Interim Financial Report
30 June 2023

NEPI ROCKCASTLE N.V.

INTERIM FINANCIAL REPORT

30 JUNE 2023

Management Report

Interim condensed consolidated financial statements for the six months ended 30 June 2023

Other information

NEPI ROCKCASTLE N.V.

INTERIM FINANCIAL REPORT

30 JUNE 2023

Statement of Directors' responsibilities

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

The Directors have prepared the Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting", the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the JSE listing requirements.

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 2023 as well as the comparative periods presented and that the interim financial report give a fair review of the information required pursuant to section 5:25 d(8)/(9) of the Dutch Financial Supervision Act.

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

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

The Interim Condensed Consolidated Financial Statements on pages 12 to 59 were approved by the Board of Directors on 21 August 2023, authorized for publication on 22 August 2023 and signed on its behalf by:

Rüdiger Dany
Chief Executive Officer

Eliza Predoiu
Chief Financial Officer

NEPI ROCKCASTLE N.V.

INTERIM FINANCIAL REPORT

30 JUNE 2023

Directors' commentary

CEO statement

"NEPI Rockcastle delivered operational excellence against a backdrop of resilient growth in CEE economies underpinned by higher consumer spending and retail sales in our markets. We have achieved a very strong increase in net operating income driven by solid rental growth, lower vacancy rates and disciplined cost control, together with the positive contribution of the acquisitions completed in the second half of 2022.

Economic growth is predicted for the majority of the markets that we operate in, and inflationary pressures seem to be receding, although the macroeconomic environment remains challenging. We continue to see growing interest from international retailers seeking to establish or expand their presence across the CEE in our shopping centres attracted by the solid underlying market fundamentals.

We continue to maintain high levels of liquidity and a conservative loan to value ratio, while also rewarding our shareholders. The scrip dividend for the H2 2022 distribution, which had an 85% take-up rate, contributed to bringing down the loan to value ratio to below our 35% threshold. An upward revaluation of the Group's property portfolio reflected the increasing operational performance of our shopping centres and further reduced the LTV. Distributable earnings per share increased by 25% in H1 2023 year-on-year and we are on track to deliver the estimated growth for the entire year."

Rüdiger Dany, Chief Executive Officer (CEO)

BUSINESS HIGHLIGHTS

Distributable earnings per share increased by 24.9% in first half-year

- Distributable earnings per share ('DEPS') were 28.52 eurocents for the six months to 30 June 2023, 24.9% higher than in H1 2022.
- The Board has declared a dividend of 25.67 eurocents per share for H1 2023, corresponding to a 90% dividend pay-out ratio, to be settled as capital repayment (default option). Shareholders may also elect for the settlement of the same dividend amount as ordinary cash distribution out of distributable profits or alternatively to receive an amount of 27.10 eurocents, corresponding to a 95% pay-out ratio, as a return of capital by way of an issue of new shares ('scrip issue').

Higher rental and better cost recovery drive up NOI by 15% (LFL), 23% (including acquisitions)

- Net operating income ('NOI') increased 23% to €241 million in H1 2023 (H1 2022: €196 million). On a like for like ('LFL') basis NOI was 15% higher in H1 2023 compared to H1 2022, excluding the contribution of the acquisitions completed in 2022 (Forum Gdansk Shopping

Centre, Copernicus Shopping Centre in December and 50% of Shopping City Ploiesti in September).
- The operational costs recovery increased by 2% between H1 2022 and H1 2023, from 91% to 93%, despite a 30.5% increase in property operating expenses.
- Administrative expenses were 11% lower in H1 2023 than in H1 2022 in the absence of one-off fees that impacted the prior period and due to the implementation of tighter controls over costs.

Traffic and tenant sales continue their post-pandemic growth

- Footfall in H1 2023 was 9.8% higher than H1 2022, in LFL properties.
- Tenant sales in H1 2023 increased by 16.3% compared to H1 2022 (LFL, excluding hypermarkets). The average basket size was 8% higher over the same period.
- The collection rate for H1 2023 reported revenues reached 97% by mid-August.
- European Public Real Estate Association ('EPRA') occupancy rate was 97.2% on 30 June 2023 (97.5% for retail only).

Loan to Value ratio ('LTV') down to 33.4% due to scrip issue and upward property valuation

- The Group had a strong liquidity position of €967 million on 30 June 2023, consisting of cash and cash equivalents of €347 million and undrawn available credit facilities of €620 million.
- There are no debt maturities in 2023.
- On 30 June 2023, the property portfolio was independently valued by external appraisers, resulting in a fair value gain in relation to investment property of €103.7 million (+1.6% compared to 31 December 2022). The valuation result is once again confirmation of portfolio quality and improving operational performance of our shopping centres.
- LTV was 33.4% on 30 June 2023, below the 35% strategic threshold.
- The Group has an investment grade credit rating from Fitch (BBB+) and S&P reaffirmed the Group's rating at BBB, stable outlook, in July 2023
- EPRA Net Reinstatement Value ('NRV') per share was €6.92, a 1.2% increase compared to €6.84 on 31 December 2022, which was mostly due to the property portfolio's positive revaluation, offset by the increase in the number of shares as a result of the scrip issue.

OPERATING PERFORMANCE

Trading update

The number of visitors attracted by NEPI Rockcastle's portfolio continued to grow, increasing each month of H1 2023 compared to the corresponding month in the previous year. Footfall was 9.8% higher in H1 2023 than H1 2022, in LFL properties. The largest increases were in Bulgaria (14.6%) and Slovakia (13.1%). In Romania and Poland, NEPI Rockcastle's largest markets, footfall increased by 9.7% and 9.9% respectively LFL, in line with the portfolio average.
Tenant sales in H1 2023 were 16.3% higher than H1 2022, in LFL properties. The pace of growth remained strong in Q2 2023, although slightly lower as compared to Q1 2023. Tenant sales across all retail categories were higher in H1 2023 compared to H1 2022. A shift in consumer preferences resulted in strong growth for Entertainment (29%) and Services (27%), while the categories that

performed best during lockdowns (such as Electronics, Furnishings & DIY or Sporting Goods) increased by less than the overall average.

The robust increase in tenant sales helped to reduce occupancy cost ratios ('OCR'), even as rents and tenants' contributions to operating expenses increased. In H1 2023, OCR was 12.9% (excluding hypermarkets), down from 13.2% in H1 2022.

The military conflict in Ukraine continued throughout the first half of 2023 and there are few signs it will be resolved soon. The Group's operations remain unaffected by the war in any significant way. All the markets where NEPI Rockcastle operates are outside the conflict area and continue to function normally. The indirect macroeconomic effects that the conflict had in the CEE region, such as the increase in energy and other commodities costs, had a lower impact in the period compared to the previous year, as the local economies adapted to the new context.

Leasing activity

The Group signed 534 new leases and lease extensions for a total area of 123,600 m² in H1 2023. There were 228 new leases, accounting for 55,000 m² (2.6% of total gross lettable area ('GLA')), which helped reduce overall vacancies. International retailers, some of them entering our markets for the first time, accounted for 62% of the leasing activity. This demonstrates the appeal of NEPI Rockcastle's portfolio to retailers wishing to invest and expand into the CEE.

The average rental uplift in H1 2023 was 7.5% on top of indexation, supported by asset management initiatives (e.g. re-sizing, merging of units etc.). The base rental uplift on renewals and reletting on a LFL basis was 7.3%.

Significant new leases signed in H1 2023 include Half Price (Shopping City Sibiu), Sinsay (Aura Centrum), CCC (Shopping City Sibiu and Aura Centrum), Martes (Galeria Wolomin), Sportisimo (Promenada Craiova), Pepco (Promenada Craiova), Cropp (Mammut Shopping Centre).

New units opened in H1 2023 include Reserved (Forum Liberec Shopping Centre), Sinsay (Paradise Center and Alfa Centrum Bialystok), Sports Direct (Forum Gdansk Shopping Center), CCC (Forum Liberec Shopping Centre and Shopping City Sibiu), Xtreme Kids (Karolinka Shopping Centre), Bershka (Paradise Center), dm (Karolinka Shopping Centre), Rossmann (Mammut Shopping Centre), House (Ozas Shopping and Entertainment Centre), Zoo City (Arena Centar and Retail Park).

DEVELOPMENT UPDATE

During H1 2023, NEPI Rockcastle invested approximately €70 million in development costs and capital expenditure ('capex').

Promenada Craiova, our largest development to complete this year, is scheduled for opening in October 2023. Leases have been agreed and signed for 99% of the shopping centre's 53,700 m² GLA and 85% of the retail park's 10,000 m² GLA.

Construction is ongoing at the extension to Promenada Mall Bucharest, where works are on schedule and on budget. Opening is estimated for Q4 2025.

The Group's first residential project Vulcan Residential was completed, with approximately 60% of the 254 units already sold.

The installation of photovoltaic panels across our Romanian shopping centres is progressing well, with 12 units completed and functional. The project is expected to be completed by year-end 2023.

The total costs of projects under construction, or permitting, is approximately €722 million (of which €287 million has already been invested). The total planned development and capex for H2 2023 is approximately €150 million.

CORPORATE GOVERNANCE AND SUSTAINABILITY

NEPI Rockcastle updated its Green Finance Framework ('GFF') in June 2023, further strengthening the Group's commitment to sustainability. The GFF introduced more stringent eligibility criteria for "Eligible Green Projects" i.e. the financing, refinancing, or expenditure on investment assets. The enhanced GFF, which will apply to both newly issued and outstanding green financing, increases the minimum BREEAM certification eligibility criteria from 'very good' to at least 'excellent,' or equivalent.

The introduction of a more rigorous GFF ensures that the Group continues to align with international standards for sustainable finance, including industry best practices and the EU Taxonomy Technical Screening Criteria.

NEPI Rockcastle publicly committed in June 2023 to the Science Based Targets initiative, in order to validate its key sustainability targets in line with the 1.5˚C warming scenario. This shows the Group's commitment to set ambitious and relevant goals contributing to the climate change mitigation efforts.

VALUATION OVERVIEW

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

Appraiser	Locations	Percentage of portfolio
Colliers International	Romania, Bulgaria	45%
Cushman & Wakefield and Affiliate Partners	Poland, Hungary, Croatia, Czech Republic, Serbia, Slovakia, Lithuania	55%

The external appraisers generally increased estimated rental values, which assessment was supported by the excellent performance of the assets, and slightly increased valuation yields (by 15-20 basis points on average) as compared to the valuations on 31 December 2022.

The Company recognised a fair value gain in relation to the investment property portfolio for H1 2023 of €103.7 million.

EPRA Indicators

	30 June 2023	31 December 2022	30 June 2022
EPRA Earnings (€ thousand)	177,599	317,870	139,335
EPRA Earnings per share (€ cents per share)	27.93	52.29	22.88
EPRA Net Initial Yield ('NIY')*	7.00%	6.80%	6.70%
EPRA topped-up NIY*	7.08%	6.86%	6.75%
EPRA vacancy rate	2.80%	2.70%	3.40%
EPRA Net Reinstatement Value ('NRV') (€ per share)	6.92	6.84	6.64
EPRA Net Tangible Assets ('NTA') (€ per share)	6.89	6.81	6.61
EPRA Net Disposal Value ('NDV') (€ per share)	6.59	6.58	6.38
EPRA Cost ratio (including direct vacancy cost)	9.58%	11.70%	12.50%
EPRA Cost ratio (excluding direct vacancy cost)	9.44%	11.60%	12.30%

** Does not include investment property held for sale*

CASH MANAGEMENT AND DEBT

The Company maintained a strong liquidity profile, with €347 million in cash and €620 million in undrawn committed credit facilities on 30 June 2023. NEPI Rockcastle's LTV (interest bearing debt less cash, divided by investment property) was 33.4%, below the 35% threshold.

At the end of June 2023, ratios for unsecured loans and bonds showed ample headroom compared to covenants and were:

- Solvency ratio: 0.39 actual compared to 0.60 maximum.
- Consolidated coverage ratio: 6.4 actual compared to minimum of 2.
- Unencumbered consolidated total assets/unsecured consolidated total debt: 261% actual compared to 150% minimum.

The average interest rate, including hedging, was 2.5% for H1 2023. Fixed-coupon bonds represented 77% of NEPI Rockcastle's outstanding debt on 30 June 2023. Of the remaining long-term debt exposed to Euribor, 79% was hedged with interest rate caps and 21% with interest rate swaps.

The Group has a long-term corporate credit rating of BBB+ (stable outlook) from Fitch Ratings and BBB (stable outlook) from Standard & Poor's Rating Services (the latter reaffirmed in July 2023).

NEPI Rockcastle secured a €200 million green loan in March, demonstrating the Group's ability to navigate demanding financing environment through ensuring continuous access to new debt financing. The loan proceeds were used to repay the revolving credit facilities utilised for the acquisition of Forum Gdansk Shopping Center and Copernicus Shopping Centre, restoring the revolving facility capacity to €620 million.

Finance costs (including bank charges) increased by 13% from H1 2022 to H1 2023, mainly due to additional interest on the €200 million used for the financing of the acquisitions completed in 2022 and the €50 million vendor loan related to the acquisition of Forum Gdansk Shopping Centre.

NEPI Rockcastle extended the contractual maturities related to unsecured committed revolving credit facilities in H1 2023, as follows:

- the revolving credit facility from BRD-Groupe Société Générale and Garanti Bank was extended for one year, until July 2026, with the maximum principal available maintained at €170 million
- the revolving credit facility from ING Bank was extended for one year, until July 2026, with the maximum principal available maintained at €100 million.

DIVIDEND DECLARATION

The Board has declared a dividend of 25.67 euro cents per share for H1 2023, corresponding to a 90% dividend pay-out ratio, to be settled as capital repayment (default option). Shareholders can also elect for the settlement of the same dividend amount as ordinary cash distribution out of distributable profits.

Alternatively, shareholders may elect to receive an amount of 27.10 euro cents per share, corresponding to a 95% pay-out ratio, as a return of capital by way of an issue of new shares, each credited as fully paid up ('scrip issue'), based on the ratio that 27.10 euro cents per share bears to the scrip reference price. The scrip reference price will be calculated based on a 3% discount to the five-day volume-weighted average traded of NEPI Rockcastle's share price on JSE, less dividend declared of 25.67 euro cents per share.

In line with Dutch legislation, the capital repayment will be paid to shareholders unless they elect to receive either the scrip issue or the ordinary cash distribution options described above.

A circular containing full details of the election being offered to shareholders, accompanied by announcements on the Stock Exchange News Service (SENS) of the JSE, A2X and Euronext Amsterdam will be issued in due course.

OUTLOOK

Based on the strong operational results, the Company is on track for robust growth in 2023 and revises the guidance released in February this year, expecting that DEPS for the year will be approximately 12% higher than recurring 2022 DEPS (and 5% higher than nominal DEPS in 2022).

This guidance does not consider any impact of potential geopolitical instability in the company's CEE markets, or major macroeconomic disruptions, and assumes current trading trends continue. In particular, it does not factor in an escalation of the military conflict currently going on in Ukraine that might affect the CEE markets. This guidance can be modified or withdrawn in the future if material changes unfold. This guidance has not been reviewed or reported on by NEPI Rockcastle's auditors and is the responsibility of the Board of Directors.

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INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of NEPI Rockcastle N.V.

We have reviewed the interim condensed consolidated financial statements of NEPI Rockcastle N.V. set out on pages 12 to 59, contained in the accompanying interim financial report, which comprise the interim condensed consolidated statement of financial position as at 30 June 2023, the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the period then ended, and selected explanatory notes.

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

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

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

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of NEPI Rockcastle N.V. for the six months ended 30 June 2023 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council.

DocuSigned by:
Ernst & Young Inc
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Ernst & Young Inc.
Gerhardus Jacobus van Deventer CA(SA)
Director
Registered Auditor
Chartered Accountant (SA)
21 August 2023

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

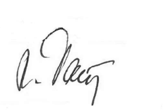
in € thousand	Note	30 June 2023	31 December 2022
ASSETS			
Non-current assets		**6,950,868**	**6,764,255**
Investment property		6,778,681	6,596,137
— Investment property in use	4	6,464,432	6,331,793
— Investment property under development	5	314,249	264,344
Goodwill	6	76,804	76,804
Deferred tax assets		60,259	54,679
Other long-term assets		12,352	11,050
Derivative financial assets at fair value through profit or loss		22,772	25,585
Current assets		**476,752**	**367,300**
Trade and other receivables	7	92,359	85,496
Inventory property		23,766	20,694
Cash and cash equivalents	8	347,249	250,631
Derivative financial assets at fair value through profit or loss		13,378	10,479
Assets held for sale	9	**10,986**	**18,685**
TOTAL ASSETS		**7,438,606**	**7,150,240**
EQUITY AND LIABILITIES			
TOTAL SHAREHOLDERS' EQUITY		**4,129,556**	**3,898,721**
Equity attributable to equity holders		**4,129,556**	**3,898,721**
Share capital		6,358	6,070
Share premium		3,172,435	3,190,735
Other reserves		(7,688)	(4,656)
Accumulated profit		958,451	706,572
Total liabilities		**3,309,050**	**3,251,519**
Non-current liabilities		**3,030,206**	**3,052,373**
Bank loans	10	493,558	546,744
Bonds	10	1,981,709	1,978,708

in € thousand	Note	30 June 2023	31 December 2022
Deferred tax liabilities		445,802	419,554
Lease liabilities	13	35,464	36,368
Loans from third parties	12	33,333	33,333
Other long-term liabilities	11	40,340	37,666
Current liabilities		**277,789**	**198,028**
Trade and other payables		179,404	155,002
Bank loans	10	53,950	11,157
Bonds	10	26,603	14,263
Lease liabilities	13	1,067	832
Loans from third parties	12	16,765	16,774
Liabilities directly associated with assets held for sale	9	**1,055**	**1,118**
TOTAL EQUITY AND LIABILITIES		**7,438,606**	**7,150,240**
Net Asset Value per share (euro)		6.49	6.42
EPRA Net Reinstatement Value per share (euro)*		6.92	6.84
Number of shares for Net Asset Value/EPRA Net Reinstatement Value per share		635,830,268	607,000,000

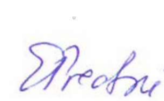
**EPRA Net Reinstatement Value per share (non-IFRS measure) is Net Asset Value per share adjusted for the effect of non-monetary balance sheet items, such as deferred tax, goodwill and interest rate derivatives.*

The Interim Condensed Consolidated Financial Statements on pages 12 to 59 were approved by the Board of Directors on 21 August 2023, authorized for publication on 22 August 2023 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 2023	30 June 2022
Gross rental income		250,963	204,197
Service charge income		133,009	99,460
Property operating expenses		(142,794)	(109,444)
Partial forgiveness of receivables (Covid-19 forgiveness)		-	2,090
Net rental and related income	14	**241,178**	**196,303**
Administrative expenses	15	(14,265)	(16,001)
EBIT*		**226,913**	**180,302**
Fair value adjustments of investment property	16	103,713	59,199
Foreign exchange loss		(169)	(164)
Gain on disposal of assets held for sale		1,637	-
Profit before net finance costs and other items		**332,094**	**239,337**
Finance income		3,095	1,215
Finance costs		(34,124)	(28,629)
Bank charges, commissions, and fees		(1,286)	(2,615)
Fair value adjustments of derivatives	17	(2,794)	21,792
Losses on extinguishment of financial instruments	17	-	(21,925)
Share of profit of joint ventures	18	-	2,781
Profit before tax		**296,985**	**211,956**
Income tax expense		**(37,436)**	**(40,819)**
Current tax expense		(16,830)	(11,820)
Deferred tax expense		(20,606)	(28,999)
Profit after tax		**259,549**	**171,137**
Total comprehensive income for the period		**259,549**	**171,137**
Profit attributable to:			
Non-controlling interest		-	106

in € thousand	Note	30 June 2023	30 June 2022
Equity holders		259,549	171,031
Total comprehensive income attributable to:			
Non-controlling interest		-	106
Equity holders		259,549	171,031
Basic weighted average number of shares		619,549,161	608,994,907
Diluted weighted average number of shares		620,614,293	608,994,907
Basic earnings per share (euro cents) attributable to equity holders		41.89	28.08
Diluted earnings per share (euro cents) attributable to equity holders		41.82	28.08

** 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)*

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 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
— Final distribution for 2021 out of accumulated profit*	-	-	-	(102,189)	-	(102,189)
— Acquisition of Non-controlling interest	-	-	-	473	(5,426)	(4,953)
Total comprehensive income	**-**	**-**	**-**	**171,031**	**106**	**171,137**
— Profit for the period	-	-	-	171,031	106	171,137
Balance at 30 June 2022/1 July 2022	**6,090**	**3,200,061**	**(4,827)**	**581,470**	**-**	**3,782,794**
Transactions with owners	**(20)**	**(9,326)**	**171**	**(139,034)**	**-**	**(148,209)**
— Repurchase of shares	(20)	(9,326)	-	-	-	(9,346)
— LTSIP reserve release	-	-	108	-	-	108
— Share based payment expense	-	-	63	-	-	63
— Interim distribution for 2022 out of accumulated profit*	-	-	-	(139,034)	-	(139,034)
Total comprehensive income	**-**	**-**	**-**	**264,136**	**-**	**264,136**
— Profit for the period	-	-	-	264,136	-	264,136
Balance at 31 December 2022/1 January 2023	**6,070**	**3,190,735**	**(4,656)**	**706,572**	**-**	**3,898,721**
Transactions with owners	**288**	**(18,300)**	**(3,032)**	**(7,670)**	**-**	**(28,714)**
— Share capital movements**	18,231	(18,231)	-	-	-	-

in € thousand	Share capital	Share premium	Other reserves	Accumulated profit	Non-controlling interest	Total
— Final distribution for 2022 – capital repayment	(18,231)	-	-	-	-	(18,231)
— Final distribution for 2022 – dividend out of accumulated profit*	-	-	-	(7,670)	-	(7,670)
— Final distribution for 2022 – impact of foreign exchange hedges*	-	219	-	-	-	219
— Final distribution for 2022 - scrip issue*	288	(288)	-	-	-	-
— Shares purchased for LTSIP	-	-	(5,032)	-	-	(5,032)
— Share based payment expense	-	-	2,000	-	-	2,000
Total comprehensive income	**-**	**-**	**-**	**259,549**	**-**	**259,549**
— Profit for the period	-	-	-	259,549	-	259,549
Balance at 30 June 2023	**6,358**	**3,172,435**	**(7,688)**	**958,451**	**-**	**4,129,556**

^During 2022, €350,000 thousand were transferred from share premium to accumulated profit, to ensure positive retained earnings at stand-alone parent company level.

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

** The parent Company redomiciled from the Isle of Man to the Netherlands, effective from 6 September 2022. Starting the final distribution for 2022, declared in February 2023, as a result of the voting on the Extraordinary General Meeting ('EGM') held in November 2021, the Company implemented three possible alternatives for settlement of its distribution: capital repayment (default option), dividend out of accumulated profit and scrip issue, the latter one at the discretion of the Board. For further details on distribution options impacting the reporting period, please refer to Note 20. Previous to the above-mentioned redomiciliation and voting on the EGM, the two alternatives for settlement of the distribution were dividend out of profit (default option) and scrip issue, the latter one at the discretion of the Board.*

***Share capital movements relate to the net increase of the nominal value of the shares in respect to the shareholders that elected the final distribution related to 2022 as capital repayment. For further details, please refer to Note 20.*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

in € thousand	Note	30 June 2023	30 June 2022
CASH FLOWS FROM OPERATIONS	20	**233,683**	**168,260**
Interest paid on loans and borrowings	10, 11	(11,357)	(3,159)
Interest paid on lease liabilities	13	(399)	(287)
Bond coupon paid	10	(10,000)	(9,042)
Income tax paid		(9,986)	(3,616)
Interest received		3,046	1,101
Bank charges paid		(1,197)	(2,625)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**203,790**	**150,632**
INVESTING ACTIVITIES			
Investments in acquisitions and developments		**(65,404)**	**(64,331)**
Expenditure of investment property under development		(72,688)	(45,892)
Settlements of deferred consideration for prior years acquisitions		(1,858)	-
Acquisition of investment property and land		-	(18,439)
Proceeds from disposal of assets held for sale		9,142	-
NET CASH FLOW USED IN INVESTING ACTIVITIES		**(65,404)**	**(64,331)**
FINANCING ACTIVITIES			
Payment to acquire shares for LTSIP		(5,032)	(2,852)
Acquisition of non-controlling interest		-	(9,377)
Net movements in bank loans, bonds and other long-term liabilities		**(7,506)**	**(20,226)**
Proceeds from bank loans	10	200,000	-
Proceeds from bonds	10	-	493,566
Repayment of bank loans (including revolving credit facilities)	10	(207,506)	(3,864)
Repayment of bonds	10	-	(492,078)
Cash received from derivative financial instruments		-	4,075
Premium paid on repurchase of bond	17	-	(21,925)
Other payments		**(29,230)**	**(102,734)**
Repayments of lease liabilities	13	(668)	(545)
Premium paid on acquisitions of derivatives		(2,880)	-
Final distribution for 2022 – Capital repayment and dividend out of accumulated profit*		(25,682)	-

in € thousand	Note	30 June 2023	30 June 2022
Final distribution for 2021 out of accumulated profit		-	(102,189)
NET CASH FLOW USED IN FINANCING ACTIVITIES		**(41,768)**	**(135,189)**
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**96,618**	**(48,888)**
Cash and cash equivalents brought forward		250,631	498,623
CASH AND CASH EQUIVALENTS CARRIED FORWARD BEFORE THE ADJUSTMENT FOR HELD FOR SALE ASSETS		**347,249**	**449,735**
Cash and cash equivalents classified as held for sale	9	-	(100)
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**347,249**	**449,635**

** The parent Company redomiciled from the Isle of Man to the Netherlands, effective from 6 September 2022. Starting the final distribution for 2022, declared in February 2023, as a result of the voting on the Extraordinary General Meeting ('EGM') held in November 2021, the Company implemented three possible alternatives for settlement of its distribution: capital repayment (default option), dividend out of accumulated profit and scrip issue, the latter one at the discretion of the Board. For further details on distribution options impacting the reporting period, please refer to Note 20. Previous to the above-mentioned redomiciliation and voting on the EGM, the two alternatives for settlement of the distribution were dividend out of profit (default option) and scrip issue, the latter one at the discretion of the Board.*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

NEPI Rockcastle N.V. ("the Company", "NEPI Rockcastle", "the Group") is a public limited company domiciled in the Netherlands, having its registered office at Strawinskylaan 563, WTC Zuidas, Tower Ten, 5th Floor, 1077 XX Amsterdam, with registration number at the Dutch Chamber of Commerce 87488329. 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") approved the migration of NEPI Rockcastle from the Isle of Man to the Netherlands. On 10 May 2022, the Migration was approved by the Shareholders of the Company. As a result, following fulfilment of certain conditions precedent, the Group has, with effect from 6 September 2022, established its registered office and place of effective management and central administration in the Netherlands as a public limited liability company.

The Group's Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2023 are unaudited and were approved in accordance with the Directors' resolution on 21 August 2023 and authorized for publication on 22 August 2023. The financial statements are accompanied by the external auditors' review report.

2. BASIS OF PREPARATION

These reviewed interim condensed consolidated financial statements for the six months ended 30 June 2023 are prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports. The Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

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 2022. 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 2022. 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 2022 except for the new mandatory standards and interpretations effective as of 1 January 2023:

- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)
- IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)
- International Tax Reform Pillar Two Model Rules (Amendments to IAS 12)

These amendments had no significant impact on the Group's financial statements as at 30 June 2023.

The following standards have been issued but are not yet effective as at June 30, 2023, and were not early adopted by the Group:

- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments);
- IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments);
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments);
- Amendment in 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.
- Non-current Liabilities with Covenants (Amendments to IAS 1)

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.

3. FINANCIAL RISK MANAGAMENT: CREDIT RISK AND LIQUIDITY RISK

3.1 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 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 2023**	**31 December 2022**
Tenant receivables	7	64,293	59,691
Cash and cash equivalents	8	347,249	250,631
Financial assets at fair value through profit or loss*		36,150	36,064
Loans to participants in the Share Purchase Scheme**		3,917	4,205
TOTAL		**451,609**	**350,591**

** Includes both long-term and short-term financial assets at fair value through profit or loss*

***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.

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 25.1% of the rental income as at June 2023 (31 December 2022: 24.8%).

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. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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 2023	31 December 2022
Tenant receivables – gross		73,358	69,033
Less: Impairment provisions		(9,065)	(9,342)
TENANT RECEIVABLES - NET OF IMPAIRMENT PROVISION		**64,293**	**59,691**

Reconciliation of impairment provisions is set out below:

Movement of provisions for doubtful debtors *in € thousand*	30 June 2023	31 December 2022
Carrying value at beginning of year	**(9,342)**	**(7,282)**
Additional provision from properties acquired during the year	-	(2,489)
Additional expected credit losses	(1,564)	(2,841)
Write-off of receivables	965	986
Recovery of previously expected credit losses	804	2,182
Foreign exchange gain	72	102
CARRYING VALUE	**(9,065)**	**(9,342)**

The expected loss rates are based on the historical payment profiles of tenants and the corresponding historical credit losses, adjusting for forward looking macroeconomic data. For example, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in a customer segment, the historical default rates are adjusted upwards. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. On that basis, the provision for doubtful debtors as at 30 June 2023 was determined as follows for trade receivables.

30 June 2023 *in € thousand*	Current	0-30 days	31-60 days	61-90 days	>90 days	Total
Expected loss rate	0%	1%	3%	16%	85%	
Gross carrying amount – trade receivables	46,852	11,191	3,441	1,999	9,875	**73,358**
PROVISION FOR DOUBTFUL DEBTORS	**(113)**	**(122)**	**(98)**	**(323)**	**(8,409)**	**(9,065)**

The impairment provision for trade receivables as at 31 December 2022 is set out below:

31 December 2022 *in € thousand*	**Current**	**0-30 days**	**31-60 days**	**61-90 days**	**>90 days**	**Total**
Expected loss rate	0%	1%	5%	24%	89%	
Gross carrying amount – trade receivables	48,148	8,685	1,483	529	10,188	**69,033**
Impairment provision	**(74)**	**(56)**	**(67)**	**(128)**	**(9,017)**	**(9,342)**

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

30 June 2023 *in € thousand*	**1–5 years**	**over 5 years**	**Total**
Financial assets at fair value through profit or loss	36,150	-	**36,150**

31 December 2022 *in € thousand*	**1–5 years**	**over 5 years**	**Total**
Financial assets at fair value through profit or loss	25,958	10,106	**36,064**

While cash and cash equivalents 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 2023, 97% of the Group's cash was held with investment-grade rated banks (31 December 2022: 95%), as detailed below:

Cash and cash equivalents	**30 June 2023**	**31 December 2022**
Held with banks as rated by Moody's		
A1	12%	7%
A2	29%	30%
A3	11%	15%
Aa3	14%	8%
Baa1	31%	35%
Held with not rated banks	3%	5%
TOTAL	**100%**	**100%**

3.2 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 10. The table below presents undiscounted cash flows for all financial liabilities, computed at the contractual rates.

30 June 2023 *in € thousand*	**Note**	**under 3 months**	**3–12 months**	**1–5 years**	**over 5 years**	**Total undiscounted cash flows**	**Total carrying amount**
Bonds (including estimated future interest)	10	43,069	28,517	1,601,335	513,752	**2,186,673**	**2,008,312**
Bank loans (including estimated future interest)	10	11,793	73,007	461,777	132,105	**678,682**	**547,508**
Loans from third parties (including estimated future interest)	12	917	18,531	35,437	-	**54,885**	**50,098**
Trade and other payables		35,881	143,523	-	-	**179,404**	**179,404**
Other long-term liabilities	11	-	-	36,782	3,558	**40,340**	**40,340**
Lease liabilities (including estimated future interest)	13	-	1,068	4,270	65,968	**71,306**	**36,531**
TOTAL		**91,660**	**264,646**	**2,139,601**	**715,383**	**3,211,290**	**2,862,193**

31 December 2022 *in € thousand*	**Note**	**under 3 months**	**3–12 months**	**1–5 years**	**over 5 years**	**Total undiscounted cash flows**	**Total carrying amount**
Bonds (including estimated future interest)	19	30,707	28,539	1,616,496	518,081	**2,193,823**	**1,992,971**
Bank loans (including estimated future interest)	19	9,232	22,974	393,592	211,739	**637,537**	**557,901**
Loans from third parties (including estimated future interest)	23	908	19,080	36,518	-	**56,506**	**50,107**
Trade and other payables	21	31,000	124,002	-	-	**155,002**	**155,002**
Other long-term liabilities	22	-	-	31,303	6,363	**37,666**	**37,666**
Lease liabilities (including estimated future interest)	24	832	-	4,506	67,036	**72,374**	**37,200**
TOTAL		**72,679**	**194,595**	**2,082,415**	**803,219**	**3,152,908**	**2,830,847**

3.3 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 10.

3.3.1 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)), South African rand (ZAR) and Croatian kuna (HRK) (starting 1st of January 2023 Croatia adopted euro). 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.

3.3.2 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 2023 and 31 December 2022, the Group held interest rate instruments in the form of interest rate swaps and interest rate caps.

in € thousand	**30 June 2023**	**31 December 2022**
Bank loans	**547,508**	**557,901**
— Rate capped	438,894	330,000
— Rate swapped	113,861	114,928
— Variable rate*	-	115,333
Accrued interest on loans and deferred loan costs	(5,247)	(2,360)

** The balance exposed to variable rate as of 31 December 2022 relate to a portion of the outstanding revolving credit facilities disbursed at year-end and represents less than 5% of the total outstanding debt.*

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 as of 30 June 2023 and respectively 31 December 2022. 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 €547,508 thousand as at 30 June 2023 (31 December 2022: €557,901 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 2023**	**31 December 2022**
Loans to participants in the Share Purchase Scheme (including accrued interest)	3,917	4,205
Loans and borrowings (variable or capped rate)	(438,894)	(445,333)
TOTAL	**(434,977)**	**(441,128)**

30 June 2023 *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)	39	(39)	39	(39)
Loans and borrowings (variable or capped rate)*	-	-	-	-
TOTAL	39	(39)	39	(39)

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

31 December 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)	42	(42)	42	(42)
Loans and borrowings (variable or capped rate)*	(856)	1,130	(856)	1,130
TOTAL	**(814)**	**1,088**	**(814)**	**1,088**

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

4. INVESTMENT PROPERTY IN USE

Movement in investment property in use *in € thousand*	**30 June 2023**	**31 December 2022**
Carrying value at beginning of year	**6,331,793**	**5,670,776**
Additions from asset deals	-	367,769
Additions from the acquisition of the remaining 50% stake in joint venture	-	104,287
Transferred from Investment property under development (Note 5)	20,605	51,139
Fair value adjustments (Note 16)	112,703	134,234
Additions to the right-of-use assets from acquired assets	-	3,843
Fair value adjustment of right-of-use asset (Note 16)	(669)	(255)
CARRYING VALUE	**6,464,432**	**6,331,793**

As at 30 June 2023, the balance of investment property included also right-of-use assets of €36,531 thousand (31 December 2022: €37,200 thousand) representing long-term land concessions for the majority of Group Polish properties contracted from local government.

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 2023 the Group commissioned independent appraisal reports on its investment property from Cushman&Wakefield and Affiliate Partners and Colliers International (for the year ended 31 December 2022 : Cushman&Wakefield and 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 2023 and year ended 31 December 2022 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.

The Group's valuers note in their valuation report that wherever appropriate, sustainability and environmental matters are an integral part of the valuation approach. Sustainability is taken to mean the consideration of such matters as environment and climate change, health and wellbeing and corporate responsibility that can or do impact on the valuation of an asset. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management, and fiscal considerations.

The independent valuers generally increased estimated rental values, assessment supported by the excellent performance of the assets, and slightly increased valuation yields (by 15-20 basis points on average) as compared to the valuations on 31 December 2022.

At 30 June 2023, the investment property in use had an EPRA vacancy rate of 2.8% (31 December 2022: 2.7%). EPRA Vacancy Rate is a non-IFRS measure which is defined in Appendix 1.

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

The Group currently discloses fair values according to a 'fair value hierarchy' (as per IFRS 13) which categorises 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;
- 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 market data.

The Group's investment property is categorised as 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 hierarchy levels during the year.

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 2023 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	305 – 25,882 (16,142*)	7.12% - 11.52% (9.87*)	5.45% - 9.25% (7.19*)
Office	Discounted cash flow	1,937 - 4,686 (3,312*)	10.16% - 11.52% (10.84*)	7.75% -10.00% (8.88*)
Industrial	Discounted cash flow	679- 1.508 (1.252*)	10.95% - 11.95% (11.66*)	8.75% - 9.75% (9.46*)

** Amounts or percentages represent weighted averages.*

Information relating to fair value measurement using significant unobservable inputs (Level 3) as of 31 December 2022 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	294 – 24,411 (13,449*)	7.30% – 11.45% (8.94*)	5.45% – 9.25% (7.08*)
Office	Discounted cash flow	1,851 – 4,393 (3,675*)	8.50% – 8.75% (8.68*)	7.75% – 8.15% (8.04*)
Industrial	Discounted cash flow	645 – 1,727 (1,416*)	10.95% – 11.95% (11.66*)	8.75% – 9.75% (9.46*)

**Amounts or percentages represent weighted averages.*

Portfolio valuation: sensitivity to changes in the discount rate, exit rate and expected rental value

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

Discount rate variance				
Country	**(50 bps)**	**(25 bps)**	**25 bps**	**50 bps**
Romania	5.2%	2.5%	-2.4%	-4.7%
Poland	5.6%	2.7%	-2.6%	-5.0%
Croatia	5.2%	2.5%	-2.4%	-4.7%
Slovakia	5.4%	2.6%	-2.5%	-4.8%
Bulgaria	5.2%	2.5%	-2.4%	-4.7%
Serbia	4.5%	2.2%	-2.1%	-4.2%
Czech Republic	5.4%	2.6%	-2.5%	-4.9%
Lithuania	5.1%	2.5%	-2.4%	-4.6%
Hungary	5.7%	2.8%	-2.6%	-5.1%
TOTAL	**5.4%**	**2.6%**	**-2.5%**	**-4.8%**

Exit rate variance				
Country	**(50 bps)**	**(25 bps)**	**25 bps**	**50 bps**
Romania	6.8%	3.3%	-3.1%	-6.0%
Poland	7.7%	3.7%	-3.5%	-6.7%
Croatia	7.0%	3.4%	-3.2%	-6.2%
Slovakia	7.4%	3.5%	-3.3%	-6.4%
Bulgaria	7.0%	3.4%	-3.2%	-6.2%
Serbia	5.9%	2.9%	-2.7%	-5.3%
Czech Republic	7.4%	3.6%	-3.3%	-6.5%
Lithuania	6.9%	3.3%	-3.1%	-6.1%
Hungary	8.1%	3.9%	-3.6%	-6.9%
TOTAL	**7.2%**	**3.5%**	**-3.3%**	**-6.3%**

Rental Income (ERV)				
Country	**-10%**	**-5%**	**5%**	**10%**
Romania	-10.0%	-5.0%	5.0%	10.0%
Poland	-8.0%	-4.0%	4.0%	8.0%

Rental Income (ERV)				
Country	**-10%**	**-5%**	**5%**	**10%**
Croatia	-8.0%	-4.0%	4.0%	8.0%
Slovakia	-8.5%	-4.3%	4.3%	8.5%
Bulgaria	-10.0%	-6.0%	6.0%	10.0%
Serbia	-8.0%	-4.0%	4.0%	8.0%
Czech Republic	-8.0%	-4.0%	4.0%	8.0%
Lithuania	-7.0%	-3.5%	3.5%	7.0%
Hungary	-7.5%	-3.8%	3.8%	7.5%
TOTAL	**-8.8%**	**-4.5%**	**4.5%**	**8.8%**

5. INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in Investment property under development *(in € thousand)*	**30 June 2023**	**31 December 2022**
Carrying value at beginning of year	**264,344**	**170,900**
Additions from the acquisition of the remaining 50% stake in joint venture	-	1,700
Additions from asset deals (acquisition of land for development)	-	18,201
Additions from construction in progress	78,511	136,083
Fair value adjustments (Note 16)	(8,001)	8,917
Assets which became operational and were transferred to Investment property in use (Note 4)	(20,605)	(51,139)
Investment property under development reclassified as held for sale (Note 9.1)	-	(20,318)
CARRYING VALUE	**314,249**	**264,344**

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 the Group commissioned independent reports from Cushman&Wakefield and Affiliate Partners and Colliers International (for the year ended 31 December 2022: Cushman&Wakefield and Affiliate Partners, Colliers International and Jones Lang LaSalle), based on which the fair value of investment property was adjusted. Land included in Investment property under development is classified Level 3 on the fair value hierarchy as defined in IFRS 13.

The valuation technique is sales comparison or residual approach (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.

Borrowing costs capitalised for the six months ended 30 June 2023 in amount of €2,633 thousand (30 June 2022: €1,477 thousand) and were calculated using an average annual interest rate of 2.5% (30 June 2022: 2.4%).

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 2023**	**31 December 2022**
Land (at fair value)	149,608	157,609
Construction works (at cost)	164,641	106,735
TOTAL	**314,249**	**264,344**

6. GOODWILL

The Group recognised goodwill for the following business acquisitions:

in € thousand	**Segment**	**Balance at 30 June 2023**	**Balance at 31 December 2022**
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	5,646	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 2023	Balance at 31 December 2022
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 2023 or in 2022.

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 its carrying amount with the amounts expected to arise from deferred taxes payable, should a disposal occur, at the level of each CGU

As a result of this test as of 30 June 2023, no impairment arose in respect to the goodwill from recognition of deferred taxes at the date of the business combination (31 December 2022: 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 2022, no impairment arose in connection with the above two entities. There were no impairment indications as at 30 June 2023.

7. TRADE AND OTHER RECEIVABLES

in € thousand	**30 June 2023**	**31 December 2022**
Tenant receivables (net of ECL)	64,293	59,691
VAT receivable	9,213	11,287
Prepaid property expenses	11,865	9,447
Other receivables	6,732	4,989
Other prepaid fees	256	82
TOTAL	**92,359**	**85,496**

8. CASH AND CASH EQULIVALENTS

Cash and cash equivalents by currency *in € thousand*	**30 June 2023**	**31 December 2022**
EUR	212,294	161,035
RON	57,236	38,556
PLN	47,378	19,837
BGN	9,612	10,663
HUF	8,498	3,213
HRK	-	7,703
CZK	7,631	5,909
RSD	3,588	3,101
ZAR	1,012	614
TOTAL	**347,249**	**250,631**

Cash and cash equivalents by type *in € thousand*	**30 June 2023**	**31 December 2022**
Current accounts	232,162	196,019
Deposits	110,698	50,079
Restricted cash	4,250	4,250
Petty cash and other values	139	283
TOTAL	**347,249**	**250,631**

9. 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.

Disposals in the period

In August 2022, the Group entered into a binding agreement for the sale of a plot of excess land owned by General Building Management S.R.L., owner of the development in Craiova, Romania. The sale was finalized in May 2023 for net consideration received of €8 million and a net gain on disposal of €1.6 million.

In January 2023, the Group sold at cost a non-core property in Romania held by Nepi Bucharest One S.R.L.

Disposals in the comparative period

In November 2022, the Group disposed of a plot of land in Sabac, Serbia held by Nepi Project Three d.o.o. in a share deal, for a transaction value of €3.3 million, with a net gain on disposal of €1.1 million.

Assets held for sale as at 30 June 2023

At 30 June 2023, the assets held for sale included a land plot in Slovakia and a non-core property located in Romania. In July 2023, the land plot in Slovakia was disposed of, for a cash consideration of €13.2 million.

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 2023	31 December 2022
Non-current assets (Note 9.1)	**10,930**	**18,666**
Investment property at fair value	630	1,730
Investment property under development	10,300	16,936
Current assets	**56**	**19**
Cash and cash equivalents	33	19
Trade and other receivables	23	-
Assets held for sale	**10,986**	**18,685**
Non-current liabilities	**1,048**	**1,111**
Deferred tax liabilities	1,048	1,111
Current liabilities	7	7
Liabilities held for sale	**1,055**	**1,118**
Net assets held for sale	**9,931**	**17,567**

9.1 INVESTMENT PROPERTY HELD FOR SALE

in € thousand	30 June 2023	31 December 2022
Carrying value at beginning of year	**18,666**	**1,752**
Transfer from investment property under development (Note 5)	-	20,318
Additions during the period	17	21
Fair value adjustments (Note 16)	(320)	(1,195)
Disposals	(7,433)	(2,230)
CARRYING VALUE	**10,930**	**18,666**

10. 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+ (stable outlook) from Fitch Ratings.

In March 2023 the Group concluded a €200 million secured green loan which matures in June 2028. The loan proceeds were used to repay the revolving credit facilities utilised for the acquisition of Forum Gdansk Shopping Center and Copernicus Shopping Centre, restoring the revolving facility capacity to €620 million.

In the first half of 2023, 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 2026, with the maximum principal available maintained at €170 million;
- the revolving credit facility from ING Bank was extended for one year, until July 2026, 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 2023 (31 December 2022: €620 million, of which €420 million were undrawn).

The average interest rate of the Group's debt, including hedging costs, was approximately 2.5% during the first half of 2023 (30 June 2022: 2.4%). At 30 June 2023, fixed-coupon bonds represented 77% of NEPI Rockcastle's outstanding debt; of the remaining long-term debt exposed to Euribor, 79% was hedged with interest rate caps and 21% with interest rate swaps.

The fair value of all financial instruments is substantially in line with their carrying amounts as reflected on the Statement of financial position, except for the bonds. For reference, as at 30 June 2023, the €499 million bonds issued in November 2017 were trading on the market at 95.04% (31 December 2022: 93.55%), the €500 million bonds issued in October 2019 were trading on the market at 86.93% (31 December 2022: 84.13%), the €500 million bonds issued in July 2020 were trading on the market at 89.91% (31 December 2022: 86.52%) and the €500 million bonds issued in January 2022 were trading on the market at 74.09% (31 December 2022: 69.04%). 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:

Interest bearing borrowings 30 June 2023 *in € thousand*	**Type**	**Payable in less than 1 year**	**Payable in 1-5 years**	**Payable over 5 years**	**Total**
Netherlands	Unsecured fixed coupon bonds	-	1,498,980	500,000	**1,998,980**
Netherlands	Unsecured loan	-	73,521	-	**73,521**
Poland	Secured loans	1,520	73,340	-	**74,860**
Slovakia	Secured loans	5,800	23,200	79,237	**108,237**
Czech Republic*	Secured loans	39,001	-	-	**39,001**
Romania	Secured loans	8,977	203,159	45,000	**257,136**

Interest bearing borrowings 30 June 2023 *in € thousand*	**Type**	**Payable in less than 1 year**	**Payable in 1-5 years**	**Payable over 5 years**	**Total**
Accrued interest on loans and deferred loan costs		(1,348)	(3,899)	-	**(5,247)**
Accrued coupon on bonds		32,659	-	-	**32,659**
Deferred bond costs		(2,511)	(6,401)	(912)	**(9,824)**
Issue discount on bonds		(3,545)	(8,789)	(1,169)	**(13,503)**
Total		**80,553**	**1,853,111**	**622,156**	**2,555,820**

*The Group is currently in advanced negotiations with the lenders for extending the secured loan in Czech Republic amounting to €39 million, which matures in May 2024.

Interest bearing borrowings 31 December 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	-	1,498,980	500,000	**1,998,980**
Netherlands	Revolving facilities	-	200,000	-	**200,000**
Netherlands	Unsecured loan	-	-	73,521	**73,521**
Poland	Secured loans	1,520	74,100	-	**75,620**
Slovakia	Secured loans	6,475	23,200	82,137	**111,812**
Czech Republic	Secured loans	615	38,694	-	**39,309**
Romania	Secured loans	2,727	10,908	46,365	**60,000**
Accrued interest on loans and deferred loan costs		(180)	(2,181)	-	**(2,361)**
Accrued coupon on bonds		20,353	-	-	**20,353**
Deferred bond costs		(2,504)	(7,359)	(1,203)	**(11,066)**
Issue discount on bonds		(3,586)	(10,161)	(1,549)	**(15,296)**
Total		**25,420**	**1,826,181**	**699,271**	**2,550,872**

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 2022	**557,901**	**1,992,971**	**2,550,872**
Cash repayments of principal	(207,506)	-	**(207,506)**
Cash proceeds from bank loans and bonds	200,000	-	**200,000**
Cash payments of interest on bank loans or coupon on bonds	(9,736)	(10,000)	**(19,736)**
Interest expense*	9,054	22,306	**31,360**
Amortisation of capitalised borrowing costs	667	1,241	**1,908**
Amortisation of bond discount	-	1,794	**1,794**
Additional capitalised borrowing costs in the period	(2,872)	-	**(2,872)**
Debt as at 30 June 2023	**547,508**	**2,008,312**	**2,555,820**

** The tables above do not contain interest bearing loans from third parties of €50,000 thousand and the associated finance cost. The above finance costs do not include interest capitalized on developments of €2,633 thousand (Note 5), interest capitalized on inventory of €316 thousand and interest on lease liabilities related to the right of use assets of €399 thousand (Note 13).*

in € thousand	Bank	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 above finance costs as at 30 June 2022 do not include associated finance cost with interest bearing loans from third parties (of a nil balance), interest capitalized on developments of €1,477 thousand (Note 5), interest on lease liabilities related to the right of use assets of €287 thousand.*
***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.*

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 Romania, Poland, Slovakia and the Czech Republic.

Securities
- General security over the properties (fair values as at 30 June 2023), 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
The Group has a green unsecured financing agreement which matures in June 2028 in amount of €73.5 million.

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 2023, 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.
Management considers that the above ESG related variability feature does not meet the definition of a derivative, as defined in Appendix A of IFRS 9, on the basis that the external rating is a non–financial variable specific to the Group.

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 redemption options. At each date of bond issue initial recognition management has performed an assessment whether those options are closely related to the host contract, considering the IFRS 9 clauses, which states that early repayment options are closely related to the host debt, if either:

- the option's exercise price is approximately equal on each exercise date to the host debt instrument's amortised cost; or

- the exercise price of a prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract.

Based on management assessment in case of the exercise of any of the early redemption options either first or second criteria will be met, therefore those were considered as closely related to the bond and thus not separately valued and disclosed.

Covenants
- Solvency Ratio 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 2023 and 2022. The ratios calculated for all unsecured loans and bonds showed ample headroom compared to the covenants:

- Solvency Ratio: 0.39 (31 December 2022: 0.40);
- Consolidated Coverage Ratio: 6.4 (31 December 2022: 6.2); and
- Unsecured Ratio: 261% (31 December 2022: 251%).

11. OTHER LONG-TERM LIABILITIES

in € thousand	**30 June 2023**	**31 December 2022**
Tenant security deposits	34,400	32,990
Advances from residential customers	4,956	3,427
Other long-term payables	984	1,249
TOTAL	**40,340**	**37,666**

12. LOANS FROM THIRD PARTY

As part of the deal for the acquisition of Forum Gdansk Sp. z o.o. in December 2022, the Group obtained vendor financing in the form of a three-year unsecured loan from the seller, for part of the purchase price amounting to €50,000 thousand, bearing an interest rate of 6.5%. One third of the loan principal is repayable at each anniversary of the loan until maturity, however the loan can be repaid by the Group at any time at its own discretion. The fair value of the loan is substantially in line with its carrying amount.

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

in € thousand	**Loans from third parties**
Loans from third parties as at 31 December 2022	**50,107**
Out of which short term	**16,774**
Cash payments of interest	(1,621)
Interest expense	1,612
Loans from third parties as at 30 June 2023	**50,098**
Out of which short term	**16,765**

13. LEASE LIABILITIES

The Group recognises the right-of-use assets from leases of land plots on which the majority of its Polish properties are located, commissioned from the local authorities. The correspondent lease liabilities are recognised by discounting the contractual lease payments using the interest rate implicit in the lease, representing the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The contractual lease agreements are signed for the period of 99 years with extension option by the lessee. The agreements include fixed payment terms subject to adjustment due to revaluation of land, such revaluation can be done by the lessor not more often than every three years.

Reconciliation of lease liabilities

in € thousand	30 June 2023	31 December 2022
Carrying value of the lease liabilities	**37,200**	**33,611**
Out of which short term	**832**	**832**
Additions to lease liabilities from acquired assets	-	3,843
Interest expense	399	577
Lease liability payment	(1,068)	(832)
Lease liabilities	**36,531**	**37,200**
Out of which short term	**1,067**	**832**

14. NET RENTAL AND RELATED INCOME

in € thousand	30 June 2023	30 June 2022
Gross rental income	250,963	204,197
Service charge income	133,009	99,460
Gross rental and service charge income	**383,972**	**303,657**
Property management, tax, insurance, and utilities	(86,652)	(68,767)
Property maintenance cost	(55,382)	(40,617)
Net expected credit losses	(760)	(60)
Property operating expenses	**(142,794)**	**(109,444)**
Partial forgiveness of receivables (Covid-19 forgiveness)	-	2,090
TOTAL NET RENTAL AND RELATED INCOME	**241,178**	**196,303**

Out of the total Net rental and related income for H1 2023, €18.4 million relates to the three acquisitions made in H2 2022 (Forum Gdansk Shopping Center and Copernicus Shopping Centre in Poland and Ploiesti Shopping City in Romania).

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

in € thousand	30 June 2023	30 June 2022
Utility expenses^	(56,121)	(48,723)
Property related taxes	(16,421)	(11,829)
Property management fees	(12,834)	(7,224)
Property insurance expenses	(1,276)	(991)
Property management fees, tax, insurance, and utilities	**(86,652)**	**(68,767)**

^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 2023	30 June 2022
Cleaning and security	(24,310)	(17,509)
Maintenance and repairs	(15,890)	(11,002)
Marketing	(9,722)	(6,696)
Services and related costs	(1,731)	(1,269)
Other	(3,729)	(4,141)
Property maintenance cost	**(55,382)**	**(40,617)**

The Group rents its investment property under operating leases of various expiry terms. The standard terms of the leases comprise information relating to leased space, rent, rights and obligations of the landlord and tenant, including notice periods, renewal options and service charge arrangements. For most of the leases, the rent is indexed annually, over the term of the leases. Most retail leases have turnover rent clauses, which imply that if the agreed percentage of turnover from the retail unit under lease exceeds the base rent, the tenant will pay the difference to the Group.

A proportion of 4.6% (€11,625 thousand) of the Gross rental income is represented by the turnover rent (paid on top of fixed rent) as at 30 June 2023 (30 June 2022: 3.1% (€6,294 thousand)).

Lease incentives represent the non-recurring amount granted (in cash or as fit-out works) by the Group, to a new or an existing tenant, in connection with a new or renewed lease. Lease incentives are straight-lined over the lease term. The lease term corresponds to the contractual duration for the majority of the leases, except for the anchor tenants, for which the lease duration is assessed by the Group based on past experience and taking into account factors such as: GLA of the property where the anchor tenant is located, catchment area, dominance/competition in the catchment area or purchasing power.

The future minimum lease payments receivable under non-cancellable operating leases are detailed below:

in € thousand	**30 June 2023**	**30 June 2022**
No later than 1 year	460,239	391,441
Between 1-2 years	369,975	330,310
Between 2-3 years	268,095	255,265
Between 3-4 years	187,303	178,535
Between 4-5 years	122,161	115,687
Later than 5 years	62,432	62,318
TOTAL	**1,470,205**	**1,333,556**

The breakdown of the net rental and related income by country is disclosed in Note 19.

15. ADMINISTRATIVE EXPENSES

in € thousand	**30 June 2023**	**30 June 2022**
Staff costs	(5,983)	(5,618)
Directors' remuneration	(1,084)	(1,770)
Advisory services	(1,090)	(3,132)
Audit and other assurance services	(1,189)	(911)
Companies' administration	(931)	(1,849)
Travel and accommodation	(772)	(405)
Stock exchange expenses	(487)	(209)
Share based payment expense	(2,000)	(1,409)
Depreciation and amortisation	(729)	(698)
TOTAL	**(14,265)**	**(16,001)**

16. FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

in € thousand	30 June 2023	30 June 2022
Fair value adjustments of investment property in use (Note 4)	112,703	61,505
Fair value adjustments of investment property under development (Note 5)	(8,001)	(1,766)
Fair value adjustments of investment property held for sale (Note 9.1)	(320)	3
Fair value adjustments of right-of-use asset (Note 4)	(669)	(543)
TOTAL	**103,713**	**59,199**

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

The fair value adjustments of derivatives include the fair value loss of €2,794 thousand (30 June 2022: gain of €21,792 thousand, including a fair value gain of €4.1 million from pre-hedging €250 million of the bond issued in January 2022) from existing interest rate caps and swaps.

As at 30 June 2022 losses on extinguishment of financial instruments included the premium paid on repurchase of bond notes due in 2023 of €21,925 thousand (refer to Note 10).

18. JOINT VENTURES

The Group had an investment of 50% together with its joint venture partner, Carrefour Romania S.A., in Ploiesti Shopping City, a shopping centre located in Ploiesti, Romania. In September 2022 the Group completed the acquisition of the remaining 50% stake in Ploiesti Shopping City to become the sole owner of the property.

The “Share of profit of joint ventures” line on the Consolidated Statement of comprehensive income represents 50% of the line “Profit for the period attributable to equity holders”, as presented below for the period in 2022 where Ploiesti Shopping City was a joint venture (up to 1 September 2022).

Interim condensed statement of comprehensive income

in € thousand	30 June 2023	30 June 2022
Revenue from rent and recoveries	-	6,477
Property operating expenses	-	(2,034)
Partial forgiveness of receivables (Covid-19 forgiveness)	-	53

in € thousand	**30 June 2023**	**30 June 2022**
Administrative expenses	-	(138)
Fair value adjustment investment property	-	3,265
Foreign exchange loss	-	(49)
Profit before net finance costs and other items	**-**	**7,574**
Finance income	-	54
Finance costs	-	(1,876)
Bank charges, commissions, and fees	-	-
Fair value adjustments of derivatives	-	649
Profit before tax	**-**	**6,401**
Income tax expense	-	(839)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS	**-**	**5,562**
Share of profit of joint venture (50% of the profit of the period)	**-**	**2,781**

19. SEGMENT REPORTING

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

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. The measure of segment performance is Profit before net finance costs and other items, as disclosed in the following tables.

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 2023 (in € thousand)	**Retail**	**Office**	**Industrial**	**Residential**	**Corporate and unallocated items**	**Total**
Gross rental income	247,789	2,262	912	-	-	250,963
Service charge income	131,351	1,394	264	-	-	133,009
Property operating expenses	(141,208)	(1,541)	(45)	-	-	(142,794)

Segment results 30 June 2023 (in € thousand)	Retail	Office	Industrial	Residential	Corporate and unallocated items	Total
Net rental and related income	**237,932**	**2,115**	**1,131**	**-**	**-**	**241,178**
Administrative expenses	(7,146)	(97)	(43)	(80)	(6,899)	(14,265)
EBIT*	**230,786**	**2,018**	**1,088**	**(80)**	**(6,899)**	**226,913**
Fair value adjustments of investment property	105,412	(1,332)	(367)	-	-	103,713
Foreign exchange gain/(loss)	(13)	7	(18)	(12)	(133)	(169)
Gain on disposal of assets held for sale	-	-	-	-	1,637	**1,637**
Profit /(Loss) before net finance costs and other items	**336,185**	**693**	**703**	**(92)**	**(5,395)**	**332,094**
Finance income					3,095	**3,095**
Finance costs					(34,124)	**(34,124)**
Bank charges, commissions, and fees					(1,286)	**(1,286)**
Fair value adjustments of derivatives					(2,794)	**(2,794)**
Profit/(Loss) before tax					**(40,504)**	**296,985**

** 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 2022 (in € thousand)	Retail	Office	Industrial	Residential	Corporate and unallocated items	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)

Segment results 30 June 2022 (in € thousand)	**Retail**	**Office**	**Industrial**	**Residential**	**Corporate and unallocated items**	**Total**
Profit /(Loss) before net finance costs and other items	**244,218**	**2,621**	**1,258**	**(37)**	**(8,723)**	**239,337**
Finance income					1,215	1,215
Finance costs					(28,629)	(28,629)
Bank charges, commissions, and fees					(2,615)	(2,615)
Fair value adjustments of derivatives					21,792	21,792
Losses on extinguishment of financial instruments					(21,925)	(21,925)
Share of profit of Joint Ventures					2,781	2,781
Profit/(Loss) before tax					**(36,104)**	**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 assets and liabilities 30 June 2023 *(in € thousand)*	**Retail**	**Office**	**Industrial**	**Residential**	**Corporate and unallocated items**	**Total**
SEGMENT ASSETS						
Non-current assets	**6,803,168**	**70,550**	**18,465**	**17**	**58,668**	**6,950,868**
Investment property	6,691,403	68,825	18,453	-	-	6,778,681
—Investment property in use	6,377,215	68,825	18,392	-	-	6,464,432
—Investment property under	314,188	-	61	-	-	314,249
Goodwill	70,922	-	-	-	5,882	76,804
Deferred tax assets	32,254	1,678	-	-	26,327	60,259
Other long-term assets	6,486	47	12	17	5,790	12,352
Derivative financial assets at fair value through profit or loss	2,103	-	-	-	20,669	22,772
Current assets	**293,274**	**3,299**	**1,831**	**28,077**	**150,271**	**476,752**
Trade and other receivables	82,324	842	200	3,658	5,335	92,359
Inventory property	-	-	-	23,766	-	23,766
Cash and cash equivalents	208,183	2,457	1,631	653	134,325	347,249

Segment assets and liabilities 30 June 2023 *(in € thousand)*	**Retail**	**Office**	**Industrial**	**Residential**	**Corporate and unallocated items**	**Total**
Derivative financial assets at fair value through profit or loss through profit or loss	2,767	-	-	-	10,611	13,378
Assets held for sale	**10,356**	**630**	-	-	-	**10,986**
TOTAL ASSETS	**7,106,798**	**74,479**	**20,296**	**28,094**	**208,939**	**7,438,606**

Segment assets and liabilities 30 June 2023 *(in € thousand)*	**Retail**	**Office**	**Industrial**	**Residential**	**Corporate and unallocated items**	**Total**
SEGMENT LIABILITIES						
Non-current liabilities	**933,036**	**2,298**	**1,952**	**4,956**	**2,087,964**	**3,030,206**
Bank loans	420,636	-	-	-	72,922	493,558
Bonds	-	-	-	-	1,981,709	1,981,709
Deferred tax liabilities	442,719	1,499	1,584	-	-	445,802
Lease liabilities	35,464	-	-	-	-	35,464
Loans from third party	-	-	-	-	33,333	33,333
Other long-term liabilities	34,217	799	368	4,956	-	40,340
Current liabilities	**219,153**	**1,215**	**394**	**31**	**56,996**	**277,789**
Trade and other payables	164,136	1,215	394	31	13,628	179,404
Bank loans	53,950	-	-	-	-	53,950
Bonds	-	-	-	-	26,603	26,603
Lease liabilities	1,067	-	-	-	-	1,067
Loans from third party	-	-	-	-	16,765	16,765
Liabilities associated with assets held for sale	1,055	-	-	-	-	**1,055**
TOTAL LIABILITIES	**1,153,244**	**3,513**	**2,346**	**4,987**	**2,144,960**	**3,309,050**

Segment assets and liabilities 31 December 2022 *(in € thousand)*	**Retail**	**Office**	**Industrial**	**Residential**	**Corporate and unallocated items**	**Total**
SEGMENT ASSETS						
Non-current assets	**6,613,203**	**71,406**	**18,540**	**18**	**61,088**	**6,764,255**
Investment property	6,507,805	69,800	18,532	-	-	6,596,137
—Investment property in use	6,243,497	69,800	18,496	-	-	6,331,793
—Investment property under development	264,308	-	36	-	-	264,344
Goodwill	70,922	-	-	-	5,882	76,804
Deferred tax assets	26,779	1,573	-	-	26,327	54,679
Other long-term assets	5,183	33	8	18	5,808	11,050
Derivative financial assets at fair value through profit or loss	2,514	-	-	-	23,071	25,585
Current assets	**217,333**	**3,195**	**1,668**	**25,063**	**120,041**	**367,300**
Trade and other receivables	75,583	947	143	4,000	4,823	85,496
Inventory property	-	-	-	20,694	-	20,694
Derivative financial assets at	3,075	-	-	-	7,404	10,479
Cash and cash equivalents	138,675	2,248	1,525	369	107,814	250,631
Assets held for sale	18,055	630	-	-	-	**18,685**
TOTAL ASSETS	**6,848,591**	**75,231**	**20,208**	**25,081**	**181,129**	**7,150,240**

Segment assets and liabilities 31 December 2022 *(in € thousand)*	**Retail**	**Office**	**Industrial**	**Residential**	**Corporate and unallocated items**	**Total**
SEGMENT LIABILITIES						
Non-current liabilities	**760,126**	**2,230**	**1,927**	**3,427**	**2,284,663**	**3,052,373**
Bank loans	274,122	-	-	-	272,622	546,744
Bonds	-	-	-	-	1,978,708	1,978,708
Deferred tax liabilities	416,529	1,438	1,587	-	-	419,554
Lease liabilities	36,368	-	-	-	-	36,368
Loans from third party	-	-	-	-	33,333	33,333
Other long-term liabilities	33,107	792	340	3,427	-	37,666
Current liabilities	**143,981**	**1,464**	**462**	**1,118**	**51,003**	**198,028**
Trade and other payables	132,381	1,464	462	1,118	19,577	155,002
Bank loans	10,768	-	-	-	389	11,157
Bonds	-	-	-	-	14,263	14,263
Lease liabilities	832	-	-	-	-	832
Loans from third party	-	-	-	-	16,774	16,774
Liabilities associated with assets held for sale	1,118	-	-	-	-	1,118
TOTAL LIABILITIES	**905,225**	**3,694**	**2,389**	**4,545**	**2,335,666**	**3,251,519**

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

Country results *(in € thousand)*	**Net rental and related income (30 June 2023)**	**Profit/(Loss) before tax (30 June 2023)**	**Investment property (30 June 2023)**
Romania**	97,867	188,714	2,597,265
Poland	47,621	17,373	1,784,560
Bulgaria	22,966	48,915	536,223
Hungary	19,604	7,091	575,500
Slovakia**	22,163	31,581	535,822
Croatia	11,537	19,124	280,525
Serbia	6,169	6,358	137,400
Czech Republic	6,208	8,226	179,710
Lithuania	7,043	6,195	151,676
Corporate*	-	(36,592)	-
Total	**241,178**	**296,985**	**6,778,681**

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

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 excludes held for sale portfolio.*

20. SHARE CAPITAL AND SHARE PREMIUM

In February 2023, the Board has declared a final distribution of 27.85 euro cents per share for the six month ended 31 December 2022, corresponding to a 95% dividend pay-out ratio, to be received as capital repayment (to be settled from Share capital). Shareholders could have also elected the settlement of the same dividend amount as ordinary cash distribution out distributable profits (to be settled from Accumulated profit).

As an alternative, the shareholders were given the option to elect to receive a dividend of 29.32 euro cents, corresponding to a 100% pay-out ratio, as a scrip issue (issue of new shares).

The results of the election by NEPI Rockcastle shareholders and their Euro equivalent has been summarised below:

Final distribution for 2022: elections	Number of NEPI Rockcastle shares election	Final distribution per share (eurocents)	EUR equivalent out of the final distribution (thousand)
Capital repayment	65,460,053	27.85	18,231
Dividend out of accumulated profit	27,541,128	27.85	7,670
Scrip issue	513,998,819	29.32	150,704
Impact of foreign exchange hedges*	-		(219)
Total	**607,000,000**		**176,386**

** For the distribution to be settled as capital repayment and dividend out of accumulated profit, the Group entered into foreign exchange forward agreements to hedge the ZAR: EUR movement. As a result of these hedges, the cash outflow resulted from the cash settlement was €219 thousand less than the nominal exposure. This amount was reflected in the Share premium.*

As a result of the above elections for the settlement of the final distribution for 2022, the impact in the Share capital and Share premium reserves has been set out below:

Reconciliation of share capital and share premium reserves	Number of shares	Share capital	Share premium
Balance at 1 January 2023	607,000,000	6,070	3,190,735
Share capital increase*	-	212,450	(212,450)
Share capital decrease*	-	(194,219)	194,219
Capital repayment paid to shareholders	-	(18,231)	-
Impact of foreign exchange hedges	-	-	219
Theoretical effect of scrip issue settlement through share premium**	-	-	(150,704)
Theoretical effect of issue of shares as a result of scrip issue election**	28,830,268	288	150,416
TOTAL	**635,830,268**	**6,358**	**3,172,435**

** On 16 November 2022, the parent Company amended its Articles of Association, as per the Extraordinary General Meeting voting in November 2022, by increasing the nominal value of an ordinary share with 0.35 eurocents. After the distribution, the Company amended its Articles of Association by decreasing the nominal value of the shares with 0.35 eurocents. The net impact of such adjustment, as reflected by the capital repayment paid to shareholders amounted to EUR 18,231 thousand.*

*** The substance of a scrip issue is the one a distribution from share premium followed by an immediate reinvestment in the shares. Pursuant to the election of distribution settlement via a scrip issue, a total number of 28,830, 268 shares have been issued on the market, for a share price of €5.22. Theoretical effect of scrip issue was presented above for a better understanding of the movements in the Statement of Changes in Equity.*

21. HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The starting point for headline earnings per share calculation are earnings as determined in IAS 33, excluding "separately identifiable re-measurements", net of related tax (both current and deferred) and minority interest, other than re-measurements specifically included in headline earnings (referred to as included re-measurements), in terms of Circular 1/2023 issued by South African Institute of Chartered Accountants (SAICA).

The calculation of headline earnings per share for the six-month period ended 30 June 2023 was based on headline earnings of €170,419 thousand (six-month period ended 30 June 2022: €118,983 thousand) and the weighted average number of shares.

Reconciliation of profit for the year to headline earnings *€ thousand, unless otherwise stated*	**30 June 2023**	**30 June 2022**
Profit for the period attributable to equity holders	**259,549**	**171,031**
Fair value adjustments of investment property (Note 16)	(103,713)	(59,199)
Gain on disposal of assets held for sale	(1,637)	-
Tax effects of adjustments for investment property and gain on disposal of assets held for sale	16,220	8,522
Fair value adjustment of investment property for joint ventures	-	(1,632)
Tax effects of adjustments for joint ventures	-	261
HEADLINE EARNINGS	**170,419**	**118,983**
Basic weighted average number of shares	619,549,161	608,994,907
Diluted weighted average number of shares	620,614,293	608,994,907
Headline earnings per share (euro cents)	27.51	19.54
Diluted headline earnings per share (euro cents)	27.46	19.54

RECONCILIATION OF PROFIT FOR THE PERIOD TO DISTRIBUTABLE EARNINGS

in € thousand	**30 June 2023**	**30 June 2022**
Profit per IFRS Statement of comprehensive income attributable to equity holders	**259,549**	**171,031**
Accounting specific adjustments	**(78,189)**	**(31,973)**
Fair value adjustments of investment property for controlled subsidiaries	(103,713)	(59,199)
Depreciation in relation to property, plant, and intangible assets of an administrative nature	729	698
Fair value adjustments of derivatives	2,794	(21,792)
Losses on extinguishment of financial instruments	-	21,925
Amortisation of financial assets	(1,308)	(975)
Deferred tax expense for controlled subsidiaries	20,606	28,999
Gain on disposal of assets held for sale	(1,637)	-

in € thousand	30 June 2023	30 June 2022
Adjustments related to joint ventures:	**-**	**(1,636)**
Fair value adjustment of investment property for joint ventures	-	(1,632)
Fair value adjustments of derivatives	-	(325)
Deferred tax expense for joint ventures	-	321
Adjustments related to non-controlling interest:	**-**	**7**
Deferred tax income for non-controlling interest	-	7
Antecedent earnings	**4,340**	**-**
Distributable earnings	**181,360**	**139,058**
Number of shares outstanding at end of period	635,830,268	608,994,907
Distributable earnings per share (euro cents)	**28.52**	**22.83**
Distribution declared	**163,224**	**139,058**
Distribution declared per share (euro cents)	**25.67**	**22.83**
Earnings not distributed*	**18,136**	**-**
Earnings not distributed per share (euro cents)*	**2.85**	**-**
Number of shares entitled to distribution	635,830,268	608,994,907

**Distributable earnings per share is prepared on a basis that is consistent with SA REIT funds from operations (SA REIT FFO) as set out in the SA REIT Association's Best Practice Recommendations Second Edition.*

22. CASH FLOW FROM OPERATIONS

€ thousand	Note	30 June 2023	30 June 2022
OPERATING ACTIVITIES			
Profit after tax		259,549	171,137
Adjustments		**(31,907)**	**12,644**
Fair value adjustments of investment property	16	(103,713)	(59,199)
Foreign exchange loss		169	164
Gain on disposal of assets held for sale	9	(1,637)	-
Net finance costs		32,315	30,029
Fair value adjustments of derivatives	17	2,794	(21,792)
Losses on extinguishment of financial instruments	17	-	21,925
Deferred tax expense		20,606	28,999

€ thousand	Note	30 June 2023	30 June 2022
Current tax expense		16,830	11,820
Depreciation expense for property, plant, and equipment		729	698
Changes in working capital		**6,041**	**(15,521)**
(Increase) in trade and other receivables		(8,359)	(14,931)
Increase in trade and other payables		17,472	3,354
(Increase) in Inventory property		(3,072)	(3,944)
Net cash flow from operations		**233,683**	**168,260**

23. GUARANTEES HELD AND COMMITMENTS

Guarantees

At 30 June 2023, the Group had received letters of guarantee from tenants worth €124,164 thousand (31 December 2022: €108,406 thousand) and from suppliers worth €36,919 thousand (31 December 2022: €62,692 thousand) related to ongoing developments.

Commitments

The Group estimates to invest in the second half (H2) of 2023 approximately €145-150 million in development and capital expenditure, out of which only a portion is already contracted at reporting date.

24. SUBSEQUENT EVENTS

The military conflict in Ukraine continued throughout the first half of 2023 and there are no signs yet that it may stop soon. So far, the Group's operations had not been directly affected in any significant way. All the markets where NEPI Rockcastle operates are outside the conflict area and continue to function normally. The indirect macroeconomic effects that the conflict had in the CEE region, such as the increase in energy and other commodities costs, had a lower impact in 2023 compared to previous year, as the local economies adapted to the new context.

The Directors are not aware of any other subsequent events from 30 June 2023 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 SECTION BELOW HAS NOT BEEN REVIEWED BY THE GROUP'S AUDITOR

APPENDIX 1 OTHER PERFORMANCE MEASURES

EPRA PERFORMANCE MEASURES

European Public Real Estate Association ("EPRA"), the representative organisation of the publicly listed real estate industry in Europe, 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. The Group has been awarded with Gold Award for BPR for financial reporting since 2020, the highest standard for transparency of financial performance measures. EPRA performance measures reported by NEPI Rockcastle are set out below:

EPRA indicators	30 June 2023	31 December 2022	30 June 2022
EPRA Earnings (€ thousand)	177,599	317,870	139,335
EPRA Earnings per share (€ cents per share)	27.93	52.29	22.88
EPRA Net Initial Yield ('NIY')	7.00%	6.80%	6.70%
EPRA topped-up NIY	7.08%	6.86%	6.75%
EPRA vacancy rate	2.80%	2.70%	3.40%
EPRA Net Reinstatement Value ('NRV') (€ per share)	6.92	6.84	6.64
EPRA Net Tangible Assets ('NTA') (€ per share)	6.89	6.81	6.61
EPRA Net Disposal Value ('NDV') (€ per share)	6.59	6.58	6.38
EPRA Cost ratio (including direct vacancy cost)	9.58%	11.70%	12.50%
EPRA Cost ratio (excluding direct vacancy cost)	9.44%	11.60%	12.30%
EPRA loan-to-value (LTV)	34.74%	36.80%	31.70%

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 2023	31 December 2022	30 June 2022
Earnings in IFRS Consolidated Statement of comprehensive income	**259,549**	**435,167**	**171,031**
Fair value adjustments of investment property for controlled subsidiaries	(103,713)	(141,701)	(59,199)
Gain on disposal of assets held for sale	(1,637)	(1,121)	-
Fair value adjustments of derivatives and losses of extinguishment of financial instruments	2,794	(16,021)	133
Deferred tax expense for controlled subsidiaries	20,606	43,266	28,999
Adjustments above related to joint ventures	-	(1,727)	(1,636)
Adjustments above related to non-controlling interest	-	7	7
EPRA Earnings (interim)	**177,599**	**139,335**	**139,335**
EPRA Earnings (final)	**-**	**178,535**	**-**
EPRA Earnings (total)	**177,599**	**317,870**	**139,335**
Number of shares for interim distribution	635,830,268	608,994,907	608,994,907
Number of shares for final distribution	-	607,000,000	-
EPRA Earnings per Share (EPS interim)	**27.93**	**22.88**	**22.88**
EPRA Earnings per Share (EPS final)	**-**	**29.41**	**-**
EPRA Earnings per Share (EPS)*	**27.93**	**52.29**	**22.88**
Company specific adjustments:			
Amortisation of financial assets	(1,308)	(1,940)	(975)
Depreciation expense for property, plant, and equipment of an administrative nature	729	1,469	698
Antecedent earnings	4,340	(344)	-
Distributable Earnings (interim)	**181,360**	**139,058**	**139,058**
Distributable Earnings (final)	**-**	**177,997**	**-**
Distributable Earnings (total)	**181,360**	**317,055**	**139,058**
Distributable Earnings per Share (interim) (euro cents)	**28.52**	**22.83**	**22.83**
Distributable Earnings per Share (final) (euro cents)	**-**	**29.32**	**-**

EPRA Earnings	30 June 2023	31 December 2022	30 June 2022
Distributable Earnings per Share (total) (euro cents)	**28.52**	**52.15**	**22.83**

**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.

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/4116/7387/3193/EPRA_BPR_Guidelines.pdf)

EPRA Net Asset Values as of 30 June 2023

	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	**4,129,556**	**4,129,556**	**4,129,556**
Exclude:			
Net deferred tax liabilities	385,543	366,266	-
Derivative financial liabilities at fair value through profit or loss	(36,150)	(36,150)	-
Goodwill	(76,804)	(76,804)	(76,804)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	-	-	135,599
NAV	**4,402,145**	**4,382,868**	**4,188,351**
Number of shares	635,830,268	635,830,268	635,830,268
NAV per share	**6.92**	**6.89**	**6.59**

EPRA Net Asset Values as of 31 December 2022

	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	**3,898,721**	**3,898,721**	**3,898,721**
Exclude:			
Net deferred tax liabilities	365,986	347,687	-
Derivative financial liabilities at fair value through profit or loss	(36,064)	(36,064)	-
Goodwill	(76,804)	(76,804)	(76,804)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	-	-	173,939
NAV	**4,151,839**	**4,133,540**	**3,995,856**
Number of shares	607,000,000	607,000,000	607,000,000
NAV per share	**6.84**	**6.81**	**6.58**

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
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 NIY and 'topped-up' NIY

The EPRA NIY (Net Initial Yield) is calculated as the annualized rental income based on passing cash rents, less non-recoverable 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 2023	31 December 2022	30 June 2022
Investment property as per Consolidated Financial Statements	6,778,681	6,596,137	5,950,480
Investment property under joint ventures (on a pro-rata basis)	-	-	55,364
Investment property held for sale	10,930	18,666	15,485
Less investment property under development	(314,249)	(264,344)	(201,857)
Total investment property in use, including joint ventures (on a pro-rata basis)	**6,475,362**	**6,350,459**	**5,819,472**
Estimated purchasers’ costs	32,377	31,752	29,097

EPRA NIY and 'topped-up' NIY[1]	30 June 2023	31 December 2022	30 June 2022
Gross up value of the investment property in use, including joint ventures (on a pro-rata basis)	**6,507,739**	**6,382,211**	**5,848,569**
Annualised cash passing rental income*	475,000	453,800	406,500
Non-recoverable property operating expenses	(19,570)	(19,610)	(14,933)
Annualised net rents	**455,430**	**434,190**	**391,567**
Notional rent expiration of rent-free periods or other lease incentives	5,076	3,582	3,340
Topped-up net annualised rent	**460,506**	**437,770**	**394,906**
EPRA Net Initial Yield (EPRA NIY)	**7.00%**	**6.80%**	**6.70%**
EPRA “topped-up” NIY	**7.08%**	**6.86%**	**6.75%**

**Annualised passing rent 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 2023	31 December 2022	30 June 2022
Estimated Rental Value of vacant space	14,552,979	13,454,619	15,062,440
Estimated rental value of the whole portfolio	526,586,349	502,583,364	445,075,698
EPRA Vacancy Rate	**2.8%**	**2.7%**	**3.4%**

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 2023	31 December 2022	30 June 2022
Administrative expenses (line per IFRS consolidated financial statements)	14,265	30,381	16,001
Net service charge costs	9,785	19,696	10,074
Share of joint ventures expenses	-	-	11
EPRA Costs (including direct vacancy costs)	**24,050**	**50,077**	**26,086**
Direct vacancy costs	349	663	413
EPRA Costs (excluding direct vacancy costs)	**23,701**	**49,414**	**25,673**
Gross rental income	**250,963**	**424,261**	**206,377**
Add: share of joint ventures (Gross rental income less ground rents)	-	2,918	2,189
Gross rental income	**250,963**	**427,179**	**208,566**
EPRA Cost ratio (including direct vacancy costs)	**9.58%**	**11.70%**	**12.50%**
EPRA Cost ratio (excluding direct vacancy costs)	**9.44%**	**11.60%**	**12.30%**

The decrease in the EPRA cost ratio is due to the lower level of administrative expenses in the period (Note 13) and higher gross rental income (Note 14)

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 2023 and 31 December 2022

EPRA LTV Metric	30 June 2023	31 December 2022
Include:		
Borrowings from Financial Institutions	597,606	608,008
Bond loans	2,008,312	1,992,971
Net payables	87,045	69,506
Exclude:		
Cash and cash equivalents	(347,249)	(250,631)
Net Debt (a)	**2,345,714**	**2,419,854**
Include:		
Investment properties at fair value	6,427,901	6,294,593
Properties held for sale	10,986	18,685
Properties under development	314,249	264,344
Total Property Value (b)	**6,753,136**	**6,577,622**
LTV (a/b)	**34.74%**	**36.8%**

EPRA LTV is not affected by metrics of Share of Joint Ventures, 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