



NEW EUROPE PROPERTY INVESTMENTS PLC

# CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

(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 2009/00025/10)

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 consolidated distributable earnings of 8.35 € cents per share and, accordingly, the Board declared an interim dividend of 8.35 € cents per share in respect of the six month period ended 30 June 2010. This strong performance represents a 9.0% increase over the 7.66 € cents per share distributed for the comparable prior period.

### 2 INTERNALISATION

During the period the Company internalised its investment advisor through the acquisition of all of the issued shares of NEPI Investment Management Limited ("NEPM"). The net purchase price of €5 881 943 was accounted for as an intangible asset in the consolidated statement of financial position. The Board expects that the management of the Group's property portfolio going forward will be achieved more efficiently and cost effectively with the management team of NEPM being employed and incentivised directly by the Company. The internalisation is expected to result in better returns to NEPI shareholders and enhanced distributable earnings per share.

### 3 JSE MAIN BOARD LISTING

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, which combined with the wider placement of shares completed during the period is expected to further extend the shareholder base and further improve liquidity in the trading of the Company's shares.

The Company currently also holds a listing on the AIM market of the London Stock Exchange.

### 4 PROPERTY ACQUISITIONS AND DEVELOPMENT

The Group continued expanding its retail asset base in Romania through the acquisition of a retail park located in Pitesti, Romania ("Retail Park Auchan Pitesti") leased to Auchan and Bricostore.

The Company continues to pursue further investment opportunities in line with its investment strategy. The Group is also in discussions for the acquisition of a small but well located logistics facility in Bucharest. In view of existing market opportunities and the Group's growing foothold in Romania, the Group has also pursued development opportunities through joint ventures with strong partners. One of these opportunities led to an agreement in relation to the development of a shopping centre in Bucharest. This project is currently in due diligence.

### 5 DEBT

In June 2010 the Group successfully refinanced a loan facility in relation to Retail Park Auchan Pitesti with a more favorable new loan facility from Unicredit Bank and Banca Romaneasca. The new loan facility of €28 813 000 matures in December 2014 and carries an interest rate of 1 month Euribor plus 4.0%. Further, the Group took advantage of the low interest rate environment and capped the 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, while the caps in relation to the NEPI Bucharest One and NEPI Bucharest Two loans were extended up to December 2014 which is beyond the respective loan facilities' maturities.

### 6 PROSPECTS

Despite continued macroeconomic weakness in Romania, NEPI's property portfolio continues to perform well supported by the predominance of long-term leases and tenants with strong corporate covenants. The Company established a solid property portfolio and investment pipeline in Romania and is well positioned to continue expanding its retail asset base in Romania.

By order of the Board

Martin Slabbert Victor Semionov  
Chief Executive Officer Financial Director

6 August 2010

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group Unaudited 30 Jun 10	Group Audited 31 Dec 09	Group Unaudited 30 Jun 09
	€	€	€
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>211 084 981</b>	<b>151 470 854</b>	<b>87 794 134</b>
Investment property	196 914 767	145 965 096	85 280 283
Investment property at fair value	189 752 881	139 222 255	78 676 715
Investment property under development	7 161 886	6 742 841	6 603 568
Intangible assets	5 881 943	-	-
Goodwill	6 908 608	4 414 804	2 386 463
Financial assets at fair value through profit or loss	1 379 663	1 090 954	127 388
<b>Current assets</b>	<b>27 932 073</b>	<b>15 673 022</b>	<b>11 997 776</b>
Trade and other receivables	4 465 634	3 396 479	2 313 505
Cash and cash equivalents	23 466 439	12 276 543	9 684 271
<b>Total assets</b>	<b>239 017 054</b>	<b>167 143 876</b>	<b>99 791 910</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity attributable to equity holders</b>	<b>114 862 261</b>	<b>72 719 463</b>	<b>49 815 481</b>
Share capital	562 686	386 247	267 950
Share premium	119 042 233	76 731 744	52 487 190
Share based payment reserve	542 246	234 900	152 665
Currency translation reserve	(3 318 045)	(2 650 069)	(2 591 223)
Accumulated loss	(1 966 859)	(1 983 359)	(501 101)
<b>Non-current liabilities</b>	<b>116 257 774</b>	<b>86 440 422</b>	<b>45 281 792</b>
Loans and borrowings	105 223 417	77 970 398	40 283 172
Financial liabilities at fair value through profit or loss	1 081 710	1 081 710	934 866
Deferred tax liabilities	9 952 647	7 388 314	4 063 754
<b>Current liabilities</b>	<b>7 879 019</b>	<b>7 983 991</b>	<b>4 694 637</b>
Trade and other payables	6 335 216	6 027 605	3 057 850
Loans and borrowings	1 561 803	1 956 386	1 636 787
<b>Total equity and liabilities</b>	<b>239 017 054</b>	<b>167 143 876</b>	<b>99 791 910</b>
<b>Net asset value per share</b>	<b>2.04</b>	<b>1.88</b>	<b>1.86</b>
<b>Adjusted net asset value per share</b>	<b>2.03</b>	<b>1.97</b>	<b>1.93</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group Unaudited 30 Jun 10	Group Audited 31 Dec 09	Group Unaudited 30 Jun 09
	€	€	€
<b>Net rental and related income</b>	<b>7 797 115</b>	<b>8 270 884</b>	<b>3 520 962</b>
Contractual rental income and expense recoveries	10 126 772	10 708 873	4 323 488
Property operating expenses	(2 329 657)	(2 437 989)	(802 526)
Share based payments	(307 346)	(153 059)	(70 824)
Investment advisory fees	(679 627)	(670 725)	(275 574)
Administrative expenses	(461 517)	(1 543 992)	(274 508)
Foreign exchange gain	421 927	1 811 011	1 723 780
Fair value adjustment on investment property	-	575 253	-
<b>Profit before net finance expense</b>	<b>6 770 552</b>	<b>8 289 372</b>	<b>4 623 836</b>
Finance income	196 896	261 512	134 523
Finance expense	(4 023 933)	(3 707 436)	(2 286 056)
<b>Net finance expense</b>	<b>(3 827 037)</b>	<b>(3 445 924)</b>	<b>(2 151 533)</b>
<b>Profit before tax</b>	<b>2 943 515</b>	<b>4 843 448</b>	<b>2 472 303</b>
Tax	(9 813)	(2 121 193)	(342 729)
Profit for the period attributable to equity holders	2 933 702	2 722 255	2 129 574
Weighted average number of shares in issue	47 255 904	29 397 896	26 795 000
Diluted weighted average number of shares in issue	49 444 271	30 877 071	28 150 000
Basic weighted average earnings per share (€ cents)	6.21	9.26	7.95
Diluted weighted average earnings per share (€ cents)	5.93	8.82	7.57
Distributable earnings per share (€ cents)	8.35	15.77	7.66
Headline earnings per share (€ cents)	7.62	13.74	14.79
Diluted headline earnings per share (€ cents)	7.28	13.08	14.08

## STATEMENT OF OTHER COMPREHENSIVE INCOME

	Group Unaudited 30 Jun 10	Group Audited 31 Dec 09	Group Unaudited 30 Jun 09
	€	€	€
Profit for the year attributable to equity holders	2 933 702	2 722 255	2 129 574
Other comprehensive income	(667 976)	(1 892 383)	(1 833 537)
- currency translation differences	(667 976)	(1 892 383)	(1 833 537)
Total comprehensive income for the period	2 265 726	829 872	296 037

## ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	Group Unaudited 30 Jun 10	Group Audited 31 Dec 09	Group Unaudited 30 Jun 09
	€	€	€
Cash flows from operating activities*	1 872 019	2 612 814	1 336 854
Cash flows from financing activities	18 346 688	12 537 009	4 323 247
Cash flows from investing activities	(8 697 486)	(7 055 693)	(138 113)
<b>Net increase in cash and cash equivalents</b>	<b>11 521 221</b>	<b>8 094 130</b>	<b>5 521 988</b>
Cash and cash equivalents brought forward	12 276 543	4 418 847	4 418 847
Translation effect on cash and cash equivalents	(331 325)	(236 434)	(256 564)
<b>Cash and cash equivalents carried forward</b>	<b>23 466 439</b>	<b>12 276 543</b>	<b>9 684 271</b>

\*Includes interest paid on bank borrowings amounting to €2 989 403 for the six months ended 30 June 2010, €2 240 009 for the year ended 31 December 2009 and €1 014 619 for the six months ended 30 June 2009

## NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

### BASIS OF PREPARATION

The condensed consolidated unaudited interim financial statements have been prepared in accordance with applicable Isle of Man law, International Financial Reporting Standards (IFRS), specifically IAS 34 Interim Financial Reporting, and the JSE Listings Requirements. The interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009. The accounting policies are consistent with those applied for the prior periods except for the adoption of the revised IAS1.

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

### 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. It is the Group's policy to revalue investment properties in December.

## NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### LOANS AND BORROWINGS AS AT 30 JUNE 2010

Borrower	Facility amount	Outstanding amount	Available for drawdown	Interest rate	Hedge
	€	€	€		
Nepi Bucharest One SRL	7 300 000	6 240 000	1 060 000	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	11 864 281	-	Fixed at 6.23%	-
Premium Portfolio	13 995 000	13 800 491	-	Fixed at 5.17%	-
ERP Braila	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%

### LOANS REPAYMENT PROFILE

Year	2010	2011	2012	2013	2014	2015	Total
	€	€	€	€	€	€	€
Nepi Bucharest One SRL	-	-	-	6 240 000	-	-	6 240 000
Nepi Bucharest Two SRL	-	5 800 000	-	-	-	-	5 800 000
General Investment SRL	475 414	1 005 008	1 064 641	1 137 283	8 181 935	-	11 864 281
Premium Portfolio	110 495	239 173	240 192	333 284	175 460	12 701 887	13 800 491
ERP Braila	-	-	2 155 653	2 155 653	35 688 694	-	40 000 000
Retail Park Auchan Pitesti	-	216 098	2 139 365	1 899 257	1 450 254	23 108 026	28 813 000
<b>Total</b>	<b>585 909</b>	<b>7 260 279</b>	<b>5 599 851</b>	<b>11 765 477</b>	<b>45 496 343</b>	<b>35 809 913</b>	<b>106 517 772</b>

### RECONCILIATION OF PROFIT FOR THE PERIOD TO DISTRIBUTABLE EARNINGS

	Group 30 Jun 10	Group 31 Dec 09	Group 30 Jun 09
	€	€	€
<b>Profit for the period attributable to equity holders</b>	<b>2 933 702</b>	<b>2 722 255</b>	<b>2 129 574</b>
Unrealised foreign exchange gain	(421 927)	(1 811 011)	(1 723 780)
Realised foreign exchange losses	-	(87 000)	-
Listing expenses	-	905 048	905 048
Acquisition fees	332 839	286 211	-
Share based payment fair value	307 346	153 059	70 824
Accrued interest on share based payments	133 639	170 721	81 045
Fair value adjustment	-	(575 253)	-
Financial assets at fair value	701 291	855 754	392 176
Amortisation of the financial assets	(159 600)	(117 288)	(39 777)
Deferred tax expense	-	2 114 061	341 180
Share issue cum distribution	1 042 706	547 821	-
Distributable earnings for the period	4 869 996	5 164 378	2 156 290
Number of shares entitled to distribution	58 346 586*	37 070 515*	28 150 000

\*Total shares in issue less 3 587 148 vendor shares subject to lock in arrangements since 20 October 2009

	Group 30 Jun 10	Group 31 Dec 09	Group 30 Jun 09
	€	€	€
Distributable earnings per share for the period (€ cents)	8.35	15.77	7.66
Interim (€ cents)	8.35	7.66	7.66
Final (€ cents)	-	8.11	-

### RECONCILIATION OF PROFIT FOR THE PERIOD TO HEADLINE EARNINGS

	Group 30 Jun 10	Group 31 Dec 09	Group 30 Jun 09
	€	€	€
Profit for the period attributable to equity holders	2 933 702	2 722 255	2 129 574
Changes in currency translation reserve of foreign subsidiaries	667 976	1 892 382	1 833 537
Fair value adjustment of investment property	-	(575 253)	-
<b>Headline earnings</b>	<b>3 601 678</b>	<b>4 039 384</b>	<b>3 963 111</b>

	Group 30 Jun 10	Group 31 Dec 09	Group 30 Jun 09
	€	€	€
<b>Adjusted net asset value</b>	<b>125 772 793</b>	<b>80 070 467</b>	<b>54 446 673</b>
Net asset value per the statement of financial position	114 862 261	72 719 463	49 815 481
Issued value of the shares in respect of the share incentive scheme	13 748 436	4 377 494	2 953 900
Deferred tax	9 952 647	7 388 314	4 063 754
Goodwill and intangible assets	(12 790 551)	(4 414 804)	(2 386 462)
<b>Net asset value per share</b>	<b>2.04</b>	<b>1.88</b>	<b>1.86</b>
<b>Adjusted net asset value per share</b>	<b>2.03</b>	<b>1.97</b>	<b>1.93</b>
Number of shares for net assets value per share purposes	56 268 704	38 624 771	26 795 000
Number of shares for adjusted net assets value per share purposes	61 933 734	40 657 663	28 150 000

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Share based payments reserve	Currency translation reserve	Accumulated loss	Total
	€	€	€	€	€	€
<b>Group unaudited</b>						
<b>Opening balance 1 January 2009</b>	<b>267 950</b>	<b>52 487 190</b>	<b>81 841</b>	<b>(757 686)</b>	<b>(681 386)</b>	<b>51 397 909</b>
Transactions with owners	-	-	70 824	-	(1 949 289)	(1 878 465)
- issue of shares	-	-	-	-	-	-
- issue cost recognised to equity	-	-	-	-	-	-
- share based payment reserve	-	-	70 824	-	-	70 824
- dividend distribution	-	-	-	-	(1 949 289)	(1 949 289)
Total comprehensive income	-	-	-	(1 833 537)	2 129 574	296 037
- other comprehensive income	-	-	-	(1 833 537)	-	(1 833 537)
- profit for the period	-	-	-	-	2 129 574	2 129 574