

NEPI Rockcastle plc

Incorporated and registered in the Isle of Man

Registered number 014178V

JSE and Euronext share code: NRP

ISIN: IM00BDD7WV31

(“NEPI Rockcastle” or “the company”)



BUSINESS UPDATE

HIGHLIGHTS

NEPI Rockcastle has continued its outstanding operational performance during the nine months ended 30 September 2018.

- Net rental and related income up 4.8%, on a like-for like basis, to €252 million*
- Tenant turnover on direct like-for-like property portfolio up 8.5%*
- Turnover per square metre up 5.3%*
- Collection rate maintained at 99.9%
- Average tenant effort ratio of 11.3%**
- Direct property portfolio up 18% to €5.8 billion (Dec 2017: €4.9 billion)
- Net listed securities portfolio down to €286 million from €593 million in December 2017, representing a decrease from 10% to 4% of the total assets, delivering on the planned redeployment of the listed securities portfolio into direct property assets. The net listed securities portfolio is estimated to decrease further to approximately 3% of total assets by year-end.

NEPI Rockcastle updates the valuation of its property portfolio in June and December each year. Fair value is determined by external, independent professional valuers with appropriate and recognised qualifications, and recent experience in the locations and category of properties being valued. Valuations for each property in Investment property in use, Investment property held for sale and Land held for developments, as at 30 June 2018, were performed by Cushman&Wakefield and Jones Lang LaSalle.

The Group has investment-grade credit ratings from all three major credit rating agencies (Moody's, Standard & Poor's and Fitch), with Fitch recently reaffirming its rating.

NEPI Rockcastle's Chief Executive Officer, Alex Morar, affirmed: “The Group has continued to pursue its strategy of converting the listed securities portfolio into direct property investments through acquisitions and developments. With a high-quality asset base and operating platform, the Group is best positioned to remain the leading real estate investor and operator in Central and Eastern Europe (CEE). The macroeconomic factors combined with the retail specific dynamics of the region in which the Group operates to provide long-term growth opportunities for the Company.”

Annual GDP growth in the countries where NEPI Rockcastle operates is currently between 2.8% and 4.5%, compared to the EU 28 average of 2.2%. Penetration of e-commerce and retail area supply relative to population in the Group's region are presented below, highlighting lower levels in CEE compared to the more developed, western markets.

- The shopping centre supply in CEE is overall lower, but more modern compared to the US or Western Europe

- NEPI Rockcastle is focusing on offering to the customers the preferred social and leisure destinations, by actively upgrading the leisure and entertainment activities in its shopping centres.

Penetration of e-commerce and retail area supply (2017)

Country	E-commerce sales as % in total retail sales	Shopping centres density (m ² /1 000 inhabitants)
Serbia	2.1	88
Croatia	2.8	313
Bulgaria	3.1	103
Slovakia	3.3	227
Lithuania	4.6	377
Czech Republic	4.9	220
Hungary	4.9	127
Romania	4.9	107
Poland	5.6	281
European average	8.8	299
US	14.8	2.183
UK	17.8	261

Source: Cushman & Wakefield market reports; ICSC country reports; A.T. Kearney analysis; Statista

*Compared to the nine months ended 30 September 2017

**Base and turnover rent, service charge and marketing contribution, divided by tenant's turnover

CURRENT REDEVELOPMENTS AND EXTENSIONS

The occupancy rate across the entire income-producing portfolio was 95.9% as of 30 September 2018. Excluding the recent acquisitions and main assets under extension, details of which are set out below, the occupancy rate was 97.3%.

- Shopping City Sibiu (Romania) is undergoing extensive redevelopment, optimizing and improving tenant mix and redesigning common areas and retail units to improve the accessibility and sightlines. In addition, a 1,800m² cinema will be added, meeting customer demand and significantly improving the entertainment offering, positioning Shopping City Sibiu as the premier mall in the region;
- Paradise Centre's (Bulgaria) first retail level is being fully-refurbished, creating additional retail units and reconfiguring the former hypermarket space. The first phase of the project is scheduled to be inaugurated in March 2019, and will add a large supermarket together with 25 additional shops, which will further improve the already dominant tenant mix;
- Arena Centar (Croatia) is currently undergoing extensive upgrade and expansion works, aimed at improving layout and circulation, as well as the overall customer experience. These extensive works are scheduled in three phases, of which the first two phases are almost completed, with 37 tenants involved in the upgrade and two major anchors relocated;

- Forum Liberec Shopping Centre (Czech Republic) is under redevelopment to simplify vertical communication and redesign ceilings and lights; there will also be new relaxing areas, restrooms and a completely renovated food court. The tenant mix will be enriched with new international tenants, while a number of existing tenants will also upgrade their areas in line with the new concept;
- Mammut Shopping Centre (Hungary) was 89% let at acquisition, and several asset management initiatives are planned to improve the tenant mix, such as adding more international brands and expanding the leisure and entertainment facilities.

UPDATE ON THE ACQUISITIONS AND DEVELOPMENTS PIPELINE

ACQUISITION OF THE CONTROLLING STAKE IN MAMMUT SHOPPING CENTRE (HUNGARY, 11 SEPTEMBER 2018)

In September 2018, the Group announced the acquisition of the controlling stake in Mammut Shopping Centre, its second Hungarian property, making NEPI Rockcastle the largest shopping centre owner in Budapest, Hungary's capital city and economic centre. With over 1.7 million inhabitants, Budapest is the most populous and wealthiest city in the country. It has a unique location, that benefits from its proximity to Vienna (250km) and Bratislava (200km), and together the three cities create one of the leading clusters of cross-border activity in the CEE. The city boasts high-quality infrastructure and is an attractive destination for international companies.

Mammut is one of Budapest's largest and most successful shopping and entertainment destinations. It is located in Kalman Square, the busiest interchange on the Buda side of the city, and benefits from an annual footfall of 15.6 million. This provides an outstanding opportunity to enhance leisure and shopping facilities in a city that has one of the lowest retail supply densities amongst CEE capitals.

Key facts

- Total Gross Leasable Area (“GLA”): 61,300m², split across two buildings; NEPI Rockcastle owns 56,400m² GLA.
- Tenants include: Burger King, CCC, Cinema Pink, Deichmann, Hervis, H&M, Interspar, KFC, Libri, Media Markt, New Yorker and Reserved.
- Extensive leisure and entertainment facilities, including a 13-screen cinema, fitness and gym areas, bowling alley, children's playground and a selection of restaurants.

PLATAN SHOPPING CENTRE EXTENSION (POLAND, 26 OCTOBER 2018)

After 15 months of extensive works, the extension of Platan Shopping Centre opened in October 2018. The project involved the redevelopment of the existing shopping centre, including its façade, common area and parking, and increasing GLA by over 14,000m². The extension sees Platan upgraded to a fourth generation, upscale shopping centre.

The redevelopment and extension introduced previously missing functions, such as a food court, fitness centre, cinema and intelligent parking, rightsized CCC and Reserved, and added new brands such as Carry, Cropp, Home & You, House, Kids Play, KIK, Martes Sport, Maxi Zoo, Neonet, Pepco, Super-pharm and TEDi (new to Poland). The negotiations for leasing the remaining units are advanced and the centre is over 95% let.

The development and asset management teams ensured that the shopping centre remained fully operational throughout the entire period of the redevelopment and extension works.

PROMENADA NOVI SAD (SERBIA, 15 NOVEMBER 2018)

NEPI Rockcastle recently opened its first greenfield development in Serbia, Promenada Novi Sad. This is Serbia's largest mall, and is located in the country's second largest city, which has a population of approximately 320,000 inhabitants. Novi Sad has a regional university centre and is popular with tech companies. It is also 2019's European Youth Capital, was named Lonely Planet's third best city to visit in 2019 and, in 2021, will be the first non-European Union city to be European Capital of Culture.

Promenada has four levels, took 16 months to build, and was delivered on time. It is situated in a prime location in the city centre, at the crossing of two main boulevards, adjacent to a sports complex and high-density residential areas. The architectural design was selected through an international competition. The shopping centre has a unique façade lighting system, utilising state-of-the-art technology.

Promenada has raised the city's retail offering standard: it has over 160 tenants, including upmarket, international brands, and introduced LPP brands such as Cropp, House and Mohito to Serbia. It also boasts an entire lifestyle floor with 14 restaurants, an eight-screen Cineplexx (including Serbia's first MX4D studio), a play area that has a laser tag and laser maze, as well as over 800m² of gym and fitness facilities.

The centre also has two spacious terraces, one with views of the historic Petrovaradin Fortress, which is now an arts centre and home to the EXIT festival. Promenada Novi Sad's outdoor basketball courts integrate seamlessly into the surrounding Vojvodina Sports and Recreation Center and the Karadjordje Stadium.

Key facts

- GLA: 49,000m²
- 99% leased

• Tenants include: Adidas, Armani Exchange, Calvin Klein, Cineplexx, Converse, Diesel, Guess, Inditex (Zara, Massimo Dutti, Bershka, Oysho, Pull&Bear, Stradivarius and Zara Home), Lacoste, LC Waikiki, Levi's, LPP (Cropp, House, Mohito, Reserved, Sinsay), New Yorker, Nike, Replay, Sport Vision, Superdry, Timberland, Tommy Hilfiger, Under Armour and Univerexport.

SATU MARE SHOPPING CENTRE (ROMANIA, DECEMBER 2018)

NEPI Rockcastle is currently developing Satu Mare Shopping Centre, the only modern retail and entertainment destination in Satu Mare, scheduled to open on 5 December 2018.

Satu Mare, located in north-west Romania, near the Hungarian border, has 123,000 inhabitants, with 288,000 people within 45-minute drive from the development.

The project is anchored by Satu Mare's first Carrefour hypermarket and has over 1,000 parking bays. The centre will feature an outdoor terrace of over 1,000m², overlooking Someş River, which will be connected to the historical city center by a pedestrian bridge.

The terrace will have three outdoor dining areas with selected regional restaurants. With a welcoming design that includes an integrated green area, the terrace will complement the entertainment offering and is expected to become the main social hub of the region.

The mall will have a diverse mix of tenants, including regional and international fashion and beauty brands as well as a food court, coffee shops and the city's first cinema operated by Cineplexx.

Key facts:

- GLA: 29,100 m²
- Tenants include: CCC, Deichmann, Douglas, dm, Hervis, Intersport, KFC, LC Waikiki, New Yorker, Orsay, Reserved, Samsonite, Tom Tailor and Smyk

OUTLOOK

The Company reaffirms its guidance included in its unaudited condensed consolidated financial results for the six months ended 30 June 2018, that distributable earnings per share for the year ending 31 December 2018 are expected to be approximately 10% higher than the 2017 distribution of 48.26 euro cents per share. This guidance remains based on the assumptions that a stable macroeconomic environment prevails, no major corporate failures occur and that planned developments remain on schedule. This guidance has not been audited or reviewed by NEPI Rockcastle's auditors and is the responsibility of the Board.

FINANCIAL SCHEDULE

27-Feb-19	Publication of 2018 Reviewed Condensed Consolidated Annual Financial Results
15-Mar-19	Publication of the 2018 annual report and audited financial statements
24-May-19	Business update
23-Aug-19	Publication of the financial results for the six months ended 30 June 2019
22-Nov-19	Business update

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