Interim Financial Report
30 June 2022

NEPI ROCKCASTLE S.A.

INTERIM FINANCIAL REPORT

30 June 2022

Management Report

Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2022

Other information

Statement of Directors' responsibilities

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

The Directors have prepared the Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard, IAS 34 "Interim Financial Reporting", as adopted by the European Union ("IAS 34").

In preparing these Interim Condensed Consolidated Financial Statements, the Directors are responsible for:

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

The Directors confirm that they have complied with the above in preparing the Interim Condensed Consolidated Financial Statements.

The Directors confirm that the Interim Condensed Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group for the six-month period ended 30 June 2022 as well as the comparative periods presented and that the interim financial report give a fair review of the information required pursuant to section 5:25 d(8)/(9) of the Dutch Financial Supervision Act and Luxembourg Law of 11 January 2008 on transparency requirements for issuers.

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

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

The Interim Condensed Consolidated Financial Statements on pages 14 to 59 were approved by the Board of Directors on 22 August 2022, authorized for publication on 23 August 2022 and signed on its behalf by:

Rüdiger Dany
Chief Executive Officer

Eliza Predoiu
Chief Financial Officer

Directors' commentary

CEO'S STATEMENT

"NEPI Rockcastle had a very good first half of year 2022. With Covid-19 restrictions lifted, trading quickly picked up and tenant sales exceeded 2019 levels. The customers reverting to pre-pandemic habits are the primary reason for this increase, although high inflation partly contributed to it. Net Operating Income (NOI) was higher than in H1 2019 on a like-for-like (LFL) basis, while vacancies dropped below 4%, highlighting the quality of the Group's properties and asset management. These positive results were reflected also in a higher fair value of the investment property portfolio.

A notable strategic action during the period was the €500 million green bond issue in January; this significantly increased the average maturity of the Company's debt and lowered the average cost of funding, a remarkable achievement in the context of rising interest rates and more restrictive funding market. Other notable milestone was the approval for the relocation of the parent company to the Netherlands, which will enhance the Group's standing and benefit shareholders in the long run. The balance sheet is exceptionally strong' with a 31.3% loan-to-value (LTV) ratio and more than €1 billion in liquidity.

The overall economic climate continues to be challenging. Inflation is at multi-decade highs, interest rates are increasing and the war in our region's neighbourhood shows no sign of abating. Even in this context, I am confident that NEPI Rockcastle will continue to grow, both organically and through its significant development pipeline."

Rüdiger Dany, Chief Executive Officer (CEO)

BUSINESS HIGHLIGHTS

- Distributable earnings per share (DEPS) for the first six months (H1 2022) to 30 June 2022 were 22.83 euro cents, 29.4% higher than in H1 2021.

- NOI in H1 2022 was €196 million, 27% higher than in H1 2021. Excluding the impact of the disposal of two Serbian properties (completed in July 2021), NOI was 29% higher in H1 2022 compared to H1 2021. This growth was mostly driven by the decrease in Covid-19 related discounts from €36 million in H1 2021 to insignificant level of discounts in H1 2022. Moreover, a net gain of €2.1 million was recognised due to the reversal of Covid-19 related discounts accrued in 2021 but not subsequently granted. These positive effects were partly offset by an increase in unrecoverable property operating expenses of €6.4 million (179% relative to H1 2021), triggered mainly by higher utilities costs.

- To enhance its business profile, NEPI Rockcastle strengthened its internal structure in the area of environmental, social and corporate governance (ESG) function and the newly created procurement function. Additionally, from quarter four (Q4) 2021, the Group initiated a plan to internalise property management, accounting and other activities in some countries. The process should be completed by mid-2024 and will generate additional corporate expenses but also reduce third party fees, which are currently impacting NOI. The effect in H1 2022 was an increase of administrative expenses by €6.6 million (71%) compared to H1 2021.

- Despite NOI in H1 2022 being closer to H1 2019, the DEPS for H1 2022 is 21.3% lower. Besides the effect of higher administrative expenses, this is primarily due to the higher levels of liquidity maintained during the Covid-19 pandemic, by not reinvesting the proceeds from disposals of the Romanian office portfolio and Serbian properties. Moreover, as the property portfolio has matured, the financing losses incurred during development phases have been utilised. The properties now reached taxable profits, leading to higher corporate income tax than in H1 2019.

- Finance costs decreased by 11% from H1 2021 to H1 2022, mainly due to the repayment of five loans totalling €242 million in 2021 and a €500 million green bond issued in January 2022. The proceeds from the bond issue were used to repurchase another €500 million bond maturing in 2023, which carried a higher coupon.

- Covid-19 trading restrictions in Central and Eastern Europe (CEE) were lifted during January and February 2022, and the Company's gross lettable area (GLA) was fully operational throughout H1 2022. Despite a recent uptick in the number of infections, the introduction of new restrictions in CEE seems unlikely.

- The military conflict in Ukraine has not had a direct impact on NEPI Rockcastle's operations. However, it has indirectly contributed to a deteriorating macroeconomic environment in the region where the Group operates. High energy costs, inflation and central banks' interest rate rises are putting pressure on the cost of living, which may weaken consumers' spending power. This may affect overall consumption and the retail sector in the second half (H2) of 2022.

- Footfall in H1 2022 was 136 million, 28.2% higher than H1 2021 and 12.2% lower than H1 2019. It continued to recover throughout H1 2022 and achieved 93% of 2019 levels in June, in LFL properties.

- Tenant sales have fully recovered and surpassed pre-pandemic levels. In H1 2022, turnover was 45% higher than H1 2021 and 8% higher than H1 2019 (LFL, excluding hypermarkets). Monthly sales have exceeded 2019 levels every month since March. The average basket size was 27% higher in H1 2022 compared to H1 2019, which is more than the cumulative inflation over the period.

- The collection rate for H1 2022 reported revenues was 96% on 30 June 2022 and reached approximately 98% by mid-August. Collection of financial year 2021 (FY 2021) reported revenues was 100%. The considerable improvement in tenants' trading and the lifting of restrictions required a limited amount of rent concessions.

- European Public Real Estate Association (EPRA) occupancy rate was 96.6% on 30 June 2022, up from 96.0% on 31 December 2021.

- The Group has a strong liquidity position of €1.07 billion on 30 June 2022, including cash and cash equivalents of €450 million and undrawn available credit facilities of €620 million.

- There are no significant debt maturities in 2022 or 2023.

- On 30 June 2022, the property portfolio was independently valued by external appraisers, resulting in a fair value gain in relation to investment property of €59.2 million (+1% compared to 31 December 2021). This is a confirmation of portfolio quality and significant improvements in trading conditions.

- The LTV ratio was 31.3% on 30 June 2022, below the 35% strategic threshold.

- BBB investment grade credit rating by S&P and Fitch, reaffirmed by S&P in July 2022.

- EPRA Net Reinstatement Value (NRV) per share was €6.64, a 2% increase compared to €6.51 on 31 December 2021, which was mostly due to the property portfolio's positive revaluation.

- The Company continued to focus on sustainability. On 30 June 2022 85%, of assets (by GLA) were Building Research Establishment Environmental Assessment Method (BREEAM) certified very good and excellent, while another 12% are being certified, a process expected to be completed by the end of 2022.

- The ESG risk rating assigned by third party firm Sustainalytics was reaffirmed as "Low". The rating improved to 10.5/100 as of August 2022, from 11.4/100 as of December 2021. The rating positions NEPI Rockcastle among the Top 15 rated companies in its category.

- The appeal filed by NEPI Rockcastle against the arbitral tribunal's decision relating to the discontinued acquisition of Serenada and Krokus Shopping Centres in Poland is ongoing. No amounts have been paid out. As a result, the Group may incur additional interest during the set-aside period, computed in accordance with the Polish law (at the Polish notional interest rate).

OPERATING PERFORMANCE

Status of trading restrictions and government measures

Throughout H1 2022, all GLA was operational, except for Slovakian leisure and entertainment, which opened on 18 January 2022. Other restrictions, such as vaccination certification or mandatory mask wearing, were gradually lifted from February 2022. Since the end of March, there were no trading restrictions in any countries where NEPI Rockcastle operates.

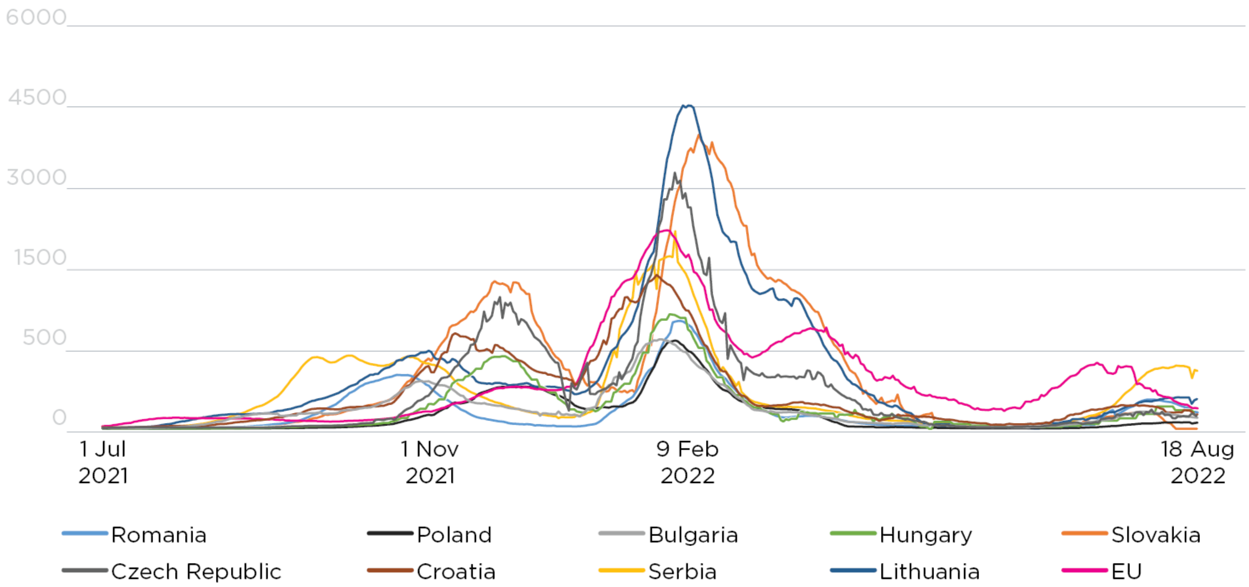
Infections in CEE peaked during February, fell abruptly and remained very low until the end of June. Despite infections increasing over the summer, current levels are much lower than previous peaks. More importantly, due to higher immunity (caused by vaccination or prior infection) and the prevalence of milder variants, the number of severe medical cases continues to be lower than previous waves.

All tenants are currently operating without restrictions and have reverted to regular, business-as-usual terms in the lease agreements.

At present, there is no reason to anticipate the introduction of new Covid-19 restrictions in CEE.

Daily new confirmed Covid-19 cases per million people

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



Source: Johns Hopkins University CSSE Covid-19 Data

Trading update

Since the beginning of the year, footfall has continuously improved, recording a lower shortfall each month compared to the corresponding month in 2019. Over H1 2022, footfall was 12.2% lower than H1 2019, while in June 2022 it reached 93% of June 2019 level.

Tenant sales in H1 2022 were 45% higher than H1 2021, and 8% higher than H1 2019, in LFL properties, excluding hypermarkets. The pace of growth accelerated in quarter two (Q2) 2022, when turnover was 16% above Q2 2019 (in Q1 2022 it was 1% below Q1 2019). The fact that sales have already exceeded pre-pandemic levels, while footfall lags slightly behind, is attributable to the large increase in average basket size (+27% in H1 2022 compared to H1 2019). This growth is partly due to higher inflation, but the trend preceded inflation rises and is in the Company's view, a structural change in consumers' behaviour.

Almost all retail categories recorded higher tenant sales in H1 2022 compared to H1 2019. The only exceptions are Fashion (0%, but with a 37% increase on H1 2021) and Entertainment (-17% compared to H1 2019, but 207% higher than H1 2021). The best performing categories in H1 2022 were Health & Beauty (+28% compared to H1 2019) and Electronics (+22% compared to H1 2019).

Leasing activity

In H1 2022, the Group signed 433 new leases and lease extensions for a total area of 97,000m2. There were 228 new leases, accounting for 47,300m2 (2.4% of total GLA), which helped reduce overall vacancy. Almost half of the new GLA (47%) was let to international tenants, some entering the market for the first time. This demonstrates that retailers are interested in investing and expanding in the CEE region and the appeal of Nepi Rockcastle's large and regionally dominant portfolio. By 30 June 2022, 70% of the leases expiring in 2022 had already been renewed, increasing to 80% by mid-August.

DEVELOPMENT UPDATE

During H1 2022, NEPI Rockcastle invested approximately €50 million in development costs and capital expenditure (capex). Construction is ongoing at Promenada Bucharest extension, Promenada Craiova and Vulcan Residence. All three projects remain on schedule. The Group has applied for building permits at Promenada Plovdiv, Galati Retail Park and the planned photovoltaic plants. The total investment value of projects under construction, or permitting, is approximately €665 million, of which €184 million was spent by 30 June 2022.

The Company will continue to invest in developments contributing to growth and improving long-term portfolio prospects. The total planned development and capex for H2 2022 is in the range of €110-115 million.

CORPORATE GOVERNANCE

Appointment of permanent CEO, permanent CFO and COO, change of company secretary

As announced on 27 May 2022, Rüdiger Dany (interim CEO) and Eliza Predoiu (interim Chief Financial Officer (CFO)) have been permanently confirmed in their respective roles, with effect from 1 June 2022.

The Board has also appointed Executive Director Marek Noetzel as Chief Operations Officer (COO) with effect from 1 June 2022. Mr Noetzel has been active in the Polish retail real estate market since 2002, joined Rockcastle Global Real Estate in 2016 and was appointed as an Executive Director of NEPI Rockcastle on 15 May 2017. Previously, he was responsible for the asset management of the Group's properties in Poland, Hungary, Slovakia, Czech Republic and Lithuania.

As announced on 18 May 2022, Mr Philippe Vanderhoven, Head of Corporate Services at Fiduciare Jean-Marc Faber, was appointed as company secretary with effect from 17 May 2022, replacing Cornelius Eduard Cassell following the Company's relocation to Luxembourg.

Relocation of parent company

On 10 May 2022, NEPI Rockcastle's shareholders voted in favour of migrating from the Isle of Man to the Netherlands, via Luxembourg. The relocation received over 99% approval from voting shareholders. Therefore, the Group has, with effect from 10 May 2022, established a registered office, place of effective management and central administration in Luxembourg as a public limited liability company (société anonyme). The relocation to the Netherlands is expected to be completed on or around 6 September.

Appointment of new auditor

The Company's audit rotation policy involves regularly scheduling tenders from the top audit firms. In 2022, NEPI Rockcastle appointed Ernst & Young as its new external auditor. The previous tender occurred in 2018. Ernst & Young's mandate has commenced with the review of the Interim Condensed Consolidated Financial Statements for H1 2022 (available on: https://nepirockcastle.com/wp-content/uploads/2022/08/Interim-Financial-Report-H1-2022.pdf).

ACCOUNTING, AUDIT AND VALUATION MATTERS

Valuation

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

Appraiser	Locations	Percentage of total portfolio
Colliers International	Romania	36%
Jones Lang LaSalle	Bulgaria, Croatia, Czech Republic, Hungary, Serbia, Slovakia	32%
Cushman & Wakefield	Hungary, Lithuania, Poland	32%

The appraisals were performed when the pandemic's impact on retail had greatly diminished. Hence, compared to the valuations on 31 December 2021, on the whole, the external appraisers increased estimated rental values and held capitalisation rates substantially stable.

For H1 2022, the Company recognised a fair value gain in relation to the investment property portfolio of €59.2 million.

EPRA Indicators	30 June 2022	31 December 2021	30 June 2021
EPRA Earnings (€ thousand)	139,335	210,159	107,187
EPRA Earnings per share (€ cents per share)	22.88	34.51	17.60
EPRA Net Initial Yield ('NIY')	6.70%	6.75%	6.75%
EPRA topped-up NIY	6.75%	6.79%	6.78%
EPRA vacancy rate	3.40%	4.00%	4.40%
EPRA Net Reinstatement Value ('NRV') (€ per share)	6.64	6.51	6.50
EPRA Net Tangible Assets ('NTA') (€ per share)	6.61	6.48	6.47
EPRA Net Disposal Value ('NDV') (€ per share)	6.38	5.82	5.78
EPRA Cost ratio (including direct vacancy cost)^	12.5%	8.3%	8.6%
EPRA Cost ratio (excluding direct vacancy cost)^	12.3%	8.2%	8.5%
EPRA loan-to-value (LTV)	31.7%	-	-

^ The increase in the EPRA cost ratio is due to the higher level of administrative expenses in the period explained above and higher net service charges, as a result of net utility costs rising.

CASH MANAGEMENT AND DEBT

On 30 June 2022, the Company maintained a strong liquidity profile, with €450 million in cash and €620 million in undrawn committed credit facilities. NEPI Rockcastle's LTV* (interest bearing debt less cash, divided by investment property) was 31.3%, comfortably below the 35% threshold.

**The reported gearing ratio (LTV) excludes the €33 million right-of-use assets and associated lease liabilities as at 30 June 2022.*

On June 2022, ratios for unsecured loans and bonds showed ample headroom compared to covenants:

- Solvency ratio: 38% actual compared to 60% maximum.
- Consolidated coverage ratio: 4.78 actual compared to minimum of 2.0.
- Unsecured consolidated total assets/unsecured consolidated total debt: 265% actual compared to 150% minimum.

The average interest rate, including hedging, was 2.4% for H1 2022. On 30 June 2022, fixed-coupon bonds represented 87% of NEPI Rockcastle's outstanding debt. Of the remaining long-term debt exposed to Euribor, 62% was hedged with interest rate caps and 38% with interest rate swaps.

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

In January 2022, the Group issued its second green €500 million unsecured eight-year Eurobond, carrying a 2% fixed coupon, with an issue price of 98.713%. The bond's interest rate was partially pre-hedged via a swap instrument. When the bond was issued, the interest rate swap position was closed for a profit of €4.1 million reflected in the Fair value adjustments of derivatives in accordance with IFRS. For the purpose of distribution, the profit on interest rate swap will be amortised over the bond maturity, impacting the cost of funding.

The proceeds from the eight-year Eurobond were used for liability management, to repay a €500 million bond maturing in 2023. The repurchase of this 2023 bond was made at market price during January and February 2022, with the premium on the bond's carrying amount (amounting to €22 million) recognised in the Statement of Comprehensive Income.

In H1 2022, NEPI Rockcastle extended the contractual maturities related to unsecured committed revolving credit facilities as follows:

- the revolving credit facility from BRD-Groupe Société Générale and Garanti Bank was extended for one year, until July 2025, with the maximum principal available maintained at €170 million, and
- the revolving credit facility from ING Bank was extended for one year, until July 2025, with the maximum principal available maintained at €100 million.

Depending on market conditions, the Group may initiate a repurchase of issued bonds or shares during the upcoming reporting periods.

DIVIDEND DECLARATION

The Board of Directors noted the DEPS for the period of 22.83 euro cents. NEPI Rockcastle's strong liquidity position supports a pay-out ratio of 100% of distributable earnings and the board of directors will consider the declaration of a dividend for H1 2022, following completion of the relocation to the Netherlands (estimated to occur on, or around, 6 September 2022). A further announcement in respect of any dividend declaration will be released in due course.

OUTLOOK

Based on the operational recovery H1 2022, NEPI Rockcastle revises the guidance released in February 2022, expecting that DEPS for the year will be approximately 33% higher than the 2021 DEPS of 34.42 euro cents per share (previous guidance of at least 24%).

This guidance does not reflect the potential impact of possible future events that could affect the Company's operations and results. Examples of macro events that, in case they occur, may lead to different outcomes than envisaged under the current guidance include: 1) a continuing inflation rise in CEE countries, with a disruptive impact on the disposable incomes and retail consumption; 2) an energy crisis in the upcoming cold season leading to rationing measures and/or higher energy prices; 3) the escalation of the war in Ukraine in a way that threatens the Company's business in CEE; 4) a resurgence of the Covid-19 pandemic, triggered by new virus variants, which may push governments in CEE to introduce new restrictions on trading and movement.
This guidance has not been reviewed or reported on by NEPI Rockcastle's auditors and is the responsibility of the Board of Directors.

Building a better
working world

Ernst & Young
Société anonyme
35E, Avenue John F. Kennedy
L-1855 Luxembourg
Tel: +352 42 124 1
www.ey.com/en_lu

B.P. 780
L-2017 Luxembourg
R.C.S. Luxembourg B 47 771
TVA LU 16063074

Report on review of interim condensed consolidated financial statements

To the Shareholders of NEPI ROCKCASTLE S.A.,

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of NEPI ROCKCASTLE S.A. (formerly NEPI ROCKCASTLE PLC), as of 30 June 2022, which comprise the interim condensed consolidated statement of financial position as at 30 June 2022 and the related interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Other Matters

On 23 February 2022, other auditors issued their audit report on the consolidated financial statements for the year ended 31 December 2021 in which they expressed an unmodified opinion.

Ernst & Young

Société anonyme

Cabinet de révision agréé

Jesus Orozco

Luxembourg, 23 August 2022

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in € thousand	Note	30 June 2022	31 December 2021*,**
ASSETS			
Non-current assets		**6,152,877**	**6,027,271**
Investment property		5,950,480	5,841,676
— Investment property in use	5	5,748,623	5,670,776
— Investment property under development	6	201,857	170,900
Goodwill	7	76,804	76,804
Deferred tax assets		45,970	48,669
Investments in joint ventures	17	26,441	23,659
Long-term loans granted to joint ventures	17	23,128	22,466
Other long-term assets		9,895	9,455
Derivative financial assets at fair value through profit or loss		20,159	4,542
Current assets		**539,940**	**569,117**
Trade and other receivables	8	76,839	60,972
Inventory property		13,466	9,522
Cash and cash equivalents	9	449,635	498,623
Assets held for sale	10	**15,600**	**1,752**
TOTAL ASSETS		**6,708,417**	**6,598,140**
EQUITY AND LIABILITIES			
TOTAL SHAREHOLDERS' EQUITY		**3,782,794**	**3,720,242**
Equity attributable to equity holders		**3,782,794**	**3,714,922**
Share capital		6,090	6,090
Share premium		3,200,061	3,550,061
Other reserves		(4,827)	(3,384)
Accumulated profit		581,470	162,155
Non-controlling interest		–	**5,320**
Total liabilities		**2,925,623**	**2,877,898**

in € thousand	Note	30 June 2022	31 December 2021*,**
Non-current liabilities		**2,731,163**	**2,716,314**
Bank loans	11	292,923	297,155
Bonds	11	1,975,653	1,977,191
Deferred tax liabilities		396,075	371,366
Lease liabilities*	12	32,234	32,779
Other long-term liabilities	12	33,310	34,612
Derivative financial liabilities at fair value through profit or loss		968	3,211
Current liabilities		**192,796**	**161,584**
Trade and other payables		119,894	104,969
Provisions for litigations**		37,304	37,304
Bank loans	11	8,247	7,431
Bonds	11	26,519	11,048
Lease liabilities*	12	832	832
Liabilities held for sale	10	**1,664**	-
TOTAL EQUITY AND LIABILITIES		**6,708,417**	**6,598,140**
Net Asset Value per share (euro)		6.21	6.10
EPRA Net Reinstatement Value per share (euro)***		6.64	6.51
Number of shares for Net Asset Value/EPRA Net Reinstatement Value per share		608,994,907	608,994,907

**At 31 December 2021, "Lease liabilities" were presented in line "Other long-term liabilities". At 30 June 2022, these are presented on separate lines within "Non-current liabilities" (long term portion) and "Current liabilities" (short term portion), with corresponding comparatives re-classed accordingly.*
*** At 31 December 2021, "Provisions for litigations" were presented in line "Trade and other payables". At 30 June 2022, these are presented on a separate line, with corresponding comparative re-classed accordingly.*
****EPRA Net Reinstatement Value per share (non-IFRS measure) is Net Asset Value per share adjusted for the effect of non-monetary balance sheet items, such as deferred tax, goodwill and interest rate derivatives.*

The Interim Condensed Consolidated Financial Statements on pages 14 to 59 were approved by the Board of Directors on 22 August 2022, authorized for publication on 23 August 2022 and signed on its behalf by:

Rüdiger Dany
Chief Executive Officer

Eliza Predoiu
Chief Financial Officer

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	30 June 2022	30 June 2021 ^
Gross rental income		204,197	173,887
Service charge income		99,460	72,508
Property operating expenses		(109,444)	(76,086)
Partial forgiveness of receivables (Covid-19 forgiveness)		2,090	(15,390)
Net rental and related income*	13	**196,303**	**154,919**
Administrative expenses	14	(16,001)	(9,359)
EBIT**		**180,302**	**145,560**
Fair value adjustments of investment property	15	59,199	25,453
Foreign exchange loss		(164)	(385)
Profit before net finance costs and other items		**239,337**	**170,628**
Finance income		1,215	702
Finance costs		(28,629)	(32,032)
Bank charges, commissions, and fees		(2,615)	(2,422)
Fair value adjustments of derivatives	16	21,792	2,306
Losses on extinguishment of financial instruments	16	(21,925)	–
Share of profit of joint ventures	17	2,781	848
Profit before tax		**211,956**	**140,030**
Income tax expense		**(40,819)**	**(18,417)**
Current tax expense		(11,820)	(4,742)
Deferred tax expense		(28,999)	(13,675)
Profit after tax		**171,137**	**121,613**
Total comprehensive income for the period		**171,137**	**121,613**
Profit attributable to:			
Non-controlling interest		106	44
Equity holders		171,031	121,569

in € thousand	Note	30 June 2022	30 June 2021 ^
Total comprehensive income attributable to:			
Non-controlling interest		106	44
Equity holders		171,031	121,569
Weighted average number of shares in issue		608,994,907	608,994,907
Diluted weighted average number of shares in issue		608,994,907	608,994,907
Basic/diluted earnings per share attributable to equity holders (euro cents)		28.08	19.96

**Out of the total rental and related income for the six-month period ended 30 June 2021, €2.4 million relates to two Serbian entities disposed of on July 2021.*
*** EBIT (Earnings Before Interest and Taxes) represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses (Depreciation and Amortisation are included in Administrative expenses)*
^Subheadings "Net finance costs" and "Other items" shown in the Statement of comprehensive income at 30 June 2021 were removed in this Statement of comprehensive income, to ease understanding

NEPI ROCKCASTLE S.A.

INTERIM FINANCIAL REPORT

30 June 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € thousand	Share capital	Share premium	Other reserves	Accumulated profit	Non-controlling interest	Total
Balance at 1 January 2021	**6,090**	**3,550,061**	**(6,456)**	**137,373**	**5,255**	**3,692,323**
Transactions with owners	**–**	**(1,500,000)**	**(190)**	**1,397,203**	**–**	**(102,987)**
— Share premium reduction^	–	(1,500,000)	–	1,500,000	–	–
— Shares purchased for LTSIP*	–	–	(1,978)	–	–	(1,978)
— Share based payment expense	–	–	1,788	–	–	1,788
— Earnings distribution	–	–	–	(102,797)	–	(102,797)
Total comprehensive income	**–**	**–**	**–**	**121,569**	**44**	**121,613**
— Profit for the period	–	–	–	121,569	44	121,613
Balance at 30 June 2021/1 July 2021	**6,090**	**2,050,061**	**(6,646)**	**1,656,145**	**5,299**	**3,710,949**
Transactions with owners	**–**	**1,500,000**	**3,262**	**(1,607,425)**	**–**	**(104,163)**
— Share premium increase^	–	1,500,000	–	(1,500,000)	–	–
— Share based payment expense	–	–	3,262	–	–	3,262
— Earnings distribution	–	–	–	(107,425)	–	(107,425)
Total comprehensive income	**–**	**–**	**–**	**113,435**	**21**	**113,456**
— Profit for the period	–	–	–	113,435	21	113,456
Balance at 31 December 2021/1 January 2022	**6,090**	**3,550,061**	**(3,384)**	**162,155**	**5,320**	**3,720,242**
Transactions with owners	**–**	**(350,000)**	**(1,443)**	**248,284**	**(5,426)**	**(108,585)**
— Share premium reduction^^	–	(350,000)	–	350,000	–	–
— Shares purchased for LTSIP*	–	–	(2,852)	–	–	(2,852)
— Share based payment expense	–	–	1,409	–	–	1,409
— Earnings distribution	–	–	–	(102,189)	–	(102,189)
— Acquisition of Non-controlling interest	–	–	–	473	(5,426)	(4,953)

in € thousand	Share capital	Share premium	Other reserves	Accumulated profit	Non-controlling interest	Total
Total comprehensive income	–	–	–	**171,031**	**106**	**171,137**
— Profit for the period	–	–	–	171,031	106	171,137
Balance at 30 June 2022	**6,090**	**3,200,061**	**(4,827)**	**581,470**	–	**3,782,794**

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

^ Share premium movement – In June 2021, the Group transferred €1,500,000 thousand from share premium to accumulated profit, in accordance with Isle of Man company law. After a thorough reassessment, the Company decided to maintain the reserves as they were accounted for previously to the transfer from June, and thus, unwound the respective transfer in December 2021.
^^ During 2022, €350,000 thousand were transferred from share premium to accumulated profit, to ensure positive retained earnings at stand-alone parent company level.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

in € thousand	Note	30 June 2022	30 June 2021
CASH FLOWS FROM OPERATIONS	19	**168,260**	**129,632**
Interest paid on loans and borrowings	11, 12	(3,159)	(4,830)
Interest paid on lease liabilities	12	(287)	(288)
Bond coupon paid	11	(9,042)	(13,021)
Income tax paid		(3,616)	(2,817)
Interest received		1,101	1,516
Bank charges paid		(2,625)	(2,268)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**150,632**	**107,924**
INVESTING ACTIVITIES			
Investments in acquisitions and developments		**(64,331)**	**(17,001)**
Expenditure of investment property under development*	6	(45,892)	(19,396)
Acquisition of investment property and land	5, 6	(18,439)	–
Proceeds from disposal of assets held for sale		–	2,395
Other investments		–	**768**
Loans receivable from joint ventures - amounts granted	17	–	(492)
Loans receivable from joint ventures - amounts repaid		–	1,260
NET CASH FLOW USED IN INVESTING ACTIVITIES		**(64,331)**	**(16,233)**
FINANCING ACTIVITIES			
Payment to acquire shares for LTSIP		(2,852)	(2,020)
Acquisition of non-controlling interest		(9,377)	–
Net movements in bank loans, bonds and other long-term liabilities		**(20,226)**	**(246,677)**
Repayment of bank loans	11	(3,864)	(246,677)
Cash received from pre-hedge instrument		4,075	–
Repayment of bonds	11	(492,078)	–
Premium paid on repurchase of bond	16	(21,925)	–
Proceeds from bonds	11	493,566	–
Other payments		**(102,734)**	**(103,361)**
Repayments of lease liabilities	12	(545)	(280)
Premium paid on acquisitions of derivatives		–	(284)
Earnings distribution		(102,189)	(102,797)

in € thousand	Note	30 June 2022	30 June 2021
NET CASH FLOW USED IN FINANCING ACTIVITIES		**(135,189)**	**(352,058)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(48,888)**	**(260,367)**
Cash and cash equivalents brought forward		498,623	643,297
CASH AND CASH EQUIVALENTS CARRIED FORWARD BEFORE THE ADJUSTMENT FOR HELD FOR SALE ASSETS		**449,735**	**382,930**
Cash and cash equivalents classified as held for sale	10	(100)	(2,691)
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**449,635**	**380,239**

**Expenditure on investment property under development for the period ended 30 June 2022 also includes the VAT cash inflow relating to development projects of €1,256 thousand.*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

NEPI Rockcastle S.A. ("the Company", "NEPI Rockcastle", "the Group") is a public limited company domiciled in the Grand Duchy of Luxembourg, having its registered office at 7B, rue de Bonnevoie, L-1260 Luxembourg. The Company's shares are listed on the Main Board of the Johannesburg Stock Exchange Limited ("JSE"), Euronext Amsterdam and A2X. NEPI Rockcastle is the premier owner and operator of shopping centres in Central and Eastern Europe ("CEE"). The Group benefits from a highly-skilled internal management team which combines asset management, development, investment, leasing and financial expertise.

The Company was incorporated in the Isle of Man on 1 December 2016. On 29 November 2021, the board of directors (the "**Board**") has approved the migration of NEPI Rockcastle from the Isle of Man to the Netherlands, via an initial migration to Luxembourg (together, the "**Migration**"). Structured in this way, the migration of the Company to the Netherlands ensures the corporate continuity of NEPI Rockcastle and the trading in Group shares, which remain available to be traded on the JSE, Euronext Amsterdam and A2X.

On 10 May 2022, the Migration was approved by the Shareholders of the Company. As a result, the Group has, with effect from 10 May 2022, established its registered office and place of effective management and central administration in Luxembourg as a public limited liability company (société anonyme). The relocation to the Netherlands is expected to be completed on or about 6 September 2022.

The Group's Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2022 are unaudited and were approved in accordance with the Directors' resolution on 22 August 2022 and authorized for publication on 23 August 2022. The financial statements are accompanied by the external auditors' review report.

2. SIGNIFICANT EVENTS IN THE PERIOD: POST COVID-19 RECOVERY AND MILITARY CONFLICT IN UKRAINE

Over the period, the Group's performance was limitedly impacted by the Covid-19 restrictions during the first quarter of the year. The overall macroeconomic context has evolved rapidly, with the military conflict in Ukraine, increase in energy costs and high inflation levels, leading Central Banks to increase interest rates.

Overview of restrictions in the period

During the first quarter of 2022, throughout Central and Eastern Europe ("CEE"), all remaining Covid-19 restrictions were lifted and 100% of NEPI Rockcastle's Gross Lettable Area ("GLA") was operational.

As a result of the Covid-19 restrictions being lifted, there have been insignificant concessions granted in the period (H1 2021: 36.1 million). Moreover, the Group recognised a net positive effect of €2.1 million from the reversal of the expected partial forgiveness of receivables in relation to tenants accrued for in 2021 and not subsequently granted. This was the result of negotiation with the tenants and their strong performance from Q4 2021 onwards. Tenant performance translated into an increase in Net Operating Income ("NOI") of 27% in the first six months of 2022 compared to the same period in 2021. Excluding the impact of the disposal of two Serbian properties (completed in July 2021), NOI was 29% higher in H1 2022 vs H1 2021. Also, the fair value of the Group properties increased by 59.2 million in H1 2022.

The military conflict in Ukraine

The military conflict in Ukraine, commencing in February 2022, did not directly impact Group operations. No significant tenants were subject to sanctions, and the Company owns no assets in Ukraine or Russia. While some international tenants have assets in these countries, there are no indications of any serious financial difficulties.

Other effects of the war in Ukraine, such as inflationary pressures and disruptions to supply chains, particularly for energy, can have a significant impact on the growth prospects of the economies of the countries in which the Group operates and particularly on consumption, putting pressure on the retail sector. Interest rates increased significantly with higher level of inflation exacerbated by the consequences of the war in Ukraine and Central Banks's monetary policy tightening, which also lead to increase in valuation of interest rate hedges. Management monitors the situation rigorously and updates investors regarding material developments.

3. BASIS OF PREPARATION

These reviewed Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2022 have been prepared in accordance with the International Financial Reporting Standard, IAS 34 "Interim Financial Reporting", as adopted by the European Union ("IAS 34"). Selected explanatory notes are included to detail events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2021. 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 2021. The Interim Condensed Consolidated Financial Statements were prepared on a going concern basis.

The accounting policies adopted are consistent with those applied for the preparation of the annual consolidated financial statements as at 31 December 2021 except for the new mandatory standards and interpretations effective as of 1 January 2022:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020
- Amendments to IFRS 16 Leases Covid-19 Related Rent Concessions beyond 30 June 2021

These amendments had no significant impact on the Group's financial statements as at 30 June 2022.

The following standards have been issued but are not yet effective as at June 30, 2022, and were not early adopted by the Group:

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments have not yet been endorsed by the EU;
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current. These amendments have not yet been endorsed by the EU;
- Amendment to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies;
- Amendment to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates;
- Amendments to IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments have not yet been endorsed by the EU.

Management does not expect that the adoption of these amendments will have a significant impact on the Group's financial statements.

The Interim Condensed Consolidated Financial Statements are presented in thousands of Euros ("€'000"), rounded off to the nearest thousand, unless stated otherwise.

4. FINANCIAL RISK MANAGAMENT: CREDIT RISK AND LIQUIDITY RISK

4.1 Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's loans granted to joint ventures, receivables from tenants and cash and cash equivalents.

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

Credit exposure on financial instruments *in € thousand*	**Note**	**30 June 2022**	**31 December 2021**
Loans granted to joint ventures	17	23,128	22,466
Tenant receivables	8	52,657	46,874
Cash and cash equivalents	9	449,635	498,623
Financial assets at fair value through profit or loss		20,159	4,542
Loans to participants in the Share Purchase Scheme*		4,318	4,510
TOTAL		**549,897**	**577,015**

**Presented in line Other long-term assets in the Statement of financial position.*

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

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

The exposure to credit risk is mainly influenced by the tenant's individual characteristics. The Group's widespread customer base reduces credit risk. The majority of rental income is derived from type A tenants (large international and national tenants; large listed tenants; government and major franchisees and companies with assets and/or turnovers exceeding €200 million), and there is no concentration of credit risk with respect to trade debtors: top 10 tenants account for 24.3% of the rental income as at June 2022 (31 December 2021: 24.1%).

Management has established a credit policy where new tenants are analysed individually for creditworthiness before standard payment terms and conditions are offered. When available, the analysis includes external ratings.

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

The carrying value of financial assets approximates their fair value.
The Group's exposure to credit risk associated to cash and cash equivalents is limited using financial institutions of good standing for investment and cash handling purposes.

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

in € thousand	Note	30 June 2022	31 December 2021
Tenant receivables – gross		59,735	54,156
Less: Impairment provisions		(7,078)	(7,282)
TENANT RECEIVABLES - NET OF IMPAIRMENT PROVISION		**52,657**	**46,874**

Reconciliation of impairment provisions is set out below:

Movement of provisions for doubtful debtors *in € thousand*	30 June 2022	31 December 2021
Carrying value at beginning of year	**(7,282)**	**(9,753)**
Additional expected credit losses	(1,334)	(4,962)
Write-off of receivables	257	469
Recovery of previously expected credit losses	1,274	6,256
Released in relation to assets held for sale disposed during the year	–	625
Foreign exchange gain	7	83
CARRYING VALUE	**(7,078)**	**(7,282)**

The Covid-19 concessions recorded as "Partial forgiveness of receivables (Covid-19 forgiveness)" do not impact the impairment provisions, as they have been recorded in direct correspondence with "Trade and other receivables".

The expected loss rates are based on the historical payment profiles of tenants and the corresponding historical credit losses, adjusted for forward looking macroeconomic data. On that basis, the provision for doubtful debtors as at 30 June 2022 was determined as follows for trade receivables.

30 June 2022 *in € thousand*	Current	0-30 days	31-60 days	61-90 days	>90 days	Total
Expected loss rate	0%	1%	5%	8%	69%	
Gross carrying amount – trade receivables	38,427	8,326	1,867	1,364	9,751	59,735
PROVISION FOR DOUBTFUL DEBTORS	**(33)**	**(102)**	**(86)**	**(115)**	**(6,742)**	**(7,078)**

The impairment provision for trade receivables as at 31 December 2021 is set out below:

31 December 2021 *in € thousand*	**Current**	**0-30 days**	**31-60 days**	**61-90 days**	**>90 days**	**Total**
Expected loss rate	0%	0%	4%	8%	61%	
Gross carrying amount – trade receivables	32,278	7,795	1,422	922	11,739	**54,156**
Impairment provision	–	**(31)**	**(52)**	**(73)**	**(7,126)**	**(7,282)**

The maturity profile of the Financial assets at fair value through profit or loss is disclosed below:

30 June 2022 *in € thousand*	**1–5 years**	**over 5 years**	**Total**
Financial assets at fair value through profit or loss	13,564	6,595	**20,159**

31 December 2021 *in € thousand*	**1–5 years**	**over 5 years**	**Total**
Financial assets at fair value through profit or loss	2,643	1,899	**4,542**

While cash and cash equivalents and loans granted to joint ventures are also subject to the impairment requirements of IFRS 9, the expected credit losses are immaterial.
For purposes of liquidity management, the Group has various deposit accounts and negotiated current account agreements with several banks. The arrangements in place result in an optimized mix between flexibility and reduced interest charges or best interest offered. The banks' credit ratings, as well as exposure per each bank are constantly monitored. At 30 June 2022, 96% of the Group's cash was held with investment-grade rated banks (31 December 2021: 96%), as detailed below:

Cash and cash equivalents	**30 June 2022**	**31 December 2021**
Held with banks as rated by Moody's		
A1	4%	4%
A2	47%	53%
A3	23%	3%
Aa3	5%	5%
Baa1	17%	14%
Baa2	–	2%
Baa3	–	15%
Held with not rated banks	4%	4%
TOTAL	**100%**	**100%**

4.2 Liquidity risk

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

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

30 June 2022 *in € thousand*	**under 3 months**	**3–12 months**	**1–5 years**	**over 5 years**	**Total undiscounted cash flows**	**Total carrying amount**
Bonds and bank loans (including estimated future interest)	45,913	38,239	1,321,637	1,137,371	**2,543,160**	**2,303,342**
Derivative financial liabilities at fair value through profit or loss	–	–	968	–	**968**	**968**
Borrowings from third parties short and long-term (including estimated future interest)	317	4,387	–	–	**4,704**	**4,390**
Trade and other payables (excluding tenant deposits and short-term borrowings from third parties)	22,616	90,463	–	–	**113,079**	**113,079**
Other long-term liabilities (excluding long -term borrowings from third parties)	–	–	26,170	7,140	**33,310**	**33,310**
Lease liabilities (including estimated future interest)	–	832	3,329	52,446	**56,607**	**33,066**
TOTAL	**68,846**	**133,921**	**1,352,104**	**1,196,957**	**2,751,828**	**2,488,155**

31 Dec 2021 *in € thousand*	**under 3 months**	**3–12 months**	**1–5 years**	**over 5 years**	**Total undiscounted cash flows**	**Total carrying amount**
Bonds and bank loans (including estimated future interest)	31,816	39,139	1,799,291	624,757	**2,495,003**	**2,292,825**
Derivative financial liabilities at fair value through profit or loss	–	–	3,211	–	**3,211**	**3,211**
Borrowings from third parties short and long-term (including estimated future interest)	317	4,965	1,044	5,396	**11,722**	**8,746**
Trade and other payables (excluding tenant deposits and short-term borrowings from third parties)	19,649	78,597	–	–	**98,246**	**98,246**
Other long-term liabilities (excluding long term borrowings from third parties)	–	–	22,410	7,844	**30,254**	**30,254**
Lease liabilities (including estimated future interest)	–	832	3,329	53,279	**57,440**	**33,611**
TOTAL	**51,782**	**123,533**	**1,829,285**	**691,276**	**2,695,876**	**2,466,893**

4.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or equity prices will affect the Group's fair value or future cash flows of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters, while optimising returns. The carrying value of financial assets and liabilities approximates their fair value, except for the carrying value of bonds, whose fair value is presented in Note 11.

4.3.1 Currency risk

Group's current assets and liabilities are exposed to foreign currency risk on purchases and receivables denominated in Romanian leu (RON), Polish zloty (PLN), Hungarian forint (HUF), Serbian dinar (RSD), Czech crown (CZK), Croatian kuna (HRK) and South African rand (ZAR). Cash inflows received in other currencies than Euro are converted to Euro using the spot rate available on the collection date. The amount converted to Euro is the net amount of cash inflow in a foreign currency and the estimated cash outflow in the same currency. The Group applies this policy to control its currency exposures in respect of monetary assets and liabilities denominated in currencies other than EUR. Sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the financial position date relative to the local currency of the respective Group entities, with all other variables such as interest rates held constant, are immaterial.

4.3.2 Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on loans, borrowings and cash balances held. Group policy is to hedge this risk through the use of derivative financial instruments. As at 30 June 2022 and 31 December 2021, the Group held interest rate instruments in the form of interest rate swaps and interest rate caps.

in € thousand	30 June 2022	31 December 2021
Bank loans	**301,170**	**304,586**
— Rate capped	187,912	191,520
— Rate swapped	115,616	115,873
Accrued interest on loans and deferred loan costs	(2,358)	(2,807)

Sensitivity analysis for interest bearing financial instruments

A change of 100 basis points (bps) in interest rates would have increased/(decreased) equity and profit for the year as shown below. Calculations are based on the cash and loans and borrowings balances outstanding at the respective balance sheet dates. Cash and loans and borrowings balances are subject to change over the year. This analysis assumes that all other variables, particularly foreign currency rates, remain constant. All sensitivity analysis calculations presented below are before tax.

The benchmark rate for the bank loans with an outstanding amount of €301,170 thousand as at 30 June 2022 (31 December 2021: €304,586 thousand) is Euribor 3 months; if this rate is less than zero, Euribor shall be deemed to be zero. There are no plans to discontinue Euribor.

Loans and borrowings with fixed or swapped interest rates are not affected by market changes in interest rates.

in € thousand	30 June 2022	31 December 2021
Loans to participants in the Share Purchase Scheme (including accrued interest)	4,318	4,510
Loans and borrowings (variable or capped rate)	(187,912)	(191,520)
TOTAL	**(183,594)**	**(187,010)**

30 June 2022 *in € thousand*	**Profit or loss 100bps increase**	**Profit or loss 100bps decrease**	**Equity 100bps increase**	**Equity 100bps Decrease**
Loans to participants in the Share Purchase Scheme (including accrued interest)	43	(43)	43	(43)
Loans and borrowings (variable or capped rate)*	(728)	_	(728)	_
TOTAL	**(685)**	**(43)**	**(685)**	**(43)**

**Calculation is based considering loans' specifics and the allocated hedges (CAPs) net of tax*

31 December 2021 *in € thousand*	**Profit or loss 100bps increase**	**Profit or loss 100bps decrease**	**Equity 100bps increase**	**Equity 100bps decrease**
Loans to participants in the Share Purchase Scheme (including accrued interest)	45	(45)	45	(45)
Loans and borrowings (variable or capped rate)*	(742)	_	(742)	_
TOTAL	**(697)**	**(45)**	**(697)**	**(45)**

**Calculation is based considering loans' specifics and the allocated hedges (CAPs) net of tax*

5. INVESTMENT PROPERTY IN USE

Movement in investment property in use *in € thousand*	**30 June 2022**	**31 December 2021**
Carrying value at beginning of year	**5,670,776**	**5,591,463**
Additions from asset deals	1,268	12,530
Transferred from Investment property under development (Note 6)	15,617	92,528
Fair value adjustments (Note 15)	61,505	30,306
Fair value adjustment of right-of-use asset (Note 15)	(543)	(251)
Investment property reclassified as held for sale (Note 10.1)	_	(55,800)
CARRYING VALUE	**5,748,623**	**5,670,776**

During H1 2022, the Group acquired supplementary units (asset deal) in Mammut Shopping Center (Budapest, Hungary), for a consideration paid of €1.3 million.

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

For the six-month period ended 30 June 2022 and for the year ended 31 December 2021, the Group commissioned independent appraisal reports on its investment property from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners, Colliers International and Jones Lang LaSalle, all of whom are members of the Royal Institution of Chartered Surveyors ("RICS"). Valuations are prepared in accordance with the RICS Valuation – Global Standards 2021 (the "Red Book") and ANEVAR Valuation Standards - 2022 Edition (for the Romanian properties) which incorporate the International Valuation Standards ("IVS").

All investment property in use is valued by the Income Method. For the six-month period ended 30 June 2022 and year ended 31 December 2021 respectively, the applied method used for all investment property in use was discounted cash flow ("DCF").

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

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

The Group provides all information necessary for the valuations, including detailed tenancy schedules, comprising information on occupied and vacant units, unit areas and numbers, lease commencement and expiry dates, break options and indexation clauses. All properties are inspected by representatives of external valuers once a year.

At 30 June 2022, the investment property in use had an EPRA vacancy rate of 3.4% (31 December 2021: 4.0%). 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. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between hierarchies' levels during the six months ended 30 June 2022.

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 2022 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	268– 23,093 (12,908*)	7.15% - 11.05% (8.60*)	5.30% - 9.00% (6.90*)
Office	Discounted cash flow	1,841 - 4,419 (3,742*)	8.50% - 8.75% (8.57*)	7.50% - 7.90% (7.79*)
Industrial	Discounted cash flow	581 – 1,607 (1,317*)	10.30% – 11.30% (11.02*)	8.50% – 9.50% (9.22*)

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

Information relating to fair value measurement using significant unobservable inputs (Level 3) as of 31 December 2021 is presented in the table below:

Segment	Valuation technique	Estimated market rental value (yearly amount in '000 €)	Discount rate (%)	Capitalisation rate for terminal value (%)
Retail^	Discounted cash flow	246 – 22,190 (12,702*)	7.00% – 11.00% (8.50*)	5.30% – 9.00% (6.90*)
Office	Discounted cash flow	1,840 – 4,419 (3,744*)	8.50% – 8.75% (8.57*)	7.50% – 7.90% (7.80*)
Industrial	Discounted cash flow	556 – 1,531 (1,261*)	10.00% – 11.00% (10.72*)	8.50% – 9.50% (9.22*)

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

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

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

Discount rate variance				
Country	**(50 bps)**	**(25 bps)**	**25 bps**	**50 bps**
Romania*	5.4%	2.6%	-2.5%	-4.9%
Poland	6.0%	2.9%	-2.7%	-5.4%
Croatia	5.9%	2.9%	-2.7%	-5.3%
Slovakia	7.1%	3.4%	-3.2%	-6.2%
Bulgaria	6.0%	2.9%	-2.8%	-5.4%
Serbia	5.7%	2.8%	-2.6%	-5.2%
Czech Republic	7.3%	3.5%	-3.3%	-6.4%
Lithuania	5.5%	2.7%	-2.6%	-5.0%
Hungary	6.7%	3.2%	-3.0%	-5.9%
TOTAL	**6.0%**	**2.9%**	**-2.7%**	**-5.3%**

** Excluding joint ventures*

Exit rate variance				
Country	**(50 bps)**	**(25 bps)**	**25 bps**	**50 bps**
Romania*	6.9%	3.3%	-3.1%	-6.1%
Poland	8.0%	3.8%	-3.6%	-6.9%
Croatia	6.7%	3.2%	-3.0%	-5.9%
Slovakia	7.9%	3.8%	-3.5%	-6.8%
Bulgaria	7.0%	3.4%	-3.2%	-6.2%
Serbia	6.5%	3.1%	-2.9%	-5.7%
Czech Republic	8.3%	4.0%	-3.7%	-7.1%
Lithuania	7.2%	3.5%	-3.2%	-6.3%
Hungary	8.5%	4.1%	-3.8%	-7.3%
TOTAL	**7.5%**	**3.6%**	**-3.4%**	**-6.5%**

** Excluding joint ventures*

6. INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in Investment property under development (*in € thousand*)	**30 June 2022**	**31 December 2021**
Carrying value at beginning of year	**170,900**	**210,935**
Additions from acquisition of land for development	17,171	–
Additions from construction in progress*	44,899	55,154
Fair value adjustments (Note 15)	(1,766)	4,110
Assets which became operational and were transferred to Investment property in use (Note 5)	(15,617)	(92,528)
Investment property under development reclassified as held for sale (Note 10.1)	(13,730)	(2,550)
Transfer to inventory property	–	(4,221)
CARRYING VALUE	**201,857**	**170,900**

** Included in additions are borrowing costs capitalized, which amount to €1,477 thousand for the six months ended 30 June 2022 (30 June 2021: €1,501 thousand) and which were calculated using an average annual interest rate of 2.4% (30 June 2021: 2.4%).*

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 2022 and for the year ended 31 December 2021, the Group commissioned independent reports from Cushman&Wakefield, Colliers

International and Jones Lang LaSalle, based on which the fair value of investment property was adjusted. Land included in Investment property under development is classified Level 3 on the fair value hierarchy as defined in IFRS 13.

The valuation technique is sales comparison or residual approach (in accordance with RICS Valuation Standards and ANEVAR Valuation Standards (for Romanian properties)). Land under sales comparison method was valued by the external appraisers using the recent transactions of similar land for development in the proximity of the subject property. The residual approach determines the residual land value by subtracting purchase and development cost from the expected gross development value of the project at completion. The construction works in the investment property under development are held at cost, and their carrying value is a reasonable approximation of their fair value. The methods have been consistently applied for the comparative period.

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

Investment property under development (*in € thousand)*	**30 June 2022**	**31 December 2021**
Land (at fair value)	151,043	147,843
Construction works (at cost)	50,814	23,057
TOTAL	**201,857**	**170,900**

7. GOODWILL

The Group recognised goodwill for the following business acquisitions:

in € thousand	**Segment**	**Balance at 30 June 2022**	**Balance at 31 December 2021**
Pitesti Retail Park	Retail	1,671	1,671
Internalisation of NEPI Investment Management	Corporate	5,882	5,882
Aupark Kosice Mall	Retail	5,189	5,189
Iris Titan Shopping Center	Retail	934	934
Forum Usti nad Labem	Retail	5	5,646
Shopping City Sibiu	Retail	9,850	9,850
Korzo Shopping Centrum	Retail	2,899	2,899
Aupark Shopping Center Piestany	Retail	1,585	1,585
Arena Centar and Retail Park	Retail	13,512	13,512

in € thousand	Segment	Balance at 30 June 2022	Balance at 31 December 2021
Energit	Retail	6,976	6,976
Paradise Center	Retail	9,311	9,311
Arena Mall	Retail	7,905	7,905
Galeria Mlyny	Retail	5,444	5,444
TOTAL		**76,804**	**76,804**

There were no movements of goodwill in the first six months of 2022 or in 2021.

According to the Group's accounting policies based on IFRS, goodwill is tested annually for impairment or whenever there is an indication that it may be impaired. The lowest level within the Group at which the goodwill is allocated and monitored for internal management purposes is the CGU, represented by each individual property. CGUs to which the goodwill has been allocated were tested for impairment by comparing their net asset value with the recoverable value, which is the higher of value in use and fair value less cost to sell.

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

All the goodwill summarised in the table above, with the exception of NEPI Investment Management and Energit, resulted from business combinations, as the difference between the deferred tax liability recognised in the balance sheet of the business acquired and the expected tax to be paid in case of a future disposal.

As a consequence, impairment tests performed on this type of goodwill at each reporting date consist in comparing it's carrying amount with the amounts expected to arise from deferred taxes payable, should a disposal occur.

As a result of this test as of 30 June 2022, no impairment arose in respect to the goodwill from recognition of deferred taxes at the date of the business combination (31 December 2021: nil)

Goodwill from management and energy trading companies

Goodwill arising at the level of management company, NEPI Investment Management, is monitored at the level of this subsidiary, which employs part of the Group's key management and charges management fees to property operating companies.

The recoverable amount of NEPI Investment Management and Energit is represented by their value in use, determined based on the DCF derived from the five-year financial budgets for these two entities approved by management. Cash flows beyond the five-year period were extrapolated using the estimated cash flow of year 5. The discount rate used was based on the weighted average cost of capital in the specific geography of the two entities.

As a result of this test at 31 December 2021, no impairment arose in connection with the above two entities. There were no impairment indications as at 30 June 2022.

8. TRADE AND OTHER RECEIVABLES

in € thousand	**30 June 2022**	**31 December 2021**
Tenant receivables	52,657	46,874
Prepaid property expenses	12,797	5,582
VAT receivable	6,718	5,804
Other receivables	4,512	2,490
Other prepaid fees	155	222
TOTAL	**76,839**	**60,972**

9. CASH AND CASH EQULIVALENTS

Cash and cash equivalents by currency *in € thousand*	**30 June 2022**	**31 Dec 2021**
EUR	357,600	418,751
RON	37,137	29,442
PLN	18,796	15,799
BGN	7,132	8,974
HUF	7,659	6,645
HRK	13,711	12,562
CZK	4,571	4,016
RSD	1,935	1,773
ZAR	877	572
USD	10	9
GBP	207	80

Cash and cash equivalents by currency *in € thousand*	**30 June 2022**	**31 Dec 2021**
TOTAL	**449,635**	**498,623**
Current accounts	349,460	378,401
Deposits	100,000	120,000
Petty cash and other values	175	222
TOTAL	**449,635**	**498,623**

10. ASSETS HELD FOR SALE

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

In June 2022, the Group entered into a non-binding letter of intent for the sale of INLOGIS VI, s.r.o., owner of a plot of land in municipality Košice – Staré Mesto, Slovakia. The prospective buyer is currently undertaking due diligence and the parties are negotiating the transaction documentation. The transaction is expected to be completed in Q4 2022.
Also, during H1 2022, the Group entered into a non-binding letter of intent for the sale of Nepi Project Three d.o.o., owner of a plot of land in Sabac, Serbia. The prospective buyer has completed its due diligence and the parties are negotiating the transaction documentation. The transaction is expected to be finalized in Q4 2022.

At 30 June 2022, the assets held for sale included the above mentioned two land plots and another two non-core properties located in Romania. The major classes of assets and liabilities of subsidiaries which are presented as held for sale at the end of the reporting period are as follows:

in € thousand	**30 June 2022**	**31 December 2021**
Non-current assets	**15,485**	**1,752**
Investment property at fair value	1,755	1,752
Investment property under development	13,730	_
Current assets	**115**	_
Trade and other receivables	15	_
Cash and cash equivalents	100	_
Assets held for sale	**15,600**	**1,752**
Non-current liabilities	**1,591**	_

in € thousand	30 June 2022	31 December 2021
Deferred tax liabilities	1,591	–
Current liabilities	**73**	–
Liabilities held for sale	**1,664**	–
Net assets held for sale	**13,936**	**1,752**

10.1 INVESTMENT PROPERTY HELD FOR SALE

in € thousand	30 June 2022	31 December 2021
Carrying value at beginning of year	**1,752**	**1,752**
Transfer from investment property in use (Note 5)	–	55,800
Transfer from investment property under development (Note 6)	13,730	2,550
Fair value adjustments (Note 15)	3	485
Disposals	–	(58,835)
CARRYING VALUE	**15,485**	**1,752**

11. BORROWINGS (BONDS AND BANK LOANS)

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

In the first half of 2022, NEPI Rockcastle extended the contractual maturities related to its unsecured committed revolving credit facilities, as follows:
- the revolving credit facility from BRD-Groupe Société Générale and Garanti Bank was extended for one year, until July 2025, with the maximum principal available maintained at €170 million;
- the revolving credit facility from ING Bank was extended for one year, until July 2025, with the maximum principal available maintained at €100 million.

The above mentioned committed revolving credit facilities together with the revolving credit facility of a maximum limit of €150 million with Raiffeisen Bank International and the revolving credit facility from a four-bank syndicate of a maximum limit of €200 million amount to a total of €620 million available unsecured committed revolving credit facilities, undrawn as at 30 June 2022 (31 December 2021: €620 million).

In January 2022, the Group issued its second green €500 million unsecured 8-year Eurobond bond, carrying a 2% fixed coupon, with an issue price of 98.713%. The bond issue was used for liability management, to repay €500 million bond maturing in 2023. The repurchase of 2023 bond was made at market price in January and February 2022, with the premium paid over its carrying value of €22 million, recognised in the Statement of comprehensive income.

The average interest rate of the Group's debt, including hedging costs, was approximately 2.4% during the first half of 2022 (30 June 2021: 2.4%). At 30 June 2022, fixed-coupon bonds represented 87% of NEPI Rockcastle's outstanding debt; of the remaining long-term debt exposed to Euribor, 62% was hedged with interest rate caps and 38% 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, which are traded on the Irish stock exchange. For reference, at 30 June 2022, the €499 million bonds issued in November 2017 were trading on the market at 93.15% (31 December 2021: 102.81%), the €500 million bonds issued in October 2019 were trading on the market at 84.06% (31 December 2021: 102.59%), the €500 million bonds issued in July 2020 were trading on the market at 86.44% (31 December 2021: 110.65%) and the €500 million bonds issued in January 2022 were trading on the market at 71.40% (31 December 2021: n/a). However, the fair value of bonds presented above might not be relevant, as the liability towards bond holders would not vary in line with the market price of its listed notes.

The repayment profile for outstanding loans, excluding future interest, is detailed below. In addition to these loans, the Group has loans and borrowings related to its joint ventures presented in Note 17.

Interest bearing borrowings 30 June 2022 *in € thousand*	**Type**	**Payable in less than 1 year**	**Payable in 1-5 years**	**Payable over 5 years**	**Total**
Netherlands	Unsecured fixed coupon bonds	–	998,980	1,000,000	**1,998,980**
Netherlands	Unsecured loan	–	–	73,521	**73,521**
Poland	Secured loans	1,140	74,860	–	**76,000**
Slovakia	Secured loans	7,216	69,349	37,826	**114,391**
Czech Republic	Secured loans	615	39,001	–	**39,616**
Accrued interest on loans and deferred loan costs		(724)	(1,634)	–	**(2,358)**
Accrued interest on bonds		32,659	–	–	**32,659**
Deferred bond costs		(2,504)	(8,296)	(1,528)	**(12,328)**
Issue discount on bonds		(3,636)	(11,517)	(1,986)	**(17,139)**
Total		**34,766**	**1,160,743**	**1,107,833**	**2,303,342**

Interest bearing borrowings 31 December 2021 *in € thousand*	**Type**	**Payable in less than 1 year**	**Payable in 1-5 years**	**Payable over 5 years**	**Total**
Netherlands	Unsecured fixed coupon bonds	–	1,495,000	500,000	**1,995,000**
Netherlands	Unsecured loan	–	–	73,521	**73,521**
Poland	Secured loans	380	75,620	–	**76,000**
Slovakia	Secured loans	7,216	71,607	39,176	**117,999**
Czech Republic	Secured loans	564	39,309	–	**39,873**
Accrued interest on loans and deferred loan costs		(729)	(2,078)	–	**(2,807)**
Accrued coupon on bonds		18,856	–	–	**18,856**
Deferred bond costs		(2,772)	(6,846)	(430)	**(10,048)**
Issue discount on bonds		(5,036)	(9,909)	(624)	**(15,569)**
Total		**18,479**	**1,662,703**	**611,643**	**2,292,825**

Bonds and bank loans reconciliation

This section sets out an analysis of bonds and bank loans outstanding and the related movements for the periods presented.

in € thousand	**Bank loans**	**Bonds**	**Total***
Debt as at 31 December 2021	**304,586**	**1,988,239**	**2,292,825**
Cash repayments of principal	(3,864)	(496,020)*	**(499,884)**
Cash proceeds from bank loans and bonds	–	493,566	**493,566**
Cash payments of interest on bank loans or coupon on bonds	(2,843)	(9,042)	**(11,885)**
Interest expense	2,839	22,846	**25,685**
Amortisation of capitalised borrowing costs	452	1,333	**1,785**
Amortisation of bond discount	–	1,981	**1,981**
Additional capitalised borrowing costs in the period	–	(4,674)	**(4,674)**
Costs released following bonds buy-back prior maturity	–	3,943*	**3,943**
Debt as at 30 June 2022	**301,170**	**2,002,172**	**2,303,342**

**The carrying value of the repurchased bond in January and February 2022 was of €492,078 thousand, consisting of its nominal value of €496,020 together with unamortised discount and capitalized borrowing costs of €3,943.*

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

**The tables above do not contain interest bearing loans from third parties, nil as at 30 June 2022 (30 June 2021: €8,654 thousand) (included in Other long-term liabilities in Note 12), and the associated finance cost. The above finance costs as at 30 June 2022 do not include interest capitalized on developments of €1,477 thousand (refer to Note 6) (€1,501 thousand as at 30 June 2021) and interest on lease liabilities related to the right of use assets of €287 thousand (€288 thousand as at 30 June 2021).*

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 2022), 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 130%; and
- Loan to value ratio of a maximum between 60% and 70%.

Unsecured green term loan

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

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

The loan is linked to the ESG performance of the Group through the sustainability rating provided by Sustainalytics.

Unsecured committed revolving facilities

At 30 June 2022, there were €620 million revolving facilities available for drawdown.

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

All available revolving credit facilities are linked to the ESG performance of the Group through the sustainability rating provided by Sustainalytics.

Unsecured fixed coupon bonds

The Group successfully issued fixed coupon bonds as follows:
- November 2017: €500 million of unsecured, 7-year Eurobonds. The bonds mature on 23 November 2024 and carry a 1.75% fixed coupon, with an issue price of 99.051%.
- October 2019: €500 million of unsecured, 7-year Eurobonds. The bonds mature on 9 October 2026 and carry a 1.875% fixed coupon, with an issue price of 98.927%.
- July 2020: €500 million of unsecured, 7-year Eurobonds. The bonds mature on 14 July 2027 and carry a 3.375% fixed coupon, with an issue price of 98.172%.
- January 2022: €500 million of unsecured, 8-year Eurobonds. The bonds mature on 21 January 2030 and carry a 2.00% fixed coupon, with an issue price of 98.713%.

All the bonds include early a redemption option which are assessed as being closely related to the bond and thus not separately valued.

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

NEPI Rockcastle has complied with all financial covenants of its borrowing facilities during the six -month period ended 30 June 2022 and 2021. The ratios calculated for all unsecured loans and bonds showed ample headroom compared to the covenants:

- Solvency Ratio: 38% (31 December 2021: 39%);
- Consolidated Coverage Ratio: 4.78 (31 December 2021: 4.06); and
- Unsecured Ratio: 265% (31 December 2021: 263%).

12. OTHER LONG-TERM LIABILITIES AND LEASE LIABILITIES

in € thousand	**30 June 2022**	**31 December 2021**
Borrowings from third parties – long term*	–	4,358
Tenant security deposits	30,146	29,034
Other long-term payables	3,164	1,220
TOTAL	**33,310**	**34,612**

Reconciliation of lease liabilities

in € thousand	**30 June 2022**	**31 December 2021**
Carrying value of the lease liabilities	**33,611**	**33,862**
Out of which short term	832	832
Interest expense	287	581
Lease liability payment	(832)	(832)
Lease liabilities	**33,066**	**33,611**
Out of which short term	**832**	**832**

***Reconciliation of borrowings from third parties**

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

in € thousand	**Borrowings from third parties**
Borrowings as at 31 December 2021	**8,746**
Out of which short term	**4,388**
Cash repayments of principal	(4,356)
Cash payments of interest	(316)
Interest expense	316
Borrowings as at 30 June 2022	**4,390**
Out of which short term	**4,390**

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

13. NET RENTAL AND RELATED INCOME

in € thousand	30 June 2022	30 June 2021
Gross rental income	204,197	173,887
Service charge income	99,460	72,508
Gross rental and service charge income	**303,657**	**246,395**
Property management, tax, insurance, and utilities	(68,767)	(42,588)
Property maintenance cost	(40,617)	(33,381)
Net expected credit losses	(60)	(117)
Property operating expenses	**(109,444)**	**(76,086)**
Partial forgiveness of receivables (Covid-19 forgiveness)	2,090	(15,390)
TOTAL NET RENTAL AND RELATED INCOME	**196,303**	**154,919**

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

in € thousand	30 June 2022	30 June 2021
Utility expenses^	(48,723)	(23,606)
Property related taxes	(11,829)	(11,609)
Property management fees	(7,224)	(6,464)
Property insurance expenses	(991)	(909)
Property management fees, tax, insurance, and utilities	**(68,767)**	**(42,588)**

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

Property maintenance costs presented above comprises of:

in € thousand	**30 June 2022**	**30 June 2021**
Cleaning and security	(17,509)	(14,166)
Maintenance and repairs	(11,002)	(8,292)
Marketing	(6,696)	(5,008)
Services and related costs	(1,269)	(1,471)
Other	(4,141)	(4,444)
Property maintenance cost	**(40,617)**	**(33,381)**

14. ADMINISTRATIVE EXPENSES

in € thousand	**30 June 2022**	**30 June 2021**
Staff costs	(5,618)	(3,375)
Directors' remuneration	(1,770)	(1,120)
Advisory services	(3,132)	(1,115)
Audit services	(911)	(592)
Companies' administration	(1,849)	(666)
Travel and accommodation	(405)	(104)
Stock exchange expenses	(209)	(192)
Share based payment expense	(1,409)	(1,788)
Depreciation and amortisation	(698)	(407)
TOTAL	**(16,001)**	**(9,359)**

During H1 2022, the Group's administrative expenses increased by €6.6 million (71%) relative to H1 2021, driven mainly by higher staff costs (€2.2 million), advisory services (€2 million) and companies administration expenses (€1.2 million).

Staff costs
The staff costs of the period have been revised and adjusted for inflation, increases in minimum and average wages in CEE, in order for the Company to remain competitive in the market. Moreover, for better managing the business, the Company strengthened its internal Group's organisational structure, in the area of environmental, social and corporate governance (ESG) function and the newly created procurement function. As a result of the relocation to Netherlands, the Company terminated its labour relationship with its employees in the Isle of Man.

From Q4 2021, the Company embarked on a partial internalisation of property management and selected accounting activities in countries such as Poland, Lithuania, Czech Republic and Hungary, leading to an increase in the staff costs for the period of €320 thousand. These expenses overcompensated for the fees with third parties included in the Net Operating Income. The full internalisation of property management activities and accounting in the above-mentioned countries is planned to be completed by mid- 2024, with envisaged improvement of the overall group performance.

Advisory services
The Group incurred advisory fees of €2 million with companies which are related parties of former management.

Relocation costs
During the period, the relocation of the parent company from the Isle of Man to Netherlands via Luxembourg as stepping stone was approved by shareholders, with the majority of the implementation already in place. The relocation costs for the period amounted to €1.2 million (included in the Companies' administration).

15. FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

in € thousand	30 June 2022	30 June 2021
Fair value adjustments of investment property in use (Note 5)	61,505	26,988
Fair value adjustments of investment property under development (Note 6)	(1,766)	(1,768)
Fair value adjustments of investment property held for sale (Note 10.1)	3	513
Fair value adjustments of right-of-use asset (Note 5)	(543)	(280)
TOTAL	**59,199**	**25,453**

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

The fair value adjustments of derivatives include the fair value gain of €21,792 thousand (30 June 2021: €2,306 thousand) from existing interest rate caps and swaps. These include a fair value gain of €4.1 million from pre-hedging €250 million of the bond issued in January 2022.

Losses on extinguishment of financial instruments include the premium paid on repurchase of bond notes due in 2023 of €21,925 thousand (refer to Note 11).

17. JOINT VENTURES

The Group has an investment of 50% together with it's joint venture partner, Carrefour Romania S.A., in Ploiesti Shopping City, a shopping centre located in Ploiesti, Romania. The summarized interim condensed financial statements of the joint ventures is presented below at 100%. The "Investments in joint ventures" line on the interim condensed consolidated statement of financial position represents 50% of the line "Equity attributable to equity holders" shown below and the "Share of profit of joint ventures" line on the Interim Condensed Consolidated Statement of comprehensive income represents 50% of the line "Profit for the period attributable to equity holders" presented below.

Interim condensed statement of financial position

in € thousand	Ploiesti Shopping City 30 June 2022	Ploiesti Shopping City 31 December 2021
Non-current assets	112,621	109,130
Current assets	18,658	16,439
TOTAL ASSETS	**131,279**	**125,569**
Non-current liabilities	(74,718)	(74,548)
Current liabilities	(3,678)	(3,703)
TOTAL LIABILITIES	**(78,396)**	**(78,251)**
Equity attributable to equity holders	**(52,882)**	**(47,318)**
TOTAL EQUITY AND LIABILITIES	**(131,278)**	**(125,569)**
INVESTMENT IN JOINT VENTURES (50% OF THE EQUITY ATTRIBUTABLE TO EQUITY HOLDERS)	**26,441**	**23,659**

Interim condensed statement of comprehensive income

in € thousand	30 June 2022	30 June 2021
Revenue from rent and recoveries	6,477	5,864
Property operating expenses	(2,034)	(2,258)
Partial forgiveness of receivables (Covid-19 forgiveness)	53	(190)
Administrative expenses	(138)	(185)
Fair value adjustment investment property	3,265	565
Foreign exchange loss	(49)	(14)
Profit before net finance costs and other items	**7,574**	**3,782**
Finance income	54	2
Finance costs	(1,876)	(1,857)

in € thousand	**30 June 2022**	**30 June 2021**
Bank charges, commissions, and fees	_	(4)
Fair value adjustments of derivatives	649	289
Profit before tax	**6,401**	**2,212**
Income tax expense	(839)	(516)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS	**5,562**	**1,696**
Share of profit of joint venture (50% of the profit of the period)	**2,781**	**848**

Shareholder loans to Ploiesti Shopping City were granted by NE Property B.V. Finance income from joint ventures in the first half of year 2022 amounted to €663 thousand (30 June 2021: €639 thousand).

in € thousand	**30 June 2022**	**31 December 2021**
Long-term loans granted to joint ventures	23,128	22,466

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

in € thousand	**30 June 2022**	**31 December 2021**
Cash and cash equivalents	15,273	13,297
Bank loans (non-current liabilities)	(16,272)	(17,316)
Bank loans (current liabilities)	(2,139)	(2,144)

Secured term loans

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

Securities

— General security over the property (weighted fair value as at 30 June 2022), 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%.

18. 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 2022 *(in € thousand)*	**Retail**	**Office**	**Industrial**	**Residential**	**Corporate**	**Total**
Gross rental income	200,497	2,722	978	–	–	204,197
Service charge income	98,162	1,115	183	–	–	99,460
Property operating expenses	(108,132)	(1,102)	(210)	–	–	(109,444)
Partial forgiveness of receivables (Covid-19 forgiveness)	2,090	–	–	–	–	2,090
Net rental and related income	**192,617**	**2,735**	**951**	–	–	**196,303**
Administrative expenses	(7,027)	(156)	(33)	(40)	(8,745)	(16,001)
EBIT*	**185,590**	**2,579**	**918**	**(40)**	**(8,745)**	**180,302**
Fair value adjustments of investment property	58,820	43	336	–	–	59,199
Foreign exchange gain/(loss)	(192)	(1)	4	3	22	(164)
Profit /(Loss) before net finance costs and other items	**244,218**	**2,621**	**1,258**	**(37)**	**(8,723)**	**239,337**
Finance income	1,129	3	15	5	63	1,215
Finance costs	(1,459)	–	–	–	(27,170)	(28,629)
Bank charges, commissions, and fees	(311)	(5)	(1)	–	(2,298)	(2,615)
Fair value adjustments of derivatives	4,505	–	–	–	17,287	21,792
Losses on extinguishment of financial instruments	–	–	–	–	(21,925)	(21,925)
Share of profit of Joint	2,781	–	–	–	–	2,781
Profit/(Loss) before tax	**250,863**	**2,619**	**1,272**	**(32)**	**(42,766)**	**211,956**

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

Segment results 30 June 2021 *(in € thousand)*	**Retail**	**Office**	**Industrial**	**Corporate**	**Total**
Gross rental income	170,315	2,696	876	–	173,887
Service charge income	71,352	962	194	–	72,508
Property operating expenses	(74,929)	(898)	(259)	–	(76,086)
Partial forgiveness of receivables (Covid-19 forgiveness)	(15,383)	(7)	–	–	(15,390)
Net rental and related income	**151,355**	**2,753**	**811**	–	**154,919**
Administrative expenses	(5,683)	–	(26)	(3,650)	(9,359)
EBIT*	**145,672**	**2,753**	**785**	**(3,650)**	**145,560**
Fair value adjustments of investment property	27,521	(2,593)	525	–	25,453
Foreign exchange gain/(loss)	(523)	(7)	(32)	177	(385)
Profit /(Loss) before net finance costs and other items	**172,670**	**153**	**1,278**	**(3,473)**	**170,628**
Finance income	642	–	–	60	702
Finance costs	(3,986)	–	–	(28,046)	(32,032)
Bank charges, commissions, and fees	(258)	(8)	(1)	(2,155)	(2,422)
Fair value adjustments of derivatives	1,297	–	–	1,009	2,306
Share of profit of Joint Ventures	848	–	–	–	848
Profit/(Loss) before tax	**171,213**	**145**	**1,277**	**(32,605)**	**140,030**

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

Segment assets and liabilities 30 June 2022 *(in € thousand)*	**Retail**	**Office**	**Industrial**	**Residential**	**Corporate**	**Total**
SEGMENT ASSETS						
Non-current assets	**6,001,565**	**72,226**	**18,358**	**10**	**60,718**	**6,152,877**
Investment property	5,861,326	70,800	18,354	–	–	5,950,480
—Investment property in use	5,659,469	70,800	18,354	–	–	5,748,623
—Investment property under	201,857	–	–	–	–	201,857
Goodwill	70,922	–	–	–	5,882	76,804
Deferred tax assets	13,685	1,408	–	–	30,877	45,970
Investments in joint ventures	26,441	–	–	–	–	26,441
Long-term loans granted to	23,128	–	–	–	–	23,128
Other long-term assets	3,659	18	4	10	6,204	9,895

Segment assets and liabilities 30 June 2022 *(in € thousand)*	**Retail**	**Office**	**Industrial**	**Residential**	**Corporate**	**Total**
Derivative financial assets at fair value through profit or loss	2,404	–	–	–	17,755	20,159
Current assets	**235,033**	**3,218**	**1,724**	**16,474**	**283,491**	**539,940**
Trade and other receivables	69,375	1,094	167	2,697	3,506	76,839
Inventories residential	–	–	–	13,466	–	13,466
Cash and cash equivalents	165,658	2,124	1,557	311	279,985	449,635
Assets held for sale	**14,980**	**620**	–	–	–	**15,600**
TOTAL ASSETS	**6,251,578**	**76,064**	**20,082**	**16,484**	**344,209**	**6,708,417**

Segment assets and liabilities 30 June 2022 *(in € thousand)*	**Retail**	**Office**	**Industrial**	**Residential**	**Corporate**	**Total**
SEGMENT LIABILITIES						
Non-current liabilities	**677,194**	**1,966**	**1,927**	**2,161**	**2,047,915**	**2,731,163**
Bank loans	220,661	–	–	–	72,262	292,923
Bonds	–	–	–	–	1,975,653	1,975,653
Deferred tax liabilities	393,281	1,207	1,587	–	–	396,075
Lease liabilities	32,234	–	–	–	–	32,234
Other long-term liabilities	30,050	759	340	2,161	–	33,310
Derivative financial liabilities at fair value through profit or loss	968	–	–	–	–	968
Current liabilities	**121,515**	**810**	**270**	**22**	**70,179**	**192,796**
Trade and other payables	112,436	810	270	22	6,356	119,894
Provisions for litigations	–	–	–	–	37,304	37,304
Bank loans	8,247	–	–	–	–	8,247
Bonds	–	–	–	–	26,519	26,519
Lease liabilities	832	–	–	–	–	832
Liabilities held for sale	**1,664**	–	–	–	–	**1,664**
TOTAL LIABILITIES	**800,373**	**2,776**	**2,197**	**2,183**	**2,118,094**	**2,925,623**

Segment assets and liabilities 31 December 2021 *(in € thousand)*	Retail	Office	Industrial	Residential	Corporate	Total
SEGMENT ASSETS						
Non-current assets	**5,889,465**	**72,168**	**17,985**	–	**47,653**	**6,027,271**
Investment property	5,752,991	70,700	17,985	–	–	5,841,676
— Investment property in use	5,582,091	70,700	17,985	–	–	5,670,776
— Investment property under development	170,900	–	–	–	–	170,900
Goodwill	70,922	–	–	–	5,882	76,804
Deferred tax assets	16,335	1,457	–	–	30,877	48,669
Investments in joint ventures	23,659	–	–	–	–	23,659
Long-term loans granted to joint ventures	22,466	–	–	–	–	22,466
Other long-term assets	3,092	11	–	–	6,352	9,455
Derivative financial assets at fair value through profit or loss	–	–	–	–	4,542	4,542
Current assets	**228,760**	**2,555**	**1,600**	**10,868**	**325,334**	**569,117**
Trade and other receivables	56,858	782	101	1,109	2,122	60,972
Inventory property	–	–	–	9,522	–	9,522
Cash and cash equivalents	171,902	1,773	1,499	237	323,212	498,623
Assets held for sale	**1,138**	**614**	–	–	–	**1,752**
TOTAL ASSETS	**6,119,363**	**75,337**	**19,585**	**10,868**	**372,987**	**6,598,140**

Segment assets and liabilities 31 December 2021 *(in € thousand)*	Retail	Office	Industrial	Residential	Corporate	Total
SEGMENT LIABILITIES						
Non-current liabilities	**663,259**	**1,847**	**1,748**	**217**	**2,049,243**	**2,716,314**
Bank loans	225,247	–	–	–	71,908	297,155
Bonds	–	–	–	–	1,977,191	1,977,191
Deferred tax liabilities	368,832	1,097	1,437	–	–	371,366
Lease liabilities	32,779	–	–	–	–	32,779
Other long-term liabilities	33,332	750	311	217	2	34,612
Derivative financial liabilities at fair value through profit or loss	3,069	–	–	–	142	3,211
Current liabilities	**100,313**	**859**	**253**	**32**	**60,127**	**161,584**
Trade and other payables	92,050	859	253	32	11,775	104,969
Provisions for litigations	-	–	–	–	37,304	37,304
Bank loans	7,431	–	–	–	–	7,431
Bonds	–	–	–	–	11,048	11,048
Lease liabilities	832	–	–	–	–	832
TOTAL LIABILITIES	**763,572**	**2,706**	**2,001**	**249**	**2,109,370**	**2,877,898**

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

Country results *(in € thousand)*	Net rental and related income (30 June 2022)	Profit/(Loss) before tax (30 June 2022)	Investment property (30 June 2022)
Romania**	74,588	132,254	2,185,646
Poland	38,131	21,467	1,419,269
Bulgaria	19,521	30,086	504,772
Hungary	18,946	17,193	591,900
Slovakia**	18,313	14,831	517,973
Croatia	10,403	17,868	271,590
Serbia**	5,742	9,616	136,500
Czech Republic	5,524	7,945	176,400
Lithuania	5,135	6,979	146,430
Corporate*	–	(46,283)	–
Total	**196,303**	**211,956**	**5,950,480**

**The Corporate segment represents head office and administrative offices.*
***Investment property in Romania, Serbia and Slovakia excludes held for sale portfolio.*

Country results *in € thousand*	Net rental and related income (30 June 2021)	Profit/(Loss) before tax (30 June 2021)	Investment property (31 December 2021)
Romania**	68,272	79,853	2,081,853
Poland	20,124	15,882	1,426,810
Hungary	14,683	12,149	590,200
Slovakia	13,778	15,782	531,485
Bulgaria	12,844	18,599	493,765
Croatia	9,322	10,314	264,190
Serbia	7,466	9,035	134,778
Lithuania	4,578	6,632	144,095
Czech Republic	3,852	6,211	174,500
United Kingdom	–	(21)	–
Corporate*	–	(34,406)	–
Total	**154,919**	**140,030**	**5,841,676**

**The Corporate segment represents head office and administrative offices.*
***Investment property in Romania excludes held for sale portfolio.*

RECONCILIATION OF PROFIT FOR THE PERIOD TO DISTRIBUTABLE EARNINGS

in € thousand	30 June 2022	30 June 2021
Profit per IFRS Statement of comprehensive income attributable to equity holders	**171,031**	**121,569**
Accounting specific adjustments	**(31,973)**	**(14,160)**
Fair value adjustments of investment property for controlled subsidiaries	(59,199)	(25,453)
Depreciation in relation to property, plant, and intangible assets of an administrative nature	698	403
Fair value adjustments of derivatives	(21,792)	(2,306)
Losses on extinguishment of financial instruments	21,925	–
Amortisation of financial assets	(975)	(181)
Deferred tax expense for controlled subsidiaries	28,999	13,675
Adjustments related to joint ventures:	**(1,636)**	**(282)**
Fair value adjustment of investment property for joint ventures	(1,632)	(283)
Fair value adjustments of derivatives	(325)	(144)
Deferred tax expense for joint ventures	321	145
Adjustments related to non-controlling interest:	**7**	**(16)**
Fair value adjustment of investment property for non-controlling interest	–	(24)
Deferred tax income for non-controlling interest	7	8
Antecedent earnings	–	–
Distributable earnings	**139,058**	**107,409**
Number of shares outstanding at end of period	608,994,907	608,994,907
Distributable earnings per share (euro cents)	**22.83**	**17.64**
Distribution declared	–	**107,409**
Distribution declared per share (euro cents)	–	**17.64**
Earnings not distributed*	**139,058**	–
Earnings not distributed per share (euro cents)*	**22.83**	–
Number of shares entitled to distribution	608,994,907	608,994,907

** The Board of Directors noted the distributable earnings per share for the period of 22.83 euro cents. NEPI Rockcastle's strong liquidity position supports a pay-out ratio of 100% of distributable earnings and the Board of Directors will consider the declaration of a dividend for H1 2022, following completion of the relocation to the Netherlands (estimated to occur on, or around, 6 September 2022). A further announcement in respect of any dividend declaration will be released in due course.*

19. CASH FLOW FROM OPERATIONS

€ thousand	Note	30 June 2022	30 June 2021
OPERATING ACTIVITIES			
Profit after tax		171,137	121,613
Adjustments		**12,644**	**25,198**
Fair value adjustments of investment property	15	(59,199)	(25,453)
Foreign exchange loss		164	385
Net finance costs		30,029	33,752
Fair value adjustments of derivatives	16	(21,792)	(2,306)
Losses on extinguishment of financial instruments	16	21,925	–
Deferred tax expense		28,999	13,675
Current tax expense		11,820	4,742
Depreciation expense for property, plant, and equipment		698	403
Changes in working capital		**(15,521)**	**(17,179)**
Increase in trade and other receivables		(14,931)	(9,645)
Decrease/ (increase) in trade and other payables		3,354	(7,534)
(Increase) in Inventory property		(3,944)	–
Cash flow from operations		**168,260**	**129,632**

20. CONTINGENT ASSETS AND LIABILITIES

At 30 June 2022, the Group had received letters of guarantee from tenants worth €107,216 thousand (31 December 2021: €107,078 thousand) and from suppliers worth €39,883 thousand (31 December 2021: €16,531 thousand) related to ongoing developments.

The Group estimates to invest in second half (H2) of 2022 approximately €110-115 million in development and capital expenditure, out of which only a portion is already contracted at reporting date.

After the Arbitral Tribunal decision in relation to the termination of the transaction with Serenada and Krokus Shopping Centres in Poland ("Serenada litigation"), the Board decided to apply for the set-aside procedure in the Polish Court. The set aside procedure is an ongoing process and it is expected to be finalized in the next 12-18 months.

No amounts have been paid out in relation to the provision presented on the Statement of financial position. As a result, the Group may incur additional interest during the set-aside period, computed in accordance with the Polish law (at the Polish notional interest rate).

21. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Directors are not aware of any other subsequent events from 30 June 2022 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.

OTHER INFORMATION

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

APPENDIX 1 OTHER PERFORMANCE MEASURES

HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the six-month period ended 30 June 2022 was based on headline earnings of €118,983 thousand (six-month period ended 30 June 2021: €100,049 thousand) and the weighted average of 608,994,907 ordinary shares in issue during the six-month period ended 30 June 2022 (six-month period ended 30 June 2021: 608,994,907).

Reconciliation of profit for the period to headline earnings (in € thousand)	30 June 2022	30 June 2021
Profit for the period attributable to equity holders	**171,031**	**121,569**
Fair value adjustments of investment property (Note 15)	(59,199)	(25,453)
Tax effects of adjustments for controlled subsidiaries	8,522	4,171
Fair value adjustment of investment property for joint ventures	(1,632)	(283)
Tax effects of adjustments for joint ventures	261	45
HEADLINE EARNINGS	**118,983**	**100,049**
Weighted average number of shares in issue	608,994,907	608,994,907
Diluted weighted average number of shares in issue	608,994,907	608,994,907
Headline earnings per share (euro cents)	19.54	16.43
Diluted headline earnings per share (euro cents)	19.54	16.43

EPRA PERFORMANCE MEASURES

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

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

EPRA indicators	30 June 2022	31 December 2021	30 June 2021
EPRA Earnings (€ thousand)	139,335	210,159	107,187
EPRA Earnings per share (€ cents per share)	22.88	34.51	17.60
EPRA Net Initial Yield ('NIY')	6.70%	6.75%	6.75%
EPRA topped-up NIY	6.75%	6.79%	6.78%
EPRA vacancy rate	3.40%	4.00%	4.40%
EPRA Net Reinstatement Value ('NRV') (€ per share)	6.64	6.51	6.50
EPRA Net Tangible Assets ('NTA') (€ per share)	6.61	6.48	6.47
EPRA Net Disposal Value ('NDV') (€ per share)	6.38	5.82	5.78
EPRA Cost ratio (including direct vacancy cost)	12.5%	8.3%	8.6%
EPRA Cost ratio (excluding direct vacancy cost)	12.3%	8.2%	8.5%
EPRA loan-to-value (LTV)	31.7%	–	–

EPRA Earnings

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

EPRA Earnings	30 June 2022	31 December 2021	30 June 2021
Earnings in IFRS Consolidated Statement of comprehensive income	**171,031**	**235,004**	**121,569**
Fair value adjustments of investment property for controlled subsidiaries	(59,199)	(34,650)	(25,453)
Profit on disposal of assets held for sale	–	(1,995)	–
Fair value adjustments of derivatives and losses of extinguishment of financial instruments	133	(5,174)	(2,306)
Deferred tax expense/(income) for controlled subsidiaries	28,999	16,643	13,675
Adjustments related to joint ventures	(1,636)	502	(282)
Adjustments related to non-controlling interest	7	(171)	(16)

EPRA Earnings	30 June 2022	31 December 2021	30 June 2021
EPRA Earnings (interim)	**139,335**	**107,187**	**107,187**
EPRA Earnings (final)	_	**102,972**	_
EPRA Earnings (total)	**139,335**	**210,159**	**107,187**
Number of shares for interim distribution	608,994,907	608,994,907	608,994,907
Number of shares for final distribution	_	608,994,907	_
EPRA Earnings per Share (EPS interim)	**22.88**	**17.60**	**17.60**
EPRA Earnings per Share (EPS final)	_	**16.91**	_
EPRA Earnings per Share (EPS)*	**22.88**	**34.51**	**17.60**
Company specific adjustments:			
Amortisation of financial assets	(975)	(1,189)	(181)
Depreciation expense for property, plant, and equipment of an administrative nature	698	643	403
Distributable Earnings (interim)	**139,058**	**107,409**	**107,409**
Distributable Earnings (final)	_	**102,204**	_
Distributable Earnings (total)	**139,058**	**209,613**	**107,409**
Distributable Earnings per Share (interim) (euro cents)	**22.83**	**17.64**	**17.64**
Distributable Earnings per Share (final) (euro cents)	_	**16.78**	_
Distributable Earnings per Share (total) (euro cents)	**22.83**	**34.42**	**17.64**

**Adjusted for interim and final number of shares.*

EPRA Net Asset Value metrics

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

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

EPRA Net Reinstatement Value

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

EPRA Net Tangible Assets

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

EPRA Net Disposal Value

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

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

EPRA Net Asset Values as of 30 June 2022

	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	**3,782,794**	**3,782,794**	**3,782,794**
Exclude:			
Net deferred tax liabilities	357,563	339,685	–
Derivative financial liabilities at fair value through profit or loss	(19,116)	(19,116)	–
Goodwill	(76,804)	(76,804)	(76,804)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	–	–	176,688

	EPRA NRV	EPRA NTA	EPRA NDV
NAV	**4,044,437**	**4,026,559**	**3,882,678**
Number of shares	608,994,907	608,994,907	608,994,907
NAV per share	**6.64**	**6.61**	**6.38**

EPRA Net Asset Values as of 31 December 2021

	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	**3,714,922**	**3,714,922**	**3,714,922**
Exclude:			
Net deferred tax liabilities	328,244	311,832	–
Derivative financial liabilities at fair value through profit or loss	(932)	(932)	–
Goodwill	(76,804)	(76,804)	(76,804)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	–	–	(96,092)
NAV	**3,965,430**	**3,949,018**	**3,542,026**
Number of shares	608,994,907	608,994,907	608,994,907
NAV per share	**6.51**	**6.48**	**5.82**

EPRA Net Asset Values as of 30 June 2021

	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	**3,705,650**	**3,705,650**	**3,705,650**
Exclude:			
Net deferred tax liabilities	325,954	309,656	–
Derivative financial liabilities at fair value through profit or loss	2,364	2,364	–
Goodwill	(76,804)	(76,804)	(76,804)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	–	–	(105,929)

	EPRA NRV	EPRA NTA	EPRA NDV
NAV	**3,957,164**	**3,940,866**	**3,522,917**
Number of shares	608,994,907	608,994,907	608,994,907
NAV per share	**6.50**	**6.47**	**5.78**

EPRA NIY and 'topped-up' NIY

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

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

EPRA NIY and 'topped-up' NIY[1]	30 June 2022	31 December 2021	30 June 2021
Investment property as per consolidated financial statements	5,950,480	5,841,676	5,789,382
Investment property under joint ventures (on a pro-rata basis)	55,364	53,616	53,785
Investment property held for sale	15,485	–	58,074
Less investment property under development	(201,857)	(170,900)	(220,614)
Total investment property in use, including joint ventures (on a pro-rata basis)	**5,819,472**	**5,724,392**	**5,680,627**
Estimated purchasers' costs	29,097	28,622	28,403
Gross up value of the investment property in use, including joint ventures (on a pro-rata basis)	**5,848,569**	**5,753,014**	**5,709,030**
Annualised cash passing rental income*	406,500	393,390	394,967
Non-recoverable property operating expenses	(14,933)	(4,866)	(8,837)
Annualised net rents	**391,567**	**388,524**	**385,630**
Notional rent expiration of rent-free periods or other lease incentives	3,340	2,292	1,464
Topped-up net annualised rent	**394,906**	**390,816**	**387,093**
EPRA Net Initial Yield (EPRA NIY)	**6.70%**	**6.75%**	**6.75%**
EPRA "topped-up" NIY	**6.75%**	**6.79%**	**6.78%**

**Annualised passing rent as at 30 June 2022 computed based on the contractual rental amounts effective as at that date.*
[1]Adjustment for unexpired lease incentives such as rent-free periods, discounted rent periods and step rents. The adjustment includes the annualised cash rent that will apply at the expiry of the lease incentive.

EPRA Vacancy Rate

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

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

EPRA Vacancy Rate	30 June 2022	31 December 2021	30 June 2021
Estimated Rental Value of vacant space	15,062,440	17,274,062	18,931,524
Estimated rental value of the whole portfolio	445,075,698	437,113,717	432,656,507
EPRA Vacancy Rate	**3.4%**	**4.0%**	**4.4%**

EPRA Cost Ratio

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

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

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

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

EPRA Cost Ratios	30 June 2022	31 December 2021	30 June 2021
Administrative expenses (line per IFRS consolidated financial statements)	16,001	24,665	9,359
Net service charge costs	10,074	5,367	4,105
Share of joint ventures expenses	11	(340)	405
EPRA Costs (including direct vacancy costs)	**26,086**	**29,692**	**13,870**
Direct vacancy costs	413	423	180
EPRA Costs (excluding direct vacancy costs)	**25,673**	**29,269**	**13,690**

EPRA Cost Ratios	30 June 2022	31 December 2021	30 June 2021
Gross rental income*	**206,377**	**351,630**	**159,024**
Add: share of joint ventures (Gross rental income less ground rents)	2,189	4,173	2,021
Gross rental income	**208,566**	**355,803**	**161,046**
EPRA Cost ratio (including direct vacancy costs)	**12.5%**	**8.3%**	**8.6%**
EPRA Cost ratio (excluding direct vacancy costs)	**12.3%**	**8.2%**	**8.5%**

The increase in the EPRA cost ratio is due to the higher level of administrative expenses in the period (Note 14) and higher net service charges, as a result of net utility costs rising.

EPRA loan-to-value (EPRA LTV)

The LTV ratio is an important metric that assess the lending risk a lender bears by providing a loan as per the borrower's requirement and it shows the relation of debt to the fair value of the assets. NEPI Rockcastle chose to disclose, along with the other indicators, the EPRA LTV ratio, calculated in accordance with EPRA Best Practices Recommendations.

There are a few changes compared to existing LTVs. One of the main one is that the current net receivables / payables amount is included in the calculation of EPRA LTV. Another change involves the EPRA LTV to be calculated on a proportionate consolidation basis. This implies that the EPRA LTV includes the Group’s share in the net debt and net assets of joint venture or material associates.

EPRA LTV as of 30 June 2022

EPRA LTV Metric	Group €m as reported	Share of Joint Ventures €m	Combined €m
Include:			
Borrowings from Financial Institutions	301,170	9,206	310,376
Commercial paper	–	–	–
Hybrids (including convertibles, preference shares, debt, options, perpetuals)	–	–	–
Bond loans	2,002,172	–	2,002,172
Foreign currency derivatives (futures, swaps, options and forwards	–	–	–
Net payables	43,055	–	43,055

EPRA LTV Metric	Group €m as reported	Share of Joint Ventures €m	Combined €m
Owner-occupied property (debt)	–	–	–
Current accounts (equity characteristic)	–	–	–
Exclude:			
Cash and cash equivalents	(449,635)	(7,636)	(457,271)
Net Debt (a)	**1,896,762**	**1,569**	**1,898,331**
Include:			
Owner-occupied property	–	–	–
Investment properties at fair value	5,715,557	55,364	5,770,921
Properties held for sale	15,600	–	15,600
Properties under development	201,857	981	202,838
Intangibles	–	–	–
Net receivables	–	997	997
Financial assets	–	–	–
Total Property Value (b)	**5,933,014**	**57,342**	**5,990,356**
LTV (a/b)	**32.0%**	**2.74%**	**31.7%**

EPRA LTV is not affected by metrics of Share of Material Associates and Non-controlling Interests.

GLOSSARY

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

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

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

Loan-to-value (LTV): (Interest bearing debt – Lease liabilities associated to right of use assets – Cash) / (Investment property (including investment property held for sale) – Right of use assets)

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

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

EPRA measures

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

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

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

EPRA NAV Metrics:

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

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

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

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

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

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

EPRA loan-to-value ("EPRA LTV"): A key (shareholder-gearing) metric to determine the percentage of debt comparing to the appraised value of the properties