345 483 741	328 991 707	211 084 981
Investment property	321 839 207	313 755 281	196 914 767
Investment property at fair value	307 077 251	300 899 292	189 752 881
Investment property under development	14 761 956	12 855 989	7 161 886
Goodwill	13 849 887	13 849 887	12 790 551
Financial assets at fair value through profit or loss	3 706 983	1 386 539	1 379 663
Loans	6 087 664	_	-
Current assets	39 578 986	31 185 529	27 932 073
Trade and other receivables	4 139 975	7 338 247	4 465 634
Cash and cash equivalents	35 439 011	23 847 282	23 466 439
Total assets	385 062 727	360 177 236	239 017 054
<b>EQUITY AND LIABILITIES</b>			
Total equity attributable to equity holders	190 900 189	155 087 026	114 862 261
Share capital	808 328	712 686	562 686
Share premium	188 019 113	159 308 324	119 042 233
Share based payment reserve	7 179 934	759 550	542 246
Currency translation reserve	(3 108 678)	(2 964 825)	(3 318 045)
Accumulated loss	(1 998 508)	(2 728 709)	(1 966 859)
Total liabilities	194 162 538	205 090 210	124 154 793
Non-current liabilities	181 677 497	185 374 433	116 257 774
Interest bearing borrowings	165 139 885	168 564 379	105 223 417
Deferred tax liabilities	15 586 362	15 586 362	9 952 647
Financial liabilities at fair value through profit or loss	951 250	1 223 692	1 081 710
Current liabilities	12 485 041	19 715 777	7 897 019
Trade and other payables	5 143 621	7 656 857	6 335 216
Loans and borrowings	5 114 911	9 847 153	1 561 803
Tenant deposits	2 226 509	2 211 767	_
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#### ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

**Total equity and liabilities** 

Net asset value per share

Adjusted net asset value

per share

	Unaudited 30 Jun 11	Audited 31 Dec 10	Unaudited 30 Jun 10
	€	€	€
Cash flows from operating activities*	8 755 571	3 335 524	1 872 019
Cash flows from financing activities	11 708 126	53 813 129	18 346 688
Cash flows from investing activities	(8 955 636)	(45 441 330)	(8 697 486)
Net increase in cash and cash equivalents	11 508 061	11 707 323	11 521 221
Cash and cash equivalents brought forward	23 847 282	12 276 543	12 276 543
Translation effect on cash and cash equivalents	83 668	(136 584)	(331 325)
Cash and cash equivalents carried forward	35 439 011	23 847 282	23 466 439

**385 062 727** 360 177 236 239 017 054

2.33

2.22

2.03

\*Includes interest paid on bank borrowings in amount of  $\in$ 3 947 973 for the six months ended 30 June 2011,  $\ensuremath{\mathfrak{C}}$ 5 542 335 for the year ended 31 December 2010 and  $\ensuremath{\mathfrak{C}}$ 2 989 403 for the six months ended 30 June 2010

#### **CONSOLIDATED STATEMENT** OF INCOME

	Unaudited	Audited	Unaudited
	30 Jun 11	31 Dec 10	30 Jun 10
	€	€	€
Net rental and related income	11 996 800	16 224 196	7 797 115
Contractual rental income and expense recoveries	16 184 734	21 269 338	10 126 772
Property operating expenses	(4 187 934)	(5 045 142)	(2 329 657)
Share based payments	(440 384)	(524 650)	(307 346)
Foreign exchange gain	227 552	178 175	421 927
Investment advisory fees	_	(703 323)	(679 627)
Administrative expenses	(813 007)	(1 991 478)	(461 517)
Fair value adjustment on investment property	_	1 111 927	_
Profit before net finance expense	10 970 961	14 294 847	6 770 552
Net finance expense	(3 809 261)	(5 906 809)	(3 827 037)
Finance income	143 453	581 765	196 896
Finance expense	(3 952 714)	(6 488 574)	(4 023 933)
Profit before tax	7 161 700	8 388 038	2 943 515
Tax		(1 476 694)	(9 813)
Profit for the period attributable to equity holders	7 161 700	6 911 344	2 933 702
Weighted average number of shares in issue	75 963 602	52 388 748	47 255 904
Diluted weighted average number of shares in issue	81 628 632	56 334 549	49 444 271
Basic weighted average earnings per share (euro cents)	9.43	13.19	6.21
Diluted weighted average earnings per share (euro cents)	8.77	12.27	5.93
Distributable earnings per share (euro cents)	9.77	17.61	8.35
Headline earnings per share (euro cents)	9.43	11.07	7.62
Diluted headline earnings per share (euro cents)	8.77	10.29	7.28
RECONCILIATION OF PROFIT FOR	THE PERIOD TO	DISTRIBUTAB	LE EARNINGS
	Unaudited 30 Jun 11	Audited 31 Dec 10	Unaudited 30 Jun 10
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	C	C	C
Profit for the period attributable to equity holders	7 161 700	6 911 344	2 933 702
Unrealised foreign exchange loss	(227 552)	(178 175)	(421 927
Acquisition fees	-	831 369	332 839
Share based payment fair value	440 384	524 650	307 346
Accrued interest on share based payments	338 206	491 064	133 639
Fair value adjustment	_	(1 111 927)	-
Financial assets at fair value	23 166	836 397	701 291
Amortisation of the financial assets	(464 722)	(426 032)	(159 600
Deferred tax expense	_	1 460 883	-
Share issue cum distribution	1 022 551	2 325 443	1 042 706
Distributable earnings for the period	8 293 733	11 665 016	4 869 996
Number of shares entitled to distribution	84 910 831	73 346 586	58 346 586
Distributable earnings per share for the period (euro cents)	9.77	17.61	8.35
First interim dividend (euro cents)	9.77	8.35	8.35
Second interim dividend (euro cents)	_	9.26	_

Currency

Share

based

7 179 934

(3 108 678) (1 998 508) 190 900 189

## STATEMENT OF CHANGES IN EQUITY

Group unaudited	Share capital €	Share premium €	payments reserve €	translation reserve €	Accumulated 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	176 439	42 310 489	307 346	_	(2 917 202)	39 877 072
- issue of shares	176 439	42 532 625	_	_	_	42 709 064
<ul> <li>issue cost recognised to equity</li> </ul>	_	(222 136)	_	_	_	(222 136)
- share based payment reserve	_		307 346	_	_	307 346
- dividend distribution	_	_	_	_	(2 917 202)	(2 917 202)
Total comprehensive income	_	_	_	(667 976)	2 933 702	2 265 726
<ul> <li>other comprehensive income</li> </ul>	_	_	_	(667 976)	_	(667 976)
- profit for the period			_	_	2 933 702	2 933 702
Balance at 30 June 2010	562 686	119 042 233	542 246	(3 318 045)	(1 966 859)	114 862 261
Opening balance 1 July 2010	562 686	119 042 233	542 246	(3 318 045)	(1 966 859)	114 862 261
Transactions with owners	150 000	40 266 091	217 304	_	(4 739 492)	35 893 903
- issue of shares	150 000	40 417 268	_	_	_	40 567 268
<ul> <li>issue cost recognised to equity</li> </ul>	_	(151 177)	_	_	_	(151 177)
<ul> <li>share based payment reserve</li> </ul>	_	_	217 304	_	_	217 304
<ul> <li>dividend distribution</li> </ul>	_	_	_	_	(4 739 492)	(4 739 492)
Total comprehensive income	_	_	_	353 220	3 977 642	4 330 862
<ul> <li>other comprehensive income</li> </ul>	_	_	_	353 220		353 220
- profit for the period	_				3 977 642	3 977 642
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	95 642	28 710 789	6 420 384	_	(6 431 499)	28 795 316
– issue of shares	95 642	28 734 126	_	_	-	28 829 768
<ul> <li>issue cost recognised to equity</li> </ul>	-	(23 337)	_	-	_	(23 337)
<ul> <li>share based payment reserve</li> </ul>	_	_	6 420 384	_	_	6 420 384
<ul> <li>dividend distribution</li> </ul>		_		_	(6 431 499)	(6 431 499)
Total comprehensive income	_	_	_	(143 853)	7 161 700	7 017 847
- other comprehensive income	_	_	_	(143 853)	_	(143 853)
- profit for the period	_				7 161 700	7 161 700

## **BANK LOANS AND BORROWINGS AS AT 30 JUNE 2011**

	Facility amount	Outstanding amount	Available for drawdown		
Group unaudited	€	€	€	Interest rate	Hedge
Nepi Bucharest One SRL	6 200 000	6 200 000	_	1M Euribor+4.5%	1M Euribor capped at 2.25%
General Investment SRL	15 000 000	10 892 282	_	Fixed at 6.23%	_
Nepi Bucharest Two and Unique Delamode SRL	9 500 000	_	9 500 000	1M Euribor+3%	1M Euribor capped at 2.25%
Premium Portfolio	13 995 000	13 448 858	_	Fixed at 5.17%	_
Promenada Mall	40 000 000	40 000 000	_	3M Euribor+3.0%	3M Euribor capped at 2.25%
Retail Park Auchan Pitesti	28 813 000	28 813 000	_	1M Euribor+4.0%	1M Euribor capped at 2.25%
Floreasca Business Park	77 000 000	70 269 270	_	3M Euribor+2.5%	3M Euribor capped at 2.00%
Total	190 508 000	169 623 410	9 500 000		

## **BANK LOANS REPAYMENT PROFILE**

Balance at 30 June 2011

	2011	2012	2013	2014	2015	Total
Borrower	€	€	€	€	€	€
Nepi Bucharest One SRL	_	_	6 200 000	_	_	6 200 000
General Investment SRL	508 422	1 064 641	1 137 283	8 181 936	_	10 892 282
Nepi Bucharest Two and/or Unique Delamode SRL	_	_	_	_	_	_
Premium Portfolio	117 943	241 105	334 550	12 755 260	_	13 448 858
Promenada Mall	_	2 155 653	2 155 654	35 688 693	_	40 000 000
Retail Park Auchan Pitesti	_	2 204 195	1 887 251	2 247 414	22 474 140	28 813 000
Floreasca Business Park	2 484 875	4 399 692	63 384 703	_	_	70 269 270
Total	3 111 240	10 065 286	75 099 441	58 873 303	22 474 140	169 623 410

#### STATEMENT OF OTHER **COMPREHENSIVE INCOME**

	Unaudited 30 Jun 11 €	Audited 31 Dec 10 €	Unaudited 30 Jun 10 €
Profit for the period attributable to equity holders	7 161 700	6 911 344	2 933 702
Other comprehensive income			
<ul> <li>currency translation differences</li> </ul>	(143 853)	(314 756)	(667 976
Total comprehensive income for the period	7 017 847	6 596 588	2 265 726
RECONCILIATION OF PROFIT FO	R THE PERIOD	TO HEADLINE	EARNINGS
	Unaudited 30 Jun 11 €	Audited 31 Dec 10 €	Unaudited 30 Jun 10 €
Profit for the period attributable to equity holders	7 161 700	6 911 344	2 933 702
Changes in currency translation reserve of foreign subsidiaries	_	_	667 976
Fair value adjustment of investment property	_	(1 111 927)	_
Headline earnings	7 161 700	5 799 417	3 601 678
RECONCILIATION OF NET ASSET	VALUE TO ADJ Unaudited 30 Jun 11 €	USTED NET A Audited 31 Dec 10 €	SSET VALUE Unaudited 30 Jun 10
Adjusted net asset value	206 385 100	170 571 937	125 772 793
Net asset value per the statement of financial position		455 007 000	114 962 261
position	190 900 189	155 087 026	114 002 201
Loans in respect of the share purchase scheme	190 900 189 13 748 436	13 748 436	13 748 436
Loans in respect of the share		13 748 436	

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Net asset value per share

Adjusted net asset value

Number of shares for net asset

value per share purposes

Number of shares for adjusted

net asset value per share

per share

purposes

Year	Total based on rental income	Total based on rented area
2011	0.2%	1.0%
2012	4.2%	1.9%
2013	4.2%	6.9%
2014	17.4%	14.3%
2015	21.4%	16.2%
2016	4.2%	3.9%
2017	4.6%	3.4%
2018	3.3%	1.6%
2019	1.2%	1.1%
>=2020	39.3%	49.7%
Total	100%	100%

2.30

2.33

2.18

2.22

82 832 949 71 268 704 56 268 704

**88 497 979** 76 933 734 61 933 734

2.03

## **SEGMENTAL ANALYSIS**

	Unaudited 30 Jun 11 €	Audited 31 Dec 10 €	Unaudited 30 Jun 10 €
Contractual rental income and expense recoveries			
Retail	7 437 887	13 636 990	7 108 561
Industrial	906 069	1 376 030	594 417
Office	7 840 778	6 256 318	2 423 794
Total	16 184 734	21 269 338	10 126 772
Profit before net finance expense			
Retail	6 232 174	16 902 869	5 317 544
Industrial	775 367	961 679	474 707
Office	4 989 415	(430 901)	1 815 713
Corporate	(1 025 995)	(3 138 800)	(837 412)
Total	10 970 961	14 294 847	6 770 552

### NOTES TO THE CONDENSED **CONSOLIDATED UNAUDITED** FINANCIAL STATEMENTS

## **BASIS OF PREPARATION**

The condensed unaudited consolidated 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. These condensed consolidated interim financial results have not been reviewed or reported on by the Company's auditor.

## 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 INTERIM DIVIDEND

The board has approved and notice is hereby given of a dividend per share of 9.77 euro cents for the six months ended 30 June 2011.

The salient dates for the dividend are set out below:

	2011
Last day to trade (JSE)	Friday, 2 September
Ex-dividend date (JSE)	Monday, 5 September
Ex-dividend date (AIM and BVB)	Wednesday, 7 September
Record date	Friday, 9 September
Payment date	Monday, 12 September

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, 5 September 2011 and Friday, 9 September 2011.

Shareholders on the South African sub-register will receive dividends in South African cents of 99.79078 per share, based on an exchange rate of 10.2140 South African Rand per euro.

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