

NEPI Rockcastle N.V. (Formerly NEPI Rockcastle S.A.)

Incorporated and registered in the Netherlands

Registered number: 87488329

Share code: NRP

ISIN: NL0015000RT3

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



BUSINESS UPDATE

All information below excludes joint ventures, unless otherwise stated

"Despite the challenging macroeconomic environment, NEPI Rockcastle continued to have strong and improving results from operations. In the third quarter (Q3) 2022, tenant sales were increasing faster than in the first half of the year (H1) relative to the comparative 2021 periods, while higher occupancy rates indicate robust retailer demand. NEPI Rockcastle is actively managing inflationary pressures on energy and other operating expenses through cost saving initiatives and continuous tenant cooperation, limiting their impact on net operating income (NOI).

In Q3 2022, we continued to invest in growth-creating opportunities with long-term potential. Our development pipeline is on schedule, and we acquired our joint-venture partner's 50% stake in Ploiesti Shopping City, opening the way for a future redevelopment. The green energy programme, launched this year, will see its first results with the installation of ten photovoltaic plants by 31 December 2022.

At the corporate level, we successfully completed our relocation to the Netherlands. NEPI Rockcastle has one of the industry's lowest loan-to-value ratios (LTV) and ample liquidity. Our sound financial strategy and strong operations were recently validated when Fitch Ratings upgraded NEPI Rockcastle's credit rating from BBB with positive outlook to BBB+ with stable outlook."
Rüdiger Dany, Chief Executive Officer (CEO)

OPERATIONAL HIGHLIGHTS

- Tenant sales in Q3 2022 continued to accelerate, exceeding Q3 2019 by 17% (on a like-for-like (LFL) basis, excluding hypermarkets).
- During the first nine months (9M) 2022 tenant sales were 11.3% higher than 9M 2019, and 31.6% higher than 9M 2021, LFL.
- Footfall in 9M 2022 was 19% higher than the previous year and 12.4% lower than 9M 2019.
- On 30 September 2022, the collection rate was 97% of reported revenues for 2022 (increasing to 98% on 31 October 2022) and 100% for financial year (FY) 2021.
- NOI for 9M 2022 was €297 million, 18% higher compared to 9M 2021. This growth was mostly driven by the decrease in Covid-19 related discounts from €36.9 million in 9M 2021 to an insignificant level of discounts in 9M 2022. Moreover, a net gain of €2.1 million was recognised due to the reversal of Covid-19 related discounts accrued in 2021 but not subsequently granted. These positive effects were partly offset by an increase in unrecoverable property operating expenses (€15.6 million in 9M 2022 compared to €1.4 million in 9M 2021), triggered mainly by inflation and higher utility costs.
- Ongoing developments remain on schedule, in terms of both construction and leasing.
- The first stage of the Group's green energy programme, being the installation of 10 photovoltaic plants, will be completed by 31 December 2022.
- On 30 September 2022, the European Public Real Estate Association (EPRA) occupancy rate was 97%, improving from 96.6% as at 30 June 2022.

- During September 2022, the Company completed the acquisition of joint-venture partner's 50% share in Ploiesti Shopping City for a cash consideration of €55.5 million, becoming the sole owner.
- On 14 November 2022, NEPI Rockcastle entered into a binding agreement to acquire a 100% interest in Copernicus Shopping Centre, a dominant shopping centre in Torun, Poland, with a Gross Leasable Area (GLA) of 48,000m². This acquisition is part of the investment strategy to increase portfolio concentration in investment grade rated countries and focus on core dominant properties. The property has outstanding operational performance and is well positioned for future growth, both organically and through further value enhancement and extension potential. Copernicus Shopping Center is expected to generate a NOI of €9.6 million per year in the medium term. The transaction value, including adjacent land suitable for extension, is €127 million (subject to certain price adjustments, including €2 million land). Completion is dependent on approval by the Polish Competition Authority.

FINANCIAL HIGHLIGHTS

- On 30 September 2022, liquidity remained strong, with €439 million in cash and €620 million in available committed credit facilities.
- The LTV on 30 September 2022 was 31%, below the 35% strategic threshold.
- There are no material debt maturities in 2022 or 2023.
- In November 2022, Fitch Ratings upgraded NEPI Rockcastle's credit rating from BBB with positive outlook to BBB+ with stable outlook, reflecting improvements in operational metrics during recent years and a long-term, ongoing prudent financial profile.
- On 30 September 2022, EPRA Net Reinstatement Value (NRV) per share was €6.76, 1.8% higher than 30 June 2022 (€6.64).
- The property portfolio's value of €6.1 billion is +2.5% higher than on 30 June 2022, due to investments in developments made during Q3 2022 and the acquisition of the 50% share in Ploiesti Shopping City. In accordance with Company policy, no property valuations were undertaken during Q3 2022. Independent evaluations are included in half-yearly and year-end financial statements.
- Previous earnings guidance for 2022 financial year has been revised from 33% to 38% due to current outstanding operational performance.

OPERATING PERFORMANCE

Trading restrictions and government regulation

All tenants are currently operating without restrictions and have reverted to regular, business-as-usual terms in the lease agreements.

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Currently, no new Covid-19 restrictions in Central and Eastern Europe (CEE) are anticipated.

Trading update

Following a sharp, continuous improvement from January (-26%) to May (-9%), LFL footfall stabilised compared to 2019 (-8% between June and September). Over 9M 2022, total visits were 12.4% lower than 9M 2019 and 19% higher than 9M 2021.

Tenant sales (LFL, excluding hypermarkets) over 9M 2022 were 11.3% higher than 9M 2019 and 31.6% higher than 9M 2021. Compared to 2019, figures increased in percentage terms quarter to quarter, from -1% in first quarter (Q1) to +17% in Q3. All product categories recorded higher sales compared to 2019, except Entertainment (-13.1%; up from -16.7% in H1). Health and Beauty (+31.2%) and Fashion Complements (+25%) performed best. Fashion, the largest category, with 45% of total sales, exceeded pre-pandemic levels recording a 3.4% increase on 2019 and a 23% increase on 2021.

The overperformance of sales compared to footfall was driven by a large increase in average basket size.

Leasing activity

During 9M 2022, NEPI Rockcastle signed 739 leases for over 153,000m², of which 47% were new. This contributed to a reduction in vacancy since the start of the year. International tenants accounted for 48% of newly leased GLA.

New leases signed in Q3 2022 include epantofi.ro (Mega Mall), dm (Karolinka Shopping Centre), Mango (Mammut Shopping Centre) and Decimas (City Park).

New units opened in Q3 2022 include HalfPrice (Focus Mall Piotrkow Trybunalski and Mammut Shopping Centre), Sinsay (Braila Mall), Dr.Max (Shopping City Sibiu), Pull&Bear (Galeria Mlyny), Cropp and House (Ploiesti Shopping City).

DEVELOPMENT UPDATE

Promenada Craiova (expected opening in Q3 2023) and Promenada Bucharest extension (expected opening in Q4 2025) remain on schedule, as is Vulcan Residence, the Group's first housing project, which will be completed in Q2 2023.

The Company's development pipeline, under construction or permitting, is worth €665 million, of which €213 million was spent up to 30 September 2022.

NEPI Rockcastle's latest project, the installation of 30 photovoltaic plants in Romania, will be completed in stages by Q4 2023, with the first ten installed by the end of 2022.

CASH MANAGEMENT AND DEBT

On 30 September 2022, the Group had a very strong liquidity profile, with €439 million in cash and €620 million in undrawn committed credit facilities.

The gearing ratio* (interest bearing debt less cash, divided by investment property) was 31%, comfortably below the 35% threshold.

On 30 September 2022, ratios for unsecured loans and bonds showed ample headroom compared to covenants:

- Solvency ratio: 38% actual compared to maximum 60% requirement.
- Consolidated coverage ratio: 4.95 actual compared to minimum 2 requirement.
- Unsecured consolidated total assets/unsecured consolidated total debt: 268% actual compared to minimum 150% requirement.

The 9M 2022 average interest rate, including hedging, was 2.4%. Exposure to variable interest rates is 100% hedged.

CORPORATE EVENTS

On 6 September 2022, NEPI Rockcastle successfully completed its migration to the Netherlands, under the name NEPI Rockcastle N.V. This marks the completion of a significant corporate milestone for the Group and its shareholders.

As announced on 6 September 2022, Alex Florescu was appointed Company Secretary, with effect from the same day, replacing Philippe Vanderhoven.

OUTLOOK

Based on further operational recovery in Q3 2022, the Company revises the guidance issued in August 2022 predicting distributable earnings per share for the year to be approximately 33% higher than 2021 and currently expects distributable earnings to be approximately 38% higher than 2021.

This guidance does not consider the potential negative impact of future events affecting operations and results before year end, such as: 1) continuing inflation rise in Central and Eastern European countries disrupting disposable income and retail consumption; 2) a winter energy crisis causing rationing and/or higher prices; 3) war in Ukraine escalates, threatening the Company's business in CEE, and 4) new Covid-19 variants forcing regional governments to introduce new trading and movement restrictions. This guidance has not been reviewed or reported on by NEPI Rockcastle's auditors and is the responsibility of the Board of Directors.

By order of the Board of Directors

Rüdiger Dany
Chief Executive Officer (CEO)

Eliza Predoiu
Chief Financial Officer (CFO)

17 November 2022

* On 30 September 2022, the reported gearing ratio (LTV) excludes the €33 million right-of-use assets and associated lease liabilities.