Interim Financial Report
30 June 2019

NEPI ROCKCASTLE PLC

INTERIM FINANCIAL REPORT

30 June 2019

Interim Condensed Consolidated Financial Statements

for the six months ended 30 June 2019

NEPI ROCKCASTLE PLC

INTERIM FINANCIAL REPORT

30 June 2019

Statement of Directors' responsibilities

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

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

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

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

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

The Directors confirm that the interim condensed consolidated financial statements give a true and fair view of of the assets, liabilities, financial position and profit or loss of the Group for the six months period ended 30 June 2019 as well as the comparative periods presented and that the interim financial report give a fair review of the information required pursuant to section 5:25d(8)/(9) of the Financial Supervision Act.

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

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

The Group interim condensed consolidated financial statements on pages 17 to 54 were approved and authorized for issue by the Board of Directors on 21 August 2019 and signed on its behalf by:

Alex Morar
Chief Executive Officer

Mirela Covasa
Chief Financial Officer

NEPI ROCKCASTLE PLC

INTERIM FINANCIAL REPORT

30 June 2019

Directors' report

"NEPI Rockcastle continues to leverage on its strengths and consolidate its position as the dominant, high-quality shopping centre owner with the most robust management platform in Europe's highest growth region. We constantly enhance our properties via extension, reconfiguration and modernising capital expenditure, active asset management and marketing activities. We focus on the implementation of technological solutions that would further enhance our CEE leadership and stakeholder value. We continue to pursue a development and acquisition pipeline that improves the overall quality of the portfolio and adds to the business's long-term sustainability. Our approach balances between pursuing commercial opportunities and maintaining a prudent balance sheet, and we are confident that our dominant position in the CEE will allow us to further grow our business." Alex Morar, CEO.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Strong growth in distributable earnings

- Distributable earnings of 29.02 eurocents per share for the first half (H1) of 2019 are 9.6% higher than the 26.49 eurocents per share for H1 2018, due to the concentration of acquisitions and developments completed during the second half (H2) of 2018;
- Distributable earnings per share for 2019 are expected to be approximately 6% higher than in 2018, in line with the guidance issued in February 2019.

Operational performance

- The Group recorded 158 million visits in its shopping centres during H1 2019, representing a 1.2% increase year-on-year (YoY) for like-for-like (LfL) properties. The countries driving this growth were Poland (+3.1%, despite the Sunday trading ban regulation, allowing shopping centres to open only one Sunday per month), Bulgaria (+1.9%) and Romania (+1.7%);
- Tenant sales increased by 8.2% across portfolio, in LfL properties, excluding hypermarkets (which do not report turnover data consistently across the portfolio);
    - Romania's strong tenant sales growth (+10.3%) was driven mainly by successful marketing campaigns and/or reduction in vacancies in shopping centres such as Shopping City Ramnicu Valcea (+31.5%), Shopping City Timisoara (+21.7%), Shopping City Galati (+17.7%) and Shopping City Targu Jiu (+12.7%);
    - In Poland (+3.3%), the Group's portfolio outperformed the average peers' growth as published by the Polish Council of Shopping centres; refurbishment works in Karolinka Shopping Centre and Alfa Centrum Bialystok negatively impacted the tenant sales growth;

- Growth in the Czech Republic (+10.4%) was driven by Forum Usti nad Labem, as Czech regions are converging to the economic growth of the area surrounding Prague;
- LfL increase in Serbia (+14.2%) resulted from the strong results of Kragujevac Plaza following refurbishments and gradual improvement of the retail mix over the past two years;
- The highest growth sectors were electronics (+14.2%), fashion accessories (+11.2%) and food service (restaurants, fast foods) (+11.1%). Noteworthy increases in the fashion sector were recorded in athletic wear (+11.3%) and family clothing (+7.1%) (which includes all the major fashion anchors).

- H1 2019 net rental and related income ("NOI") of €199.8 million, with a growth of 21.3% compared to €164.6 million in the same period of 2018;
- LfL NOI growth estimated for 2019 is 6%; the expected base rent increase is 4.4% YoY, accounting for 62% of the growth of total NOI. Base rent growth is driven by successful revisions of lease agreements in Romania and Poland and reduction of vacancies;
- Occupancy cost ratio was 13.4% at 30 June 2019 (excluding hypermarket sales, which if included would have a decreasing impact);
- EPRA vacancy of 2.6% as at June 2019, down from 2.8% in December 2018.

Active portfolio management and strong leasing activity

NEPI Rockcastle has maintained a strategic focus on dominant retail assets, with ongoing work on a significant development pipeline, including extensions and refurbishments:

- Strong leasing activity during H1 2019, with 319 new lease agreements signed, out of which 246 were renewals and new leases in existing assets, and the rest are related to developments;
- Five extensions and refurbishments finalised in Croatia, Romania and Poland;
- Notable brands entering markets where the Group is present include: Body Shop, Lacoste and Ted Baker in Arena Zagreb, Miniso (a Japanese household retailer) in Paradise Center (Sofia) and Notino (an online perfumery) in Arena Mall (Budapest);
- There have been no disruptive retail failures, despite important retailers that underwent strategic changes, such as: (i) Piotr and Pawel (a supermarket chain in Poland), acquired by SPAR (an international retail group); (ii) TXM (a fashion chain) closing down its operations in Romania and being replaced by new concepts such as 50 Style (a Polish premium athletic shoes retailer) and (iii) Takko (a German fashion retailer) refocusing its operations in Romania in retail parks and affordable retail concepts, and being replaced by Miniso, Notino and Smyk (a Polish toy and kids store);
- Process started for obtaining additional BREEAM in-use certifications for shopping malls, aiming to have 16 centres certified as "Excellent";
- Non-binding letter of intent signed for the disposal of four type A office buildings in Romania;
- Ambitious internal projects, such as implementing 100% paperless processes and Robotic Process Automation, will improve the quality of operations.

Robust balance sheet

- Portfolio valued at €6.1 billion, including Romanian offices held for sale and excluding carrying value of right-of-use asset related to leased land areas recognised as per IFRS 16, compared to €5.9 billion at the end of 2018;
- EPRA NAV per share of €7.26 (IFRS NAV per share of €6.79) compared to €7.09 (IFRS NAV per share of €6.66) at the end of 2018;
- Successful €500 million unsecured bonds issue in May 2019;
- Conservative Loan to Value ratio ("LTV") of 32.5%, below the Group's strategic target of 35%;
- Significant headroom to all debt covenants;
- Investment grade credit ratings reaffirmed by Standard & Poor's and Fitch at BBB, stable outlook;
- Weighted average cost of debt of 2.4%;
- 92% of interest rate exposure related to long-term loans is hedged (excluding revolving facilities), with a remaining weighted average hedge term of 3.7 years.

EPRA REPORTING

The Group joined European Public Real Estate Association (EPRA) in 2018 and started reporting EPRA indicators with the aim to enhance disclosure and transparency, while aligning to industry standards.

	30 June 2019	**31 December 2018**	**30 June 2018**
EPRA NAV per share (€)	7.26	7.09	7.14
EPRA Earnings (€ thousand)	168,077	308,704	164,104
EPRA Earnings per share (€cents per share)	28.69	53.43	28.40
EPRA Net Initial Yield (NIY)	6.64%	6.74%	6.70%
EPRA 'topped-up' NIY	6.71%	6.82%	6.77%
EPRA vacancy rate	2.6%	2.8%	3.8%

RETAIL TRANSFORMATION

NEPI Rockcastle operates in markets that have low e-commerce penetration, according to information from GlobalData. Brick-and-mortar retail sales growth is robust, with spending in Eastern Europe expected to increase at an average compound annual growth rate significantly higher than in Western Europe. Nevertheless, the Group is committed to embracing new trends in the retail industry and to continuously adapting and transforming its assets.

Popular leisure and entertainment concepts such as open-air terraces and cinemas are being expanded in the region. The Group extended its partnership with Austrian cinema operator Cineplexx (already present in Promenada Novi Sad and Shopping City Satu Mare) by signing two new leases in Romania, for Iris Titan Shopping Centre and Shopping City Sibiu.

Studies show a high correlation between growth of sales in physical stores and online. A growing number of successful online retailers are introducing physical stores in the Company's shopping centres. For example, Notino entered the Bulgarian and Hungarian offline markets through new stores in Paradise Center (Sofia) and Arena Mall (Budapest). Another Notino store opened in Mega Mall (Bucharest) in February 2019, after a successful opening in Promenada Mall (Bucharest) in 2018.

At the same time, leisure activities, which cannot be replaced by online offerings, gained a strategic prominence in the Group's shopping malls. Several centre's food courts and leisure areas have been refurbished, while new developments feature attractive leisure areas in line with the latest design trends. The most notable is the refurbishment of the Mega Mall food court (Bucharest), following an investment of €3.5 million. The contemporary design was created by architects specialised in the dining industry and combines wood, stone and interior landscaping, with a focus on new lighting. It includes new furniture, layout and flooring, and the ceiling was raised to improve the efficacy of the three generous skylights, while new vertical elements improve the visibility of the food-court from the lower levels

DEVELOPMENTS AND EXTENSIONS

NEPI Rockcastle strategically invests in developments that contribute to growth in distributable earnings per share and improve long-term portfolio prospects. The development pipeline, including redevelopments and extensions, estimated at cost, exceeds €1.2 billion, of which €240 million was spent by 30 June 2019. Of the remaining investments, only 18% have been committed, providing flexibility regarding prioritisation of the projects.

COMPLETED DEVELOPMENTS AND EXTENSIONS

Solaris Shopping Centre extension and refurbishment (Opole, Poland - 9 May 2019)

Solaris Shopping Centre, located in the city centre of Opole, is the city's main fashion and lifestyle destination, boasting the latest trends in entertainment facilities and hosting the only cinema in the city. It appeals to a broad range of customers and is a popular meeting place for shopping, business and socialising. Opole is the historic capital of Upper Silesia and has 128,000 residents, with a 30-minute catchment area of 275,000 inhabitants.

The 9,000m² GLA extension was completed in May 2019, and incorporated a new multi-level underground car park and a new town square facing the main road. The extension unlocked the full potential of the centre, providing tenants additional space to introduce their newest concepts, attracting new brands to the city, creating a modern food-court and improving the access to the cinema. The design emphasises the visual and functional integration of the existing and new part of the centre. Not only were the common areas of the mall refurbished, but most of the shops were also renovated. The centre's appeal has been increased through the addition of selected fashion retailers such as 4F, Deichmann, Guess, LPP group (House, Mohito, Reserved), Sizeer, Smyk and Sneakers by Distance. Similarly, the service and beauty offering was significantly extended, with a new 24-hour fitness (Just Gym), and a 500m² kidsplay (Bajkowy Labirynt). The food court is Opole's largest, with well-known brands such as: KFC, McDonald's, Papa Diego, Pizza Hut and Thai Express.

The first two months' results exceeded expectations. Footfall increased by 26% in total and 33% on a LfL basis (adjusted to exclude the impact of the Sunday trade ban change), compared to the same period of 2018. Total turnover increased by over 100%, especially due to the growth generated by over 40 new stores.

Shopping City Sibiu extension and refurbishment (Sibiu, Romania - 4 April 2019)

Shopping City Sibiu is the largest shopping centre in its region, with 81,600m² GLA post-reconfiguration and extension, catering to diverse demand via its extensive fashion offering, two hypermarkets and DIY store. The Group finalised a 3,700m² GLA extension and 34,600m² refurbishment in April 2019, including a new level dedicated to dining and entertainment, with an open-air terrace. Several fashion anchors were added, such as Cropp, De Facto (first Romanian store), House, LC Waikiki, Mohito, Reserved and Smyk. Some existing stores were refurbished and extended, for instance CCC, Douglas, Humanic and Noriel. The new food-court combines international brands like KFC and Taco Bell with successful national tenants such as Insieme, Pepp&Pepper and Salad Box.

The last phase of the extension, the opening of a Cineplexx multiplex cinema, is expected to open in Q4 2019.

Pogoria Shopping Centre extension (Dabrowa Gornicza, Poland - 30 April 2019)

Pogoria Shopping Centre, located in the city centre, is the largest shopping and entertainment destination for the 121,000 residents. The extension involved increasing the size of the CCC and Deichmann stores. Construction works had limited impact on tenants' operations, and total turnover increased following the extension.

Braila Mall food court refurbishment (Braila, Romania - 20 April 2019)

The newly refurbished food court opened in April 2019, revitalising the mall in Braila, a county capital and a port-city on the Danube river with 205,000 residents. The ice rink was removed, while 100 new seats were added to the dining area, together with new fast-food units. Visitors also benefit from a new, modern children's playground.

Arena Park (Zagreb, Croatia – 17 May 2019)

The Company opened an over 8,000m² fully-occupied retail park in Zagreb, a European capital city with a population of 802,000 residents, in May 2019. Tenants include CCC, Intersport, Jysk, LC Waikiki (first Croatian store) and Pepco. When compared to the same period of 2018, the Groups' adjacent 67,200m² Arena Centar saw double digit increases for footfall and turnover, highlighting the synergy of the assets. The Arena retail scheme now totals 75,200m² GLA and consolidates its position as Croatia's premiere shopping destination.

DISPOSAL OF OFFICE PORTFOLIO

Focusing on sustainable long-term growth and considering the healthy liquidity of the Romanian office market, NEPI Rockcastle started disposing its Romanian office portfolio. In May 2019, the Company sold its 50% stake in The Office Cluj-Napoca at premium to book value.

In July 2019, NEPI Rockcastle signed a non-binding letter of intent with AFI Europe NV, a wholly-owned subsidiary of Africa Israel Properties Limited, granting exclusivity to conduct due diligence on the Group's remaining four Romanian type A office buildings. These offices had a book value of €307.9 million on 30 June 2019. NEPI Rockcastle expects to reinvest the proceeds in high-quality shopping centres.

NON-RETAIL STRATEGY

The Group continues to invest in the development of mixed-use properties providing synergies with its shopping malls. For example, NEPI Rockcastle is committed to the development of the office component of the Promenada Mall extension in Bucharest, for an estimated cost (including additional parking) of €55 million.

The Group is also planning residential developments adjacent to its shopping malls. These developments are currently in design and permitting phase, have an estimated construction cost of €83 million, and the first units are expected to be completed in two years.

DEVELOPMENTS AND EXTENSIONS PIPELINE

Promenada Sibiu (Sibiu, Romania)

The Group is developing a second project in Sibiu, one of Romania's most developed and affluent cities, a major tourist destination and home to over 169,000 residents. The two projects will service the 267,000 residents living within 45 minutes, and complement each other.

Promenada Sibiu is conveniently located in the inner city, within walking distance of the historic city center and next to the train station. The unique design seamlessly blends into the existing, renowned architecture. With an estimated 42,200m2 GLA, the mall will attract locals and tourists with exclusive brands, a generous food court and outdoor terrace planned to host enticing events. The dining and entertainment area comprise 18% of GLA aligned with the Group's strategy of increasing leisure footprints.

Promenada Sibiu will have Romania's first Kaufland supermarket located in a mall, generous entertainment facilities and numerous fashion brands, including CCC, CineGold, Deichmann, Douglas, Guess, H&M, Hervis, Inditex (Bershka, Massimo Dutti, Oysho, Pull&Bear, Stradivarius and Zara), LC Waikiki, Mango, NewYorker, Reserved, Sephora, Sport Vision, Tommy Hilfiger and US Polo. Tenant interest is strong, and the centre will open Q4 2019.

Shopping City Buzau extension and refurbishment (Buzau, Romania)

Already a top performer due to its location and access, this mall is under reconfiguration and extension (work started in October 2018) to include a Cinema City, food court and several new fashion brand. Buzau, a city with 133,000 residents, is a major hub linking Bucharest to Moldavia, and capital of a county with approximately 430,000 residents, the majority within the centre's 45-minute catchment.

The first phase was successfully opened at the beginning of August 2019, fully let. New tenants include Bigotti, Marionnaud, Office Shoes, Tezyo and Tutti Cafe. Some existing tenants, such as Altex, CCC, Deichmann, Intersport and NewYorker, relocated to the extension with updated interiors.

The next phases will consist of a food court with outdoor terrace, scheduled for Q4 2019, and a cinema opening planned for Q2 2020. When completed, the centre will have 23,500m2 GLA.

Targu Mures Shopping City (Targu Mures, Romania)

The Company obtained building permit for a 40,000m² GLA mall in south-eastern Targu Mures, the capital of Mures. Vibrant and multicultural, with 149,000 inhabitants, Targu Mures is home to Romania's largest, urban Hungarian community. The project will be completed in H1 2020 and anchored by Carrefour.

Bonarka City Center redevelopment (Kraków, Poland)

In April 2019, NEPI Rockcastle started the first phase of the Bonarka City Center redevelopment, a dominant 93,200m² GLA shopping mall (including the Auchan owned unit of 20,600m²) located in Krakow, Poland's second largest city, with 767,000 inhabitants and 1,184,000 residents in greater metropolitan area.

During this phase, the centre will be extended by 1,100 m², increasing NEPI Rockcastle's owned area to 73,700m² (94,300m² including Auchan). The Zara anchor will be increased up to 3,500m² (becoming the biggest Zara store in Poland), Peek & Cloppenburg up to 3,900m² and Reserved up to 2,600m². This phase will be completed in Q4 2019 and further redevelopment is expected.

Forum Liberec refurbishment (Liberec, Czech Republic)

In April 2019, the refurbishment of Forum Liberec, a 46,100m² GLA, centrally located mall, began. Liberec is Bohemia's third-largest city, and the fifth-largest in the Czech Republic, and, including suburbs, has 150,000 inhabitants.

The refurbishment involves a complete redesign, that improves access between floors, modernises communal areas and includes a cutting-edge, relocated food court, hosting tenants such as Burger King, McDonalds, Pizza Hut and Starbucks. Other well-known tenants include Bushman, Dracik, Farma Natura, Luxor, Sizeer, TANYA and Terranova. Work will be completed in H1 2020.

Retail Park Krusevac (Krusevac, Serbia)

Development for an 8,600m² GLA retail park in Krusevac, a central Serbian city and capital of Rasina, hosting one of the country's fourteen free economic zones, is ongoing. The city has 58,000 residents, with 128,000 inhabitants in the greater metropolitan area. The centre is fully leased, with tenants such as CCC, Deichman, DM Drogherie Markt, LC Waikiki, NewYorker, Sinsay and Sport Vision, and will open in Q3 2019.

CASH MANAGEMENT AND DEBT

Following a successful bond issue of €500 million during the period, NEPI Rockcastle has strong liquidity: €366 million in cash, €300 million in available, unsecured revolving facilities, and €60 million net available in the listed securities portfolio at 30 June 2019.

The Group's gearing ratio (Interest bearing debt less lease liabilities (IFRS 16) less cash, divided by investment property (including investment property held for sale) less right of use assets (IFRS 16) plus listed securities) was 32.5%, below the 35% target.

There is significant headroom for covenants on all unsecured and secured debt. For unsecured bonds and revolving facilities, solvency ratio is 39% (maximum 60%), consolidated coverage ratio is 6.86 (minimum 2), and unsecured assets / unsecured indebtedness is 282% (minimum 150% / 180%).

The average interest rate, including hedging, was 2.4% during H1 2019. As at 30 June 2019, fixed-coupon bonds represented 57% of NEPI Rockcastle's outstanding debt. Out of the remaining long-term debt exposed to Euribor, excluding revolving facilities, 49% was hedged with interest rate caps and 43% with interest rate swaps.

During June 2019, the Group repurchased €2.2 million bonds due in February 2021. Depending on market conditions, the Group may repurchase its bonds or shares in the next period.

ACCOUNTING AND AUDIT MATTERS

Valuation

NEPI Rockcastle fair values its property 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	Property location	% of total portfolio
JLL	Slovakia / Serbia / Bulgaria / Hungary / Croatia / Czech Republic	32.6%
Cushman & Wakefield	Poland / Hungary / Lithuania	31.2%
Colliers	Romania	30.9%
DTZ (Cushman & Wakefield Affiliate Partners)	Romania	5.3%
Total		**100%**

The property portfolio generated a fair value gain of €90 million, during the period arising mostly from the increase in NOI.

Impact of adoption of IFRS 16 Leases

The IFRS 16 "Leases" standard has replaced the IAS 17 standard, effective from 1 January 2019. The standard provides reporting entities with instructions on the accounting treatment of leases in the lessee's financial statements, changes the definition of leasing and sets the principles regarding the recognition of leases in the balance sheet, both as a right-of-use asset and a lease liability. The application of the standard did not result in any changes to the accounting treatment of leases where the group acts as the lessor.

Nonetheless, for the majority of the Group's leases where NEPI Rockcastle acts as the lessee, the interim financial statements present assets and liabilities pertaining to these leases. NEPI Rockcastle has recognised right-of-use assets from leases of land areas as part of "Investment property", in amount of €32.5 million as at 1 January 2019. The lease liability has been valued to a similar amount, by discounting the lease payment liabilities of the leases to their present value, using as the discounting factor the incremental borrowing rate as at 1 January 2019 in the market where the lease agreement was concluded.

The impact on the interim statement of comprehensive income and on the interim statement of cash flows is immaterial. Further details are presented in note 3 to the interim condensed consolidated financial statements.

Supplemental Disclosures

To improve the clarity of disclosures in its stand-alone annual financial statements for the year ended 31 December 2017 (which became the comparative period for 31 December 2018), the Company considered appropriate to provide supplemental disclosures. These disclosures relate to the "Impairment of investments in and loans to subsidiaries" in the Company financial statements, and specifically the impairment of the investment in and loan to NRP's direct subsidiary, Rockcastle Europe Limited, and are included in note 16 of NRP's interim financial report for the six months ended 30 June 2019. The publication of the supplemental disclosures is made pursuant to the conclusion of a proactive monitoring process by the JSE on the annual financial statements for the year ended 31 December 2017.

External audit

The Group's interim condensed consolidated financial statements have been reviewed by PwC Isle of Man, by relying on the work of PwC firms in the jurisdictions where the Group operates. The local PwC firms review the standalone IFRS special purpose financial information of the subsidiaries, for the purpose of issuing a report on the Interim condensed consolidated financial statements of the Group, prepared in accordance with IAS 34.

CORPORATE GOVERNANCE AND OTHER HIGHLIGHTS

The Financial Services Conduct Authority in South Africa (FSCA) closed all pending investigations related to NEPI Rockcastle: insider trading (4 March 2019), false or misleading reporting (6 May 2019) and prohibited trading practices (13 June 2019). The FSCA found no substance in the allegations raised and closed the investigations with no claims against the Company. NEPI Rockcastle welcomes the conclusion of these investigations, and notes that the Group adheres to best practice in financial reporting and corporate governance.

On 17 April 2019, the Company welcomed its newest independent non-executive director, Mr. Andreas Klingen, an experienced professional with strong expertise in financial markets, investments, real estate and retail.

On 23 April 2019, Sustainalytics, a leading, independent, global provider of environmental, social and governance (ESG) research and ratings, rated NEPI Rockcastle's ESG Risk as Low (16.4/100). Sustainalytics concluded that the Company has a low risk of experiencing material financial impacts from ESG factors, due to its low exposure to and average management of material ESG issues. The Group will continue to further improve its ESG policies and procedures.

During April 2019, shareholders representing approximately 37% of the issued share capital of the Company elected to receive the final dividend for the year ended 31 December 2018 as a return of capital by way of an issue of new NEPI Rockcastle shares.

On 18 June 2019, NEPI Rockcastle's shares started trading on A2X, South Africa, a licensed stock exchange authorised to provide a secondary listing venue for companies, regulated by the FSCA.

DISTRIBUTABLE EARNINGS

The Group achieved 29.02 eurocents in distributable earnings per share for H1 2019 and the Board of Directors declares a distribution of 29.02 eurocents per share for this period. Shareholders can either receive distribution in cash or fully-paid shares, based on a ratio between distribution declared and the reference price. The reference price will be calculated using a maximum 5% discount to the five-day volume-weighted average traded price, less distribution, of NEPI Rockcastle shares on the JSE. The Company reserves the right to limit the total allocation of shares as a percent of the total distribution. A circular containing full details of the election being offered to shareholders, accompanied by announcements on the Stock Exchange News Service (SENS) of the JSE and Euronext Amsterdam will be issued in due course.

PROSPECTS AND EARNINGS GUIDANCE

Based on strategic options currently under management's control, the Group reconfirms the guidance issued in February 2019, that distributable earnings per share for 2019 are expected to be approximately 6% higher than the 2018 distribution. This guidance is based on the assumptions that a stable macroeconomic environment prevails, no major corporate failures occur, and controlled developments remain on schedule. This forecast has not been audited or reviewed by NEPI Rockcastle's auditors and is the responsibility of the Board of Directors

Independent Auditor's review report on interim financial statements

to the shareholders of NEPI Rockcastle plc

We have reviewed the condensed consolidated interim 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 2019 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 2019 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
22 August 2019

30 June 2019 All amounts in Thousand Euro unless otherwise stated

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2019	31 Dec 2018
ASSETS			
Non-current assets		**6,006,836**	**6,116,059**
Investment property		5,849,204	5,911,070
— Investment property in use	4	5,578,576	5,688,610
— Investment property under development	5	270,628	222,460
Goodwill	6	82,760	93,070
Deferred tax assets		16,664	13,739
Investments in joint ventures	12	20,680	49,185
Long-term loans granted to joint ventures	12	20,457	21,311
Other long-term assets		14,268	19,039
Interest rate derivatives financial assets at fair value through profit or loss		2,803	8,645
Current assets		**662,902**	**374,628**
Trade and other receivables		93,112	80,750
Financial investments at fair value through profit or loss	7A	190,714	168,339
Cash collateral	7A	12,910	27,784
Financial assets at fair value through profit or loss	7A	-	831
Cash and cash equivalents		366,166	96,924
Assets held for sale	8	**339,630**	**11,957**
TOTAL ASSETS		**7,009,368**	**6,502,644**
EQUITY AND LIABILITIES			
Equity attributable to equity holders		**3,975,061**	**3,845,873**
Share capital		5,858	5,778
Share premium		3,625,488	3,625,568
Accumulated profit		337,724	208,426
Non-controlling interest		5,991	6,101
Total liabilities		**3,034,307**	**2,656,771**

30 June 2019 All amounts in Thousand Euro unless otherwise stated

	Note	30 June 2019	31 Dec 2018
Non-current liabilities		**2,645,397**	**2,221,338**
Bank loans	9	832,134	930,048
Bonds	9	1,382,852	892,397
Deferred tax liabilities		352,324	351,187
Other long-term liabilities		72,540	44,981
Interest rate derivatives financial liabilities at fair value through profit or loss		5,547	2,725
Current liabilities		**350,074**	**435,433**
Trade and other payables		140,076	159,786
Bank loans	9	204,349	265,006
Bonds	9	5,649	10,641
Liabilities held for sale	8	**38,836**	-
TOTAL EQUITY AND LIABILITIES		**7,009,368**	**6,502,644**
Net Asset Value per share (euro)		6.79	6.66
EPRA Net Asset Value per share (euro)		7.26	7.09
Number of shares for Net Asset Value per share		585,838,887	577,800,734
Number of shares for EPRA Net Asset Value per share		585,838,887	577,800,734

The interim condensed consolidated financial statements on pages 17 to 54 were approved and authorized for issue by the Board of Directors on 21 August 2019 and signed on its behalf by:

Alex Morar
Chief Executive Officer

Mirela Covasa
Chief Financial Officer

30 June 2019 All amounts in Thousand Euro unless otherwise stated

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	30 June 2019	30 June 2018
Gross rental income		200,988	164,939
Service charge income		86,536	71,304
Property operating expenses		(87,751)	(71,608)
Net rental and related income	10	**199,773**	**164,635**
Administrative expenses		(9,390)	(8,979)
EBITDA*		**190,383**	**155,656**
Net result from financial investments		**5,709**	**(42,527)**
Income from financial investments at fair value through profit or loss	7B	5,692	29,564
Fair value and net result on sale of financial investments at fair value through profit or loss	7B	17	(72,091)
Acquisition fees		(1,603)	(3,241)
Fair value adjustments of investment property	11	90,104	86,143
Foreign exchange loss		(476)	(1,157)
Profit on disposal of joint venture	12	3,588	-
Profit before net finance expense		**287,705**	**194,874**
Net finance expense		**(24,739)**	**(18,963)**
Interest income		961	1,386
Interest expense		(24,901)	(20,349)
Other net finance expense		(799)	-
Fair value adjustment of interest rate derivatives financial assets and liabilities		(10,074)	94
Share of profit of joint ventures	12	3,708	4,971
Profit before tax		**256,600**	**180,976**
Income tax expense		**(31,981)**	**(31,931)**

 All amounts in Thousand Euro unless otherwise stated

	Note	30 June 2019	30 June 2018
Current tax expense		(5,435)	(4,015)
Deferred tax expense		(26,546)	(27,916)
Profit after tax		**224,619**	**149,045**
Total comprehensive income for the period		**224,619**	**149,045**
Non-controlling interest		110	(3)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS		**224,729**	**149,042**
Weighted average number of shares in issue		580,524,775	577 800 734
Diluted weighted average number of shares in issue		580,524,775	577 800 734
Basic/ diluted earnings per share (euro cents)		38.71	25.79

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

30 June 2019 All amounts in Thousand Euro unless otherwise stated

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Share capital	Share premium	Share-based payment	Currency translation reserve	Accumulated profit	Non-controlling interest	Total
Balance at 1 January 2018	**5,778**	**3,625,568**	**–**	**–**	**282,897**	**476**	**3,914,719**
Transactions with owners	**–**	**–**	**–**	**–**	**(143,306)**	**–**	**(143,306)**
— Issue of shares^	–	–	–	–	–	–	–
— Earnings distribution	–	–	–	–	(143,306)	–	(143,306)
Total comprehensive income	**–**	**–**	**–**	**–**	**149,042**	**3**	**149,045**
— Profit for the period	–	–	–	–	149,042	3	149,045
Balance at 30 June 2018/ 1 July 2018	**5,778**	**3,625,568**	**–**	**–**	**288,633**	**479**	**3,920,458**
Transactions with owners	–	–	–	–	**(153,020)**	**5,775**	**(147,245)**
— Issue of shares^	–	–	–	–	–	5,775	5,775
— Earnings distribution	–	–	–	–	(153,020)	–	(153,020)
Total comprehensive income	–	–	–	–	**72,813**	**(153)**	**72,660**
— Profit for the period	–	–	–	–	72,813	(153)	72,660
Balance at 31 December 2018/ 1 January 2019	**5,778**	**3,625,568**	**–**	**–**	**208,426**	**6,101**	**3,845,873**
Transactions with owners	**80**	**(80)**	–	–	**(95,431)**	–	**(95,431)**
— Issue of shares^	80	(80)	–	–	–	–	–
— Earnings distribution	–	–	–	–	(95,431)	–	(95,431)
Total comprehensive income	–	–	–	–	**224,729**	**(110)**	**224,619**
— Profit for the period	–	–	–	–	224,729	(110)	224,619
Balance at 30 June 2019	**5,858**	**3,625,488**	**–**	**–**	**337,724**	**5,991**	**3,975,061**

^The Group had no issue of share capital, or options to receive capital return to its shareholders during year 2018.
In the first six months period ended at 30 June 2019 the Group issued 8,038,153 ordinary shares at €7.0852/share (share capital €0.01/share)

30 June 2019 All amounts in Thousand Euro unless otherwise stated

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	30 June 2019	30 June 2018
OPERATING ACTIVITIES			
Profit after tax		224,619	149,045
Adjustments		**(32,131)**	**8,341**
Fair value adjustments of investment property	11	(90,104)	(86,143)
Fair value and net result on sale of financial investments at fair value through profit or loss	7B	(17)	72,091
Income from financial investments at fair value through profit or loss	7B	(5,692)	(29,564)
Foreign exchange loss		476	1,157
Profit on disposal of joint venture		(3,588)	-
Net finance expense		24,739	18,963
Fair value adjustment of interest rate derivatives financial assets and liabilities		10,074	(94)
Deferred tax expense		26,546	27,916
Current tax expense		5,435	4,015
Changes in working capital		**(43,174)**	**(43,692)**
Increase/(decrease) in trade and other receivables		499	(9,828)
Decrease in trade and other payables		(12,233)	(8,734)
Interest paid on loans and borrowings		(10,142)	(7,089)
Interest paid resulting from lease liabilities (IFRS 16)	3.1	(278)	-
Bond coupon paid	9	(15,000)	(15,000)
Income tax paid		(7,587)	(3,165)
Interest received		1,567	124
CASH FLOWS FROM OPERATING ACTIVITIES		**149,314**	**113,694**
INVESTING ACTIVITIES			
Investments in acquisitions and developments		**(99,566)**	**(288,926)**
Expenditure on investment property under development		(133,163)	(109,051)
Payments for acquisition of subsidiaries less cash acquired during the period		(3,409)	(179,875)
Proceeds from sale of investment property held for sale (net of selling cost)		1,205	-
Proceeds from disposal of joint venture	12	35,801	-
Other investments		**57**	**10,208**
Loans repaid by third parties		-	4,208
Loans reimbursed by joint ventures		57	6,000

30 June 2019 All amounts in Thousand Euro unless otherwise stated

	Note	30 June 2019	30 June 2018
Net cash flow from investments in financial assets		**(8,215)**	**170,833**
Income from financial investments at fair value through profit or loss**		5,692	29,084
(Payments)/Proceeds related to equity swap resettlement		(39,030)	2,878
Cash flows from cash collateral		14,874	74,975
Proceeds from sale of financial investments at fair value through profit or loss		10,249	63,896
CASH FLOWS USED IN INVESTING ACTIVITIES		**(107,724)**	**(107,885)**
FINANCING ACTIVITIES			
Net movements in bank loans and bonds		**329,522**	**75,367**
Proceeds from bank loans	9	216,936	80,000
Proceeds from bonds	9	490,735	-
Repayment of bank loans	9	(375,949)	(4,633)
Repayment of bonds	9	(2,200)	-
Other payments		**(96,841)**	**(156,151)**
Premium paid on acquisitions of derivatives		(1,410)	(12,845)
Earnings distribution		(95,431)	(143,306)
CASH FLOWS FROM FINANCING ACTIVITIES		**232,681**	**(80,784)**
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		**274,271**	**(74,975)**
Cash and cash equivalents brought forward		96,924	195,544
Cash and cash equivalents classified as held for sale		(5,029)	-
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**366,166**	**120,569**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

NEPI Rockcastle plc ("the Company", "NEPI Rockcastle", "the Group") is a limited liability 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 2019 were authorized for issue in accordance with the Directors' resolution on 21 August 2019.

2. BASIS OF PREPARATION

These reviewed interim condensed consolidated financial statements for the six months ended 30 June 2019 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 2018.

The accounting policies adopted are consistent with those applied for the preparation of the annual consolidated financial statements as at 31 December 2018, except for the application of the IFRS 16 "Leases", as explained below.

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

3. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

There are a number of new and amended accounting standards and interpretations that become applicable for annual reporting periods commencing on or after 1 January 2019, as mentioned below:
(a) IFRS 16 Leases
(b) Annual improvements 2015-2017 Cycle
(c) IFRIC 23 Uncertainty over Income Tax Treatments
(d) Prepayment Features with Negative Compensation – Amendments to IFRS 9
(e) Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28, and
(f) Plan Amendment, Curtailment or Settlement – Amendments to IAS 19.

The group had to change its accounting policies and make adjustments as a result of adopting IFRS 16 Leases. The impact of the adoption of the leasing standard is disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

3.1 ADOPTION OF IFRS 16 LEASES

The IFRS 16 "Leases" standard has replaced the IAS 17 standard, effective from 1 January 2019. The standard provides reporting entities with instructions on the accounting treatment of leases in the lessee's financial statements, changes the definition of leasing and sets the principles regarding the recognition of leases in the balance sheet, both as a right-of-use asset and a lease liability. The application of the standard did not result in any changes to the accounting treatment of leases where the Group acts as the lessor.

Until the 2018 financial year, leases were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments. The lease payments are discounted using the interest rate implicit in the lease. As such, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at fair value, similar with the Investment property.
Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Nonetheless, for the Group's long term leases where NEPI Rockcastle acts as the lessee, the interim condensed consolidated financial statements present assets and liabilities to the Group's balance sheet pertaining to these leases. NEPI Rockcastle has recognized right-of-use assets from the leases subject to the scope of the standard as part of "Investment property". These right-of-use assets recognized as part of "Investment property" relate to the Group's core business and consists of leases of land areas.

The lease liability of the Group has been valued by discounting the lease payment liabilities of the leases subject to the scope of the IFRS 16 standard to their present value using as the discounting factor the incremental borrowing rate as at 1 January 2019 in the market where the lease agreement was concluded.

The Group has applied IFRS 16 using a simplified approach, hence, has not adjusted the comparative information from the corresponding reporting period. In addition, the Group has applied the recognition exemptions permitted by the standard and, hence, has not applied the standard to leases with a duration of less than a year or leases of a low value.
The impact from the application of IFRS 16 on the interim condensed consolidated financial statements is set out below:

Interim Condensed consolidated statement of financial position as at 1 January 2019:

- €32,524 thousand increase in Investment property in use
- €32,524 thousand increase in Other long-term liabilities

Interim Condensed consolidated statement of comprehensive income for six months ended 30 June 2019:

- €395 thousand decrease in Property operating expenses
- €278 thousand increase in Interest expense
- €511 thousand decrease in Fair value adjustments of investment property

Interim Condensed consolidated statement of cash flows for six months ended 30 June 2019:

- €278 thousand increase in Cash flows from operating activities
- €278 thousand decrease in Cash flows from financing activities

Changes to calculation of LTV

When calculating loan-to-value (LTV), both the right-of-use assets classified as part of investment properties, as well as lease liabilities pertaining to these right-of-use assets, have not been taken into account. Thus, IFRS 16 has no impact on LTV calculation as compared to earlier periods. The updated LTV calculation is interest bearing debt less lease liabilities (IFRS 16) less cash, divided by investment property (including investment property held for sale) less right of use assets plus listed securities.

30 June 2019 All amounts in Thousand Euro unless otherwise stated

4. INVESTMENT PROPERTY IN USE

Movement in investment property at fair value	30 June 2019	31 Dec 2018
Carrying value at beginning of year	5,688,610	4,725,093
Carrying value of right-of-use asset related to leased land areas (recognised as per IFRS 16); (Note 3.1)	32,524	-
Restated carrying value at beginning of year	**5,721,134**	**4,725,093**
Additions from business combinations and asset deals	-	593,199
Transfer from Investment property under development (Note 5)	79,376	267,922
Fair value adjustments of investment property in use (Note 11)	87,043	104,123
Fair value adjustment of right-of-use asset (Note 3.1)	(511)	-
Investment property reclassified as held for sale (Note 8.1)	(308,466)	(1,727)
CARRYING VALUE	**5,578,576**	**5,688,610**

Investment property is carried at fair value which is revalued on a semi-annual basis.

All investment property in use is valued by the Income Method. For the interim condensed consolidated financial statements as at 30 June 2019, the applied method used for all investment property in use was discounted cash flow (DCF), consistent with the method used for the year ended 31 December 2018.

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

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

For the six months period ended 30 June 2019, the Group commissioned independent appraisal reports on its investment property from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners, Colliers International and Jones Lang LaSalle, and for the year ended 31 December 2018, the Group commissioned independent year-end appraisal reports on its investment property from

Cushman&Wakefield, Cushman&Wakefield Affiliate Partners 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. The Group provides all information necessary for the valuations and all assets are valued on a semi-annual basis, as at 30 June and 31 December. 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 have been inspected by representatives of external valuers for the purpose of 30 June 2019 valuations. Valuations are prepared in accordance with the RICS Valuation – Global Standards 2017 (the "Red Book").

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

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

As at 30 June 2019, the investment property portfolio at fair value had a vacancy rate of 2.9% (31 December 2018: 2.8%).

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 2019.

The yield resulting from the market value and passing rent of the portfolio is between 4.71% and 14.26% (31 December 2018 between 5.11% and 13.10%). The Group's resulting weighted average yield was 6.72% for the entire property portfolio (retail: 6.62%; office: 7.91%; industrial: 11.88%). For the period ended 31 December 2018, the Group's resulting weighted average yield was 6.84% for the entire property portfolio (retail: 6.74%; office: 7.89%; industrial: 12.80%).

An increase of 25bps to the yield of 6.72% set out above would result in a €209,943 thousand decrease in the Group's property portfolio (31 December 2018: yield of 6.84%, increase of 25bps would have resulted in a €200,735 thousand decrease).

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 2019 is presented in the table below:

Segment	**Valuation technique**	**Estimated rental value (yearly amount in '000 €)**	**Discount rate (%)**	**Capitalisation rate for terminal value (%)**
Retail^	Discounted cash flow	242 - 22,874 (12,498*)	6.75% - 10.60% (8.14*)	5.10% - 9.00% (6.76*)
Office^	Discounted cash flow	63 - 7,837 (4,152*)	8.00% - 13.30% (8.69*)	6.25% - 11.50% (7.50*)
Industrial	Discounted cash flow	578 – 1,516 (1,248*)	10.00% – 11.60% (11.31*)	9.00% – 10.00% (9.71*)

** Amounts or percentages represent weighted averages*

^Excluding joint ventures, including Romanian office portfolio held for sale

Information relating to fair value measurement using significant unobservable inputs (Level 3) as at 31 December 2018 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	196 – 21,343 (12,038*)	6.9% - 10.30% (8.11*)	5.10% - 8.50% (6.86*)
Office^	Discounted cash flow	1,524 - 10,580 (5,054*)	8.00% - 9.55% (8.75*)	6.50% - 8.075% (7.56*)
Industrial	Discounted cash flow	400 – 1,112 (903*)	10.30% – 10.80% (11.65*)	8.50% – 9.00% (8.85*)

Amounts or percentages represent weighted averages

^Excluding joint ventures

30 June 2019 All amounts in Thousand Euro unless otherwise stated

5. INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in Investment property under development Retail	**30 June 2019**	**31 Dec 2018**
Carrying value at beginning of year	222,460	202,416
Additions from business combinations	-	575
Additions from asset deals and construction in progress	123,103	282,236
Fair value adjustments (Note 11 only for 30 June 2019)	4,391	4,514
Assets which became operational and were transferred to Investment property in use (Note 4)	(79,326)	(267,281)
CARRYING VALUE	**270,628**	**222,460**

Movement in Investment property under development Office	**30 June 2019**	**31 Dec 2018**
Carrying value at beginning of year	-	-
Additions from asset deals and construction in progress	50	641
Assets which became operational and were transferred to Investment property in use (Note 4)	(50)	(641)
CARRYING VALUE	-	-

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 2019, the Group commissioned independent reports from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners, Colliers International and Jones Lang LaSalle, based on which the fair value of investment property was adjusted. For the year ended 31 December 2018, the Group commissioned independent year-end reports from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners and Jones Lang LaSalle based on which the fair value of investment property was adjusted. Land included in Investment property under development is classified Level 3 on the fair value hierarchy as defined in IFRS 13.

The valuation technique is sales comparison or residual approach.

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

Borrowing costs capitalised for the six months ended 30 June 2019 amount to €2,145 thousand (30 June 2018: €2,234 thousand) and were calculated using an average annual interest rate of 2.4% (30 June 2018: 2.3%).

30 June 2019 All amounts in Thousand Euro unless otherwise stated

Balance of investment property under development	**30 June 2019**	**31 Dec 2018**
Retail	270,628	222,460
TOTAL	**270,628**	**222,460**

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

Investment property under development	**30 June 2019**	**31 Dec 2018**
Land (at fair value)	222,463	149,783
Construction works (at cost)	48,165	72,677
TOTAL	**270,628**	**222,460**

30 June 2019 All amounts in Thousand Euro unless otherwise stated

6. GOODWILL

The Group recognised goodwill for the following business acquisitions:

	Segment	Balance at 1 Jan 2018	Additions	Impairment of goodwill	Balance at 31 Dec 2018	Transfers to assets held for sale	Balance at 30 June 2019
Pitesti Retail Park	Retail	1,671	–	–	1,671	–	1,671
Floreasca Business Park	Office	1,664	–	–	1,664	(1,664)	–
Internalisation of NEPI Investment Management	Corporate	5,882	–	–	5,882	–	5,882
City Business Centre	Office	4,747	–	–	4,747	(4,747)	–
The Lakeview	Office	3,899	–	–	3,899	(3,899)	–
Aupark Kosice Mall	Retail	5,189	–	–	5,189	–	5,189
Iris Titan Shopping Center	Retail	934	–	–	934	–	934
Forum Usti nad Labem	Retail	5,646	–	–	5,646	–	5,646
Shopping City Sibiu	Retail	9,850	–	–	9,850	–	9,850
Korzo Shopping Center	Retail	2,899	–	–	2,899	–	2,899
Aupark Shopping Center Piestany	Retail	2,497	–	–	2,497	–	2,497
Arena Centar	Retail	13,512	–	–	13,512	–	13,512
Energit	Retail	6,976	–	–	6,976	–	6,976
Paradise Center	Retail	9,311	–	–	9,311	–	9,311
Arena Plaza	Retail	7,905	–	–	7,905	–	7,905
Galeria Mlyny	Retail	–	10,488	–	10,488	–	10,488
TOTAL		**82,582**	**10,488**	–	**93,070**	**(10,310)**	**82,760**

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. There is no indication of impairment of goodwill as at 30 June 2019. An amount of €10,310 thousand from goodwill has been reclassified as assets held for sale, belonging to the disposal group constituted by the Romanian office portfolio.

30 June 2019 All amounts in Thousand Euro unless otherwise stated

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

	30 June 19	31 Dec 18
Financial investments at fair value through profit or loss	190,714	168,339
Cash collateral	12,910	27,784
Financial assets at fair value through profit or loss related to financial investments	-	831
	203,624	**196,954**

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

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

As at 30 June 2019, the Group held a portfolio of listed securities fair valued at €190,714 thousand (31 December 2018: €168,339 thousand), consisting of Unibail-Rodamco-Westfield and Klepierre shares (the same counters were held as at 31 December 2018).

The percentage of holding in each of the two above entities is below 1% of each of the company's equities and does not meet the definition of control as defined by IFRS, and therefore it does not meet the requirement to consolidate the entities in question.

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

Attributable transaction costs are recognised in the Interim Condensed Consolidated Financial Statement of Comprehensive Income as incurred.

The Group utilized equity swap derivatives to obtain exposure mainly to listed real estate companies, which were terminated during February 2019. Thus, the financial assets and liabilities at fair value through profit or loss related to financial investments are nil as at 30 June 2019 (31 December 2018: €831 thousand).

In March 2019, the Group pledged the listed securities portfolio to enter into an equity repurchase agreement maturing in March 2022 (please refer to Note 9 for further details). The loan has a margin trigger of 65%, requiring additional cash collateral to be placed to the lender's account. The balance of the cash collateral was €12,910 thousand (31 December 2018: €27,784 thousand cash collateral placed with the prime brokers under the equity swap arrangements). The cash collateral was Euro denominated as at 30 June 2019 and 31 December 2018, respectively.

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B. *Net result from financial investments*

Income from financial investments at fair value through profit or loss relates to dividend income on physical listed security investments as well as returns related to equity swap derivatives.

Dividends are recognized in profit or loss when the right to receive payments of dividends is established and the amount of dividend can be measured reliably. The net income from financial investments at fair value through profit or loss of €5,692 thousand (30 June 2018: €29,564 thousand) includes finance costs of €76 thousand (30 June 2018: €5,617 thousand) relating to the funding leg of equity swap derivatives.

The fair value and net result on sale of financial investments shows the change in fair value of the financial instruments as well as the net result on sales of such instruments. During the six months period ended 30 June 2019, the net fair value and realized gains from the sale of investment in listed securities amounted to €17 thousand (30 June 2018: €72,091 thousand).

8. ASSETS HELD FOR SALE

The Group has initiated an open tender process for the sale of its Romanian office portfolio and signed a non-binding letter of intent with AFI Europe NV ("AFI Europe"), a wholly-owned subsidiary of Africa Israel Properties Limited. The Company granted AFI Europe exclusivity with regard to conducting a due diligence exercise in respect of four type A office buildings in Romania.

The letter of intent is non-binding in nature and any transaction would be subject to completion of a sale and purchase agreement and the fulfilment of numerous conditions, including receipt of bank financing and regulatory and shareholder approvals to the extent required.

As at 30 June 2019, the assets and liabilities held for sale included the above mentioned four type A office buildings in Romania, seven office street properties located in Romania and an office building located in the UK. As at 31 December 2018, the assets and liabilities held for sale included an office building located in the UK and nine office street properties located in Romania, out of which two were sold in the six months period ended 30 June 2019. 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	**30 June 2019**	**31 Dec 2018**
Non-current assets	**328,840**	**11,957**
Investment property at fair value (Note 8.1)	318,352	11,957
Goodwill (Note 6)	10,310	-
Deferred tax assets	174	-

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Other long-term assets	4	-
Current assets	**10,790**	**-**
Trade and other receivables	5,761	-
Cash and cash equivalents	5,029	-
Assets held for sale	**339,630**	**11,957**
Non-current liabilities	**32,175**	-
Deferred tax liabilities	28,508	-
Other long-term liabilities	3,667	-
Current liabilities	**6,661**	-
Liabilities held for sale	**38,836**	-
Net assets held for sale	**300,794**	**11,957**

8.1. INVESTMENT PROPERTY HELD FOR SALE

Investment property held for sale	**30 June 2019**	**31 Dec 2018**
Carrying value at beginning of year	11,957	10,238
Disposals	(1,252)	(636)
Transfer from investment property at fair value (Note 4)	308,466	1,727
Additions from property, plant and equipment	-	844
Additions from held for sale	-	10
Fair value adjustments (Note 11 only for 30 June 2019)	(819)	(226)
CARRYING VALUE	**318,352**	**11,957**

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9. BORROWINGS (BONDS AND BANK LOANS)

The Group was assigned long-term corporate credit ratings of BBB (stable outlook) from Standard & Poor's Rating Services and Fitch Ratings. Both rating agencies re-affirmed the Group's credit ratings in 2019.

As at 30 June 2019, the Group had undrawn amounts of €300,000 thousand from the unsecured revolving credit facilities.

The debt's average interest rate, including hedging costs, was approximately 2.4% during the first half of 2019, slightly up from 2.3% in 2018. As at 30 June 2019, fixed-coupon bonds represented 57% of NEPI Rockcastle's outstanding debt; out of the remaining long-term debt exposed to Euribor and excluding the outstanding revolving facilities, 49% was hedged with interest rate caps and 43% with interest rate swaps.

The fair value of all financial instruments is substantially in line with their carrying amounts as reflected on the Statement of Financial Position, except for the bonds. The fair value of bonds is not considered relevant, its liability towards bonds holders does not vary in line with the market price of its listed notes. However, for reference, as at 30 June 2019, the €400,000 thousand bonds issued in 2015 were trading on the market at 104.4% (31 December 2018: 94%), the €500,000 thousand bonds issued in 2017 were trading on the market at 97.22% (31 December 2018: 83%) and the €500,000 thousand bonds issued in 2019 were trading on the market at 102.60%.

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 12.

Interest bearing borrowings Group, 30 June 2019	**Type**	**Payable in less than 1 year**	**Payable in 1-5 years**	**Payable over 5 years**	**Total**
Netherlands	Unsecured fixed coupon bonds	-	1,397,800	-	1,397,800
Netherlands	Unsecured revolving facilities	-	100,000	-	100,000
Netherlands	Equity repurchase agreement	-	130,172	-	130,172
Poland	Secured term loans	189,758	336,931	-	526,689
Slovakia	Secured term loans	13,685	226,932	-	240,617

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Czech Republic	Secured term loans	410	40,488	-	40,898
Accrued interest on loans and deferred loan costs		496	(2,388)	-	(1,892)
Accrued interest on bonds		11,703	-	-	11,703
Deferred bond costs		(2,641)	(5,257)	-	(7,898)
Issue discount on bonds		(3,413)	(9,692)	-	(13,105)
Total		**209,998**	**2,214,986**	**-**	**2,424,984**

Interest bearing borrowings Group, 31 Dec 2018	**Type**	**Payable in less than 1 year**	**Payable in 1–5 years**	**Payable over 5 years**	**Total**
Netherlands	Unsecured fixed coupon bonds	-	400,000	500,000	900,000
Netherlands	Unsecured revolving facilities	-	164,000	-	164,000
Netherlands	Unsecured loan	250,000	-	-	250,000
Poland	Secured term loans	3,272	450,954	74,100	528,326
Slovakia	Secured term loans	11,954	202,108	-	214,062
Czech Republic	Secured term loans	308	1,998	38,694	41,000
Accrued interest on loans and deferred loan costs		(528)	(1,806)	-	(2,334)
Accrued interest on bonds		13,527	-	-	13,527
Deferred bond costs		(1,879)	(3,570)	(440)	(5,889)
Issue discount on bonds		(1,007)	(3,019)	(574)	(4,600)
Total		**275,647**	**1,210,665**	**611,780**	**2,098,092**

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Debt reconciliation

This section sets out an analysis of the movements in debt for 2019.

	Bank loans	Bonds	Total
Debt as at 31 December 2018	**1,195,054**	**903,038**	**2,098,092**
Cash repayments of principal	(375,949)	(2,200)	(378,149)
Cash proceeds from bank loans or bonds	216,936	490,735	707,671
Cash payments of interest on bank loans or coupon on bonds	(9,827)	(15,000)	(24,827)
Interest expense	10,132	13,176	23,308
Amortisation of capitalised borrowing costs	1,127	1,013	2,140
Amortisation of bond discount	-	759	759
Additional capitalised borrowing costs in the period	(1,021)	(2,973)	(3,994)
Other non-cash items	31	(47)	(16)
Debt as at 30 June 2019	**1,036,483**	**1,388,501**	**2,424,984**

	Bank loans	Bonds	Total
Debt as at 31 December 2017	**745,061**	**900,662**	**1,645,723**
Cash repayments of principal	(12,165)	-	**(12,165)**
Cash proceeds from bank loans or bonds	414,000	-	**414,000**
Cash payments of interest on bank loans or coupon on bonds	(16,571)	(23,750)	**(40,321)**
Interest expense	16,814	23,789	**40,603**
Bank loans transferred through business combinations	48,353	-	**48,353**
Amortisation of capitalised borrowing costs	1,530	1,860	**3,390**
Amortisation of bond discount	-	1,035	**1,035**
Additional capitalised borrowing costs in the period	(1,764)	(524)	**(2,288)**
Other non-cash items	(204)	(34)	**(238)**
Debt as at 31 December 2018	**1,195,054**	**903,038**	**2,098,092**

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 2019), current assets, cash inflows from operating activities, accounts and receivables; and

- General security over the shares in the property-owning entities.

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

Equity repurchase agreement

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

Securities
- Collateral over the listed securities portfolio.

Covenants
- Loan to Value ratio of maximum 60% (with a margin trigger of 65%).

Unsecured committed revolving facilities

In 2014 and 2017 the Group contracted unsecured committed revolving facilities. In 2018 all maturities were extended. At 30 June 2019, there were €300,000 thousand available for drawdown**.**

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

Unsecured fixed coupon bonds

The Group successfully issued fixed coupon bonds as follows:
- 2015: 400,000 thousand of unsecured, 5.25-year Eurobonds. The bonds mature on 26 February 2021 and carry a 3.750% fixed coupon, with an issue price of 99.597%.
- 2017: 500,000 thousand 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: 500,000 thousand 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%.

During June 2019, the Group repurchased bonds due in February 2021 amounting to €2,200 thousand.

Covenants
- Solvency Ratio (Debt/Assets) of maximum 0.60;

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- Consolidated Coverage Ratio of minimum 2:1; and
- Unsecured Ratio of minimum 180% / 150%.

NEPI Rockcastle has complied with all financial covenants of its borrowing facilities during the six months period ended 30 June 2019 and 2018. The ratios calculated for all unsecured loans and bonds showed ample headroom compared to the covenants:

- Solvency Ratio: 39% (31 December 2018: 36%);
- Consolidated Coverage Ratio: 686% (31 December 2018: 738%); and
- Unsecured Ratio: 282% (31 December 2018: 315%).

10. NET RENTAL AND RELATED INCOME

	30 June 2019	**30 June 2018**
Gross rental income	200,988	164,939
Service charge income	86,536	71,304
Gross rental and service charge income	**287,524**	**236,243**
Property management, tax, insurance and utilities	(50,112)	(41,315)
Property maintenance cost	(36,621)	(29,987)
Provisions and allowances for doubtful debts	(1,018)	(306)
Property operating expenses	**(87,751)**	**(71,608)**
TOTAL	**199,773**	**164,635**

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11. FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

	30 June 2019	30 June 2018
Fair value adjustments of investment property in use (Note 4 only for 30 June 2019)	87,043	77,837
Fair value adjustments of investment property under development (Note 5 only for 30 June 2019)	4,391	8,273
Fair value adjustments of investment property held for sale (Note 8.1 only for 30 June 2019)	(819)	33
Fair value adjustments of right-of-use asset (Note 3)	(511)	-
TOTAL	**90,104**	**86,143**

12. JOINT VENTURES

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

The summarised interim condensed consolidated financial statements of the joint ventures is presented below at 100%. The "Investments in joint ventures" line on the interim condensed 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 2019	Ploiesti Shopping City	Total
Non-current assets	110,656	110,656
Current assets	10,364	10,364
TOTAL ASSETS	**121,020**	**121,020**
Non-current liabilities	(75,508)	(75,508)
Current liabilities	(4,152)	(4,152)
Total liabilities	**(79,660)**	**(79,660)**
Equity attributable to equity holders	**(41,360)**	**(41,360)**

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TOTAL EQUITY AND LIABILITIES	**(121,020)**	**(121,020)**
INVESTMENT IN JOINT VENTURES (50% of the equity attributable to equity holders)		**20,680**

31 Dec 2018	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Non-current assets	106,643	129,875	236,518
Current assets	11,049	4,209	15,258
TOTAL ASSETS	**117,692**	**134,084**	**251,776**
Non-current liabilities	(77,135)	(66,653)	(143,788)
Current liabilities	(3,722)	(5,896)	(9,618)
Total liabilities	**(80,857)**	**(72,549)**	**(153,406)**
Equity attributable to equity holders	**(36,835)**	**(61,535)**	**(98,370)**
TOTAL EQUITY AND LIABILITIES	**(117,692)**	**(134,084)**	**(251,776)**
INVESTMENT IN JOINT VENTURES (50% of the equity attributable to equity holders)			**49,185**

Interim condensed statement of comprehensive income

30 June 2019	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Revenue from rent and recoveries	5,958	5,152	11,110
Property operating expenses	(1,504)	(952)	(2,456)
Administrative expenses	(146)	(105)	(251)
Fair value adjustment investment property	3,584	-	3,584
Foreign exchange loss	(103)	10	(93)
Profit before net finance expense	**7,789**	**4,105**	**11,894**
Net finance expense	**(2,122)**	**(1,019)**	**(3,141)**
Finance income	52	-	52
Finance expense	(2,174)	(694)	(2,868)
Other net finance expense		(325)	(325)
Fair value adjustment of interest rate derivatives financial assets and liabilities	**(242)**	**14**	**(228)**
Profit before income tax	**5,425**	**3,100**	**8,525**
Tax release/(charge)	(900)	(209)	(1,109)

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PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS	**4,525**	**2,891**	**7,416**
Share of profit of joint venture (50% of the Profit of the period)			**3,708**

30 June 2018	**Ploiesti Shopping City**	**The Office Cluj-Napoca**	**Total**
Revenue from rent and recoveries	5,326	6,348	11,674
Property operating expenses	(1,432)	(1,164)	(2,596)
Administrative expenses	126	(2)	124
Fair value adjustment investment property	976	5,240	6,216
Foreign exchange loss	(20)	(2)	(22)
Profit before net finance expense	**4,976**	**10,420**	**15,396**
Net finance expense	**(2,202)**	**(1,084)**	**(3,286)**
Finance income	18	-	18
Finance expense	(2,220)	(1,084)	(3,304)
Fair value adjustment of interest rate derivatives financial assets and liabilities	**176**	**8**	**184**
Profit before income tax	**2,950**	**9,344**	**12,294**
Tax release/(charge)	(600)	(1,752)	(2,352)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS	**2,350**	**7,592**	**9,942**
Share of profit of joint venture (50% of the Profit of the period)			**4,971**

Shareholder loans to Ploiesti Shopping City were granted by NE Property BV (formerly NE Property Cooperatief U.A.).Interest income from joint ventures in the first half of year 2019 amounted to €778 thousand (30 June 2018: €877 thousand).

30 June 2019	**Ploiesti Shopping City**	**The Office Cluj-Napoca**	**Total**
Long-term loans granted to joint ventures	20,457	-	**20,457**

31 Dec 2018	**Ploiesti Shopping City**	**The Office Cluj-Napoca**	**Total**
Long-term loans granted to joint ventures	21,311	-	**21,311**

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

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30 June 2019	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Cash and cash equivalents	8,492	-	**8,492**
Bank loans (non-current liabilities)	(22,668)	-	**(22,668)**
Bank loans (current liabilities)	(2,156)	-	**(2,156)**

31 Dec 2018	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Cash and cash equivalents	9,666	3,421	**13,087**
Bank loans (non-current liabilities)	(23,737)	(54,767)	**(78,504)**
Bank loans (current liabilities)	(2,146)	(3,808)	**(5,954)**

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 2019), 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%.

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13. 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 2019	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
Net rental and related income	183,627	15,146	1,000	-	199,773
Gross rental income	184,958	15,051	979	-	200,988
Service charge income	80,507	5,895	134	-	86,536
Property operating expenses	(81,838)	(5,800)	(113)	-	(87,751)
Administrative expenses	(3,112)	(750)	(19)	(5,509)	(9,390)
EBITDA*	**180,515**	**14,396**	**981**	**(5,509)**	**190,383**
Net result from financial investments	**-**	**-**	**-**	**5,709**	**5,709**
Income from financial investments at fair value through profit or loss	-	-	-	5,692	5,692
Fair value and net result on sale of financial investments at fair value through profit or loss	-	-	-	17	17
Acquisition fees	(1,534)	(69)	-	-	(1,603)
Fair value adjustments of investment property	89,377	(483)	1210	-	90,104
Foreign exchange gain/(loss)	(813)	(271)	(10)	618	(476)
Profit on acquisition or disposal of joint venture	-	3,588	-	-	3,588
Profit before Net finance expense	**267,545**	**17,161**	**2,181**	**818**	**287,705**

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

Segment results 30 June 2018	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
Net rental and related income	**148,127**	**15,514**	**994**	**-**	**164,635**
Gross rental income	149,201	14,776	962	-	164,939
Service charge income	65,074	6,084	146	-	71,304
Property operating expenses	(66,148)	(5,346)	(114)	-	(71,608)
Administrative expenses	(4,302)	(815)	(21)	(3,841)	(8,979)
EBITDA*	**143,825**	**14,699**	**973**	**(3,841)**	**155,656**

Net result from financial investments	**-**	**-**	**-**	**(42,527)**	**(42,527)**
Income from financial investments at fair value through profit or loss	-	-	-	29,564	29,564
Fair value and net result on sale of financial investments at fair value through profit or loss	-	-	-	(72,091)	(72,091)
Acquisition fees	(3,241)	-	-	-	(3,241)
Fair value adjustments of investment property	91,428	(4,871)	(414)	-	86,143
Foreign exchange gain/(loss)	(1,085)	(33)	(14)	(25)	(1,157)
Profit before Net finance expense	**230,927**	**9,795**	**545**	**(46,393)**	**194,874**

** 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 2019	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
SEGMENT ASSETS					
Non-current assets	**5,891,888**	**75,950**	**16,830**	**22,168**	**6,006,836**
Investment property	5,758,374	74,000	16,830	-	5,849,204
—Investment property in use	5,487,746	74,000	16,830	-	5,578,576
—Investment property under development	270,628	-	-	-	270,628
Goodwill	76,878	-	-	5,882	82,760
Deferred tax assets	14,714	1,950	-	-	16,664
Investments in joint ventures	20,680	-	-	-	20,680
Long-term loans granted to joint ventures	20,457	-	-	-	20,457
Other long-term assets	785	-	-	13,483	14,268
Interest rate derivatives financial assets at fair value through profit or loss	-	-	-	2,803	2,803
Current assets	**191,423**	**3,762**	**918**	**466,799**	**662,902**
Trade and other receivables	81,916	1,698	213	9,285	93,112
Financial investments at fair value through profit or loss	-	-	-	190,714	190,714
Cash collateral	-	-	-	12,910	12,910
Cash and cash equivalents	109,507	2,064	705	253,890	366,166
Assets held for sale	1,215	338,415	-	-	339,630
TOTAL ASSETS	**6,084,526**	**418,127**	**17,748**	**488,967**	**7,009,368**

All amounts in Thousand Euro unless otherwise stated

Segment assets and liabilities 30 June 2019	Retail	Office	Industrial	Corporate	Total
SEGMENT LIABILITIES					
Non-current liabilities	**1,015,300**	**14,716**	**2,424**	**1,612,957**	**2,645,397**
Bank loans	593,442	8,996	-	229,696	832,134
Bonds	-	-	-	1,382,852	1,382,852
Deferred tax liabilities	350,242	1,256	826	-	352,324
Other long-term liabilities	66,478	4,464	1,598	-	72,540
Interest rate derivatives financial liabilities at fair value through profit or loss	5,138	-	-	409	5,547
Current liabilities	**322,260**	**6,950**	**388**	**20,476**	**350,074**
Trade and other payables	118,691	6,170	388	14,827	140,076
Bank loans	203,569	780	-	-	204,349
Bonds	-	-	-	5,649	5,649
Liabilities held for sale	-	38,836	-	-	38,836
TOTAL LIABILITIES	**1,337,560**	**60,502**	**2,812**	**1,633,433**	**3,034,307**

Segment assets and liabilities 31 Dec 2018	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	**5,642,265**	**425,414**	**15,620**	**32,760**	**6,116,059**
Investment property	5,513,358	382,092	15,620	-	5,911,070
—Investment property in use	5,290,898	382,092	15,620	-	5,688,610
—Investment property under development	222,460	-	-	-	222,460
Goodwill	76,878	10,310	-	5,882	93,070
Deferred tax assets	11,495	2,244	-	-	13,739
Investments in joint ventures	18,417	30,768	-	-	49,185
Long-term loans granted to joint ventures	21,311	-	-	-	21,311
Other long-term assets	806	-	-	18,233	19,039
Interest rate derivatives financial assets at fair	-	-	-	8,645	8,645
Current assets	**142,509**	**14,276**	**617**	**217,226**	**374,628**
Trade and other receivables	69,205	9,634	107	1,804	80,750
Financial investments at fair value through profit	-	-	-	168,339	168,339
Cash collateral	-	-	-	27,784	27,784
Financial assets at fair value through profit or	-	-	-	831	831
Cash and cash equivalents	73,304	4,642	510	18,468	96,924
Investment property held for sale	1,430	10,527	-	-	11,957
TOTAL ASSETS	**5,786,204**	**450,217**	**16,237**	**249,986**	**6,502,644**

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Segment assets and liabilities 31 Dec 2018	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
SEGMENT LIABILITIES					
Non-current liabilities	**1,121,425**	**39,326**	**2,288**	**1,058,299**	**2,221,338**
Bank loans	756,582	9,466	-	164,000	930,048
Bonds	-	-	-	892,397	892,397
Deferred tax liabilities	326,499	24,110	578	-	351,187
Other long-term liabilities	36,421	5,750	1,710	1,100	44,981
Interest rate derivatives financial liabilities at fair value through profit or loss	1,923	-	-	802	2,725
Current liabilities	**149,249**	**12,725**	**234**	**273,225**	**435,433**
Trade and other payables	133,788	12,104	234	13,660	159,786
Bank loans	15,461	621	-	248,924	265,006
Bonds	-	-	-	10,641	10,641
TOTAL LIABILITIES	**1,270,674**	**52,051**	**2,522**	**1,331,524**	**2,656,771**

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

Country results	**Net rental and related income (30 June 2019)**	**Net rental and related income (30 June 2018)**	**Profit before tax (30 June 2019)**	**Profit before tax (30 June 2018)**
Romania	79,332	74,388	131,487	105,357
Poland	39,897	36,756	20,858	38,203
Hungary	17,717	9,201	32,288	24,122
Slovakia	18,303	13,367	16,230	20,467
Bulgaria	18,452	16,183	19,610	30,911
Croatia	9,142	7,429	17,717	9,198
Serbia	6,555	1,479	8,221	5,917
Czech Republic	5,532	5,060	(2,343)	7,394
Lithuania	4,840	766	6,794	2,977
United Kingdom	3	6	42	107
Corporate*	-	-	5,696	(63,677)
Total	**199,773**	**164,635**	**256,600**	**180,976**

**The Corporate segment represents head office, administrative offices, Group financing expenses and listed securities*

30 June 2019 All amounts in Thousand Euro unless otherwise stated

Investment property by country results	**Investment property (30 June 2019)**	**Investment property (31 December 2018)**
Romania	1,980,137	2,134,158
Poland	1,430,236	1,372,021
Bulgaria	509,397	507,752
Slovakia	551,574	550,884
Hungary	604,200	588,000
Croatia	274,620	264,909
Czech Republic	171,600	174,300
Serbia	196,360	190,466
Lithuania	131,080	128,580
United Kingdom	-	-
Corporate*	-	-
Total	**5,849,204**	**5,911,070**

**The Corporate segment represents head office, administrative offices, Group financing expenses and listed securities*

30 June 2019 All amounts in Thousand Euro unless otherwise stated

14. HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the six months period ended 30 June 2019 was based on headline earnings of €142,565 thousand (year ended 31 December 2018: €119,725 thousand) and the weighted average of 580,524,775 ordinary shares in issue during the six months period ended June 2019 (year ended 31 December 2018: 577,800,734), excluding those issued under the Initial Share Scheme.

Reconciliation of profit for the period/year to headline earnings	**30 June 2019**	**31 Dec 2018**	**30 June 2018**
Profit for the period/year attributable to equity holders	**224,729**	**221,855**	**149,042**
Fair value adjustments of investment property in use (Note 11)	(90,104)	(108,411)	(86,143)
Gain on acquisition of subsidiaries	-	(6,933)	-
Profit on disposal of joint venture	(3,588)	-	-
Tax effects of adjustments for controlled subsidiaries	13,034	16,888	13,258
Fair value adjustment of investment property for joint ventures	(1,792)	(4,374)	(3,108)
Tax effects of adjustments for joint ventures	286	700	497
HEADLINE EARNINGS	**142,565**	**119,725**	**73,546**
Weighted average number of shares in issue	580,524,775	577,800,734	577,800,734
Diluted weighted average number of shares in issue	580,524,775	577,800,734	577,800,734
Headline earnings per share (euro cents)	24.56	20.72	12.73
Diluted headline earnings per share (euro cents)	24.56	20.72	12.73

15. BUSINESS COMBINATIONS AND SIGNIFICANT ASSET DEALS

The Group had no acquisition in the first six months period ended 30 June 2019.

For the first six months ended 30 June 2018, the Group acquired retail assets in Slovakia (Galeria Mlyny), Lithuania (Ozas Shopping and Entertainment Centre) and Poland (Aura Shopping Center). Details of these business combinations were disclosed in note 33A of the group's annual financial statements for the year ended 31 December 2018.

30 June 2019 All amounts in Thousand Euro unless otherwise stated

16. RECONCILIATION OF PROFIT FOR THE PERIOD TO DISTRIBUTABLE EARNINGS

		30 June 2019	30 June 2018
Profit for the period attributable to equity holders		**224,729**	**149,042**
Reverse indirect result		**(61,882)**	**(13,409)**
Foreign exchange loss		476	1,157
Acquisition fees		1,603	3,241
Fair value adjustments of investment property for controlled subsidiaries		(90,104)	(86,143)
Fair value and net result on sale of financial investments at fair value through profit or loss		(17)	72,091
Income from financial investments at fair value through profit or loss		(5,692)	(29,564)
Fair value adjustment of interest rate derivatives financial assets and liabilities for controlled subsidiaries		10,074	(94)
Deferred tax expense for controlled subsidiaries		26,546	27,916
Profit on disposal of joint venture		(3,588)	-
Adjustments related to joint ventures			
Fair value adjustments of investment property for joint ventures		(1,792)	(3,108)
Fair value adjustment of interest rate derivatives financial assets and liabilities for joint ventures		114	(92)
Deferred tax expense for joint ventures		451	1,176
Foreign exchange loss for joint ventures		47	11
Company specific adjustments		**5,682**	**17,408**
Amortisation of financial assets		(708)	(911)
Realised foreign exchange loss for controlled subsidiaries		(152)	(476)
Realised foreign exchange loss for joint ventures		(6)	(2)
Accrued income for financial investments at fair value through profit or loss		6,534	18,733
Fair value adjustment of investment property for non-controlling interest		-	15
Deferred tax expense for non-controlling interest		14	49
Antecedent dividend		1,501	-
Distributable earnings		**170,030**	**153,041**
Earnings not distributed		**170,030**	-
Number of shares entitled to interim distribution		585,838,887	577,800,734
Distributable earnings per share (euro cents)		**29.02**	**26.49**

17. CONTINGENT ASSETS AND LIABILITIES

Guarantees

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

As at 30 June 2019, the Group had received letters of guarantee from tenants worth €114,957 thousand (31 December 2018: €109,920 thousand) and from suppliers worth €38,586 thousand (31 December 2018: €31,577 thousand) related to ongoing developments.

18. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Directors are not aware of any other subsequent events from 30 June 2019 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.

19. FURTHER CLARIFICATIONS TO THE NEPI ROCKCASTLE PLC SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2018

To improve the level of understanding and clarity of disclosures in its annual financial statements for the period ended 31 December 2017 (which became the comparative period for 31 December 2018), and following the conclusion of a pro-active monitoring process by JSE on the annual financial statements for the period ended 31 December 2017, the Group considered it appropriate to provide additional explanatory comments to the disclosures in the above-mentioned financial statements. The supplemental disclosures refer to the matter of "Impairment of investments in and loans to subsidiaries" in the Company's separate financial statements, namely the impairment related to the investment in and loan to NRP's direct subsidiary, Rockcastle Europe Limited.

We refer to the 2017 financial statements notes set out below. All the disclosures and clarifications apply to the comparative period presented in the 2018 Company financial statements as well. It should be noted that the Group's consolidated financial statements are not affected by these additional disclosures.

Note 3.13.1 Initial recognition and subsequent measurement of financial instruments

The following additional disclosure should be added to the note:

Pursuant to the merger in July 2017, the assets and liabilities of Rockcastle Global Real Estate Company Limited ("Rockcastle") were transferred to the new parent company, NEPI Rockcastle plc, in exchange for newly issued NEPI Rockcastle shares. The key assets of Rockcastle were investments in subsidiaries and intra-group loan. Neither of the assets could have been *separately measured by using solely observable inputs and the Company's management uses its judgement and recognized loans at nominal receivable amount (the maximum amount of the transaction price which could be allocated to the loans), and the difference (the residual) as investment in equity of subsidiary. However, the acquisition of investments in shares and of related loans to acquired subsidiaries in the company financial statements, together, were considered as forming the Group's acquisition of an investment in subsidiary (for which the Group's accounting policy is to record at cost less accumulated impairment losses (following IAS 27), as described in Note 3.4 Subsidiaries). The accounting of the loan did not follow IAS 39 principles and the impairment loss was measured in line with IAS 36 principles on a net investment in subsidiaries.*

Note 5 Investment in subsidiaries and joint ventures

The following additional accounting policy disclosure should be added to the note:

The acquisition by NRP of the investment in Rockcastle, including the loan to Rockcastle Europe Limited, acquired as part of Rockcastle merger, was considered together in the Company financial statements as forming NRP's acquisition of an investment in subsidiary. Consequently, the loan to Rockcastle Europe Limited was recorded at cost, in line with IAS 27 provisions, with impairment losses measured as per IAS 36 on the net investment in subsidiaries.

Note 32B Impairment

The note relating to the impairment recognized at Company level should be reformulated to read as follows:

In the Company's separate financial statements, Rockcastle's premium to fair value of net asset value generated an uplift to Investments in subsidiaries. The impairment test conducted in accordance with IAS 36 showed a difference between the investment in and loans to Rockcastle Europe Limited and the value of the relevant cash generating units (CGUs) amounting to €886,167 thousand. This difference was recognized as impairment of investments in and loans to subsidiaries.

The CGUs considered in the impairment test were the subsidiaries of Rockcastle Europe Limited, which hold operational investment properties and listed securities investments. The net cash flows arising at the level of Rockcastle Europe Limited were in fact generated by its subsidiaries, thus the best estimate of the expected future cash flows to be received by the NRP in respect of the loan advanced to Rockcastle Europe Limited was represented by the value of the investment property portfolio and listed securities portfolio (i.e. underlying cash flows) netted off with the related debt (all items being fair valued as at 31 December 2017).

GLOSSARY

Collection rate: operational performance indicator computed as the allowance for doubtful debt (as recognized in the Statement of Comprehensive Income) divided by the gross rental income and service charge income

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

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

Loan-to-value (LTV): (Interest bearing debt – Lease liabilities (IFRS 16) – Cash)/ (Investment property (including investment property held for sale) – Right of use assets (IFRS 16) + Listed securities*)
*Listed securities presented under the following lines:
Financial investments at fair value through profit or loss
+ Cash collateral
+ Financial assets at fair value through profit or loss
- Financial liabilities at fair value through profit or loss

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

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

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

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

EPRA Vacancy Ratio: vacancy ratio computed based on estimated rental value of vacant space compared to the estimated rental value of the entire property