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CREDIT OPINION
7 June 2017

Update

Rate this Research

RATINGS

New Europe Property Investments plc

Domicile	Isle of Man
Long Term Rating	Baa3
Type	LT Issuer Rating - Dom Curr
Outlook	Positive

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Analyst Contacts

Roberto Pozzi 4420-7772-1030
VP-Sr Credit Officer
roberto.pozzi@moodys.com

Yulia Syerova 44-20-7772-1075
Associate Analyst
yulia.syerova@moodys.com

Mario Santangelo 44-20-7772-8623
Associate Managing Director
mario.santangelo@moodys.com

New Europe Property Investments plc

Update following change in outlook to positive from stable

Summary Rating Rationale

New Europe Property Investments plc (NEPI) Baa3 issuer rating factors in the company's (i) important franchise value as the largest retail property owner in Romania and second largest in Slovakia, (ii) strong financial metrics for its rating level, (iii) good quality, modern assets with high occupancy rates (98% as of end of December 2016), (iv) steady cash flows from contractual rental income with limited tenant concentration risk, and (v) supportive shareholders.

The rating is mainly constrained by the company's (i) reliance on the Romanian economy whose sovereign rating is currently Baa3/Stable (albeit expected to decline upon completion of the pending merger with Rockcastle), (ii) a declining but still sizeable development pipeline, (iii) the currency risk ensuing from the mismatch between the company's euro-denominated leases and tenants' local currency revenues.

In December 2016, NEPI has announced their intention to enter into an all share merger with Rockcastle Global Real Estate Company Limited (Rockcastle, unrated), which is expected to complete by the end of July 2017. Pro forma for the transaction and based on 31 March 2017 figures, we estimate that the combined entity (NEPI Rockcastle) will have total assets of around €5.3 billion, including physical investment properties worth an estimated €3.9 billion and a portfolio of listed securities with a market value of around €1.0 billion. Assets located in Romania will represent around 48% of combined direct property portfolio (excluding listed securities), down from 71% before the merger, Poland (A2 stable) around 30% and Slovakia (A2 positive) 10%. In Moody's view NEPI Rockcastle will become a leading owner of shopping centres in Eastern Europe, strengthening its ability to provide retail space to international retailers.

Counterbalancing these positives, Moody's estimate an increase in combined entity's effective leverage, as measured by gross debt to total assets, to around 32%, compared with NEPI's 26% as of 31 December 2016 (including the implied gross debt related to Rockcastle's gross exposure to a portfolio of listed stocks). We also expect a deterioration in the amount of unencumbered assets to 63% from 87% (Moody's adjusted, excluding joint ventures) because of Rockcastle's debt structure which is mostly made up of mortgages. Although pro-forma leverage will increase and it is likely to be volatile due to a significant component of listed stocks in total assets, it remains appropriate for the rating.

Credit Strengths

» Good market position and franchise value in the shopping centre property market across several Central Eastern European countries

- Good quality, modern assets with high occupancy rates and a diversified tenant base
- Improving geographic diversification and strong GDP growth in key Central European countries despite fiscal uncertainties in Romania
- Moderate leverage, good fixed charge coverage and level of unencumbered assets
- Good access to capital and historically supportive shareholders

Credit Challenges

- A declining but still sizeable development pipeline
- Currency risk ensuing from the mismatch between the company's euro-denominated leases and tenants' local currency revenues

Rating Outlook

On 31 May 2017, we changed the outlook on NEPI's Baa3 rating to positive from stable following the company's plan to merge with Rockcastle. The positive outlook reflects Moody's view that the rating of NEPI pro forma for the merger could be a notch higher than that of the Romanian government (Baa3/Stable) because the concentration of properties in Romania, although still high, will decrease significantly to 48% from 71% of total physical investment property portfolio. Additionally, Moody's expects the proceeds from the disposal of Rockcastle's large holdings in listed securities to be reinvested in acquisitions of shopping centres in Poland (A2 Stable), and other CEE countries.

Factors that Could Lead to an Upgrade

- Successful execution of the envisaged merger, as evidenced by sustained occupancy rates, positive like for like rental growth and a gradual reduction in the portfolio of listed securities, and
- Gross debt to total assets sustained below 35%, and
- Fixed charge coverage sustained above 4.0x, and
- Maintaining a conservative approach with regard to the company's development pipeline, and
- Sound liquidity.

Factors that Could Lead to a Downgrade

- A deterioration in the economic outlook for the Romanian or Polish economy, or
- A deterioration in the operating performance of the company, as evidenced by reduced occupancy rates, negative rental growth or reduced profitability/cash flow generation, or
- Gross debt to total assets sustainably above 40%, or
- Fixed charge coverage below 3.0x, or
- Increasing development risk such that the committed development pipeline rose sustainably above 10% of the property portfolio,
- Failure to maintain an adequate liquidity profile.

Key Indicators

Exhibit 1
Key Indicators for NEPI [1]

	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012
FFO Payout	40%	60%	16%	12%	34%
Amount of Unencumbered Assets	87%	67%	-	-	-
Debt / Gross Assets	26%	25%	13%	23%	31%
Net Debt / EBITDA	4.9x	2.4x	1.3x	4.4x	2.9x
Secured Debt / Gross Assets	6%	8%	13%	23%	31%
Gross Assets (USD Million)	$2,944	$2,420	$1,860	$1,430	$822
Development Pipeline	11%	8%	15%		
EBITDA Margin (YTD) [2]	93%	96%	103%	100%	122%
EBITDA Margin Volatility	11%	10%	10%	11%	-
EBITDA / Fixed Charges (YTD) [3]	6.0x	6.7x	6.0x	4.9x	4.1x
Joint Venture Exposure (YTD)	4%	5%	5%	11%	14%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] EBITDA Margin is calculated based on Net rental and related income and affected by financial income received.
[3] Fixed Charges includes capitalized interests explained in Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations revised December 2015.
Source: Moody's Financial Metrics™

Detailed Rating Considerations

GOOD MARKET POSITION AND FRANCHISE VALUE ACROSS SEVERAL CENTRAL EASTERN EUROPEAN COUNTRIES

At 31 December 2016, NEPI owned 37 income producing properties with a lettable area of more than 1 million sqm and an estimated value of €2.5 billion, including 30 retail properties (mainly shopping malls), five office buildings and two industrial facilities. At 31 March 2017, retail properties represent around 86% of the company's assets. Around 71% of assets are located in Romania, 15% in Slovakia, 9% in Croatia, 3% in Czech Republic and 2% in Serbia.

Pro-forma for the pending merger, NEPI Rockcastle will own 50 income producing properties with a lettable area of 1.5 million sqm and an estimated value of €3.9 billion. The properties generated annualised passing rents of €256.8 million as of 31 March 2017, based on pro-forma unaudited figures. The combined company will own 35 shopping centres, seven regional strip malls, five office buildings, two industrial facilities and seven developments. Retail properties will represent around 90% of the value of the physical properties owned by the company, i.e. excluding listed securities.

Exhibit 2
NEPI's direct property portfolio: industry split

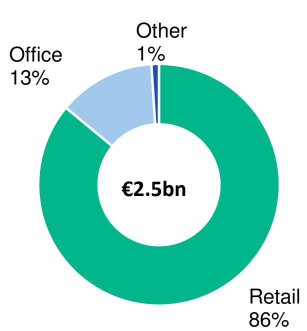


Exhibit 3
Combined property portfolio: industry split

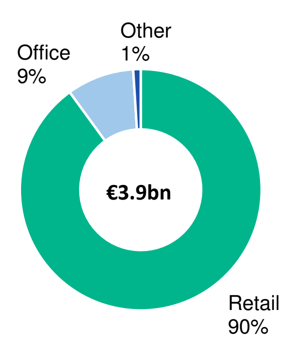


Exhibit 4
NEPI's direct property portfolio: geographic split

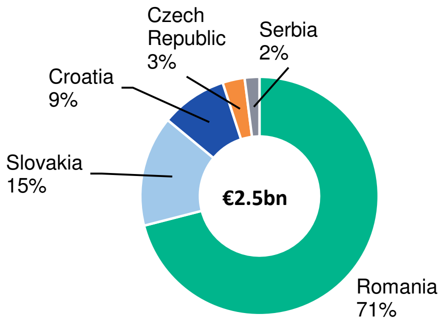
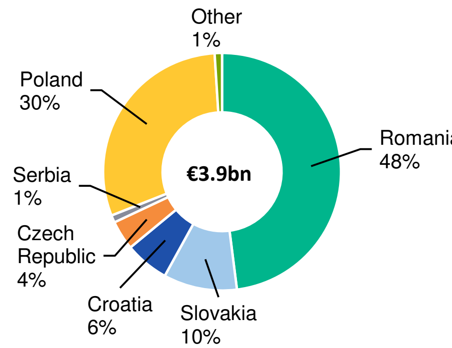


Exhibit 5
Combined property portfolio: geographic split



Source: Company's data, by market values, 31 March 2017.

NEPI also owns five office buildings with a lettable area of 143,800 sqm and an estimated value of €337 million as of 31 December 2016. Whilst small, the company's office portfolio is well located, mostly in Bucharest or secondary cities with good infrastructure, high occupancy (98.8% at the end of 2016) and has a good tenant mix, including mostly multinational ones.

NEPI is the leading retail owner in Romania, the second largest in Slovakia and the third largest in Croatia. NEPI Rockcastle will be also one of the leading retail property companies in Poland. We understand that all properties have significant catchment areas with more than 150,000 inhabitants each, and that most retail properties are dominant in their catchment areas, with limited competition from other regional shopping centers. In Moody's view NEPI Rockcastle will become a leading owner of shopping centres in Eastern Europe strengthening its ability to provide retail space to international retailers.

GOOD QUALITY, MODERN ASSETS WITH HIGH OCCUPANCY RATES AND A DIVERSIFIED TENANT BASE

The company enjoys high occupancy rates, which as of 31 December 2016, was 97.7% for its retail portfolios and 98.8% for its office portfolio. Occupancy rates have been consistently above 97% over the past four years. Pro-forma for the merger, the average occupancy across the combined portfolio is 96.4%, slightly down from NEPI's current 98.0%, reflecting the presence of some underperforming shopping centres in Rockcastle's portfolio. Most shopping centres have a food anchor but the percentage of rental income / lettable area from grocery / food is variable ranging between zero (Bonarka/Poland) and 20% (Karolinka, City Park). We understand that fashion generates between one third and two thirds of rental income with leisure/entertainment representing between 2-18%. More positively, electronics, one of the merchandise categories most at risk from e-commerce penetration, represent a modest 2-5% of rental income. E-commerce penetration in Romania continues to grow rapidly; online sales of physical good rose by 30% in 2016 to €1.8 billion according to GPeC, an e-commerce consultant, but has yet to impact on NEPI's occupancy rates.

As of now, NEPI's top three retail tenants are well-known retailers: Auchan (unrated), Carrefour (Baa1 stable) and Inditex (unrated). Together they account for 14.2% of NEPI's total passing rental income as at 31 December 2016. The top three office tenants represent 2.9% of total passing rental income: PricewaterhouseCoopers (unrated), Wipro (unrated, an Indian multinational IT consulting and system integration services company) and Huawei Technologies (unrated, the world's largest telecommunications equipment maker). Tenant concentration risk overall is modest with the top ten tenants representing 24.4% of NEPI's total rental income.

NEPI's weighted average remaining lease term is moderate at 5.3 years for its retail portfolio and low at 3.2 years for offices as of end of December 2016, a decrease from the average of 6.1 and 3.7 in 2015. The company has a dedicated in-house leasing team with a track record in renewing leases and re-letting space. According to management, the level of rental arrears has historically been negligible. The rental income increase is index-linked to the European Consumer Price Index (CPI).

The Romanian retail sector is transitioning from traditional stalls and small shops towards modern, destination retailing, with online shopping providing little competition at this stage. NEPI has benefitted from this trend through the development and completion of several modern facilities over the past few years. The bulk of shopping centre space in Romania is located in the greater Bucharest area. Tenant demand for retail space continues to be focused on the more populous cities in Romania, those with more than 150,000 inhabitants. NEPI reports that the catchment areas for its centres are more than double that number. The construction of new shopping centres in Romania remains low, there were only three retail centres delivered in 2015, two of which are NEPI's Mega Mall and Timisoara Shopping City. As a result we expect the supply and demand of modern retail space to be balanced and rents stable in the next 12-18 months.

Longer term, as new players enter the growing and profitable Romanian market, we believe that it will gradually become more difficult for NEPI to sustain the growth rates it has experienced over the past ten years, also evidenced by the company's declining development pipeline. Given the relative maturity NEPI has achieved in its domestic market, we expect it to pursue moderate expansion in neighboring markets.

IMPROVING GEOGRAPHIC DIVERSIFICATION AND STRONG GDP GROWTH IN KEY CENTRAL EUROPEAN COUNTRIES DESPITE FISCAL UNCERTAINTIES IN ROMANIA

Pro-forma for the planned merger, around 48% of the value of NEPI Rockcastle's assets will be physically located in Romania, down from 71% previously. Whilst still very substantial, we acknowledge the much reduced reliance on Romania. The combined company will have around 30% of its physical properties located in Poland (A2 stable) and 10% in Slovakia (A2 positive), two higher rated countries compared to Romania with relatively strong GDP growth compared to the rest of Europe.

We have assigned NEPI a Baa score for the rating subfactor Diversity in our methodology grid under the forward view, up from Ba before the planned merger with Rockcastle because the company will have reduced its reliance on Romania.

Exhibit 6

NEPI is increasing its exposure to fast-growing CEE countries

Country	NEPI 's exposure (% of portfolio)	NEPI Rockcastle's exposure (% of portfolio)	Sovereign rating	Real GDP growth, %			Inflation (CPI), %		
				2016E	2017	2018	2016E	2017	2018
Romania	71%	48%	Baa3 stable	4.8%	4.0%	3.5%	-0.5%	2.0%	3.1%
Poland	-	30%	A2 stable	2.7%	3.2%	3.1%	0.8%	2.0%	2.5%
Slovakia	15%	10%	A2 positive	3.3%	3.3%	3.8%	0.2%	1.5%	2.0%

Source: Moody's Investors Service

In April 2017, we revised the outlook for Romania's Baa3 rating to stable from positive. The rating action reflected the government's expansionary fiscal policy that has resulted in a material widening of its fiscal deficit, and which is expected to lead to an upward trajectory in the government debt-to-GDP ratio, as well as to rapid wage growth and a deterioration in price competitiveness and a widening of the current account deficit. These developments are contrary to the economic and fiscal trends anticipated at the time of Moody's decision to change the outlook to positive from stable in December 2015. Although we expect a continuation of robust real GDP growth in the medium term (real GDP was 4.8% in 2016, and is forecasted to be 4.0% in 2017 and 3.5% in 2018), the presently very favourable growth momentum is not sustainable and overstates Romanian long-term growth potential. Economic momentum has shifted away from an export-driven recovery to a domestic demand-driven recovery fuelled by fiscal stimulus.

The rating of the Government of Poland is currently A2/stable. The Polish economy grew by 2.7% in 2016, its lowest annual growth since 2013. The slowdown of the Polish economy in 2016 is mainly attributed to the contraction of investment reflecting the low utilisation of EU funds as well as institutional uncertainty and policy unpredictability. On the other hand, supportive to 2016 growth was private consumption that grew by 3.6%, while net exports were almost neutral to growth. Private consumption received an additional boost from the country's "500+ programme", a child benefit subsidy of PLN500 per child to families with more than one child that took effect in April 2016 and has an estimated cost at around 1.2% of GDP in 2017.

Against the background of sustained positive labour market dynamics, reviving investment and stronger external demand, we expect Poland to continue its past solid growth record (Exhibit 3). We have thus revised our 2017 and 2018 real GDP growth forecasts to 3.2% from 2.9% and to 3.1% from 2.8%, respectively.

The rating of the Government of Slovakia is currently A2/positive. Following a very buoyant growth rate in 2015, the Slovak economy expansion remained robust in 2016. The economy expanded by 3.3% (real GDP growth, seasonally adjusted), significantly above the pace of both the Euro area and European Union (growth of 1.7% and 1.9%, respectively). In 2017, we expect the Slovak economy will maintain its pace of expansion at 3.3% with a broad-based structure, driven by both domestic and foreign demand. In particular, a significant increase in public investment is anticipated, contributing to investment growth. In 2018, we expect real GDP growth will accelerate to 3.8% on the back of new vehicle production capacities coming on stream.

A DECLINING BUT STILL SIZEABLE DEVELOPMENT PIPELINE

NEPI's developments peaked at 14% of total assets in 2014 whilst decreasing to 7.6% as of end of 2015, following the completion of Mega Mall in Bucharest and the first section of Shopping City Timisoara. At the end of 2016 the development pipeline (excluding extensions) represented 11.3% of total assets, mapping to Ba in our methodology scorecard and the lowest score across the rated peer group including Corio/Klepierre, Hammerson, Wereldhave, Citycon, and IGD. However, including extensions, which we consider as lower risk, the company's total development pipeline would be 15.5% of total assets as of 31 December 2016 (pro-forma combined), which would map to B in our scorecard. We expect that developments under construction as a percentage of total assets will be reduce over the next two years as the company's income producing portfolio grows.

More positively, we acknowledge the company's excellent track record in successfully completing its projects and the fact that company's development pipeline has been largely equity funded, given its low leverage. Also, many of its existing developments are either extensions of existing successful shopping centres or are low-rise buildings on easily accessible sites. NEPI has a well-defined approach to development whereby each development project must be sufficiently “anchored” with pre-lettings to appropriate tenants prior to commencing construction. NEPI's developments are phased according to the capacity of its in-house teams that manage the process.

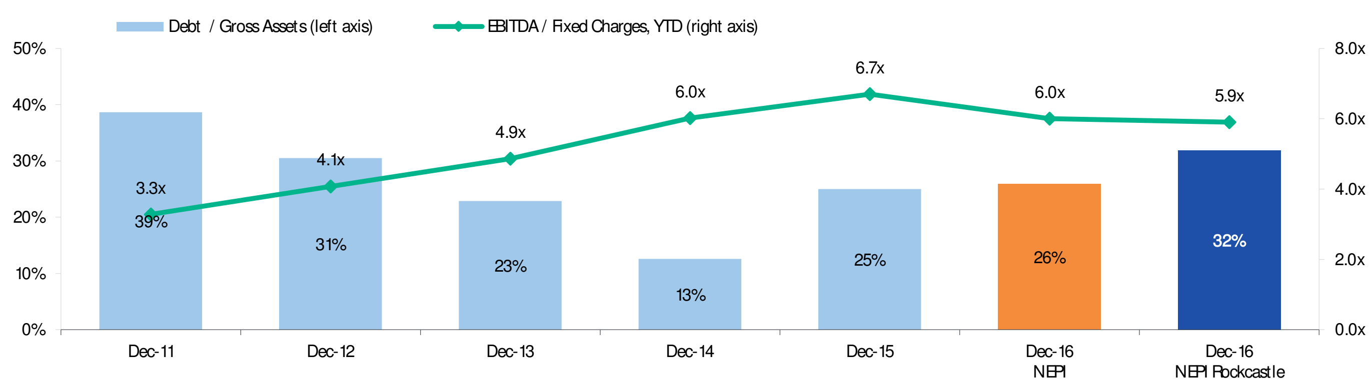
MODERATE LEVERAGE, GOOD FIXED CHARGE COVERAGE AND LEVEL OF UNENCUMBERED ASSETS

NEPI has strong financial metrics for its rating category with Moody's adjusted debt/total assets of 26% and fixed charge coverage ratio of c.6.0x (EBITDA/(interest expense + capitalised interest). The company's financial policy is to maintain its loan-to-value ratio (defined as interest-bearing debt less cash/investment property and listed property securities) at around 30%-35% (maximum allowed is 40%).

Pro-forma for the merger, we estimate NEPI Rockcastle's effective leverage to increase to 32% (including the implied gross debt related to the gross exposure of Rockcastle to a portfolio of listed stocks representing 20% of combined total assets). We also estimate the pro-forma fixed charge coverage c.5.9x. Although pro-forma leverage will increase and it is likely to be volatile due to a significant component of listed stocks in total assets, it remains appropriate for the rating.

Exhibit 7

NEPI's effective leverage and fixed charge coverage



Source: Moody's Investors Service

The company had almost €722 million of financial debt at the end of 2016, of which €400 is a fixed-coupon unsecured note with the balance made up of bank loans. The rating assigned to the notes (Baa3) is in line with the Issuer Rating and unsecured noteholders benefit from a very low amount of secured debt in the capital structure (6% of gross assets only, excluding joint ventures). Pro-forma for the pending merger, NEPI Rockcastle had almost €1.2 billion of reported debt at the end of 2016, including almost €650 million of mortgage loans and €400 million of unsecured notes. However, our calculation of adjusted debt also includes additional €524 million of implied gross debt related to the gross exposure of Rockcastle to a portfolio of listed stocks (this exposure is reported on net in the audited accounts).

NEPI's property portfolio is valued on a semi-annual basis by external, independent valuation firms and is based on discounted cash flows and open market comparables, where available. There are few market comparables for prime retail assets in Romania and we understand that while there is investor demand, current owners are not willing to sell. We believe, however, that investor appetite for acquiring Romanian property assets, including the modern stock owned by NEPI, is likely to exhibit greater volatility over the course of an economic cycle compared to that for very large, prime shopping centres in Western Europe such as those owned by the large French and UK REITs.

EXPOSURE TO LISTED STOCKS COULD CREATE VOLATILITY IN KEY DEBT METRICS

Rockcastle owns a portfolio of listed securities in large property companies with a market value of around $1.1 billion as of 31 March 2017. The portfolio mainly consists of stocks in Hammerson plc (Baa1 stable), Unibail-Rodamco (unrated) and Simon Property (A2 stable).

We understand that NEPI Rockcastle intends to gradually reduce its gross exposure to listed securities and reinvest the proceeds in the purchase of retail properties between 2017-19.

Whilst we acknowledge that the company's portfolio of listed securities enhances its financial flexibility, we also note that it introduces an element of volatility in its key debt metrics. We have adjusted the gross debt and the total assets of the combined entity to reflect the gross exposures underlying the equity derivative swap as well as its fixed charge coverage ratio to exclude any capital gain. We understand that the loans can be called on by the swap providers to purchase the full exposure at any time and that the derivative is mark to market daily and that the margin is posted depending on the movement in the share price.

We have also included the dividends that the combined entity has received and will likely continue to receive from the listed securities held in its portfolio in our fixed charge coverage. We consider that dividends from the company's underlying investment provide reliable cash inflows given the strong credit profiles of the largest investment holdings and their REIT status.

Liquidity

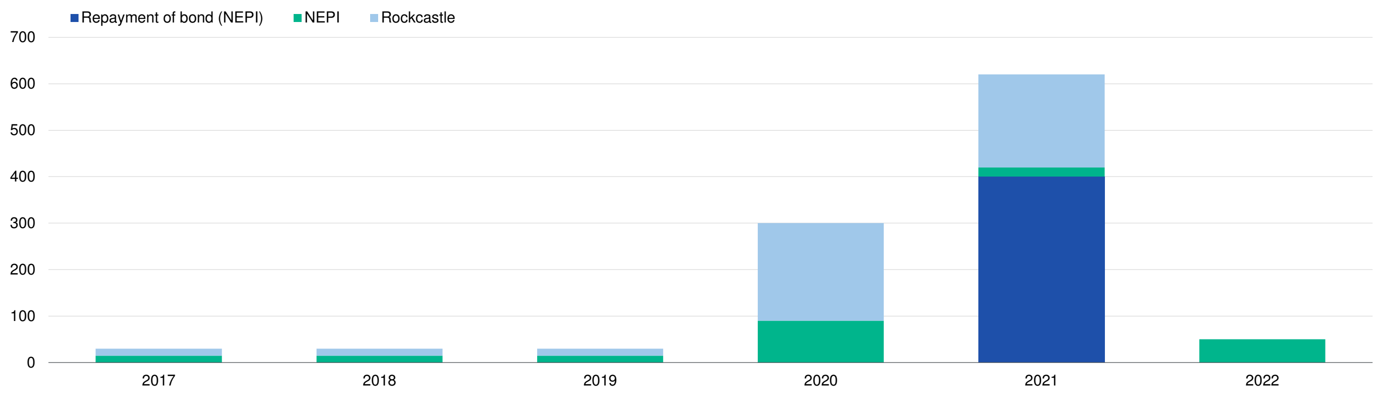
GOOD ACCESS TO CAPITAL AND HISTORICALLY SUPPORTIVE SHAREHOLDERS

NEPI has adequate liquidity underpinned by steady generation of recurring cash flow as well as largely unencumbered asset base. As of 31 March 2017, the company had cash balances of €54 million (€80 million for the combined entity) and two committed credit facilities totalling €230 million maturing between March and December 2018, both fully undrawn. We note that the facilities contain repeating material adverse change clause. We expect these resources to more than cover expected cash outflows. In addition, a substantial portion of the company's assets are unencumbered (87% of total gross assets as of December 2016 and 63% pro forma for the combined entity), which further strengthens its liquidity.

We do not consider the company's portfolio of listed securities as a source of liquidity in our analysis given the volatility of stock market prices but acknowledge the substantial financial flexibility it provides.

NEPI has no major debt maturing in the next 12-18 months. Following the €400 million unsecured bond issue completed in November 2015 and maturing in February 2021, its average cost of debt decreased from 5.0% in 2014 to 3.7% in 2016 and further to 3.4% in Q1 2017. At the end of 2016, the company had fully hedged its debt against changes in interest rates, around two thirds through interest rate caps and one third through interest rate swaps.

Exhibit 8
Debt maturity profile for NEPI Rockcastle



Source: Company's data

We also understand that NEPI can suspend its development activities at any time (and subsequently restart at any time) due to the flexible structure of its construction contracts (no general contractor). Lastly, given its non-REIT status, the company has no legal requirement to distribute dividends and, therefore, enjoys greater financial flexibility compared to REITS.

Pro-forma for the merger, NEPI Rockcastle's three largest shareholders are expected to be South African property-focused investment funds: Fortress Income Fund (rated Baa3 stable), Resilient Property Income Fund (unrated) and Public Investment Corp. (unrated). These three companies are also NEPI's current main shareholders.

NEPI has supportive shareholders as evidenced by recurring equity raises (€2.5bn raised over the past ten years), which are frequently oversubscribed, and reinvestment take up via scrip dividends.

CURRENCY RISK ENSUING FROM THE MISMATCH BETWEEN THE COMPANY'S EURO-DENOMINATED LEASES AND TENANTS' LOCAL CURRENCY REVENUES

NEPI is exposed to a degree of currency risk. Although the company's debt and leases are denominated in euro, its tenants typically earn revenues in local currency. We believe that this exposes NEPI to the risk of a devaluation of the local currency versus the euro. That said, we acknowledge that the exchange rate of the Romanian currency versus the euro has been relatively stable since 2009 and that the Romanian government's plan to join the Eurozone, though not near term, should be somewhat supportive of a stable exchange rate.

Structural considerations

At the merger implementation date, both NEPI and Rockcastle will sell their assets and liabilities to NEPI Rockcastle plc for a consideration equal to the market capitalisation of each of the two groups. In consideration for disposal of business, NEPI and Rockcastle will receive a right to NEPI Rockcastle shares. The merger is expected to complete by the end of July 2017. NEPI and Rockcastle will issue relevant documentation requesting shareholders' approval for the transaction and noteholders' approval for the change of Guarantor. Upon completion of the merger, NEPI Rockcastle will be the new Guarantor under both companies' notes and bank loans, including the outstanding €400 million senior unsecured notes issued by NE Property Cooperatief U.A.

Corporate Profile

New Europe Property Investments plc ("NEPI") is an Isle of Man incorporated real estate investment company that acquires, develops and manages retail and office property investments located in Romania, Slovakia, Croatia, Czech Republic and Serbia. As of 31 March 2017, NEPI's total assets totaled €2.8 billion and reported net rental and related income for the last twelve months was €160.8 million. The company had a market capitalisation of €3.6 billion as of 29 May 2017.

Like NEPI, NEPI Rockcastle will be incorporated in the Isle of Man. The combined entity will be listed on the Johannesburg Stock Exchange (South Africa) and on Euronext Amsterdam. By market cap and pro-forma for the pending merger, NEPI is one of Europe's ten largest property companies.

Rating Methodology and Scorecard Factors

The principal methodology used in this rating was Global Rating Methodology for REITs and Other Commercial Property Firms published in July 2010. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology. The Baa3 assigned rating is three notches lower than the A3 grid outcome because its assets are primarily located in Romania (Baa3/Stable), a developing property market. Under the forward view, the grid-indicated rating of Baa1 is pro-forma for the merger. The sub-score Diversity has changed to Baa from Ba to reflect the greater geographical diversification following the merger with Rockcastle.

Exhibit 9

Rating Factors - New Europe Property Investments plc

REITs and Other Commercial Property Firms Industry Grid [1]	Current FY 31/12/2016, NEPI		Moody's 12-18 Month Forward View [2] NEPI Rockcastle	
Factor 1: Liquidity and Funding (24.5%)	**Measure**	**Score**	**Measure**	**Score**
a) Liquidity Coverage	Ba	Ba	Ba	Ba
b) Debt Maturities	Aa	Aa	Baa	Baa
c) FFO Payout	40%	Aa	85% - 95%	Baa
d) Amount of Unencumbered Assets	87%	A	60% - 65%	Baa
Factor 2: Leverage and Capital Structure (30.5%)				
a) Debt / Gross Assets	26%	A	31% - 34%	Baa
b) Net Debt / EBITDA	4.9x	Baa	6.0x - 6.5x	Ba
c) Secured Debt / Gross Assets	6%	A	15% - 18%	Baa
d) Access to Capital	Baa	Baa	Baa	Baa
Factor 3: Market Position and Asset Quality (22%)				
a) Franchise / Brand Name	Baa	Baa	Baa	Baa
b) Gross Assets(USD Million)	$2,944	Baa	$6,000 - $6,500	Baa
c) Diversity: Location / Tenant / Industry / Economic	Ba	Ba	Baa	Baa
d) Development Pipeline	11%	Ba	7% - 8%	Baa
e) Asset Quality	Baa	Baa	Baa	Baa
Factor 4: Cash Flows and Earnings (23%)				
a) EBITDA Margin (YTD) [3]	93%	Aa	105% - 110%	Aa
b) EBITDA Margin Volatility	11%	B	12% - 14%	B
c) EBITDA / Fixed Charges (YTD) [4]	6.0x	Aa	6.0x - 6.7x	Aa
d) Joint Venture Exposure (YTD)	4%	Aa	3% - 4%	Aa
Rating:				
a) Indicated Rating from Grid		A3		Baa1
b) Actual Rating Assigned				Baa3 positive

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] This represents Moody's forward view as of 30 May 2017; not the view of the issuer; pro-forma for the merger with Rockcastle.
[3] EBITDA Margin is calculated based on Net rental and related income and affected by financial income received.
[4] Fixed Charges includes capitalized interests explained in Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Ratings

Exhibit 10

Category	Moody's Rating
NEW EUROPE PROPERTY INVESTMENTS PLC	
Outlook	Positive
Issuer Rating -Dom Curr	Baa3
NE PROPERTY COOPERATIEF U.A.	
Outlook	Positive
Bkd Senior Unsecured -Dom Curr	Baa3

Source: Moody's Investors Service

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