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 period after the reopening of shopping centres this summer indicated the potential for a quick recovery and confirmed the existence of robust customer interest for our retail offering. Tenant sales reached pre-pandemic levels in Q3 across our portfolio. Footfall has also returned, although not at the same pace. The value of rent concessions granted decreased considerably and the leasing activity continued. However, the last couple of months witnessed an increase in Covid-19 cases that led to new restrictions in some of the countries where we operate, mostly related to customer capacity and requiring that customers show a Covid-19 certificate to access some malls. Although the economic and medical situation remains volatile, NEPI Rockcastle has the resources and flexibility that position it well for a continued recovery and return to a sustainable growth path."
Alex Morar, CEO

OPERATIONAL HIGHLIGHTS

- Throughout the third quarter ('Q3') of 2021 there were very few Covid-related restrictions in place and 100% of the Group's Gross Lettable Area ('GLA') was operational. This enabled a strong rebound in footfall and tenant sales, which reached (and in some cases exceeded) 2019 levels. Since the end of September, the number of new Covid-19 cases started to pick up in all Central and Eastern Europe ('CEE') countries, leading authorities to reintroduce some restrictions. The most severe ones are in Romania, Bulgaria, Lithuania and recently in Serbia, where people without a Covid-19 certificate (proof of vaccination, negative testing or recent recovery from Covid-19) are prevented from entering either in the shopping centres or in some areas within the shopping centres. While the percentage of operational GLA continues to be nearly 100%, these restrictions are expected to have an impact on the results of the fourth quarter ('Q4') of 2021.

- The severity of the new Covid-19 wave that started since the end of September and the need to impose new restrictive measures, are driven by the relatively low vaccination rate in some CEE countries. There are significant differences between the countries where the Group operates (Lithuania, Hungary and Czech Republic are above 60% vaccination rate, Romania and Bulgaria are below 40%), but CEE overall currently lags Western Europe. The national governments are adjusting restrictions to encourage vaccination.

- Footfall in Q3 2021 was 13% higher than prior year and 11% lower than Q3 2019. By the end of September, the year-to-date ('YTD') cumulative footfall was 9% higher than in 2020 and 25% lower than in 2019.

- The trend of tenant sales recovering faster than footfall continued. In Q3 2021 sales (on a like-for-like basis, excluding hypermarkets) were 2% higher than Q3 2019, showing a full recovery to pre-pandemic levels. YTD sales in September 2021 were 15% lower than in September 2019.

- The strong performance after reopening allowed the Group to complete negotiations for rent relief with most tenants. By the end of October, 77% of the rent concessions for the first nine months ('9M') of 2021 were agreed. In respect of recently introduced restrictions, the Group will continue to apply its policy of monitoring performance before agreeing to any concessions.

- At the end of September 2021, the collection rate was 92.5% of reported revenues (adjusted for concessions granted) for 9M 2021, which subsequently increased to 94% at the end of October 2021. The collection rate for 2020 reported revenues exceeded 99%.

- EPRA occupancy rate on 30 September 2021 was 96% (excluding Focus Mall Zielona Gora extension and refurbishment, substantially completed by the end of Q3 2021, but with significant fit-out works ongoing).

FINANCIAL HIGHLIGHTS

- Net Operating Income ('NOI') for 9M 2021 was €251.5 million, similar to 9M 2020 (€252.3 million). The difference is mainly the result of lower Covid-19 rent concessions (€36.9 million in 9M 2021, €54.2 million in 9M 2020), offset by the disposal of the Romanian office portfolio, sold in August 2020 (€14.2 million NOI in 9M 2020) and the disposal of two Serbian properties, sold in July 2021 (€0.9 million NOI loss in Q3 2021). Excluding the impact of the disposals, NOI was 6% higher in 9M 2021 compared to 9M 2020.

- Liquidity at 30 September 2021 remained strong, amounting to over €1 billion (including €570 million in available committed credit facilities).

- There are no significant debt maturities in 2021 and 2022.

- The loan-to-value ratio ('LTV') was 31.7% on 30 September 2021, below the 35% strategic threshold.

- Investment grade credit ratings of BBB were reaffirmed by Fitch Ratings ('Fitch') and S&P Global Ratings ('S&P'). In August 2021, S&P revised their previous outlook from Negative to Stable. In November 2021, Fitch changed the outlook from Stable to Positive, reflecting the Group's long record of a conservative financial profile.

- EPRA Net Reinstatement Value per share was €6.44 on 30 September 2021, 0.9% lower from 30 June 2021 (€6.50), as a result of the dividend payment during Q3 2021.

- The property portfolio's value is substantially unchanged compared to June 2021, at €5.8 billion. No property valuations were undertaken in Q3 2021, in accordance with the Group's policy to perform independent revaluations at half-year and year-end reporting dates.

- In July 2021, the Group disposed of two Serbian retail properties for a transaction value of €60.8 million.

OPERATING PERFORMANCE

Status of trading restrictions and government measures

During Q3 2021 the number of new Covid-19 cases in the countries where NEPI Rockcastle operates was generally very low (see Chart 1). The relaxation of trading restrictions that started in May continued, allowing for the quasi-normal operation of all centres. Since the end of September, the number of cases began to rise, against the background of relatively low vaccination rates in some countries (see Chart 2). The countries that entered this new wave earlier (Serbia, Lithuania, Romania, Bulgaria) have already reached a peak and are on a downward trend. The countries where the new wave started later (Poland, Hungary, Czech Republic, Slovakia) are still on an ascending curve. The impact of this new wave has had varying effects on the rates of hospitalisations and deaths in various countries, roughly in line with the percentage of people vaccinated in each country. Governments responded by introducing various restrictions, generally less strict than in previous Covid-19 waves and differentiated based on the possession of a Covid-19 certificate.

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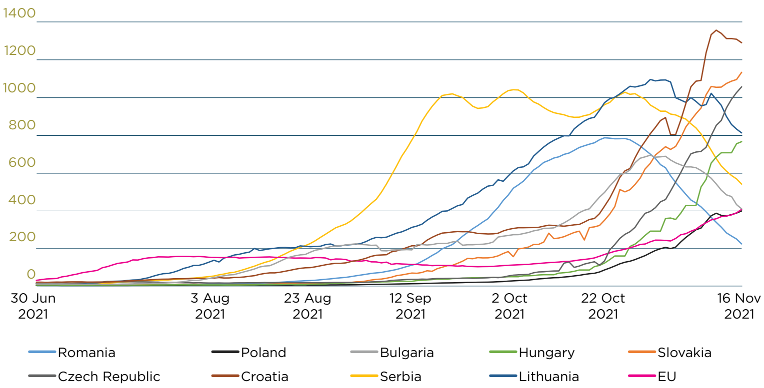
At the end of October, none of the shopping centres were closed and nearly 100% of the GLA is open for business everywhere.

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

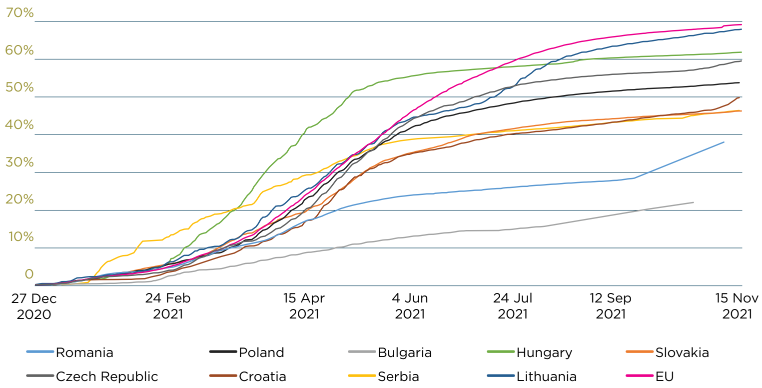
7-day rolling average. Due to limited testing, the number of confirmed cases is lower than the true number of infections.



Source: Johns Hopkins University CSSE Covid-19 Data

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

Total number of people who received at least one vaccine dose, divided by the total population of the country.



Source: Official data collated by Our World in Data

The most severe medical situation so far is in **Romania** and **Bulgaria**, which reached record numbers of hospitalisations and deaths in October. These two countries have the lowest vaccination rates in the European Union (38% and 22%, respectively, had received at least one dose). New restrictions were imposed by the two governments, such as allowing access to malls, restaurants and cinemas only for people holding a Covid-19 certificate. These restrictions did not affect the Group's performance in Q3 2021 but are expected to have an impact in Q4. The introduction of a full lockdown is not very likely but cannot be discarded (particularly in Bulgaria). There are some positive signs however as the number of new cases started to decline and vaccination is picking up, particularly in Romania.

There are two other countries where the Group is present, Lithuania and Serbia, that restricted access to shopping centres or areas within shopping centres for people without a Covid-19 certificate. The countries with vaccination rates over 50% (Poland, Hungary, Croatia, Czech Republic) have refrained from reintroducing restrictions (other than capacity limits and mask mandates in some places).

Tenant support

By the end of October, 77% of the rent concessions for 9M 2021 were agreed. The Group expects the remaining negotiations to be finalised by the end of the year, a process which is facilitated by the good performance of most tenants since reopening. As no new lockdowns had been introduced, there were also no government-regulated concessions or subsidies affecting the results in Q3.

Trading update

The number of visits in the Group's shopping centres was 13% higher in Q3 2021 compared to Q3 2020, both on a total footfall and on a like-for-like basis. All countries except Slovakia recorded increases in total footfall. By the end of September, the YTD footfall was 9% higher than 2020 (8% like-for-like). Compared to 2019, footfall is still lower (by 11% in Q3 2021 vs Q3 2019), however the recovery is very encouraging.

Tenant sales continued to recover faster than footfall, reaching similar levels to pre-pandemic times. In Q3 2021 they were 2% higher than in Q3 2019 (on a like-for-like basis, excluding hypermarkets) (15% lower in 9M 2021 than 9M 2019). The best performing product categories were Fashion Complements (+13% Q3 2021 vs Q3 2019), Health & Beauty (+11%) and Sporting Goods (+10%). All countries where NEPI Rockcastle is present recorded higher sales in Q3 except Hungary (-5% vs Q3 2019) and Slovakia (-2% vs Q3 2019).

Leasing activity

In Q3 2021, the Group signed 315 new leases and lease renewals, for an area of 58,000m² (2.9% of GLA). Excluding developments, the number of new leases was higher than in Q3 2019. In addition, the Group signed 475 addenda to existing lease agreements related to rent concessions granted during previous lockdowns.

Omnichannel/retail transformation

The Group continued to focus on its omnichannel strategy by developing communications across multiple online and offline channels under a coherent and integrated approach. The growth in the digital space was confirmed by increased website traffic (more than 570,000 sessions, +8% quarter-on-quarter) and higher engagement generated by postings on Facebook (1.2 million active users) and Instagram (26 million impressions).

SPOT, a new digital loyalty app developed by NEPI Rockcastle, was successfully launched across 15 shopping centres in Romania. Almost 10,000 users registered in the first days after launch. The Group plans to roll out SPOT in Bulgaria by the end of the year.

DEVELOPMENT UPDATE

During Q3 2021, the Group made material progress with permitting and development works in relation to its controlled pipeline. The land reclamation works for **Promenada Craiova** have been completed. The fire permit and the environmental permit for the construction of the shopping centre have been received, which clears the way for the building permit issuance. Construction works at **Vulcan Residence (residential project)** in Bucharest have started, following the receipt of the building permit. The Group applied for a building permit in relation to a **second residential project, near Mega Mall** (also in Bucharest), and the development of a **dominant shopping centre in Plovdiv** (Bulgaria's second largest city). Refurbishment and redevelopment works continued at **Bonarka City Center** and **Focus Mall Zielona Gora** in Poland.

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The Group invested €37 million in developments and capital expenditures in 9M 2021. The total planned development and capital expenditure for 2021 is approximately €80 million.

CONCESSIONS IN THE PERIOD AND TENANT RECEIVABLES

During 9M 2021, NEPI Rockcastle recognised rent concessions worth €36.9 million, split as follows:

Covid-19 discounts recognised in 9M 2021, by type	€ million
Rent and service charge reliefs imposed by governments (Poland)*	16.0
Discounts granted as partial forgiveness of receivables	15.8
Variable discounts contingent upon tenants' performance (negative turnover rent)	3.6
Discounts granted as lease incentives, subject to straight-lining	1.7
Total Covid-19 discounts for the period (on a cash basis, straight-lining effect excluded)	**37.1**
Straight-lining effect of the discounts granted after signing of the addendums (in 2020 and 2021)	(0.2)
Statement of comprehensive income impact in 9M 2021	**36.9**

** The estimated mandatory rent and service charge reliefs in Poland for the first half ('H1') of 2021 were €16.8 million, on the grounds that all non-essential tenants subject to trading restrictions will submit their statement of extending their leases for additional six months in exchange for the full reliefs. In Q3 2021, NEPI Rockcastle identified that tenants for which €0.8 million rental and service charge reliefs have been estimated for H1 2021 did not submit their statements of extending their leases and consequently the concessions have not been granted.*

The collection rate for 9M 2021, adjusted for concessions granted, was 92.5% on 30 September 2021. Uncollected tenant receivables amounted to €42.1 million (including VAT, net of provisions) on this date, of which €18 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

On 30 September 2021, the Group had a very strong liquidity, with €473 million in cash and €570 million in undrawn committed credit facilities.

NEPI Rockcastle's LTV* (interest bearing debt less cash, divided by investment property) was 31.7%, comfortably below the 35% strategic target.

On 30 September 2021, ratios for unsecured loans and bonds showed ample headroom compared to covenants:

- Solvency Ratio: 39% actual, vs requirement of maximum 60%;
- Consolidated Coverage Ratio: 4.23 actual vs requirement of minimum 2;
- Unsecured consolidated total assets/unsecured consolidated total debt: 273% actual vs requirement of minimum 150%.

The average interest rate, including hedging, was 2.4% for 9M 2021. Exposure to variable interest rates is fully covered by hedges.

EPRA BPR GOLD AWARD AND SBPR BRONZE AWARD

NEPI Rockcastle has received the European Public Real Estate Association ('EPRA') Gold Award for compliance with its Best Practices Recommendations for financial reporting ('BPR'), and the EPRA Bronze Award for compliance with its Best Practices Recommendations for sustainability reporting ('sBPR').

EPRA is the leading real estate organisation in Europe. The Group joined EPRA in 2018 and won the Silver Award for BPR in 2019 and the Gold Award for BPR in 2020, as a recognition of its commitment to transparency in reporting and compliance with industry best practices. In 2021, the Group maintained its high-quality standard in financial reporting and received another EPRA BPR Gold Award. In addition, NEPI Rockcastle's extended focus on sustainability and social responsibility over the past years led to the Group receiving its first EPRA sBPR Award.

UPDATE ON MANAGEMENT SUCCESSION PLANNING

"The Group recently announced several changes to the Board of Directors and executive management team. These are being implemented in an orderly fashion, while maintaining the continuity of the Group's strategy and operations. The current management team remain fully engaged and are actively and constructively involved in the transition. I have full confidence that the future leadership team will build on the Company's established strengths and consolidate its position as one of CEE's premier real estate operators."
George Aase, Chairman.

OUTLOOK

Considering the uncertainty in relation to potential future restrictions on the Group's operations and their impact on distributable earnings per share, NEPI Rockcastle will not provide an earnings guidance for 2021. An update will be provided when the Group is able to reliably estimate the effects of the current situation.

The Board expects to declare a dividend for the six months ending 31 December 2021 on 24 February 2022, together with the publication of 2021 Audited Consolidated Annual Financial Results.

By order of the Board of Directors

Alex Morar
Chief Executive Officer (CEO)

Mirela Covasa
Chief Financial Officer (CFO)

17 November 2021

Date of publication
18 November 2021

**The reported LTV excludes the €33.5 million right-of-use assets and associated lease liabilities as at 30 September 2021*