



**NEPI
ROCKCASTLE**

Interim Financial Report 30 June 2024

1 MANAGEMENT REPORT

Statement of Directors' responsibilities	4
Directors' commentary	5

2 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

Independent Auditor's review report on interim condensed consolidated financial statements	10
Interim Condensed Consolidated Statement of Financial Position	11
Interim Condensed Consolidated Statement of Comprehensive Income	12
Interim Condensed Consolidated Statement of Changes in Equity	13
Interim Condensed Consolidated Statement of Cash Flows	14
Notes to the Interim Condensed Consolidated Financial Statements	15

3 OTHER INFORMATION

EPRA Performance Measures	40
Glossary	45



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 Listings 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 2024 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 11 to 38 were approved by the Board of Directors on 19 August 2024, authorized for publication on 20 August 2024 and signed on its behalf by:

Rüdiger Dany

Chief Executive Officer



Eliza Predoiu

Chief Financial Officer



Directors' commentary

CEO statement

"The Company continued to perform strongly in the first half (H1) of this year delivering a year-on-year rise of 13.5% in net operating income (NOI), amid clear signs that the economic outlook for our core Central and Eastern European markets is stabilising and consumer confidence is improving. Tenant sales increased across all retail categories in our shopping centres, underlining the attractiveness of our locations and the resilience of the CEE consumer. Base rents and turnover rents are going up, while recoveries of operating costs and occupancy cost ratio (OCR) remains at sustainable levels.

Strong underlying rental growth resulted in higher NOI forecasts and, in turn, higher valuations. NEPI Rockcastle's portfolio was valued at €7 billion, contributing to a conservative loan-to-value ratio of 32.2%. We continue to be very prudent in our liability management and secured the resources to repay the €500 million bond maturing in November 2024 almost a year in advance. This sound financial position enables the Company to continue distributing 90% of earnings as dividends and the better-than-expected results led us to upgrade our guidance for this year's growth in distributable earnings per share from 4% to 5.5%."

Rüdiger Dany, Chief Executive Officer (CEO)

BUSINESS HIGHLIGHTS

Distributable earnings per share increased by 5.6% in the first half-year

- Distributable earnings per share ('DEPS') were 30.12 eurocents for the six months to 30 June 2024, 5.6% higher than in H1 2023.
- The Board has declared a dividend of 27.11 eurocents per share for H1 2024, corresponding to a 90% dividend pay-out ratio, to be settled in cash, 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. Alternatively, subject to the receipt of the relevant regulatory approvals, shareholders may elect to receive an amount of 27.11 euro cents per share, corresponding to a 90% 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 27.11 euro cents per share bears to the scrip reference price.

Higher rents (including turnover rent) and lower operating expenses drive up NOI by 13.5% (10% LFL)

- NOI increased 13.5% to €274 million in H1 2024 (H1 2023: €241 million). On a like-for-like ('LFL') basis, NOI was 10% higher in H1 2024 compared to H1 2023, excluding the impact of developments completed after 30 June 2023 (Promenada Craiova and photovoltaic plants) and the industrial property sold in January 2024 (Otopeni Warehouse and Logistics).
- Property operating expenses decreased by 3.3% between H1 2023 and H1 2024, driven by lower energy costs and operational efficiencies. The recovery rate increased from 93% to 94%.

Footfall stabilised but tenant sales continue to grow robustly

- Footfall in H1 2024 was 1% higher than H1 2023, in LFL properties.
- Tenant sales in H1 2024 increased by 8.7% compared to H1 2023 (LFL, excluding hypermarkets). The average basket size was 8.2% higher over the same period.
- The collection rate for H1 2024 reported revenues reached 97% by end of July.
- European Public Real Estate Association ('EPRA') occupancy rate was 97.7% on 30 June 2024 (for retail properties).

Bond repayment needs met well in advance through unsecured funding. Loan-to-value ratio ('LTV') of 32.2% remains conservative

- The Group had a strong liquidity position of almost €1.3 billion on 30 June 2024, consisting of cash and cash equivalents of €672 million and undrawn available credit facilities of €620 million.
- Available cash, which includes €387 million representing the first tranche of a green financing agreement with the IFC, more than covers the repayment of a €500 million bond maturing in November 2024. Except for this bond, the Company has no significant debt maturities until October 2026.
- On 30 June 2024, the property portfolio was independently valued by external appraisers, resulting in a fair value gain of €134 million (+2% compared to 31 December 2023). The valuation uplift is the result of stronger operational performance of our shopping centres.
- LTV was 32.2% on 30 June 2024, the same as of 31 December 2023 and comfortably below the 35% strategic threshold.
- The Group has an investment grade credit rating of BBB+ from Fitch (stable outlook) and BBB from S&P (stable outlook).
- EPRA Net Reinstatement Value ('NRV') per share was €7.23, a 3.6% increase on 31 December 2023.

Directors' commentary

» continued

- In July 2024, the Group entered into a binding agreement to sell its only retail asset in Serbia, Promenada Novi Sad, for a consideration of €177 million (book value: €145.6 million) payable on the completion date. The difference between the transaction value less transaction costs (including tax effect) and the book value represents a premium on disposal (estimated 18% premium to book value). The transaction, which is conditional on fulfilment of customary approvals and conditions precedent, is expected to be completed by the end of 2024. The net proceeds from the disposal will be used to fund NEPI Rockcastle's pipeline of acquisitions and developments.

OPERATING PERFORMANCE

Trading update

After a small increase in first quarter ('Q1') of 2024 (+2% vs Q1 2023), footfall stabilised in second quarter ('Q2'), at levels close to the same months in 2023 (on a LFL basis). The month-on-month variances were less than +/-0.5% in each of April, May and June. This relative stability is a welcome sign that economic uncertainties are not impacting adversely on visits to NEPI Rockcastle's properties.

The average basket size continued to grow robustly (+8.2% in H1 2024 vs H1 2023), reinforcing the trend that started in the aftermath of the Covid-19 pandemic, of people paying fewer visits to shopping centres but spending more per visit. It also reflects improving consumer confidence in our region after a period of relatively high inflation and economic insecurity.

The combination of the above resulted in H1 2024 LFL tenant sales that were 8.7% higher than H1 2023. This growth easily outpaced inflation, which has seen a decline in 2024. Tenant sales improved in all retail categories, with Health & Beauty (+16.2%) and Services (+13.7%) being the strongest performers. Sales in the largest segment, Fashion, were 7.4% higher.

Strong tenant sales helped to keep occupancy cost ratio ('OCR') at the same level (12.9%, excluding hypermarkets) as in H1 2023, despite rents and tenants' contributions to operating expenses increasing.

Leasing activity

The Group signed 559 new leases and lease extensions for a total area of 127,950m² in H1 2024. There were 203 new leases, accounting for 46,700m², of which 73% were signed with international retailers, attracted to the growth potential that the CEE markets offer.

The average rental uplift in H1 2024 was 3.6% above indexation, underpinned by continued strong demand for space in the Group's shopping centres, in turn leading to higher rents. EPRA retail vacancy was 2.3% in H1 2024.

Significant new leases signed in H1 2024 include Half Price (Solaris Shopping Centre), New Yorker (Pogoria Shopping Centre), Fashion & Friends (Arena Centar), Stradivarius (Karolinka Shopping Centre), Zara Home (Serdika Center), JD (Ozas Shopping and Entertainment Centre), Rituals (Mega Mall), Chanel (Forum Gdansk).

New units opened in H1 2024 include Primark (Arena Mall), Peek & Cloppenburg (Paradise Center), Martes (Pogoria Shopping Centre), Stay Fit Gym (Shopping City Sibiu), Action (Galeria Mlyny), Victoria's Secret (Mega Mall).

DEVELOPMENT UPDATE

NEPI Rockcastle invested approximately €70 million in development costs and capital expenditure ('capex') in H1 2024.

Works at development projects under construction are on schedule and within budget. The extension of Promenada Bucharest is expected to open in Q4 2026. Lease terms were agreed for 66% of the additional GLA. The 7,400m² extension of Ploiesti Shopping City is due to open by the end of 2024, with lease terms agreed for 96% of the additional GLA. Works on the refurbishment of Arena Mall Budapest started in April 2024 and will be completed in Q2 2028. Lease terms were agreed for 90% of the refurbished GLA.

The building permit for Promenada Mall Plovdiv, a 60,500m² GLA greenfield development in Bulgaria's second largest city, is expected to be obtained in Q4 2024, with construction starting before the year end. Completion is estimated in Q4 2026. The strong interest from retailers has resulted in NEPI Rockcastle already agreeing lease terms for 47% of the GLA.

After the success of the Group's first residential project, Vulcan Residential (82% of the units already sold by 30 June 2024), NEPI Rockcastle intends to start developing two new residential projects in the major Romanian cities of Brasov and Craiova. The development land is owned by the Group and is adjacent to its retail properties in the two cities. The projects are currently under permitting with completion estimated in Q4 2026.

The installation of photovoltaic panels in 27 retail locations in Romania owned by the Group is now complete. This is the first phase of an ambitious green energy project, that has already produced revenues of €4.1 million in H1 2024 (on a total investment of €34 million). The second phase, involving the roll-out of the same concept in 24 locations outside Romania owned by the Group for a total investment of €15 million, is under various stages of permitting.

In addition, the Group plans to invest approximately €100 million in greenfield, ready-to-build photovoltaic projects in several new locations in Romania, to expand its green energy generating capacity and increase the coverage of electricity consumption needs of its tenants.

The first installations are expected to become operational by the end of 2026 and contribute an additional 159 MW power to the Group's own production capacity. This ambitious project will provide coverage for 80% of the Romanian portfolio energy consumption while reducing the carbon footprint by 36%.

The total cost of projects under construction, or permitting, is €817 million (of which €230 million has already been invested). The planned development and capex for second half of 2024 is approximately €108 million.

ACCOUNTING AND VALUATION MATTERS

Valuation

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

Appraiser	Locations	Percentage of portfolio
Colliers International	Romania, Bulgaria	48%
Jones Lang LaSalle (JLL)	Poland, Lithuania	29%
Cushman & Wakefield	Hungary, Croatia, Czech Republic, Slovakia	23%

The Company recognised a fair value gain in relation to the investment property portfolio for H1 2024 of €134 million.

EPRA Indicators

	30 June 2024	31 December 2023	30 June 2023
EPRA Earnings (€ thousand) ¹	199,964	362,861	177,599
EPRA Earnings per share (€ cents per share) ¹	30.26	55.96	27.93
EPRA Net Initial Yield ('NIY') ²	6.95%	6.94%	7.00%
EPRA topped-up NIY ²	6.99%	6.97%	7.08%
EPRA vacancy rate	2.70%	2.20%	2.80%
EPRA Net Reinstatement Value ('NRV') (€ per share)	7.23	6.98	6.92
EPRA Net Tangible Assets ('NTA') (€ per share)	7.20	6.95	6.89
EPRA Net Disposal Value ('NDV') (€ per share)	6.66	6.52	6.59
EPRA Cost ratio (including direct vacancy cost)	9.1%	10.2%	9.6%
EPRA Cost ratio (excluding direct vacancy cost)	9.0%	10.1%	9.4%
EPRA loan-to-value (LTV)	32.4%	33.0%	34.7%

¹ At 31 December 2023, the non-recurring profit from sale of inventory property was adjusted in the section "Company specific adjustments". At 30 June 2024, the non-recurring profit from sale of inventory property is presented in "EPRA Earnings" section, to enhance presentation, with the corresponding comparative changed accordingly.

² Does not include investment property held for sale.

Funding and liability management

The Company maintained very strong liquidity, with €672 million in cash and €620 million in undrawn committed credit facilities on 30 June 2024 (adjusted for the repayment of the bond maturing in November 2024, liquidity amounts to approximately €800 million). NEPI Rockcastle's LTV (interest bearing debt less cash, divided by investment property) was 32.2%, comfortably below the 35% strategic threshold.

Directors' commentary

» continued

At the end of June 2024, ratios for unsecured loans and bonds showed ample headroom compared to covenants and were:

- Solvency ratio: 0.40 actual compared to 0.60 maximum.
- Consolidated coverage ratio: 5.68 actual compared to minimum of 2.
- Unencumbered consolidated total assets/unsecured consolidated total debt: 251% actual compared to 150% minimum.

The average interest rate of the Group's debt, including hedging, was approximately 2.9% during first half of 2024 (30 June 2023: 2.5%). Considering the interest income resulting from the placement of the excess liquidity from the disbursed tranche of the IFC loan, the net average interest rate for Group's debt was 2.6%. Unsecured debt represented 87% of total debt as at 30 June 2024. The un-hedged balance exposed to variable interest rate corresponds to the disbursed tranche of the IFC loan and represents 12% of the total outstanding debt. Management continually monitors the interest rate market for opportunities to hedge the variable interest rate exposure.

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.

In February 2024, the Group extended the maturity of its revolving credit facility with Raiffeisen Bank International until January 2027 and increased the maximum limit to €200 million, with Erste Group Bank joining the facility. Consequently, as at 30 June 2024, the Group's revolving credit facilities' capacity amounts to €620 million (31 December 2023: €570 million).

In December 2023, NEPI Rockcastle entered into a €387 million green financing agreement with IFC, a member of the World Bank Group and the largest global development institution focused on the private sector in emerging markets. The senior unsecured facility is structured as a green loan with sustainability-linked features, aimed at reducing greenhouse gas emissions and increasing energy efficiency in the Group's property portfolio. The facility matures in January 2029 and was disbursed in mid-February 2024. In April 2024, NEPI Rockcastle signed a €58 million increase to the €387 million facility, bringing the total to €445 million. The disbursement of the additional €58 million is planned for third quarter of 2024. The facility has been put in place for the repayment of the upcoming bond maturing in November 2024.

CHANGE TO THE BOARD OF DIRECTORS, APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms. Jeanine Holscher was appointed as an Independent non-Executive Director of NEPI Rockcastle at the Annual General Meeting of Shareholders held on 14 May 2024. Ms. Holscher possesses over 25 years of leadership experience spanning retail, travel, services industries, and international strategy consulting. Ms. Holscher brings a wealth of leadership experience, having served in various high-profile roles within the retail and service sectors.

MARKET CONTEXT AND OPPORTUNITIES

Resilient economic growth and increasing household consumption in CEE is fuelling demand from international retailers looking for space in NEPI Rockcastle's core operating markets. The Group is the CEE's dominant owner, operator and developer of shopping centres in terms of scale and exposure. It continues to be well placed to take advantage of its growing appeal to international retailers as well as pursuing attractive acquisition opportunities in the region.

The retail sector in CEE continues to be one of the highest yielding real estate asset classes on the back of robust operational fundamentals. NEPI Rockcastle will continue to invest in its existing properties and enhance operations to improve asset performance. Attractive merger and acquisition opportunities will be highly complementary to NEPI Rockcastle's growth story supported by the region's fundamental growth prospects.

Opportunities for the Group to further optimise its capital structure while, strategically, widening its shareholder base may arise when taking into consideration the current growth context and increasing interest in NEPI Rockcastle from analysts and potential debt and equity providers in several markets. The Group continuously evaluates its financing options, including debt and equity, to support its future growth and assesses market opportunities as they arise.

DIVIDEND DECLARATION

The Board has declared a dividend of 27.11 euro cents per share for H1 2024, corresponding to a 90% dividend pay-out ratio, to be settled in cash, as a capital repayment (default option). Shareholders can also elect for the settlement of the same dividend amount as a cash dividend out of distributable profits.

Alternatively, subject to the receipt of the relevant regulatory approvals, shareholders may elect to receive an amount of 27.11 euro cents per share, corresponding to a 90% 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 27.11 euro cents per share bears to the scrip reference price.

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

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 once the relevant regulatory approvals have been obtained.

OUTLOOK

The Company is on track for robust growth in 2024, based on the strong operational results. The Board has revised the guidance released in February 2024 and now expects DEPS for the year to be approximately 5.5% higher than the DEPS of 56.98 cents per share in 2023.

This guidance does not consider any impact of potential geopolitical instability, 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.

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 11 to 38 contained in the accompanying interim financial report, which comprise the interim condensed consolidated financial statement of financial position as at 30 June 2024 and the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months then ended, and selected explanatory notes.

Directors' responsibility for the interim condensed consolidated financial statements

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the IFRS Accounting Standard as issued by the International Accounting Standards Board, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, and for such internal control as the directors determine is necessary to enable the preparation of interim 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 2024 are not prepared, in all material respects, in accordance with the IFRS Accounting Standard as issued by the International Accounting Standards Board, (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.

Ernst & Young Inc.

Ernst & Young Inc.

Director: Gerhardus Jacobus van Deventer CA(SA)

Registered Auditor

Chartered Accountant (SA)

19 August 2024

102 Rivonia Road
Johannesburg
South Africa

Interim Condensed Consolidated Statement of Financial Position

in € thousand

	Note	30 June 2024	31 December 2023
ASSETS			
Non-current assets		7,192,556	6,993,897
Investment property		7,022,738	6,824,990
- Investment property in use	4	6,778,750	6,627,247
- Investment property under development	5	243,988	197,743
Goodwill		76,804	76,804
Deferred tax assets		63,576	63,555
Other long-term assets		15,801	16,307
Derivative financial assets at fair value through profit or loss		13,637	12,241
Current assets		806,409	458,577
Trade and other receivables	6	119,002	93,465
Inventory property		7,329	17,266
Cash and cash equivalents	7	671,602	338,519
Derivative financial assets at fair value through profit or loss		8,476	9,327
Assets held for sale	8	156,246	160,915
TOTAL ASSETS		8,155,211	7,613,389
EQUITY AND LIABILITIES			
TOTAL SHAREHOLDERS' EQUITY		4,433,315	4,304,761
Equity attributable to equity holders		4,433,315	4,304,761
Share capital	9	6,608	6,608
Share premium	9	3,030,444	3,137,063
Other reserves		(9,751)	(7,637)
Accumulated profit		1,406,014	1,168,727
Total liabilities		3,721,896	3,308,628
Non-current liabilities		2,999,295	2,582,925
Bank loans	10	897,279	517,898
Bonds	10	1,488,011	1,485,621
Deferred tax liabilities		507,797	471,691
Lease liabilities	13	53,996	54,974
Loans from third parties	12	16,667	16,667
Other long-term liabilities	11	35,545	36,074
Current liabilities		720,576	722,037
Trade and other payables		133,677	154,333
Income tax payable		25,919	20,187
Bank loans	10	16,312	15,823
Bonds	10	526,390	513,410
Lease liabilities	13	1,546	1,546
Loans from third parties	12	16,732	16,738
Liabilities directly associated with assets held for sale	8	2,025	3,666
TOTAL EQUITY AND LIABILITIES		8,155,211	7,613,389
Net Asset Value per share (euro)		6.71	6.51
EPRA Net Reinstatement Value per share (euro) ¹		7.23	6.98
Number of shares for Net Asset Value/EPRA Net Reinstatement Value		660,826,020	660,826,020

¹ EPRA Net Reinstatement Value per share (alternative performance measure) is Net Asset Value per share (alternative performance measure) adjusted for the effect of non-monetary balance sheet items, such as deferred tax, goodwill and interest rate derivatives.

Interim Condensed Consolidated Statement of Comprehensive Income

<i>in € thousand</i>	Note	30 June 2024	30 June 2023
Gross rental income	14	278,463	250,963
Service charge income	14	129,308	133,009
Property operating expenses	14	(138,112)	(142,794)
Revenue from energy activity	14	4,054	-
Net rental and related income	14	273,713	241,178
Administrative expenses	15	(16,476)	(14,265)
Revenue from sales of inventory property		14,167	-
Cost of sales of inventory property		(10,248)	-
EBIT¹		261,156	226,913
Fair value adjustments of investment property	16	133,926	103,713
Foreign exchange loss		(109)	(169)
Gain on disposal of assets held for sale	8	386	1,637
Profit before net finance costs and other items		395,359	332,094
Finance income		8,990	3,095
Finance costs		(46,328)	(34,124)
Bank charges, commissions, and fees		(2,306)	(1,286)
Fair value adjustments of derivatives		(366)	(2,794)
Profit before tax		355,349	296,985
Income tax expense		(55,274)	(37,436)
Current tax expense		(17,520)	(16,830)
Deferred tax expense		(37,754)	(20,606)
Profit after tax		300,075	259,549
Total comprehensive income for the year		300,075	259,549
Profit attributable to:			
Equity holders of the parent		300,075	259,549
Total comprehensive income attributable to:			
Equity holders of the parent		300,075	259,549
Basic weighted average number of shares		659,308,213	619,549,161
Diluted weighted average number of shares		660,826,020	620,614,293
Basic earnings per share (euro cents) attributable to equity holders		45.51	41.89
Diluted earnings per share (euro cents) attributable to equity holders		45.41	41.82

¹ EBIT (Earnings Before Interest and Taxes) represents the Group's Operating profit, defined as Net rental and related income plus Revenue from sales of inventory property less Cost of sales of inventory property, less Administrative expenses (Depreciation and Amortisation are included in Administrative expenses).

Interim Condensed Consolidated Statement of Changes in Equity

in € thousand

	Note	Share capital	Share premium	Other reserves	Accumulated profit	Total
Balance at 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 ¹		18,231	(18,231)	-	-	-
- Earnings distribution – capital repayment ²		(18,231)	-	-	-	(18,231)
- Earnings distribution – dividend out of accumulated profit ²		-	-	-	(7,670)	(7,670)
- Earnings distribution – impact of foreign exchange hedges ²		-	219	-	-	219
- Earnings distribution – scrip issue ²		288	(288)	-	-	-
- Shares purchased for LTSIP ³		-	-	(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 1 July 2023		6,358	3,172,435	(7,688)	958,451	4,129,556
Transactions with owners		250	(35,372)	51	(6,976)	(42,047)
- Share capital movements ¹		35,009	(35,009)	-	-	-
- Earnings distribution – capital repayment ²		(35,009)	-	-	-	(35,009)
- Earnings distribution – dividend out of accumulated profit ²		-	-	-	(6,976)	(6,976)
- Earnings distribution – impact of foreign exchange hedges ²		-	(113)	-	-	(113)
- Earnings distribution – scrip issue ²		250	(250)	-	-	-
- Shares purchased for LTSIP ³		-	-	(126)	-	(126)
- LTSIP reserve release		-	-	177	-	177
Total comprehensive income		-	-	-	217,252	217,252
Profit for the period		-	-	-	217,252	217,252
Balance at 1 January 2024		6,608	3,137,063	(7,637)	1,168,727	4,304,761
Transactions with owners		-	(106,619)	(2,114)	(62,788)	(171,521)
- Share capital movements ¹	9	106,448	(106,448)	-	-	-
- Earnings distribution – capital repayment ²	9	(106,448)	-	-	-	(106,448)
- Earnings distribution – dividend out of accumulated profit ²	9	-	-	-	(62,788)	(62,788)
- Earnings distribution – impact of foreign exchange hedges ²	9	-	(171)	-	-	(171)
- Shares purchased for LTSIP ³		-	-	(5,154)	-	(5,154)
- Share based payment expense		-	-	3,040	-	3,040
Total comprehensive income		-	-	-	300,075	300,075
Profit for the period		-	-	-	300,075	300,075
Balance at 30 June 2024		6,608	3,030,444	(9,751)	1,406,014	4,433,315

¹ Share capital movements relate to the net increase of the nominal value of the shares in respect to the shareholders that elected the distributions as capital repayment.

² The Company offers 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.

³ LTSIP = debt free Long-Term Share Incentive Plan with a vesting component.

Interim Condensed Consolidated Statement of Cash Flows

in € thousand

	Note	30 June 2024	30 June 2023
CASH FLOWS FROM OPERATIONS	19	238,711	233,683
Interest paid on loans and borrowings	10, 12	(27,085)	(11,357)
Interest paid on lease liabilities	13	(567)	(399)
Bond coupon paid	10	(10,000)	(10,000)
Income tax paid		(14,456)	(9,986)
Bank charges paid		(2,468)	(1,197)
Interest received		8,945	3,046
Cash received from derivatives settlements		6,648	-
NET CASH FLOWS FROM OPERATING ACTIVITIES		199,728	203,790
INVESTING ACTIVITIES			
Expenditure on investment property ¹		(70,366)	(72,688)
Settlements of deferred consideration for prior years acquisitions		-	(1,858)
Proceeds from disposal of assets held for sale	8	4,403	9,142
NET CASH FLOW USED IN INVESTING ACTIVITIES		(65,963)	(65,404)
FINANCING ACTIVITIES			
Payment to acquire shares for LTSIP		(5,154)	(5,032)
Net movements in bank loans, bonds, and other long-term liabilities		379,801	(7,506)
Proceeds from bank loans	10	387,987	200,000
Repayment of bank loans (including revolving credit facilities)	10	(8,186)	(207,506)
Other payments		(171,296)	(29,230)
Repayments of lease liabilities		(978)	(668)
Premium paid on acquisitions of derivatives		(911)	(2,880)
Earnings distribution - Capital repayment and dividend out of accumulated profit ²	9	(169,407)	(25,682)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		203,351	(41,768)
NET INCREASE IN CASH AND CASH EQUIVALENTS		337,116	96,618
Cash and cash equivalents brought forward		338,519	250,631
CASH AND CASH EQUIVALENTS CARRIED FORWARD BEFORE THE ADJUSTMENT FOR HELD FOR SALE ASSETS		675,635	347,249
Cash and cash equivalents classified as held for sale	7	(4,033)	-
CASH AND CASH EQUIVALENTS CARRIED FORWARD	7	671,602	347,249

¹ Includes capital expenditure for the investment property under development and the existing in use properties.

² The Company offers 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 9.

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 Group’s Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2024 are unaudited and were approved by the Board of Directors on 19 August 2024 and authorized for publication on 20 August 2024. The financial statements are accompanied by the external auditors review report.

2. BASIS OF PREPARATION

These Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2024 are prepared in accordance with the requirements of the JSE Listings Requirements for interim reports.

The JSE Listings Requirements demand that the interim reports are prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS * Accounting Standards as issued by the International Accounting Standards Board and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council. Per the JSE Listings Requirements, interim reports should 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 2023. 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 2023.

The accounting policies adopted are consistent with those applied for the preparation of the annual consolidated financial statements as at 31 December 2023 except for the new mandatory standards and interpretations effective as of 1 January 2024:

- 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)

The newly adopted IFRS and amendments to IFRS did not have a significant impact on the Group’s financial statements as at 30 June 2024.

The following standards have been issued but are not yet effective and have not been endorsed by the European Union as at 30 June 2024, and were not early adopted by the Group:

- IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)
- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures
- 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
- Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial instruments

Management is currently assessing the impact of the amendments above will have on the financial statements.

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

The Organisation for Economic Co-operation and Development (OECD) has introduced a reform that sets a 15% country-by-country minimum tax for large groups with revenue of at least €750 million (Pillar Two Rules). This reform has been transposed into an EU Directive and enacted in the jurisdictions where the Group operates, including the Netherlands, effective 1 January 2024. NEPI Rockcastle N.V. and the majority of its subsidiaries included in the Group's interim condensed consolidated financial statements are not impacted by this reform in 2024. Consequently, no additional tax provision was recognized in the Group's 2024 interim condensed consolidated financial statement. The Group is in the process of assessing its exposure to the Pillar Two legislation starting from 2025 onwards. It should be noted that the OECD is also expected to issue additional application guidelines in the second half of 2024. Due to the complexities in applying the legislation and calculating Global Anti-Base Erosion income, the quantitative impact of the enacted or substantially enacted legislation cannot yet be reasonably estimated. The Group is currently engaged with tax specialists to assist in applying the legislation.

The Interim Condensed Consolidated Financial Statements were prepared on a going concern basis. Having considered the potential impact of the military conflicts in Ukraine and in the Middle East and the overall macroeconomic environment on the Company's and the wider NEPI Rockcastle Group revenues, profits, cash flows, operations, liquidity position and debt facilities, management concluded that despite the market events generated by these circumstances during the six months ended 30 June 2024 and subsequent to this period-end, there are no material uncertainties relating to the Group's ability to continue as a going concern.

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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	Note	30 June 2024	31 December 2023
<i>in € thousand</i>			
Tenant receivables	6	84,497	71,721
Cash and cash equivalents	7	671,602	338,519
Financial assets at fair value through profit or loss ¹		22,113	21,568
Loans to participants in the Share Purchase Scheme ²		2,419	3,451
Total		780,631	435,259

¹ Includes both long-term and short-term financial assets at fair value through profit or loss

² 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 (68% at 30 June 2024 and at 31 December 2023) 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 25.5% of the rental income as at 30 June 2024 (31 December 2023: 25.2%).

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

The Group establishes an allowance for impairment based on a simplified expected credit loss model in respect of Trade and other receivables. 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 cash and cash equivalents is limited through 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:

<i>in € thousand</i>	Note	30 June 2024	31 December 2023
Tenant receivables - gross		93,319	82,422
Less: Impairment provisions		(8,822)	(10,701)
TENANT RECEIVABLES - NET OF IMPAIRMENT PROVISION	6	84,497	71,721

Reconciliation of impairment provisions is set out below:

<i>in € thousand</i>	30 June 2024	31 December 2023
Movement of provisions for doubtful debtors		
Carrying value at beginning of the year	(10,701)	(9,342)
Additional expected credit losses	(1,283)	(5,485)
Write-off of receivables	677	1,900
Recovery of previously expected credit losses	2,480	2,366
Transfers to assets held for sale	124	100
Foreign exchange loss	(119)	(240)
Carrying value	(8,822)	(10,701)

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 2024 was determined as follows for trade receivables:

30 June 2024	Current	0-30 days	31-60 days	61-90 days	>90 days	Total
<i>in € thousand</i>						
Expected loss rate	0%	0%	2%	9%	93%	
Gross carrying amount - trade receivables	69,332	10,492	2,678	1,712	9,105	93,319
PROVISION FOR DOUBTFUL DEBTORS	(114)	(2)	(43)	(155)	(8,508)	(8,822)

The impairment provision for trade receivables as at 31 December 2023 is set out below:

31 December 2023	Current	0-30 days	31-60 days	61-90 days	>90 days	Total
<i>in € thousand</i>						
Expected loss rate	0%	2%	7%	81%	96%	
Gross carrying amount - trade receivables	60,458	9,299	1,979	332	10,354	82,422
PROVISION FOR DOUBTFUL DEBTORS	(219)	(172)	(135)	(268)	(9,907)	(10,701)

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

30 June 2024	3-12 months	1-5 years	Total
<i>in € thousand</i>			
Financial assets at fair value through profit or loss	843	21,270	22,113
31 December 2023	3-12 months	1-5 years	Total
<i>in € thousand</i>			
Financial assets at fair value through profit or loss	2,626	18,942	21,568

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 2024, 98% of the Group's cash was held with investment-grade rated banks (31 December 2023: 97%), as detailed below:

Cash and cash equivalents	30 June 2024	31 December 2023
Held with banks as rated by Moody's		
A1	43%	49%
A2	28%	10%
A3	5%	10%
Aa3	6%	8%
Baa1	15%	19%
Baa2	1%	1%
Held with not rated banks	2%	3%
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 2024	Note	under 3 months	3-12 months	1-5 years	over 5 years	Total undiscounted cash flows	Total carrying amount
<i>in € thousand</i>							
Bonds (including estimated future interest)	10	42,510	523,769	1,076,410	505,090	2,147,779	2,014,401
Bank loans (including estimated future interest)	10	19,618	51,709	961,426	125,571	1,158,324	913,591
Loans from third parties (including estimated future interest)	12	611	17,715	17,178	-	35,504	33,399
Trade and other payables		116,758	16,919	-	-	133,677	133,677
Income tax payable		5,905	20,014	-	-	25,919	25,919
Other long-term liabilities		-	-	24,712	10,833	35,545	35,545
Lease liabilities (including estimated future interest)	13	-	1,545	6,181	95,958	103,684	55,542
Total		185,402	631,671	2,085,907	737,452	3,640,432	3,212,074

31 December 2023	Note	under 3 months	3-12 months	1-5 years	over 5 years	Total undiscounted cash flows	Total carrying amount
<i>in € thousand</i>							
Bonds (including estimated future interest)	10	30,076	527,589	1,087,805	509,430	2,154,900	1,999,031
Bank loans (including estimated future interest)	10	13,730	35,226	406,034	236,408	691,398	533,721
Loans from third parties (including estimated future interest)	12	611	18,264	17,715	-	36,590	33,405
Trade and other payables		128,388	25,945	-	-	154,333	154,333
Income tax payable		7,837	12,350	-	-	20,187	20,187
Other long-term liabilities		-	-	26,034	10,040	36,074	36,074
Lease liabilities (including estimated future interest)	13	1,545	-	6,181	97,503	105,229	56,520
Total		182,187	619,374	1,543,769	853,381	3,198,711	2,833,271

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.

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

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 substantially hedge this risk through the use of derivative financial instruments. As at 30 June 2024 and 31 December 2023, the Group held interest rate instruments in the form of interest rate swaps and interest rate caps.

<i>in € thousand</i>	30 June 2024	31 December 2023
Bank loans	913,591	533,721
- Rate capped	523,921	432,653
- Rate swapped	39,700	112,793
- Variable rate ¹	361,626	-
Accrued interest on loans and deferred loan costs	(11,656)	(11,725)

¹ As of June 2024, the balance exposed to variable interest rate corresponds to the disbursed tranche of the IFC loan and represents 12% of the total outstanding debt. Management continually monitor the interest rate market for opportunities to hedge the variable interest rate exposure.

Sensitivity analysis for interest bearing financial instruments

A change of 50 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 2024. 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 €913,591 thousand as at 30 June 2024 (31 December 2023: €533,721 thousand) is Euribor 3 months; if this rate is less than zero, Euribor shall be deemed to be zero.

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

in € thousand

30 June 2024 **31 December 2023**

Loans to participants in the Share Purchase Scheme (including accrued interest)	2,419	3,451
Loans and borrowings (variable or capped rate)	(885,547)	(432,653)
Total	(883,128)	(429,202)

30 June 2024

**Profit or loss
50bps increase** **Profit or loss
50bps decrease** **Equity 50bps
increase** **Equity 50bps
decrease**

in € thousand

Loans to participants in the Share Purchase Scheme (including accrued interest)	12	(12)	12	(12)
Loans and borrowings (variable or capped rate) ¹	(1,352)	1,352	(1,352)	1,352
Total	(1,340)	1,340	(1,340)	1,340

¹ Calculation is based considering loans' specifics and the allocated hedges (CAPs) net of tax.

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 31 December 2023.

31 December 2023

**Profit or loss
100bps increase** **Profit or loss
100bps decrease** **Equity 100bps
increase** **Equity 100bps
decrease**

in € thousand

Loans to participants in the Share Purchase Scheme (including accrued interest)	35	(35)	35	(35)
Loans and borrowings (variable or capped rate) ¹	-	-	-	-
Total	35	(35)	35	(35)

¹ Calculation is based considering loans' specifics and the allocated hedges (CAPs) net of tax.

3.4 Fair value of financial instruments

To estimate the fair value of individual classes of financial instruments, the following methods and assumptions are used:

Cash and cash equivalents

The book value of cash approximates their fair value, as these financial instruments have a short maturity.

Receivables and payables

The book value of short-term receivables and payables approximates their fair value, as these financial instruments have a short maturity.

Short-term loans

The book value approximates their fair value, as these instruments have a floating interest rate and a short maturity.

Long-term loans

The fair value of long-term loans as at 30 June 2024 is €974,041 thousand (31 December 2023 - €583,146 thousand). The valuation model of fair value of bank loans considers the present value of expected payments, discounted using risk adjusted discount rate. The Group has determined that all of its Interest-bearing loans and borrowings from financial institutions are classified within Level 2 of the fair value hierarchy. To determine the fair value of such instruments, management used a valuation technique in which all significant inputs were based on observable market data.

Bonds

The fair value of bonds outstanding as at 30 June 2024 is presented in Note 10.

Derivatives

The fair value of derivatives is based on fair value quotes from counterparty banks.

4. INVESTMENT PROPERTY IN USE

Movement in investment property in use	Note	30 June 2024	31 December 2023
<i>in € thousand</i>			
Carrying value at beginning of year		6,627,247	6,331,793
Capital expenditure		10,820	44,982
Transferred from investment property under development	5	19,060	214,177
Remeasurement of right-of-use assets		-	20,062
Fair value adjustments	16	122,601	168,185
Fair value adjustment of right-of-use asset	16	(978)	(742)
Investment property reclassified as held for sale	8.1	-	(151,210)
CARRYING VALUE		6,778,750	6,627,247

As at 30 June 2024, the balance of investment property included also right-of-use assets of €55,542 thousand (31 December 2023: €56,520 thousand) representing long-term land concessions for the Group Polish properties contracted from local government.

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

For the six month period ended 30 June 2024 the Group commissioned independent appraisal reports on its investment property from Cushman&Wakefield and Affiliate Partners, Colliers International and Jones Lang LaSalle (for the year ended 31 December 2023: Cushman&Wakefield and Affiliate Partners and Colliers International), 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 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 2024 and year ended 31 December 2023 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 have been inspected by representatives of external valuers once a year.

The Group's valuers note in their valuation reports 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 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.

As at 30 June 2024, the investment property in use had an EPRA Vacancy Rate of 2.7% (31 December 2023: 2.2%). EPRA Vacancy Rate is a non-IFRS measure which is defined in section Other information, Glossary.

As compared to the valuations on 31 December 2023, the estimated rental values generally increased, supported by the good performance of the assets, with no changes in valuation yields.

As at 30 June 2024, the Group's portfolio included retail, office and one industrial property.

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 2024 for retail properties is presented in the table below:

Segment	Valuation technique	Estimated market rental value	Discount rate	Capitalisation rate for terminal value
		(yearly amount in '000 €)	(%)	(%)
Romania	Discounted cash flow	319- 27,194 (13,688) ¹	8.95% - 10.45% (9.73) ¹	6.75% - 8.25% (7.53) ¹
Poland	Discounted cash flow	2,957 - 23,987 (14,147) ¹	7.80% - 10.20% (8.45) ¹	6.60% - 9.00% (7.21) ¹
Slovakia	Discounted cash flow	3,292 - 12,738 (9,759) ¹	9.00% - 10.25% (9.12) ¹	7.00% - 8.25% (7.12) ¹
Hungary	Discounted cash flow	19,512 - 21,028 (20,328) ¹	8.65% - 9.10% (8.86) ¹	6.65% - 7.10% (6.86) ¹
Bulgaria	Discounted cash flow	16,646 - 27,657 (23,459) ¹	10.43%	7.50% - 7.75% (7.60) ¹
Croatia	Discounted cash flow	1,573 - 19,078 (17,809) ¹	9.75%	7.50% - 7.75% (7.73) ¹
Czech Republic	Discounted cash flow	6,827 - 6,874 (6,851) ¹	9.25%	7.25%
Lithuania	Discounted cash flow	13,314	10.00%	8.25%

¹ Amounts or percentages represent weighted averages

Information relating to fair value measurement using significant unobservable inputs (Level 3) as at 31 December 2023 for retail properties is presented in the table below:

Segment	Valuation technique	Estimated market rental value	Discount rate	Capitalisation rate for terminal value
		(yearly amount in '000 €)	(%)	(%)
Romania	Discounted cash flow	311 - 26,281 (13,128) ¹	8.95% - 10.45% (9.73) ¹	6.75% - 8.25% (7.53) ¹
Poland	Discounted cash flow	2,817 - 23,746 (14,110) ¹	7.90% - 10.80% (8.72) ¹	5.80% - 8.70% (6.62) ¹
Slovakia	Discounted cash flow	3,307 - 12,784 (9,734) ¹	9.10% - 10.35% (9.22) ¹	7.00% - 8.25% (7.12) ¹
Hungary	Discounted cash flow	19,602 - 21,309 (20,515) ¹	8.75% - 9.00% (8.87) ¹	6.65% - 6.90% (6.77) ¹
Bulgaria	Discounted cash flow	17,022 - 26,148 (22,514) ¹	10.30%	7.50% - 7.75% (7.60) ¹
Croatia	Discounted cash flow	1,550 - 19,433 (18,138) ¹	9.60% - 9.85% (9.83) ¹	7.50% - 7.75% (7.73) ¹
Czech Republic	Discounted cash flow	6,737 - 6,748 (6,743) ¹	9.35%	7.25%
Serbia	Discounted cash flow	13,321	11.10%	9.00%
Lithuania	Discounted cash flow	12,767	10.00%	7.90%

¹ Amounts or percentages represent weighted averages

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

The tables below present the change in the valuation of the shopping centre portfolio using different discount rate, exit rate and rental income assumptions than those used by the appraisers as at 30 June 2024:

Discount rate variance

Country	(50 bps)	(25 bps)	25 bps	50 bps
Romania	3.37%	1.67%	-1.63%	-3.22%
Poland	3.59%	1.78%	-1.71%	-3.41%
Slovakia	3.56%	1.76%	-1.68%	-3.33%
Hungary	3.65%	1.80%	-1.76%	-3.47%
Bulgaria	2.02%	1.00%	-0.96%	-1.90%
Croatia	3.21%	1.62%	-1.62%	-3.32%
Czech Republic	3.54%	1.77%	-1.71%	-3.37%
Lithuania	3.33%	1.63%	-1.63%	-3.21%
Total	3.34%	1.66%	-1.61%	-3.20%

Exit rate variance

Country	(50 bps)	(25 bps)	25 bps	50 bps
Romania	6.94%	3.35%	-3.13%	-6.07%
Poland	7.66%	3.69%	-3.42%	-6.62%
Slovakia	7.58%	3.67%	-3.37%	-6.55%
Hungary	8.14%	3.91%	-3.62%	-7.02%
Bulgaria	4.99%	2.36%	-2.11%	-4.01%
Croatia	5.74%	2.98%	-3.13%	-6.46%
Czech Republic	7.52%	3.65%	-3.37%	-6.58%
Lithuania	6.42%	3.09%	-2.97%	-5.69%
Total	6.98%	3.38%	-3.17%	-6.17%

Rental Income (ERV)

Country	-10%	-5%	5%	10%
Romania	-10.02%	-5.01%	5.01%	10.02%
Poland	-7.17%	-3.61%	3.70%	7.47%
Slovakia	-8.44%	-4.21%	4.21%	8.44%
Hungary	-8.32%	-4.16%	4.16%	8.32%
Bulgaria	-7.08%	-3.53%	3.56%	7.15%
Croatia	-7.36%	-3.66%	3.70%	7.40%
Czech Republic	-8.35%	-4.20%	4.26%	8.40%
Lithuania	-5.51%	-2.78%	2.78%	5.57%
Total	-8.47%	-4.24%	4.27%	8.56%

5. INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in investment property under development

30 June 2024

31 December 2023

<i>in € thousand</i>	Note		
Carrying value at beginning of year		197,743	264,344
Additions from construction in progress		52,918	150,219
Fair value adjustments	16	12,387	(2,643)
Assets which became operational and were transferred to Investment property in use	4	(19,060)	(214,177)
Carrying value		243,988	197,743

Land included in Investment property under development is carried at fair value and is independently assessed on a semi-annual basis. For the six months ended 30 June 2024, the Group commissioned independent reports to Cushman&Wakefield and Affiliate Partners, Colliers International and Jones Lang LaSalle (for the year ended 31 December 2023: Cushman&Wakefield and Affiliate Partners and Colliers International), based on which the fair value of land 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 estimated fair value of Investment property under development would increase/(decrease) if the market comparable price per square meter is higher/(lower) as there is a direct relationship between the fair value and the market comparable price per square meter.

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 2024 amount to €1,955 thousand (30 June 2023: €2,633 thousand) and were calculated using an average annual interest rate of 2.6% (30 June 2023: 2.5%).

The balance of Investment property under development split 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	30 June 2024	31 December 2023
<i>in € thousand</i>		
Land (at fair value)	120,799	104,316
Construction works (at cost)	123,189	93,427
Total	243,988	197,743

6. TRADE AND OTHER RECEIVABLES

<i>in € thousand</i>	Note	30 June 2024	31 December 2023
Tenant receivables (net of ECL)	3.1	84,497	71,721
VAT receivable		6,399	7,510
Prepaid property expenses		16,938	4,915
Other receivables		10,993	8,956
Other prepaid fees		175	363
Total		119,002	93,465

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents by currency	30 June 2024	31 December 2023
<i>in € thousand</i>		
EUR	516,153	213,959
RON	67,222	54,615
PLN	47,214	35,911
BGN	21,154	14,050
HUF	7,412	8,991
CZK	11,146	9,864
RSD	262	238
ZAR	1,039	891
Total¹	671,602	338,519

¹ The above balances do not include the cash and cash equivalents from the held for sale properties in amount of €4,033 thousand as at 30 June 2024 (31 December 2023: €2,359 thousand, 30 June 2023 :NIL).

Cash and cash equivalents by type

30 June 2024

31 December 2023

in € thousand

	30 June 2024	31 December 2023
Current accounts	285,461	258,371
Deposits	386,000	80,000
Petty cash	141	148
Total¹	671,602	338,519

¹ The above balances do not include the cash and cash equivalents from the held for sale properties in amount of €4,033 thousand as at 30 June 2024 (31 December 2023: €2,359 thousand, 30 June 2023: NIL).

As disclosed in Note 10, in February 2024, the Group disbursed the €387 million from the facility concluded with IFC, put in place to cater for the repayment of the upcoming bond maturing in November 2024. The proceeds from the disbursed tranche of the IFC loan together with other excess cash were placed in short term deposits with a view to optimise the cost of debt of the Group until repayment of the maturing bond. These cash deposits are considered part of the cash and cash equivalents, as they are held for meeting short term liquidity needs and can be accessed by the Group at virtually any point.

8. ASSETS HELD FOR SALE

Assets held for sale as at 30 June 2024

At 30 June 2024, the assets held for sale included the retail property Promenada Novi Sad, Serbia (held by NEPI Real Estate Project One d.o.o.) and another non-core property located in Romania.

Being in advanced negotiations for a disposal transaction of Promenada Novi Sad in Serbia, as of 30 June 2024, the property, classified as held for sale, was not subject to an independent fair value assessment. This approach was on the consideration that the property fair value approximates the carrying amount and that there were no significant changes in property performance or in market conditions in Serbia that would determine a significant change in fair value of the property compared to 31 December 2023 of €145.6 million. Information relating to fair value measurement using significant unobservable inputs (Level 3) for the property in Serbia is disclosed in the annual financial statements as at 31 December 2023.

In July 2024, the Group entered into a binding agreement to dispose of 100% of the shares in the subsidiary holding Promenada Novi Sad in Serbia, for a consideration of €177 million payable on the completion date.

The difference between the transaction value less transaction costs and the book value will be accounted as gain on disposal. The sale is conditional on fulfilment of customary approvals and conditions precedent, including the approval of the Serbian competition authority and the securing of bank financing for part of the consideration by the purchaser. The transaction is expected to be completed by the end of 2024.

Disposals in the period

In January 2024, the Group sold the industrial property in Romania, Otopeni Warehouse and Logistics, for a cash consideration of €4.4 million and a gain on disposal of €0.4 million.

Disposals in the comparative period

In May 2023, the Group sold a plot of excess land owned by General Building Management S.R.L., owner of Promenada Craiova, for a 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.

In July 2023, the Group sold the land plot in Kosice, Slovakia held by INLOGIS VI s.r.o, in a share deal, for a cash consideration of €13.2 million and a gain on disposal of €4 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 2024

31 December 2023

	30 June 2024	31 December 2023
Non-current assets	146,872	154,150
Investment property at fair value	146,210	151,820
Deferred tax assets	662	2,330
Current assets	9,374	6,765
Trade and other receivables	5,341	4,406
Cash and cash equivalents	4,033	2,359
Assets held for sale	156,246	160,915
Non-current liabilities	863	1,539

in € thousand

30 June 2024 31 December 2023

Deferred tax liabilities	-	657
Other long-term liabilities	863	882
Current liabilities	1,162	2,127
Liabilities held for sale	2,025	3,666
Net assets held for sale	154,221	157,249

8.1 Investment property held for sale

in € thousand

Note 30 June 2024 31 December 2023

Carrying value at beginning of year		151,820	18,666
Transfer from investment property in use	4	-	151,210
Additions during the period		84	10
Fair value adjustments	16	(84)	(330)
Disposals		(5,610)	(17,736)
CARRYING VALUE		146,210	151,820

9. SHARE CAPITAL AND SHARE PREMIUM

In February 2024, the Board declared a final distribution of 25.61 euro cents per share for the six months ended 31 December 2023, corresponding to a 90% 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 of distributable profits (to be settled from Accumulated profit). For details related to comparative information please see Note 16 from the annual financial statements as at 31 December 2023.

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

Final distribution for 2023: elections	Number of NEPI Rockcastle shares election	Final distribution per share (euro cents)	EUR equivalent out of the final distribution (thousand)
Capital repayment	415,648,858	25.61	106,448
Dividend out of accumulated profit	245,177,162	25.61	62,788
Impact of foreign exchange hedges ¹			171
Total	660,826,020		169,407

¹ 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 resulting from the cash settlement was €171 thousand more 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 2023, the impact in the Share capital and Share premium reserves has been set out below:

Movement of ordinary shares	Number of shares	Share capital	Share premium
in € thousand			
Balance at 1 January 2024	660,826,020	6,608	3,137,063
Share capital increase ¹	-	231,289	(231,289)
Share capital decrease ¹	-	(124,841)	124,841
Capital repayment paid to shareholders	-	(106,448)	-
Impact of foreign exchange hedges	-	-	(171)
Carried forward as at 30 June 2024	660,826,020	6,608	3,030,444

¹ Before the distribution period, the Company amended its Articles of Association, as approved by the shareholders at the Annual General Meeting in June 2023, by increasing the nominal value of an ordinary share with 0.35 euro cents. After the distribution, the Company amended its Articles of Association by decreasing the nominal value of the shares with 0.35 euro cents. The net impact of such adjustment, as reflected by the capital repayment paid to shareholders amounted to €106,448 thousand.

Ordinary shares carry the right to vote at general meetings, to distribution and to the surplus assets of the Group on winding-up.

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 February 2024, the Group extended the maturity of the revolving credit facility with Raiffeisen Bank International until January 2027 and increased the maximum limit to €200 million, having Erste Group Bank joining the facility. Consequently, as at 30 June 2024, the revolving credit facilities' capacity amounts to €620 million (31 December 2023: €570 million).

In December 2023, NEPI Rockcastle entered into a €387 million green financing agreement with IFC, a member of the World Bank Group and the largest global development institution focused on the private sector in emerging markets. The senior unsecured facility is structured as a green loan with sustainability-linked features, aimed at reducing greenhouse gas emissions and increasing energy efficiency in the Group's property portfolio. The facility matures in January 2029 and was disbursed in mid-February 2024. In April 2024, NEPI Rockcastle signed a €58 million increase to the €387 million facility, bringing the total to €445 million. The disbursement of the additional €58 million is planned for Q3 2024. The facility has been put in place to cater for the repayment of the upcoming bond maturing in November 2024.

The average interest rate of the Group's debt, including hedging was approximately 2.9% during the first half of 2024 (30 June 2023: 2.5%). Considering the interest income resulting from the placement of the excess liquidity from the disbursed tranche of the IFC loan, the net average interest rate for Group's debt was 2.6%. Unsecured debt represented 87% of total debt as at 30 June 2024; the un-hedged balance represents 12% of the total outstanding debt and corresponds to the disbursed tranche of the IFC loan. Management continually monitors the interest rate market for opportunities to hedge the variable interest rate exposure.

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 2024, the €499 million bonds issued in 2017 were trading on the market at 98.78% (31 December 2023: 96.78%), the €500 million bonds issued in 2019 were trading on the market at 93.97% (31 December 2023: 91.22%), the €500 million bonds issued in July 2020 were trading on the market at 97.05% (31 December 2023: 94.43%) and the €500 million bonds issued in January 2022 were trading on the market at 86.53% (31 December 2023: 80.25%).

The repayment profile for outstanding loans, excluding future interest, is detailed below:

Interest bearing borrowings 30 June 2024	Type	Payable in less than 1 year	Payable in 1-5 years	Payable over 5 years	Total
<i>in € thousand</i>					
Netherlands	Unsecured fixed coupon bonds	498,980	1,000,000	500,000	1,998,980
Netherlands	Unsecured loans	-	460,355	-	460,355
Poland	Secured loans	745	73,177	-	73,922
Slovakia	Secured loans	6,475	55,626	41,011	103,112
Czech Republic	Secured loans	600	2,400	36,700	39,700
Romania	Secured loans	9,977	195,909	42,272	248,158
Accrued interest on loans and deferred loan costs		(1,485)	(9,987)	(184)	(11,656)
Accrued coupon on bonds		32,692	-	-	32,692
Deferred bond costs		(2,210)	(4,776)	(327)	(7,313)
Issue discount on bonds		(3,072)	(6,470)	(416)	(9,958)
Total		542,702	1,766,234	619,056	2,927,992

**Interest bearing borrowings
31 December 2023**

	Type	Payable in less than 1 year	Payable in 1-5 years	Payable over 5 years	Total
<i>in € thousand</i>					
Netherlands	Unsecured fixed coupon bonds	498,980	1,000,000	500,000	1,998,980
Netherlands	Unsecured loans	-	73,521	-	73,521
Poland	Secured loans	745	2,979	70,570	74,294
Slovakia	Secured loans	6,475	23,200	76,337	106,012
Czech Republic	Secured loans	600	2,400	35,848	38,848
Romania	Secured loans	9,476	199,659	43,636	252,771
Accrued interest on loans and deferred loan costs		(1,473)	(9,904)	(348)	(11,725)
Accrued coupon on bonds		20,323	-	-	20,323
Deferred bond costs		(2,459)	(5,486)	(616)	(8,561)
Issue discount on bonds		(3,434)	(7,491)	(786)	(11,711)
Total		529,233	1,278,878	724,641	2,532,752

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 ¹
Debt as at 31 December 2023	533,721	1,999,031	2,532,752
Cash repayments of principal	(8,186)	-	(8,186)
Cash proceeds from bank loans or bonds	387,987	-	387,987
Cash payments of interest on bank loans or coupon on bonds	(25,998)	(10,000)	(35,998)
Interest expense ¹	26,303	22,370	48,673
Amortisation of capitalised borrowing costs	1,609	1,248	2,857
Amortisation of bond discount	-	1,752	1,752
Additional capitalised borrowing costs in the period	(1,845)	-	(1,845)
Debt as at 30 June 2024	913,591	2,014,401	2,927,992

¹ The table above does not contain interest bearing loans from third parties of €33,399 thousand (Note 12) and the associated finance cost. The above finance costs do not include interest capitalized on developments of €1,955 thousand (Note 5) and interest on lease liabilities related to the right-of-use assets of €567 thousand (Note 13).

in € thousand

	Bank loans	Bonds	Total ¹
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 or bonds	200,000	-	200,000
Cash payments of interest on bank loans or coupon on bonds	(9,736)	(10,000)	(19,736)
Interest expense ¹	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

¹ The table above does not contain interest bearing loans from third parties of €50,098 thousand (Note 12) 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.

Further details for the Group's loans and bonds are presented below:

Secured term loans

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

Securities

- General security over the investment properties, 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 125%; and
- Loan-to-value ratio of a maximum between 60% and 70%.

Unsecured green term loans

The Group has two green unsecured financing agreements with IFC, one which matures in June 2028 in amount of €73.5 million and another one which matures in January 2029 in amount of €387 million.

Covenants

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

The €387 million loan has sustainability-linked KPIs in line with the Group's Sustainability-Linked Financing Framework. Management considers that the sustainability related variability feature does not meet the definition of a derivative, as defined in Appendix A of IFRS 9, on the basis that these KPIs are non-financial variables specific to the Group.

Unsecured committed revolving facilities

At 30 June 2024, 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 facilities are linked either to the ESG performance of the Group through the sustainability rating provided by Sustainalytics or have sustainability-linked KPIs in line with the Group's Sustainability-Linked Financing Framework.

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%; and
- 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 2024 and 2023. The ratios calculated for all unsecured loans and bonds showed ample headroom compared to the covenants:

- Solvency Ratio: 0.40 (31 December 2023: 0.38);
- Consolidated Coverage Ratio: 5.68 (31 December 2023: 6.06); and
- Unsecured Ratio: 251% (31 December 2023: 269%).

11. OTHER LONG-TERM LIABILITIES

in € thousand

	30 June 2024	31 December 2023
Tenant security deposits	34,970	35,011
Other long-term payables	575	1,063
Total	35,545	36,074

12. LOANS FROM THIRD PARTY

As part of the deal for the acquisition of Forum Gdansk in 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 2023	33,405
Out of which short-term	16,738
Cash payments of interest	(1,087)
Interest expense	1,081
Loans from third parties as at 30 June 2024	33,399
Out of which short-term	16,732

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 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 2024

31 December 2023

Carrying value of the lease liabilities - Opening balance	56,520	37,200
Out of which short-term - Opening balance	1,546	832
Remeasurement of lease liability	-	20,062
Interest expense	567	804
Lease liability payment	(1,545)	(1,546)
Carrying value of lease liabilities - Closing balance	55,542	56,520
Out of which short-term - Closing balance	1,546	1,546

14. NET RENTAL AND RELATED INCOME

in € thousand

30 June 2024 30 June 2023

	30 June 2024	30 June 2023
Gross rental income	278,463	250,963
Service charge income	129,308	133,009
Gross rental and service charge income	407,771	383,972
Property management fees, tax, insurance, and utilities	(82,683)	(86,652)
Property maintenance cost	(56,626)	(55,382)
Net expected credit losses	1,197	(760)
Property operating expenses	(138,112)	(142,794)
Revenue from energy activity	4,054	-
TOTAL NET RENTAL AND RELATED INCOME	273,713	241,178

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

in € thousand

30 June 2024 30 June 2023

	30 June 2024	30 June 2023
Utility expenses ¹	(48,401)	(56,121)
Property related taxes	(16,572)	(16,421)
Property management fees	(16,309)	(12,834)
Property insurance expenses	(1,401)	(1,276)
Property management fees, tax, insurance, and utilities	(82,683)	(86,652)

¹ The Group acts as principal in relation to the provision of utilities to its tenants. Thus, utility expenses and the corresponding utility recoveries are recognized, on a gross basis, in the Property operating expenses and Service charge income respectively. The decrease in the utility expenses in the period is due to the changes in the energy market prices and to self-generated solar energy in the Romanian portfolio from 1 January 2024, replacing the corresponding purchase of this utility from third parties.

Property maintenance cost presented above comprises of:

in € thousand

30 June 2024 30 June 2023

	30 June 2024	30 June 2023
Cleaning and security	(25,726)	(24,310)
Maintenance and repairs	(16,115)	(15,890)
Marketing	(9,669)	(9,722)
Services and related costs	(1,598)	(1,731)
Other	(3,518)	(3,729)
Property maintenance cost	(56,626)	(55,382)

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 specify 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 5.4% (€15,113 thousand) of the Gross rental income is represented by the turnover rent (paid on top of fixed rent) as at 30 June 2024 (30 June 2023: 4.6% (€ 11,625 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 operating leases are detailed below:

<i>in € thousand</i>	30 June 2024¹	30 June 2023¹
No later than 1 year	460,702	460,239
Between 1-2 years	369,023	369,975
Between 2-3 years	293,762	268,095
Between 3-4 years	228,026	187,303
Between 4-5 years	157,359	122,161
Later than 5 years	381,834	356,255
Total	1,890,706	1,764,028

¹ Figures computed based on contractual lease maturity date.

The breakdown of the net rental and related income by country is disclosed in Note 17.

15. ADMINISTRATIVE EXPENSES

<i>in € thousand</i>	30 June 2024	30 June 2023
Staff costs ¹	(6,076)	(5,983)
Directors' remuneration	(1,119)	(1,084)
Advisory services	(2,448)	(1,090)
Audit and other assurance services	(1,303)	(1,189)
Companies' administration	(526)	(931)
Travel and accommodation	(846)	(772)
Stock exchange expenses	(282)	(487)
Share based payment expense	(3,040)	(2,000)
Depreciation and amortisation	(836)	(729)
Total	(16,476)	(14,265)

¹ Staff costs capitalised on investment property under development property for the six months ended 30 June 2024 amount to €1,418 thousand (30 June 2023: €1,387 thousand Staff costs capitalised on investment property under development and inventory property).

16. FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

<i>in € thousand</i>	Note	30 June 2024	30 June 2023
Fair value adjustments of investment property in use	4	122,601	112,703
Fair value adjustments of investment property under development	5	12,387	(8,001)
Fair value adjustments of investment property held for sale	8.1	(84)	(320)
Fair value adjustments of right-of-use assets	4	(978)	(669)
Total		133,926	103,713

17. SEGMENT REPORTING

The operating segments for management purposes are the individual properties. For reporting purposes, the Group aggregates the retail properties (shopping malls and street retail centres) on geographic regions of operation. There are a total of nine reportable segments, which include Romania, Poland, Bulgaria, Slovakia, Hungary, Croatia, Serbia, Czech Republic and Lithuania.

Retail properties are considered to have a different economic and risk profiles compared to other types of properties in the group portfolio, therefore are aggregated and reported separately on geographies.

The office, industrial and residential businesses are immaterial for the Group from both operational and financial statements disclosure points of view. The weight of these categories are around 1% of the total Group portfolio. These properties, together with the corporate entities (group holding companies), are separately disclosed in the "Unallocated" section below.

The Group's Chief Operating Decision Makers ("CODM") monitor the results of each reportable segment independently for the purposes of allocating resources to the segment and assessing its performance, as this is the key IFRS 8 driver of segmentation. The measure of reporting segment performance is Profit before net finance costs and other items, as disclosed in the following tables. The Group's financing policy (including its impact on financial income and expenses), corporate activities and income tax matters are handled at Group level, and the resulting impacts are not allocated to the operating segments.

For the balance sheet, the relevant measure of segment analysis is considered the investment properties, as the CODM are monitoring closely the asset performance at each reporting date.

Segment investments over a period are the total cost incurred during the period to acquire and develop investment properties, as well as capital expenditure spent on investment properties.

In the interim condensed consolidated financial statements for the period ended 30 June 2023, segment information was presented under five reportable segments (retail, office, residential, industrial, and corporate). The Group also reported the net rental and related income, profit before tax and investment properties information by geographic segments, which included Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, Poland, Romania, Serbia, Slovakia, and a corporate segment composed of entities located in Malta and the Netherlands.

Starting December 2023, the Group voluntarily chose to present the retail business at country level and not to aggregate on a higher level the presentation of retail properties' information, to enhance the relevance of the disclosure.

Following the change in presentation of segment information, the Group applied a more accurate methodology in allocating the revenues and cost items on the geographical segments, which resulted in a changed allocation of net rental and related income to geographic segments presented in the Interim condensed consolidated financial statements as at 30 June 2023. The net rental and related income presented in the comparative table below was therefore adjusted accordingly.

Segment results 30 June 2024 in € thousand	Romania	Poland	Hungary	Slovakia	Bulgaria	Croatia	Czech Republic	Lithuania	Serbia	Total Segments	Unallocated	Total
Gross rental income	107,533	70,593	19,481	20,156	24,171	11,897	6,654	7,531	7,529	275,545	2,918	278,463
Service charge income	51,944	33,491	8,178	9,384	9,524	5,254	4,314	2,702	3,262	128,053	1,255	129,308
Property operating expenses	(51,998)	(40,510)	(8,748)	(9,346)	(9,769)	(5,285)	(4,494)	(2,863)	(3,538)	(136,551)	(1,561)	(138,112)
Revenue from energy activity	4,054	-	-	-	-	-	-	-	-	4,054	-	4,054
Net rental and related income	111,533	63,574	18,911	20,194	23,926	11,866	6,474	7,370	7,253	271,101	2,612	273,713
Administrative expenses	(6,472)	(2,037)	(29)	(41)	(16)	(52)	(66)	(20)	(71)	(8,804)	(7,672)	(16,476)
Revenue from sales of inventory property	-	-	-	-	-	-	-	-	-	-	14,167	14,167
Cost of sales of inventory property	-	-	-	-	-	-	-	-	-	-	(10,248)	(10,248)
EBIT¹	105,061	61,537	18,882	20,153	23,910	11,814	6,408	7,350	7,182	262,297	(1,141)	261,156
Fair value adjustments of investment property	63,227	34,114	(16,933)	8,903	35,046	2,669	257	8,166	(84)	135,365	(1,439)	133,926
Foreign exchange (loss)/gain	(142)	515	(345)	-	(18)	-	(163)	-	8	(145)	36	(109)
Gain on disposal of assets held for sale	-	-	-	-	-	-	-	-	-	-	386	386
Profit before net finance costs and other items	168,146	96,166	1,604	29,056	58,938	14,483	6,502	15,516	7,106	397,517	(2,158)	395,359
Finance income											8,990	8,990
Finance costs											(46,328)	(46,328)
Bank charges, commissions and fees											(2,306)	(2,306)
Fair value adjustments of derivatives											(366)	(366)
Profit before tax												355,349
Income tax expense												(55,274)
Current tax expense												(17,520)
Deferred tax expense												(37,754)
Profit after tax												300,075

¹ EBIT (Earnings Before Interest and Taxes) represents the Group's Operating profit, defined as Net rental and related income plus Revenue from sales of inventory property less Cost of sales of inventory property and less Administrative expenses (Depreciation and Amortisation are included in Administrative expenses).

Segment results
30 June 2023
in € thousand

	Romania	Poland	Hungary	Slovakia	Bulgaria	Croatia	Czech Republic	Lithuania	Serbia	Total Segments	Unallocated	Total	
Gross rental income	94,920	64,175	19,120	18,518	20,400	10,989	6,276	6,688	6,748	247,834	3,129	250,963	
Service charge income	56,406	29,479	9,948	11,181	9,477	5,471	3,505	3,212	2,839	131,518	1,491	133,009	
Property operating expenses	(57,028)	(38,249)	(9,964)	(11,190)	(9,439)	(5,471)	(3,573)	(3,212)	(3,122)	(141,248)	(1,546)	(142,794)	
Net rental and related income	94,298	55,405	19,104	18,509	20,438	10,989	6,208	6,688	6,465	238,104	3,074	241,178	
Administrative expenses	(5,548)	(1,986)	(96)	(39)	(26)	(154)	(84)	(30)	(98)	(8,061)	(6,204)	(14,265)	
EBIT¹	88,750	53,419	19,008	18,470	20,412	10,835	6,124	6,658	6,367	230,043	(3,130)	226,913	
Fair value adjustments of investment property	96,801	(27,707)	(12,708)	11,495	27,282	8,023	2,790	(836)	272	105,412	(1,699)	103,713	
Foreign exchange (loss)/gain	(437)	446	(87)	-	(17)	-	43	-	8	(44)	(125)	(169)	
Gain on disposal of assets held for sale	1,594	-	-	-	-	-	-	-	-	1,594	43	1,637	
Profit before net finance costs and other items	186,708	26,158	6,213	29,965	47,677	18,858	8,957	5,822	6,647	337,005	(4,911)	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 before tax												296,985	
Income tax expense												(37,436)	(37,436)
Current tax expense												(16,830)	(16,830)
Deferred tax expense												(20,606)	(20,606)
Profit after tax												259,549	

¹ EBIT (Earnings Before Interest and Taxes) represents the Group's Operating profit, defined as Net rental and related income plus Revenue from sales of inventory property less Cost of sales of inventory property and less Administrative expenses (Depreciation and Amortisation are included in Administrative expenses).

The value of investment properties and inventory property by operating segment, as shown in the condensed consolidated statement of financial position, is presented below:

Segment per country assets
30 June 2024
in € thousand

	Note	Romania	Poland ¹	Hungary	Slovakia	Bulgaria	Croatia	Czech Republic	Lithuania	Serbia	Total Segments	Unallocated	Total
Investment property		2,808,858	1,860,803	560,506	535,323	539,340	292,270	180,910	166,342	-	6,944,352	78,386	7,022,738
-Investment property in use	4	2,612,855	1,858,642	555,600	534,300	507,367	285,500	180,900	165,200	-	6,700,364	78,386	6,778,750
-Investment property under development	5	196,003	2,161	4,906	1,023	31,973	6,770	10	1,142	-	243,988	-	243,988
Investment property held for sale	8.1	610	-	-	-	-	-	-	-	145,600	146,210	-	146,210
Inventory property		-	-	-	-	-	-	-	-	-	-	7,329	7,329

¹ The right-of-use assets of €55.5 million, representing long-term land concessions associated to part of the Group's properties located in Poland are included in the above fair values.

Segment per country assets
31 December 2023
in € thousand

	Note	Romania	Poland ¹	Hungary	Slovakia	Bulgaria	Croatia	Czech Republic	Lithuania	Serbia	Total Segments	Unallocated	Total
Investment property		2,695,522	1,819,636	576,206	526,123	503,167	288,930	179,810	156,560	-	6,745,954	79,036	6,824,990
-Investment property in use	4	2,547,307	1,814,620	570,900	525,100	472,784	281,800	179,800	155,900	-	6,548,211	79,036	6,627,247
-Investment property under development	5	148,215	5,016	5,306	1,023	30,383	7,130	10	660	-	197,743	-	197,743
Investment property held for sale	8.1	610	-	-	-	-	-	-	-	145,600	146,210	5,610	151,820
Inventory property		-	-	-	-	-	-	-	-	-	-	17,266	17,266

¹ The right-of-use assets of €56.5 million, representing long-term land concessions associated to part of the Group's properties located in Poland are included in the above fair values.

Segment investments over the period
30 June 2024
in € thousand

	Note	Romania	Poland	Hungary	Slovakia	Bulgaria	Croatia	Czech Republic	Lithuania	Serbia	Total Segments	Unallocated	Total
Development works	5	45,821	3,902	1,035	-	959	-	4	1,197	-	52,918	-	52,918
Capital expenditure	4	4,287	3,152	197	297	168	671	839	420	-	10,031	789	10,820

**Segment
Investments over
the period
30 June 2023**
in € thousand

	Note	Romania	Poland	Hungary	Slovakia	Bulgaria	Croatia	Czech Republic	Lithuania	Serbia	Total Segments	Unallocated	Total
Development works	5	55,442	7,711	1,971	-	1,349	-	954	36	-	67,463	25	67,488
Capital expenditure	4	3,342	1,723	337	225	3,524	12	766	446	28	10,403	620	11,023

RECONCILIATION OF PROFIT FOR THE PERIOD TO DISTRIBUTABLE EARNINGS

in € thousand, unless otherwise stated¹

30 June 2024 **30 June 2023**

		300,075	259,549
Profit per IFRS Interim condensed consolidated statement of comprehensive income attributable to equity holders of the parent			
Accounting specific adjustments		(101,031)	(78,189)
Fair value adjustments of investment property		(133,926)	(103,713)
Depreciation and amortisation expense (in relation to property, plant and equipment of an administrative nature)		836	729
Fair value adjustments of derivatives		366	2,794
Amortisation of financial assets		(1,756)	(1,308)
Deferred tax expense		37,754	20,606
Profit from inventory property sale		(3,919)	-
Gain on disposal of assets held for sale		(386)	(1,637)
Antecedent earnings		-	4,340
Distributable earnings		199,044	181,360
Number of shares entitled to interim distribution		660,826,020	635,830,268
Distributable earnings per share (euro cents)		30.12	28.52
Distribution declared		179,140	163,224
Distribution declared per share (euro cents)¹		27.11	25.67
Earnings not distributed		19,904	18,136
Earnings not distributed per share (euro cents)		3.01	2.85
Number of shares entitled to interim distribution		660,826,020	635,830,268

¹ 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.

18. HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The starting point for the 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) 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 2024 was based on headline earnings of €187,851 thousand (six month period ended 30 June 2023: of €170,419 thousand) and the weighted average number of shares.

Reconciliation of profit for the period to headline earnings

Note

30 June 2024

30 June 2023

in € thousand, unless otherwise stated

		300,075	259,549
Profit for the period attributable to equity holders of the parent			
Fair value adjustments of investment property	16	(133,926)	(103,713)
Gain on disposal of assets held for sale		(386)	(1,637)
Tax effects of adjustments for investment property and gain on disposal of assets held for sale		22,088	16,220
HEADLINE EARNINGS		187,851	170,419
Basic weighted average number of shares		659,308,213	619,549,161
Diluted weighted average number of shares		660,826,020	620,614,293
Headline earnings per share (euro cents)		28.49	27.51
Diluted headline earnings per share (euro cents)		28.43	27.46

19. CASH FLOW FROM OPERATIONS

<i>in € thousand</i>	Note	30 June 2024	30 June 2023
OPERATING ACTIVITIES			
Profit after tax		300,075	259,549
Adjustments		(35,043)	(29,907)
Fair value adjustments of investment property	16	(133,926)	(103,713)
Foreign exchange loss		109	169
Gain on disposal of assets held for sale	8	(386)	(1,637)
Finance income		(8,990)	(3,095)
Finance costs		46,328	34,124
Bank charges, commissions, and fees		2,306	1,286
Fair value adjustments of derivatives		366	2,794
Deferred tax expense		37,754	20,606
Current tax expense		17,520	16,830
Depreciation expense for property, plant and equipment		836	729
Share based payment expense		3,040	2,000
Changes in working capital		(26,321)	4,041
(Increase) in trade and other receivables		(29,348)	(8,359)
(Decrease)/Increase in trade and other payables		(6,910)	15,472
Decrease/(Increase) in Inventory property		9,937	(3,072)
Net cash flow from operations		238,711	233,683

20. CONTINGENT ASSETS AND LIABILITIES

Contingencies

The Group is subject to income taxes in all jurisdictions and the calculation of the Group's tax charge and provisions for income taxes involves a degree of estimation and judgement. There are transactions and calculations for which the relevant tax authorities have indicated different interpretations of the fiscal legislation compared to the Group's approach. In such cases, the carrying amount of any tax provisions and charges are determined based on the manner in which tax assessments are expected to be resolved, and the stage of negotiations or discussions with the relevant tax authorities. There may be significant uncertainty regarding the final outcome of tax proceedings, which in many instances, will only be concluded after a number of years.

A number of Group entities in Romania have recently been subject to tax inspections by the Romanian Tax Authorities ("RTA"). For several entities, the tax inspections have been finalized, resulting in additional tax liabilities imposed by the RTA, on the grounds of the RTA disallowing the deductibility of certain expenses. The RTA's position appears to differ from the Group's interpretation of the relevant tax laws. On the basis that the Group is unaware of the RTA's position being adopted or implemented as established market practice in Romania or in other CEE countries where the Group operates, the Group intends to challenge the conclusions of the RTA as and when appropriate.

The additional tax liabilities imposed by 30 June 2024 of €2.5 million have been paid by the Group and a related tax receivable has been recognised based on management's assessment of the expected outcome of challenging the RTA position as noted above.

There are currently tax audits ongoing at different stages for other Romanian subsidiaries, which are not finalized by the publication date of these financial statements. In respect of these ongoing tax audits, no additional tax liabilities have been recorded in the financial statements, as management believes an additional tax assessment is not warranted. As of the date of publication of these financial statements, management has calculated a variety of scenarios for tax contingencies, using different sets of potential outcomes with respect to the relevant tax assessments, resulting in a weighted average value of potential impact of additional tax liabilities imposed by authorities of €9.8 million.

Legal matters

The Group operates in a complex legal and regulatory environment that exposes it to various risks, and evaluates all facts and assesses the implications that could have a material effect on the financial statements. To the extent that Group is involved in reviews, procedures, information requests and other assessments, including regulatory or tax matters, different outcomes are possible, which may result in further regulatory or tax investigations, litigations or sanctions.

Guarantees

As at 30 June 2024, the Group had received letters of guarantee from tenants worth €125,915 thousand (31 December 2023: €132,297 thousand) and from suppliers worth €38,384 thousand (31 December 2023: €29,789 thousand) related to ongoing developments.

Commitments

In the second half (H2) of 2024, the Group estimates to invest €108 million in development and capital expenditure related to its ongoing projects or new development opportunities, out of which only a portion is already contracted at reporting date.

21. SUBSEQUENT EVENTS

As disclosed in Note 8, in July 2024, the Group entered into a binding agreement to dispose of 100% of the shares in the subsidiary holding the retail property Promenada Novi Sad in Serbia, for a consideration of €177 million payable on the completion date. The sale is conditional on fulfilment of customary approvals and conditions precedent, including the approval of the Serbian competition authority and the securing of bank financing for part of the consideration by the purchaser. The transaction is planned to be completed in Q4 2024.

The Directors are not aware of any other subsequent events from 30 June 2024 and up to the date of signing these Interim Condensed Consolidated Financial Statements which are likely to have a material effect on the financial information contained in this report.



EPRA Performance Measures

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

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 for the last four years with Gold Award for BPR for financial reporting, the highest standard for transparency of financial performance measures.

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

EPRA indicators	30 June 2024	31 December 2023	30 June 2023
EPRA Earnings (€ thousand)	199,964	362,861	177,599
EPRA Earnings per share (€ cents per share)	30.26	55.96	27.93
EPRA Net Initial Yield (NIY)	6.95%	6.94%	7.00%
EPRA topped-up NIY	6.99%	6.97%	7.08%
EPRA vacancy rate	2.70%	2.20%	2.80%
EPRA Net Reinstatement Value (NRV) (€ per share)	7.23	6.98	6.92
EPRA Net Tangible Assets (NTA) (€ per share)	7.20	6.95	6.89
EPRA Net Disposal Value (NDV) (€ per share)	6.66	6.52	6.59
EPRA Cost ratio (including direct vacancy cost)	9.1%	10.2%	9.6%
EPRA Cost ratio (excluding direct vacancy cost)	9.0%	10.1%	9.4%
EPRA loan-to-value (LTV)	32.4%	33.0%	34.7%

EPRA EARNINGS

EPRA Earnings presents the underlying operating performance of a real estate company excluding fair value gains or losses on investment property, 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 2024

31 December 2023

30 June 2023

	30 June 2024	31 December 2023	30 June 2023
Earnings in IFRS Consolidated Statement of comprehensive income	300,075	476,801	259,549
Fair value adjustments of investment property	(133,926)	(164,470)	(103,713)
Gain on disposal of assets held for sale	(386)	(5,641)	(1,637)
Profit from inventory property sale ¹	(3,919)	(2,732)	-
Fair value adjustment of derivatives and losses of extinguishment of financial instruments	366	17,376	2,794
Deferred tax expense	37,754	41,527	20,606
EPRA Earnings (interim)	199,964	177,599	177,599
EPRA Earnings (final)	-	185,262	-
EPRA Earnings (total)	199,964	362,861	177,599
Number of shares for interim distribution	660,826,020	635,830,268	635,830,268
Number of shares for final distribution	-	660,826,020	-
EPRA Earnings per Share (EPS interim)	30.26	27.93	27.93
EPRA Earnings per Share (EPS final)	-	28.03	-
EPRA Earnings per Share (EPS)	30.26	55.96	27.93
Company specific adjustments:			
Amortisation of financial assets	(1,756)	(2,997)	(1,308)
Depreciation expense for property, plant and equipment	836	1,469	729
Antecedent earnings	-	8,111	4,340
Distributable Earnings (interim)	199,044	181,360	181,360
Distributable Earnings (final)	-	188,084	-
Distributable Earnings (total)	199,044	369,444	181,360
Distributable Earnings per Share (interim) (euro cents)	30.12	28.52	28.52
Distributable Earnings per Share (final) (euro cents)	-	28.46	-
Distributable Earnings per Share (total) (euro cents)	30.12	56.98	28.52

¹ At 31 December 2023, the non-recurring profit from sale of inventory property was adjusted in the section "Company specific adjustments". At 30 June 2024, the non-recurring profit from sale of inventory property is presented in "EPRA Earnings" section, to enhance presentation, with the corresponding comparative changed accordingly.

EPRA NET ASSET VALUE METRICS (NAV)

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 (NRV)

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 (NTA)

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 Performance Measures

» continued

EPRA NET DISPOSAL VALUE (NDV)

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 (*EPRA_BPR_Guidelines*)

EPRA NET ASSET VALUES AS OF 30 JUNE 2024

	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	4,433,315	4,433,315	4,433,315
Exclude:			
Net deferred tax liabilities	443,559	421,381	-
Derivative financial liabilities at fair value through profit or loss	(22,113)	(22,113)	-
Goodwill	(76,804)	(76,804)	(76,804)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	-	-	45,990
NAV	4,777,957	4,755,779	4,402,501
Number of shares	660,826,020	660,826,020	660,826,020
NAV per share	7.23	7.20	6.66

EPRA NET ASSET VALUES AS OF 31 DECEMBER 2023

	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	4,304,761	4,304,761	4,304,761
Exclude:			
Net deferred tax liabilities	406,463	386,140	-
Derivative financial liabilities at fair value through profit or loss	(21,568)	(21,568)	-
Goodwill	(76,804)	(76,804)	(76,804)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	-	-	82,785
NAV	4,612,852	4,592,529	4,310,742
Number of shares	660,826,020	660,826,020	660,826,020
NAV per share	6.98	6.95	6.52

EPRA NIY AND “TOPPED-UP” NIY

The EPRA Net Initial Yield (NIY) is calculated as the annualised 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	30 June 2024	31 December 2023
Investment property as per condensed consolidated financial statements	7,022,738	6,824,990
Investment property held for sale	146,210	151,820
Less investment property under development	(243,988)	(197,743)
Total investment property in use	6,924,960	6,779,067
Estimated purchasers costs	34,625	33,895
Gross up value of the investment property in use	6,959,585	6,812,962
Annualised cash passing rental income ¹	506,400	491,943
Non-recoverable property operating expenses	(22,608)	(18,894)
Annualised net rents	483,792	473,049
Notional rent expiration of rent-free periods or other lease incentives ²	2,721	1,852
Topped-up net annualised rent	486,513	474,901
EPRA Net Initial Yield (EPRA NIY)	6.95%	6.94%
EPRA “topped-up” NIY	6.99%	6.97%

¹ Annualised passing rent computed based on the contractual rental amounts effective as at that date.

² Adjustment for unexpired lease incentives such as rent-free periods, discounted rent periods and step rents.

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 2024	31 December 2023	30 June 2023
Estimated rental value of vacant space	15,145,746	12,172,742	14,552,979
Estimated rental value of the whole portfolio	563,680,260	552,354,942	526,586,349
EPRA Vacancy Rate	2.7%	2.2%	2.8%

Country	EPRA Vacancy Rate June 2024	EPRA Vacancy Rate December 2023	EPRA Vacancy Rate June 2023
Romania	1.1%	1.1%	1.2%
Poland	2.7%	2.2%	2.5%
Hungary	6.6%	5.8%	4.7%
Slovakia	2.9%	4.6%	7.6%
Bulgaria	4.1%	1.1%	2.7%
Croatia	11.1%	7.6%	8.4%
Czech Republic	3.7%	3.0%	3.9%
Serbia	2.0%	-	2.2%
Lithuania	0.1%	-	-
EPRA Vacancy Rate	2.7%	2.2%	2.8%

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 (net of any service fees).

EPRA Performance Measures

» continued

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

EPRA Cost ratios	30 June 2024	31 December 2023	30 June 2023
Administrative expenses (line per IFRS Consolidated Financial Statements)	16,476	33,369	14,265
Net service charge costs	8,804	18,894	9,785
EPRA Costs (including direct vacancy costs)	25,280	52,263	24,050
Direct vacancy costs	309	479	349
EPRA Costs (excluding direct vacancy costs)	24,971	51,784	23,701
Gross rental income	278,463	510,103	250,963
EPRA Cost ratio (including direct vacancy costs)¹	9.1%	10.2%	9.6%
EPRA Cost ratio (excluding direct vacancy costs)¹	9.0%	10.1%	9.4%

¹ EPRA cost ratio decreased due to higher gross rental income and slightly lower unrecovered operating costs, which offsets the increase in the administrative expenses.

EPRA LOAN-TO-VALUE (EPRA LTV)

The LTV ratio is an important metric that assesses 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 has chosen to disclose, among 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 changes is that the current net receivables/payables amount is included in the calculation of EPRA LTV. Another change involves the EPRA LTV calculation on a proportionate consolidation basis. This implies that the EPRA LTV includes the Groups share in the net debt and net assets of joint venture or material associates. As the Group is not part of any joint venture agreement, this requirement of the EPRA LTV does not impact the calculation.

EPRA LTV Metric	30 June 2024	31 December 2023
Include:		
Borrowings from Financial Institutions	946,990	567,126
Bond loans	2,014,401	1,999,031
Net payables	14,675	60,868
Exclude:		
Cash and cash equivalents	(671,602)	(338,519)
Net Debt (a)	2,304,464	2,288,506
Include:		
Investment properties at fair value	6,723,208	6,570,727
Assets held for sale	146,210	160,915
Properties under development	243,988	197,743
Total Property Value (b)	7,113,406	6,929,385
LTV (a/b)	32.4%	33.0%

Glossary

Collection rate: operational performance indicator computed as cash collected relative to the Gross rental income and Service charge income as recognised in the Consolidated Financial Statements (adjusted for accruals and 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 authorisations 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): $(\text{Interest bearing debt} - \text{Lease liabilities associated to right-of-use assets} - \text{Cash}) / (\text{Investment property (including investment property held for sale)} - \text{Right-of-use assets})$

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

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

Glossary

» continued

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, 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