

Northern European Properties Limited
30 May 2007

Northern European Properties Limited (“NEPR” or the “Company”) announces today six acquisitions in Baltic Russia for a total consideration of €231m, the disposal of 11 properties in Sweden and Finland for a total consideration of €232.7m and a broadening of the Company’s geographic focus in Russia. NEPR’s existing portfolio is performing in line with expectations.

Acquisitions

NEPR announces the purchase of six properties for a total consideration of €231m. The purchases reflect the successful execution of part of NEPR’s identified pipeline of investment opportunities in Baltic Russia. Legally binding purchase agreements have been signed for the deals, and the transactions are to be closed during the period up to end of August.

Two of the properties are office properties in very good locations in St Petersburg, one being located at the embankment and the other one being located in the CBD. The properties have a total lettable area of 25,639 sqm and are fully leased. The average stabilised yield on the purchase price is 10%.

Two of the properties are shopping centres in Kaliningrad and Murmansk. Both shopping centres are of very good quality, being newly built and fully operational. The shopping centres are both anchored by well-known tenants on long lease contracts. The Company is also acquiring an office building connected to the shopping centre in Kaliningrad. The two properties have a total lettable area of 37,793 sqm. The average stabilised yield on the purchase price is 10.5%.

The other two properties acquired are a hotel property and a retail DIY store in St Petersburg. These have been acquired from London & Regional Group for a combined purchase price of approximately €82m. The definitive purchase price is to be determined by a market valuation currently being performed by an external valuation company. The hotel has 278 rooms and gross lettable area of 28,810 sqm, while the retail DIY store has a lettable area of 12,000 sqm. Both properties are leased to strong western tenants, Sokos and Kesko, on long leases of 15 years and 10 years respectively. The average stabilised yield on the purchase price is 9%.

Disposals

NEPR announces the disposal of €232.7m of properties consisting of a portfolio of seven office and industrial properties located in Finland, the largest property being an office building leased to Nokia, and four office properties located in Stockholm. The sale price of the Finnish office and industrial portfolio is €186.5m, representing a yield of 5.7%. The sale price of the Swedish office properties is €46.2m, representing a yield of 4.9%. The total sale price reflects a 13% uplift on the external valuation by DTZ, as at 30 June 2006, contained in the initial public offering (“IPO”) prospectus published in November 2006.

The first half of 2007 has continued to see a tightening of yields in the Nordic region reflecting continued investor demand and strong rental growth expectations. Whilst the Investment Manager believes that there remain attractive opportunities in the Nordic region, further yield compression may be difficult to achieve in some areas. The disposals reflect the Company's objective of optimising the value of its existing portfolio where significant uplift has been achieved and recycling the capital in areas where it believes more significant value can be created.

Broadening of geographic focus in Russia

At the time of its IPO, NEPR outlined its intention to acquire investment assets in the Nordic, Baltic and Baltic Russia (St Petersburg and environs) regions. With the acquisitions announced today, the Company is making good progress in delivering on this strategy of building a high yielding portfolio with secure, long lease tenants in the St Petersburg region.

However, a significant increase in investor demand has not been matched by an increase in supply of real estate investment opportunities in the region. Whilst there remains a pipeline of further opportunities in St Petersburg, the increasingly competitive investment environment is reducing the attractiveness of the region versus other parts of Russia. The St Petersburg real estate market has been fuelled by a large inflow of foreign capital as the city has been a first gate to Russia for many investors. This has led to increased competition for many of the deals, and as a consequence a more rapid shift in the investment market than for other parts of Russia.

The Board believes that it would be in the interests of NEPR's shareholders to broaden the geographic scope of the Company's investment strategy to target other large cities in Russia, where there remain significant investment opportunities at attractive prices. The Russian regional cities have been lagging behind those of St Petersburg and Moscow in terms of foreign investment and real estate prices. Many of these cities are of considerable size, e.g. there are 13 cities with a population above 1 million people in Russia, and have been favoured by the strong economic growth of Russia. The investment climate in these cities are in general very healthy and with the combination of an undersupply of quality properties and less competition for assets, the NEPR Board anticipates this will be a very attractive investment opportunity for the Company.

NEPR's strategy in Russia will continue principally to be the building of a stable, cash generative portfolio with opportunities for value uplift through active management. However, given the nature of real estate investment opportunities in Russia, NEPR anticipates that it will increase its exposure to development projects. At no time would development assets represent more than 25% of the gross asset value of the Company.

NEPR intends to leverage London & Regional Group's strong presence across western Russia by extending the scope of its existing asset management agreement with LR Real Estate Asset Management. L&R Russia currently employs 15 full time staff in Moscow and the regions (ex Baltic Russia) which will allow the Investment Manager to effectively carry out its duties. The Moscow based team is led by David

Geovanis and Victoria Krivosheya, both of whom have worked in the Russian markets for over 15 years.

Since it set up its Moscow office 15 months ago the team has acquired 7 stabilised assets and undertaken 7 development projects both in Moscow but also in other cities, including Novosibirsk, Naberejnye Chelny, Penza, and Kaluga. Total equity invested to date (ex Baltic Russia) is in excess of \$400m. While ensuring the acquisition of quality assets with significant upside potential, L&R Russia has acquired more properties over the last 12 months than the next three most active participants combined demonstrating its ability to move fast in a dynamic market place. The Board believes that the high quality platform within L&R Russia will work well with the existing Baltic Russian platform set up under LR Real Estate Asset Management.

Market of listing

At the time of the IPO, the Directors stated that they proposed to keep the Company's listing under review, and to consider the possibility (subject, inter alia, to receipt of all necessary regulatory approvals) of moving to Euronext or the main market of the London Stock Exchange in the short to medium term as the Company grows in size. The Directors continue to consider whether such a move is appropriate and will update shareholders in due course.

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Jens Engwall, Chairman
Tel: +46 70 690 65 50

Thomas Lindeborg, CEO
Tel: +46 8 456 32 51