



Consolidated Financial Statements

31 December 2020

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Statement of Directors' responsibilities	3
Directors' Commentary	5
Independent Auditor's report	32

Consolidated Financial Statements for the year ended 31 December 2020

Consolidated Statement of financial position	39
Consolidated Statement of comprehensive income	41
Consolidated Statement of changes in equity	43
Consolidated Statement of cash flows	44
Notes to the Consolidated Financial Statements	46
Other Information	135
Glossary	142

Statement of Directors' responsibilities

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

The Directors have prepared the consolidated financial statements in accordance with Isle of Man Companies Act 2006 and International Financial Reporting Standards (IFRSs).

In preparing the 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 Isle of Man Companies Act 2006 and IFRSs;
- making judgements and accounting estimates that are reasonable and prudent;
- preparing the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors, whose names are stated below, hereby confirm after due, careful and proper consideration that:

- the annual consolidated financial statements set out on pages 39 to 134 present fairly in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- the Directors' Commentary includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

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.

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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

The Consolidated Financial Statements on pages 39 to 134 were approved and authorised for issue by the Board of Directors on 24 February 2021 and signed on its behalf by:

Alex Morar

Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Alex Morar', with a long horizontal stroke extending to the right.

Mirela Covasa

Chief Financial Officer

A handwritten signature in blue ink, appearing to read 'Mirela Covasa', with a circular loop at the start and a horizontal stroke extending to the right.

DIRECTORS' COMMENTARY

CEO'S STATEMENT

"The Group went through the most challenging period in its history in 2020. The COVID-19 pandemic took the world by surprise and upended the way people everywhere live, work, learn, travel, socialise and shop. The business of running shopping and entertainment centres has been one of the most affected by the restrictions implemented to combat the pandemic. Most of the tenants in our properties had to close their shops to the public for long periods of time, first during the spring and then (to a lesser extent) again in Q4. Faced with a sudden drop in business, our tenants sought and received our support to get them through lockdowns. This naturally had a strong impact on the results we are now reporting for 2020.

The past year also confirmed the robustness of our business model, its resilience and flexibility in highly demanding circumstances. We managed to continue the smooth and safe running of our operations with adequate levels of liquidity and capital throughout. Our team adapted quickly to new ways of working, stepped up to unprecedented challenges (such as over 6,000 negotiations successfully completed with tenants in about seven months) and, most importantly, kept themselves and others safe in the process.

Beyond the immediate impact on results, we managed to keep our income-generating capacity intact through difficult, but temporary, conditions. Occupancy held strong at 95.7% across our portfolio. The collection rate for the year, thanks to the quality of our tenant mix and the efforts of our team, was 95% as at year end and grew higher since. We also managed to improve and extend our tenant mix with the addition of new brands and categories. Properties were well-maintained and secure, as evidenced by the certifications received and the absence of any health incidents. We continued to invest in the refurbishment and extension of existing properties and in the development of new ones.

We managed to preserve and enhance our capital and liquidity. In July we completed a €500 million green bond issue, significantly extending the average maturity of our debt in the process. We extended revolving credit facilities with new terms and conditions tied to achieving our ESG objectives, which we are fully committed to. Credit rating agencies reconfirmed NEPI Rockcastle's investment grade status. In two strategic transactions, we sold in August the Romanian office portfolio (at the same commercial terms negotiated in 2019) and in Q4 completed the disposal of the listed securities portfolio (reallocating the capital to a share repurchase, with accretive results on EPRA NRV and Distributable earnings per share). As a result, we concluded 2020 with a very comfortable LTV ratio of 31.5% and liquidity resources of €1.2 billion, which positions us strongly for the coming period.

Still, the shopping environment is changing. Some effects of the pandemic will be short lived, but some longer-term trends were accelerated. People have already started returning to more communal forms of leisure, entertainment and shopping where possible (and we strive to ensure that they do so safely) and continue to enjoy visiting our

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

centres. As retail is changing, we are working on adapting our business model to capitalise on these changes. The future of retail is omnichannel, with more digital engagement, and we are taking steps to adjust our offering in that direction.

We expect that 2021 will be a better year for NEPI Rockcastle. The pandemic in CEE countries has recently started to abate and the ongoing vaccination programme will accelerate over the next few months. The European Union approved a significant support plan that will start producing effects in 2021. National governments in CEE indicated that they will continue fiscal and monetary stimulus. There are no signs that monetary conditions will tighten soon. All these make a strong economic rebound likely, with a particularly pronounced effect on personal consumption. In the physical retail sector, the CEE region is not blighted by the overcapacity affecting Western European real estate and still has lower e-commerce penetration rates. Our Group is well-positioned to benefit from improving economic conditions and return to a steady and sustainable growth path.” Alex Morar, CEO

HIGHLIGHTS

- Distributable earnings per share ('DEPS') for the second half of 2020 ('H2 2020') were 18.76 euro cents, which combined with the interim DEPS of 19.66 euro cents produces an annual DEPS of 38.42 euro cents, 31.8% lower than 2019 (56.33 euro cents) and in line with the latest guidance.
- The Board has declared a dividend of 16.88 euro cents per share for the second half of 2020, corresponding to 90% of the distributable earnings per share for this period. This decision is in line with NEPI Rockcastle's policy of distributing at least 90% of its distributable earnings and allows the Company to retain adequate capital as reserve, given the challenging macroeconomic environment. The distribution will be paid in cash during March 2021.
- Net rental and related income (referred to as Net Operating Income or 'NOI') was €323 million, 19.4% lower than in 2019. Part of the decrease reflects the sale of the Romanian office portfolio in August 2020 (impact of NOI loss for the year of approximately €9.2 million).
- Other factors contributing to DEPS decreasing, besides NOI, include the lack of dividend income from the listed securities portfolio and higher finance expenses due to keeping additional liquidity compared to 2019.
- Retail NOI decreased by 18.5%, to €300.7 million, and by 21.3% on a like-for-like ('LFL') basis. The key drivers were the temporary rent concessions granted to tenants as COVID-19 support (€69.5 million recognised in 2020) and a reduction of variable (turnover and overage) rent from €33.5 million (2019) to €26.6 million (2020).
- There were 221 million visits in 2020, a decrease of 32% (32.9% LFL) vs 2019. The largest declines recorded during lockdowns (March-May and November-December), when most non-essential stores were closed.
- Tenant turnover decreased by 29.4% (excluding hypermarkets), and by 31.5% on a LFL basis.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

- Occupancy cost ratio ('OCR') increased from 11.9% in 2019 to 14.5% in 2020 (excluding hypermarkets).
- Negotiations have been completed and agreements signed in relation to 2020 with more than 97% of our tenants. 6,150 addenda to lease agreements were signed, over a period of seven months. The collection rate remained high (95% of 2020 reported revenues were collected as at 31 December 2020, increasing to 97% as at mid-February 2021) and tenants received the support needed to continue operating (net expected credit losses at the end of 2020 were only 1.2% of Gross rental income and Service charge income).
- Throughout 2020, non-essential stores were closed for 73 days on average (approximately 20% of the year), with trading restrictions for certain businesses (such as restaurants, cinemas) lasting much longer. By mid-February 2021 most restrictions were lifted and 85% of Gross Lettable Area ('GLA') was operational.
- Rental concessions of €69.5 million were recognised in the Statement of comprehensive income of the period, mainly as a reduction of gross rental income or expense with partial forgiveness of receivables. Only €2.5 million, out of total rent concessions of €72 million granted for 2020, will be reflected in future Statements of comprehensive income, over the associated lease term, which on average approximates three years.
- Investment property on 31 December 2020 was valued at €5.8 billion, compared to €6.0 billion at the end of 2019 (excluding the Romanian office portfolio, classified as held for sale at 31 December 2019 and sold in 2020). The property portfolio incurred a devaluation of €345.3 million compared to previous year, corresponding to a fair value loss of 5.2% on a LFL basis.
- EPRA occupancy remained strong at 95.7%, compared to 97.9% in 2019.
- EPRA Net Reinstatement Value per share was €6.45 at 31 December 2020, a 11.9% decrease compared to €7.32 at 31 December 2019, mostly due to the devaluation of the property portfolio and listed securities portfolio.
- Liquidity position on 31 December 2020 was very strong: €1.2 billion, including €643 million in cash and €575 million in undrawn committed credit facilities.
- Loan-to-value ratio ('LTV') was 31.5% on 31 December 2020, significantly below the 35% strategic target and comfortably within debt covenants.
- The launch of the Green Finance Framework and successful issuance of €500 million unsecured green bonds in July 2020 extended average debt maturity from 3.6 years on 30 June 2020 to 4.1 years on 31 December.
- The average interest rate, including hedging, was 2.3% for 2020, slightly lower from 2.4% in 2019.
- Investment grade credit ratings reaffirmed at BBB by Fitch Ratings (stable outlook) and S&P Global Ratings (negative outlook).
- Environmental, Social and Corporate Governance ('ESG') Risk Rating from Sustainalytics improved to 12.5/100 (end 2020) from 15.1/100 (end 2019), making the Group one of the top five rated real estate management companies.
- Despite challenging circumstances, the Company successfully opened a new shopping centre in Targu Mures, Romania (GLA: 40,200m²) and completed extension and refurbishment works in Shopping City Buzau (Romania) and Forum

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Liberec Shopping Centre (Czech Republic). Throughout the year the Group invested €143 million in developments and capital expenditures.

- In August 2020, the Group sold its Romanian office portfolio for a transaction value of €307 million (net cash proceeds of €294.8 million).

OPERATING PERFORMANCE

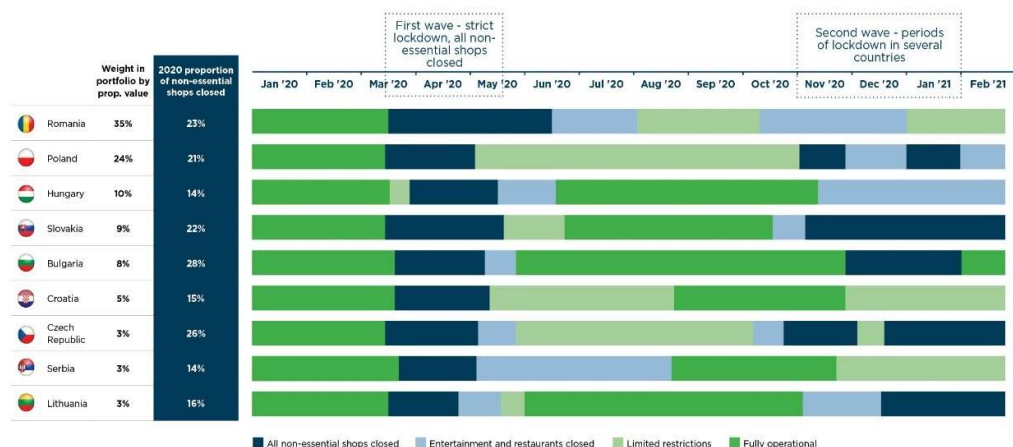
Trading summary

Retail performance by country 2020 (LFL)	NOI 2020 vs 2019	Tenant sales 2020 vs 2019	Footfall 2020 vs 2019
	%	%	%
Retail LFL	(21.3)	(31.5)	(32.9)
Romania	(19.1)	(33.7)	(31.7)
Poland	(29.3)	(29.3)	(30.0)
Hungary	(18.5)	(33.7)	(34.2)
Slovakia	(17.1)	(29.4)	(38.3)
Bulgaria	(36.1)	(38.2)	(40.5)
Croatia	(9.4)	(22.3)	(24.9)
Serbia	(12.5)	(12.7)	(21.0)
Czech Republic	(13.2)	(30.9)	(32.9)
Lithuania	(5.1)	(27.8)	(34.4)

In the nine countries where the Group operates, trading was severely disrupted by restrictions introduced to prevent the spread of SARS-CoV-2 (the virus responsible for the COVID-19 pandemic). In spring 2020, during the first wave, Governments temporarily closed non-essential stores. Lockdowns were eased during the summer, allowing a partial reopening. However, restrictions were reintroduced in the fourth quarter ('Q4'), albeit in a somewhat less severe form, to combat the subsequent waves that hit the Central and Eastern Europe ('CEE') countries. The sequence and duration of restrictions varied by country and is illustrated below:

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020



On average, throughout 2020, non-essential stores were closed for 73 days (approximately 20% of the year, or 21% when weighted by NOI). The longest cumulative lockdowns were in Bulgaria (101 days), Czech Republic (94 days) and Romania (85 days), and the shortest in Serbia (50 days), Hungary (52 days) and Croatia (54 days). Additionally, further restrictions were imposed on specific businesses (food service, entertainment), including limitations on capacity and opening hours.

Before the pandemic, footfall and tenant sales were higher than prior year levels. Sales, for example, cumulatively increased 9% on a LFL basis in January and February. Traffic collapsed in March when non-essential stores closed and remained at less than 20% compared to previous years throughout lockdown (mostly driven by visits to essential stores). In second quarter ('Q2'), tenant sales were 58.4% lower than Q2 2019. After reopening, there was a gradual but strong rebound throughout the summer and September, resulting in third quarter ('Q3') footfall and tenant sales only 21.7% and 12.2% less than Q3 2019, respectively. The healthy recovery indicates that consumers return to the malls when conditions normalise. Starting October, the rise in COVID-19 cases resulted in new trading restrictions and another fall in traffic, albeit less severe than in spring. The Q4 figures show a slight decrease in footfall and sales compared to Q3, but as restrictions coincided with Black Friday and Christmas the reduction compared to previous year was higher: 35.7% and 31.6% (respectively).

Generally, tenant sales decreased less than footfall, as customers tended to reduce the number of visits to shopping centres but buy more products during a visit (e.g. the average basket value in September 2020 was 8.5% higher than in September 2019). The increase in tenant OCR reflects the sharing of the economic burden by both the Group and its tenants. While rent concessions did not entirely compensate for the decrease in turnovers, OCR remained in an acceptable range, enabling most tenants to operate profitably. Moreover, some of them received government aid as subsidies for rent and other costs (e.g. in Slovakia, Czech Republic and Lithuania), which decreased the real OCR. The fact that no major tenants went bankrupt and insolvencies were very limited even among smaller tenants proves that the Group's support was adequate.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Performance variations between countries are due to differences in length and severity of restrictions, and in the types of property prevalent in each country. Countries with shorter lockdowns, or without a second one, like Croatia and Serbia, have better trading figures. In 2020, geographical dispersal and property diversity in NEPI Rockcastle's portfolio helped mitigate the pandemic's more extreme effects. Divergent government policies regarding retail support explain variations in NOI relative to sales: in Poland landlords were forced to waive rents during lockdown, while in Slovakia, Czech Republic and Lithuania governments partially subsidised rents, sharing the burden of rent relief.

By retail category, the best performing segments in 2020 were electronics (-14% in tenant sales), health & beauty (-18%), furnishings & DIY (-21%) and sporting goods (-23%), when compared to 2019. These segments benefitted from changes in consumer habits, as they adapted to new circumstances and routines. Fashion (-32%) was affected by supply problems in Q3 and trading restrictions during peak season in Q4. The most affected segments were Entertainment (-63%), Services (-52%) and Food services (-40%), all subject to the longest and most severe restrictions. Entertainment and leisure offerings will continue to provide significant appeal to the Group's shopping centres once restrictions are lifted and are expected to recover more strongly. In 2020, the diversity of the Group's offering, as well as the anchoring presence of a large grocer in almost every property, contributed to the portfolio's resilient performance.

Trading restrictions and government measures

At mid-February 2021, 85% of the Group's GLA was operational. The details on a country-by-country basis are set out below:

Country	Weight in overall portfolio (%)	Operating GLA at mid-Feb (%)	Non-food retailers	Groceries and pharmacies	Restaurants, coffee shops and food courts	Cinemas, children's playgrounds, entertainment
Romania	35	98	Open	Open	Open (with restrictions)	Open (except children's)
Poland	24	91	Open	Open	Closed (except for takeaway)	Open (with restrictions)
Hungary	10	82	Open	Open	Closed (except for takeaway)	Closed
Slovakia	9	21	Closed	Open	Closed (except for takeaway)	Closed
Bulgaria	8	91	Open	Open	Closed (except for takeaway)	Open (with restrictions)
Croatia	5	98	Open	Open	Closed (except for takeaway)	Open

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Country	Weight in overall portfolio (%)	Operating GLA at mid-Feb (%)	Non-food retailers	Groceries and pharmacies	Restaurants, coffee shops and food courts	Cinemas, children's playgrounds, entertainment
Serbia	3	100	Open	Open	Open	Open
Czech Republic	3	42	Closed	Open	Closed (except for takeaway)	Closed
Lithuania	3	16	Closed	Open	Closed (except for takeaway)	Closed
Group	100	85				

Given the recent decrease in new cases, combined with increasing vaccination, restrictions on non-essential shops are expected to be re-considered and potentially lifted by the end of February 2021.

Some governments introduced measures supporting retailers affected by restrictions:

- Poland – lease agreements were suspended throughout lockdown, subject to a mandatory lease extension for six months plus closure period. During the suspension, no rents or service charges were due.
- Slovakia, Czech Republic, Lithuania – governments partially covered tenant payments, sharing the burden between landlords, tenants and government during lockdown (Slovakia – government matched the landlord discount, up to 50% of the rent; Czech Republic – government subsidised 50% of the rent; Lithuania – government subsidised 50% of the rent if landlords granted a 30% discount). Only Slovakia and Czech Republic have continued rent relief during the second lockdown.

Other measures taken by governments in CEE to support businesses affected by lockdowns include tax relief (deferral of liabilities, exemptions/discounts for property tax), employment support (subsidised furloughs, flexible working hours) and liquidity-enhancing measures (guaranteed loans, suspension of loan payments).

ADAPTING TO THE CHANGING RETAIL ENVIRONMENT

Active asset management

In 2020, the key challenge for management was to adapt and respond to the disruptive effect of the COVID-19 pandemic. New priorities included the protection of customers and safe operation of properties by implementing the strictest health and safety standards, supporting tenants affected by restrictions, reacting to changes in consumer behaviour and managing the cost of maintaining and operating properties.

CONSOLIDATED FINANCIAL STATEMENTS**31 DECEMBER 2020**

Besides such short-term objectives, management continued to take a strategic view on the composition and characteristics of its portfolio offering, taking measures to ensure the long-term success of the Group's business. Extension and refurbishment projects continued, as well as new developments that had already been initiated. Lease agreements were signed with new tenants, or renewed and extended with existing ones, improving the tenant mix. The Group is focused to adapt its retail mix to the local markets, hence 62% of the new leases were signed with local national retailers. Strategic digitalisation and omnichannel initiatives were accelerated with the introduction of new digital services, communication tools and platforms. Investments making properties more environmentally sustainable and energy efficient continued.

Specific asset management measures initiated, continued or finalised at property-level in 2020 include:

- Shopping City Buzau (Romania) – The last phase of the refurbishment opened to great success, as evidenced by the overperformance of the centre relative to the portfolio average (NOI up 29% Year on Year ('YOY'), tenant sales down only 5% and footfall down 20%, despite the long period of restrictions).
- Braila Mall (Romania) – The opening of Decathlon in September led to a performance rebound in Q4 (footfall and tenant sales were down 14% and 12% YOY respectively in Q4, compared to -28% and -32% in August).
- Shopping City Targu Mures (Romania) – The centre opened in July and, despite ongoing restrictions, performance exceeded expectations. The tenant mix will further benefit from the planned opening of Inditex brands in Q2 2021.
- Bonarka City Center (Poland) – Refurbishment works continued, new tenants were signed, and negotiations are advanced with some others.
- Galeria Tomaszow (Poland) – Despite unfavourable economic conditions, new leases were signed with Biedronka (supermarket) and Action (non-food discounter), replacing the Intermarche supermarket that closed in April.
- Focus Mall Zielona Gora (Poland) – The refurbishment and extension programme continued: part of the mall was rebuilt, some stores were renovated and a new parking was opened for customers.
- Forum Liberec Shopping Centre (Czech Republic) – The refurbishment started in 2019 was completed in 2020. Some pre-agreed tenants cancelled contracts or delayed openings due to the pandemic, but leasing picked up in second half of 2020 ('H2').
- Ozas Shopping and Entertainment Centre (Lithuania) – The country's largest family entertainment park opened in 2020. The construction of a swimming pool is nearing completion and will open once restrictions are lifted.
- Paradise Center (Bulgaria) – Extension works continued in 2020. The renovation of the terrace area is almost complete. Bulgaria's first medical centre in a shopping centre opened in Q4.

Communication and marketing activities focused on supporting tenant sales through a wide range of initiatives, aimed at increasing customer loyalty and visiting frequency rather than attracting large crowds at any one time. Examples include extending the

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Christmas shopping period, organising cultural and technology events, loyalty programmes and pop-up stores.

The Group implemented new customer services, such as call and collect, click and collect, gift wrapping (in December) and gift deliveries.

Digital communication was extended and upgraded through several initiatives:

- Digital media strategy in Romania focused on video content and reached 50 million impressions, 5 million post engagements and 1.6 million views.
- Launched Tik-Tok channels for Serdika Center and Arena Centar featuring influencers generated content, with a total of more than 1.5 million views.
- Arena Mall in Budapest utilised social media to combine offline shopping with digital promotion, reaching 2.4 million impressions. The 'Extraordinary Christmas' digital and in-house Christmas campaign, promoted by clients via social media, obtained 6.3 million impressions.

Throughout 2020 there was increased focus on optimising property operating expenses. Some additional costs were incurred due to the introduction of exceptional health and safety measures, but overall security, cleaning and maintenance costs decreased 6% and utilities costs decreased 20% compared to previous year as systems and processes quickly adapted to the new operating regime.

Capital expenditure ('Capex') in 2020 was €21 million, with the Company prioritising work related to health and safety (the repair and upgrading of the fire detection system at City Park, roof repairs at Bonarka City Center), already committed refurbishments and tenant fit-out (Decathlon in Braila Mall, cinemas in Karolinka Shopping Centre and Mammut Shopping Centre), high-yield projects (investments in efficiency-enhancing equipment, such as LED lights and building management system upgrades) and projects targeting sustainability targets (zero waste to landfill and carbon neutrality).

Besides the specific measures implemented throughout 2020, operational resilience during this difficult year was supported by the attributes of the portfolio, features implemented in previous years (detailed below):

- All shopping malls have food anchors, which were considered essential stores in all the countries and remained open even during the strictest lockdowns. In 2020, the Group ensured that customers could access them easily and safely even when other parts of the malls were closed.
- The Group's portfolio is geographically diverse, reducing exposure to regional or local events. The diversification provided resilience during subsequent waves further to the spring lockdowns, in which some countries were more affected than others (and implemented restrictions of varying severity).
- The quality and diversity of the tenant mix maintained the appeal of the Group's properties even when certain retail categories suffered. The Group's continued

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

focus on strong tenants, with viable business models and appealing products, limited the loss of tenants through bankruptcy or lease termination.

- The importance placed in the past on excellent accessibility and generous parking at each property proved exceedingly beneficial in 2020, as customers tended to avoid public transport.
- The presence of electronics and DIY stores, which were very successful in 2020 as people spent more time at home, ensured that the Group's centres remained popular.
- Company properties typically have large common areas and wide corridors, easily accommodating social distancing. It is worth mentioning in this context that none of the Group's properties were considered focal points of infection or an unusual health/safety threat.
- Heating, ventilation and air conditioning ('HVAC') systems are generally modern and efficient, as the Group's malls are new generation retail schemes.

Tenant support

From the outset, the Group entered negotiations with all tenants affected by the pandemic, based on principles of fairness and cooperation. Clear criteria were applied to ensure a measurable and fair allocation of support, aimed at preserving the viability of the retail ecosystem and maximizing value. Tenant support was allocated based on: retailer size and ability to withstand COVID-19's impact, retail category (some categories being more affected than others), importance in the retail mix, retailer footprint throughout portfolio, OCR, lockdown duration (by country/region), and long term prospects.

The Group applied the same approach across its entire portfolio. It focused on providing support to small and medium local and national retailers, for which such assistance was critical. Negotiations for support provided to international anchors and large local chains also included lease improvements giving the Company more flexibility (extension of terms, higher sales-based rents with more frequent reconciliation, removal of tenant unilateral extension or termination options) or agreeing new store openings. Where longer-term deals were agreed, clawback mechanisms were implemented (in the form of conditional concession reversals or step rents) so that the principle of 'fair sharing' remained valid. In addition to, or instead of, temporary rent reductions, NEPI Rockcastle supported tenants through deferral of rent payments, more frequent (advance) invoicing, marketing contribution relief and the reduction of non-critical operating expenses included in service charges.

During 2020, €72 million was provided as income concessions related to COVID-19 (including rent, service charges and marketing). Of this amount, only €2.5 million will be straight-lined in following years (over the associated lease terms which on average approximates three years), and the rest (€69.5 million) was fully recognised in 2020.

Rent concessions represented on aggregate approximately 13% of total income (contractual base rent plus service charge contributions and marketing fees), on a grossed-

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

up basis (before concessions). Variations between countries were caused by the length and severity of lockdowns and by government support for tenants, which influenced the amount of concessions granted.

As a result of negotiation efforts, the collection rate for reported revenues, adjusted for concessions, in 2020 was 95% at portfolio level as at 31 December 2020 (increased to 97% as at mid-February 2021). The Group recognised net expected credit losses of €6.3 million in relation to tenants, representing only 1.2% of Gross rental income and Service charge income in 2020, which further shows the quality and resilience of the tenant mix.

Leasing

Despite difficulties, the Group continued to sign new leases and renew existing ones. Many international anchors and national retail chains are still expanding to new locations or reaffirming their commitment to the Group's properties. During 2020, 310 new leases and 388 renewals were signed. Many other leases were extended via the addenda signed in relation to the pandemic concessions. Out of all the lease agreements expiring in 2020, 80% were renewed and 15% were re-let to new tenants.

Lease terms are typically very similar to pre-COVID-19 (Euro-based, minimum five years, base rent plus service charges, marketing fees and additional turnover rent, annual indexation). Weighted average unexpired lease term ('WAULT') was largely unchanged on 31 December 2020 compared to 2019 (4.1 years).

The Company has welcomed new tenants and strengthened its shopping centres by improving the mix and quality of its offering. Some of the additions are set out below:

- **Shopping City Buzau (Buzau, Romania):** the extension and refurbishment were completed in June and included the city's first Carturesti, Hervis, LC Waikiki, Office Shoes, Sinsay, and Tom Tailor. Cinema City will open once restrictions on indoor cinemas are lifted.
- **Mega Mall (Bucharest, Romania):** major openings included Kiehl's, Nike (refurbishment to the latest brand concept, first in the city), Orange (relocation and store enlargement) and Vans.
- **Bonarka City Center (Krakow, Poland):** new openings include Douglas (with the biggest store in Krakow – 530m²), Fikolki (a new education and play area for children – 580m²), Greenpoint, Kiehl's, Salomon, Soho and Tchibo. Ochnik, Peek & Cloppenburg and Zara extended their units.
- **Galeria Warminska (Olsztyn, Poland):** Guess launched a regional flagship store.
- **Galeria Tomaszow (Tomaszow Mazowiecki, Poland):** Biedronka, a supermarket (1,049 m²) and Action, a non-food discounter (964 m²) opened in December, replacing Intermarche which closed in April.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

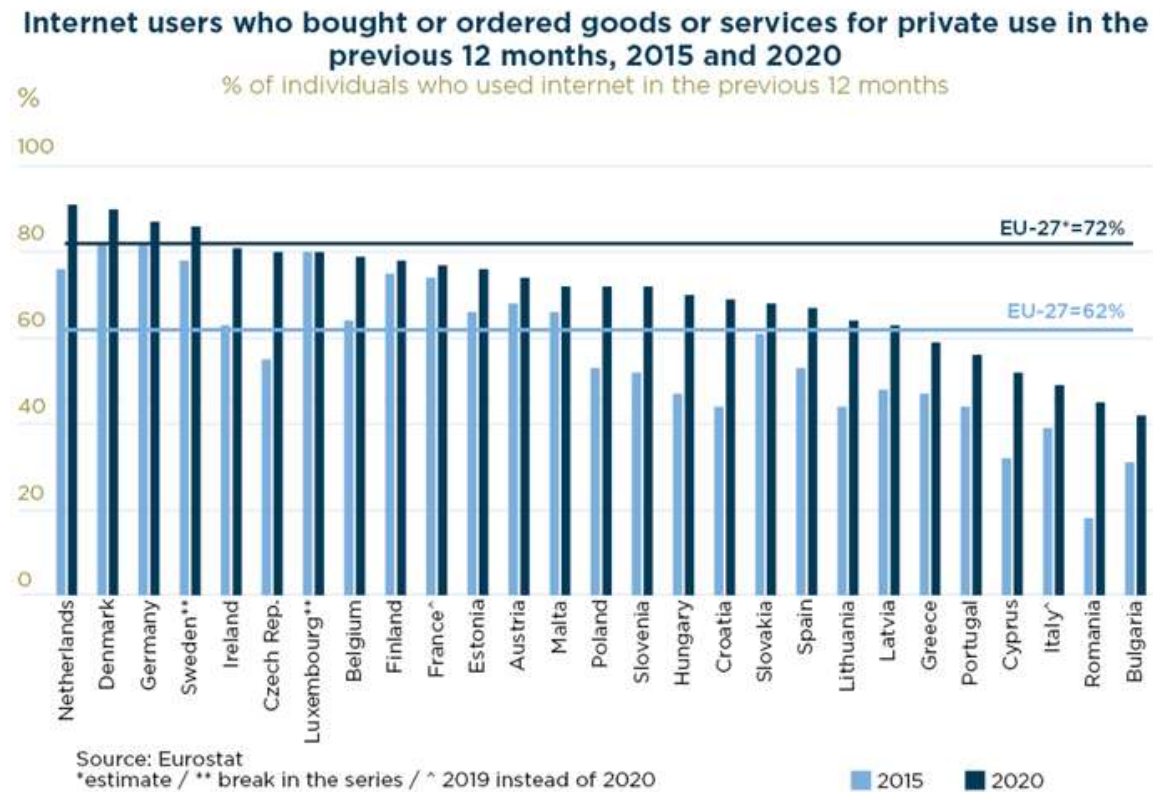
- **Mammut Shopping Centre (Budapest, Hungary):** Regio Jatek opened a 1,000m² toy store. Other new stores include Apacs, eMag (flagship store), Nespresso and Tamaris.
- **Aupark Kosice Mall (Kosice, Slovakia):** Burger King and Nordsee opened their first Slovakian stores outside Bratislava.
- **Aupark Zilina (Zilina, Slovakia):** new leases were signed with DrMax, Gant, Postova Banka, Samsung Gallery (first in the region) and Sizeer.
- **Serdika Center (Sofia, Bulgaria):** new openings include Collective, Nespresso, Nike and eMag's first showroom in Sofia.
- **Paradise Center (Sofia, Bulgaria):** during Q4 Bulgaria's first medical centre in a shopping mall opened on a 1,000 m² area. Other signings include Next Kids, Nike, Pepco and Replay.
- **Forum Usti nad Labem (Usti nad Labem, Czech Republic):** new lease agreements signed with Running Sushi and Sportisimo.
- **Ozas Shopping and Entertainment Centre (Vilnius, Lithuania):** the centre's offering was significantly strengthened by the opening of the largest family entertainment park in the country, Adventica (4,300m²). Other lease agreements signed include Fielmann, Grill London, Loois, Pet City and Silver Fox.

Omnichannel focus / retail transformation

The COVID-19 crisis transformed what used to be a steady evolution of online retail into a disruption. Several studies highlight a breakthrough in terms of e-commerce acceleration – some retailers report a doubling of their online sales in the lockdown periods, the e-commerce penetration reached record high levels across all age brackets, and the number of offline retailers that adopted an online selling method increased significantly.

CONSOLIDATED FINANCIAL STATEMENTS

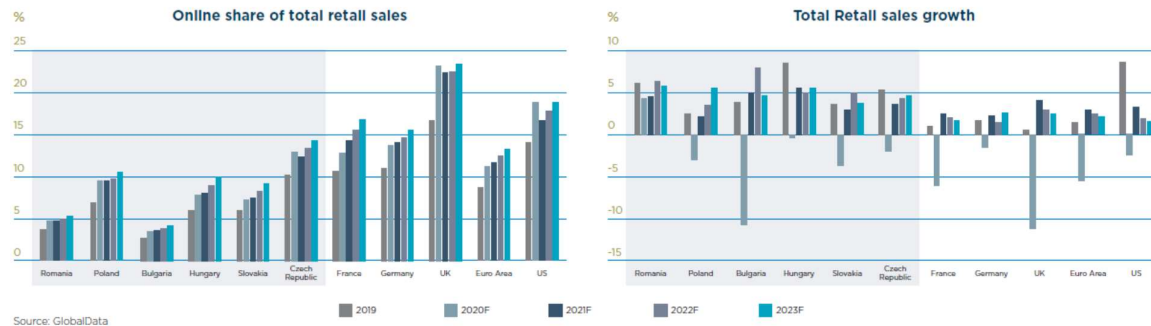
31 DECEMBER 2020



There are some specific limitations that e-commerce is facing in most CEE countries and will continue do so for the foreseeable future: 1) the social element of a shopping trip is still very much embedded in consumers' habits; 2) consumer confidence in online payments is relatively low; 3) deliveries and returns take a long time, due to poor courier and logistics infrastructure. In 2020 consumers were forced to shop more online out of necessity rather than preference, so the share of online is likely to flatten or even decrease in 2021 once traditional shopping becomes possible again. On the other hand, retail overall and private consumption are expected to continue growing at higher rates than in Western Europe and comparable to other emerging markets. There is pent-up demand for certain categories, such as fashion, that will be unlocked as the pandemic is contained. On the retailers' side, the fact that margins are higher on sales out of brick-and-mortar shops than for online sales is a strong incentive to keep their offline footprint. The combination of these factors creates the expectation that traditional retail still has significant room to grow in CEE, alongside online retail.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020



There is no doubt however that retail is changing towards an experience that is truly customer centric, tailored to suit the preferences and convenience of customers, regardless of the sales channels used. The Group has been focusing on creating an omnichannel customer experience since prior to COVID-19. The centrally located and dominant shopping centres owned in the region create an attraction point for our loyal customer base. These customers are at the centre of our omnichannel strategy. Here are some initiatives pursued as part of this strategy:

- The launch three years ago of the first loyalty mobile app in the region continued by expanding the number of shopping malls directly connected with their customer base, the largest program of this kind in CEE. The app is now available for all the Group's properties in Poland and will soon be rolled out to other countries.
- Strong partnerships with tenants, enabling them to continue selling in critical times. Initiatives like click and collect, free shipping of Christmas gifts, or prizes driven by digital engagement have been rewarded by both customer and tenants with high engagement and sales.
- The Group adapted to the customers' increasing preference of digital communication, investing a significant proportion of the media communication budget into a diversified range of digital channels.
- Create a personalised customer engagement via different touchpoints in-store and online.
- The Group established partnerships with five proptech and fintech start-ups to enhance innovation and increase the agility and security of digital operations.

NEPI Rockcastle is actively seeking to increase the quality and attractiveness of its centres, in response to changing market trends and consumer behaviours. The focus will be on making better use of existing GLA through more dynamic tenant rotation, better services and increasing the density of our offering. Regarding the lease term, the Group takes an approach that provides more flexibility in implementing its strategy by reserving the right to make tenant mix changes and modify rents more frequently. Therefore, shorter term leases (3-4 years) are signed for tenants from retail segments with higher turnover increases. Tenants with a growing presence in the Group's centres include retailers with a strong omnichannel focus, online-native brands (such as eMag, Eobuwie, Notino) and retailers who are the best performers in their sector ('category killers'). Brands who are new on the local market will also be prioritised, to ensure the diversity and freshness of the

tenant mix as a competitive advantage. Leisure and entertainment will continue to have an important role in the retail mix, although a refocus within the category is being envisaged (e.g. from cinemas to other leisure destinations).

CEE MACROECONOMIC ENVIRONMENT

The COVID-19 pandemic and the restrictions imposed by governments to alleviate it have had a major global economic impact in 2020. CEE was not immune, but the strong economic fundamentals will help it weather this crisis and begin the path to recovery in 2021.

According to the latest IMF forecast issued in October 2020, real GDP in NEPI Rockcastle's markets is expected to have dropped by 4.9% in 2020 (on a weighted average by country share in the Group portfolio) and recover by 4.8% in 2021. GDP in 2021 is expected to be 0.3% lower than in 2019, meaning a full recovery should materialise in 2022. This is better than the expected decline of 8.3% in the Eurozone during 2020, followed by 5.2% growth in 2021, and the European Union's (EU) predicted decline of 7.0% in 2020, with a 4.7% rise in 2021.

Private consumption decreased less than GDP in 2020 (-1.7%) as it was supported by government fiscal and financial stimulus. As the economy rebounds and people return to the shops and start using the services discontinued during the pandemic, private consumption is expected to increase by 7.8% in 2021. This is despite unemployment having risen from 4.3% in 2019 to 6.6% in 2020, and predicted levels remaining close to 6% in 2021.

Inflation decreased from 3% in 2019 to 2.6% in 2020, with a further decrease to 2.3% expected in 2021. Budget deficits and public debt soared in 2020, but from relatively low levels, and with persistently low interest rates the threat to macroeconomic stability is limited.

The actual outcome will heavily depend on the pandemic and the success of vaccinations. Based on current data, the signs are encouraging, suggesting an economic rebound is near. Throughout the whole CEE, new COVID-19 cases have been declining in 2021. Reduction rates vary, but no countries are showing an upward trend. The sharpest declines are in Czech Republic, Romania and Lithuania. On average, the number of COVID-19 cases in CEE per million inhabitants is still lower than in some of the leading countries in Western Europe (WE), including UK, France and Spain.

On 15 February 2021, the vaccination rates in most Group regions were higher than the EU average. The weighted average by population size was 3.4%, compared to the EU average of 3.1%. The highest rate was in Serbia (9.1%), the only non-EU portfolio country and therefore not included in its vaccination programme, followed by Slovakia (4.1%), with Bulgaria having the lowest rate (0.8%).

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Further economic support may be provided by states and the EU, as it has relaxed existing rules to accommodate increasing fiscal deficits and finance stimulus measures for households and companies. This includes establishing the EU Recovery Fund worth €750 billion (€390 billion in grants; €360 billion in low-interest loans). CEE is allocated 25% (€187 billion) with Poland (€65 billion) and Romania (€33 billion) the major beneficiaries, while Bulgaria and Croatia receive most as a proportion of GDP (20.4% and 18.6% of 2019 GDP respectively). The majority of funding should finance infrastructure, green projects and improving economy's structural efficiency. The Recovery Fund is in addition to the EU's regular seven-year budget for 2021-27 (EU Cohesion Fund), with a total size of €1.1 trillion.

CEE's relatively good macroeconomic prospects, combined with commercial real estate advantages (lower online penetration, less and more modern physical retail stock, higher yields/more conservative property valuations compared to WE), contribute to the region's attractiveness as an investment destination.

DEVELOPMENT UPDATE

NEPI Rockcastle maintains a flexible approach to developments, enabling it to revise pipeline expenditure during 2020 and focus on committed ongoing projects. Similarly, construction costs are committed gradually, with most projects utilising a package-contracting approach. This means the use of general contractors is limited, enabling the Group to suspend, or terminate, specific activities with relative ease and exercise a high degree of control over the quality and timing of works and cash outflows.

The projects completed during 2020, or committed on 31 December 2020, are detailed below:

- **Shopping City Targu Mures (Targu Mures, Romania):** a new 40,200m² shopping mall was completed in Targu Mures, a vibrant, multicultural and central Romanian city of 148,000 residents and home to one of the country's largest urban Hungarian communities. The opening had two phases, the first in June and the second in July. Currently the mall is 95.8% leased, with 85% of tenants (34,100m² of GLA) already trading. The cinema and children's playground are temporarily closed, as per national regulations. Tenants include Carrefour, CCC, Cineplexx, Defacto, Douglas, Flanco, eMag, Hervis Sports, Intersport, KFC, LC Waikiki, LPP (Cropp, House, Reserved and Sinsay), New Yorker, Pepco and Sephora.
- **Shopping City Buzau (Buzau, Romania):** the last phase of the refurbishment project including a new outdoor terrace and a six-screen Cinema City was completed. The centre now has 23,700m² GLA with a tenant mix that includes Altex, Carrefour, CCC, Cinema City, Hervis Sports, Intersport, KFC, LC Waikiki, LPP (Sinsay), New Yorker, Noriel and Pepco. The newly refurbished centre opened in June, when the trading ban on non-essential shops (excluding restaurants and cinemas) was lifted.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

- **Bonarka City Center (Krakow, Poland):** major construction works for the redevelopment of several units and common areas were completed. Apart, Costa, Greenpoint, Jubitom, Pandora and Pinko opened their stores after extensions and renovations.
- **Forum Liberec Shopping Centre (Liberec, Czech Republic):** refurbishment was completed, and the occupancy permit obtained in May 2020, as scheduled. Several brands opened in H2, significantly improving the tenant mix: Apart, Aurayum, Bata, Corial, Cross Café, Desigual, Eiffel Optic, Fortuna, JRC Games, Rituals, Running Sushi, Sephora and Xiaomi.
- **Focus Mall Zielona Gora (Zielona Gora, Poland):** construction of the 15,700m² GLA extension is progressing, with the opening expected in Q3 2021. New tenants include Adidas, Apart, Express Marche, Millennium Bank, New Balance, Pandora and Time Trend.

During 2020, NEPI Rockcastle spent €143 million on developments and capital expenditures. Following a comprehensive review, the Group actively optimised capital allocation, including deferring non-committed developments and capital expenditure projects. However, no projects were cancelled. Significant progress was made with the permitting on Promenada Mall extension and Promenada Craiova, a new 56,500m² GLA modern retail and entertainment destination in one of Romania's premier cities. The Group will continue to invest in developments contributing to growth and improving long-term portfolio prospects, and will constantly monitor, and revise, the development pipeline in line with current objectives and constraints. The Group estimates to invest in 2021 €95 million in development and capital expenditure related to its ongoing projects and will consider new development opportunities depending on how market circumstances evolve. The development strategy going forward will target diversification through a focus on mixed-use and residential projects.

ROMANIAN OFFICE PORTFOLIO DISPOSAL

As previously announced, NEPI Rockcastle concluded an agreement with AFI Europe on 6 August 2020 to dispose of 100% of shares in subsidiaries holding the Romanian office portfolio, with a total GLA of 117,500m², for a transaction value of €307 million (equivalent to a blended yield of approximately 8%). The transaction generated a net gain on disposal of €2.6 million. Closing took place on 27 August 2020. The final cash consideration was €294.8 million (of which €294.0 million were fully settled by year end); the difference to the transaction value includes standard adjustments for working capital and deferred tax. No material changes were made to the original 2019 terms. Apart from market standard representations and warranties, the Group has no outstanding commitments in relation to the disposed assets.

URW SHARE PORTFOLIO DISPOSAL AND NEPI ROCKCASTLE SHARE REPURCHASE

As announced on 7 December, NEPI Rockcastle disposed of its remaining listed securities portfolio, consisting of 1,202,008 shares in Unibail-Rodamco-Westfield (URW) for a consideration of approximately €75 million. The €25 million net loan facility associated with the URW shares was repaid in August, using part of the proceeds from the sale of the Romanian offices. The proceeds from the URW shares were used to repurchase 17,717,760 NEPI Rockcastle shares, representing 2.95% of the Company's issued share capital. This transaction was executed between 23 November and 4 December, was in line with the Group's previously announced (and gradually implemented) strategy of redeploying capital from listed securities and prompted by the improvement in the URW share price immediately prior to the sale. The Transaction was accretive in terms of EPRA Net Reinstatement Value per share from 2020 by 1%, and is estimated to be accretive in terms of Distributable Earnings per share and EPRA Earnings per share mostly starting 2021 (given the antecedent earnings adjustment for 2020 and the limited time period from implementation until year-end).

ESG FOCUS

Environmental and social initiatives

NEPI Rockcastle increased its long-term commitment to sustainability via several measures:

- Implementing a Green Finance Framework and enhancing the transparency of its portfolio and business operations, as well as disclosures. The Company has committed to use proceeds from green bonds to finance or refinance existing and future projects which improve the environmental performance of the Group's property portfolio. The Green Framework (available on NEPI Rockcastle's website) defines eligibility criteria according to two types of green assets/initiatives: certified green buildings and energy efficiency projects. A successful €500 million green bond issuance followed soon after the Green Framework has been implemented (see *Cash management and debt*), resulting in the expansion of the investor base.
- Strengthening the link between ESG performance and one of the revolving credit facilities ('RCF') extended in 2020, ensuring that should the ESG risk rating increase, the margin of the RCF will increase, and vice versa.
- All eligible NEPI Rockcastle properties have obtained either Very Good or Excellent Building Research Establishment Environmental Assessment Method (BREEAM) certification, and, where technically possible, 50% of the Group's aggregated energy consumption comes from renewable sources.
- More than 50% of shopping centres have charging stations for electric cars and the Company is finalising the implementation of the new waste management system, ensuring zero waste to landfill from 2025.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

- Aiming to increase Global Reporting Initiative ('GRI') reporting to Comprehensive, enabling stakeholders to benchmark NEPI Rockcastle's disclosure and performance against its peers.
- Finalising the Group's implementation of the Environmental and Sustainable Acquisitions Policies.

Health and safety

Maintaining the health and safety of customers, tenants and staff has been the overriding priority in 2020. Consequently, NEPI Rockcastle implemented a plan ensuring adherence to authorities' recommendations and industry best practices. On 31 December 2020, 79% of centres had obtained a Safe Shopping Centre Certificate, an international confirmation that they meet the highest standards of health and safety in relation to COVID-19 by enabling customers to shop in safety, and the first such accreditations received by any mall operator in Bulgaria, Croatia, Poland, Romania, Lithuania and Serbia.

All centres continuously implement the highest health and safety specifications, including: social distancing; enforcing all measures and meeting all standards recommended by the World Health Organisation ('WHO'); fresh air ventilation and ensuring all HVAC filters receive antiseptic treatment; hourly disinfection of frequently used areas; using new, self-cleaning nano-technology materials on all frequently touched areas; hand sanitising dispensers positioned at all access points; face mask provision, and temperature checks.

Community support

In Romania, over 90% of malls implemented programmes helping local communities cope with the pandemic, for instance: *doneaza.nepirockcastle.com* facilitated donations to the Romanian Red Cross and was promoted on all Romanian shopping centres' websites; sanitary containers were provided for the country's first private COVID-19 hospital set-up by Auchan and Leroy Merlin, and more than ten shopping centres ran community campaigns rewarding front-line medical workers with vouchers.

In Serbia, a platform was implemented in shopping centres raising money for the Red Cross of Vojvodina. Other local actions included The Empty Shop campaign in Kragujevac Plaza and Promenada Novi Sad, which collected 5.1 tonnes of donated second-hand clothes and distributed them to people in need.

In Bulgaria, NEPI Rockcastle supported the local United Against COVID-19 fund, Paradise Center donated protective clothing, safety face shields and goggles to seventeen neonatal wards and a pop-up store supporting the Shop for a Cause campaign was organised in Serdika Center.

In Poland, the initiative #MallsOpenForHelp provided personal protection equipment, including masks, face shields and disinfectant to medical units. In December containers for collecting bottle caps were placed in front of Pogoria Shopping Centre, Aura Centrum

and Galeria Warminska. The money earned was donated to local charities through Eko Serce (Eco Heart).

Changes to the Board of Directors

As announced on 28 April 2020, Mr Sipho Vuso Majija has ended his appointment as a Non-independent Non-executive Director. The Board has approved the appointment of Mr Steven Brown as a Non-independent Non-executive Director, with Mr Majija acting as alternate to Mr Brown. Mr Brown has a strong background in the property industry, currently acting as Chief Executive Officer and Managing Director of Fortress REIT, a company he joined in December 2015, following its acquisition of Capital Property Fund.

As announced on 28 May 2020, Mr Desmond de Beer has retired from the Board, together with Mr Alan Keith Olivier who acted as his alternate. Mr de Beer was a Non-independent Non-executive Director of NEPI from 2008 and the Chairman of its Investment Committee and was appointed as a Non-independent Non-executive Director of NEPI Rockcastle on 15 May 2017. The Company values Mr de Beer's contribution to NEPI and NEPI Rockcastle.

The Board appointed Mr Andries de Lange as Non-independent Non-executive Director with effect from 27 May 2020. Mr de Lange has extensive experience of leadership roles, with a core specialty in corporate finance and the property industry.

As announced on 29 September 2020, the Board approved the appointment of Mr Andreas Klingen, an existing Independent Non-executive Director, to act as a member of the Nomination Committee and Lead Independent Director, effective from 28 September 2020. As Lead Independent Director, Mr Klingen will be tasked with: leading the Board in the absence of the Chairman; serving as a sounding board or trusted adviser of the Chairman; acting, if necessary, as an intermediary between the Chairman and other members of the Board; chairing discussions and decision-making by the Board on matters where the Chairman may have a conflict of interest, and leading the performance appraisal of the Chairman with the other Non-executive Directors without the Chairman present.

Corporate governance framework

Throughout 2020, the Group continued to strengthen its corporate governance framework, designed to ensure material compliance with *King IV*, as well as to voluntarily align with relevant guidance in Dutch and UK governance codes, under the close guidance of the Audit Committee.

With continuous improvement in mind, PricewaterhouseCoopers (PwC), Isle of Man, were engaged to independently assess the Group's corporate governance framework and review operational effectiveness. As a result, significant alignment was achieved between the three codes and PwC's recommendations were implemented to further enhance the Company's already robust and comprehensive framework. PwC's recommendations

regarding increased effectiveness were considered by the Audit Committee and management, and implementation prioritised starting the end of 2020, with sustainable application beginning 2021.

ACCOUNTING, AUDIT AND VALUATION MATTERS

Accounting of COVID-19 impact on 2020 results

Rent discounts

During 2020, the Group results reflected rent concessions worth €69.5 million, and further €2.5 million are expected to be accounted for over the associated lease term, which on average approximates three years.

Reduction of gross rental income

The Polish Government imposed a rent-free period for tenants, including service charge and marketing costs, during the state of emergency. This relief, without changes to the lease contract and legally enforced, has been recognised in the Statement of comprehensive income, as a reduction of Gross rental income (impact of €12.6 million) and Service charge income (impact of €3.7 million), and as a decrease of Trade and other receivables, in the Statement of financial position.

In some instances, the Group agreed to variable discounts contingent upon tenants' performance dropping below a certain threshold. In 2020 these discounts amounted to €5.0 million, recognised in the Statement of comprehensive income as a reduction of Gross rental income (negative variable rent).

Partial forgiveness of receivables

In order to maintain a long-term functioning retail environment, and based on tenant negotiations, the Group granted voluntary rental concessions for lockdown, and/or immediately after lockdown. Discussions with retailers regarding COVID-19 support continued in all countries throughout the year end and by 31 December 2020 lease modifications (see definition below) were signed by tenants representing 97% of Gross rental income.

For the period prior to the signing of lease modifications, receivables already accrued in accordance with the lease agreements in force were partially written off in accordance with the signed addendums, and therefore their financial impact was recognised immediately and not straight-lined over the new lease term. As such, tenant concessions granted before the signing of lease modifications, amounting to €47.0 million, were fully accounted for in the Statement of comprehensive income as "Partial forgiveness of receivables (COVID-19 Forgiveness)", and "Trade and other receivables" in the Statement of financial position, in accordance with International Financial Reporting Standards ('IFRS') 9 "Financial Instruments" (in relation to impairment of receivables). This is also in accordance with

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

IFRS 16, allowing rental income to be recognised even if recoverability is uncertain and requiring rental modifications to be accounted for prospectively from the effective date of modification. This approach emphasizes the Group's commitment to the fair and transparent reporting of the impact of pandemic and lockdowns on financial results.

Contractually agreed and signed modifications subject to straight-lining from the effective date of the modification

Contractually agreed and signed concessions granted to, and obtained from, tenants are treated according to IFRS 16 "Leases", which defines "lease modification" as a change in scope, or consideration, of the lease, not part of the original terms and conditions, such as rent discounts, lease extensions, increase in overage/turnover rents, introduction of break options, etc. Lease modifications are recognised prospectively over the new term and accounted for by the Group from the date the modification is contractually agreed and signed.

Agreed lease modifications are recognised as lease incentives from the date the modification was signed, are straight-lined over the new lease term and recognised in the Statement of comprehensive income as a reduction of Gross rental income. The reduction recognised in the Statement of comprehensive income was €1.2 million, further to the impact of straight-lining over future reporting periods of €2.5 million (cash discounts of €3.7 million).

Tenant receivables

As at 31 December 2020, tenant receivables amounted to €36.4 million (VAT included, net of provisions), of which €14.9 million were overdue. This balance is adjusted for provisions and rent reliefs and concessions, either imposed by law or negotiated. The collection rate for 2020, adjusted for concessions granted, was 95% as at 31 December 2020 (this increased to 97% as at mid-February 2021). The Group expects to collect the outstanding tenant receivable balance.

External Independent audit opinion

The audit report on the Group's Consolidated Financial Statements has been issued by PwC Isle of Man, after having audited and obtained the necessary documentation from PwC local offices in jurisdictions where the Group operates through subsidiaries. The local PwC offices audit the separate financial statements of the relevant subsidiaries and issue their interoffice audit reports to PwC Isle of Man. The audit opinion is unmodified. The emphasis of matter present in the June review report is no longer applicable, as the material valuation uncertainty clause was removed from all valuation reports.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Valuation

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

Appraiser	Locations	Percentage of portfolio
Colliers International	Romania	35%
Jones Lang LaSalle	Bulgaria, Croatia, Czech Republic, Hungary, Serbia, Slovakia	33%
Cushman & Wakefield	Hungary, Lithuania, Poland	32%

On 31 December 2020, the portfolio was independently valued. These appraisals have been performed in the context of the COVID-19 pandemic and prophylactic measures. On the valuation date, property markets were predominantly functional, with transaction volumes and other relevant evidence at levels where enough evidence existed to form valid opinions of value. Thus, the valuation reports no longer included any 'material valuation uncertainty' as defined by the Royal Institution of Chartered Surveyors ('RICS'), as they did in the June 2020 reports. The appraisers have factored into the December 2020 valuations the potential impact of COVID-19 by modifying two sets of assumptions:

- Assumptions affecting short-term cash flows: depending on the country and performance of specific assets, the appraisers considered various lengths of rent holidays, prolonged void periods and higher unpaid rents for the upcoming periods. The appraisers also considered lower tenant sales-based rents and ancillary income over the upcoming periods.
- Assumptions affecting long-term cash flows and values: appraisers increased discount rates and exit cap rates in most countries, despite lower inflation prospects, to reflect greater uncertainty over long-term cash flows, liquidity, value and growth prospects on exit.

On December 2020, the fair value loss recognised in relation to the investment property portfolio amounted to €345.3 million (detailed below). Compared to 30 June, the additional decrease in fair value was €108.7 million.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Country*	Market value December 2019	Market value December 2020	Fair value gain/(loss) 2020**
Romania	2,091,484	2,026,644	(113,640)
Poland	1,433,069	1,386,995	(94,993)
Hungary	603,900	577,200	(29,501)
Slovakia	554,872	523,644	(33,029)
Bulgaria	514,770	486,807	(31,555)
Croatia	275,600	262,330	(13,403)
Serbia	201,130	191,949	(15,950)
Czech Republic	182,900	171,000	(16,068)
Lithuania	132,580	141,980	3,823
Total	5,990,305	5,768,549	(344,317)

*Excluding joint ventures, other properties held for sale and right-of-use assets with total impact in fair value of €1 million.

**Includes additional capital expenditures incurred.

EPRA INDICATORS

In October 2019, the European Public Real Estate Association ('EPRA') introduced new asset value metrics noting that while Net Asset Value ('NAV') is a key performance measure used in the real estate industry, when used in financial statements under IFRS regulations it may not provide the most relevant information on the fair value of the assets and liabilities. As property companies have evolved into actively managed entities, including non-property operating activities, this has resulted in more active ownership, higher asset turnover, and balance sheet financing has shifted from traditional bank lending to capital markets.

The new guidelines are meant to reflect this nature of property companies. Hence, EPRA NAV and EPRA NNNAV are replaced by three new Net Asset Valuation metrics: EPRA Net Reinstatement Value, EPRA Net Tangible Assets and EPRA Net Disposal Value.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

EPRA indicators	31 December 2020	31 December 2019
EPRA Earnings (€ thousand)	240,770	330,623
EPRA Earnings per share (€ cents per share)	39.81	55.79
EPRA Net Initial Yield ('NIY')	6.70%	6.65%
EPRA topped-up NIY	6.75%	6.71%
EPRA Vacancy Rate	4.3%	2.1%
EPRA Net Reinstatement Value ('NRV') (€ cents per share) *	6.45	7.32
EPRA Net Tangible Assets ('NTA') (€ cents per share) *	6.42	7.25
EPRA Net Disposal Value ('NDV') (€ cents per share) *	5.79	6.61
EPRA Cost ratio (including direct vacancy cost)	10.5%	8.1%
EPRA Cost ratio (excluding direct vacancy cost)	10.3%	8.0%

*NRV, NTA and NDV measures effective from 1 January 2020; the comparative measures have been restated/computed in line with the current EPRA guidance. For the Group, EPRA NRV corresponds to former EPRA NAV and EPRA NDV corresponds to former EPRA NNNAV.

The Group joined EPRA in 2018 and won the Silver Award for Best Practices Recommendations ('BPR') for financial reporting in 2019, as a recognition of its commitment to transparency in reporting and compliance with industry best practices. The Group has further improved its financial reporting and BPR compliance, achievements which were recognised by EPRA in 2020 through the Gold Award, the highest standard for transparency of financial performance measures.

CASH MANAGEMENT AND DEBT

The Group had strong liquidity on 31 December 2020, with €643 million in cash and €575 million in undrawn committed credit facilities.

NEPI Rockcastle's gearing ratio* (interest bearing debt less cash, divided by investment property) was 31.5%, a comfortable level even after accounting for the devaluation of the property portfolio in the COVID-19 context.

On 31 December 2020, ratios for unsecured loans and bonds showed ample headroom compared to covenant thresholds:

- Solvency Ratio: 40%, compared to a maximum covenant threshold of 60%;
- Consolidated Coverage Ratio: 4.8, compared to a minimum covenant threshold of 2;
- Unencumbered consolidated total assets/unsecured consolidated total debt: 261% actual, compared to a minimum covenant threshold of 150%.

*The reported gearing ratio (LTV) excludes the €33.9 million right-of-use assets and associated lease liabilities as at 31 December 2020

Liability management and bond issue

In January 2020, the Group successfully repurchased the outstanding bond notes due February 2021, with a nominal value of €198 million. In addition, in June 2020, another €5 million were repurchased from the outstanding bonds on that date.

In July 2020, after a roadshow with European fixed-income investors, NEPI Rockcastle issued a €500 million inaugural green unsecured bond, with seven-year maturity, 3.375% fixed coupon and 98.172% issue price. The green bond issue improved the liquidity position of the Group, which had a total liquidity of approximately €1.2 billion in cash balances and undrawn credit lines on 31 December 2020.

In addition, the Group repaid in full the loan associated with the listed securities and later sold this portfolio. Also, the Group extended the availability of two unsecured committed revolving credit facilities:

- the revolving credit facility from Raiffeisen Bank International was extended for two years, until 31 December 2022;
- the revolving credit facility from a four banks syndicate was extended with an additional year, until December 2023.

Cost of debt

The average interest rate, including hedging, was 2.3% for 2020, slightly lower from 2.4% in 2019.

As of 31 December 2020, fixed-coupon bonds represented 80% of NEPI Rockcastle's outstanding debt; out of the remaining long-term debt exposed to Euribor, 42% was hedged with interest rate caps and 48% with interest rate swaps.

The Company continually evaluates its financing options, while keeping in mind the strategic objective to broaden its investor base and maintain an optimal capital structure. Depending on market conditions, the Group may initiate a repurchase of issued bonds or shares during the following reporting periods.

2020 EARNINGS DISTRIBUTION

The Board has declared a dividend of 16.88 euro cents per share for the second half of 2020, corresponding to 90% of the distributable earnings per share for this period. This decision is in line with NEPI Rockcastle's policy of distributing at least 90% of its distributable earnings and allows the Company to retain adequate capital as reserve, given the challenging macroeconomic environment. The distribution will be paid in cash during March 2021, and further detailed announcements will follow.

As previously announced, the Company did not declare a dividend for the six-month period ended 30 June 2020. The Company instead allotted and issued fully paid ordinary shares as a *capitalisation issue* to the Company's shareholders, pro-rata to their

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

shareholding, at a ratio of 4.2920 ordinary shares for every 100 ordinary shares held. The rationale for the *capitalisation issue* was to ensure that NEPI Rockcastle maintains a strong balance sheet and ample liquidity while also returning value to shareholders during the challenging operating environment.

As described above, NEPI Rockcastle has repurchased and subsequently cancelled 17,717,760 own shares (representing 2.95% of the Company's issued share capital) in Q4 2020. The repurchase was funded from the proceeds of the listed portfolio divestment and will have a positive effect on the Company's key metrics.

PROSPECTS AND EARNINGS GUIDANCE

Distributable earnings per share for 2021 are expected to be approximately 10% higher than the 2020 distributable earnings per share. This guidance does not consider the impact of potential further systemic macroeconomic disruptions (such as those induced by new broad lockdowns in CEE countries, in addition to the ones already in place for announced periods which are reflected in the above guidance) and assumes a continuation of the trading trends observed to date. This estimate is highly dependent on potential future measures which could be taken by governments of the CEE countries where the Group operates, such as further restrictions on trading or state support to tenants and / or landlords. 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.

By order of the Board of Directors

Alex Morar
Chief Executive Officer



Mirela Covasa
Chief Financial Officer



24 February 2021

Independent Auditor's report

to the shareholders of NEPI Rockcastle plc

Our opinion

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of NEPI Rockcastle plc (the "Company") and its subsidiaries (together "the Group") as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

NEPI Rockcastle plc's consolidated financial statements (the "financial statements") comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

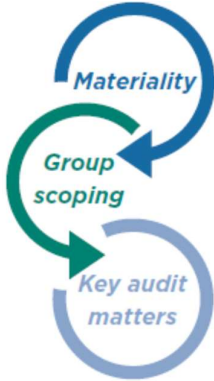
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants' ("IESBA Code") and the ethical requirements of the United Kingdom Financial Reporting Council's Ethical Standard that are relevant to our audit of the financial statements in the Isle of Man. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the United Kingdom Financial Reporting Council's Ethical Standard.

Our audit approach

Overview

	Materiality Overall materiality: €67 million which represents 1% of the Group's total assets. Specific materiality: €17 million which represents 5% of the Group's EBITDA, as defined in the consolidated statement of comprehensive income
	Audit scope A full scope audit has been performed on the most financially significant components in the Group, while other large components were subject to an audit over certain account balances, based on our assessment of risk and materiality of the Group's operations at each component.
	Key audit matters Valuation of investment property Impact of COVID-19

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

	<i>Overall materiality</i>	<i>Specific materiality</i>
<i>Materiality level</i>	€67 million.	€17 million.
<i>How we determined it</i>	1% of Total assets per the Consolidated statement of financial position as at 31 December 2020.	5% of average EBITDA as included in the Consolidated statement of comprehensive income for the years ended 31 December 2020, 2019 and 2018.
<i>Rationale for the materiality benchmark applied</i>	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. A key determinant of the Group's value is the valuation of its investment properties. On this basis we set an overall materiality based on total assets.	We have applied this lower materiality to line items that make up EBITDA, on the basis that they merit more detailed audit work than the overall materiality level would require, given the heightened focus from users of the financial statements on earnings-based benchmarks which are not impacted by valuation movements.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €3,350,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The Group owns and invests in a number of investment properties focussed on Central and Eastern Europe. These are held within a variety of subsidiaries and joint ventures.

Based on our understanding of the Group we focused our audit work primarily on the most financially significant components, which represent mainly large shopping centres in Romania, Poland, Hungary, Slovakia, Bulgaria, Czech Republic, Croatia, Serbia and Lithuania. The largest components in those countries were subject to a full scope audit given their financial significance to the Group. Other large components were subject to an audit over certain account balances (including investment property), based on our assessment of risk and materiality of the Group's operations at each component.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network firms or other networks operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of investment property</i> The valuation of the investment property is significant to our audit due to its magnitude and because the valuation is complex and highly dependent on a range of estimates (amongst others, rental value, vacancy rates, non-recoverable expenses, lease incentives, maintenance costs, discount rates and estimated terminal value) made by the directors as well as the external appraisers used by the directors. COVID-19 further contributed to the subjectivity for the year ended 31 December 2020. Entities that invest in real estate are inherently under pressure to achieve certain targets which leads to the risk that the value of property is overstated by the entity. The directors used external appraisers to support their determination of the individual fair values of the investment property semi-annually. For more information on the valuation of the investment property reference is made to notes 4.3, 4.4, 4.5, 5, 9, 10 and 16 in the financial statements.	Our procedures in relation to the directors' valuation of investment property included: • evaluation of the objectivity, independence and expertise of the external appraisers; • assessing the appropriateness and suitability of methodologies used in the fair value calculations, in the context of IFRS, regulatory requirements and the Group's operating environment; • assessing the appropriateness of the key assumptions based on our knowledge of the property industry and their consistency within the model and with other relevant estimates; • using our own auditor's experts in valuation of real estate to assess the appropriateness of the assumptions used in the calculation of the fair value of the investment property (amongst others, rental value, vacancy rates, non-recoverable expenses, maintenance costs, discount rates and estimated terminal value) and evaluating the work performed by the experts and their conclusions; • checking on a sample basis, the appropriateness of the inputs, by reconciling them to contracts and rent roll data. The main inputs consist of the property related data (such as rental income, operating costs, vacancy, etc.); and • checking the mathematical accuracy of the valuation models used. We also assessed the appropriateness of the disclosures relating to the assumptions, as we consider them to be important to the

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

	users of the financial statements given the estimation uncertainty and sensitivity of the valuations. Based on the work performed, we found that investment property related data and the key valuation assumptions were supported by available evidence: contracts, rent roll and external market evidence.
Impact of COVID-19 Refer to Note 2 a) 'Statement of compliance' and Note 3 'Significant events in the year'. The COVID-19 outbreak is having a major impact on economies and financial markets and continues to evolve. The efficacy of government measures will materially influence the length of economic disruption, but it is probable there will be continuing recessions in many of the Group's countries of operation. In order to assess the impact of COVID-19 on the Group, the directors have updated their analysis of the potential impact on the Group's revenues, profits, cash flows, operations, liquidity position and debt facilities. This analysis and related assumptions have been used by the directors in their assessment of the Group's going concern analysis. As a result of the analysis, the directors have concluded that preparing the financial statements on a going concern basis remains appropriate and that no material uncertainty in relation to going concern exists. The most significant impact to the financial statements has been in relation to the valuation of investment properties through the assumptions affecting both short-term cash flows and greater uncertainty over long-term cash flows and values. In addition, the recognition of rental concessions given to tenants as a result of COVID-19, as well as provisions recorded in respect of trade receivables from lessees has warranted additional audit focus due to their non-standard nature.	We evaluated the Group's analysis and considered whether it addresses the relevant threats posed by the COVID-19 pandemic. We corroborated evidence of the operational impacts, considering their consistency with other available information and our understanding of the business. In respect of going concern, we assessed the directors' going concern analysis and the key assumptions used in preparing the going concern model in light of COVID-19, including assessing covenant headroom. We challenged the key assumptions and the reasonableness of the mitigating actions used in preparing the analysis. In conjunction with the above, we have reviewed the directors' analysis of liquidity and reviewed loan covenant compliance to satisfy ourselves that no breaches are anticipated over the going concern period of assessment. We considered the disclosures presented in the financial statements in relation to the impact of COVID-19 including the appropriateness of the disclosures around the increased uncertainty on its accounting estimates. We used substantive testing procedures to ensure that a sample of rental concessions offered to tenants had been correctly accounted for within the requirements of IFRS 9 'Financial instruments' and IFRS 16 'Leases'. We assessed the recoverability of trade receivables from lessees by evaluating the financial viability of the major tenant balances and ensured provisions made are accounted for within the requirements of IFRS 9 'Financial Instruments'.

Other information

The directors are responsible for the other information. The other information comprises the Statement of Directors' responsibilities, the Directors' Commentary and the EPRA Performance Measures Appendix (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other information to be included in the Annual Report, which is expected to be made available to us after that date.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the other information to be included in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and Isle of Man law, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report, including the opinion, has been prepared for and only for the Company's shareholders as a body in accordance with our engagement letter dated 12 August 2020 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Nicholas Mark Halsall, Responsible Individual

For and on behalf of

PricewaterhouseCoopers LLC

Sixty Circular Road

Douglas, Isle of Man

24 February 2021

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>in € thousand</i>		31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets		5,966,723	6,169,170
Investment property		5,802,398	6,022,600
— Investment property in use	9	5,591,463	5,800,759
— Investment property under development	10	210,935	221,841
Goodwill	12	76,804	76,804
Deferred tax assets	23	34,678	15,209
Investments in joint ventures	33	21,757	22,844
Long-term loans granted to joint ventures	33	22,620	21,220
Other long-term assets	11	7,447	7,590
Derivative financial assets at fair value through profit or loss	20	1,019	2,903
Current assets		702,681	467,191
Trade and other receivables	14	59,384	89,383
Financial investments at fair value through profit or loss	13	—	169,062
Cash and cash equivalents	15	643,297	208,746
Assets held for sale	16	1,752	337,739
TOTAL ASSETS		6,671,156	6,974,100
EQUITY AND LIABILITIES			
TOTAL SHAREHOLDERS' EQUITY		3,692,323	4,096,880
Equity attributable to equity holders		3,687,068	4,090,672
Share capital	17	6,090	5,998
Share premium	17	3,550,061	3,625,348
Other reserves		(6,456)	(3,627)
Accumulated profit		137,373	462,953
Non-controlling interest		5,255	6,208
Total liabilities		2,978,833	2,877,220
Non-current liabilities		2,621,386	2,687,397
Bank loans	19	232,635	574,112
Bonds	19	1,969,385	1,677,779
Deferred tax liabilities	23	341,324	354,756
Other long-term liabilities	22	72,612	74,036

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

<i>in € thousand</i>		31 Dec 2020	31 Dec 2019
Derivative financial liabilities at fair value through profit or loss	20	5,430	6,714
Current liabilities		357,447	150,785
Trade and other payables	21	96,595	130,411
Bank loans	19	249,952	9,815
Bonds	19	10,900	10,559
Liabilities held for sale	16	—	39,038
TOTAL EQUITY AND LIABILITIES		6,671,156	6,974,100
Net Asset Value per share (euro)	24	6.05	6.83
EPRA Net Reinstatement Value per share (euro)	24	6.45	7.32
Number of shares for Net Asset Value / EPRA Net Reinstatement Value per share		608,994,907	599,797,201

The Group's consolidated financial statements on pages 39 to 134 were approved and authorized for issue by the Board of Directors on 24 February 2021 and signed on its behalf by:



Alex Morar

Chief Executive Officer



Mirela Covasa

Chief Financial Officer

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>in € thousand</i>	Note	31 Dec 2020	31 Dec 2019
Gross rental income		379,810	407,139
Service charge income		156,685	176,841
Property operating expenses		(166,482)	(183,242)
Partial forgiveness of receivables (COVID-19 forgiveness)		(47,049)	—
Net rental and related income*	25	322,964	400,738
Administrative expenses	26	(20,838)	(21,550)
EBITDA**		302,126	379,188
Net result from financial investments		(88,250)	23,651
Income from financial investments at fair value through profit or loss	13	5,517	12,560
Fair value (loss)/gain and net result on sale of financial investments at fair value through profit or loss	13	(93,767)	11,091
Transaction fees	27	—	(5,411)
Fair value adjustments of investment property	28	(345,253)	134,709
Foreign exchange loss		(1,665)	(907)
Gain on acquisition of subsidiaries		—	446
Gain on disposal of assets held for sale		2,310	123
Gain on disposal of joint venture	33	—	3,588
(Loss)/ Profit before net finance expense and other items		(130,732)	535,387
Net finance expense	29	(60,045)	(52,517)
Interest income		1,641	1,938
Interest expense		(58,705)	(52,494)
Other net finance expense		(2,981)	(1,961)
Other items		(11,625)	(23,827)
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	30	(10,539)	(23,743)
Share of (loss)/ profit of joint ventures	33	(1,086)	5,872
Impairment of goodwill	12	—	(5,956)
(Loss)/Profit before tax		(202,402)	459,043

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

<i>in € thousand</i>	Note	31 Dec 2020	31 Dec 2019
Income tax credit/(expense)		26,528	(42,701)
Current tax expense	23	(5,912)	(11,331)
Deferred tax income/(expense)	23	32,440	(31,370)
(Loss)/Profit after tax		(175,874)	416,342
Total comprehensive (loss)/ income for the period		(175,874)	416,342
(Loss)/Profit attributable to:			
Non-controlling interest		(953)	107
Equity holders		(174,921)	416,235
Total comprehensive (loss)/income attributable to:			
Non-controlling interest		(953)	107
Equity holders		(174,921)	416,235
Weighted average number of shares in issue***	31	624,960,803	611,303,384
Diluted weighted average number of shares in issue***	31	624,960,803	611,303,384
Basic/diluted (loss)/earnings per share (euro cents) attributable to equity holders***	31	(27.99)	68.09

*Out of the total rental and related income, €14.2 million relates to the Romanian office portfolio disposed of on 27 August 2020.

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

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

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>in € thousand</i>	Share capital	Share premium	Other reserves	Accumulated profit	Non-controlling interest	Total
Balance at 1 January 2019	5,778	3,625,568	–	208,426	6,101	3,845,873
Transactions with owners	220	(220)	(3,627)	(161,708)	–	(165,335)
– Issue of shares (Note 17)	220	(220)	–	–	–	–
– Shares purchased for LTSIP*(Note 4.17(b))	–	–	(3,842)	–	–	(3,842)
– Share based payment expense (Note 4.17)	–	–	215	–	–	215
– Earnings distribution	–	–	–	(161,708)	–	(161,708)
Total comprehensive income	–	–	–	416,235	107	416,342
– Profit for the year	–	–	–	416,235	107	416,342
Balance at 31 December 2019	5,998	3,625,348	(3,627)	462,953	6,208	4,096,880
Balance at 1 January 2020	5,998	3,625,348	(3,627)	462,953	6,208	4,096,880
Transactions with owners	92	(75,287)	(2,829)	(150,659)	–	(228,683)
– Issue of shares (Note 17)	269	(269)	–	–	–	–
– Repurchase of shares (Note 17)	(177)	(75,018)	–	–	–	(75,195)
– Shares purchased for LTSIP*(Note 4.17(b))	–	–	(3,696)	–	–	(3,696)
– Share based payment expense (Note 4.17)	–	–	867	–	–	867
– Earnings distribution	–	–	–	(150,659)	–	(150,659)
Total comprehensive (loss)	–	–	–	(174,921)	(953)	(175,874)
– (Loss) for the year	–	–	–	(174,921)	(953)	(175,874)
Balance at 31 December 2020	6,090	3,550,061	(6,456)	137,373	5,255	3,692,323

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

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>in € thousand</i>	Note	31 Dec 2020	31 Dec 2019
CASH FLOWS FROM OPERATIONS	35	295,998	381,316
Interest paid on loans and borrowings	19, 22	(12,467)	(19,034)
Interest paid on lease liabilities	22	(588)	(559)
Bond coupon paid	19	(37,936)	(28,414)
Income tax paid		(7,179)	(11,798)
Bank charges paid		(2,949)	(1,460)
Interest received		1,536	1,567
CASH FLOW FROM OPERATING ACTIVITIES		236,415	321,618
INVESTING ACTIVITIES			
Investments in acquisitions and developments		172,995	(248,048)
Expenditure on investment property under development*		(124,705)	(283,695)
Settlements of deferred consideration for prior years acquisitions		(3,323)	(2,463)
Proceeds from disposal of assets held for sale		301,023	2,309
Proceeds from disposal of joint venture		–	35,801
Other investments		(1,400)	–
Loans granted to joint ventures		(1,400)	–
Net cash flow from investments in financial assets		80,812	51,121
Income from financial investments at fair value through profit or loss	13	5,517	12,560
Payments for equity swap resettlement		–	(39,029)
Cash flows from cash collateral/equity derivative collateral	13	–	27,784
Proceeds from sale of financial investments at fair value through profit or loss	13	75,295	49,806
CASH FLOW FROM/ (USED) IN INVESTING ACTIVITIES		252,407	(196,927)
FINANCING ACTIVITIES			
Payment to acquire shares under LTSIP		(3,696)	(3,842)
Repurchase of shares	17	(75,195)	–
Net movements in bank loans, bonds and other long-term liabilities		176,091	159,202
Proceeds from bank loans	19	520,000	216,936
Proceeds from bonds	19	490,858	985,372
Repayment of bank loans	19	(622,400)	(827,594)
Repurchase of bonds	19	(202,800)	(202,200)
Premium paid on repurchase of bond	30	(9,372)	(11,893)
Repayment of other long-term liabilities	22	(195)	(1,419)
Other payments		(812)	(2,348)
Repayments of lease liabilities		(245)	(229)

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

<i>in € thousand</i>	Note	31 Dec 2020	31 Dec 2019
Premium paid on acquisitions of derivatives		(567)	(2,119)
Earnings distribution		(150,659)	(161,708)
CASH FLOW USED IN FINANCING ACTIVITIES		(54,271)	(8,696)
NET INCREASE IN CASH AND CASH EQUIVALENTS		434,551	115,995
Cash and cash equivalents brought forward	15	208,746	96,924
CASH AND CASH EQUIVALENTS CARRIED FORWARD BEFORE THE ADJUSTMENT FOR HELD FOR SALE ASSETS		643,297	212,919
Cash and cash equivalents classified as asset held for sale		–	(4,173)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	15	643,297	208,746

* Expenditure on investment property under development includes also the VAT cash inflow relating to development projects of €18 million (2019: cash outflow of €8 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL

NEPI Rockcastle plc (“the Company”, “NEPI Rockcastle”, “the Group”) is a public limited company incorporated and domiciled in the Isle of Man on 1 December 2016. The registered office is at 2nd floor, Athol Street, Douglas, Isle of Man. The Company’s shares are listed on the Main Board of the Johannesburg Stock Exchange Limited (“JSE”), Euronext Amsterdam and A2X.

The consolidated financial statements for the year ended 31 December 2020 were authorized for issue in accordance with the Directors’ resolution on 24 February 2021.

2 BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Isle of Man Companies Act 2006 and International Financial Reporting Standards (“IFRSs”). They comprise the Company and its subsidiaries, as detailed in “Basis of consolidation” in Note 4.2.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below in Note 4 and are consistent with those applied for the preparation of the annual consolidated financial statements as at 31 December 2019, except for the new mandatory standards and interpretations described below:

- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards.

These standards, amendments and interpretations do not have a significant impact on the consolidated financial statements as at 31 December 2020.

Management prepared these consolidated financial statements on a going concern basis. Having considered the potential impact of COVID-19 on the Group’s revenues, profits, cash flows, operations, liquidity position and debt facilities, management concluded that despite the market events generated by COVID-19 pandemic during 2020 and subsequent to the year-end, there are no material uncertainties relating to the Group’s ability to continue as a going concern. For further details on the impact of COVID-19 on the Group’s business, please refer to section “*Operating performance – Trading summary*” in the Directors’ Commentary, Note 3 “*Significant events in the year*” and Note 38 “*Subsequent events*”.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, except for investment property in use, land for investment property under development, financial investments at fair value through profit or loss, interest rate derivatives and financial assets and liabilities at fair value through profit or loss, which are measured at fair value.

(c) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates and associated assumptions are based on experience and other factors believed to be reasonable under the circumstances and enable judgements to be made about the carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period when the estimate is revised and future periods if applicable.

(d) Presentation

The consolidated financial statements are presented in thousands of Euros (“€’000s”), rounded off to the nearest thousand, unless stated otherwise.

3 SIGNIFICANT EVENTS IN THE YEAR

COVID-19 pandemic

Since mid-March 2020, local governments in the nine Central and Eastern European (“CEE”) countries where NEPI Rockcastle operates have implemented rigorous measures to contain the spread of COVID-19, including, among others, the closure of all stores except those selling “essential” goods (such as groceries, other food stores and pharmacies). Such measures negatively impacted the Group’s business.

Except for “essential” retailers, the tenants in the Group’s centres were unable to trade for a period beginning mid-March and ending between early May to mid-June, depending on the country (“spring lockdown”).

Subsequent to the spring lockdown, restrictions remained in place in various countries of the Group, affecting less than 5% of the gross leasable area (“GLA”) and prohibiting the activity of selective retail sectors, mainly entertainment. As at mid-September 2020, 100% of the Group’s GLA became operational, as the restrictions were lifted in all countries of operations.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Towards the end of October 2020, Governments in CEE started to adopt new measures to contain the spread of the virus which impacted on the Group's operations, which continued during November and December, depending on the infection rate in each country or region. A summary of the restrictions throughout the year 2020 is set out in the section "Operating performance – Trading summary" from the Directors Commentary.

As at 31 December 2020, 65% of the Group's total property portfolio by GLA was operational.

During 2020, the Group results reflected rent concessions worth €69.5 million out of a total of €72.0 million concessions granted in the year. The difference of €2.5 million is subject to straight-lining in accordance with the accounting policies described below (refer to "*Contractually agreed and signed modifications subject to straight-lining from the effective date of the modification*" section below) and will be reflected in the Statement of comprehensive income over the associated lease term, which on average approximates three years.

Reduction of gross rental income

The Polish Government imposed a rent-free period for tenants, including service charge and marketing costs, during the state of emergency. Such relief without changes to the lease contract, covered by the law in force, have been recognised in the Statement of comprehensive income, as a reduction of Gross rental income (impact of €12.6 million) and Service charge income (impact of €3.7 million), and as a decrease of Trade and other receivables, in the Statement of financial position.

In some instances, the Group has agreed to variable discounts contingent upon tenants' performance dropping below a certain threshold. In 2020 these discounts amounted to a total of €5 million, recognised in the Statement of comprehensive income as a reduction of Gross rental income (negative variable rent).

Partial forgiveness of receivables

In order to maintain a long-term functioning retail environment, and based on tenant negotiations, the Group granted voluntary rental concessions for lockdown, and/or immediately after lockdown. Discussions with retailers regarding COVID-19 support continued in all countries throughout the year end and by 31 December 2020 lease modifications (see definition below) were signed by tenants representing 97% of Gross rental income.

For the period up to the signing of lease modifications, the receivables already accrued in accordance with the in force lease agreements have been partially written off in accordance with the signed addendums, and therefore their financial impact was recognised immediately and not straight-lined over the new lease term. As such, tenant concessions granted before the signing of lease modifications, amounting to €47.0 million, were fully accounted for in the Statement of comprehensive income as "Partial forgiveness of

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

receivables (COVID-19 Forgiveness)", and "Trade and other receivables" in the Statement of financial position, in accordance with IFRS 9 "Financial Instruments" (in relation to impairment of receivables). The accounting treatment is in accordance with IFRS 16, which allows rental income to be recognised even if recoverability is uncertain and requires rental modifications to be accounted for prospectively from the effective date of the modification. This approach emphasizes the Group's commitment to fair and transparent reporting of the impact of the pandemic and related lockdowns on financial results.

Contractually agreed and signed modifications subject to straight lining from the effective date of the modification

Contractually agreed and signed concessions granted to, and obtained from, tenants are treated according to IFRS 16 "Leases". IFRS 16 defines "lease modification" as a change in scope, or consideration, of the lease, not part of the original terms and conditions, such as rent discounts, lease extensions, increase in overage/turnover rents, introduction of break options, etc. Lease modifications are recognised prospectively over the new lease term and accounted for by the Group from the date the modification is contractually agreed and signed by both parties.

Agreed lease modifications are recognised as lease incentives from the date the modification was signed. Such modifications are straight-lined over the new lease term and recognised in the Statement of comprehensive income as a reduction of Gross rental income. The reduction recognised in the Statement of comprehensive income was €1.2 million, further to the impact of straight-lining over future reporting periods of €2.5 million (cash discounts of €3.7 million).

Tenant receivables

As at 31 December 2020, tenant receivables amounted to €36.4 million (VAT included, net of provisions) out of which €14.9 million were overdue. This balance is adjusted for provisions and rent reliefs and concessions, either imposed by law or negotiated. The collection rate for 2020, adjusted for concessions granted, was 95% as at 31 December 2020 (this increased to 97% as at mid of February 2021). The Group expects to collect the outstanding tenant receivable balance.

Valuation of investment property

As at 31 December 2020, the entire property portfolio was independently valued by external appraisers, in line with the Group's policy to perform independent valuations on a semi-annual basis.

As at 30 June 2020, the portfolio valuation has been performed in a context of uncertainties associated with the COVID-19 pandemic characterised by lack of transactions since the outbreak of the pandemic and difficulties to estimate future market

prospects. As at that time, the appraisers included a “material valuation uncertainty” statement in their reports, following guidance from RICS.

As at 31 December 2020, the property appraisals continued to be performed in a context of COVID-19 pandemic and restrictions implemented to contain the virus. However, at the valuation date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of markets evidence exists upon which to base opinions of value. Thus, the valuation reports did not include any “material valuation uncertainty”. The appraisers factored in their valuation reports the expected future impact of COVID-19 by modifying two specific sets of assumptions.

Assumptions affecting short-term cash flows: depending on the country and specific asset performance, the appraisers considered various levels of rent holidays, prolonged void periods and higher levels of unpaid rents for the period 2021/2022. The appraisers also factored in lower levels of tenants’ sales-based rents and of ancillary income over the same period.

Assumptions affecting long-term cash flows and values: the appraisers increased discount rates and exit yields in all countries, despite lower inflation prospects, to reflect greater uncertainty over long-term cash flows, liquidity, value and growth prospects on exit.

For the year-ended 31 December 2020, the fair value loss recognised in relation to investment property portfolio amounted to €345.3 million (out of which €236.6 million incurred for the six-month period ended 30 June 2020).

4 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies set out below have been consistently applied to all periods presented.

4.1 Foreign currency translation

(a) Functional and presentation currency

The consolidated financial statements are presented in Euro (“€”, “EUR”) thousands unless otherwise stated, which is NEPI Rockcastle’s functional and presentation currency.

The functional currency is determined by the relevant, primary economic environment of each entity. The other determining factor is the currency in which most cash flows, goods and services are denominated and settled in the respective country. When the functional currency cannot be clearly identified, International Accounting Standard (“IAS”) 21 “The Effects of Changes in Foreign Exchange Rates” allows management to use judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions,

events and conditions. Any change in the functional currency must be made prospectively in accordance with IAS 21.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

4.2 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets, liabilities, operating results and cash flows of the Company and its subsidiaries.

Subsidiaries are all entities controlled by the Company. The Company controls an entity when it is exposed or has rights, directly or indirectly, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over it. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. The acquisition method is used to account for the acquisition of subsidiaries. Identifiable acquired assets and liabilities, and contingent liabilities, assumed in a business combination are measured at their fair values on the date of acquisition. The consideration transferred for the acquired entity is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred, or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excluding acquisition related costs, such as advisory, legal, valuation and similar professional services.

Jointly controlled entities

The Group has contractual arrangements with other parties that represent joint ventures. These take the form of agreements to jointly control other entities.

The Group accounts for its investments in joint ventures using the equity method. Under the equity method, the initial recognition of an investment in a joint venture is at cost; the carrying amount is subsequently increased or decreased to recognise the Group's share of profit or loss of the joint venture. Distributions received from a joint venture reduce the carrying amount of the investment. The Group classifies its investment in joint ventures as a non-current asset and recognises its share of the joint ventures' net result in the Statement of comprehensive income.

These consolidated financial statements include the Company, the subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

and jointly controlled entities, as set out below:

No	Subsidiary/ joint venture	Country of incorporation	Principal activity	Effective interest 2020 (%)	Effective interest 2019 (%)
1	ACE3 Sp. z o.o.	Poland	Property-owning	85	85
2	Arena Center Zagreb d.o.o.	Croatia	Property-owning	100	100
3	AUPARK Kosice SC, s.r.o.	Slovakia	Services	100	100
4	AUPARK Kosice, spol. s.r.o.	Slovakia	Property-owning	100	100
5	AUPARK Piestany SC, s.r.o.	Slovakia	Services	100	100
6	AUPARK Piestany, spol. s.r.o.	Slovakia	Property-owning	100	100
7	AUPARK Tower Kosice, s.r.o.	Slovakia	Property-owning	100	100
8	AUPARK Žilina SC a.s.	Slovakia	Services	100	100
9	AUPARK Žilina, spol. s.r.o.	Slovakia	Property-owning	100	100
10	Aurora Mall Buzau SRL	Romania	Property-owning	100	100
11	Aviatorilor 8 Office Building SRL (disposed of in August 2020)	Romania	Property-owning	100	100
12	Białystok Property Sp. z o.o.	Poland	Property-owning	100	100
13	Bonarka City Center Sp. z o.o.	Poland	Property-owning	100	100
14	Braila Promenada Mall SRL	Romania	Property-owning	100	100
15	Brasov Shopping City SRL	Romania	Property-owning	100	100
16	Bulfeld EOOD	Bulgaria	Property-owning	100	100
17	CEE Property Bulgaria EOOD	Bulgaria	Property-owning	100	85
18	City Park Constanta SRL	Romania	Property-owning	100	100
19	Constanta Shopping City SRL	Romania	Property-owning	100	100
20	Deva Shopping City SRL	Romania	Property-owning	100	100
21	ECP Security Holdings Limited	Isle of Man	Holding	100	100
22	Energit Sp. z o.o.	Poland	Services	100	100
23	E-power Supply Czech s.r.o. (wound up in April 2020)	Czech Republic	Services	100	100
24	E-Power Supply d.o.o. Beograd	Serbia	Services	100	100
25	E-power supply EOOD	Bulgaria	Services	100	100
26	E-power supply management d.o.o.	Croatia	Services	100	100
27	E-Power Supply s.r.o.	Slovakia	Services	100	100
28	Expo Real Estate Project SRL	Romania	Services	100	100
29	FDC Braila B.V. (wound up in December 2020)	Netherlands	Holding	100	100
30	Festival Shopping Center SRL	Romania	Property-owning	100	100

NEPI ROCKCASTLE PLC
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020

No	Subsidiary/ joint venture	Country of incorporation	Principal activity	Effective interest 2020 (%)	Effective interest 2019 (%)
31	Floreasca Business Park SRL <i>(disposed of in August 2020)</i>	Romania	Property-owning	100	100
32	Floreasca Center SRL	Romania	Holding	100	100
33	FORUM Usti s.r.o.	Czech Republic	Property-owning	100	100
34	Galati Shopping City SRL	Romania	Property-owning	100	100
35	General Building Management SRL	Romania	Property-owning	100	100
36	General Investment SRL	Romania	Property-owning	100	100
37	Gontar Sp. z o.o.	Poland	Property-owning	100	100
38	HANSA Immobilien EOOD	Bulgaria	Property-owning	100	100
39	Ingen Europe B.V. <i>(wound up in December 2020)</i>	Netherlands	Holding	100	100
40	INLOGIS VI s.r.o.	Slovakia	Property-owning	100	100
41	Iris Titan Shopping Center SRL	Romania	Property-owning	100	100
42	Karolinka Property Sp. z o.o.	Poland	Property-owning	100	100
43	Lakeview Office Building SRL <i>(disposed of in August 2020)</i>	Romania	Property-owning	100	100
44	Liberec Property s.r.o.	Czech Republic	Property-owning	100	100
45	Mammut Zrt	Hungary	Property-owning	100	100
46	Mammut Management Kft	Hungary	Services	100	100
47	Mammut Real Estate Kft	Hungary	Property-owning	100	100
48	Marapi Sp. z o.o.	Poland	Property-owning	100	100
49	Marketing Advisers SRL	Romania	Services	100	100
50	Mega Mall Bucuresti SRL	Romania	Property-owning	100	100
51	Milvus Sp. z o.o.	Poland	Property-owning	100	100
52	Mlyný a.s.	Slovakia	Property-owning	100	100
53	Modatim Business Facility SA <i>(disposed of in August 2020)</i>	Romania	Property-owning	100	100
54	Monarda Sp. z o.o.	Poland	Property-owning	90	90
55	NE Property B.V.	Netherlands	Holding	100	100
56	NEPI Bucharest One SRL	Romania	Property-owning	100	100
57	NEPI Bucharest Two SRL	Romania	Property-owning	100	100
58	NEPI Croatia Management d.o.o.	Croatia	Services	100	100
59	NEPI Czech Management s.r.o.	Czech Republic	Services	100	100
60	Nepi Four Real Estate Solutions SRL	Romania	Holding	100	100
61	Nepi Holdings Ltd	Isle of Man	Holding	100	100

NEPI ROCKCASTLE PLC
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020

No	Subsidiary/ joint venture	Country of incorporation	Principal activity	Effective interest 2020 (%)	Effective interest 2019 (%)
62	NEPI Investment Management SRL	Romania	Services	100	100
63	Nepi Investments Ltd	Isle of Man	Holding	100	100
64	NEPI Project Four EOOD	Bulgaria	Property-owning	100	100
65	NEPI Project One EOOD	Bulgaria	Property-owning	100	100
66	NEPI Project Three EOOD	Bulgaria	Services	100	100
67	NEPI Project Two EOOD	Bulgaria	Holding	100	100
68	NEPI Real Estate Development d.o.o.	Serbia	Services	100	100
69	NEPI Real Estate Project One d.o.o.	Serbia	Property-owning	100	100
70	Nepi Real Estate Project Three d.o.o.	Serbia	Services	100	100
71	NEPI Real Estate Project Two d.o.o.	Serbia	Property-owning	100	100
72	NEPI Rockcastle Hungary Kft.	Hungary	Services	100	100
73	NEPI Rockcastle Lithuania UAB	Lithuania	Services	100	100
74	NEPI Rockcastle Securities B.V. (merged with NE Property B.V.in December 2020)	Netherlands	Holding	100	100
75	Nepi Seventeen Land Development SRL	Romania	Services	100	100
76	NEPI Six Development SRL	Romania	Services	100	100
77	Nepi Sixteen Real Estate Investment SRL	Romania	Holding	100	100
78	Nepi Slovak Centres One a.s.	Slovakia	Services	100	100
79	NEPI Slovakia Management s.r.o.	Slovakia	Services	100	100
80	NEPI Ten Development Solutions SRL	Romania	Property-owning	100	100
81	Nepi Three Building Management SRL (wound up in July 2020)	Romania	Services	100	100
82	Nepi Twenty Real Estate Development SRL	Romania	Services	100	100
83	Nepi Twenty-One Investment Estate SRL	Romania	Services	100	100
84	Nepi Twenty-Three Investment Solutions SRL	Romania	Services	100	-
85	NEPIOM Ltd	Isle of Man	Holding	100	100
86	New Energy Management SRL	Romania	Services	100	100
87	Nobilis Sp. z o.o.	Poland	Services	100	100
88	NRE Sibiu Shopping City SRL	Romania	Property-owning	100	100
89	Olsztyn Property Sp. z o.o.	Poland	Property-owning	100	100

NEPI ROCKCASTLE PLC
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020

No	Subsidiary/ joint venture	Country of incorporation	Principal activity	Effective interest 2020 (%)	Effective interest 2019 (%)
90	Otopeni Warehouse and Logistics SRL	Romania	Property-owning	100	100
91	Piotrków Property Sp. z o.o.	Poland	Property-owning	100	100
92	Platan Property Sp. z o.o.	Poland	Property-owning	100	100
93	Ploiesti Shopping City SRL *	Romania	Property-owning	50	50
94	Plovdiv Project 1 EOOD	Bulgaria	Property-owning	100	100
95	Pogoria Property Sp. z o.o.	Poland	Property-owning	100	100
96	Promenada Mall Bucuresti SRL	Romania	Property-owning	100	100
97	Ramnicu Valcea Shopping City SRL	Romania	Property-owning	100	100
98	Real Estate Asset Management SRL	Romania	Services	100	100
99	Retail Park Pitesti SRL	Romania	Property-owning	100	100
100	Rockcastle Europe Limited	Mauritius	Holding	100	100
101	Rockcastle Global Real Estate Company UK Limited**	UK	Services	100	100
102	Rockcastle Global Real Estate Holdings B.V.	Netherlands	Holding	100	100
103	Rockcastle Global Securities Limited**	Mauritius	Services	100	100
104	Rockcastle Poland Sp. z o.o.	Poland	Services	100	100
105	Rockcastle UK Property SPV Limited	Mauritius	Property-owning	100	100
106	Satu Mare Shopping City SRL	Romania	Property-owning	100	100
107	SCP s.r.o.	Slovakia	Property-owning	100	100
108	SEK d.o.o.	Serbia	Property-owning	100	100
109	Serenada Property Sp. z o.o.	Poland	Services	100	100
110	Severin Shopping Center SRL	Romania	Property-owning	100	100
111	Shopping City Piatra Neamt SRL	Romania	Property-owning	100	100
112	Sibiu Shopping City 2 SRL	Romania	Property-owning	100	100
113	Shopping City Timisoara SRL	Romania	Property-owning	100	100
114	Sofia Commercial Centre EOOD	Bulgaria	Services	100	100
115	Symmetry Arena Kft	Hungary	Property-owning	100	100
116	Targu Jiu Development SRL	Romania	Property-owning	100	100
117	Targu Mures Shopping City SRL	Romania	Property-owning	100	100
118	Timisoara City Business Center One SRL (disposed of in August 2020)	Romania	Property-owning	100	100

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

No	Subsidiary/ joint venture	Country of incorporation	Principal activity	Effective interest 2020 (%)	Effective interest 2019 (%)
119	Timisoara Office Building SRL (disposed of in August 2020)	Romania	Property-owning	100	100
120	Tummam Kft	Hungary	Property-owning	100	100
121	Uždaroji akcinė bendrovė Ozantis	Lithuania	Property-owning	100	100
122	Vulcan Residential Park SRL	Romania	Property-owning	100	100
123	Vulcan Value Centre SRL	Romania	Property-owning	100	100
124	Zielona Góra Property Sp. z o.o.	Poland	Property-owning	100	100

*joint venture companies.

**dormant companies.

Transactions and balances eliminated on consolidation

Intra-group balances and transactions, and any gains and losses or income and expenses arising from intra-group transactions, as well as investments in subsidiaries and corresponding equity in the subsidiaries are eliminated in preparing the consolidated financial statements.

4.3 Investment property in use

Investment properties are held to earn rental income, capital appreciation or both.

The cost of investment property acquired by any other means than a business combination consists of the purchase price and directly attributable expenditure.

Subsequent expenditure relating to investment property is capitalised when future economic benefits from the use of the asset are probable and the cost of the item can be measured reliably. All other subsequent expenditure is recognised as an expense during the period it is incurred.

After initial recognition, investment properties in use are measured at fair value. Fair value is determined semi-annually by external, independent professional valuers, with appropriate and recognised qualifications and recent experience in the location and category of property being valued. Valuations are based on the open market value, using the discounted cash flow method. Gains or losses arising from changes in the fair values are included in the Statement of comprehensive income for the period during which they arise. Unrealised gains or losses, net of deferred tax, are classified as non-distributable in the accumulated profits.

Gains or losses on disposal of investment property are calculated as proceeds less carrying amount and recognized in the Statement of comprehensive income.

4.4 Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development and carried at cost until construction or development is complete, or its fair value can be reliably determined.

The land on which investment property is constructed or developed is carried at fair value, which is determined semi-annually by external, independent professional valuers, with appropriate and recognised qualifications and recent experience in the location and category of property being valued. Valuations are performed using the market comparable approach or residual approach.

Gains or losses arising from changes in the fair values are included in the Statement of comprehensive income during the period when they arise. Unrealised gains or losses, net of deferred tax, are classified as non-distributable in the accumulated profits.

4.5 Assets classified as held for sale

An investment property or a group of assets including an investment property (disposal group) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case:

- the assets must be available for immediate sale in their present condition,
- the Group must be committed to sell,
- there must be a plan to locate a buyer, and
- it is highly probable that a sale will be completed within one year from the date of classification.

On re-classification as held for sale, investment property that is measured at fair value continues to be measured in this way.

An investment property or disposal group classified as held for sale is presented separately within current assets or liabilities in the Statement of financial position as assets or liabilities classified as held for sale.

4.6 Goodwill

Goodwill arises on acquisition of subsidiaries that constitute a business and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree. When the consideration transferred is lower than the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree, the gain on acquisition is recognised directly in the Statement of comprehensive income.

Subsequent measurement

Goodwill is not amortized but is tested for impairment at least annually.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and it is represented by the individual properties and listed securities business. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4.7 Impairment of non-financial assets

Intangibles that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment or more frequently if events and changes in circumstances indicate that they might be impaired. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGUs"). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.8 Loans to participants in the Share Purchase Scheme (as defined in Note 18)

Loans to participants in the Share Purchase Scheme incentive plan are initially recognised at the amount granted, carried at amortized cost and impaired based on expected credit losses ("ECL") model (Note 4.17).

4.9 Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are initially recognised at acquisition cost, subsequently carried at acquisition cost less accumulated depreciation or amortization and accumulated impairment losses. They are tested for impairment when indicators exist.

For property, plant and equipment the costs of minor repairs and maintenance are

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

expensed when incurred while gains and losses on disposals are determined by comparing the proceeds with the carrying amount. Both are recognised in the Statement of comprehensive income for the year.

The cost of computer licenses and property, plant and equipment is depreciated on a straight-line basis over the length of their useful lives:

	Useful lives in years
Computer licences	1–3
Office improvements	over the term of the underlying lease
Office equipment	2–16
Equipment used in owner-managed activities	3–22

4.10 Financial assets

4.10.1 Classification

In line with IFRS 9 “Financial instruments”, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Group’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

For financial assets measured at fair value through profit or loss (“FVTPL”), gains and losses are recorded in profit or loss.

4.10.2 Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date when the Group commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group have transferred substantially all the risks and rewards of ownership.

4.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price.

A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when the economic characteristics and risks of the embedded derivative are closely related to the economic characteristics and risks of the host contract.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the income statement. Financial assets measured at amortised cost ("AC") comprise cash and cash equivalents, long-term loans granted to joint ventures, loans to participants in the Share Purchase Scheme, long term receivables and trade and other receivables (excluding prepaid expenses).

(b) Equity instruments and derivatives

The Group subsequently measures all equity investments at fair value.

Equity investments are measured at FVTPL, with changes in fair value of financial assets recognized in profit or loss. Dividends from such investments are recognised in profit or loss when the Group's right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably. In addition to equity financial investments at FVTPL (classified as "Financial investments at fair value through profit or loss" on the Consolidated statement of financial position), other financial assets at FVTPL comprise: Derivative financial assets at FVTPL and financial liabilities at FVTPL.

4.10.4 Impairment – credit loss allowance for Expected Credit Losses (“ECL”)

In line with IFRS 9 “Financial instruments”, the Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost. The Group measures ECL and recognises credit loss allowance on an annual basis. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of any loss is recognised in the Statement of comprehensive income (profit or loss).

Debt instruments measured at amortised cost are presented in the balance sheet net of the allowance for ECL.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

Expected credit losses for trade receivables are recognized using the simplified approach. For all the other financial assets except for trade receivables, the Group adopted a 12-month expected credit loss model using the low credit risk exemption. Low credit risk is assessed based on the instruments low risk of default and the issuers strong capacity to meet its contractual cash flow obligations in the near term.

4.10.5 Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

4.10.6 Write-off

Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

4.10.7 Modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a significant increase in credit risk has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assess whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate and recognises a modification gain or loss in profit or loss.

Specific valuation techniques used to value financial assets include:

- The use of quoted market prices or dealer quotes for similar instruments (for financial investments at fair value through profit or loss and financial assets/liabilities at fair value through profit or loss);
- Discounted cash flow analysis (for the remaining financial instruments).

The hierarchy for the fair value of financial assets and liabilities is as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

4.11 Financial liabilities – measurement categories

Financial liabilities are initially recognised at fair value and classified and subsequently measured at amortised cost, except for financial liabilities at FVTPL: this classification is applied to interest rate derivatives and other financial liabilities designated as such at initial recognition.

4.12 Borrowings (bonds and bank loans)

Borrowings are recognised initially at the fair value of the liability (determined using the prevailing market rate of interest if significantly different from the transaction price) and net of transaction costs incurred. In subsequent periods, borrowings are subsequently carried at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in Statement of comprehensive income over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowings are removed from the balance sheet when the obligation specified in the contract is extinguished (i.e. discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of comprehensive income.

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as

an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in Statement of comprehensive income, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use (such as properties developed for future sale, capital appreciation or rental income) are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably.

4.13 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.14 Cash and cash equivalents and cash collateral

Cash and cash equivalents include cash balances, cash deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest (SPPI), and (ii) they are not designated at FVTPL.

4.15 Trade receivables

Trade receivables are amounts due from customers for rental and service charge income from tenants in the ordinary course of business. If collection is expected in

one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value, generally at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Group applies the IFRS 9 simplified approach to measuring expected credit losses.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

4.16 Share capital and share premium

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

The consideration paid, including any directly attributable incremental costs (net of income taxes for the purchases of the Company's equity instruments by any of the Group's subsidiaries, as a result of a share buy-back or for a share-based incentive plan) is presented within "Other reserves", until the shares are cancelled or reissued. Where such ordinary shares are cancelled, their nominal value is debited to the Share capital, with the corresponding difference up to their purchase price (including any attributable incremental cost, net of taxes) debited from the Share premium. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Group. Usually, shares are purchased for the debt-free Long-Term Share Incentive Plan (Note 4.17 (b)).

4.17 Share-based payment

To date, NEPI Rockcastle has initiated two types of incentive programs that offered share-based payments in exchange for services provided to it by its directors and employees (equity-settled transactions), which are detailed below.

(a) Purchase Offers with a vesting component – Share Purchase Scheme ("NRP SPS")

This program was put in place before the 2017 merger of the former groups New Europe Property Investments plc (“NEPI”) and Rockcastle Global Real Estate Company Ltd (“Rockcastle”). Costs under this program are accounted for by recognising the fair value of the shares issued at grant date as an asset, classified as “loan to participants under the Share Purchase Scheme” (Note 18) and respectively as equity, more specifically share capital and share premium. The accrued interest is recognised as finance income in the Statement of comprehensive income.

(b) Debt free Long-Term Share Incentive Plan with a vesting component (“LTSIP”)

This program was put in place after the 2017 merger of the former groups New Europe Property Investments plc (“NEPI”) and Rockcastle Global Real Estate Company Ltd (“Rockcastle”). Under this incentive, shares may be issued by the Group to executive directors and other key personnel for no cash consideration. Awards under this plan are at the discretion of the Board and are based on the performance of the Group and the employees. The costs related to the LTSIP are measured based on the fair value of the shares at the grant date and are recognized over the vesting period.

The costs are presented as part of the Administrative expenses in the Statement of comprehensive income and within the Other reserves in the Statement of changes in equity.

4.18 Accumulated profit

The balance on the Statement of comprehensive income is transferred to accumulated profit at the end of each financial period. Distributions paid in cash are deducted from accumulated profit. Distributions for which shareholders elected to receive a return of capital are accounted for as an issue of share capital with a corresponding deduction from the share premium account.

4.19 Provisions

Provisions for liabilities are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are reassessed at each reporting date and are included in the financial statements at their net present values using discount rates appropriate to the Group in the economic environment at each reporting date.

4.20 Revenue

Revenue is recognised at the fair value of the consideration received or receivable. Revenue comprises rental and related income and recovery of expenses, excluding VAT.

Rental income

Rental income receivable from operating leases is recognised on a straight-line basis over the duration of the lease, except for variable lease payments which are recognized when they arise.

Service charges income from tenants

Revenue from service and property management charges is recognised in the accounting period in which control of the services are passed to the customer, which is when the service is rendered. For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services.

As specified in the lease agreements, the Group has the primary responsibility for providing services to tenants (electricity, water and gas utilities, interior and exterior cleaning, security, maintenance, repairs, etc). The Group negotiates directly with the suppliers all contracts for services provided to tenants. These contracts are concluded between the Group subsidiaries which own the properties and the direct supplier. As the Group sometimes uses the same providers for services across most of its portfolio, it can negotiate better prices through the economies of scale. The Group is considered principal in these transactions, in terms of the IFRS 15 requirements.

The Group negotiates and pays all expenses incurred by the tenants and then re-invoices these costs to them as defined in the contractual clauses included in the lease agreements. A flat fee is charged monthly during the year. This fee is estimated based on the previous year's actual costs, with an annual service charge reconciliation performed based on current year's actual costs incurred by the Group. For contracts terminated during the year, the Group estimates the service charge to be collected based on the current budget and last year's actual costs.

4.21 Property operating and administrative expenses

Property operating expenses and administrative expenses are recognised on an

accrual basis.

4.22 Net result from financial investments at fair value through profit or loss

Dividend/distribution income related to financial investments at fair value through profit or loss is recognized in the Statement of comprehensive income, on the line “Income from financial investments at fair value through profit or loss” on the date the Group’s right to receive payment is established, it is probable that the economic benefits associated with the dividend/distribution will flow to the entity and the amount of the dividend/distribution can be measured reliably. It relates to the investments in listed securities, shown as “Financial investments at fair value through profit or loss”, as well as “Derivative financial assets at fair value through profit or loss” and “Derivative financial liabilities at fair value through profit or loss”.

Changes in fair value and net result on sale of financial investments recognised in the lines described above are shown in the Statement of comprehensive income on row “Fair value (loss)/gain and net result on sale of financial investments at fair value through profit or loss”.

4.23 Earnings distribution

A distribution is recorded as a liability and deducted from equity in the period in which it is declared and approved. Any distribution declared after the reporting period and before the financial statements are authorised for issue is disclosed in Note 34.

4.24 Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Current income tax and liabilities are measured at the amount expected to be recovered from, or paid to, taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in equity is recognised directly in equity and not in the Statement of comprehensive income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is determined using the liability method and is based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date

of the Statement of financial position, which are expected to apply to the period when the temporary differences will reverse or the tax loss carried forward will be utilised.

The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries that are unlikely to reverse in the foreseeable future.

A deferred tax asset is recognised based on the assumption that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The current tax expense incurred by the Group reflects tax accrued in the subsidiaries of the Group located in Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, Mauritius, Poland, Romania, Serbia, Slovakia, The Netherlands and United Kingdom.

Output Value Added Tax (VAT) related to sales is payable to tax authorities on either the collection of receivables from customers or the delivery of services to customers depending on which occurs first. Input VAT is generally recoverable against output VAT upon receipt of the invoice. The tax authorities in individual countries permit the settlement of VAT on a net basis. VAT relating to sales and purchases is recognised in the Statement of financial position on a net basis and is disclosed separately as an asset or liability, as the case may be. Where provision has been made for impairment of receivables, the loss is recorded for the gross amount of the debt, including VAT.

4.25 Segment reporting

Management decisions and consequent allocation of resources are based on individual property level reports, which are analysed in detail. Management has a hands-on approach and is involved in day-to-day activities. Regular management meetings are held at least monthly for each property, where the senior management of the Group and each property manager analyse the financial results, decide whether any repairs or improvements are necessary, review rent collection issues and allocate resources to resolve any delays with tenants and review maintenance plans, vacancies and the status of any contract negotiations, as well as other operational matters. The results of these discussions ensure management decisions are specific to each of the properties. The Segmental Reporting in Note 34 summarises the results recorded by the properties held by the Group. The properties can be classified as retail, office or industrial properties, depending on industry practice.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

The Group's Chief Operating Decision Makers ("CODM") are the executive directors and they take decisions based on detailed reports. These are prepared regularly and are presented to the Board of Directors, which approves the results and gives guidance on the subsequent strategy to be undertaken.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated there on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, corporate assets and head office expenses. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

Financial information in respect of investment property is provided to the Board of Directors: net rentals (including rental income, service charge income and property operating expenses) and valuation gains and losses. Individual properties are aggregated into segments with similar economic characteristics.

Consequently, the Group is considered to have four reportable operating segments:

- Retail segment: acquires, develops and leases retail properties in Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, Poland, Romania, Serbia and Slovakia;
- Office segment: acquires and leases office properties in Bulgaria, Romania, Slovakia and United Kingdom;
- Industrial segment: acquires and leases industrial facilities in Romania, and
- Corporate segment: head office, administrative offices, Group financing expenses and listed securities.

The properties have been aggregated into four reportable segments (retail, office, industrial and corporate) as each of these segments have specific revenue streams, different operational reporting cycles across the Group's portfolio, separate operational teams including technical, leasing, property and facility management.

The Group also reports by geographic segments, currently Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, Poland, Romania, Serbia, Slovakia, United Kingdom, and a Corporate segment which includes entities located in Isle of Man, Mauritius, The Netherlands and United Kingdom.

In addition, the Group's CODM closely follow changes in distributable earnings to its shareholders as a measure of profitability and as a result of successful implementation of the Group's strategy. Distributable earnings per share is calculated in terms of the SA REIT Association's Best Practice Recommendations.

4.26 Earnings per share

The Group presents basic and diluted earnings per share.

Basic and diluted earnings per share are calculated by dividing annual profit/(loss) for the year attributable to equity holders by the weighted average number of shares in issue during the year.

4.27 Headline earnings per share

The Group presents basic and diluted headline earnings per share.

Headline earnings are an additional earnings number that is permitted by IAS 33. The starting point is earnings as determined in IAS 33, excluding “separately identifiable re-measurements”, net of related tax (both current and deferred) and minority interest, other than re-measurements specifically included in headline earnings (referred to as included re-measurements), in terms of Circular 1/2019 issued by South African Institute of Chartered Accountants (SAICA).

4.28 Investment property acquisitions and business combinations

For each acquisition, management considers if a business exists, more specifically if inputs, significant processes and outputs exist. The inputs are represented by the properties. The outputs are the leases from which rental income is generated. In terms of processes, management considers if they exist and if they are substantive. Processes such as lease management, selection of tenants, marketing decisions, investment decisions, are seen as substantive processes that are indicative of the fact that a business combination exists. In assessing whether a transaction is a business combination, management looks at what has been acquired, rather than the Group’s subsequent intentions. A transaction is still accounted for as a business combination, even if the Group is interested mostly in the assets that exist within the business acquired, whereas the processes and management within the business are disregarded or integrated within the existing structure.

For acquisitions or business combinations, the fair value of the net assets acquired is compared to the consideration transferred. If the fair value of net assets acquired is lower, the difference is recorded as goodwill. If the consideration is lower, the difference is recognised directly in the Statement of comprehensive income.

If an acquisition does not qualify as a business combination, the purchase price is allocated to the individual assets and liabilities. Goodwill or deferred taxes are not recognised.

Business combinations are accounted for using the acquisition method. The acquisition is recognised at the aggregate amount of the consideration transferred, measured at fair value on the date of acquisition and the amount of any non-controlling interest in the acquired entity.

For each business combination, the acquirer measures the non-controlling interest in the acquired entity either at fair value or as a proportionate share of their identifiable net assets. Transaction costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation, in accordance with the contractual terms, economic circumstances and pertinent conditions on the date of acquisition.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value on the date of acquisition. Subsequent changes to the fair value of any contingent consideration classified as a liability will be recognised in the Statement of comprehensive income. Acquisition accounting is finalised when the Group has gathered all the necessary information, which must occur within 12 months of the acquisition date. There are no exemptions from the 12-month rule for deferred tax assets or changes in the contingent consideration.

Transactions with non-controlling interests, where control is maintained, are accounted for as transactions within equity. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in the accumulated profit reserve.

4.29 Standards issued but not yet effective and not early adopted

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023)

These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. "Settlement" is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group is currently assessing the impact of the amendments on its financial statements.

In its tentative agenda decision of 1-2 December 2020, the IFRS Interpretations Committee clarified that classifying debt with future conditions as current or non-current would be based on a hypothetical test at the reporting date – a test that the lender might not require until a later date. This means that the Group would classify its debt as non-current only when it complies at the reporting date with conditions that exist at the reporting date, as well as conditions that are due to be tested within 12 months after that date. No remedies might be available for a breach of a hypothetical test, because a lender typically provides a waiver only for an actual breach of the loan conditions that occurs prior to or at the reporting date. The amendments would cause a significant change in practice. More debt would be classified as current, even when the Group would not have the contractual obligation to repay a liability within 12 months after the reporting date.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group's management discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates, as well as their application.

The estimates and associated assumptions are based on historical experience and various other factors which are considered reasonable under the circumstances. These are used to make judgements about the carrying values of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period when the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both.

Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are detailed below.

Valuation of investment properties

Investment property is stated at its fair value based on valuation reports prepared by international appraisers as at 30 June and 31 December each year. Valuations are based on discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. These are supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition.

In preparing the valuation reports on the Group's investment property, the external appraisers excluded distressed sales when considering comparable sales prices. Management reviewed the appraisers' assumptions relating to the discounted cash flow models used in the valuations and confirmed that factors such as the discount rate applied have been appropriately determined considering the market conditions at the end of the reporting period.

Valuations of the income generating properties are based on cash flow statements, in which the present value of net operating income during a ten-year period and the residual value of the property at the end of the period are calculated.

Forecasts of net operating income are based on leases signed at the time of the valuation date, the estimated rental values for existing leases when they expire and the estimated achievable rental values of the existing vacancies. The value of long-term vacancies is estimated based on the properties' location and condition. The valuers' assessments of non-recoverable expenses are based on their experience of comparable properties and historical costs provided by the Group.

The discount rates used are nominal returns on total capital before tax and vary between 6.90% and 11.65% (2019: 6.65% and 11.60%). The required rates of return are based on assessments of the market's required returns for similar properties. The discount rate is set individually for each property and is based on the condition and location, the stability of the tenants and lease duration.

Further information relating to sensitivity of significant accounting estimates used in the valuation of investment properties is presented in Note 9.

Impairment of assets

The Group tests whether assets are subject to impairment, in accordance with the accounting policies stated in Note 4.

The recoverable amounts of CGUs are determined based on future cash flows discounted to their present values using appropriate rates. Estimates are based on interpretation of generally accepted industry-based market forecasts.

Further information in relation to impairment expenses recognised is presented in Note 6 and 12.

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group has exposure to the following risks due to its use of financial instruments: credit, liquidity, and market, including currency and interest rate. This note presents information about the Group's exposure to each, as well as its objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has delegated the responsibility for developing this framework to the Risk Committee. This Committee reports to the Board of Directors on its activities, oversees how management monitors compliance policies and procedures, and reviews the adequacy of the framework regarding the risks faced.

The Group's policies are established to identify and analyse the risks it may encounter by performing its activities, to set appropriate limits and controls, and to monitor risks and adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions and Group activities.

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. Should the bonds be repaid at their maturity, the Group's liability towards bonds holders does not vary in line with the market price of its listed notes. For reference, as at 31 December 2020 the market value of the outstanding bonds issued by the Group was as follows:

- €499 million bonds issued in November 2017 were trading on the market at 102.70% (31 December 2019: 101.85%)
- €496 million bonds issued in May 2019 were trading on the market at 104.16% (31 December 2019: 105.19%)
- €500 million bonds issued in October 2019 were trading on the market at 100.74% (31 December 2019: 99.9%)
- €500 million bonds issued in July 2020 were trading on the market at 108.74% (31 December 2019: not applicable)

6.1 Credit risk

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

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Credit exposure on financial instruments <i>in € thousand</i>	Note	31 Dec 2020	31 Dec 2019
Loans granted to joint ventures	33	22,620	21,220
Tenant receivables	14	36,365	45,201
Cash and cash equivalents	15	643,297	208,746
Loans to participants in the Share Purchase Scheme	11	4,988	5,063
TOTAL		707,270	280,230

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 (see details in Note 18).

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

The exposure to credit risk is mainly influenced by the tenant's individual characteristics. The Group's widespread customer base reduces credit risk. The majority of rental income is derived from type A tenants (large international and national tenants; large listed tenants; government and major franchisees and companies with assets and/or turnovers exceeding €200 million), and there is no concentration of credit risk with respect to trade debtors: top 10 tenants account for 24% of the rental income as at 31 December 2020 (31 December 2019: 21%).

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 and a 12-month expected credit loss model for all the other financial assets.

The carrying value of financial assets approximates their fair value.

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

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

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

<i>in € thousand</i>	Note	31 Dec 2020	31 Dec 2019
Tenant receivables – gross		46,118	49,748
Less: Impairment provisions		(9,753)	(4,547)
TENANT RECEIVABLES - NET OF IMPAIRMENT PROVISION*	14	36,365	45,201

As detailed in Note 3, as part of the Governments' enforced or Group's voluntary measures to support tenants affected by COVID-19, NEPI Rockcastle granted rental concessions of €72 million, of which €69.5 were fully recognised in the Statement of comprehensive income. The gross tenant receivable balance presented above was adjusted for the effect of these COVID-19 concessions.

Reconciliation of impairment provisions is set out below:

Movement of impairment provisions <i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Carrying value at beginning of year	(4,547)	(6,949)
Additional expected credit losses	(7,450)	(1,898)
Reversal of impairment provisions*	2,015	4,206
Foreign exchange gain	229	94
CARRYING VALUE	(9,753)	(4,547)

*Reversal of provisions and allowances for doubtful debts was due to the recovery of previously expected credit losses and the write-off of receivables previously provided for. The amount of the expense associated to the receivables previously provided for and subsequently written-off is €835 thousand. The net amount of expected credit losses in the period was €6,269 thousand (Note 25). The COVID-19 concessions recorded as "Partial forgiveness of receivables (COVID-19 forgiveness)" does not impact the impairment provisions, as they have been recorded in direct correspondence with "Trade and other receivables".

The expected loss rates are based on the historical payment profiles of tenants and the corresponding historical credit losses, adjusting for forward looking macroeconomic data. On that basis, the impairment provision as at 31 December 2020 was determined as follows for trade receivables.

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

The impairment provision for trade receivables as at 31 December 2019 is set out below:

31 December 2019 in € thousand	Current	0-30 days	31-60 days	61-90 days	>90 days	Total
Expected loss rate	0%	0%	3%	3%	87%	
Gross carrying amount – trade receivables	37,125	6,479	567	424	5,153	49,748
Impairment provision	(4)	(11)	(19)	(14)	(4,499)	(4,547)

The expected loss rate for the trade receivable overdue over 90 days as at 31 December 2020 amounts to 70%, lower than the one as at 31 December 2019, due to the concessions granted in the year and referred to above.

By using the simplified expected credit loss model, the Group assessed its receivables for impairment and concluded that a net amount of expected credit losses of €6,269 thousand (2019: €785 thousand) (Note 25) are unlikely to be recovered, therefore an expected credit loss expense, including reversal of provisions as a result of the receivables write-off, was charged to the Statement of comprehensive income.

While cash and cash equivalents and loans granted to joint ventures are also subject to the impairment requirements of IFRS 9, the expected credit losses are immaterial.

For purposes of cash management, the Group has deposit accounts with a number of banks. The arrangements in place result in a favourable mix between flexibility and interest earnings. The banks' credit ratings, as well as exposure per each bank are constantly monitored. At 31 December 2020, 95% of the Group's cash was held with investment-grade rated banks (31 December 2019: 91%), as detailed below:

Cash and cash equivalents	31 Dec 2020	31 Dec 2019
Held with investment-grade rated banks (rated by Moody's)		
A1	3%	1%
A2	5%	7%
A3	20%	7%
Aa2	—	1%
Aa3	17%	22%
Baa1	39%	20%

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Cash and cash equivalents	31 Dec 2020	31 Dec 2019
Baa2	2%	—
Baa3	9%	33%
Held with not rated banks	5%	9%
TOTAL	100%	100%

6.2 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 19.

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

31 Dec 2020 in € thousand	Note	under 3 months	3–12 months	1–5 years	over 5 years	Total
Bonds and bank loans (including estimated future interest)		51,225	263,749	1,361,325	1,030,440	2,706,739
Derivative financial liabilities at fair value through profit or loss	20	—	—	5,430	—	5,430
Trade and other payables (excluding tenant deposits)	21	18,852	75,410	—	—	94,262
Other long-term liabilities (excluding lease liabilities and borrowings from third parties)		—	2,150	19,375	8,572	30,097
Lease liabilities related to right of use assets (recognised as per IFRS 16) (including estimated future interest)		833	—	3,328	54,111	58,272

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

31 Dec 2020 <i>in € thousand</i>	Note	under 3 months	3–12 months	1–5 years	over 5 years	Total
Borrowings from third parties (including estimated future interest)		317	578	6,065	5,657	12,617
TOTAL		71,227	341,887	1,395,523	1,098,780	2,907,417

31 Dec 2019 <i>in € thousand</i>	Note	under 3 months	3–12 months	1–5 years	over 5 years	Total
Bonds and bank loans (including estimated future interest)		27,859	30,989	1,868,581	515,381	2,442,810
Derivative financial liabilities at fair value through profit or loss	20	—	—	6,714	—	6,714
Trade and other payables (excluding tenant deposits)	21	26,081	101,825	—	—	127,906
Other long-term liabilities (excluding lease liabilities and borrowings from third parties)		—	2,864	20,076	10,159	33,099
Lease liabilities related to right of use assets (recognised as per IFRS 16) (including estimated future interest)		788	—	3,152	52,020	55,960
Borrowings from third parties (including estimated future interest)		317	665	7,048	6,441	14,471
TOTAL		55,045	136,343	1,905,571	584,001	2,680,960

6.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or equity prices will affect the Group's fair value or future cash flows of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters, while optimising returns. The carrying value of financial assets and liabilities approximates their fair value, except for the carrying value of bonds, whose fair value was presented in Note 6 above.

6.3.1 Currency risk

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

6.3.2 Interest rate risk

The Group is exposed to interest rate risk on loans, borrowings and cash balances held. Group policy is to hedge this risk through the use of derivative financial instruments. As at 31 December 2020 and 31 December 2019, the Group held interest rate swaps and interest rate caps as further disclosed in Notes 19 and 20.

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Bank loans*	259,353	359,446
— Rate capped	108,928	242,753
— Rate swapped	124,490	116,693
— Rate variable**	25,935	—

*The remaining balance relates to short-term loans (31 December 2020: €18 million, 31 December 2019: NIL) and loans and borrowings with fixed interest rate (31 December 2020: €225 million, 31 December 2019: €227 million).

**The balances exposed to variable rates relate to the outstanding long-term loans which amount to 1% of the overall outstanding debt of the Group.

Sensitivity analysis for interest bearing financial instruments

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

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

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Loans to participants in the Share Purchase Scheme (including accrued interest) (Note 18)	4,988	5,063
Loans and borrowings (variable or capped rate)	(134,864)	(242,753)
TOTAL	(129,876)	(237,690)

31 Dec 2020 <i>in € thousand</i>	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in the Share Purchase Scheme (including accrued interest)	50	(50)	50	(50)
Loans and borrowings (variable or capped rate) *	(395)	—	(395)	—
TOTAL	(345)	(50)	(345)	(50)

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

31 Dec 2019 <i>in € thousand</i>	Profit or loss 100bps increase	Profit or loss 100bps decrease	Equity 100bps increase	Equity 100bps decrease
Loans to participants in the Share Purchase Scheme (including accrued interest)	51	(51)	51	(51)
Loans and borrowings (variable or capped rate)*	(703)	—	(703)	—
TOTAL	(652)	(51)	(652)	(51)

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

6.3.3 Market risk for financial investments at fair value through profit or loss (direct investments in listed securities)

During November 2020, the Group disposed of its full shareholding in Unibail-Rodamco-Westfield, whose carrying value became NIL as at 31 December 2020 (31 December 2019: €169,062 thousand) (Note 13).

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

A change of 500 basis points in the market values of the investment in listed property shares held by the Group, classified as Financial investments at fair value through profit or loss, would have increased/(decreased) equity and profit or loss by the amounts shown below. The calculations are based on the market values of the listed property shares' outstanding balances as at 31 December 2019. This analysis assumes that all other variables remain constant.

31 Dec 2019 <i>in € thousand</i>	Profit or loss 500bps increase	Profit or loss 500bps decrease	Equity 500bps increase	Equity 500bps decrease
Financial investments at fair value through profit or loss	8,453	(8,453)	8,453	(8,453)
TOTAL	8,453	(8,453)	8,453	(8,453)

7 INTERNAL CONTROLS TO MANAGE RISKS

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. This system is designed to mitigate rather than eliminate the risk of failure to meet business objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

The key features of the Group's system of internal control include:

- Strategic and business planning: the Group prepares, and agrees, a business plan each year, to which the performance of the business is regularly monitored;
- Investment appraisal: capital projects, major contracts and business and property acquisitions are reviewed in detail and approved by the Investment Committee, and/or the Board where appropriate, in accordance with delegated authority limits;
- Financial monitoring: profitability, cash flow and capital expenditure are closely monitored, and key financial information is reported to the Board regularly, including explanations of variances between actual and budgeted performance, and
- Systems of control procedures and delegated authority: clearly defined guidelines and approval limits exist for capital and operating expenditure and other key business transactions and decisions.

8 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure it complies with its quantitative banking covenants and maintains a strong credit rating. During the year, the policy related to dividend distribution for the first six-months ended 30 June 2020 differed compared to previous periods, due to the exceptional economic circumstances and in order to maintain a strong balance sheet and ample liquidity. As a result, the Group did not declare a dividend for the six-month period ended 30 June 2020 but returned value to

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

shareholders during the present operating environment through a *capitalisation issue* (Note 17).

Capital is primarily monitored using the gearing ratio (Loan-to-value), which decreased to 31.5% (31 December 2019: 32%). The ratio is computed as interest bearing debt less cash divided by investment property (including investment property held for sale) and net listed securities, excluding the right-of-use assets and related lease liabilities computed as per IFRS 16.

The Group's policy is to maintain a strong capital base of equity so as to maintain investor, creditor and market confidence and to sustain future business development. The Board of Directors also monitors the level of distributions to shareholders. Neither the Company, nor its subsidiaries, are subject to externally imposed capital requirements. The Group's subsidiaries are subject to compliance with bonds and bank borrowings' covenants, as presented in Note 19.

The Group will retain comfortable levels of access to liquidity to finance the Group's further investment opportunities.

9 INVESTMENT PROPERTY IN USE

Movement in investment property in use in € thousand	31 Dec 2020	31 Dec 2019
Carrying value at beginning of year	5,800,759	5,688,610
Carrying value of right-of-use asset related to leased land areas (recognised as per IFRS 16)	-	32,524
Restated carrying value at beginning of year	5,800,759	5,721,134
Remeasurement of right-of-use asset	1,812	-
Additions from business combinations and asset deals	405	912
Transferred from investment property under development (Note 10)	131,341	253,604
Fair value adjustments (Note 28)	(342,609)	133,804
Fair value adjustment of right-of-use asset (Note 28)	(245)	(229)
Investment property reclassified as held for sale (Note 16.1)	-	(308,466)
CARRYING VALUE	5,591,463	5,800,759

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

For the year ended 31 December 2020, the Group commissioned independent year-end appraisal reports on its investment property in use from Cushman&Wakefield, Colliers International and Jones Lang LaSalle, and for the year ended 31 December 2019, the Group commissioned independent year-end appraisal reports on its investment property from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners, Colliers International and Jones Lang LaSalle, all members of the Royal Institution of Chartered Surveyors (RICS). Valuations are prepared in accordance with the RICS Valuation – Global Standards 2017 (the “Red Book”).

All investment property in use is valued by the Income Method. For the years ended 31 December 2020 and 31 December 2019 respectively, the applied method used for all investment property in use was discounted cash flow (DCF).

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

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

The Group provides all information necessary for the valuations, among which detailed tenancy schedules, including information on occupied and vacant units, unit areas and numbers, lease commencement and expiry dates, break options and indexation clauses. All properties have been inspected by representatives of external valuers for the purpose of 31 December 2020 valuations, except for investment property in Bulgaria and Serbia due to travel restrictions. The Group’s auditors have performed audit procedures on the valuation of investment property, as part of the audit of the consolidated financial statements.

As at 31 December 2020, the investment property in use had an EPRA Vacancy Rate of 4.3% (31 December 2019: 2.1%).

As at the same date, the Group’s portfolio included retail, office and industrial properties.

IFRS 13 defines fair value as the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. The Group currently discloses fair values according to a ‘fair value

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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. 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) for 2020 is presented in the table below:

Segment	Valuation technique	Estimated rental value (yearly amount in '000 €)	Discount rate (%)	Capitalisation rate for terminal value (%)
Retail^	Discounted cash flow	243 – 22,081 (12,416*)	6.90% – 10.90% (8.41*)	5.30% – 9.00% (6.93*)
Office	Discounted cash flow	1,948 – 4,401 (3,705*)	8.50% – 8.50% (8.50*)	7.50% – 7.90% (7.79*)
Industrial	Discounted cash flow	545 – 1,538 (1,261*)	10.65% – 11.65% (11.37*)	9.00% – 10.00% (9.72*)

*Amounts or percentages represent weighted averages

^Excluding joint ventures

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Information relating to fair value measurement using significant unobservable inputs (Level 3) for 2019 is presented in the table below:

Segment	Valuation technique	Estimated rental value (yearly amount in '000 €)	Discount rate (%)	Capitalisation rate for terminal value (%)
Retail [^]	Discounted cash flow	245 – 23,436 (12,628*)	6.65% – 10.60% (8.13*)	5.10% – 9.00% (6.77*)
Office ^{^^}	Discounted cash flow	1,554 – 7,831 (4,238*)	8.00% – 9.25% (8.55*)	6.25% – 7.90% (7.47*)
Industrial	Discounted cash flow	545 – 1,536 (1,253*)	10.60% – 11.60% (11.29*)	9.00% – 10.00% (9.71*)

*Amounts or percentages represent weighted averages.

[^]Excluding joint ventures.

^{^^} Including Romanian office portfolio held for sale.

Assumptions taken by external appraisers for the portfolio valuation

To incorporate the impact of COVID-19, appraisers have modified several assumptions in their valuation reports, such as:

- Cash flows for 2021 and 2022: lower base rent and short-term rent, prolonged current/future void periods, increased provisions for bad debt and lower sales-based rents;
- Future cash flows: lower long-term indexation. Estimated rental values have not been materially changed considering the lack of leasing agreements concluded in the period;
- Adjustment of the structural vacancy for some properties;
- Increase of the Discount Rate ("DR") due to rental risk and increase of the cost of funding;
- Increase of the Exit Capitalization Rate ("ECR") on a case by case basis.

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

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

Discount rate variance				
Country	(50 bps)	(25 bps)	25 bps	50 bps
Romania*	5.5%	2.7%	-2.5%	-4.9%
Poland	6.4%	3.1%	-2.9%	-5.6%
Croatia	5.9%	2.9%	-2.7%	-5.3%
Slovakia	7.1%	3.4%	-3.2%	-6.2%
Bulgaria	6.0%	2.9%	-2.8%	-5.4%
Serbia	5.5%	2.7%	-2.5%	-4.9%

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Discount rate variance				
Country	(50 bps)	(25 bps)	25 bps	50 bps
Czech Republic	7.4%	3.6%	-3.3%	-6.5%
Lithuania	5.8%	2.8%	-2.7%	-5.2%
Hungary	6.9%	3.3%	-3.1%	-6.1%
TOTAL	6.1%	3.0%	-2.8%	-5.4%

*Excluding joint ventures and held for sale portfolio.

Exit rate variance				
Country	(50 bps)	(25 bps)	25 bps	50 bps
Romania*	6.9%	3.3%	-3.1%	-6.1%
Poland	8.0%	3.8%	-3.6%	-6.9%
Croatia	6.7%	3.2%	-3.0%	-5.9%
Slovakia	7.9%	3.8%	-3.5%	-6.8%
Bulgaria	7.0%	3.4%	-3.2%	-6.2%
Serbia	6.2%	3.0%	-2.8%	-5.5%
Czech Republic	8.3%	4.0%	-3.7%	-7.1%
Lithuania	7.2%	3.5%	-3.2%	-6.3%
Hungary	8.5%	4.1%	-3.8%	-7.3%
TOTAL	7.4%	3.6%	-3.3%	-6.5%

*Excluding joint ventures and held for sale portfolio.

10 INVESTMENT PROPERTY UNDER DEVELOPMENT

Movement in investment property under development in € thousand	31 Dec 2020	31 Dec 2019
Carrying value at beginning of year	221,841	222,460
Additions from construction in progress	122,143	250,490
Fair value adjustments (Note 28)	(1,708)	2,495
Assets which became operational and were transferred to Investment property in use (Note 9)	(131,341)	(253,604)
CARRYING VALUE	210,935	221,841

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Land included in Investment property under development is carried at fair value and is assessed on semi-annual basis. For the year ended 31 December 2020, the Group commissioned independent year-end reports from Cushman&Wakefield, Colliers International and Jones Lang LaSalle, based on which the fair value of investment property under development was adjusted. For the year ended 31 December 2019, the Group commissioned independent year-end reports from Cushman&Wakefield, Cushman&Wakefield Affiliate Partners, Colliers International and Jones Lang LaSalle, based on which the fair value of investment property under development was adjusted. Land included in Investment property under development is classified Level 3 on the fair value hierarchy as defined in IFRS 13.

The valuation technique is sales comparison or residual approach (in accordance with RICS Valuation Standards). Land under sales comparison method was valued by the external appraisers using the recent transactions of similar land for development in the proximity of the subject property. The residual approach determines the residual land value by subtracting purchase and development cost from the expected gross development value of the project at completion. The methods have been consistently applied for the comparative period.

Borrowing costs capitalised in 2020 amount to €2,611 thousand (2019: €5,221 thousand) and were calculated using an average annual interest rate of 2.3% (2019: 2.4%).

As a result of the COVID-19 pandemic, during the year the Group temporary suspended the works on non-committed development projects. Consequently, in line with IAS 23 provisions, no borrowing costs have been capitalised on the respective projects during the idle period.

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 in € thousand	31 Dec 2020	31 Dec 2019
Land (at fair value)	134,920	136,628
Construction works (at cost)	76,015	85,213
TOTAL	210,935	221,841

11 OTHER LONG-TERM ASSETS

Other long-term assets are classified below:

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Loans to participants in the Share Purchase Scheme (Note 18)	4,988	5,063
Property, plant and equipment and intangible assets	2,459	2,527
TOTAL	7,447	7,590

12 GOODWILL

The Group recognised goodwill for the following business acquisitions:

<i>in € thousand</i>	Segment	Balance at 1 Jan 2019	Transfers to assets held for sale	Impairment of goodwill	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Pitesti Retail Park	Retail	1,671	–	–	1,671	–	–	1,671
Floreasca Business Park	Office	1,664	(1,664)	–	–	–	–	–
Internalisation of NEPI Investment Management	Corporate	5,882	–	–	5,882	–	–	5,882
City Business Centre	Office	4,747	(4,747)	–	–	–	–	–
The Lakeview	Office	3,899	(3,899)	–	–	–	–	–
Aupark Kosice Mall	Retail	5,189	–	–	5,189	–	–	5,189
Iris Titan Shopping Center	Retail	934	–	–	934	–	–	934
Forum Usti nad Labem	Retail	5,646	–	–	5,646	–	–	5,646
Shopping City Sibiu	Retail	9,850	–	–	9,850	–	–	9,850
Korzo Shopping Centrum	Retail	2,899	–	–	2,899	–	–	2,899

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

<i>in € thousand</i>	Segment	Balance at 1 Jan 2019	Transfers to assets held for sale	Impairment of goodwill	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Aupark Shopping Center Piestany	Retail	2,497	–	(912)	1,585	–	–	1,585
Arena Centar	Retail	13,512	–	–	13,512	–	–	13,512
Energit	Retail	6,976	–	–	6,976	–	–	6,976
Paradise Center	Retail	9,311	–	–	9,311	–	–	9,311
Arena Mall	Retail	7,905	–	–	7,905	–	–	7,905
Galeria Mlyny	Retail	10,488	–	(5,044)	5,444	–	–	5,444
TOTAL		93,070	(10,310)	(5,956)	76,804	–	–	76,804

In line with the accounting policies presented in Note 4, goodwill is tested for impairment on an annual basis. The lowest level within the Group at which the goodwill is allocated and monitored for internal management purposes is the CGU, represented by each individual property. CGUs to which the goodwill has been allocated were tested for impairment by comparing their net asset value with the recoverable value, which is the higher of value in use and fair value less cost to sell.

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

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

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

As a result of this test in 2020, no impairment arose in respect to the goodwill from recognition of deferred taxes at the date of the business combination (31 December 2019: €5,956 thousand goodwill impairment)

Goodwill from management and energy trading companies

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

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

As a result of this test, no impairment arose in connection with the above two entities.

In 2019 an amount of €10,310 thousand from goodwill has been reclassified as assets held for sale, belonging to the disposal group constituted by the Romanian office portfolio (Note 16). In August 2020 the Romanian office portfolio was disposed.

13 INVESTMENTS IN LISTED SECURITIES AND NET RESULT FROM FINANCIAL INVESTMENTS

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Financial investments at fair value through profit or loss	–	169,062
TOTAL	–	169,062

(A) Financial investments at fair value through profit or loss

During November 2020, the Group disposed of its entire portfolio of listed securities consisting of Unibail-Rodamco-Westfield (“URW”) shares, given the relative improvement in the URW share price at that time. The proceeds from the disposal of URW shares were used to repurchase NEPI Rockcastle's shares, which were subsequently cancelled (Note 17). Further to the above transaction, the outstanding value of the financial investments at fair value through profit or loss as at 31 December 2020 was nil (31 December 2019: €169,062 thousand).

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

(B) Net result from financial investments

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

Dividends are recognized in profit or loss when the right to receive payments of dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend distribution can be measured reliably. The net income from financial investments at fair value through profit or loss of €5,517 thousand (31 December 2019: €12,560 thousand) is represented by the dividends received from URW shareholding (31 December 2019: it included finance costs of €76 thousand relating to the funding leg of equity swap derivatives terminated in February 2019).

The fair value and net result on sale of financial investments shows the change in fair value of the financial instruments as well as the net result on sales of such instruments. During 2020, the net fair value and realized loss from the sale of investment in listed securities amounted to €93,767 thousand (31 December 2019: net fair value and realized gain of €11,091 thousand).

14 TRADE AND OTHER RECEIVABLES

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Tenant receivables	36,365	45,201
VAT receivable	15,101	33,461
Prepaid property expenses	4,641	7,928
Other receivables	2,895	2,129
Other prepaid fees	382	664
TOTAL	59,384	89,383

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents by currency <i>in € thousand</i>	31 Dec 2020	31 Dec 2019
EUR	524,855	146,900
RON	48,734	22,170
PLN	14,140	14,162
BGN	17,117	6,143

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Cash and cash equivalents by currency <i>in € thousand</i>	31 Dec 2020	31 Dec 2019
HUF	7,269	6,819
HRK	17,220	5,736
CZK	5,052	3,123
RSD	8,324	3,099
ZAR	548	92
USD	9	21
GBP	29	481
TOTAL	643,297	208,746

Cash and cash equivalents by type <i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Current accounts	569,028	174,702
Deposits	70,000	28,708
Restricted cash	3,700	4,700
Petty cash and other values	569	636
TOTAL	643,297	208,746

16 ASSETS AND LIABILITIES HELD FOR SALE

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

In December 2019, the Group entered into an agreement to dispose of the Romanian office portfolio, consisting of four type A office buildings, to AFI Europe NV (“AFI Europe”, “purchaser”), a wholly owned subsidiary of Africa Israel Properties Limited.

The unconditional approval of the Romania Competition Council was obtained and the formalities with Trade Registry were successfully implemented in February 2020; the transaction was scheduled to become effective at the end of March 2020, with a potential postponement to the end of April 2020. The disposal was not completed as the purchaser’s obligations related to the completion procedures were not fulfilled, leading to a breach in the agreement which entitled the Group to terminate the agreement and claim the contractual guarantee.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

However, in August 2020, the Group concluded a new agreement with AFI Europe to dispose of the Romanian office portfolio, effective from 27 August 2020, with a preliminary net cash consideration, fully settled, of €294 million. Further to the final purchase price adjustment based on the subsidiaries' financial statements at the date of completion, an additional €0.8 million is subject to be settled by the buyer, leading to a net gain on disposal of €2.6 million.

As at 31 December 2020, the assets and liabilities held for sale included two non-core properties located in Romania. As at 31 December 2019, the assets and liabilities held for sale included the Romanian office portfolio, an office building located in the UK and five non-core properties located in Romania. During the year, the Romanian office portfolio, UK office building and three of the non-core properties were sold. The UK office building and the three non-core properties were sold for a net cash consideration of €7.0 million, incurring a loss on disposal of €0.3 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:

<i>in € thousand</i>	Romanian Office Portfolio	Other Portfolio	31 Dec 2020	31 Dec 2019
Non-current assets	—	1,752	1,752	327,514
Investment property at fair value (Note 16.1)	—	1,752	1,752	317,204
Goodwill (Note 12)	—	—	—	10,310
Current assets	—	—	—	10,225
Trade and other receivables	—	—	—	6,052
Cash and cash equivalents	—	—	—	4,173
Assets held for sale	—	1,752	1,752	337,739
Non-current liabilities	—	—	—	(32,986)
Deferred tax liabilities	—	—	—	(29,271)
Other long-term liabilities	—	—	—	(3,715)
Current liabilities	—	—	—	(6,052)
Liabilities held for sale	—	—	—	(39,038)
Net asset held for sale	—	1,752	1,752	298,701

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

16.1 INVESTMENT PROPERTY HELD FOR SALE

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Carrying value at beginning of year	317,204	11,957
Disposals	(315,074)	(2,232)
Transfer from investment property in use (Note 9)	—	308,466
Additions during the period	313	374
Fair value adjustments (Note 28)	(691)	(1,361)
CARRYING VALUE	1,752	317,204

17 SHARE CAPITAL AND SHARE PREMIUM

Movement of ordinary shares <i>in € thousand</i>	Share capital €0.01/share	Share premium
Issued as of 1 January 2020 (Outstanding number of shares: 599,797,201)	5,998	3,625,348
— Issued 1,123,932 ordinary shares at €7.32/share ¹	11	(11)
— Issued 25,791,534 ordinary shares at €4.2920/share ²	258	(258)
— Repurchase of shares 17,717,760 ordinary shares representing 2.95% of the company issued share capital ³	(177)	(75,018)
CARRIED FORWARD AS AT 31 DECEMBER 2020 (Outstanding number of shares: 608,994,907)	6,090	3,550,061
¹ The shares were issued in respect of the return of capital on 6 April 2020. ² The shares were issued in respect of capitalisation issue on 21 September 2020. ³ The shares were repurchased between 23 November 2020 and 4 December 2020 from the proceeds received from the disposal of URW shares of approximately €75 million (Note 13). Subsequently, the repurchased shares were cancelled. The shares were repurchased at an average share price of €4.25.		
CARRIED FORWARD AS AT 31 DECEMBER 2020	6,090	3,550,061

During 2020, shareholders had the option to receive:

- 27.31-euro cents per share distribution for the six months ended 31 December 2019 as a cash distribution, or a return of capital through an issue of new shares, credited as fully paid up, at a ratio of 3.7309 new shares for every 100 shares.

Shares were issued from the share premium account.

In addition, the Company allotted and issued fully paid ordinary shares as a *capitalisation issue* to its shareholders, pro-rata to their shareholding, in lieu of a cash distribution for the first six months ended 30 June 2020.

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

18 SHARE-BASED PAYMENTS

The Group has implemented incentive plans to reward performance and align the interests of executive directors and key individuals with those of the shareholders.

The Group's current incentive plan was disclosed in the prospectus of the merger between NEPI and Rockcastle (the "2017 Incentive Plan"). The 2017 Incentive Plan was introduced as an incentive to directors and employees to meet the Group's short-term and long-term objectives by giving such participants an opportunity to receive performance-based Awards (in cash or shares) or Purchase Offers (of shares, with loans), on short-term (immediate settlement in cash or shares) or long-term (shares with a vesting component). The Board determines which executive directors are eligible to participate in the 2017 Incentive Plan, and the allocation of incentives, based on key performance indicators. The executive directors determine which key employees are eligible to participate in the 2017 Incentive Plan, and the allocation of incentives is discretionary, based on key performance indicators and other considerations regarding the employees' performance.

To date, NEPI Rockcastle has initiated two types of incentive programs that offered share-based payments in exchange for services provided to it by its directors and employees (equity-settled transactions), which are detailed below.

(a) Purchase Offers ("SPS")

Under this program, loans were granted to participants in the share purchase schemes (the "Share Purchase Scheme" or "SPS") to buy shares, the repayment of which could be made in part out of the distribution payable in relation to the shares (the "NRP SPS"). Of the shares initially subscribed for, 20% vested annually. The Group offered each participant the immediate right to subscribe for the permitted number of shares at their market value, less a maximum discount of 5%, together with a loan to fund the purchase. Each loan carried interest at the weighted average rate that the Group can borrow money. Loans are payable in full, together with interest, ten years after its subscription date, but could be repaid earlier. The Company has security interests that ensure the repayment of the principal and interest on the loan given to participants. The NRP SPS is a full recourse scheme (i.e. recourse in relation to loans granted is not limited to shares issued). Pending repayment of the loan, the distributions on such shares are used to repay loan interest. Any excess distribution after interest payment is used to repay the loan.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

No shares were issued during 2020 and 2019 under the NRP SPS.

The number of shares outstanding and the loans to participants under the Share Purchase Scheme as at the year-end are summarised below:

NRP SPS	31 Dec 2020	31 Dec 2019
No of shares outstanding, collateralizing the Loans to participants under the Share Purchase Scheme	789,389	802,307
Loans to participants under the Share Purchase Scheme (in € thousand)	4,988	5,063

(b) Debt free Long-Term Share Incentive Plan with a vesting component (“LTSIP”)

Under this incentive plan, shares may be issued by the Group to executive directors and other key employees for no cash consideration. Shares are awarded to participants on condition of employment in the Group for the next three years for employees and five years for executive directors (the vesting period), with shares being vested proportionally over each year of the corresponding vesting periods. Shares awarded under LTSIP cannot be disposed of or otherwise encumbered up to their respective vesting dates.

The number of shares granted but unvested at 31 December 2020 and their fair value at grant date are summarised below:

LTSIP	31 Dec 2020	31 Dec 2019
No of shares granted but unvested at year-end	1,078,591	588,864
Fair value at the grant date (€ thousand)	7,612	4,751

The maximum number of shares which could be offered for subscription under the 2017 Incentive Plan is 27,403,086.

The accounting policy with respect to Share-Based Payments is described in Note 4.17.

19 BORROWINGS (BONDS AND BANK LOANS)

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

In 2020, the Group repaid in full the equity repurchase agreement and sold its portfolio of listed securities. Also, the Group extended the availability of two unsecured committed revolving credit facilities:

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

- the revolving credit facility from Raiffeisen Bank International was extended for two years, until 31 December 2022;
- the revolving credit facility from a four banks syndicate was extended with an additional year, until 2023.

As at 31 December 2020, the Group had undrawn amounts of €575 million from the unsecured revolving credit facilities (31 December 2019: €575 million).

The average interest rate of the Group's debt, including hedging costs, was approximately 2.3% during 2020, slightly lower from 2.4% in 2019. As at 31 December 2020, fixed-coupon bonds represented 80% of NEPI Rockcastle's outstanding debt; out of the remaining long-term debt exposed to Euribor, 42% was hedged with interest rate caps and 48% with interest rate swaps.

The fair value of all financial instruments is substantially in line with their carrying amounts as reflected on the Statement of financial position, except for the bonds. For reference, as at 31 December 2020, the €499 million bonds issued in 2017 were trading on the market at 102.70% (31 December 2019: 101.85%), the €496 million bonds issued in May 2019 were trading on the market at 104.16% (31 December 2019: 105.19%), the €500 million bonds issued in October 2019 were trading on the market at 100.74% (31 December 2019: 99.9%) and the €500 million bonds issued in July 2020 were trading on the market at 108.74% (31 December 2019: not applicable). However, the fair value of bonds presented above might not be relevant, as the liability towards bonds holders would not vary in line with the market price of its listed notes.

The repayment profile for outstanding loans, excluding future interest, is detailed below. In addition to these loans, the Group has loans and borrowings related to its joint ventures presented in Note 33.

Interest bearing borrowings 31 Dec 2020 <i>in € thousand</i>	Type	Payable in less than 1 year	Payable in 1-5 years	Payable over 5 years	Total
Netherlands	Unsecured fixed coupon bonds	—	995,000	1,000,000	1,995,000
Poland	Secured loans	224,978	76,000	—	300,978
Slovakia	Secured loans	25,071	117,999	—	143,070
Czech Republic	Secured loans	410	39,873	—	40,283
Accrued interest on loans and deferred loan costs		(507)	(1,237)	—	(1,744)
Accrued coupon on bonds		18,856	—	—	18,856

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Interest bearing borrowings 31 Dec 2020 <i>in € thousand</i>	Type	Payable in less than 1 year	Payable in 1-5 years	Payable over 5 years	Total
Deferred bond costs*		(2,771)	(8,327)	(1,718)	(12,816)
Issue discount on bonds		(5,185)	(13,197)	(2,373)	(20,755)
Total		260,852	1,206,111	995,909	2,462,872

*Included in the deferred bond costs above are €127 thousand (2019: €218 thousand) for other assurance services rendered by PwC.

Interest bearing borrowings 31 Dec 2019 <i>in € thousand</i>	Type	Payable in less than 1 year	Payable in 1- 5 years	Payable over 5 years	Total
Netherlands	Unsecured fixed coupon bonds	—	1,197,800	500,000	1,697,800
Netherlands	Secured loan	—	92,223	—	92,223
Poland	Secured loans	2,307	300,978	—	303,285
Slovakia	Secured loans	7,460	143,070	—	150,530
Czech Republic	Secured loans	410	40,283	—	40,693
Accrued interest on loans and deferred loan costs		(361)	(2,442)	—	(2,803)
Accrued coupon on bonds		17,249	—	—	17,249
Deferred bond costs*		(2,662)	(6,553)	(1,108)	(10,323)
Issue discount on bonds		(4,029)	(11,071)	(1,289)	(16,389)
Total		20,374	1,754,288	497,603	2,272,265

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.

<i>in € thousand</i>	Bank loans	Bonds	Total*
Debt as at 31 December 2019	583,927	1,688,338	2,272,265
Cash repayments of principal	(622,400)	(202,800)	(825,200)
Cash proceeds from bank loans or bonds	520,000	490,858	1,010,858

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

<i>in € thousand</i>	Bank loans	Bonds	Total*
Cash payments of interest on bank loans or coupon on bonds	(11,734)	(37,936)	(49,670)
Interest expense	11,722	39,542	51,264
Amortisation of capitalised borrowing costs	1,583	2,387	3,970
Amortisation of bond discount	—	4,556	4,556
Additional capitalised borrowing costs in the period	(492)	(5,639)	(6,131)
Costs released following bonds buy back prior of maturity	—	979	979
Other non-cash items	(19)	—	(19)
Debt as at 31 December 2020	482,587	1,980,285	2,462,872

<i>in € thousand</i>	Bank loans	Bonds	Total*
Debt as at 31 December 2018	1,195,054	903,038	2,098,092
Cash repayments of principal	(827,594)	(202,200)	(1,029,794)
Cash proceeds from bank loans or bonds	216,936	985,372	1,202,308
Cash payments of interest on bank loans or coupon on bonds	(17,981)	(28,414)	(46,395)
Interest expense	17,242	32,164	49,406
Amortisation of capitalised borrowing costs	1,687	2,351	4,038
Amortisation of bond discount	—	2,634	2,634
Additional capitalised borrowing costs in the period	(1,437)	(6,567)	(8,004)
Other non-cash items	20	(40)	(20)
Debt as at 31 December 2019	583,927	1,688,338	2,272,265

*The tables above do not contain interest bearing loans from third parties in amount of €8,653 thousand as at 31 December 2020 (2019: €8,642 thousand) (included in Other long-term liabilities in Note 22), and the associated finance cost. The above finance costs do not include interest capitalized on developments of €2,611 thousand (refer to Note 10) (2019: €5,221 thousand), and interest on lease liabilities related to the right of use assets of €588 thousand (2019: €559 thousand) (Note 22).

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 and the Czech Republic.

Securities

- General security over the properties (fair values as at 31 December 2020), current assets, cash inflows from operating activities, accounts and receivables; and
- General security over the shares in the property-owning entities.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Covenants

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

Unsecured committed revolving facilities

At 31 December 2020, there are €575 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%.

Unsecured fixed coupon bonds

The Group successfully issued fixed coupon bonds as follows:

- November 2017: €500 million of unsecured, 7-year Eurobonds. The bonds mature on 23 November 2024 and carry a 1.75% fixed coupon, with an issue price of 99.051%.
- May 2019: €500 million of unsecured, 4-year Eurobonds. The bonds mature on 22 May 2023 and carry a 2.625% fixed coupon, with an issue price of 98.147%.
- October 2019: €500 million of unsecured, 7-year Eurobonds. The bonds mature on 9 October 2026 and carry a 1.875% fixed coupon, with an issue price of 98.927%.
- July 2020: €500 million of unsecured, 7-year Eurobonds. The bonds mature on 14 July 2027 and carry a 3.375% fixed coupon, with an issue price of 98.172%.

Covenants

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

Due to the extended lockdowns and COVID-19 restrictions in Slovakia, the financing bank waived certain performance covenants in relation to Galeria Mlyny secured loan as at 31 December 2020. Except for the above, NEPI Rockcastle has complied with all financial covenants of its borrowing facilities during 2020 and 2019. The ratios calculated for all unsecured loans and bonds showed ample headroom compared to the covenants:

- Solvency Ratio: 40% (31 December 2019: 37%);
- Consolidated Coverage Ratio: 4.78 (31 December 2019: 6.58); and
- Unsecured Ratio: 261% (31 December 2019: 290%).

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

20 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group uses mainly derivative instruments to hedge variable interest rate (Euribor) exposure. Their fair value is summarised below:

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Derivative financial assets	1,019	2,903
Derivative financial liabilities	5,430	6,714

The above financial assets and liabilities consists mainly of interest rate caps and fixed interest rate swaps which are not designated as cash flow hedges and are classified as Level 2 of the fair value hierarchy as defined by IFRS 13.

21 TRADE AND OTHER PAYABLES

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Property related payables	39,914	46,505
Advances from tenants	32,145	39,199
Payable for assets under construction	14,306	28,534
Deferred consideration on business combinations	4,139	7,462
Accrued administrative expenses	3,758	6,206
Tenant security deposits	2,333	2,505
TOTAL	96,595	130,411

22 OTHER LONG-TERM LIABILITIES

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Lease liabilities related to right of use assets (recognised as per IFRS 16)	33,862	32,295
Borrowings from third parties*	8,653	8,642
Tenant security deposits	29,081	32,012
Other long-term payables	1,016	1,087
TOTAL	72,612	74,036

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Reconciliation of lease liabilities (recognised as per IFRS 16)

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Carrying value of the lease liabilities related to right of use assets (recognised as per IFRS 16)	32,295	32,524
Remeasurement of lease liability	1,812	—
Interest expense (Note 29)	588	559
Lease liability payment	(833)	(788)
Lease liabilities related to right of use assets	33,862	32,295

*Reconciliation of borrowings from third parties

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

<i>in € thousand</i>	Borrowings from third parties
Borrowings as at 31 December 2019	8,642
Cash repayments of principal	(195)
Cash proceeds	—
Cash payments of interest	(733)
Interest expense	939
Borrowings as at 31 December 2020	8,653

<i>in € thousand</i>	Borrowings from third parties
Borrowings as at 31 December 2018	10,035
Cash repayments of principal	(1,419)
Cash proceeds	—
Cash payments of interest	(1,053)
Interest expense	1,079
Borrowings as at 31 December 2019	8,642

23 CORPORATE TAX CHARGE AND DEFERRED TAX

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss, except to the extent they relate to business combination or items recognised directly to equity. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or substantively enacted by

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

the end of the reporting period. Deferred tax assets are recognised to the extent it is probable that future taxable profit will be available against which temporary differences can be utilised.

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Current tax expense	5,912	11,331
Deferred tax (income)/expense	(32,440)	31,370
INCOME TAX (CREDIT)/EXPENSE	(26,528)	42,701
Deferred tax brought forward	368,818	337,448
Other adjustments (deferred tax liability released further to sale of office portfolio, included in the disposal proceeds) - no P&L effect	(29,732)	—
Deferred tax (income)/expense	(32,440)	31,370
Net deferred tax liability carried forward, out of which:	306,646	368,818
Deferred tax asset (other than related to held for sale portfolio) (*)	(34,678)	(15,003)
Deferred tax asset (related to held for sale portfolio)	—	(206)
Deferred tax liability (other than related to held for sale portfolio) (*)	341,324	354,756
Deferred tax liability related to held for sale portfolio	—	29,271

(*)Deferred tax assets and liabilities presented in this table, in amount of €34,120 thousand, have been offset at the level of the Group entities.

Net deferred tax liability results from the following types of differences:

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Fiscal losses	228,066	217,923
Other deductible temporary differences (*)	146,496	75,841
Deferred tax asset	68,798	50,479
Temporary differences between accounting and fiscal value of investment property	(2,483,477)	(2,754,959)
Other taxable temporary differences (*)	(2,138)	(14,757)
Deferred tax liability	(375,444)	(419,297)
Net deferred tax liability	(306,646)	(368,818)

(*) Other deductible and taxable temporary differences include mainly prepayments and accruals, deferred income and allowances for doubtful debts.

The deferred tax balance as at 31 December 2020 is the net effect of deferred tax assets resulted mainly from fiscal losses and deferred tax liabilities resulted from differences between the fiscal base and the accounting base of assets and liabilities, mainly investment

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

property. Deferred tax liabilities are not expected to be settled within the following five years from the reporting date.

Deferred tax liabilities, which are a non-cash item, result directly from the fair value revaluation of the investment property and other local tax adjustments (e.g. local tax depreciation charges, non-capitalisation of certain items, foreign exchange impact given that tax value is recorded in local currency, etc.) which diminishes the tax value of the investment property

<i>in € thousand</i>	<i>Consolidated Statement of financial position</i>		<i>Consolidated Statement of comprehensive income</i>	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Deferred tax liability (net)				
Valuation of investment property at fair value	(375,039) *	(416,495)	11,724	(23,768)
Recognised unused tax losses	41,197	36,171	5,026	(12,005)
Deductible/Taxable temporary differences (including corrections)	27,196	11,506	15,690	4,403
TOTAL	(306,646)	(368,818)	32,440	(31,370)

*This amount does not include the deferred tax liability of €29,732 thousand related to the Romanian office portfolio, which was included in the disposal proceeds, with no impact on the Statement of comprehensive income.

The Group is liable for taxation on taxable profits in the following jurisdictions at the rates below:

Corporate income tax rates	31 Dec 2020	31 Dec 2019
Isle of Man	0%	0%
Netherlands	25%	25%
United Kingdom	19%	19%
Mauritius	15%	15%
Romania	16%	16%
Poland	19%	19%
Slovakia	21%	21%
Serbia	15%	15%
Czech Republic	19%	19%
Croatia	18%	18%
Bulgaria	10%	10%

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Corporate income tax rates	31 Dec 2020	31 Dec 2019
Hungary	9%	9%
Lithuania	15%	15%

A reconciliation between the current year income tax charge (current and deferred tax) and the Group consolidated (loss)/profit before tax for the years 2020 and 2019 is presented below:

(Loss)/ Profit Before Tax Reconciliation <i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Consolidated (Loss)/ Profit Before Tax	(202,402)	459,043
Weighted tax rate on consolidated (Loss)/ Profit Before Tax	10.1%	16%
Group income tax credit/(charge) based on Group weighted tax rate	20,450	(73,447)
Effect in corporate income tax resulting from the following items:		
Group share in earnings from companies accounted for under equity method	(174)	1,855
Effect of losses at Holding level without tax impact /Income from dividends and FV gains on listed securities recognized only at holding level	(1,838)	3,784
DTA recognized as gain on acquisition of subsidiaries and additional deferred tax liability from newly acquired land	—	203
Tax value adjustments in local jurisdictions related to previous years (including foreign exchange impact on non-financial tax base and statutory adjustments) and tax impact between Group weighted tax rate and operating / holding tax rate	3,385	8,408
Tax depreciable goodwill recognised in local subsidiaries and not recognized at Group level	—	13,491
Deferred tax assets released due to fiscal losses expired and/or not utilised in the current year or expected to expire without being utilised in future periods mainly due to COVID-19 context	(7,050)	(1,890)
Deferred tax asset recognised for prior year tax losses	11,695	—
Deferred tax asset recognised for additional fiscal losses incurred in the current year and derived from tax deductions in relation to statutory expenses eliminated for IFRS	1,339	3,348
Others	(1,279)	1,547
TOTAL Group tax credit/(expense)	26,528	(42,701)
Effective tax rate (Group consolidated (Loss)/ Profit Before Tax)	13%	9%

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

The Group uses a conservative accounting method for the treatment of deferred taxes assuming the theoretical future disposals of properties in the form of asset deals, triggering the full corporate income tax rate in each jurisdiction in which the Group owns property. In practice, if the Group would be in the position to dispose of certain assets, these disposals will most probably be conducted via share deals, as assets are held in separate SPVs, significantly reducing the effective tax rate on potential capital gains.

Group subsidiaries are subject to corporate tax on an annual basis. The Group carries forward aggregate fiscal losses of €228,066 thousand (31 December 2019: €217,923 thousand), which are available for up to seven years to offset against any future taxable profits of the companies in which the losses arose. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine recognisable deferred tax assets, based on the likely timing and the level of future taxable profits and future tax planning strategies. Deferred tax assets have not been recognised for fiscal losses of €50,920 thousand (31 December 2019: €8,314 thousand) as these could have been used only to offset the taxable profits of certain companies in the Group, and there is uncertainty whether these companies will either generate sufficient taxable profit in the future, especially in the current COVID-19 pandemic context, or the profits tax legislation recently introduced will allow such losses to be recovered.

The Group does not withhold taxes on distribution paid.

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

24 NET ASSET VALUE PER SHARE

<i>in € thousand, unless otherwise stated</i>	31 Dec 2020	31 Dec 2019
Net Asset Value (per the Statement of financial position)	3,687,068	4,096,880
Deferred tax liabilities for controlled subsidiaries	341,324	384,028
Deferred tax assets for controlled subsidiaries	(34,678)	(15,209)
Goodwill	(76,804)	(87,114)
Derivative financial assets at fair value through profit or loss	(1,019)	(2,903)
Derivative financial liabilities at fair value through profit or loss	5,430	6,714
Deferred tax liabilities for joint ventures	5,487	5,301
Derivatives at fair value through profit or loss for joint ventures	688	810
EPRA Net Reinstatement Value	3,927,496	4,388,507
Net Asset Value per share (euro)	6.05	6.83
EPRA Net Reinstatement Value per share (euro)	6.45	7.32
Number of shares for Net Asset Value / EPRA Net Reinstatement Value (Note 31)	608,994,907	599,797,201

25 NET RENTAL AND RELATED INCOME

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Gross rental income	379,810	407,139
Service charge income	156,685	176,841
Gross rental and service charge income	536,495	583,980
Property management fees, tax, insurance and utilities	(96,400)	(108,720)
Property maintenance cost	(63,813)	(73,737)
Net expected credit losses	(6,269)	(785)
Property operating expenses	(166,482)	(183,242)
Partial forgiveness of receivables (COVID-19 forgiveness)	(47,049)	—
TOTAL NET RENTAL AND RELATED INCOME	322,964	400,738

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Utility expenses^	(49,023)	(61,564)
Property related taxes	(23,985)	(23,584)
Property management fees	(21,561)	(21,745)
Property insurance expenses	(1,831)	(1,827)
Property management fees, tax, insurance and utilities	(96,400)	(108,720)

[^]As described in note 4.20, the Group acts as principal in relation to the provision of utilities to its tenants. Thus, utility expenses and the corresponding utility recoveries are recognised, on a gross basis, in the Property operating expenses and Service charge income respectively.

Property maintenance cost presented above comprises of:

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Cleaning and security	(28,165)	(29,220)
Maintenance and repairs	(18,792)	(20,582)
Marketing	(10,620)	(16,204)
Services and related costs	(3,541)	(3,670)
Other	(2,695)	(4,061)
Property maintenance cost	(63,813)	(73,737)

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

A proportion of 3.1% (€11,761 thousand) of the Gross rental income is represented by the turnover rent (paid on top of fixed rent) as at 31 December 2020 (31 December 2019: 3.3% (€13,436 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.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Lease incentives are straight-lined over the lease term. The lease term corresponds to the contractual duration for the majority of the leases, except for the anchor tenants, for which the lease duration is assessed by the Group based on past experience and taking into account factors such as: GLA of the property where the anchor tenant is located, catchment area, dominance/competition in the catchment area or purchasing power.

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

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
No later than 1 year	367,239	380,181
Between 1-2 years	301,280	303,874
Between 2-3 years	247,983	253,983
Between 3-4 years	184,795	194,816
Between 4-5 years	116,299	123,639
Later than 6 years	228,474	239,420
TOTAL	1,446,070	1,495,913

The breakdown of the net rental and related income by country is disclosed in Note 34.

26 ADMINISTRATIVE EXPENSES

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Staff costs*	(7,496)	(10,719)
Directors' remuneration (Note 37)	(3,315)	(3,677)
Advisory services	(4,524)	(3,033)
Audit services	(1,224)	(1,117)
Companies administration	(1,064)	(1,115)
Travel and accommodation	(394)	(901)
Stock exchange expenses	(569)	(773)
Share based payment expense (Note 4.17)	(867)	(215)
Transaction fees	(1,385)	—
TOTAL	(20,838)	(21,550)

*Staff costs capitalised on investment property under development in 2020 amount to €1,473 thousand (2019: €3,243 thousand).

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Out of the above administrative services, fees related to PwC, the Group's auditor, are summarised below:

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Audit fees*	(1,224)	(1,117)
Other assurance services	(42)	(23)
Other consulting services**	(65)	(42)
TOTAL^	(1,331)	(1,182)

*The audit fees include €51 thousand for audit services rendered by PwC in connection to the closing accounts for the disposal of Romanian office portfolio.

**In line with its policy on the provision of non-audit services by the Group's external auditor, based on the Audit Committee's approval, NEPI Rockcastle engaged PwC Isle of Man in order to assist with the assessment of the design and operating effectiveness of the Group's corporate governance framework. The contract was concluded in January 2020 and the service delivery was completed by December 31, 2020.

^Additional fees for other assurance services rendered by PwC in connection to bond issues are included in Note 19.

27 TRANSACTION FEES

The Group incurred transaction fees in respect of the following:

<i>€ thousand</i>	31 Dec 2020	31 Dec 2019
Fees for finalised transactions	—	(4,850)
Fees for ongoing transactions	—	(561)
TOTAL	—	(5,411)

Out of the fees for finalised transactions, an amount of € 3,551 thousand was in connection to a transfer tax paid for the acquisition of Mammut Shopping Center. While the transaction was completed in 2018, the amount of the transfer tax resulted from decision issued by tax authorities in 2019.

28 FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTY

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Fair value adjustments of investment property in use (Note 9)	(342,609)	133,804
Fair value adjustments of investment property under development (Note 10)	(1,708)	2,495
Fair value adjustments of investment property held for sale (Note 16.1)	(691)	(1,361)
Fair value adjustments of right-of-use assets (Note 9)	(245)	(229)
TOTAL	(345,253)	134,709

29 NET FINANCE EXPENSE

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Interest income on loans granted to joint ventures	1,468	1,551
Interest on Loan to participants under Share Purchase Scheme	112	216
Interest on bank deposits	61	171
Finance income	1,641	1,938
Bonds borrowing costs*	(46,485)	(37,149)
Interest expense on bank borrowings	(13,305)	(18,929)
Interest expense on borrowings from third parties (Note 22)	(939)	(1,079)
Interest expense on lease liabilities related to right of use assets (recognised as per IFRS 16) (Note 22)	(588)	(559)
Interest expense capitalised on developments	2,612	5,221
Bank charges	(2,981)	(1,960)
Finance expense	(61,686)	(54,455)
TOTAL	(60,045)	(52,517)

*Bonds borrowing costs include coupon, amortisation of borrowing costs and debt discount.

30 FAIR VALUE ADJUSTMENTS OF DERIVATIVES AND LOSSES ON EXTINGUISHMENT OF FINANCIAL INSTRUMENTS

<i>in € thousand</i>	31 Dec 2020	31 Dec 2019
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	(10,539)	(23,743)

Out of the fair value adjustments of derivatives and losses on extinguishment of financial instruments, a loss of €9,372 thousand (31 December 2019: €11,893 thousand) was incurred in relation to the €197.8 million nominal value bond notes due in February 2021, €3.98 million nominal value bond notes due in May 2023 and €1.02 million nominal value bond notes due in November 2024 (refer to Note 19). The remaining amount of €1,428 thousand corresponded mainly to the net fair value adjustment in relation to the interest rate derivatives (31 December 2019: €11,850 thousand).

31 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2020 was based on the loss attributable to equity holders of € 174,921 thousand (31 December 2019: €416,235 thousand) and the weighted average of 624,960,803 (31

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

December 2019: 611,303,384) ordinary shares in issue during the year (weighted average number of shares has been adjusted for each period presented in respect of the *capitalisation issue* on 21 September 2020, as required by IAS 33 Earnings per Share).

<i>€ thousand, unless otherwise stated</i>	31 Dec 2020	31 Dec 2019
(Loss) / Profit for the year attributable to equity holders	(174,921)	416,235
Weighted average number of shares in issue*	624,960,803	611,303,384
Diluted weighted average number of shares in issue*	624,960,803	611,303,384
Basic/ diluted (loss)/earnings per share (euro cents) attributable to equity holders	(27.99)	68.09

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

Weighted and diluted weighted average number of shares for basic and diluted earnings per share purposes:

2020	Event	Cumulative number of shares after equity-related transactions	% of period	Weighted average
01/01/2020	Opening balance	599,797,201	26	157,754,880
06/04/2020	Return of capital	600,921,133	66	393,479,865
01/12/2020	Repurchase of shares**	583,203,373	8	47,934,524
31/12/2020	Closing balance before adjustment for <i>capitalisation issue</i> on 21 September 2020	583,203,373		599,169,269
	Adjustment for the <i>capitalisation issue</i> on 21 September	25,791,534		25,791,534*
31/12/2020	Closing balance after the adjustment for <i>capitalisation issue</i> on 21 September 2020	608,994,907		624,960,803*

*Adjustment as per IAS 33 Earnings per Share.

**The repurchase of shares was performed in the period 23 November and 4 December 2020; for the purpose of computation of weighted average number of shares, the date of 1 December 2020 was used as repurchase date.

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

2019	Event	Cumulative number of shares after equity-related transactions	% of period	Weighted average
01/01/19	Opening balance	577,800,734	33	188,896,394
29/04/2019	Return of capital	585,838,887	51	297,747,786
01/11/2019	Return of capital	599,797,201	16	98,867,670
31/12/2019	Closing balance before adjustment for <i>capitalisation issue</i> on 21 September 2020	599,797,201		585,511,850
	Adjustment for the <i>capitalisation issue</i> on 21 September	—		25,791,534*
31/12/2019	Closing balance after the adjustment for <i>capitalisation issue</i> on 21 September 2020	599,797,201		611,303,384*

* Adjustment as per IAS 33 Earnings per Share.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

32 HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the year ended 31 December 2020 was based on headline earnings of €113,230 thousand (31 December 2019: €301,066 thousand) and the weighted average of 624,960,803 (31 December 2019: 611,303,384) ordinary shares in issue during the year (weighted average number of shares has been adjusted for each period presented in respect of the *capitalisation issue* on 21 September 2020, as required by IAS 33 Earnings per Share).

Reconciliation of (loss)/ profit for the year to headline earnings <i>€ thousand, unless otherwise stated</i>	31 Dec 2020	31 Dec 2019
(Loss)/ Profit for the year attributable to equity holders	(174,921)	416,235
Fair value adjustments of investment property (Note 28)	345,253	(134,709)
Gain on disposal of assets held for sale	(2,310)	(123)
Gain on acquisition of subsidiaries	—	(446)
Impairment of goodwill	—	5,956
Gain on disposal of joint venture	—	(3,588)
Tax effects of adjustments for controlled subsidiaries	(56,373)	20,453
Fair value adjustment of investment property for joint ventures	1,882	(3,227)
Tax effects of adjustments for joint ventures	(301)	515
HEADLINE EARNINGS	113,230	301,066
Weighted average number of shares in issue*	624,960,803	611,303,384
Diluted weighted average number of shares in issue*	624,960,803	611,303,384
Headline earnings per share (euro cents)	18.12	49.25
Diluted headline earnings per share (euro cents)	18.12	49.25

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

33 JOINT VENTURES

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

The summarised financial statements of the joint ventures are presented below at 100%. The “Investments in joint ventures” line on the Consolidated Statement of financial position represents 50% of the line “Equity attributable to equity holders”, as shown below. The “Share of (loss)/profit of joint ventures” line on the Consolidated Statement of comprehensive income represents 50% of the line “Total comprehensive (loss)/income attributable to equity holders”, as presented below.

Statement of financial position

31 Dec 2020	Ploiesti Shopping City	Total
Non-current assets	110,387	110,387
Current assets	14,666	14,666
Total Assets	125,053	125,053
Non-current liabilities	(78,206)	(78,206)
Current liabilities	(3,333)	(3,333)
Total Liabilities	(81,539)	(81,539)
Equity attributable to equity holders	(43,514)	(43,514)
TOTAL EQUITY AND LIABILITIES	(125,053)	(125,053)
INVESTMENT IN JOINT VENTURES (50% of the equity attributable to equity holders)		21,757

31 Dec 2019	Ploiesti Shopping City	Total
Non-current assets	113,777	113,777
Current assets	12,532	12,532
Total Assets	126,309	126,309
Non-current liabilities	(76,537)	(76,537)
Current liabilities	(4,084)	(4,084)
Total Liabilities	(80,621)	(80,621)

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

31 Dec 2019	Ploiesti Shopping City	Total
Equity attributable to equity holders	(45,688)	(45,688)
TOTAL EQUITY AND LIABILITIES	(126,309)	(126,309)
INVESTMENT IN JOINT VENTURES (50% of the equity attributable to equity holders)		22,844

Statement of comprehensive income

31 Dec 2020	Ploiesti Shopping City	Total
Revenue from rent and recoveries	10,972	10,972
Property operating expenses	(3,498)	(3,498)
Partial forgiveness of receivables (COVID-19 forgiveness)	(1,358)	(1,358)
Administrative expenses	(268)	(268)
Fair value adjustment investment property	(3,765)	(3,765)
Foreign exchange loss	(16)	(16)
Profit before net finance expense and other items	2,067	2,067
Net finance expense	(4,087)	(4,087)
Interest income	59	59
Interest expense	(4,140)	(4,140)
Other net finance expense	(6)	(6)
Other items	244	244
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	244	244
(Loss) before tax	(1,776)	(1,776)
Income tax expense	(396)	(396)
TOTAL COMPREHENSIVE (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS	(2,172)	(2,172)
Share of (loss) of joint venture (50% of the Loss of the period)		(1,086)

NEPI ROCKCASTLE PLC
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020

31 Dec 2019	Ploiesti Shopping City	The Office Cluj-Napoca	Total
Revenue from rent and recoveries	11,996	5,152	17,148
Property operating expenses	(3,212)	(952)	(4,164)
Administrative expenses	(173)	(105)	(278)
Fair value adjustment investment property	6,454	—	6,454
Foreign exchange (loss)/gain	(208)	10	(198)
Profit before net finance expense and other items	14,857	4,105	18,962
Net finance expense	(4,274)	(1,019)	(5,293)
Interest income	86	—	86
Interest expense	(4,359)	(694)	(5,053)
Other net finance expense	(1)	(325)	(326)
Other items	88	14	102
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	88	14	102
Profit before tax	10,671	3,100	13,771
Income tax expense	(1,818)	(209)	(2,027)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS	8,853	2,891	11,744
Share of profit of joint venture (50% of the Profit for the year)			5,872

Shareholder loans to Ploiesti Shopping City were granted by NE Property BV (formerly NE Property Cooperatief UA). Interest income from joint ventures in 2020 amounted to €1,468 thousand (2019: €1,567 thousand).

31 Dec 2020	Ploiesti Shopping City	Total
Long-term loans granted to joint ventures	22,620	22,620

31 Dec 2019	Ploiesti Shopping City	Total
Long-term loans granted to joint ventures	21,220	21,220

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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

31 Dec 2020	Ploiesti Shopping City	Total
Cash and cash equivalents	11,722	11,722
Bank loans (non-current liabilities)	(19,458)	(19,458)
Bank loans (current liabilities)	(2,144)	(2,144)

31 Dec 2019	Ploiesti Shopping City	Total
Cash and cash equivalents	10,990	10,990
Bank loans (non-current liabilities)	(21,598)	(21,598)
Bank loans (current liabilities)	(2,142)	(2,142)

Secured term loans

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

Securities

- General security over the properties (weighted fair value as at 31 December 2020), current assets, cash inflows from operating activities, accounts and receivables

Covenants

- Debt service cover ratio of minimum 120%, and
- Loan to value ratio of maximum 60%.

34 SEGMENT REPORTING

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

There are no sales between segments. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets. Segment assets represent investment property. Segment liabilities represent loans and borrowings, as these are the only liabilities reported on a segmental basis.

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Segment results 31 Dec 2020 € thousand	Retail	Office	Industrial	Corporate	Total
Net rental and related income **	300,656	20,530	1,778	—	322,964
Gross rental income	357,556	20,344	1,910	—	379,810
Service charge income	148,413	8,052	220	—	156,685
Property operating expenses	(158,269)	(7,861)	(352)	—	(166,482)
Partial forgiveness of receivables (COVID-19 forgiveness)	(47,044)	(5)	—	—	(47,049)
Administrative expenses	(10,483)	176	(34)	(10,497)	(20,838)
EBITDA*	290,173	20,706	1,744	(10,497)	302,126
Net result from financial investments	—	—	—	(88,250)	(88,250)
Income from financial investments at fair value through profit or loss	—	—	—	5,517	5,517
Fair value loss and net result on sale of financial investments at fair value through profit or loss	—	—	—	(93,767)	(93,767)
Fair value adjustments of investment property	(343,178)	(1,731)	(344)	—	(345,253)
Foreign exchange (loss)/gain	(2,082)	(234)	(29)	680	(1,665)
(Loss)/Gain on disposal of assets held for sale	—	(370)	—	2,680	2,310
(Loss)/ Profit before net finance expense and other items	(55,087)	18,371	1,371	(95,387)	(130,732)

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

**Out of the total rental and related income associated to the Office segment, €14.2 million relates to the Romanian office portfolio disposed of on 27 August 2020.

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Segment results 31 Dec 2019 € thousand	Retail	Office	Industrial	Corporate	Total
Net rental and related income	369,067	29,756	1,915	—	400,738
Gross rental income	375,378	29,830	1,931	—	407,139
Service charge income	164,894	11,728	219	—	176,841
Property operating expenses	(171,205)	(11,802)	(235)	—	(183,242)
Administrative expenses	(13,602)	(897)	(56)	(6,995)	(21,550)
EBITDA*	355,465	28,859	1,859	(6,995)	379,188
Net result from financial investments	—	—	—	23,651	23,651
Income from financial investments at fair value through profit or loss	—	—	—	12,560	12,560
Fair value gain and net result on sale of financial investments at fair value through profit or loss	—	—	—	11,091	11,091
Transaction fees	(5,375)	(36)	—	—	(5,411)
Fair value adjustments of investment property	132,555	929	1,225	—	134,709
Foreign exchange (loss)/gain	(1,168)	(181)	(22)	464	(907)
Gain on acquisition of subsidiaries	446	—	—	—	446
Gain on disposal of assets held for sale	—	-	—	123	123
Gain on disposal of joint venture	—	-	—	3,588	3,588
Profit before net finance expense and other items	481,923	29,571	3,062	20,831	535,387

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

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Segment assets and liabilities 31 Dec 2019 <i>€ thousand</i>	Retail	Office	Industrial	Corporate	Total
SEGMENT ASSETS					
Non-current assets	6,059,553	76,518	16,870	16,229	6,169,170
Investment property	5,931,230	74,500	16,870	—	6,022,600
— Investment property in use	5,709,389	74,500	16,870	—	5,800,759
— Investment property under development	221,841	—	—	—	221,841
Goodwill	70,922	—	—	5,882	76,804
Deferred tax assets	13,191	2,018	—	—	15,209
Investments in joint ventures	22,844	—	—	—	22,844
Long-term loans granted to joint ventures	21,220	—	—	—	21,220
Other long-term assets	146	—	—	7,444	7,590
Derivative financial assets at fair value through profit or loss	—	—	—	2,903	2,903
Current assets	177,053	3,343	1,706	285,089	467,191
Trade and other receivables	83,628	845	136	4,774	89,383
Financial investments at fair value through profit or loss	—	—	—	169,062	169,062
Cash and cash equivalents	93,425	2,498	1,570	111,253	208,746
Assets held for sale	1,178	336,561	—	—	337,739
TOTAL ASSETS	6,237,784	416,422	18,576	301,318	6,974,100

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Segment assets and liabilities 31 Dec 2019	Retail	Office	Industrial	Corporate	Total
SEGMENT LIABILITIES					
Non-current liabilities	910,616	4,019	2,559	1,770,203	2,687,397
Bank loans	482,968	—	—	91,144	574,112
Bonds	—	—	—	1,677,779	1,677,779
Deferred tax liabilities	350,586	3,223	947	—	354,756
Other long-term liabilities	71,626	796	1,612	2	74,036
Derivative financial liabilities at fair value through profit or loss	5,436	—	—	1,278	6,714
Current liabilities	117,286	6,166	336	26,997	150,785
Trade and other payables	107,471	6,166	336	16,438	130,411
Bank loans	9,815	—	—	—	9,815
Bonds	—	—	—	10,559	10,559
Liabilities held for sale	—	39,038	—	—	39,038
TOTAL LIABILITIES	1,027,902	49,223	2,895	1,797,200	2,877,220

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

Country results 31 Dec 2020 € thousand	Net rental and related income	Profit/(loss) before tax	Investment property
Romania**	133,001	13,604	2,026,631
Poland	56,908	(48,121)	1,420,857
Slovakia	31,031	(4,744)	523,644
Hungary	28,882	(1,104)	577,200
Bulgaria	25,354	(5,863)	486,807
Croatia	16,762	3,093	262,330
Serbia	12,522	(3,586)	191,949
Lithuania	9,430	12,918	141,980
Czech Republic	9,146	(6,377)	171,000
United Kingdom**	(72)	(205)	—
Corporate*	—	(162,017)	—
Total	322,964	(202,402)	5,802,398

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

**Investment property excludes held for sale portfolio.

NEPI ROCKCASTLE PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Country results 31 Dec 2019 <i>€ thousand</i>	Net rental and related income	Profit/(loss) before tax	Investment property
Romania**	160,293	251,324	2,091,484
Poland	80,242	56,495	1,465,364
Slovakia	37,037	27,686	554,872
Bulgaria	35,862	38,922	514,770
Hungary	35,215	44,155	603,900
Croatia	18,718	27,376	275,600
Serbia	13,130	15,959	201,130
Czech Republic	10,650	6,297	182,900
Lithuania	9,595	12,143	132,580
United Kingdom**	(4)	170	—
Corporate*	—	(21,484)	—
Total	400,738	459,043	6,022,600

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

**Investment property excludes held for sale portfolio.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

RECONCILIATION OF (LOSS)/ PROFIT FOR THE YEAR TO DISTRIBUTABLE EARNINGS	31 Dec 2020
<i>€ thousand, unless otherwise stated</i>	
(Loss) per IFRS Statement of comprehensive income attributable to equity holders	(174,921)
Accounting specific adjustments	407,336
Fair value adjustments of investment property for controlled subsidiaries	345,253
Fair value loss and net result on sale of financial investments at fair value through profit or loss	93,767
Depreciation in relation to property, plant and equipment of an administrative nature	580
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	10,539
Amortisation of financial assets	(759)
Deferred tax income for controlled subsidiaries	(32,440)
Income from financial investments at fair value through profit or loss	(5,517)
Gain on disposal of assets held for sale	(2,310)
Adjustments related to joint ventures:	1,946
Fair value adjustment investment property for joint ventures	1,882
Fair value adjustments of derivatives and losses on extinguishment of financial instruments for joint ventures	(122)
Deferred tax expense for joint ventures	186
Adjustments related to non-controlling interest:	(1,064)
Fair value adjustment investment property for non-controlling interest	(1,186)
Deferred tax income for non-controlling interest	122
Antecedent earnings	(2,659)
Distributable earnings	232,415
Interim distributable earnings	(118,168)
Final distributable earnings	(114,247)
Distributable earnings per share (euro cents)	38.42
Interim distributable earnings per share (euro cents)	19.66
Final distributable earnings per share (euro cents)	18.76
Distribution declared	102,822
Interim distribution	—
Final distribution	102,822
Distribution declared per share (euro cents)	16.88
Interim distribution per share (euro cents)	—
Final distribution per share (euro cents)	16.88

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

RECONCILIATION OF (LOSS)/ PROFIT FOR THE YEAR TO DISTRIBUTABLE EARNINGS	31 Dec 2020
<i>€ thousand, unless otherwise stated</i>	
Earnings not distributed	129,593
Earnings not distributed per share (euro cents)	21.54
Number of shares entitled to interim distribution	600,921,133
Number of shares entitled to final distribution	608,994,907

**Distributable earnings per share for 2020 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.*

RECONCILIATION OF PROFIT FOR THE YEAR TO DISTRIBUTABLE EARNINGS	31 Dec 2019
<i>€ thousand, unless otherwise stated</i>	
Profit for the year attributable to equity holders	416,235
Reverse indirect result	(97,402)
Foreign exchange loss	907
Transaction fees	5,411
Fair value adjustments of investment property for controlled subsidiaries	(134,709)
Gain on acquisition of subsidiaries	(446)
Fair value gain and net result on sale of financial investments at fair value through profit or loss	(11,091)
Income from financial investments at fair value through profit or loss	(12,560)
Gain on disposal of assets held for sale	(123)
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	23,743
Deferred tax expense for controlled subsidiaries	31,370
Gain on disposal of joint venture	(3,588)
Impairment of goodwill	5,956
Fair value adjustments of investment property for joint ventures	(3,227)
Fair value adjustments of derivatives and losses on extinguishment of financial instruments	(51)
Deferred tax expense for joint ventures	907
Foreign exchange loss for joint ventures	99
Company specific adjustments	10,916
Amortisation of financial assets	(1,533)
Realised foreign exchange loss for controlled subsidiaries	(30)
Realised foreign exchange loss for joint ventures	(7)
Accrued income from financial investments at fair value through profit or loss	12,349

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

RECONCILIATION OF PROFIT FOR THE YEAR TO DISTRIBUTABLE EARNINGS	31 Dec 2019
<i>€ thousand, unless otherwise stated</i>	
Fair value adjustment of investment property for non-controlling interest	138
Deferred tax expense for non-controlling interest	(1)
Antecedent earnings	4,062
Distributable earnings	333,811
Less: Distribution declared	(333,811)
Interim distribution	(170,030)
Final distribution	(163,781)
Earnings not distributed	—
Number of shares entitled to interim distribution	585,838,887
Number of shares entitled to final distribution	599,797,201
Distributable earnings per share (euro cents)	56.33
Less: Distribution declared per share (euro cents)	(56.33)
Interim distribution per share (euro cents)	(29.02)
Final distribution per share (euro cents)	(27.31)

35 CASH FLOW FROM OPERATIONS

<i>in € thousand</i>	Note	31 Dec 2020	31 Dec 2019
OPERATING ACTIVITIES			
(Loss)/Profit after tax		(175,874)	416,342
Adjustments		477,494	(36,693)
Fair value adjustments of investment property	28	345,253	(134,709)
Fair value loss/(gain) and net result on sale of financial investments at fair value through profit or loss	13	93,767	(11,091)
Income from financial investments at fair value through profit or loss	13	(5,517)	(12,560)
Foreign exchange loss		1,665	907
Gain on disposal of joint venture		—	(3,588)
Gain on disposal of assets held for sale		(2,310)	(123)
Gain on acquisition of subsidiaries		—	(446)
Impairment of goodwill	12	—	5,956
Net finance expense	29	60,045	52,517
Fair value adjustments of derivatives and losses on extinguishment of financial instruments		10,539	23,743

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

<i>in € thousand</i>	Note	31 Dec 2020	31 Dec 2019
Deferred tax (income)/expense	23	(32,440)	31,370
Current tax expense	23	5,912	11,331
Depreciation expense for property, plant and equipment		580	—
Changes in working capital		(5,622)	1,667
Decrease in trade and other receivables		11,158	2,415
(Decrease) in trade and other payables		(16,780)	(748)
Cash flow from operations		295,998	381,316

36 CONTINGENT ASSETS AND LIABILITIES

Guarantees

As at 31 December 2020, the Group had received letters of guarantee from tenants worth €105,939 thousand (31 December 2019: €114,053 thousand) and from suppliers worth €12,627 thousand (31 December 2019: €31,900 thousand) related to ongoing developments.

In October 2017, one of the Group's subsidiaries entered into an agreement in relation to the conditional acquisition of an operating shopping centre and a related development. On 1 January 2019, upon the lapse of the respective transaction's long stop date, the subsidiary notified the counterparty that it had exercised its right to terminate the transaction as the long stop date had passed and certain conditions precedent had not been met. The counterparty consequently initiated arbitration proceedings against the Group, claiming a contractual penalty in the amount of €30 million. The Group is confident that its subsidiary has lawfully terminated the agreement and therefore has a solid defence against the potential sellers' claim. Despite the above, the arbitration proceedings and their outcome (similarly to litigation proceedings) are subject to the independent deliberation of the arbiters engaged with the dispute.

37 RELATED PARTY TRANSACTIONS

Identity of related parties with whom material transactions have occurred

The Directors and jointly controlled entities are related parties for the Group.

Material related party transactions

Fees paid to Directors, together with the performance bonus, during the current and previous year are detailed below. No other payments were made to Directors by NEPI Rockcastle, except reimbursements for travel and accommodation.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Transactions with joint ventures are presented in Note 33.

	31 Dec 20		31 Dec 19		
	Directors' fees	Performance bonus	Directors' fees	Performance bonus	Exit grants
Alex Morar	600	690	580	344	—
Spiro Noussis ¹	—	—	—	—	640
Mirela Covasa	400	475	395	266	—
Nick Matulovich ²	—	—	—	—	493
Marek Noetzel	300	313	293	169	—
Robert Emslie*	113	—	122	—	—
Antoine Dijkstra*	70	—	66	—	—
Andre van der Veer*	90	—	95	—	—
George Aase*	70	—	59	—	—
Andreas Klengen ^{3*}	68	—	38	—	—
Vuso Majija ^{4*}	27	—	57	—	—
Desmond de Beer ^{5*}	36	—	60	—	—
Steve Brown ⁴	38	—	—	—	—
Andries de Lange ⁵	25	—	—	—	—
TOTAL	1,837	1,478	1,765	779	1,133

¹Mr. Spiro Noussis has retired from his position as Executive Director (formerly co-CEO) with effect from 31 December 2018.

²Mr. Nick Matulovich has retired from his position as Executive Director by not standing for re-election at the annual general meeting of shareholders held on 28 August 2018.

³Mr. Andreas Klengen was appointed as an Independent Non-Executive Director of the Company with effect from 17 April 2019.

⁴Mr. Vuso Majija has terminated his appointment as a non-Independent Non-Executive Director effective from 28 April 2020. The Board has approved the appointment of Steven Brown as non-Independent Non-Executive Director of the Company, with Mr. Majija acting as alternate Director to Mr. Brown with effect from 28 April 2020.

⁵Mr. Desmond de Beer has retired from his position as a non-Independent Non-Executive Director effective from 27 May 2020. The Board appointed Andries de Lange as non-Independent Non-Executive Director of the Company with effect from 27 May 2020.

*The remuneration of the Non-Executive Directors for 2020 includes a cumulative amount of €73.3 thousand paid for special duties or services performed during 2019.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

(a) Shares held under the Share Purchase Schemes^:

Name of Director	Number of shares held as at 31 Dec 2020**	Number of shares held as at 31 Dec 2019
Marek Noetzel	88,358	84,721
TOTAL	88,358	84,721

[^]Shares presented in the table above are pledged as security for the loan under Share Purchase Scheme.

(b) Shares unvested under the LTSIP^

Name of Director	Number of shares unvested at 31 Dec 2020**	Number of shares held as at 31 Dec 2019
Alex Morar	357,740	222,028
Mirela Covasa	258,501	173,706
Marek Noetzel	105,188	71,686
TOTAL	721,429	467,420

**There were no changes to the Directors' unvested shares from 31 December 2020 to the approval of the annual audited consolidated financial statements.

[^]None of the unvested shares of the directors are subject to security, guarantee, collateral and they are not encumbered in any way.

The directors of the Group hold 2,340,538 shares as at 31 December 2020 (31 December 2019: 11,232,796 shares), which represents 0.38% of the outstanding shares (31 December 2019: 1.88% of the outstanding shares). Out of the above-mentioned shareholding, 176,726 shares (31 December 2019: 9,516,706 shares) which represent 0.03% of the outstanding shares (31 December 2019: 1.59% of the outstanding shares) are held by the non-executive directors.

38 SUBSEQUENT EVENTS

As already mentioned in Note 3, COVID-19 pandemic had a significant impact on the market conditions and Group's business in 2020. Subsequent to the year-end, restrictions adopted by various Governments to contain the spread of COVID-19 continued in some of the Group's countries of operations. During January 2021, approximately 80% of the Group's GLA was operational, mainly due to the lockdowns affecting Poland, Bulgaria, Slovakia, Czech Republic and Lithuania from mid- or end of December 2020 and restrictions affecting specific retail activities in Romania and Croatia. Starting 1 February, the restrictions in Poland, Romania and Bulgaria were eased, leading to 85% of the GLA becoming operational.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

From late December 2020, the CEE governments have started immunising their population against COVID-19, with the pace of vaccination expected to accelerate in the upcoming months. Such measures are expected to lead to easing of various ongoing restrictions and allow retail activities to continue their trading, with positive effect on the Group's operational GLA. However, COVID-19 pandemic will continue to affect the economic conditions and Group's business at least during the first part of the year 2021.

The impact of the current and potential future restrictions is likely to include additional rental concessions granted to tenants, disruption to turnover rents, a longer than usual time for re-letting the vacant units, and the prospect of further tenant bankruptcies.

NEPI Rockcastle is confident in the quality of its assets and its strong balance sheet, with €1.2 billion in liquidity (€643 million as cash and cash equivalents and €575 million as revolving credit facilities) and limited short-term debt (short-term bonds and bank loans amounting to €261 million).

Except for the above, the Directors are not aware of any other subsequent events from 31 December 2020 and up to the date of signing these consolidated financial statements which are likely to have a material effect on the financial information contained in this report.

OTHER INFORMATION

31 DECEMBER 2020

APPENDIX 1

EPRA PERFORMANCE MEASURES

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

The Group won the Silver Award for BPR for financial reporting in 2019, as a recognition of its commitment to transparency in reporting and compliance with industry best practices. The Group has further improved its financial reporting and BPR compliance, achievements which were recognised by EPRA in 2020 through the Gold Award, the highest standard for transparency of financial performance measures.

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

EPRA indicators	31 December 2020	31 December 2019
EPRA Earnings (€ thousand)	240,770	330,623
EPRA Earnings per share (€ cents per share)	39.81	55.79
EPRA Net Initial Yield (NIY)	6.70%	6.65%
EPRA topped-up NIY	6.75%	6.71%
EPRA Vacancy Rate	4.30%	2.10%
EPRA Net Reinstatement Value (NRV)*	6.45	7.32
EPRA Net Tangible Assets (NTA)*	6.42	7.25
EPRA Net Disposal Value (NDV)*	5.79	6.61
EPRA Cost ratio (including direct vacancy cost)	10.5%	8.1%
EPRA Cost ratio (excluding direct vacancy cost)	10.3%	8.0%

**NRV, NTA and NDV measures implemented effective from 1 January 2020; the comparative measures have been restated/computed in line with the current EPRA guidance. For the Group, EPRA NRV corresponds to former EPRA NAV and EPRA NDV corresponds to former EPRA NNNAV.*

EPRA Earnings

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

OTHER INFORMATION

31 DECEMBER 2020

EPRA Earnings	31 December 2020	31 December 2019
Earnings in IFRS Consolidated Statement of comprehensive income	(174,921)	416,235
Fair value adjustments of investment property for controlled subsidiaries	345,253	(134,709)
Fair value (loss)/ gain and net result on sale of financial investments at fair value through profit or loss	93,767	(11,091)
Gain on acquisition of subsidiaries	—	(446)
Gain on disposal of assets held for sale	(2,310)	(123)
Gain on disposal of joint ventures	—	(3,588)
Impairment of goodwill	—	5,956
Fair value adjustment of derivatives and losses of extinguishment of financial instruments	10,539	23,743
Transaction fees	—	5,411
Deferred tax (income)/expense for controlled subsidiaries	(32,440)	31,370
Adjustments above in respect of joint ventures	1,946	(2,272)
Non-controlling interest	(1,064)	137
EPRA Earnings (interim)	123,710	168,077
EPRA Earnings (final)	117,060	162,545
EPRA Earnings (total)	240,770	330,623
Number of shares for interim distribution	600,921,133	585,838,887
Number of shares for final distribution	608,994,907	599,797,201
EPRA Earnings per Share (EPS interim)	20.59	28.69
EPRA Earnings per Share (EPS final)	19.22	27.10
EPRA Earnings per Share (EPS)*	39.81	55.79
Company specific adjustments:		
Amortisation of financial assets	(759)	(1,533)
Depreciation expense for property, plant and equipment	580	—
Reverse foreign exchange gains/losses	—	907
Add back realised foreign exchange gains/losses	—	(37)
Reverse income from financial investments at fair value through profit or loss	(5,517)	(12,560)

OTHER INFORMATION

31 DECEMBER 2020

EPRA Earnings	31 December 2020	31 December 2019
Accrued income from financial investments at fair value through profit or loss**	—	12,349
Antecedent earnings	(2,659)	4,062
Distributable Earnings (Interim)	118,168	170,030
Distributable Earnings (final)	114,247	163,781
Distributable Earnings (total)	232,415	333,811
Distributable Earnings per Share (interim)	19.66	29.02
Distributable Earnings per Share (final) (euro)	18.76	27.31
Distributable Earnings per Share (total) (euro)	38.42	56.33

*Adjusted for interim and final number of shares.

**Dividends from financial investments are recognised on IFRS when the company's right to receive payment is established and the amount of the dividend can be measured reliably. For distribution purposes, whose computation is in line with the Best Practice Recommendations of the South African REIT Association, the dividends recognised under IFRS are reversed and an adjustment matching the income to the period for which the investment is held is made under "accrued income from financial investments at fair value through profit or loss".

EPRA Net Asset Value metrics

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

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

EPRA Net Reinstatement Value

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

EPRA Net Tangible Assets

OTHER INFORMATION

31 DECEMBER 2020

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

EPRA Net Disposal Value

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

For more detailed explanations of EPRA adjustments and requirements please refer to the

[EPRA Best Practices Recommendations](https://www.epra.com/application/files/3115/7287/4349/EPRA_BPR_Guidelines_241019.pdf)

[\(https://www.epra.com/application/files/3115/7287/4349/EPRA_BPR_Guidelines_241019.pdf\)](https://www.epra.com/application/files/3115/7287/4349/EPRA_BPR_Guidelines_241019.pdf)

EPRA Net Asset Values as of December 31, 2020

	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	3,687,068	3,687,068	3,687,068
Exclude:			
Net deferred tax liabilities	312,133	296,526	—
Derivative financial liabilities at fair value through profit or loss	5,099	5,099	—
Goodwill	(76,804)	(76,804)	(76,804)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	—	—	(81,464)
NAV	3,927,496	3,911,889	3,528,800
Number of shares	608,994,907	608,994,907	608,994,907
NAV per share	6.45	6.42	5.79

EPRA Net Asset Values as of December 31, 2019

	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	4,096,880	4,096,880	4,096,880
Exclude:			
Net deferred tax liabilities	374,120	336,708	—

OTHER INFORMATION

31 DECEMBER 2020

	EPRA NRV	EPRA NTA	EPRA NDV
Derivative financial liabilities at fair value through profit or loss	4,621	4,621	—
Goodwill	(87,114)	(87,114)	(87,114)
Include:			
Difference between the secondary market price and accounting value of fixed interest rate debt	—	—	(42,671)
NAV	4,388,507	4,351,095	3,967,095
Number of shares	599,797,201	599,797,201	599,797,201
NAV per share	7.32	7.25	6.61

EPRA NIY and “topped-up” NIY

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

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

EPRA NIY and “topped-up” NIY ¹	31 December 2020	31 December 2019
Investment property as per consolidated financial statements	5,802,398	6,022,600
Investment property under joint ventures (on a pro-rata basis)	53,482	55,064
Investment property held for sale	—	317,204
Less investment property under development	(210,935)	(221,841)
Total investment property in use, including joint ventures (on a pro-rata basis)	5,644,945	6,173,027
Estimated purchasers’ costs	28,225	30,865
Gross up value of the investment property in use, including joint ventures (on a pro-rata basis)	5,673,170	6,203,893
Annualised cash passing rental income*	394,560	418,665
Non-recoverable property operating expenses	(14,696)	(6,279)
Annualised net rents	379,864	412,386

OTHER INFORMATION

31 DECEMBER 2020

EPRA NIY and “topped-up” NIY ¹	31 December 2020	31 December 2019
Notional rent expiration of rent-free periods or other lease incentives	2,909	3,750
Topped-up net annualised rent	382,773	416,136
EPRA Net Initial Yield (EPRA NIY)	6.70%	6.65%
EPRA “topped-up” NIY	6.75%	6.71%

¹Annualised passing rent as at 31 December 2020 computed based on the contractual rental amounts effective as at that date.

1. Adjustment for unexpired lease incentives such as rent-free periods, discounted rent periods and step rents. The adjustment includes the annualised cash rent that will apply at the expiry of the lease incentive.

EPRA Vacancy Rate

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

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

EPRA Vacancy Rate	31 December 2020	31 December 2019
Estimated rental value of vacant space	18,659,370	9,694,517
Estimated rental value of the whole portfolio	433,740,263	459,680,754
EPRA Vacancy Rate	4.3%	2.1%

EPRA Cost ratio

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

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

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

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

OTHER INFORMATION

31 DECEMBER 2020

EPRA Cost ratios	31 December 2020	31 December 2019
Administrative expenses (line per IFRS consolidated financial statements)	20,838	21,550
Transaction fees	-	5,411
Net service charge costs*	14,364	6,401
Share of joint ventures expenses	466	17
EPRA Costs (including direct vacancy costs)	35,668	33,379
Direct vacancy costs	618	376
EPRA Costs (excluding direct vacancy costs)	35,050	33,003
Gross rental income*	337,328	407,139
Add: share of joint ventures (Gross rental income less ground rents)	3,390	6,370
Gross rental income	340,718	413,509
EPRA Cost ratio (including direct vacancy)	10.5%	8.1%
EPRA Cost ratio (excluding direct vacancy)	10.3%	8.0%

*Out of €47 million Partial forgiveness of receivables, approximately €4.6 million corresponded to service charge income; this amount was considered into the computation of net service charge costs. The remaining amount of Partial forgiveness of receivables corresponding to Gross rental income has been deducted from the respective line as at 31 December 2020.

GLOSSARY

Collection rate: operational performance indicator computed as at 31 December 2020 as cash collected relative to the Gross rental income and Service charge income as recognized in the consolidated financial statements (adjusted for concessions granted in the year); as at 31 December 2019, the collection rate was computed as 100%- default rate. The default rate was computed as the net expected credit losses (as recognized in the Statement of comprehensive income) divided by the Gross rental income and service charge income

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

Like-for-like: operational measure 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):
$$\frac{\text{Interest bearing debt} - \text{Lease liabilities associated to right of use assets} - \text{Cash}}{\text{Investment property (including investment property held for sale)} - \text{Right of use assets} + \text{Listed securities}}$$

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

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

EPRA measures

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

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

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

OTHER INFORMATION

31 DECEMBER 2020

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