



# NEPI Rockcastle plc

Property analysis, return expectations and views on strategy

3 March 2022

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NEPI Rockcastle plc (NRP, NEPI Rockcastle, the Company, the Group) is one of Europe's largest real estate investors and operators. The Company, that resulted from a 2017 merger between New Europe Property Investments plc (NEPI) and Rockcastle Global Real Estate Company Ltd (Rockcastle), is predominantly retail focussed, with €5.67bn worth of mostly dominant shopping centres throughout Central and Eastern Europe (CEE), positioning NRP well for the foreseeable future.

In the first half of the 2022 financial year, MAS plc (MAS) acquired an additional 13,207,375 NRP shares (bringing the total number of NRP shares held to 18,849,607) as part of a treasury management strategy addressing excess liquidity. Detailed due diligence was undertaken on NRP's assets by analysing reported data and conducting physical visits to a large majority of its retail centres and their competitors in the second half of the 2021 calendar year.

Site visits conducted by MAS' research team provided a comprehensive understanding of NRP's properties including required asset management (AM) interventions. Using a matrix with over 35 categories, all retail assets were ranked from A+ to C. NRP screens well with A rated properties representing 76.6% of the gross leasable area (GLA). Even so, our analysis shows that a significant 24.2% of NRP's GLA requires urgent asset management interventions (13.4%) or has suboptimal return prospects and/or is at risk of obsolescence (the latter two categories amounting to 10.8%).

Overall, MAS assesses NRP's long-term prospects as good, despite certain areas requiring improvement, mainly management adopting a more pro-active asset management approach and improving its capital allocation decisions. MAS expects its total investment on 31 December 2021 (€105.2m at a weighted average share price of €5.58) to yield an internal rate of return (IRR) of approximately 11.5-13.0% over the forecasted period up to December 2026. Our forecast is conducted on an as-is basis (i.e. NRP, among others, is expected to implement appropriate asset management initiatives and execute developments as planned) as detailed in section 6 of the report.

FINANCIAL FORECAST – SUMMARY	Actuals			Forecast				
	2019	2020	2021	2022	2023	2024	2025	2026
Dividends per share (eurocents)	56.3	16.9	34.4	44.1	49.4	51.6	54.2	57.4
Tangible NAV per share (€)	6.70	5.94	5.98	6.19	6.40	6.57	6.79	7.00

Source: MAS estimates

In NRP's results presentation on 24 February 2022, NRP stated that its major strategic objectives are to i) grow earnings via acquisitions, including acquisitions in Western Europe (WE), ii) grow earnings via the development of new assets and extensions of existing ones, iii) move the corporate seat of the parent holding company to the Netherlands, iv) further improve Environmental, Social and Governance (ESG), and v) to maintain balance sheet security. Other important objectives are investment in technology and the development of an online marketplace, which is to be done initially in Bulgaria.

We have not included, other than in respect of the disclosed development pipeline, the impact of these strategies on performance, as the management team did not communicate clear objectives in this regard. We did, however, evaluate management's capabilities and track record in respect of asset management, capital allocation, acquisitions (including potential expansion in WE), and planned retail and residential developments to assess forecast risks and opportunities.

In our view, NRP's management should focus on enhancing its asset management capabilities. Over the past several years, NRP's size grew significantly, becoming increasingly institutional. NEPI's quality of assets deteriorated, on a weighted basis, due to the merger with Rockcastle and subsequent acquisitions. Inertia can become a problem in larger organisations, and, once a certain threshold is passed, investors may not notice passivity in managing the Company's assets. Asset management and leasing teams need to proactively address assets in need of intervention or at risk of obsolescence. If management's apparent lethargic approach towards these centres continues, our financial estimates regarding NRP's future performance may be at risk.

NRP's recent CEE acquisition track record is unsatisfactory, and management requires more discipline and a clear focus on returns and dominance. NRP managements' intention to potentially invest in Western European property, motivated by the apparent lack of acquisition opportunities in Central and Eastern European markets, is, in our view, concerning. Expanding into WE would constitute a significant alteration in NRP's strategy of investing in high-growth CEE markets, and our investment thesis for NRP. Also, noting NRP's mixed track record in acquisitions in CEE, where it should be very familiar with market dynamics, we question management's capabilities to source and execute accretive transactions of adequate quality in a new market. We are therefore concerned that NRP's WE endeavours may not be in the best interest of NRP or its shareholders.

NRP's mixed post-merger development results indicate that the Company's track record is inconsistent across properties, geographies, and local markets. Current and future development projects are expected to deliver very poor unlevered IRRs, not to mention the additional development risk undertaken. In our view, given its limitations in this regard, the Group should allocate capital to acquire, rather than develop, properties. In respect of residential developments, we believe, NRP's projects lack appropriate concepts and as confirmed by NRP management, are a result of not finding an alternative commercial use for the land. Although residential developers in the Romanian market have been experiencing good returns recently, the market is competitive, and a lack of expertise will most likely expose the Company to suboptimal returns and reputational risk. In our view the Company should not focus on any developments, commercial or residential, as it currently lacks the expertise and skills required. Fortunately, NRP's current retail and residential pipelines are, relatively, too small to have a significant negative impact on the overall business.

NRP has been referencing an omnichannel strategy, and implementing digital initiatives at certain CEE assets, as well as developing an online marketplace for its tenants in Bulgaria. We are concerned that these endeavours are distractions from asset management and that appropriate scale potential does not exist for these to present attractive business opportunities (not to mention whether the Group has the requisite appropriate technological skills to successfully implement these).

In our view, NRP's decision to discard its initial plan to relocate to Malta and instead redomicile to the Netherlands, via Luxembourg, is potentially not in the long-term interest of shareholders. MAS' internal analysis illustrates that Malta is a suitable jurisdiction for domiciling a business such as NRP and recommends that investors vote against the proposed change in legal seat, unless NRP management provides more compelling reasons for this proposal.

In conclusion, we expect our investment in NRP to yield a total return per annum between 11.5-13.0% for the forecasted period (until December 2026) due to a large portion of NRP's properties having good prospects which should generate adequate long-term returns, subject to issues with asset management, developments, acquisitions and other capital allocation decisions being addressed.

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# 1. INTRODUCTION



MAS has identified, and is analysing, several direct acquisition opportunities in CEE. Even though MAS did not complete any Central and Eastern European acquisitions during the current financial year, it did invest in NRP during this period. MAS' general investment policy in respect of listed securities is opportunistic and targets indirect property opportunities in markets that MAS participates in, and understands well, represents good value relative to their intrinsic value and the direct property market opportunities available to MAS. MAS' indirect property investments will typically be in companies that operate in similar markets to MAS' (which offers a limited universe of counters), not be aimed at building a diversified listed shares portfolio, made only if cash invested will not be required within 6 months, meet MAS' return objectives, and with the intention of holding the shares long-term. The cost of MAS' investment in NRP on 31 December 2021, of €105.2m, can be equated to direct property acquisitions worth €137.7m (grossed up for NRP's gearing) at an implied initial property income yield of 7.7%. MAS has therefore substantially met its targeted earnings from strategic acquisitions for the 2022 financial year, while listed securities provide appropriate cash warehousing until direct property opportunities are available. For MAS, NRP shares are liquid, and provide an attractive investment alternative, compared to short or medium-term options to lower cash drag, at acceptable levels of risk.

MAS extensively researched NRP to inform its investment decision and strategy. The research included detailed assessments of the markets NRP operates in and visits to more than 95% of the Company's retail assets measured by GLA and their competitors (more than 200 assets in total). Prospects of NEPI Rockcastle's income-producing retail assets were considered by analysing the macroeconomic outlook in each catchment area, existing and potential retail market dynamics, and dominance.

Based on the above, we produced detailed cash flow forecasts for each of NRP's properties, its present development and extension plans, and other activities, on an as-is basis, and consolidated these into a detailed forecast for NRP to end of 2026. Based on these assessments, MAS expects that its total investment in 18,849,607 NRP shares, at the average price of €5.58 per share, should generate total annual returns ranging from 11.5% to 13.0%.

In NRP's results presentation on 24 February 2022, NRP management stated that its major strategic objectives are to i) grow earnings via acquisitions, including acquisitions in WE, ii) grow earnings via the development of new assets and extensions of existing assets, iii) move the corporate seat of the parent holding company to the Netherlands, iv) further improve ESG, and v) maintain balance sheet security. Other important matters are investment in technology and the development of an online marketplace, which is to be done initially in Bulgaria.

We have not included, other than in respect of the existing development pipeline disclosed, the expected impact of these strategies on performance, as the management team did not communicate clear objectives in this respect. We did, however, evaluate management's capabilities and track record in respect of asset management, capital allocation, acquisitions (including potential expansion in WE), and planned and completed retail and residential developments.

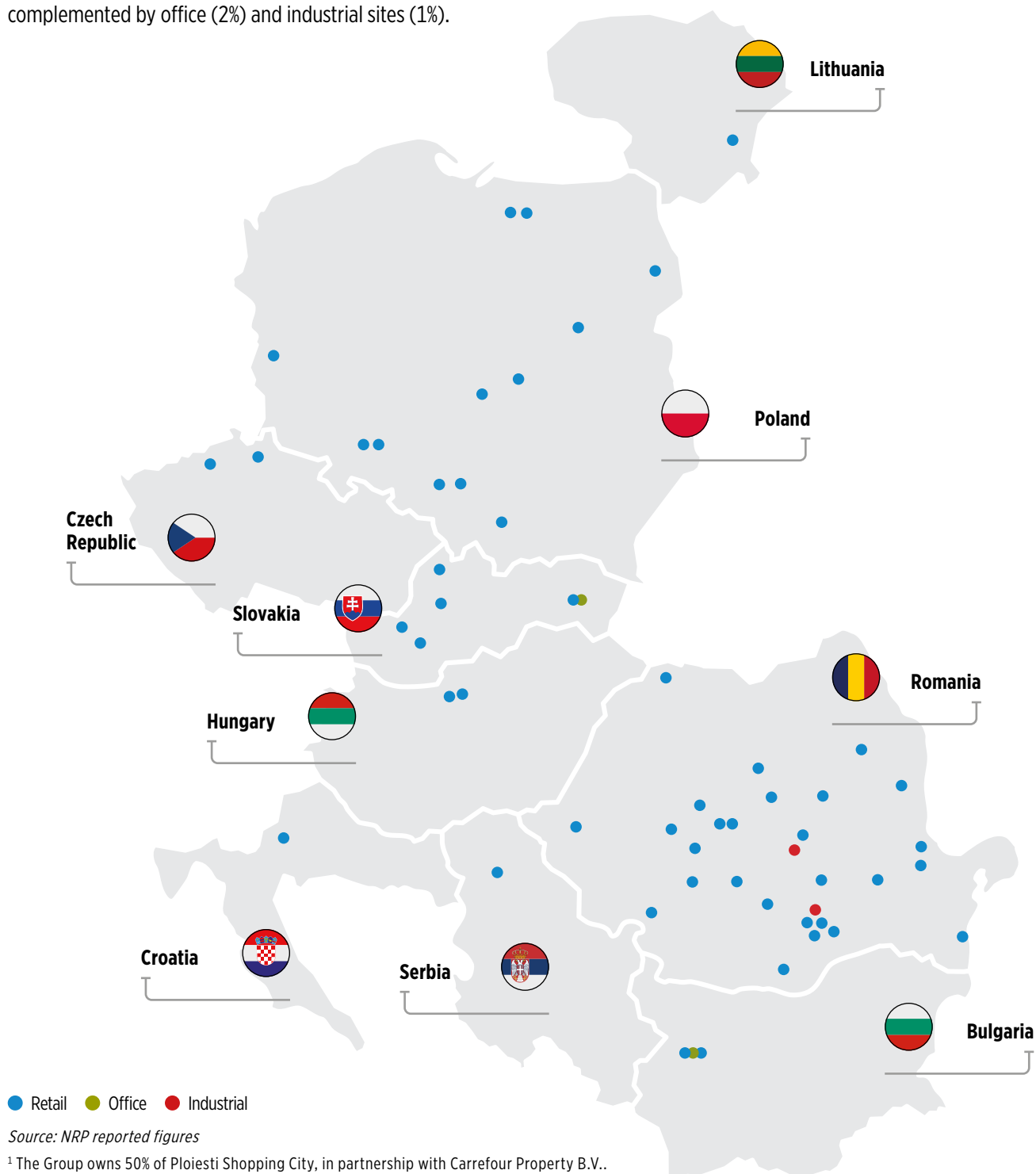
## 2. INVESTMENT PROPERTY



### 2.1 Geographical and sector overview

NRP is the outcome of a 2017 merger between New Europe Property Investments plc (NEPI) and Rockcastle Global Real Estate Company Ltd (Rockcastle). NEPI was founded in 2007 and built its asset base to 37 properties across four countries by the time of the merger, while Rockcastle, founded in 2012, assembled an asset base of 13 properties, mostly in Poland.

NRP's 56 income-generating properties (excluding joint ventures<sup>1</sup>) are in nine countries across CEE. Geographically, the highest share of GLA is in Romania (42%), followed by Poland (24%), Bulgaria (8%), Slovakia (7%), Hungary (6%), Croatia (4%), the Czech Republic (4%), Lithuania (3%) and Serbia (2%). A substantial proportion (approximately 97%) of income-generating properties GLA is retail space, complemented by office (2%) and industrial sites (1%).



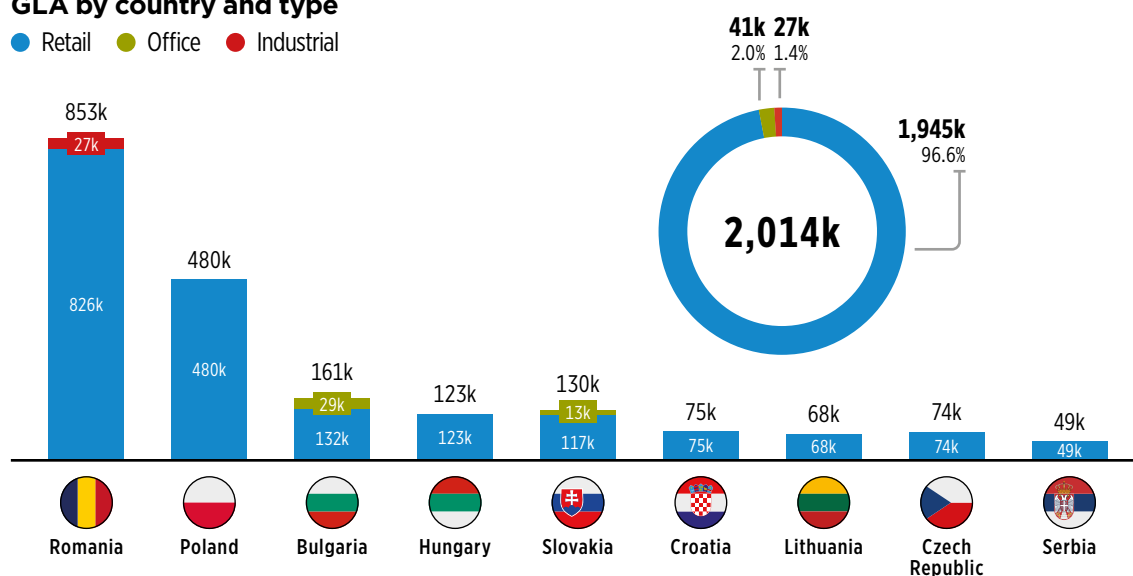
## 2. INVESTMENT PROPERTY CONTINUED



On 31 December 2021, the largest share of passing rent was generated in Romania (38%) and Poland (22%), followed by Bulgaria, Hungary and Slovakia (9% each), Croatia (5%), Lithuania and Czech Republic (3% each) and Serbia (2%).

### GLA by country and type

● Retail ● Office ● Industrial



Source: NRP reported figures (rounded)

MAS' research team and members of the senior management team visited over 95% of the Company's retail GLA and their competitors (more than 200 assets in total). We have assessed the prospects of NEPI Rockcastle's income-producing retail assets by analysing the macroeconomic outlook in each catchment area, existing and potential retail market dynamics, and dominance.



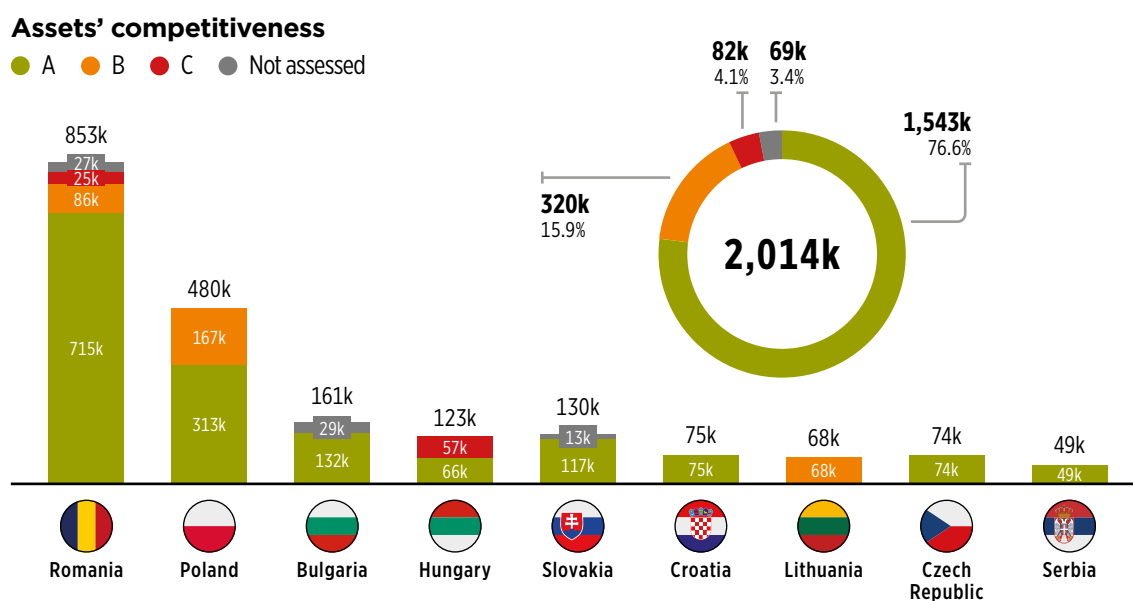
### 2.2 Market assessment

In the short term, all assets' operational performance is expected to improve due to rent indexations (detailed in section 6.1 of this report) and increased consumption as pandemic restrictions ease. Our assessment concentrates on NRP's assets' prospects after this period. This has been influenced by specific factors focusing on each market's underpinning fundamentals: expected growth in purchasing power, competitive landscape, e-commerce penetration risk, and asset dominance. While the CEE retail market fundamentals are robust, with consumption growth expected to continue to outpace EU15, expected growth at the asset level is influenced by factors described below.

Country	Market assessment
<b>Romania</b>	Over the long-term, NRP's retail properties are expected to deliver excellent growth (above forecasted EU inflation rate) as purchasing power is estimated to grow from 4% to 7% p.a. in the different economic regions within Romania where NRP's retail assets are present. Furthermore, assets are mostly positioned in a low competitive landscape (except for markets like Sibiu, where NRP's development of Promenada Mall Sibiu led to excess retail stock, thereby diluting growth of both NRP assets, Shopping City Sibiu and Promenada Mall Sibiu) and are dominant (close to 87.0% of retail GLA is A-class assets).
<b>Poland</b>	Prospects for growth in purchasing power over the long-term are expected to continue albeit at a somewhat lower pace following the high growth in purchasing power experienced over the past two decades in the country. A highly competitive landscape in most areas (especially in the Katowice region, which has an impact on Pogoria Shopping Centre and Platan Shopping Centre), and highly fragmented markets (for instance, Alfa Centrum Bialystok) or unfavourable local retail landscape (NRP assets less dominant in some regions) contributing to a lower expected growth for the assets (only 65.3% of retail GLA is A-class assets).
<b>Bulgaria</b>	Sofia's two assets are expected to benefit from strong growth in the long-term given the relatively high levels of growth in purchasing power, population growth and expected economic growth. Assets benefit from a sustainable competitive landscape within catchment and are dominant. Both Paradise Center (A+) and Serdika Center (A-) rank well in our asset ranking assessment.
<b>Hungary</b>	Budapest's increasing population and high economic growth should continue for the foreseeable future. The city's retail landscape is highly competitive and asset dominance and shopping experience are significant when determining which assets will be successful in the long-term. Arena Mall (A) is expected to continue to have good operational performance, whereas Mammut Shopping Centre (C) is at risk of becoming obsolete as a retail destination.
<b>Slovakia</b>	Slovakia's economic growth should continue, albeit at a slower pace as the country has developed a mature base in terms of purchasing power. The competitive landscape in NRP's Slovakian markets should continue being sustainable, with all five NRP retail assets benefitting from dominant market positions. However, rental levels are expected to come under some downward pressure, as several small sized units, comprising a significant share of GLA, are rented to banks and other tenants whose services are expected to move predominantly online.
<b>Croatia</b>	Zagreb has benefitted from an increased population and strong economic growth. The city's competitive landscape is sustainable and Arena Centar (A+) is the dominant scheme. The asset is expected to continue delivering good operational results in the future.
<b>Serbia</b>	Economic growth has not taken off in Serbia compared to neighbours Bulgaria and Romania, which also started from a lower purchasing power base more than a decade ago. However, the A+ NRP asset is dominant in the Novi Sad catchment and should continue to perform well.
<b>Czech Republic</b>	Favourable asset growth prospects are expected to continue as NRP's two centres are in regions with good economic prospects, near the border with Germany. Both benefit operationally from market dominance.
<b>Lithuania</b>	Although Vilnius has benefitted from positive economic growth to date, the market is oversupplied with existing retail stock and vulnerable to a large new development scheduled to start construction in the city's south. Despite the recent refurbishment, the NRP asset shares the same highway node with a superior scheme (Vilnius Akropolis; 86,900m <sup>2</sup> GLA), which is the city's dominant shopping centre.

### 2.3 Property Ranking

Based on an extensive asset ranking methodology (disclosed in section A1 of this report) where over 35 characteristics, relevant to the quality and dominance of shopping centres, were mapped for the NRP assets and relevant competition, NEPI Rockcastle's assets score reasonably well. Approximately 20% of NRP's GLA scores B and C (15.9% B; 4.1% C) while the balance of approximately 77% of GLA are A rated assets, of which 34.1% are rated A-, 21.3% A and 21.2% A+. Office (Sofia, Bulgaria and Kosice, Slovakia) and industrial assets (Rasnov and Otopeni, Romania), totalling approximately 3% of GLA were not assessed.



Source: MAS estimates (rounded)

## 2. INVESTMENT PROPERTY CONTINUED



Rankings in respect of some of NRP's weaker retail assets, sorted by GLA, are detailed below (asset rankings for all retail properties are included in section D1).

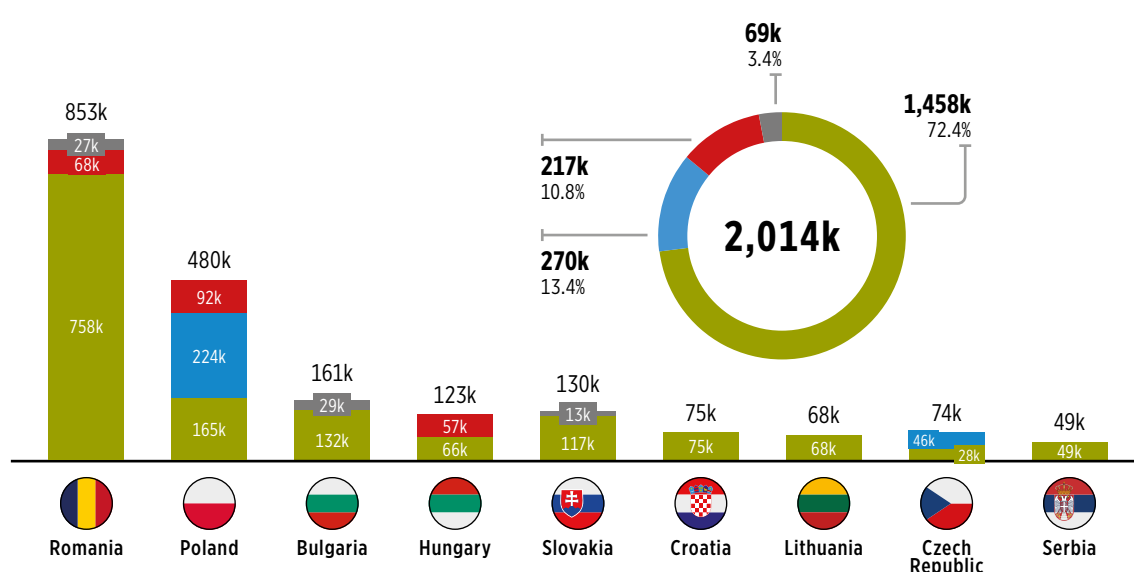
Asset	Location	Ranking	GLA	Description
Ozas Shopping and Entertainment Centre	Vilnius, Lithuania	B+	67,800m <sup>2</sup>	<ul style="list-style-type: none"> <li>located in proximity to the superior asset and the super-regional Vilnius Akropolis (86,900m<sup>2</sup> GLA), with whom it shares the same highway node</li> <li>risk of Akropolis Group's large, new development in the city's south (currently delayed)</li> </ul>
Mammut Shopping Centre	Budapest, Hungary	C	57,400m <sup>2</sup>	<ul style="list-style-type: none"> <li>poor overall shopping experience</li> <li>outdated concept and tenant mix</li> <li>high vacancy</li> <li>poor integration between the two buildings (bridge connection on upper floor)</li> <li>inadequate layout, failing to facilitate good traffic flow</li> <li>poor condition of essential structural elements (e.g. roof)</li> </ul>
Iris Titan Shopping Center	Bucharest, Romania	B	43,100m <sup>2</sup>	<ul style="list-style-type: none"> <li>centre has poor external visibility</li> <li>upper floor attracting limited footfall</li> <li>presence of multiple superior schemes within ten minutes drive (Park Lake Shopping Center - 70,000m<sup>2</sup> GLA, Esplanada Commercial Centre - 44,000m<sup>2</sup> GLA and Pallady Shopping Center - 45,000m<sup>2</sup> GLA)</li> </ul>
Promenada Mall Sibiu	Sibiu, Romania	B+	42,500m <sup>2</sup>	<ul style="list-style-type: none"> <li>located in an oversupplied market (Sibiu)</li> <li>positioned as the inferior asset versus NRP's A- rated Shopping City Sibiu</li> <li>poor exterior visibility</li> </ul>
Platan Shopping Centre	Zabrze, Poland	B	39,900m <sup>2</sup>	<ul style="list-style-type: none"> <li>located in an oversupplied retail market (Katowice urban area)</li> <li>within twenty minutes drive of the super-regional Silesia City Center (84,000m<sup>2</sup> GLA) and other competing schemes</li> <li>poor layout</li> <li>poor internal visibility</li> </ul>
Alfa Centrum Bialystok	Bialystok, Poland	B+	37,200m <sup>2</sup>	<ul style="list-style-type: none"> <li>located in a highly-fragmented market, with main competitors being Atrium Biala (37,800m<sup>2</sup> GLA) and Galeria Jurowiecka (25,000m<sup>2</sup> GLA)</li> <li>the centre is at risk of a new, larger super-regional development, as Bialystok benefits from a population of approximately 300,000, with close to 600,000 inhabitants less than a 60-minute drive away</li> </ul>
Pogoria Shopping Centre	Dabrowa Gornicza, Poland	B+	37,700m <sup>2</sup>	<ul style="list-style-type: none"> <li>located in an oversupplied retail market (Katowice urban area)</li> <li>within twenty minutes drive of the super regional Silesia City Center (84,000m<sup>2</sup> GLA)</li> </ul>
Solaris Shopping Centre	Opole, Poland	B+	26,400m <sup>2</sup>	<ul style="list-style-type: none"> <li>positioned as the inferior asset in the catchment versus NRP's Karolinka Shopping Centre</li> <li>poor layout</li> <li>poor interior visibility</li> </ul>
Aura Centrum	Olsztyn, Poland	B-	25,400m <sup>2</sup>	<ul style="list-style-type: none"> <li>a city centre convenience scheme, with poor internal visibility</li> <li>poor layout</li> <li>sharing catchment area with NRP's A+ rated asset, Galeria Warminska</li> </ul>
Pitesti Retail Park	Pitesti, Romania	C	24,800m <sup>2</sup>	<ul style="list-style-type: none"> <li>poor tenant mix</li> <li>located in a highly competitive market where multiple superior schemes are either operating or being developed (Arges Mall is expected to open in Pitesti in the near future)</li> </ul>

### 2.4 Asset Prospects

Although 72.4% of NRP's GLA is of acceptable quality, our analysis shows that a significant 24.2% of NRP's GLA requires urgent asset management intervention (13.4%) or is at risk of obsolescence and/or with suboptimal return prospects (the latter two categories amounting to 10.8%). The remaining 3.4% GLA are NRP's industrial and office assets. We have made this assessment based on purchasing power growth potential, competitive landscape, asset dominance, and asset risk profile. More detailed information is outlined in section D of the report. Our analysis further shows that NEPI's overall asset quality was historically much better and deteriorated due to weaker assets resulting from the merger with Rockcastle and subsequent acquisitions.

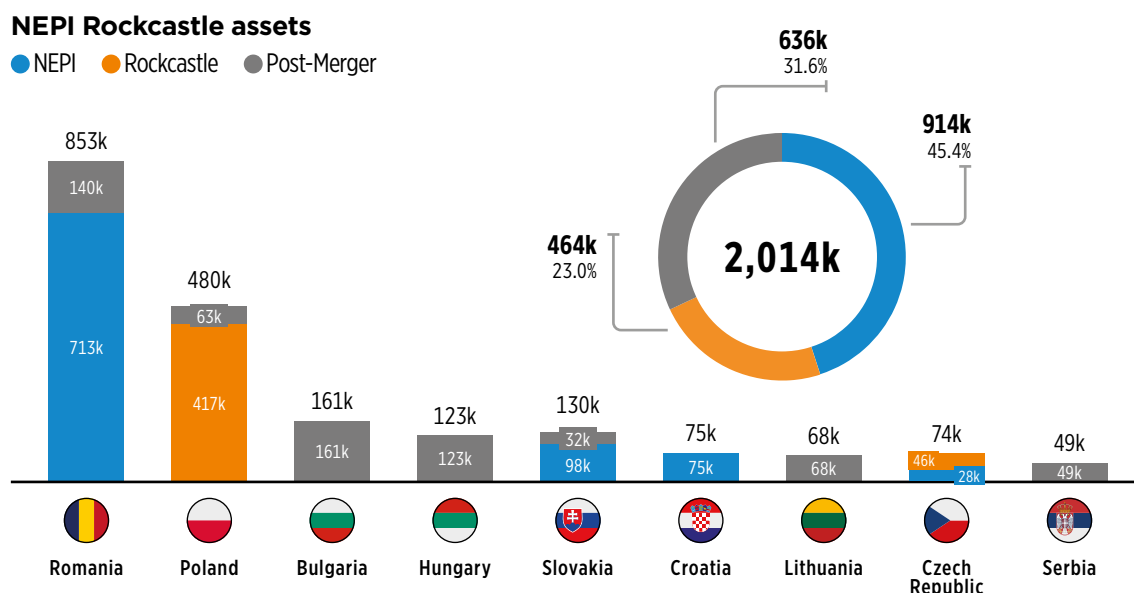
#### Asset quality and prospects

● Good ● AM intervention required ● Suboptimal/At risk ● Not assessed



Source: MAS estimates (rounded)

### 2.5 Post-merger performance of NEPI and Rockcastle pre-merger assets



Source: NRP reported figures (rounded)

The Group's current income-producing assets comprise the respective NEPI and Rockcastle portfolios before the merger, and acquisitions and developments post the 2017 merger. Approximately 45% of GLA consists of NEPI properties in Romania, Slovakia, Croatia and Czech Republic (NEPI assets) and 23% of GLA are Rockcastle's properties in Poland, along with one in the Czech Republic (Rockcastle assets). The remaining 32% are either acquisitions or developments finalised post-merger.

From 2016 to 2019 pre-pandemic period, NEPI assets have outperformed Rockcastle assets in terms of passing rent and valuation (conclusions herein are no different when the pandemic period is also taken into consideration). Assets that have undergone extensions and/or refurbishments have not been included in the comparison to ensure a fair comparison. The passing rent CAGR for the 2016 – 2019 period was 4.5% for previously owned NEPI assets and 3.0% for previously owned Rockcastle assets. Best performing NEPI assets over the period were Promenada Mall Bucharest (7.6%), Korzo Shopping Centrum (6.0%) and Shopping City Timisoara (5.9%), while for Rockcastle, Galeria Warminska (4.9%) and Pogoria Shopping Centre (4.1%). NEPI's assets growth in book values has also outperformed Rockcastle's over the same period (6.1% versus 4.2% CAGR).

Our analysis shows that only 7.4% of NEPI's GLA are assets with inadequate historic risk return profiles while 88.2% are assets with appropriate risk return profiles over the period considered. The remaining 4.4% of NEPI assets have not been assessed (industrial and office assets). Conversely, out of Rockcastle's assets, a significant 64.5% are either in need of urgent asset management initiatives (50.2%) or with inadequate risk return profiles (14.3%), while the rest (35.5%) are assets with appropriate risk return profiles over the period.

### 2.6 Post-merger completed developments and acquisitions

Approximately 32% of the Company's current GLA is comprised of either acquisitions or developments finalised post-merger. The performance of assets acquired and developed post-merger has, to date, been mixed.

#### 2.6.1 Completed developments

The Group's development capabilities and profitability of developments post-merger were assessed from a gross development margin, yield on cost and unlevered IRR perspective based on reported information on land acquisition date, land acquisition cost, cost to date, total cost reported twice a year, passing rent and book value post-completion. The mixed results indicate that the Company's track record is inconsistent across properties, geographies, and local market conditions.

Market	Type	Property	Opening GLA	Opening Year	Development Cost	Book Value Opening Year	Yield on Cost	Gross Development Margin	Estimated Unlevered IRR
Romania	Retail	Shopping City Ramnicu Valcea	28,200m <sup>2</sup>	2017	€38.4m	€42.1m	8.5%	9.6%	11-12%
Romania	Retail	Shopping City Satu Mare	29,200m <sup>2</sup>	2018	€43m	€48.4m	8.6%	12.6%	12-13%
Serbia	Retail	Promenada Novi Sad	49,200m <sup>2</sup>	2018	€121m	€129.1m	8.1%	6.7%	7-8%
Romania	Retail	Promenada Mall Sibiu	42,500m <sup>2</sup>	2019	€99m	€103.6m	8.0%	4.6%	4-5%
Romania	Retail	Shopping City Targu Mures	40,200m <sup>2</sup>	2020	€68m	€86.3m	9.4%	26.9%	14-15%

Source: NRP reported figures, MAS estimates

With the exception of one project, development margins and unlevered IRRs on post-merger completed developments are unsatisfactory (under 13.0%) and indicate both process inefficiencies in permitting, design, leasing and execution, and inadequate consideration of development risk, ultimately resulting in suboptimal allocation of capital. Unlevered IRRs on Shopping City Ramnicu Valcea, Promenada Novi Sad, Shopping City Satu Mare and Promenada Mall Sibiu are considerably substandard.

Shopping City Ramnicu Valcea (28,200m<sup>2</sup> GLA; 2017; Romania), Promenada Novi Sad (49,200m<sup>2</sup> GLA; 2018; Serbia) and Shopping City Satu Mare (29,200m<sup>2</sup> GLA; 2018; Romania) are, in our view, good centres from a commercial perspective, as no modern retail offering was present in the catchment area. We consider these are the dominant schemes in their catchments, have limited competition and low risk of new superior centres being developed in the area.

Promenada Mall Sibiu (42,500m<sup>2</sup> GLA; 2019; Romania) created a surplus of retail offering within the catchment and competes with Shopping City Sibiu (83,700m<sup>2</sup> GLA; also owned by NEPI Rockcastle), consequently both assets have limited potential for rental growth. One centre may become dominant, but it is highly unlikely, in our view, that both will perform well in the long-term.

The unlevered IRR in the 14-15% range for Shopping City Targu Mures is slightly better than other NRP developments but still suboptimal. Shopping City Targu Mures (40,200m<sup>2</sup> GLA; 2020; Romania) created a surplus of retail offering within the catchment area, although it is commercially superior to the competition, Promenada Mall Targu Mures (50,000m<sup>2</sup> GLA; 2007; Romania), hence we expect its performance to be muted.

The 15,700m<sup>2</sup> GLA extension at Focus Mall Zielona Gora (completed Q4 2021; Poland; 44,100m<sup>2</sup> GLA following extension) will further strengthen the centre's position as the catchment area's major regional scheme. The macro and micro fundamentals are favourable for the extension, considering the city's geographical position (a node for several international transport routes), the high purchasing power of the surrounding area, forthcoming significant investments, increased employment opportunities provided by large multinational and no major competition nearby. Site visits conducted revealed an extension that is mostly vacant and with no significant fit-out works undertaken by tenants. Management indicated during the results presentation on 24 February 2022, that over 90% of the extension GLA has been let and is expected to be operational by September 2022. No information on effective rental levels was provided.

### 2.6.2 Acquisitions

We have analysed recent acquisitions by calculating unlevered property IRRs from the date of acquisition to end of 2027 calendar year (forecasted period). We used the information provided by NRP on acquisition date (transaction price, reported yields and net operating income), reported performance to date at asset level (property schedule, refurbishments, and estimates) and have forecasted yearly net cash flows and property terminal values in 2027 (same valuation methodology used in section 7). Resulting unlevered IRRs are interpreted in conjunction with the risk profile of the investment, considering risks associated with country, retail market, asset ranking, and liquidity risk. In our analysis we have also considered scenarios with cashflows impacted by the pandemic, however the impact is not material.

Market	Type	Property	GLA	Acquisition Price	Opening Year	Acquired Year	Estimated Unlevered IRR
Poland	Retail	Aura Centrum	25,400m <sup>2</sup>	€64.9m	2005	2018	4.9%
Poland	Retail	Alfa Centrum Bialystok	37,000m <sup>2</sup>	€92.3m	2008	2017	4.9%
Bulgaria	Retail	Paradise Center	82,000m <sup>2</sup>	€252.9m	2013	2017	8.0%
Bulgaria	Retail & Office	Serdika Center + Office	80,000m <sup>2</sup>	€207.4m	2010-2011	2017	6.6%
Hungary	Retail	Arena Mall	66,000m <sup>2</sup>	€275.0m	2007	2017	7.2%
Hungary	Retail	Mammut Shopping Centre	56,400m <sup>2</sup>	€254.0m	1998-2001	2018	Negative
Slovakia	Retail	Galeria Mlyny	33,200m <sup>2</sup>	€121.8m	2009	2018	7.4%
Lithuania	Retail	Ozas Shopping	62,400m <sup>2</sup>	€124.6m	2009	2018	8.2%

Source: NRP reported figures, MAS estimates

In our view, NRP's acquisition strategy over the last few years has been suboptimal, with very few acquisitions delivering acceptable risk-adjusted returns. In Poland, the Group acquired Alfa Centrum Bialystok (37,000m<sup>2</sup> GLA; 2017) and Aura Centrum Olsztyn (25,400m<sup>2</sup> GLA; 2018). Alfa Centrum Bialystok (B+) is the catchment area's superior centre (the main competitors being Atrium Biala (37,800m<sup>2</sup> GLA) and Galeria Jurowiecka (25,000m<sup>2</sup> GLA)), but is vulnerable. The centre is located in a highly fragmented market and is at risk of being negatively affected by a new, superior development. Despite Eastern Poland's weaker economic performance compared to Western Poland, Bialystok benefits from a population of approximately 300,000, with close to 600,000 inhabitants less than a 60-minute drive away. This demographic creates the opportunity for the development of a large super-regional scheme. The estimated unlevered acquisition IRR over the forecasted period is under 5% which, considering the risk profile, we consider to be mediocre allocation of capital.

The B- rated Aura Centrum Olsztyn (25,400m<sup>2</sup> GLA) was an opportunistic acquisition considering the 8.2% net initial yield (NIY) (reported acquisition price of €64.9million and NOI of €5.3million). This city centre convenience scheme has a poor layout, narrow corridors, limited visibility and suboptimal units lacking the width and depth to accommodate modern retail tenants' concepts. Considering that the Company already owned A+ rated Galeria Warminska (42,800m<sup>2</sup> GLA), which is the catchment area's superior scheme and forms a strong retail pole with Auchan and OBI, and the limited scope for value creation given the centre's muted prospects, we consider this transaction as poor allocation of capital. The estimated unlevered acquisition IRR over the forecasted period is under 5%, which considering the risk associated with the asset's market positioning, is considered inadequate.

The 2017 acquisitions in Sofia, Bulgaria, of Paradise Center (82,000m<sup>2</sup> GLA) and Serdika Center (51,500m<sup>2</sup> retail GLA; 28,500m<sup>2</sup> office GLA) add more value to shareholders than the Polish acquisitions. Both schemes dominate their retail markets. Paradise Center (A+) is the preferred destination within the catchment area, attracting substantial footfall with an optimum tenant mix, large common areas, integrated concept and very good accessibility. Similarly, Serdika Center (A-), while less dominant than Paradise Center, has an adequate market position. The estimated unlevered IRR for Paradise Center is approximately 8.0%, which is suitable considering the asset's dominant position and disregarding that the asset was probably overpaid for. The estimated unlevered IRR for Serdika Center (including offices) over the forecasted period is under 7.0%, insufficient to justify the asset's risk profile.

Ozas Shopping and Entertainment Centre, Lithuania, (B+; 62,400m<sup>2</sup> GLA) was acquired in 2018 at a reported NIY of 7.1% (sale price of €124.6million and NOI of €8.8million per annum). Vilnius Akropolis (A+; 86,900m<sup>2</sup> GLA), which shares the same highway node with NRP's centre, is the city's super-regional scheme, has a superior offering in terms of tenant mix and ranks overall better than its rival. However, despite the proximity to the clearly dominant scheme in the catchment area, the current low rental levels and the recent refurbishment are expected to drive adequate rental growth over the coming years. In the long-term, there is a risk that Akropolis Group's large new development in south Vilnius (currently delayed for several years) may negatively impact the centre's performance. Overall, this acquisition is considered satisfactory in the short to medium term, however, with an estimated unlevered IRR over the forecasted period of approximately 8.2%, the acquisition carries significant long-term risk.

Galeria Mlyny (33,200m<sup>2</sup> GLA) in Nitra, Slovakia was acquired in 2018 at a reported NIY of 6.9% (sale price of €121.8million and NOI of €8.4million per annum). The centre is the city's superior scheme compared to Centro Nitra (33,000m<sup>2</sup> GLA) and OC Galeria (23,000m<sup>2</sup> GLA) and is conveniently located in the city centre, with good accessibility. However, the interior concept is inadequate, with poor access from the carparking and with some areas experiencing low footfall due to poor anchoring. Considering the catchment area's population and purchasing power, the shopping centre could be over rented. The estimated unlevered IRR of approximately 7.4% is considered adequate considering the risk profile.

The Company entered the Hungarian market in 2017 with the acquisition of A ranked super-regional scheme Arena Mall (66,000m<sup>2</sup> GLA), a scheme with the potential to compete with Westend Shopping Center (A+; 51,000m<sup>2</sup> GLA), the catchment area's premier shopping destination. An estimated unlevered IRR of approximately 7.2% is considered appropriate.

The acquisition of Budapest's C ranked Mammot Shopping Centre (56,400m<sup>2</sup> GLA) in 2018 at a reported NIY of 5.7% (sale price of €254million and NOI of €14.6million per annum) is considered NRP's weakest acquisition. The centre was already deteriorating when it was acquired and there is limited scope for asset management initiatives with the centre missing key requirements for a modern shopping centre due to its outdated layout and inferior integration and traffic flow. During the site visit, high vacancy levels were observed, with entire corridors being vacant. The two buildings, Mammot 1 and Mammot 2, require significant capital expenditure (CapEx), with retail areas in decline and upper floor units, if not vacant, already being utilised for alternative functions, such as medical clinics. It surprises us that NRP decided to recently acquire extra units in the centre. The investment is at risk of negative unlevered IRR.



### 3. PLANNED DEVELOPMENTS AND EXTENSIONS



NRP has provided limited disclosure of information in respect of extensions and developments which has led MAS to conduct its own detailed estimation on each project to be able to estimate project profitability and assess management decisions in this regard.

The Group's planned developments and extensions are assessed based on gross development margin, yield on cost and expected unlevered IRRs. Cash flows are calculated from the date of land acquisition, considering disclosed information, latest NRP development cost estimates, MAS own estimates, development cost inflation increase since 2019 (approximately 5%) and comparisons, if applicable, to NRP's similar completed developments. Calculations also account for concept to be developed, suitable rental levels based on market conditions (retail), estimated sales (residential) and stabilised post-pandemic valuations at completion (retail).

Market	Type	Property	GLA	Land Acquisition Cost	Development Cost*	Estimated Passing NRI	Opening Date	Implied Valuation Yield	Value on Completion	Yield on Cost	Gross Development Margin	Estimated Unlevered IRR
Romania	Retail, Development	Promenada Craiova	52,300m <sup>2</sup>	€22m	€131m	€9.4m	Q32023	6.3%	€148m	7.2%	12.9%	8-10%
Bulgaria	Retail, Development	Promenada Plovdiv	57,700m <sup>2</sup>	€8.8m	€140m	€8.9m	Q42024	6.8%	€130m	6.3%	-7.0%	Negative
Romania	Retail & Office, Extension	Promenada Bucuresti	58,400m <sup>2</sup>	€20m	€218m	€13.5m	Q42025	5.7%	€237m	6.2%	8.9%	4-6%

\* including land acquisition cost

Source: NRP reported figures, MAS estimates

Latest NRP total development cost estimates have been used for Promenada Bucuresti and Promenada Plovdiv, which estimates approximate our own. However, in respect of Promenada Craiova, we consider NRP's estimated development cost too low and have used our own estimates (NRP reported €109m vs MAS' €131m estimate) especially in light of significant land and infrastructure works required. In addition, we find it hard to understand how the estimated total cost reported by NRP in relation to this project has decreased from €115m previously reported to €109m when substantial development cost inflation has been experienced since 2019.

The Promenada Mall Bucharest extension, encompassing further retail and offices (58,400m<sup>2</sup> GLA combined), should be completed by the end of 2025. The lifestyle centre is well positioned at the heart of Bucharest's office hub. However, recent performance has been negatively impacted by Covid-19, as office employees worked from home or with more flexibility. As of February 2022, employees returning to offices have not yet reached pre-Covid levels, but a full recovery is expected during 2023, assuming the pandemic is classified endemic by year end. Nonetheless, in this area, new office developments have recently been completed, announced or are currently under construction. A significant residential pipeline is expected to be executed over the following years within a fifteen minute drive from the property. Despite the short-term slow-down in performance, the shopping centre's prospects are favourable over the long-term, provided a clear asset management strategy is implemented. Proactive asset management and detailed market research are necessary to ensure that the current centre and planned extensions adequately address customers' needs, as this location, in the heart of the city's office hub, is unique and commands a very high purchasing power.

Despite the extension's viability from a market perspective, very slow progress has been made to date. The land for the extension was purchased in 2014, yet construction has not started eight years later. Besides this delay negatively impacting the investment's annualised returns, the planned development includes seven levels of underground parking, which adds significant cost, as well as a cinema, a tenant category which typically involves high fit-out costs, low rental levels and in our opinion, no longer increases a centre's appeal in most cities.

Our estimates show a gross development margin of approximately 9%, an unlevered IRR from 4.0% to 6.0% and a yield on cost of approximately 6.2% are expected to be achieved on this extension, which we find highly unsatisfactory, considering the additional development risk undertaken.

### 3. PLANNED DEVELOPMENTS AND EXTENSIONS CONTINUED



Promenada Craiova (56,500m<sup>2</sup> GLA) in Craiova, Romania, and Promenada Plovdiv (58,300m<sup>2</sup> GLA) in Plovdiv, Bulgaria, are scheduled to open at the end of 2023 and 2024, respectively. Both are well positioned in their markets, given the favourable macro environment (high consumption growth and increasing population growth), low competitive landscape and superior positioning in terms of access, visibility and nearby residential density compared to the catchment area's existing shopping centre, which are old and with suboptimal concepts. The shopping centres should be the dominant regional schemes within a 60-minute drive, assuming that leasing and construction work is planned and executed well.

Similar to the Promenada Mall Bucharest extension, the Group has been slow to build the planned Promenada Plovdiv. The land was purchased in 2017 and 2018 yet construction has not started four years later. Accounting for rental levels expected in Plovdiv, Bulgaria, an area with a significantly lower purchasing power compared to similar centres owned in other markets, the project is expected to produce negative gross development profit and negative unlevered IRR.

The Promenada Craiova development is expected to fare better compared to Promenada Mall Bucharest extension and Promenada Plovdiv but is still below acceptable return thresholds given the risks. The 17ha land plot was purchased in mid-2019 and has a size which is in excess of what is required to develop the envisaged shopping centre development.

Part of the land is expected to be used for residential development, which would likely take some time to materialise. Given the presence of groundwater, considerable land improvement works are required thereby adding significant development cost and time required for execution of construction works. Based on our current understanding of the project, the expected gross development profit is approximately 13%, the unlevered IRR from 8.0% to 10.0% and the yield on cost 7.2%.

The Group previously announced two residential developments in Bucharest, Vulcan Residence (256 units) and Mega Mall Residential (approximately 250 units) that were expected to be completed in 2023 and 2024, respectively. While Vulcan Residence target completion date remains 2023, no update was provided in respect of Mega Mall Residence, NRP management stating that the project is not advanced enough to provide an update on.

Considering the strong fundamentals of the Romanian residential market, capital allocation towards this real estate asset class is favourably perceived by most investors. However, in our view, the Company has neither the experience nor a significant residential development pipeline to affect operational performance in the foreseeable future. Furthermore, there is no clear residential strategy, as confirmed also by NRP management, it is merely an attempt to capitalise on available excess land next to shopping centres. Despite the good sales reported to date at Vulcan Residence, NRP's projects lack, in our view, appropriate concepts (suboptimal layouts, minimal green areas and a height regime with no level variation between buildings, which will obstruct natural sunlight). Although residential developers in the Romanian market have been experiencing good returns recently, the market is competitive, and a lack of expertise will most likely expose the Company to implementation risk and suboptimal returns.

NRP's poorly defined development strategy does not appear to offer adequate risk adjusted returns, however significant sunk costs have already been incurred in respect of these planned developments and therefore these should be completed even if sub-optimal from a return on capital perspective. Fortunately, NRP's current retail and residential pipelines are, relatively, too small to have a significant negative impact on the overall business.

## 4. CAPITAL STRUCTURE



Similar to other listed real estate companies, NRP utilises a combination of debt and equity to fund operations. During the last five years, the Group has actively accessed debt capital markets. We give credit to how well the Company managed liquidity via bond issuances.

### 4.1 Equity

The Company had issued share capital of 608,994,907 shares as of December 2021, and its most significant shareholders (those holding over 5% of NRP's issued shares) are Fortress REIT (23.53%) and the Public Investment Corporation (10.92%). Since the 2017 merger, the Group has not engaged in any significant equity transactions.

### 4.2 Debt

NRP follows a prudent financial policy aimed at maintaining a profile of adequate liquidity, conservative gearing and a diverse debt structure, which combines secured, and unsecured, bank debt with unsecured bonds. Historically, the Group has been strict in following conservative self-imposed financial restrictions. NRP used its investment grade credit rating, which enables access to debt capital markets, to actively refinance debt, improve sources of liquidity and manage the weighted average cost of debt and debt maturities. The table below illustrates the outstanding bond maturities following the latest €500million issue due January 2030 (issued January 2022) under NRP's €4bn guaranteed medium-term note programme and redemption of notes due May 2023 (early redemption completed in February 2022).

#### NEPI Rockcastle bond issues

Issue date	Due date	Outstanding nominal	Coupon
20 Jan 2022	20 Jan 2030	500,000,000€	2%
14 Jul 2020	14 Jul 2027	500,000,000€	3.375%
9 Oct 2019	9 Oct 2026	500,000,000€	1.875%
23 Nov 2017	23 Nov 2024	500,000,000€	1.750%

Source: NRP reported figures

The Company's stated strategic targeted loan to value (LTV) of 35% has not been breached, as is shown in the table below. NRP maintains sufficient headroom in its debt covenants to allow for significant flexibility. Liquidity is also actively managed, by extending or improving commercial conditions of the Company's unsecured committed revolving facilities, which amounted to €620million on 31 December 2021.

#### Historical debt metrics

Year	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020	31 Dec 2021
LTV	26%	33%	32%	32%	31%
Unencumbered total assets	76%	72%	83%	83%	91%
Weighted average cost of debt	2.2%	2.3%	2.4%	2.3%	2.4%

Source: NRP reported figures

## 5. CORPORATE STRUCTURE AND GOVERNANCE



### 5.1 Corporate structure

NEPI Rockcastle plc is the listed parent company of the NRP Group (legal seat in Isle of Man). The Group has a straightforward corporate structure, with 113 subsidiaries: legal entities classified as either 'property-owning', 'services' or 'holding'. Most of the Company's property-owning subsidiaries have their legal seat in the same jurisdiction as properties. Additionally, NRP has operating subsidiaries providing services to property-owning subsidiaries in the same jurisdiction, usually employing staff to manage properties or provide local administrative support. Holding subsidiaries overseeing local jurisdictions, providing corporate and group-level support and financing, are concentrated in a limited number of countries (Isle of Man, the Netherlands and Mauritius). This simple and efficient structure allows the Group significant flexibility from an administrative perspective.

### 5.2 Proposed redomiciliation of listed parent company

In May 2021, NRP announced it was considering a potential redomicile of its listed parent company from Isle of Man to Malta, in line with its strategic focus, which is designed to create a more efficient corporate structure closer to Central and Eastern European properties, in an established European Union (EU) member state. Subsequently, in November 2021, the Group announced it is considering a potential redomiciliation to the Netherlands, through a potentially phased redomiciliation via Luxembourg, due to Dutch legislation prohibiting companies incorporated outside of the EU converting directly into a company governed by Dutch laws.

The initial announcement provided shareholders' an insight into why Malta was an appropriate domicile from a jurisdictional perspective. The subsequent about turn to the Netherlands has not been adequately explained and is, in our view, perplexing.

Announcements since do not provide any meaningful insight into why NRP views the Netherlands as preferable to Malta, other than the Group's existing presence in the Netherlands through its operating subsidiary and bond issuer NE Property BV and NRP's secondary listing on Euronext Amsterdam. Other reasons provided for Netherlands as a suitable jurisdiction of incorporation would be similarly applicable to Malta, such as the country's EU-compliant legislative and regulatory framework, its economic and political stability, and enhancing the Group's visibility in the European real estate market. As published in the 31 December 2021 financial statements, NRP had already begun procedures for a partial migration to Malta, as, in June 2021, one of its direct subsidiaries, NEPIOM Ltd, was redomiciled to this jurisdiction from Isle of Man. We expect that Maltese operations in the established NRP Maltese office exist and will continue, thereby increasing costs through the duplication of certain administrative functions in the Group's structure. Management has not confirmed whether a full exit from Malta is on the horizon, mentioning it is still being assessed whether the existing subsidiary will remain in this jurisdiction. In January 2022, NRP stated it was currently analysing the necessary regulatory steps required for, and consulting professional advisers with respect to, this potential phased redomiciliation. While appreciating that the redomiciliation decision has not yet been submitted to NRP's shareholders for approval, and while management mentioned during the results presentation in February 2022 that all consequences had been taken into account, it is unclear whether the impact of the eventual redomiciliation to the Netherlands has been weighed to consider substantively all long-term consequences, for example, the tax impact on distributions received by South African shareholders.

Based on the reversal, in December 2021, of a €1.5bn transfer between share premium and retained earnings done in June 2021, we assume that NRP plans to utilise its share premium to disburse distributable earnings to shareholders in the form of "capital reductions" and thereby sidestep the substantial 15% Dutch withholding tax on dividends (Dutch anti avoidance provisions may be relevant if this is the case). Based on our assessment, this would allow South African shareholders to benefit from distributions at 0% withholding tax for a maximum period of up to nine years after which, based on existing Dutch tax legislation, distribution of dividends would be subject to 15% tax, with a possible reduction to 10% should South African shareholders be able to apply the relevant double tax treaty. In our view, this option is not an appropriate long-term solution for shareholders, given that it only defers tax, as shareholders would eventually (when selling shares) be liable to capital gains tax (or even income tax) on a cost base decreased with the quantum of returns of capital received.

This would then not constitute a zero-impact solution, as would have been the case with Malta, even though this would arguably put shareholders in a slightly better position given dividends tax is higher than capital gains tax, when this eventually becomes payable. While management has confirmed the share premium provides significant reserves to last for a long (undisclosed) period, it has not confirmed the mechanism to be utilised for distributions going forward. In addition, we assume, as management has not confirmed whether this particular analysis has been carried out, that NRP has not assessed the long-term effects of not paying distributions to South African shareholders in the form of dividends. Based on our internal research, in the long-term, not paying dividends, but making “capital reductions” could trigger a reassessment of (some existing and new) shareholders’ holdings to no longer be qualified by South African Revenue Service as being of a capital nature (as the profit motive becomes incidental) and thus reclassifying the proceeds from sale of shares as subject to income tax, at a higher rate than capital gains tax. NRP’s commentary on this topic is that a distribution mechanism taking into account all aspects of the transition to Netherlands, which is seen as being efficient from all points of view, is being assessed with the Company’s tax consultants, and that a SENS announcement to be issued in due course will provide the relevant details.

We believe the change of plans is not a good long-term choice, is not putting South African shareholder’s interest first and it is not efficient as it would duplicate certain Group functions. MAS’ team recommends that NRP shareholders vote against this change unless management provides more compelling reasons for this proposal.

### **5.3 Corporate Governance**

#### **5.3.1 Corporate governance framework**

NRP is materially compliant with King IV requirements and operates based on a Corporate Governance Framework that allocates authority and responsibility at Board and management level. The NRP Board held thirteen meetings in 2020. In accordance with the principles of King IV, the Board delegates certain functions to six committees: Audit Committee (seven meetings in 2020); Investment Committee (four meetings in 2020); Remuneration Committee (nine meetings in 2020); Risk and Compliance Committee (three meetings in 2020); Nomination Committee (three meetings in 2020), and Sustainability Committee (two meetings in 2020).

The combined total of forty one Board and committee meetings is extraordinary and could be indicative of a Company which is over-governed, diverting management from managing the business.

#### **5.3.2 Board composition and management succession planning**

Since August 2021, NRP’s Board comprised twelve Directors, of whom eight are Non-executives and six Independent. Prior to this, in July 2021, a number of appointments to the Board were announced. These included nominating George Aase as Chairman, following Robert Emslie’s retirement, recently employed Rüdiger Dany as Chief Operations Officer (COO) and of two additional Independent Non-executive Directors, Ana Maria Mihaescu and Jonathan (Jon) Lurie. In addition, as Alex Morar (CEO) and Mirela Covasa (CFO) notified the Board of their intention to step down, the Group announced the implementation of a management succession plan, which included identifying suitable replacement candidates and handover arrangements for their projects and responsibilities.

As of 1 Feb 2022, the former CEO, Alex Morar, and former CFO, Mirela Covasa, formally stepped down and an interim CEO, Rüdiger Dany, and interim CFO, Eliza Predoiu, were appointed until the announcement of the 2022 interim results for the six months ending 30 June 2022.

## 6. FINANCIAL FORECAST AND VALUATION



### 6.1 Distributable earnings

A fixed dividend payout ratio of 100% is assumed during the forecast period, which is in line with the distribution strategy of the Company considering past distributions (except for June 2020 when no dividend was declared in response to the Covid-19 pandemic) and the earnings guidance of at least 90% of the earnings to be distributed. There are limited reasons to consider that a dividend payout ratio of less than 100% will be implemented in the future.

The forecast indicates that distributable earnings are expected to recover to pre-pandemic levels by the 2025 calendar year. Earnings are expected to be higher in 2022 calendar year than in 2021 and 2020, because of less restrictive social distancing measures, further recovery of retail spending in shopping centres, and contract inflation indexations throughout 2022. However, distributable earnings for 2022 are still expected to fall short of 2019 levels (approximately 20.0%), as mild social distancing measures might still be in place and some tenant categories (e.g. cinema and entertainment, food and beverage) to which the Group is exposed would require more time to recover. Occupancy levels and pro-forma collection rates would eventually recover to pre pandemic levels, despite the fact that, in our view, 24.2% of NRP's GLA is represented by assets either requiring significant asset management initiatives or with suboptimal return prospects and/or at risk of obsolescence, which may result in occupancy further deteriorating if issues are not addressed.

Uplifts in distributable earnings, in addition to those driven by the growth from the income-generating properties, are forecasted starting from end of 2023 calendar year due to the expected opening of the retail and office extension at Promenada Mall Bucharest (Romania), opening of the retail developments Promenada Craiova (Romania) and Promenada Plovdiv (Bulgaria), and realised profit from the completion of development at Vulcan Residential. As detailed earlier, despite the low expected returns on the developments, significant sunk costs have already been incurred and these planned developments should be completed even if sub-optimal from a return on capital perspective.

DIRECT RESULT (M €)	Actual			Forecast				
	2019	2020	2021	2022	2023	2024	2025	2026
<b>Net Rental Income</b>	401	323	310	363	393	416	438	460
Existing Properties, Dec 2021	n/a	n/a	n/a	359	387	401	412	423
Developments/ Extensions + JV	n/a	n/a	n/a	4	6	16	26	37
Corporate Expenses	(22)	(21)	(25)	(22)	(23)	(25)	(26)	(27)
<b>NOI</b>	379	302	285	341	370	392	412	433
Residential Margin	-	-	-	-	6	-	-	-
<b>EBITDA</b>	379	302	285	341	375	392	412	433
Financing Costs	(53)	(60)	(66)	(62)	(61)	(62)	(66)	(65)
Other Income/ Costs	18	(4)	1	-	-	-	-	-
Current Tax	(11)	(6)	(10)	(11)	(13)	(15)	(17)	(18)
<b>Distributable Earnings</b>	334	232	210	269	301	314	330	349
Weighted average no of shares (m)	593	605	609	609	609	609	609	609
<b>Distributable earnings per share (eurocents)</b>	<b>56.3</b>	<b>38.4</b>	<b>34.4</b>	<b>44.1</b>	<b>49.4</b>	<b>51.6</b>	<b>54.2</b>	<b>57.4</b>
Δ vs Previous Year (%)	n/a	-31.8%	-10.4%	28.2%	11.9%	4.5%	4.9%	5.9%
Δ vs 2019 (%)	n/a	-31.8%	-38.9%	-21.6%	-12.3%	-8.3%	-3.8%	1.9%
Payout ratio	100%	44%	100%	100%	100%	100%	100%	100%
<b>Dividends per share (eurocents)</b>	<b>56.3</b>	<b>16.9</b>	<b>34.4</b>	<b>44.1</b>	<b>49.4</b>	<b>51.6</b>	<b>54.2</b>	<b>57.4</b>
Payout								

Source: NRP reported figures, MAS estimates

## 6. FINANCIAL FORECAST AND VALUATION CONTINUED



### 6.2 Tangible NAV

As of December 2021, the Company's assets are fairly valued, but with significant differences across markets and assets as detailed in section D of this report. The estimated tangible NAV per share is expected to be approximately €7.00 per share by end of the 2026 calendar year, which is slightly above the pre-pandemic level.

DIRECT RESULT (M €)	Actual			Forecast				
	2019	2020	2021	2022	2023	2024	2025	2026
Investment Properties - In Use	5,801	5,591	5,671	5,791	6,079	6,352	6,722	6,870
Existing Properties, Dec 2021	n/a	n/a	n/a	5,734	5,871	6,003	6,134	6,266
Developments/ Extensions + JV	n/a	n/a	n/a	56	209	349	589	604
Investment Properties - In Development	222	211	171	313	287	225	42	42
Cash and Cash Equivalents	209	643	499	347	195	276	207	171
Other Assets	743	225	258	258	258	258	258	258
<b>Total Assets</b>	<b>6,974</b>	<b>6,671</b>	<b>6,598</b>	<b>6,709</b>	<b>6,819</b>	<b>7,111</b>	<b>7,229</b>	<b>7,341</b>
Borrowings	2,272	2,463	2,293	2,278	2,262	2,447	2,432	2,417
Other Liabilities	605	516	585	585	585	585	585	585
<b>Total Liabilities</b>	<b>2,877</b>	<b>2,979</b>	<b>2,878</b>	<b>2,863</b>	<b>2,847</b>	<b>3,032</b>	<b>3,017</b>	<b>3,002</b>
<b>NAV</b>	<b>4,097</b>	<b>3,692</b>	<b>3,720</b>	<b>3,846</b>	<b>3,972</b>	<b>4,079</b>	<b>4,212</b>	<b>4,339</b>
Goodwill adjustment	77	77	77	77	77	77	77	77
<b>Tangible NAV</b>	<b>4,020</b>	<b>3,616</b>	<b>3,643</b>	<b>3,769</b>	<b>3,895</b>	<b>4,002</b>	<b>4,135</b>	<b>4,262</b>
No of shares (m)	600	609	609	609	609	609	609	609
<b>Tangible NAV per share (€)</b>	<b>6.70</b>	<b>5.94</b>	<b>5.98</b>	<b>6.19</b>	<b>6.40</b>	<b>6.57</b>	<b>6.79</b>	<b>7.00</b>
Δ vs Previous Year (%)	n/a	-11.4%	0.8%	3.4%	3.3%	2.7%	3.3%	3.1%
Δ vs 2019 (%)	n/a	-11.4%	-10.7%	-7.7%	-4.6%	-2.0%	1.3%	4.4%
LTV	32%	32%	31%	32%	32%	33%	33%	32%

Source: NRP reported figures, MAS estimates

Additional debt raising (minimum €200million) at NRP's reported weighted average cost of debt has been considered likely around mid-2024, as the Group is expected to require additional funding to execute the planned development pipeline. We have assumed NRP continues its prudent financial policy, and its LTV does not breach its self-imposed financial restrictions throughout the forecasted period.

### 6.3 Investment case

An estimated average total return in the range of 11.5%-13.0% p.a. over the forecast period (up to December 2026) is expected to be achieved on MAS' investment made at an average share price of €5.58/share. Considering NRP's risk profile, the expected total returns are acceptable to MAS. To calculate average annual total returns, internal rates of return based on monthly cashflows from acquisition to December 2026 were calculated using actual figures where relevant and forecasts for the remaining periods. Expected returns depend on holding period as well as share price movements and dividend distributions.

Price per share (eurocents), Dec 2026	6.60	6.70	6.80	6.90	7.00	7.10	7.20
IRR	11.5%	11.7%	11.9%	12.2%	12.4%	12.7%	13.0%

Source: MAS estimates



## 7. VALUATION METHODOLOGY



### **Income-generating properties – retail**

A discounted cash flow (DCF) analysis was completed for individual investment properties taking into account country, regional and micro-location factors. The six-year forecast begins Dec 2021 and ends Dec 2027 with terminal values computed at the end of 2027.

The valuation makes use of publicly available information on NRP, extensive internal knowledge of developing and operating retail assets, market research and site visits (more than 95% of the portfolio retail GLA was visited, including competition).

The income-generating properties' net cash flows, are based on estimated gross rental income (GRI), letting fees, net service charge, and CapEx for each property. Discount rates, NRI growth rates for the forecast period, perpetual NRI growth rates, and capitalisation rates have been estimated for each individual property.

### **Gross Rental Income (GRI)**

Estimated GRI is based on contractual annual rent (passing rent) and pro-forma collection rates.

Passing rent is based on average rental growth and occupancy rate.

Average rental growth is based on the expected increase in brick and mortar consumption, asset ranking and sustainability of current rental levels considering purchasing power, number of inhabitants and retail stock in the catchment area within a 15 and 60 minute drive.

Convenience and regional assets were also assessed on the broader retail landscape's competitiveness (up to a three hour drive from the property) to understand the catchment of competing retail schemes. This was not an elementary assessment viewed in isolation.

The expected increase in brick and mortar retail consumption is due to the predicted growth in purchasing power and asset's exposure to e-commerce penetration risk. The growth in purchasing power in respect of each catchment area was estimated by considering increases in population and consumption per capita. Each catchment area was considered in detail for trends by examining publicly available information for the past twenty years. Furthermore, where relevant, micro level adjustments were considered based on the characteristics of each property's immediate proximity (e.g. adjustments for population growth if significant residential, or office, developments were announced or under construction).

Forward looking e-commerce penetration risk was assessed by considering the catchment area's urbanisation/densification/digitalisation and asset type (size and tenant mix). Current experience in more developed markets (including Europe, USA, and China) in terms of share of retail sales attributable to online shopping, reveals that current e-commerce channel penetration and potential varies across, and within, countries. Individual markets and properties e-commerce penetration risk was assessed and graded from low to high based on its expected impact on brick and mortar retail consumption growth.

Each property will benefit differently from the increase in brick and mortar retail consumption based on its specific competitive landscape with dominant developments benefiting more from the increase, while deteriorating schemes would struggle.

Current rental sustainability was taken into account when analysing expected sales and properties' average rental growth. Over-rented assets will not benefit from similar increases, while under-rented assets have more potential for significant growth.

Similarly, well-positioned assets will find it easier to fill up vacant spaces, while deteriorating assets with limited turnaround potential are at risk of increasing long-term vacancy rates combined with decreasing average rental.

All these factors create a comprehensive range of assumptions about future potential average rental growth and occupancy levels for each individual property. Different scenarios were assessed and compared with historical performance of the NRP assets and other retail assets across the CEE market to determine an appropriate set of assumptions over the medium to long-term (assuming good asset management practices).



The starting base rental level was based on the latest publicly available property schedule and takes into account the short-term inflation uplift during 2021, as most lease agreements are EUR-denominated and index-linked annually to inflation (European Consumer Price Index). The Harmonised Index of Consumer Prices (HICP) EU monthly annual change was 5.3% at December 2021, with the official forecast by the European Central Bank (ECB) indicating inflation below 2% by end of 2022. The indexation should be relevant to forecasts undertaken during calendar year 2022.

Pro-forma collection rates should continue to have some negative impact during the 2022 calendar year, considering current restrictions in several of NRP's markets and potential future waves of Covid-19. Following Omicron, the base case scenario considers that new Covid-19 variant(s) will emerge but will be manageable in terms of deaths and hospitalisations, due to the higher levels of vaccination achieved to date in the CEE (despite lower figures compared to other European countries) and natural immunisation through infection. Some mild social distancing in 2022 (probably during winter/ spring) was considered, but not additional rigid, pro-longed lockdowns, similar to those enforced at the outset of the pandemic. The forecast is based on the assumption that the pandemic will be designated an endemic towards the end of the 2022 calendar year/ beginning of 2023 and that any social distancing measures will have no negative impact on pro forma collections or tenant recoveries after spring of 2023.

### **Letting Fees (LF)**

Leasing and tenant incentive fees are considered for each property in line with market standards. On average, 3.0-3.5% of each property's GRI is considered as letting fees on a yearly basis (for example, one month for every five years for leasing fees and one month for every five years for tenant incentives).

### **Net service charge (NSC)**

Property-by-property assessment considering the type (strip mall, open air mall and enclosed mall), tenant mix (categories and brands, and generally lease type), country specific arrangements (landlord to tenant dynamic affecting bargaining power based on geographical market), NRP's public reported breakdown of service charge income and expenses, internal know-how and occupancy levels of assets.

### **Net Rental Income (NRI = GRI – LF – NSC)**

NRI was computed for each property.

### **Taxation (T)**

The current tax estimate is calculated through a property-by-property taxable earnings forecast. As NRP's disclosure of information in this regard is limited and does not provide a breakdown of taxable elements, an assessment of each individual asset was concluded, considering disclosed corporate structure, geographical market, fiscal environment and national idiosyncrasies (for instance, corporate income tax rates, maximum interest deductibility thresholds, fiscal depreciation principles, etc).

### **Capital Expenditure (CapEx)**

Yearly CapEx as well as a long-term CapEx reserve were calculated for each asset taking into account property age, refurbishment or extension date (if applicable), commercial view on CapEx assessment following site visits, property type (strip mall, open air mall and enclosed mall), internal expertise, and industry benchmarks.

### **Net Cash Flows (Net CF = NRI – T – CapEx)**

Net Cash Flows have been computed for each property.

### **Discount Rates (d)**

Discount rate consists of risk premia in respect of country, retail in CEE, asset position, economic region, and geographical market liquidity. Additional minimal adjustments have been applied if other macro-micro factors, not already captured in the described framework, were present and clearly influence the risk profile of the opportunity.

Country risk premia determined by NYU Stern School of Business for each geographical market were used as the basis for the risk-free rate in each country.

Retail CEE risk premia (5.0%) has been determined following analysis of 435 retail properties (reported EPRA NIY) in Europe from listed companies to compute an implied discount rate for each property, considering general assumptions used in valuation processes for purchase cost, corporate expenses, CapEx reserve, and perpetual growth rate. Given the risk-free rate in each country, implied retail risk premia for each geographical market have been computed.

Based on the same data set, asset position risk premia (e.g. A, B, C) and economic region risk premia (e.g. capital, 1st or 2nd or 3rd tier economic regions) has been computed considering observed differences across the properties.

Geographical market liquidity, considering the presence of institutionalised investors and historical transactions in the retail market, has been determined for each CEE market where NRP is present.

The computed discount rates have been compared with disclosed valuation assumptions from NRP, other listed players and market reports.

### **Perpetual Growth Rate (g)**

Perpetual growth rate considers a slow-down in consumption growth across CEE, which is in line with observed patterns in other more developed European markets (as the consumption base increases, growth starts to decrease and converge).

### **Capitalisation Rate ( $c = d - g$ )**

Resulting capitalisation rates applicable to net cash flows were used to calculate terminal values to ensure consistency across the different markets and retail assets. Various scenarios were evaluated to ensure assumptions are robust.

### **Income-generating properties – industrial and office**

Industrial and office assets are assumed at latest reported book value in the forecast and assumed to be fairly valued.

### **Developments and extensions**

NRP's disclosure of information about extensions and developments is limited. Individual assessments of retail and residential asset developments and extensions were completed, similar to those for income-generating properties, but including additional assumptions in terms of expected cost and potential margins based on individual characteristics.

### **Financing Costs**

Refinancing of debt and bonds, as per the last weighted average cost of debt (as reported by NRP, applicable for the financial year to 31 December 2021).

### **Other income/cost**

No financial investments were considered during forecast period.

### **Loan to Value (LTV)**

For the forecasted period up to 2026, the ratio is calculated as total borrowings less cash and cash equivalents, divided by total investment properties.

## 8. KEY RISK FACTORS



### Management

In our view, NRP management should focus on enhancing its asset management capabilities. Asset management and leasing teams need to proactively address assets in need of interventions or at risk of obsolescence and/or with suboptimal return prospects. If management's apparent lethargic approach towards these centres carries forward, our financial estimates in relation to NRP's future performance may be at risk.

The recent CEE acquisition track record is unsatisfactory, and management requires more discipline and a clear focus on returns and dominance of assets to be acquired. NRP management indicated its intention to potentially start investing in Western European property if they manage to source the right acquisitions, motivating their rationale by the apparent lack of acquisition opportunities in the CEE markets. In our view, this statement is concerning for several reasons. Expanding into Western Europe would significantly change our investment thesis for NRP and its strategy of investing in high growth CEE countries expected to grow at a faster pace than the more developed Western European ones. Further, noting NRP's mixed track record in acquisitions in CEE, where NRP should be very familiar with market dynamics, we question management's capabilities to source and execute accretive transactions of adequate quality in a new market.

In our view NRP should not focus on new developments, commercial or residential (except planned developments in respect of which significant sunk costs have already been incurred), as the company currently lacks the expertise and skill required. Fortunately NRP's current retail and residential pipelines are, relatively, too small to have a significant negative impact on the overall business, however taking on additional development pipeline may dilute future returns.

NRP has been referencing an omnichannel strategy, and implementing digital initiatives at certain CEE assets, as well as the development of an online marketplace for its tenants in Bulgaria. We are concerned that these initiatives are distractions from asset management and that appropriate scale potential does not exist for these to present attractive business opportunities (not to mention whether the Group has the requisite appropriate technological skills to successfully implement these).

### Inflation

Price increases in energy, gas and essential goods and services could impact consumers' discretionary spending, which would directly impact shopping centres' performance. There is a strong likelihood of increased energy prices (at least in the short term) due to Russia's invasion of the Ukraine. We did not attempt to quantify this risk. It is likely that centres with a higher portion of tenants providing essential goods and services will be less affected.

### Interest rate/tax increases

Potential mortgage rate increases could reduce consumer spending, especially discretionary.

### Market risk

Market interventions from central banks via quantitative easing could artificially inflate asset prices, potentially increasing competition between market participants, and narrow the opportunities for sourcing accretive acquisitions.

### E-commerce headwinds

Online shopping will continue to have an impact on brick-and-mortar sales for the foreseeable future. However, this is expected to be mitigated by the growth in consumption across CEE. Lower quality shopping centres with less focus on customer experience could be more severely affected.

### Economic downturns

Our current model does not assume any material recession or significant economic disruption in NRP's markets, including a potential downturn caused by the Russian invasion of the Ukraine or the imposed sanctions on Russia.

## A1. Asset classification – definition

NRP's income-producing assets were assessed and ranked on more than 35 key criteria, grouped into eleven categories organised in four main sections. Scores from one to five have been assigned in respect of each criteria.

The overall asset score is calculated as the weighted average of all scores. The following asset ranking categories were determined:

- Grade A: the asset is the catchment area's dominant shopping centre and is considered the 'place to go' due to superior facilities and prospects compared to competition. It is well maintained, and has a large proportion of anchors, adequate entertainment, leisure and food, a good layout, excellent occupancy levels, easy access, adequate parking, good accessibility, and visibility. The asset has a weighted score of at least 3.80.
- Grade B: the asset has adequate retail, but superior schemes exist, or could be developed, within catchment area. The centre has inadequate anchors, sub-optimal layout, weak tenant mix, vacant units, satisfactory accessibility and visibility and an ordinary appearance, attributes creating a lacklustre shopping experience. The asset ranks mediocre with a weighted score between 2.60 and 3.80.
- Grade C: the asset is deteriorating and at risk of obsolescence and must be repositioned in the medium to long-term. Significantly better schemes exist within catchment area. The centre has numerous small mom-and-pop stores and very few, if any, anchors, and is typically an old building with an inappropriate structure for modern retail. The asset has a weighted score less than 2.60.

Positive (+) or negative (-) adjustments were made for assets within assigned asset ranking grades A and B to better reflect the competitive position of each asset.

The following criteria, along with categories and sub-categories, were assessed.

- a) Competitive Position
  - (i) Centre's dominance and positioning against risk of superior schemes being developed in the catchment
- b) Location
  - (ii) Property location and surroundings
  - (iii) Car and pedestrian access and public transport connection, as well as visible entrances with convenient door access system
  - (iv) Exterior visibility (asset, advertisements and logo)
  - (v) Destination GLA
- c) Retail Offering
  - (vi) Tenant mix (grocery, fashion, food and beverage, services and entertainment), main anchors, depth and frontage of units, positioning and clustering
  - (vii) Non-GLA units (quantity and quality)
  - (viii) Occupancy
- d) Physical Condition
  - (ix) Layout (suitability, traffic flow, parking integration and footfall)
  - (x) Interior visibility (corridor's height and width as well as brand visibility on each floor and between levels)
  - (xi) Centre look and feel (aesthetics, age, structure, maintenance and condition of interior and exterior furniture)

In accordance with the ranking methodology, the largest weight was assigned to Competitive Position followed by Location and Retail Offering (same weight) and Physical Condition. Weights are proprietary to MAS' research team.

## **A2. Asset prospects – definition**

Recommendation categories are defined as follows:

- (i) Good – unlevered IRR result ranks satisfactory by comparison to the required rate of return;
- (ii) Asset Management intervention required – there is scope for significant asset management interventions to improve the operational performance of the asset;
- (iii) Suboptimal / at risk – unlevered IRR result ranks poorly by comparison to the required rate of return.

## D1. Asset ranking

Group weighting					25%					25%				20%				30%	
Country	Property name	GLA Dec 2021	Asset ranking	Asset score	Location	Property location and surroundings	Access	Exterior visibility	Commercial pole	Retail Offering	Tenant Mix and Shop Space	Non-GLA	Occupancy	Physical Condition	Layout	Interior Visibility	Building look and feel	Competitive position	Asset positioning
<b>TOTAL</b>		<b>2,013,700</b>																	
<b>Romania</b>	<b>Romania</b>	<b>853,400</b>																	
Romania	City Park	51,900	A (+)	4.61	4.4	5.0	5.0	5.0	2.0	4.7	4.8	5.0	4.0	4.2	4.0	4.7	4.2	5.0	5.0
Romania	Shopping City Galati	49,200	A (+)	4.67	4.1	4.0	4.3	5.0	3.0	4.8	4.7	5.0	5.0	4.8	4.7	5.0	4.7	5.0	5.0
Romania	Shopping City Deva	50,700	A (+)	4.63	4.5	4.0	4.4	5.0	5.0	4.4	4.3	4.0	5.0	4.6	4.7	4.5	4.5	5.0	5.0
Romania	Shopping City Piatra Neamt	28,000	A (+)	4.61	4.0	5.0	4.8	4.4	1.0	4.4	4.4	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Romania	Mega Mall	75,900	A	4.56	4.3	4.0	4.5	5.0	4.0	4.6	5.0	5.0	3.0	4.9	5.0	5.0	4.6	4.5	4.5
Romania	Shopping City Timisoara	57,000	A	4.34	4.0	3.0	4.0	5.0	5.0	4.8	4.7	5.0	5.0	4.7	4.7	4.7	4.8	4.0	4.0
Romania	Vulcan Value Centre	25,000	A	4.60	3.9	3.0	4.5	5.0	4.0	4.6	4.6	4.5	5.0	4.8	5.0	4.6	4.7	5.0	5.0
Romania	Shopping City Satu Mare	29,400	A	4.35	4.5	5.0	4.5	4.0	4.0	4.2	4.0	4.0	5.0	4.2	4.3	4.0	4.0	4.5	4.5
Romania	Shopping City Targu Jiu	27,200	A	4.39	3.4	4.0	4.0	4.0	1.0	4.4	4.4	4.0	5.0	4.7	4.7	5.0	4.4	5.0	5.0
Romania	Regional strip centres	30,200	A	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Romania	Promenada Mall Bucharest	39,300	A (-)	4.18	4.4	5.0	4.8	4.0	3.0	4.2	4.1	4.5	4.0	4.3	4.0	4.3	4.8	4.0	4.0
Romania	Shopping City Sibiu	83,700	A (-)	4.17	4.0	3.0	4.0	5.0	5.0	4.5	4.4	4.5	5.0	4.2	4.0	4.4	4.4	4.0	4.0
Romania	Braila Mall	52,900	A (-)	4.16	3.7	3.0	3.3	4.4	5.0	4.4	4.4	4.0	5.0	4.6	4.7	4.6	4.5	4.0	4.0
Romania	Shopping City Targu Mures	40,200	A (-)	4.15	4.1	3.0	4.3	5.0	5.0	4.4	4.5	4.5	4.0	4.9	5.0	4.7	5.0	3.5	3.5
Romania	Shopping City Ramnicu Valcea	28,200	A (-)	4.12	2.9	3.0	3.7	4.0	1.0	4.4	4.4	4.0	5.0	4.7	4.3	5.0	5.0	4.5	4.5
Romania	Shopping City Buzau	23,700	A (-)	4.18	3.9	3.0	4.5	4.0	5.0	4.5	4.7	4.5	4.0	4.4	4.3	4.7	4.3	4.0	4.0
Romania	Shopping City Severin	23,200	A (-)	3.97	2.6	2.0	3.8	4.0	1.0	4.4	4.4	4.0	5.0	4.4	4.7	4.0	4.4	4.5	4.5
Romania	Promenada Mall Sibiu	42,500	B (+)	3.74	3.3	4.0	4.1	2.4	2.0	4.4	4.6	4.0	4.0	4.6	4.7	4.3	4.8	3.0	3.0
Romania	Iris Titan Shopping Center	43,100	B	3.12	3.0	3.0	3.8	3.0	2.0	3.4	2.9	3.5	5.0	3.1	3.3	2.8	3.0	3.0	3.0
Romania	Pitești Retail Park	24,800	C	2.58	3.3	3.0	3.7	3.6	3.0	3.2	2.7	3.0	5.0	3.4	3.4	4.4	2.4	1.0	1.0
Romania	Rasnov Industrial Facility	23,000	not assessed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Romania	Otopeni Warehouse	4,300	not assessed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Poland</b>	<b>Poland</b>	<b>479,800</b>																	
Poland	Galeria Warminska	42,900	A (+)	4.67	4.5	4.0	4.3	5.0	5.0	4.6	4.4	5.0	5.0	4.5	4.7	3.8	4.8	5.0	5.0
Poland	Galeria Wolomin	30,700	A	4.32	4.1	4.0	4.3	4.4	4.0	4.2	4.2	4.5	4.0	4.4	4.7	3.9	4.6	4.5	4.5
Poland	Galeria Tomaszow	18,200	A	4.28	4.4	5.0	4.3	4.6	3.0	4.1	4.1	4.5	4.0	4.0	4.0	3.6	4.7	4.5	4.5
Poland	Bonarka City Center	74,700	A (-)	3.97	3.0	2.0	3.3	3.8	4.0	4.4	4.7	5.0	3.0	4.6	4.4	5.0	4.6	4.0	4.0
Poland	Karolinka Shopping Centre	67,500	A (-)	3.91	3.4	2.0	3.8	5.0	4.0	3.7	4.0	3.5	3.0	4.0	3.7	4.6	4.1	4.5	4.5
Poland	Focus Mall Zielona Gora	44,100	A (-)	4.17	3.9	4.0	4.3	3.4	4.0	3.5	4.3	3.5	1.0	4.1	3.7	4.8	4.2	5.0	5.0
Poland	Focus Mall Piotrkow Trybunalski	35,100	A (-)	4.06	3.9	4.0	3.8	4.6	3.0	4.2	4.5	4.5	3.0	4.2	4.3	4.2	4.0	4.0	4.0
Poland	Alfa Centrum Bialystok	37,200	B (+)	3.63	4.1	4.0	4.3	4.0	4.0	3.6	4.0	3.0	3.0	4.1	4.7	3.7	3.4	3.0	3.0
Poland	Solaris Shopping Centre	26,400	B (+)	3.76	4.5	5.0	4.5	4.0	4.0	3.4	3.6	3.5	3.0	2.9	2.6	2.5	4.0	4.0	4.0
Poland	Pogoria Shopping Centre	37,700	B (+)	3.40	3.6	4.0	4.3	2.8	3.0	3.7	3.5	4.0	4.0	4.1	4.0	4.3	4.3	2.5	2.5
Poland	Platan Shopping Centre	39,900	B	3.08	3.5	4.0	4.3	3.4	2.0	3.1	3.6	2.0	3.0	3.3	3.3	2.6	4.1	2.5	2.5
Poland	Aura Centrum	25,400	B (-)	2.90	3.8	5.0	3.7	3.4	2.0	3.0	2.9	2.5	4.0	2.9	3.0	2.5	3.4	2.0	2.0
<b>Bulgaria</b>	<b>Bulgaria</b>	<b>160,600</b>																	
Bulgaria	Paradise Center	80,400	A (+)	4.60	4.2	4.0	4.8	5.0	3.0	4.6	4.7	5.0	4.0	4.6	4.3	5.0	4.6	5.0	5.0
Bulgaria	Serdika Center	51,700	A (-)	4.16	3.8	4.0	3.9	4.0	3.0	4.8	4.7	5.0	5.0	4.1	4.0	5.0	3.4	4.0	4.0
Bulgaria	Serdika Office	28,500	not assessed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Hungary</b>	<b>Hungary</b>	<b>123,300</b>																	
Hungary	Arena Mall	65,900	A	4.24	3.7	3.0	4.3	5.0	3.0	4.5	4.7	4.5	4.0	4.3	3.7	5.0	4.6	4.5	4.5
Hungary	Mammut Shopping Centre	57,400	C	2.10	3.6	4.0	3.8	3.0	3.0	1.5	1.6	2.0	1.0	1.9	2.0	1.8	2.0	1.5	1.5
<b>Slovakia</b>	<b>Slovakia</b>	<b>130,100</b>																	
Slovakia	Aupark Kosice Mall	33,100	A	4.26	4.5	5.0	4.3	5.0	3.0	4.3	4.2	5.0	4.0	4.4	4.3	4.7	4.2	4.0	4.0
Slovakia	Aupark Zilina	25,100	A	4.41	4.1	5.0	4.2	3.4	3.0	4.3	4.0	4.5	5.0	4.0	3.7	4.7	4.1	5.0	5.0
Slovakia	Aupark Shopping Center Piestany	10,300	A	4.24	4.1	5.0	4.1	3.4	3.0	3.9	4.2	3.0	4.0	4.4	4.7	4.6	3.7	4.5	4.5
Slovakia	Galeria Mlyny	32,500	A (-)	4.14	4.4	5.0	4.0	5.0	3.0	3.6	3.6	3.5	4.0	3.2	2.3	4.3	3.9	5.0	5.0
Slovakia	Korzo Shopping Centrum	16,300	A (-)	4.20	3.5	3.0	3.5	3.0	5.0	4.2	4.6	3.5	4.0	3.8	3.6	4.1	4.0	5.0	5.0
Slovakia	Aupark Kosice Tower	12,800	not assessed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Croatia</b>	<b>Croatia</b>	<b>75,300</b>																	
Croatia	Arena Centar And Retail Park	75,300	A (+)	4.73	4.8	5.0	4.8	5.0	4.0	4.7	4.8	5.0	4.0	4.4	4.7	4.7	3.5	5.0	5.0
<b>Lithuania</b>	<b>Lithuania</b>	<b>67,800</b>																	
Lithuania	Ozas Shopping	67,800	B (+)	3.76	3.6	4.0	4.0	5.0	1.0	4.9	4.9	5.0	5.0	4.4	4.7	3.9	4.5	2.5	2.5
<b>Czech Republic</b>	<b>Czech Republic</b>	<b>74,200</b>																	
Czech Republic	Forum Usti nad Labem	27,800	A (-)	4.19	4.1	5.0	4.6	3.0	3.0	4.6	4.8	3.5	5.0	4.1	4.0	4.7	3.9	4.0	4.0
Czech Republic	Forum Liberec Shopping Centre	46,400	A (-)	3.81	4.1	5.0	4.6	3.0	3.0	3.1	3.9	3.0	1.0	4.0	4.0	4.4	3.5	4.0	4.0
<b>Serbia</b>	<b>Serbia</b>	<b>49,200</b>																	
Serbia	Promenada Novi Sad	49,200	A (+)	4.77	4.7	5.0	4.6	5.0	4.0	4.8	5.0	5.0	4.0	4.5	4.3	5.0	4.3	5.0	5.0

D2. NRP Properties

Property Name	Co, City	Asset Ranking	GLA Dec 2021	Occupancy Dec 2021	BV Dec 2021	Δ	Dec 2021 Estimates			Dec 2026 Estimates			Main Valuation Assumptions				IRR		Prospects	
						DCF Dec 2021 vs BV Dec 2021	DCF Dec 2021	Passing NRI Dec 2021	NIY Dec 2021	DCF Dec 2026	Passing NRI Dec 2026	NIY Dec 2026	Discount Rate	NRI CAGR 2022-2026	NRI CAGR 2026-∞	CAPEX reserve 2026-∞	IRR Dec 2021-∞	IRR Dec 2021- Exit Dec 2027	Asset Prospects	Asset Origin
TOTAL			2,013,700	96.1%	5,637	-1%	5,587	377.7	6.6%	6,266	422.9	6.7%	8.52%	4.2%	2.2%	9.8%	8.5%	7.9%		
Romania			853,400	97.9%	1,975	6%	2,092	144.9	6.7%	2,386	166.6	7.0%	9.22%	4.5%	2.6%	9.8%	9.6%	9.9%		
City Park	RO, Constanta	A (+)	51,900	96.2%	189	14%	217	12.7	5.7%	253	15.2	6.0%	8.70%	5.6%	3.1%	10.0%	9.5%	11.1%	GOOD	NEPI
Shopping City Galati	RO, Galati	A (+)	49,200	99.2%	115	6%	122	8.7	6.9%	137	9.7	7.1%	8.91%	3.8%	2.3%	10.0%	9.3%	9.6%	GOOD	NEPI
Shopping City Deva	RO, Deva	A (+)	50,700	100.0%	86	16%	100	6.8	6.6%	114	7.7	6.7%	8.91%	4.2%	2.6%	10.0%	9.9%	11.6%	GOOD	NEPI
Shopping City Piatra Neamt	RO, Piatra Neamt	A (+)	28,000	97.1%	54	9%	59	3.9	6.5%	66	4.5	6.8%	8.91%	4.5%	2.5%	10.0%	9.5%	10.3%	GOOD	NEPI
Mega Mall	RO, Bucharest	A	75,900	94.4%	287	8%	309	17.2	5.4%	366	21.4	5.9%	8.72%	6.9%	3.2%	10.0%	9.1%	9.9%	GOOD	NEPI
Shopping City Timisoara	RO, Timisoara	A	57,000	98.6%	130	20%	156	9.5	5.9%	182	11.2	6.1%	8.98%	5.1%	3.2%	10.0%	10.2%	12.4%	GOOD	NEPI
Vulcan Value Centre	RO, Bucharest	A	25,000	100.0%	73	8%	79	4.5	5.6%	93	5.5	6.0%	8.97%	5.6%	3.2%	7.5%	9.4%	10.2%	GOOD	NEPI
Shopping City Satu Mare	RO, Satu Mare	A	29,400	100.0%	54	12%	61	4.4	7.0%	68	4.9	7.2%	9.19%	3.9%	2.4%	10.0%	10.0%	11.1%	GOOD	Post-Merger
Shopping City Targu Jiu	RO, Targu Jiu	A	27,200	99.3%	53	-2%	52	3.8	7.1%	58	4.3	7.3%	9.19%	3.8%	2.3%	10.0%	9.1%	8.3%	GOOD	NEPI
Regional strip centres	RO, Various	A	30,200	100.0%	45	-7%	41	3.1	7.3%	46	3.5	7.5%	9.32%	2.8%	1.9%	5.0%	8.8%	7.1%	GOOD	NEPI
Promenada Mall Bucharest	RO, Bucharest	A (-)	39,300	98.4%	179	9%	196	12.4	6.1%	229	14.4	6.3%	9.01%	5.1%	3.1%	10.0%	9.6%	10.4%	GOOD	NEPI
Shopping City Sibiu	RO, Sibiu	A (-)	83,700	97.7%	143	12%	160	11.4	6.9%	182	13.1	7.2%	9.28%	4.7%	2.5%	10.0%	10.1%	11.1%	GOOD	NEPI
Braila Mall	RO, Braila	A (-)	52,900	97.5%	86	-3%	83	6.6	7.8%	91	7.4	8.1%	9.49%	3.7%	1.9%	10.0%	9.3%	8.3%	GOOD	NEPI
Shopping City Targu Mures	RO, Targu Mures	A (-)	40,200	99.1%	90	-3%	88	6.7	7.5%	97	7.5	7.8%	9.49%	3.7%	2.2%	10.0%	9.3%	8.3%	GOOD	Post-Merger
Shopping City Ramnicu Valcea	RO, Valcea	A (-)	28,200	99.5%	49	7%	53	4.1	7.6%	58	4.5	7.9%	9.49%	3.6%	2.1%	10.0%	10.0%	10.3%	GOOD	Post-Merger
Shopping City Buzau	RO, Buzau	A (-)	23,700	98.4%	58	-5%	55	4.2	7.5%	61	4.7	7.8%	9.49%	3.8%	2.2%	10.0%	9.1%	7.8%	GOOD	NEPI
Shopping City Severin	RO, Severin	A (-)	23,200	98.5%	37	-4%	35	2.7	7.6%	39	3.1	7.9%	9.49%	3.6%	2.1%	10.0%	9.2%	8.1%	GOOD	NEPI
Promenada Mall Sibiu	RO, Sibiu	B (+)	42,500	96.3%	100	-4%	96	7.7	7.9%	105	8.7	8.3%	9.87%	4.0%	2.1%	10.0%	9.6%	8.4%	GOOD	Post-Merger
Iris Titan Shopping Center	RO, Bucharest	B	43,100	99.6%	104	-14%	89	8.6	9.3%	100	9.4	9.4%	10.88%	3.1%	2.0%	10.0%	9.6%	7.0%	SUBOPTIMAL/AT RISK	NEPI
Pitești Retail Park	RO, Pitești	C	24,800	100.0%	25	1%	25	3.9	15.5%	26	4.0	15.4%	14.94%	0.7%	0.5%	10.0%	15.9%	13.8%	SUBOPTIMAL/AT RISK	NEPI
Rasnov Industrial Facility	RO, Rasnov	not assessed	23,000	97.4%	13	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	NEPI
Otopeni Warehouse	RO, Otopeni	not assessed	4,300	95.8%	5	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	NEPI
Poland			479,800	95.0%	1,392	-7%	1,295	85.0	6.4%	1,448	92.5	6.4%	7.69%	4.3%	1.7%	9.6%	7.2%	5.9%		
Galeria Warminska	PL, Olsztyn	A (+)	42,900	98.2%	161	6%	171	9.9	5.6%	195	10.8	5.5%	7.32%	4.3%	2.2%	10.0%	7.6%	8.2%	GOOD	Rockcastle
Galeria Wolomin	PL, Wolomin	A	30,700	97.0%	56	9%	61	4.1	6.6%	69	4.5	6.6%	8.25%	4.6%	1.9%	7.5%	8.8%	9.6%	GOOD	Rockcastle
Galeria Tomaszow	PL, Tomaszow	A	18,200	97.9%	28	24%	35	2.7	7.4%	39	2.9	7.5%	8.78%	3.6%	1.8%	10.0%	10.5%	12.9%	GOOD	Rockcastle
Bonarka City Center	PL, Krakow	A (-)	74,700	97.2%	393	-14%	336	19.9	5.8%	377	21.8	5.8%	7.19%	4.8%	1.8%	10.0%	6.3%	3.8%	AM INTERVENTION	Rockcastle
Karolinka Shopping Centre	PL, Opole	A (-)	67,500	96.2%	153	2%	156	9.7	6.1%	175	10.8	6.1%	7.55%	4.8%	1.7%	7.5%	7.6%	7.6%	AM INTERVENTION	Rockcastle
Focus Mall Zielona Gora	PL, Zielona Gora	A (-)	44,100	81.0%	175	-20%	141	7.7	5.3%	161	9.2	5.7%	7.54%	6.7%	2.2%	10.0%	6.3%	3.0%	AM INTERVENTION	Rockcastle
Focus Mall Piotrkow Trybunalski	PL, Trybunalski	A (-)	35,100	94.9%	44	28%	57	4.3	7.3%	64	4.7	7.4%	8.48%	4.9%	1.6%	10.0%	10.5%	13.4%	GOOD	Rockcastle
Alfa Centrum Bialystok	PL, Bialystok	B (+)	37,200	94.6%	93	-13%	81	6.1	7.3%	89	6.4	7.3%	7.93%	3.7%	1.2%	10.0%	7.0%	4.8%	AM INTERVENTION	Post-Merger
Solaris Shopping Centre	PL, Opole	B (+)	26,400	95.3%	82	-12%	72	5.6	7.6%	78	5.9	7.6%	8.23%	3.7%	1.2%	10.0%	7.3%	5.2%	SUBOPTIMAL/AT RISK	Rockcastle
Pogoria Shopping Centre	PL, Dabrowa	B (+)	37,700	99.5%	71	5%	74	5.2	6.8%	82	5.5	6.7%	7.72%	3.6%	1.5%	10.0%	8.0%	8.3%	GOOD	Rockcastle
Platan Shopping Centre	PL, Zabrze	B	39,900	95.0%	71	-14%	61	4.8	7.7%	67	5.0	7.5%	8.25%	3.4%	1.3%	10.0%	7.2%	4.8%	SUBOPTIMAL/AT RISK	Rockcastle
Aura Centrum	PL, Olsztyn	B (-)	25,400	95.5%	66	-25%	50	5.1	10.2%	52	4.9	9.4%	9.19%	0.9%	0.5%	10.0%	7.0%	2.6%	SUBOPTIMAL/AT RISK	Post-Merger
Bulgaria			160,600	95.6%	468	3%	482	34.2	6.9%	542	39.6	7.3%	9.15%	5.1%	2.5%	9.8%	9.5%	9.3%		
Paradise Center	BG, Sofia	A (+)	80,400	94.9%	258	7%	277	18.3	6.4%	318	22.0	6.9%	9.23%	5.9%	2.7%	10.0%	9.7%	10.3%	GOOD	Post-Merger
Serdika Center	BG, Sofia	A (-)	51,700	98.9%	157	-4%	151	12.1	7.7%	171	13.5	7.9%	9.71%	3.8%	2.3%	10.0%	9.5%	8.4%	GOOD	Post-Merger
Serdika Office	BG, Sofia	not assessed	28,500	88.9%	52	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	Post-Merger
Hungary			123,300	91.9%	585	-28%	422	31.6	7.3%	458	32.6	7.1%	8.31%	1.5%	1.5%	10.0%	6.2%	1.3%		
Arena Mall	HU, Budapest	A	65,900	98.4%	301	4%	312	18.9	5.9%	346	20.6	5.9%	7.62%	2.9%	2.1%	10.0%	7.8%	8.0%	GOOD	Post-Merger
Mammut Shopping Centre	HU, Budapest	C	57,400	84.5%	284	-61%	111	12.7	11.4%	112	12.0	10.7%	10.41%	-0.8%	0.5%	10.0%	4.0%	-9.0%	SUBOPTIMAL/AT RISK	Post-Merger
Slovakia			130,100	94.5%	518	7%	554	33.2	5.9%	609	37.2	6.1%	7.47%	4.4%	1.9%	10.0%	7.9%	8.5%		
Aupark Kosice Mall	SK, Kosice	A	33,100	93.6%	164	8%	178	10.0	5.5%	198	11.6	5.9%	7.39%	5.4%	1.9%	10.0%	7.8%	8.7%	GOOD	NEPI
Aupark Zilina	SK, Zilina	A	25,100	98.9%	128	10%	140	8.4	5.9%	155	9.1	5.9%	7.39%	3.5%	1.9%	10.0%	7.9%	8.9%	GOOD	NEPI
Aupark Shopping Center Piestany	SK, Piestany	A	10,300	94.8%	42	0%	42	2.6	6.1%	46	3.0	6.5%	7.73%	4.2%	1.7%	10.0%	7.7%	7.4%	GOOD	NEPI
Galeria Mlyny	SK, Nitra	A (-)	32,500	94.3%	126	2%	128	8.0	6.1%	142	9.0	6.3%	7.69%	4.6%	1.8%	10.0%	7.8%	7.7%	GOOD	Post-Merger
Korzo Shopping Centrum	SK, Prievidza	A (-)	16,300	98.4%	39	13%	44	3.0	6.7%	49	3.3	6.8%	8.28%	3.0%	1.9%	10.0%	9.1%	10.4%	GOOD	NEPI
Aupark Kosice Tower	SK, Kosice	not assessed	12,800	72.4%	19	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	NEPI
Croatia			75,300	98.2%	257	10%	282	18.2	6.3%	313	20.5	6.5%	8.47%	3.7%	2.4%	10.0%	9.1%	10.0%		
Arena Centar And Retail Park	HR, Zagreb	A (+)	75,300	98.2%	257	10%	282	18.2	6.3%	313	20.5	6.5%	8.47%	3.7%	2.4%	10.0%	9.1%	10.0%	GOOD	NEPI
Lithuania			67,800	99.8%	144	8%	155	11.0	7.0%	167	11.8	7.1%	8.51%	2.9%	1.9%	10.0%	9.0%	9.5%		
Ozas Shopping	LT, Vilnius	B (+)	67,800	99.8%	144	8%	155	11.0	7.0%	167	11.8	7.1%	8.51%	2.9%	1.9%	10.0%	9.0%	9.5%	GOOD	Post-Merger
Czech Republic			74,200	93.1%	175	3%	179	9.8	5.4%	200	11.0	5.5%	7.33%	3.8%	2.2%	10.0%	7.4%	7.5%		
Forum Usti nad Labem	CZ, Usti nad Labem	A (-)	27,800	98.9%	89	6%	94	5.4	5.6%	104	5.9	5.6%	7.41%	3.2%	2.2%	10.0%	7.7%	8.2%	GOOD	NEPI
Forum Liberec Shopping Centre	CZ, Liberec	A (-)	46,400	87.3%	86	-1%	85	4.4	5.1%	95	5.1	5.4%	7.25%	4.6%	2.3%	10.0%	7.1%	6.8%	AM INTERVENTION	Rockcastle
Serbia			49,200	97.5%	125	2%	127	9.7	7.4%	143	11.2	7.9%	9.89%	4.4%	2.5%	10.0%	10.1%	9.8%		
Promenada Novi Sad	RS, Novi Sad	A (+)	49,200	97.5%	125	2%	127	9.7	7.4%	143	11.2	7.9%	9.89%	4.4%	2.5%	10.0%	10.1%	9.8%	GOOD	Post-Merger