

DIRECTORS' COMMENTARY

All information below excludes joint ventures, unless otherwise stated

HIGHLIGHTS

The Group achieved 12.02 euro cents in distributable earnings per share for the first three months of 2017. This is due to NEPI's assets continued strong performance, combined with the positive impact of acquisitions and developments completed during 2016.

MERGER OF NEPI AND ROCKCASTLE

During the first quarter of 2017, NEPI and Rockcastle Global Real Estate Company Limited (Rockcastle), a property investment company established in Mauritius and listed on the JSE and the Stock Exchange of Mauritius (SEM), have progressed with the proposed merger of their respective businesses into an entity newly-incorporated in the Isle of Man, NEPI Rockcastle PLC (NewCo) which is expected to be implemented with reference to an effective share swap ratio of 4.7 Rockcastle shares for one NEPI share (the Swap Ratio). NEPI expects to issue its circular to shareholders regarding the merger, together with a prospectus for NewCo, by the end of May 2017. The circular would include notice of a general meeting of NEPI shareholders regarding approval of the merger, which is to be scheduled for late June 2017.

Rockcastle will follow the same timing in respect of the general meeting of its shareholders, with the result that, if all conditions to the merger are fulfilled, it will be implemented during July 2017 and NewCo will pay the distribution for the six month period ending 30 June 2017.

PIPELINE

NEPI continues to pursue investment opportunities in Central and Eastern Europe, consolidating its position in existing markets, and planning to enter new markets.

RETAIL DEVELOPMENTS AND EXTENSIONS

During the period, the Group made progress with planning and permitting for several developments and extensions, including those in Galati, Novi Sad and Ramnicu Valcea. Further to the receipt of certain approvals, Victoriei Office is expected to receive permitting for the internal fit-out during the next quarter, enabling tenants to start operations in the fourth quarter of 2017. Zoning and permitting for the Promenada Mall extension continue to experience delays.

Shopping City Galati extension (Romania)

The Group commenced construction of the 21,000m² Gross Leasable Area (GLA) extension to Shopping City Galati, currently a 27,200m² GLA regional mall. The extension includes an eight-screen Cinema City, food court and international fashion brands, such as Hervis, Jysk, Levi's, LC Waikiki, Orsay and Pepco. The extension is targeted to be completed during the fourth quarter of 2017.

Promenada Novi Sad (Serbia)

The building permit for the first phase of a 56,000m² GLA mall, of approximately 47,000m² GLA, in Novi Sad, Serbia's second largest city, has been obtained and construction is set to start in May 2017. NEPI targets completing the development by the end of 2018. Tenant demand is strong and various international brands are considering entering the scheme.

Ramnicu Valcea Mall (Romania)

Zoning was obtained, while permitting is underway, and construction on the 27,900m² GLA regional mall will begin during the second quarter of 2017. Site preparation works have already commenced. The centre will include a Carrefour hypermarket, Cinema City and numerous national and international brands, such as Hervis, Jysk, NewYorker, Orsay and Textil Market. The centre is scheduled to open during the fourth quarter of 2017.

OTHER HIGHLIGHTS

Peek&Cloppenburg opened, in NEPI's Shopping City Timisoara their first store in the city. Inditex opened their first Bershka, Pull&Bear and Stradivarius stores outside Slovakia's capital city, in Aupark Kosice.

CASH MANAGEMENT AND DEBT

NEPI contracted a €100 million unsecured revolving facility from ING Bank. The Group also raised €72 million through the issue of new ordinary shares in March 2017 and €56 million through the election to receive the dividend for the second half of 2016 by way of a return of capital in April 2017.

As of 31 March 2017, the Group had €54 million in cash and undrawn facilities of €240 million. NEPI's gearing ratio (interest bearing debt less cash divided by investment property and listed property shares) reached 23.2%, compared to 26.8% at the end of 2016.

The average interest rate for the first quarter, including hedging costs, was 3.4%, down from 3.7% at 31 December 2016. As of 31 March 2017, fixed-coupon bonds represented 72.2% of outstanding debt, and out of the remaining debt exposed to Euribor, 89% was hedged with interest rate caps and 11% with interest rate swaps.

PROSPECTS

The Group continues to be well positioned to operate and grow in its target markets, and the Board considers that the pending merger with Rockcastle will further improve the Group's ability to perform in accordance with its strategy.

By order of the Board of Directors,

Alexandru Morar

Chief Executive Officer

Mirela Covasa

Chief Financial Officer

12 May 2017

All amounts in €'000 unless otherwise stated

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 Mar 2017	Audited 31 Dec 2016	Unaudited 31 Mar 2016
ASSETS			
Non-current assets	2 690 172	2 674 176	1 866 744
Investment property	2 560 936	2 546 772	1 774 558
Investment property in use	2 377 159	2 370 760	1 635 486
Investment property under development	183 777	176 012	139 072
Goodwill	58 390	58 390	23 986
Investments in joint ventures	25 943	22 023	14 802
Long-term loans granted to joint ventures	28 734	31 015	35 038
Other long-term assets	15 406	15 299	17 212
Financial assets at fair value through profit or loss	763	677	1 148
Current assets	115 144	107 538	380 794
Trade and other receivables	42 642	40 539	49 763
Financial investments at fair value through profit or loss	18 339	18 979	22 015
Cash and cash equivalents	54 163	48 020	309 016
Investment property held for sale	13 339	15 525	23 605
Total assets	2 818 655	2 797 239	2 271 143
EQUITY AND LIABILITIES			
Total equity attributable to equity holders	1 917 450	1 814 552	1 503 330
Share capital	3 283	3 215	3 027
Share premium	1 440 147	1 368 171	1 213 265
Share-based payment reserve	4 797	4 797	4 797
Currency translation reserve	(1 229)	(1 229)	(1 229)
Accumulated profit	470 452	439 598	284 517
Non-controlling interest	-	-	(1 047)
Total liabilities	901 205	982 687	767 813
Non-current liabilities	742 764	831 995	687 594
Bank loans	163 647	260 593	183 737
Bonds	395 216	394 819	393 048
Deferred tax liabilities	165 955	158 864	94 000
Other long-term liabilities	17 946	17 403	15 054
Financial liabilities at fair value through profit or loss	-	316	1 755
Current liabilities	158 441	150 692	80 219
Trade and other payables	65 362	71 536	66 978
Bank loans	18 306	17 999	11 833
Bonds	74 773	61 157	1 408
Total equity and liabilities	2 818 655	2 797 239	2 271 143

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 31 Mar 2017	Audited 31 Dec 2016	Unaudited 31 Mar 2016
Net rental and related income	45 059	145 532	29 773
Revenues from rent and expense recoveries	64 439	209 890	43 206
Property operating expenses	(19 380)	(64 358)	(13 433)
Administrative expenses	(1 964)	(8 186)	(1 825)
EBITDA	43 095	137 346	27 948
Acquisition fees	(1 133)	(4 339)	(721)
Fair value adjustments of investment property	-	143 163	-
Fair value (loss)/gain on financial investments at fair value through profit or loss	(640)	(369)	995
Dividends received from financial investments	-	738	292
Net result on sale of financial investments	-	(355)	-
Foreign exchange gain/(loss)	5	(127)	111
Loss on disposal of investment property held for sale	(16)	(485)	(235)
Profit before net finance expense	41 311	275 572	28 390
Net finance expense	(4 188)	(13 059)	(3 003)
Finance income	681	4 784	1 613
Finance expense	(4 869)	(17 843)	(4 616)
Changes in fair value of financial instruments	403	228	(740)
Share of profit of joint ventures	1 154	6 383	(838)
Profit before tax	38 680	269 124	23 809
Income tax	(7 826)	(36 472)	(4 427)
Current tax expense	(735)	(1 664)	(79)
Deferred tax expense	(7 091)	(34 808)	(4 348)
Profit after tax	30 854	232 652	19 382
Total comprehensive income for the year	30 854	232 652	19 382
Non-controlling interest	-	2 316	2 676
Profit for the period attributable to equity holders	30 854	234 968	22 058
Weighted average number of shares in issue	323 095 335	309 760 628	298 977 923
Diluted weighted average number of shares in issue	323 102 335	309 778 913	299 002 923
Basic earnings per share (euro cents)	9.55	75.85	7.38
Diluted earnings per share (euro cents)	9.55	75.85	7.38

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Share capital	Share premium	Share-based payment reserve	Currency translation reserve	Accumulated profit	Non-controlling interest	Total
Balance at 1 January 2016	2 986	1 213 325	4 797	(1 229)	275 042	1 629	1 496 550
Transactions with owners	229	154 846	-	-	(70 412)	687	85 350
- Issue of shares	229	154 800	-	-	-	-	155 029
- Sale of shares issued under the Initial Share Scheme	-	46	-	-	-	-	46
- Earnings distribution	-	-	-	-	(48 288)	-	(48 288)
- Acquisition of non-controlling interest	-	-	-	-	(22 124)	687	(21 437)
Total comprehensive income	-	-	-	-	234 968	(2 316)	232 652
- Profit for the period	-	-	-	-	234 968	(2 316)	232 652
Balance at 31 December 2016	3 215	1 368 171	4 797	(1 229)	439 598	-	1 814 552
Balance at 1 January 2017	3 215	1 368 171	4 797	(1 229)	439 598	-	1 814 552
Transactions with owners	68	71 976	-	-	-	-	72 044
- Issue of shares	68	71 976	-	-	-	-	72 044
Total comprehensive income	-	-	-	-	30 854	-	30 854
- Profit for the period	-	-	-	-	30 854	-	30 854
Balance at 31 March 2017	3 283	1 440 147	4 797	(1 229)	470 452	-	1 917 450

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	Unaudited 31 Mar 2017	Audited 31 Dec 2016	Unaudited 31 Mar 2016
Profit after tax	30 854	232 652	19 382
Adjustments	12 261	(93 262)	7 007
Interest and coupon paid	(16 116)	(10 164)	(2 961)
Changes in working capital	(4 188)	15 230	7 992
Cash flows from operating activities	22 811	144 456	31 420
Proceeds from issue of shares	72 044	155 075	(19)
Earnings distribution	-	(48 288)	(12 583)
Net movements in bank loans and bonds	(71 967)	134 890	20 558
Other payments	-	(24 500)	-
Cash flows from financing activities	77	217 177	7 956
Investments in acquisitions and developments	(16 745)	(621 262)	(36 242)
Net cash flow used in investments in financial assets	-	(18 961)	(20 728)
Cash flows used in investing activities	(16 745)	(640 223)	(56 970)
Net increase/(decrease) in cash and cash equivalents	6 143	(278 590)	(17 594)
Cash and cash equivalents brought forward	48 020	326 610	326 610
Cash and cash equivalents carried forward	54 163	48 020	309 016

RECONCILIATION OF NET ASSET VALUE TO ADJUSTED NET ASSET VALUE	Unaudited 31 Mar 2017	Audited 31 Dec 2016	Unaudited 31 Mar 2016
Net Asset Value per the Statement of financial position	1 917 450	1 814 552	1 503 330
Loans in respect of the Initial Share Scheme	18	18	64
Deferred tax liabilities for controlled subsidiaries	165 955	158 864	94 000
Goodwill	(58 390)	(58 390)	(23 986)
Deferred tax liabilities for joint ventures	5 963	5 952	4 154
Adjusted Net Asset Value	2 030 996	1 920 996	1 577 562
Net Asset Value per share (euro)	5.96	5.64	4.97
Adjusted Net Asset Value per share (euro)	6.32	5.98	5.21
Number of shares for Net Asset Value per share	321 479 204	321 479 204	302 689 153
Number of shares for adjusted Net Asset Value per share	321 486 204	321 486 204	302 714 153

LEASE EXPIRY PROFILE	2017	2018	2019	2020	2021	2022	2023	2024	2025	≥2026	Total
Total based on rental income	2.9%	10.4%	14.1%	17.0%	18.3%	12.2%	4.2%	3.9%	2.8%	14.2%	100%
Total based on rented area	1.4%	8.0%	14.1%	14.5%	16.3%	11.7%	6.0%	4.9%	4.8%	18.3%	100%

KEY PERFORMANCE INDICATORS	Unaudited 31 Mar 2017	Audited 31 Dec 2016	Unaudited 31 Mar 2016
Current liquidity ratio*	2.18	1.01	5.74
Gearing ratio**	23.2%	26.8%	15.6%
Tenant receivable turnover (days)	29	30	30
Return on investment property***	7.58%	6.14%	7.28%

* Current liquidity ratio=(Current assets+Unused Revolving Facilities)/ Current liabilities
 ** Gearing ratio=(Loans and borrowings-Cash and cash equivalents)/(Investment property+Financial investments at fair value through profit or loss)
 ***Includes actual (not annualised) result for acquisitions and developments completed during the respective period

DEBT REPAYMENT PROFILE	Type	Secured/Unsecured	Ownership	Outstanding amount	Available for drawdown	2017	2018	2019	2020	2021	2022 and beyond
Aupark Kosice Mall & Tower	Term loan	Secured	100%	98 092	-	4 145	5 526	5 526	82 895	-	-
Aupark Zilina	Term loan	Secured	100%	54 514	10 000	1 459	2 013	2 083	2 156	2 231	44 572
Aupark Piestany	Term loan	Secured	100%	19 404	-	297	396	396	396	17 919	-
Ploiesti Shopping City (joint venture)	Term loan	Secured	50%	14 965	-	821	1 095	1 095	1 095	1 095	9 764
The Office, Cluj-Napoca (joint venture)	Term loan	Secured	50%	20 506	-	950	1 320	1 320	1 320	15 596	-
NE Property Cooperatief	Fixed coupon bonds	Unsecured	100%	400 000	-	-	-	-	-	400 000	-
NE Property Cooperatief	Fixed coupon bonds	Unsecured	100%	75 000	-	75 000	-	-	-	-	-
NE Property Cooperatief	Revolving facility	Unsecured	100%	-	130 000	-	-	-	-	-	-
NE Property Cooperatief	Revolving facility	Unsecured	100%	-	100 000	-	-	-	-	-	-
New Europe Property Investments plc	Revolving facility	Unsecured	100%	10 942	-	10 942	-	-	-	-	-
Total				693 423	240 000	93 614	10 350	10 420	87 862	436 841	54 336

BASIS OF PREPARATION

These unaudited condensed consolidated financial results for the three months ended 31 March 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting and the JSE Listings Requirements. The accounting policies which have been applied are consistent with those used in the preparation of the financial statements for the year ended 31 December 2016. These unaudited condensed consolidated financial results have not been reviewed or reported on by the Group's external auditors.

RECONCILIATION OF PROFIT FOR THE PERIOD TO DISTRIBUTABLE EARNINGS	Unaudited 31 Mar 2017	Audited 31 Dec 2016	Unaudited 31 Mar 2016
Profit for the period attributable to equity holders	30 854	234 968	22 058
Reverse indirect result	8 369	(108 683)	5 327
Foreign exchange (gain)/loss	(5)	127	(111)
Acquisition fees	1 133	4 339	721
Fair value adjustments of investment property for controlled subsidiaries	-	(143 163)	-
Loss on disposal of investment property held for sale	16	485	235
Fair value loss of financial investments	640	369	-
Net result on sale of financial investments	-	355	(995)
Dividends received from financial investments	-	(738)	(292)
Fair value adjustment of financial assets and liabilities for controlled subsidiaries	(403)	(228)	740
Deferred tax expense for controlled subsidiaries	7 091	34 808	4 348
Adjustments related to joint ventures	-	-	-
Fair value adjustments of investment property for joint ventures	-	(7 252)	-
Fair value adjustment of financial assets and liabilities for joint ventures	(178)	227	457
Deferred tax expense for joint ventures	11	2 034	235
Foreign exchange loss/(gain) for joint ventures	64	(46)	(11)
Company specific adjustments	(325)	(558)	(1 239)
Amortisation of financial assets	(422)	(3 730)	(1 670)
Realised foreign exchange loss for controlled subsidiaries	(146)	(101)	(26)
Realised foreign exchange (loss)/gain for joint ventures	(3)	7	3
Accrued dividend for financial investments	246	1 202	394
Accrued interest on share-based payments	-	2	1
Fair value adjustment of investment property for non-controlling interest	-	2 514	-
Deferred tax expense for non-controlling interest	-	(452)	59
Antecedent dividend	556	5 469	341
Distributable earnings for the period	39 454	131 196	26 487
Less: Distribution declared	-	(126 688)	-
Antecedent dividend for equity issues prior to <i>ex div</i> date	-	(4 508)	-
Interim distribution	-	(59 566)	-
Final distribution	-	(71 630)	-
Earnings not distributed	39 454	-	26 487
Number of shares entitled to distribution	328 335 519	321 486 204	302 714 153
Distributable earnings per share for the period (euro cents)	12.02	40.50	8.75
Less: Distribution declared per share (euro cents)	-	(40.50)	-
Interim distribution per share (euro cents)	-	(18.68)	-
Final distribution per share (euro cents)	-	(21.82)	-
Earnings not distributed (euro cents)	12.02	-	8.75

SEGMENTAL ANALYSIS	Retail	Office	Industrial	Corporate	Total
31 March 2017 (unaudited)					
Revenues from rent and expense recoveries	55 642	8 263	534	-	64 439
Profit before Net finance expense	37 269	5 637	472	(2 067)	41 311
Total Assets	2 367 195	388 298	16 411	46 751	2 818 655
Total Liabilities	364 968	52 335	2 349	481 553	901 205
31 December 2016 (audited)					
Revenues from rent and expense recoveries	177 614	30 263	2 013	-	209 890
Profit before Net finance expense	249 753	27 167	1 023	(2 371)	275 572
Total Assets	2 338 444	388 883	16 243	53 669	2 797 239
Total Liabilities	369 027	49 105	2 519	562 036	982 687
31 March 2016 (unaudited)					
Revenues from rent and expense recoveries	35 475	7 226	505	-	43 206
Profit before Net finance expense	22 838	4 579	443	530	28 390
Total Assets	1 570 301	379 650	17 407	303 785	2 271 143
Total Liabilities	262 240	108 558	2 403	394 612	767 813

RECONCILIATION OF PROFIT FOR THE PERIOD TO HEADLINE EARNINGS	Unaudited 31 Mar 2017	Audited 31 Dec 2016	Unaudited 31 Mar 2016
Profit for the period attributable to equity holders	30 854	234 968	22 058
Fair value adjustments of investment property	-	(143 163)	-
Loss on disposal of investment property held for sale	16	485	235
Tax effects of adjustments for controlled subsidiaries	-	24 446	-
Fair value adjustments of investment property for joint ventures	-	(7 252)	-
Tax effects of adjustments for joint ventures	-	1 160	-
Headline earnings	30 870	110 644	22 293
Weighted average number of shares in issue	323 095 335	309 760 628	298 977 923
Diluted weighted average number of shares in issue	323 102 335	309 778 913	299 002 923
Headline earnings per share (euro cents)	9.55	35.72	7.46
Diluted headline earnings per share (euro cents)	9.55	35.72	7.46