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**")

BUSINESS UPDATE

All information below excludes joint ventures, unless otherwise stated

"The first three months of 2021 were marked by continuing restrictions imposed by governments to contain some of the highest Covid-19 infection rates in Central and Eastern Europe since the beginning of the pandemic. Several of the countries where we are operating have experienced consecutive lockdowns. Almost everywhere, entertainment and food court areas have been closed throughout the entire quarter. Recently, infection rates have started to fall in all our countries. Trading restrictions are being lifted and we now have 96% of our GLA operational. Occupancy held up at more than 95% while virtually all the income from 2020 and 91% of the income for the first quarter of the year has been collected. We see footfall and tenant sales picking up strongly following the reopening. Most importantly, the vaccination campaign, which got off to a slow start in December 2020, is now accelerating and, based on the experience of the countries more advanced on the path to mass immunisation, is proving effective. With our strong balance sheet and quality portfolio, we look forward to making the most of the opportunities available in the post-pandemic world." Alex Morar, CEO

BUSINESS HIGHLIGHTS

- As a result of decreasing Covid-19 infection rates, trading restrictions continued to be relaxed in all Central and Eastern Europe ('CEE') countries since the end of the first quarter ('Q1') of 2021. As of mid-May, 96% of total Gross Leasable Area ('GLA') was operational. This percentage is expected to increase to 98% by the end of May.

- After a relatively slow start, the vaccination programme accelerated significantly in most CEE countries over the last two months. The roll-out speed in the countries where the Group operates is similar, on average, to that in the European Union ('EU') as a whole. The EU targets to vaccinate 70% of the adult population by the end of summer 2021.

- Footfall in Q1 2021 was 29.5% lower than prior year, as significant restrictions were in place for most of the quarter (in 2020 the lockdown was introduced mid-March). By the end of April, the year-to-date ('YTD') cumulative footfall was 12.6% lower than in 2020. Tenant sales (excluding hypermarkets) in Q1 2021 were 26% lower than Q1 2020.

- By the end of April, 67% of the rent concessions for Q1 2021 had been agreed. This includes the impact of government regulated concessions in Poland and Slovakia. In countries where restrictions have been lifted later (Czech Republic, Hungary, Lithuania) negotiations with tenants are at an early stage, to allow for monitoring of performance after reopening.

- At the end of March 2021, the collection rate was 98% of reported revenues (adjusted for concessions granted) for 2020 and 80% for Q1 2021. Since then, the collection rate further improved to 99% of reported revenues for 2020 and 91% for Q1 2021.

- Net Operating Income ('NOI') for the three months ended 31 March 2021 was €72 million, 28.5% lower compared to Q1 2020. The difference is the result of the Covid-19 rent concessions (€25 million in Q1 2021, €4 million in Q1 2020) and the disposal of the Romanian office portfolio, sold in August 2020 (€5.9 million NOI in Q1 2020).

- The net amount of expected credit losses expense for Q1 2021 was €0.1 million, as a result of adequate provisioning for receivables done in 2020, no significant insolvencies in the period and no material expectations on non-recovery of receivable outstanding.

- EPRA occupancy rate as of 31 March 2021 was 95.2%.

- Liquidity as of 31 March was very strong, amounting to €1.2 billion (including €575 million in available committed credit facilities).

- The loan-to-value ratio ('LTV') was 32.9% as of 31 March 2021, below the 35% strategic target.

- Investment grade credit ratings of BBB by Fitch Ratings (stable outlook) and S&P Global Ratings (negative outlook) maintained.

- EPRA Net Reinstatement Value per share was €6.36 on 31 March 2021, 1.4% lower from 31 December 2020 (€6.45), as a result of the dividend payment during Q1 2021.

- The property portfolio's value is substantially unchanged compared to December 2020, at €5.8 billion. No property valuations were undertaken in Q1 2021, in accordance with the Group's policy to perform independent revaluations at half-year and year-end reporting dates.

- The earnings guidance for the 2021 financial year as previously communicated is withdrawn, due to the larger than expected lockdowns having a significant impact on Distributable Earnings Per Share ('DEPS') in Q1 2021. Further lockdowns are still possible and difficult to predict. The Company will provide more details when available.

OPERATING PERFORMANCE

Status of trading restrictions and government measures

Between September 2020 and April 2021, the countries where NEPI Rockcastle operates were faced with consecutive waves of increases in the number of new Covid-19 cases. Governments responded with restrictions varying greatly in length and severity. Each country went through peaks and troughs in infection rates at different times. All this created a volatile environment for NEPI Rockcastle's operations, with new restrictions being announced, introduced or lifted in one country or another almost on a weekly basis. Investors were informed of the changes through regular updates.

In May, most of the remaining trading restrictions were lifted. The status of restrictions as of mid-May 2021 is set out in the table below. In some cases, governments communicated timelines for further reopening, based on which we anticipate that over 98% of GLA will be operational by the end of May.

Country	Weight in portfolio (%)	Operating GLA (% of total) on 17 May 2021	Essential retailers (groceries and pharmacies)	Non-essential retailers (other than food and entertainment)	Restaurants, coffee shops and food courts	Cinemas, children's playgrounds, other entertainment
Romania	35	99	Open	Open	Open	Open (except children's playgrounds)
Poland	24	88	Open	Open	Closed**	Closed
Slovakia	10	97	Open	Open	Closed*	Open (except children's playgrounds)
Hungary	9	99	Open	Open	Closed***	Open
Bulgaria	8	100	Open	Open	Open	Open
Croatia	5	98	Open	Open	Closed*	Open
Serbia	3	100	Open	Open	Open	Open
Czech Republic	3	86	Open	Open	Closed*	Closed
Lithuania	3	86	Open	Open	Closed*	Closed
Group	**100**	**96**				

* except for takeaway and outdoor terraces
** except for takeaway
*** only food court closed, except for takeaway

BUSINESS UPDATE

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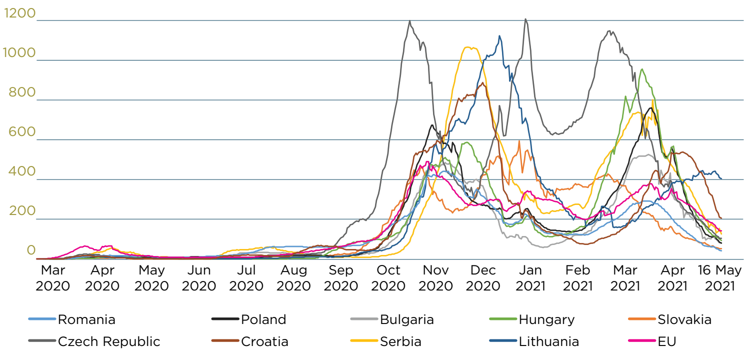
The number of new infections is on a clear downward trend in most CEE countries since March-April 2021 (see Chart 1). Possible reasons for this positive development include the effect of restrictions and the acceleration of the vaccination campaign (see Chart 2). The latter is the most important in the long run and promises to lead to a full reopening of CEE economies by the end of summer 2021 if current immunisation targets are met.

Daily new confirmed Covid-19 cases per million people (Chart 1)

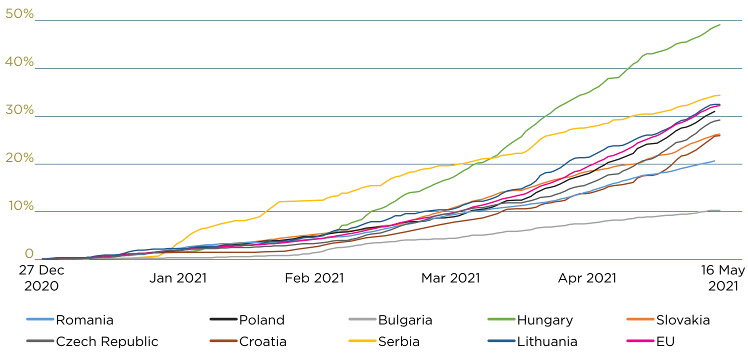
Shown is the rolling 7-day average. The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.



Source: Johns Hopkins University CSSE Covid-19 Data

Share of people who received at least one dose of Covid-19 vaccine (Chart 2)

Share of the total population that received at least one vaccine dose. This may not equal the share that are fully vaccinated if the vaccine requires two doses.



Source: Official data collated by Our World in Data

Tenant support

By the end of April, 67% of the rent concessions for Q1 2021 had been agreed. This includes government-regulated rent concessions in Poland and Slovakia. The Polish government continues to impose a rent-free period for tenants, including service charges and marketing costs, during lockdowns. In Slovakia, the government programme of partially subsidising rent, subject to agreements between landlords and tenants, was prolonged. Similar programmes implemented in 2020 in Czech Republic and Lithuania were discontinued in 2021.

Negotiations are ongoing with tenants affected by lockdowns in 2021. The same principles that underlined the agreements reached in 2020 will be applied during these negotiations, including:

- lease extensions and other tenant concessions obtained in exchange for rent reductions;
- linking rental concessions to future performance (possibility to claw-back discounts in case of over-performance); and
- targeted support at most of the affected categories (leisure, entertainment, food courts, restaurants, small local tenants).

Trading update

The total number of visits was 29.5% lower in Q1 2021 compared to Q1 2020. By the end of April, the YTD footfall was 12.6% lower than 2020 (38.5% lower than 2019). It was less affected in countries (such as Serbia) where lockdowns were relatively short or food courts remained opened. When food service was closed but other non-essential stores were open, footfall typically reached between 75% and 85% of 2019 levels.

Tenant sales (excluding hypermarkets) in Q1 2021 were 26% lower than in Q1 2020 (35.3% lower than in Q1 2019). The performance was primarily related to the length and severity of trade restrictions and lockdowns imposed by each country. The best performing countries were Serbia and Romania (where some product categories exceeded the sales achieved in Q1 2019).

In general, footfall during the lockdown periods was much higher in 2021 than in 2020 (compared across similar restrictions). This indicates that customers adapted to the pandemic conditions and adjusted their lifestyle. Also, the rebound in both footfall and tenant sales was quicker after the 2021 lockdowns compared to last year.

Leasing activity

In Q1 2021, the Group signed 296 new leases and lease renewals, for an area of more than 44,000m^2 (2.2% of GLA). The successful negotiations continued in April 2021, when new lease agreements were signed for approximately 12,000m^2 in Poland only, despite the country being in lockdown at the time. The Group has ongoing negotiations with several major international retailers looking to expand into new countries.

DEVELOPMENT UPDATE

During Q1 2021, the Group has made material progress with permitting and pre-development works in relation to its controlled pipeline, which includes Promenada Mall Craiova, Promenada Mall Bucharest and residential projects. In Craiova, the site preparation works were completed. Permitting for the construction of the shopping centre and the public road servicing the area is expected to be finalised in the third quarter of 2021, with construction works starting shortly thereafter. The first building permit for a residential project (near Vulcan Value Centre in Bucharest) is expected by the end of June 2021.

The Group invested €12 million in developments and capital expenditures in Q1 2021. The total planned development and capital expenditure for 2021 is in the range of €135-€140 million.

CONCESSIONS IN THE PERIOD AND TENANT RECEIVABLES

During Q1 2021, NEPI Rockcastle recognised rent concessions worth €25 million, split as follows:

Covid-19 discounts recognised in Q1 2021, by type	€ million
Rent and service charge reliefs imposed by governments (Poland)	9.9
Discounts granted as partial forgiveness of receivables	13.2
Variable discounts contingent upon tenant's performance (negative turnover rent)	0.9
Discounts granted as lease incentives, subject to straight-lining	1.0
Total Covid-19 discounts for the period (on a cash basis, straight-lining effect excluded)	**25.0**
Straight-lining effect of the discounts granted after signing of the addendums (in 2020 and 2021)	(0.4)
Statement of comprehensive income impact in Q1 2021	**24.6**

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The collection rate for Q1 2021, adjusted for concessions granted, was 80% as of 31 March 2021, improving to 91% by the end of April 2021. On 31 March 2021, uncollected tenant receivables amounted to €39.5 million (including VAT, net of provisions), of which €18.2 million were overdue. This balance is adjusted for rent relief and concessions, either legally enforced or negotiated. The Company expects to collect the full outstanding balance when tenant negotiations for the periods under restrictions are finalised, in line with the pattern already experienced in the past.

CASH MANAGEMENT AND DEBT

The Group had a strong liquidity profile on 31 March 2021, with €575 million in cash and €575 million in undrawn committed credit facilities.

NEPI Rockcastle's LTV* (interest bearing debt less cash, divided by investment property) was 32.9%, comfortably below the 35% target.

As of 31 March 2021, ratios for unsecured loans and bonds showed ample headroom compared to covenants:

- Solvency Ratio: 41% actual, vs requirement of maximum 60%;
- Consolidated Coverage Ratio: 4.1 actual, vs requirement of minimum 2; and
- Unsecured consolidated total assets/unsecured consolidated total debt: 258% actual, vs requirement of minimum 150%.

The average interest rate, including hedging, was 2.4% for Q1 2021. Exposure to variable interest rates is 99% covered by hedges.

POTENTIAL REDOMICILE FROM ISLE OF MAN TO MALTA

The Board of Directors is considering a potential redomicile of the Company from Isle of Man to Malta, as part of its strategic focus on enhancing the long-term sustainability of NEPI Rockcastle's business.

As NEPI Rockcastle continues to grow, it has become increasingly important to heighten the Group's visibility in the European real estate market and position it to attract new investors. With this in mind, the Board considers it appropriate for the Company to be incorporated in an established EU member state.

Malta has an EU-compliant legislative and regulatory framework and has relatively low establishment and operating costs. Redomiciling in Malta would also establish a more efficient corporate structure closer to the Company's CEE properties, and to its European and South African stakeholders. The potential redomicile of the Company to Malta is not anticipated to impact trading in NEPI Rockcastle shares, which would at all times remain available to be traded on the JSE, Euronext Amsterdam and A2X.

Updates will follow when available.

CHANGES TO THE BOARD OF DIRECTORS

As announced on 18 May 2021, Mr Robert Emslie (Independent non-Executive Chairman), has informed the Board of Directors of his intention to retire from the Board with effect from Wednesday, 18 August 2021, being the date of the upcoming annual general meeting.

The Board thanks Mr Emslie for his contribution to the Company and wishes him well in his future endeavors.

OUTLOOK

Further to the publication of the earnings guidance on 25 February 2021, most of the Group's countries of operations experienced significant extensions of restrictions, with a negative impact on the Group's distributable earnings per share. Considering the current degree of uncertainty in relation to the future restrictions on the Group's operations and distributable earnings per share, NEPI Rockcastle withdraws its earnings guidance for 2021. Further updates will be provided when the Group will be in a position to reliably estimate the effects of the current situation.

The Board expects to declare a dividend for the six months ending 30 June 2021 on 19 August, together with the publication of the financial statements for that period. Based on currently available information, the Company estimates that the dividend to be declared for the first half of 2021 will be paid in cash.

By order of the Board of Directors

Alex Morar
Chief Executive Officer (CEO)

Mirela Covasa
Chief Financial Officer (CFO)

20 May 2021

The reported LTV excludes the €33.2 million right-of-use assets and associated lease liabilities as at 31 March 2021