Interim Financial Report
30 June 2021

NEPI ROCKCASTLE PLC

INTERIM FINANCIAL REPORT

30 June 2021

Interim Condensed Consolidated Financial Statements

for the six months ended 30 June 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the Interim Financial Report and the Interim Condensed Consolidated Financial Statements in accordance with applicable laws and regulations.

The Directors have prepared the 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 accounting 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-month period ended 30 June 2021 as well as the comparative periods presented and that the interim financial report give a fair review of the information required pursuant to section 5:25 d(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's 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 Group's website.

The Interim Condensed Consolidated Financial Statements on pages 19 to 63 were approved and authorized for issue by the Board of Directors on 18 August 2021 and signed on its behalf by:

Alex Morar
Chief Executive Officer

Mirela Covasa
Chief Financial Officer

Directors' commentary

"After a difficult first quarter, Q2 saw our business fully reopening, driven by good progress in vaccinations and a decline in Covid-19 cases in all CEE countries. Most trading restrictions have been lifted and all GLA is operational. The risk of new restrictions remains, as the spread of new virus variants elsewhere in the world and the slowdown in vaccinations in some CEE countries create the possibility of a new surge in Covid-19 cases during the second half of the year.

Recent trading data is very encouraging and points to a quick recovery. Tenant sales since reopening came very close to 2019 levels and rebounded faster than after the summer reopening of 2020. Retailers and customers adapted to the new circumstances which made the impact of restrictions in 2021 less severe than in 2020. There were no material tenant bankruptcies; occupancy reached 95.6% on 30 June 2021, and a positive trend is expected to continue as retailers are expanding to take advantage of the economic rebound.

More than 99% of reported revenues for FY 2020 have been collected, while significant progress is being made with tenant negotiations for 2021, leading to a collection rate for H1 2021 reported revenues of 94% at mid-August. After repaying secured bank loans of €242 million in H1 2021, available liquidity is close to €1 billion. NEPI Rockcastle will pay 100% of its H1 2021 earnings as dividends, in cash, confirming the strength of the Company's balance sheet.

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

BUSINESS HIGHLIGHTS

Distributable earnings

- Distributable earnings per share ('DEPS') for the first six months ('H1') ended 30 June 2021 were 17.64 euro cents, 10.3% lower than in H1 2020.
- Net Operating Income ('NOI') in H1 2021 was €155 million, 3% lower than in H1 2020. Excluding the impact of the disposal of the Romanian office portfolio (completed in August 2020), NOI was 4% higher in H1 2021 vs H1 2020. The total value of Covid-19 related discounts granted in H1 2021 was €36.1 million (€47.9 million in H1 2020), while the average number of "closed" days for non-essential stores was 60 (58 "closed" days in H1 2020).

- Other factors contributing to the DEPS decrease include higher finance costs due to maintaining additional liquidity compared to H1 2020.

- The Board of Directors declared a dividend of 17.64 euro cents per share for H1 2021, corresponding to 100% of the distributable earnings per share for this period. The distribution will be paid in cash on 16 September 2021, and further detailed announcements will follow

Operational highlights

- After a first quarter marked by significant trading restrictions, Covid-19 infection rates in the second quarter ('Q2') declined across Central and Eastern Europe ('CEE'). During May and June 2021 all remaining trading restrictions were lifted and on 30 June 100% of the Group's Gross Lettable Area ('GLA') was operational.
- Vaccination roll-out accelerated during Q2 but recently slowed as new Covid-19 cases dropped to low levels. Most CEE countries had between 35% and 55% of their population fully vaccinated at mid-August. There are no indications yet of a significant pick-up in Covid-19 cases in CEE.
- Footfall in H1 2021 was 106 million, 5.3% higher than in H1 2020 and 31.6% lower than in H1 2019 (considering like-for-like properties comparable in all three periods, footfall in H1 2021 was 77.6 million, 2.2% higher than in H1 2020 and 34.3% lower than in H1 2019). Since the reopening of cinemas and food courts, footfall recovered significantly and reached 90% of 2019 levels in the second half of June.
- Tenant sales recovered even faster than footfall, indicating an increase in the average basket size. Turnover in H1 2021 was 28.1% higher than in H1 2020 and 23.1% lower than in H1 2019 (on a property like-for-like basis, excluding hypermarkets and entertainment). In May and June, when there were no trading restrictions, tenant sales were only 0.4% lower than in the corresponding period of 2019.
- By the end of July, the Group signed 2,400 addenda to lease agreements, representing 71% of rent concessions for H1 2021. The general approach was to commence negotiations on rent concessions after reopening, based on tenants' performance data.
- Collection rate of over 99% for FY 2020 income and 88% for H1 2021 reported revenues (net of concessions granted) as of 30 June 2021. The collection rate for H1 2021 improved to 94% at mid-August. EPRA occupancy rate was 95.6% on 30 June 2021.

Financial highlights

- The Group had a strong liquidity position of €950 million on 30 June 2021, including cash and cash equivalents of €380 million and undrawn available credit facilities of €570 million. During H1 2021, the Group repaid five of its secured bank loans from Slovakia and Poland, totalling €242 million. Total liquidity increased to €1.1 billion at 31 July.

- A green unsecured financing agreement of €73.5 million was signed with the International Finance Corporation ('IFC'), for a seven-year maturity. The loan was drawn in July 2021.

- There are no significant debt maturities in 2021 and 2022.
- As of 30 June 2021, the property portfolio was independently valued by external appraisers, resulting in a fair value gain in relation to the investment property portfolio (including Serbian properties held for sale) of €25.5 million (+0.4% relative to property portfolio value at 31 December 2020). This appreciation was driven by increasing NOI and stable yields, signaling a potential shift towards a positive valuation cycle.
- The loan-to-value ratio ('LTV') was 31.8% at 30 June 2021, below the 35% strategic threshold.
- EPRA Net Reinstatement Value per share was €6.50, a 0.8% increase compared to €6.45 on 31 December 2020, mostly due to the positive revaluation of the property portfolio.
- Environmental, Social and Corporate Governance ('ESG') Risk Rating from Sustainalytics improved to 11.4/100 (July 2021) from 12.5/100 (end of 2020); the Group maintained its position as one of the top ten rated real estate management companies by Sustainalytics.
- In July 2021, the Group disposed of two Serbian retail properties for a transaction value of €60.8 million (cash proceeds of €60.4 million).

OPERATING PERFORMANCE

Status of trading restrictions and government measures

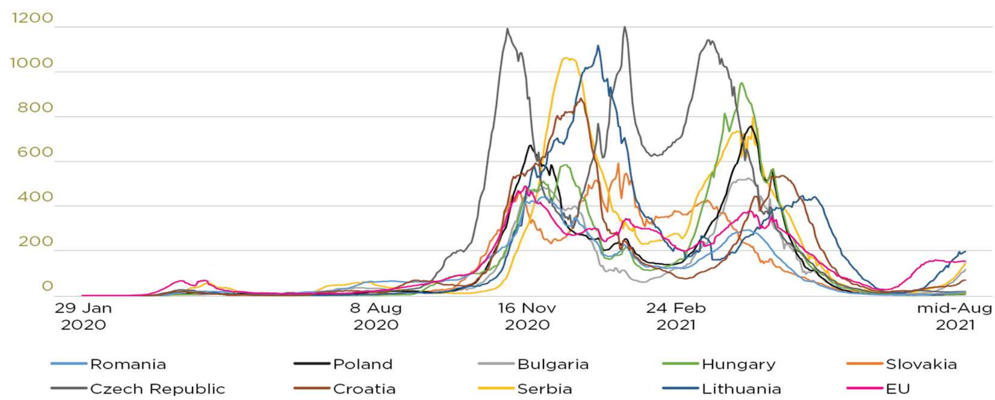
Most CEE countries were at the peak of the Covid-19 pandemic during the first months of 2021, when the number of new infections reached all-time highs. Governments responded by implementing severe restrictions on movement and trading to curb contagion. The restrictions had a significant impact on the operation of the Group's shopping centres. In April, the vaccination programme was accelerated and new cases dropped, leading to the gradual relaxation of restrictions. By 30 June 2021, all portfolio properties were fully operational. Currently the only restrictions affecting shopping centres relate to capacity limits for cinemas and restaurants in certain countries.

On average, throughout H1 2021, non-essential stores were closed for 60 days (approximately 33% of the period), with the longest cumulative periods in Czech Republic (130 days), Slovakia and Lithuania (109 days). Romania and Croatia did not impose generalised closings of non-essential stores in 2021 (only trading restrictions were applied).

The strong decline in new infections (see Chart 1) that started in March-April 2021, together with a similar evolution of the number of fatalities, enabled a full reopening of CEE economies. The evolution was accompanied and facilitated by a pick-up in the vaccination programme (see Chart 2). However, the combination of low infection rates and reopening seems to have decreased concerns about Covid-19 risks, which resulted in a slowdown of the vaccination progress over the last few months. Governments are discussing new measures to encourage more people to get vaccinated, including restrictions for the unvaccinated, which may indirectly affect the Group's business.

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

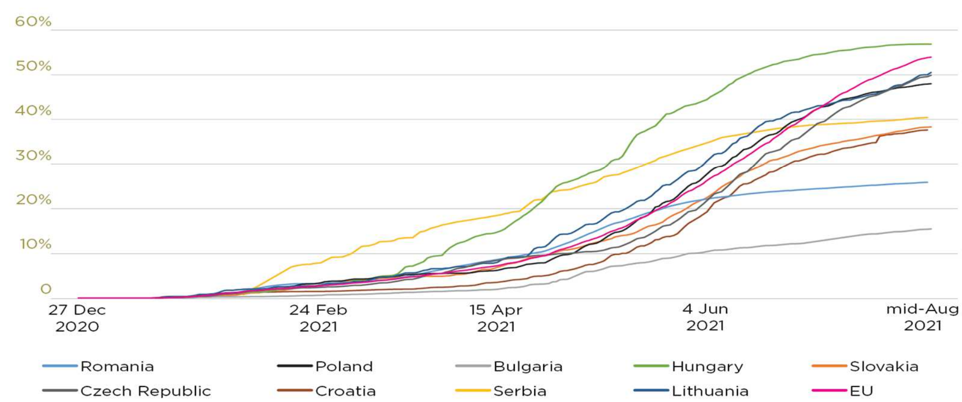
Shown is the rolling 7-day average. The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.



Source: Johns Hopkins University CSSE Covid-19 Data

Share of population fully vaccinated against Covid-19 (Chart 2)

Total number of people who received all doses prescribed by the vaccination protocol, divided by the total population of the country.



Source: Official data collated by Our World in Data

Tenant support

By the end of July, 71% of the rent concessions for H1 2021 had been agreed. The Group continues to negotiate with those tenants whose operations were disrupted by the trading restrictions imposed during the first part of 2021. After reopening, trading data is being used to inform those negotiations, in accordance with the principles of linking rental concessions to tenant performance and targeting support at the most affected categories.

Trading update

Once restrictions were lifted, the rebound in footfall was stronger than in 2020. In the Group's largest markets, footfall over the last two weeks of June was close to 2019 levels (-1.5% in Romania, -10% in Poland). Countries that restricted movement for longer, such as Hungary or Slovakia, have seen slower progress.

As in 2020, tenant sales outperformed footfall in terms of the comparison with pre-pandemic times. Since mid-May 2021, when most restrictions were lifted, tenant sales are getting closer to 2019 levels. Overall, throughout H1 2021 the least affected retail categories were Sporting Goods (-7% vs H1 2019, +45% vs H1 2020) and Health & Beauty (-11% vs H1 2019, +20% vs H1 2020). At the other end of the range, Food and Services categories had 30% lower sales compared to H1 2019 (+26% vs H1 2020).

By country, relative performance depended on the length and severity of restrictions. Serbia was the only country with better turnovers than in 2019 (+8%, and +30% vs H1 2020), while in Romania tenant sales decreased by only 11% vs H1 2019 (+63% vs H1 2020). Slovakia had one of the longest lockdowns of non-essential stores and was the most affected country, with a 50% drop in turnover in H1 2021 vs H1 2019 (-21% vs H1 2020).

Leasing activity

In H1 2021, the Group signed 672 new leases and lease extensions for a total area of 138,000m2 (6.8% of GLA). New leases nearly matched the level reached in H1 2019 (232 vs 256, excluding developments). Half of the total GLA signed was rented by international tenants, including some entering a new market. This reconfirms the retailers' interest to invest and expand in CEE and the appeal of the Group's portfolio.

Omnichannel/Retail transformation

The lifting of Covid-19 restrictions generated not only the recovery of footfall and tenant turnover, but also a partial reversal of some of customers' purchase habits created by the pandemic. As per Global Data, in CEE markets the share of e-commerce in total retail is 7.8%, still small compared to Western Europe. The impressive 30% e-commerce growth in 2020 is forecast to slow down to an average of 14% over the next 3 years, keeping the e-commerce share below 10%, while physical retail will continue to grow at a healthy rate of 4%.

Customer behaviour evolved through the pandemic, with most shoppers expecting now a seamless omnichannel experience. Tenants' capability to operate in an omnichannel world also increased significantly. Most food court tenants have enrolled in food delivery platforms, hypermarkets have been activating shop assistant/loyalty and pick-up services, and many other retailers have started selling online in various forms.

NEPI Rockcastle's digital strategy is focused on three main areas, aiming to meet the new customer expectations:

1. Rewarding loyal customers, with loyalty apps now available across four countries, and intensifying direct to consumer communication by leveraging on a larger customer database.

2. Merging online and offline campaigns, encouraging customer interaction with shopping centers both during the visit and from home. Initiatives such as the Live Streaming event for kids in Promenada Mall Bucharest on 1 June, the Easter and Women Day campaigns with website gamification for in-store rewards, as well as the digitization of promotional catalogues in Poland, Slovakia and Bulgaria have been well received by the customers.

3. Increasing convenience in the Group's shopping locations and building on customers' habit to use digital tools, by offering pick-up locations for online sales, additional services via dedicated apps, pick-up points for ride sharing or electric charging stations.

DEVELOPMENT UPDATE

During H1 2021, NEPI Rockcastle invested approximately €25 million as development costs and capital expenditure. Significant progress was made with the permitting and pre-development works on Promenada Mall Bucharest extension and Promenada Craiova.

The Group obtained the building permit and started the construction works for a residential project in Bucharest, next to Vulcan Value Centre. Refurbishment and upgrade works continued in Bonarka City Center, where several major anchor tenants were signed for the area currently being redeveloped, in Ozas Shopping and Entertainment Centre, where the swimming pool and the first stage of O'Leary's entertainment centre opened, and in Focus Mall Zielona Gora.

The Group will continue to invest in developments contributing to growth and improving long-term portfolio prospects. The total planned development and capital expenditure for H2 2021 is €110 million.

ACQUISITIONS AND DISPOSALS

The Group sold two properties in Serbia, Kragujevac Plaza and Krusevac Shopping Park (including extension plots), in line with its strategy to focus on core dominant properties in countries with investment grade credit rating. The sale agreement was signed in June and completed in July. The transaction value was €60.8 million (€60.4 million cash proceeds received in July), at a premium to book value.

One of the Group's subsidiaries is involved in ongoing arbitration proceedings, as described in the Group financial statements for the year ended 31 December 2020. Further updates will be provided when the proceedings are finalised.

CORPORATE GOVERNANCE

Changes to the Board of Directors

As announced on 23 July 2021, George Aase has taken over from Robert Emslie as Chairman of the Board, effective 18 August 2021. Mr. Emslie had previously announced his intention to retire from the Board as of that same date. Mr. Aase has been an Independent non-Executive Director of NEPI Rockcastle since 2018 and has served as Chairman of the Audit Committee and member of the Nomination and Remuneration Committees. He is an experienced CFO and non-executive in publicly traded real estate firms, technology companies and Fortune 100 U.S. multinational industrial firms. Mr. Aase's core specialties include corporate finance, capital markets, IPO transactions, debt financing, international financial operations, international finance and controlling, and investor relations, with 12 years' experience in the European commercial real estate sector. He led two major initial public offerings in London and Frankfurt. Mr. Aase also possesses extensive financing and debt restructuring experience and has managed various portfolios connected with major acquisitions and underwriting. He has a strong background and real estate network in Central Eastern Europe countries, including Czech Republic, Poland, Romania, and Slovakia.

The Group also announced the appointment of two new Independent non-Executive Directors, effective 18 August 2021.

Ana Maria Mihaescu has 30 years of banking and finance experience. Ms. Mihaescu worked for the International Finance Corporation for 20 years, most recently as IFC's Regional Manager for Central and Eastern Europe. In this role, she was responsible for the origination of new business and supervising a portfolio of over $2 billion, with large exposures in Poland, Romania, Bulgaria and Hungary. She also represented the IFC on the boards of investee companies, banks, leasing companies and private equity funds. Prior to this role, Ms. Mihaescu was the first Country Manager for IFC in Romania. Ms. Mihaescu is an alumnus of the Bucharest Academy of Economic Studies and received a certificate for the International Directors Program from INSEAD.

Jonathan Lurie has 20 years of real estate investment experience at leading firms across all major European geographies and asset classes. Mr. Lurie is the Managing Partner of Realty Corporation Ltd, a real estate and PropTech investment and advisory firm, and a senior adviser to McKinsey & Co, where he provides strategic advice on real estate transactions, financing, capital allocation, management, and operations to leading institutional investors and developers globally. Mr. Lurie previously held various senior executive positions at Blackstone and was Executive Director and Head of Real Estate Investment Management – Europe for Goldman Sachs. In both roles, his responsibilities included investment in and development of the retail sector in CEE. Since 2000, Mr. Lurie has coordinated and participated in numerous landmark multibillion transactions across various jurisdictions. Mr. Lurie graduated as an Economics Major with Highest Honours from Princeton University, has an MBA from the Wharton School, University of Pennsylvania and is a member of the International Council of Shopping Centres ('ICSC').

Management succession planning

Alexandru Morar (CEO) and Mirela Covasa (CFO), being in their 15th and 10th year of service with the Company, respectively, have approached the Board to implement a succession plan for their positions as they intend to pursue other entrepreneurial opportunities. The two executives and the Board have agreed to implement a management succession plan over the period leading up to the Company's year-end results, which includes identifying suitable candidates for the CEO and CFO roles and handover of their projects and responsibilities. The executives remain committed over this transition period and confident in the Company's prospects, ensuring consistency in the implementation of the approved strategy and the running development and optimization projects and initiatives. The two executives' date of departure is as yet undetermined, and a further announcement will be released when appropriate.

The Board, through its Nomination Committee, has started a process to identify suitable candidates for the CEO and CFO roles. These changes at executive level do not represent a shift in the Company's strategy, which remains focused on sustainable growth and delivering further value for its shareholders.

Appointment of Chief Operations Officer

Rudiger Dany has been contracted by the Company as of 6 July 2021 and was appointed as Chief Operations Officer ('COO') of NEPI Rockcastle effective 18 August 2021. Mr. Dany has extensive professional experience of more than 30 years in retail, commercial real estate, leasing and asset management. He worked in international environments across Europe (including Germany, Poland, Slovakia, Czech Republic, Greece, Turkey, Lithuania, Serbia, Romania), for some of the largest international retail and real estate companies including ECE, Atrium and Multi Corporation. Mr. Dany held various senior management positions such as Executive Member and COO of Atrium Group and Multi Corporation, Senior Managing Director Poland, Czech Republic, Slovakia and Managing Director Czech Republic, Slovakia, Romania for ECE Projektmanagement. In these positions he was responsible for strategy setting, business transformation, asset development, greenfield projects, optimization of the operating assets, support of mergers and acquisitions, team leadership for the country and regional organizations. During his tenure with Multi Corporation (affiliated with Blackstone), Mr. Dany played an important role in optimizing and expanding their property management portfolio for institutional investors. As a Board Member and COO of Multi, his major achievement was the value enhancement of Blackstone's property portfolio and the successful opening of new shopping centres, developments, and extensions of existing shopping centres. Mr. Dany has also driven the creation of an innovation group within Multi to elaborate business opportunities by using modern PropTech tools, both B2B and B2C.

ACCOUNTING, AUDIT AND VALUATION MATTERS

Accounting of Covid-19 impact

During H1 2021, the Group results reflected rent concessions worth €36.1 million, as follows:

Covid-19 discounts recognised in H1 2021, by type	€ million
Rent and service charge reliefs (including marketing fees) imposed by governments (Poland)	16.8
Discounts granted as partial forgiveness of receivables	15.4
Variable discounts contingent upon tenant's performance (negative turnover rent)	2.8
Discounts granted as lease incentives, subject to straight-lining	1.3
Total Covid-19 discounts for the period (on a cash basis, straight-lining effect excluded)	**36.3**
Straight-lining effect of the discounts granted after signing of the addendums (in 2020 and 2021)	(0.2)
Statement of comprehensive income impact in H1 2021	**36.1**

As of 30 June 2021, tenant receivables amounted to €43.8 million (VAT included, net of provisions), of which €23.9 million were overdue. This balance is adjusted for provisions and concessions, either imposed by law or negotiated. The collection rate for H1 2021, adjusted for concessions granted, was 88% as of 30 June 2021, and increased to 94% at mid-August 2021. The Group expects to collect the full outstanding tenant receivable balance.

External Independent Auditor's Review report

An unmodified review report on the Group's Interim Condensed Consolidated Financial Statements has been issued by PricewaterhouseCoopers ('PwC') Isle of Man, after having reviewed and obtained the necessary documentation from PwC local offices in jurisdictions where the Group operates through subsidiaries. The local PwC offices review the interim financial information of the relevant subsidiaries and issue their interoffice review reports to PwC Isle of Man.

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	35%
Jones Lang LaSalle	Bulgaria, Croatia, Czech Republic, Hungary, Serbia, Slovakia	33%
Cushman & Wakefield	Hungary, Lithuania, Poland	32%

The property appraisals continued to be performed in the context of the Covid-19 pandemic. Similar to the valuations as of 31 December 2020, property markets remain functional, with transaction volumes and other relevant evidence at levels where an adequate quantum of markets evidence exists upon which to base opinions of value. The external appraisers substantially preserved the discount rates and exit yields unchanged from December 2020 valuation, adjusting the short-term cash flows to factor in each property performance.

Country*	Investment property December 2020** (€ thousands)	Investment property June 2021** (€ thousands)	Fair value gain/(loss) H1 2021 (€ thousands)
Romania	2,026,644	2,050,289	11,669
Poland	1,386,995	1,392,774	(60)
Hungary	577,200	575,300	(2,330)
Slovakia	523,644	527,864	3,544
Bulgaria	486,807	492,887	5,611
Croatia	262,330	263,190	850
Serbia***	191,949	193,528	1,714

Country*	Investment property December 2020** (€ thousands)	Investment property June 2021** (€ thousands)	Fair value gain/(loss) H1 2021 (€ thousands)
Czech Republic	171,000	174,300	2,485
Lithuania	141,980	144,795	2,228
Total	**5,768,549**	**5,814,927**	**25,711**

**Excludes joint ventures, other non-core properties held for sale and right-of-use assets with total impact in fair value of €(0.2) million.*

***Includes capital expenditures incurred.*

****Includes Serbian retail portfolio held for sale.*

EPRA Indicators	30 June 2021	31 December 2020	30 June 2020
EPRA Earnings (€ thousand)	107,187	240,770	123,710
EPRA Earnings per share (€ cents per share)	17.60	39.81	20.59
EPRA Net Initial Yield ('NIY')	6.75%	6.70%	6.83%
EPRA topped-up NIY	6.78%	6.75%	6.89%
EPRA vacancy rate	4.40%	4.30%	4.20%
EPRA Net Reinstatement Value ('NRV') (€ per share) *	6.50	6.45	6.65
EPRA Net Tangible Assets ('NTA') (€ per share) *	6.47	6.42	6.59
EPRA Net Disposal Value ('NDV') (€ per share) *	5.78	5.79	6.13
EPRA Cost ratio (including direct vacancy cost)	8.6%	10.5%	7.3%
EPRA Cost ratio (excluding direct vacancy cost)	8.5%	10.3%	7.0%

**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.*

CASH MANAGEMENT AND DEBT

As of 30 June 2021, the Group maintained a strong liquidity profile, with €380 million in cash and €570 million in undrawn committed credit facilities. NEPI Rockcastle's LTV* (interest bearing debt less cash, divided by investment property) was 31.8%, comfortably below the 35% threshold.

As of 30 June 2021, ratios for unsecured loans and bonds showed ample headroom compared to covenants:

- Solvency Ratio: 38% actual, vs requirement of maximum 60%;
- Consolidated Coverage Ratio: 4.16 actual, vs requirement of minimum 2; and
- Unsecured consolidated total assets/unsecured consolidated total debt: 271% actual, vs requirement of minimum 150%.

The average interest rate, including hedging costs, was 2.4% for H1 2021. Exposure to variable interest rates is 99% covered by hedges.

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.

In the first half of 2021, NEPI Rockcastle renegotiated the contractual terms related to its unsecured committed revolving credit facilities, as follows:

- the revolving credit facility from BRD-Groupe Société Générale and Garanti Bank was extended for three years, until July 2024, with the maximum principal available reduced to €120 million;
- the revolving credit facility from ING Bank was extended for three years, until July 2024, with the maximum principal available maintained at €100 million;
- the Group also changed the contractual terms of the revolving credit facility from a four-bank syndicate by increasing the available principal to €200 million.

All revolving credit facilities now have embedded two one-year extension options each, and are sustainability-linked.

In June 2021, the Group repaid five of its secured loans in Poland and Slovakia, amounting to €242 million, and concluded a green unsecured financing agreement with International Finance Corporation, for 7 years, which was drawn in July 2021.

**The reported gearing ratio (LTV) excludes the €33.3 million right-of-use assets and associated lease liabilities as at 30 June 2021*

DIVIDEND DECLARATION

The Board has declared a dividend of 17.64 euro cents per share for H1 2021, corresponding to 100% of the distributable earnings per share for this period. This decision is in line with NEPI Rockcastle's policy of distributing at least 90% of distributable earnings. The distribution will be paid in cash on 16 September 2021, and further detailed announcements will follow.

OUTLOOK

The outlook for the second half of 2021 is optimistic given the observable economic recovery. Consumer sentiment continues to improve in CEE, with retailers expected to benefit from a rebound in the economic activity in the second half of the year.

Uncertainty remains in relation to the future restrictions on the Group's operations and distributable earnings per share, therefore NEPI Rockcastle will not provide earnings guidance for 2021. Further updates will be provided when the Group will be able to reliably estimate the effects of the current situation.

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 2021 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 2021 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.

PricewaterhouseCoopers LLC

PricewaterhouseCoopers LLC
Chartered Accountants
Sixty Circular Road
Douglas
Isle of Man

18 August 2021

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand	Note	30 June 2021	31 December 2020
ASSETS			
Non-current assets		**5,953,550**	**5,966,723**
Investment property		5,789,382	5,802,398
— Investment property in use	5	5,568,768	5,591,463
— Investment property under development	6	220,614	210,935
Goodwill	7	76,804	76,804
Deferred tax assets		33,836	34,678
Investments in joint ventures	16	22,605	21,757
Long-term loans granted to joint ventures	16	21,852	22,620
Other long-term assets		7,043	7,447
Derivative financial assets at fair value through profit or loss		2,028	1,019
Current assets		**445,610**	**702,681**
Trade and other receivables	9	65,371	59,384
Cash and cash equivalents		380,239	643,297
Assets held for sale	10	**64,244**	**1,752**
TOTAL ASSETS		**6,463,404**	**6,671,156**
EQUITY AND LIABILITIES			
TOTAL SHAREHOLDERS' EQUITY		**3,710,949**	**3,692,323**
Equity attributable to equity holders		**3,705,650**	**3,687,068**
Share capital		6,090	6,090
Share premium		2,050,061	3,550,061
Other reserves		(6,646)	(6,456)
Accumulated profit		1,656,145	137,373
Non-controlling interest		**5,299**	**5,255**
Total liabilities		**2,752,455**	**2,978,833**
Non-current liabilities		**2,631,269**	**2,621,386**

€ thousand	Note	30 June 2021	31 December 2020
Bank loans	11	228,738	232,635
Bonds	11	1,973,284	1,969,385
Deferred tax liabilities		353,568	341,324
Other long-term liabilities	12	71,830	72,612
Derivative financial liabilities at fair value through profit or loss		3,849	5,430
Current liabilities		**119,676**	**357,447**
Trade and other payables		90,830	96,595
Bank loans	11	7,088	249,952
Bonds	11	21,758	10,900
Liabilities held for sale	10	**1,510**	–
TOTAL EQUITY AND LIABILITIES		**6,463,404**	**6,671,156**
Net Asset Value per share (euro)		6.08	6.05
EPRA Net Reinstatement Value per share (euro)		6.50	6.45
Number of shares for Net Asset Value/EPRA Net Reinstatement Value per share		608,994,907	608,994,907

The Interim Condensed Consolidated Financial Statements on pages 19 to 63 were approved and authorized for issue by the Board of Directors on 18 August 2021 and signed on its behalf by:

Alex Morar
Chief Executive Officer

Mirela Covasa
Chief Financial Officer

NEPI ROCKCASTLE PLC

INTERIM FINANCIAL REPORT

30 June 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	30 June 2021	30 June 2020
Gross rental income		173,887	193,159
Service charge income		72,508	81,565
Property operating expenses		(76,086)	(77,588)
Partial forgiveness of receivables (Covid-19 forgiveness)		(15,390)	(36,879)
Net rental and related income*	13	**154,919**	**160,257**
Administrative expenses		(9,359)	(10,588)
EBITDA**		**145,560**	**149,669**
Net result from financial investments		–	**(103,253)**
Income from financial investments at fair value through profit or loss	8	–	5,517
Fair value loss and net result on sale of financial investments at fair value through profit or loss	8	–	(108,770)
Fair value adjustments of investment property	14	25,453	(236,572)
Foreign exchange loss		(385)	(1,032)
Profit/(Loss) before net finance costs and other items		**170,628**	**(191,188)**
Net finance costs		**(33,752)**	**(26,044)**
Finance income		702	926
Finance costs		(32,032)	(25,877)
Bank charges, commissions, and fees		(2,422)	(1,093)
Other items		**3,154**	**(11,774)**
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	15	2,306	(10,302)
Share of profit/(loss) of joint ventures	16	848	(1,472)
Profit/(Loss) before tax		**140,030**	**(229,006)**
Income tax (expense)/credit		**(18,417)**	**21,984**
Current tax expense		(4,742)	(4,895)

€ thousand	**Note**	**30 June 2021**	**30 June 2020**
Deferred tax (expense)/income		(13,675)	26,879
Profit/(Loss) after tax		**121,613**	**(207,022)**
Total comprehensive income/(loss) for the period		**121,613**	**(207,022)**
Profit/(Loss) attributable to:			
Non-controlling interest		44	(468)
Equity holders		121,569	(206,554)
Total comprehensive income/(loss) attributable to:			
Non-controlling interest		44	(468)
Equity holders		121,569	(206,554)
Weighted average number of shares in issue***		608,994,907	626,116,549
Diluted weighted average number of shares in issue***		608,994,907	626,116,549
Basic/diluted earnings/(loss) per share attributable to equity holders (euro cents)		19.96	(32.99)

**Out of the total rental and related income for the six-month period ended 30 June 2020, €11.1 million relates to the Romanian office portfolio disposed of on 27 August 2020.*

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

****Weighted average number of shares has been adjusted for June 2020 period presented in respect of the 'capitalisation issue' on 21 September 2020, as required by IAS 33 Earnings per Share.*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Share premium	Other reserves	Accumulated profit	Non-controlling interest	Total
Balance at 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 for 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 2020/1 July 2020	**6,009**	**3,625,337**	**(6,456)**	**105,739**	**5,740**	**3,736,369**
Transactions with owners	**81**	**(75,276)**	**–**	**–**	**–**	**(75,195)**
— Issue of shares^	258	(258)	–	–	–	–
— Repurchase of shares^	(177)	(75,018)	–	–	–	(75,195)
— Shares purchased for LTSIP*	–	–	–	–	–	–
— Share based payment expense	–	–	–	–	–	–
— Earnings distribution	–	–	–	–	–	–
Total comprehensive income	**–**	**–**	**–**	**31,634**	**(485)**	**31,149**
— Profit for the period	–	–	–	31,634	(485)	31,149
Balance at 31 December 2020/1 January 2021	**6,090**	**3,550,061**	**(6,456)**	**137,373**	**5,255**	**3,692,323**
Transactions with owners	**–**	**(1,500,000)**	**(190)**	**1,397,203**	**–**	**(102,987)**
— Share premium reduction^^	–	(1,500,000)	–	1,500,000	–	–
— Shares purchased for LTSIP*	–	–	(2,020)	–	–	(2,020)

€ thousand	Share capital	Share premium	Other reserves	Accumulated profit	Non-controlling interest	Total
— Share based payment expense	–	–	1,830	–	–	1,830
— Earnings distribution	–	–	–	(102,797)	–	(102,797)
Total comprehensive income	**–**	**–**	**–**	**121,569**	**44**	**121,613**
— Profit for the period	–	–	–	121,569	44	121,613
Balance at 30 June 2021	**6,090**	**2,050,061**	**(6,646)**	**1,656,145**	**5,299**	**3,710,949**

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

^On 6 April 2020 the Group issued 1,123,932 ordinary shares at €7.32/share (share capital €0.01/share).
- 25,791,534 ordinary shares at €4.2920/shares (share capital €0.01/share) were issued in respect of 'capitalisation issue' on 21 September 2020.
- 17,717,760 ordinary shares representing 2.95% of the Company's issued share capital were repurchased between 23 November 2020 and 4 December 2020 from the proceeds received from the disposal of URW shares of approximately €75 million. Subsequently, the repurchased shares were cancelled. The shares were repurchased at an average share price of €4.25 (share capital €0.01/share).
^^ Share premium reduction – On 7 June 2021, the Group transferred €1,500,000 thousand from share premium to accumulated profit, in accordance with Isle of Man company law. The transfer was performed to strengthen the accumulated profit position, which was impacted at the merger date (July 2017), when the accumulated profits of former NEPI and former Rockcastle were recognised into the share premium of the newly merged company, NEPI Rockcastle.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand	Note	30 June 2021	30 June 2020
CASH FLOWS FROM OPERATIONS	19	**129,632**	**91,648**
Interest paid on loans and borrowings	11, 12	(4,830)	(6,247)
Interest paid on lease liabilities	12	(288)	(277)
Bond coupon paid	11	(13,021)	(19,829)
Income tax paid		(2,817)	(1,961)
Interest received		1,516	1,536
Bank charges paid		(2,268)	(1,174)
CASH FLOWS FROM OPERATING ACTIVITIES		**107,924**	**63,696**
INVESTING ACTIVITIES			
Investments in acquisitions and developments		**(17,001)**	**(73,747)**
Expenditure on investment property under development*		(19,396)	(74,127)
Settlements of deferred consideration for prior years acquisitions		–	(2,459)
Proceeds from disposal of assets held for sale		2,395	2,839
Other investments		**768**	**(844)**
Loans receivable from joint ventures - amounts granted		(492)	(844)
Loans receivable from joint ventures - amounts repaid		1,260	–
Net cash flow from investments in financial assets		–	**(39,968)**
Income from financial investments at fair value through profit or loss		–	5,517
Cash flows from cash collateral/equity derivative collateral		–	(45,485)
CASH FLOW USED IN INVESTING ACTIVITIES		**(16,233)**	**(114,559)**
FINANCING ACTIVITIES			
Payment to acquire shares under LTSIP		(2,020)	(3,696)
Net movements in bank loans, bonds and other long-term liabilities		**(246,677)**	**140,517**
Proceeds from bank loans	11	–	520,000
Repayment of bank loans	11	(246,677)	(167,311)
Repayment of bonds	11	–	(202,800)
Premium paid on repurchase of bond	15	–	(9,372)
Other payments		**(103,361)**	**(151,455)**
Repayments of lease liabilities	5	(280)	(511)
Premium paid on acquisitions of derivatives		(284)	(284)

€ thousand	Note	30 June 2021	30 June 2020
Earnings distribution		(102,797)	(150,660)
CASH FLOW USED IN FINANCING ACTIVITIES		**(352,058)**	**(14,634)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(260,367)**	**(65,497)**
Cash and cash equivalents brought forward		643,297	212,919
CASH AND CASH EQUIVALENTS CARRIED FORWARD BEFORE THE ADJUSTMENT FOR HELD FOR SALE ASSETS		**382,930**	**147,422**
Cash and cash equivalents classified as held for sale		(2,691)	(9,276)
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**380,239**	**138,146**

**Expenditure on investment property under development also includes the VAT cash inflow relating to development projects of €5,475 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 2021 were authorized for issue in accordance with the Directors' resolution on 18 August 2021.

2. COVID-19 PANDEMIC AND IMPACT ON GROUP'S PERFORMANCE

Covid-19 pandemic

During the six-month period ended 30 June 2021, the operations in NEPI Rockcastle's shopping centres have been again impacted by a series of lockdown and restriction periods. The duration of restrictions, the spread of the pandemic and the measures taken by governments had a significant negative impact on the Group's performance, properties' footfall and tenant sales during the period.

As of 30 June 2021, 100% of the Group's total property portfolio by gross leasable area ("GLA") was operational.

Tenant support and lease concessions

During the first half ("H1") of 2021, the Group granted cash basis discounts of €36.1 million (H1 2020: €47.9 million), split as follows:

Covid-19 discounts, by type:	H1 2021 (€ million)	H1 2020 (€ million)
Rent and service charge reliefs (including marketing fees) imposed by governments (Poland)	16.8	11.0
Discounts granted as partial forgiveness of receivables	15.4	36.9
Variable discounts contingent upon tenants' performance (negative turnover rent)	2.8	–
Discounts granted as lease incentives, subject to straight-lining	1.3	–
Total Covid-19 discounts for the period (on a cash basis, straight-lining effects excluded)	**36.3**	**47.9**

Covid-19 discounts, by type:	**H1 2021 (€ million)**	**H1 2020 (€ million)**
Straight-lining net effect of the discounts granted after signing of the addendums (in 2020 and 2021)	(0.2)	–
Statement of comprehensive income impact	**36.1**	**47.9**

Reduction of gross rental income

Since the beginning of the pandemic, the Polish Government imposed a rent-free period for tenants, including service charge and marketing costs, during the state of emergency/lockdowns. This relief, which was legally enforced and implemented without changes to the lease contracts with tenants, has been recognised in the Statement of comprehensive income, as a reduction of Gross rental income (impact of €13.0 million) and Service charge income (impact of €3.8 million), and as a decrease of Trade and other receivables, in the Statement of financial position.

In some instances, the Group agreed to variable discounts contingent upon tenants' performance falling below a certain threshold, which has been recognised in the Statement of comprehensive income as a reduction of Gross rental income (negative variable rent).

Legislative changes in Poland in relation to lease concessions

In June 2021, the Polish government approved supplementary Covid-19 legislation ('New 15ze legislation') which allows tenants to rescind any lease extensions concluded in exchange for rent relief for the lockdowns imposed after 30 September 2020, under certain conditions. The legislation came into force on 23 July 2021, with no significant effect expected on the lease duration for eligible tenants. The new 15ze legislation also includes guidance for any future lockdowns, for which landlords may be required to provide a discount of 80% during a lockdown and a discount of 50% for the three months thereafter. The legislation could significantly impact the Group's revenue in in respect of future potential lockdowns.

Partial forgiveness of receivables

In the context of trading restrictions during H1 2021, the Group granted voluntary rental concessions during lockdowns periods, and/or immediately following a lockdown.

For the period up to the signing of lease modifications, the receivables already accrued in accordance with the in force lease agreements have been partially written off in accordance with the signed addendums, and therefore their financial impact was recognised immediately and not straight-lined over the new lease term. As such, tenant concessions granted before the signing of lease modifications, amounting to €15.4 million, were fully accounted for in the Statement of comprehensive income as "Partial forgiveness of receivables (Covid-19 Forgiveness)", and "Trade and other receivables" in the Statement of financial position, in accordance with IFRS 9 "Financial

Instruments" (in relation to impairment of receivables). The accounting treatment is in accordance with IFRS 16, which allows rental income to be recognised even if recoverability is uncertain and requires rental modifications to be accounted for prospectively from the effective date of the modification. This approach emphasises the Group's commitment to fair and transparent reporting of the impact of the pandemic and related lockdowns on financial results.

Contractually agreed and signed modifications 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 IFRS 16 "Leases". IFRS 16 defines "lease modification" as a change in scope, or consideration, of the lease, not part of the original terms and conditions, such as rent discounts, lease extensions, increase in overage/turnover rents, introduction of break options, etc. Lease modifications are recognised prospectively over the new lease term and accounted for by the Group from the date the modification is contractually agreed and signed by both parties. Agreed lease modifications are recognised as lease incentives from the date the modification was signed. Such modifications are straight-lined over the new lease term and recognised in the Statement of comprehensive income as a reduction of Gross rental income. The reduction recognised in the Statement of comprehensive income was €1.1 million, further to the net impact of straight-lining over for the period of €0.2 million. The balance of concessions from 2020 and 2021 subject to straight-lining amounts to €2.8 million.

Trade receivables

As at 30 June 2021, tenant receivables amounted to €43.8 million (VAT included, net of provisions) out of which €23.9 million were overdue. This balance is adjusted for provisions and concessions, either imposed by law or negotiated. The collection rate for H1 2021, adjusted for concessions granted, was 88% as at 30 June 2021 (this increased to 94% as at mid-August 2021). The Group expects to collect the full outstanding tenant receivable balance.

Valuation of investment properties

As at 30 June 2021, the entire property portfolio was independently valued by external appraisers.

The property appraisals continued to be performed in the context of the Covid-19 pandemic and the resultant restrictions implemented to contain the virus. However, similar to the valuations as at 31 December 2020, property markets remain functional, with transaction volumes and other relevant evidence at levels where an adequate quantum of markets evidence exists upon which to base valuation opinions. The external appraisers substantially preserved the discount rates and exit yields unchanged from December 2020 valuation, adjusting the short-term cash flows to factor in each property performance.

For the six-month period ended 30 June 2021, the Group recognised a fair value gain in relation to investment property portfolio of €25.5 million.

3. BASIS OF PREPARATION

These reviewed Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2021 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 2020.

The accounting policies adopted are consistent with those applied for the preparation of the annual consolidated financial statements as at 31 December 2020, except for the new mandatory standards and interpretations effective as of 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 Interest Rate Benchmark Reform – Phase II
- Amendments to IFRS 16 Leases Covid-19 Related Rent Concessions beyond 30 June 2021

These standards, amendments and interpretations do not have a significant impact on the Group’s financial statements as at 30 June 2021.

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 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 *€ thousand*	**Note**	**30 June 2021**	**31 December 2020**
Loans granted to joint ventures	16	21,852	22,620

Credit exposure on financial instruments *€ thousand*	**Note**	**30 June 2021**	**31 December 2020**
Tenant receivables	9	43,848	36,365
Cash and cash equivalents		380,239	643,297
Loans to participants in the Share Purchase Scheme		4,886	4,988
TOTAL		**450,825**	**707,270**

Out of the above maximum credit exposure, the balance of Loans to participants in the Share Purchase Scheme is not considered to present credit risk as these are guaranteed with the Company's shares held as security.

When monitoring tenant credit risk, tenants 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 debtors: top 10 tenants account for 24% of the rental income as at June 2021 (31 December 2020: 24%).

Management has established a credit policy where new tenants 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 and cash equivalents is limited using financial institutions of good standing for investment and cash handling purposes.

An overview of the tenant receivables net of impairment provision is set out below:

€ thousand	**Note**	**30 June 2021**	**31 December 2020**
Tenant receivables – gross*		52,895	46,118
Less: Impairment provisions*		(9,047)	(9,753)

€ thousand	Note	30 June 2021	31 December 2020
TENANT RECEIVABLES - NET OF IMPAIRMENT PROVISION*		**43,848**	**36,365**

As detailed in Note 2, as part of the Group's adopted measures to support tenants affected by Covid-19, NEPI Rockcastle granted rental concessions of €36.3 million, of which €36.1 million fully recognised in the Statement of comprehensive income. The gross tenant receivable balance presented above was adjusted for the effect of these Covid-19 concessions.

Reconciliation of impairment provisions is set out below:

Movement of provisions for doubtful debtors *€ thousand*	30 June 2021	31 December 2020
Carrying value at beginning of year	**(9,753)**	**(4,547)**
Additional expected credit losses	(2,425)	(7,450)
Reversal of impairment provisions*	2,509	2,015
Transfer to assets held for sale	625	–
Foreign exchange (loss) /gain	(3)	229
CARRYING VALUE	**(9,047)**	**(9,753)**

**Reversal of provisions and allowances for doubtful debts was due to the recovery of previously expected credit losses and the write-off of receivables previously provided for. The amount of the expense associated to the receivables previously provided for and subsequently written-off is €201 thousand. The net amount of expected credit losses in the period was €117 thousand (Note 13). The Covid-19 concessions recorded as "Partial forgiveness of receivables (Covid-19 forgiveness)" does not impact the impairment provisions, as they have been recorded in direct correspondence with "Trade and other receivables".*

The expected loss rates are based on the historical payment profiles of tenants and the corresponding historical credit losses, adjusted for forward looking macroeconomic data. On that basis, the provision for doubtful debtors as at 30 June 2021 was determined as follows for trade receivables.

30 June 2021 *€ thousand*	Current	0-30 days	31-60 days	61-90 days	>90 days	Total
Expected loss rate	0%	1%	3%	7%	65%	
Gross carrying amount – trade receivables	20,006	11,668	4,580	3,520	13,121	52,895
PROVISION FOR DOUBTFUL DEBTORS	**(80)**	**(112)**	**(126)**	**(232)**	**(8,497)**	**(9,047)**

The impairment provision for trade receivables as at 31 December 2020 is set out below:

31 December 2020 *€ thousand*	**Current**	**0-30 days**	**31-60 days**	**61-90 days**	**>90 days**	**Total**
Expected loss rate	0%	3%	8%	28%	70%	
Gross carrying amount – trade receivables	21,495	7,581	3,093	1,072	12,877	46,118
IMPAIRMENT PROVISION	**(25)**	**(202)**	**(254)**	**(298)**	**(8,974)**	**(9,753)**

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 €117 thousand (June 2020: €756 thousand), are unlikely to be recovered, therefore an expected credit loss expense, including reversal of provisions as a result of the receivables write-off, was charged to the Statement of comprehensive income (Note 13).

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.

For purposes of cash management, the Group has deposit accounts with several banks. The arrangements in place result in a favourable mix between flexibility and interest earnings. The banks' credit ratings, as well as exposure per each bank are constantly monitored. At 30 June 2021, 93% of the Group's cash was held with investment-grade rated banks (31 December 2020: 95%), as detailed below:

Cash and cash equivalents	**30 June 2021**	**31 December 2020**
Held with investment-grade rated banks (rated by Moody's)		
A1	6%	3%
A2	17%	5%
A3	16%	20%
Aa2	–	–
Aa3	7%	17%
Baa1	29%	39%
Baa2	–	2%
Baa3	18%	9%
Held with not rated banks	7%	5%
TOTAL	**100%**	**100%**

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 2021 *€ thousand*	**Note**	**under 3 months**	**3–12 months**	**1–5 years**	**over 5 years**	**Total**
Bonds and bank loans (including estimated future interest)		42,964	38,424	1,351,937	1,021,555	2,454,880
Derivative financial liabilities at fair value through profit or loss		–	–	3,849	–	3,849
Trade and other payables (excluding tenant deposits)		17,682	70,728	–	–	88,410
Other long-term liabilities (excluding lease liabilities and borrowings from third parties)		–	614	20,065	9,649	30,328
Lease liabilities related to right of use assets (including estimated future interest)		–	832	3,329	53,279	57,440
Borrowings from third parties (including estimated future interest)		317	578	5,748	5,657	12,300
TOTAL		**60,963**	**111,176**	**1,384,928**	**1,090,140**	**2,647,207**

31 December 2020 *€ thousand*	**Note**	**under 3 months**	**3–12 months**	**1–5 years**	**over 5 years**	**Total**
Bonds and bank loans (including estimated future interest)		51,225	263,749	1,361,325	1,030,440	2,706,739

31 December 2020 *€ thousand*	**Note**	**under 3 months**	**3–12 months**	**1–5 years**	**over 5 years**	**Total**
Derivative financial liabilities at fair value through profit or loss		–	–	5,430	–	5,430
Trade and other payables (excluding tenant deposits)		18,852	75,410	–	–	94,262
Other long-term liabilities (excluding lease liabilities and borrowings from third parties)		–	2,150	19,375	8,572	30,097
Lease liabilities related to right of use assets (including estimated future interest)		833	–	3,328	54,111	58,272
Borrowings from third parties (including estimated future interest)		317	578	6,065	5,657	12,617
TOTAL		**71,227**	**341,887**	**1,395,523**	**1,098,780**	**2,907,417**

5. INVESTMENT PROPERTY IN USE

Movement in investment property in use *€ thousand*	**30 June 2021**	**31 December 2020**
Carrying value at beginning of year	**5,591,463**	**5,800,759**
Remeasurement of right-of-use asset	(263)	1,812
Additions from business combinations and asset deals	–	405
Transfer from Investment property under development (Note 6)	6,660	131,341
Fair value adjustments (Note 14)	26,988	(342,609)
Fair value adjustment of right-of-use asset (Note 14)	(280)	(245)
Investment property reclassified as held for sale (Note 10.1)	(55,800)	–
CARRYING VALUE	**5,568,768**	**5,591,463**

Investment property is carried at fair value and is assessed on a semi-annual basis, at 30 June and 31 December.

For the six-month period ended 30 June 2021 and for the year ended 31 December 2020, 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 2020 (the "Red Book") and ANEVAR Valuation Standards - 2018 Edition which incorporate the International Valuation Standards ("IVS").

All investment property in use is valued by the Income Method. For the six-month period ended 30 June 2021 and year ended 31 December 2020 respectively, the applied method used for all investment property in use was discounted cash flow ("DCF").

DCF 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 Method 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 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 behaviour. 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 all investment property in use, the current use equates to the highest and best use.

At 30 June 2021, the investment property in use (including Serbian retail portfolio held for sale) had an EPRA vacancy rate of 4.4% (31 December 2020: 4.3%).

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 2021. 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 2021 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	243 – 22,121 (12,348*)	7.00% - 10.00% (8.43*)	5.30% - 9.00% (6.93*)
Office^	Discounted cash flow	1,800 - 4,396 (3,706*)	8.50% - 8.75% (8.57*)	7.50% - 7.90% (7.79*)
Industrial	Discounted cash flow	547 – 1,513 (1,248*)	10.40% – 11.40% (11.13*)	9.00% – 10.00% (9.72*)

** Amounts or percentages represent weighted averages.*
^Excluding joint ventures, including Serbian retail portfolio held for sale.

Information relating to fair value measurement using significant unobservable inputs (Level 3) as of 31 December 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	243 – 22,081 (12,416*)	6.90% – 10.90% (8.41*)	5.30% – 9.00% (6.93*)
Office	Discounted cash flow	1,948 – 4,401 (3,705*)	8.50% – 8.50% (8.50*)	7.50% – 7.90% (7.79*)
Industrial	Discounted cash flow	545 – 1,538 (1,261*)	10.65% – 11.65% (11.37*)	9.00% – 10.00% (9.72*)

**Amounts or percentages represent weighted averages.*
^Excluding joint ventures.

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*	5.6%	2.7%	-2.6%	-5.0%
Poland	6.3%	3.0%	-2.9%	-5.6%
Croatia	5.9%	2.9%	-2.7%	-5.3%
Slovakia	7.1%	3.4%	-3.2%	-6.2%
Bulgaria	6.0%	2.9%	-2.8%	-5.4%
Serbia*	5.5%	2.7%	-2.5%	-4.9%
Czech Republic	7.5%	3.6%	-3.4%	-6.5%
Lithuania	5.8%	2.8%	-2.7%	-5.2%
Hungary	6.9%	3.3%	-3.1%	-6.1%
TOTAL	**6.1%**	**3.0%**	**-2.8%**	**-5.5%**

** Excluding joint ventures, including Serbian retail portfolio held for sale.*

Exit rate variance				
Country	**(50 bps)**	**(25 bps)**	**25 bps**	**50 bps**
Romania*	6.9%	3.3%	-3.1%	-6.1%
Poland	8.0%	3.8%	-3.6%	-6.9%
Croatia	6.7%	3.2%	-3.0%	-5.9%
Slovakia	7.9%	3.8%	-3.5%	-6.8%
Bulgaria	7.0%	3.4%	-3.2%	-6.2%
Serbia*	6.2%	3.0%	-2.8%	-5.5%
Czech Republic	8.3%	4.0%	-3.7%	-7.1%
Lithuania	7.2%	3.5%	-3.2%	-6.3%
Hungary	8.5%	4.1%	-3.8%	-7.3%
TOTAL	**7.5%**	**3.6%**	**-3.4%**	**-6.5%**

** Excluding joint ventures, including Serbian retail portfolio held for sale.*

6. INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in Investment property under development Retail (*€ thousand*)	30 June 2021	31 December 2020
Carrying value at beginning of year	**210,935**	**221,841**
Additions from construction in progress	20,657	122,143
Fair value adjustments (Note 14)	(1,768)	(1,708)
Assets which became operational and were transferred to Investment property in use (Note 5)	(6,660)	(131,341)
Investment property under development reclassified as held for sale (Note 10)	(2,550)	—
CARRYING VALUE	**220,614**	**210,935**

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 2021 and for the year ended 31 December 2020, the Group commissioned independent reports from Cushman&Wakefield, 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 (in accordance with RICS Valuation Standards). Land under sales comparison method was valued by the external appraisers using the recent transactions of similar land for development in the proximity of the subject property. The residual approach determines the residual land value by subtracting purchase and development cost from the expected gross development value of the project at completion. The methods have been consistently applied for the comparative period.

Borrowing costs capitalised for the six months ended 30 June 2021 amount to €1,501 thousand (30 June 2020: €1,517 thousand) and were calculated using an average annual interest rate of 2.4% (30 June 2020: 2.1%).

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 (*€ thousand)*	30 June 2021	31 December 2020
Land (at fair value)	133,649	134,920
Construction works (at cost)	86,965	76,015
TOTAL	**220,614**	**210,935**

7. GOODWILL

The Group recognised goodwill for the following business acquisitions:

€ thousand	Segment	Balance at 1 Jan 2020	Transfers to assets held for sale	Impairment of goodwill	Balance at 31 December 2020	Additions	Balance at 30 June 2021
Pitesti Retail Park	Retail	1,671	–	–	1,671	–	1,671
Internalisation of NEPI Investment Management	Corporate	5,882	–	–	5,882	–	5,882
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	1,585	–	–	1,585	–	1,585
Arena Centar and Retail Park	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	5,444	–	–	5,444	–	5,444
TOTAL		**76,804**	–	–	**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. The lowest level within the Group at which the goodwill is allocated and monitored for internal management purposes is the CGU, represented by each individual property. CGUs to which the goodwill has been allocated were tested for impairment by comparing their net asset value with the recoverable value, which is the higher of value in use and fair value less cost to sell.

Goodwill from recognition of deferred taxes at the date of the business combination

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. Consequently, 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.

As a result of this test as of 30 June 2021, no impairment arose in respect to the goodwill from recognition of deferred taxes at the date of the business combination (31 December 2020: NIL)

Goodwill from management and energy trading companies

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

During November 2020, the Group disposed of its entire portfolio of listed securities consisting of Unibail-Rodamco-Westfield ("URW") shares, given the relative improvement in the URW share price at that time. The proceeds from the disposal of URW shares were used to repurchase NEPI Rockcastle shares, which were subsequently cancelled.

The net fair value loss from listed securities amounted €108,770 thousand for the six months ended 30 June 2020.

9. TRADE AND OTHER RECEIVABLES

€ thousand	30 June 2021	31 December 2020
Tenant receivables	43,848	36,365
VAT receivable	9,411	15,101
Prepaid property expenses	9,817	4,641
Other receivables	2,046	2,895
Other prepaid fees	249	382
TOTAL	**65,371**	**59,384**

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 June 2021, the Group entered into an agreement to dispose two of the Serbian retail properties, Kragujevac Plaza (including extension plot) and Krusevac Shopping Park (including extension plot), to CEE BIG BV.

The unconditional approval of the Serbian Competition Council was obtained in July 2021 and the transaction became effective on 12 July 2021, in accordance with the terms of the agreement, and the final cash proceeds amounting to €60.4 million were settled.

At 30 June 2021, the assets and liabilities held for sale included the above mentioned two Serbian properties and two non-core properties located in Romania.

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 *€ thousand*	**30 June 2021**	**31 December 2020**
Non-current assets	**60,624**	**1,752**
Investment property at fair value (Note 5)	58,074	1,752
Investment property under development (Note 6)	2,550	–
Current assets	**3,620**	–
Trade and other receivables	929	–
Cash and cash equivalents	2,691	–
Assets held for sale	**64,244**	**1,752**
Non-current liabilities	**(987)**	–
Deferred tax liabilities	(591)	–
Other long-term liabilities	(396)	–
Current liabilities	**(523)**	–
Liabilities held for sale	**(1,510)**	–
Net asset held for sale	**62,734**	**1,752**

10.1 INVESTMENT PROPERTY HELD FOR SALE

€ thousand	30 June 2021	31 December 2020
Carrying value at beginning of year	**1,752**	**317,204**
Disposals	–	(315,074)
Additions from investment property at fair value (Note 5)	55,800	–
Additions from investment property under development (Note 6)	2,550	–
Additions during the period	9	313
Fair value adjustments (Note 14)	513	(691)
CARRYING VALUE	**60,624**	**1,752**

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.

In the first half of 2021, NEPI Rockcastle renegotiated the contractual terms related to its unsecured committed revolving credit facilities, as follows:
- the revolving credit facility from BRD-Groupe Société Générale and Garanti Bank was extended for three years, until July 2024, with the maximum principal available reduced to €120 million;
- the revolving credit facility from ING Bank was extended for three years, until July 2024, with the maximum principal available maintained at €100 million;
- the Group also changed the contractual terms of the revolving credit facility from a four-bank syndicate by increasing the available principal to €200 million.

All revolving credit facilities now have embedded two one-year extension options each.

The above mentioned committed revolving credit facilities together with the revolving credit facility of a maximum limit of €150 million with Raiffeisen Bank International amount to a total of €570 million available unsecured committed revolving credit facilities, undrawn as at 30 June 2021 (31 December 2020: €575 million).

In June 2021, the Group concluded a green unsecured financing agreement with the International Finance Corporation which matures in June 2028, in amount of €73.5 million. The loan was disbursed in July 2021.

Also, in June 2021, the Group repaid five of its secured bank loans from Slovakia and Poland totalling €242 million.

The average interest rate of the Group's debt, including hedging costs, was approximately 2.4% during the first half of 2021 (H1 2020: 2.3%). At 30 June 2021, fixed-coupon bonds represented 89% of NEPI Rockcastle's outstanding debt; of the remaining long-term debt exposed to Euribor, 42% was hedged with interest rate caps and 49% 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. For reference, at 30 June 2021, the €499 million bonds issued in November 2017 were trading on the market at 102.97% (31 December 2020: 102.70%), the €496 million bonds issued in May 2019 were trading on the market at 104.05% (31 December 2020: 104.16%), the €500 million bonds issued in October 2019 were trading on the market at 102.92% (31 December 2020: 100.74%) and the €500 million bonds issued in July 2020 were trading on the market at 111.29% (31 December 2020: 108.74%). However, the fair value of bonds presented above might not be relevant, as the liability towards bond holders would not vary in line with the market price of its listed notes.

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 30 June 2021 *€ 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	1,000,000	1,995,000
Poland	Secured loans	–	76,000	–	76,000
Slovakia	Secured loans	7,199	114,376	–	121,575
Czech Republic	Secured loans	461	39,616	–	40,077
Accrued interest on loans and deferred loan costs		(572)	(1,254)	–	(1,826)
Accrued interest on bonds		29,639	–	–	29,639
Deferred bond costs		(2,771)	(7,661)	(1,009)	(11,441)
Issue discount on bonds		(5,110)	(11,631)	(1,415)	(18,156)
Total		**28,846**	**1,204,446**	**997,576**	**2,230,868**

Interest bearing borrowings 31 December 2020 *€ 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	1,000,000	1,995,000
Poland	Secured loans	224,978	76,000	–	300,978
Slovakia	Secured loans	25,071	117,999	–	143,070
Czech Republic	Secured loans	410	39,873	–	40,283
Accrued interest on loans and deferred loan costs		(507)	(1,237)	–	(1,744)
Accrued coupon on bonds		18,856	–	–	18,856
Deferred bond costs*		(2,771)	(8,327)	(1,718)	(12,816)
Issue discount on bonds		(5,185)	(13,197)	(2,373)	(20,755)
Total		**260,852**	**1,206,111**	**995,909**	**2,462,872**

Debt reconciliation

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

€ thousand	**Bank loans**	**Bonds**	**Total***
Debt as at 31 December 2020	**482,587**	**1,980,285**	**2,462,872**
Cash repayments of principal	(246,677)	–	**(246,677)**
Cash payments of interest on bank loans or coupon on bonds	(4,368)	(13,021)	**(17,389)**
Interest expense	4,313	23,804	**28,117**
Amortisation of capitalised borrowing costs	691	1,374	**2,065**
Amortisation of bond discount	–	2,600	**2,600**
Additional capitalised borrowing costs in the period	(533)	–	**(533)**
Other non-cash items	(187)	–	**(187)**
Debt as at 30 June 2021	**235,826**	**1,995,042**	**2,230,868**

€ 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**

€ thousand	**Bank loans**	**Bonds**	**Total***
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 following bonds buy back prior of maturity	–	979	**979**
Debt as at 30 June 2020	**937,969**	**1,485,668**	**2,423,637**

**The tables above do not contain interest bearing loans from third parties in amount of €8,654 thousand as at 30 June 2021 (30 June 2020: €8,816 thousand) (included in Other long-term liabilities in Note 12), and the associated finance cost. The above finance costs as at 30 June 2021 do not include interest capitalized on developments of €1,501 thousand (refer to Note 4) (€1,517 thousand as at 30 June 2020) and interest on lease liabilities related to the right of use assets of €288 thousand (€277 thousand as at 30 June 2020).*

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 2021), 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%.

Unsecured green term loan

In June 2021, the Group concluded a green unsecured financing agreement which matures in June 2028 in amount of €73.5 million. The loan was fully disbursed in July 2021.

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

Unsecured committed revolving facilities

At 30 June 2021, there were €570 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:
- November 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%.
- July 2020: €500 million of unsecured, 7-year Eurobonds. The bonds mature on 14 July 2027 and carry a 3.375% fixed coupon, with an issue price of 98.172%.

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

NEPI Rockcastle has complied with all financial covenants of its borrowing facilities during the six -month period ended 30 June 2021 and 2020. The ratios calculated for all unsecured loans and bonds showed ample headroom compared to the covenants:

- Solvency Ratio: 38% (31 December 2020: 40%);
- Consolidated Coverage Ratio: 4.16 (31 December 2020: 4.78); and
- Unsecured Ratio: 271% (31 December 2020: 261%).

12. OTHER LONG-TERM LIABILITIES

€ thousand	30 June 2021	31 December 2020
Lease liabilities	33,319	33,862
Borrowings from third parties*	8,654	8,653
Tenant security deposits	28,862	29,081
Other long-term payables	995	1,016
TOTAL	**71,830**	**72,612**

Reconciliation of lease liabilities

€ thousand	30 June 2021	31 December 2020
Carrying value of the lease liabilities	33,862	32,295
Remeasurement of lease liability	(263)	1,812
Interest expense	288	588
Lease liability payment	(568)	(833)
Lease liabilities	**33,319**	**33,862**

*Reconciliation of borrowings from third parties

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

€ thousand	Borrowings from third parties
Borrowings as at 31 December 2020	**8,653**
Cash repayments of principal	–
Cash payments of interest	(462)
Interest expense	463
Borrowings as at 30 June 2021	**8,654**

€ 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**

13. NET RENTAL AND RELATED INCOME

€ thousand	30 June 2021	30 June 2020
Gross rental income	173,887	193,159
Service charge income	72,508	81,565
Gross rental and service charge income	**246,395**	**274,724**
Property management, tax, insurance and utilities	(42,588)	(46,110)
Property maintenance cost	(33,381)	(30,722)
Net expected credit losses	(117)	(756)
Property operating expenses	**(76,086)**	**(77,588)**
Partial forgiveness of receivables (Covid-19 forgiveness)	(15,390)	(36,879)
TOTAL	**154,919**	**160,257**

The decrease in the gross rental income for H1 2021 compared to H1 2020 is mainly due to the disposal of the Romanian office portfolio effective 27 August 2020 and the additional periods of restrictions in Poland in the first six months of 2021 by reference to comparative period (76 days of restrictions in Poland in H1 2021; 51 days of restrictions in Poland in H1 2020), period for which tenants have been granted full rental reliefs by the existing laws (please refer to Note 2).

Property management fees, tax, insurance and utility costs presented above are split as follows:

€ thousand	30 June 2021	30 June 2020
Utility expenses^	(23,606)	(25,311)
Property related taxes	(11,609)	(12,649)
Property management fees	(6,464)	(7,235)
Property insurance expenses	(909)	(915)
Property management fees, tax, insurance, and utilities	**(42,588)**	**(46,110)**

^The Group acts as principal in relation to the provision of utilities to its tenants. Thus, utility expenses and the corresponding utility recoveries are recognised, on a gross basis, in the Property operating expenses and Service charge income respectively.

Property maintenance costs presented above comprises of:

€ thousand	**30 June 2021**	**30 June 2020**
Cleaning and security	(14,166)	(13,106)
Maintenance and repairs	(8,292)	(7,403)
Marketing	(5,008)	(3,809)
Services and related costs	(1,471)	(1,706)
Other	(4,444)	(4,698)
Property maintenance cost	**(33,381)**	**(30,722)**

14. FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

€ thousand	**30 June 2021**	**30 June 2020**
Fair value adjustments of investment property in use (Note 5)	26,988	(229,276)
Fair value adjustments of investment property under development (Note 6)	(1,768)	(6,067)
Fair value adjustments of investment property held for sale (Note 10.1)	513	(718)
Fair value adjustments of right-of-use asset (Note 5)	(280)	(511)
TOTAL	**25,453**	**(236,572)**

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

€ thousand	**30 June 2021**	**30 June 2020**
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	2,306	(10,302)

The fair value adjustments of derivatives and losses on extinguishment of financial instruments gain of €2,306 thousand relates to the net fair value adjustment for the interest rate derivatives (30 June 2020: loss of €930 thousand). At 30 June 2020, a loss of €9,372 thousand was incurred in relation to the repurchase of €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).

16. JOINT VENTURES

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.

Interim condensed statement of financial position

30 June 2021 (*€ thousand*)	**Ploiesti Shopping City**
Non-current assets	110,985
Current assets	14,525
TOTAL ASSETS	**125,510**
Non-current liabilities	(76,617)
Current liabilities	(3,684)
TOTAL LIABILITIES	**(80,301)**
Equity attributable to equity holders	**(45,209)**
TOTAL EQUITY AND LIABILITIES	**(125,510)**
INVESTMENT IN JOINT VENTURES (50% OF THE EQUITY ATTRIBUTABLE TO EQUITY HOLDERS)	**22,605**

31 December 2020 (*€ thousand*)	**Ploiesti Shopping City**
Non-current assets	110,387
Current assets	14,666
TOTAL ASSETS	125,053
Non-current liabilities	(78,206)
Current liabilities	(3,333)
TOTAL LIABILITIES	**(81,539)**
Equity attributable to equity holders	**(43,514)**
TOTAL EQUITY AND LIABILITIES	**(125,053)**
INVESTMENT IN JOINT VENTURES (50% OF THE EQUITY ATTRIBUTABLE TO EQUITY HOLDERS)	**21,757**

Interim condensed statement of comprehensive income

€ thousand	**30 June 2021**	**30 June 2020**
Revenue from rent and recoveries	5,864	5,436
Property operating expenses	(2,258)	(1,093)
Partial forgiveness of receivables (Covid-19 forgiveness)	(190)	(901)
Administrative expenses	(185)	(274)
Fair value adjustment investment property	565	(4,274)
Foreign exchange (loss)/gain	(14)	77
Profit before net finance costs and other items	**3,782**	**(1,029)**
Net finance costs	**(1,859)**	**(2,214)**
Finance income	2	54
Finance costs	(1,857)	(2,264)
Bank charges, commissions, and fees	(4)	(4)
Other items	**289**	**59**
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	289	59
Profit/(Loss) before tax	**2,212**	**(3,184)**
Income tax credit/(expense)	(516)	240
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS	**1,696**	**(2,944)**
Share of profit/(loss) of joint venture (50% of the profit/loss) of the period)	**848**	**(1,472)**

Shareholder loans to Ploiesti Shopping City were granted by NE Property B.V.. Finance income from joint ventures in the first half of year 2021 amounted to €639 thousand (30 June 2020: €831 thousand).

€ thousand	**30 June 2021**	**31 December 2020**
Long-term loans granted to joint ventures	21,852	22,620

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

€ thousand	**30 June 2021**	**31 December 2020**
Cash and cash equivalents	11,322	11,722

€ thousand	**30 June 2021**	**31 December 2020**
Bank loans (non-current liabilities)	(18,386)	(19,458)
Bank loans (current liabilities)	(2,145)	(2,144)

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 2021), 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 2021 (*€ thousand*)	Retail	Office	Industrial	Corporate	Total
Gross rental income	170,315	2,696	876	_	173,887
Service charge income	71,352	962	194	_	72,508
Property operating expenses	(74,929)	(898)	(259)	_	(76,086)
Partial forgiveness of receivables (Covid-19 forgiveness)	(15,383)	(7)	_	_	(15,390)
Net rental and related income	**151,355**	**2,753**	**811**	_	**154,919**
Administrative expenses	(5,683)	_	(26)	(3,650)	(9,359)
EBITDA*	**145,672**	**2,753**	**785**	**(3,650)**	**145,560**
Net result from financial investments	_	_	_	_	_
Fair value adjustments of investment property	27,521	(2,593)	525	_	25,453
Foreign exchange gain/(loss)	(523)	(7)	(32)	177	(385)
Profit /(Loss) before net finance costs and other items	**172,670**	**153**	**1,278**	**(3,473)**	**170,628**

** 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 2020 (*€ thousand*)	Retail	Office	Industrial	Corporate	Total
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)
Net rental and related income	**144,990**	**14,379**	**888**	_	**160,257**
Administrative expenses	(3,647)	(338)	(13)	(6,590)	(10,588)
EBITDA*	**141,343**	**14,041**	**875**	**(6,590)**	**149,669**

Segment results 30 June 2020 (€ *thousand*)	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
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 gain/(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)
Profit/(Loss) before net finance costs and other items	**(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 assets and liabilities 30 June 2021 (€ *thousand*)	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
SEGMENT ASSETS					
Non-current assets	**5,837,278**	**72,635**	**17,095**	**26,542**	**5,953,550**
Investment property	5,701,187	71,100	17,095	–	5,789,382
—Investment property in use	5,480,573	71,100	17,095	–	5,568,768
—Investment property under development	220,614	–	–	–	220,614
Goodwill	70,922	–	–	5,882	76,804
Deferred tax assets	20,606	1,535	–	11,695	33,836
Investments in joint ventures	22,605	–	–	–	22,605
Long-term loans granted to joint ventures	21,852	–	–	–	21,852
Other long-term assets	106	–	–	6,937	7,043
Derivative financial assets at fair value through profit or loss	–	–	–	2,028	2,028
Current assets	**236,940**	**3,562**	**2,268**	**202,840**	**445,610**
Trade and other receivables	57,844	1,386	254	5,887	65,371
Cash and cash equivalents	179,096	2,176	2,014	196,953	380,239
Assets held for sale	**63,628**	**616**	–	–	**64,244**
TOTAL ASSETS	**6,137,846**	**76,813**	**19,363**	**229,382**	**6,463,404**

Segment assets and liabilities 30 June 2021 (*€ thousand*)	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
SEGMENT LIABILITIES					
Non-current liabilities	**652,775**	**1,904**	**2,878**	**1,973,712**	**2,631,269**
Bank loans	228,738	–	–	–	228,738
Bonds	–	–	–	1,973,284	1,973,284
Deferred tax liabilities	351,099	1,192	1,277	–	353,568
Other long-term liabilities	69,515	712	1,601	2	71,830
Derivative financial liabilities at fair value through profit or loss	3,423	–	–	426	3,849
Current liabilities	**85,020**	**920**	**326**	**33,410**	**119,676**
Trade and other payables	77,932	920	326	11,652	90,830
Bank loans	7,088	–	–	–	7,088
Bonds	–	–	–	21,758	21,758
Liabilities held for sale	**1,510**	–	–	–	**1,510**
TOTAL LIABILITIES	**739,305**	**2,824**	**3,204**	**2,007,122**	**2,752,455**

Segment assets and liabilities 31 December 2020 *(€ thousand)*	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
SEGMENT ASSETS					
Non-current assets	**5,848,996**	**75,290**	**16,543**	**25,894**	**5,966,723**
Investment property	5,712,155	73,700	16,543	–	5,802,398
—Investment property in use	5,501,220	73,700	16,543	–	5,591,463
—Investment property under development	210,935	–	–	–	210,935
Goodwill	70,922	–	–	5,882	76,804
Deferred tax assets	21,393	1,590	–	11,695	34,678
Investments in joint ventures	21,757	–	–	–	21,757
Long-term loans granted to joint ventures	22,620	–	–	–	22,620
Other long-term assets	149	–	–	7,298	7,447
Derivative financial assets at fair value through profit or loss	–	–	–	1,019	1,019
Current assets	**248,437**	**9,107**	**2,636**	**442,501**	**702,681**
Trade and other receivables	51,361	979	282	6,762	59,384
Cash and cash equivalents	197,076	8,128	2,354	435,739	643,297
Assets held for sale	**1,152**	**600**	–	–	**1,752**
TOTAL ASSETS	**6,098,585**	**84,997**	**19,179**	**468,395**	**6,671,156**

Segment assets and liabilities 31 December 2020 (*€ thousand*)	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
SEGMENT LIABILITIES					
Non-current liabilities	**646,158**	**2,316**	**2,815**	**1,970,097**	**2,621,386**
Bank loans	232,635	–	–	-	232,635
Bonds	–	–	–	1,969,385	1,969,385
Deferred tax liabilities	338,643	1,541	1,140	–	341,324
Other long-term liabilities	70,160	775	1,675	2	72,612
Derivative financial liabilities at fair value through profit or loss	4,720	–	–	710	5,430
Current liabilities	**327,799**	**1,045**	**349**	**28,254**	**357,447**
Trade and other payables	77,847	1,045	349	17,354	96,595
Bank loans	249,952	–	–	–	249,952
Bonds	–	–	–	10,900	10,900
TOTAL LIABILITIES	**973,957**	**3,361**	**3,164**	**1,998,351**	**2,978,833**

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

Country results *€ thousand*	**Net rental and related income (30 June 2021)**	**Profit/(Loss) before tax (30 June 2021)**	**Investment property (30 June 2021) ****
Romania**	68,272	79,853	2,050,275
Poland	20,124	15,882	1,426,093
Hungary	14,683	12,149	575,300
Slovakia	13,778	15,782	527,864
Bulgaria	12,844	18,599	492,887
Croatia	9,322	10,314	263,190
Serbia**	7,466	9,035	134,678
Lithuania	4,578	6,632	144,795
Czech Republic	3,852	6,211	174,300
United Kingdom	–	(21)	–
Corporate*	–	(34,406)	–
Total	**154,919**	**140,030**	**5,789,382**

**The Corporate segment represents head office and administrative offices.*

***Investment property in Romania and Serbia excludes held for sale portfolio.*

Country results *€ thousand*	**Net rental and related income (30 June 2020)**	**(Loss)/Profit before tax (30 June 2020)**	**Investment property (31 December 2020) ****
Romania**	67,827	(7,032)	2,026,631
Poland	26,497	(30,326)	1,420,857
Slovakia	15,887	(7,967)	523,644
Hungary	14,282	(5,546)	577,200
Bulgaria	12,734	(16,522)	486,807
Croatia	7,834	(5,876)	262,330
Serbia	5,759	(8,919)	191,949
Czech Republic	4,860	(9,892)	171,000
Lithuania	4,651	6,536	141,980
United Kingdom**	(74)	(191)	–
Corporate*	–	(143,271)	–
Total	**160,257**	**(229,006)**	**5,802,398**

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

***Investment property in Romania and United Kingdom excludes held for sale portfolio.*

18. HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the six-month period ended 30 June 2021 was based on headline earnings of € 100,049 thousand (six-month period ended 30 June 2020: €(6.159) thousand) and the weighted average of 608,994,907 ordinary shares in issue during the six-month period ended 30 June 2021 (six-month period ended 30 June 2020: 626,116,549). For 30 June 2020, the weighted average number of shares has been adjusted in respect of the 'capitalisation issue' on 21 September 2020, as required by IAS 33 Earnings per Share.

Reconciliation of profit/(loss) for the period to headline earnings (€ thousand)	30 June 2021	30 June 2020
Profit/(Loss) for the period attributable to equity holders	**121,569**	**(206,554)**
Fair value adjustments of investment property (Note 14)	(25,453)	236,572
Tax effects of adjustments for controlled subsidiaries	4,171	(37,971)
Fair value adjustment of investment property for joint ventures	(283)	2,137
Tax effects of adjustments for joint ventures	45	(343)
HEADLINE EARNINGS/(LOSS)	**100,049**	**(6,159)**
Weighted average number of shares in issue	608,994,907	626,116,549
Diluted weighted average number of shares in issue	608,994,907	626,116,549
Headline earnings/(loss) per share (euro cents)	16.43	(0.98)
Diluted headline earnings/(loss) per share (euro cents)	16.43	(0.98)

RECONCILIATION OF PROFIT/(LOSS) FOR THE PERIOD TO DISTRIBUTABLE EARNINGS

€ thousand	**30 June 2021**	**30 June 2020**
Profit/(Loss) per IFRS Statement of comprehensive income attributable to equity holders	**121,569**	**(206,554)**
Accounting specific adjustments	**(14,160)**	**324,722**
Fair value adjustments of investment property for controlled subsidiaries	(25,453)	236,572
Fair value loss 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	403	285
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	(2,306)	10,302
Amortisation of financial assets	(181)	(430)
Deferred tax expense/(income) for controlled subsidiaries	13,675	(26,879)
Income from financial investments at fair value through profit or loss	–	(5,517)
Adjustments related to joint ventures:	**(282)**	**1,986**
Fair value adjustment of investment property for joint ventures	(283)	2,137
Fair value adjustments of derivatives and losses on extinguishment of financial instruments for joint ventures	(144)	(29)
Deferred tax expense/(income) for joint ventures	145	(122)
Adjustments related to non-controlling interest:	**(16)**	**(487)**
Fair value adjustment of investment property for non-controlling interest	(24)	(622)
Deferred tax income for non-controlling interest	8	135
Antecedent earnings	–	**120**
Distributable earnings	**107,409**	**118,168**
Number of shares outstanding at end of period	608,994,907	600,921,133
Distributable earnings per share (euro cents)	**17.64**	**19.66**
Distribution declared	**107,409**	–
Distribution declared per share (euro cents)	**17.64**	–
Earnings not distributed	–	**118,168**
Earnings not distributed per share (euro cents)	–	**19.66**
Number of shares entitled to distribution	608,994,907	600,921,133

19. CASH FLOW FROM OPERATIONS

€ thousand	Note	30 June 2021	30 June 2020
OPERATING ACTIVITIES			
Profit/(Loss) after tax		121,613	(207,022)
Adjustments		**25,198**	**355,504**
Fair value adjustments of investment property	14	(25,453)	236,572
Fair value loss and net result on sale of financial investments at fair value through profit or loss		–	108,770
Income from financial investments at fair value through profit or loss		–	(5,517)
Foreign exchange loss		385	1,032
Net finance costs		33,752	26,044
Fair value adjustments of derivatives and losses on extinguishment of financial instruments		(2,306)	10,302
Deferred tax expense/(income)		13,675	(26,879)
Current tax expense		4,742	4,895
Depreciation expense for property, plant, and equipment		403	285
Changes in working capital		**(17,179)**	**(56,834)**
Increase in trade and other receivables		(9,645)	(38,098)
Decrease in trade and other payables		(7,534)	(18,736)
Cash flow from operations		**129,632**	**91,648**

20. CONTINGENT ASSETS AND LIABILITIES

Guarantees

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

At 30 June 2021, the Group had received letters of guarantee from tenants worth €108,844 thousand (31 December 2020: €105,939 thousand) and from suppliers worth €10,899 thousand (31 December 2020: €12,627 thousand) related to ongoing developments.

21. EVENTS OCCURRING AFTER THE REPORTING PERIOD

As mentioned in Note 11, the Group concluded in June 2021 a green unsecured financing agreement which matures in June 2028 in amount of €73.5 million, which was fully disbursed in July 2021.

As presented in Note 10, in June 2021, the Group entered into an agreement to dispose two Serbian retail properties, Kragujevac Plaza (including extension plot) and Krusevac Shopping Park (including extension plot), to CEE BIG BV. The unconditional approval of the Serbian Competition Council was obtained in July 2021 and the transaction become effective on 12 July 2021 in accordance with the terms of the agreement and the final cash proceeds amounting to €60.4 million were settled.

As presented in the Directors' Commentary, in July 2021, Mr. Alexandru Morar (CEO) and Ms. Mirela Covasa (CFO) have approached the Board to implement a succession plan for their roles given their intentions to pursue other entrepreneurial opportunities. The two executives and the Board have agreed to implement a management succession plan over the period leading up to the Company's year-end results, which includes identifying suitable candidates for the CEO and CFO roles and handover of their projects and responsibilities. The executives remain committed over this transition period and confident in the Company's prospects, ensuring consistency in the implementation of the approved strategy and the running development and optimization projects and initiatives. The effective date of resignation is currently unknown, and a further announcement will be released when appropriate. These changes at executive level do not represent a shift in the Company's strategy, which remains focused on sustainable growth and delivering further value for the Group.

Except for the above, the Directors are not aware of any other subsequent events from 30 June 2021 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 2021	31 December 2020	30 June 2020
EPRA Earnings (€ thousand)	107,187	240,770	123,710
EPRA Earnings per share (€ cents per share)	17.60	39.81	20.59
EPRA Net Initial Yield ('NIY')	6.75%	6.70%	6.83%
EPRA topped-up NIY	6.78%	6.75%	6.89%
EPRA vacancy rate	4.40%	4.30%	4.20%
EPRA Net Reinstatement Value ('NRV') (€ per share)*	6.50	6.45	6.65
EPRA Net Tangible Assets ('NTA') (€ per share)*	6.47	6.42	6.59
EPRA Net Disposal Value ('NDV') (€ per share)*	5.78	5.79	6.13
EPRA Cost ratio (including direct vacancy cost)	8.6%	10.5%	7.3%
EPRA Cost ratio (excluding direct vacancy cost)	8.5%	10.3%	7.0%

**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 2021	31 December 2020	30 June 2020
Earnings in IFRS Consolidated Statement of comprehensive income	**121,569**	**(174,921)**	**(206,554)**
Fair value adjustments of investment property for controlled subsidiaries	(25,453)	345,253	236,572
Fair value loss and net result on sale of financial investments at fair value through profit or loss	–	93,767	108,770
Profit on disposal of assets held for sale	–	(2,310)	–
Fair value adjustments of derivatives and losses of extinguishment of financial instruments	(2,306)	10,539	10,302
Deferred tax expense/(income) for controlled subsidiaries	13,675	(32,440)	(26,879)
Adjustments related to joint ventures	(282)	1,946	1,986
Adjustments related to non-controlling interest	(16)	(1,064)	(487)
EPRA Earnings (interim)	**107,187**	**123,710**	**123,710**
EPRA Earnings (final)	–	**117,060**	–
EPRA Earnings (total)	**107,187**	**240,770**	**123,710**
Number of shares for interim distribution	608,994,907	600,921,133	600,921,133
Number of shares for final distribution	–	608,994,907	–
EPRA Earnings per Share (EPS interim)	**17.60**	**20.59**	**20.59**
EPRA Earnings per Share (EPS final)	–	**19.22**	–
EPRA Earnings per Share (EPS)*	**17.60**	**39.81**	**20.59**
Company specific adjustments:			
Amortisation of financial assets	(181)	(759)	(430)
Depreciation expense for property, plant, and equipment of an administrative nature	403	580	285
Income from financial investments at fair value through profit or loss	–	(5,517)	(5,517)
Antecedent earnings	–	(2,659)	120
Distributable Earnings (interim)	**107,409**	**118,168**	**118,168**
Distributable Earnings (final)	–	**114,247**	–

EPRA Earnings	30 June 2021	31 December 2020	30 June 2020
Distributable Earnings (total)	**107,409**	**232,415**	**118,168**
Distributable Earnings per Share (interim) (euro cents)	**17.64**	**19.66**	**19.66**
Distributable Earnings per Share (final) (euro cents)	–	**18.76**	–
Distributable Earnings per Share (total) (euro cents)	**17.64**	**38.42**	**19.66**

**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)*

EPRA Net Asset Values as of June 30, 2021

	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	**3,705,650**	**3,705,650**	**3,705,650**
Exclude:			
Net deferred tax liabilities	325,954	309,656	–
Derivative financial liabilities at fair value through profit or loss	2,364	2,364	–
Goodwill	(76,804)	(76,804)	(76,804)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	–	–	(105,929)
NAV	**3,957,164**	**3,940,866**	**3,522,917**
Number of shares	608,994,907	608,994,907	608,994,907
NAV per share	**6.50**	**6.47**	**5.78**

EPRA Net Asset Values as of December 31, 2020

	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	**3,687,068**	**3,687,068**	**3,687,068**
Exclude:			
Net deferred tax liabilities	312,133	296,526	–
Derivative financial liabilities at fair value through profit or loss	5,099	5,099	–

	EPRA NRV	EPRA NTA	EPRA NDV
Goodwill	(76,804)	(76,804)	(76,804)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	–	–	(81,464)
NAV	**3,927,496**	**3,911,889**	**3,528,800**
Number of shares	608,994,907	608,994,907	608,994,907
NAV per share	**6.45**	**6.42**	**5.79**

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 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 2021	31 December 2020	30 June 2020
Investment property as per consolidated financial statements	5,789,382	5,802,398	5,863,805
Investment property under joint ventures (on a pro-rata basis)	53,785	53,482	53,059
Investment property held for sale	58,074	–	313,241
Less investment property under development	(220,614)	(210,935)	(187,233)
Total investment property in use, including joint ventures (on a pro-rata basis)	**5,680,627**	**5,644,945**	**6,042,872**
Estimated purchasers' costs	28,403	28,225	30,214
Gross up value of the investment property in use, including joint ventures (on a pro-rata basis)	**5,709,030**	**5,673,170**	**6,073,086**
Annualised cash passing rental income*	394,967	394,560	417,140
Non-recoverable property operating expenses	(8,837)	(14,696)	(2,606)
Annualised net rents	**385,630**	**379,864**	**414,534**
Notional rent expiration of rent-free periods or other lease incentives	1,464	2,909	4,070
Topped-up net annualised rent	**387,093**	**382,773**	**418,604**
EPRA Net Initial Yield (EPRA NIY)	**6.75%**	**6.70%**	**6.83%**
EPRA "topped-up" NIY	**6.78%**	**6.75%**	**6.89%**

**Annualised passing rent as at 30 June 2021 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 2021	31 December 2020	30 June 2020
Estimated Rental Value of vacant space	18,931,524	18,659,370	19,098,685
Estimated rental value of the whole portfolio	432,656,507	433,740,263	458,441,995
EPRA Vacancy Rate	**4.4%**	**4.3%**	**4.2%**

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 2021	31 December 2020	30 June 2020
Administrative expenses (line per IFRS consolidated financial statements)	9,359	20,838	10,588
Net service charge costs*	4,105	14,364	1,523
Share of joint ventures expenses	405	466	(230)
EPRA Costs (including direct vacancy costs)	**13,870**	**35,668**	**11,881**
Direct vacancy costs	180	618	392
EPRA Costs (excluding direct vacancy costs)	**13,690**	**35,050**	**11,489**
Gross rental income*	**159,024**	**337,328**	**161,780**
Add: share of joint ventures (Gross rental income less ground rents)	2,021	3,390	1,501
Gross rental income	**161,046**	**340,718**	**163,281**
EPRA Cost ratio (including direct vacancy costs)	**8.6%**	**10.5%**	**7.3%**
EPRA Cost ratio (excluding direct vacancy costs)	**8.5%**	**10.3%**	**7.0%**

**Out of €15.4 million partial forgiveness of receivables as at 30 June 2021 (€47 million as at 31 December 2020 and €36.9 million as at 30 June 2020), approximately €0.5 million corresponded to service charge income (€4.6 million as at 31 December 2020 and €5.5 million as at 30 June 2020); 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 2021 (respectively as at 31 December 2020 and 30 June 2020).*

GLOSSARY

Collection rate: operational performance indicator computed as cash collected relative to the Gross rental income and Service charge income as recognized in the consolidated financial statements (adjusted for concessions granted in the year)

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 associated to right of use assets – Cash) / (Investment property (including investment property held for sale) – Right of use assets + 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

(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 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"): Highlights the value of net assets on a long-term basis. It is computed as the net assets per the statement of financial position, excluding the goodwill, deferred taxation net balance and mark-to-market of interest rate derivatives (which represents assets and liabilities not expected to crystallise in normal course of business)

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 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