NEPI

NEW EUROPE PROPERTY INVESTMENTS PLC

CONDENSED CONSOLIDATED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Incorporated and registered in the Isle of Man with registered number 00121 1V)
(Registered as an external company with limited liability under the laws of South Africa, Reg No 2009/000025/10)
AIM share code: NEPI
JSE share code: NEP
ISIN code: IM00B23XCH02
("NEPI", "the Group" or "the Company")

DIRECTORS' COMMENTARY

1 DISTRIBUTABLE EARNINGS

The Group has achieved distributable earnings of 17.61 € cents per share in respect of the 2010 financial year. This represents an 11.7% increase on the 15.77 € cents per share in distributable earnings generated during the 2009 financial year and compares positively with the estimated 2.2% inflation in the euro area. Accordingly the Company has declared a second interim dividend of 9.26 € cents per share and will recommend this to shareholders as a final dividend per share in respect of the 2010 financial year.

The improvement in distributable earnings was supported by the continued performance of the Group's portfolio held as at 31 December 2009, favourable acquisitions made during 2010 and a reduction in costs achieved through the internalisation of its investment advisor, NEPI Investment Management Limited.

2 OTHER HIGHLIGHTS

On 4 August 2010 the Company completed the transfer of its listing from the Alternative Exchange ("AltX") of the JSE Limited ("JSE") to the Main Board of the JSE in South Africa. During the year the Company raised € 36 million through a vendor placement in March and private placement in April, respectively. The Company raised a further € 40 million in December 2010 through an over-subscribed rights issue. The capital raisings combined with the transfer of the Company's listing to the Main Board of the JSE in South Africa extended the Company's shareholder base and improved liquidity in the trading of the Company's shares. The Board has decided to pursue a listing on the Bucharest Stock Exchange.

3 PROPERTY ACQUISITIONS AND DEVELOPMENT

The Group continued to expand its asset base in Romania through three acquisitions and an extension of its retail property in Braila that is planned to be fully operational by the end of the first quarter of 2011. The Group took steps to secure undeveloped land plots adjacent to an existing property that the Group is interested to invest in with the view to launch a re-development of the combined properties.

Acquisitions

As announced on 11 March 2010, the Group acquired a 33 000 m² retail park located in Pitesti, Romania. The property is fully leased to Auchan hypermarket and Bricostore DIY. Linked to the property is an under-performing 7 000 m² shopping gallery over which NEPI has a call option expiring in June 2011.

The Group acquired the Otopeni Warehouse, a 5 000 m² warehouse located in the proximity of the Bucharest international airport, during the second half of the year. The property is tenanted by UPS Romania, the Romanian subsidiary of the international courier, and Delamode, a transportation and logistics company. Although small, the property includes vacant land which provides extension opportunities in a highly desirable area once the existing lease agreements expire.

During December 2010 the Group acquired Floreasca Business Park, a 36 000 m² A-class office building located on one of Bucharest's main boulevards. Floreasca Business Park has convenient access to a subway station and other means of public transport and is leased mainly to international corporations. Although NEPI's main focus is on retail assets, NEPI is of the view that the Bucharest office market offered value for investors and concluded this acquisition following a review of 12 potential acquisition targets, based on visibility, technical quality, design, parking facilities and access to public transport. The Floreasca Business Park achieved the highest ranking of the potential acquisition targets.

Development

In Braila, the Group began expanding its shopping mall by constructing a ten-screen cinema and a large entertainment area that includes a food court and an ice rink all of which are planned to be fully operational by the end of March 2011. This expansion is expected to further strengthen the dominant position of Promenada Mall Braila in its region. The Group has also acquired land adjacent to the property and is considering a further extension of the centre given demand for space from larger fashion retailers.

The Group has secured land adjacent to one of Carrefour Property's existing operating properties in Romania and has reached a preliminary agreement with Carrefour Property to redevelop the combined properties. The agreement is subject to receiving approval from the Carrefour Property Board and documenting the terms of the joint venture. It is expected that this will result in a regionally dominant shopping centre of some 50 000 m² on completion.

In the Directors' Commentary in the interim results for the six months ended 30 June 2010 reference was made to an agreement in relation to the development of a shopping centre in Bucharest. The Group decided not to proceed with this project due to an unfavourable feasibility study. Finally, the Group did not proceed with an investment and re-development opportunity of a shopping centre in Bacau, Romania due to the counter party withdrawing from the transaction.

4 DEBT

As reported in the Directors' Commentary in the interim results for the six months ended 30 June 2010, in June 2010 the Group successfully refinanced a loan facility in relation to Retail Park Auchan Pitesti. The Group capped the reference rate (Euribor) at 2.25% in relation to the new loan facility and reduced the cap strike levels to 2.25% on all the other outstanding variable interest rate loans.

With the acquisition of Floreasca Business Park the Group took over a €71 million facility from Raiffeisen Bank and entered into a cap agreement at 2% in relation to the reference rate (Euribor). As a result, the Group's overall loan to value ratio increased to 49% when adjusted for cash at hand, which is below the Board's target range.

5 PROSPECTS

NEPI is well positioned for further growth in distributable earnings in 2011. The Group will continue to explore further investment and development opportunities in the Romanian market.

By order of the Board

Martin Slabbert
Chief Executive Officer

Victor Semionov
Financial Director

10 February 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group Audited 31 Dec 10 €	Group Audited 31 Dec 09 €
ASSETS		
Non-current assets	**328 991 707**	151 470 854
Investment property	**313 755 281**	145 965 096
Investment property at fair value	**300 899 292**	139 222 255
Investment property under development	**12 855 989**	6 742 841
Goodwill	**13 849 887**	4 414 804
Financial assets at fair value through profit or loss	**1 386 539**	1 090 954
Current assets	**31 185 529**	15 673 022
Trade and other receivables	**7 338 247**	3 396 479
Cash and cash equivalents	**23 847 282**	12 276 543
Total assets	**360 177 236**	167 143 876
EQUITY AND LIABILITIES		
Total equity attributable to equity holders	**155 087 026**	72 719 463
Share capital	**712 686**	386 247
Share premium	**159 308 324**	76 731 744
Share based payment reserve	**759 550**	234 900
Currency translation reserve	**(2 964 825)**	(2 650 069)
Accumulated loss	**(2 728 709)**	(1 983 359)
Total liabilities	**205 090 210**	94 424 413
Non-current liabilities	**185 374 433**	86 440 422
Interest bearing borrowings	**168 564 379**	77 970 398
Deferred tax liabilities	**15 586 362**	7 388 314
Financial liabilities at fair value through profit or loss	**1 223 692**	1 081 710
Current liabilities	**19 715 777**	7 983 991
Trade and other payables	**7 656 857**	4 173 641
Loans and borrowings	**9 847 153**	1 956 386
Tenant deposits	**2 211 767**	1 853 964
Total equity and liabilities	**360 177 236**	167 143 876
Net assets value per share	**2.18**	1.88
Adjusted net asset value per share	**2.22**	1.97

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	Group Audited 31 Dec 10 €	Group Audited 31 Dec 09 €
Cash flows from operating activities*	**3 335 524**	2 612 814
Cash flows from financing activities	**53 813 129**	12 537 009
Cash flows from investing activities	**(45 441 330)**	(7 055 693)
Net increase in cash and cash equivalents	**11 895 835**	8 094 130
Cash and cash equivalents brought forward	**12 276 543**	4 418 847
Translation effect on cash and cash equivalents	**136 584**	(236 434)
Cash and cash equivalents carried forward	**23 847 282**	12 276 543

Includes interest paid on bank borrowings amounting to € 5 542 335 for the year ended 31 December 2010 and € 2 240 009 for the year ended 31 December 2009

CONSOLIDATED STATEMENT OF INCOME

	Group Audited 31 Dec 10 €	Group Audited 31 Dec 09 €
Net rental and related income	**16 224 196**	8 270 884
Contractual rental income and expense recoveries	**21 269 338**	10 708 873
Property operating expenses	**(5 045 142)**	(2 437 989)
Share based payments	**(524 650)**	(153 059)
Foreign exchange gain	**178 175**	1 811 011
Investment advisory fees	**(703 323)**	(670 725)
Administrative expenses	**(1 991 478)**	(1 543 992)
Fair value adjustment on investment property	**1 111 927**	575 253
Profit before net finance expense	**14 294 847**	8 289 372
Net finance expense	**(5 906 809)**	(3 445 924)
Finance income	**581 765**	261 512
Finance expense	**(6 488 574)**	(3 707 436)
Profit before tax	**8 388 038**	4 843 448
Tax	**(1 476 694)**	(2 121 193)
Profit for the year attributable to equity holders	**6 911 344**	2 722 255
Weighted average number of shares in issue	**52 388 748**	29 397 896
Diluted weighted average number of shares in issue	**56 334 549**	30 877 071
Basic weighted average earnings per share (€ cents)	**13.19**	9.26
Diluted weighted average earnings per share (€ cents)	**12.27**	8.82
Distributable earnings per share (€ cents)	**17.61**	15.77
Headline earnings per share (€ cents)	**11.07**	13.74
Diluted headline earnings per share (€ cents)	**10.29**	13.08

RECONCILIATION OF PROFIT FOR THE YEAR TO DISTRIBUTABLE EARNINGS

	Group Audited 31 Dec 10 €	Group Audited 31 Dec 09 €
Profit for the year attributable to equity holders	**6 911 344**	2 722 255
Unrealised foreign exchange gain	**(178 175)**	(1 811 011)
Realised foreign exchange losses	**–**	(87 000)
Listing expenses	**–**	905 048
Acquisition fees	**831 369**	286 211
Share based payment fair value	**524 650**	153 059
Accrued interest on share based payments	**491 064**	170 721
Fair value adjustment	**(1 111 927)**	(575 253)
Financial assets at fair value	**836 397**	855 754
Amortisation of the financial assets	**(426 032)**	(117 288)
Deferred tax expense	**1 460 883**	2 114 061
Share issue *cum* distribution	**2 325 443**	547 821
Distributable earnings for the year	**11 665 016**	5 164 378
Number of shares entitled to distribution	**73 346 586**	37 070 515
Distributable earnings per share for the year (€ cents)	**17.61**	15.77
First interim dividend (€ cents)	**8.35**	7.66
Second interim dividend (€ cents)	**9.26**	8.11

STATEMENT OF OTHER COMPREHENSIVE INCOME

	Group Audited 31 Dec 10 €	Group Audited 31 Dec 09 €
Profit for the year attributable to equity holders	**6 911 344**	2 722 255
Other comprehensive income		
– currency translation differences	**(314 756)**	(1 892 383)
Total comprehensive income for the year	**6 596 588**	829 872

RECONCILIATION OF PROFIT FOR THE YEAR TO HEADLINE EARNINGS

	Group Audited 31 Dec 10 €	Group Audited 31 Dec 09 €
Profit for the year attributable to equity holders	**6 911 344**	2 722 255
Changes in currency translation reserve of foreign subsidiaries	**–**	1 892 382
Fair value adjustment of investment property	**(1 111 927)**	(575 253)
Headline earnings	**5 799 417**	4 039 384

RECONCILIATION OF NET ASSET VALUE TO ADJUSTED NET ASSET VALUE

	Group Audited 31 Dec 10 €	Group Audited 31 Dec 09 €
Adjusted net asset value	**170 571 937**	80 070 467
Net asset value per the statement of financial position	**155 087 026**	72 719 463
Loans in respect of the share purchase scheme	**13 748 436**	4 377 494
Deferred tax	**15 586 362**	7 388 314
Goodwill	**(13 849 887)**	(4 414 804)
Net asset value per share	**2.18**	1.88
Adjusted net asset value per share	**2.22**	1.97
Number of shares for net assets value per share purposes	**71 268 704**	38 624 771
Number of shares for adjusted net assets value per share purposes	**76 933 734**	40 657 663

LEASE EXPIRY PROFILE

Year	Total based on rental income	Total based on rented area
2011	3.8%	5.3%
2012	9.6%	8.8%
2013	3.7%	2.4%
2014	14.5%	12.9%
2015	20.0%	15.3%
2016	4.4%	3.4%
2017	3.3%	2.0%
2018	3.1%	1.5%
2019	1.0%	1.1%
>=2020	36.6%	47.3%
Total	**100%**	**100%**

SEGMENTAL ANALYSIS

	Group 31 Dec 10 €	Group 31 Dec 09 €
Contractual rental income and expense recoveries		
Retail	**13 636 990**	4 807 694
Industrial	**1 376 030**	1 191 587
Office	**6 256 318**	4 709 592
Total	**21 269 338**	10 708 873
Profit before net finance expense		
Retail	**16 902 869**	6 652 814
Industrial	**961 679**	179 460
Office	**(430 901)**	3 032 304
Corporate	**(3 138 800)**	(1 575 206)
Total	**14 294 847**	8 289 372

STATEMENT OF CHANGES IN EQUITY

Group audited	Share capital €	Share premium €	Share based payments reserve €	Currency translation reserve €	Accumulated loss €	Total €
Opening balance 1 January 2009	267 950	52 487 190	81 841	(757 686)	(681 386)	51 397 909
Transactions with owners	118 297	24 244 554	153 059	–	(4 024 228)	20 491 682
– shares issue	118 297	24 263 927	–	–	–	24 382 224
– issue cost recognised to equity	–	(19 373)	–	–	–	(19 373)
– share based payment reserve	–	–	153 059	–	–	153 059
– dividend distribution	–	–	–	–	(4 024 228)	(4 024 228)
Total comprehensive income	–	–	–	(1 892 383)	2 722 255	829 872
– other comprehensive income	–	–	–	(1 892 383)	–	(1 892 383)
– profit for the year	–	–	–	–	2 722 255	2 722 255
Balance at 31 December 2009	**386 247**	**76 731 744**	**234 900**	**(2 650 069)**	**(1 983 359)**	**72 719 463**
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**
– share issue	**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**

NOTES TO THE CONDENSED CONSOLIDATED AUDITED FINANCIAL STATEMENTS

BASIS OF PREPARATION

The condensed audited 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 Standards Board (IASB), the presentation and the disclosure requirements of IAS 34 Interim Financial Reporting and the Listings 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 this report. Their unmodified audit report is available for inspection at the Group's registered office.

INVESTMENT PROPERTY

Investment properties are those held either to earn rental income or for capital appreciation or both. After initial recognition investment properties are measured at fair value. Fair values are 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.

BUSINESS COMBINATIONS

The four acquisitions made by the Group during 2010, described in more detail in the Directors' Commentary, were accounted for as business combinations in terms of IFRS 3 Revised.

EFFECTS OF BUSINESS COMBINATIONS ON THE GROUP'S FINANCIAL STATEMENTS

	Effective acquisition date	Acquisition price for 100% of equity €	Net asset value at acquisition date €	Goodwill €	Contribution to 2010 consolidated revenues €	Contribution to 2010 consolidated net profit €
Retail Park Auchan Pitesti	1 Jan 2010	14 091 414	11 697 401	2 394 013	5 722 010	7 583 231*
Otopeni Warehouse	20 Sep 2010	4 995 460	4 995 460	–	204 533	139 757
Floreasca Business Park	31 Dec 2010	30 280 445	28 616 031	1 664 414	–	–
NEPI Investment Management Limited	30 Jun 2010	6 825 948	944 172	5 881 776	–	(224 299)

Includes the fair value gain of € 6 598 117

BANK LOANS AND BORROWINGS AS AT 31 DECEMBER 2010

Borrower	Facility amount €	Outstanding amount €	Available for drawdown €	Interest rate	Hedge
Nepi Bucharest One SRL	7 300 000	6 200 000	1 100 000	1M Euribor +4.5%	1M Euribor capped at 2.25%
Nepi Bucharest Two SRL	6 824 800	5 800 000	1 024 800	1M Euribor +1.9%	1M Euribor capped at 2.25%
General Investment SRL	15 000 000	11 388 868	–	Fixed at 6.23%	–
Premium Portfolio	13 995 000	13 681 912	–	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	71 413 947	–	3M Euribor +2.353%	3M Euribor capped at 2.00%

The interest rate cap in relation to Floreasca Business Park was acquired and paid for in January 2011

BANK LOANS REPAYMENT PROFILE

	2011 €	2012 €	2013 €	2014 €	2015 €	Total €
Nepi Bucharest One SRL	–	–	6 200 000	–	–	6 200 000
Nepi Bucharest Two SRL	5 800 000	–	–	–	–	5 800 000
General Investment SRL	1 005 008	1 064 641	1 137 283	8 181 936	–	11 388 868
Premium Portfolio	350 996	241 105	334 551	12 755 260	–	13 681 912
Promenada Mall	–	2 155 654	2 155 653	35 688 693	–	40 000 000
Retail Park Auchan Pitesti	–	2 204 194	1 887 252	2 247 414	22 474 140	28 813 000
Floreasca Business Park	3 629 552	4 399 692	63 384 703	–	–	71 413 947
Total	**10 785 556**	**10 065 286**	**75 099 442**	**58 873 303**	**22 474 140**	**177 297 727**

PAYMENT OF SECOND INTERIM DIVIDEND

The board has approved and notice is hereby given of a dividend per share of 9.26 € cents for the six months ended 31 December 2010.

The salient dates for the dividend are set out below:

Last day to trade (JSE)	Friday	25 February 2011
Ex-dividend date (JSE)	Monday	28 February 2011
Ex-dividend date (AIM)	Wednesday	2 March 2011
Record date	Friday	4 March 2011
Payment date	Friday	11 March 2011

No dematerialisation or rematerialisation of share certificates, nor transfer of shares between registers in the Isle of Man and South Africa will take place between Monday, 28 February 2011 and Friday, 4 March 2011.

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 18 February 2011. A further announcement in this respect will be made on or before 18 February 2011.

Registered office

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

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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