

NEPI Rockcastle plc

Incorporated and registered in the Isle of Man

Registered number 014178V

JSE share code: NRP

Euronext share code: NRP

ISIN: IM00BDD7WV31

("NEPI Rockcastle" or "the Company")



UPDATE ON THE ARBITRATION PROCEEDINGS REGARDING THE DISCONTINUED ACQUISITION OF SERENADA AND KROKUS SHOPPING CENTRES IN POLAND

The Company refers to the 13 October 2017 and 4 January 2019 announcements and the information provided in its 2020 Annual Report regarding the arbitration proceedings initiated against two wholly owned subsidiaries (Serenada Property sp. z.o.o. and Rockcastle Global Real Estate Holdings B.V., together the "**Respondents**") in connection with the discontinued acquisition of two shopping centres (Serenada and Krokus, together the "**Property**") in Krakow, Poland.

On 31 January 2022 the Company was informed by the Arbitral Tribunal (constituted under the International Chamber of Commerce Rules of Arbitration) that the latter has awarded the claim filed against the Respondents by the owners of the Property (the "**Claimants**") and ordered the Respondents to pay contractual penalties in the amount of EUR 30 million plus cumulated interest and arbitration expenses.

The Board of Directors and management of the Company are disappointed by this ruling as the decision to terminate the transaction was, in the view of the Board of Directors, lawful and in the best interest of the Company. We maintain that the Company was entitled to terminate the transaction on the basis that the long stop date had passed, and certain agreed conditions precedent had not been met. The arbitral award is enforceable and can be challenged in the common courts in Poland. The Company is currently considering challenging the award.

Background

The Group entered into a binding promissory sale agreement and master agreement (the "**Agreement**") to acquire Serenada and Krokus shopping centres in October 2017, following a Memorandum of Understanding signed in July 2017. The acquisition was subject to fulfilment of certain conditions precedent and the conclusion of a final purchase agreement, which in October 2017 was expected to occur in Q1 2018. The conditions precedent included, among others, the receipt of all relevant regulatory approvals to implement the acquisition and the waiver of a right of first refusal to acquire the Property granted to an anchor tenant of Krokus under an existing lease agreement. Several of the conditions precedent had not been fulfilled by the long stop date set in the Agreement (31 December 2018), which gave the Respondents the right to terminate it, which they did in January 2019.

In addition to the aforesaid non fulfilment of several conditions precedent, the decision to make use of the contractual right to call off the transaction was caused by the fact that the Claimants failed to meet the milestones set in the agreed timetable, failure which had led to significant delays in the planned redevelopment (the redevelopment project has still not started to this day). The transaction as negotiated was critically dependent on the Claimants redeveloping the Property into a single integrated shopping centre with a GLA of over 100,000 m² within a certain timetable, the pricing of the deal being structured to reflect a yield of 5.077% on the estimated future income of the redeveloped asset.

Impact

The Board of Directors will analyze the Arbitral award and consult on whether the contractual penalties plus cumulated interest and arbitration expenses should impact the calculation of distributable earnings.

Further updates will be provided if and when available to the Company.

For further information please contact:

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