



NEW EUROPE PROPERTY INVESTMENTS PLC
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, registration number 2009/000025/10
JSE share code: NEP BVB share code: NEP
ISIN: IM00B23XCH02
("NEPI")

ROCKCASTLE GLOBAL REAL ESTATE COMPANY LIMITED
Incorporated in the Republic of Mauritius
Registration number: 108869 C1/GBL
JSE share code: ROC
SEM share code: ROCK.N0000
ISIN: MU0364N00003
("Rockcastle")

MERGER OF NEPI AND ROCKCASTLE AND WITHDRAWAL OF JOINT CAUTIONARY ANNOUNCEMENT

INTRODUCTION

NEPI and Rockcastle shareholders are referred to the joint cautionary announcement released on the Stock Exchange News Service ("SENS") of the JSE Limited (the "JSE") and the websites of the Bucharest Stock Exchange (the "BVB") and the Stock Exchange of Mauritius Ltd (the "SEM") on 20 October 2016, as well as the joint renewal of cautionary announcement released on SENS and the websites of the SEM and the BVB on 2 December 2016, wherein they were advised that NEPI and Rockcastle (the "Parties") were in advanced negotiations in respect of an all-share transaction.

NEPI and Rockcastle are pleased to announce the conclusion on 13 December 2016 of a framework agreement (the "**Framework Agreement**"), pursuant to which their respective businesses will effectively be merged in an entity newly-incorporated in the Isle of Man, NEPI Rockcastle PLC ("**NewCo**") (the "**Transactions**"), to be implemented with reference to an effective share swap ratio of 4.5 existing Rockcastle shares for every 1 existing NEPI share (the "**Swap Ratio**").

RATIONALE FOR THE TRANSACTIONS

NEPI is a commercial property investor and developer that owns, develops and manages dominant retail assets and A-grade offices in Central and Eastern Europe ("**CEE**"). Rockcastle is a commercial property investor and developer that owns, develops and manages dominant retail assets in the CEE region and invests in global real estate listed securities. The market capitalisation of NEPI is circa R49.0 billion (€4.4 billion) and of Rockcastle is circa R32.3 billion (€2.2 billion).

NewCo is expected to have a substantially enlarged market capitalisation, with all NEPI and Rockcastle shareholders benefitting from enhanced liquidity. The merged entity is expected to become the largest listed real estate player in CEE. Exposure to high-quality listed and liquid global real estate securities will lead to a diversified risk profile. The Transactions will also see the integration of two complementary management teams, positioned to unlock strategic synergies and create further value for both NEPI and Rockcastle shareholders.

Management's assessment of the envisaged Transactions indicates a strong operational and capital markets rationale, driven by the following factors:

Portfolios are complementary

- NEPI investors will gain immediate exposure to a significant portfolio in Poland, the most liquid and largest real estate market in the CEE region, with a positive economic outlook. Rockcastle shareholders will gain exposure to the largest retail real estate portfolio in Romania (which is the second real estate market in CEE by size and the fastest growing economy in Europe in 2016 and 2017, according to IMF forecasts), and the second largest retail real estate portfolio in Slovakia.
- NewCo will benefit from NEPI's operational expertise and both companies' strong track-record of completing value-enhancing acquisitions and developments, as well as from Rockcastle's highly-liquid listed securities portfolio, which provides growth resources in the medium-term.

Scale

- NewCo is expected to become the largest CEE retail real estate company, and one of the top retail real estate companies in Europe.

- Geographically diverse management skills will allow NewCo to pursue CEE property opportunities more efficiently, giving it a strategic advantage in the acquisition, development and management of properties.

Value creation

- NewCo is expected to benefit from a lower cost of capital, resulting from an anticipated improvement of the business and financial risk profile, driven by a larger scale, further geographical diversification, increased liquidity and access to capital.
- Material financial synergies are envisaged from a lower cost of debt, triggered by a better risk profile and a potential credit rating upgrade.
- Excellent performance is anticipated, driven by the growth of NEPI's best-in-class operating platform through gradually reducing the exposure to listed securities and increasing direct property investments.
- While there is limited operating synergy potential due to geographically complementary portfolios and existing efficient platforms, long-term synergies are expected to be achieved through knowledge and platform sharing.

Liquidity and access to capital markets

- NewCo is anticipated to be highly liquid.
- NewCo is expected to be included in stock exchange indices, leading to enhanced visibility and liquidity of its shares, with exposure to a broader base of international investors.

SALIENT TERMS OF THE TRANSACTIONS

Pursuant to the Framework Agreement, both NEPI and Rockcastle will transfer 100% of their respective assets and liabilities, including ownership interests in their respective subsidiaries (the "**Sale Assets**"), thereby each effectively transferring ownership of its entire business, to NewCo. In consideration, NewCo will issue a number of NewCo ordinary shares (together, the "**NewCo Shares**") to each of NEPI and Rockcastle, determined at the Effective Date (as defined below) with reference to the Swap Ratio. The Transactions will be implemented 3 business days following the fulfilment or waiver of the conditions precedent set out below (the "**Effective Date**").

The Transactions are conditional on the conditions precedent summarised below being satisfied or waived on or before 30 June 2017:

- the Transactions being approved by all relevant competition authorities, either unconditionally or subject to conditions acceptable to both NEPI and Rockcastle, or the Transactions being deemed to be so approved or deemed not to require approval, such that the Transactions may be implemented;
- all other necessary regulatory consents in relation to the Transactions in any jurisdiction whatsoever having been obtained;
- all shareholder and board approvals of the Transactions being obtained, whether in terms of any governing law, the rules of any recognised securities exchange or otherwise;
- all necessary consents, waivers and releases pursuant to the NEPI and Rockcastle funding facilities having been received, as may be required to complete the Transactions;
- no appraisal rights being exercised or other actions taken which could impede the completion of the Transactions;
- all third party consents in all relevant jurisdictions having been received, as may be required to complete the Transactions;
- the listing of the NewCo Shares on the JSE and Euronext Amsterdam having been formally approved by the relevant authorities; and
- either NEPI or Rockcastle not having given written notice to the other that it does not wish to proceed with the Transactions, where any matter, fact or circumstance has arisen which has or is likely to have a material adverse effect on the financial, legal or business condition of NewCo, the NEPI group or the Rockcastle group.

As soon as reasonably practicable following the Effective Date:

- NEPI will effect a repurchase of the entire shareholding of Fortress Income Fund Limited ("**Fortress**") in NEPI, in consideration for the distribution to Fortress of their pro rata entitlement to the NewCo Shares held by NEPI (the "**Fortress Share Repurchase**");

- NEPI and Rockcastle will initiate a distribution in specie to their respective shareholders, whether by way of a dividend from retained earnings, a return of capital or in consideration for the buyback of shares, such that the shareholders of NEPI and Rockcastle as at the record date for participation in such distribution will receive, pro rata, a number of NewCo Shares determined with reference to the Swap Ratio; and
- following such distribution in specie, the NewCo Shares will be listed on the Main Board of the JSE and, to the extent not yet effected, on Euronext Amsterdam and any other stock exchange as agreed between the Parties.

It is intended that the implementation of the Transactions and those post-implementation corporate actions contemplated above be effected concurrently, or as close to concurrently as possible, having regard to the rules and requirements of the JSE, Euronext Amsterdam, the BVB and the SEM. NEPI and Rockcastle will each declare and distribute dividends for the period ending 31 December 2016 in the ordinary course.

Alexandru Morar and Spiro Noussis, the current chief executive officers of NEPI and Rockcastle, respectively, will be appointed as joint chief executive officers of NewCo, with Dan Pascariu appointed as independent non-executive chairman, on and with effect from the Effective Date. The remainder of the board of directors of NewCo will be constituted in due course in accordance with applicable corporate governance principles.

The total dividends per share declared and paid for the six months ended 30 June 2016 is 18.68 €cents for NEPI and 4.782 US\$ cents for Rockcastle.

The Framework Agreement contemplates warranties, standstill arrangements and other provisions that are typical for transactions of this nature.

NEPI PROPERTY PORTFOLIO

As at 30 September 2016, NEPI owned and operated 34 income producing properties, with 6 developments under construction (of which 4 are extensions of existing properties) and 7 developments under permitting and pre-leasing (of which 4 are extensions of existing properties). NEPI's total investment property portfolio (including investment properties at fair value, investment properties under development, and investment properties held for sale, each restated to include property held through joint ventures, on a pro rata basis) was valued at approximately €2.2 billion as at 30 September 2016.

Since 30 September 2016, NEPI has acquired Arena Centar in Zagreb, Croatia, together with 4.4ha of adjacent land, as well as concluded the acquisition of Aupark Shopping Centre in Piastany, Slovakia. In addition, Shopping City Piatra Neamt opened on 1 December 2016. The value of the investment property portfolio as at 30 November 2016 was approximately €2.5 billion.

All properties are managed internally by NEPI. Full details of the property portfolio as at 30 September 2016, weighted by ownership, are set out below.

Investment properties in use

	Property name	Location	Weighted average rental (€/m ² /month)	Gross lettable area (m ²)	Valuation ¹ (€m)
1	Mega Mall	Bucharest, Romania	19.9	75,500	252.2
2	City Park	Constanta, Romania	18.4	52,000	130.4
3	Promenada Mall	Bucharest, Romania	21.6	40,400	160.2
4	Aupark Kosice Mall	Kosice, Slovakia	23.4	33,800	145.1
5	Shopping City Sibiu	Sibiu, Romania	8.9	79,100	100.6
6	Shopping City Timisoara	Timisoara, Romania	11.4	57,700	98.6
7	Aupark Zilina	Zilina, Slovakia	24.9	25,100	105.4
8	Iris Titan Shopping Center	Bucharest, Romania	13.9	45,000	91.2
9	Shopping City Deva	Deva, Romania	9.6	52,300	68.2
10	Braila Mall	Braila, Romania	8.6	54,400	73.1
11	Forum Usti nad Labem	Usti nad Labem, Czech Republic	16.5	27,800	82.6
12	Vulcan Value Centre	Bucharest, Romania	13.2	24,600	48.5
13	Pitesti Retail Park	Pitesti, Romania	12.4	24,800	42.7
14	Shopping City Galati	Galati, Romania	11.3	27,200	51.4

15	Ploiesti Shopping City ²	Ploiesti, Romania	12.3	23,200	44.0
16	Kragujevac Plaza	Kragujevac, Serbia	12.9	21,900	40.0
17	Shopping City Targu Jiu	Targu Jiu, Romania	9.6	26,900	39.3
18	Korzo Shopping Centrum	Prievidza, Slovakia	12.9	16,500	29.5
19	Severin Shopping Center	Drobeta Turnu-Severin, Romania	8.7	20,900	27.8
20	Aurora Shopping Mall	Buzau, Romania	7.4	18,000	8.8
21	Regional strip centres	Romania	8.2	24,900	30.7
Total retail			13.8	772,000	1,670.3
22	City Business Centre	Timisoara, Romania	13.8	47,100	88.7
23	Floreasca Business Park	Bucharest, Romania	17.4	36,200	102.4
24	The Lakeview	Bucharest, Romania	16.8	25,600	66.8
25	The Office ² – Phase I and Phase II	Cluj-Napoca, Romania	13.5	20,350	38.8
26	Aupark Kosice Tower	Kosice, Slovakia	11.7	12,800	20.3
Total office			15.0	142,050	317.0
27	Rasnov Industrial Facility	Rasnov, Romania	4.6	23,000	11.8
28	Otopeni Warehouse	Otopeni, Romania	9.3	4,900	4.6
Total industrial			5.5	27,900	16.4
TOTAL INCOME-PRODUCING PROPERTIES				941,950	2,003.7
NON-CORE PROPERTIES HELD FOR SALE				35,400	21.2

Investment property under development

	Property name	Location	Sector	Gross lettable area (m ²)	Valuation/ Cost to date ¹ (€m)
1	Shopping City Piatra Neamt ³	Piatra Neamt, Romania	Retail	27,900	20.8
2	Victoriei Office ⁴	Bucharest, Romania	Office	7,600	34.9
3	The Office ² – Phase III	Cluj-Napoca, Romania	Office	9,250	5.6
4	Braila Mall extension	Braila, Romania	Retail	2,400	4.6
5	Severin Shopping Center extension – Phase II	Drobeta-Turmu Severin, Romania	Retail	1,500	1.6
6	Regional strip centre extension (Sfantu Gheorghe)	Sfantu Gheorghe, Romania	Retail	1,000	0.2
Total developments under construction				49,650	67.7
7	Promenada Mall extension	Bucharest, Romania	Retail	60,000	34.0
8	Novi Sad Mall	Novi Sad, Serbia	Retail	56,000	31.3
9	Ramnicu Valcea Mall	Ramnicu Valcea, Romania	Retail	27,900	9.6
10	Shopping City Galati extension	Galati, Romania	Retail	21,000	8.6
11	Shopping City Satu Mare	Satu Mare, Romania	Retail	17,400	6.7
12	Shopping City Sibiu extension	Sibiu, Romania	Retail	11,000	-
13	Regional strip centre extension (Vaslui)	Vaslui, Romania	Retail	2,800	-
Total developments under permitting and pre-leasing				196,100⁵	90.2
Land bank					23.8
TOTAL INVESTMENT PROPERTY UNDER DEVELOPMENT					181.7

Notes:

- The valuation of investment properties in use and of the land bank reflects the value attributed to each of the properties by the directors of NEPI as at 30 September 2016, having regard to the valuation performed semi-annually by DTZ and Jones Lang LaSalle, being external independent property valuers and members of the Royal Institute of Chartered Surveyors. Buildings under development are valued at cost. The directors of NEPI are not independent and are not

registered as professional valuers or as professional associate valuers in terms of the South African Property Valuers Profession Act, No 47 of 2000.

2. The NEPI group holds a 50% interest in Ploiesti Shopping City (in partnership with Carrefour Property) and The Office, Cluj-Napoca (in partnership with Ovidiu Sandor, an experienced Romanian office developer).
3. Shopping City Piatra Neamt was opened on 1 December 2016.
4. Development of Victoriei Office is largely completed as at the date of this announcement. The project awaits permitting for fit out works.
5. The gross lettable area (“GLA”) of developments under permitting and pre-leasing depends on permitting.
6. NEPI acquired Aupark Shopping Center Piešťany (Slovakia), valued at €39.5 million, with an effective date of 31 August 2016. The transfer of shares was finalised on 5 October 2016 and as a result, the transaction was reflected as “Advance for investment property” as at 30 September 2016, with the consideration paid of €18.9 million. The weighted average rental of the property is €22.6/m²/month.
7. In November 2016, NEPI acquired the largest shopping mall in Zagreb, Arena Centar, for €218.5 million, as well as 4.4ha of adjacent land, for €19 million. The weighted average rental of Arena Centar is €20.5/m²/month.
8. As the properties are effectively being acquired by NewCo through its acquisition of NEPI’s Sale Assets, no purchase price per property has been ascribed.

ROCKCASTLE ASSET PORTFOLIO

Listed security portfolio

Rockcastle’s listed security portfolio is focused on large, liquid companies that dominate their markets and consistently outperform their competitors. As at 30 September 2016, the market value of Rockcastle’s listed security portfolio was US\$1,832.9 million, with the group’s top ten investment holdings by market value as at that date set out below.

Company	Share code	Sector	Jurisdiction	Market Value (US\$m)	% of total listed security portfolio
Hammerson	HMSO	Retail	UK	436.5	24
Simon Property	SPG	Retail	USA	353.0	19
Unibail	UL	Retail	Europe	262.4	14
Prologis Inc	PLD	Industrial	USA	198.2	11
Ventas Inc	VTR	Healthcare	USA	131.4	7
Avalonbay Communities Inc	AVB	Residential	USA	117.4	6
Host Hotels & Resorts Inc	HST	Hotel	USA	101.3	6
KIMCO	KIM	Retail	USA	84.1	5
Westfield Group	WFD	Retail	Australia	38.4	2
Land Securities Group	LAND	Other/Diversified	UK	37.5	2
Total				1,760.2	96

Since 30 September 2016 and as previously disclosed, Rockcastle has continued to implement its strategy of selling listed investments and re-investing the proceeds in direct properties and developments. In particular, a reduction of its holdings in its listed portfolio has funded the acquisition of the Focus Shopping Centres detailed below, as well as the soon to be concluded acquisition of Galeria Warminska in Poland, resulting in an increase in Rockcastle’s direct property asset investments closer to management’s short-term target of 50% of its total investment assets.

As at the date of this announcement, the constituents of the group’s top ten investment holdings remain largely as is set out above.

Investment properties

As at 30 September 2016, Rockcastle’s portfolio of investment properties comprised 7 income producing properties, 2 developments under construction and 3 properties under permitting and pre-leasing, together valued at €878.6 million.

Since 30 September 2016, 2 development properties, Galeria Wolomin and Galeria Tomaszow, have opened. In addition, Rockcastle acquired the Focus Shopping Centres in Poland, together valued at over €160 million.

All properties are in the retail sector. Full details of the property portfolio as at 30 September 2016, weighted by ownership, are set out below.

Income producing properties

Property name	Location	Weighted average rental (€/m ² /month)	Gross lettable area (m ²)	Valuation ¹ (€m)
Bonarka City Centre	Krakow, Poland	20.56	71,714	372.3
Karolinka Shopping Centre	Opole, Poland	10.69	69,994	145.5
Forum Liberec Shopping Centre	Liberec, Czech Republic	10.48	46,800	82.1
Pogoria Shopping Centre	Dabrowa Gornicza, Poland	11.23	36,706	76.7
Cosmopolitan Mall	Lusaka, Zambia	16.56	13,076	28.2
Platan Shopping Centre	Zabrze, Poland	11.09	25,300	55.6

Solaris Shopping Centre	Opole, Poland	18.59	17,700	58.0
Total			281,290	818.4

Developments under construction

Property name	Location	Weighted average rental (€/m ² /month)	Gross lettable area (m ²)	Valuation/Cost to date ¹ (€m)
Galeria Wolomin ²	Wolomin, Poland	11.67	25,000	33.3
Galeria Tomaszow ³	Tomaszow Mazowiecki, Poland	11.20	18,500	21.1
Total			43,500	54.4

Developments under permitting and pre-leasing

Property name	Location	Sector	Gross lettable area (m ²)	Valuation ¹ (€m)
Platan Shopping Centre extension	Zabrze, Poland	Retail	16,400	4.8
Solaris Shopping Centre extension	Opole, Poland	Retail	8,500	0.1
Wolomin Retail Park	Wolomin, Poland	Retail	6,548	0.9
Total			31,448	5.8

Notes:

- The valuation of income producing properties reflects the value attributed to each of the properties by the directors of Rockcastle as at 30 September 2016. The valuation of developments under construction and under permitting and pre-leasing are reflected as costs capitalised to 30 September 2016. The directors of Rockcastle are not independent and are not registered as professional valuers or as professional associate valuers in terms of the South African Property Valuers Profession Act, No 47 of 2000.
- Galeria Wolomin (in which the Rockcastle group holds a 90% interest) opened on 6 October 2016.
- Galeria Tomaszow (in which the Rockcastle group holds an 85% interest) opened on 27 October 2016.
- Focus Mall Piotrkow Trybunalski in Piotrkow Trybunalski, Poland was acquired on 30 November 2016. The property has a monthly weighted average rental of €1.58/m², a GLA of 35,168 m² and is valued at €49.0 million.
- Focus Park Zielona Gora in Zielona Gora, Poland was acquired on 30 November 2016. The property has a monthly weighted average rental of €20.44/m², a GLA of 28,800 m² and is valued at €11.6 million.
- As the properties are effectively being acquired by NewCo through its acquisition of Rockcastle's Sale Assets, no purchase price per property has been ascribed.

CATEGORISATION OF THE TRANSACTIONS

For both NEPI and Rockcastle, the Transactions are classified as category 1 disposals in terms of paragraph 9.5(a) of the JSE Listings Requirements and accordingly require the approval of shareholders of NEPI and Rockcastle, respectively. The Transactions (including those post-implementation corporate actions detailed in this announcement) may also require additional NEPI and Rockcastle shareholder approvals in terms of relevant laws, the JSE Listings Requirements and the rules and regulations of other relevant securities exchanges.

The Fortress Share Repurchase will constitute a specific repurchase of shares by NEPI from a related party, in terms of paragraph 5.69 of the JSE Listings Requirements, requiring approval of NEPI shareholders, excluding the votes of Fortress and its associates.

WITHDRAWAL OF JOINT CAUTIONARY ANNOUNCEMENT AND FURTHER PROCESS

Following the release of this announcement, the joint cautionary announcements published on SENS and on the websites of the BVB and the SEM on 20 October 2016 and 2 December 2016 are withdrawn and caution is no longer required to be exercised by shareholders when dealing in their NEPI and Rockcastle shares.

Circulars providing further information on the Transactions, including a listing document for NewCo and containing notices of general meetings of shareholders to be convened in order to consider and, if deemed fit, passing, with or without modification, the resolutions necessary to implement the Transactions, will be distributed to both NEPI and Rockcastle shareholders in due course.

NEPI has its primary listings on the JSE and the BVB. Rockcastle has its primary listings on the JSE and the SEM.

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14 December 2016

This notice is issued pursuant to the JSE Listings Requirements, the SEM Listing Rule 11.3, the Mauritian Securities Act 2005 and the Listing Rules of the Bucharest Stock Exchange.

The boards of directors of NEPI and Rockcastle accept full responsibility for the accuracy of the information contained in this announcement.

Corporate advisor to NEPI and JSE sponsor to NEPI and Rockcastle**Legal advisor to NEPI**

**C L I F F O R D
C H A N C E
B A D E A**

Independent JSE transaction sponsor to Rockcastle**Independent advisor to NEPI**

J.P.Morgan

Legal advisor to Rockcastle**Bucharest Stock Exchange advisor to NEPI****SEM authorised representative and sponsor to Rockcastle****South African legal advisor to NEPI****Euronext Amsterdam listing agent of NewCo**