

NEPI Rockcastle plc

Incorporated and registered in the Isle of Man

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("NEPI Rockcastle" or "the Company")



UPDATE ON THE IMPACT OF COVID-19

Background

Since mid-March 2020, local governments in the nine Central and Eastern European ('CEE') countries where NEPI Rockcastle operates have implemented rigorous measures to contain the spread of COVID-19, including, among others, the closure of all stores except those selling essential goods (such as groceries, other food stores and pharmacies). Such measures were prompt and efficient, leading to a low rate of COVID-19 infections and fatalities in the CEE.

Non-essential shops opening for trade and first signs of business beginning to normalise

Gradual easing of restrictions has commenced in the second half of April 2020 and is expected to continue throughout May – June. Governments are adopting different plans for ending the lockdowns, mostly focused on a phased approach.

Regarding the Group's operations:

- trading restrictions have been substantially lifted in Lithuania, with most retail shops, including those in shopping centres, being now open. Indoor restaurants and entertainment facilities are expected to open at the end of May or beginning of June. The government safety guidelines require shopping centres, among others, to ensure a maximum density of one person per 10 square metres. NEPI Rockcastle resumed its operations at Ozas Shopping Centre and Entertainment in Vilnius on 25 April 2020.
- on 4 May 2020, Poland ended the temporary trading restrictions on the stores located in shopping centres larger than 2,000 square metres, and all the Group's malls in Poland have resumed normal trading. Some safety guidelines imposed by the government remain in place, including wearing face masks and maintaining social distancing when in public spaces. Restaurants currently provide only take-away food. Entertainment facilities remain closed as the government continues to monitor the situation.
- retail parks in Croatia have been open since 27 April, including the Group's Arena Retail Park (Zagreb, Croatia);
- the office portfolio continues to be functional;
- non-essential store openings are also being accelerated in Serbia, Czech Republic and Croatia, with trading restrictions expected to end by mid-May; and
- a gradual easing of the lockdown measures has been announced also by Romania, Slovakia, Hungary and Bulgaria, although specific dates for allowing trading of non-essential shops located in shopping malls have not been yet communicated.

As of today, tenants representing 43% of the Group's GLA are open, and the number is expected to increase progressively over the next weeks. The first trading indications in Lithuania and Poland are positive: most of the tenants have already opened their stores, footfall is gradually increasing, and customers react positively to the new safety rules. Further increases in footfall and turnovers are expected when the restaurants and cinemas revert to operations, and also when the neighbouring offices have increased attendance.

Conversion rates are higher than usual, indicating that customers are focused on efficient shopping.

Targu Mures Shopping City, the Romanian mall which was initially planned for opening at the end of March, was completed. A new opening date will be decided together with the tenants, once the Romanian government provides more information on the phased easing of restrictions.

Extensive health and safety protocols

The Group has implemented extensive health and safety measures in its shopping centres. The protocol includes, amongst others:

- social distancing rules are enforced through markings in seating areas, corridors, elevators, escalators, etc;
- shopping centres' staff and customers are expected to wear masks and apply other precautionary measures;
- communication with visitors is done through various channels, such as radio, posters, videos on electronic panels, website and social media messages, and outlines the most significant preventive measures customers are expected to apply when visiting the centres;
- NEPI Rockcastle, its tenants and suppliers strictly monitor their employees for COVID-19 symptoms, and instruct them on additional safety norms and procedures;
- buildings are ventilated with 100% fresh air;
- additional cleaning and disinfection are performed regularly;
- frequently used furniture and equipment (such as handrails, food court tables and trays) are disinfected every hour; and
- hand sanitizing dispensers are available in numerous locations across each property.

Measures to support retailers and collections

Governments across the Group's CEE region have adopted laws implementing measures to assist tenants, ranging from allowing the ability to defer rental payments for businesses impacted by COVID-19 until the end of 2020 (such as in Romania, although the law is not yet enforced), to providing state financial aid covering part of the payments due by tenants (Lithuania) or suspending tenants' financial obligations for the duration of the restrictions (Poland). Also, CEE governments allow deferral of various tax and social contributions payments, with some governments implementing suspension of the loan instalments for specific periods. The Group encourages its tenants to use the fiscal and monetary stimuli provided by governments.

NEPI Rockcastle has an ongoing, active dialogue with its tenants regarding their business performance and ability to pay. The Group usually collects over 99% of its income. Over 90% of the rent and other charges invoiced for Q1 2020 have been collected. Although rent payment obligations regarding closed units for April and May (where already invoiced) have been deferred for 60 days without penalties, as a mean to supporting tenants, collection is progressing well.

The asset management team is committed to working together with tenants to maintain sustainable, long-term relationships. Any discounts will be agreed on case-by-case basis, based on a thorough analysis of the tenants' financial situation, occupancy cost ratio and other factors, and will be focused on maintaining a functioning retail environment for the long term.

Strong balance sheet and liquidity

The Group is committed to its prudent financial policy, focused on a conservative gearing level (32% as at December 2019) and robust liquidity. In response to the recent events, NEPI Rockcastle actively implemented various measures focused on optimising the allocation of capital, including:

- reducing non-critical operating expenses, especially for the period in which most of the retailers in the shopping centres were not trading;
- deferring non-committed development projects; and
- deferring non-essential capital expenditure.

The Group estimates strict compliance with all debt-related obligations throughout 2020 and going further, without any need to obtain deferrals or waivers for any of its unsecured or secured debt. Financial covenants show significant headroom to the required levels.

NEPI Rockcastle is committed to further enhancing its liquidity and maturity profile and will continue to analyse various options in this respect.

BBB ratings reaffirmed by S&P and Fitch

At the beginning of April 2020, Standard & Poor's ("S&P") Rating Services reaffirmed BBB credit rating for the Group. The outlook was revised from stable to negative, reflecting the agency's views on potential risks associated with the wider retail real estate sector due to COVID-19 related disruptions and, at that time, lack of information on when non-essential retailers will resume activities. S&P noted that NEPI Rockcastle's liquidity profile remains robust.

On 30 April 2020, Fitch reaffirmed the Group's BBB credit rating, and maintained the stable outlook. The agency mentioned that the rating action reflects the Group's large portfolio of regionally dominant shopping centres, and its significant financial headroom that will provide flexibility in handling the economic impact of lockdown measures due to the coronavirus pandemic.

NEPI Rockcastle is committed to maintaining and further improving its credit ratings.

Q1 business update

The Group continues to monitor the impact of COVID-19 and updates will be communicated as events unfold. Further details on the Group's operational performance and financial position will be included in the quarterly Business update, which will be released on 20 May 2020.

NEPI Rockcastle plc

Mirela Covasa + 40 21 232 1398

JSE sponsor

Java Capital +27 11 722 3050

Euronext Listing Agent

ING Bank +31 20 5636553

Media Relations

office@nepirockcastle.com

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