

NEPI Rockcastle plc

Incorporated and registered in the Isle of Man

Registered number 014178V

Share code: NRP

ISIN: IM00BDD7WV31

("NEPI Rockcastle" or "the Company" or "the Group")



NEPI ROCKCASTLE

BUSINESS UPDATE

NEPI Rockcastle's strategic aim, to be the premier retail investor in Central and Eastern Europe (CEE), was facilitated during the third quarter of 2019 (Q3) through a continued focus on asset management and the development pipeline, targeting further high-quality properties. Key metrics, including sales, footfall and vacancy, have further improved. Significant work on greenfield sites, extensions and refurbishments continued, with over 300,000m² gross lettable area (GLA) under development and 56,800m² GLA opened during this period or by the time of this announcement.

PORTFOLIO PERFORMANCE AND FINANCIAL HIGHLIGHTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

- Net operating income (NOI) of €300 million, 19.2% higher compared to the corresponding period in 2018.
- 6.3% NOI growth for the retail portfolio on a like-for-like basis.
- 240 million visits, representing a 5.4% increase from the corresponding period of the previous year and 1.3% increase on a like-for-like basis.
- Tenant turnover on a like-for-like basis increased by 7.6% (excluding hypermarkets).
- Turnover per m² increased by 7.2% on a like-for-like basis (excluding hypermarkets).
- Collection rate remained at 99.9%, with only €440,000 bad debt expense recognised in the period.
- EPRA occupancy rate across income-producing portfolio was 97.6% as at 30 September 2019, excluding GLA under refurbishment in Shopping City Buzau and Forum Liberec Shopping Centre.
- Total assets of over €6.9 billion, with property portfolio of €6.2 billion, including the Romanian office portfolio held for sale and excluding carrying value of right-of-use asset recognised as per IFRS 16.
- 97% of property portfolio located in European Union investment-grade countries.
- Loan-to-value ratio (LTV) of 31.4%, below the Group's 35% strategic target and comfortably within the 60% unsecured debt covenant.

ADDITIONAL HIGHLIGHTS

- The new team has over 450 professionals across 11 jurisdictions, combining asset, development, finance, leasing and investment expertise in an integrated approach.
- Environmental, Social and Corporate Governance (ESG) risk rated as low (16.4/100) by Sustainalytics, a leading, independent, global ESG ratings agency. NEPI Rockcastle is committed to further improvement.
- Silver Prize awarded after the first year of EPRA membership, as a recognition of the Group's commitment to transparency in reporting and compliance with best practices recommendations.
- The disposal of the Romanian office portfolio is underway, with the exclusivity granted to AFI Europe extended until mid-December 2019.

OPERATING ASSETS UPDATE

- **Arena Centar (Zagreb, Croatia):** Peek & Cloppenburg launched a multi-brand store, with the latest fashion offering. Hugo Boss and Ted Baker also opened shops, along with a T-Mobile concept store and Croatia's first Body Shop.

- **Arena Mall (Budapest, Hungary):** Several new retailers, including Hugo Boss and Tommy Hilfiger opened mono brand stores, while online-first perfumery Notino launched its first Hungarian store.
- **Focus Mall (Zielona Gora, Poland):** Reserved extended existing store, almost doubling its size.
- **Forum Liberec Shopping Centre (Liberec, Czech Republic):** Burger King, Pizza Hut and the region's first Starbucks opened in refurbished food court, while Terranova launched its latest concept store, Dracik, and bookshop Luxor opened its largest regional shop.
- **Galeria Warminska (Olsztyn, Poland):** Xiaomi opened a shop and Deichmann launched a large flagship store.
- **Karolinka Shopping Centre (Opole, Poland):** CCC, Cropp and Sinsay opened new and refurbished flagship stores.
- **Mega Mall (Bucharest, Romania):** Burger King re-entered Romania, opening a concept fast-food restaurant in the recently remodelled food court.
- **Paradise Center (Sofia, Bulgaria):** Hippoland, the toy retailer, opened a sizeable playground, strengthening the recently remodelled underground level. CCC opened their largest Bulgarian store, Humanic launched a new shop and Notino opened its first Bulgarian physical store.
- **Serdika Center (Sofia, Bulgaria):** Ginger Layout opened a 330-seat restaurant, out of which 110 seats are located in a spacious perennial garden. Multinational sporting goods brand ASICS opened a concept store.
- **Solaris Shopping Centre (Opole, Poland):** New tenants, including HEBE, JustGym and PEPCO, opened sizeable stores.

DEVELOPMENT HIGHLIGHTS

Promenada Mall Sibiu (Romania)

This 42,200m² shopping mall opened on 14 November 2019 after 16 months of construction. The center is fully let, and houses 140 tenants, including Altex, Bershka, Cine Gold, Gant, Guess, H&M, Hervis, Inditex,



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KFC, LPP, Mango, Massimo Dutti, New Yorker, Sinsay, Tommy Hilfiger, US Polo and Zara. Promenada Mall Sibiu is located in walking distance from the vibrant touristic historical city centre and next to the train station. The mall has an open-air green terrace, three floors of retail and leisure and three levels of parking. The dining and entertainment area comprise 18% of GLA, aligned with the Group's strategy of increasing leisure footprints. Promenada Mall Sibiu hosts an eMag showroom (the largest online retailer in Romania) and the first Kaufland supermarket located in a shopping center.

Bonarka City Center (Krakow, Poland)

The first phase of this extension, refurbishment and re-leasing is complete with further redevelopment expected. Monki opened its first Polish store, while several other fashion brands, such as Reserved and Peek & Cloppenburg increased their store size. Zara doubled its GLA and is the country's first store to use the brand's latest logo and fully-automated, online order collection.

Promenada Mall Bucharest (Romania)

Planning permission was obtained in October 2019, and the building permit is estimated to be obtained during 2020. Procurement has commenced and the updated schedule includes an estimated completion of the retail extension in H1 2022 and the office component in H2 2022. The extension of the centrally located mall will add a multiplex cinema, a hypermarket and a selection of trendy restaurants and fashion stores.

Promenada Mall Craiova (Romania)

The Group is constructing a 56,500m² GLA modern retail and entertainment destination in Craiova, one of Romania's major cities. An inner-city development, with more than 300,000 inhabitants, the shopping mall will host a diverse tenant mix, including regional and international fashion and beauty brands, leisure and entertainment areas and over 2,500 parking bays. Planning permission is pending and opening is scheduled for Q3 2021.

OTHER DEVELOPMENTS

The Company completed the 8,600m² Krusevac Retail Park in Serbia, at the end of September 2019. It is fully occupied, with 17 well-known national and international brands.

Construction is ongoing on several other projects:

- » **Shopping City Buzau, Romania:** 17,900m² GLA refurbishment scheduled for completion in Q2 2020;
- » **Focus Mall, Zielona Gora, Poland:** 15,900m² extension and refurbishment scheduled for completion in Q4 2020;
- » **Forum Liberec Shopping Centre, Czech Republic:** refurbishment scheduled to be completed in Q2 2020;
- » **Karolinka Shopping Centre, Opole, Poland:** 2,700m² GLA, six screen cinema, scheduled for completion in Q4 2020;
- » **Shopping City Sibiu, Romania:** Cineplexx Cinema scheduled for completion in Q1 2020;
- » **Shopping City Targu Mures, Romania:** 40,000m² GLA mall scheduled for completion by Q2 2020; and
- » **Vulcan Value Centre, Bucharest, Romania:** KFC Drive Thru scheduled for completion in Q1 2020.

Other projects await planning permission:

- » **Arena Mall, Budapest, Hungary:** zoning changes for the adjacent plot are approved; construction works for the extension will commence when the building permit is received; and

- » **Promenada Mall Plovdiv, Bulgaria:** zoning approved and building permit pending; the mall's opening is scheduled for Q3 2021.

CASH MANAGEMENT AND DEBT

The Group has a strong liquidity profile, with €301 million in cash, €400 million in available unsecured revolving facilities and €69 million net listed securities (which comprises a portfolio of listed securities less related debt) as at 30 September 2019. NEPI Rockcastle's gearing ratio (interest bearing debt less cash, divided by investment property, including investment property held for sale, plus listed securities) was 31.4%, below the 35% strategic target. The reported gearing ratio (LTV) excludes the impact of IFRS 16, which is considered immaterial (€32.2 million in right-of-use assets and lease liabilities as at 30 September 2019).

The average interest rate, including hedging, was 2.5% for the nine months ended 30 September 2019. All interest rate exposure related to long-term loans is hedged (excluding revolving facilities), with a remaining weighted average hedge term of 3.5 years.

In October 2019, after a roadshow with European fixed-income investors, NEPI Rockcastle issued €500 million of unsecured, seven-year Eurobond, carrying a 1.875% fixed coupon, with an issue price of 98.927%. This was the second bond issue during the year, increasing the total amount raised in 2019 from European investors to €1 billion, and enabling the Company to compete more effectively long-term, in CEE real estate markets. The proceeds of this second issue were used for liability management, including refinancing of secured loans and the repurchase of €200 million nominal value of the bonds due in February 2021. Further to this bond issue, the estimated average debt maturity term increased to over four years.

During October 2019, shareholders representing approximately 61% of the Group's share capital elected to receive the distribution for the six months ended 30 June 2019 as a return of capital, by way of an issue of new shares. This marks another success in the Company's equity capital markets activity, with equity of €104 million issued at 2% premium to NAV.

OUTLOOK

Distributable earnings per share for 2019 are expected to be approximately 6.5% higher than 2018. The variance to February's guidance is positively impacted by the extended disposal process of the Romanian office portfolio, partly offset by a stronger scrip dividend take-up than initially forecast. This guidance is based on the assumptions that a stable macroeconomic environment prevails, no major corporate failures occur, and developments remain on schedule. This forecast has not been audited or reviewed by NEPI Rockcastle's auditors and is the Board of Directors' responsibility.

FINANCIAL SCHEDULE

20 February 2020	Publication of 2019 Audited Consolidated Annual Financial Results
17 March 2020	Publication of the 2019 Annual Report
20 May 2020	Business Update
21 August 2020	Publication of the Reviewed Consolidated Financial Results For The Six Months Ended 30 June 2020
19 November 2020	Business Update

20 November 2019

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