Interim Financial Report
30 June 2020

NEPI ROCKCASTLE PLC

INTERIM FINANCIAL REPORT

30 June 2020

Interim Condensed Consolidated Financial Statements

for the six months ended 30 June 2020

Statement of Directors' responsibilities

The Directors are responsible for preparing the interim condensed consolidated financial statements in accordance with applicable laws and regulations.

The Directors have prepared the Group interim condensed consolidated financial statements in accordance with International Financial Reporting Standard, IAS 34 "Interim Financial Reporting", the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

In preparing these interim condensed consolidated financial statements, the Directors are responsible for:

- selecting suitable accounting policies and then applying them consistently;
- stating whether they have been prepared in accordance with IAS 34 Interim Financial Reporting;
- making judgements and estimates that are reasonable and prudent; and
- preparing the interim condensed consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above in preparing the interim condensed consolidated financial statements.

The Directors confirm that the interim condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group for the six months period ended 30 June 2020 as well as the comparative periods presented and that the interim financial report give a fair review of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Supervision Act.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

The Group interim condensed consolidated financial statements on pages 22 to 65 were approved and authorized for issue by the Board of Directors on 20 August 2020 and signed on its behalf by:

Alex Morar
Chief Executive Officer

Mirela Covasa
Chief Financial Officer

NEPI ROCKCASTLE PLC

INTERIM FINANCIAL REPORT

30 June 2020

Director's commentary

"The last six months were the most economically challenging in recent history. The measures taken by governments in the fight against the spread of COVID-19 have led to the temporary closure of non-essential retailers in all the countries where NEPI Rockcastle operates, which had an adverse impact on the first half ('H1') of 2020 results. The same strengths that made NEPI Rockcastle the premier shopping centre owner in Central and Eastern Europe ('CEE'), such as a well-balanced portfolio of high-quality properties, conservative financial management and exceptional employees, are now helping it to successfully overcome this period. Evidence is already very encouraging, as 96% of total gross leasable area ('GLA') is now functional and fully-operating tenant sales are gradually returning to prior year levels (88% in June). NEPI Rockcastle engaged constructively with its business partners and the wider communities, prioritising safety and aiming for a fair and equitable approach that would ensure the long-term success of our retail ecosystem. Moving forward, we will accelerate the digital transformation of our operations and the transition to a more integrated, omnichannel business model. At the same time, we appreciate that the COVID-19 context might still impact the economies of our region and we will continue to manage our capital, prioritising long-term sustainability, while also returning value to shareholders even through these unprecedented times. To this end we decided to propose a capitalisation issue that benefits shareholders while ensuring that the Group maintains a strong balance sheet and ample liquidity." Alex Morar, CEO

BUSINESS HIGHLIGHTS

- On 30 June, 96% of the total GLA was functional (this includes approximately 4% vacant GLA, as disclosed below). All stores are now trading except for indoor food services in Romania, and cinemas in Romania, Croatia and Serbia. The non-essential stores in NEPI Rockcastle's centres were closed for 58 days on average due to lockdown measures;
- Since reopening, footfall has gradually recovered and reached 75% of the prior year level in July (on a like-for-like ('LfL') basis);
- Tenant sales recovered faster than footfall, reaching 88% of last year's value in June (LfL tenant and LfL property, excluding entertainment, food service and hypermarkets);
- By mid-August, agreement had been reached in tenant negotiations for deferral of payments and rent concessions for tenants representing 66% of the Gross Rental Income;
- Rent collection rate was 72% over H1 2020 relative to initial contractual rental income (before concessions or deferrals);
- As over 95% of the leases were not subject to formally agreed modifications by 30 June 2020, government-imposed reliefs and negotiated concessions relative to the contractual receivables up to 30 June 2020 were recognised in the Income Statement of the period (the former as a reduction of rental income and the latter as an expense with partial forgiveness of receivables); this approach translated into a significant impact on the H1 2020 results (Net Operating Income 'NOI' was 19.8% lower than in H1 2019), which reflects the current business circumstances and is transparently portrayed in the financial statements; more details are presented in the "Accounting of COVID-19 impact on H1 2020 results" section below;

- Distributable earnings per share in H1 2020 were 19.66 euro cents, 32% lower compared to 29.02 euro cents in H1 2019, the decrease being directly attributable to the impact of COVID-19;
- European Public Real Estate Association ('EPRA') occupancy rate as at 30 June 2020 was 95.8%, slightly lower compared to 97.9% at 31 December 2019;
- The liquidity position at 30 June was strong, with €379 million in cash, cash collateral and undrawn credit facilities;
- Loan-to-value ratio ('LTV') was 36.1% at 30 June 2020, marginally above the 35% strategic target. The increase in LTV is due to the devaluation of the property portfolio, of 3.4% on a like-for-like basis compared to December 2019. The Group retains significant headroom under its debt covenants;
- The launch of the Green Finance Framework and successful issuance of €500 million unsecured green bonds in July 2020 further improved liquidity, which increased to €862 million in cash balances, cash collateral and undrawn credit lines; in addition, it extended average debt maturity from 3.6 years at 30 June to 4.5 years post-issuance;
- Active liability management during the second half ('H2') of 2019 and H1 2020 decreased weighted average cost of debt to 2.1% (from 2.4% in H2 2019);
- Investment grade credit ratings reaffirmed at BBB by Fitch Ratings (stable outlook) and S&P Global Ratings (negative outlook);
- EPRA Net Reinstatement Value per share at €6.65 at 30 June 2020, a 9% decrease compared to €7.32 at 31 December 2019;
- Environmental, Social and Corporate Governance (ESG) Risk Rating from Sustainalytics improved to 12.5/100 from 15.1/100 at the end of 2019, making the Group one of the top five rated companies in its sub-industry, Real Estate Management;
- Despite the challenging circumstances, the Company successfully opened a new shopping centre in Targu Mures, Romania (GLA: 40,200m²) and completed extension and refurbishment works in Shopping City Buzau (Romania) and Forum Liberec Shopping Centre (Czech Republic) (some openings were completed in July 2020);
- In August 2020, the Group concluded an agreement to sell its Romanian office portfolio for a transaction value of €307 million (estimated net cash proceeds of €290 million).

OPERATING PERFORMANCE

Status of trading restrictions and government measures

Between mid-March and June 2020, CEE governments imposed strict lockdown measures to contain the spread of COVID-19, which led to the temporary closure of all the stores in the shopping centres, except for the essential ones (mostly food stores and pharmacies). Lockdowns ranged from 42 days (Lithuania) to 84 days (Romania), an average of 58 days across the portfolio.

During lockdown, some governments introduced tenant support schemes, which either led to direct losses of rental income due to mandated suspension of lease agreements (Poland), or provided a framework for tenant negotiations while undertaking part of the financial burden from both tenants and landlord (Lithuania, Czech Republic, Slovakia).

By the end of June, the lockdown measures had been lifted across the Group's portfolio and all GLA is now operational, except for 4% corresponding to indoor food service tenants in Romania and cinemas in Romania, Croatia and Serbia. A summary of government measures in each country is set out below:

Romania (93% GLA currently operational) – Non-essential stores in shopping centres were closed 23 March and reopened 15 June. In July and August, resurgence in the number of new COVID-19 cases prompted the government to delay the reopening of indoor cinemas, restaurants, food courts, coffee shops and children playgrounds (indoor food service units can perform delivery and take away operations).

Poland (100% GLA currently operational) – Non-essential stores in shopping centres closed 14 March and reopened 4 May (cinemas 6 June). Authorities imposed lease agreement suspensions during lockdown, effectively waiving tenants' contractual obligation to pay any rents, service charges and marketing income. The measure was accompanied by the mandatory extension of lease agreements by six months plus the lockdown duration.

Slovakia (100% GLA currently operational) – Non-essential stores in shopping centres closed 16 March and reopened 20 May. Authorities introduced a support scheme for tenants, whereby if landlords grant a rent discount of up to 50% for the closed period, the government subsidises the same discount rate.

Hungary (100% GLA currently operational) – Non-essential stores in shopping centres closed 28 March and reopened 18 May (cinemas 2 July).

Bulgaria (100% GLA currently operational) – Non-essential stores in shopping centres closed 13 March and reopened 18 May. Some restrictions are still in place: restaurants and cafes operate at limited capacity, working hours are reduced.

Croatia (95% GLA currently operational) – Non-essential stores in shopping centres closed 19 March and reopened 11 May (except cinemas). Some restrictions are still in place: restaurants and cafes operate at limited capacity.

Serbia (93% GLA currently operational) – Non-essential stores in shopping centres closed 20 March and reopened 8 May (except cinemas and children playgrounds). Some restrictions still in place: reduced working hours for restaurants and cafes, social distancing requirements.

Czech Republic (100% GLA currently operational) – Non-essential stores in shopping centres closed 14 March and reopened 11 May. Authorities introduced a tenant support scheme, whereby if landlords grant a rent discount of 30% for the closed period, the government subsidises 50% of the rent.

Lithuania (100% GLA currently operational) – Non-essential stores in shopping centres closed 14 March and reopened 25 April. Authorities introduced a tenant support scheme, whereby if landlords grant a rent discount of 30% for the closed period, the government subsidises 50% of the rent.

Since July, new cases of COVID-19 infections increased in some countries, and new restrictions or further delays in lifting existing restrictions cannot be ruled out but are considered unlikely at the moment in the CEE.

Tenant support

The Group engaged constructively with all tenants to mitigate the impact of this unprecedented situation on their operations and businesses. The tenant support actions taken by NEPI Rockcastle can be grouped in two broad categories: 1) measures aimed at helping all tenants that had their stores closed by administrative decisions; and 2) specific deferrals and concessions negotiated on a case by case basis.

General tenant support measures included:

- Lockdown rent deferral for 60 days without penalty, for all closed units;
- Monthly advance invoicing instead of quarterly invoicing, where possible;
- Marketing contribution relief for April and May, for all closed units; and
- Reduction of non-critical operating expenses included in service charges.

Individual negotiations were carried out based on a few key principles and criteria:

- Fair and balanced approach, beneficial to both parties. In exchange for rent deferrals and concessions, the Group typically agreed to:
    - extended lease terms,
    - higher sales-based rents with more frequent reconciliation,
    - concession reversal, if turnovers or occupancy cost ratios are better than specific thresholds,
    - cancellation of certain tenant unilateral extension options,
    - improved occupancy cost clauses, and/or
    - higher base rent over the lease term via the introduction or increase of step rents;
- Extent to which the tenant's business was affected;
- Support by authorities;
- Tenant's long-term commitment and viability;
- Maintaining a vibrant and diverse tenant and category mix; and

- For businesses with more than one location, negotiations were held for all outlets as a package (as opposed to property by property).

Most negotiations were completed once post-reopening footfall and turnover data were available. By mid-August, agreements were reached for 66% of the Gross Rental Income, including most anchors and international tenants. The vast majority of remaining negotiations will be finalised by the end of the third quarter ('Q3') of 2020.

Post-reopening trading update

After a strong start of the year (footfall was up 4.3% and tenant sales 8.5% year on year during January-February on a LfL basis), there was a significant decrease during lockdown. After reopening, footfall and tenants' sales gradually recovered throughout the portfolio. In July, weekly footfall reached 75% of prior year levels, while tenant sales on a LfL basis (excluding entertainment, food service units and hypermarkets) were 88% in June (figures for July were not fully available when this report was published).

Recovery was stronger in secondary cities and smaller shopping centres. Larger, centrally located properties in primary cities (Bucharest, Budapest, Sofia) are more reliant on traffic from office workers and recovery is slower. This pattern explains to a large extent the differences in June tenant sales between countries, with Bulgaria and Hungary (where NEPI Rockcastle is present with capital cities properties) being the worst performers in terms of LfL declines compared to prior year levels (-26% and -24%, respectively), while Czech Republic and Poland are recovering faster (-5.5% and -8.5%, respectively). Serbia was the only country where tenant sales in June 2020 exceeded the level recorded in June 2019 (by 25.3%), due to a strong performance in both Serbian properties (+28% in Promenada Novi Sad and +21% in Kragujevac Plaza).

Tenant bankruptcies were limited to a few small local operators. As a result, the vacant GLA has only marginally increased, to approximately 4% at the end of July (calculated by reference to current GLA). By country, the highest vacant GLA was registered in Poland (7.5%) and Hungary (6.3%), and the lowest in Lithuania (0.8%) and Romania (2.0%).

Leasing activity

Throughout this unprecedented disruption, the Group continued to sign new leases and renew existing ones. In H1 2020 there were 234 new lease agreements signed (excluding renewals), which shows the continuing appeal of NEPI Rockcastle's properties. Lease terms are generally very similar to those pre-COVID-19. Weighted average unexpired lease term ('WAULT') was largelly unchanged at 30 June 2020 compared to 31 December 2019 (4.0 years) and is expected to further increase as tenant negotiations result in extended lease terms in exchange for short-term rent concessions.

The Group has received requests from some tenants to replace base rent with variable rent but no significant concessions have been made in this direction for the short term and none for the long term. Vacancy is expected to remain low going forward provided that the general economic environment does not further deteriorate.

The Company has welcomed new tenants and strengthened its shopping centres by improving the mix and quality of its offering. Some of the additions are set out below:

- **Shopping City Buzau, Buzau, Romania:** the extension and refurbishment completed in June and included the city's first Carturesti, Hervis, LC Waikiki, Office Shoes, Sinsay, and Tom Tailor. Cinema City will open once restrictions on indoor cinemas are lifted;
- **Bonarka City Center, Krakow, Poland:** new openings include Douglas (with the biggest store in Krakow – 530m²), Fikolki (a new education and play area for children – 580m²), Greenpoint, Kiehl's, Salomon and Tchibo. Ochnik and Peek & Cloppenburg extended their units;
- **Forum Liberec Shopping Centre, Liberec, Czech Republic:** new units include Aurayum, JRC Games, Running Sushi and Tchibo;
- **Arena Mall, Budapest, Hungary:** Lindt and Sloggi opened new stores;
- **Mammut Shopping Centre, Budapest, Hungary:** Regio Jatek opened a 1,000m² toy store;
- **Ozas Shopping and Entertainment Centre, Vilnius, Lithuania:** the centre's offering was significantly strengthened by the opening of the largest family entertainment park in the country, Adventica (4,300m²);
- **Aupark Kosice Mall, Kosice, Slovakia:** Burger King and Nordsee opened first Slovakian stores outside Bratislava.

HEALTH AND SAFETY

Maintaining the health and safety of customers, tenants and staff has been the Group's overriding priority. NEPI Rockcastle implemented an operational plan for re-opening which adheres to authorities' recommendations and industry best practices. As of 30 June 2020, sixteen malls have been audited and certified "COVID-19 Safe Retail Destinations" by SAFE Shopping Centers, a global certification and advisory company within risk and security management. These are the first such accreditations received by any mall operator in Bulgaria, Croatia, Poland, Romania, Lithuania and Serbia. The international certification is proof of safe and responsible operations of shopping centres that offer clients a safe shopping experience.

All our centres are continuously implementing recommended safety measures, such as: selective temperature testing, customers' flow control and limiting the number of customers present at one point in the shopping centre, maintaining social distancing, cleaning and disinfection measures including new sanitizers, daily disinfection on critical areas and increased frequency in HVAC maintenance.

COMMUNITY SUPPORT

The Group contributed to the fight against the spread of COVID-19 by providing support for Red Cross and Red Crescent Movement in CEE.

In Romania, over 90% of shopping centres implemented programmes to help local communities cope with the effects of the pandemic such as: a national food collecting campaign in partnership with "dm" at ten shopping centres; "doneaza.nepirockcastle.com" was launched facilitating donations to the Romanian Red Cross and was promoted on all Romanian shopping centres' websites; providing sanitary containers for the country's first private COVID-19 hospital set-up by Auchan and Leroy Merlin; more than ten shopping centres ran community campaigns rewarding front-line medical workers with vouchers.

In Serbia, a platform was implemented in the shopping centres to support fund raising for Red Cross of Vojvodina.

In Bulgaria, NEPI Rockcastle supported the local United Against COVID fund, and Paradise Center donated protective clothing, safety face shields and goggles to seventeen neonatal wards.

In Poland, the initiative #MallsOpenForHelp provided personal protection equipment, including masks, safety face shields and disinfectant to medical units.

EPRA INDICATORS

In October 2019, EPRA introduced new asset value metrics noting that while Net Asset Value ('NAV') is a key performance measure used in the real estate industry, NAV reported in the financial statements under IFRS may not provide stakeholders with the most relevant information on the fair value of the assets and liabilities. As property companies have evolved into actively managed entities, including non-property operating activities, this has resulted in more active ownership, higher asset turnover, and balance sheet financing has shifted from traditional bank lending to capital markets.

The new guidelines are meant to reflect this nature of property companies. Hence, EPRA NAV and EPRA NNNAV are replaced by three new Net Asset Valuation metrics: EPRA Net Reinstatement Value, EPRA Net Tangible Assets and EPRA Net Disposal Value.

EPRA indicators	30 June 2020	31 December 2019	30 June 2019
EPRA Earnings (€ thousand)	123,710	330,623	168,077
EPRA Earnings per share (€ cents per share)	20.59	55.79	28.69
EPRA Net Initial Yield (‘NIY’)	6.83%	6.65%	6.64%
EPRA topped-up NIY	6.89%	6.71%	6.71%
EPRA vacancy rate	4.20%	2.10%	2.60%
EPRA Net Reinstatement Value (‘NRV’) *	6.65	7.32	7.26
EPRA Net Tangible Assets (‘NTA’)*	6.59	7.25	7.20
EPRA Net Disposal Value (‘NDV’)*	6.13	6.61	6.62

**NRV, NTA and NDV measures implemented effective from 1 January 2020; the comparative measures have been restated/computed in line with the current EPRA guidance. For the Group, EPRA NRV corresponds to former EPRA NAV and EPRA NDV corresponds to former EPRA NNNAV.*

OMNICHANNEL FOCUS / RETAIL TRANSFORMATION

The COVID-19 crisis has accelerated several pre-existing trends, particularly the adoption of online retail, while simultaneously illustrating the limitations of online only approaches, and further evidenced that the future of retail is omnichannel: an experience tailored to suit the preferences and convenience of customers, regardless of the sales channels used.

The Group owns centrally located and dominant shopping centres in regions that, even after the impact of COVID-19, show lower e-commerce penetration levels compared to Western Europe or the US. Online sales in the food and grocery sector are expected to only increase marginally, or even decrease over the next three years, as customers forced to shop online during the pandemic return to stores.

COVID-19 accelerated the adoption of all digital devices and media. According to McKinsey & Company “COVID-19 Digital insight survey” digital adoption rates (percentage of population that used at least one digital service during the last six months) in Europe increased from 81% to 94% during pandemic, which would have taken two to three years based on previous growth, providing an ideal opportunity to expand electronic services.

The Company is working towards a strategic deployment of an omnichannel approach, which will provide a unified customer experience, online and offline. This will increase the convenience, engagement and loyalty of existing offline customers, as well as existing tenant sales via incremental online transactions and increased in-store basket size, while testing new business models which should further increase asset efficiency.

During the second quarter (‘Q2’), NEPI Rockcastle’s digital media strategy was strengthened by utilising recent developments in data acquisition and analysis to improve performance marketing and extending audiences to new targets (especially millennials).

DEVELOPMENT UPDATE

The Group has revised its expenditure on the development pipeline focusing on committed on-going projects, in line with its flexible approach to development, enabling it to adapt the project pipeline as needed. Construction costs are committed gradually, with the majority of projects utilizing a package-contracting approach. Use of general contractors is limited, enabling the Group to suspend or terminate development activities with relative ease, exercising a high degree of control over the quality and timing of works and cash flow management.

The development projects completed in H1 2020 or committed as of 30 June 2020, are listed below:

- **Shopping City Targu Mures (Targu Mures, Romania):** a new 40,200m² shopping mall was completed in Targu Mures, a vibrant, multicultural and central Romanian city of 148,000 residents and home to one of the country’s largest urban Hungarian communities. The opening had two phases, the first in June and the second in July. Currently the mall is 94% leased, with 85% of tenants (34,100m² of GLA) already trading; the cinema and children’s playground are temporarily closed, as per national regulations. Tenants include Carrefour, CCC, Cineplexx, Defacto, Douglas, Flanco, eMag, Hervis Sports, Intersport, KFC, LC Waikiki, LPP (Cropp, House, Reserved and Sinsay), New Yorker, Pepco and Sephora.

- **Shopping City Buzau (Buzau, Romania):** the last phase of the refurbishment project including a new outdoor terrace and a six-screen Cinema City was completed. The centre now has 23,700m² GLA with a tenant mix that includes Altex, Carrefour, CCC, Cinema City, Hervis Sports, Intersport, KFC, LC Waikiki, LPP (Sinsay), Noriel, New Yorker and Pepco. The newly refurbished centre opened in June, when the trading ban on non-essential shops (excluding restaurants and cinemas) was lifted.

- **Bonarka City Center (Krakow, Poland)**: major construction works for the redevelopment of several units were completed. Common areas continue to be improved, with completion scheduled for the fourth quarter (‘Q4’) of 2020. Apart, Costa, Greenpoint, Jubitom, Pandora and Pinko opened their stores after extensions and renovations.

- **Forum Liberec Shopping Centre (Liberec, Czech Republic):** refurbishment was completed, and the occupancy permit obtained in May 2020, as scheduled. The opening of several brands has been postponed to H2 2020 (Apart, Bata, Corial, Cross Café, Desigual, Eiffel Optic, Rituals, and Xiaomi).

- **Focus Mall Zielona Gora (Zielona Gora, Poland)**: construction of the 15,700m² GLA extension is progressing, with the opening expected in Q1 2021. New tenants include: Apart, Express Marche, Millennium Bank and Time Trend.

During H1 2020, NEPI Rockcastle spent €84 million on development projects. Following a comprehensive review, the Group actively implemented various measures to optimise capital allocation, which included deferring non-committed development and capital expenditure projects. However, as of this date no development project has been cancelled. Several projects are in the permitting phase, including, notably, the extension of Promenada Mall Bucharest and the development of Promenada Craiova, a new 56,500m² GLA modern retail and entertainment destination in one of Romania's major cities. The Group will continue to pursue its strategy of investing in developments that contribute to growth and improve long-term portfolio prospects and will constantly monitor and revise its pipeline in line with evolving business objectives and constraints. The Group estimates to invest a further €78 million in H2 2020 in development and capital expenditure in its operating assets.

ROMANIAN OFFICE PORTFOLIO DISPOSAL

As already announced, the Group concluded an agreement with AFI Europe on 6 August 2020 to dispose of 100% of the shares in the subsidiaries holding the Romanian office portfolio for a transaction value of €307 million and an estimated cash consideration of approximately €290 million. Closing is agreed to occur by the end of 2020. The Group received a cash advance of €15 million as guarantee for completing the transaction. The arbitration between NEPI Rockcastle and AFI Europe has been settled as part of this new agreement.

CORPORATE GOVERNANCE

Changes to the Board of Directors

As announced on 28 April 2020, Sipho Vuso Majija has terminated his appointment as a non-independent non-Executive Director. The Board has approved the appointment of Steven Brown as a non-independent non-Executive Director of the Company, with Mr. Majija acting as alternate Director to Mr. Brown.

Mr. Brown has a strong background within the property industry, currently acting as Chief Executive Officer and Managing Director of Fortress REIT Limited, a company that he joined in December 2015, following the acquisition by Fortress REIT Limited of Capital Property Fund.

As announced on 28 May 2020, Desmond de Beer has retired from the Board of Directors, together with Alan Keith Olivier who acted as alternate Director. Mr. de Beer was a non-independent non-Executive Director of NEPI with effect from 2008 and also the Chairman of the Investment Committee of NEPI, being appointed as a non-independent non-Executive Director of NEPI Rockcastle on 15 May 2017. The Company values Mr. de Beer's contribution to the operations of NEPI and NEPI Rockcastle.

The Board appointed Andries de Lange as non-independent non-Executive Director of the Company with effect from 27 May 2020. Mr. de Lange has extensive experience in leadership roles, with core specialties in corporate finance and the property industry.

Environmental, Social and Governance focus

NEPI Rockcastle has increased its long-term commitment to sustainability by having implemented a Green Finance Framework and enhancing the transparency of its portfolio and business operations, as well as disclosures. The Company has committed to use proceeds from green bonds to finance and/or refinance existing and/or future projects which improve the environmental performance of the Group's property portfolio. The Green Framework (available on NEPI Rockcastle's website) defines eligibility criteria according to two types of green assets/initiatives: certified green buildings and energy efficiency projects. A successful €500 million green bond issuance followed soon after the Green Framework has been implemented (for further details, refer to section "Cash management and debt").

As detailed in the "Community support" section above, NEPI Rockcastle undertook a number of social initiatives aimed at supporting communities through this difficult period. Most of the initiatives contributed to the fight against COVID-19 through donations to national Red Cross societies and the organisation of collection campaigns for various front-line beneficiaries (hospitals and other medical units, medical workers).

Design assessment of the corporate governance framework

During H1 2020, PricewaterhouseCoopers ('PwC') Isle of Man, through phase one of an advisory agreement, completed their advisory design assessment of the corporate governance framework during H1 2020. The framework was developed to ensure material compliance with the King IV application register, as well as to voluntarily cover significant aspects from the Dutch and UK governance codes. PwC concluded that significant enhancement has been made to the Group's governance framework in the past year and made minor improvement observations, the implementation of which would serve to further strengthen an otherwise robust and comprehensive framework. These design recommendations have been addressed, and the revised framework has been endorsed by the Audit Committee in July and approved by the Board in August 2020.

ACCOUNTING, AUDIT AND VALUATION MATTERS

Accounting of COVID-19 impact on H1 2020 results

Rent discounts

During H1 2020, the Group results reflected rent concessions worth €48 million, as follows:

Rent reliefs imposed by governments: Poland

The Polish Government imposed a rent-free period for tenants, including service charge and marketing costs, during the state of emergency. Such relief without changes to the lease contract, covered by the law in force, have been recognised in the Statement of Comprehensive Income, as a reduction of Gross Rental Income (impact of €8.6 million) and Service Charge Income (impact of

€2.4 million), and as a decrease of Tenants and Other Receivables, in the Statement of Financial Position.

Partial forgiveness of receivables

In its efforts to maintain a functioning retail environment for the long-term, and based on negotiations with tenants, partial forgiveness of contractual receivables for the period under lockdown and/or immediately after lockdown was granted. Discussions with retailers regarding COVID-19 support were ongoing in all countries and only for about 5% of tenants (by Gross Rental Income), they have been signed by 30 June 2020. Lease modifications (see definition in the next paragraph) not signed as at 30 June 2020 have not been recognized as lease incentives in the interim condensed consolidated financial statements, and therefore their financial impact was not straight-lined over the new lease term. As such, the effect of the concessions estimated to be granted to tenants (once negotiations are finalised) corresponding to the six months ended 30 June 2020, amounting to €37 million, were fully accounted for in the Statement of Comprehensive Income as "Partial forgiveness of receivables (COVID-19 forgiveness)", in correspondence with "Trade and other receivables" in the Statement of Financial Position. This accounting treatment was applied in accordance with IFRS 9 "Financial Instruments" (in relation to impairment of receivables) for the vast majority of the tenant receivables balance at 30 June due to the low rate of concession agreements being signed until that date. The accounting treatment is also in line with IFRS 16, which allows rental income to be recognised even if recoverability is uncertain and which requires rental modifications to be accounted for from the effective date of the modification. The presentation in the interim condensed consolidated financial statements is in line with the Group's commitment to fair and transparent reporting of the impact of COVID-19 and of related lockdowns on the financial results.

Contractually agreed and signed modifications expected in H2 2020 subject to straight lining from the effective date of the modification

Contractually agreed and signed concessions granted to, and obtained from, tenants are treated according to International Financial Reporting Standard 16 ('IFRS 16'), "Leases".

IFRS 16 defines a "lease modification" as a change in scope or consideration, not part of original terms and conditions, such as rent discounts, lease extensions, increase in overage/turnover rents, introduction of break options, etc. IFRS 16 requires lease modifications to be recognized prospectively, over the new lease term and be accounted for by the lessor as from the date the modification is contractually agreed and signed between the parties. IFRS 16 requires lease modifications to be recognized prospectively, over the new lease term and be accounted for by the lessor as from the date the modification is contractually agreed and signed between the parties.

Lease modifications not agreed and signed as at 30 June 2020 have not been recognized as lease incentives in the interim condensed consolidated financial statements, but estimated as "Partial forgiveness of receivables", as per the above section. Subsequent to the reporting date, contract modifications are expected to be signed across the Group, producing their effect prospectively, from the date the modification is agreed. Such modifications will be straight-lined over the new lease term.

Trade receivables

On 30 June 2020, uncollected receivables amounted to €83 million (VAT included) out of which €49 million were overdue. This balance is adjusted for rent relief and concessions, either imposed by law or negotiated. The collection rate for H1 2020 was 72%, based on contractual rental for the six months ending 30 June 2020. The Group expects to collect the full outstanding balance when negotiations with tenants are finalised, in line with the pattern already noticed for negotiations completed since June which led to a significant improvement in collection.

External Independent Auditor’s Review report

The limited review report on the Group’s interim condensed consolidated financial statements has been issued by PwC Isle of Man, after having reviewed and obtained the necessary comfort from PwC local offices in the jurisdictions where the Group operates through its subsidiaries. The local PwC offices review the stand alone IFRS financial statements of the respective subsidiaries and issue their interoffice review reports to PwC Isle of Man.

The PwC review report includes an emphasis of matter in respect of material valuation uncertainty statements included by the external appraisers in their valuation reports, considering the lack of transactions since the start of the pandemic. PwC’s review report is unmodified and this emphasis of matter only highlights that assumptions included in the valuation reports may change until the next valuation in December 2020. The external appraisers’ valuation can still be relied upon. See more details in the sub-section “Valuation” below and additional disclosures included in the interim condensed consolidated financial statements.

Valuation

NEPI Rockcastle fair values its portfolio twice a year. Fair value is determined by external, independent professional valuers, with appropriate and recognised qualifications and recent experience in the location and category of property being assessed.

Appraiser	Locations	Percentage of total portfolio
Colliers International	Romania	33%
Jones Lang LaSalle	Bulgaria, Croatia, Czech Republic, Hungary, Serbia, Slovakia	31%
Cushman & Wakefield	Hungary, Lithuania, Poland	31%
DTZ (Cushman & Wakefield affiliate)	Romania	5%

The appraisals as at 30 June 2020 were performed amidst the uncertainties associated with the current COVID-19 pandemic characterised by lack of transactions and difficulties to estimate future market prospects. As a result, the assumptions used by external appraisers as at 30 June

2020 might differ significantly for year-end 2020. The appraisers have factored in the potential impact of COVID-19 by modifying two sets of assumptions:

- Assumptions affecting short-term cash flows: depending on the country and function of specific asset performances, the appraisers took into account various levels of rent holidays, prolonged void periods and higher levels of unpaid rents for the period 2020/2021. The appraisers also factored in lower levels of tenants' sales-based rents and of ancillary income over the same period; and

- Assumptions affecting long-term cash flows and values: the appraisers increased discount rates and exit cap rates in most countries, despite lower inflation prospects, to reflect greater uncertainty over long-term cash flows, liquidity and value and growth prospects on exit.

The appraisers have included a "material valuation uncertainty" statement in their reports. This statement is used following guidance from the Royal Institution of Chartered Surveyors ('RICS') to indicate that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case. The appraisers confirmed that valuations can be relied upon.

As at 30 June 2020, the fair value loss recognised in relation to the investment property portfolio amounted to €237 million, split as follows:

Country*	Market value December 2019	Market value June 2020	Fair value loss H1 2020**
Romania	2,091,482	2,055,457	(70,334)
Poland	1,433,069	1,408,330	(50,919)
Hungary	603,900	585,400	(19,769)
Slovakia	554,872	533,503	(22,603)
Bulgaria	514,770	486,593	(29,778)
Croatia	275,600	262,030	(13,568)
Serbia	201,130	192,139	(14,695)
Czech Republic	182,900	170,400	(15,752)
Lithuania	132,580	138,180	2,076
Total	**5,990,303**	**5,832,032**	**(235,343)**

**Excluding Romanian office portfolio held for sale properties, joint ventures, other properties held for sale and IFRS 16 impact with total impact in FV of €1.2 million*

***Includes additional capital expenditures incurred in the year*

CASH MANAGEMENT AND DEBT

The Group had a strong liquidity profile at 30 June, with €379 million in cash, cash collateral and undrawn credit facilities as at 30 June 2020.

NEPI Rockcastle's gearing ratio* (interest bearing debt less cash and cash collateral, divided by investment property, including investment property held for sale, plus listed securities) was 36.1%, due to the devaluation of property portfolio in the COVID-19 context. The Group estimates that the planned Romanian office portfolio sale, if completed, would trigger a decrease of the gearing ratio to below 35%.

As of 30 June 2020, ratios for unsecured loans and bonds showed ample headroom compared to covenants:

• Solvency Ratio: 40% actual, vs maximum requirement of 60%;

• Consolidated Coverage Ratio: 5.8 actual, vs minimum requirement of 2;

• Unencumbered consolidated total assets/unsecured consolidated total debt: 268% actual, vs minimum requirement of 150%.

Liability management and bond issue

In January 2020, the Group successfully repurchased the outstanding bond notes due February 2021, with a nominal value of €198 million. In addition, in June 2020, additional €5 million were repurchased from the outstanding bonds as at that date.

In July 2020, after a roadshow with European fixed-income investors, NEPI Rockcastle issued a €500 million inaugural green unsecured bond, with a seven-year maturity and carrying a 3.375% fixed coupon, with an issue price of 98.172%. The green bond issue improved the liquidity position of the Group, which had a total liquidity of approximately €862 million in cash balances and undrawn credit lines as at 31 July 2020. In addition, the bond issue increased the weighted average debt maturity from 3.6 years as at 30 June 2020 to 4.5 years as at 31 July.

Cost of debt

The average interest rate, including hedging, was 2.1% for the six months ended 30 June 2020, lower compared to the same period last year, mainly due to the liability management initiatives implemented by the Group in H2 2019 and H1 2020, with effect on H1 2020 cost of finance.

**The reported gearing ratio (LTV) excludes the €31.8 million right-of-use assets and associated lease liabilities as at 30 June 2020*

DIVIDEND DECLARATION

Shareholders are advised that the Company has not declared a dividend for the six-month period ended 30 June 2020.

CAPITALISATION ISSUE

NEPI Rockcastle's Board has resolved to allot and issue fully paid ordinary shares as a capitalisation issue to the Company's shareholders, pro-rata to their current shareholding.

An announcement containing full details of the capitalisation issue will be released separately on the JSE, A2X and Euronext Amsterdam.

OUTLOOK

On 1 April 2020 and subsequently on 20 May 2020, the Group indicated that its earnings guidance, published with its 2019 full-year results in February 2020, is no longer applicable due to developments driven by the COVID-19 context. There is still significant uncertainty in relation to the macroeconomic and health environment and its effects on employment and consumption, as well as the level of activity for retailers present in the centres.

As a result, NEPI Rockcastles expects a contraction in distributable earnings per share for the year ending 31 December 2020 to be approximately 30% compared to the prior year. The guidance does not consider the impact of potential further macroeconomic disruptions (such as those induced by a new broad lockdown in CEE countries), assumes a continuation of the trading trends observed to date and can be modified or withdrawn in the future if material changes unfold.

This guidance has not been reviewed or reported on by NEPI Rockcastle's auditors and is the responsibility of the Board of Directors.

The decision on declaring a dividend for H2 2020 will be made in February 2021.

Independent Auditor's review report on interim financial statements

to the shareholders of NEPI Rockcastle plc

We have reviewed the interim condensed consolidated financial statements of NEPI Rockcastle plc contained in the accompanying interim financial report, which comprise the interim condensed consolidated statement of financial position as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The Directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and for such internal control as the Directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Independent Auditor's review report on interim financial statements

to the shareholders of NEPI Rockcastle plc (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of NEPI Rockcastle plc for the six months ended 30 June 2020 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council.

Emphasis of matter

In forming our conclusion on the interim condensed consolidated financial statements, which is not modified, we have considered the disclosures made in notes 2 (Significant events of the period), 5 (Investment property in use), 6 (Investment property under development) and 10 (Assets held for sale) to the interim condensed consolidated financial statements. These notes explain that there is significant estimation uncertainty in relation to the valuation of investment properties of €5,863,805 thousand together with investment property held for sale of €313,241 thousand included in the interim condensed consolidated statement of financial position as at 30 June 2020. The third-party valuers engaged by management have included a material valuation uncertainty clause in their report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic.

PricewaterhouseCoopers LLC

PricewaterhouseCoopers LLC
Chartered Accountants
Sixty Circular Road
Douglas
Isle of Man
20 August 2020

NEPI ROCKCASTLE PLC

INTERIM FINANCIAL REPORT

30 June 2020

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in € thousand	Note	30 June 2020	31 December 2019
ASSETS			
Non-current assets		**6,018,352**	**6,169,170**
Investment property		5,863,805	6,022,600
— Investment property in use	5	5,676,572	5,800,759
— Investment property under development	6	187,233	221,841
Goodwill	7	76,804	76,804
Deferred tax assets		25,004	15,209
Investments in joint ventures	16	21,372	22,844
Long-term loans granted to joint ventures	16	22,064	21,220
Other long-term assets		7,528	7,590
Derivative financial assets at fair value through profit or loss		1,775	2,903
Current assets		**357,362**	**467,191**
Trade and other receivables	9	113,438	89,383
Financial investments at fair value through profit or loss	8	60,293	169,062
Cash collateral	8	45,485	-
Cash and cash equivalents		138,146	208,746
Assets held for sale	10	**339,310**	**337,739**
TOTAL ASSETS		**6,715,024**	**6,974,100**
EQUITY AND LIABILITIES			
TOTAL SHAREHOLDERS' EQUITY		**3,736,369**	**4,096,880**
Equity attributable to equity holders		**3,730,629**	**4,090,672**
Share capital		6,009	5,998
Share premium		3,625,337	3,625,348
Other reserves		(6,456)	(3,627)
Accumulated profit		105,739	462,953
Non-controlling interest		**5,740**	**6,208**
Total liabilities		**2,978,655**	**2,877,220**

in € thousand	Note	30 June 2020	31 December 2019
Non-current liabilities		**2,802,667**	**2,687,397**
Bank loans	11	909,641	574,112
Bonds	11	1,478,012	1,677,779
Deferred tax liabilities		337,441	354,756
Other long-term liabilities	12	71,340	74,036
Derivative financial liabilities at fair value through profit or loss		6,233	6,714
Current liabilities		**137,204**	**150,785**
Trade and other payables		101,220	130,411
Bank loans	11	28,328	9,815
Bonds	11	7,656	10,559
Liabilities held for sale	10	**38,784**	**39,038**
TOTAL EQUITY AND LIABILITIES		**6,715,024**	**6,974,100**
Net Asset Value per share (euro)		6.21	6.83
EPRA Net Reinstatement Value per share (euro)		6.65	7.32
Number of shares for Net Asset Value / EPRA Net Reinstatement Value per share		600,921,133	599,797,201

The interim condensed consolidated financial statements on pages 22 to 65 were approved and authorized for issue by the Board of Directors on 20 August 2020 and signed on its behalf by:

Alex Morar
Chief Executive Officer

Mirela Covasa
Chief Financial Officer

NEPI ROCKCASTLE PLC

INTERIM FINANCIAL REPORT

30 June 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	30 June 2020	30 June 2019
Gross rental income		193,159	200,988
Service charge income		81,565	86,536
Property operating expenses		(77,588)	(87,751)
Partial forgiveness of receivables (COVID-19 forgiveness)		(36,879)	-
Net rental and related income	13	**160,257**	**199,773**
Administrative expenses		(10,588)	(9,390)
EBITDA*		**149,669**	**190,383**
Net result from financial investments		**(103,253)**	**5,709**
Income from financial investments at fair value through profit or loss	8	5,517	5,692
Fair value (loss)/gain and net result on sale of financial investments at fair value through profit or loss	8	(108,770)	17
Transaction fees		-	(1,603)
Fair value adjustments of investment property	14	(236,572)	90,104
Foreign exchange loss		(1,032)	(476)
Gain on disposal of joint venture	16	-	3,588
(Loss)/Profit before net finance expense		**(191,188)**	**287,705**
Net finance expense		**(26,044)**	**(24,739)**
Interest income		926	961
Interest expense		(25,877)	(24,901)
Other net finance expense		(1,093)	(799)
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	15	(10,302)	(10,074)
Share of profit of joint ventures	16	(1,472)	3,708
(Loss)/Profit before tax		**(229,006)**	**256,600**
Income tax expense		**21,984**	**(31,981)**
Current tax expense		(4,895)	(5,435)

in € thousand	Note	30 June 2020	30 June 2019
Deferred tax expense		26,879	(26,546)
(Loss)/Profit after tax		**(207,022)**	**224,619**
Total comprehensive (loss)/ income for the period		**(207,022)**	**224,619**
(Loss)/Profit attributable to:			
Non-controlling interest		(468)	(110)
Equity holders		(206,554)	224,729
Total comprehensive (loss)/ income attributable to:			
Non-controlling interest		(468)	(110)
Equity holders		(206,554)	224,729
Weighted average number of shares in issue		600,325,014	580,524,775
Diluted weighted average number of shares in issue		600,325,014	580,524,775
Basic/ diluted (loss)/earnings per share (euro cents)		(34.41)	38.71

** EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses.*

NEPI ROCKCASTLE PLC

INTERIM FINANCIAL REPORT

30 June 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € thousand	Share capital	Share premium	Other reserves reserve	Accumulated profit	Non controlling Interest	Total
Balance at 1 January 2019	**5,778**	**3,625,568**	**–**	**208,426**	**6,101**	**3,845,873**
Transactions with owners	**80**	**(80)**	**–**	**(95,431)**	**–**	**(95,431)**
— Issue of shares^	80	(80)	–	–	–	–
— Earnings distribution	–	–	–	(95,431)	–	(95,431)
Total comprehensive income	**–**	**–**	**–**	**224,729**	**(110)**	**224,619**
— Profit for the period	–	–	–	224,729	(110)	224,619
Balance at 30 June 2019/ 1 July 2019	**5,858**	**3,625,488**	**–**	**337,724**	**5,991**	**3,975,061**
Transactions with owners	**140**	**(140)**	**(3,627)**	**(66,277)**	**–**	**(69,904)**
— Issue of shares^	140	(140)	–	–	–	–
— Shares purchased under LTSIP*	–	–	(3,842)	–	–	(3,842)
— Share based payment expense	–	–	215	–	–	215
— Earnings distribution	–	–	–	(66,277)	–	(66,277)
Total comprehensive income	**–**	**–**	**–**	**191,506**	**217**	**191,723**
— Profit for the period	–	–	–	191,506	217	191,723
Balance at 31 December 2019/ 1 January 2020	**5,998**	**3,625,348**	**(3,627)**	**462,953**	**6,208**	**4,096,880**
Transactions with owners	**11**	**(11)**	**(2,829)**	**(150,660)**	**–**	**(153,489)**
— Issue of shares^	11	(11)	–	–	–	–
— Shares purchased under LTSIP*	–	–	(3,696)	–	–	(3,696)
— Share based payment expense	–	–	867	–	–	867
— Earnings distribution	–	–	–	(150,660)	–	(150,660)
Total comprehensive loss	**–**	**–**	**–**	**(206,554)**	**(468)**	**(207,022)**
— Loss for the period	–	–	–	(206,554)	(468)	(207,022)
Balance at 30 June 2020	**6,009**	**3,625,337**	**(6,456)**	**105,739**	**5,740**	**3,736,369**

**LTSIP = debt free Long-Term Share Incentive Plan with a vesting component.*

^In the first six months period ended at 30 June 2020 the Group issued 1,123,932 ordinary shares at €7.32/share (share capital €0.01/share). On 30 April 2019 the Group issued 8,038,153 ordinary shares at €7.0852/share (share capital €0.01/share) and on 1 November the Group issued 13,958,314 ordinary shares at €7.4314/share (share capital €0.01/share)

NEPI ROCKCASTLE PLC

INTERIM FINANCIAL REPORT

30 June 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

in € thousand	Note	30 June 2020	30 June 2019
OPERATING ACTIVITIES			
(Loss) / Profit after tax		(207,022)	224,619
Adjustments		**355,504**	**(32,131)**
Fair value adjustments of investment property	14	236,572	(90,104)
Fair value (loss)/ gain and net result on sale of financial investments at fair value through profit or loss	8	108,770	(17)
Income from financial investments at fair value through profit or loss	8	(5,517)	(5,692)
Foreign exchange loss		1,032	476
Gain on disposal of joint venture		-	(3,588)
Net finance expense		26,044	24,739
Fair value adjustment of interest rate derivatives financial assets and liabilities	15	10,302	10,074
Deferred tax expense		(26,879)	26,546
Current tax expense		4,895	5,435
Depreciation expense for property, plant and equipment		285	-
Changes in working capital		**(84,786)**	**(43,174)**
(Increase)/decrease in trade and other receivables		(38,098)	499
Decrease in trade and other payables		(18,736)	(12,233)
Interest paid on loans and borrowings		(6,247)	(10,142)
Interest paid resulting from lease liabilities	12	(277)	(278)
Bond coupon paid	11	(19,829)	(15,000)
Income tax paid		(1,961)	(7,587)
Interest received		1,536	1,567
Bank charges paid		(1,174)	-
CASH FLOWS FROM OPERATING ACTIVITIES		**63,696**	**149,314**
INVESTING ACTIVITIES			
Investments in acquisitions and developments		**(73,747)**	**(99,566)**
Expenditure on investment property under development*		(74,127)	(133,163)
Payments for acquisition of subsidiaries less cash acquired during the period		(2,459)	(3,409)
Proceeds from sale of investment property held for sale (net of selling cost)		2,839	1,205
Proceeds from disposal of joint venture	16	-	35,801
Other investments		**(844)**	**57**

in € thousand	Note	30 June 2020	30 June 2019
Loans reimbursed by joint ventures		(844)	57
Net cash flow from investments in financial assets		**(39,968)**	**(8,215)**
Income from financial investments at fair value through profit or loss	8	5,517	5,692
Payments related to equity swap resettlement		-	(39,030)
Cash flows (used)/from cash collateral/equity derivative collateral	8	(45,485)	14,874
Proceeds from sale of financial investments at fair value through profit or loss		-	10,249
CASH FLOWS USED IN INVESTING ACTIVITIES		**(114,559)**	**(107,724)**
FINANCING ACTIVITIES			
Payment to acquire shares under LTSIP		(3,696)	-
Net movements in bank loans, bonds and other long-term liabilities		**140,517**	**329,522**
Proceeds from bank loans	11	520,000	216,936
Proceeds from bonds	11	-	490,735
Repayment of bank loans	11	(167,311)	(375,949)
Repayment of bonds	11	(202,800)	(2,200)
Premium paid on repurchase of bond	15	(9,372)	-
Other payments		**(151,455)**	**(96,841)**
Repayments of lease liabilities	5	(511)	-
Premium paid on acquisitions of derivatives		(284)	(1,410)
Earnings distribution		(150,660)	(95,431)
CASH FLOWS (USED) IN / FROM FINANCING ACTIVITIES		**(14,634)**	**232,681**
NET (DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS		**(65,497)**	**274,271**
Cash and cash equivalents brought forward		212,919	96,924
CASH AND CASH EQUIVALENTS CARRIED FORWARD BEFORE THE ADJUSTMENT FOR HELD FOR SALE ASSETS		**147,422**	**371,195**
Cash and cash equivalents classified as held for sale		(9,276)	(5,029)
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**138,146**	**366,166**

** Expenditure on investment property under development includes also the VAT cash inflow relating to development projects of €10,266 thousand.*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

NEPI Rockcastle plc ("the Company", "NEPI Rockcastle", "the Group") is a public limited company incorporated and domiciled in the Isle of Man on 1 December 2016. The registered office is at 2nd floor, Athol Street, Douglas, Isle of Man. The Company's shares are listed on the Main Board of the Johannesburg Stock Exchange Limited (JSE), Euronext Amsterdam and A2X.

The Group's interim condensed consolidated financial statements for the six months ended 30 June 2020 were authorized for issue in accordance with the Directors' resolution on 20 August 2020.

2. SIGNIFICANT EVENTS OF THE PERIOD

COVID-19 pandemic

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 negatively impacted the Group's business.

Except for "essential" retailers, the tenants in the Group's centres were unable to trade for a period beginning mid-March and ending between early May to mid-June, depending on the country. As at 30 June 2020, 96% of the Group's total property portfolio by gross leasable area ("GLA") was operational.

Tenant support and rent discounts

Certain governments in the countries where the Group has operations have implemented measures with the aim of supporting businesses affected by the closures.

Rent reliefs imposed by Government: Poland

In Poland, the Government imposed a rent-free period for tenants (including service charge and marketing costs) during the state of emergency.

Such reliefs imposed without changes to the lease contracts, but covered by law in force, have been recognised in the Statement of Comprehensive Income, as a reduction of Gross Rental Income (impact of €8.6 million) and Service charge income, respectively (impact of €2.4 million).

Partial forgiveness of receivables

The Group focused on maintaining a functioning retail environment for the long-term, and based on negotiations with tenants, partial forgiveness of contractual receivables was granted for the period under lockdown and/or immediately after lockdown, further to an analysis of a set of pre-defined criteria. In Czech Republic, Lithuania and Slovakia the respective governments supported the tenants affected by closures by covering a proportion of the rental and other related obligations for a specific period, should the landlord grant a particular reduction of rent for that period. In these specific countries, forgiveness of contractual receivables has been guided by the support schemes granted by respective governments.

The partial forgiveness of receivables at Group level has been recognised in the Statement of Comprehensive Income, as "Partial forgiveness of receivables (COVID-19 forgiveness)" (€36.9 million).

Thus, in the six months period ended 30 June 2020, rent reliefs granted further to the provisions of laws, together with the partial forgiveness of contractual receivables, amounted to €47.9 million.

Contractually agreed and signed modifications expected in H2 2020 subject to straight lining from effective date of the modification.

Discussions with retailers regarding COVID-19 support are ongoing in all countries and only a few negotiations with tenants have been signed and agreed by 30 June 2020. Contractually agreed and signed concessions granted to and obtained from the tenants will be treated according to IFRS 16, "Leases".

IFRS 16 defines a lease modification as a change in scope or in consideration, that was not part of its original terms and conditions. Concessions granted such as rent discounts and concessions received, such as extension of leases, increase of the sales-based rents, introduction of landlord break-options, etc. are deemed to be lease modifications. IFRS 16 requires lease modifications to be recognized prospectively, over the new lease term and be accounted for by the lessor as from the date the modification is contractually agreed and signed between the parties.

Therefore, lease modifications not agreed and signed as at 30 June 2020 have not been recognized as lease incentives in the interim condensed consolidated financial statements, and therefore their financial impact was not straight-lined over the new lease term. The effect of the concessions estimated to be granted to tenants (once negotiations are finalised) corresponding to the six months ended 30 June 2020 were instead fully accounted for in the Statement of Comprehensive Income as "Partial forgiveness of receivables (COVID-19 forgiveness)", in correspondence with "Trade and other receivables" in the Statement of Financial Position.

Subsequent to the reporting date, contract modifications are expected to be signed across the Group, producing their effect prospectively, from the date the modification is agreed. Such modifications will be straight-lined over the new lease term.

Trade receivables

While the majority of the rents for the Group's portfolio are generally paid in advance, COVID-19 lockdowns, together with the administrative measures taken to support tenants, have had a significant impact on rent collection – especially rents invoiced in respect of the second quarter – resulting in historically high levels of trade receivables as of 30 June 2020.

As mentioned above, in the context of COVID-19, the Group granted partial forgiveness of contractual receivables, in an amount of €36.9 million, as a way of supporting tenants during unprecedented times. This was recognised as "Partial forgiveness of contractual receivables (COVID-19 forgiveness)" in the Statement of Comprehensive Income reducing the gross receivable exposure as at 30 June 2020.

In addition, certain tenants of the Group have filed for insolvency. NEPI Rockcastle has recognized an expected credit loss in the Statement of Comprehensive Income (as part of the "Property operating expenses"), in accordance with IFRS 9 "Financial Instruments" (please refer to Note 4 and 13).

Valuation of investment properties

As at 30 June 2020, the entire property portfolio was independently valued by external appraisers. Those appraisals have been performed in a context of uncertainties associated with the current COVID-19 pandemic characterised by lack of transactions since the outbreak of the pandemic and difficulties to estimate future market prospects. As a result, assumptions taken by external appraisers as at 30 June 2020 might differ significantly for 2020 financial year-end. They have factored in the potential impact of COVID-19 by modifying two specific sets of assumptions.

Assumptions affecting short-term cash flows: depending on the country and function of specific asset performances, the appraisers considered various levels of rent holidays, prolonged void periods and higher levels of unpaid rents for the period 2020/2021. The appraisers also factored in lower levels of tenants' sales-based rents and of ancillary income over the same period.

Assumptions affecting long-term cash flows and values: the appraisers increased discount rates and exit cap rates in most countries, despite lower inflation prospects, to reflect greater uncertainty over long-term cash flows, liquidity and value and growth prospects on exit.

The appraisers have included a "material valuation uncertainty" statement in their reports. This statement is used following guidance from RICS, to indicate that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.

The appraisers confirmed that the inclusion of the material valuation uncertainty declaration does not mean that their valuation cannot be relied upon.

For the six-month period ended 30 June 2020, the fair value loss recognised in relation to investment property portfolio amounted to €236.6 million.

Debt and liquidity position

In January 2020, the €197.8 million outstanding bonds due February 2021 have been repurchased in full.

During the second quarter of the year, the Group took immediate steps to preserve its strong liquidity position considering the uncertain impact of the pandemic. These steps included reduction in costs and capital expenditures, together with the deferral of any non-committed development projects. The Group also drew down €380 million of its revolving facilities, repaid subsequent to 30 June 2020.

3. BASIS OF PREPARATION

These reviewed interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with the International Financial Reporting Standard, IAS 34 "Interim Financial Reporting", the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council. They do not include all the notes requested for the preparation of the annual consolidated financial statements, and accordingly, they should be read in conjunction with the annual financial statements as at 31 December 2019.

The accounting policies adopted are consistent with those applied for the preparation of the annual consolidated financial statements as at 31 December 2019, except for the new mandatory standards and interpretations described below:

- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards.

These standards, amendments and interpretations do not have a significant impact on the Group's accounts as at 30 June 2020.

The interim condensed consolidated financial statements are presented in thousands of Euros ("€'000"), rounded off to the nearest thousand, unless stated otherwise.

4. FINANCIAL RISK MANAGAMENT: CREDIT RISK AND LIQUIDITY RISK

4.1 Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans granted to joint ventures, receivables from tenants, cash collateral in relation to Financial investments at fair value through profit or loss and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is set out below.

Credit exposure on financial instruments *in € thousand*	**Note**	**30 June 2020**	**31 December 2019**
Loans granted to joint ventures	16	22,064	21,220
Trade and other receivables*	9	113,438	89,383
Cash and cash equivalents		138,146	208,746
Loans to participants in the Share Purchase Scheme		4,929	5,063
Cash collateral		45,485	-
TOTAL		**324,062**	**324,412**

**Trade and other receivables include also VAT receivable, other receivables, prepaid property expenses and other prepaid fees. Please refer to Note 9.*

As at 30 June 2020 the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. Changes in counterparty credit risk had no material effect on the fair value of the derivatives and other financial instruments recognised at fair value through profit or loss.

Trade and other receivables relate mainly to the Group's tenants. When monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, the industry they work in, business size and previous financial difficulties.

The exposure to credit risk is mainly influenced by the tenant's individual characteristics. The Group's widespread customer base reduces credit risk. The majority of rental income is derived from type A tenants (large international and national tenants; large listed tenants; government and major franchisees and companies with assets and/or turnovers exceeding €200 million), and there is no concentration of credit risk with respect to trade receivables.
Management has established a credit policy where new customers are analysed individually for creditworthiness before standard payment terms and conditions are offered. When available, the analysis includes external ratings.

The Group establishes an allowance for impairment based on a simplified expected credit loss model in respect of trade and other receivables and a 12-month expected credit loss model for all the other financial assets.

The carrying value of financial assets approximates their fair value.

The Group's exposure to credit risk associated to cash collateral and cash and cash equivalents is limited using financial institutions of good standing for investment and cash handling purposes.

Analysis by credit quality of financial assets is as follows:

in € thousand	Note	30 June 2020	31 December 2019
Tenant receivables – gross*		87,882	49,748
Less: Impairment provisions*		(5,071)	(4,547)
TENANT RECEIVABLES - NET OF IMPAIRMENT PROVISION*		**82,811**	**45,201**

**Trade and other receivables also include VAT receivable, other receivables, prepaid property expenses and other prepaid fees. Please refer to Note 9.*

As detailed in Note 2, as part of the Group's adopted measures to support tenants affected by COVID-19, NEPI Rockcastle granted partial forgiveness of contractual receivables in amount of €36.9 million, fully recognised in Statement of Comprehensive income as "Partial forgiveness of receivables (COVID-19 forgiveness)". The gross tenant receivable balance presented above was adjusted for the effect of the COVID-19 forgiveness.

Reconciliation of provisions for doubtful debtors is set out below:

Movement of provisions for doubtful debtors *in € thousand*	30 June 2020	31 December 2019
Carrying value at beginning of year	**(4,547)**	**(6,949)**
Additional expected credit losses	(998)	(1,898)
Reversal of provisions for doubtful debtors*	405	4,206
Foreign exchange gain/loss	69	94
CARRYING VALUE	**(5,071)**	**(4,547)**

**Reversal of provisions and allowances for doubtful debts was due to the recovery of previously expected credit losses and the write-off of receivables. The amount of the expense associated to the receivable written-off in first half of 2020 (excluding the effect of COVID-19 forgiveness) is €163 thousand. The net amount of expected credit losses in the period was €756 thousand (Note 13).*

The expected loss rates are based on the payment profiles of tenants over a period of 12 months before 30 June 2020 (30 June 2020 or 1 January 2020, respectively) and the corresponding historical credit losses experienced within this period. On that basis, the provision for doubtful debtors as at 30 June 2020 was determined as follows for trade receivables.

30 June 2020 *in € thousand*	Current	0-30 days	31-60 days	61-90 days	>90 days	Total
Expected loss rate	0%	0%	0%	1%	54%	
Gross carrying amount – trade receivables	34,144	28,003	10,207	6,461	9,067	87,882
Provision for doubtful debtors	**-**	**(74)**	**(37)**	**(90)**	**(4,870)**	**(5,071)**

The impairment provision for trade receivables as at 31 December 2019 is set out below:

31 December 2019 *in € thousand*	Current	0-30 days	31-60 days	61-90 days	>90 days	Total
Expected loss rate	0%	0%	3%	3%	87%	
Gross carrying amount – trade receivables	37,125	6,479	567	424	5,153	49,748
Provision for doubtful debtors	**(4)**	**(11)**	**(19)**	**(14)**	**(4,499)**	**(4,547)**

By using the simplified expected credit loss model, the Group assessed its receivables for impairment and concluded that a net amount of expected credit losses of €756 thousand, are unlikely to be recovered, therefore an expected credit loss expense, including receivable write-offs, was charged to the Statement of Comprehensive Income (Note 13). The above-mentioned amount excludes the partial forgiveness of contractual receivables, used as tenant support in the COVID-19 context (Note 2).

While cash and cash equivalents and loans granted to joint ventures are also subject to the impairment requirements of IFRS 9, the expected credit losses are immaterial.

4.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when due. The Group's approach to managing this risk ensures, as far as possible, it will always have enough liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. To ensure this occurs, the Group prepares budgets, cash flow analyses and forecasts, which enable the Directors to assess the level of financing required for future periods. Budgets and projections are used to assess any future potential investments and are compared to existing funds held on deposit to evaluate the nature, and extent of any future funding requirements.

Further reference to bank loan maturity analysis is made in Note 11.
The table below presents undiscounted cash flows for all financial liabilities, computed at the contractual rates.

30 June 2020 *in € thousand*	**Note**	**under 3 months**	**3–12 months**	**1–5 years**	**over 5 years**	**Total**
Bonds and bank loans (including estimated future interest)		12,894	66,887	1,993,002	510,778	2,583,561
Derivative financial liabilities at fair value through profit or loss		-	-	6,233	-	6,233
Trade and other payables (excluding tenant deposits)		19,660	78,637	-	-	98,297
Other long-term liabilities	12	-	-	-	71,340	71,340
TOTAL		**32,554**	**145,524**	**1,999,235**	**582,118**	**2,759,431**

31 December 2019 *in € thousand*	**Note**	**under 3 months**	**3–12 months**	**1–5 years**	**over 5 years**	**Total**
Bonds and bank loans (including estimated future interest)		27,859	30,989	1,868,581	515,381	2,442,810
Derivative financial liabilities at fair value through profit or loss		-	-	6,714	-	6,714
Trade and other payables (excluding tenant deposits)		26,081	101,825	-	-	127,906
Other long-term liabilities	12	-	-	-	74,036	74,036
TOTAL		**53,940**	**132,814**	**1,875,295**	**589,417**	**2,651,466**

5. INVESTMENT PROPERTY IN USE

Movement in investment property in use *in € thousand*	30 June 2020	31 December 2019
Carrying value at beginning of year	**5,800,759**	**5,721,134**
Additions from business combinations and asset deals	458	912
Transfer from Investment property under development (Note 6)	105,142	253,604
Fair value adjustments of investment property in use (Note 14)	(229,276)	133,804
Fair value adjustment of right-of-use asset	(511)	(229)
Investment property reclassified as held for sale	-	(308,466)
CARRYING VALUE	**5,676,572**	**5,800,759**

Investment property is carried at fair value determined by professionally qualified independent appraisers with relevant expertise and industry experience in the locations and segments of the investment properties being valued. The fair valuation of the Group's investment property is done on a semi-annual basis.

For the interim condensed consolidated financial statements as at 30 June 2020, the applied method used for all investment property in use was discounted cash flow ('DCF'), consistent with the method used for the year ended 31 December 2019.

DCF method uses explicit assumptions regarding the benefits and liabilities of ownership over the asset's life, including an exit, or terminal, value. As an accepted method within the income approach to valuation, the DCF method involves the projection of a series of cash flows onto a real property interest. To these projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of cash inflows associated with the real estate property.

The duration of cash flow, and the specific timing of inflows and outflows, are determined by events such as rent reviews, lease renewal and related lease-up periods, re-letting, redevelopment or refurbishment. The appropriate duration is typically driven by market behavior. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission fees, and other operating and management expenses. The series of periodic net cash inflows, combined with the estimated terminal value anticipated at the end of the projection period, is then discounted.

For the six months period ended 30 June 2020 and for the year-ended 31 December 2019, the Group commissioned independent appraisal reports on its investment property from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners, Colliers International and Jones Lang LaSalle, all of whom are members of the Royal Institution of Chartered Surveyors (RICS). The fair value of investment property is based on these reports. Detailed tenancy schedules are made available, including information on occupied and vacant units, unit areas and numbers, lease commencement and expiry dates, break options and indexation clauses. All properties are inspected by representatives of external valuers once a year. Valuations are prepared in accordance with the RICS Valuation – Global Standards 2017 (the "Red Book").

For all investment properties, their current use equates to the highest and best use. The Group's Finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the CFO, the AC, the valuation team and the independent valuers twice a year.

The Finance department:
- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report;
- holds discussions with the independent valuer; and
- reports to the Audit Committee on the results of the valuations.

The impact of COVID-19 on fair value measurement is described in the Note 2.

As at 30 June 2020, the investment property in use had an EPRA vacancy rate of 4.2% (31 December 2019: 2.1%).

At the end of the reporting period, the Group's portfolio included retail, office and industrial properties.

IFRS 13 defines fair value as the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. The Group currently discloses fair values according to a 'fair value hierarchy' (as per IFRS 13) which categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs. The fair value hierarchy is explained below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date;
- Level 2: use of a model with inputs (other than quoted prices included within Level 1) that are directly, or indirectly, observable market data; and
- Level 3: use of a model with inputs not based on observable data.

The Group's investment property is classified Level 3 on the fair value hierarchy as defined in IFRS 13. There were no transfers between hierarchies' levels during the six months ended 30 June 2020. The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the Group's property portfolio, together with the impact of significant movements in these inputs on the fair value measurement, are detailed below:

Unobservable input	Impact on fair value of increase in input
Estimated rental value	Increase
Discount rate	Decrease
Capitalisation rate for terminal value	Decrease

Information relating to fair value measurement using significant unobservable inputs (Level 3) as at 30 June 2020 is presented in the table below:

Segment	Valuation technique	Estimated rental value (yearly amount in '000 €)	Discount rate (%)	Capitalisation rate for terminal value (%)
Retail^	Discounted cash flow	244 – 22,109 (12,545*)	6.90% - 10.90% (8.34*)	5.20% - 9.00% (6.86*)
Office^	Discounted cash flow	1,610 - 7,842 (4,256*)	8.00% - 9.00% (8.43*)	6.54% - 7.90% (7.49*)
Industrial	Discounted cash flow	545 – 1,521 (1,242*)	10.65% – 11.65% (11.36*)	9.00% – 10.00% (9.71*)

** Amounts or percentages represent weighted averages*
^Excluding joint ventures, including Romanian office portfolio held for sale

Information relating to fair value measurement using significant unobservable inputs (Level 3) as at 31 December 2019 is presented in the table below:

Segment	Valuation technique	Estimated rental value (yearly amount in '000 €)	Discount rate (%)	Capitalisation rate for terminal value (%)
Retail^	Discounted cash flow	245 – 23,436 (12,628*)	6.65% - 10.60% (8.13*)	5.10% - 9.00% (6.77*)
Office^	Discounted cash flow	1,554 – 7,831 (4,238*)	8.00% - 9.25% (8.55*)	6.25% - 7.90% (7.47*)
Industrial	Discounted cash flow	545 – 1,536 (1.253*)	10.50% – 11.60% (11.29*)	9.00% – 10.00% (9.71*)

**Amounts or percentages represent weighted averages*
^Excluding joint ventures, including Romanian office portfolio held for sale

Assumptions taken by external appraisers for the portfolio valuation

To incorporate the impact of COVID-19, appraisers have modified several assumptions in their valuation reports, such as:

- Cash flows for 2020 and 2021: lower base rent and short-term rent, prolonged current/future void periods, increased provisions for bad debt and lower sales-based rents;
- Future cash flows: lower long-term indexation. Estimated rental values have not been materially changed considering the lack of leasing agreements concluded in the period;
- Adjustment of the structural vacancy for some properties;
- Increase of the Discount Rate ("DR") due to rental risk and increase of the cost of funding;
- Increase of the Exit Capitalization Rate ("ECR") on a case by case basis.

Portfolio valuation: sensitivity to changes in the discount rate and exit rate

The tables below present the change in the valuation of the shopping center portfolio using different discount rate and exit rate assumptions than those used by the appraisers.

Discount rate variance				
Country	**(50 bps)**	**(25 bps)**	**25 bps**	**50 bps**
Romania*	5.8%	2.8%	-2.7%	-5.2%
Poland	6.8%	3.3%	-3.1%	-6.0%
Croatia	6.2%	3.0%	-2.8%	-5.5%
Slovakia	7.3%	3.5%	-3.3%	-6.3%
Bulgaria	6.2%	3.0%	-2.8%	-5.5%
Serbia	5.7%	2.8%	-2.6%	-5.1%
Czech Republic	7.6%	3.7%	-3.4%	-6.6%
Lithuania	5.8%	2.8%	-2.7%	-5.2%
Hungary	7.0%	3.4%	-3.2%	-6.1%
TOTAL	**6.4%**	**3.1%**	**-2.9%**	**-5.7%**

** Excluding joint ventures and held for sale portfolio (retail and office)*

Exit rate variance				
Country	**(50 bps)**	**(25 bps)**	**25 bps**	**50 bps**
Romania*	7.4%	3.6%	-3.3%	-6.4%
Poland	8.9%	4.3%	-3.9%	-7.6%
Croatia	6.9%	3.3%	-3.1%	-6.0%
Slovakia	8.2%	3.9%	-3.6%	-7.0%
Bulgaria	7.0%	3.4%	-3.2%	-6.1%
Serbia	6.3%	3.1%	-2.9%	-5.6%
Czech Republic	8.5%	4.1%	-3.8%	-7.3%
Lithuania	7.3%	3.5%	-3.3%	-6.4%
Hungary	8.7%	4.1%	-3.8%	-7.4%
TOTAL	**7.9%**	**3.8%**	**-3.5%**	**-6.8%**

**Excluding joint ventures and held for sale portfolio (retail and office)*

6. INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in Investment property under development Retail	30 June 2020	31 December 2019
Carrying value at beginning of year	**221,841**	**222,460**
Additions from construction in progress	76,601	250,490
Fair value adjustments (Note 14 only for 30 June 2020)	(6,067)	2,495
Assets which became operational and were transferred to Investment property in use (Note 5)	(105,142)	(253,604)
CARRYING VALUE	**187,233**	**221,841**

Land included in Investment property under development is carried at fair value and is assessed on a semi-annual basis. For the six months ended 30 June 2020 and for the year ended 31 December 2019, the Group commissioned independent reports from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners, Colliers International and Jones Lang LaSalle, based on which the fair value of investment property was adjusted. Land included in Investment property under development is classified Level 3 on the fair value hierarchy as defined in IFRS 13.

The valuation technique is sales comparison or residual approach.

Additions from asset deals include land purchased for development of retail projects.

Borrowing costs capitalised for the six months ended 30 June 2020 amount to €1,517 thousand (30 June 2019: €2,145 thousand) and were calculated using an average annual interest rate of 2.1% (30 June 2019: 2.4%).

As a result of the COVID-19 pandemic, the Group suspended the works on non-committed development projects with a carrying value as at 30 June 2020 of €88,425 thousand. Consequently, in line with IAS 23 provisions, no borrowing costs have been capitalised on the respective projects.

Balance of investment property under development	30 June 2020	31 December 2019
Retail	187,233	221,841
TOTAL	**187,233**	**221,841**

The balance of Investment property under development divided by land carried at fair value and additions from construction works held at cost is detailed below.

Investment property under development	30 June 2020	31 December 2019
Land (at fair value)	130,561	136,628
Construction works (at cost)	56,672	85,213
TOTAL	**187,233**	**221,841**

7. GOODWILL

The Group recognised goodwill for the following business acquisitions:

in € thousand	Segment	Balance at 1 Jan 2019	Transfers to assets held for sale	Impairment of goodwill	Balance at 31 Dec 2019	Additions	Balance at 30 June 2020
Pitesti Retail Park	Retail	1,671	-	-	1,671	-	1,671
Floreasca Business Park	Office	1,664	(1,664)	-	-	-	-
Internalisation of NEPI Investment Management	Corporate	5,882	-	-	5,882	-	5,882
City Business Centre	Office	4,747	(4,747)	-	-	-	-
The Lakeview	Office	3,899	(3,899)	-	-	-	-
Aupark Kosice Mall	Retail	5,189	-	-	5,189	-	5,189
Iris Titan Shopping Center	Retail	934	-	-	934	-	934
Forum Usti nad Labem	Retail	5,646	-	-	5,646	-	5,646
Shopping City Sibiu	Retail	9,850	-	-	9,850	-	9,850
Korzo Shopping Centrum	Retail	2,899	-	-	2,899	-	2,899
Aupark Shopping Center Piestany	Retail	2,497	-	(912)	1,585	-	1,585
Arena Centar	Retail	13,512	-	-	13,512	-	13,512
Energit	Retail	6,976	-	-	6,976	-	6,976
Paradise Center	Retail	9,311	-	-	9,311	-	9,311
Arena Mall	Retail	7,905	-	-	7,905	-	7,905
Galeria Mlyny	Retail	10,488	-	(5,044)	5,444	-	5,444
TOTAL		**93,070**	**(10,310)**	**(5,956)**	**76,804**	-	**76,804**

According to the Group's accounting policies based on IFRS, the recoverable value of goodwill is tested annually or whenever there is an indication that an asset may be impaired at each reporting date. Considering the COVID-19 pandemic, management performed an impairment test of the goodwill and concluded that no adjustment should be booked in relation to the goodwill.

All the goodwill summarised in the table above, with the exception of NEPI Investment Management and Energit, resulted from business combinations, as the difference between the deferred tax liability recognised in the balance sheet of the business acquired and the expected tax to be paid in case of a future disposal. As a consequence, impairment tests performed on this type of goodwill at each reporting date consist in comparing its carrying amount with the amounts expected to arise from deferred taxes payable, should a disposal occur.

Goodwill arising as a result of internalisation of NEPI Investment Management is monitored at the level of this subsidiary, which employs part of the Group's key management and charges management fees to property operating companies. The recoverable amount of NEPI Investment Management and Energit is represented by their value in use, determined based on the Discounted Cash Flow derived from the five-year financial budgets for these two entities approved by management. Cash flows beyond the five-year period were extrapolated using the estimated cash flow of year 5. The discount rate used was based on the weighted average cost of capital in the specific geography of the two entities. As a result of this test, no impairment arose in connection with the above two entities.

8. INVESTMENTS IN LISTED SECURITIES AND NET RESULT FROM FINANCIAL INVESTMENTS

in € thousand	**30 June 2020**	**31 December 2019**
Financial investments at fair value through profit or loss	60,293	169,062
Cash collateral	45,485	-
TOTAL	**105,778**	**169,062**

A. Financial investments at fair value through profit or loss and cash collateral

The Group obtains exposure to listed real estate companies by holding directly listed securities.

As at 30 June 2020, the Group held a portfolio of listed securities fair valued at €60,293 thousand (31 December 2019: €169,062 thousand), consisting of Unibail-Rodamco-Westfield ('URW') shares.

The percentage of holding in the above entity is below 1% and does not meet the definition of control as defined by IFRS, and therefore it does not meet the requirement to consolidate the entity in question.

The listed securities measured at fair value being the quoted closing price at the reporting date and are categorised as Level 1 investments, according to IFRS 13 - Fair value measurement. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in the Statement of Comprehensive Income in the period in which they arise.

Attributable transaction costs are recognised in the Statement of Comprehensive Income as incurred.

In March 2019, the Group pledged the listed securities portfolio to enter into an equity repurchase agreement maturing in March 2022. The loan has currently a margin trigger of 50%, requiring additional cash collateral to be placed to the lender's account. The balance of the cash collateral was €45,485 thousand as at 30 June 2020 (31 December 2019: NIL). The cash collateral was Euro denominated as at 30 June 2020.

B. Net result from financial investments

Income from financial investments at fair value through profit or loss relates to dividend income on direct listed security investments.

Dividends are recognized in profit or loss when the right to receive payments of dividends is established and the amount of dividend can be measured reliably. The income from financial investments at fair value through profit or loss amounts to €5,517 thousand (30 June 2019: €5,692 thousand).

The fair value and net result on sale of financial investments shows the change in fair value of the financial instruments as well as the net result on sales of such instruments.
During the six months period ended 30 June 2020, the Group did not make any disposal of its financial investments at fair value through profit or loss (30 June 2019: partial disposal of the listed securities held in Klepierre). The net fair value loss from listed securities amounted to €108,770 thousand (30 June 2019: net fair value and realized gains from sale of listed securities of €17 thousand).

9. TRADE AND OTHER RECEIVABLES

in € thousand	**30 June 2020**	**31 December 2019**
Tenant receivables	82,811	45,201
VAT receivable	18,555	33,461
Prepaid property expenses	9,836	7,928
Other receivables	1,980	2,129
Other prepaid fees	256	664
TOTAL	**113,438**	**89,383**

10. ASSETS HELD FOR SALE

Investment property held for sale is carried at fair value and is assessed on a semi-annual basis, as at 30 June and 31 December. Based on IFRS 13, it is categorised within Level 3 of the fair value hierarchy.

In December 2019, the Group entered into an agreement to dispose of the Romanian office portfolio, consisting of four type A office buildings, to AFI Europe NV ("AFI Europe", "purchaser"), a wholly owned subsidiary of Africa Israel Properties Limited. The estimated aggregated cash consideration associated to the transaction based on the net assets of the subsidiaries holding the above office buildings was €290 million, to be adjusted based on the subsidiaries' financial statements as of the date of completion.

The unconditional approval of the Romania Competition Council was obtained and the formalities with Trade Registry have been successfully implemented in February 2020; the transaction was scheduled to become effective at the end of March 2020, with a potential postponement to the end of April 2020. The disposal was not completed as the purchaser's obligations related to the completion procedures were not fulfilled, leading to a breach in the agreement which entitled the Group to terminate the agreement and claim the contractual guarantee.

The disposal of the Romanian office portfolio remained in line with the Group's investment strategy.

As presented in Note 21 "Events occurring after the reporting period" in August 2020, the Group concluded a new agreement with AFI Europe to dispose of the Romanian office portfolio. In accordance with the provisions of the new agreement, the completion of the disposal is expected to occur within no more than four months, with the completion date to be set by the purchaser. The purchaser has paid to the sellers a cash advance of €15 million as guarantee for finalising the completion, with no other condition precedent required to be fulfilled. The terms of the new agreement are substantially in line with the initial agreement, with an estimated cash consideration of approximately €290 million, as mentioned above.

As at 30 June 2020, the assets and liabilities held for sale included the above mentioned four type A office buildings ('Romanian office portfolio') and five office street properties located in Romania. As at 31 December 2019, the assets and liabilities held for sale included the Romanian office portfolio, an office building located in the UK and seven office street properties located in Romania. During the six months period ended 30 June 2020, the UK office building and two of the office street properties were sold.

The major classes of assets and liabilities of subsidiaries which are presented as held for sale at the end of the reporting period are as follows:

Assets held for sale	Romanian Office Portfolio	Other Portfolio	30 June 2020	Romanian Office Portfolio	Other Portfolio	31 Dec 2019
Non-current assets	**317,860**	**5,691**	**323,551**	**318,080**	**9,434**	**327,514**
Investment property	307,550	5,691	313,241	307,770	9,434	317,204
Goodwill (Note 7)	10,310	-	10,310	10,310	-	10,310
Current assets	**15,759**	-	**15,759**	**10,225**	-	**10,225**

Assets held for sale	Romanian Office Portfolio	Other Portfolio	30 June 2020	Romanian Office Portfolio	Other Portfolio	31 Dec 2019
Trade and other receivables	6,482	-	6,482	6,052	-	6,052
Cash and cash equivalents	9,277	-	9,277	4,173	-	4,173
Assets held for sale	**333,619**	**5,691**	**339,310**	**328,305**	**9,434**	**337,739**
Non-current liabilities	**(33,208)**	-	**(33,208)**	**(32,986)**	-	**(32,986)**
Deferred tax liabilities	(29,506)	-	(29,506)	(29,271)	-	(29,271)
Other long-term liabilities	(3,702)	-	(3,702)	(3,715)	-	(3,715)
Current liabilities	**(5,576)**	-	**(5,576)**	**(6,052)**	-	**(6,052)**
Liabilities held for sale	**(38,784)**	-	**(38,784)**	**(39,038)**	-	**(39,038)**
Net assets held for sale	**294,835**	**5,691**	**300,526**	**289,267**	**9,434**	**298,701**

10.1 INVESTMENT PROPERTY HELD FOR SALE

in € thousand	30 June 2020	31 December 2019
Carrying value at beginning of year	317,204	11,957
Disposals	(3,603)	(2,232)
Transfer from investment property at fair value (Note 5)	-	308,466
Additions from property, plant and equipment	-	374
Additions during the period	358	-
Fair value adjustments (Note 14 only for 30 June 2020)	(718)	(1,361)
CARRYING VALUE	**313,241**	**317,204**

11. BORROWINGS (BONDS AND BANK LOANS)

The Group is currently assigned a long-term corporate credit rating of BBB (negative outlook) from Standard & Poor's Rating Services and BBB (stable outlook) from Fitch Ratings.

As at 30 June 2020, the Group had undrawn available amounts of €195 million from the unsecured revolving credit facilities (31 December 2019: €575 million).

The debt's average interest rate, including hedging costs, was approximately 2.1% during the first half of 2020, slightly lower compared to 2.4% in 2019. The decrease in the Group's average interest rate is the result of the repurchase of the €400 million bond maturing in February 2021, during 2019 and 2020 and its refinancing at more attractive rates. As at 30 June 2020, fixed-coupon bonds represented 61% of NEPI Rockcastle's outstanding debt; out of the remaining long-term debt exposed to Euribor and excluding the outstanding revolving facilities, 65% was hedged with interest rate caps and 35% with interest rate swaps.

The fair value of all financial instruments is substantially in line with their carrying amounts as reflected on the Statement of Financial Position, except for the bonds. The fair value of bonds is not considered relevant, its liability towards bonds holders does not vary in line with the market price of its listed notes. However, for reference, as at 30 June 2020, the €499 million bonds issued in 2017 were trading on the market at 97.01% (31 December 2019: 101.85%), the €496 million bonds issued in May 2019 were trading on the market at 101.60% (31 December 2019: 105.19%) and the €500 million bonds issued in October 2019 were trading on the market at 93.21% (31 December 2019: 99.9%).

The repayment profile for outstanding loans, excluding future interest, is detailed below. In addition to these loans, the Group has loans and borrowings related to its joint ventures presented in Note 16.

Interest bearing borrowings Group, 30 June 2020 *in € thousand*	**Type**	**Payable in less than 1 year**	**Payable in 1-5 years**	**Payable over 5 years**	**Total**
Netherlands	Unsecured fixed coupon bonds	-	995,000	500,000	1,495,000
Netherlands	Unsecured revolving facilities	-	380,000	-	380,000
Netherlands	Secured loan	-	70,000	-	70,000
Poland	Secured loans	2,307	299,823	-	302,130
Slovakia	Secured loans	25,225	121,575	-	146,800
Czech Republic	Secured loans	410	40,078	-	40,488
Accrued interest on loans and deferred loan costs		386	(1,835)	-	(1,449)
Accrued interest on bonds		13,428	-	-	13,428
Deferred bond costs		(1,966)	(5,781)	(798)	(8,545)
Issue discount on bonds		(3,806)	(9,485)	(924)	(14,215)
Total		**35,984**	**1,889,375**	**498,278**	**2,423,637**

Interest bearing borrowings Group, 31 December 2019 *in € thousand*	Type	Payable in less than 1 year	Payable in 1–5 years	Payable over 5 years	Total
Netherlands	Unsecured fixed coupon bonds	-	1,197,800	500,000	1,697,800
Netherlands	Unsecured revolving facilities	-	-	-	-
Netherlands	Secured loan	-	92,223	-	92,223
Poland	Secured loans	2,307	300,978	-	303,285
Slovakia	Secured loans	7,460	143,070	-	150,530
Czech Republic	Secured loans	410	40,283	-	40,693
Accrued interest on loans and deferred loan costs		(361)	(2,442)	-	(2,803)
Accrued interest on bonds		17,249	-	-	17,249
Deferred bond costs		(2,662)	(6,553)	(1,108)	(10,323)
Issue discount on bonds		(4,029)	(11,071)	(1,289)	(16,389)
Total		**20,374**	**1,754,288**	**497,603**	**2,272,265**

Debt reconciliation

This section sets out an analysis of the movements in debt.

In € thousand	Bank loans	Bonds	Total*
Debt as at 31 December 2019	**583,927**	**1,688,338**	**2,272,265**
Cash repayments of principal	(167,312)	(202,800)	**(370,112)**
Cash proceeds from bank loans or bonds	520,000	-	**520,000**
Cash payments of interest on bank loans or coupon on bonds	(6,210)	(19,829)	**(26,039)**
Interest expense	6,992	16,007	**22,999**
Amortisation of capitalised borrowing costs	653	1,020	**1,673**
Amortisation of bond discount	-	1,954	**1,954**
Additional capitalised borrowing costs in the period	(82)	-	**(82)**
Costs released on fair value following bonds buy back	-	979	**979**
Debt as at 30 June 2020	**937,969**	**1,485,668**	**2,423,637**

in € thousand	Bank loans	Bonds	Total*
Debt as at 31 December 2018	**1,195,054**	**903,038**	**2,098,092**
Cash repayments of principal	(827,594)	(202,200)	**(1,029,794)**
Cash proceeds from bank loans or bonds	216,936	985,372	**1,202,308**
Cash payments of interest on bank loans or coupon on bonds	(17,981)	(28,414)	**(46,395)**
Interest expense	17,242	32,164	**49,406**
Amortisation of capitalised borrowing costs	1,687	2,351	**4,038**
Amortisation of bond discount	-	2,634	**2,634**
Additional capitalised borrowing costs in the period	(1,437)	(7,744)	**(9,181)**
Costs released on fair value following bonds buy back	-	1,177	**1,177**
Other non-cash items	20	(40)	**(20)**
Debt as at 31 December 2019	**583,927**	**1,688,338**	**2,272,265**

**The tables above do not contain interest bearing loans from third parties in amount of €8,816 thousand as at 30 June 2020 (31 December 2019: €8,642 thousand) (included in Other long-term liabilities in Note 12), and the associated finance cost. The above finance costs as at 30 June 2020 do not include interest capitalized on developments of €1,517 thousand (refer to Note 6) and interest on lease liabilities of €277 thousand recognised as per IFRS 16.*

Further details regarding the Group's loans and bonds are presented below.

Secured term loans

The Group has secured term loans contracted by some of its subsidiaries in Poland, Slovakia and the Czech Republic.

Securities
- General security over the properties (fair values as at 30 June 2020), current assets, cash inflows from operating activities, accounts and receivables; and
- General security over the shares in the property-owning entities.

Covenants
- Debt service cover ratio of a minimum between 120% and 150%; and
- Loan to value ratio of a maximum between 60% and 80%; and
- Interest coverage ratio of a minimum between 200% and 300%.

Equity repurchase loan

In March 2019, the Group concluded an equity repurchase agreement which matures in March 2022.

Securities
- Collateral over the listed securities portfolio.

Covenants
- Loan to Value ratio of maximum 45% (with a margin trigger of 50%).

During the six-month period ended 30 June 2020, an amount of €22 million has been repaid out of the outstanding loan.

Unsecured committed revolving facilities

Starting 2014, the Group contracted unsecured committed revolving facilities. At 30 June 2020, there were €195 million available for drawdown.

Covenants
- Solvency Ratio of maximum 0.60;
- Consolidated Coverage Ratio of minimum 2:1; and
- Unsecured Ratio of minimum 150%.

Unsecured fixed coupon bonds

The Group successfully issued fixed coupon bonds as follows:
- 2015: €400 million of unsecured, 5.25-year Eurobonds. The bonds had their maturity on 26 February 2021 and a 3.750% fixed coupon, with an issue price of 99.597%. An amount of €202.2 million of this bond was repurchased during 2019. The outstanding amount of €197.8 million as at 31 December 2019 was fully repurchased in January 2020 (Note 2, Note 11).
- 2017: €500 million of unsecured, 7-year Eurobonds. The bonds mature on 23 November 2024 and carry a 1.75% fixed coupon, with an issue price of 99.051%.
- May 2019: €500 million of unsecured, 4-year Eurobonds. The bonds mature on 22 May 2023 and carry a 2.625% fixed coupon, with an issue price of 98.147%.
- October 2019: €500 million of unsecured, 7-year Eurobonds. The bonds mature on 9 October 2026 and carry a 1.875% fixed coupon, with an issue price of 98.927%.

During the period, the Group also repurchased bonds due in 2023 and 2024 of €5 million nominal value.

Covenants
- Solvency Ratio (Debt/Assets) of maximum 0.60;
- Consolidated Coverage Ratio of minimum 2:1; and
- Unsecured Ratio of minimum 180% / 150%.

Subsequent to 30 June 2020, the Group issued its inaugural €500 million unsecured, 7-year green bond. The bonds mature on 14 July 2027 and carry a 3.375% fixed coupon, with an issue price of 98.172% (Note 21).

NEPI Rockcastle has complied with all financial covenants of its borrowing facilities during the six months period ended 30 June 2020 and 2019. The ratios calculated for all unsecured loans and bonds showed ample headroom compared to the covenants:
- Solvency Ratio: 40% (31 December 2019: 37%);
- Consolidated Coverage Ratio: 5.84 (31 December 2019: 6.58); and
- Unsecured Ratio: 268% (31 December 2019: 290%).

12. OTHER LONG-TERM LIABILITIES

in € thousand	30 June 2020	31 December 2019
Lease liabilities related to leased land areas	31,784	32,295
Borrowings from third parties*	8,816	8,642
Tenant security deposits	29,661	32,012
Other long-term payables	1,079	1,087
TOTAL	**71,340**	**74,036**

Reconciliation of lease liabilities

in € thousand	30 June 2020	31 December 2019
Carrying value of the lease liabilities related to leased land areas	32,295	32,524
Interest expense associated to the lease liabilities related to leased land areas	277	559
Lease liability payment	(788)	(788)
Lease liabilities related to leased land areas	**31,784**	**32,295**

*Reconciliation of borrowings from third parties

This section sets out the movements in borrowings from third parties for the periods presented.

in € thousand	Borrowings from third parties
Borrowings as at 31 December 2019	**8,642**
Cash payments of interest	(316)
Interest expense	490
Borrowings as at 30 June 2020	**8,816**

in € thousand	Borrowings from third parties
Borrowings as at 31 December 2018	**10,035**
Cash repayments of principal	(1,419)
Cash payments of interest	(1,053)
Interest expense	1,079
Borrowings as at 31 December 2019	**8,642**

13. NET RENTAL AND RELATED INCOME

in € thousand	30 June 2020	30 June 2019
Gross rental income	193,159	200,988
Service charge income	81,565	86,536
Gross rental and service charge income	**274,724**	**287,524**
Property management, tax, insurance and utilities	(46,344)	(50,112)
Property maintenance cost	(30,488)	(36,621)
Net expected credit losses	(756)	(1,018)
Property operating expenses	**(77,588)**	**(87,751)**
Partial forgiveness of receivables (COVID-19 forgiveness)	(36,879)	-
TOTAL	**160,257**	**199,773**

As presented in Note 2, in Poland, the Government imposed a rent-free period for tenants (including service charge and marketing costs) during the state of emergency. Such reliefs imposed without changes to the lease contracts, but covered by law in force, was recognized as negative variable rent, impacting the Gross rental income by €8.6 million. In addition, service charge relief was recognized as a reduction in the Service charge income for an amount €2.4 million.

In addition, the Group focused on maintaining a functioning retail environment for the long-term, and based on negotiations with tenants, partial forgiveness of contractual receivables of €36.9 million for the period under lockdown and/or immediately after lockdown were granted, on a case-by-case basis, further to an analysis of the relevant tenant's financial situation.

Thus, the rental and related income for the six months period ended 30 June 2020 was negatively affected by rent reliefs granted further to the provisions of laws, together with the partial forgiveness of contractual receivables, amounting to €47.9 million.

14. FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

in € thousand	30 June 2020	30 June 2019
Fair value adjustments of investment property in use (Note 5 only for 30 June 2020)	(229,276)	87,043
Fair value adjustments of investment property under development (Note 6 only for 30 June 2020)	(6,067)	4,391
Fair value adjustments of investment property held for sale (Note 10 only for 30 June 2020)	(718)	(819)
Fair value adjustments of right-of-use asset	(511)	(511)
TOTAL	**(236,572)**	**90,104**

15. FAIR VALUE ADJUSTMENTS OF DERIVATIVES AND LOSSES ON EXTINGUISHMENT OF FINANCIAL INSTRUMENTS

€ thousand	30 June 2020	30 June 2019
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	(10,302)	(10,074)

Out of the fair value adjustments of derivatives and losses on extinguishment of financial instruments, a loss of €9,372 thousand (30 June 2019: NIL) was incurred in relation to the repurchase of the €197.8 million nominal value bond notes due in February 2021, €3.98 million nominal value bond notes due in May 2023 and €1.02 million nominal value bond notes due in November 2024 (refer to Note 11). The remaining amount of €930 thousand mainly relates to the net fair value adjustment in relation to the interest rate derivatives (30 June 2019: loss of €10,074 thousand).

16. JOINT VENTURES

In April 2019, the Group signed an agreement for the sale of its 50% stake in The Office Cluj-Napoca. Following the fulfilment of several conditions precedent, the transaction was completed in May 2019, for a pro-rata consideration of €35,801 thousand, resulting in a profit on disposal of joint venture of €3,588 thousand.

The summarized interim condensed financial statements of the joint ventures is presented below at 100%. The “Investments in joint ventures” line on the interim condensed consolidated statement of financial position represents 50% of the line “Equity attributable to equity holders” shown below and the “Share of profit of joint ventures” line on the interim condensed consolidated statement of comprehensive income represents 50% of the line “Profit for the period attributable to equity holders” presented below.

NEPI ROCKCASTLE PLC

INTERIM FINANCIAL REPORT

30 June 2020

Interim condensed statement of financial position

30 June 2020	Ploiesti Shopping City	Total
Non-current assets	109,682	109,682
Current assets	13,387	13,558
TOTAL ASSETS	**123,069**	**123,240**
Non-current liabilities	(76,989)	(76,989)
Current liabilities	(3,336)	(3,507)
Total liabilities	**(80,325)**	**(80,496)**
Equity attributable to equity holders	**(42,744)**	**(42,744)**
TOTAL EQUITY AND LIABILITIES	**(123,240)**	**(123,240)**
INVESTMENT IN JOINT VENTURES (50% OF THE EQUITY ATTRIBUTABLE TO EQUITY HOLDERS)		**21,372**

31 December 2019	Ploiesti Shopping City	Total
Non-current assets	113,777	113,777
Current assets	12,532	12,532
TOTAL ASSETS	**126,309**	**126,309**
Non-current liabilities	(76,537)	(76,537)
Current liabilities	(4,084)	(4,084)
Total liabilities	**(80,621)**	**(80,621)**
Equity attributable to equity holders	**(45,688)**	**(45,688)**
TOTAL EQUITY AND LIABILITIES	**(126,309)**	**(126,309)**
INVESTMENT IN JOINT VENTURES (50% OF THE EQUITY ATTRIBUTABLE TO EQUITY HOLDERS)		**22,844**

Interim condensed statement of comprehensive income

30 June 2020	Ploiesti Shopping City	Total
Gross rental income and Service charge income	5,436	5,436
Property operating expenses	(1,093)	(1,093)
Partial forgiveness of receivables (COVID-19 forgiveness)	(901)	(901)
Administrative expenses	(274)	(274)
Fair value adjustment investment property	(4,274)	(4,274)
Foreign exchange gain	77	77

30 June 2020	**Ploiesti Shopping City**	**Total**
Profit before net finance expense	**(1,029)**	**(1,029)**
Net finance expense	**(2,214)**	**(2,214)**
Finance income	54	54
Finance expense	(2,264)	(2,264)
Other net finance expense	(4)	(4)
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	**59**	**59**
Profit before income tax	**(3,184)**	**(3,184)**
Tax release/(charge)	240	240
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS	**(2,944)**	**(2,944)**
Share of profit of joint venture (50% of the Profit of the period)		**(1,472)**

30 June 2019	**Ploiesti Shopping City**	**The Office Cluj-Napoca**	**Total**
Gross rental income and Service charge income	5,958	5,152	11,110
Property operating expenses	(1,504)	(952)	(2,456)
Administrative expenses	(146)	(105)	(251)
Fair value adjustment investment property	3,584	-	3,584
Foreign exchange (loss) / gain	(103)	10	(93)
Profit before net finance expense	**7,789**	**4,105**	**11,894**
Net finance expense	**(2,122)**	**(1,019)**	**(3,141)**
Finance income	52	-	52
Finance expense	(2,174)	(694)	(2,868)
Other net finance expense	-	(325)	(325)
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	**(242)**	**14**	**(228)**
Profit before income tax	**5,425**	**3,100**	**8,525**
Tax release/(charge)	(900)	(209)	(1,109)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS	**4,525**	**2,891**	**7,416**
Share of profit of joint venture (50% of the Profit of the period)			**3,708**

Shareholder loans to Ploiesti Shopping City were granted by NE Property BV (formerly NE Property Cooperatief U.A.). Interest income from joint ventures in the first half of year 2020 amounted to €831 thousand (30 June 2019: €778 thousand).

30 June 2020	Ploiesti Shopping City	Total
Long-term loans granted to joint ventures	22,064	**22,064**

31 December 2019	Ploiesti Shopping City	Total
Long-term loans granted to joint ventures	21,220	**21,220**

Included within the balances above from the Statement of financial position are the following:

30 June 2020	Ploiesti Shopping City	Total
Cash and cash equivalents	11,548	**11,548**
Bank loans (non-current liabilities)	(20,528)	**(20,528)**
Bank loans (current liabilities)	(2,146)	**(2,146)**

31 December 2019	Ploiesti Shopping City	Total
Cash and cash equivalents	10,990	**10,990**
Bank loans (non-current liabilities)	(21,598)	**(21,598)**
Bank loans (current liabilities)	(2,142)	**(2,142)**

Secured term loans

The joint venture Ploiesti Shopping City has contracted a secured term loan.

Securities

— General security over the property (weighted fair value as at 30 June 2020), current assets, cash inflows from operating activities, accounts and receivables.

Covenants

— Debt service cover ratio of minimum 120%, and

— Loan to value ratio of maximum 60%.

17. SEGMENT REPORTING

Reporting segments are retail, office, industrial and corporate, and the Group primarily manages operations in accordance with this classification.

There are no sales between segments. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.
Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets. Segment assets represent investment property. Segment liabilities represent loans and borrowings, as these are the only liabilities reported on a segmental basis.

Segment results 30 June 2020	Retail	Office	Industrial	Corporate	Total
Net rental and related income	**144,990**	**14,379**	**888**	**-**	**160,257**
Gross rental income	177,960	14,244	955	-	193,159
Service charge income	75,721	5,752	92	-	81,565
Property operating expenses	(71,992)	(5,437)	(159)	-	(77,588)
Partial forgiveness of receivables (COVID-19 forgiveness)	(36,699)	(180)	-	-	(36,879)
Administrative expenses	(3,647)	(338)	(13)	(6,590)	(10,588)
EBITDA*	**141,343**	**14,041**	**875**	**(6,590)**	**149,669**
Net result from financial investments	**-**	**-**	**-**	**(103,253)**	**(103,253)**
Income from financial investments at fair value through profit or loss	-	-	-	5,517	5,517
Fair value loss and net result on sale of financial investments at fair value through profit or loss	-	-	-	(108,770)	(108,770)
Fair value adjustments of investment property	(235,648)	(721)	(203)	-	(236,572)
Foreign exchange gain/(loss)	516	(228)	(18)	(1,302)	(1,032)
(Loss)/Profit before net finance expense	**(93,789)**	**13,092**	**654**	**(111,145)**	**(191,188)**

** EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses.*

Segment results 30 June 2019	Retail	Office	Industrial	Corporate	Total
Net rental and related income	**183,627**	**15,146**	**1,000**	**-**	**199,773**
Gross rental income	184,958	15,051	979	-	200,988
Service charge income	80,507	5,895	134	-	86,536
Property operating expenses	(81,838)	(5,800)	(113)	-	(87,751)
Administrative expenses	(3,112)	(750)	(19)	(5,509)	(9,390)
EBITDA*	**180,515**	**14,396**	**981**	**(5,509)**	**190,383**
Net result from financial investments	**-**	**-**	**-**	**5,709**	**5,709**

Segment results 30 June 2019	Retail	Office	Industrial	Corporate	Total
Income from financial investments at fair value through profit or loss	-	-	-	5,692	5,692
Fair value gain and net result on sale of financial investments at fair value through profit or loss	-	-	-	17	17
Transaction fees	(1,534)	(69)	-	-	(1,603)
Fair value adjustments of investment property	89,377	(483)	1,210	-	90,104
Foreign exchange (loss) / gain	(813)	(271)	(10)	618	(476)
Gain on disposal of joint venture	-	3,588	-	-	3,588
(Loss)/Profit before net finance expense	**267,545**	**17,161**	**2,181**	**818**	**287,705**

** EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses.*

Segment assets and liabilities 30 June 2020	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	**5,910,143**	**76,471**	**16,681**	**15,057**	**6,018,352**
Investment property	5,772,624	74,500	16,681	-	5,863,805
—Investment property in use	5,585,391	74,500	16,681	-	5,676,572
—Investment property under development	187,233	-	-	-	187,233
Goodwill	70,922	-	-	5,882	76,804
Deferred tax assets	23,033	1,971	-	-	25,004
Investments in joint ventures	21,372	-	-	-	21,372
Long-term loans granted to joint ventures	22,064	-	-	-	22,064
Other long-term assets	128	-	-	7,400	7,528
Derivative financial assets at fair value through profit or loss	-	-	-	1,775	1,775
Current assets	**203,589**	**4,721**	**1,821**	**147,231**	**357,362**
Trade and other receivables	107,561	901	193	4,783	113,438
Financial investments at fair value through profit or loss	-	-	-	60,293	
Cash collateral	-	-	-	45,485	45,485
Cash and cash equivalents	96,028	3,820	1,628	36,670	138,146
Assets held for sale	**1,161**	**338,149**	-	-	**339,310**
TOTAL ASSETS	**6,114,893**	**419,341**	**18,502**	**162,288**	**6,715,024**

Segment assets and liabilities 30 June 2020	Retail	Office	Industrial	Corporate	Total
SEGMENT LIABILITIES					
Non-current liabilities	**869,729**	**2,282**	**2,430**	**1,928,226**	**2,802,667**
Bank loans	460,421	-	-	449,220	909,641
Bonds	-	-	-	1,478,012	1,478,012
Deferred tax liabilities	335,022	1,576	843	-	337,441
Other long-term liabilities	69,047	706	1,587	-	71,340
Derivative financial liabilities at fair value through profit or loss	5,239	-	-	994	6,233
Current liabilities	**112,605**	**6,216**	**384**	**17,999**	**137,204**
Trade and other payables	84,277	6,216	384	10,343	101,220
Bank loans	28,328	-	-	-	28,328
Bonds	-	-	-	7,656	7,656
Liabilities held for sale	**-**	**38,784**	**-**	**-**	**38,784**
TOTAL LIABILITIES	**982,334**	**47,282**	**2,814**	**1,946,225**	**2,978,655**

Segment assets and liabilities 31 December 2019	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	**6,059,553**	**76,518**	**16,870**	**16,229**	**6,169,170**
Investment property	5,931,230	74,500	16,870	-	6,022,600
—Investment property in use	5,709,389	74,500	16,870	-	5,800,759
—Investment property under development	221,841	-	-	-	221,841
Goodwill	70,922	-	-	5,882	76,804
Deferred tax assets	13,191	2,018	-	-	15,209
Investments in joint ventures	22,844	-	-	-	22,844
Long-term loans granted to joint ventures	21,220	-	-	-	21,220
Other long-term assets	146	-	-	7,444	7,590
Derivative financial assets at fair value through profit or loss	-	-	-	2,903	2,903
Current assets	**177,053**	**3,343**	**1,706**	**285,089**	**467,191**
Trade and other receivables	83,628	845	136	4,774	89,383
Financial investments at fair value through profit or loss	-	-	-	169,062	169,062
Cash and cash equivalents	93,425	2,498	1,570	111,253	208,746
Assets held for sale	**1,178**	**336,561**	**-**	**-**	**337,739**
TOTAL ASSETS	**6,237,784**	**416,422**	**18,576**	**301,318**	**6,974,100**

Segment assets and liabilities 31 December 2019	Retail	Office	Industrial	Corporate	Total
SEGMENT LIABILITIES					
Non-current liabilities	**910,616**	**4,019**	**2,559**	**1,770,203**	**2,687,397**
Bank loans	482,968	-	-	91,144	574,112
Bonds	-	-	-	1,677,779	1,677,779
Deferred tax liabilities	350,586	3,223	947	-	354,756
Other long-term liabilities	71,626	796	1,612	2	74,036
Derivative financial liabilities at fair value through profit or loss	5,436	-	-	1,278	6,714
Current liabilities	**117,286**	**6,166**	**336**	**26,997**	**150,785**
Trade and other payables	107,471	6,166	336	16,438	130,411
Bank loans	9,815	-	-	-	9,815
Bonds	-	-	-	10,559	10,559
Liabilities held for sale	**-**	**39,038**	**-**	**-**	**39,038**
TOTAL LIABILITIES	**1,027,902**	**49,223**	**2,895**	**1,797,200**	**2,877,220**

The Group’s geographical breakdowns per country are detailed below.

Country results	Net rental and related income (30 June 2020)	(Loss)/Profit before tax (30 June 2020)	Investment property (30 June 2020)
Romania	67,827	(7,032)	2,055,446
Poland	26,497	(30,326)	1,440,114
Slovakia	15,887	(7,967)	533,503
Hungary	14,282	(5,546)	585,400
Bulgaria	12,734	(16,522)	486,593
Croatia	7,834	(5,876)	262,030
Serbia	5,759	(8,919)	192,139
Czech Republic	4,860	(9,892)	170,400
Lithuania	4,651	6,536	138,180
United Kingdom	(74)	(191)	-
Corporate*	-	(143,271)	-
Total	**160,257**	**(229,006)**	**5,863,805**

**The Corporate segment represents head office, administrative offices and listed securities entity*

Country results	Net rental and related income (30 June 2019)	Profit/ (loss) before tax (30 June 2019)	Investment property (31 December 2019)
Romania	79,332	131,487	2,091,484
Poland	39,897	20,858	1,465,364
Bulgaria	18,452	19,610	514,770
Slovakia	18,303	16,230	554,872
Hungary	17,717	32,288	603,900
Croatia	9,142	17,717	275,600
Serbia	6,555	8,221	201,130
Czech Republic	5,532	(2,343)	182,900
Lithuania	4,840	6,794	132,580
United Kingdom	3	42	-
Corporate*	-	5,696	-
Total	**199,773**	**256,600**	**6,022,600**

**The Corporate segment represents head office, administrative offices and listed securities entity*

18. HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the six months period ended 30 June 2020 was based on headline earnings of €(6,159) thousand (year ended 31 December 2019: €301,066 thousand) and the weighted average of 600,325,014 ordinary shares in issue during the six months period ended June 2020 (year ended 31 December 2019: 585,511,850), excluding those issued under the Initial Share Scheme.

Reconciliation of (loss)/ profit for the period/year to headline earnings	30 June 2020	31 December 2019	30 June 2019
(Loss)/profit for the period/year attributable to equity holders	**(206,554)**	**416,235**	**224,729**
Fair value adjustments of investment property (Note 14)	236,572	(134,709)	(90,104)
Gain on disposal of assets held for sale	-	(123)	-
Gain on acquisition of subsidiaries	-	(446)	-
Impairment of goodwill	-	5,956	-
Gain on disposal of joint venture	-	(3,588)	(3,588)
Tax effects of adjustments for controlled subsidiaries	(37,971)	20,453	13,034
Fair value adjustment of investment property for joint ventures	2,137	(3,227)	(1,792)
Tax effects of adjustments for joint ventures	(343)	515	286
HEADLINE (LOSS) / EARNINGS	**(6,159)**	**301,066**	**142,565**
Weighted average number of shares in issue	600,325,014	585,511,850	580,524,775
Diluted weighted average number of shares in issue	600,325,014	585,511,850	580,524,775
Headline (loss) / earnings per share (euro cents)	(1.03)	51.42	24.56
Diluted headline (loss) / earnings per share (euro cents)	(1.03)	51.42	24.56

19. RECONCILIATION OF PROFIT FOR THE PERIOD TO DISTRIBUTABLE EARNINGS

Distributable earnings for six-month period ended 30 June 2020*

in € thousand	**30 June 2020**
Loss per IFRS Statement of Comprehensive Income attributable to equity holders	**(206,554)**
Accounting specific adjustments	**324,722**
Fair value adjustments of investment property for controlled subsidiaries	236,572
Fair value (loss)/gain and net result on sale of financial investments at fair value through profit or loss	108,770
Depreciation in relation to property, plant and equipment of an administrative nature	285
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	10,302
Amortisation of financial assets	(430)
Deferred tax expense for controlled subsidiaries	(26,879)
Income from financial investments at fair value through profit or loss	(5,517)
Accrued income for financial investments at fair value through profit or loss	-
Adjustments related to joint ventures:	**1,986**
Fair value adjustment investment property for joint ventures	2,137
Fair value adjustments of derivatives and losses on extinguishment of financial instruments for joint ventures	(29)
Deferred tax expense for joint ventures	(122)
Adjustments related to non-controlling interest:	**(487)**
Fair value adjustment investment property for non-controlling interest	(622)
Deferred tax expense for non-controlling interest	135
Antecedent dividend	**120**
Distributable earnings	**118,168**
Number of shares outstanding at end of period	600,921,133
Distributable earnings per share (euro cents)	**19.66**
Interim distribution	-
Earnings not distributed	**118,168**

**Distributable earnings per share (for six-month period ended 30 June 2020) is prepared on a basis that is consistent with SA REIT funds from operations (SA REIT FFO) as set out in the SA REIT Association's Best Practice Recommendations Second Edition.*

Distributable earnings for six-month period ended 30 June 2019

in € thousand	**30 June 2019**
Profit for the period attributable to equity holders	**224,729**
Reverse indirect result	**(61,882)**
Foreign exchange loss	476
Transaction fees	1,603
Fair value adjustments of investment property for controlled subsidiaries	(90,104)
Fair value (loss)/gain and net result on sale of financial investments at fair value through profit or loss	(17)
Income from financial investments at fair value through profit or loss	(5,692)
Fair value adjustment of derivatives and losses on extinguishment of financial instruments	10,074
Deferred tax expense for controlled subsidiaries	26,546
Gain on disposal of joint venture	(3,588)
Adjustments related to joint ventures	
Fair value adjustments of investment property for joint ventures	(1,792)
Fair value adjustments of derivatives and losses on extinguishment of financial instruments for joint ventures	114
Deferred tax expense for joint ventures	451
Foreign exchange loss for joint ventures	47
Company specific adjustments	**5,682**
Amortisation of financial assets	(708)
Realised foreign exchange loss for controlled subsidiaries	(152)
Realised foreign exchange loss for joint ventures	(6)
Accrued income for financial investments at fair value through profit or loss	6,534
Deferred tax expense for non-controlling interest	14
Antecedent dividend	**1,501**
Distributable earnings	**170,030**
Number of shares entitled to interim distribution	585,838,887
Distributable earnings per share (euro cents)	**29.02**
Interim distribution	**(170,030)**
Earnings not distributed	**-**

20. CONTINGENT ASSETS AND LIABILITIES

Guarantees

The Group provides financial guarantees to subsidiaries to the extent required in the normal course of business.

As at 30 June 2020, the Group had received letters of guarantee from tenants worth €110,947 thousand (31 December 2019: €114,053 thousand) and from suppliers worth €18,138 thousand (31 December 2019: €31,900 thousand) related to ongoing developments.

21. EVENTS OCCURRING AFTER THE REPORTING PERIOD

As mentioned in Note 11, in July 2020, the Group issued its inaugural €500 million unsecured, 7-year green bond. The bonds mature on 14 July 2027 and carry a 3.375% fixed coupon, with an issue price of 98.172%.

As mentioned in Note 2, in July 2020 the Group repaid the €380 million outstanding revolving credit facilities as at 30 June 2020.

As presented in Note 10, in August 2020, the Group concluded a new agreement with AFI Europe to dispose the Romanian office portfolio (four type A office buildings). In accordance with the provisions of the new agreement, the completion of the disposal is expected to occur within no more than four months, with the completion date to be set by the purchaser. The purchaser has paid to the sellers a cash advance of €15 million as guarantee for finalising the completion. No other conditions precedent are required to be fulfilled. The terms of the new agreement are substantially in line with the initial agreement, with an estimated cash consideration of approximately €290 million, to be adjusted based on the subsidiaries' financial statements as of the date of completion.

Except for the above, the Directors are not aware of any other subsequent events from 30 June 2020 and up to the date of signing these financial statements which are likely to have a material effect on the financial information contained in this report.

APPENDIX 1

THE BELOW SECTION HAS NOT BEEN REVIEWED BY THE GROUP'S AUDITOR

EPRA PERFORMANCE MEASURES

In 2018, NEPI Rockcastle joined European Public Real Estate Association ('EPRA'), the representative organisation of the publicly listed real estate industry in Europe. EPRA has established a set of Best Practice Recommendation Guidelines ('EPRA BPR'), which focus on the key measures of the most relevance to investors. These recommendations aim to give financial statements of public real estate companies more clarity, more transparency and comparability across European peers.

EPRA performance measures reported by NEPI Rockcastle are set out below:

EPRA indicators	30 June 2020	31 December 2019	30 June 2019
EPRA Earnings (€ thousand)	123,710	330,623	168,077
EPRA Earnings per share (€ cents per share)	20.59	55.79	28.69
EPRA Net Initial Yield (NIY)	6.83%	6.65%	6.64%
EPRA topped-up NIY	6.89%	6.71%	6.71%
EPRA vacancy rate	4.20%	2.10%	2.60%
EPRA Net Reinstatement Value (NRV)*	6.65	7.32	7.26
EPRA Net Tangible Assets (NTA)*	6.59	7.25	7.20
EPRA Net Disposal Value (NDV)*	6.13	6.61	6.62
EPRA Cost ratio (including direct vacancy cost)	7.3%	8.1%	-
EPRA Cost ratio (excluding direct vacancy cost)	7.0%	8.0%	-

**NRV, NTA and NDV measures implemented effective from 1 January 2020; the comparative measures have been restated/computed in line with the current EPRA guidance. For the Group, EPRA NRV corresponds to former EPRA NAV and EPRA NDV corresponds to former EPRA NNNAV.*

EPRA Earnings

EPRA Earnings presents the underlying operating performance of a real estate company excluding fair value gains or losses on investment properties, profit or loss on disposals, deferred tax and other non-recurring items, that are not considered to be part of the core activity of the Group

EPRA Earnings	30 June 2020	31 December 2019	30 June 2019
Earnings in IFRS Consolidated Statement of Comprehensive Income	**(206,554)**	**416,235**	**224,729**
Fair value adjustments of investment property for controlled subsidiaries	236,572	(134,709)	(90,104)
Fair value (loss) / gain and net result on sale of financial investments at fair value through profit or loss	108,770	(11,091)	(17)
Gain on acquisition of subsidiaries	-	(446)	-
Profit on disposal of assets held for sale	-	(123)	-
Profit on disposal of joint ventures	-	(3,588)	(3,588)
Impairment of goodwill	-	5,956	-
Fair value adjustment of derivatives and losses of extinguishment of financial instruments	10,302	23,743	10,074
Transaction fees	-	5,411	1,603
Deferred tax expense for controlled subsidiaries	(26,879)	31,370	26,546
Adjustments above in respect of joint ventures	1,986	(2,272)	(1,180)
Non-controlling interests	(487)	137	14
EPRA Earnings (interim)	**123,710**	**168,077**	**168,077**
EPRA Earnings (final)	**-**	**162,545**	**-**
EPRA Earnings (total)	**123,710**	**330,623**	**168,077**
Number of shares for interim distribution	600,921,133	585,838,887	585,838,887
Number of shares for final distribution	-	599,797,201	-
EPRA Earnings per Share (EPS interim)	**20.59**	**28.69**	**28.69**
EPRA Earnings per Share (EPS final)	**-**	**27.10**	**-**
EPRA Earnings per Share (EPS)*	**20.59**	**55.79**	**28.69**
Company specific adjustments:			
Amortisation of financial assets	(430)	(1,533)	(708)
Depreciation expense for property, plant and equipment	285	-	-

EPRA Earnings	30 June 2020	31 December 2019	30 June 2019
Reverse foreign exchange gains/losses	-	907	476
Add back realised foreign exchange gains/losses	-	(37)	(158)
Reverse income from financial investments at fair value through profit or loss	(5,517)	(12,560)	(5,692)
Accrued income from financial investments at fair value through profit or loss**	-	12,349	6,534
Antecedent dividend	120	4,062	1,501
Distributable Earnings (Interim)	**118,168**	**170,031**	**170,031**
Distributable Earnings (final)	**-**	**163,780**	**-**
Distributable Earnings (total)	**118,168**	**333,811**	**170,031**
Distributable Earnings per Share (interim) (euro cents)	**19.66**	**29.02**	**29.02**
Distributable Earnings per Share (final) (euro cents)	**-**	**27.31**	**-**
Distributable Earnings per Share (total) (euro cents)	**19.66**	**56.33**	**29.02**

**adjusted for interim and final number of shares*

***Dividends from financial investments are recognised on IFRS when the company's right to receive payment is established and the amount of the dividend can be measured reliably. For distribution purposes, whose computation is in line with the Best Practice Recommendations of the South African REIT Association, the dividends recognised under IFRS are reversed and an adjustment matching the income to the period for which the investment is held is made under "accrued income from financial investments at fair value through profit or loss".*

EPRA Net Asset Value metrics

The EPRA NAV set of metrics make adjustments to the NAV per the IFRS financial statements to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.

In replacement of the EPRA NAV and EPRA NNNAV, new reporting standards introduced three new measures of net asset value: EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets Value (NTA) and EPRA Net Disposal Value (NDV). As recommended by EPRA, these new standards have been applied with effect from these 2020 first-half results.

EPRA Net Reinstatement Value

The objective of the EPRA Net Reinstatement Value measure is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. Since the aim of the metric is to also reflect what would be needed to recreate the company through the investment markets based on its current capital and financing structure, related costs such as real estate transfer taxes should be included.

EPRA Net Tangible Assets

The underlying assumption behind the EPRA Net Tangible Assets calculation assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability.

EPRA Net Disposal Value

The EPRA Net Disposal Value provides the reader with a scenario where deferred tax, financial instruments, and certain other adjustments are calculated as to the full extent of their liability, including tax exposure not reflected in the Balance Sheet, net of any resulting tax. This measure should not be viewed as a "liquidation NAV" because, in many cases, fair values do not represent liquidation values.

For more detailed explanations of EPRA adjustments and requirements please refer to the [EPRA Best Practices Recommendations](https://www.epra.com/application/files/3115/7287/4349/EPRA_BPR_Guidelines_241019.pdf) *(https://www.epra.com/application/files/3115/7287/4349/EPRA_BPR_Guidelines_241019.pdf)*

EPRA Net Asset Values as of June 30, 2020

	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	**3,730,629**	**3,730,629**	**3,730,629**
Exclude:			
Net deferred tax liabilities	347,120	312,408	-
Derivative financial liabilities at fair value through profit or loss	5,239	5,239	-
Goodwill	(87,114)	(87,114)	(87,114)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	-	-	40,933
NAV	**3,995,874**	**3,961,162**	**3,684,448**
Number of shares	600,921,133	600,921,133	600,921,133
NAV per share	**6.65**	**6.59**	**6.13**

EPRA Net Asset Values as of December 31, 2019

	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	**4,096,880**	**4,096,880**	**4,096,880**
Exclude:			
Net deferred tax liabilities	374,120	336,708	-
Derivative financial liabilities at fair value through profit or loss	4,621	4,621	-
Goodwill	(87,114)	(87,114)	(87,114)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	-	-	(42,671)
NAV	**4,388,507**	**4,351,095**	**3,967,095**
Number of shares	**599,797,201**	**599,797,201**	**599,797,201**
NAV per share	**7.32**	**7.25**	**6.61**

EPRA Net Asset Values as of June 30, 2019

	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	**3,975,061**	**3,975,061**	**3,975,061**
Exclude:			
Net deferred tax liabilities	368,839	331,955	-
Derivative financial liabilities at fair value through profit	3,719	3,719	-
Goodwill	(93,070)	(93,070)	(93,070)
Include:			
Difference between the secondary market price and	-	-	(3,490)
NAV	**4,254,549**	**4,217,665**	**3,878,502**
Number of shares	**585,838,887**	**585,838,887**	**585,838,887**
NAV per share	**7.26**	**7.20**	**6.62**

EPRA NIY and 'topped-up' NIY

The EPRA NIY (Net Initial Yield) is calculated as the annualized rental income based on passing cash rents, less nonrecoverable property operating expenses, divided by the gross market value of the property.

In EPRA "topped-up" NIY, the net rental income is "topped-up" to reflect rent after the expiry of lease incentives such as rent-free periods and rental discounts

EPRA NIY and 'topped-up' NIY[1]	30 June 2020	31 December 2019	30 June 2019
Investment property as per consolidated financial statements	5,863,805	6,022,600	5,817,191
Investment property under joint ventures (on a pro-rata basis)	53,059	55,064	53,570
Investment property held for sale	313,241	317,204	318,352
Less investment property under development	(187,233)	(221,841)	(270,628)
Total investment property in use, including joint ventures (on a pro-rata basis)	**6,042,872**	**6,173,027**	**5,918,485**
Estimated purchasers' costs	30,214	30,865	29,592
Gross up value of the investment property in use, including joint ventures (on a pro-rata basis)	**6,073,086**	**6,203,893**	**5,948,077**
Annualised cash passing rental income*	417,140	418,665	396,275
Non-recoverable property operating expenses	(2,606)	(6,279)	(1,061)
Annualised net rents	**414,534**	**412,386**	**395,214**
Notional rent expiration of rent-free periods or other lease incentives	4,070	3,750	3,970
Topped-up net annualised rent	**418,604**	**416,136**	**399,184**
EPRA Net Initial Yield (EPRA NIY)	**6.83%**	**6.65%**	**6.64%**
EPRA "topped-up" NIY	**6.89%**	**6.71%**	**6.71%**

**Annualised passing rent as at 30 June 2020 computed based on the contractual rental amounts effective as at that date.*
1.Adjustment for unexpired lease incentives such as rent-free periods, discounted rent periods and step rents. The adjustment includes the annualised cash rent that will apply at the expiry of the lease incentive.

EPRA Vacancy Rate

The EPRA vacancy rate estimates the percentage of the total potential rental income not received due to vacancy.

The EPRA vacancy rate is calculated by dividing the estimated rental value of vacant premises by the estimated rental value of the entire property portfolio if all premises were fully leased. The EPRA vacancy rate is calculated using valuation reports performed by independent experts.

EPRA Vacancy Rate	30 June 2020	31 December 2019	30 June 2019
Estimated Rental Value of vacant space	19,098,685	9,694,517	11,233,501
Estimated rental value of the whole portfolio	458,441,995	459,680,754	408,266,308

EPRA Vacancy Rate	30 June 2020	31 December 2019	30 June 2019
EPRA Vacancy Rate	**4.2%**	**2.1%**	**2.75%**

EPRA Cost Ratio

EPRA Cost Ratios reflect the relevant administrative and operating costs of the business and provide a recognised and understood reference point for analysis of a company's costs.

The EPRA Cost Ratio (including direct vacancy costs) includes all administrative and operating expenses in the IFRS statements including the share of joint ventures' administrative and operating expenses (net of any service fees).

The EPRA Cost Ratio (excluding direct vacancy costs) is calculated as above, but with an adjustment to exclude vacancy costs.

Both EPRA Cost Ratios are calculated as a percentage of Gross Rental Income including a share of joint venture Gross Rental Income. The ground rent costs are NIL for the Group and for its joint ventures.

EPRA Cost Ratios	30 June 2020	31 December 2019
Administrative expenses (line per IFRS consolidated financial statements)	10,588	21,550
Transaction fees	-	5,411
Net service charge costs*	1,523	6,401
Share of Joint Ventures expenses	(230)	17
EPRA Costs (including direct vacancy costs)	**11,881**	**33,379**
Direct vacancy costs	392	376
EPRA Costs (excluding direct vacancy costs)	**11,489**	**33,003**
Gross Rental Income*	**161,780**	**407,139**
Add: share of Joint Ventures (Gross Rental Income less ground rents)	1,501	6,370
Gross Rental Income	**163,281**	**413,509**
EPRA Cost Ratio (including direct vacancy costs)	**7.3%**	**8.1%**
EPRA Cost Ratio (excluding direct vacancy costs)	**7.0%**	**8.0%**

**Out of €36.9 million partial forgiveness of receivables as at 30 June 2020, approximately €5.5 million corresponded to service charge income; this amount was considered into the computation of net service charge costs. The remaining amount of partial forgiveness of receivables corresponding to Gross rental income has been deducted from the respective line as at 30 June 2020.*

GLOSSARY

Collection rate: operational performance indicator computed as the net expected credit losses for tenant's receivable (as recognized in the Statement of Comprehensive Income) divided by the gross rental income and service charge income

Committed projects: projects currently under construction, for which the group owns the land or building rights and has obtained all necessary authorizations and permits

Like-for-like: operational measure computed based on the investment property excluding acquisitions, divestments, transfers to and from investment property under development and all other changes resulting in significant change to the square meters of a property

Loan-to-value (LTV): (Interest bearing debt – Lease liabilities (IFRS 16) – Cash- Cash Collateral)/ (Investment property (including investment property held for sale) – Right of use assets (IFRS 16) + Listed securities)

Occupancy cost ratio (Effort ratio): Annual Base rent, overage rent, service charge and marketing contribution, divided by tenant sales; excludes sales reported by hypermarkets common charges and all other related costs, divided by tenant sales

(Weighted) average cost of debt: a mathematical measure of the finance expense divided by the periodical average outstanding debt

EPRA measures

EPRA Cost ratio: The purpose of the EPRA cost ratio is to reflect the relevant overhead and operating costs of the business. It is calculated by expressing the sum of property expenses (net of service charge recoveries and third-party asset management fees) and administration expenses (excluding exceptional items) as a percentage of gross rental income

EPRA Earnings: Profit after tax attributable to the equity holders of the Company, excluding non-controlling interest, fair value adjustments of investment property, profits or losses on investment property disposals and related tax adjustment for losses on disposals, gains on acquisition of subsidiaries, acquisition costs, fair value and net result on sale of financial investments at fair value through profit or loss and deferred tax expense

EPRA Net Assets (EPRA NAV): Net assets per the statement of financial position, excluding the goodwill, deferred taxation net balance and mark-to-market of interest rate derivatives

EPRA Earnings Per Share: EPRA Earnings divided by the number of shares outstanding at the period or year-end

EPRA NAV Metrics:

EPRA Net Reinstatement Value (EPRA NRV): Assumes that entities never sell assets and aims to represent the value required to rebuild the entity

EPRA Net Tangible Assets (EPRA NTA): Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax

EPRA Net Disposal Value (EPRA NDV): Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax

EPRA NAV Per Share: EPRA NAV divided by the number of shares outstanding at the period or year-end

EPRA Net Initial Yield: Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the portfolio

EPRA 'topped-up' Yield: EPRA Net Initial Yield adjusted in respect of the annualised rent free at the balance sheet date

EPRA Vacancy Rate: Vacancy rate computed based on estimated rental value of vacant space compared to the estimated rental value of the entire property