NEPI Rockcastle plc
(Incorporated and registered in the Isle of Man)
(Registered number 014178V)
JSE share code: NRP
Euronext share code: NRP
ISIN: IM00BDD7WV31
("**NEPI Rockcastle**" or "**the company**")

NEPI ROCKCASTLE

ACQUISITION OF SERENADA AND KROKUS SHOPPING CENTRES, POLAND

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1. INTRODUCTION

Shareholders are advised that a wholly owned subsidiary of the company, Tuvalu sp.z.o.o ("**Tuvalu**"), has entered into an agreement to acquire Serenada shopping centre (with a GLA of 41,170m^2, opening in October 2017) and the adjacent Krokus shopping centre (with a GLA of 27,728m^2), located in Kraków, Poland (together, the "**properties**"), for an aggregate purchase consideration of EUR249.4 million (the "**acquisition**"), to be increased by future payments of approximately EUR212 million, dependant on the completion of an extension which will result in a single integrated shopping centre with a GLA of over 100,000m^2 (the "**extension**").

2. RATIONALE

The key investment considerations for concluding the acquisition include:

- further advancing the company's strategy of acquiring and developing dominant retail centres in Central and Eastern European cities with attractive macro-economic fundamentals;
- the opportunity to acquire and further develop a top 10 super regional shopping centre in Poland; and
- consolidating the company's position as one of the largest dominant retail owners in Poland, the most populous country in Central and Eastern Europe.

3. TERMS OF THE ACQUISITION

3.1. The acquisition

Tuvalu has entered into an agreement (the "**agreement**") with Centrum Krokus sp. z o.o. and Centrum Serenada sp. z o.o. (together, the "**sellers**") to acquire two adjacent shopping centres in Kraków, Poland's second largest city, with a further expansion opportunity of approximately 30,000m^2, for an aggregate purchase consideration of EUR249.4 million (the "**purchase price**"). The acquisition will be effective on fulfilment of conditions precedent and conclusion of the final purchase agreement (the "**effective date**"), which is expected to occur in Q1 2018.

3.2. Purchase price

The purchase price of EUR249.4 million is payable on the effective date, in cash. EUR245.7 million relates to the capitalised net operating income ("**NOI**") of the shopping centres and EUR3.7 million pertains to the balances attributed to other assets acquired as part of the enterprise transaction. Additional purchase price commitments to be paid in future tranches are:

- EUR115 million, consisting of regular monthly development drawdowns during the period of construction of the extension;

- approximately EUR34 million on and subject to completion of the extension works (planned to be in 2020), depending on specified commercial parameters of the extension; and
- approximately EUR63 million on the 2nd anniversary of the completion of extension works, depending on specified parameters for the commercial success of the extension (the "**final payment**"),

on the basis that the aggregate of the initial payment and subsequent tranches may not exceed EUR469.3 million.

For the period between the effective date and the 2nd anniversary of the completion of extension works, the NOI of the shopping centre/s will be guaranteed by the sellers. The NOI of the complete integrated shopping centre, calculated for the purpose of making the final payment, is capped at EUR23.826 million per annum.

3.3. Conditions precedent

The acquisition is subject to the fulfilment or waiver, as the case may be, of the following conditions precedent:

- the opening of the Serenada shopping centre, scheduled for October 2017;
- receipt of all relevant regulatory approvals and permits required or customary in order to implement an acquisition of this nature;
- tax rulings customary in order to implement an acquisition of this nature; and
- the waiver of a right of first refusal to acquire the shopping centres granted to a tenant of Centrum Krokus sp. z.o.o. in terms of an existing lease agreement.

3.4. Material terms

The agreement contains undertakings, warranties and indemnities which are normal for an acquisition of this nature.

3.5. Source of funding

This acquisition will be initially funded by a combination of NEPI Rockcastle's existing cash and debt resources.

4. PROPERTY SPECIFIC INFORMATION

Property name	**Geographical location**	**GLA (m^2)**	**Weighted average rental per m^2 (EUR/m^2)**	**Purchase price (EUR'm)**
Serenada Shopping Centre	Kraków, Poland	41,170	22.04	163.644
Krokus Shopping Centre	Kraków, Poland	27,728	10.65	85.726
		68,898		**249.4**

1. Both properties are in the retail sector.
2. The purchase price of each of the properties is considered to be its fair market value as at 10 October 2017, as determined by the directors of NEPI Rockcastle. The directors of NEPI Rockcastle are not independent and are not registered as professional valuers or as professional associate valuers in terms of the South African Property Valuers Professional Act, No 47 of 2000.
3. The value of the net assets that are the subject of the acquisition, as determined by the directors of NEPI Rockcastle, is EUR249.4 million.

5. FINANCIAL INFORMATION

Set out below are the forecast revenue, operational net income, net profit after tax and earnings available for distribution of the acquisition ("**the forecast**") for the 12 months ending 31 March 2019 ("**the forecast period**").

The forecast has been prepared on the assumption that the acquisition will be implemented on 1 April 2018 and on the basis that the forecast includes forecast results for the duration of the forecast period.

The forecast, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the directors of the company. The forecast has not been reviewed or reported on by independent reporting accountants.

The forecast presented in the table below has been prepared in accordance with the company's accounting policies, which are in compliance with International Financial Reporting Standards.

	Forecast for the 12 months ending 31 March 2019 EUR'000
Revenue	18,206
Property operating expenses	(5,732)
Net operating profit	12,474
Finance costs	(4,988)
Total comprehensive profit for the period	7,486
Profit available for distribution	**7,486**

The forecast incorporates the following material assumptions in respect of revenue and expenses:

1. The forecast is based on information derived from the management accounts, budgets, and rental contracts provided by the sellers and reviewed by the company.
2. Rental income is derived from the forecasts provided to the company by the sellers.
3. The effects of straight lining rental income are negligible and are accordingly not included in net property income.
4. Finance costs are computed with reference to the cost of funding on the portion of the debt facilities which are anticipated to be utilised to fund the acquisition.
5. Contracted revenue is based on existing lease agreements including stipulated increases, all of which are valid and enforceable.
6. Leases expiring during the forecast period have been forecast on a lease-by-lease basis, and have been assumed to renew at current market rates unless the lessee has indicated its intention to terminate the lease.
7. Of the rental income of EUR18,206 million, 100% relates to contracted rental.
8. Property operating expenditure has been forecast by the property manager on a line-by-line basis based on management's review of historical expenditure, where available, and discussion with the property manager.
9. No fair value adjustment is recognised.
10. There will be no unforeseen economic factors that will affect the lessee's ability to meet their commitments in terms of existing lease agreements.

6. CATEGORISATION OF THE ACQUISITION

The acquisition is classified as a category 2 transaction in terms of the JSE Listings Requirements. Accordingly, it is not subject to approval by shareholders.

For further information please contact:

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