S&P Global Ratings

RatingsDirect®

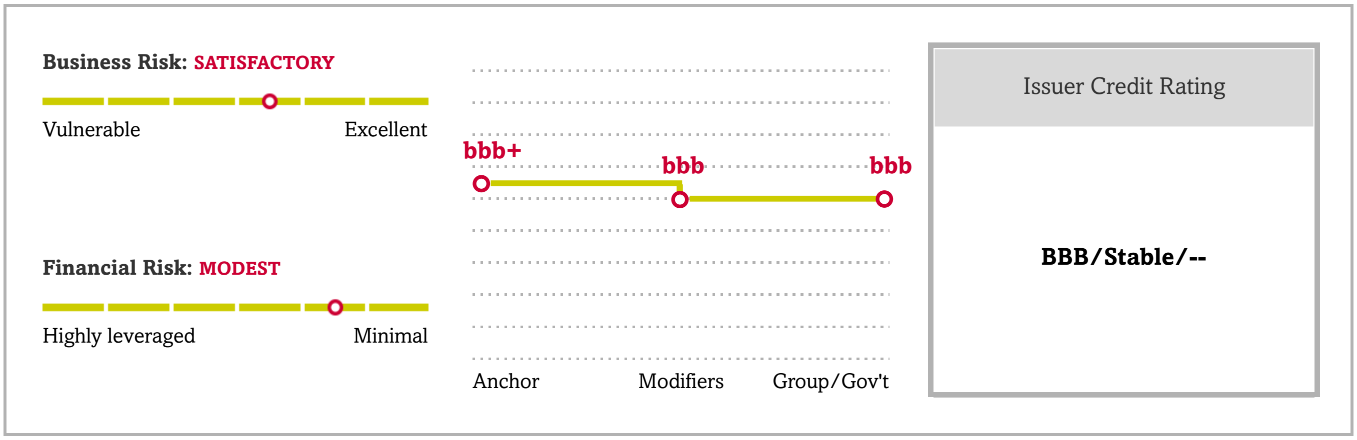
NEPI Rockcastle PLC

Primary Credit Analyst:
Manish Kejriwal, Dublin +353 1 568 0609; manish.kejriwal@spglobal.com

Secondary Contact:
Franck Delage, Paris (33) 1-4420-6778; franck.delage@spglobal.com

Table Of Contents

NEPI Rockcastle PLC



Credit Highlights

Overview

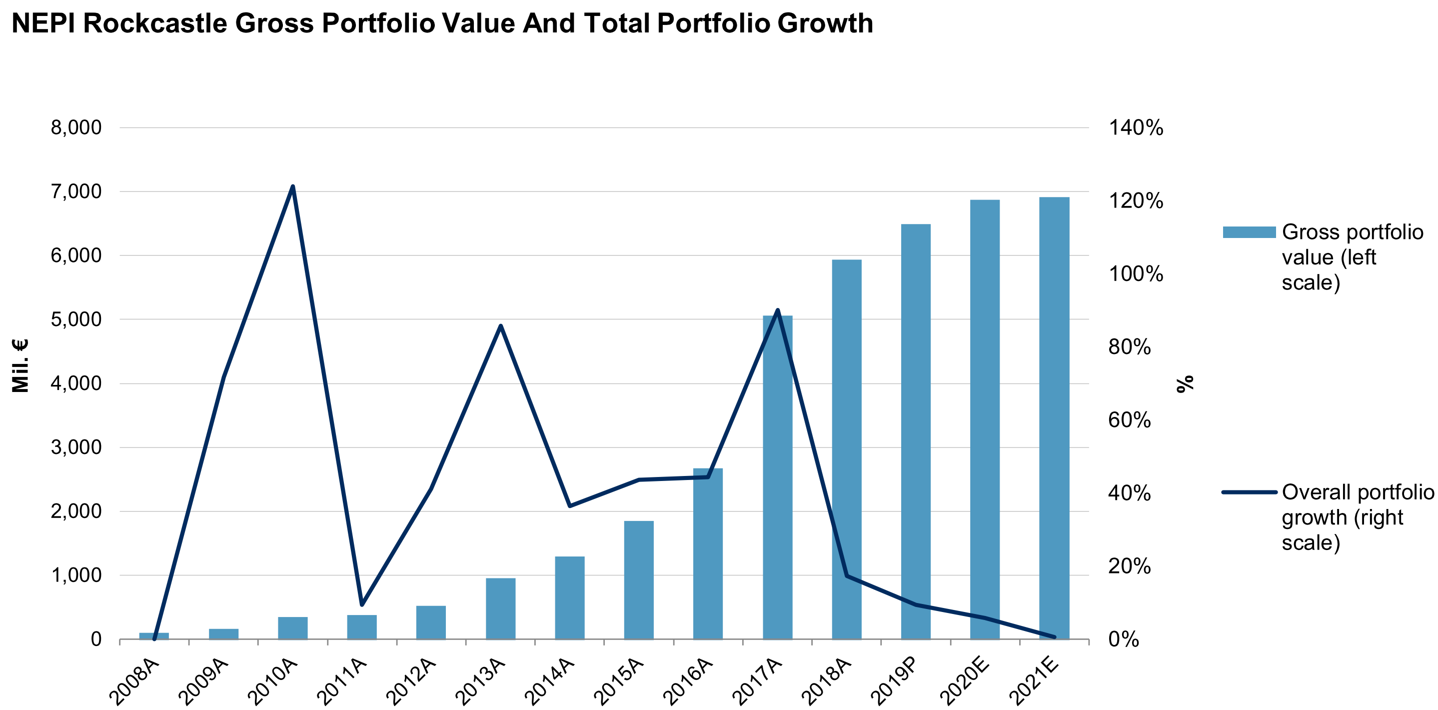
Key Strengths	Key Risks
A €5.9 billion property portfolio, mainly consisting of retail assets spread across nine countries of Central and Eastern Europe (CEE).	Relatively high country risk in developing CEE markets and lower barriers to entry than in developed markets, with some concentration in the Romanian, Hungarian, and Bulgarian markets.
Strong operating performance, with continuously positive like-for-like net operating income (NOI) growth (4.9% as of Dec. 31, 2018) as well as high and stable occupancy rates (97.2%).	Risk related to foreign currency volatility given that tenant agreements are euro-denominated, while turnover is in local currency.
Good asset quality and well-located catchment areas, close to public transport and infrastructure.	Exposure to retail segment, which we view as more volatile and cyclical than the residential sector.
Prudent financial policy centered on a maximum loan-to-value (LTV) ratio of 35% (corresponding to a debt/debt + equity of 34%-35%), despite headroom being tight currently it remains a strength for the rating (compared with most investment grade peers).	Exposure to the retail sector, which faces structural challenges from e-commerce although penetration is relatively low in CEE markets.

South Africa's Financial Services Conduct Authority (FSCA) has closed its investigation in respect of allegations made by Viceroy Research on accounting discrepancies. The FSCA found no substance in its investigation into possible false and misleading reporting, and has closed its investigation. Also, we note that no claims were made against the company because the allegations raised by certain third parties were groundless.

We expect NEPI Rockcastle to concentrate further on the retail segment, in line with its strategy. NEPI Rockcastle plans to dispose its Romanian office portfolio and recently signed a non-binding letter of intent with AFI Europe NV, a wholly-owned subsidiary of Africa Israel Properties Limited. The process is undergoing a due diligence exercise in respect of four type A office buildings with a book value of €309.2 million at Dec. 31, 2018. Post the transaction, NEPI Rockcastle is expected to focus on the retail segment and subsequently we anticipate the portfolio size will increase mainly through acquisitions.

NEPI Rockcastle continues to grow its portfolio externally, while exploring new markets and delivering strong rental income growth. The company has managed to increase its portfolio to €5.9 billion as of December 2018, from €4.9 billion a year earlier, supported by acquisitions worth €594 million and land/developments of €260 million. The acquisitions were spread across Poland, Slovakia, Hungary, and also Lithuania--a new market for the company. We view the current exposure to Baltics as minimal (2% of portfolio) granting limited diversification benefits, but we note the company's ability to tap new markets and grow externally.

Chart 1



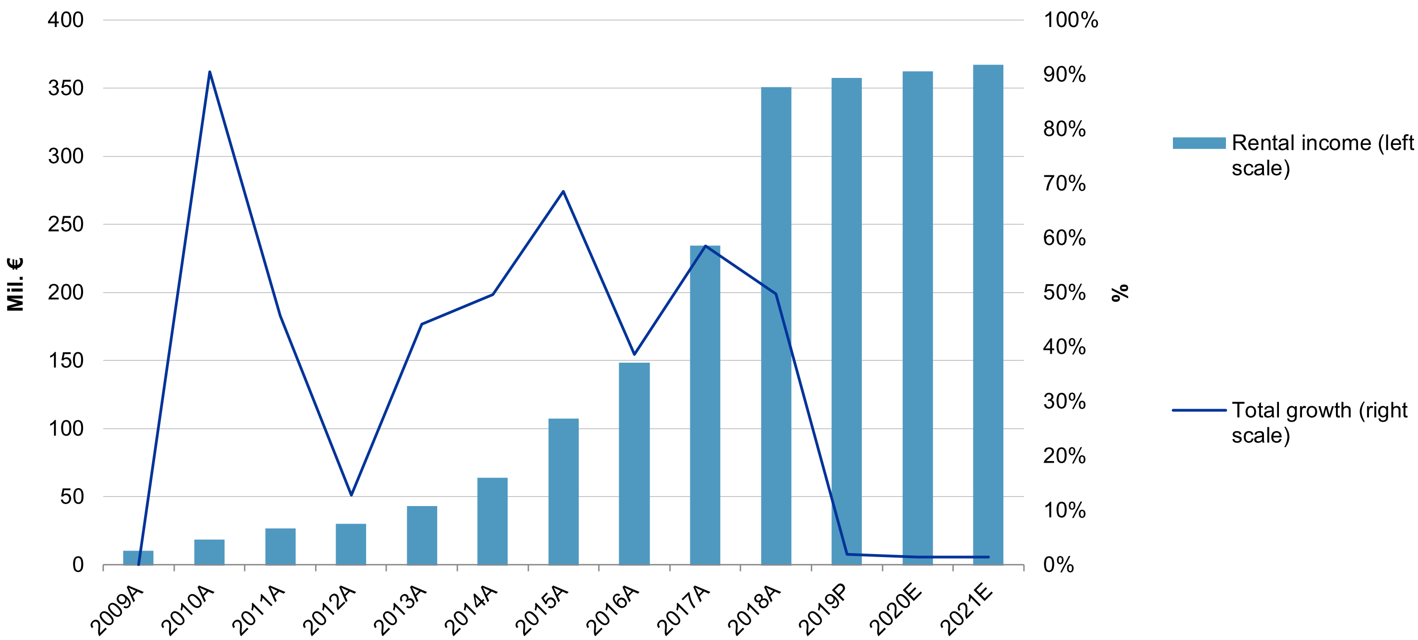
A--Actual. P--S&P Global Ratings projected. E--Estimate. Source: S&P Global Ratings.

The company has a successful track-record of external growth (successfully completed several acquisitions in last two years) with its portfolio increasing to €5.9 billion currently from about €3.9 billion in July 2017.

We forecast moderate growth in the future because the company is committed to a maximum LTV ratio of 35%.

Chart 2

NEPI Rockcastle Rental Income And Rental Growth



A--Actual. P--S&P Global Ratings projected. E--Estimate. Source: S&P Global Ratings.

NEPI Rockcastle has strengthened its capital structure and liquidity with recent refinancing, which slightly affected its average cost of debt. In May 2019, it issued an unsecured Eurobond of €500 million at fixed coupon of 2.625% and refinanced some portion of its short-term loans, as well as using revolving credit facilities (RCFs). Subsequently, it has around €300 million-€320 million of upcoming short term debt maturities for the next 12 months, which we assumed will be roll-over or repaid out of bond issuance and has adequate liquidity available in cash, and an undrawn RCF as of March 2019. However, we expect its average cost of debt to increase to about 2.5% from 2.3% as of Dec. 31, 2018, due to its marginally higher cost of debt.

Outlook: Stable

The stable outlook on NEPI Rockcastle reflects our view that the company should continue to benefit from healthy economic trends in CEE, particularly in Romania and Poland, thanks to the quality of its assets and limited competition. We also believe its debt to debt and equity will be less than 35% and EBITDA interest coverage higher than 3.8x over the next two years, supported by the company's resilient cash flows and conservative financial policy. We expect NEPI Rockcastle will maintain a large liquidity buffer.

Downside scenario

We could consider taking a negative rating action if, in particular, NEPI Rockcastle's debt to debt plus equity increased above 35% as a result of unexpected asset devaluations, or if its EBITDA interest coverage fell below 3.8x. Downward rating pressure might also build if we see negative dynamics in its operating performance. We could also take a negative rating action on NEPI Rockcastle if Romania experienced an economic slowdown and monetary policy flexibility weakened, leading to a sovereign downgrade.

Upside scenario

An upgrade would hinge on NEPI Rockcastle materially improving its portfolio in terms of size, as well as geographic and sector diversification, making it more comparable with that of peers with stronger business risk profiles. Necessary conditions for an upgrade are the ability to continue generating positive like-for-like rental income growth and showing positive portfolio revaluations. In addition, a positive rating action on NEPI Rockcastle would be contingent on an improvement in Romania's credit quality or a significant dilution of the company's exposure to Romania to less than 25% of its assets and maintaining its debt to debt plus equity below 35%.

Our Base-Case Scenario

Assumptions

- Like-for-like rental income growth of 1.5%-2.0% in 2019-2020 supported by positive inflation and market rental trends in CEE. We assume occupancy will remain high at about 96.5%-97.5%, supported by solid demand from tenants and the shortage of modern properties in CEE.
- Marginally positive portfolio revaluations of 0.5%-1.0% in 2019 mainly driven by increasing net rental income and assuming no yield compression.
- Asset acquisitions of €500 million-€600 million in 2019, and €200 million-€250 million in 2020, partly to be funded by disposal of non-core assets (€300 million-€350 million comprising the Romanian office portfolio) and partly with external funding, either through debt or equity issuance.
- Development capital expenditure (capex) of €450 million-€500 million for the next two-to-three years.
- We assume dividend payments of €300 million-€400 million annually partly to be paid in cash and partly in scrip (about 30%-35% in shares).

Key Metrics

	2018A	2019E	2020E
EBITDA Interest Coverage (x)	6.6	6.0-6.3	6.0-6.5
Debt/EBITDA (x)	6.3	5.7-6.2	4.8-5.3
Debt to Debt plus Equity (%)	34.3	32-34	32-34

A--Actual. E--Estimate.

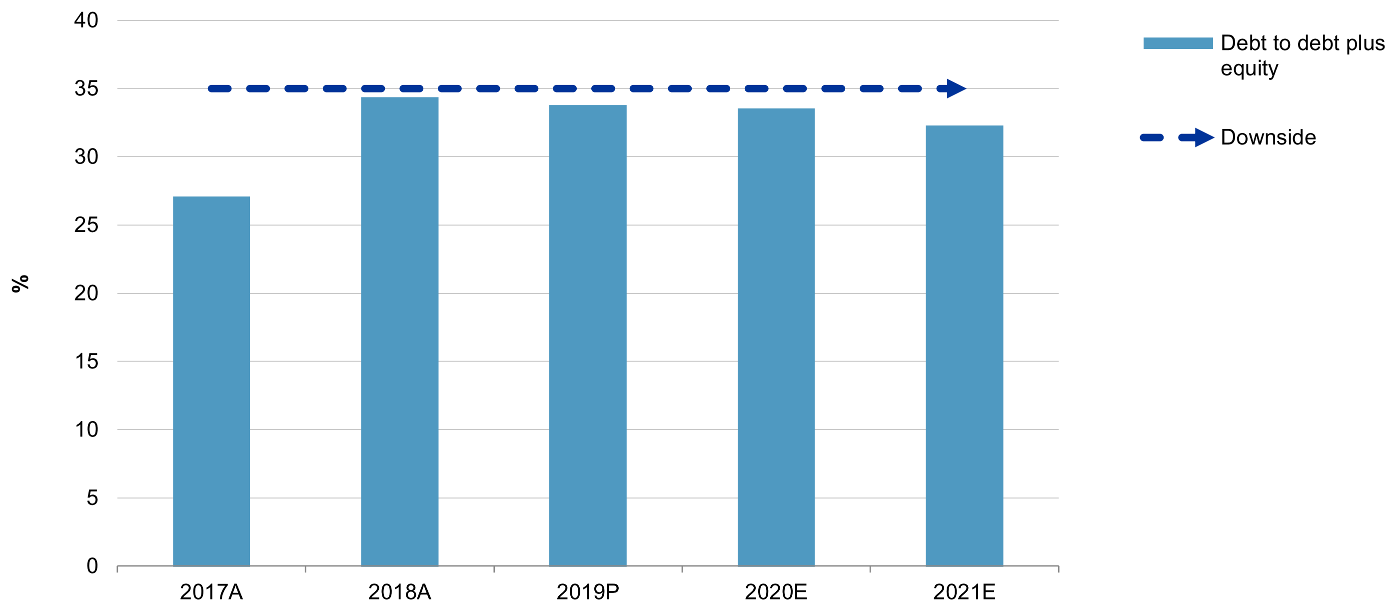
Base-case projections

We project a further improvement in EBITDA on the back of acquisitions completed in 2018 along with expected inorganic growth. We expect growth in EBITDA will support an increased interest burden, helping maintain EBITDA interest coverage of close to 6.0x.

We anticipate leverage to decrease in spite of likely large investments in acquisitions and development. The company plans to fund acquisitions and development mostly by asset disposals, share issuances, and only limited debt issuances. It also plans to dispose its equity investments, and our assumptions of 30%-35% of dividend payment in shares, which provides a further buffer against leverage ratios. However, the headroom under its target of LTV below 35% (corresponding to a debt to debt plus equity ratio of 33%-34%) remains tight.

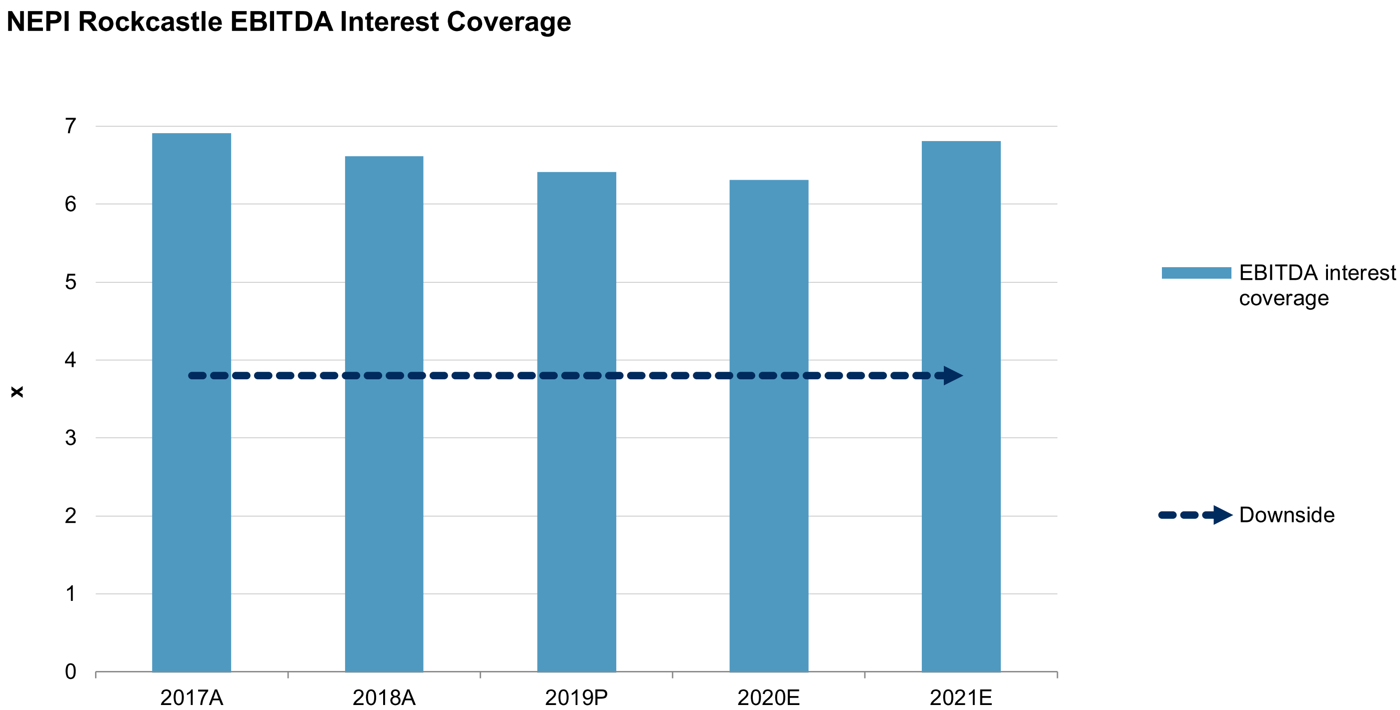
Chart 3

NEPI Rockcastle Debt To Debt Plus Equity



A--Actual. P--S&P Global Ratings projected. E--Estimate. Source: S&P Global Ratings.

Chart 4



A--Actual. P--S&P Global Ratings projected. E--Estimate. Source: S&P Global Ratings.

Company Description

Table 1

NEPI Rockcastle Portfolio Summary	
Segment Focus	Retail, Office & Industrial
Total Portfolio Value	€5.9 Billion (Includes €200 million under development)
Total Units	51 Shopping Centres, 6 offices and 2 Industrial
Average Occupancy	97.2%
Occupancy cost ratio	11.9%
Average Lease Maturity	4.0 years
Average portfolio yield	6.8%
Overall Portfolio Quality*	Good quality retail assets
Market capitalization (€)§	~4.68 billion

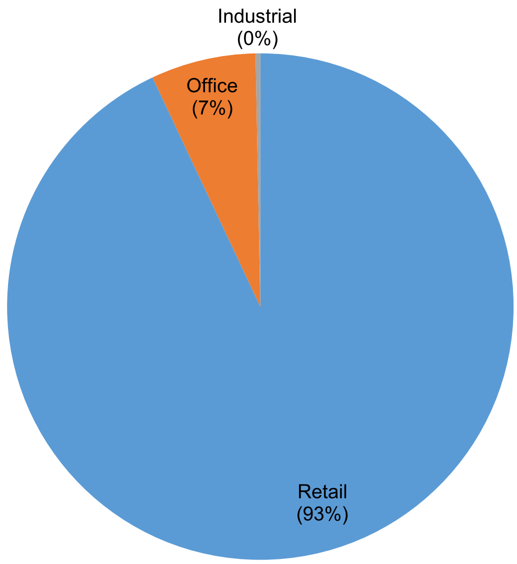
*S&P Global Ratings' view, based on December 2018 results. §As of July 2019.

NEPI Rockcastle is a property and development company operating in the CEE region, established in 2017 by the merger of New Europe Property Investments Plc (NEPI) and Rockcastle Global Real Estate

Company Limited (Rockcastle). The company has a portfolio of €5.9 billion (€5.7 billion excluding developments and non-core assets), and a strong focus on retail with some additional activities in offices and industrial. It operates in nine countries in CEE with a focus on the Romanian and Polish markets.

Chart 5

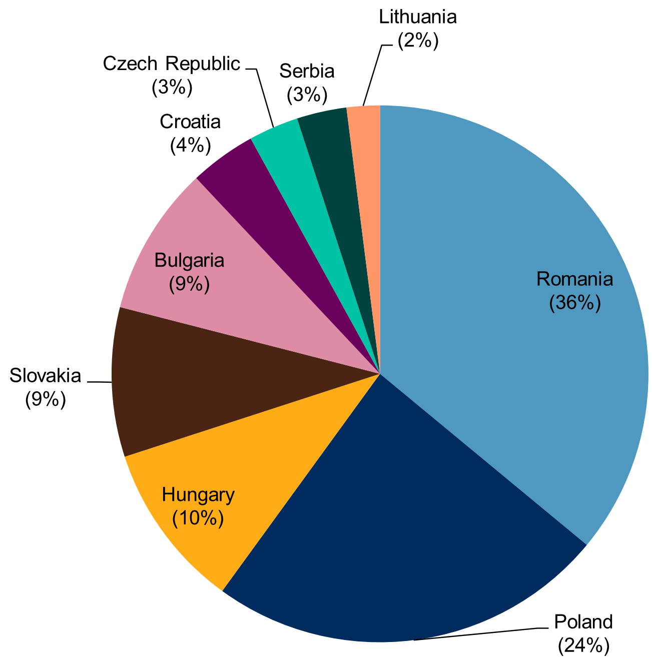
NEPI Rockcastle Segment Diversity
(% of portfolio value as of Dec 2018)



Source: S&P Global Ratings.

Chart 6

NEPI Rockcastle Geographic Diversity



Source: S&P Global Ratings.

The company's strategy is to focus on the retail segment by gradually disposing its office assets and remaining invested in the CEE region.

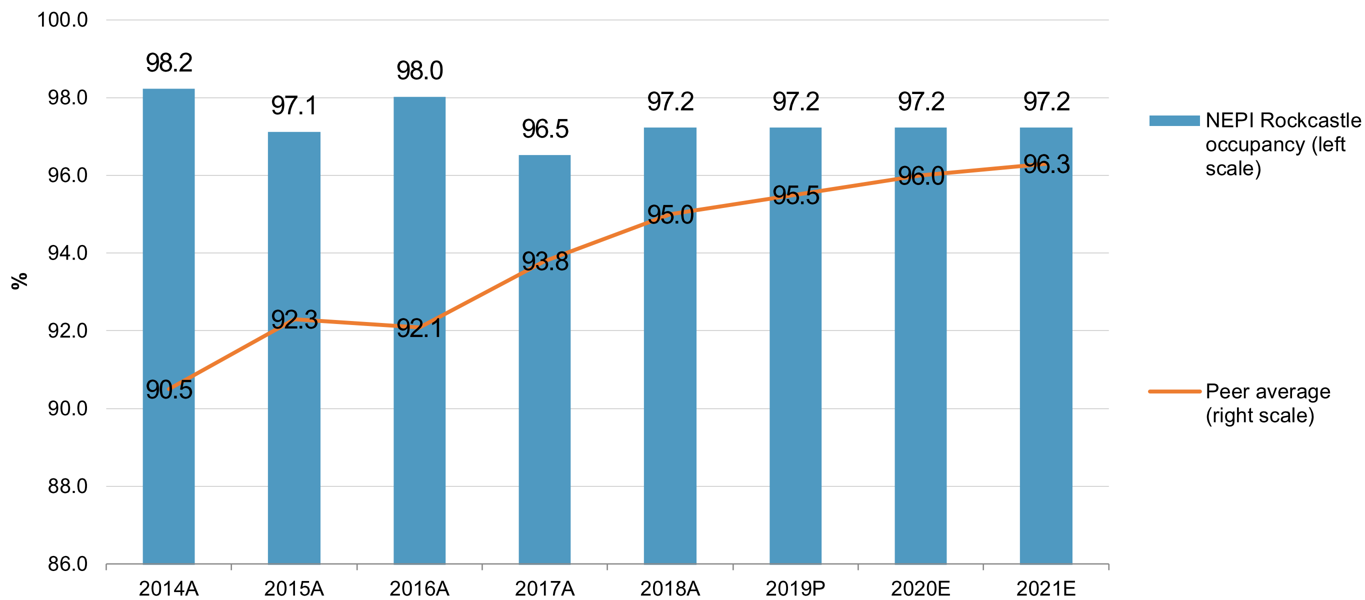
The company's major shareholders are Fortress Income Fund Limited (24.2%), Resilient Property Income Fund Limited (13%), and Government Employees Pension Fund (7.8%). It is listed on the Main Board of the Johannesburg Stock Exchange Limited (JSE), Euronext Amsterdam, and A2X.

Business Risk: Satisfactory

NEPI Rockcastle's satisfactory business risk profile is underpinned by its position as the largest retail property owner in CEE. It is the largest retail property owner in Romania and manages a portfolio of prime retail and office assets worth €5.9 billion as of Dec. 31, 2018. The company enjoys a high occupancy ratio of 97.2%, staying well above 95% over the past few years, and we expect this to remain stable.

Chart 7

NEPI Rockcastle: Occupancy Versus Peer Average



A--Actual. P---S&P Global Ratings projected. E--Estimate. *Average for NEPI Rockcastle,CPI Property Group, Merlin Properties, Aroundtown, and Globalworth. Source: S&P Global Ratings.

Most of the company's tenants are strong, multinational companies or regional leaders with triple net lease contracts fixed in euro. NEPI Rockcastle's portfolio consists of 59 core assets, including large shopping centers with over 35,000 square meters of gross rentable area on average. About 39% of NEPI Rockcastle's rental income is generated by assets in Romania, 22% in Poland, 9% in Bulgaria, 9% in Slovakia, 9% in Hungary, 4% in Croatia, 3% in Czech Republic, 3% in Serbia, and 2% in Lithuania.

We see limited development risk in the portfolio because a large share of such activities is the extension of existing projects, which are mostly pre-let. Moreover, the share of assets under development was less than 5% of the total portfolio as of Dec. 31, 2018.

We believe that NEPI Rockcastle's rental income stability will be supported by the good asset quality of its portfolio, with prime positions in most of its locations, and a sound lease maturity profile with an average weighted maturity of about four years.

The business risk profile is mainly constrained by the company's exposure to developing economies, such as Romania or Bulgaria, which pose relatively high country risk. We understand that demand for retail and office space is increasing quickly across CEE, and current economic prospects are favorable. At the same time, barriers to entry in most CEE countries where NEPI Rockcastle is present are relatively low compared with those in developed markets such as France, creating a risk of oversupply. Also, the top 10 assets represent 42% of total market value, with the largest asset accounting for 6.5%, which is higher than most of the rated peers in the same business risk category.

Table 2

NEPI Rockcastle Top 10 Assets

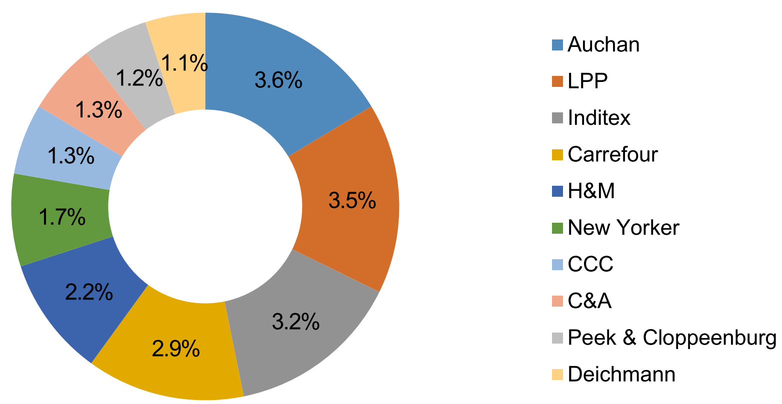
Asset Name	Asset Value (€)	Location	Size (m2)	% Total
Bonarka City Center	378.1	Poland	72600	6.4%
Arena Mall	307.6	Hungary	65800	5.2%
Mega Mall	307.3	Romania	75800	5.2%
Mammut Shopping Centre	276.4	Hungary	56100	4.7%
Paradise Centre	263.6	Bulgaria	81600	4.5%
Arena Centre	242.9	Croatia	65700	4.1%
Promenada Mall	198.5	Romania	39400	3.4%
City Park	185.3	Romania	52100	3.1%
Aupark Kosice Mall	172.7	Slovakia	34100	2.9%
Serdika Centre	166.5	Bulgaria	51400	2.8%

NEPI Rockcastle's concentration in the retail sector is also a risk. We see this sector as exposed to negative global trends, such as the increasing penetration of e-commerce. That said, we note that the use of e-commerce is relatively low in CEE. We view retail segment as more volatile and cyclical than residential, for example, because it is closely linked to consumer confidence.

Furthermore, we see a risk from an increasing rent burden for tenants, due to currency movements (rents are contracted in euros, while tenants' revenues are in local currencies). We understand that NEPI Rockcastle's tenants have relatively modest occupancy costs (rent-to-sales ratio) of less than 12%, which somewhat mitigates this risk. We also note some tenant concentration, given the top 10 tenants account for 22% of total rents.

Chart 8

NEPI Rockcastle Top 10 Tenants
% of total rental income



Source: S&P Global Ratings.

Peer comparison

Table 3

NEPI Rockcastle--Operating Peer Comparison

Companies	NEPI Rockcastle PLC	CPI Property Group	Citycon Oyj	Atrium European Real Estate Ltd.	Globalworth Real Estate Investments	Aroundtown S.A.
Ratings (as of 5th July 2019)	BBB/Stable	BBB/Stable	BBB-/Stable	BBB-/Stable	BBB-/Stable	BBB+/Stable
Portfolio Value (bil. €)	EUR 5.9	EUR 7.6	EUR 4.2	EUR 2.9	EUR 2.5	EUR 14.2
% of Development	3.7%	9.0%	<10%	<10%	<10%	<1%
Weighted-average unexpired lease term (years)	4.00	3.50	3.5	5.3	5.0	8.2
Occupancy (%)	97.2	94.5	95.9	95.0	95.1	91.5%
Top 10 tenants as % of GRI	22%	15%	Top 5, 17.9%	23%	28%	<20%

Table 3

NEPI Rockcastle--Operating Peer Comparison (cont.)

Companies	NEPI Rockcastle PLC	CPI Property Group	Citycon Oyj	Atrium European Real Estate Ltd.	Globalworth Real Estate Investments	Aroundtown S.A.
Geography Diversity	36% Romania, 24% Poland, 10% Hungary, 9% Bulgaria, 9% Slovakia, 4% Croatia,.3% Czech Republic, 3% Serbia, and 2% Lithuania	51% Czech Repiblic, 27% Germany, 8% Hungary, 4% Poland 4%, 5% Western Europe and 5% Other CEE countries	45% Finland & Estonia, 32% Norway, 23% Sweden & Denmark	64% Poland, 19% Czech republic, 11% Russia and 6% Slovakia	51% Romania and 49% Poland	88% Germany (Including Partial consoldiation of Grand city properties), 7% Netherlands and 5% London
Assets Diversity	93% Retail, 6.7% Office and 0.3% Industrial	42% Office, 28% Retail, 9% Residential, 10% Hotels & Resorts and 11% Landbank & Others	100% Retail	100% Retail	79% Office, 12% Mixed 12%, 4% Logistics and 5% others	17% Residential, 42% office, 5% retail, 23% hotel and 13% industrial/others

***Data as of March 2019 and for all others Dec 2018. CEE--Central Eastern Europe & GRI--Gross rental income**

The company's portfolio (€5.9 billion on Dec. 31, 2018) is similar to most rated peers in the same business category. The portfolio is well diversified geographically in the developing CEE. However, we factor in the company's continued focus on the retail segment, which is subject to challenging market dynamics. Although the current trend for the Romanian and Polish retail property markets is positive, we see them as more volatile and cyclical than those of peers in the same business risk category, such as CPI Property Group or Germany-based Around Town Properties.

We believe NEPI Rockcastle's credit ratios are weaker than those of peers that we assess in the modest financial risk category. This remains a key factor in our assessment of the company's business and financial risk at the lower end of its category compared with its close peers.

Table 4

NEPI Rockcastle -- Peer Comparison

	NEPI Rockcastle PLC	CPI Property Group SA	Citycon Oyj	Atrium European Real Estate Ltd.	Globalworth Real Estate Investments Ltd.	Aroundtown S.A.
	--Fiscal year ended Dec. 31, 2018--					
(Mil. €)						
Revenues	349.9	450.0	316.2	175.2	145.4	958.3
EBITDA	318.0	271.6	199.8	147.5	115.7	616.7
FFO	265.2	162.8	91.7	100.1	88.7	411.3
Interest expense	48.1	87.0	58.4	34.9	34.0	161.3
Cash interest paid	46.7	92.9	107.8	41.0	21.6	137.5
Cash flow from operations	276.1	158.6	96.9	57.3	79.7	416.8
Capital expenditures	254.4	143.5	94.3	71.0	67.2	184.4
Free operating cash flow	21.7	15.1	2.6	(13.7)	12.4	232.4

Table 4

NEPI Rockcastle -- Peer Comparison (cont.)

	NEPI Rockcastle PLC	CPI Property Group SA	Citycon Oyj	Atrium European Real Estate Ltd.	Globalworth Real Estate Investments Ltd.	Aroundtown S.A.
Dividends paid	296.3	(6.3)	115.7	154.8	68.4	225.7
Discretionary cash flow	(274.6)	(136.2)	(113.1)	(168.5)	(55.9)	6.7
Cash and short-term investments	89.7	74.4	4.2	38.5	219.0	1,599.5
Debt	2,008.4	3,077.5	2,177.0	1,258.1	1,029.5	8,036.4
Equity	3,845.9	4,087.3	2,089.0	1,793.0	1,297.3	9,501.4
Debt and equity	5,854.3	7,164.8	4,266.0	3,051.2	2,326.9	17,537.8
Valuation of investment property	5,911.1	7,357.9	4,131.3	2,909.9	2,391.0	17,023.2
Adjusted ratios						
Annual revenue growth (%)	49.7	12.6	(6.5)	(7.1)	147.4	34.3
EBITDA margin (%)	90.9	60.4	63.2	84.2	79.6	64.4
Return on capital (%)	5.9	3.7	4.3	5.1	6.0	5.7
EBITDA interest coverage (x)	6.6	3.1	3.4	4.2	3.4	3.8
FFO cash interest coverage (x)	6.7	2.8	1.9	3.4	5.1	4.0
Debt/EBITDA (x)	6.3	11.3	10.9	8.5	8.9	13.0
FFO/debt (%)	13.2	5.3	4.2	8.0	8.6	5.1
Cash flow from operations/debt (%)	13.7	5.2	4.5	4.6	7.7	5.2
Free operating cash flow/debt (%)	1.1	0.5	0.1	(1.1)	1.2	2.9
Discretionary cash flow/debt (%)	(13.7)	(4.4)	(5.2)	(13.4)	(5.4)	0.1
Debt/debt and equity (%)	34.3	43.0	51.0	41.2	44.2	45.8

FFO--Funds from operations.

Financial Risk: Modest

Our assessment of NEPI Rockcastle's modest financial risk profile is underpinned by the company's prudent financial policy, centered on an LTV ratio of less than 35% (corresponding to a 33%-34% debt to debt plus equity ratio), which is low for the industry.

NEPI Rockcastle also holds a portfolio of listed securities (valuation of about €197 million as of Dec. 31, 2018), mostly of large real estate companies operating in Europe. NEPI Rockcastle is recycling this portfolio into similar-yielding new direct property acquisitions by disposing them gradually.

Under our base-case scenario, we continue to anticipate a debt-to-debt-plus-equity ratio of 32%-34% in 2019-2020. We also forecast that the EBITDA interest coverage ratio will be strong, close to 6x, over that period. We expect the total dividend distribution to shareholders to remain stable, although NEPI Rockcastle is not legally required to distribute dividends.

We understand that the company has good access to equity capital markets, as shown by its track record of issuing equity in recent years to fund its retail-assets acquisition pipeline. The company benefits from the support of its shareholders, two large South African property funds and one pension fund, that own 45.0% of the company's shares, with the rest owned by a large number of investors. At the same time, we note recent volatility in NEPI Rockcastle's share prices, due to allegations by Viceroy Research claiming discrepancies within financial reporting. However, NEPI Rockcastle clarified publicly that the allegations are false and without merit and South Africa's Financial Services Conduct Authority later confirmed that it had found no substance in the allegations and noted that no claims were made against the company, as the allegations raised by certain third parties were groundless.

Financial summary

Table 5

NEPI Rockcastle PLC--Financial Summary

Industry Sector: Real estate investment trust or company			
	--Fiscal year ended Dec. 31--		
	2018	**2017**	**2016**
(Mil. €)			
Revenues	349.9	233.8	147.5
EBITDA	318.0	206.2	132.9
FFO	265.2	175.2	115.5
Interest Expense	48.1	29.8	23.6
Cash Interest Paid	46.7	28.4	15.9
Cash flow from operations	276.1	208.7	138.7
Capital expenditures	254.4	152.8	163.8
Free operating cash flow	21.7	55.9	(25.1)
Dividends paid	296.3	39.0	48.3
Discretionary cash flow	(274.6)	16.9	(73.4)
Cash and short-term investments	89.7	195.5	48.0
Gross available cash	89.7	195.5	48.0
Debt	2,008.4	1,450.2	686.5
Equity	3,845.9	3,914.7	1,814.6
Debt and equity	5,854.3	5,364.9	2,501.1
Valuation of Investment Property	5,911.1	4,927.5	2,546.8
Adjusted ratios			
Annual revenue growth (%)	49.7	58.6	N.M.
EBITDA margin (%)	90.9	88.2	90.1
Return on capital (%)	5.9	5.7	5.8
EBITDA interest coverage (x)	6.6	6.9	5.6
FFO cash interest coverage (x)	6.7	7.2	8.3
Debt/EBITDA (x)	6.3	7.0	5.2
FFO/debt (%)	13.2	12.1	16.8

Table 5

NEPI Rockcastle PLC--Financial Summary (cont.)			
Industry Sector: Real estate investment trust or company			
	--Fiscal year ended Dec. 31--		
	2018	**2017**	**2016**
Cash flow from operations/debt (%)	13.7	14.4	20.2
Free operating cash flow/debt (%)	1.1	3.9	(3.7)
Discretionary cash flow/debt (%)	(13.7)	1.2	(10.7)
Debt/debt and equity (%)	34.3	27.0	27.4

FFO--Funds from operations. N.M.--Not meaningful.

Liquidity: Adequate

We anticipate that liquidity sources will likely cover liquidity uses for the next 12 months by about 1.4x. Debt covenant headroom is adequate, in our view. NEPI Rockcastle has sound relationships with a diverse group of banks and a generally satisfactory standing in capital markets. We view the company's financial flexibility and access to capital markets as somewhat weaker than its larger peers' in Western Europe, and it would be challenging for NEPI Rockcastle to absorb high-impact, low-probability shocks. Consequently, we continue to view NEPI Rockcastle's liquidity as adequate.

Principal Liquidity Sources

- As of March 31, 2019, unrestricted cash balances and listed securities of about €348 million (note: we apply 15% haircut to listed securities);
- Undrawn long-term lines of €211 million;
- Funds from operations of about €300 million-€320 million for the next 12 months; and
- Issuance of €500 million Eurobond in May 2019.

Principal Liquidity Uses

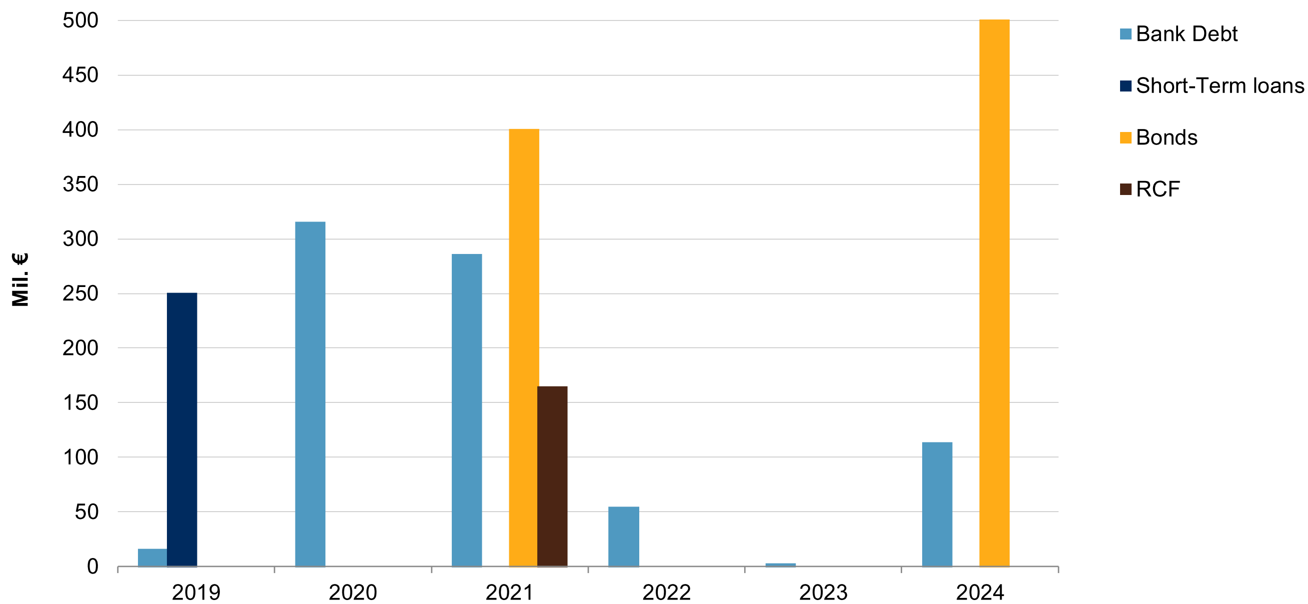
- About €500 million-€520 million of contractual debt repayments for the next 12 months;
- Capex needs of approximately €255 million in the next 12 months for the development pipeline; and
- Cash dividends estimated at around €203 million.

Debt maturities

The average remaining debt maturity is 3.1 years as of December 2018.

Chart 9

NEPI Rockcastle Debt Maturity as of December 2018



Source: Company report.

Covenant Analysis

We understand that NEPI Rockcastle has financial covenants for its existing debt. We estimate that the headroom for these covenants is adequate (more than 15%).

Rating Above The Sovereign

To test NEPI Rockcastle's resilience to a Romanian sovereign default, we stressed our forecast of the company's liquidity position. Even under this hypothetical scenario, we estimate the company would have sufficient cash flow to cover its needs, and liquidity sources would cover more than 1x uses for one year and LTV would remain below 0.8x. For this reason, we believe NEPI Rockcastle can be rated higher than Romania (BBB-/Stable), but by no more than one notch.

Issue Ratings - Subordination Risk Analysis

Capital structure

As of Dec. 31, 2018, the group's capital structure comprises 37.5% secured debt and 62.5% unsecured debt, spread across bond and bank debt.

Table 6

NEPI Rockcastle Capital Structure And Liquidity, Dec 2018	
Average Interest Cost (%)	2.3%
Weighted Average Debt Maturity (years)	3.1
Average Fixed Debt (including hedge, %)	100%
Composition of Debt (Secured, %)	37%
Liquidity (Sources/Uses)	Adequate

*Excluding RCF.

Analytical conclusions

We expect that NEPI Rockcastle's secured debt will remain lower than 40% of total assets (less than 13% as of Dec. 31, 2018). As a result, although unsecured debt issuance is structurally subordinated to other debt obligations, the subordination does not affect the rating on the unsecured debt.

Reconciliation

Table 7

Reconciliation Of NEPI Rockcastle PLC Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

	--Fiscal year ended Dec. 31, 2018--							
NEPI Rockcastle PLC reported amounts								
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Capital expenditure**
Reported	2,098.1	3,839.8	201.1	309.5	42.3	318.0	281.9	260.2
S&P Global Ratings' adjustments								
Cash taxes paid	--	--	--	--	--	(6.1)	--	--
Cash taxes paid - Other	--	--	--	--	--	--	--	--
Cash interest paid	--	--	--	--	--	(40.9)	--	--
Accessible cash and liquid investments	(89.7)	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	5.8	(5.8)	(5.8)	(5.8)
Nonoperating income (expense)	--	--	--	10.8	--	--	--	--
Noncontrolling interest/minority interest	--	6.1	--	--	--	--	--	--
EBITDA - Foreign exchange gain/(loss)	--	--	0.9	0.9	--	--	--	--
EBITDA - Business divestments	--	--	(6.9)	(6.9)	--	--	--	--

Table 7

Reconciliation Of NEPI Rockcastle PLC Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €) (cont.)								
EBITDA - Other	--	--	122.9	122.9	--	--	--	--
D&A - Asset valuation gains/(losses)	--	--	--	(108.4)	--	--	--	--
Total adjustments	(89.7)	6.1	116.9	19.3	5.8	(52.7)	(5.8)	(5.8)
S&P Global Ratings' adjusted amounts								
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditures**
Adjusted	2,008.4	3,845.9	318.0	328.8	48.1	265.2	276.1	254.4

Ratings Score Snapshot

Issuer Credit Rating

BBB/Stable/--

Business risk: Satisfactory

- **Country risk:** Moderately high
- **Industry risk:** Low
- **Competitive position:** Satisfactory

Financial risk: Modest

- **Cash flow/Leverage:** Modest

Anchor: bbb+

Modifiers

- **Diversification/Portfolio effect:** Neutral
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Negative (-1 notch)

Stand-alone credit profile : bbb

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019

- Guidance | Criteria | Financial Institutions | General: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Feb. 13, 2019
- Criteria | Corporates | Industrials: Key Credit Factors For The Real Estate Industry, Feb. 26, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	**Modest**	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	**bbb+**	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of August 2, 2019)*

NEPI Rockcastle PLC	
Issuer Credit Rating	BBB/Stable/--
Issuer Credit Ratings History	
13-Jul-2017	BBB/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.